Italian Corporate Outlook 2022
Recovery Widens, With New Risks

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This report does not constitute a rating action.

S&P Global
Ratings

Contents

Key Takeaways

75% of rated Italian companies currently display stable outlooks. Negative outlooks have dropped to a low 4% from 40% at end-2020, a strong rebound reflecting recovered business conditions.

Revenues in 2021 are already back to 2019 levels, on average, moderately outperforming Italy's 6% GDP growth. We also anticipate healthy revenue growth in 2022-2023, again better than GDP growth.

Conversely, margin recovery is slowing, largely because of a lag in the pass-through of increased raw material and energy costs, whose effects will become more visible in 2022.

Corporate investments are growing strongly. Rated Italian companies are showing 30% growth for 2021 and plan a 9% increase in 2022. Capex accounts for one-fourth of GDP growth this year, in parallel with construction, largely owing to improved business confidence and tax incentives to promote innovation.

Financial leverage is set to recover in 2022. Speculative-grade companies are bouncing back faster than investment-grade companies.

Debt moratoriums dropped to 4% of total debt, down from a peak of 15% at end-2020, in light of better liquidity conditions. Still, loans with state guarantee stand at €237 billion, or 19% of total debt.

Italian Corporates
Ratings And Outlook Distribution

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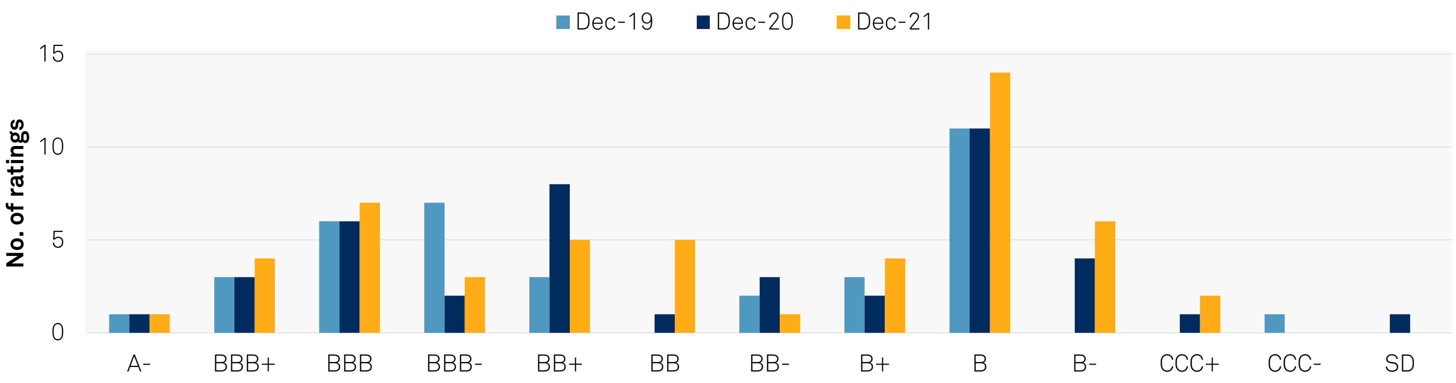
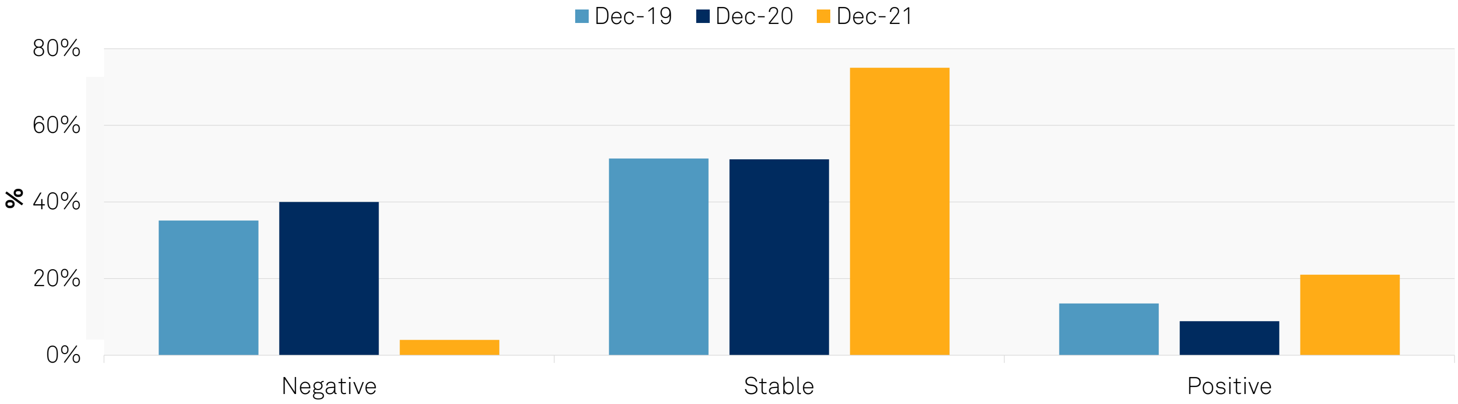
The 2021 Outlook Distribution: Better Than Before The Pandemic

Rating Distribution



Outlook Distribution



Source: S&P Global Ratings. Data as of Dec. 10, 2021.

- Negative outlooks have dropped to a low 4%, compared with 40% at end-2020, largely because of recovered business conditions.
- 75% of rated Italian companies carry a stable outlook, above the pre-pandemic level.
- 21% of companies have positive outlooks, reflecting our positive rating action on the Italian sovereign as well as improved conditions at the company level.
- In 2021 to date, we upgraded 15% of the Italian companies we rate, mainly because of resilient or improved creditworthiness ahead of the pandemic.
- In contrast, we downgraded only two corporates, Telecom Italia and Saipem.

Investment-Grade Ratings | Upgrades In Materials And Utilities

Rating Changes

Italian government	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sovereign rating Italy	A+	A+	A	BBB+	BBB	BBB-	BBB-	BBB-	BBB	BBB	BBB	BBB	BBB

Investment-grade Italian companies	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2i Rete Gas	--	--	--	--	--	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
A2A SpA	BBB+	BBB+	BBB+	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Aeroporti di Roma SpA	BB	BB	BB	BB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB	BB+	BBB-
Buzzi Unicem SpA	BBB	BBB-	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BBB-	BBB-	BBB-	BBB
Cementir Holding N.V.	--	--	--	--	--	--	--	--	--	--	--	--	BBB-
Edison SpA	BBB+	BBB	BBB-	BBB	BBB+	BBB+	BBB+	BBB+	BB+	BB+	BBB-	BBB-	BBB
Enel SpA	A-	A-	A-	BBB+	BBB	BBB	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+
Eni SpA	AA-	A+	A+	A	A	A	A-	BBB+	BBB+	A-	A-	A-	A-
Ferrovie delle Stato Italiane	--	--	--	--	BBB	BBB-	BBB-	BBB-	BBB	BBB	BBB	BBB	BBB
Hera SpA	A-	BBB+	BBB+	BBB+	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB+
Iren SpA	--	--	--	--	--	--	--	--	--	--	--	--	BBB-
MM SpA	--	--	--	--	--	--	--	BBB-	BBB	BBB	BBB	BBB	BBB
SNAM	--	--	--	A-	BBB+	BBB	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+
Società Metropolitana Acque Torino SpA	--	--	--	--	--	--	BBB	BBB	BBB-	BBB-	BBB-	BBB	BBB
Terna SpA	A+	A+	A	A-	BBB+	BBB	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+

Note: Ratings highlighted in green point to an upgrade, and ratings highlighted in orange point to a downgrade. Ratings as of Dec. 10, 2021.

Speculative-Grade Ratings | Upgrades Largely In Infrastructure

Rating Changes

Speculative-grade Italian companies (1/2)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Almaviva SpA	--	--	--	--	--	--	--	--	B+	B+	B	B	B+
Amplifon SpA	--	--	--	--	--	--	--	--	--	--	--	BB+	BB+
Atlantia SpA	A-	A-	A-	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB	BBB-	BB-	BB
Autostrade per l'Italia	A-	A-	A-	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB	BBB-	BB-	BB
Bach Bidco SpA	--	--	--	--	--	--	--	--	--	--	--	--	B
Bormioli Pharma SpA	--	--	--	--	--	--	--	--	--	--	B	B	B
Brunello Bidco SpA	--	--	--	--	--	--	--	--	--	--	--	--	B-
Cedacri Mergeco SpA	--	--	--	--	--	--	--	--	--	--	--	--	B
Centurion Newco SpA	--	--	--	--	--	--	--	--	--	--	--	B	B
Comdata SpA	--	--	--	--	--	--	--	--	--	--	--	--	CCC+
Dedalus Healthcare Systems Group SpA	--	--	--	--	--	--	--	--	--	--	--	B	B
Diocle SpA	--	--	--	--	--	--	--	--	--	--	B	B	B+
DoValue SpA	--	--	--	--	--	--	--	--	--	--	--	BB	BB
Esselunga SpA	--	--	--	--	--	--	--	--	BBB-	BBB-	BBB-	BB+	BB+
Evoca SpA	--	--	--	--	--	--	--	--	B	B	B	B-	B-
Fedrigoni SpA	--	--	--	--	--	--	--	--	--	B+	B	B	B
F-brasile SpA	--	--	--	--	--	--	--	--	--	--	B	B-	B-
Gamma Bidco SpA	--	--	--	--	--	--	--	--	--	--	--	B	B
Golden Goose SpA	--	--	--	--	--	--	--	--	--	--	--	--	B-

Note: Ratings highlighted in green point to an upgrade, and ratings highlighted in orange point to a downgrade. Ratings as of Dec. 10, 2021

Speculative-Grade Ratings | Downgrades Are Idiosyncratic

Rating Changes

Speculative-grade Italian companies (2/2)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Guala Closures SpA	--	--	B	B	B	B	B	B	B	B+	B+	B+	B+
Immobiliare Grande Distribuzione SIIQ SpA	--	--	--	--	--	--	--	--	--	--	BBB-	BB+	BB+
Infrastrutture Wireless Italiane SpA	--	--	--	--	--	--	--	--	--	--	--	BB+	BB+
International Design Group	--	--	--	--	--	--	--	--	--	--	B	B	B
Kedrion SpA	--	--	--	--	--	--	--	--	--	--	--	--	B
Leonardo SpA	BBB	BBB	BBB-	BBB-	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BB+
Libra GroupCo SpA	--	--	--	--	--	--	--	--	--	--	--	--	B
Lima Corporate SpA	--	--	--	--	--	--	--	--	B	B	B	B-	B-
Lottomatica SpA	--	--	--	--	--	--	--	B	B	B+	B+	B	B
Marcolin SpA	--	--	--	--	B-	B-	B-	B-	B	B	B	B-	B-
Moby SpA	--	--	--	--	--	--	--	B+	B+	CCC-	CCC-	SD	--
Piaggio & C. SpA	BB	BB	BB	BB-	BB-	B+	B+	B+	B+	BB-	BB-	B+	B+
Pro.Gest SpA	--	--	--	--	--	--	--	--	--	BB	B	CCC+	CCC+
Rekeep SpA (excluding CMF SpA)	--	--	--	--	B+	B	B	B	B	B	B	B	B
Saipem SpA	--	--	--	--	--	--	--	BB+	BB+	BB+	BB+	BB+	BB
Sisal Group SpA	--	--	--	--	B	B	B	B+	B+	B+	B+	B	B
Telecom Italia SpA	BBB	BBB	BBB	BBB	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BB
Verde Bidco SpA	--	--	--	--	--	--	--	--	--	--	--	--	B
Webuild SpA	--	--	--	--	BB	BB	BB+	BB+	BB+	BB	BB-	BB-	BB-

