

2016 Korea Materials & Components-Ppuri Industry Week
소재부품 뿌리산업주간

8th MCT
Global M&A
Conference
MCTGC2016

PROFILE



ITALY LA COMPAGNIA FINANZIARIA MERCHANT BANK

Stefano L. di Tommaso
Senior Partner

- 30여년의 기업금융, 및 자본시장 경력 보유
- 에너지, 헬스케어, 제약, 건축, 소비재 등 다양한 산업분야의 M&A 자문
- 이탈리아 Outbound Cross border M&A 자문 다수 수행
- 1983년 설립된 중소규모 M&A전문 자문사
- 오랜 경험을 바탕으로 이탈리아 시장 내 강한 입지를 구축
- 자동차, 산업재, 의류, 패션 등 분야에 강점 보유

November 2016



Global M&A Conference – Seoul, November 2016

M&A case analysis and penetration strategies into Western European market

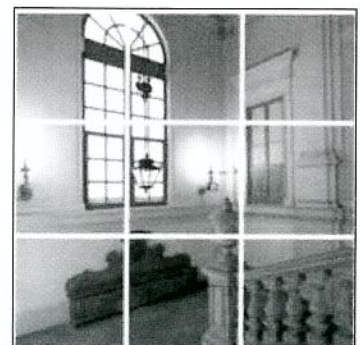
LCF – Case Studies

Speaker: Dr. Stefano L. di Tommaso – Senior Partner



LCF Overview

- La Compagnia Finanziaria (here in after "LCF") is an independent merchant bank with more than 30 years of experience in providing corporate finance and capital markets advisory services to Italian small and medium enterprises with a generalist approach. We combine advisory skills with direct access to institutional debt and equity investors.
- Throughout years LCF became not only a leading independent syndicated loans arranger in Italy, but also a distinguished financial advisor in many transactions carried out within Equity Financing, Mergers & Acquisitions Real Estate Advisory and Corporate Strategy Advisory.





LCF Activity

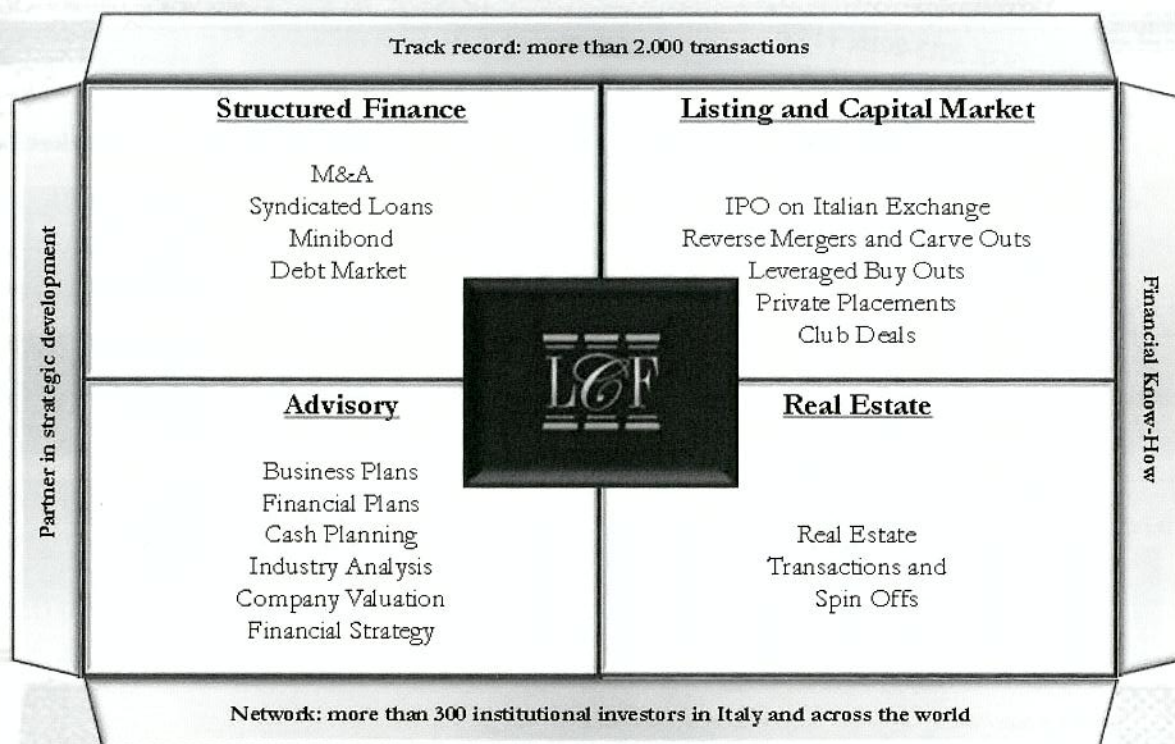
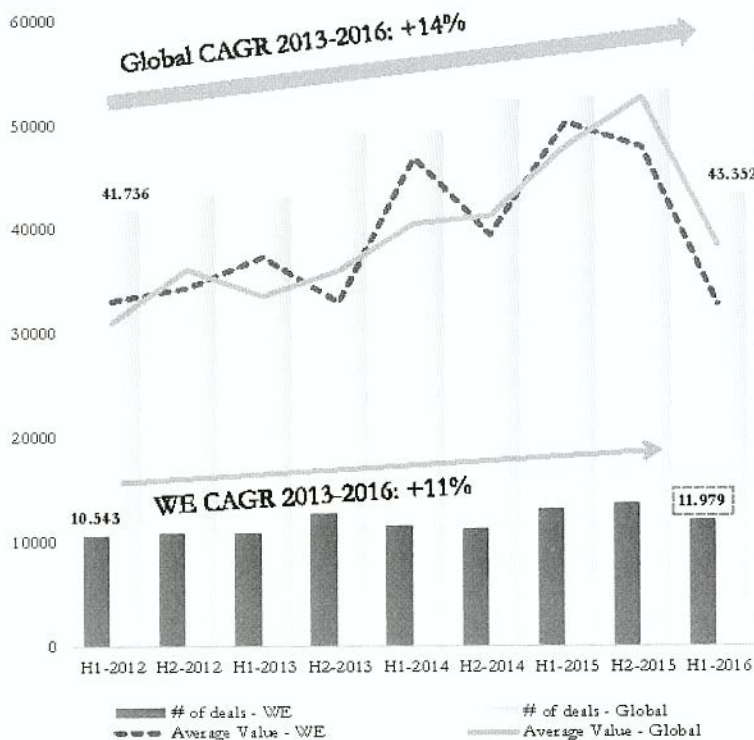


