



## **The covid-19 impact on access to capital markets by Italian SMEs**

The Bank of Italy has recently published a note (Covid-19 Note of January 12, 2021) examining the impacts of the Covid-19 crisis on access to capital markets.

Considering that between 2009 and 2019, 237 new companies were listed on the various markets of Borsa Italiana, more than three quarters of the IPOs involved SMEs on the AIM Italia list. At the end of December 2020, AIM Italia had 138 listed companies, with a market cap of € 5.8 billion and capital raised in IPOs of over € 3.9 billion, of which 21 IPOs took place in 2020 (compared to 31 IPOs in 2019) .

Specifically, the Bank of Italy note focuses on the characteristics of the 88 SMEs that listed on the AIM Italia market between 2013 and 2019, through which the number of SMEs potentially most qualified for listing in the pre-Covid-19 phase is estimated.

The particular interest in SMEs is motivated by their greater vulnerability to the current economic context and by the development potential that listing on the stock exchange can offer them, taking into account the various benefits deriving from listing for this category of companies, including the rebalancing of the financial structure, the greater visibility of SMEs with lenders and the more marked aptitude for M&A activity. In addition to these aspects, there is also greater discipline for directors, which connects to the transparency of management to which financial markets are paying increasing attention.

The results of the research carried out by the Bank of Italy show the presence of around 2,800 SMEs (non-financial and excluding the real estate sector) with characteristics suitable for listing on AIM Italy before the spread of the pandemic. Through the simulation of the 2020 company balance sheets and also taking into account the effects of the first wave of the pandemic, the same estimate of the 2021 financial data was elaborated.

The analysis carried out showed that, although the effects of the health crisis reduce by 20-25% the pool of SMEs that could potentially access AIM Italy, it is estimated that the number of companies that can be listed remains very high even at the beginning of 2021.

The hypothetical listing of all the companies identified by the analysis would contribute to reducing the underdimensioning of the Italian stock market compared to those of the major foreign economies: according to the Bank of Italy's estimates, the theoretical additional market capitalization could reach € 70 billion (about +11.5% compared to the market cap at the end of 2020), with an increase in the GDP ratio to 40% (39% at the end of 2019).

Therefore, it is conceivable that the listing trend of Italian SMEs could resume at a sustained pace progressively at the end of the Covid-19 crisis, thus providing a significant contribution to the general recovery of the Italian System.

Andrea Moresco