LUISS

Degree Program in Corporate Finance

Course of Advanced Corporate Finance

The interaction between Italian companies and financial markets: an analysis of IPOs, delisting and innovative financial instruments.

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Academic Year 2023/2024

Summary

ABSTRACT

According to new data analysed in the EY Global IPO Trends Q2 2023, 615 IPOs (Initial Public Offerings) were conducted in the global market during the first half of the year, raising USD 60.9 billion. Global IPO activity declined by 5% and 36% in terms of the number of transactions and capital raised year-on-year, respectively. This trend is improving when compared to the first quarter of 2023 (8% and 61% decrease respectively) and shows a gradual though slow recovery and the presence of larger IPOs.

As regards Italy, IPO activity in Italy during the first half of 2023 appears to be bucking the global market trend, showing growth in both the number of listings (+25%) and the funds raised (+12%). Of the 15 deals completed during H1 2023, the four listings on the main market accounted for over 90% of the period's inflows and enabled Euronext Milan to become the tenth largest market in terms of capital inflows during the six months.

In addition to this phenomenon, there is a trend towards the delisting of Italian companies, which has led to a 'lightening' of the main Italian stock exchange: compared to only 6 IPOs carried out during 2022, there were 20 delistings, resulting in a loss of capitalisation of the main Milan stock exchange in excess of 43 billion.

The paper proposes to focus on the Italian case and proposes three research questions:

[1] Is the dynamic between IPO and delisting observed in Italy a conjunctural phenomenon or is it rather an expression of a structural dimension of the national economy?

[2] Does the structural size of companies play a role in the decision to list or delist? Does the difference between sectors and in terms of capitalisation influence these decisions?

[3] Can the greater diffusion of alternative instruments to the IPO and listing (e.g. recourse to private equity) condition the choices of companies, which choose to turn to other forms of financing that are easier to develop? Can this be an element that affects the choice to make an IPO or to exit the

market? Assuming that there is an actual tendency to replace the presence on the stock markets with other financial instruments, can the difference in our country be linked to the particularity of our productive fabric?

The first question asked whether or not the dynamic between IPO and delisting was a structural phenomenon. From what emerged in our analysis, the answer is positive: on the one hand, the regulated market attracts, on the other, it puts a strain on the organisational capacities of companies that are still tied to a traditional management model that puts the figure of the entrepreneur at the centre. This structural dimension is linked to the particular 'design' of the Italian production fabric and can only find real change (with positive effects also on the market cap of Italian stock exchanges) through the growth of the company's operational dimension. Growth that is not just a quantitative element linked to turnover or operating results, but above all a cultural one, and which therefore entails the need to adopt a new management style.

The cultural element is the one that seems most significant to us. Not only because it emerges from the economic literature and also from the voices of experts: when we investigated whether the size of companies (in terms of sectors they belong to, capitalisation or other indices that we highlighted in chapter four) we saw that these dimensions do not essentially seem to correlate with the decision to delist and are therefore to be considered neutral with respect to the decision of companies to confront the market.

The cultural dimension of entrepreneurship in our country thus reveals how entrepreneurs on the one hand look with curiosity at the possibilities linked to the stock market, while fearing the effects that a listing may have on company management. The traditional approach to financing investments and growth also has repercussions on the possibility for companies to resort to alternative instruments: private equity, cryptocurrencies do not yet seem to be able to assert themselves (and to assert themselves to the detriment of entering the stock markets) for the same cultural reasons that characterise the Italian entrepreneurial class and that we have already highlighted.

As part of our analysis, we encountered numerous research perspectives and followed (through the data and insights gained from previous studies) different lines of analysis.

One of the most interesting emerged just as we were about to deliver our work: it is the one that sees as the main cause of delisting the implementation of hostile takeover bids whose purpose would not be so much to gain control of the company (which we have seen happen in less than half of the cases) but precisely to provoke its exit from the market. This is an element of great interest that could constitute an interesting investigation through the analysis of the findings on takeover bids related to the sample of companies that were part of our dataset.

INTRODUCTION

According to new data analysed in the EY Global IPO Trends Q2 2023, 615 IPOs (Initial Public Offerings) were conducted in the global market during the first half of the year, raising USD 60.9 billion. Global IPO activity declined by 5% and 36% in terms of the number of transactions and capital raised year-on-year, respectively. This trend is improving when compared to the first quarter of 2023 (8% and 61% decrease respectively) and shows a gradual though slow recovery and the presence of larger IPOs.

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> **make an IPO or to exit the market? Assuming that there is an actual tendency to replace the presence on the stock markets with other financial instruments, can the difference in our country be linked to the particularity of our productive fabric?**

The first two chapters serve to frame the subject in a general perspective. We begin the analysis by first addressing the topic of IPOs, and then delve into the dynamics that lead to delisting. The third chapter is dedicated to the analysis of the data and includes in the first paragraph some methodological aspects related to the research questions and the qualitative aspects of our analysis The fourth chapter is dedicated to an in-depth analysis of the dimensions that - highlighted through numbers - refer to the research questions.

The answer to the research questions is posed in the Conclusions

1. THE INITIAL PUBLIC OFFERING: AN OVERVIEW

1.1 Definitions and Features

According to the Treccani Economic Dictionary, IPO (Initial Public Offering) is the first placement of equity securities in a controlled market made by a company. It is an important moment in the life of a company that decides to go public, seeking to attract capital for future development and hopes to captivate the attention of investors who want to obtain benefits from the purchase of the shares. Depending on the importance of the company, the IPO may also have great resonance in the media.

Most companies are not publicly traded. They either raise capital from a small number of investors or through debt: in the first case, those who have invested in a company can find difficult to sell their equities because there is no market for them; with regard to debt, on the other hand, can be very burdensome for the company because of the interest on the capital obtained.

Often, when companies are in a growth phase, they need to make new investments for which new capital is required. One option is to "go public," that is, to offer a number of shares to a large number of investors. Selling shares in a regulated market allows the company to raise capital on more favorable terms than it would have through other forms of financing. After the stock placement, new shareholders can continuously buy and sell their shares in an open market. One of the most important differences when a company decides to go public relates to information: investors need to be constantly informed about the company's performance in order to decide whether to buy, sell, or hold their shares; Market regulators as well need information for their supervision and control activities.

The IPO is a rather complex process that can take months and involves a significant financial commitment from the company. Placement in a protected market, in fact, involves both direct and indirect costs. Direct costs include:

- legal fees;
- fee for the intermediary guaranteeing the offering (affecting between 3 and 7 percent of the offered capital);
- marketing costs for promoting the offer, including the final meetings to launch the initiative involving potential subscribers (the so-called *road shows*);

The most important costs, however, are the indirect ones. The status of a listed company requires a change to the organizational structure, introducing divisions not previously envisaged. The increased flow of information to the outside environment may generate harm to the firm, which may lose a competitive advantage over its competitors. Disclosure and loss of confidentiality not only concern the initial stage of access to the stock exchange, but the entire corporate life thereafter: transparency and clear communication of company informations are essential conditions for maintaining the status of listed company. Compliance is also important: it is defined as:

> "*[...] the set of rules, procedures and organizational structures designed to enable, through an adequate process of identification, measurement, and management of the main risks and a healty a sound, proper and goal-consistent conduct of the business*"[1].

Companies that decide to go public must therefore accept the direct and indirect costs of the transaction. These costs affect the value of the capital that will be raised. Listed companies, especially the young and growing ones, face a market that is subject to considerable fluctuations. The fact that the issuing company is subject to market fluctuations makes the IPO a stressful process for entrepreneurs.

The evaluation of IPOs concern many critical aspects. Initial public offerings involve the sale of securities of closely controlled companies, and some of the pre-existing shareholders may hold non-public information. These circumstances involve some issues related to asymmetric information, which is a typical risk for the stock market. There can a be also the problem of adverse selection because the value of the firm is affected by the decisions taken by managers, decision tha inevitably affect the value of shares. According to the theory of information asymmetry, the parties (issuer, underwriters and investors) do not have the same informations. Specifically, there are informed investors and investors who are not. Informed investors buy attractively priced IPOs; uninformed investors buy indistinctly. These are adverse selection behaviors: if shares are offered at a lower price than expected, market trends will tend to select investors; if the price is higher than expected, buyers will find on the market all the shares they want.

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[1] Corporate Governance Committee, Borsa Italiana S.p.a. (2006 Corporate Governance Code)

It is the so-called "winner's curse": uninformed investors will get all the shares they want in cases of non-profitable offer; in profitable bids, instead, demand is only partially satisfied, because uninformed investors will have to compete with informed investors. Informed buyers invest carefully, and the issuing companies are thus forced to attract them with incentives: the most common incentive is a price lower than expected (so called “underpricing”). According to this approach, it would be beneficial if all IPOs were listed at a lower price than expected, in order to incentivise the participation of uninformed investors[2].

The initial listing of a company is a complex process and not without risks: in the phase following the IPO, the company may risk losing its autonomy and even struggle to maintain its identity, being more exposed to the real risk of future acquisitions and fusions by larger companies. Most IPOs are a combination of primary offerings, in which new shares are sold for the purpose of raising cash for the company, and secondary offerings, in which some of the securities held by owner are sold. A primary offering is defined as the issuance of new paid securities. This consists of a capital increase, where the funds raised constitute a positive cash flow for the issuing company. The sale of new shares involves the total or partial waiver of shareholder subscription rights and is known as an underwritten public offering (OPS). An initial public offering (IPO), on the other hand, may involve the sale of existing securities in the market and results in an enhancement of the risk capital shares held by shareholders.

Different potentially valid explanations are provided by academic theory about the reasons behind a company's decision to go public. The most important are the desire to raise new capital, to increase corporate visibilitỳ and to change the shareholding structure. Empirical data seem to confirm that the most important motivation is the need to obtain financing to support investment by private companies: the IPO process is thus a necessary stage in the evolutionary process of any enterprise. This theory has long been shared by scholars and was confirmed by the steady increase in IPOs. As we shall see in the course of this paper, such approach has been partially corrected, both on the basis of recent global trends in IPOs worldwide and also because there are large companies that choose not to

[2] Ferraro O. (2021), *Le IPO: dal processo di quotazione alla stima del pricing. Analisi del fenomeno e problematiche valutative*, Milano, Franco Angeli

go public. Proven empirical data highlight how start-ups use IPOs to finance their expansion[3]. A review of the more recent literature, on the other hand, shows that listing is considered by companies to be less effective in the scale-up process. This attitude is more pronounced in Europe, where there is a scale-up gap compared to other markets. According to some observers, the use of an IPO is a useful but undervalued tool[4]. Although the ultimate goals of firms seem to be maximizing corporate value and minimizing the cost of corporate capital, special attention is paid to the trade-off associated with the risk of disclosure of confidential information to competitors and the benefits of raising capital on favorable terms in financial markets. A firm's likelihood of listing also depends on its level of information asymmetries and the intrinsic characteristics of the industry in which it operates: productivity, sales growth rate, market share of the issuer, and aggregate demand for capital from private firms; these are factors that influence the cost of IPO.

The company has three possible ways to offer equity capital:

- the initial public offering (IPO), when investors subscribe equities issued for the first time;
- the tender offer (OPV), plans to sell existing shares belonging to shareholders;
- the initial public offering for sale and subscription (OPVS), joint use of both previous methods.

The substantial difference between the first two ways lies in the revenue generated for society. In the case of the IPO, the placement leads to a capital increase and positive capital raising for the firm (cash inflow), while in the case of the OPV there is only cash raising for the bidders (positive cash flow for the old shareholders). For stock market placement of securities, there are three most commonly used methodologies:

- **bookbuilding**. It is the most common methodology and involves the formation of supply quantity and price through the demand expressed by institutional investors; the company collects in a book all purchase or subscription orders from institutional investors sorted according to price, time priority or size. This gives the demand curve for individual price levels and different volumes demanded.

[3] Mikkelson W. H., Partch M. M., Shah K. (1997), "Ownership and operating performance of companies that go public", *Financial Economics*, 44, pp. 281-307

[4] Botsari A., Kilian K., Frank L., Kristian P. (2021), *Scale-up financing and IPOs: evidence from three surveys*, EiF Working Paper n. 69.

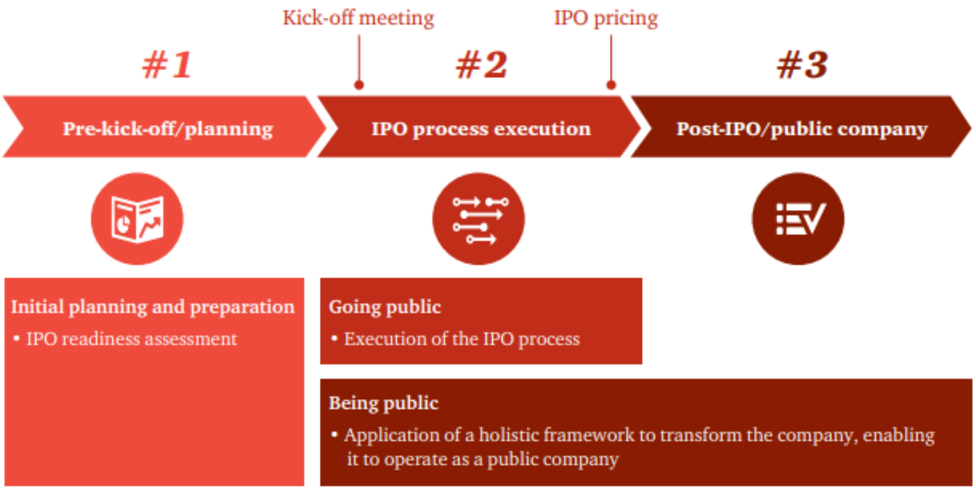
- **Auction**. During the auction, buy and sell orders tend to balance each other, in the classic matching of supply and demand. Buyers' demand tends to emphasise the higher prices they are disposed to pay; the offer of the issuing companies emphasises their willingness to accept lower prices. Thus, the 'ideal' value of shares for each time unit is found.an undervaluation of the shares compared to the real value of the company.
- **Fixed-price offer**. Shares are offered at a fixed price. This solution presents advantages, because issuing companies can simplify and clarify the placement of shares on the market; however, it presents the risk of undervaluing the value of the shares compared to the real value of the company.

1.2 How an IPO works

A company decides to go public if it believes that it is profitable. The benefits, as we have seen, can be of various kinds: tax benefits related to raising new capital; increased reputation can lead the company to improve credit standing, which in turn leads to a lower cost of bank financing. In some cases, listing can be a marketing tool, as it encourages new partners, both public and private, to support and fund the company in the process of expansion toward new potential markets. The listing process requires that companies open themselves to the market: this means that access has to be given to a range of information that was previously confidential, which now needs to be verified and approved by market regulators. Disclosure of this information is necessary because it makes investors, customers and suppliers more aware about the performance and operating results of the company in which they have invested. Finally, it is important to consider the organizational advantage that comes with the listing process. More efficient business management and planning and control requirements must be met to gain access to regulated market listings. The enterprise must adopt a system for managing internal and external information flows, which has positive consequences for management. Organizational improvements can also have an improvement in the area of human resource management: incentive plans can be provided granting of shares and stock options to employees and managers.

The IPO is, according to one doctrine definition, a "multiphasic" process with certain mandatory steps necessary for listing[5]. This process consists of three macro-phases, as presented in the figure below:

Fig. 1 – IPO Process



Source: PWC (2017), p. 19

The literature has shown that the professionalization phase of the company is crucial to the success of the listed company. This phase is characterized:

- by the organizational restructuring promoted by senior management to make the company ready to enter the stock market;
- to the establishment of an accounting system able to provide investors with consistent, truthful and transparent information over the long term;
- An incentive system for employees to harmonize business goals and personal interests;
- Acquiring of professional expertise already in the pre-IPO stage. This increases the company's know-how and competitiveness[6].

[5] Boreiko D., Lombardo S. (2011), "Italia IPOs: allocations and claw back clauses", *Journal of International Financial Martes, Institutions and Money*, 21 (1), pp. 127-143

[6] Draho J. (2004), *The IPO decision. Why and How Companies Go Public*, Edward Elgar Publishing.

Many professional figures are involved in the initial public offering, including the global coordinator, the sponsor (often represented by the global director himself), the financial advisor (advisor), the specialist (operating in the placement consortium), and law firms.
An IPO usually follows some predefined steps:

1. **Strategic decision about the convenience of the transaction and its modalities**. The listing process is done by comparing costs and benefits as discussed above. During the comparison, a strategic consultant is paired with the company to advise and prepare a cost-effectiveness study of the transaction. At the same time, the amount of shares to be offered (including newly issued shares and possible shares surrendered by shareholders), the timing of the listing, a reference range of the share offering price are decided[7].
2. **Selection of intermediaries to coordinate the public offering**. The firm identifies an intermediary who serves as the overall coordinator of the offering, maintains direct contact between the firm and institutional investors interested in purchasing securities, performs the valuation of the firm and promotion of the IPO, and works as a sponsor by certifying the listing requirements for the firm. In addition to the public offering, it may be decides that an even majority fraction of the securities will be assigned in a private placement to domestic and foreign institutional investors. This circumstance is quite common in Italy.
3. **Placement syndacate**. This include the lead manager (or underwriter) and other comanagers (including foreign ones) are members; they assume the burden of placing the securities in the market for the company and for the part relating to institutional investors. The underwriter can exercise market placement of an additional fraction of securities, typically between 10 percent and 15 percent of the total offering (green shoe)[8].

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[7] PwC (2017), *Roadmap for an IPO. A guide to going public.* https://www.pwc.com/hu/hu/szolgaltatasok/konyvvizsgalat/szamviteli-tanacsadas/kiadvanyok/roadmap_for_an_ipo.pdf. [february 5, 2024]

[8] The green shoe option (GSO) provides for the possibility of allotting shares in excess of the shares offered in the public issue as a price stabilisation mechanism after listing. Saadah S., Panjaitan (2016), "The Gree Shoe Option's Effectiveness at Stabilizing the IPO's Stock Price on Indonesian Stock Exchange (200-2013), *Gadjah Mada International Journal of Business*, 18, 1, pp. 71-82.

4. **Constitution of the prospectus and formation of the offer price**. The decision of the preliminary price range of the offer is one of the most complex steps in the initial public offering operation and can be affected by errors and bias[9]. The most widely used method is the financial-return method: the firm's operating income and future cash flows are calculated and discounted through the firm's theoretical cost of capital. For companies with easily measurable and tangible assets, the equity method can be used. Another method is of 'comparable multiples,' whereby the value of the listed company is derived from the fundamental data and capitalization of already listed companies similar in business sector and size. The price range of the offer judged to be fair by both the company and intermediaries is published in the prospectus, plus other information about the manner of the offer, key accounting data, and a report on the future prospects of the business and strategies to be adopted. In any case, pricing is a delicate step that may require the implementation of very complex mathematical models[10].
5. **Placement of securities**. The global coordinator organizes a series of meetings with the financial community (roadshow) and presents the IPO to gather together with the underwriter potential investment memberships from institutional investors (book building). Based on the feedback from the book building activity, shortly before the opening of the public offering, the maximum offering price, which is different from the price range previously proposed in the prospectus, is identified and published. After the closing of the public offering, the final price is decided, prior to the IPO[11].
6. **IPO**. During the first day of listing, there is great curiosity and anxiety regarding the market price of the newly listed company. Usually the stock price recorded during the first day of listing is higher than the bid price (underpricing). In the following days, the performance relative to the stock price in the stock market may be more disappointing, and this prompts the underwriter to implement

[9] Adams M., Thornton B, Hall G. (2008), "IPO Pricing Phenomena: empirical evidence of Behavioral Biases", *Journal of Business & Economic Reserach*, 6 (4), pp. 67-74.
[10] Pan H., Ma Y. (2022), "Analysis of IPO pricing efficiency under the registration system", *Applied Mathematics and Nonlinear Sciences*, 8, pp. 1-12.
[11] Blankespoor E., Hendricks B. E., Mille G. S. (2023), "The Pitch: Managers' Disclosure Choice during Initial Public Offering Roadshow", *The Accounting Review*, 98, 2, pp. 1-29.

transactions directly in the market to support the stock price by buying it back so as not to disappoint those who bought the stock (savers).

1.3 The performance of IPOs in international markets.

Anecdotal evidence seems to suggest that the IPO market performed exceptionally well during the COVID-19 pandemic. In this period IPO were characterised by high information uncertainty, particularly in the technology and healthcare sectors. Medium-sized companies that decided to go public during this period experienced more pronounced underpricing and higher volatility of returns post-IPO.

In particular, political and economic uncertainty made underpricing more significant in the 2020-2021 biennium: IPOs issued during the Covid-19 pandemic underpriced 17.6 % more than pre-pandemic period, and IPOs with strong fundamentals and backed by better underwriters had higher underpricing[12].

The tendency to undervalue was partly mitigated by better shareholder protection and by the performance related to certain sectors (in particular ESG), as well as the economic support that various countries offered to the production and financial system .

Some classic theories in studies of IPOs had shown that IPOs made during the most favourable years (the so-called 'windows of opportunity') performed negatively in the long run[13]. Based on this approach, some studies already assumed during the pandemic that IPOs would underperform in the long run. The data of the last two years seem to confirm this trend: the COVID-19 pandemic had a negative impact on the IPO market[14]. The scholars' hypotheses have been confirmed in reality and since the pandemic the global IPO market has been characterised by high uncertainty. The data show a recovery of IPOs in Western markets (especially in the US) and a decrease in the Asian market, due to the cooling of operations in China. In addition, there is a growth of small-caps[15] in emerging countries, while there is a reduction in large offers in developed nations.

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[12] Zhang Z., Neupane S. (2024), “Global IPO underpricing during the Covid-19 pandemic: The impact of firm fundamentals, financial intermediaries, and global factors”, *International Review of Financial Analysis*, 91, 102954.

[13] Ritter J. R. (1991), “The Long-Run Performance of Initial Public Offerings”, *The Journal of Finance*, XLVI, 1, pp. 3-27.

[14] Baig A.S., Chen M.(2022), “Did the COVID-19 pandemic (really) positively impact the IPO Market? An Analysis of information uncertainty”, *Financial Research Letters*, 46, 102372.

[15] The term small-cap refers to securities with a capitalization between $250 million and $2 billion. These are stocks that have a higher risk for investors, but can also offer higher returns.

The table below highlights this trend:

Fig. 2 – Global IPO Proceeds.2022 vs 2023

	2022		2023		% change	
	Number	Proceeds (US$b)	Number	Proceeds (US$b)	Number	Proceeds (US$b)
Global	1,415	184.3	1,298	123.2	-8%	-33%
Americas	133	8.9	153	22.7	15%	155%
% of global	*9%*	*5%*	*12%*	*18%*		
Asia-Pacific	897	124.4	732	69.4	-18%	-44%
% of global	*64%*	*67%*	*56%*	*57%*		
EMEIA	385	51.0	413	31.1	7%	-39%
% of global	*27%*	*28%*	*32%*	*25%*		

Source: EY Global IPO Trends 2023

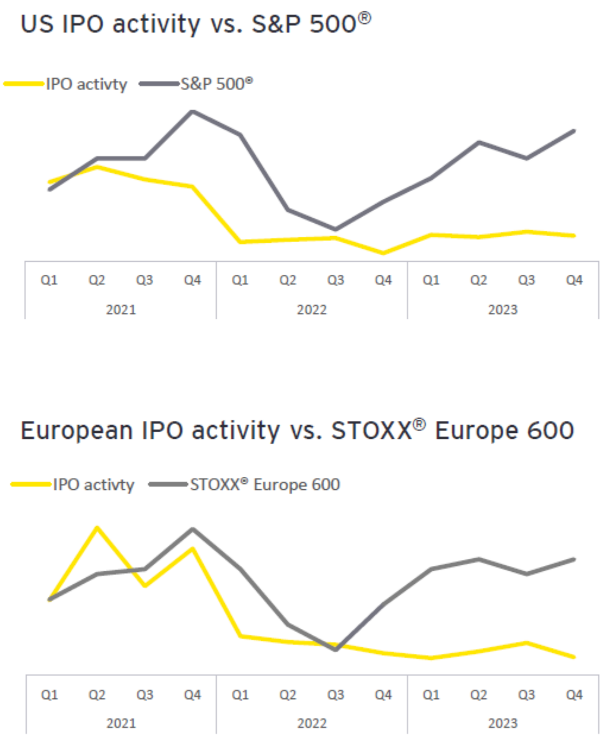
In America, data show that an increase in the number of IPOs of 15% (133 vs 153) corresponds to a change in the value of 155%: this means that not only the numbers have increased, but also the value of individual transactions. In contrast, in the Asia-Pacific region there is a decrease in value of 44% compared to a reduction in the number of only 18%. The figure for the Asia-Pacific region is particularly significant because it accounts for about 60% of IPOs globally. Even more significant is the figure compared to the EMEIA area (Europe, Middle East, India and Africa), where despite registering an increasing number of IPOs (+7%) there is a decrease in their value of 39%[16].

