

## Companies

by Pier Paolo Albricci and Piero Piccioli

# Mid-sized Market: the **Export** Champions

By boosting their **international** platform, innovation and product **quality**, a group of entrepreneurs are driving their companies out of the crisis, improving **revenues** and **margins**. The **stock exchange** and **private equity** can help them take a leap **forward** in business size and become...

**I**f I want to get an idea of the state of the international markets, I ask for the latest sales figures of the fork-lift truck maker Bolzoni. The first sign of a crisis or a recovery is the amount of goods being handled in warehouses, which is a process that always involves fork-lifts," explained **Giovanni Tamburi**, who is one of Italy's most dynamic investment bankers. He is the CEO and founder of TIP, a holding company that invests in stakes in firms and helps them to grow, like a private equity fund. Bolzoni

is listed in the STAR section of the Italian stock exchange and it is a leading international player in its field, with manufacturing operations in China, the United States and Europe. Although there was a 5% drop in the global fork-lift truck market in the first six months of this year, which reflected the slowdown in international growth, Bolzoni saw its turnover increase by 4%. It is part of the vanguard of a little army of small and medium-sized Italian manufacturers and exporters that operate all over the globe and it has shown that it can be relied upon to provide a snapshot of the current situation: Italian exports are up, the country's businesses are reclaiming market share from their foreign competitors and there have been efforts to expand internationally from a large number of industrial players in many areas, not just those associated with the fashion and luxury sector. Lombard has decided to give a non-exhaustive portrayal of this situation by picking out 40 best buys. The companies in question

are small and medium-sized firms that are not well known outside the limited sphere of their stakeholders and they tend to share certain characteristics, such as an increase in turnover in the last three years, which means that they have substantial, growing margins despite the shrinkage of the Italian market, thanks largely to the fact that over 50% of their turnover comes from output that is exported or made abroad, with some of them reaching peaks of 90% in this respect. They also have management philosophies that revolve around investments in product innovation. Furthermore, there are clear similarities between their capital structures. Although there are a small number of listed companies, most of them are strictly family-run. At the very most, outside managers may have joined the founders or their heirs, but the move to specialist manager-based operations has

Eugenio Morpurgo is the founder and CEO of Fineurop Soditic, the boutique specialized in M&A for mid-sized companies



## ▶ INVEST IN ITALY

## The international champions

Company	Industry	Revenues			Ebitda			Exports/rev (%)
		2011	2010	ch%	2011	2010	ch%	2011
Alerion Cleanpower	energy	58.4	43.7	34.0	36.3	25.7	62.0	na
Alfa Wassermann	pharmaceutics	335.0	313.0	7.0	na	60.9	na	54.0
Angelantoni	energy	145.0	110.0	31.8	10.5	na	na	75.0
Arioli*	machines for fabrics	44.8	9.5	371.6	na	na	na	na
Atos	electrohydraulics	93.4	89.2	4.7	26.1	23.1	13.0	na
Biancamano	waste management	271.5	254.0	6.9	31.6	27.0	12.0	na
Bolzoni	mechanical	115.8	93.5	23.9	9.1	7.0	30.0	>50
Caleffi	mechanical	254.0	257.1	-1.2	na	57.0	na	49.0
CEME	valves	154.2	111.3	38.5	19.6	20.6	-4.9	na
De Nora	electrochemical	420.0	152.5	175.4	na	40.5	na	90.0
Eco Eridania	waste management	24.0	na	na	na	na	na	na
ErgyCapital	energy	18.1	na	6.0	6.7	0.8	37.0	na
Falck Renewables	energy	248.6	184.6	35.0	141.7	94.6	57.0	36.0
Farmol	aerosol	45.1	na	na	na	na	na	na
Ghella	construction	646.4	621.5	4.0	90.2	87.9	2.6	84.0
GMM	x-ray machines	68.3	na	na	na	na	na	na
Gruppo Camozzi	industrial automation	331.0	280.0	18.2	na	45.0	na	55.0
Gruppo Merlo	handling systems	400.0	296.4	35.0	na	53.7	na	80.7
Gruppo Montenegro	food	na	219.3	na	na	47.8	na	na
Kerakoll	building materials	340.0	309.0	10.0	na	70.8	na	26.0
Labomar	pharmaceutics	17.0	na	na	na	na	na	na
Liu Jo	fashion	260.0	233.9	11.2	na	50.3	na	19.0
Marposs	automation	300.0	na	na	na	na	na	84.0
Metelli	mechanical	109.3	109.8	-0.5	19.8	19.9	-0.5	74.0
Nice	home automation	229.2	na	na	48.5	0.0	na	80.6
Noemalife	medical software	48.5	na	na	9.1	0.0	na	38.0
Pedrollo	electropump	200.0	134.0	49.3	na	28.6	na	85.0
Petrovalves	valves	na	225.1	na	na	79.8	na	88.0
Peuterey Group	fashion	100.2	95.8	4.6	20.8	23.2	-10.3	na
PMP Industries	mechanical	na	77.6	na	na	13.5	na	na
Poltroneseofa	furnitures	126.1	126.3	-0.2	12.4	24.9	-50.2	na
Pregel	food	90.0	61.1	47.3	23.4	17.2	36.0	73.0
Rigoni di Asiago	foods	62.7	na	na	na	na	na	na
Special Flanges	mechanical components	49.4	41.8	18.2	11.3	9.3	21.5	57.0
Telemar	telecommunications	116.2	na	na	10.0	na	na	62.0
Toywatch	whatch	na	26.8	na	na	9.3	na	79.0
Wam Group	material handling	250.0	211.1	18.4	32.3	49.2	-34.3	81.0
Valvitalia	valves	350.0	293.4	19.3	na	39.6	na	na
Zapi Group	industrial automation	na	68.7	na	na	28.7	na	86.1
Zeis	shoes	142.0	na	24.0	na	na	na	na