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Trend in Global M&A Market



Sources: Half Year M&A Activity Report, Global H1 2016, Bureau Van Dijk, Cross Border M&A Index, Baker & McKenzie

- Luxury goods industry is the top performer market in the first nine months of 2016 (#Deals +10% on the whole 2015)
- Negative expectations for the second six months of 2016; # announced deals H1-2016 (>USD 10 bln) < # announced deals H1-2015 (>USD 10 bln)

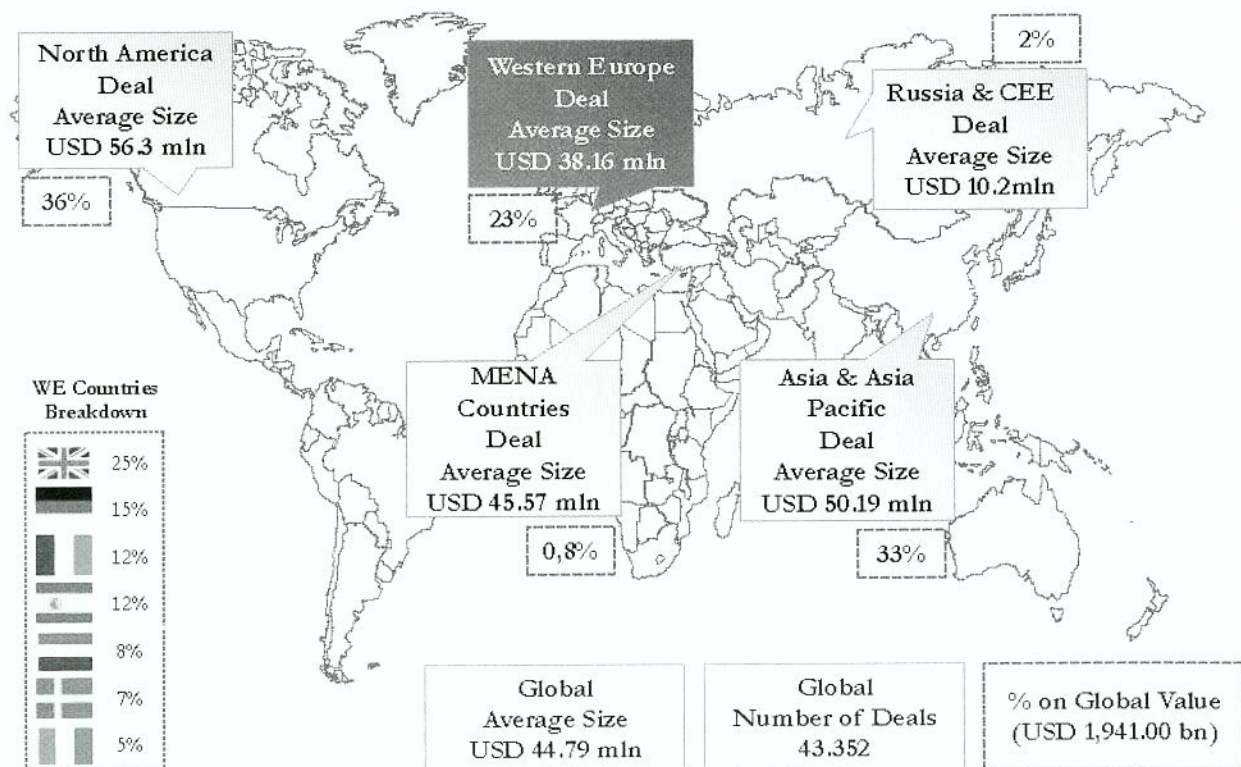
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Global Overview: January-June 2016



