European non-financial listed groups: Analysis of 2022 data

ERICA (European Records of IFRS Consolidated Accounts) WG
European Committee of Central Balance Sheet Data Offices (ECCBSO)

February 2024

ERICA Working Group
eccbso
European Committee of Central Balance Sheet Data Offices

EUROPEAN NON-FINANCIAL LISTED GROUPS: ANALYSIS OF 2022 DATA

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IMPORTANT INFORMATION ABOUT THE SOURCE USED (ERICA[1] DATABASE) AND ABOUT THE FIGURES BY COUNTRY

The data used in this study are obtained from publicly available financial statements of listed European non-financial groups, having been treated manually by CBSO statisticians and accounting specialists to fit a standard European format (ERICA format). This manual treatment involves, in some cases, interpretation of the original data, a constraint that readers of this document should bear in mind.

The database does not represent the total population of European non-financial groups. Nevertheless, the coverage of listed European groups attained with ERICA[2] (in the whole dataset of approximately 1,000 groups) is well-attuned to the situation and national composition of the stock markets. The analysis performed in this document, with the proviso expressed in the previous paragraph, provides a view of the position and performance of the listed non-financial European groups. However, it also includes some comments on the performance of listed European groups depending on the country where the parent company is based. As the largest ERICA groups are multinationals, it should be borne in mind that the performance of the groups from any given country does not necessarily reflect the performance of the country itself.

The opinions of the authors of this document do not necessarily reflect those of the national central banks to which they belong or those of the ECCBSO.

All the graphs and tables presented in the document are from the same source (ECCBSO-ERICA database).

[1] ERICA (European Records of IFRS Consolidated Accounts) is a database of the European Committee of Central Balance Sheet Data Offices (ECCBSO).

[2] Austria, France, Germany, Greece, Italy, Portugal, Spain and Turkey contributed to the dataset for 2022.

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I. EUROPEAN NON-FINANCIAL LISTED GROUPS: INTRODUCTION AND MAIN FINDINGS FROM 2022 DATA

The ERICA Working Group (WG) is a group of experts from European central banks. Under the aegis of the European Committee of Central Balance Sheet Data Offices (ECCBSO), this WG focuses on the impact of the International Financial Reporting Standards (IFRS) on the accountancy of non-financial corporations and groups, and their effects on European central balance sheet data offices' databases and questionnaires. The ERICA WG was established in 2008 to assess the potential opportunities and risks associated with the adoption of IFRS by European companies and groups. The group has since developed IFRS-compliant standard formats (using the IFRS Taxonomy defined by the IASB-XBRL Team) and created the ERICA (European Records of IFRS Consolidated Accounts) database.

The ERICA database is a repository of annual IFRS consolidated financial statements for non-financial corporations listed on European stock exchanges. The data is collected from publicly available financial statements, and it is manually treated by CBSO statistics and accounting specialists to fit a standard European format (ERICA format). The data is then used by central banks to monitor the financial health of non-financial corporations and groups in Europe.[3]

This document presents the results of the analysis carried out by members of the ECCBSO's ERICA WG of the information available in the ERICA 2022 database (listed non-financial groups,[4] with a total of approximately €8,600 billion in assets and €5,400 billion in revenue), and the most relevant facts for 2022 regarding the profitability and financial structure of European non-financial listed groups, as well as the financial debt structure and cost of debt.[5]

This report uses three different samples:[6]

- A *static* sample: This sample includes all groups for which data are collected in ERICA for 2022. The static sample consists of 835 groups;
- A *sliding* sample: This sample is obtained by selecting all groups for which data are collected in ERICA for both 2021 and 2022. The sliding sample encompasses 792 groups. Groups that underwent a change in sector or size are excluded from the sliding sample;
- A *fixed* sample: This sample only takes into account those groups for which data are collected in ERICA for each year over the 2018-2022 period. The fixed sample captures 626 groups.

Each sample is compiled by country and by sector, depending on the type of analysis. In samples by country, all country doubles (i.e. subsidiary groups of a higher-level group allocated to the same country) have been removed. In samples by sector, all sector doubles (i.e. subsidiary groups of a higher-level group allocated to the same sector) have been removed. Moreover, the static and sliding samples, which are made up of size classes, are adjusted by eliminating global doubles (i.e. subsidiary groups of a higher-level group that is also included in the sample).[7] For all the findings stemming from the total data, the same conditions (i.e. elimination of global doubles) apply. Therefore, the total data generally differ – in aggregates or numbers – from the sum of their components (i.e. countries, sectors or sizes).

[3] The ERICA WG's work has been influential in shaping the implementation of IFRS in Europe. The group's recommendations have been taken into account by European regulators and standard setters, and the ERICA database is used by central banks across the continent. The IASB (International Accounting Standard Board) is an observer of this WG.

[4] The final version of the 2022 ERICA database comprises a higher number of listed non-financial groups. However, at the start of the analysis process in October 2023, 2022 data collection had been completed for 835 groups.

[5] Except for Turkish financial debt structure and cost of debt analysis, due to the unavailability in the dataset of the breakdown of financial debt and interest expenses for Turkish groups.

[6] Figures refer to the global samples.

[7] All country doubles and sector doubles are by definition global doubles as well.

Considering the major impact of some large groups, weighted average figures by country or sector are often biased. For that reason, the analysis in this document mainly focuses on the median values of ratios. These median values are more accurately representing the behaviour of the majority of the population, unaffected by the weight of the largest groups. Nevertheless, in-depth analysis reveals that median figures may also be strongly influenced by a single group or just a few groups. In these cases, it is not the largest, but the median groups that determine changes in the median ratios.

The main findings of the study using 2022 data are:

1 Macroeconomic conditions had an impact on profitability in 2022.

In 2022, the global economy faced a number of challenges, including high inflation, rising interest rates, supply chain disruptions, and the ongoing COVID-19 pandemic.[8] Following the return to pre-pandemic levels in all countries, sectors, and size classes in 2021, the year 2022 saw further profit growth. However, the profitability of the European groups was impacted by high energy prices, inflation[9] and the implications of the war in Ukraine.[10] In the total sample (by sector), median EBIT and profit before tax increased by around 13% and 11%, respectively. At the same time, aggregate revenue rose by around 15%. Hence, profitability, measured by the EBIT margin (EBIT / revenue) decreased slightly by 0.4 pp to 7.7%.

All sectors posted a decline, less pronounced in the services sector. Whilst travel-related groups showed further improvements compared with the previous year, real estate groups, by contrast, recorded a negative trend in profitability, related to negative changes in the fair value of investment property. The energy sector posted a sharp decline in the EBIT margin. The substantial increase in total EBIT was accompanied by an equally high rise in revenue, both linked to (wholesale) energy prices reaching record levels in 2022. Energy prices, and the implications of the war in Ukraine, exerted significant pressure on the industry sector, particularly affecting the median change in EBIT and profit before tax, which declined by around -5% and -10%, respectively. The EBIT margin fell less sharply, returning to pre-pandemic levels. The construction sector, the smallest in the ERICA sample, again recorded the lowest median profitability associated with the sharp cutback of activity in 2022.

The other measures of profitability analysed painted a more positive picture. In contrast to the EBIT margin, the median EBITDA-to-assets ratio improved slightly to 10.1% and the median return-on-equity ratio remained stable at 12.4%. The changes in both ratios were related to a lower rise in total equity and total assets.

2 The Median Equity ratio and median net indebtedness rose.

In 2022, a strong increase in retained earnings[11] and the development of other reserves led to a steep growth in equity of 10.2% year-on-year, across all sectors and in the medium and large size classes. The small groups recorded only a moderate rise in equity.

Asset growth practically offset equity growth. As a result, the median equity ratio rose only slightly from 37.9% to 38.3%. This ratio performed unevenly across sectors, but increased in all size classes and

[8] The COVID-19 pandemic caused significant disruptions to global supply chains, leading to shortages of goods and increased transportation costs. This made it more difficult for businesses to produce and sell their products, adversely affecting profitability.

[9] Inflation rates rose sharply in 2022, driven by factors such as supply chain disruptions and increased demand. This put pressure on corporate profit margins, as groups had to pay more for commodities and labour.

[10] The war in Ukraine has caused further disruptions to the global economy, leading to higher energy prices and supply chain disruptions. This has put additional pressure on corporate profits, free cash flows and consequently made it more difficult for groups to service their debt.

[11] Retained earnings are an important part of a group's financial health, as they indicate the group's ability to generate profits and reinvest those profits in growth. It indicates the financial strength of a group.

countries, except in France, where it remained stable.

The median net indebtedness ratio[12] rose from 17.6% to 19.5%, reversing the downward trend of the previous two years. This led to a higher risk of financial distress, to which groups with high debt levels would be more vulnerable should their profits fall or interest rates rise. The ratio increased in all size classes and in the two most populous sectors, industry and services. At country level, only the Greek and Portuguese groups recorded a decrease in this ratio. Analysis by branch of activity reveals a mixed picture with the ratio rising in eight and falling in six branches.

3 Interest rate hikes imply a lagged increase in the cost of financial debt.

The financial debt structure of European non-financial listed groups remained fairly stable in 2022. Loans from financial institutions, usually referred to as bank loans, were the most popular form of debt capital in 2022 for European non-financial listed groups overall, despite the mixed picture presented by the country level data. Borrowings from financial institutions were also the most common form of financing across all size classes and almost all sectors (except for vehicle manufacturing). Even though groups make more frequent use of debt capital from financial institutions and leases, funding through the financial markets via bond issuance remained the main source of financial debt in terms of amounts raised (weighted by monetary amount). Large groups prefer to obtain most of their funding from bond issuance and, due to their size, they determine the final outcome. The majority of branches of activity replicated the country pattern of obtaining almost half of their debt capital from bond issuance.

Overall, the cost of debt held by European non-financial listed groups increased in median terms, due to the lagged effects of the monetary policy interest rate hikes, which were smoothed by the delayed effects in the transmission of monetary policy to the real economy. The median cost of debt rose in all countries and sizes, albeit more moderately in Austrian, French and medium-sized groups.

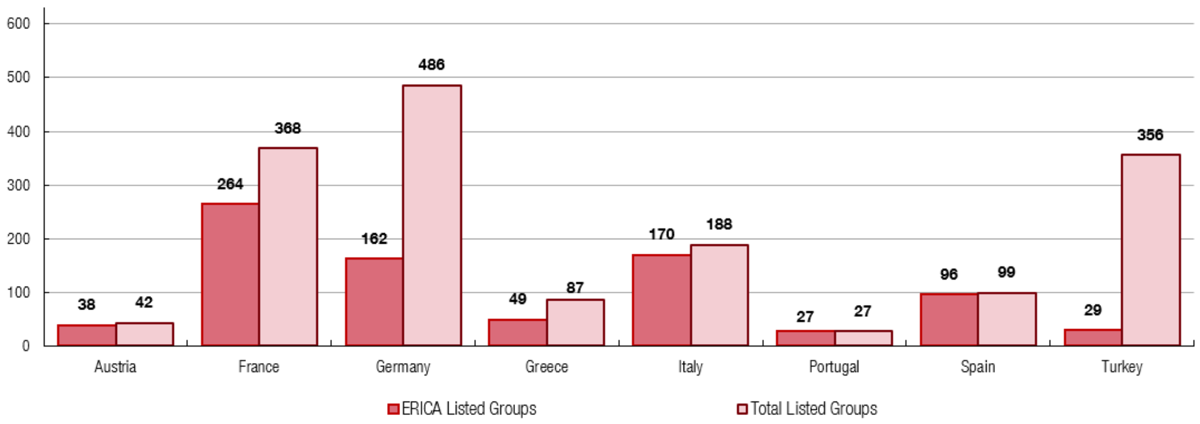
[12] The net indebtedness ratio is a key metric that investors use to assess the financial health of groups. Groups with high levels of debt are more vulnerable to financial distress, and they may have less money available to invest in growth opportunities

II. ERICA DATABASE: COVERAGE AND MAIN FIGURES

The 2022 ERICA database is integrated by 835[13] groups. 2022 was marked by a confluence of global events that had a significant impact on the world's economy and political landscape. The COVID-19 pandemic continued to pose challenges, with the ongoing lockdowns and supply chain disruptions hindering economic recovery. Simultaneously, the Russian invasion of Ukraine and the subsequent war sent shockwaves through the international community and also led to a renewed focus on energy security and efforts to reduce reliance on Russian oil and gas imports. As a consequence of this, the EU established penalties and sanctions on Russian raw material and energy imports, resulting in large energy demand and supply imbalances that caused prices to soar. Given that Europe's energy-intensive industry was highly dependent on these energy sources, particularly oil and natural gas, input prices were severely impacted. This, in turn, had a significant and widespread impact on the European value chain, dramatically reducing the competitiveness of some sectors while the energy sector recorded extraordinary profits, leading to windfall taxes being imposed to partially offset the effects on final consumer prices. These events have left their imprint on the global economy and political landscape with unprecedented challenges and transformations, shaping global developments in 2023 and beyond.

As Chart 1 shows, in absolute terms, the ERICA database covers a number of ERICA listed groups studied for 2022, ranging from 27 Real Cases in Portugal and 29 in Turkey, to 170 in Italy and 264 in France.

CHART 1 LISTED GROUPS BY COUNTRY IN 2022 (absolute number)



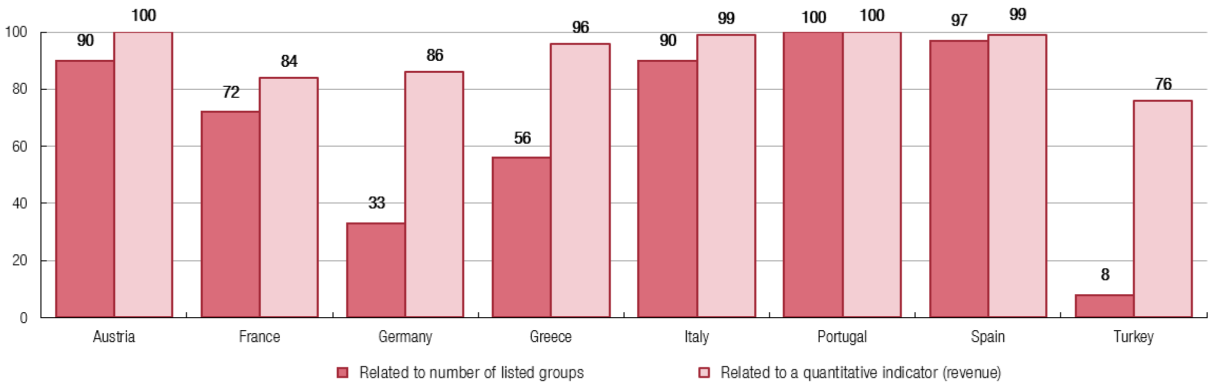
Source: ERICA 2022 and national databases.

