

# Bit Market Services

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*Testo del comunicato*

Vedi allegato.

## PRESS RELEASE

### FILA FURTHER ADVANCES ITS GLOBAL GROWTH STRATEGY

#### INDIAN MARKET PRESENCE CONSOLIDATED WITH ACQUISITION OF CONTROL OF WRITEFINE PRODUCTS PRIVATE LIMITED

- *FILA increases by 32.5% his stake in Writefine Products Private Limited, in which 18.5% was already held and concludes an initiative begun in December 2011, reaching a 51% stake in the company, which will be fully consolidated from the beginning of November 2015;*
- *Indian market growth outpaces the more mature markets and is one of the highest potential markets for FILA*
- *The operation will enable FILA to utilise its Indian production facilities to support global growth*
- *Accretive benefit reflected in EPS from beginning of next year*

**Milan, October 26, 2015 - FILA – Fabbrica Italiana Lapis ed Affini S.p.A.** announces the signing today of a contract, with Santosh Raveshia and other members of the Raveshia and Rajani families (jointly the “Sellers”), which will increase its stake by 32.5% in the Indian Writefine Products Private Limited (“WFPL”), partly through the acquisition of shares from the Sellers and partly through a reserved share capital increase of WFPL.

WFPL is specialised in the production, commercialisation, distribution and sale of “Stationery” products and creativity tools for children, principally on the domestic Indian market and of which F.I.L.A. already holds a minority stake of 18.5%, acquired in February 2012 for Euro 5.4 million.

**The main proprietary brand of the company is “DOMS”,** which was nominated among the “*fast 50 brands*” in India in 2015.

In accordance with the above contracts, at the execution date of the sale and the simultaneous share capital subscription and issue - subject to the verification of certain conditions, including the authorisations required from the relevant Authorities - **F.I.L.A. will hold 51% of the share capital of WFPL, fully consolidating the company from the beginning of November 2015.**

The consideration involved - which will be paid in cash on the closing date – is around INR 2.4bn (around 36mln Euro ). Closing is expected to be completed by the end of October 2015.

This operation will strengthen the production capacity of F.I.L.A., ensuring the supply of high quality pencils and the Group's position as a leader in the production and distribution globally of wooden pencils.

The acquisition of control consolidates the company's international presence and furthers the successful implementation of its global growth strategy through acquisitions and partnerships.

India, with a population of over one billion, of which over 350 million are children (between 0 and 14 years of age), presents an extraordinarily vast market for F.I.L.A., offering:

- a market with high expected growth rates, based also on government schooling incentives and demographics, with approx. 3.4% of GDP invested in Education;
- high recognition of the DOMS brand on the Indian market (30% market share in pencil category), established in part through a targeted branding and advertising policy;
- a consolidated national distribution network with over 60 channel partners serving 2,500 distributors across India, reaching over 150,000 sales points and 50 million consumers.
- access to markets not covered by Chinese production (as a result of duties), such as Brazil, the US, Mexico, North Africa and Turkey;
- reduced dependence of FILA on Chinese production;
- possible vertical integration and competitive advantage on one of the main costs (wood);
- an efficient use of WFPL for development and product diversification projects, such as the production of glues, educational paints, art & crafts and mechanical pencils;

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*“This agreement consolidates FILA's presence on one of the main emerging markets and further improves global distribution, through the experience and know-how acquired in recent years with Santosh Raveshia and his family on the Indian market” stated Massimo Candela, Chief Executive Officer of F.I.L.A. “Furthermore, through WFPL, F.I.L.A. can globally distribute products featuring an improved price/quality ratio, advancing the commercial strategy which has established the FILA Group as a leader in the branded stationery and school products market, moving away from third party production”.*

*“Our journey from a small pencil manufacturer to a leading stationery conglomerate has been exciting. It is our mission to be one of the most prestigious stationery companies in the world, manufacturing high quality products for customers across the globe. Our strategic partnership with FILA, a worldwide leader in the stationery industry has further augmented our position in the global market and brought us closer to our mission. The increased stake highlights the strength of our company and provides us with an extraordinary opportunity for the growth of our company and the development of our own brand DOMS. While we continue to further the penetration of the DOMS brand and strengthen our distribution network in India, FILA's international network and experience will allow us to boost our global presence and gain access to some of the most attractive international markets” stated Mr. Santosh R. Raveshia, Managing Director of WFPL.*

