





# SALCEF GROUP

International player and Italian leader in

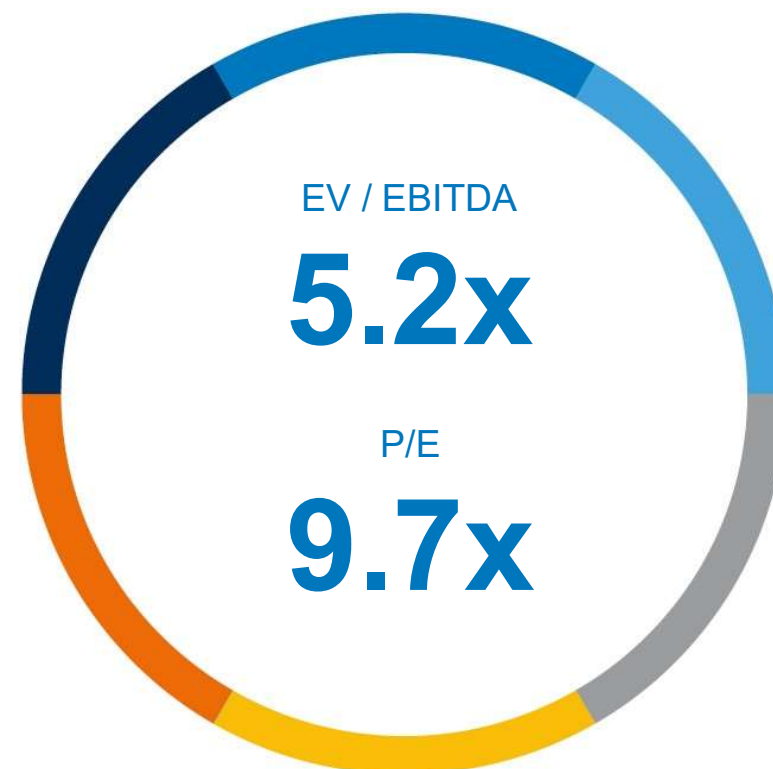
**RAILWAY SYSTEMS**

COURTESY TRANSLATION OF THE ORIGINAL IN ITALIAN LANGUAGE

## SALCEF's 2018 figures

Turnover <b>€319 million</b>
EBITDA* <b>€62.6 million (19.6%)</b>
CAGR 2015 – 2018 Turnover <b>+23%</b> EBITDA <b>+52%</b>
Net Income <b>€29.4 million</b>
Average Free Cash Flow 2015-18: <b>€26.4 million</b>
Net Debt** <b>€39.9 million</b>
Backlog <b>€712 million</b>

### Entry valuation



\* EBITDA Adjusted. EBITDA reported: €64.6 million

\*\* ND at 31° Dec. 2018 Adjusted including one off dividend of €30 million. ND Reported: €2 million

## SALCEF Investment Case

**High and sustainable profitability** (EBITDA margin: 19.6%, Net profit: 9.2%)

**Significant backlog** (2.3 times turnover)

**High barriers** to entry

**Experienced management** with proven ability and track-record

**Successful M&A experience**

**Opportunities for organic growth** and **M&A**

Railway Systems sector: **strong potential for international growth**

**Strong international focus**



## Agenda

# RAILWAY INDUSTRY OUTLOOK

- ✦ Global growth drivers & industry trends
- ✦ Industry size
- ✦ Salcef areas of operations
- ✦ Barriers to entry

