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Societa' : ANSALDO STS

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Informazione
Regolamentata

Nome utilizzatore : ANSALDON07 - Razeto

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Data/Ora Ricezione : 31 Dicembre 2015 09:02:03

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Diffusione presunta

Oggetto : Ansaldo STS Comunicato dell'emittente -
Merril Linch-Fairness Letter

Testo del comunicato

Vedi allegato.

CONFIDENTIAL

15 December 2015

The Board of Directors
Ansaldo STS S.p.A.
Via Paolo Mantovani, 3-5
16151 Genova
Italy

Members of the Board of Directors:

On 2 November 2015 Hitachi Rail Italy Investment S.r.l. (“**Hitachi**” or the “**Buyer**” or the “**Offeror**”) published a notice (the “**Notice**”) pursuant to Article 102 of Legislative Decree No. 58 of 24 February 1998, as subsequently amended and supplemented (the “**Consolidated Law on Finance**”) and to Article 37 of the regulation adopted by Consob by resolution No. 11971 of 14 May 1999, as subsequently amended and supplemented (the “**Issuers Regulation**”) relating to a mandatory tender offer (the “**Offer**”) for all the issued and outstanding ordinary shares listed on the “Mercato Telematico Azionario” organized and managed by Borsa Italiana S.p.A. (the “**Shares**”) of Ansaldo STS S.p.A. (“**Ansaldo STS**” or the “**Company**”), excluding those shares already directly or indirectly owned by the Offeror, at a price of €9.50 per ordinary share in cash (the “**Consideration**”). The document relating to the Offer was approved by Consob with resolution no. 19457 dated 5 December 2015 and was made available to the public for consultation on 9 December 2015 (the “**Offer Document**”).

The obligation to launch the Offer follows the completion, occurred on 2 November 2015, of the acquisition by Hitachi of no. 80,131,081 Shares owned by Finmeccanica S.p.A. (“**Finmeccanica**” or the “**Seller**”), equal to approximately 40% of the share capital (the “**Transaction**”), in accordance with an agreement dated 24 February 2015 (the “**Announcement Date**”), as subsequently amended on 28 July 2015 and 20 October 2015, entered into by and between Hitachi Ltd. and Finmeccanica (the “**STS Agreement**”).

In light of the above, pursuant to Article 103 of the Consolidated Law on Finance, the Board of Directors of Ansaldo STS is under the obligation to issue a statement containing all information useful to evaluate the Offer, as well as its own evaluation of the Offer (the “**Issuer’s Statement**”). In this connection, you have requested our opinion as to the fairness, from a financial point of view, to the holders of the Shares, other than Hitachi, of the Consideration to be received pursuant to the Offer, in accordance with Article 39, paragraph 1, letter (d) of the Issuers Regulation.

Please be advised that while certain provisions of the Offer are summarized above, the terms of the Offer are more fully described in the Notice and the Offer Document. As a result, the description of the Offer and certain other information contained herein is qualified in its entirety by reference to the more detailed information appearing or incorporated by reference in the Notice and the Offer Document.

T +39 02 65530 1 • F +39 02 65530 601
www.baml.com

Merrill Lynch International, Milan Branch
Via A. Manzoni 5, 20121 Milan

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In connection with this opinion, we have, among other things:

- (a) reviewed certain publicly available business and financial information relating to Ansaldo STS;
- (b) reviewed certain internal financial and operating information with respect to the business, operations and prospects of Ansaldo STS furnished to or discussed with us by the management of Ansaldo STS, including certain financial forecasts relating to Ansaldo STS prepared by the management of Ansaldo STS (such forecasts, the “**Ansaldo STS Forecasts**”);
- (c) discussed the past and current business, operations, financial condition and prospects of Ansaldo STS with members of senior management of Ansaldo STS;
- (d) compared certain financial information of Ansaldo STS with similar information of companies we deemed relevant;
- (e) compared certain financial terms of the Offer to financial terms, to the extent publicly available, of other transactions we deemed relevant;
- (f) reviewed the Notice dated 2 November 2015 and the Offer Document; and
- (g) performed such other analyses and studies and considered such other information and factors as we deemed appropriate.

