

Raising of capital and public take-over bids

In the course of 2000, via the markets managed by Borsa Italiana, a sum close to 17 billion euro was raised by listed (through issues of new shares or secondary offerings) and by newly-listed companies (through Initial Public Offerings). While the role played by the companies listed on the Stock Exchange continued to predominate, an important contribution to the total funds raised came from the companies of the Nuovo Mercato, which in the financial markets have identified a means, previously not easily available, of financing their growth projects. The high amount of funds raised - although below those for 1999 owing to the lack during the year of large-scale operations such as the ENEL placement, which in 1999 had represented the largest IPO on the world markets, and the capital increases aimed at the acquisition of Telecom Italia - are an indication of the growing interest on the part of companies in financing operations with risk capital and confirm that of the Government in using the market to complete the process of privatising state-controlled companies.

CAPITAL INCREASES

In 2000 there were no major operations such as to make it possible to approach the amount of funds raised during the previous two years: even if the number of operations during the year was significant (31, compared to 30 in 1999), overall funds raised, equal to 3,793 million euro

During 2000, capital increase operations primarily concerned banking and insurance companies and the first operations carried out by Nuovo Mercato companies took place

in the 20 paid operations carried out, was considerably below the 21,887 million euro in 1999 and the 8,363 million euro in 1998.

- In 2000, the distribution of operations over time was basically uniform: 1,675 million euro were raised during the first six months (44.2% of the total) and the remaining 2,118 during the second half of the year (55.8%). Almost all resources were raised by companies listed on the Stock Exchange (3,268 million euro, equal to 86.1% of the total). Some capital increases (375 million euro, equal to 9.9%) concerned companies listed on the Nuovo Mercato: less than one year from when they were first listed, Gandalf, Tecnodiffusione and Cdb Web Tech have again turned to the market to finance company growth. The remainder (150 million euro, equal to 4.0%) concerned the companies of the Mercato Ristretto.
- It is important to note that the largest operations were carried out by banking and insurance companies: in the top 4 positions in terms of placement value are Banca Intesa (678 million euro), Banca Intermobiliare (675), Unipol (631) and Credito Fondiario e Industriale (327). In 1999, these sectors had shown a similar importance, with the exception of the Olivetti and Tecnost capital increases. The median size of the capital increases dropped from 143 million euro in 1999 to 83 million in 2000; this is still above the 1998 figure, equal to 66 million euro.

- Due to the sharp growth in turnover that occurred in 2000 (+71.3%), the ratio of funds raised by capital increases with respect to the value of shares traded was 0.4%, the lowest value of the last 4 years (4.3% in 1999, 2.0% in 1998 and 2.4% in 1997). The ratio with respect to year-end capitalisation was also low, down to 0.5% (3.0% in 1999), as a result of the amount of funds raised and the dimensional growth of the market.
- As regards the technical-operational methods used in the area of capital increases, 11 out of 31 operations were scrip issues, while the remaining 20 were carried out against payment. In 14 of these 20 cases there was an offer of ordinary shares, in one case ordinary and savings shares (Aedes), in one case preference shares (Ifis), in two cases convertible bonds (Banca Popolare di Lodi and Banca Popolare dell'Emilia Romagna), in one case ordinary and preference shares, bonds and warrants (Unipol Assicurazioni).

The market readily met the request for funds on the part of the listed companies: the median value of the unexercised quota was less than 1% and only in 5 cases was more than 5%

PUBLIC OFFERS FOR SALE AND SUBSCRIPTION

As regards public offers for sale and subscription of shares, in 2000 Borsa Italiana exceeded every all-time high as regards the number of transactions: 48 placements were carried out, 45 of which concerned the listing of new companies on the Stock Exchange. Similar levels had never before been recorded and were distinctly above the 1999 figure (30 overall operations, of which 27 aimed at admission).