These are interesting data. According to the literature, in fact, the solidity of the stock markets is related to greater IPO activity: the stronger the markets, the greater the IPO activity is; and on the contrary, as the markets are in difficulty, the IPO activity slows down.

[16] Ernst&Young (2023), *Global IPO Trends 2023*. https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/ipo/ey-global-ipo-trends-2023-q4.pdf [february 3, 2024]

In the case of IPOs, a different trend is evident from the beginning from the third quarter of 2022 onwards: the market had a good recovery, returning to Q1 2022 levels, thanks also to a low volatility of the main stock market segments. IPOs, on the other hand, remained at 2022 levels, failing to recover the values reached before the pandemic. The figure below clearly highlights this trend, evident in the marked divarication of the two curves:

Fig. 3 – IPO activities in USA and Europe. 2021-2023



Source: EY Global IPO Trends 2023

The stock market's gains in 2023 were largely concentrated in large-cap technology stocks, an index that sustained the rally, counterbalancing the negative results of other market components. This outperformance drew investors' attention to mega-caps, penalising new stocks, on which macroeconomic uncertainty in some geopolitical contexts also had an impact.

The tightening of monetary policies adopted by central banks and in particular by the BCE has also influenced. Having raised and maintained high interest rates over time has decreased liquidity and increased financing costs; this has discouraged both investors, who are unlikely to bear equity risks, and companies that have deemed it too risky to go public. However, empirical data - especially in the EMEIA region - show that more medium-sized companies have tried to go public in order to obtain more liquidity, considering this solution more advantageous than recourse to debt.

The disappointing performance of the IPO market reflects the strong difference between the expectations of issuing companies and investors, who are also attracted by a range of alternative and competitive products. Geopolitical tensions around the world (the Russian-Ukrainian war; the crisis between israel and palestine, which now has the features of a proper war; tensions between the us and China) shake global markets influencing investors' behaviour. Investors become cautious in their invetment in stock markets, preferring to evaluate other options [17]. All of these factors can cool the momentum of quotes and push IPO trends in a direction that goes against prevailing stock market trends. Although global inflation in 2023 has substantially mitigated this situation, the expectation of potential interest rate reductions could encourage investors, who could count on more attractive profit margins on IPO investments. The outlook on IPO trend in 2024, according with traders and analysts, show a cautious optimism on IPO recovery if western IPO market will be a more safe place as macroeconomic landscape stabilises[18].

The trend in the medium term is quite interesting, comparing the performance of the various countries over five years.

The Middle East and Mainland China were also the engines of the 2022 IPO market. In 2023, the main players are Turkey, Indonesia and Malaysia. In these countries both the deal volume and proceed increase if compared to the 5-year averge IPO activity. The main reason for the high growth rate is related to the economic backdrop of these countries. Indonesia has benefited from the growth of demand for mineral resources used for green energy production and from large privatization process of state-owned enterprises; in Turkey, many companies seek to attract retail investors with new issues, compensating with this strategy the lack of opportunities to access the credit market.

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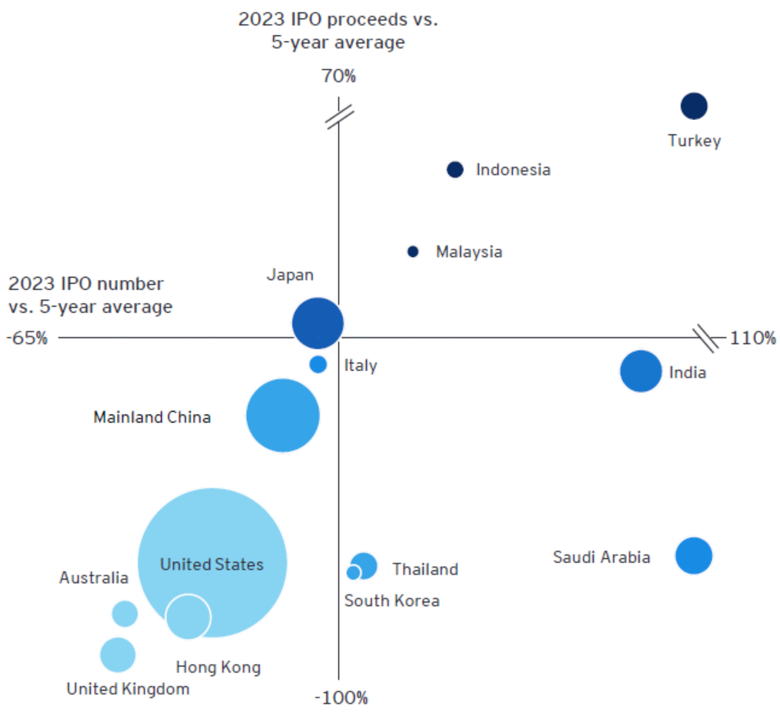
[17] Herafati S., Maspul K. A. et al. (2023), "Comparison of the Performance of Cryptocurrency Bitcoin and Stock as an Alternative Investment", *ProBisnis: Jurnal Manajemen, 14 (5), pp. 125-130*

[18] Newman S., Wirobish S. (2024), *Global IPO Watch 2023 and outlook for 2024*, Pwc.

The main developed markets grappled some difficulties, showing a consistent IPO deceleration. Hong Kong's IPO market reflects a structural crisis in the country's economy: geopolitical tension between the US and China has changed investor sentiment, while high interest rates and low liquidity are a constraint for economic development.

Fig. 4 – IPO markets compared with 5-year average



Source: Source: EY Global IPO Trends 2023[19]

Japan and Italy show a certain stability compared to the average of the period. For Italy, as we will see in the next chapter, this result is due to particular production environment, characterised by the presence of many small and medium-sized enterprises.

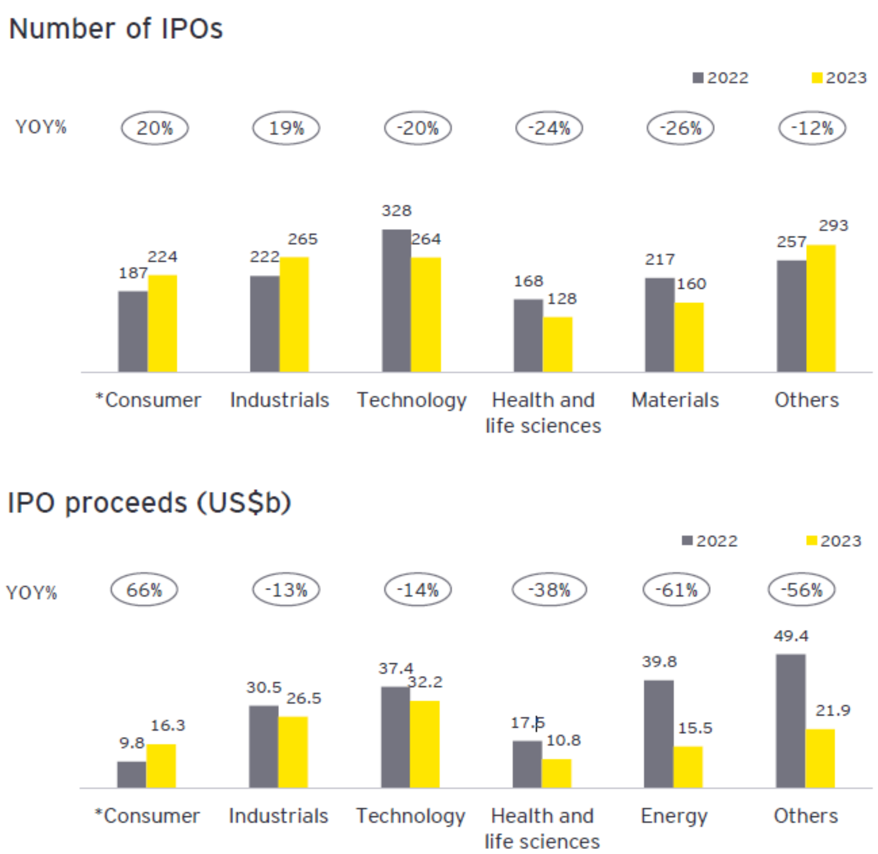
In terms of sectors, the 2023 data show growth in the consumer and industrial sectors, driven by the growth of global markets. The data is consistent with the growth of IPOs in emerging markets, where the main global supply chain lines are concentrated (mainly

[19]The bubble size is related to 2023 combined sock exchange market cap by country

hosted in India, Indonesia and Japan, as well as in China, where major consumer and manufacturing IPOs are located).

Technology sector is in a middle term decline, as well as health and life science sector: in both cases, we can argue that these sectors are still facing the post-pandemic crisis. Due to volatile oil prices, the energy sector has experienced a decrease in both deal numbers and value, accompanied by a notable rise in the number of IPOs where the offer prices fell below the initial filing range.

Fig. 5 – Sector IPO trends, 2023 vs 2022



Source: Source: EY Global IPO Trends 2023

1.4 The Italian situation

A different approach to listing characterises the long-term Italian market, where evidences suggest that companies go public not to finance growth, but rather to rebalance their accounts after a period of high investment and growth[20].

As shown in Figure 3, the IPO market in Italy show a different course to the global trend and has remained stable both as volume and as funding compared to the average figure for the five-year period. Data related to 2023 vs 2022 trend showing an increase in both the number of listings and the funding made. Of the 15 transactions carried out during the first half of 2023, the 4 quotations on the main market represent more than 90% of the collection for the period and have allowed Euronext Milan to become the tenth market in terms of capital raising. The Italian IPO market compared to high countries such as England, France, Germany and America has always been characterized by lower performance and the numbers of listed companies have always been low compared to the countries listed in other european countries.

The reasons why our market is less based on the listing of companies are different. To understand how much importance is not given to the public market in Italy, just look at the data that relate the market capitalization and GDP. The main reasons that limit our country to compete with the rest of the world are mainly related to three factors:

- The vast majority of the companies we have on the Italian territory are small to medium-sized and are also the ones that are listed the most unlike many countries where most of the companies that are listed are large;
- in Italy, companies rely on the banking sector. Financing companies prefer to refer to banks rather than the stock market, they have a real dependence on bank credit. Above all, Above all, a lot of use is made of short-term loans, that do not allow companies to invest in long-term projects
- the majority of companies in Italy are family-owned. The listing process is perceived as a risk to the stability of family governance, because owners fear being “removed” from management [21].

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[20] Paleari S., Pellizzoni E., Vismara S. (2008)The going public decision: evidence from the IPOs in Italy and in the UK, *International Journal of Applied Decision Sciences*, Vol. 1, No. 2, pp. 131-152

[21] Giordano L., Modena M. (2017), *Implicazioni e possibili motivazioni della scelta di non quotarsi da parte delle medie imprese italiane,* CONOSB, Roma.

There are serveral reasons that make companies reluctant to go public:

- Difficulty in communicating with external investors and independent directors
- Poor aptitude for transparency
- Family business management
- Listing costs The raising of capital through the use of the public market is not well rooted in the Italian system compared to other European and non-European countries[22].

Despite everything, during the early 2000s the growth in the numbers of Italian IPOs was very important. The ratio of capital raised to GDP during those years reached levels similar to other European countries such as England. The increase in prices in that period was certainly due to the influence of the American market and the "dot.com" period. In fact, the stock market between 1998 and 2000 registered a positive phase and it is precisely at this time that innovative small and medium-sized companies entered Italy and other European markets. This circumstance allowed the Milan Stock Exchange to make an important dimensional growth. After the bubble burst in 2001, the Italian market reached minimum numbers between 2003 and 2004 and then recovered in 2007 with 300 companies on the list, although unfortunately since then there has been a constant decline until 2021. Another dark period, in fact, is represented by the 2008-2009 crisis that had repercussions until 2013. From this moment on, in fact, there has been a slight recovery thanks to the introduction of Aim, The Alternative Investment market. It was created precisely to encourage small and medium-sized companies with great growth potential to enter the market. In fact, since listing requirements are less stringent, the IPO process is simpler, and there are fewer post-compliance rules. Due to the fact that there are fewer requirements, the companies that are in this market segment are mainly small to medium-sized. In addition, the creation of this new market has allowed not only institutional investors but also retail investors to trade. After this great change, also from the regulatory point of view, innovations were introduced as tax incentives so that companies were more confident to list on the market. With the arrival of Covid, however, a period characterized

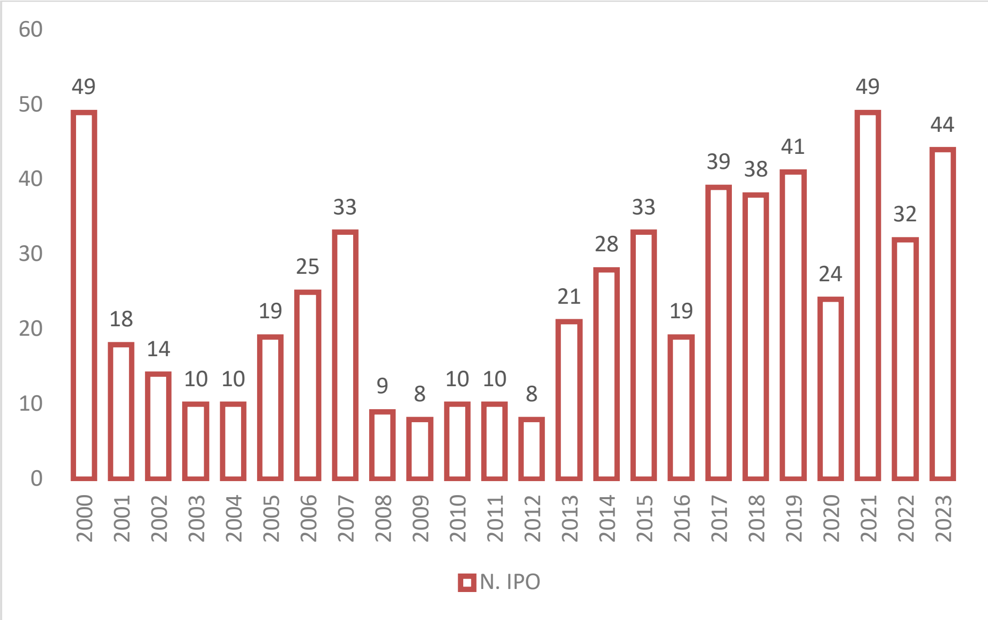
[22] Carpenter R. E., Rond L., *Going public to Grow? Evidence from a panel of italian Firms*, Ceris-Cnr, W.P. n. 10/2004

by great uncertainty began; however, the IPO market was able to defend itself and after the 2020 crisis, starting from 2021 it returned to the maximum splendors of the year 2000 with 50 new entries on the public market.

After this excellent year, 2022 returned to low numbers of IPO, due to some events that led companies to postpone or cancel their quotations, such as the war in Ukraine, the rise in gas prices and the consequent increase in inflation. Despite the adverse circumstances an optimistic outlook for IPOs in 2023 had already emerged in the last quarter of 2022, based on some positive signs. 15 companies have been listed on the market since January 2023 up to and more are expected in the second half of the year. Numbers that would seem to point to an awakening of the Italian market after very difficult years.

The data taken from the Borsa Italiana allow the construction of a graph that reflects the above. An IPO boom in 2000 dictated by the frenetic period of the Internet boom followed by a period of decline led by the bursting of the bubble. Then followed a very good two-year period between 2005-2007 interrupted by the credit crisis that led to a negative phase for quotations lasting until 2013 also due to the European sovereign debt crisis. After a series of maneuvers to bring the European economy back under control, the markets are breathing again and the IPOs along with them. Until the arrival of covid, the numbers of companies that are listed on the stock exchange are mainly positive, once the pandemic arrives they fall drastically and then recover in 2021, a record year for Italian IPOs.

Fig. 6 – IPO in Italy, 2000-2023



Source: https://www.borsaitaliana.it/azioni/ipoematricole/ipo-home.htm

The Italian IPO market in 2023 was notable for some characteristic features:

- It is a market that appear to be in contrast to other European countries, as it registers an overall increase both in numbers and in the economic value of transactions;
- It is characterized by few large investors and many small- to medium-sized "rookies." There were three large players that signed up in 2023: Ferretti (market cup of 1 billion), Eurocommercial properties (1.1 billion raised) and Lottomatica (2.3 billion).
- The small-to-medium size of most companies means that the average value of transactions is quite low (about 7 million euros)
- Most of the companies chose to list on EGM, the most widely used for IPOs for at least ten years.
- Trading volume is low. This is a circumstance consistent with the small to medium size of companies, which generally have lower free float volumes and thus lower stock liquidity, which attracts fewer investors[23].

[23] Bichicchi S. (2023), "Matricole all'asciutto". IL Sole 24 Ore, 23 dicembre 2023.

Despite growth in the EGM market, the number of IPOs in the Italian main market has the same problems of european markets. In 2022, the Italian market lost more than €40 billion of capitalization, far exceeding the new resources raised in IPOs (€1.5bn) or the new capitalization generated (<€10bn)[24].

With regard to the operating result (assessed by comparing the IPO price with the value on the last market day of 2023), a strong variability can be appreciated, as can be seen from the following figure:

Fig. 7 – IPO 2023: results

Società	Data	Var. da prezzo di ipo*	Società	Data	Var. da prezzo di ipo*
BOLOGNAFIERE	20/12/2023	0%	IMD	07/07/2023	-20%
SBE-VARVIT	14/11/2023	0,6%	AATECH	03/07/2023	42%
XENIA HOTELLERIE SOLUTION	06/11/2023	0%	REDFISH LONGTERM CAPITAL	30/06/2023	-14%
VALICA	29/09/2023	27%	FERRETTI	27/06/2023	-0,7%
EMMA VILLAS	29/09/2023	-10%	PASQUARELLI AUTO	26/05/2023	-27,9%
ELSA SOLUTIONS	28/09/2023	100%	ITALIAN DESIGN BRANDS	18/05/2023	-12%
EDIL SAN FELICE	27/09/2023	5,9%	EUROCOMMERCIAL PROPERTIES	16/05/2023	122,4%
E-GLOBE	09/08/2023	-18,8%	RES	04/05/2023	5,3%
LA SIA	09/08/2023	125%	LOTTOMATICA GROUP	03/05/2023	9,5%
ARRAS GROUP	04/08/2023	0%	ECOMEMBRANE	28/04/2023	-17,6%
PORTO AVIATION GROUP	04/08/2023	6,4%	CUBE LABS	21/03/2023	6%
EXECUS	04/08/2023	90%	REWAY GROUP	08/03/2023	57,8%
IVISION TECH	03/08/2023	-8,7%	CREACTIVES GROUP	07/03/2023	50,9%
SICILY BY CAR	03/08/2023	-34%	VALTECNE	01/03/2023	9,2%
VNE	02/08/2023	-17%	EUROGROUP LAMINATIONS	10/02/2023	-30,4%
RIBA MUNDO TECNOLOGIA	28/07/2023	-1%	GENTILI MOSCONI	07/02/2023	-10,1%
GREEN OLEO	11/07/2023	-16%	TMP GROUP	02/02/2023	-49,8%
			DEODATO.GALLERY	25/01/2023	-4%

*variazione calcolata considerando il prezzo di collocamento e la chiusura della seduta del 21 dicembre

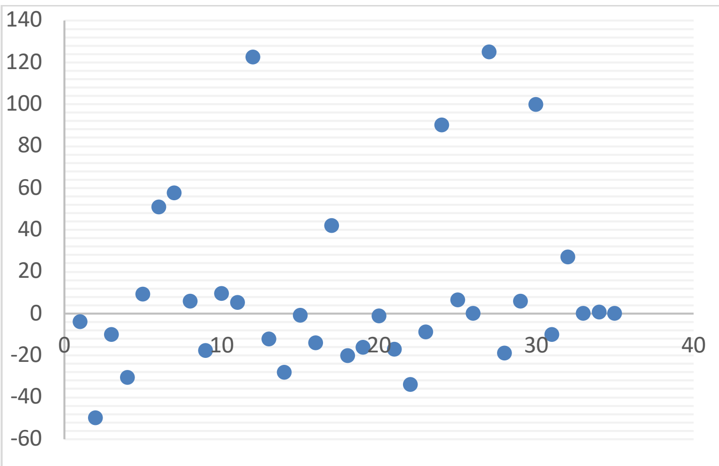
Fonte: Elaborazione MF - Milano Finanza

Withub

Source: Il sole 24 ore

If we look at the distribution (fig. 8), we observe a substantial balance between IPOs that produced positive results and those that performed negatively.

Fig. 8 – IPO 2023: gain and losses



Source: original draft based on Il Sole 24 ore

[24] Manifesto per lo sviluppo dei mercati di capitali in Italia (2023), p. 9

The difference is in absolute values. Most losses were in a range between 10 and 30 per cent; on the other hand, the best-performing IPOs provided investors with much higher returns, exceeding 100 per cent of the initial listing in three cases.

2. DELISTING: CONJUNCTURAL SITUATION OR STRUCTURAL APPROACH?

2.1 The "escape from the Stock Exchange"

The term "delisting" indicates the moment in which a share is deleted from the market on which it was listed. This is the diametrically opposite situation to that described in the previous chapter: with delisting the company decides to avoid market dynamics and this decision has, as we will see, has positive and negative aspects. From the moment of the decision to delist, the stock can therefore no longer be traded according to the rules set by the respective stock exchange[25]. We have seen how listing occurs in response to needs relating to the raising of new capital, to diversify the sources of financing, to improve the credit standing of the companies in order to reduce the cost of capital, and to have an instrument to incentivise and motivate management and employees. With delisting, however, the company leaves the Stock Exchange, losing the previously acquired market value, and its shares will no longer be traded on that market. Delisting is a complex and highly differentiated phenomenon: the end of stock trading of listing can be linked to a very wide variety of cases and operations, each of which presents specific and peculiar dynamics related with the subjects involved, the causes and the technical solutions adopted. The combination of these elements leads to different effects on the economy of the delisted company and on relations with its stakeholders[26]. Financial practice and reference literature use different expressions (*going dark, going private, public-to-private transaction*) for specific operations that fall within the very broad concept of delisting.

In general, the main factors that influence a company's decision to withdraw from the market:

[25] Geranio M. (2004), *Il delisting dal mercato azionario italiano: analisi empirica delle cause e delle conseguenze*, Paper n. 7, Milano, Università Bocconi.
[26] Onesti T., Angiola N. et al (2012), *Strategie di sviluppo aziendale, processi di corporate governance e creazione di valore. Teorie, analisi empiriche ed esperienze a confronto*, Milano, Franco Angeli.

