OUTLOOK M&A
ITALY AND UNITED STATES

Working Group M&A
AmCham Italy

White Paper

October 2020

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American Chamber of Commerce in Italy

INDEX

The competitiveness of a state is defined by the production capacity of its companies and by the ability to attract private capitals and implement policies to support their internationalization to compete in the global landscape.

Companies that undertake M&A strategies, grow more in terms of both profits and revenues than those opting for other expansion strategies. Given the fully global context they operate in, M&A activity, if properly developed, represents an accelerator of the growth path of companies, which can, through this strategy, enter a market, expand or gain technological skills, know-how, distribution, and logistics.

In light of the above, the M&A Working Group of the American Chamber of Commerce in Italy has launched its study to analyze the trend of the flows of investments between Italy and the United States according to specific economic-financial, legal and strategic perspectives. Bearing in mind the difficulties entailed by the global Covid-19 pandemic crisis, the research also highlights the progressive growth of outbound operations and a sectoral concentration of inbound operations.

According to the study, it is essential to promote Italian excellence in the world.

The constant dialogue between our Members made it possible to identify some macro-lines of action useful for increasing the mutual attractiveness between two highly interconnected economies like the Italian and American ones. To further enhance this growth, it is necessary to develop a clear vision aimed at welcoming even more American investors in Italy and at favoring and supporting our companies more in acquiring strategic assets in the United States.

We hope that the results of this work can provide useful stimuli for Italian policymakers, our Members, and the business world in a broader perspective.

Enjoy the reading.

Simone Crolla

Managing Director – American Chamber of Commerce in Italy

I. INTRODUCTION

AmCham is attentive to the news and needs of the business world and follows its developments with constant attention, with the ambition of proposing itself as a qualified door-opener able to meet the new challenges that the transatlantic axis poses every day. As evidence of this, numerous new Working Groups have sprung up over the years as a response to emerging phenomena and future trends.

One of the latest has been the Working Group on M&A – launched in 2018 – whose coordinator is Mr. Antonio Pedersoli, Equity Partner of Pedersoli Studio Legale, assisted by his Co-coordinators Alessandro Iozzia, Partner of Brunswick, and Bruno Marino, Account Manager – EMEA of Mergermarket.

The Working Group is currently looking at how, in recent years, there has been a notable increase in the number of acquisitions of historic "Made in Italy" brands by foreign capital. This trend has contributed to spreading a feeling of threat to the economic sovereignty of our production system due to the growing presence of foreign investors leading Italian companies. However, this feeling cannot overshadow the fact that investment flows towards our country can bring opportunities for development, growth, and innovation. It is indeed useful to consider how the "Made in Italy" companies themselves are often protagonists of investments and incorporations of foreign companies through M&A operations that, for large corporations, represent one of the most relevant ways to expand cross-border. Nor should we forget that even family-run companies, which constitute a substantial part of the Italian entrepreneurial fabric, become protagonists of acquisitions abroad to pursue dimensional growth aimed at supporting their business in the main reference markets.

If properly developed, M&A transactions represent an excellent accelerator for companies' expansion, both domestically and abroad. These transactions, in fact, allow to tap new markets, expand or gain technological skills, know-how, distribution, and logistics networks, as well as to acquire new managerial skills and governance practices that are more effective in business management. In Italy, the small size of companies has often significant impacts on competitiveness, also in terms of lower investments in research and development and the ability to internationalize as well as appeal to better-prepared managers. For this reason, private equity funds are particularly interested in the Italian market, where companies, despite the lack of large groups capable of acting as aggregating poles, still offer a high degree of excellence and innovation.

Throughout January and February, financial markets seemed to be resilient against the fallout from COVID-19, the disease caused by the novel coronavirus. Amid increasing uncertainty, however, many corporate leaders are being asked to make strategic decisions.

Just as the spread of COVID-19 was accelerating around the world, global equity indices reached striking peaks. The MSCI World, S&P 500, and STOXX Europe 600 indices all closed at record highs on February 19, 2020. In a matter of weeks, the situation changed dramatically. From their peaks through March 18, 2020, these benchmarks lost between 30% and 35%. At the same time, volatility went through the roof, with the VIX index reaching 83%,a level last seen after the

Lehman Brothers collapse in 2008.

The M&A market, naturally, is affected by the deterioration of capital markets and the real economy. Before the crisis, the number of M&A deals globally was already on a slight downward trend (and deal value held up only because of several megadeals). This trend is likely to accelerate, at least in the short term. Historically, M&A activity has correlated strongly with the evolution of stock prices and risk, as measured by implied volatility.

The harsh effects on the M&A market are already evident. Indeed, numerous deals have been pulled off or delayed in the short term. The decline in deal activity comes as no surprise given the challenges Italy has faced in its battle against the coronavirus. Italy was the first European country where the spread of the virus accelerated, and the first country outside of Asia to implement social distancing and lockdown measures.

These restrictions have taken a toll on GDP growth and Italy's stock markets, which in turn has temporarily put M&A on hold. According to the European Commission's Spring 2020 economic forecast, Italy's GDP is expected to fall by 9.5% this year. Italy's benchmark stock market index—the FTSE MIB—has shed just under 17% this year but was down by more than 40% at one point before staging a partial recovery.

Dealmakers targeting Italian transactions have faced further headwinds with the enhancement of golden power rules introduced by Italy's coalition government, which expands the strategic sectors in which the state has the power to block overseas investors from buying assets. The new rules, introduced after the COVID outbreak to prevent foreign buyers from acquiring prized assets on the cheap, extend existing powers and now cover deals in banking, insurance, healthcare, and food security and most private equity deals for non-EU funds. These rules could weigh down M&A activity long after the battle against the coronavirus stabilizes. Prior to the crisis, cross-border M&A was a decisive contributor to deal-making in the country, accounting for as much as two-thirds of Italian deal value in some years.

During the summer, as lockdown measures had lifted and business in the country had reopened, there were signals and expectations that Italy's economy would start a recovery phase: the European Commission was forecasting an increase in consumer spending in H2 and a GDP growth rate of 6.5% for the following year. As of today, given a second wave of the virus is spreading in Italy and globally, initial growth expectations will inevitably be negatively impacted.

That said, a government stimulus package of €750 billion—including the €55 billion "Relaunch Italy" program and a €200 billion SACE government-backed loan guarantee scheme—would support the post-pandemic recovery, once the emergency phase will be overcome.

Nonetheless, there is already evidence of life in the market, with deals coming to market at attractive prices. Italian companies have been active in outbound investments, particularly in the pharmaceuticals sector where Angelini purchased ThermaCare's global business rights (excluding North America) from GSK in a US$214 million deal in April and Menarini picked up US oncology drug developer Stemline Therapeutics in a US$642 million deal in May.

II. THE M&A WORKING GROUP

III. MAIN FINDINGS

CONTEXT AND BACKGROUND

M&A can be an important means for building scale, improving a target's performance, or removing excess industry capacity, and can fuel long term, profitable growth. M&A's numerous potential benefits dictate that it can be viewed as an important arrow in the corporate quiver; ready to be loosed when needed. However, governments should not leave the lead of investments only to foreign investors, as providing proactive planning and the introduction of adequate measures could further foster investments from Italian companies, especially on the Transatlantic axis.

Due to the spread of the COVID-19 pandemic and the resulting economic crisis, the first half of 2020 registered world-wide a steep downward trend for M&A transactions, both in terms of the number of transactions and counter values. Despite some timid signs of recovery in the M&A activity on more resilient sectors, like biotech and telemedicine, the overall outlook for 2020 and onwards remains uncertain and difficult to predict.

As a further consequence, the pandemic has amplified a general increase in the complexity of M&A transactions leading to longer negotiation times, more stringent protection clauses for acquirers (i.e. earnout, liquidation preference, etc.) as well as more accurate and prudential due diligence and valuation phases. This is true especially in cross border transactions where the governments' ordinances led to significant travel restrictions and the comprehension of the specific local legislation becomes, even more, a fundamental pre-requisite for an effective and successful deal structuring.

Nevertheless, the global emergency has commanded to the development of new behavioral models by the consumers and these will probably establish even in the medium term. This could represent an opportunity to grow and to make strategic investments in the next future for more impacted sectors like Communication, Media & Technology, FinTech, IT Services where the demand is growing due to remote working and to a more pervasive customer digitalization. In the same direction, specifically for the Italian market, there are sectors of excellence that have been more resilient during the first semester of 2020 (e.g. food industry) that could exploit coming opportunities for cross-border investments if assessing properly their capital structure hereinafter.

IMPROVEMENT OF THE OVERALL ITALIAN POLITICAL OUTLOOK

Especially in recent times, Italian politics has been characterized by a degree of instability, short legislatures, and continuous government/ ruling majority changes. Political uncertainty, coupled with historical perception – by our foreign business partners – of inefficient administrative and judiciary environments, have hindered the full potential of the Italian economy as well as impaired the overall attractiveness of Italian companies. A more stable political and regulatory environment is likely to improve such global perception and facilitate business practices – of any form, from organic initiatives to M&A/ partnerships – abroad for Italian companies.

INCREASE AWARENESS OF ITALIAN POTENTIAL AND EXCELLENCES ACROSS SECTORS

As emerged from the analysis performed, certain sectors attract, more than others, significant foreign investments: more specifically, Italian industrial companies result particularly appealing to foreign players thanks to their best-in-class innovation and technology capabilities and strong positioning in their niche markets. Overall, Italy enjoys a strong track record of excellence in several fields across different sectors and it is recognized as one of the key economies globally and the second largest European manufacturing country. However, the health of the Italian economy has been challenged in recent times, as its overall perception abroad did. The Italian Government should act – jointly with the relevant domestic and international institutions – to promote a healthy image of the broader Italy ecosystem to (i) enhance foreign players' trust (ii) improve the standing of the Italian companies (iii) foster international business relationships, M&A and partnerships and (iv) facilitate the access to foreign capital for Italian players.

IMPROVE ENVIRONMENTAL PERFORMANCE OF BUSINESSES

Current regulation is one of the main factors driving environmental concerns into mergers and acquisitions. Along with knowing if an acquisition is going to be costly in terms of compliance, a company will want to identify how the addition of another business will impact its environmental footprints. There is therefore a necessity of a stable regulatory environment to foster financial and tax incentives for acquiring companies (both inbound and outbound), given the increase of importance of green indicators and economic resources to implement the commitments of sustainability.

IMPLEMENT STRUCTURAL REFORMS TO BOOST COMPETITIVENESS AND PRODUCTIVITY

Albeit Italy is well perceived for the level of its local labour skills, labour cost and productivity have been long-term issues. Long overdue structural reforms, jointly with the potential of Industry 4.0 evolution, may boost productivity and help reducing labour costs on a relative basis. On the competitiveness side, R&D and innovation are both considered winning factors in Italy, although there are margins for improvement in terms of R&D expenditure on GDP when compared to other European countries. A clear framework of incentives for R&D is something that can further enhance competitiveness and, in turn, the attractiveness of Italian companies to foreign investors.

SUPPORT TO SMES WITH HIGH HUMAN AND TECHNOLOGICAL CAPITAL

Italian corporate landscape is filled with numerous successful entrepreneurial stories, often grown in niche sectors and enjoying a strong position in the domestic market, thanks to the know-how built overtime. Because of their limited scale, most of them have not yet approached international markets, nor have in house capabilities and/ or financial resources to do so. These companies are best positioned to benefit from the access to international capital and to partnership with larger international players, which may provide the opportunity for a substantial acceleration in the development of the existing human and technological capital.

FURTHER DEVELOPMENT OF THE ITALIAN CAPITAL MARKETS

Italy has historically favored a "banks-centric system" when it comes to access to capital. Currently, Italian equity and debt capital markets are more limited in size on a relative basis vs. other western economies. Initiatives and regulations benefitting the (i) availability of capital resources to national players eyeing international expansion, ii) overall liquidity of the underlying and iii) market coverage/ visibility (both vis-à-vis investors, as well as other stakeholders), could facilitate further cross-border activity.

FAVOR USA-ITALY BUSINESS RELATIONSHIPS

From a bilateral standpoint, the creation of a framework to facilitate business relationships between Italy and the USA would be beneficial, if sponsored by respective governments and developed with the contribution of all relevant stakeholders. For example, to intensify inbound and outbound activity, a bilateral system of incentives could be set-up for companies pursuing specific expansion programs in Italy and the USA across key sectors (F&B, fashion, energy, etc.). Investments from and to an established market as the USA would allow for the realization of several synergies, benefitting both Italian and US shareholders: (i) financial (access to larger capital markets or to remunerative niche investments), (ii) technological (access to respective state-of-the-art technologies) and (iii) know-how.

