Investment Opportunity
Information Memorandum

M&A – Advisory
dicembre 2018
Overview

- Footwear company with headquarters in Fermo, which operate in the footwear industry for more than 20 years, produces and sells men’s and women’s footwear (for mid and high-end market with selling price from Euro 300 to Euro 1,000), making for third parties with sport type footwear/sneakers, or other types of fashionable and trendy footwear.
- In 2017, its turnover was €16.3 mln, with an EBITDA of €1.87 mln, in which 60% for men’s footwear and 40% for women’s one. About 27% for domestic market and the remaining 73% for the foreign market.
- Its Business model is to be completely integrated all over its production chain (from the design phase until the finishing phase) with a high level production and an accurate "transformation" of the design inspired by “customers-stylists” of renowned clothing and footwear brands.

### Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>FC2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>10.250</td>
<td>16.384</td>
<td>11.521</td>
</tr>
<tr>
<td>Year on Year</td>
<td>59,8%</td>
<td>-29,7%</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>1.393</td>
<td>1.878</td>
<td>1.319</td>
</tr>
<tr>
<td>Ebitda %</td>
<td>13,6%</td>
<td>11,5%</td>
<td>11,4%</td>
</tr>
<tr>
<td>EBIT</td>
<td>1.302</td>
<td>1.611</td>
<td>1.050</td>
</tr>
<tr>
<td>Net Earning</td>
<td>1.176</td>
<td>1.453</td>
<td>949</td>
</tr>
</tbody>
</table>

2017 Turnover by Markets

- 73% Italia
- 27% Estero
- 27% Svizzera
- 73% U.S.A.
- 27% Germania
- 27% Francia

R&D
- Materials research
- Technical and intermediate tests

Prototyping
- Design of models from customer’s specifications:
  - Prototype realization
  - Technical tests of assembled materials
  - Technical fitting tests
  - Realization of the final sample for customer collection

Production
- Cutting line
- Edging line
- Mounting line
- Assembling line
- Finishing line
- Quality verification
- 250.000 pair every year for mounting and finishing lines.
- N. 120.000 pair every year for cutting and edging

Sales
- Collaborations with leading brands in fashion-shoe industry consolidated for years

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Strictly confidential
Production sites and product portfolio

offices and laboratories

Fermo – Via Malintoppi,7
Headquarter
Management
Main Production (Mont/assemb/finis.)

Fermo 1
Warehouse products

Fermo 2 –
Laboratory cutting, edging and preparation

Monte Urano- Zona Ind.le
R&D, prototyping

The school of training was founded in 2015, inspired by the founding partner with the aim of supporting business culture, professional updating of workers and young people who work or are interested in the fashion-shoemaking field. The school operates in synergy with the head office and other companies of Fermo province. Learning by doing is the methodology which characterises the school for a training that can be spreaded immediately in the world of work.

average number employees in 2017

<table>
<thead>
<tr>
<th>Workers</th>
<th>61</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: Sida Group’s reassessment of company data

Workers 61
Employees 18

School of training and professional training

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Key investment highlights
A unique opportunity to invest in a fast growing player in the Italian market

The main success factors (CFS) which characterize the company are summarized as follows:

- **Strategic vision** ➪ The evolvement and aim for the growth in order to be competitive in the market through medium / high positioning policies, policies for internationalization of products and services, strengthening development and innovation strategies, offering solutions, professionalism and high design skills.

- **Integrated offer** ➪ All stages of processing in the production sites in Italy, building an "integrated internal supply chain", highlighting the distinctive elements of an integrated and customized offer.

- **Structure efficiency** ➪ strong ability to supervise the production phases through a coordinated and integrated structure, which translates into punctual deliveries. Compliance with the stylistic indications received from its customers, accuracy of detail as well as reliability of the service.

- **Research and development** ➪ an activity that allows you to translate your know-how and expertise into innovative products and services that can respond quickly to the needs arising from market conditions and consumer needs. Strong attention to the quality of materials and components according to the standards required by customers.

