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Oggetto : El.En. signs a framework agreement with the Chinese company YOFC Ltd for the sale of the majority stake in the laser cutting division

Testo del comunicato

Vedi allegato



2.2

3.1

REGEM

press release

El.En. signs a framework agreement with the Chinese company Yangtze Optical Fibre and Cable Joint Stock Ltd for the sale of the majority stake in the “laser cutting” division

Total expected value of 55.3 million euros

- *Following the transaction, EL.EN. Group will retain a 19.30% stake in Penta Laser Zhejiang Ltd., Co. and a 30% stake in Cutlite Penta*
- *YOFC will subscribe a capital increase in Cutlite Penta of 2.5 million euros*

Firenze, November 8, 2024 – El.En. S.p.A., a leading company in the laser market, listed on the Euronext STAR Milan (“STAR”) market of Borsa Italiana, announces that it has signed today with the company Yangtze Optical Fibre and Cable Joint Stock Limited Company (a limited liability joint stock company incorporated in the People’s Republic of China hereinafter “YOFC”) a framework agreement for the negotiation of one or more transactions for the possible sale to the Chinese company of the majority shareholdings of the companies included in the Laser Cutting business unit of the El.En. Group.

YOFC is headquartered in Wuhan, is listed on the Hong Kong and Shanghai stock exchanges, and is specialized in the production of optical fibers and telecommunications components and recorded a turnover of over 1.7 billion euros in 2023. With a high technological and production background, it has recently entered the business of fiber optic power laser sources through its subsidiary Everfoton, also headquartered in Wuhan. Born from an initiative by Philips, YOFC was subsequently managed by Prysmian, still the largest shareholder with approximately 23% of the shares.

The signed framework agreement represents only the preliminary intention agreed between the parties to proceed with the negotiation on the basis of the basic understandings reached. All parties involved in the transactions must carry out further analyses and negotiations aimed at deepening the opportunity to sign the sales contracts on the basis of the results of the checks and assessments that are currently being carried out. Therefore, legally binding agreements will only come into force upon the stipulation of the appropriate final sales agreements signed by the parties.

Currently, the framework agreement provides that negotiations will be concluded by the 31st of December 2024 and that its effectiveness will end, in addition to by mutual consent, automatically on that date or upon the conclusion of the final sales agreements, unless extended by mutual agreement between the parties.

The subject of the negotiation concerns the sale of the Italian company Cutlite Penta S.r.l., its Brazilian subsidiary Cutlite do Brasil Ltda (hereinafter “Cutlite”) and the group of Chinese companies controlled by Penta Laser Zhejiang Ltd., Co., with production plants in the cities of Wuhan, Wenzhou, Lin Yi and Shenzhen (hereinafter “PLZ”).



If the negotiations are successful, the subsidiary Ot-las S.r.l. will sell to YOFC directly, or to its subsidiaries, a total of 28,698,288 shares, equal to 59.1837% of the capital, of the company Penta Laser Zhejiang Ltd., Co. against a consideration of 298,700,000 RMB in cash (equal to approximately 38.8 million euros at today's exchange rate) and a stake in Cutlite Penta S.r.l. equal to a nominal value of 334,956 euros, for 67% of the capital, against a consideration of approximately 16.5 million euros in cash. At the same time as the purchase, YOFC will subscribe to a capital increase in Cutlite Penta S.r.l. of nominal value of Euro 51,256, paying in a total subscription price of approximately Euro 2.5 million and thus reaching a 70.0604% stake in the company.

Following the completion of the sale agreements, the El.En. group will continue to hold a stake in the laser cutting division equal to approximately 19.3% of Penta Laser Zhejiang Ltd., Co. and approximately 30% of Cutlite Penta s.r.l..