Note: Ratings highlighted in green point to an upgrade, and ratings highlighted in orange point to a downgrade. Ratings as of Dec. 10, 2021

Key Topics
Cost Inflation And ESG Take The Stage

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Macroeconomic Overview | Recovery Widens, With New Risks

Top European Risks

Supply chain constraints and other inflation pressures leading to downside risk for earnings

Risk level	Very low	Moderate	Elevated	High	Very high	Risk trend	Improving	Unchanged	Worsening

Accumulated corporate and government debt creates fragility on the path to policy normalization

Risk level	Very low	Moderate	Elevated	High	Very high	Risk trend	Improving	Unchanged	Worsening

Vaccine-resistant coronavirus strains slow the economic recovery

Risk level	Very low	Moderate	Elevated	High	Very high	Risk trend	Improving	Unchanged	Worsening

Structural Risks

Transition to a lower carbon economy poses challenges and risks

Risk level	Very low	Moderate	Elevated	High	Very high	Risk trend	Improving	Unchanged	Worsening

Business models and digital networks exposed to disruption and cyber risk

Risk level	Very low	Moderate	Elevated	High	Very high	Risk trend	Improving	Unchanged	Worsening

Risk levels may be classified as very low, moderate, elevated, high, or very high, and are evaluated by considering both the likelihood and systemic impact of such an event occurring over the next one-to-two years. Typically, we do not factor these risks into our base case rating assumptions unless the risk level is very high. **Risk trend** reflects our current view on whether the risk level could increase or decrease over the next 12 months. Source: S&P Global Ratings.

- Europe's economy has responded better to the grand reopening than we expected, with consumer demand for services being the main driver.
- The rebound has led to raw materials shortages and soaring energy prices, and we expect producers will start passing some of the higher costs to end users from next year, but only gradually.
- The main risks relate to persisting supply chain and inflation pressures, uncertainty about the pandemic, and tighter financing conditions as central banks think about tapering purchases.

Real GDP Forecasts

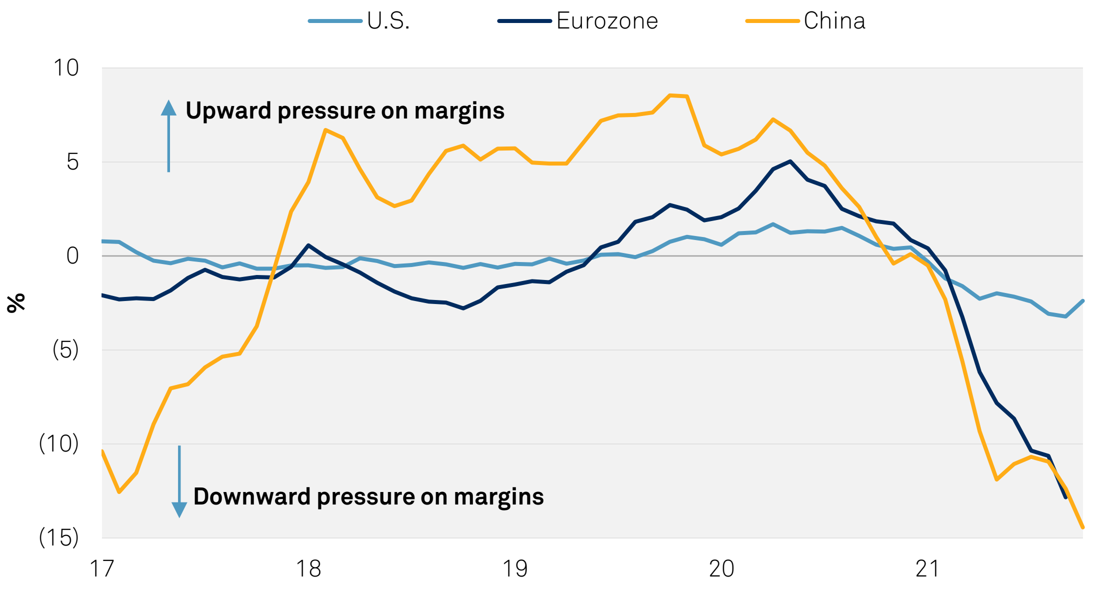
% year-on-year	2019	2020	2021	2022	2023
Italy	0.4	(9.0)	6.4	4.7	1.8
France	1.8	(8.0)	6.7	3.8	2.2
Spain	2.0	(10.8)	4.5	7.0	4.4
Germany	1.1	(4.9)	2.7	4.3	2.5
U.K.	1.7	(9.7)	6.9	4.6	2.2
Eurozone	**1.5**	**(6.5)**	**5.1**	**4.4**	**2.4**
China	6.0	2.3	8.0	4.9	4.9
U.S.	2.3	(3.4)	5.5	3.9	2.7

Source: Credit Conditions Europe Q4 2021, S&P Global Ratings.

2022 Profit Margins | Implied Pressure From Cost Inflation

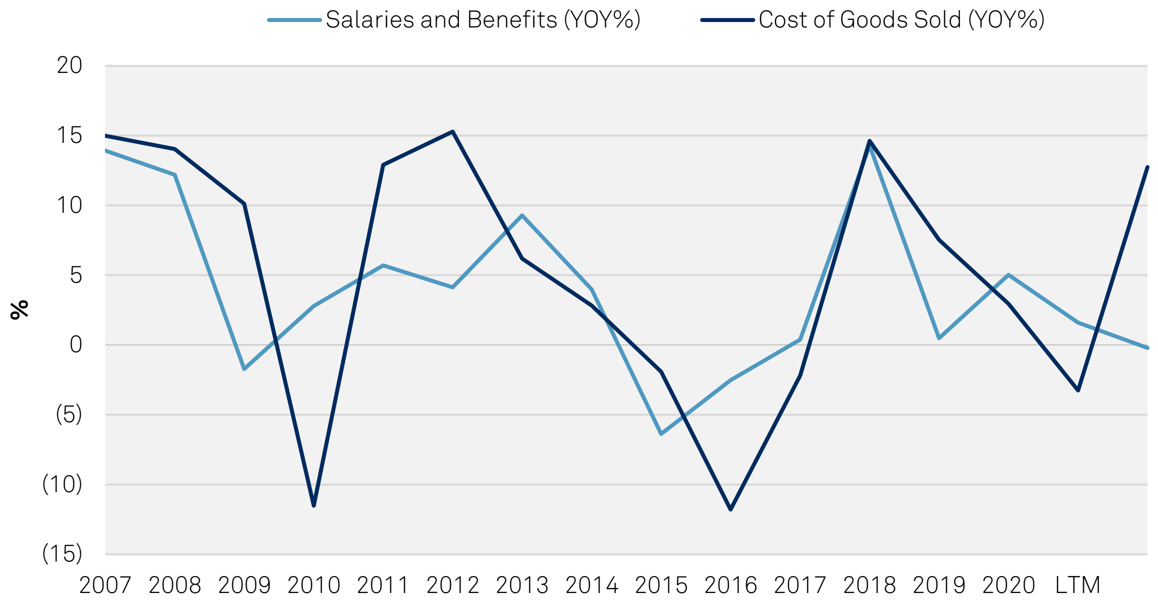
- CPI inflation rates less PPI inflation rates imply significant pressure on profit margins in 2022.
- Rated nonfinancial corporate wage growth has not responded to growth in other costs so far, but this may change.

CPI Less PPI Trends Down In 2021



Sources: Refinitiv, S&P Global Ratings.

Goods Costs At Rated Corporates Rise More Than Salaries (LTM)



LTM--Last 12 months to Sept. 30, 2021, incorporating midyear and third-quarter 2021 results where available. Sources: S&P Global Ratings, S&P Capital IQ.

Supply And Cost Disruption | To Persist Through 2022

Sector Timeline For Global Supply And Cost Disruption

Question: If your sector is being affected by or benefitting from supply chain and cost issues, how long do you expect the most important effect to persist?

This Year Only (1)

- Pharmaceuticals

To End H1 2022 (20)

- Capital Goods
- Lodging
- Midstream Energy
- Telecommunications
- Autos (OEMs)
- Autos (Suppliers)
- Chemicals
- Paper and Packaging
- Real Estate
- Capital Goods
- Engineering & Construction
- Developers
- Oil and Gas
- Technology
- Autos (Suppliers)
- Building Materials
- Consumer Products & Agribusiness
- Metals and Mining
- Paper and Packaging
- Transportation (Operating Leasing)

To End H2 2022 (42)

- Aerospace & Defense
- Airlines
- Autos
- Building Materials
- Chemicals
- Consumer Products
- Cruise
- Engineering & Construction
- Freight Transportation
- Gaming
- Healthcare Services
- Leisure Manufacturing
- Metals & Mining
- Out-of-Home Entertainment
- Paper & Packaging
- Retail & Restaurants
- Technology
- Regulated Utilities
- Aerospace and Defense
- Airlines
- Building Materials
- Capital Goods
- Commodity Shipping
- Consumer Products
- Container Shipping
- Engineering & Construction
- Healthcare Services
- Homebuilders & Developers
- Infrastructure
- Media & Entertainment
- Medical Technology
- Metals and Mining
- Retail and Restaurants
- Utilities (Unregulated)
- Autos
- Consumer Products
- Metals and Mining
- Retail and Restaurants
- Transportation Infrastructure
- Utilities
- Homebuilders and Developers
- Retail and Restaurants

Into 2023 (2)

- Business & Cons'r Svcs
- Homebuilders & Dev's

Sector Color Key
North America
EMEA
Asia-Pacific
Latin America

H1 H2

2021 2022 2023

- **Our survey suggests that most sectors in EMEA will see disruption persisting well into 2022.** In this context, moderation of currently strong global demand, that allowed companies to pass on costs in 2021, might constrain margins in 2022
- **Profit margin pressure will start to build in 2022.** Pay barely above 2019 levels is unlikely to be sustainable amid strong growth and rising costs, and signs of upward pay pressure are particularly apparent in North America, though less in EMEA.

Possible answers to this question were "This year only", "To end H1 2022', "To end H2 2022", "Into 2023", or "Not relevant". "Not relevant" answers are not shown above.
Source: S&P Global Ratings' corporate ratings sector analysts were surveyed and interviewed between Nov. 1 and Nov. 14, 2021.