KEY TRENDS ON ITALIAN LANDSCAPE

Italian landscape has been severely hit by the COVID-19 pandemic but there are reasons to believe it is still a very attractive market:

1. The **2020 M&A activity** in **Italy** has **contracted** as a result of the **COVID-19 pandemic**. Italy was the **first** and one of the **worst affected** countries in **Europe**, with the country's industrial and economic center, the northern regions of Lombardy, Veneto, and Emilia Romagna, being the **epicenter** of the outbreak;
2. As a result of the COVID-19 pandemic, the Italian state has expanded the **Golden Power Law** and **FDI screening mechanisms**, weighting further headwinds on foreign investors. The new rules, aimed at preventing foreign buyers from acquiring strategic assets at a discount, extend existing **special powers** (i.e. veto or imposition of prescriptions/conditions to transactions) to other industries including banking, insurance, healthcare, media, food security, and most **private equity deals for non-EU funds**;
3. Although private equity activity has slowed down during the lockdown, there have been several large transactions in the **technology and telecom sectors**. Among the largest PE

transactions were Telecom Italia's sale of a 37.5% stake in Fibercop to KKR for $2.1 billion, the $1.8 billion sale of computer services firm Engineering to Bain Capital, and Telecom Italia's sale of an indirct 14.8% stake in Infrastrutture Wireless Italiane SpA, its listed infrastructure unit, to a consortium led by Ardian for $1.5 billion;

4. Despite recent disruptions, the rationale for investing in Italy continue to be related to the interest towards **local know-how, production chain** (e.g. industrial districts), and **synergy potential** (e.g. integration of strong local brands into the international networks). In addition, specific regulatory interventions such as the re-organization of the toll-roads sector as well as the creation of a single broadband network infrastructure operator represent large investment opportunities for foreign investors;
5. The pick-up in the **local market**, together with the need for **revenues diversification**, has led many companies to increase **their international presence**, improving their financial performance as well as **attracting interest** from foreign investors. Italian companies have been active in outbound investments, particularly in the **pharmaceuticals** sector where Angelini acquired ThermaCare's global business rights (excluding North America) from GSK for US$214 million in April and Menarini purchased US oncology drug developer Stemline Therapeutics for US$642 million in May;
6. Despite current uncertainties and challenges, the IMF forecasts Italy's **economy and M&A activity will recover** given the **4.8% GDP growth** expected next year and the €750 billion **government stimulus package** — including the €55 billion **"Relaunch Italy"** program and the €200 billion SACE **government-backed loan guarantee scheme**.

DATA ANALYSIS

The data analysis carried out by the Working Group highlighted a series of phenomena:

1. Over the last 5 years (2015-2019), Italy / US transactions have accounted for a significant share of total transactions both in terms of value and in terms of number of deals announced;
2. More specifically, in 2019 and in line with the previous years, Italy / US inbound transactions represented 17% of the total inbound transactions and Italy / US outbound transactions accounted for 16% of the total outbound transactions;
3. In terms of number of transactions, in 2019 completed inbound transactions accounted for 67% of the total (this trend was similar in 2018) no surprise given the disproportion between the two economies;
4. In 2019, inbound operations from the USA to Italy have been mainly majority transactions (27 out of 30, in line with 2018 pattern), run by strategic and financial buyers in the same proportion (50% of the total, with financial bidders gaining share vs 2018) and with a strong

focus on industrial (30% of total deals), TMT (27%) and consumer (20%) sectors (similar to previous year figures). The ability to sustain perception of the country's excellence seems crucial for attracting interests and capital from overseas in other sectors;

5. In the same year, outbound operations from Italy to the US were all majority transactions performed by strategic buyers, consistent with the investment policies of most of the Italian funds focused only on the domestic or European markets. The average deal size has been influenced by the huge deal (€1.2bn enterprise value) made by Ferrero Group who bought the cookies and fruit snacks business of Kellogg Company. In terms of sectors, industrial and consumer jointly accounted for more than 50% of total deals;
6. For both inbound and outbound deals, favoring "minority" investments remains crucial for increasing the flow of investments and promoting partnership building;
7. The first nine months of 2020 have been impacted by the outbreak of Covid-19 pandemic that affected the worldwide M&A activity and also M&A deals between Italian and US players, which showed a 18% reduction in volumes compared vs the same period of 2019.

KEY TAKEAWAYS FROM PAST INVESTMENTS ON THE TRANSATLANTIC AXIS

The Working Group has examined some deals that have occurred in the past on the Italy / US axis to understand, starting from the strategic rationale and the results achieved, the main success factors, and the aspects most worthy of being highlighted.

Regardless of any generalization, a substantial difference between Italy and the US exists with reference to the timing necessary for the execution of a deal. The US has confirmed itself as a country that allows rapid enforcement of all stages of negotiation and due diligence but requires potential investors to pay great attention to aspects such as corporate structure and tax issues that are very delicate in the US system. In Italy, however, timing is more extended and it is crucial to establish a longstanding relationship with the entrepreneur and share the future vision with him. This aspect is more relevant for family-owned companies where it represents a meaningful cultural aspect to consider when investing in Italy.

There are no particular differences, however, on the elements that more than others contribute to the success of the initiative and the achievement of post-M&A objectives. *Condicio sine qua non* is the presence of a clear strategy and challenging objectives internally shared at all levels of the organization. The definition of the organizational model, appropriate operational processes, and tools to support the organization must follow strict rules and should take into account the characteristics of local markets from a "glocal" perspective. This means avoiding the imposition of a single model at all latitudes that could generate rigidity and operational deadlock. Finally, employee engagement is an aspect that is often overlooked and must be carefully managed from the early stages of the negotiation and throughout the integration process.

I. M&A: A COMPARISON BETWEEN US AND ITALY

Italian corporate landscape comprises thousands of family-owned companies with proven business models and competitive positions in their global addressable markets. Foreign strategic and financial buyers have consistently exhibited a strong interest in Made in Italy. In this context, historical data constantly showed the US among the top three most active acquirer in Italy both in terms of value and in terms of number of deals announced.

(EXHIBIT 1) **Evolution of top countries in Italy inbound deals by value (announced)**

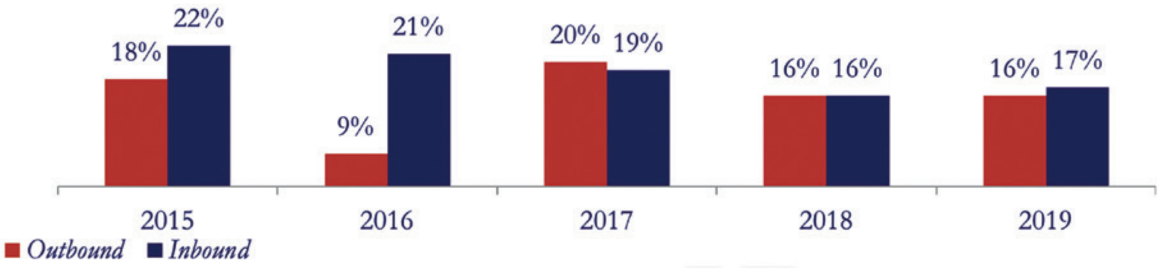
2015			2016			2017			2018			2019		
1	Value (€m)	% on total	3	Value (€m)	% on total	2	Value (€m)	% on total	3	Value (€m)	% on total	1	Value (€m)	% on total
	9,103	21%		6,398	25%		24,946	64%		8,156	20%		3,500	29%
	8,359	20%		5,390	21%		3,741	10%		7,834	19%		3,471	28%
	7,285	17%		4,614	18%		3,613	9%		7,406	18%		1,955	16%

(EXHIBIT 2) **Evolution of top countries in Italy inbound deals by # of deals (announced)**

2015			2016			2017			2018			2019		
1	# Deals	% on total	1	# Deals	% on total	1	# Deals	% on total	1	# Deals	% on total	2	# Deals	% on total
	49	22%		51	21%		50	19%		44	16%		40	18%
	32	12%		45	18%		46	17%		40	15%		39	17%
	27	10%		33	13%		42	16%		35	13%		37	16%

Italy / US announced deals continue to represent a significant share of the total cross-border Italy M&A market witnessing a consolidated mutual interest of two countries overtime. In 2019, the number of Italy / US inbound transactions (Italian company acquired by a US player) represented 17% of the total inbound transactions (16% in 2018), and Italy / US outbound transactions (US companies acquired by an Italian player) represented 16% of the total outbound transactions (16% in 2018) (*EXHIBIT 3*).

(EXHIBIT 3) **M&A Italy/ US contribution over total Italian market by number of transactions (announced)**

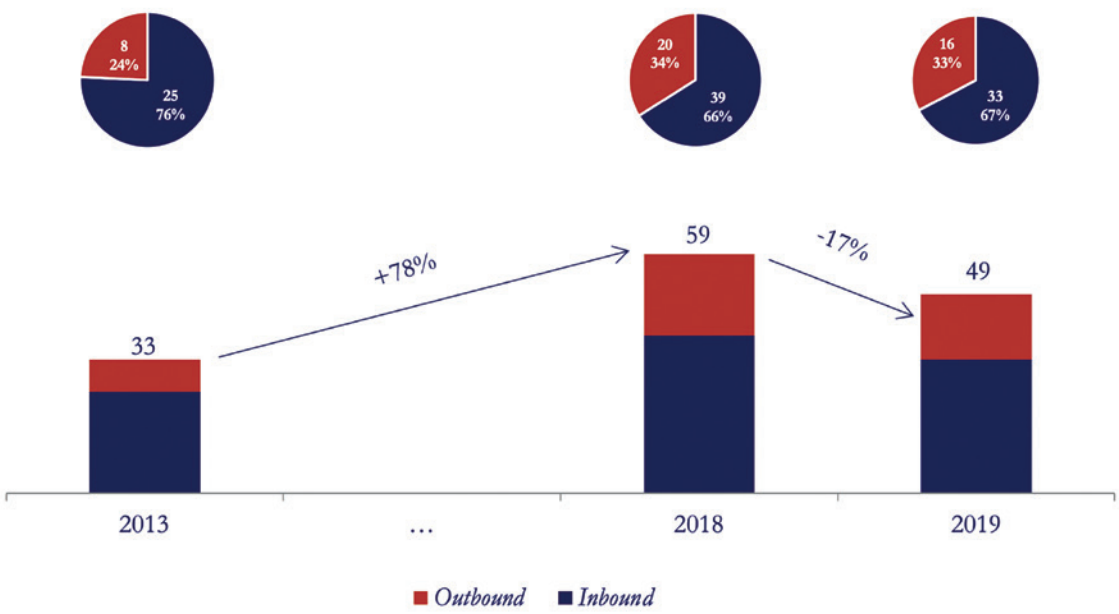


ITALY /USA M&A 2019 - COMPLETED TRANSACTIONS

Transactions completed in 2019 confirm a consolidated interest of US players - both financial and strategic - for Italian corporates standing-out for either the strength of their brands or their valuable know-how. In 2019 data show that completed inbound transactions outnumbered outbound transactions. Out of the 49 transactions realized over the year, inbound transactions accounted for 67% of the total (*EXHIBIT 4*). This trend was similar in 2018, with 39 inbound transactions and 20 outbound transactions, out of a total of 59.

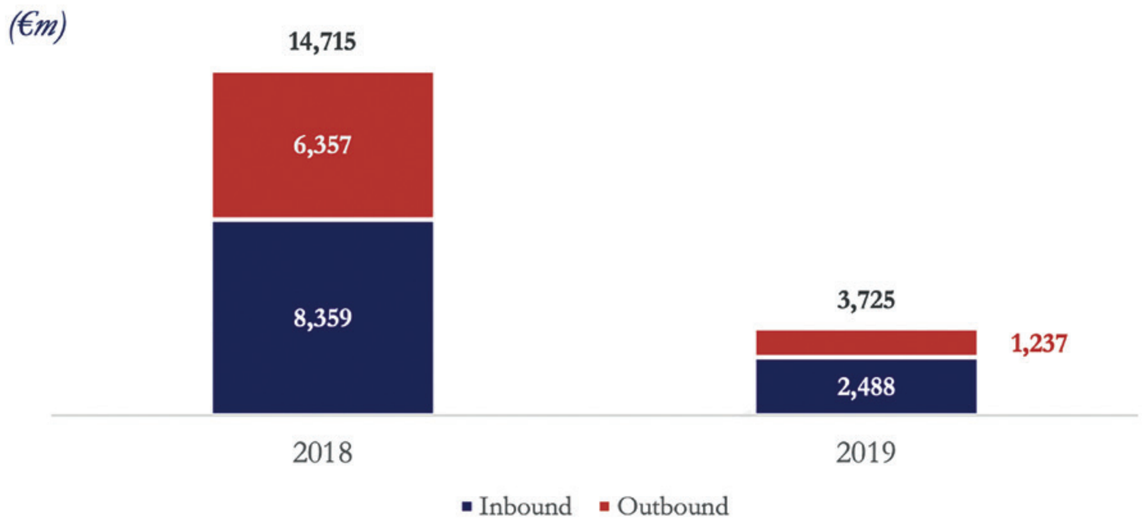
Inbound and outbound completed transactions have passed from 33 transactions in 2013 to 59 in 2018, with a contraction registered in 2019 (49 transactions) in line with the global M&A reduction trend (*EXHIBIT 4*).

