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Managing the Firm's Financial Distress: the Bialetti Case

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Introduction

Financial distress and corporate crises are inherent to the modern economy, affecting individual firms and entire industries alike. In a globalized market characterized by intense competition and recurrent macroeconomic shocks—such as the 2008 global financial crisis, the Eurozone sovereign-debt turmoil, and the COVID-19 pandemic—companies face an elevated risk of liquidity shortages and solvency challenges. These episodes underscore the imperative for effective crisis-management strategies and robust regulatory frameworks to preserve going-concern value and mitigate social and economic costs.

Within the European context, corporate crisis management is shaped by a complex interplay of EU directives, national insolvency laws, the structure of financial markets, and the role of public institutions. The EU Restructuring Directive (2019/1023), for instance, mandates member states to establish preventive restructuring frameworks, early warning tools, and measures to facilitate debt-equity swaps, yet its transposition has yielded diverse national models. In the United Kingdom and France, out-of-court workout guidelines (e.g., the London Approach, INSOL Europe Principles) enjoy widespread use, whereas Germany and Spain maintain more formal, court-supervised restructuring procedures. Access to credit and state support—through loan moratoria, guarantee schemes, and sector-specific aid—also varies considerably across Europe, influencing firms' ability to navigate downturns.

In this pan-European landscape, crisis management in corporate finance encompasses both operational and financial dimensions. Operational measures include cost optimization, asset disposals, management and governance restructuring, and strategic pivots; financial measures range from debt rescheduling and covenant renegotiation to equity injections and creditor-led standstill agreements. The efficacy of these strategies hinges on timely detection of distress signals—such as deteriorating liquidity ratios, covenant breaches, or negative market sentiment—and on effective coordination among stakeholders, including management teams, creditors, shareholders, and regulators.

Italy, in particular, presents a distinctive environment: it exhibits high levels of corporate indebtedness, a predominance of small and medium-sized enterprises (SMEs), and historically complex bureaucratic procedures for debt restructuring. Over the past decades, Italian firms have confronted multiple financial shocks—ranging from domestic banking crises to euro-area sovereign stress—providing instructive examples of both successful turnarounds and costly failures. A salient feature of Italy's regulatory landscape is the oversight exercised by CONSOB (*Commissione Nazionale per le Società e la Borsa*). CONSOB maintains a Black List of listed companies subject to enhanced monitoring upon detection of early warning signals of distress; inclusion on this list triggers

stringent disclosure requirements, intensified supervisory scrutiny, and often catalyzes the activation of preventive restructuring mechanisms.

Recent reforms have further changed the Italian approach to corporate crises and insolvency. The 2019 reform, contained in the Corporate Crisis and Insolvency Law (Legislative Decree no. 14 of 2019), introduced a forward-looking definition of crisis, emphasised the probability of insolvency based on expected cash flow shortfalls and strengthened early warning processes and regulations. extrajudicial/judicial restructuring. These changes bring Italy closer to EU best practices by offering companies a wide range of tools, including *piani attestati di risanamento* (certified restructuring plans) and a simplified *concordato preventivo* (preventive agreement with creditors).

The academic literature offers a considerable body of research dedicated to the phenomenon of financial decline and recovery strategies. Within this broader discussion, the present study seeks to provide a targeted analysis grounded in the experience of Italian publicly listed firms.

The first part of the analysis is devoted to tracing the trajectory of financial decline. This involves an exploration of both internal and external catalysts of crisis, supported by quantitative indicators of financial health, such as earnings deterioration, liquidity constraints, and leverage ratios. By investigating the onset and evolution of financial underperformance, the study seeks to illuminate the underlying mechanisms that push firms toward distress. Particular emphasis is placed on differentiating between exogenous shocks—such as macroeconomic downturns or regulatory disruptions—and firm-specific managerial or structural deficiencies. The second part of the research focuses on the strategies firms employ in their attempts to recover from crisis. This includes both operational and financial restructuring measures, ranging from cost-cutting and asset divestitures to recapitalization and debt renegotiation. The effectiveness of these actions is assessed through post-restructuring performance indicators, allowing for a distinction between successful and unsuccessful turnaround attempts. The determinants of strategic success are evaluated in light of firm characteristics, industry context, and the timing of interventions.

This thesis explores strategies for managing corporate financial distress through an in-depth case study of the Italian company Bialelli Industrie S.p.A., listed on the Milan Stock Exchange. By examining its financial and operational trajectory before, during, and after the distress episode, the research aims to:

1. Identify the primary causes and triggers of financial distress in the Italian context, distinguishing internal mismanagement from external shocks.
2. Evaluate the effectiveness of crisis-management and restructuring strategies under both Italian and broader European frameworks.

3. Assess the role of regulatory interventions, particularly CONSOB oversight and the 2019 insolvency reform, in influencing recovery outcomes.

The thesis is structured as follows:

- Chapter 1 reviews the theoretical background on financial distress and crisis management, covering key concepts, causes, and indicators, and provides a comprehensive review of the relevant literature.
- Chapter 2 presents the principal tools and legal frameworks for crisis prevention and resolution, with an emphasis on Italian insolvency law, CONSOB Black List procedures, and relevant EU directives.
- Chapter 3 details the methodology and case-study selection process, followed by a comparative financial and operational analysis of the Bialetti Industrie S.p.A.
- Chapter 4 discusses the implications of the findings for managers, investors, and policymakers, including lessons for other European jurisdictions.
- Conclusion summarises the main contributions, outlines limitations, and suggests avenues for future research.

1. Financial Distress and Crisis Management

1.1 Key Concepts in Financial Distress

Financial crisis is a condition in which a company's ability to meet its financial obligations deteriorates significantly, which may lead to bankruptcy or insolvency. It typically goes through a series of stages (an initial deterioration in key financial indicators, a decline in company results and a loss of stakeholder confidence) before reaching a liquidity crisis, debt restructuring or, in the absence of corrective measures, a formal insolvency procedure. Early identification and accurate assessment of financial difficulties are essential to intervene promptly, preserving the value of the company and preventing its irreversible insolvency.

In Italian law, financial difficulties are clearly distinguished from technical insolvency and formal bankruptcy. Pursuant to Royal Decree no. Pursuant to Italian Bankruptcy Law no. 267/1942 (New Bankruptcy Law), bankruptcy is officially recognized on the basis of manifest default or external facts indicating the debtor's inability to consistently fulfill its obligations (Codice della Crisi d'Impresa e dell'Insolvenza, 2019). This legal concept emphasizes observable financial phenomena, not just predictive signals. The recent reform introduced by Legislative Decree no. 14/2019, Code of Crisis Situations and Insolvency of Companies (CCII), provides a more proactive and forward-looking definition of crisis. This definition identifies a situation of economic and financial difficulty that increases the probability of insolvency, as evidenced by the insufficiency of future cash flows necessary to meet planned obligations. Consequently, bankruptcy proceedings begin only after confirmation of actual insolvency, which includes the liquidation of assets and payment procedures to creditors.

Traditionally, quantitative models have been used first-line to predict a company's financial distress. A well-known tool is Altman's Z-model. This statistical approach, originally proposed by Altman (1968), combines financial indicators into a single measure of distress risk. Specifically, firms with a Z-score lower than 1.81 are classified as firms at high risk of failure, while scores higher than 2.99 indicate financial stability and health. The practical applicability of Altman's model, with particular reference to Italian firms, will be examined in more detail in Section 3, where its predictive capacity will be assessed based on an analysis of companies included in the CONSOB watch list. Subsequent validations of Altman's model on Italian firms, in particular those subject to unusual management, confirmed its predictive effectiveness several years before actual failures (Altman, Danovi, and Falini, 2013). These authors highlighted the relevance of the model for the Italian context, especially in the assessment of publicly traded organizations subject to regulatory control. However, traditional accounting models may present limitations, especially for small and medium-sized enterprises (SMEs). Altman et al. (2018) recognized this gap and argued for an enriched

predictive framework that integrates market data, payment behavior indicators, and macroeconomic indicators. This multifaceted analytical approach is becoming increasingly relevant in Italy, especially with the growth of alternative financing methods, such as the mini-bond market, which SMEs often resort to due to limited access to traditional bank financing. Such enriched analytical frameworks increase the accuracy of emergency forecasts and allow for a more precise identification of communities at risk.

Another significant contribution to the financial crisis literature was made by Beaver (1966), who identified cash flow to total debt and interest coverage ratios as key indicators of financial crisis inevitability. Following Beaver's seminal work, Bělavary et al. (2007) further confirmed that combining multiple financial indicators significantly improves forecast accuracy compared to using individual indicators. They have shown that multivariate analysis provides a more complete and nuanced assessment, which is very important for both investors and regulators. Extending beyond individual company analysis, various analytical frameworks have been developed to better capture the complexity of financial distress across diverse environments:

1. Ratio-based models (Altman, 1968; Beaver, 1966): These employ financial accounting data to generate composite scores indicating distress likelihood. Although effective for preliminary screenings, these models often overlook broader economic and industry-specific influences.

2. Industry-adjusted models (Chava & Jarrow, 2004): These frameworks recognize that default likelihood and effective distress predictors vary substantially across different sectors. Companies in capital-intensive industries, for instance, might sustain prolonged periods of distress due to their access to long-term debt financing options.

3. Legal and institutional frameworks (Davydenko & Franks, 2008): This approach emphasizes the role that national insolvency regimes and creditor protection laws play in shaping distress outcomes. Comparing regulatory environments across France, Germany, and the United Kingdom, these authors illustrated how variations in bankruptcy laws affect corporate recovery processes and stakeholder behaviors.

4. Macroeconomic analysis and stress-testing (Andrade & Kaplan, 1998): These methodologies assess how macroeconomic shocks and systemic stress impact firms' distress likelihood, particularly highlighting the exacerbating role of high leverage during economic downturns.

These diverse analytical approaches highlight the complexity and multifaceted nature of corporate financial distress. While quantitative and ratio-based models serve as foundational tools for initial distress prediction, comprehensive analyses must integrate broader considerations, including industry conditions, institutional context, and macroeconomic dynamics.

Model	Core Formula / Essence	Advantages	Limitations
Composite Ratio Models (Altman Z-Score)	$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5$ where X_1 – X_5 are selected profitability, leverage, liquidity, activity and market-value ratios	<ul style="list-style-type: none"> ▪ Simple to compute from audited financials ▪ Proven predictive power across many markets ▪ Provides a single composite score 	<ul style="list-style-type: none"> ▪ Backward-looking (uses historical data) ▪ Ignores industry and macro variations ▪ May misclassify SMEs or non-listed firms
Single-Ratio Models (Beaver's Univariate)	Cash Flow to Total Debt, Interest Coverage. Single ratios compared to empirically derived thresholds	<ul style="list-style-type: none"> ▪ Easy to interpret and communicate ▪ Highlights specific liquidity or solvency issues 	<ul style="list-style-type: none"> ▪ Relies on one metric only ▪ High false-positive and negative rates when used in isolation
Industry-Adjusted Models (Chava & Jarrow)	$\Pr(\text{default}) = \sigma(\beta_0 + \beta_1 \cdot \text{FirmRatios} + \beta_2 \cdot \text{IndustryDummy} + \dots)$ Logistic regression incorporating sector-specific dummy variables and firm ratios	<ul style="list-style-type: none"> ▪ Accounts for sector-specific risk dynamics ▪ Improves accuracy in heterogeneous industries 	<ul style="list-style-type: none"> ▪ Requires large, industry-segmented datasets ▪ More complex calibration and interpretation
Legal & Institutional Frameworks (Davydenko & Franks)	Qualitative comparative analysis of national insolvency regimes, creditor rights, procedural timelines and debtor-creditor bargaining power	<ul style="list-style-type: none"> ▪ Captures the impact of legal environment on recovery ▪ Explains cross-country differences in turnaround success 	<ul style="list-style-type: none"> ▪ Lacks numerical scoring for early warning ▪ Not easily generalizable or automated
Macroeconomic & Stress-Testing (Andrade & Kaplan)	Scenario-based simulations of firm financials under macro shocks (GDP growth, interest rates, credit spreads); distress cost functions calibrated to leverage and downturn severity	<ul style="list-style-type: none"> ▪ Forward-looking and captures systemic risk ▪ Integrates firm-level and economy-wide variables 	<ul style="list-style-type: none"> ▪ Data- and model-intensive ▪ Results sensitive to scenario assumptions and calibration

Table 1 - Models Comparison (Adapted from Altman et al., 2019; Beaver, 1966; Chava & Jarrow, 2004; Davydenko & Franks, 2008; Andrade & Kaplan, 1998)

In practice, financial institutions, regulators, and credit rating agencies often incorporate these predictive models into their risk assessment and oversight systems. For example, banks often use modified versions of the Altman Z-score and other multivariate models in their credit underwriting and credit monitoring processes, particularly for SME and corporate customers. These models help determine internal risk assessments and early warning indicators, and help institutions assess a borrower's financial health before more visible signs of default emerge.

Similarly, credit rating agencies use industry and macroeconomic models to reassess creditworthiness in changing market conditions, integrating company-level indicators with sector-specific and systemic risk dynamics. Regulators also use these tools to increase market transparency and ensure financial stability. In Italy, CONSOB and the Banca d'Italia monitor listed companies using a combination of analysis of financial ratios, market signals and breaches of disclosure rules to flag entities for further investigation. For example, CONSOB blacklisting often follows a prolonged deterioration of key indicators such as current losses, negative working capital or qualified auditors' opinions, many of which are built into early warning models. The integration of these predictive tools into supervisory regulatory systems demonstrates their practical value, which goes beyond academic theory, and highlights their role in timely intervention and guidance of supervisory actions.

It is important to underline that regulatory frameworks and legal mechanisms have a significant impact on how financial difficulties are managed and resolved. The updated Italian Code on Crises and Corporate Insolvency emphasizes preventive measures, including early warning signals and mandatory reporting by company management and auditors. In addition, the Code encourages the use of extrajudicial restructuring mechanisms, such as certified recovery plans and restructuring agreements, before initiating formal insolvency proceedings. Understanding these legal definitions, procedural triggers and preventive tools is crucial to be able to make an accurate assessment of disasters in the specific Italian context.

1.2 Causes and Indicators of Financial Distress

Understanding the root causes and early indicators of financial distress is essential for managers, investors, and regulators seeking to implement timely measures and preserve corporate value. Financial distress rarely appears suddenly; rather, it is an accumulation of internal weaknesses linked to external shocks, manifested by qualitative and quantitative warning signals. This section examines the main factors driving internal and external challenges and then reviews key financial, market, and regulatory indicators.

Internal factors stem from the company's governance, operations, and financial structure. Poor strategic planning, operational inefficiencies, and weak financial controls often lead to difficulties.

Ineffective leadership and management, characterized by suboptimal decision-making, inadequate risk oversight, and organizational misalignment, can erode competitive advantage. Balgobin and Pandit (2001) point out that poor management decisions, such as poor investments and the inability to adapt to market changes, are the main factors in business decline. Similarly, a high cost structure and operational inefficiencies, including excessive fixed costs and outdated business processes, increase vulnerability to revenue losses, as noted by Damodaran (2009). In addition, poor financial policies, such as overreliance on short-term debt, poor liquidity management, and poor budgeting practices, exacerbate financial pressures and can lead to a liquidity crisis (Weitzel and Jonsson, 1989).

External forces often interact with internal weaknesses to accelerate suffering. Macroeconomic downturns, such as recessions, currency devaluations, and interest rate increases, significantly reduce demand and increase financing costs, disproportionately affecting highly leveraged firms (Andrade and Kaplan, 1998). Industry cyclicality and technological disruptions can render established business models obsolete and affect the stability of certain sectors.

Chava and Jarrow (2004) emphasize the importance of sectoral analysis because default probabilities differ across sectors. In addition, competitive pressure from new market entrants or changes in consumer preferences can reduce market share and pricing power, leading to lower revenues (Balgobin and Pandit, 2001). Regulatory and legal changes, including new compliance requirements or tax reform, can create operational constraints and unexpected costs, particularly in highly regulated industries (Davydenko and Franks, 2008).

Quantitative measures derived from financial statements provide crucial early warnings in distress detection:

- Profitability ratios: Declining return on assets (ROA) and return on equity (ROE) signal weakening earning power (Winn, 1997).
- Leverage and solvency metrics: Rising debt-to-equity ratios and deteriorating interest coverage ratios indicate increasing difficulties in meeting obligations; cash flow ratios and total debt-interest coverage ratios stand out as critical indicators (Beaver, 1966).
- Liquidity measures: Current and instantaneous ratios, net working capital trends, and operating cash flow analyses reveal potential short-term financing difficulties that often precede liquidity crises (Altman, Danovi, & Falini, 2013).
- Composite scores: Altman's Z-Score aggregates multiple financial ratios into a single distress index, effectively identifying bankruptcy risks, particularly when adapted to SMEs and integrated with market data and payment behavior metrics (Altman, 1968; Altman et al., 2018).

Beyond accounting metrics, market-based and qualitative signals offer critical, timely warnings of financial distress. Elevated credit default swap (CDS) spreads, widening bond yield

spreads, and steep equity price declines reflect heightened market risk perceptions (Gordon, 1971). Auditor going-concern opinions can indicate significant doubt regarding a firm's viability, often preceding formal distress announcements (Platt & Platt, 2002). Similarly, credit rating downgrades signal deteriorating creditworthiness, potentially triggering higher borrowing costs and collateral calls. Stakeholder behavior, such as supplier payment delays, employee turnover, and management departures, further reveals eroding internal confidence and operational stability concerns (D'Aveni, 1989).

In the Italian context, certain legal limits and regulatory procedures serve as indicators of difficulties. Inclusion on the CONSOB blacklist indicates severe financial distress, which requires increased regulatory oversight and enhanced disclosure requirements. The Corporate Crisis and Bankruptcy Act 2019 introduces statutory early warning notices that require internal notifications by directors and auditors when key financial indicators exceed predetermined thresholds, thereby triggering preventive restructuring procedures (Legislative Decree No. 14/2019). Moreover, bankruptcy applications and preventive arrangements (such as *concordato preventivo* (preventive arrangement with creditors) or *concordato fallimentare* (bankruptcy arrangement)) refer to advanced stages of financial distress, where firms actively seek judicial protection and debt restructuring agreements (Davydenko and Franks, 2008).

