

Italian medium-sized enterprises, 2002-11

Gabriele Barbaresco, Mediobanca Research Area



MEDIOBANCA

Rome, 7 November 2013

Contents

1. Developments in MSEs' universe
2. Manufacturing presence outside Italy: where and how
3. Locations, trades and performances
4. MSEs vs large companies: when a featherweight takes on a heavyweight
5. MSEs and tax issues

Developments in MSEs' universe

Section 1



UNIONCAMERE

CAMERE DI COMMERCIO D'ITALIA



MEDIOBANCA

Demographic trends in the 2002-11 ten-year period

Developments in MSEs' universe

Section 1

Cumulative flows, 2003-11 and % of stock at end-2002

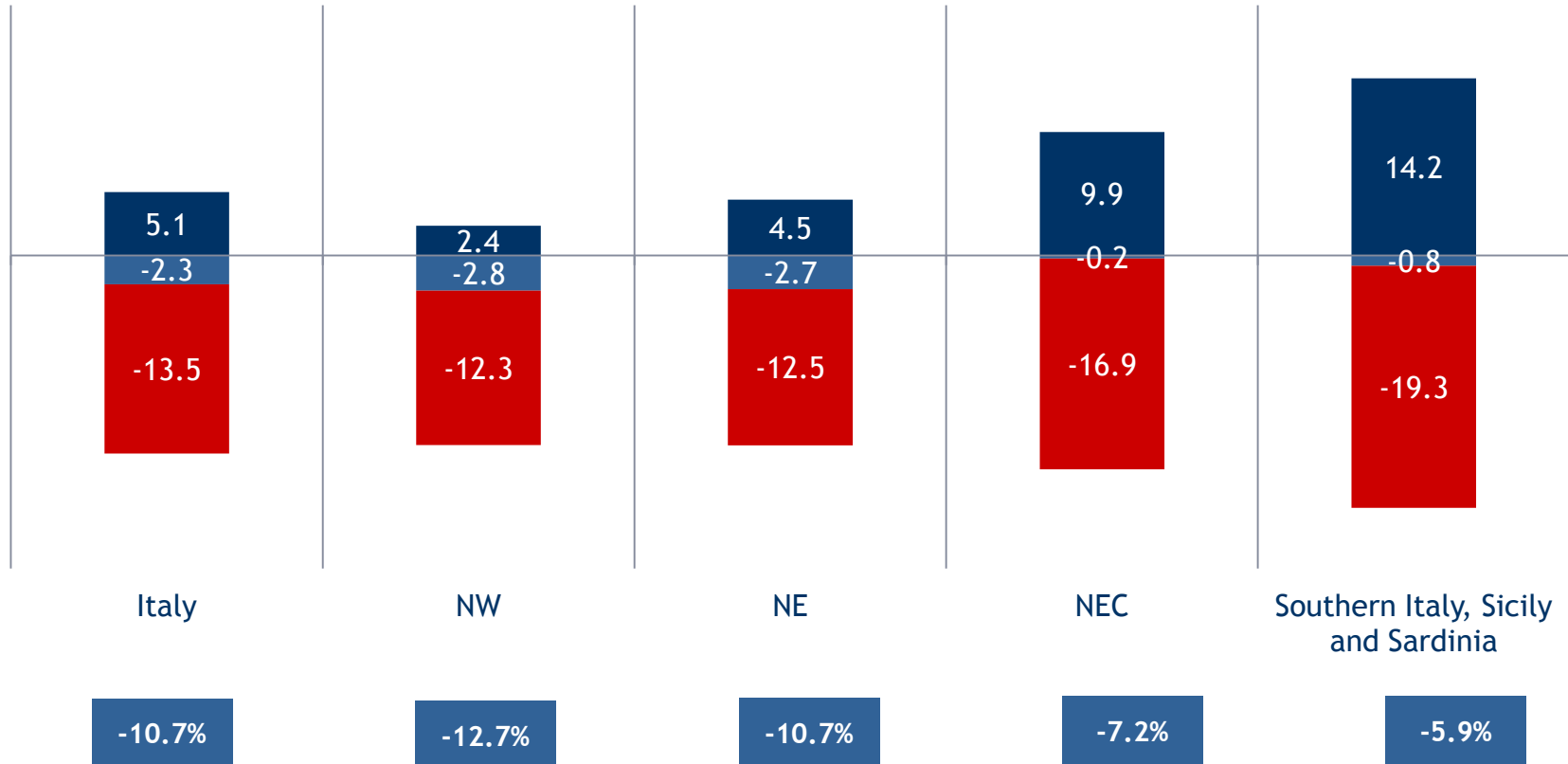
	Threshold effect	Acquisition minus loss of Italian ownership	New incorporations less liquidations and mergers plus or minus other changes	Total
New entries	3472	37	125	3634
Exits	3268	129	670	4067
Balance	+204	-92	-545	-433
Balance as % vs 2002	5.1	-2.3	-13.5	-10.7

Different things have happened in different geographical areas ...

Developments in MSEs' universe

Section 1

% of stock at end-2002



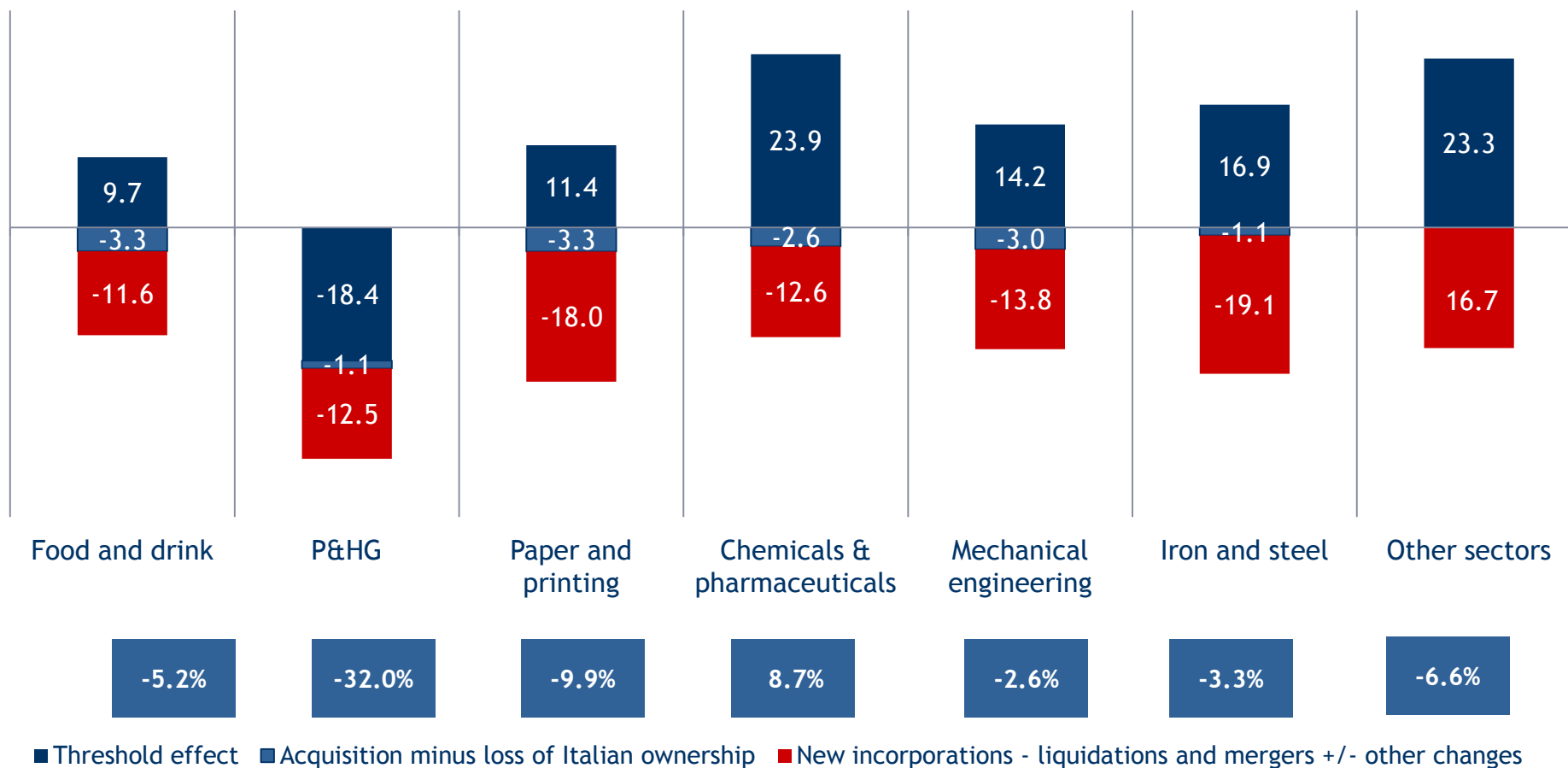
■ Threshold effect ■ Acquisition minus loss of Italian ownership ■ New incorporations - liquidations and mergers + / - other changes

