

# C.E.F.&M. & Gotha Advisory S.p.A



**CLUB DEI COMMERCIALISTI  
ESPERTI IN FINANZA&MERCATI  
(C.E.F.&M.)**

# AGENDA

1. C.E.F.&M. vision and goals
2. C.E.F.&M. main activities
3. Gotha Advisory
4. Italian economic scenario
5. Aim Italy tax benefit and proposals
6. Final remarks

# 1. C.E.F.&M. vision and goals

C.E.F.&M. main goal:

1. create a network of consultants with national coverage in the following areas:
  - listing on the stock exchange
  - M&A operations
  - corporate finance
2. public speaker in local and national events in order to:
  - increase risk capital culture
  - inform companies about capital market
  - promote the investment in sme
3. support:
  - sme recapitalization
  - listing
  - the aggregation process between companies

## 1. C.E.F.&M. vision and goals

4. organize training events
5. institute workgroups to examine specific financial issues
6. create and develop the network of duly selected chartered accountants as financial and economic consultants
7. consolidate the partnership with Borsa Italiana
8. cooperate with Consiglio Nazionale Dottori Commercialisti ed Esperti Contabili

## 2. C.E.F.&M. main activities

- Education for our associates on ifrs accounting principle and comparison with Italian gaap
- Education on tax rules for ias adopter, comparison with tax rules for gaap adopter and benefit and disadvantages due to the transition
- The first book guide about aim market - Italian stock exchange
- The second book, in progress, about incentives to support the listing of small and medium enterprises, (a deep analysis about pledges, chances and proposals)
- Contribution to the setting up of an organization which gives support to medium enterprise with temporary cash issues in order to advise for growth and restructuring with the support of institutions, primarily Regione Lombardia

### 3. Gotha Advisory

Over 10 assignments in the first year including:

- Due diligence for food factory located in Italy, with an international brand.
- Supporting consolidated statements in a company with insolvency background.
- Business plan and management accounting system implementation for a trading company outsourced in China and EU.
- Insolvency procedure through the so called “concordato” which is a pre bankruptcy agreement, similar to chapter 11 in US.
- Listing projects in progress, pharmaceutical manufacturing company and telecommunications company.

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## 4. The economic scenario in Italy

- **Negative remarks:**

- The recent financial market turmoil appears to have highly influenced the decision about listing or not
- There is a gap between listed company in Italy and other EU main countries (the whole capitalization is only 22.5% on gross domestic product, only 27 listed companies on aim italy compared to 870 on aim UK)
- Many of them have become skeptical about the benefits offered by the listing; therefore professional advisors have to provide a viable path to persuade their customers

- **Positive remarks:**

- Although at present there is a great deal of uncertainty, the advisors who know the territory can provide services and support balanced growth and sources of finance
- Moreover Italy has one of the highest levels of private savings (8.6 trillion, five times the GDP)
- There is a concrete opportunity to create a direct flow between the retail investors and the entrepreneur (recent crowdfunding law)

# The economic scenario in Italy

- Growth process performed through listing process alternative to private equity.
- Key point is advisory the company in the best way regardless of the final decision (equity funds or listing or crowdfunding)



## 5. Aim Italy tax benefit study and proposals

### Basic assumption

Strong measures in favor of SME are strongly advisable to promote the increase of traded company; we are aware that tax benefits should not be the main reason for a company or investor and should never outweigh the business criteria, but they can stimulate and support the process or the investment proposal.

## *Our proposals:*

### **Company side**

- Corporate tax reduction for sme traded on aim market, limited to a certain period of time.
- Tax relief is granted to the beneficiary company which is going to be traded on aim stock exchange market if an aggregation between independent sme takes place, such as merger, split or contribution in kind which allows the company growth (a similar scheme was approved by the 2007 financial law which granted a tax deduction up to 5 M allocated to the deficit merger).
- Dual income tax considering the recapitalization (i. e. Strengthen ACE - Help to economic growth).

# Conditions

Benefit granted also to foreign companies with an Italian branch and listed abroad

1. Benefit granted only to Sme; this should not be considered a state aid as the sme growth is an EU goal according to their policy
2. The reduced tax rate – that could be higher if the company is increasing its workforce - is granted only if the taxable income is higher than the previous year and with a cap on the tax saving which should not allow the company to pay less tax than the previous year (this is solving the issue of financial coverage)

## Investor side (only for OPS)

1. Income tax Exemption (dividends and capital gain)
2. Income Tax relief, subject to holding period, which foresees an exemption from income tax up to a percentage of the investment that has to be capped

The scheme can be similar to the already approved rule concerning the tax exemption granted to investors in venture capital funds (article 31, law decree n. 98/2011); the condition for granting the income exemption are:

