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"M&A and Private Equity: how is the Italian luxury fashion industry changing? A study through performance analysis"

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Michele MARTINI

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Abstract in Italian

Questa tesi si propone di investigare l'impatto di operazioni di finanza straordinaria, come Fusioni e Acquisizioni e Private Equity, nel settore della moda di lusso in Italia dal 2011, sulle performance delle aziende acquisite, comparandole inoltre con quelle di aziende appartenenti allo stesso settore, quotate presso la Borsa di Milano. Caratteristica intrinseca del contesto italiano è la grande presenza di aziende target attive nel settore della moda di lusso, e il fatto che la maggior parte di queste siano family business, con tutte le conseguenze che ne derivano. L'obiettivo è quello di comprendere se le teorie esistenti riguardanti queste operazioni, come ad esempio la difficoltà di attuare acquisizioni estere o gli effettivi benefici del Private Equity, siano valide anche per l'Italia, specificatamente nel settore analizzato. I risultati dello studio mostrano un'immagine generale di come quest'industria sta cambiando (attraverso la categoria generale che comprende tutte le 53 osservazioni), e immagini specifiche per ciascuna categoria (acquirente strategico, acquirente finanziario, acquirente italiano, acquirente estero, e aziende quotate). Vengono considerate diverse tipologie di indicatori di bilancio relativi a dimensioni, profittabilità, indebitamento/costo del debito, e tasse, negli ultimi anni disponibili (2016-2018). Ne conseguono delle implicazioni soprattutto a livello pratico-decisionale, per i manager e i proprietari delle aziende target e delle aziende acquirenti, ma anche delle implicazioni per il governo.

Abstract in English

This study aims to investigate the impact of extraordinary financial transactions, such as Mergers and Acquisitions and Private Equity, in the luxury fashion sector in Italy since 2011, on the performance of acquired companies, comparing them with those of companies in the same sector, listed at the Milan Stock Exchange. Characteristic of the Italian context is the large presence of target companies operating in the luxury fashion sector, and the fact that most of them are family business, with all the subsequent consequences. The focus is to understand whether existing theories regarding these operations, such as the difficulty of cross-border acquisitions or the actual benefits of Private Equity, are also valid in Italy, specifically in this sector. Study results show a general picture of how the industry is changing (through the general category including all 53 observations) and images specific to each category (strategic buyer, financial buyer, Italian buyer, foreign buyer, and listed companies). The different types of indicators such as dimensional, profitability, indebtedness/costs of debt, and fiscal management indicators are considered in the last available years (2016-2018). This results in implications,

above all at a practical, decision-making level, for managers and owners of target companies and buyers, but also the government.

Keywords

M&A, Private Equity, Luxury Industry, Family Business, Performance Analysis

Introduction

In recent years in Italy, there have been many changes in the ownership structure of luxury fashion companies. These kinds of changes have become a necessity for some companies, even if the luxury fashion sector is growing, in order to be more competitive and acquire more skills through external resources. These sources may be large international or national groups or even international or national funds, which, in addition to providing acquired companies with new financial capital, may also contribute to their success with new managerial skills.

Not all companies try to develop themselves externally, since especially in Italy entrepreneurs are often reluctant to sell, even partially, their companies. This is a matter of mentality. Indeed, in Italy, there is a very large percentage of small and medium-sized enterprises, the so-called "SMEs", (92%, source: Il Sole 24 Ore), and this means that many people work independently and do not want to "share" the possible fruits of their success.

It was decided to develop both M&A and Private Equity (that is a more recent phenomenon) for a sense of completeness. Private equity can be considered a subcategory of M&A; M&A stands for Mergers & Acquisitions and these can take place through strategic or financial buyers (Private Equity funds). The recent changes in the ownership structure of the analyzed sector include both of them, and entrepreneurial households can sometimes choose which is the best possible way, between those two, to finance their companies. In addition, Italian entrepreneurs can choose whether to find Italian or foreign partners/buyers. Therefore, in order to understand the dynamics of how the luxury fashion sector is changing, it is necessary to analyze four categories of buyers (strategic, financial, Italian, and foreign) and to see if there are substantial differences between their contributions on the target companies, comparing them with the category of public companies listed on the Milan Stock Exchange.

The main consequences of acquisitions operated by companies or funds are economical and financial. Therefore, to figure out the impact of M&A and Private Equity on the acquired companies, their balance sheets will be analyzed through a quantitative method of research. The data regarding the deals have been obtained through the Bloomberg Terminal, instead those regarding the performances (balance sheets) from Aida-Bureau van Dijk. The aim of the research is to see if there have been post-acquisition improvements depending on the nature and location of the buyer, regarding dimensional indicators, profitability indicators, indicators of indebtedness/costs of debt, and fiscal management indicators. For some indicators, only data for the last available year (static image) were considered, for others, the last three available years were analyzed (dynamic image). The data relating to each indicator were then processed

and summarized through six categories: general category, strategic buyer, financial buyer, public companies, foreign buyer, and Italian buyer. The statistical tools used are the mean, the standard deviation, the median, the maximum, and the minimum.

Most Italian luxury fashion companies are family businesses. It is therefore important to understand the characteristics of the family business together with those of the fashion luxury sector and how these can be connected to M&A and Private Equity, in order to identify the elements that lead these extraordinary financial operations to success. These topics will also offer the possibility of making a connection between Italy and France. Indeed, the main buyers of Italian luxury fashion companies are two French groups: LVMH and Kering Group. Moreover, it is possible to find another element of similarity between the two countries, which is the intervention of public financing through private equity funds.

The research is innovative because it aims to understand whether the general theories regarding extraordinary financial transactions are valid for the Italian context, trying to analyze the impact both of the strategic/financial nature of the buyer and its location (Italian or foreign) on the target companies' performance. Most implications are practical. Indeed, the results are useful for decisional purposes for the managers and owners of the companies involved, beyond that for the government since there are implications concerning the post-deals level of taxation.

The work plan has been structured in a total of four chapters. So with regard to the Literature Review (**Chapter 1**), the theories concerning M&A, Private Equity, Family Businesses, and those about the Luxury Fashion Industry, are developed. Following is the Method part (**Chapter 2**). To conclude with Results (**Chapter 3**), and Implications (**Chapter 4**).

1. Literature Review: Recent studies about M&A, Private Equity, Family Businesses, and the Luxury Fashion Industry

Companies can follow development paths through internal or external routes. This chapter explores the main issues relating to external development pathways. Large well-known companies are often involved and that is why news such as acquisitions are frequently reported by the media in the news of economic events. M&A and PE represent extraordinary financial transactions through which companies can pursue various strategic alternatives such as diversification, internationalization, or innovation.

1.1. Definition and different types of M&A

Through Mergers and Acquisitions, often managers seek to achieve relevant objectives. However, very often the operation is unsuccessful due to various elements such as the timing, wrong estimations, absence of due diligence[1].

The acquisition is also known as a takeover. Generally speaking, a takeover occurs when a company acquires a controlling share of the ownership (equity) of another company (Johnson et al., 2017, p. 330). An acquisition can take place through various methods. First, it is important to distinguish between a friendly or hostile takeover. Mostly, acquisitions are friendly, which means that there is consensus between the management of the target company and the purchaser company, often called "raider". In a hostile acquisition, the raider addresses directly to the shareholders of the target company to acquire their shares, without the consensus of the management and the biggest shareholder. The friendly acquisition is usually suggested so that in the Integration Phase (after the agreement) there is more likely to be a collaboration of the management[2].

In a "simple" acquisition the company A buys company B (majority or total ownership) and pays the shareholders of B mainly with money, even if other means of payment are possible. In this case, company B is not listed on the stock exchange. Another possible method of purchase is the public tender offer. In this case, the company is listed. The public tender offer can be consensual or non-consensual. In the first case, the likely purchaser buys the shares from a shareholder, who often holds a large number of shares, and then extends its offer to all other shares in the listed market. While in the non-consensual public tender offer the likely buyer does not seek prior consent from any shareholder and simply proposes its offer to the market.

A variant of the public tender offer may be considered the swap tender offer. In this case, the shareholders of the target company B are offered the securities of the acquiring company A as a form of payment. It is possible to have a public tender offer and a swap tender offer at the same time. In this case, the shareholders of B are offered both money from A and shares of A. It is important to point out that this form of purchase can also take place when the acquiring company is listed and the target company is private. Offering a percentage of the payment in shares and not in cash can be a good strategy for the purchaser so that the owners of the acquired

[1] Due diligence can be defined as "a process whereby the norm and the position of other organizations along the whole process are taken into account and means are applied for generating confidence, conflict resolution, visibility and transparency" (Pérez Pulido M., 2010, pp.136-137).

[2] In fact, the Integration Phase analyzed in paragraph n. 1.4. is a fundamental stage of the acquisition process and must be processed carefully.

company, especially in family businesses (subjects of analysis of this essay) continue to feel the company as their own and then work at their best as they still have a direct interest in the business.

1.2. Timing importance and cyclic phenomenon

As recent studies prove, the phenomenon of M&A is cyclical. This means that we have moments when there are peaks of operations and others when the number of transactions is very low. This matters because it is highlighted that there is a correspondence between the price paid and the stage of the cycle in which the operation is carried on. Timing is an important element for the success of the operation if you take the point of view of the buyer. The researchers questioned whether managers should follow a cyclical or counter-cyclical approach in their decisions about M&A operations. Figure 1 shows the main results of Einsenbarth and Meckl's research conducted by analyzing the German stock market between 1998 and 2009. Although no general formula for success can be given as each operation is unique, some elements can be outlined. For instance, there is a positive correlation between the valuation of the DAX and the number of transactions[3]. And, in phases with low DAX's valuation, there are more related transactions and small target companies acquired. Moreover, in the long term, countercyclical transactions are more likely to succeed, and M&A operations' success is related to timing, but timing is not the only factor to be considered.

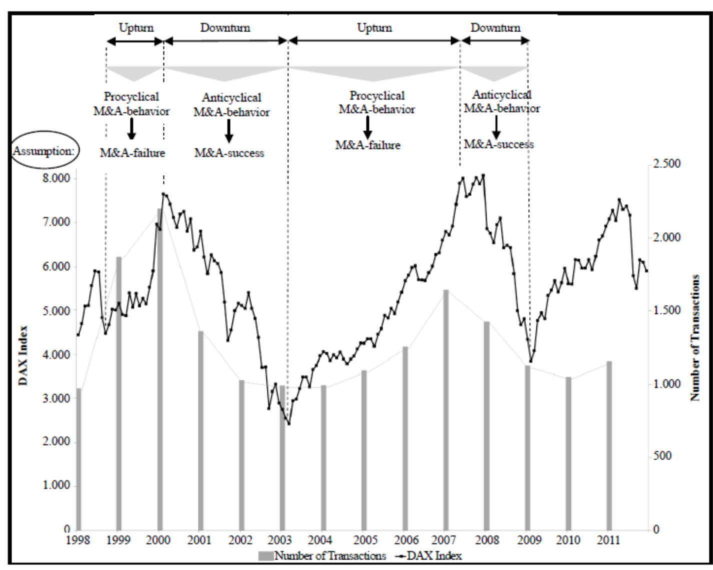

Figure n.1: DAX and the number of transactions undertaken by German purchasing companies from 1998 to 2011 (Eisenbarth and Meckl, 2014, p.547).

[3] Meaning that if the DAX increases, the number of transactions increases and vice versa.

1.3. Main reasons for M&A

To assess whether the transactions are successful or not, it is important to understand the objectives that managers/owners set at the time of purchase and to see whether or not these objectives have been achieved. Below are the main reasons for M&As from previous studies[4].