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Western Europe Framework

In the first half of the year 11,979 transactions took place in Western Europe with a total value of USD 457 billions. The comparison with the major M&A Markets suggests the following issues:

Small Deal Size	Fragmented Market dominated by Small Medium Enterprises
Consolidation	Necessary to enhance profitability and to face overseas competition
Industry	Luxury Goods: majority of M&A transactions has involved Western Europe based target



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Recent History and the Italian Business Environment

- As You all may actually guess, after the most significant governmental changeover of mid 2011, much of the Italian liquid capital, legally or illegally flew outside of the country to find shelter from a rising taxation or an increasing difficult environment for doing business, in some case forever and in other cases they were bound to make its appearance again after a while, under the form of common funds or private equity funds based in Switzerland or in the rest of Europe.
- We can take that moment, correspondent with the end of the Berlusconi Government, for indicating the beginning of a rush of ISMEs towards the rest of the world. In a not too much accurate way we may say that for Italian enterprises the real globalization actually begun in that very year and just increased its spread in the following ones.



Recent History and the Italian Business Environment

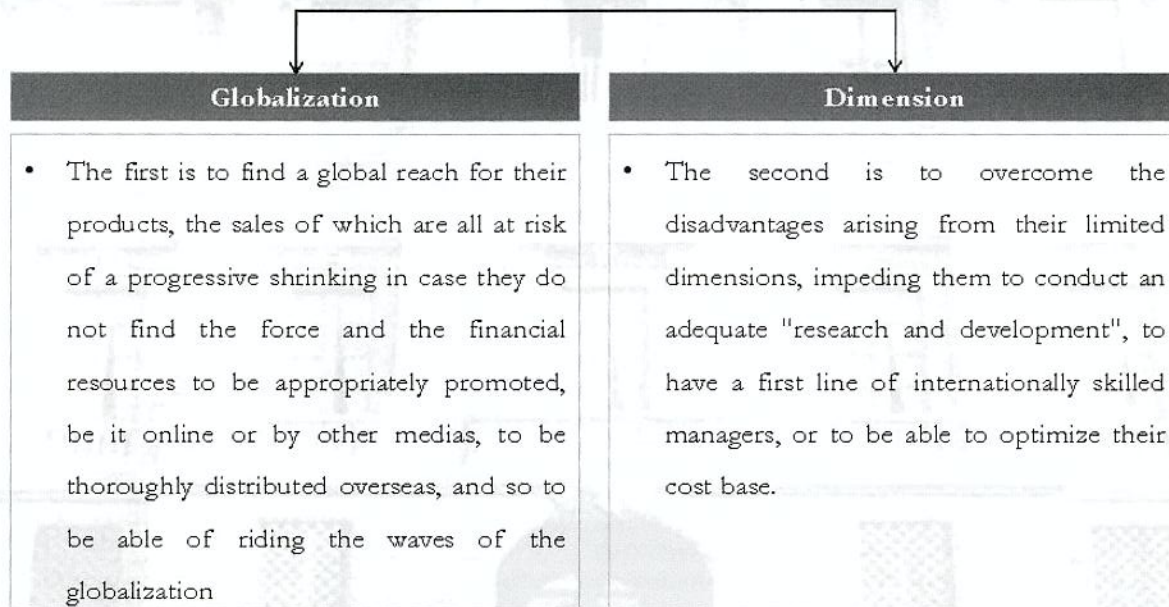
- Since the 2011 the Italian commercial banks started to sport a reduced capacity (and will) of sustaining the lending activity for new credit as they previously did, and a larger number of ISMEs begun consequently to be in difficulties, choosing therefore in many cases to be sold to foreigners, since the capacity of Italian entrepreneurs to foster their investments and growth over international markets was limited by the reduced access to new equity and new credit.