Global PMI Heatmap | Recovery Embraces Services

Manufacturing Heatmap

	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21
Europe	48.1	49.1	44.3	33.4	39.5	47.4	51.7	51.6	53.5	54.5	53.7	55.1	54.7	57.6	61.9	62.3	62.7	63.1	62.5	61.0	58.3	58.0
Eurozone	47.9	49.2	44.5	33.4	39.4	47.4	51.8	51.7	53.7	54.8	53.8	55.2	54.8	57.9	62.5	62.9	63.1	63.4	62.8	61.4	58.6	58.3
France	51.1	49.8	43.2	31.5	40.6	52.3	52.4	49.8	51.2	51.3	49.6	51.1	51.6	56.1	59.3	58.9	59.4	59.0	58.0	57.5	55.0	53.6
Germany	45.3	48.0	45.4	34.5	36.6	45.2	51.0	52.2	56.4	58.2	57.8	58.3	57.1	60.7	66.6	66.2	64.4	65.1	65.9	62.6	58.4	57.8
Italy	48.9	48.7	40.3	31.1	45.4	47.5	51.9	53.1	53.2	53.8	51.5	52.8	55.1	56.9	59.8	60.7	62.3	62.2	60.3	60.9	59.7	61.1
Spain	48.5	50.4	45.7	30.8	38.3	49.0	53.5	49.9	50.8	52.5	49.8	51.0	49.3	52.9	56.9	57.7	59.4	60.4	59.0	59.5	58.1	57.4
U.K.	50.0	51.7	47.8	32.6	40.7	50.1	53.3	55.2	54.1	53.7	55.6	57.5	54.1	55.1	58.9	60.9	65.6	63.9	60.4	60.3	57.1	57.8
U.S.	51.9	50.7	48.5	36.1	39.8	49.8	50.9	53.1	53.2	53.4	56.7	57.1	59.2	58.6	59.1	60.5	62.1	62.1	63.4	61.1	60.7	58.4
China	51.1	40.3	50.1	49.4	50.7	51.2	52.8	53.1	53.0	53.6	54.9	53.0	51.5	50.9	50.6	51.9	52.0	51.3	50.3	49.2	50.0	50.6

Services Heatmap

	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21
Europe	52.8	52.6	26.4	12.0	30.5	48.3	54.7	50.5	48.0	46.9	41.7	46.4	45.4	45.7	49.6	50.5	55.2	58.3	59.8	59.0	56.4	54.6
Eurozone	52.5	52.6	26.4	12.0	30.5	48.3	54.7	50.5	48.0	46.9	41.7	46.4	45.4	45.7	49.6	50.5	55.2	58.3	59.8	59.0	56.4	54.6
France	51.0	52.5	27.4	10.2	31.1	50.7	57.3	51.5	47.5	46.5	38.8	49.1	47.3	45.6	48.2	50.3	56.6	57.8	56.8	56.3	56.2	56.6
Germany	54.2	52.5	31.7	16.2	32.6	47.3	55.6	52.5	50.6	49.5	46.0	47.0	46.7	45.7	51.5	49.9	52.8	57.5	61.8	60.8	56.2	52.4
Italy	51.4	52.1	17.4	10.8	28.9	46.4	51.6	47.1	48.8	46.7	39.4	39.7	44.7	48.8	48.6	47.3	53.1	56.7	58.0	58.0	55.5	52.4
Spain	52.3	52.1	23.0	7.1	27.9	50.2	51.9	47.7	42.4	41.4	39.5	48.0	41.7	43.1	48.1	54.6	59.4	62.5	61.9	60.1	56.9	56.6
U.K.	53.9	53.2	34.5	13.4	29.0	47.1	56.5	58.8	56.1	51.4	47.6	49.4	39.5	49.5	56.3	61.0	62.9	62.4	59.6	55.0	55.4	59.1
U.S.	53.4	49.4	39.8	26.7	37.5	47.9	50.0	55.0	54.6	56.9	58.4	54.8	58.3	59.8	60.4	64.7	70.4	64.6	59.9	55.1	54.9	58.7
China	51.8	26.5	43.0	44.4	55.0	58.4	54.1	54.0	54.8	56.8	57.8	56.3	52.0	51.5	54.3	56.3	55.1	50.3	54.9	46.7	53.4	53.8

PMI: Purchasing managers' index. Index value > 50 means expansion, Index value < 50 means contraction. Sources: IHS Markit, Refinitiv, S&P Global Ratings.

Environmental Risk | More Relevant For Commodities And Materials

– **Potential costs related to climate transition are becoming more visible.** The EU's Fit for 55 plan sheds fuller light on Europe's plans to achieve a minimum 55% reduction in net greenhouse gas emissions by 2030 (from 1990 levels) and be climate neutral by 2050.

– Under the plan, **fossil energy sources would gradually be replaced**, in favor of electrification, **through renewable sources** such as wind power.

– While the plan is still subject to negotiations, the **EU is adopting the world's most stringent position on CO2**, with the greatest impact for transportation, autos, utilities, buildings, steel, and cement.

– **Companies will have to bear increasing costs related to their direct CO2 emissions** and may need larger investments than planned relatively soon to cope with Fit for 55's ambitious targets.

Emissions Intensity Ratio (tons CO2 Scope 1 gross emissions/€1 million revenues)

	Bottom	Average	Top
Commodities and materials	~800	~3,500	~6,200
Utilities	~0	~420	~1000
Manufacturing and construction	~10	~70	~500
Infrastructure	~0	~10	~100
Services and telecom	~0	~15	~100
Retail consumer goods health care	~0	~15	~100

Italian Corporates

Recovery Widens, With New Risks

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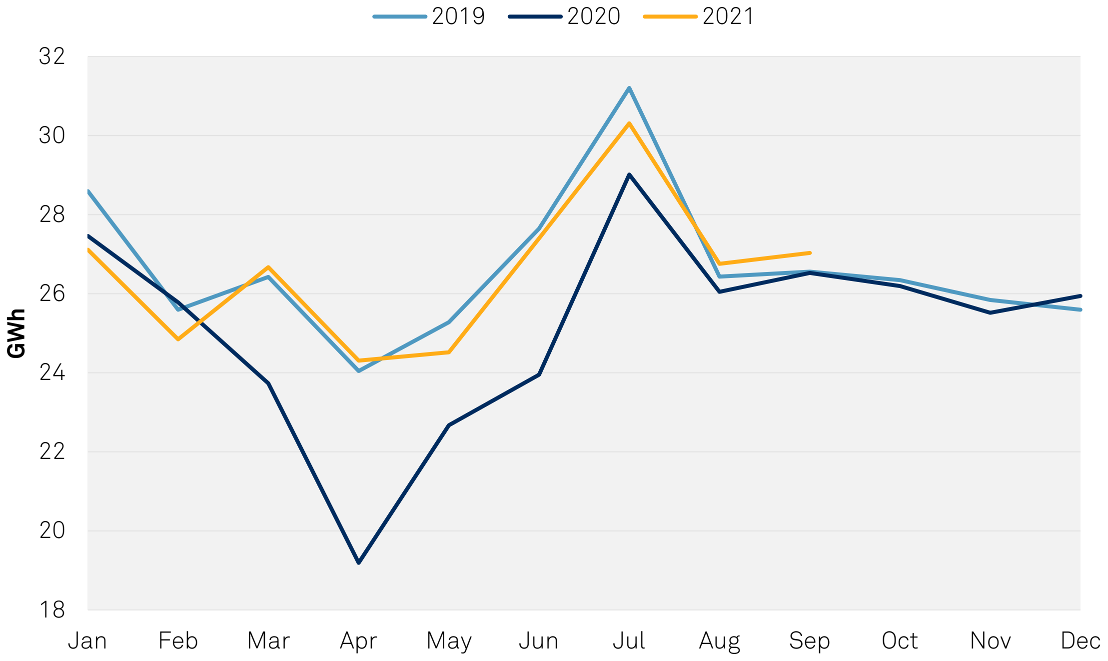
Italy | Traffic And Electricity Consumption Bounce Back

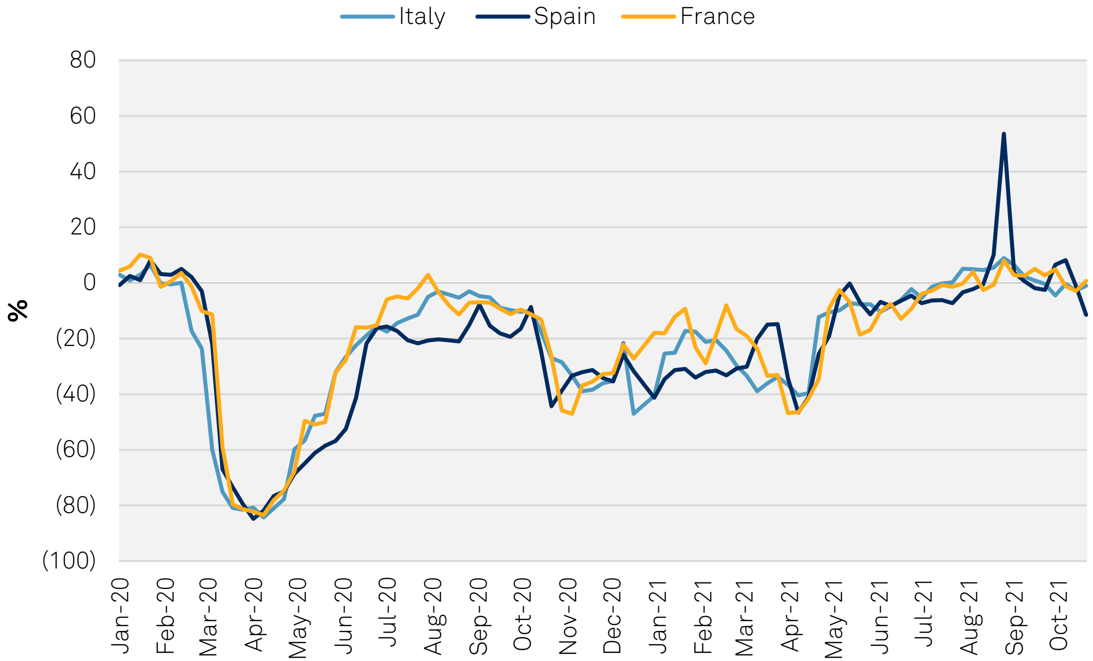
- The trend for electricity demand in 2021 to date is largely mirroring 2019. Manufacturing is the sector with the strongest recovery within corporates.
- Italy's toll road traffic in 2021 is broadly in line with France's and Spain's, and very close to pre-pandemic levels.

Electricity Demand In Italy Is Tracking 2019



GWh--Gigawatt hours. Source: TERNA Monthly Report on Electricity.

Toll Road Traffic Performance Is Getting Close To 2019 Levels



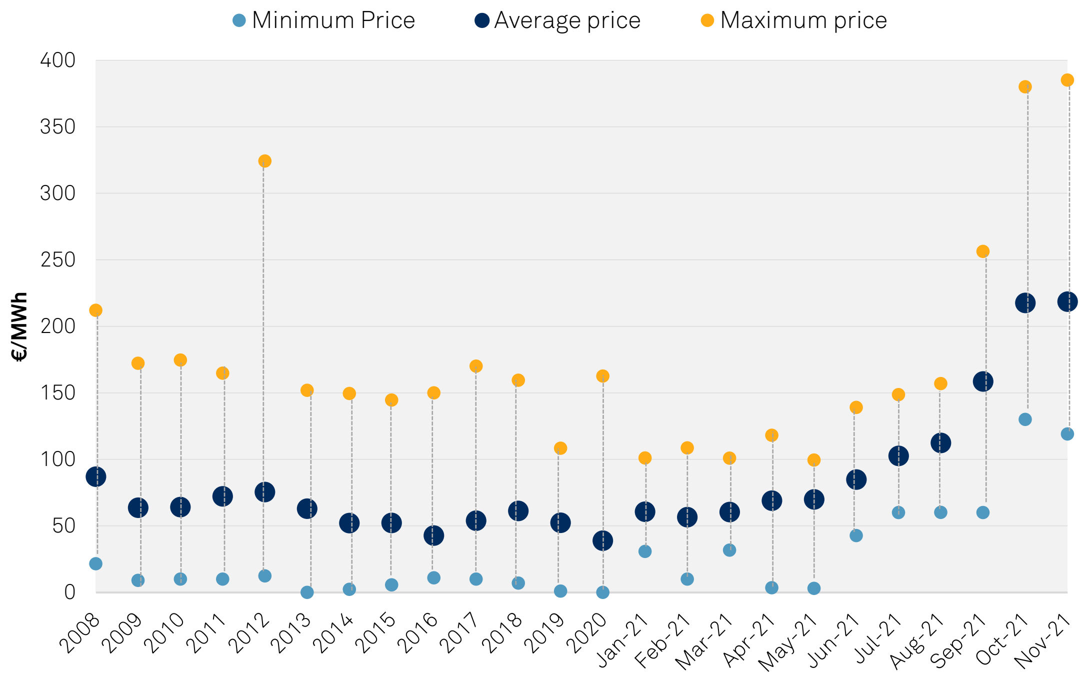
Source: Atlantia Report on Weekly Traffic Performance.