The ERICA database's coverage in terms of a quantitative indicator (revenue) in Chart 2 shows that it is highly representative of the total population of listed European non-financial groups: coverage is high for almost all countries, varying from 76% in Turkey, 84% in France or 86% in Germany to 100% in Austria and Portugal.

In relative terms, by number of listed groups, when the ERICA database is compared with the total population of listed groups, the coverage rate varies from 8% in Turkey to 100% in Portugal.

[13] Double country identification leads to a reduction in the coverage related to the total number of ERICA listed groups by country, particularly in Italy (9), France (5), Germany (6), Portugal (2) and Spain (3).

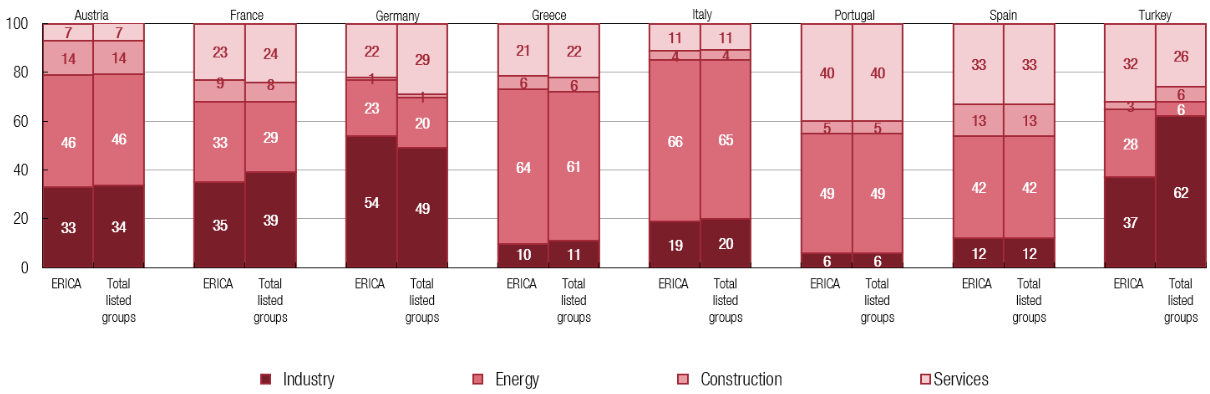
CHART 2 DATABASE COVERAGE IN 2022 (in %)



Source: ERICA 2022 and national databases.

Regarding the sectoral breakdown in Chart 3, listed European groups differ greatly from country to country. Both the sample and the population are mostly aligned in every country except Turkey, where the energy and services sectors are over-represented in the sample, mainly at the expense of the industry and construction sectors, which are under-represented, compared with the total non-financial listed groups. Industry is especially important in Germany and Turkey while energy has a high weight mainly in Greece and Italy. The construction sector has the largest share in Austria and Spain. Lastly, the service sector is important in almost all countries, especially relevant in Portuguese, Spanish and Turkish ERICA listed groups.

CHART 3 STRUCTURE BY COUNTRY AND SECTOR IN 2022 (in % of revenue)



Source: ERICA 2022 and national databases.

III. PROFITABILITY: IMPACT OF MACROECONOMIC CONDITIONS

Profitability figures, along with the coverage, financial structure and cost of debt analysis set out in this document, are based on financial data for 2022, available in the ERICA database for non-financial European groups listed on a European stock exchange. Three different samples are used, as explained in the introduction. Within or between countries and sectors, separate group entities (such as parent companies and subsidiaries) may feature independently. The way in which samples are composed differs, depending on the purpose of the analysis.

TABLE 1 ERICA: OVERVIEW OF AGGREGATE PROFITABILITY VARIABLES IN 2022

In € billion	Number	Total assets	EBIT	EBITDA	P/(L) before tax	Revenue
By country						
Austria	38	206.09	19.99	30.58	20.16	167.40
France	264	3,020.57	161.54	280.92	105.62	1,720.03
Germany	162	3,174.71	135.65	302.13	127.88	2,207.34
Greece	49	81.09	7.12	10.68	6.49	77.25
Italy	170	1,003.25	48.17	85.89	46.74	527.32
Portugal	27	131.25	8.27	14.96	7.79	97.34
Spain	96	893.43	47.84	91.99	41.15	491.12
Turkey	29	120.43	14.89	19.16	11.70	116.05
Total	**835**	**8,630.82**	**443.48**	**836.32**	**367.53**	**5,403.85**
By sector						
Industry	352	3,305.39	227.68	394.49	189.20	2,040.07
Energy	61	2,501.48	94.71	193.54	87.22	1,809.68
Construction	45	426.50	18.94	33.24	15.44	281.82
Services	374	2,328.77	100.05	210.75	73.53	1,220.35
Total	**832**	**8,562.14**	**441.39**	**832.01**	**365.40**	**5,351.92**
By size (revenue)						
Small groups (< 250 mn)	282	99.00	2.59	5.28	2.62	28.49
Medium-sized groups (250 mn - 1,5 bn)	261	391.46	19.12	32.58	17.97	178.28
Large groups (>1,5 bn)	286	8,022.29	417.01	789.23	342.45	5,121.38
Total	**829**	**8,512.75**	**438.73**	**827.09**	**363.04**	**5,328.15**

Source: ERICA 2022 static sample.
Note: The number of firms by country and by sector or by size differs: some double-counted groups belong to different countries but are in the same sector. Main figures for 2022 (filter used to avoid double-counting in each sector, size and country counting), with data in €billion.

Chapter II shows how highly representative the ERICA database is for non-financial listed groups. Table 1 provides a breakdown of the 2022 static sample by country, sector, and size. It reveals the high proportion of French and German groups in ERICA (as is the case in the total population): around 50% in terms of the number of groups and around 70% in terms of total assets and revenues. Regarding size, of all variables analysed in this chapter (assets, revenue, EBIT, EBITDA, profit/loss), more than 90% are reported by large groups (those with revenue of over €1.5 billion). If we consider groups' main business activity, those in the industry sector account for around 40% in terms of total assets and revenues, followed by the energy sector with around 30%. The second-biggest sector of activity in terms of the number of groups, EBIT and EBITDA is services. Taken together, the services and industry sectors account for 87% of the groups analysed.

III.1 EBIT AND PROFIT BEFORE TAX: SLOWDOWN IN GROWTH

In 2022, the figures for EBIT and profit before tax showed further, but slower, growth. In the total sample (by sector), the median EBIT and profit before tax increased by around 13% and 11%, respectively. At the same time, median revenues increased by around 15%.

TABLE 2 RATE OF CHANGE IN 2021-2022

	EBIT	*Median EBIT*	*EBITDA*	*Median EBITDA*	*P/(L) before tax*	*Median P/(L) before tax*	*Revenue*	*Median Revenue*
By country								
Austria	*59.3%*	-13.3%	*34.6%*	-33.4%	*51.5%*	-13.1%	*39.4%*	10.4%
France	*7.2%*	0.7%	*15.9%*	-3.8%	*-5.0%*	6.5%	*25.9%*	12.1%
Germany	*6.9%*	-12.4%	*7.7%*	-0.7%	*1.3%*	-18.8%	*25.0%*	16.9%
Greece	*77.9%*	-0.4%	*48.7%*	8.2%	*98.8%*	22.3%	*62.2%*	1.6%
Italy	*86.9%*	30.5%	*32.4%*	81.1%	*102.6%*	5.7%	*46.5%*	23.7%
Portugal	*55.9%*	68.6%	*35.9%*	43.0%	*81.6%*	91.3%	*35.4%*	9.1%
Spain	*16.6%*	90.0%	*14.0%*	28.6%	*16.1%*	34.4%	*29.9%*	12.8%
Turkey	*50.7%*	69.5%	*40.2%*	43.0%	*47.8%*	-6.8%	*77.7%*	41.8%
Total	***25.3%***	***12.8%***	***15.7%***	***3.7%***	***13.2%***	***14.0%***	***29.5%***	***21.3%***
By sector								
Industry	*28.0%*	-4.8%	*22.4%*	4.1%	*8.0%*	-10.1%	*16.8%*	19.2%
Energy	*2.6%*	67.3%	*4.1%*	10.5%	*0.7%*	35.3%	*61.0%*	59.2%
Construction	*62.9%*	59.3%	*29.7%*	8.4%	*70.3%*	-13.5%	*21.4%*	11.8%
Services	*36.2%*	58.9%	*13.9%*	7.1%	*33.6%*	57.2%	*19.0%*	11.7%
Total	***24.3%***	***13.2%***	***15.8%***	***7.0%***	***12.3%***	***11.1%***	***29.7%***	***14.8%***
By size (revenue)								
Small groups (< 250 mn)	*-30.3%*	1.5%	*-14.9%*	6.7%	*-28.4%*	-6.2%	*14.8%*	19.0%
Medium-sized groups (250 mn - 1,5 bn)	*-4.2%*	8.3%	*-1.5%*	5.8%	*-2.3%*	8.5%	*14.3%*	13.2%
Large groups (> 1,5 bn)	*26.6%*	29.9%	*16.3%*	24.4%	*13.1%*	16.1%	*29.8%*	32.1%
Total	***24.4%***	***7.5%***	***15.3%***	***7.4%***	***11.8%***	***11.2%***	***29.2%***	***12.3%***

Source: ERICA 2022 sliding sample.
Note: The number of firms is the same for each year analysed, 744 for size, 787 for sector, and 801 for country analysis.
For sector and size analysis the number of firms considered is netted by the firms that have changed size or sector.

The year 2021 was marked by the strong recovery from the pandemic in all sectors. In 2022, overall, profitability continued to grow but was affected by the macroeconomic conditions, such as the high energy prices, inflation, and the implications of the war in Ukraine, as the median figures in Table 2 notably show. Generally, the gap between the aggregate and the median rate of change reflects the weight of large dominant groups, while the median is less affected by these groups (the bigger the sample, the less affected).

Most of the countries posted strong aggregate profit. The median figures showed greater differences and notably had lower explanatory power for countries with a small group sample (Austria, Greece, Portugal and Turkey). The differences in countries' performance were partly due to the countries' sample compilations (see Chart 3 for a sectoral breakdown), leading to results that probably did not fully reflect the situation of the entire sector within a country, and partly due to structural country specifics.

Analysis by sector revealed that services and energy had the highest median growth rates in 2022, in terms of EBIT and profit before tax.

In the services sector, the travel-related groups showed further improvements compared with the previous year, when some groups were still affected by the pandemic despite the general strong catchup effect. In 2022, however, there was a turnaround for major airlines and airport operators, and for large travel agencies and hotel groups. Conversely, real estate groups recorded reduced profitability related to negative changes in the fair value of investment property. In total, the profits of the services sector increased by nearly 60% in the median. Depending on the compilation of the services sector, ERICA countries showed different sectoral developments. The services sector accounted for a substantial share of the Portuguese and Spanish group samples and both countries showed broadly positive sectoral developments, with notable exceptions, such as a single, large Spanish telecommunications group facing a steep drop in profits. The same holds for the services sector in Germany, Greece, France, Italy and Turkey, which represented a lower but still significant share of the countries' samples. In the sample of French groups, in particular, the services sector made a positive overall contribution, whilst groups in the other sectors saw a decline in median terms. In the Greek sample, single real estate groups and the telecommunications subsector had a negative impact, as did telecommunications in the Turkish services sector. In the Austrian services sample, the real estate subsector was strongly represented and posted a sharp decline in profitability due to substantially lower investment property values.

The gap between aggregate and median figures was very pronounced in the energy sector. In aggregate terms, the growth in EBIT and profit before tax stood at 2.6% and 0.7% respectively, due to the negative effects of single large energy groups from Germany and France (major operating losses due to the reduced gas supplies from Russia, the decline in electricity output and exceptional regulatory measures). The median figures, however, largely unbiased by these effects, reflected a strong increase in profit in the European energy groups (of around 67% / 35%), combined with an equally high rise in revenue of around 60%, on the back of energy prices which reached record levels in 2022. This was linked to the increase in wholesale energy prices globally, which had started in 2021 in the wake of the COVID-19 pandemic, and growing international demand. The Russian invasion of Ukraine and climate conditions have had an aggravating effect.[14] The country samples from Austria, Greece and Italy, in particular, were driven by growth in the energy sector. In the Austrian group sample, for instance, the performance of one dominant energy group accounted for 36% of total revenue. Excluding this group, aggregate growth in EBIT and profit would stand at around 7% and 11%, respectively. For Germany and France, however, the contribution of the energy groups to countries' overall EBIT growth was negative, the German energy sector being mainly composed of electricity groups. Aside from the above-mentioned constraints, group-specific factors may also have contributed to the downward trend.

Energy prices, as well as the implications of the war in Ukraine, put significant pressure on the profitability of the industry sector, as borne out by the median figures. In aggregate terms, EBIT and profit before tax rose by 28% and 8%, respectively, influenced by the performance of single large groups (10 groups with EBIT growth of more than €1 billion), amongst others in the German automotive and chemical industries. The median figures, which are unbiased, revealed that EBIT and profit before tax declined by around -5% and 10%, respectively. Almost 40% of the 334 industry groups in the ERICA sample (mostly in the medium-sized group sample) reported negative developments in EBIT / profit in 2022. At country level, German and French industry groups, which represented a substantial share of countries' total samples, were particularly impacted by the sharp rise in energy and commodity prices, leading to a decline in median EBIT / profit before tax. Also, the Turkish industry groups in the sample, which accounted for 62% of total Turkish revenues, showed a downward performance in median terms, as more than half of Turkey's industry groups in the sample posted a decline in EBIT. The challenging market conditions also had a dampening effect on the industry sectors in Austria, Italy and Greece,

[14] See Energy price rise since 2021 - Consilium (europa.eu)

albeit less pronounced. The industry groups in Spain and Portugal seemed more resilient, although their share in the countries' total sample was quite low.

The construction sector, the smallest in the ERICA sample, showed aggregate EBIT / profit growth of around 60% / 70%. However, this was positively biased by two dominant groups in France and Italy. Excluding these two groups, growth in aggregate EBIT / profit before tax would be lower (31% / 19%). Given the small sample, median EBIT growth would also be lower, at 14%. Median profit before tax, however, declined by -13.5%, irrespective of any outlier correction. In terms of group size, the construction sector was composed of 45 large groups with broadly sound EBIT/profit growth, whereas the majority of the small and medium groups posted declines in EBIT. The construction sector accounted for a relatively bigger share of revenue in the Austrian and Spanish group samples. The Austrian construction sector, dominated by three single large groups, showed an overall decline. The Spanish sectoral sample revealed a negative performance in the small and medium-sized groups, whilst the large groups performed soundly.

