

**ANALYSIS OF SMES REORGANIZATION IN EUROPE USING PDFR:
CONVERGENCE OF FINANCIAL VARIABLES BY COUNTRY AND SECTOR**

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ABSTRACT

This study contributes to identifying common distress patterns by sector and country in Finland, France Germany, Italy, and Spain, but also ex-post signals of reorganization success. We use *PDFR* that provides a distance-to-failure measure and allows us to track the behavior of different features of the firm, proxied by accounting ratios. *Boosting* is used for robustness. Financial structure, working capital, profitability on assets, margin over sales and cash flow to assets are the most discriminant variables of failed SMEs across all sectors and countries analyzed. By contrast, during reorganization ROA and its components are the main initial drivers of recovery.