

16<sup>th</sup> February - 3/2022

## Bulletin of Italian Finance

# SPOTLIGHT



**Banche  
Assicurazioni  
Finanza**

Italian Banking Insurance and Finance Federation

It is with great sorrow that we report the passing away of our esteemed colleague, Franco Delneri, on 12 February in Rome. In the years he worked at FeBAF, Franco conceived and implemented many initiatives with enthusiasm and passion. Starting with the bilateral dialogues with the financial Federation in Europe and elsewhere, continuing with the Round Table of the EU Financial Centers, and finally the Trieste Europe Investment Forum which will be renamed in his honor. Franco has been widely appreciated as a dynamic member of our financial community throughout his long-standing European and international experience has made him a respected voice in all fora, both in Rome and in Brussels. We will certainly miss his tireless enthusiasm and expertise. We express our deepest condolences to Franco's family. We will miss not only the colleague but also the good friend and extraordinary human being. Goodbye Franco!



## 1. Rosy prospects for Italian M&A

Italy's economy offers good private capital opportunities this year and next, said Innocenzo Cipolletta, FeBAF's chairman, introducing a webinar that was recently hosted by AIFI, the private equity, venture capital and private debt association which he also chairs. Two slides were enough to support his up-beat view. The first illustrated how real GDP has sprung back sharply to pre-pandemic levels following the dramatic collapse in first quarter 2020. The second shows the forecasts of GDP growth for 2021 and 2022 by seven bodies, with five also forecasting the figures for 2023. The OECD, for example, expects the outturn for last year to be 6.3 per cent, with this year resulting in 4.6 per cent and next year 2.6 per cent. As Mr Cipolletta noted, GDP growth that the OECD forecasts for next year would be significantly better than Italy's weak annual growth in the period after the financial crisis. The results of a survey that AIFI undertook of members of its M&A commission confirmed a sense of buoyancy in the industry. Three-quarters of them expect deal volumes and deal numbers to increase this year, with almost two-thirds of acquirers being private capital operators and just under one-third being corporate buyers. Reflecting opportunities offered by the Bel Paese's rich and varied manufacturing fabric, almost two-thirds of AIFI's sample see the industrial sector as being a particularly prolific generator of M&A deals. And almost 90 per cent expect a healthy boost in cross-border inbound activity.

It was against this backdrop that AIFI enlisted more than 20 M&A experts from funds, consultancies, banks and law firms to contribute to the webinar and give their views about where Italy's M&A market stands and where it's heading. They covered a lot of ground, including distressed M&A, the Draghi effect, valuations, consolidation deals and ESG due diligence. A study of 2021's market by consultancy KPMG shows the year's 1,165 deals was a record for Italy, the €98 billion counter-value being the best since the financial crisis. And there were 20 deals greater than €1 billion, against six in 2020 and nine in 2019. Although the situation looks rosy, KPMG's Max Fiani reminded the webinar's attendees that a positive outcome for the current year depends on conditions being met, including political stability in Italy and an absence of significant exogenous shocks.



## 2. FeBAF to intensify the debate on the relations between space and finance

Relations between the financial sector and the space sector have registered a solid growth, opening up opportunities in Italy too. This was the topic of the recent webinar organized by FeBAF and the Edoardo Amaldi Foundation, attended by various representatives of the Italian financial community. "The reasons behind this are evident", as FeBAF's Secretary General Paolo Garonna pointed out, "with private financial investors and intermediaries destined for a meaningful growth in this industry". Among the representatives of the financial and business sector, the Amaldi Foundation Secretary General Lorenzo Scatena, who stressed the weight of the Italian space industry (40,000 employees) and the soaring returns for the space industry globally (over 70% in the last 9 years). Strengthening the Italian presence will also support the expansion of the small and medium enterprises, the backbone of the Italian business model. Participants to the webinar included: Massimo Deandreis, General Manager of SRM - Economic Research Center, Intesa Sanpaolo Group; Alfonso Iozzo, President of the Centre for Studies on Federalism; Roberto Signorini, Head of International Affairs - ANIA;

Eleonora Lombardi, Industrial Policy and Technology Transfer Manager -Fondazione E. Amaldi; Eutimio Tiliacos, former Secretary General -Centesimus Annus Foundation. An interesting contribution came from Roberto Vittori, ESA astronaut and presently at the Italian Embassy in Washington DC, who highlighted the importance of the dialogue between space and financial players.



### 3. A record year for Assoreti

Last year was exceptional for members of the association of investment advisory firms with networks of tied agents. Announcing a best-ever monthly net savings inflow of €6.8 billion in December, Assoreti noted that this took the twelve-month total to €57.3 billion, an increase of 32.2 per cent on 2020. Almost €43 billion was directed into mutual funds or into insurance and pensions products, with open foreign funds (€14.1 billion) and unit linked insurance policies (€10.1 billion) the biggest winners. Working through just under 24,000 active financial advisers, at year-end, Assoreti's members were providing investment advisory services to almost 4.8 million clients, an increase of 160,000 on year-end 2020. In a statement on 1 February, Paolo Molesini, Assoreti's chairman, noted that last year had provided a portrait of a healthy industry.

