



Marketing & Communication

PIERO FROVA

Chief Marketing Officer
School & Office

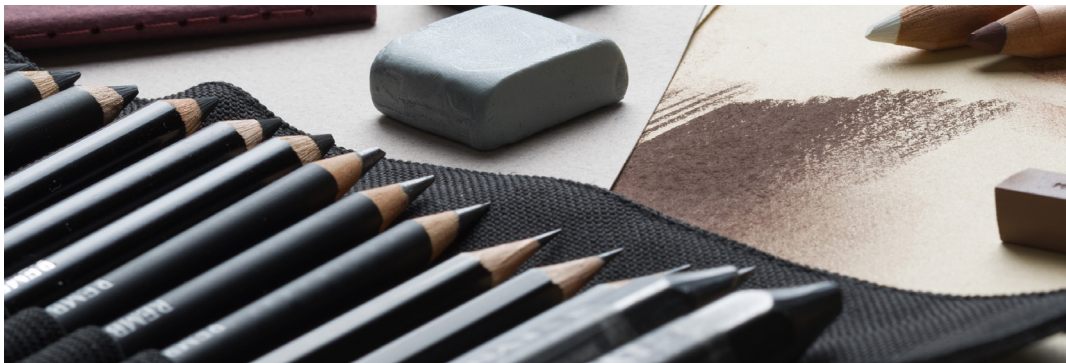
NICOLETTA MARSI

Chief Marketing Officer
Fine Art

Market Scenario

- Very fragmented market
 - School & Office: 10 players above 300mln euro, and approximately than 100 players below 300mln euro.
 - Fine Art: 2 players above 50mln euro and about 30 players below 50 mln euro.
- Market characterised by historic brands with strong, local roots and established brand awareness and consumer recognition.
- The market is characterised by low product differentiation, but with substantial quality differences.
- Significant and growing presence of private label, especially in markets with a strong relevance of modern distribution chains (North America, France, UK, Germany).

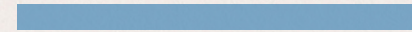
- With the exception of the COVID impact the market is stable with respect to major exogenous factors and significantly linked to the demographic dynamics of individual countries (birth rate and growth in the average age of the population).
- Capillary distribution throughout the territory through different channels.
- The growth of ecommerce has changed the balance between distribution channels, significantly increasing competition (the number of players that can participate on-line is greater than the number that can be physically displayed within brick & mortar stores).
- High barriers to entry in terms of production, and low in terms of sourcing.
- Increasingly restrictive safety regulations and certifications.



Market size



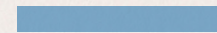
School and Office



~10 bn



Fine Art



~1 bn

Global market size ex works €.

Source: Estimates carried out by management based on internal and third-party data sources.



Extensive Product Range and Brand Identity

F.I.L.A. operates worldwide through a wide range of local and global brands, partly developed internally and partly acquired over the years as the expansion strategy moved forward.

The range of products is primarily destined for use in schools, art schools, hobbyists and artists. The company, however, also caters for the office and industry segments, with a few, selected products.



The Group considers its brand portfolio to be its strategic asset.

As shown by a number of the Group's key brands, when properly developed, the Group believes that the brand life can exist indefinitely. Intangible assets are a key component of the market value of "creative products", reflecting the power of brands built up over many years.



