European non-financial listed groups: Analysis of 2021 data

ERICA (European Records of IFRS Consolidated Accounts) WG

European Committee of Central Balance Sheet Data Offices (ECCBSO)

March 2023

ERICA Working Group

eccbso

European Committee of Central Balance Sheet Data Offices

EUROPEAN NON-FINANCIAL LISTED GROUPS: ANALYSIS OF 2021 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 is 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 (in the whole dataset of approximately 1,000 groups) is well-attuned to the situation and national composition of the stock markets. The analyses performed in this document, with the proviso expressed in the previous paragraph, offer a view of the position and performance of listed non-financial European groups. However, the analysis includes some commentaries on the performance of listed European groups according to 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.

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I. EUROPEAN NON-FINANCIAL LISTED GROUPS: INTRODUCTION AND MAIN FINDINGS FROM 2021 DATA

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 2021 database (841 listed non-financial groups[2], with a total of approximately € 8,000 billion in assets and € 4,100 billion in revenue), with the most relevant facts for the year 2021 regarding the profitability and financial structure of European listed non-financial groups, as well as the financial debt structure and cost of debt. Unlike previous versions of the report, this study does not include Turkish data due to unavailability of the data at the time of analysis.

This report uses three different samples[3]:

- A *static* sample: This sample includes all groups for which data is collected in ERICA for the year 2021. The static sample consists of 841 groups;
- A *sliding* sample: This sample is obtained by selecting all groups for which data is collected in ERICA for both 2020 and 2021. The sliding sample encompasses 770 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 is collected in ERICA for each year over the 2017-2021 period. The fixed sample captures 616 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)[4]. For all conclusions derived from the total data, the same strictures (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).

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 regarded as 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 2021 data are:

1 Clear signs of recovery in 2021 after pandemic hit.

In 2021, the figures for EBIT, profits and revenues showed a clear recovery across all countries, sectors, and size classes after the pandemic caused heavy cutback in 2020. In the total sample, the median EBIT and profits before tax boosted by around 150 % and 200 % respectively. At the same time, aggregate revenues increased by around 17 %. The services and energy sectors were particularly badly affected by the pandemic but also showed the highest growth rates 2021. The groups from the services

[2] The final version of the 2021 ERICA database comprises a higher number of listed non-financial groups. However, at the start of the analysis process in October 2022, 2021 data collection was completed for 841 groups only. Amongst others, Turkish data were excluded from the analysis due to unavailability of the 2021 data in October 2022.

[3] Figures refer to the global samples.

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

sector recovered substantially, but the effects of the pandemic were still evident, in some travel-related branches for instance. The energy sector, which was mainly composed of large groups, recorded the highest growth rates supported by higher global oil prices. The industry sector showed a high increase in profits as well, despite suffering a substantial but relatively less severe decline in 2020. The construction sector displayed the greatest resilience to the pandemic and so the catch-up effect was not so pronounced in 2021. However, the effect on the sectors differed between countries due to the sample compilation and structural country specifics. Regarding group size, the small groups were most affected by the pandemic in 2020 but likewise showed the strongest recovery in 2021.

Accordingly, all the profitability measures analysed showed substantial improvements. The EBIT margin was boosted by 3.1 pp in 2021 to 8.3 %, the highest rate in the past four years. The rise in profitability was most pronounced in the return on equity ratio, which increased by 5.8 pp to 12.3 %.

2 Equity rebounds after pandemic hit and median net indebtedness continues to shrink.

In 2021, total equity rebounded sharply from the pandemic hit in 2020 and rose by 14.5 %. Growth could be observed in all sectors and size classes and was mainly based on high retained earnings. Other reserves also contributed significantly to equity growth based on effects from currency translation and the remeasurement of defined-benefit pension plans. The improved total equity reversed the trend of a declining median equity ratio that started in 2019. The median equity ratio rose by 1.1 pp to 38.1 % in 2021. It increased in all size classes and all sectors except for the energy sector. The latter's assets surged in 2021 due to the valuation of commodity derivatives, so asset growth clearly exceeded equity growth. The country breakdown shows a mixed picture. The median equity ratio shrank in Belgium, Greece, Austria and Spain while it rose in France, Portugal, Germany and Italy.

The downward trend in median net indebtedness that started in 2020 continued in 2021 in all sectors of activity and all size classes. On aggregate, this was made possible by a combination of reduced net debt and growth of total assets boosted particularly by a rise in equity and commodity derivatives for electricity and natural gas. The overall trend was observed in all countries' median figures except Austria and Spain, although it was confirmed in the average figures for those countries. The biggest drop was observed in Greek and Portuguese groups. Analysis per branch of activity shows that other manufacturing groups posted the biggest improvement in their median net debt ratio in 2021. Following the continuing difficult situation in the air transport sector – with activity in 2021 remaining below the pre-pandemic level – the transport and storage sector took over the real estate sector's position as most indebted in net and median terms.

3 Continuing downward trend in the cost of financial debt accompanies lower gross indebtedness.

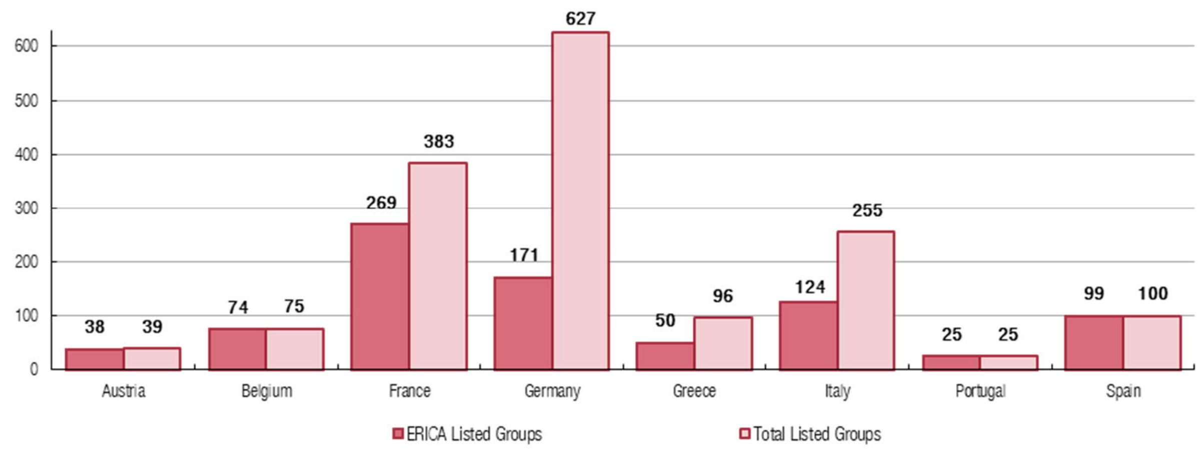
The financial debt structure of European non-financial listed groups remained fairly stable in 2021. Loans from financial institutions, usually referred to as bank loans, were the most popular form of debt capital in 2021 for European non-financial listed groups overall, despite the mixed picture presented by the country level data. Borrowings from financial institutions were also the most common way of financing across all size classes and sectors. Even though groups make more frequent use of debt capital from financial institutions and leases, financial market funding via bonds remained the main source of financial debt in terms of amounts raised. Large groups prefer to obtain the major slice of their funding from bond issuance and, due to their size, they dictate the overall outcome. The majority of branches of activity replicated the country pattern of obtaining more than half of their debt capital from bond issuance. Overall, the cost of debt held by European non-financial listed groups declined slightly in median terms, dictated by lower indebtedness. The reduction in the median cost of debt was not evident in all countries and only in large-sized groups. For the second year in a row, the gap between the countries with the highest and lowest cost of debt narrowed in 2021.

II. ERICA DATABASE: COVERAGE AND MAIN FIGURES

The 2021 ERICA database covers 881[5] groups. 2021 saw the roll-out of massive general vaccination campaigns amongst the European population and, during the second part of the year, the reopening of economic activity after shutting down for almost a year and a half due to the COVID-19 outbreak. This economic reopening led to shipping and global supply chain disruptions as well as supply and demand imbalances in some critical sectors. As a consequence, some countries experienced shock changes in their relative sectoral breakdown on the revenue side.

The coverage of the ERICA database in absolute terms includes a number of ERICA listed groups studied for 2021, ranging from 25 real cases in Portugal and 38 in Austria to 171 in Germany and 269 in France.

CHART 1 LISTED GROUPS BY COUNTRY IN 2021 (absolute number)



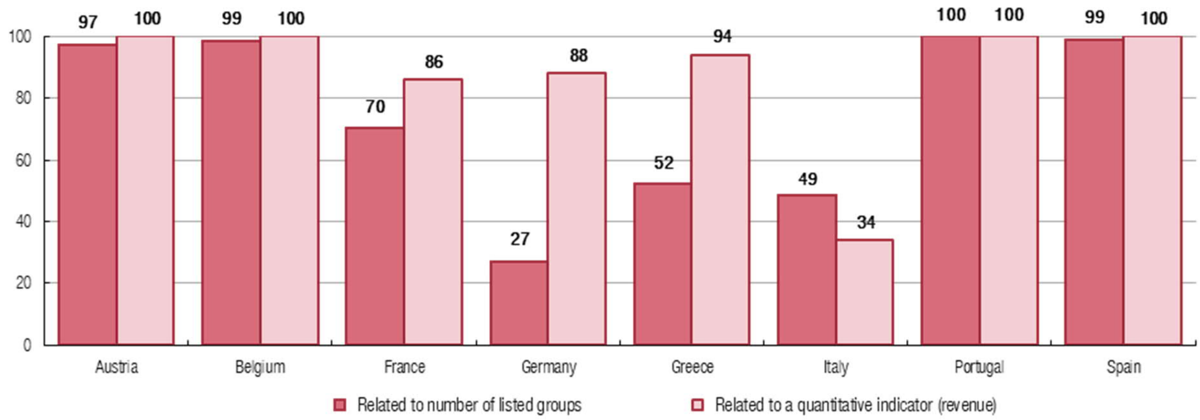
Source: ERICA 2021 and national databases.

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 34 % in Italy and 86 % in France or 88 % in Germany to 100 % in Austria, Belgium, Portugal and Spain.

In relative terms, by number of listed groups, comparing the ERICA database with the total population of listed groups, the coverage rate varies from 27 % in Germany to 100 % in Portugal.

[5] Double country identification leads to a reduction in the coverage related to the total number of ERICA listed groups by country, particularly in Italy (7), France (5), Germany (4), Belgium (3), Portugal (3) and Spain (1).

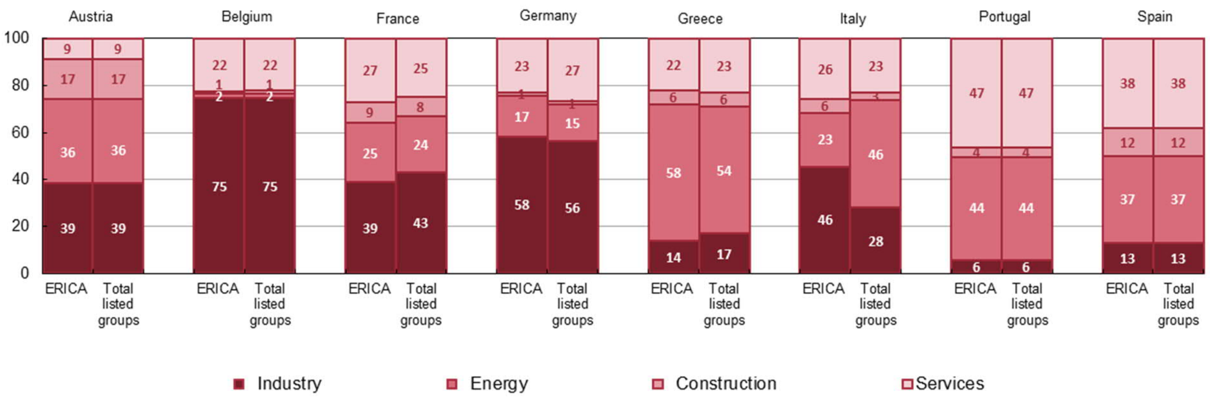
CHART 2 DATABASE COVERAGE IN 2021 (in %)



Source: ERICA 2021 and national databases.

Regarding the sectoral breakdown in Chart 3, listed European groups differs greatly from country to country. Both, sample and population are mostly aligned in every country except Italy, where the industry sector is over-represented in the sample at the expense of the energy sector, which is under-represented in relation to the total listed non-financial groups. Industry is especially important in Belgium and Germany and energy has a high weight principally in Greece, Italy and Portugal. The construction sector shows the largest shares in Austria and Spain. Lastly, the services sector is important in almost all the countries, being especially relevant in Portuguese and Spanish ERICA listed groups.

CHART 3 STRUCTURE BY COUNTRY AND SECTOR IN 2021 (in % of revenue)



Source: ERICA 2021 and national databases.