(EXHIBIT 4) **Evolution of Italy/US M&A Inbound and Outbound number of Transactions (completed)**

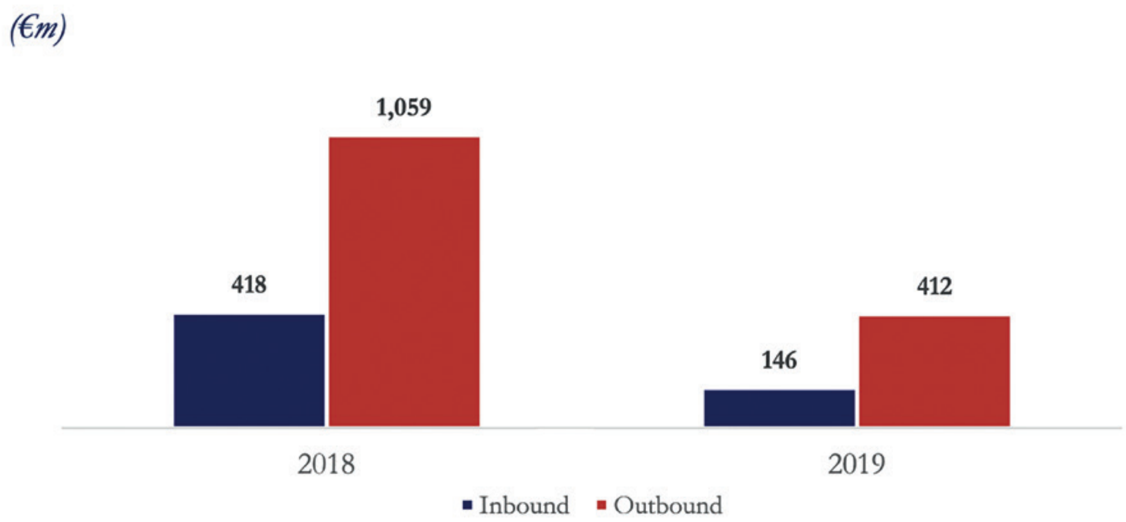


Taking into consideration completed transactions with disclosed economic terms, 2019 registered a substantial decrease of (i) the total cumulated Enterprise Value that in 2019 amounted to c. €3.7bn (vs. c. €14.7bn in 2018) (*EXHIBIT 5*) and (ii) the average size of the disclosed transactions, both inbound and outbound, recording €146m and €412m respectively (vs. €418m and €1,059m in 2018 respectively) (*EXHIBIT 6*). Consideration related to the deals value could be bias by the level of disclosure available.

(EXHIBIT 5) **2018-2019 Inbound vs Outbound – Total Enterprise Value (completed and disclosed)**



(EXHIBIT 6) **2018-2019 Inbound vs Outbound – Average Enterprise Value (completed and disclosed)**



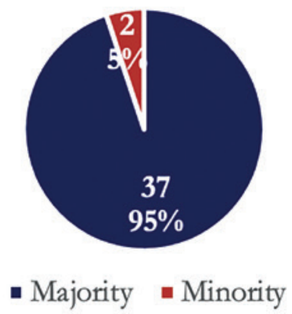
In 2018, the acquisition of the high-speed rail operator NTV by Global Infrastructure Partners Fund (€2.4bn enterprise value) and the acquisition by Michael Kors of Gianni Versace (€1.8bn Enterprise Value) represent the most important inbound transactions in terms of size while the acquisition by Ferrero Group of the US confectionery business of Nestlè (€2.3bn Enterprise Value) and the acquisition by Ermenegildo Zegna of the apparel company Thom Browne (€0.4bn Enterprise Value) represent the most relevant ones on the outbound side.

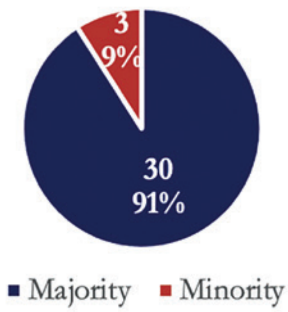
Among sizeable transactions completed in 2019, it is worth mentioning the inbound acquisition of Forgital, a leader in the manufacturing of forged and laminated rolled rings, by the US fund The Carlyle Group (€1.0bn Enterprise Value) and the outbound acquisition by Ferrero Group of the cookies and fruit snacks business of Kellogg Company (€1.2bn Enterprise Value).

FOCUS ON INBOUND TRANSACTIONS

Almost all Italy /US inbound deals were majority transaction (30 out of 33) with only three minority transactions (*EXHIBIT 7*), a trend also observed in 2018 with majority deals accounting for 95% of the total (out of 39 transactions, 37 were inbound transactions).

(EXHIBIT 7) **2018-2019 Inbound Transactions — Majority vs. Minority (completed)**



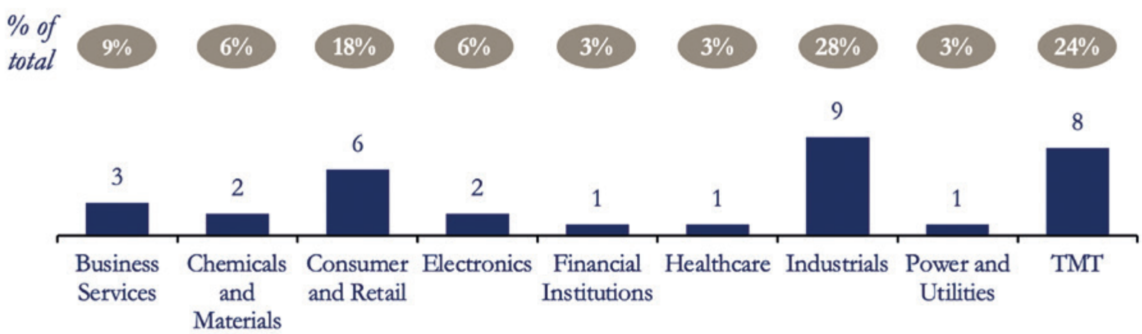


Looking at the nature of the bidder, it appears clear the interest for Italian corporates of both financial (52% of the total) and strategic US buyers (48%) (*EXHIBIT 8*). The financial buyers' universe mainly comprises funds with a strong European presence and with a consolidated experience in Italian assets. In 2018 strategic buyers completed 64% of the total inbound transaction.

(EXHIBIT 8) **2018-2019 Inbound Transactions — Strategic Buyers vs. Financial Buyers (completed)**

In 2019, US buyers focused on the Industrials sector (28% or 9 out of 33 total transactions) followed by Technology, Media & Telecom (24% or 8 out of 33 total transactions) and Consumer & Retail (18% or 6 out of 33 transactions). Italian industrial companies appear attractive thanks to their innovative technology angle and leading worldwide positions in their niche markets. Their export-focused sales and distribution networks provide US corporates access to new markets, geographies, and customers in Europe as well as in emerging markets.

(EXHIBIT 9) **2019 Inbound Transactions by Sector (completed)**



Overall, inbound acquisitions usually bring positive effects to Italian corporates allowing them to become global players by expanding their geographic reach. Moreover, the largest US players allow for an improvement of efficiency and productivity thanks to the implementation of sector best practices and provide access to an additional source of capital to support growth. Again in 2018, the main sector for inbound transactions was *Industrials* (20 transactions out of a total of 39 transactions), followed by *Consumer & Retail* sectors (with 7 transactions out of a total of 39 transactions).

FOCUS ON OUTBOUND TRANSACTIONS

As observed for 2018, completed outbound transactions in 2019 were all majority deals.

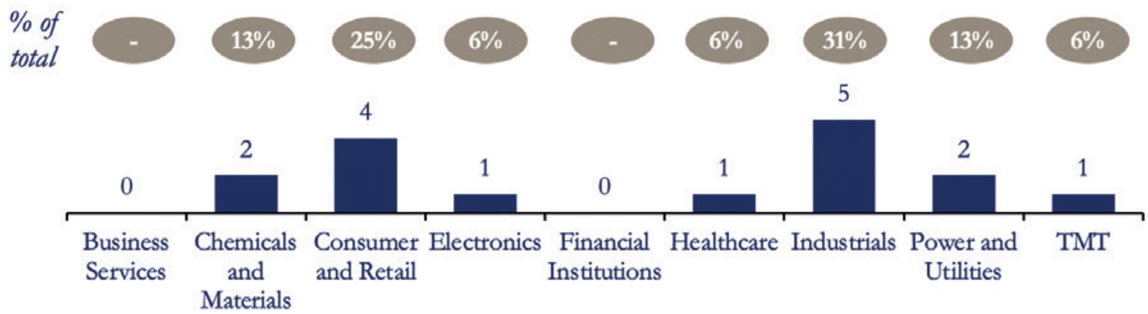
(EXHIBIT 10) **2018-2019 Outbound Transactions — Majority vs. Minority (completed)**

Italian buyers are only strategic, in-line with the historical observations, and consistent with the investment policies of most of the Italian funds which are focused exclusively on the domestic or European markets (*EXHIBIT 11*).

(EXHIBIT 11) **2018-2019 Outbound Transactions — Strategic vs. Financial Buyers (completed)**

Italian buyers have mainly acquired in the *Industrials* sector (31% or 5 out of 16 total transactions) followed by *Consumer & Retail*, which accounted for 4 transactions each out of 16. The same trend persists for 2018, where out of 19 transactions, *Industrials* transactions accounted for 26% of the total (*EXHIBIT 12*).

(EXHIBIT 12) **2019 Outbound Transactions By Sector (completed)**

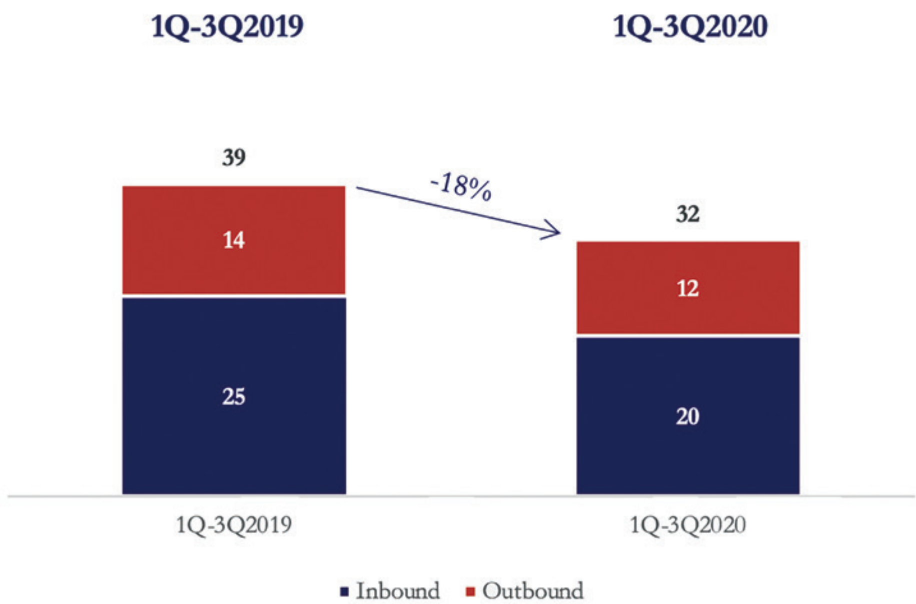


Overall, M&A transactions allow Italian corporates to increase their scale, improve their competitiveness on a global basis, and penetrate new markets, which would be burdensome to reach via an organic growth path.

1Q-3Q2019 VS 1Q-3Q2020 COMPARISON

In first nine months 2020 worldwide M&A statistics have been impacted by the outbreak of Covid-19 pandemic that affected also M&A deals between Italian and US players.

(EXHIBIT 13) **1Q-3Q2019 – 1Q-3Q2020 Inbound and Outbound transactions (completed)**



Observing 1Q-3Q2020 data, Covid-19 impacted M&A activity between Italy and US, leading to a 18% reduction of deals: 32 transactions completed in 1Q-3Q2020 vs. 39 completed in 1Q-3Q2019. Inbound transaction reduced by 20% (20 vs. 25) while outbound transactions reduced by 14% (12 vs. 14).

The sharp reduction could be explained by the macroeconomic conditions caused by the Covid-19 pandemic that led to:

- increasing uncertainty in both buyers and sellers' perspective;
- liquidity distraction towards more operational purposes, different from acquisitions and investments;
- sudden misalignment between supply and demand;
- greater caution required from lenders.

Furthermore, the physical limitations linked to the lockdowns imposed by the various Governments have strongly conditioned and slowed down the activities related to the M&A processes still in progress, despite remote-working has allowed all advisors (financial, legal, tax etc.) to continue operating effectively.

