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Distress Investing in Italy: A Practical Comparison of Turnaround Strategies and Post-Restructuring Performance – Evidence from Oxy Capital and Pillarstone

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CHAPTER 1: Theoretical Framework of Turnaround Investing

Financial Distress and Corporate Crisis

Financial distress refers to the situation where a company has troubles with fulfilling its financial obligations, especially the servicing of debt, but it has not been involved in the process of filing for bankruptcy. It serves as a midpoint stage between financial soundness and insolvency, which involves deterioration in firm's performance and financial problems.

According to Asquith, Gertner, and Scharfstein (1994), financially distressed firms take proactive steps to prevent filing for bankruptcy and adopt certain restructuring strategies. These include selling assets, cutting down investments, reducing labor force, and restructuring liabilities. All this shows that financial distress is a dynamic process and involves certain firm's activities directed at overcoming the financial difficulties.

Financial distress is closely related to corporate crisis, but the two concepts are not identical. Financial distress primarily concerns a firm’s ability to meet its financial obligations, while corporate crisis is a broader condition that may also involve operational inefficiencies, weak competitive positioning, poor managerial decisions, or unfavorable industry conditions. Financial distress can therefore be viewed as one dimension of a broader corporate crisis. At the same time, financial difficulties may intensify existing operational and strategic problems, causing the overall crisis to become more severe.

Research results show that financial distress has a very important impact on firm's performance. Opler and Titman (1994) argue that overleveraged firms face serious declines in market share and firm's equity during the period of economic decline of an industry. More levered firms perform worse than less levered firms, which shows that indirect costs of financial distress are very significant. They can be connected with weaker customer relations, suppliers and employees' relations and strategic disadvantages relative to other competitors.

The literature also highlights that financial distress is not only a consequence of poor performance but can further exacerbate a firm’s decline. For instance, distressed firms may be forced to cut investment and sell valuable assets, potentially undermining long-term growth prospects. This feedback loop reinforces the transition from financial distress to a broader corporate crisis.

From a theoretical perspective, financial distress plays a crucial role in corporate finance, particularly in the context of capital structure decisions. The possibility of distress introduces both direct costs (e.g., legal and administrative costs of bankruptcy) and indirect costs (e.g., loss of customers or market share), which firms must consider when determining optimal leverage levels.

Overall, financial distress should be understood as a multifaceted and evolving condition that can significantly impact firm performance and strategic decision-making. Its interaction with corporate crisis highlights the importance of early detection and effective management to preserve firm value and avoid bankruptcy.

Evolution of Corporate Crisis

The occurrence of corporate crisis is more often than not instantaneous but the result of a prolonged period of decline in the financial and operational performance of an organization. The process of corporate crisis can therefore be viewed as a process that unfolds over a period of time and involves various stages ranging from the emergence of early warning signals all the way to financial distress and even bankruptcy in the case of mismanagement.

The early stages may involve reduced profitability and operational efficiency, arising from internal inefficiencies or from unfavorable external factors such as increased competition or economic recessions. During this stage, the problems experienced by organizations can still be easily resolved and would not manifest themselves in the organization's financial position. If, however, the organization continues to experience such problems, then the organization will start experiencing problems with its cash flows and ability to maintain business activities.

In this state, organizations tend to experience increased leverage, reduced liquidity and problems meeting their financial obligations. According to Asquith et al. (1994), during this stage, organizations tend to resort to restructuring measures such as selling off assets, reducing investment and renegotiating debts.

However, in cases where these corrective actions fail to achieve their intended goals, the company moves on to a worse stage of financial distress. Here, negative impacts start to show themselves in not just internal processes but external relations as well. According to Opler & Titman (1994), companies in financial distress are bound to suffer from loss of market share and a reduction in firm values, especially during times when there is an industry-wide downturn.

Moreover, the path of corporate crises will be made even stronger by feedback mechanisms. This means that poor performance might reduce the availability of external funding for the company. In turn, this limits the ability of the company to invest. Moreover, stakeholders like suppliers, customers, and employees will lack trust in the company and make matters worse for them.

At this last stage, the company may face the problem of insolvency and eventually may have to go bankrupt due to the lack of successful recovery actions. It should, however, be noted that not all companies develop in the same way, and the speed and intensity of the development of the crisis process may differ greatly depending on the particular features of the firm.

Overall, the process of development of corporate crisis can be seen as a gradual one, where initial difficulties faced by the company may lead to its financial problems and finally – to the bankruptcy. Understanding this process is important for identifying early signs of trouble and taking corrective actions.

Early Warning Indicators of Distress

Financial distress indicators have been well researched in the literature because they serve as crucial tools that enable companies to identify firms that are on the brink of failure and need to be intervened before bankruptcy. Over time, these indicators have evolved from being simple univariate ratio analysis to more advanced multivariate and probabilistic models.

A pioneering attempt to predict the likelihood of corporate failure was made by Beaver (1966) who developed the concept of using financial ratios for prediction purposes. Failure according to Beaver is the failure of a business entity to meet its financial commitments that may include bankruptcy, bond default, and lack of payment of dividend. In his analysis, Beaver uses univariate analysis to find out how well each of the financial ratios can predict failure. According to his findings, some of the ratios have strong predictive power several years before failure, emphasizing the information contained in the accounting data.

In further developments, Altman (1968) developed the Z-score model, which is an important step forward because the Z-score uses multiple financial ratios in a discriminant function. Using multiple ratios means that all the aspects of financial performance can be analyzed in one attempt – liquidity, profitability, leverage, and efficiency, hence improving the predictive power of the model. For this reason, the Z-score model is one of the most popular early warning systems.

However, there have been concerns about accounting models being dependent on historical financial data. Historical data might be reflective of the past performance of the company and might fail to incorporate future expectations. To overcome this problem, Ohlson (1980) developed a model that is based on a probabilistic method which utilizes logistic regression and therefore makes it possible to estimate the probability of bankruptcy directly. Compared with discriminant-analysis models, Ohlson's logit approach relaxes some of the more restrictive distributional assumptions and expresses distress likelihood directly in probabilistic terms. In addition to that, this model highlights the factors that cause financial distress such as firm size, capital structure, performance, and liquidity.

Recent studies suggest that it is important to include market information in predicting bankruptcy of companies. Hillegeist et al. (2004) argue that traditional accounting models may not have much predictive ability because they do not take into account market expectations and uncertainty about assets. Hillegeist et al. develop a structural model based on option pricing theory where the equity of the firm is considered a call option on its assets.

Recent studies in this area include the development of methodologies related to machine learning techniques, which become possible due to the improvement of computational methodologies. For instance, according to the study by Jones et al. (2017), several models such as logistic regression, neural networks, support vector machines, and ensemble methods were evaluated. The results show that modern classifiers usually demonstrate better predictive power, even though conventional models are also quite effective because of their simplicity and interpretability.

A clear trend can be observed throughout the studies of early warning signs of financial distress. Initially, research used rather simple ratios to predict bankruptcy, but later probabilistic, market-based and machine learning methodologies became available, providing enhanced predictive power. Thus, for instance, the seminal works by Beaver (1966) and Altman (1968) demonstrated that accounting variables play the key role in this process.

From Crisis to Turnaround (Decision Point)

The shift from financial distress into turnaround becomes a pivotal moment when companies need to make a decision about whether it is possible to save themselves from insolvency via restructuring or if liquidation becomes the most rational option for them. The decision is quite difficult to make and depends on the financial state, operational possibilities, and institutional environment of firms.

One of the major aspects that influence this decision is capital structure of firms and its ability to negotiate the debt repayment terms. According to Gilson (1997), the transaction cost aspect becomes very important for the process of restructuring. In cases when the company tries to undertake private debt restructuring, the high cost of coordinating creditors becomes a limitation for debt forgiveness. Therefore, the company can be highly levered and become prone to financial distress in the future. However, using Chapter 11 bankruptcy processes reduces transaction costs and helps to get the opportunity to change capital structure of companies.

Still, even if there are opportunities for restructuring, it does not mean that the firm will recover successfully. Hotchkiss (1995) proves that the majority of firms that have undergone bankruptcy process have low profitability in the following years. So, more than 40% of companies suffer from operating loss after reorganization and a lot of companies enter financial distress again or face restructuring.

Strategically speaking, implementing a turnaround will involve identifying the possibilities for recovery. Based on the literature regarding turnarounds, it involves making a distinction between financial difficulties and structural decline. Temporary financial difficulties would need financial restructuring while persistent operational inefficiency may require more drastic strategic solutions or even liquidation in some instances.

Furthermore, the decision-making point is when the process of turnaround is initiated. Literature defines turnaround as a series of steps that are first to stabilize then recover and grow. The first step focuses on stopping decline via reducing costs, selling assets, and improving liquidity while the next steps would be aimed at recovering profitability and competitiveness.

The process of moving from a crisis to turnaround involves an inherent trade-off between continuation and exit. While restructuring might save the firm from being liquidated and preserving its value, it might result in prolonged inefficiencies if the fundamental issues are not fixed. Therefore, decision-making is vital at this stage as it significantly impacts the chances of success of the turnaround.

Stages of the Turnaround Process

The turnaround process is a well-defined series of actions as opposed to one single event through which a troubled company tries to achieve financial stability and improve performance. Turnaround is conceptualized as a series of events by academic literature; however, there is no agreement on the number and definition of these events.

One such well-supported theory defines two main stages of a turnaround process: retrenchment and recovery. Retrenchment is essentially the response to a crisis, which entails efforts to stop deterioration and stabilize the firm. During this phase, companies focus on reducing costs, selling off assets, and increasing liquidity in order to sustain themselves. As mentioned above, retrenchment is the key to a successful turnaround as firms need to be stable first in order to grow later.

After the stabilization of the firm, the recovery phase follows. Recovery involves taking actions and implementing strategies in order to restore profitability and competitive advantage. This may include investment in core business operations, organizational restructuring, and market repositioning among others. Unlike retrenchment, recovery is a more pro-active stage of the process.

The recent development of the framework further incorporates other elements and places special emphasis on the dynamism of the turnaround process. General frameworks define the turnaround process as a combination of decline and recovery processes. In addition, it stresses the importance of the fact that any turnaround action can be classified as financial, operational, or strategic and perform different functions at certain stages.

Importantly, the success of each stage is contingent upon timing and proper sequencing. In particular, early action is critical since the delay may decrease the possibility of recovery. Moreover, it is important to properly manage the transition from retrenchment to recovery since premature growth before gaining financial stability may cause more distress, and excessive cost reductions may harm the future competitive position.

Additionally, the turnaround process is also determined by contextual considerations such as industry, firm-level and governance related issues. Decisions made by managers, creditors and external considerations all work together in affecting the evolution of firms in moving from one stage to another. As such, even though the retrenchment-recovery model provides an excellent theoretical basis, it must be noted that in practice turnaround processes often have overlapping stages.

In conclusion, the staged approach to turnaround highlights the fact that successful turnaround is not only about taking corrective action but also implementing strategic renewal. It is firms that successfully combine both that will succeed in achieving improved performance without the likelihood of future financial problems.

Turnaround Strategies and Value Creation

Turnaround strategy is defined as a set of activities aimed at restoring business performance and reversing financial and operational declines. It is common practice that, in an environment of corporate distress, turnaround strategies tend to be multidimensional, combining financial and operational measures. As is highlighted in the literature, restructuring is much more than one single act – it is about reconfiguring the firm's assets, capital structure, and organizational process.

Corporate restructuring may be divided into such categories as financial restructuring, operational restructuring, and portfolio restructuring. All of the aforementioned types of restructuring are often interconnected and are decisive for the success of turnaround efforts. Restructuring implies changes in capital structure, asset disposal, and organizational restructuring in order to make the firm efficient and improve its value.

The primary goal of any turnaround strategy is value creation. Value may be created by different means such as improvement of operating efficiency, better resource management, decrease of agency costs, and improved capital structure. At the same time, it should be noted that the restructuring process is quite complicated and associated with risks.

Financial Restructuring

Financial restructuring represents an important aspect of turnaround activities, focused on the improvement of the capital structure and liquidity status of the company. Usually, it involves such actions as debt reorganization, raising capital via equity injections, asset divestments, and changes in financing schemes.

One of the major ways of implementing financial restructuring is the reduction or restructuring of debts. Financially distressed firms usually suffer from high debts and poor liquidity conditions, limiting their strategic options. Through debt restructuring or bankruptcy, a company can reduce its financial problems and stabilize operations.

Moreover, academic literature highlights the disciplinary effect of leverage. High level of debts forces managers to focus on the core activities and avoid unprofitable investments. The leverage-based restructuring activities, such as management buyouts and recapitalization, were widely used for restructuring purposes. These actions provide incentives for improving operational discipline of the company.

On the other hand, there are tradeoffs associated with financial restructuring. Financial leveraging may have negative impacts on long-term investment opportunities, especially in terms of R&D. Research shows that although R&D spending reduces after leveraged buyouts, overall performance of the business will be improved through financial restructuring and strategic efficiencies.

Additionally, transaction costs and institutions play an important role in determining the outcomes of financial restructuring. This is because systems like Chapter 11 bankruptcy allow the firm more scope for contract renegotiation and restructuring.

Operational Restructuring

Operational restructuring is another element of a turnaround program which functions as a complement to financial restructuring by focusing on addressing inefficiencies inherent in the firm's core business processes. Operational restructuring refers to efforts undertaken by organizations aimed at making them more productive, efficient and effective.

Retrenchment is one of the most common early-stage elements of operational restructuring that involves efforts aimed at cutting down the costs through various means like downsizing, trimming away of unprofitable units and reducing overhead costs. This step is especially important for an early-stage turnaround because of the possibility of quick impact on cash flow and stabilization of financial situation.

In addition to cost cutting, operational restructuring may involve other strategic actions like process improvement, organization of business units and improvement of supply chain management. Companies can conduct portfolio restructuring by selling off non-core assets and concentrating efforts on areas where they have competitive advantages.

It should be noted that organizational restructuring plays a crucial role in turnaround as changes in organizational structure, management and governance systems can lead to better efficiency in decision-making and implementation of new strategies. However, at the same time the literature stresses that this type of changes might be disruptive for the short period of time with negative consequences for organizational behavior.

Despite these threats, evidence suggests that operational restructuring is very beneficial for firm's performance if conducted as a part of comprehensive turnaround program. Successful adjustment to environment changes leads to better outcomes.

Role of Investors in Turnaround

Investors play a significant role in the turnaround process of financially distressed organizations, impacting not only their financial resource acquisition but also strategy and governance during this period. In situations of financial distress, the center of power inside the organization may change; therefore, investors, including creditors and large shareholders, become important players who are able to affect turnaround outcomes.

It is usually the creditors who have the highest level of influence among other interested parties in cases of financial distress due to the legal rights they possess regarding the organization's assets and its flows of cash. When the organization faces the state of distress, it becomes possible for creditors to tighten covenants, renegotiate loan agreements, or even take part in restructuring talks. During the formal process of restructuring when bankruptcy is involved, creditors tend to receive considerable control rights and have a crucial role in the approval of the restructuring plans. The participation of creditors ensures the presence of financial discipline, limits management discretion, and focuses the organization on its core activities.

Another group of investors who can impact turnaround is large and institutional shareholders. Due to the concentrated structure of ownership, they have the opportunity to force management to undertake restructuring initiatives, remove poorly performing managers from positions, and implement more effective strategy. Studies prove that companies with strong blockholders are more likely to undergo restructuring, including downsizing and refocus.

Apart from the known stakeholders, the turnaround situation also tends to draw in new investors, such as private equity firms and distressed debt funds. These investors provide new sources of money necessary for ensuring stability and implementing the restructuring. In most cases, they tend to be actively involved in the turnaround strategy implementation, providing management and strategic know-how. Financing methods, such as DIP (debtor in possession), demonstrate the relevance of involvement of investors, as they allow maintaining liquidity of firms through the process of restructuring.

The interaction of different types of investors poses both threats and benefits. The involvement of investors allows increasing the effectiveness of turnaround strategy through improving governance and obtaining capital, as well as imposing strategic disciplines. At the same time, the conflict of interests may occur between creditors and owners due to different risks and value claims.

Ultimately, the success of a turnaround depends on the alignment of incentives among investors and the firm’s management. When coordination is achieved, investors can play a constructive role in supporting value-enhancing strategies, including financial restructuring, operational improvements, and strategic repositioning. Conversely, misalignment and lack of cooperation among stakeholders may prolong financial distress or result in liquidation.

Exit in Turnaround Investing

Definition of Exit

For turnaround investments, the exit is considered to be the final phase in the investment cycle where the investors harvest the benefits of the turnaround process. While traditional investments benefit from cash flows, turnaround investments follow an entry – intervention – exit approach, with exit being the stage where investors receive returns on their investment through their ownership interests, thus marking gains or losses.

From a valuation perspective, the exit phase is highly connected with the realization of the intrinsic value of a business. The corporate finance theory suggests that the intrinsic value of a company is the present value of expected future cash flows of the business adjusted for risk. In case of distressed firms, the initial value is lower due to inefficient operation, lack of financial resources, and poor performance on the market. Turnaround investments aim to improve future cash flows of the company and increase its value before the exit phase.

The exit phase is not considered to be a result of turnaround investments and private equity investment but rather a part of the investment strategy. For example, a private equity fund has a finite life, thus investors are obliged to plan their exit phase and exit within a certain time period – between 5 to 10 years.

Exit Strategies

Turnaround investors implement a range of exit methods depending on the performance of the firm, industry environment, and capital market conditions. The primary exit methods include trade sale, secondary buyout, initial public offering (IPO), and sometimes the sale of assets or liquidation.

Trade sale involves selling off the restructured firm to an acquirer who is often part of the same industry as the firm. This strategy proves quite effective in situations where the firm's operations have enhanced synergies or improved its market position, making the firm more valuable to industry competitors.

Secondary buyout takes place where the firm is sold to another private equity firm. This occurs in cases where there is room for creating additional value or where the present investor wants to leave but pass on the restructuring momentum to another sponsor.

An Initial Public Offering (IPO) is considered a key exit strategy in that the business becomes publicly held through listing on a stock market. IPOs are generally used when the firm is financially stable enough and has growth potential as well as transparency to allow public investors to invest into the business. In this way, the strategy will enable investors to capture their value especially if the market conditions are favorable.

Further, investors can use recapitalization as an exit strategy such as through dividends recap where investors use the debt to withdraw from the business before exiting the firm. Though this is not considered a full exit, the approach will facilitate partial capturing of the value.

Choice of an exit strategy is closely related to the whole private equity model since the model utilizes active governance, financial leverage, and performance incentives to increase the value of the business before its exit.

Exit Outcomes: Success, Failure, and Liquidation

The results of exits in turnaround investing may be consistently classified in terms of success, partially successful exit, and failure depending on the extent of created and realized value. The successful exit refers to the situation when restructuring leads to a considerable improvement in company performance, allowing the investor to leave the project at significantly higher valuations compared to initial investments. Such an outcome is usually related to restored profitability, improved capital structure, and competitive position that enables investors to realize all benefits from value creation within the framework of turnaround.

A partial or restricted exit may occur if a firm does not recover and grow successfully but stabilizes at certain level. In such cases, the investors may achieve positive profits but less than expected due to the existence of external factors like unfavorable market conditions and industry's stagnation.

At the same time, a failed exit is possible if turnaround operations do not result in the restoration of company's viability. In this case, the investors may experience some losses, and the exit may be performed through the process of distressed sale or restructuring. If recovery is impossible, liquidation will become the ultimate step and include selling of the assets of the firm for the compensation of creditors' claims. Liquidation is the lowest-valued exit option because assets are often sold at prices lower than going concern value.

Thus, it is worth noting that these three categories illustrate the essential risk inherent to turnaround investing. Even though there is a potential for creating value, the risk of failure should also be taken into consideration as a factor affecting the outcome of turnaround operations.

Measuring Turnaround Success

Turnaround definition and measurement represent one of the major issues within the literature on restructuring as firms created through distress may follow different paths after their recovery process. While short-term stability may prevent a firm from liquidation, a consensus among the scholars states that simple survival is not enough for successful turnaround. Therefore, a more complex approach should be employed in order to assess if a turnaround has been successfully completed.

Initial literature distinguishes between different post-distress scenarios, such as bankruptcy, survival and sustained recovery (Pearce and Robbins, 1993). Only the last case represents an example of successful turnaround since it presupposes the return to competitive and financially sound position of a firm. Empirical studies confirm this classification showing that companies that emerged from financial distress tend to perform worse compared to industry average despite the fact that they did not go bankrupt (Hotchkiss, 1995).

Turnaround from an operational and strategic perspective depends largely on the ability of the organization to implement retrenchment and recovery measures. Retrenchment activities including cuts in costs, disposal of assets, and staff layoffs are usually required to put the organization in a position of stabilization in the short run (Robbins and Pearce, 1992). However, by themselves, these measures do not guarantee success in the future. Strategic repositioning which includes changes in competitive strategy, resource deployment, and market positioning is emphasized as essential in the existing literature (Hoffman, 1989). It should be pointed out that there is a great diversity of cases when firms require strategic transformation, meaning that the process of turnaround has to be context-specific and therefore cannot be described in one universal model (Barker and Duhaime, 1997).

Apart from operational restructuring, financial performance becomes another important factor to consider in evaluating the success of the process of turnaround. Traditional accounting metrics, such as profitability, return on assets, and cash flow performance can provide relevant information about short-term recovery. However, they might not reflect value creation, especially in the case of complex restructuring.

This is especially true in private equity–led turnarounds, where success is largely judged from the viewpoint of the investors. In such a setting, performance is usually measured using measures like internal rate of return (IRR) and multiple of invested capital. It has been shown empirically that private equity returns are, on average, fairly close to their respective benchmarks on the public markets, although there is significant heterogeneity among funds (Kaplan and Schoar, 2005). Besides, there is also some evidence of performance persistence, whereby some investors tend to perform better than other investors at all times, due to differences in skills and value-creating abilities.

Another key finding from the private equity model is related to the understanding of how a successful turnaround can be achieved. Here, private equity firms change the target companies in a variety of ways by virtue of ownership concentration, corporate governance improvements, and powerful incentives for managers (Kaplan and Strömberg, 2009). The combination of all of these governance tools together with financial leverage and restructuring of operations leads to very clear alignment between managers' actions and value creation goals. Thus, success in such cases is also marked by superior returns on exit.

Overall, the literature review shows that turnaround success can be measured using three dimensions that are mutually interlinked: (i) survival/viability, (ii) improvement/development, and (iii) value creation for the investors. A narrow focus on any single aspect produces an incomplete and, in some sense, misleading approach. In turn, it is imperative to develop an assessment framework which would combine accounting, strategic and market approaches to measure the complex nature of turnaround process. The multidimensional approach will be relevant to the empirical framework discussed in the next chapters where the outcome of the turnarounds is analyzed both from the point of view of survival/improvement and value creation.

These three broad dimensions provide the conceptual basis for the more detailed five-dimensional outcome framework developed in Chapter 2, which distinguishes stabilization, operating recovery, organic deleveraging, durability, and exit or value realization.

CHAPTER 2: Analytical Framework and Financial Indicators

Approaches to Predicting Financial Distress

The prediction of financial distress has been at the heart of finance and accounting, due to the fact that the cost of failure occurs far before insolvency takes place. Suppliers have shorter payment periods, lending institutions reduce the level of credit, employees and customers have less willingness to commit to the firm, and the management team can postpone investment or take risks. Thus, a good analytical model should not only detect the problem at an early stage but separate prediction from explanation. A ranking system that orders companies by the likelihood of default does not explain the reasons of successful restructuring process, the reasons of subsequent failure, or the reasons of value realization for the investor.

It lies in the foundation of the entire thesis. The main research question that needs answering is "How and under what circumstances do different turnarounds result in various outcomes of financially distressed firms – full recovery or value creation, partial restructuring, or controlled liquidation?" The analytical subject of the research is not a bankruptcy prediction for one period of time. It is the whole process of decline, distress, investors' involvement, interventions in the finances and operations, performance after restructuring, and eventual resolution. Distress prediction models still remain useful in the way that they arrange the warning signs which occurred before the intervention.

The five cases—Sirti, Premuda, M Stretch, Stefanel, and Ferroli—are faced with practical limitations. Each is operating within its own industry, uses different accounting representations, and there is no available historical information over a similar time period from a listed market. Some are no longer publicly traded, have been delisted, changed their perimeter or gone through some formal process. Using just one probability of default estimate in a simplistic way would lead to a misunderstanding of similarity. Therefore, the chapter focuses on evaluating three different families of distress prediction models, understanding what information each of them brings and setting up a case study method for the future.

Accounting-Based Models

The accounting approach assumes that symptoms of financial distress will appear on the income statement, balance sheet, and statement of cash flows before any failure occurs. The biggest strength of this model is its availability; audited financial statements are readily available not only for public but also for private firms and may be prepared for very long time periods. The main limitation concerns timing and measurement: annual statements have a retrospective nature and are prepared several months after the reporting date and also depend much on accounting decisions made by the firm.

Univariate ratio analysis: Beaver (1966)

Beaver (1966) offered pioneering systematic evidence that various financial ratios individually distinguish failed firms from non-failed firms over multiple years prior to failure. The univariate framework ensures deliberate clarity in that each ratio is evaluated separately, thus giving the analyst an ability to isolate the particular economic variable that shows deterioration. In the Beaver sample, the cash flow-to-debt ratio turned out to be especially valuable since it bridged the stock of liabilities with internal resources to service them. This insight retains relevance for turnaround analysis. A company may show positive EBITDA while simultaneously being faced with the outflow of cash through its working capital, capital spending, interest payments, taxes, and lease payments; hence, the ability to generate cash relative to liabilities is more informative than a simple earnings indicator.

The main families of ratios used in this thesis include liquidity ratios, profitability ratios, leverage ratios, cash generation ratios, and asset management ratios. Any one ratio alone will not suffice. A low current ratio may be common in companies with high turnover of inventory and good payment terms with suppliers, while the same ratio may be crucial in

case of a project-oriented company with delayed receipts from customers. Conversely, high debt ratios may be sustainable in case of steady cash flows but may prove dangerous in case of cyclical earnings, volatile asset valuations, or high maturities in the immediate future.

Table 2.1. Core accounting indicators used as early-warning signals

Dimension	Illustrative measure	Economic reading	Main caveat
Liquidity	Current assets / current liabilities; cash / short-term debt	Capacity to meet near-term obligations without refinancing or forced sales	Working-capital seasonality and factoring can distort the snapshot
Profitability	EBITDA margin; EBIT margin; ROA	Operating economics before and after depreciation and capital intensity	One-off items and management-adjusted definitions reduce comparability
Leverage	Net debt / EBITDA; debt / assets; equity ratio	Debt-service burden and loss-absorption capacity	Ratios are not meaningful with negative EBITDA; lease and SFP treatment varies
Cash generation	Operating cash flow / debt; free cash flow	Ability to fund debt service and investment internally	Working-capital releases may be temporary; maintenance capex is often uncertain
Asset efficiency	Revenue / assets; working-capital days; fleet or store productivity	Capacity of the asset base to produce revenue and cash	Industry economics and asset revaluations make cross-sector levels non-comparable

Also, the power of univariate analysis is its weakness. Ratios often send mixed signals. An improved liquidity can be seen when payables are paid later; a reduction in leverage is seen when creditors exchange debt into equity; a profit can be seen due to the forgiveness of debts. The problem here is that when one analyzes ratios in isolation, he/she cannot see how the ratios interact or if there has been any true recovery of operations or just a change in the claims made by law.

Multivariate discriminant analysis: Altman (1968)

Altman (1968) combined several financial dimensions through multiple discriminant analysis. The original Z-score for publicly traded manufacturing firms is expressed as:

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

where X_1 is working capital divided by total assets, X_2 is retained earnings divided by total assets, X_3 is EBIT divided by total assets, X_4 is the market value of equity divided by the book value of total liabilities, and X_5 is sales divided by total assets. The original cut-offs—below 1.81 for the distress zone, between 1.81 and 2.99 for the grey zone, and above 2.99 for the safe zone—are properties of that specification and calibration sample. They are not universal economic laws.

In contrast to the Z-score, the conceptual contribution of the model is crucial in this context rather than its mechanical application. The analysis involves the assessment of short-term liquidity, total profitability, operating earnings, the equity buffer and asset management all together. All of them are still directly relevant to the case studies presented below. The initial set of coefficients for calculation of the Z-score was estimated using a limited sample of manufacturing companies in the U.S. and included a variable related to the market value of the company that is not available anymore for companies that became delisted or private.

The second problem related to the use of the Z-score is that the restructurings themselves change the inputs for the calculations. Any debt-to-equity conversion increases either book or market equity and reduces liabilities in parallel, even though there is no change in the underlying operations. Asset sales decrease both debt and asset levels. Impairments can decrease future depreciation expense and decrease equity. In other words, the Z-score calculated before and after the event

would be different because of the transaction itself but not because of any changes in the intrinsic quality of recovery.

Probabilistic models: Ohlson (1980), Zmijewski (1984) and hazard specifications

Ohlson (1980) shifted the literature toward a probabilistic logit framework. Instead of assigning a firm to a group through discriminant analysis, the model estimates the conditional probability of failure as a nonlinear function of size, leverage, liquidity, profitability and recent loss indicators. A generic formulation is:

$$P\left(\text{Distress}_{i,t} = 1\right) = 1 / \left[1 + \exp\left(-(\alpha + \beta' X_{i,t})\right)\right]$$

This equation has an appeal of interpretability of the coefficients and the constraint of the predicted value in the range between 0 and 1. Zmijewski (1984) pointed out that due to the fact that the bankruptcy sample is a choice-based sample, it may exhibit the sample selection bias – distressed firms are rare in the population and often oversampled in estimation sample. In the absence of proper correction for such problems, intercepts and probabilities are not population risks. This problem goes beyond statistics, and it is a lesson that should never consider threshold, which is established in a particular environment and historical situation, as a universal and absolute truth.

Moreover, according to Shumway (2001), the use of single period models results in omitted time aspect and possible biases and inconsistency of estimated values. Discrete-time hazard model considers every surviving firm-year as being in danger and takes into account time-varying accounting and market variables. Although the idea of this model is consistent with the thesis in general, since the concept of distress assumes its nature as a process and not a static state, the thesis includes only five chosen events, and not a large number of independent firm-years. Thus, estimation of the hazard model would be impractical.

Market-Based Models

Market-based models seek a more forward-looking signal by using security prices. Merton's (1974) structural framework treats equity as a call option on the value of the firm's assets. Shareholders receive the residual value only if assets exceed the promised debt payment at maturity; otherwise they can surrender the firm to creditors. Under the Black–Scholes assumptions, equity value can be written as:

$$E = V_a N(d_1) - De^{-rT} N(d_2)$$

$$d_1 = \left[\ln(V_a/D) + (r + 0.5\sigma_a{}^2)T\right] / (\sigma_a\sqrt{T}), \quad d_2 = d_1 - \sigma_a\sqrt{T}$$

Here E is the market value of equity, V_a is the unobservable market value of assets, D is the default boundary or promised debt payment, r is the risk-free rate, T is the horizon, σ_a is asset volatility, and $N(\cdot)$ is the standard normal cumulative distribution. Because asset value and asset volatility are not directly observed, they must be inferred jointly from equity value and equity volatility. The resulting distance-to-default measure approximates how many asset-volatility standard deviations separate the firm from the debt boundary:

$$DD = \left[\ln(V_a/D) + (\mu - 0.5\sigma_a{}^2)T\right] / (\sigma_a\sqrt{T}), \quad PD \approx N(-DD)$$

This framework provides two insights which cannot be seen through the lenses of accounting ratios. One is that volatility is important: same amount of leverage becomes more risky in case of volatile asset prices. The second insight is that trading equity is already aware of new information before it shows up in annual reports. As Hillegeist et al. (2004) prove, the probability measure on the market side has some extra information which is not revealed by traditional accounting ratios, and as shown by Bharath and Shumway (2008), Merton's framework is informative but fails to provide a sufficient statistic for the probability of default, whereas simpler predictive factor can do just as well.

The application of the market model is not possible in a consistent manner for each of the five situations considered. The continuous pricing in the market for the traded equities is lost when the companies are either privatized or suspended, and the period during which the company experiences maximum restructuring tends to coincide with the point at which the market data is most uninformative. Trading in thin volume may understate volatility, and defining the debt cut-off becomes complicated when debts are comprised of leases, participations, loans from shareholders, guarantees, or super-senior financings.

Hybrid and Modern Approaches

Hybrid models involve the use of accounting ratios along with market-based variables and macroeconomic variables. For example, Campbell, Hilscher, and Szilagyi (2008) estimate a dynamic failure risk model employing the use of profitability, leverage, liquidity, market size, excess returns, and volatility. This is because accounting variables represent the historical financial performance of the firm, while market variables represent current expectations, and macroeconomic variables allow one to let the hazard rate change through the business cycle. Therefore, hybrid models outperform other models in which only one type of information is used.

Machine-learning algorithms go a step further by allowing for non-linear relationships and interaction effects without making assumptions about the functional form. Algorithms such as support vector machine, random forests, boosting, and neural networks will be able to detect the pattern which linear discriminant analysis or logit cannot find. Studies such as Lessmann et al. (2015), as well as bankruptcy prediction applications by Barboza, Kimura, and Altman (2017), have shown that modern classifiers have very good predictive ability. However, having high ranking ability of an algorithm does not guarantee any economic sense behind the turning point.

Three methodological issues must be highlighted. First, distressed state is an unusual state; thus, while accuracy rates may be very high despite the inability to find many cases of distress, the evaluation will have to focus on the discrimination rate, calibration, recall, precision and asymmetric cost of miss-classifications rather than one accuracy score. Second, tuning hyperparameters of many algorithms raises the issue of model selection and overfitting of the particular sample. Proper design will require nested or sequential validations, not repeated use of the same observations. Third, flexible models may capitalize on the variables which represent the consequence of distress, variables revealed after the forecast date or industry codes standing for distressed state rather than some underlying mechanism. It is a case of data leakage, not of forecasting skills.

These methodological issues are key for the thesis. Given only five cases, heterogeneous set of variables and asynchronous disclosure, the machine learning techniques would lead to the perfect classification of the sample within-sample but will not provide any meaningful out-of-sample validity. Thus, the thesis cannot rely on the modern methods of predictions in order to advance its topic, although they will be reviewed in order to place it in distress literature.

Limitations of Distress Prediction Approaches

Disruption models are often evaluated based on the assumption that the major issue lies in achieving maximum predictive accuracy through the algorithm used. This is not enough in the current research problem. The important thing is whether the model used has inputs, timing, population, and outcomes similar to the institution and economic event being investigated. A scoring model can be statistically powerful within its initial sample but misleading when used on private Italian companies undergoing negotiations and conversions.

Measurement, timing and accounting comparability

The annual statements are often issued late and subject to restatement, reclassification or revision under different accounting principles. Distress will impact accounting judgments. Tests for impairment will become stricter, going-concern issues will influence estimates, deferred tax asset write-offs may occur, and restructuring benefits can swamp accounting income. EBITDA is not a term recognized in IFRS and thus differs among managers' presentations. There is variation among firms as to how they treat restructuring charges, lease impacts or provisions. Comparing cases where the measure of EBITDA is copied from the report will incorporate measurement error into the classification.

The thesis tackles the issue by relying on definition control rather than imposed harmonization. The series is kept on its original basis without automatically lumping together management-adjusted EBITDA and statutory operating profit. In case of poor comparability, the emphasis is put on direction and mechanism instead of the cross-sectional level. The treatment of net debt follows the same pattern. The analyst notes whether leases, shareholder advances, participating financial instruments, securitized receivables or restricted cash are counted as part of net debt.

Population drift and external validity

Prediction coefficients depend on samples. Industry structure, levels of inflation and interest rates, bankruptcy law, credit market development, and accounting regulations evolve through time. A model built based on a sample of listed US manufacturing companies during the 1960s cannot be supposed to be calibrated for a private shipping company in Italy, for a fashion retail company in special administration, or an HVAC company under renovation incentives. Jones, Johnstone and Wilson (2017) prove that the comparative performance of different statistical approaches depends on model specifications and evaluations, emphasizing the importance of out-of-sample testing.

Drift happens even within the boundaries of the company. The post-reorganization company with sold assets will likely have changed business composition and asset structure. Stefanel, after the acquisition by OVS, is economically and legally different from the previously listed group. Premuda's fleet renewal alters not only production capacity but also capital intensity. The assumptions of stability of prediction coefficients and the company perimeter might lead to a confusion between transformation and recovery.

Outcome definition and the danger of binary labels

Bankruptcy, default, restructuring, liquidation and turnaround are related concepts, but different outcomes. A business could avoid bankruptcy through continuous waiver and still remain economically weak. It could enter into bankruptcy and still preserve a significant portion of its economic value by means of selling off assets. The bank could recover par without the legacy equity, whereas the investors keep control, rather than leave; the brand could survive, though the company itself is gone. All these differences are blurred by binary classifications.

The study by Hotchkiss (1995) proves that a considerable number of companies leaving bankruptcy emerge in financial distress, meaning that legal emergence does not mean economic revival. Gilson (1997) proves that the costs of transactions limit the amount of debt reduction in out-of-court reorganizations. Hotchkiss, Smith and Strömberg (2021) reveal that private-equity-backed firms can reorganize their businesses faster and out of court, and usually preserve their control. Thus, it makes sense to consider a multidimensional metric of success: stabilization, operations, cash flow balance sheet restructuring, durability and exit/continuity should all be considered separately.

Endogeneity, selection and causal interpretation

Investor entry is endogenous. Distressed investors do not choose their firms randomly but select on asset quality, creditor composition, recovery prospects, industry state, information and skills. Likewise, the choice of actions depends on the

severity and nature of the downturn. An aggressive cost-cutting firm may do so because the crisis it faces is more serious, leading to a negative correlation between retrenchment and future performance regardless of whether retrenchment is good. Barker & Mone's (1994) retrenchment research critique provides a case in point of the reverse causality problem.