... and in different sectors

Developments in MSEs' universe

Section 1

% of stock at end-2002

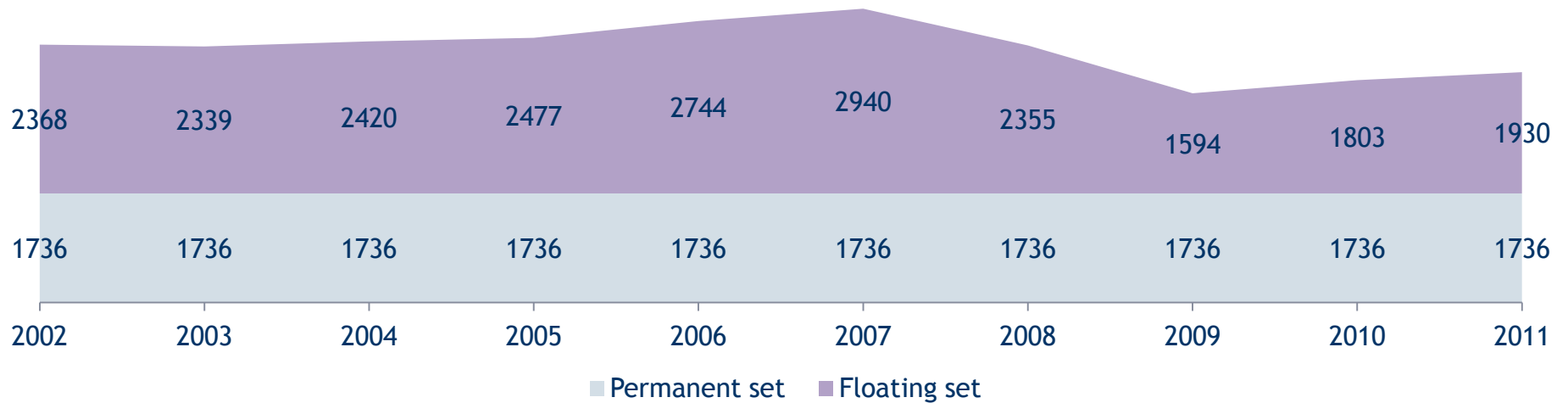


New additions have done well

Developments in MSEs' universe

Section 1

“Floating” and “permanent” shares of MSE universe, and years of presence



Manufacturing presence outside Italy: where and how

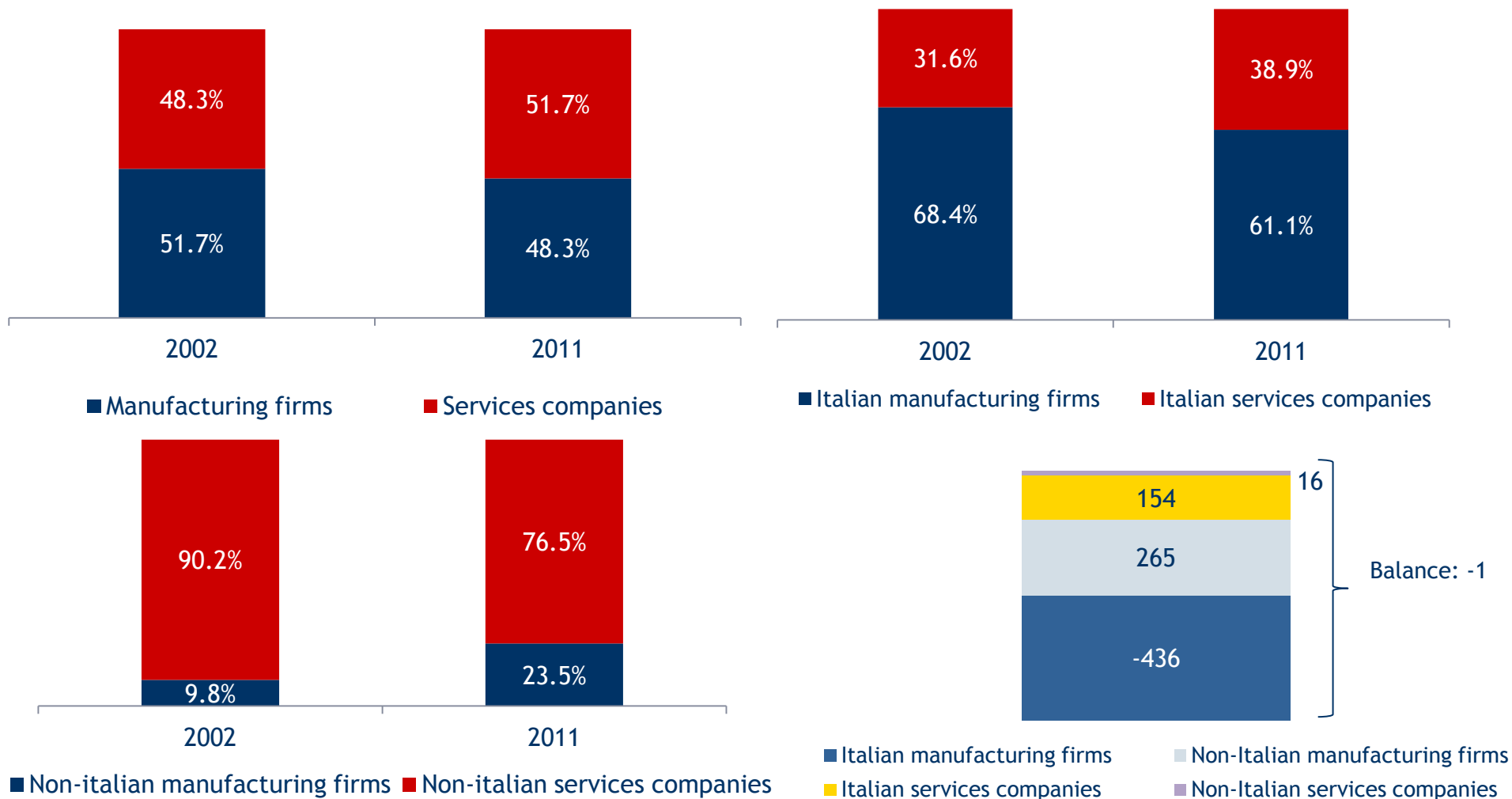
Section 2

Structure of formal company groupings

Manufacturing presence outside Italy: where and how

Section 2

Composition by business and location of companies controlled by MSEs and their balance, 2002-11

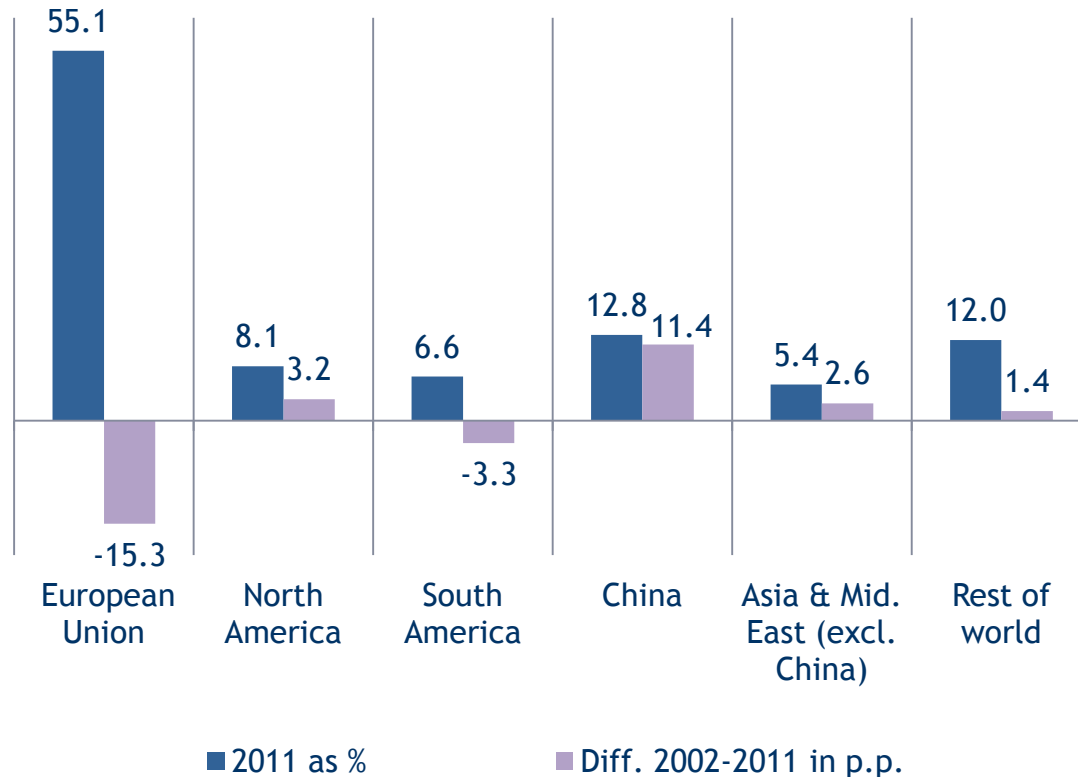


Foreign companies increase but now speaking different languages

Manufacturing presence outside Italy: where and how

Section 2

Manufacturing subsidiaries: 2011 percentages and changes vs 2002: overview of main host countries