II. WHY COMPANIES INVESTED ON THE TRANSATLANTIC AXIS

The first issue of the AmCham M&A Monitor focused on the main qualitative drivers characterizing Italian investments in the USA by analyzing a small sample of transactions carried out in 2018 by companies of medium and large size, all characterized by the purchase of 100% of the target company. The current paper considers a similar type of transaction, i.e., Magnaghi Aeronautica Group's acquisition of Hsm-Blair in the US while also showing the perspective of the reverse case, a US company investment into an Italian business, i.e., Helios Technologies acquisition of Italy's Faster Group. We used the same methodology of interviewing the top management (Paolo Graziano, CEO of Magnaghi Aeronautica and Matteo Arduini, President of QRC Helios Technologies and Managing Director of Faster). However, by focusing on two cases only, we privilege in this edition the full display of the conversation, rather than an aggregate, to showcase the different perspectives to the same questions.

This year outbound case study is consistent with last year's perspective: Italian companies that acquire assets in the United States are medium-sized firms that do it for strategic reasons. Geographical expansion, as well as business reach and proximity to clients, are the key elements of MAG rationale in taking over Hsm-Blair.

A strategic perspective also led the US company Helios Technologies to buy Italy's Faster Group. In this case, unparalleled know-how and undisputed market leadership are the driving features of the target and build the rationale for the transaction.

Despite the outbreak of the pandemic, both transactions have maintained their strategic value and are expected to weather the storm into a stronger future expansion.

ITALY'S MAGNAGHI AERONAUTICA S.P.A. ACQUISITION OF US' HSM-BLAIR

Deal Date	April 2018
Sector of activity	Aerospace
Typology of investor	Strategic
Deal Value	< 100 million
Bidder share	100%

Q: Please tell us about the rationale of the deal

It is an international deal that, combined with the implementation of the 5-years industrial plan, will allow the group to grow significantly in the US market financially and industrially. Hsm-Blair is a *group with plants in Long Island and North Carolina specialized in the engineering of landing systems and the manufacturing of complex aeronautical components that operates in the aeronautical market since 1951. Magnaghi, already developing and producing complete landing systems on the worldwide aeronautical programs of the main manufacturers, such as Boeing and Airbus, will integrate two manufacturing plants in the USA. This will strengthen its international presence that will rely on seven industrial sites in Italy, Brazil, and the USA with 800 global employees. The industrial plan of the integrated group, with an inertial backlog of more than 1,500 M €, will reach 300 M € of revenues, EBITDA growing more than 12%, and will pursue a remarkable technological and industrial growth on the international scene.*

The integration with Blair unites our strength in engineering and civil aeronautics with their defense and industrial capabilities.

We made a strategic commercial decision with this deal, as it allows us to directly operate in a key market such as the US where we have many important clients (defense and civil aeronautics). We are the only ones in the world offering a certain type of technology and our clients asked us to make this step in the first place.

Q: How was the deal financed?

Three Hills Capital Partners fund underwrote a capital increase together with the management of MAG. The financing also occurred through the underwriting of debt instruments. The financing also took place thanks to SIMEST intervention.

Q: Did you keep the top management fully or in part?

We have maintained the management (the CEO is the son of the founder). We are integrating the managerial team by putting together our respective best practices. Blair's management shared with us the growth plan and also shares our same values. We are obviously aligning the initially diverging policies and procedures.

Q: Why did you choose 2018 for the deal?

There is no political or normative reason behind the timing of this deal. We had been looking for the right opportunity for many years. It is not easy for a medium-size Italian company to position itself in the comparable segment in the US. The US market is not used to deal with medium-size enterprises in the US: only large corporations do in the US what we do here. However, we are much more agile and quick compared to a large conglomerate. We have the right dimension to be global and local at the same time. Our competitors in the US market are 5/6/7 times bigger than us but do not have our capabilities.

The aerospace & defense sector is highly sensitive and closed, therefore, barriers to entry are very high, almost overwhelming, and the need to be state of the art in technological development. It is not easy to find healthy companies to buy on the market; we were looking for an investment that was not *only financially favorable but also industrially sound. Valuation in our sector is not done exclusively by multiples to EBITDA, but mostly in terms of "multiples of strategic rationale".*

The seller's evaluations have been not only quantitative but also and mainly qualitative. Our offer was accepted thanks to the underlying industrial project and for the level of know-how it brought in such a niche sector of the aerospace business.

Q: The acquisition of Blair marks a strengthening of MAG in the defense and aeronautics market in the US. What are the future expectations in these areas for your firm? Are there any programs/aspects where you intend to invest more?

The defense budget is growing in the US, we came close to the country at the time of Obama, surely the Trump government continues to invest a lot in defense. We are suppliers to some of the most important programs in the US defense sector. These programs have very long durations and we, therefore, look at a 50-year horizon when we assess an investment. This is therefore a starting point for us, not a point of arrival.

Q: Do you think that the climate of political and macroeconomic uncertainty experimented in the last years has accelerated your internationalization plans?

We have never relied much on the Italian government and system to sustain our growth beyond borders. We are more renowned in America than we are here, our business is 90-95% outside Italy (Brasil, Canada, USA). Surely, we would like to have a government that is closer to enterprises and that protects the richness of niche technologies typical of the Italian industrial territory. In Italy, we have engineering capabilities and technological competencies that the whole world envy, and that should be valued.

Q: How did the Covid-19 outbreak impact the implementation of the acquisition?

The global investment plan of the Group has been reassessed following the Aerospace & Defense market downfall due to COVID 19.

Q: Do you expect the Covid-19 emergency to impact your expansion plan in a medium to long-term perspective?

Short and medium terms are for sure impacted, but our long-term expansion plan remains unchanged as well as the global execution strategy. Due to the above-mentioned market contraction, there will be a completely new environment in the supply chain that the global market will have to face by considering new scenarios. We are doing exactly this.

Q: How much does reputation count to do business in the USA?

A lot. The scrutiny to which a firm wanting to invest in the USA is subject to is very scrupulous. The CFIUS is an extremely severe and scrupulous body and verifies the firm at 360 degrees. For sure the Italian approach is a winning approach as we do not present ourselves as conquerors but rather as integrators. It is a passkey compared to other cultures.

US' HELIOS TECHNOLOGIES ACQUISITION OF ITALY'S FASTER GROUP

Deal Date	February 2018
Sector of activity	Hydraulic and electronic control engineering
Typology of investor	Strategic
Deal Value	€430 million
Bidder share	100%

Q: Please tell us about the rationale of the deal

The transaction aims at strategically expand capabilities in subsectors that integrate Sun Hydraulics offer. Faster is the worldwide leader in quick-release hydraulic couplings and allows the group to build a highly technological offer and reach the big OEMs.

Faster is also a gatekeeper for Helios' entrance and expansion into the European market and will be Helios' manufacturing hub for Europe.

The deal allows Helios to acquire new technological skills, competencies, geographical expansion, manufacturing capacity in a key market while integrating a company that is the undisputed leader in the quick release segment and has an impressive global footprint, excellent financial performance, strong engineering and manufacturing capacity.

Helios has a growth plan to 2025 with a CAGR of 6/7% and a target turnover of $250 million (compared to the current $140 million) this growth will be reached through internal enhancement by a better distribution of the sector mix (other than agriculture) and acquisition of prospects in the key markets (EU, USA, South Africa).

Q: How was the deal financed?

The acquisition was funded with approximately $161 million of cash on hand and $370 million drawn against the Company's revolving credit facility, including the exercise of the revolver's accordion.

Q: Did you keep the top management fully or in part?

Our acquisition philosophy is to target niche tech companies that hold the first or second position in their sector worldwide. We do not lay off anybody and leave the company pretty much stand -alone while merging some functions, and we make sure we create a framework for the acquired company to grow. Most of the management team is in place, the CEO decided to leave, but independently from the deal.

Q: What has changed from a process perspective with the ownership transfer?

The ownership transfer from Private Equity to industrial partners changed everything. The company was performing very well but had no industrial plan for the long term. We have an industrial plan which makes objectives visible for the long term.

Q: Why have you chosen 2018 for this transaction?

We've been looking at expanding in Europe and Italy since 2015 and Faster was already on our radar, but because it was previously owned by a Private Equity, we had to wait for the divestment window.

Q: Faster is one of the world's leading players in the hydraulic industry. Given the importance of this deal, why did you choose Faster? What are the company's future perspectives?

We want to use Faster to expand in the EU, Faster is a steppingstone into the region. We are creating a new facility near the current one (Cremona) and will increase our staff by some 100 people in the next 4/5 years.

Q: How is this deal impacting the surrounding environment and society?

In addition to expanding the current manufacturing site thus creating more jobs in the company itself and hopefully for the satellite industries, we are also fostering environmental sustainability and a green culture and want to be a leader in environmental protection.

The new facility in Italy is also conceived as a green factory. We want to promote health and wellness as well as food education in addition to the green aspect.

Q: Do you believe that the political and macroeconomic uncertainty in the last year has accelerated your internationalization plans?

Our internationalization is not heavily influenced by geopolitical events. Our concept is "In the region for the region" so we naturally expand in markets that are key for our business. For example, we opened a facility in China in June 2019 near Shanghai as we are counting a lot on China for future growth (China weights 10% of Helios global turnover.). We also look at Eastern Europe, Americas, and Africa.

We also continue to look at Western Europe and Italy in particular, as the corridor between Milano and Bologna is one of the most advanced in the world for technology and engineering with the best competencies you can find.

Q: Does the political uncertainty in Italy limit your expansion or does it not affect your company?

I believe Italy has a great entrepreneurial spirit and Italians are hard workers. We are not concerned by the political instability (which by the way seems to last for decades). The only real threat would be for us if Italy decided to leave the EU.

Q: How did the Covid-19 outbreak impact the implementation of the acquisition?

Partially yes, since we had to delay a couple of international projects given to the fact that international travel and transfers, in general, are limited due to the COVID situation. Besides that, the key points behind the acquisition strategy are still confirmed and will be part of the growth plan for Faster.

Q: Do you expect the Covid-19 emergency to impact your expansion plan in a medium to long-term perspective?

We don't think so, our medium and long term strategy expansion is proceeding according to the original plan, with some delay in the urbanistic procedures due to the pandemic situation, and will allow Faster to grow and invest in Europe, in the US, and in Asia to stay close to the customers and get incremental market shares in those geographies.

III. IMPACT ANALYSIS

SALINI IMPREGILO & LANE INDUSTRIES

Deal overview

Deal Date	4th January 2016
Sector of activity	Infrastructure
Deal Value	$423 million
Bidder company	Salini Impregilo S.p.A.
Target company	The Lane Construction Inc.

Salini Impregilo

Salini Impregilo is the leading Italian group specialized in the construction of large, complex civil infrastructure. The Group operates in nearly 50 countries with more than 35,000 employees.

Key figures pre-deal

Lane Industries

Founded in 1890, Lane is one of the US's leading construction companies and one of the major players specialized in highways, tunnels, bridges and construction materials.

Key figures pre-deal

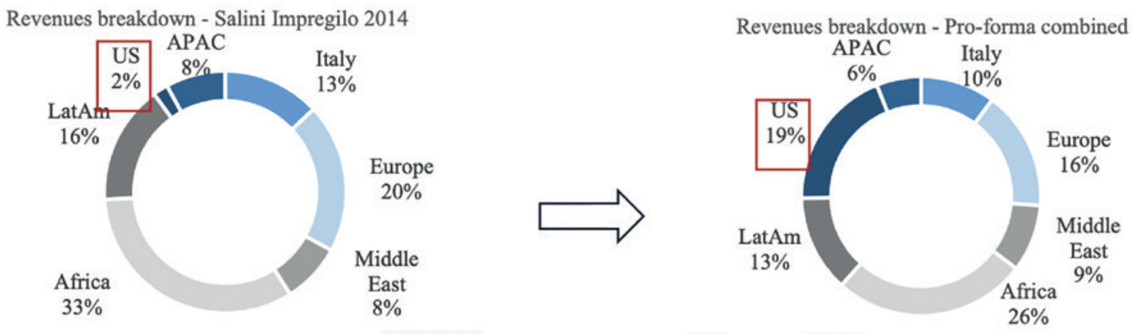
** 2012 financial data are not available as the merger between Salini and Impregilo occurred in 2013.*

ACQUISITION RATIONALE

After the successful acquisition of Impregilo (2013) and the disposal of non-core assets, the Group was ready to go on a quest to grow the business not only organically, but also through external acquisition. In 2014, Salini Impregilo was looking to increase its presence in developed, low-risk and high growth markets around the world. The US market was a natural candidate. Given the characteristics of the US market, organic growth was ruled out as it would have been too long and difficult to achieve. For this reason, the Group, under the guidance of the CEO Pietro Salini, moved very quickly when Lane Industries became available. Key strategic goals of this transaction were:

1. *Geographic diversification*: in 2014 Italy accounted for 35% of the backlog, MEA for 40% while the US for only 3%. The complementarity in terms of geographic presence and business expertise, shared by the target and the bidder, would have allowed Salini Impregilo to have a more balanced geographic presence, consolidate its presence and customer relationships in the US, especially in the east coast where the Group had no or limited presence.

2.