<table>
<tr><th colspan="3">Main reasons for M&A</th></tr>
<tr><th>Strategic</th><th>Financial</th><th>Managerial</th></tr>
<tr><td>Expansion of the operating range</td><td>Financial efficiency</td><td>Personal ambition</td></tr>
<tr><td>Strengthening</td><td>Tax efficiency</td><td rowspan="2">Bandwagon effect</td></tr>
<tr><td>Development of business potential</td><td>Asset stripping or unbundling</td></tr>
</table>

Tab n. 1 (author's elaboration)

1.3.1. Strategic

We assume strategic reasons, reasons that lead to improving the structure of the organization's activities. They can be divided into three categories:

a) Expansion of the operating range: M&A can enlarge the operating range, which includes geographic markets, product range, and fields of activity (diversification);
b) Strengthening: M&A can be used to increase market power within a sector. In fact, through the union of more enterprises, the competition is reduced and the prices can be raised. M&A can also increase the efficiency of the company, so that various types of economies are achieved, for instance, economies of scope and scale economies;
c) Development of business potential: through M&A the resources and capabilities of the company can be increased[5].

1.3.2. Financial

In many fashion groups, the finance department is at a corporate level and not at a business one. Why? Because big groups are trying to make the best use of financial resources. Financial reasons for M&A can be divided into three categories:

a) Financial efficiency: it can often be advantageous to bring together companies with sound and weak balance sheets in a single entity. If one of them has many debts, the other can quickly repair them and save the weak company. While, for instance, an individual fully indebted company can have difficulties to obtain additional funding;

[4] See, among others, Johnson and Whittington, 2017; Shleifer and Vishny, 1988.
[5] For example, in the technological sector, the big tech companies consider acquisitions like an integral part of R&D's activities.

b) Tax efficiency: significant tax benefits can be obtained from M&As. For instance, tax gains and losses may be transferred between the companies to benefit from the most favorable tax regime. However, there are numerous legal restrictions in this regard;

c) Asset stripping or unbundling: consists in identifying companies that if sold separately would be worth more. Thus, by selling the different assets to different buyers, the buyer obtains a capital gain.

1.3.3. Managerial

Sometimes in deciding to make M&A operations managers pursue their interest and not that of shareholders. This can happen because of two main reasons:

a) Personal ambition: the remuneration of managers can be linked to the achievement of short-term growth goals, more easily attainable through M&A rather than organic growth. Also, with M&As managers gain public exposure, and their reputation increases. Moreover, managers can extend their power and place their relatives and friends in multiple positions;

b) Bandwagon effect: during peaks of M&As, managers can be subjected to three types of pressure. Employees may start to fear that their company will not grow or be acquired soon. Shareholders can think that their company begins to lose competitiveness when they see that the competitors expand and seize the best opportunities from the market. Financial analysts and the media can criticize over-cautious managers. But managers must resist these pressures if they believe that growth through M&As is not suitable at peak time.

1.4. Process of M&A, problems, and elements of success

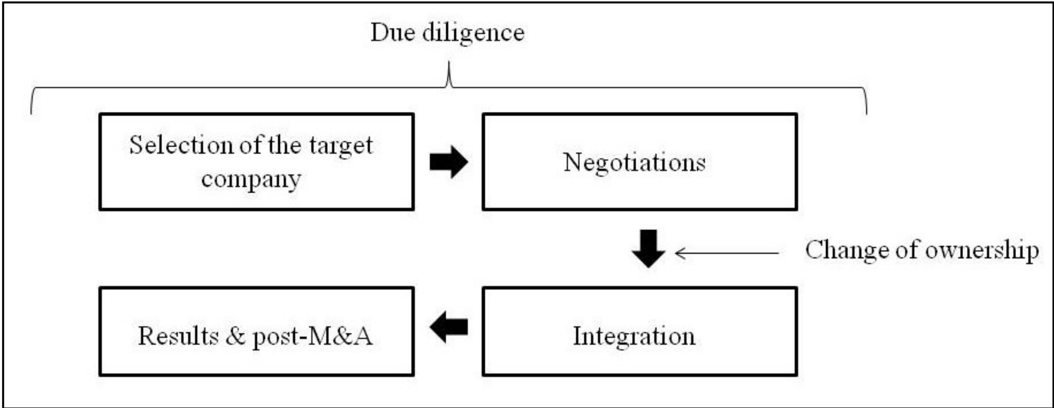

Figure n. 2 - Acquisition process (Johnson G. et al, 2017, p. 335)

The acquisition of a company is not an instantaneous operation. Therefore we talk about the acquisition process which includes three steps: the selection of the target company, the

negotiation, and the integration (Johnson G. et al., 2017, p. 334). The first studies regarding the "process perspective" date back to 1986[6]. Jeminson and Sitkin claim that the two main factors for success in the first phase of the process, the selection of the target company, are the strategic fit and organizational fit[7]. While Pablo and Javidan state that even proper use of leadership is critical to success (Pablo A. et al., 2004, pp. 184-185).

As regards the evaluation of the target company and the negotiation of the transaction some problems may arise. In fact, many factors affect the decision of the price to pay. It is important not to over-estimate the target company, otherwise, you might not recover anymore what you paid. Furthermore, "the evaluation of target firms in situations of cross-border M&A needs to be handled even more carefully, since, on average, there is greater information asymmetry between companies from different countries than in domestic situations" (Gomes et al., 2013, p.19).

The third step (Integration) takes place after the change of ownership. As stated by Gomes et al., "without adequate and effective integration, the expected value to be derived from M&A is merely elusive (...) and, the lack of integration is a major reason for M&A failure, and also that too much integration can be detrimental to outcome as the potential for cultural clash is higher" (Gomes et al., 2013 p.22). One of the most important is that of Haspeslagh and Jeminson (INSEAD) in which they suggest approaching the integration through two criteria: 1)acquired firm level of autonomy[8], and 2)knowledge transfer[9] (Haspeslagh P, 1991). Still on the subject of integration, Ellis et al., analyzed the role of organizational justice[10] during the integration phase (Ellis K. et al., 2009, pp. 137-161). It is important to address the problems that may arise for the employees of the acquired company; they may be made redundant, relocated, their career prospects can change suddenly and this can play a key role in M&A's success. This often happens in Italy especially when large companies are acquired from abroad (ILVA, Alitalia,

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[6] See Jeminson DB, Sitkin SB, *The process can be a problem*. Harvard Business Review, 1986.

[7]The strategic fit refers to the ability of the target company to strengthen or integrate the strategy of the acquiring enterprise, while the organizational fit concerns the compatibility between managerial procedures, the corporate culture and the characteristics of the staff with the target company (Johnson G. et al., 2017, p. 335).

[8] The acquired company sometimes needs autonomy due to cultural specificities or entrepreneurs who want to be sufficiently independent.

[9] The need to transfer certain skills or share resources.

[10] Organizational justice can be divided into distributional justice (equilibrium contribution/compensation), procedural justice (fairness of the process used to make decisions) and informative justice (how the info is communicated). An example of distributional justice can be the one of Essilor-Luxottica. After the merger, the Italian partner accused the French partner of not having respected the pacts in terms of governance, assigning the majority of the members of the board of directors to French managers. A reduction of the share price followed suit.

Pernigotti, etc.); the productions are moved, there are layoffs and buyers are only interested in the power of the brand and not really in all other elements.

Domestic acquisitions and cross-border acquisitions are different, and cross-border acquisitions proved to be more complex (for example as regards the price to be paid). For this reason, Very P. and Schweiger D. (2001) have jointly analyzed both, in order to identify the main problems and consequent solutions of the acquisition process. The following table is a useful summary of their research and of what has been explained in this paragraph.

STAGE OF THE PROCESS	NATURE OF PROBLEMS	
Identifying and selecting acquisition candidates	• Finding candidates with a strong strategic fit • Limited number of potential candidates	• Difficulties in identifying candidates in new countries • No clear picture about potential M&A advisors
Before the closing: target analysis, first contacts, valuation, pricing, deal structuring and negotiations	• Evaluating strategic fit • Reliability of financials • Poor quality of order backlog • Over-estimation of synergies • Finding ethical problems • Suspecting environmental problems • Trustworthiness regarding target accounting principles • Difficulties in pricing • Difficulties in valuation • Valuing some assets • Legal and tax effective structuring of the deal • Time pressure • Competitive bidding for the target • Keep the acquisition confidential	• Market transparency in relation to M&A relevant facts (shareholders, . . .) • Accounting differences • Finding information about the reliability of the country economic and political system • Establishing first contacts • Financial projections difficult to make • Country restrictions • Currency control regulations • Tax laws • Other legal hurdles (environmental, . . .)
Negotiation with target and other stakeholders	• Price negotiation • Obtaining warranties and representations • Getting the customer list included in the contract • Negotiating environmental issues	• Ethical problems • Negotiation about employment • Respect of anti-trust law • Knowing how to negotiate in a particular country
After the closing: integration	• Dealing with poor quality of target management • Integration of multinational targets • Managing firms' cultural differences • Combining different organizational structures • Maintaining market share • Controlling expenditures • Dealing with unions • Difficulties in implementing sophisticated procedures and techniques	• Compensation of management (stock-options) • Keeping management in place after the closing • East-Asia economic difficulties • Integrating management from local view to group international objectives • Integration planning and execution
General problems throughout the entire process	• Language • Communication • Time differences • Differences in country cultures, management mentalities and practices, business approaches and work methodologies	• Structuring teams to conduct the process • Keeping the process going in spite of adverse conditions • Limited knowledge of the country

Tab n. 2 - Problems faced when acquiring (Very P. et al, 2001, p.19)

1.5. Private equity: definition and characteristics

Taking into account the Italian context if we refer to M&A operations, acquisitions can be made by foreign companies, Italian companies, or funds. Thus the acquisition by funds can be considered as a kind of sub-category of the M&A. Moreover, the relative literature to PE is smaller regarding that on M&A, as PE is a relatively recent phenomenon. Private Equity can be defined as "the investment activity in risk capital of non-listed companies with the objective of adding value to the target firm to which the investment relates, with a following exit from the investment within a medium term-long term" (Italian Association of Private Equity, AIFI,

1998). Private equity funds that invest in Italy can be Italian or foreign. In addition, private equity funds may also be state-owned. This is, for example, the case in Italy with the *Cdp Equity* and in France with the *Fonds Stratégique d'Investissement*.

The firm in which the investment is made is called the target company or PEBC[11]. Often, the PE fund investment is less than 100% of the PEBC risk capital and therefore you can find an investor partner and a business partner. The investor usually manages to strengthen from the financial and managerial points of view the target company but does not have any specific knowledge about the PEBC business. The financing of PE can help solve problems related to switching ownership and management replacement. Another important feature of PE is the fact that we are talking about medium-to-long-term investments. Therefore the time is sufficiently long in order to develop the potential of the acquired company, but a future sale of the target company is always previewed in the plans of the fund. PE funds are financial intermediaries because they raise capital from investors and invest it in target companies directly. Moreover, they have an active role in the monitoring and management of the target company[12].

