



Degree Program in Economics and Business

Private Equity Value Creation Strategies in Italy

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Introduction

Private equity has become a central player in reshaping corporate ownership and performance across developed markets. In Italy, its influence has grown steadily, driven by the increasing need for capital, modernization, and professionalization in a business landscape dominated by family-owned and mid-sized enterprises. Far from being a peripheral or purely financial phenomenon, private equity is now a strategic force that actively intervenes in the management and direction of the companies it acquires. This thesis examines how private equity creates value in Italy, focusing on the tools, strategies, and decisions that transform companies during the holding period and prepare them for a successful exit.

While financial engineering, especially leverage and multiple arbitrage, once defined private equity's playbook, this model has lost much of its effectiveness. Rising interest rates, tighter credit conditions, and compressed valuations have made traditional levers less reliable. As a result, operational improvements have emerged as the dominant source of value creation.

The study explores this transformation through an integrated analysis of both financial and operational levers, supported by institutional data, academic research, and case studies. Valentino, Golden Goose, and Nexi are used to illustrate how private equity investors engage with different types of companies, apply tailored strategies, and create long-term value beyond financial returns. The aim is to go beyond generalizations and show how private equity in Italy functions not only as a capital provider, but as a driver of business transformation. In doing so, the thesis contributes to a clearer understanding of how private equity adapts its global toolkit to local realities, and what that means for the future of Italian enterprise.

Chapter 1: Literature review

1.1 What is Private Equity?

Private Equity refers to a class of capital investments in companies that are not publicly traded on capital markets. As defined by PwC, private equity represents the share of a private investor in a company, factoring in any net debt associated with the transaction. The primary goal of a PE investment is to acquire a stake in a target company with the expectation that its value will grow significantly over a defined investment horizon. These investments are characterized by a clear risk-return profile and a finite time frame. The overarching objective is to maximize the enterprise value of the company culminating in a profitable exit. (PwC Slovacchia, n.d.)

Private equity investments are most commonly conducted through private equity funds, which act as pooled investment vehicles. These funds are typically structured as limited partnerships, where capital is raised from a variety of investors and allocated toward the acquisition and development of private companies.

A private equity fund comprises two main groups: limited partners (LPs) and a general partner (GP). The LPs, who contribute the majority of the capital, are passive investors and include institutional entities such as pension funds, insurance firms, and endowments, as well as high-net-worth individuals. Their primary concern is the return on their investment, and they do not participate in the day-to-day management of the fund. In contrast, the GP assumes responsibility for the operation and strategic direction of the fund. The GP manages the investment process, including sourcing, evaluating, and executing deals, as well as overseeing portfolio companies and planning exit strategies. In exchange, the GP is compensated with a management fee, typically a percentage of total capital committed, and a share of the fund's profits, known as carried interest. (Kirkulak-Uludag, 2013)

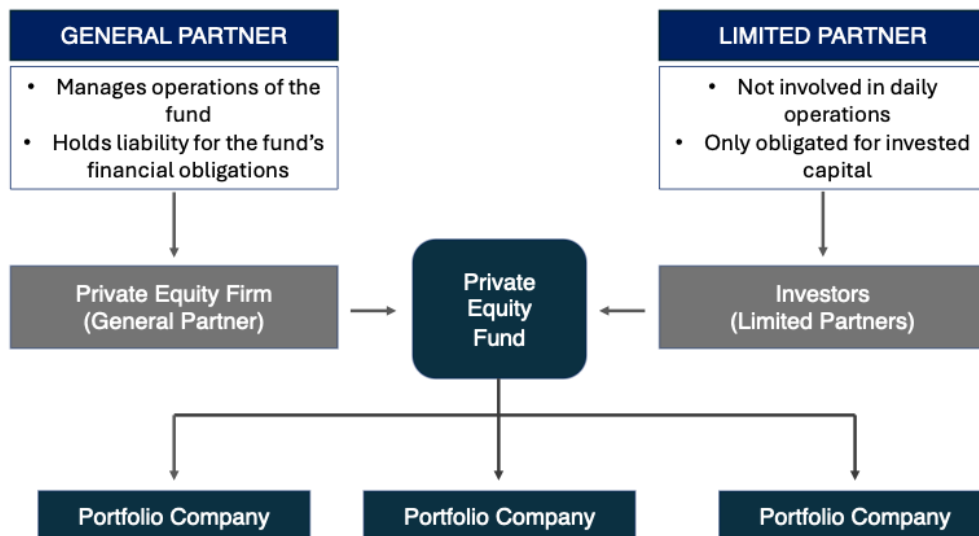


Figure 1: Structure of a Private Equity Fund (Kirkulak-Uludag, 2013)

A distinctive characteristic of private equity fund performance is its J-curve return profile. In the early stages of a fund's life, investors may experience negative returns due to upfront costs such as management fees and initial investments that have yet to generate revenue. This phase forms the downward slope of the “J.” As portfolio companies begin to mature and are exited, returns accelerate, forming the upward slope of the curve. This pattern reflects the delayed nature of value realization in PE and underscores the importance of a long-term investment horizon. (KKR, n.d.)

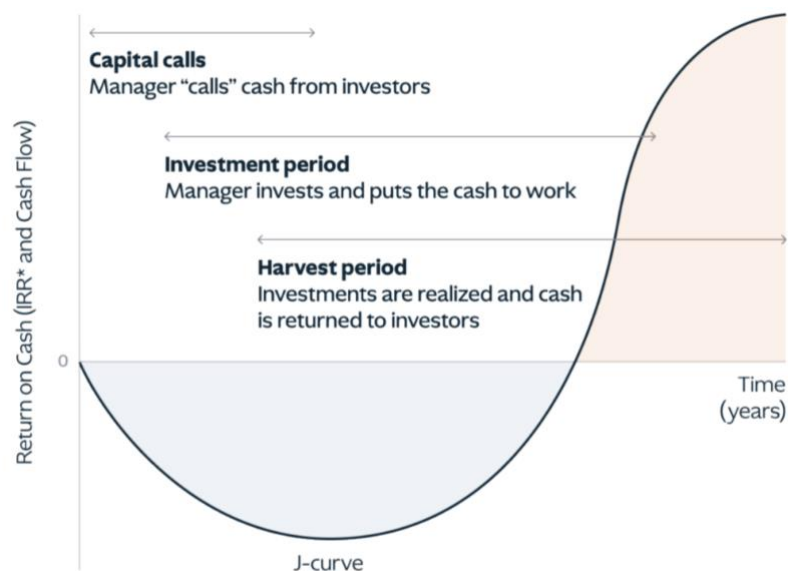


Figure 2: The J-curve in Private Equity (KKR, n.d.)

Private equity includes a range of investment strategies tailored to different stages of company development. Venture capital involves minority stakes in early-stage companies that often lack stable revenues but may offer exponential growth potential. These investments are high-risk and rely on a small number of successful cases to offset widespread failures. Growth

equity focuses on companies that are more mature than startups but still in need of capital to expand, professionalize operations, or enter new markets. These firms typically generate revenue and exhibit strong growth trajectories, but they are not yet candidates for full buyout. Buyouts entail majority investments in established companies. (KKR, n.d.) This thesis will focus specifically on buyout transactions, as they represent the most analytically rich context for understanding value creation strategies in the Italian private equity landscape.

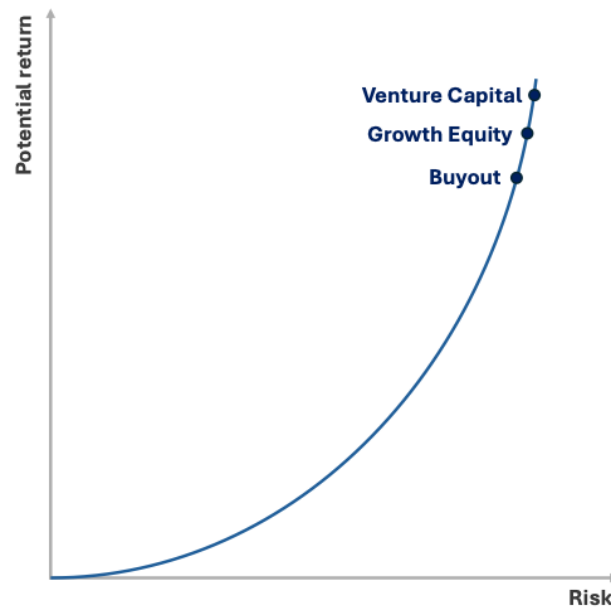


Figure 3: Risk and return in private equity (KKR, n.d.)

The lifecycle of a private equity investment in a buyout strategy can be broken down into four interrelated stages, each critical to generating long-term value for investors:

1. **Sourcing:** General Partners (GPs), also referred to as private equity managers (PEMs), begin by identifying potential investment opportunities in private companies. This sourcing process may rely on proprietary networks, industry relationships, or financial intermediaries, with the goal of securing high-quality deal flow aligned with the fund's investment thesis.
2. **Capital Deployment and Structuring:** Once a target is selected, the GP structures the transaction, typically using a combination of equity and a substantial amount of debt. Importantly, capital committed by Limited Partners (LPs) is not deployed upfront; instead, it is drawn down incrementally over the investment period, which usually spans at least three to four years. During this stage, GPs also negotiate governance rights such as board representation to influence key decisions.

3. **Active Management:** After acquisition, the GP actively manages the portfolio company with the aim of enhancing its operational performance, strategic positioning, and financial health. GPs often exert significant control over strategic decisions to ensure value creation.
4. **Exit and Realization:** The final stage involves exiting the investment, typically through a trade sale, secondary buyout, or IPO, to realize returns for the fund. Notably, the GP's compensation structure is heavily reliant on carried interest, which is only earned upon successful exit, not based on interim valuations. This aligns the GP's incentives with long-term value creation and final outcomes rather than short-term performance.

These stages, while sequential in theory, often overlap in practice, as new deals may be sourced while other companies are being managed or exited. This dynamic lifecycle reflects the iterative and multi-tasked nature of private equity fund management. (Brach, 2020)

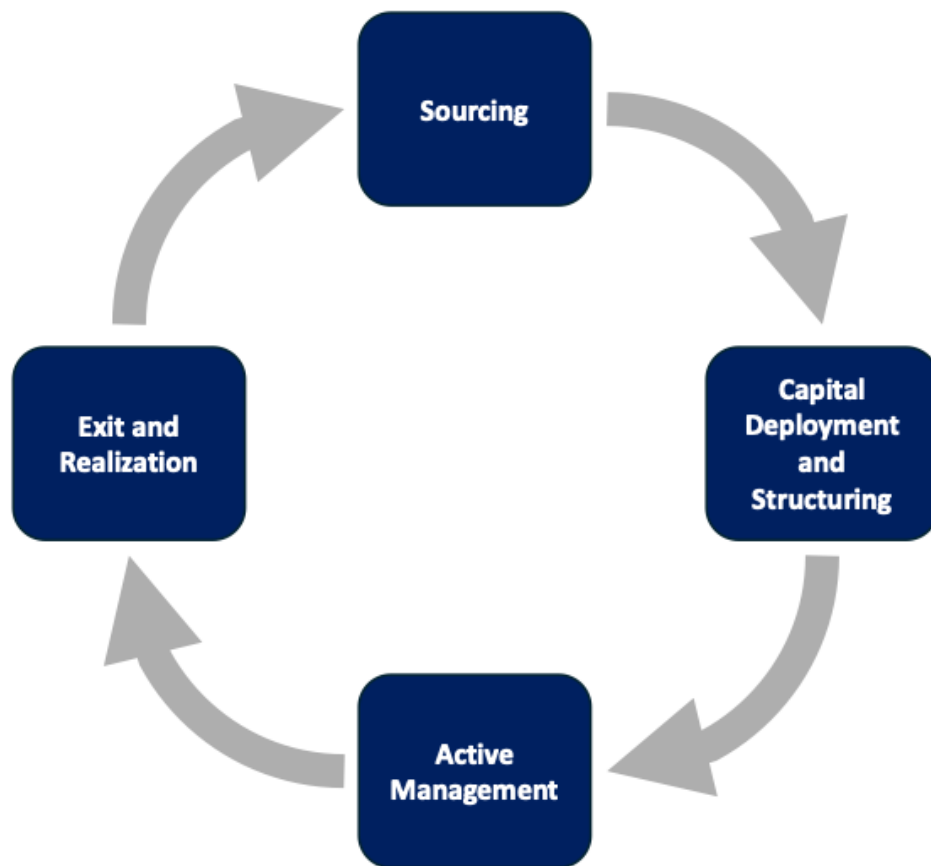


Figure 4: Lifecycle of a Private Equity Deal (Brach 2020)

