



PRESS RELEASE

ITALIAN MID CAP CONFERENCE 2024: DIGITAL TRANSITION AND BUSINESS DEVELOPMENT

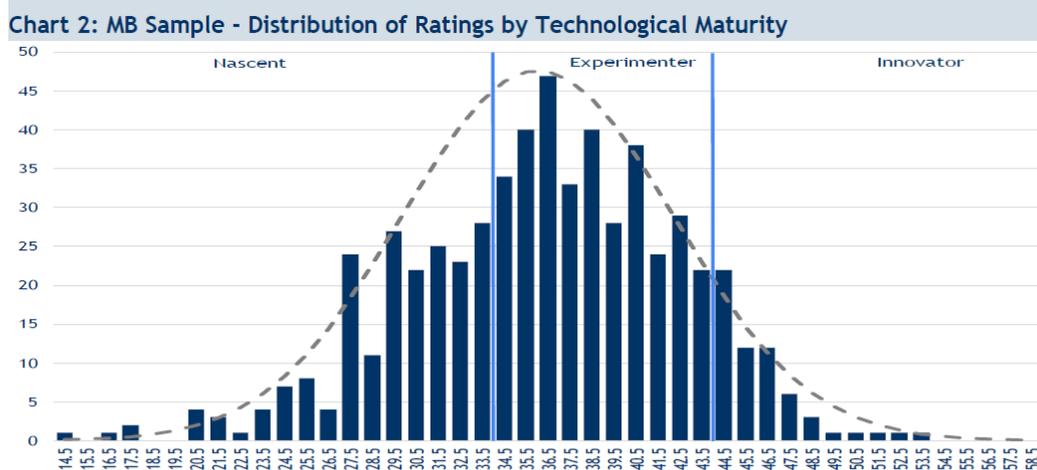
MEDIOBANCA RESEARCH MEASURES THE DIGITAL MATURITY OF ITALIAN MID CAPS IN CONJUNCTION WITH GOOGLE

Digital transition and business development are the main themes discussed at the **Italian Mid Cap Conference** organized by Mediobanca and now in its sixth year, which gets underway today in Milan. At the event, some 29 listed mid caps will meet with more than 80 Italian and international investors to share their growth plans, take part in more than 350 meetings, and take the opportunity to share ideas on markets and new frontiers in innovation at the various round tables.

Medium-size companies, which are a well-established feature of the Italian economic fabric, are also partners of choice for Mediobanca which has developed an increasing focus on this segment, monitoring developments in it through its own research.

A research report has been devoted specifically to the issue of the mid caps' digitalization, entitled "It's all about IT". The report, presented at the conference, has been developed in conjunction with Google, which has helped to identify the technologies with transformative potential.

To carry out this survey, Mediobanca Research has developed an innovative proprietary **rating** system to measure the **digital maturity** of each company. The companies are classified as "innovators", "experimenters" or "nascents" based on analysis of five different areas: digital infrastructure, use of digital channels, data analysis, digital competences, and use of cutting-edge technology such as artificial intelligence.



Source: Mediobanca Research

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In the course of the project, with the help of the Mediobanca Research Area a total of approx. 600 MSEs were interviewed, representing 6% of the national total for Italy. The survey reveals a concentration in favour of companies located in Northern Italy, active in the manufacturing sector and geared towards exports (50% of the firms generate more than 50% of their turnover outside of Italy). The survey is statistically significant in terms of quantity and composition, allowing general conclusions to be drawn regarding the Italian manufacturing sector, which accounts for 40% of the value added produced by the country, and 19% at European level.

Of the firms that took part in the survey, 56% were rated “experimenters”, marking them out as companies with a clear digital vision but which still have room for improvement in the use of tools to support the process of innovation. Meanwhile, some 39% of the firms covered by the survey were classified as “nascent”, even though many of them have already embarked on a pathway to improvement and are therefore not far off being promoted to the “experimenter” category. The picture of the MSE ecosystem that emerges is encouraging for the future, confirmed by the responses to the questionnaire provided by one company out of four regarding their “strong understanding that it is vital to have a digital strategy in order to guarantee their own growth or survival”.

The areas which the firms see as priorities for further work in this area include revision of internal processes, with the need in particular to integrate and strengthen digital marketing instruments and platforms in order to support sales activity. Around 30% of the survey choose digital channels to reach their clients and advertise products or services, but without the acquisition process being finalized online. For CRM systems, too, the transition often gets no further than halfway. The software programmes used to support client management are not used efficiently or in an integrated manner in around 40% of the cases, because they are not used by all the business divisions, or because they are connected with other systems which in some cases are not digital.

Only 5% of the companies included in the survey were ranked as “innovators”, on the back of a strong digital vision being well integrated into the corporate processes. According to the report this represents a virtuous approach: these companies have benefited from growth rates for earnings and exports that are structurally higher than those of their competitors, twice those of the less digitalized firms in terms of taxes paid and growth in the workforce.

The survey also estimates the percentage of the companies' structural growth accounted for by **investments in technology**, and identifies the main obstacles encountered along the pathway to digital transformation, highlighting initiatives that are useful in order to accelerate the process.

In terms of growth, a small increase in investments would enable firms classified as “experimenters” to become “innovators”. Looking at the aggregate data, an investment with sustainable impact on the balances of public finance (estimated at around €28bn) would raise the entire Italian manufacturing sector to a rating of “innovator”.

“We estimate that this momentum to the growth of companies would release growth of 0.7% in Italian GDP in the next five years”, said **Andrea Filtri, Co-Head of Mediobanca Research**.

The report goes on to analyse the main obstacles to the digitalization of companies, which are the shortage of digitally literate workers, corporate processes that are undigitalized and/or poorly integrated with each other, and the need to support substantial investments at the individual company level.

Measures to address these bottlenecks would have very significant effects in terms of speeding up the digital transformation. In particular, the introduction of digital education at school age, reform of technical senior schools, and requalification of the workforce are all useful drivers to guarantee that human capital will be suitably trained and digitally literate.



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Another vital issue in terms of financial management is the reorganization of the tax breaks on offer for investments in technology which entail tax credits for amounts that will be sufficient to cover at least the cost of borrowing, part of the costs of implementation and those of updating the software for non-obsolete equipment that will guarantee greater stability over time, in order to give visibility over investments for a long-term time frame.

*"We have always been convinced of the digital transformation's value as a driver for the growth of Italian companies", said **Simona Panseri, Senior Director Communications, Southern Europe for Google**. "This is why we're delighted to have partnered with Mediobanca Research in compiling this survey, at a time like the present when AI has the potential to contribute to increasing the productivity of Italian medium-sized companies.*

Milan, 22 January 2024

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