1.6. Private equity: benefits, problems, and typologies

It is important to understand, through the subsequent analysis, if the benefits outweigh the problems related to PE; and therefore if there is and, under which conditions, an improvement in financial performances, income, and growth of the PEBC.

a) Benefits of PE

PE can be used to develop new products and technologies, to expand the working capital, to finance acquisitions or to strengthen the financial structure of a company (Pencarelli T., 2014, p. 349). A specific feature of PE is the fact that investors provide money and knowledge at the same time; therefore the literature speaks of "smart money" (Achleitnera AK. et al., 2008, p.12). This element, together with the fact that the PEBC enters the relationships network of the fund, brings great benefits to the PEBC. As proved from an analysis of biotechnology PEBC firms, "Technology firms which successfully complete private equity placements will be better able to attract subsequent (a) financial capital, (b) research partners, and (c) commercial partners" (Folta et al., 2004, p. 228). This happens because the image and reputation of PEBC improve. As regards the financial benefits, PE can carry out financial restructuring when a company is in

[11] It stands for private equity-backed company.
[12] For the differences between PE funds and hedge funds, see Metrick A. et al., 2009, pp.2303-2341. For example, PE funds are closed-ended funds, have a limited life (usually ten years), and they are illiquid (it is not possible to obtain your money back till the end of the fund). Hedge funds and PE funds also have similarities as hedge funds can make a PE investment.

a situation of economic and financial failure. But PE can also be used for the purpose of a future listing in the stock market, through which both the family owner and the fund can monetize their investments.

Concerning the connection with family businesses, PE can also solve problems related to the ownership of a company or to the phenomenon of generational handover. Improving PEBC's corporate governance, still, the drive towards greater transparency of management tends to attenuate any conditioning resulting from the sphere of personal and family interests. Finally, the intervention of the Investor Partner can facilitate the process of shareholder turnover within the company, facilitating the liquidation of those no longer interested in participating in the business[13].

b) Problems of PE

Uncertainty, information asymmetries, and agency costs are often problems met when PE operations occur. But most of the problems regarding PE are related to the specificities of the Italian context. PE represents some critical issues like the difficult intersection between the demand and the supply of funds, and the existence of clauses restricting entrepreneurial autonomy. Critical issues that encourage SMEs to seek additional funding channels and instruments that allow the limits of PE to be overcome, encouraging the raising of different types of funds meeting the needs of autonomy and flexibility typical of SMEs (Pencarelli T., 2014, p. 349).

A limit to the growth of PE is the fact that most small Italian entrepreneurs refuse to accept new shareholders in their companies. Firm-specific problems are related to the corporate culture (preference towards closed ownership models and weaknesses in the financial function) and the size of the enterprise. Country-specific problems (Italy) are: 1)the non-growth culture since often the companies remain small to life (handicraft enterprises operating in traditional fields); 2)the Italian banking system and tax legislation that have favored the culture of indebtedness, low interests and low taxes and 3)the anomaly of the financial system[14] (Pencarelli T., 2014, pp. 335-338).

[13] See AIFI, *Private equity e corporate governance delle imprese*, 2005.

[14] N. 3) includes a few number instruments and intermediaries as well as market absences, and leads to difficulties in investing and disinvesting activities.

c) Typologies

Different types of PE can be identified. First of all, there are several currents of thought regarding the differences between venture capital and PE. In Europe, a distinction is made between PE, risk capital investments covering all operations carried out at stages in the life cycle of companies after the initial ones, and VC[15], financing of businesses at the beginning (launch and development). Therefore, the difference made by EVCA (European Venture Capital Association) concerns only the moment when the fund/investor enters the capital of the target company. In the course of its life cycle, the enterprise finds problems of different nature and therefore the needs will be different. Consequently, it will have to find different financial partners.

Life Cycle Phase	**Sub-Phase**
Maturity/First Decline Stage (Change)	Turnaround financing
	Bridging financing
	Replacement capital financing
	Buy-Out

Tab n. 3 (author's adaptation from Pencarelli T., 2014)

PE includes the Maturity/First Decline Stage. According to Pencarelli (2014), at this stage companies want either to focus on their business and to stabilize or to widen their range of activities and to increase their dimensions. New capital may be needed to support product/business revitalization policies. On the other hand, when companies are in a situation of serious economic/financial crisis and are about to fail, stronger intervention from the fund is needed. The fund will also have to provide managerial as well as financial resources. In this case, we talk about Turnaround financing. Moreover, there could be countless reasons why a company wants to go public. And sometimes, the best way to be ready for listing is to make it preceded by the entry of a PE fund (e.g. Missoni S.p.A. – Cdp Equity), (Pencarelli T., 2014, p. 344-45). In this case, we refer to Bridging financing. Then, the Replacement Capital financing takes place in companies in which the shareholding structure is replaced without changing the size of its share capital. This type of PE is very frequent both in the privatization of state-owned companies and in the opening of family businesses' capital to the funds.

To conclude, it is fundamental to give an introduction to Buy-out investments. They involve the acquisition of the majority of shares in mature companies, already able to create stable

[15] Acronym for Venture Capital.

earnings and cash flows over time. The category of buy-out type investments encompasses a very vast set of operations[16], also listed and analyzed in detail by Pencarelli. In a Leveraged Buy-Out (LBO) “a company is acquired by a specialized investment firm using a relatively small portion of equity and a relatively large portion of outside debt financing” (Kaplan S. et al., 2009, p. 1). As it is possible to see from the figure below the number of firms in LBO ownership is rapidly increasing.

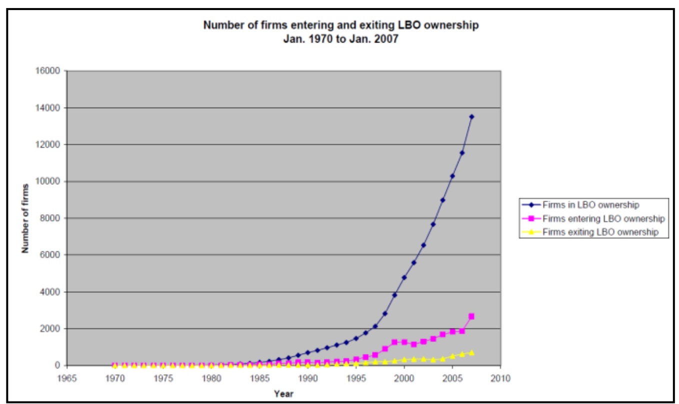

Figure n. 3 (Stromberg, 2008, p. 27)

1.7. Private equity investors

As already anticipated, the funds that invest in Italy can be private, public, Italian, or foreign but there are various typologies to be analyzed. Moreover, these funds act as intermediaries; this means that there are investors who invest in these funds instead of investing in the stock exchange or other forms of investments. Thus, it is possible to talk about a PE Industry.

As stated by Kaplan et al., “Private equity investing is typically carried out through a limited partnership structure in which the private equity firm serves as the General Partner (GP)” (Kaplan S. et al., 2005, p. 3). In Italy, the main GPs are SGR, SGA, SICAV, incubators, accelerators, venture capitalists, vulture investors, business angels, and public operators. The limited partners are institutional investors like banks, insurance, foundations, pension funds, sovereign wealth funds, funds of funds, and individuals with great availability. They provide the necessary capital to the GP in order to make the investments. The GP can invest the amount of capital for a defined period and then has to return the capital to the LP. Usually, the process of investing and divesting takes around 10-12 years in total. GPs act as intermediaries and therefore apply fees to their investors.

[16] Among others, the Management Buy-Out (MBO), the Management Buy-In (MBI), the Workers Buy-Out (WBO), and the Family Buy-Out (FBO).

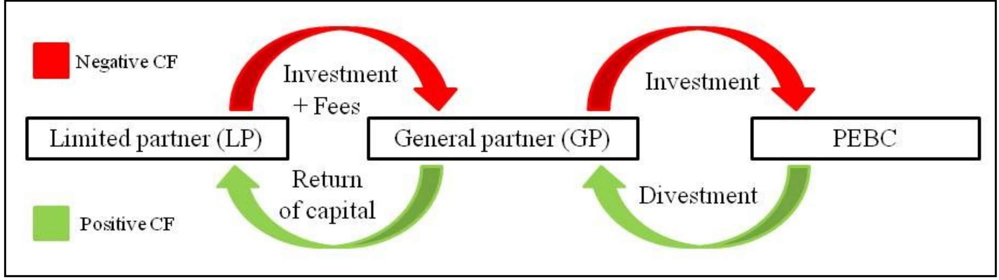

Figure n. 4 (author's elaboration)

The standard remuneration of GPs is made up of two components ("2%+20% rule"). The first one consists of an annual fee (2%) of the capital investors allocate to the fund. This commission covers administrative expenses, operating costs, and managers' salaries. The second one is a capital gain percentage (20%) gained by the fund, which allows the alignment between the interests of both the GP and the LP. However, if the performance is not high, the fund will only lose some revenue and so it would be willing to risk more in order to get more chances of achieving better results. That is the reason why also GPs have to invest a part of their money (1%-5%) in the fund. In this way, this risk-shifting is eliminated (Giaretta E., 2013, pp.40, 52-53).

1.8. Private equity phases

Three main steps are identifiable in PE: fundraising, investment, and divestment. During the fundraising, it is attempted to raise capital from investors (LPs) through activities of marketing. While in the investment phase we find other sub-phases: the deal flow, the due diligence, the closing, and the monitoring of the investment. In the deal flow, the PE fund looks for a target of enterprises so that later it can choose the one that turns out to be the most suitable. As regards the due diligence, we can find the one of the investor, which includes a study of the business plan of the target company, and the one of the vendor. The negotiation is concluded in the closing phase, with the evaluation of the target company and all the payment agreements. Lastly, there is the monitoring that can have different levels (Giaretta E., 2013, pp. 85-86, 88, 102).

As regards the divestment, three main conditions allow the divestment of the share by the fund without harming the business partner: triggering and time frame for the divestment (after a given time, the fund must be allowed to divest), the market value of the sold shares (the evaluation of the participation that the fund wants to sell must be objective and ideally related to the market value of the investee company), and the enforceability of the divestment (that has to be guaranteed by appropriate executive automatisms, not obstructive nor slowing

instrumentally by the business partner). There are two main ways to divest: the IPO and the trade sale. Regarding the IPO, it is usually the right of the fund to request, the start of the IPO procedure. The quotation by definition leads to market value. As a general rule, the IPO may not be prevented by the business partner, which might be granted the right to avoid the listing procedure offering to purchase the fund participation at the prospective value of the listing. While the trade sale exit modality follows what has been seen regarding M&A (timing importance, cyclic phenomenon, etc.), and it is a faster and cheaper process compared to the IPO. In practice, the entire company can be sold, the fund can offer its quota to the business partner or to the market (if the partner does not accept), the partner can formulate an offer to the fund, which can either accept or refuse (AIFI, 2005, pp.8-10).

While disinvestment for funds is a normal operation, it is different when it comes to divestments in M&A, where the disposal represents processes of sale of businesses that are not more coherent with the strategies of the company, e.g. absence of parenting advantage[17] (Johnson G., 2017, p. 342).

1.9. Family business: main characteristics and trends

Most of the companies considered in this research are family businesses. It is important to clarify the distinctive features, such as the governance, in this type of enterprise, to have a better understanding of the context in which M&A and PE operations take place. FBs are the oldest form of existing enterprise and still, today are very frequent in the business panorama (especially in Italy). For former President of the European Commission Barroso (2010), "Family firms are crucially important for Europe. They make a significant contribution to Europe's GNP and employment and tend to be great innovators, with a longer-term vision". It is usually connected to the phenomenon of the family business that of SMEs; however, it is not true that all family businesses are small, indeed even large companies can be family firms.