Analysis by group size revealed that overall profit growth was underpinned by large groups, which recorded the highest growth rates in all measures, accompanied by a strong rise in revenue of 32% in median terms. Conversely, small and medium groups posted steep declines in aggregate terms, particularly due to developments in the industry sector. The median figures showed a moderately positive picture, with growth rates below 10%.

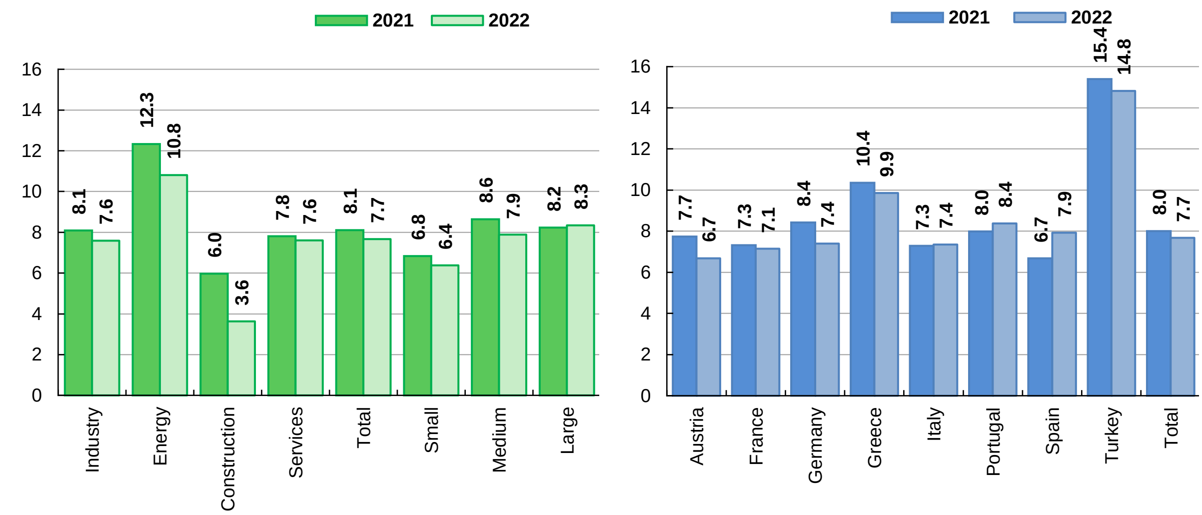
III.2 EBIT MARGIN: MOST SECTORS AND COUNTRIES HAVE STABILISED AT PRE-PANDEMIC LEVELS

The profitability analysis is based on the EBIT margin, measured as EBIT/revenue. In median terms, the total EBIT margin showed a slight reduction of 0.4 pp in 2022, to stand at 7.7% (see Chart 4). With a single exception, every group size posted a slight decrease. It only remained practically stable among large groups, at the high level of 8.3%, while for small and medium-sized groups it declined by 0.5 pp and 0.8 pp, respectively. However, the weighted figures for small groups showed a more pronounced fall of 5.7 pp. While their EBIT only increased slightly by 1.5%, revenue grew significantly by 19.0%.

All sectors posted declines, with the construction and energy sectors decreasing the most. With a decline of 2.3 pp, the construction sector recorded once again the lowest median ratio (3.6%). Conversely, despite decreasing by 1.5 pp between 2021 and 2022, the energy sector achieved the highest margin of all the sectors (10.8%), followed by the industry and services sectors (7.6% in each case).

Most countries posted slightly reduced growth rates of between 0.2 pp and 1.0 pp, with Austria and Germany suffering the sharpest declines. In the German sample, the (dominant) industry sector in particular was negatively impacted by the macroeconomic conditions, which contributed substantially to the downward performance. Additionally, the weighted figures for the German groups' sample revealed a decline of 1 pp (see Annex B). While Austrian groups showed the lowest EBIT ratio (6.7%) after declining by 1 pp in median terms, the weighted figures for the Austrian sample improved by 1.4pp, leading to an EBIT ratio of 11.9%, the second-highest (see Annex B). This was strongly influenced by the sound performance of one dominant large energy group (+5.7 pp), which represents around 36% of Austrian group's total EBIT and total revenue. Spanish and Portuguese groups were able to improve their median EBIT ratio slightly, by 1.2 pp and 0.4 pp, respectively, and that of the Italian groups remained virtually stable. In median terms, the highest ratio was posted by Turkish groups (14.8%), possibly influenced by the sample selection itself. The coverage of the Turkish sample is smaller than for the other countries (see Charts 1 and 2), and the selection is skewed towards more profitable groups.

CHART 4 MEDIAN EBIT MARGIN – EBIT / REVENUE 2021-2022 (in %)

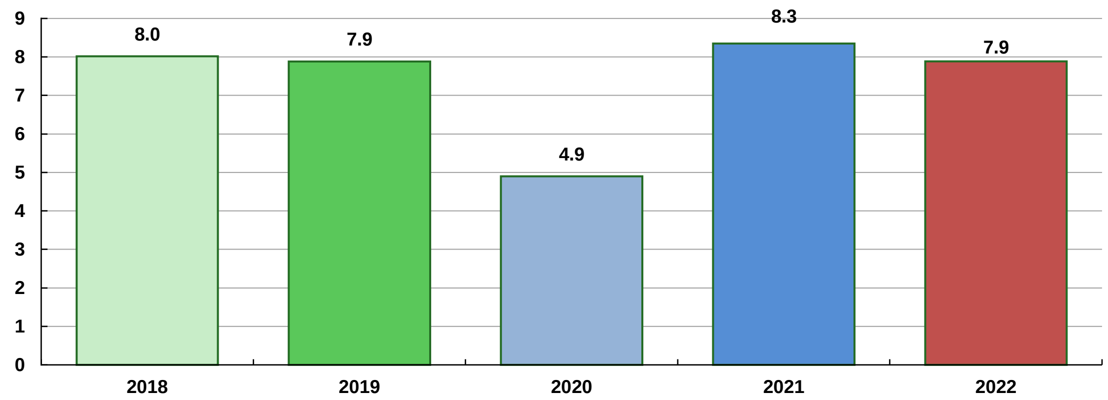


Source: ERICA 2022 sliding sample.

On a timescale covering the last five years for a (smaller) fixed sample of groups, following a strong recovery in 2021, the median EBIT margin decreased slightly by 0.4 pp in 2022 and has stabilised at 7.9%, around the pre-pandemic levels of 2018-2019 (see Chart 5).

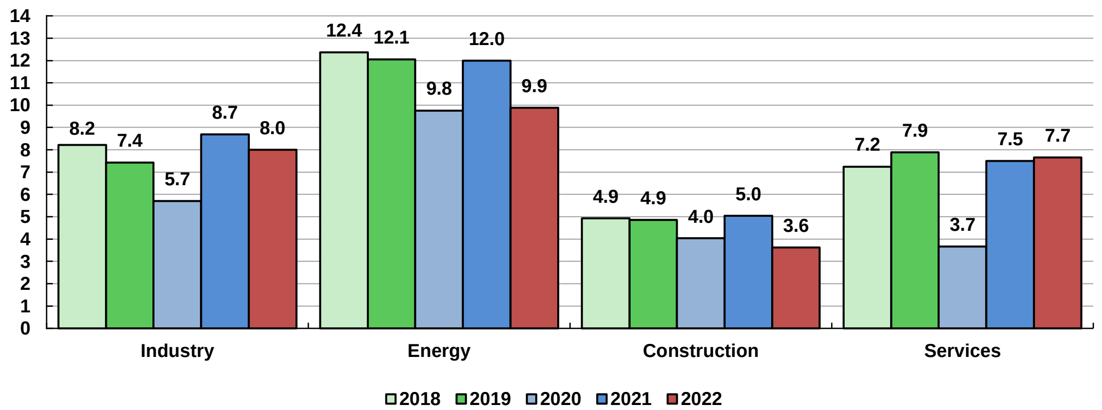
Within the fixed sample, only the services sector was able to improve its EBIT margin slightly (by 0.2%, to 7.7% in 2022). Nevertheless, this sector still had the second-lowest EBIT margin of all the sectors (see Chart 6). There was a particularly negative impact on the energy and construction sectors, with margin reductions of 2.1 pp and 1.4 pp, respectively. With a median EBIT margin of 3.6%, the construction sector not only remained the sector with the lowest ratio in 2022, but it also dropped to a new all-time low in the observed five-year time span. The industry sector's margin dropped by 0.7 pp, but has stabilised at pre-pandemic levels.

CHART 5 MEDIAN EBIT MARGIN – EBIT / REVENUE 2018-2022 (in %)



Source: ERICA 2022 fixed sample.

CHART 6 MEDIAN EBIT MARGIN BY SECTOR 2018-2022 (in %)

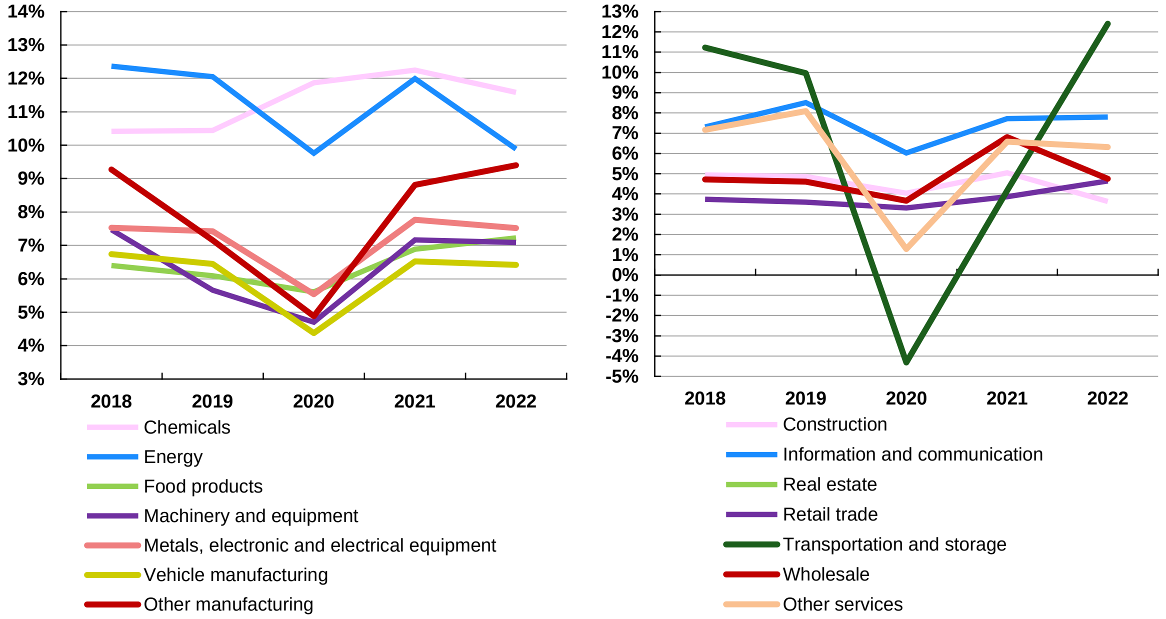


Source: ERICA 2022 fixed sample.

Most sectors according to branches of activity followed an overall sideways trend in 2022. Within the industry sector, most sub-sectors performed homogeneously and recorded slight reductions of between 0.7 pp and 0.1 pp in their margins (see Chart 7). Only the energy sector posted a stronger decline of 2.1 pp, but it retained a still-high margin of 9.9%, exceeded only by the chemical industry with a margin of 11.6%. Food products and other manufacturing recorded marginal improvements of 0.3 pp and 0.6 pp, respectively, after the rebound in 2021, leading both to a new all-time high within the observed timespan of five years.

While most sub-sectors within the services sector saw minor changes of between -2.1 pp and 0.8 pp in their median EBIT margin, the transportation and storage sector stood out owing to its volatility in 2019-2022. After the sharp drop from 10% to -4.3% in 2020, the sub-sector showed a strong rebound, with annual growth rates of over 8 pp in 2021 and 2022, leading to a new all-time high of 12.4%. This is clearly related to the major impact of the COVID-19 crisis on European airlines and airline operators and their return to pre-pandemic levels. As in previous years, the real estate sector (not shown in Chart 7 due to scaling) also recorded an extremely volatile trend. From an all-time high in 2018 (77.7%), the EBIT margin fell sharply to 30.3% in 2020, recovered in 2021 (57.4%) and finally dropped to a new all-time low of 20.6% in 2022. This was clearly related to changes in the fair value of investment property.

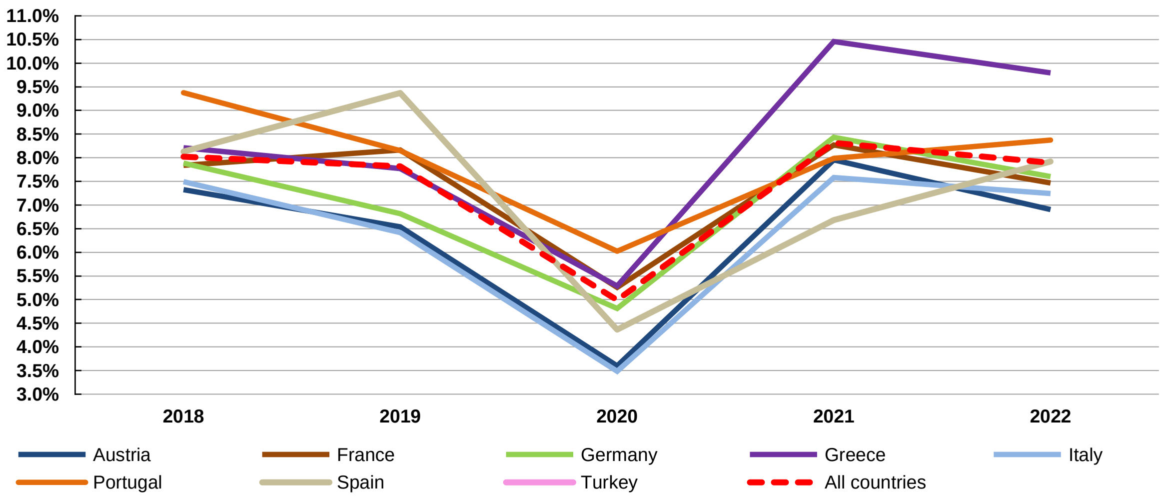
CHART 7 MEDIAN EBIT MARGIN BY BRANCH OF ACTIVITY 2018-2022



Source: ERICA 2022 fixed samples.

