
The Negotiated Settlement of the Crisis and the Cash Flows of Large Unlisted Italian Companies

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Abstract:

Purpose: The recent introduction in Italy of the negotiated settlement of the crisis represents further progress towards the creation of useful tools to counter the failure of illiquid or close to insolvency companies. Access to the negotiated settlement of the crisis and the outcome that can result from it are strongly connected to the financial situation of the company. The purpose of this research is to analyze the financial situation of large unlisted Italian companies, in order to verify the advisability of using the new institute and the depth of the consequent management interventions.

Design/Methodology/Approach: The research used the methodological scheme referred to in the Decree of the Ministry of Justice of 28 September 2021 to identify which variables were relevant for the purposes of accessing the procedure of crisis' negotiated settlement. The variables thus identified were analyzed according to the statistical method both in the year 2020, which experienced the exceptional nature of the pandemic shock, and, for comparison purposes, in the previous four years.

Findings: The research has highlighted how the majority (53%) of the companies observed showed substantial economic stability and considerable financial resistance to the crisis. Furthermore, based on data for the financial year 2020, it was estimated that the number of large Italian companies potentially interested in the new institute of crisis' settlement is around 400, out of a total of over 900 companies.

Practical Implications: The analysis scheme developed by the research can represent a useful tool for verifying the potential of the new procedure of crisis' negotiated settlement and can also be applied to the study of specific sectors or to small and medium-sized enterprises.

Originality/Value: The originality of the research consists in having adapted the individual practical test provided for by the Law Decree of 24 August 2021, no. 118, to obtain an analysis tool applicable at an aggregate level.

Keywords: Economic crisis, large Italian companies, cash flows, financial indicators.

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1. Introduction

In the Italian legal system, a process of revision of the corporate crisis regulation institutions has been underway for a long time, aimed not only at regulating the terminal phase of company life (bankruptcy), but also the continuation of the same in view of return to equilibrium. In the years 2020 and 2021 this process underwent a notable acceleration, mainly due to the risk of massive bankruptcy caused by the worldwide spread of the SARS-CoV-2 virus (in short “COVID-19” or “Coronavirus”).

The institution of the negotiated settlement of the crisis, introduced in Italy by the Law Decree of 24 August 2021, no. 118, and operational since November 15, 2021, is part of the aforementioned process as a voluntary tool available to companies that are in conditions of patrimonial or economic-financial imbalance, such as to make crisis or insolvency probable. When the conditions described are met, the entrepreneur can ask the secretary general of the chamber of commerce in whose territory the registered office of the company is located to appoint an independent expert to whom to entrust the task of facilitating negotiations between the entrepreneur, creditors and any other interested parties.

The purpose of the procedure is to identify a useful solution for overcoming the imbalance in which the company is, including the transfer of the firm or branches thereof, provided that the recovery is reasonably achievable. To this end, the procedure makes available to companies a series of tools useful for reaching the negotiated solution, and in particular a detailed checklist, which contains operational indications for the preparation of the recovery plan, a practical test for verifying the reasonable feasibility of the recovery, accessible by the entrepreneur and the professionals appointed by the same, and a protocol for conducting the negotiated settlement.

In particular, among these tools, the practical test takes on significant importance since its execution is placed in a preliminary position to the activation of the procedure and is functional to the success of the procedure itself. In fact, the test makes it possible to verify whether in practice there are actual possibilities for recovery or if the crisis or insolvency have reached a level of severity that makes it impracticable to restore the firm’s economic equilibrium.

In the event that the recovery is feasible, the activation of the procedure is not only possible but also highly recommended since, thanks to the intervention of the expert, it facilitates the identification of the best management actions to be undertaken and it supports the reaching of an agreement fair with creditors. The proposals made to creditors must in fact be structured in such a way that the sacrifices required of the parties are balanced and proportionate to the degree of risk exposure of each of them and to the benefits they derive from the going concern.