A holistic distress assessment synthesizes internal and external causal analyses with financial, market, and regulatory indicators. Early detection through quantitative models and qualitative monitoring enables stakeholders to deploy timely crisis-management tools, ranging from operational restructuring to preventive judicial procedures. The subsequent chapters will explore specific legal frameworks and practical methodologies available in Italy and other European jurisdictions for diagnosing and managing corporate financial distress.

1.3 Pathways from Financial Distress to Crisis

Understanding the pathways from financial distress to crisis is crucial to effectively manage and mitigate severe corporate downturns. Companies seldom transition abruptly from distress to crisis; rather, they typically progress through a series of identifiable phases. Recognizing these stages allows stakeholders to intervene proactively, potentially averting irreversible damage.

Financial problems often begin with vague symptoms such as declining business performance, liquidity problems, and rising debt. Although these symptoms may appear manageable at first, if left untreated they will gradually worsen, bringing companies closer to crisis. Damodaran (2009) describes this first stage as declining performance, which he describes as falling profits, declining market share, and increasing operational inefficiencies. Management's denial or underestimation of

these early warnings frequently delays necessary corrective actions, exacerbating financial vulnerabilities.

The progression from initial distress to crisis typically involves a liquidity crunch, often precipitated by reduced cash inflows, increased funding costs, and tighter credit conditions. Liquidity challenges intensify when firms are highly leveraged, as identified by Andrade and Kaplan (1998). Under heightened stress, creditors become increasingly cautious, withdrawing existing credit lines or imposing stricter covenants. Such credit constraints can quickly escalate into a full-blown liquidity crisis, compelling firms to seek emergency financing or rapidly liquidate assets under distressed conditions.

Following liquidity deterioration, stakeholder confidence rapidly erodes, creating additional operational disruptions. Customers, suppliers, investors, and creditors all respond negatively to visible financial troubles. Suppliers may demand advance payments or refuse credit terms, exacerbating cash flow constraints. Customers might divert business to more stable competitors, and key employees may seek employment elsewhere, significantly weakening organizational capability (D'Aveni, 1989). Concurrently, external auditors might issue qualified going-concern opinions, further undermining investor and creditor confidence and triggering tighter scrutiny from regulators.

Regulatory involvement often intensifies as companies approach crisis stages, particularly in jurisdictions with stringent financial oversight like Italy. Inclusion on regulatory watchlists, such as CONSOB's Black List, signals serious financial distress, imposing additional compliance requirements and intensifying market scrutiny. These regulatory actions serve as a strong public indication of the firm's precarious position, further accelerating stakeholder withdrawals and exacerbating internal instability.

The culmination of these compounding pressures typically manifests in severe credit downgrades, default events, or formal insolvency proceedings. Firms facing unmanageable financial burdens may enter formal judicial processes such as preventive restructuring agreements (*concordato preventivo*), debt restructuring plans (*accordi di ristrutturazione*), or outright bankruptcy proceedings (*fallimento*), as defined by the 2019 CCII. Each of these processes provides structured mechanisms for managing creditors, reorganizing liabilities, and potentially salvaging corporate viability through negotiated settlements. Table 2 summarises the stages involved in the transition from financial distress to crisis.

Stage	Key Characteristics	Typical Indicators / Events	Possible Interventions
1. Performance Erosion	Declining profitability, operational inefficiency	Decreasing margins, lower market share, higher costs	Strategic review, cost optimization, operational restructuring
2. Liquidity Crunch	Tightening liquidity, funding challenges	Negative cash flows, covenant breaches, difficulty accessing credit	Liquidity management, short-term funding, asset sales
3. Stakeholder Confidence Loss	Loss of trust among suppliers, customers, investors	Supplier credit withdrawal, customer attrition, employee turnover	Communication strategy, relationship management, interim financing
4. Regulatory Scrutiny	Increased regulatory attention and oversight	CONSOB Black List inclusion, qualified auditor opinions, intensified disclosures	Compliance improvement, transparency initiatives, preventive restructuring
5. Crisis and Insolvency	Severe financial distress, insolvency initiation	Credit downgrades, default, concordato preventivo, fallimento	Formal restructuring, judicial intervention, bankruptcy proceedings

Table 2 - The Pathway from Financial Distress to Crisis

(Adapted from Altman, E. I., Hotchkiss, E., Wang, W., 2019;

CONSOB regulatory documentation, 2025)

Hambrick and D'Aveni (1989) present a detailed conceptual framework for understanding organizational behavior during the advanced stages of financial distress. Their analysis particularly emphasizes how managerial perceptions and decision-making processes can significantly influence a firm's trajectory toward failure. Specifically, they identify two critical phases: the "Marginal Existence" stage, characterized by strategic instability, inconsistent managerial choices, and diminishing resources, and the "Death Struggle" stage, marked by accelerated resource depletion due to severe environmental shocks and heightened strategic uncertainty. The authors argue that these stages reflect intensified psychological pressures and deteriorating organizational effectiveness,

ultimately leading firms toward irreversible collapse. This conceptual progression is visually summarized in the figure below.

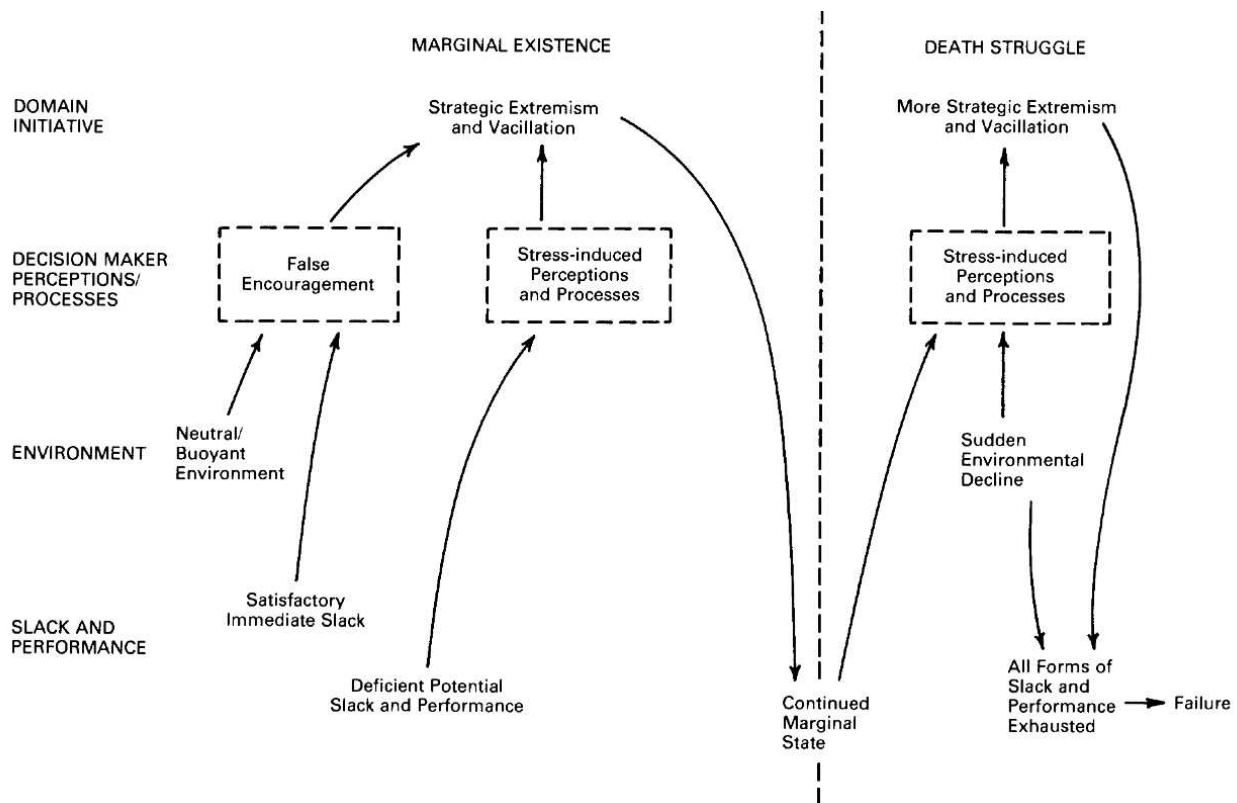


Figure 1 - Last Two Stages of Financial Distress (Hambrick & D'Aveni, 1989)

Ultimately, the pathway from distress to crisis is contingent upon numerous factors, including managerial responsiveness, the firm's leverage structure, market conditions, stakeholder reactions, and regulatory environment. Effective crisis management strategies thus depend on early detection, accurate distress assessment, and timely interventions. Understanding these progression pathways enables firms, stakeholders, and regulators to adopt preventive measures and remedial actions more effectively, reducing the incidence of severe corporate crises.

1.4 Levels of Anti-Crisis Measures

Effectively addressing financial distress requires an array of anti-crisis measures implemented at different organizational and regulatory levels. These measures span from early preventive actions to comprehensive restructuring initiatives aimed at rescuing firms from impending insolvency. Understanding and deploying the appropriate anti-crisis mechanisms at different stages of financial distress is crucial for ensuring the company's survival, protecting stakeholders' interests, and minimizing broader economic impacts.

At the earliest stage of distress, organizations typically focus on internal measures, often categorized as preventive strategies. These include operational restructuring, cost optimization, strategic realignment, and financial adjustments aimed at improving profitability and liquidity before a full-blown crisis emerges. Damodaran (2009) emphasizes the importance of timely internal corrections, including improving asset efficiency, reducing fixed overheads, divesting non-core assets, and revising strategic initiatives to stabilize cash flows and profitability. These initial internal responses are crucial in preventing early-stage financial difficulties from escalating.

If internal measures prove insufficient, companies may proceed with more structured and formal preventive interventions. Within the Italian context, such measures have recently received increased regulatory support through the CCII. This code promotes pre-insolvency restructuring procedures explicitly designed to facilitate early interventions, thus avoiding formal insolvency processes. Two prominent Italian preventive procedures include the *concordato preventivo* (preventive composition with creditors) and *piani attestati di risanamento* (certified restructuring plans).

The *concordato preventivo* offers a structured, judicially supervised process where a distressed company negotiates with its creditors to restructure liabilities, potentially obtaining debt write-offs or extended repayment terms. The procedure aims to provide an orderly solution that preserves going-concern value and avoids liquidation. To initiate *concordato preventivo*, a company must present a viable restructuring plan to creditors, detailing how liabilities will be restructured to restore financial stability. This judicial procedure provides transparency and legal protections, significantly reducing creditors' uncertainty and improving restructuring outcomes (Davydenko & Franks, 2008).

Conversely, *piani attestati di risanamento* represent an extrajudicial, market-driven restructuring mechanism that allows distressed firms to reorganize privately. Such plans require independent expert certification, affirming the plan's feasibility and fairness to creditors. The advantage of *piani attestati di risanamento* is their flexibility and confidentiality, reducing the stigma associated with formal judicial procedures and minimizing disruptions to daily business operations. Altman et al. (2018) underscore their increasing popularity among Italian SMEs, particularly those seeking rapid, discreet restructurings.

Should preventive measures prove inadequate or delayed, formal restructuring and crisis management procedures become necessary. These mechanisms typically involve comprehensive operational and financial restructuring, led by external specialists such as crisis managers, interim executives, and turnaround advisors. Typical interventions include negotiating debt reductions or conversions, securing new financing sources, selling or liquidating non-core assets, and implementing

substantial operational reforms. Andrade and Kaplan (1998) highlight the necessity of comprehensive financial restructuring when firms reach severe liquidity crises or face overwhelming debt burdens, emphasizing that operational improvements alone become insufficient once distress reaches advanced stages.

Finally, when financial distress escalates beyond feasible restructuring, formal insolvency procedures—such as liquidation (*fallimento*)—provide an orderly closure mechanism, allowing for asset redistribution to creditors. Although this constitutes the last resort, structured liquidation helps mitigate broader economic repercussions by ensuring orderly debt settlement and preserving remaining corporate value for creditors and other stakeholders.

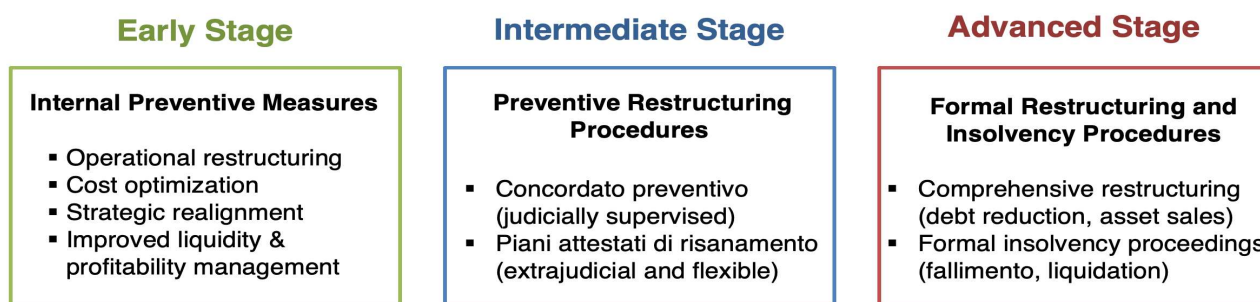


Figure 2 - Levels of Anti-Crisis Measures (Italian Insolvency Code, 2025)

In conclusion, Italian anti-crisis measures range from proactive, internal managerial strategies and extrajudicial preventive mechanisms to structured judicial interventions and formal insolvency procedures. Utilizing the appropriate measure at each stage enhances the likelihood of successful corporate recovery, safeguarding stakeholders and minimizing the negative consequences of corporate distress on the broader economy.

1.5 Role of Regulation in Financial Crisis Management

Regulation plays a central role in financial crisis management by establishing the legal framework, enforcement mechanisms, and institutional architecture that guide firms through various stages of distress. Effective regulation not only creates the rules for orderly market functioning but also provides the tools and incentives necessary for early intervention, timely restructuring, and protection of stakeholders' interests. In this context, the regulatory environment can reduce or exacerbate the depth and duration of corporate financial crises.

One of the key functions of regulation is to promote transparency and accountability. Mandatory disclosure of financial data, regular auditing and market surveillance mechanisms help to identify early signs of problems and minimise information asymmetries between companies and investors. For publicly traded companies in Italy, CONSOB plays an important role in ensuring compliance with financial reporting standards, monitoring market behaviour and following up on

companies flagged for breaches. For example, being blacklisted by CONSOB entails increased disclosure requirements and increased scrutiny by regulators and market participants, which serves as an early warning signal and facilitates a coordinated response. The regulatory framework also sets out procedural pathways to address difficulties through restructuring or bankruptcy. In the European Union, the Restructuring and Insolvency Directive (Directive EU 2019/1023) has set a new standard by encouraging early restructuring frameworks that can prevent insolvencies with impairment. Regulatory frameworks also define the procedural pathways for managing distress through restructuring or insolvency. In the European Union, the Restructuring and Insolvency Directive (EU Directive 2019/1023) has set a new standard by encouraging early restructuring frameworks that can prevent value-destructive insolvencies. The directive requires member states to adopt preventive measures, such as early warning tools, debtor-in-possession financing, and stay of individual enforcement actions. Italy has responded with the 2019 Code of Corporate Crisis and Insolvency (Legislative Decree No. 14/2019), which integrates these principles into national law. The Code mandates that directors and statutory auditors issue alerts when financial thresholds indicating potential insolvency are breached, thereby activating mechanisms like out-of-court restructuring plans (*piani attestati di risanamento*) and preventive composition with creditors (*concordato preventivo*).

Beyond providing legal tools, regulation serves a broader economic function by preserving systemic stability and protecting public interest. During periods of widespread financial distress, such as the 2008 global financial crisis or the COVID-19 pandemic, governments and regulatory bodies have implemented extraordinary measures—such as debt moratoria, tax deferrals, and liquidity support—to cushion the impact on viable firms. These interventions highlight the dynamic role of regulators not only as enforcers but also as crisis managers and facilitators of economic recovery.

However, the effectiveness of regulation depends on timely enforcement, institutional coordination, and adaptability to changing economic conditions. Overly rigid procedures or delays in regulatory responses can hinder restructuring efforts and prolong distress. Scholars like Davydenko and Franks (2008) emphasize the importance of legal efficiency, noting that creditor-friendly regimes with streamlined procedures tend to produce better recovery outcomes and higher restructuring success rates.

In summary, regulation in financial crisis management is multifaceted—it enables early detection, guides restructuring processes, safeguards market integrity, and provides emergency relief during systemic shocks. A well-designed and responsive regulatory framework is thus essential to reducing the economic and social costs of corporate distress, particularly in complex and creditor-sensitive environments like Italy.

2. Tools and Frameworks for Financial Distress

2.1 Methods to Detect and Predict Financial Distress

Accurate and timely detection of financial distress is fundamental for enabling effective crisis management strategies. In both academic literature and financial practice, a wide range of methods have been developed to assess the probability of default, anticipate liquidity shortfalls, and guide preemptive interventions. These methods vary in terms of their complexity, data requirements, underlying assumptions, and suitability across different firm sizes and sectors. In the Italian context, where small and medium-sized enterprises (SMEs) dominate the corporate landscape and where firms often face structural constraints in capital access and governance, selecting the right diagnostic tools is especially critical.

The Altman Z-Score model is one of the earliest and most widely used statistical models to predict bankruptcy. This model was briefly introduced in the previous chapter as part of the conceptual framework for financial distress. In this section, we will elaborate further on its structure, practical application, and relevance to the Italian context. The original Z-Score formula, developed for publicly traded manufacturing firms, is as follows:

$$Z = 1.2 X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5$$

Where:

- X_1 = Working Capital / Total Assets
- X_2 = Retained Earnings / Total Assets
- X_3 = EBIT / Total Assets
- X_4 = Market Value of Equity / Book Value of Total Liabilities
- X_5 = Sales / Total Assets

Firms are classified into three zones according to their Z-Score values. If the Z-Score exceeds 2.99, the company is considered to be in the Safe Zone, indicating a low probability of financial distress. A Z-Score between 1.81 and 2.99 places the company in the Grey Zone, suggesting a moderate risk where caution is advised. Scores below 1.81 fall into the Distress Zone, signaling a high likelihood of bankruptcy and the need for immediate financial and strategic intervention.