## SALCEF

## THE TRANSACTION

## Annex: transaction structure

## Steep growth of people and goods traffic

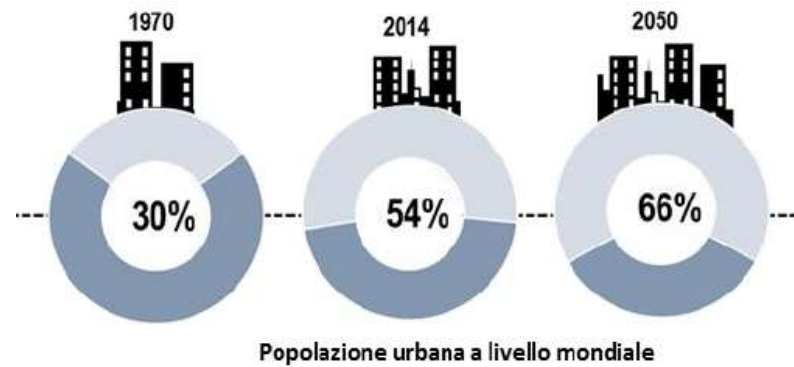
### GLOBALIZATION



### MOVEMENT OF PEOPLE & GOODS

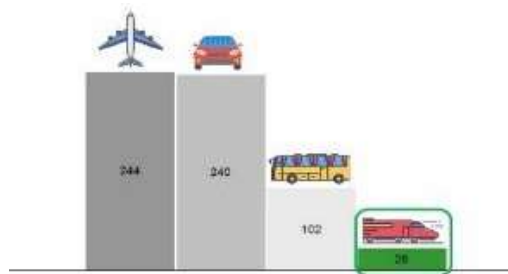


### URBANIZATION



## Advantages of the railway transportation

### LESS POLLUTION



12% of CO<sub>2</sub> km/passenger compared to car/plane

### SAFER

# accident casualties per bn km



1/18 of from accidents casualties compared to cars

### LESS CONGESTION

200 persone in 177 automobili... ...200 persone in 1 treno/metro



Less space taken

### FASTER

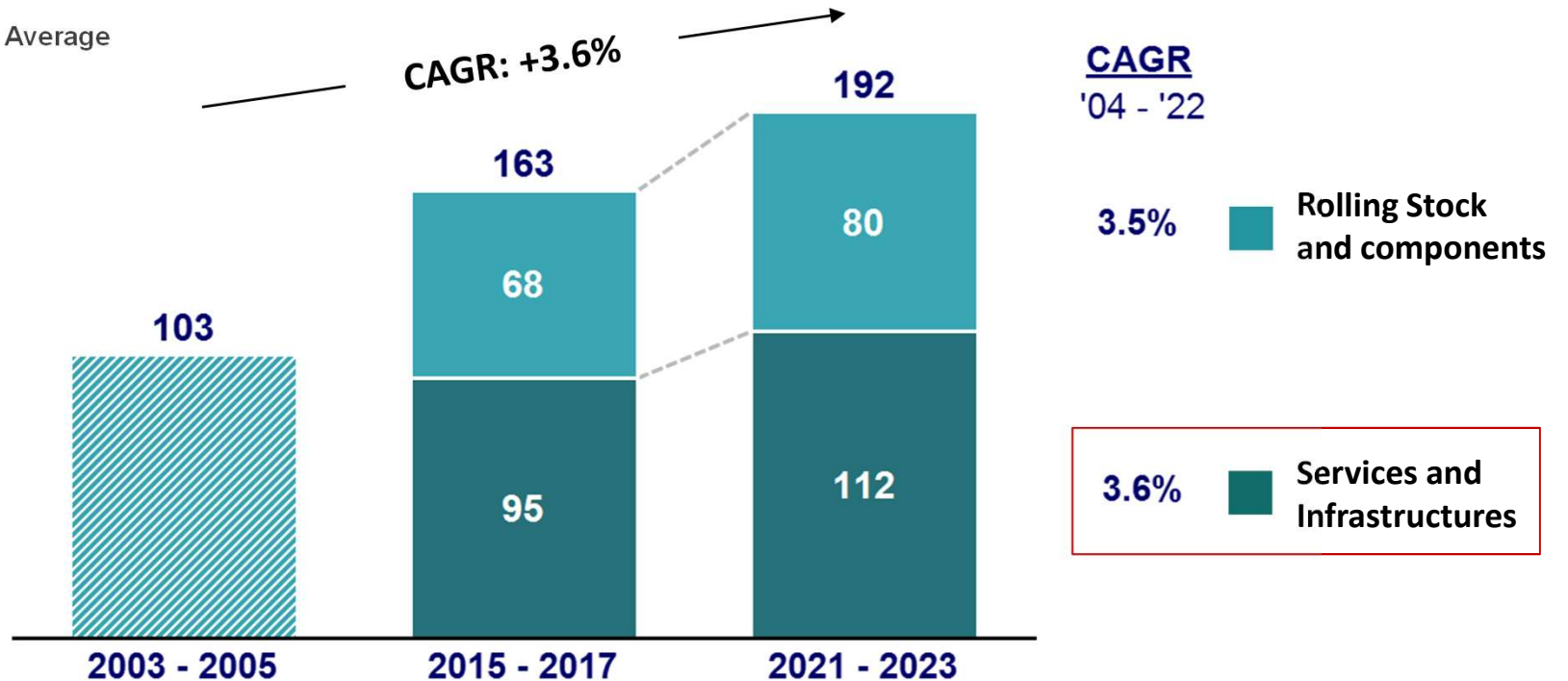


Twice as fast (high-speed trains vs cars)

# Railway Industry

## Global Railway Market - €200 billion and growing

Data in billion EUR – Annual Average



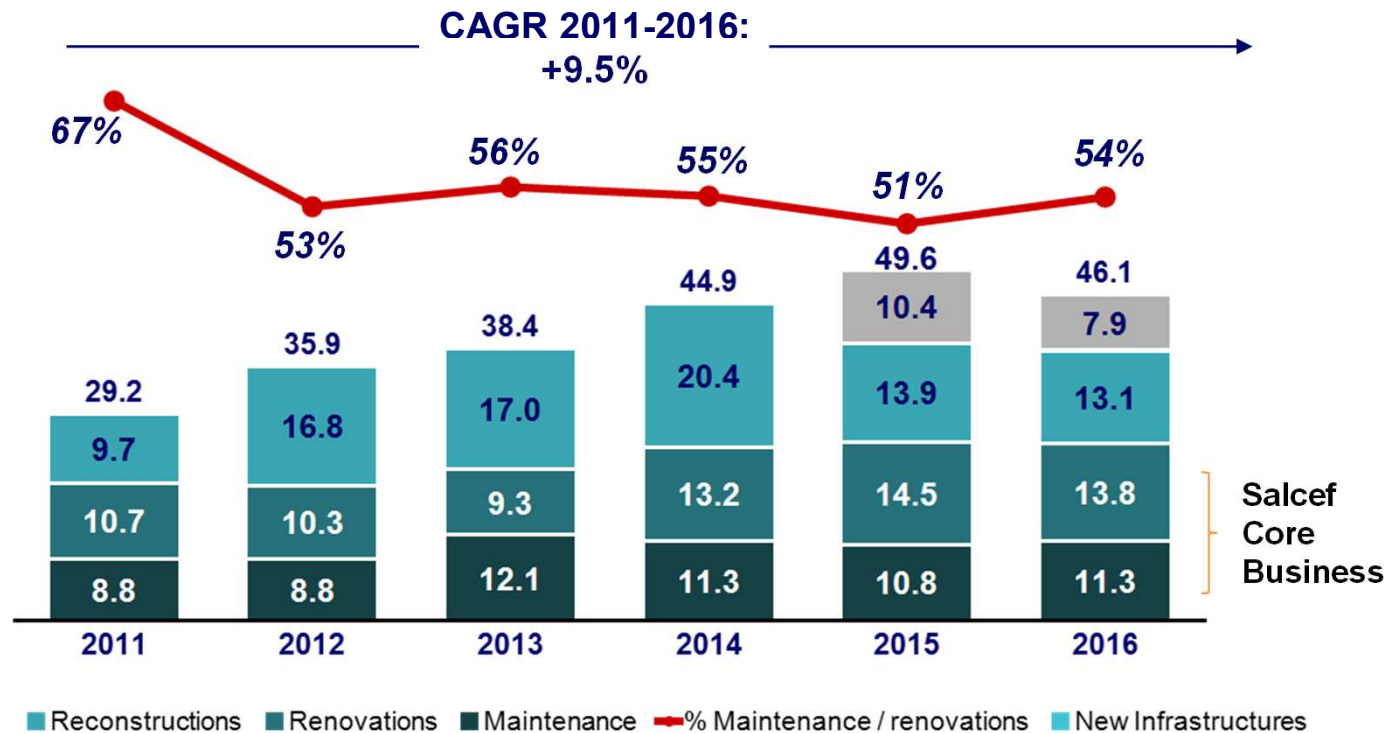
All segments of the Railway Industry are growing globally



## Railway Industry in Europe

The growth of the Railway sector is a key goal also for European Institutions. More than €45 billion invested annually, of which more than 50% in maintenance and renovation.