S&P Global Ratings

Italy | And At Much Higher Energy Prices

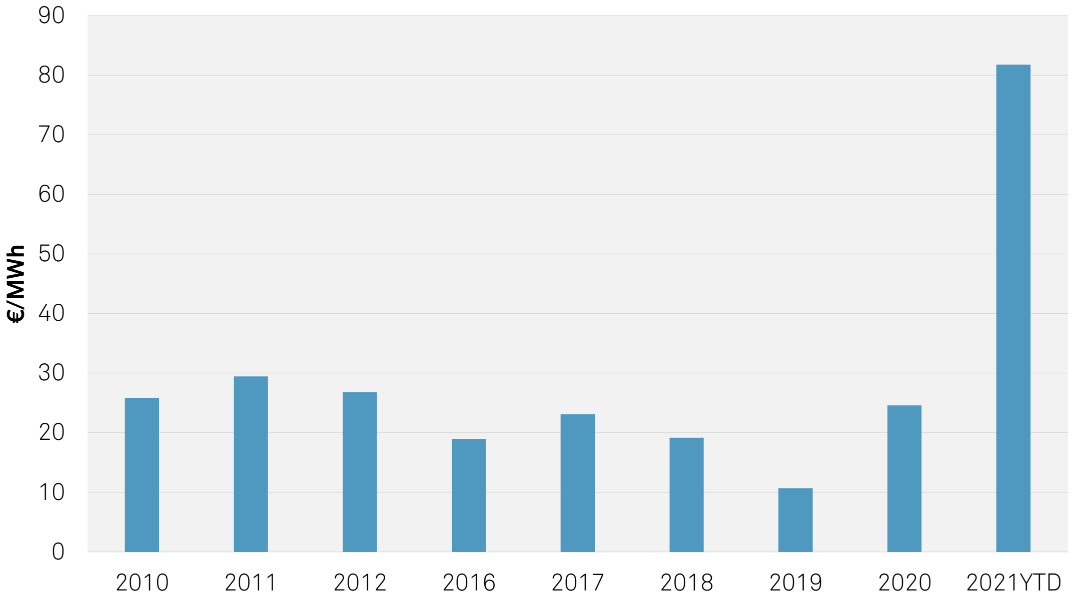
- Electricity purchase prices reached a record intraday high of €385/MWh in November 2021, and the average monthly price is 4x higher than in 2019.
- Natural gas in November 2021 was above €80/MWh, 4x higher than 2019 and 8x higher than 2020.

Italy Electricity Day-Ahead Market Purchase Prices Rise



MWh--Megawatt hours. Source: GME Gestore dei Mercati Energetici.

Italy Natural Gas Day-Ahead Market Purchase Prices Spike

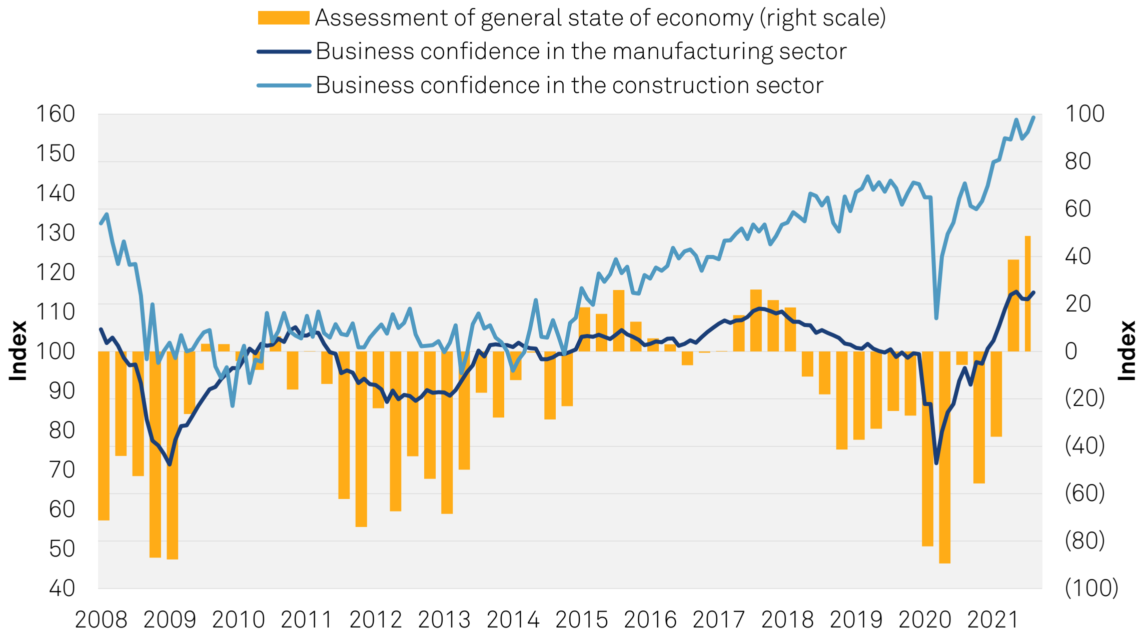


MWh--Megawatt hours. Year x=yearly average [Oct year x ...Sept year (x+1)].
Source: GME Gestore dei Mercati Energetici.

Italy | Economic Sentiment And Equity Prices At Healthy Levels

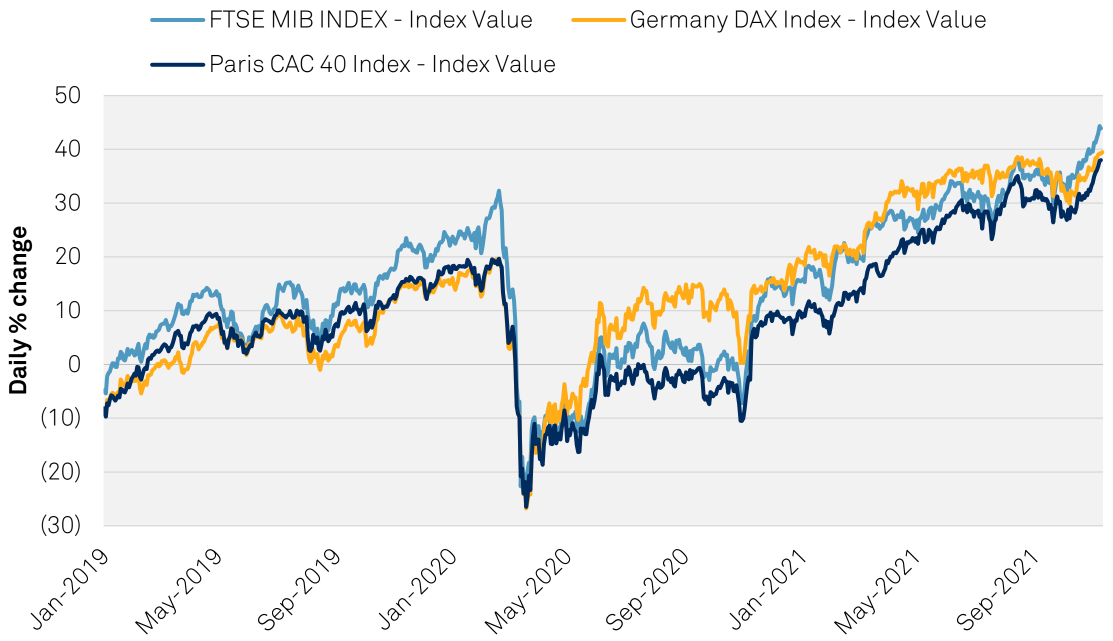
- Record business confidence in the manufacturing and construction sectors is sustaining Italy's economic recovery. We estimate that the construction sector will display record 16% growth in 2021.
- Italian companies' equity prices are up 25% in 2021, year to date. This is in line with those in France and above Germany's. Still, Italian companies' price/earnings multiples are cheaper than rest of Europe.

Italy Business Confidence Indicators Are Looking Up



Source: Banca d'Italia, Statistics Series, Oct. 16, 2020) monthly data, Index 2015 = 100.

FTSE MIB, CAC 40 And DAX Indexes Trend Higher



Source: S&P Capital IQ.

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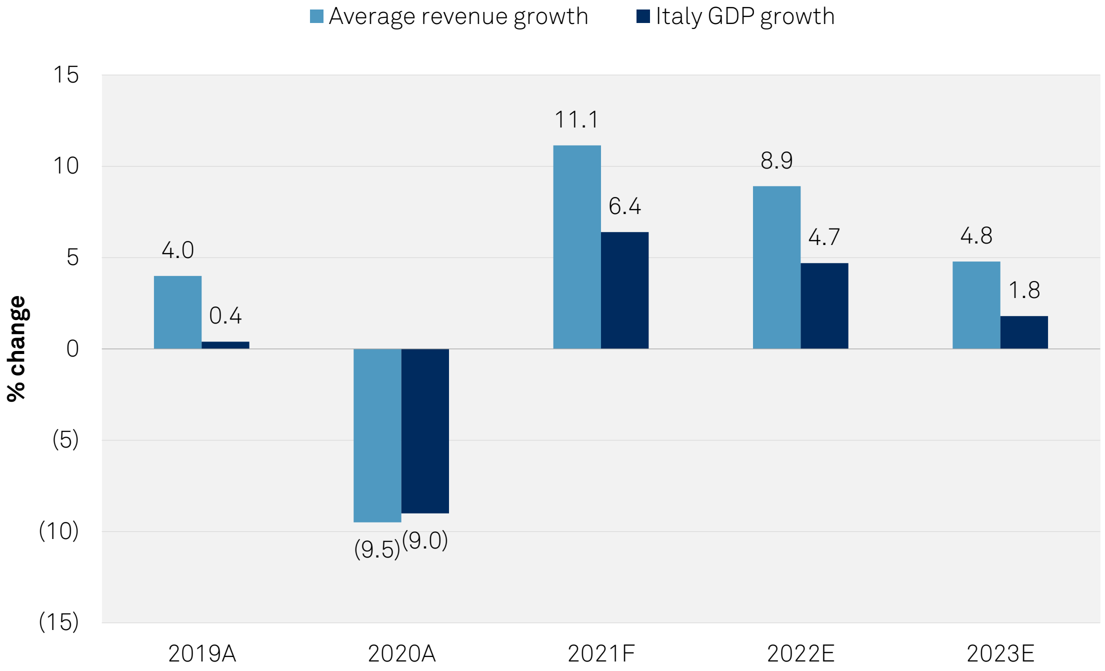
Ratings