- **The burden of obligations**. The regulation relating to the management of a listed company imposes a rather complex series of obligations: a company listed on the stock exchange must publish its financial statements more frequently and requires mandatory certification by external auditors; furthermore, it must pay particular attention to a series of obligations (e.g compliance with *internal dealing*[27]regulation or with the Market Abuse Regulation - MAR) that are relevant to the management of information and investor. Not strictly complying with these obligations can not only lead to fines for the company, but also affect the company's reputation and have important repercussions on the share price[28].
- **Stock market exposure** . Stock markets are not simple ecosystems. The fluctuation in the value of the shares exposes a listed company to a series of turbulences which are sometimes unrelated to the real value of the company: it is quite frequent that healthy and well-run companies, which perhaps also manage to increase turnover and profitability, see the price of their shares fall coinciding with negative market conditions or due to a series of exogenous elements of a geopolitical nature or relating to macroeconomic issues that are beyond the control of the individual company[29].
- **The incidence of costs**. All these elements necessarily and inevitably translate into cost. As we have seen in the previous chapter, the process leading to listing on the stock exchange implies the need for the company to redefine its organizational structure according to new needs, identifying operational structures and investing in a series of professional skills that were previously unnecessary. As these expertise are essential to enter and remain in a regulated market, they constitute an important investment. This makes the new organization more

[27] Barucci E., Bianchi C., Manconi A (2006), "Internal dealing regulation and insiders' trades in the italian financial market", *European Journal of Law and Economics*, 22, pp. 107-119.
[28] Kamar E, Karca-Mandic P., Talley E. "Going-private decisions and the Sarbanes-Oxley act of 2002: A cross-country analysis", *Journal of Law Economics and Organization* 25 (1), pp. 107–133.
[29] Bharat S.T., Dittmar A.K. (2010), "Why do firms use private equity to opt out of public markets?", *Review of Financial Studies* 23(5), pp. 1771-1818.

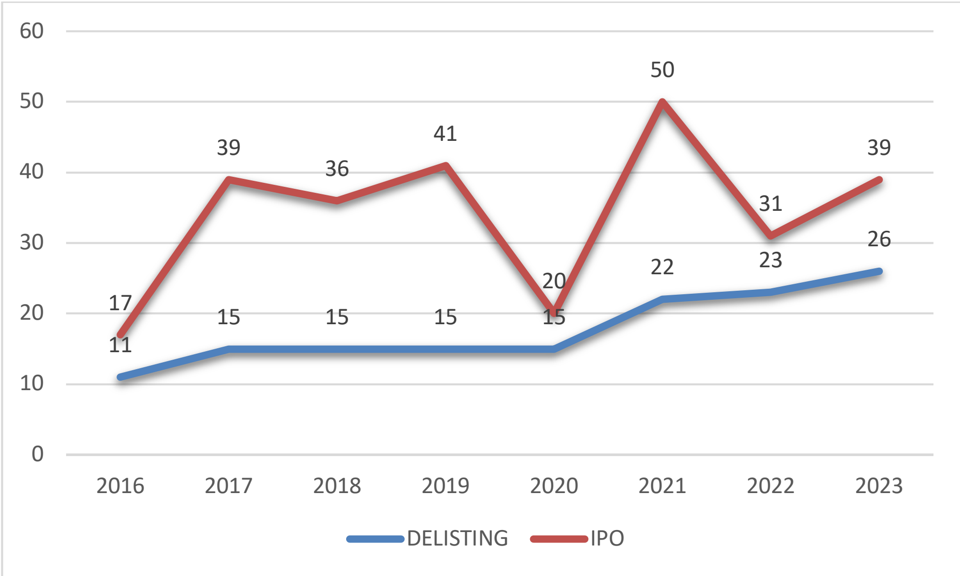
expensive; Not infrequently, it could have a significant impact on the company's operating results[30].

Regarding the Italian market, the decision of companies to withdraw from the stock exchanges is often also linked to the desire to regain control of the company's governance. As we will see later, the Italian production ecosystem is predominantly populated by Small and Medium Enterprises controlled by an entrepreneur, a family or a coalition pact; the presence on the market is an opportunity; but it also constitutes an exposure and a risk, because external parties may - by acquiring shares - determine a new balance in the context of internal management. It may be desirable (especially during corporate restructuring or changes in operational and market strategies) to return to unlisted status in order to have a better autonomy of action[31]. The decision to list (or delist) the company may depend on temporary market conditions: according to the *window of opportunity theory* a high valuation may incentivize many companies to list, just as a downturn may prompt entrepreneurs to withdraw shares from the market, opportunistically taking advantage of low valuations relative to fundamentals[32].

In recent years, the delisting phenomenon has undergone a strong acceleration and some observers have openly spoken of "escape from the stock exchange". However, the fact that some of the listed companies decide to leave the regulated markets is a physiological phenomenon that depends on several reasons: we therefore carried out an initial check on the trend of delisting on the Italian markets to verify whether the data could really show an anomalous trend. The next figure shows delisting numbers between 2016 and 2023 compared to IPOs in the same period. As we can see, while the curve relating to the entry of new securities into the market follows a rather alternating trend, the curve of companies leaving the market has a constant growth between 2021 and 2023, in a manner that does not appear to be correlated with the number of new entries:

[30] Renneboog L., Simons T., Wright M. (2007). "Why Do Public Firms Go Private in the Uk? The impact of Private Equity Investors, Incentive Realignment and undervaluation", *Journal of Corporate Finance*, 13 (4), pp. 591-628.
[31] Giudici G., Vismara S. (2021), "IPOs and Entrepreneurial Firms", *Foundations and Trends in Entrepreneurship,* 17(8), pp 766-852.
[32] Pattitoni P., Petracci B., Spisni M., (2015), "'Hit and Run' and 'Revolving Doors': evidence from the Italian stock market", *Journal of Management and Governance* 19, pp. 285-301.

Fig. 9 – Delisting compared with IPO – 2016-2023



Source: original draft based on SoldiOnLine.it

Essentially, while regarding market entries the trend highlights a certain cyclicality, the delisting data show stability, broken only from 2020 onwards (the year in which the strong tensions caused earlier by the pandemic and later by from the Russian-Ukrainian war emerged): the 2020-2023 period shows a steady growth in delisting compared to the 2016-2019 period.

We therefore divided the study period into two semi-periods (one referring to the years 2016-2019 and one in the four-year period 2020-2023), checking whether differences in the reasons for delisting can be noted. The first finding is that there is indeed a significant increase in delisting in the 2020-2023 period, with 86 total exits compared to 56 in the previous four years.

These data only partially justify the feeling that we are facing a real flight from the markets. Although higher in absolute terms, the exit of companies from the markets does not - from a purely numerical point of view – seem to be significant enough to create alarmism. However, it is appropriate to suspend judgment for the moment, postponing a more complete evaluation to the analysis that we will carry out in the next chapters.

2.2 The role of uncertainty: from the pandemic to the Russo-Ukrainian war

On 9 March 2020, Prime Minister Giuseppe Conte announced the most drastic of measures to try to face the spread of the coronavirus: a generalized *lockdown* of the entire country, with a prohibition for people to leave their homes except for work reasons, health needs or situations of necessity. The measure had already been discussed for several days: until then, there was confidence that the spread of the virus could be stemmed through selective "red zones" identified on the basis of epidemiological data relating to the progress of the infection and the spread of the disease . Already on 31 January, after confirming the first two cases of contagion recorded in Italy (they were two Chinese tourists), Conte had proclaimed a state of health emergency: the news coming from China regarding the spread of the SARS-infection Cov-2 were becoming increasingly worrying, as the virus showed that it had now spread well beyond the province of Wuhan, where it was identified for the first time, and above all because the first data coming from China showed that it was not only particularly contagious, but that transmission also occurred through contact with asymptomatic individuals. On February 18, a manager living in Codogno went to the local emergency room with fever and pneumonia: he initially refused hospitalization, but two days later he was forced to return to hospital, where he was admitted to intensive care unit. The swab had certified positivity to the virus: he was the so-called "patient 1", i.e. the first Italian patient to test positive for Sars-Cov-2. Codogno and nine other municipalities in Lower Lodigiana had been subject to the first "red zone": 47,000 people had been blocked at home, with *checkpoints* set up on the roads and the army garrisoning. Another event would have been decisive - according to the opinion of some immunologists - for the spread of the infection: on 19 February, at San Siro Stadium, Atalanta hosted Valencia in the first leg of the round of 16 of the *Champions League* : Atalanta , in front of 51,000 people, would have won 4 to 1, but that evening would also have led to a significant peak in infections, to the point of being considered "game zero" for the spread of the pandemic.

As we have said, faced with significant uncertainty about how to deal with the effects of a widespread contagion on a global level from a health perspective, the measure that practically all states were in position to introduce was fundamentally linked to physical distancing: the people had been forced to stay at home, through measures that sanctioned quarantines (more or less long; more or less rigorous), accompanied by the obligation to close almost all commercial and productive activities.

The spread of the coronavirus has had a series of dramatic effects not only in terms of health, but also for its impact on world economies. In fact, the health crisis soon moved first to the economy, then to finance: strong volatility of securities was recorded on the main stock markets (even greater than during the crises of 2008 and 2011), correlated to the trend of the pandemic and the severity of the *lockdown* . The three main stock indices (the US S&P500, the FTSE100 of the United Kingdom and the EuroToxx50 of the Euro area) suffered a sharp decline between March and April, which reached a level lower than 2007; in Italy the main stock index (the FtseMib) lost 36.6%, while those of the main European countries fell by of around 30%, even if the restrictive measures were less rigorous than those imposed in Italy. This was also the case for bond markets, which were affected by the prospects of a worsening of all the main financial parameters due to the huge resources that states were forced to allocate to combat the pandemic. This caused a rise in yields of government bonds of all major economies; for Italy, the interest on 10-year bonds rose from 1.3 to 2.5, while the spread rose from 145 to 320 basis points[33].

The pandemic has accompanied us for more than two years, in an alternation of hopes, dramas and emergency measures aimed at protecting people's health and safeguarding the economic stability of the main production sectors and the performance of the markets. A double shock had in fact occurred: the first on the demand side, because the restrictions on people's freedom of movement effectively halted consumption; the second on the supply side, caused by supply chain disruption which resulted in a shortage of goods on international markets. To support the economy, the main central banks (both the FED and the ECB) have injected liquidity into the economy, both through a policy of keeping interest rates low and through a series of economic compensations. The effect on the economy was a growth in inflation to which, albeit with a certain delay, the central banks have tried to conteract by raising interest rates[34].

[33] Consob (2020), *La crisi da Covid-19, la pandemia da Covid-19 e la crisi del 2020*, https://www.consob.it/web/investor-education/crisi-covid-19 (sito consultato il 18 febbraio 2024)
[34] Lanciano N., Caivano V., Fancello F., Gentile M. (2020), *La crisi Covid-19. Impatti e rischi per il sistema finanziario italiano in una prospettiva comparata*, CONSOB.

On 23 February 2022, Prime Minister Mario Draghi was finally able to announce the end of the state of emergency for the Covid-19 pandemic, announcing that he would not further extend the emergency measures after the deadline of 31 March. Two days later, however, the Government was once again faced with a new declaration of emergency, this time with the motivation of "intervention abroad": on 24 February, in fact, Russia's Army attack on Ukraine had provoked a new crisis - this time geopolitical - which was seamlessly intertwined to the health crisis.

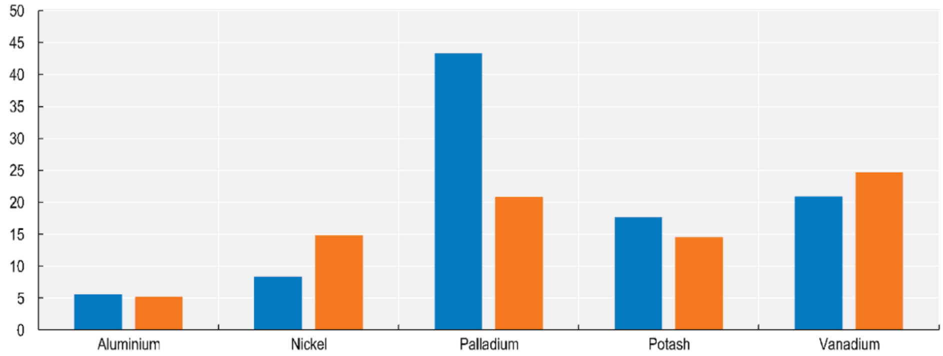
Naturally, the first thought was of the unspeakable suffering experienced by the populations involved in the conflict. But equally significant was the prospect of another shock to the economy, just at the moment when the negative effects of the pandemic on the economy were about to be resolved.

The geopolitical crisis had different characteristics than the health crisis. The topic that immediately appeared relevant was energy: in January 2022, Russia, with 11 million barrels per day, was in third place in world oil production (after the United States and Saudi Arabia) and second only to Saudi Arabia in terms of exports of oil and refined products (5 and 3 million barrels per day respectively): these exports were mainly directed towards Europe (60%) and China (20%), mainly through pipelines and through large tankers[35].

In addition, Russia is a key producer of a series of raw materials relevant for the global economy and especially for the European one: aluminum (5.5% of world production), nickel (11% of world production and 15% of exports, which for some countries such as Finland they represent 84% of the import share), palladium (43% of world production, with a strong dependence on many countries, among which the United States stands out - 37% - Great Britain - 30, 5% - and Italy - 26%), vanadium oxides (21% of world production), potassium (18% in total, with 14.5% of exports; Belarus, for its part, has a further 17 % with an export share of 19.7%. The European Union depends on Russia and Belarus for more than half of its potassium needs.) The following table summarizes the production and exports of the different materials:

[35] IEA (2022), Russian supplies to global energy markets, IEA, Parigi. https://www.iea.org/reports/russian-supplies-to-global-energy-markets. Sito consultato il 19 febbraio 2024.

Figure 10 – Production and export of natural products



Source: OECD (2022)

The sanctions imposed by Europe have obviously caused a major impact on the Russian economy: already in March - therefore before the sanctions had their full impact - traditional oil buyers had avoided buying Russian oil, despite the presence of competitive prices compared to Brent.

The amount of oil being pumped into the global market by Russia has made it difficult to offset supplies with oil by acquiring it from other suppliers. The International Energy Agency released 60 million barrels of oil from strategic reserves on March 1, 2022, as a one-off measure in order to resolve immediate difficulties, while calling for a policy to encourage OPEC countries to increase their capacity productive and – in the long term – in the revision of the sanctions imposed on Iran by the United States.

In the absence of exports from Russia, the oil market found itself in a complex scenario in 2022, with a rising and very volatile price in relation to a supply that at times was far from being able to meet demand. During 2022, the price of oil remained around 100 dollars per barrel for a long time, repeatedly touching the threshold of 125 dollars per barrel threshold that the IEA feared as a price level that, if maintained for a long time, could risk to destroy the demand In December, however, the level of the price of a barrel returned to the same levels as in January (around 71 dollars per barrel), partly as result of the European Union's decisions to impose a ceiling on the price of Russian oil at 60 dollars per barrel.

The conflict between Russia and Ukraine has led to new increases in gas and energy prices in Europe, which have both risen by more than 120% since mid-February. Russia supplies between 30% and 40% of the continent's gas, and natural gas accounts for 20% of Europe's total energy needs. Russia is Europe's largest gas supplier, and Europe in turn is the largest customer of Russian gas.

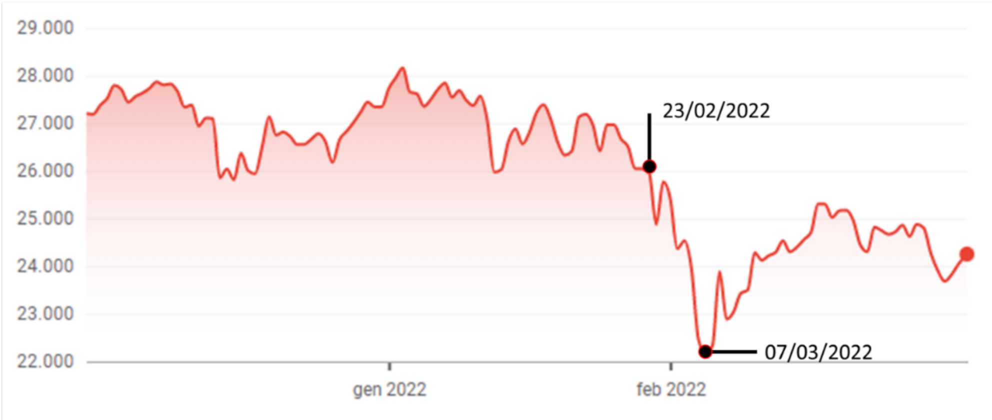
In a globalized world, the succession of crises has caused a series of uncertainties. Concerns about global instability have also had serious implications in the world of savings and investments.

As often happens in scenarios characterized by economic or geopolitical crises, in fact, the Russian-Ukrainian conflict has once again hit the international stock markets, which have gone through a new period of strong price volatility, causing concern among investors. The sanctions applied by the international community against Russia have had a boomerang effect: they had in fact the effect of driving up the costs of energy and many raw materials necessary for production, affecting above all families and businesses,which have been hit by the simultaneous action of rising in energy prices, consumer costs, increasing inflation and interest rates.

In the first two weeks of the war, all the world's major stock markets recorded double-digit losses. The backlash was especially strong in Europe, which was more exposed to the consequences of the geopolitical crisis due to the ongoing trade relations with Russia. Between 24 February and 8 March, the main Milan stock exchange (FTSE MIB) had lost 14.6%, that of Frankfurt 14%, that of Paris 12% while London had recorded smaller losses but still in order of 7 percentage points.

In practice, within 14 days all the main international stock markets returned to the lows of two years earlier, effectively wiped out any attempt to recover from the pandemic crisis (fig. 13).

Fig. 11 – Losses in FTSE MIP during the firs day of russian-ucrainian war



Source: Bancagenerali.com

The figure above however shows how the markets reacted promptly to the crisis: already at the end of March, in fact, almost all the stock markets had already returned to the levels prior to the outbreak of the war. On March 24, the Euro stoxx 600 index (the one that brings together the most important stocks among the European stock exchanges) had lost just 0.87%, with the main european stock exchanges also approaching these values: Frankfurt lost 1.09%, Paris 1.89 % and London even only 0.47%. Even more emblematic was the case of the American Dow Jones. In one month, this had even recorded an increase of almost 5 percentage points.

A similar perspective can be observed in the dynamics of market entry and exit. From the outbreak of the war until the end of 2022, the balance between income and expenditure would have been favorable to income (27 IPOs, against 22 delisting initiatives).

The trend is not surprising and appears similar to the trend already observed in the case of the Covid19 pandemic. Between mid-February and 20 March 2020, during the outbreak of the Covid-19 pandemic, the Standard&Poor index had lost over 30% of its value in a few weeks; however, by the end of 2021 it had gained a whopping 100%. SMEs benefited from tax incentives in the form of tax credits for expenses incurred for listing on the stock exchange and managed savings benefited from the benefits linked to PIRs (Individual Savings Plans).

Fig. 12 – S&P performance during early stage of pandemic crisis

Source: Bancagenerali.com

The trends we have tried to describe allow us to make some considerations. In the presence of deep crises, the markets seem to be able to absorb the repercussions of the crisis rather quickly; they not only seem to be able to withstand the turbulence and volatility of stocks, but also seems to offer excellent investment opportunities

The market dynamics reward investors (and companies listed on the stock exchange) that are able to withstand not only turbulence, but also uncertainty. Investors who sell because they are worried about the effects of the crisis and companies who decide to delist because they are worried about the repercussions of the markets on the life of the companies may miss important opportunities to capitalise their investments[36].

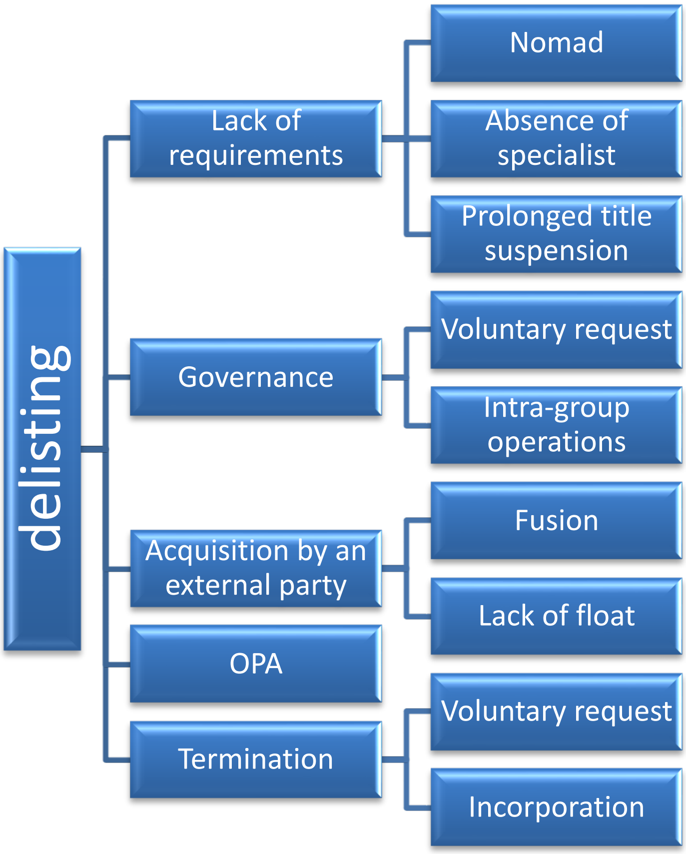
2.3 The causes of the delisting

After examining the numbers that characterise the delisting trend, we try to explore the motivations for listed companies to leave the market. In literature we can find several types of classification. In our opinion, the adoption of a specific description based on a rigorous taxonomy that highlights some technical aspects is more useful than other types

[36] Banca Generali (2022), Russia-Ucraina: l'impatto sui mercati finanziari, https://www.bancagenerali.com/blog/mercati-finanziari-momenti-di-guerra, sito consultato il 20 febbraio 2024

of classification which are suggestive, but also less suitable in order to understand the technical motivations behind the decision to delist. Instead of dividing the exiting companies into four large groups (*Defested, Prey, Restructuring, Regretful*), we prefer to adopt the taxonomy indicated in the following figure:

Fig. 13 – Taxonomy of delisting



Source: original draft

Following this description, we can see how the delisting of a company can take place on the basis of several different reasons.

The first case refers to loss of certain essential requirements to remain in the market. Failure to comply with these requirements defined by the Regulations of the relevant stock exchange may lead to the removal of the security from the list. These situations are normally associated with company difficulties and are mainly linked to two aspects. The first is organizational and occurs when the company does not have the indispensable

Nomad or specialist figures within its management team[37]; in the second case, the company's difficulties concern aspects of ordinary management (the zeroing of the share capital, the presence of a composition agreement or the failure to certify the financial statement) which may be associated or not with prolonged phases in which the stock is suspended from trading. In these situations, the delisting is imposed by the Italian Stock Exchange Agency, which has wide discretion powers in deciding on admissions, suspensions and revocations of securities. The failure to meet the requirements, therefore, does not automatically entail delisting, but constitutes its prerequisite. The Italian Stock Exchange Agency will take the final determination, using the decision making power at its disposal in a discretionary manner. This is not, however, a mere arbitrary power: rather, this discretion is intended to protect those companies which, characterized by good general performance, would be forced to leave the market due to the absence of certain requirements because of a passing crisis. Naturally there is also the other side of the coin, because obviously discretion can also be at the origin of preferential treatments in favor of large listed companies to the detriment of small caps.

Borsa Italiana can intervene with two types of measures:

- The *suspension*, which consists in the interruption of the normal trading process of the security for a limited period of time, to protect the regularity of the market and the safety of investors;
- The *revocation*, which entails definitive cancellation, when it is not possible to keep the stock on the stock exchange[38].

As part of the evaluation process, the Borsa Italiana will have to take some elements into consideration, evaluating whether the phenomenon verified is to be considered structural or rather the result of a particular conjuncture. In particular, paragraph 2 of the art. 2.5.1 of the *Regulation* requires that

> "*For the purposes of the suspension from trading referred to in the previous paragraph, Borsa Italiana mainly refers to the following elements:*

[37]The Nomad is a key figure in listed companies. It is up to him to evaluate the appropriateness of a broadcaster's actions, in particular with regard to guaranteeing compliance with the rules and obligations of information transparency. Precisely for this reason, the Nomad must be chosen from a special register of intermediaries registered with the Italian stock exchange. The lack of this figure leads to suspension from the list and, after six months, cancellation of the title.

[38]Title 2.5 of the Regulations of the Markets Organized and Managed by Borsa Italiana SpA, Title 2.5 – Suspension and revocation, article 2.5.1

a) dissemination or non-dissemination of news that may affect the regular performance of the market;
b) resolution to eliminate the share capital and simultaneously increase it above the legal limit;
c) admission of the issuer to insolvency proceedings;
d) dissolution of the issuer;
e) negative opinion of the statutory auditor or the statutory auditing company, or impossibility for the statutory auditor or the statutory auditing company to express an opinion, for two consecutive financial years."