1.2 Historical Development of Private Equity

Private equity, now recognized as a major force in global finance, has its origins in the mid-twentieth century when a few pioneering firms began directing capital into private enterprises. Although the structure of the industry has evolved significantly over time, progressing from

small, early-stage buyouts to multi-billion-dollar mega-deals, examining how private equity first emerged in the United States and later expanded across Europe helps to highlight both the key historical developments behind its rise and the more subtle ways in which firms interact with portfolio companies following acquisition. The modern private equity landscape owes much to developments in the United States following World War II. In 1946, two firms, American Research and Development Corporation (ARDC) and J.H. Whitney & Company, broke from past patterns of family-driven investing by using institutional capital to finance privately held ventures (Harvard University Blogs, 2008). The 1950s and 1960s brought further innovations, especially the development of leveraged buyouts (LBOs): in 1955, McLean Industries famously acquired the Pan-Atlantic Steamship Company using a mix of borrowed funds and preferred stock, thereby reducing the buyer's own equity contribution (M&C Partners, 2020). A few years later, in 1964, Lewis Cullman carried out what is widely regarded as the first formal leveraged buyout, acquiring Orkin Exterminating Company with debt financing as the key component (Yale Alumni Magazine, 2019). Although these deals lacked the sheer scale of later buyouts, they established a pattern: acquiring a firm using external leverage and counting on future performance to service the debt. By the 1980s, private equity had moved into the spotlight, particularly through a surge in large-scale leveraged buyouts. Jerome Kohlberg Jr., Henry Kravis, and George Roberts left Bear Stearns to form Kohlberg Kravis Roberts & Co. (KKR), a firm that played an outsized role in shaping the decade's perception of LBOs (Investment U, n.d.). Deals began to grow not only in number but also in media coverage, as buyouts often involved bold tactics and substantial gains. One high-profile transaction was the \$80 million acquisition of Gibson Greetings by a group led by William E. Simon, a former U.S. Treasury Secretary. The returns realized from this deal showcased the profit potential of structuring acquisitions around debt (Time Magazine, 1980). Perhaps the most emblematic transaction of the era was the 1989 buyout of RJR Nabisco, executed by KKR at a groundbreaking \$31.1 billion valuation (Wallace, 1990). The scale of the deal, unprecedented at the time, underscored the magnitude of capital LBO firms could deploy. It also sparked wider debates about the social and economic effects of large corporate takeovers, with questions about debt burdens, layoffs, and short-term priorities. Yet these high-profile transactions introduced the notion that, beyond simply buying and selling companies, private equity owners might intervene, sometimes controversially, in a target's internal operations to enhance profitability.

Following a relative slowdown in the 1990s, private equity regained momentum in the early 2000s, culminating in a wave of mega-buyouts from 2005 to 2007. By this point, credit markets were accommodating, and institutional investors, familiar with the outsized returns of the 1980s, were eager to commit capital on a much larger scale (Samuelson, 2007). However, the tide began to turn by mid-2007, as rising concerns over subprime lending and overall debt levels made lenders cautious (Sorkin, 2007). The 2008 global financial crisis revealed the fragility of highly leveraged buyout models and prompted many private equity firms to reassess their approach to value creation. As traditional return drivers became less reliable, leading firms began to pivot toward operational improvements as a more sustainable strategy. This marked a shift from financial engineering to a deeper engagement with portfolio companies, emphasizing repeatable processes, performance monitoring, and managerial upgrades. Many firms increased their involvement in portfolio management and established internal teams dedicated to uncovering operational efficiencies and growth opportunities. This evolution toward a more hands-on, activist model has since become a defining feature of the industry's post-crisis trajectory (Bain & Company, 2011).

1.2.1 Europe and Italy

As the private equity industry matured in the U.S., Europe also embraced buyouts as a tool for corporate restructuring, growth, and ownership transitions. By the turn of the millennium, the introduction of the single currency (euro) and efforts toward more harmonized legal and financial frameworks enabled Europe-wide deals, sparking the growth of a continental buyout ecosystem. Among the drivers propelling European buyouts was the restructuring push following privatizations or broader shifts in corporate strategy. Historically, the deals featured lower leverage ratios than in the U.S., reflecting local regulatory constraints and cultural reservations about aggressive indebtedness (European Central Bank, 2005).

In Italy, by the mid-1980s, a cohort of nine private financial companies and banks established AIFI (the Italian Private Equity, Venture Capital, and Private Debt Association). Although AIFI was initially oriented to multiple forms of private investment, it gradually became a central organization for buyout and growth-oriented deals, assembling industry data, working with legislators, and offering educational events. During the 1990s, interest in private equity grew alongside the broader “new economy” phenomenon. By 2000–2001, Italy recorded around 86 active operators. A subsequent period from 2005 saw further expansion, with the number of participants rising to 129. However, the aftermath of the 2008 financial crisis triggered a market

contraction that led to a wave of consolidation. Several smaller operators exited the scene entirely, while others were absorbed through mergers, reflecting the growing difficulty of surviving in a more competitive and capital-intensive environment. Despite these challenges, the market gradually moved toward more professionalized and structured approaches to buyout transactions. Such deals in Italy have historically targeted small and mid-sized enterprises (SMEs), reflecting the structure of the country's industrial landscape. In fact, many Italian deals concentrate on family-owned companies, often in sectors like luxury, design, manufacturing, or consumer goods (Catarinella, 2024).

1.3 Private equity in Italy: market size and key players

As of 2025, Italy's private equity market has traced a distinct trajectory over the previous five years, marked by both expansion and contraction. After peaking at US\$19.52 billion in 2021, deal values declined notably to US\$9.14 billion in 2023, reflecting a period of subdued investment sentiment and broader economic uncertainty. Despite this dip, a gradual resurgence took shape in subsequent years, culminating in an anticipated deal value of US\$10.24 billion in 2025 (Statista, n.d.).

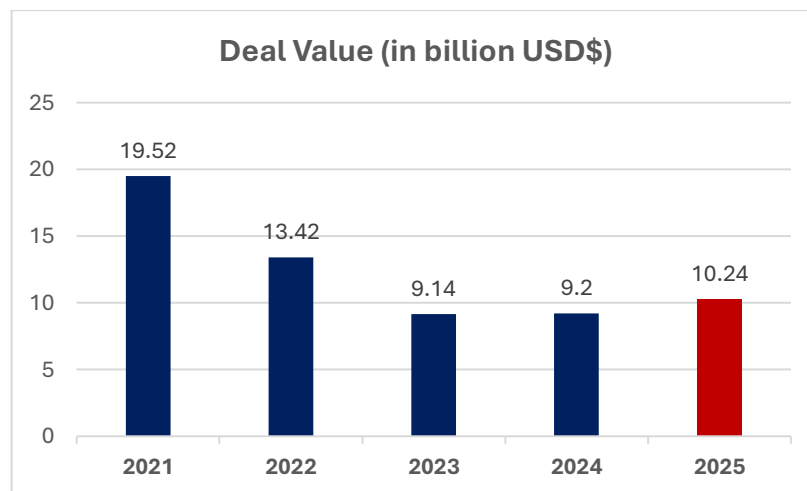


Figure 5: Deal Value in Italy (Statista, n.d.)

During this timeframe, the number of deals in Italy's private equity market also underwent notable shifts, peaking at 237 in 2022, dipping to 130 in 2023, and then recovering to 145 in 2024. Looking ahead, forecasts for 2025 predict a further increase, reaching approximately 162.90 deals (Statista, n.d.).

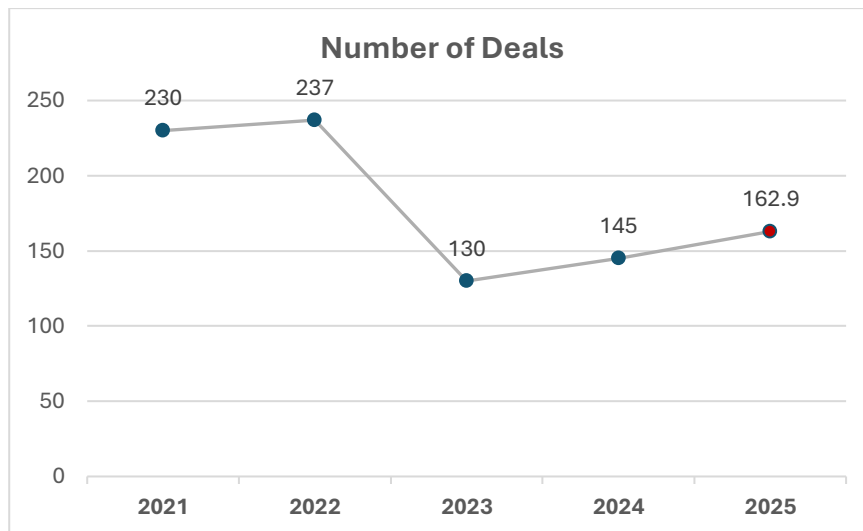


Figure 6: Number of Deals in Italy (Statista, n.d.)

Over the same period, the average deal size declined from US\$84.88 million in 2021 to US\$56.64 million in 2022, rebounded to US\$70.28 million in 2023, and settled at US\$63.48 million in 2024. Projections for 2025 place this metric at around US\$62.83 million (Statista, n.d.).

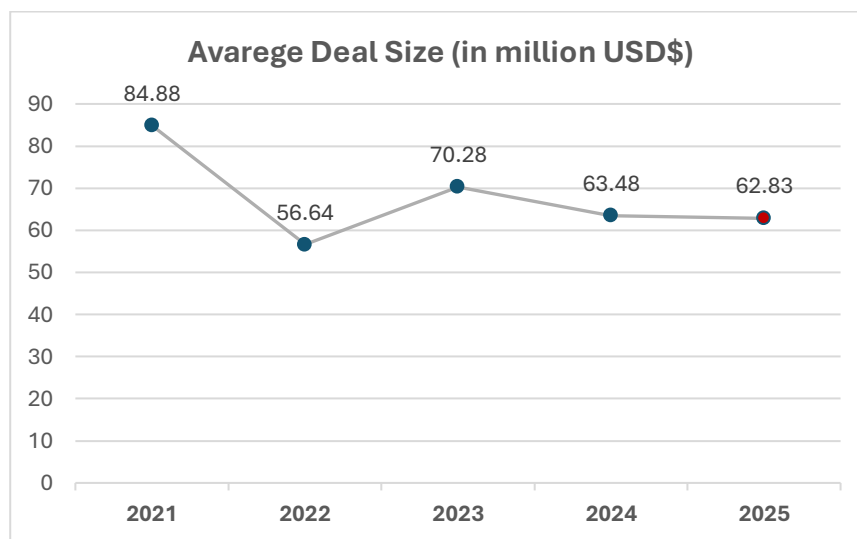


Figure 7: Avarege Deal Size in Italy (Statista, n.d.)

Between 2022 and 2024, the percentage distribution of buyouts underwent significant shifts: in 2022, small buyouts represented 48% of deals, medium buyouts 40%, and large and mega deals 12%. By 2023, the proportions for small and medium had risen to 53% and 41% respectively, while large and mega deals dropped to 6%. Final data from 2024 reveal a marked decline in the

share of small buyouts (43%) and a rise in medium deals (49%), alongside 8% for large and mega transactions (Italian Private Equity, Venture Capital and Private Debt Association, n.d.).

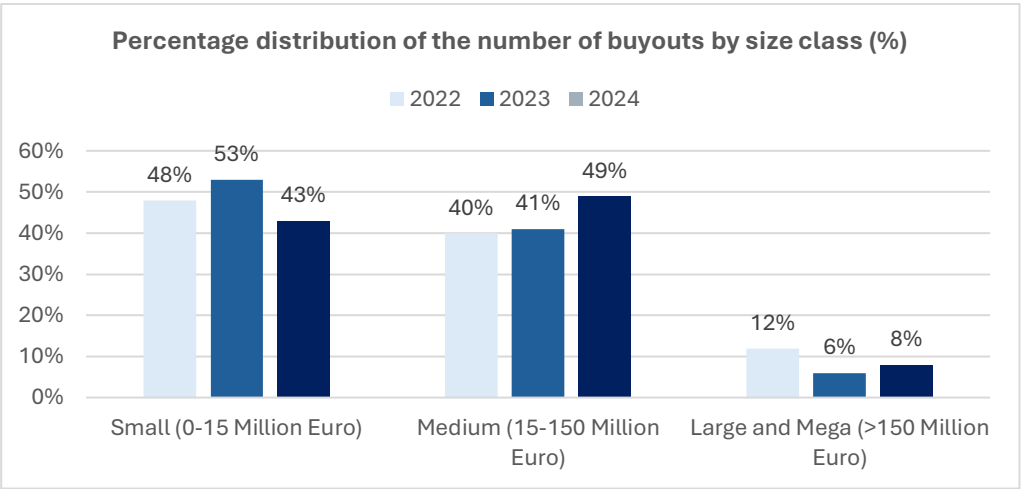


Figure 8: Percentage distribution of the number of buyouts (Italian Private Equity, Venture Capital and Private Debt Association, n.d.)

Over the same window, Italy’s private equity exit activity experienced a moderate shift in its divestment channels. In 2023, trade sales led at 38%, followed by sales to other private equity operators (31%), and sales to financial institutions, individuals, or family offices (11%). IPO-related routes, including SPACs, accounted for 5%, with the remaining 15% classified as “other”. By 2024, trade sales had inched up to 39%, while sales to other private equity operators and financial investors fell to 25% and 8% respectively. IPO/SPAC exits rose to 8%, and the “other” category grew to 20%, underscoring an increasingly diversified exit landscape (Italian Private Equity, Venture Capital and Private Debt Association, n.d.).