Italian Corporates | Revenue In 2021 Resets

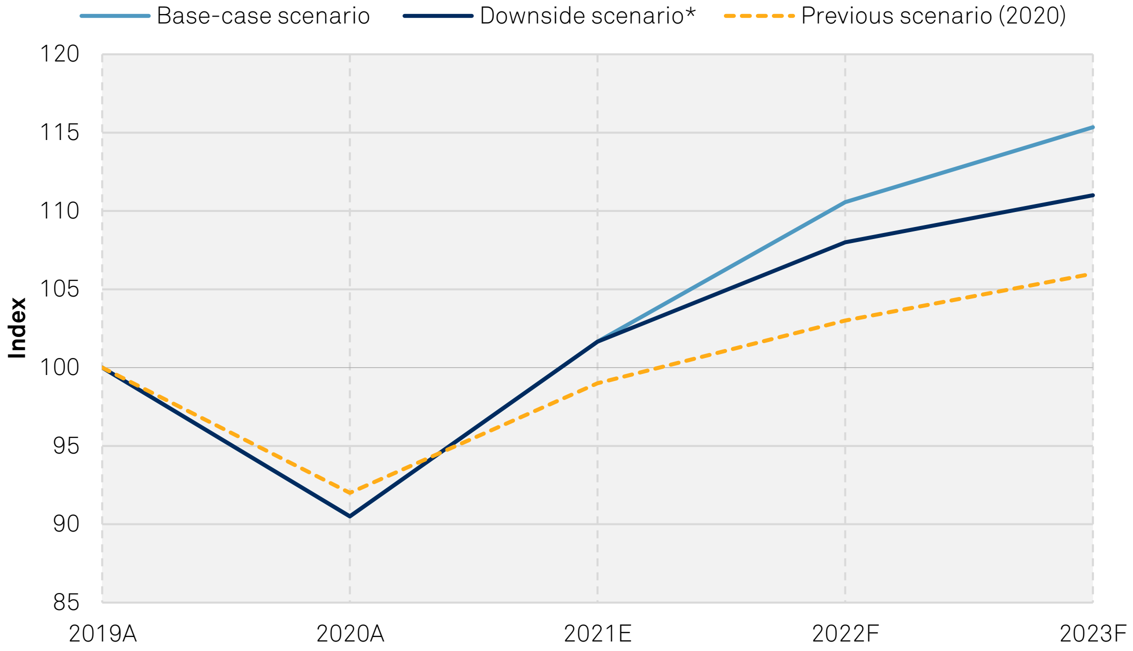
- Rated companies' revenues in 2021 outperformed Italy 's GDP growth. We anticipate healthy revenue growth in 2022 and 2023 as well.
- In the downside scenario, revenue growth moderates due to weakened consumer sentiment because of increased energy bills.

Italian Rated Companies' Revenue Versus Italy's GDP



Note: See the methodology section in the appendix for details on calculation. A--Actual. E--estimate. F--Forecast. Source: S&P Global Ratings.

Revenue Growth Base Case Versus Downside Scenario (Index)



**See the methodology section in the appendix for downside scenario definition. A--Actual. E--estimate. F--Forecast. Source: S&P Global Ratings.*

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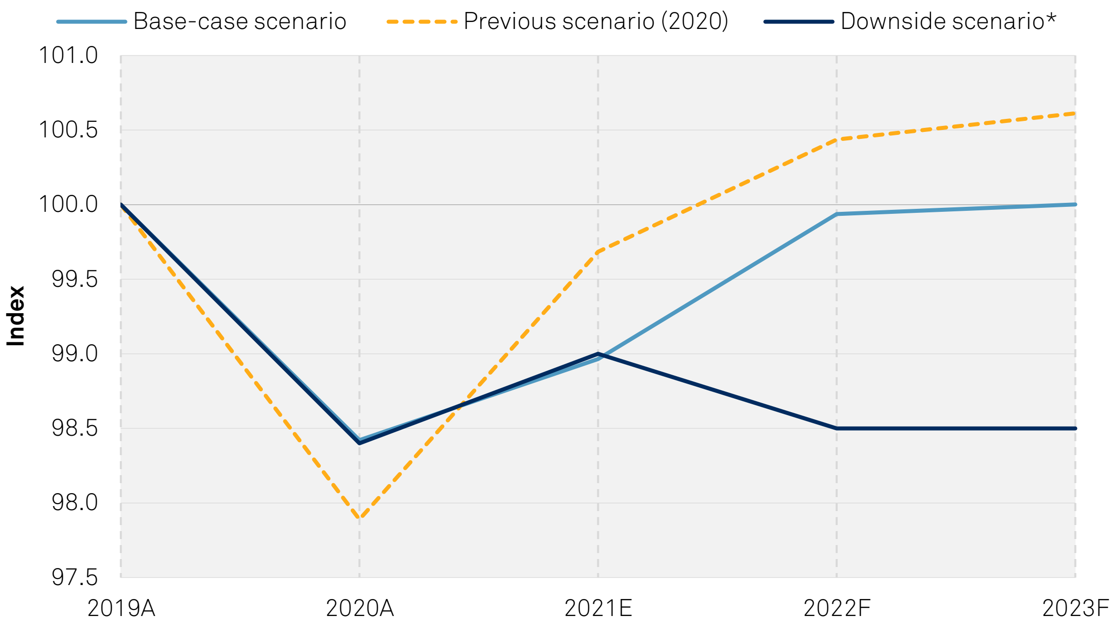
Italian Corporates | Profitability Recovery Slows Amid Cost Inflation

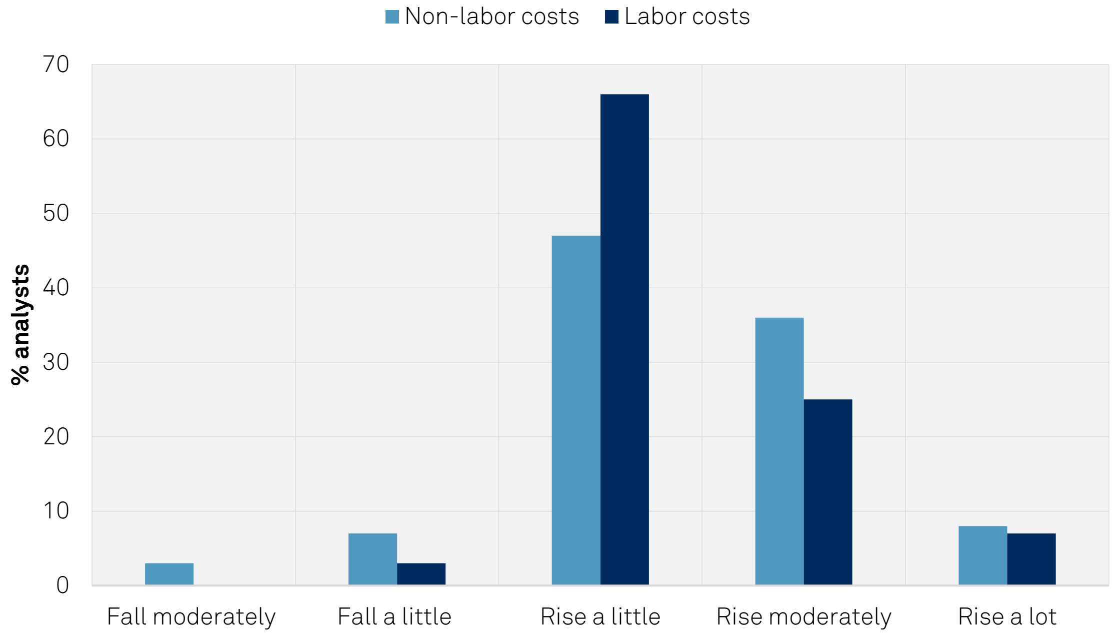
- We see slower EBITDA margin recovery in 2021 and 2022 than under our 2020 scenario, largely reflecting a lag in the pass-through of increased raw material and energy costs.
- In the downside scenario, margins drop in 2022 due to weakened business and consumer sentiment arising from persistent cost inflation.

Italian Rated Companies Adjusted EBITDA Margin



**See the methodology section in the appendix for downside scenario definition. 2019 average S&P Global Ratings-adjusted EBITDA margin (27%) indexed to 100. A--Actual. E--estimate. F--Forecast.*
Source: S&P Global Ratings.

Growth In Labor And Non-Labor Costs In 2022

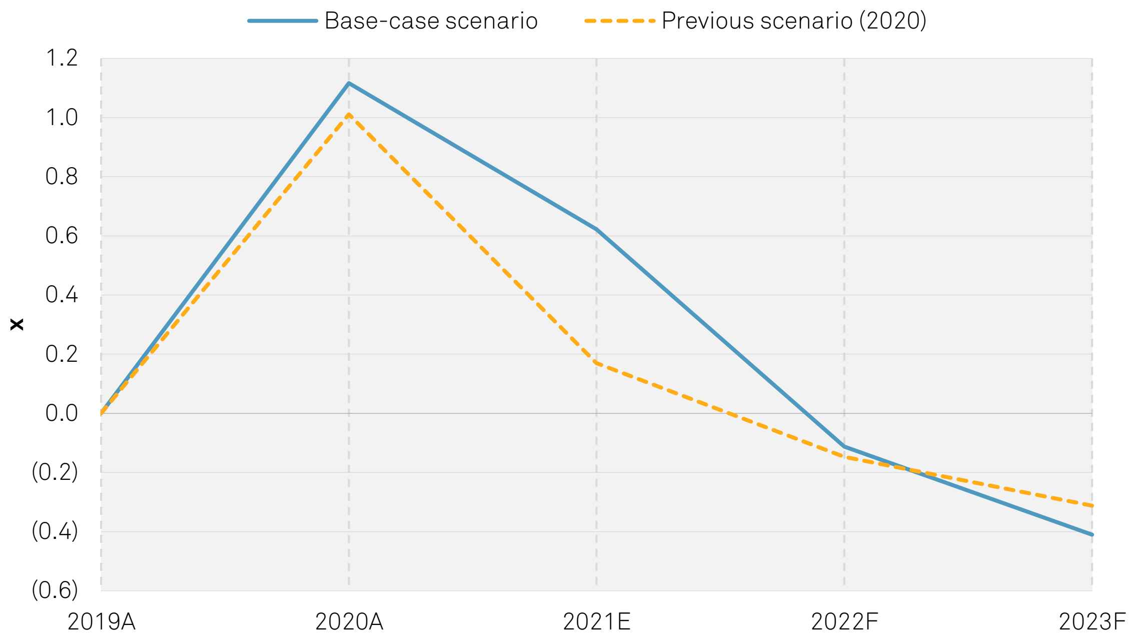


Source: S&P Global Ratings' corporate ratings sector analysts were surveyed and interviewed between Nov. 1 and Nov. 14, 2021. Question: What is the likely direction for average sector labor and non-labor costs for 2022 versus 2021?

