



The Italian Private Equity and Venture Capital market performance in 2015

in cooperation with **AIFI**

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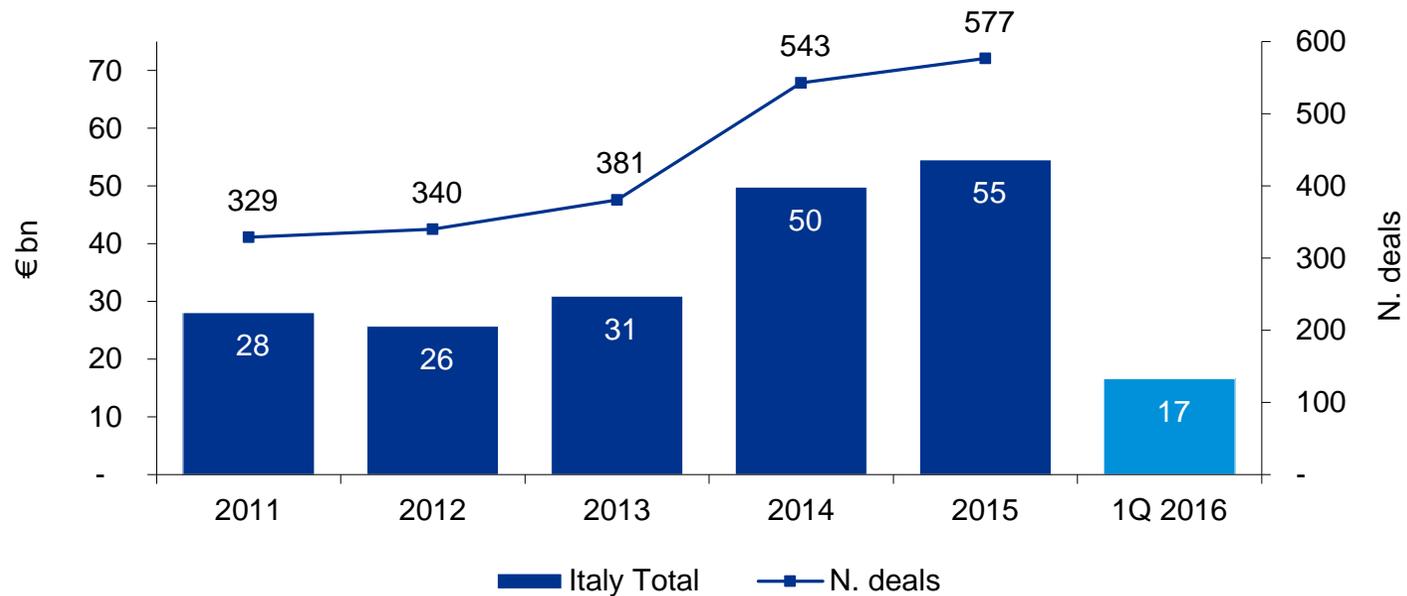
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Contents

	Page
— The Italian M&A market	3
— Introduction	7
— IRR analysis 'From inception'	8
— 'From Inception' Gross Pooled IRR	11
— IRR analysis 'By Horizon'	15
— 'By Horizon' Gross Pooled IRR	16
— 20 Years Italian Private Equity and Venture Capital Performance	19
Performance comparison between Stock/Bond and Private Equity markets	20
Appendices	24

The Italian M&A Market 5 years overview



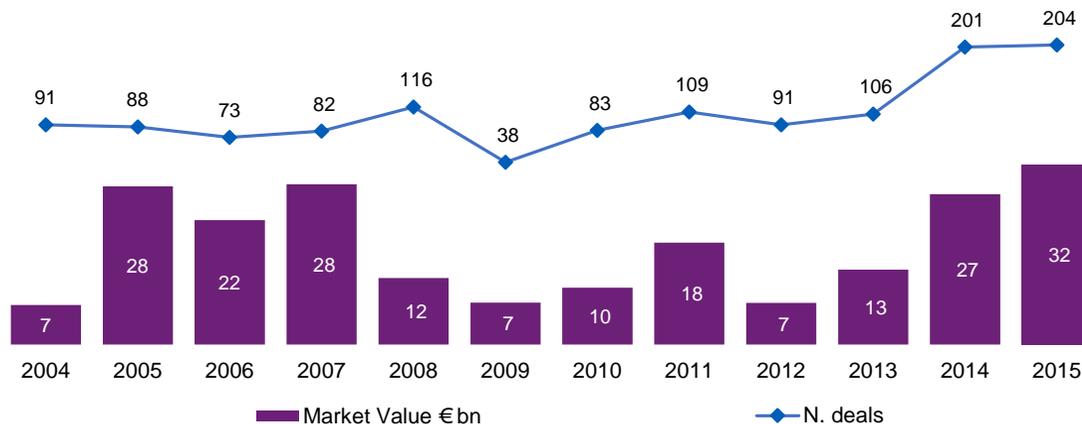
Source: KPMG Corporate Finance

During the last 5 years the Italian M&A market registered a sharp growth both in terms of volumes (CAGR 15.1%) and total value (CAGR 18.4%).

In 2015 the total market value grew by 10% vs 2014 (€55 bn vs €50 bn), mainly driven by an increase in the number of transactions (577 vs 543).