The five-case approach fails to establish the causal impact of the ownership of Pillarstone, Oxy or Attestor on the outcome of interest. A credible untreated alternative is absent, and firm, investor, and intervention attributes are jointly chosen. Therefore, the thesis makes claims mechanism rather than average treatment effect. It is concerned with the consistency of the evidence path with the proposed mechanism of liquidity restoration through creditor coordination, governance restructuring facilitating operational reform, and recurrent cash flows lowering debt relative to alternative mechanisms such as shipping rates boom, public investments, raw materials passing through or HVAC demand incentives.

Institutional Context: Focus on Italy

The context does not merely provide a backdrop, but influences the set of restructuring tools that are possible, when control may be transferred, how creditors are organized, and what constitutes an exit. This is a timeframe during which Italy transitioned from the process followed under the earlier Bankruptcy Law to the Codice della crisi d'impresa e dell'insolvenza (CCII). The structure incorporates extraordinary management in case of big insolvent firms as well. Since there has been a shift in the legal regime during the study period, the thesis uses the tool in use during each event.

Negotiated and court-supported restructuring

Under the previous approach, there were out-of-court arrangements to recover a company using the expertise of an independent expert, debt restructuring agreement with the consent of creditors having a court impact, and a concordato procedure involving extensive court intervention. While differing in formality, publicity, and scope of creditors and their protection from enforcement, economically, these instruments all addressed a single coordination problem – a sustainable operating entity can be ruined by individual enforcement, and creditors will resist making any concessions when they see that others do nothing.

The CCII was adopted in the form of Legislative Decree No. 14/2019 and came into force as of 15 July 2022 following further amendments. The focus on early identification and negotiated resolution contained in the CCII aligns with the Directive (EU) 2019/1023, the goal of which is to make preventive restructuring accessible before the process of insolvency eliminates going concern value. The composizione negoziata serves as a confidential and expert-led negotiation procedure in cases where business recovery is feasible. Instruments such as plans, restructuring agreements, and concordato differ in terms of legal consequences but all should separate short-term liquidity assistance from the sustainability of operations.

From the perspective of financial analysis, the main point is that the criteria of legal effectiveness and economic effectiveness differ. A plan will be able to impose and secure claims, extend maturity and restore formal solvency without fixing anything regarding the economics of the product, customer concentration, cost structure, and capitalization. At the same time, the firm may need extensive debt-to-equity conversions since its sustainable business is over-leveraged.

Amministrazione straordinaria and perimeter transfer

Legislative Decree No. 270/1999 addresses extraordinary administration for large insolvent corporations with the objective of saving productive resources and jobs where such measures are possible. Decree-Law No. 347/2003 established an accelerated procedure for very large companies. In the course of such proceedings, control is taken from the hands of the shareholders and management and passed into the hands of organs appointed by the court or government, and the result of the process may be a sale of corporate parts and assets rather than the recovery of equity.

In the Stefanel case, the legal perimeter is clearly shown. The 2017 investor-led restructuring was aimed at the survival of the Stefanel S.p.A. as a company. The following extraordinary administration procedure and OVS deal allowed selling of a chosen perimeter of brands and stores without transferring legacy liabilities to the new organization. To call the OVS deal as the successful exit of the sponsor would mean mixing up an acquisition of assets by an administrator with a sale of equity. On the other hand, to call the whole process as a complete failure would mean not to see the value preserved in the brand, its clients and part of employees.

Institutional implications for control and exit

Distressed investment often starts with claims and not with equity. A platform may consolidate bank exposures, negotiate a standstill agreement, exchange claims for shares or participation interests, arrange super senior funding, and gain governance rights. As such, control might precede or differ from the ownership stake. Likewise, refinancing of legacy creditors does not equal an investor exit because it might release the original banks but keep the sponsor as a shareholder and related holding companies could move claims back and forth without creating value for the unrelated party.

The paper considers exits on three different levels. A financing exit takes place when legacy restructuring claims are paid off, refinanced, exchanged or extinguished. A control exit takes place when the sponsor sells decisive voting or governance rights. An economic exit takes place when the sponsor generates value through a third-party sale, a secondary buyout, an IPO, a real management buyout, a dividend recapitalization or a liquidation payment. The above actions

happen in different times. So, Premuda's 2025 deal should be broken down into an exit from the previous restructuring deal, a move to a management buyout framework and an economic participation of Pillarstone. In turn, M Stretch's 2023 refinancing of legacy creditors is not an equity Oxy exit.

Table 2.2. Italian restructuring context and analytical implications

Instrument / event	Primary economic function	Analytical implication
Certified recovery plan / negotiated plan	Coordinate concessions and provide a credible route to restored equilibrium	Plan approval is stabilization evidence; performance must still be tested
Debt-restructuring agreement	Bind supporting creditors and modify claim timing or amount with court effects	Separate haircut, conversion, new money and remaining maturities
Concordato framework	Collective court-supervised restructuring or liquidation proposal	Outcome depends on continuity, creditor recovery and post-plan viability
Composizione negoziata	Confidential expert-assisted negotiation before irreversible insolvency	Early intervention may preserve option value; success requires a funded executable solution
Amministrazione straordinaria	Preserve or transfer productive assets of a large insolvent enterprise	Entity rescue, asset preservation and legacy-equity outcome must be classified separately
Refinancing / holding-company transfer	Replace creditors or reorganize ownership chain	Not a sponsor exit unless control and economic risk are transferred

Analytical Framework for Case Study Analysis

The method of empirical investigation used is a multiple-case study that is longitudinal, structured, and focused. "Longitudinal" means that each case company is tracked from pre-crisis decline up until the most recent data that can be used to draw conclusions after the intervention took place. "Structured" means using the same questions, measures, and categorization criteria in all cases. "Focused" means that data is selected in such a way that it is relevant to the research question being studied and not to create a complete history of a corporation. This design follows the principles of multiple-case research as outlined by Eisenhardt (1989) and Eisenhardt & Graebner (2007).

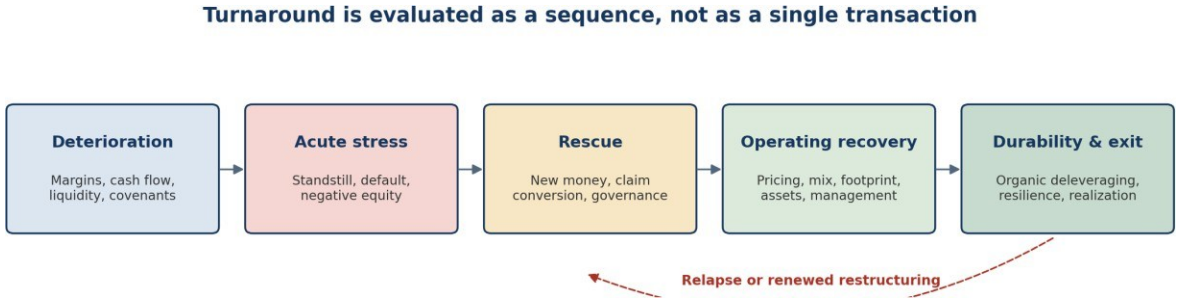


Figure 2.1. Longitudinal sequence used to evaluate each turnaround episode

The sequence in Figure 2.1 prevents two common classification errors. The first is left truncation: beginning the story when the investor enters and ignoring the accumulated operating damage, creditor fragmentation and prior failed restructurings. The second is right truncation: ending the analysis immediately after recapitalization, when accounting and liquidity effects are most favorable but operating durability is unknown. Ferroli and M Stretch show why the right-hand horizon matters. Both displayed credible improvement after intervention, yet later deterioration changed the final classification.

Unit of analysis and research questions

The unit of analysis used is the firm-level turnaround episode and not the firm-year observation. Firm-year data observations serve as evidence in the episode and not independent observations. The principal firm typically retains the consolidated group present at the start of the rescue mission. If there is any material change in the perimeter or legal status, the new sub-episode is identified without continuing with a constructed time series. This research method rule becomes critical when considering the asset transfer in Stefanel and any other situation involving divestiture or fleet changes.

Each case study is studied with respect to six standard questions. These questions include: What factors such as operating, financial, and governance resulted in vulnerability? What event changed the vulnerable state into a stressful situation? How did the investor gain influence or control and what were the risks associated with the capital? What were the financial, governance, operation, and perimeter move? Did the gains realize convert into operating cash flow and debt reduction for more than one good year? Finally, what was the exit method of the investor or the restructuring platform?

1. Establish a pre-crisis baseline and date the first persistent deterioration in margin, cash flow, liquidity, covenants or equity.
2. Identify the acute trigger: missed payment, lender standstill, negative equity, going-concern uncertainty, protective filing or comparable loss of ordinary financing access.
3. Reconstruct investor entry through equity, claim acquisition, debt conversion, new money, governance rights and ownership vehicles.
4. Separate financial stabilization from operating, strategic and perimeter restructuring.
5. Bridge reported profit and net-debt movements to recurring operations, working capital, asset sales, non-recurring gains and financing flows.
6. Evaluate durability and classify financing exit, control exit and economic exit separately.

Case selection and comparative logic

However, these cases have been chosen not randomly but purposefully. They all have something in common – the presence of Italian distressed investment or restructuring programs connected with Pillarstone, Oxy, or Attestor; at the same time, they are different in terms of industry type, mechanism of the crisis, tangibility of the assets, creditors' structure, method of intervention, and result. In this regard, it was quite consciously planned that the differences would be present in the dependent variable, since the purpose of the research is to identify the reason for that.

Premuda shows a credit-driven rescue, followed by fleet renewal and cash creation; yet, its performance is cyclical, and the 2025 ownership change does not represent a complete sponsor exit. Sirti engages in lengthy restructuring in a low margin, high working capital infrastructure services industry, where improvements in operations did not help address existing leverage or ownership issues. M Stretch demonstrates a successfully executed plan that exceeds expected EBITDA levels before failing to reverse the trend, having experienced failure during the selling process and subsequent restructuring. Stefanel represents the difference between an unsuccessful full company rescue and a purchase of a perimeter-clean brand by OVS. Ferroli has several rounds of restructuring and a clear 2021-2022 high point, followed by a 2024 decline, assessing the sustainability of performance supported by policy and mix.

Table 2.3. Case-selection logic

Case	Sector	Investor / platform	Principal analytical variation
Premuda	Shipping	Pillarstone	Creditor-led rescue; fleet and operating-platform rebuild; partial ownership transition
Sirti	Telecom and digital infrastructure services	Pillarstone	Delayed operating recovery; working-capital intensity; residual leverage and no completed exit
M Stretch	Flexible plastic packaging	Oxy Capital	Plan outperformance followed by earnings reversal, failed sale and renewed restructuring
Stefanel	Fashion retail	Attestor / Oxy; later OVS	Failed entity rescue; value preserved through special administration and selective asset sale
Ferroli	Heating and HVAC equipment	Trinity / Oxy; Attestor from 2024	Repeated restructuring; incentive-supported peak; relapse and new capital reset

The logic of comparison is configurational in nature. One lever cannot be necessary and sufficient by itself. Debt restructuring may help achieve solvency but is unlikely to solve the problem of poor economics on a per-unit basis. Changing the management may lead to improved execution but may come too late in the day. Sale of assets will create cash but may impair the ability to generate earnings in the future. The analysis, therefore, looks for combinations of factors such as sufficient liquidity runway, control with patience, credible business model change, investability, and exit strategy.

Evidence hierarchy and source protocol

The primary evidence will be audited annual consolidated reports, along with notes regarding debt, covenants, going concern, related party disclosures, discontinued operations, cash flows, and subsequent events. Such evidence is considered the most important due to the reconciliations and legal obligations involved, yet it should not be treated as impartial stories. Managerial documents may give a selective representation of performance, adopt a favorable approach to adjusted figures, or state forecasts that turn out to be incorrect.

Disclosures from transactions, disclosures by the investors, legal proceedings, and disclosures by the administrator are used to analyze ownership structure and other events that are not covered by the annual report. Purchaser's disclosures play an especially important role after the assets are transferred, since the old organization might stop providing any information about its operations. Secondary sources are used only in cases where primary information is not available, and they cannot be used instead of audited data until the reconciliation process is carried out. Five finished equity reports form a good case folder, but they need to be reanalyzed.

Table 2.4. Evidence hierarchy and decision rule

Priority	Source	Permitted use	Control procedure
1	Audited consolidated statements and notes	Financial series, covenants, cash flows, transaction accounting	Reconcile opening/closing balances and comparative columns
2	Official court, administrator, company and regulatory material	Procedure, ownership transfer, asset perimeter, subsequent events	Confirm legal entity, date and transaction object
3	Investor, lender or buyer announcement	Strategy, financing, ownership and current status	Distinguish promotional claims from completed events
4	Credible secondary reporting	Fill narrow factual gaps when primary evidence is unavailable	Triangulate; disclose uncertainty; never invent missing terms
Derived	Author calculations and classifications	Ratios, bridges, temporal coding and outcome tests	Retain formula, definition, source year and rounding audit trail

However, the lack of information does not mean the absence of information, and the exit value is not assumed in case of failure of information. In case there is no numeric value, the research starts by considering the column of next year, then the cash flow bridge and the debt note. In case the value cannot be found, then the variable is categorized as being unobservable, and the conclusions are drawn using other corroborative information. This problem is especially relevant in the case of private companies, where the information is not selectively revealed.

Temporal segmentation and event dating

Every case will be divided into four phases for analysis: decline, rescue, operating phase, and durability/exiting. It should be noted that the year will not always correspond to any particular phase. An event that takes place later in the year might have an immediate impact on the balance sheet but will still be considered as an event that took place during the next year as part of an operating strategy.

Table 2.5. Common temporal coding

Phase	Core question	Representative evidence	Classification error avoided
I. Deterioration	Why did the firm become vulnerable?	Margin, CFO, debt maturity, equity erosion, strategic drift	Treating the sponsor as the cause of inherited decline
II. Rescue	Which immediate constraints were removed?	Standstill, haircut, conversion, new money, governance transfer	Calling balance-sheet repair an operating turnaround
III. Operating recovery	What changed in the economics of the business?	Pricing, mix, footprint, utilization, procurement, management	Equating favorable cycle or accounting gain with execution
IV. Durability and exit	Did gains persist and become realizable?	Organic deleveraging, adverse-year resilience, sale, MBO, renewed waiver	Ending the study before relapse or overstating exit

The durability threshold will depend on the particular case but follows the basic principle that one successful year after intervention is insufficient. If possible, performance ought to be analyzed over a period during which less support is available. The less supportive period can emerge from industry decline, from return of exceptional demand to its normal level, from rising costs, low freight rates, or expiration of incentives. While the test based on an adverse period cannot be called experimental, it is better proof of cycle resistance than the EBITDA figure for a peak year.

Financial indicators and construction rules

The set of indicators is purposely redundant. Profitability, liquidity, leverage, equity, and cash flow are all measures representing different failure causes and serving each other's verification. The goal is not to increase the number of ratios but to choose those which directly reflect the suggested mechanisms of turnaround. Each ratio is understood through its value, direction, nature, and cause of change. A positive change will not be recognized if it comes from changes in perimeter, classification, or financing.

Profitability and margin quality

The level of revenues acts as an indication of size and not of value creation. In the case of the shipping industry, revenue changes are affected by factors such as freight rates, fleet efficiency, and vessel days. In flexible packaging, raw material cost passes can lead to an increase in revenues despite reduced margins. Infrastructure services companies may be more influenced by the nature of their agreements and payment terms rather than their revenue performance. The retailing companies can see reductions in revenue performance due to store closings that improve the portfolio quality.

EBITDA is treated as an intermediate indicator.This measures the operating performance of the business entity excluding depreciation, interest costs and tax implications, but ignores the cost of maintenance capital and lacks in companies where assets and leasing play a significant role. A favorable margin will only pass the operating test if it is sustainable, consistent and cash-flow backed. EBIT is used to determine the ability of the entity to generate enough earnings to offset the economic depreciation of the assets, although major impairments are considered differently since they might indicate strategic failures over time.

Liquidity, working capital and cash conversion

Liquidity evaluation uses measures such as cash, current assets and liabilities, overdue balances, facilities available, maturity profile, and covenants buffer. Current ratio does not have a one-size-fits-all approach to all industries; more focus is put on the ability of the business to operate without needing emergency factoring, postponing payments, and continuous support from shareholders. Receivable sale and factoring are treated economically wherever possible: non-recourse receivable financing can decrease working capital risk, but recourse may serve the same purpose as secured borrowing.

Cash flow from operations, after working capital, is the key indicator of self-sustainability. Free cash flow is calculated by

deducting capital spending if a reliable time series exists; but the calculation assumes that the recorded capital spending may be different from the capital spending required for maintenance. When the situation involves high asset intensity, cash flows related to sale of assets and acquisition of replacement assets are disclosed separately. A turnaround process that generates cash by cutting down inventory below sustainable levels or selling off core assets is not considered organic growth.

Leverage, solvency and equity

Net debt should be calculated together with gross debt, cash, maturity, interest expenses, and claim priority. The net debt/EBITDA multiple is calculated where EBITDA is positive and recurring; a negative EBITDA will render the ratio undefined because of the false impression of low leverage that will arise from a negative multiple. Equity is regarded as an economic cushion for absorbing losses. Even when there is positive book equity after conversion and/or fair value gains, it does not mean that there is any value in equity that belongs to the stockholders.

The source of the debt reduction process is of great significance. Organic reduction takes place where operating cash flows have been retained to pay off the debt after the proper investments. The sources of transactional reduction include debt forgiveness, conversion to equity or participation instruments, asset sale proceeds, equity injections, and refinancing. These strategies may be economically beneficial and sometimes necessary, but they represent a completely different question, which is addressed through an understanding that the surviving business can sustain the new capital structure.

Table 2.6. Indicator dictionary and turnaround interpretation

Indicator	Construction / reading	Pass signal	Warning signal
Revenue and mix	Reported operating revenue plus disclosed volume, price or perimeter effects	Stable or improving quality of revenue	Growth driven only by price pass-through, cycle or acquisition
EBITDA margin	Comparable EBITDA / relevant revenue	Recurring margin improvement supported by drivers	Definition changes, add-backs or peak-cycle dependence
EBIT / ROA	Operating profit after depreciation; return on operating asset base	Returns cover asset consumption and capital employed	EBITDA positive but EBIT persistently negative
Operating cash flow	Cash from operations after working capital	Repeated positive conversion	Profit with persistent cash absorption
Free cash flow	Operating cash flow less disclosed capital expenditure	Funds debt service while maintaining productive capacity	Cash arises from underinvestment or asset depletion
Net debt	Interest-bearing obligations less available cash, subject to disclosed definition	Declines from retained cash and remains manageable	Falls only through conversion, sale or reclassification
Net debt / EBITDA	Net debt divided by positive recurring EBITDA	Sustainable coverage with covenant headroom	Undefined with losses; unstable due to peak EBITDA
Equity	Consolidated book equity and changes by source	Loss buffer rebuilt and retained through performance	Positive only because of debt relief or non-recurring gains
Exit / continuity	Third-party sale, MBO, refinancing, continued ownership, administration or asset sale	Risk transferred and value realized, or viable independent continuity	Sponsor remains without realization; forced sale; entity discontinuity

Quality-of-earnings and balance-sheet bridges

Restructuring years carry the greatest risk for misclassification because the activities of law and finance are involved in the analysis of both the bottom line and the cash flow. For example, debt relief will generate financial gain; discontinued operations might comprise profit; assets could be sold to earn a gain and generate cash flow; and more borrowings could improve cash position at the end of the year. Therefore, an improvement in profit and cash might come along with a decline in the operation.

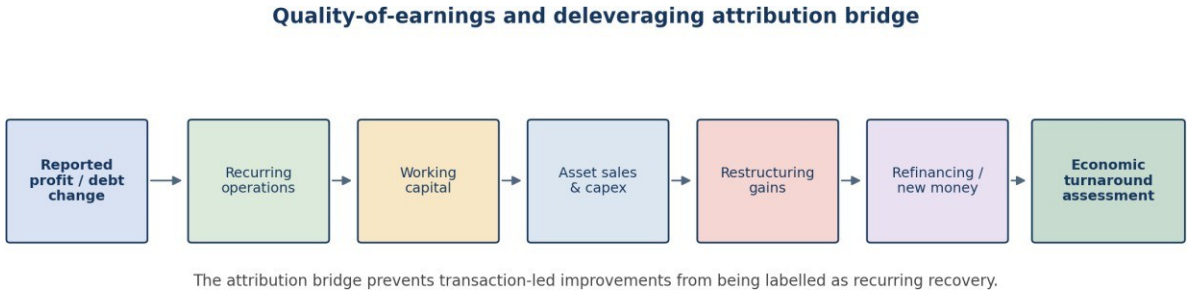


Figure 2.2. Attribution bridge from reported change to economic assessment

The earnings bridge begins with reported EBITDA, EBIT or net income and identifies discontinued operations, impairment, restructuring costs, debt-release gains, fair-value effects and disposal gains. The purpose is not to remove every unusual item mechanically. Some "one off" actions—closing stores, selling vessels, terminating contracts—are part of the turnaround strategy and have real cash consequences. The distinction is between recurring earning capacity and value realized through a non-recurring action. Both can create value, but they should not be capitalized at the same multiple or used interchangeably to claim sustainability.

Cash and Debt Bridge starts from opening net debt and balances operating cash flow, change in working capital, capital expenditure, acquisitions/disposals, interest expense, taxes, borrowing, contributions from owners, conversion, and other non-cash items. An unbalanced closing balance is never taken for granted. Foreign exchange impact and lease modifications are scrutinized along with changes in restricted cash. Finally, the classification of the improvement reveals whether the improvement is internally generated or transaction based or both.

- Stefanel's 2017 €13.7 million profit is evaluated against approximately €52.7 million of non-recurring financial gains, negative operating EBITDA and negative operating cash flow; the statutory profit therefore does not demonstrate operating recovery.
- Premuda's 2017 profit is treated primarily as the accounting effect of debt restructuring, while the later industrial recovery is assessed from fleet economics, recurring EBITDA and cash generation. Vessel-sale gains in 2024 are real capital-allocation outcomes but not recurring freight earnings.
- Sirti's liquidity movements are read together with receivables monetization and factoring, preventing a financing-driven cash increase from being classified as margin-based recovery.
- M Stretch's 2023 facilities replaced legacy restructuring debt; creditor replacement is separated from debt repayment generated by free cash flow.
- Ferroli's capital reset and claim conversion are classified as renewed stabilization. They cannot validate a durable operating recovery while 2024 EBITDA is negative.

Intervention taxonomy and mechanism coding

The term “private equity turnaround” hides important distinctions between types of intervention. Some investors enter through equity investment, some buy bank debt and convert it into equity, and still others enter with additional investment even as creditors maintain significant influence. This framework sorts the actions into five categories, including financial, governance, operational, strategic/asset based, and perimeter. This approach makes cross case comparison possible without assuming that the same legal form necessarily produces the same economics.

Financing activities generate liquidity, gaining time and avoiding coordination problems. The governance activities set who is allowed to use the time generated and whether there are any changes to the incentives. Operating activities affect costs, prices, productivity, and working capital. Asset and strategic activities change the asset allocation, market positioning, and capital deployed. The perimeter activities allocate productive assets from liabilities that cannot be worked out in the existing entity. A complete turnarounds strategy usually includes several areas; however, priorities and weight of these areas can be different for each particular case.

Table 2.7. Intervention taxonomy

Dimension	Illustrative actions	Expected mechanism	Failure risk if used alone
Financial	Standstill, haircut, conversion, maturity extension, new money, covenant reset	Restore liquidity, solvency and debt-service capacity	Postpones failure if unit economics remain weak
Governance	Control transfer, board change, management replacement, reporting discipline	Accelerate decisions and align incentives	Control does not create demand or viable margins
Operational	Pricing, procurement, footprint, workforce, productivity, working capital	Improve recurring margin and cash conversion	Benefits may arrive after liquidity expires or damage capabilities
Strategic / asset	Divestiture, fleet rotation, product mix, market refocus, acquisition	Release capital and improve business quality	One-off gains, execution risk or loss of future capacity
Perimeter	Clean asset purchase, hive-down, disposal excluding legacy liabilities	Preserve viable assets on a sustainable balance sheet	Can preserve enterprise value while extinguishing legacy equity

The test for a mechanism requires an observable sequence. In the event that claim conversion is used as a way of dealing with monetary stress, both the burden of interest and maturity will have to go down. In the situation where a governance change is being suggested to increase effectiveness, old instances of management will have to come before increased effectiveness. When product mix is introduced to increase margins, there will need to be a consistent movement in the income mix and margins. In the situation where fleet or asset rotation is suggested to increase capital productivity, there will be a need for an observable pattern on capital invested, disposed of assets, and utilization.

Measuring turnaround success: a multidimensional outcome framework

Success is measured through five criteria, namely stabilization, recovery of recurring activities, balance sheet rehabilitation based on cash flows, sustainability, and exit. The approach is intentionally more rigorous than simple survival and less narrow than just return on investment. First, there is a recognition that an organization can succeed according to one criterion but not another, and second, there is the reality that results can differ by stakeholder category: lenders can get their money back while staff continues to work.

Stabilization

Stabilization occurs where the liquidity or solvency problem is successfully managed through a funded and actionable plan. The factors that can be used to measure the achievement of the stabilization include the attainment of standstill, fresh infusion of capital, maturity extension, debt restructuring, resumption of supply chain, and absence of the imminent going concern risk. The mere existence of an unsigned term sheet, temporary waiver, or a projected forecast that is unfunded is insufficient. It is a necessary factor of turnaround, but not in itself, a value creation.

Recurring operating recovery

The operating recovery occurs if the improved margin and liquidity arise as a consequence of actions taken and not as a result of restructuring gains, sales of assets, or any exceptionally good market cycle. The revenue increase is not necessary if the company consciously divests from bad businesses, although the ongoing business needs to show a plausible path towards profitability. The criteria vary depending on the industry: utilization and fleet economics matter in shipping; store contribution and inventory management in retail; and contract mix and working capital in infrastructure services.

Organic deleveraging

Deleveraging is said to take place organically when cash flows from operations after providing for necessary reinvestments leads to a reduction in debt or increase in unrestricted cash flows. Debt-to-equity conversion satisfies the test of stabilization but fails in the test of organic deleveraging. The refinancing strategy will improve the maturity structure of the liabilities as well as interest rate on liabilities but will still leave the liability to be repaid.

Durability

Durability means performing beyond an initially favorable time period in the same manner and, preferably, in tough conditions as well. Examples of such warnings include renewed covenant waivers, capitalized interest, emergency help from shareholders, repeated restructuring, and bankruptcy of a subsidiary company despite positive EBITDA consolidation. However, this does not mean that the criterion requires stability in performance; it is possible for companies with cyclical operations to be durable because their leverage, liquidity, and asset management techniques ride out the cycle.

Exit and value realization

Exit is determined by considerations of both the investor and the legal entity involved. A legitimate exit can take the form of a trade sale, a secondary buy-out, an IPO, or even a true management buyout, all of which will enable value to be realized. The continued involvement of the sponsor can result in a successful turnaround but leaves the question of investment return unaddressed. Refunding of the creditors is not considered an exit through equity. Administration and asset sales are able to protect operating value, yet indicate failure in the equity side of things. When consideration or ownership is not disclosed, the thesis classifies the path and level of completion without calculating IRR or MOI.

Table 2.8. Outcome tests and decision rules

Dimension	Pass condition	Warning / failure condition	Evidence horizon
Stabilization	Immediate liquidity and solvency threat contained by completed funding and claims solution	Payment default or procedure continues without executable funded plan	Transaction date through next liquidity cycle
Operating recovery	Recurring margin and operating cash improve with identifiable operational drivers	Profit depends on restructuring gains; CFO remains negative	Multiple post-intervention reporting periods
Organic deleveraging	Debt falls from retained operating/free cash flow	Debt converted, refinanced, extended or reduced only by asset disposal	Opening-to-closing debt bridge over recovery phase
Durability	Performance survives normalization or adverse conditions without renewed concessions	Waivers, capitalized interest, repeat restructuring or insolvency	At least one non-peak post-recovery period where available
Exit / value realization	Risk and control transfer with credible realization, or sustained independent viability	No exit, forced sale, legacy-equity discontinuity or undisclosed related transfer	Latest authoritative ownership and transaction evidence

The classification at the highest level of cases is categorical and not quantitative in nature, in terms of the use of a score based on a weighted average number. This is due to the fact that there must be normative weights for the elements of creditor recovery, employment maintenance, sponsor recovery, and the continued existence of the enterprise as an entity, and also because this index would suggest measurement accuracy that cannot be confirmed by the evidence of private transactions. In contrast to the existing thesis, it states what dimensions have worked, not worked, and why there is no solution, and the structure thereof.

Ownership transfer and exit reconstruction

Ownership reconstruction is done separate from the accounting statements, due to the fact that the consolidated statements show only the immediate parent, while economic control can be located at levels further up through holding companies. In every case, the process will identify the operating firm, the direct stockholder, the ultimate controller, the investment vehicle, and management involvement. Claims of ownership, participating financial instruments, and stockholder loans will be followed if disclosed, since these have the ability to maintain economic risk even when voting control has changed hands.

The exit assessment takes into account risk considerations and strategy considerations as well as corporate registration status. A transfer of assets or entity by sponsor-controlled entities will be considered internal restructuring unless financing and risk from a third party that is unrelated is involved. A management buyout does not amount to a total sponsor exit when there is equity involvement, financial support for the purchase, or participating securities on the side of the sponsor. Refinancing amounts to a creditor exit where the previous claims have been repaid. However, a refinancing will be considered an equity exit only where the shareholder exits the investment as well.

- Financing exit: legacy bank or restructuring claims are repaid, refinanced, converted or cancelled.
- Control exit: decisive voting and governance rights transfer to a new independent owner.
- Economic exit: the sponsor receives realizable consideration and relinquishes the relevant upside and downside exposure.
- Entity continuity: the original consolidated entity continues as the operating platform after the transaction.
- Asset continuity: selected operations, brand or assets continue under a different entity while legacy claims remain behind.

The multi-layered model is justified because of overstatement prevention. The transaction made by Premuda involves legal movement into the LMBO structure, but Pillarstone will still participate along with management. The transaction by Ferroli involving recapitalization of the share will result in the increase of sponsor control and not in the exit of third-party money. M Stretch refinancing will change the structure of the creditor, but Oxy will remain the main stockholder based on the latest information. Stefanel's acquisition of OVS keeps the brand boundary but not the River Tre legacy equity.

Cross-case analytical procedure and rival explanations

Chapter 3 applies the same method to all cases. Chapter 4 compares patterns across cases. The process starts with writing a chronological description of the case, aligning the financial time series, coding the levers of interventions, and testing the outcome through five test criteria. Cross-case matrices are developed only after the within-case analysis has been conducted, hence avoiding the danger of cherry-picking evidence in favor of a particular overarching narrative. Negative cases and reversals carry the same weight.

Pattern matching is concerned with patterns rather than individual correlations. The study tries to determine whether creditor concentration is preceded by a funding plan; whether change in control is followed by operational action; whether improvement in margins is followed by cash flows; whether debt reduction is inherent to organic activities; whether peak performance is maintained; and whether departure shifts the risk. A pattern finds greater evidence where there is convergence between more than one evidence source - figures from financial statements, cash flows, debts and date-specific transactions.

Table 2.9. Principal rival explanations and falsification logic

Observed improvement	Preferred mechanism	Rival explanation	Discriminating evidence
Revenue and EBITDA rise	Pricing, mix or productivity redesign	Industry cycle, inflation pass-through or public incentives	Volume/mix disclosure, peer or macro timing, persistence after normalization
Cash increases	Improved operating cash conversion	Factoring, delayed suppliers, new debt or asset-sale proceeds	Cash-flow statement and working-capital/debt bridge
Net debt falls	Organic free-cash-flow repayment	Debt conversion, forgiveness, refinancing or perimeter change	Opening-to-closing debt reconciliation and claim terms
Book equity becomes positive	Retained profitable recovery	Debt-release income, revaluation or capital contribution	Statement of changes in equity and non-recurring gain bridge
Sponsor remains in control	Long-term conviction and platform building	Failed sale, illiquidity or unresolved liabilities	Sale-process evidence, financing terms and subsequent support
Brand or operations survive	Successful company turnaround	Clean asset transfer after legacy entity failure	Identity of seller, assets transferred and liabilities excluded

The model uses time-based placebo arguments. Gains that take place before the investor takes control refute claims that the treatment brought about the inflection. Decline happening at the same time as an exogenous shock to the entire industry casts doubt on the firm-level arguments. However, sustained gains after a favorable phase comes to an end confirm the operating recovery argument. While these are not proper counterfactuals, they prevent any causal language and prevent the adoption of a sponsor story without proper timing evidence.

Reliability, transparency and remaining limitations

Reliability is ensured through the employment of a standard extraction template and keeping an audit trail. Each firm-year is documented with respect to its source document, page, note number, accounting heading, units, sign rule, and, where applicable, an author's adjustment. When possible, beginning and ending balances are reconciled. Claims of ownership are backed by dated authoritative disclosures. Tables distinguish reported figures from ratio calculations. This process reduces transcription errors, but it cannot remove the constraints imposed by the reporting by private firms.

There are several issues that need to be addressed. Firstly, there are limitations inherent in the use of annual reports in terms of comparing one business against another or across years. Secondly, lack of disclosure regarding private company transactions consideration, sponsor cost basis, and instruments retained makes it impossible to produce an IRR or MOIC estimate. Thirdly, the sample cases have been exposed to a variety of external factors like shipping rates, infrastructure spending, costs of resins and energy, demand from consumers, and remodeling incentives. Fourthly, there is the issue of the evolving legal context raised by the case of Stefanel post-2017. Lastly, due to the recency of Ferroli's recapitalization, the results obtained will not be reliable at all.

The constraints themselves are openly acknowledged and not hidden. Missing data is not filled in if doing so affects the conclusion drawn from the process. Ratio calculations are not undertaken if denominators do not make economic sense. The outcomes are labeled as "unresolved" if the moment of exit or durability is not observable at that point. The causality is stated in terms of evidence-based mechanisms and constraints. The analysis, therefore, compromises breadth and formal statistics for chronology and institutional accuracy.

CHAPTER 3: Case Study Analysis

About Company

Sirti S.p.A. operates within the telecommunications and infrastructure services industry, a sector characterized by high capital intensity, rapid technological evolution, and strong dependence on large corporate clients. Companies in this space are required to continuously invest in network development and upgrades, particularly with the expansion of technologies such as fiber broadband and digital connectivity solutions. As a result, capital expenditure plays a central role in shaping financial performance, often creating pressure on cash flow generation and balance sheet sustainability.

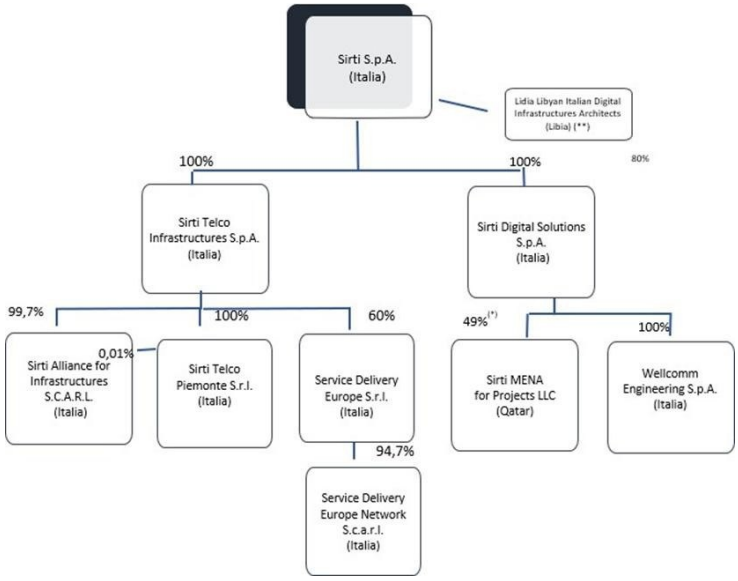


Figure 1. Simplified organizational structure of Sirti Group after the restructuring phase. Source: Sirti Annual Report 2023.

Within this context, Sirti has historically positioned itself as a multi-technical service provider across telecommunications, energy, and digital solutions, offering end-to-end services ranging from network design and deployment to system integration. However, its strong exposure to infrastructure-related activities has made the company particularly vulnerable to the structural challenges of the industry, including high fixed costs, customer concentration, and limited differentiation.

Business area	Operating profile	Investment implication
Legacy telecom infrastructure	High fixed costs, project execution, large client dependency	Low margin and cash-flow volatility
Energy infrastructure	Grid development and maintenance, public-investment exposure	Volume support but still execution and working-capital intensive
Digital solutions	System integration, cybersecurity, enterprise digitalization	Strategic margin-upside path and lower capital intensity

Table 1. Business mix and value-creation logic

Industry & Business Sector

The telecommunications and infrastructure services sector is characterized by high capital intensity and strong reliance on continuous investment in network installation, maintenance, and technological upgrades. Companies operating in this space are typically involved in the deployment of telecommunications equipment, ultra-broadband infrastructure, and integrated network systems, playing a critical role in supporting digital transformation and connectivity.

Due to the nature of these activities, firms are required to sustain significant capital expenditure levels while operating within a competitive environment with relatively low margins. Industry data suggest that profitability remains constrained, with EBITDA margins generally modest compared to other sectors, reflecting high fixed costs and competitive pressure.

In addition, the sector is characterized by dependence on large corporate clients and infrastructure operators, limiting pricing flexibility and increasing exposure to demand fluctuations. Within this environment, companies such as Sirti operate as engineering and infrastructure service providers, delivering complex, project-based solutions while facing structural challenges related to cost intensity, customer concentration, and financial sustainability.

