Abstract

Listed companies are subject to significant transparency obligations, which are essential for correct investor’s portfolio allocation and to ensure the proper functioning of markets. The issue is particularly relevant as disclosure requirements related to listing entail a trade-off between costs and benefits of transparency which should be carefully evaluated. In Italy, the "Consob blacklist" includes listed companies which are subject to more frequent obligations of information disclosure, pursuant to art. 114 of Legislative Decree, 24 February 1998, n. 58. Since its establishment in 2002, 79 companies have been included, a large number especially when compared to the small size of the Italian market. This study analyses primary elements of this new instrument such as its effectiveness in investor protection, characteristics and recurring elements of companies included in the list, the role played by general economic trends in determining conditions for inclusion, elements able to influence the possible outcome (favourable or unfavourable) deriving from the inclusion in the blacklist.

Keywords: Financial crisis, Financial information, Disclosure requirements, Supervisory authority

1. Introduction

Listed companies are subject to significant transparency obligations, set out in defence of savers and present in Italy, as well as in other jurisdictions. The quality (and quantity) of information has always been essential for correct investor’s portfolio allocation decisions and is therefore subject to special protection in the case of listed companies to ensure the proper functioning of markets. The issue is particularly relevant because disclosure requirements related to listing entail significant costs for companies but also some advantages in terms of possible reduction in the cost of capital, so that the trade-off between costs and benefits of transparency should be carefully evaluated (Miglietta, 1994).
In recent years, transparency of Italian companies has also been subject to criticism, being considered not always sufficient to reduce the impact of the crisis that resulted in financial losses for investors and which generated a sense of distrust in the financial market (Cardarelli, 2007, p. 16).

The term "Consob blacklist", mainly used in journalism, usually refers to the set of listed companies which are subject to more frequent obligations of information disclosure, pursuant to Italian art. 114 of Legislative Decree, 24 February 1998, n. 58. The so-called blacklist was established in 2002 and since then 79 companies have been included, a large number, especially when compared to the small size of the Italian market.

To this day there is no official list as Consob, which is the Italian equivalent of the Securities and Exchange Commission, has been publishing the list only for a few years. The list presented in this paper was therefore reconstructed by examining the periodic reports of the Commission, and this is perhaps the first reason for interest in this study.

As we will highlight, at first look, recurrences appear reduced to an extent which could lead to putting forwards hypothesis that will, however, need further testing and validation. The present work has therefore purposes that are more descriptive than analytical and should be considered prodromal to future investigations. However, it was also chosen to present it in its present to share the database with those interested in the subject.

2. Literature Review And Hypotheses

Economic theories have long examined the problem related to the role of information. The benefit-cost ratio has been for example investigated by Guatri and Vicari (1986), while the theory of the social value of public information has posed questions in terms of the possible connection between private value and social value (Hirshleifer, 1971). Among others, the agency theory (Jensen and Meckling, 1976; Jensen, 1986) in its financial facet (Ross, 1973; Galassi, 1991) has clearly shown how the informative differential generates an issue of agency not only between shareholders and managers, but also between shareholders and creditors in the search for the company’s optimal financial structure. Given the unprecedented character of this study, no specific literature review has been performed. General literature concerning economic and financial communications (Bertinetti, 1996; Corvi, 2000, 2007; Campedelli, 2003; Quagli, 2004, Barcellona, 2008, Di Stefano, 1990) has instead been utilized.

Among the many possible research questions posed by the subject, it was chosen to investigate in this paper:
- whether there are recurring elements relating to companies that have entered and/or exited the list;
- whether the general economic trends play a role in determining the conditions for being included;
- which are the elements that influence the possible outcome (favourable or unfavourable) deriving from the inclusion in the blacklist.

The hypotheses are:

H1: There is a correlation between general economic trends and the conditions for inclusion in the blacklist.
H2: Recently-founded and less solid companies tend to enter the blacklist more frequently.
H3: Companies tend to exit the blacklist because of default and not due to an improvement of their financial situation, which constitutes a strong anticipatory signal of economic crisis.