III. PROFITABILITY: CLEAR SIGNS OF RECOVERY

Profitability, along with the financial structure and cost of debt analysis set out in this document, is based on financial data for 2021, 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 2021

In € billion	Number	Total assets	EBIT	EBITDA	P/(L) before tax	Revenue
By country						
Austria	38	191.76	12.55	22.52	13.31	120.08
Belgium	74	352.67	20.71	33.20	15.69	161.89
France	269	2,908.95	149.25	271.73	131.43	1,429.18
Germany	171	3,035.79	131.54	282.98	130.93	1,793.56
Greece	50	72.57	3.99	7.07	3.25	47.84
Italy	124	624.63	7.73	23.47	9.94	165.40
Portugal	25	113.39	5.61	11.06	4.37	70.36
Spain	99	841.47	41.89	81.70	36.18	381.89
Total	**850**	**8,141.23**	**373.27**	**733.74**	**345.10**	**4,170.20**
By sector						
1. Industry	360	3,378.74	208.22	362.70	200.15	1,886.98
2. Energy	50	1,940.15	69.16	135.60	67.91	928.45
3. Construction	45	345.77	11.24	24.54	8.75	218.62
4. Services	389	2,399.50	82.43	205.04	66.32	1,089.54
Total	**844**	**8,064.16**	**371.04**	**727.87**	**343.13**	**4,123.60**
By size (revenue)						
1. Small groups (<250mn)	314	111.69	4.49	7.32	4.44	29.26
2. Medium (250mn -1.5bn)	266	433.88	21.84	37.54	18.90	177.03
3. Large groups (>1.5bn)	261	7,481.91	342.93	679.52	318.06	3,899.47
Total	**841**	**8,027.47**	**369.26**	**724.38**	**341.40**	**4,105.76**

Source: ERICA 2021 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 2021 (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 listed non-financial groups. Table 1 gives a breakdown of the 2021 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 75 % in terms of the other quantitative indicator. Regarding size, of all variables analysed in this chapter (assets, revenue, EBIT, EBITDA, profit/loss), more than 90 % are reported by the large groups (those with revenue of over € 1.5 billion). If we consider the groups' main business activity, the weight of the industrial groups is 42 % in terms of total assets, rising to 58 % for profit/loss before tax. The second-biggest sector of activity for all variables is services. Taken together, the services and industry sectors account for 89 % of the groups analysed.

III.1 EBIT AND PROFIT BEFORE TAX: RECOVERY FROM PANDEMIC HIT

In 2021, the figures for EBIT, profits and revenues showed a clear recovery across all countries, sectors, and size classes after the heavy cutback in 2020 caused by the pandemic. In the total sample, the median EBIT and profits before tax were boosted by around 150 % and 200 % respectively. At the same time, aggregate revenues increased by around 17 %.

TABLE 2 RATE OF CHANGE IN 2020-2021

	EBIT	*Median EBIT*	*EBITDA*	*Median EBITDA*	*P/(L) before tax*	*Median P/(L) before tax*	*Revenue*	*Median Revenue*
By country								
Austria	*146.6%*	*98.0%*	*53.8%*	*90.2%*	*196%*	*296.7%*	*34.0%*	*12.9%*
Belgium	*56.6%*	*44.6%*	*10.8%*	*23.6%*	*186%*	*63.5%*	*12.5%*	*-1.5%*
France	*169.8%*	*124.2%*	*44.0%*	*59.3%*	*317%*	*164.8%*	*15.7%*	*17.1%*
Germany	*253.7%*	*174.2%*	*29.9%*	*43.4%*	*388%*	*307.1%*	*18.7%*	*19.4%*
Greece	*475.4%*	*312.2%*	*81.2%*	*56.6%*	**)*	*325.6%*	*34.8%*	*8.2%*
Italy	*436.8%*	*234.0%*	*24.0%*	*51.4%*	*210%*	*191.5%*	*19.9%*	*24.7%*
Portugal	*90.2%*	*96.2%*	*28.1%*	*37.7%*	*82%*	*137.8%*	*16.6%*	*12.9%*
Spain	*287.6%*	*148.2%*	*43.6%*	*37.5%*	*1078%*	*291.4%*	*12.6%*	*25.9%*
Total	***193.2%***	***149.5%***	***36.1%***	***60.2%***	***349%***	***208.2%***	***17.4%***	***16.2%***
By sector								
1. Industry	*162.8%*	*132.6%*	*37.8%*	*44.2%*	*207%*	*190.1%*	*11.3%*	*20.0%*
2. Energy	*293.7%*	*100.6%*	*42.1%*	*-0.4%*	*666%*	*340.5%*	*53.4%*	*44.1%*
3. Construction	*34.4%*	*37.5%*	*7.6%*	*2.6%*	*39%*	*34.7%*	*3.7%*	*17.7%*
4. Services	*224.5%*	*156.8%*	*32.5%*	*79.6%*	**)*	*195.1%*	*8.0%*	*18.6%*
Total	***184.7%***	***157.0%***	***35.8%***	***56.8%***	***326%***	***207.3%***	***17.6%***	***15.2%***
By size (revenue)								
1. Small groups (<250mn)	*227.9%*	*204.0%*	*66.8%*	*55.2%*	*689%*	*273.8%*	*15.7%*	*20.9%*
2. Medium (250mm-1.5bn)	*109.6%*	*59.2%*	*40.8%*	*53.1%*	*231%*	*114.4%*	*12.0%*	*19.3%*
3. Large groups (>1.5 bn)	*207.5%*	*93.0%*	*36.3%*	*46.7%*	*377%*	*125.8%*	*17.8%*	*6.8%*
Total	***200.3%***	***151.3%***	***36.8%***	***50.4%***	***369%***	***211.4%***	***17.5%***	***12.5%***

Source: ERICA 2021 sliding sample.
*) Rate of change not calculated due to the aggregated negative figures in 2020.

The services and energy sectors were particularly badly affected by the pandemic but recovered strongly in 2021. The energy sector's revenues and profits faced the hardest fall in 2020 caused by the pandemic-induced abrupt slowdown of the economy and the subsequent considerably lower energy consumption levels as well as a temporary substantial drop in global oil prices. In 2021, the energy sector, which was mainly composed of large groups, recorded the highest growth rates in aggregate terms on the back of higher global oil prices. The services sector also incurred huge profit losses in 2020, the largest occurring in the hard-hit airlines and airport groups as well as among groups from the retail sector, which finally led to an aggregate loss in 2020. In 2021, the services sector groups recovered well, leading to a high median profit growth rate of around 200 %, but the effects of the pandemic were still notable, especially in some travel-related branches. The industry sector showed a similar high increase in profits, although it seemed more resilient to the pandemic, after suffering a substantial but relatively less severe decline in 2020. The construction sector displayed greater resilience to the pandemic as well, so the catch-up effect in EBIT and profits was not as pronounced in 2021.

Regarding group size, the small groups were affected the most by the pandemic in 2020 but likewise showed the strongest recovery in 2021. The median EBIT margin was up by around 200 % in 2021 and the median revenue increase stood at 21 %. The medium-sized groups showed higher resilience in 2020, hence the catch-up in profits was smaller. Still, the median revenue growth almost reached the 20 % mark as well. The large groups recorded a strong EBIT and rise in revenue just like the small groups in aggregate rate of change, but in median terms, the increase was markedly lower. Generally, the gap between the aggregate and the median rate of change reflects the weight of large dominating groups, while the median is unaffected by group size.

At country level, the median EBIT increase ranged between 45 % (Belgium) and 312 % (Greece). Although all countries showed substantial improvements in EBIT and profits, the pandemic's effect on the different sectors and their influence on the recovery varied among individual countries. This is partly due to the various countries' sample compilation (see the sectoral breakdown in Chart 3), leading to results which probably do not fully reflect the situation of the entire sector within a country, and partly to structural country specifics.

The positive impact of the industry sector drove the country samples from Germany, Italy and France in particular. The German group sample, which was dominated by large groups in the automotive and chemical industries, posted the sharpest rise. Besides the unfavourable world economic conditions (international trade disputes, negative effect of Brexit) of the last years, the pandemic compounded the difficulties in 2020. The year 2021, however, marked a turnaround for those groups recording high EBIT gains. In aggregate terms, the EBIT for the German industry sector was 10 times higher than in 2020, but it was still 4 times bigger in median terms (unaffected by the weight of large dominating groups). Also, the French and Italian industry groups recorded a sound recovery, increasing the median EBIT by around 2.5 times. Even more notable but less pronounced was the increase for the industry sectors in Belgium, Spain and Greece. The Austrian industry groups had an important stake in the country's total sample and boosted aggregate EBIT particularly. In median terms, however, the increase was substantially below the other ERICA countries. For the group sample from Portugal, the industry sector had only limited importance.

The services sector presented a strong catch-up effect in most of the countries in 2021, but several travel-related groups were still affected by the pandemic, albeit to a lesser extent. Countries with a substantial share of groups in the airlines, airport operators, retailers, and real estate sectors recorded the highest gains after taking the biggest hit during the pandemic. So, the group samples from Spain, France, Italy, Greece and Austria, showed the strongest recovery in 2021, while services groups in Germany and Portugal improved remarkably too. In total, the number of services groups with a negative EBIT fell by around 40 % in 2021. In contrast to the other ERICA countries, Belgium's services sector groups faced a decline in median and aggregate EBIT. Reasons could be found in the different compilation of the Belgium services sector, showing a substantial share of pharma and biotech groups with continuing negative EBIT. Overall, around 50 % of the Belgian services groups recorded a negative EBIT in 2021 (in the total sector sample, it was around 20 %). The total number of services groups with a negative EBIT was down by around 40 % in 2021.

In the total ERICA sample, the energy sector recorded a high increase in profits (EBIT and profit before tax) both in aggregate and median terms. Generally speaking, the energy sector was clearly dominated by large groups which had the biggest impact on the figures. The energy sector accounted for a large share of the group samples compiled for Greece, Portugal, Spain and Austria and, to a lesser but still meaningful degree, for the French and Italian samples too. The energy sectors in all those countries posted a strong recovery. In overall terms, oil groups suffered more than electricity groups in 2020, although the catch-up effect for these groups was more pronounced in 2021. For the country samples in Germany and Belgium, the energy sector was relatively less significant and showed a negative development. In contrast to the other ERICA countries, the German and Belgian samples did not include any dominant oil group boosting profits but were mainly composed of electricity groups. This fact as well as group-specific factors, also outside the core business, might have added to the downward trend.

The construction sector, the smallest in the ERICA sample, accounted for a relatively bigger share of the Austrian and Spanish group samples. The Austrian construction sector was dominated by three single large groups which showed a clear upward trend. The Spanish groups in the sector posted a positive development in median terms. The aggregate figures for the Spanish construction sector nevertheless showed a completely different picture as one large group suffered a massive loss in EBIT. For the other ERICA countries, the importance of the construction sector was very limited. For Germany and Italy, the contribution was negative, while it was positive for the other countries. In the total ERICA sample for 2021, growth in EBIT and profits was lowest in the construction sector because the pandemic effects had not been felt so much in the sector in 2020.

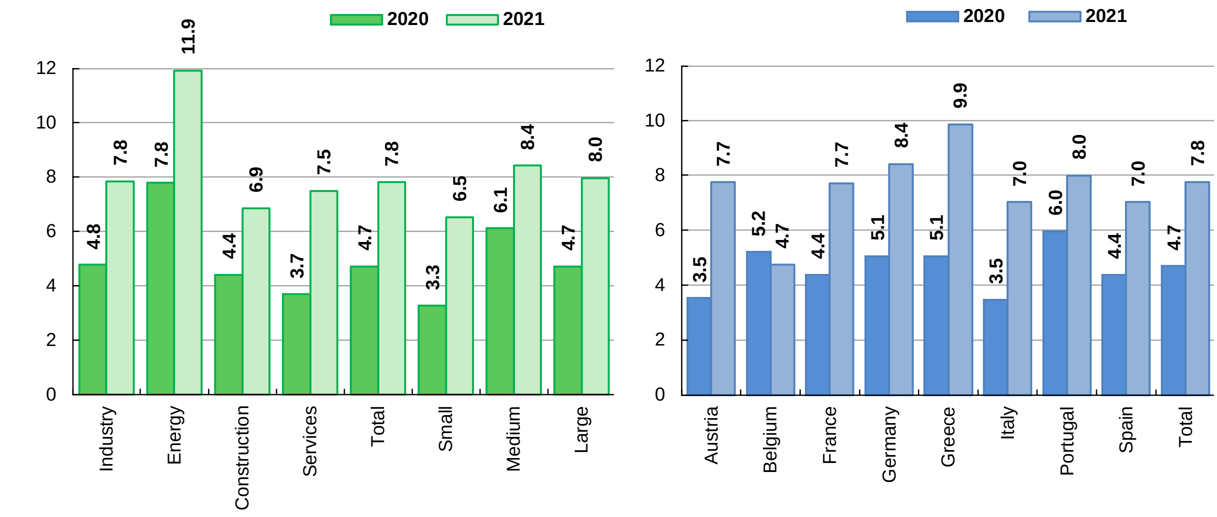
III.2 EBIT MARGIN: RECOVERY LEADS TO NEW ALL-TIME HIGH IN SEVERAL SECTORS AND COUNTRIES

The profitability analysis is based on the EBIT margin, measured as EBIT/revenue. Measured by the median, the total EBIT margin increased by 3.3 pp in 2021. This translates into a rise of 70 % in relative terms. All sectors and every group size posted a sizeable increase. Associated with a remarkable growth rate of 4.1 pp, the energy sector achieved the highest margin of 11.9 %. Starting from the lowest level in 2020, the services sector also showed a notable rise (3.8 pp), followed by industry (3.1 pp) and the construction sector (2.5 pp).

Comparisons by size classes reveal that large and small groups improved the most, reporting improvements by 3.3 pp and 3.2 pp respectively. Despite the smallest increase of 2.3 pp from 2020 to 2021, medium-sized groups again recorded the highest median ratio of 8.4 % on a size comparison.

