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Company restructuring, here is the map of all the Italian players of the sector, from funds to servicers

Investors active in restructuring in Italy – data in gross value

Fund	Strategy type	Manager	Target in mln euros	Mln euros raised/ acquired	Date	Article
Pillarstone Italy	Corporate Utp	Pillarstone Italy	>1000	1600*	Apr-16	BeBeez
CCR II and CCR II shipping	Corporate Utp	Dea Capital Alternative Funds sgr	nd	925	Oct-20	BeBeez
RSCT Fund	Corporate Utp	Davy Fund Management (Pillarstone Italy)	600	600	Jun-20	BeBeez
FINAV	Italian corporate Utp	Davy Fund Management (Pillarstone Italy)	>500	500	May-20	BeBeez
Amco-Prelios Fund	Italian corporate real estate Utp	AMCO	1.500	450	Dec-19	BeBeez
Apollo Delos	Corporate Utp	Aperion-Apollo Global Management	400	400	Jul-20	BeBeez
Clessidra Restructuring Fund	Italian corporate Utp	Clessidra sgr	>320	320	Sept-19	BeBeez
CCR I	Corporate Utp	Dea Capital Alternative Funds sgr	nd	296	Jun-16	BeBeez
Itaca Equity Holding	turnaround	Tamburi Investment Partners	500-600	50-100	Sept-20	BeBeez
Securitization fund	Npl	Sagitta sgr	150	50	May-19	BeBeez
Zephir Fund	Corporate Utp	Zephir Capital Partners sgr	1000	nd	Apr-20	BeBeez
Main Capital UTP	Corporate Utp	Main Capital sgr	240-300	nd	Mar-20	BeBeez
Finint turnaround	Corporate Utp	Finint Investments sgr	>200	nd	Mar-20	BeBeez
Special Credit Situations	Leasing credits, consumer credits, commercial credits, both performing and not performing	Green Arrow Capital sgr	200	nd	Jan-19	BeBeez
SC Lowy Npl Italy	Corporate Utp	SC Lowy	200	nd	Feb-20	BeBeez
FVG-Pillarstone Fund	turnaround	FVG sgr - Pillarstone Italy	150	nd	Jul-18	BeBeez
Corporate and Credits Fund	Corporate Utp	Illimity sgr	nd	nd	Apr-20	BeBeez
Total			7.040	5.211		

Source: BeBeez

At the end of June, the stock of impaired loans of European banks had started to grow again, reaching 526.3 billion euros, up from a low of 522.8 billion euros at the end of March. This was calculated by the **European Banking Association** and expectations, given that the Covid-19 emergency does not seem to disappear soon, are all rising (see other *BeBeez* article). **Andrea Enria**, Head of ECB supervision, in an interview with the German newspaper *Handelsblatt*, has already warned: “In a serious scenario with a second wave of contagion and containment measures, we have calculated that there could be up to 1.4 trillion euros in bad debts, more than after the last financial crisis” (see other article by *BeBeez*).

Italy accounted for 108.4 billion euro of total impaired loans on the books of European banks at the end of June, but in reality it is against the trend, down from 111.6 billion euro at the end of March. Unfortunately, however, the feeling is that this will no longer be the case in the coming months. A good slice of the problem, as we know, in Italy concerns companies that are increasingly in difficulty and that, if not adequately supported, in an instant can see themselves in the ranks first of probable defaults (Utp) and then of suffering (Npl). All this within the framework of a regulation which, in order to keep up with the situation, should change again.

The infamous calendar provisioning. Central bankers and supervisors have made it clear in the last few days that they see no reason to delay the return to calendar provisioning, which is the rule requiring banks to write down their impaired loans within a specified time frame. With good peace of mind of those who have a completely opposite opinion and think that this move will be the fuse that will set off the bomb. This was said by the general director of ABI, **Giovanni Sabatini**; the managing director of Mediobanca, **Alberto Nagel**; and **Rainer Masera**, former Minister of Budget and Economic Planning and former president and CEO of the Sanpaolo Imi group, who spoke a few days ago at the Alma Iura conference in Verona (see another article by *BeBeez*).