The time series at country level reveals that most countries stabilised at pre-pandemic levels in 2022, after a strong recovery in 2021. Most countries recorded only slight changes of between 0.4 pp and -0.8 pp. Only Turkish and Austrian groups saw larger decreases, of 1.1 pp and 1.0 pp, respectively. While Turkey remained at the top of this ranking with 14.7%, followed by Greece (9.8%), Austria slipped to the bottom of the list (6.9%). Germany went from having the second-best EBIT margin in 2021 to a medium ranking in 2022. In contrast to most countries, Spanish groups posted a moderate rise of 1.2 pp to 7.9%, the median EBIT ratio of all countries (see Chart 8).

CHART 8 MEDIAN EBIT MARGIN BY COUNTRY 2018-2022

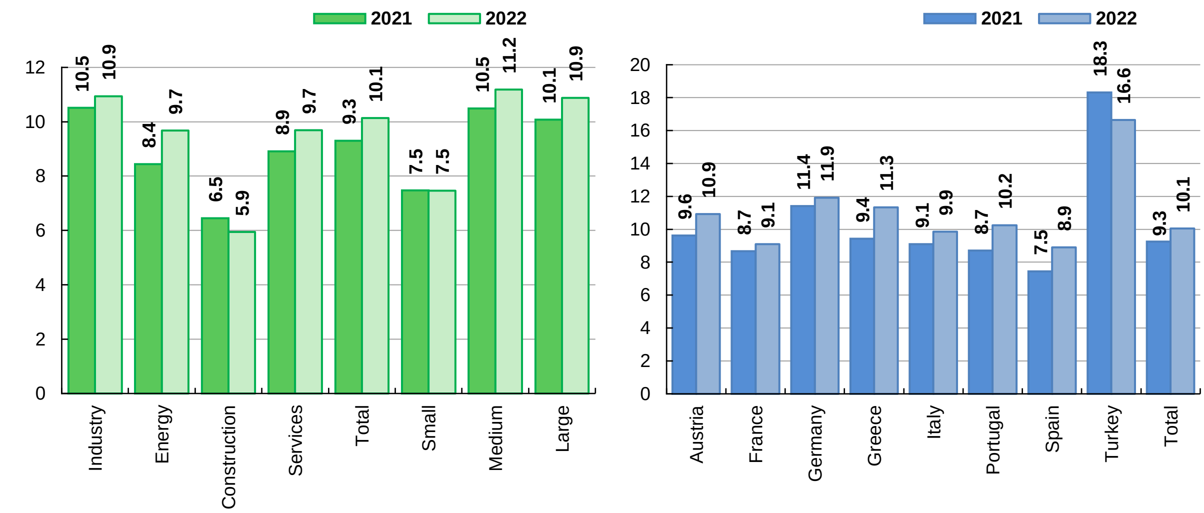


Source: ERICA 2022 fixed sample.

III.3 EBITDA RATIO: SLIGHT INCREASE ACROSS ALMOST ALL SECTORS AND COUNTRIES

EBITDA is an approximate measure of a group´s operating cash flow, calculated as earnings before interest, taxes, depreciation and amortisation.

CHART 9 MEDIAN EBITDA TO ASSETS RATIO 2021-2022 (in %)



Source: ERICA 2022 sliding sample.

In contrast to the EBIT ratio, the median EBITDA-to-assets ratio improved slightly, from 9.3% in 2021 to 10.1% in 2022. With the single exception of construction, all other sectors saw moderate growth of between 0.4 pp and 1.2 pp, the most pronounced being in industry, which posted the highest margin (10.9%). Meanwhile, the construction sector remained at the bottom of the ranking with a margin of 5.8%, down slightly by 0.5 pp on the previous year. By size, medium-sized and large groups improved by 0.7 pp and 0.8 pp, respectively, while small groups remained stable at 7.5%, the lowest median ratio of all size classes.

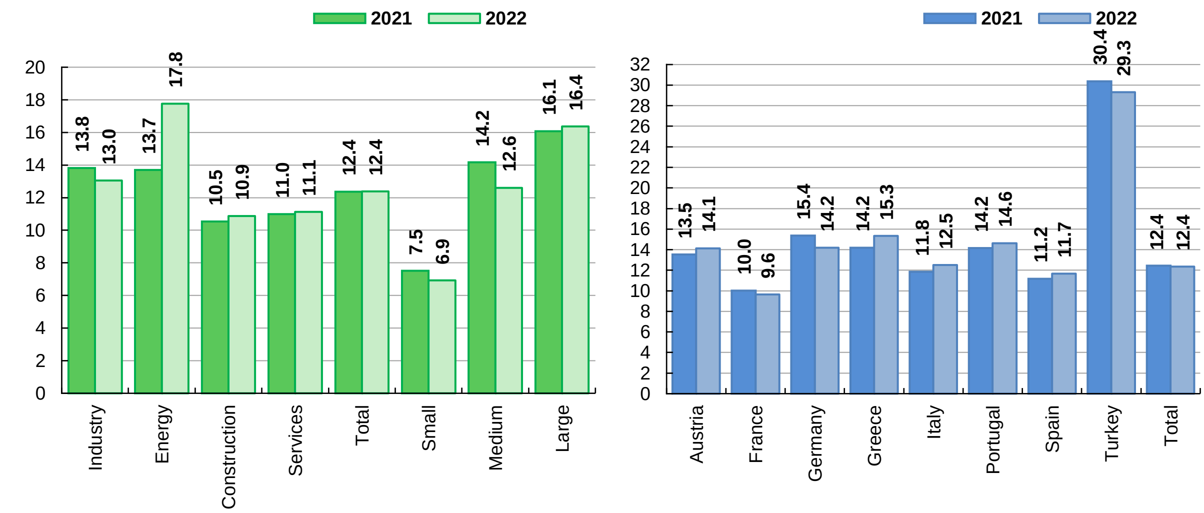
All countries except Turkey posted an increase of between 0.4 pp and 1.9 pp in their median EBITDA-to-assets ratio. Despite a decline of 1.7 pp, Turkish groups achieved the highest ratio of all countries with 16.6%, followed by German (11.9%), Greek (11.3%) and Austrian groups (10.9%).

III.4 ROE: STABLE PERFORMANCE IN MOST SECTORS, SIZES AND COUNTRIES

Looking at pre-tax profit relative to equity, the median return-on-equity (ROE) ratio posted by European listed groups in 2022 remained stable at 12.4%. With the single exception of the energy sector, all sectors and sizes only showed marginal growth rates of between 0.3 pp and -1.6 pp. While energy groups posted the highest ROE in median terms (17.8%, +4.1 pp), based on the weighted figures this sector showed a decrease of 1.1 pp to 14.5% and therefore ranked below both the industry and the construction sectors (15.4% in both cases; see Annex B). Two large energy groups saw high losses in their profits due to the reduced gas supplies from Russia, the decline in electricity output and exceptional regulatory measures that influenced the weighted figures. By size, large groups retained the highest median ROE, up by 0.3 pp to 16.4%, more than double that of small groups (6.9%).

The country breakdown reveals a largely stable performance across all samples in median terms. Despite declining by 1.1 pp, Turkish groups posted a noteworthy ROE of 29.3%, while most countries recorded ratios of between 11.7% and 15.3%. French groups remained at the bottom of the ranking with 9.6%, after a 0.4 pp decline. By contrast, based on the weighted figures, some countries posted remarkable growth rates, the most pronounced being that of Greece (10.8 pp), followed by Italy (9.8 pp), Portugal (9.6 pp) and Austria (5.6 pp). In those countries the sound performance of large energy groups, primarily driven by high oil and gas prices, was the main factor behind the course of these country samples (see Annex B).

CHART 10 MEDIAN RETURN ON EQUITY: PROFIT (LOSS) BEFORE TAX / EQUITY 2021-2022 (in %)



Source: ERICA 2022 sliding sample.

IV. FINANCIAL POSITION: MODERATE INCREASE IN THE MEDIAN EQUITY RATIO, WITH A CONCURRENT RISE IN THE MEDIAN NET INDEBTEDNESS RATIO

The ERICA dataset provides information on listed corporate groups in continental Europe. For 2022, the database covers 835 groups, thus providing a highly relevant assessment of the non-financial sector in continental Europe. Based on data for non-financial corporate groups with assets worth approximately €8,600 billion, this chapter provides an analysis of the key financial structure items. As the 286 largest groups account for 94% of total assets in 2022, they dominate the aggregate figures. Therefore, median numbers are reported in the chapters, but weighted averages are also shown in Annex C.

TABLE 3 OVERVIEW OF AGGREGATE FINANCIAL STRUCTURE POSITIONS IN 2022

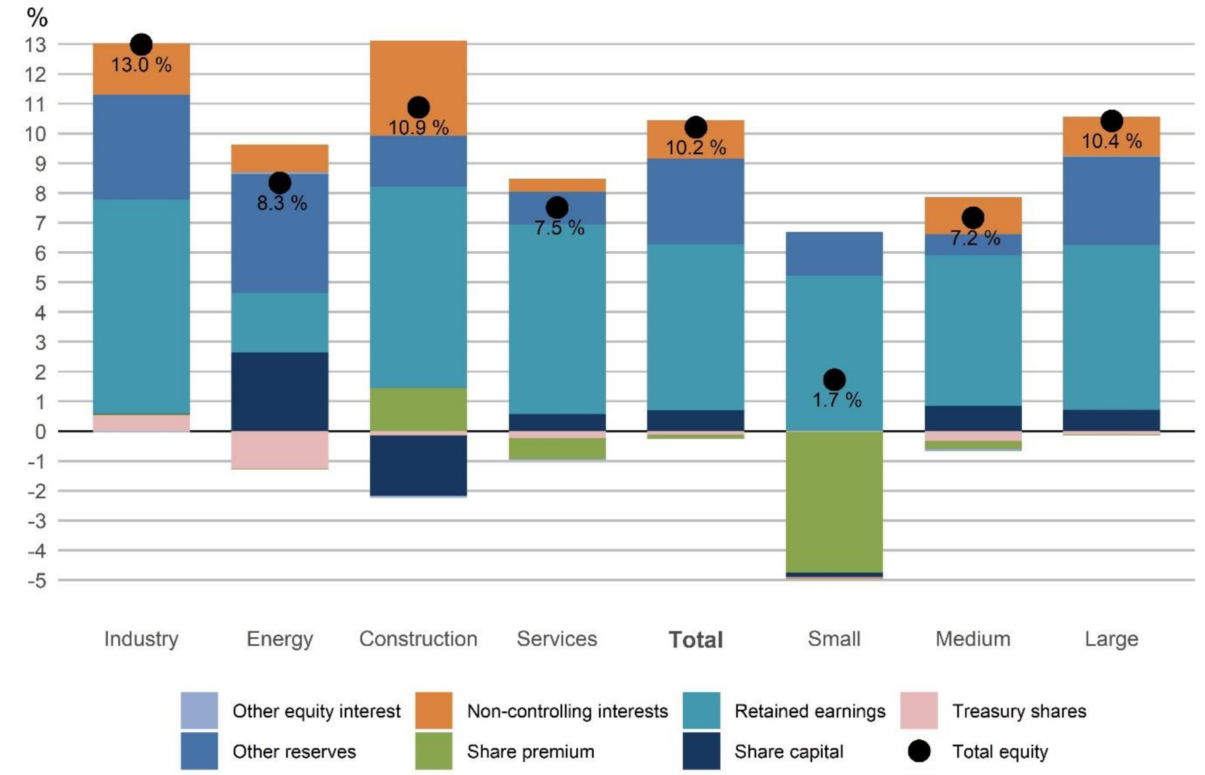
In € billion	Number	Total assets	Financial debt	Cash & cash equivalents	Equity
By country					
Austria	38	206.09	47.71	20.53	86.90
France	264	3,020.57	841.10	293.15	975.52
Germany	162	3,174.71	1,030.64	193.55	1,018.12
Greece	49	81.09	25.87	13.03	25.54
Italy	170	1,003.25	360.27	70.28	223.90
Portugal	27	131.25	47.96	13.34	33.75
Spain	96	893.43	333.88	82.69	273.73
Turkey	29	120.43	40.90	16.33	46.65
Total	**835**	**8,630.82**	**2,728.33**	**702.91**	**2,684.12**
By sector					
Industry	352	3,305.39	1,039.22	274.50	1,241.97
Energy	61	2,501.48	661.80	171.80	605.06
Construction	45	426.50	132.29	58.10	105.37
Services	374	2,328.77	874.28	192.06	730.75
Total	**832**	**8,562.14**	**2,707.59**	**696.47**	**2,683.15**
By size (revenue)					
Small groups (< 250 mn)	282	99.00	35.19	9.51	45.74
Medium-sized groups (250 mn - 1,5 bn)	261	391.46	136.68	36.00	169.31
Large groups (> 1,5 bn)	286	8,022.29	2,518.58	648.69	2,445.10
Total	**829**	**8,512.75**	**2,690.45**	**694.2**	**2,660.14**

Source: ERICA 2022 static sample.
Note: The number of firms by country and by sector or by size differs: some double-counted groups are in different countries but belong to the same sector. Main figures for 2022 (filter used to avoid double-counting for each sector, size and country), with data in € billion.

IV.1 SLIGHT INCREASE IN THE MEDIAN EQUITY RATIO

Chart 11 gives an overview of changes in equity in 2022. The contributions of the seven line items composing total equity are presented for the various sectors and size classes.

CHART 11 CONTRIBUTIONS TO TOTAL EQUITY GROWTH, BY SECTOR AND BY SIZE IN 2022



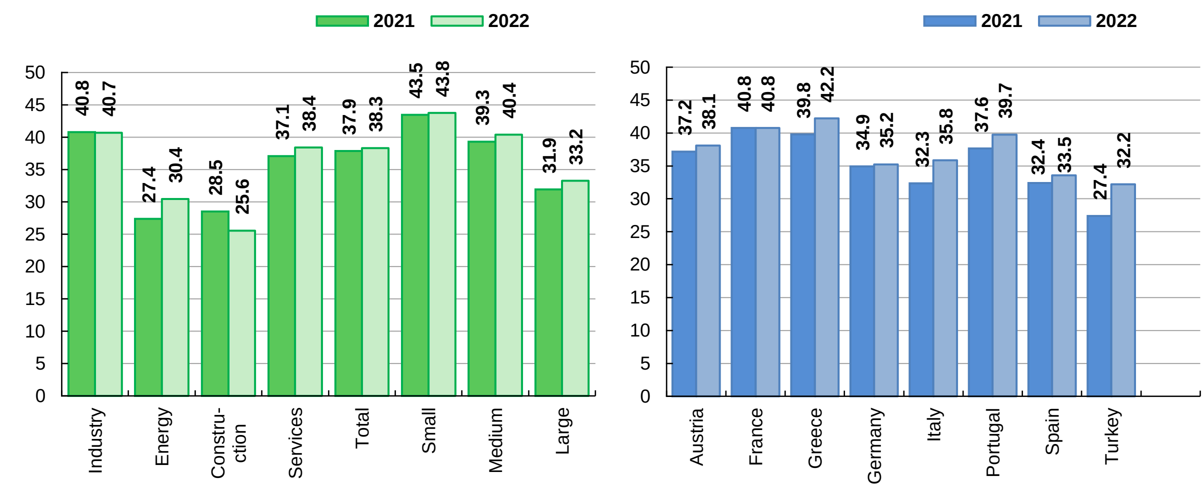
Source: ERICA 2022 sliding sample.