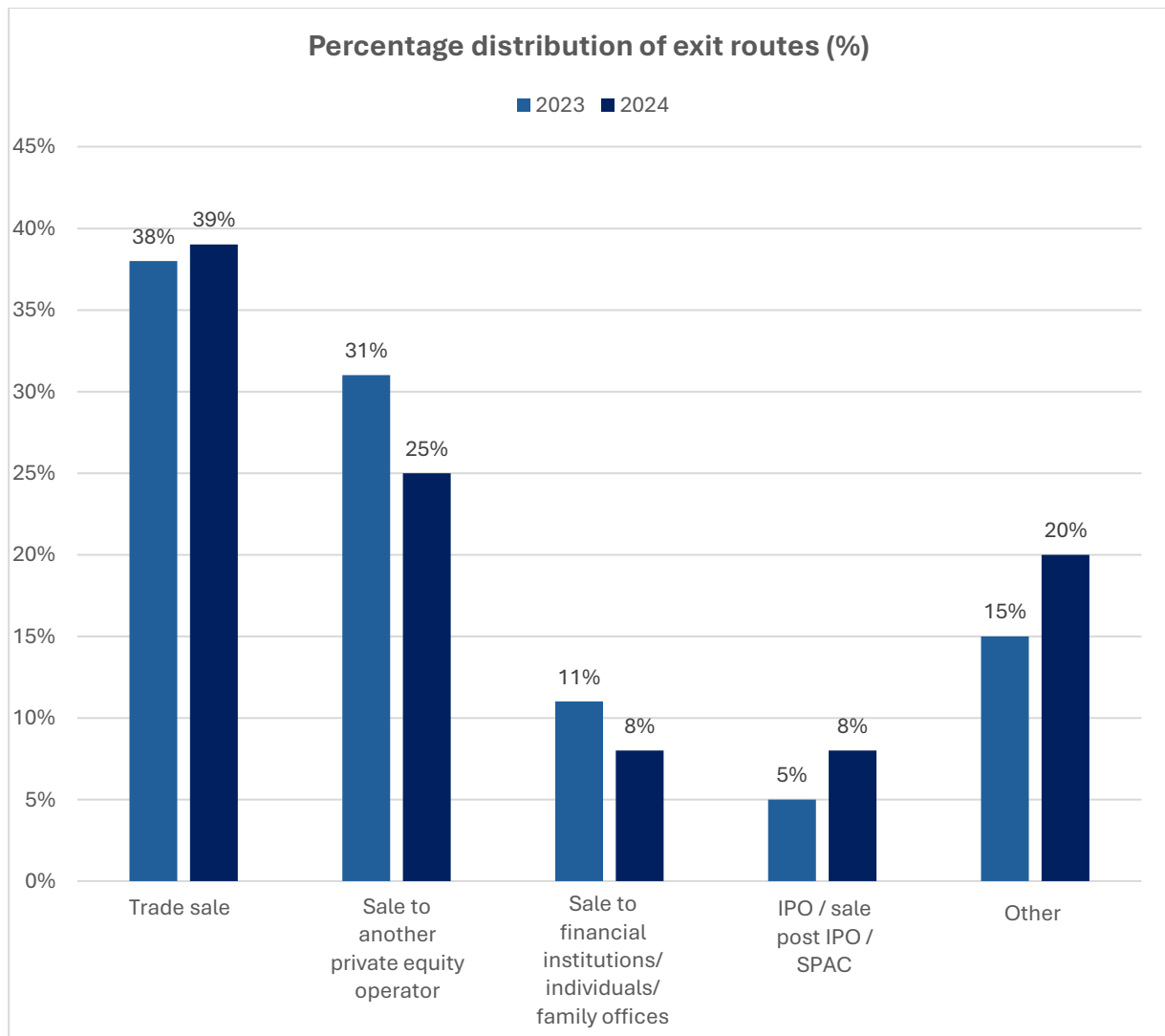


Figure 9: Percentage distribution of exit routes in Italy (Venture Capital and Private Debt Association, n.d.)

Amid these trends, Italy’s private equity market continues to host a robust mix of international and domestic participants. Major global players such as Carlyle, Blackstone, and KKR maintain a consistent presence through diverse investments and partnerships (Statista, n.d.), while other international firms, including Bain Capital (Bain Capital Credit, 2020), Permira (Permira, 2023), and CVC Capital Partners (CVC Capital Partners, 2024) also demonstrate an active commitment. On the domestic front, Milan-based Clessidra stands out as a leading Italian private equity firm, distinguished by its strategic focus on promoting “Made in Italy” excellence (Clessidra Group, n.d.).

Chapter 2: Evolution of Value Creation Strategies

2.1 Introduction

Value creation in private equity refers to the set of strategies employed to enhance the financial value of portfolio companies and deliver returns above the invested capital (Schlegel, 2019). In the context of buyout investments, value creation is typically decomposed into three primary components: financial leverage, multiple expansion, and operational improvements, each contributing differently to investment performance over time. Financial leverage magnifies equity returns by utilizing debt financing, multiple expansion generates gains by selling assets at higher valuation multiples than at acquisition, and operational improvements enhance the intrinsic value of portfolio companies through initiatives such as revenue growth, cost optimization, and strategic repositioning. Historically, financial leverage and multiple expansion have been fundamental drivers of private equity returns, particularly during periods characterized by low interest rates, abundant liquidity, and expanding valuation multiples. However, their relative importance has declined in recent years. Rising borrowing costs, increasing market volatility, and compressed valuation levels have significantly reduced the contribution of leverage and multiple expansion to overall returns. In this environment, operational improvements have emerged as the primary and most sustainable source of value creation.

This chapter focuses on analyzing the mechanisms of financial leverage and multiple expansion, exploring their historical role in private equity value creation, and examining the structural and macroeconomic factors driving their diminishing relevance in the current investment landscape.

2.2 Financial Leverage

Financial leverage represents one of the foundational pillars of private equity value creation, particularly within leveraged buyout (LBO) transactions. At its core, financial leverage involves using significant amounts of debt to finance the acquisition of a company, while deploying a relatively small portion of equity. This structure magnifies the returns on the equity invested because the gains generated from company growth accrue disproportionately to the small base of equity rather than being diluted across a large capital base (Kaplan & Strömberg, 2009). This phenomenon is commonly referred to as the “leverage effect”, and it

explains why PE-backed companies typically operate with substantially higher debt levels compared to their publicly listed counterparts.

The mechanics of leverage can be illustrated through a simple example. If a PE fund acquires a company for \$100 million using \$70 million in debt and \$30 million in equity, and subsequently sells the company for \$150 million, the repayment of the \$70 million debt leaves \$80 million for equity holders. This results in a return of nearly three times the initial equity investment. In contrast, financing the acquisition entirely with equity would have produced a much lower return on investment. Moreover, the magnitude of the leverage effect increases with the debt-to-enterprise value (D/V) ratio. Beyond purely financial considerations, leverage also serves as a governance tool by imposing regular debt servicing requirements, which in turn fosters greater management discipline and operational focus (Jensen, 1986)

Historically, particularly during the 1980s, leverage dominated value creation strategies in private equity. Deals were often structured with extraordinarily high debt levels, with D/V ratios reaching 0.85 (Murphy, Gelfer, & Hadas, 2023). The prevailing model relied heavily on acquiring companies with borrowed capital, followed by aggressive cost reductions to generate sufficient cash flow for debt repayment. However, this high-leverage approach introduced significant fragility into capital structures. Even minor declines in revenues or margins could rapidly erode equity value and force companies into default or bankruptcy. Data from the era shows that among 83 large LBOs executed between 1985 and 1989, 26 defaulted and 18 ultimately filed for bankruptcy (Acharya, Franks, & Servaes, 2007).

The vulnerabilities exposed by these defaults, combined with broader macroeconomic changes, prompted a gradual evolution in how leverage was utilized. After the dot-com crash in the early 2000s, and especially following the Global Financial Crisis (GFC) of 2008, private equity firms began moving toward more balanced capital structures. In the post-GFC era, financial engineering, and leverage specifically, contributed a much smaller share to overall value creation than in earlier decades. The contribution of leverage fell from approximately 70% in the pre-2000 period to around 25% after the GFC (Institute for Private Capital, 2022).

The following graph illustrates the declining contribution of leverage to value creation across three key periods: pre-2000, 2000–2007, and 2008–2018.

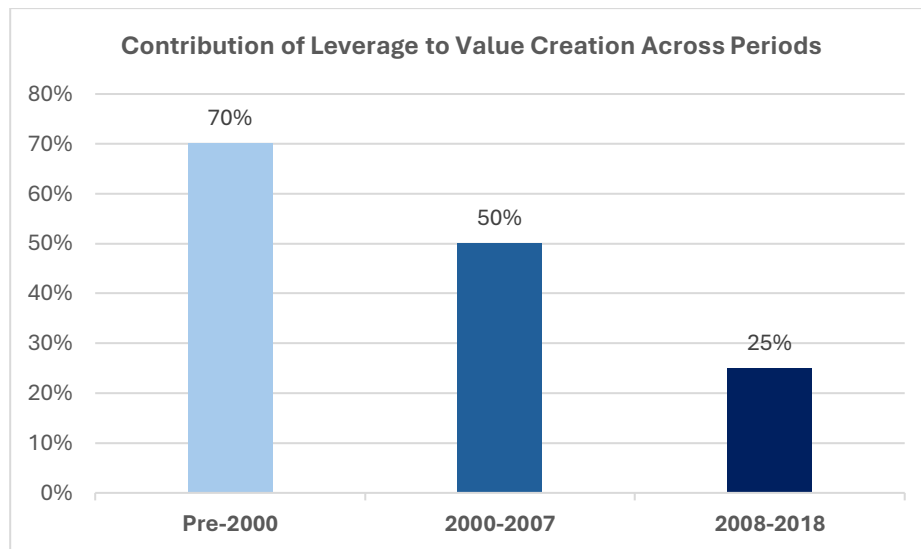


Figure 10: Contribution of Leverage to Value Creation Across Periods (Institute for Private Capital, 2022)

The decline in reliance on leverage reflects both structural and strategic changes. While the post-GFC environment was characterized by low interest rates, which could theoretically encourage greater debt usage, market dynamics evolved differently. The private equity market matured, competition intensified, and LPs demanded greater operational improvements rather than financial engineering (Snyder, Sun, & Reade, 2023).

Current macroeconomic conditions, including higher inflation, slower growth, and rising interest rates, are imposing additional constraints on leverage-based strategies. Higher borrowing costs reduce the relative attractiveness of debt financing, increasing the blended cost of capital and making highly levered structures riskier (Gelfer & Hadas, 2023).

Today, capital structures are no longer standardized; they are tailored to the specific risk and return profile of each portfolio company. Factors such as cash flow predictability, sector dynamics, and sensitivity to economic cycles determine the appropriate leverage levels. Stable and cash-generative businesses may still sustain higher leverage, while companies operating in volatile or cyclical industries are increasingly financed with greater equity cushions to safeguard financial resilience (FasterCapital, 2025).

2.3 Multiple Expansion

Multiple expansion constitutes another major lever through which private equity firms create value during the investment cycle. It involves exiting a portfolio company at a higher valuation multiple than the one paid at acquisition, thereby enhancing returns on invested

capital. This mechanism operates by leveraging changes in the enterprise value-to-EBITDA (EV/EBITDA) multiple: for example, acquiring a company at 7x EBITDA and selling it at 10x would generate substantial gains even in the absence of significant EBITDA growth.

Multiple expansion can be broken down into two sources. Market-driven (beta) effects are linked to favorable macroeconomic conditions, including declining interest rates, increased liquidity, rising public market valuations, and investor risk appetite, that elevate valuation multiples across the board. Firm-specific (alpha) effects derive from operational improvements, strategic repositioning, and governance enhancements initiated by the PE firm, making the company more attractive to buyers and justifying a premium multiple at exit (Gelfer & Hadas, 2023).

The relative importance of multiple expansion in value creation has grown significantly over the past two decades. During the 2000–2007 period, multiple expansion accounted for 12% of value creation, but by the 2008–2018 period, it had risen to 28%, overtaking leverage, which contributed 25% over the same timeframe (Snyder, Sun, & Reade, 2023).

The graph below highlights the increasing contribution of multiple expansion across three periods: pre-2000, 2000–2007, and 2008–2018.