The official nature of the procedure, which is carried out with the assistance and under the supervision of an independent expert, allows the recovery to be conducted on an organized, aware, unitary and technically suitable basis, which replaces any uncoordinated or random initiative. In the current orientation of the Italian legal system, the negotiated settlement of the crisis therefore assumes a significant role since it is one of the actions aimed at promptly intercepting crisis' situations, before they turn into irreversible failure.

Furthermore, the provision of a preliminary analysis of the current imbalance is a valid tool not only to become aware of the seriousness of the crisis but also to prevent unnecessary and costly recovery actions from being activated in the absence of any possibility of success. The foregoing allows us to appreciate the high potential of the institute just introduced and at the same time opens up a new space for investigation, useful for identifying to what extent this potential can be transformed into concrete implementation by firms.

The purpose of this research is to formulate an estimate of the possible impact of the negotiated settlement of the crisis on large unlisted Italian companies, by identifying both the conditions under which the procedure could reasonably be activated and the number of the companies concerned.

The research also makes it possible to identify some key variables on whose performance the degree of difficulty of the recovery depends and the areas of management in which it is necessary to intervene, starting from the characteristic management, in less serious cases, up to the liquidation of some of its branches, in hypothesis of maximum complexity.

Given the coincidence of the purposes, i.e., the preliminary estimate of the need for recovery, its level of difficulty and the correlated degree of feasibility, the survey used, with appropriate adaptations, the same diagnostic scheme, or practical test, provided for by the decree of the Ministry of Justice of 28 September 2021, with which, pursuant to the Law Decree of 24 August 2021, no. 118, the detailed checklist for the preparation of the recovery plan, the procedures for carrying out the practical test and the content of the protocol for conducting the negotiated settlement were defined.

A central variable of the practical test for verifying the possibility of recovery is the cash flow produced by operational management, from whose size, compared with the debt position, the feasibility of the restructuring and the difficulty of its implementation derive.

The application of the aforementioned practical test to the selected sample made it possible to reconstruct the overall financial situation of large Italian companies, through the identification of firms with possible need for reorganization and the formulation of a first rough indication of the relative level of complexity.

2. Literature Review

The problem of estimating the potential impact that the negotiated settlement of the crisis may have on Italian companies is closely related to the cash flow that their management is able to produce and their liquidity situation. Pohlman *et al.* (1988) observed that scholars have shown greater attention to capital budgeting problems, which are considered simpler by management, while less consideration has been given to the more complex but fundamental cash flow estimation processes.

Nonetheless, the importance of cash flow has long been widely recognized in the literature. According to Soboleva *et al.* (2018), in any company, of any size, the solvency and stability of the firm depend on the balanced management of cash flows, and in particular Fawzi *et al.* (2015) underline how the cash flow indices, including ratio of cash flow from operating activities to current liabilities, represent significant predictors of financial distress.

Cash flow can thus represent a measure of risk in several ways. To express business risk, i.e., the expected variability of future income, Ferri and Jones (1979) assume the volatility of cash flow, together with that of revenues, and, similarly Suzuki and Wright (1985) identify the interest coverage and cash flow coverage as risk indices. The cash flow generated by operations also affects the policies and the extent of business investments.

According to Devereux and Schiantarelli (1990), with respect to investments, cash flow assumes a significantly greater role than that played by the stock of liquidity, and this correlation appears stronger in large firms than in smaller ones. The relationship between cash flow and investment spending is well documented also according to Vogt (1994), who points out how the free cash flow behavior appears to arise most strongly in large, low-dividend firms when they invest in tangible assets. This relationship, according to Wei and Zhang (2008), is also confirmed by the fact that too much free cash flow in the hands of entrenched managers is likely to lead to overinvestment.

To the extent that the company generates adequate cash flow, not only does its investment possibilities expand but also its value grows. As in fact Scott (2007) points out the firm's success "is measured by its capacity to generate sufficient cash flow from operations to pay its obligations, enhance its credit rating and maximize shareholder value" (p. 37).

In times of crisis, however, cash flow tends to contract mainly due to the loss of operational management efficiency, generally caused by the reduction in revenues, as well as by the greater difficulties in collecting receivables. The crisis that companies are currently experiencing is added to that dating back to the bank failures of 2008, which in Italy has not yet been overcome.

