



Small and Medium-Sized Enterprises State-Backed Guaranteed Financing

July 2024

Small and Medium-Sized Enterprises in Italy

Defining an SME

An SME is a business which has less than 250 employees and total revenues less than €50 million OR asset value of less than or equal to €43 on the balance sheet, as defined by the European Commission.

c. 4.3 Million SMEs

There is approximately 4.3 million small and medium-sized enterprises in Italy.

Small and medium-sized enterprises (SMEs) form the backbone of the Italian economy, 95% of which are estimated to be classified as micro-enterprises. A micro-enterprise is a business which employs less than 10 people, has revenues up to a maximum of €2 million and started with small levels of funding, the funding of which often comes from traditional bank debt or commonly micro-credit schemes.

Globally, these organisations often face issues due to their size, which aren't as significant for larger entities. Particularly, they have difficulty in gaining access to the credit markets, which acts as a headwind to future growth.

Italy has a larger dependency on SMEs compared to other comparable European nations. For example, Italian SMEs are responsible for 53% of exports, compared to an EU average of 40%. Therefore, the Italian government has stepped up to tackle this issue of a lack of access to credit through a variety of schemes.

Government Backing

There are two main financial institutions that dominate the market to help improve access to credit for Italian SMEs: Mediocredito Centrale (MCC) through its SME Guarantee Fund Fondo di Garanzia, and SACE.

These two financial services companies share one common mission which they achieve with a multitude of strategies: to drive development and economic progress in the Italian SME market.

SMEs

Account
For:

80%

Domestic
Employment

70%

Value
Added

53%

Exports

Sources

[European Investment Bank - Italian SMEs](#)
[Italian Government - Small Business Act](#)
[PwC Analysis on ECB, OECD, ISTAT, Eurostat, Cerved](#)
[European Commission](#)

Small and Medium-Sized Enterprises in Italy

Severely Limited Access to Finance

In a 2023 survey of more than 11,500 enterprises, 24% of corporations reported an actual or expected decline in access to bank loans, a significant percentage which can be seen as representing the wider SME population.

Inherent Risk

Due to their size and often reduced ability to effectively weather tougher economic conditions, such as in 2008 after the Global Financial Crisis or during the more recent Covid-19 pandemic and Russia-Ukraine Humanitarian Crisis, banks view lending to SMEs as highly risky, and therefore limit their exposure to this risk.

This is a leading factor which restricts the access to financing for these companies, an issue both MCC and SACE seek to address.

Corporate Debt 56% of GDP

With corporate debt values of only 56% of GDP (Q3, 2023), the Italian government can remain confident in improving the access to finance for SMEs, as this figure is significantly below the EU average value of 85%, and dramatically below France's corporate debt values of 128% of GDP, a comparable economy to that of Italy.

Not Over-leveraged

With financial debt/equity and financial debt/EBITDA ratios of 57% and 2.7 respectively for SMEs, there is room for increasing leverage without becoming overleveraged for such companies.

Low Default Rates

One of the primary concerns banks and other financial institutions have in lending to SMEs is their ability to meet interest rate obligations and pay back principal, alongside other covenants that may be applied – an issue that is less prevalent for larger corporations. In 2022, large enterprises in Italy saw default rates of 1.1%, only marginally lower than 1.2% for medium-sized enterprises.

