GULF INVESTORS IN ITALY SHIFT STRATEGY, NOW LOOK FOR MID-SIZED COMPANIES

In recent years, it has been mainly financial firepower that has drawn Italy's attention toward the sovereign funds of the Gulf. For example, Qatar's $335 billion, or the $1 trillion of the United Arab Emirates, which alone in the next 12 months have a budget of $85 billion of investments, between the Expo 2020 in Dubai and projects in Abu Dhabi. But they have often caused disappointment, both when the deals went through -- like in the case of Etihad and Alitalia -- as well as when they collapsed before getting started, such as in the case of the feelers sent out towards Italian bank Monte dei Paschi di Siena. It was asking too much, maybe, for an industrial system that is structurally reluctant to carry out mergers and that continues to express the best of itself in medium sized companies. With one train missed, it seems like another is appearing at the station. If the structure of "Made in Italy" in these years has remained the same (maybe with a few less pieces), what is changing now is the interest of investors in Gulf. From the first big diversification from petrol and extraction activities in general, they have added another one: related to the size of the investments. There are no longer only jumbo-deals involving big listed companies. "From 2010 onward, the funds have progressively reduced their exposure to the banking sector, in favor of manufacturing, services and above all real estate. But the most important fact is the reduction in the average size of deals, another face of the umpteenth diversification strategy," said Bernardo Bortolotti, director of the Sovereign Investment Lab of Bocconi University. In 2009, according to figures gathered in the lab, the average size of deals signed in Europe by funds from the Middle East-North Africa area amounted to $1.4 billion. From then on, even whilst facing a fluctuating trend in terms of overall volumes, the size has gradually declined, down to $484 million in 2015, the most recent year that data is available for. This trend emerges in general among the dossiers opened by the sovereign funds, but particularly in those related to Europe, and therefore Italy, which in the future can hope to benefit more than in the past: "Medium-sized Italian targets, completely outside the radar of funds just a few years ago, could finally become appealing, and trigger a new cycle of foreign investments in equity of which our economy – still in the grip of the crisis – has a desperate need," said Bortolotti. The banks, which take the temperature of the moods and aspirations of businesses and investors, confirm this trend. Yesterday Intesa Sanpaolo inaugurated a branch in Abu Dhabi, which along with the other new office in Doha will report to the hub in Dubai, that employs a team of 70 people. Italian bank UBI Banca opened an office in Dubai just a year ago, while Unicredit is preparing to do the same. These are certainly not coincidental moves, seeing as the costs, also in terms of time and compliance, are very high. "The attention of these markets is especially high for precision machinery, renewable energy, luxury and design," said Mauro Micillo, head of the corporate and investment banking division of Intesa Sanpaolo. The bank's Abu Dhabi branch, the only one in Italy for now to have received authorization on the part of the central bank of the United Arab Emirates to operate in the local currency, aims to become the "gate keeper" for Italian companies in the Gulf, but also in the opposite direction, that is to attract local investors' attention toward Italy. Equity obviously remains the easiest target, but recently interest has also emerged for debt – bonds, hybrid instruments, private placements – or for the development of joint projects, for example joint ventures. **© ITALY EUROPE 24 - ALL RIGHTS RESERVED**

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