The Italian M&A Market

Focus on cross border - 2015

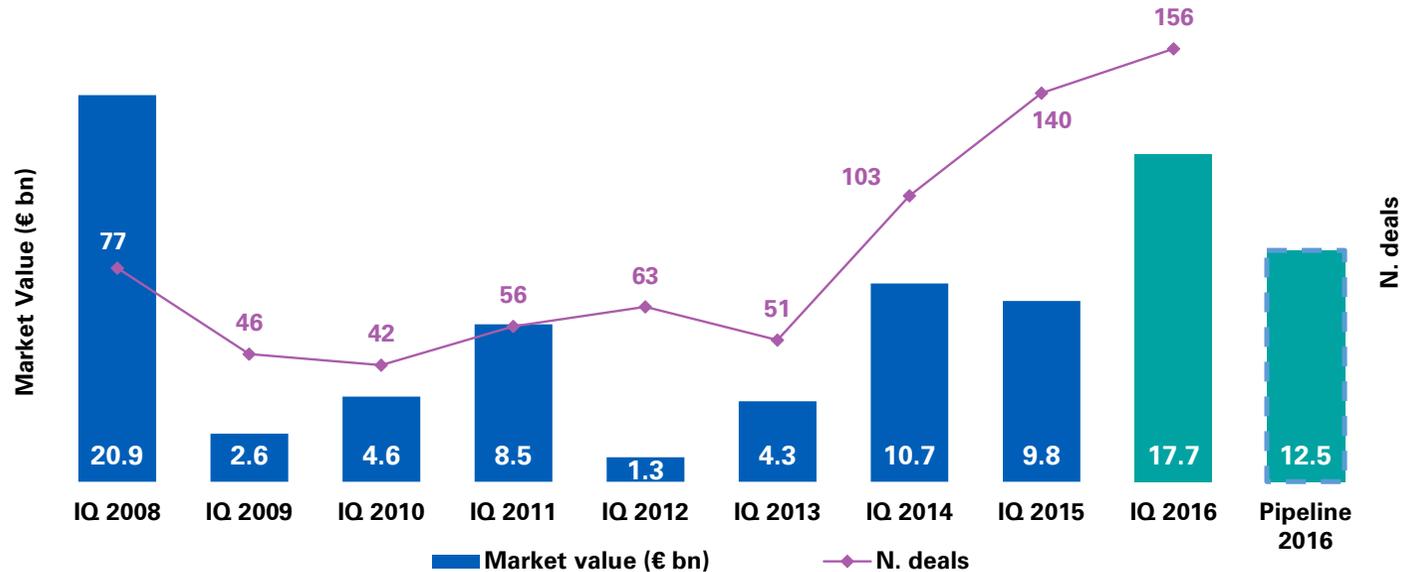


Deals greater than €1 billion				
Target	Bidder	Bidder Nationality	Stake	Euro/000
Pirelli & C. S.p.A.	China National Chemical Corporation	China	99.7%	7,284,737
Telecom Italia S.p.A.	Vivendi Sa	France	21.4%	3,292,320
World Duty Free S.p.A.	Dufry SA	Switzerland	96.7%	2,521,871
ICBPI S.p.A.	Bain Capital, Advent International, Clessidra	USA	85.3%	1,833,735
Sorin S.p.A.	Cyberonics Inc.	USA	100.0%	1,388,820
Generali Ppf Holding B.V.	Assicurazioni Generali S.p.A.	Italy	24.0%	1,245,500
Intesa Sanpaolo S.p.A.	People's Bank of China	China	2.0%	1,140,000
Cushman & Wakefield	DTZ Holdings Plc	USA	75.0%	1,138,442
BSI -Banca della Svizzera Italiana	Banco Btg Pactual	Brazil	100.0%	1,136,566

Source: KPMG Corporate Finance

The Italian M&A Market

First quarters comparison - 2016



Source: KPMG Corporate Finance

2016 first quarter has registered the highest values of the last 8 years

The Italian M&A Market

1Q 2016 Top 10 deals

Top 10 deals of 1Q 2016					
Target	Target Nationality	Bidder	Bidder Nationality	Stake	Euro/000
PartnerRe Ltd.	USA	EXOR S.p.A.	Italy	90.1%	6,900,000
Enel Green Power S.p.A.	Italy	Enel S.p.A.	Italy	31.41%	3,215,000
Rhiag S.p.A.	Italy	LKQ Corporation	USA	100.0%	1,040,000
Carte Noire	France	Luigi Lavazza S.p.A.	Italy	100.0%	700,000
Ecorodovias	Brazil	ASTM S.p.A. e SIAS Società Iniziative Autostradali e Servizi S.p.A. (Gruppo Gavio)	Italy	41.0%	529,000
Saipem S.p.A.	Italy	Fondo Strategico Italiano S.p.A.	Italy	12.5%	463,239
marchio Roger Vivier e Roger Vivier Paris Sas	Italy	Tod's S.p.A.	Italy	100.0%	415,000
Poli Group Holding S.r.l.	Italy	Almirall, S.A	Spain	100.0%	365,000
Hydro Dolomiti Enel S.r.l. (Gruppo Enel)	Italy	Fedaia Holdings S.à.r.l. (Macquarie European Infrastructure Fund 4)	UK	49.0%	355,400
Beta Utensili S.p.A.	Italy	Tamburi Investment Partners S.p.A. (TIPO – TIP Pre-IPO S.p.A.)	Italy	100.0%	200,000

Source: KPMG Corporate Finance

Top 10 deals of the quarter represent ~ 85% of the total market value

Introduction

Since 1996, KPMG Corporate Finance, together with AIFI, carries out, on an annual basis, the Italian Private Equity and Venture Capital industry performance analysis

This survey, based on a significant sample of the Italian Private Equity and Venture Capital Houses, is basically performed to assess the overall performance of the Italian market

The analyses presented in this document and all the information and data used to calculate market performance were provided to AIFI and KPMG Corporate Finance on a confidential basis. All the information presented in this paper refers to aggregated data and/or data analysed by macro category

Performance are measured in terms of Gross Pooled IRR, calculated using monthly flows, analysed considering both:

- realised investments (i.e. divestments)
- investments still in portfolio

The analyses described in the followings consider:

'From Inception'
Gross Pooled IRR

Performance of divestments realised during 2015, regardless of when the initial investment was made

'By Horizon'
Gross Pooled IRR

Performance of the investments made on a 10 year horizon period, regardless of whether they have been subsequently divested or are still in the PE's portfolio

IRR analysis 'From inception' Main sample

	2011	2012	2013	2014	2015
No. of PE included in the research panel	92	95	95	91	80
No. of PE presenting realised investments	47	36	55	41	43
No. of realised investments 'From Inception'	85	82	102	95	74
Average investment size (Euro mln)	21.0	10.2	20.7	17.7	18.7
Total Cash Out (Euro mln)*	1,784	840	2,115	1,681	1,382
Total Cash In (Euro mln)**	2,939	1,112	4,809	3,489	3,333
Average cash multiple***	1.6x	1.3x	2.3x	2.1x	2.4x

