by Pier Paolo Albricci

Mid-market consolidation and the internationalization are the levers to pull to speed up market recovery. But the spread between bid and ask prices is still having difficulties closing. Nevertheless someone success

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M&A still in wait-and-see, turnarounds move the scene

In a market still recovering from 2009, there are some signs of life here and there in the M&A area. The sharpest operators are adopting two strategies: corporate consolidation at the mid-market level and a drive towards internationalization. The latter trend was well highlighted by some industry leaders, including **Antonio Marcegaglia**, CEO of the Marcegaglia steel group (2009 revenues: € 4.2 bn), and **Giuseppe Miroglio**, CEO of the Miroglio textile group (2009 revenues: € 930 mn), at a convention organized by Fineurop Soditic, the Milan-based M&A consultancy. "There is a significant backlog of open deals for foreign acquisitions," commented **Eugenio Morpurgo**, CEO of Fineurop, "and it is much harder to close agreements at present".

According to market analysts, the recovery will be more evident in the second half of 2010 when sellers' and buyers' expectations will be stabilized and when visibility on 2010 results will be higher. Easier to close are turnaround deals generated by private equity funds, as in the ongoing acquisition of the French operation Acument on the part of the Agrati group, a family mechanical engineering company with revenues of € 200 mn and a bottom line in black.

With two plants in France and Germany, Acument is the leading supplier of the French motor industry (PSA and Renault in particular). It is owned by Platinum, the US PE fund that was slow to react when Acument ran into trouble due to the crisis in the motor sector. When the company started to accumulate losses, Platinum put it up for sale. Agrati, with the help of Mitfin, which in turn brought French partner Edmond de Rothschild on board, managed to beat off the main French challengers, closing the deal with a pledge to take on the operation's debt, invest € 35 mn and integrate management with Italy, where Agrati boasts significant technical know-how. Significantly, the deal also involved FMA, the fund set up by the French government to offer support to strategic companies in difficulty. FMA will retain a 49% holding in the new company controlled by Agrati, which does however have a put option for buying out the agency holding for complete control.

A typical buy & build was the acquisition, at the beginning of March, of Polichimica (€ 30 mn in turnover) by Euticals, specialized in the manufacturing of active pharmaceutical ingredients (€ 55 mn in turnover in 2009). MitFin, the Milanese advisory boutique, managed by **Paolo Cusmano**, acted as advisor of the Poli family who owns the company. Euticals, controlled by Mandarin Capital Partners, financed the acquisition with a m-l term loan of € 60 mn arranged by Intesa Sanpaolo with a spread of 3.5% over the Libor. The new chemical group, managed by the CEO **Maurizio Silvestri**, has good prospects of increasing exports towards China, where Mandarin Fund is well introduced thanks to its local management and the links with China Eximbank and China Development bank, two of the PE fund promoters.

"We would like to be considered a family office devoted to extraordinary finance for entrepreneurs, who, from their side, partecipate in the capital of our venture"

The Ethica CF team: (from left standing) Gabriele Coccini, Stefano Pastore, Cosimo Vitola, Fausto Rinallo, Giorgio Carere and (seated) Claudia Papasergio Piero Manaresi and Enrico Faccioli

AND NOW WE TRY WITH ETHICA

Just before joining forces in the new Ethica Corporate Finance, active since January in Milan, the team put together by Cosimo Vitola (former CEO of Arner Corporate Finance in Italy) and Piero Manaresi (former CEO of Aurea CF) had already carried out two acquisitions. In December, Vitola acted as advisor to Alessandro Del Bono, CEO of Mediolanum pharmaceuticals, (approx. € 200 mn in revenues and EBITDA of 20%) in the acquisition of two companies of the Merck group with an enterprise value of about € 55 mn. The second operation involved the Berloni group, which specializes in housing and office furnitures (€ 67 mn in revenues and € 23 mn in EBITDA), a rapidly expanding family operation led by owner Antonio Berloni. Ethica CF defines itself as a family office for extraordinary entrepreneur financing that specializes in M&A, debt advisory services and IPOs. According to Vitola, the company has 12 deals lined up and it aims to close half of them within the year. In this it will rely on some of its inherent strengths. First and foremost there is the fact that Ethica includes among its partners and managers about a dozen entrepreneurs including Del Bono and Berloni (whose companies might gain an inside track with Ethica where extraordinary financing is concerned). Second, they can count on the international network made available by Mergers Alliance, which Ethica represents in Italy, established for some time now in the major markets worldwide, particularly in the BRIC countries (its Chinese operation for example managed to sell the Chinese company Ravin Cables to the Prysmian Group in 2009). Third, Vitola and Manaresi are focusing in particular on national connections, opening regional offices starting with Northern Italy - Piedmont, Veneto, Lombardy and Emilia Romagna. Finally, thanks to an agreement currently under negotiation in the wealth management area, Vitola also wants to gain a profile in investment strategies for entrepreneurs, covering both company interests and family wealth.