The financial crisis of 2008, extensively analyzed by the literature, has many aspects in common with the current one. As Rodríguez-Masero and López-Manjón (2016) observe, in conditions of crisis, such as the financial crisis of 2008, the operating cash flow becomes a factor capable of exerting a significant impact on the financial structure of companies.

According to Drobetz *et al.* (2016), the 2008 financial crisis produced heavy negative effects even on the financially healthiest companies and, as Almamy *et al.* (2016) demonstrate, the original Z-score model developed by Altman in 1968 can be integrated by including the cash flow among the useful variables to predict the health of companies, before, during and after the financial crisis period.

In times of crisis, the reduction in liquidity tends to cause financial constraints that negatively impact the performance of companies, as observed by Drobetz *et al.* (2017), according to which in more severe liquidity crisis, firms suffer “in the sense of economy-wide underinvestment problems and/or other operational inefficiencies” (p. 238).

La Rocca *et al.* (2016), while highlighting how financially constrained firms showed little difference in the decline of investment sensitivity to cash flow compared with unconstrained firms, underline that the sensitivity to cash flow increased during the financial crisis of 2008. In many respects, the conclusions reached by the literature on the financial crisis of 2008 can also be extended to the current international crisis caused by the spread of the Coronavirus. The lack of liquidity caused by COVID-19 makes the current crisis very similar to a financial crisis, since, as pointed out by Maijamaa *et al.* (2020), the companies most dependent on cash flows will not have sufficient monetary reserves to meet their obligations, and, also due to the simultaneous decline in demand, will be forced to file for bankruptcy.

The most recent literature has highlighted numerous aspects of the impact of the pandemic, including from a financial point of view. In particular, Shen *et al.* (2020) underline the tension in cash flow due to the impact of the COVID-19 pandemic, and similarly, according to Qin *et al.* (2020) managers, during the pandemic, should increase the cash holding level of companies, in order to protect them against to contingencies.

The same policy of increasing cash holdings, together with the increase in long-term debt, is suggested by Almeida (2021) which highlights how “a financial position with high cash holdings and high long-term debt can offer greater financial flexibility than a low cash, lower long-term debt position” (p. 11). The liquidity problem is also highlighted by De Vito and Gómez (2020), who conducted a study on a sample of 14,245 unique firms across 26 countries in 2018, concluding that “In the most adverse scenario, the average firm with partial operating flexibility would exhaust its cash holdings in about two years. At that point, its current liabilities would increase, on average, by eight times, suggesting that the average firm would

have to resort to the debt market to prevent a liquidity crunch. Moreover, about 1/10th of all sample firms would become illiquid within six months” (p. 1).

The same interpretation is also proposed by Cowling *et al.* (2020) who estimate that firms without cash holdings are at immediate risk, while those that are not building cash reserves are subject to medium-term risk.

On the basis of the aforementioned literature it is therefore possible to conclude that the serious financial situation caused by Coronavirs, similar to the financial crisis of 2008, will make an increase in the number of bankruptcies highly probable. This effect has been underlined by Guerini *et al.* (2020) who observed how the lockdown triggered an unprecedented increase in illiquid and insolvent companies, with the former having more than doubled and insolvencies having increased by 80%.

In this context, it can be well understood how the tools aimed at favoring the overcoming of the crisis, including the procedure of crisis’ negotiated settlement in Italy, represent a fundamental step for the survival of the entire economy.

3. Research Methodology

3.1 Research Objects

This study is aimed at reconstructing the situation of large non-listed Italian joint-stock companies with respect to the recovery problems to which the negotiated settlement of the crisis is addressed.

For this purpose, the survey is divided into three research objects:

- a) the identification of companies that are not in conditions of probable crisis or insolvency and therefore are not affected by the negotiated settlement of the crisis;
- b) the identification of companies for which access to the negotiated settlement of the crisis could be useful in view of the implementation of reasonably feasible recovery plans;
- c) the identification of the level of complexity and depth of the recovery for companies potentially interested in the negotiated settlement of the crisis.

