



EFFECTS OF COVID-19 ON FY 2020 ANNUAL RESULTS OF INDUSTRIAL AND SERVICES COMPANIES LISTED ON THE FTSE MIB INDEX

**Impact of pandemic felt above all at the level of margins
Good stock market performance gives message of confidence
Manufacturing and utilities the sectors that have reacted the best**

Double-digit reduction in sales (down 18.6%)

Manufacturing industry resilient, recovering in the second half of 2020, with a 10% increase estimated for 2021, and returning to pre-crisis levels in 2022

Industrial margins plummeted by 42.5%; reduction lower for energy companies/utilities (down 4.0%)

Stock market performance has been healthy, with market cap increasing by 1.4%, driven by manufacturing industry (up 10.9%) and the energy groups/utilities (up 8.2%)

Milan, 27 April 2021

The **Mediobanca Research Area** has **analysed the impact of the Covid-19 pandemic** on the FY 2020 annual results of the **27 industrial and services companies** that go to make up the **FTSE MIB** stock market index. Of the 27 companies, 16 are privately-owned and 11 state-owned; while 17 are manufacturing industrials, 6 energy groups/utilities, 3 service companies, and one operates in the oil & gas industry.

The report also contains a focus on the **manufacturing groups** in particular, looking back to the last thirty years and forward to the future, and a further focus on **senior management Board members** (age, gender, nationality and compensation).

The presentation is available for download from www.areastudimediobanca.com.

Impact of Covid-19 on stock market capitalization

The 27 industrial and service companies listed on the FTSE MIB stock market have an aggregate market capitalization of €386bn. In 2020 their market cap increased by 1.4%, translating to a gain of €5.2bn. The strongest performances were by the **manufacturing companies**, which gained €19.7bn versus 2019 (an increase of 10.9%) and the **energy groups/utilities** (up €9.5bn; an increase of 8.2%). Meanwhile, both the services sector and the **oil & gas** sectors lost value: the former down €4.4bn, or 12.9%; while the latter, represented by **Eni**, suffered the most marked loss of value (down €19.6bn; or 38.8%). The best stock market performers were: DiaSorin (up 47.4%), Interpump (up 42.8%), Prysmian (up 35.3%) and Amplifon (up 32.8%), while the worst were Saipem (down 49.4%) and Leonardo (down 43.4%) in addition to Eni referred to above. As at 23 April 2021, the 27 industrials and services companies listed on the FTSE MIB had a total stock market value of €431bn, up 11.7% since the start of the year, representing a gain of €45bn (with the increase by the manufacturing companies 17.7%).



Financial highlights for 2020

Compared to 2019, the companies analysed in the report lost over €75bn in **revenues** (down 18.6%). Manufacturing industry recorded the lowest reduction (down 14.3%), followed by services (down 14.7%) and the energy groups/utilities (down 15.6%), whereas the oil & gas industry represented by Eni reported the highest loss at the top-line level, with revenues down 37.1%. The best performers were DiaSorin, this posted a double-digit increase in revenues (up 27.1%), helped by sales of Covid-19 diagnosis kits, followed by STM (up 6.8%), INWIT (up 6.1%) and Italgas (up 6.0%).

In 2020, the companies analysed in the report lost over €19bn at the level of **industrial margins** (down 42.5% vs 2019). While the energy/utilities sector managed to limit the reduction in EBIT to just 4.0%, substantial decreases were recorded by manufacturing industry (down 43.9%) and services (down 53.4%), whereas at Eni, EBIT plummeted by 97.8%. DiaSorin was the top performer also in terms of EBIT growth (up 47.3%), followed by INWIT (up 34.9%).

The average **EBIT margin** also shrank, to **7.7% from 11.0% in 2019 (a reduction of 3.3 percentage points)**. Profitability was highest in the energy/utilities sector, which reported the highest EBIT margin in 2020 of 17.3% (up 1.9 p.p. vs 2019), followed by services (9.2%; down 7.1 p.p.) and manufacturing industry (4.9%; down 2.5 p.p.). The reduction in oil & gas was again sizeable, down 12.5 p.p. to the lowest EBIT margin of all the sectors under review here (0.5%). The best performers in terms of 2020 profitability were: Snam (Ebit margin 51.4%), Terna (48.2%), and INWIT (43.7%).