The Sellout of Italian Small and Medium Enterprises (ISME)

In last 5 years we witnessed a large scale sellout of ISMEs that is still in progress, although today different reasons keep driving italian elites to sell their enterprises or a majority stake of equity. Today there are **two major reasons why Italian entrepreneurs are looking for foreign strategic partners**



The Sellout of Italian Small and Medium Enterprises (ISME)



In both cases the entrepreneurs who launched or inherited their italian ISMEs are often and progressively realizing that they need either a partnerships with foreign competitors or the sale of the company, able to counterweigh the lack of a global strategy, in absence of which the performances of ISMEs may result well below their industry's benchmarks.

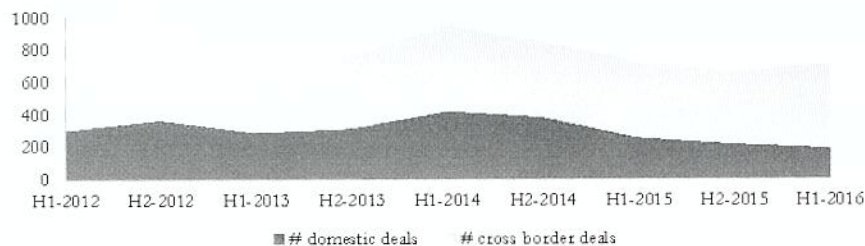


Key Numbers in the Italian Market

Trend in Italian M&A Market (mln €)

June 2016

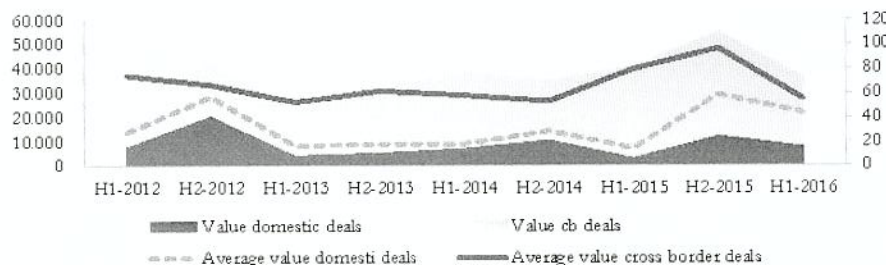
Trend in Volume



In H1 2016 the Italian Market has registered 706 deals:

- 715 cross border deals
- 191 domestic deals

Trend in Value



The total deals value has been €36.581 mln of which:

- €28.269 mln for cross border transactions
- €8.312 mln for domestic operations

Sources: Half Year M&A Activity Report, Italy H1 2016, Bureau Van Dijk



Key Trends in the Italian Market

ITALIAN MARKET TREND CONTRASTS THE GLOBAL NEGATIVE VOLUME DYNAMICS AND SHOWS A DEAL AVERAGE SIZE IN LINE WITH ITS HISTORICAL MEAN. DROP IN VALUE IS DUE TO AN EXTRAORDINARY SUGGE IN TRANSACTIONS OCCURRED IN 2015.

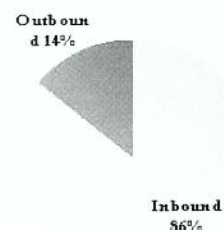
+7%

Growth in number of deals involving Italian companies

+8%

The growth is boosted by inbound deals that are rising by 8% and that represent the 86% of all the cross border transactions

Cross Border





Italian Top Cross Border Transactions (1/2)

Most Active Industries (H1 2016)				
Outbound	72 Deals with Total Value 8,7 mln		Machinery, Furniture, Equipment & Recycling	<ul style="list-style-type: none">• 14 deals• Total Value € 646 mln
			Food , Beverage & Tobacco	<ul style="list-style-type: none">• 2 deals• Total Value € 918 mln
			Wholesale & Retail	<ul style="list-style-type: none">• 5 deals• Total Value € 215 mln
Inbound	449 Deals with Total Value 19.6 mln		Banks	<ul style="list-style-type: none">• 117 deals• Total value € 3.4 bn
			Textile, wearing apparel & leather	<ul style="list-style-type: none">• 29 deals• Total Value € 1,7 bn
			Food, Beverage & Tobacco	<ul style="list-style-type: none">• 4 deals• Total Value € 2,6 bn