3. Methodology

In order to answer the research questions, the authors made use of descriptive statistical analysis (useful to frame the phenomenon) and adopted a qualitative research methodology based on content analysis and documentary analysis of Consob bulletins and financial statements of involved companies. The last research question was tested through a discriminant analysis, which can be reproduced as shown in paragraph 9. The research sample corresponds to the universe of the population of all the companies included in the blacklist as far as March 2013 (79 companies).

4. Italian legislation

Italian legislation is ruled by article 114 of Legislative Decree 24 February 1998 No. 58 (Testo Unico della Finanza) and article 66 (Events and relevant circumstances) of the Regulation implementing Legislative Decree 58/1998, concerning the regulation of issuers. Listed issuers, individuals who control them and those checked must
communicate to the public inside information referred to in article 181 that directly concern the issuer and its subsidiaries. Consob establishes by regulation the method of communication through papers (art. 114, para. 1), the implementing provisions and the modality of publication of the research and the produced or disseminated information (art. 114, para. 9).

Disclosure obligations are fulfilled when, upon the occurrence of an event, the public has been informed without delay by specific public notice (art. 66, para. 1). Issuers shall inform the public of their financial situation to be reported in the general, consolidated and interim financial statements, and of information and financial statements if they are meant to be reported in the interim management reports, when such situations are communicated to outside parties, except for the fact that such persons are bound by confidentiality obligations and disclosure is made in pursuance of legal obligations, or once they have acquired a sufficient degree of certainty. Issuers must inform the public of the resolutions whereby the competent body approves the draft budget, the proposed distribution of the dividend, the consolidated accounts, the condensed interim financial statement and interim management statements (art. 66, para. 3).

The inclusion in the blacklist is decided by Consob on the basis of two elements:
- the fact that a company has incurred losses of more than 1/3 of its equity;
- the auditors’ questioning the company’s going concern;

The latter case has been defined in journalistic jargon "greylist" and refers to those companies for which the auditors certify the budget, but express doubts on the going concern.

In the bulletins that are issued fortnightly Consob inserts under the heading "Other decisions" requests for periodic monthly information for companies that are blacklisted.

The requests include: updates concerning the economic situation and deviations from the budget; the individual and group net financial position; bank amount and the description of covenants; cross default clauses; analysis of financial, commercial, tax, social security and towards employees overdue debts; the indication of enforcement actions by creditors.

Should the reasons for inclusion disappear companies may request to be removed from the blacklist, therefore no longer being obliged to issue a monthly informative. In such cases, Consob usually inserts them in the greylist as a precaution, asking them to integrate the quarterly report with specific requests.

5. Companies included in the blacklist

At the time when these notes were written (March 2013) 322 companies were listed in the Italian Stock Exchange. Since 2002, 167 have exited for several reasons, for a total of 489 companies.

Since its establishment in 2002, 79 companies have been included in the blacklist, namely 16.04%; almost one out of 6 of those companies listed on the Italian Stock Exchange has been included in the list.

In March 2013 35 companies were blacklisted (Aicon, Antichi Pellettieri, Arena, Arkimedica, Bialetti industrie, Cape Live, Cdc Point, Cell Therapeutics, Cogeme Set, Crespi, Dmail, Eems Italia, Gabetti ps, Kerself, K.R. Energy, LVenture Group, Meridiana fly, Mondo Home Entertainment, Montefibre, Olidata, Pierrel, Pramac, Prelios, Premafin, Rdb, Richard Ginori (in liquidation), Seat Pagine Gialle, Sofap in liquidation, Tas, Tiscali, Uni Land, Yorkville bhn (which together with Investimenti e Sviluppo has now changed its name to Sintesi) and Zucchi).