3. *Strong growth profile*: the non-residential US market represented the 3rd largest market in the world and was expected to reach $600bn by 2020. The core infrastructure market accounted for a ~$130bn in 2014, expected to grow at 3.5% CAGR in the following 5 years.

4. *Presence in key US states* with strong expected investments in infrastructures in the east coast and in Texas where Salini Impregilo was not present.

5. *Sharing of technical expertise and knowledge with Lane* in order to aggressively pursue large projects in the United States.

Furthermore, strong strategic rationale was supported by positive financial aspects, such as:

1. *EPS accretion* from the first year.

2. *Potential increase of valuation multiples* of the entire Group thanks to better risk profile and higher growth potential.

3. *Capital deploy in attractive market* with significant expected returns.

During the acquisition, Salini Impregilo management took the important decision to maintain the entire management of Lane, aligning the strategies and processes but at the same time to keep Lane independent from the rest of the group in order to be more dynamic and focused on its core market.

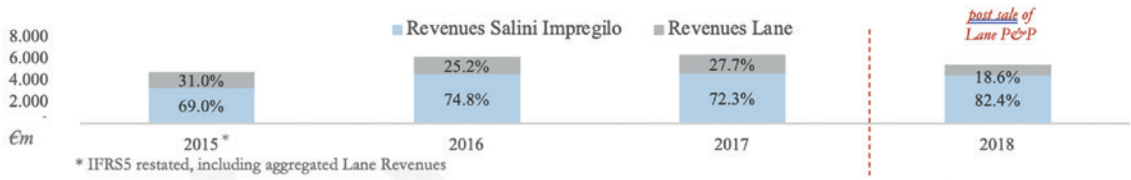
ACHIEVED RESULTS

Results achieved to date are remarkable and go beyond expectations. The Group relies on a strong platform for growth in the US, with more than 2,500 people across the country, about 20 large projects, and a handful of smaller project tails. Through the Integration Plan, all departments participate and contribute to the successful integration process among Lane and Salini Impregilo. In this context, the most important synergies are the knowledge and expertise of engineering and bidding teams. It is also thanks to this cooperation that the Group recently signed one of the largest agreements with Texas Central to build Texas High-Speed train ($20bn of which $14bn of civil works)

Furthermore, thanks to the integration of the subsidiary SA Healy into Lane, the Group enlarged and expanded the footprint to California, Washington, Florida, and Texas and the Lane backlog grew from $1.3bn at acquisition time to an unprecedented $4.4bn.

In 2018, in the context of consolidating its growth strategy in the large infrastructure sector, Salini Impregilo evaluated several investment opportunities as well as non-core asset divestments options. Within this context, Salini sold to Eurovia SAS, part of the Vinci Group, the Plants and Paving business unit of Lane, one of the largest hot mix asphalt (HMA) producers in the US with more than $600 million of revenues and 45 plants along the East Coast and in Texas. Pietro Salini, CEO of the Group, said on occasion of the signing: *"From a financial perspective, we have closed a transaction that involves a non-core asset for Lane – and a non-strategic one for the Group - for $555 million, $100 million more than the amount that the Salini Impregilo Group paid to acquire all of Lane three years ago. This asset produces a generous amount of cash and is profitable at a considerable level"*.

The success reached by this acquisition has also been certified by the Italian Embassy in Washington that awarded the deal as one of the most successful acquisitions in the United States from an Italian Company.



US M&A ENVIRONMENT

Based on Salini Impregilo's experience, deals in the US are faster than in other countries. Considering the size of the deal, the DD process and the negotiations, the process lasted 8 months from target identification to closing, which is a remarkable result; key aspects to be monitored are corporate structure and tax issues that could take longer than in other countries.

KEY LESSON LEARNED

In accordance with the Lane acquisition, key pillars for a successful cross-Atlantic business combination lies, among others, on some key factors: (i) establishing a clear governance framework; (ii) introducing standard processes and tools that takes into considerations the structure and characteristics of the local market, (iii) reinforcing staff Central Corporate Departments and fields/jobs while retaining key local management; (iv) setting a clear strategy and challenging goals.

BERLIN PACKAGING & BRUNI GLASS

Deal overview

Deal Date	11th October 2016
Sector of activity	Packaging
Deal Value	undisclosed
Bidder company	Berlin Packaging LLC
Target company	Bruni Glass SpA

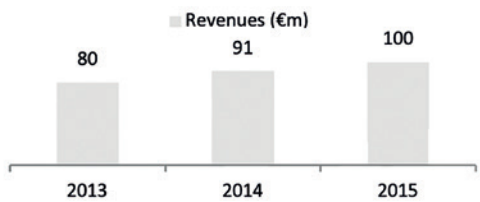
Berlin Packaging

Berlin Packaging is a leading supplier of hybrid packaging services, headquartered in Chicago, Illinois. The Company operates globally with more than 1,000 employees.

Bruni Glass

Bruni Glass is a Milan, Italy based supplier of premium and specialty glass packaging, with experience serving a number of end markets, including spirits, wine, food and gourmet, home fragrances and pharmaceutical.

Bruni Glass Key figures pre-deal (*)



** Note the pre-acquisition Bruni Glass figures (2013-2015) do not include Bruni USA (c. € 37m in 2015), which following the acquisition in 2016 was moved to and consolidated within Berlin Packaging US. As such, these revenues have been excluded as to show comparative figures with the post-acquisition results.*

DEAL OVERVIEW

In November 2016, Berlin Packaging, a leading US hybrid packaging supplier, completed its acquisition of Bruni Glass, an Italy-based supplier of premium glass packaging with locations in Italy, France, Spain, China, Canada, and the United States and sales of approx. € 140 million.

The acquisition resulted in a group with combined annual sales in excess of $ 1.2 billion, and a combined customer base of over 17,000 customers, and a portfolio of more than 40,000 glass, plastic and metal container and closure items.

The financial terms of the transaction were not disclosed.

The combination of Berlin and Bruni was an important building block towards becoming one of the strongest and most customer-focused packaging supplier in the market. The acquisition not only improved the combined glass product offerings and extended global reach, but also created a partnership with another organization similarly committed to quality, design and long-term vision.

STRATEGIC GOALS

Having completed several successful domestic acquisitions, Berlin Packaging shifted to the European market to expand its operations. Strategic goals for this growth included:

1. *Entering the European market and further developing EU business* – Europe represented a key opportunity for global expansion and diversification. The European glass market is expected to grow to $ 13 billion by 2022, with an estimated CAGR of 2.5% over FY 2018-2022. Finding the right business/partner was pivotal to the future success and achievability of that growth;
2. *Diversified product offering (premium and standard glass)* – Berlin has positioned itself as a leading hybrid packaging and solution provider. The opportunity to strengthen and expand its product offerings to include the Bruni Glass highest quality premium and standard glass products was a key consideration;
3. *Focus on Design* – The made in/designed in Italy reputation is world-renowned, and a key contributor to Bruni's success as a top premium glass packaging supplier. Finding the right organization in Italy to partner with would ensure high-quality products and design in addition to product diversification;
4. *Acquisition of a profitable enterprise* – As with any Berlin acquisition, the bottom line and organization profitability is vital. The Company's mission is based on a partnership mindset, focused on bottom-line growth for its customers, suppliers, and its own organization.

IMPACT AND TRANSFORMATION

At the time of the acquisition, in 2016, Bruni Glass was run by the two founders, backed by private equity firm Ardian. The Company was operating at a very high level with strong profitability, cash flow, and a loyal customer base. Thus, it was paramount for Berlin to implement a balanced post-deal integration strategy, which would enable further growth, without deteriorating the strong operations already in place.

Most US multinational acquisitions in Europe involve the immediate incorporation of Target into the Buyers' existing corporate structure, pushing down their directives and operational hierarchy. Instead, Berlin engaged an entrepreneurial mindset which understood and appreciated the success already in place, allowing the organization to maintain a level of autonomy. The main strategic initiative undertaken by Berlin Packaging was to enhance the business management structure through the hiring of highly qualified leaders, who were ready to support the structure in place, while also focused on accelerating the growth of the business in Europe. Berlin employed a strong management team led by GM (Paolo Recrosio). Paolo became the focal point of the management team and, with his strong track record and likeminded attitude and vision, seamlessly led the integration initiatives and build-out of the management team.

Additionally, the new management team demonstrated and actioned a leadership style focused on inclusivity, directness, and a pragmatic approach, aimed at building a culture centered on organization-wide communication, employee ownership, and decision making, and knowledge sharing and development. This approach, which followed Berlin's business model and directive, was extremely successful in retaining key employees and strengthening their commitment and overall performance.

A PLATFORM FOR GROWTH

Following the successful post-deal integration and enhanced management structure, Berlin shifted its focus to leveraging the Italian based platform in achieving European market expansion. Berlin and Bruni's leadership developed a focused plan for expansion through acquisition in Europe, seeking businesses that met the following criteria: (i) growing and profitable business, (ii) geographical coverage – markets with little to no presence, (iii) expanded product offerings, and (iv) continuity – entrepreneurs remain with the company and maintain their leadership.

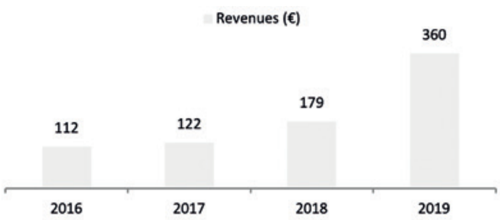
The final criteria, continuity, has been a key contributor to Berlin's successful expansion and integration. The company has made it a priority to not only find financially successful enterprises but also companies with superior leadership and like-minded values that best support their vision and growth. Following the completion of an acquisition, the sellers generally remain with the company, continuing their leadership and management.

Bruni has been able to utilize these best practices, its improved management structure and culture, in creating a solid platform responsible for Berlin's European expansion and success. Further, the Company has grown a diversified product portfolio, allowing opportunities for cross-selling and support of the acquired entities. Since the acquisition in 2016, Bruni Glass has become a key platform of Berlin's European market strategy, facilitating 6 acquisitions over two years (2018-2019) in UK, France, Italy, Spain and the Netherlands. The Group's latest acquisition, Novio Packaging Group, will allow for an expanded presence in Northern Europe and further enrichment and diversification of its product portfolio. Through such acquisitions, the Group will add significant revenues to the existing Bruni Glass platform.

The acquisitions completed in 2018 and 2019 include:

- UK: H. Erben Ltd. – closures, packaging and packaging equipment in food and beverages.
- France: Verrerie Calvet – glass containers for wine, spirits and olive oil;
- Netherlands: Vincap & Adolfse – plastic, cork and metal closures and plastic packaging;
- Italy: Vetroservice – glass containers for olive oil, balsamic vinegar and wine;
- Spain: Vidrimon – glass containers for olive oil and beverages;
- Netherlands: Novio Packaging Group – plastic containers for OTC and personal care.

Bruni Glass Revenues (post-acquisition)*



** Figures above are on a pro-forma basis, inclusive of full year impact of respective acquisitions. 2019 is notably impacted by the Novio acquisition.*

RESULTS AND VALUE CREATION FOR STAKEHOLDERS

The Bruni takeover and subsequent European acquisitions have proven to be a highly successful investment for Berlin and its stakeholders. Berlin has benefited most notably from geographical expansion, improved and diversified product offerings, expanded supply chain and distribution networks, and increased customer base and know-how; while Bruni and the other European businesses have received access and support of the Berlin suite of profit-building services, and the ability for customers to fulfill all of their needs with one, leading hybrid packaging company.

The Italian market has benefited from the growth and development of Bruni Glass. Berlin has continued to invest in the country, resulting in further job creation (+40 workers since the Berlin acquisition) and increased business for the Italian supply chain. Additionally, as a sustainability leader in the US, Berlin has been able to implement sustainable practices across their European enterprises, and further strengthening their work to find the most cost-effective and environmentally friendly packaging products and solutions.

DOING M&A IN ITALY

Based on the acquisition of Bruni Glass by Berlin Packaging, aspects to be highlighted for entering the Italian market and ensuring deal success is contingent on understanding the local deal landscape, cultural considerations, and post-deal integration balance:

- *Significance of establishing a relationship with the entrepreneurs* –. Understanding the cultural nuances and overcoming those obstacles in developing a meaningful relationship and shared vision with the entrepreneurs is critical to the deal's success.
- *Extended M&A and negotiation process* – The overall deals process was longer than that typically realized in the US. This was driven primarily by Tax, Legal and HR aspects of the deal, leading to increased diligence, subsequently resulting in a longer negotiation period.
- *Quality of financial information* – The scope and quality of financial information can vary significantly depending on the company size, IT structure, and management function. In the case of Bruni Glass, although a sound financial set of information was prepared by the Company historically, Berlin, like most US Buyers, required additional scrutiny of the Target's historical and projected profitability to validate their investment case.

KEY TAKEAWAYS

The successful expansion of Berlin Packaging into the Italian and subsequently European market result from several key success factors, which include (i) strengthening the core business with a management group and best practices aimed at enhancing the existing business, rather than pushing down the full processes and systems existing at the US corporate level, and (ii) employee empowerment through increased delegation of responsibilities and clear communication channels throughout the organization.

