



BELIEVE - GIVING CREDIT TO THE FUTURE WAS HELD TODAY

THE EVENT ORGANISED BY ILLIMITY TO FOSTER DIALOGUE BETWEEN FINANCE AND BUSINESSES AND FACILITATE ACCESS TO CREDIT FOR SMEs AT SUCH A COMPLEX TIME AS NOW

Milan, 23 June 2022 – “Believe – Giving Credit To The Future”, the first event promoted by illimity Bank S.p.A. (or “**illimity**”) to encourage dialogue between finance and entrepreneurs and facilitate access to credit for SMEs, was held today.

illimity was created and developed to foster the growth of SMEs and their potential as well as to assist them in their revival and relaunch processes. The role played by the credit world in supporting businesses is today more crucial than ever: businesses are faced with new challenges dictated by the economic and international geo-political situation and by the affirmation of trends destined to change their business models.

illimity therefore wanted to promote, with Believe, a moment of confrontation with the objective of constructing a virtuous ecosystem that makes it easier for SMEs to access credit and the tools that finance has available. The focus of the debate, therefore, has shifted from a strictly banking and financial view to an entrepreneurial vision.

Corrado Passera, Founder and CEO of illimity, stated: *“illimity was created to support businesses with potential and to respond to a much felt need, that for credit: credit for growth and development, credit for restructuring and relaunching and distressed credit with potential.*

We experience great dynamism in the SME world every day: the macroeconomic crises that have built up in the new millennium have been highly selective and created resilient businesses in all sectors. Our perception is that a large number of businesses have a significant desire to invest and grow, even in turbulent times such as these.

The credit ecosystem is broader and good transactions almost always require high levels of professional skills – those of a legal, technical and administrative nature – that a bank cannot have internally but must be able to mobilise. We have involved a number of these at today’s meeting to discuss together how we can work further in ‘giving credit to the future’.

To frame the context in which SMEs will operate, the keynote speaker **Francesco Sisci** – a sinologist, author and columnist – presented the new political scenarios of a world which is completely different from that of the past 30 years, scenarios which also re-determine the rules of economic engagement.

Subsequently, the **research fostered by illimity and carried out by McKinsey & Company** explored the megatrends that will drive the evolution of Real Estate as well as the transformation of companies' business models.



REAL ESTATE R-EVOLUTION

In presenting the research, **Andrea Clamer**, Head of illimity's Distressed Credit Division, emphasised: *“Today we can talk of a genuine Real Estate Revolution. We are already seeing business models that are riding global trends such as sustainability and urban regeneration. illimity, in its own small way, with the Energy Desk, reaching its first investment target of 100 million euros in photovoltaic installations through its joint venture with VEI Green, has produced 9.1 GWh of renewable energy by 2021. In addition, with fondazione illimity, it contributes to the social regeneration of real estate assets, creating value for local communities.”*

These are the 4 trends observed and explored:

1. **SUSTAINIBILITY**. The attention given to sustainability has long been on the increase and at the centre of the political agendas and new business models of finance and businesses. The Real Estate industry has also seen a rising interest in the topic by both investors and end-customers, and it is estimated that the gradual dissemination of green projects will lead to a **40% reduction in carbon emissions** generated by the sector **by 2050**. In addition, the spaces of buildings are likely to evolve in order to accommodate increasingly efficient new solutions based on environmental sustainability such as “In-house Farming” – vertical farms that enable anything, from small vegetable gardens to large-scale food production, to be realised – and “Rooftop Energy” sites, namely the designation of new roofs as areas for the production of solar energy or the conversion of existing building spaces for this purpose.
2. **INCLUSION**. At a global level it is estimated that by 2025 over 100 million families (135 million by 2025) will find themselves in a situation of relative or absolute poverty, 2 million in Italy alone, and that it will be difficult for them to live in homes of an adequate standard. The emphasis on economic inclusiveness, also in an urban environment, is therefore likely to grow, especially in **Italy**, where the proportion of social housing is currently at around **¼ of the average in Europe on a per capita basis** (12 units per every 100,000 inhabitants in Italy compared to the European average of 50). Many operators are, therefore, also moving in that sphere, using new integrated models ranging from capital raising to management.
3. **URBAN REGENERATION**. Converting spaces has an environmental and social impact on the local area, improves the state of health and safety of urban districts and increases the price of properties.
In Italy, it is estimated that areas totalling over 100 million m² are open to potential conversion in the next five years, with 6 main points of focus: public offices and schools, the creation of dedicated platforms for rentals, social housing, healthcare buildings and senior and student housing.
This estimate is based on the current gap between Italy and Europe: 23% of Italy's buildings are in disuse compared to a European average of 5%; 40% of Italy's buildings were built before 1960 compared to a European average of 30%; moreover, school buildings are 50% below the European average.