Investments in railway infrastructures in Europe (billion EUR)

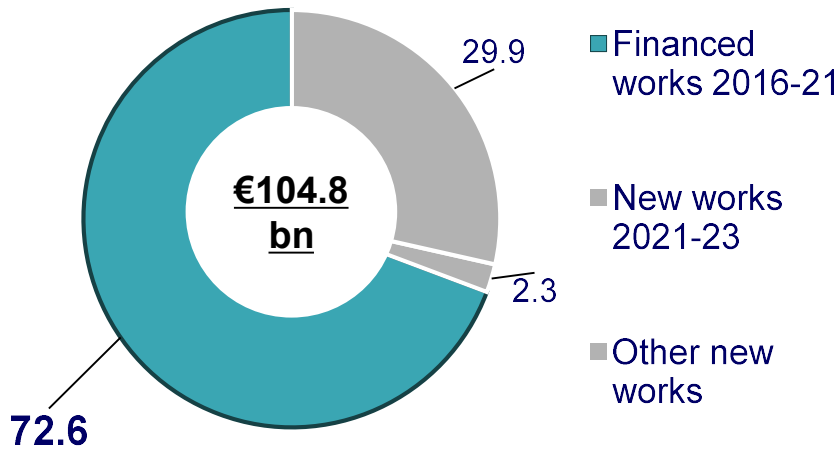


Italy, along with Germany and France, is one of the global leaders in the industry

# Railway Industry in Italy

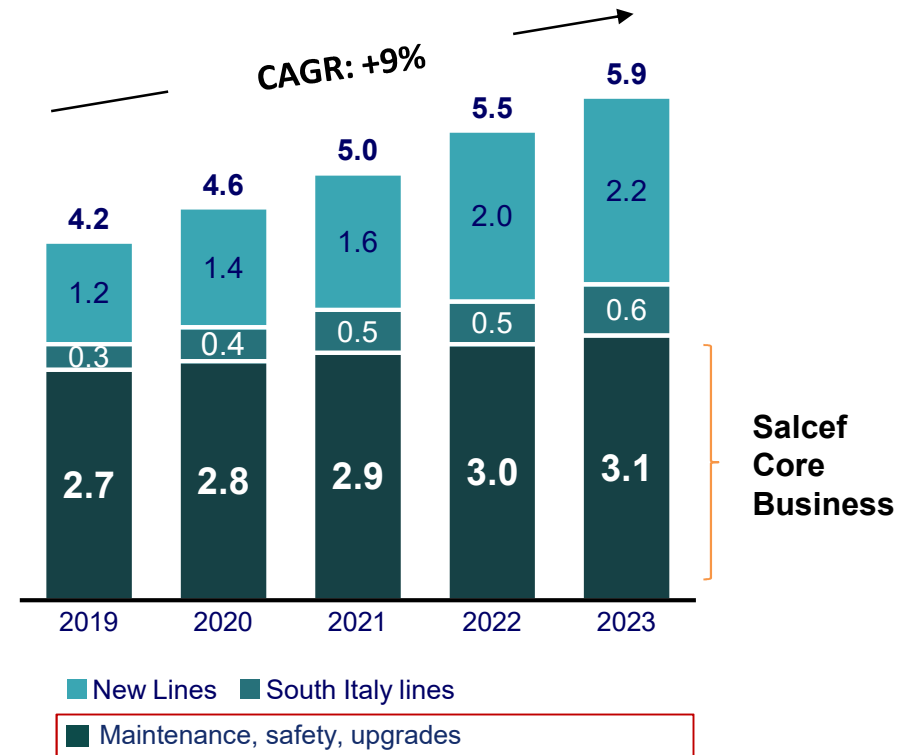
Significant and growing investments by RFI and FS (domestic railway authorities). Most of them approved and financed

FS Plan 2017-2026 (billion EUR)



Increase announce as of April 15 2019 (previously €94 bn).  
Investment increase +11%

RFI approved investments 2019 – 2023 (billion EUR)



High priority of investments in the Railway Industry for track renewal and safety upgrade recently confirmed by the Italian Ministry of Transportation

## Railway Industry - Operating Divisions

The **Production Value** of the Salcef Group is represented for **over 90%** by **maintenance** and **renewal**: non-cyclical activities, but **planned** and **compulsory**, fundamental to guarantee traffic safety.

The constant growth of rail transport, together with the use of faster and heavier trains, involves more and **more frequent** maintenance interventions and **renewal cycles**.

In Italy, RFI's budget for these activities has already been allocated for the period **2019-2023**.



# Railway Industry - Track Works Division

Ordinary and extraordinary maintenance interventions, construction of railway lines, metro and tramway lines

## Activities

ORDINARY MAINTENANCE
RAILWAY RENEWAL
BALLASTED TRACK CONSTRUCTION
BALLASTLESS TRACK CONSTRUCTION



TURNOVER  
million EUR

**2018**

**227.2**

**70.45%**



# Railway Industry - Railway Electrification & Signalling Division

Ordinary and extraordinary maintenance interventions and construction of electrification systems, signalling systems and substations.

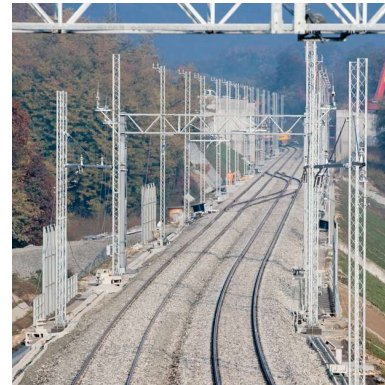
## Activities

CONSTRUCTION AND RENEWAL OF ELECTRIFICATION LINES

SIGNALLING SYSTEMS

ELECTRICAL SUBSTATIONS

EMERGENCY SYSTEMS IN TUNNELS



TURNOVER  
million EUR

**2018**

**27.7**

**8.59%**

## Implementation of complex multidisciplinary railway works

### Activities

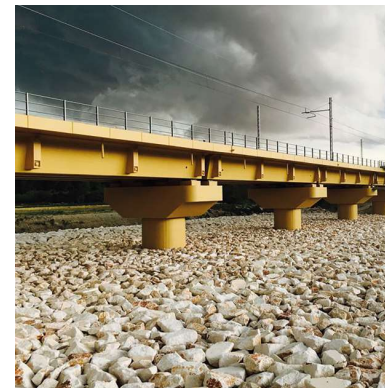
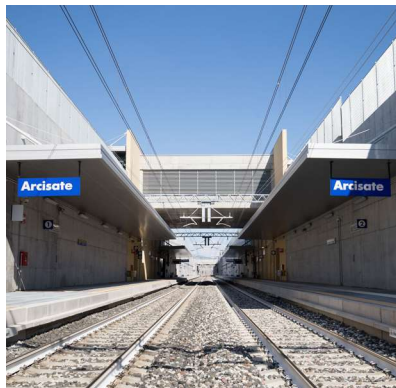
DOUBLING OF SINGLE-TRACK LINES

