



Financial instruments to support SME needs in the SEE region

Luca Leoncini Bartoli
ISBD - Head of Corporate & SME Department

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INDEX



Intesa Sanpaolo at a glance



Intesa Sanpaolo Corporate footprint in SEE



SME Life Cycle: Financial Instruments to support SMEs' needs



INTESA SANPAOLO AT A GLANCE

LEADING BANKING GROUP...

- **Leadership** in most attractive products in Italy.
- **Leader** in all segments with a market share of 16% in customer loans and 17% in customer deposits in Italy.
- **Strong** capital base and asset quality.
- **Market Cap** of € 44.7bn, 5th in Eurozone ranking. ⁽¹⁾
- **18.8 million clients** all over the world.
- **5,075 branches.**
- Total Assets of € 739bn, loans to customers of € 366bn and Deposits from customers of € 384bn.

...WITH A STRATEGIC INTERNATIONAL PRESENCE

- Selected commercial banking presence in Central and Eastern Europe and Middle Eastern and North African countries reaching **7.7 million clients** in **12 countries** through a network of **1,138 branches.**
- International network with a presence in **28 countries** supporting cross-border activities of corporate customers.
- International Subsidiary Banks in **11** countries

INTESA SANPAOLO FOOTPRINT in SEE



BANKS

Market Share in Corporate Loans (2016)

■ < 5%

■ > 5% , < 15%

■ ≥ 15%

BANKS

SLOVENIA
 INTESA SANPAOLO BANK

ALBANIA
 INTESA SANPAOLO BANK
 Albania

Slovenia	
Totale Assets (€m)	2.314
Ranking	7°
Clients	192.000
Branches	52
Total loans (€m)	946
Market Share (on Total Loans)	8%

Albania	
Totale Assets (€m)	1.102
Ranking	4°
Clients	186.000
Branches	32
Total loans (€m)	213
Market Share (on Total Loans)	9%

CROATIA
 PRIVREDNA BANKA ZAGREB

SERBIA
 BANCA INTESA
 Beograd

Croazia	
Totale Assets (€m)	9.966
Ranking	2°
Clients	1.650.000
Branches	195
Total loans (€m)	2.915
Market Share (on Total Loans)	16%

Serbia	
Totale Assets (€m)	4.570
Ranking	1°
Clients	1.465.000
Branches	166
Total loans (€m)	1.092
Market Share (on Total Loans)	15%

BOSNIA AND HERZEGOVINA
 INTESA SANPAOLO BANKA
 Bosna i Hercegovina

ROMANIA
 INTESA SANPAOLO BANK
 Romania

Bosnia i Hercegovina	
Totale Assets (€m)	911
Ranking	7°
Clients	162.000
Branches	53
Total loans (€m)	295
Market Share (on Total Loans)	8%

Romania	
Totale Assets (€m)	904
Ranking	-
Clients	80.000
Branches	45
Total loans (€m)	304
Market Share (on Total Loans)	2%



SME Life-Cycle: financial needs



■ Start new business projects

■ Trade support & credit risk management

■ Optimise financial management

■ Support long term goals

■ Grasp new business opportunities



Financial Instruments: growth phase



Product Description

Product Structure

**EARLY
STAGE**

- ✓ MLT plain vanilla or structured finance loans (including mezzanine solutions) to support the incorporation stage or for initial CAPEX, with/wo collateral
- ✓ Leasing solutions
- ✓ Advisory and guidance for subsidised lending (COSME, INNOVFIN, supranational, Exim banks etc.) both cash and through guarantee schemes.

- ✓ Usually up to 10 years (can be longer for specific investments/industries)
- ✓ Repayment in instalments
- ✓ Often asset-based (collateral)
- ✓ Euro or local currency
- ✓ Standalone product



TOTAL GRANTED LOANS VOLUMES in SEE REGION (2016):

**EUR
49 mln**



13



-



11



-



9



16

Euro
mln

Early Stage: support to innovation case studies

Company A: New Product Development

■ *Business activity: production (off-shore) of **smart phones** (own brand) and **apps***



- Bank Financing for the annual product development (software and hardware) through a **bilateral loan** structured to **match the product development process**
- Uses of funds for the annual prototype development and for mass production



Company B: Innovation financing

■ *Business activity: development of **software applications and systems for parking management***



- Bank provided **financing, alongside with equity sponsor, for the development of new software** and to support IT hardware infrastructure
- Financing was provided based on potential new agreements with the Bank's municipal clients

Company A 's results

(In Euro mln)	before	after
Turnover	3	16
Ebitda	0,5	3
Financing granted	2	6



Company B 's results

(In Euro mln)	before	after
Turnover	1,5	3
Ebitda	0,5	2
Financing granted	0	0,5

Financial Instruments: maturity phase

Product Description

Product Structure

**TRADE
FINANCE**

- Documentary credits, commercial guarantees, structured export finance to support international trade
- Receivable financing w/wo recourse

- Cash facilities: usually short term
- Non cash: short or medium term
- Standalone product or credit line



TOTAL GRANTED LOANS VOLUMES in SEE REGION (2016):

**EUR
173 mln**



40



81



29



14



8



1

Euro
mln

Trade Finance case study



China Belt Road initiative was developed to strengthen regional connectivity through the development of new infrastructures and of stronger trade ties



SME sub-contractor financed in Serbia

Project	Construction of highway E-763 , Section V: Lajkovac-Ljig, from km 53+139.91 to km 77+118.23
	The project was originated by BIB SME network and infrastructure industry specialist further to a dedicated commercial initiative.