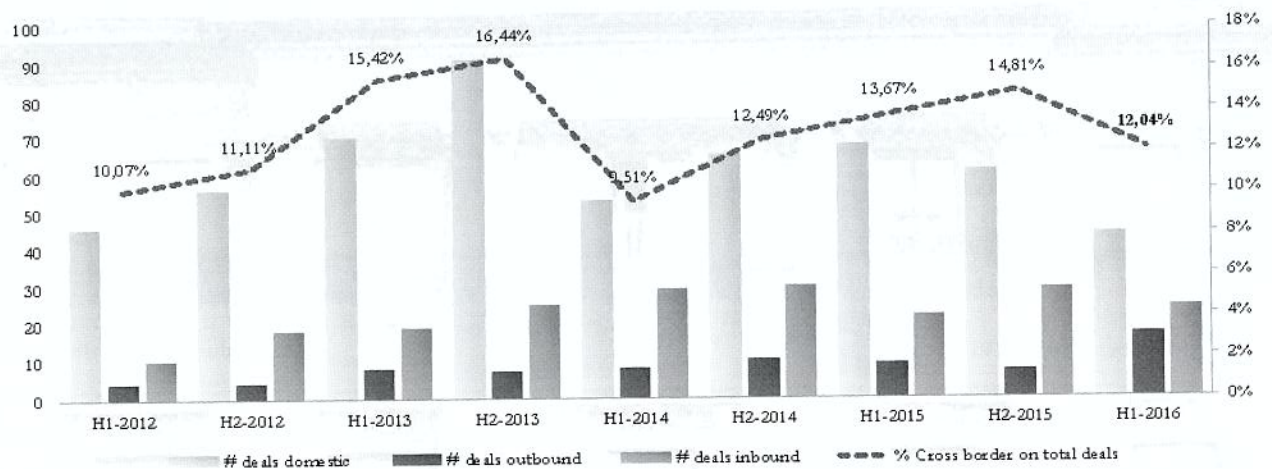


Italian Top Cross Border Transactions (2/2)

Top Outbound Transactions (€/mln)			
TARGET	BUYER	DEAL TYPE	DEAL VALUE
PartnerRe ltd	EXOR S.p.A.	Acq 100%	6.097
Mondelez International Inc	Luigi Lavazza S.p.A.	Acq 100%	800
Lane Industries Inc	Salini Impregilo S.p.A.	Acq 100%	374
Focus Diagnostics Inc	Diasorin S.p.A.	Acq 100%	264
SF-Filter AG	Ambienta S.gr.	IBO majority	200
Top Inbound Transactions (€/mln)			
TARGET	BUYER	DEAL TYPE	DEAL VALUE
Peroni S.r.l. with other non Italian brands of SabMiller	Ashai Group	100% Acq	2.550
Artsana S.p.A.	Investindustrial	IBO 60%	1.200
Teamsystem Holding	Hellman&Friedmand	IBO majority	1.075
Rhiag-Inter Auto Paris Italia S.p.A	LKQ Corporation	Acq 100%	1.040
Sisal Group S.p.A.	CVC Capital Partners	IBO 100%	1.000



Private Equity in Italy



Private Equity business accounts for 12% of the total Italian deals and almost 48% of its activity refers to cross border transactions.

Sources: Half Year M&A Activity Report, Italy H1 2016, Bureau Van Dijk

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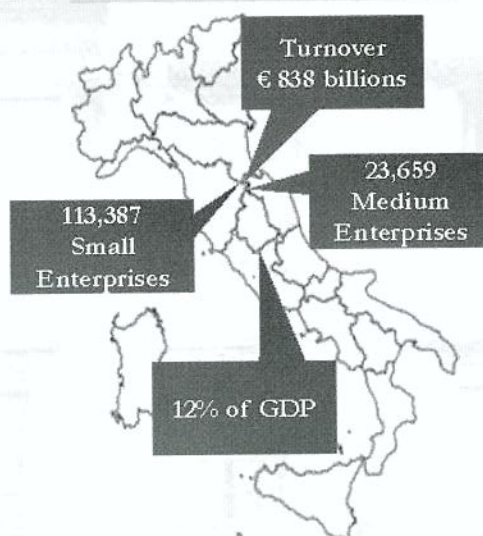
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Conclusions: Investment Opportunities in Italy