The alternatives for banks. What to do then? There are basically three alternatives for banks to address the Utp corporate issue today. The first is to **sell**: you can either sell individual positions of a certain size to individual investors and/or sell a portfolio to a single investor, or you can securitise the portfolio and distribute the asset-backed securities to various investors; in each case you take home a loss more or less large in relation to the book value. The second is to **make an agreement with a servicer** to whom you entrust the management of the files while maintaining the ownership of the receivables. And the third is to **manage the files directly with a team within the bank**. Alternatives which in turn may include various intermediate solutions.

Investors are Italian and international and of various kinds (**click here to download the table of restructuring funds**). Many funds aim in the first instance to buy from banks their receivables from individual companies in order to become the main creditors and then induce the owners to accept a debt restructuring agreement that in most cases provides for the conversion of those debts to equity, diluting the old shareholders in the capital, but not making them come out completely. These funds usually finance the purchase of the credits from the banks with operations that involve the contribution of these credits to the fund by the banks, in exchange for shares in the fund, which in terms of impact on the regulatory capital are less onerous than the individual credit (thanks to the so-called **credit derecognition**). To relaunch a company, however, fresh capital is also needed, so these funds are raised from third parties.

On this type of structure, which is now widely used, there is also some doubt (see **Fabrizio Vettosi**'s contribution herein the Comments section), underlining that the classification criteria imposed by the **CRR (Capital Requirements Rules)** directive, i.e. **Basel 3.5**, the final account is much higher at the end of the term than the simple cash-based sale of the position, or better still through a direct management of the anomalous credit appropriately selected.

That said, it remains true that this structure, among Italian investors, is the one adopted by most operators. In particular, it is used by **Dea Capital Alternative Funds sgr** for its **CCR I and CCR II funds,** which to date have reached a total of approximately 1.3 billion euros gross. In particular, the CCR II fund, including the shipping sector, at the end of June had reached a GBV 925 million euros or NAV 600 million euros, including 27 million euros from the **seventh closing**, which saw the purchase of receivables from **Microgame** (gaming), **ICQ Holding** (energy from renewable sources) and **Istituto Neurotraumatologico Italiano** (healthcare). And that's not enough, because a few days ago it was the turn of an **eighth closing** for a slightly lower gross value, which saw the contribution of a credit to **Calvi** by **Banca Popolare di Sondrio**, an institution that did not yet appear in the group of banks that joined the platform in the last two years (see another *BeBeez* article). The same fund structure with a credit and new finance section is used by **Pillarstone Italy**'s latest **600 million euro** vehicle, launched last June and called **Responsible & Sustainable Corporate Turnaround Fund** (see other BeBeez article*),* in line with the FINAV fund structure, dedicated to shipping receivables, formally managed by the Irish management company **Davy Fund Management** and underwritten by Pillarstone Italy, which exceeded 500 million euro in receivables acquired (see other BeBeez article*).* The same approach also applies to the **Clessidra Restructuring Fund**, which for the time being has bought receivables for **320 million euros** (see other article of *BeBeez*); and so will the **Corporate and Credits Fund**, launched by **Illimity sgr** (see other *BeBeez* article).

A slightly different approach had instead the first Pillarstone Italy fund, launched in 2015, with the acquisition from Unicredit and Intesa Sanpaolo of about one billion euros of Utp credits to **Burgo, Orsero, Comital Saiag, Lindberg, Manucor** and **Alfa Park** (see other *BeBeez* article) and then in 2016 it also acquired the credits to **Premuda** and **Sirti** to reach a total of about 1.6 billion euros. In the case of Pillarstone Italy's first fund, the structure **did not provide for the so-called derecognition** of receivables for the banks' balance sheets, because the lenders took home a securitised security relating to that same corporate credit, but less risky than the original exposure because in the meantime the debtor company had been recapitalised by Pillarstone.

On the other hand, there are investors who immediately focus on the equity of companies in crisis. These are pure turnaround funds, with a management team that has strong industrial expertise, who buy a company in difficulty, put in fresh money immediately and try to accompany it in the relaunch. For instance, the latest initiative by **Tamburi Investment Partners, Itaca Equity,** adopts this approach. The vehicle brought together in a new club deal a group of entrepreneurs who are going to invest in the capital of companies that have ended up in difficulty due to the Covid-19 emergency and now need to be recapitalised in order to start up again (see another *BeBeez* article).

