

NEW FINANCIAL PRODUCTS FOR THE ITALIAN SME MARKET

In the last few years, the ongoing Italian recession has had a significant impact on the Mid Corporate Market.

Based on the latest Cerved data (i.e. an official Italian repository for Companies Balance Sheets) published in a report by the Bank of Italy, only 50% of companies have recovered their pre-crisis turnover. Moreover, companies have experienced a significant reduction of margins and profit, impacted by higher cost of credit (financial charge at 23% of EBITDA, +3% vs. previous year) and less fixed costs reductions.

In this difficult economic scenario, there has also been a significant drop in investments. The request for financing has increased, mainly for short term products, driven by the increase in duration of commercial credit collection (avg. at 104 days, +10% vs. previous year).

Given this challenging context, “Monti’s Technical Government” drafted several proceedings (collected in the “Decreto Sviluppo” document) to support the Italian economy. Among these, with particular reference to Article 32, are the new financial instruments designed to support the Italian SME market (Companies with turnover <50€m).

These instruments, called “cambiali finanziarie” (finance bills) and “mini bond” can be issued by SME that are not listed if assisted by a financial sponsor (e.g. Banks, Investment Banks or Funds). These new



financing products (or rather the evolution of the existing ones adapted for SMEs) can be issued by companies to raise short and mid-term financing (from 1 up to 36 months), creating new opportunities for both companies and Banks.

This can be considered an important innovation if compared to the traditional SME financing approach, where the issuance of bonds was only possible for companies rated by an official Credit Agent. The effect of this old rule was to exclude SMEs from this market by definition.

With the introduction of the sponsor role, the “Decreto Sviluppo”, opens the door for SMEs to a new and alternative form of financing.

In this new scenario, banks can capitalize on new business opportunities and are set to play a centric role, firstly as a sponsor for specific SMEs and secondly as an investor in the Italian industrial sector.

As a matter of fact, with this new regulation, banks will be obliged to keep within their portfolio part of the securities which will be issued and distributed primarily to other financial institutions.

Be believes that there is a considerable business opportunity for us in providing a broader support to banks as they approach this new market.

For example, in the Commercial area, Be can provide market analysis and sizing, revenue pool estimation as well as identify the risk of cannibalization for their existing product portfolio.

In the Product and Operations areas, Be can support product and process design. On the latter, we are already in discussions with the Italian arm of one of the largest European banking groups, to define the scope of our assistance to the launch of cambiali finanziarie and mini bonds, through an “end-to-end” support (e.g. compliance, legal, booking, accounting).

Be believes that helping Banks to provide these two new forms of financing is set to be a very important area of development for our Company, which also includes an element of “social responsibility” as it represents a concrete support to Italian Economy.