With a single exception, all countries posted recovered growth rates of between 2.0 pp and 4.8 pp. Only Belgian listed groups, that had been more resilient to the pandemic in 2020, posted a slight reduction in their median EBIT margin, down by 0.5 pp to 4.7 %. However, it should be noted that the change in the median was not representative of the majority of Belgian groups. Only 32 % of the groups posted a decline in the EBIT margin, whereas 68 % registered an increase. Since the falls below the median were more pronounced that the rises above it, the median EIBT margin dropped. Additionally, the weighted figures for the Belgian sample showed an improved rate by 3.6 pp and the highest weighted EBIT ratio of 12.9 % (see Annex B). This trend was mainly driven by two large industry groups that recorded a high increase in their EBIT in 2021. In median terms, the highest ratio was posted by Greek groups (9.9 %), associated with the notable improvement from 2020 to 2021 by 4.8 pp, followed by Germany (8.4 %) and Portugal (8.0 %). Looking at the weighted mean, the conclusions for all countries except Belgium do not change.

CHART 4 MEDIAN EBIT MARGIN – EBIT / REVENUE 2020-2021 (in %)

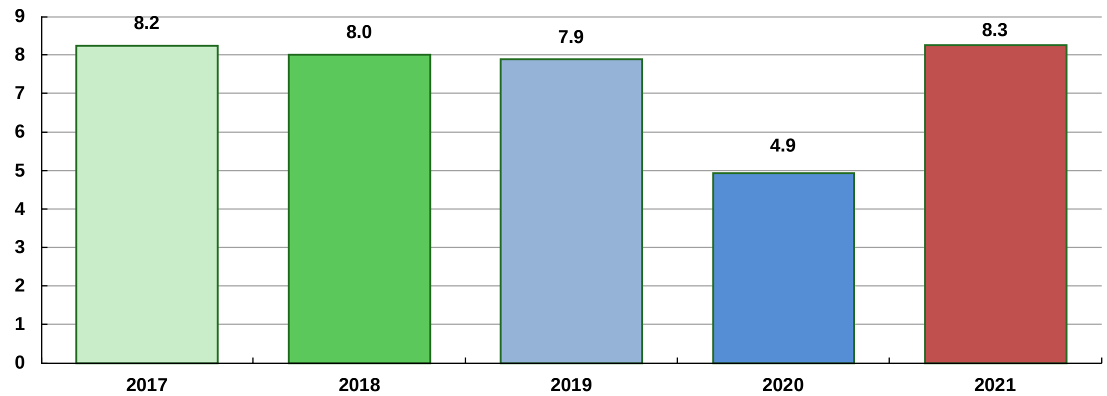


Source: ERICA 2021 sliding sample.

On a timescale covering the last five years for a (smaller) fixed sample of groups, the median margin recovered by 3.1 pp in 2021 after a sharp drop in 2020 (see Chart 5).

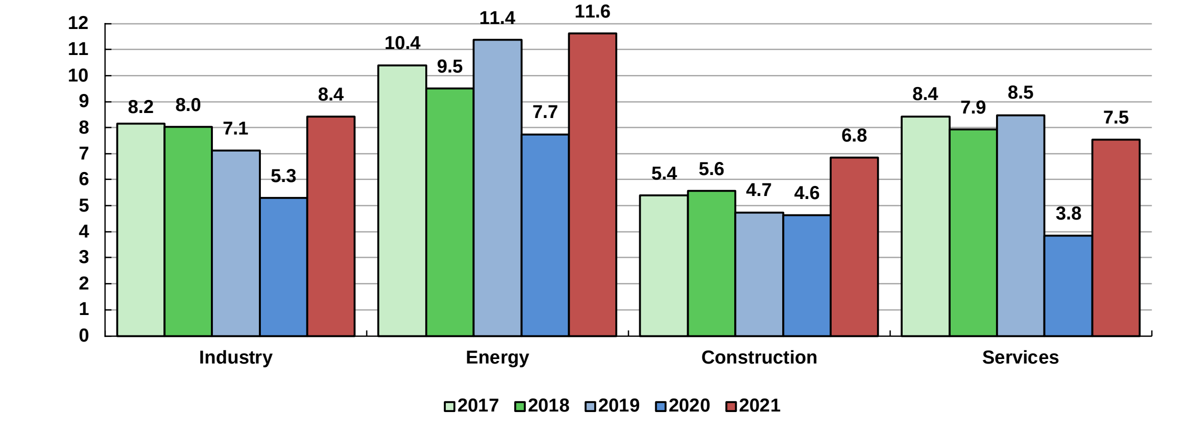
In particular the energy, services and industry sectors made a strong contribution to this positive trend, recording growth rates between 3.1 pp and 3.7 pp after a sharp drop in 2020. This took both the energy (11.6 %) and industry (8.4 %) sector to a new all-time high in the observed timespan of five years. Despite the considerable improvement of 2.2 pp in 2021 and fairly stable development in 2020, construction remained the sector with the lowest median EBIT margin of 6.8 %. Despite the high recovery in 2021, the services sector could not regain its pre-pandemic levels of 2017-2019 (see Chart 6).

CHART 5 MEDIAN EBIT MARGIN – EBIT / REVENUE 2017-2021 (in %)



Source: ERICA 2021 fixed sample.

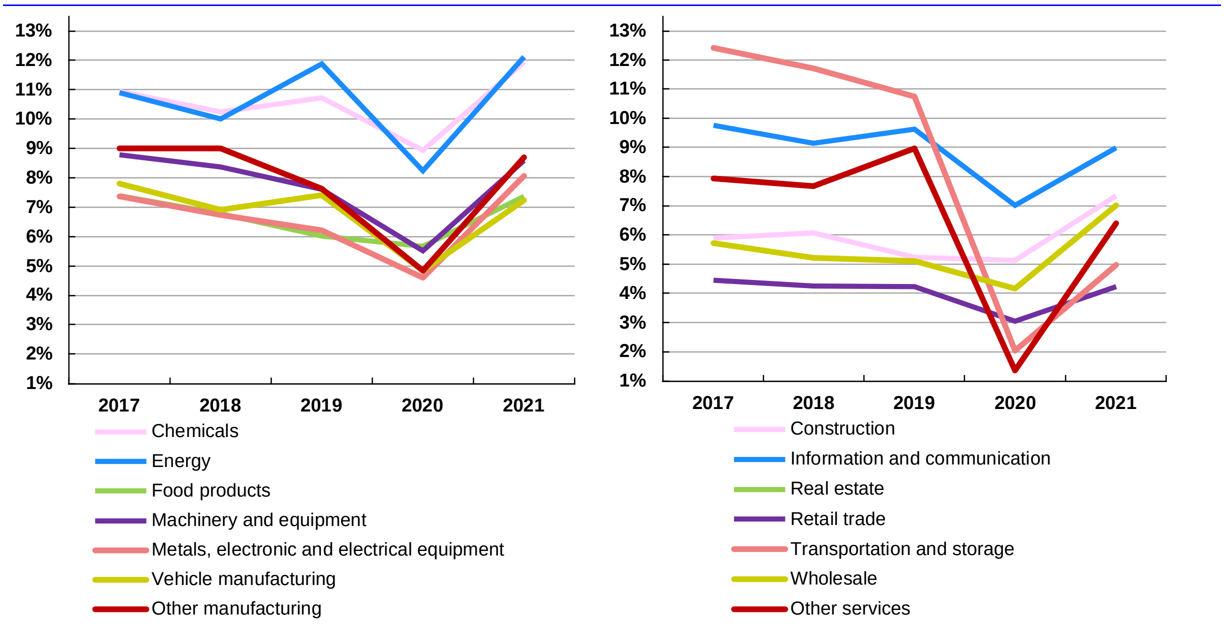
CHART 6 MEDIAN EBIT MARGIN BY SECTOR 2017-2021 (in %)



Source: ERICA 2021 fixed sample.

All sectors according to branches of activity followed the overall positive trend in 2021. Within the industry sector, most sub-sectors showed a homogeneous development and recorded increased margins, with other manufacturing in the lead (3.8 pp), followed by metals, electric and electronic equipment (3.5 pp). The chemical industry recovered by 3.0 pp to a new all-time high of 11.5 %. At the bottom of the list, the food sector reported the lowest growth rate (1.7 pp) within the industry sector but only saw a marginal decrease in 2020 (-0.1 pp). Within the services sector most sub-sectors recorded increased margins between 1.2 pp and 2.9 pp in 2021. Despite the particularly strong contribution by other services (5.0 pp) and transport and storage (2.9 pp), both subsectors were clearly below the pre-pandemic level. The real estate sector, which is not shown in Chart 8 due to scaling, recorded an extremely volatile trend, especially over the last three years. From an all-time high in 2019 (90.1 %), EBIT margin recorded a steep fall to a new all-time low in 2020 (33.7 %) and finally recovered again in 2021 (57.4 %). This volatile trend was clearly also related to changes in the fair value of investment property.

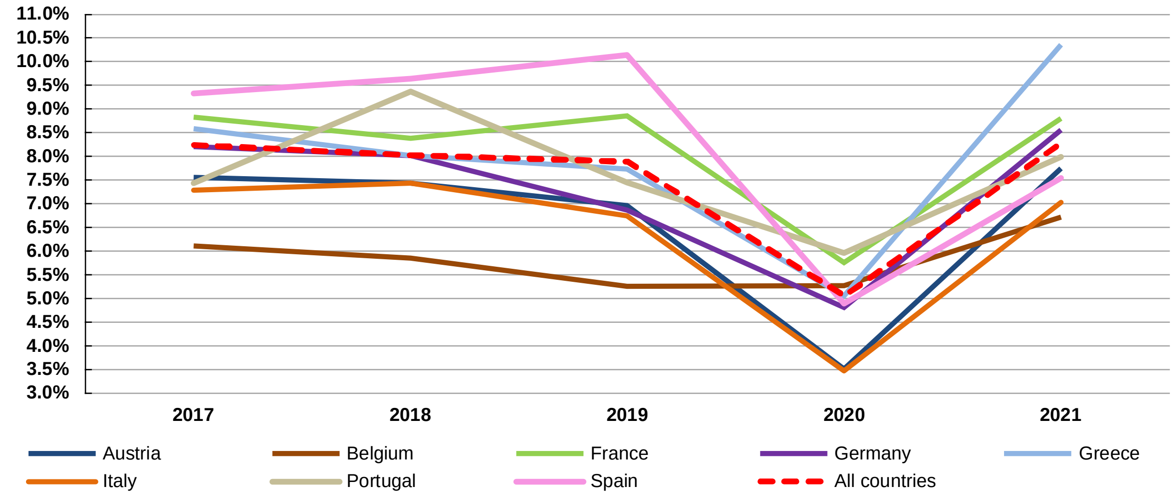
CHART 7 MEDIAN EBIT MARGIN BY BRANCH OF ACTIVITY 2017-2021



Source: ERICA 2021 fixed samples.

The time series at country level reveals that most countries reached or even exceeded the pre-pandemic level in 2021 after sharp declines in 2020. While Greek groups recovered most (5.3 pp) and achieved the highest margin (10.4 %) in 2021, both in the country comparison and their individual five-year time scale, EBIT-margin of Spanish groups was clearly below the level of 2019. The sample of Belgian groups reported the lowest margin from 2017 to 2019 and again in 2021 but no decline in 2020 (see Chart 8).

CHART 8 MEDIAN EBIT MARGIN BY COUNTRY 2017-2021

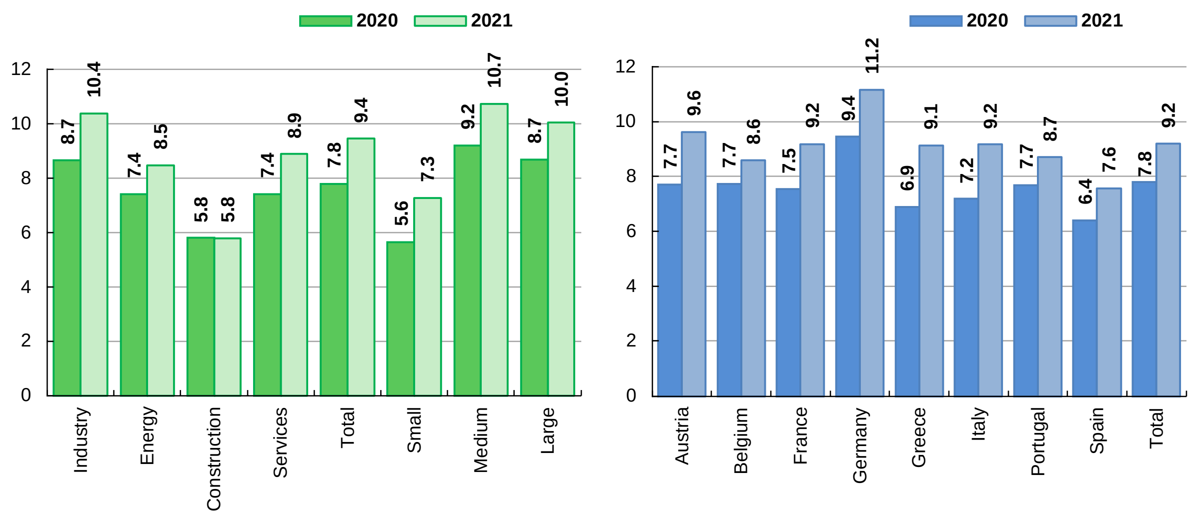


Source: ERICA 2021 fixed sample.