UPGRADING EXISTING LINES

RAILWAY STATIONS AND JUNCTIONS

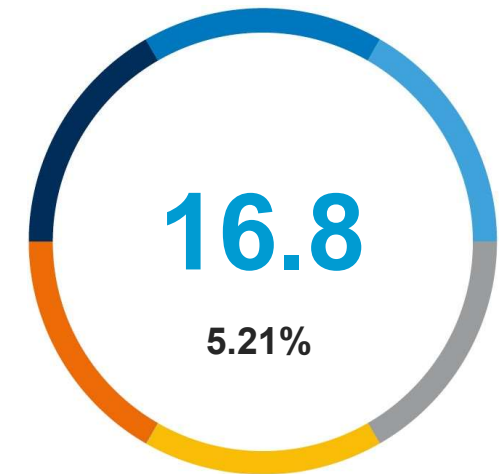
BRIDGES, VIADUCTS AND TUNNELS

ENVIRONMENTAL MITIGATION WORKS



TURNOVER  
million EUR

**2018**



# Railway Industry - Railway Materials Division

Production of multiple types of concrete products dedicated to the railway sector

## Activities

PRESTRESSED CONCRETE SLEEPERS

SLABS FOR BALLASTLESS TRACK SYSTEMS

CONCRETE TUNNEL SEGMENTS



TURNOVER  
million EUR  
**2018**





# Railway Industry - Railway Machinery Division

Design, construction, maintenance and after-sales services of rolling stock and special equipment

## Activities

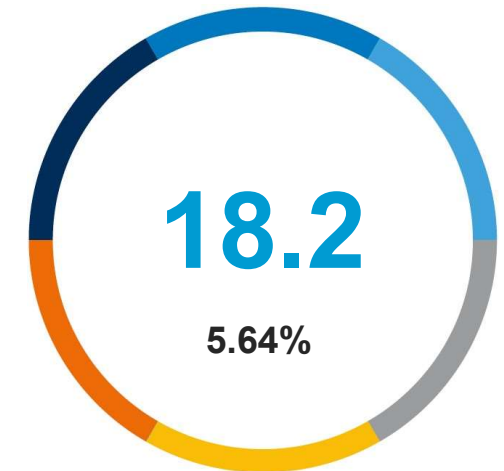
RESEARCH AND DEVELOPMENT OF  
NEW RAILWAY TECHNOLOGIES

PRODUCTION OF WAGONS AND  
RAILWAY VEHICLES

MAINTENANCE AND AFTER-SALES  
SERVICES



TURNOVER  
million EUR  
**2018**





# Railway Industry - Engineering & Design Division

Design and engineering services for railway works and infrastructures

## Activities

PRE-FEASIBILITY AND FEASIBILITY STUDIES

DESIGN OF RAILWAY SYSTEMS

TOPOGRAPHIC SURVEYING

ENVIRONMENTAL IMPACT STUDIES

PROJECT MANAGEMENT AND ENGINEERING CONSULTING SERVICES



TURNOVER  
million EUR

**2018**

**1.6**

0.50%

# Railway Industry - Track Maintenance: High Barriers to Entry

## QUALIFICATIONS

- ✦ **Requirement for specific qualifications** by the national railway organizations (qualification registers)
- ✦ In Italy, only **7 players** are certified by the RFI (Rete Ferroviaria Italiana) register for complete maintenance works



## RELEVANT INVESTMENTS IN MACHINERY

- ✦ **€50/60M** investments required to purchase operate a complete renovation moving site
- ✦ **Only two suppliers** of machinery in Europe (Plasser-Matisa), with two-year-long waiting lists for machine deliveries



## COMPLEXITY OF SITE MANAGEMENT

- ✦ **Night-time** work with rigorous and limited hours
- ✦ **> 50 machines** with different functions (a complete renovation moving site is **600-800** meters long)
- ✦ **> 50 specialized** (and certified) **operators** per site
- ✦ **Extremely low tolerance** (maximum error: 1 mm)



In Italy there are 15 complete moving renewal sites in total (Salcef owns and runs 4 of them), running close to 100% capacity.

## Agenda

### RAILWAY INDUSTRY

### SALCEF

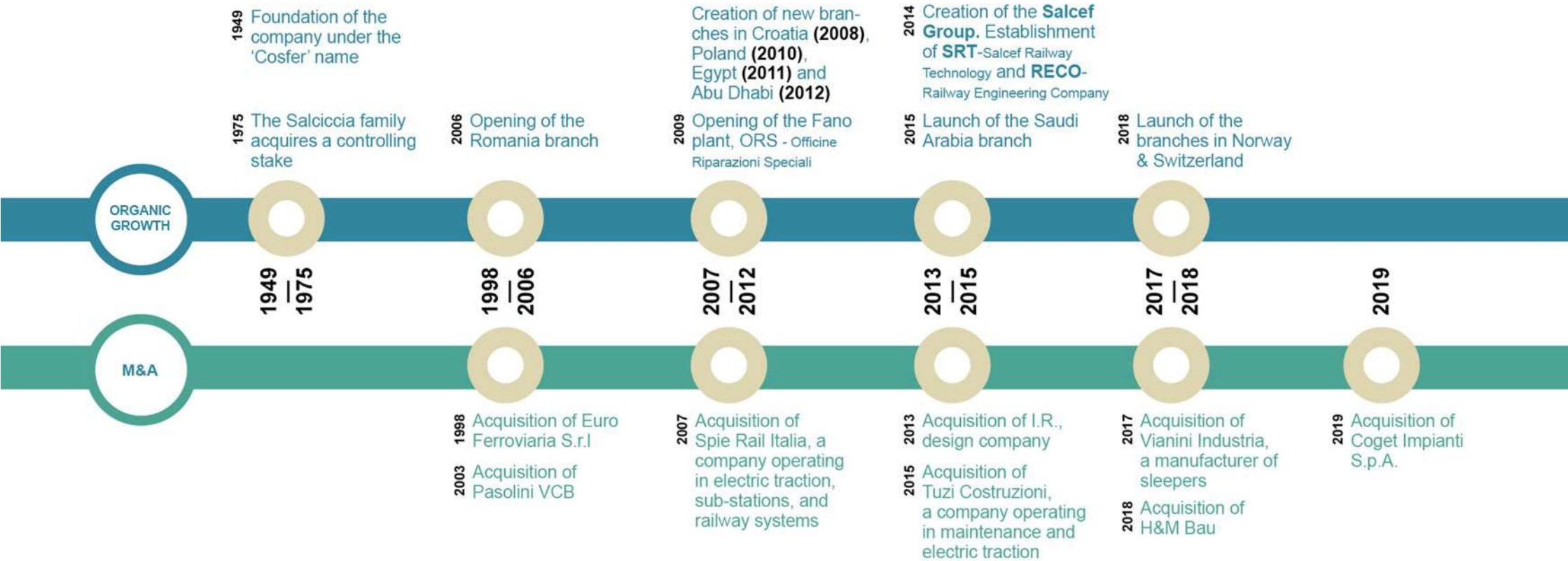
- ◇ Salcef: Leader in the Railway Industry
- ◇ History of the Group
- ◇ The Group structure
- ◇ International coverage
- ◇ Financial highlights
- ◇ Use of funds: M&A & CAPEX