Metric	Telecom infrastructure sector	Sirti implication
EBITDA margin	Generally modest; Sirti 2024 c. 5.0%	Margins are the main valuation constraint.
CAPEX intensity	Structurally relevant in infrastructure services	FCF conversion matters more than revenue growth.
Client concentration	High exposure to large telecom/ infrastructure clients	Limitspricingpowerand increases contract-renewal risk.
Growth drivers	Fiber, 5G, ultra-broadband, digitalizationandpublic investment programs	Supports volume recovery but not automatically equity value.

Table 2. Industry characteristics and analytical implications

Theme	What to monitor
Upside	Digital Solutions scale-up; cybersecurity and system integration mix shift; EBITDA margin expansion
Downside	Telco volatility; high fixed costs; residual leverage; weak FCF conversion
Key monitoring KPI	EBITDA margin above 7%, positive FCF after CAPEXand net debtbelow 2.0x EBITDA

Table 3. Risk-opportunity matrix

Start of Crisis

Sirti's financial difficulties became increasingly evident in the years preceding its restructuring, as both profitability and operating performance deteriorated. While revenues remained relatively stable, the company experienced a progressive decline in margins, with EBITDA margin falling from approximately 4.7% in 2014 to 3.5% in 2016, reflecting increasing cost pressure and limited pricing power.
This trend translated into weak and unstable profitability. The company reported a net loss of approximately EUR 2.4 million in 2014, followed by only marginal profitability in 2016, and a significant loss of over EUR 6 million in 2017. At the same time, operating performance also deteriorated, with operating income turning negative, highlighting a weakening core business.

In parallel, Sirti maintained a highly leveraged capital structure, with financial liabilities exceeding EUR 280 million compared to an equity base of approximately EUR 70 million. This imbalance significantly constrained the company's financial flexibility and increased pressure on its ability to service debt.

Overall, the combination of declining margins, weak profitability, and high leverage created a structurally unsustainable financial position. This imbalance between operational performance and financial stability ultimately triggered the need for a comprehensive restructuring process.

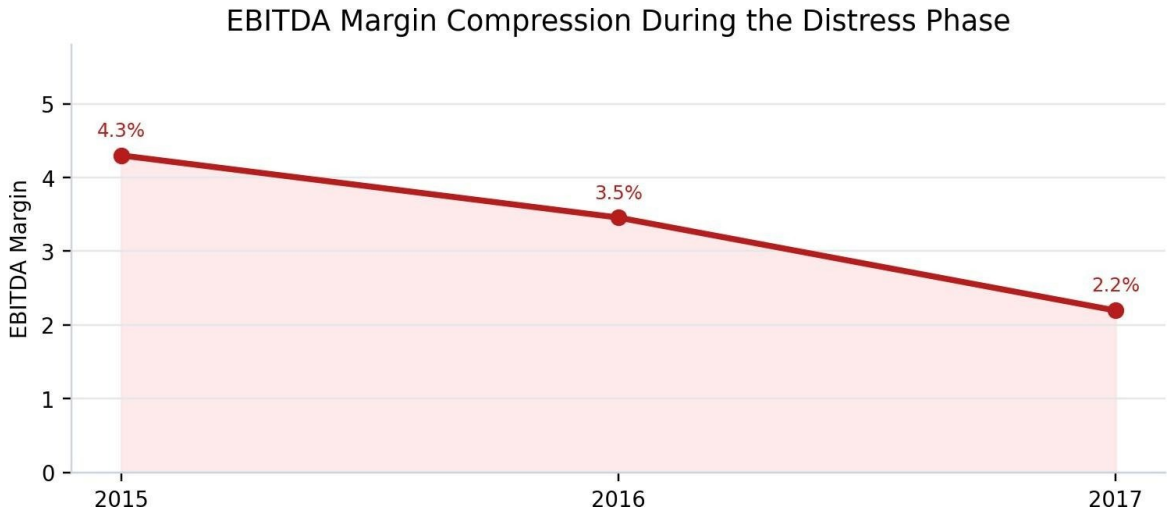


Figure 2. EBITDA margin decline signaled early distress before the full restructuring.

Distress indicator	Evidence from model	Interpretation
Operating margin compression	EBITDA margin fell from 4.3% in 2015 to 2.2% in 2017	Pricing pressure and cost rigidity.
Fragile profitability	Net income moved from€7.1m in 2015 to -€6.6m in 2017	The operating model was not generatingstable earnings.
Balance-sheet stress	2015 net debt / EBITDA was 7.4x	Debt service capacity was weak.
Equity cushion	2015 debt / equity was 6.2x	Loss absorption capacity was limited.

Table 4. Crisis diagnostics

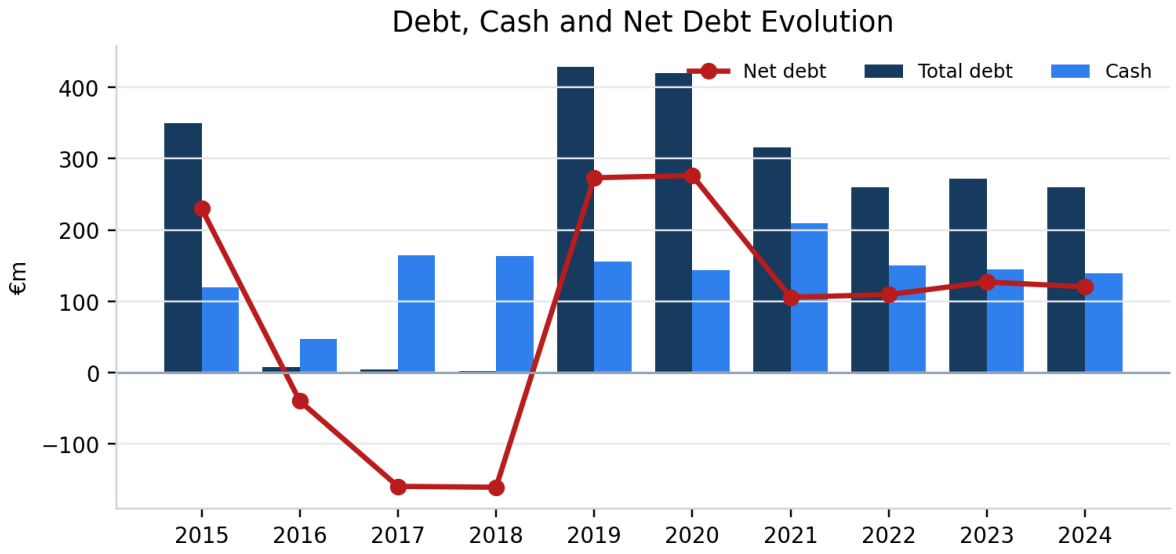


Figure 3. Debt, cash and netdebt showhowliquidityactions changed reported leverage.

Turnaround Trigger: Pillarstone Intervention

The turning point in Sirti's restructuring process occurred in 2016, when Pillarstone Italy acquired full ownership of the company, marking a fundamental shift in both governance and strategic direction. This intervention was accompanied by a comprehensive recapitalization plan, aimed at restoring financial stability and enabling long-term recovery.

Stage	Action	Turnaround logic
Pre-2016 problem	High leverage, weak cash generation and refinancing pressure	Fragmented creditor risk and limited strategic flexibility
Pillarstone control	100% acquisition and new industrial plan	Centralized governance and turnaround execution
Debt restructuring	Financial claims transferred into restructuring framework / SPV logic	Reduced immediate bank-balance-sheet pressure and enabled coordinated decisions
Capital increase	Up to €25m via cash and receivables contribution mechanisms	Liquidity support and capital base stabilization
Operational pivot	Shift toward digital solutions, systems integration and cybersecurity	Potentialmargin expansion if execution is successful

Table 5. Pillarstone intervention and turnaround mechanics

Turnaround Trigger and Investor Intervention (2016)

Sirti's restructuring process was triggered by a severe deterioration in its financial position, particularly driven by a rapid increase in leverage. The company's net financial debt rose significantly from approximately EUR 189 million in 2013 to around EUR 280 million in 2014, highlighting a sharp imbalance between operating performance and financial obligations.

In response to this situation, Sirti became part of a broader restructuring initiative led by Pillarstone, a turnaround investment platform established by KKR in partnership with major Italian banks, including UniCredit and Intesa Sanpaolo. The intervention was structured through a dedicated investment vehicle, designed to acquire and restructure distressed exposures across multiple companies.

The transaction involved the transfer of financial claims into a securitization vehicle (SPV), through which banks subscribed financial instruments linked to existing debt positions, while Pillarstone acquired equity or quasi-equity

instruments, effectively gaining control over the restructuring process.

This structure allowed for the separation of distressed assets from bank balance sheets and facilitated a more centralized and professional management of the turnaround process. Sirti's inclusion in this platform reflects its classification as a distressed but strategically relevant infrastructure player, attracting interest from multiple bidders in a competitive process managed by financial advisors.

Overall, the intervention marked a critical shift from a fragmented and constrained capital structure to a more coordinated restructuring framework, laying the foundation for subsequent financial stabilization and operational transformation.

Financial Restructuring

A key component of the turnaround strategy was a significant capital increase of up to EUR 25 million, representing a substantial proportion of the company's pre-existing equity base. The structure of the capital increase, which included both cash contributions and the conversion of financial claims into equity, reflects a classic balance sheet restructuring mechanism aimed at reducing leverage and strengthening the company's capital position.

This intervention highlights the severity of Sirti's financial distress, as the company required substantial new capital to restore liquidity and ensure operational continuity. The reliance on debt-to-equity conversion further indicates that the restructuring process was designed not only to inject liquidity, but also to fundamentally rebalance the company's capital structure.

Mechanism	Economic meaning	Analytical interpretation
Debt-to-equity conversion	Moves claim value from creditors into equity-like instruments	Reduces solvency pressure but does not prove operating recovery.
Cash capital increase	Provides liquidity to continue operations	Short-term stability improvesbefore margins necessarily recover.
Receivables / claim contribution	Uses financial claims within recapitalization structure	Confirms a financial-engineering component to the turnaround.
Governance reset	Concentrated ownership and new board control	Speeds decision-making but increases dependence on execution quality.

Table 7. Financial restructuring interpretation

Governance and Ownership Changes

The restructuring process also involved a significant transformation in ownership and governance. Following the transaction, Sirti effectively transitioned to a single-shareholder structure, consolidating control under the new investor. This was accompanied by amendments to the company's corporate governance framework, including changes to the board structure and decision-making processes.

Such governance restructuring is a critical component of turnaround situations, as it enables faster decision-making and stronger alignment between ownership and management, which are essential for implementing strategic changes in distressed companies.

Strategic and Operational Implications

The combination of capital restructuring and governance reset provided the foundation for Sirti's broader turnaround strategy. By stabilizing the balance sheet and centralizing control, the company was better positioned to implement operational improvements and reposition its business model toward more sustainable and profitable activities.

Turnaround Logic

Overall, Sirti's turnaround can be characterized as a hybrid restructuring process, combining financial engineering with gradual operational transformation. While the immediate impact of the intervention was the stabilization of the company's financial position through capital injection and debt restructuring, the long-term success of the turnaround depended on the company's ability to improve profitability and generate sustainable cash flows.

Post-Crisis Stabilization (2017)

Following the deterioration in financial performance, 2017 marked a transition phase for Sirti, characterized by

apparent financial stabilization but limited operational improvement. While the company reported a significant increase in cash and cash equivalents—from approximately EUR 44.7 million in 2016 to over EUR 137 million in 2017, this improvement was largely driven by working capital actions rather than sustainable operating performance.
In particular, the reduction in trade receivables and the increased use of factoring arrangements played a key role in boosting liquidity. As a result, operating cash flow improved significantly, shifting from a negative position in 2016 to a strongly positive level in 2017. However, this increase in cash generation did not reflect a structural improvement in profitability, but rather a one-off effect linked to receivables monetization and balance sheet management.

At the same time, the company's operating performance remained weak. EBITDA margins continued to decline, reaching approximately 2.2% in 2017, while the company reported a net loss, confirming that underlying operational issues were still unresolved. Furthermore, despite some improvement in net debt, total financial debt remained broadly stable, indicating that deleveraging was not driven by fundamental cash generation.

Overall, 2017 can be interpreted as a year of short-term financial stabilization rather than a genuine turnaround, with improvements primarily driven by financial engineering and liquidity management rather than operational restructuring.

Observation	Evidence	Investment interpretation
Liquidity improvement	Cash increased materially around the stabilization period	Partly driven by working-capitaland factoring actions rather than core earnings.
Margin still weak	EBITDA margin was only 2.2% in 2017	Financialstabilization arrived beforeoperating quality.
Net debtoptics	Reported net debt shifted sharply as cash increased	Debt metrics should be interpreted together with cash generation quality.
Investment reading	Short-term survival improved, but the equity story remained conditional	A real turnaround requires sustained FCF after CAPEX.

Table 8. 2017 stabilization vs genuine turnaround

Delayed Turnaround and Value Creation (2017–2024)

Following the initial stabilization phase in 2017, Sirti's turnaround evolved into a prolonged and non-linear process, characterized by a clear disconnect between accounting recovery and underlying value creation.

Between 2017 and 2021, the company struggled to translate financial restructuring into sustainable operational improvement. Despite temporary signs of recovery, Sirti continued to report losses and weak margins, highlighting persistent structural inefficiencies within its business model.

A more visible recovery phase emerged from 2022 onwards, particularly in terms of revenue growth. Revenues increased significantly from approximately EUR 804 million in 2022 to over EUR 932 million in 2023, before stabilizing at around EUR 926 million in 2024.

This sharp increase in 2023 was primarily driven by higher activity levels in infrastructure deployment and digital transformation projects, supported by strong demand for connectivity, ultra-broadband expansion, and large-scale public investment programs. Sirti's role as a contractor in these projects allowed it to benefit directly from increased volumes.
However, despite this top-line growth, profitability remained structurally constrained. EBITDA margins improved compared to crisis levels but remained around 5%, significantly below those of higher-quality peers in the infrastructure services sector.

This highlights a critical aspect of Sirti's turnaround: revenue recovery alone was not sufficient to generate meaningful equity value.
The company's valuation remained highly sensitive to margin expansion and deleveraging, rather than simple growth in revenues.

In parallel, although net debt declined significantly compared to the distressed period, it remained material relative to EBITDA, continuing to weigh on the company's financial risk profile.

Overall, the period from 2017 to 2024 illustrates a delayed turnaround in which accounting performance improved more rapidly than the underlying economic quality of the business. The case demonstrates that sustainable recovery depends not only on revenue growth, but on the company's ability to structurally improve margins and generate consistent free cash flow.

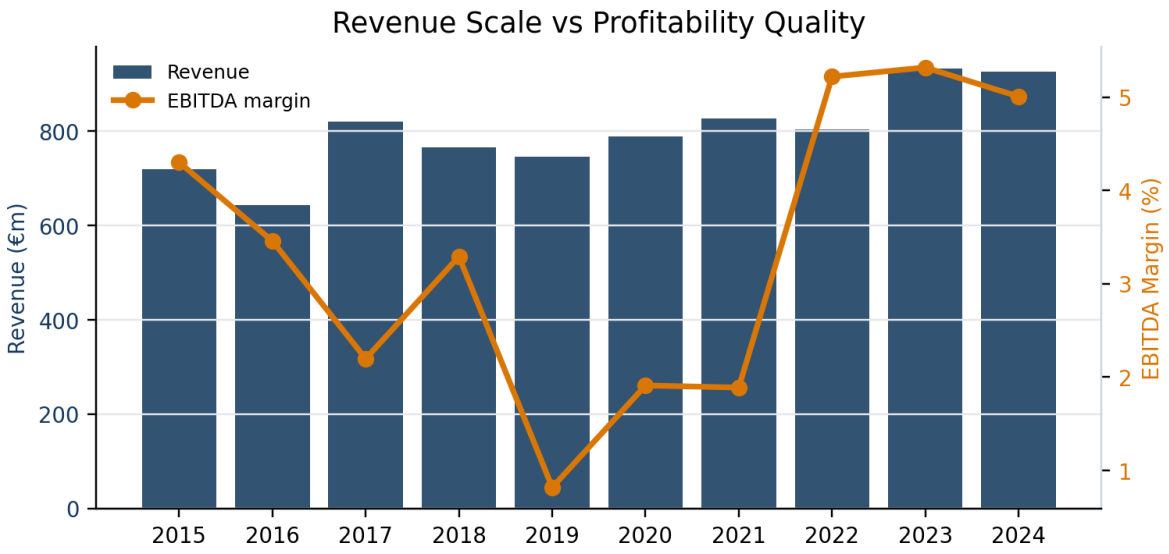


Figure 4. Revenue recovery after 2022 did not fully solve the margin-quality issue.

EUR m	2019	2020	2021	2022	2023	2024
Revenue	745.5	789.1	826.8	804.3	932.9	926.5
EBITDA	6.1	15.1	15.6	42.0	49.6	46.4
EBITDA margin	0.8%	1.9%	1.9%	5.2%	5.3%	5.0%
Net income	-28.4	-15.3	-15.9	0.1	-0.0	2.5
Net debt	273.3	276.4	105.3	109.4	127.1	120.4
Net debt / EBITDA	44.8x	18.3x	6.8x	2.6x	2.6x	2.6x

Table 9. Historical financial performance, 201S-2024

What explains the sharp debt reduction from 2020 to 2021?

The sharp reduction in net debt between 2020 and 2021 was mainly the result of two specific restructuring transactions implemented within Sirti's turnaround process. The first was the disposal of the Transportation Business Unit, completed in early 2021 through the sale of the business to Mer Mec STE. The divested unit had been characterized by high capital absorption, significant guarantee requirements, and lower operational efficiency compared to the group's core telecom and digital infrastructure activities. The transaction generated approximately €92 million of deleveraging effects by reducing invested capital and removing liabilities and guarantees associated with the disposed business perimeter.

The second major driver was the financial restructuring agreement executed with Pillarstone and the lending banks. Pillarstone 130 SPV, which had previously acquired a substantial portion of Sirti's debt exposure from Banca IMI and Intesa Sanpaolo, subscribed €50 million of participatory financial instruments (SFPs) through the offset of existing financial receivables. In practical terms, part of the outstanding debt was converted into equity-like instruments, reducing traditional financial liabilities and improving the sustainability of the capital structure. This operation strengthened the balance sheet without requiring equivalent operating cash generation from the business itself.

Alongside these extraordinary transactions, Sirti continued implementing broader restructuring initiatives focused on simplifying the organizational structure, reducing fixed costs, and concentrating resources on telecom infrastructure and digital solutions. However, the improvement in leverage during 2021 should primarily be interpreted as the consequence of asset disposal and debt restructuring mechanisms rather than as evidence of a fully organic operational recovery.

How did profitability improve from 2021 to 2022?

The improvement in profitability between 2021 and 2022 was driven by a combination of operational restructuring, business repositioning, and strong growth in Sirti's core telecom and digital activities rather than by revenue growth alone. During the turnaround phase, the group progressively exited lower-efficiency and non-core businesses, while concentrating resources on Telco Infrastructures and Digital Solutions, which management considered more scalable and

strategically aligned. In particular, the disposal of the Transportation Business Unit in 2021 and the sale of Sirti Energia in 2022 significantly changed the quality of the business portfolio, reducing exposure to capital-intensive and less synergic activities.
At the same time, Sirti benefited from favorable market dynamics linked to the expansion of fiber-optic infrastructure, ultra-broadband deployment, and 5G investments in Italy. The group strengthened its position in FTTH rollout activities, mobile infrastructure projects, and digital transformation services, while also benefiting from major framework agreements such as the FiberCop contract with TIM. In 2022, the Telco Infrastructures business recorded a significant increase in orders and revenues, supported by the acceleration of infrastructure investments associated with the PNRR and the broader modernization of Italian telecom networks.
Profitability also improved because the restructuring initiatives implemented in prior years started producing tangible operational efficiencies. Sirti continued executing its competitive transformation plan focused on reducing fixed costs, reorganizing operations, strengthening procurement efficiency, and simplifying the organizational structure. The group also completed the “societarization” of the Telco and Digital divisions, creating more focused and operationally specialized business units. These initiatives improved scalability and reduced the relative weight of personnel and overhead costs on revenues, allowing EBITDA to grow more rapidly than sales.

Current Situation and Exit Status

Despite the operational stabilization achieved in recent years, the company still maintains a leveraged capital structure and Pillarstone has not exited yet.

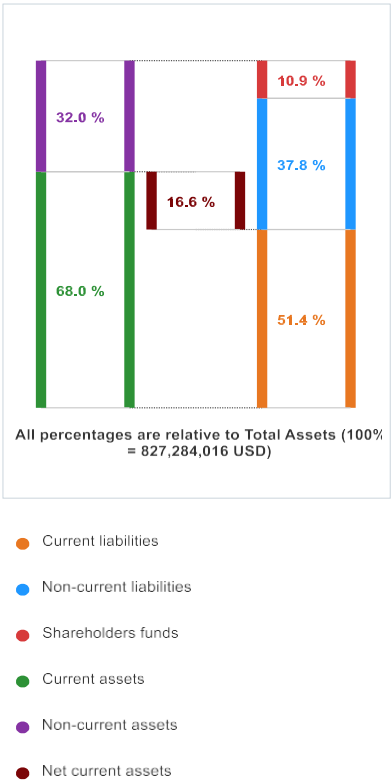


Figure 5. Capital Structure of company in 2025.

Comparable Companies and Scenario View

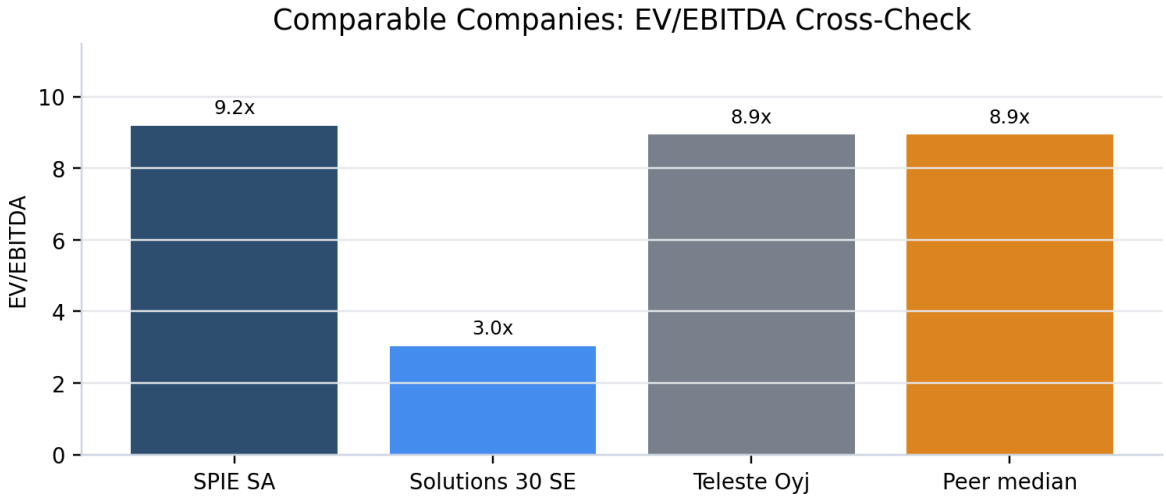


Figure 6. Peer multiples providea reasonableness check, not theprimary valuation method.

Company / metric	Business relevance	EV/Revenue	EV/EBITDA
SPIE SA	European multi-technical services, energy and communications infrastructure	0.94x	9.19x
Solutions 30 SE	European field services for telecom, energy and digital installations	0.20x	3.03x
Teleste Oyj	Broadband, security and public-transport information systems	0.62x	8.94x
Median	Applied to Sirti 2024 revenue and EBITDA	0.62x	8.94x
Sirti implied EV	From median peer multiples	€574.5m	€414.7m

Table 10. Trading comparable companies

FERROLI S.P.A.

Company and Business Model

Ferroli was founded in 1955 and is headquartered in San Bonifacio. Ferroli acts as the operational holding company of an international group of companies focused on heating, ventilation, and air conditioning. As of year-end 2024, the group had eight production units, 13 subsidiaries involved in sales operations, and 2,000 employees. The range of products includes boilers, heat pumps, hybrid systems, water heaters, air conditioning units, radiators, industrial heat generators, as well as services and spare parts. This extensive range of products makes the company relevant for customers but, at the same time, increases complexity.

The value proposition of Ferroli is more than unit volume. Ferroli has to control the rate of changeovers, installation channel loyalty, price structure, and procurement activities without compromising on adequate size to cover fixed costs of plants and R&D investments. This results in increased responsiveness to regulation and incentives. An incentive-driven increase in sales could lead to high operating leverage, but a withdrawal or change in incentives could quickly reduce demand before costs are adjusted.

Business area	Value driver	Principal risk
Boilers and radiators	Installed base, replacement demand, installer relationships	Regulatory decline of fossil-fuel heating
Heat pumps and hybrids	Decarbonization, electrification and renovation incentives	Policy volatility, inventory obsolescence
Air conditioning	Climate demand, efficiency upgrades and cross-selling	Competition and seasonal demand
Water heating	Replacement cycle and international scale	Price competition and raw-material exposure
Service and spares	Recurring installed-base economics	Execution and channel coverage

Industry Context

The HVAC industry benefits from regulation for energy efficiency, the push towards electrification, and the decommissioning of outdated installed equipment. Nevertheless, the time frame and economic considerations regarding such a switch are politically determined. Subsidies, tax breaks, financing, construction activity, prices of power and natural gas, and the capacity of installers can affect the relative demand for boilers, hybrids, and heat pumps. There are also fluctuating raw material prices affecting the manufacturers.

Industry characteristic	Investment implication	Ferroli evidence
Policy-dependent demand	Peak sales may not represent normal replacement demand	2022 surge reversed after Italian incentive changes
High fixed-cost absorption	Revenue contraction produces disproportionate EBITDA decline	2023 EBITDA fell 56% on a 23% revenue decline
Inventory and SKU intensity	Forecast errors tie up cash and create write-down risk	2023-24 aerothermal inventory provisions
Installer/distributor channels	Brand survival depends on continued channel trust	Top-customer interviews supported the 2015 rescue
Technology transition	R&D and product-platform execution determine margin quality	Design-to-cost and heat-pump investment were core initiatives

Start of the Crisis: 2012-2015

In the case chapter, the structural factors that lead to the rescue attempt have been discussed. Ferroli had fourteen manufacturing units, operations in about fifteen international locations, high vertical integration and a wide range of products. There were some overseas units and radiator business that did not earn profits, utilization was low, and there was poor alignment between the governance and the complexities of the organization. The debt of the company had reached to EUR 350 million with earnings of about EUR 540 million and EBITDA of EUR 31 million by 2012. In 2013, the EBITDA fell to around EUR 23 million making the leverage more than 15x.

The immediate cause was the relationship between a soft market and vulnerable finances. The market for boilers in Italy contracted significantly with the contraction in the construction market. The process of sale led to no sales, financial institutions closed down the working capital line, and suppliers demanded cash before delivery. The production ceased to be continuous, the service deteriorated and the market share shrank. By March 2015, the plants in Italy were shut down, inventory depleted, and Ferroli could not supply its European customers.

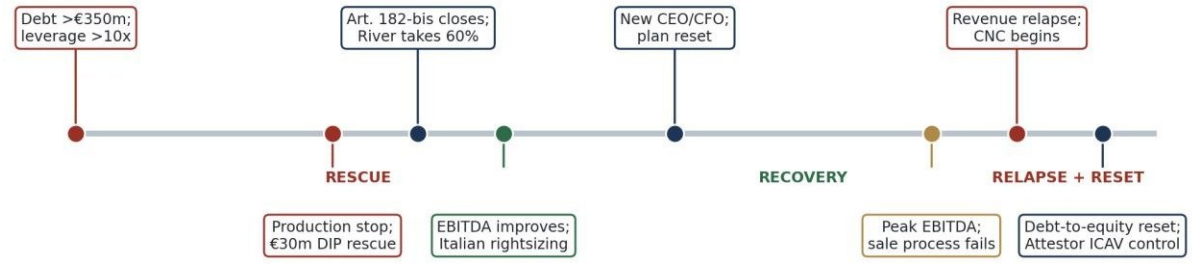


Figure 1. Ferroli's rescue, recovery, failed exit and second balance-sheet reset

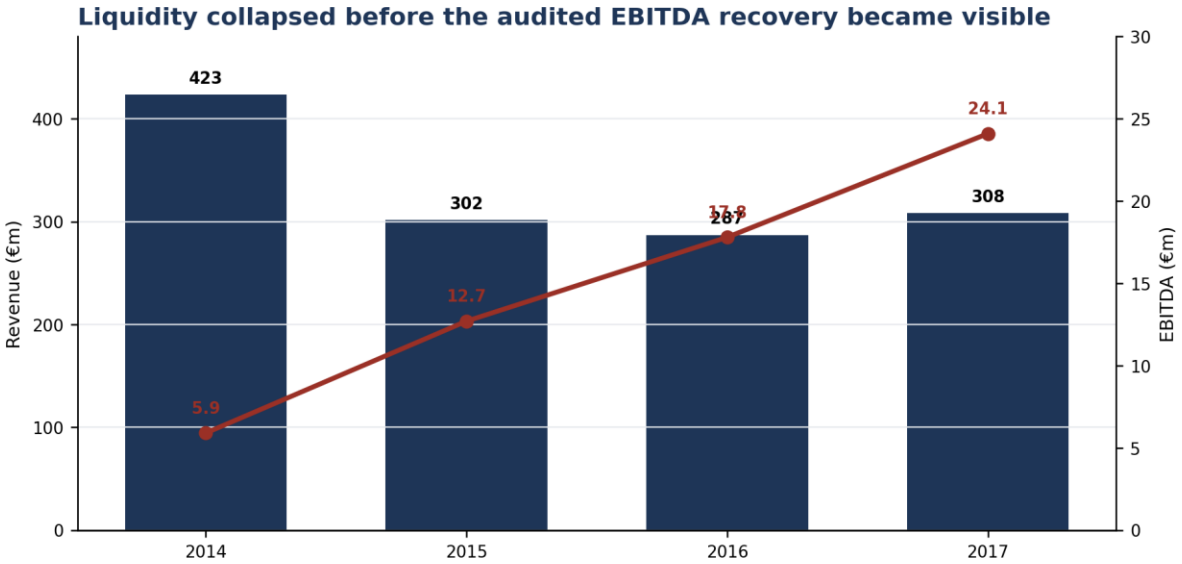


Figure 2. Revenue collapse and early EBITDA recovery around the rescue
Source: Ferroli 2015-2018 consolidated annual reports. Management-defined EBITDA.

Indicator	2014	2015	Interpretation
Revenue	€423.4m	€301.7m	29% contraction in one year
Management EBITDA	€5.9m	€12.7m	Early recovery remained too small for debt load
Net income	€(171.4)m	€(26.6)m	Impairments and restructuring losses
Net debt	€339.1m	€326.1m	No serviceable leverage profile
Equity	€(112.2)m	€(134.0)m	Negative loss-absorption capacity
Operating condition	Intermittent output	Factory shutdown and restart	Liquidity became operational capacity

Turnaround Trigger: Oxy and Attestor

Oxy Capital approached the Ferroli family in late 2014 and led the restructuring design. Attestor Capital supplied the special-situations financing. Before committing funds, the investors commissioned interviews with Ferroli's 30 largest Italian customers; the result supported the thesis that customers would buy again if production restarted. Oxy then negotiated a rapid memorandum with the four main creditor banks. On 19 June 2015 the Court of Verona authorized EUR 30 million of emergency finance with super-senior status under the insolvency framework.

The emergency loan was a bridge, not the completed recapitalization. The final Article 182-bis agreement was approved in October 2015 and executed in January 2016. Its design aligned stakeholders by postponing legacy-bank repayment to a future exit and placing new rescue capital at the top of the proceeds waterfall.

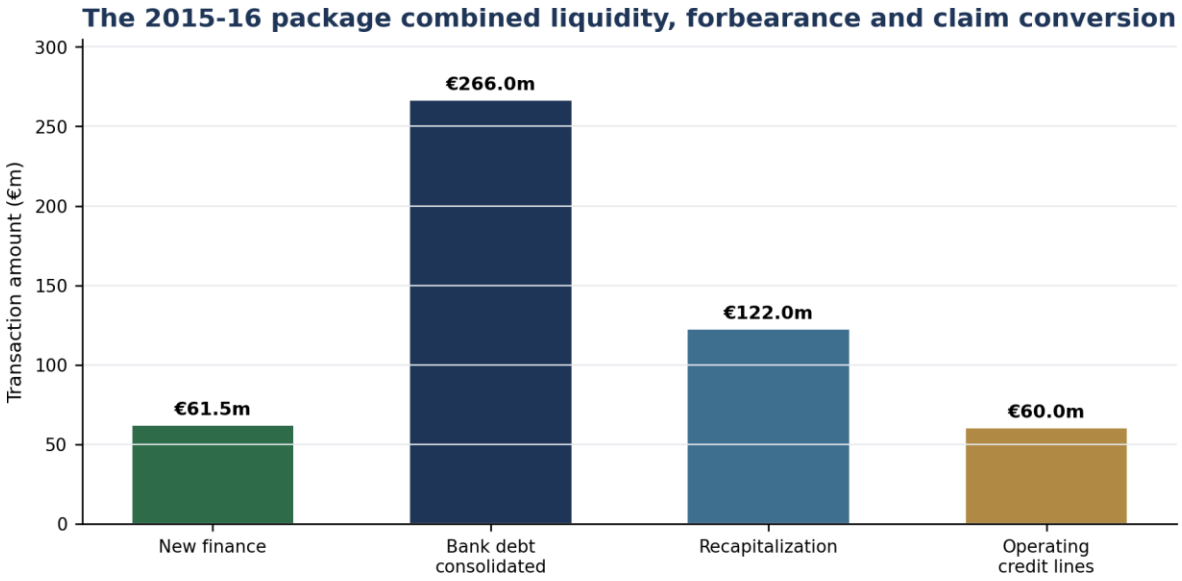


Figure 3. Principal elements of the 2015-2016 financial restructuring
Source: Supplied Ferroli case chapter, Exhibit 17.3; Ferroli 2015-2016 filings.

Mechanism	Amount / term	Economic effect
Emergency DIP-style loan	€30m; court-authorized super-senior finance	Restarted working capital and protected going concern
Permanent new finance	€61.5m; five-year bullet at 9%	Funded the plan; ranked ahead in exit waterfall
Legacy bank consolidation	€266m; five years at 1.6% pay-if-you-can	Reduced immediate cash debt service
Recapitalization	Approx. €122m via SFPs and River capital increase	Restored capital and transferred majority control
Operating lines	€60m confirmed	Preserved receivables and working-capital capacity
Supplier settlement	€12m forgiven; 40%-65% haircuts for >600 suppliers	Rebuilt the physical supply chain

Operating Turnaround: 2015-2018

All new purchases were made on cash terms, while previous balances with suppliers were put aside and renegotiated separately. Due to the fact that the creation of a whole boiler is impossible without bringing all elements together, it was impossible for Ferroli to apply a conventional 80/20 supplier rule. There were about 2,000 unpaid suppliers, out of which 400 were regarded as crucial for the resumption of production.

The allocation of scarce resources was based on four clear criteria: the rate of cash generation, profitability of the product, efficiency of batch production, and strategic significance. Scarce products were put on hold temporarily in production. This was more than just cutting costs; it was a liquidity-based production algorithm aimed at optimizing the future production capacity per unit of euro of liquidity.

Supplier and footprint restructuring

The negotiation with the suppliers was accomplished within the duration of about two and half months. Over six hundred suppliers were willing to make big concessions, which involved reduction in prices and elongation of payment periods. Later on, the industry part of the business moved away from the unprofitable radiator production business, closed plants in Italy, Poland, and Turkey, disposed of its non-core operations and properties, streamlined its loss-making subsidiaries, and downsized its workforce. Reductions are stated to have been made on a total of five hundred forty-nine employees in Italy and around two hundred more worldwide.

2017 stabilization: the previously missing year

The prior Ferroli report did not cover the year 2017 as the model did not consider the year 2017. The 2018 annual report shows the comparative column. The revenue was EUR 308.2 million, management EBITDA was EUR 24.1 million, the net loss was EUR 3.6 million, and the operating cash flow was EUR 18.6 million. The net debt was EUR 199.2 million according to the debt and cash parts of the report. The total PFN value of EUR 216.9 million in the report is due to the arithmetical carry-over mistake: EUR 23.6 million of short-term debt plus EUR 204.7 million of long-term debt minus EUR 29.1 million of cash equals EUR 199.2 million.

> **2017 evidence-quality note**
> The supplied case chapter states 2017 EBITDA of about EUR 16 million, while the audited 2018 management report gives EUR 24.1 million under its restructuring-agreement definition. No bridge between these measures is disclosed. This report uses the filed figure for the historical series and treats the case-book number as a narrower operating measure rather than silently mixing definitions.

Industrial Relaunch and Peak Recovery: 2019-2022

Profitability for Ferroli was still lower than its main rivals in 2018 and the initial business strategy became inefficient. In February 2019, a new CEO, Riccardo Garré, took office, and this was followed by a more comprehensive renewal of the senior management team. The strategy of 2019-2021 entailed expanding the business operations into China, implementing price discipline, saving on purchases, reducing production expenses, shutting down the Turkish subsidiary and improving management systems. The target was to approximately double EBITDA to EUR 47 million by 2021.

There were clear successes resulting from the strategy. In spite of the pandemic, there was positive cash flow in 2020. The revenue grew from EUR 301.2 million in 2020 to EUR 384.1 million in 2021 and EUR 496.6 million in 2022. The EBITDA as defined by management increased from EUR 23.8 million to EUR 44.7 million and then to EUR 72.2 million. The net income for 2022 was EUR 25.4 million. Such performance outperformed the planned EBITDA amounting to EUR 47 million despite the increase in the demand for energy efficiency and Italian refurbishment.