Country	2002	Country	2011
As % of total non-domestic subsidiaries			
France	12.7	Cina	12.8
Poland	10.6	France	10.3
Romania	8.5	Romania	9.8
Germany	7.7	USA	7.1
Brazil	6.3	Spain	4.9
Hungary	6.3	Germany	4.7
Slovenia	4.9	UK	4.4
Spain	4.9	Poland	4.2
Total, Top 8	61.9		58.2

Locations, trades and performances

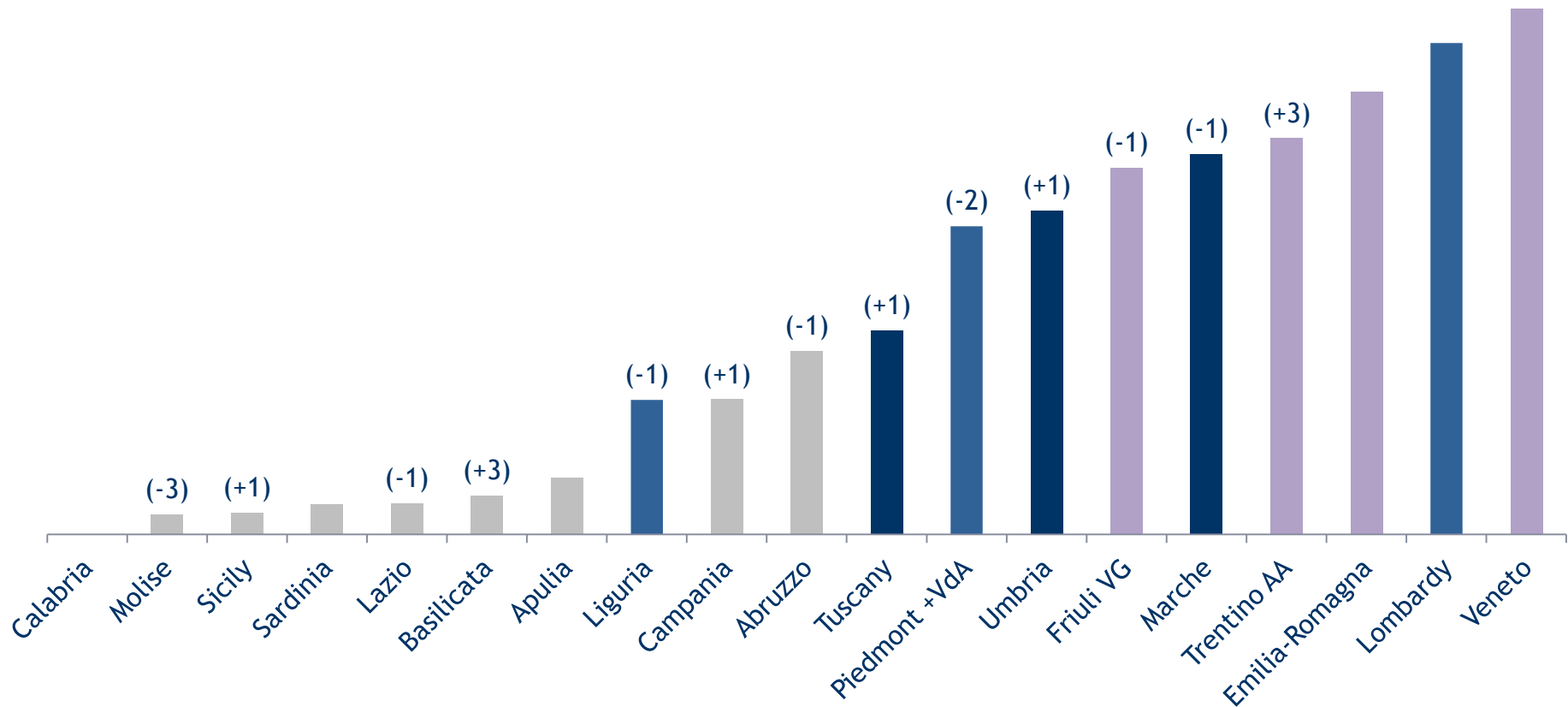
Section 3

Regional capability to attract MSEs

Locations, trades and performances

Section 3

Normalized indexes derived from equal weighted averages of 7 indicators (z-scores).
Brackets show change in position vs 2002

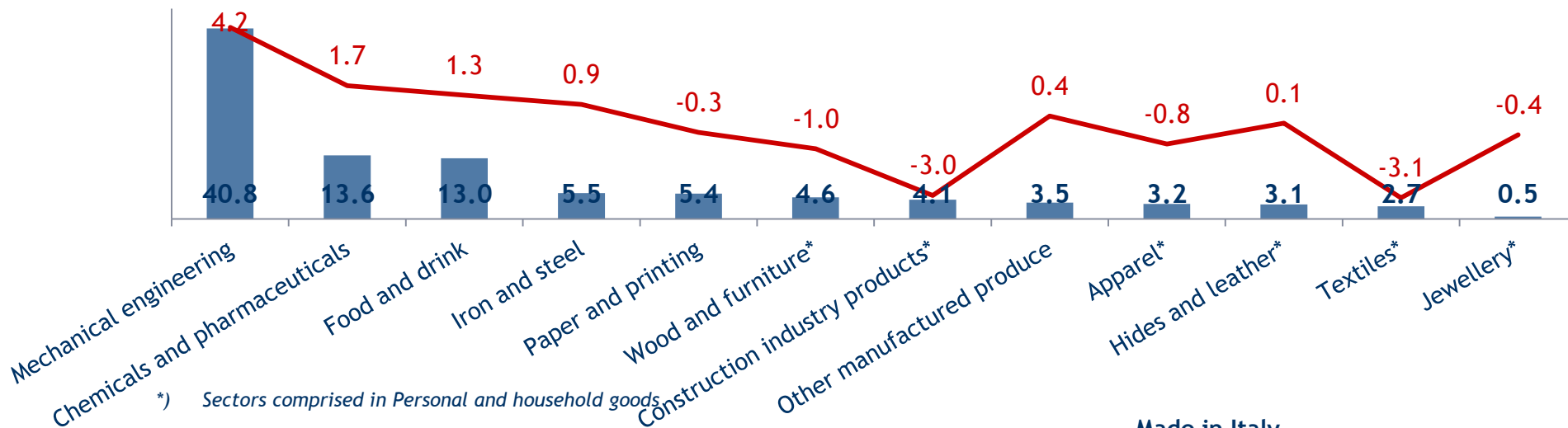


Winners and losers: sectors ...