In 2022, groups' revenues and profits rose sharply, leading to a strong increase in retained earnings. As a result, retained earnings were the largest contributor to the 10.2% year-on-year growth in equity. Positive effects from currency translation, the revaluation of defined benefit pension plans and hedging reserves drove up other reserves, which also made a significant contribution to the change in total equity. At individual level, total equity increased for three-quarters of the groups.

Total equity rose significantly in all sectors. Equity growth in the energy sector (8.3%) was mainly due to other reserves and share capital, in addition to retained earnings. The change in share capital was almost exclusively attributable to a large German group. The increase in equity in the energy sector was slightly offset by the rise in treasury shares held by a large French group and a large Italian group. In the other three sectors, all of which had higher operating profit growth than the energy sector, retained earnings were the main driver of equity growth. In industry, other reserves also contributed significantly to the 13.0% growth in equity. Moreover, non-controlling interests increased total equity, largely due to the consolidation effects of two large German groups. In the construction sector, the change in non-controlling interests of a large French group also contributed to total equity (10.9%). The capital increase of a large Italian group had an opposite effect on share capital and the share premium.

There are clear differences in the change in total equity across the different size classes compared with the previous year. Retained earnings contributed to the build-up of equity to roughly the same extent across all size classes. For the small groups, however, this increase was almost fully offset by a decrease in share premia. The change in retained earnings and share premia of the small groups was significantly influenced by a single German group. Overall, the small groups' equity rose by 1.7%, while that of the medium-sized groups grew by 7.2%. In addition to retained earnings, the expansion of non-controlling interests in one Austrian and one German group also pushed up equity. Large groups increased their equity the most, by 10.4%. This was due to growth in other reserves, as well as retained earnings.

CHART 12 MEDIAN EQUITY RATIO 2021-2022 (in %)



Source: ERICA 2022 sliding sample.

In 2022 the equity ratio increased for the second year running. The median equity ratio grew by 0.4 pp to 38.3%. As mentioned above, total equity rose by 10.2% year-on-year. The only moderate increase in the equity ratio was attributable to a rise in total assets, which almost entirely offset equity growth.

The sectoral breakdown reveals a very heterogeneous situation. The industry sector, which was the largest in terms of equity, merely showed a stable performance of the median equity ratio. The median equity ratio of the energy sector increased by 3 pp, largely due to favourable valuation effects of derivatives and consequently a rise in other reserves. The construction sector posted a decline in the median equity ratio. The overall hike in commodity prices led to an increase in total assets that more than offset the rise in equity. The construction sector also posted the lowest median equity ratio (25.6%). The median equity ratio of the services sector rose by 1.3 pp.

The median equity ratio rose across all size classes. Small groups had the highest equity ratio (43.8%), but had the smallest increase (0.3 pp). Medium-sized groups had a median equity ratio of 40.4% with a rise of 1.1 pp year-on-year. Large groups had the lowest median equity ratio of 32.2%, but they posted the highest increase, rising 1.3 pp compared to the previous period.

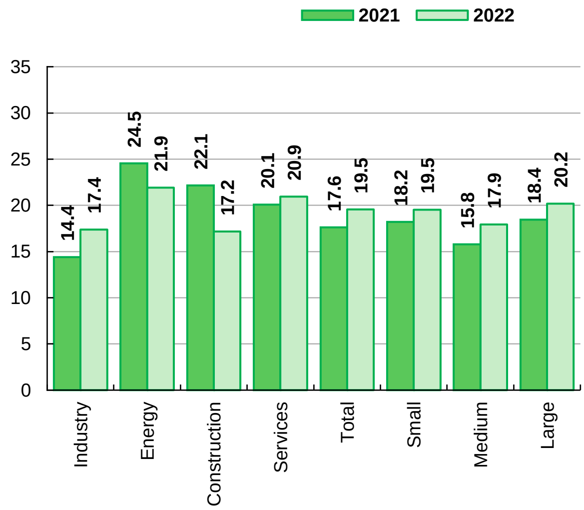
The country breakdown shows that the median equity ratio either rose or was steady in all countries. On the one hand, it increased significantly in four countries, most notably in Turkey, where it rose by 4.8 pp. It also increased considerably in Greece, Italy and Portugal, with growth rates of 2.4 pp, 3.5 pp and 2.1 pp, respectively. On the other, the median equity ratio rose only moderately in Austria, Germany and

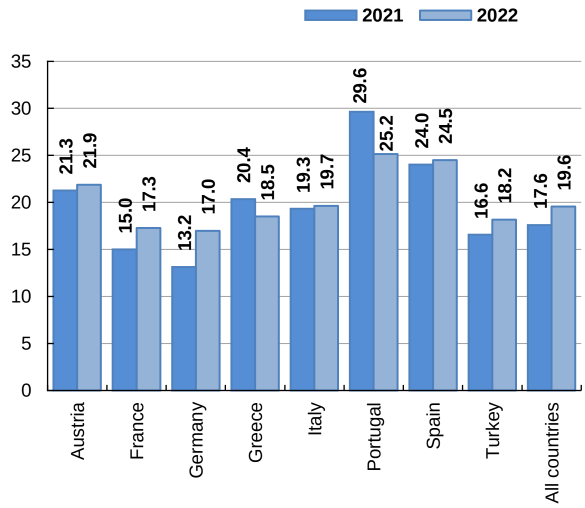
Spain, and remained stable in France. The significant equity growth in France was offset by a proportional rise of total assets.

IV.2 RISE IN THE MEDIAN NET INDEBTEDNESS RATIO

The net indebtedness ratio is calculated as the sum of current and non-current financial liabilities less cash and cash equivalents relative to total assets. It represents the proportion of a corporate group's total assets that is financed through external borrowings, excluding cash and cash equivalents.

CHART 13 MEDIAN NET INDEBTEDNESS RATIO 2021-2022 (in %)





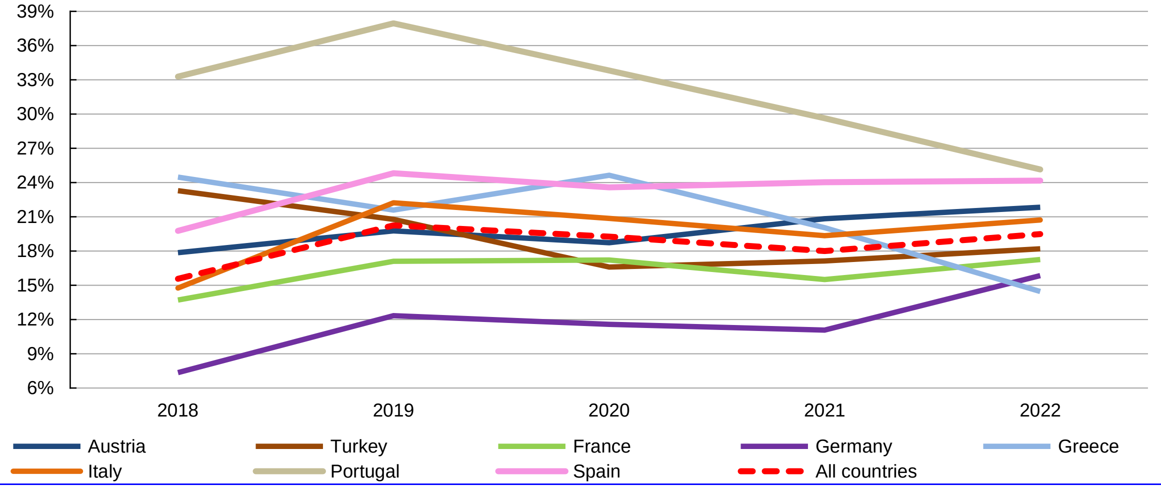
Source: ERICA 2022 sliding sample.

Chart 13 shows the median net indebtedness ratio for different sectors, size classes and country of location of the groups' parent entity in the sliding sample. The median net indebtedness ratio increased from 17.6% in 2021 to 19.5% in 2022, reversing the downward trend of the last two years. The ratio rose significantly in all three size classes. At the same time, the average net indebtedness ratio (not shown in Chart 13) increased only slightly in the overall aggregate and in the class of large groups. A further breakdown of the large size class shows that the median and mean values of the net indebtedness ratio have changed only slightly for the largest of the large groups, while both key figures have risen significantly for the other groups.

At sector level, it is worth noting that the median net indebtedness ratio in the industry and services sectors has risen significantly. As these two sectors represent around 90% of the groups in the sample analysed, this increase has had a strong influence on the overall aggregate described above. In the energy and construction sectors, however, the median net indebtedness ratio has fallen significantly. Nevertheless, the energy sector continues to have the highest median net indebtedness ratio, even though the gap with the other sectors has narrowed considerably.

The breakdown by country confirms the increase in the median net indebtedness ratio. Growth was strongest in the German and French corporate groups, which nevertheless continue to have the lowest values. Only the Greek and Portuguese groups recorded a decrease in this ratio. However, the Portuguese groups continue to have the highest median net indebtedness ratio. That said, the gap between, on the one hand, the Portuguese groups and, on the other, the German and French groups has halved since the previous year.

CHART 14 MEDIAN NET INDEBTEDNESS BY COUNTRY 2018-2022

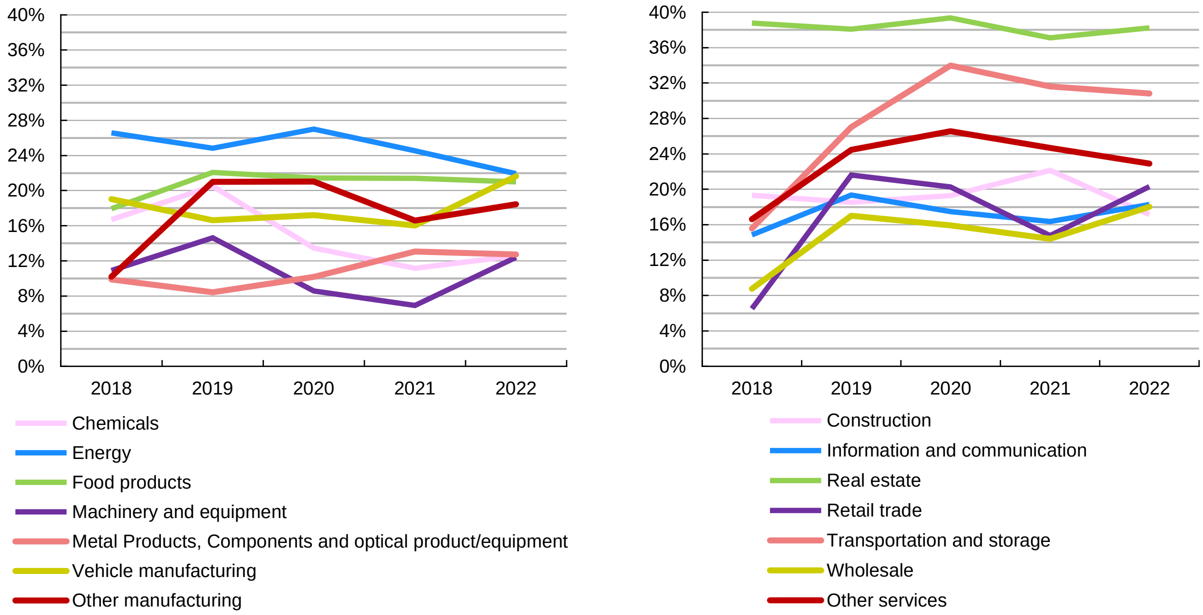


Source: ERICA 2022 fixed samples.

Based on a fixed sample of European non-financial listed groups, the median net indebtedness ratio stood at 15.6% in 2018, before peaking at 20.3% in 2019. During that year, the first-time application of IFRS 16 led to the recognition of additional lease debts which negatively affected net indebtedness. In the first year of the COVID-19 crisis (2020), the median ratio fell to 19.3%, a trend that continued in 2021, when it declined to 18%. In 2022, the trend reversed and the median net indebtedness ratio rose to 19.5%. In general, the weighted average figures[15] stand at a higher level but reveal similar tendencies, specifically the increase in 2019 and fallback in 2021. In median terms, Portuguese groups have the highest relative weight of net debt over the entire period, which does not seem to be clearly linked with any concentration in particular sectors of activity. Since 2019 the median has fallen continuously and moved significantly closer to the net debt ratios of the groups from the other countries. The Greek groups have also seen a sharp decline in the median since 2020, reaching a level below those of the groups in other countries in 2022.

[15] A chart showing weighted average net indebtedness ratio per country is included in Annex C.1.

CHART 15 MEDIAN NET INDEBTEDNESS BY BRANCH OF ACTIVITY 2018-2022



Source: ERICA 2022 fixed samples.

Chart 15 shows a mixed picture in terms of median net indebtedness in 2022 for the different sectors of activity.[16] The median rose in eight sectors and fell in six, with the machinery and equipment, retail trade and vehicle manufacturing sectors showing the highest increases. In machinery and equipment and retail, a decline in cash and cash equivalents contributed significantly to pushing up the ratio, and the clear majority of groups in these sectors recorded rising net indebtedness ratios. In the vehicle manufacturing sector, almost as many groups reported a fall in their net indebtedness ratio as those that reported a rise, and the weighted average net indebtedness ratio fell compared to the previous year due to the decrease in financial debt in the aggregate. However, the median ratio rose significantly, as the net indebtedness ratio of most groups with a ratio close to the median increased.

The sharp fall in the median net indebtedness ratio in the construction sector can be explained. Although the ratio of most groups with a ratio close to the median declined, overall there were more groups in the construction sector whose ratio increased rather than decreased, and because of the growth in financial debt in the aggregate, the weighted average net indebtedness ratio also rose.

16 Charts showing weighted average net indebtedness ratio for each branch of activity are included in Annex C.2.

V. FINANCIAL DEBT: THE BEGINNING OF A HIKING CYCLE

This chapter presents an analysis of the cost of debt. Based on the 2022 ERICA database, we have almost €2,700 billion of outstanding financial debt across three main sources: (1) financial institutions, (2) bond issues and (3) leases. Almost all non-financial listed groups accessed some form of external capital.