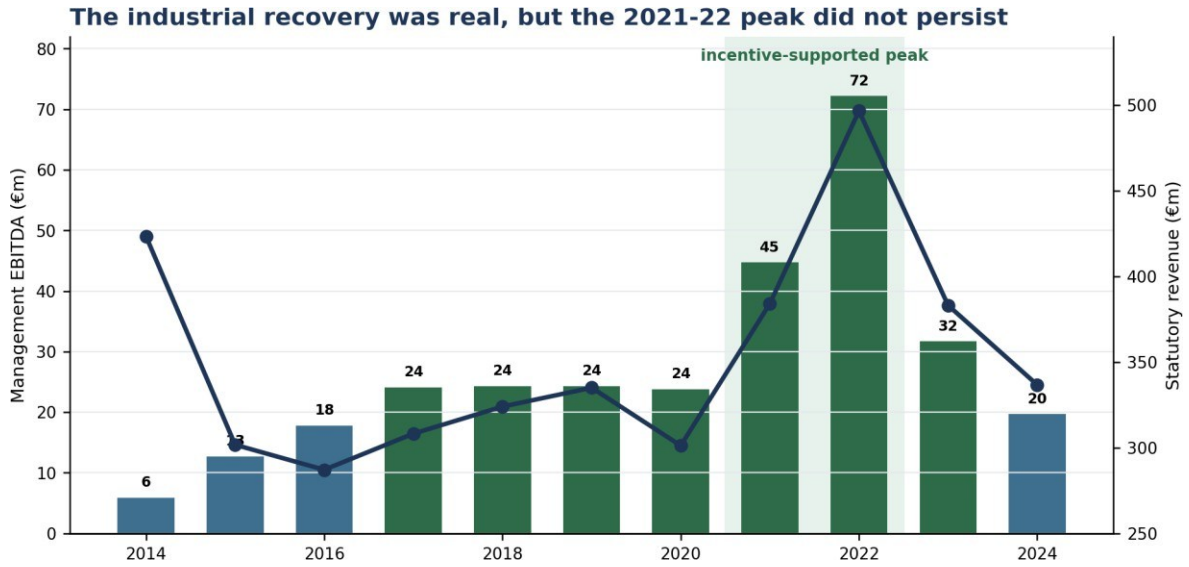


Figure 4. Revenue and management-defined EBITDA, 2014-2024

Failed Exit and 2023-2024 Relapse

Why the 2022 sale did not close

The 2015 reorganization was expected to lead to the repayments of the claims made by banks through a sale or any other value creation process at the end of the process. At the beginning of 2022, the shareholders brought on board Lazard and started a complete group-wide sale process. Reuters reported the target enterprise value to be in excess of EUR 550 million with EUR 200 million being the debt level. Ferroli carried out due diligence on legal, financial, tax, environmental, property, ESG, and trade compliance fronts.

This process concluded in October 2022. According to the annual report, the reason for the disruption was the war between Russia and Ukraine, inflation, uncertain supply chain, difficult financing situation, and the general slowdown of M&A activities. While this seems like a reasonable cause for the process to be disrupted, it is not entirely true as an inference for investment since the drop in the demand and EBITDA after that shows that the risk of peak earnings would have been high anyway.

Demand and product-mix reversal

The company’s revenue reduced by 23% in 2023 and another 12% in 2024 using the statutory approach. The Management EBITDA for 2022 was EUR 72.2 million while that of 2023 was EUR 31.7 million and was EUR 19.7 million in 2024 using the adjusted approach. The company's heat-pump sales reduced from EUR 52.6 million to EUR 35.1 million in 2024, while hybrid systems' sales fell from EUR 10.5 million to EUR 2.1 million. The company also made huge provisions for inventories, which include aerothermal solutions obtained during the demand boom period.

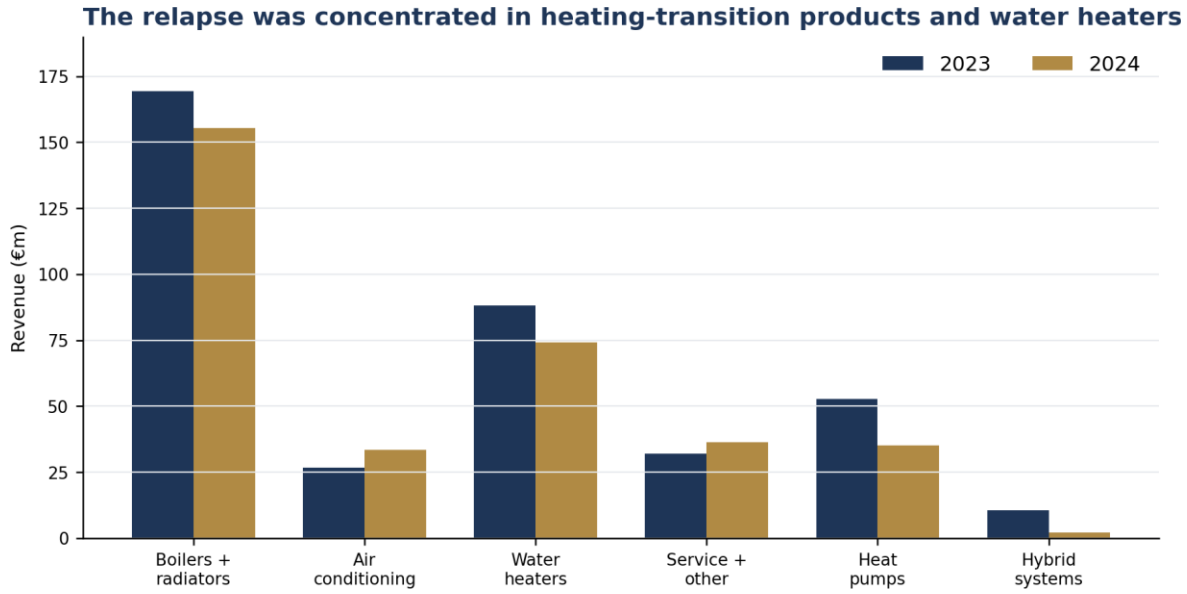


Figure 5. Product-line revenue, 2023 versus 2024

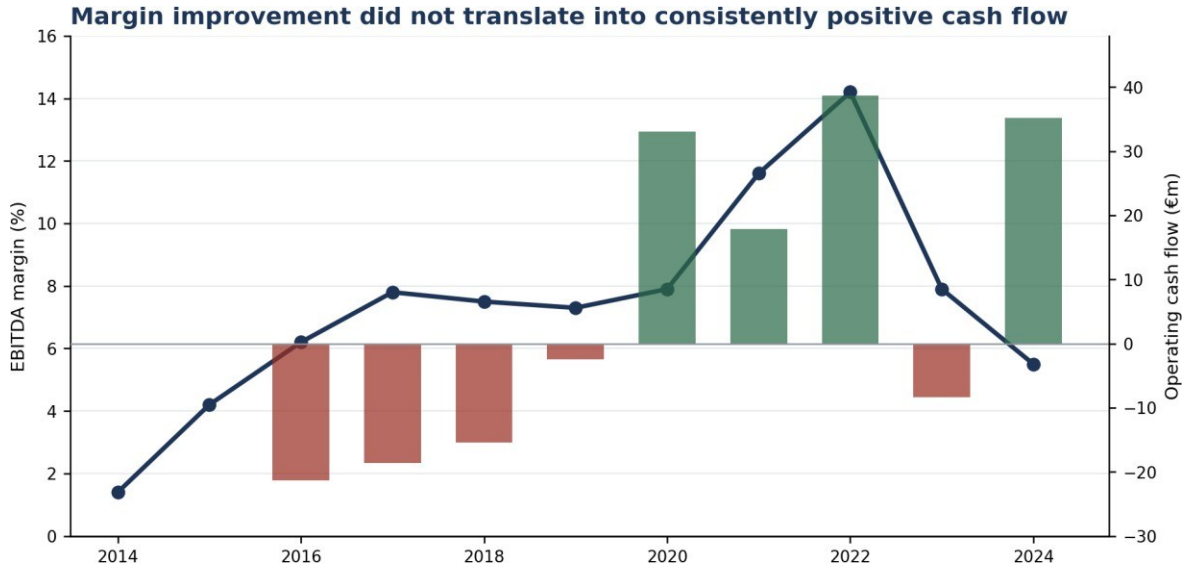


Figure 6. EBITDA margin and operating cash flow reveal uneven recovery quality

The 2024 Financial Reset

Following the freeze of operations by creditor banks, Ferroli commenced the process of negotiating crisis in Italy in December 2023. Trinity extended a super-senior facility of EUR 20 million, and the first tranche of EUR 10 million was paid out in April 2024. Following this, Trinity purchased SFPs and claims from Banco BPM and KKA, while Ferroli agreed to repayments to Illimity, MPS, AMCO, and Deutsche Bank. The restructuring agreement was signed on 1 August 2024.

On 10th October, Ferroli increased its authorized share capital by EUR 999,990 and capitalized the amount of EUR 234.872 million on account of share premium through set-off of the claims of Trinity. Thus, the total amount of non-cash conversion became EUR 235.872 million. The total number of SFPs issued was then canceled. On 2nd December, Attestor Capital ICAV bought from Trinity all newly issued shares.

Date	Action	Economic interpretation
Dec. 2023	Negotiated-crisis process initiated	Formal recognition of renewed liquidity stress
Apr. 2024	Trinity super-senior facility; €10m first draw	New cash supported going concern
Jun.-Jul. 2024	Trinity bought bank claims and SFPs	Further creditor concentration
1 Aug. 2024	Restructuring agreement signed	Creditor solution formalized
10 Oct. 2024	€235.872m claims converted into capital and premium	Leverage became equity; no equivalent cash inflow
2 Dec. 2024	Attestor ICAV acquired newly issued shares	Control consolidated under Attestor

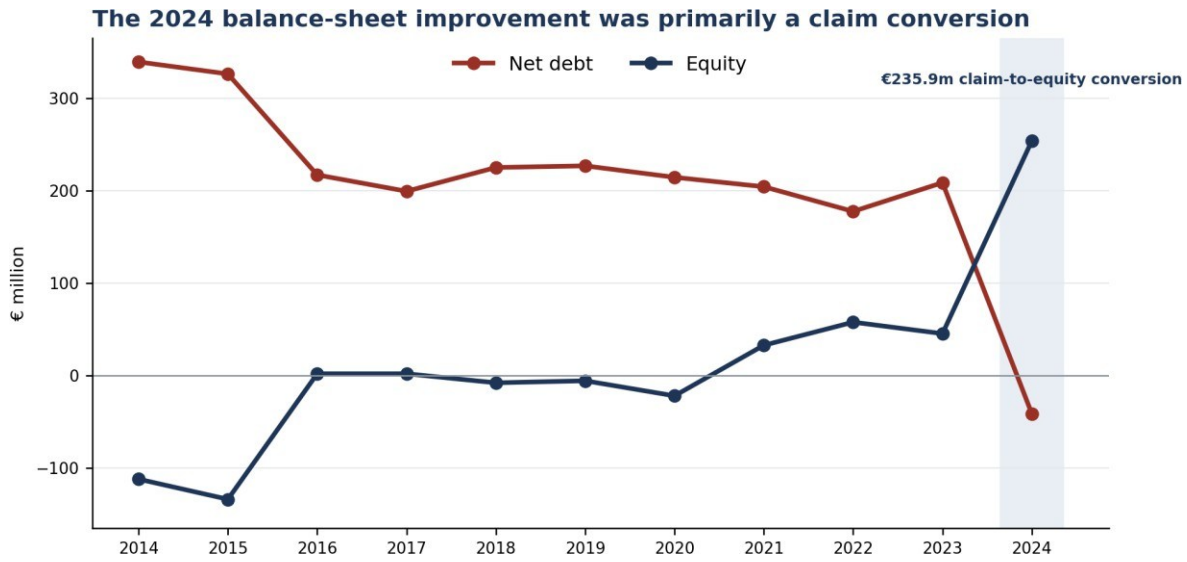


Figure 7. Net debt and equity before and after the 2024 conversion
Source: Ferroli consolidated annual reports. Net-debt sign normalized by the analyst; 2024 is net cash.
The year-end balance sheet is much stronger, but the mechanism matters. Net debt moved from EUR 208.5 million in 2023 to EUR 41.3 million of net cash in 2024, and equity rose from EUR 45.2 million to EUR 253.6 million. The EUR 250 million swing cannot be interpreted as operating deleveraging: the principal driver was the conversion of Trinity's claims into equity and cancellation of SFPs. Operating cash flow of EUR 35.2 million was positive and useful, but it was insufficient by itself to explain the capital-structure transformation.

Ownership Transfer and Exit Mechanics

The first ownership transfer was part of the 2016 recapitalization. River S.p.A., the vehicle associated with Attestor, held 60% of Ferroli's ordinary shares, while members of the Ferroli family retained the remaining 40%. Oxy was the operating sponsor and restructuring architect, but the filings more clearly identify Attestor/River/Trinity as the capital and control chain. Trinity also held the principal new-money loan.

The second transfer in 2024 took place for economic reasons. Before the share issue, Ferroli had 2,532,200 ordinary shares, while after the share issue, they had 11,793,580,237 ordinary shares. Therefore, the share block issued represented almost 99.98% of the ordinary shares following the share issue. Given that Attestor ICAV received all the issued share block from Trinity, then the percentage of the share block owned by existing shareholders reduced to about 0.02%. This is based on calculations by an analyst based on the provided figures of shares.

How the sponsors were supposed to exit

The original financing did not require any form of normal dividend payments. The deal assumed that there will be a sale or exit in the process of implementing the business plan. Exit proceeds were supposed to be shared based on the contractual waterfall arrangement that involved: (1) reimbursement of principal amount for the new money and 9 percent interest rate, (2) reimbursement of EUR 63 million from the mortgage bank claim, and (3) sharing of any other proceeds among banks and Oxy/Attestor on an equal basis.

What actually happened

No consummation of a third party sale occurred in 2022. Instead, debt maturities were extended, and a second restructuring took place in 2024 at Attestor. Oxy's loan tranche amounting to EUR 1.5 million was sold to illimity in November 2020 for EUR 2.053 million inclusive of the interest that had accumulated on it. This is a provable case of an exit at the claim level. There is no price and date mentioned for Oxy's equity sale, and modern secondary sources referred to Oxy even after 2020 in relation to Attestor. The safe assumption that one can make is that Oxy has exited at least the loan level but not the equity level.

Attestor did not sell its shares. The December 2024 move by Trinity to Attestor Capital ICAV strengthened the chain of ownership through a directly identifiable Attestor entity. There was no disclosed sale price, and the move should not be considered as an example of external liquidity or return for the sponsor. On the basis of the latest available corporate information, Ferroli was still backed by Attestor.



Figure 8. Ownership, claim monetization and the uncompleted sponsor exit

Stakeholder	Original position	Documented outcome	Exit assessment
Ferroli family	40% after River's 60% entry	Economically diluted by 2024 issuance	Control exited; residual interest de minimis
Oxy Capital	Operating sponsor; small disclosed loan claim; reported equity interest	Loan claim sold to illimity in 2020	Partial monetization; full equity exit undisclosed
Attestor / River / Trinity	Majority equity, new finance and control chain	Attestor ICAV acquired new shares in Dec. 2024	Control consolidated, not exited
Legacy banks	Approx. €266m consolidated claims plus operating lines	Conversions, extensions, repayments and limited haircut	Recovery through restructuring, not one clean sale

Was the Turnaround Sustainable?

Test	Evidence	Verdict
Commercial viability	Customers returned after production restart; revenue recovered	Pass
Operating improvement	EBITDA rose materially through 2017 and again in 2021-22	Pass
Cash conversion	Positive in 2020-22 and 2024; negative in 2016-19 and 2023	Mixed
Through-cycle margins	EBITDA margin fell from 14.2% in 2022 to 5.5% in 2024	Fail / unproven
Organic deleveraging	2024 leverage repair dominated by claim conversion	Fail
Exit readiness	2022 sale interrupted; debt extended and restructured	Fail
Technology transition	Product development continued, but heat-pump/hybrid revenue collapsed	Developing

What was structurally improved

Supplier credibility and production continuity were restored.
The manufacturing and geographic footprint became smaller and less complex.
Management information, procurement, product-costing and pricing processes improved.
New product platforms and energy-transition capabilities were developed.
The 2024 conversion removed most medium- and long-term bank debt from the balance sheet.

What remained non-durable

Peak 2022 earnings were exposed to incentives and demand pulled forward from future periods.
The cost base and inventory could not adjust quickly enough when demand normalized.
The company required repeated amendments, maturity extensions and a second large recapitalization.
The 2024 net-cash position overstates organic balance-sheet repair because claims became equity.
No third-party exit validated the enterprise value or sponsor return.

Conclusion

This is an example where a difference between a successful rescue and turnaround was made. Oxy and Attestor correctly detected a viable customer franchise hindered by an ineffective liquidity and governance structure. Their actions to inject emergency capital, involve suppliers, prioritize production, convert debt, and reduce operations prevented bankruptcy and created a viable industrial entity. Further management improvements and good market conditions ensured a profitable turnaround in 2021-2022.

But the sale process never materialized, earnings stabilized significantly, cash flow flipped and, further, a restructuring became necessary. The 2024 transaction greatly corrected the balance sheet position mainly through exchange of the debt held by Trinity with equity and consolidation of ownership by Attestor. There was no realization of value nor sponsor returns from it. Hence, this case can be considered as one involving a rescue out of extreme distress, followed by a temporary cycle recovery but no full exit.

PREMUDA S.P.A.

About Premuda: Company, Business Model and Industry Exposure

Premuda was established in Trieste in 1907 and now operates out of Genoa, transporting dry cargo and oil products through companies that operate in Italy and Malta. The economic risk that Premuda faces stems from a blend of owning its own ships, sale and leaseback operations, bareboat and time charters with purchase rights, commercial management, and partnership initiatives. The risk blend is significant because profit margins depend not only on freight prices but also on the number of ships, utilization of the ships, charter period, finance structure, and asset turnover profits or losses.

The business model saw significant development post-2017. The company moved from owning the legacy fleet under a static recovery environment to managing a diversified range of shipping risks. The firm increased its tanker strength, included new eco-designed product tankers, managed ships for third party ship owners and out-sourced its technical management via Columbia. All these efforts helped the company achieve scale without having an acquisition strategy that relied only on the balance sheet.

Business component	How value is created	Main risk
Product tankers	Freight exposure, modern MR and LR2/Aframax tonnage, charter optionality	Tanker-rate volatility; regulation
Dry bulk	Diversification and selective vessel monetization	Oversupply and commodity-cycle sensitivity
Asset rotation	Buy below replacement value; sell into strong second-hand markets	Timing risk; non-recurring gains
Commercial/technical management	Fee and relationship income; operating leverage across a larger fleet	Counterparty and execution dependence
Leases and SLBs	Fleet access with lower initial equity and embedded purchase options	IFRS 16 leverage optics and fixed commitments

Industry context

The dry bulk and product tanker sectors are highly cyclical in nature due to the fast-changing nature of demand when compared to the relatively slower changes in supply of ships. The owner of a ship can be making profits in times of high spot rates but will be reducing equity if ships are bought at the peak of the second-hand market or when long-term financing is used for short term assets.

The downturn that Premuda experienced between 2014 and 2016 was an example of the unfavorable workings of this mechanism. Restricted dry market conditions coupled with excess supply worked against the economic viability of the vessels while Premuda had little liquidity and much secured debt at the time. The reverse was true for the period of 2022 to 2024 when Premuda was recovering as it reaped the benefits of the favorable form of the mechanism.

Industry feature	Equity implication	Premuda response
High operating leverage	Small rate changes create large EBITDA swings	Diversified wet/dry exposure and mix of spot/period employment
Asset-price cyclicality	NAV and collateral values can move before accounting earnings	Opportunistic sales and option exercises
Capital intensity	Growth can re-lever the company faster than earnings scale	Low-leverage fleet expansion and SLB structures
Environmental regulation	Older tonnage faces capex, speed and commercial penalties	Younger eco-design tanker pipeline
Accounting complexity	IFRS 16 can raise both EBITDA and net debt	Management reports ex-IFRS 16 leverage as a cross-check

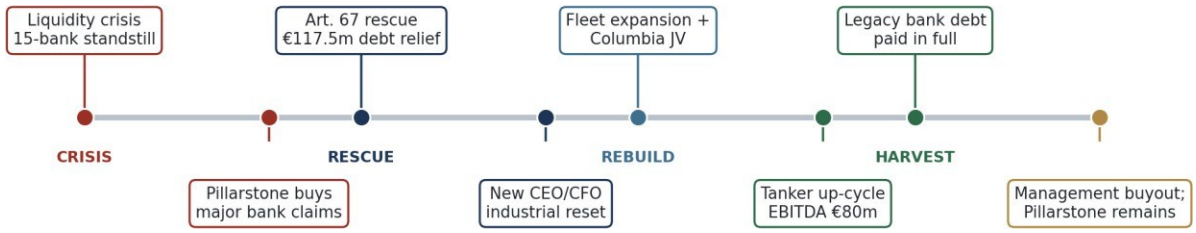


Figure 1. Premuda's crisis, rescue, industrial rebuild and ownership transition

Start of the Crisis: 2013–2016

Distress indicators were already there before the involvement of Pillarstone. During the 2014 shareholders' meeting, it was revealed that a significant amount of Premuda's money was being blocked in pledged bank accounts of two Dutch banks. Fearing a cash crunch in the coming weeks, the management tried to enter into standstill agreements with fifteen banks and thought about preparing the accounts on a liquidation basis instead of going concern. The diversity of creditors hampered their decision making.

The performance of the income statement was deteriorating much faster than the restructuring plan could be carried out. Revenue fell from approximately €68.4 million to €51.9 million between 2014 and 2016. The operating EBITDA continued to be close to zero, but the net losses increased to €118.4 million because vessel impairments and finance expenses outweighed the cash flow from operations. By 2015, the company faced a number of major uncertainties that made the auditor unable to confirm the going-concern assumption. The loss by the parent company amounted to €66.5 million.

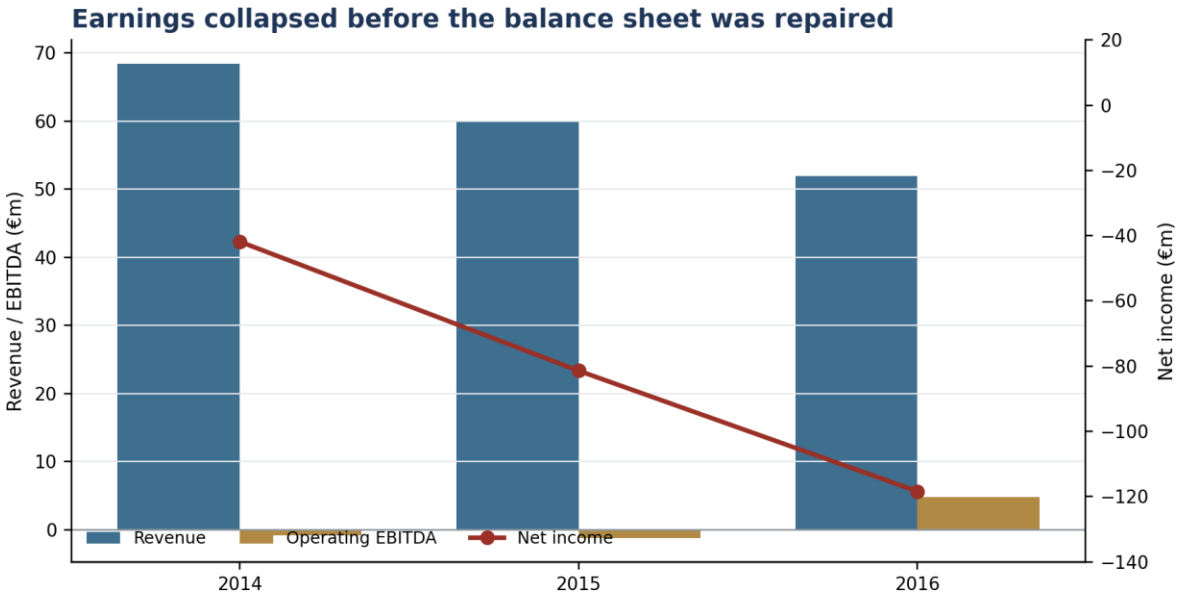


Figure 2. The operating decline preceded the 2017 recapitalization

Crisis diagnostics

Indicator	2014	2015	2016	Interpretation
Revenue (€m)	68.4	59.9	51.9	Shrinking earning base
Operating EBITDA (€m)	(0.8)	(1.2)	4.8	Insufficient relative to debt
Net income (€m)	(41.8)	(81.4)	(118.4)	Impairment and finance burden
Net debt (€m)	354.9	320.3	343.0	No credible deleveraging
Equity (€m)	98.0	27.3	(91.5)	Loss-absorption capacity exhausted
Current ratio	0.10x	0.12x	0.08x	Acute refinancing dependence

It was through the impairment exercise in 2016 that the situation became clearer. The company had an identified balance sheet as of 30 December 2016 showing negative equity greater than €90.4 million. According to management, the recapitalization of Pillarstone is the only viable alternative to liquidation.

Pillarstone's Entrance and Start of Restructuring: 2016–2017

Pillarstone's first major move was that of creditor consolidation. In 2016, Pillarstone Italy SPV took on the obligations of the three most significant banks in terms of exposure to them, namely UniCredit, Carige, and Intesa, in a securitization context worth more than €270 million nominal. This move meant that Pillarstone became, in no uncertain terms, the primary creditor of Premuda.

Premuda and its financial creditors agreed on a restructuring plan under the provisions of Article 67 on 30 March 2017. This transaction was completed on 10 April, and the plan came into full effect on 14 April. PS Navi, which is a vehicle of Pillarstone, subscribed to a total of €1.446 million as well as €5.784 million share premium of the share capital, thereby settling all of the outstanding financial claims of Premuda.

Restructuring lever	Transaction	Economic effect
Creditor consolidation	Pillarstone acquired major bank claims	Faster, coordinated decision-making
Equity recapitalization	€7.23m subscribed through claim offset	Restored legal capital; transferred ownership
Unsecured short-term debt	20% paid; 80% written off	Immediate liquidity and solvency relief
Long-term debt	Maturities extended and repriced	Matched debt service to plan cash flows
Secured vessel debt	Reset to collateral value; excess partly written off and partly converted to SFPs	Reduced over-collateralized debt burden
New finance	Approximately US$44m	Funded continuity and plan execution

It should be noted that this result highlights the importance of separating accounting operations from operational activities during turnaround analysis. About €117.5 million of debts were discharged, and the positive net income in 2017, which amounted to €119.0 million, is mostly connected with discharge of these debts and not with freight economy. The reduction in net debt was €199 million, while equity became positive again.

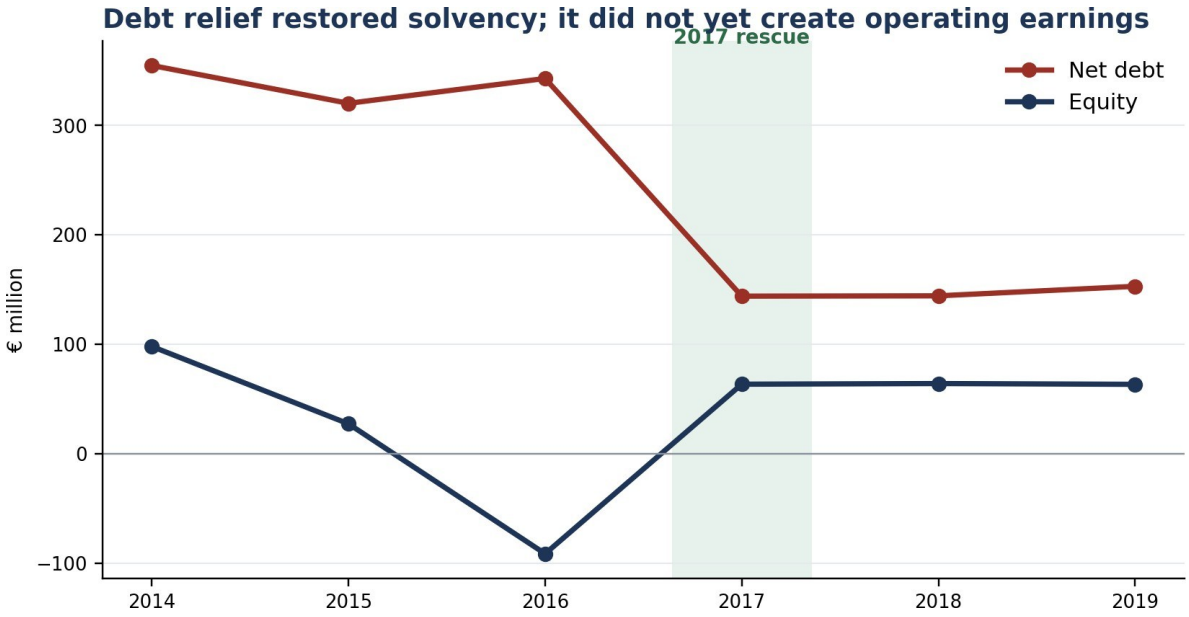


Figure 3. Financial restructuring restored solvency before operating performance recovered

What Pillarstone actually changed
The sponsor did more than inject cash. It unified creditor control, reset ownership, wrote debt down to an economically serviceable level, extended maturities, converted residual claims into equity-like instruments and supplied fresh financing. Those actions created time and strategic freedom; they were necessary but not sufficient for value creation.

Restructuring Phases and Turnaround: 2017–2024

Phase	Period	Principal action	Evidence of progress
I. Financial rescue	2017	Debt relief, maturity reset, new money, delisting and ownership transfer	Solvency restored; operating recovery not yet established
II. Stabilization	2018–2019	Protect liquidity, simplify the group and install new senior management	EBITDA improved, but leverage remained high
III. Platform rebuild	2020–2021	Tanker-oriented fleet expansion, charter optionality and Columbia technical-management JV	Adjusted EBITDA rose through the pandemic
IV. Cash harvest	2022–2024	Capture tanker up-cycle, rotate vessels, exercise options and repay debt	Legacy bank debt repaid; net debt fell to €56.0m

Phase II: Stabilization and management reset (2018–2019)
After the rescue, Premuda showed signs of stabilization rather than optimization right away. Possible improvements in financial performance were seen in 2018 and 2019, but leverage was still high and the net income was at breakeven levels. A more clear-cut transformation in the way the company ran began when Marco Fiori and Enrico Barbieri became CEO and CFO, respectively, in 2019. They transformed the vision of Premuda into that of a flexible investment and operating structure rather than a passive owner of legacy vessels.

Phase III: Fleet reconstruction and operating-model redesign (2020–2021)

Fleet reconstruction and cargo-mix shift
As the Fleet Turnaround Strategy was implemented, there was a continuous shifting of exposure towards the tanker sector while still diversifying in terms of the dry bulk sector. In 2020, Premuda had purchased five ships under bareboat agreements, increased its MR fleet through long-term charters, and made more purchases/managed vessels through partnerships. The number of equivalent vessels rose from 11.5 in 2019 to 19.5 in 2020. Adjusted EBITDA rose from €13.0 million to €23.6 million despite the pandemic.

Operating-model redesign
In late 2020, Premuda set up a joint venture with Columbia Shipmanagement for the purposes of technical fleet management. Instead of using its own cumbersome system, Premuda outsourced its work to an international company. Furthermore, Premuda expanded third party commercial management by adding the obligations of FINAV to the list. All of this helped the company to reduce organizational complexity and increase the number of vessels available for management by Premuda.

Pandemic stress test
The pandemic limited ship deliveries and yard activity, which led to low tanker rates and high leverage. Group net debt increased from €153.0 million at year-end 2019 to €204.5 million in 2020 partially owing to IFRS 16 accounting for the group's long-term charter commitments. Premuda has taken advantage of its contractual stop capacity, including US$4.7 million from Pillarstone's creditor holding company, and ceased expanding the fleet. The group managed to generate around €20 million of free cash flow for debt service excluding one-offs and converted 94% of EBITDA into cash.

The importance of this time lies in the fact that it contradicts an exclusively cyclical approach. It was not ruined by the pandemic, but instead, it made money, adhered to the recovery plan and improved again in

2021. Nonetheless, the leverage proved to be dependent on the growth of the fleet and accounting of charters.

Initiative	Mechanism	Turnaround contribution
New senior team	Centralized capital allocation and project execution	Moved from passive restructuring to active portfolio management
Tanker reweighting	Added LR2/Aframax and MR exposure	Positioned the group for the 2022 tanker recovery
Purchase options	Long-term charters with optional ownership	Retained upside while limiting initial equity
Columbia JV	Shared technical management platform	Reduced complexity and expanded operating capability
Third-party mandates	Commercial/operational management of external vessels	Added scale and relationship capital

Phase IV: Earnings inflection, asset rotation and deleveraging (2022–2024)
Adjusted EBITDA grew nearly twice, from €41.7 million in 2021 to €80.0 million in 2022. Management states that the earlier growth that occurred in 2020-2021 was due to an increase in fleet size, whereas the later one in 2022-2023 was additionally caused by a recovery in tanker markets expected. Adjusted EBITDA in 2023 was €69.3 million, while in 2024 it amounted to €64.8 million; in 2024, a drop in EBITDA was driven by a reduction in the number of vessel-equivalent units, not by shrinking margins. The EBITDA margin stood at 59%

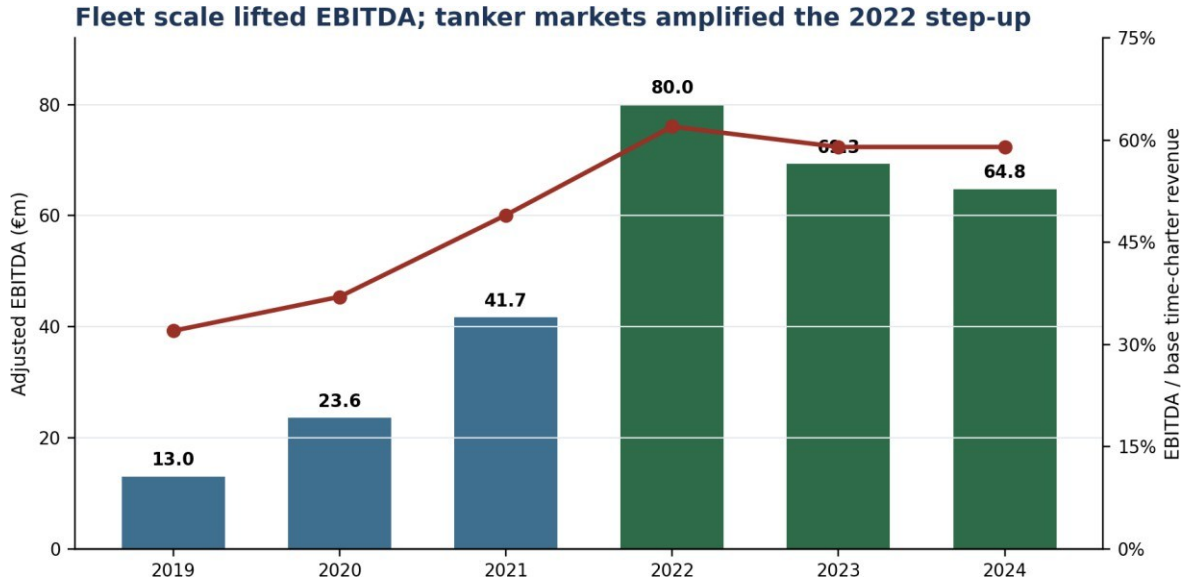


Figure 4. Adjusted EBITDA scaled before and during the tanker up-cycle

2024 cash harvest
The key measure of turnaround success is the cash bridge. For Premuda, approximately €69.9 million of cash from operating activities without vessel transactions was recorded. €40.3 million of net cash flows were obtained from buying and selling of vessels. These funds were used by Premuda to buy six vessels that had already been financed using sale and lease-back facilities, leasing and borrowing, leading to an additional

cash flow of €13.1 million. Thus, net debt fell from €122.7 million to €56.0 million.

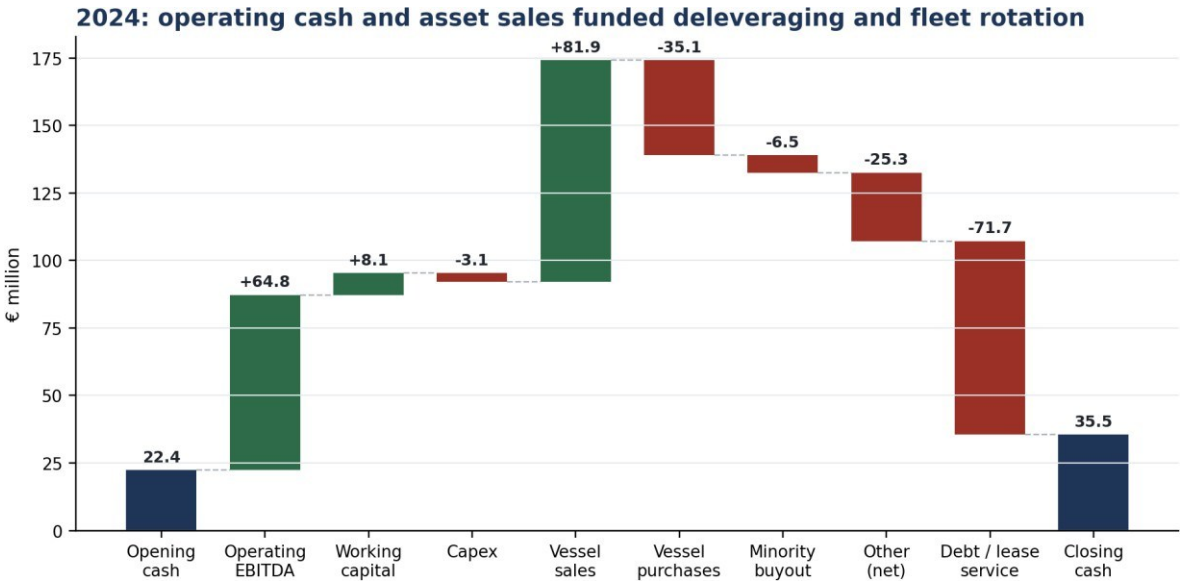


Figure 5. 2024 cash generation funded both fleet rotation and balance-sheet repair

Asset rotation was strategic—but not recurring

Premuda divested its PS Genova for $40 million in an environment of healthy market conditions, offloaded two old Handy dry bulk carriers for $22.6 million, and redeployed capital into the relatively new MR tanker PS Singapore for $37 million. Moreover, the company was planning to divest four Nabucco vessels and explore the acquisition of a new eco design MR tanker. These transactions lowered exposure to dry-dock cost, lowered average age of the fleet, and helped Premuda realize gains on asset sales. They have also made accounting profit less comparable with freight revenues: the 2024 income statement showed $27.0 million of gains from vessel sales, which amounted to 71% of the net income.