From a study conducted in 2018 by Lencesova et al., of Slovak University in collaboration with KPMG, the current megatrends of FBs in Europe are exposed. These are completely changing the context of FBs and therefore it is necessary to understand them for both families and managers. Succession plays an important role in family businesses' success, and so "22% of the respondents want to leave the management of the business to the next generation, 13% want to leave the governance to the next generation, 13% want to leave the ownership of the business

[17] It means understanding whether the parent company might be able to add value to a business unit that is higher than what other potential owners can create. If there is no parenting advantage, the company should sell the business at the highest possible price and reinvest the money in its other core businesses.

to the next generation, 10% want to appoint a non-family CEO retaining ownership/ control within the family, 6% want to sell off the business to a third party" (Lencesova et al., 2018, pp.1249-50). The main objectives of family businesses in the next two years are to improve profitability (64%), improve turnover (45%), become more innovative (37%), attract new talent (32%). While major worries are war for recruiting skilled staff (43%), increased competition (37%), declining profitability (36%), increased cost of labor (32%)[18].

1.10. Family business: governance and financial sophistication

As regards governance in FBs, "particularly in second-generation family businesses, business leadership rests with a team" and "under certain circumstances and situations, installing a single omnipotent successor is clearly seen as the wrong approach" (Aronoff, 1998, p.182). The composition of the board is not the same worldwide but varies depending on local cultural traditions and desire to control[19]. Brenes et al. suggest that how the board is formed depends on the phase of the life cycle of the company, passing from the total initial absence of the board to board with external professionals in the maturity phase. External directors are important because they are more objective in taking decisions, and can protect better the interests of the company and ultimately those of the family. In addition to the board of directors, in FBs, it is sometimes possible to identify two other parallel governance bodies: the family council and the business council (Brenes et al., 2011). The family council is composed of shareholders members of the family, who meet "to share ideas and proposals and to analyze problems in relation to family commitments towards the company" (Brenes et al., 2011, p.282). Whereas in the business council, there are meetings only between family components with active roles in the business. A family protocol has also been developed in many family businesses. It consists in creating policies to better regulate the relationship between the family and the business. Brenes et al. state that "the family protocol major benefit is additional transparency of company management, as the rules of the game have been set in a highly participatory process involving the entire family with a conflict-solving mechanism established (Brenes et al., 2011, p.284)".

As stated by Aronoff (1998, p.183), "financial sophistication is becoming a necessity" for FBs. In FBs, it is possible to talk about "financial peculiarities" (Gallo et al., 2004, p.314; Hiebl et al., 2012, p.315), which are caused by personal preferences regarding growth, risk, and ownership control. In their research, comparing FBs vs. NFBs, Gallo et al. found that the ROE is higher for NFBs, while the ROS is similar. The leverage ratio and debt ratio are smaller for

[18] See Lencesova S. et al., 2018, pp. 1249-1250.
[19] For Brenes et al., it is not possible to define a perfect form of governance, being each specific business unique.

FBs as families want to avoid financial risk. Moreover, dividends are lower in FBs and that can have a bad impact on family members not involved in the company and for potential financial partners interested in minority stakes (Gallo et al., 2004). Filbeck et al. (2000, p.201) found that "more established, larger family businesses that have either an outside board of directors or a nonfamily member in the financial decision-making role are more likely than their smaller counterparts to employ sophisticated financial management techniques".

1.11. Luxury fashion industry: main characteristics - qualitative analysis

The luxury market in Italy is at the center of this research. First of all, what does the concept of luxury mean? The most famous definition of luxury is that of Coco Chanel: "Luxury is a necessity that begins where necessity ends". In a certain sense, luxury can be defined as a need. If you think about Maslow's hierarchy of needs (1943), you immediately understand that luxury is a need that lies at the top of Maslow's pyramid. It is a need related to the status and to the necessity of being recognized, even if things are changing, and a consumer is no longer interested in spending for a mere presence of a logo[20]. A more scientific/economic definition of luxury goods can be derived from the Engel Curve. Luxury goods are goods whose consumption may increase more than in proportion to the increase in income. So, in the case of luxury goods, the income elasticity of the demand can be greater than one, indeed "the price is also used as a signal of the quality of the product, especially when it is not easy for the customer to objectively assess the quality of the good as it happens for most lifestyle/experiential products" (Cappellari, 2016, p.48).

Aiello et al. (2006) identified, from an analysis of a previous study (Brioschi, 2000), the eleven main characteristics of the concept of luxury good (listed in order of importance): status (prestige), pleasure (emotion), excellence (refinement), ostentation, exclusivity, rarity, high price, heritage, investment, materialism, and futility. Also, starting from Kapferer (1997), they identified three types of luxury brands. The first one is the *griffe*, which creates unique products, characterized by the idea of perfection. The second one is the *luxury brand*, which provides for the creation of limited series products. The third ones are high-end brands/products produced in series but of very high quality. It is possible to connect to these three types of brands, as many types of luxury, whose market can be described as a pyramid (Cappellari, 2016). To the griffes you can connect the concept of *inaccessible luxury* consisting of haute couture and jewels with a really high price. To the luxury brand you can relate the concept of *luxury*, which

[20] Luxury brands must pay attention to these new consumption patterns, and to the socio-economical changes that gave birth to them. For more information see Cappellari, *Marketing della moda e dei prodotti lifestyle*, 2016, pp. 16-21.

includes prêt-à-porter clothes, however, foreclosed to the mass market, because sold with a highly selective distribution strategy. To the high-end brands can be connected the concept of *affordable luxury*, which includes products distributed on a large scale but subject to a "luxury treatment", which concerns the language codes applied to the communication campaigns (Cappellari, 2016, p.62).

As stated in numerous researches[21], the strategic management of luxury brands is necessary and, this division of the universe of luxury brands into categories generates alternative strategic-management modalities, oscillating around a point of equilibrium that mediates the economic-financial growth with the need to not distort the identity of the brand. Indeed, all luxury brands are tempted to become more affordable to increase sales but this should not lead to diminishing the luxury perception, otherwise, sales can decrease, and therefore there would be a loss of value (brand stretching risk especially in the pyramid business model[22]).

Through the luxury groups (e.g. Kering, LVMH, Richemont), this strategic management of luxury brands is easier. Specifically, the joint management of several brands leads to a competitive advantage when the core competence consists precisely in a superior management capability of luxury brands. Also, as well as sharing a pool of common resources such as administrative services, information systems, and others, groups have more financial resources, for example, to strengthen advertising/communication, extremely necessary for the survival of the brand given the growing competitiveness of the sector. Moreover, having more financial resources is fundamental from the point of view of distribution in order to be able to open many single-brand stores in a short time (almost all brands are switching to direct distribution). However, the possibility for groups to open multi-brand but single-company shops is also suggested. Indeed, Cappellari (2016) speaks of the decline of the total look as a consumer behaviour. Consumers no longer wear the same brand from head to toe but try to mix brands at the same time. The result is that very often consumers combine very different brands (even cheap and expensive in the case of trading up and trading down[23]). In this direction, the sense of the single-brand store is fading in favor of multi-brand but single-company stores, which allow a single group to achieve higher profitability (Cappellari, 2016).

[21] See, among others, Cappellari, 2016; Qualizza, 2010; Aiello et al., 2006.
[22] In the pyramid business model “at the top are the creations of the designer, unique pieces presented at fashion shows and rich in creative content, and at the lower levels are the most commercial lines” (Cappellari, 2016, p.62).
[23] It is the phenomenon for which you try to save on the purchase of certain products (e.g. buying from Zara) in order to be able to afford luxury products (e.g. Bottega Veneta).

1.12. Luxury fashion industry: quantitative analysis

After having explained which are the trends of the luxury industry from a qualitative point of view it is appropriate to present some data. The report of Deloitte (2019), analyzes and lists the 100 largest luxury goods companies in the world, based on the consolidated sales of luxury goods in FY2017. Those companies' revenues account for a total of US $247 billion in FY2017 and the annual growth jumped to 10.8% (previous year at 1%).

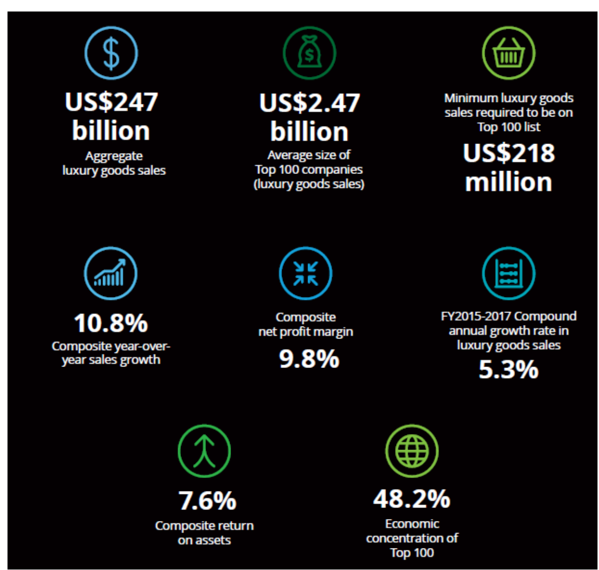

Figure n. 5, Top 100 Quick Statistics FY 2017 (Source: Deloitte, 2019)

The report provides a good comparison between Italy and France, which are the two countries that compete for most in this market. It results that "Italy accounts for the biggest number of companies involved, but faces growth challenges", while France was "the best-performing country in terms of sales growth and also contributed the largest share to the Top 100 luxury goods sales". In the top ten companies by sales, three are French (LVMH, Kering, L'Oreal), while only one -Luxottica- is Italian, even though now it is merged with Essilor (a French company). Growth rates (FY2017) of LVMH and Kering are high, respectively 17,2% and 27,5%, while Luxottica has the lowest growth rate (0,8%). 76% of the companies have increased their sales ("nearly half of these recording double-digit year-on-year growth"). But some Italian companies had a negative growth rate (Giorgio Armani, Tod's, Dolce & Gabbana, and Safilo Group).

	Number of companies	Average size of companies by luxury goods sales (US$m)	FY2017 Luxury goods sales growth*	Share of Top 100 luxury goods sales
Top 100	100	2,467	10.8%	100%
China/Hong Kong SAR	9	2,194	13.8%	8.0%
France	7	8,288	18.7%	23.5%
Germany	5	934	4.3%	1.9%
Italy	24	1,439	2.2%	14.0%
Japan	6	1,804	14.1%	4.4%
Spain	4	813	9.8%	1.3%
Switzerland	9	3,379	7.7%	12.3%
United Kingdom	10	2,082	7.4%	8.4%
United States	14	3,433	9.7%	19.5%
Other countries	12	1,360	14.2%	6.6%

Figure n. 6, Country profiles, FY2017 (Source: Deloitte, 2019)

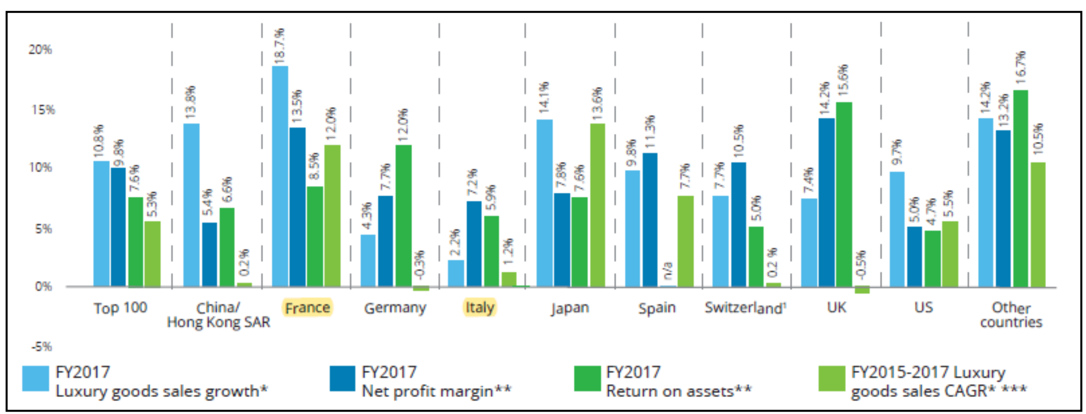

Figure n. 7, Performance by country, FY2017 (Source: Deloitte, 2019)

From the first graph, it is possible to see that on average French companies (18,7%) grew more than Italian ones (2,2%). They also had a larger market share (23,5%>14%). In Italy, there are many but small companies, while in France there are fewer companies but bigger. From the second graph, we note that French companies also had a higher net profit margin (13,5%>7,2%) and a higher ROA (8,5%>5,9%).