In arriving at our opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with us and have relied upon the assurances of the management of Ansaldo STS that they are not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the Ansaldo STS Forecasts, we have been advised by Ansaldo STS, and have assumed, that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Ansaldo STS as to the future financial performance of Ansaldo STS. The Ansaldo STS Forecasts that, at the direction of Ansaldo STS, we have used for the purpose of arriving at our opinion, do not include any synergies or benefits that may be derived from any future business combination or strategic partnership with the Buyer, any of its affiliates or shareholders, or any other person and Ansaldo STS have directed us to assume that there are no such synergies or benefits for the purpose of this opinion. We have not made or been provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Ansaldo STS, nor have we made any physical inspection of the properties or assets of Ansaldo STS. We have not evaluated the solvency or fair value of Ansaldo STS or Buyer under any laws relating to bankruptcy, insolvency or similar matters. We have assumed, at the direction of Ansaldo STS, that the Offer will be completed in accordance with its terms, without waiver, modification or amendment of any material term (including, without limitation, any increase or reduction of the Consideration pursuant to Articles 47-bis and ff. of the Issuers Regulation), condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the Offer, no delay, limitation, restriction or condition, including any amendments or modifications, will be imposed that would have an adverse effect on Ansaldo STS, or the contemplated benefits of the Offer.

We express no view or opinion as to any terms or other aspects of the Transaction or the Offer (other than the Consideration in the context of the Offer to the extent expressly specified herein), including, without limitation, the form or structure of the Transaction or the Offer. We were not requested to, and did not, solicit indications of interest or proposals from third parties with respect to an acquisition of, or other business combination with, all or part of Ansaldo STS or any other alternative transaction.

We express no view or opinion as to any such matters. Our opinion is limited to the fairness, from a financial point of view, to the holders of the Shares, other than Hitachi, of the Consideration to be received and no opinion or view is expressed with respect to any consideration received in connection with the Offer by the holders of any class of securities, creditors or other constituencies of any party. In addition, no opinion or view is expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the Offer, or class of such persons, relative to the Consideration. Furthermore, no opinion or view is expressed as to the relative merits of the Offer in comparison to other strategies or transactions that might be available to Ansaldo STS or in which Ansaldo STS might engage. In addition, we express no opinion or recommendation as to how any shareholder should act in connection with the Offer or any related matter. Finally, we do not express any opinion as to any tax or other consequences that might result from the Offer, nor does our opinion address any legal, tax, regulatory or accounting matters.

In connection with rendering our opinion, we have performed certain financial analyses to calculate ranges of implied value per share. A brief summary of the material financial analyses performed is presented below. This summary does not purport to be an exhaustive description of the financial analyses undertaken by us and the factors considered in connection with the release of this opinion. The order of the analyses described and the results of the analyses do not reflect the relative importance or the relative weight attributed by us to such analyses. In arriving at our opinion we have considered the results of all the analyses performed as a whole.

For the purpose of our analysis we have taken into consideration the value of Ansaldo STS net debt and other relevant balance sheet items as of 30 September 2015.

Discounted cash flow: we performed a discounted cash flow analysis of the Ansaldo STS Forecasts. Such Ansaldo STS Forecasts do not include any synergies or other benefits that may be derived from any future business combination or strategic partnership with the Buyer, any of its affiliates or shareholders, or any other person. Using this methodology, the implied price per ordinary share ranges from €9.2 to €10.4;

Market prices (pre-Announcement Date): we have analyzed the historical trading performance of the Shares during the period of twelve calendar months immediately prior to the Announcement Date. Using this methodology, the price per ordinary share ranges from €6.5 to €9.2;

