

Equities

Enav dividend yield draws interest in IPO

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The first significant European initial public offering since Brexit drew a warm response from investors yesterday, with shares in **Enav**, Italy's air traffic control operator, jumping more than 10 per cent on their debut in Milan.

Having suffered a delay because of the UK referendum on EU membership at the end of June, **Enav** shares were sold at €3.30 each on Thursday, and closed at €3.65, valuing the company at almost €2bn.

David Koch, head of southern European equity capital markets at Barclays, one of the banks that advised on the IPO, admitted that "there was an impact on the valuation that could be achieved", because of Brexit.

However, the defensive characteristics of **Enav**, which resembles an infrastructure or utility company with predictable cash flows, helped generate "good momentum" and strong investor interest, Mr Koch said.

The company was priced to offer a dividend yield of about 5 per cent, appealing to investors looking for a source of regular income in a world of vanishing bond yields and, in the case of Europe, falling stock markets so far this year.

Enav's IPO is the latest in a series of privatisations by the reformist administration of Italian prime minister Matteo Renzi, who has pledged to raise about €8bn by selling state-owned companies.

Italy has been caught up in post-Brexit market turmoil, with shares of its already

struggling banks falling further after the referendum vote. The government is pushing Brussels for permission for a state bailout that will help ease concern over the sector's non-performing loans.

Shares included in the FTSE MIB, Italy's main equity index, have lost almost a quarter of their value in 2016 so far, despite being one of the best performing markets in the previous year.

"In terms of valuation we think it is a bargain for investors but is also a good deal for the government," Giorgio Martorelli of Amber Capital, an asset manager focused on southern Europe, said of the IPO.

The sale has generated at least €750m for the coffers of the Italian Treasury through the sale of its 46.6 per cent stake in the company.

Enav largely deals with flights crossing Italian airspace and is therefore more exposed to global economic growth than the domestic European economy.

This adds to the attractiveness of the company, said Mr Martorelli. Additionally the company has little debt and is regulated by the EU rather than the government in Rome, he said.

"We like a lot the fact that **Enav** has been controlled by the Italian government for many years and we see a lot of room for cost cutting," Mr Martorelli said.

Credit Suisse and Mediobanca also advised on the IPO.

Equity bankers suggested that **Enav** is likely to be the last deal before the market for IPOs closes for the summer months.

Il dividend yield di Enav attrae l'interesse nell'IPO