- The 48 placement operations enabled the companies to raise over 13 billion euro. This figure was particularly significant since, although referred to a not particularly positive period as regards the trend in shares prices, it confirmed the notable activity which has characterised the Italian market in recent years. Funds raised in 1999 (all-time high for Borsa Italiana) were in fact substantially higher, but it should be considered that the ENEL placement alone accounted for the overall placement of more than 16.5 billion euro, out of a total 25.8 billion. Excluding this operation, the 2000 figure is slightly above that for 1999 and even for 1998 (12.1 billion euro). The largest operations concerned the privatisation of Finmeccanica (5,505 million euro) and the initial placements of e.Biscom (1,672 million) and Caltagirone Editore (630 million).
- From a technical-operational standpoint, in 12 cases the operations, apart from the usual tranches assigned to public offerings and to private placements with institutional investors, provided for additional private placements to be offered to a number of parties less than 200 - hence not covered by the regulations concerning the solicitation of public savings - personally identified by the issuing companies. Also the composition of the public offerings was more complicated than in the past: apart from the tranches reserved for employees and parties in any way related to the issuer (such as customers, associates or consultants), as many as 13 companies, mostly being admitted to listing on the Nuovo Mercato, reserved fixed quantities of shares for the customers of intermediaries supplying on-line trading services.

A significant part of resources raised by newly-listed companies were obtained by increasing capital and therefore flowed directly into the issuing companies, in order to finance their growth projects

- 44.7% of total funds raised went to make up the resources to be used for company development :

The main technique used was that of Public Offer for Sale and Subscription (OPVS), utilised in 24 operations; in 17 cases the technique used was Public Offer for Subscription (OPS) and in 7 cases - 3 privatisations and the Ferretti, Saeco, Luxottica and Meliorbanca offerings - that of Public Offer for Sale (OPV). Overall - combining the funds raised by the 'pure' subscription operations and the share of the OPVS derived from capital increase - the issuing companies raised 5,806 million euro (equal to 44.7% of total funds raised), to be used for company development. In 1999 the figure was just 1,481 million euro, equal to 5.7% of the total (16.0% excluding the ENEL operation). The remaining 7,198 million euro benefited the selling shareholders (55.3%).
- Regarding the sources of the funds raised, in 2000 a greater participation of institutional investors was recorded than for the previous year: 5,825 million euro (44.8% of the total, compared to 38.0% in 1999) in fact derive from placements reserved for institutional investors, 155 million (1.2% in 2000 and 4.3% in 1999) from offerings reserved for employees of the issuing companies and the remainder, equal to 7,023 million (54.0%, compared to 57.7% in 1999) come from minor public offerings and placements reserved for other parties (quotas reserved for residents or customers of on-line trading services providers, Family and Friends placements, placements aimed at financing acquisition operations).
- The 45 companies admitted to listing as a result of IPOs (43 cases) or secondary offers (BB-Biotech and Aisofw@re, companies newly-listed to the Nuovo Mercato, were already listed on foreign markets) raised 6,807 million euro; the year is characterised by the high percentage of capital raised through the issue of new shares, amounting overall to 75.8%. As regards the companies listed on the Nuovo Mercato, which require additional resources for financing company development, this percentage went up to as high as 92.0%. In 16 cases, two of which on the Stock Exchange, all the capital was raised by the issuing company.

**TABLE 7 - INVESTMENT FLOWS CHANNELLED THROUGH THE STOCK MARKET
(MILLIONS OF EURO)**

Year	Capital increases	Public offer for subscription			Increases + OPS	Public offer for sale			Total
		Listed shares	New listed	Total		Listed shares	New	Total listed	
	(a)	(b)	(c)	(d)=(b)+(c)	(e)=(a)+(d)	(f)	(g)	(h)=(f)+(g)	(g)=(e)+(h)
1990	4 858.7	0.0	10.9	10.9	4 869.5	0.0	13.6	13.6	4 883.1
1991	2 506.8	6.2	31.0	37.2	2 544.0	101.4	63.2	164.6	2 708.5
1992	1 563.3	0.0	857.0	857.0	2 420.3	365.1	0.0	365.1	2 785.4
1993	8 362.2	0.0	0.0	0.0	8 362.2	1 379.3	0.0	1 379.3	9 741.5
1994	7 777.0	293.7	96.9	390.6	8 167.6	1 761.1	3 646.8	5 408.0	13 575.6
1995	4 487.4	7.1	254.5	261.6	4 749.0	6.3	3 403.1	3 409.4	8 158.4
1996	1 572.7	0.0	702.8	702.8	2 275.6	4 680.8	904.0	5 584.8	7 860.4
1997	4 097.1	1 345.4	227.0	1 572.4	5 669.5	18 171.9	590.5	18 762.4	24 431.8
1998	8 214.3	417.7	568.7	986.4	9 200.7	10 655.5	1 103.8	11 759.3	20 960.0
1999	21 886.9	44.8	1 436.4	1 481.2	23 368.0	4 185.9	20 154.6	24 340.5	47 708.5
2000	3 793.1	860.6	4 945.0	5 805.6	9 598.6	5 547.4	1 650.3	7 197.7	16 796.3