3.2 Sample Selection and Data Sources

For the identification of the sample, all the 955 large non-listed Italian joint-stock companies existing at the date of the analysis were considered. Furthermore, given that the variables used for the analysis were processed on the basis of financial statements data, in order to obtain comparable information 34 companies operating in the financial and insurance sectors were excluded from the sample, as they prepare their financial statements according to international accounting standards IAS / IFRS.

A further 16 companies were also excluded due to lack of financial statements data in some of the years considered. The resulting sample is therefore composed of 905 companies, whose financial statements are drawn up according to the national accounting standards established by the Italian Accounting Standards Setter (OIC).

For the identification of large companies, the analysis made reference to the parameters indicated by EU Recommendation no. 2003/361 / EC of 6 May 2003, as illustrated in Table 1.

Table 1. *Size of large firms according to Recommendation 2003/361 / EC (Euro)*

Parameter	Value
Annual revenue	More than 50 million
Annual balance sheet total	More than 43 million
Number of employees	More than 250

Source: Recommendation 2003/361 / EC.

The companies included in the sample exceeded the three parameters indicated in Table 1 for both the financial years 2019 and 2020. The significant variables for the research were analyzed for the five-year period 2016-2020. The choice of this sample and the analysis period was determined by the following main reasons.

First of all, the selected companies constitute the majority (over 51%) of the large Italian unlisted limited companies and can therefore be considered sufficiently representative. Second, large companies generally have superior financial strength and a more robust capital structure than small and medium-sized firms. Therefore, the research considered it significant to ascertain whether for these companies, which tend to be more resistant, there may be critical situations such as to make it appropriate to access the negotiated settlement of the crisis. Finally, with regard to the reference period of the analysis, it is necessary to consider two aspects.

A first aspect is represented by the exceptional nature of the year 2020, which was heavily affected by the negative economic effects caused by the pandemic. A second aspect concerns the specificity of the Italian economic situation, since the shock resulting from the pandemic was inserted in a context already greatly weakened by the prolonged effect of the international financial crisis dating back to 2008, hindering the recovery that slowly and hardly companies were accomplishing in recent years.

In order to obtain significant results, the analysis took the 2016-2020 period as a reference, both to represent the trends underway in Italy prior to the pandemic and to highlight, through the comparison of data, the worsening of companies' performance caused by the economic shock resulting from the spread of the Coronavirus.

As regards the sources, the financial statements data necessary for the investigation were taken from the AIDA Bureau van Dijk database (Computerized Analysis of

Italian Companies) and since all the selected companies draw up the financial statements according to the same accounting standards, the analysis was carried out on homogeneous data that did not require reclassifications.

3.3 Empirical Analysis

In order to make the survey as consistent as possible with the economic-financial assumptions on which the procedure of crisis' negotiated settlement is based, the development of the three research objects indicated above was conducted through the application of the same method of analysis - the so-called "practical test" - which that procedure makes use for the preliminary estimate of the feasibility of the recovery.

Thanks to this methodological choice, the development of the research objects made it possible to appreciate the potential impact of the new institute in terms of the number of companies that could resort to the procedure of crisis' negotiated settlement, once verified, through the "practical test", the feasibility of the recovery. As regards the research objects *sub* 1) and 2), the following financial variables, shown in Table 2, were considered:

- net financial position (NFP);
- cash flow from operations net of taxes (OCF).

Table 2. *Financial variables*

Variable	Formula
NFP	short-term payables to banks + long-term payables to banks + short-term payables to other lenders + long-term payables to other lenders
	= Total financial debts
	- Liquidity
OCF	Operating income - Taxes

Source: Own elaboration.

On this basis, the companies were divided into the two classes of Table 3.

Table 3. *Need for the recovery plan*

Variable	Need for the recovery plan
NFP≤0	No need
NFP>0	Potential need

Source: Own elaboration.

Specifically, the analysis considered companies with negative NFP (Liquidity>Financial debts) as potentially unrelated to the recovery as they are not

affected by signs of crisis, thus concentrating the subsequent research only on companies with positive NFP (Financial debts > Liquidity).