III.3 EBITDA RATIO: RISING RETURNS ACROSS ALL SECTORS AND COUNTRIES

EBITDA is an approximate measure of a company's operating cash flow, calculated by looking at earnings before interest, taxes, depreciation and amortisation. The aggregate EBITDA of listed European groups showed a slight 1.7 pp increase in 2021.

CHART 9 MEDIAN EBITDA TO ASSETS RATIO 2020-2021 (in %)



Source: ERICA 2021 sliding sample.

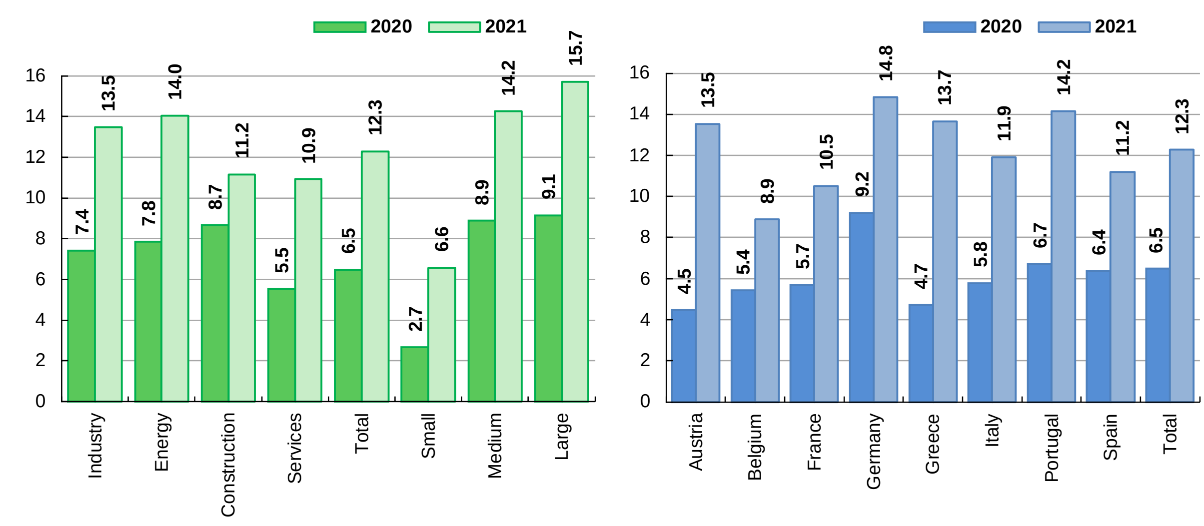
Chart 9 illustrates the change in the ratio of EBITDA to assets, which closely mirrors the change in the EBIT margin. The median EBITDA-to-assets ratio improved from 7.8 % in 2020 to 9.4 % in 2021. With the single exception of construction, all other sectors posted moderate growth rates between 1.1 pp and 1.7 pp, most pronounced industry, reaching the highest margin of 10.4 %. Meanwhile, construction sector remained at the bottom of the rankings with a constant margin of 5.8 %. All size classes showed a homogenous development with reasonable growth rates between 1.3 pp and 1.6 pp.
All countries posted an increase in their median EBITDA-to-assets ratio after seeing a decline in 2020. Greek groups experienced the strongest increase of 2.2 pp, followed by Italian and Austrian groups (2.0 and 1.9 pp respectively).

III.4 ROE: IMPROVEMENT PUSHED BY SHARP RISES IN PROFITS

Looking at pre-tax profit in relation to equity, the median return-on-equity ratio posted by European listed groups in 2021 improved remarkably by 5.8 pp to 12.3 %. Driven by doubled profits the range of growth rates in all sectors except construction (2.5 pp) ranged between 5.4 pp and 6.2 pp. Recording a rise from 2.7 % to 6.6 %, small groups recorded a lower increase than medium-sized and large groups. Medium-sized (14.2 %) and large groups (15.7 %) posted an increase in the median ROE of 5.4 and 6.6 pp respectively.

The country breakdown reveals a significant improvement for all samples in median terms. Austria reported a particularly high increase of 9.1 pp after a strong fall in 2020 (9.9 pp), improving the ROE to 13.5 %. Germany recorded the highest ROE in 2021 (14.8 %), followed by Portugal (14.2 %) and Greece (13.7 %). Belgian groups recorded the lowest increase of 3.5 pp, remaining at the bottom of the ranking.

CHART 10 MEDIAN RETURN ON EQUITY: PROFIT (LOSS) BEFORE TAX / EQUITY 2020-2021 (in %)



Source: ERICA 2021 sliding sample.

IV. FINANCIAL POSITION: STRONG RETAINED EARNINGS LEAD TO INCREASE IN MEDIAN EQUITY RATIO WHILE MEDIAN NET INDEBTEDNESS RATIO CONTINUES ITS DECLINE

The ERICA dataset provides information on listed corporate groups in continental Europe. For the year 2021, the database covers 850 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 € 8.1 billion, this chapter provides an analysis of the key financial structure items. As the 261 largest groups account for 93 % of total assets in 2021, 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 2021

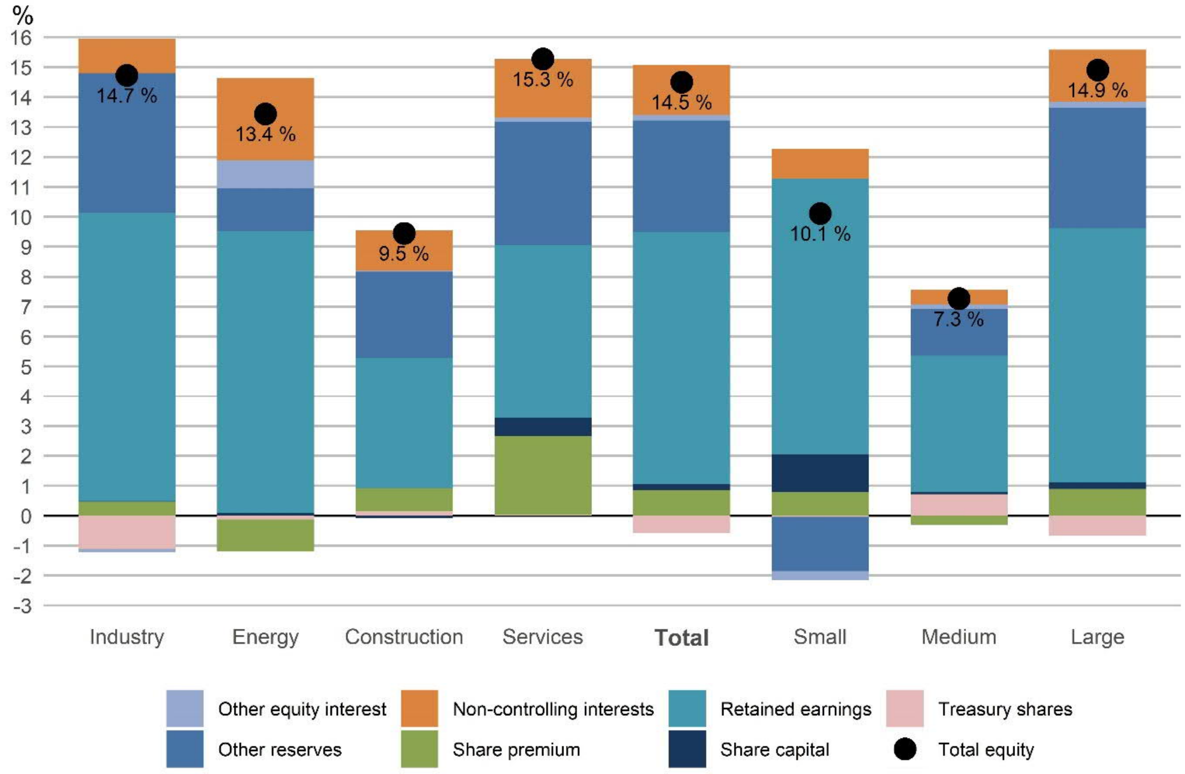
In € billion	Number	Total assets	Financial debt	Cash & cash equivalents	Equity
By country					
Austria	38	191.76	46.14	19.26	75.52
Belgium	74	352.67	124.74	28.23	133.01
France	269	2,908.95	851.89	282.88	939.07
Germany	171	3,035.79	1,010.93	215.08	886.41
Greece	50	72.57	24.90	12.11	22.61
Italy	124	624.63	233.93	49.47	102.67
Portugal	25	113.39	41.86	10.39	30.59
Spain	99	841.47	313.02	88.54	262.16
Total	**850**	**8,141.23**	**2,647.42**	**705.96**	**2,452.05**
By sector					
1. Industry	360	3,378.74	1,127.82	314.95	1,215.79
2. Energy	50	1,940.15	450.32	113.17	458.11
3. Construction	45	345.77	112.24	51.95	82.49
4. Services	389	2,399.50	939.71	218.80	680.59
Total	**844**	**8,064.16**	**2,630.1**	**698.87**	**2,436.98**
By size (revenue)					
1. Small groups (<250mln)	314	111.69	39.04	12.79	54.15
2. Medium-sized (250mln-1,5bn)	266	433.88	156.57	49.52	179.20
3. Large groups (>1,5bn)	261	7,481.91	2,421.89	634.54	2,188.10
Total	**841**	**8,027.47**	**2,617.50**	**696.84**	**2,421.44**

Source: ERICA 2021 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 2021 (filter used to avoid double-counting for each sector, size and country), with data in € billion.

IV.1 STEEP INCREASE IN EQUITY DUE TO RETAINED EARNINGS LEADS TO RISE OF MEDIAN EQUITY RATIO

Chart 11 gives an overview of changes in equity in 2021. For the various sectors and size classes, the contributions of the seven line items composing total equity are presented.

CHART 11 CONTRIBUTIONS TO EQUITY GROWTH IN TOTAL, BY SECTOR AND BY SIZE IN 2021



Source: ERICA 2021 sliding sample.

In 2021, companies rebounded sharply from the economic downturn induced by the pandemic in 2020. Revenues and profits surged, which led to a strong increase in retained earnings. Consequently, retained earnings made the largest contribution to the 14.5 % rise in equity year on year. Positive impacts from currency translation and the remeasurement of defined-benefit pension plans boosted other reserves, which also contributed significantly to the change in total equity. The growth in treasury shares marked the only negative impact on total equity.[6] At the individual level, more than 80 % of the groups raised their total equity.

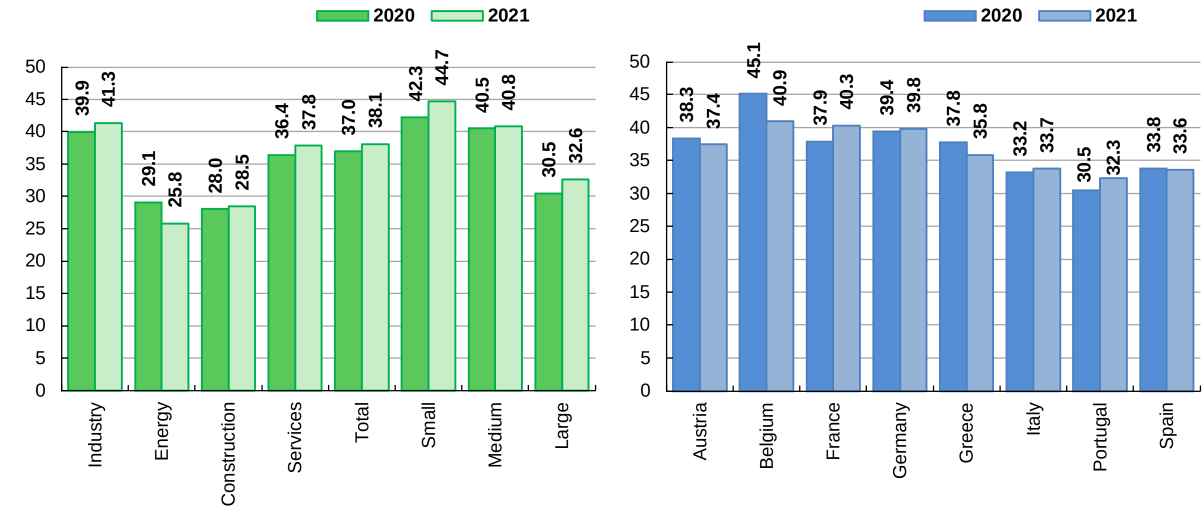
Total equity grew significantly in all sectors. Retained earnings were the main driver behind this growth for all sectors. Total equity increased the most in the services sector (15.3 %). In addition to retained earnings and other reserves, the share premium also rose significantly. This was strongly influenced by a capital increase of a large Spanish group. The substantial equity growth of the industry and energy sectors was slightly offset by changes in treasury shares and share premium, respectively. The increase in treasury shares in the industry sector was almost exclusively attributable to a large French group. Another large French group induced the decline in the energy sector's share premium. The construction

[6] Treasury shares are deducted from equity. Hence, an increase in treasury shares leads to a decrease in total equity.

sector stands out due to an equity growth of 9.5 %, which is the smallest among all sectors. The construction sector showed a smaller increase in revenues and profit than the other sectors, which affected the sector's retained earnings.