### THE TRANSACTION

### Annex: transaction structure



# Salcef - Salcef Group: History, Acquisitions, International Growth & Shareholding



## The founder



**Rodolfo Salciccia**

## Shareholders / Current Managers



**Gilberto Salciccia**  
(51)  
Chairman - COO



**Valeriano Salciccia**  
(47)  
CEO

*The Salciccia brothers control 100% of SALCEF 50/50*



## Salcef - The Latest Acquisition: Coget Impianti

On July 30 2019, Salcef signed the closing for the 100% acquisition of Coget Impianti.

- ✦ The transaction was based on an Enterprise Value of ab €16.0 million, before NFP and WC adjustments, to be paid in two instalments:
  - Fixed cash consideration at closing for ab €11 million
  - Earn-out mechanism on 2019 and 2020 Coget's Ebitda (capped at €5 million)
- ✦ The implicit multiple EV/Ebitda was ab. x3 Ebitda 2018 (x4 the average Ebitda of the last two years).



### Strengthening market position

- ✦ Salcef will strengthen its position in the sector of maintenance and construction of railway electrification systems (where the Group already operates through two subsidiaries), becoming one of the largest players in Italy.
- ✦ Speed up of the internationalization path, in particular in Austria and Germany where Coget has important customers and Salcef acquired H&M Bau, in 2018.

An extraordinary investment plan of €86 billion in 10 years (representing an annual budget increase of almost 50%) to modernize the German railway network has been recently approved.

## Salcef – M&A: **Coget Impianti at a Glance**

- ✧ Since 1983, Coget specialized in the design, construction and maintenance of high, medium and low voltage power distribution lines and electric contact lines (catenary) for electric traction, mainly for rail transport
- ✧ The company got important credits in the railway market. Since 2002, Coget is qualified by the Ferrovie dello Stato S.p.A. in the categories:
  - “Works on contact lines for traction”;
  - “Works on high and medium voltage lines with thresholds at unlimited amounts”