TABLE 4 ERICA: OVERVIEW OF FINANCIAL DEBT AGGREGATE VARIABLES IN 2022

In € billion		Number	of which financial debt	Financial debt	Financial institutions	Bonds issued	Leases	Interest expense
By	**country**							
	Austria	38	38	47.71	23.83	15.28	5.48	1.16
	France	264	263	841.10	179.09	447.24	66.27	18.30
	Germany	162	162	1,030.64	185.09	546.28	121.73	19.08
	Greece	49	49	25.87	13.22	10.03	2.62	1.01
	Italy	170	170	360.27	192.95	132.43	27.56	17.45
	Portugal	27	27	47.96	8.38	27.06	8.21	1.55
	Spain	96	96	333.88	126.08	121.81	46.85	10.41
	Total	**806**	**805**	**2,687.43**	**728.64**	**1,300.14**	**278.72**	**68.96**
By	**sector**							
	Chemicals	84	84	184.80	42.03	116.92	12.08	5.19
	Construction	44	44	132.12	53.17	63.41	8.93	4.01
	Energy	56	56	657.03	186.57	353.24	45.34	26.53
	Food products	29	29	36.95	8.17	24.63	2.10	0.78
	Information and communication	111	111	327.85	47.40	195.22	64.75	11.42
	Machinery and equipment	44	44	27.92	10.10	4.49	6.65	0.75
	Metals, electronic & electrical equipment	83	83	152.54	27.89	103.34	8.11	2.98
	Other manufacturing	54	54	66.79	15.27	24.87	20.73	1.42
	Other services	93	93	118.25	32.50	37.38	26.54	3.61
	Real estate	47	46	112.41	42.41	59.97	2.43	2.08
	Retail trade	36	36	45.47	9.74	10.91	16.81	1.45
	Transportation and storage	25	25	220.17	126.69	32.53	39.34	3.55
	Vehicle manufacturing	43	43	556.54	106.49	266.07	19.67	4.10
	Wholesale	54	54	27.85	9.57	7.99	6.68	0.82
	Total	**803**	**802**	**2,666.69**	**717.99**	**1,300.97**	**280.17**	**68.70**
By	**size (revenue)**							
	Small groups (< 250 mn)	282	281	35.19	20.63	8.78	3.42	0.98
	Medium-sized groups (250 mn - 1,5 bn)	254	254	135.18	65.81	44.76	14.48	3.25
	Large groups (> 1,5 bn)	264	264	2,479.18	629.74	1,239.04	257.59	64.01
	Total	**800**	**799**	**2,649.56**	**716.18**	**1,292.58**	**275.49**	**68.24**

Source: ERICA 2022 static sample
Note: The number of groups by country and by sector or by size differs: some double-counted groups belong to different countries but are in the same sector. Main figures for 2022 (filter used to avoid double-counting for each sector, size category and country), data in € billion.

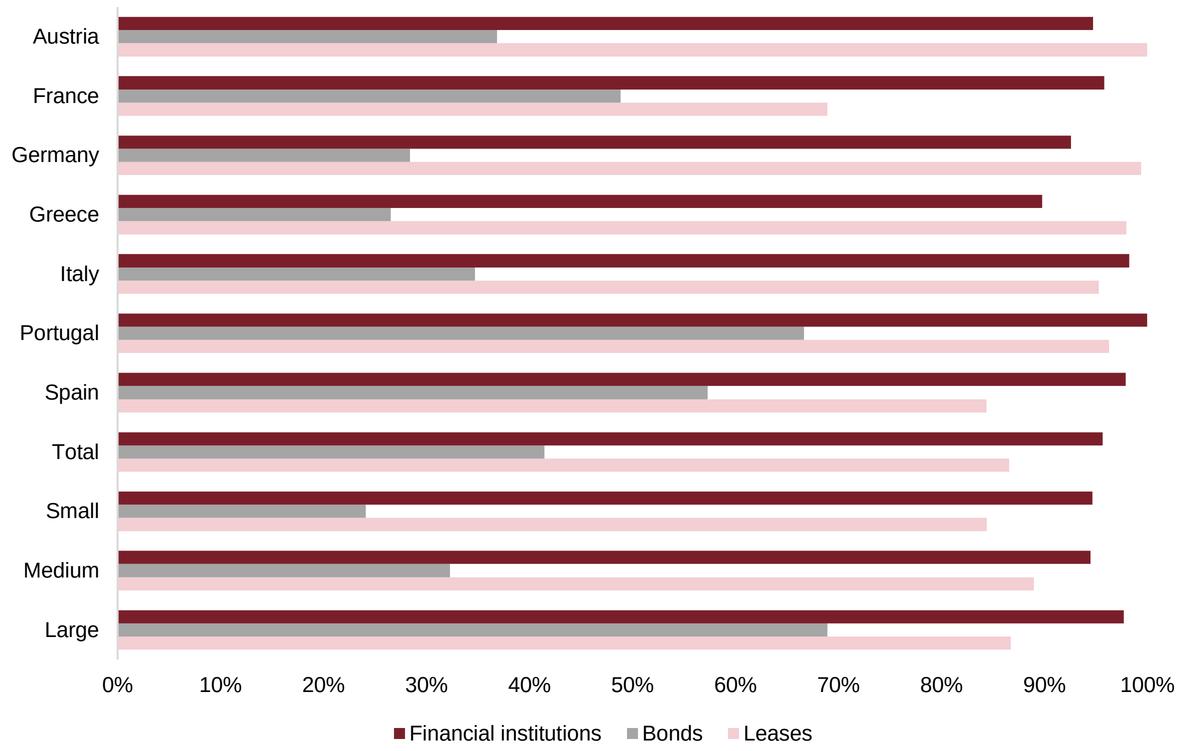
V.1 BANK LOANS ARE THE MOST FREQUENT OPTION BUT MORE MONEY IS RAISED FROM BOND ISSUANCES

Bank loans are part of the balance sheets of 96% of European non-financial listed groups. Overall, they were the most popular source of debt financing in 2022 by country and by size class. 9 out of every 10 European non-financial listed groups had loans from financial institutions among their liabilities.

Leases were used by 87% of European non-financial listed groups and were the most important means of accessing external funds in Austria, Germany and Greece. Only one Greek group and one German group do not have leases, while all Austrian groups have this kind of funding. French groups (69%) diverged significantly from the other countries and size classes in their use of leases.

Funding through financial markets via bond issuance was a preference for large groups (69%) and Portuguese groups (67%).

CHART 18 FINANCIAL DEBT STRUCTURE BY COUNTRY AND SIZE IN 2022 (number of groups)



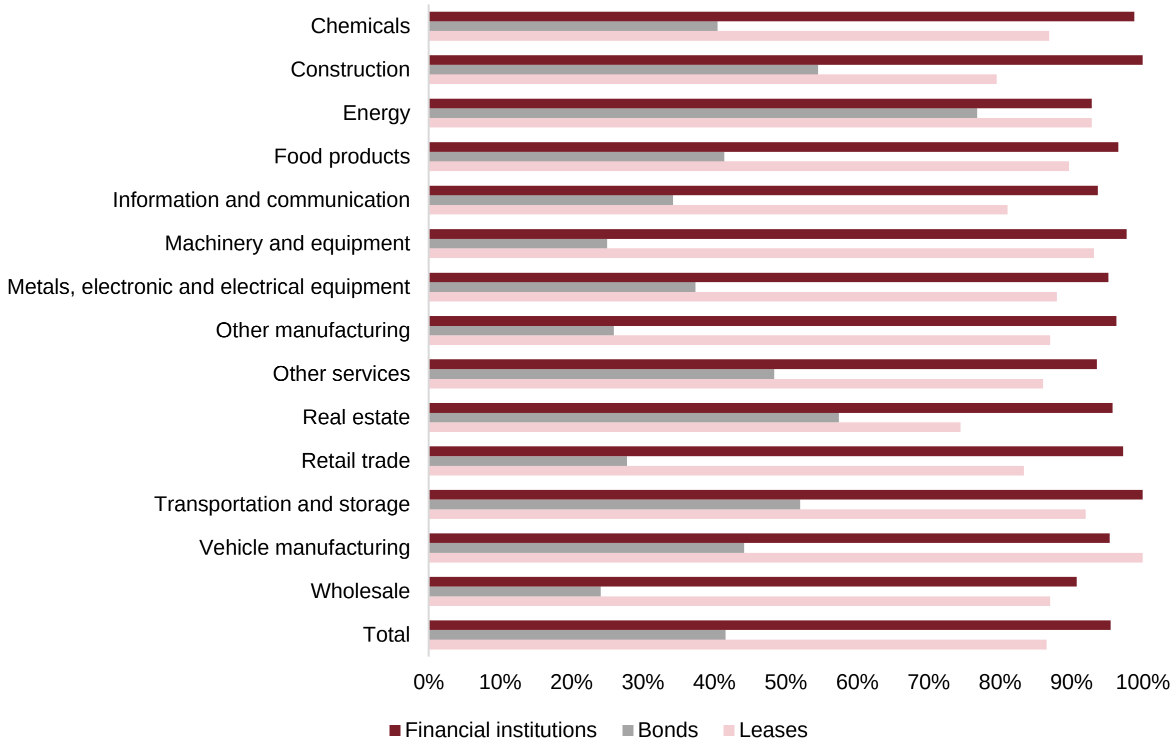
Source: ERICA 2022 static sample.

Bank loans were also the preferred choice across most branches of activity, with only vehicle manufacturing groups diverging from this pattern.

Vehicle manufacturing groups relied more on leases, as all groups in this sector access this source of external capital. Considering all the individual data, aside from real estate groups, 8 out of every 10 groups had leases.

Bond issuance was a minor option for branches of activity, but it was crucial to energy groups (77%).

CHART 19 FINANCIAL DEBT STRUCTURE BY BRANCH OF ACTIVITY IN 2022 (number of groups)



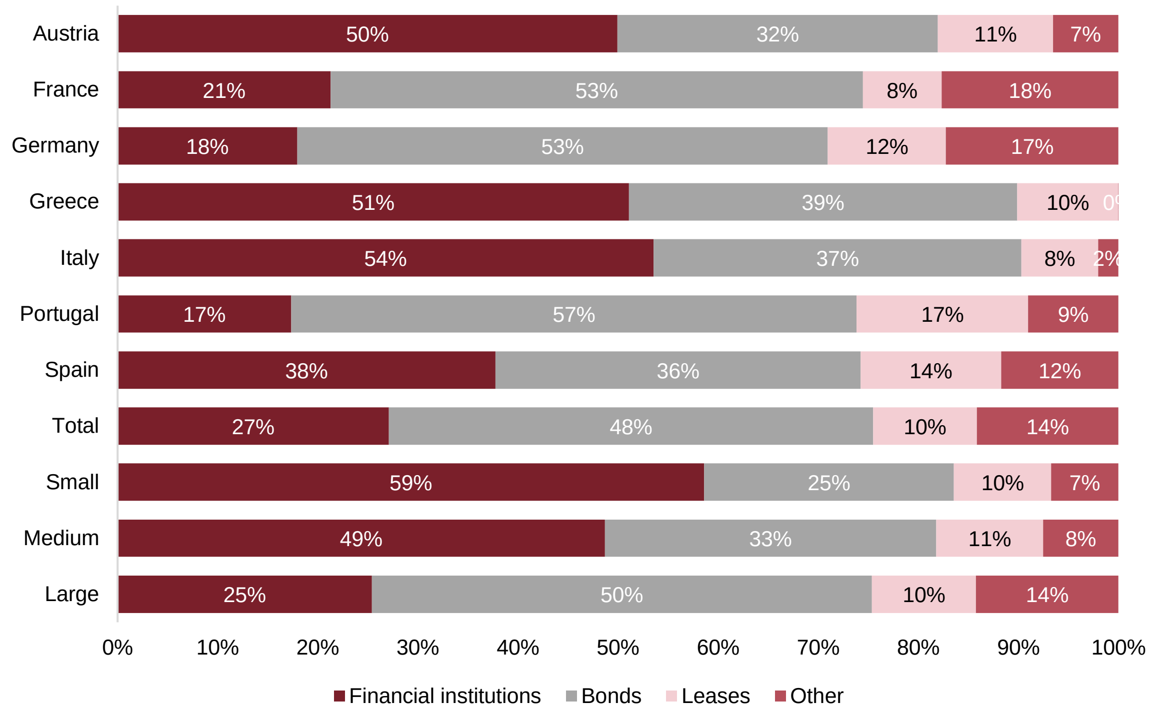
Source: ERICA 2022 static sample.

As regards the outstanding amount of debt of European non-financial listed groups, bond issuance was the main source of external funding (see Chart 20), and covered nearly one-half of their needs. As regards countries, most of the Portuguese, German and French groups used bonds to cover their financing needs.

Bank loans represented 27% of European non-financial listed groups' financial debt. They were the primary choice for Italian, Greek and Austrian groups. Portuguese groups covered a significant part of their financing needs with lease funding (17%).

Comparisons by size class reveal that large groups finance themselves mainly on the financial markets (50%), while the other size classes show a preference for loans from financial institutions (59% for small groups and 49% for medium-sized groups).

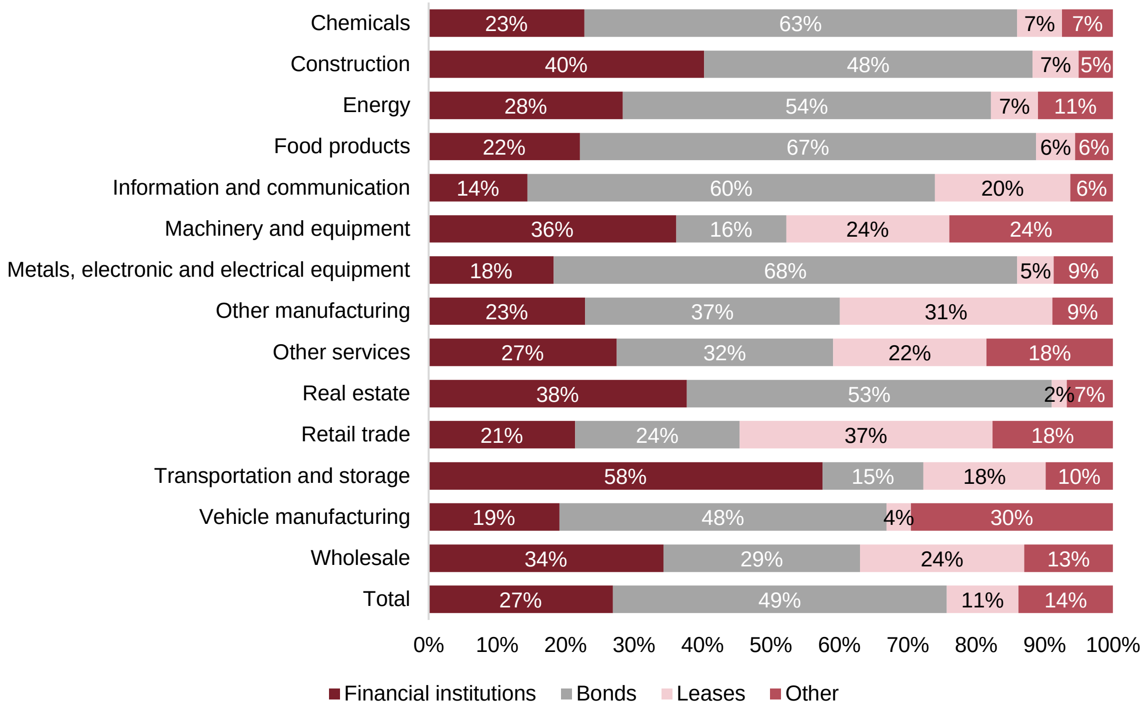
CHART 20 FINANCIAL DEBT STRUCTURE BY COUNTRY AND SIZE IN 2022 (total amounts)



Source: ERICA 2022 static sample.

