

Table of Contents

Foreword, by *Antonio Arfè* XIII

Part I – M&A, Private Equity and Value Creation by *Claudio Scardovi*

1	M&A: Driving Sustainable Values Creation	3
1.1	The death of M&A and private equity?	3
1.2	Flipping no more	4
1.3	A few fundamental questions	6
1.4	A quick rebound for M&A and private equity?	7
1.5	Sustainable life at the end of the financial tunnel?	9
1.6	What is M&A—and what critically defines it?	10
1.7	M&A as an art and (a bit) of a science	18
2	Private Markets: The Opportunity for Sustainable Values Creation	23
2.1	Too much equity chasing fewer and fewer opportunities?	23
2.2	Too many private assets with less and less equity to invest in them?	24
2.3	“Alpha” in private equity (and real assets)	25
2.4	Opportunities for asset and wealth managers	26
2.5	Opportunities for insurance companies	28
2.6	A new, emerging, systemic risk?	29
2.7	What it takes to become “master of the universe”	31
2.8	Real estate opportunities for private markets	32
2.9	Real estate as an investable asset	33
2.10	Infrastructure opportunities for private markets	38
2.11	Closing the funding gap for green transformation	40
2.12	M&A, private equity, and real assets for green transformation	42
2.13	M&A, private equity, and real assets: transforming stranded assets	44
2.14	Permanent capital: a link between illiquid assets and liquid markets	45

3	Worth It? Delivering Sustainable Alpha in Private Equity	47
3.1	The past: was it true glory?	47
3.2	The future: are there reasons to worry?	52
3.3	Designing a “smart beta” strategy in private equity	55
3.4	Developing an “alpha platform” in private equity	58
3.5	A “decalogue” to drive sustainable values creation	60
3.6	Primary research: creating “alpha” in mid-market private equity in Italy	65

Part II – Fundamentals of M&A, Private Equity, and Real Asset

by *Mario Ciunfrini*

4	The M&A Process	69
4.1	External growth strategies	69
4.1.1	Introduction	69
4.1.2	Players involved in an M&A transaction	69
4.1.3	Typologies of transactions	70
4.2	The M&A process	72
4.2.1	The buy-side process	72
4.2.2	The sell-side process	76
4.2.3	Post-closing considerations	80
4.2.4	Other considerations	81
5	Introduction to Valuation	83
5.1	Introduction	83
5.2	The two valuation approaches	84
5.3	The toolbox of valuation	84
5.3.1	The time value of money	84
5.4	Risk and return: CAPM and discount rates	88
5.5	Deriving value with intrinsic valuation	90
5.5.1	The weighted average cost of capital	90
5.5.2	Discounting cash flows	90
5.5.3	Estimation of future cash flows	92
5.5.4	The growth rate	92
5.5.5	The TV	93
5.5.6	Net debt and other elements of the equity bridge	93
5.5.7	Drawing conclusions: the two-step discounted cash flow	94
5.5.8	Deriving value with multiples	95
5.6	Conclusions	99

Part III – M&A and Private Equity in Practice

6	Legal and Tax Processes in M&A and Private Equity,	
	by <i>Carlotta Robbiano</i> and <i>Daniele Cevoli</i>	103
6.1	Introduction to the legal side of M&A	103
6.1.1	The role of corporate lawyers in M&A transactions	103
6.1.2	Distinctiveness of M&A transactions in the private equity sector	104
6.2	The legal process in M&A transactions	105
6.2.1	The LOI	105
6.2.2	Auction process versus one-to-one negotiation	106
6.3	Overview of the share purchase agreement	109
6.3.1	Conditions precedent and covenants	111
6.3.2	Payment mechanisms: locked box versus price adjustment	111
6.3.3	Representations and warranties, indemnities, and guarantees	112
6.4	Introduction to portfolio companies and management mechanisms	112
6.4.1	Carried interest as a management incentive in portfolio companies	113
7	The Tax Process in M&A and Private Equity, by <i>Valentina Santini</i>	
	and <i>Gianmaria Leoni</i>	115
7.1	The structure of the transaction	117
7.2	Variables underlying how the investment is carried out	119
7.3	Asset deal versus share deal	121
7.4	(Merger) leveraged buyout: “typical” structure of the transaction	122
7.5	Optimizing the seller’s tax regime: consequences for the buyer	126
7.6	Optimizing the tax management of acquired companies	126
7.7	Taxation of investment return flows	128
7.8	The taxation regime at the time of “exit”	129
8	The Due Diligence Process in M&A and Private Equity,	
	by <i>Tamara Laudisio</i>	131
8.1	Financial due diligence	133
8.1.1	Definitions and purposes	133
8.1.2	Valuation drivers: due diligence supporting deal pricing	134
8.2	Conclusions	146
9	SME, M&A, and Private Markets in Italy: A Perspective,	
	by <i>Ernesto Lanzillo</i>	147
9.1	General introduction	147
9.2	The critical role of SMEs in the Italian economy	147

9.3	The key role of sustainability	148
9.3.1	Digital transformation and SME growth	149
9.4	Role of private equity in supporting SMEs	149
9.5	Trends and data on private equity in Italy	151
9.6	Conclusions and future perspectives	154
10	Value Creation and Transformation in Infrastructure,	
	by <i>Francesco Checcacci</i>	155
10.1	Introduction	155
10.2	Fundamentals of value creation in infrastructure	156
10.3	M&A as a catalyst for value creation in the infra sector	157
10.4	Value creation in infrastructure: how to manage the process	159
10.5	Case studies of successful value creation and transformation via M&A	161
11	Value Creation and Urban Regeneration in Real Estate,	
	by <i>Andrea Mucchietto</i>	165
11.1	What is urban regeneration?	165
11.2	ESG: from regulatory requirements toward drivers for value creation	166
11.3	Challenges in urban regeneration: management of stakeholders	168
11.4	Urban regeneration value creation and measurement	173
11.5	An Italian example: the case of MilanoSesto urban regeneration	179
11.6	Maximizing value through urban regeneration	184
11.7	Conclusions and future perspectives	184
12	Value Creation and Post-Merger Integration in M&A and Private Equity,	
	by <i>Tommaso Nastasi</i>	187
12.1	Introduction and importance of PMI	187
12.2	Key challenges and strategic considerations	187
12.3	Steps for a successful integration	189
12.4	Cultural and human factors in value creation	206
12.5	Conclusions	207
13	Sustainable Finance,	
	by <i>Abulenta Librazhdi</i>	209
13.1	Introduction	209
13.1.1	Integration of ESG principles in private equity	209
13.1.2	Benefits of integrating sustainable finance principles	212
13.1.3	Challenges in implementing sustainable finance principles	215
13.1.4	Successful implementation of sustainable finance principles	215

13.2	Overview of the current landscape	216
13.2.1	Sustainable alternative assets	217
13.2.2	ESG private equity and debt funds	220
13.3	Key trends in the current landscape	222
13.3.1	Increased ESG integration	222
13.3.2	TCFD: valuation of private equity	226
13.4	Conclusions	230
14	Elevating Portfolio Companies through IPO Readiness, by <i>Gabriele Arioli</i>	233
14.1	IPO Readiness: the project	235
14.2	IPO Readiness: areas of analysis	236
14.3	Conclusions	237
	References	239
	List of Contributors and Their Roles	241