### 2018 Key Financials

Turnover 2018: **€21 million (€10 m in 2017)**

EBITDA: **€5.5 million (€2 m in 2017)**

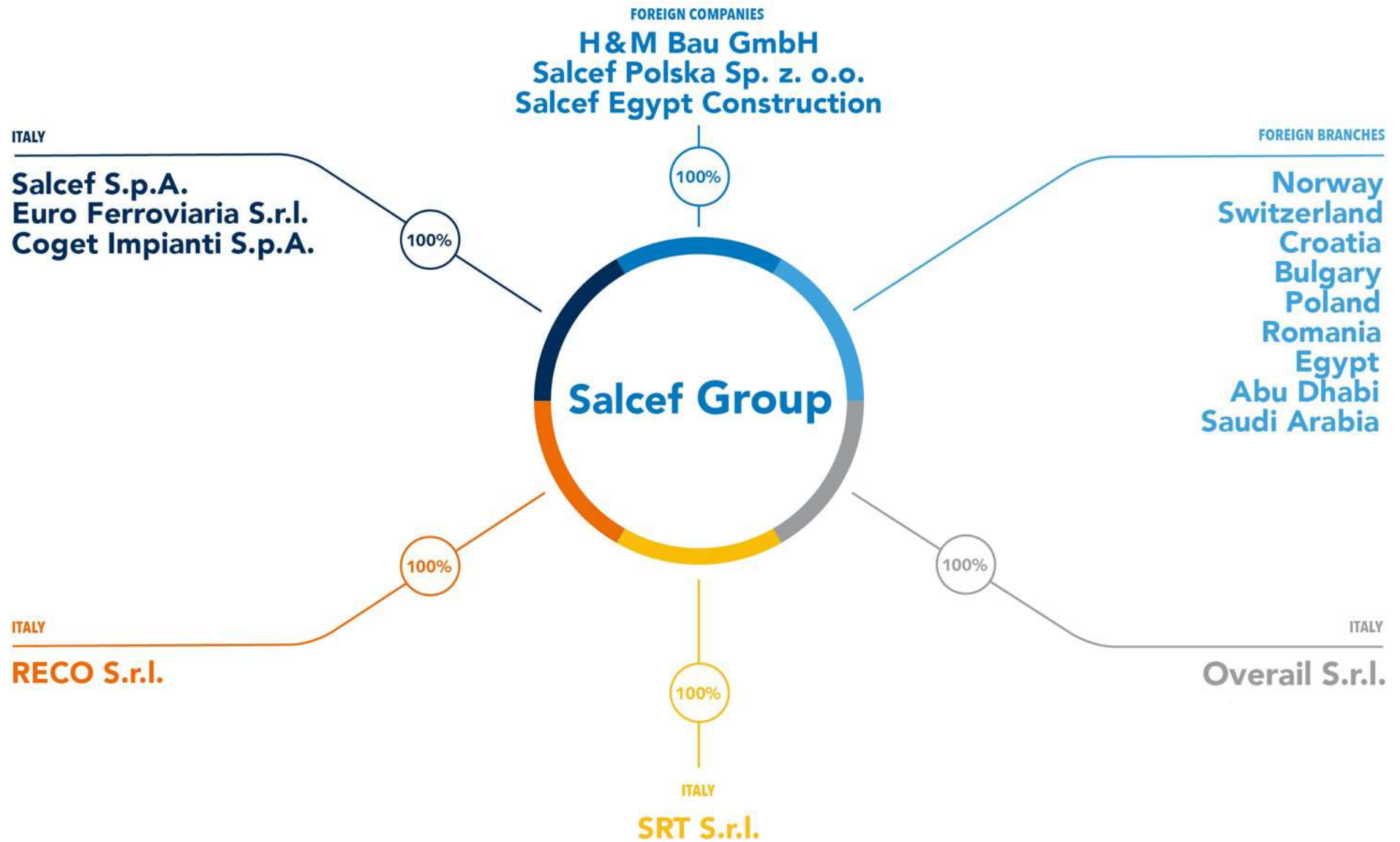
Ebitda Margin: **22%**

NFP at closing: **€4 million**

Backlog: **€70 million**



# Salcef - Group Structure





# Salcef – A Global Player

## Italy Europe

Germany  
Switzerland  
Poland  
Norway  
Croatia  
Romania  
Bulgaria

## Africa

Egypt  
Mozambique

## ASIA – MIDDLE EAST

UAE  
Saudi Arabia  
India

## HIGH SPEED

For a fast-moving ITALY

**340 km** 4 high speed tracks  
**250 km** of renovated tracks per year  
**50** turnouts renovated per year

## CONNECTING EUROPE

Renovation of the Trans- European  
ransport Network (TEN-T)

**POLAND** **250 km** of renovated tracks  
**BULGARIA** restructuring of the Straldja-Tservkovski track  
**CROATIA** Okucani-Novska track renewal (**43.5 km**)  
and Vinkovci-Tovarnik track (**67 km**)  
**ROMANIA** Metro Bucharest line M5 (**15 km**)  
**NORVEGIA** Maintenance of various railway  
sections (**150 km**)  
**GERMANY** Construction of railway bridges (**2**)

## DEVELOPING RAIL TRANSPORT

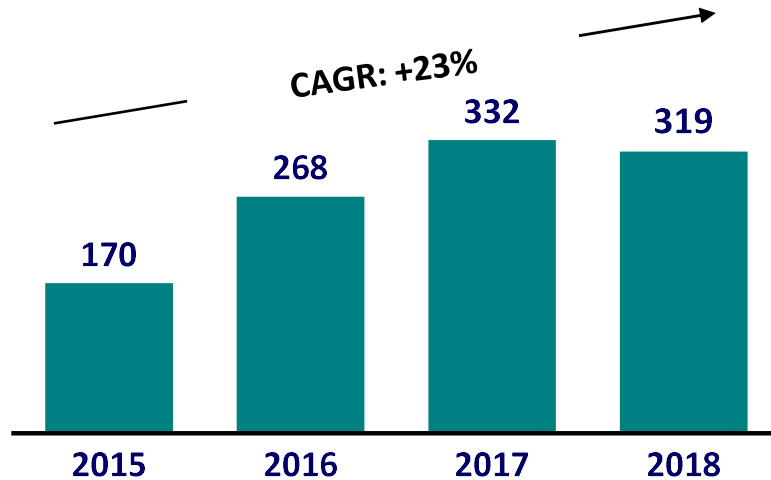
In Africa, Middle East and Asia

**EGYPT** **300 km** – Cairo-Aswan track renewal  
**SAUDI ARABIA** **90 km** – Metro Line 3  
**UAE** **415 km** – Etihad Rail Shah Project  
**MOZAMBIQUE** Integrated Transport System for Maputo and Matola  
**INDIA** Goods transportation track (GMR Ltd.)

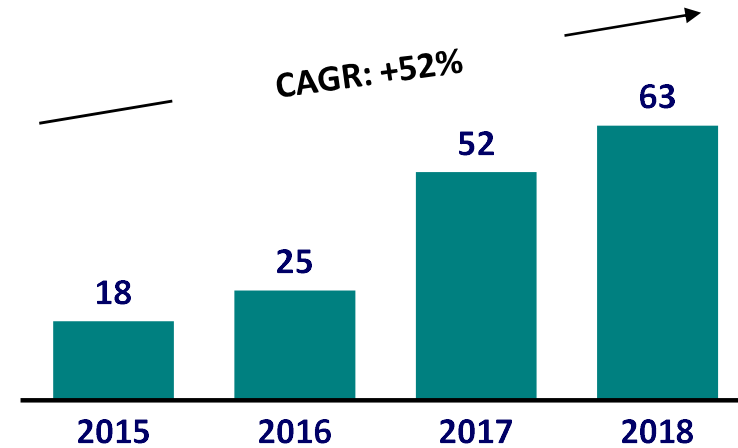


# Salcef - Key Financial Data

Turnover 2015-2018 (million EUR)



EBITDA 2015 – 2018 (million EUR)\*



EBITDA  
Margin

Year	2015	2016	2017	2018
Margin	10,6%	9,3%	15,7%	19,6%

\*2018: EBITDA Adjusted

## HIGHLIGHTS 2018

Net Profit **€29.4 million** (9.2%)

Backlog **€712 million**  
(2.3x 2018 Turnover)

Adjusted Net Debt **€9.9 million**  
(€39.9 m after the planned distribution of an extraordinary dividend of €30 m)