* Total Cash Outflows since the beginning of the investment (e.g. initial investment, further investments, potential capital increases)

** Total Cash Inflows since the beginning of the investment (e.g. dividends, partial and total divestments)

*** Total Cash In divided by Cash Out

The overall performance (in terms of gross pooled IRR) remains stable to positive values in line with the last two years

The number of realized investments slightly decreased to 74 in 2015 from 95 in 2014

Total Cash Out dropped from Euro 1,681 mln in 2014 to Euro 1,382 mln in 2015

The average investment size grew to Euro 18.7 mln in 2015 from Euro 17.7 mln in 2014

IRR analysis 'From inception' Performance

	2013	2014	2015
Yearly Pooled IRR	18.2%	19.7%	17.8%
Upper quarter (by performance)	27.3%	53.5%	61.2%
Upper quarter (by investment size)	19.1%	22.5%	17.4%

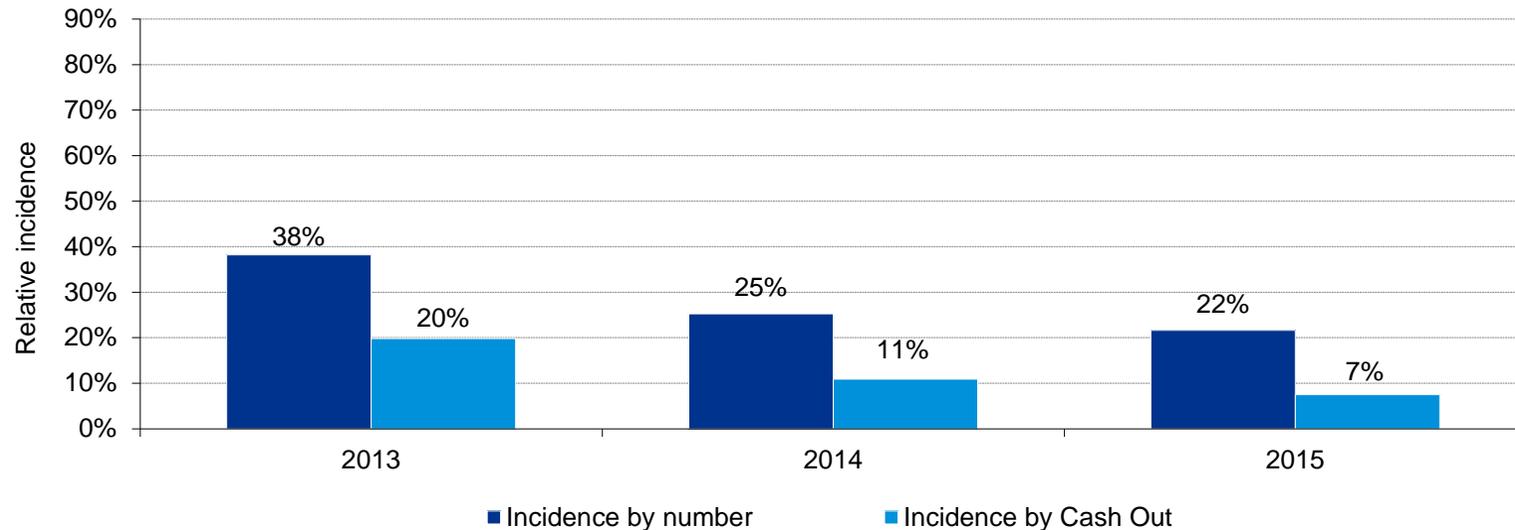
The overall 2015 IRR is equal to 17.8%. Performances were mainly led by a few divestments with high returns and by lower Write Offs, both by number and by Cash Out with respect to 2014

Returns of the upper quartile by performance increased from 53.5% IRR in 2014 to 61.2% IRR in 2015

The top quartile performance by investment size dropped from 22.5% in 2014 to 17.4% in 2015

IRR analysis 'From inception'

The impact of Write Offs on 2015 Performance



The Write Offs incidence by number decreased from 25.3% in 2014 to 21.6% in 2015 and by Cash Out from 10.9% in 2014 to 7.5% in 2015

'From Inception' Gross Pooled IRR Methodological approach

The performance analysis focuses only on divestments realised during the analysed year (2015), regardless of when the initial investment was made