Giotto: 1925

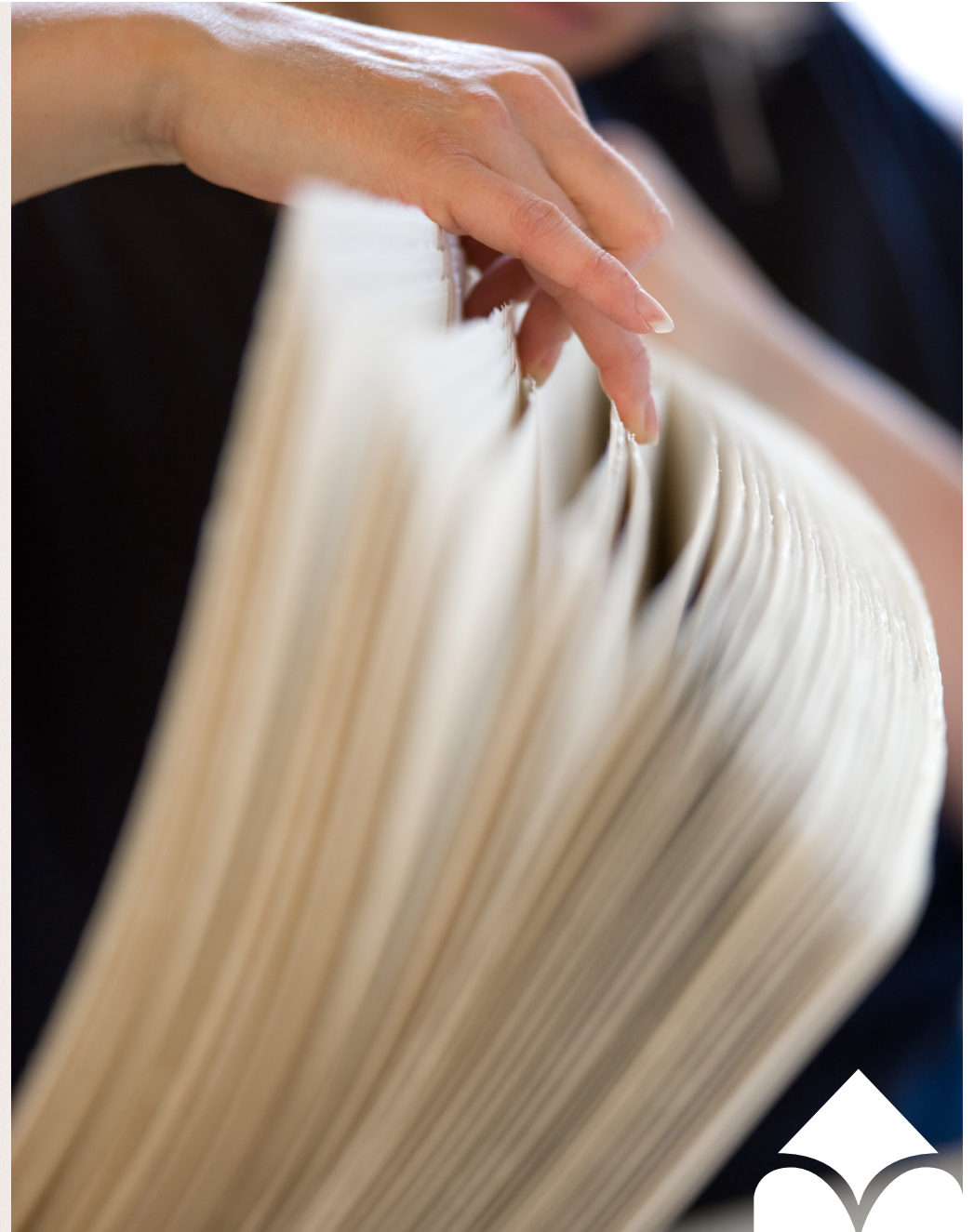


La Pochette: 1947

The Group has an ongoing commitment to investments in marketing designed to strengthen the recognition and reputation of iconic and distinctive brands in the key markets, as well as launching and developing them in new high-potential geographical regions.

Brand image is a critical factor in a consumer's choice of "creative products". Consumers are willing to pay higher prices for brands they like and trust, and the strength of these brands allows FILA Group to build a premium positioning, improve the price mix and therefore generate higher returns in the mid- to long-term.

The Group's main marketing focus for the coming years is to devise a clear, distinctive and enduring strategy to build, increase the visibility and develop each of the Group's products/brands, concentrating on global priorities.