All size classes improved their profit situation considerably in 2021. Consequently, retained earnings contributed strongly to the rise in total equity of all size classes. Small groups exhibited the strongest growth of retained earnings. Two French and one Belgian group were responsible for half of that growth. Due to the development in other reserves, the large groups' total equity nevertheless grew more strongly than that of the small groups (14.9 % vs. 10.1 %). Total equity and its line items rose broadly across all large groups, except for treasury shares, in which the change was dominated by a single French group. Medium-sized groups generated the lowest equity growth (7.3 %) among the different size classes. Their profitability improved to a lesser extent than the profitability of other size classes, which influenced the below-average rise in retained earnings.

CHART 12 MEDIAN EQUITY RATIO 2020-2021 (in %)



Source: ERICA 2021 sliding sample.

After two years of continuous decline, 2021 indicates a turning point with a median equity ratio growth of 1.1 pp growth to 38.1 %. As mentioned and analysed above, total equity grew aby 14.5 % year on year. The reason for the moderate increase in the equity ratio is a surge in total assets, which almost offset equity growth.

As for the breakdown by industry, two different movements can be seen. In contrast to all other sectors, the energy sector acknowledged an accelerated downturn in its equity ratio. This is largely due to a massive expansion of total assets by 33 %, while total equity rose by only 13 %. This might be the effect of sharply rising prices for commodities like crude oil or natural gas that could not be offset by raising sales prices, due to long-term contracts with customers. At 25.8 %, the energy sector also posted the lowest level of median equity ratio.

The other three sectors indicate a different situation. At 1.4 pp, the rise in the median equity ratio for the industry sector was the steepest together with the services sector. The median equity ratio 41.3 % was the highest of all sectors. The services sector had a 37.8 % median equity ratio. The construction sector had only a moderate increase of 0.5 pp on a year-on-year basis with a level of 28.5 %.

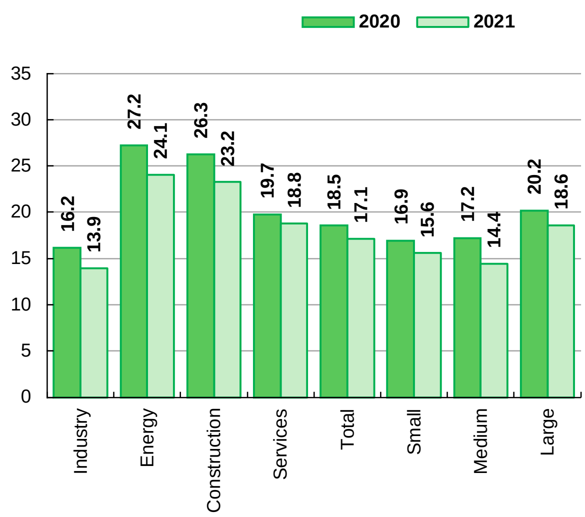
With respect to size classes, small companies have the highest equity ratio with 44.7 % and also faced the strongest surge with 2.4 pp. Medium-sized companies have a median equity ratio of 40.8 % but this increased only moderately by 0.3 pp on a year-on-year basis. Large companies have the lowest median equity ratio of 32.6 % and a 2.1 pp increase compared to the previous period.

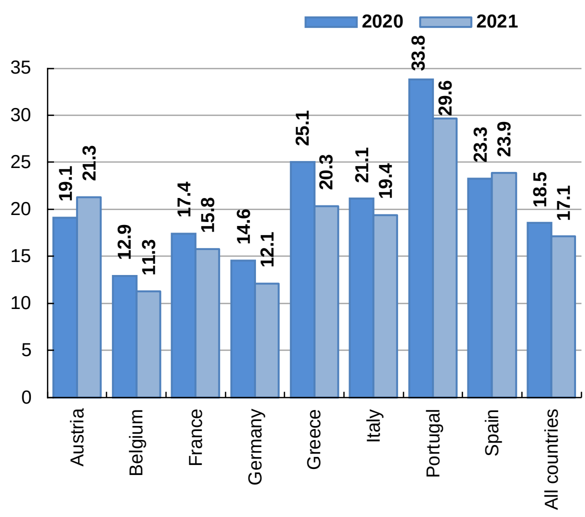
The country breakdown shows mixed results. On the one hand, there are four countries with a decline in equity ratio. These are Austria, Belgium, Greece and Spain. Belgium faced the steepest decline within this group of countries. The other four countries faced a rise in equity ratio with a slight increase for Germany and Italy and a higher rise for Portugal and the steepest increase for France by 2.4 pp. 159 out of the 252 French groups saw an increase in their equity ratio.

IV.2 DOWNWARD TREND OF MEDIAN NET INDEBTEDNESS RATIO CONTINUED IN MOST COUNTRIES AND ALL SIZE CLASSES

The net indebtedness ratio is calculated as the sum of the current and non-current financial liabilities reduced by cash and cash equivalents in relation 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 2020-2021 (in %)





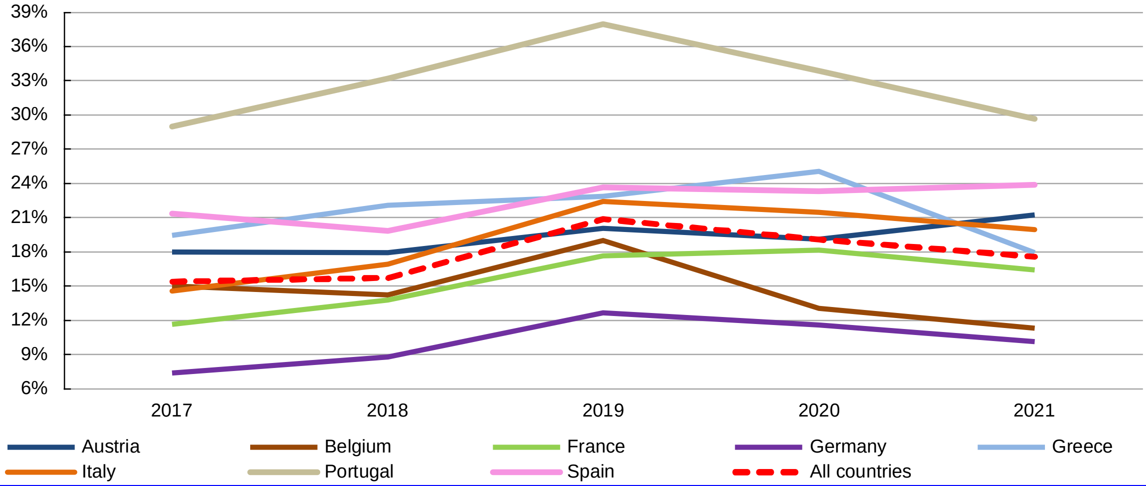
Source: ERICA 2021 sliding sample.

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 downward trend of median net indebtedness that started in 2020 continued in 2021: the ratio declined from 18.5 % to 17.1 % between 2020 and 2021. Several factors played a role in the continuation of this trend. On the one hand, on aggregate, groups slightly deleveraged (mainly in the industry sector) while building up at the same time their stock of cash and cash equivalents (all sectors except industry). On the other hand, overall balance sheet total raised by nearly 12 %, mainly pushed by equity (in particular retained earnings, as explained in the previous section) and other current liabilities. This latter observation was most pronounced in the energy sector. Further investigation revealed that the surge of other current liabilities in the energy sector is mainly explained by derivatives. The high volatility and significant price increases on the energy trading markets resulted in remarkable price rises for over-the-counter commodity derivatives for electricity and natural gas which cannot be netted. Such derivatives are used to hedge against or profit from price fluctuations. It must be highlighted that – in the energy sector – growth in total assets was reinforced by a remarkable increase in short-term borrowings. As this increase was negligible in comparison with total assets' growth, the net indebtedness ratio of the energy sector registered an improvement.

Comparing the four broad sectors, the energy sector maintains the highest median net indebtedness (24.1 %), albeit at a significantly lower level than previous year. Indeed, the persistence of the shrinking net indebtedness was observed in all sectors as well as in all size classes. The steepest falls were recorded in both the energy and the construction sectors (-3.1 pp) and in medium-sized groups (-2.8 pp).

The breakdown by country confirms the further decline of the median net indebtedness ratio. The overall trend was observed in all countries except Austria and Spain. The Austrian median net indebtedness rose by 2.2 pp. However, this result does not reflect the overall trend in Austrian groups as 63 % of them posted a drop in their net indebtedness ratio. Several groups whose net indebtedness fluctuates around the Austrian median recorded an increase in their ratio, consequently pushing the Austrian median ratio upward. The same holds for Spanish groups as a result of which the ratio evolution is not representative for the majority of Spanish groups: 59 % of them noted a lower net indebtedness in comparison with 2020. Weighted average figures indeed confirm the downward evolution in all countries. Greek and Portuguese groups saw the steepest decline of median net indebtedness, at 4.7 pp and 4.2 pp respectively. This did not change the fact that Portuguese groups maintain the highest indebtedness on a net base and in median terms.

CHART 14 MEDIAN NET INDEBTEDNESS BY COUNTRY 2017-2021

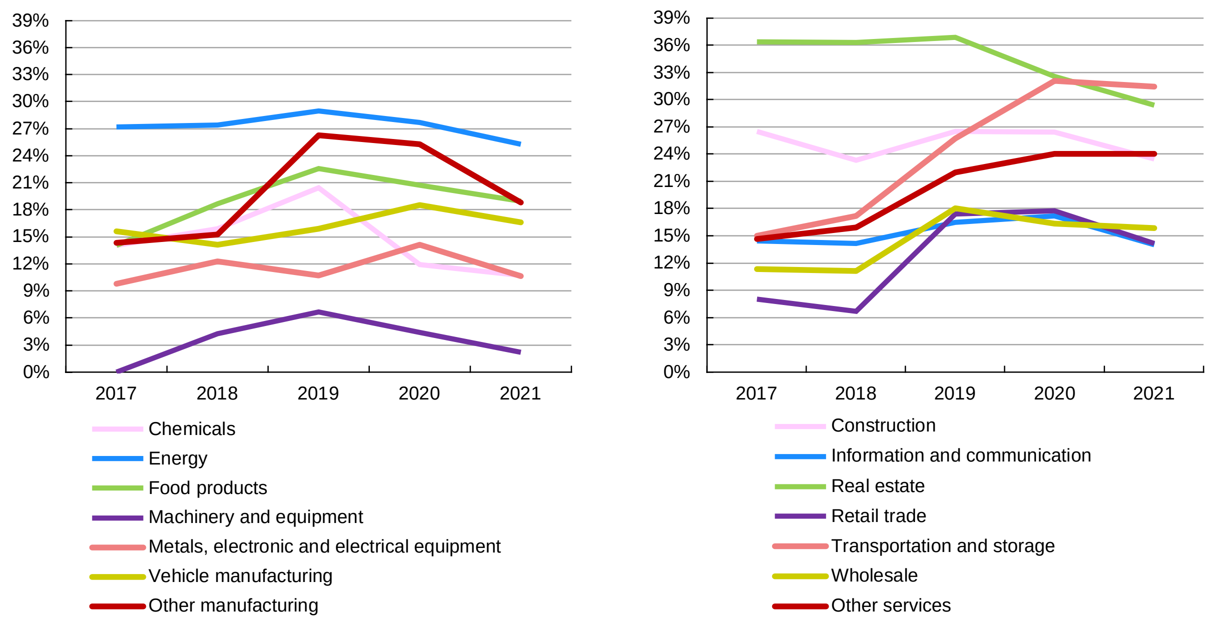


Source: ERICA 2021 fixed samples.

Based on a fixed sample of European non-financial listed groups, the median net indebtedness ratio remained fairly stable around 15-16 % in 2017 and 2018, before reaching a peak of nearly 21 % in 2019. During that year, the first application of IFRS 16 resulted in the recognition of additional lease debts which negatively affected net indebtedness. During the first year of the COVID-19 crisis, the median ratio subsided to 19 %, an evolution that was further perpetuated in 2021 thus reaching a level of 17.6 %. In general, weighted average figures[7] stand at a higher level but reveal similar tendencies, in particular the rise in 2019 and fallback in 2021. In median terms, Portuguese groups have the highest relative weight of net debt over the entire period. Given the diversity in activities of these groups, this does not seem to be clearly linked with a concentration in particular sectors of activity. Likewise, German groups post the lowest median net indebtedness rate during the 2017-2021 period. The dispersion between Portuguese and German groups reached a peak in 2019 (25.3 pp), two years after which it dropped to its lowest level of the last five years (19.5 pp).

Chart 15 clearly confirms the downward trend in median net indebtedness seen in all sectors of activity in 2021[8]. Unlike in previous years, there are no sectors of activity posting an opposite trend during that year. Even in other services, the ratio declined, albeit only slightly. In 2021, ten of the fourteen sectors of activity reported the highest aggregate financing cash outflow of the last five years. Focusing exclusively on financial debt, eleven of the fourteen sectors presented a record amount (in terms of cash outflow) of aggregate net repayment of borrowings. The energy, transportation and storage (see below) and wholesale sectors were the only sectors showing net proceeds in borrowings on aggregate. Based on the aggregate figures, these proceeds were used to cover partly the dividends paid in 2021 that reached – in comparison to the previous four years – an all-time high in the energy and wholesale sector.

CHART 15 MEDIAN NET INDEBTEDNESS BY BRANCH OF ACTIVITY 2017-2021



Source: ERICA 2021 fixed samples.