# M&A

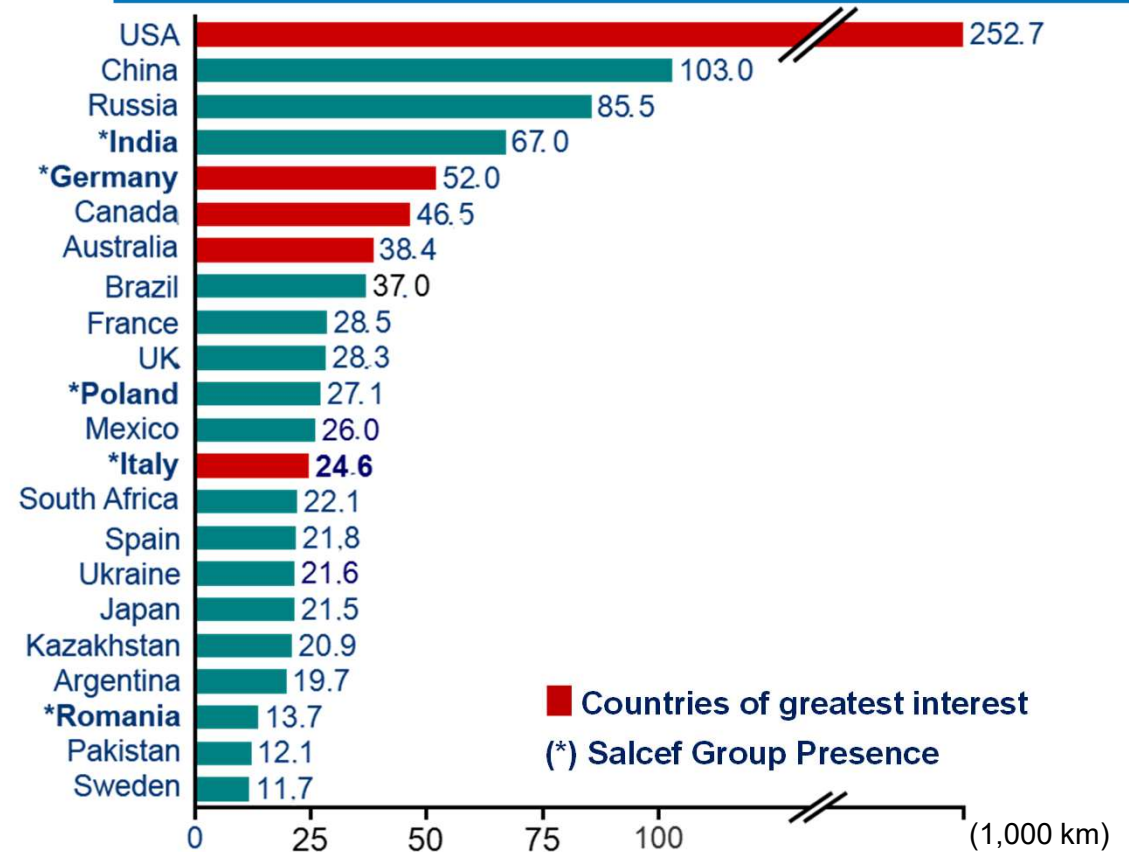
## Italy

- ✦ Consolidation of the following business segments:
  - Railway Maintenance
  - Railway Technology
- ✦ Entry into complementary infrastructure segments

## Foreign Markets

- ✦ Acquisition of European players
- ✦ Opportunity to enter non-European markets
- ✦ Penetration of the German market

**Railway Tracks: >1 million-long tracks require increasingly frequent maintenance & replacement**



Source: UIC Statistics 2017

## CAPEX

### Machinery fleet

- ✦ Acquisition of track machinery to increase production capacity and penetrate foreign markets



### Sleeper Plant

- ✦ Renewal / expansion of the Aprilia plant to increase production capacity and efficiency



### Production of railway machines

- ✦ Expansion of SRT production capacity for production and maintenance of railway vehicles





# Agenda

## RAILWAY INDUSTRY

## SALCEF

## THE TRANSACTION

- ✧ Key terms
- ✧ Incentives for investors and the owners-managers
- ✧ Timeline

## Annex: transaction structure



## The Transaction - **Key Terms**

Capital Increase: **€100 million**

Up to **€50 million** returned to investors (distribution of reserves and/or redemptions)

Entry valuation: **5.2x EBITDA 2018**

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**Incentives for investors who will not redeem their shares: 1 Cashless Warrant every 2 ordinary shares** (the number of warrants remains the same despite the capital reimbursement) **(W1)**

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### **Second Capital Increase:**

Participation guaranteed by an additional **free and negotiable** warrant (non cashless) to be exercised by 30 April 2023 **(W2)**

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**Special shares conversion made more market friendly**

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**Owners-Managers Incentives: Performance Shares**

## The Transaction - Incentive for Investors

1

### Three separate stocks:

Share

Warrant W1

Warrant W2

2

### Every 10 shares the investor receive back (basing on total withdrawals):

**5 W1**, maxim value **€3.70** per warrant

**4.7 W2**, value maximum **€2.5** per warrant

3

### Restitution of reserves: **€0.48** per share

4

### First right for 2° Capital Increase

## The Transaction - Development of Shareholding Structure

Stock price	€10	€12	€13.5 (2nd cap. Increase)
# of shares owned by owners-managers	28.7 m	30.7 m	39.2 m
Shares, %	70.3%	67.6%	64.0%
# of shares owned by market**	12.3 m	15.2 m	22.7 m
Shares, %	29.7%	32.4%	36.0%
			<i>Assumption: capital increase is 100% excercised</i>

\*\* Includes special shares

ASSUMPTION: maximum withdrawals

### THE GOVERNANCE

#### BOARD STRUCTURE

- ✧ New Board of Directors: 7 members
- ✧ 4 members to be appointed by the Salciccia family, including:
  - **Valeriano Salciccia**
  - **Gilberto Salciccia**
- ✧ 2 members to be appointed by the Promoters:
  - **Giovanni Cavallini**
  - **Attilio Arietti**
- ✧ 1 independent member
- ✧ The most important strategic decisions will require Promoters approval



## The Transaction - Timing & Next Steps

Shareholders meeting (First / Second calls)

**by end of June**

Closing of the Transaction and first day of SALCEF listing

**by end of November**



## Participants to the relevant transaction

INDUSTRIAL STARS of Italy 3 has been assisted by **Gatti Pavesi Bianchi** legal team, **Oaklins Italy**, and **KPMG**.

SALCEF has been assisted by **Banca Akros S.p.A.** as financial advisor, and by **Gianni Origoni Grippo Cappelli & Partners** legal team.

**BANCA AKROS S.p.A.**, assisted by **DLA Piper**, is the **Nomad** and the **Specialist** of Industrial Stars of Italy 3.