Generally speaking about the sector, clothing and footwear companies dominated with the highest number of companies; cosmetics and fragrances witnessed the highest luxury goods sales growth (16,1%). The fact that two Italian companies (Furla Spa and Moncler Spa) are among the twenty fastest-growing is remarkable[24].

[24] Furla Spa recorded the third-highest CAGR of 21,5% with continued strong growth in its comparable-store sales, and store expansion, while Moncler Spa had the 10th highest CAGR of 16,4%.

2. The research method

2.1. Presentation and justification of the used method

Various methods were possible concerning the research in the field of M&A and PE in Italy, in the luxury sector. In particular, consideration was given to the idea of interviewing various managers of the target companies and both buyer companies and professionals working in the funds. However, it was not possible to proceed with this method as it is rather difficult to interview people who work in this field. Neither the case study method, consisting in an analysis of two different deals, was preferred because it would lead to results that are not general but only partial.

Since the research question is fairly general, it was thought to look for a method of research that would offer the most general possible results. The method chosen is the quantitative one, starting from secondary data available in two databases. This allows analyzing at best the research question, being taken into consideration a multiplicity of cases/deals Moreover, the quantitative method is considered to be more precise than the qualitative method in this particular area because it is based on certain fixed data, published in the financial statements. Indeed, with a qualitative method, managers and professionals could have distorted the answers to the proposed questions, as the data considered are at a strategic level, and therefore must remain confidential.

Some problems arose during the data collection and analysis: many companies that are the result of M&A have gone bankrupt or been closed down, or have been repeatedly acquired by funds or other companies of a different nature, thus making it difficult to do the analysis, given the variables considered. Moreover, often the same data are not available for different companies and deals, which makes it difficult to analyze and compare them in a shared model.

2.2. Data collection

As for the data collection, the most reliable tool turned out to be the Bloomberg Terminal of Bloomberg LP database. Specifically, the following functions on the terminal have been typed: 1)luxury deals, 2)completed, 3)Europe, 4)Western Europe, 5)Italy, 6)Cyclic Consume, 7)Apparel. Also, seven deals were added as they were missing (n.47-53 Tab n.26 - Appendix). To develop an interesting comparison based on the relative financial statements, it was decided to include the luxury companies that have followed an organic development, and that are now listed in the Italian Stock Exchange (n.41-46 Tab n.26 - Appendix).

The financial statements for all the companies examined have been downloaded from the database AIDA -Bureau Van Dijk. All deals included in the Bloomberg Terminal were analyzed, and some were excluded from the analysis because of errors (e.g. wrong names, not belonging to the luxury sector). Moreover, 9 out of 97 companies in the period considered (2011-2019) on the Bloomberg Terminal have failed/closed and therefore are not included in the analysis. Other reasons for which the deals have been excluded from the analysis are repetitive acquisition/fusion of the same companies through funds and various companies, impossibility to find the balance sheets on AIDA database.

The information taken from the Bloomberg Terminal is corporate names of the target companies, names of the buyers, nature of the buyers (financial or strategic), year of the deal, adviser, and nature of the adviser (legal or banking). Only deals from 2011 to 2019 were considered, for a total of ten years. This time interval had to be considered in order to have sufficient observations to analyze; it was not decided to go any further back in time because data would be missing, more companies would be bankrupt/closed or data unavailable.

As regards the balance sheets analysis, the three most recent years (2018,2017,2016) available on AIDA were taken into account. It was also decided to study three years for some indicators to give a sufficiently dynamic picture of the change, while for other indicators regarding dimensional parameters, the choice was to analyze only the last year (2018) to describe more simply the companies involved in the acquisitions in each category.

2.3. Data exploitation and processing

As previously announced, the aim of this research is to understand whether or not there are differences in the balance sheets between companies acquired from funds or other companies in the sector. It was chosen to consider public companies listed in the Milan Stock Exchange, to try to compare their performance, for the sake of completeness. Moreover, seeing that the acquisitions made from abroad represent an important part of the total (see Results), it was necessary to compare companies with Italian and foreign buyers. Therefore, the results will be presented through 6 categories: general category containing all the companies considered, companies acquired from funds, companies with strategic buyers, companies with Italian buyers, companies with foreign buyers, and listed companies.

In order to understand the sample of companies, giving a static image, starting from the AIDA database, the CCIAA number allowed to know where the headquarters are located. Always with the same objective, some indicators have been taken into consideration only for the year 2018

(the most recent): turnover, total assets, total intangible assets, total taxes, and % total taxes/turnover. Instead, other indexes were analyzed both based on the last year (2018), and based on all three years (2018, 2017, 2016) through delta or variations between 2018 and 2016, in order to give a dynamic image to the sample: % var. turnover, % EBITDA/turnover, % ROA, % ROS, % ROE, DEBT EQUITY, DEBT/EBITDA, and EBITDA/financial charges.

It must be said that indicators such as EBITDA, EBIT, and NET INCOME in absolute values have not been considered because they depend strictly on the size of the company, and therefore are not useful to make comparisons between the different categories. For the dimensional indicators, it was preferred to chose turnover and total assets, but you can find the EBITDA in three indices (% EBITDA/TURNOVER, DEBT/EBITDA, and EBITDA/FINANCIAL CHARGES) because it is more interesting to develop these quotients rather than absolute values. The indicators are explained in the Appendix (Tab n.25). An attempt has been made to balance information on the development, profitability and financial situation of companies; there are dimensional indicators such as turnover and its variation in percentage, and total assets; indicators that measure performance in terms of economic value created (% EBITDA/TURNOVER); indicators of return on capital and sales (% ROA, % ROS, % ROE); financial indicators such as the amount of debt (DEBT/EQUITY), the ability to repay debts (DEBT/EBITDA) and borrowing costs (EBITDA/FINANCIAL CHARGES); also taxes and the % ratio between taxes and turnover are considered because they generate implications for the government, and finally the total intangible fixed assets because they are very important for the sector in question.

For each of the index examined, the results were developed for all six categories. Specifically, the statistical tools used are the mean, the standard deviation, the median, the minimum, and the maximum. As we know the arithmetic mean depends on all the modalities observed, and therefore suffers from very large and very small values (not a robust index). This was the case for most of the calculated indicators, so it was necessary to include the median which is not affected by the extreme values together with minimum and maximum to understand the extreme values[25]. As far as the results are concerned, a maximum of two decimal numbers is considered.

[25] A viable alternative that could have been used is the trimmed mean. Another possibility would be that of the Weighted Moving Average (WMA) or the Exponential Moving Average (EMA) if one wanted to give more weight to the values of 2018 than the other years, but these have not been used because an average of indices on the three years has never been calculated (considering three years was useful just to calculate the delta between 2018 and 2016).

3. Results

In this paragraph, the results of the research are given. The independent variables are: I) the financial or strategic nature of the buyer, II) the nationality of the buyer (Italian or foreign), III) the choice to follow an organic development, and be now listed on the Milan Stock Exchange. The dependent variables are the balance sheets indicators. Specifically, IV) dimensional indicators, V) profitability indicators, VI) indebtedness/costs of debt indicators, VII) fiscal management indicators. First of all, it is necessary to describe the sample taken into the analysis. There are a total of 53 observations: 40 obtained from the Bloomberg database, 6 listed on the Milan Stock Exchange, and 7 added independently. 43 companies are located in northern Italy, 8 in the center, 2 in the south. This is a representative image of the luxury/fashion sector in Italy, which has its largest center in Milan and other manufacturing districts mainly in the north and central Italy. In the chart below, the number of deals for each year is presented, you can see 2 peaks (in 2014 and 2018), which suggests a cyclical trend of the phenomenon considered.

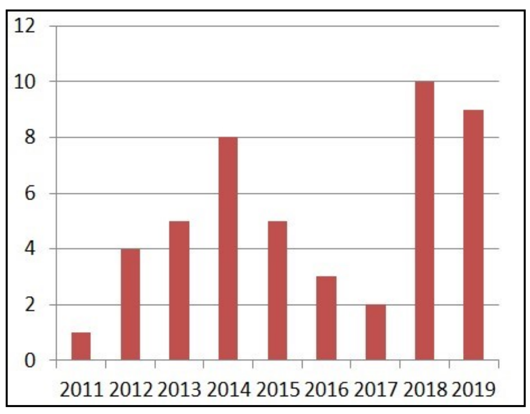

Figure n. 8, Number of deals per year (author's elaboration)

Financial buyers represent 55% of the total (26/47), strategic buyers 45% of the total (21/47). Italian buyers represent 45% of the total (21/26), foreign buyers 55% of the total (26/47). There are 16 Italian financial buyers (34%), 10 foreign financial buyers (21%), 5 Italian strategic buyers (11%), and 16 foreign strategic buyers (34%). French strategic buyers are involved in 6 deals and they are two: LVMH Group and Kering Group. From the 40 deals of Bloomberg database, the number of deals in which advisers are known is 18. In 10 deals there were legal advisers, in 2 financial advisers (business banks), and in 5 both legal and financial. A large standard deviation was found in almost all the indices analyzed, implying a large variability in the population[26].

[26] This is not surprising since the fashion/luxury companies can be very different in terms of structure, date of foundation, size, stage of life in which they are located, and activities (production, distribution, shoes, clothes, jewelry).

3.1. General Results

To sum up, from the analysis of the 53 observations it is possible to state that:

1. In general, the companies involved in the deals are medium/large (dimensional indicators), mainly located in northern Italy, with an important presence of financial buyers (55% of the total) and foreigner buyers (55% of the total).
2. Listed companies are larger than others, and have better performance regarding: % var. turnover, % EBITDA/turnover (and positive delta), % ROA (and positive delta), % ROS (and positive delta), % ROE (and positive delta). As far as DEBT/EQUITY is concerned, from the mean, it appears to be the category with the lowest ratio, from the median with the highest (conflicting results), but still, the delta expresses that the indebtedness has decreased. The DEBT/EBITDA also shows a decreasing debt. From EBITDA/FIN.CH. emerges the highest ability to repay financial charges and improvement of the index. Public companies pay more taxes both in absolute value and in % with turnover. In general, average and median agree because in this category there is not much variability and therefore the SD is lower than in the other categories.
3. If the buyer is strategic, the turnover is bigger, but companies with financial buyers have a higher %var. turnover. With a strategic buyer, you also have more assets (larger companies), a higher % EBITDA/turnover, but a lower delta than financial buyers. % ROA and % ROS are higher with strategic buyers, but the delta % ROA and delta % ROS with financial buyers are higher (so companies with financial buyers are improving more). With a strategic buyer, you have a higher % ROE and delta % ROE. For the DEBT/EQUITY, with a strategic buyer, the ratio is lower (less indebted companies), but the delta is zero, instead with a financial buyer the ratio is decreasing. Through EBITDA/FIN.CH. you understand that, if the buyer is strategic, the ability to repay financial charges is higher and the delta suggests that they are improving (financial buyers instead get worse). If the buyer is strategic, the company pays in % to turnover fewer taxes than when it is financial. In conclusion, strategic buyers seem to be giving more benefits than financial buyers, although deltas suggest that the situation of companies with financial buyers is improving. A possible motivation is that of the different reasons while the deals are realized; perhaps the funds are more inclined to acquire companies in different stages of life, but in a situation of crisis, in order to restructure/strengthen them, and to improve their performances. Instead, strategic buyers acquire already companies with good performances, to expand the range of action or for tax efficiency reasons (this would explain the results, see Main reasons for

M&A 1.3. and Benefits of PE 1.6.a)). Another possible motivation is that the managers working for strategic buyers know more about the luxury/fashion sector than the professionals who work for the funds and this has a substantial impact on the performance of the acquired company (see Problems of PE 1.6.b)). Another cause of lower performance in the case of financial buyers is the specificities they find when operating in the Italian context (country-specific problems) (see Problems of PE 1.6.b).