IV. MACROECONOMIC OUTLOOK

THE ITALIAN ECONOMY IN 2020

Italy has been the first European country to be severely affected by the COVID-19 pandemic in 2020, as early as February 2020. Faced with the overwhelming of ICUs and a significant increase in death rates in Northern Italy, the government imposed a harsh country-wide lockdown from March 9th, including the shut-down of all non-essential production and trade activities. The restrictions were eased in three steps between late April and early June, with the contagion wave well under control by then. Therefore, the pandemic negatively affected economic activity both in Q1 and Q2 2020, leading to the deepest recession ever recorded in Italy. GDP dropped by 5.5% q/q in 2020 Q1 and -12.8% q/q in Q2. For 2020 as a whole, a decrease of -9.5% y/y is expected. The steep decline in economic activity was initially driven more by the containment measures than by uncertainty or income losses. Therefore, the lifting of the restrictions has led to a quick rebound in May and June, and Q3 GDP is widely expected to rise at a fast pace. However, the recovery will only be partial:

- Some sectors (tourism, travel, restaurants, bars, entertainment etc.) face a prolonged period of lower demand, in relation to restrictions to international travel, safety measures and changes in individual behaviour and work habits (such as the extensive recourse to smart-working). Tourism may take 2.5% off this year GDP.
- Uncertainty and the drop in profitability will negatively affect business investment.
- The lower level of economic activity is taking its toll on employment levels, especially among workers with temporary jobs. Long-term employment is supported by the national short-time job scheme called "Cassa Integrazione Guadagni" (CIG), whose effectiveness, however, may decrease over time. In addition to the decrease in household income related to the decrease in hours worked, the rise in unemployment and the drop in revenues earned by self-employed people, consumer spending could be hit by an increase in precautionary savings.
- Besides, since similar developments are occurring among Italy's trade partners, exports are unlikely to recover pre-crisis levels soon.

The pandemic crisis has caused a massive increase in the public sector borrowing requirement. The government deficit, originally planned at 1.9% of GDP, is now expected to rise to more than 11% of GDP in 2020. The massive deterioration of the fiscal position is explained by the drop in tax revenues and by the increase in outlays related to employment support schemes such as CIG. The debt ratio is forecasted at 157% by year-end. Despite the challenges, the funding of the borrowing requirement has been rather smooth, thanks to the support indirectly provided by the purchase programs of the European Central Bank. In March, the ECB boosted the existing APP by 120 billion euros and then announced the launch of a new Pandemic Emergency Purchase Program (PEPP), with an allowance currently standing at 1350 billion euros and active until June 2021 at least. Additional support will be available through the E.U. SURE program, a 100-billion fund set up to refinance national employment schemes.

The fiscal position is expected to improve in 2021 with the partial recovery of tax revenues and the decrease in the cost of employment schemes. Besides, on July 21st the European Council launched an extensive program (Next Generation EU) which may provide up to 200 billion financial support in the next four years, including up to 80 billion euros in grants, 10% of which paid in 2021. Next Generation EU will fund investment projects and reforms, provided they are consistent with the EU country-specific recommendations.

Before the pandemic, the Italian economy was already struggling. In 2019, GDP increased by 0.3% y/y, versus 0.7% in 2018; the quarterly changes had been flat in Q3 and negative (-0.2%) in Q4. Growth was restrained by the slowdown in global manufacturing activity and trade. On the demand side, positive contributions came in 2019 from both final domestic demand (0.5%) and net exports (0.5%), partially offset by stock building (-0.7%).

Inflation has been low and decreasing: the HICP rose 1.2% and 1.1% in 2017 and 2018 respectively, but just 0.6% in 2019. Consumer price inflation may be slightly negative in 2020, owing to the steep decline in energy prices in the first half of the year.

While deleveraging in the government sector was making little headway before the pandemic crisis, the financial position of the private sector had improved, thanks to low interest rates, abundant liquidity, broadly stable economic activity and balance-sheet restructuring. In the banking industry, in particular, the stock of NPLs has been declining sharply in the last two years – both because of lower loan default rates and of sales of NPLs by banks. The debt ratio in the household sector remains very low in the international comparison while the financial structure of non-financial companies has improved, which should make them relatively more resilient in face of the current shock. Despite low productivity, Italy runs significant trade and current account surpluses. The net international investment position was negative for just 1.7% of GDP in 2019Q4, with an improvement of almost 20 percentage points since 2014.

As for credit ratings, on October 19, 2018, Moody's downgraded Italy's rating from "Baa2" to "Baa3", with a stable outlook. In October 2018, S&P confirmed the BBB rating, but changing the outlook from stable to negative. No rating actions were taken in 2019. On 28 April 2020, Fitch downgraded Italy from BBB to BBB-, with a stable outlook. DBRS gives the highest rating to Italy, BBB (high), with a negative outlook.

THE US ECONOMY IN 2018-2019-2020

2018 started with strong swings on the US stock market, despite the solid fundamentals of the entire US context.

Moreover, during the first months of the year, President Trump announced new tariffs on Chinese products, representing a factor of uncertainty as well as political and commercial tensions.

In the central part of the year, positive signals came from the main macroeconomic indicators: a decrease in the unemployment rate combined with an increase in retail sales of industrial production.

The second half of the year witnessed escalating tensions related to the trade war with China and its commercial allies, representing a threat to the momentum of the entire American economy, as indicated by the expected reduction in consumer confidence.

This also affected the stock market: on December 24, the S&P 500 index recorded the lowest value of 2018, reaching 2,351 (-13.7% since the beginning of the year and -19.7% compared to the peak reached in September 2018).

Moreover, despite the opposition of President Trump, the FED raised interest rates for the fourth time in 2018, bringing them to a 2.25-2.50% range.

Despite the negative performance of the stock market in the second half of 2018, the year ended with a real GDP growth of 3.0% vs. 2017.

After a very negative December, in January 2019 the American stock market registered the best performance of the last 30 years, with the S&P 500 index up 7.9%. This positive trend was also supported by FED's comments on the greater flexibility around interest rates, and by the decision at the end of January to leave rates unchanged in a range of 2.25-2.50%.

In the first quarter of 2019, the US economy recorded an annualized growth of 3.1%, exceeding market expectations; this expansion in economic activity also resulted in a further reduction in the unemployment rate, which at the end of April was close to 3.6%, the lowest value in the last 50 years.

In June 2019, the CPI increased 1.6% on an annual basis, lower than the 2% target set by the FED, which at the end of its June meeting left interest rates unchanged (in the range of 2.25-2.50%), maintaining the "patient" attitude adopted at the beginning of the year.

In July 2019, the FED cut interest rates for the first time in more than a decade to a range of 2.00-2.25% in order to support the economy in a context of weak global growth and US-China trade conflicts, despite the US labor market remained strong with the lowest unemployment rate since the late 1960s. In September 2019, the FED cut interest rates by additional 25 bps to a range of 1.75-2.00%, and additional 25 bps in October to 1.50-1.75%.

In November 2019, the US trade deficit had fallen to its lowest level in three years due to a declining deficit with China and higher oil exports.

In December 2019 the US, Mexico and Canada (USMCA) finalized a trade deal aimed at replacing the 25-year-old North American Free Trade Agreement (NAFTA), including new terms around dairy & agriculture and automobiles sector, as well as intellectual property.

With GDP growth at 2.3% vs. the previous year, 2019 also represented a year of very strong performance for the stock market, with the S&P 500 rising by 29%, the biggest gain since 2013.

In January 2020, the United States and China signed an agreement to pause the trade war. China has agreed to make purchases of about $200 billion worth of US goods over a two-year period and strengthen intellectual property rules. In exchange, the US will decrease some of the new tariffs it has imposed, although taxes on $360 billion in Chinese goods will stay in place.

In the same month, coronavirus began spreading from China to all over the World. On January 21, a Washington state resident became the first person in the US with a confirmed case of COVID-19 and on February 3, the Trump administration declared a public health emergency. Such an announcement came three days after the World Health Organization (WHO) declared a Global Health Emergency, as more than 9800 cases of the virus and more than 200 deaths had been confirmed worldwide. With the virus continuing to spread, on March 13 President Donald Trump declared coronavirus a national emergency and an increasing number of member states imposed strict public health and social distancing measures: 32 out of 50 states had locked down by the end of March.

As a response, in the earliest stages of the COVID-19 outbreak, at an unscheduled meeting on March 3, the FED lowered its benchmark rate by 50 bps to 1.00-1.25%. Twelve days later, at a second unscheduled meeting, the FED cut rates by 100 bps to 0.00-0.25%.

At the end of March, the US government enforced into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a $2.2 trillion economic stimulus representing the largest economic recovery package in history. The spending primarily includes one-time cash payments to individual Americans, increased unemployment benefits and the creation of the Paycheck Protection Program that provides forgivable loans to small businesses as well as aids for large corporations and states/ local governments.

Notwithstanding the government efforts to contain contagion and sustain the national economy, the global pandemic resulted in a severe recession, with the US economy contracting by 4.8% at the end of the first quarter. Such a drop represented the end of the longest economic expansion in history.

In April, the unemployment rate increased from 4.5% to 14.7%, and, in the second quarter, GDP plunged 31.7% on an annualized basis, worse than the 26% drop occurred during the Great Depression.

The US economy reopening begun in May, bringing some positive signals of recovery: most notably, the record-breaking number of jobs added in both May and June (cumulative 7.3 million new jobs created vs. market expectation of a further reduction of 5.4 million). Such a positive result ended up in a reduction of the unemployment rate, which at the end of June stood at 11.1%.

Also, in June the S&P 500 bounced back to pre-COVID levels, erasing the historic plunge (one-third of its value) that took place between February 20 and March 23. On August 18, the index reached a new all-time high.

As far as inflation is concerned, the CPI picked up to 1.0% year-on-year in July 2020, recovering further from May's four-and-a-half-year low and exceeding market expectations by 0.8%.

After a new surge of COVID-19 cases in various parts of the country in July, August witnessed new cases dropping by c. 20% since the beginning of the month. The unemployment rate also kept decreasing, standing at 8.4% at the end of August.

As far as 3Q20 is concerned, analysts forecast a GDP rebound of around 20%; however, 2020 is still expected to be one of the worst years in terms of GDP growth for both the US and global economy, with US GDP contraction predicted in the range of 4-5%, in line with Global GDP estimates.

V. THE POLITICAL CONTEXT 2018-2019

ITALY

Indeed, the election held on 4 March of 2018 was another turbulent one for Italian politics: while showing a substantial continuity in the tripolar competition that had emerged in 2013, it triggered a radical shift in the balance of powers among the three poles of the Italian party system, leading to at least five unprecedented results.

The yellow-green executive, formed by the leaders of Lega and M5S sealing the "Contract for the Government of change", materialized in a permanent divergence of views on the implementation of their respective distinctive measures. Such contrast, coupled with a weakened opposition, led many observers to mark the development of an unprecedented bipolar system within the governing majority itself.

On the one hand, the M5S promoted a programmatic platform based on pivotal measures such as citizenship income, reduction of the cost of politics, and freeze of major infrastructural projects already in place or pending for final approval. On the other, the new League led by Matteo Salvini, succeeded in gathering broad consensus around the proposals for greater security, fight against immigration, and introduction of the flat tax. Programmatic elements shared by the two parties were the overruling of the pension system introduced by the Fornero law by the so-called Quota 100 and the belief that exceeding European budgetary constraints was not a taboo anymore.

However, the yellow-green coalition was not to remain in office for long. After 14 months characterized by a problematic and highly conflictual cohabitation, on August 20, Italian Prime Minister Giuseppe Conte announced his resignation by an hour-long speech at the Italian Senate. On that occasion, he launched a fierce attack on Deputy PM and Internal Affairs Minister Matteo Salvini for setting in motion a "dizzying spiral of political and financial instability" by deliberately pulling the plug on the government. This announcement was the apex of a crisis explicitly opened at the beginning of August 2019 by League's leader Matteo Salvini, willing to break the "populist alliance" with 5 Stars Movement and pushing for new elections. The conflict between the two governing parties spanned from the European Commission Chairmanship to the laws on immigration, from infrastructural works to fiscal policies and regional autonomy versus a central role of the State.

THE NEW YELLOW-RED GOVERNMENT

After two rounds of consultations, on August 29, President Mattarella mandated former PM Giuseppe Conte to form a government supported by a new majority between M5S and Democratic Party. Less than one week of negotiation was enough for M5S and Democrats to find an agreement on programs and Ministers.

Conte's cabinet successfully faced confidence tests in the House and the Senate, while League and Brothers of Italy organized protests outside the Parliament pleading for new elections on the assumption that polls and results of the EU vote had revealed the populace was in favor of a center-right government led by Matteo Salvini.