Italian Corporates | Financial Leverage To Rebound In 2022

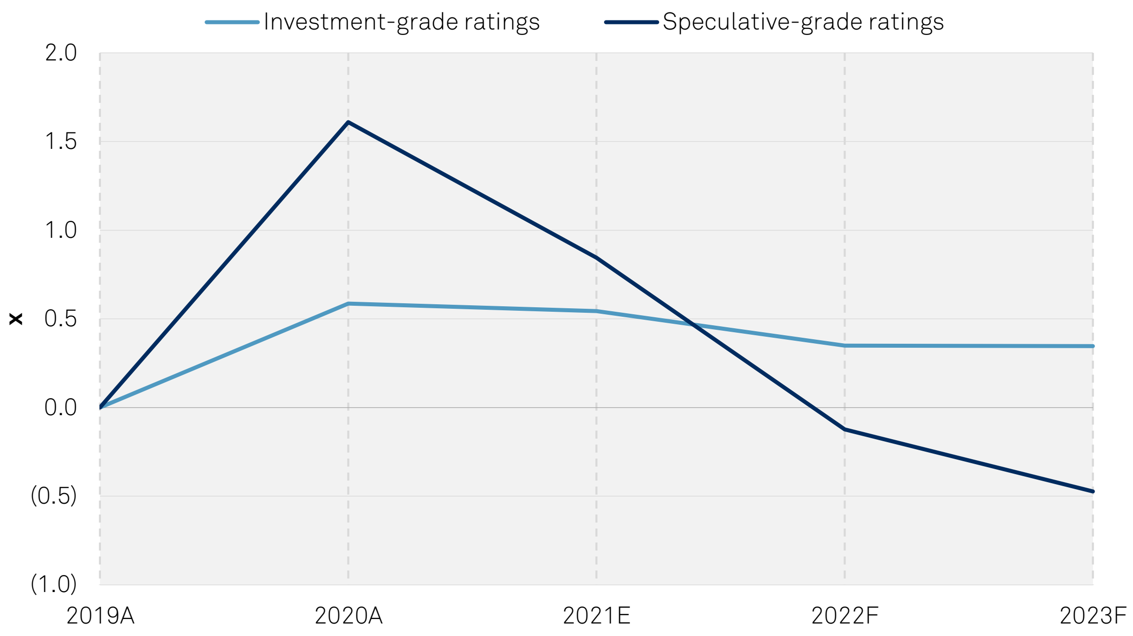
- Financial leverage is set to return to 2019 levels in 2022. This is in line with last year's scenario.
- Speculative-grade companies display a swifter speed of recovery than investment-grade companies, whose metrics instead are largely unchanged ahead of increased investments and M&A.

Italian Rated Companies Adjusted Debt To EBITDA Change



Note: End-2019 average S&P Global Ratings-adjusted debt to EBITDA (4.9x) indexed to zero. A--Actual. E--Estimate. F-- Forecast. Source: S&P Global Ratings.

Adjusted Debt To EBITDA Change By Rating Category

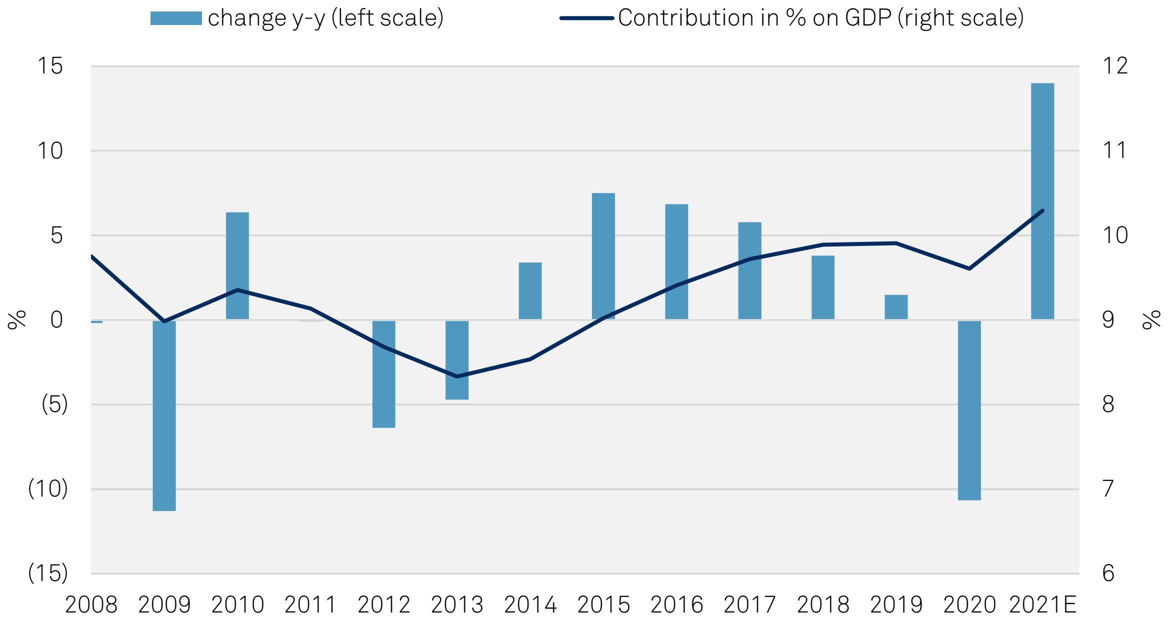


Note: End-2019 average S&P Global Ratings-adjusted debt to EBITDA (3.0x for investment-grade companies and 5.6x for speculative-grade companies) indexed to zero. A--Actual. E--Estimate. F-- Forecast. Source: S&P Global Ratings.

Corporate Fixed Investment | Major Growth In 2021-2022

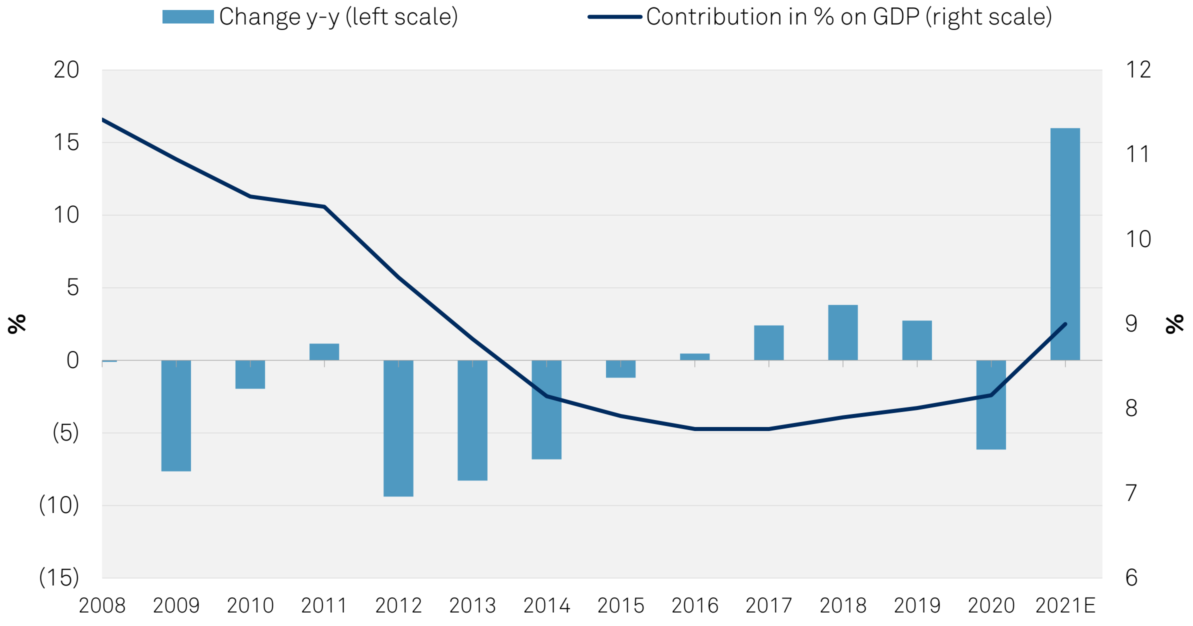
- Corporate investments will comprise one-fourth of Italy 6% GDP growth for 2021, we estimate, largely reflecting improved business confidence and tax incentives to promote innovation.
- Construction is likely to post record growth in 2021, sustained by residential renovation and infrastructure works.

Total Corporate Fixed Investments In Italy Rebound



y-y—Year-on-year. Sources: ISTAT, S&P Global Ratings.

Total Construction Investments In Italy Look Up

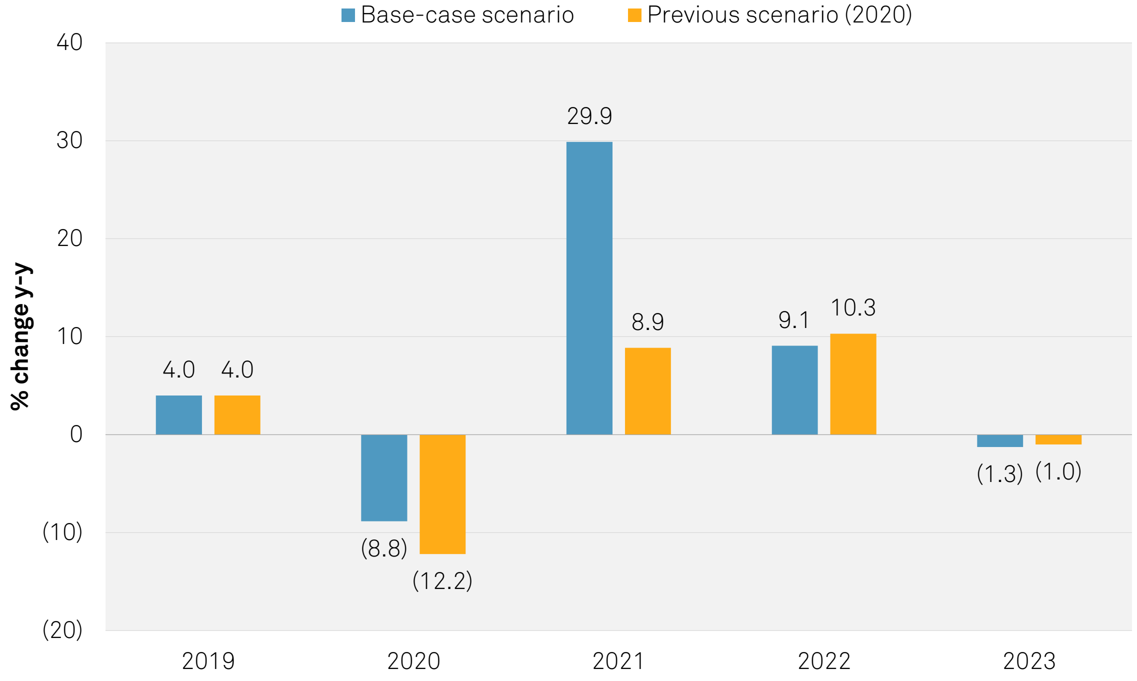


Sources: ISTAT, S&P Global Ratings.

Corporate Fixed Investment | Major Growth In 2021-2022 (continued)

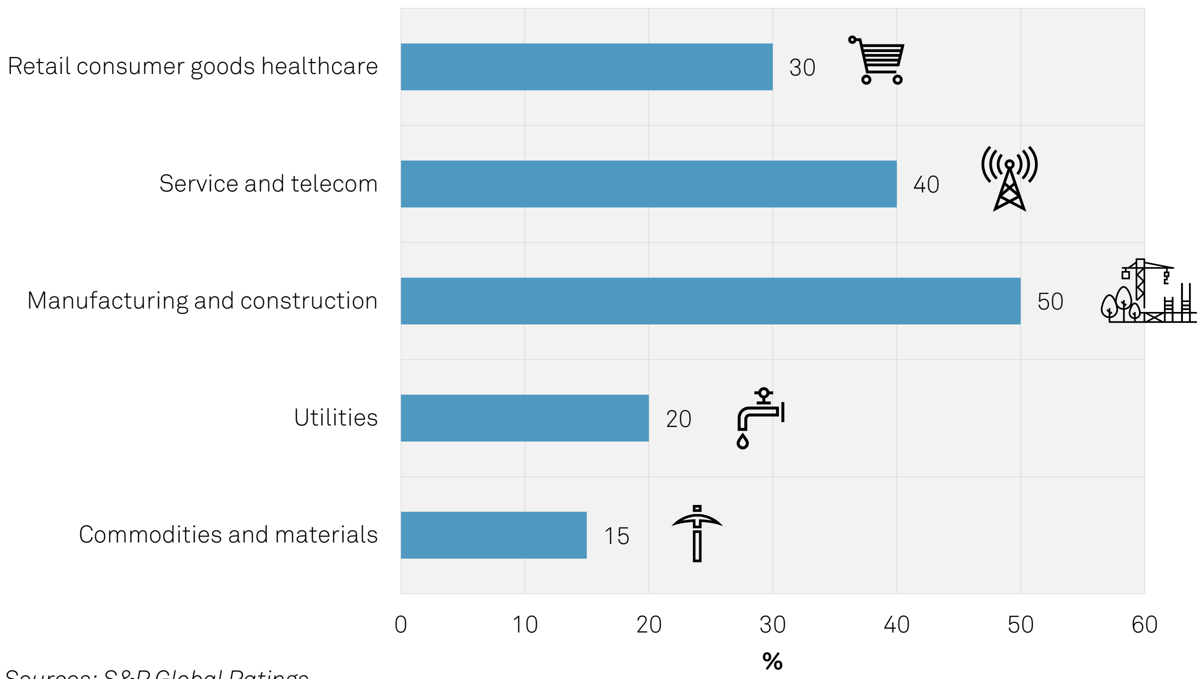
- Rated Italian companies are set to display an outstanding 30% rate of fixed investment growth in 2021 on 2020, and then 9% in 2022.
- Manufacturing, construction, services, and consumer will show the highest growth rates in 2021.