Lack of Consolidation



- **FRAGMENTED ENTREPRENEURIAL FRAMEWORK** DOMINATED BY SMES.
- **LARGE SPACE FOR CONSOLIDATION,** REQUIRED TO FACE INTERNATIONAL COMPETITION.
- **FOR INTERNATIONAL PLAYERS THAT DO NOT HAVE A SIGNIFICANT PRESENCE IN ITALY AND ARE INTERESTED IN GEOGRAPHICAL EXPANSION.**

One of the following	# of Employees	Turnover	Asset Value
Small Enterprises	<50	<10 mln	<10 mln
Medium Enterprise	<250	<50 mln	<43 mln

Sources: Cerved

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Conclusions: Investment Opportunities in Italy

Globalization of Italian Products

Industry Examples



- Food & Beverage
- Textile & Apparel
- Steel Products

- **SPECIFIC SKILLS, DESIGN EXCELLENCE, SMASHING INNOVATION IN NICHE MARKETS.**
- **STRONG REPUTATION OF MADE IN ITALY PREMIUM PRODUCTS MANUFACTURING**
- **FOR INTERNATIONAL PARTNERS INTERESTED IN ITALIAN PRODUCTS DISTRIBUTION AND COMMERCIALIZATION ACROSS THE WORLD.**



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Case Studies

 Has acquired 100% of Financial Advisor to the Seller 	 Has acquired 70% of Consultant to the Buyer 	 Has acquired 100% of Financial Advisor to the Seller
 Has acquired 100% of Financial Advisor to the Seller 	 Have acquired 95% of Financial Advisor to the Seller 	



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Transaction Highlights

Year	<ul style="list-style-type: none"> 2016
LCF Role	<ul style="list-style-type: none"> Sell Side Financial Advisor
Players	<ul style="list-style-type: none"> Seller: Buyer: Randstad Holding Target: Obiettivo Lavoro
Deal Type	<ul style="list-style-type: none"> 100% Acquisition of Share Capital
Valuation & Consideration	<div> <p>Equity Value</p> <p>€ 70 mln</p> </div> <ul style="list-style-type: none"> Enterprise Value of € 102,5 mln Enterprise Value/Ebitda: 7,5x Cash Settlement of the entire equity value



Obiettivo Lavoro Overview

Obiettivo Lavoro was one of the leading Italian companies operating in the staffing and temporary work industry

Business Overview	Services
<ul style="list-style-type: none"> Obiettivo Lavoro acted both as a generalist and specialist agency being able to provide any professional profile required by the employers. Before the acquisition the Company was directly controlled by OL Group S.r.l. and indirectly by the cooperative limited company Team Service and the cooperative industrial group CCPL. 	<ul style="list-style-type: none"> Assessment, Selection and Recruitment Recruitment and selection abroad Staff Leasing Temporary Management Training Payroll, Administration and Human Resources Outsourcing



Obiettivo Lavoro Key Financials

The growth pattern in revenues (+10% in 2014) was likely to continue in the following years as the increasing volatility in the economic cycle had shown that strategic HR were becoming fundamental to grant business leaders in all industries the necessary flexibility

Obiettivo Lavoro Group ('000)	2012	2013	2014	2015
Revenues	327.127	356.551	395.149	426.464
EBITDA	5.666	9.752	11.005	20.294
Margin (%)	1,73%	2,74%	2,79%	4,75%
Ebit	597	3.882	2.606	15.116
Net Income	(4.384)	(1.065)	(2.833)	7.146
Fixed Assets	5.123	6.669	75.521	9.237
Equity	31.318	30.321	100.006	37.915
Net Debt	37.079	20.455	22.848	-5.191



The Investment Opportunity

OL Shareholders were evaluating several different strategic alternatives and among them the possibility of transferring 100% of their shares.

Staffing Industry was undergoing an intense period of M&A activity

Consolidation Trend

- First, consolidation was boosted by the need of smaller players to take advantage of economies of scale
- Additionally, consolidation was also driven by general staffing companies looking for a stronger foothold in professional staffing, in order to diversify their service offerings.

Jobs Act

- The approval of the new legislative reform Job Act was expected to boost job creation in the Italian market positively impacting staffing agencies.
- The opportunity to hire with significant social contribution margin and the reduction of some flexible contracts promote good flexibility while increasing penetration rate of staffing industry