

## ITALY | OVERVIEW

# Think globally, build locally

WITH 95% OF BOAT PRODUCTION HEADED FOR THE EXPORT MARKET, ITALY'S SHIPYARDS HAVE BEEN BUSY REINVENTING THEMSELVES. MOST ARE COURTING THE AMERICAS AND ASIA FOR GROWTH, AND LOOKING AT NON-ITALIAN YARDS AS THEIR NEWEST COMPETITORS

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## ITALY



- **GDP rate:** 0.4% (2014 est.)
- **GDP forecast 2015:** 0.5%
- **GDP per capita:** US\$34,455 (2014 est.)
- **Inflation rate:** -0.56% in the 12-month period to January 2015
- **Unemployment rate:** Down to 12.9% in December from 13.3% in November 2014
- **Population:** 61,680,122 (July 2014 est.)
- **Area total:** 301,340 sq km
- **Coastline:** 7,600 km

**DATA DIGEST** For an economic forecast on Italy, turn to pg 84



▲ **Worries over Italy's economic health is keeping many potential boat buyers away**

Italy's marine industry last year began a slow return to growth. UCINA, the country's marine trade association, had forecasted much higher growth earlier in 2014, after a robust first quarter. But the second half of the year produced lacklustre boat sales inside Italy, forcing most shipyards to once again rely almost entirely on the export market.

The long-hoped-for recovery never materialised. Continuing worries about Italy's economic health kept most potential boat buyers away. The EU had originally forecasted 2014 to be a year of modest growth for Italy. But its GDP shrank by 0.5% for the year. UCINA reported that Italy's leisure marine sector had 1% growth for the year. To give some sense of scale, Italy's marine sector recorded turnover of €6.2bn in 2007. Last year, it was €2.43bn.

**“The government has passed some favourable laws in the past year, so there seems to be a better understanding of the industry”**

Nobody expects Italy's marine industry to come roaring back this year, but UCINA members are optimistic that growth could hover between 2.5% and 3.5%. But the numbers are based on Italy's GDP growth, forecasted to be only about 0.6%. Some economists say that this number could easily turn negative with any economic turbulence.

But there have been encouraging signs for rebuilding the economy, according to some manufacturers. The Renzi government passed a major “Jobs Act” late last year that gives employers the ability to fire non-performing workers.

### THE JOBS ACT: FRESH BLOOD?

Under previous employment laws, employers could not terminate workers for almost any reason, so they simply didn't hire new workers. The new law should prompt employers to hire new workers, especially younger people. Several boat manufacturers praised the Jobs Act as a way to kick-start the economy.

Every shipyard interviewed for this story is looking outside of Italy for growth, and in most cases, financial survival. Most seem less pessimistic about the domestic boating market than a year ago, but nobody seems optimistic for a quick return. Instead, Italy's shipyards, or at least those that survived the downturn, now see themselves as global companies, competing not only against the other Italian builders, but against yards in Northern Europe, the UK, and to a lesser extent, the US. Most boatbuilders over 20m relied on domestic sales for 50% to 70% of their turnover before the downturn. UCINA says that 95% of new-boat sales are now tied to export markets.

Azimut-Benetti, which became the embodiment of a global yacht manufacturer long before the downturn, has fuelled its growth through exports. Italy's largest boatbuilder reported that its production value rose to €650m compared to €600m in fiscal 2013. At the same time, its

net debt dropped to €50m from €85m a year earlier. Azimut says that the US market now accounts for about 40% of its production.

Ferruccio Luppi, CEO of Azimut-Benetti Group, says the US is “strong” and continues to grow. “It is the market that is really coming out of the crisis,” he says. “Europe is more volatile, but still has reasonable potential. The Brazilian market is stable, while Asia and the Middle East are increasing by a few points.”

But Luppi does see some positives in the Italian market. “The government has passed some favourable laws in the last year, so there seems to be a better understanding of the yachting industry,” he says. “On the other hand, the psychological rebound after so many years of a downturn means we’ll have to wait before we see reasonable results.”

Luppi thinks that high-net-worth Italians who have “a lot of liquidity, with low returns” might be attracted to buying durable goods like yachts. The stigma of boat ownership, generally seen as “morally inappropriate” after the 2008 financial crisis, is also fading. But the change in government attitude could trickle down through society. “There is a new perception from the Italian political circles about our sector, and this can absolutely facilitate the recovery of the market,” says Luppi. “Italy is also one of the richest countries in the world due to our industrial base and the large savings capacity of our people. I’m reasonably optimistic for a recovery that will happen sooner rather than later.”