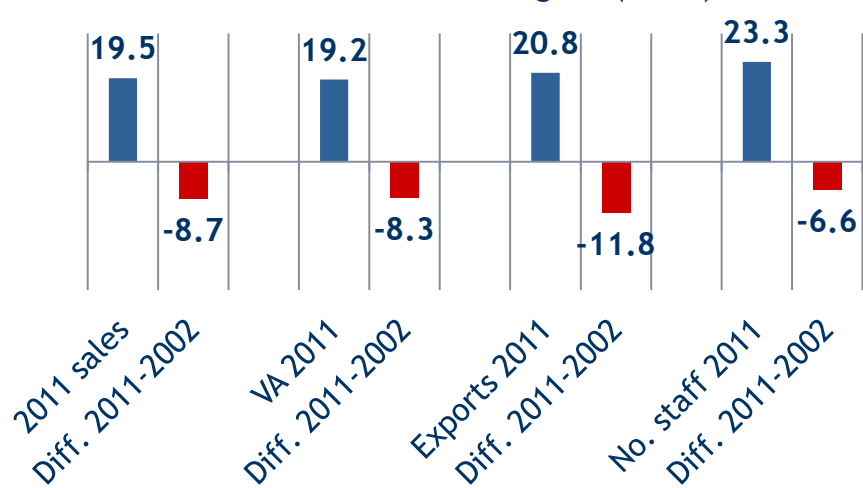
Locations, trades and performances

Section 3

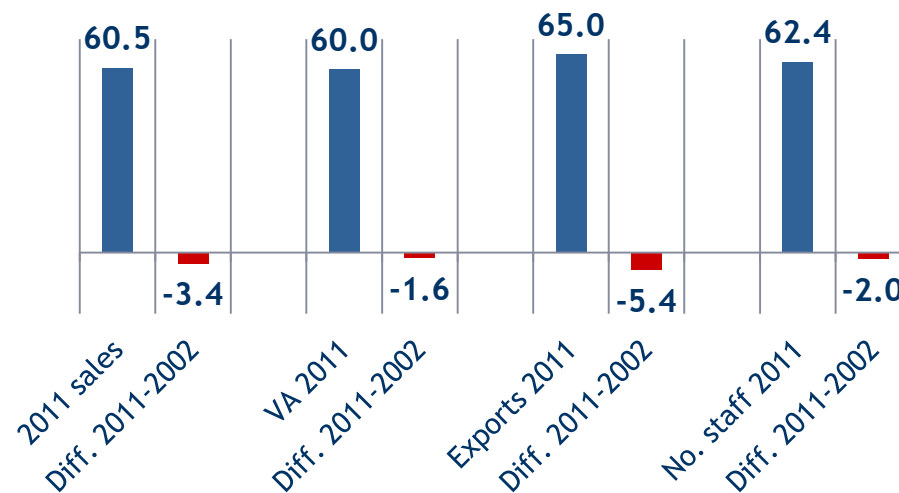
MSE sectors: percentage of 2011 VA (in blue) and change 2011 vs 2002 in p.p. (in red)



Personal and household goods(P&HG)



Made in Italy

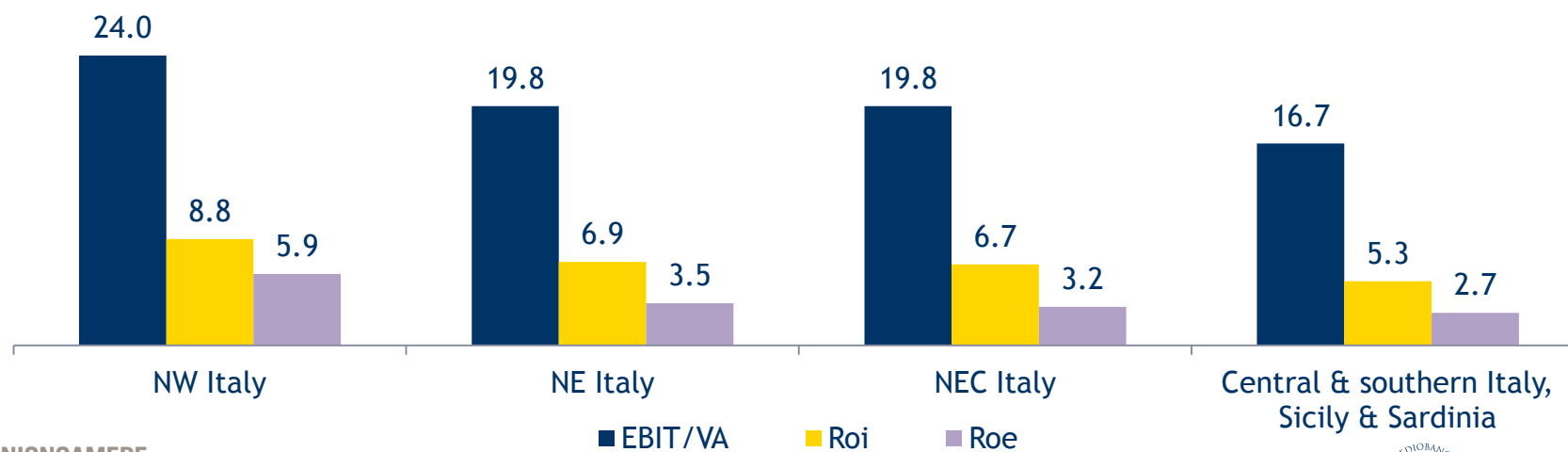
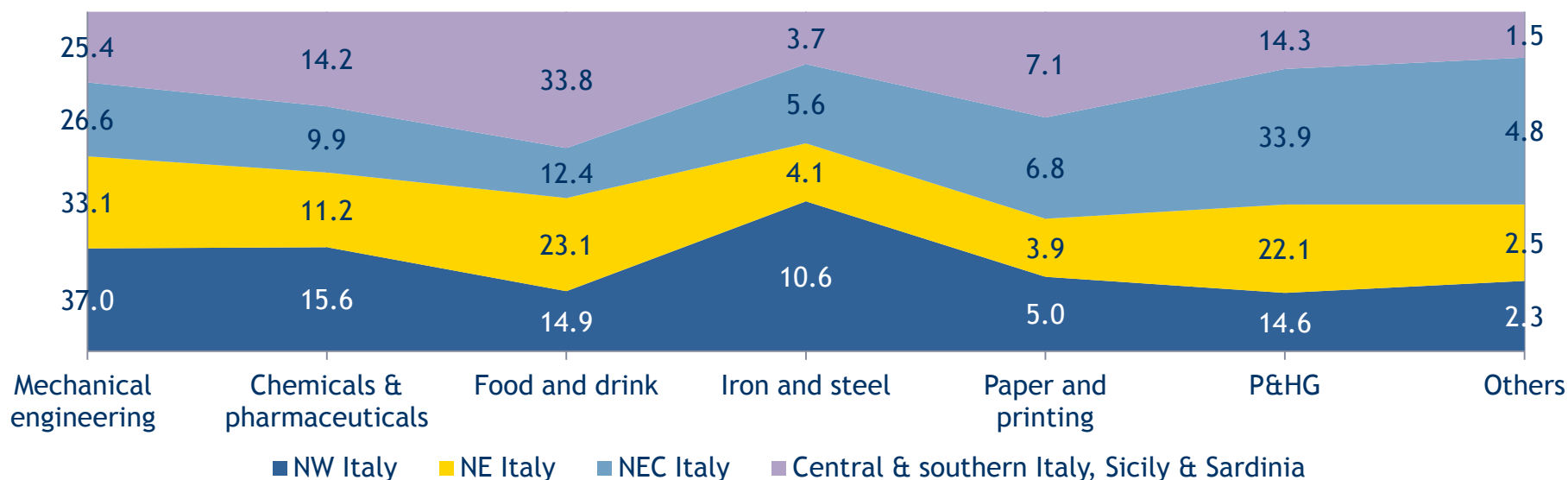


... and geographical areas

Locations, trades and performances

Section 3

Sector percentage composition of 2011 sales and margins by geographical macro-area compared