- **Prototyping** ➪ Accuracy in the "transformation" of the design received from the customer's style office into shoe prototypes, then, in a definitive sample for the requested collection.

- **Made in Italy** ➪ Production of high quality and medium / high price products (selling price from € 300 to over € 1,000), with work carried out entirely in Italy.

- **Technology and training** ➪ At the forefront of all the production machinery and techniques, from the CAD / CAM of the cutting department, to the use of technologically advanced instruments of the other departments from assembly to finishing and putting at the disposal of the new generation the experience gained over the years. Therefore, attention to technology but also to knowledge, looking to the future.

Source: Sida Group’s reassessment of company data
Development drivers

- The company’s growth plan sees the consolidation of awell-controlled market shares as well as a strong commercial expansion through a branding policy through the acquisition of top brands under license for the purpose of forming the critical mass of turnover which could be around € 26mn (CAGR 22.4%) over a four-year period, with a consequent significant growth in terms of margins (Ebitda around € 4.7m) and tangible and intangible economic value.
- The current market context allows management to focus on some of the basic strategic directions for future forecast, which will contribute to characterizing the positioning of the brand on national and foreign markets.

The development drivers are declined in the table to the side.

<table>
<thead>
<tr>
<th>Markets</th>
<th>B2C positioning through acquisition in license of use of leading brands in the fashion-shoe industry (in progress)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>Enhancement of commercial management</td>
</tr>
<tr>
<td>Markets</td>
<td>Search for further acquisition of trademarks under license</td>
</tr>
<tr>
<td>Foreign</td>
<td>China project development</td>
</tr>
<tr>
<td>Foreign</td>
<td>Japan Project development</td>
</tr>
<tr>
<td>Production</td>
<td>Lean Production development</td>
</tr>
<tr>
<td>Marketing</td>
<td>investments in R&amp;D, comunication and promotionals</td>
</tr>
</tbody>
</table>

Source: Sida Group’s reassessment of company data
Forecasting economic profile

The table below shows the summary data of the most significant economic variables.

The historical evolution of the revenue trend (years 2016-2017), the 2018 forecast and the forecast data for the four year period 2019-2022 have been reported, based on the development drivers referred to in the previous section.

Forecast revenues refer to both the B2B and B2C segments. The average annual growth rate has been limited to 22 ppt.

At the same time, operating costs include costs of a variable nature (including costs for the use of licenses) connected to these segments as well as fixed management costs, excluding depreciation, amortization and lease payments that have been allocated below the margin gross operating profit.

The resulting economic result (EBITDAR) increased over the period of about 62 ppt, from 11.4% in 2018 to 18.4% in 2022.

The result for the year increased significantly (3.73x) due to the policy of containing structural fixed costs against the size of the project.

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</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td>10,249</td>
<td>16,284</td>
<td>11,521</td>
<td>14,163</td>
<td>19,196</td>
<td>22,473</td>
<td>25,852</td>
</tr>
<tr>
<td>EXPENSES</td>
<td>(8,856)</td>
<td>(14,506)</td>
<td>(10,202)</td>
<td>(12,255)</td>
<td>(16,066)</td>
<td>(18,556)</td>
<td>(21,107)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,393</td>
<td>1,777</td>
<td>1,318</td>
<td>1,908</td>
<td>3,130</td>
<td>3,916</td>
<td>4,745</td>
</tr>
<tr>
<td>% Ebitda</td>
<td>13.6</td>
<td>10.9</td>
<td>11.4</td>
<td>13.5</td>
<td>16.3</td>
<td>17.4</td>
<td>18.4</td>
</tr>
<tr>
<td>NET EARNING</td>
<td>1,175</td>
<td>1,452</td>
<td>948</td>
<td>1,314</td>
<td>2,268</td>
<td>2,886</td>
<td>3,540</td>
</tr>
</tbody>
</table>

CAGR 22.4%

Source: Sida Group’s reassessment of company data
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