As far as the diachronic trend, there is a weak correlation with the general economic situation (GDP trends). If it is true that in the years of relative recovery between 2006 and 2008 the number of entries is minor, than the peak in 2002 and 2004 appears to depend only in part on the general economic situation. Perhaps, the frequency of this phenomenon

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a Currently included in the so-called greylist are: A.S. Rome, Aedes, Bee Team (formerly Data Service), Biancamano, Bioera, Fullsix, Kinexia, Mediacontech, Risanamento, Snai, Stefanel.

b Enforcement actions lead to the satisfaction of their claims through the executive process that is aimed at the creditor’s satisfaction. The executive process presupposes the existence of a valid and enforceable order normally leading to forced expropriation.
in recent years, correlated to the ongoing crisis, most likely depends as well on the heightened sensitivity and attention of auditors and regulatory bodies.

![Comparison BL/GDP](image)

**Fig. 1.** Comparison between blacklist and GDP
Source: Data processed by the Author

### 6. Characteristics of blacklisted companies

Companies that have been blacklisted have very different sizes in terms of market capitalization and number of employees. There are companies with fewer than 10 employees and companies with over 19,000 employees. The majority (52.9%) is composed of companies with fewer than 500 employees; 18 with a number of employees between 500 and 1,000; 13 with a number of employees between 1,000 and 5,000 and only 4 with more than 5,000 employees. The average number of employees is 1,137, while the median is 317.

![Number of companies by number of employees](image)

**Fig. 2.** Number of companies by number of employees
Source: Data processed by the Author

Turnover also presents a high variance: we can see companies with a turnover of over EUR 3 billion (4) to companies that have a turnover of less than EUR 1 million. Companies between 500 million and 1 billion are 7; 27 are those between 100 million and 500 million, while the cluster of companies with turnover of less than EUR 100 million is the largest (41 companies).
The average turnover is about 285 million euro, while the median is about 80 million.

On the one hand, the data appear to be representative of the Italian state of affairs, composed as it is known by companies of smaller size, and on the other hand of the distribution of listed companies. No significant correlation seems instead to exist between the size and the probability of inclusion in the list.

6.1. Market capitalisation

Taking into consideration the average market cap of the last two years prior to delisting and the capitalization as of March 2013 of companies that are still listed\(^d\), there are 56 companies with a total market capitalization of EUR 3.1 billion and an average market capitalization of 56 million (median of 20 million). This constitutes evidence, in occupational, social and economic terms as well, of how relevant the impact of the state of difficulty of these companies is for Italy.

Companies that have exited the blacklist represent a total capitalization of EUR 1.7 billion and an average market capitalization of EUR 70 million (median of 35 million).\(^d\)

Once more, the dispersion of the phenomenon seems to suggest that there is no statistically significant correlation with the dimensional data. The only observation to be made is that the companies that are still listed and blacklisted are currently 31 with a total market capitalization of EUR 1.4 billion, an average market capitalization of 45 million euro and a median of 20 million. Data shows that companies that are currently blacklisted present a minor capitalization than those that have exited.

It seems we could assert that, in general, companies of greater dimensions are more likely to recover and exit the blacklist even if records appear to be insufficient to generalize.

With regard also to capitalization, this seems to depend on the performance of the company and not by its inclusion or not in the black list. Beyond the obvious observation that companies that have been removed from the black list because of the crisis go private with values close to the lowest, the market does not seem to respond significantly to

\(^d\) Of some companies that have been delisted it was not possible to recover data on average market capitalization at the exit time.

\(^d\) As for companies that have exited for an improved capital position, their average market capitalization is EUR 42 million and at the moment these companies are: Chl, S.S. Lazio, Snai, A.S. Roma, Ciccolella, Data service (Bee team), Nova RE, Schiapparelli (Kinexia), Fullsix e Bioera. With regard to companies that have exited the black list for reasons of deterioration in their capital position, the average capitalization limited to the data in our possession is EUR 19 million, thus considerably lower than the one of companies that had an improvement and that exited the blacklist. More specifically, among those suspended because of bankruptcy proceedings the average market capitalization is EUR 16 million: (Stayer, Viaggi del Ventaglio, Omnia network, Trevisan Cometal, Monti ascensori). Cases of extraordinary administration include Giacomelli sport group with a capitalization of EUR 50 million. Among companies that no longer had the listing requirements there are Ngp with a market capitalization of EUR 6 million and technology diffusion with a market capitalization of EUR 18 million.
the announcement of insertion among subjects particularly supervised by Consob. Perhaps, in a context like the Italian one, in the absence of a sufficient number of operators specifically interested in companies in crisis, the benefit determined by the availability of more frequent information does not compensate for the increased risk perception of the title.