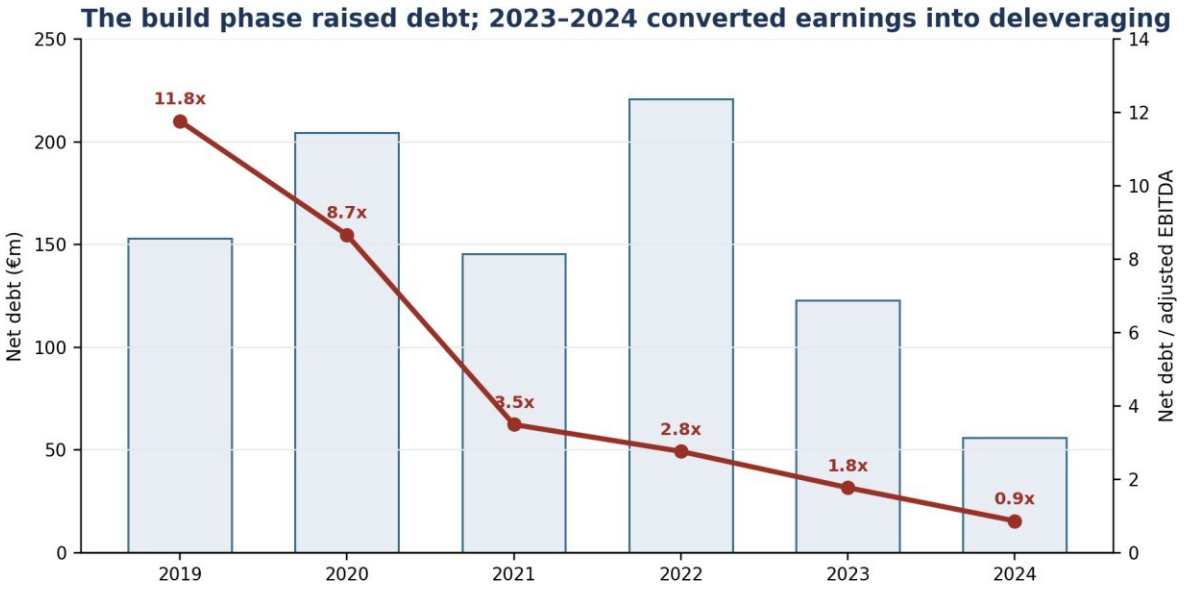


Figure 6. Deleveraging became decisive after the fleet build and tanker-rate recovery

€m / metric	2019	2020	2021	2022	2023	2024
Adjusted EBITDA	13.0	23.6	41.7	80.0	69.3	64.8
EBITDA / TCE revenue	32%	37%	49%	62%	59%	59%
Net debt	153.0	204.5	145.6	220.8	122.7	56.0
Net debt / EBITDA	11.8x	8.7x	3.5x	2.8x	1.8x	0.9x
Net income	(2.0)	(33.3)	(3.2)	43.3	28.3	38.3

Note: Adjusted EBITDA is Premuda's IAP measure. Net income is statutory consolidated; the 2020 loss is taken from the 2021 annual report's comparative disclosure.

Outcome test: Was the performance sustainable?

YES IN BALANCE-SHEET AND PLATFORM TERMS; ONLY PARTLY IN EARNINGS LEVEL
Three factors are necessary to make the turnaround sustainable: first, that the company does not need to keep conceding to creditors in order to remain solvent; second, that the company can generate cash flows in its ongoing business activity, taking into account the need for maintenance; third, that performance does not depend only on good external conditions.

Test	Evidence	Verdict
Balance-sheet durability	2024 net debt €56.0m; 0.9x adjusted EBITDA; legacy bank debt paid in full in 2023	Strong
Recurring cash generation	2024 operations generated c. €69.9m before vessel trades; cash conversion demonstrated in 2020	Strong
Margin durability	Adjusted EBITDA/TCE revenue held at 59% in 2023–2024	Encouraging
Cycle independence	2022 step-up coincided with tanker recovery; geopolitical rerouting supported rates	Incomplete
Earnings quality	2024 net income included €27.0m disposal gains	Mixed
Capital discipline	Low-leverage investments, option exercise only when FMV exceeded strike, dry-to-tanker rotation	Strong
Environmental readiness	Eco-design MR pipeline and fleet renewal; EU ETS/FuelEU still raise cost and capex risk	Developing

Structural causes of the sustainable improvement
Capital structure reset: debt write-offs, maturity extensions and equity-like instruments removed the pre-2017 insolvency overhang.
Creditor and governance concentration: Pillarstone could make coordinated trade-offs across debt, equity and assets.
Management capability: the 2019 team delivered acquisitions, refinancing, partnerships and asset disposals rather than waiting for rates to recover.
Operating-model simplification: Columbia and third-party management arrangements increased scale without rebuilding all technical capabilities internally.
Fleet and mix renewal: greater product-tanker exposure and younger eco-design tonnage improved

commercial positioning and regulatory resilience.
Cash-based deleveraging: the 2023–2024 balance-sheet improvement was funded by operating cash and economically favorable asset sales, not a second debt haircut.

What remains cyclical or non-recurring
Tanker rates: the 2022–2024 earnings level is above the weak 2019–2021 environment and should not be extrapolated mechanically.
Vessel-sale gains: disposals created real cash but are not recurring operating income.
IFRS 16 effects: long-term charters raise reported EBITDA and net debt simultaneously; management estimated 2024 leverage at 0.3x excluding three IFRS 16 charters versus 0.9x reported.
Fleet concentration: a smaller fleet can reduce EBITDA even at stable margins, as occurred in 2024.
Environmental compliance: EEXI, CII, EU ETS and FuelEU Maritime will favor modern tonnage but can require capex and reduce the competitiveness of older vessels.

Exit: Plan Completion and the 2025 Management Buyout

The legacy bank debt was completely settled in 2023 in respect to the plan outlined in Article 67, and Premuda defined 2024 as the first year outside the confines of the plan. It was considered a significant accomplishment that marked the end of financial restructuring, but not an ordinary exit of the sponsor.

Ownership of the entity was transferred through a series of transactions. By 31 December 2024, PS Navi S.p.A. was the sole shareholder of Premuda. SFP-C instruments voluntarily expired on 7 March 2025. On 20 March 2025, Navi BidCo S.p.A. purchased 100% of Premuda from PS Navi and acquired all the remaining SFP-A and SFP-B instruments from Pillarstone Italy SPV and canceled them. The filing of 2024 described this as the first stage in a larger leveraged buyout pursuant to Article 2501-bis, where Navi BidCo would be merged into Premuda and the senior management would invest at the level of Premuda's indirect parent company.

A management buyout covering the whole share capital was carried out on 5 May 2025 in collaboration with the support of Pillarstone, with Marco Fiori as CEO and Enrico Barbieri as CFO. Pillarstone stayed in its capacity as co-owner; nevertheless, no details regarding the transaction price and ownership stakes have been disclosed. As a result, according to the data obtained from AIDA, Navi Holding S.p.A. was recognized as the 100% owner of Premuda on 31 October 2025. On a cumulative basis, all information received allows concluding that Navi Holding is the ownership structure after the LMBO, which implies that the managers and Pillarstone are economic investors. In turn, the specialists have claimed that Pillarstone still controls the company, while managers have a minority stake.

Date	Ownership / governance event	Interpretation
2016	Pillarstone becomes dominant creditor	Control begins through the liability side
April 2017	PS Navi becomes sole shareholder; old equity eliminated	Full sponsor control and delisting
2019	New CEO and CFO appointed	Industrial execution phase begins
2023	Legacy bank debt repaid in full	Recovery plan economically completed; no equity exit

Date	Ownership / governance event	Interpretation
Mar.-Oct. 2025	Navi BidCo buys 100%; MBO announced; AIDA later records Navi Holding as direct holder	Management enters indirectly; Pillarstone remains invested

Exit classification
The 2023 repayment of legacy bank debt was an exit from the restructuring plan, not an equity exit. The 2025 LMBO replaced PS Navi with a new acquisition/holding structure, cancelled the restructuring-era participating instruments and introduced management ownership, but Pillarstone remained a co-investor and is reported by specialist press to retain control. Because neither ownership percentages nor consideration were disclosed, the amount of sponsor monetization cannot be measured. This is a partial ownership transition, not a verified full exit.

Present Situation: 2025–2026

Premuda continues to operate as a privately owned company with its head office located in Genoa. According to the official website of the company, Premuda owns 12 ships, which include 9 tanker ships and 3 dry cargo ships. However, this number does not tally with the MBO release for May 2025, which indicates 13 ships with the projection of 2 more ships in the design of the eco-design product tankers by the end of the year.

There have been significant shifts in Post-MBO capital structure during 2025. Premuda made a US$65 million funding arrangement to support the management buyout and also made a US$40 million sustainability-linked loan (SLL), which was used to fund the purchase of two eco-design vessels PS Singapore and PS Sydney. This means that the interest rate on SLL is based on the performance of the fleet CO2 emissions and the Annual Efficiency Ratio. These are some of the examples of new opportunities for borrowing from banks and funding the fleet renewal; however, they mean that year-end 2024 figures about net debt €56.0 million and leverage ratio 0.9x cannot be considered up to date.

Present-situation item	Latest evidence	Analytical reading
Ownership	Management and Pillarstone are co-shareholders; percentages undisclosed	Pillarstone remains invested; no full exit
Fleet	Current website lists 12 controlled vessels	Tanker-led fleet, but count differs from the May 2025 release
Financing	US$65m MBO facility plus US$40m sustainability-linked vessel loan	Funding access improved; current leverage is higher or differently located
Disclosure	No audited 2025 consolidated report in the source pack	Post-MBO earnings, debt and NAV cannot be verified
Strategy	Fleet renewal, efficiency and lower-carbon shipping	Strategically coherent, but capital intensive and cycle exposed

Conclusion

The transformation of Premuda is economically credible. The 2017 deal put the firm back on track using a combination of debt restructuring, debt forgiveness, extension of terms, conversion to equity, and new capital investment. These are the reason behind the survival of the firm and the unusually high profit reported in 2017 but not the reason behind the creation of the cash generating platform that came after. The 2019 management shakeup, fleet renewal geared towards the tanker market, Columbia collaboration, selective exercise of options, and asset rotation explain the EBITDA and cash flows before the recovery of the tanker sector.

Sustainability of the company's performance has been described through low financial breakeven point, improvement in the quality of the fleet, leaner organization and restored ability to make investments. Sustainability of profits is lower than the one suggested by net income for 2024, because of the significant revenue resulting from sale of vessels and positive market situation for tankers. Consequently, the analytical position is positive on the quality of turnaround and cautious about the normalized profits which explicitly depend on transaction prices and vessel NAV.

M STRETCH S.P.A.

About M Stretch: Company, Business Model and Industry Exposure

M Stretch, formerly known as Manuli Stretch and trading under the name Manupackaging from 2020 onwards, manufactures and supplies linear low density polyethylene films for wrapping industrial and agricultural loads. This includes machine and hand stretch film, stretch hood, silage films and agriculture films, as well as end of line packaging equipment. The company's history of manufacturing polyethylene films dates back to 1969.

The team acts as a converter of the spread economically. The variable factors are the resin and energy, whereas the selling prices need to be flexible enough for keeping the euro contribution per kilogram of euro contribution intact. This means that the income can fall down if the prices of resin go down despite keeping the volume of production constant.

Business component	Role	Principal exposure
M Stretch holding	Strategy, finance and central services	Overhead, guarantees and capital allocation
Latin America	Production and distribution in Argentina and Brazil	Currency, inflation, logistics and demand
European network	Distribution across the UK and Central/Eastern Europe	Customer retention, credit and geopolitics
Former German unit	High-spec production until 2024 insolvency	Energy, labor, utilization and refinancing

However, the bankruptcy of MPD in 2024 changed the business model. The single European platform works now mainly as a distributor, using recipe transfers, chosen external producers, and affiliates from Eastern Europe. Though the risk of fixed production was reduced, the company is now exposed to more risks concerning the chain supply and control of quality.

Start of the Crisis: 2014-2017

The problem developed gradually. In 2014, shareholder injections amounted to €10.8 million in cash injections and €4.2 million in contributed distribution equity, whereas Intesa refinanced its medium and long-term liabilities. EBITDA reached €13.7 million; however, €9.0 million net financial and foreign exchange costs produced a consolidated loss of €4.0 million. This capital increase was only a temporary solution without any change in the low margin cost structure.

In 2015, EBITDA rose to €14.4 million; nevertheless, there was a loss, decrease in equity and increase in net debt to €42.7 million. Revenue in 2016 fell by 9.4%, EBIT fell to €2.4 million with €8.5 million depreciation and write-downs, and the net loss increased to €5.6 million. The recurring problem was convertibility because EBITDA could not sustain financing costs, foreign exchange costs and restructuring costs without diluting equity.

In 2017, EBITDA fell to €9.2 million, net debt increased to €47.0 million, and leverage was around 5.1 times based on reported figures. Payments under instalments with Intesa were not made. Talks started in June 2017, which created an actual standstill that lasted until the restructuring of August 2018. Liquidity failure thus preceded accounting insolvency.

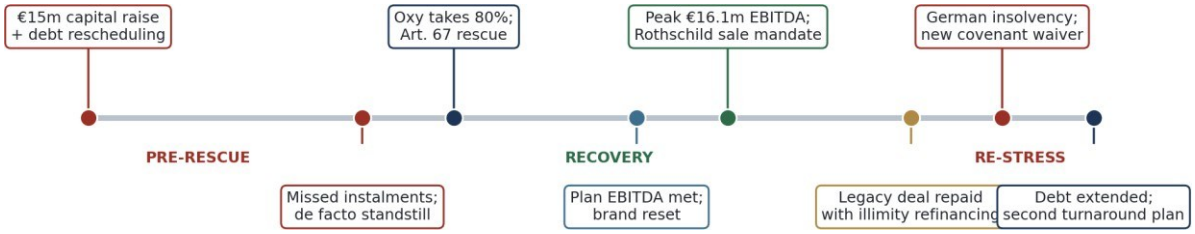


Figure 1. The first turnaround delivered its plan but not the intended exit

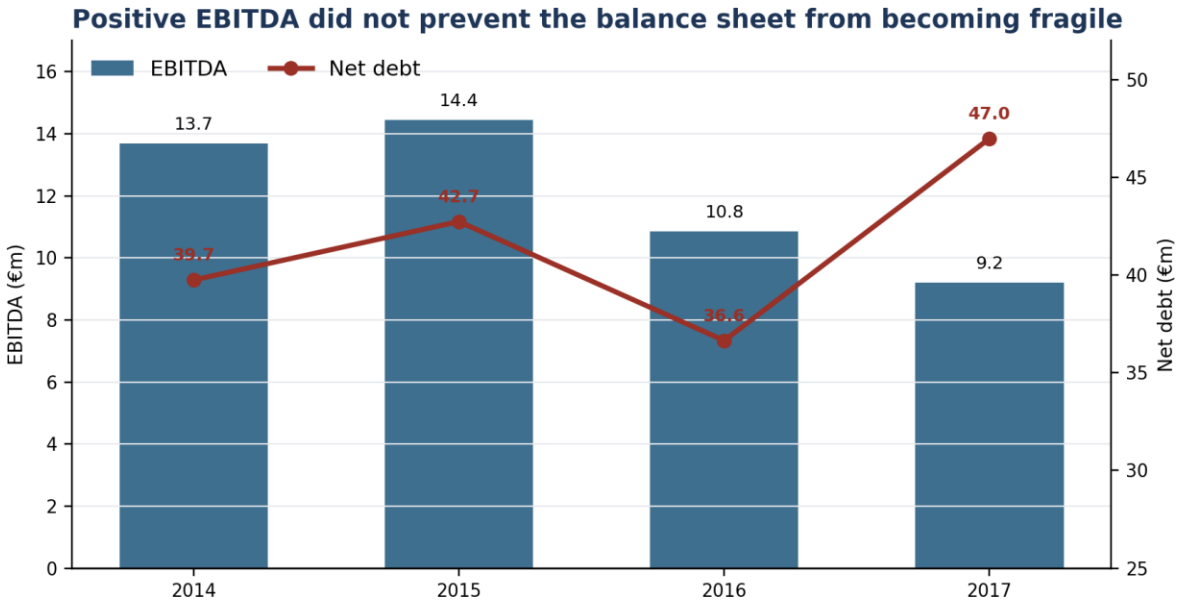


Figure 2. The crisis was a leverage and fixed-charge problem, not an absence of EBITDA

Crisis driver	Evidence	Why it mattered
Thin operating spread	2017 EBITDA margin 3.3%	Small pricing or utilization errors had large equity effects
Financial burden	Recurring interest and FX losses	EBITDA did not become retained cash
Footprint rigidity	Germany and Latin America production	Labor, energy and utilization were difficult to flex
Immediate liquidity pressure	2017 Intesa instalments unpaid	Creditor action accelerated before book insolvency

Crisis driver	Evidence	Why it mattered
Fragmented creditor structure	Multiple banks and cross-border facilities	A coordinated maturity solution was necessary

Oxy Capital's Entrance and Start of Restructuring: 2018

Indeed, the Oxy capital was both the main controlling shareholder as well as the coordinator of the restructuring process. While the MSH S.p.A, which is a vehicle controlled by Oxy, acquired an 80% share of M Stretch, the remaining 20% share remained with Realmargi, which is the vehicle circulant of the Manuli family. In addition, other vehicles associated with Oxy controlled creditor positions.

Restructuring element	Amount / term	Economic function
Control acquisition	MSH 80%; Realmargi 20%	Installed Oxy-led governance while retaining family upside
Debt-to-SFP conversion	€21.014m	Converted bank and shareholder claims into equity-like instruments
Super-senior new money	€12.0m	€3m to parent and €9m to German unit for plan execution
Short-term consolidation	Mostly bullet to Dec. 2022	Removed immediate maturity pressure
Creditor transfers	MPS and UniCredit claims to Oxy vehicle	Concentrated negotiating influence
Security package	Share pledge and property mortgages	Protected the new-money lender

The operation improved the solvency position without depending upon a non-recurring write-off profit from the debt. The net debt fell by €19.2 million in 2018, whereas the equity rose by €15.9 million owing to the conversion and operating performance of the year. The economic impact was an improvement in the hierarchy of debt, maturities, and creditors' control which made the industrial program viable.

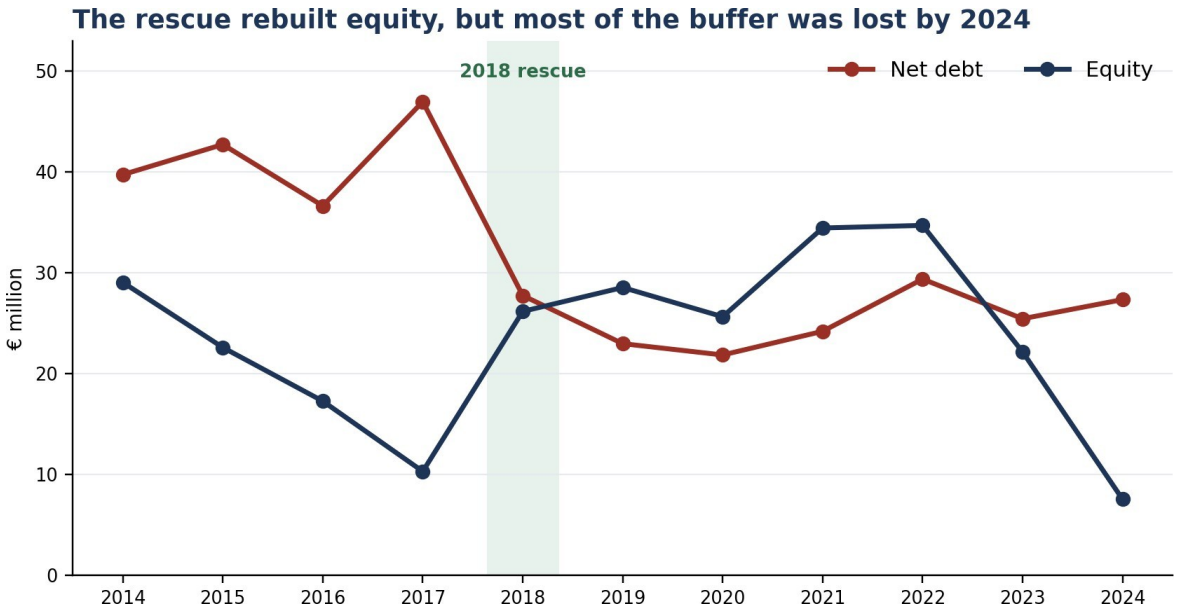


Figure 3. The 2018 recapitalization restored the equity cushion, but the repair did not endure

Restructuring Phases and Turnaround: 2018-2025

Phase I: Financial stabilization and governance reset (2018)
The first stage involved the Article 67 rescue, which involved ownership being shifted to Oxy, claim conversion/consolidation, an additional €12 million funding and the delay in creditor actions until exit expectations. This stage restored liquidity and solvency without improving industrial profits directly.

Phase II: Margin-led operating repair (2018-2021)
This strategy involved maximizing margins rather than volumes. Specifically, in Germany, the company stopped production that was generating losses and reduced workforce. Customers were segmented and markets chosen based on contribution margins. The company also diversified sourcing, became more active in changing the price of resin and energy, relocated equipment from Germany to Brazil, and invested in better-performing, thinner gauge products and those with higher amounts of recycled content. Sales revenues fell 14.0% in 2018, but EBITDA increased 12.8%.

Operating initiative	Mechanism	Observed contribution
Customer/product pruning	Drop low-return volume	Higher 2018 EBITDA despite lower revenue
Resin pass-through	Frequent repricing and sourcing diversity	Protected 2020-2021 unit margins
German resizing	Lower output and headcount	Improved early plan economics, but not permanently
Latin American redeployment	Move capacity and pursue local growth	Diversified earnings but added FX/logistics risk
High-performance/PCR films	Lower gauge and recycled content	Differentiation; financial impact not separately disclosed

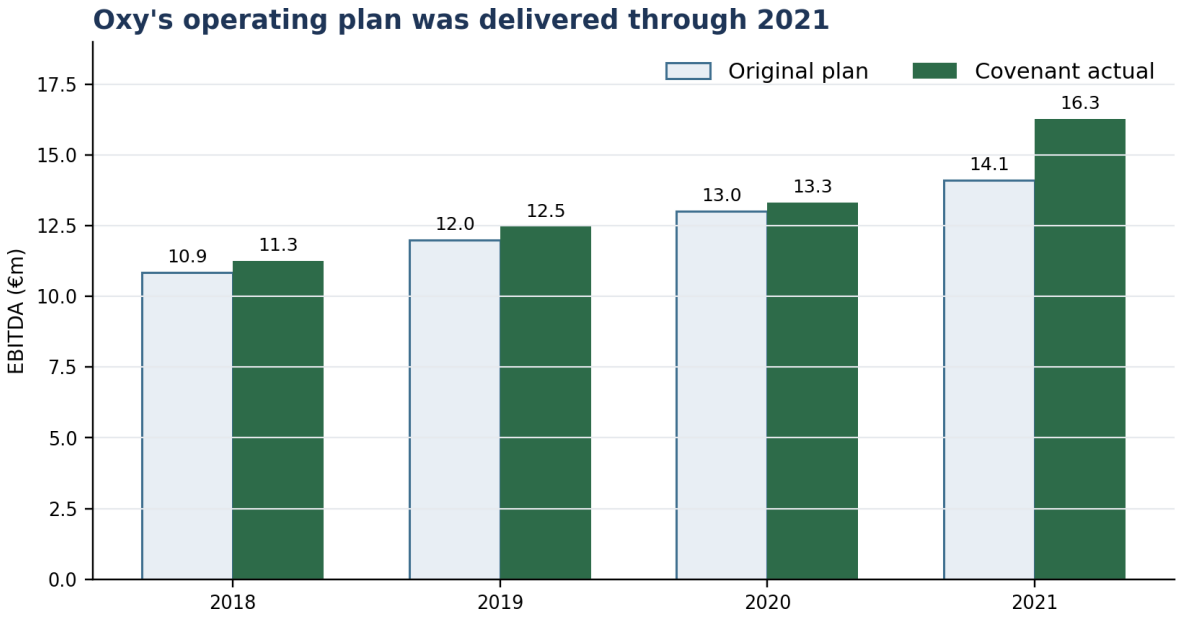


Figure 4. Covenant-adjusted EBITDA exceeded the original plan through 2021

Covenant-adjusted EBITDA reached €11.27 million in 2018, €12.48 million in 2019, €13.33 million in 2020 and €16.29 million in 2021, exceeding the original plan in each disclosed year. Reported EBITDA rose from €9.2 million in 2017 to €16.1 million in 2021, while cumulative consolidated profit over 2018-2021 was approximately €11.1 million. The 2020 pandemic performance was especially informative: revenue fell but EBITDA and net income increased.

> **What the first turnaround genuinely achieved**
> Oxy and management did more than postpone maturities. They rebuilt equity, raised reported EBITDA by roughly 75% from 2017 to 2021 and beat the agreed operating plan through a pandemic. The weakness was cash deleveraging: net debt at the end of 2021 was only €3.6 million below 2018.

Phase III: Exit delay and creditor refinancing (2022-2023)
The original plan expected that the proceeds from the sale would be used for repayment to creditors until 31 December 2022. Rothschild had been granted an irrevocable mandate in December 2021; however, no sale took place. A moratorium was extended for creditors until July 2023. In April 2023, illimity issued a new medium term loan of €15.8 million and a revolving facility of €10.0 million. Proceeds from these facilities have been used for repayment of legacy parent and German restructuring debt exposure and closing of the Article 67 agreement.

The operating slide occurred before the period in question. The EBITDA moved down from €16.1 million in 2021 to €12.5 million in 2022 and to €7.4 million in 2023. Poor performance in working capital and increased interest expenses contributed negatively towards generating cash flow. At the same time, Germany was experiencing economic recession along with higher energy costs, while Brazil was suffering from logistical issues due to drought and Argentina from currency devaluation.

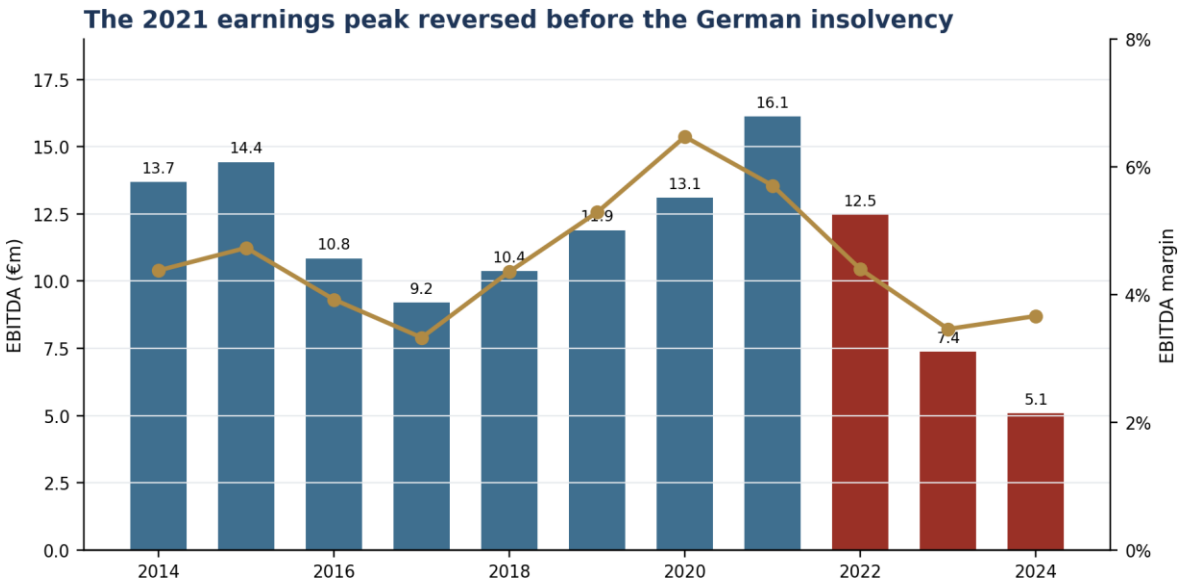


Figure 5. The 2021 earnings peak reversed before the German insolvency

Phase IV: German insolvency and second restructuring (2024-2025)
Insolvency procedures were initiated by MPD voluntarily on 27 November 2024. The reason cited for winding up the organization is high labor costs, high energy prices, recession in Germany, and financial problems. Operations of MPD have been stopped, recipes and technologies transferred to chosen partners and 5,800 tons per annum of production shifted to East European subsidiaries. Income went down to €138.9 million and EBITDA fell to €5.1 million.

Write-offs of financial assets totaling €16.4 million made up most of the total loss of €19.5 million recorded during the period under review. The equity fell to €7.5 million, while net debt rose to €27.3 million. There was an amount of €3.64 million claim for the parent mandate of Intesa line at MPD.

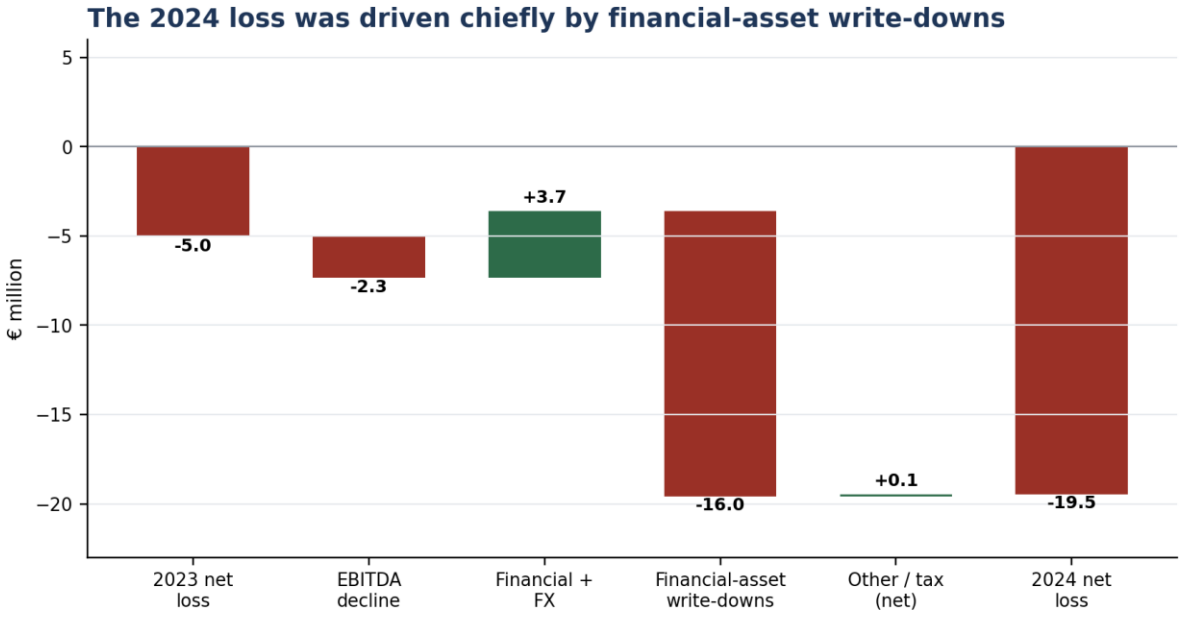


Figure 6. The 2024 loss was driven chiefly by financial-asset write-downs

On 31 March 2025, M Stretch and illimity consolidated the revolving and term exposures, capitalized unpaid interest, granted a 2024 covenant holiday and set a 30 June 2026 bullet maturity with two possible extensions through June 2028. The new plan requires adjusted EBITDA to rise from €5.3 million to €11.4 million and volumes from roughly 58,000 to more than 75,000 tonnes by 2028. Time was extended, but execution risk was not removed.

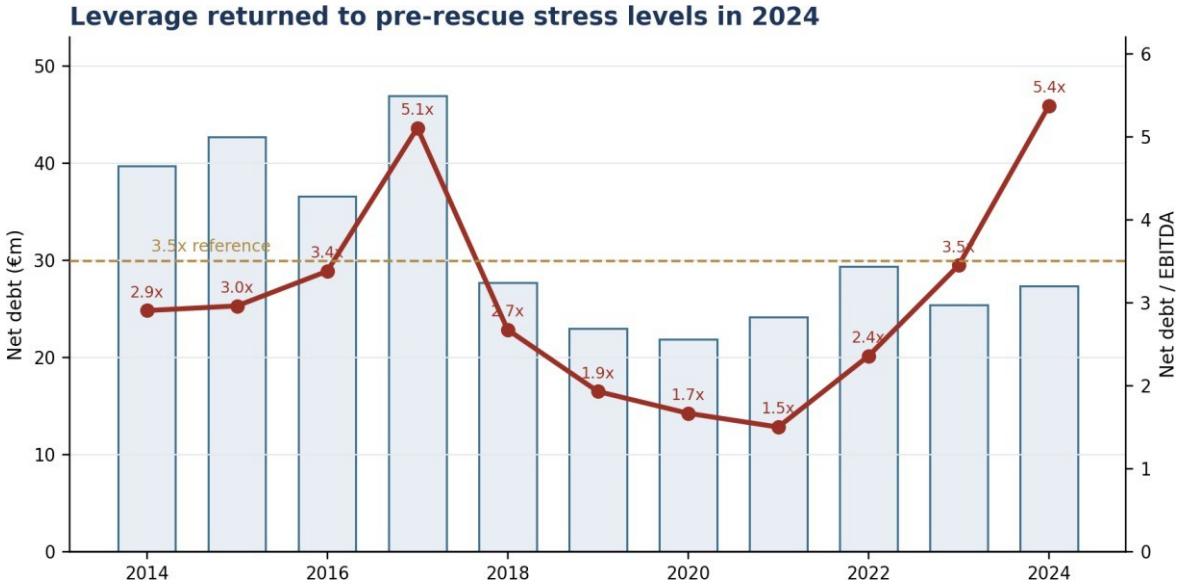


Figure 7. Reported leverage returned to first-crisis levels in 2024

Outcome test: Was the turnaround sustainable?

Sustainability test	Positive evidence	Contrary evidence	Verdict
Recurring earnings	EBITDA positive every year	2024 EBITDA €5.1m; interest partly capitalized	Weak
Self-funded deleveraging	Debt below 2017 peak	Old debt refinanced; repeated waivers	Fail
Equity resilience	Equity reached €34.7m in 2022	Only €7.5m remained in 2024	Fail
Industrial resilience	Pricing, mix and distribution capability	German plant failed; LatAm volatile	Mixed
Sponsor exit	Sale process attracted interest	No sale; Oxy still controls 80%	Fail

Sustainability conclusion
The 2018-2021 recovery was operationally genuine but not financially self-sustaining. A single major subsidiary failure erased most of the equity rebuilt after 2018 and required another lender-supported extension. The business may be repairable; the original turnaround was not durably completed.

Exit: Intended Sale, Failed Transaction and Actual Outcome

The exit strategy was included in the restructuring process in 2018. It was expected that either M Stretch or its assets will be sold in around four years, and the amount realized from the sale will be used to pay the claims of the respective creditors up to 31 December 2022. Rothschild was granted an irrevocable mandate in December 2021. This went beyond a discretionary strategic review as payments to the creditors and cash flow for the sponsor depended on the transaction being completed.

The deal did not materialize. Creditors first delayed the process through a moratorium, and then the repayments were made under the illimity refinancing of 2023. The cancellation of the Article 67 contract led to the exit of the old creditors from the restructuring, but the company still had its way, while Oxy did not sell its shares. Hence, the replacement of the creditors does not serve as proof of private equity exit.

The latest evidence available in terms of both legal and corporate documentation demonstrates control. The minute books of June 2025 indicate that MSH S.p.A. owns 560,000 ordinary shares accounting for 80% of M Stretch. The current web page for Manupackaging refers to Oxy Capital as the main shareholder. The available evidence fails to demonstrate any further sale of shares.