Rated Corporates Capex Growth



Y-y--Year-on-year. Capex--Capital expenditure. Sources: S&P Global Ratings.

Average 2021 Capex Growth By Sector



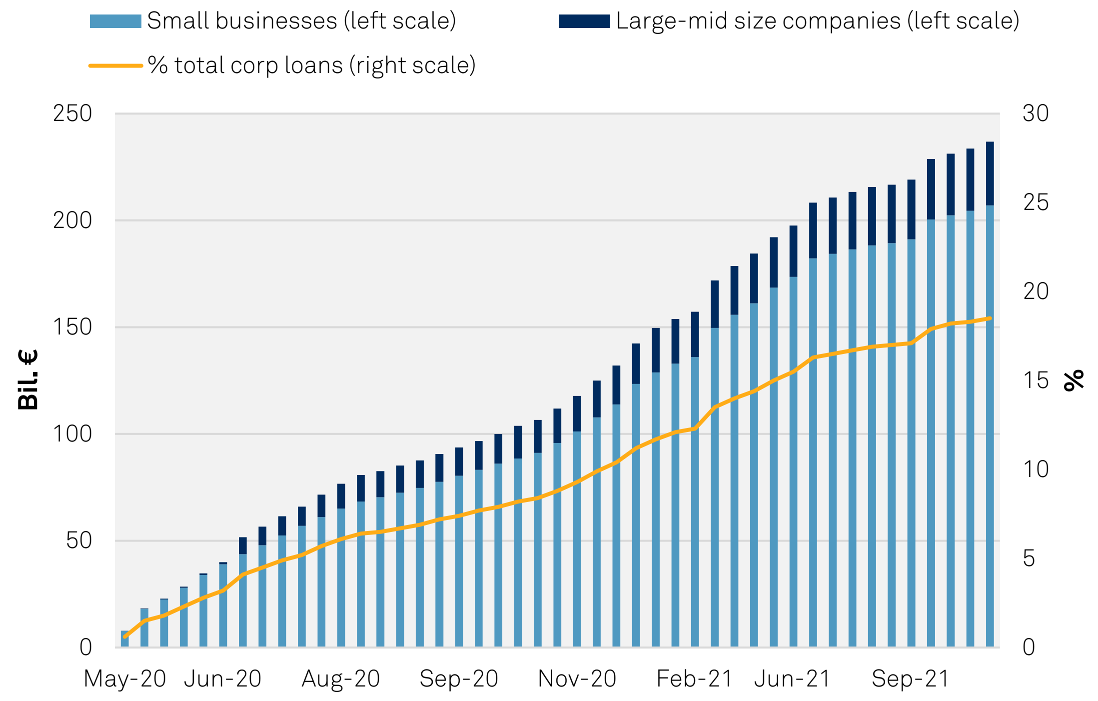
Sources: S&P Global Ratings.

S&P Global
Ratings

Italian Corporate Liquidity | A Big Drop In Debt Moratoriums

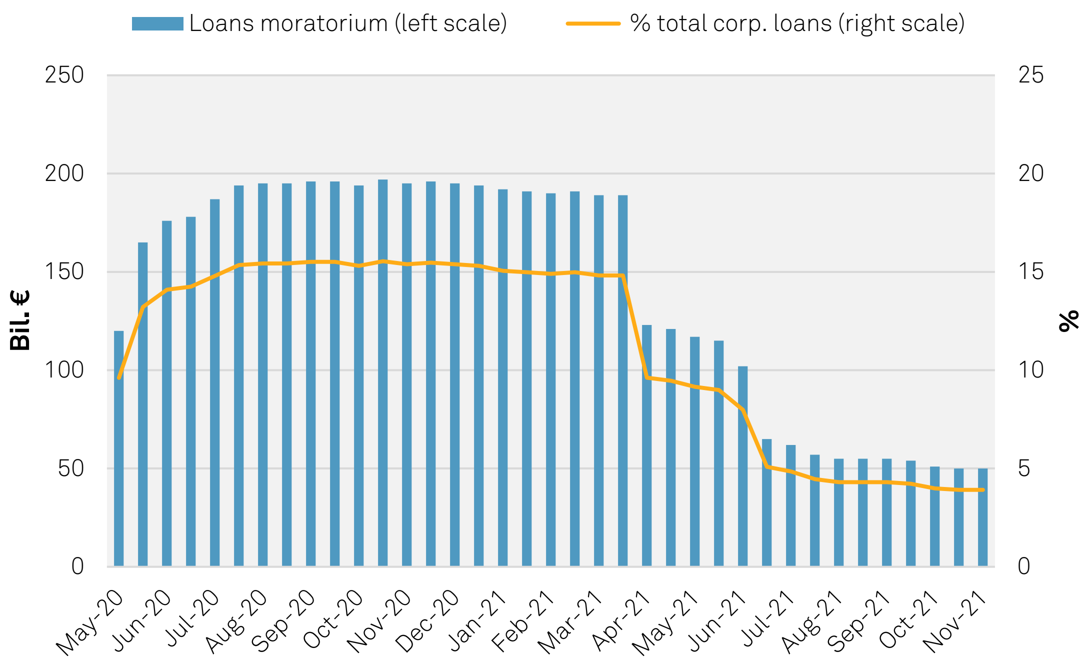
- Debt moratoriums dropped to 4% of total debt, down from a peak of 15% in end-2020, reflecting improved liquidity conditions.
- Yet, loans with state guarantees stand at €237 billion, or 19% of total debt.

New State-Guaranteed Corporate Loans In Italy



Source: Banca d'Italia.

Corporate Loan Moratoriums In Italy



Source: Banca d'Italia.

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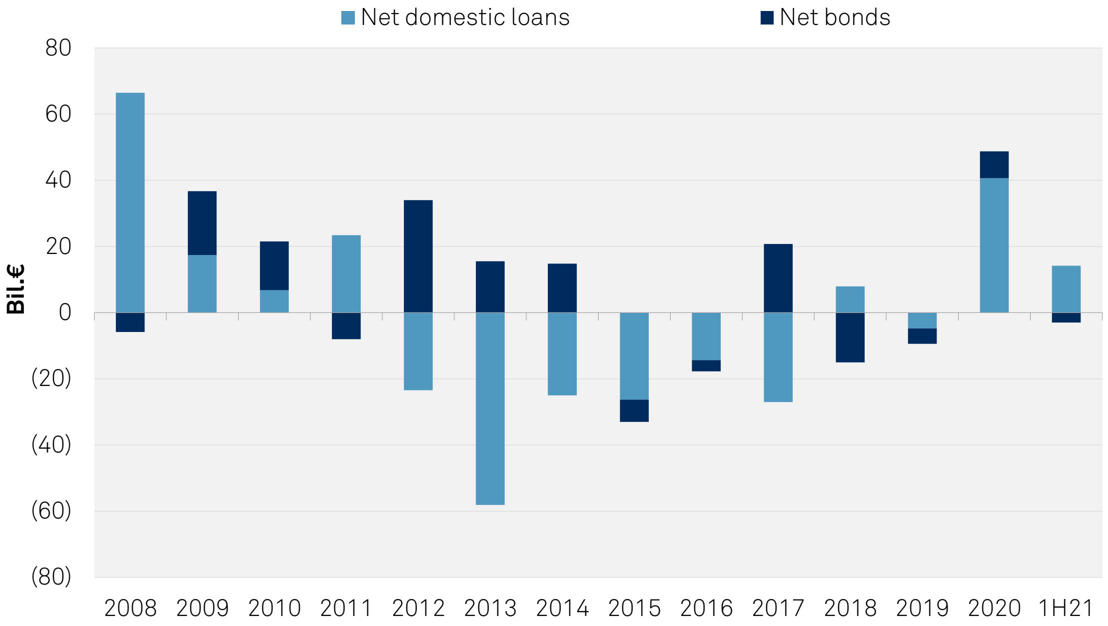
Italian Corporate Debt | State-Guaranteed Loans Spurred Loan Growth

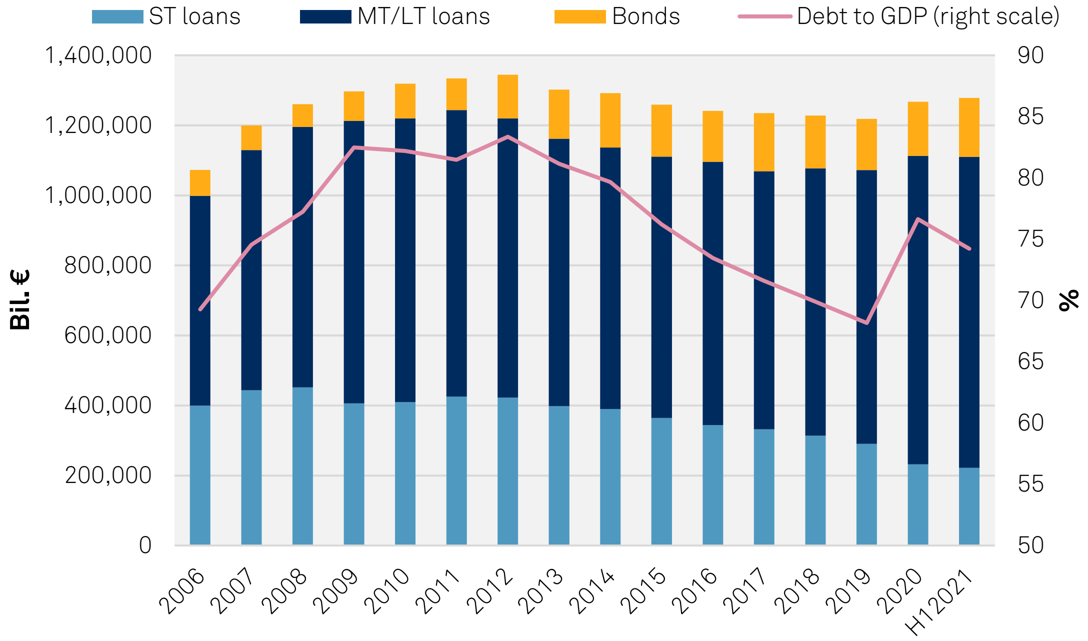
- Loan growth in 2020 was its highest since 2008. The €40 billion growth in net loans last year is the sum of a €100 billion increase in medium- to long-term loans and a €60 billion drop in short-term loans, thus an improvement of the corporate capital structure.
- Corporate debt is at 74% of Italy's GDP in 2021, up from 68% in 2019. The surge largely reflects increased long-term loans amid a GDP drop.