Out of its 30% stake in Cutlite Penta S.r.l., the El.En. group will allocate a share equal to approximately 10% of the capital to service a three-year incentive plan for key executives of Cutlite Penta S.r.l., subject to the latter's transformation into a joint-stock company. These individuals will be granted the option to subscribe shares of Cutlite Penta S.r.l. and to sell to YOFC the subscribed shares on certain terms and conditions based on Cutlite's financial performance over the period 2025-2027.

The purchase and sale agreements, if stipulated, will provide for a total consideration of approximately 55.3 million, a value that refers to an overall Equity Value of the business unit of approximately 90 million euros. In particular, as regards the consideration relating to the possible sale of the stake in Penta Laser Zhejiang Ltd., Co., it was determined on the basis of a value of the company of 504,700,000 RMB, agreed with reference to the 2023 financial statements and the interim report as of 30 June 2024.

The consideration for the transfer of Cutlite Penta and the subscription price of the capital increase of Cutlite Penta were determined on the basis of the value of the company of Euro 24,700,000, agreed with reference to the 2023 financial statements and the interim report as of 30 June 2024.

In any case, the final price of the entire transaction that is agreed between the parties will be subject to an adjustment clause based on the financial results of the companies sold in the years 2025-2027, which could lead to a reduction in the price of up to 5%. Furthermore, the customary warranty and indemnity clauses in favor of the transferee could lead to a significant adjustment of the price to be received for the transfer of the shares.

YOFC is a leading global telecom cable manufacturer, mainly engaged in the production and sale of optical fiber preforms, optical fibers and optical fiber cables with various standards and specifications, as well as customized optical fibers and cables, optical devices and modules, active optical cables, submarine cables, coaxial cables and other products and accessories. In YOFC's diversification strategy, the industrial application sector is a key element for the development of its business.

With PLZ and Cutlite, El.En. Group's laser cutting business unit has gained excellent brand recognition, with well-established sales channels in their home countries and abroad. On the one hand, YOFC hopes to expand its business in overseas markets and strengthen its branding efforts through the acquired companies; on the other hand, YOFC's international footprint will in turn help the acquired companies further expand their overseas markets. In particular, YOFC's presence in sectors such as energy transportation, communications and electric vehicles will enable the acquired companies to expand their activities in these sectors, thus realizing better business synergies.

Furthermore, the high technological skills of both PLZ and Cutlite in the laser applications sector and their leadership in the sector will allow complementary advantages with the YOFC business in particular in product and technology research and development, thus strengthening the leadership positions of both companies, while the consolidated industrial organization of YOFC will allow to improve the production and operational efficiency of the sold companies.



In the context of the sale, particular attention was paid to the strategic development prospects of Cutlite Penta S.r.l. Since August, Cutlite Penta S.r.l. has been made autonomous from Penta Laser Zhejiang to safeguard its operational independence and image on international markets as an Italian company under law and technology. If the proposed transaction is completed, El.En. will undertake to continue to actively support the operations of the company, even in a minority position.

Gabriele Clementi, Chairman of El.En. S.p.A., comments: *"We are very pleased with this opportunity because we believe that a successful agreement is based on the ability to find a strategic and prestigious partner, such as YOFC, which brings with it experience, vision and opportunities to continue to grow the company by enhancing the path already taken, but also paving the way for a future of development and innovation with the right balance between tradition and new challenges. A fair and well-considered transaction in fact, not only rewards the current value but creates new opportunities for both parties, opening new horizons for a prosperous and sustainable future, ensuring that the company continues to grow and progress even under new leadership".*

The possible signing of the final contracts will result in the exit of the sold activities from the full consolidation perimeter of the El.En. group.

As of June 30, 2024, the sold activities had developed a half-yearly turnover of 98 million euros (-22.3% compared to the first half of 2023), with an EBIT of 2.6 million (+120% compared to 2023), and a substantial break-even in net profit, while the Net financial Position showed a net debt of 39 million euros.

Since it is currently expected that the possible sale of the above-described shareholdings will be concluded by 31 December 2024 and therefore assuming a closing around the end of the 2024 financial year, the consolidated net result for 2024 would not be affected by the agreement illustrated in this press release.