The theme will still be the subject of future investigations.

6.2. Sector of activity

Many business sectors are represented. Of these, the main ones are: food, football, ceramics, chemicals, airlines, investment holding, real estate, information technology, manufacturing-fashion, metals, renewable energy, tourism.

A brief analysis of the different sectors can lead to some reflections on the impact of the economic trend on the crisis of surveyed companies. Here below a graph of sector turnover with base 100 in 2003 is presented.

Fig. 4. Economic trend of various sectors
Source: Data processed by the Author on the basis of Federalimentare, Figc, Confindustriaceramica, Federchimica, Istat, Scenariimmobiliari.it, Federmeccanica

Analysing the economic trend of football, food, ceramics, chemicals and airlines a negative trend will be noticed in the years in which some companies were placed in the black list. Again, there appears to be no correlation between the crisis of companies belonging to those sectors and the performance of the sector itself.

This is not true with regard to real estate, IT, textile and metallurgy, which have been strongly affected by the general economic crisis. Here most of companies have entered the black list from 2008 onwards.

Regarding renewable energy to which Elios holding (then Innotech), Kinexia, KR Energy, Kerself and Parma belong, another element that has likely contributed to the crisis can be found in the change of government incentives for energy production, considered by companies in developing their investment policy. In this case, some of the most financially unbalanced companies were those that enter into crisis.

7. Exit from the blacklist

Companies exit the blacklist mainly for 2 reasons:
- to improve their financial position;
- or to exit the stock market due to a worsening of the situation.
Delisting cases include:
- loss of listing requirements,
- bankruptcy or liquidation procedure, declaration of insolvency and extraordinary administration proceeding.

In other occasions, companies exit the stock market as a result of a takeover bid, but this possibility is more rare than the previous when analysing blacklisted companies.

Of the 41 out of 79 companies that exited the blacklist:
- 10 exited for improved financial situation;
- Gim and Smi have been incorporated into Intek;
- 4 (Garboli Conicos in 2007, IPI in 2009, Everel in 2010 and Socotherm in 2012) have been the subject of takeover bids.

The other did not go well:
- Cit (Italian tourism company) filed for insolvency in 2007;
- 12 companies went bankrupt: OpenGate in 2003, CTO, and Gandalf Stayer in 2004; Finpart in 2006 and Trevisan Cometal in 2010, Mariella Burani, Eutelia, Finarte-Semenzato and Viaggi del Ventaglio in 2011; Omnia Network and Monti Ascensori in 2012;
- Finmatica and Pagnossin have been put into liquidation respectively in 2005 and in 2009;
- 5 companies were admitted to extraordinary administration: Cirio and Giacomelli Sport Group in 2004, Olense and Arquati in 2005; Snia in 2010;
- Ngp and Tencodiffusione have lost the listing requirements in 2005, while Algol in 2006;
- Alitalia and Necchi exited the stock market as it was not possible to maintain a regular market position.

8. Analysis by period of inclusion in the blacklist

Excluding those still included, there are 40 companies which exited the blacklist as of March 2013.

It is noted that only a few have exited because they have improved their own economic and financial position in a stable way. Here below is the list in terms of duration.

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The theme of delisting has been the subject of several studies especially from the U.S., given the importance of the phenomenon in the U.S. since the 1990s (Opler, Titman, 1993) and in Europe since 1997 (Simons Tomes, Rennecorg, Luc, 2005; Sanger, Peterson, 1990; Renneboog, Simons, Wright, 2007). In Italy see Geranio, 2004; Geranio, Franzosi, 2007; Danovi, Bettinelli, Fabrizi, 2010; on various case studies see Halpern, Kieschnick, Rotenberg, 1999.