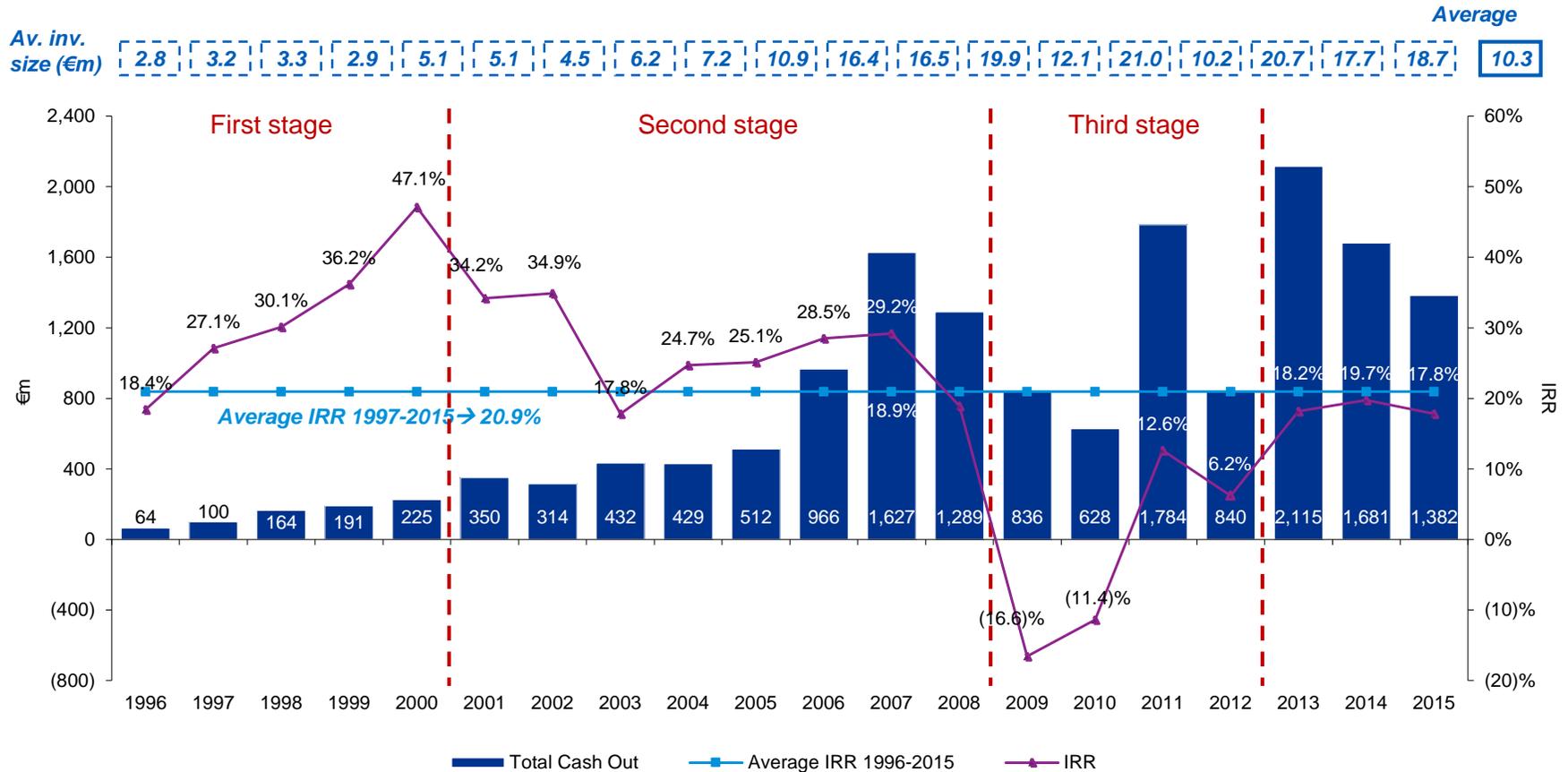
Since 1996 (20 years) we have observed c.ca 1,419 realised investments; between 1996 and 2015, the divestments monitored increased 2.3 times (from 32 in 1996 to 74 in 2015)

Given the increasing coverage of the analysis over the years, investment volumes recorded significant growth rates: total Cash Out showed a CAGR 1996-2015 of some 18% and total Cash In recorded a CAGR 1996-2015 of some 17%

1996-2015 weighted average Yearly Pooled IRR (in terms of Cash Out) stands at around 17.7%

The average investments size over the 1996-2015 period is around €10.3 million

'From Inception' Gross Pooled IRR



Source: AIFI and KPMG Survey

'From Inception' Gross Pooled IRR

A 'year by year' analysis shows four different historical stages:

- the first stage, between 1996 and 2000, assisted by a favourable economic conditions, was characterised by a strong **growth in terms of number of investments** as well as higher levels of IRR
- the second stage (2001-2008), characterised by a complex macro economic scenario, experienced a **slowdown of IRR results** but an increasing amount of investment volumes (Cash Out)
- the third stage (2009-2012), characterised by **high volatility**, affected by the **sub-prime crisis** and later by the credit-crunch, resulted in an outlier in 2011 before the subsequent fall in 2012
- the 2013-2014 period, thanks to favourable financial market conditions and some significant divestments, recorded the **highest ever Cash In and the strongest returns since 2008**

'From Inception' Gross Pooled IRR Focus on 2015

In 2015 the Italian Private Equity and Venture Capital industry confirms positive results in terms of investment activity and returns. The overall performance, in terms of Gross Pooled IRR, stands at 17.8%, (19,7% in 2014) mainly due to:

- **stable performance of transactions** with IRR >30%, 19 recorded in 2015 (which represents 41.0% in terms of Cash Out)
- **positive impact of certain transactions** (IRR ranging from 50% to 100%). The cluster ranging 50%-100% remained stable in terms of number of transaction (i.e. 7 in 2015 vs 6 in 2014) but increased its importance in terms of Cash Out reaching 33.8% in 2015 from 26.0% in 2014
- significant **decrease of Write-Offs' impact**, in terms of both by number (i.e. 21.6 % in 2015 vs 25.3% in 2014) and by Cash Out (i.e. 7.5% in 2015 vs 10.9% in 2014) incidences

IRR analysis 'By Horizon'

2015	3YR	5YR	10YR
Active PE houses	68	93	128
No. of transactions	293	574	1125
of which: - <i>realised investments</i>	23	117	440
- <i>investments still in portfolio</i>	270	457	685
Average investment size (Euro mln)	18.1	16.7	17.8
Total Cash Out (Euro mln)	5,293	9,578	20,081
Total Cash In (Euro mln)	6,790	12,194	27,554
Average (implied) cash multiple	1.3x	1.3x	1.4x
<i>Yearly Pooled IRR</i>	<i>23.9%</i>	<i>12.2%</i>	<i>8.8%</i>

