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INTERVIEW WITH PAOLO CERETTI - LEVERAGE FOR SMES

INVESTMENTS - Immediate liquidity and support, but above all close public-private collaboration. This is how Ceretti of DeA Capital plans to relaunch the many solid Italian companies that are currently in difficulty.

by **Teresa Campo**

Strong and immediate commitment from the entire investment world, close public-private collaboration, and the launch of large infrastructures, including digital ones. This is the challenge that Paolo Ceretti, CEO of DeA Capital (over EUR 22 billion in investments under management including funds of funds, real estate funds, private equity and CCR [Corporate Credit Recovery]), proposes to institutional investors and the government to exit the crisis, one that will work even better if combined with the simplification and de-bureaucratisation of the system. He himself is ready to immediately take the challenge on. Here's how.

Question. With the re-opening of the borders, we are making great strides towards pre-Covid normality. How do you perceive this phase for investments and businesses?

Answer. It is an abnormal period, with high stock prices despite the fact that we are still in full crisis mode. However, there are several positive factors compared to, for example, the sovereign debt crisis in 2012: the current crisis was caused by outside factors and this time Europe's response is organic and massive. Hence, once this Covid problem is overcome, all this liquidity will allow us to start over quickly. And among the many sectors and asset classes, there will be many opportunities at very attractive prices.

Q. The economy, however, is in great difficulty...

A. The situation will clear up in the autumn when we will be able to determine where companies, the State and services actually stand. At that point, we will certainly find ourselves with a much more indebted system. The important thing, however, is whether or not it will be able to support growth. Italy, after all, was already heavily indebted, both at a country level as well as a company level, and with a lower growth rate than the rest of Europe. This is the crux of it: our growth rates were inadequate pre-Covid, and if we are not able to make a step-change, they will be even more inadequate post-Covid. At that point we would face serious problems. By their very nature, financial markets are not forgiving: if post-Covid growth expectations do not support the increased indebtedness, this will create stressful situations.

Q. How can this be avoided?

A. It is important to act quickly. The speed with which the system will be able to accelerate growth is crucial: we must break with the past, taking extraordinary measures that are able to dramatically change our prospects. Moving on from there, we need a close alliance between public and private capital.

Q. With what approach?

A. The allocation of public funds to support the collection of private funds. In other words, the guarantee that public money is invested efficiently will depend on whether it can serve as a flywheel to raise private money. In any case, the problem is not only about providing liquidity and credit: growing the industrial fabric requires strategic projects, for example supply chain projects, combined with professionalism, experience and investment discipline. But there are plenty of opportunities because Italy's industrial fabric is sound, especially with regard to SMEs. It ranges from mechanics, including precision mechanics, to fashion, design, furniture, food, all sectors that must be supported while awaiting a recovery that will surely come. These are companies that are very export-oriented and for this reason they need liquidity and support now.

Q. What firepower could public and private entities together bring to bear?

A. It is difficult to come up with an overall figure. However, to give an example, based on our turnaround funds experience, EUR 100 million of new finance could be secured by public funds, against a EUR 1 billion debt exposure to banks and that would be enough interventions involving 20-30 companies, thereby indirectly protecting 10-15 thousand jobs.

Q. Who would carry out this undertaking?

A. In Italy, we have many qualified operators in the private equity and turnaround areas, including ourselves. The system could rely on these operators to efficiently allocate the available resources, for example public funds or funds from public sources, that could feed into new funds managed by regulated private entities.

Q. Real estate is also amongst the sectors in which you invest. How much will the crisis affect it?

A. In Italy, real estate usually reacts more slowly, with transactions slowing down faster than prices dropping. However, Milan will remain the most attractive centre because, although hard hit by Covid, it maintains sound fundamentals.

Q. You recently approved a new buyback plan. Do you intend to proceed?

It is a tool that we always use. At this stage, however, the Dea Capital stock has coped very well, and therefore there are no reasons to intervene. Moreover, there are certainly plenty of great opportunities on which to allocate our available liquidity.

*** DEA CAPITAL INVESTMENT PLATFORM
Real estate
51 funds 750 assets 1,400 tenants
Credit
4 funds 30 companies over EUR 30 billion to book value

Private equity
10 funds 900 companies
Multi asset - multi manager
11 internal pools 26 fund sub-funds UCITS and AIFs 30 dedicated managers

Over EUR 22 billion of AUM

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