The suspensions may have a certain degree of automaticity (for example when the maximum limits of price variation are recorded - excessive decline or increase - or applied with the aforementioned discretion available to Borsa Italiana: for instance anomalous market performance, technical reasons or reports regarding irregular behavior of some securities.

Regarding revocation, paragraph 5 of the art. 2.5.1 involves the evaluation of the following elements:

a) average daily value of trades carried out on the market and average number of securities traded, recorded in a period of at least eighteen months;
b) frequency of trades recorded in the same period;
c) degree of diffusion among the public of financial instruments in terms of value and number of holders;
d) admission of the issuer to insolvency proceedings;
e) negative opinion of the statutory auditor or the statutory auditing company, or impossibility for the statutory auditor or the statutory auditing company to express an opinion, for two consecutive financial years;
f) dissolution of the issuer;
g) suspension from trading for a period exceeding 18 months

Article 2.5.2 of the Regulation requires that Borsa Italiana, once it has ascertained the elements that can lead to the delisting of the security, must send the company a written communication indicating the elements that can lead to the revocation of the security, establishing a deadline (not less than 15 days) to allow the company to respond to

complaints. The company can request, within 60 days, to be heard by Borsa Italiana. The procedure must be disclosed to investors and Consob.
A further reason for delisting depends on the decisions made by the company's governance. This is the so-called *voluntary delisting*: the entity controlling the company can decide to voluntarily exit from the market; as is evident, this is a situation that refers to evaluations that refer to the strategies of shareholders and entrepreneurs. Often, this is in addition to a corporate takeover bid (OPA) promoted by controlling shareholders; sometimes it can take place through a simple voluntary request, if the qualified majority of shareholders so wish, or through a merger into an unlisted company or foreign listed company.
The discipline of voluntary delisting is determined by art. 2.5.6 of the Regulations of the Borsa Italiana and art. 133 of the TUF. Companies listed on the stock exchange can request exclusion from trading of their securities following the resolution of the extraordinary shareholders' meeting and this applies both when the company has been admitted to another national or community market (*direct voluntary delisting*) and when it intends to exit definitively from regulated markets (*pure delisting*). The procedure, defined in paragraph 1, is rather complex. The company must send a communication to Borsa Italiana, submitting the documents supporting the decision (in particular the resolution of the Extraordinary Shareholders' Meeting). At least 90 days must elapse from the submission of the application to the actual exclusion from the market: the provision must be communicated to the public and the issuing company has the obligation to disseminate the news in a national newspaper to inform the public about the exclusion from the market. negotiations.
Cancellation can occur as rsult of an acquisition conducted by a company or fund external to the control unit; in this case the delisting may occur either due to the merger within the company that acquired it or because there is no free float.
Delisting may also occur following a takeover bid. The public takeover offer is a market transaction in which a party declares to the shareholders of a listed company its intention to purchase the securities at a price higher than the listed one. The operation may be aimed at strengthening the role within the company (if promoted by a person who already owns shares) or aimed to acquire control over the company being acquired (defined as a *target company*). Although this type of delisting is decided by the Borsa Italiana, it is in fact a

type of voluntary delisting when the shareholders who had decided to list the company decide finally to repurchase all the oustanding shares: this decision entails the loss of one of the characteristics that allow a company to be listed: i.e. the presence of a minimum of 25% of the shares traded in the stock exchange segments. The Art. 2.5.1, paragraph 6, provides for the delisting of shares from the market in the cases provided for in paragraphs 1 and 2 of the art. 108 of the Testo Unico della Finanza (TUF)[39] called "Obligation to purchase" or in the presence of a *squeeze out right* recognized by art. 111 of the TUF. In such situations, if the offeror is obliged to exercise the right to purchase the securities subject to the offer, the latter

> "[…] *are delisted starting from the trading day following the last day of payment of the consideration, except that the subject obliged pursuant to art. 108, paragraph 1 of the Consolidated Finance Act has declared that it intends to restore the free float".*

Regarding the squeeze out right, it refers to a legal institution that attributes the right to purchase the remaining shares to the offeror who, following a total takeover bid, comes to hold more than 95% of the share capital. This circumstance imposes an obligation on the other shareholders of the company: they must to sell the shares in their possession in exchange for a pre-determined price. The transfer price must be determined pursuant to art. 108 paragraphs 3,4,5 of the TUF, which identifies three possibilities:

1. In the event that the 95% threshold is reached following a total public takeover offer, the price will be equal to that of the offer;
2. In the case of a voluntary offer, the price will be equal to that of the previous total public offer when the offeror has purchased, through a takeover bid, at least 90% of the capital with voting rights.
3. Outside of these cases, the price is determined by Consob, taking into account the consideration for any previous tender offer and/or the market price of

[39] Decreto Legislativo 24 febbraio 1998, n. 58, Testo Unico delle disposizioni in materia di intermediazione finanziaria, ai sensi degli articoli 8 e 21 della legge 6 febbraio 1996, n. 52.

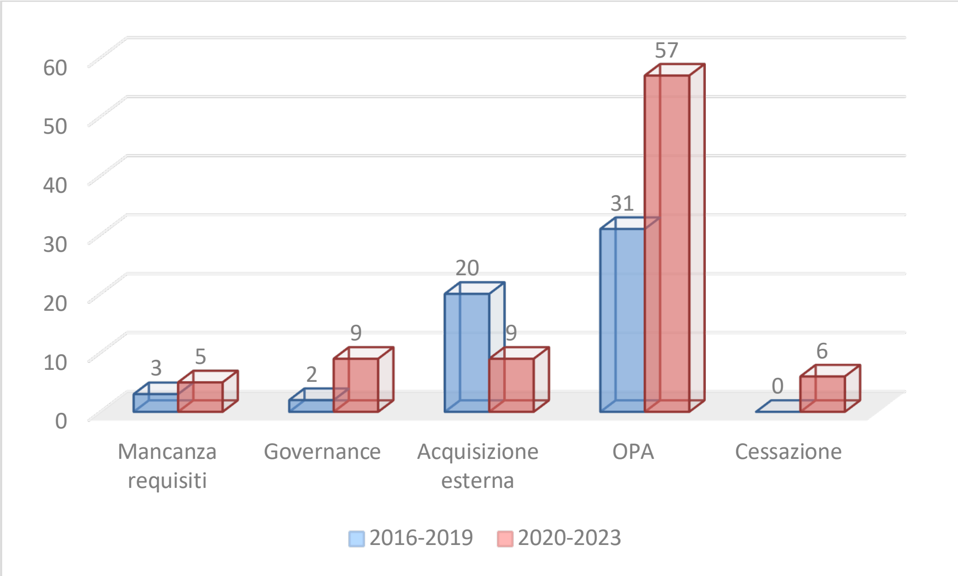
the financial instrument in question in the six months preceding the announcement of the public takeover offer.

Finally, one of the reasons for deletion is the cessation of the ordinary business activity of the issuer as a result of the decision to liquidate the company or due to the occurrence of extraordinary administration or bankruptcy. SPACs that have not achieved the objective of the business combination with an unlisted company are also included in this group[40], as well as incorporations, i.e. the particular form of merger of a listed company by another listed company that is part of the same group. The company will no longer act independently, but as a division of another listed company.

The figure 16 highlights how the majority of delistings are determined by market aggression: takeover bids are, in both periods (2016-2019 and 2020-2023), the most important causes that led to delisting. It is important to note that in the period 2020-2023 the exits determined by endosocietal events events increase significantly: company choices (which go from 2 to 9) and liquidation and transformations (6 cases, while there were none in the previous four-year period) indicate a different attitude of companies during time:

Fig. 14 – Delisting causes (2016-2019 vs 2020-2023)

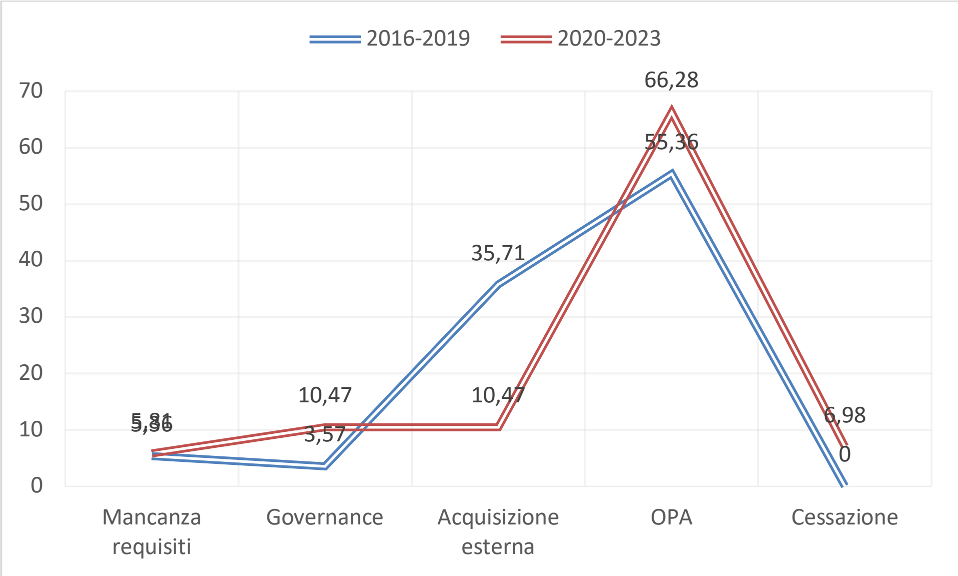
[40] SPACs, an acronym for Special Purpose Acquisition Companies, are corporate vehicles, containing exclusively financial resources, established with the aim of listing on the stock exchange and, subsequently, identifying an unlisted operating company ("target") with which to integrate ("business combination”). Paoletti A. (2017), “Special Purpose Acquisition Companies (SPAC)”, *Rivista di Diritto Societario*, 4, pp. 1145-1166.



Source: original draft based on SoldiOnLine.it

Turning from absolute values to percentage ones, we note how the growth in takeover bids is particularly significant, more than 10 points higher in 2020-2023 period compared to the previous period. At the same time, decisions concerning company choices play a role in the decision to exit the market (+ 7%) and the liquidation or transformation of companies are present in a significant percentage especially if we consider that in the previous period no case of delisting is recorded as due to closure or transformation. However, the percentage value of exits from the market following the intervention of the market protection authorities appears stable over times.

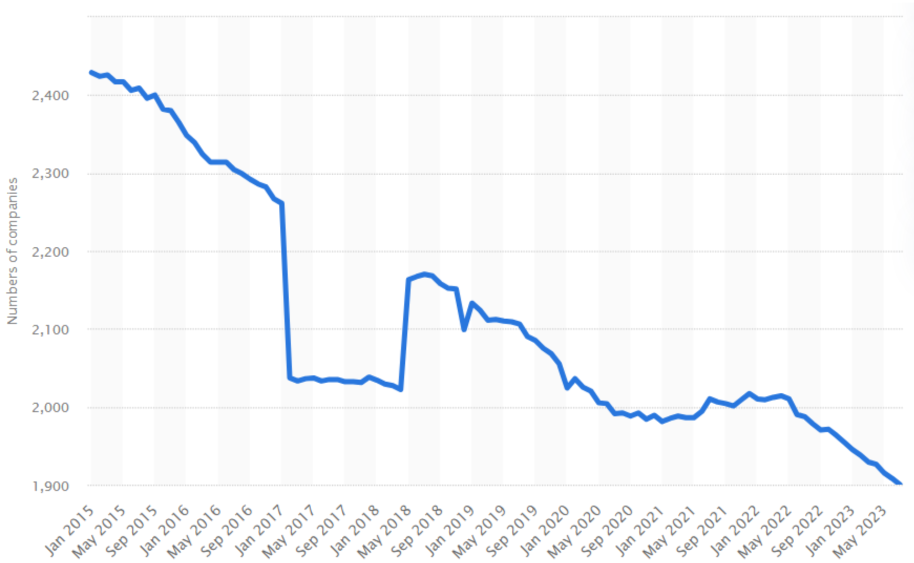
Fig. 15 - Delisting causes (2016-2019 vs 2020-2023). Percentage values



Source: original draft based on SoldiOnLine.it

Finally, it is interesting to analyze whether the trend observed for the Italian Stock Exchange lists is similar to that recorded at a global level.
In the United States, resident companies listed on the NYSE (including the SME list NYSE American, formerly AMEX) and on the Nasdaq at the end of 2021 they were 3,784 while 20 years ago there were 5,685; the *record* number was reached in 1996 with 8,025 companies (Doidge et al., 2017). In 2021 there have been 309 new listings with IPOs, the number highest since 2000, not counting the *business combinations* of SPACs (around 200) and the listing of new SPACs (over 600 cases); the new admissions were therefore more than a thousand, despite numerous *delistings*.
A total of 1900 companies were listed in the UK in July 2023; compared to January 2015 (when there were 2429 listed companies) there is a negative balance of 28%. However, if we compare the data with pre-pandemic values (January 2020) the negative balance drops to 8%: there were 2009 companies listed, after that the English stock market showed that it can at least partially recover the collapse of 2017 (Figure18):

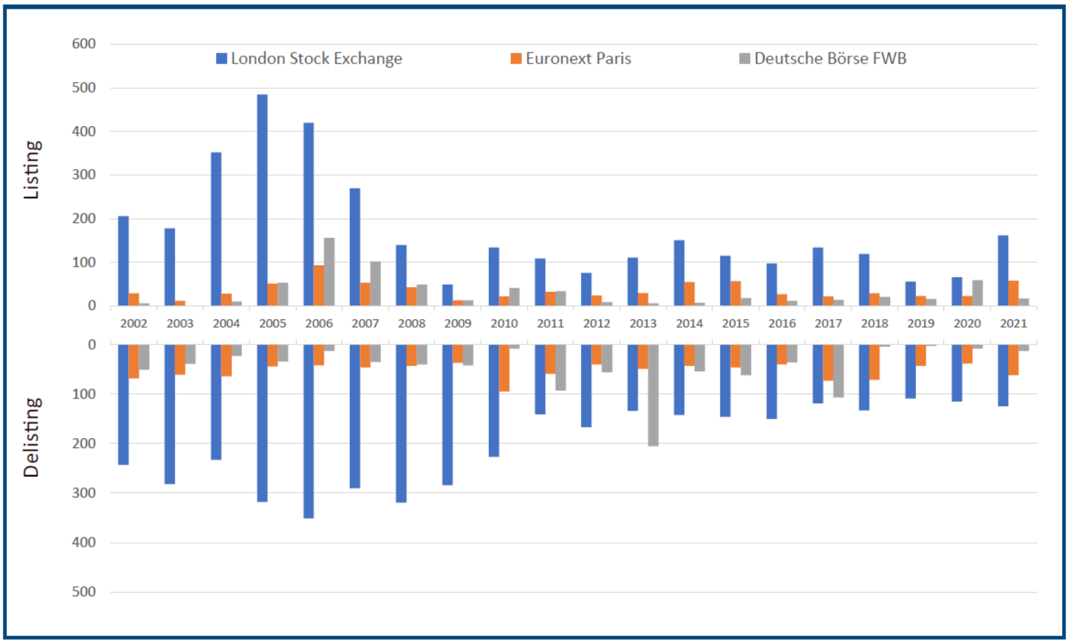
Fig. 16 – Listed companies in UK



Souce: Statista.com

In France, the Euronext Paris numbers relating to the regulated market appear less subject to fluctuations in the historical series, which appears more constant over time and stable even in the period following the pandemic; we can find a similar situation in German Stock Exchange, in which there is even a recovery in the number of listed companies, mainly due to a positive balance in the ratio between new admissions and delistings.

Fig. 17 – Balance between new entries and delisting in France, Germany and UK



Source: Sliding doors (2022)

The figure above highlights the flow of listing entries and deletion in the stock exchange of London, Paris and Frankfurt. There was a high *turnover* in the British stock market between 2004 and 2008, with a subsequent long period in which the balance between entries and exits was constantly negative. In Germany there is a fluctuation characterized by two 'waves' of *delisting*: one in 2012-2014 with the closure of the First Quotation Board segment due to numerous scandals linked to market manipulation and one in 2017 with the closure of the Entry Standard segment, replaced by Scale and the Basic Board. In the ratio between admissions and exits, however, these two fractures weld together, due to the small number of IPOs which are unable to compensate for the delisting.

2.4 Interpretations and orientations

The phenomenon of delisting has been interpreted by the doctrine from different perspectives. The most classic one highlighted the negative character of delisting, the effects of which would be the renunciation of the benefits associated with the status of a listed company, while shareholders would have negative repercussions caused by the reduction of the securities held and the consequent lower liquidity; the same consequence would also fall on company management, who would also have a worsening of their personal prestige and professional visibility. At a system level, the worsening of the differential index between IPO and Delisting translates into a lower attractiveness of the reference Stock Exchange: an aspect which entails both an economic damage (reduction in commissions previously paid by companies leaving the market), and a lower appeal of the market towards investors[41]. According to Macey, O'Hara and Pompilio (2008) the first impact of the delisting announcement is on the share price, which reduces considerably; data highlight that the delisting process is often long and expensive, due to non-transparent regulations and non-egalitarian treatment that the competent agencies reserve for companies. In some cases it may happen that a company, despite clear non-compliance with listing standards, remains on a regulated market for months, causing damage to itself and its investors. It seems evident, therefore, the need for clearer and more rigorous regulations as well as greater attention and competence of the stock exchange bodies, to effectively regulate the growing delisting processes[42].

However, some observers have tempered these negative assessments. In fact, there are a series of implications that suggest the opportunity of delisting, ranging from the reduction of direct and indirect costs connected to maintaining the listed status to the more operational and governance-related aspects. The choice to enter a regulated market, in fact, involves a transfer of wealth from ownership to shareholders and exposes the company to a series of stresses that are often not connected to real operating results.

In some cases it is emphasised that delisting is actually a physiological element: Fama and French (2004) argue that the lowering of listing standards is an explanation for the steady increase in mortality of companies on the markets: this depends on the fact that over time access to the lists was also granted to companies that did not have the necessary solidity to withstand the tensions present on the markets. Their removal, therefore, would be nothing more than an operation by which the Stock Exchanges maintain their level of efficiency and their prestige. To do this they must remove companies that present alarming signs, poor performance and reduced competitiveness, valorising the number of high quality companies listed on the stock exchange, i.e. companies with a good

[41] Chandly P.R, Sarkar S.K., e Tripathy N. (2004), "Empirical Evidence on the effects of Delisting from The National Market System", *Journal of Economics and Finance*, 28 (1), pp. 46-55.
[42] Macey J., O'Hara M., Pompilio D. (2008), "Down and Out in the Stock Market: The Law and Economics of the Delisting Process", *Journal of Law and Economics*, 51 (4), pp. 683-713.

economic-financial state of health, highlighted by a stock with significant trade volume and a permanently high market price[43].

The delisting of a company is an operation that has both benefits and negative consequences, and must therefore be carefully analyzed and considered by the Stock Exchange It must also be considered that not all low quality companies , i.e. companies with poor economic-financial performance, must be excluded from the list, but the possibilities of recovery and relaunch must be considered, providing support to avoid delisting.

2.5 The consequences for shareholders

The doctrine has also focused its attention on the consequences of delisting for the position of minority shareholders. The theoretical perspective that sees a conflict between management and shareholders dates back to the 1980s and is linked to the information superiority enjoyed by managers: this informational asymmetry could be used to the detriment of minority shareholders, even if empirical studies have not demonstrated evidence of wealth extraction to the detriment of minority shareholders.

The subject proposing the acquisition can also be the controlling shareholder, i.e. the entity who holds the majority of shares in a company. In fact, similarly to management, it can be assumed that the controlling shareholder is in possession of privileged information and that he acts by exploiting information superiority. From this consideration arises the suspicion that he may decide to take over the company when the price is convenient. Minority shareholders, due to the small amount of share capital held, have very limited decision-making power in the event that management or majority shareholders choose to privatize the share capital; minority *shareholders* are thus forced to participate in operations that could jeopardize or even be contrary to their interests, without having the possibility of intervening in the final decision. This disadvantage is even more significant when the controlling shareholders exercise the right to *squeeze out*, which forces small shareholders to sell their shares in exchange for a determined price,

[43] Fama F. French R. (2004), "New Lists: Fundamentals and Survival Rates", *Journal of Financial Economics*, 73 (2), pp. 229-269.

as we have seen, by parameters decided by third parties and without the possibility to refuse the operation[44].

In cases where the acquisition is promoted by the controlling shareholders, the information superiority they enjoy leads to a transfer of wealth to the detriment of the minority shareholders: the controlling shareholder holds an option, i.e. that of being able to carry out a *freeze out,* or by liquidating minority shareholders. A rational subject will exercise this option only if the value of the company is higher than the price it will have to pay, including the premium, to the minority shareholders. Controlling shareholders, as well as management, may have privileged information on investment projects and the potential profitability of those not yet implemented. Therefore the increase in value of the acquired company is essentially generated by an increase in the profitability of its investments.

In the research by Bates, Lemmon and Linck (2006) which considers a sample of 8,871 *going private* which occurred in the three main US regulated markets between 1988 and 2003, it emerged that there are, however, possibilities for small shareholders to maximize their advantages. They can obtain economic advantages in the time interval from the announcement to the market of the imminent delisting to its actual implementation with the subsequent abandonment of the regulated market. The anomalous return following the announcement is generally exploited by small shareholders, who sell the shares in their possession to the public present on the market in order to realize profits that are in all likelihood higher than those potentially obtainable with the freeze-out operation, in which have low bargaining power.

In many cases, however, minority shareholders are unable to get rid of the shares they own by selling them at an advantageous market price and are forced to participate in the process of going private of the company, which will take away their wealth[45].

Del Giudice (2012) highlights that, even in European going private, promoted by the controlling shareholder, the premium paid is lower than that of similar transactions. The motivation for this "discount" seems to derive from the fact that the acquirer does not

[44] Intermonte (2022), *Sliding doors: il flusso di listing e delisting sul mercato azionario di Borsa Italiana (2002-2022)*. Quaderni di Ricerca, 6.

[45] Bates T., Lemmon M. Linck, J. (2006), “Shareholder Welfare and Bid Negotiation in Freeze-Out Deals: Are Minority Shareholders Left Out in the Cold?”, *Journal of Financial Economics*, 81 (3), pp. 681-708.

have to pay a premium for control, which would instead be implicit in the offer of another buyer. He also enjoys a strategic advantage: the absence of competitors, because the presence of the controlling shareholder discourages other offers and the lack of competition offers a considerable advantage to the buyer.

Comparing operational performances before and after the acquisition, there are no statistically significant differences for companies subject to *buyout* by the majority shareholder. This is consistent with the results previously noted, which reject the hypothesis of expropriation against minority shareholders in acquisition transactions[46].

Anyway, according to literature there do not appear to be solid foundations to support the expropriation thesis: it is true that controlling shareholders pay a lower premium than other buyers, but this is justified by the fact of not having to bear a premium for control which, instead, others must match to complete the transaction. Furthermore, the lower premium is also justified by the existence of a strategic benefit that derives from the fact that their very presence discourages competing offers. If the theory of expropriation ag*ainst minority shareholders were valid,* we should find an increase in the company's operating performance greater than the premium that was paid.

It is advisable to evaluate the tools available to a minority shareholder to prevent an expropriation situation from arising against him.

The minority shareholder has the possibility to use some tools to protect his interests during a Public to Private transaction and avoid selling off his shares. If he has a shareholding that allows him to reach certain meeting quorums, he can oppose the shareholders' decision to launch a takeover bid on all the outstanding company shares with the aim of privatizing the entire share capital.

Legal action is also possible with the aim of blocking the takeover bid, if the minority shareholders do not reach the quota necessary to impose the right of veto or if the compensation for damages is insufficient. However, this would entail high legal costs and also a high probability that the initiative will not have the desired success.

[46] Del Giudice A. (2012), *Going Private Transactions -Perché le società abbandonano la Borsa,* Milano, FrancoAngeli.