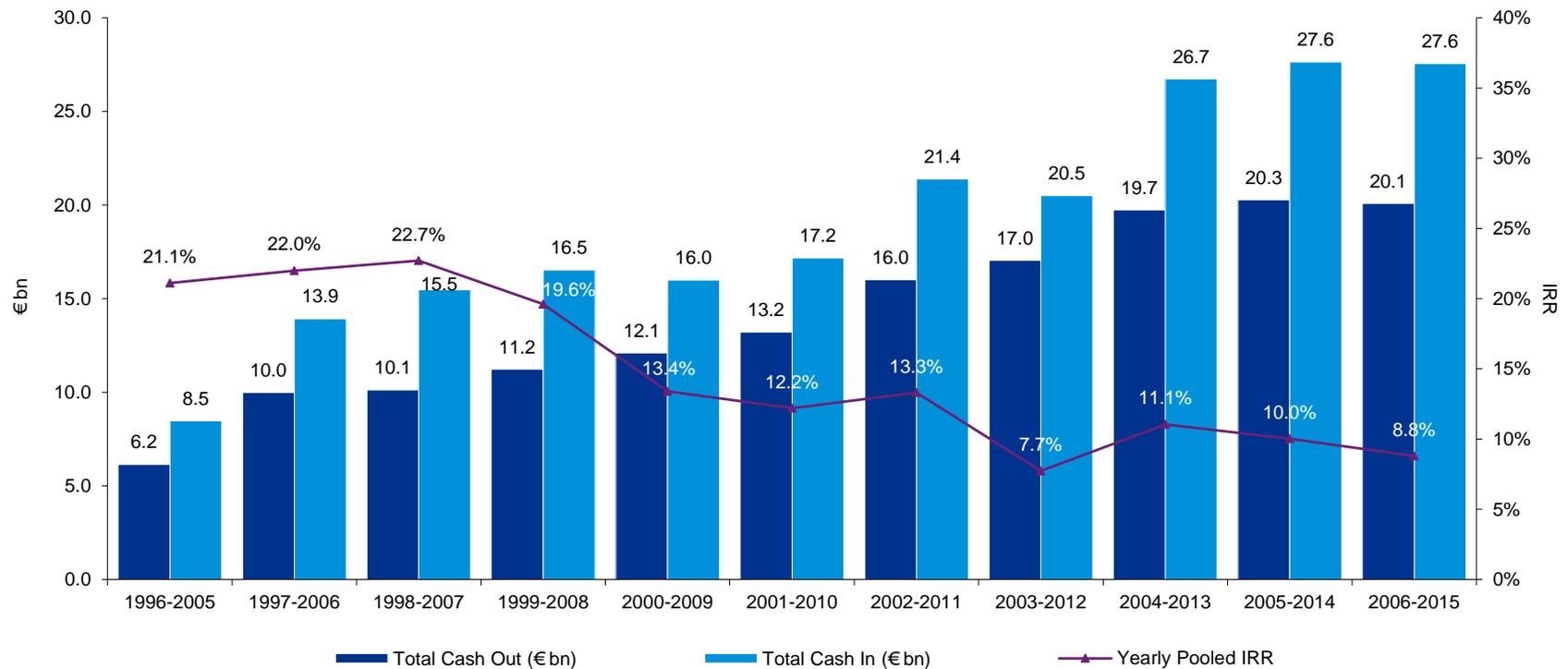
This analysis considers all the investments made in the reference timeframes (i.e. 3, 5 and 10 years), regardless of whether they have been (partially or totally) divested or if they are still in portfolio ('Gross Pooled IRR on All Investments')

Focusing on the 10YR Horizon (the most statistically significant) the analysis shows an yearly pooled IRR of 8.8%. The number of companies still in portfolio is 685 consisting in 10,339 Million of Cash Out

'By Horizon' Gross Pooled IRR

10 years IRR by Horizon

Av. inv. size (€m)	8.3	12.1	11.4	12.5	14.0	14.9	16.5	16.4	17.8	17.7	17.8
Cash multiple	1.4x	1.4x	1.5x	1.5x	1.3x	1.3x	1.3x	1.2x	1.4x	1.4x	1.4x



Source: AIFI and KPMG Survey

'By Horizon' Gross Pooled IRR Methodological approach

The 'By Horizon' analysis (also known as 'Gross Pooled IRR on All Investments'), with a particular focus on the 10 year horizon, takes into account all the investments made with reference to this timeframe (thus during the last decade), regardless of whether they have been (partially or totally) divested or are still in PE's portfolios

This analysis is affected by two main issues:

- the application of an 'average rolling' method to the specific period considered
- the common practice of a number of Private Equity Houses to value most of their investments in their portfolios at cost

'By Horizon' Gross Pooled IRR

The average cash multiple fluctuates in the range of 1.2x - 1.5x

In line with the macroeconomic scenario, performance started to decrease significantly from the 2000-2009 10 YR period

The comparison between the 1996-2005 10YR horizon and the 2006-2015 10YR horizon highlights a significant increase in the investment volumes:

- Total Cash Out increases from €6.1 billion to €20.1 billion and Total Cash In increases from €8.5 billion to €27.6 billion
- The average investment size increased from €8.3 million in the 1996-2005 10YR horizon to €17.8 million in the 2006-2015 10YR horizon

20 Years Italian Private Equity and Venture Capital Performance

20 Years Performance	1996-2016
Average Yearly Pooled IRR "From Inception"	20.9%
Average Cash Multiple	2.0x
Average investment size (Euro Mln)	10.3
Average n. of realized investments "From Inception"	71
Realised investment observed (N°)	1,419
Total Cash Out <i>CAGR</i>	17.6%
Total Cash In <i>CAGR</i>	17.5%

The performance analysis focuses only on divestments realised during the analysed year, regardless of when the initial investment was made

Since 1996 (20 years) we have observed c.ca 1,419 realised investments; between 1996 and 2015, the divestments monitored increased 2.3 times (from 32 in 1996 to 74 in 2015)

Given the increasing coverage of the analysis over the years, investment volume recorded significant growth rates: total Cash Out showed a *CAGR* 1996-2015 of some 18% and total Cash In recorded a *CAGR* 1996-2015 of some 17%



Performance comparison between Stock/Bond and Private Equity markets

Performance comparison between Stock/Bond and Private Equity markets

Overview by geographical area

Relevant recovery of Italian corporates performance vs European and US companies...