Azimut continues to roll out new products at a rapid rate, with five new models in each of its ‘Collections’ for 2014/15. “We’ve actually widened our Collections compared to the pre-crisis period,” says Luppi. “That has largely come from making huge investments in R&D to cover every possible market.” Its yachts range from the Atlantis 34 to the Azimut Grande 120. Benetti builds yachts up to 100m-plus. The megayacht division has sold nine yachts up to 65m since last September, and 19 yachts, including seven custom projects over 50m, will be delivered this year.

## DOMESTIC RESURGENCE

Sanlorenzo also saw the value of its production increase last year by 25% to €210m, compared to €159m in 2013. Its strongest markets in North America (the US and Mexico) are expected to post the strongest individual gains, up 5% to 10% this year. The domestic market has also seen a bit of resurgence – up 50% last year, though Italy’s market share is down to about 15% of total sales compared to 50% in 2008. “Italian customers have not disappeared, but they have become more choosy and are now selecting quality products,” says Massimo Perotti, Sanlorenzo chairman. He expects 5% growth this year in the Italian market.

According to *ShowBoats International’s* Global Order Book, Sanlorenzo is Italy’s second-largest

shipyard (behind Azimut-Benetti) with 48 new builds. “We’ve changed our focus since the downturn from the ‘medium-sized’ boat concept in the 25m to 30m range to an average of 35m,” says Perotti.

Sanlorenzo announced a new SL86 and SL76 yacht at the Düsseldorf boat show in January. The new 86 will launch in September 2015, while the 76 will appear in June 2016. Sanlorenzo commissioned Officina Italiana Design, responsible for design of many of the modern Riva line, for the SL86 and SL76. “We’ve worked hard on our designs and new technologies,” says Perotti, adding that the yard will phase in new production techniques for the new models. ➡



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▲ Azimut-Benetti's Ferruccio Luppi says the stigma of boat ownership as "morally inappropriate" is starting to fade

Perotti remains "cautiously optimistic" about the Italian market. "Many boats are now ageing and owners want to replace them," he says, noting that the boatbuilding landscape is significantly different than seven years ago. "Many of our competitors are gone," he says. "Some have gone bankrupt or are insolvent because of drastic reductions in turnover. We've maintained the value of our production and are still making a profit. And we haven't lost any key employees." Perotti sees Azimut and Ferretti as his two main Italian competitors, but the international field also includes "Princess, Sunseeker, the Dutch and German yards and the best US builders."

The Ferretti Group, Italy's third-largest boat manufacturer according to the *ShowBoats* report, did not respond to multiple requests for this story. But Ferretti CEO Alberto Galassi told *IBI* in November that the company's growth would be fuelled by new-product launches. An equity injection of US\$110m from its Chinese parent, the Weichai Group, would mainly go to funding R&D efforts. "We plan to invest US\$80m in new product development over the next three years," he said. "Each year we will launch four or five new models." The Ferretti Group should reach breakeven point by 2016.

Ferretti's strongest financial weapon, Galassi believes, is its association with the Weichai Group. "The Ferretti Group was nearly killed by the private-equity mentality," he said. "Now, I'm very happy to have a solid, rich and industrial owner. They are an industrial company that takes a long-term view. They understand that businesses like ours require equity, investment, and patience."

#### BAGLIETTO BUYS BERTRAM

The Gavio Group announced in early February that it would buy Ferretti's Bertram Yachts division. Argo Finanziaria, parent of the Gavio Group, which owns Cantieri Cerri and Baglietto, said that adding Bertram to the other brands would "enhance" its portfolio by increasing the types of yachts it builds. Gavio acquired Cantieri Cerri in 2011 and Baglietto in February 2012.

"Bertram is the brand most similar to Baglietto as they share many common features," said Benjamino Gavio, president of Argofin and Baglietto, in a statement. "They also share a very strong national identity that goes hand in hand with far-reaching international fame." Gavio said that the brands would also create synergies by sharing resources, optimising costs and integrating dealer networks. The statement

did not elaborate on Bertram's immediate future. Ferretti had mothballed the plant in Merritt Island, Florida in the summer of 2014.

The US now seems to be the preferred target market, at least for yacht builders with boats over 20m. With a recovery under way, Italian builders are also seeing benefits of the rising US dollar value against the Euro. "In the last three years, we have sold two 50m units in the US," says Francesco Frediani, commercial director of the Overmarine Group. "We strongly believe in this region. We've invested in our presence there by opening an office in the Miami area." The Overmarine Group also opened an office in the Cote d'Azur in the summer of 2015.