Under Italian law, listed shares may be delisted upon decision of the Italian Stock Exchange if and when the necessary listing requirements fail.

Extraordinary administration of large companies is an insolveney procedure, originally regulated by Legislative Decree 270/99 (so-called "Prodi Law") and subsequently by Decree 270/1999, Decree 347/2003, converted by Law 39/2004 and following amendments (so-called "Marzano Law") and finally, in 2008, by Decree 134/2008, converted into law 166/2008 (so-called "Alitalia Decree"). It has a conservative purpose with reference to the company’s assets. In addition to the broad available literature on the issue, see Floreani 1997 Bertoli, 2004; Danovi, Highlander, 2010; Danovi 2013 for an economic analysis.


Data were taken from the document annually issued by the Italian Stock Exchange, including all companies that exited the stock market since 1995 http://www.borsaitaliana.it/borsaitaliana/ufficio-stampa/dati-storici/revocheapr2011.pdf
Table 1. Companies that exited the blacklist

<table>
<thead>
<tr>
<th>Entry</th>
<th>Exit</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finarte-Semenzato</td>
<td>2004 aug-11</td>
<td>92</td>
</tr>
<tr>
<td>SS Lazio</td>
<td>nov-02 ; jun-06</td>
<td>aug-09</td>
</tr>
<tr>
<td>Viaggi del Ventaglio</td>
<td>feb-05</td>
<td>oct-11</td>
</tr>
<tr>
<td>A.S. Roma (grey)</td>
<td>oct-03</td>
<td>aug-09</td>
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<tr>
<td>Pagnossin</td>
<td>jun-04</td>
<td>sep-09</td>
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<tr>
<td>Richard Ginori</td>
<td>jul-04</td>
<td>aug-09</td>
</tr>
<tr>
<td>Alitalia</td>
<td>jun-04 , jan-07</td>
<td>mar-09</td>
</tr>
<tr>
<td>Chl</td>
<td>nov-02</td>
<td>jun-07</td>
</tr>
<tr>
<td>Data Service (BEE Team)</td>
<td>nov-06</td>
<td>oct-10</td>
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<tr>
<td>Snia</td>
<td>aug-07</td>
<td>dec-10</td>
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<tr>
<td>Everel</td>
<td>aug-07</td>
<td>oct-10</td>
</tr>
<tr>
<td>Olcese</td>
<td>nov-02</td>
<td>dec-05</td>
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<tr>
<td>Fullsix</td>
<td>may-08</td>
<td>jun-11</td>
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<tr>
<td>Arquati</td>
<td>nov-02</td>
<td>nov-05</td>
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<tr>
<td>Omnia Network (Seteco)</td>
<td>aug-09</td>
<td>jun-12</td>
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<tr>
<td>Finpart</td>
<td>may-03</td>
<td>jan-06</td>
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<tr>
<td>Tecnodiffusione</td>
<td>may-03</td>
<td>jul-05</td>
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<tr>
<td>Cit (compagnia italiana turismo)</td>
<td>jan-05</td>
<td>mar-07</td>
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<tr>
<td>Ipi</td>
<td>jun-07</td>
<td>aug-09</td>
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<tr>
<td>Eutelia</td>
<td>aug-09</td>
<td>oct-11</td>
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<tr>
<td>Bioera</td>
<td>apr-10</td>
<td>jun-12</td>
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<tr>
<td>Gin (Kme) intek</td>
<td>2004</td>
<td>nov-06</td>
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<tr>
<td>Smi (Kme) intek</td>
<td>2004</td>
<td>nov-06</td>
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<tr>
<td>Snai</td>
<td>nov-02</td>
<td>sep-04</td>
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<tr>
<td>Cirio Finanziaria</td>
<td>nov-02</td>
<td>aug-04</td>
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<tr>
<td>Ciccolella</td>
<td>may-06</td>
<td>jan-08</td>
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<tr>
<td>Mariella Burani FG</td>
<td>aug-09</td>
<td>mar-11</td>
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<tr>
<td>Ngp</td>
<td>jun-04</td>
<td>dec-05</td>
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<tr>
<td>Garboli Conicos</td>
<td>jan-06</td>
<td>jun-07</td>
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<tr>
<td>Gandalf</td>
<td>nov-02</td>
<td>mar-04</td>
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<tr>
<td>Nova RE</td>
<td>apr-08</td>
<td>aug-09</td>
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<tr>
<td>Schiapparelli (Kinexia)</td>
<td>apr-08</td>
<td>aug-09</td>
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<tr>
<td>Algol</td>
<td>jun-05</td>
<td>sep-06</td>
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<tr>
<td>Opengate</td>
<td>nov-02</td>
<td>dec-03</td>
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<tr>
<td>Stayer</td>
<td>apr-03</td>
<td>apr-04</td>
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<tr>
<td>Cto</td>
<td>2003</td>
<td>dec-04</td>
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<tr>
<td>Finmatica</td>
<td>jun-04</td>
<td>may-05</td>
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<tr>
<td>Trevisan Cometal</td>
<td>aug-09</td>
<td>jun-10</td>
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<tr>
<td>Giacomelli sport group</td>
<td>jul-03</td>
<td>may-04</td>
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<tr>
<td>Monti ascensori</td>
<td>jun-11</td>
<td>jan-12</td>
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</table>