4. Companies with foreign buyers have more assets and higher turnover, but with Italian buyers, the % var. in turnover is higher. The % EBITDA/turnover is higher with a foreign buyer and also its delta. The % ROA and % ROS are higher if the buyer is Italian and also their deltas (better performance than foreign). Also the % ROE is higher with Italian buyers, while the delta is decreasing both with foreign and Italian buyers, but in the foreign case, the decrease is more marked. As for DEBT/EQUITY if the buyer is Italian the company is less indebted, and the delta indicates that the debt is decreasing (the same result for the DEBT/EBITDA delta). If the buyer is Italian, the company is more able to repay financial charges. In absolute value, if the buyer is foreign, you pay more taxes (they are larger companies) but not in % to turnover (with Italian buyers you pay more). This has implications for the government (smaller companies pay in % more taxes because of Italian ownership). In conclusion, Italian buyers seem to bring more value to the companies according to most of the indices, and ultimately more value also for the State (but not in absolute value). This can occur for various reasons. The main one can be the greater experience that the Italian buyer has in the Italian context, greater knowledge about how the rules of the game work in the Italian market and a greater cultural affinity between acquired company and buyer (if you think about managers, employees) can help to have good performances. This has an impact especially in the integration phase and conditions the post-deal results, and for these reasons, cross-border acquisitions are often more complex (see Process of M&A, problems, and elements of success 1.4.).
5. Research such as this one, specific to Italy, and referred to a distinct sector, has never been carried out. However, there are of course researches in M&A, PE, and performance, as announced in the literature review. These theories seem to be in line with the results of this research. As noted above, this is true for the cyclical nature of the M&A phenomenon (1.2. Timing importance and cyclic phenomenon), the reasons leading to strategic investments e.g. strategic and fiscal reasons (1.3. Main reasons for M&A), the greater difficulty of cross-border acquisitions in the integration phase (1.4. Process of M&A, problems, and elements of success), the companies in which funds

invest and their particular problems faced in Italy (1.5. Private equity, definition, characteristics).

4. Implications

4.1. Theoretical implications

The results support the existing theories with a real example referring to a specific sector (fashion/luxury) and a specific context (the Italian one). Research of this type and in this sector can hardly be done in other contexts as it is especially in Italy that there is an intense M&A activity involving luxury firms since there are more companies attractive to foreign funds and buyers because they have great growth potential. It is essential to have data to support previous studies. For the theoretical implications, original is also the cross-study between the variable nature of the buyer (strategic/financial) and its location (Italy/foreign) to understand at the same time if they make the difference in the performances of the acquired companies. All this by comparing these performances with those of public companies.

4.2. Managerial implications

Managers and shareholders of the acquired companies must pay attention to who becomes a business partner since cross-border acquisitions and the contribution of funds are riskier. Assessing the choice well is essential before opening the capital; not only the price paid by the buyer is important, for example, because there may be possible future conflicts if the buyers are funds or foreigners and see things differently. For fund managers, it is crucial to understand what the focus of the fund is, and if they have the skills (not only financial ones) to proceed with an acquisition in this field. Each sector has its specificities but the luxury/fashion sector has many. Therefore, professionals working for the funds should be aware of this factor[27].

Particular attention should also be paid to managers working for foreign buyers, both funds and strategic, as cross-border acquisitions are riskier, and therefore their investments have a greater risk, starting at a disadvantage compared to Italian buyers. These managers should ask themselves how different the culture is between the two interested parties (e.g. a French buyer can have more things in common with an Italian company rather than an Arab buyer), how much they know about Italian regulations and markets, etc. When it comes to acquisitions the advice for funds and foreign buyers is to take into account the specificities of the Italian context (e.g. the mentality of entrepreneurs, the production divided into manufacturing districts,

[27] Anyway, there are funds specialized in this sector, which therefore operate acquisitions of fashion/luxury companies only.

families as center of interest, etc.), especially in the phase of Integration but also before the deal, to establish clear governance rules that can benefit both parties and lead to avoid future conflicts.

4.3. Implications for the Italian government & Examples of State-owned PE funds in Italy and France

The study of fiscal management indicators has important implications for the government. In absolute value and in % of turnover, the companies that pay more taxes are public ones as they are the largest, and are subject to stricter transparency rules than other companies. The government must pay particular attention to foreign and strategic buyers because in absolute value are those who pay more taxes, and therefore the interest of the State is broader in these two categories. But the fact that in % to turnover they pay fewer taxes must make the government think. As mentioned, strategic acquisitions are often made for tax efficiency, and profits and losses are shifted between companies according to what is convenient.

Another risk is represented by foreign buyers. The risk consists in the fact that they exploit brands, expertise, etc., to then not pay taxes in Italy and find a way to pay them abroad in countries where tax regimes are more favorable to companies, given the high tax burden in Italy. The fact that larger companies are in foreign hands and pay fewer taxes than those owned by Italians must make the government reflect. New laws to ensure that this does not happen again are needed.

All the considerations made for fund managers apply in a broad sense for the government. Indeed, PE funds can be considered as an appropriate investment vehicle for the government. There are already PE funds with public ownership with the aim of investing in Italian companies to save and strengthen them and invest public money smartly. One of these is the Cdp Equity. The Cdp Equity was founded in 2011 since there had been numerous acquisitions by French competitors. France also created a public PE fund in 2008 (*Fonds Stratégique d'Investissement*). Both France and Italy are known as two countries in which the State intervenes many times directly in the economy through acquisitions. Leaving aside the argument as to whether this is correct or not, investing through funds, can be a better choice than other modalities (e.g. Alitalia style bailouts).

Conclusion

This research aims to explain the impact of extraordinary financial transactions, such as M&A and PE, on the luxury fashion industry, characterized by a high presence of family businesses, in Italy. Various studies were possible. It was chosen to focus on a performance analysis of the acquired companies (by strategic/financial, foreign/Italian buyers), comparing them with each other, and also with the performance of the companies from the same industry, listed on the Milan Stock Exchange.

The most appropriate method proved to be the quantitative method. Secondary data were analyzed, starting from two databases. From the Bloomberg Terminal, information about the deals was obtained, while all performance data are derived from the AIDA database. Indicators belong to the following categories: dimensional, profitability indebtedness/costs of debt, and fiscal management indicators. For some indicators, only data for the last available year (static image) were considered, while for others data for the last three available years were taken into account (dynamic image). The data relating to each indicator were then processed and summarized through six categories: general category, strategic buyer, financial buyer, listed companies, foreign buyer, Italian buyer.

The research shows the presence of mainly medium/large companies, and a majority of financial buyers (55% of the total) and foreign buyers (55% of the total). Public companies are the largest, and on average they have better performances. Strategic buyers seem to give more benefits to the acquired companies than financial ones, even if the performances in the second case are improving. Moreover, the Italian buyers turn out to give more benefits to companies involved in the deals compared to foreign buyers, for the majority of the indexes. The results seem to be in line with the general theories on M&A and PE[28], and generate implications mainly at a practical level, proving useful for making decisions, for managers and owners of target companies, but also for managers and owners of buying companies, including professionals working for funds. There are also practical implications for the government, which in this area can be both an internal stakeholder (when acting as an investor through PE funds) and an external stakeholder (when receiving the payment of taxes from the companies).

There are no specific previous studies that include both contextual elements (about Italy) and at the same time sector-based aspects (about the luxury/fashion industry). This is an element of originality in the research. Moreover, what turns out to be innovative is the cross-study of 2

[28] Indeed, the phenomenon turns out to be cyclical, cross border acquisitions more complicated, and the funds are faced with additional problems when operating in Italy.

variables, the nature of the buyers and their localization, and the impact they have on the performances of the acquired companies.

Concerning possible research extensions, it would be interesting to study how the performances of the buyers and other companies in their portfolio change, to see if there are synergies between those firms. Or also, it is suggested to repeat the research in 2/3 years taking into account the same sample to check if the results change, since deltas show a dynamic scenario. The repetition of the research is also suggested because it could take more years to see the influence of the analyzed variables on the companies' performance.

Numero di parole: 9998

Appendix

It is important to note that in many indicators (for each category) it has become necessary to delete some observations. The reason is the absence of data (not all indexes data are available for all three years for all observations), or data that sometimes make no sense for some indexes (such as zero), or some values that are not covering the whole year (for example only 4/6 months). In the case of quotient indexes, only companies for which both the numerator and denominator data are available are considered. If the observations are deleted, proper communication is given for each result.

A.1. Dimensional indicators

a. Turnover (2018) and % Var. Turnover (2018-2016)

Turnover (2018)	Mean €	Median €	Min €	Max €
Turnover general mean year 2018 1 excl.	124.499.335	39.006.957	52.900	837.163.000
SD 1 excl.	205.836.801			
Turnover mean financial buyer 1 excl.	28.718.527	21.709.010	52.900	89.248.015
SD 1 excl.	22.783.257			
Turnover mean strategic buyer	166.095.727	53.481.006	439.580	837.163.000
SD	238.868.323			
Turnover mean public companies	377.998.667	318.629.000	72.792.000	745.103.000
SD	266.808.119			
Turnover mean foreign buyer 1 excl.	137.132.484	37.018.914	4.018.233	837.163.000
SD 1 excl.	226.557.675			
Turnover mean Italian buyer	37.031.492	28.817.534	52.900	115.592.495
SD	33.741.486			

Tab n. 5

%Var. Turnover (2018-2016)	Mean %	Median %	Min %	Max %
%Var. Turnover general mean 5 excl.	25,94	9,32	-47,66	494,70
SD 5 excl.	94,16			
%Var. Turnover mean financial buyer 3 excl.	19,40	4,16	-47,66	399,61
SD 3 excl.	87,16			
%Var. Turnover mean strategic buyer 2 excl.	38,00	11,51	-45,75	494,70
SD 2 excl.	116,29			
%Var. Turnover mean public companies	12,81	14,43	-9,53	36,72
SD	16,63			
%Var. Turnover mean foreign buyer 3 excl.	5,38	6,26	-47,66	100,67
SD 3 excl.	40,00			
%Var. Turnover mean Italian buyer 2 excl.	54,97	13,59	-26,18	494,70
SD 2 excl.	140,11			

Tab n. 6

b. Total Assets (2018) and Total Intangible Fixed Assets (2018)