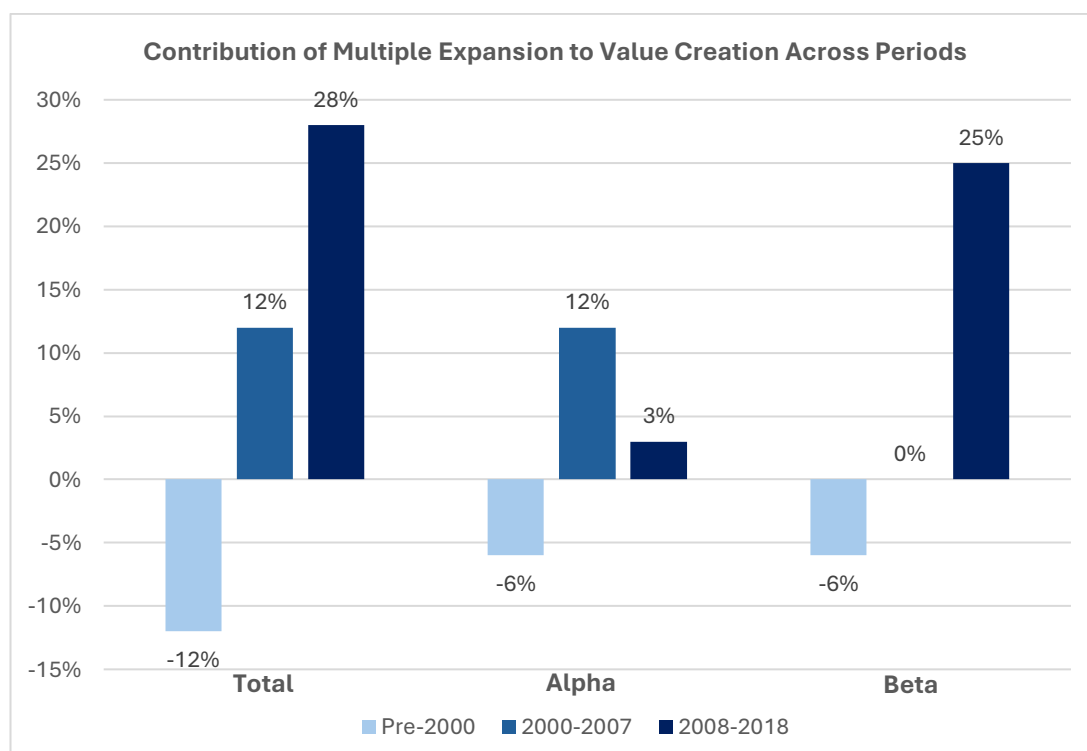


Figure 11: Contribution of Multiple Expansion to Value Creation Across Periods (Institute for Private Capital, 2022)

The composition of multiple expansion drivers has also evolved. Between 2000 and 2007, alpha effects, improvements driven by the actions of general partners, played the dominant role, contributing 12% to value creation, while beta effects were negligible. However, in the 2008–2018 period, the situation reversed dramatically. Beta effects accounted for 25% of value creation, with alpha effects contributing just 3% (Institute for Private Capital, 2022).

This shift reflects the impact of broader macroeconomic trends, such as central bank liquidity injections, ultra-low interest rates, and bullish public markets, which collectively inflated valuation multiples across asset classes (Murphy, Gelfer, & Hadas, 2023). Exit multiples consistently exceeded entry multiples even during periods of subdued GDP growth, highlighting the role of external market forces rather than purely operational improvements.

Structural changes in the macroeconomic environment are expected to curb the future contribution of multiple expansion to private equity returns. Persistently high inflation, tighter monetary policies, shrinking labor forces, and structurally higher interest rates create a far less supportive backdrop for rising valuation multiples (Gelfer & Hadas, 2023). Higher financing costs directly pressure entry valuations and limit the potential for multiple expansion-driven exits.

During the last decade, private equity firms largely relied on beta-driven multiple inflation rather than focusing on alpha-driven operational improvements (Bain & Company, 2024). In the new environment, successful value creation will require greater emphasis on operational alpha: strong EBITDA growth, margin expansion, product innovation, and strategic repositioning.

2.3.1 Buy-and-build Strategy

The buy-and-build strategy has historically been an effective tool for driving multiple expansion in private equity transactions. Under this approach, a private equity firm acquires a platform company and then executes a series of add-on acquisitions of smaller firms within the same industry. These smaller companies are typically acquired at lower valuation multiples, allowing the private equity sponsor to average down the cost basis of the overall enterprise. As the platform company grows in size, scale, and market share, it often commands a higher valuation multiple at exit compared to the blended acquisition multiple, thereby creating value through inorganic growth. This strategy has been a major driver of

returns in the post-GFC era, particularly when supported by favorable macroeconomic conditions and abundant cheap capital (Murphy, Gelfer, & Hadas, 2023).

However, the effectiveness of buy-and-build strategies in contributing to multiple expansion is expected to decline in the new investment environment. Higher interest rates and tighter credit markets are likely to constrain the availability of financing for add-on acquisitions (Gelfer & Hadas, 2023). As a result, relying heavily on inorganic growth to drive value creation will become increasingly challenging.

2.4 The Italian Context

While the global private equity landscape is facing increasing constraints on leverage-based strategies, multiple expansion, and buy-and-build models, the Italian market presents a distinctive case that, although not immune to these pressures, exhibits structural features that partially mitigate their impact.

In terms of financial leverage, Italian leveraged buyouts (LBOs) have historically relied on more conservative capital structures compared to their Anglo-American counterparts. Debt-to-enterprise value (D/V) ratios in Italy have typically ranged between 50% and 60%, even after the reintegration of leverage into market practices following the Global Financial Crisis (Bernoni Grant Thornton, 2024). Before 2008, leverage levels abroad often approached 80–90%, but the cautious approach of Italian banks, the predominance of small and medium-sized enterprises (SMEs) with less stable cash flows, and a traditionally risk-averse investment culture kept Italian LBO structures comparatively moderate.

The reliance on senior bank loans, rather than riskier financing methods like high-yield bonds or complex mezzanine structures, further constrained leverage levels (Gubitosi & De Rosa, 2024). As a result, Italian PE transactions today are better positioned to weather the challenges posed by higher interest rates and tighter credit conditions, being less exposed to refinancing risks than more aggressively financed deals elsewhere.

The outlook for multiple expansion in Italy largely mirrors global headwinds, with rising financing costs and more cautious investor sentiment likely to put pressure on entry and exit multiples. However, Italy presents certain mitigating factors that could partially offset these challenges. The Italian market is dominated by mid-cap companies operating in highly fragmented sectors, and valuations have historically been lower than those seen in Northern

Europe and the United States (Weissbart & Schubert, 2025). This relatively lower starting point in valuation provides a cushion against multiple compression, and opportunities for alpha-driven multiple expansion, through operational improvements, strategic repositioning, and professionalization of governance, remain strong (T Hub Capital, 2025). However, purely market-driven (beta) effects, such as generalized multiple inflation due to liquidity surges, will likely be much more subdued even in Italy, in line with global patterns. The challenges facing global buy-and-build strategies, notably the higher costs of financing and increased regulatory scrutiny, are also influencing Italian transactions. Nonetheless, the country's fragmented industrial landscape continues to offer compelling opportunities for consolidation. In 2024, add-on acquisitions accounted for 45% of all private equity deals in Italy, underlining the ongoing importance of buy-and-build strategies in this market (T Hub Capital, 2025).

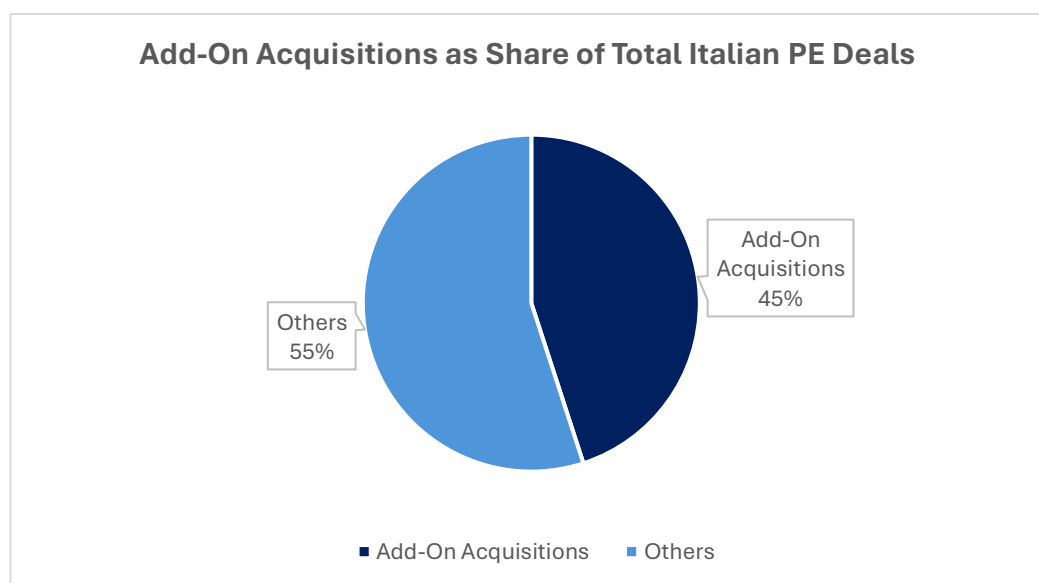


Figure 12: Add-On Acquisitions as Share of Total Italian PE Deals (T Hub Capital, 2025)

The widespread presence of family-owned businesses and attractive relative entry valuations enable sponsors to create value through platform building and multiple arbitrage, even in a more challenging macro environment (Gubitosi & De Rosa, 2024). Nevertheless, executing successful buy-and-build strategies will increasingly require deeper sector knowledge, disciplined integration processes, and a longer-term horizon for realizing returns, as the easy gains from financial engineering and market-driven multiple expansion become scarcer.

2.5 Conclusion

Financial leverage and multiple expansion have historically served as fundamental drivers of value creation in private equity transactions. However, the role of leverage has diminished

significantly since the Global Financial Crisis, with private equity firms adopting more prudent capital structures in response to heightened market risks and investor expectations for sustainable growth. Similarly, while multiple expansion contributed strongly to returns during periods of abundant liquidity and low interest rates, future reliance on this lever is expected to decline amid higher inflation, tighter monetary policies, and shifting market dynamics. The evolution from financial engineering to operational value creation marks a significant transformation in private equity strategies globally.

In the Italian context, a historically conservative approach to leverage, lower valuation multiples, and a fragmented industrial landscape have positioned the market to partially mitigate the pressures faced by more aggressively financed deals abroad. Nonetheless, as global headwinds intensify, Italian private equity firms will increasingly need to emphasize operational improvements, disciplined execution of buy-and-build strategies, and sector-specific expertise to sustain value creation. Traditional levers, while still relevant, must now be complemented by a deeper focus on organic growth.

Chapter 3: Operational Value Creation and Exit Strategies in Italy

3.1 Introduction

Private equity has entered a phase of maturation in which operational value creation has become the primary focus of investment strategy. In the early decades of the industry, buyout returns were often driven by financial engineering, high leverage and valuation multiple arbitrage, as detailed in the previous chapter. However, as explained in Chapter 2, changing market conditions have reduced these levers' effectiveness: rising interest rates and volatile markets mean that simply adding debt or relying on market multiples contributes far less to returns than before. As a result, private equity firms are increasingly shifting their attention toward improving the underlying businesses they acquire. In other words, value creation now stems from growing revenues and margins, boosting efficiency, and strengthening companies' competitive positions, rather than from financial structuring alone.