For Italian SMEs and private firms, Altman, Danovi, and Falini (2013) developed the Z''-Score model, which substitutes market-based values with book values where necessary. This adaptation is particularly significant given that many Italian SMEs are not publicly listed and thus lack reliable market equity valuations. The Z''-Score uses a modified version of the original formula to enhance applicability across a broader spectrum of firms, especially those reliant on bank financing or operating in less liquid markets. Empirical validation demonstrated its strong predictive performance in Italy's legal environment, particularly for companies undergoing extraordinary

administration or attempting to access the mini-bond market. The Z"-Score is now widely recognized as a suitable tool for financial intermediaries, rating agencies, and restructuring advisors when evaluating the solvency of privately held Italian companies. This model is especially useful for Italy's mini-bond market, where many issuers lack deep equity markets. A study by Altman et al. (2018) found that the average Z-Score of Italian SMEs hovered around 1.5–1.7 in pre-COVID years, signaling systemic vulnerability among smaller firms.

While composite ratio models like Altman's provide significant predictive insights, they tend to be retrospective. Addressing the need for simpler early warning signals, Beaver's Univariate Tests (1966) offer an alternative approach. Beaver introduced a method that evaluates individual financial ratios over a five-year horizon preceding bankruptcy.

Key ratios include:

- Cash Flow / Total Debt
- Net Income / Total Assets
- Current Ratio = Current Assets / Current Liabilities
- Interest Coverage = EBIT / Interest Expense

Empirical results from Beaver's original study showed that the Cash Flow to Total Debt ratio began deteriorating approximately three years prior to bankruptcy in most cases. Although simple, these ratios are often used as early warning signals by banks and auditors, particularly in regulatory filings and loan covenants. For instance, the Italian Central Credit Register (*Centrale dei Rischi*) uses similar thresholds in its internal scoring when firms apply for loan restructurings or state guarantees. A common benchmark is an interest coverage ratio of <1.5x, which may flag the firm for review.

Recognizing the limitations inherent in single-ratio methods, more nuanced predictive tools emerged, such as the logistic regression models introduced by Chava and Jarrow (2004). This approach incorporates multiple financial ratios along with industry-specific variables, allowing sector-adjusted predictions of default probability. The general logistic model structure is:

$$Pr_{(default)} = \frac{1}{1 + e^{-(\beta_0 + \beta_1 X_1 + \dots + \beta_k X_k + \delta_1 D_1 + \dots + \delta_m D_m)}}$$

Where:

- X_i : Financial indicators (e.g., leverage, profitability)
- D_j : Industry dummy variables
- β, δ : Estimated coefficients

For instance, an Italian manufacturing company characterized by high leverage, negative retained earnings, and positioned within a risky sector could yield a substantially higher estimated default probability (e.g., 12–18%) compared to the general SME default rate in Italy, which averages

around 5–7%. This ability to incorporate sectoral context makes logistic regression models particularly valuable for targeted credit risk assessments.

While accounting- and model-based approaches offer structured frameworks for default prediction, they often lag behind real-time developments. In contrast, market-based indicators provide forward-looking signals derived from investor sentiment and financial market dynamics, offering more immediate insights into a firm's perceived credit risk. These measures are especially useful for listed companies, where security prices and derivatives can reflect rapidly shifting expectations. Market-based distress predictors offer forward-looking insights, often derived from real-time investor sentiment. Key metrics include:

- **Credit Default Swap spreads:** A widening CDS spread signals growing default expectations. For example, in 2020, Telecom Italia's CDS widened by over 200 basis points, signaling investor unease.
- **Bond yield spreads:** Comparing corporate bond yields with government benchmark rates. A spread above 400–500 bps is typically considered a distress signal.
- **Equity volatility:** Measured by the beta or historical standard deviation of returns. Spikes in volatility often precede distress.

In Italy, these indicators are often limited to larger listed firms. SMEs and mini-bond issuers generally lack market liquidity, making alternative metrics (like internal payment delays or credit insurance cancellations) more relevant.

Given these constraints, advanced methodologies using machine learning have gained popularity due to their ability to capture complex, nonlinear relationships. Techniques such as Random Forests and Neural Networks enable the analysis of high-dimensional financial datasets, achieving notable predictive accuracy. For example, Random Forest models trained on Italian SME financial data demonstrated an 83% success rate in predicting bankruptcies with a 12-month lead time. Nevertheless, despite their predictive strength, these methods lack transparency and are susceptible to overfitting, raising concerns about practical adoption in regulatory settings.

To overcome such limitations and ensure enforceability, legal and regulatory early warning systems have been introduced under Italy's 2019 Code of Corporate Crisis and Insolvency. The Code explicitly defines distress thresholds such as negative equity, Debt Service Coverage Ratio (DSCR) below 1.0, and forecasted negative net cash flows. Statutory auditors must report breaches of these thresholds, thereby initiating timely restructuring actions such as *piani attestati di risanamento* or *concordato preventivo*.

Model / Method	Inputs & Assumptions	Advantages	Limitations
Altman Z-Score	Financial ratios; linear discriminant model	Simple, empirically validated, widely used	Backward-looking, less effective for SMEs
Beaver's Univariate Tests	Individual ratios (e.g., cash flow to debt)	Transparent, ratio-specific early warnings	High false positive rate; lacks multivariate depth
Chava & Jarrow (2004)	Logistic regression + sector dummies	Adjusts for industry variation; more accurate risk mapping	Requires granular sectoral data and model calibration
Market-based Indicators	CDS spreads, bond yields, equity volatility	Forward-looking, timely signal of distress	Requires active markets; limited SME applicability
Machine Learning Models	High-dimensional financial & behavioral data	Captures complex patterns; high accuracy potential	Low interpretability; requires large datasets
Legal/Regulatory Thresholds	Debt coverage, equity erosion, forecasted deficits	Integrated into Italian legal code; enforceable	Not predictive; activated after signs already visible
Ohlson O-Score	Logistic regression with 9 predictors	Suitable for non-listed firms; more nuanced signals	Complex formula; less transparent for practitioners
Merton Distance to Default	Market value, volatility, debt; option theory	Forward-looking; used by banks and regulators	Requires market data; complex to calibrate

Table 3 - Comparative Overview of Distress Prediction Methods

In conclusion, no single method offers a comprehensive view of corporate distress. Instead, a robust detection system relies on a combination of quantitative models, market signals, and legal thresholds. For firms operating in highly regulated environments such as Italy, integrating financial diagnostics with compliance mechanisms enhances the ability to intervene early and avoid value-destructive outcomes.

2.2 The Italian Bankruptcy Framework

The Italian bankruptcy framework, originally established through Royal Decree No. 267 of March 16, 1942 (*Legge Fallimentare*), has long served as the foundation for managing corporate insolvency. It was historically designed to prioritize creditor protection, primarily through judicial liquidation mechanisms. At the time, liquidation was seen as the most reliable way to ensure that creditors could recover value from failing firms, even if it meant removing potentially viable businesses from the market.

Over time, however, this liquidation-oriented system proved inadequate in dealing with the evolving complexity of the Italian corporate landscape, particularly with the dominance of small and medium-sized enterprises (SMEs) and the systemic importance of business continuity for employment and local economies. As a result, the legal framework gradually expanded to incorporate restructuring-oriented tools that better accommodate firms in distress but not yet insolvent, and that support efforts aimed at rehabilitation rather than closure.

Within this broader evolution, the Italian system came to distinguish between in-court and out-of-court mechanisms for managing financial crises, depending on the degree of judicial oversight involved. In-court procedures are those initiated or overseen by the judiciary, typically when a firm is either formally insolvent or in a state approaching insolvency. These include the traditional *Fallimento*, or judicial liquidation, which remains the primary tool for dismantling a company unable to meet its obligations. Once declared, the debtor loses all control over its assets, and a court-appointed trustee oversees the process of selling off the company's holdings to satisfy creditor claims, under the principle of equal treatment among creditors.

While liquidation remains necessary in many cases, alternative in-court procedures were introduced to increase flexibility. Among these, the *Concordato Fallimentare* allows a restructuring plan to be proposed within an ongoing liquidation proceeding, offering a final attempt at salvaging business value before full dissolution. A more proactive and pre-insolvency tool is the *Concordato Preventivo*, which gives debtors the opportunity to propose a recovery plan before being declared formally insolvent. This process requires court oversight and creditor approval, as well as an independent expert's validation of the plan's feasibility and fairness. It is particularly relevant for companies that remain operationally viable but face unsustainable financial burdens.

Certain companies, such as those in regulated sectors like banking and insurance, fall under the procedure known as *Liquidazione Coatta Amministrativa*. This is a compulsory administrative liquidation managed by supervisory authorities rather than courts. It aims to protect systemic financial stability and sector-specific obligations. For large companies with significant social and economic weight—defined in Italian law as having over 200 employees and liabilities exceeding €200 million—

the *Amministrazione Straordinaria* procedure offers an alternative focused on maintaining continuity. Instead of immediate liquidation, it provides temporary public control and restructuring through special commissioners, with the goal of preserving employment and productive capacity.

While these judicial instruments are often necessary, many firms benefit from more flexible, negotiated solutions that take place outside the courtroom. To address such needs, the Italian legal system introduced out-of-court procedures, which rely on creditor-debtor agreements but still retain legal enforceability under certain conditions. One such tool is the *Accordo di Ristrutturazione dei Debiti*, where the debtor must negotiate a restructuring agreement with creditors representing at least 60% of the total claims. Once approved and filed with the court, these agreements can benefit from temporary protection against enforcement actions and, under some conditions, be extended to dissenting creditors.

A more discreet and often faster option is the *Piano Attestato di Risanamento*. This is a privately negotiated recovery plan, certified by an independent professional, which demonstrates the plan's feasibility and the debtor's good faith. Although court involvement is limited, the certified nature of the plan protects it from future claw-back actions in the event of insolvency, thereby enhancing creditor confidence. These tools have become especially valuable for SMEs seeking to resolve distress without the reputational damage and procedural rigidity of formal insolvency proceedings.

The growing adoption of restructuring tools eventually led to a comprehensive legal reform designed to unify, modernize, and streamline the entire framework for managing corporate crises. This reform was enacted through CCII, coming fully into effect in August 2020, marking a shift from a reactive to a preventive approach, reflecting the principles outlined in the EU Directive 2019/1023 on preventive restructuring frameworks.

In particular, the CCII introduced several conceptual and procedural innovations that profoundly changed the logic of insolvency management in Italy. Among these, a key symbolic step was the replacement of the term *fallimento* with *liquidazione giudiziale*, aiming to reduce the social stigma historically associated with bankruptcy and to encourage earlier engagement with recovery instruments. Beyond semantics, the reform brought legal precision to the notion of "crisis," defining it as a situation in which insolvency is probable and where future cash flows are projected to be inadequate to meet obligations as they fall due. This forward-looking definition enables intervention before liquidity collapses.

The new code reinforces the principle of business continuity. It explicitly favors instruments that maintain operations, employment, and supplier relationships, as opposed to those that dismantle the company through asset liquidation. Restructuring plans under *concordati* or certified agreements

are encouraged where they offer a greater chance of long-term recovery and creditor repayment, even if partially. Streamlined procedures, digitized filings, and mandatory professional certifications were also introduced to improve the efficiency and reliability of insolvency proceedings across Italy's judicial districts.

The cumulative effect of these developments is a modern insolvency framework that seeks to balance creditor protection with debtor rehabilitation. While respecting traditional legal safeguards, it reflects a shift in mentality—from punishment to prevention, from collapse to continuity. Recent analyses by CONSOB and the Bank of Italy have noted a measurable increase in the use of pre-insolvency tools, especially among mid-sized firms attempting to restore solvency without triggering formal judicial proceedings.

Ultimately, the Italian bankruptcy system has undergone a fundamental transformation. What began as a rigid, liquidation-first framework has become a flexible, multi-tiered structure that encourages early action, structured negotiation, and long-term sustainability. This reform not only aligns Italian practice with European legal standards but also responds to the structural needs of Italy's corporate landscape, offering firms in difficulty a better chance to recover and contribute to the economy rather than disappear from it.

The CCII, fully in force since 2022, represents a paradigm shift in Italian insolvency law. It moves the focus from reactive liquidation to proactive restructuring, aligning Italy with European best practices and the goals of the EU Restructuring Directive. Key innovations of the CCII include:

- **Terminology Reform:** The term *fallimento* was officially replaced by *liquidazione giudiziale* to remove stigma and encourage firms to seek help earlier.
- **Definition of “Crisis” and Early Detection Tools:** For the first time, the law distinguishes between crisis (a situation where insolvency is likely) and actual insolvency. Article 2 defines crisis as the "likelihood of future inability to meet obligations as they fall due," enabling the activation of early alerts. These alerts can be triggered by internal financial indicators (such as DSCR < 1) or by external parties (statutory auditors, tax authorities, or social security institutions).
- **Encouragement of Going-Concern Solutions:** The law explicitly favors tools that allow for the preservation of employment and business value, including debt rescheduling, asset sales, or creditor arrangements—prioritizing continuity over liquidation.
- **Digitization and Procedural Efficiency:** Procedural streamlining and mandatory use of certified professionals aim to reduce case backlogs and ensure more consistent outcomes across Italian courts.

Italy's bankruptcy framework has undergone a profound transformation—from a static, court-driven liquidation model to a dynamic, multi-layered system designed to promote early intervention,

creditor negotiation, and business rescue. The integration of structured out-of-court tools, certified recovery planning, and institutionalized early warning procedures reflects a growing consensus: corporate failure is not inevitable if appropriate action is taken in time. By balancing creditor rights with debtor rehabilitation, and judicial control with procedural efficiency, the Italian system increasingly resembles the modern European insolvency regime—one built not just on managing collapse, but on facilitating recovery and resilience.

2.3 The Code of Corporate Crisis and Insolvency

Building upon the foundations outlined in the previous section regarding Italy's legacy bankruptcy law, the introduction of the CCII marked a pivotal shift in how corporate distress is approached both procedurally and conceptually. Enacted through Legislative Decree No. 14 of January 12, 2019, and fully implemented in 2022, the CCII replaces the long-standing Legge Fallimentare (Royal Decree No. 267/1942) and reorients the Italian insolvency regime towards prevention, early intervention, and value preservation.

Unlike its predecessor, which was primarily reactive and centered on liquidation, the CCII adopts a prospective view of crisis. It introduces a legal distinction between crisi (a state of foreseeable inability to meet obligations) and insolvenza (an actual and manifest inability to pay), thereby facilitating earlier detection and intervention. This duality shifts the regulatory focus from post-failure administration to timely resolution and restructuring of distressed firms, in line with the EU Restructuring Directive (Directive 2019/1023).

One of the CCII's most significant innovations is the institutionalization of early warning mechanisms. These include both internal and external alerts, which must be activated when financial or operational indicators signal heightened risk of default. Specifically, company directors and statutory auditors are obligated to monitor specific thresholds—such as sustained losses, equity erosion, and liquidity shortfalls—and file a report with the Organismo di Composizione della Crisi (OCRI) if corrective action is not promptly undertaken. The OCRI, in turn, facilitates an independent assessment and encourages the adoption of out-of-court or simplified restructuring pathways. This proactive supervisory function was absent in the previous legal regime and represents an effort to harmonize Italian practice with preventive models observed in Germany and the Netherlands.

In complement to these alerts, the CCII broadens access to several structured procedures tailored to different degrees of financial stress. At the milder end of the spectrum is the piano attestato di risanamento, an extrajudicial agreement certified by an independent expert, which allows companies to restructure debts without court involvement. When risks escalate, firms may resort to the concordato preventivo, a court-supervised restructuring plan requiring creditor approval, aimed

at avoiding full-scale insolvency. For cases verging on insolvency but still deemed recoverable, the *accordi di ristrutturazione* provide a contractual route to negotiate terms with creditors, benefiting from a stay of enforcement and potential judicial confirmation.

These procedures prioritize continuity of business operations and creditor protection. For instance, in the *concordato preventivo con continuità aziendale*, the company is permitted to remain operational under judicial oversight while executing its turnaround plan. Such a mechanism not only mitigates liquidation costs but also preserves employment and supplier relationships. To ensure feasibility, plans under the CCII must be backed by financial forecasts, asset appraisals, and attestations of sustainability, thereby curbing speculative filings and reinforcing creditor trust.

Importantly, the CCII also reconfigures creditor hierarchies and reinforces protections against opportunistic behaviors. The law limits the ability of secured creditors to enforce their claims unilaterally during restructuring proceedings, ensuring collective treatment and reducing the likelihood of disorderly dismemberment. Moreover, it clarifies directors' liability during the twilight period preceding insolvency, requiring them to adopt preservation strategies once crisis indicators emerge.

In light of these provisions, the CCII creates a multidimensional framework where private initiative and judicial oversight are interlinked. The use of court-supervised restructuring is no longer stigmatized as a precursor to failure but rather normalized as a component of rational corporate governance. This cultural evolution is essential for increasing the uptake and success of preventive mechanisms, especially among SMEs—long hesitant to pursue formal restructuring routes due to reputational concerns.

Although the CCII is a robust legislative response, its implementation faces certain practical constraints. The effectiveness of early warning systems hinges on firms' financial transparency, prompt managerial action, and the institutional capacity of OCRI bodies to handle distress signals efficiently. Additionally, while the code aligns with European standards, its uptake may remain uneven across regions and firm sizes, given disparities in legal literacy and professional advisory support.

In sum, the Code of Corporate Crisis and Insolvency represents a fundamental modernization of Italy's corporate distress management. By introducing a forward-looking framework, mandatory early warning protocols, and differentiated restructuring instruments, it enhances the legal and procedural toolkit available to distressed firms. The following chapters will explore how these legal instruments are applied in practice—particularly in the case of *Bialetti Industrie S.p.A.*—to assess their real-world effectiveness in guiding companies away from insolvency and towards recovery.