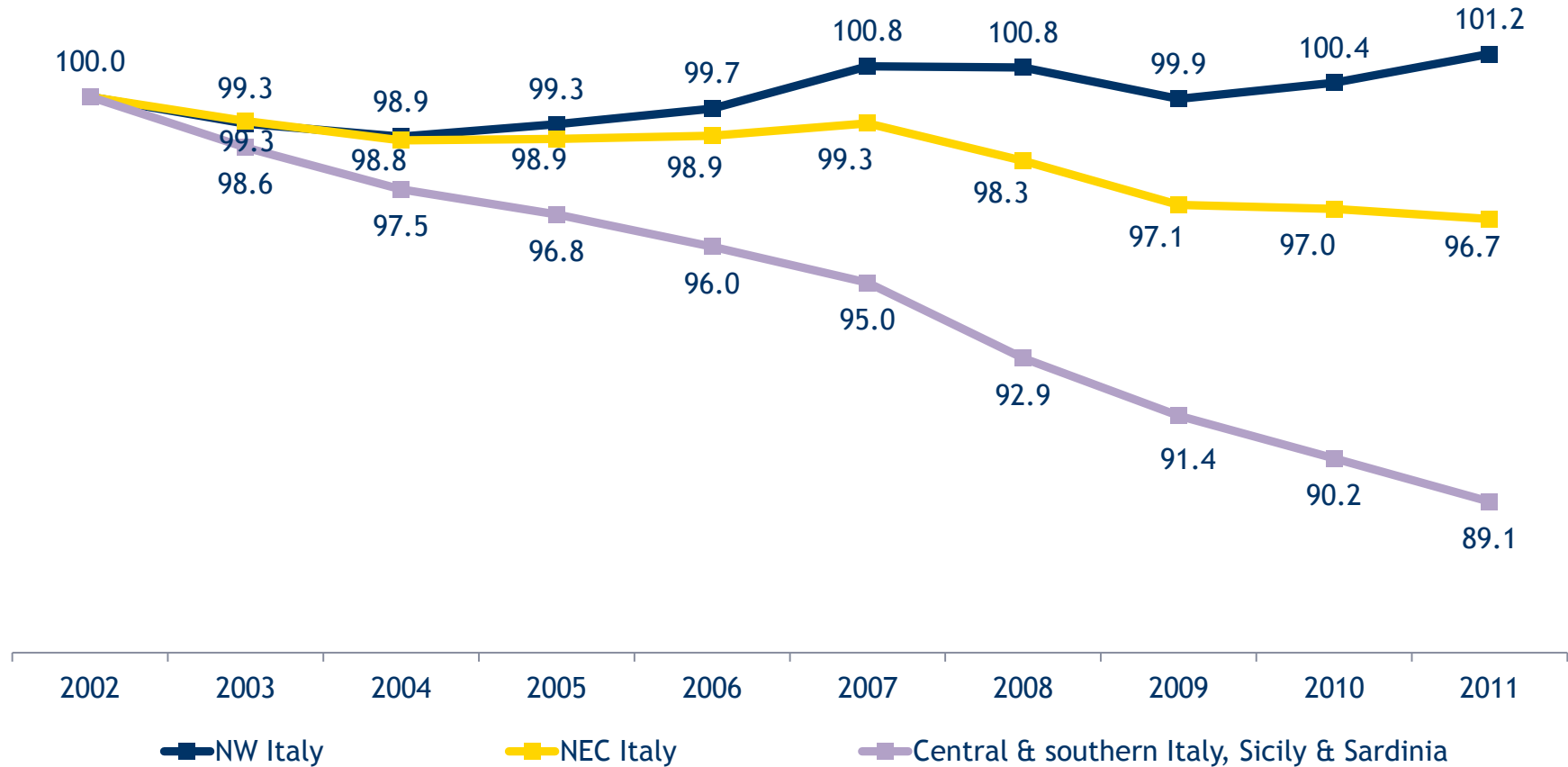


Areas have differing capabilities to generate (and burn) wealth

Locations, trades and performances

Section 3

Index no. of difference between ROI net of taxes and WACC (MSE universe)

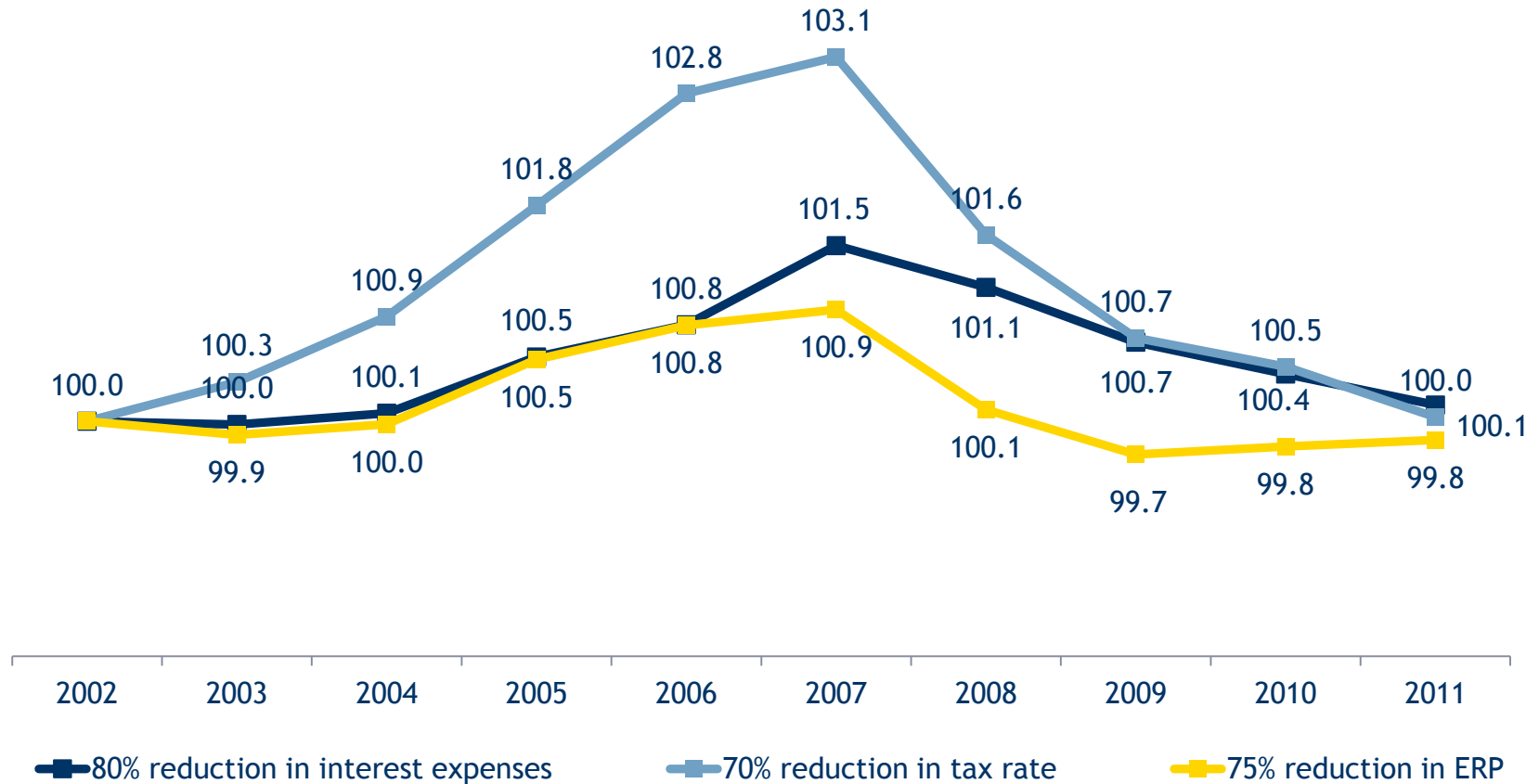


Southern Italy: the hypothetical sacrifice made by stakeholders

Locations, trades and performances

Section 3

Index no. of difference between ROI net of taxes and WACC (MSE universe)