In particular, between 2008 and 2018, operational improvements accounted for approximately 47% of the total value created in private equity transactions, marking an increase compared to the 42% recorded prior to 2000 and the 37% observed during the period from 2000 to 2007. Within operational improvements, it is essential to distinguish between initiatives aimed at driving revenue growth and those focused on margin expansion. Specifically, revenue growth contributed 36% to value creation before 2000, 35% between 2000 and 2008, and 37% from 2008 to 2018. In contrast, margin expansion accounted for 6% prior to 2000, declined to 2% during 2000–2008, and subsequently rose to 10% in the 2008–2018 period (Institute for Private Capital, 2022). This distinction is important because while value creation has proven to be more sensitive to margin expansion than to revenue growth, margin expansion has historically been a more difficult lever to activate effectively. This difficulty may help explain its relatively limited contribution to overall value creation over the past two decades. (Murphy, Gelfer, & Hadas, 2023)

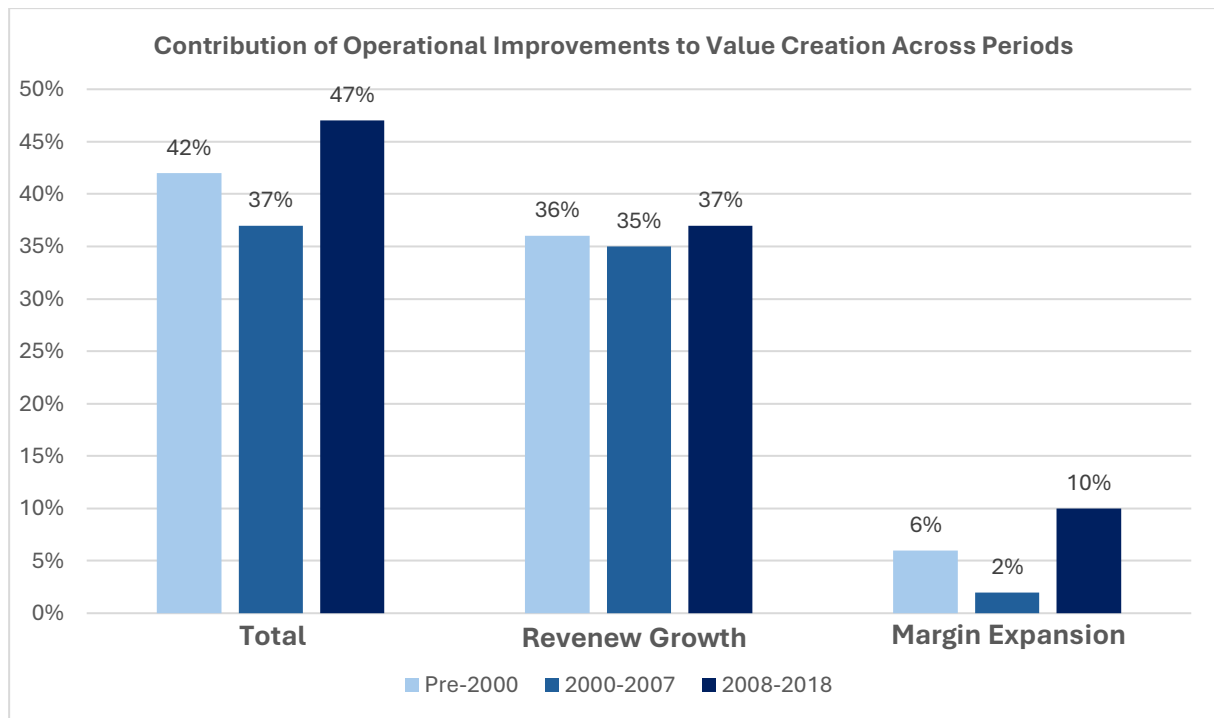


Figure 13: Contribution of Operational Improvements to Value Creation Across Periods (Institute for Private Capital, 2022)

This strategic shift is especially relevant in the Italian private equity landscape. Italy's PE market, once relatively small and dominated by family-owned business deals, has matured significantly over the past two decades. With this maturation comes a more interventionist approach to ownership: PE investors in Italy take an active role in the management and strategic direction of their portfolio companies. The focus on operational improvements aligns with the needs of many mid-market Italian companies, which often have untapped potential that can be realized through professional management practices and business expansion. Empirical evidence supports the effectiveness of this hands-on approach, Italian companies backed by private equity have exhibited substantially higher growth than their peers. One recent joint analysis by AIFI (the Italian Private Equity Association) and PwC found that PE-backed firms achieved an average revenue CAGR of 7.5%, +5.6% if compared to the Italian GDP. (AIFI 2024). Moreover, according to the report the profitability of those PE-backed companies grew significantly as well, at ~7.1% CAGR, indicating significant margin improvements; this outperformance confirms the strong emphasis that private equity players place on improving the profitability of their target companies (PricewaterhouseCoopers, 2023). In short, active ownership is delivering tangible value in Italy, reinforcing why operational value creation has taken center stage.

This chapter examines the key operational value creation strategies employed by private equity in Italy and how they are contextualized to the Italian business environment.

3.2 Operational Value Creation Strategies

This section discusses operational value creation strategies, detailing six major levers: professionalizing management, market expansion, supply chain optimization, marketing strategy revamping, digital expansion and carve-outs. For each, we explain the strategy, illustrate why it is relevant in Italy, and reference current thinking on its impact.

3.2.1 Professionalizing Management

A foundational strategy through which private equity (PE) generates value in portfolio companies is the professionalization of management and governance structures. This process involves establishing robust leadership, formalizing organizational frameworks, and embedding managerial systems that promote operational efficiency and growth. Key elements typically include recruiting seasoned executives for critical roles, such as CEO and CFO, enhancing the overall talent base, introducing performance-linked incentive schemes, and cultivating a culture of accountability and data-driven decision-making (Bloom, Sadun, & Van Reenen, 2015).

In the Italian context, the need for managerial professionalization is particularly evident due to the predominance of family-owned or founder-led businesses among PE targets (Catarinella, 2024). While such firms may have thrived under entrepreneurial leadership, they often lack the formalized management systems and strategic competencies necessary to scale. Governance tends to be informal, and generational succession issues are common. PE investors actively intervene to address these limitations by introducing professional managers and modern governance practices tailored to support long-term value creation.

Importantly, private equity firms do not merely inject capital, they engage as active partners in upgrading a company's leadership and strategic orientation. In particular, a defining feature of PE ownership is the alignment of managerial incentives with shareholder objectives.

Portfolio companies often undergo a reshaping of their board structure, shifting from passive oversight to active strategic involvement. PE-backed boards typically work closely with management, jointly driving strategic initiatives and ensuring consistency between executive actions and value-enhancing goals (Acharya, Kehoe, & Reyner, 2009).

In Italy, this often translates into PE sponsors taking board seats and playing a hands-on role in shaping the company's trajectory. Their involvement brings external expertise, access to industry networks, and a critical perspective that challenges entrenched practices.

Institutionalizing governance improvements also entails practical steps such as implementing regular financial reporting systems, defining key performance indicators (KPIs), and

enforcing accountability for results (Allen, 2025). For instance, a mid-sized Italian manufacturer may, prior to a buyout, lack a full-time CFO or formal budgeting protocols. Post-acquisition, establishing these functions becomes central to financial discipline and strategic planning.

Professionalizing management thus serves as a cornerstone for enabling other value creation levers. An experienced and competent leadership team is more likely to adopt international best practices, integrate advanced technologies, and pursue global expansion through strategic alliances. This is particularly relevant in Italy, where many mid-market firms have untapped potential but lack the strategic vision or managerial capacity to realize it. By elevating leadership capabilities and reinforcing governance structures, private equity unlocks latent growth opportunities and positions portfolio companies for sustainable competitiveness in global markets.

3.2.2 Market Expansion

Another key lever of private equity value creation is market expansion, which focuses on increasing a portfolio company's revenue by entering new geographic markets, targeting different customer segments, or diversifying product offerings. For Italian firms, this often translates into international expansion, extending operations beyond the domestic market, as well as expanding within Italy through broader customer outreach or adjacent product categories. Market expansion is particularly powerful because it contributes directly to top-line growth and increases the overall scale and competitiveness of the business (Bosio, Gervasoni, & Bollazzi, 2021).

Private equity investors play a crucial role in unlocking these growth opportunities by providing both the capital and strategic guidance required for expansion. Many Italian mid-market companies, while highly specialized and offering high-quality products or services, are often confined to local or regional markets. PE firms help overcome these limitations by offering access to global networks, operational know-how, and strategic insight into foreign market entry. This support often includes establishing foreign subsidiaries, entering distribution partnerships in new countries (Catarinella, 2024).

Concrete steps in this process may involve recruiting multilingual sales teams, participating in international trade shows, customizing products to fit foreign customer preferences, and navigating regulatory frameworks abroad. Private equity thus enables Italian companies to scale beyond their traditional footprint, helping them to professionalize their international approach and reduce dependence on the domestic economy.

Academic evidence supports the view that external investors actively facilitate internationalization. Research shows that PE-backed firms are significantly more likely to engage in export activities, and they tend to export at a higher intensity than their non-PE-backed counterparts. This is largely because PE ownership provides the financial resources and strategic capabilities needed to support such expansion (Wilson, Uddin, & Wright, 2022). In Italy, this often means a shift in mentality: under family ownership, companies may be more risk-averse or constrained by limited capital, whereas private equity brings a more ambitious growth orientation.

Market expansion can also occur through diversification within the domestic market. PE sponsors often encourage portfolio companies to target new customer groups or enter adjacent market segments to drive organic growth (Acharya, Gottschalg, Hahn, & Kehoe, 2013). This strategy helps to mitigate risks related to market concentration and creates multiple channels for growth.

Furthermore, market expansion frequently overlaps with buy-and-build strategies. Although Chapter 2 highlighted that rising interest rates and elevated valuations have made such strategies harder to implement, Italy remains a fertile ground for them due to its fragmented industrial structure. In this context, private equity sponsors often pursue add-on acquisitions as a route to enter new geographies or tap into untapped customer bases, thus achieving expansion through strategic consolidation.

3.2.3 Supply Chain and Operational Optimization

Improving operational efficiency, including supply chain optimization, is a cornerstone of private equity value creation. This strategy aims to enhance margins and reliability by producing goods or services more effectively. It can encompass a wide range of initiatives: streamlining the supply chain, optimizing procurement and supplier management, implementing lean manufacturing techniques, improving logistics, and reducing waste and excess costs throughout the business. (PricewaterhouseCoopers, 2023)

From the moment a PE firm takes ownership, there is often a focus on identifying cost-saving and efficiency opportunities. One of the first steps in many LBOs is promoting cost-cutting strategies to improve productivity. This does not necessarily imply indiscriminate job cuts, rather, it involves making the business more efficient. In fact, private equity firms tend to eliminate jobs only in areas that are unproductive, while creating jobs in growing areas of the business, leading to a reallocation of resources rather than a net destruction (Davis et al.,

2014). The goal is to reorient the company's cost structure in a way that supports profitable growth.

Supply chain optimization is particularly relevant in Italy because many firms operate in complex manufacturing networks (think of sectors like automotive components, fashion, machinery, or food products). These companies may have legacy supplier relationships or production processes that haven't been modernized. Private equity owners, often with broader industry perspective, can introduce best practices (Carminati, Golini, Kalchschmidt, & Vismara, 2018).

Working capital management is another key lever tied to supply chain optimization. By tightening inventory management and improving the supply chain, companies can often reduce the amount of capital tied up in raw materials and stock. Private equity owners pay close attention to such metrics because cash is especially valuable in a leveraged business and freeing up cash can fund other growth initiatives. In a recent survey, 41% of PE executives said that working capital and treasury management is a top strategic priority across their portfolio companies (Ernst & Young Global Limited, 2023).

Outsourcing is also considered after a buy-out. If certain non-core activities are consuming excessive resources, a private equity firm may choose to outsource them to specialized providers at a lower cost. Accounting functions are often prime candidates for outsourcing, as maintaining an in-house team requires significant investments in office space, technology, ongoing training, and specialized expertise. Beyond the high costs, this approach also restricts the company's staffing options; sourcing qualified finance and accounting professionals locally can be a lengthy and uncertain process that may not always yield successful results. (Consero Global, 2025). An interesting tactic sometimes used is sale-and-leaseback of assets: selling non-core or underutilized assets (like real estate or equipment) and leasing them back can improve capital efficiency (Catarinella, 2024). This injects cash back into the business (helpful for debt reduction or funding expansion) while allowing the company to continue operations without owning the asset.

In sum, supply chain and operational optimization under PE ownership is about making the company leaner, faster, and more cost-effective. The Italian context, with its strong industrial base, provides ample opportunities for such improvements. The emphasis is not purely on cost-cutting for its own sake, but on margin improvement and efficiency gains that make the company more competitive. These improvements contribute directly to higher profitability which, as we saw earlier, has been documented to grow significantly under PE stewardship in Italy.

3.2.4 Marketing and Sales Strategy Revamping

Together with market expansion, revamping the marketing and sales strategy is a key value creation lever (Pang, 2021). This involves enhancing the way a company positions its brand, reaches customers, and generates demand for its offerings. Many companies acquired by private equity, especially older, industrial, or family-run businesses, have traditionally underinvested in marketing or have outdated sales practices. By revitalizing these areas, PE owners can accelerate revenue growth and build a stronger market presence for the company. Revamping marketing can take various forms, such as rebranding or repositioning the brand to update the company's image and appeal to a broader or more upscale market. It can also involve strengthening the sales force and distribution channels, with private equity investors often funding the hiring of additional sales representatives or agents to enhance market coverage. Additionally, they may optimize the structure of the salesforce by introducing tools like Customer Relationship Management (CRM) systems to better track leads and customer interactions, thereby bringing a more data-driven and systematic approach to the sales process (Revenue Arc, 2024).

The context of Italy offers some distinct considerations. Italian brands, especially in sectors like fashion, luxury goods, furniture, and food, have an inherent strength (the appeal of "Made in Italy") that can be further capitalized on with marketing. PE firms investing in such companies often amplify the brand's Italian heritage as a marketing asset in foreign markets. (Ionescu, Charizona, & Cavallaro, 2024)

By revamping marketing and sales strategies, PE-backed companies can achieve faster revenue growth and often at a more efficient customer acquisition cost. An engaged approach to marketing also ties in with earlier points about market expansion: expansion into new markets must be supported by effective marketing in those markets. The cumulative effect is a company that, by exit time, has a higher profile and broader customer reach than it did at acquisition. Investors and buyers notice this transformation.

3.2.5 Digital Expansion and Innovation

In the current era, digital expansion, adopting and integrating digital technology into the business, has emerged as a vital strategy for value creation. This goes beyond marketing into the core of operations, product offering, and business models. Private equity firms increasingly push their portfolio companies to undergo digital transformation as a way to boost efficiency, unlock new revenue streams, and future-proof the business (PricewaterhouseCoopers, 2023). Digital initiatives can range from implementing advanced

IT systems and analytics, to launching e-commerce platforms, to developing new digital-enabled products or services.