At the **net profit** level, the FTSE MIB companies closed 2020 in the red, incurring an aggregate net loss of nearly €1.5bn compared to a net profit of €12.8bn in 2019, due mostly to the €8.6bn loss reported by ENI. Conversely, net profits were recorded in 2020 by the energy/utilities sector (€5.5bn), manufacturing industry (€1.3bn) and services (€0.3bn).

As for **dividends**, a total of €1.4bn less than last year will be distributed in 2021, a reduction of 12%. However, higher dividends will be distributed by the large state-owned energy groups/utilities (up €0.6bn) by the privately-owned manufacturing industrials (up €0.2bn).

In general there was also a reduction in **investments** which were down 11.3%, €4bn less than in 2019, with major decreases in the oil & gas sector in particular (down 45.2%). By contrast, capex increased in the energy/utilities sector (up 3.7%), while the decline in spending was only slight in manufacturing industry (down 2.8%).

In 2020 the companies listed on the FTSE MIB included in the report employed an average of 723,000 people. The adoption of measures to safeguard employment levels (including the ban on dismissals) limited the reduction in **headcount** to 1.4%, for an average of 10,000 fewer than in 2019.

At the level of **cash and liquid assets** increases were recorded in all sectors, for a total of over €22bn (up 34.5%). Overall, the aggregate cash pile at year-end 2020 totalled €86.9bn, equal to 28.6% of total borrowings (versus 23.0% at end-2019).

Meanwhile, the companies' financial structure as measured by the **net debt/equity ratio** continues to worsen, climbing to 133.2% (from 117.6% at year-end 2019).



Focus on manufacturing industry: the last thirty years and the future

The **total sales** posted by the large manufacturing industrials listed on the FTSE MIB stock market, more than half of which were generated in the Americas, recorded their heaviest reduction in the last thirty years in 2020, the only time a double-digit reduction has been recorded in that time (down 14.3%). It was the revenues generated in the Americas that suffered the most, declining by 18.3%, followed by those generated in EMEA (down 14.1%), while income generated in the Asia and Pacific area increased by 2.8%. **Manufacturing industry is the sector that reacted best** in the second half of 2020 from the disastrous second quarter, when revenues plummeted by 42.2%: the decrease was cut to 4.2% in 3Q (vs 14.3% for the FTSE MIB as a whole) and kept down to 6.5% in 4Q (vs 11.0% for the whole index). The **manufacturing industrials included in the FTSE MIB** are expected to see **turnover soar by 10% in 2021 and return to its pre-crisis levels in 2022**.

The **EBIT margin** failed to climb above 4.9% in 2020, returning to levels seen during the 2009 crisis. Indeed, the 2.3 percentage point contraction in **net profit as a percentage to total sales** was identical to the one reported in 2009.

Focus on senior management Board members (age, gender, nationality and compensation)

In 2021, the average age of the senior management members of the Boards of Directors of the 27 companies examined was sixty years. Of these positions, 14% were held by non-Italian managers. The women in these key positions tend to be younger than their male counterparts, aged just 54.9 (versus 60.4); however, they occupy only 10% of the positions available. In 2020 the compensation accruing to these figures was more than €21m lower than in 2019, at €102.5m; this 17% reduction is more than three times the reduction in the overall cost of labour (which was down 5%). Fixed salaries now represent 41% of the total compensation, up from 37% in 2019. The average gross compensation of a senior management Board member in 2020 was €2,056,600 (made up of an average fixed salary of €834,100 and an average variable component of €1,222,500), more than 36x the average cost of labour (€56,900). This means it would take the average worker a total of 36 years to earn what their senior management Board members earned in 2020 alone: from 1984 to 1999 for the fixed salary and from 2000 to 2020 for the variable component. The average compensation paid to these figures increases with the market capitalization of the companies they manage: from a low of €1,227,600 for the leaders of companies with market cap of below €5bn, to a high of €5,145,500 for those of companies with market cap of above €20bn. The remuneration paid to a woman who chairs one of these companies is on average 16.8% lower than that paid to a man.

Media Relations

Tel. no.: (0039) 02-8829.914/766

media.relations@mediobanca.com