Macro trends in Italy

Innocenzo Cipolletta – AIFI Chairman 8 June 2017
An overview of some national accounts

Evolution of GDP components

- Exports
- GDP
- Private consumptions
- Investments

Source: AIFI analysis on ISTAT data (2010=100), OECD, ISTAT

OECD/ISTAT forecasts

The Italian economy is expected to grow by 1/1.2% in 2017

AIFI
Italian Private Equity, Venture Capital and Private Debt Association
The most important reforms in recent years: finance for growth

2014
- Start-up of Finance for Growth task force
- Decree law on competitiveness, with the first measures to facilitate credit, investment and the public listing of businesses

2015
- "Sblocca Italia" decree law, with provisions for project bonds and publicly traded property investment companies
- Investment Compact decree law, with the introduction of “innovative SMEs” and reform of the banking sector
- Budget Law 2015, with incentives for investment in research

2016
- Budget Law 2016, with new incentives for investment and mergers

2017
- Decree law with further measures for growth and boost of business environment
- Justice for Growth, management of corporate crises and recovery of non-performing loans
- Budget Law 2017, with further incentives for investment

Source: MEF – Ministero dell’Economia e delle Finanze
Positive trend of public finance

In 2015, **deficit** declined to **2.6% of GDP**

The public **debt-to-GDP** is expected to fall as from 2016. As of 2019, the ratio will decline below the 120 per cent threshold

Source: MEF – Ministero dell’Economia e delle Finanze, Ameco - European Commission, Bank of Italy
Growing appeal of Italy in the world economy

Sustainability risk analysis

European Commission’s analysis of the sustainability (difference between the structural budget position and the sustainable budget position) of the economies in the Euro Area

A.T. Kearney FDI Confidence Index – 2017 ranking

Annual survey of global business executives that ranks (0-3) which markets are likely to attract the most investment in the next 3 years

Source: European Commission, A.T. Kearney
A primary world player in manufacturing

Manufacturing trade balance (2015)
Net of energy and minerals – USD Bln

Italy has the fifth manufacturing 
trade surplus amongst G-20 
countries

Amongst European countries, Italy is second to Germany only, while the United Kingdom and France show trade deficits

Italian companies’ external financing is strongly bank-centred (in November 2015): total bank loans to firms amounted to 49.2% of GDP, compared to 26.5% in Germany and 39.8% in France.

Listed shares represent just 22.8% of GDP (less than in Germany and France), whereas debt instruments totalled 8% of GDP (more than in Germany, but significantly less than in France).

Note: Data as of November 2015. Securities other than shares mainly consists of debt securities.
Source: European Central Bank, European Commission
The growth of PE and VC investment activity in Italy

2014-2016
International players invested in Italy 10.6 Euro Bln
(65% of the total amount)

Evolution of amount invested in the Italian market (Euro Mln)

- Domestic players
- International players based in Italy
- International players without office in Italy
- Institutional players

Source: AIFI-PwC
The role of Italy in the portfolio of Pan European players

Evolution of share of Italy in the total number of investments made by Pan European players in Europe (by country of the target company)

<table>
<thead>
<tr>
<th>Year</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>UK</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>41%</td>
<td>27%</td>
<td>11%</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>2011</td>
<td>29%</td>
<td>26%</td>
<td>16%</td>
<td>21%</td>
<td>16%</td>
</tr>
<tr>
<td>2012</td>
<td>30%</td>
<td>29%</td>
<td>15%</td>
<td>28%</td>
<td>25%</td>
</tr>
<tr>
<td>2013</td>
<td>30%</td>
<td>30%</td>
<td>28%</td>
<td>21%</td>
<td>23%</td>
</tr>
<tr>
<td>2014</td>
<td>15%</td>
<td>16%</td>
<td>35%</td>
<td>31%</td>
<td>25%</td>
</tr>
<tr>
<td>2015</td>
<td>19%</td>
<td>18%</td>
<td>23%</td>
<td>28%</td>
<td>14%</td>
</tr>
<tr>
<td>2016</td>
<td>35%</td>
<td>19%</td>
<td>21%</td>
<td>9%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: AIFI analysis, using public sources, of 56 Pan European players with funds dedicated to Europe that made at least one investment in Italy in the last 7 years (more than 700 deals). % refers to the first 5 Countries.
Positive trends also for the new private debt market

Evolution of investment activity

**Amount invested (Euro Mln)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic players</th>
<th>International players</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>96</td>
<td>32</td>
</tr>
<tr>
<td>2015</td>
<td>177</td>
<td>201</td>
</tr>
<tr>
<td>2016</td>
<td>234</td>
<td>378</td>
</tr>
</tbody>
</table>

**Number of investments**

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic players</th>
<th>International players</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>2015</td>
<td>40</td>
<td>43</td>
</tr>
<tr>
<td>2016</td>
<td>47</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: AIFI
Sectoral distribution of PE, VC and private debt investments (2016)

Target companies operate in different sectors

Analysys based on the number of companies financed

Note: «Other» includes: chemicals and materials, transportation, financial and insurance activities, real estate and agriculture.
Source: AIFI-PwC for PE and VC, AIFI for private debt
In order to create a bridge between Italy and London, AIFI has opened a corner here in London.

Institutional website for startups aimed at connecting them with venture capital investors and the ecosystem.

www.ventureup.it
The Italian Government has set out important reforms that will foster the public finance sustainability and improve the business environment.

The Italian economy is composed by a great number of innovative and export-oriented small and medium sized companies.

Italian companies need to grow in order to be able to face the international competition.

Many companies suffer from financial constraints and are heavily dependent on bank financing.

Private equity, venture capital and private debt can be an important support for the Italian companies, providing resources and know-how to foster their growth.
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Brexit: The Investors View