10 main servicers involved in the management of UTPs
data as of the end of 2019,
in billion euros

Company	Activities	Total AUM	Of which UTP and Past Due	Of which NPL
AMCO	servicing and investment	23,30	**10,20**	13,10
Crif	servicing	12,50	**8,80**	3,70
Fire	servicing and investment	10,50	**4,50**	5,60
Prelios Credit Servicing	servicing	28,70	**3,80**	25,00
Hoist Finance	servicing and investment	12,60	**3,50**	9,00
Cerved Credit Management	servicing	44,00	**2,20**	41,80
Aurora RE	servicing	2,50	**2,20**	0,30
doValue	servicing	77,80	**1,80**	75,80
Frontis NPL	servicing	2,30	**0,90**	2,30
Securitization Services (Finint)	servicing	1,90	**0,90**	1,00

Source: PwC

The role of servicers. The list of players in the Utp corporate sector also includes the management platforms created by the joint venture between an originator and a servicer, which in some cases also involves third-party investors (**click here to download the table of servicers**). This is the case, for example, of the **Intesa Sanpaolo** agreement with **Prelios sgr,** signed at the end of 2019 on a total portfolio of 9.7 billion Utp (see *other article by BeBeez*), of which 3 billion are securitised through **Kerma spv** (see other *BeBeez* article).which on the one hand has issued abs securities subscribed by investors and on the other is in turn selling receivables from the portfolio to other investors. A recent example is **Irplast**, acquired by the **Cheyne European Strategic Value Credit Fund**, after a debt restructuring operation in which Kerma spv also participated (see other article by *BeBeez*).

As **Franco Carlo Papa** and **Luca Sala** explained in an article published by *MF Milano Finanza* on Saturday 17 October, the great servicers managing billionaire positions in Utp (see the table on the page on data extracted from the **PwC** report **"The Italian Npl Market. Ready to Face the Crisis"** last June, see another *BeBeez* article) will be the very people who will best develop the secondary market, selling the various positions to other funds or more specialised servicers. The problem is that working on UTPs does not allow a standard approach and therefore the time to dedicate to each position is a lot. That's why the smaller positions are also the ones that receive the least interest from investors and are the ones that will be difficult to sell on the secondary market. In recent months **both AMCO and Prelios have therefore hired many professionals** to deal with the big job that is coming up.

But the real goal is to industrialize the process of recovery of the corporate Utp. Prelios says he has succeeded. Chief operating officer **Fabio Panzeri** during the *Debtwire Italian Restructuring Forum* on 29 September, on the subject of probable defaults, said: "We have invested heavily in IT, launching in September Pegaso, our proprietary UTP workflow system, based on the most modern technologies. The best picture of the result is that this year we were able to bring back 340 companies to bonis already, with a target of 400 companies by the end of 2020. One result, that of getting many companies in trouble back on track, which also has obvious social implications" (see here the press release).

The debate on AMCO. And on the subject of AMCO, the Treasury's asset management company, to which another 8.1 billion in gross loans from Montepaschi (of which 3.3 billion Utp) will soon be transferred, is increasingly unvaried by the market because it is considered an ace catcher. At the end of September, at the **Npl meeting of Banca Ifis**, a spontaneous debate developed on the right role that AMCO should play (see another article by *BeBeez*). It was said that it is one thing to save banks and another to compete on any portfolio of impaired loans on the market and that AMCO does not act as a market player. To be partly worried are also the banks that fear on other tables the replication of the current clash on the well known Ferrarini salami producer group, with on one side AMCO lined up together with Pini group and Ferrarini family and on the other side the other two main creditors, Intesa Sanpaolo and Unicredit, together with the industrial partners Bonterre-Grandi Salumifici Italiani, Opas and HP (see here Beez Peak of September 14th).

Tags: calendar provisioningfundsNPEnplrestructuringservicerturnaroundUtp