From a political perspective, the first months of the new government were characterized by an increase in complexity and internal fragmentation since, shortly after the oath of Mr. Conte, some members of the Democratic Party parliamentary group created a new political movement (Italia Viva) led by former DP Secretary and former Prime Minister Matteo Renzi. From its very first day, Italia Viva, although supporting the government (its votes are crucial for its survival) has not agreed with many of the policies proposed by the left wing of the coalition.

That initial period also coincided with the renewal of some regional councils, the outcome of which bolstered the League and FdI to the detriment of Forza Italia on one side, the Democratic Party on the other, appeared to benefit from being part of the government while 5 Stars Movement collapsed. This is a strong evidence to the anomaly of Italian current system for which the majority party in the Parliament undergoes constant decrease in terms of consensus among the population and a lever in the hand of the center right for pushing an early return to the polls. However, the increased volatility of the market faced to such a scenario and the general unpreparedness of the parties in the Parliament to face a new consultation appear to have granted so far the survival of the current government, which also factored in the pledge of the EU and the reduction of the spread, critical factors in the success of the Budget Law.

THE 2020 AND THE POLITICAL CONSEQUENCES OF THE PANDEMIC

The current political year, although significantly marked by the uncertainty dictated by the coronavirus emergency, made the current majority more stable. Indeed, the health crisis led to the definition of new shared priorities in terms of policy proposals that, until early February, a rather fragmented majority was struggling to find. First of all, the Covid-19 outbreak putting harsh pressure on the National Health System triggered the commitment of significant resources as allocated by the economic decrees of April and May. Additionally, the requirements for accessing the considerable amount of money the European Union will make available through the Recovery Fund has spurred the Government to identify the following core elements of Italy's recovery and resilience plan:

- Digitization, Innovation and Competitiveness of the productive system
- Green revolution and ecological transition
- Infrastructure for mobility
- Education, training, research and culture
- Social, gender and territorial equity
- Public Health

The consolidation within the government created by the emergency appears to resonate with the country's consensus towards the current majority. Prime Minister Conte's management style during the emergency, sober but firm in communication as much as effective in dialoguing with international institutions, earned him support from across the entire parliamentary spectrum.

Together with increased support to the leader, we observe a further adjustment within the governing coalition, as affirmed by the results of the latest regional consultations in September, with a decline of the 5 Star Movement and a slow but steady recovery of the Democratic Party. A trend that, scratching the surface, pleads in favor of PM Conte's moderate and pro-European approach.

On the opposition front, the last regional elections confirmed the presence of a center-right that, led by Lega and Fratelli d'Italia, performs well but is not able to win and govern in the absence of moderate figures with proven ruling experience (as shown by the overwhelming victories of Zaia in Veneto and Toti in Liguria and the defeats of Ceccardi in Tuscany and Fitto in Apulia).

With these premises, we can expect the current government to rule until the end of its natural mandate (February 2023), with the current parliamentary majority responsible for the election of the next President of the Republic in 2022.

Obviously, there are some critical issues looming, which if not properly managed by the government, may backfire. First and foremost, the ban on layoffs introduced by the economic decrees during the Covid-19 emergency that will be lifted at the end of 2020 seemingly causing a wave of job cuts and an increase in the unemployment rate.

Secondly, a joint reading of the results of the constitutional referendum and of the regional elections suggest an escalation of the conflicts between the government and the regions that already emerged during the management of the crisis. The Parliament, strongly demoted by the outcome of the referendum, will be less and less able to represent the populace demands and will be replaced in this function by the Regions. With a 75% share of the regional government firm in the hand of the center-right, institutional relations may turn to be a chronic pain in the neck to government policy.

UNITED STATES OF AMERICA

Donald Trump came to the presidency by surprise and rewrote the rules of politics in 2016. His remarkable impact has not come through conventional actions: the articulation of a governing agenda, the management of international relationships, the championing of legislation.

During these months, no political contest has received as much attention around the world as President Donald Trump's re-election campaign. The outcome of the 2020 U.S. election will not only have profound implications for American foreign and domestic policy but also shed light on the future of the movements re-shaping right-wing politics worldwide.

In economic terms, a domestic economy that was recording the best labor market conditions since 1969, has seen unemployment levels skyrocket from 3.5% in February to almost 15% in April due to the quick-fire Coronavirus spread, recovering to around 9% by August.

CARES ACT

It would be tempting, but futile, to look at Trump presidency mainly through the lens of the novel coronavirus, and its global reverberations.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress with overwhelming, bipartisan support and signed into law by President Trump on March 27th, 2020. This over $2 trillion economic relief package aimed at providing direct economic assistance to workers, families, and businesses that have been negatively impacted by the coronavirus outbreak.

The bill includes $1,200 one-time payments to many Americans; sets up a $500 billion corporate liquidity fund to help struggling industries like airlines; allocates $377 billion for aid to small businesses; and boosts the maximum unemployment benefit by $600 per week for four months, among other provisions.

Trump signed the legislation hours after it passed the House, thanking Republicans and Democrats "for coming together, setting aside their differences and putting America first" with the legislation.

2020 ELECTIONS

By early September, the gap between Donald Trump and Joe Biden had narrowed to 6 points and, while still solid, Biden's lead in key battleground states remains at stake.

Whether Trump ultimately wins or loses, the 2020 campaign will hold up a mirror to American society, and the nation may recoil at its reflection. This will almost certainly be the most bitter, acrimonious presidential campaign in American history.

US-CHINA RELATIONSHIP

One thing is clear: whoever wins the presidential election, the U.S. has turned a corner in its relations with China: even with an administration change in January, China would face continued heightened friction with the U.S.

The outgoing United States Ambassador to China, Terry Branstad, has denounced Beijing's initial handling of the coronavirus, saying that "what could have been contained in Wuhan ended up becoming a worldwide pandemic".

VI. LEGAL OUTLOOK

THE LEGAL CONTEXT IN ITALY: REFORMS FOSTERING FOREIGN INVESTMENTS

As we pointed out in our previous White Paper, the Italian economic context is in many cases made of companies which, despite the fact that they represent excellence in their relevant sector, are often characterized by relatively limited dimensions, or in any case by being smaller than their respective international competitors. Often for reasons of scale, therefore, these *business champions* have not yet managed to approach international markets.

Also the legislative acts that we have referred to this document are therefore in continuity with those illustrated in the previous White Paper, since they have been issued to encourage the dimensional growth of SMEs, as well as the *de-personalization* of Italian limited liability companies and, in general, to foster investments.

THE NEW SRL (LLC) / PMI (SME)

SRL-SME in Italy are 99% of the overall LLCs and they represent by far the most common type of company for those who want to begin a start-up enterprise and for those who manage and foster its growth and, as a consequence, for those who invest on them.

Some recent legislative modifications - in particular, the Law Decree No. 50/2017 and the Legislative Decree No. 129/2017 - have generated a true reform of corporate law, thanks to which the Srl-SMEs have turned again into "small S.p.A.s", with a wide range of important prerogatives for investors too.

There has been a partial dissolution of the tight link between the company and the shareholder as a person - typical of the Srl so far - with the consequent opening to the market: on one hand, we see a "depersonalization" of the quota, on the other hand, it is easier to find funds even outside the company.

It is now possible to divide the corporate capital in categories of quotas, each of which can grant different rights; it is possible to considerably limit the right to vote of such categories; to buy and sell "treasury quotas" in the context of incentive plans for employees and directors; to offer the public to take part to the capital, even though crowdfunding on the internet.

For potential investors in Srl-SME, innovations concerning the "different rights", which can be granted thanks to the different categories of quotas, are particularly relevant. The range of these different rights is wide, as they can be freely determined by the shareholders, always within the limits of the law and the particular rights of some quota - holders, which cannot be limited. Besides the common cases of privileged distribution of profits or appointment of the directors of the company, there may be obligations or rights regarding the circulation of quotas: for instance, it is possible to grant only to a category of quotas the right connected to a clause limiting the transfer of other quotas (such as an exclusive preemptive right), or to impose to a category of quotas only a burden, deriving from the above mentioned clause.

Autonomy is very wide even concerning the right to vote: it is possible to have categories of quotas without the right to vote or granting the latter in a less than proportional way or only for specified matters or subject to the occurrence of specified conditions; it is furthermore possible to set a mechanism of "split vote": for example, it can be decided that 10 quotas give right to 10 votes; 20 quotas, 18 votes; 30 quotas, 24 votes, and so on.

When the Srl-SME, which has issued different categories of quotas needs new funds, typically through a capital increase, all the shareholders have the right to subscribe any kind of quota, although this rule can be derogated by the articles of association. And if the company then grows and conditions for qualifying it as a SME do not exist anymore, the rights of a quota-holder will not disappear since the quota will maintain its features.

THE GROWTH DECREE *(DECRETO CRESCITA)*

The "Growth Decree" (Legislative Decree 30 April 2019, No. 34, converted into Law 28 June 2019, No. 58, hereinafter "GD") has been welcomed: it contains many incentives for companies investing in Italy, both regarding corporate law and tax law.

THE "SIMPLE INVESTMENT COMPANY" (SIS, SOCIETÀ DI INVESTIMENTO SEMPLICE)

Art. 27 of the GD modifies Art. 1 of Italian Financial Act (TUF), by adding the definition of SISs. The ratio of this new provision consists in raising Italian and foreign capitals to be reinvested in real economy and especially in financing innovative startups.

The new SIS is modelled on the already existing SICAFs, with the following differences: the obligation not to use leverage, a share capital between 50,000 Euro and 25 million Euro and a single company object, consisting in investing funds in non-listed SME. Furthermore, these companies must have an adequate governance system, which has to ensure a sound and prudent management.

If the above mentioned conditions are met, the company will benefit from a less complicated regime than that one provided for SICAFs: for instance, the shareholders will have to fulfil only the requirements of honorability and other particular rules of the Italian Central Bank and of CONSOB (the Italian equivalent of the SEC) will not apply.

The SIS is considered a good instrument in order to fund the "marketplace of ideas", in some new profitable sectors, such as IT, thanks to the above mentioned simplified regime.

SIMPLIFICATION OF THE PATENT BOX

The so called "Patent Box", the optional tax regime for profits deriving from IP, has been amended by the GD: it is now possible, for subjects using this regime to declare and determine autonomously their taxable income, sending the documents thanks to which they calculate the due amount directly to the Agenzia delle Entrate, following some instructions which will soon be published.

AMENDMENTS TO THE "NUOVA SABATINI"

The GD has raised the threshold (from 2 mil. Euro to 4 mil. Euro) of the funds that a company can ask to the Government according to Law Decree 21 June 2013, No. 69 (the so called "Nuova Sabatini"); the procedure for requesting the loan has also been modified: the request has to be sent via private financial intermediaries, which are also responsible for a preliminary evaluation.

THE CODE OF CRISIS AND INSOLVENCY

THE NEW "EARLY WARNING TOOLS"

Part of the new "code of business crisis and insolvency" (the "Code") came into force with the issuing of the Legislative Decree 12 January 2019, No.14. This also caused changes in some articles of the Italian Civil Code.

The first and main purpose of the Code is to make the economic and financial problems of a company emerge as soon as possible, so that a series of procedures can be activated, in order to avoid the deterioration of the enterprise situation, with risky consequences for the whole market (the so called "derived insolvencies").

These "early warning tools" are based on the provision of strict and strongly sanctioned obligations of disclosure for some creditors, defined "public qualified creditors" (I.N.P.S., Agenzia delle Entrate and tax collectors) and for supervisory bodies of companies (such as statutory auditors or independent auditors): when some precise crisis indicators, described by the Code, arise, these subjects have to the warn newly created O.C.R.I.s (Italian acronym for "body for mediation in business crisis"), established in the Chambers of Commerce and constituted by experts of commercial law and business practice, without any intervention of a judge.

It is always possible for the entrepreneur himself to ask for the help of an O.C.R.I., in case of serious difficulties in business, with a system of incentives, such as the immunity for bankruptcy crimes, in case of successive insolvency. The Code is inspired to the American concepts of "rescue culture" and "second chance": even Italy, similarly to what happened in many other European countries, is gradually abandoning the idea of a "punitive bankruptcy", in order to push businesspersons not to hide losses, but to seek solutions on the market.

THE NEW "DEBT RESTRUCTURING AGREEMENTS"

The Code also modifies the "old" rules on debt restructuring agreements. The new rules promote a good use of this instrument, imported from the American Bankruptcy Law. The debt restructuring agreement is indeed under the control of the judge, who can take interim or protective measures, in order to ensure the success of the negotiation, if he considers adequate and appropriate the proposals of the entrepreneur.

THE RELAUNCH DECREE *(DECRETO RILANCIO)*

The "Relaunch Decree" (Legislative Decree 19 May 2020, No. 34, converted into Law 18 July 2020) has introduced new incentives and measures to revitalize the Italian economic following the pandemic emergency.

VENTURE CAPITAL FUND

For instance, the Relaunch Decree has allocated a sum of Euro 200 million for venture capital investments in small and medium enterprises. The above-mentioned sum has been given to the Innovation National Fund ruled by the MiSe (the Ministry for Economic Growth and Development): any start-up is entitled to get up to Euro 1 million if it is making or has made investments in the six months before the Decree has entered into force.