For many Italian companies, especially smaller manufacturers or service providers, digitalization was not a top priority historically. Italy has sometimes lagged behind other EU countries on certain digital adoption metrics (for instance, in e-government and SME digitalization according to EU's DESI index) (European Commission, 2022), indicating a lot of upside if companies modernize. Private equity investors see this gap as an opportunity: by bringing a company up to speed digitally, they can significantly increase its value and performance. Typical actions include:

- **Upgrading IT infrastructure:** implementing a modern ERP (Enterprise Resource Planning) system to integrate all functions (finance, supply chain, sales) which improves data visibility and decision-making. This can replace outdated, disparate systems or manual processes. (Signa, 2025)
- **Data analytics:** leveraging the company's data (sales data, production data, customer data) to gain insights. PE firms often introduce KPIs dashboards and analytics tools so that management can track performance in real-time and identify trends or problems early. For example, a retail chain might start using data to optimize inventory per store and personalize promotions, something they might not have done pre-investment. (West Monroe, 2023)
- **Automation and Industry 4.0:** in manufacturing companies, investing in automation (robots, IoT sensors, etc.) can greatly improve productivity and quality. PE funds have capitalized on these programs to automate portfolio companies' factories, knowing the payoff can be significant in efficiency. (Alvarez & Marsal, 2024). In Italy it could work particularly well as the government in recent years promoted Industry 4.0 investments with tax incentives (Ministero delle Imprese e del Made in Italy, 2022).
- **Digital channels and new platforms:** establishing e-commerce channels is crucial for consumer businesses. Even B2B companies benefit from digital customer portals or integrating with customer procurement systems. Additionally, some companies can monetize digital services, for example, an equipment manufacturer might develop a digital monitoring service for its machines and sell it as a subscription (a new recurring revenue source). (Sharma 2023)

The benefits of digital expansion are multifaceted. Internally, digital tools can drastically cut costs and errors (for example, automating a manual report that took hours, or using predictive

maintenance to reduce machine downtime in a factory). Externally, digital offerings or channels can accelerate growth and enhance the customer experience. In some cases, it even allows a company to pivot or expand its business model, such as adding a direct subscription service or using digital marketplaces to reach global customers. These improvements tend to increase both the top-line and bottom-line, thereby boosting the company's valuation. For Italian companies that might have been slower to adopt these technologies, PE ownership often serves as a catalyst to leap forward.

3.2.6 Carve-outs

Carve-outs represent a strategic and increasingly nuanced value creation lever within private equity, particularly in the context of complex corporate restructuring. In a carve-out transaction, a parent company separates a subsidiary or business unit from its core operations, establishing it as an independent legal entity with its own governance structure, dedicated management team, and financial reporting mechanisms. While the parent firm often retains a controlling equity stake, it typically continues to provide operational and strategic support during the transition phase (Corporate Finance Institute, n.d.).

Historically, carve-outs were considered high-performing transactions. Prior to 2012–13, they were labeled “return champions,” boasting an average multiple on invested capital (MOIC) of approximately 3.0×, significantly outperforming traditional buyouts, which averaged around 1.8×. However, in the post-2013 period, the median MOIC for carve-outs has declined to roughly 1.5×, and such transactions now account for only about 15% of global buyout deal volume. The decline is largely attributed to challenges in execution rather than structural flaws in the carve-out model itself. Compared to earlier cohorts, recent carve-outs have delivered significantly less operating improvement. Revenue growth has declined from an average of +31% to +17%, while EBITDA margin expansion has dropped sharply from +29% to just +2%. This reduced operational uplift has narrowed the potential for valuation multiple expansion. At the same time, heightened competition among financial sponsors has pushed entry valuations higher, eroding the traditional “carve-out discount” and increasing the risk profile of these deals. Moreover, the complexity of operational separation has intensified. Successfully carving out a business unit now requires specialist capabilities in several areas: defining asset boundaries, negotiating and managing transition service agreements (TSAs), disentangling shared IT systems, and establishing autonomous governance frameworks. These demands have made the typical phased approach, often described as “stand up first, fix later”, more capital-intensive and slower to yield returns. Rather than immediately generating value,

this approach can temporarily drain resources and delay performance improvements. (Bain & Company 2025). The recent underperformance of carve-outs is therefore not a reflection of inherent shortcomings in the strategy itself, but rather a consequence of poor target selection and an underestimation of the resources and time required to execute complex separations effectively. In light of these challenges, Bain & Company Italy (2025) has recommended a renewed focus on carve-outs, emphasizing the need for deeper diligence, specialized execution teams, and disciplined valuation to unlock their full potential.

3.3 Conclusion

In recent years, operational value creation has emerged as the cornerstone of private equity investment strategy, particularly in the Italian market. As traditional levers such as financial engineering and leverage arbitrage have become less effective, PE investors have turned their attention toward driving organic business improvements. The empirical data shows that nearly half of the value generated in buyouts now stems from operational enhancements. However, activating these levers requires deep engagement, strategic guidance, and a long-term perspective, characteristics that increasingly define private equity's approach.

This chapter has explored six key strategies through which private equity delivers operational value in the Italian context: professionalizing management, expanding markets, optimizing supply chains, revamping marketing and sales strategies, pursuing digital transformation, and executing carve-outs. Each lever is not only rooted in best practices developed globally but also tailored to the unique characteristics of Italian mid-market firms, many of which are family-owned, under-managed, and rich in untapped potential. From introducing formal governance structures to facilitating international expansion, and from streamlining operations to enabling digital adoption, private equity ownership acts as a catalyst for modernization and scalable growth. The Italian market, with its fragmented industrial base, strong manufacturing tradition, and globally admired brands, offers fertile ground for these interventions. Evidence from AIFI and PwC confirms the tangible impact: PE-backed firms in Italy consistently outperform their peers in terms of revenue and profitability growth, underscoring the effectiveness of the hands-on, operationally focused investment model. Carve-outs, although more complex and recently less rewarding, still represent a valuable tool for unlocking latent potential in non-core assets, particularly when executed with the right capabilities and strategic discipline. Despite recent underperformance in global carve-outs, the structural rationale behind these deals remains sound, and the Italian market could benefit from their careful resurgence. In sum, the operational strategies employed by PE funds are reshaping the

Italian business landscape. These interventions do more than improve short-term financial metrics; they create sustainable, competitive companies capable of thriving post-exit. As we transition to the next section, which focuses on exit preparation strategies, it becomes clear that the effectiveness of an exit, whether through trade sale, IPO, or secondary buyout, depends significantly on the operational groundwork laid during the holding period. The success of these strategies, therefore, is not only measured by financial returns, but also by the long-term transformation of the businesses themselves.

Chapter 4: Exit Routes and Preparation

Introduction

Private equity funds ultimately realize returns through exit events, which allow them to monetize their investment and return capital to investors (Blackmore Partners, Inc., n.d.). In the context of buyouts, the three primary exit routes are trade sales, secondary buyouts, and initial public offerings (IPOs). Each route entails a different mechanism and set of considerations. In Europe, trade sales (sales to strategic corporate buyers) have traditionally been the most common exit channel (Bilek, 2024), while IPOs are less frequent despite potentially yielding high valuations (ICLG, 2024). Italy mirrors this pattern: as illustrated in the first chapter, in 2024, about 64% of Italian PE exits were via trade sale or secondary buyout, whereas IPO exits accounted for 8%. Nonetheless, all three exit routes play roles in providing liquidity to investors and are pursued with careful planning by private equity firms.

Despite these variations, all three exit routes serve a critical function: providing liquidity and crystallizing returns. To maximize exit value, private equity firms begin planning well before the actual sale to ensure that the business is ready for scrutiny by either strategic buyers, other sponsors, or the public market (Cazalaa, Hayes, & Morgan, 2019). The following sections examine each of these exit routes in detail, beginning with trade sales, which remain the most prevalent form of divestment in Italy's private equity landscape.

4.1 Trade Sales (Sale to Strategic Buyer)

A trade sale is the exit of a portfolio company by selling it to an industrial or corporate buyer, often termed a *strategic investor*. In such transactions, the acquiring company is usually operating in the same industry or a related sector and seeks to expand its operations, product lines, or market presence through the acquisition. The buyer might be a direct competitor, a supplier/distributor, or a company looking to enter a new market via the acquisition (Blackmore Partners, Inc., n.d.). Trade sales are typically negotiated as M&A deals, with the private equity fund selling its stake (usually a controlling stake in a buyout scenario) to the strategic acquirer for cash or stock. This mechanism allows the PE sponsor to fully divest at closing, transferring ownership and control to the strategic buyer. (Peterson, 2016)

Trade sales can often unlock synergies and strategic value that make the asset more valuable to the buyer than it would be to financial investors. For example, a corporate acquirer may realize cost savings, cross-selling opportunities, or expansion benefits by integrating the portfolio company with its existing business. Because of these potential synergies, strategic

buyers often pay a premium for the company, resulting in higher exit multiples for the selling private equity fund (Blackmore Partners, Inc., n.d.). In Italy, trade sales have been a cornerstone of exit activity; in 2024, for instance, sales to industrial buyers represented roughly 39% of all PE divestments by number, the single largest category (Italian Private Equity, Venture Capital and Private Debt Association, n.d.). Many Italian portfolio companies find natural buyers in larger European or global firms seeking footholds in Italy's markets (e.g. in fashion, machinery, or food sectors), reflecting Italy's appeal for cross-border strategic M&A (Baird, 2018).

To maximize value in a trade sale, private equity firms undertake extensive preparations well in advance of the exit. Key steps include:

- **Positioning the equity story for strategies:** The PE owner develops a clear narrative of how the company fits a strategic buyer's growth plans. This involves highlighting areas of synergy (such as complementary products, customer segments, or technology) and demonstrating sustainable competitive advantages. For example, any "transformation initiatives" the company undertook (new product lines, efficiency programs, market expansion) are documented with evidence of results, so that a buyer sees tangible proof of future value rather than just projections. It is fundamental to root the transformation story in facts by showing concrete KPI improvements, to give strategic buyers confidence that forecasted benefits are on solid ground (Francis & Habbas, 2024). Essentially, the seller must convince the buyer's investment committee that the acquisition will create real value, which requires a bulletproof case backed by data and track record.
- **Grooming the company and management:** A stable, aligned management team is critical in a trade sale, since the acquirer often retains existing management to run the business post-acquisition. PE firms ensure that key executives are on board with the sale and possibly incentivized to stay, through transaction bonuses or rollover equity, so that continuity is preserved. Any gaps in the management team are filled prior to sale to avoid giving buyers reasons to discount the price. (Francis & Habbas, 2024)
- **Financial and legal readiness:** the financial reporting and internal controls are also tightened to meet the standards of corporate acquirers, who will conduct thorough due diligence. All historical financial statements, audits, tax records, and legal contracts are reviewed so that there are no surprises during buyer due diligence. This often

involves the PE fund commissioning a sell-side due diligence review by accountants and lawyers, which can then be shared with potential buyers. Such sell-side due diligence helps identify and fix problems (e.g. unresolved legal disputes, compliance issues, accounting inconsistencies) before entering the market, and it accelerates the buyer's own review by providing a reliable information package (BDO USA, 2024). By reducing uncertainty, the seller can minimize risk for the buyer, which is crucial to maintain a high valuation (Francis & Habbas, 2024).

- **Running a competitive auction process:** PE sellers usually engage an investment bank or M&A advisor to run a structured sale process. They will confidentially approach multiple potential strategic bidders to create competitive tension. A well-run auction can significantly boost valuations, as strategic buyers bid against each other and against the option of the company pursuing an IPO or remaining independent (Corporate Finance Institute, n.d.). Even if there is one obvious strategic acquirer, the presence of other interested parties (or the credible threat of an IPO) can strengthen the seller's negotiating position. In Italy, corporate buyers sometimes include not only Italian firms but also larger EU or international companies interested in Italy's robust sectors (luxury goods, industrial machinery, etc.), so casting a wide net is important.
- **Timing:** The seller also strategizes on timing the sale when market conditions and buyer appetite are strong. They avoid launching an exit during industry downturns or macro uncertainty when strategic buyers might be less aggressive. (Hartshorn, 2024)

4.2 Secondary Buyouts (Sale to Another PE Fund)

A secondary buyout (SBO) occurs when a private equity firm sells its stake in a portfolio company to another private equity firm (or financial sponsor), rather than to a strategic buyer or the public. In a secondary buyout, the buyer is typically another PE fund that raises capital to purchase the company, often via a leveraged buyout of its own (hence "secondary LBO") (Kagan, 2022). The mechanics of a secondary buyout resemble any M&A sale in that the selling fund negotiates a purchase agreement and transfers ownership; however, both parties are financial investors, which brings a specific dynamic to these transactions.