Five year rolling IRRs by geographical area						
Index	2006-2010	2007-2011	2008-2012	2009-2013	2010-2014	2011-2015
FTSE Italia All shares	(6.3%)	(14.2%)	(11.4%)	4.2%	0.4%	5.6%
STOXX Europe 600	(0.9%)	(8.0%)	(6.0%)	10.4%	6.0%	7.5%
Russell 3000	2.7%	(0.0%)	2.0%	18.7%	15.6%	12.2%
KPMG analysis "By Horizon"	n.a	1.0%	2.9%	6.8%	5.6%	7.3%

Notes: The IRR reflects the change in the market capitalization of the total return index computed applying the formula of the compound annual growth rate ("CAGR"). The IRR includes dividends and/or any other form of distribution/capital increase made during the period analyzed. The IRR does not include any tax effects potentially affecting the investors in the process of distribution of dividend/realization of investment. KPMG analysis "By Horizon" refers to Net Pooled IRR (equal to 60% of 5YR Gross Pooled IRR)

Source: Market information provider, KPMG



Performance comparison between Stock/Bond and Private Equity markets

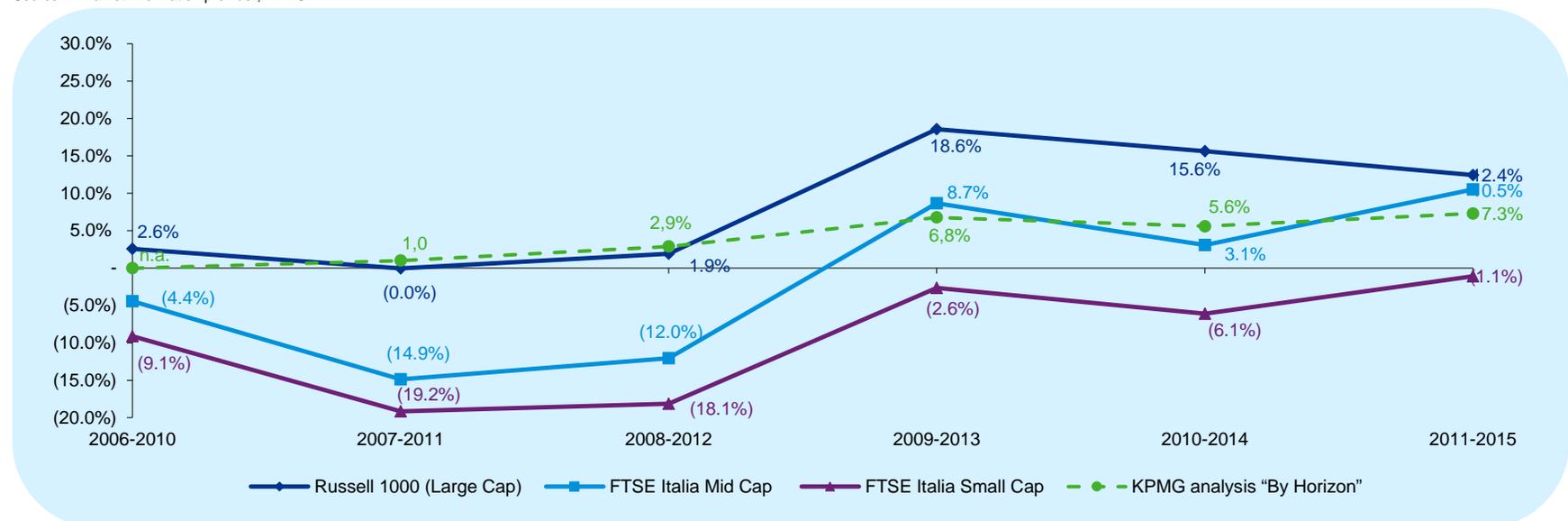
Overview by cluster

... mainly supported by Mid and Small Cap

Five year rolling IRRs by cluster						
Index	2006-2010	2007-2011	2008-2012	2009-2013	2010-2014	2011-2015
Russell 1000 (Large Cap)	2.6%	(0.0%)	1.9%	18.6%	15.6%	12.4%
FTSE Italia Mid Cap	(4.4%)	(14.9%)	(12.0%)	8.7%	3.1%	10.5%
FTSE Italia Small Cap	(9.1%)	(19.2%)	(18.1%)	(2.6%)	(6.1%)	(1.1%)
KPMG analysis "By Horizon"	n.a	1.0%	2.9%	6.8%	5.6%	7.3%

Notes: The IRR reflects the change in the market capitalization of the total return index computed applying the formula of the compound annual growth rate ("CAGR"). The IRR includes dividends and/or any other form of distribution/capital increase made during the period analyzed. The IRR does not include any tax effects potentially affecting the investors in the process of distribution of dividend/realization of investment. KPMG analysis "By Horizon" refers to Net Pooled IRR (equal to 60% of 5YR Gross Pooled IRR)