2.4 Crisis Management Strategies

While legislative and diagnostic tools are essential for recognizing financial distress, the pivotal test for a firm in crisis lies in the strategic choices it makes in response. Effective crisis management strategies extend beyond legal compliance; they constitute a multidimensional set of actions that engage managerial judgment, operational agility, stakeholder coordination, and financial recalibration. In this context, Italian companies, particularly SMEs, must navigate between traditional insolvency pathways and emerging, more flexible alternatives shaped by European and domestic reforms.

The architecture of crisis management strategies can be broadly organized into five functional domains:

1. stakeholder negotiation;
2. liquidity management;
3. business model reconfiguration;
4. financial restructuring;
5. integration with legal instruments.

These domains are not isolated; their success depends on coordinated implementation and contextual alignment. The World Bank's 2022 Toolkit for Corporate Workouts provides a compelling schema, highlighting the importance of pre-crisis planning and stakeholder consensus even before liquidity deterioration materializes.

A critical early-stage intervention often takes the form of a standstill agreement. This is a voluntary pact whereby creditors agree to suspend enforcement actions, thereby granting the firm temporary breathing room. The standstill period allows management to stabilize short-term cash flow and begin structured dialogue with key stakeholders. In the Italian legal context, such an agreement is often a precursor to formal mechanisms like *piani attestati di risanamento*, where an independent expert certifies the feasibility of the proposed restructuring plan. While the standstill itself does not require court approval, it signals a firm's commitment to good faith restructuring—an important reputational asset when seeking external funding or negotiating with trade creditors.

Liquidity management is the immediate concern once crisis symptoms are identified. The stabilizing phase typically involves actions such as curtailing non-essential expenditure, renegotiating supplier contracts, liquidating idle assets, and potentially securing bridge financing from shareholders or new investors. The Altman Z''-Score and early warning indicators mandated by the CCII provide quantitative evidence of the urgency of such measures. Moreover, interim financing must be planned with full awareness of the firm's legal exposure; failure to observe priority claims or creditor hierarchies can jeopardize both restructuring efforts and legal standing.

Parallel to liquidity interventions, companies in distress often face the need to realign their operational structure. This may involve closing underperforming divisions, outsourcing non-core functions, or shifting focus to more profitable product lines. As Bibeault (1982) and later Pearce & Robbins (1993) observed, retrenchment is a common first step, but must be complemented by a viable growth plan to ensure long-term viability. Italian companies undergoing restructuring are increasingly relying on hybrid strategies, combining judicial oversight with informal negotiations, as permitted under the new CCII regime.

Financial restructuring, too, plays a vital role. Debt rescheduling, interest holiday agreements, and even debt-to-equity swaps have been widely employed by Italian firms, particularly during post-pandemic recovery. A firm's capital structure is often re-examined to reduce leverage ratios and enhance solvency. Successful turnarounds in the Italian market frequently involve equity injections combined with asset divestments to restore balance sheet integrity. A practical formula for evaluating post-restructuring sustainability is:

$$\text{Adjusted Interest Coverage Ratio (AICR)} = \frac{\text{EBITDA} - \text{Maintenance CapEx}}{\text{Interest Expense}}$$

This version accounts for ongoing capital needs and thus provides a more realistic view of debt-servicing capacity.

Stakeholder management, while less technical, often determines the success or failure of crisis interventions. As the World Bank notes, forming a steering committee or coordinating body of creditors ensures aligned communication and decision-making. In the Italian SME context, where creditors often include informal lenders, family members, and closely held shareholders, such coordination becomes both more complex and more essential. Transparency, periodic reporting, and even symbolic actions (e.g., reduction of executive compensation) help restore trust and sustain restructuring momentum.

Legal tools provide a formal shell within which these strategies are operationalized. The concordato preventivo offers judicial protection while allowing the debtor to propose a recovery plan. Its streamlined version, the concordato con continuità aziendale, is particularly suited for firms aiming to preserve operational continuity. By contrast, piani attestati di risanamento and accordi di ristrutturazione provide out-of-court options, valuable for firms seeking discretion and speed. The choice between these instruments depends on creditor composition, asset encumbrance, and managerial bandwidth. The effectiveness of these mechanisms was notably enhanced by the introduction of the alert procedures in the CCII, which institutionalize early crisis detection and proactive intervention.

An often-overlooked aspect of strategic crisis management is valuation. Firms must project recovery not only for internal planning but also to convince external stakeholders. Scenario-based

DCF models that account for operational uncertainty and restructuring costs are increasingly used. In hybrid workout cases, creditors often require sensitivity analysis under best-, base-, and worst-case recovery scenarios. For instance, the World Bank Toolkit emphasizes the role of dynamic valuations in creditor negotiations, particularly when standstill agreements and interim funding are involved.

Finally, the strategic use of time is critical. Firms that delay restructuring in hopes of a cyclical rebound often find themselves with eroded stakeholder confidence, depleted assets, and limited legal options. As empirical findings illustrate, early action—particularly when prompted by regulatory alerts or auditor concerns—is strongly correlated with recovery success rates among CONSOB-monitored firms.

In summary, crisis management strategies must be both context-aware and forward-looking. Legal tools such as the concordato preventivo or piani attestati di risanamento provide the procedural foundation, but the strategic success lies in early stakeholder engagement, financial recalibration, operational streamlining, and credible communication. The integration of quantitative models, legal mechanisms, and managerial action forms the backbone of an effective turnaround framework in Italy's evolving corporate landscape.

3. Case Study: Managing Financial Distress

3.1 Overview of the CONSOB Black List

The Italian securities regulator, CONSOB, maintains an “elenco degli emittenti in stato di speciale vigilanza” – often referred to as the “Black List” – in order to preserve market integrity and to signal to investors when a listed company exhibits signs of distress serious enough to warrant intensified oversight. This mechanism was established under Article 149-decies of the Consolidated Law on Finance (Testo Unico della Finanza, D.Lgs. 58/1998) and further detailed in Article 2-bis of the Issuers’ Regulation (Regolamento Emittenti, Regolamento 11971/1999). In practice, when CONSOB identifies evidence suggesting that a company’s ongoing viability may be in jeopardy, it activates a formal procedure that compels the issuer to furnish additional information and to implement corrective measures in a timely manner.

Initially, CONSOB identifies potential distress through a combination of quantitative and qualitative triggers that signal a firm’s deteriorating financial health. From a quantitative perspective, persistent annual losses that reduce shareholders’ equity to zero or below, or negative net equity sustained over three years, automatically warrant closer scrutiny. Qualitatively, adverse audit opinions on a company’s ability to continue as a going concern, missed deadlines for publishing financial statements, credit-rating downgrades into non-investment grade categories, and announcements of early bond-redemption requests further underscore the need for heightened oversight. Moreover, the initiation of formal insolvency-prevention or restructuring procedures—such as concordato preventivo or piani attestati di risanamento—serves as an explicit signal for CONSOB to activate its special-vigilance framework. To standardize these quantitative triggers, CONSOB relies on its proprietary SAFIR (“Sistema di Analisi Finanziaria e Rating”) platform to calculate and benchmark key financial ratios.

In addition to the qualitative triggers already described, CONSOB’s surveillance framework relies on a structured set of quantitative indicators designed to detect emerging signs of distress at an early stage. First, the regulator’s proprietary SAFIR platform ingests annualized financial-statement data for each issuer and computes a series of ratios that gauge solvency, profitability, leverage and liquidity.

Among the primary indicators are:

- Equity-to-Assets Ratio = Shareholders’ Equity ÷ Total Assets, which measures the buffer available to absorb losses;
- Debt-to-Equity Ratio = Total Liabilities ÷ Shareholders’ Equity, signalling excessive leverage when this exceeds regulatory warning levels;

- Interest Coverage Ratio = $\text{EBIT} \div \text{Interest Expense}$, reflecting a firm's ability to service its debt obligations from operating earnings;
- Return on Assets (ROA) = $\text{EBIT} \div \text{Total Assets}$, indicating how efficiently a company generates earnings from its asset base;
- Current Ratio = $\text{Current Assets} \div \text{Current Liabilities}$ and Quick Ratio = $(\text{Current Assets} - \text{Inventories}) \div \text{Current Liabilities}$, both assessing short-term liquidity.

Each ratio is benchmarked against sector-specific thresholds derived from historical distributions: for example, an Interest Coverage Ratio below 1.0 or a Debt-to-Equity Ratio above the 90th percentile for the industry would trigger an alert in SAFIR.

Furthermore, CONSOB integrates downward credit-rating migrations (e.g. from investment grade to speculative grade) and auditor going-concern qualifications into its scoring algorithm. These events effectively serve as multiplicative risk factors, amplifying the weight of any adverse ratio reading. For instance, a modest drop in the Equity-to-Assets Ratio might remain below the action threshold in isolation, but in combination with a negative audit opinion it can precipitate immediate placement under special vigilance.

Once one or more of these triggers is detected, the procedure unfolds through a structured internal inquiry conducted by CONSOB's Issuers and Enforcement Divisions. Specifically, surveillance data supplied by the Italian Stock Exchange and market operators are cross-referenced with mandatory disclosure filings, audit reports, and ratings information. Should preliminary analysis confirm that a firm meets the distress criteria, CONSOB formally notifies the issuer of its placement under special vigilance. At that juncture, the company must commence a regime of intensified reporting, including the submission of quarterly updates on its balance sheet, income statement, and cash-flow projections, as well as the publication of any material events—such as liens, covenants breaches, or restructuring negotiations—on both its own website and CONSOB's portal.

In the period following notification, issuers are obliged to convene an extraordinary shareholders' meeting within 120 days to present and to obtain approval for a recovery plan. This plan is expected to outline realistic operational and financial measures aimed at restoring viability, supported by forecasts that demonstrate how the proposed actions will generate sufficient cash flows to satisfy ongoing obligations. In parallel, the regulator monitors compliance with these requirements and retains the authority to impose administrative sanctions—monetary fines up to €2 million in the event of non-compliance—thus ensuring that the special vigilance framework functions as both an informative and a coercive instrument.

By blending rule-based ratio thresholds with event-driven triggers and a rigorous validation process, CONSOB's methodology offers a comprehensive, data-driven early-warning system. It not

only enforces timely disclosure of deteriorating financial metrics, but also imposes remedial governance steps—such as quarterly reporting obligations and shareholder-approved recovery plans—until the issuer can demonstrate a sustained return to financial health.

Over recent years, a number of high-profile Italian issuers have been subject to special vigilance, underscoring the mechanism’s relevance across sectors. For example, when Monte dei Paschi di Siena reported recurring losses and a negative net equity position, it was placed under special oversight, compelling it to disclose extensive recapitalization efforts and asset-sale plans. Similarly, Banca Carige’s entry into extraordinary administration procedures and the issuance of adverse auditor opinions triggered the need for continuous supervisory engagement. Industrial groups such as Saipem have also faced this designation following delays in approving restructuring schemes and successive credit downgrades, while media companies like Il Sole 24 Ore have been monitored due to repeated publishing delays and accumulated deficits. These instances illustrate that the special vigilance list applies not only to smaller issuers but also to systemically important financial institutions and large industrial conglomerates.

Importantly, the exit from the Black List is conditioned upon a demonstrable return to financial stability and governance transparency. To this end, an issuer must first restore positive shareholders’ equity and secure favorable going-concern opinions from auditors. It must also remedy breaches of bond covenants or early-redemption events and maintain a consistent record of on-time financial reporting—typically spanning at least two consecutive half-year periods free from new distress indicators. Finally, the issuer’s recovery plan must receive shareholder approval and must show credible forecasts of sustainable profitability. Upon verification that these conditions are satisfied, CONSOB proceeds with a final review and, barring further anomalies, removes the issuer from the list, thereby reinstating its status as a regular market participant.

Over the past three years (2022–2024), CONSOB’s special-vigilance list has averaged between 12 and 15 issuers annually, reflecting a dynamic monitoring regime rather than a static “blacklist.” As of May 2025, the list includes 14 companies, which, when categorized by primary industry, reveal the distribution depicted in figure 3. These numbers were compiled by aggregating the monthly “elenco emittenti in stato di speciale vigilanza” publications on CONSOB’s website and classifying each issuer according to its principal sector.

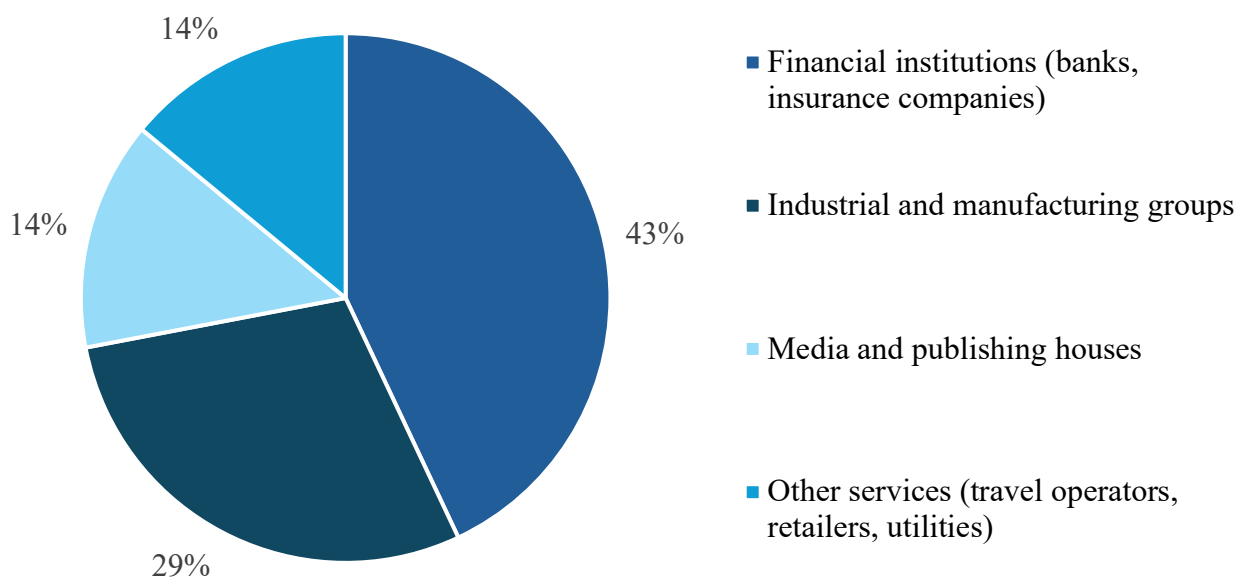


Figure 3 - CONSOB Black List Structure by Industry (Consob, 2025)

The predominance of financial institutions underscores how banking-sector vulnerabilities—such as capital-adequacy shortfalls, deposit withdrawals, or rating downgrades—tend to trigger early-warning flags. Conversely, cyclicalities in industrial output and discretionary spending pressures in media and travel sectors contribute to special-vigilance designations in those industries.

Annual turnover on the list is notable: typically, 30–40 percent of entries exit within 12–18 months after implementing recapitalization plans or restructuring measures. For example, a mid-cap tourism operator placed under special vigilance in early 2023 following a sharp post-Covid revenue decline was removed by year-end after completing a successful rights issue and restoring positive equity. Similarly, a utility services firm monitored for six months in 2024 exited the list once it secured favorable going-concern opinions and renegotiated its bond covenants.

Thus, the CONSOB special vigilance regime operates as an early-warning and corrective framework, compelling distressed issuers to adopt greater transparency and to engage actively with investors and regulators. By imposing stringent reporting obligations and by facilitating market awareness of emerging distress, this mechanism seeks to mitigate systemic risk and to encourage timely intervention, ultimately supporting the broader objective of financial stability in Italy’s capital markets.

3.2 Selection of Case Study: Methodology and Rationale

For a more profound exploration of corporate financial distress management, this chapter undertakes a case study of Bialetti Industrie S.p.A., aiming to illustrate how an established Italian firm navigates liquidity pressures, stakeholder negotiations, and strategic realignment under contemporary market conditions. The selection of Bialetti Industrie S.p.A. as the central case study in this chapter is supported by both methodological rigor and the company's contemporary relevance. Bialetti, renowned for its iconic Moka pot, has experienced a transition from a heritage brand to an enterprise confronting significant liquidity pressures throughout 2024–2025. As a result, the firm exemplifies the dynamics of how an established Italian company navigates evolving market conditions, heightened debt-servicing demands, and intensified stakeholder scrutiny. Moreover, the availability of comprehensive financial reports, interim statements, and documented restructuring negotiations affords sufficient granularity for a balanced application of quantitative distress metrics and qualitative governance analysis. In addition, Bialetti's ongoing negotiations with NUO Capital—culminating in a 2025 agreement for a €53 million acquisition of approximately 78.6 percent of its shares—situates the case within current debates on corporate governance and cross-border investment, thus rendering it particularly instructive for both Italian and comparative research contexts.

To ensure a transparent and systematic selection process, a multi-stage methodology was adopted. Initially, a preliminary screening of publicly available financial statements, analyst reports, and industry news was conducted to identify Italian-listed companies displaying clear signs of financial strain during 2023–2024. In this phase, quantitative triggers were applied in accordance with established distress criteria, such as net equity erosion, consecutive annual losses, and a widening gap between operating revenues and debt-servicing obligations. Bialetti's reported net loss of € 1.1 million in 2024—an improvement from the € 2.2 million loss in 2023—and its elevated net financial debt of € 114.6 million as of December 31, 2024, met the threshold for distress under the Consolidated Law on Finance (D.Lgs. 58/1998) and corresponded to the artificial-intelligence-driven alerts generated by CONSOB's SAFIR platform.

Subsequently, a qualitative evaluation was undertaken to assess the strategic and governance context. This step considered Bialetti's management decisions, historical reliance on the Moka Pot brand, and disruptions due to post-Covid retail challenges. Particular attention was paid to Bialetti's responses to changing consumer preferences—especially the rising dominance of capsule coffee systems—and to the coherence of its product strategy in this evolving market. The board's decision to pursue a transaction with NUO Capital culminated in a binding agreement on 16 April 2025, calling for NUO to acquire 78.6 % of Bialetti for around €53 million, with closing by the end of June 2025

and subsequent delisting and takeover obligations. This episode allows a detailed analysis of stakeholder negotiations, the application of Italy's 'golden powers' oversight, and cross-border investment scrutiny. Through the qualitative assessment, it becomes clear how Bialetti's management navigated complex governance dilemmas while aiming to reconcile brand heritage with financial viability.