Moving on to the research object *sub 3*), it is necessary to premise that with regard to companies with positive NFP, the presence of financial debts higher than liquidity, while representing a non-optimal situation, is not in itself an indication of a sure crisis condition, such as to necessarily require the adoption of a recovery plan.

Therefore, the analysis subjected the companies with positive NFP to the practical test indicated by the Executive Decree of the Ministry of Justice of 28 September 2021, to ascertain whether or not the reorganization is necessary and, if it is, what is its difficulty level. Table 4 presents a summary of the method of carrying out the practical test illustrated by the aforementioned Decree.

Table 4. *Practical test of the feasibility of the recovery - Executive Decree of the Ministry of Justice of 28/9/2021*

A - Debt to be restructured
Overdue debt
Rescheduled debt
Non-renewable credit lines
Installments due on mortgages and loans
Investments and divestments
New funding
TOTAL A
B - Cash flow available for debt service
Gross operating income
– maintenance of investments
– taxes
TOTAL B
A/B Ratio

Source: Own elaboration based on Executive Decree of the Ministry of Justice of 28/9/2021.

The model represented in Table 4 was then adapted to the nature of the analysis carried out here which is not based on the execution of individual tests, but on the aggregation of financial statements data with a reporting value consistent with the variables used by that model.

In particular, considering that the purpose of the practical test consists in verifying the reasonable feasibility of the recovery, the analysis carried out here used the same variable B assumed by the model in Table 4, to estimate the cash flow available for debt service, while rather than using the debt to be restructured sub A it considered the amount of short-term financial payables as an expression of the average annual monetary outlay for repayment of the borrowed capital.

On the basis of the above variables, a short-term financial debt coverage ratio (SCR) was calculated, determined as the ratio of the average annual disbursement for

repayment of the borrowed capital to the cash flow from operations net of taxes. This ratio was taken as a general indicator useful for assessing the ability to repay financial debt and the consequent level of difficulty of a possible recovery. Table 5 presents a summary of the variables used for the development of the research object *sub 3*).

Table 5. *Financial variables for the evaluation of the recovery plan*

Variable	Formula
Short-term financial debts (SFD)	short-term payables to banks + short-term payables to other lenders
Cash flow from operations net of taxes (OCF)	Gross operating income – taxes
Short-term financial debt coverage ratio (SCR)	SFD/OCF

Source: Own elaboration.

It should be noted that all the variables used here have been deduced or processed on the basis of financial statements data, assuming that the values for the year could be considered as the expression of average annual trends, which are produced regardless of any industrial initiative hired by the company. Given the above, the value thresholds that the aforementioned Decree refers to the A / B ratio of Table 4 were used to identify the level of difficulty of the recovery. For the purposes of the analysis, the aforementioned thresholds were transformed into ranges of values and these ranges were applied to the short-term financial debt coverage ratio as calculated above ($SCR = SFD / OCF$).

Furthermore, for each level of difficulty, the types of actions to be undertaken and the management areas affected by the reorganization have been identified. This association was made on the basis of the assumption that for low levels of difficulty, the reorganization of the existing operational management is generally sufficient to restore the company's equilibrium. On the contrary, as the level of difficulty of the recovery increases, more penetrating actions become necessary which usually take the form of extraordinary transactions (for example, the sale of the company or branches of it). Table 6 presents, for each range of values, the level of difficulty of the recovery and the areas of intervention identified by the analysis.

Table 6. *Difficulty level of the recovery and management areas of intervention*

SCR values	Difficulty level of the recovery	Management areas of intervention
$0 \leq SCR \leq 1$	Minimal difficulty	Operational management
$1 < SCR \leq 2$	Limited difficulty	Operational management
$2 < SCR \leq 3$	Medium difficulty	Recovery interventions
$3 < SCR \leq 6$	High difficulty	Recovery plans
$SCR > 6$	Very high difficulty	Extraordinary transactions
$SCR < 0$ ($OCF < 0$)	Maximum difficulty	Firm restructuring

Source: Own elaboration.