4. **TECHNOLOGY AND DATA.** Data analysis tools and new technological solutions will become increasingly key in companies' business models. On the Real Estate front, research has identified over 60 applications which can make spaces inside "smart cities" interconnected and which will have an enormous impact in terms of innovation and efficiency in 8 different areas: safety, healthcare, mobility, bureaucracy, social relations and energy, water and waste management. These new solutions will lead to the need for Real Estate operators not only to expect a significant technological development, but also to establish new partnerships with operators in various sectors, for example those in Digital Health Care for smart diagnostics. New generation sustainable mobility will be key in smart cities: it is estimated that the sharing mobility market in Italy's major cities will grow by an average of 11% a year until 2030. We will also see the spread of innovative infrastructure such as vertiports, landing spaces for vertical take-off vehicles, and smart parking lots with "dynamic tariffs" that vary depending on the flow. In the future, in fact, we can expect to see a rising integration of "**Mobility as a service platform**", which will not only involve constructors and infrastructure funds but also banks, transport and payment operators. In this sphere, **global investments** for the next few years are **estimated** to be around **10 billion dollars**, with revenues from fees and management contracts expected to experience **annual growth of 15%**, equal to approximately 2 billion dollars.

*"More sustainable real estate, social housing developments for greater inclusion, regeneration of urban spaces and widespread technology, will play an increasingly central role in the real estate sector, in Italy and worldwide," commented **Nicola Sandri**, Senior Partner at McKinsey & Company. "These are trends that, if well managed, will generate further growth and innovation for the sector, with clear and concrete benefits for the entire society".*

NEW FINANCIAL MODELS AND INSTRUMENTS TO SUPPORT BUSINESS NEEDS

The second part of "Believe" presented, instead, the trends **that are transforming the business models of companies and the tools to meet their needs.**

Enrico Fagioli, Head of illimity's Growth Credit Division, in presenting the research pointed out that: *"There is an increasing need for an evolution in the offer of financial operators to support companies with solutions that will enable them not only to undergo temporary shocks, but also to ride the long-term changes with a sustainable and resilient approach over time. The solutions provided by financial partners should, therefore, evolve towards **not only financial but also business support** through a complete and structured offer thanks to the contribution of professionals with turnaround expertise as well as sector-specific and technological skills."*



Below are the trends observed.