Following this, the study examined Bialetti's alignment with Italy's evolving crisis-management framework. Although Bialetti had not been officially placed on CONSOB's "Black List" by mid-2025, its November 2024 deferral of bond-loan repayment and public announcement that liquidation would ensue absent successful recapitalization placed it firmly within the realm of potential scrutiny. Thus, Bialetti illustrates the grey zone that can exist between early-warning signals and formal statutory intervention, making it an instructive example of how a mid-cap firm can approach the brink of insolvency without being formally designated under special vigilance. This middle ground underscores the importance of understanding the mechanisms and thresholds that govern when an issuer transitions from monitored distress to statutory crisis procedures.

In the interest of data accessibility and triangulation, the analysis leverages multiple primary and secondary sources. The primary dataset comprises Bialetti's audited 2024 financial report, official disclosures and financial indicators available via Borsa Italiana, and relevant CONSOB filings. These figures are augmented by press releases concerning the NUO Capital transaction. Secondary sources include independent financial-news outlets—such as Alliance News, Reuters, and Firstonline—and academic articles that assess Bialetti's strategic repositioning. Through triangulation, quantitative figures (for example, 2024 revenue growth of 5.9 percent, a normalized EBITDA of € 23.1 million, and net financial debt that rose from € 108.1 million in 2023 to € 126.3 million in Q1 2025) are evaluated alongside qualitative commentary drawn from management interviews and industry analyst reports.

Although this chapter focuses singularly on Bialetti, comparability to other Italian mid-cap firms in the household-appliances sector was also considered. In particular, Bialetti's distress profile—characterized by recurring losses, negative cash-flow cycles, and elevated leverage—was assessed against peer firms such as De'Longhi and Electrolux Italia. This part will be covered in the following chapters. By ensuring that the company's financial-distress indicators align with those observed in comparable companies, the analysis maintains external validity. Consequently, the lessons derived from Bialetti's crisis management can inform policy recommendations for similarly situated enterprises that encounter analogous challenges in Italy's 2025 credit environment.

Three interrelated considerations underpin the rationale for selecting Bialetti. First, the firm's performance during 2024–2025 provides empirical salience: observable distress markers such as net

losses and deteriorating debt ratios correspond closely with established crisis-prediction models (for instance, Altman’s Z-score and Beaver’s univariate tests). Second, contextual relevance emerges from Bialetti’s status as a heritage brand subject to shifting consumer preferences and post-pandemic retail disruptions; this context illustrates how product innovation and market dynamics interact with balance-sheet resilience. Third, the regulatory texture of the case is evident in Bialetti’s proximity to formal CONSOB scrutiny despite not formally entering special vigilance. Its near-liquidation status and subsequent takeover negotiations exemplify the operation of early-warning systems, bond-covenant renegotiations, and the invocation of “golden powers” oversight.

Operationalizing the analysis in this chapter proceeds in three stages. First, a financial and operational overview examines Bialetti’s historical trends from 2020 through 2024, focusing on revenue trajectories, operational margins, working-capital cycles, and net-debt. Second, a crisis-trigger mapping aligns Bialetti’s distress events—such as deferred bond repayments, audit-opinion qualifiers, and debt-service shortfalls—with the quantitative triggers outlined in Chapter 2. Third, a recovery-plan assessment evaluates the terms of the NUO Capital takeover, the proposed debt-refinancing structure, and projected strategic initiatives (including expansion of e-commerce channels and intensified marketing efforts) to determine their plausibility in restoring the company’s solvency.

In sum, by adhering to this structured, multi-stage methodology and grounding the rationale in empirical, contextual, and regulatory considerations, the case study of Bialetti Industrie S.p.A. aims to contribute substantive insights into the management of financial distress among mid-cap Italian firms. The subsequent sections will delve more deeply into Bialetti’s financial metrics, governance decisions, and strategic realignment under new ownership, thereby illustrating the mechanics of corporate turnaround in a contemporary Italian setting.

3.3 Financial and Operational Analysis of Bialetti Industrie S.p.A.

In evaluating the financial condition of Bialetti Industrie S.p.A., one must first contextualize its structural revenue composition and geographic exposure. The firm generates 93.3% of its net sales from electric and non-electric coffee makers and capsules, while the remaining 6.7% derives from cooking items and kitchen accessories marketed under various brand lines such as Rondine, Aeternum, and CEM. With 63% of its sales concentrated in Italy, 20.7% in the rest of Europe, 7.2% in North America, and 9.1% in other markets, Bialetti operates with a high dependency on domestic consumption cycles and consumer sentiment within the Eurozone.

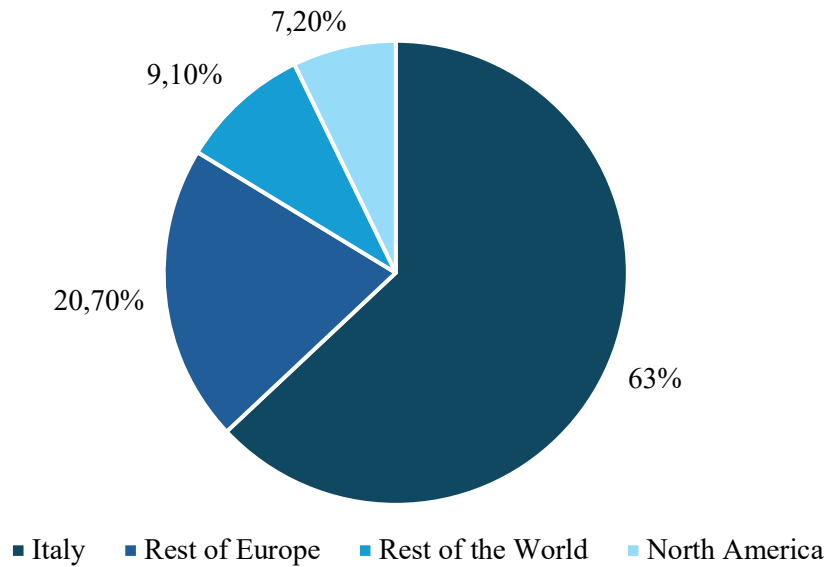


Figure 4 - Bialetti Georaphic Concentration(Cofisem, 2025)

Over the five-year period from 2020 to 2024, Bialetti Industrie S.p.A. has exhibited a moderate yet consistent increase in its revenue base. Net sales rose from €125.9 million in 2020 to €149.5 million in 2024, reflecting a cumulative growth of approximately 18.7%. This trajectory corresponds to a compound annual growth rate (CAGR) of around 4.4%, signaling a gradual post-pandemic recovery in core operations. However, while this upward trend in revenue may suggest commercial resilience, it must be interpreted in the context of broader profitability constraints and capital structure fragilities. As illustrated in the following figure, the topline growth has not been sufficient to offset persistent structural weaknesses in earnings quality and financial leverage.

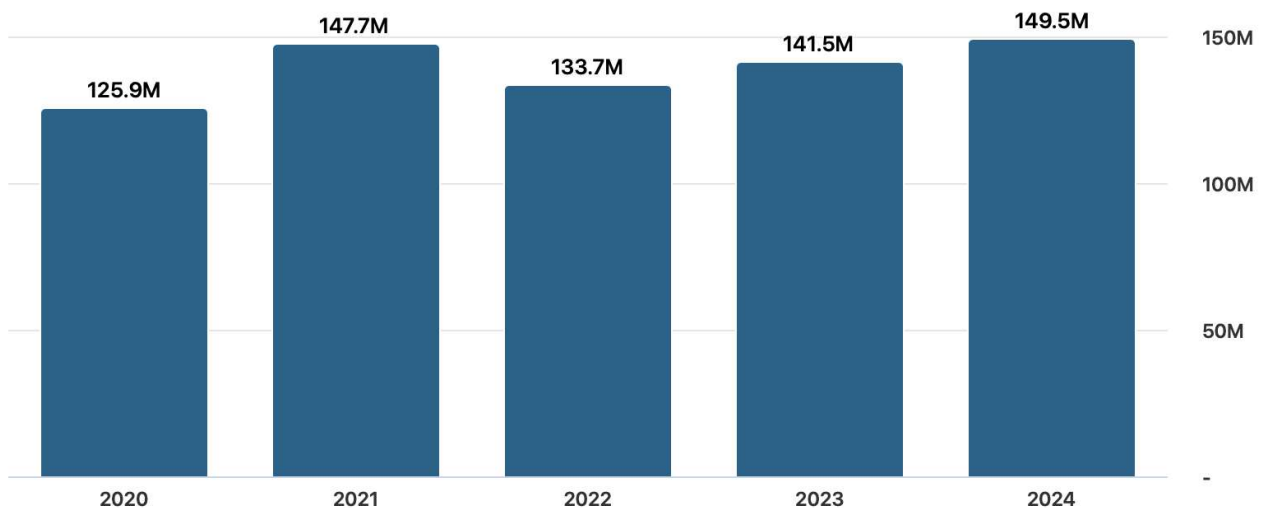


Figure 5 - Bialetti Industriale S.p.A Revenue - Annual (stockanalysis.com, 2025)

From a top-line perspective, Bialetti Industrie S.p.A. has exhibited moderate revenue expansion over the analyzed period, resulting in a cumulative growth of approximately 19.1%. This corresponds to a compound annual growth rate of 4.45%, which, while modest, reflects a gradual

post-pandemic recovery in sales performance. Nevertheless, revenue growth in isolation does not equate to financial resilience—particularly when operational leverage is high and net profitability remains elusive. A closer analysis of the firm’s income dynamics reveals underlying structural concerns that offset the apparent gains in top-line performance.

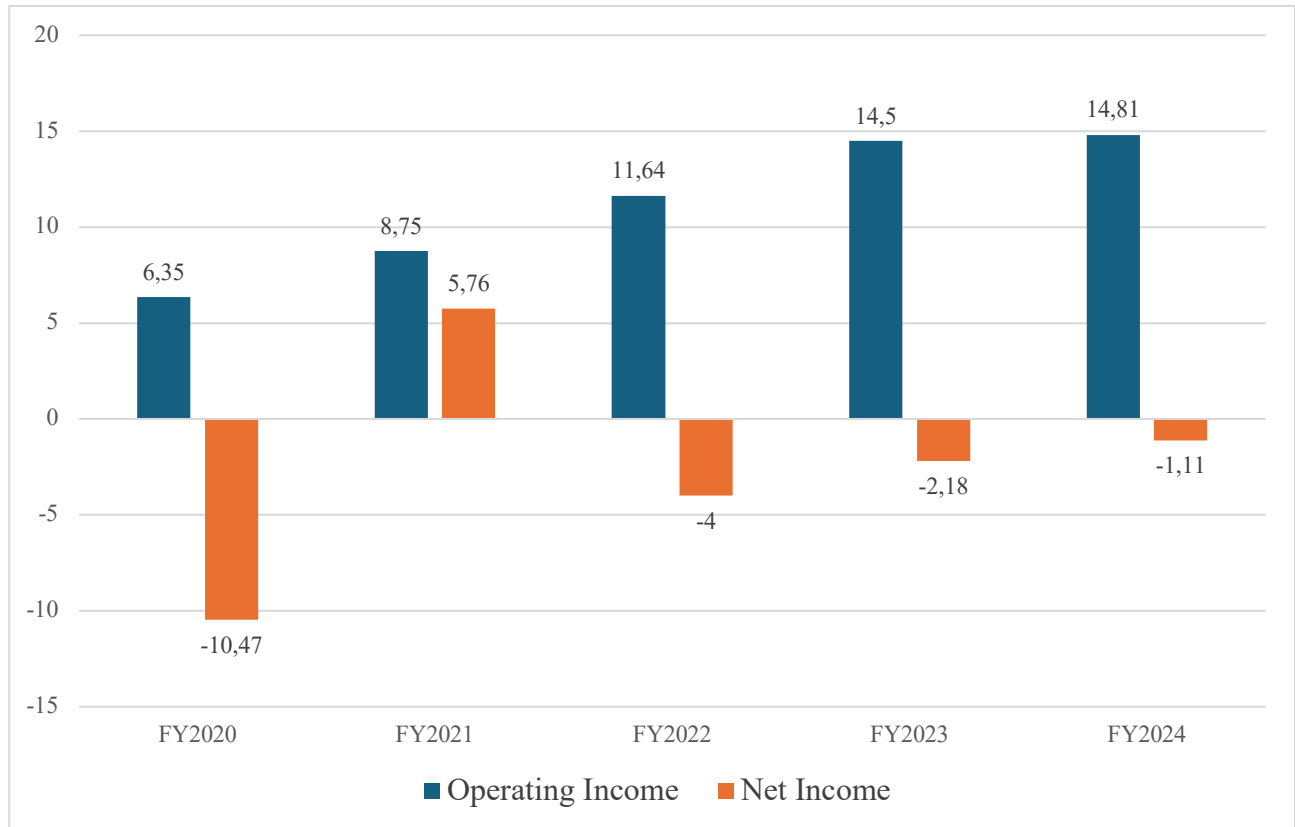


Figure 6 - Bialetti Income Dynamics in million euro (Cofisem, 2025)

Despite improvements in operating income—from €6.35 million in 2020 to €14.81 million in 2024—net profitability remains structurally negative. The company recorded net losses in four of the five examined years: €-10.47 million in 2020, €-4.00 million in 2022, €-2.18 million in 2023, and €-1.11 million in 2024. The only year of positive net income, 2021 (€5.76 million), appears to be anomalous rather than indicative of a sustained turnaround. Consequently, this persistent inability to translate operational performance into net profitability signals deeper structural issues in the firm’s financial architecture.

To further interpret the quality of earnings, it is instructive to consider the firm’s operating margin and net margin. In 2024, the operating margin stood at 9,91%, marking a gradual increase from 5,04% in 2020.

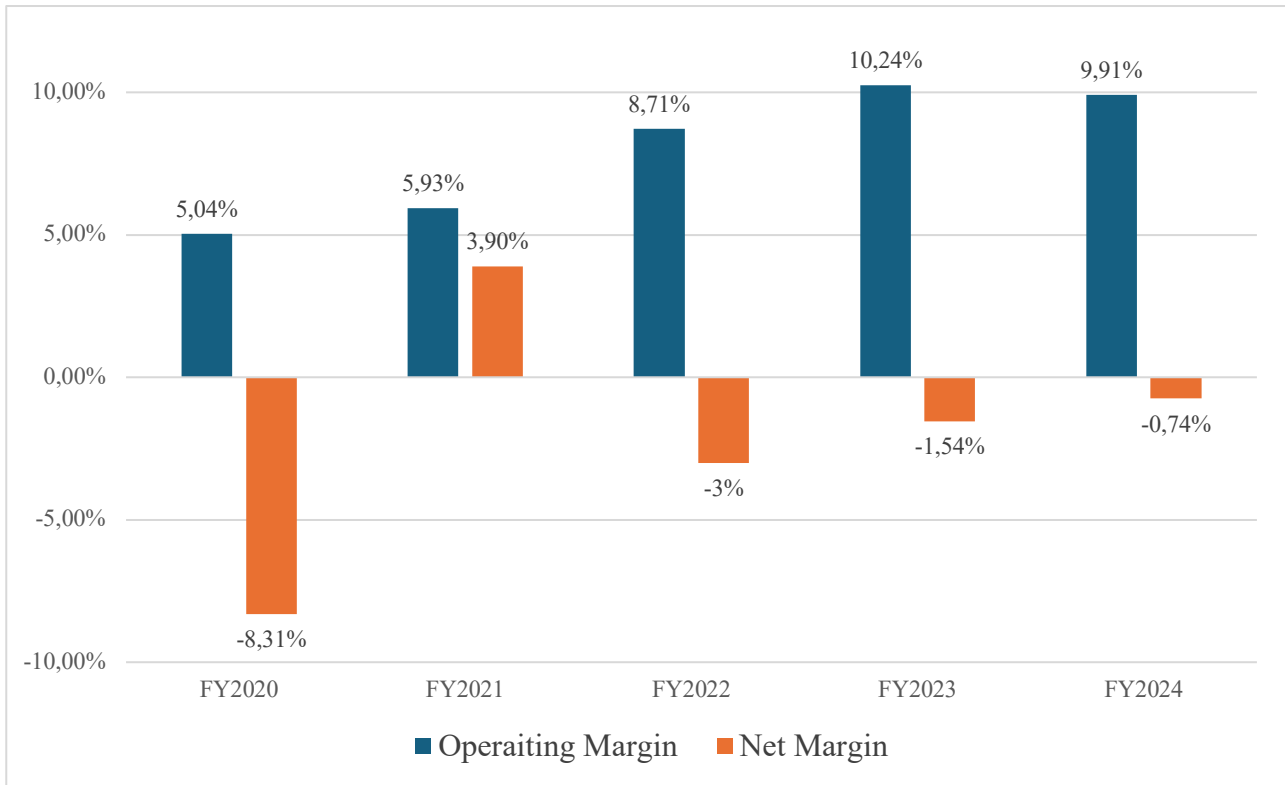


Figure 7 - Bialetti Margin Dynamics (Cofisem, 2025)

While this trend suggests efficiency gains or cost rationalization, it is offset almost entirely by the financial burden borne by the company. Specifically, net financial expenses amounted to €17.59 million in 2024, only marginally lower than operating income. As a result, the interest coverage ratio (ICR), computed as EBIT divided by net interest expense, remained effectively at 1.03 in 2024, indicating that virtually all earnings before interest and taxes are consumed by debt servicing obligations. An ICR below 1.5 is widely considered a red flag for credit analysts, implying that Bialetti is operating within a zone of heightened financial fragility.

This narrow earnings buffer also exposes the company to liquidity risk in the event of earnings volatility. It is critical to recognize that such a low ICR constrains managerial flexibility and impairs the company’s capacity to invest in strategic initiatives, service its debt in downturns, or absorb shocks in working capital requirements.

From the perspective of equity valuation models, this constellation of low earnings, high debt, and limited margin for error positions Bialetti firmly within the “distress zone” of Altman’s Z-Score framework. Although full Z-Score calculation would require access to total assets and market capitalization, proxies from reported data suggest several negative indicators: net working capital is likely strained, retained earnings are cumulatively negative, and EBIT covers interest only marginally. Under these circumstances, the firm would likely score below the critical threshold of 1.81, indicative of serious bankruptcy risk.