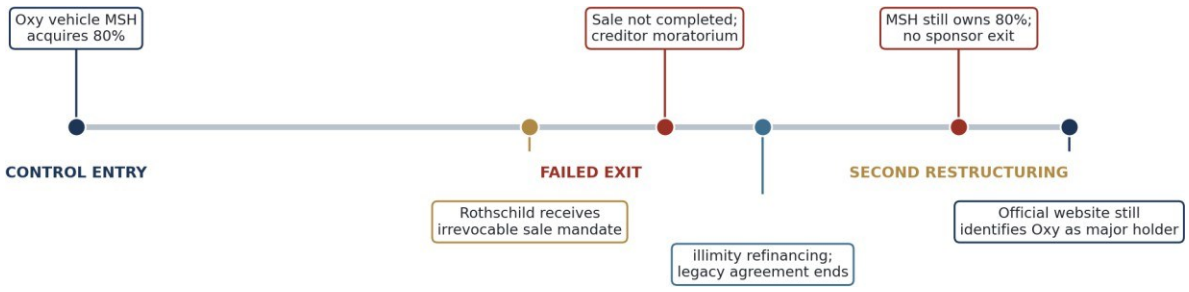


Figure 8. M Stretch completed a creditor refinancing, not a private-equity exit

Date	Ownership / creditor event	Exit interpretation
Aug.-Sep. 2018	MSH acquires 80%; Realmargi retains 20%	Oxy obtains control
Dec. 2021	Rothschild receives irrevocable sale mandate	Formal exit process begins
Jul. 2022	Creditor moratorium to July 2023	Exit delayed
Apr.-May 2023	€25.8m illimity facilities; old agreement ends	Creditors refinanced, not equity sold
Jun. 2025	MSH documented with 80% of M Stretch	Sponsor still controls company
Jul. 2026	Official site still identifies Oxy as major shareholder	No verified subsequent exit

Exit classification
Three events must not be conflated: the planned company sale failed; the 2023 refinancing allowed the original restructuring creditors to be repaid; and Oxy remained the 80% controlling shareholder in the latest legal evidence. M Stretch achieved creditor replacement, not a completed sponsor exit.

Present Situation: 2025-2026

M Stretch remains a private, Oxy-controlled packaging group. The latest audited data can be found in the 2024 consolidated annual report that was published in June 2025. While the official website of the company claims to have a global network and Oxy ownership, its information is not always up to date in regards to the effects of the German bankruptcy case. Therefore, the annual report becomes the controlling document for this case.

Present-situation item	Latest evidence	Analytical reading
Ownership	MSH/Oxy 80% in June 2025	No full or partial sponsor exit disclosed
Operations	Germany removed; European production transferred	Lower fixed cost, higher supply dependence
Profitability	2024 EBITDA €5.1m on €138.9m revenue	Positive but below a sustainable debt-service level
Capital structure	€27.3m net debt; €7.5m equity	Thin loss-absorption buffer
Debt maturity	June 2026 bullet, extendible to June 2028	Liquidity depends on options and plan delivery
Residual liability	€3.64m Intesa claim linked to MPD	Final exposure remains uncertain
Industrial plan	2028 adjusted EBITDA target €11.4m	Recovery case requires more than doubling EBITDA

Conclusion

The rescue operation conducted by Oxy Capital in 2018 can be considered to be a success as well as the company's first industrial strategy. The company focused its management, raised €21 million worth of claims and received an additional €12 million. It also repositioned the company towards improved product quality, sources and pricing. The outcome during the period of 2018-2021 is a proof for that.

There is no evidence that there was an actual turnaround. It seems that M Stretch has not succeeded in selling as intended, has not managed to deleverage using the cash kept back, and has not managed to refinance the debts from the previous restructuring with new banking arrangements. With the worsening situation in Germany and Latin America, covenant relief became necessary again and the equity buffer has been greatly reduced.

STEFANEL

STEFANEL S.P.A.

About Stefanel: Company, Business Model and Operating Exposure

Stefanel was an Italian brand of clothing that specialized in knitwear for men and women. The company offered affordable collections of clothing and was known for a monobrand network across the globe. The company's business strategy included retail stores, franchises, and wholesale distribution. The company aimed at differentiation, but it required accurate collection development, sell-out, efficiency of shops, and proper inventory management before demand assessment.

This was mainly due to high costs in fixed assets and working capital. Costs such as those on store rental, employees, designs, transportation, and renovations continued despite the reduced number of foot traffic and sales. Cost savings could not offset any gross margin improvements because costs involved in opening and closing stores sapped cash before benefits were achieved. At the end of 2013, there remained only 415 monobrand stores compared to 445 stores, after 51 new stores were opened and 81 closed.

Economic driver	Required turnaround condition	Observed problem
Product relevance	Collections convert traffic at full price	Persistent LFL weakness and plan resets
Gross margin	Sourcing and markdown discipline	Improvement insufficient to cover fixed costs
Store productivity	Profitable DOS and selective franchises	High closure, opening and refurbishment churn
Working capital	Inventory turns and supplier confidence	Operating cash flow remained negative
Capital structure	Patient capital through fashion cycles	Short maturities, waivers and repeated rescues

Business-model diagnosis
Stefanel had brand value but not a stable standalone economic platform. That distinction later explained why OVS could create value from selected assets even after the listed company and its capital structure failed.

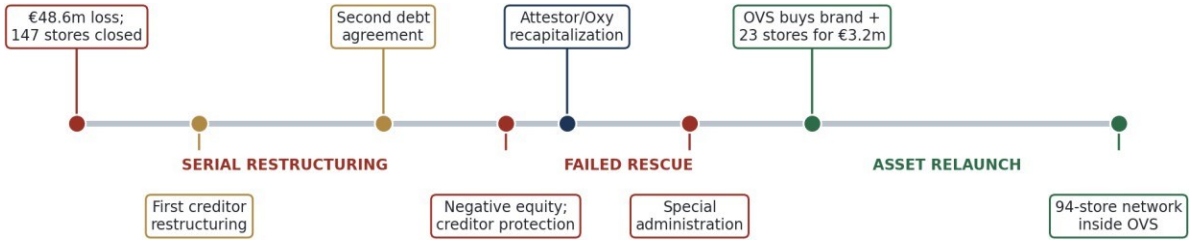


Figure 1. Stefanel moved from serial restructuring to insolvency and a strategic asset relaunch

Start of the Crisis: 2009-2016

The first breakdown: 2009-2011
The loss recorded in 2009 was an existential loss since reported sales stood at €180.3 million, EBITDA was –€34.0 million and net loss amounted to €48.6 million. The management went ahead and shut down 147 non-core stores, the lenders effected a standstill on 29th December 2009, and a 2010-2012 recovery program was undertaken. There was stabilization of sales, although the EBITDA remained highly negative in 2010 and 2011.

The net profit of €14.6 million recorded in 2011 is not an indication of sustainable recovery. The discontinued operations brought in €57.9 million mainly through Noel and Hallhuber. On the other hand, there were losses of €43.3 million in the continuing operations with operating cash flows being negative at €25.9 million. The asset sale resulted in net debt reduction but also narrowed the scope of the firm.

Debt returned before profitability did: 2012-2015
This restructuring deferred payments of the principal till 2015; however, the company had negative operating cash flow of -€35.8 million in 2012 and its net debt increased to €67.9 million. In 2013, the company's revenues fell by 9.7%, and revenues from Italy dropped by 17.2%. Due to covenants breach, bank exposure became due for repayment. The second restructuring occurred in June 2014.

The increase of EBITDA seen in 2014 and 2015 did not bring any results. While EBITDA turned positive to €5.7 million and then to €2.1 million, the company posted net losses each year and had negative operating cash flow. Moreover, its net debt grew to €82.2 million and its equity shrank to €2.3 million by 2015. Positive EBITDA was not enough to cover financial expenses, changes in working capital, capital expenditures, and cost of restructurings.

The decisive collapse: 2016
Revenue fell 14.4% to €134.1 million, EBITDA to negative €12.4 million and the net loss to €25.3 million. Net debt reached €84.7 million and equity became negative €23.7 million. Current liabilities of €157.6 million exceeded total assets of €141.6 million. The board filed under Article 161(6) on 2 November 2016, confirming that another ordinary maturity extension would not be sufficient.

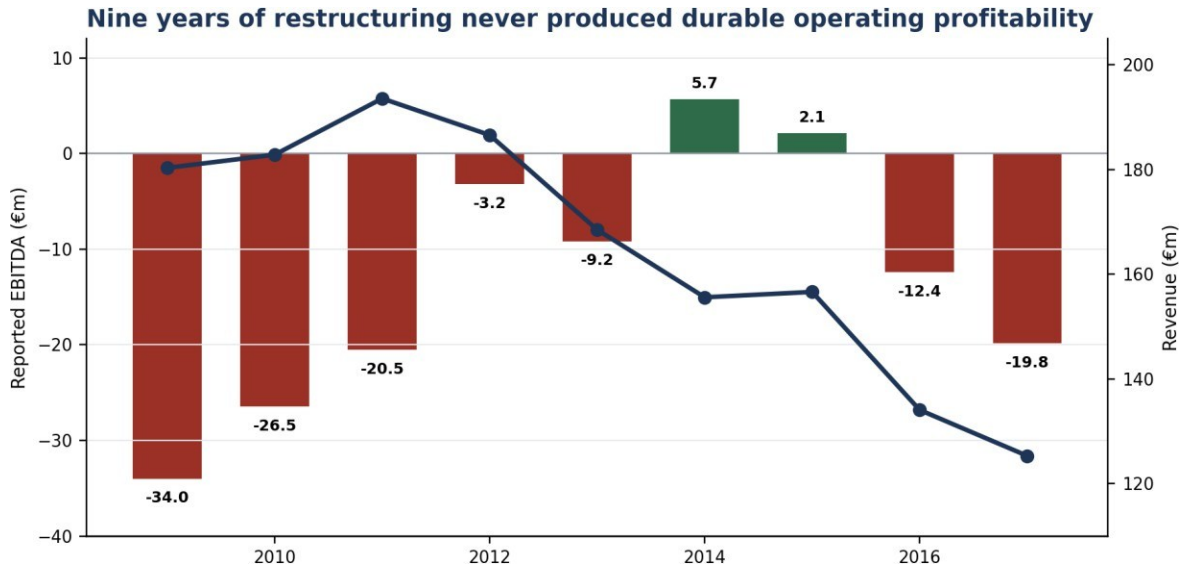


Figure 2. Revenue contracted while reported EBITDA was negative in seven of nine years

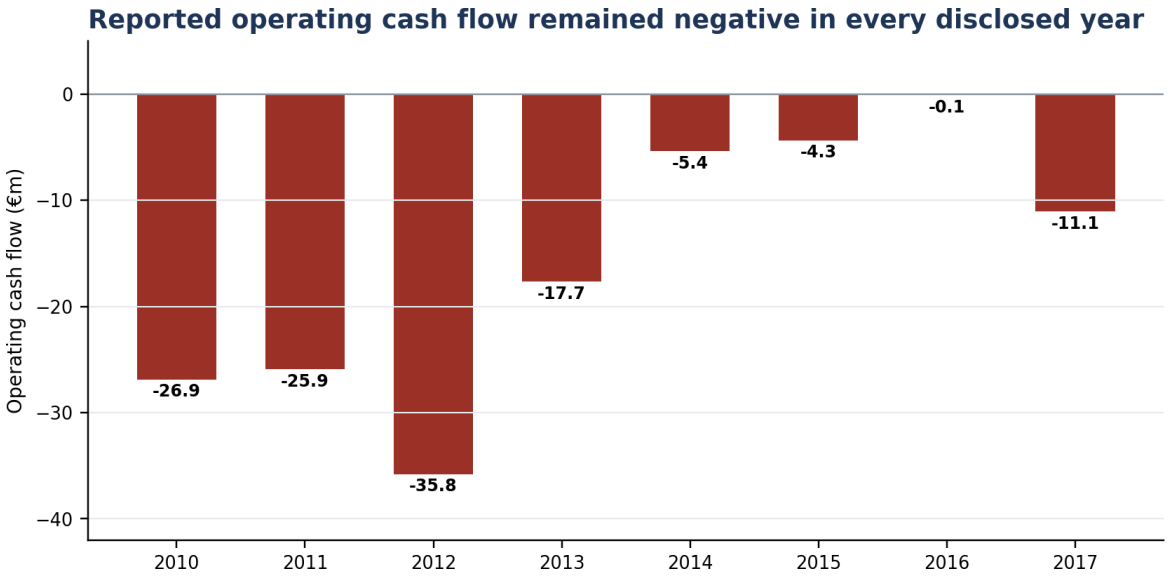


Figure 3. The operating platform never demonstrated self-funding cash economics

Crisis driver	Observed evidence	Economic consequence
Demand and brand	Weak LFL sales and falling Italian revenue	Collection changes did not restore traffic
Store footprint	Continuous openings, closures and refurbishments	Costs recurred before benefits matured
Inventory and cash	Negative CFO in every comparable year	Liquidity depended on creditors and disposals
Debt	Standstill, moratoria and covenant breaches	Maturities delayed rather than internally repaid
Asset disposals	2011 gain and temporary debt reduction	Accounting relief without core profitability

Private Equity Entrance and Start of Restructuring: 2017

Rothschild served as an adviser to the company, while KPMG served as an adviser for the industrial project. Attestor Capital and Oxy Capital were identified as the main investors, which led to a framework agreement dated 23 March 2017. The definite Article 182-bis agreement was signed in July, homologated in October, and activated in December.

Restructuring element	Amount or term	Economic function
Equity capital increase	€10.0m	Restored capital and gave River Tre control
Participating instruments	€15.0m	Equity-like layer subscribed mainly by River Tre

Restructuring element	Amount or term	Economic function
Bank claims acquired	€24.089m for €1 plus earn-out	Concentrated creditor influence and enabled conversion
Haircuts and conversions	€16.145m credited against losses	Reduced claims and repaired reported equity
Super-priority plan finance	€23.763m at 9%	Funded operations; secured by brand and shares
Emergency finance	€10.0m; repaid Dec. 2017	Bridged the period before plan effectiveness

River Tre controlled about 71% of the shares, diluting the founder's holding down to 16%. Hence, the sponsors achieved control of the company both economically and governance-wise; however, they entered into a company which had declining operations. The value provided by the Stefanel brand proved to be very important as this would guarantee recovery of asset value in case of failure of the entire turnaround of the business.

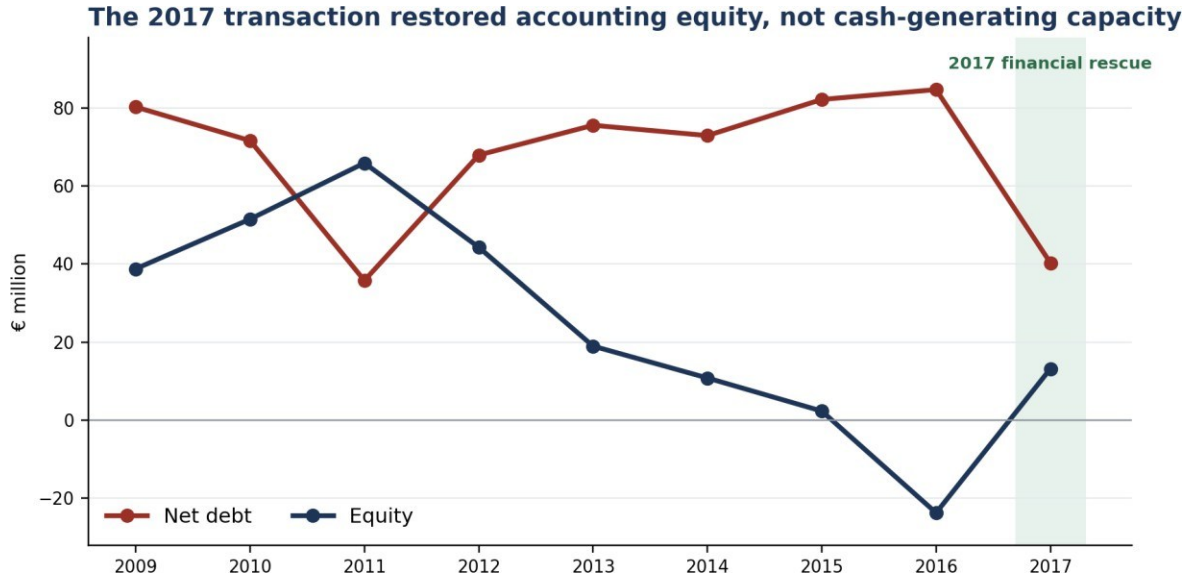


Figure 4. The 2017 transaction restored accounting equity but not recurring earnings

> **What private equity solved**
> The intervention solved immediate legal coordination, negative equity and liquidity. It did not solve customer demand, store productivity, inventory conversion or the fixed-cost burden. The investment thesis therefore still depended on a rapid industrial recovery.

Restructuring Phases and Turnaround Outcome

Phase I: Emergency stabilization and creditor coordination
Phase one included aspects relating to law and finances. The Article 182-bis contract avoided immediate bankruptcy, ensured sponsor control, adjusted claims, improved positive equity, and offered enough liquidity for operations through a new plan. Total net debt was reduced from €84.7 million to €40.3 million, whereas equity rose by €36.9 million in 2017.

Phase II: Brand and operating relaunch
The 2016-2022 industrial strategy outlined improvement in communication around products, new style identity, promotion, and retail reconditioning, along with the reintroduction of knitwear as the defendable category. The other goals included higher like for like sales, better sell through, lower markdowns, and a move in distribution channels to wholesale and selective international market. The sourcing process would move closer to Italy and the Mediterranean region.

Operating initiative	Intended mechanism	Outcome evidence
Product reset	Restore relevance and full-price sales	2017 revenue fell another 6.5%
Knitwear focus	Rebuild differentiation and gross margin	No disclosed cash recovery
Network rationalization	Close weak stores and reduce fixed cost	Closure costs and sales erosion persisted
Wholesale and foreign mix	Use less capital-intensive channels	Plan underperformed before scale benefits
Near-shore sourcing	Shorter lead times and lower markdown risk	Insufficient to offset demand weakness

Phase III: Immediate plan miss and earnings-quality failure
The business plan projected profitable EBITDA and operating cash flows starting in 2018, while normal profit was forecasted starting 2020. More importantly, the 2017 document shows that the company failed to achieve either EBITDA or equity targets compared to its business plan. In particular, sales came to €125.3 million, EBITDA turned out to be negative for €19.8 million, and operating cash flow became negative for €11.1 million. The closure cash in the amount of €22.4 million relied on €23.8 million of the planned financing.

As for the profit amounting to €13.7 million, it should be noted that it does not indicate any improvement in the performance. It was mainly due to the €52.7 million of net financial gains realized through claim conversion, haircuts, etc.

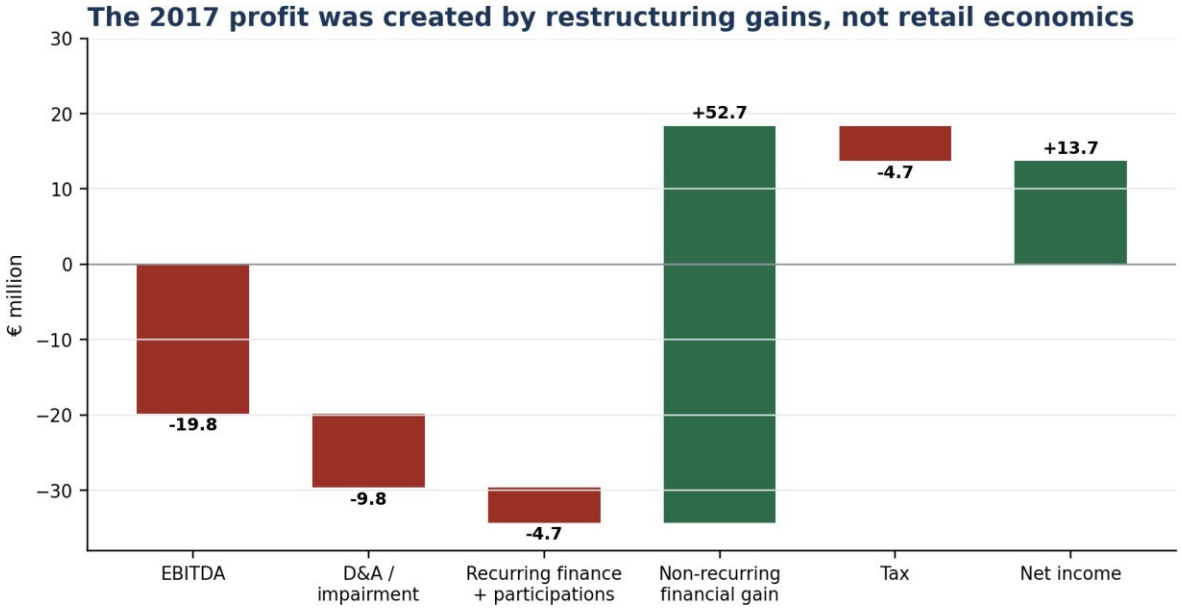


Figure 5. The 2017 statutory profit came from restructuring gains, not retail economics

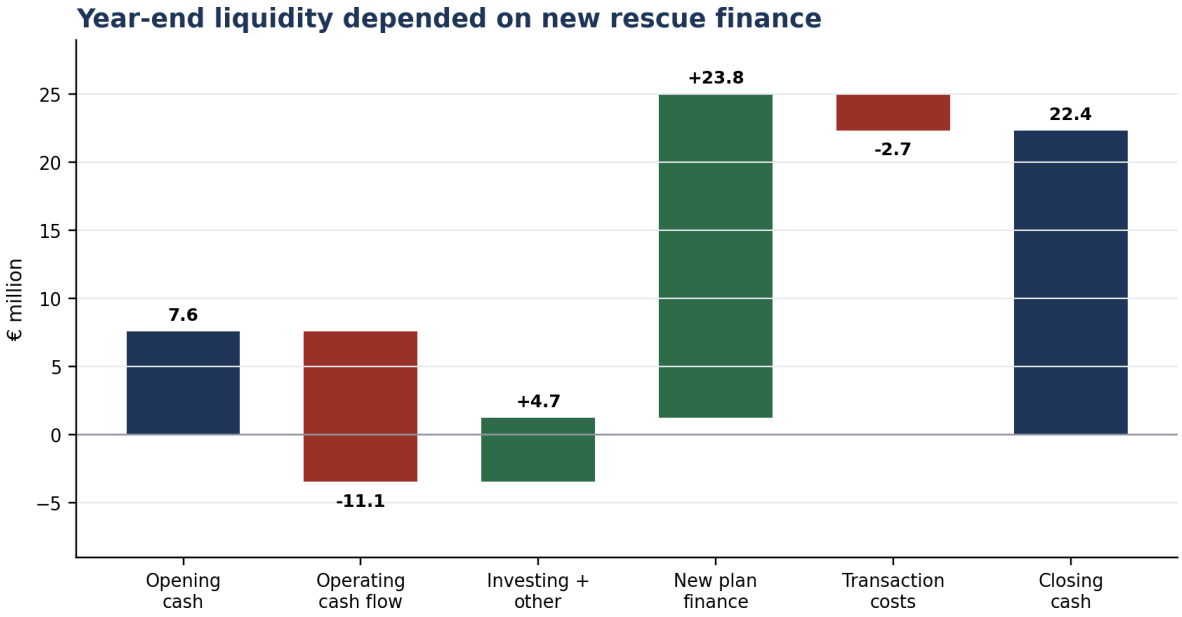


Figure 6. Year-end 2017 liquidity depended on new rescue finance

Phase IV: Relapse and Amministrazione Straordinaria

In December 2018, Stefanel once again requested protection from its creditors. In June 2019, the board requested special administration following the failure to reach an agreement with the owners of around €40 million debt, both banks and Attestor's debt included. On 8 July 2019, the Venice Court of First Instance found the company insolvent, and on 19 September 2019, the Minister appointed Raffaele Cappiello as extraordinary commissioner.

At this point, the target was no longer the same. The relevant condition was no longer the recovery of listed equity, but the preservation and disposal of operational assets, job continuity, and recovery of creditors. Audited consolidated statements available for this analysis end with 2017; therefore, events occurring in 2017 or after 2017 will be evaluated according to disclosures in the judicial process, the commissioner, and buyers rather than creating new annual figures.

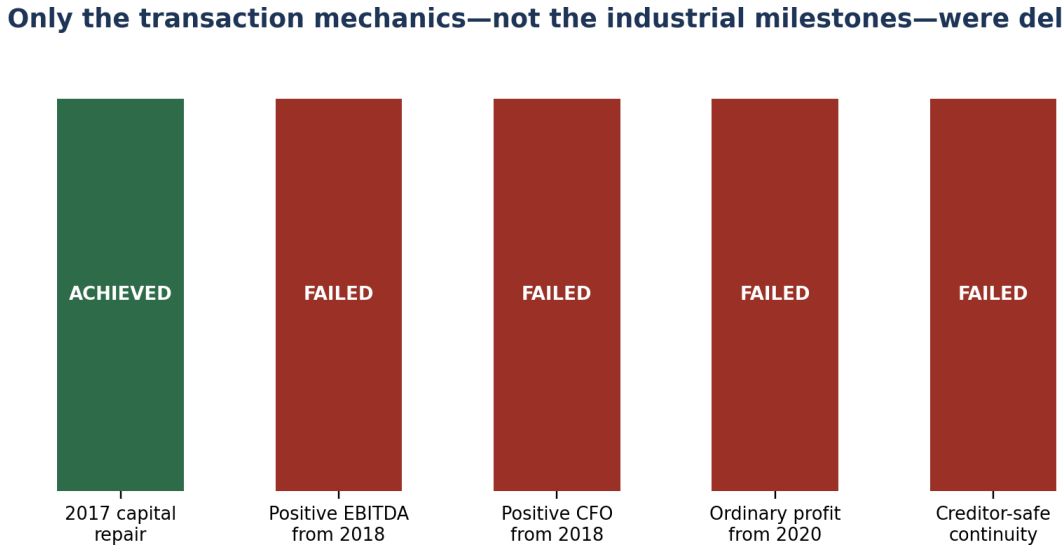


Figure 7. Transaction execution passed; the industrial milestones failed

Phase V: OVS asset carve-out and relaunch
In OVS, there was a radically different approach to this. The deal of €3.2 million involved the Stefanel brand, 23 chosen stores, the workforce and specified office operations but excluded any past debts and risks. The final sale of the business unit was made on 1st March 2021, after the official announcement of the end of business activities for Stefanel S.p.A. in May 2021.

Instead of trying to restructure a failing retailer, OVS was able to integrate the assets of the business unit into its current supply chain, logistics, online commerce, database management and store platform system. This ensured the avoidance of double fixed costs, preserved the premium positioning and knitswear legacy, and allowed for the selective reconstruction of the store network without any past financial obligations.

Exit: What Happened to Attestor/Oxy and Stefanel Equity

A good private-equity exit strategy would be a transaction in the form of a sale, an IPO, a refinancing dividend, or a management buyout that would unlock the value of a solvent company. None of these is documented for Attestor/Oxy's Stefanel equity. River Tre gained control in 2017, but later Stefanel went into creditor protection and special administration, and no sponsor sale took place.

Special administration took over from shareholder management through the appointment of commissioners and shifted the economic focus to creditor recovery. Attestor/Oxy could have had creditor claims, a security interest, or distribution rights, but the available literature has not shown any successful equity exit, sponsor IRR, or full recovery by Attestor/Oxy. It is therefore scientifically incorrect to define the OVS transaction as a successful equity exit for them.

The real exit strategy came when the administrator sold the Stefanel business line to OVS for €3.2 million. The buyer got a clean perimeter, and OVS subsequently accounted for the Stefanel brand at €3.4 million. The sale proceeds went to the administration estate and were available for expenses and creditor distributions according to the statutory priority, but not as consideration for River Tre's equity.

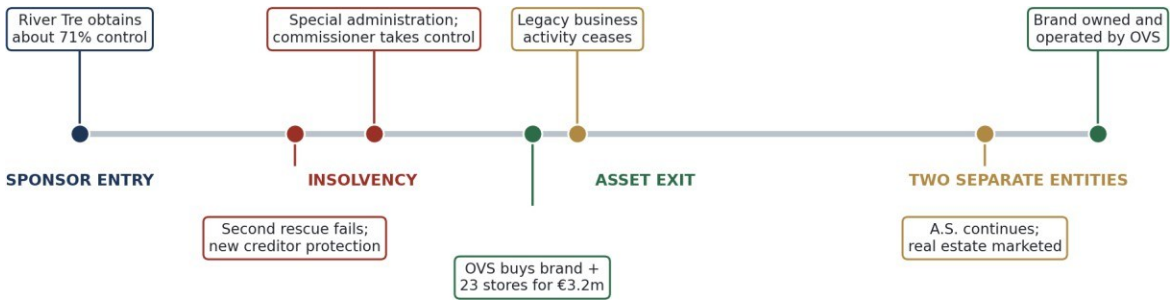


Figure 8. Sponsor control ended through insolvency; brand ownership transferred through an asset sale

Date	Ownership or control event	Exit interpretation
2017	River Tre obtains about 71%; founder diluted	Sponsor control entry
Dec. 2018	New creditor-protection filing	Exit route impaired
Jul.-Sep. 2019	Insolvency and special administration	Shareholder control displaced
Mar. 2021	OVS buys brand and selected business assets for €3.2m	Asset sale by administrator
May 2021	Court declares cessation of legacy business activity	No operating equity continuity
2025-2026	A.S. remains active; OVS operates brand	Estate liquidation and brand ownership separated

Stakeholder	2017 expectation	Realized outcome
Legacy shareholders	Diluted participation in recovery	Economic value effectively lost
Attestor and Oxy	Control and upside from industrial plan	No disclosed successful equity exit
Banks and creditors	Rescheduled repayment and earn-out	Recovery moved into A.S. waterfall
Employees	Continuity through sponsor plan	Partial preservation in OVS-selected perimeter
Stefanel brand	Relaunch inside legacy company	Preserved and relaunched under OVS

Exit classification
The sponsors did not complete a conventional exit from a recovered portfolio company. Insolvency terminated the equity turnaround. The administrator later sold a clean business unit to OVS, creating creditor-recovery proceeds and a new strategic owner for the brand.

Present Situation: Two Separate Economic Entities

Legacy Stefanel S.p.A. in A.S.
The legacy business is no longer a fashion investment operation. The business segment was sold in March 2021, and the operations have been discontinued as of May 2021. The special administration process is continuing to handle the remaining assets, claims, litigation, and distributions. Based on the official documents, it is clear that, as of January 2025, the process continues to sell the Ponte di Piave real estate complex and litigation.

Therefore, the value question for Stefanel S.p.A. is one of the liquidation waterfall and not an operating one. An estimate of the percentage of recovery for the creditors would need the claims on priority, realization from asset sales, expenses in the process, taxes recovered, outcome of the litigation and distribution amounts. The information needed for the estimate is not provided in the reviewed document.

Stefanel brand under OVS

The OVS Group is the owner and operator of the Stefanel brand in its multi-brand retail business model. In the fiscal year 2024, OVS recorded a growth of 6.2% in total sales of Stefanel brand, driven by accelerated sales towards the latter half of the year. The fiscal year 2025 has seen an approximate increase of €4 million in the results of Stefanel, Stefanel and Goldenpoint together generating an approximate like-for-like growth of 10%. The carrying amount of the Stefanel brand of the OVS Group was €3.4 million, with no significant difference in the cash flow forecast used in its impairment assessment as of 31 January 2025.

While these are key drivers of the commercial recovery process, they do not constitute sufficient justification for drawing conclusions about Stefanel's profitability. Neither OVS nor Stefanel report revenues, EBITDA, cash flow, working capital, or return on invested capital for each brand separately. The synergy achieved through the partnership with Goldenpoint can hardly be associated with Stefanel alone. The most credible deduction is the fact that the brand continues to have strategic and commercial value for OVS.

Present-situation item	Latest evidence	Analytical reading
Legacy company	Business activity ceased in May 2021	Liquidation estate, not going concern
A.S. procedure	Real estate marketed and litigation active in 2025	Final recovery remains unresolved
Brand ownership	Stefanel business unit owned by OVS	No continuity with River Tre equity
Commercial trend	FY2024 +6.2%; FY2025 results +about €4m	Positive momentum under OVS
Brand valuation	€3.4m carrying amount; no 2025 impairment trigger	Supported inside OVS CGU
Standalone economics	Not separately disclosed	Cannot prove independent sustainability

Sustainability assessment

Sustainability test	Legacy company	Brand under OVS
Recurring operating profit	Failed: repeated negative EBITDA	Positive contribution indicated; no full P&L
Cash conversion	Failed: persistent negative CFO	Not separately disclosed
Balance-sheet resilience	Failed: negative equity and A.S.	Supported by OVS group platform
Commercial traction	Failed sponsor relaunch	FY2024-FY2025 growth evidence
Network and platform	Serial restructuring and insolvency	OVS sourcing, logistics, digital and stores

Present-situation conclusion
There are two answers because there are two economic entities. Legacy Stefanel S.p.A. is a liquidation estate. The Stefanel brand appears commercially viable inside OVS, but separate public data are insufficient to prove its standalone financial sustainability.

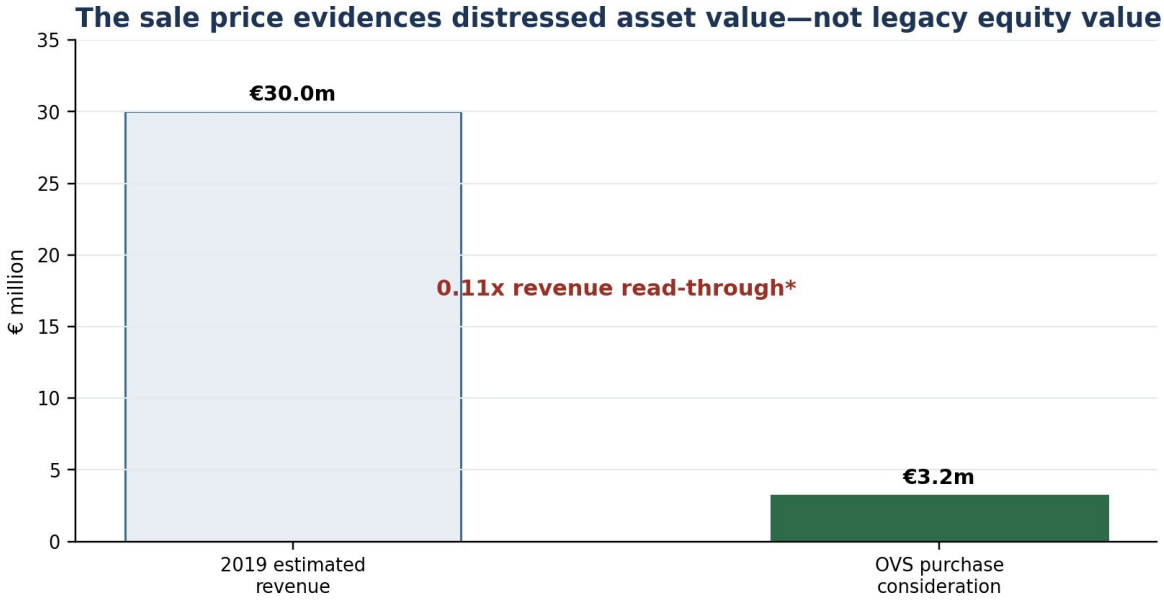


Figure 9. OVS paid a distressed price for a selective, liability-free perimeter

Conclusion

Attestor and Oxy used most of the traditional instruments available for turning around a company, including sponsorship control, creditor coordination, claims conversion, fresh equity infusion, participating instruments, super-priority liquidity, store rationalization, channel realignment, near-shore manufacturing, and branding. This was intended to address the immediate financial problems.

The reason is rooted in the consistent poor economics of the retailer for close to a decade. Despite the fact that the EBITDA turnaround achieved in 2014-2015 has not resulted in the creation of cash, the store base has remained unstable, and the 2017 strategy required a swift change from being loss-making and cash-consuming to profitability. Additional funding helped the company buy time, but structural improvements disguised the poor business results.

Goals of OVS were accomplished by refocusing the turnaround strategy. Instead of bailing out Stefanel S.p.A., it acquired a fresh brand and store infrastructure to make it an integral part of a more solid foundation. Current OVS announcements show brand rejuvenation, but they fail to restore the old company and provide a private equity exit.

CHAPTER 4: Cross-Case Analysis and Findings

Comparative Outcome Classification

Table 3.8. Application of the five outcome tests

Case	Stabilization	Operating recovery	Organic deleveraging	Durability	Exit / continuity	Classification
Premuda	Pass	Pass	Pass	Pass, cycle-qualified	MBO; Pillarstone remains	Sustainable recovery; partial transition
Sirti	Pass	Delayed pass	Mixed	Incomplete	No sponsor exit	Partial / incomplete turnaround
M Stretch	Pass	Pass 2018–2021	Limited	Fail by 2024	Sale not completed	Initial success; later reversal
Stefanel	Temporary pass	Fail	Fail	Fail	A.S.; clean asset sale	Company failure; brand preservation
Ferroli	Repeated pass	Pass 2021–2022 only	Mixed / reset-led	Fail by 2024	Attestor entry; no exit test	Temporary recovery; renewed restructuring

From the classification provided, it can be seen that stabilization of finance was achieved, if not temporarily, in all cases. This means that the distinguishing factor in this case cannot be the stabilization. The distinguishing factors arise after the deal, and they include cash conversion, debt reduction, strategic orientation of the operations platform, shock absorption, and capability to create value through exit or independent sustainability. This argument is supported by Ferroli because in both cases, there was stabilization, but the second deal came after recovery reached its peak.

Comparison of stress mechanisms

Each of these five companies experienced problems with different mixes of leverage and business performance. Premuda encountered an asset cycle problem and an undercoordinated creditor problem, in which the company's fleet of marketable ships was over-levered with secured debt. Sirti remained a significant operational entity, but suffered from compressed margins and tight working capital. M Stretch had a good spread converting operation, but its fixed costs and leverage were greater than its thin margin. Stefanel had problems with its balance sheet, along with negative retail cash flow economics. These differences impact the possible success of financial restructuring.