Total Assets (2018)	Mean €	Median €	Min €	Max €
Tot. Assets general mean	167.568.108	46.564.286	658.886	1.428.100.000
SD	308.923.754			
Tot. Assets mean financial buyer	34.706.237	22.026.046	658.886	131.002.738
SD	37.015.966			
Tot. Assets mean strategic buyer	203.308.837	82.877.502	4.254.102	1.384.521.000
SD	326.207.480			
Tot. Assets mean public companies	618.210.333	526.337.000	92.446.000	1.428.100.000
SD	468.150.837			
Tot. Assets mean foreign buyer	168.516.213	60.471.951	658.886	1.384.521.000
SD	300.890.766			
Tot. Assets mean Italian buyer	37.639.343	23.816.569	709.467	131.002.738
SD	38.954.894			

Tab n. 7

Total Intangible Fixed Assets (2018)	Mean €	Median €	Min €	Max €
Tot. Int. Fix. Ass. general mean	23.740.040	2.470.767	8.377	417.136.000
SD	70.169.320			
Tot. Int. Fix. Ass. mean financial buyer	2.519.749	1.345.545	8377	11.591.774
SD	3.028.632			
Tot. Int. Fix. Ass. mean strategic buyer	35.307.174	4.393.807	317.000	417.136.000
SD	94.059.521			
Tot. Int. Fix. Ass. mean public companies	75.209.667	23.517.500	1.334.000	225.716.000
SD	98.436.409			
Tot. Int. Fix. Ass. mean foreign buyer	29.292.307	3.576.528	8.377	417.136.000
SD	85.078.805			
Tot. Int. Fix. Ass. mean Italian buyer	2.160.199	1.022.085	11.172	11.591.774
SD	2.735.878			

Tab n. 8

A.2. Profitability indicators

a. % EBITDA/TURNOVER (2018) and DELTA % EBITDA/TURNOVER (2018-2016)

% EBITDA/TURNOVER (2018)	Mean %	Median %	Min %	Max %
% EBITDA/turn. general mean	-1,08	6,43	-143,64	69,42
SD	30,36			
% EBITDA/turn. mean financial buyer	-4,76	3,85	-143,64	25,38
SD	32,00			
% EBITDA/turn. mean strategic buyer	-3,70	6,16	-93,15	20,54
SD	28,83			
% EBITDA/turn. mean public companies	24,08	15,95	8,96	69,42
SD	22,50			
% EBITDA/turn. mean foreign buyer	-1,90	6,06	-54,81	20,54
SD	19,44			
% EBITDA/turn. mean Italian buyer	-7,25	5,76	-143,64	25,38
SD	39,59			

Tab n. 9

delta % EBITDA/TURNOVER (2018-2016)	Mean delta	Median delta	Min delta	Max delta
Delta general mean	-0,18	-0,12	-93,15	170,93
SD	29,12			
Delta mean financial buyer	6,54	1,16	-46,33	170,93
SD	35,75			
Delta mean strategic buyer	-8,28	-1,71	-93,15	9,37
SD	21,63			
Delta mean public companies	-0,93	0,105	-13,57	4,53
SD	6,61			
Delta mean foreign buyer	4,93	0,02	-29,34	170,93
SD	35,55			
Delta mean Italian buyer	-6,29	-0,47	-93,15	9,61
SD	23,23			

Tab n. 10

b. % ROA (2018) and DELTA % ROA (2018-2016)

% ROA (2018)	Mean %	Median %	Min %	Max %
% ROA general mean	-0,73	2,14	-97,59	28,55
SD	19,80			
% ROA mean financial buyer	-3,98	1,03	-97,59	26,48
SD	24,08			
% ROA mean strategic buyer	-0,41	1,64	-36,62	22,79
SD	14,55			
% ROA mean public companies	12,26	9,87	4,59	28,55
SD	8,72			
% ROA mean foreign buyer	-4,08	0,81	-43,36	18,53
SD	15,56			
% ROA mean Italian buyer	-0,28	2,39	-97,59	26,48
SD	25,15			

Tab n. 11

delta % ROA (2018-2016)	Mean delta	Median delta	Min delta	Max delta
Delta general mean	1,44	1	-57,51	81,36
SD	18,13			
Delta mean financial buyer	4,88	1,59	-57,51	81,36
SD	23,64			
Delta mean strategic buyer	-2,03	0,05	-27,77	20,25
SD	10,33			
Delta mean public companies	-1,35	1,36	-18,5	5,5
SD	8,74			
Delta mean foreign buyer	4,70	-0,03	-27,77	81,36
SD	21,93			
Delta mean Italian buyer	-1,80	2,63	-57,51	8,79
SD	14,40			

Tab n. 12

c. % ROS (2018) and DELTA % ROS (2018-2016)

% ROS (2018)	Mean %	Median %	Min %	Max %
% ROS general mean 7 excl.	0,57	5,09	-46,39	17,7
SD 7 excl.	15,37			
% ROS mean financial buyer 3 excl.	0,31	1,85	-32,9	16,42
SD 3 excl.	12,61			
% ROS mean strategic buyer 3 excl.	-2,37	4,08	-46,39	17,7
SD 3 excl.	19,14			
% ROS mean public companies 1 excl.	12,34	12,45	7,73	17,18
SD 1 excl.	3,58			
% ROS mean foreign buyer 4 excl.	-2,74	2,22	-46,39	17,7
SD 4 excl.	17,63			
% ROS mean Italian buyer 2 excl.	1,29	3,06	-32,9	16,42
SD 2 excl.	13,14			

Tab n. 13

delta % ROS (2018-2016)	Mean delta	Median delta	Min delta	Max delta
Delta general mean 9 excl.	-1,99	0,39	-53,65	19,2
SD 9 excl.	11,93			
Delta mean financial buyer 4 excl.	0,25	1,92	-17,93	9,42
SD 4 excl.	7,02			
Delta mean strategic buyer 4 excl.	-4,68	-0,03	-53,65	19,2
SD 4 excl.	17,36			
Delta mean public companies 1 excl.	-1,29	0,49	-14,39	4,43
SD 1 excl.	7,67			
Delta mean foreign buyer 6 excl.	-4,61	-0,29	-53,65	19,2
SD 6 excl.	16,05			
Delta mean Italian buyer 2 excl.	0,59	1,69	-12,82	9,42
SD 2 excl.	6,35			

Tab n. 14

d. % ROE (2018) and DELTA % ROE (2018-2016)

% ROE (2018)	Mean %	Median %	Min %	Max %
% ROE general mean 3 excl.	3,57	7,02	-103,52	149,91
SD 3 excl.	39,78			
% ROE mean financial buyer 2 excl.	-0,31	2,97	-103,52	149,91
SD 2 excl.	46,01			
% ROE mean strategic buyer 1 excl.	4,92	5,77	-69,77	81,05
SD 1 excl.	37,97			
% ROE mean public companies	14,31	13,06	5,76	29,16
SD	8,41			
% ROE mean foreign buyer 1 excl.	1,95	1,89	-69,77	149,91
SD 1 excl.	45,73			
% ROE mean Italian buyer 2 excl.	2,21	10,25	-69,77	149,91
SD 2 excl.	38,15			

Tab n. 15

delta % ROE (2018-2016)	Mean delta	Median delta	Min delta	Max delta
Delta general mean 8 excl.	2,73	0,53	-94,75	139,2
SD 8 excl.	35,14			
Delta mean financial buyer 5 excl.	-0,12	-4,66	-94,75	139,2
SD 5 excl.	42,25			
Delta mean strategic buyer 3 excl.	7,29	5,03	-30,47	80,35
SD 3 excl.	33,21			
Delta mean public companies	-0,51	2,72	-20,52	7,34
SD	10,15			
SD mean foreign buyer 3 excl.	8,91	-3,3	-30,47	139,2
SD 3 excl.	40,08			
Delta mean Italian buyer 5 excl.	-4,36	-0,46	-94,75	61,38
SD 5 excl.	34,39			

Tab n. 16

A.3. Indicators of indebtedness/costs of debt

(N.B. DEBT stands for financial debt unless otherwise noted)

a. DEBT/EQUITY (2018) and DELTA DEBT/EQUITY (2018-2016)

DEBT/EQUITY (2018)	Mean ÷	Median ÷	Min ÷	Max ÷
DEBT/EQUITY general mean 2 excl.	0,87	0,18	0	13
SD 2 excl.	2,19			
DEBT/EQUITY mean financial buyer 2 excl.	0,60	0,22	0	3,77
SD 2 excl.	0,97			
DEBT/EQUITY mean strategic buyer	1,36	0,13	0	13
SD	3,22			
DEBT/EQUITY mean public companies	0,23	0,27	0	0,49
SD	0,19			
DEBT/EQUITY mean foreign buyer	1,26	0,22	0	13
SD	2,90			
DEBT/EQUITY mean Italian buyer 2 excl.	0,53	0,1	0	3,77
SD 2 excl.	1,06			

Tab n. 17

delta DEBT/EQUITY (2018-2016)	Mean delta	Median delta	Min delta	Max delta
Delta general mean 6 excl.	-3,15	-0,01	-159	16
SD 6 excl.	23,44			
Delta mean financial buyer 5 excl.	-8,36	-0,07	-159	0,5
SD 5 excl.	34,56			
Delta mean strategic buyer 1 excl.	1,40	0	-1,16	16
SD 1 excl.	4,29			
Delta mean public companies	-0,06	-0,06	-0,17	0
SD	0,06			
Delta mean foreign buyer 1 excl.	0,60	0	-7,51	16
SD 1 excl.	4,32			
Delta mean Italian buyer 5 excl.	-10,16	-0,03	-159	0,5
SD 5 excl.	39,70			

Tab n. 18

b. DEBT/EBITDA (2018) and DELTA DEBT/EBITDA (2018-2016)

DEBT/EBITDA (2018)	Mean ÷	Median ÷	Min ÷	Max ÷
DEBT/EBITDA general mean 2 excl.	-0,04	0,1	-45,68	10,27
SD 2 excl.	7,28			
DEBT/EBITDA mean financial buyer 2 excl.	0,87	0,29	-10,44	10,27
SD 2 excl.	3,60			
DEBT/EBITDA mean strategic buyer	-1,50	0	-45,68	9,31
SD	10,65			
DEBT/EBITDA mean public companies	1,42	1,49	0	3,2
SD	1,30			
DEBT/EBITDA mean foreign buyer	-1,38	0	-45,68	9,31
SD	9,78			
DEBT/EBITDA mean Italian buyer 2 excl.	1,32	0,26	-45,68	9,31
SD 2 excl.	2,93			

Tab n. 19

delta DEBT/EBITDA (2018-2016)	Mean delta	Median delta	Min delta	Max delta
Delta general mean 6 excl.	-2,63	-0,09	-41,38	19,88
SD 6 excl.	9,57			
Delta mean financial buyer 5 excl.	-4,01	-0,06	-34,25	5,34
SD 5 excl.	10,04			
Delta mean strategic buyer 1 excl.	-1,82	-0,06	-41,38	19,88
SD 1 excl.	10,75			
Delta mean public companies	-1,30	-0,16	-6,55	0,29
SD	2,62			
Delta mean foreign buyer 1 excl.	-2,10	0	-41,38	19,88
SD 1 excl.	10,00			
Delta mean Italian buyer 5 excl.	-3,98	-0,31	-34,25	5,34
SD 5 excl.	10,75			

Tab n. 20

c. EBITDA/FINANCIAL CHARGES (2018) and DELTA EBITDA/FIN.CH. (2018-2016)