Overall, in 2022, funding through the financial markets via bond issuance was the preferred option for most sectors (see Chart 21). Metals, electronic and electrical equipment groups (68%) made the greatest use of this source, followed closely by food products groups (67%). By contrast, transportation and storage groups covered 58% of their financing needs through loans from financial institutions. Retail trade groups were the only branch of activity that relied primarily on leases (37%). Other manufacturing groups also covered a significant part of their financial debt through leases (31%), despite their preference for bonds (37%).

CHART 21 FINANCIAL DEBT STRUCTURE BY BRANCH OF ACTIVITY IN 2022 (total amounts)



Source: ERICA 2022 static sample.

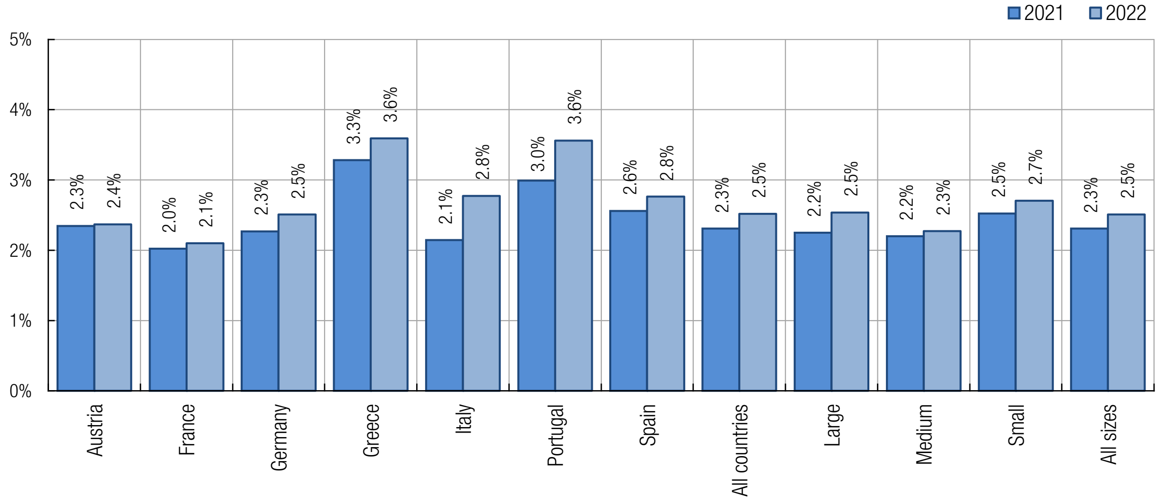
V.2 THE COST OF DEBT GENERALLY INCREASED

The cost of debt for European non-financial listed groups rose 0.2 pp to 2.5% (see Chart 22). Higher costs were observed across all sectors and countries. Italian and Portuguese groups recorded the biggest increase (+0.6 pp), while Austrian groups saw a slight rise.

Greek groups posted the highest value in 2021 and 2022, and the French groups the lowest. The difference in the cost of debt between these countries widened from 1.3 pp to 1.5 pp.

The cost of debt rose by 0.1 pp for medium-sized groups, while in the case of large groups, it did so by 0.3 pp. The ranking order by size class remained unchanged. Medium groups had the lowest value, while small groups posted the highest, and the gap between them also widened to 0.4 pp, as the cost of debt for small groups rose by 0.2 pp in the period.

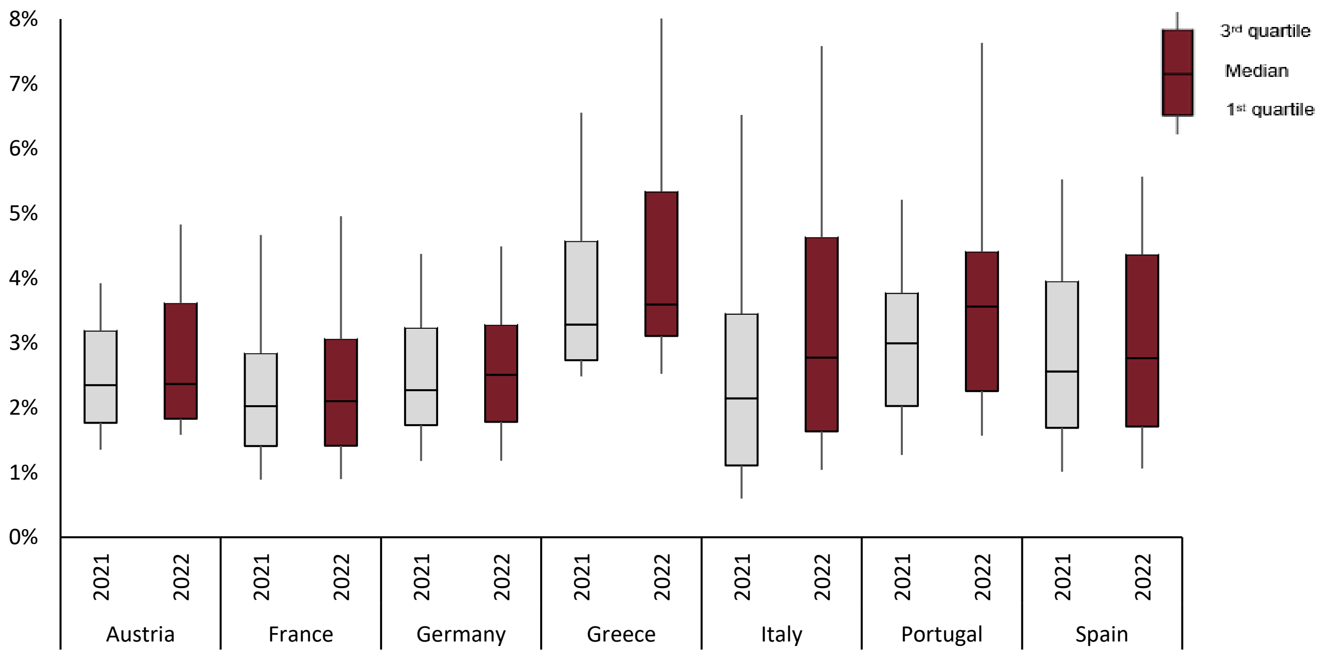
CHART 22	MEDIAN COST OF DEBT BY COUNTRY AND SIZE 2021-2022 (in %)



Source: ERICA 2021-2022 sliding sample.

The rise in the cost of debt was observed at all points in the distribution (see Chart 23). The interquartile range also expanded across all countries, apart from for German groups. This was prompted by a strong rise of at least 0.2 pp in the third point in the distribution of all countries, except for German groups. In the case of Greek groups and Italian groups, the first quartile also increased considerably.

CHART 23	COST OF DEBT BOX PLOT BY COUNTRY 2021-2022

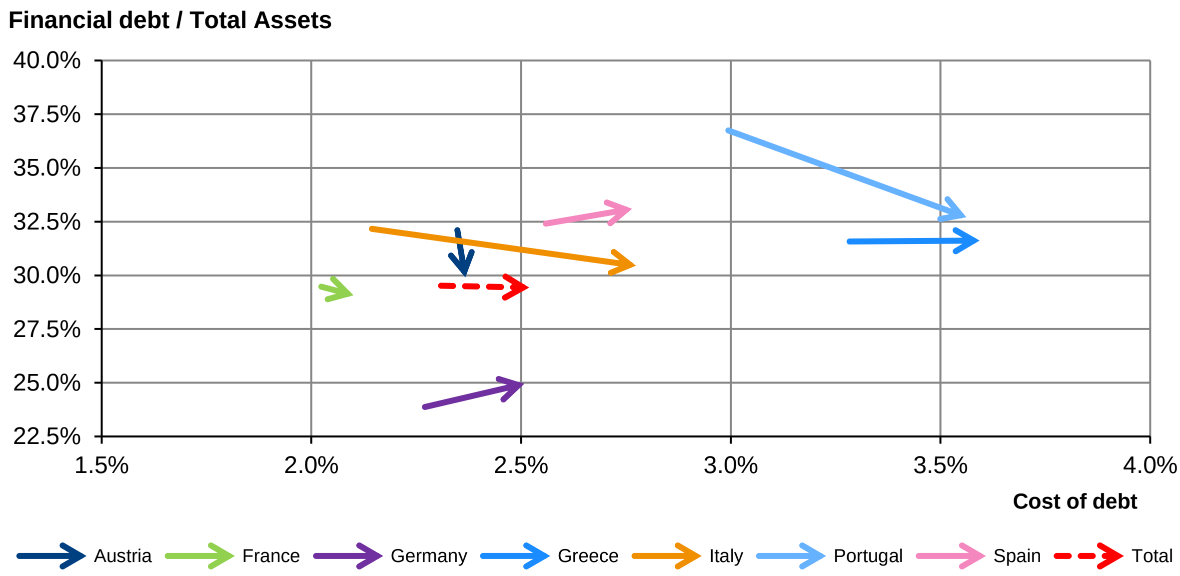


Source: ERICA 2021-2022 sliding sample.

The level of indebtedness of European non-financial listed groups decreased slightly in 2022. Most of the countries followed that path. Two exceptions were German and Spanish groups, for which it rose, while Greek groups had nearly the same level of risk measured by financial debt to total assets.

Chart 24 shows that the countries that most reduced their indebtedness obtained mixed results concerning the cost of debt. Italian and Portuguese groups saw their debt costs rise sharply, while Austrian groups were the only country to maintain their level of cost of debt in the sample.

CHART 24 COST OF DEBT AND FINANCIAL DEBT TO TOTAL ASSETS BY COUNTRY IN 2022



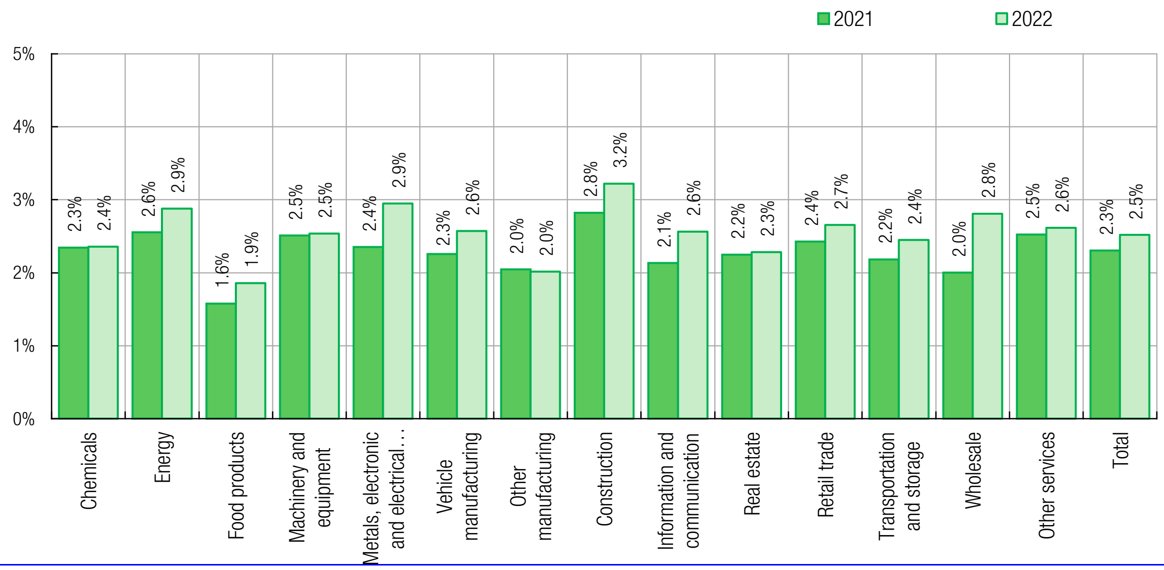
Source: ERICA 2021-2022 sliding sample.

V.3 THE COST OF DEBT ROSE ACROSS ALMOST ALL BRANCHES OF ACTIVITY IN 2022

The cost of debt by branch of activity rose in 2022 (see Chart 25). The biggest increase was observed in wholesale groups (+0.8 pp). Metals, electronic and electrical equipment groups (+0.6 pp), information and communication groups and construction groups (+0.4 pp in both cases) also saw significant rises. Only other manufacturing and real estate groups observed a slight decrease.

Construction groups had the highest cost in both years by branch of activity. The groups that suffered the largest increases in the cost of their debt are ranked immediately below construction in the 2022 ranking (metals, electronic and electrical equipment groups and information and communication groups). At the other extreme, the lowest cost of debt by branch of activity was observed, in both years, in food products groups, followed by other manufacturing groups (the only sector to achieve a reduction).