# Agenda

## RAILWAY INDUSTRY SALCEF THE TRANSACTION

### **Annex: transaction structure**

### THE STRUCTURE

## FIRST CAPITAL INCREASE €100M

- ✦ Indstars 3 and Salcef merge through a €100 million capital increase
- ✦ Indstars 3 and Salcef merge through a €100 million capital increase
- ✦ Issuance of maximum 7.5 million free, cashless warrants for investors (as in the case of a €150 m capital increase) (W1)
- ✦ Salcef shareholders receive €30 million as extraordinary dividends

## SECOND CAPITAL INCREASE

- ✦ New capital increase of up to 7.5 million of shares (5 m for the market and 2.5 m for the entrepreneur)
- ✦ New capital increase of up to 7.5 million of shares (5 m for the market and 2.5 m for the entrepreneur)
- ✦ Strike price: €10.5 (non cashless)
- ✦ Timing: by 30 April 2023



## The Transaction - Key Terms of the Transaction

### CLOSING VALUATION (pre-money)

- ✦ Enterprise Value: **€326.4 million**
- ✦ Equity Value: **€286.5 million**
- ✦ EV / EBITDA: **5.2x** (EBITDA 2018: €62.6 m x 5.22 = €326.4 m)
- ✦ P/E: **9.7x**

**Negotiated EBITDA (adjusted):** elimination of some receivable write offs and restatement of a financial leasing. EBITDA reported = €64.6 million

**Negotiated Net Debt (adjusted): €39.9 million** i.e. ND at 31.12.2018, including part of leaving indemnity fund, ATI ND, expired trade payables (> 90 days), €30 million one-off dividend. Average monthly ND for 2018 €56.3 million including €30 million one-off dividend

$$\begin{array}{rcccl} \text{Free Float} & & \text{SALCEF Shareholders} & & \text{Market Cap}^* \\ \text{€100 m} & + & \text{€286.5 m} & = & \text{€386.5 m} \end{array}$$

\*price: €10, capital increase €100 million  
(no conversion)

Free Float (including warrants and first tranche of converted special shares) at €10: 30.0%

## The Transaction - **Key Terms of the Transaction**

### CAPITAL INCREASE 2

#### ADVANTAGES FOR INVESTORS AND THE COMPANY

- ✦ **For the investors:** opportunity to reinvest into SALCEF the capital returned today, upon looking at the company's performance over time
- ✦ **For the company:** more efficient and gradual use of funds received, in line with current development plans

The second capital increase allows more efficient use of capital in the interests of the investors and the company.

#### THE SECOND WARRANT (W2): KEY FEATURES

- ✦ 5 million of free W2 Warrants - listed separately - to non-redeeming investors in proportion to their participation
- ✦ 5 million of free W2 Warrants - listed separately - to non-redeeming investors in proportion to their participation
- ✦ Total Warrants issued: 7.5 million (5 million for the investors & 2.5 million for the owners-managers)
- ✦ Warrant exercisable any time
- ✦ Strike price: €10.5 (non cashless)
- ✦ Acceleration condition: €13 (mandatory conversion of the warrants)
- ✦ Warrant expiration: 30 April 2023

## The Transaction - **Key Terms of the Transaction**

### PERFORMANCE SHARES

- ✦ 2,000,000 SALCEF ordinary shares become Performance Shares:
  - Convertible within 5 years into ordinary shares at a 1:5 ratio
  
- ✦ The first two thirds of the Performance Shares (1,333,334) are converted at the following share price thresholds:
  - €11 → 500,000 shares converted
  - €13 → 416,667 shares converted
  - €11.5 → 416,667 shares converted
  
- ✦ The remaining Performance Shares (666,666) will be converted proportionally to the outcome of the second capital increase in respect of 5 million W2, and subject to the share price reaching €11.5 by 31.12.2024
  
- ✦ If the triggers are not reached, the Performance Shares will be converted into ordinary shares at a 1:1 ratio.

## The Transaction - **Key Terms of the Transaction**

### SPECIAL SHARES

## CONVERSION PROFILE CHANGED FOR THE MARKET

- ✦ 480,000 Special Shares convertible into ordinary shares at a 1:7 ratio upon reaching certain price thresholds.
- ✦ The first two thirds of the Special Shares (320,000) are converted as follows:
  - Execution of the Transaction → 120,000 shares converted
  - Share price €12 → 100,000 shares converted (within 3 years of the Transaction)
  - Share price €13.5 → 100,000 shares converted (within 5 years of the Transaction)
- ✦ The remaining one third (160,000) will be converted proportionally to the outcome of the second capital increase in respect of 5 million W2 and subject to the share price reaching €11.5 by 31.12.2024
- ✦ **Lock-up:** the first two tranches of converted shares have a lock-up of one year from each conversion
- ✦ If the thresholds are not reached, the Special Shares are converted into ordinary shares at a 1:1 ratio



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*In this Document the pro forma data represent a simulation, provided for illustrative purposes only, of the possible effects deriving from the represented Merger. In particular, since the pro-forma data are constructed to retroactively reflect the effects of subsequent transactions, despite the compliance with the commonly accepted rules and the use of reasonable assumptions, there are limits connected to the nature of the pro-forma data. In particular, the pro-forma data may not be indicative of the economic, equity and financial situation of the SALCEF Group. The pro-forma data are not intended to represent in any way the forecast relating to the performance of the future economic-financial and equity situation of Salcef and the SALCEF Group and therefore should not be used in this sense. The pro-forma data of the SALCEF Group do not reflect prospective data as they are prepared in such a way as to represent only the isolable and objectively measurable effects, principally of the Transaction, without taking into account the potential effects deriving from management decisions and operating decisions, eventually assumed consequently and / or subsequently to the same Transaction. Therefore, if the Merger had actually taken place at the assumed reference date for the preparation of the pro-forma data, the same results would not necessarily have been obtained. Furthermore, the pro-forma data, as a whole, do not intend in any way to represent a forecast of the future results of the SALCEF Group and must not, therefore, be used in this sense. Finally, in consideration of the different purposes of the pro-forma data with respect to historical balance data and, since the effects are calculated differently with respect to the pro-forma consolidated balance sheet and financial position and the pro-forma consolidated income statement, the data pro-forma should in no way be read and interpreted by looking for accounting connections between the same pro-forma and historical balance data.*

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*This document also contains estimates of primacy of the positioning of the SALCEF Group and of the reference market: these estimates may not be updated, may contain some degree of approximation and / or may be different from those assumed due to known and unknown risks, uncertainties and other factors.*

# Salcef - Leader in integrated Railway Maintenance and Technology



**7,000** km  
of renewed lines



**2,000** km  
of new tracks



**4 high-speed lines**  
built in Italy

**INTEGRATED OFFER**  
of services (engineering,  
construction, maintenance)

**2** facilities, with **25,000** m<sup>2</sup> of buildings  
and **300.000** m<sup>2</sup> di land, both  
connected with the railway line

**8** acquisitions  
(the latest in 2019 in Italy)

Projects on **12**  
**international markets**

