

Italian Pharma SMEs: Family Knows Best!

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Italy's traditional family-owned pharmaceutical companies are one of its greatest strengths; but these companies must be amenable to outside influence in order to grow sustainably.

[There is] a lot of liquidity in the market, including amongst the family businesses ... and there are now a lot of companies looking for M&A opportunities not able to find attractive targets.

Rodrigue Schübelin, PwC

“It is important to recognize that the backbone of the Italian pharma industry is composed of private, family owned companies,” says [PwC partner Rodrigue Schübelin](#). “This is actually a significant competitive advantage in many regards, as these companies do not have to answer to shareholders every quarter and can act much more flexibly and decisively than their public counterparts.” However, he highlights that “the risk is that without that pressure, some companies may not challenge themselves to grow enough, or have a clear idea of where they should invest.”

[SIFI's executive chairman Fabrizio Chines](#) argues that “first of all, when family companies are growing in size, bringing in outside management capabilities is a must.” Italy is already in a good position in this regard, as “it has become increasingly common for family owned companies to be run by non-family CEOs”. Instead, he argues that “the more relevant issue at present is not that of management, but of investment capacity; some family companies like Menarini and Angelini may have the critical mass necessary to compete effectively, but for others it is critical to consider equity financing to support innovative product development or M&A strategies.” SIFI is one such company that has “taken this step by securing equity funding from a leading Italian PE firm, 21 Investimenti,” and Chines argues that there are other “Italian companies [that] should look at opportunities to raise capital from PE or VC firms.”

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CDMO Doppel is another example of a private company that has opened equity holding up to a private equity firm, although Doppel is not a family-owned organization. [CEO Giuseppe Casissi](#) explains that “Doppel has played a critical role in developing the [CDMO] industry’s culture, as for many years it was the leading Italian-owned CDMO in the country. In fact, our President Mr. Paolo Lanfranchi[one of the company’s three founders and CEO for many years] actually founded the CDMO group within Farindustria and served as president for the first two terms.” Lanfranchi remains a shareholder in Doppel, now holding 10 percent of the firm’s equity, while PE firm Trilantic Capital Partners has a 90 percent interest and, with access to further capital, has ambitious plans for expansion.



Third party healthcare logistic provider Bomi Group, which already has a strong international footprint, has taken a different route to raising equity capital by going public via an IPO in June 2015. [CFO and VP Latin America Marco Ruini](#) explains that “the plan behind the IPO was to establish a more substantial global footprint over two or three years” via M&A activity, and “for the most part we plan to target our investments to strengthen our position in markets we are already in.” Beyond the capital made available through the IPO, Ruini explains that “going public has added a lot of value to our company, as we now have a larger and more diverse board of directors who bring a lot of experience from different industries. The visibility we gained through the IPO is also a significant asset.” Identifying potential targets is “one area where the IPO has brought us a lot of valuable experience,” according to Ruini, who says “finding a potential partner or target for acquisition is difficult... the experienced voices that now sit on our board have helped BOMI management to keep our heads cool, and to know that it’s important to take our time before rushing into a commitment.”

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[Marco Ruini, Bomi Group](#)

As Ruini says, finding the right acquisition target, or investment opportunity in general, can be very difficult given current market conditions. PwC’s Schübelin observes that there is “a lot of liquidity in the market, including amongst the family businesses, some of which are quite large and have as much as a billion EUR on the balance sheet. This concentration of liquidity in the industry, which we see at the global level as well, has driven up prices of potential targets and now there are a lot of companies looking for M&A opportunities not able to find attractive targets.”

Indeed it does seem that nearly everyone is ‘looking for M&A opportunities’ alongside Bomi, including PE funds, big pharma, and even mid-cap players like Ipsen; [Thibaud Eckenschwiller, VP and MD for Ipsen Italy](#), explains that his company is “considering acquisitions in the primary care segment in the country,” saying that “making investments here is not always straightforward, so the fact that we are pushing ahead in such a strong way clearly shows the potential we see for the country in this regard.” As such, it’s no surprise that as an advisor to the industry, Schübelin is increasingly “seeing companies looking for help how to handle their liquidity, avoiding how to have too much cash on hand, not being able to invest effectively due to the low interest rate environment and assistance in identifying potential targets for acquisition.” This, he points out, “has been more of an issue in recent years, and firms have increasingly struggled to find the right investment opportunities.”

However, just because there are a few examples of family companies opening up to outside shareholders, the family business model is not on the way out. Italian flagships like Menarini, Chiesi and Zambon are still led by family members alongside professional management. One such firm is [Angelini, currently led by CEO Gianluigi Frozzi](#) who explains that “the family is very much involved in the strategic direction of the business and always looks out for the overall well-being of the company,” and says “the heritage of the Angelini family is always present.” In fact, on the topic of the firm’s internationalization, he declares “we aim to have a strong international presence, but we still want to be perceived as a family business that meets the health-related needs of families around the globe.”

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