Comparable companies' trading multiples: we have compared certain financial and stock information for Ansaldo STS with similar financial and stock market information for certain selected companies which we have considered comparable to Ansaldo STS and whose securities are publicly traded. We have calculated the valuation multiples of such companies based on 2016 EV/EBITDA and EV/EBIT and we have applied such multiples to Ansaldo STS relevant metrics. Using this methodology, the implied price per ordinary share ranges from €7.1 to €8.8 when applying the EV/EBITDA multiple and €7.0 to €9.3 when applying the EV/EBIT multiple;

Precedent transactions: we have reviewed the financial aspects of certain selected merger and acquisition transactions which were announced during the last ten years, in which the companies being acquired operated wholly or partially in the signaling businesses, and which we have considered comparable to Ansaldo STS. We have used estimates of the EV/LTM EBITDA multiples paid by the acquirer in each such transaction, and have applied such multiples to Ansaldo STS relevant metric. Using this methodology, the implied price per ordinary share ranges from €8.3 to €10.4.

In addition, for reference purposes, we also reviewed the following market information, not considered part of our financial analyses: (i) research analysts' target prices for Ansaldo STS; (ii) premia paid in precedent completed mandatory tender offers in Italy and (iii) market prices post-Announcement Date.

We have acted as financial advisor to Ansaldo STS in connection with the Offer and will receive a fee for our services, a significant portion of which was contingent upon filing of a tender offer prospectus on Ansaldo STS shares with the relevant Italian regulatory authority. In addition, Ansaldo STS has agreed to reimburse our expenses and indemnify us against certain liabilities arising out of our engagement.

We and our affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of our businesses, we and our affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of Ansaldo STS, Seller, Buyer and certain of their respective affiliates.

We and our affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to Finmeccanica and its affiliates and have received or in the future may receive compensation for the rendering of these services, including having acted or acting as (i) joint global co-coordinator in connection with a Finmeccanica Eurobond issued in 2013 (ii) mandated lead arranger in connection with a revolving credit facility in favor of Finmeccanica executed in 2014; (iii) joint dealer manager in connection with a capped tender offer targeting series of EUR and GBP senior notes launched by Finmeccanica in 2015; (vi) joint bookrunner in connection with a bond offering for Consorcio Nuevo Metro de Lima, a consortium including AnsaldoBreda S.p.A. in 2015.

In addition, we and our affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to Hitachi Limited and its affiliates and have received or in the future may receive compensation for the rendering of these services, including having acted or acting as (i) co-lead manager in connection with the secondary offering of West Digital Corp shares held by Hitachi Limited in 2014 and (ii) financial adviser to Hitachi Data Systems, a wholly-owned subsidiary of Hitachi Limited, in connection with the acquisition of Pentaho in 2015.

It is understood that this letter is for the benefit and use of the Board of Directors of Ansaldo STS (in its capacity as such) in connection with and for purposes of its evaluation of the Offer and is not rendered to or for the benefit of, and shall not confer rights or remedies upon, any person other than the Board of Directors of Ansaldo STS. Except where it is expressly provided for by provisions of law or regulation or expressly required by any competent regulatory authority, this opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party, nor shall any public reference to us be made, for any purpose whatsoever except with our prior written consent in each instance. We hereby grant our consent to disclose a copy of this opinion in its entirety (and not as an abstract) as an attachment to the Issuer's Statement.

Our opinion is necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion, and we do not have any obligation to update, revise, or reaffirm this opinion. The issuance of this opinion was approved by our EMEA Fairness Opinion Review Committee.

This opinion is rendered in English language. If this opinion is translated into any language other than English and in the event of any discrepancy between the English language and any such other language version, the English language version shall always prevail.

Based upon and subject to the foregoing, including the various assumptions and limitations set forth herein, we are of the opinion on the date hereof that the Consideration to be received in the Offer by the holders of the Shares is fair, from a financial point of view, to the holders of the Shares other than Hitachi.

Yours faithfully,

Merrill Lynch International

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