Between 2017 and 2021, machinery and equipment groups maintained the lowest median net indebtedness. Unsurprisingly, half of the machinery and equipment sample consists of German groups. Until 2020, real estate groups recorded the highest median net indebtedness, but given the further fall in the ratio in 2021, the transportation and storage sector stands at the highest level now. More than one-third of the groups belonging to this sector are involved in air transport activities: airlines, airport operators and other services incidental to air transportation. Affected by the pandemic's impact on travel,

[7] A chart showing weighted average net indebtedness ratio per country is included in Annex C.1.
[8] Charts showing weighted average net indebtedness ratio per branch of activity are included in Annex C.2.

less flexibility in operating expenditure and largely fixed capital costs, many large players were forced to call on (state) aid in the form of new loans. Although 2021 global air passenger numbers showed some improvement on 2020, they still only reached half of the pre-pandemic level, leaving the sector limited margins for reducing its indebtedness. Other manufacturing groups showed the biggest improvement in their net debt ratio in 2021. Only 28 % of other manufacturing groups did not lower the relative weight of their net debt.

V. FINANCIAL DEBT: DEBT COSTS MAY HAVE BOTTOMED OUT

This chapter presents an analysis of the cost of debt. Based on the 2021 ERICA database, we have € 2.7 billion raised across three main sources: (1) financial institutions, (2) bond issues and (3) leases. Almost all listed non-financial groups accessed some form of debt capital (only 3 of 850 groups do not use debt capital in their business activity).

TABLE 4 ERICA: OVERVIEW OF FINANCIAL DEBT AGGREGATE VARIABLES IN 2021

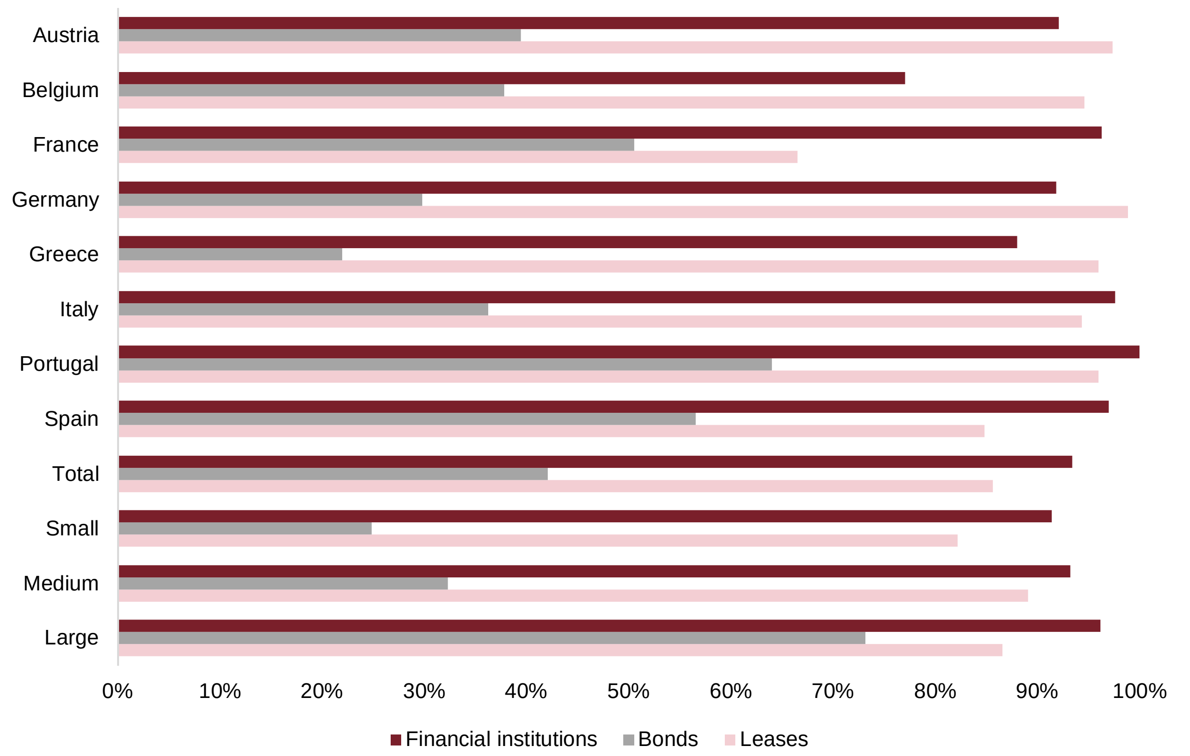
In € billion		Number	of which financial debt	Financial debt	Financial institutions	Bonds issued	Leases	Interest expense
By	**country ....**							
	Austria	38	38	46.14	21.69	17.51	4.87	1.05
	Belgium...............................	74	73	124.74	14.82	96.11	6.69	4.37
	France	269	267	851.89	156.38	476.23	73.44	17.40
	Germany.............................	171	171	1,010.93	163.45	575.84	115.19	17.19
	Greece................................	50	50	24.90	16.25	6.32	2.16	0.84
	Italy	124	124	233.93	147.87	68.66	11.70	3.14
	Portugal	25	25	41.86	8.03	14.75	7.24	1.08
	Spain...................................	99	99	313.02	109.28	130.88	37.72	7.45
	Total	**850**	**847**	**2,647.42**	**637.77**	**1,386.30**	**259.01**	**52.51**
By	**sector ....**							
	Chemicals...........................	88	88	195.81	37.70	126.72	10.27	4.63
	Construction	45	44	112.24	40.87	55.97	7.60	2.69
	Energy	50	50	450.32	113.02	252.35	33.15	10.08
	Food products	38	38	117.12	7.93	101.86	4.51	4.09
	Information and communication	108	108	327.26	32.00	213.19	46.32	9.10
	Machinery and equipment ..	47	47	23.68	8.45	3.71	6.71	0.58
	Metals, eletronic & electrical equipment	84	84	123.23	27.11	81.10	7.98	2.55
	Other manufacturing	62	62	97.22	18.54	41.82	32.95	1.58
	Other services	109	109	143.56	30.58	58.83	28.04	3.69
	Real estate	54	53	105.23	34.49	64.88	2.36	2.03
	Retail trade	36	36	45.42	9.41	9.77	18.38	1.20
	Transportation and storage.	32	32	289.94	155.20	76.05	36.99	5.27
	Vehicle manufacturing	41	41	570.76	105.17	289.89	18.94	4.04
	Wholesale...........................	50	49	28.30	8.14	10.59	6.66	0.71
	Total	**844**	**841**	**2,630.10**	**628.62**	**1,386.73**	**260.87**	**52.26**
By	**size (revenue) ....**							
	Small groups (<250mln)......	314	311	39.04	22.11	10.42	3.51	0.98
	Medium-sized (250mln-1.5bn)	266	266	156.57	72.57	51.48	19.16	3.96
	Large groups (>1.5bn)	261	261	2,421.89	533.77	1,317.52	233.47	46.96
	Total	**841**	**838**	**2,617.50**	**628.45**	**1,379.43**	**256.14**	**51.90**

Source: ERICA 2021 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 2021 (filter used to avoid double-counting for each sector, size category and country), data in € billion.

V.1 *EUROPEAN GROUPS RELY ON BOND ISSUANCES TO FUND THEIR CAPITAL NEEDS BUT USE MORE FREQUENTLY BANK LOANS*

Overall, 93 % of the listed European non-financial groups had loans from financial institutions on their balance sheet. Also known as bank loans, they were the most popular form of debt capital in 2021 by country on total and across all dimensions by size class (Chart 16). Leases were also an option for 86 % of listed European non-financial groups. These two sources of funding claimed each country's individual preference on equal terms. French, Italian, Portuguese and Spanish groups choose preferably bank loans while Austrian, Belgian, Greek and German groups opted for leases more frequently. Concerning size class, all size classes resort more often on loans from financial institutions. Nevertheless, borrowings from bond issuance were an important source of funding for large groups (73 %).

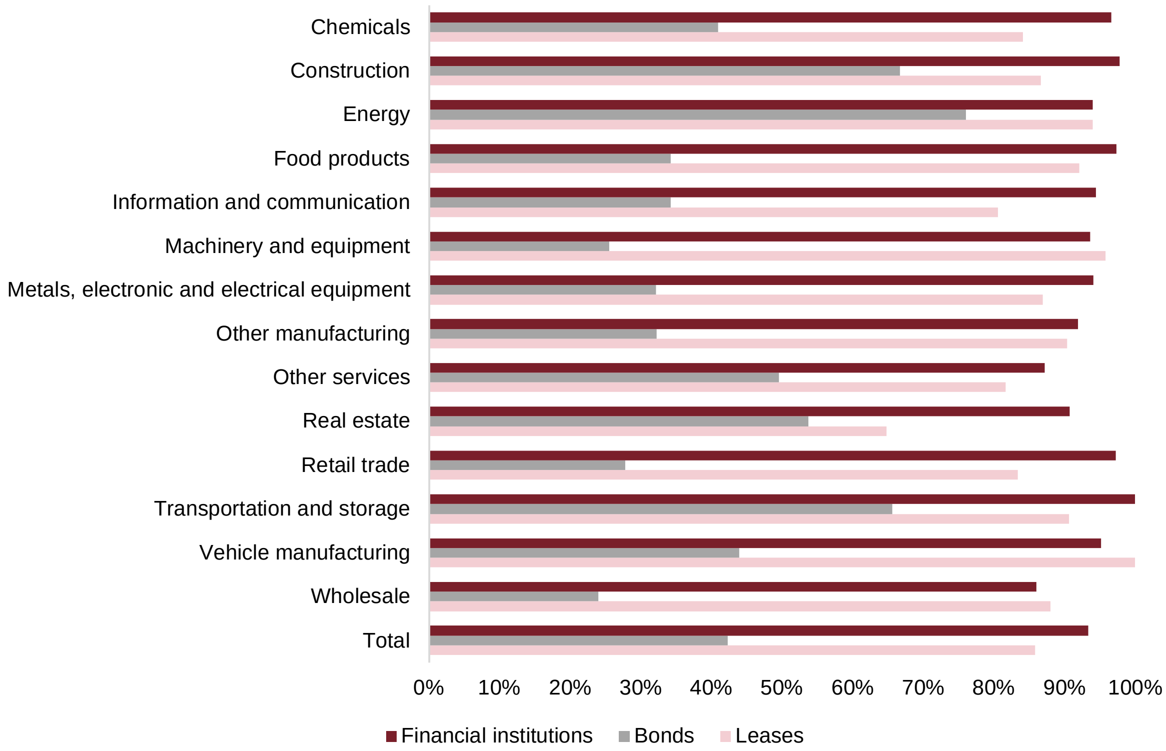
CHART 16 FINANCIAL DEBT STRUCTURE BY COUNTRY AND SIZE IN 2021 (number of groups)



Source: ERICA 2021 static sample.

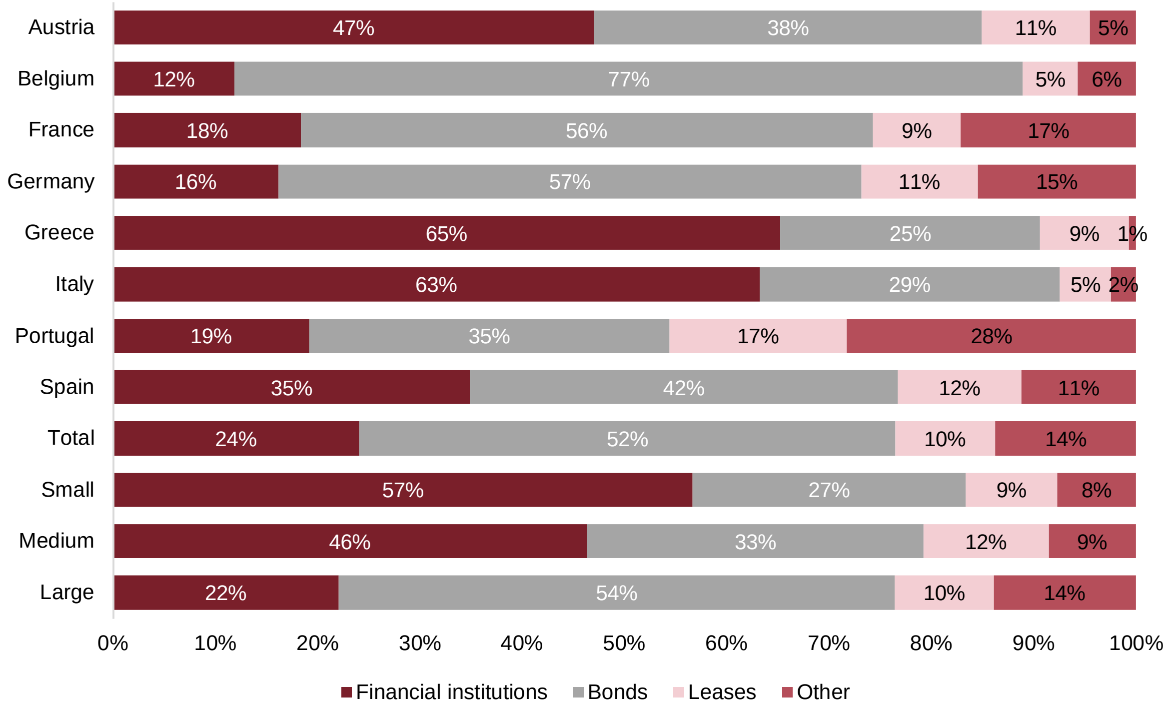
Regarding branches of activity, loans from financial institutions were also the most common form of debt capital (Chart 17). Only wholesale, vehicle manufacturing and machinery and equipment groups chose leases more often. Bonds were the less frequent choice among branches of activity, even though important for transport and storage (66 %), construction (67 %) and energy groups (76 %).