To deepen the assessment of Bialetti's financial stability, it is instructive to model an approximate Altman Z-Score, using reasonable proxies where exact balance sheet data is unavailable. The classic Z-Score model for manufacturing firms is defined as:

$$Z = 1.2 \frac{WC}{TA} + 1.4 \frac{RE}{TA} + 3.3 \frac{EBIT}{TA} + 0.6 \frac{MVE}{TL} + 1.0 \frac{Sales}{TA}$$

where:

- WC = Working Capital
- TA = Total Assets
- RE = Retained Earnings
- EBIT = Earnings Before Interest and Tax
- MVE = Market Value of Equity
- TL = Total Liabilities
- Sales = Net Sales

For the fiscal year ending December 31, 2024, the financial statements for Bialetti Industrie S.p.A. disclose the following data:

- Working Capital (WC) = -€64.28 million
- Total Assets (TA) = €155.30 million
- Retained Earnings (RE) = -€10.56 million
- EBIT = €14.80 million
- Market Value of Equity (MVE) = approximately €12.00 million (estimated based on depressed valuation)
- Total Liabilities (TL) = €175.30 million
- Net Sales = €149.50 million

Plugging in the actual values, we obtain the following ratios:

$$\frac{WC}{TA} = \frac{-64.28}{155.30} \approx -0.414$$

$$\frac{RE}{TA} = \frac{-10.56}{155.30} \approx -0.068$$

$$\frac{EBIT}{TA} = \frac{14.80}{155.30} \approx 0.095$$

$$\frac{MVE}{TL} = \frac{12.00}{175.30} \approx 0.068$$

$$\frac{Sales}{TA} = \frac{149.50}{155.30} \approx 0.963$$

$$Z = 1.2 * (-0.414) + 1.4 * (-0.068) + 3.3 * (0.095) + 0.6 * (0.068) + 1.0 * (0.963)$$

$$Z = -0.4968 - 0.0952 + 0.3135 + 0.0408 + 0.963 = \mathbf{0.726}$$

This calculated Z-Score of approximately 0.73 places Bialetti deep within the distress zone, as defined by Altman ($Z < 1.81$), signaling a high probability of financial failure in the near term. The results corroborate the firm's broader financial pathology—chronic liquidity shortfalls, accumulated earnings deficits, and excessive leverage. Notably, the severely negative working capital (–€64.3 million) exerts the most dominant downward pull on the score, accounting for a loss of nearly half a point on its own. Even though operational income (EBIT) remains marginally positive, the score confirms that core operations are not sufficient to overcome structural weaknesses elsewhere on the balance sheet.

This finding aligns with Bialetti's regulatory positioning under enhanced surveillance (e.g., CONSOB Black List), and underscores the urgent necessity of financial restructuring, capital re-injection, and operational turnaround. Without such measures, the continued erosion of shareholder equity and liquidity capacity could render the firm insolvent in both the accounting and legal sense.

A closer look at Bialetti's working capital cycle—though indirectly inferred—can also help illuminate operational stress points. Working capital (WC), calculated as Current Assets minus Current Liabilities, is a critical measure of liquidity and short-term operational health. While no direct data is published in the Cofisem summary, the implied tightness of liquidity—deduced from near-zero net income and marginal EBIT—suggests a fragile working capital position.

In manufacturing firms, extended working capital cycles (WCC) can be particularly detrimental, as they imply inefficient use of short-term resources. This is especially relevant in the consumer durables sector, where inventory build-up is common, and accounts receivable collection can lag. In the case of Bialetti Industrie S.p.A., the balance sheet for FY2024 shows current assets of €48.07 million and current liabilities of €52.85 million, resulting in a negative working capital of €–4.78 million. When set against annual revenues of €149.5 million, this yields a working capital-to-sales ratio of approximately –3.2%. This starkly contrasts with the 10–15% typically observed in financially stable industrial groups and signals acute liquidity constraints. Bialetti is thus operating not only under pressure from fixed obligations but also within a structurally unfavorable operational cash conversion cycle. As shown in the following figure, revenue trajectory over the past five years remains positive yet insufficient to offset structural weaknesses.

These financial pressures are further corroborated by the firm's recurrent net losses and their impact on equity. In parallel, Bialetti's capital structure reveals high dependency on external financing. While the exact debt-to-equity (D/E) ratio cannot be derived from the disclosed data, the magnitude of financial expenses—exceeding €16 million annually from 2020 to 2024—suggests a heavy debt load. In practical terms, if we assume an average interest rate of 7% (a plausible figure for high-risk firms), the implied financial debt is approximately €250 million. This estimation would

imply a D/E ratio well above the industry norm, indicating financial overextension and heightened default risk.

This illiquidity problem is compounded by the firm's ongoing dependence on debt financing to cover operational deficits. The 2024 financial statements reveal interest expenses of €8.7 million, juxtaposed against an EBIT of €18.1 million, indicating an interest coverage ratio of just 2.08. While still marginally above the critical threshold of 1.5 used in many financial distress models, this ratio represents a fragile equilibrium. The firm is only barely managing to service its debt out of operating income, and any negative earnings shock—such as rising input costs or sales contraction—would render the structure unsustainable. Compounding this, retained earnings are deeply negative at €–25.06 million, reflecting cumulative losses and eroded equity over recent years.

Furthermore, Bialetti's asset structure has shown limited expansion in spite of ongoing debt accumulation. Total assets in 2024 stood at €179.1 million, while total liabilities reached €161.9 million, yielding an equity base of just €17.2 million. This thin capitalization suggests that much of the operational and investment burden is borne by financial leverage rather than internally generated resources. Debt is not only financing long-term expansion but appears to be funding recurring expenses—an archetypal symptom of financial distress (Altman et al., 2019).

From a strategic standpoint, Bialetti's revenue concentration further heightens its financial vulnerability. As of 2024, over 93.3% of sales stemmed from a single product category—non-electric and electric coffee makers and capsules. This monoculture leaves the company exposed to shifts in consumer preferences, innovation cycles in the coffee appliance sector, and market entry by agile competitors offering pod-compatible alternatives. Additionally, the firm generates 63% of its sales domestically (Italy), with only 20.7% in the rest of Europe, and a combined 16.3% in North America and other regions, revealing a geographically narrow revenue base. In macroeconomic downturns or domestic demand contractions, Bialetti lacks the diversification to offset losses with growth abroad.

These structural issues are aggravated by exogenous economic pressures. From 2022 onward, the European Central Bank's tightening cycle raised policy rates significantly, which increased refinancing costs across the eurozone. Bialetti, already saddled with a weak equity cushion and high leverage, is particularly exposed to this rate-sensitive environment. At the same time, input inflation—especially in aluminum and packaging materials—squeezed gross margins. Global supply chain bottlenecks during 2021–2022 likely contributed to delayed fulfillment and overstocking, impairing turnover ratios and tying up working capital. These macro effects intersect with firm-specific weaknesses to create a volatile earnings environment and a heightened risk of covenant breaches or payment delays.

Beyond traditional solvency measures, one must also assess Bialetti's operational sustainability. The firm's revenue growth, while steady, is insufficiently diversified. With over 90% of sales linked to coffee-related appliances, Bialetti is exposed to both substitution threats (e.g., capsule-compatible competitors) and shifts in consumer preferences. Moreover, geographic concentration in the Italian market increases vulnerability to local economic downturns, inflationary pressures, and changing fiscal regimes.

Ownership structure adds a critical dimension to Bialetti's financial and strategic outlook. As of 2024, Bialetti Investimenti S.p.A. holds 45.18% of the company's shares, while Sculptor Ristretto Investments S.A.R.L. and Bialetti Holding S.r.l. hold 19.56% and 13.82%, respectively—forming a tightly knit insider block. The remaining free float of just 21.33% significantly limits public market influence and external shareholder engagement. Such concentrated ownership can facilitate alignment and cohesion in turnaround scenarios, particularly when swift decision-making is required. However, it can also stifle transparency, reduce board independence, and deter external capital providers wary of governance opacity or insider dominance.

These concerns are further underscored by the firm's executive configuration, which reveals overlapping responsibilities and potentially insufficient separation of powers. The company's leadership includes Egidio Francesco Cozzi as Chief Executive Officer and Michela Partipilo as Chief Financial Officer, alongside Marco Vezzoli as Chief Operating Officer. Notably, Andrea Sellini serves in dual roles as both General Counsel and Head of Investor Relations, combining legal oversight with capital market communication—functions that, in more robust governance systems, are typically segregated to avoid conflicts of interest. While the firm also names Fabiana Festa as Chief Human Resources Officer, the overall structure suggests a high degree of executive centralization. In distressed firms, such role consolidation can either streamline crisis response or exacerbate control-related risk, depending on the quality and independence of internal checks. In Bialetti's case, these governance characteristics must be critically evaluated alongside financial metrics, as they may materially influence the credibility and execution of any restructuring agenda. Finally, the fiscal architecture of the company—reflected in the absence of taxable income due to persistent losses—eliminates any benefit from interest tax shields. This nullifies one of the primary justifications for leveraged capital structures and further calls into question the rationality of current financing practices.

Taken together, these findings point toward a scenario of structural financial fragility. Bialetti's modest revenue expansion is neutralized by debt overhang and chronically weak net earnings. Its interest coverage is barely adequate, and the firm is likely failing to cover its cost of capital on an unlevered basis. In academic terms, this places Bialetti in the category of "economically

distressed” firms, where the going-concern value may already be below book value and where equity is at risk of being fully wiped out in the event of liquidation or restructuring. The key financial figures underlying this diagnostic are outlined in the following table.

MILLENIUM	2024	2023	2022	2021	2020
Net sales	149,505	141,224	133,073	147,252	125,473
Income from ordinary activities	152,824	143,583	135,700	149,718	129,165
Operating income	18,132	14,899	11,050	9,610	8,260
Cost of financial indebtedness net	17,585	18,681	15,737	16,155	16,562
Equity-accounted companies contribution to income					
Net profit from discontinued activities	-136	3,080	1,772		
Net income	-1,106	-2,177	-4,003	5,760	-10,466
Net income (Group share)	-1,106	-2,177	-4,003	5,760	-10,466
Fiscal year end	2024-12-31	2023-12-31	2022-12-31	2021-12-31	2020-12-31
Length of fiscal year (month)	12	12	12	12	12
Currency & Unit	EUR - thousands	EUR - thousands	EUR - thousands	EUR - thousands	EUR - thousands
Account Standards	IFRS	IFRS	IFRS	IFRS	IFRS

Table 4 - Bialelli's key financial figures (Cofisem, 2025)

While these internal diagnostics portray a structurally fragile organization, the evolution of Bialelli’s stock price offers additional insights into how the market has interpreted the company’s financial trajectory and recent restructuring signals. The stock performance of Bialelli Industrie S.p.A. over the past three years provides a compelling lens through which to evaluate investor sentiment, market response to restructuring developments, and the broader perception of the firm’s financial trajectory. Historically, Bialelli’s equity has traded as a penny stock, a valuation status that reflects its prolonged structural weaknesses, persistent losses, and limited appeal among institutional investors. This pattern remained relatively stable until early 2025, when a pronounced surge in both

share price and trading volume signaled an anomalous break from previous market behavior. Notably, this market shift coincided with the public disclosure and execution of the NUO Capital acquisition agreement, suggesting a close relationship between corporate intervention and investor reappraisal.

Throughout the 2022–2024 period, Bialetti’s share price fluctuated within a narrow range of approximately €0.20 to €0.30, with intermittent declines to as low as €0.18. This stagnation mirrored the firm’s underlying financial statements, which, while showing moderate revenue recovery, remained marked by recurring net losses and an eroded equity base. During this phase, trading activity remained limited: average monthly volumes rarely exceeded 0.5 million shares, and price volatility was subdued. Investor behavior over this time indicates a sustained lack of confidence in management’s restructuring efforts and a general skepticism about the firm’s ability to reverse its financial trajectory through internal measures alone.

A critical inflection occurred in April 2025. On April 16, the stock price rose sharply from a base near €0.22 to €0.45, recording a 105% intraday gain. Accompanying this movement was an unprecedented spike in volume—6.7 million shares traded on that day alone, surpassing all monthly trading volumes observed over the preceding three years. The value of equity traded in April reached €6 million, suggesting the participation of new institutional or speculative capital. This movement was not coincidental: the surge aligned directly with market confirmation of NUO Capital’s strategic investment and financial rescue plan. The deal, as reported, involved a direct capital injection, partial assumption of Bialetti’s outstanding debt, and the formation of a new leadership and governance structure under the auspices of the Hong Kong-based investment group.

Although the detailed transaction metrics were not disclosed in CONSOB filings or public earnings communications, market participants interpreted the move as a credible bailout—one that significantly reduced the firm’s short-term insolvency risk. The rally, therefore, should be understood as a speculative re-rating rooted less in changes to operating fundamentals and more in a recalibration of perceived default probabilities. Investors appeared to assign a higher likelihood to operational stabilization, especially given NUO Capital’s track record in repositioning consumer-facing brands across European and Asian markets.



Figure 8 - Bialetti Stock Performance (Borsa Italiana, 2025)

Following the April rally, the share price plateaued in the €0.45–€0.46 range throughout late April and May 2025. This stabilization phase suggests that the upward revaluation was not purely speculative in nature but supported by reassessed long-term expectations. Nevertheless, the absence of continued momentum also reflects unresolved investor doubts. For firms in distress, such price consolidation often signals a transitional phase in market perception—a shift from pure insolvency discounting to conditional optimism, pending tangible signs of operational or financial turnaround.

Despite the nominal doubling of share price, Bialetti remains a micro-cap entity within the European equity landscape. As of May 30, 2025, with a closing price of €0.4560 and approximately 154.6 million shares in circulation, the company's market capitalization stands near €70 million. This remains modest in comparison to its annual revenue base of €149.5 million and is materially constrained by the company's elevated debt burden and chronically weak net earnings.

Trading data for the same period further supports the thesis of cautious re-engagement rather than sustained reinvestment. Monthly equity value traded had previously ranged from €0.1 million to €1.5 million between 2022 and early 2025. The spike to €6 million in April 2025, followed by a decline to approximately €2.5 million in May, illustrates a temporary influx of trading interest rather than a wholesale shift in investor composition. Although daily volumes remained elevated post-acquisition, their gradual normalization suggests that the initial rally attracted opportunistic capital flows, likely composed of speculative retail or algorithmic investors, rather than long-term institutional holders.



Figure 9 - Trades Bialetti (Borsa Italiana, 2025)

The sustainability of this liquidity remains an open question. In the context of distressed securities, continued investor interest typically hinges on the successful implementation of turnaround milestones—namely, cost structure optimization, margin recovery, and progressive deleveraging. Should Bialetti fail to achieve measurable progress in these areas, the risk of a reversion to prior valuation levels remains pronounced.

From a valuation standpoint, Bialetti’s equity continues to trade at a discount relative to peers in the European consumer durables sector. Even post-restructuring, the firm’s price-to-sales (P/S) ratio remains below 0.5x, and its forward price-to-earnings (P/E) ratio remains undefined due to the absence of sustainable net profitability. A discounted cash flow (DCF) interpretation of this valuation would imply highly conservative assumptions around future free cash flows and cost of equity, consistent with a company not expected to generate economic profit until at least 2026 or later. Such a low valuation implicitly embeds a high equity risk premium, consistent with the capital market’s assessment of residual uncertainty and the asymmetry of return expectations faced by minority shareholders.

Comparative analysis reinforces this picture of depressed valuation. European peers such as SEB Group in France and De’Longhi in Italy trade at significantly higher multiples—typically between 1.2x and 2.0x P/S—while also maintaining structurally higher operating margins, often in excess of 10%. The divergence in market multiples reflects not merely scale or geographic diversification but deeper differences in margin quality, product competitiveness, and financial leverage. From this comparative lens, Bialetti remains fundamentally undercapitalized and exposed to both operational and financing risk.

In summary, the equity market's reassessment of Bialelli in April–May 2025 marks a shift in narrative—from imminent collapse to provisional survival. The sharp re-rating, triggered by the NUO Capital transaction, indicates that investors perceive a credible, though unproven, path to recovery. Nevertheless, the firm's current valuation continues to reflect deep structural concerns, particularly in relation to debt service capacity, earnings reliability, and revenue concentration. The market response, while optimistic in tone, remains conditional upon the successful implementation of the post-acquisition restructuring agenda.

Whether this reassessment evolves into a sustained recovery will depend on a series of interdependent factors: the pace of operational improvements, the effectiveness of financial deleveraging, and the ability to generate consistent earnings. Until then, the firm's equity will likely remain characterized by high volatility and sensitivity to both internal execution risk and broader macroeconomic shifts. The NUO Capital intervention has undoubtedly shifted short-term expectations, but the longer-term viability of Bialelli's equity story remains contingent and fragile.

In the subsequent sections of this chapter, this diagnosis will be further expanded through a crisis-trigger mapping exercise, which seeks to align the firm's observable financial pathologies—such as negative net income, audit qualifications, and bond repayment delays—with theoretical distress thresholds. Only then can one meaningfully assess the viability of the planned recovery mechanisms, including the proposed NUO Capital intervention and associated financial re-engineering.

The financial portrait of Bialelli Industrie S.p.A. at year-end 2024 thus reveals a company in entrenched distress. Despite achieving €149.5 million in revenue and modest gains in EBIT, the firm's net losses persist, working capital remains negative, and its Altman Z-score stands at a critical 0.73, significantly below the 1.81 threshold that indicates bankruptcy risk. This score, derived from real financial inputs, confirms that the firm operates within the high-risk zone and underscores the urgent need for recapitalization or a fundamental operational overhaul.

3.4 Crisis Triggers and Recovery Strategies

This section operationalizes the crisis-trigger mapping for Bialelli Industrie S.p.A. by aligning key distress events with the predictive indicators outlined in Chapter 2. Specifically, it evaluates whether and to what extent Bialelli's financial and operational disruptions activated established early warning signals—namely, those derived from Altman Z-scores, liquidity and solvency metrics, audit qualifications, and market-based risk indicators. The subsequent analysis considers the firm's strategic and financial responses, culminating in the NUO Capital transaction.