Source: Market information provider, KPMG



Performance comparison between Stock/Bond and Private Equity markets

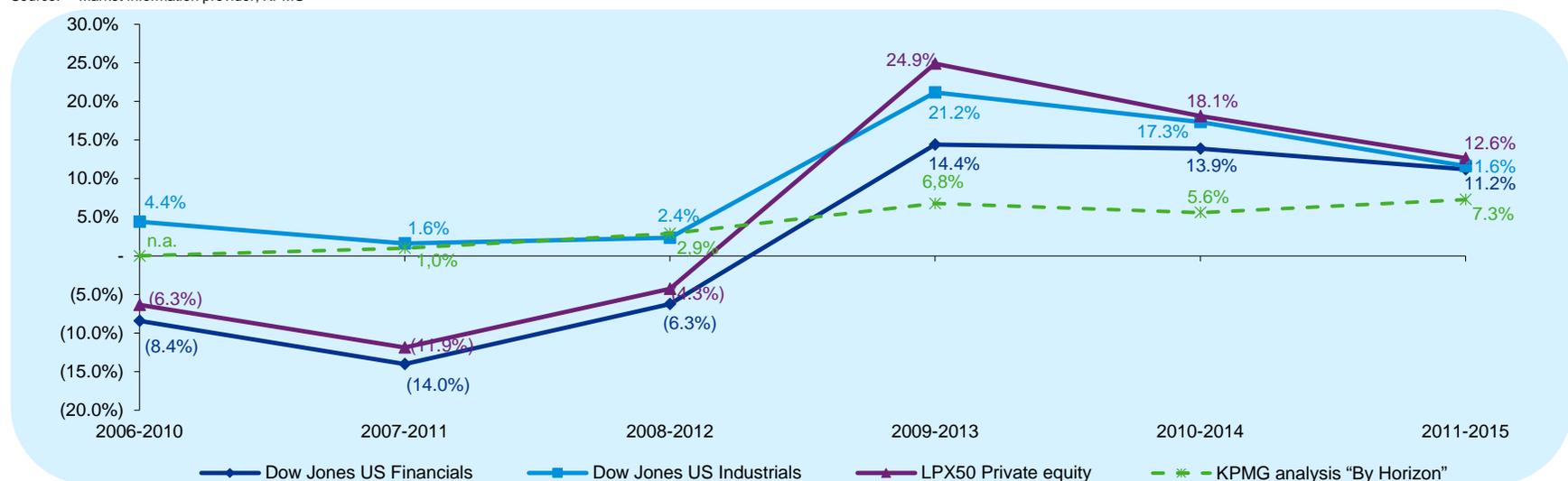
Overview by sector

In the US market, despite recent slowdown, PE houses stocks still have higher yield than financial and industrials diversified indices.

Five year rolling IRRs by sector						
Index	2006-2010	2007-2011	2008-2012	2009-2013	2010-2014	2011-2015
Dow Jones US Financials	(8.4%)	(14.0%)	(6.3%)	14.4%	13.9%	11.2%
Dow Jones US Industrials	4.4%	1.6%	2.4%	21.2%	17.3%	11.6%
LPX50 Private equity	(6.3%)	(11.9%)	(4.3%)	24.9%	18.1%	12.6%
KPMG analysis "By Horizon"	n.a	1.0%	2.9%	6.8%	5.6%	7.3%

Notes: The IRR reflects the change in the market capitalization of the total return index computed applying the formula of the compound annual growth rate ("CAGR"). The IRR includes dividends and/or any other form of distribution/capital increase made during the period analyzed. The IRR does not include any tax effects potentially affecting the investors in the process of distribution of dividend/realization of investment. KPMG analysis "By Horizon" refers to Net Pooled IRR (equal to 60% of 5YR Gross Pooled IRR)