4. Empirical Findings

For each of the years included in the 2016-2020 five-year period, the analysis of the sample allows us to identify, the number of companies for which there are no signs of crisis or insolvency; the number of companies potentially affected by the negotiated settlement of the crisis; the level of difficulty of the recovery. Table 7 presents the survey results in terms of number of firms and relative percentage for each variable.

Table 7. Number of companies and relative percentage for each variable

Variable	2020		2019		2018		2017		2016	
	No.	%	No.	%	No.	%	No.	%	No.	%
$NFP \leq 0$	307	34%	295	33%	302	34%	307	34%	312	34%
$0 \leq SCR \leq 1$	104	11%	103	11%	97	11%	104	11%	108	12%
$1 < SCR \leq 2$	66	7%	80	9%	75	8%	82	9%	72	8%
$2 < SCR \leq 3$	50	6%	49	5%	57	6%	64	7%	52	6%
$3 < SCR \leq 6$	82	9%	97	11%	112	12%	112	12%	98	11%
$SCR > 6$	111	12%	162	18%	166	18%	160	18%	188	21%
$SCR < 0$ (OCF < 0)	185	21%	119	13%	96	11%	76	9%	75	8%

Source: Own elaboration.

The results of the empirical survey allow us to make some observations, in relation both to the general trends of the five-year period and to the peculiarity of the year 2020 compared to the previous four-year period.

First of all, a noteworthy element emerging from the analysis is the substantial stability of many of the observed variables. In the overall five-year period, including therefore also the year 2020, the stability of companies with negative or zero NFP, which, as such, do not show signs of crisis or insolvency in any of the observed years is significant. From the five-year trend it can be easily deduced that the economic shock following the pandemic has not reduced the number of companies with liquidity greater than the overall financial debt. In fact, in the year 2020 the same percentage was found as in the years 2018, 2017 and 2016. The only exception, for a slight decrease, was the year 2019.

The percentage of companies for which the difficulties of a possible recovery are minimal is equally stable (unchanged at 11% in the years from 2017 to 2020), demonstrating that even in this case the pandemic has not caused negative impacts on the companies that already presented a ratio of short-term financial debts to cash flow from operations not particularly worrying (no higher than 1).

A similar stability can be observed for the two ranges of values in which the SCR ratio is between 1 and 3, with a slight decrease in the positions of limited difficulty in 2020 and with a slight variation in the recovery situations characterized by medium difficulty.

It seems therefore that the companies for which the difficulty of recovery was not high before the pandemic have been able to maintain this position even in conditions of crisis.

On the other hand, companies with a ratio of short-term financial debt to cash flow higher than 3 are more sensitive to the impact of the pandemic. In fact, in the year 2020, compared to the previous four-year period, there is a tendential shift of the companies in the sample towards higher positions of the indicator, to the detriment of the lower positions in which recovery is easier. In management terms, this implies that the economic shock has led to a situation in which the restoration of economic equilibrium has become more complex.

Finally, a particularly important figure is represented by the significant increase in the five-year period (from 8% to 21%) of companies with negative cash flow. In fact, this variable represents the one that suffered the most marked worsening in 2020 compared to the previous four years. The spread of the pandemic and the inactivity of companies during the lockdown period could represent the cause, or one of the main causes, of the deterioration suffered by the operational management and the cash flows produced by it.

With regard to the trends prior to the pandemic considered as a whole, it is noted that, with the exception of the cash flow referred to above, the results of the analysis show a remarkable stability of all the variables under observation. It thus seems that the slow recovery process that has been affecting Italian companies since 2008, i.e. for more than a decade, has been interrupted or otherwise altered in a tangible way by the spread of the Coronavirus.

Finally, it is appropriate to consider the current situation of the set of unlisted Italian joint-stock companies, examining, in the year 2020, the composition of the sample in terms of the number and complexity of the procedures of crisis' negotiated settlement that could be activated.