The builder of the Mangusta line views sales in terms of individual clients rather than markets. Most are repeat customers. Frediani has seen the international market move towards larger yachts above 40m. "It's the only segment showing a sort of consistency, while sales in smaller segments are more erratic," he says.

The brokerage market has also slowed down new orders for most shipyards, says Frediani, noting that the high inventory of brokerage yachts at low prices leads clients to assume production costs for new yachts are much lower than they are. But he thinks lower inventories will lead to new orders in the near term. "Most of the 'good deals' are gone and secondhand yachts still available are quite old now," he says. "We're already seeing a more consistent upturn in queries."

The Italian market, Frediani says, is "unpredictable". The company delivered a 40m Mangusta in Italy last year, its first Italian client in two years. No domestic projects are currently on its order book.

To keep abreast of changing tastes in yachting, Overmarine has developed a series of Mangusta Oceano displacement yachts to supplement its traditional "Maxi Open" planing yachts. Overmarine announced the sale last November of the first Oceano 42m, which is in build at its Pisa facility. It is scheduled to be launched in 2016.

"We weren't looking for an alternative to our Maxi Open yachts, which remain our strong point," says Frediani. "But rather the Group wanted to seize an opportunity. We had the technical and managerial skills to design and build the Oceano line, and as usual, we tackled the endeavour with the utmost seriousness."

Overmarine has also put the development of its Maxi Open series on a fast track. It will launch a new 132ft fast yacht this year, following the launches of the 94, 110 and 165 E in the last two years. ➔

**“The Ferretti Group was nearly killed by the private equity mentality. Now we have a solid, rich industrial owner”**





▲ Above: A glimpse onboard Grand Soleil's 46 LC — the first in a new series of blue-water cruising vessels

"Our latest yachts clearly demonstrate the recent technical and style evolution of the Maxi Open line," says Frediani. "The Maxi Open's external lines are traditionally sporty, and we've added both aesthetic and structural innovations, like a more aggressive-looking flybridge and extremely spacious sundeck. We've also made significant hydrodynamic improvements on the hulls and engines."

#### REINVENTING THE MODEL LINE-UP

Absolute Yachts also tied its future to the international market and an aggressive new-product development schedule. The company has made strategic changes to its model line-up in the last five years, launching a complete range of flybridge models from 40ft-72ft. Last autumn, it launched a 58ft Navetta. The company plans to introduce a second 50ft Navetta next September.

Absolute president Patrizia Gobbi says that reinventing its lineup has paid off. "By next August, we'll have the same turnover as 2008," she says. "This means we've recovered all the lost ground from the downturn. It's a very positive sign for us."

Gobbi says that Absolute has seen increasing sales in its three main markets, all outside Italy, while gaining single sales in smaller markets. "In the past two years, we've become stronger in Australia and we are starting to be quite well known in China and Brazil," she says. Absolute is seeing a steady up-tick in sales in North America, while opening new markets in Mexico, Colombia and Venezuela.

"If you compare our turnover geographically with 2007, you'll see just how international we've become." Pre-downturn, Italy accounted for 40% of the company's sales. Eventually that number fell to zero. After two years with no Italian sales, Gobbi now expects the

domestic market to account for about 10% of 2015 turnover. "The Italian market hasn't recovered but is returning," she says. "There's more confidence in the economy. To go boating, you must want to enjoy life. And frankly, people are tired of being unhappy."

Federico Rossi, COO of Rossinavi, also sees the US market as being more "dynamic" than Italy or EU countries. "We recently sold a 63m project to an American client," he says. "It's a market where they recognise quality and prestige." At the same time, Rossi says the Russian market is now "uncertain" because of sanctions and turmoil in Ukraine and the unfavourable exchange rate with the rouble.

While Italy accounted for about 60% of company sales before the downturn, Rossi does not expect much of a recovery in the near term. "We've had to gain international relevance by responding to global market demands," he says. "We've changed our production methods and boat types because of those variations. We're a total custom builder."

The shipyard plans to present a hybrid (diesel-electric) yacht for owners wanting more fuel-efficient yachts. Rossi says the new yacht will "surpass" similar designs on the market. Rossinavi also plans to announce four other new models by June.

Rossi says new-product innovation has allowed his yard to survive while competitors have either been sold or gone bankrupt. "We've been able to maintain our original family ownership after 35 years," says Rossi. "That has allowed us to protect and develop our institutional knowledge, even through this downturn. We see our competitors not so much as other Italians, but other shipyards with a similar history of ownership."

#### SUPERYACHT REFIT GROWTH

Mondo Marine, which was acquired in May 2013 by Alessandro Falciai and Roberto Zambrini, has three superyachts under construction. "The three units, SF40, M50 and M60, have been sold and will be delivered between the end of 2015 and 2016," says Zambrini. "We've also seen a strong increase in refit activity."

