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# Country Profile: New entrepreneurs increasing deal opportunities in Italy

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*GPs are heading to Italian shores as a new generation of Italian entrepreneurs seek PE investment, reports Xhulio Ismalaj, who has been checking in on the country's dealmaking trends*

A pro-business government, a favourable tax deal bringing senior professionals back to the country, and a large number of family-owned businesses needing to manage succession are just a handful of reasons why dealflow has been buoyant in the Italian midmarket.

The region has become so attractive that the number of international GPs active in Italian PE jumped from 30 in 2014 to 59 in 2023, according to the Italian Private Equity, Venture Capital and Private Debt Association (AIFI).

But, despite its allure, the country is still recovering from high interest rates and supply chain issues, like its European counterparts. "There has been a slowdown, especially for companies producing capital goods. And with Italy still having a big manufacturing, industrial economy, it meant 2024 was a complicated year," says Michele Semenzato, co-founding partner at Milan-based GP Wise Equity.

As the performance of GP portfolios suffers, the softening in the M&A market has been particularly stark on the exit side. "In about 80% of cases, unless GPs had a real push to sell a portfolio company which is active in a very trendy sector, firms would like to wait a little bit more until they sell," explains Walter Ricciotti, CEO and co-founder of PE investor Quadrivio Group, which has 50% of its team based in Milan.

Nevertheless, the Italian market has shown signs of "normality" as it readjusts after the post-Covid "bubble", according to Quadrivio's Ricciotti.

However, Stefano Ferraresi, partner and head of industrials at upper midmarket PE firm BC Partners, says the most attractive investment cases are reserved for the more selective GPs. A firm knowing the investment case and sub-sector well has more conviction on those good deals. “If you’re just sitting there as a generalist, large-sized fund, without the sector focus or local connections, then dealmaking has probably been more patchy,” he says.

Overall, less cyclical areas such as pharmaceuticals, technology, and food ingredients have seen more deal activity, while the industrials and consumer sectors have been less insulated from macroeconomic trends.

## Entrepreneurs want solutions, ideas and money

While a number of Italian family businesses founded in the 1960s and 1970s have already undergone their generational transitions, about 25% of them still have leaders aged above 70, according to the 16th edition of the AUB Observatory. Many of these businesses have become more knowledgeable about PE during the past decade, too, becoming more fitting targets for investors.

But another source of dealflow has since emerged: a new generation of entrepreneurs who have grown their businesses from, say, zero to €50m alone, and realise they need a partner to get to €100m. “Entrepreneurs would hardly pick up their phone, seeing PE as pure financial engineering, as a negative thing to stay away from,” says BC Partners’ Ferraresi. “Now, they know that they are losing ground if they don’t get support from a professional investor.”

Andrea Ottaviano, CEO of growth capital investor Clessidra Private Equity, notes that these entrepreneurs “are looking at their company in a totally different way compared to the previous generation”, adding: “They feel the need to evolve how they are doing business. They feel the need to change, to grow, to do things in a different way. However, they often don’t know how to make these changes on their own.”

These businesses can take a step forward while their entrepreneurs maintain a desired level of equity exposure. “The reason for sitting with us has changed,” Ottaviano continues. “Today, they expect not only money from us, which worked about 15 years ago, but they also look for solutions, ideas and projects. If a GP comes with this blend, they get the deal.”

## Come prepared

Looking at 2025, interviewees’ musings have varied between expecting the selective markets of 2024 to continue, and more bullish sentiments as normalisation comes from lower interest rates. But given the number of coalescing issues impacting private markets, many are hesitant to forecast dealmaking in 2025.

US President Donald Trump’s tariff regime has certainly created further uncertainty for dealmakers. “In a worldwide trade war, everybody’s going to suffer. And Italy is a big exporter, so there will be repercussions in our economy,” says Wise Equity’s Semenzato. “When there is this level of uncertainty, market players reduce their investment levels, affecting both exits and new investments. The assets that will be the winners, in terms of being traded, are those that are the least cyclical at this point in time.”

The extent to which that affects those newer GP entrants into the Italian market is to be determined. But if a GP is going to invest, commentators implore them to come prepared: have a local office presence with an Italian team, an understanding of the culture and senior executives with good reputations. Otherwise, *addio*!