In this regard, it is possible to distinguish the companies in the sample into two main groups, one of which is characterized by the absence of the need for recovery or by a minimal or limited recovery complexity (companies with $NFP \leq 0$ or with SCR values between 0 and 2) and the other consisting of companies for which the recovery presents a medium to maximum level of difficulty (companies with SCR values greater than 2 or negative OCF).

By re-aggregating the data as described, it is obtained that the companies that do not require reorganization or for which the reorganization does not involve high levels of difficulty represent 53% of the sample, while the remaining 47% is made up of the companies for which the reorganization is expected of medium, high, very high or maximum complexity.

5. Limits and Discussion

With regard to the limits of the analysis, it should be noted first of all that the results obtained are strongly conditioned by the hypothesis that the values of the variables observed for the last closed financial year, i.e., 2020, can be considered representative of annual average values in full operation. About this, there are both factors that could confirm the validity of the hypothesis, and factors contrary to it.

For the factors of the first type, it can be observed that, if the effects of the pandemic do not resolve, as is likely, in the short term, the results of the year 2020 could be replicated, at least in their basic trends, also in the years to come. Furthermore, the selected sample showed in the years prior to the pandemic a substantial tendency towards stability which could be maintained, albeit at new levels, even for a not short period of time in the future.

Contrary to the hypothesis of stability there are instead the forces that push towards recovery, which, if positive and effective, are destined to change the situation recorded in 2020 and improve the performance of companies also in terms of debt and liquidity. This will obviously depend on the recovery times which, at present, are not easily predictable.

Secondly, it is necessary to take into account that the research provides some general indications useful for evaluating the potential of the negotiated settlement of the crisis at a time when the institute has been operating for a very short time, so it is currently not possible to know the specific elements, such as the times, costs and concrete methods of implementation on which not only the outcome of the procedure depends but also the decision to make use of it.

As for the future directions of the research that this survey could solicit, it is necessary to consider that the analysis carried out here concerns large companies in a transversal manner and, as such, does not allow for the identification of specific sectoral trends or characteristics.

The sector analysis could, however, be functional to trace and analyze in depth the companies that have been most affected by the crisis and the characteristics that distinguish them from the most resistant ones, in order to derive from the latter how to best cope with the emergency.

A further line of research may also concern the comparison between the large companies analyzed here and the impact that COVID-19 has produced on small and medium-sized companies, also to verify whether the financial resilience of the latter has been or less compromised by the crisis and their potential to access the negotiated settlement of the crisis.

6. Conclusions

The results achieved by the analysis allow us to formulate some conclusive considerations, relating to three profiles. With regard to a first profile, the survey offers an overall picture of Italian large unlisted joint-stock companies and their financial performance, both in the years in which the recovery following the 2008 financial crisis continued, and in the year 2020, affected by the serious economic crisis caused by the spread of Coronavirus.

With regard to the current situation, the results of the analysis allow us to conclude that the majority (53%) of large unlisted Italian joint-stock companies are in a condition of substantial economic-financial equilibrium which is not a prelude to crisis or insolvency and it is in any case compatible with easily remediable imbalances. The solidity highlighted by the companies in the sample confirms both a good incidence of companies with liquidity higher than financial debts, and the presence of a part of companies which, despite showing symptoms of financial tension (short-term financial debts higher than the operating cash flow), show no signs of severe crisis.

The research also highlighted how, for the best companies in the sample, the stability shown by most of the variables analyzed can be interpreted as an index of the ability to withstand the heavy impact of the pandemic. This resistance is probably due to the robustness of the financial structure of the companies observed, which are characterized by abundant liquidity reserves, in some cases well above their financial debts. In fact, the more solid and consolidated the financial strength of the company, the less is its vulnerability to the negative effects that exogenous shocks, such as the current pandemic, inevitably cause globally.

This consideration does not mean that the company's equilibrium remains immune, in the short or very short term, to situations of general crisis, but rather it is intended to indicate the lesser probability that the company's financial structure will be irremediably compromised or damaged at its root by sudden and unpredictable economic disturbances.