Source: Data processed by the Author

Finarte-Semenzato is the company which was included in the blacklist for the longest period, that is to say 92 months.

Some have been blacklisted for less than a year as Monti Ascensori or Giacomelli Sport that have been included in the list for 8-9 months, before being placed under special administration.

However, the average length of stay in the blacklist is 32.35 months, the median (most significant) is 26 months, hence about 2 years. An interesting fact is that companies that remained in the blacklist less than a year all went bankrupt, which suggests that it might be appropriate to start monitoring them earlier. On the contrary, those that have exited the blacklist due to an improvement in their capital position remained there for more than a year.
9. Analysis for variables, statistical significance and reproducibility of sample

Given three variables observed in the sample, Revenue, Number of Employees and Market Capitalisation, we posed the question of whether the binary outcome (favourable or unfavourable) of the permanence in the black list was related to a particular configuration of the variables themselves.

Following an objective criterion, of the overall 79 events those for which one of the variables (Outcome, Revenue, Number of Employees and Market Capitalisation) was not available (NA) have been eliminated. It was decided not to operate interpolations for the missing variables at the expense of the sample size in order not to introduce bias in the selection. The result was a sample of 18 observations.

Regarding the correlation between the variables of the sample, we could observe among companies in blacklist a high correlation (0.7544) between Revenue and Number of Employees, an average correlation (0.4851) between Market Capitalisation and Revenue, and nearly the absence of correlation (0.1445) between Number of Employees and Market Capitalisation. Due to these inhomogeneous correlations among the variables, we analysed whether these were able to discriminate, therefore predicting the favourable (BIN=1) or unfavourable (BIN=0) outcome of the procedure.

For this purpose we applied a Linear Discriminant Analysis of the binary outcome BIN(0,1) after checking the normality of the distribution of the variables of the sample. The resulting discriminant function \( f(X=x) = -0.0006589 \times \text{Employees} - 0.0022781 \times \text{Revenues} + 0.0411477 \times \text{Market Capitalization} \) presents negative discrimination coefficients for Number of Employees and Revenues, and positive discrimination coefficients for Market Capitalization.

In the examined sample, the favorable outcome of the procedure is associated with a reduced Number of Employees (392 vs. 895), lower Revenue (154.4 vs. 205.4) and higher Market Capitalization (47.91 vs. 21.86).

Through an exam of false positives and false negatives, the discriminant function correctly identifies the outcome in 83% of cases, that is to say in 15 cases out of 18 (unfavourable in 6 out of 8 cases and favourable in 9 cases out of 10), with 1 false positive and 2 false negatives.