Main Group brands and product categories

Product categories

Product Families

Paper



ARCHES® Strathmore®
ST CUTHBERTS MILL
CANSON® DALER◆ROWNEY



- Fine Art Paper
- School Paper
- Leisure and Craft Paper
- Paper for traditional art printing
- Paper for digital art printing

Fine Art & Crafts



PRINCETON ARTIST BRUSH
MALERI® LUKAS
DALER◆ROWNEY

- Oil and acrylic paints
- Watercolours and gouache
- Canvasses and brushes
- Accessories
- General crafts

Writing



- Graphite pencils
- Ballpoint pens and fineliners
- Gel ink pens
- Highlighters and markers

Drawing and Colouring



- Coloured pencils and graphite pencils
- Oil and wax crayons
- Coloured markers
- Paints and watercolours
- Chalk and glue

Modelling



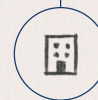
- Plasticine
- Playing Dough
- Modelling Clay



School



Art schools, hobbyists, and artists



Office



Industry

Consumer categories

Branding Strategy

Enhanced brand portfolio with growth potential

The Group has a strongly diversified brand portfolio with more than 25 iconic brands covering a wide range of product categories.

The Group categorises its brands into three main clusters in the School and Office Segment:

- Global - with strong market positioning in core markets and further growth opportunities to expand their footprint internationally.
- Continental/Regional - with strong positioning and recognition in their reference market and further potential to expand.
- Local - with positioning and distribution in their domestic markets.

The Fine Art segment is characterised entirely by Global Brands.



School & Office product categories weight on sales

PRODUCT CATEGORIES



27%

SCHOOL PAPER

- White & coloured paper for kraft and leisure
- White & coloured paper for School & Office
- Boards



32%

SCHOOL DRAWING & COLOURING

- Coloured pencils
- Paints & Watercolours
- Coloured Markers
- Crayons & Chalks
- Accessories



PRODUCT CATEGORIES

24%

WRITING

- Graphite Pencils
- Other writing and marking instruments



6%

CRAFT



5%

MODELLING



6%

OTHERS

Product Quality Milestones The Pencil

What makes our pencils
unique.



- THE WOOD**
from the trunk to the pencil while respecting the forest
 - Certified wood from well-managed forests following PEFC and FSC protocols.
 - Only the best wood is used for manufacturing pencils such as California Incense Cedar.
 - Easy sharpening and no broken lead.
 - A variety of shapes.
- THE LEADS**
centuries of know how and a constant upgrade
 - Resistant lead but smooth laydown.
 - The best pigments to offer intense and bright colours.
 - Excellent yield.
 - Specific formulation responding to targets' needs.
 - An infinite range of colours.
- THE LOOK & FEEL**
a clear premium identity
 - Perfect lacquering of the pencil.
 - Safe lacquers for children.
 - Knife sharpening for a premium point.
 - Rich, precise and detailed imprints.
- COMPLIANCE**
 - Traceability codes on each single pencil.
 - Safe and certified (CE - ASTM).
 - Quality controls protocols.



Product Quality Milestones Felt-tips and markers

The best quality from the early childhood to older children.



- **THE INKS**
water-based, alcohol-based, superwashable, permanent
 - Intense colours.
 - Long lasting.
 - Cap off resistant (2 weeks and more).
 - 100% safe and dermatologically tested for toddlers.
- **NIBS AND RESERVOIR**
till last drop of ink
 - Resistant and tight-fitting nibs.
 - Quality reservoirs.
 - Consumption of the ink assured till the last drop (no waste).
 - Controlled ink flow.
 - Clean strokes.
- **PLUG/BODY/CAP**
The plastic: today also bio-based and regenerated
 - Fixed plug.
 - Ventilated choke-proof caps.
 - Plastic conceived to preserve inks from drying.
 - Progressive introduction of bio-based and regenerated plastics .
- **COMPLIANCE**
 - Safe and certified (CE - ASTM).
 - Traceability codes on each single piece.
 - Quality controls protocols.



Product Quality Milestones Paints

Finger paints, watercolours, concentrated paints, ready to use paints for any creative ideas, at home, at school, for hobby.



- **FINGER PAINTS**
the first approach to painting
 - Extra dense and rich colours for tactile exploration.
 - Superwashable from hands and clothes.
 - Compliant with the more strict safety standards for young children and dermatologically tested.
 - Traceability code on each single colour.
- **PAINTS**
extra concentrated, superwashable, ready to use
 - Intense colours, easy to blend and high coverage.
 - Excellent yield.
 - Own designed and produced distinctive, ergonomic, practical and unique packaging (R-Pet bottles, boxes for tubes, pots).
 - Safe for children- traceability code on each single colour.
- **WATERCOLOURS**
the solid paints
 - Easy watersoluble colours.
 - Rich and vibrant colours.
 - A unique design for the cake, studied to prevent water dispersion.
 - Own designed and produced, unique and distinctive packaging.
 - 100% safe for children.



