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## La Verità

By Maurizio Belpietro

### Buy NPLs and fly high in the stock market. But sell, and you crash

On the first day of listing new entrant DoBank makes quite a splash: +13.8%. While banks are losing value as a result of their non-performing loans (NPLs), all the companies buying and re-selling bad loans are clocking up profits on the market. Ifis, Cerved and Prelios are leading the way

by Gianluca Baldini

Many observers define impaired loans as trash weighing down the banks. A problem, however, that with each day that passes could be a business opportunity for others. The most striking case is DoBank, a company specialising in managing and recovering NPLs on behalf of banks and other businesses. Created through the merger of Italfondiaria (formerly Intesa) and UniCredit Credit Management Bank, DoBank began trading on the stock exchange yesterday. Its stock closed its first buoyant day at Milan's Piazza Affari with a 13.89% increase to €10.25, from a starting point of €9.

There were plenty of signposts pointing the way to that result. Two days ago the group revealed that during the IPO, applications for 132,494,626 shares, from 110 applicants, were received. In short, applications amounted to 4.65 times the number of shares available for the institutional offering. **Francesco Colasanti**, head of the Fortress private equity fund, the company's majority shareholder, has commented that "we think the company has a lot of growth potential. We don't intend to exit in the short/medium term". **Angelo Meda**, head of equities at Banor SIM, takes the same view. "This operation was reserved for institutional investors, involving a well-known company (Italy's NPLs have been covered in some depth for several years) at an interesting evaluation. At a time when there's a lack of clear investment opportunities, these windows, once opened, close again rapidly", observes Meda. To date, and with just one day of trading under its belt, it's too soon to say whether DoBank will do well in the stock market. "An NPL player arrives and the market has strong expectations", comments an operator who prefers to remain anonymous. "In addition, there was considerable demand for the shares at the IPO stage and the price was set towards the mid-point of

the spread. As for results, the company still needs to prove itself. People are buying on the back of expectations”, says the operator. But while it’s early days to draw conclusions about DoBank, you need only look at the performance of another bank that’s made its fortune with NPLs, Banca Ifis, to understand that NPLs are good business for the companies handling them.

In the last six months the company, led by **Giovanni Bossi**, has seen its shares rise from €26.4 at 2 January [2017] to €36.85 yesterday [14 July] (+38.38%). The same goes for Prelios: in 2017 its shares rose from €0.1001 to €0.1133, an increase of 10.86%. And things are no different for Cerved Information Solutions, whose shares have climbed from €8.3 to €9.89 over six months. An increase, in this case, of 23.92%.

It’s no secret, after all, that (unfortunately) Italian banks have a large number of impaired loans impacting their balance sheets – a much larger number than the European average. And this creates a market of operators ready to trade them. According to a PWC study entitled “The Italian NPL market. The Place To Be”, published in early July, by the end of 2017 the volume of NPLs in Italy is expected to fall back to its 2012 level, from the €324 billion of 2016 to about €240 billion (the figure for 2012 was €237 billion). Once this level has been reached, the Italian banking system is expected in future to dispose of a further €120 billion worth of NPLs to attain the levels required by the EU. This means, in effect, moving from an NPL ratio of 18% (as at present) to the required average of 7%. “Servicers will continue to play a key role and will make a decisive contribution in terms of the urgent need to fine-tune and normalise the Italian NPL situation”, underscores **Fedele Pascuzzi**, head of Business Recovery Services at PWC. All merit of the institutions that are imposing increasingly strict rules for the disposal of NPLs. So, from being a problem, impaired loans have now become a major business opportunity.