Italian Corporate Funding Sources Net Change



Sources: European Central Bank, Banca d'Italia.

Italian Corporate Funding Structure



ST--Short-term. MT/LT--Medium-term / long-term. Sources: European Central Bank, Banca d'Italia, ISTAT.

S&P Global Ratings

Italian Corporates
Rating Headroom
And 2021 Rating Actions

S&P Global
Ratings

Current Rating Headroom Is Largely Adequate

Subsegment	Company name	Rating	Rating headroom at current rating level		
Commodities and Materials			**Negative Outlook**	**Stable Outlook**	**Positive Outlook**
	Buzzi Unicem SpA	BBB/Stable/A-2			
	Cementir Holding N.V.	BBB-/Stable/--			
	Eni SpA	A-/Stable/A-2			
Utilities					
	2i Rete Gas	BBB/Stable/A-2			
	A2A SpA	BBB/Stable/A-2			
	Edison SpA	BBB/Stable/A-2			
	Enel SpA	BBB+/Stable/A-2			
	Hera SpA	BBB+/Stable/A-2			
	Iren SpA	BBB-/Positive/--			
	MM SpA	BBB/Positive/--			
	SNAM	BBB+/Positive/--			
	Società Metropolitana Acque Torino SpA	BBB/Stable/A-2			
	Terna SpA	BBB+/Positive/--			

Note: Ratings as of Dec. 10, 2021

Current Rating Headroom Is Largely Adequate

Subsegment	Company name	Rating	Rating headroom at current rating level		
Retail Consumer Goods and Health Care			Negative Outlook	Stable Outlook	Positive Outlook
	Amplifon SpA	BB+/Stable/--			
	Diocle SpA	B+/Stable/--			
	Esselunga SpA	BB+/Stable/--			
	EVOCA SpA	B-/Stable/--			
	Golden Goose SpA	B-/Stable/--			
	Immobiliare Grande Distribuzione SIIQ SpA	BB+/Stable/--			
	International Design Group	B/Stable/--			
	Kedrion SpA	B/Positive/--			
	Lima Corporate SpA	B-/Stable/--			
	Marcolin SpA	B-/Negative/--			
Infrastructure					
	Aeroporti di Roma SpA	BBB-/Positive/A-3			
	Atlantia SpA	BB/Positive/B			
	Autostrade per l'Italia	BB/Positive/B			
	Ferrovie dello Stato Italiane	BBB/Positive/--			

Note: Ratings as of Dec. 10, 2021

Current Rating Headroom Is Largely Adequate

Subsegment	Company name	Rating	Rating headroom at current rating level		
Manufacturing and Construction			**Negative Outlook**	**Stable Outlook**	**Positive Outlook**
	F-brasile SpA	B-/Negative/--			
	Leonardo SpA	BB+/Stable/B			
	Piaggio & C. SpA	B+/Positive/--			
	Saipem SpA	BB/Stable/--			
	Webuild SpA	BB-/Stable/--			
Paper and Packaging					
	Bormioli Pharma SpA	B/Stable/--			
	Fedrigoni SpA	B/Stable/--			
	Guala Closures SpA	B+/Stable/--			
	Pro.Gest SpA	CCC+/Stable/--			

Note: Ratings as of Dec. 10, 2021

Current Rating Headroom Is Largely Adequate

Subsegment	Company name	Rating	Rating headroom at current rating level		
Services and Telecom			Negative Outlook	Stable Outlook	Positive Outlook
	Almaviva SpA	B+/Positive/--			
	Bach Bidco SpA	B/Stable/--			
	Brunello Bidco SpA	B-/Stable/--			
	Cedacri Mergeco SpA	B/Stable/--			
	Centurion Newco SpA	B/Stable/--			
	Comdata SpA	CCC+/Positive/--			
	Dedalus Healthcare SYSTEMS Group SpA	B/Stable/--			
	doValue SpA	BB/Stable/--			
	Gamma Bidco SpA	B/Stable/--			
	Infrastrutture Wireless Italiane SpA	BB+/Stable/--			
	Libra GroupCo SpA	B/Stable/--			
	Lottomatica SpA	B/Stable/--			
	Rekeep SpA (excluding CMF SpA)	B/Stable/--			
	Sisal Group SpA	B/Stable/-			
	Telecom Italia SpA	BB/Stable/B			
	Verde Bidco SpA	B/Stable/--			

Note: Ratings as of Dec. 10, 2021

Italian Corporates | Rating Actions To Nov. 30, 2021

Date	Company	Sector	Rating Action	To	From
Jan. 22	Edison SpA	Utilities	Outlook revision	BBB-/Positive/A-3	BBB-/Stable/A-3
Feb. 8	Pro. Gest SpA	Paper and packaging	Outlook revision	CCC+/Stable/--	CCC+/Negative/--
Feb. 11	Guala Closures SpA	Paper and packaging	CreditWatch placement	B+/Watch Neg/--	B+/Stable/--
March 9	Piaggio SpA	Manufacturing and construction	Outlook revision	B+/Positive/--	B+/Negative/--
April 13	Amplifon SpA	Retail consumer goods health care	Outlook revision	BB+/Stable/--	BB+/Negative/--
April 27	Webuild SpA	Manufacturing and construction	Affirmation	BB-/Stable/--	BB-/Watch Neg/--
May 7	Hera SpA	Utilities	Upgrade	BBB+/Stable/A-2	BBB/Positive/A-2
May 10	International Design Group	Retail consumer goods health care	Outlook revision	B/Stable/--	B/Negative/--
May 21	Edison SpA	Utilities	Upgrade	BBB/Stable/A-2	BBB-/Positive/A-3
June 21	Guala Closures SpA	Paper and packaging	Affirmation	B+/Stable/--	B+/Watch Neg/--
June 22	Diocle SpA	Retail consumer goods health care	Upgrade	B+/Stable/--	B/Stable/--
June 22	Aeroporti di Roma SpA	Infrastructure	Upgrade	BBB-/Positive/A-3	BB+/Developing/B
June 22	Atlantia SpA	Infrastructure	Upgrade	BB/Positive/B	BB-/Developing/B

Italian Corporates | Rating Actions To Nov. 30, 2021 (continued)

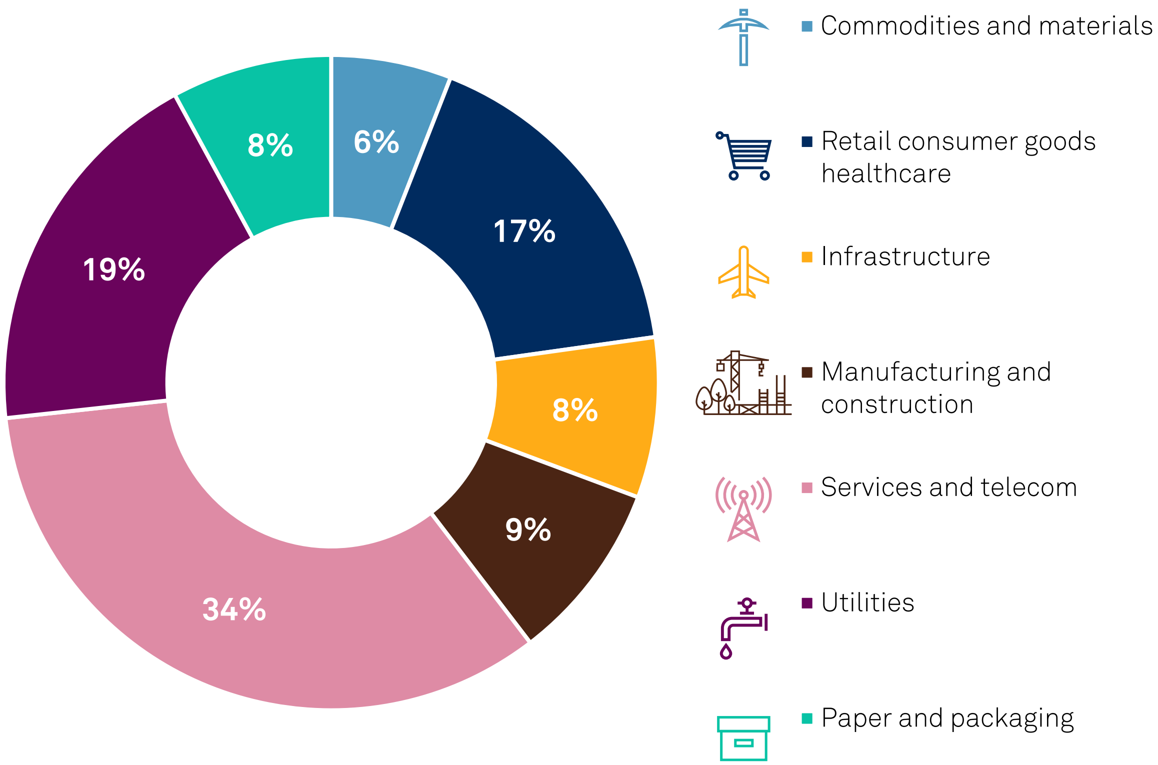
Date	Company	Sector	Rating Action	To	From
June 22	Autostrade per l'Italia	Infrastructure	Upgrade	BB/Positive/B	BB-/Developing/B
June 30	Buzzi Unicem SpA	Commodities and materials	Upgrade	BBB/Stable/A-2	BBB-/Stable/A-3
Aug. 5	Saipem SpA	Manufacturing and construction	Downgrade	BB/Stable/--	BB+/Stable/--
Oct. 29	Eni SpA	Commodities and materials	Outlook revision	A/Stable/A-2	A/Negative/A-2
Oct. 29	MM SpA	Utilities	Outlook revision	BBB/Positive/--	BBB/Stable/--
Oct. 29	SNAM	Utilities	Outlook revision	BBB+/Positive/--	BBB+/Stable/--
Oct. 29	Terna SpA	Utilities	Outlook revision	BBB+/Positive/--	BBB+/Stable/--
Nov. 19	Telecom Italia SpA	Services and Telecom	Downgrade	BB/Stable/B	BB+/Negative/B
Nov. 24	Ferrovie dello Stato	Infrastructure	Outlook revision	BBB/Positive/--	BBB/Negative/--
Dec. 10	Immobiliare Grande Distribuzione SIIQ SpA	Retail consumer goods health care	Outlook Revision	BB+/Stable/--	BB+/Negative/--

Appendix
Methodology: Calculation Of Credit Metrics

S&P Global Ratings

Slides 14-19 | Methodology For The Calculation Of Credit Metrics

Rated Italian Companies By Sector



Source: S&P Global Ratings. Data as of Dec. 10, 2021

Key Comments On Methodology

- **Downside Scenario Definition:** We assume that supply shortages and high cost inflation, particularly energy, will persist throughout 2022. This would moderately weaken both consumer and business confidence and impair profitability metrics in 2022-2023. This translates into 3% revenue growth in 2022 and 2023 (versus 7% in our base case). In the downside scenario, EBITDA margins drop 50 basis points in 2022 and 2023 compared with 2021, remaining well below pre-crisis level.
- **Slides 18-20:** Metrics are based on our forecast for rated Italian companies (52). Data displayed is the arithmetic average. Data exclude outliers (that is, companies with significant change in capital structure or M&A activities).
- In the chart to the left, we provide the breakdown of rated companies by sector.

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