It was also a story of growth that brought value and optimism, and strengthened the trust that Italian savers had placed in financial advisory services. "It was important recognition of the commitment of member firms to the continuous improvement of service quality and of the work done by their financial advisers during a particularly complicated period," said Mr Molesini.



### 4. Insurers continue exploring sustainability

"Sustainability is rapidly becoming a key issue for insurance companies, which - both as investors and as providers of protection - play a central role towards a sustainable transformation of the economy and the achievement of the ambitious sustainable goals set at international, European and national level," said Angelo Doni, co-director-general of ANIA (the insurers' association) on 4 February. He was introducing the first issue of a new series of English-language newsletters entitled *ANIA Exploring Sustainability* which will deal with Level 2 regulation that reflect developments in a fast-moving area. This issue looks at the Climate Delegated Act (CDA) whose provisions came into effect on 1 January this year. ANIA draws attention to how the CDA is a living document that will evolve over time through amendments that reflect technological progress and permit new sectors and activities to be added. The Complementary Climate Delegated Act of 2 February is such an example, notes ANIA.



## 5. Manageable credit risk

The flow of impaired business loans touched a record low at 2.1 per cent last year, but is expected to increase to 3.8 per cent in 2022, a temporary worsening that will be partially reversed to 3.3 per cent next year. These figures were released by ABI (the banking association) and Cerved (a credit rating agency) on 2 February in a note that underlines they are not significantly higher than the 2019 pre-pandemic level of 2.9 per cent and far more reassuring than the 2012 peak of 7.5 per cent. At 1.4 per cent, the lowest rate was in northeast Italy, while the highest was in the south (2.8 per cent). With a default rate of 2.2 per cent, micro-firms were most problematic and large firms the least with 1.1 per cent. “The data shows that although credit risk is expected to grow, it will be manageable and significantly lower than in the past,” said Giovanni Sabatini, ABI's director-general. He underlined, however, the importance of maintaining support during the present phase of acute uncertainty.

Doing so will help the loan re-negotiation needed to make firms' debt sustainable and “assist recapitalisation needed to re-balance firms' finances.”



## 6. Mixed messages from family businesses' finance

Thanks to research which looked at a sample of just over 6,700 small Italian family firms with turnover between €20 million and €50 million, and almost 5,100 medium-large family firms with turnover exceeding €50 million, we now know more about the country's SMEs, a crucial part of its economy. The results of the research were presented at the end of January by Milan's Bocconi university, which has ties to AldAF (the association of family firms). Among the findings is that family firms active in manufacturing, transport and logistics fared better during the pandemic than during the 2009 financial and economic crisis. Moreover, that firms are now more financially solid was confirmed by a level of liquidation and bankruptcy proceedings which, at 1.7 per cent in the two years 2020-2021, was less than one half that experienced in 2009-2010 (about 4 per cent). Examining financial indicators, the study concluded that family firms showed themselves more resilient during the pandemic than non-family businesses, and that they are more strongly capitalised now than after the financial crisis. Regarding governance, there are signs that family firms are opening to outsiders, with fewer headed by family members, albeit more than two-thirds of them still are, and a reduction in boards composed entirely of family members. However, change is slow, 40 per cent of boards are composed entirely of men, and a sharp reduction in the number of chief executives under 40 years old has been accompanied by an increase in the number of managing directors over seventy. Unsurprisingly, family firms and potential changes in ownership are closely watched by private capital operators.”



The research found that 3 per cent of family firms changed ownership between 2011 and 2018, with 80 per cent being acquired by subsidiaries of foreign firms or private equity funds. As to the type of firm whose family ceded ownership, “They are those with the best performance and with the most structured governance.” The stock market provides one way to open up and the 61 family firms that did so in the two years 2020-2021 represented 87 per cent of IPOs on the Milan stock market. The researchers also pointed out that family firms accounted for 71 per cent of companies listed in Italy.

## In Brief

**Consumer credit.** Business for members of Assofin (the association of consumer credit and mortgage lenders), rose sharply in 2021, with the financing of consumer credit 17.2 per cent higher than in 2020. Assofin notes there had been a progressive reduction during last year of the gap with pre-pandemic lending. Moreover, the association's members had reported full recovery of loans on due dates. Mortgage finance for property purchases was 10.8 per cent higher last year than in 2020.

---

*'Spotlight f' is the bimonthly English newsletter of the Italian Banking Insurance and Finance Federation (FeBAF). We use your email address for the sole purposes of our newsletters, and it will not be used for commercial reasons, sold, rented, leased, forwarded to third parties. If you wish to unsubscribe, click below*

Inviato con 

[Unsubscribe](#) | [Disiscriviti](#)