In summary, it seems that outcome of the sample analysis can be extended to the entire population. Market Capitalization is a better indicator of the likelihood of a favourable outcome of the procedure compared to other indicators such as Revenue and Number of Employees.

Future analyses should expand the number of variables and coefficients of discrimination as to include balance sheet ratios that would allow a more analytical and less synthetic (Market Capitalization) analysis of the variables associated with a favourable outcome of the procedure.

10. Conclusions

The blacklist is certainly helpful in terms of transparency of the financial market. Investors should, in fact, be able to rely on timely information, especially on the part of those who find themselves in higher risk situations.

Among the 79 companies that entered the blacklist in the 10 years between 2002 and 2013, only 10 (13%), currently still listed, exited because of an improvement of their financial situation. The others had a different fate: some are still blacklisted (35), others have been delisted, others have been incorporated, others went bankrupt or were put into liquidation.

Since companies that entered the blacklist have almost always gone bankrupt, suffering and having investors suffer heavy losses, it is clear that a functioning and well-managed control system is critical to the protection of savings.

The development of new categories of investors interested in the companies involved in the crisis, requires the availability of financial data on which to base investment strategies.

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1 Literature on venture capital seems more detailed than the specific one on professionals interested in crisis situations (so-called vulture funds). Among the few contributions there are Hotchkiss, Mooradian, 1997; Rosenberg, 2000; Gilson 2001; Feder Lagrange, 2002 and Italy Perrini, 1997; Danovi, 2001; Danovi, Tanteri, 2008. Even in recent years, despite the plethora of news in newspapers consequent to funds economic initiatives, only few academic interventions has been formulated, Altman, Hotchkiss, 2006; Kutcher, Meitner, 2006 (with reference to the German market), Krasoff, O‘Neill, 2006, leaving much of the current systematic writings dating back to the 1990s. See Cotter, Peck, 2001 for the structure of debt in investment strategies of specialized operators.
Consob asks that blacklisted companies communicate monthly information on economic situation, deviations from the budget, net cash/debt position, credit lines, cross defaults and covenants, which are useful for investors to monitor the company’s trend.

De jure condendo it may be useful to complement the monthly information with more income data, even if the survey period is for many companies perhaps too short to be meaningful. A further option would be the inclusion in blacklist based on other parameters, since the current system includes only those companies that have had losses of more than one third of their assets or have had a negative opinion from the auditing firm, regardless of sector or reference context.

Similarly, it might be positive to expand the categories of subjects who are obliged to provide monthly information as to give greater weight to the instrument. It would be, for example, effective for companies to be subject to periodic reporting requirements as soon as they have been listed in order to monitor their economic and financial situation in the listing early years. It is not uncommon for listed companies to lose part of their market capitalization in the months following the IPO at the expense of minority shareholders.

It has also been questioned whether a company’s entry into and exit from the blacklist could be related to an increase or a decrease in its stock value but the answer is negative, perhaps because the blacklist instrument does not affect the market enough or maybe for the already mentioned features of the Italian market.

As already stated, the present contribution is a preliminary work, with more descriptive than analytical purposes and should therefore be considered prodromal to future investigations in which to more fully investigate the correlations between the variables involved and deepen the financial statements analysis in terms of prediction of insolvency, with obvious managerial effects. Moreover, given that companies in blacklist tend to have a reduced period of quotation, it might also be interesting to investigate whether there has been an improper access to the market. A final observation concerns the lack of availability of the blacklist itself. It seems a contradiction that Consob requires companies in crisis to provide regular information so that investors are protected from bankruptcy or losses having information on a monthly basis, but do not advertise this list of issuing companies at risk. Even within the Consob website "the list of issuing companies subject to requirements of periodic information dissemination" is not easy to find.

It is clear that entering the Consob blacklist has negative consequences for an issuer as its image might be damaged as well as because of the higher costs of providing monthly information, but major visibility would likely increase market transparency. As already mentioned, the trade-off is between value and cost of information.

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