3. DATA ANALYSIS

3.1 Research questions

In the first two chapters we examined the two phenomena linked to the management of the path that leads companies, through the IPO, to listing on the stock exchange and then the phenomenon of delisting through an analysis of the general trend found both in the Italian and international markets. Our theoretical analysis involved both a review of the literature and the comparisons that emerge between different markets with respect to the dynamics between the entry and exit of companies from financial markets.

In this chapter we will begin our more analytical analysis on the Italian case, focusing on the dynamics affecting our country and proposing some research questions that will guide us in aggregating and interpreting the data we have collected from the markets. The focus of our research, in fact, is to try to understand the peculiarities of the Italian stock market compared to other contexts, trying to highlight in the data what are the prevailing dynamics that animate, on the one hand, the desire of companies to go public, and on the other, the phenomenon of delisting, sometimes represented as an 'escape' from the market.

The first question is related to the evaluation of the IPO and delisting phenomenon. We have seen how Italy has some peculiarities that can be appreciated from an analysis of the literature and the specialised press. Compared to data from other European countries, the dynamics of IPOs in Italy seem to show a different trend: the picture that emerges shows an increase in the number and value of transactions during 2023, in partial countertendency to what happened in the main economies. One particular element, however, is related to company size.

In general, when assessing the size of a company, its capitalisation is taken into account, referred to as its market cap, which allows companies to be divided into three main groups:

- **large-caps** when their market capitalization is greater than $10 billion. Some analysts make a distinction with companies that have a market cap of more than USD 200 billion (so-called *mega caps*). Large-cap companies are generally benchmarks in their sector;

- **Mid-cap**, when the capitalization is between USD 2 and 10 billion.
- **Small-cap**, with a capitalization ranging from USD 300 million to USD 2 billion. Again, some analysts make further subdivisions for companies with lower capitalization, identifying micro-caps (with market caps between $50 million and $300 million) and nano-caps (when capitalization is below $50 million).

In 2023, there were only three cases of IPOs involving companies that can be defined as large caps in italian market; in all other cases, the prevailing market capitalisation seems to be in the small-cap range. This represents an Italian peculiarity, associated with the size of our industrial sector, characterised by a network of small and medium-sized companies. The decision to enter the stock market entails profound changes in the company's structure: changes necessary to meet organisational, regulatory and regulatory requirements that may be difficult for small companies to implement and maintain over time. It is no coincidence that many of them point precisely to bureaucratic and managerial problems as the major critical issues. The first research question is therefore linked to the examination of aspects relating to the relationship between companies and the stock market and can be declined as follows:

[1] Is the dynamic between IPO and delisting observed in Italy a conjunctural phenomenon or is it rather an expression of a structural dimension of the national economy?

The second research question seeks to investigate the dimensional aspect of the phenomenon, both with respect to the decision to go for an IPO and the decision to delist. We have seen how, against an international trend of decreasing IPOs, Italy shows a partially counter-trend. From this situation emerges the second of our research questions:

[2] Does the structural size of companies play a role in the decision to list or delist? Does the difference between sectors and in terms of capitalisation influence these decisions?

Finally, the third research question considers aspects related to the reasons that lead to delisting. In recent years, alternative financing instruments to listing on the stock exchange have indeed become widespread: the use of private equity or the whole complex world of cryptocurrencies offer various opportunities to companies wishing to seek more liquidity to expand their business. However, the Italian market is - even from this point of view - peculiar. In addition to operational size, in fact, the productive fabric is dotted with family businesses that are wary of overly innovative forms of financial management. This could be one of the reasons that characterises the Italian market differently from the European one and leads to outline our third research question:

[3] **Can the greater diffusion of alternative instruments to the IPO and listing (e.g. recourse to private equity) condition the choices of companies, which choose to turn to other forms of financing that are easier to develop? Can this be an element that affects the choice to make an IPO or to exit the market? Assuming that there is an actual tendency to replace the presence on the stock markets with other financial instruments, can the difference in our country be linked to the particularity of our productive fabric?**

To answer the first two questions, we have carried out a quantitative analysis. This will be the basis for addressing the third question using also a qualitative approach, through a structured interview with a leading figure from the financial world.

3.2 Sources, databases and dataset

To conduct our analysis, we used data relate to companies that made an IPO and those that chose to delist. As mentioned above, we chose to delimitate the scope of our research in the years from 2016 to 2023.

In defining the list of companies, we tried to have the most homogeneous and consistent source. We noted that the specialised site SoldiOnLine (www.soldionline.it) annually offers a list of companies that have listed and those that have delisted. We therefore retrieved from the site the lists and organised two datasets:

- **IPO Dataset**: this includes all companies that have made an IPO between 2016 and 2023. The Dataset consists of 273 records and 1911 cells, containing qualitative and quantitative information. The original Dataset was organised using an excel file:

Fig. 18 – View of IPO Dataset

F13 01/02/2022

	A	B	C	D	E	F	G
1	FLUSSO	QUOTAZIONI	Prezzo collocamento	Codice ISIN	ANNO L	DATA L	Mercato
2	L	4AIM SICAF	500 euro	IT0005204729	2016	29-lug-2016	AIM Italia
3	L	AATECH	1 euro	IT0005548521	2023	3-lug-2023	Euronext Growth Milan
4	L	Abitare IN	138 euro	IT0005160996	2016	8-apr-2016	AIM Italia
5	L	ABP Nocivelli	3,2 euro	IT0005439861	2021	30-mar-2021	AIM Italia
6	L	Acquazzurra	3,5 euro	IT0005443061	2021	13-mag-2021	AIM Italia PRO
7	L	ALA	10 euro	IT0005446700	2021	20-lug-2021	AIM Italia
8	L	Alfio Bardolla TG	4,14 euro	IT0005244030	2017	28-lug-2017	AIM Italia
9	L	Alfonsino	1,6 euro	IT0005466039	2021	22-nov-2021	Euronext Growth Milan (ex AIM Italia)

Source: original draft

- **Delisting Dataset**: this includes all companies that delisted between 2016 and 2023. The Dataset consists of 142 records and 994 cells, containing qualitative and quantitative information. Again, the Dataset was organised using an excel file:

Fig. 19 – View of Delisting Database

B1 Azienda

	A	B	C	D	E	F	G
1	flusso	Azienda	Codice ISIN	anno_DL	Data_DL	Motivo	Dettaglio
2	DL	ALP.I	IT0005319733	2018	1-feb-2018	Fusione	Fusione con Antares Vision
3	DL	Fiat Chrysler Automobiles	NL0010877643	2021	18-gen-21	Fusione	Fusione con PSA
4	DL	Buzzi Unicem risp.	IT0001369427	2021	18-gen-21	Conversione	Conversione in ordinarie
5	DL	IMA	IT0001049623	2021	28-gen-21	OPA	OPA
6	DL	Massimo Zanetti BG	IT0005042467	2021	15-feb-21	OPA	OPA
7	DL	AMM	IT0005367427	2019	30-apr-2019	OPA	OPA
8	DL	Banca Carige	IT0005428195	2021	27-lug-2021	OPA	OPA
9	DL	ASTM	IT0000084027	2021	04-giu-21	OPA	OPA
10	DL	Credito Valtellinese	IT0005412025	2021	04-giu-21	OPA	OPA

Source: original draft

The two datasets were then organised in a database and the different records were linked to each other via the ISIN Code field: this is an international code that unanbicuously identifies each financial instrument; the structure and assignment rules are established in the ISO Standard 6166. For our analysis, the ISIN Code is important because it makes it possible to follow the development of the company regardless of any change of denomination generated by company choices (mergers, incorporations, etc.). This organisation of the data thus made it possible to identify companies with respect to the IPO-Delisting dynamic that is the subject of our analysis.

The organisation of our database was the precondition for an initial operational choice. In evaluating the fundamental aspects of our research, we chose to limit the analysis to only those companies included in both the IPO Dataset and the Delisting Dataset. This means that the insights are related to companies that made the choice to go public and then to delist within the time period considered, i.e. between 2016 and 2023. This resulted in a sample of 31 companies, representing 21% of the population of companies that have delisted between 2016 and 2023; This sampling appears to be representative of the population we considered (the companies that go public and delisted from 2016 onwards) and is therefore suitable for use in our in-depth analysis. This is the list of companies representing our sample:

Fig. 20 – Companies analyzed, sorted by IPO year

Company	ISIN Code	Year of IPO	Year of Delisting
Coima RES	IT0005136681	2016	2022
Energica Motor Company	IT0005143547	2016	2022
Industrial Stars of Italy 2	IT0005185548	2016	2017
SITI B&T Group	IT0005171936	2016	2022
SMRE	IT0005176299	2016	2019
Capital For Progress Single Investment	IT0005276602	2017	2021
Digital360	IT0005254252	2017	2023
Finlogic	IT0005256323	2017	2023
Gamenet Group	IT0005282725	2017	2020
Portale Sardegna	IT0005305443	2017	2023
ALP.I	IT0005319733	2018	2019
CFT	IT0005262313	2018	2021
Gabelli Value for Italy	IT0005329856	2018	2020
Guala Closures	IT0005311821	2018	2021
Kolinpharma	IT0005322950	2018	2023
Life Care Capital	IT0005323560	2018	2020
SPAXS	IT0005321317	2018	2019
Techedge	IT0005331001	2018	2021
AMM	IT0005367427	2019	2021
Sicit Group	IT0005372344	2019	2021
Euro Cosmetic	IT0005425456	2020	2021
Fabilia Group	IT0005417784	2020	2023
Labomar	IT0005421646	2020	2023
Sebino	IT0005413510	2020	2023
Sourcesense	IT0005417040	2020	2022
Banca Carige	IT0005428195	2021	2022

Industrial Stars of Italy 4	IT0005447229	2021	2023
Nice Footwear	IT0005466880	2021	2023
ReeVo	IT0005438038	2021	2023
REVO	IT0005444259	2021	2022
Sababa Security	IT0005468506	2021	2023

Source: original draft

A nes Processing Dataset was created on the basis of this list. This is made up of 31 records (one for each company) and compared to the information in the two original Datasets (IPO and Delisting), a series of additional data have been added to carry out the elaborations that will then be used to answer our research questions. Overall, the Processing Dataset consists of the following fields:

- **Company**: Company name
- **ISIN** code
- **A_IPO**: Year in which the IPO took place (format YYYY)
- **D_IPO**: Exact date of the IPO (format dd-mmm-year)
- **A_DEL**: Year of Delisting (YYYY format)
- **D_DEL**: Exact date of delisting (format dd-mmm-year)
- **Reason**: Reason for Delisting (B: Stock Exchange Decision; DA: Corporate Decision; OPA; F: Merger; S: Company Dissolution)
- **Detail**: Detail of the Reason for the Delisting, if any;
- **PCOLL**: Price at Placing
- **UQ**: Value of the shares at last listing before delisting;
- **MAXS**: Value of the shares at the time of maximum valuation;
- **D_MAXS**: Date of maximum valuation (format dd-mmm-year)
- **MINS**: Value of the shares at the time of the lowest valuation
- **D_MINS**: Date of minimum valuation (format dd-mmm-year)
- **CAP**: Capitalisation (in euros)

For the retrieval of the information, we made use of the main financial market analysis platforms, comparing and aggregating the data present in them to compile our Dataset. In particular, the main sites used were:

- Borsa italiana (https://www.borsaitaliana.it);

- Soldi On Line (https://www.soldionline.it);
- Investing (https://it.investing.com);
- Morningstar (https://tools.morningstar.it).

These in this way we performed an evaluation on both institutional platforms and those of independent analysts. The Dataset on which we carried out our evaluations consisted of 465 cells.

3.3 Reading delisting through the numbers

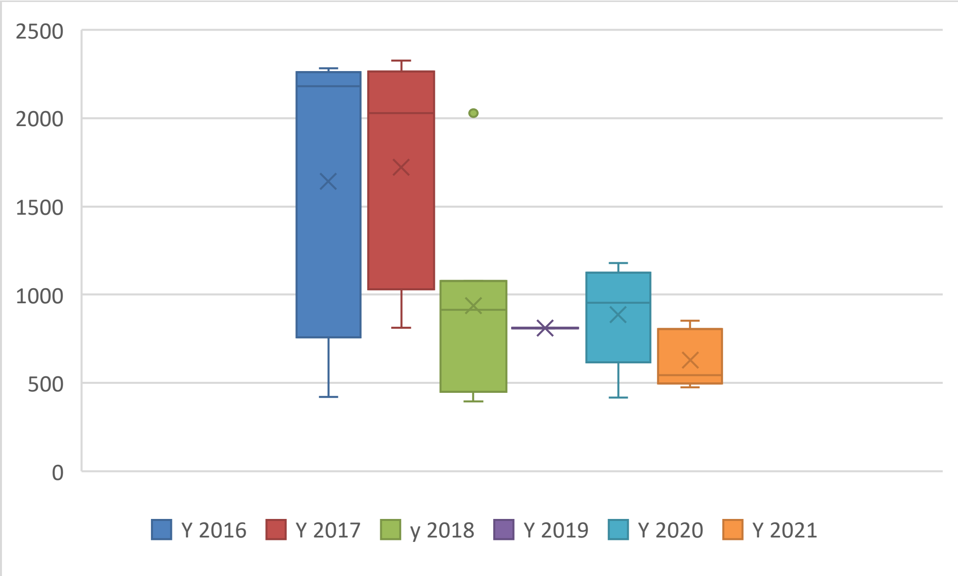
The first dimension we investigated relates to the resilience of companies in the financial markets. We then calculated the difference in days between the first and last listing for each of the companies in our sample, given by the formula

[1] $$D\_DEL - D\_IPO$$

The overall figure shows that companies that promoted an IPO during the period considered (i.e. from 2016 onwards) and subsequently decided to delist by 31 December 2023 remained on the market, on average, for 1092.67 days.

However, we wanted to take a closer look to see if there was a difference over the years: we thus divided the companies by the year they entered the market and checked their permanence. The results seem interesting to us, because they show a significant difference in the time series. Companies that listed in 2016 and 2017 have a much longer than average stay on the market (respectively 1643.8 for those that entered in 2016 and even 1732.2 for those that IPO in 2017). From 2018 onwards (albeit with the insignificance of 2019, which with only two listed companies does not allow for sufficiently robust parameters) the trend changes considerably not only with regard to the average data, but also with regard to all the positioning indices, highlighting in particular a greater proximity between average and median compared to the two-year period 2016-2017. This trend indicates that companies that listed after 2017 show a lower willingness to stay in the market. Figure xx shows the trend of this historical series through box plots:

Fig. 21 – Permanence of companies on the market (2016-2021)t



Source: original draft

A second dimension to investigate is related to the performance of the shares in the period after the IPO. As we have said, we have identified four important moments under this point in the value of the shares: the placement price, the minimum and maximum performance values, and the last listing at the time of delisting. To analyse this performance, the following calculations were performed:

[2] **D_MAXS – D_IPO**

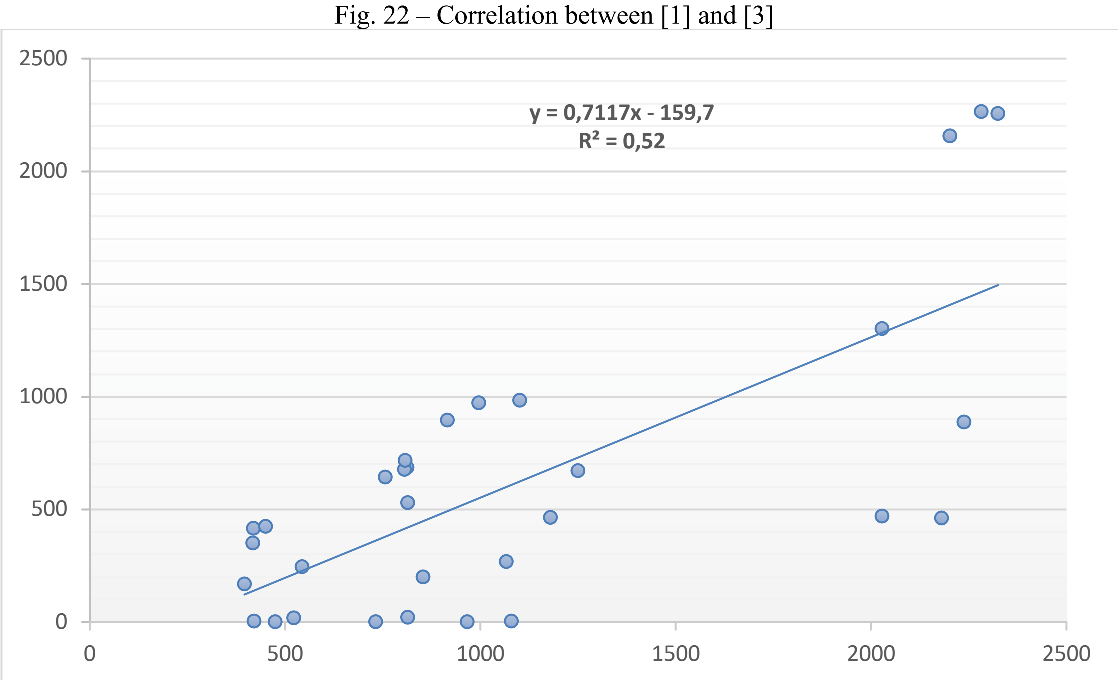
[3] **D_MINS – D_IPO**

The analysis of the data showed that from the time of placement, we have an average of 563 days for the shares to reach their maximum performance value. In only 7 cases (22.58% of the sample) the maximum value of the shares was reached within the first month after placement. It is interesting to note that in these cases, the average time on market, calculated on the basis of the formula [1], is lower than the 1092.67 days of the general sample considered, with 715.42 days. On the contrary, the four companies that reached the highest listing value most slowly (with a value of more than 1,000 days and an average of 1994.75 days) are also among those with the longest time on the market.

On the other hand, the lowest stock valuation point occurs on average within 526 days of listing. This average is rather similar to the aforementioned maximum performance. However, on average, stocks tend to reach their minimum before performing towards their maximum: this dynamic can be seen in 18 out of 31 cases (58.06%).

This finding also suggested investigating whether there was any correlation between reaching the highest valuation and the length of time on the market. We then examined the correlation of the series obtained through the formulas [1] (time on market) and [2] (time in which the highest performance was achieved). The graph shows that the dispersion around the regression line is smaller for companies that reach their maximum market value in the days closest to the placement; on the other hand, the dispersion increases when the maximum quotations are reached around 2000 days or more of market tenure. The R2 value shows that the correlation is effective only within half of the pair of observations.

Fig. 22 – Correlation between [1] and [3]



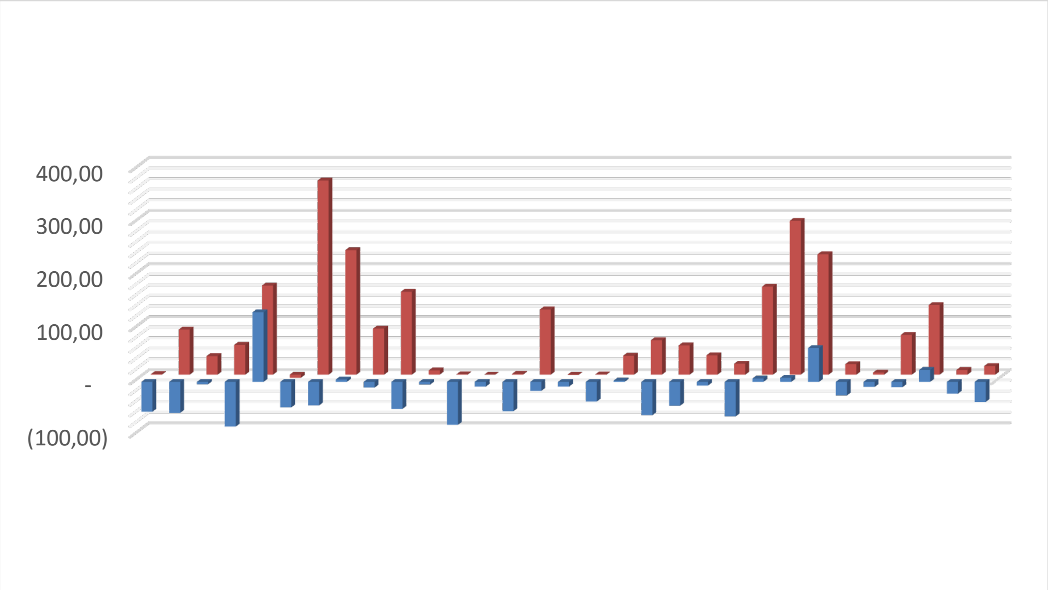
Source: original draft

A second set of measurements in our sample concerns aspects of the stock's performance since its placement on the market. To make these measurements, we initially calculated the following formulae:

[4]	**PCOLL – MAXS**
[5]	**PCOLL – MINS**
[6]	**PCOLL-UQ**

In this way we can evaluate the difference between the placement price, the positive and negative extremes of performance and the difference with the last quotation at the time of delisting. With respect to the difference between the placement value and the maximum value reached during the time on the market, the data show a good performance overall (79.58%), which is higher than the negative performance calculated on the basis of formula [5], which is -19.91%. Figure 23 compares the pair of surveys [4] and [5]:

Figura 23 – Comparison between maximum positive and negative performance with respect to the placement
(formulae [4] e [5])

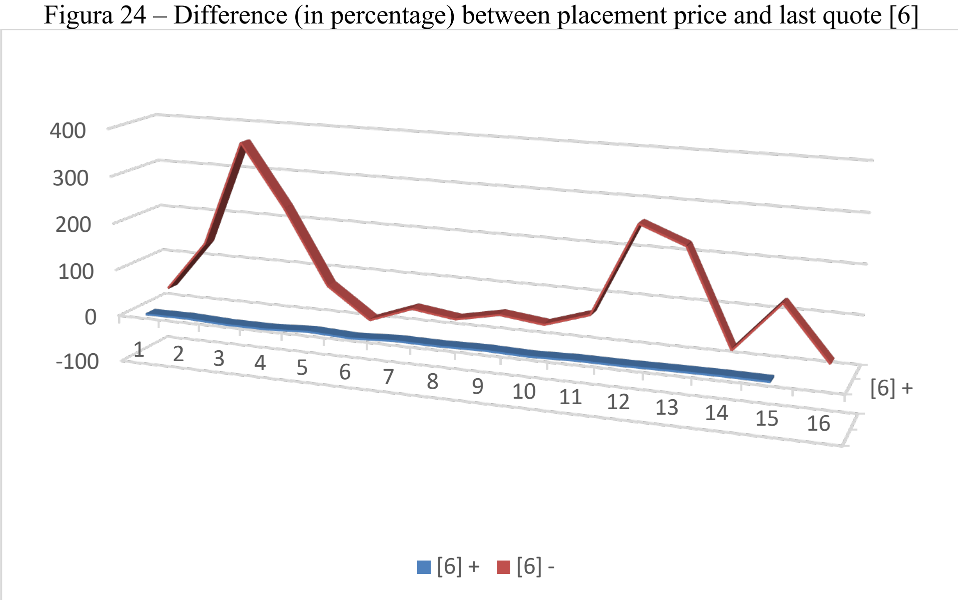


Source: original draft

The graph shows that in general, the positive performance is significantly higher than the negative performance. However, only in three cases is the negative performance greater than the placement price.