EBITDA/FINANCIAL CHARGES (2018)	Mean ÷	Median ÷	Min ÷	Max ÷
EBITDA/FIN.CH. general mean 3 excl.	71,11	8,27	-170,26	1048,26
SD 3 excl.	199,14			
EBITDA/FIN.CH. mean financial buyer 1 excl.	38,86	5,94	-58,61	287,66
SD 1 excl.	80,98			
EBITDA/FIN.CH. mean strategic buyer 2 excl.	72,35	6,96	-170,26	1048,26
SD 2 excl.	245,21			
EBITDA/FIN.CH. mean public companies	201,54	42,11	18,68	881,89
SD	339,22			
EBITDA/FIN.CH. mean foreign buyer 2 excl.	21,56	2,20	-58,61	173,43
SD 2 excl.	55,66			
EBITDA/FIN.CH. mean Italian buyer 1 excl.	91,44	27,98	-170,26	1048,26
SD 1 excl.	243,57			

Tab n. 21

delta EBITDA/FIN.CH. (2018-2016)	Mean delta	Median delta	Min delta	Max delta
Delta general mean 5 excl.	-19,83	0,92	-1764,59	714,66
SD 5 excl.	338,64			
Delta mean financial buyer 3 excl.	-52,19	-0,56	-1764,59	399,32
SD 3 excl.	384,00			
Delta mean strategic buyer 2 excl.	-25,85	1,76	-1001,68	714,66
SD 2 excl.	297,55			
Delta mean public companies	123,27	22,07	-50,46	700,72
SD	284,43			
Delta mean foreign buyer 3 excl.	1,12	-0,18	-79,11	121,77
SD 3 excl.	33,42			
Delta mean Italian buyer 2 excl.	-90,38	-0,56	-1764,59	714,66
SD 2 excl.	512,80			

Tab n. 22

A.4. Fiscal management indicators

a. TOTAL TAXES (2018) and % TOT. TAXES/TURNOVER (2018)

TOTAL TAXES (2018)	Mean €	Median €	Min €	Max €
TOT. TAXES general mean 4 excl.	2.359.789	449.259	-7.738.000	24.883.000
SD 4 excl.	6.306.608			
TOT. TAXES mean financial buyer	499.099	92.708	-843.138	2.815.015
SD	974.197			
TOT. TAXES mean strategic buyer 1 excl.	878.520	352.439	-7.738.000	17.003.510
SD 1 excl.	4.942.441			
TOT. TAXES mean public companies	14.430.000	16.318.500	2.667.000	24.883.000
SD	9.235.364			
TOT. TAXES mean foreign buyer 2 excl.	532.355	224.777	-7.738.000	17.003.510
SD 2 excl.	4.428.362			
TOT. TAXES mean Italian buyer 2 excl.	856.482	165.183	-843.138	4.575.646
SD 2 excl.	1.382.293			

Tab n. 23

% TOT. TAXES/TURNOVER (2018)	Mean %	Median %	Min %	Max %
% TOT. TAXES/TURN. general mean 1 excl.	1,22	1,11	-23,62	52,94
SD 1 excl.	9,07			
% TOT. TAXES/TURN. mean financial buyer 1 excl.	2,65	0,72	-9,29	52,94
SD 1 excl.	10,92			
% TOT. TAXES/TURN. mean strategic buyer	-1,36	0,38	-23,62	4,49
SD	7,20			
% TOT. TAXES/TURN. mean public companies	4,34	3,42	2,52	10,47
SD	3,04			
% TOT. TAXES/TURN. mean foreign buyer 1 excl.	-0,57	0,29	-17,13	4,49
SD 1 excl.	4,98			
% TOT. TAXES/TURN. mean Italian buyer	2,47	1,48	-23,62	52,94
SD	13,00			

Tab n. 24

A.5. Indicators used in the analysis taken from AIDA database

Index	How is it calculated?	Meaning
CCIAA NUMBER	It is the business code of the companies, taken from AIDA and resulting in the registration of companies in the CCIAA's business register	Allows to know the location of the companies and their sector of activities
TURNOVER	It is the sum of the revenues of sales and services and other income resulting from the profit and loss accounts of companies	Measures the turnover of the companies
% VAR. TURNOVER	It expresses as a percentage the change in turnover in 2018 compared to 2016	It is an index of development
TOT. ASSETS	It represents the total assets of the balance sheet	It expresses the total gross investments
EBITDA	It is also called gross operating margin, is given by the difference between the value of production and operating costs of monetary nature (purchases, services, personnel costs - excluding depreciation)	It expresses a more objective operating result, as it does not take into account estimated costs such as depreciation; it is a measure of the cash flow generated by the typical business activity
%EBITDA/TURNOVER	It is the percentage ratio between EBITDA and turnover	It expresses how much of the turnover has turned into cash flow in the year, after the operating costs
% ROA	The Return On Assets is calculated as a percentage ratio between EBIT and tot. assets	It expresses the profitability of the total capital invested in the company, regardless of the type of source
% ROS	The Return On Sales is calculated as a percentage ratio between EBIT and turnover	It expresses the operating margins of sales
% ROE	The Return On Equity is the percentage ratio between net income and equity	It expresses the net profitability of the company because it considers the results of all business management, financial, extraordinary and tax management
DEBT/EQUITY	It is the ratio between the debt capital (only financial so debts to banks and other lenders) and EQUITY	The D/E ratio measures the degree to which a company is financing its operations through debt, and reflects shareholders' ability to repay debts in case of a business decline
DEBT/EBITDA	Ratio between financial debts and EBITDA	It expresses in how many years the company is potentially able to repay the financial debts through the EBITDA
EBITDA/FINANCIAL CHARGES	Ratio between EBITDA and financial charges	It expresses the degree of coverage of financial charges through the cash flow generated by operating income management
TOTAL INTANGIBLE FIXED ASSETS	It is calculated as the sum of plant and extension costs, research and advertising costs, patent rights, concessions and licenses, goodwill and other intangible fixed assets	In the *fashion/luxury sector,* it is important to analyze because the concessions, licenses, advertising costs, and brand value can be very high
TOTAL TAXES	It is calculated as the sum of current, deferred and advanced taxes	It is the amount of taxes that the company pays

% TOT. TAXES/TURNOVER	It is calculated as the ratio between the total taxes and turnover	It means how much turnover is destined to the payment of the taxes, and therefore how much the "stakeholder" State "earns" in %

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A.6. List of companies/deals (sample)[29]

Number	Company name	Buyer name	Financial/ Strategic	Italian/ Foreign	Year-Publ. c.
1	CALZATURIFICIO CLAUDIA – SOCIETA' PER AZIONI	Consilium SGR	F	I	2019
2	SUSY MIX S.R.L.	Ainvest Private Equity S.r.l.	F	I	2019
3	VELASCA S.R.L.	Angel Capital Management Spa & P101 Srl	F	I	2019
4	RIKO SPORT – S.R.L.	Tecnica Group SpA	S	I	2019
5	A. TESTONI S.P.A.	Sitoy Group Holdings Ltd	S	F	2018
6	SLOWEAR SPA	NUO Capital SA	F	F	2018
7	THE ATTICO S.R.L.	Ruffini Partecipazioni (Moncler)	S	I	2018
8	SEVEN S.P.A.	Green Arrow Capital Sgr	F	I	2018
9	GIANNI VERSACE S.R.L.	Capri Holdings Ltd	S	F	2018
10	NOTHANKS SPA	Panda Srl	F	I	2018
11	NICOLE FASHION GROUP S.P.A.	BC Partners LLP	F	F	2018
12	LA PERLA MANUFACTURING S.R.L.	Tennor Holding BV	F	F	2018
13	RIVER GROUP S.R.L.	Consilium Sgr	F	I	2018
14	BETTY BLUE S.P.A.	Gingi Srl	S	I	2017
15	BOGLIOLI S.P.A.	PHI Industrial Acquisitions	F	F	2017
16	THE BRIDGE S.P.A.	Piquadro SpA	S	I	2016
17	ARCADIA S.R.L.	L CAPITAL (LVMH)	S	F	2014
18	L'AUTRE CHOSE S.P.A.	Fondo Sator	F	I	2019
19	FASHION BOX S.P.A.	Belle International Holding	S	F	2016
20	RAFFAELE CARUSO S.P.A.	Mitsui & Co Ltd	S	F	2016
21	SERGIO ROSSI SPA	Investindustrial Advisors	F	I	2015
22	WGB (WHITEGOLDBLACK) S.R.L.	Y Capital Management	F	F	2015
23	IL BISONTE S.P.A.	Palamon Capital Partners	F	F	2015
24	LEVITAS S.P.A.	Modern Avenue Group	S	F	2015
25	MANIFATTURA RIESE S.P.A.	Consilium Sgr	F	I	2015
26	DREXCODE S.R.L.	Le Buone Società Spa	F	I	2014
27	ELEVENTY WORLD S.R.L.	Palladio Finanziaria Spa	F	I	2014
28	PEPLO SRL	Tengram Capital	F	F	2014
29	TOMASONI TOPSAIL S.P.A.	Oakley Capital	F	F	2014
30	HARMONT & BLAINE S.P.A.	Clessidra SGR SpA	F	I	2014

[29] As regards the subdivision into categories, a choice was made on three observations: Arcadia S.r.l.-CCIAA number MI1910442, Giuseppe Zanotti S.p.A.-CCIAA number FO0238829, and The Attico S.r.l.-CCIAA number MI2521499. Indeed, the first two companies were acquired by the L Capital fund, owned by the French LVMH Group, and the third one by Ruffini Partecipazioni Holding, owned by Moncler's main shareholder (Ruffini family). Therefore, these three observations were considered as acquisitions of a strategic and non-financial nature, since although acquired from a fund, this fund is owned by a fashion/luxury group.

31	GIUSEPPE ZANOTTI S.P.A.	L Capital (LVMH)	S	F	2014
32	FORALL CONFEZIONI S.P.A.	Mayhoola	S	F	2014
33	BMB MANIFATTURA BORSE S.P.A.	Halder beteiligungsberatungund gmbh	F	F	2013
34	PACI S.R.L.	Argos Wityu SAS	F	I	2013
35	LORO PIANA S.P.A.	LVMH	S	F	2013
36	ARAV FASHION S.P.A.	Vertis Sgr	F	I	2013
37	BLUE LINE PROJECT S.R.L.	Xenon Private Equity Ltd	F	F	2012
38	VALENTINO S.P.A.	Mayhoola	S	F	2012
39	COCCINELLE S.P.A.	Eland World Ltd	S	F	2012
40	BRIONI S.P.A.	Kering SA	S	F	2011
41	AEFFE S.P.A.	-	-	-	Publ. C.
42	BRUNELLO CUCINELLI S.P.A.	-	-	-	Publ. C.
43	MONCLER S.P.A.	-	-	-	Publ. C.
44	PIQUADRO S.P.A.	-	-	-	Publ. C.
45	SALVATORE FERRAGAMO S.P.A.	-	-	-	Publ. C.
46	TOD’S S.P.A.	-	-	-	Publ. C.
47	TRUSSARDI SPA	QuattroR	F	I	2019
48	NEW GUARDS GROUP HOLDING S.P.A.	Farfetch	S	F	2019
49	BLUFIN S.P.A.	Eccellenze Italiane	S	I	2019
50	BUCCELLATI HOLDING ITALIA S.P.A.	Richemont	S	F	2019
51	BULGARI GIOIELLI S.P.A.	LVMH	S	F	2012
52	POMELLATO S.P.A.	Kering SA	S	F	2013
53	MISSONI S.P.A.	FSI	F	I	2018

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