In line with the above, the only variable that has shown evident worsening is the cash flow which notoriously represents one of the most sensitive indices to the difficulties of the operational management. Alongside the more solid companies or for which the restoration of economic equilibrium is easier, the research has highlighted the presence of a second group of companies which, on the other hand, is more exposed to the risks of the pandemic and whose recovery is highly complex, requiring profound or extraordinary management interventions.

From a second point of view, the research, in addition to representing the monetary and financial situation of the major Italian companies, also offers useful insights from the management point of view since, to each range of values in which the SCR

is located, it associates an indication of the areas intervention on which any recovery actions will have to focus.

In particular, for minimal or limited levels of recovery difficulty, it is generally sufficient to intervene on the core business, through actions aimed at improving the operating cash flow.

In most cases, these interventions consist in the implementation of cost or revenue corrections for the optimization of profitability margins, or in the revision of monetary flows aimed at creating synchronicity between cash inflows and outflows. In the presence of medium or high recovery difficulties, the correction of the operational management is not sufficient to restore the operating cash flow, but it is necessary to adopt targeted actions or broader action plans, in the medium or long term.

The situation described corresponds to that in which the possibility of restoring the economic equilibrium is largely, if not maximally, dependent on the success of the recovery plan, which in turn is determined by the concrete feasibility of the planned initiatives and the accuracy with which they are identified and implemented.

Finally, with regard to situations of very high or maximum difficulty, not only the intervention on the operational area cannot be sufficient to recover the economic equilibrium, but the recovery plans themselves must act in depth, transforming, if necessary, the fundamental structure of the company and acting in discontinuity with respect to normal business management.

In these situations, which are not infrequently at the limit of the possible, the recovery plans must be carefully evaluated first of all in their effective feasibility given that the managerial complexity of their implementation is maximum and the risk of their failure is equally high. Generally, in the situations described, the recovery resort to extraordinary operations such as interventions on production processes, changes to the business model, sales or liquidation of company branches, up to the sale of the entire company, in view of a new and different management.

Finally, according to a third profile, the analysis carried out allows some considerations to be made regarding the potential of the new procedure of crisis' negotiated settlement.

The results of the research can in fact be useful first of all to highlight situations in which access to the procedure may be unlikely or unnecessary. At the same time, the information that emerged from the analysis makes it possible to estimate the potential accesses to the procedure by large Italian companies. As it is believed here, in fact, this estimate requires a preliminary understanding of the degree of difficulty of the recovery and the actions to be taken, as reconstructed in Table 6.

Limiting the considerations to the year 2020, as it is more expressive of the current situation, it is possible to estimate that the number of companies potentially interested in the new institute of crisis' settlement is around 400. It should be noted that the analysis excluded from the estimate of the companies potentially affected by the new procedure both companies with negative NFP, for which there are no obvious financial problems, and the companies for which the recovery difficulty is minimal or limited.

This exclusion was made mainly due to the absolute novelty of the institution which still needs to be tested in its practical implications and which is therefore currently almost unexplored. In fact, given the absence of concrete evidence regarding the effectiveness and costs of the new procedure, it is probable that the companies whose recovery is likely to be simple may prefer not to make use of the negotiated settlement and to resort to ordinary, consolidated and better known instruments with which face minor firm imbalances.

With regard to the estimate of the companies for which access to the negotiated settlement of the crisis could be conveniently practicable, the companies whose recovery difficulties are at a medium, high or very high level were considered. In such cases, in fact, given the complexity of the reorganization actions to which the management must be subjected, the negotiated settlement of the crisis is able to exert its maximum positive effects since it allows the entrepreneur to benefit from the assistance by a professional expert both in corporate restructuring and in negotiations with creditors for restructuring or for the write-off of debts.

To conclude, it is important to underline how the procedure of crisis' negotiated settlement can represent a very useful tool, especially for the criticalities of this particular historical moment.

As demonstrated by the analysis, in fact, alongside the structurally more robust companies that have resisted the impact of the pandemic, there are more vulnerable companies for which the economic shock has made it urgent to adopt targeted interventions that the new institute seems able to offer.

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