Source: Market information provider, KPMG

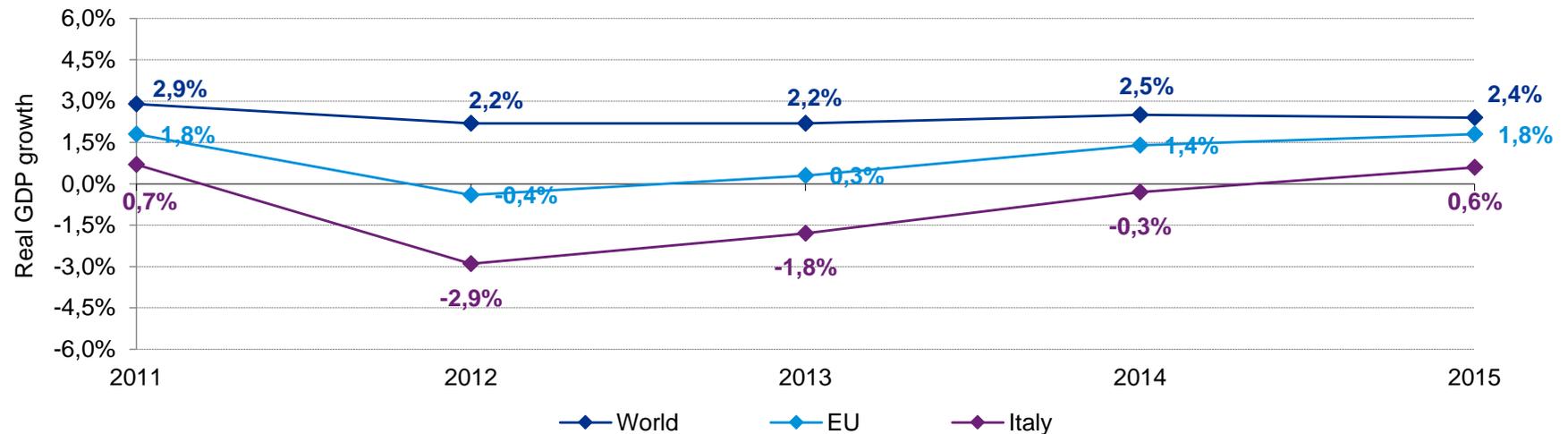




Appendices

Appendix 1 - Macroeconomic scenario

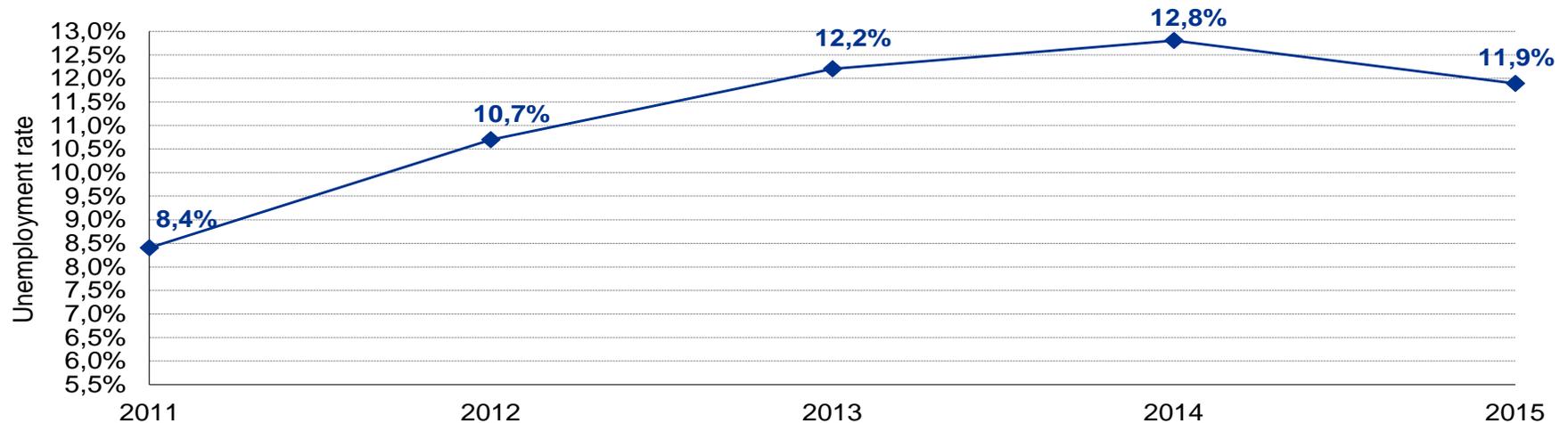
Real GDP growth



At global level, the 2015 GDP growth rate showed a stable growth (i.e. +2.4% in 2015 vs +2.5% in 2014), while the European economy gained ground (i.e. +1.8% in 2015 vs +1.4% in 2014). Although Italian GDP confirmed the positive trend started in 2012 and finally reached a 0.6% positive growth

Appendix 1 - Macroeconomic scenario

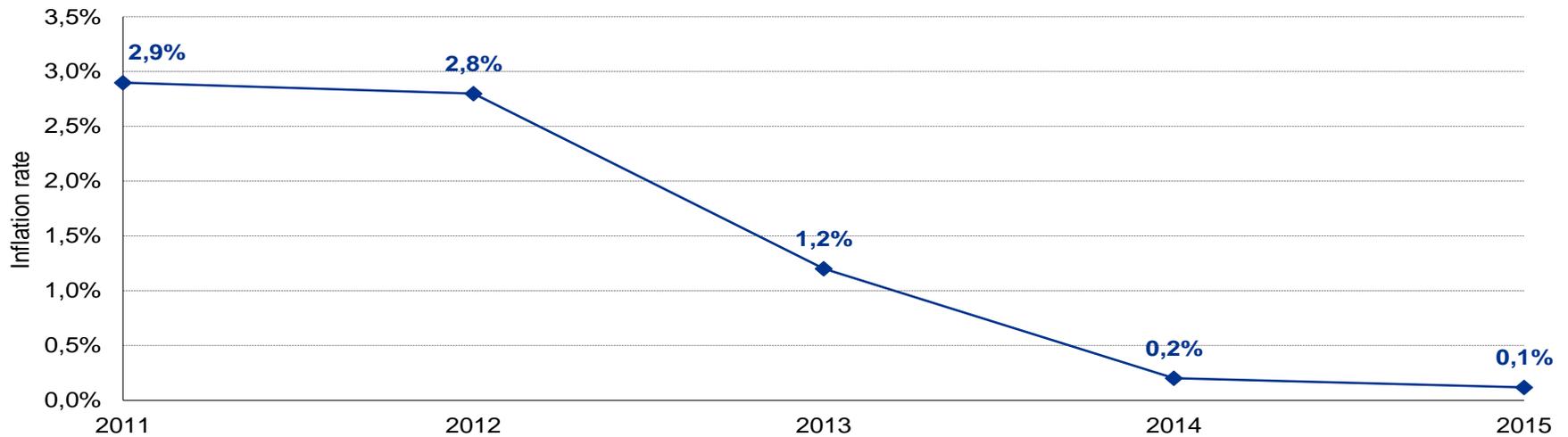
Italian Unemployment rate



The Italian labour market remains critical. Data concerning the latter months of 2015 highlight a first decrease in the total unemployment rate (11.8% in 2015 vs 12.8% in 2014), with an increase of stable work contract forms. The expectations for the future are prudently optimistic

Appendix 1 - Macroeconomic scenario

Italian Inflation rate



Weakening of the foreign demand, underutilization of productive capacity and declining prices of energy goods drove the reduction of the Italian inflation rate. In 2016, aggressive European monetary policies are planned to reduce the risk of deflation

Appendix 2 – Indices by geographical area

Description

Indices by geographical area		
Index	Ticker	Description
FTSE Italia All-Share	<i>TITLMSE Index</i>	The FTSE Italia All-Share Index comprises all the constituents in the FTSE MIB, FTSE Italia Mid Cap and FTSE Italia Small Cap indices
STOXX Europe 600	<i>SXXT Index</i>	The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region
Russell 3000	<i>RU30INTR Index</i>	The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market

Source: Market information provider

Appendix 3 – Indices by sector

Description

Indices by sector		
Index	Ticker	Description
Dow Jones US Financial	<i>DJUSFNT Index</i>	Dow Jones US Financials Index measure the stock performance of U.S. companies in the Financials sector. The Index is one of ten indices that together make up the Dow Jones U.S. Index, which represents approximately 95% of U.S. market capitalization
Dow Jones US Industrials	<i>DJUSINT Index</i>	Dow Jones US Industrials Index measure the stock performance of U.S. companies in the Industrials sector. The Index is one of ten indices that together make up the Dow Jones U.S. Index, which represents approximately 95% of U.S. market capitalization
LPX50 Listed Private Equity	<i>LPX50TR Index</i>	The LPX50 Listed Private Equity Index contains the largest private equity companies listed in global stock exchanges. The Index composition is determined on the basis of a wide range of factors, including market capitalization (at least 20 million dollars), weekly trading volume (at least 0.1% of capitalization), average bid-offer spread (no more than 8%) and free float (at least 15%)

Source: Market information provider

Appendix 4 – Indices by cluster

Description

Indices by cluster		
Index	Ticker	Description
Russell 1000 (Large Cap)	<i>RU10INTR Index</i>	The Russell 1000 Index measures the performance of the largest 1000 companies in the Russell 3000 Index
FTSE Italia Mid Cap	<i>TITMCE Index</i>	The FTSE Italia Mid Cap Index measures the performance of the top 60 shares ranked, by company full market capitalisation, outside the FTSE MIB Index
FTSE Italia Small Cap	<i>TITSCE Index</i>	The FTSE Italia Small Cap Index captures the performance of all other small shares outside the FTSE MIB Index and FTSE Italia Mid Cap Index

Source: Market information provider



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