Market Shares School

The market share measurement is very complex due to the fact that the main survey companies (GFK, NPD, Nielsen, ...) do not cover all countries, product categories or channels, the different distribution structures in the various countries (Modern Channel vs. Traditional Channel) and finally the lack of Companies disaggregated data, here follows our current estimate for the main FILA segments and main geographical areas.

AREA/COUNTRY	BRAND - PRODUCT FAMILIES	MARKET SHARE
EUROPE6	GIOTTO: Pencils, Colored Markers, Paints, Crayons	18%-20%
FRANCE	CANSON: School Paper	50-60%
SPAIN	CANSON: School Paper	20-25%
USA	TICONDEROGA: Graphite Pencils	50-55 %
USA	PACON: Construction Paper	25-30%
INDIA	DOMS: Pencils,Markers,Paints, Crayons	25-30 %
MEXICO	Metrico, Vinci, Vividel, Mapita: Pencils, Colored Markers, Paints, Crayons	40%

EU6: ITALY, FRANCE, UK, GERMANY. SPAIN, PORTUGAL.

Global Fine Art brand strategy positioning by quality/product category

	PAPER	COLOUR (PAINTS PENCILS)	BRUSH	CANVAS
PROFESSIONAL	<p>ARCHES® ST CUTHBERTS MILL</p> <p>Strathmore® CANSON®</p>	<p>Maimeri</p> <p>LYRA Germany</p>	<p>PRINCETON ARTIST BRUSH</p>	
PREMIUM	<p>ST CUTHBERTS MILL</p> <p>Strathmore® CANSON®</p>	<p>Maimeri</p> <p>DALER ♦ ROWNEY</p> <p>LYRA Germany</p>	<p>PRINCETON ARTIST BRUSH</p> <p>DALER ♦ ROWNEY</p>	<p>DALER ♦ ROWNEY</p>
STUDENT	<p>CANSON®</p>	<p>DALER ♦ ROWNEY</p> <p>LYRA Germany</p>	<p>DALER ♦ ROWNEY</p>	<p>DALER ♦ ROWNEY</p>
ENTRY	<p>simply...</p>	<p>simply...</p>	<p>simply...</p>	<p>simply...</p>



Fine Art product categories weight on sales

PRODUCT CATEGORIES



17%
(40% Market size)

FINE ART COLOUR

- Oil
- Acrylic
- Watercolour
- Gouache
- Inks
- Mediums



62%
(20% Market size)

FINE ART PAPER

- Watercolour Paper
- White Drawing Paper
- Coloured Paper (Pastel, Sculpture)
- Mixed Media Paper
- Oil/Acrylic Paper
- Printmaking Paper
- Digital Fine Art Paper
- Art Books



PRODUCT CATEGORIES



3%
(10% Market size)

FINE ART PENCILS

- Fine Art Sketching Pencils
- Fine Art Coloured Pencils
- Fine Art Pastels



12%
(9% Market size)

FINE ART BRUSHES

4%
(15% Market size)

FINE ART CANVASES

2%
(6% Market size)

FINE ART ACCESSORIES

Product Quality Milestones Fine Art Paper

- **Raw materials:**

Cotton is the first distinctive element of watercolour papers; it has a high water absorption and good stability properties. Wood pulp is the most commonly used.

- **Manufacturing process:**

MouldMade - A point of excellence in the production of professional watercolour and printmaking papers. Fibres are randomly distributed providing dimensional stability and mechanical strength.

Fourdrinier - More flexible and fast production for all paper families.