Regarding the value expressed by the formula [6], which expresses the difference between the price at the placement and the last listing at the time of delisting, the distribution of our sample appears evenly split between companies that from the time of the IPO until the delisting saw their share value decrease and those for which an appreciation is recorded (15 and 16 companies, respectively). However, it should be noted that on average, the losses stand at 1.44%, while the companies that appreciate have an average valuation of 107.21%. This would suggest that only half of the companies find a good reason to exit the market in the poor performance achieved over time; in the other cases, the option of delisting is entrusted to valuations that go beyond financial results alone. This assessment, which we will discuss in the next chapter by also analysing the expert's opinion that has been interpreted, is confirmed by the fact that in 67% of cases delisting occurs following a corporate choice or for reasons involving organisational-managerial aspects (e.g. the lack of structural requirements to be able to continue operating in the stock market) or finally due to the normal unfolding of corporate dynamics (mergers, regroupings, etc.). The dynamics just highlighted are underlined by Figure 24:

Figura 24 – Difference (in percentage) between placement price and last quote [6]



Source: original draft

Regarding the performance of companies with a positive value between placing and delisting, it should be noted that in all but two cases this occurs following a takeover bid. The fact that a takeover bid ordinarily involves an offer to buy the shares at a higher price than the market price may lead to a certain distortion in the evaluation of the indicator for the difference between placement price and last listing for companies with a takeover bid. Indeed, it is expected that the recorded price is higher than the company's actual price given the willingness of investors to buy the shares at a higher price than the market price.

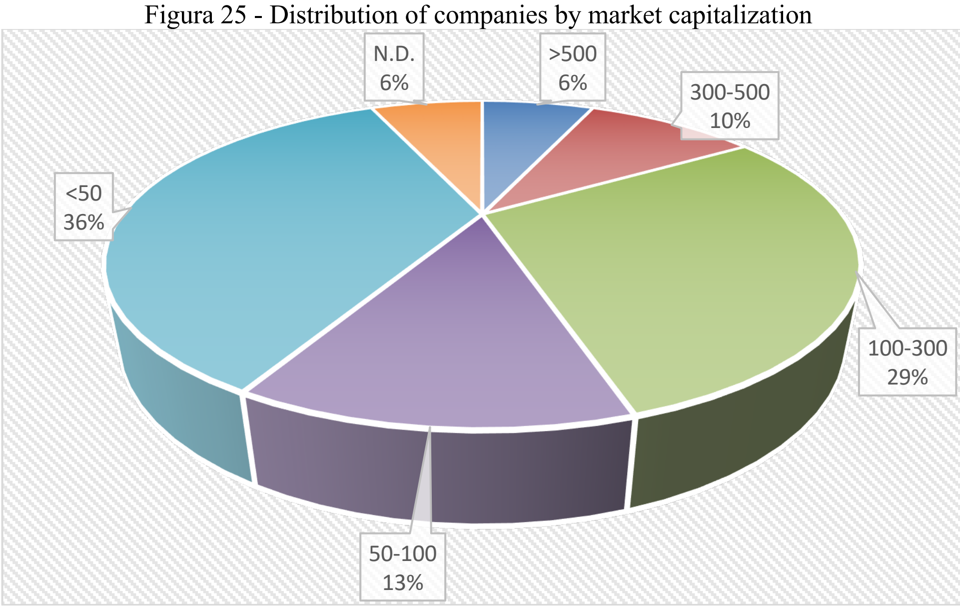
The analysis of the data shows that on average, those who launched a takeover bid on these companies were willing to pay a price per share very close to that recorded at the time of its best performance (165% at the time of the last listing versus 188% at the time of the best performance in comparison with the placement price).

We now come to the subject of the capitalisation of the companies in our sample. Compared to the classic distinction between large, medium and small caps, we had to make a different subdivision in order to classify companies according to their size, with the following clusters:

- Up to EUR 50 million;
- between EUR 50 million and EUR 100 million;
- between EUR 100 million and EUR 300 million;
- between EUR 300 million and EUR 500 million;
- over EUR 500 million

Figure 25 shows the percentage distribution of the sample, taking into account that for two of the companies in the sample, it was not possible to find data on their market capitalisation at the time of delisting:

Figura 25 - Distribution of companies by market capitalization



Source: Original draft

We then tried to examine whether there were any significant differences from the general average with respect to some of the more significant indicators we had previously calculated:

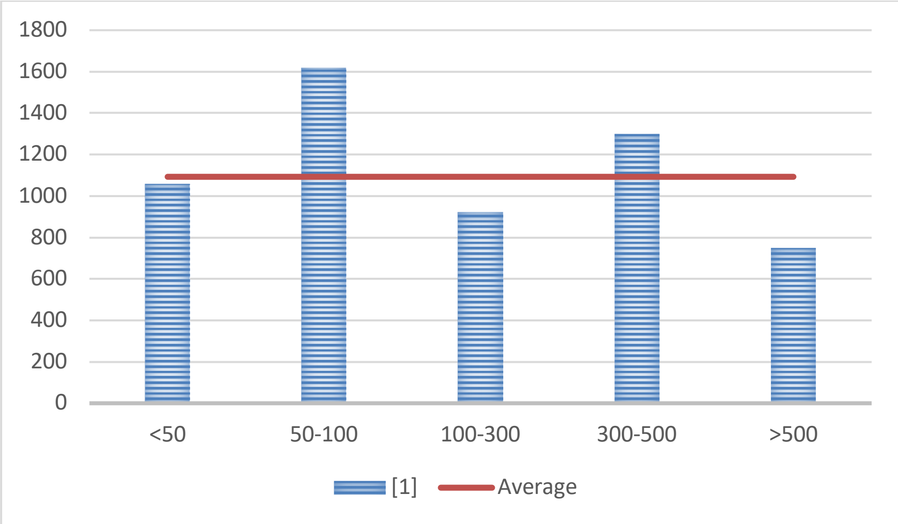
Figura 26 – Comparison between overall average and market capitalization classification

	[1]	[4]	% [6]	% [4]	%[5]
Media generale	**1092,67**	**753**	**44,9**	**79,58**	**-19,91**
<50	1057,81	390,36	10,36	70,60	-35,37
50-100	1618,25	927	154,42	185,25	-5,97
100-300	923,22	681,11	66,32	83,94	3,94
300-500	1300,66	1222,66	40,8	47,73	-37,26
>500	749,5	4	-18,34	10,57	-40,48

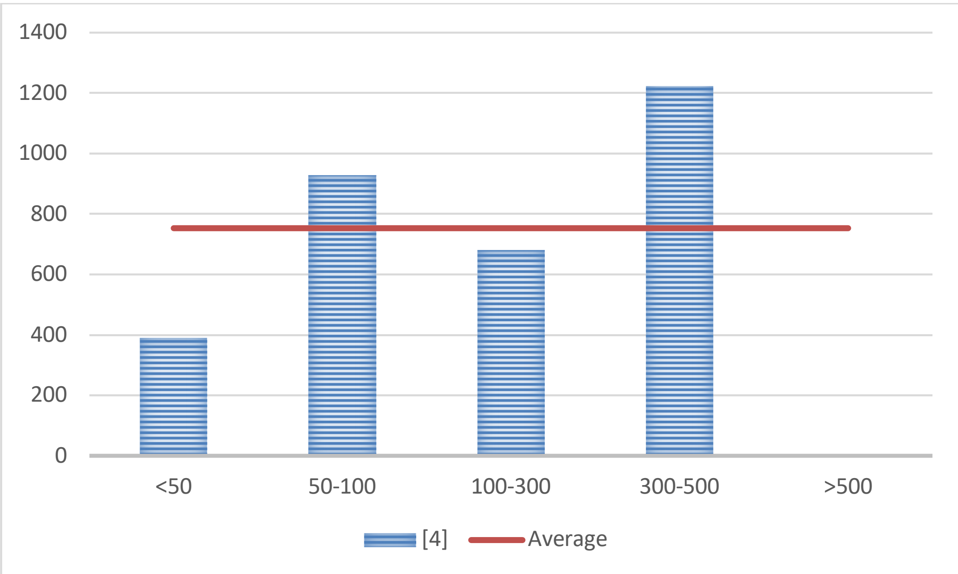
Source: original draft

The first interesting finding is related to the fact that the capitalisation dimensions are those that reach their maximum value in a shorter period, even within the first week after placement. This aspect is consistent with what emerges in the literature and practice that sees investors favouring stocks with a larger size because they are associated with less risk. The fact that the best performance is achieved more quickly for companies with larger capitalisation, however, assumes contradictory data with respect to the examination of other aspects: larger companies are the ones that exit the market earlier on average, have a significantly lower than average (and also than any other cluster of companies) result in the valuation of their best performance, and are the only ones that exit the market with a negative percentage figure with respect to their placement. At the same time, they also have a worse negative performance than the average. The graphs in Figure 27 highlight these trends:

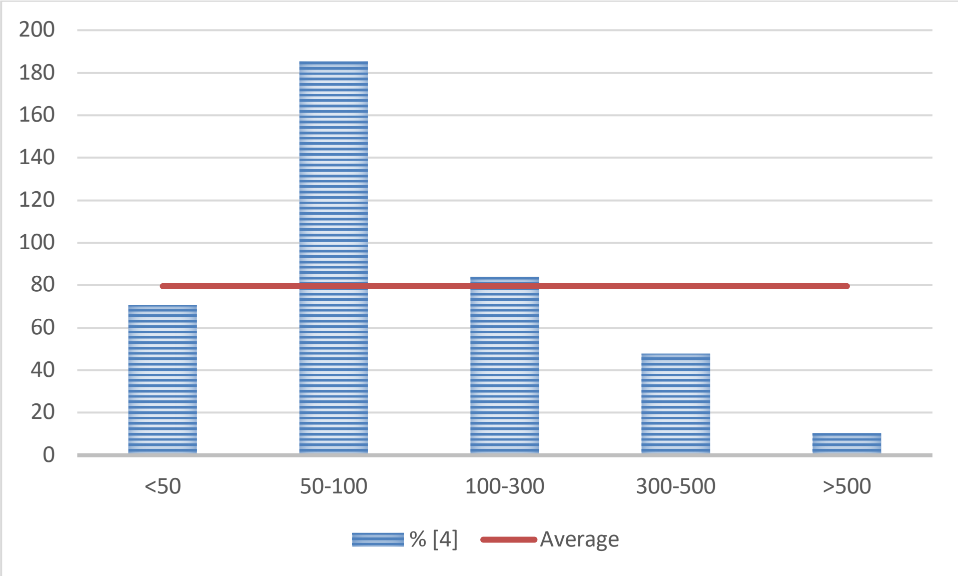
Figura 27 - Comparison between general average and groups of companies by capitalization



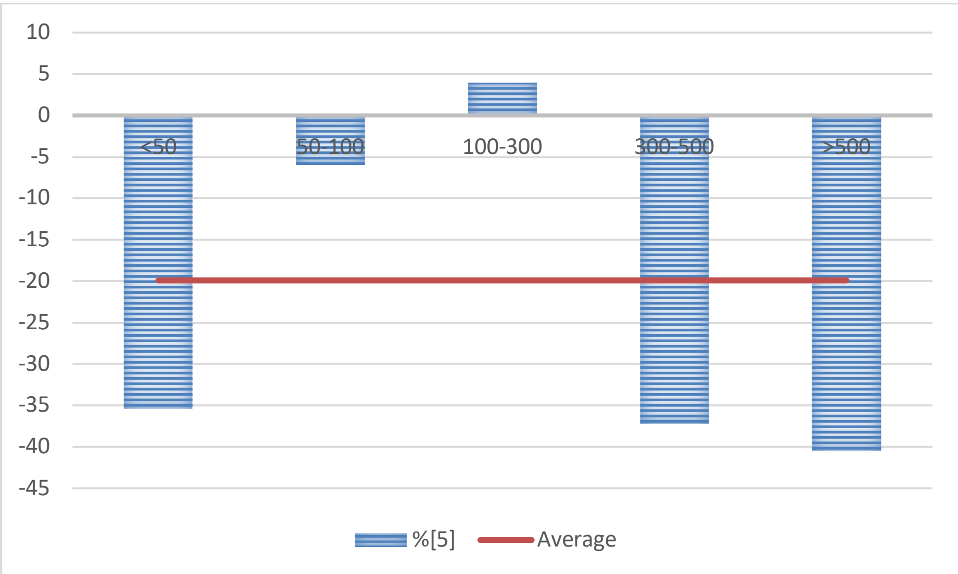
[1] – Days spent on the stock market



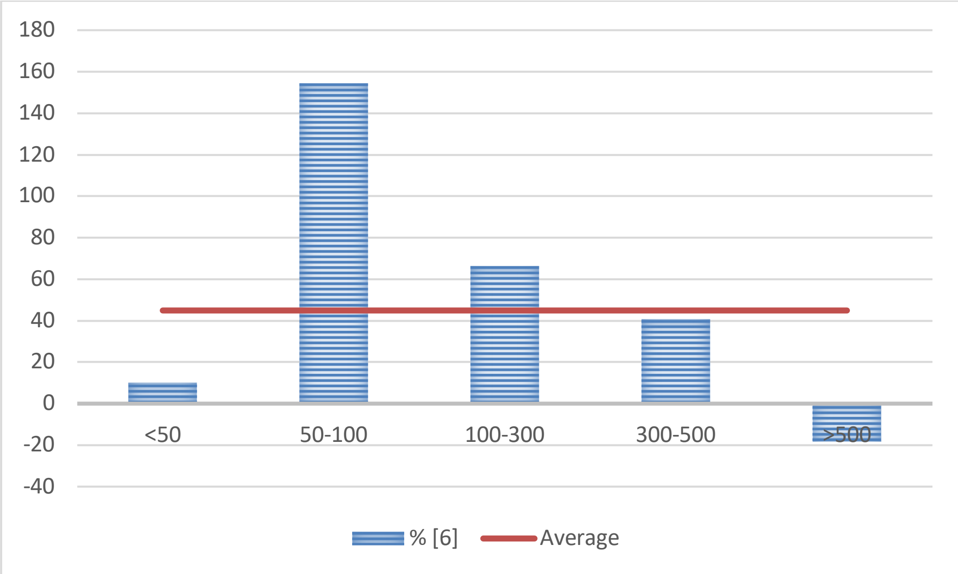
[4] – Days between IPO and achievement of best performance



% [4] – Difference (in percentage) between placement price and best performanc



% [5] – Difference (in percentage) between placement price and worst performances



% [6] - Difference (in percentage) between placement price and last price before delisting

Source: original draft

3.4 Qualitative Analysis

We felt it was important to compare the findings of the quantitative data from our Datasets with the opinion of a leading professional who has gained enormous experience in the field of IPOs and company management in the financial markets. We carried out an analysis of the main interviews appearing in the specialised press and released by some of the most important analysts of the Italian stock exchange. The selection of the participants was made taking into account their experience in IPO management, their institutional or strategic role within primary agencies of the sector, and their knowledge of the Italian corporate world, since we wanted to observe some specific data precisely related to this field, such as the quotations of companies on the Euronext Growth Milan market.

The aim of this analysis is to supplement the data that emerged from quantitative research with a point of view derived from the professional expertise and particular point of view of one of the main market players. This perspective may in fact allow us to better develop certain lines of interpretation and offer a more complete picture of the subject. We have therefore prepared a series of seven areas for reflection, expressed in the form of questions, in which it is possible to find many of the themes expressed so far. We have therefore tried to evaluate the interviews ex post, taking into account some particular areas:

A1	**The dynamics of IPOs in Italy seems to show a different trend compared to the data of other European countries, with an increase in the number and value of transactions in Italy during 2023. Is this situation linked to a particular conjuncture linked to macroeconomic dynamics or is it, as some of the literature claims, an expression of the peculiarities of the Italian economy, particularly as regards the size of the companies that decide to go public? This is also in relation to the consideration that in 2023 the IPO processes of three large-cap companies (Ferretti, Eurocommerciale properties and Lottomatica) were concluded, against a high number of small-to-medium-sized companies**
Goal	Identifying the difference between the Italian and international markets with respect to IPO trends
Ref	Research question n. 1

A2	**Il sole 24ore published a table highlighting the performance of companies that subscribed to an IPO in 2023, evaluating the performance between the placement price and the price recorded on the last day of listing. The picture that emerges is a certain balance in the dynamics between those who had a positive performance and those who, on the other hand, did not immediately reap the benefits from the transaction that they perhaps hoped for. However, the data indicate that in the face of largely positive performances (even close to or above three digits four of them), there are a significant number of companies that have recorded substantial losses. Is this situation in the first year of listing to be considered physiological for companies that have chosen to go**

	public? Is the absence of positive results for periods that can be quite long relevant in the choice of companies to delist?
Goal	Understanding the dynamics following the IPO and the causes that can lead to delisting, with particular reference to the Italian situation
Ref	Research questions n. 1 and 2

A3	**The delisting phenomenon is an element that we have carefully evaluated in our analysis. The analysis of the literature and the specialised press has highlighted a 'flight' from the market that - at least for our country - does not seem to have the dimensions it does in other markets, being substantially constant when assessed in terms of dynamics with respect to new IPOs. The trend described in the graph [graph 11. Editor's note] represents a physiological market trend, or suggests any potentially critical elements?**
Goal	Understand if there is a relationship between IPOs and Delisting on the Italian market and if there are particularly critical elements on the Italian market
Ref.	Research questions n. 1 and 2

A4	**In our work we have highlighted the taxonomy of delisting, trying to group together the causes that can push listed companies to exit the market. There are two problems in this perspective: are the categories represented actually able to describe the reasons why companies exit the stock market? It seems that a large part of the reasons hides a problem of organisational and management adequacy that limits the company's ability to stay on the market. The second problem involves the capacity of Italian companies able to survive for long in such a complex environment as the stock markets. In relation to the reasons more related to organisational-managerial dynamics, we try to explore what kind of elements can be introduced into the IPO process that can prevent problems (for**

	example) relating to the absence of requirements, specialists or problems of Governance?
Goal	*Verificare le cause del delisting, con particolare riferimento al caso italiano*
Ref	Research question n. 2

A5	**The data for the 31 companies we sampled indicate that those that have exited the market survive less than three years on average. Is this dynamic physiological or whether it hides elements of some concern. The table we propose shows the duration in days of the companies that have entered and exited the market since 2016. Why there are those differences that emerges between 2016-2017 and other years? From what seems to emerge, as of 2018 companies seem to have less "patience" in waiting for results from their participation in the market. If so, is this situation determined by cyclical circumstances, is it the result of randomness or does it conceal structural dynamics?**
Goal	*Verify the causes of delisting, with particular reference to the Italian case*
Ref	Research question n. 2

A6	**ISs the phenomenon of sliding doors represented in the literature actually present? Is it greater in the Italian market than in other markets?**
Goal	*Verify the causes of delisting, with particular reference to the Italian case*
Ref	Research question n. 2

A7	**One of the dimensions we tried to investigate with our research is the hypothesis (present in the literature) that access to financial**

	markets is affected by competition from alternative instruments, such as private equity or cryptocurrencies, to which companies can resort to obtain new capital. Does this hypothesis have any validity, particularly as regards the Italian market? Can the presence of instruments that are simpler to manage and have fewer organisational and managerial implications be an element that affects the choice of making an IPO or exiting the market? Assuming that there is a real tendency to replace presence on the stock markets with other financial instruments, can the difference that is appreciated in our country be linked to the particular nature of our production fabric?
Goal	*Verify whether among the causes of the delisting phenomenon there are also issues relating to possible access to alternative instruments to the stock market listing*
Ref	Research question n. 3

4. THE DISCUSSION OF THE SUBJECT

4.1 Italian companies and the stock market in expert's words

We have seen how, at least according to empirical data, the situation in Italy regarding the IPO and Delisting process has a significantly different trend compared to what happens in other comparable economies. It is therefore interesting to analyze deeper into the topic relating to the reasons that make the Italian market so particular.

In the past, this topic has been examined both in the literature, in the researches of the institutions responsible for regulating and controlling the market or business system. Although some studies are actually dated, some elements may be useful to highlight how the main causes that determine the particularity of the Italian system are in fact a long-lasting phenomenon.

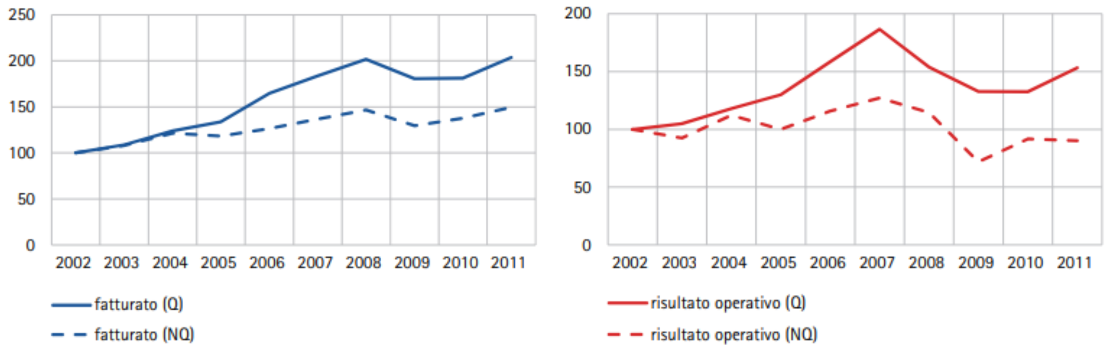
Furthermore, the topic had been the subject of analysis in financial studies as early as 2008, during a period in which the economic crisis that started in the United States had also involved European markets hard and exposed the Italian economy to a series of upheavals that had significant political repercussions. A 2008 research underlined how the lack of interest of SMEs in listing on the stock exchange could traditionally be traced back to the characteristics of our business system. The study, which aimed to address from an objective point of view some prejudices relating to the attitude of small and medium-sized enterprises towards the stock market, ended up revealing as contributory causes a rather antiquated mentality of the owners, which lacked a culture management projected towards advanced financial management, desire to maintain high levels of management informality, resistance to greater transparency and information openness towards the outside. At the basis of the limited use of small businesses on the stock exchange it seemed above all justified by the peculiar model of industrial development adopted by Italian entrepreneurship and, in particular, by small-medium sized businesses. If in Anglo-Saxon countries industrial development has been supported by the growth and improvement of the financial system and the stock market mechanism, the nerve center for the efficient allocation of capital coming from a vast public which is not precisely identifiable and in search of the best investment opportunities pro- available time, the development of Italian industry has been characterized by the centrality of the entrepreneur. Through personal contacts with various subjects and institutions, among which the relationship with banking companies was central, the entrepreneur guaranteed the flow of the resources necessary for the business. The banking system was thus the central pivot of this model, encouraging the development and success not only of small businesses. Through relationships of different kinds, sometimes regulated by real and personal guarantees, in many cases by relying on reputational and fiduciary relationships, banks, especially those most deeply rooted in the territory, have guaranteed a constant flow of resources to the entrepreneurial system. The impersonal market mechanisms, therefore, and managerial bureaucracies have given way, in Italian companies, to the personalization of exchange relationships and company governance mechanisms [47].

[47]D'Amato A., Cacia C. (2008), "La quotazione in borsa delle PMI tra mito e realtà. Il caso del mercato alternativo del campitale (MAC) di Borsa Italia S. p. A.", Enterprise and Innovation Management Studies, 3, pp. 37-66

A substantially similar picture emerges from a more recent study promoted by CONSOB in 2017 [48]. The survey, dedicated precisely to the reasons why Italian companies do not list on the stock exchange, is based on the comparison between the financial statements of a representative sample of medium-sized Italian companies in the period 2002-2011, comparing the data of medium-sized Italian companies listed in stock exchange with a sample of unlisted companies similar in size and industrial sector. The data highlighted that listed companies recorded significantly higher growth rates than unlisted ones: this growth is appreciated in terms of turnover, investments and employment, depending - according to the authors of the study - on the greater possibility of resorting to capital of debt; Furthermore, listed companies, in addition to having generated greater profitability, were affected to a lesser extent by the effects of the 2007 financial crisis and the consequent recession that began in 2009. In international evidence, the "quality" of accounting data is one of the aspects that most markedly differentiates listed companies from privately controlled ones. The results confirm, also for the Italian market, a lower "quality" of accounting data for unlisted companies which can be traced back to that set of practices known as earnings management (i.e. the use of all those accounting maneuvers which can be adopted at the discretion of the directors); Despite this, unlisted companies bear a tax burden similar or even higher than that of listed companies. Finally, unlisted companies have greater financial constraints in terms of their ability to raise risk capital and there is clear evidence of greater difficulty in accessing bank credit for unlisted companies. For these reasons, their investment opportunities are more dependent on their self-financing capacity, as indicated by the higher sensitivity of investments to cash flow compared to listed companies. Overall, this evidence indicates that the choice to "not go public" implies very high costs in terms of lower growth and profitability (Fig. 28):

Fig. 28 – Comparison between listed and unlisted companies. Turnover and profitability

[48]Giordano L., Modena M. (2017), *Implicazioni e possibili motivazioni della scelta di non quotarsi da parte delle medie imprese italiane*, Consob, Milano



Source: Giordano L., Modena M. (2017), p. 22

At the same time, the choice seems only partly attributable to the management's desire to exploit greater possibilities for manipulating accounting data (earnings management) to extract private benefits or influence contracts with stakeholders. The results of the work therefore lead us to believe that the low propensity for listing of medium-sized Italian companies - which is reflected in the smallness of our list - does not seem justified by the prevalence of the benefits linked to greater discretion in the preparation of accounting and financial reporting, nor by the costs (lower profitability, lower growth, more severe rationing and dependence on internal sources of financing) associated with maintaining the "unlisted" status. The determining factors can be traced back to cultural elements, probably linked to the perception of the overall costs of the regulatory system that regulates listing on the stock exchange. These results highlight the importance of the numerous recent interventions to simplify the rules and encourage the development of alternative financing channels to bank credit.