Source: company reports, Tamburi investment partners, Fineurop Soditic and Fondo Italiano d'Investimenti - \*revenues cumulated with Brazzoli





not yet occurred. In the following pages, Lombard has gathered together the views of the owners and managers of some of these best buys.

Direct interaction with the businesses made it plain to see one of the weaker sides of a system that enjoys good results despite the poor state of the Italian market, but struggles to reach the ideal size to do well on a global scale. "The underlying problem is that the vast majority of these companies do not have sufficient financial resources to make a genuine step up in size. It is something that they can normally only achieve by buying a foreign or Italian competitor of a similar size or perhaps even bigger," said **Eugenio Morpurgo**, the CEO of Fineurop Soditic, an advisor to the mid-sized market and international private equity funds with more than ten years of experience, during which time it has played a part in over 100 cross-border deals. Tamburi and Morpurgo both agree that the main way for these companies to grow both financially and otherwise is by listing on the stock exchange. It is an essential step for the export champions if they are to establish themselves in the wake of the most famous names on this front, such as Luxottica, Brembo, Prada, Prysmian, Tod's and Danieli, which all chose to list some time ago in moves which proved successful for both their management teams and their long-term investors.

Another element that can support growth and a step up in size is private equity, in the typically Italian form of expansion capital. In schemes of this kind, long-term investors hope that the

Giovanni Tamburi, CEO and founder of TIP, a holding company which invests in stakes in firms and helps them to grow, like a private equity fund

company's economic and management structure can be boosted – largely through development of operations in other countries – and investments producing interesting capital gains, achieving a win-win outcome for all.

It is more of a long-term approach than a listing and it may be less risky, but there are still not many players in this field and most of them got their fingers burned during the crisis. One exception is the Fondo italiano d'investimento (FII), which is pouring hundreds of millions in

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equity into companies that possess the immediate ability to become group hubs. They include businesses such as Artioli (textiles machinery), Angelantoni (energy) and Zeiss (shoes), and the medium-term goal is for them to become export champions. The Italian Ministry of the Economy is behind the FII scheme, which is funded by three of the biggest banks in the country. Al-



though it is capable of playing a significant role, the internationalization of medium-sized companies cannot hinge on it. "To get things really moving, strong industrial policies are necessary. For example, the tax rates for those who make strategic investments must be reduced for several years, or every possible incentive for companies to list must be introduced," said Morpurgo, who also claimed that it is essential to create public lines of credit for people buying Italian industrial assets across the globe. This could be done using the framework of the Ossola law, which worked very well in the past. However, Tamburi does not "place much trust in the policy of public incentives." Instead, he was keen to focus on the entrepreneurial drive of individuals as a strategic means of beating the crisis and coming out on top in global challenges. "For example, there is a manufacturer in the chemical industry with a turnover of €300 mn that built an ultra-modern plant and attracted the attention of Procter & Gamble, which wants the plant to make a range of cleaning products for it," said the CEO of TIP.

There is one key issue on which Tamburi and Morpurgo both agree: it is necessary for the capital of growing mid-sized companies to be boosted either by the controlling shareholders or by industrial or financial investors. This is fundamental if they are to make the big step up in their management and financial structures. "Attracting the best managers and expanding the facilities abroad are essential factors in the increase in size," said Morpurgo. In addition, internationalizing also means gaining access to a wider range of bank loans at better conditions, not to mention the resources of the big financial markets. **L**