MSEs vs large companies: when a featherweight takes on a heavyweight

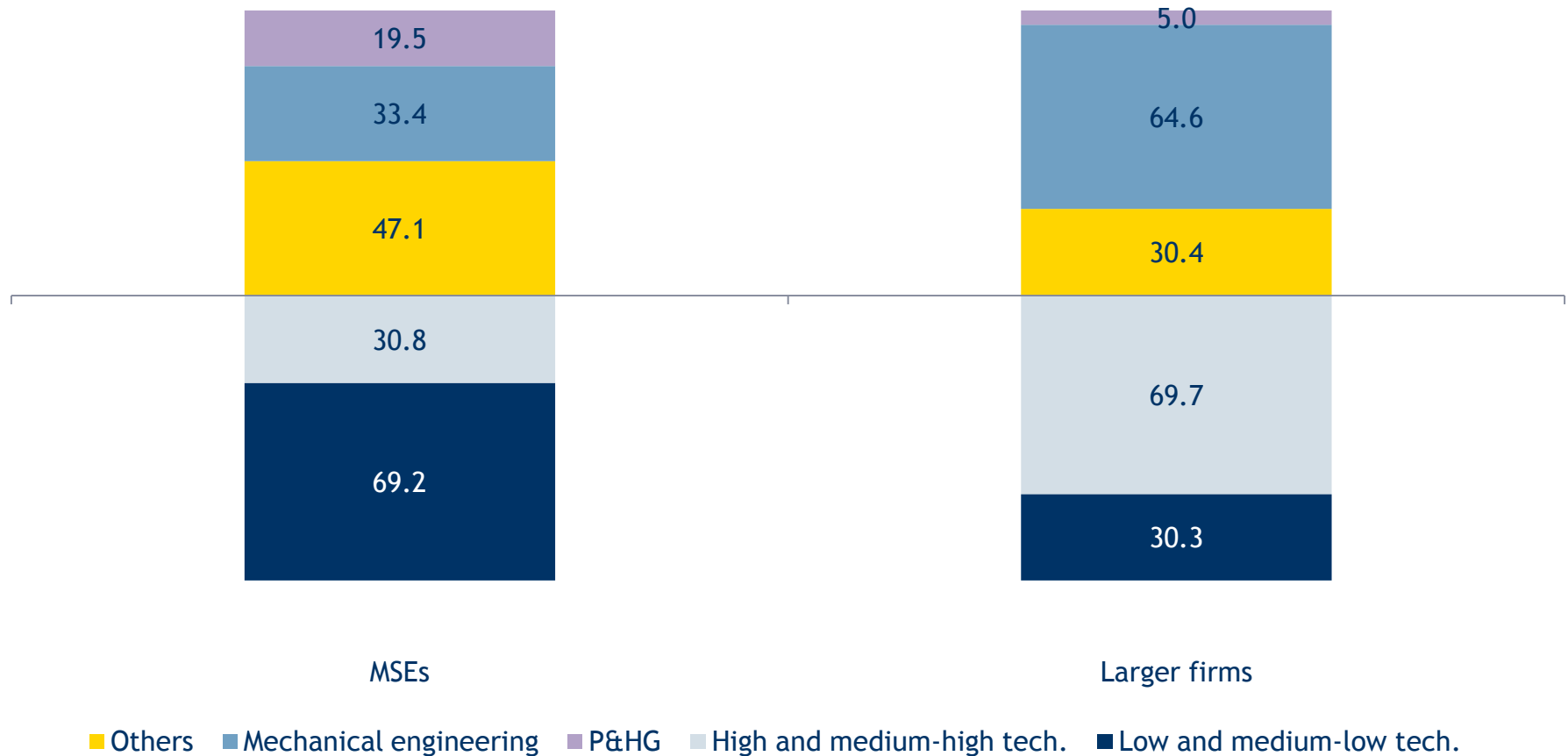
Section 4

Large firms' greater specialization raises hopes ...

MSEs vs large companies: when a featherweight takes on a heavyweight

Section 4

Percentage share of 2011 sales: certain sectors and technology content (OECD classification)

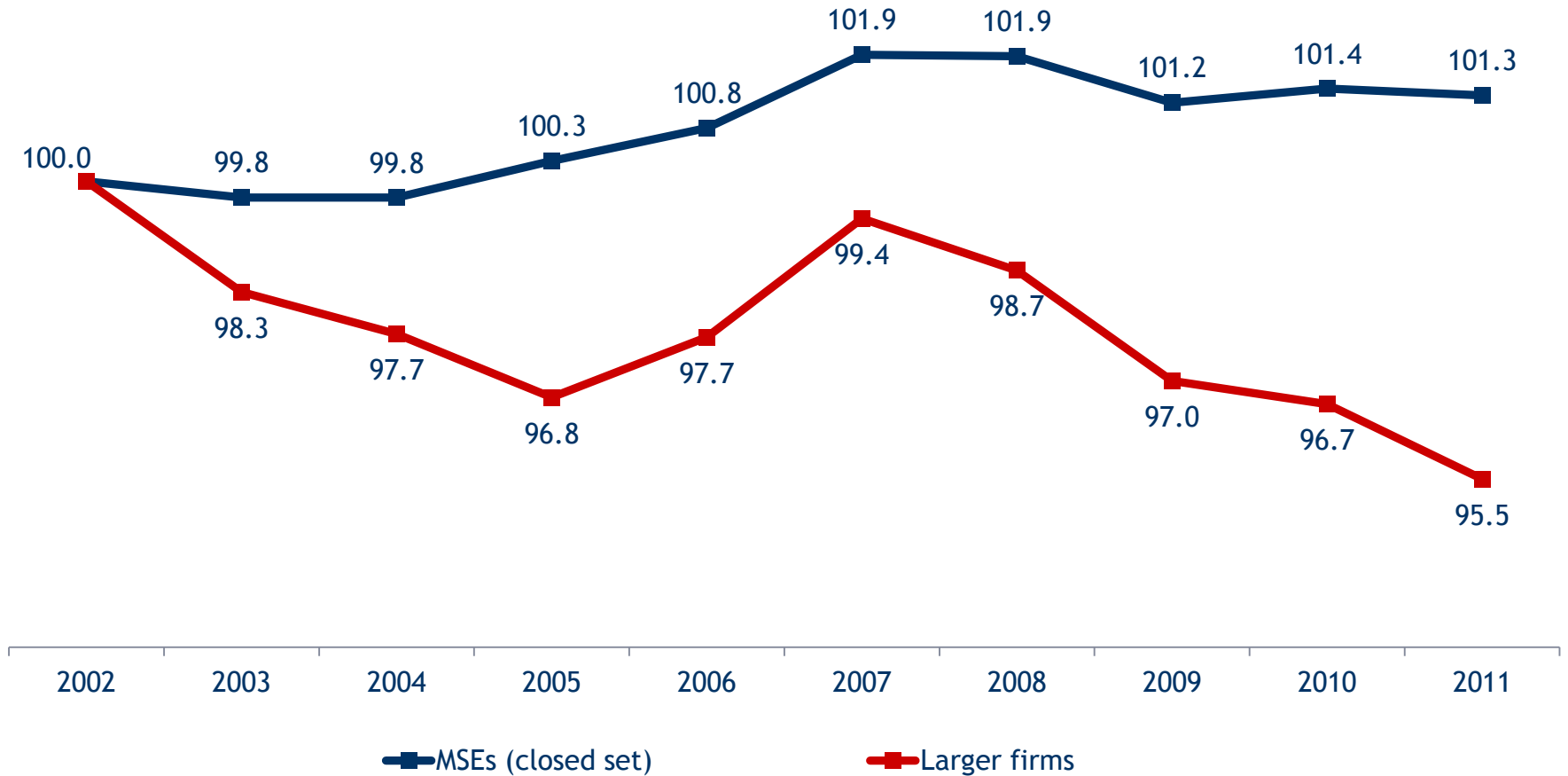


... but figures are disappointing

MSEs vs large companies: when a featherweight takes on a heavyweight

Section 4

Index no. of difference between ROI net of taxes and WACC



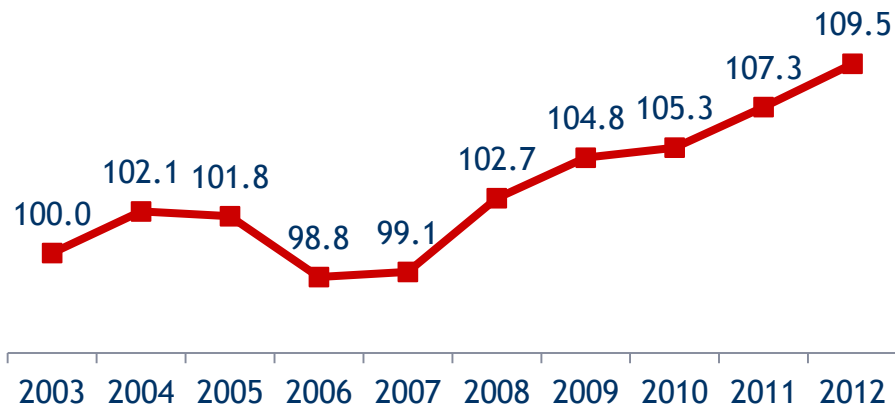
MSEs: share always above 100, even in 2012