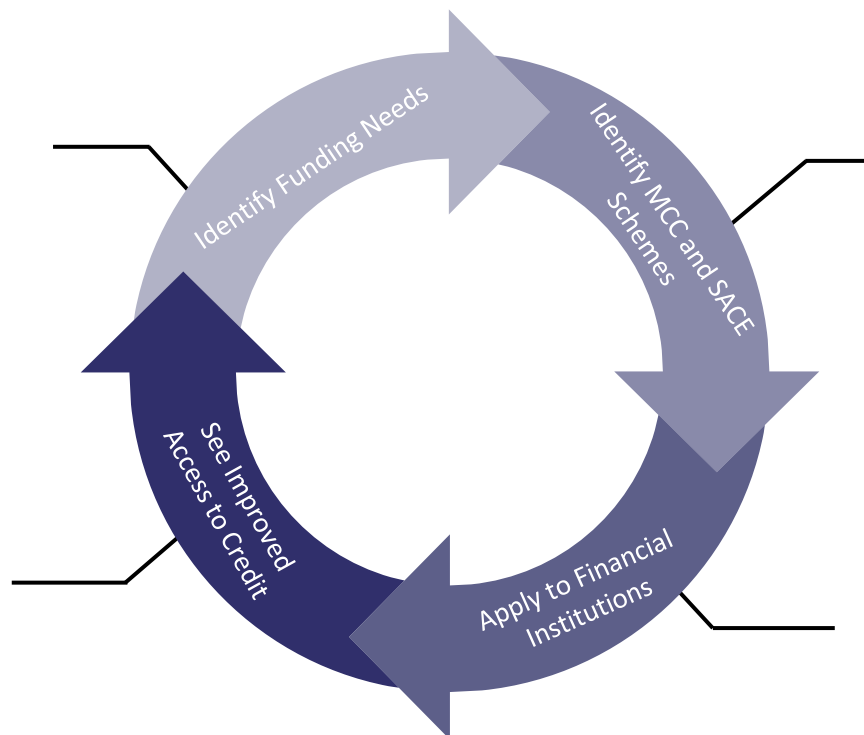
Guaranteed Lending

Guaranteed Lending is one of most commonly used policies in Italy aimed at addressing the issue of limited access to the credit markets. This initiative works by issuing loan guarantees, whereby the SME Guarantee Fund under the perview of Mediocredito Centrale for example, provides a guarantee to the lending institution to take responsibility for the loan's obligations in the event the debtor defaults. Guaranteed lending can cover a percentage of the loan or the entire obligation, therefore reducing the creditor's risk to varying extents.

How it Works

Step 1

- Identify the project(s) you require funding for and form a plan on how you will use this funding



Step 2

- Work with your financial advisor, like CapitalLink, to better understand the schemes offered by Mediocredito Centrale (MCC) and SACE, and requirements applicable

Step 3

- Submit your plans to banks selected by your financial advisor to obtain funding (subject to MCC/SACE guarantee)

Step 4

- Submit your funding request to MCC or SACE, and enjoy improved access to credit for your SME once approved

Addressing the Problem: Mediocredito Centrale (MCC) – Fondo di Garanzia SME

Why Do We Need MCC?

Background on the North-South Divide

Italy, like the UK, has a very apparent North-South economic divide, which has resulted in the south of the country falling behind developmentally and economically.

Research done by the London School of Economics describes this divide as the most pronounced out of all the countries in Europe today. The result is a great divergence in gross domestic product (GDP) per capita in parts of the north (for example Lombardy with a GDP/capita of 127% of the EU average) when compared to regions in the south (for example Calabria with a GDP/capita of only 56% of the EU average), in 2021.

There is consensus that this regional divide stemmed from the preferential locating of industrial activity in the north. This led to transport networks developed to a much higher standard here, with consumers following suit. In addition, better access to the Italian domestic market and international European markets, has led to this north-south divide persisting, despite the Italian government's recent best efforts to level up the entire country.

Mediocredito Centrale focuses their attention on spurring economic growth in the south of Italy to close these gaps in development, before focusing their efforts on SMEs in the north.