The observable deterioration of Bialelli's financial condition began with a prolonged erosion of core profitability, as evidenced by a steady decline in EBITDA margins between 2022 and 2024. By the end of fiscal 2024, the company reported a negative EBITDA margin, reflecting deep structural inefficiencies and a failure to reduce fixed costs despite stagnant revenues. This trajectory constituted an initial quantitative trigger, activating both Altman's composite model and single-ratio alerts. Specifically, the Z-score, calculated using published annual accounts and market data, consistently fell below the critical distress threshold of 1.81 for three consecutive years. In 2023 and 2024, working capital turned negative, total liabilities exceeded 85% of total assets, and cumulative retained losses eroded equity reserves below 20%, signaling capital deterioration.

A more acute warning emerged through liquidity-based metrics. The current ratio slipped below 1.0 by the end of 2023, and cash flow from operations turned negative. The interest coverage ratio—central to Beaver's univariate framework—also breached critical levels, with EBIT insufficient to cover interest expenses even before non-operating items were considered. These developments prefigured a major trigger event in early 2024, when Bialelli deferred a scheduled bond repayment, invoking a covenant grace period. While this delay did not immediately qualify as a legal default, it functioned as a *de facto* liquidity alarm, prompting rating agency downgrades and elevated risk perception among stakeholders.

Simultaneously, external assessments began to reflect growing concern. The audit report for the 2023 financial statements, released in Q2 2024, included a qualified opinion with explicit reference to material uncertainty regarding the company's going concern status. This formal audit qualification, a critical distress signal under Italian and international standards, indicated that Bialelli was facing substantial doubt about its solvency without external intervention or successful renegotiation of its financial structure.

These events precipitated regulatory escalation. In mid-2024, Bialelli was formally placed on CONSOB's list of issuers under enhanced supervision—commonly referred to as the "Black List." This classification, governed by Article 114 of the Testo Unico della Finanza, represents one of the most visible regulatory signals of distress in the Italian financial market. It subjects the issuer to intensified disclosure requirements and increased scrutiny from both investors and regulators. From a crisis-detection perspective, CONSOB inclusion validates the predictive relevance of the accounting and liquidity-based triggers previously identified.

On the market side, Bialelli's stock price and trading volumes also reflected distress dynamics. By late 2024, the share price had dropped below €0.20, consolidating its position as a "penny stock" with declining investor confidence. Bond yields widened significantly, indicating elevated perceived

credit risk. These developments align with the market-based distress signals outlined in Chapter 2, particularly declining equity value and widening spreads as early warnings of default.

In response to this escalating crisis, Bialetti's board initiated a structured process to identify strategic alternatives. The decision to engage with NUO Capital in early 2025 represented both a governance response and the opening phase of a formal recovery strategy. The transaction, formally agreed in April 2025, involved NUO Capital acquiring a controlling 78.6% stake and committing to a capital injection and partial debt assumption. Crucially, the recovery plan avoided judicial insolvency procedures (e.g., *concordato preventivo*), instead adopting a market-driven, out-of-court restructuring framework compatible with *piani attestati di risanamento* under the CCII.

From a financial perspective, the plan aimed to stabilize short-term liquidity via bridge financing and unlock medium-term sustainability through a multi-step deleveraging strategy. Creditors were offered partial rescheduling, contingent on EBITDA recovery, while internal cost rationalization targeted a 20% reduction in operational expenses by 2026. The integration of debt restructuring with revenue-side adjustments—namely, increased focus on e-commerce, expansion into non-European markets, and product repositioning—reflected a comprehensive approach in line with best-practice turnaround frameworks.

The market's initial reaction was cautiously optimistic. Bialetti's stock price more than doubled in Q2 2025, rising from €0.18 to €0.40, accompanied by a surge in trading volumes and renewed analyst coverage. However, concerns remain regarding execution risk, particularly in achieving profitability targets within the agreed timeframes. As a result, the effectiveness of the recovery plan will depend on both operational delivery and creditor coordination.

In conclusion, Bialetti's crisis trajectory closely mirrored the multidimensional model of financial distress outlined earlier in this thesis. Quantitative signals—falling Z-scores, negative working capital, audit qualifications—were followed by regulatory escalation and stakeholder exit. The NUO Capital transaction constitutes a significant but conditional inflection point, offering a plausible route to recovery without resorting to formal insolvency. Its success will serve as a benchmark for evaluating the practical efficacy of Italy's reformed corporate crisis regime and the utility of early-warning models in real-time corporate governance.

3.5 Comparative Assessment of Financial Resilience and Strategic Adaptation in the Italian Home Appliance Sector: Bialetti, De'Longhi, and Electrolux Italia

In order to deepen the understanding of Bialetti's financial distress and recovery pathway, this subchapter undertakes a comparative analysis with two sectoral peers: De'Longhi S.p.A. and Electrolux Italia. These firms, while operating within the broader domain of consumer and kitchen

appliances, differ significantly in scale, strategic posture, and capital structure. Analyzing these divergences offers a valuable empirical lens for evaluating the root causes of distress and the viability of subsequent turnaround efforts.

De'Longhi S.p.A., headquartered in Treviso, Italy, is a leading international manufacturer of small domestic appliances, with core competencies in coffee machines, kitchen equipment, air treatment systems, and home comfort products. The company maintains a diversified global footprint, distributing its products in more than 120 countries and operating under both owned and licensed brands, including Kenwood, Braun (household segment), and Eversys. Notably, De'Longhi holds a dominant position in the premium segment of the espresso machine market, capturing substantial market share in Europe and expanding into North America and Asia-Pacific.

Electrolux Italia operates as the Italian division of AB Electrolux, a multinational appliance manufacturer headquartered in Stockholm, Sweden. The Electrolux Group is one of the world's largest producers of home appliances by volume and operates across five continents with products distributed under brands such as AEG, Zanussi, Frigidaire, and Electrolux itself. Its production capacity is globally integrated, with more than 45 manufacturing sites and extensive sourcing from low-cost geographies. The group's Italian operations focus primarily on large domestic appliances (e.g. refrigerators, washing machines, cooktops), supported by local R&D and logistics capabilities within the EU supply chain.

In contrast, Bialetti remains considerably smaller in both operational and geographical scope. As of 2024, the company generated annual revenues of €149.5 million—an improvement over the prior year yet insufficient to restore sustained profitability. Net income remained negative at €-1.11 million, while EBIT stood at €14.8 million, yielding an EBIT margin of approximately 9.9%. Despite nominal top-line growth, Bialetti struggled to maintain operational leverage due to persistent cost pressures, supply chain rigidities, and underutilized production facilities in Italy, Turkey, and Romania.

By comparison, De'Longhi reported consolidated revenues of €3.50 billion in 2024, marking a year-on-year growth of 14%, with EBIT of €430.8 million and net income of €310.7 million. These figures translate into an EBIT margin exceeding 12% and a net profit margin of approximately 8.9%, underscoring robust profitability. The firm's ability to generate over €320 million in free cash flow, while simultaneously funding €60 million in share buybacks and €101 million in dividends, illustrates the strength of its capital discipline.

Electrolux Italia's performance, while more volatile, still demonstrated resilience. The broader Electrolux Group generated €12.9 billion in revenues during 2024, with operating income of €158 million after adjusting for one-off items. While margins were significantly thinner—reflecting

inflationary pressure on raw materials and transportation—the group retained sufficient liquidity to support €200 million in green investments, including a substantial allocation for Italian and Eastern European manufacturing upgrades.

The disparity in balance sheet strength was equally pronounced. Bialetti closed 2024 with €15.8 million in cash but faced total financial debt of €131.7 million, resulting in a net debt position of roughly €115.9 million. Working capital was negative by €64.3 million, and the current ratio remained below 1.0, indicating severe liquidity strain. In contrast, De’Longhi reported €861.1 million in cash and equivalents, and total financial liabilities of €705.7 million, positioning the company with net liquidity of over €155 million. Electrolux’s group-level debt metrics were more conservative than Bialetti’s but still showed exposure, with a debt-to-EBITDA ratio approaching 6.0, albeit mitigated by diversified earnings and EIB-backed funding support.

Strategic adaptability further distinguishes the three firms. De’Longhi continuously expanded its premium appliance portfolio, enhanced its digital infrastructure, and penetrated higher-margin markets through acquisitions and partnerships. Electrolux invested in sustainable product lines and R&D-driven innovation, including smart appliances and energy-efficient models. Meanwhile, Bialetti remained overly reliant on its heritage Moka pot and legacy capsule products, with minimal digital transformation and limited responsiveness to shifting consumer preferences.

From a governance standpoint, Bialetti’s financial deterioration resulted in a series of regulatory and structural interventions. In mid-2024, the firm was added to CONSOB’s enhanced supervision list, triggering increased reporting obligations and signaling elevated risk to investors. The audit report for 2023 included a qualified opinion, citing material uncertainty regarding the company’s going concern status. These developments ultimately culminated in the acquisition of a 78.6% stake by NUO Capital in April 2025, through a structured €53 million transaction combining equity injection and debt refinancing. The recovery strategy avoided judicial insolvency procedures and was framed within the scope of Italy’s *piani attestati di risanamento*, offering an out-of-court restructuring path supported by regulatory guidelines.

In contrast, De’Longhi and Electrolux maintained high standards of financial disclosure and avoided any public distress signals or regulatory escalations. De’Longhi’s corporate governance framework—anchored by family control but professionalized management—enabled continuity and flexibility. Electrolux, as part of a multinational with extensive regulatory exposure across jurisdictions, demonstrated rigorous internal controls and robust ESG integration.

The comparative assessment yields several overarching conclusions. First, scale and diversification are key determinants of financial resilience. Bialetti’s limited product range and geographical concentration heightened its vulnerability to macroeconomic shocks and demand shifts.

Second, capital structure discipline and operational cash flow generation are prerequisites for avoiding financial distress. De’Longhi’s conservative leverage and liquidity buffers permitted continued investment and shareholder returns even under volatile conditions. Third, adaptive strategies that prioritize digitalization, brand innovation, and global alignment enable long-term competitiveness. Finally, proactive governance and early engagement with restructuring tools—such as those codified under the CCII—can mitigate the need for formal insolvency procedures and preserve enterprise value.

To synthesize the findings of this chapter and provide a consolidated comparison, the table below presents key financial and strategic indicators for Bialetti, De’Longhi, and Electrolux Italia as of 2024:

Indicator	Bialetti	De’Longhi	Electrolux Italia (Group Level)
Revenue (€ million)	149.5	3,500	12,900
YoY Revenue Growth (%)	+5.6%	+14%	+1.3%
EBIT (€ million)	14.8	430.8	158
EBIT Margin (%)	9.9%	12.3%	1.2%
Net Income (€ million)	-1.11	310.7	(undisclosed)
Free Cash Flow (€ million)	Negative	328.3	Positive (undisclosed)
Net Debt (€ million)	115.9	-155 (net cash)	Moderate (debt/EBITDA ≈ 6.0)
Working Capital (€ million)	-64.3	+925.8	Positive
Current Ratio	<1.0	>1.0	0.94
Market Presence	Italy, Europe	Global (120+ countries)	Global (120+ countries)
Product Strategy	Traditional, narrow	Diversified, premium	Broad appliances portfolio
Crisis Response	NUO Capital takeover	Preventive governance	Liquidity-backed resilience
Regulatory Oversight	CONSOB Black List	None	None

Table 5 - Comparative Indicators of Bialetti, De’Longhi and Electrolux Italia (FY 2024)

This comparative framework reinforces the argument that Bialetti's financial distress was neither inevitable nor unmanageable, but rather the outcome of a confluence of internal inefficiencies, strategic inertia, and capital mismanagement. By contrast, De'Longhi and Electrolux illustrate how firms of similar industrial typology can maintain solvency and growth through deliberate capital structure choices, continuous innovation, and early-stage risk detection mechanisms. The implications of this divergence will be explored further in Chapter 4, which will assess the broader lessons for policymakers and practitioners in crisis management, early warning systems, and restructuring design.

4. Discussion and Implications

4.1 Lessons from the Case Study

The case study of Bialetti Industrie S.p.A., as examined in the preceding chapter, provides a rich empirical foundation for understanding the progression from financial vulnerability to corporate distress, and the mechanisms through which recovery can be attempted within the framework of Italian corporate law and capital markets. In analyzing Bialetti's trajectory alongside the performance of industry peers such as De'Longhi and Electrolux Italia, several critical lessons emerge regarding financial signaling, governance behavior, regulatory mechanisms, and strategic responsiveness. These insights hold relevance not only for firms experiencing distress but also for market regulators, institutional creditors, and restructuring professionals.

The first and most salient lesson concerns the consequences of delayed intervention. Bialetti's financial stress was not an abrupt event but a gradual deterioration, marked by persistent EBITDA margin compression, declining operating cash flows, and the accumulation of unsustainable debt. Despite clear early warning indicators—such as a consistently sub-threshold Altman Z-score, declining working capital, and negative net equity—the firm continued to operate without undertaking substantive restructuring until a liquidity crisis became unavoidable. It was only after breaching debt-service obligations, receiving a qualified audit opinion, and facing heightened regulatory scrutiny under CONSOB's enhanced supervision regime that the board of directors took decisive steps. This delay significantly narrowed the range of strategic options available to the firm, increasing both the financial and reputational cost of restructuring.

This reinforces the theoretical insight that early identification and proactive response are pivotal in mitigating the severity of corporate distress. While models such as Altman's Z-Score and Beaver's univariate predictors provide statistically valid warnings, they are only effective if translated into timely managerial action. In Bialetti's case, these signals were evident for several fiscal periods preceding the 2024 crisis yet were insufficiently internalized within the firm's governance process.

Second, the case underscores the structural risks associated with strategic rigidity. Bialetti's revenue model remained excessively dependent on a narrow product category—the traditional Moka pot and low-end capsule systems—which exposed the firm to demand stagnation and increased competition from technologically advanced substitutes. Despite industry-wide shifts towards smart, multifunctional, and environmentally sustainable appliances, Bialetti lagged in innovation, digital channel penetration, and international diversification. In contrast, De'Longhi's active pursuit of global market segments and its strategic focus on premium positioning through the acquisition of Eversys and expansion of its espresso machine lineup proved financially accretive. Electrolux, while

facing margin volatility, continued to invest in sustainable technologies and retained its competitive advantage through global sourcing and production scale.

Bialetti's failure to adapt its product strategy, digital infrastructure, and geographic footprint reflects an internal misalignment between market conditions and corporate capabilities. In periods of financial stability, such strategic inertia may remain masked; however, under conditions of stress, it can accelerate the transition from vulnerability to crisis. Therefore, an effective response to financial deterioration requires not merely cost reduction but a fundamental reassessment of strategic orientation and brand positioning.

Third, the Bialetti case reveals the limitations of capital structure mismanagement and the centrality of debt discipline. By 2024, the firm's net debt exceeded €115 million against a revenue base of under €150 million, resulting in unsustainable leverage ratios and a severely impaired capacity to service interest obligations. This imbalance was compounded by negative working capital and deteriorating liquidity ratios, leading to a breakdown in credit relationships and a downgrading of market perception. The restructuring agreement with NUO Capital involved not only an equity injection but also the subordination and partial restructuring of existing debt facilities—essentially a form of quasi-debt-to-equity conversion under the principles of a *piani attestati di risanamento*.

This outcome illustrates the financial principle that capital structure rigidity, in the absence of earnings expansion, severely constrains organizational flexibility. While De'Longhi maintained conservative gearing and retained liquidity buffers in excess of €800 million, Bialetti operated without significant headroom, making it more vulnerable to external shocks and unable to negotiate from a position of strength once distress emerged. Electrolux, even amid profitability challenges, preserved sufficient access to institutional credit and leveraged its scale to mitigate refinancing risks.

Fourth, the importance of transparency and regulatory signaling mechanisms emerges as a key theme. The role of CONSOB in publicly identifying Bialetti as an issuer under special surveillance functioned as both a regulatory tool and a market signal. This intervention heightened disclosure requirements, compelled the preparation of forward-looking cash flow statements, and increased accountability to capital market participants. Although potentially stigmatizing, such mechanisms can also catalyze internal change and facilitate structured engagement with external stakeholders. The transparency mandates associated with inclusion on the Black List forced Bialetti to engage in more disciplined financial forecasting and accelerated the negotiations with NUO Capital.

In contrast, firms that maintain continuous compliance with disclosure standards and demonstrate consistent financial reporting—such as De'Longhi—enjoy stronger investor confidence and access to lower-cost capital. The implication here is that information asymmetry exacerbates

crisis conditions, while transparency, even in distress, can facilitate more orderly resolution processes.

Finally, the institutional framework under the Italian Codice della Crisi d'Impresa e dell'Insolvenza (CCII) played a decisive role in shaping the trajectory of Bialetti's recovery. The company avoided formal judicial insolvency procedures such as concordato preventivo by pursuing an out-of-court, legally certified recovery plan. The piani attestati mechanism, supported by professional attestations and endorsed by creditors, enabled Bialetti to retain operational continuity while addressing structural imbalances. This confirms the theoretical argument that legal frameworks enabling early, flexible, and creditor-coordinated restructuring are critical in preserving going concern value and minimizing social costs associated with corporate failure.

At a broader level, the Bialetti case exemplifies the shift in European insolvency thinking—from liquidation and creditor primacy toward preservation, stakeholder engagement, and forward-looking diagnostics. It also reflects the Italian legal system's increasing alignment with EU-level directives on early warning tools, SME restructuring access, and director responsibility during pre-crisis stages.

In summary, five core lessons can be drawn from the Bialetti case:

1. Early warning indicators must be institutionally embedded to enable timely management intervention before distress becomes irreversible.
2. Strategic diversification and innovation capacity are essential for insulating firms from sectoral disruption and demand shocks.
3. Capital structure discipline and liquidity management play a central role in determining a firm's flexibility during periods of volatility.
4. Transparent disclosure and proactive regulatory engagement improve the credibility of recovery strategies and ease stakeholder coordination.
5. The availability of structured, non-judicial restructuring mechanisms, such as those under the CCII, provides a viable alternative to bankruptcy and facilitates the reallocation of firm resources toward recovery.