In a secondary buyout, the selling PE firm divests its entire (or majority) stake to the buying firm, achieving a full exit (aside from any small rollover equity that might occasionally be agreed). From the seller's perspective, an SBO is often pursued when an IPO is not feasible, and no obvious strategic buyer is willing to pay a satisfactory price at that time. Rather than delaying the exit, the PE sponsor can realize liquidity by selling to another sponsor who is

willing to carry the company through its next growth phase (Kagan, 2022). SBOs can be done via a private negotiation or an auction. Notably, secondary deals are often quicker and more streamlined than trade sales (Blackmore Partners, Inc., n.d.). After the transaction, the portfolio company remains private (no public disclosure obligations as in an IPO) and continues operations, ideally with minimal disruption aside from a change in shareholder and possibly a recapitalization.

Secondary buyouts have sometimes been viewed with skepticism under the notion that all the low-hanging fruit is gone after the first private equity owner. Nonetheless, companies acquired in secondary buyouts do not necessarily perform worse than in primary buyouts. In some cases, operational performance is even stronger, particularly when the acquiring fund brings in greater resources or capabilities. This has been observed in transactions across markets such as Italy, France, and Spain, where performance metrics following secondary buyouts have shown no signs of deterioration, and in some cases, improvement, relative to primary buyouts (Olesen & Duedal, 2022). This suggests that SBOs are not merely “pass-the-parcel” games; the buying sponsor often identifies new avenues for value creation, for example, further international expansion, additional add-on acquisitions, or major operational improvements that the previous owner might not have fully realized. Secondary buyouts can thus be a win-win: the selling fund gets to exit and lock in its gains, while the buying fund acquires a business that is typically larger and more stable than at the time of the last buyout, with a proven business model. The buying fund underwrites a new plan for value creation, ideally one distinct from the improvements already made.

From the seller’s perspective, preparing for an SBO is similar in many respects to a trade sale process, with some nuances:

- **Maintaining strong performance metrics:** Financial buyers are highly focused on financial performance and growth prospects, since they do not benefit from synergies. The PE seller must ensure that the company shows an attractive growth trajectory, solid profit margins, and perhaps continuous improvement potential. Keeping the EBITDA growing in the quarters leading up to exit is crucial, as other sponsors will value the company primarily on a EBITDA multiple basis. If growth has stalled, it will be difficult to attract interest from other funds. (Street of Walls, n.d.)
- **Equity story emphasizing future opportunities:** Just as with strategic sales, an equity story is needed, but here the audience is another PE firm’s investment

committee. The story should outline what the next owner can achieve in the coming 3–5 years. This may include expansion into untapped markets, launching product lines, or operational efficiencies that are planned but not yet realized (Francis & Habbas, 2024). For instance, if the company has identified acquisition targets but has not executed them, the seller can present this pipeline to the buyer as low-hanging fruit for the next phase.

- **Management continuity and incentive alignment:** In a secondary buyout (SBO), where a private equity (PE) sponsor sells a portfolio company to another PE fund, management continuity and alignment of incentives are pivotal for the transaction's success. From the management's perspective, an SBO involves both the sale of their current equity stake and a simultaneous reinvestment into a new holding company (newco) formed by the incoming investor. This dual role requires managers to navigate complex and sometimes conflicting responsibilities. The incoming investor typically insists on a “rollover” investment from the management team, wherein part of the proceeds from the sale of their shares in the original entity is reinvested in newco. This practice ensures that management retains “skin in the game,” reinforcing their commitment and aligning their financial interests with those of the new investor. The reinvested portion usually comprises institutional strip instruments, such as preferred shares and loan notes, structured similarly to the investor's own capital stack, thus offering management a more secure return position in the capital waterfall. Moreover, the structure and proportion of management's equity, especially the so-called “sweet equity”, is tailored to incentivize performance. This equity is priced at a discount and structured to reward exceptional outcomes, often through mechanisms like ratchets, which grant management an increased share of proceeds upon exceeding performance thresholds. Investors also impose leaver provisions to mitigate risks associated with early departures. (Thomson Reuters, n.d.)

In summary, the preparation for a secondary sale involves making the company “PE-ready” for the next owner, much like an initial buyout but from the seller's side: robust financials, growth avenues identified, and a management team eager to partner with a new sponsor.

4.3 Initial Public Offerings (IPOs)

An Initial Public Offering (IPO) is the process by which a private company offers its shares to the public and becomes a publicly traded company on a stock exchange. For a private equity investor, an IPO represents an exit route where the fund sells a portion of its shares (often

alongside new shares issued by the company) into the public market, achieving liquidity. IPO exits are relatively infrequent for buyout-backed companies in Italy, but they are considered when market conditions are favorable, and the company has the scale and profile to attract public investors. Globally, as well as in Italy, IPOs account for only a small fraction of PE exits compared to trade sales or secondaries (Cazalaa, Hayes, & Morgan, 2019).

Indeed, IPO exits are considered the most complex and demanding exit route for PE funds. They involve complying with extensive regulatory requirements, preparing a detailed prospectus, and undergoing scrutiny by both regulators and potential investors. Additionally, an IPO does not guarantee a full exit at once: typically the PE sponsor must retain a stake after the IPO (due to lock-up agreements) and may only fully exit through subsequent market transactions months or years later (Catarinella, 2024). These factors make IPOs a less straightforward path, and thus they tend to be pursued only by larger companies that can meet public market expectations.

In an IPO, the company (with the backing of the PE shareholder) hires investment banks to underwrite the offering. The process starts with preparing the IPO prospectus/registration document, which discloses all material information about the company's business, finances, risks, and the details of the offering (Corporate Finance Institute, n.d.). The prospectus must be approved by the market regulator. Once approved, the company and banks conduct a roadshow to market the shares to institutional investors, gauge demand, and set an IPO price. A successful IPO results in the shares being listed on a stock exchange and trading freely. The PE fund usually sells a chunk of its holdings in the IPO and agrees to a lock-up (often 6 months to 1.5 years) during which it will not sell the remaining shares (ICLG, 2024).

Initial Public Offerings are attractive exit strategies because, under suitable market conditions, they can generate higher valuations by accessing public investor demand. Compared to third-party sales, IPOs often occur at higher valuation multiples and more accurately reflect prevailing market prices. Moreover, an IPO can provide a liquid market for the shares, potentially allowing further upside if the stock performs well post-listing (though that upside comes with the risk the PE cannot fully realize immediately). However, IPO valuations are subject to market volatility and investor sentiment. If the market mood turns or if the IPO is not well-received, the valuation can end up lower than hoped, or the IPO might even be pulled.

To hedge this risk, PE firms often pursue the dual-track approach, preparing for an IPO while simultaneously entertaining buyout offers, and then choosing the better outcome before

finalizing the listing. In Italy, it is common to run dual-tracks; typically the decision to pivot to a sale or proceed with IPO is made just before the regulator approves the prospectus or even right up to the start of book-building, depending on where the highest price and certainty lies (ICLG, 2024).

Preparing a company for an IPO is an extensive process that often begins 1-2 years before the target listing date. Private equity owners must undertake a thorough IPO readiness program:

- **Financial reporting and controls:** The company needs audited financial statements for several years and robust internal controls. Many private companies lack the rigorous quarterly reporting processes required of public companies. Thus, the PE sponsor will usually beef up the finance department, possibly hiring a CFO with public company experience, and implement reporting systems that can produce timely, accurate financials on a quarterly basis (Deloitte, 2025). Any weaknesses in internal controls must be remedied, as the IPO prospectus and due diligence by underwriters will probe accounting practices deeply.
- **Corporate governance overhaul:** An IPO essentially requires transforming a privately held company (often closely controlled by the PE fund) into a public corporation with independent governance. Italian and EU listing rules demand certain governance structures: a board with independent directors, audit and remuneration committees, internal audit and compliance functions, etc. (ICLG, 2024).
- **Lock-up and post-IPO strategy:** The PE fund must plan for how it will eventually exit the remaining stake post-IPO. As explained before, standard practice is a lock-up of 6 to 24 months for the selling shareholder. The fund needs to be comfortable that it will hold a position in a public company for that period and potentially longer if market conditions are not favorable for secondary sales immediately after the lock-up. After the lock-up expires, private equity sponsors typically pursue one of two main strategies to exit their remaining holdings. The most common is the secondary offering, in which the PE firm sells its shares to public market investors through an underwritten offering. These offerings are usually staged, beginning approximately two years after the IPO, and may occur in one or two rounds until the sponsor fully exits its position. Alternatively, the PE fund may opt to exit via a third-party takeover, in which its remaining stake, along with those of public shareholders, is sold to an acquiring firm, often at a significant premium. While takeovers are less predictable and may take longer to materialize, they can be more lucrative. The choice between

these exit paths depends on market conditions, the strategic attractiveness of the company, and the sponsor's timeline and liquidity needs.

That said, when IPOs do succeed, they can bring prestigious outcomes. An IPO can raise the public profile of the company and potentially even allow the PE fund to retain some upside beyond the initial exit (if the stock appreciates and they sell later at a higher price).

Nevertheless, market sentiment is key. Private equity funds in Italy will consider IPO exits when they believe the public market will reward the company's story with a premium valuation and when the company is robust enough to handle life as a public entity. The thorough preparation in governance and reporting is an investment that not all sponsors are willing to make unless the payoff is clear. For this reason, many Italian PE houses have historically favored selling to a strategic or secondary buyer even for good assets, unless an IPO is clearly the value-maximizing route. It is telling that even during boom years, trade sales and SBOs dominated Italian exits (Italian Private Equity, Venture Capital and Private Debt Association, n.d.).

In conclusion, when crafting exit strategies, private equity firms must evaluate these three routes against company-specific and market factors. Trade sales often maximize value through strategic premiums and are pursued when a natural buyer exists. Secondary buyouts have become a reliable and even predominant exit path, essentially providing a liquidity mechanism within the PE industry itself and are optimized by demonstrating that the company's growth story is far from over. IPOs, while less frequent, represent an important avenue for top-tier companies to access public capital, and they require the most intensive preparation to meet market standards. Furthermore, the pre-exit planning and positioning are as crucial as the exit route chosen: successful exits correlate with early and active exit planning throughout the holding period. Ultimately, the Italian PE landscape utilizes all three exit types in a complementary way. The prevalence of trade and secondary exits underscores a pragmatic approach in Italy, prioritizing certainty and speed of exit, whereas the occasional IPO highlights that, when conditions align, Italian PE-backed companies can and do enter the public markets. Private equity funds, armed with data-driven exit preparation and flexible dual-track strategies, will choose the path that best realizes the value created during the investment, in line with both global best practices and the unique Italian market conditions shaping exit opportunities.

Chapter 5: Case Studies of Private Equity Deals in Italy

In this final chapter, we examine three emblematic private equity transactions in Italy – Valentino, Golden Goose and Nexi, to illustrate how different value creation strategies were applied in practice. These case studies span diverse sectors and time periods, but each demonstrates how active ownership, strategic transformation, and astute exit planning can drive substantial value growth. For each, we discuss the pre-transaction context, the changes implemented during the private equity holding period, and the outcomes at exit.

5.1 The Valentino Case (2007–2012)

Valentino is a renowned Italian fashion house founded in 1960 by designer Valentino Garavani, famed for its signature “Valentino red” gowns worn by princesses and Hollywood stars. By the mid-2000s, however, Valentino faced challenges. It was part of Valentino Fashion Group (VFG), a publicly listed entity that also owned a majority stake in German fashion label Hugo Boss. In 2007 UK-based buyout firm Permira partnered with the Marzotto family (Valentino’s longtime owners) to acquire Valentino Fashion Group for approximately €5.3 billion (Jucca & Meads, 2012). This buyout, one of Europe’s largest that year, gave Permira control of Valentino.

Prior to the acquisition, Valentino was an iconic brand with strong heritage but modest financial performance. It relied on high-end collections and had not fully capitalized on accessories or emerging markets. The brand’s EBITDA in 2006 was relatively small, and it carried significant debt under VFG. When the 2008–2009 crisis hit the luxury sector, Valentino’s sales and profits faltered. The company was hit hard by the financial crisis and had to restructure its debts in December 2009, struggling to keep up with rivals like Dolce & Gabbana (Jucca & Meads, 2012). Permira was forced to respond. In 2009 it undertook a major financial restructuring, injecting capital and buying back about €2.3 billion of Valentino’s leveraged loans at steep discounts from lenders, notably Citigroup (Unmack, 2012). This debt buyback reduced the debt burden and gave Valentino breathing room to ride out the recession.

Alongside fixing the balance sheet, Permira worked to rejuvenate Valentino’s operations and brand strategy. A key move was overhauling creative leadership. In 2007, Alessandra Facchinetti was briefly appointed creative director (Ilari & Socha, 2007), but by 2008 the role passed to Maria Grazia Chiuri and Pierpaolo Piccioli, two designers who had been responsible

for Valentino's accessories line (WWD, 2008). Under Chiuri and Piccioli, Valentino shifted toward a more youthful, contemporary aesthetic and placed greater emphasis on accessories which tend to have higher margins. Notably, they introduced the now-iconic "Rockstud" line of studded pumps, handbags and sneakers, which became a global hit and attracted a new generation of clients (Gilchrist, 2023). Permira also supported international expansion: Valentino opened its first boutique in China in 2008 planting a flag in a crucial growth market (Reuters, 2008). At the same time, management carefully preserved the brand's exclusive luxury positioning while broadening its appeal with more ready-to-wear offerings.