In the first six months following the entry into force of the Decree start-ups which have already received the "Smart&Start Bonus" (see below) and start-ups whose revenues have decreased due to Covid-19 can use a simplified procedure for getting the sums granted by this venture capital fund.

"SMART&START" NEW FUNDS

The "Smart&Start" project (a project that allows innovative start-ups to obtain funds for developing new ideas) has been refinanced by the Relaunch Decree: every start-up can receive from Euro 100,000 to Euro 1 million by sending ideas to Invitalia, the Italian national agency for development. At the beginning of September, Invitalia had financed 1,024 new start-ups for a total amount of Euro 362 million, creating 5.740 new work places.

ENVIRONMENTAL "SUPERBONUS"

The Relaunch Decree has also granted a tax credit for house owners, up to 110% of investments for energetic efficiency from 1 July 2020 to 31 December 2020. This bonus cannot be used by companies, but it aims to favour investments in real estate, in order to both increase its value and to decrease energetic waste.

INDUSTRIA 4.0 PLAN

Industria 4.0 is an investment plan dedicated to innovative companies and entrepreneurs. Amongst others, one of the most effective measures is the tax "super-amortization" for companies that decide to invest in "innovative material goods necessary for the business" (as specifically defined by Annex A to the Law 11 December 2016, no. 232). The Italian Government grants such enterprises tax credits that are computed on the total amount of the investment. A similar measure has been provided for "innovative immaterial goods necessary for the business", such as patents and for goods, which are instrumental for the business.

SACE GUARANTEE TO ENTERPRISES

The Liquidity Decree (Law Decree 8 April 2020, no. 23) has given all enterprises and companies the possibility to ask banks for loans with a guarantee provided by the Italian State. In particular, this guarantee is conferred by SACE SIMEST, a company owned by the Italian Government which aims to help Italian enterprises all over the world. The amount on the guarantee depends on the revenues and the number of employees and it goes from a minimum of 70% up to a maximum of 90% of the loan.

THE GOLDEN POWERS OF THE ITALIAN GOVERNMENT

The scope of the so-called Golden Powers that the Italian Government could exercise in connection with the transactions affecting certain strategic sectors (the "Strategic Sectors") have been recently extended by the Italian Law Decree 23/2020 (converted into Law 5 June 2020, No. 40) issued to face the COVID-19 epidemiologic emergency.

Initially, defense and national security, communications, energy and transports were the only industries considered Strategic Sectors, but then this perimeter has been further extended in 2017 so to include certain high-tech intensive industries (critical or sensitive infrastructure such as storage and management of data or fin-tech infrastructure; critical technology, including artificial intelligence, robots, semiconductors, dual use technology and network security and space and nuclear technology; security of procurement for critical high-tech inputs; and access to, or the capacity to control, sensitive information). Then in 2019, also in application of certain EU Regulations, the Strategic Sectors have been further extended to additional sensitive industries (critical infrastructures, whether physical or virtual, including energy, transport, water, health, communications, media, data processing or storage, aerospace, defense, electoral or financial infrastructure, and sensitive facilities, as well as land and real estate crucial for the use of such infrastructure; critical technologies and dual use items, including artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, defense, energy storage, quantum and nuclear technologies as well as nanotechnologies and biotechnologies; supply of critical inputs, including energy or raw materials, as well as food security; access to sensitive information, including personal data, or the ability to control such information; the freedom and pluralism of the media; financial, credit and insurance).

In connection with the mentioned Strategic Sectors, a mandatory pre-closing notification to the Italian Prime Minister is required in the following cases:

- Acquisition of a stake in companies holding assets and relations in the Strategic Sectors by a foreign entity (this includes both extra and intra-EU) if the transaction is likely to determine the change of control over the target;
- Acquisition of a 10% stake (in terms of shareholding or voting rights) by a non-EU entity in companies holding assets and relations in the Strategic Sectors, if the overall value of the investment is equal to or higher than EUR 1 million. The stake acquisitions by a non-EU entity

allowing the latter to exceed a shareholding equal to 15%, 20%, 25% and 50% are always subject to a notification duty, regardless of the value of the transaction;

- Resolutions, acts, or operations adopted or implemented by a company holding assets and relations in the Strategic Sectors that have the effect of a change in the ownership, control or availability of such assets or a change of destination.

The prior notification also requires the submission to the Prime Minister of the complete set of all the relevant contractual documents outlining the discipline of the perspective transaction. The Italian Government has 45 working days from the notification to trigger its veto right on the transaction or to issue other measures to ensure the protection of the national interests (e.g. amendments to the structure of the transaction/contracts/shareholders' rights). Such term may be suspended if the information provided by the parties is not complete. Upon the expiration of the 45 working day period, the notified transaction can be closed pursuant to the original terms or the terms and conditions required by the Italian Government. The new provisions also introduced the Italian Government's faculty to exercise the Golden Powers ex officio in case of failed notification of the transaction.

If a golden power notification is required, the parties cannot close the transaction before clearance (i.e., a standstill obligation is in place): thus, parties usually file the notification after signing and include the clearance as a closing condition. Sanctions are applied in the event of breach of the procedure: suspension of the voting rights, invalidity of the actions carried out, administrative penalties (min. 1% of the turnover of the involved entities up to a max of the double of the value of the transaction).

The specific provisions issued to face and limit the adverse effects of the COVID-19 epidemiologic emergency will be valid until December 31, 2020, if not further extended.

THE LEGAL CONTEXT IN THE UNITED STATES: EFFECTS OF TRUMP'S PRESIDENCY ON M&A ACTIVITY

Since the latest White Paper, the examination of the results of Trump's Administration continues, almost at the last months of Mr. Trump's 4-year presidential term. Since the outset of his presidential term, Donald Trump has signed 186 executive orders (until end of September 2020), 441 Statutes in the Legislature No. 115 of Congress (January 2017/January 2019, corresponding to the first two years of his presidential term) and 158 Statutes in the Legislature no. 116 (until end of September 2020). As indicated in the previous White Paper, many reforms have been carried out so far and many are on the way. America First's agenda has continued to impact many sensitive areas, not only for national companies but also for multinationals and M&A's inbound and outbound operations. Some of the reforms, already implemented or on the agenda, seem to favor these transactions, while others may discourage them or require greater strategic investments to optimize their results.

Amongst the reform proposals in favor of M&A activity we can find the tax reform, which lowered the corporate income tax rate to 21%, and encouraged repatriation to the US by reducing tax on profits generated abroad; thus facilitating the flow of capital to US-based companies by their affiliates abroad; an ambitious renewal and expansion infrastructure program that until today has not yet been fully put into gear – in spite of the fact that the agreement reached in April 2019 between the President and the Democrats in Congress for a 2.000 billion dollars infrastructure investment plan seemed to boost the February 2018 investment program – largely due to the regulation's fragmented system of Private-Public partnerships mechanisms, which differ from State to State; a widespread program of bureaucratic simplification and decrease of laws and existing regulations.

On the other hand, concerns continue to be raised about the potential dampening impact on M&A and in general, trade with the USA: import duties, on which there are hopes to have reduction, at least compared to goods coming from Europe; an immigration reform (now rejected twice by Congress) that would make it more difficult to move "human capital" towards the USA, especially after the strict implementation standards to obtain the green card set by the Trump Administration on August 12th 2019; the expanded scope of CFIUS National Security Review Process. However, overall, it seems that the economy's driving force outweighs the dampening fears, as witnessed by the results of the US stock markets that, since the beginning of 2018, continue to record rising peaks.

TAX REFORM

The examination of the results of Trump's Tax cuts and Jobs Act, which came into force on January 1st, 2018, one of the most far-reaching pieces of tax legislation enacted in the last three decades, continues. The reform introduces a cut in corporate tax from 35% to 21%, together with the removal of certain deductions and credits previously provided and the incentives to repatriate to the USA profits generated by foreign affiliated companies through the tax reduction mentioned previously. Regarding investments and inbound M&A transactions, the most innovative reforms are: the reduction of the corporate tax rate to 21%; new rules on interest deduction and carry-over of operating losses; stricter rules on interest expense and hybrid transactions (such as license royalties) between related parties; tax to discourage companies from moving profits to countries with lower tax rates, through deductible payments (interest, expenses and royalties) to foreign related parties (BEAT tax); widening the concept of controlled foreign corporation (CFCs) for tax purposes, involving an indirect increase in taxes on certain income of foreign companies owned 50% by U.S. persons.

More than a year and a half after the entry into force of Trump's tax reform, there still is no consensus on the effective input to boost investment: there are those who believe that by lowering the cost of capital, the reform has led to a significant increase in investments (cf. Council of Economic Advisors – Agency within the US President's Executive Office – 2019); while on the other hand it is noted that the profit margins freed by the reform only partially resulted in an increase in investments (e.g. Krugman, 2018). It is necessary to wait for the results over a broader period of time in order to fully assess the impact of the tax reform on investment made in the US.

Without prejudice to the above, a study conducted by the International Monetary Fund in May 2019 indicates that the level of investments reached at the end of 2018 was 4.5% higher than the forecast made in autumn 2017, before the tax reform was enacted. Such excess over the growth forecast was higher than in the other advanced economies, where investment growth remained in line with the forecasts made.

THE INFRASTRUCTURE

The infrastructure program has not yet reached its full potential. As indicated in the previous White Paper, in February 2018 President Donald Trump announced a maxi investment plan to expand and renew national infrastructure, expenditure of about $1,500 billion with initial funding of $200 million from federal funds as grants. According to the program, this should favor investments and extraordinary transactions, which often are halted due to the difficulty to effectively organize the commercial logistics in the USA. It is expected that States and counties will be the first to release financial resources, covering up to 80% of the costs, mainly due to incentives and bureaucratic streamlining. The States in which the largest investments are planned are New York, Pennsylvania, Michigan, Texas, Washington, Ohio and Maryland. As mentioned before, the Infrastructure program of renewal up to now has not yet been fully put into gear– despite the agreement reached in April 2019 between the President and the Democrats at Congress – largely due to the fragmented system of Private-Public partnerships mechanisms.

BUREAUCRATIC SIMPLIFICATION

Another goal is a streamlining bureaucratic national reform, also reducing the compliance regulation of listed companies. Changes in reporting requirements for companies listed on US markets from quarterly to semiannual could be discussed. Besides, the Trump administration is trying to implement a plan to reduce regulations, so that every new legislative initiative is followed by simplification or regulatory reduction.

THE CFIUS EXPANSION

Another area of interest regarding the practical impact on M&A operations is the review by the CFIUS (Committee of Foreign Investments into the United States) – Committee which reviews certain transactions involving foreign investments in the United States – especially after the recent introduction of the Foreign Investment Risk Review Modernization Act (FIRRMA). On 13 August 2018, President Donald Trump signed a law that considerably extends the CFIUS's powers of review through the introduction of the FIRRMA. Specifically, the CFIUS is the federal committee responsible for analyzing extraordinary transactions that include foreign investments and has the power to block the transaction, even if it is already completed, when it is considered to cause damage – or possibly to cause damage – to national security. In March 2018, CFIUS blocked the multi-million-dollar takeover of Qualcomm, a Californian microchip manufacturer company, by its competitor Broad, a company based in Singapore, for national security reasons. CFIUS will now be able to analyze not only classic M&A transactions but also venture capital and private equity deals and any type of transactions in which the foreign investor is not merely passive.

In addition, CFIUS will focus particularly on technological transactions, considering technology as one of the main assets of national interest and security. The reforms introduced by FIRRMA concern in particular (i) the extension of transactions falling within the scope of the control mechanism established by CFIUS; (ii) a filing fee, to be set by the Committee but not to exceed the lesser of US$300,000 or 1% of the value of the transaction; (iii) the extension of the time limit for Committee reviews from 30 days to 45 days, with an additional period of 15 days in the event of "extraordinary circumstances"; and (iv) a strengthening of the so-called mitigation measures and their scope, such as the provision of additional compliance plans.

On 17 September 2019 new regulations were proposed to implement the FIRRMA mechanism, expanding the scope of application of review by CFIUS – covered control transactions and covered investments –also to non-passive investments in U.S. companies involving critical infrastructure, sensitive personal data and certain real estate investments. The proposal provides for the broadening of the notion of "covered investments", including within such notion certain non-passive unaffiliated investments in U.S. companies – according to the broad definition adopted by CFIUS, to which reference is made – in the TID area – Technology, Infrastructure and Data.

COVID-19's impact on cross-border transactions and the attention to protect critical national U.S. technology from foreign acquisitions – particularly in specific sectors such as Pharma, Data, Tech, Real Estate – enhance CFIUS' role.

It can be expected that CFIUS will enhance its scrutiny on current cross-border M&A transactions and will want to make sure that companies running in difficult financial waters – especially tech start-up companies – do not fall into the hands of foreign capital to such an extent as to pose a threat to U.S. defense and national security interests.

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