The initial recoverability of assets takes on added importance. The ships owned by Premuda would have been independently valued, financed, and sold, offering the company the means of collateral and future capital allocation flexibility. Sirti was of value through its contract positions, skills, organization, and customer relations, but divesting would have shifted the boundary around those assets while still requiring successful execution from a project economic standpoint. The plants of M Stretch had value as industry assets but were at risk in geographical terms. The most movable asset of Stefanel was the brand, although the previous company had built up that brand within a costly infrastructure.

Comparison of intervention sequencing

Stabilization financially and in governance occurred in all five cases. Divergences came afterwards. Premuda entered into a second phase, where management adjusted for fleet risk and partnerships. For Sirti, the operating phase was gradual and coincided with asset sales as well as the positive demand cycle. The operating phase of M Stretch was quick and measurable, though balance sheet reorganization and exit were postponed. The operating phase of Stefanel was required to be imminent because of continuing burn of cash. For Ferroli, the operating recovery occurred after a number of years of the first reset but it turned out to be temporary; the 2024 deal marks a start of the new phase.

Based on the above sequencing, it is clear that turnaround strategies should be evaluated in terms of not only implementation time but also liquidity tenure. While a valid strategy may prove to be unsuccessful due to the fact that the cash runway gets exhausted before any changes are made in regard to procurement, footprint, distribution, or products that will affect revenues, sufficient liquidity without a proper operating structure is simply delaying the losses. Premuda managed to achieve the best match between the two: the turnaround created time, and management used it to allocate resources.

Comparison of accounting and cash evidence

The cases repeatedly show why reported net income is an unreliable early outcome measure. Premuda and Stefanel both reported large positive profits in their restructuring years because liabilities were compromised or remeasured. Sirti's apparent liquidity improvement was influenced by factoring and receivables monetization. M Stretch's later legal exit from its original agreement was financed by a new lender. Each transaction changed risk and may have preserved value, but none alone established recurring cash generation. Operating cash and debt-source analysis produce a stricter ranking. Premuda ultimately generated cash and reduced legacy claims. Sirti's debt improvement was real but materially supported by disposal and conversion, with free-cash-flow durability still requiring evidence. M Stretch produced accounting profits and plan EBITDA but retained too much balance-sheet exposure before the downturn. Stefanel never produced positive operating cash in the disclosed series. This ranking is the foundation for the Chapter 4 propositions. Ferroli's 2015–2022 balance-sheet improvement accompanied rising earnings, but the 2024 claim conversion prevents the latest NFP movement from being coded as operating cash deleveraging.

Comparison of exit and continuity

Exit types are not distributed on a linear continuum. The management buyout executed by Premuda can be considered a partial transition of sponsors because there is an investment in Pillarstone as well as an unknown price for the transaction. In Sirti, the lack of any recorded sponsor exit means that value creation remains an issue. The asset sale of M Stretch was unsuccessful and has been succeeded by restructuring and distress. Finally, Stefanel’s asset sale kept the brand alive but compromised the legal entity and the legacy equity.

This appropriate categorization is therefore based on the claimants. Those running the firm would prefer to be assured of stability in case the firm is acquired by a strategic buyer, in contrast to further recapitalization that is uncertain. The creditors can agree to take a loss or sell off their assets for maximum recovery compared to when the firm undergoes liquidation. A sponsor needs recoveries commensurate with their investment. The equity holders may have nothing to gain from a turnaround.

Expanded within-case conclusion
The five reports support a continuum, not a binary: Premuda completed most stages of a durable industrial turnaround; Sirti remains in an incomplete value-realization phase; M Stretch proves that an operating recovery can reverse before exit; and Stefanel shows that asset continuity can outlive company and equity continuity.

Table 3.9. Updated five-case outcome and exit classification

Case	Operating outcome	Debt-repair quality	Exit / ownership status	Final classification
Premuda	Strong recurring recovery; cycle-qualified	Cash plus disciplined asset rotation	2025 LMBO; Pillarstone retained	Durable industrial turnaround; partial exit
Sirti	Delayed improvement to c.5% margin	Mixed: disposal, SFP and operations	Sponsor still invested	Partial / incomplete turnaround
M Stretch	2018–2021 recovery reversed	Refinanced; repeated waivers	Oxy 80%; planned sale failed	Initial success followed by reversal
Stefanel	Legacy entity failed; brand improved under OVS	No organic repair in legacy entity	A.S. asset sale, not sponsor exit	Failed company rescue; asset preservation
Ferroli	2022 peak fell to 5.5% margin in 2024	2024 improvement conversion-led	Attestor consolidated control; no cash exit	Temporary recovery; renewed stabilization

Chapter Summary

These five cases defy the dichotomous explanation of a turnaround. The case of Premuda shows sustainable industrial recovery coupled with partial ownership changeover. In the case of Sirti, there is delayed operational improvement but without the creation of value. The case of M Stretch shows that a strong initial stage recovery may go into reverse if the sell-off proves fruitless and the debt is still exposed. The case of Stefanel shows the failure of a legal entity recovery followed by strategic asset preservation success. In Ferroli, there is a peak of operations that did not continue to sustain itself during the normalization stage, leading to another round of capital restructuring.

The goal of this study is not to use post hoc profitability to establish the relative standing of five companies. Rather, it is to identify and explain the process and context through which a turnaround action translates into a sustainable result. The choice of cases is deliberately diverse – ranging from shipping to telecommunication infrastructure, from flexible packaging to fashion retailing, and from heating equipment to HVAC – encompassing different business cycles, capital intensity, and competitiveness. A mechanism that appears in these diverse contexts is insightful, while results from a single industry require a more limited interpretation.

The central finding is that financial restructuring is a necessary enabling condition in severe distress but is not the principal source of durable recovery. It creates an option: time, liquidity, creditor coordination and managerial control. Whether that option becomes value depends on the post-transaction operating platform, cash conversion, capital allocation and ability to absorb an adverse shock. The cases separate these stages unusually clearly because all five received meaningful financial relief, yet only one achieved an unambiguously durable industrial recovery within the observed period.

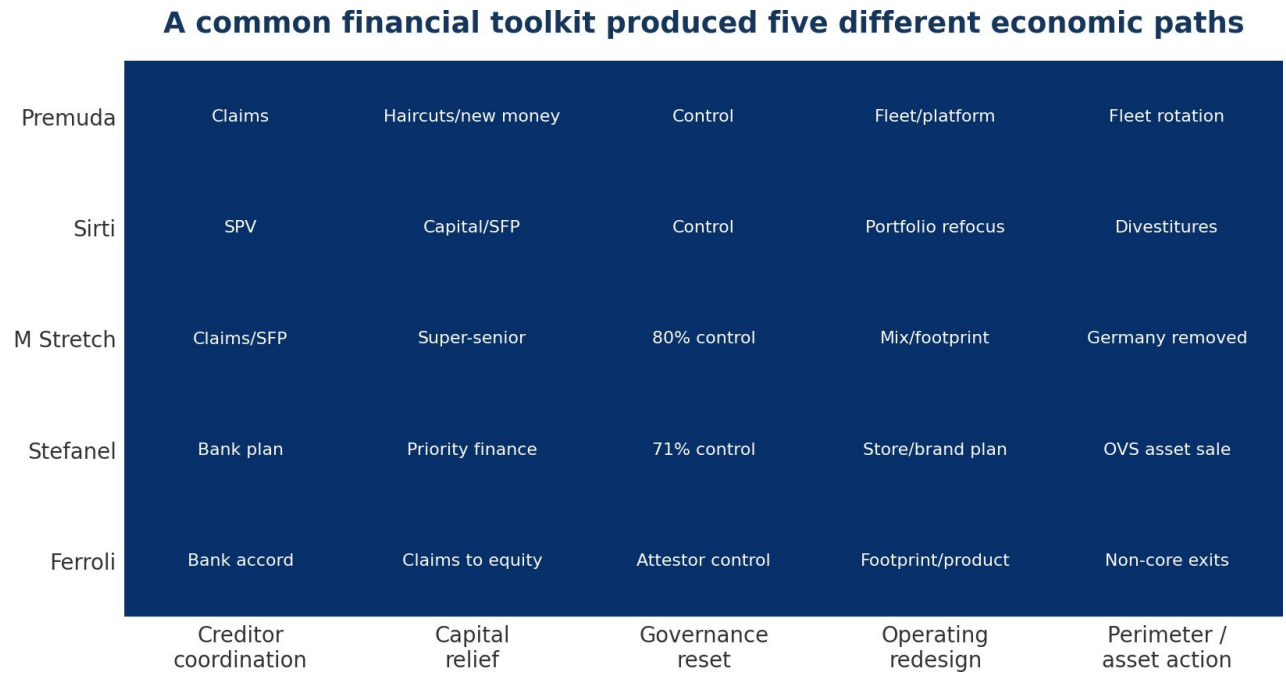


Figure 4.1. Intervention matrix: similar toolkits, different implementation and outcomes

Figure 4.1 shows one such negative consequence of theoretical utility in that the presence of a lever for reorganization does not distinguish between outcomes. All scenarios involve the elements of creditor coordination, some kind of new money or capital relief, governance change, an operating program announcement, and a change of perimeter. In other words, a check list theory would expect comparable recoveries and will fail to take the differences into consideration. The differences will lie in what economic entity is affected by the levers in use, when the changes took place, and if the operating cash flow produced by such changes is sufficient for the surviving claim structure. Ferroli represents another negative example of the use of theory. It includes creditor coordination, capital relief, and ownership change, but the period of observation finishes prior to assessment of Attestor's contribution to operating cash flow.

In turn, the perimeter column makes the point even more clear. Premuda switched vessels and outsourced technical management capabilities while keeping its commercial and investment base unchanged. Sirti actively divested its Transportation and Energia businesses. Most important perimeter change of M Stretch

happened after failure of the German subsidiary. Similarly, the most significant perimeter change for Stefanel happened as a result of the decision made by OVS in respect of entering extraordinary administration of the sponsor-owned company.

The cross-case analysis is configurational and not additive. This means that it does not allocate a causal coefficient to each lever nor assume that there are better chances with five instruments compared to four. Rather, it asks questions about the chain formation: the financial support should give enough buffer time; the governance should allow for specific actions; the operational restructuring should bring about money; the money should either lower down or refinance the claims; and the outcome should be such that can realize the value. Disruptions in this chain explain more of the variance seen than just the number of instruments.

Finding 1: Creditor Coordination Determines Whether a Rescue Can Start

The processes of restructurings carried out by Premuda and Sirti were distinguished by having debt structures that limited strategic freedom. The only way that Pillarstone differentiated itself was through having centralized claims and decision making. For instance, in the case of Premuda, the purchasing of claims belonging to the fifteen banks reduced the coordination challenge to one of negotiation for the sponsor. Similarly, in the case of Sirti, the purchase of the claims and their subsequent incorporation into the restructuring process addressed the fragmentation challenge. In M Stretch, Oxy-controlled entities were used to consolidate claimants' position.

This is in line with Gilson's (1997) assertion that there is a role of transaction costs and coordination amongst creditors in the reconfiguration of the capital structure under distress conditions. Coordination is usually a sign of stability but not of success. Even though Stefanel had a highly sophisticated and legally viable transaction, it did not succeed from the operational perspective while in case of M Stretch, after taking control and raising finances through new equity, they eventually relied on waivers. In other words, there seems to be a level of threshold where the lack of coordination means that the operational plan does not get enough time and funds; beyond this point, no further financial engineering will be able to replace an inefficient structure.

Table 4.1. Creditor coordination and its limits

Case	Coordination mechanism	Immediate result	Long-run limitation
Premuda	Dominant bank claims acquired by Pillarstone	Article 67 plan and ownership reset	Needed later management and fleet transformation
Sirti	Platform/SPV structure and concentrated control	Capital and governance stabilization	Margin and cash recovery remained slow
M Stretch	Oxy equity control plus claim/SFP structure	Debt-service relief and funded plan	Exit failed; leverage refinanced
Stefanel	River Tre, bank compromise and super-priority finance	Positive equity and temporary liquidity	Retail economics remained negative
Ferroli	2024 bank agreement and Trinity claim conversion; Attestor acquisition	Capital reset and ownership transition	Negative EBITDA and broad product decline at entry

Finding 2: Accounting Repair Must Be Separated from Economic Repair

The main issue that occurs in measuring the effects is that restructurings usually increase profits, equity, or net debt before the business performance has been improved. In 2017, the profit of Premuda reached €119.0 million due to the write-off of debt. Stefanel reported €13.7 million profit despite financial income of €52.7

million. This was done in spite of the negative EBITDA, which amounted to €19.8 million, as well as the negative cash flow of €11.1 million. The increased liquidity of Sirti in 2017 was based mainly on the monetization of receivables and factoring. The ending of the old agreement of restructuring for M Stretch in 2023 was done via new illimity facilities.

An event window approach to analysis ending in the restructuring year will likely miss classifying several instances incorrectly. The correct unit of analysis is the full cycle from intervention to cash and debt outcomes following intervention. In practice, what is needed is a three-bridge approach: bridging profits to operations, bridging cash to sources of cash and financing, and bridging net debt to organic debt reduction versus alternatives like conversion, sale, or refinancing.

Table 4.2. Quality-of-outcome adjustments

Observed improvement	Possible non-operating source	Required verification
Positive net income	Debt forgiveness, fair-value gain, discontinued operation, disposal	Recurring EBITDA/EBIT and operating cash flow
Higher cash	New finance, factoring, asset sale	Cash from operations after working capital
Lower net debt	Claim conversion, haircut, perimeter disposal	Principal repaid from internally generated cash
Positive equity	Recapitalization or accounting gain	Retained earnings and adverse-shock resilience
Completed legal agreement	Creditor replacement or maturity extension	Economic debt burden and sponsor exit

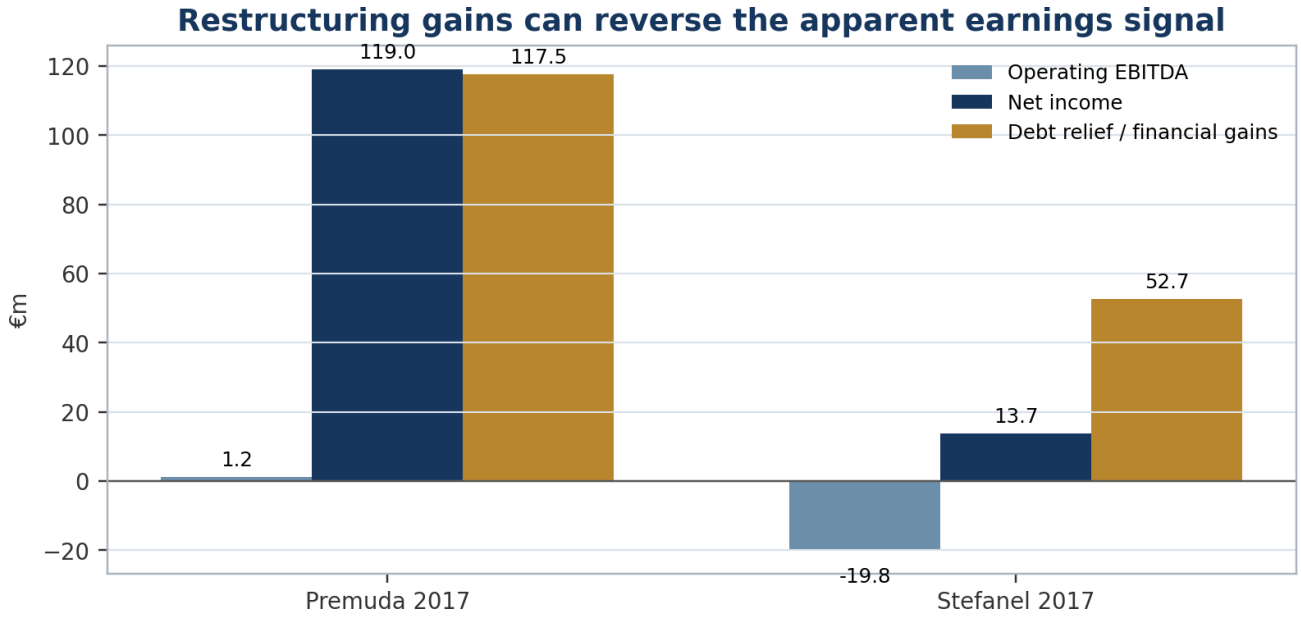


Figure 4.2. Restructuring-year accounting and operating signals can have opposite signs

Figure 4.2 presents two most prominent sign reversals. According to Premuda, €119.0 million of net income is earned together with only €1.2 million of operating EBITDA since debt extinguishment is the driver of the statutory performance. In case of Stefanel, €13.7 million of profit is achieved in parallel with €19.8 million of negative EBITDA as non-recurring financial income exceeds the operating losses. In both cases, the accounting income is significant from the perspective of claim prioritization and insolvency measurement, but still there is no indication that the company's customers and assets start creating recurring earnings for the shareholders. The 2016 profit and negative ROS in Ferroli are consistent with such approach, but a more

precise restructuring-gain bridge is necessary.

Implications for measurement go beyond these two examples. The cash and net-debt measures employed by Sirti changed due to monetization of the accounts receivable position, while M Stretch's restructuring deal was completed with the refinancing of claims by another lender. Any research design in which success is measured by the presence of income, more cash, less net-debt, or transactional completion in the same year will inevitably give more weight to those interventions which involve larger accounting movements.

The three-bridge diagnostic applied

Earnings bridge begins from net income on the income statement and eliminates debt forgiveness, fair value adjustments, discontinued operations, gain on disposal, and impairment adjustments in order to determine the direction of recurring operations. Cash flow bridge begins from opening cash and breaks down operating cash flows, working capital adjustment, factoring, new borrowing, investment, and sale of assets. Debt bridge begins from total or net debt and distinguishes between debt paydowns in cash, debt forgiveness, debt restructuring into equity-like securities, debt going away with the perimeter sale, and debt replaced through refinancing.

These criteria do not seek to lump all sources of non-operating income into a poor category. The sale of a ship may represent good capital deployment; the disposition of a business may remove an inherently unappealing operation from the portfolio; and claim conversion may be necessary to maintain the value of the going concern. The issue here is one of sustainability; does the continuing operating entity produce enough cash flow to service its liabilities moving forward?

Finding 3: Financial Restructuring Creates Time; Operating Reconfiguration Creates Durability

Premuda is the prime example of a successful replication of the two-stage turnaround process. The balance sheet restructuration in 2017 did not, in itself, lead to sustainable operations. Following that, management brought about changes to the fleet mix, financing structures, technical management, and asset management. EBITDA and cash flow performances increased before and in tandem with the recovery of the tanker market, while the debt pay-down in 2023–2024 was a result of operational performance and asset rotations.

M Stretch took meaningful operational steps, such as customer pruning, mix, pricing, procurement, and footprint adjustments, and saw tangible effects through 2021. Yet the operational restructuring efforts did not lead to the desired reduction in permanent debt and did not reduce the riskiest production exposure. In turn, the operational restructuring at Sirti progressed more gradually, being integrated with asset disposals and spending on external infrastructure. The proposed operational restructuring of Stefanel failed to provide the needed sales and cash inflection before liquidity depletion.

The comparison is consistent with the retrenchment-recovery process described by Robbins & Pearce (1992). Both retrenchment and growth alone do not work. The durable containers show that there is a move from defensive actions towards an operating model that can support ongoing creation of cash flow. Premuda moved from survival to a scalable platform. M Stretch improved its spread economics but retained cross-border fragility. Sirti restored volume and margin but remained a low-margin project business. Stefanel never demonstrated self-funded store economics.

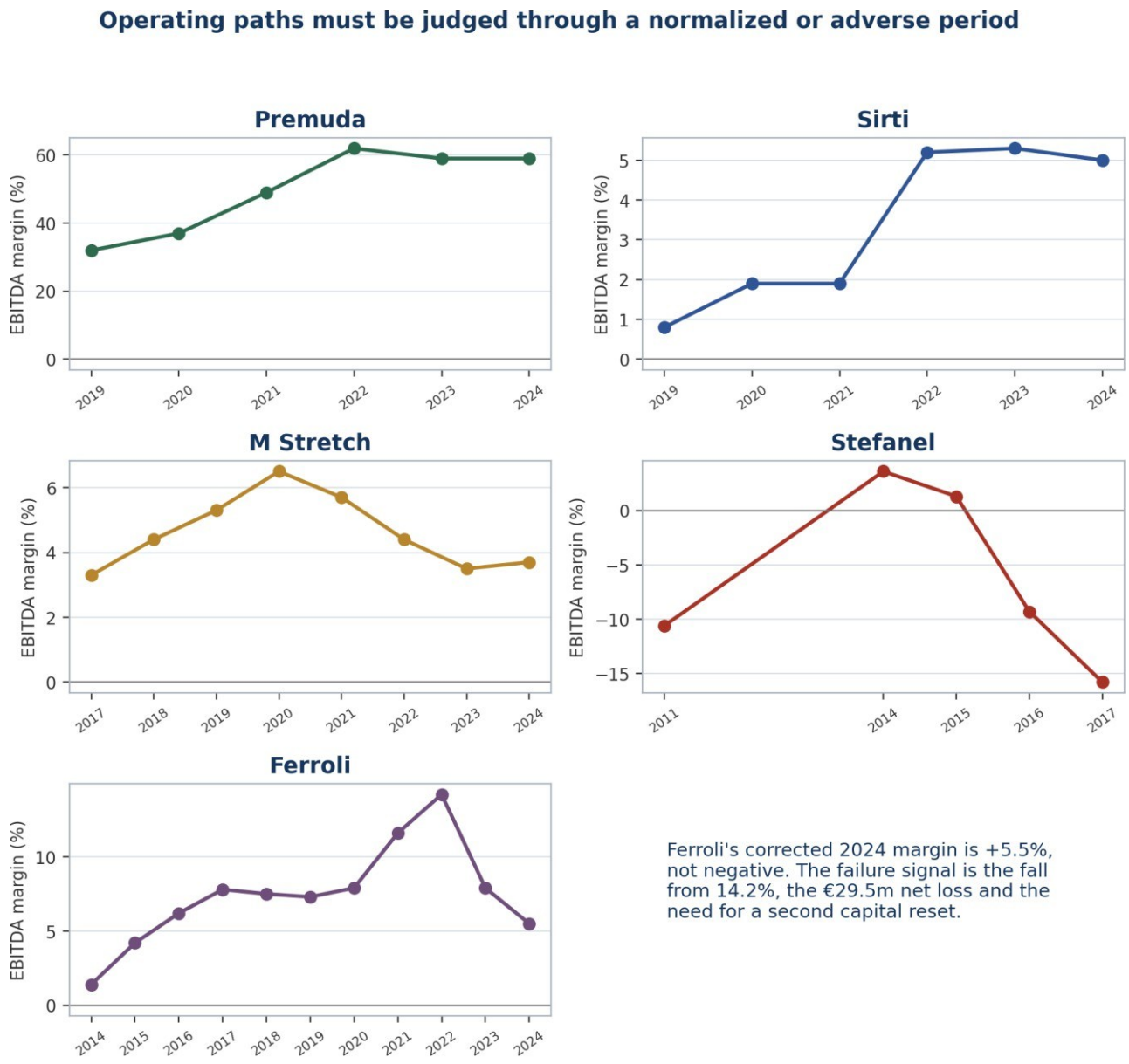


Figure 4.3. Operating-margin trajectories reveal five distinct turnaround shapes

Classification trends become visible through small multiples. The trend of Premuda shows a steady rise starting before the peak of the shipping cycle. Sirti shows a late rise resulting in a minor plateau. M Stretch depicts a hump-shaped trend ending up with a reversal. Stefanel depicts a short-term bright period followed by further decline. Ferroli reveals a new trend characterized by a peak and a relapse: EBITDA margin of management increased to 14.2% in 2022, then decreased to 5.5% in 2024. It is important. Ferroli did not give up positive EBITDA but it was unable to continue because the peak was not normalized; net income went down to a €29.5 million loss and the company needed another claim conversion and sponsor-controlled reset.

The patterns explain why growth cannot be used as a universal method of turning companies around. The growth of M Stretch occurred due to pruning of revenues from low-return businesses. The growth of Premuda happened due to changes in its fleet and financing structure along with favorable market environment. While Sirti was able to restore revenue scale, the margin quality was still the main limitation factor. The company Stefanel showed decline in revenue as well as margins. Thus, the common dependent variable is not sales growth but capacity of the changed business model to convert selected scale into cash flows.

Comparisons at the cross-case level should be approached with caution due to differences in business models and definition systems. Adjusted margins in the case of Premuda will always be higher compared to those of contractors due to its use of charter accounting system. The figure is used to examine trends of direction, continuity, and turnaround in each particular case. The number does not mean that Sirti needs to achieve a shipping margin.

Liquidity runway as a boundary condition

Reconfiguration of operations has a time lag associated with it. Different levers such as repricing of customers, fleet renewal, retail store consolidation, purchasing changes, and factory relocation have different time frames for implementation. It is therefore necessary that the financing plan not only supports the timing of the closing but also the period in which the operating cash flow improves. The plan and assets of Premuda gave multiple years of runway. While M Stretch had enough runway to execute its plan, it did not have enough balance sheet flexibility to weather a failed exit and footprint shock.

The boundary condition addresses the realization that even equivalent operating ideas could result in different practical results. The decision made by Stefanel regarding brand positioning, alterations in sourcing and store rationalization was not illogical per se because it was made in the context of the corporation experiencing shortage of funds and revenues. This means that the relevant underwriting issue is not only about the logic of the idea but about its realization in terms of whether there would be enough liquidity under realistic implementation conditions.

Finding 4: Cash Conversion and Organic Deleveraging Are the Strongest Outcome Tests

It is not sufficient to use positive EBITDA as a criterion for all of these examples. Despite having positive EBITDA from 2014 to 2015, Stefanel had negative cash flows from operations and continued eroding the equity of the company. Although M Stretch succeeded in meeting its target of EBITDA, it only managed to reduce its net debt slightly by 2021. The reduction of debt at Sirti had economic significance but was also motivated by the transaction. It is only Premuda that fits this pattern.

It agrees with the concept by Beaver (1966) about the significance of cash flows as concerns debts and the concept by Hotchkiss (1995) about the inability of emergence from formal reorganization to guarantee positive restructuring. In the process of turnarounds, the debt that is cancelled, rescheduled, or restructured must be identified. Although all of them might be significant and value-creating, the debt serviced out of regular cash flows is the one that demonstrates that the operational nucleus finances its capital structure.

Table 4.3. Deleveraging quality

Case	Reported debt improvement	Primary source	Assessment
Premuda	Net debt €220.8m (2022) to €56.0m (2024)	Operating cash plus favorable asset rotation	Strong organic/economic deleveraging
Sirti	Net debt €276.4m (2020) to €105.8m (2021)	Transportation disposal and €50m SFP conversion	Material but partly transaction-led
M Stretch	€47.0m (2017) to €24.2m (2021); then €27.3m	Initial conversion; later refinancing	Insufficient permanent deleveraging
Stefanel	€84.7m (2016) to €40.3m (2017)	Conversion, fair value and new money	No operating deleveraging
Ferroli	NFP €326.2m (2015) to €93.9m (2022), then €117.0m (2023); 2024 model NFP negative	Earnings recovery initially; 2024 claim-to-equity reset	Peak improvement real but latest repair transaction-led

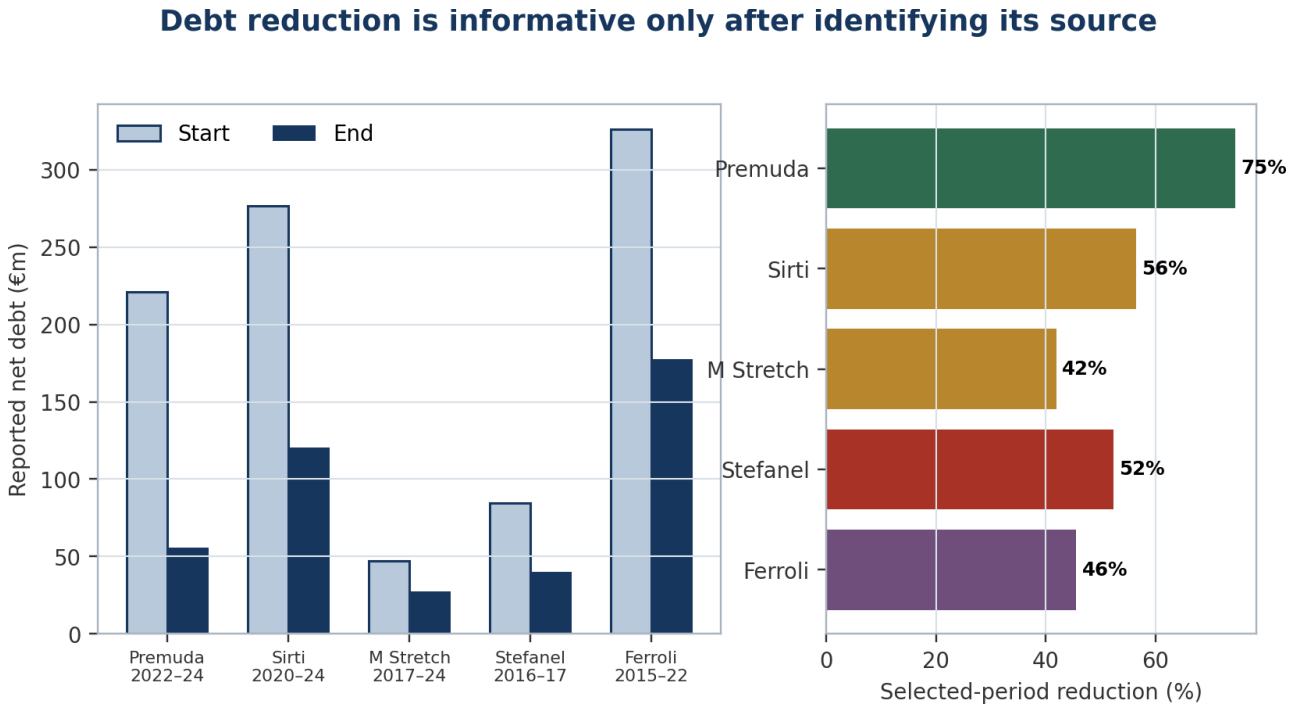


Figure 4.4. Reported debt reduction must be classified by source

Figure 4.4 directly juxtaposes magnitude and quality. In all cases, there is a reduction observed for the stated period, which makes percentage change rather limited in discriminatory value. Premuda had a reduction following a build cycle and was fueled by operating cash flows and value-adding asset rotation. Sirti had a reduction that included both a disposal and debt restructuring (SFP conversion). The reduction for M Stretch did not result in reducing leverage as EBITDA fell. The one-year reduction in Stefanel came out of a rescue transaction, where operating cash flow was negative. The comparison period for Ferroli stops in 2022, before the reversal in 2023 and the claim conversion in 2024; the latter is not included in the percentage comparison as it does not represent cash repayment.

This example also reveals why interpretation of a regression using changes in debt poses difficulties in such a heterogeneous and small sample. Decrease in debt may result from cash repayment of debts, losses suffered by creditors, derecognition of liabilities, reclassification of debt as quasi-equity, and sale of productive assets. All these factors will have different effects on future cash claims and capabilities of assets. Thus, coding of changes must take into account their causes instead of equating all euro decrease in net-debt to be the same result.

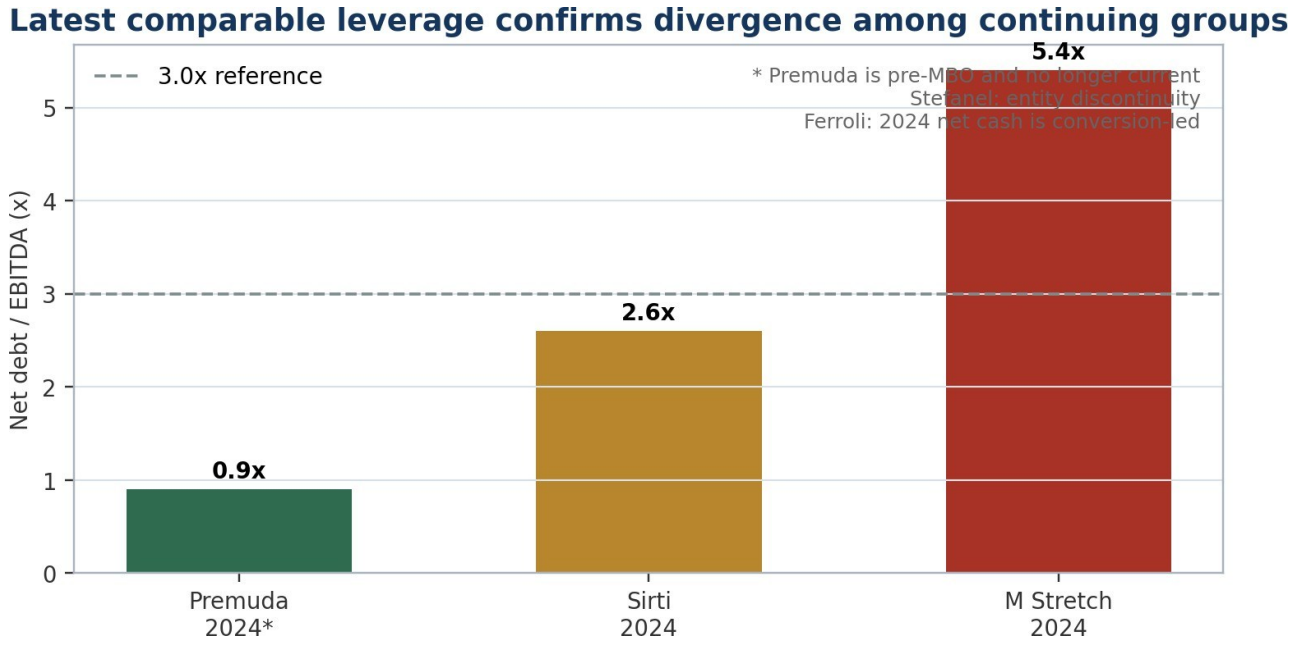


Figure 4.5. Latest observable leverage separates the continuing consolidated groups

Leverage ratios for recent years provide an easy-to-understand measure of potential negative shocks faced by existing consolidated firms. The ratio for Premuda stands at 0.9x, owing to the quality of 2024 endpoints; nonetheless, this ratio is not up to date since it has undergone changes surpassing US$100 million in terms of 2025 MBO and vessel facilities. The leverage ratio for Sirti is 2.6x, a value that can be considered moderate but highly exposed to small profit margins and fluctuating working capital. M Stretch features a 5.4x ratio owing to debt left over combined with low EBITDA denominators.

The leverage still forms a pertinent contextual metric, although it cannot replace the reconstruction of the exit. The 2024 leverage figures of Premuda, Sirti, and M Stretch were 0.9x, 2.6x, and 5.4x, respectively, but the ratio of Premuda represents a historical pre-MBO benchmark due to over US$100 million worth of 2025 facilities changing the capital structure. The Stefanel does not have continuity, whereas the €41.3 million net-cash figure of Ferroli was determined primarily due to a €235.9 million claims conversion. Leaving out these two leverage figures is better than providing transaction-driven or non-comparable metrics.

4.5.1 Organic deleveraging as revealed preference

Where a firm retires its debt through cash generated internally without going for any further concessions, the firm exhibits its confidence regarding the functioning capability of the platform under operation with lower financing needs and the importance of cash apart from the need of liquidity. Intrinsic retirement lowers the gap between enterprise value recovery and equity value as it lowers the percentage of operating value taken up by fixed claims. It does not ensure good returns, but even if the asset is sold at discounted values or delayed investment is made, it provides better signals than covenant reset.

On the other hand, repeated capitalization of interest, maturity extension, or creditor substitution implies that the existing operating cash flows are still inadequate for servicing the contractual obligations. While such activities may help to further enhance value relative to enforcement, particularly with regard to temporary disruptions, it is appropriate to consider them as stabilization efforts rather than as successful survival of the earlier restructuring effort through durability testing.

Finding 5: Management and Governance Matter When They Change Capital Allocation

Concentrated ownership allows for faster decision-making; however, the empirical results do not demonstrate governance consolidation as a stand-alone factor that guarantees success. In all five examples, the rise in control on the part of the creditors or sponsors can be observed. The best example of the influence on management is provided by the case of Premuda, in which the turnover of senior managers in 2019 was followed by fleet allocation, partnership building, options exercised, and disposition discipline.

The management of M Stretch made similar improvements in product and customer economics; yet, the sale terms in 2022 showed that there was a conflict between continuous investment in operations and sponsor/creditor liquidity. The problem of discontinuity in management occurred in Stefanel, where a strategy calling for rapid merchandising and execution of network strategy had to be implemented. Sirti is a case study proving that transformation of a big project-oriented company is difficult even after consolidation of the ownership.

Governance mechanisms rather than governance labels

The data do not back the idea that either there should be one criterion for measuring sponsor control or that there should be an indicator of management replacement. All five organizations showed centralized control with use of formal plans, boards and oversight techniques. The difference is in the way how governance impacted economic decisions. Premuda has used new management to change the controlled vessels, financing techniques, options and technical operations made in cooperation. M Stretch had the management influence decision making on issues of client profitability, prices and organization's presence. Sirti used governance for implementing divisional separations and sales. Stefanel could have governance to make changes, but could not make the platform profitable. The Attestor's Ferroli entry in December 2024 is especially important from the temporal point of view – we can see here the change of the ownership, but not yet the results of operations after the entry.

This contrast can be made to reflect a complementarity theory perspective. The importance of governance lies in the fact that management has access to operational levers and enough liquidity to exercise them. Where unit economics are inherently negative, more power may lead to retrenchment and divestment of assets faster, but it will not create demand or improve gross margins on its own. In this regard, the theory, thus, makes use of history and the allocation of capital for analyzing governance.

Finding 6: External Tailwinds Amplify Outcomes but Do Not Fully Explain Them

Every recovery seen must be considered within the context of other possible reasons that exist in the outside world. Premuda has been helped by recovery in the tanker sector and route disruptions due to geopolitics. Sirti has been helped by investment in fiber, 5G, and infrastructure. The financials of M Stretch have been affected by the price of resin and energy, along with exchange rates and logistics.