These efforts began to bear fruit by the early 2010s. After declining during the recession, Valentino's financial performance rebounded strongly. In fact, EBITDA grew by 300% in 2011 alone, as the revamped product mix and recovering luxury demand boosted profitability. By 2012, Valentino was on an upswing, though still a relatively small company in absolute terms. (Jucca & Meads, 2012). The turnaround, from a troubled couture house in 2008–09 to a revitalized brand by 2011, demonstrated Permira's ability to navigate a crisis through operational improvements and strategic refocusing on product lines (like accessories) that drove growth.

In July 2012, Permira seized an opportune moment to exit. They sold Valentino to Mayhoola for Investments, an investment vehicle backed by the Qatari royal family, for roughly €700 million. This deal, which included the main Valentino brand and its licensed products (such as the M Missoni line), valued Valentino at an astonishing $31.5\times$ EBITDA (2011), far above typical industry multiples around $10\times$ at the time. (Jucca & Meads, 2012). For Permira, the Valentino exit was a mixed but ultimately respectable outcome. On a standalone basis, selling Valentino for €700 million was less than one might expect (Zevi, 2012). However, Permira had also retained its stake in Hugo Boss and when combining the proceeds from the Valentino sale with the value of Permira's remaining Hugo Boss stake, the firm's fashion investment was worth about $1.6\times$ its original cost, a respectable outcome in light of the global downturn (Unmack, 2012). In short, Permira avoided a worst-case scenario and managed to hand off Valentino in a healthier state than it found it. Under its new Qatari owners, Valentino continued to thrive through the 2010s, expanding its retail footprint and product lines, and by 2024 it surpassed €1.31 billion in annual revenues, a testament to the foundation laid during the PE-led transformation. The Valentino case highlights how private equity can steward a heritage brand through a period of distress, using tools like financial restructuring,

management changes, and product strategy shifts to restore growth and create value for a future strategic buyer.

5.2 Golden Goose (2017–2020)

While Valentino's case involved turning around a legacy company, the Golden Goose transaction shows private equity fueling the rapid expansion of a newer, fast-growing brand. Golden Goose, founded in 2000 in Venice, started as a niche luxury sneaker maker known for its distinctive "distressed" casual sneakers that sell for hundreds of euros a pair (Golden Goose, n.d.). By the mid-2010s, Golden Goose had developed a cult following among fashion-forward consumers, including celebrities, for its star-emblazoned sneakers, but it was still relatively small in scale. The company was backed by a series of financial investors as it grew: in 2013, Italian PE fund DGPA acquired Golden Goose from the founders, then sold it to mid-market firm Ergon Capital in 2015 (Lange, 2020). These early investors helped position the brand for growth, but the major inflection point came with a 2017 buyout by The Carlyle Group.

When Carlyle approached Golden Goose, the brand was profitable but had a limited direct retail presence and was still largely known only in fashion insider circles (The Carlyle Group, n.d.). Golden Goose's revenue in 2016 was just over €100 million, with about 60% of sales outside Italy, primarily through upscale wholesale channels. The product mix was dominated by sneakers, its signature item, and the company had only a handful of directly operated flagship stores, eight at the time (The Carlyle Group, 2017). This presented a classic opportunity for a sponsor to inject capital and expertise to globalize and scale the business. Sensing this potential, Carlyle acquired a 100% stake in Golden Goose in March 2017 (DVR Capital, 2017), in a deal valuing the company at roughly €400 million equity value (Reuters, 2019). Marco De Benedetti, co-head of Carlyle Europe, later remarked that at acquisition Golden Goose was a "little jewel" already showing the first signs of broad appeal, and Carlyle believed it had significant potential to transform and grow further (Lange, 2020).

Carlyle's ownership (2017–2020) coincided with an explosion in the "luxury sneaker" trend globally, and the firm moved quickly to capitalize on it. A core element of the value creation strategy was accelerating international expansion and direct-to-consumer retail. With Carlyle's backing, Golden Goose went from a few flagship stores to about 100 directly owned stores worldwide in just a few years. New boutiques were opened in fashion hubs like New York, Tokyo, Beijing, and other major cities, raising the brand's profile and allowing it to

capture retail margins that were previously ceded to third-party boutiques. In parallel, Carlyle worked on product and marketing initiatives to broaden Golden Goose's appeal beyond just sneakers. Under CEO Silvio Campara, the brand extended its product range into apparel and accessories such as ready-to-wear clothing and bags. The company's savvy marketing, leveraging social media and its "lived-in luxury" aesthetic, cultivated a devoted fanbase and a celebrity following including names like Taylor Swift and Gwyneth Paltrow, who were spotted in Golden Goose shoes (Lange, 2020). What is clear is that Golden Goose's financial performance soared under Carlyle: annual revenues jumped from about €100 million in 2016 to over €260 million by 2019, and EBITDA margins expanded as the business achieved greater scale (The Carlyle Group, 2020).

By late 2019, Golden Goose had transformed from a niche Italian label into an attractive global brand, precisely the outcome Carlyle had aimed for. The next step was to realize that value through an exit. In February 2020, Carlyle reached an agreement to sell Golden Goose to Permira (the same PE firm from the Valentino case, now looking to re-invest in luxury) for an enterprise value of approximately €1.28 billion (Barbaglia & Anzolin, 2020). The deal proved that the market was willing to pay not just for current profits, but for Golden Goose's brand momentum and future prospects. Tara Alhadeff, a Permira principal, noted that the acquisition was about backing the sneaker trend and a bet on the "casualization of wardrobes" being an irreversible consumer shift (Lange, 2020).

The Golden Goose case exemplifies how private equity can act as a catalyst for growth, taking a small but promising company and rapidly scaling it into a global player through internationalization and direct retail build-out. It also underscores the importance of timing and market trends: Carlyle timed both its entry (just as luxury sneakers took off) and its exit (when strategic and PE buyers were eager for such assets) astutely, thus maximizing value creation.

5.3 Nexi (2015–2019)

Not all private equity value creation in Italy has been in consumer and retail brands. Another example comes from the financial technology sector, where PE firms orchestrated the creation of Nexi S.p.A., now a leading European payment processing company. Nexi's story is one of turning a complex, bank-owned utility into a high-growth fintech enterprise via consolidation, tech investment, and ultimately a stock market listing.

Nexi's origin lies in an entity called ICBPI (Istituto Centrale delle Banche Popolari Italiane), a consortium-owned provider of banking services founded in 1939 (BeBeez, 2017). It was a profitable business, in 2014 ICBPI generated €670 million in revenue and €195 million EBITDA. (Bain Capital, 2015). Selling ICBPI presented a chance for the banks to realize a one-time gain and free up capital.

In mid-2015, a consortium of three private equity firms, Advent International, Bain Capital, and Clessidra, jointly negotiated the acquisition. ICBPI was valued at €2.15 billion for 100% of the business. Advent and Bain were experienced investors in payments, having backed companies like Worldpay and Nets, and saw tremendous growth and innovation potential in ICBPI both organically and through acquisitions. In a statement at acquisition, Bain's managing director highlighted opportunities for innovation, and Clessidra indicated an IPO could be possible in 3–4 years (Masoni, 2015). Thus, from the outset, the plan was to aggressively grow the company and then exit via the public markets.

What followed was one of the most ambitious buy-and-build programs Italy had seen. The Mercury consortium did not just buy ICBPI; they used it as a platform to consolidate the Italian payments industry, which at the time was fragmented among various bank-owned service providers. In 2016–2017, the PE owners executed a string of acquisitions: they purchased the merchant acquiring business of Deutsche Bank Italy and of Banco BPM (previously part of Monte dei Paschi di Siena) as well as a controlling stake in Basilichi (a leading payments tech and services company). Most significantly, they acquired Setefi and Intesa San Paolo Cards in order to merge it into ICBPI. These add-ons, totaling around €2 billion of investment over two years, instantly expanded ICBPI's scale and capabilities. By the end of 2017, the integrated group managed 27 million payment cards and processed 2.7 billion transactions annually in Italy.

They brought in new leadership: in 2016, Paolo Bertoluzzo, the former CEO of Vodafone Italy, was appointed as CEO to drive the strategy. Under Bertoluzzo, ICBPI was rebranded as "Nexi" in 2017, signaling a break from its past and an ambition to become a modern "pay-tech" company for the digital age. In parallel with these changes, the sponsors undertook a major technology and branding transformation: the company announced a 2017–2021 strategic plan that included over €1 billion of investments in innovative technologies, new products and talent recruitment (BeBeez, 2017).

The financial impact of these initiatives was substantial. By 2018, Nexi's pro-forma net revenues and EBITDA had markedly increased due to both the acquired businesses and underlying market growth. While detailed pro-forma figures were in IPO filings, an interim report showed that for the first half of 2017 Nexi had ~€199.6 million in EBITDA, up 20% from the end of June 2016. However, the aggressive expansion also meant high leverage, the company issued over €2.3 billion in bonds to fund acquisitions (BeBeez, 2017). The bet was that Nexi's cash flows would comfortably service this debt until an equity liquidity event (IPO) could de-lever the business.

By late 2018, the Mercury consortium started preparations to take Nexi public, as originally envisioned. The timing aligned with buoyant equity markets and investor appetite for fintech stories. In April 2019, Nexi debuted on the Borsa Italiana in what turned out to be Europe's largest IPO of the year. The offering was a success: Nexi raised about €2.0 billion and achieved an initial equity market capitalization of €5.7 billion (Mohamed, 2019). Just as important as the financial returns, the transformation had positioned Nexi as a national "Paytech leader" armed with new capital and technology. (Hellman & Friedman, 2020). From the perspective of the 2015–2019 period, the Nexi case demonstrates how private equity in Italy deployed a combination of industry expertise, consolidation, bold investment, and timely exit via IPO to create a fintech leader.

In conclusion, the case studies of Valentino, Golden Goose and Nexi show how private equity investors in Italy deploy a toolkit of value creation levers, operational turnarounds, growth acceleration, consolidation, and strategic exits, to drive company performance and achieve substantial investment returns. These transactions did not just generate financial gains; they also left lasting legacies on the companies involved. Valentino emerged with a revitalized brand that continues to flourish under new ownership. Golden Goose became a global name in luxury sneakers. Nexi was established as a critical player in Europe's digital payments ecosystem. In each instance, private equity stewardship was a pivotal chapter in the company's history, underpinning improvements that extended well beyond the period of ownership. Such cases reinforce the thesis that, when executed skillfully, private equity can serve as a powerful engine of value creation, innovation, and growth in the Italian corporate landscape.

Conclusion

The analysis undertaken in this thesis reveals a private equity landscape in Italy that has matured significantly, moving away from its earlier dependence on financial engineering toward a model centered on strategic transformation and operational excellence. This shift is not merely a reaction to external constraints such as rising interest rates or compressed valuation multiples; it represents a deeper evolution in how value is conceptualized and pursued by investors. The once-dominant paradigm, where leverage and multiple arbitrage were sufficient to deliver attractive returns, has gradually given way to an approach that recognizes the long-term benefits of improving business fundamentals. Private equity firms have become not just financiers but active partners in reshaping the companies they acquire, intervening in governance, operations, technology, and go-to-market strategy in order to drive sustainable growth.

In the Italian context, this transformation has been particularly pronounced. The structural characteristics of the market, its abundance of family-owned SMEs, historically low levels of professional management, and fragmented sectoral organization, make it both fertile ground for value creation and uniquely challenging. The case studies examined in this thesis demonstrate how PE investors have navigated these dynamics. Permira's stewardship of Valentino illustrates the importance of brand repositioning and creative leadership in reviving a legacy business. Carlyle's investment in Golden Goose shows how a focused growth strategy, backed by capital and operational expertise, can rapidly scale a niche brand into a global platform. And the Nexi case highlights how consolidation, digital investment, and public-market timing can transform a utility-like service provider into a fintech champion. These are not isolated examples; they are representative of broader patterns in Italian private equity, where successful outcomes increasingly depend on a coherent operational thesis and disciplined execution.

What emerges from the study is that private equity, when done well, is not a short-term arbitrage game but a multi-year process of transformation. The best-performing investments are those in which the fund not only improves the target company's financial profile but also leaves behind a stronger, more competitive business, one that is better managed, more innovative, more globally oriented, and better positioned for long-term success. This is particularly relevant in Italy, where many companies are poised between tradition and modernization, and where PE capital can act as a catalyst for long-overdue change.

Looking ahead, the sustainability of value creation in Italian private equity will depend on the continued refinement of operational strategies, the development of sector-specific expertise, and a willingness to engage deeply with portfolio companies. Exit strategies, whether via trade sales, secondary buyouts, or IPOs, will remain important milestones, but their success will increasingly reflect what has been built, not just what has been bought. This thesis, by tracing that evolution, affirms that private equity is not just creating financial returns, it is, at its best, creating value in the most fundamental sense of the term.

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