- a) the fund has to invest at least 75 % of its assets in sme (in our case they should be listed companies)
- b) the fund can be underwritten also by a retailer who is aware of the risks related to the investment
- c) the investment has to be lower than the maximum investment tranche foreseen by the EU rule on state aid

## 6. Final remarks

Tax benefit financial coverage: it is self financing as the tax incentives will lead to:

1. the recapitalization of sme which will become more competitive within the italian system and abroad (a significant issue is the liquidity of the system, banks and financial institutions are not able to finance sme according to the last report by the IMF)
2. as a consequence of the incentives, a revenue and profit growth is expected which means decrease of unemployment and social public aids (cassa integrazione) expenditure, increase in advisory services which directly involve our category
3. create a team working to these proposals in order to identify the best solutions, i.e. a memorandum of understanding to be signed by our professional category and tax authority to encourage investment in a start up or an early stage sme to be listed by offering generous tax relief to an individual investing in such companies respecting the EU law
4. we know that in the UK the economic impact of the alternative investment market and the related fiscal incentives was successful; therefore we are expecting a similar result in Italy but we have to build up all the favourable circumstances and environment

What's our challenge ?

1. We have to be skilled and ready to provide a full and integrated range of services (auditing, corporate taxation, management consultancy, corporate finance, restructuring) with a national coverage at a very competitive price in a short period of time, therefore we have to increase our company size and improve our specialization; the sme need our support to finalize the listing process, therefore we incorporated Gotha advisory with a very flexible structure, few fixed costs but with a highly skilled organization
2. This is only the first step, we need additional and committed advisors to create a strong and widespread platform able to accompany the entrepreneur along the path of a sustainable and balanced growth which ultimately shall benefit our category and our country

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Gotha has a network of highly skilled advisors in financial field.  
List of advisory services offered by Gotha since its incorporation.

## **IPO Consulting**

In the presence of a growing global competitive pressure, the arrival of SMEs to the stock market may provide them with a critical competitive edge toward achieving a balanced growth path, as they have historically been biased towards the use of debt.

Gotha Advisory assists clients throughout the IPO process with:

- Global coordination of the transaction
- Assistance in defining the offer structure
- Valuation of the company
- Transition to the international accounting principles IFRS
- Business plan preparation
- Due diligence
- Prospectus preparation

Gotha Advisory is partnered with Baldi & Partners, a Nominated Advisor (NOMAD) answerable to the Italian Stock Exchange's listing on the AIM market.

# M&A Consulting

Gotha Advisory provides support and assistance services in transactions relating to corporate investments, with particular reference to Private Equity Funds and all special corporate transactions:

- Analysis and structuring of all features of the transaction
- Company valuation
- Due diligence
- Advice and assistance throughout the deal
- Post-deal integration support



# Corporate Networks & Partnership

Gotha Advisory provides professional services designed to support the processes of growth and internationalization of SMEs externally, including forms of mild aggregation:

- Corporate networks
- Scouting of companies
- Industrial and financial partnership

# Business plan

Gotha Advisory is a framework of corporate accountants accustomed to assist companies in assessing the overall value effects of the hypothesized strategies and identifying new business opportunities through the analysis of markets, competitions, products and related technologies:

- Strategic consulting
- Market analysis, competitive and sectorial
- Preparation of business plans

# Due diligence

Whether it's during the listing process or in mergers & acquisitions operations, buy or sell side, Gotha Advisory assist clients in carrying out the necessary due diligence activities:

- Tax due diligence
- Legal due diligence
- Business due diligence
- Management Control system due diligence
- Financial due diligence

# Management Control

Gotha Advisory specializes in the design and implementation of planning and Management Control systems:

- Financial plans and analysis
- Rating
- Management accounting
- Budgeting
- Planning and cash management systems
- Business intelligence systems

# Debt Restructuring

Gotha Advisory is an organization of accountants with extensive experience in corporate restructuring and management of corporate financial crises:

- Corporate crises: comparative analysis of available tools
- Study and implementation of exit schemes from the corporate crisis
- Development of debt restructuring plans
- Renegotiation of debt with involved financial institutions
- Treasury budget and liquidity control

# Corporate Governance

Gotha Advisory provides specialized professional resources with extensive experience in the following consulting activities in the field of Corporate Governance:

- Design and implementation of organizational models under the Italian Legislative Decree
- Compliance with Law 262/05 and SOX: outsourcing and support
- Compliance with other specific industry regulations (banks, SGR, SIM, pension funds, etc.): outsourcing and support
- Corporate governance for listed companies (Corporate Governance Code, independent, directors, committees, etc.)
- Design and implementation of internal control systems
- Risk management

# Tax Consulting

Gotha Advisory has a network of professionals that includes specialized accountants with extensive qualified experience in tax law:

- Tax consulting on direct and indirect taxes pertaining to ordinary and extraordinary business management
- Assistance in the preparation of periodic and annual tax returns, also when transmitted electronically
- International tax planning