CHART 17 FINANCIAL DEBT STRUCTURE BY BRANCH OF ACTIVITY IN 2021 (number of groups)



Source: ERICA 2021 static sample.

CHART 18 FINANCIAL DEBT STRUCTURE BY COUNTRY AND SIZE IN 2021 (total amounts)

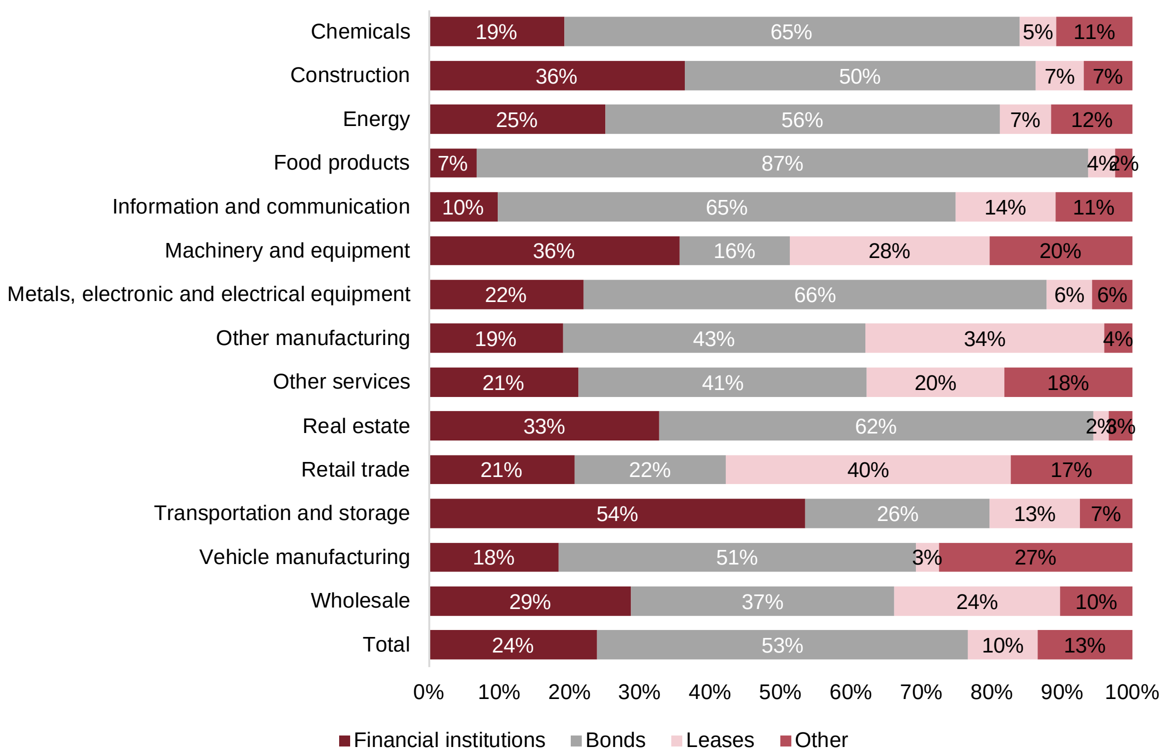


Source: ERICA 2021 static sample.

As for the amount of money raised, financial market funding via bonds was the main source of financial debt (Chart 18). By country, 77 % of Belgian groups' funding needs were met by bond issuance, the largest value across countries and approximately 20 pp higher than the portion taken by French and German groups on that source of funding. Only Greek and Italian groups relied more on financial institutions. Portuguese groups borrowed a significant part of their funding needs from other funding (28 %), which was their second most import source of funding behind bond issuance. Large groups took the bulk of their funding from bond issues (54 %) while the remaining size classes funded themselves predominantly through bank loans (54 % for small groups and 46 % for medium-sized groups).

In 2021, for most of the sectors surveyed, bond issues were the main contributor to listed European non-financial groups' funding needs (Chart 19). Food sector groups were the most evident here (87 %). Transport and storage groups raised the main part (54 %) of their funding through bank loans as well as machinery and equipment while retail trade groups were the single branch of activity relying predominantly on leases (40 %).

CHART 19 FINANCIAL DEBT STRUCTURE BY BRANCH OF ACTIVITY IN 2021 (total amounts)



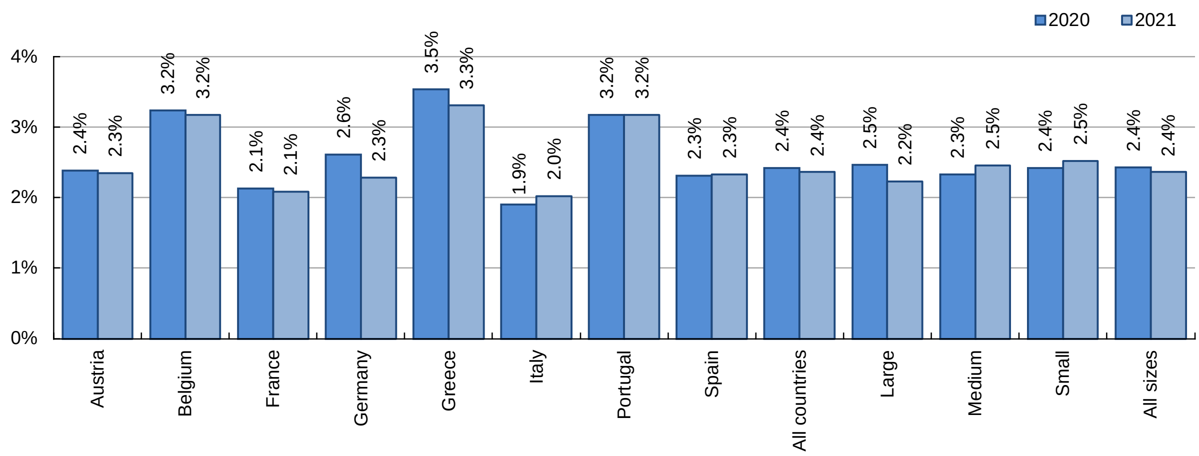
Source: ERICA 2021 static sample.

V.2 LOWER INDEBTEDNESS POINTS TO A FALLING TREND IN DEBT COSTS

The cost of debt borne by European listed non-financial groups has seen a slight reduction, despite staying at the same level of 2.4 % in 2021 from a country and size point of view (Chart 20). There were mixed results across individual countries and size classes. Italian groups registered a slight increase but they still recorded the lowest value of the series for both years under analysis. However, analysis based on a more complete sample of Italian listed groups – which only became available very recently – does not confirm this lowest value position in 2021. On the other hand, Greek groups registered the highest figures in 2020 and 2021 despite their reduction (-0.2 pp). As result, the difference between countries came down from 1.6 pp to 1.3 pp. German groups reported the biggest decline of the series across countries.

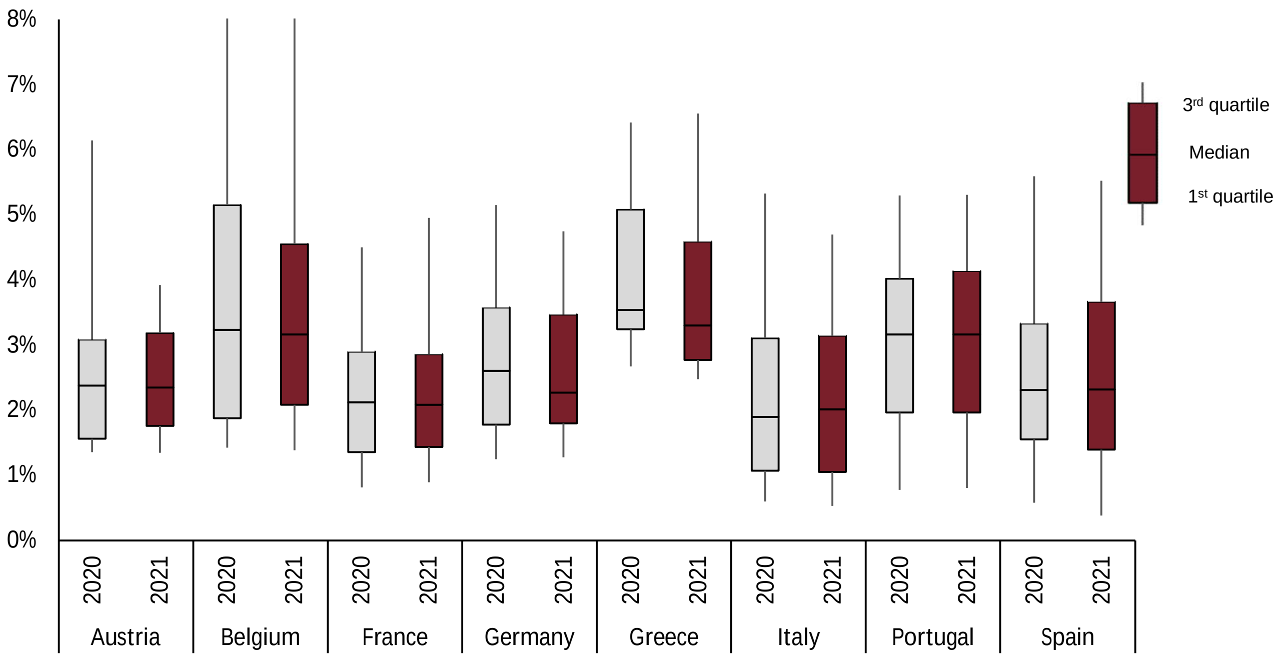
Medium-sized and small groups raised the cost of their debt by 0.1 pp while large groups reduced it by 0.2 pp. Therefore, large groups turned from the size class with the highest cost of debt in 2020 to the one with the lowest value in 2021.

CHART 20 MEDIAN COST OF DEBT BY COUNTRY AND SIZE 2020-2021 (in %)



Source: ERICA 2020-2021 sliding sample.

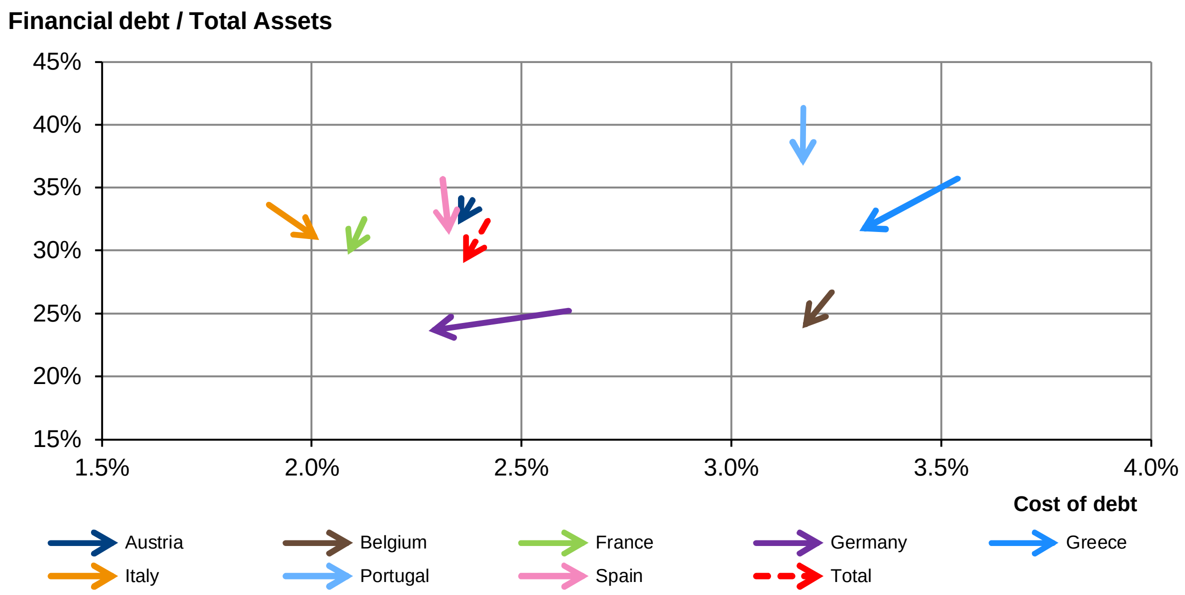
CHART 21 COST OF DEBT BOX PLOT BY COUNTRY 2020-2021



Source: ERICA 2020-2021 sliding sample.

Greek groups saw a general downturn at all points in the distribution (Chart 21). The interquartile range expanded for Spanish groups. Their first quartile was down by 0.2 pp while the third one increased by 0.3 pp. Conversely, the interquartile range narrowed significantly for Belgian groups (-0.8) due to a rise in the first point in the distribution and a decline in the third point.