CHART 25 MEDIAN COST OF DEBT BY BRANCH OF ACTIVITY 2021-2022 (in %)



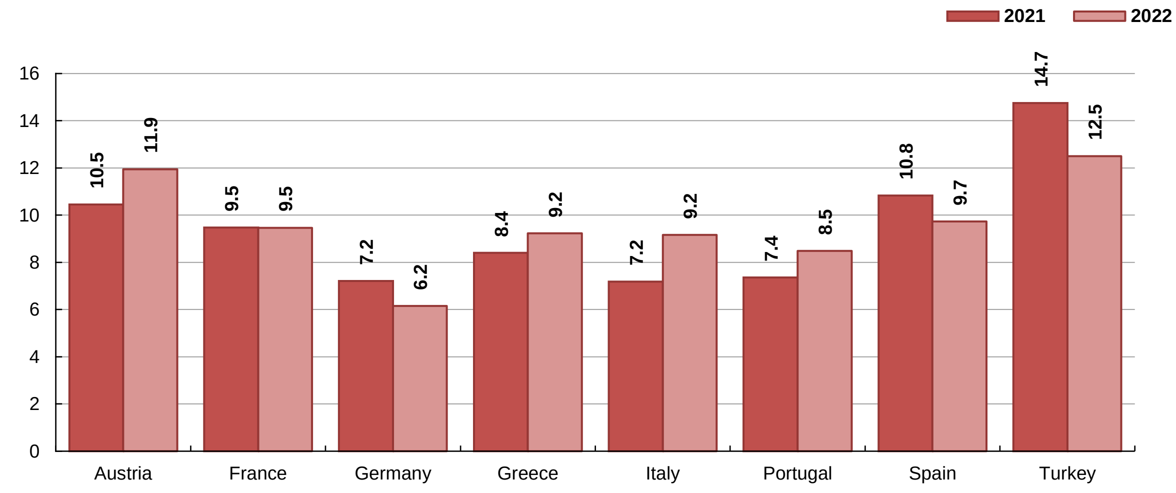
Source: ERICA 2021-2022 sliding sample.

ANNEX A: DEFINITION OF THE BRANCHES OF ACTIVITY

Name of the sector	**NACE-BEL 2008** *(2 digits)*
Food products	01; 02; 10 - 12
Chemicals	20 - 23
Metals, electronic and electrical equipment	24 - 27
Machinery and equipment	28
Vehicle manufacturing	29 - 30
Other manufacturing industry	03; 07 - 09; 13 - 18; 31 - 33
Energy	05 - 06; 19; 35 - 36
Construction	41 - 43
Retail trade	45; 47
Wholesale	46
Transportation and storage	49 - 53
Information and communication	58 - 63
Real estate	68
Other services	37 - 39; 55 - 56; 69 - 96

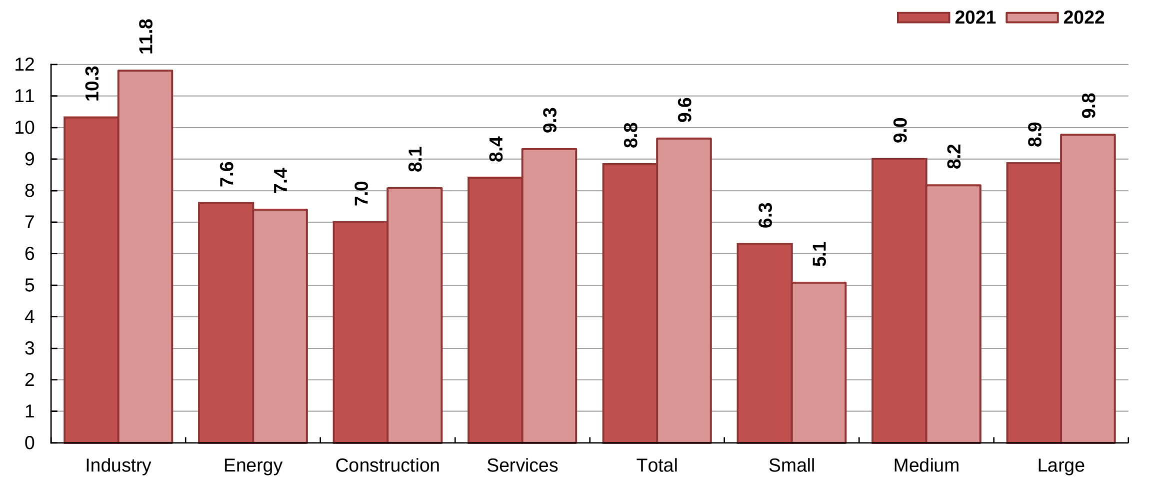
ANNEX B: PROFITABILITY RATIOS – WEIGHTED AVERAGE BY SECTOR AND BY SIZE

1. WEIGHTED AVERAGE EBIT MARGIN: EBIT / REVENUE 2021-2022 (in %)



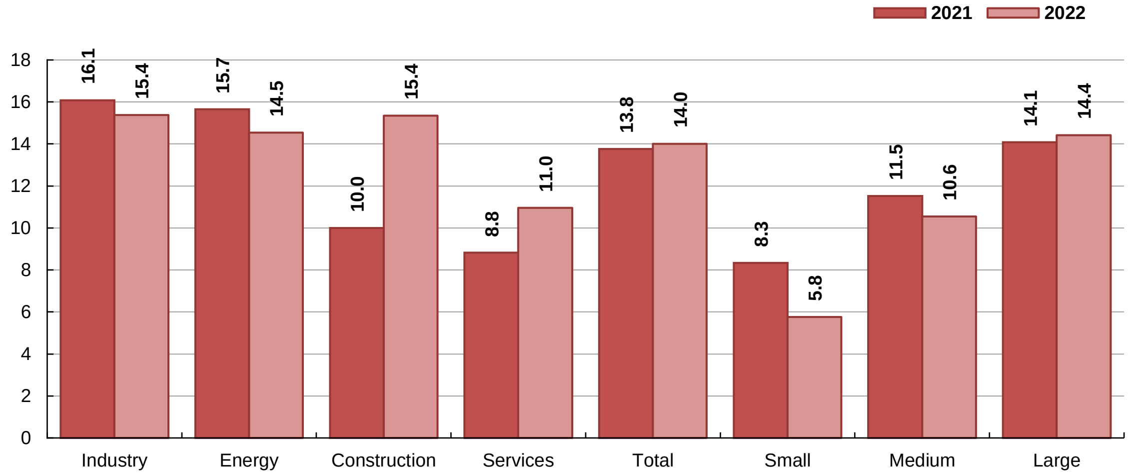
Source: ERICA 2022 sliding sample.

2. WEIGHTED AVERAGE EBITDA-TO-ASSETS RATIO 2020-2021 (in %)

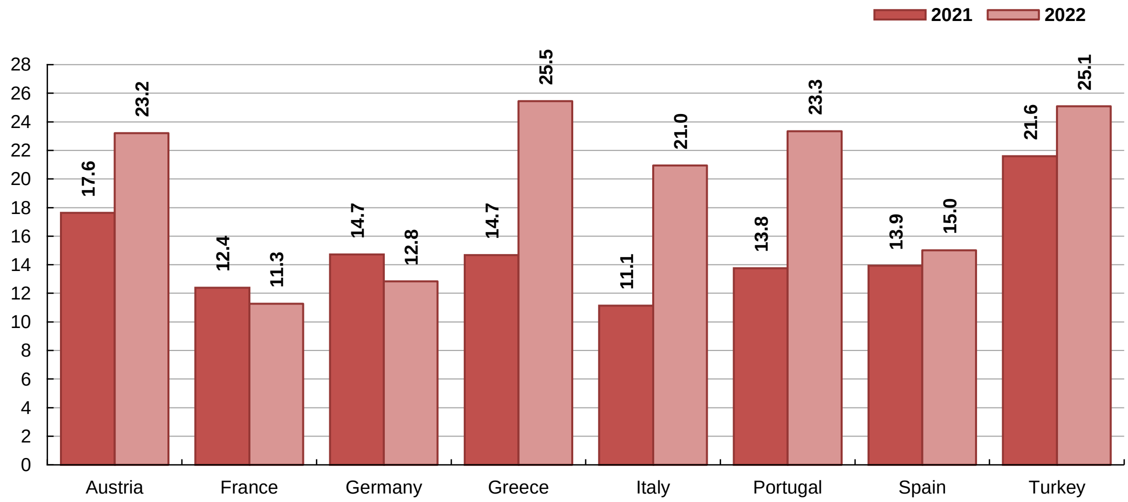


Source: ERICA 2022 sliding sample.

3. WEIGHTED AVERAGE RETURN ON EQUITY 2021-2022 (in %)



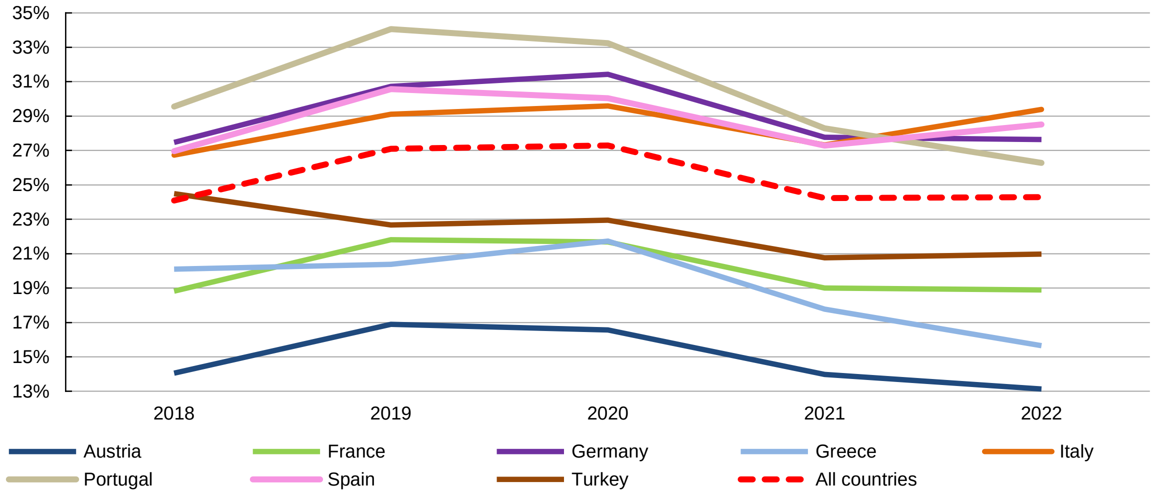
Source: ERICA 2022 sliding sample.



Source: ERICA 2022 sliding sample.

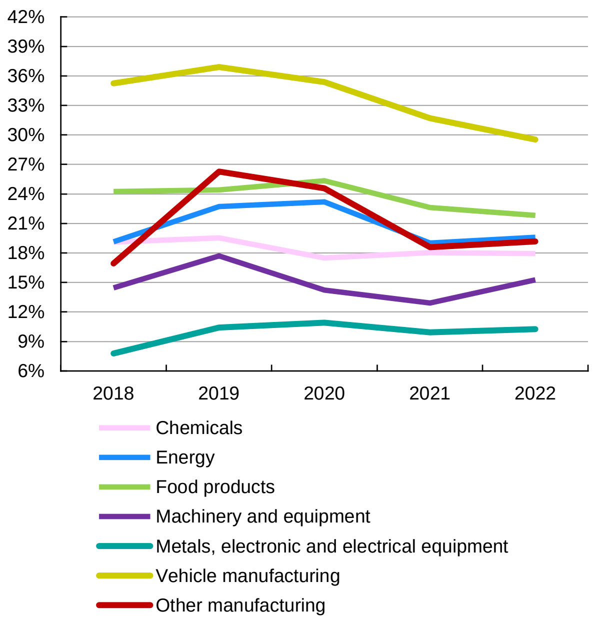
ANNEX C: NET INDEBTEDNESS – WEIGHTED AVERAGE BY COUNTRY AND BRANCH OF ACTIVITY

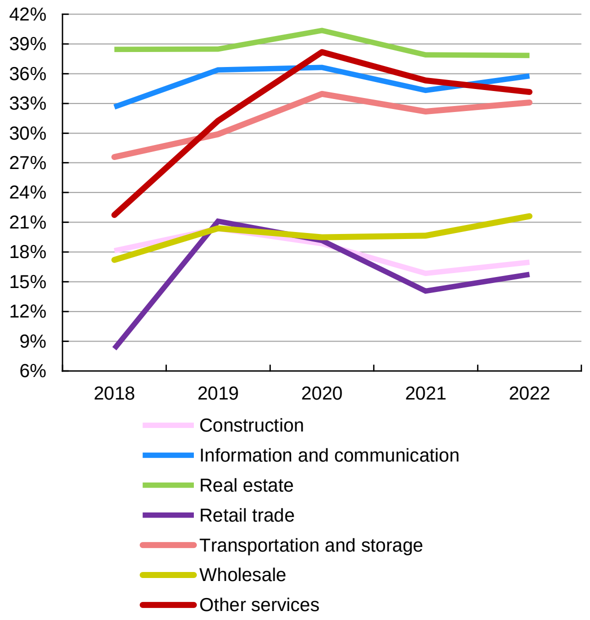
1. WEIGHTED AVERAGE NET INDEBTEDNESS BY COUNTRY 2018-2022



Source: ERICA 2022 fixed samples.

2. WEIGHTED AVERAGE NET INDEBTEDNESS BY BRANCH OF ACTIVITY 2018-2022





Source: ERICA 2022 fixed samples.

ANNEX D: DEFINITION OF MAIN RATIOS

PROFITABILITY		
NAME	**DESCRIPTION**	**FORMULA**
EBITDA	Earnings Before Interest, Taxes Depreciation and Amortisation (proxy for operating cash flow)	(Profit (loss) from operating activities + depreciation and amortisation + impairment losses) $_t$
EBIT	Earnings Before Interest and Taxes	Profit (loss) from operating activities $_t$
Profit/Loss	Profit/Loss after Taxes	Profit (loss) from operating and financing activities after taxes $_t$
EBITDA/Total Assets	Earnings Before Interest, Taxes Depreciation and Amortisation / Total assets, also known as EBITDA-ROI (proxy for operating cash flow per monetary unit of assets invested)	(Profit (loss) from operating activities + depreciation and amortisation + impairment losses) $_t$ / Total assets $_t$
EBIT margin	Earnings Before Interest and Taxes / Revenues	Profit (loss) from operating activities $_t$ / Revenues $_t$
ROE	Return on Equity	Earnings Before Taxes $_t$ / Equity $_t$
FINANCIAL STRUCTURE AND COST OF DEBT		
Equity Growth	Change in consolidated equity year on year (YoY)	Equity $_t$ / Equity $_{t-1}$-1 or (Equity$_t$-Equity$_{t-1}$) / Equity$_{t-1}$
Equity Ratio	% of total assets financed with equity (a kind of leverage ratio)	Equity $_t$ / Total assets $_t$
Cost of Debt	Weighted (by external financing source) average cost of external financing debt	Total interest expense $_t$ / Financial debt $_t$
Financial Debt Ratio	Use of credit to finance operations and investment	Non-current and current interest-bearing borrowings $_t$ / Total assets $_t$
Net Indebtedness Ratio	% of total assets financed through external borrowings that are not covered by cash or cash equivalents	(Non-current and current interest-bearing borrowings $_t$ - Cash & cash equivalents $_t$) / Total assets $_t$