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Within this operation, a shareholder agreement was also signed today by F.I.L.A., the Sellers and WFPL, which amends and replaces the terms and conditions of the shareholder agreement signed on December 16, 2011 by the same parties and governs the rights and obligations of the parties in relation to WFPL, considering that on execution of the operation F.I.L.A. will become the majority shareholder of WFPL. In particular, this new shareholder agreement includes, *inter alia*: (i) provisions with regard to the appointment of the corporate boards and corporate governance; (ii) shareholding transfer limitation clauses (such as a lock-up for three years from the closing date, a first refusal right and a co-sale right); (iii) the right of the Sellers to sell their entire holding in WFPL to F.I.L.A. - and the corresponding obligation of this latter to purchase such - where Mr. Massimo Candela (also through subsidiaries) ceases to be the majority shareholder of F.I.L.A., at a price to be calculated according to a formula based on the results of WFPL in terms of EBITDA and Net Financial Position and the fair market value of WFPL (the “**Formula**”);(iv) the right of F.I.L.A. to purchase the entire holding in WFPL of the Sellers - and the corresponding obligation of this latter to sell such - in the case in which Santosh Raveshia ceases to be the “*Authorised Person*” as defined by the shareholder agreement, at a price to be calculated according to the Formula; (v) resolution mechanisms for decision impasses and significant matters to be considered by the shareholders’ meeting or the board of directors, with F.I.L.A. having the right to purchase the entire holding of the Sellers at a price calculated according to the Formula; (vi) the right of the party acting in fulfillment of the shareholder agreement to purchase the holding of the party not acting in fulfillment (at a price equal to 70% of the amount established by the Formula) or to sell their holding to the latter (at a price equal to 130% of the amount established by the Formula); and (vii) reciprocal non-competition obligations.

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FILA was supported by Leonardo&Co as Financial Advisor, Salonia e Associati firm as Legal Advisor and by AZB & Partners as Local Legal Advisor.

Writefine Products and its Indian Shareholders were advised by Leap Growth Partners LLP as their Financial Advisor and Khaitan & Co as their Legal Advisor.

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"The Executive Responsible for the preparation of the corporate accounting documents, Mr. Stefano De Rosa, declares in accordance with Legs. Decree 58/1998, that the accounting information contained in the present press release corresponds to the underlying accounting documents, records and accounting entries."

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**F.I.L.A. (Fabbrica Italiana Lapis ed Affini)** has achieved outstanding success in Italy through its colouring, drawing, modelling, writing and painting tools and is now seen as the pinnacle for creative solutions across many countries thanks to brands such as GIOTTO, Tratto, DAS, Didò, Pongo and LYRA. Founded in Florence in 1920, F.I.L.A. is a highly consolidated, dynamic and innovative industrial enterprise and continues to grow market share. Managed since 1956 by the Candela family, FILA has achieved global reach and was listed on the MIV segment of the Milan Stock Exchange in June 2015. Under the stewardship of Massimo Candela, majority shareholder and CEO of F.I.L.A., the company has achieved strong growth over the last twenty years, with revenues of over Euro 230 million in 2014 while undertaking a series of strategic acquisitions: the Italian Adica Pongo in 1994, the US Dixon Ticonderoga in 2005, the German LYRA in 2008, the Mexican Lapiceria Mexicana in 2010 and the Brazilian Lycin in 2012. In addition to these acquisitions, in 2011 the company acquired a stake in the Indian company Writefine Products.

In 2014, F.I.L.A. and Maimeri - a highly-renowned Italian enterprise involved in the production and sale of colours, paints and fine art products and accessories - set up Industria Maimeri. The joint venture was a major step in the Group's expansion on the fine arts market.

F.I.L.A. operates through 11 production facilities and 19 subsidiaries across the globe and employs approx. 5,000.

### **For further information**

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**WFPL(\*)**

<u>INR/m</u>	<u>2013 A</u>	<u>2014 A</u>	<u>1H 2014</u>	<u>1H 2015</u>
Core Revenues	1.719	2.300	1.073	1.454
EBITDA	247	374	148	229
EBITDA margin %	14,4%	16,2%	13,8%	15,8%
	<u>Dec 2013</u>	<u>Dec 2014</u>	<u>June 2014</u>	<u>June 2015</u>
NFP	-162	-282	-233	-323
<u>€/m</u>				
Core Revenues	22,1	28,4	12,9	20,7
EBITDA	3,2	4,6	1,8	3,3
EBITDA margin %	14,4%	16,2%	13,8%	15,8%
	<u>Dec 2013</u>	<u>Dec 2014</u>	<u>June 2014</u>	<u>June 2015</u>
NFP	-1.9	-3.7	-2.8	-4.5

*Note: key financials calendarized to December 31st of each year to take into account the fiscal year end of FILA. Based on EUR/INR exchange rate (P&L) of 83,29 and 70,12 respectively for 1H 2014 and 1H 2015A and EUR/INR exchange rate (BS) of 76,72 and 71,19 respectively for Dec 2014 and June 2015*

*The values of EBITDA and NFP that refer to the latest available audited financial statements for the fiscal year ended March 31, 2015 were 438.6mln INR and 254.9mln INR respectively.*

*Source: company data*

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