23.13%	Common Equity Tier 1 (CET1) Ratio
12 x	Multiple of Euros Guaranteed for €1 Allocated
€53.8bn	SME Funding Distributed
283	Applications Accepted

Data as of 2022

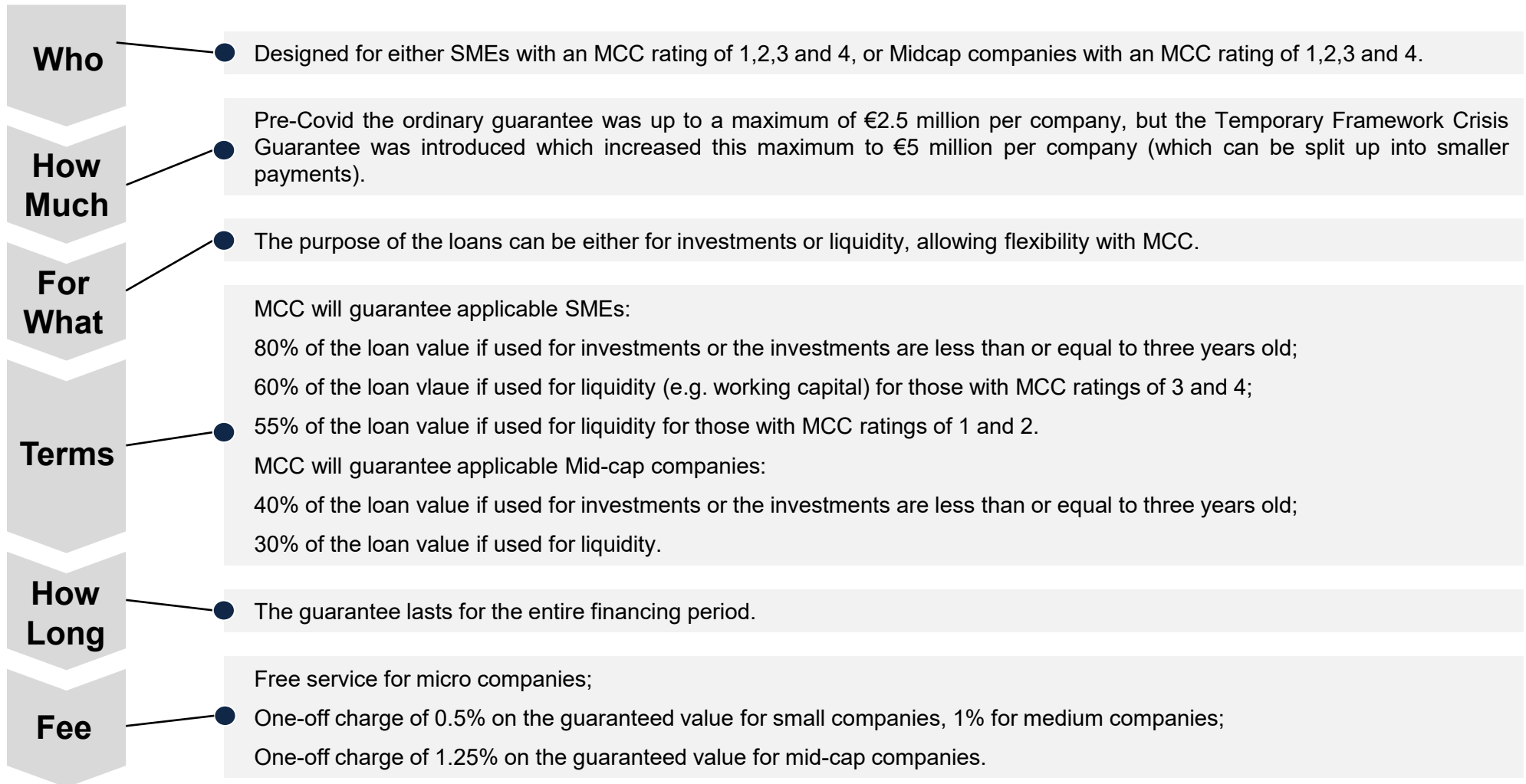
Mediocredito Centrale (MCC) provides a mechanism by which banking and other credit financiers can improve access for SMEs to the credit market, through the establishment of a government-backed SME Guarantee Fund, "Fondo di Garanzia".

The Fund was established in 1996 under Law 662 and is designed to improve access to the credit markets for micro, small and medium-sized enterprises using government subsidised loan instruments. MCC was selected after a tendering process and manages the fund, deciding which loans to guarantee.