The Savona-based yard builds aluminium/steel custom yachts over 40m. Last year, it introduced new models by different designers: SF line by Luca Vallebona (including the current 40m in build), M50 and M60 by Luca Dini (under construction), a SM45 motorsailer by Franchini and Ansaloni, and 57m *Eidos* by Luca Gobbi. The M60 is the largest yacht Mondo has ever built.

Like other Italian shipyards, Mondo sees growth abroad. "Given the current fiscal pressure and low GDP levels in Italy, we don't see the Italian market changing soon," says Zambrini. "Right now, the Middle East is probably the best market for boatbuilders. The US ➡



▲ Rossinavi COO: "The US market is more dynamic"

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▲ The Italian Sea Group's Francesco Carbone says the US market is stable

market is changing the fastest and now at pre-crisis levels. Hopefully, this will happen in Europe soon."

The Italian Sea Group, comprised of the Admiral, Admiral Sail, Tecnomar and Nuovi Cantieri Apuania brands, has also seen an increase in demand for yachts over 40m. "Our clients are more focused on larger sizes while the markets they're coming from remain basically the same," says Francesco Carbone, vice chairman and sales director of the group. "We've developed our fleet extensively in the last year, with models up to 145m in length. We're moving up with our sizes, developing several different styles with each hull platform."

## NEW ADMIRAL SAIL DIVISION

The group also launched the new Admiral Sail division last year, comprised of a semi-custom composite line and a separate division making aluminium superyachts. Carbone says another new division will be announced later this year. "We abandoned fibreglass, except for the new sailboat line, to focus on metal," he says. "The production site we acquired in 2012 has also allowed us to become more industrialised, while maintaining the quality and customization that we're known for."

Carbone sees the US market as being most stable, but the group's strongest growth has been in Latin America. As for the Italian market, Carbone admits that there "is money around", but says problems with consumer confidence, economic stability and laws regulating yachting could keep the market in limbo for some time.

Sailboat manufacturer Grand Soleil is one of the few Italian manufacturers to report healthy domestic sales. "The Italian market is going really well," says Fabio Planamente, general manager. "We've sold many boats

domestically, especially after the last Genoa show. Our client has an upper-middle profile and that segment hasn't been too greatly affected by the economic crisis."

Grand Soleil also saw a "slight improvement" across international markets last year, with an upturn in the UK market in particular. "We're also selling in North America again, especially on the east coast, thanks to the euro-dollar exchange rate and the US recovery."

A new demand for "comfortable cruising boats" has changed the course of its R&D efforts. The company launched the Grand Soleil 46 LC (Long Cruise) as its first of a series of blue-water cruising vessels. "With this new model, we're attracting clients who want to transition from motorboats to sailing vessels, but who also want the quality, design and performance of a proven builder," says Planamente.

Unlike the other motoryacht and superyacht builders in this article, Grand Soleil has not seen Italian sales drop to single digits. Before 2009, Italy accounted for 60% of total sales. It is now closer to 40%. "We think the Italian market will be stable this year," says Planamente. "Brands like Jeanneau, Beneteau and Bavaria are stronger than us in the middle segment. But if you look at upper-middle segment, we're seeing an upturn in sales because those clients didn't suffer during the economic crisis."

## PRÊT A PORTER

Custom yacht builder Vismara Marine has also launched a new series of sailboats called "Prêt-a-Porter" that will debut at the 2016 Düsseldorf show. "We're seeing new clients that are interested in improving the versatility of their yachts, so hence the prêt-a-porter series," says Michele Antonini, company spokesperson. Vismara is known for its eclectic motoryacht and sail yacht designs, so the new series will be a move more into the mainstream. The company builds its composite hulls and decks at a facility in Poland that also makes parts for automaker Ferrari. Antonini says Vismara has invested heavily in the new series to expand its reach outside Italy.

"About 70% of our sales are in the Italian market," he says. "But since this number will diminish, our growth has to come in other markets." Vismara has a strong reputation in Northern Europe and is now working to improve sales in North America. It will launch two custom yachts at Cannes and Genoa.

"This will be an important year for us," says Antonini. "We're optimistic that our resolve in the last few years will show results. We're sure that when the market gets out of this impasse, a new generation of clients will appreciate our designs."

That last sentiment sums up the hopes of every Italian shipyard. **IBI**

▼ Below L-R: The interior of *Polaris* by Rossinavi. Bottom: The *Ketos 48* was Rossinavi's first production yacht