MSEs vs large companies: when a featherweight takes on a heavyweight

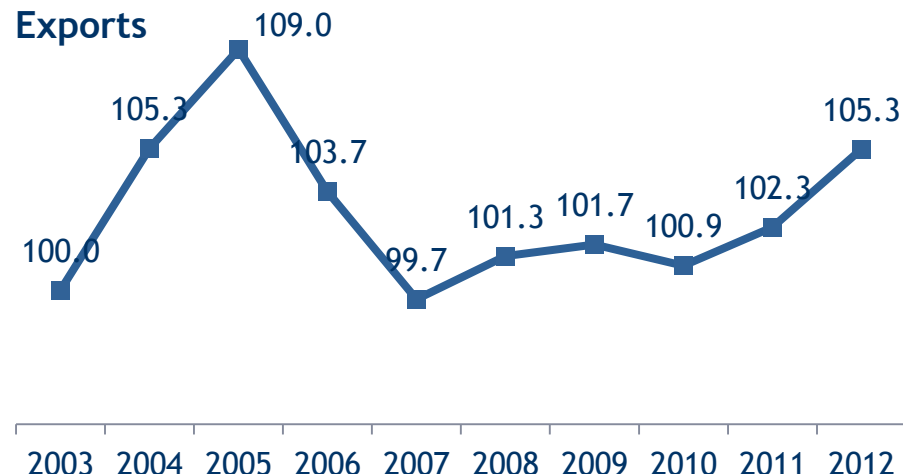
Section 4

Index no. of MSEs deflated with index nos. of large firms

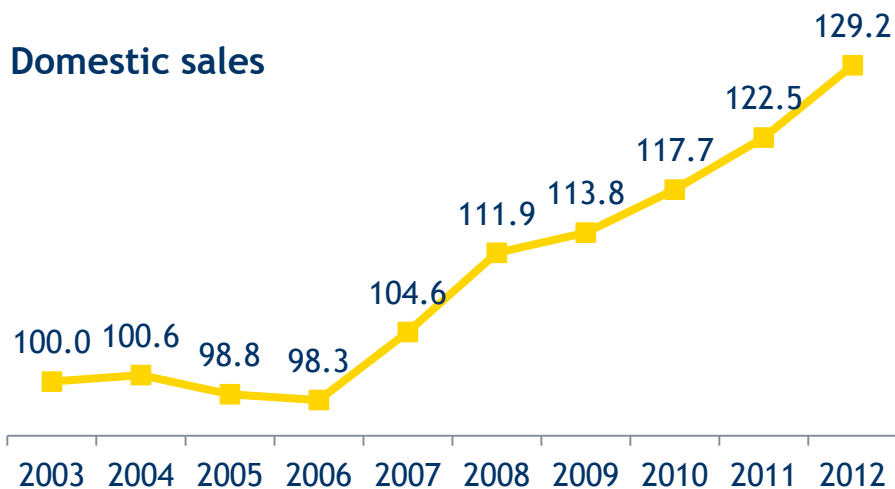
Sales



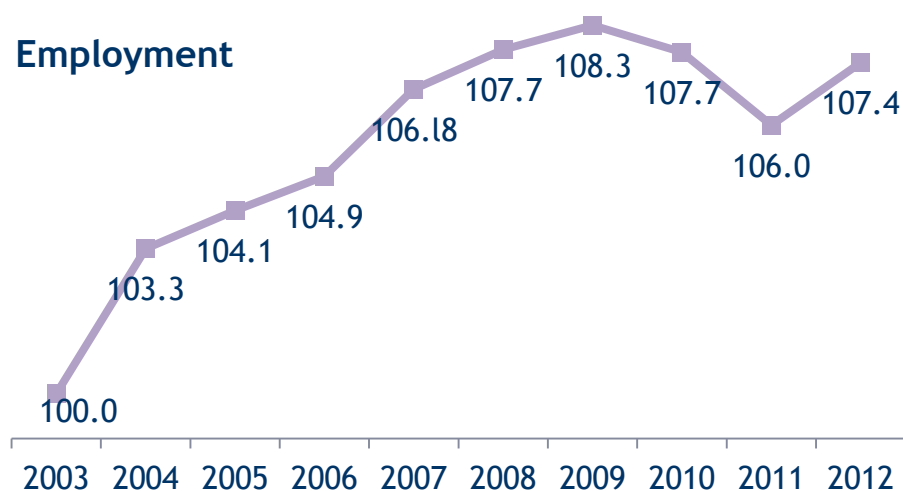
Exports



Domestic sales



Employment



MSEs and tax issues

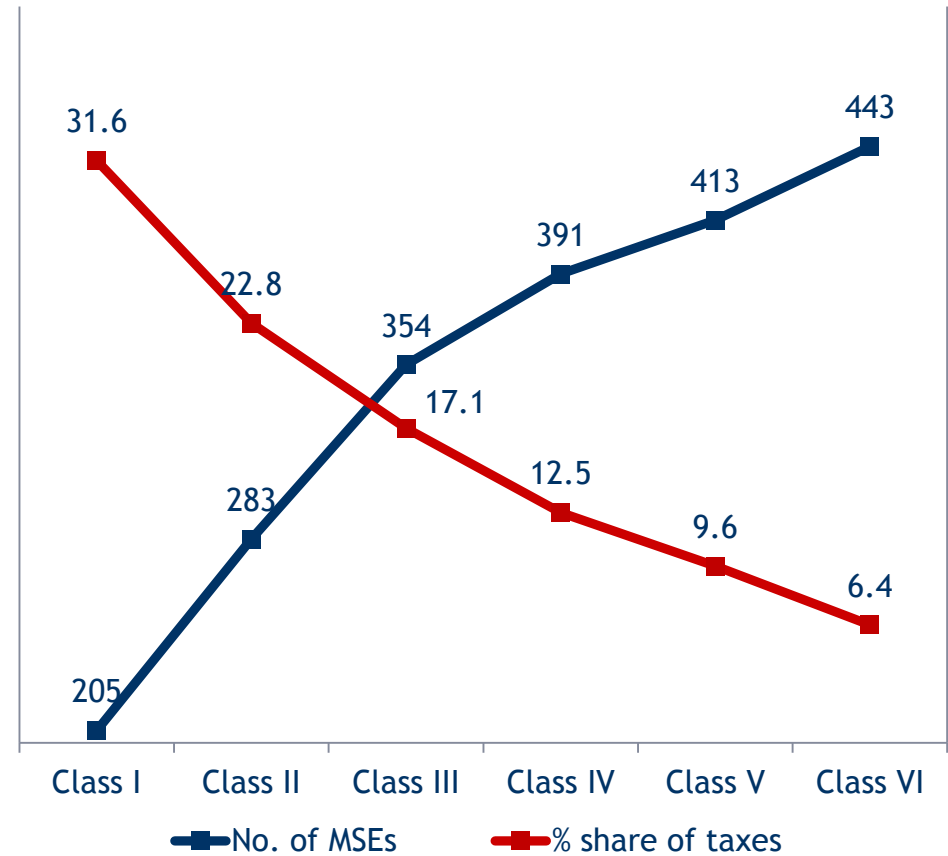
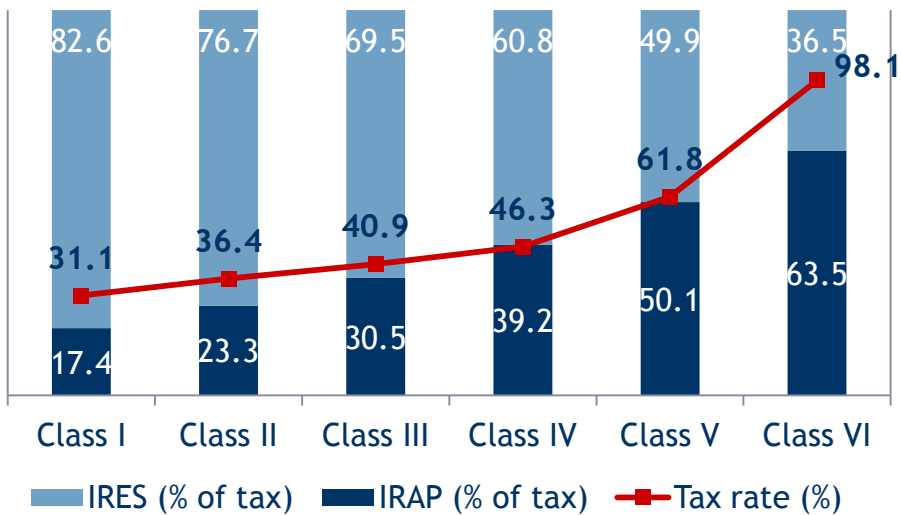
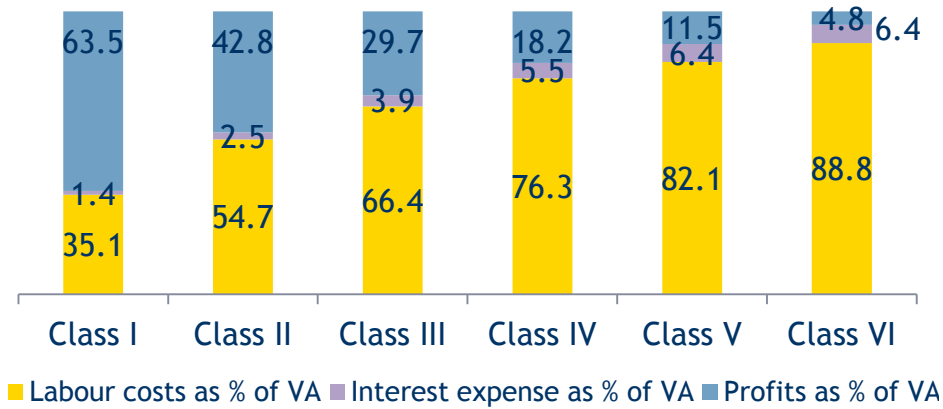
Section 5

The strange taxation of Italian MSEs ...

