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But the market is still too limited

ACCORDING TO INSIDERS, IT'S JUST A QUESTION OF TIME. THESE INSTRUMENTS MAY WELL BE SUCCESSFUL, BUT THEY HAVEN'T BEEN ASSIMILATED BY COMPANIES CONSIDERING A STOCK MARKET LISTING

Milan

There's still a piece to be added to the picture before we can say that PIRs (individual savings plans) have been a complete success. PIRs are fiscal "containers" that envisage tax deductions for revenue generated through investment and are mainly intended for Italian small and medium-sized enterprises (SMEs). The instrument, which was introduced through the 2017 Stability Law, received a welcome from the market that surpassed even the most optimistic expectations. Funding reached €5 billion in the first five months, with the prospect of reaching €10 billion - the target initially set for 2021 - by the end of the year. So the financial industry, which in August marked a new historic record for assets under management (€2,032 billion), is smiling, and individual investors are expressing interest. Small and mid-cap companies, which have seen new liquidity flows, are also celebrating. Indeed AIM Italia (the Borsa Italiana market for Italian SMEs) has grown by 23% since the start of the year, at a more rapid pace than the FTSE MIB, where growth was just 16%. But considering that the rationale for the new legislation is primarily to attract Italians' savings to SMEs penalised by the credit crunch, one critical point still remains. Since the start of the year 27 companies have taken advantage of the new law to make their stock market debut. More than the 20 registered in all of 2016, certainly, but still a small number.

In the opinion of Luca Tenani, country head Italy-Asset Management at Schroder, it's simply a matter of timing. "Just as it took some months for PIR funding to take off, even companies that are indeed thinking of becoming listed need time to get organised and take care of all the issues that an operation of this type requires".

A view shared by Angelo Meda, head of equity at Banor SIM, who points out that an IPO is a long process, what with financial statements to be drawn up under international accounting rules, the selection of banks to support the initial listing, the production of prospectuses and meetings with analysts.

Franco Gaudenti, CEO at EnVent Capital Markets, expects to see listings pick up in pace, especially on the AIM. "Companies that have chosen a small cap listing are achieving positive results, with a compound annual growth rate (CAGR) of about 10%. This will lead to further inflows".

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BANOR SIM

"In these initial months the main thing to emerge has been the vitality of the special purpose acquisition companies (SPACs). There's just a short time to gather capital, which they then use once they've identified the target company for a merger", says Vincenzo Polidoro, CEO at First Capital. Polidoro expects to see the pace of IPOs pick up in the coming months, although he points out a critical issue: "Most PIR-compliant mutual funds are designed for companies raising capital of no less than €500 million, to ensure a certain degree of liquidity. There's still a lack of closed-end funds, as exist in some other countries, specialising in smaller companies".

Massimo Gionso, managing director of CFO SIM, feels that the role of company advisers is decisive. "We need to ensure that family-run businesses understand the possible benefits of listing. And, if they express an interest, support them in overhauling their organisational processes and risk management systems". A review process that few are willing to accept. (L.d.o.)