Moving from an analytical dimension of the past to a perspective that takes into account the growth potential of market finance in Italy, the experts deduce that the main factor will be the increase in the number and size of companies able to access alternative financing to bank credit. Direct recourse to the stock and bond markets constitutes a realistic option for larger companies and for those that have a solid financial structure: these are already able to open themselves up to the scrutiny of external entities (financial analysts, minority shareholders and agencies rating). In Italy, however, these companies are still few. It is a significant indicator of the importance that the institutions that regulate the stock exchange have towards the growth of company size that Borsa Italiana has established a specific program aimed at supporting companies in realizing their growth projects and improving their visibility among investors. It should also be noted that around 500 Italian companies participated in this program, a very small number compared to the internal entrepreneurial panorama. For medium-sized companies that are not yet ready to access regulated markets, private placements of debt or equity securities may become a viable alternative. They allow companies to reduce issuing costs and the burdens associated with the information to be given to investors; the availability of medium and long-term financing is increased. Non-bank debt obviously also presents risks, relating above all to the illiquidity of assets and the possibility of regulatory arbitrage. For smaller businesses, forms of financing other than bank credit are not always a viable alternative, as access costs can be too high. Relevant barriers to entry are the costs of obtaining a rating, those of disseminating standardized information to investors, the scarcity of collateral and the costs of acquiring the necessary legal, tax and financial expertise. For these companies, the main form of external financial resource therefore remains bank credit. For those currently on the margins of the credit market, public instruments such as, for example, the guarantees issued by the specific fund for small and medium-sized enterprises are crucial [49].

In the third chapter we investigated the phenomenon of the trend of IPOs and Delisting through some statistical analyzes on a significant sample of companies. However, we considered it important to verify what the points of view of market operators could be, trying to follow the interpretative scheme proposed at the end of the previous chapter to complete, from a qualitative point of view, the quantitative analysis that emerges from our investigation thus far. We did this through what was expressed by some important sector experts in some public interventions. The first source we use is represented by Leslie Ritchie, partner of PwC Italia, Capital Markets and Accounting Advisory services. The interview is from July 2022, therefore usable for our work because it is internal to the chronological series of IPO and Delisting data that we examined [50].

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[49] Visco I. (2019), "La finanza d'impresa in Italia: recenti evoluzioni e prospettive", Sesta conferenza su "The Italian Corporate Bond Market: what's happening to the Capital Structure of Italian Non-Financial Companies?", Milano, Baffi Carefin Bocconi – Equita, pp. 1-8.

[50] De Ceglia V. (2022), "Ritchie (PwC): "Aziende italiane fredde con la Borsa per paura di regole, trasparenza e nuovi soci", La Repubblica, 22 luglio 2022. https://www.repubblica.it/dossier/economia/italia-2022-persone-lavoro-e-impresa/2022/07/07/news/ritchie_pwc_aziende_italiane_fredde_con_la_borsa_per_paura_di_regole_trasparenza_e_nuovi_soci-356988512/. may 2, 2024.

Leslie Ritchie, in noting a low propensity of Italian companies to list on the stock exchange, believes that the main obstacle is represented by the compliance obligations that weigh on companies both during the listing process and after the IPO. The fact that the listing process requires a series of rather complex obligations: companies seem to fear that this complexity will have a negative impact on the performance of the business; furthermore, not all are prepared to follow the due diligence process determined by the market authorities: a process that imposes (before listing and then during the period of permanence on the stock market) transparent procedures, accountability and the ability to promptly inform operational results . According to the PwC analyst, this is the reason why the Italian market is still undersized compared to other European markets (at the end of 2021, Paris had double the number of listed companies and a 4.6 times higher market cap; London had a number of listed companies almost four times greater than Milan, with a market cap 5.8 times greater.

However, the reluctance represented by the organizational dimension is not the only element that limits access to the market, nor are the rules which, although not perfectly aligned with those of the other major European stock exchanges, are not so different as to discourage companies from entering the stock exchange. Leslie Ritchie pointed out that it is above all the structure of the Italian business economy that plays a fundamental role:

> "*The DNA of Italian companies is mainly based on a family-based control system and that, therefore, the listing represents a great transformation for the company, for the shareholders and for their mindset. In fact, there is a natural aversion among entrepreneurs to accept the inevitable greater degree of transparency that listing requires. There is a fear that the presence of foreign shareholders could gradually lead to the loss of control of the company and therefore there is a certain reluctance to open companies to the market. Despite the important national initiatives implemented in recent years to simplify regulations, even today many Italian companies continue to postpone access to the market and offer a basic share of capital* ".

There are more aspects that emerge from the interview than the reasons that lead a company to consider the possibility of an IPO. Among these, the possibility of raising capital to support the business growth process and the improvement of the company's liquidity structure to obtain sustainable financial leverage over time are particularly relevant; increase the market value of the company through greater reputation and visibility; diversify risk across different geographic areas; finally, listing on the stock exchange also allows for the liquidation of the investment made by the company's previous shareholders with private equity.

It is interesting to note how many companies have preferred to list on foreign stock exchanges, in order to have greater valorisation and an increase in visibility at an international level. Some lists, in fact, attract some sectors better than others (New York is a point of reference for Biotech, for example; Hong Kong tends to attract companies that operate in the luxury world). On a general level, the English and Dutch markets seem to have greater appeal than the Italian one; in part this depends on greater tax convenience and a more streamlined regulatory framework compared to the Italian one. Indeed, many companies have recently moved their registered office to another member state (usually the Netherlands), adopting corporate law and consequently choosing that stock market for the placement of the company. These are markets that have a more flexible or protective corporate governance structure than Italy, for example in relation to loyalty share mechanisms to protect existing shareholders; this makes them more attractive to Italian groups (generally large) that are willing to change their legal structure to list a foreign entity versus an Italian entity.

Leslie Ritchie then noted how the uncertainty caused by the war and even earlier by the crisis caused by the pandemic has constituted an obstacle for the listing of companies on the stock exchange, predicting - from the information in his possession in 2022 - that many companies will plan to enter in 2023 or 2024.

These data are also confirmed by what emerges from the analysis of the international framework which is the premise of the Green Paper on the competitiveness of the Italian financial markets in support of growth drawn up by the MEF. At an international level, starting from 2022 there has been a revitalization of the stock markets where, especially since the outbreak of the pandemic crisis, there has been a significant growth in capital raising, through both new listings (IPO) and capital increases by already listed companies (seasoned public offering - SPO). In 2020 and in the first half of 2021, the volume of capital raised by listed companies globally almost doubled: this phenomenon mainly concerned the United States and, to a lesser extent, China and Hong Kong, while it appears more modest at the global level. the European Union, thus increasing the latter's substantial competitive gap compared to other markets [51]. In Italy, the capital market remains undersized compared to other European economies, despite some reforms to strengthen the entrepreneurial fabric and facilitate entry into the stock market. This trend suggests rather large margins for improvement, despite the difficulties that the business world has in dealing with efforts to list on the stock exchange. Among the most significant indicators that are proposed, one of the most interesting is that relating to the relationship between market cap and GDP (Fig. 29):

Fig 29 – Ratio between market cap and GDP in the main European stock exchanges

	Euronext Venues								Other Venues			
€Tn	Paris	Milan	Oslo	Brussels	Amsterdam	Lisbon	Dublin	Frankfurt	Zurich	Madrid	Luxembourg	London
Total Mkt Cap	3.71	0.82	0.39	0.36	1.42	0.08	0.15	2.64	3.43	1.00	0.12	4.58
Nominal GDP	2.48	1.78	0.38	0.50	0.85	0.21	0.44	3.57	0.71	1.20	0.07	2.76
Ratio	1.5x	0.5x	1.0x	0.7x	1.7x	0.4x	0.4x	0.7x	4.8x	0.8x	1.7x	1.7x

Source: Euronext, Dealogic. FactSet for GDP figures, European Commission, SSB, ONS and SECO for 2021 forecasts.

Source: MEF (2022), p. 9

According to Claudia Parzani, President of Borsa Italiana.it, things are however changing and a transition is underway in the governance of companies which seems capable of significantly innovating [52]. In grasping the difficulties of Italian companies, Claudia Parzani underlines:

> "*The stock exchange is an opportunity, a bridge between companies and markets, a tool for growth that is not only financial, but also managerial and process-related. Many entrepreneurs, especially the new generations, have a different attitude towards the stock market and, more generally, the*

[51] MEF (2022), Libro verde su la competitività dei mercati finanziari a supporto della crescita. https://www.dt.mef.gov.it/export/sites/sitodt/modules/dipartimento/consultazioni_pubbliche/LibroVerde-04.pdf (2 May 2, 2024)

[52] Previndai (2022) "Manager, come to the Stock Exchange!", *Previndai*, https://previndaimediaplayer.previndai.it/manager-venite-in-borsa/ . May 3, 2024.

capital market. It is a cultural change that we have grasped and encouraged with projects such as ELITE, the ecosystem that helps small and medium-sized businesses grow and access private and public capital markets. ELITE, which celebrated its 10th anniversary last year, has seen over 2000 companies and 200 partners admitted since its launch and has been able to create an excellent network strongly oriented towards extraordinary finance operations"[53].

There are two main areas of development: sustainability and transparency. In the first case, operating from a sustainable finance perspective means promoting a cultural change that is leading to an expansion of the interests, risks and opportunities that companies must consider, evaluate and integrate into strategies and governance. Objectives linked to environmental and social factors are not short-term objectives but require a long-term perspective. The sense of urgency is there for all to see and concerns the issue of climate change but at the same time we need a paradigm shift in economic and social development: not only economic growth measurable in quantitative terms but also in terms of well-being, a more inclusive society, fewer imbalances and inequalities. Sustainable development based on green and digital economy looking at the new generations and focusing on education, training and skills. And in this fundamental scenario, having a *"best standard" governance* that gives input and direction, guides and orients choices.

The need to act concretely on environmental, social and governance aspects by governments and institutions and to direct capital towards companies with a positive impact has made a strong regulatory adjustment necessary. However, regulation must not be seen as a constraint, but as an opportunity, an important step towards greater clarity and transparency on the part of the industry towards investors.

An important perspective for the future is offered by Corinna zur Nedden, founder together with Giovanni Natali of Ambromobiliare, a consultancy firm in extraordinary finance of which she manages the Equity Capital Market department. Corinna zur Nedden has managed more than 60 IPOs. She is, therefore, a special observer of Euronext Growth

[53] Ivi.

Milan, which she considers - in a recent interview with Italia Informa, one of the most promising at a European level [54].

zur Nedden's opinion starts from the consideration (which we have already examined in the data we have proposed in the previous chapters) that the differential between IPO and delisting sees a positive sign, highlighting the Italian markets as the only ones showing this trend. First of all, Euronext Growht Milan, an ideal ground for the listing of SMEs. Corinna zur Nedden also highlights the fear of many industrialists in starting the listing process:

> "*If you want to go public, that is, have financial resources from others to develop the company, you have to open the share capital. But that's not the problem. Sometimes we are afraid of the obligation to publish financial statements, we are afraid that transparency could benefit competitors. Often, a good driver for the listing is the generational transition: before the listing there is an LLC with shares to be divided among the heirs; then there is a Spa in which the inheritance is a package of shares that are traded every day on the market and which it is always possible to sell. Or buy*."

4.2The differences between sectors

We have seen how some structural elements that characterize the Italian market are linked to the particular configuration of the business system. This consideration led us to verify whether the delisting trend seen in our country could depend on the sectors of the companies involved. We have therefore analyzed our companies from this perspective on the basis of some fundamental groupings. The first qualifying element concerns the market to which it belongs and is represented by a large prevalence of the Euronext Growth Milan market: out of the 273 companies, 250 (91.57%) are present in the various segments of this market, which is aimed in particular at small and medium-sized businesses. businesses; only 23, however - between 2016 and 2023 have the characteristics of medium-large companies and are therefore registered on different markets (in particular, the MTA electronic market). The percentage is similar to that of the companies that delisted in the same period, which stands at 93% (133 out of 143 companies that abandoned the market). The fact that most of the movements concern Euronext Growth Milan would confirm the liveliness of this market, as some observers such as Corinna zur Nedden have noted. The

[54] Redazione (2023), "Corinna zur Nedden: "Il 2024 sarà l'anno della svolta per il mercato delle PMI", *Italia Informa*, 27 dicembre 2023. https://italia-informa.com/corinna-zur-nedden-intervista.aspx. May 4, 2024

sector composition of Euronext Growth Milan is exemplified (in absolute numbers and market cap) in figure 30:

Fig. 30 - Composition of Euronext Growth Milan: numbers and market cap divided by sector

Source: Azimut, 2022

Coming to our sample, it should be noted that it is entirely made up of companies listed on Euronext Growth Milan. We then further specified membership through industry (IN) and sector (SEC) classification. Table xxx indicates the subdivisions with respect to the macro-category represented by the industry:

Fig. 31 – Subdivision of the sample by industry

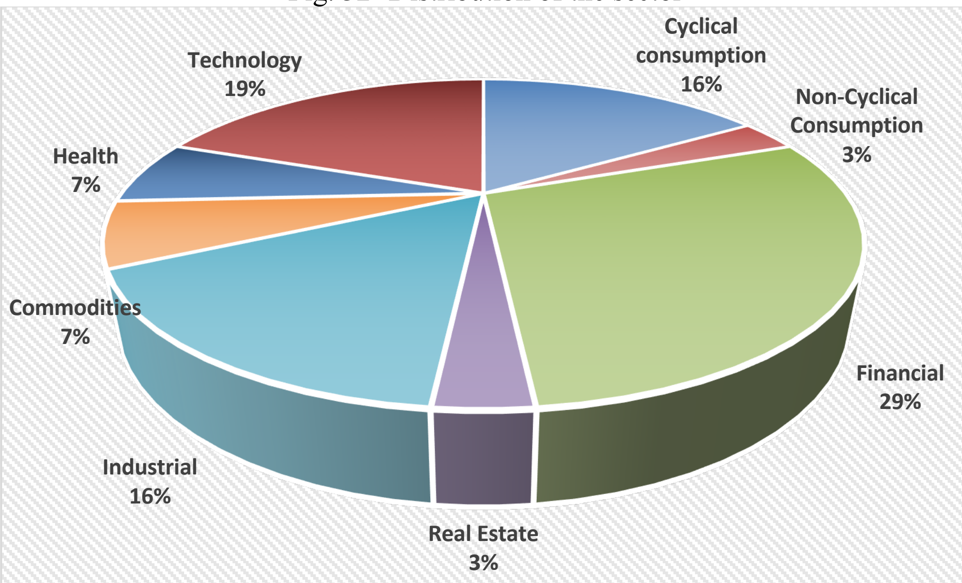
INDUSTRY	No.
Banking and investment services	7
Software and IT services	6
machinery	3
hospitality and entertainment services	3
pharmaceutical products	2
Insurance	1
cars and spare parts	1
containers and packaging	1
Construction and engineering	1
media and publications	1
personal and family products and services	1
Residential and commercial REITs	1
commercial and professional services	1
investment company	1
chemical substances	1

Source: original draft

As can be seen, the first two positions in the ranking (banking and investment services and software and IT services) appear to be those most exposed to exits from the financial markets, representing 41.9% of the sample alone.

The situation relating to the division into sectors is instead represented in fig. 32:

Fig. 32- Distribution of the sector

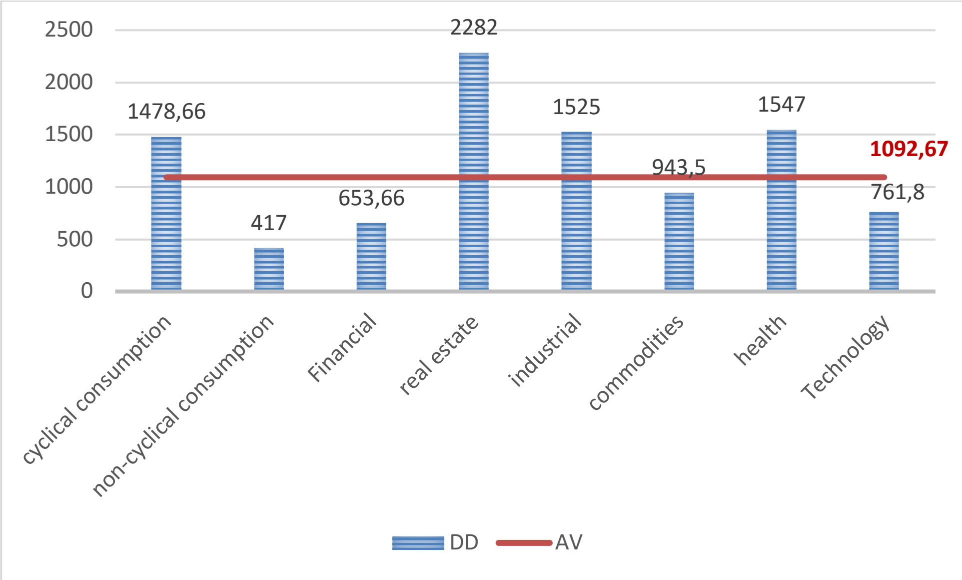


Source: original draft

In this case there is less fragmentation, which however confirms that the financial and technological sectors are the most represented.

A final check regarding the analysis of the sectors relates to the time the most exposed sectors remain on the market. With the exception of the non-cyclical consumption sector (which however is represented by only one company, making the sample less representative), the financial and technological sectors are also those which have a shorter time spent on the market, significantly lower than the average of 1092.67 days (Fig. 33)

Fig. 33 – Permanence on the business market (by sector)



Source: original draft

4.3 Relevance of operational dimension of companies

Another element that seemed significant to investigate is related to the operational size of the company. We said that the companies that make up our delisting dataset are represented in Euronext Growth Milan and therefore effectively belong to small and medium-sized enterprises. However, there can also be a significant difference between them. We investigate the size of companies through three classic indicators. These are:

- **Market Risk** : is the risk associated with a stock investment and which is measured by the market index, indicated by the stock index as a whole. The model describes a situation in which if the market has a tendency to rise, the shares of the individual company will also follow this trend. The indicator is expressed through the beta coefficient. The calculation of the beta coefficient responds to the covariance between the return of Ri of the company's share and that of Rm (market return) with respect to the variance of Rm and responds to the formula:

[7] $$\mathbf{bi = cov\ (RiRm) / var\ Rm}$$

We observe that this value represents the riskiness of the investment, since on a general level, a beta coefficient equal to 0 will characterize a risk-free return, while with a beta coefficient equal to 1 this value will be placed in perfect correspondence to the market portfolio. The beta coefficient therefore expresses the correlation of the security with respect to the reference index . In the case of a negative value, the data indicates that the index moves in the opposite direction to that of the market.

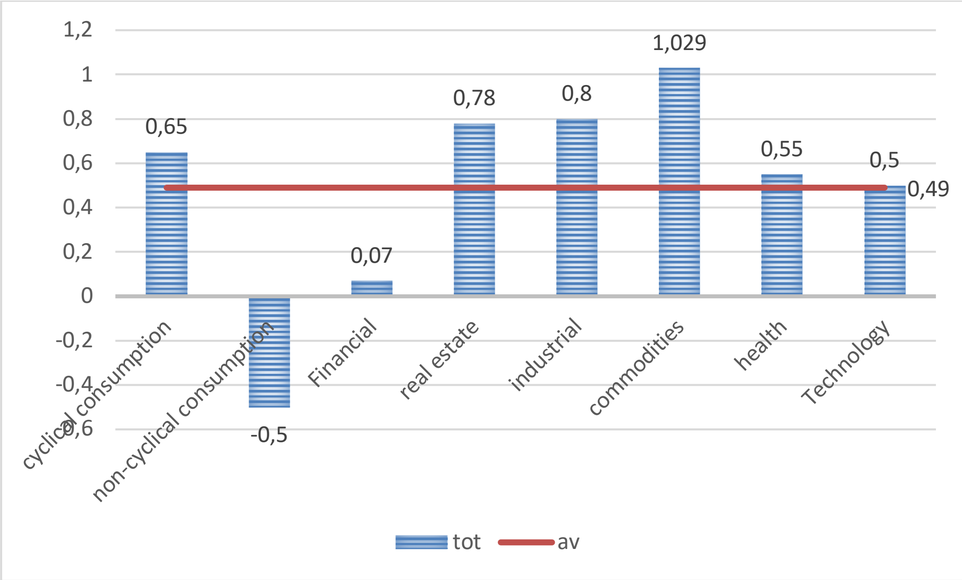
- **by the size of the company** : the second factor to take into consideration is the size of the company. In the previous chapter we have already examined the aspects related to capitalisation: in this context the company size is evaluated according to two elements: revenues (expressed in millions of euros) and the number of employees employed by the company.
- **by book value** : this is an element that is again placed in a positive correlation, implying that companies with higher book value also offer better returns and therefore should have a greater chance of remaining on the market. This is the value which in the Fama French three-factor model is indicated as E(HML), which indicates the expected return based on the relationship between the difference in return between securities with a strong relationship between book value and market value and those which have a weak value. This indicator is evaluated based on the formula

[8] $$\mathbf{HML_n = Pa / Ua}$$

in which Pa always indicates the current price of the individual share, while Ua represents the contribution that each share generated to the company's balance sheet at the end of the previous financial year.

Regarding riskiness, we would expect the most represented sectors to be those with the greatest risks in the market. Instead, the beta indicator shows that the financial sector has the lowest value, with a risk very close to that of the risk-free market (essentially the five-year BTPs issued by the Treasury), while the technological sector is placed on the average line (bi = 0.5), as can be seen from fig. 34

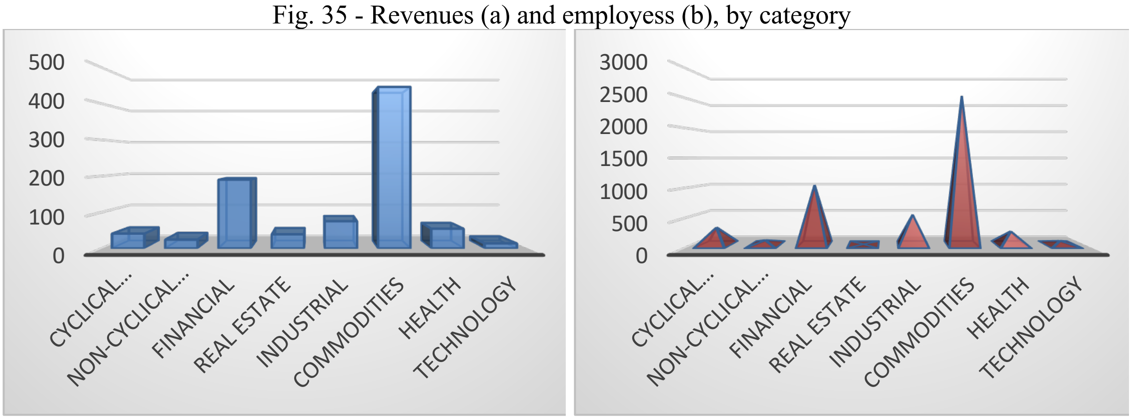
Fig. 34 – Beta coefficient, by sectors



Source: original draft

As regards the size of the companies, divided into the different sectors, they do not seem to highlight particular correlations with respect to the greater vulnerability of the companies, at least when examining the various sectors. It is true that as regards the technological sector there is a lower value of revenues and a corresponding lower number of employees; but it is also true that the trend of the financial sector shows a different trend, closer to the average for both values (fig. ...)