With the same actual net result, the representation of consolidated revenues and operating result would be modified, in compliance with the accounting principles that provide for the reclassification in a dedicated item of the consolidated income statement of the costs and revenues relating to the activities being sold. This different representation will be illustrated at the time of the publication of the results for the third quarter of 2024, which will be approved by the Board of Directors at the meeting called for November 14, 2024, as part of the updates on the guidance that the company usually provides on that occasion.

Furthermore, the values expected for the sales of the shares of Cutlite Penta S.r.l. and Penta Laser Zhejiang Ltd., Co. would imply a consolidated gross capital gain estimated at approximately 13.5 million euros. At the closing, the gross capital gain would be modified by the effect of both the price adjustment and indemnification clauses possibly included in the agreements, and by the different value of the net assets of the companies subject to the sale due to both the net results for the period and exchange rates. Capital gain taxes may be affected by the modification of the double taxation treaties in force between Italy and China.

The use of the proceeds from the sale of the majority stake in the laser cutting division will mostly provide to repay the loans granted to the Ot-las S.r.l. by the parent company El.En. Spa, and therefore ultimately to consolidate the net financial position of the parent company and the group.

The final sale of control of the laser cutting division will also be subject, to the extent that it may be relevant, to the completion by YOFC of the procedure required by Legislative Decree 21/2012 and subsequent amendments at the Italian Presidency of the Council.

The terms of the negotiation also provide that the El.En. group may request YOFC to acquire its residual shares in the companies Cutlite Penta and Penta Laser Zhejiang starting from the date of approval of the financial statements closed on December 31, 2027, subject to the conditions and terms that will be agreed between the parties.



Art. 71 CONSOB Issuers Regulation 11971/1999

Pursuant to art. 71 of the CONSOB Issuers Regulation 11971/1999 and the significance criteria for transfer transactions established by Annex 3B of the aforementioned Consob Issuers Regulation, if the transaction were to be successful, the asset parameter envisaged in paragraph B2 of the aforementioned Annex would be greater than 25% if the ratio between the total assets of the companies in which the majority shareholding is being sold and the total consolidated assets of the El.En. group were considered.

Pursuant to and for the purposes of art. 71, paragraph 1-bis of the Consob Issuers Regulation 11971/1999, it is recalled that on 3 October 2012 the company communicated to the public its adherence to the regulatory simplification pursuant to art. 3 letter e) of CONSOB resolution no. 18079 of 20 January 2012, therefore availing itself of the right to derogate from the obligations to publish the required information documents in the event of significant extraordinary operations of merger, split, capital increase through contribution of assets in kind, acquisition and transfer.

CONFERENCE CALL

Monday November 11, 2024, at 15.00 CET (14:00 GMT) (9:00 AM EST), El.En. S.p.A. will hold a web conference call with the financial community, discussing the transaction.

The following link can be used to join the call:

Zoom Link

<https://polytemshir-it.zoom.us/j/85074305185?pwd=7GmGuBFbmqs1eFcBJZ7XObNrXX9o9q.1>

ID meeting: 850 7430 5185

Access code: 652060

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El.En., an Italian company, is the parent of a high-tech industrial group operating in the optoelectronics sector. Based on proprietary technology and multidisciplinary know-how, the El.En. Group manufactures laser sources (gas, semiconductor, solid-state and liquid) and innovative laser systems for medical and industrial applications. The El.En. Group is the laser market leader in Italy and among the top operators in Europe. It designs, manufactures and sells worldwide:

- Medical laser equipment used in dermatology, cosmetics, physiotherapy, dentistry and gynecology;
- Industrial laser systems for applications ranging from cutting, marking and welding metals, wood, plastic and glass to decorating leather and textiles and restoring/conserving artwork;
- Laser systems for scientific research

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Cod. Bloomberg: ELN IM

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