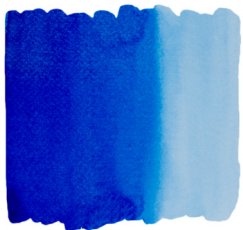


- **Texture** - Texture is an added value, a distinctive element characterising the high-quality paper brands.
- **Marking** - Watermark, Wheel marking, Embossing adds authenticity and certifies the origin of the paper.
- **Weight** - Heavier weight gives more stability to the paper. The weight of the paper varies between dry techniques (drawing, sketching, pastel) and wet techniques (watercolour, oil and acrylic, mixed media).
- **Conservation/Archival:**
Complies with ISO9706 standards to meet the requirements of galleries/museums in terms of resistance to ageing (no OBA, acid-free).
- **Sizing:**
It prevents water, paint and inks from penetrating into the sheet and reinforces the fibre resistance, enhancing the brightness of the watercolour paint.
- **Edges:**
The 4 deckle edge is typical of the mould made production which gives the finished paper a handmade look and feel.

Product Quality Milestones

Fine Art Colour

The key features that distinguish fine art colours and determine the quality positioning segmentation are as follows:



- **Raw materials** - Selection of fine art quality pigments and binders.
- **Lightfastness** - Resistance to light exposure is fundamental for the conservation of a work of art.
- **Production process** - Milling the pigment grains to their smallest size provides higher light refraction, colouring power and vibrancy.
- **Composition** - Colours made with one pigment are pure and deliver cleaner secondary tones.
- **Concentration** - Higher concentration gives greater yield, larger variety of tones and undertones.
- **Colour assortment** - professional ranges contain 80 to 100 colours including expensive genuine/traditional pigments in price series, student ranges contain 36 to 48 colours including imitations of professional pigments at a unique price.



Market Shares Fine Art

Given that there are no official data by the main survey companies representing the fine art market, here follows our current internal estimates on the main fine art categories based on CEPE*, NAMTA** and Companies aggregated data.

AREA/COUNTRY	PRODUCT CATEGORY	MARKET SHARE
GLOBAL	Fine Art Paper: (Canson, Arches, St Cuthberts, Strathmore, Daler-Rowney)	>50%
GLOBAL	Fine Art Colour: (Daler-Rowney, Lukas, Maimeri)	10-15%
GLOBAL	Fine Art Brushes: (Princeton, Daler-Rowney)	15-20%
GLOBAL	Fine Art Pencils (Lyra Fine Art & Daler-Rowney)	5-10%

*European Council of the Paints, Printing Inks and Artists' Colour Industry.

**North American Trade Association for the Art/Creative Materials Industry.



Branding and Marketing Strategy

Strengthen Brand values with respect to competitors and private label;

Increase brand awareness through cross marketing and sales activities;

Increase scale of Global Brands, market share of Regional/ Continental Brands, support Local Brands that can offer the strongest potential upside in terms of sales growth and mix improvement;

Provide a clear segmentation of Brands and product to trade customers and consumers;

Define a long-term Brand channel strategy (Traditional Retail, Modern Trade, On Line) and develop products concepts;

Preside over all touch points at trade customer and consumer level through multiple marketing, promotion and communication activities (ATL/BTL).



School Channel Strategy



STATIONARY STORE



MASS MARKET BACK TO SCHOOL



SPECIALIZED RETAIL CHAIN



MASS MARKET PERMANENT

Fine Art Channel Strategy

TRADITIONAL
FINE ART RETAIL



MODERN TRADE CHAIN
NON SPECIALIZED RETAIL



MASS MARKET





Product Categories Strategy

To date the Group manages a portfolio of approximately 15K SKUs per country.

The main objectives include:

- Rationalisation of ranges and reduction of overlap in line with the Branding Strategy (e.g. Arches vs. Heritage)
- Significant reduction in the number of item codes:
 - Discontinuation of item codes with low rotation and/or marginality. Target 10% rationalization
 - Review of local codes and replace with global ones.
 - Reduction/discontinuation of non-strategic codes (Fine Art and School accessories)
 - Reduction/discontinuation of distributed third-party branded products
- Development of new ranges in segments not or only partially covered (art book, modelling materials, ..)
- Plan to reinvigorate existing ranges by looking at:
 - quality upgrading, market trends, consumers' expectations,
 - sustainability,
 - increase margin





FILA GROUP

ATCHES
FRANCE