These case studies offer partial counterfactual evidence within the case itself. Premuda had its ability to generate cash intact before the peak of the tanker market in the pandemic period, thus contributing to the structural element, although the EBITDA for the years 2022–2024 should be normalized. M Stretch moved ahead in the pandemic but retreated amid weakness in Germany and Latin America, implying that the above capabilities were real but not strong enough. The recovery of Sirti was consistent with healthy volume levels in the industry and perimeters’ modification, and margin and free cash flow rather than revenue became meaningful indicators in this case. The failure of Stefanel is a prolonged series of negative cash flows in different scenarios, and hence the cause of failure cannot be explained by a single cyclical shock.

Inference rule

A favorable cycle can validate an improved platform by allowing it to earn and deleverage, but it cannot by itself establish sustainable performance. Sustainability requires evidence that the company entered the up-cycle with improved operating capacity and retained a defensible balance sheet when conditions weakened.

Falsification tests for the structural-turnaround claim

A structural turnaround story becomes weaker where earnings improvement is linked only to shifts in the external cycle, where cashflow reporting is due to monetization of working capital that is unsustainable, where there is rising leverage with deceleration in growth, and where the company cannot fund its maintenance spending. Premuda partially satisfies these criteria in that it made an improvement before the high tanker market cycle and since then there has been declining leverage. Sirti satisfies the survival and margins criteria but has not yet satisfied a free cash flow test following the tailwind period. M Stretch satisfies the initial criterion for a pandemic test but then fails the footprint shock criterion.

These are falsification exercises without controlled counterfactuals. The examples lack matched controls, and the sponsors choose firms with different possibilities of recovery. However, the process adds to the rigors by defining what evidence can falsify the favored explanation. A narrative unable to explain how it can be falsified is an invalid case study analysis.

Finding 7: Perimeter Choice Can Dominate the Turnaround Method

The clearest example of the importance of the focal asset being significant is provided by Stefanel. Attestor/Oxy attempted to save the legally combined firm, with all its liabilities, store profitability, and corporate structure. However, after OVS purchased the brand, some stores, and employees, it left behind all of the liabilities and benefited from the existing supply chain, logistics, digital, and retail platforms. Therefore, the commercial success that followed was achieved through asset choice and buyer complementarity.

Some aspects of perimeter management have also surfaced in other cases, albeit in a lesser degree. Sirti sold Transportation and Energia and focused on telecoms and information technology. Premuda repositioned its ships and out-sourced some aspects of management, but retaining the ability to commercialize and allocate capital. M Stretch, on the other hand, sold the German manufacturing operation, and engaged in partner-manufacturing, albeit only after going bankrupt.

These examples show that asset protection and firm reorganization are separate achievements. A transaction with a clean periphery maximizes the overall going-concern value, although the equity continuity of the prior business is broken. In terms of policy and stakeholder interests, it will still be possible to ensure job security, keep customers, and preserve productive assets. But from the viewpoint of sponsor equity, it will not be a success unless the recoveries exceed the claims and investments.

Finding 8: Exit Is an Outcome Test, Not an Administrative Detail

Turnaround investors operate under finite capital and time horizons, but exit must be disaggregated. Premuda repaid plan debt and completed a 2025 LMBO, yet Pillarstone retained exposure. Sirti remained under sponsor ownership. M Stretch refinanced the old creditors but Oxy still held 80% after the planned sale failed. Stefanel's administrator sold selected assets to OVS after legacy equity failed. Ferroli's 2024 transfer consolidated Attestor control after the 2022 sale process stopped. These are financing exit, partial control transition, asset resolution and continuing investment—not interchangeable sponsor exits.

Together, the examples suggest a taxonomy that differentiates the various types of exits. A full exit is one where value is fully realized through the restructuring of a capital structure that is now viable. A partial restructuring changes the governance while maintaining exposure by the sponsor. A refinancing may mark the end of an existing relationship without realizing value from the equity stake.

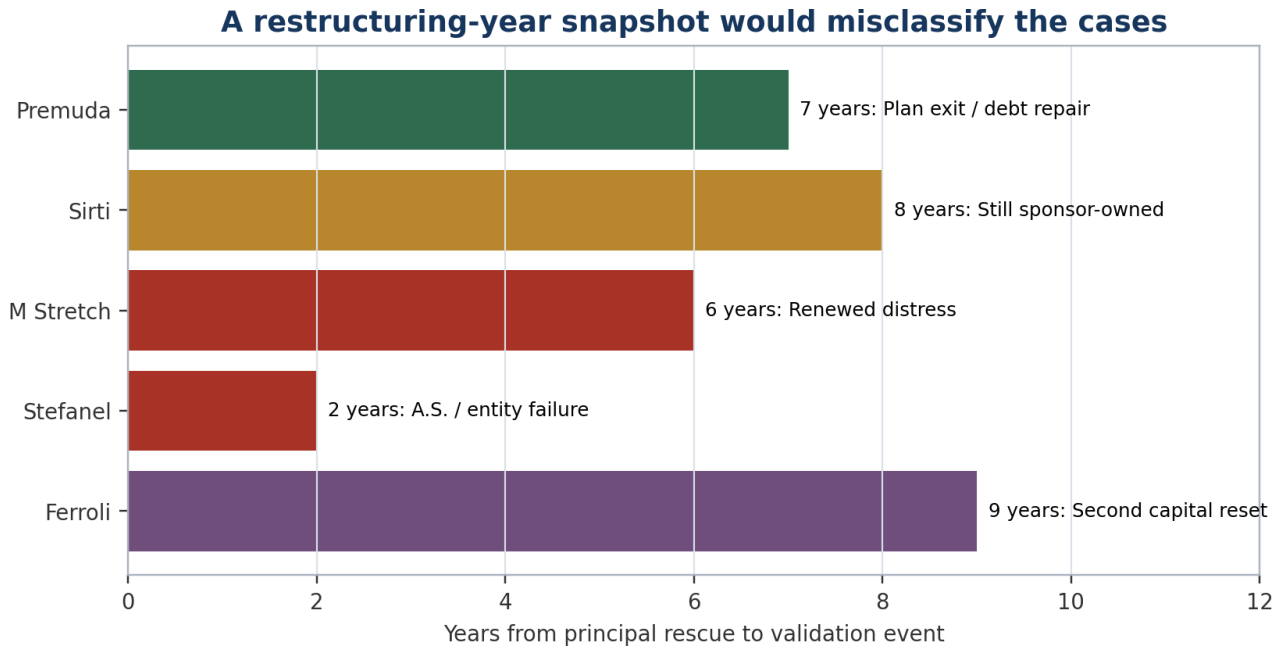


Figure 4.6. Outcome validation required years, not a restructuring-year snapshot

The figure below is an example of the risks associated with truncation. In case of Stefanel, the problem became clear within about two years, but in case of Premuda it took about seven years to notice that the firm was exiting from its plan and becoming deleveraged. M Stretch would have been classified as successful if the observation period ended in 2021; however, the change after 2021 and the bankruptcy of Germany changed this classification in 2024. The eight-year observation of Sirti continues to be a sponsor-owned company without any value realization.

As a result, the correct horizon depends on the very mechanism being examined. Stabilization may be evaluated in a few months, the operational process may take a number of years, durability needs to be tested for an adverse period of time, and exit happens much later. A rigid two-year success window would tend to favor rapid fixing of accounting problems but ignore delays in operations and subsequent distress.

Exit feasibility feeds back into capital structure

Exit is not just a final observation, as expected sales proceeds may affect the amount of debt held during the tenure. The contract made between M Stretch anticipated that a sale would take place by the end of 2022, and hence the transaction market was integrated in terms of repayments to the creditors. With the failure of the sale, the refinancing risk became an operating risk because of the challenges in interest and maturities. The lower leverage in Premuda reduced the reliance on one sale process.

For Sirti, the lack of exit can have two possible meanings – either the sponsor is maintaining upside by adding more margins, or the buyers are still insisting on a discount because of the cash conversion and concentration. These reasons cannot be differentiated through the available data. On the other hand, the sale in Stefanel does not fulfill the thesis made by the sponsor since it was sold as a clean asset boundary after its bankruptcy. Hence, the exit name must relate to the capital and the entity sold.

Configurations Associated with Each Outcome

Table 4.4. Outcome configurations

Outcome	Observed configuration	Case
Sustainable industrial recovery	Creditor concentration + adequate liquidity + management reset + business-model reconfiguration + cash deleveraging + adverse-period resilience	Premuda
Partial / incomplete turnaround	Financial and portfolio repair + later market-supported EBITDA + residual leverage/margin constraints + no exit	Sirti
Reversed turnaround	Credible operating plan + insufficient retained cash deleveraging + failed exit + renewed shock and concessions	M Stretch
Company failure / asset preservation	Repeated plans + persistent negative CFO + transaction-led accounting repair + formal procedure + clean strategic asset sale	Stefanel
Repeated restructuring / cyclical relapse	Initial reset + incentive-amplified earnings peak + margin collapse + renewed claim conversion and sponsor entry	Ferroli

These configurations cannot be seen as deterministic equations. Due to the limited number of respondents and the fact that the choice of investors is endogenous, the frequency method of causation cannot be used here. These configurations are better explained as mechanism based conjectures.

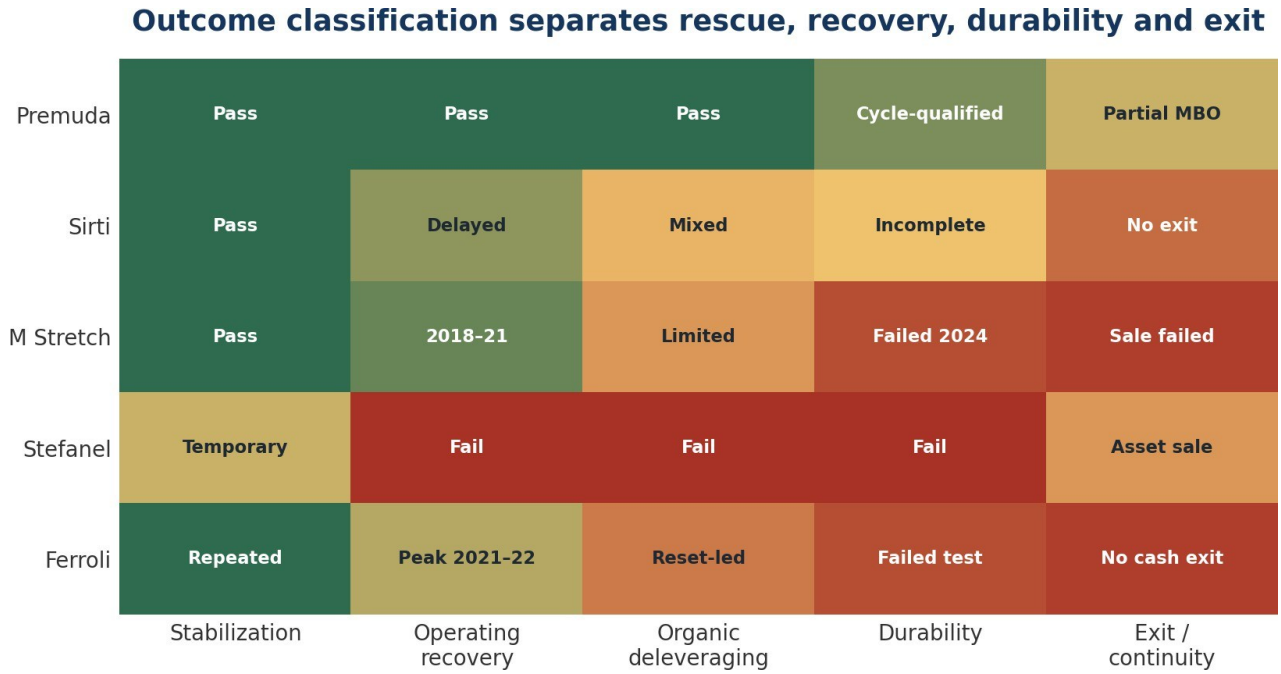


Figure 4.7. The five outcome tests locate where each turnaround sequence stopped

Figure 4.7 presents the exact turning points for each turnaround journey. All the cases have managed to achieve temporary stabilization. Following this, Premuda has met both the requirements of operating and organic deleveraging, with the key determinant of durability being cyclicality and the current opaqueness following MBO. In case of Sirti, there was improvement at a subsequent point of time, although heterogeneity exists with regard to its quality of debt, durability and exit ability. In the case of M Stretch, the requirement of operating success has been met but not that of adverse periods and exit.

This matrix must not be collapsed to a unified cardinal value. This collapsing will mean that it is possible to mathematically compare temporary stabilization plus divestiture and organic de-levering, and/or that the

unfinished exit is a fixed percentage of the finished one. There is an order of operations in the stages presented, yet there is no quantification of the intervals. The diagram serves as a flow chart that defines the break point in each case.

Necessary, enabling and validating conditions

The current cases provide three types of conditions. Coordination between creditors, liquidity, and governance work as enabling conditions – without them it is impossible to initiate a plan. Unit economic viability and operable operating leverages become essential to have the potential of sustainable recovery, although the data does not prove their sufficiency in every case. Cash-based de-leveraging, sustainability in tough times, and exit planning are the conditions that serve as validating ones – they confirm the ability to sustain previous success and to support stakeholders' claims on it.

This taxonomy avoids circular argumentation. It is not possible to explain a successful result simply on the basis of there having been a successful restructuring. This requires (a) identifying how something changed after the enabling act and (b) identifying additional information which independently confirms such a change. Premuda has the most comprehensive information chain; Stefanel has the most clear-cut separation between the conditions that enabled the change and those that were necessary for its occurrence; M Stretch has the most distinct demarcation between operating success and confirmation; Sirti is still located somewhere between operating success and confirmation.

Stakeholder-specific outcome configurations

A firm-level categorization does not fully incorporate the distribution of value. Premuda shares became redundant before the industry's economic turnaround. M Stretch kept running and increased value of creditors' options despite increasing its liabilities, but decreased the equity buffer. Sirti had great capability of being an employer and having infrastructure, but realization of the sponsors is still pending. Stefanel's approach ensured that its brand was preserved and some of its employees were kept in place by OVS but failed in preserving its equity.

Four separate perspectives on outcomes are used in this research project: continuity of the legal entity, continuity of operating assets, recovery by creditors, and realization of the sponsor's equity. Any successful turnaround claim needs to identify which perspective is being used. This classification is especially significant in cases of extraordinary administration, where policy aims clearly exceed shareholders' interests.

Propositions Derived from the Cases

1. Creditor concentration increases the feasibility and speed of stabilization when distress is aggravated by fragmented claims, but it does not predict operating success after the transaction.
2. The probability of durable recovery is higher when financial restructuring is followed by a distinct operating-reconfiguration phase led by management with authority over capital allocation.
3. Positive EBITDA is not a sufficient turnaround condition; sustained operating cash flow and debt repayment from internal funds provide stronger evidence.
4. A planned sponsor exit is more credible when deleveraging precedes the sale process. Reliance on transaction proceeds to solve residual debt creates refinancing risk if the sale fails.
5. When legacy liabilities and platform costs overwhelm a viable transferable asset, a selective strategic acquisition may preserve more business value than another whole-company recapitalization, although legacy equity may receive no value.
6. External tailwinds improve realized outcomes only when the restructuring has already increased the firm's ability to convert favorable conditions into cash and balance-sheet repair.

7. The liquidity runway must be matched to the implementation lag of operating change; otherwise a coherent industrial plan can fail before its actions affect cash receipts.
8. Turnaround classifications are horizon-dependent: early stabilization and plan achievement should be reported separately from later durability and exit rather than collapsed into a single contemporaneous outcome.

The propositions are deliberately mechanism based. They do not claim universal necessity or sufficiency from five observations, nor do they estimate an average sponsor effect. Their value is to specify observable intermediate outcomes and failure points that can be coded in a larger sample. A future empirical design could test whether organic deleveraging, implementation runway or pre-exit leverage predicts recurrence and realized creditor or sponsor returns after controlling for industry and initial severity.

Alternative Explanations and Robustness of Interpretation

The three possible interpretations must be examined with care. Firstly, the investor effect could be due to selection bias since the two firms purchased had different asset values and recovery opportunities. While Premuda owned liquid vessels, the value of Stefanel resided in its intangible brand that was part of a failing system. Secondly, the subsequent performance could have been affected by the state of the industries at the time and not by the program itself. This problem can be handled qualitatively through timing, cash conversion, and adverse period effects but cannot be addressed statistically. Thirdly, variations in accounting policies and perimeter definitions reduce cross-sectional comparisons. This is handled through keeping consistent definition of measures and considering the change in perimeter as an important event.

It is most evident where there is a convergence of different types of evidence. The conclusions in Premuda are evident from its convergence of later EBITDA, operating cash flow, repayment of debts, and exit strategy. On the other hand, in the case of Stefanel, the convergence is due to the negative EBITDA, negative operating cash flow, quick divergence from the plan, and special administration. The cases of Sirti and M Stretch have some conditions attached to them since the cases have some improvements in them, but there are financial or exit constraints that remain unsolved. In the case of Ferroli, there is a relapse based on declining revenue, EBITDA, profit, and product line.

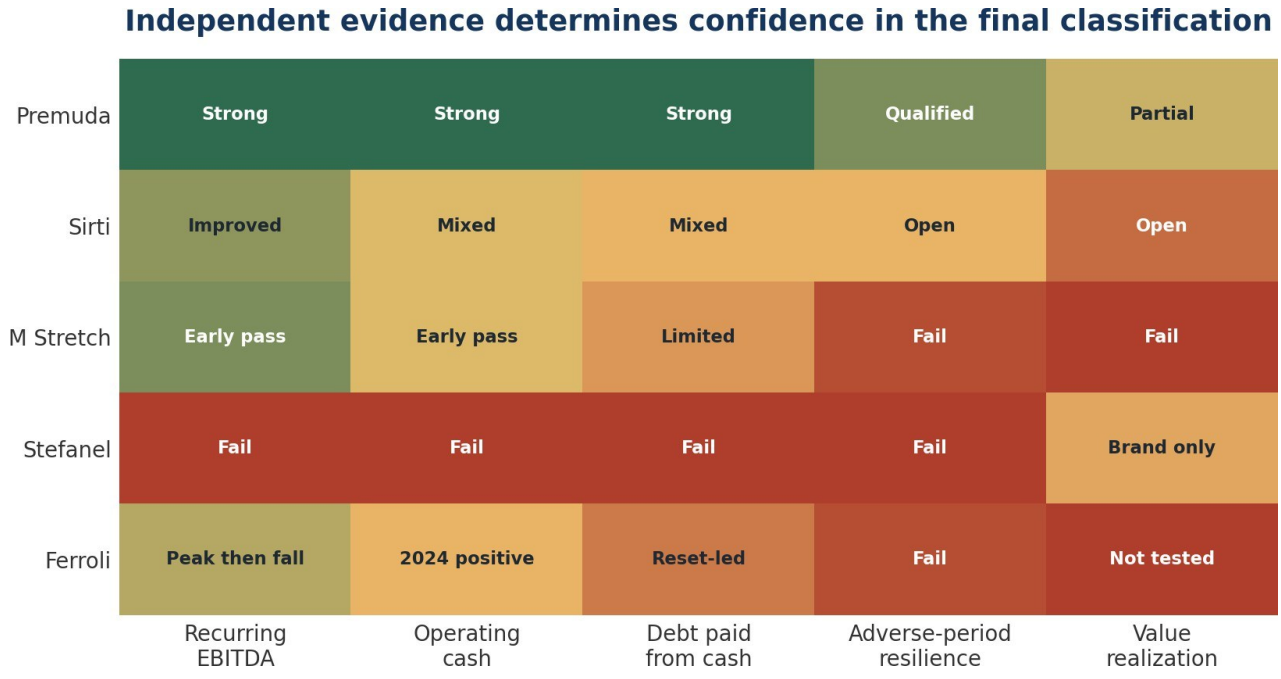


Figure 4.8. Confidence rises when independent outcome evidence converges

Figure 4.8 distinguishes between outcome coding and confidence. The analysis done by Premuda is aided by the use of signs such as income, operating cash flows, debt payments, and plan exit, although present MBO leverage is uncertain. The failed entity in Stefanel has high confidence due to negative EBITDA, cash burn, plan miss, and administration, with brand recovery also having been independently evidenced through OVS reports. The reversal by M Stretch has been clearly evidenced while the new plan is prospective. The Sirti case is conditional as the earnings have since then gotten better, although evidence on cash and exit has not been strong.

The more evidence converges on a certain definition of accounting, the less dependence there will be on any one definition. In cases where the adjusted EBITDA increases and at the same time, the operating cash flows, debt position, and dependence on covenants fall, the assertion of turn around will lack substance. The reduction in debt, together with the sale of the earnings source, requires an evaluation of the remaining perimeter. Where a brand is extended by the new owner, but separate accounts are not available, the business continuity may be recorded without attributing profits.

Rival explanation: sponsor selection

It is clear that sponsors chose firms because of the qualities associated with them rather than random inclusion. In particular, the vessel collateral offered by Premuda was identifiable and exposed to a cycle that might be able to be recovered from; the asset value of Stefanel was in the form of a brand which operated in a vulnerable platform. The strategic importance of Sirti and the operational franchise of M Stretch also made them ex ante candidates for intervention.

Selection could be addressed, however, through the avoidance of any kind of sponsorship-performance ranking and by making each hypothesis conditional upon the inherited business. Selection cannot be overcome without the broader comparative sample frame. The strongest defensible statement to make would be that the same restructuring kit worked under different conditions of viability, leverage, and separability.

Rival explanation: external cycles and macro support

These factors had differential impact in the case studies. The analysis makes use of temporal sequencing and times of difficulty in order to see if improvement occurred before the arrival of the biggest tailwind, and if the improvement maintained itself after normalization. Premuda and M Stretch qualify for some part of this analysis; Sirti continues to be related to infrastructure volume; Stefanel shows continued weakness through a number of cycles; and Ferroli’s peak in 2022 and subsequent 2024 product decline show how incentive-driven demand can exaggerate operating problems.

This does not lead to the discovery of the clean counterfactual beta for the market. In this case, a much larger study would be able to generate margins and cash flows adjusted for industry or use matching firms. In this thesis, exogenous factors are explicitly considered as co-causes.

Rival explanation: accounting and perimeter non-comparability

Adjustments for EBITDA calculations, IFRS 16 accounting for leases, factoring, participating securities, discontinued operations, and changes to the consolidation boundary may create artificial discrepancies. The analysis overcomes this by looking at time-series trends, providing definitions of the measures used, and leaving out Stefanel from the consolidated leverage measures after 2017. Therefore, cross-case numbers become visual representations only.

The other constraint is one of substance. No matter how accurate the process of reconciliation, it cannot standardize private company accounting or provide details of unreported cash flows of sponsors. The final classifications relate to industrial and balance sheet effects, not the calculation of fund performance or creditors' recovery.

Measurement correction and sensitivity of the Ferroli inference

The completed reconstruction of the company's state according to the Ferroli reconstruction serves as an appropriate sensitivity analysis. Entering the value of 2024 EBITDA as negative represents the situation when the enterprise suffers from an easy failure. However, the annual report states about the existence of adjusted EBITDA of €19.7 million and the margin of 5.5%. Nevertheless, the situation will still be considered bad because of margin decrease, negative net income of €29.5 million, inability of cash flow from operations to consider debt change, failed asset sale, and the necessity of claim conversion. Hence, the analysis is not based on the wrong assumption of negative EBITDA, but on the overall convergence of indicators.

It further strengthens the methodology used by the framework. An acceptable turnaround category should not depend on a particular accounting term but should be valid even under different EBITDA definition criteria and in line with other measures like cash flow, net income, debt bridge, and ownership signals. The corrected figures by Ferroli reduce the claim of total operating failure but do not contradict the incomplete and temporary nature of the turnaround.

Answer to the Chapter-Level Research Questions

Various combinations of financial restructuring and operational interventions produce varied results because they remove varying limitations. Claim restructuring, write-downs, and creation of equity help address financing limitations. Governance consolidation addresses limitations in decision-making. Operational changes and boundary changes focus on the cash-generating core of the business. Only when the three layers are properly sequenced will a sustainable recovery be achieved.

Outcomes are defined depending on the investor strategy. A sponsor rescue that is meant to cover the whole company will seek equity continuity and an eventual exit; an asset-based strategic buyout may realize maximum benefit through giving up equity continuity; while late entry of the sponsor, as demonstrated by Ferroli, will create an unproven choice rather than a definitive outcome. The institution’s process affects bargaining power, timing, prioritization, and range of activities that can be carried out, but the legal framework cannot take the place of the unit economics.

CHAPTER 5: Conclusions, Contributions and Implications

Purpose and Main Conclusion

This thesis explored the means and circumstances under which corporate turnaround activities produce results ranging from recovery and value creation all the way through partial restructuring, distress, and asset protection. The findings derived from the study of Premuda, Sirti, M Stretch, Stefanel, and Ferroli suggest that the process of turnaround is not one single event and cannot be seen by looking at the accounts of the restructuring year. Instead, it is a process through which stabilization of finances provides time, governance brings about the change of the locus of control, operation creates new cash flow dynamics, and then it is decided through either debt or exit.

The primary finding is that different outcomes occur because of structure and not because of individual instruments. Conversion of debt, haircutting, capital raising, extension of maturities, and concentrated ownership were present in both success and failure situations. These were essential elements under conditions of severe liquidity stress and fragmented creditor structure that posed a risk of disruption, but they did not lead to different outcomes by themselves. Differentiation occurred based on the fundamental soundness of the business, specific reconfiguration of operations, cash generation, organic reduction of leverage, robustness against external shocks, and exit.

Answer to the main research question
Turnaround processes lead to sustainable recovery when financial restructuring removes immediate constraints and is followed by a credible operating and capital-allocation redesign that generates recurring cash, reduces debt without repeated concessions, survives adverse conditions and supports a realizable exit or independent viability. Partial or failed outcomes occur when restructuring repairs accounting solvency but leaves weak unit economics, insufficient cash conversion, unresolved leverage, an infeasible exit or an overextended legal perimeter.

Answers to the Specific Research Questions

Which configurations lead to different outcomes?

Premuda represents the most complete configuration. Pillarstone consolidated claims and reset the capital structure; new management subsequently changed fleet mix, financing and technical-management architecture; the group generated cash, repaid legacy debt and entered a management-led ownership transition. Sirti combined financial repair, portfolio divestiture and later market-supported operating recovery, but residual leverage, low margins and the absence of an exit left the process incomplete. M Stretch combined a sound rescue with a demonstrably successful first operating plan, yet limited retained-cash deleveraging and a failed sale left the company exposed when Germany and Latin America weakened. Stefanel combined extensive financial tools with an operating plan that required an implausibly rapid inflection from persistent negative cash economics; the company failed and value was later preserved through a selective asset purchase. Ferroli adds a peak-and-relapse configuration: the 2021–2022 improvement was real, but broad product contraction, a fall in adjusted EBITDA margin from 14.2% to 5.5%, a €29.5 million net loss and claim-to-equity recapitalization show that it did not become through-cycle recovery.

How did investor strategy influence outcomes?

The creditor-led strategy of Pillarstone was especially efficient where the dismembered bank claims presented a binding constraint. In Premuda, control on the liability side enabled the following industrial strategy; in Sirti, it assisted in a prolonged balance sheet and portfolio restructuring. The M Stretch strategy of Oxy involved both governance and an explicit operating strategy, coupled with the timeframe for the sale of the distressed firm. While the operating strategy worked from the very beginning, reliance on the sale of the distressed firm in order to fulfill creditor claims created a potential weakness in case no one would buy it. The Stefanel strategy of Attestor/Oxy aimed at rescuing the whole distressed complex. Finally, OVS succeeded thanks to its new investment strategy which meant buying the clean brand-and-store perimeter and adding platform capabilities to the company. The new Attestor involvement in Ferroli in December 2024 cannot yet be seen as an operating strategy.

How did institutional context shape the meaning of success?

The institutional arrangements determined the processes of compromise, transformation, ranking, and transfer of claims and ensured that business assets were protected in the case of impaired continuity of the equity structure. Extrajudicial and judicial negotiations enabled sponsor-led solutions. The remarkable administration in the Stefanel case transformed the objective of restoring the value for the public shareholders into the one of maintaining business activity, jobs, and claims' recovery. In turn, the idea of "success" depends on the position of different stakeholder groups. The sale of the business under special administration may protect industrial value and jobs despite confirming the failure of the initial equity-based restructuring. The 2024 bank agreement and claims' transformation in Ferroli is an example of this dichotomy outside formal insolvency procedures.

Comparative Conclusions by Case

Final case conclusions

Case	Final classification	Primary reason	Residual qualification
Premuda	Sustainable industrial turnaround	Operating-platform redesign and cash-based deleveraging after rescue	Tanker cycle and vessel-sale gains inflate observed earnings
Sirti	Partial / incomplete turnaround	Later margin recovery and lower leverage	Debt reduction partly transaction-led; thin margins; no exit
M Stretch	Initial success followed by reversal	2018–2021 plan delivery without durable deleveraging or exit	Second plan retains option value but requires lender support
Stefanel	Failed company rescue; preserved brand	Persistent negative cash economics and rapid plan miss	OVS evidence supports commercial, not standalone financial, recovery
Ferroli	Temporary recovery; renewed restructuring	2021–2022 margin peak followed by broad 2024 relapse	Attestor entered at year-end; post-entry outcome unobservable

Theoretical Contribution

There are three primary contributions that this thesis makes to turnaround research. First, the thesis substitutes

an either-or measure of success and failure with a multi-stage multi-dimensional classification system. The results can be classified as stabilization, operational recovery, natural deleverage, durability, and exit. This classification addresses contradictions, for example, the reality that M Stretch has met the objectives of its plan but has then gone into distress once again, or Stefanel's failure in turning around the company but success in the brand name.

Secondly, the results add to the development of the retrenchment and recovery conceptual model. Retrenchment and financial relief create slack in terms of both time and resources. However, the appropriate recovery process would involve change in the cash flow economics on an ongoing basis. Revenue increase is not a necessity, and is insufficient: M Stretch managed to enhance EBITDA even though it decreased its revenues, while Sirti managed to achieve significant revenue recovery without having to increase its margins automatically. The important change is that of moving from transaction-based solvency to cash-based viability.

Thirdly, the research makes a distinction between the continuity of the entity itself and the continuity of assets. Brand equity, customer base, employee equity, and operational capacity can persist after the failure of old equity. In the case of the Stefanel-OVS series of events, we see how value can be created using a strategic platform from a specific perimeter, which cannot be created by financial investors in the context of a consolidated business.

Implications for Distressed Investors and Creditors

Focus on underwriting the new operating structure after restructuring, and not only the discount to face value or the equity created through conversion. Ensure clear connections between EBITDA and operating cash flow, operating cash flow and debt service, and debt paydown and its sources of financing. Assume an exit as a financing premise if the repayment of creditors is contingent on a sale, and examine the negative situation if the sale fails.

Match the perimeter to the source of value. A clean asset acquisition may dominate whole-company rescue when legacy liabilities and platform costs are not removable within the available liquidity horizon.
Use adverse-period performance as a validation test. Premuda's pandemic cash generation strengthened the case; M Stretch's 2024 subsidiary failure exposed the opposite.
Normalize cyclical and non-recurring earnings. Shipping-rate tailwinds, public investment, disposal gains, factoring and restructuring income should not be capitalized as identical recurring cash flows. HVAC renovation incentives and policy-driven replacement demand require the same normalization discipline as freight rates or public-infrastructure volumes.

Creditor behavior must distinguish between claims recovery and business recovery. Haircut or participation instruments could maximize recovery expectations through maintaining option values, assuming the funding strategy for the business plan is credible and monitored on the basis of cash targets. Repeated waiver of covenants could be sensible if it protects a viable business franchise, although it could delay recognizing an unviable business model.

Implications for Management

The main goal for management after achieving financial stability is to make the temporary gains become permanent performance gains. This is achieved through a relatively small number of economic targets: contribution margin, release of working capital, use of capacity, prudent capital spending, and debt service capability. The example of Premuda's management is that of a well-integrated capital allocation process created by the synergy of its fleet strategy, partnership strategy, financial strategy, and asset disposal strategy. In M Stretch, an earlier strategy was assisted in the same way with prudent analysis of customer and product profitability; however, the balance sheet had not enough cushion to withstand a footprint shock. In Ferroli, post-2024 targets will be quantifiable: contribution margin in heating, conditioning, and service, realigning fixed cost structure, release of working capital, and financing debt service without invoking any claim conversion.

The turnaround strategy must not contain just one cliff estimate where all the operating improvements will happen right after the close. The plan of Stefanel in 2017 expected EBITDA and cash flow improvement in 2018 starting from very negative initial performance. Practical sequence will require enough liquidity to allow for delay in execution, downside trigger, and pre-agreed decision point for perimeter reduction.

Policy and Institutional Implications

These examples demonstrate that the value created through reorganization of institutions occurs as a result of reduced costs of coordination, protection of new investments, and operation of sound assets. The problem is that these examples cannot help draw conclusions regarding the competitiveness of the enterprise. This implies that policy assessment should involve examination of both process and outcomes.

Exceptional management is not to be measured only by whether the original business survives. In the Stefanel example, the process has helped make the brand name and certain stores available to an owner who can run them on a different cost structure. At the same time, there needs to be transparency about the claims admitted, distributions made, and results post sale.

Implications for Ownership and Exit Analysis

The examples demonstrate that in analyzing exits, both consideration and the risk retained need to be taken into account. Repayment and/or refinancing of the restructuring claims will enable the exit from financing, where the sponsor will remain as the ultimate shareholder. Transfers between related investment entities will change the shareholder directly but not necessarily create any liquidity outside. The management buyout will be partial when the sponsor keeps rolling equity or investing alongside with other investors. Furthermore, the administration-led asset sale is not considered to be a successful sale on behalf of the former shareholder.

Table 5.3. Final ownership and exit conclusions

Case	Financing outcome	Control outcome	Economic exit conclusion
Premuda	Legacy plan debt repaid; new MBO/vessel debt raised	Management entered; Pillarstone retained	Partial transition; sponsor realization undisclosed
Sirti	Material repair, partly through disposal/SFP	Pillarstone remained	No verified exit
M Stretch	Old creditors refinanced in 2023	Oxy/MSH still 80% in 2025	Planned sale failed; no sponsor exit
Stefanel	Claims resolved through A.S. process	Legacy shareholders displaced	OVS asset purchase, not PE exit
Ferroli	Claims converted; balance sheet reset	Attestor consolidated control in 2024	No external cash exit

Limitations

A few limitations arise in the current study. The sample includes only five selected cases and thus cannot make any inference statistically about average performance of sponsors. There is endogeneity in entry, variations in industry features and no untreated control group. The definitions of accounting measures vary by firm and time, especially in case of adjusted EBITDA, leases, participating instruments and perimeter changes. Market signals of default are not available because there were many instances where firms had gone private, delisted or have formally declared bankruptcy. Another limitation put forth by Ferroli is that of measurement as its net cash position of €41.3 million in 2024 is due to a claim-to-equity deal.

Private prices for transactions, full debt information, cash flows of investors, and recoveries of creditors are not available. This means that it is impossible to calculate IRR and MOIC at the level of the sponsor reliably. Economic and strategic outcome classifications are stressed instead of precise private-equity returns. As regards the case of Stefanel, the last year of auditing and consolidating is 2017; thus, all following conclusions rest upon official practices, declarations of the buyer, and discontinuities of entity continuity. Furthermore, external cycles cannot be separated from interventions in a five-case design.

These limitations are addressed using source hierarchy, historical data, quality-of-earnings bridging, and conservative classification. They remain as limitations instead of problems that can be solved by inappropriate imputation.

Directions for Further Research

Possible future research can further the scope of the analysis to include more Italian restructuring-platform investments by adding certain elements like coded terms of the transactions, creditor concentration, management change, operational activities, cash flow generation, and exit activity among others. The use of a matching design methodology can see comparisons made between sponsor-based firms and other distressed firms that have been sorted using a different process. Where investor flows can be obtained, the five operational outcome measures can be analyzed against IRR and creditor recovery rates.

Secondly, an extension could use quarterly or monthly performance information in order to determine when there are enhancements and degradations in performance. This method would especially be useful in industries with a lot of working capital, in which case the annual EBITDA figure will hide the fact that there is a problem with cash flow. Thirdly, an extension could look at the results of transactions for the stakeholders: employment, supplier recovery, and asset retention post-cleaning perimeters.

Final Synthesis

All five cases form a logical but non-ordered list of possible results. Premuda saw the strongest durable industrial turnaround; but the Pillarstone exit was partial, and the leverage after MBO is unclear. The Sirti case saw late margin and leverage improvement but without full sponsor exit. M Stretch saw a true operating turnaround at the first stage, but the sale failure, German insolvency, covenant relief, and the retention of 80% of Oxy ownership meant the change of the terminal result from turnaround to restructuring. Stefanel went bankrupt as a legal company; OVS, on the other hand, preserved the brand and made it more valuable after the acquisition of the clean perimeter of assets. The Ferroli company reached its operating peak in 2022; yet, the following margin decrease, net loss, sale failure, and the claim of €235.9 million mean that the peak was not sustainable.

The bottom line in practical terms is this: restructuring effects entail a closing of the deal; turnaround effects help bridge the gap between the cash flow generated on an ongoing basis and the obligations undertaken by the company. Sustained value is possible only if this gap is closed after taking into account any concessions made by creditors, the proceeds from asset sales, accounting gains, and market conditions. A second principle, based on Ferroli, states that normalized earnings have to be calculated during the unfavorable or post-bonus period, but a case cannot be considered an operational failure on the basis of just one definition of EBITDA.

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