This reduces the risk banks are taking when lending to SMEs, as they have insurance against the risk of default. Therefore, in times of a credit crunch, where banks tighten their lending requirements, Fondo di Garanzia aids in loosening these requirements.

Please see the next slide for the requirements of the scheme.

Mediocredito Centrale (MCC) – Conditions



Addressing the Problem: SACE

SACE's mission is in line with MCC's Fondo di Garanzia in aiming to improve access to credit for the Italian SME market. Owned by the Ministry of Economy and Finance, in addition to guaranteeing loans for SMEs seeking to raise capital from credit institutions, the firm also issues counter-guarantees on behalf of the Italian state.

A counter-guarantee is a method which reduces risk for lending institutions by issuing a guarantee in favour of the guarantor against the possibility of the debtor defaulting.

The financial services and insurance company is one of Italy's leading agencies that help domestic companies break into international markets and grow their export base.

SACE offers key schemes including the SACE Future Guarantee and SACE Green Guarantee, aimed at providing funding for the development and expansion of firms, and advancing the green agenda respectively.

Whilst MCC's Fondo di Garanzia provides government-backed funding for SME's only, SACE's funding applies to companies of all sizes, with higher fees for larger entities and better rates for SMEs.

SACE also has an Education Hub, designed to upskill c-suite executives and employees, help and support you develop the skills your firm needs to expand, in addition to helping fund your growth plans.

SACE
(2023):

€55bn
Resources
Mobilised

950,000
Jobs
Supported

€145bn
Economic
Impact

4 Core Traits

EPIC: Extra-Ordinary, Passionate, Inspirational and Connective

Translating into 6 Key Skills

Initiative, Focus on Purpose, Influencing, Engagement, Inclusion and Cooperation

SACE Future Financing and Green Financing

SACE offers schemes tailored to ensuring the acceleration of the strategic development of Italian SMEs both domestically and internationally, alongside financing to advance the Green Transition, something which will continue growing in importance in the future.

SACE Future Financing

This initiative is designed for Italian companies with three or more years of trading history, particularly geared towards the SME market, seeking medium to long-term financing (up to €50 million).

The SACE Future Guarantee will provide a guarantee for 70% of the value of capital and interest due (total loan value).

The financing period: 24-240 months.

Pre-amortization period: up to 36 months.

Key goals of the funding include:

1. Promotion of international development
2. Technological advancement and digitalisation
3. Furthering domestic and international supply chains
4. Key infrastructure projects
5. Empowering female entrepreneurs
6. Promotion of international development

SACE Green Financing

This initiative is designed for Italian companies seeking to advance the sustainability agenda under the Italian “Green New Deal” with a maximum revenue of €500 million (up to €50 million).

The SACE Green Guarantee will provide a guarantee for 80% of the value of capital and interest due (total loan value).

The financing period: 24-240 months.

Pre-amortization period: up to 36 months.

Key Goals of the funding include:

1. Getting ahead of climate change
2. Reducing the existing effects of climate change
3. Protect key resources such as the water supply
4. Advance sustainability with a circular economy
5. Prevent and reduce pollution
6. Increase environmental protection

Sources

[SACE Future Financing](#)

[SACE Green Financing](#)

SACE – Conditions

Who

- Designed for any firm size.

How Much

- A maximum of €50 million per company under SACE Future and €50 million per company under SACE Green.

For What

- The purpose of the loans can be either for investments or liquidity under SACE Future or environmental sustainability under SACE Green.

Terms

- MCC will guarantee applicable companies:
 - 70% of the loan value under SACE Future
 - 80% of the loan value under SACE Green

How Long

- The guarantee lasts for the entire financing period.

Fee

- The fee is based on multiple criteria, and will be a spread on the guaranteed amount.

CAPITALINK - CORPORATE FINANCE

Via Uberto Visconti di
Modrone, 1
20122 Milan



Piazza di San Lorenzo in
Lucina, 26
00186 Rome

