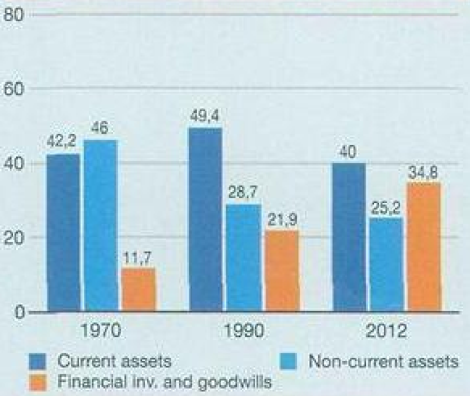
CORPORATE ANALYSIS

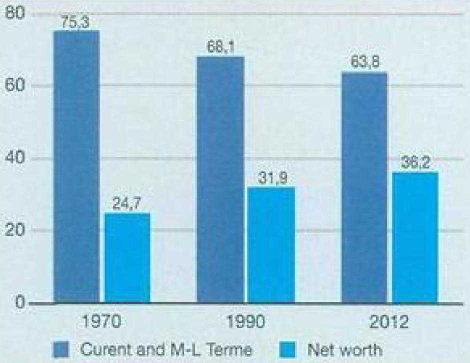
Question: who will fund the next growth?

In the last 40 years, there has been a huge fall in the ability of commercial banks to finance development in the Italian industrial system and the trend is continuing. This is the conclusion of an in-depth study by the Fondo Italiano d'Investimento research team, which examined the financial statements collected by Mediobanca of a sample group of 1,000 Italian medium-large companies (2,000 for the year 2012). As shown by the graphs on this page, in 1970 net assets stood at more than double the intangible assets (i.e. financial investments and goodwill), but this ratio had more than halved by 2012. Basically, the proportion of total assets represented by the big driving forces behind the growth of companies today (acquisitions, brands, patents and distribution networks) has more than tripled in the financial statements taken from the sample group, while the growth in tangible assets has been labored. "In future phases of reasonably quick development due to rapid technological advances and the need to venture into new markets, the ratio between net worth and and intangible assets, now at its low record (see graph on left, ed.no.) will tend to drop even further," predicted Gabriele Cappellini, the CEO of FII. Furthermore, this is happening at a time when increasingly capital is required due to the volatile, unsteady market and the need to operate on a global scale. And the banks are more and more reluctant to finance companies because they do not accept intangible assets to cover credit risk. Therefore, companies in every field will will have to look for alternative, substantial forms of capital for funding their growth.

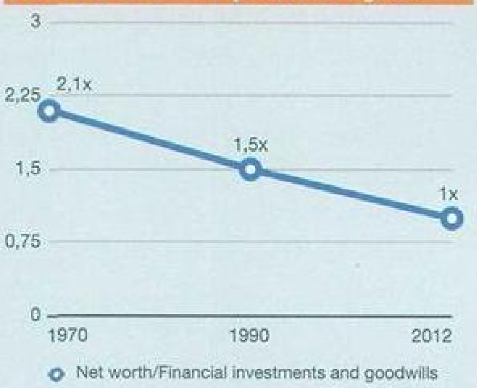
Total assets for Itralian enterprises...



... and the liabilities



A record low for capital/intangibles



Source: FII elaboration on Mediobanca R&S data