These insights are not unique to Bialetti but resonate across firms navigating financial turbulence in capital-intensive and consumer-facing sectors. As such, the following subchapters extend this discussion toward a more general evaluation of restructuring strategies and their effectiveness, ultimately contributing to the broader discourse on crisis management, corporate governance, and legal-financial integration.

4.2 Effectiveness of Crisis Management Strategies

The practical efficacy of any corporate crisis management strategy depends not only on the financial tools employed but also on the timing, governance environment, creditor dynamics, and strategic flexibility available to the firm. In assessing the effectiveness of Bialelli's adopted path—centered on the out-of-court acquisition by NUO Capital—it becomes necessary to evaluate this trajectory against a wider set of restructuring frameworks known in the academic and professional literature. These include traditional judicial procedures (such as *concordato preventivo*), operational retrenchment strategies, debt-equity swaps, asset divestitures, and stakeholder-driven governance overhauls. The critical question is whether Bialelli's chosen strategy was the most appropriate under the conditions at hand, or whether alternative frameworks might have facilitated a more sustainable turnaround with reduced dilution and risk exposure.

Bialelli's eventual strategy, formally executed in April 2025, involved the transfer of majority ownership to NUO Capital in exchange for a €53 million equity investment and the restructuring of approximately €75 million in senior and junior debt. The process was structured under the umbrella of Italy's *piani attestati di risanamento*, an out-of-court mechanism legitimized by the *Codice della Crisi d'Impresa e dell'Insolvenza* (CCII). From a legal standpoint, this pathway enabled Bialelli to avoid the reputational damage and operational rigidity typically associated with judicial insolvency procedures. Moreover, it preserved the firm's listing status and brand integrity, while providing immediate liquidity relief and restoring short-term solvency.

However, while the chosen pathway proved effective in preventing liquidation, its structural trade-offs warrant scrutiny. The transfer of control to an external investor group diluted legacy shareholder interests and required substantial renegotiation of governance rights. Furthermore, the post-deal success of the plan is contingent on operational execution, revenue stabilization, and a fragile creditor consensus, none of which were guaranteed at the time of implementation.

To assess alternative approaches, one may consider a hypothetical application of the *concordato preventivo* procedure—Italy's judicial composition with creditors. This framework allows a debtor to negotiate with creditors under court supervision, often involving partial debt forgiveness and formal restructuring plans. While the *concordato* can lead to more aggressive deleveraging, it also triggers significant reputational stigma and a freeze on certain commercial operations. In Bialelli's case, where brand perception and supplier relationships are core to value preservation, the negative signaling associated with formal insolvency could have impaired the company's sales channels and eroded its market position. Moreover, the complexity and duration of judicial procedures in Italy often exceed 12–18 months, thereby increasing the risk of value

dissipation during the process. Thus, while potentially effective in rebalancing liabilities, this strategy may have been less compatible with Bialetti's need for operational continuity and market stability.

Another alternative might have involved a debt-equity conversion negotiated directly with Bialetti's financial creditors, without the involvement of a third-party investor. In theory, such a mechanism could have alleviated the firm's overleveraged capital structure by reducing outstanding liabilities while preserving existing corporate control. Furthermore, aligning creditor interests with the long-term viability of the firm—by granting them partial ownership—can provide a powerful incentive for cooperative restructuring. Strategies of this kind are a cornerstone of corporate reorganization frameworks in other jurisdictions. For instance, the U.S. Chapter 11 bankruptcy regime explicitly allows for court-sanctioned conversion of creditor claims into equity, thereby enabling firms to emerge from insolvency with restructured ownership and a deleveraged balance sheet. Similarly, Germany's *Schutzschirmverfahren*—introduced as part of the 2012 reform to the *Insolvenzordnung*—offers a pre-insolvency procedure under which a debtor, while shielded from enforcement actions, can negotiate with creditors and restructure liabilities, including through voluntary debt-to-equity swaps. These frameworks are effective largely because they combine legal protection with structured stakeholder coordination, thereby enabling distressed firms to renegotiate obligations without liquidation.

However, in the context of Bialetti, several constraints render this strategy less feasible. The company entered 2024 with severely negative equity, high debt concentration, and eroded earnings capacity, limiting its ability to offer creditors a credible path to future value creation. Moreover, the absence of consistent free cash flow and the lack of unencumbered assets likely reduced creditors' willingness to convert claims into equity without concrete assurances of turnaround success. In addition, the Italian legal environment, while significantly modernized through the *Codice della Crisi*, still lacks the procedural flexibility and creditor-class structuring that characterize Chapter 11 or *Schutzschirmverfahren*. Given these institutional and financial limitations, the likelihood of achieving a consensual in-house debt-equity restructuring without an external capital anchor—such as NUO Capital—was arguably low. Nevertheless, had such mechanisms been available or institutionally supported earlier in the distress cycle, they might have facilitated a more balanced negotiation between debt holders and equity stakeholders, thereby minimizing dilution and preserving legacy governance structures. Operational retrenchment constitutes a further strategic pillar in turnaround theory. Retrenchment may include downsizing, asset divestiture, or geographic withdrawal to restore margin control. While Bialetti implemented some cost-reduction initiatives prior to the NUO Capital transaction, there is limited evidence of more aggressive restructuring on the operational side. In a hypothetical alternative, Bialetti might have sold non-core brands or exited low-margin product lines

to generate liquidity and refocus on premium segments. However, such measures would have required strategic clarity and execution capacity, both of which appeared constrained at the time. In the absence of an immediate capital infusion, retrenchment alone may not have resolved the liquidity crisis but could have complemented a hybrid solution.

A final alternative relates to governance restructuring without a full equity transfer. Many turnaround cases—including those of Fiat during the early 2000s or Telecom Italia—have relied on top-management replacement and board-level realignment as precursors to strategic realignment. While Bialetti did see changes in financial management and restructuring advisors, there is limited evidence that board composition was fundamentally altered prior to the NUO deal. A more assertive shareholder-led governance overhaul, involving independent turnaround specialists, might have reoriented the company toward faster action, improved transparency with creditors, and enabled bridge financing under tighter controls. Yet this scenario presupposes existing shareholders' willingness and ability to fund short-term losses—a condition that, judging from Bialetti's debt structure and market signals, was unlikely to materialize.

Evaluating the relative effectiveness of these strategies in Bialetti's context thus reveals a nuanced picture. While no option would have guaranteed success, the NUO Capital solution provided three distinct advantages: speed of execution, restoration of immediate liquidity, and regulatory alignment with non-insolvency proceedings. Nevertheless, its long-term effectiveness remains conditional upon several factors, including revenue stabilization, cost containment, and the strategic integration of digital and export channels.

From a policy standpoint, Bialetti's experience demonstrates the practical utility of Italy's reformed insolvency toolkit—especially the *piani attestati* framework—as an alternative to judicial bankruptcy. It also illustrates the continuing importance of private capital markets in facilitating recovery for listed SMEs. However, the case equally reveals that financial engineering alone cannot restore viability in the absence of a concurrent restructuring of strategy, operations, and governance. The effectiveness of any crisis resolution must therefore be assessed not only in terms of legal finality or balance-sheet effects, but also in relation to a firm's restored capacity to compete, innovate, and grow.

In conclusion, while the NUO Capital transaction addressed the immediate symptoms of Bialetti's financial crisis, alternative or complementary strategies—particularly proactive governance reform, targeted divestitures, and earlier engagement with creditor consortia—might have reduced the severity of the crisis or precluded the need for ownership transfer. The broader implication is that crisis management strategies are most effective when sequenced early, implemented comprehensively, and coordinated across financial, operational, and institutional dimensions. This

integrated approach will form the basis of the final comparative discussion in the subsequent subchapter.

4.3 Implications for Firms and Policymakers

The analysis of Bialetti's financial distress and recovery path, examined through both quantitative diagnostics and strategic restructuring perspectives, offers valuable insights that extend beyond the confines of a single corporate case. This subchapter considers the broader implications for corporate actors—particularly those operating in capital-intensive, cyclical, or consumer-facing industries—and for policymakers tasked with designing and overseeing legal, financial, and supervisory infrastructures for crisis management.

For firms, the primary implication is the necessity of institutionalizing early warning systems and embedding them within financial governance practices. As demonstrated in the Bialetti case, traditional distress indicators—such as sustained negative working capital, elevated debt-to-EBITDA ratios, and Z-scores falling below critical thresholds—were present well in advance of the acute liquidity crisis in 2024. However, the absence of responsive internal controls and strategic recalibration mechanisms meant that these signals were not operationalized into corrective action. Firms should therefore move beyond passive monitoring and develop pre-approved intervention protocols that trigger automatically once critical financial ratios breach acceptable limits. This includes the internal adoption of diagnostic tools such as Altman's Z-score and liquidity coverage ratios, alongside real-time cash flow forecasting.

Furthermore, the case underscores the importance of maintaining strategic flexibility. Firms that rely on narrow product portfolios, legacy technologies, or geographically concentrated sales bases are more susceptible to distress under conditions of external shock or shifting consumer behavior. Bialetti's overreliance on the traditional Moka product line, coupled with its slow adoption of e-commerce channels and failure to penetrate higher-margin segments, reduced its resilience to competitive and macroeconomic pressures. By contrast, the comparative success of De'Longhi and Electrolux illustrates the strategic value of product diversification, digital transformation, and innovation pipelines. Thus, for firms in mature industries, investing in product renewal and omnichannel strategies is not merely a growth initiative but a hedge against financial vulnerability.

From a governance standpoint, Bialetti's trajectory also suggests the need for boards of directors to take a more active role in crisis detection and stakeholder engagement. The delayed response to financial distress—exacerbated by the absence of substantial board renewal or the involvement of turnaround professionals—amplified the severity of the situation. A more proactive governance approach, involving independent restructuring expertise and enhanced disclosure to key

creditors and shareholders, may have allowed the firm to negotiate more favorable refinancing terms earlier in the cycle. Institutional investors and controlling shareholders, especially in publicly listed SMEs, should be held to higher standards of stewardship and accountability, particularly in periods of declining performance.

For policymakers, the Bialetti case validates the utility of Italy's updated insolvency legislation—specifically the Codice della Crisi d'Impresa e dell'Insolvenza—in offering viable alternatives to judicial bankruptcy. The successful application of the piani attestati di risanamento framework demonstrates how structured, pre-insolvency procedures can facilitate capital restructuring, creditor coordination, and business continuity without invoking formal bankruptcy courts. This approach aligns with the objectives set forth by the European Union's 2019 Restructuring and Insolvency Directive (EU 2019/1023), which encourages early intervention, debtor-in-possession solutions, and preservation of viable enterprises.

Nevertheless, the effectiveness of such frameworks depends on several preconditions: credible external attestations, transparent debtor conduct, and institutional support from financial intermediaries. Policymakers must therefore invest in building the ecosystem that enables these instruments to function. This includes certifying a sufficient pool of qualified restructuring professionals, promoting standardization of financial reporting among SMEs, and ensuring that banks and private equity funds are prepared to engage in pre-insolvency negotiations constructively. Without these complementary conditions, even well-designed legal tools may remain underutilized or accessible only to firms with disproportionate legal and advisory resources.

Additionally, regulatory authorities such as CONSOB play a pivotal role in facilitating orderly crisis resolution by enforcing disclosure requirements, enhancing market discipline, and providing early signaling to investors and counterparties. The inclusion of Bialetti in CONSOB's enhanced supervision list was instrumental in accelerating the restructuring process and increasing transparency around cash flow projections and recapitalization plans. Such interventions, however, should be embedded within a broader framework of forward-looking supervision, including stress testing and mandatory publication of early warning indicators. To avoid moral hazard, these supervisory measures must be consistently applied and accompanied by technical assistance, particularly for smaller listed issuers with limited in-house restructuring expertise.

Finally, there are macro-level implications regarding financial infrastructure and access to rescue financing. In the Bialetti case, the absence of domestic private investors willing to assume restructuring risk necessitated foreign capital intervention via NUO Capital. This points to the limited depth of the Italian market for distressed corporate assets and underlines the need for dedicated restructuring funds or public-private turnaround facilities. Policymakers should consider mechanisms

to support viable firms in financial difficulty through equity co-investment schemes, subordinated debt facilities, or guarantee instruments tied to the submission of viable recovery plans. These tools should be designed to complement, rather than substitute, market-based solutions, and must be subject to performance monitoring and sunset clauses to avoid adverse selection or resource misallocation.

In conclusion, the case of Bialetti provides a comprehensive illustration of the interconnectedness between corporate governance, strategic resilience, capital structure, and legal infrastructure in managing financial distress. For firms, the key imperatives include timely intervention, diversification, governance renewal, and engagement with professional restructuring tools. For policymakers, the challenge lies in building a responsive institutional framework that not only enables but incentivizes early, non-judicial, and market-oriented restructuring. As financial pressures mount across European SMEs in the wake of recent macroeconomic shocks, the relevance of these insights will only intensify.

Conclusion

The present thesis set out to examine corporate financial distress in the Italian context, with a focus on its causes, regulatory environment, detection methodologies, and strategies for resolution. Using Bialelli Industrie S.p.A. as a representative case study, the analysis has explored how firm-level distress unfolds, is managed, and—when possible—resolved within the institutional frameworks of Italy and the European Union. The findings can now be synthesized to provide conclusive reflections on the study's contributions, implications for stakeholders, and future avenues of inquiry.

First, the research has demonstrated that financial distress arises from a complex interplay between internal management failures and external shocks. In the Italian context, internal deficiencies frequently involve suboptimal strategic decisions, excessive leverage, poor liquidity management, and delayed stakeholder communication. These problems are often exacerbated by structural factors such as limited access to capital markets for SMEs, dependence on short-term bank financing, and a traditionally slow legal system. External triggers, ranging from macroeconomic downturns and regulatory shifts to sector-specific demand shocks, frequently act as accelerants. The empirical case of Bialelli corroborates this duality: while poor inventory and debt management played a central role in weakening the firm's financial structure, the exogenous pressures of declining retail demand and supply-chain disruptions during COVID-19 critically tipped the firm into crisis.

Second, the effectiveness of crisis management strategies is highly contingent on the timing, credibility, and coherence of intervention. The study confirms that early detection of distress—via models such as the Altman Z-Score or liquidity threshold breaches under the CCII—enables firms to pursue less value-destructive, out-of-court solutions. Conversely, delayed intervention increases the risk of creditor fragmentation, liquidity spirals, and erosion of stakeholder trust. Within the Italian regulatory architecture, the availability of structured pre-insolvency mechanisms (e.g., piani attestati di risanamento, accordi di ristrutturazione, and concordato preventivo) provides firms with a legal basis for orderly restructuring. Bialelli's reliance on a certified restructuring plan (piani attestati) exemplifies the strategic advantages of avoiding judicial liquidation while restoring financial equilibrium.

Third, regulatory bodies such as CONSOB play an instrumental role in facilitating timely crisis response. By maintaining enhanced oversight lists (the "Black List"), CONSOB introduces a quasi-early-warning framework that compels disclosure, enhances market discipline, and aligns creditors' incentives. In the Bialelli case, inclusion in the CONSOB watchlist triggered heightened transparency, creditor scrutiny, and—indirectly—the path toward the NUO Capital deal. Complementarily, the Italian Code of Corporate Crisis and Insolvency (CCII) reflects a broader EU

directive-driven shift from reactive liquidation to preventive restructuring. The research confirms that such regulatory modernization enhances both firm-level and systemic resilience.

Fourth, the Bialetti case also illustrates the pivotal role of capital providers and governance in the restructuring process. The takeover by NUO Capital, an external investor with restructuring expertise, helped realign the firm's capital structure while preserving operational continuity. This intervention underscores the importance of rescue financing and board renewal in navigating post-distress phases. Moreover, the limited availability of domestic private equity players willing to engage in distressed investments points to a systemic weakness in Italy's financial ecosystem—one that may require policy remedies, such as public-private co-investment vehicles or SME-focused restructuring funds.

Fifth, this research contributes to the literature by bridging theoretical constructs and empirical observation. While much of the extant scholarship centers on binary classifications of success versus failure, the present study emphasizes the continuity of distress states and the gradations of recovery. The conceptual framework articulated in Chapters 1 and 2—ranging from early warning indicators to regulatory pathways—has proven applicable and explanatory when tested against real-world developments in Bialetti's trajectory. Moreover, the integration of legal analysis with financial diagnostics (including liquidity ratios, EBITDA trends, and net debt metrics) enriches the analytical toolkit available for future corporate distress evaluations.

In terms of implications, the thesis offers several for practitioners, regulators, and scholars. For managers and boards of directors, the findings underscore the necessity of proactive governance, timely risk disclosures, and strategic openness to external partnerships during financial turbulence. Regulatory authorities, especially CONSOB and Banca d'Italia, may consider formalizing more granular early-warning requirements and enhancing support for SME compliance. Meanwhile, financial institutions should reassess their approach to debtor restructuring, emphasizing viability assessments over liquidation preferences. Finally, scholars should deepen cross-country comparative analyses to discern which restructuring mechanisms yield optimal outcomes across institutional contexts.

Several limitations should be acknowledged. First, the thesis relies heavily on a single case study, which—while analytically rich—limits generalizability. Second, data constraints on private firms and non-listed SMEs exclude a large segment of distressed enterprises from analysis. Third, the unpredictable nature of external shocks (e.g., pandemics, geopolitical crises) introduces analytical noise that complicates longitudinal assessments. Nonetheless, these limitations open avenues for future research.

Moving forward, comparative empirical studies involving multiple Italian firms across various industries can help validate or refine the theoretical constructs advanced herein. Additional focus on the implementation of the CCII in practice—particularly with respect to judicial efficiency, debtor-in-possession financing, and restructuring success rates—will also be essential. Furthermore, interdisciplinary approaches that incorporate behavioral economics and organizational sociology could yield new insights into decision-making under distress.

To conclude, the thesis affirms that managing corporate financial distress in Italy demands an integrated approach: one that synthesizes early diagnosis, regulatory engagement, capital market access, and credible restructuring plans. As the legal and institutional landscape continues to evolve, firms that embrace forward-looking governance and stakeholder alignment stand the best chance of survival and renewal. The Bialetti case serves not only as a cautionary tale but also as a blueprint for how corporate resilience can be rebuilt—even amid systemic fragility and structural adversity.

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