Fig. 35 - Revenues (a) and employess (b), by category

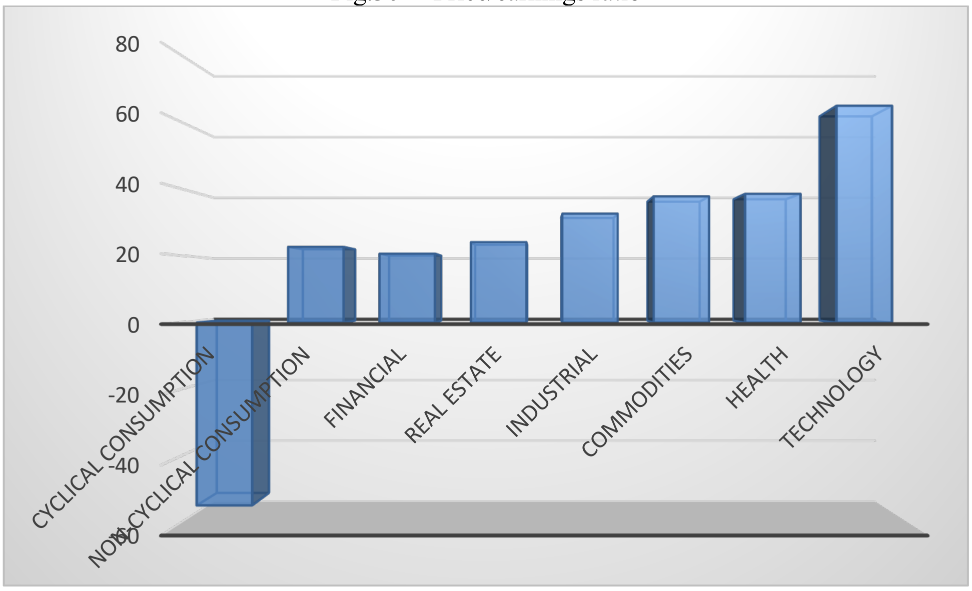


a b

Source: original Draft

Finally, the issue relating to the value of the price/earnings ratio index remains to be investigated; the distribution of which by category follows the following trend:

Fig.36 – Price/earnings ratio

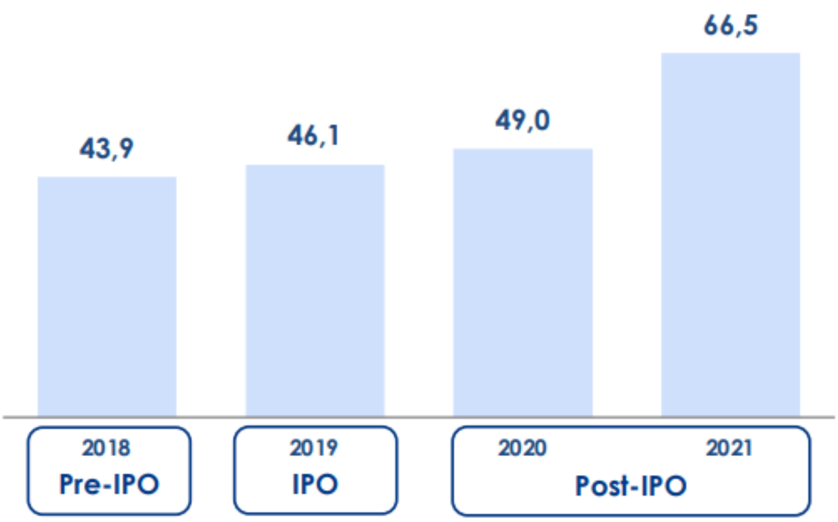


Source: original draft

The technological sector, on the other hand, is the best performing, while the financial sector is the least performing after the cyclical consumption sector, the only one with a negative value.

Read as a whole, the data we have highlighted do not seem to show a particular correlation between delisting and indicators of risk, operational and organizational dimensions, and operating results. The data is also confirmed by the performance of companies between before and after the IPO, as highlighted by the 2022 Azimut report:

Fig. 37 – Average turnover before and after the IPO



Source: Azimut, 2022

This, by exclusion, would be a confirmation of the fact that the reasons that push companies to exit the market are not linked to objective reasons, but are affected by other motivations, partly linked to a set of cultural elements that characterize our companies, in part of internal market dynamics. In fact, it has recently been highlighted that the exit from the list (exit which is often not justified by the company's market trend) is determined by a takeover bid, the ultimate aim of which appears not to be the actual acquisition of control of the company but precisely the exit from the stock exchange, a situation that occurred in 109 cases out of 174 between 2007 and 2019[55].

4.4 Lever of the Italian stock exchange and alternatives to financial markets

Many initiatives have been implemented by Borsa Italiana to help small and medium-sized businesses. In this context, Borsa, over time, has developed a series of projects to respond to the growth needs of companies by offering markets suitable for companies of different sizes. Italian Small and Medium-sized Enterprises , specifically, are companies characterized by a high level of innovation, often global leaders in niche sectors, and have very different peculiarities and needs from each other and from foreign competitors. For them, Borsa Italiana has created an ad hoc listing market designed for the Italian context, Euronext Growth Milan (EGM). The experience, conducted in collaboration with the community of operators, has made it possible to reach important numbers: since its establishment, over 270 companies have been listed on Euronext Growth Milan, which have raised almost 6 billion euros, of which 85% in capital increase. EGM was also the launching pad for 24 companies that have, over the years, moved into the mainstream market. The STAR segment of the main market is also growing, a true showcase of successful Made in Italy in the world, where Italian companies are listed that adopt best practices in terms of liquidity, transparency, corporate governance and with the presence of foreign institutional investors of over 83%. The main market of the Italian Stock Exchange has recently been the protagonist of an important reform relating to the simplification of the rules and the listing process.

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[55] Gerosa F. (2024), "L'OPA ha ormai un unico obiettivo: il delisting. La Consob riapre il dibattito", MilanoFinanza, 29 maggio 2024. https://www.milanofinanza.it/news/l-opa-ha-ormai-un-unico-obiettivo-il-delisting-spesso-ingiustificato-la-consob-riapre-il-dibattito-202101210933173589. May 29, 2024

Companies and SMEs in particular, as mentioned before, have always been a priority for Borsa Italiana. Precisely for this reason, **ELITE** was launched in 2012 , the ecosystem that helps small and medium-sized businesses grow and access private and public capital markets . ELITE's mission is to support companies in long-term sustainable growth by accelerating the process of accessing capital, skills and networking. ELITE integrates a calendar of workshops and coaching sessions with an offer of services and solutions for businesses from a qualified network of partners and advisors, supporting entrepreneurs and executives in improving their skills and enhancing their strategic plan and business opportunities . ELITE also offers access to alternative financing sources, including Basket Bonds ®* , institutional investors, private equity, venture capital and financial advisors, putting companies in the best conditions to equip themselves with the capital needed to grow in a sustainable and sustainable way over the long term. based on their needs. With over 2000 companies and 200 partners since its launch, ELITE has been able to create an excellent network strongly oriented towards extraordinary finance operations. To date, in fact, over 1120 *corporate finance* operations have been completed by the network companies, for a total value of approximately 13 billion.
The Basket Bond instrument, launched in 2017, together with Banca Finint, as partner and structurer, and with the European Investment Bank and Cassa Depositi e Prestiti, as investors, together with some other market investors, has today become a reference model as it offers small and medium-sized enterprises efficient access to the capital market. The last of these instruments presented in mid-September is the “Basket Bond Italia” which will support investment plans of up to 150 million euros. Currently, there are 9 basket bond programs that have seen ELITE as the protagonist and have supported 180 SMEs with 600 million euros. Among these I am pleased to mention the Sustainable Energy Basket Bond, the innovative program in partnership with ENI to support its supply chain and SMEs in the energy sector in general, to support the financing of their sustainable transition projects, guaranteeing a reward in terms of cost, if at the end of the duration of the issue, the sustainability commitments shared at the beginning have been achieved.
Among the other initiatives of the Euronext Group, there are various Pre-IPO programs designed for companies, to help them in the process of approaching the market and listing, one of these, Tech Share, is dedicated to companies in the technology sector with ambitions of growth and access to the capital market.

Furthermore, for technology companies, the Euronext Group has launched a European segment **Euronext Tech Leaders** , dedicated to the best companies in the Tech sector. The continental dimension is an essential element for this sector which must grow and compete on a global level with the North American and Asian giants. Tech Leaders brings together over 100 companies listed on the Euronext markets. **In Italy Tech Leaders includes 20 companies** (including De Nora which was the first Tech Leaders IPO in Europe since the launch of the program last 7 June) for over 75 billion in aggregate capitalization at the end of August. These companies have raised an average of 470 million euros on the market in the last three years. It is clear that entering the capital market is fundamental for the growth path of Tech companies.
As for the bond market, Borsa Italiana has also worked actively on the continuous development of the bond markets. In particular, a professional segment has been created for SMEs within the EXTRAMOT market, dedicated to MiniBonds issued mainly by unlisted companies. Overall, over the years the market has brought together 231 companies, of which approximately 80% are unlisted, which have issued 394 instruments for a total collection of over 9.5 billion euros.
On the sustainability front, following the growing interest shown by the investor community in bond instruments aimed at financing environmental and social projects, in 2019 Borsa Italiana introduced a transversal segment to its bond markets in order to offer the opportunity to identify clearly ESG tools. Since its inception, the segment has undergone rapid evolution and, to date, has welcomed 289 instruments, issued by all types of issuers, for over 400 billion euros in trading. Finally, last October 2021 Euronext launched the new MIB ESG index, the first ESG index dedicated to Italian blue chips and designed to identify the large listed Italian issuers that present the best sustainable financial practices.

Nonetheless, there are other forms used that are emerging on the markets. Having taken for granted the use of access to capital through the banking system, although the banking channel remains very relevant, in recent years there has been a notable diversification of the methods of access to finance for companies: following a very notable change which following the various Basel agreements, the way in which banks provide financial "assistance" to customers has also changed (this is not the place to return to this point), but certainly other rather diversified (in fact often called "shadow banking"): Private

Equity and Venture Capital funds, Private Debt, i.e. the debt contracted towards non-banking entities, rather than issues of debt instruments consisting of bonds (bonds or mini-bonds), which are normally organized through specialized operators and technological platforms.

Although Italian companies still show a strong predominance of the fiduciary relationship with the banking system, alternative capitalization tools are slowly gaining ground, also in consideration of greater ease of use and lower management costs [56].

[56]Dorini L. (2024), “La borsa e le sue porte girevoli, perché la grande sbornia è lontana”, Il Sole 24 ore, 16 febbraio 2024. https://www.econopoly.ilsole24ore.com/2024/02/16/borsa-ipo-quotazioni-porte-girevoli/. May 2, 2024.

CONCLUSION

We approached the topic of the dynamics of IPO and delisting trends specifically in the Italian stock market by examining different types of sources and using different perspectives. After examining the most recent literature on the two topics, we carried out a series of elaborations on different datasets to compare what emerged from the economic literature with the numbers, taking the period 2016-2023 as a reference: a chronological interval that seemed to us on the one hand sufficiently wide to encompass different economic cycles, dictated both by ordinary market trends and by the stresses caused by external events and global macroeconomic dynamics (‘pandemic’ and the crisis caused by the Russian-Ukrainian war, among others). The quantitative analysis examined both the companies that made an IPO in this period and those that decided to exit the market; we then delved, again from a quantitative point of view, into the overall situation of companies that went through the entire cycle (from IPO to delisting) between 2016 and 2023.

The quantitative analysis alone, however, seemed to be insufficient to fully define the causes of Italian companies' low propensity towards regulated markets as a tool to support growth. We therefore decided to deepen the investigation with a qualitative approach, based on the opinions of a number of professionals who have spoken on the subject in recent years, trying to frame their answers within a scheme of work that we have presented at the end of chapter three.

The synthesis we propose at the end of our work starts precisely from the approach to these areas.

In the first one (A1), we had asked ourselves whether the trend of Italian IPOs (which differs from what is recorded in other contexts) was a cyclical situation or an expression of Italian peculiarities. Qualitative and quantitative analysis inclines towards the latter possibility: this emerges not so much from the numbers (which still show a backward trend compared to other countries) but from the dynamism of a market such as Euronext Growth Milan: a market that was designed precisely to meet the needs of the Italian production fabric and involve small and medium-sized enterprises, and which seems to meet with the approval of many analysts. Entering the stock market, however, is a complex matter, which can put less structured companies under operational stress. We assessed whether this affects the permanence of companies after the IPO and observed that companies that listed before 2019 have a longer permanence on the market than those that did so after; on the other hand, there seems to be a correlation between time on the market and operating results. What emerges is that the market dynamic seems to scare off less structured companies, which show reluctance in the face of below-expected performance and are not always able to resist the temptation to 'escape' (the term 'escape' was much used, especially between 2020 and 2021, to signal the phenomenon of delisting, which in those years had assumed a rather significant dimension). To tell the truth, looking at the data, the idea of flight does not seem justified, because the balance between entries and exits has always been positive in the series we have studied and that, if anything, the data that emerges is that of a lesser predisposition to enter the market (Fig. 9), while the increase in the number of companies that have delisted shows a constant trend, in which the rise must be read as a consequence of the cumulative data (A2-A3).

However, it is significant to note that there is a convergence of literature, data and opinion leaders in identifying bureaucratic and, above all, organisational and managerial reasons as concauses of the low readiness of our companies to enter the stock market. This fact also stems from the history of the productive fabric of our country, where alternative instruments to bank credit (not only the stock exchange, but also more recent instruments such as private equity or even cryptocurrencies) struggle to establish themselves. Italian entrepreneurs are more inclined to manage the financing of their companies through the network of relationships and collaborations present in the territory; thus, the main causes of delisting are precisely linked to the difficulty of ensuring organisational and managerial adequacy over time, to the point that medium and small companies give the impression of not being able to survive in the market for long: the companies we have identified as our sample have in fact survived on average less than three years (A4-A7), without this necessarily meaning that the systematic phenomenon that some analysts (to tell the truth, more in the specialised press than in the economic literature) define as sliding doors is taking place: that is, a tactical behaviour enacted by companies that enter and exit the financial market only to acquire more liquidity in the short term (A6). If anything, we have seen how other stock market dynamics have a certain impact: these include hostile takeover bids, aimed not so much at acquiring control of the company, but at producing a forced delisting. The data is interesting and it would be appropriate to explore it further in a possible development of the research.

We are therefore in a position to answer our research questions. The first question asked whether or not the dynamic between IPO and delisting was a structural phenomenon. From what emerged in our analysis, the answer is positive: on the one hand, the regulated market attracts, on the other, it puts a strain on the organisational capacities of companies that are still tied to a traditional management model that puts the figure of the entrepreneur at the centre. This structural dimension is linked to the particular ‘design’ of the Italian production fabric and can only find real change (with positive effects also on the market cap of Italian stock exchanges) through the growth of the company's operational dimension. Growth that is not just a quantitative element linked to turnover or operating results, but above all a cultural one, and which therefore entails the need to adopt a new management style.

The cultural element is the one that seems most significant to us. Not only because it emerges from the economic literature and also from the voices of experts: when we investigated whether the size of companies (in terms of sectors they belong to, capitalisation or other indices that we highlighted in chapter four) we saw that these dimensions do not essentially seem to correlate with the decision to delist and are therefore to be considered neutral with respect to the decision of companies to confront the market.

The cultural dimension of entrepreneurship in our country thus reveals how entrepreneurs on the one hand look with curiosity at the possibilities linked to the stock market, while fearing the effects that a listing may have on company management. The traditional approach to financing investments and growth also has repercussions on the possibility for companies to resort to alternative instruments: private equity, cryptocurrencies do not yet seem to be able to assert themselves (and to assert themselves to the detriment of entering the stock markets) for the same cultural reasons that characterise the Italian entrepreneurial class and that we have already highlighted.

As part of our analysis, we encountered numerous research perspectives and followed (through the data and insights gained from previous studies) different lines of analysis.

One of the most interesting emerged just as we were about to deliver our work: it is the one that sees as the main cause of delisting the implementation of hostile takeover bids whose purpose would not be so much to gain control of the company (which we have seen happen in less than half of the cases) but precisely to provoke its exit from the market. This is an element of great interest that could constitute an interesting investigation through the analysis of the findings on takeover bids related to the sample of companies that were part of our dataset.

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Appendix – Dataset

Company	ISIN CODE	A_IPO	D_IPO	Reason	Detail	A_DEL	D_DEL	PCOLL	UQ	MAXS	D_MAXS	MINS	D_MINS	CAP
Coima RES	IT0005136681	2016	13-mag-2016	OPA	OPA	2022	12-ago-2022	10,00 €	9,98 €	10,10 €	27-lug-2022	4,38 €	30-ott-2020	360.343.448,00 €
Energica Motor Company	IT0005143547	2016	28-gen-2016	OPA	OPA	2022	14-mar-2022	3,20 €	3,20 €	5,92 €	4-lug-2018	1,33 €	29-ott-2020	97.744.732,00 €
Industrial Stars of Italy 2	IT0005185548	2016	27-mag-2016	F	Fusion with SIT Group	2017	20-lug-2017	10,00 €	13,30 €	13,50 €	18-lug-2017	9,55 €	28-lug-2016	129.278.000,00 €
SITI B&T Group	IT0005171936	2016	31-mar-2016	OPA	OPA	2022	21-mar-2022	8,00 €	3,70 €	12,50 €	6-lug-2017	1,26 €	16-mar-2020	46.366.698,00 €
SMRE	IT0005176299	2016	20-apr-2016	OPA	OPA	2019	25-apr-2019	2,50 €	6,00 €	6,70 €	31-dic-2018	5,78 €	11-ott-2018	133.470.000,00 €
Capital For Progress Single Investment	IT0005276602	2017	4-ago-2017	DA	Decision of Company	2021	4-gen-2021	10,00 €	5,20 €	9,40 €	6-giu-2019	5,20 €	22-dic-2020	- €
Digital360	IT0005254252	2017	13-giu-2017	OPA	OPA	2023	25-ott-2023	1,15 €	5,34 €	5,36 €	16-ago-2023	0,64 €	12-mar-2020	104.858.717,00 €
Finlogic	IT0005256323	2017	9-giu-2017	OPA	OPA	2023	20-giu-2023	3,60 €	11,95 €	12,05 €	5-mag-2023	3,76 €	15-giu-2017	84.655.712,00 €
Gamenet Group	IT0005282725	2017	6-dic-2017	OPA	OPA	2020	26-feb-2020	7,50 €	12,98 €	14,02 €	22-ott-2019	6,70 €	2-gen-2019	395.392.662,00 €
Portale Sardegna	IT0005305443	2017	16-nov-2017	F	Fusion with Destination Italia	2023	6-giu-2023	3,20 €	2,84 €	8,20 €	10-giu-2021	1,57 €	10-set-2020	4.633.720,00 €
ALP.I	IT0005319733	2018	1-feb-2018	F	Fusion with Antares Vision	2019	28-apr-2019	10,00 €	10,80 €	10,80 €	1-apr-2019	9,50 €	1-ago-2018	111.240.000,00 €
CFT	IT0005262313	2018	30-lug-2018	OPA	OPA	2021	22-mar-2021	9,24 €	4,59 €	9,30 €	31-lug-2018	1,76 €	4-nov-2020	44.982.000,00 €
Gabelli Value for Italy	IT0005329856	2018	20-apr-2018	S	Liquidation of Company	2020	21-apr-2020	10,00 €	9,80 €	10,00 €	20-apr-2018	9,10 €	5-dic-2018	107.800.000,00 €
Guala Closures	IT0005311821	2018	6-ago-2018	OPA	OPA	2021	20-lug-2021	9,67 €	8,20 €	9,80 €	9-ago-2018	4,33 €	13-mar-2020	574.234.962,00 €
Kolinpharma	IT0005322950	2018	9-mar-2018	OPA	OPA	2023	27-set-2023	7,00 €	9,90 €	15,60 €	21-giu-2019	5,81 €	25-gen-2019	16.231.752,00 €
Life Care Capital	IT0005323560	2018	7-mar-2018	S	Liquidation of Company	2020	8-set-2020	10,00 €	9,95 €	9,95 €	18-ago-2020	9,11 €	20-dic-2018	139.300.000,00 €
SPAXS	IT0005321317	2018	1-feb-2018	F	Fusion with Banca Interprovinciale	2019	4-mar-2019	10,00 €	7,29 €	10,05 €	20-lug-2018	6,30 €	27-dic-2018	4.613.000,00 €
Techedge	IT0005331001	2018	19-dic-2018	OPA	OPA	2021	3-mar-2021	4,20 €	5,40 €	5,70 €	26-ott-2020	4,30 €	16-lug-2020	- €
AMM	IT0005367427	2019	30-apr-2019	OPA	OPA	2021	22-lug-2021	2,85 €	2,39 €	4,70 €	22-mag-2019	1,06 €	20-ott-2020	4.505.673,00 €
Sicit Group	IT0005372344	2019	20-mag-2019	OPA	OPA	2021	5-ago-2021	11,40 €	16,80 €	17,70 €	6-mag-2021	6,28 €	17-mar-2021	330.044.702,00 €
Euro Cosmetic	IT0005425456	2020	6-nov-2020	OPA	OPA	2021	28-dic-2021	6,30 €	8,58 €	8,60 €	21-ott-2021	5,86 €	4-dic-2020	36.360.324,00 €

Fabilia Group	IT0005417784	2020	11-ago-2020	B	Lack of Euronext Growth Advisor	2023	3-mag-2023	1,60 €	0,56 €	1,93 €	9-apr-2023	0,56 €	28-set-2022	3.344.000,00 €
Labomar	IT0005421646	2020	5-ott-2020	OPA	OPA	2023	6-set-2023	6,00 €	9,95 €	15,95 €	30-giu-2021	6,38 €	21-dic-2020	183.916.227,00 €
Sebino	IT0005413510	2020	19-giu-2020	OPA	OPA	2023	12-set-2023	2,00 €	7,18 €	7,80 €	27-set-2021	2,15 €	2-nov-2020	96.016.481,00 €
Sourcesense	IT0005417040	2020	12-ago-2020	OPA	OPA	2022	4-nov-2022	1,30 €	4,19 €	4,25 €	24-gen-2022	2,13 €	19-lug-2021	32.985.775,00 €
Banca Carige	IT0005428195	2021	27-lug-2021	OPA	OPA	2022	20-set-2022	1,01 €	0,79 €	1,21 €	1-ago-2021	0,59 €	18-dic-2018	600.520.107,00 €
Industrial Stars of Italy 4	IT0005447229	2021	8-lug-2021	DA	Business combination with Sicily by Car	2023	3-ago-2023	10,00 €	10,00 €	10,40 €	11-apr-2023	9,05 €	27-giu-2023	129.278.000,00 €
Nice Footwear	IT0005466880	2021	18-nov-2021	OPA	OPA	2023	8-mar-2023	10,00 €	12,25 €	17,49 €	19-nov-2021	8,99 €	25-mar-2022	25.113.112,00 €
ReeVo	IT0005438038	2021	6-apr-2021	OPA	OPA	2023	8-ago-2023	7,74 €	17,55 €	17,90 €	22-ott-2021	9,49 €	19-lug-2021	89.140.451,00 €
REVO	IT0005444259	2021	26-mag-2021	F	Fusion with ELBA Assicurazioni	2022	21-nov-2022	10,00 €	8,82 €	10,90 €	25-gen-2022	7,78 €	12-apr-2023	200.700.000,00 €
Sababa Security	IT0005468506	2021	17-dic-2021	OPA	OPA	2023	23-mag-2023	3,70 €	4,26 €	4,30 €	4-gen-2022	2,30 €	17-ott-2022	30.936.120,00 €