MSEs and tax issues

Section 5

Breakdown of MSEs into six categories based on cost of labour and effects on taxation

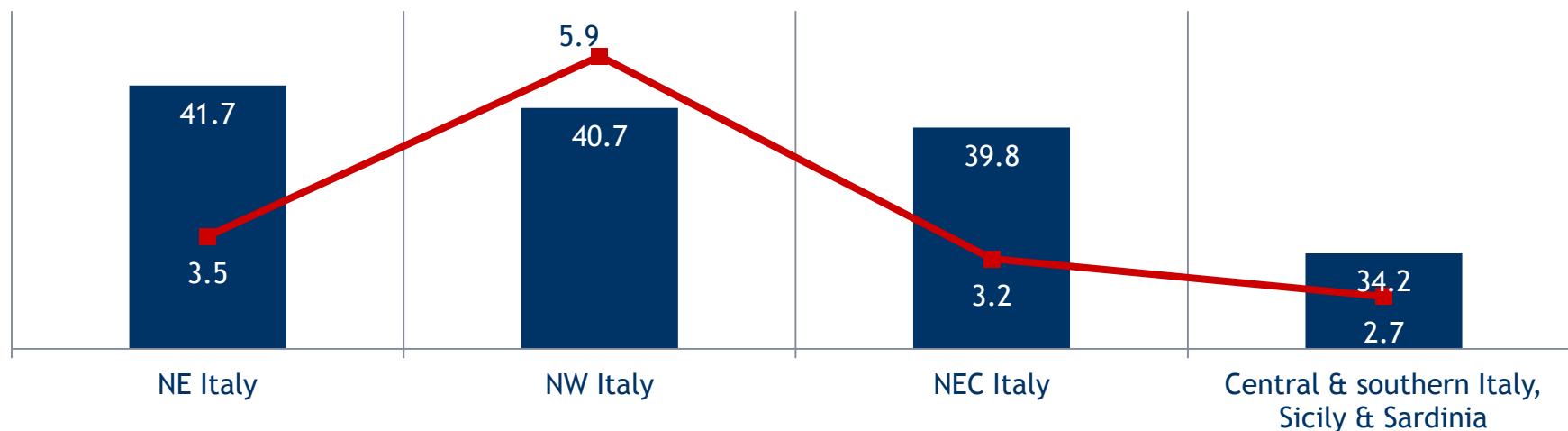
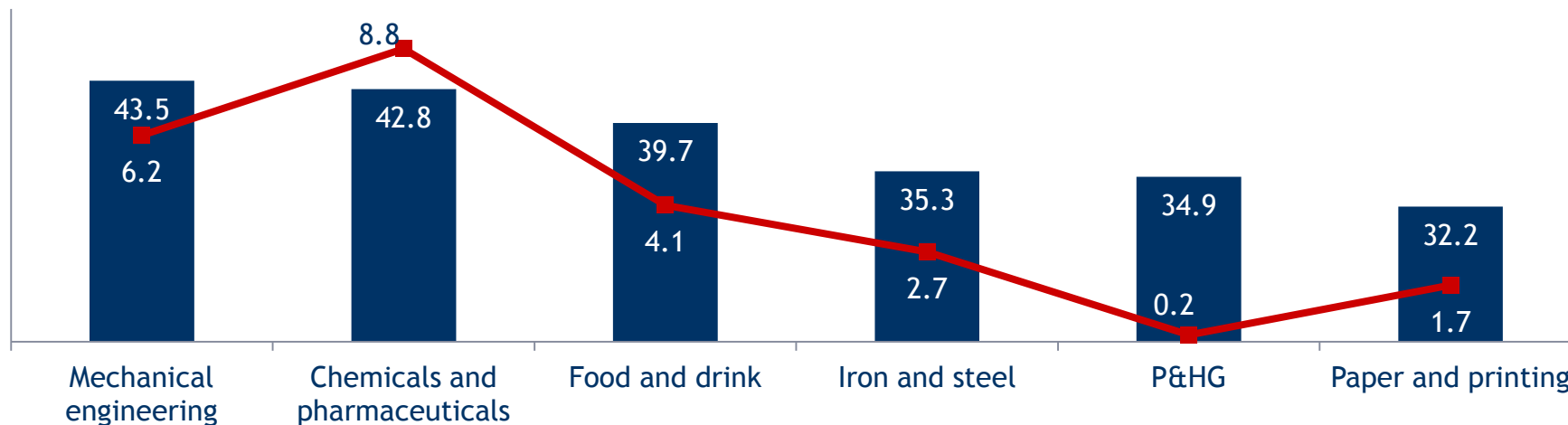


... with distortion effects on sector and geography

MSEs and tax issues

Section 5

Shares belonging to classes I to III and ROE (red line)

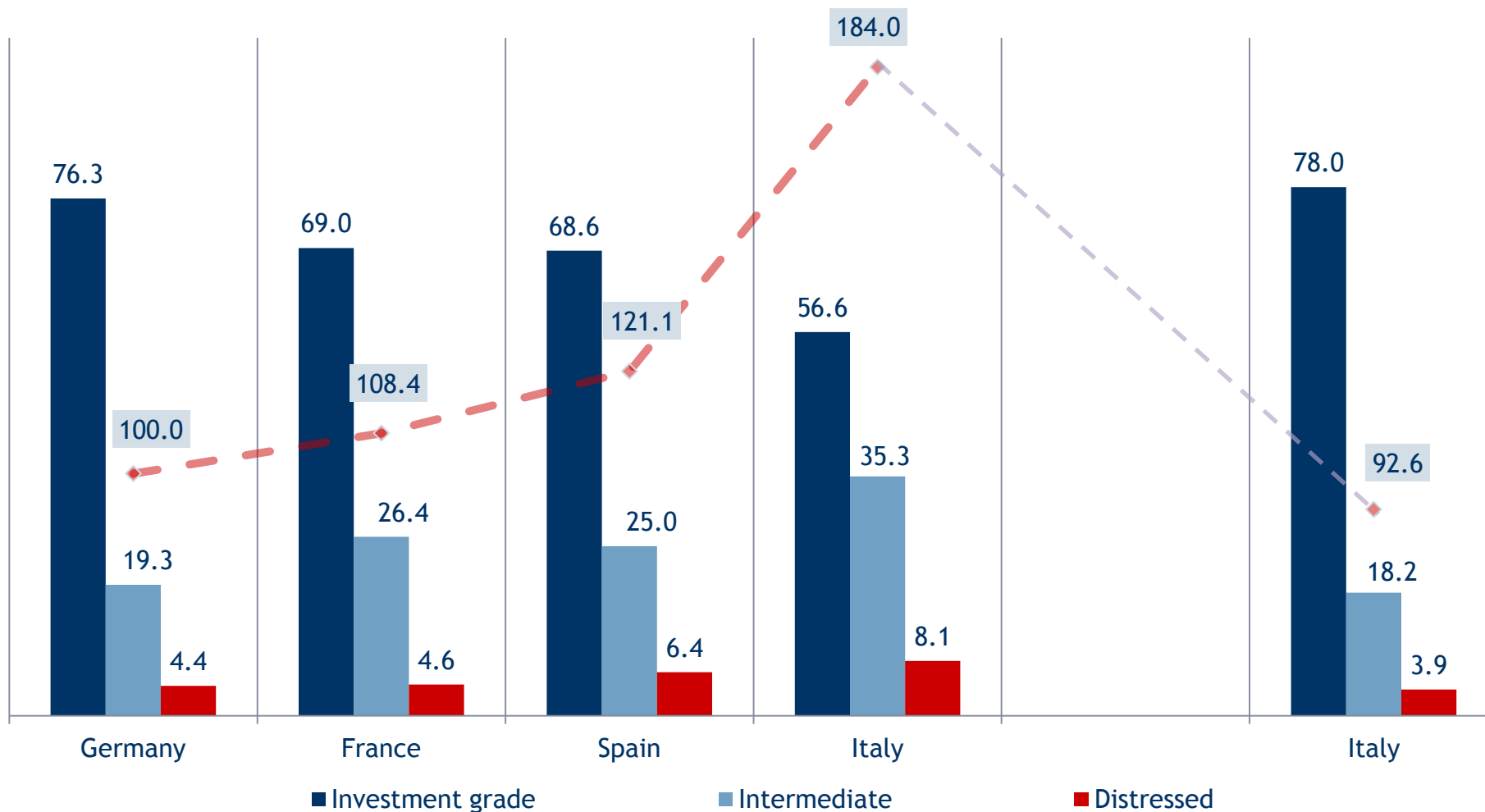


Can we dream of an Italian *Mittelstand*?

MSEs and tax issues

Section 5

Percentage of firms by category of financial solidity and average PD expressed as index no. Germany = 100



Source: compiled by R&S based on R&S-Unioncamere scoring model



MEDIOBANCA

Mediobanca Research Area
Foro Buonaparte 10, Milan, Italy
www.mbres.it