CHART 22 COST OF DEBT AND FINANCIAL DEBT TO TOTAL ASSETS BY COUNTRY IN 2021



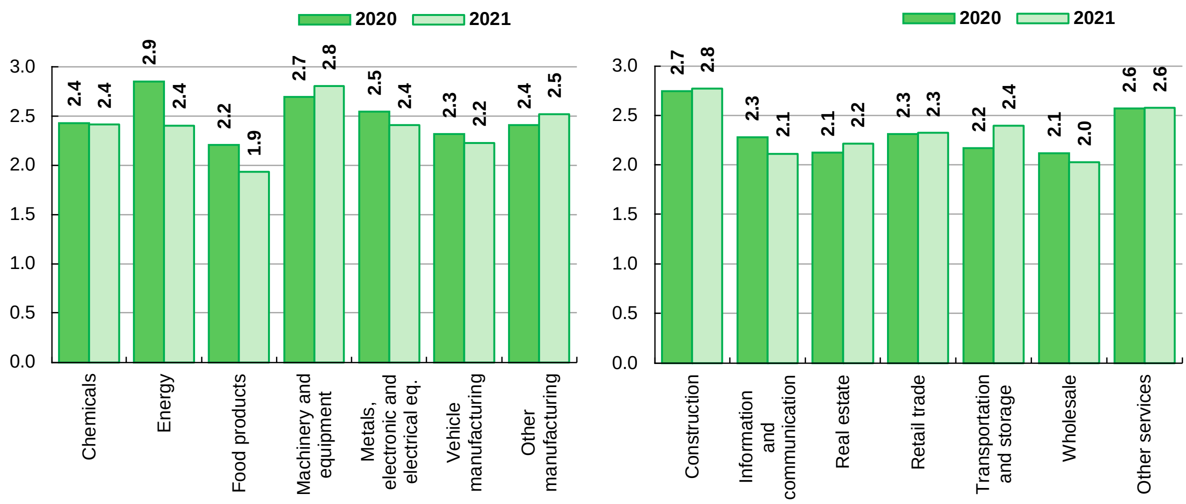
Source: ERICA 2020-2021 sliding sample.

Listed European non-financial groups reduced their level of indebtedness in 2021. All countries showed the same pattern (Chart 22). Italian, French, Spanish, Austrian and Greek groups had almost the same level of risk measured by financial debt to total assets, but they had significant differences in debt costs. The same conclusion can be made when we look at German and Belgian groups. Chart 22 also proves that the sharp decline in the Greek groups' debt costs of was correlated by a very strong reduction in their indebtedness.

V.3 COST OF DEBT STARTED TO RISE IN SOME BRANCHES OF ACTIVITY IN 2021

There are interesting results regarding debt costs by branch of activity (Chart 23). Energy groups that topped the series in 2020 had the biggest decline (0.4 pp) by branch of activity. Food groups also saw a significant drop (-0.2), down to the minimum value in 2021. Conversely, transport and storage groups recorded the highest rise in debt costs (+0.2 pp). That trend was also followed by machinery and equipment, other manufacturing and real estate groups (+0.1 pp). As a result, machinery and equipment become the branch of activity with the largest debt cost in 2021.

CHART 23 MEDIAN COST OF DEBT BY BRANCH OF ACTIVITY 2020-2021 (in %)



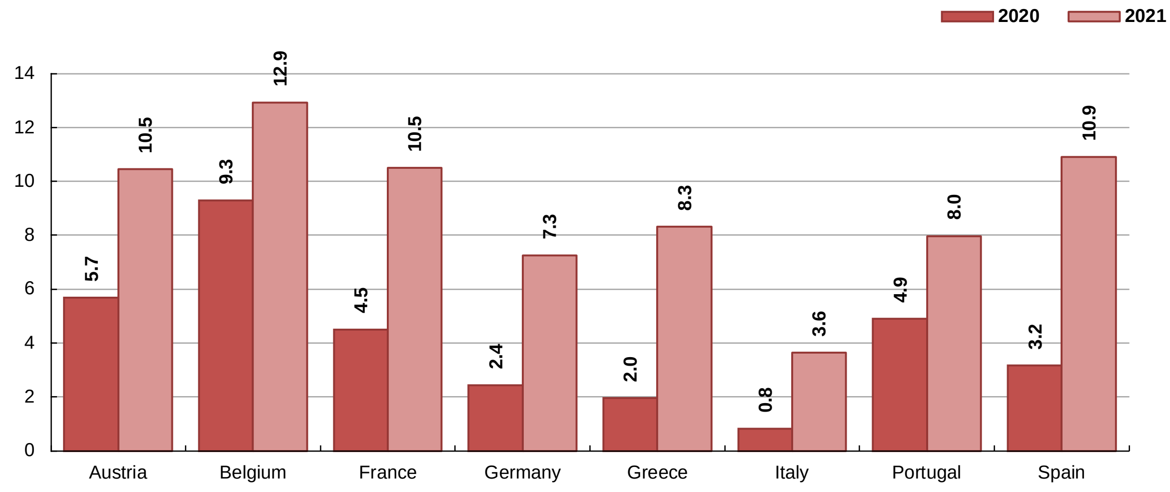
Source: ERICA 2020-2021 sliding sample.

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
Transport and storage	49 - 53
Information and communication	58 - 63
Real estate	68
Other services	37 - 39; 55 - 56; 69 - 96

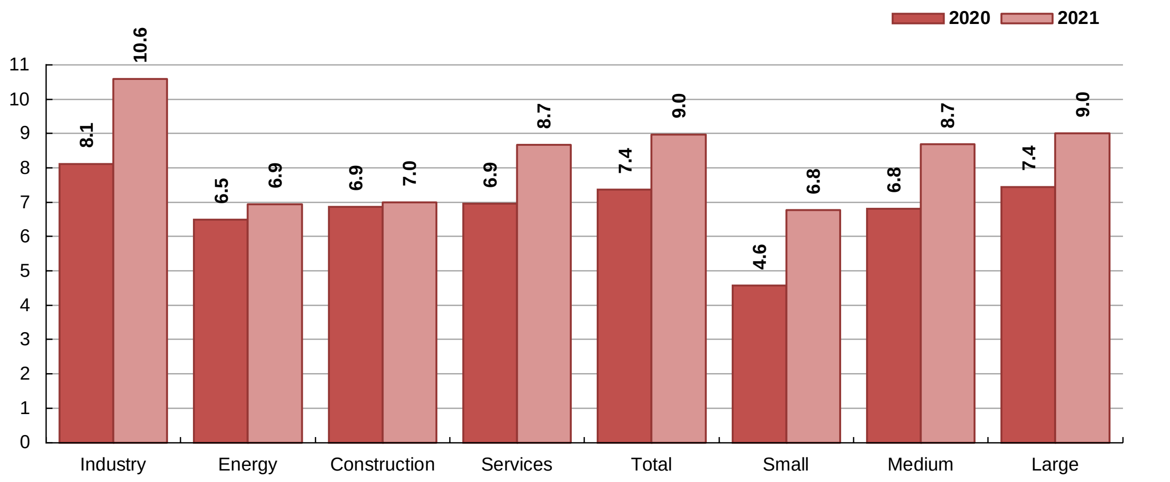
ANNEX B: PROFITABILITY RATIOS – WEIGHTED AVERAGE BY SECTOR AND BY SIZE

1. WEIGHTED AVERAGE EBIT MARGIN: EBIT / REVENUE 2020-2021 (in %)



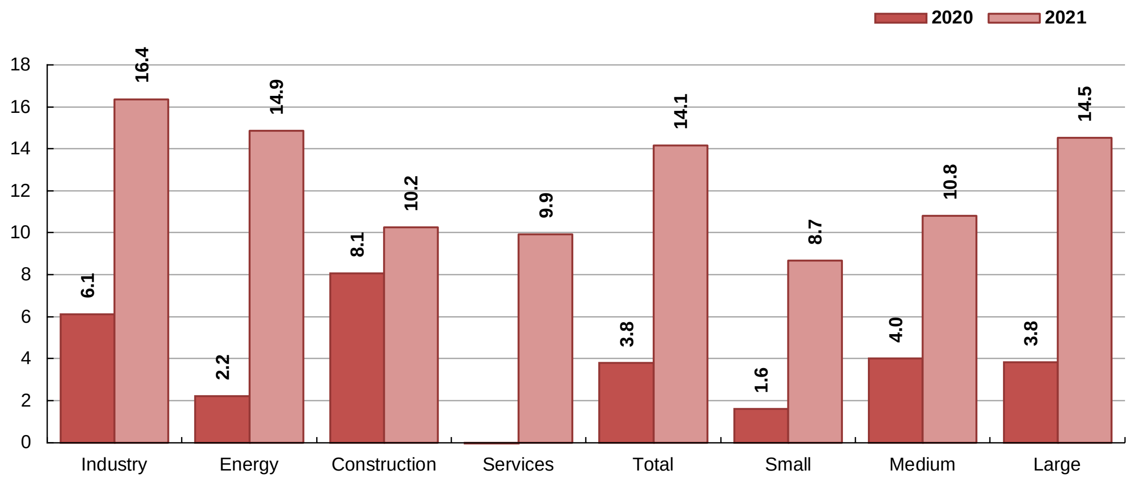
Source: ERICA 2021 sliding sample.

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



Source: ERICA 2021 sliding sample.

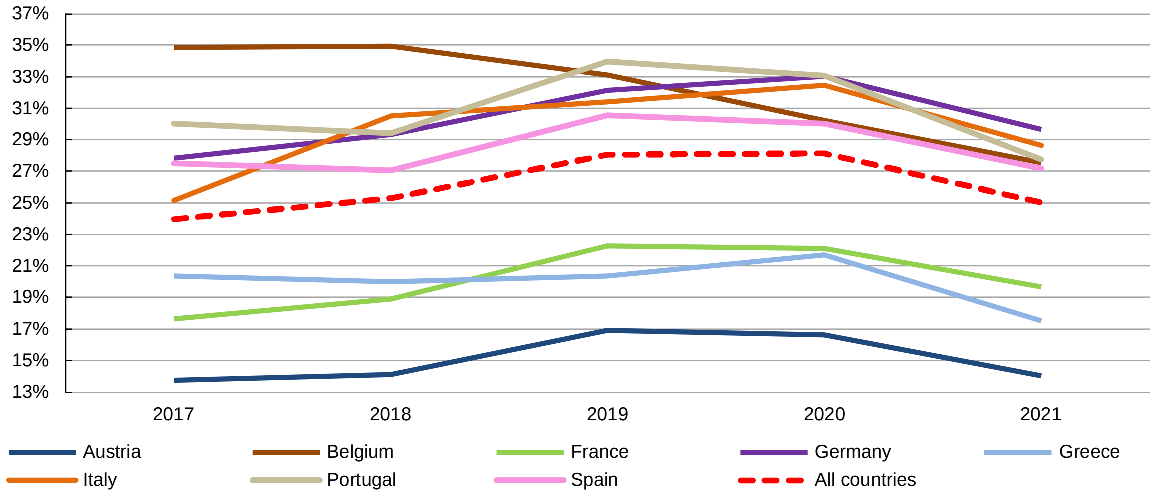
3. WEIGHTED AVERAGE RETURN ON EQUITY 2020-2021 (in %)



Source: ERICA 2021 sliding sample.

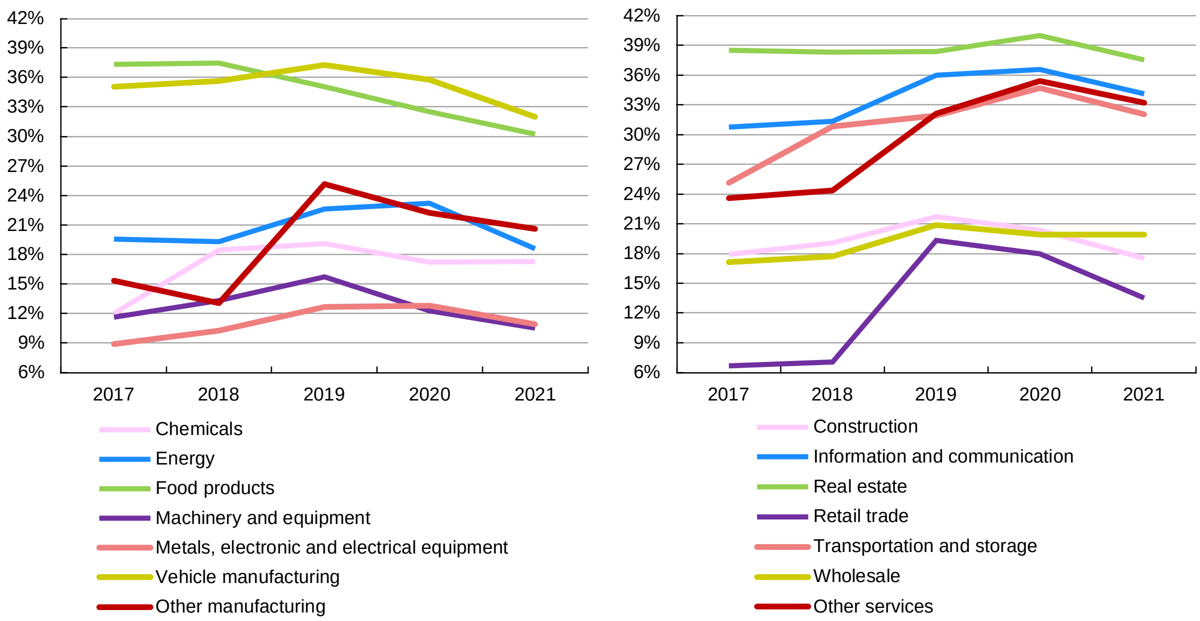
ANNEX C: NET INDEBTEDNESS – WEIGHTED AVERAGE PER COUNTRY AND BRANCH OF ACTIVITY

1. WEIGHTED AVERAGE NET INDEBTEDNESS BY COUNTRY 2017-2021



Source: ERICA 2021 fixed samples.

2. WEIGHTED AVERAGE NET INDEBTEDNESS BY BRANCH OF ACTIVITY 2017-2021



Source: ERICA 2021 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 $_t$