

Testimonial



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## Why To Invest in Italy

*The price of successful companies could be lower than those of their competitors in the fast growing economies and investments are backed by the experience of well-respected local funds. Besides, when the export champions take off...*

By Fabio Sattin

Why Italy? International investors are increasingly asking themselves this question. Why invest in Italy right now, when the numbers – unfortunately – are not in our favor? Why should a private equity fund invest in the capital of Italian companies when there are numerous interesting opportunities around the world, especially in emerging countries?

One reason to invest in Italian companies is that the problematic situation in the country may well mean that prices in general are rather appealing. Chinese and Brazilian companies, as opposed to Italian ones, might have much more interesting prospects on their domestic markets, but how much do they cost? And why would they sell right now, when there is extremely rapid growth on the domestic market? One of Italy's advantages is that it is one of the most consolidated and structured markets in the world. Investing here involves much less uncertainty than investing directly in funds or companies from China and Russia, or indeed Vietnam or Indonesia. Investments of that kind can be much more complex in terms of due diligence. It is not that easy to find reliable companies and operators that can comply with the demand for fair trading and transparent information that is in keeping with the increasingly strict standards to which corporate investors are accustomed.

There is another solid reason to invest in Italian companies with certain characteristics: the prospect of very attractive returns. The focus should be on companies – including small and medium enterprises – that have developed (or intend to develop) a strategy for growth and, most importantly, genuine internationalization, especially on the emerging markets. These firms are known as “export champions”. For the price of a European company, you get the development opportunities associated with emerging countries, which these businesses see as their future. The Italian industrial scene has a wealth of output that is particularly well suited to taking advantage of this opportunity, more so than other European countries. Examples include textiles, fashion, food, mechanics, plant engineering and everything to do with lifestyle and tourism. What is more, the majority of the business owners are reputable and compe-

tent, although they often cling to the dangerous and anachronistic thought that “small is beautiful” and are generally more interested in exports than internationalization.

Nonetheless, here too things are changing and their corporate DNA remains indisputably of good quality. If the children are not capable of giving the family company a boost by starting to take bold, determined risks once again – e.g. choosing a briefcase over a Porsche – then they can always turn to a manager: opening up the capital to outside investors is no longer considered such a strange and dangerous thing.

It is also important to consider the possibility of listing on foreign markets – even distant ones – where the company is successful and well known (and the ratings can be very interesting). The capital can be opened up to financial investors with experience in these things, who will be able to offer a helping hand. The oldest and most experienced Italian private equity organizations are now well known and respected worldwide (having always dealt in a large amount of foreign capital) and they have shown that they are earnest, reliable, professional and capable of doing a good job. In this respect, the Italian regulations – in particular those regarding savings management companies – work in the country's favor, as the standards for quality, control levels and transparency are often higher than those in other countries – even more advanced ones.

In conclusion, investing in Italian companies and private equity funds makes a lot of sense for Italian and international investors, perhaps even more so than in the past, as long as two conditions are met: 1. Growth (including through mergers) and internationalization must be at the heart of the companies' strategies, and this must be reflected not only in words but also in facts and concrete actions; 2. The local private equity funds (the only ones that are actually interested in investing in the minority holdings of SMEs) must have suitable organization systems and structures – above all internationally – to actively and effectively support the companies in their development and internationalization process.

**The prospect of very attractive returns should be a solid reason of appeal**