Financing Solution	(A) Trade Guarantee
	(B) MLT Amortizing Loan
	(C) ST Revolving Line

Financial Instruments: maturity phase

Product Description

Product Structure

- ✓ Short term financing solutions matching the company's trade cycle, often asset-based (e.g., inventories, receivables)
- ✓ Factoring and reverse factoring (Serbia and Croatia)

- ✓ Short term (up to 18 months) based on production cycle
- ✓ Local currency
- ✓ Standalone product or credit line



**WORKING
CAPITAL**

TOTAL GRANTED LOANS VOLUMES in SEE REGION (2016):



174



126



44



35



14



14



EUR
407 mln

Euro
mln

Reverse Factoring case study

- *Borrower: a large pharmaceutical wholesaler*
- *Business activity: wholesale & retail trade of pharmaceutical and chemical industries.*
- *Suppliers: large producers with payment terms of up to 60 days.*



Reverse factoring transaction

Scope

The company wanted to **extend payment terms** to its suppliers for additional 120 days

Benefits for the SME

- **Improves its cash conversion cycle**
- **reduces the need for additional working capital funding, while supporting its growth strategy**
- **increases profitability driven by advance payment discounts from its suppliers**
- **reduces the need to provide LG for the portion of advance payment**

Financial Instruments: evolution phase

Product Description

Product Structure

MLT FINANCING

- ✓ MLT Financing
- ✓ Leasing
- ✓ Investment loans
- ✓ Project & Acquisition finance
- ✓ Club deals organisation
- ✓ Merger advisory
- ✓ Advisory and guidance for subsidised lending: COSME, INNOVFIN, Exim banks

- ✓ Maturity up to 10 years for debt refinancing
- ✓ Preferred repayment in instalments
- ✓ Also asset-based (collateral)
- ✓ Usually in Euro
- ✓ Standalone product



TOTAL GRANTED LOANS VOLUMES in SEE REGION (2016):



74



21



-



24



11

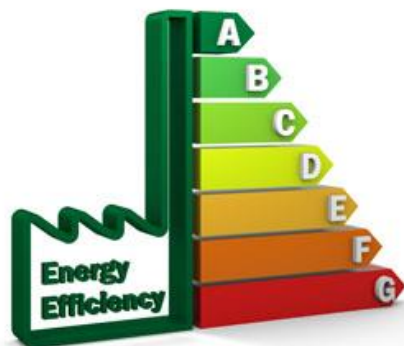


7

EUR
137 mln

Euro
mln

Energy Saving Investment for SMEs



- *Green for Growth Fund, enhances energy efficiency and fosters the use of renewable energy sources in SEE countries.*
- *SME has often limited collateral availability. Leasing provides an efficient use of collateral while being a cost effective financing solution.*

Leasing transaction

Scope

- **To renew equipment and to pursue significant energy cost savings.**
- **Sectors: confectionery, timber wood, water supply, waste water**

Benefits for the SME

- **Significant energy saving impact (>20%) enabled to free up cash flow.**
- **Relevant cost reduction on subsidised funding**

Financial Instruments: evolution phase



MLT REFINANCING

Product Description

- ✓ MLT refinancing
- ✓ MLT loans solutions supplementing financing provided by equity holders
- ✓ Turnaround advisory associated with MLT and stable working capital financing, collateralized or not, often supplementing other stakeholders capital contributions

Product Structure

- ✓ Maturity up to 10 years for debt refinancing
- ✓ Preferred Repayment in instalments
- ✓ Also asset-based (collateral)
- ✓ Usually in Euro
- ✓ Standalone product



TOTAL GRANTED LOANS VOLUMES in SEE REGION (2016):

EUR 215 mln



174



23



-



2



16



-

Euro mln

MLT financing: a restructuring case study

Our Client...

- **SME** with operations in a few SEE countries
- **Agro-industry**
- **Consolidated relationship** with ISP Group
- In 2008, the company was granted a **MLT, fully collateralized, bullet loan** to support its investment plan

Crises

- Overinvestment and volatile industry returns, dependent on weather conditions
- Loan debt service could not be covered by cash-flow generation
- Liquidity shortfalls undermined the company's development plan



Business Analysis

- New business plan based on client's vertical integration
- Positive outlook of the industry in the SEE Region
- Sound revenue projections and cash flow generation
- Player with positive performance in other markets



Debt Restructuring

- Debt reduction through a partial repayment
- Debt rescheduling through an amortising medium term loan with monthly instalments coupled with a short term revolving credit facility