1. **TECHNOLOGICAL AND DIGITAL ACCELERATION.** Today already **more than 82% of CEOs** state that they want to significantly increase their investments in digital and technology. Spending on Information and Communication Technology (ICT) amounted to 44.3 billion euro (Gartner figures) in Italy in 2021 and it is estimated that this will rise to 52.3 billion euro by 2025. The nature of the investments varies greatly depending on the field in which a business operates: in the manufacturing industry, for example, 41% of technological innovations introduced by Italian companies regard robotics, followed by the Internet of Things (40%), while in the infrastructure sector technological platforms, representing 73% of technological innovations adopted, predominate¹.
2. **AUTOMATION.** The increasing use of automation systems to support the efficiency and economic sustainability of production processes will not only call for investments in that field, but also skilled staff. According to the estimates, 90 million workers in Europe will need to undergo new training courses, and in Italy alone it is estimated that there are **600 thousand job vacancies due to the lack of the necessary skills.**
3. **SUPPLY CHAIN DISRUPTION.** The resilience of the supply chain, meaning its ability to resist to external stress factors and transform itself into a competitive advantage, is increasingly on companies' agendas: it has been estimated that the closure of the Suez Canal in 2021 caused a loss of up to 10 billion euros per day, and the shortage of semiconductors today is creating considerable tension along the supply chains of the automotive and other industries. At a global level it is estimated that up to 26% of production will be subject to re-shoring and/or near-shoring, strategies that businesses are being forced to adopt to limit the potential negative impact arising from the supply chain disruptions which has been quantified in an average fall in EBITDA of up to 42% over a decade. It is certain that businesses will have to face a profound reorganisation of the production processes that will be accompanied by the development of the digital industry and the technological applications connected with automation systems.
4. **EVOLUTION OF THE CAPITAL MARKETS.** Businesses currently have a financial offer at their disposal that has never been seen in the past, both in terms of tools – for example the investment volumes of Private Equity / Venture Capital and Private Debt in Italy have doubled compared to 2020 – and in terms of technologies, with fintechs by now consolidated players on the Italian financial scene.

*"Uncertainty and volatility characterise our time, challenging the resilience of companies," added **Alfonso Natale**, Partner at McKinsey & Company. "The trends highlighted in the research – digital, automation, sustainability, supply chain and capital markets – are changing the way of doing business: transforming this discontinuity into competitive advantage, will be crucial for sustainable growth over time."*

¹ Source: EIB Investment Survey 2020



Both research focuses were carried out by means of round tables involving industry experts and brought in the testimony of two companies, Nespoli and Fintyre, who told their transformation and relaunch stories made possible through the support of the Growth Credit Division and illimity SGR.

The event continued in the afternoon with the intervention of Nicola Gisonda, Architect of Officine del Volo, who described the regeneration and revival project for which he was responsible.

The discussion then concentrated on the business model of the servicers specialising in UTP Real Estate with the intervention of Andrea Battisti, CEO neprix, Marco Sion Raccach, General Manager AREC, Andrea Giannelli, Senior partner Legance - Avvocati Associati, and Riccardo Bianchi, Head Valuations Advisory Services JLL.

The day ended with a case history of innovation in the Real Estate industry as well as cases of the regeneration of large buildings in disuse and the restructuring of buildings in stress in the energy sector. Speaking on these topics were Renato Ciccarelli, CEO abilio and Head of the Quimmo Project, Simone Mazzarelli, CEO Urban Value, Luca Travaglini, Co-Founder and Co-CEO Planet Farms, and Elena Maspoli, Head of Special Situations Energy illimity.

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illimity Bank S.p.A.

illimity is the high-tech banking group founded and headed by Corrado Passera that was created with the aim of responding to specific market needs by way of an innovative and specialist business model. More specifically, illimity extends financing to high-potential SMEs, purchases distressed corporate loans and services these through its platform neprix, and provides digital direct banking services through illimitybank.com. illimity SGR, which sets up and manages alternative investment funds, the first of which dedicated to UTP loans, is also a member of the Group. The story of the illimity Group began in January 2018 with the launch of the special purpose acquisition company SPAXS S.p.A., which ended with a record 600 million euro being raised on the market. SPAXS subsequently acquired Banca Interprovinciale S.p.A., with the resulting merger between the two giving rise to “illimity Bank S.p.A.” which has been listed on the Italian Stock Exchange since 5 March 2019 (ticker “ILTY”), first on the MTA exchange and since September 2020 on the Star segment (now Euronext Star Milan). The banking group, headquartered in Milan, can already count on over 760 employees and ended the first quarter of 2022 with assets of around 4.9 billion euro.