

Financier reveals how 'tutor' helps shipowners as other banks pull back

Italy's illimity Bank sees itself as a partner for companies in 'temporary difficulty'

ENRICO FAGIOLI:
Head of small and medium enterprises at illimity
Photos: illimity

Gary Dixon
London

New shipping financier illimity Bank believes it is succeeding with a different approach to the sector as traditional lenders pull back.

The bank, formed in 2018 by former government minister Corrado Passera, does not focus on the type of business, but rather on the size of the company and its needs.

Enrico Fagioli, head of the small and medium-size enterprises division, said illimity was born from listening to the real requirements of Italian firms.

"We cater to companies in temporary difficulty but with high growth potential, offering tailor-made financing solutions, built on the basis of each individual company and the reference business," he said.

It is for this reason that, in addition to the bank's financial and technological skills, it has chosen to make use of "tutors".

"These are experts from specific industries who have direct experience in the sectors within which

our clients operate," Fagioli said. "It is thanks to the insight from the tutors that illimity is able to easily navigate various sectors and businesses of reference, supporting companies in the best way."

Fagioli said illimity's senior management has a "wealth" of experience in ship finance.

"In addition, staff within our executive or senior management have also held positions with Italian and/or foreign shipping companies, including a full-time tutor of shipping and logistics," he said.

The tutor is Alessandro Polacco, who has 11 years of shipping experience. He is the former managing director at Wellard Singapore and executive director of Wellard Ships.

Polacco has also worked at Omni Ships and Siba Ships in Singapore, following a 27-year banking career with Intesa Sanpaolo and Bank of America in Japan, China, Hong Kong and New York.

illimity revealed a position in shipping in April through a deal to fund Navigazione Montanari's €35m (\$42m) purchase of two prod-

uct tankers to start a fleet renewal.

The lender sees the maritime industry as particularly important as it represents the backbone of trade, and its restart is a positive sign for the entire economic ecosystem.

"This is why we are very proud to have supported Navigazione Montanari. It is certainly an interesting world in which there are companies with great potential," Fagioli said of shipping.

The banker said today's companies do not need a bank but a partner who knows how to listen and support them in their growth process, with a deep understanding of the challenges they face.

illimity uses data and the latest generation of analysis technologies to develop a long-term strategy for its clients.

"Shipping is

one of the world's oldest economic activities and undoubtedly the most global and highly capital intensive, which requires large amounts of financial resources for the financing of its projects," Fagioli said.

But traditional finance from banks has been more scarce since the 2008 financial crash.

"Being a peninsula, Italy has a long mercantile shipping tradition, which climaxed in the Middle Ages with the creation of the city states of the maritime republics," Fagioli explained.

"However, in recent years, high volatility in freight rates, seasonality linked to the economic cycles, as well as the direct exposure to the fluctuations of the local and global economy, have created a risky environment for banks."

The introduction of regulatory provisions in the banking and account-

ing sectors aggravated the negative effects of the 2008 crash, Fagioli believes.

"In particular, the tightening on capital adequacy has produced a banking disengagement towards the maritime sector in terms of loans that has led to radical changes in the approach to the ship financing activity," he said.

The introduction of liquidity requirements has also changed the landscape, as have accounting standards which subject owners to the valuation of assets at fair value, rather than the historical cost adopted previously, Fagioli explained.

All this has combined to make shipping "more expensive" for lenders, Fagioli added. That has tightened the banks' capital constraints for loans granted and requiring greater provisions.

"In other words, ship loans became less profitable for lenders."

As a result of this and a market slowdown, numerous banks left the market, reducing the volume of loans.



TUTOR:
Alessandro Polacco

ILLIMITY WORKING ON FOUR MORE REFINANCING DEALS WORTH \$50M

New Italian bank illimity is closing in on more shipping deals after revealing its entry into the sector in May.

The lender, led by banker and former government minister Corrado Passera, refinanced domestic shipowner Navigazione Montanari.

The €35m (\$42m) loan allowed the shipowner to acquire two product tankers, the 50,000-dwt Leopard Moon and Leopard Sun (both built 2013), from Grindrod of Singapore for \$21.4m each.

illimity's head of small and medium-size enterprises (SMEs), Enrico Fagioli, told TradeWinds the bank has acquired more than 50% of Montanari's borrowings after being approached by the shipowner. "In this case, the goal is to intervene in the restructuring of the company's debt," he said.

illimity focuses on helping SMEs, without a plan to expand in any one business sector.

But Fagioli said the bank, nevertheless, had been "quite active" in lending and investing to the shipping industry.

COMPANY TURNAROUNDS

This has been done directly through the SME division's turnaround of companies classed as "unlikely to pay", as well as refinancing performing loans and factoring deals.

"So far illimity has employed in excess of €85m in the shipping industry, broken down into eight different borrowers," the executive said.

"We are in the process of completing the due diligence or execution of additional financing

arrangements totalling approximately €41m for the acquisition of five vessels operated by four different shipowners and operating in three different market segments."

Fagioli explained illimity does not intend to specialise in any specific industry and thus is not "forcing" nor planning any particular portfolio's growth.

"Future expansion will be organic and driven primarily by business opportunities arising from the bank's reputation, as the illimity name becomes more established in the Italian corporate and shipping markets," Fagioli said.

And the Italian market will remain the focus for the foreseeable future.

The objective is to support the growth and revitalisation of valua-

ble and creditworthy Italian SMEs with proven management skills and inherent business potential, Fagioli added.

"Hence presently, we are not planning to pursue any non-Italian-related borrower," he said.

BASIC MISSION

The six-year Montanari facility is backed by Italian export credit agency SACE through its "Garanzia Italia" (Italian Guarantee) programme. Terms were not disclosed.

Fagioli explains major shipowners have been able to access the global capital markets, but SMEs have been reliant on banks or sale and leasebacks.

"In light of the above, financing of the Italian shipping industry falls entirely within illimity's basic

mission to back valuable Italian SMEs that outlived the financial difficulties pursuant to the global financial crash or are striving to emerge successfully from restructuring processes," Fagioli said.

Since illimity began lending in 2019, the bank has also paid particular attention to environmental, social and governance (ESG) matters.

The banker told TradeWinds the company has taken a path that let it integrate ESG into the strategies, processes and governance of the group.

"For this reason, we introduced an ESG rating in the credit assessment activity, to integrate the risk map of the companies to be financed alongside an assessment of their positioning in terms of sustainability," Fagioli added.