- The market reception was good for all operations, particularly during the early part of the year. The oversubscription ratio - the ratio between securities requested and those actually allocated - was equal on average to 8.1. If we take the median value - which represents a more indicative value, since it is not influenced by a few operations that have had exceptional results - the figure is slightly above 4. Again considering the median values, the oversubscription ratio was 2.6 for retail placements and 4.3 for private placements addressed to institutional investors. During the early months of the year, coinciding with an upward trend in the indices of the Stock Exchange and Nuovo Mercato, some operations recorded extremely high oversubscription ratios (over 20 for e.Biscom, I.Net, Dada and Txt).
- Requests were submitted by over 9 million retail investors (including overlapping due to those taking part in more than one offering). There was an exceptional figure for the placements, during the months of March-April, of certain companies admitted to listing on the Nuovo Mercato: during the e.Biscom and I.Net offerings shares were requested by over 2 million investors. Against a much smaller placement size, these values were higher than those recorded during the most important privatisation operation carried out in the course of 2000 (Finmeccanica), equal to approximately 1,150,000 investors.

Over 9 million share requests were directed towards initial placements of the newly-listed companies, including 7 to the Initial Public Offerings of the Nuovo Mercato companies

PUBLIC TAKE-OVER BIDS

During 2000, 30 public take-over bid operations were carried out on listed companies. These bids concerned 45 listed shares, for a total volume of resources involved amounting to 12,218 million euro.

- As in 1999, the year in which an all-time high was recorded as regards resources involved (55,485 million euro) and which was characterised by important restructuring operations and industrial mergers (for example the Tecnost bid for Telecom Italia, Generali for Ina, Banca Intesa for Banca Commerciale Italiana and Milano Centrale for Unim), the year 2000 also saw some of the most important listed companies use the take-over bid mechanism to reorganise their corporate structure (Compart operations on Montedison, Falck and Sondel, Fiat on Toro, Magneti Marelli and Comau), to enhance the composition of their business (SEAT Pagine Gialle bid for Buffetti, Telecom Italia for SEAT Pagine Gialle) or to improve their competitive position on existing markets (San Paolo-Imi bid for Banco di Napoli, Sheraton for Ciga, Acqua Italia for Acquedotto de Ferrari and Acquedotto Nicolay).
- Of the 45 shares concerned in 2000, voluntary bids were made for 30, for 10 residual and for 5 total bids. In one case (Compart for Falck) following a total bid launched on an ordinary share, the bid was extended on a voluntary basis to include the corresponding savings share. One bid involved the company's buy-back of its own savings shares (Telecom Italia).
- The take-over bid operations had a substantial impact on the composition of the official list: 9 companies, for an overall capitalisation at the end of 1999 amounting to 6,989 million euro, were delisted from trading. However, the net loss of capitalisation for the

Stock Exchange markets was more contained, amounting to 2,077 million euro, since part of the delisted companies were acquired by other listed companies.

- It is interesting to note how in 2000 there were numerous major take-over bids launched by Italian companies on foreign markets: we should recall, in view of the financial importance of the operations, Bipop Carire's bid for Entrium (Germany), ENI's for Lasmo and British Borneo (England) and Tiscali's for World Online (Netherlands).



The number of operations and amount of funds moved as a result of the public take-over bids which took place in the course of 2000 confirm the efficacy of the Italian regulatory framework, the quality and selection of the operational techniques available to companies and the trend in their behaviour, more and more oriented towards utilisation of the opportunities offered by the market to carry out extraordinary financial operations or actions to transfer the control of the company. Moreover, the high values recorded by the participation indicators in relation to the Public Offers for Sale and Subscription launched in 2000 have demonstrated the strong interest of investors in this method of placement, especially as regards the businesses with highest growth potential, confirming the trends emerged in recent years and the growing efficiency of the initiatives set up by Borsa Italiana to promote the development of the market and enhance the qualitative and quantitative consistency of the listing of listed companies.