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## **28.08.2024 - GBC Management Interview with RedFish LongTerm Capital S.p.A.**

Company: RedFish LongTerm Capital S.p.A.\*<sup>5a,11</sup>

ISIN: IT0005549354

Analysts: Matthias Greiffenberger, Cosmin Filker

Fair value: €2.92

Rating: Buy

Completion Date (Time): 27.08.2024 9:00

First Distribution Date (Time): 28.08.2024 10:00

Current Price: €1.22 (Frankfurt, 26.08.2024, 9:20)

\*Catalog of possible conflicts of interest from page 7

### ***"RFLTC aims to reach a market capitalization of €150 million by pursuing additional fundraising and focusing on new acquisitions"***

RedFish LongTerm Capital S.p.A., based in Milan, is an industrial holding company specializing in the acquisition of family-owned Italian SMEs. RFLTC targets mature businesses with the potential for significant growth and expansion into both domestic and international markets.

#### **GBC AG: Can you provide a comprehensive overview of RedFish LongTerm Capital S.p.A., detailing its primary activities, mission, and the factors that make the company unique?**

RedFish LongTerm Capital S.p.A. (RFLTC) is a listed investment holding company with a focus on industrial family-owned SMEs. Founded in 2020 by Paolo Pescetto, Andrea Rosotti, and the Bazoli Gitti family, RFLTC is committed to long-term investments, acquiring both qualified minority and majority stakes, including through Club Deals.

Our strategy centers on acquiring stakes in companies where the RedFish team of experts can make a meaningful impact through their competencies. We prioritize opportunities where market dynamics support a build-up strategy through M&A activities.

RFLTC is designed to preserve and maximize value, thanks to a lean cost structure and a remuneration system linked to the appreciation of the company's listed shares (via stock option plans) and an incentive structure based on dividend distribution to shareholders.

#### **GBC AG: What are the main criteria that RedFish LongTerm Capital uses to identify and select its target companies for acquisition?**

RedFish LongTerm Capital acts as a long-term industrial partner for its subsidiaries, aiming to grow its portfolio companies without predetermined exit periods. Capital is raised through dedicated increases, without relying on pre-committed investor funds. This approach allows RedFish to engage in deals with entrepreneurs who aren't seeking a typical Private Equity investor but are instead looking for long-term partners. These partners are committed to accompanying the company on a "safe" journey toward an organic and inorganic growth plan, including cross-border M&A deals.

Our long-term investment horizon enables RFLTC to enter new investments at attractive, low entry multiples (currently averaging 4.96x EV/EBITDA). Entrepreneurs are reassured by the possibility of generating value through a long-term partnership with RFLTC and its industrial expertise.

We primarily target family-owned SMEs operating in niche markets with significant business know-how, where the RFLTC team can leverage its experience in driving growth through M&A strategies.

**GBC AG: Could you provide details on your most recent acquisitions and explain how these acquisitions fit into your overall investment strategy?**

RFLTC's latest acquisition is a minority stake (15%) in INDUSTRIE POLIECO MPB S.p.A.

Founded in 1977, Polieco Group is a family-owned company based in Northern Italy and is the leading producer in Italy of double-wall corrugated polyethylene piping systems. Additionally, the company manufactures resins for pipe coatings and the packaging sector. In 2023, Polieco Group achieved €200 million in revenue, €45 million in EBITDA, and maintained a net financial position of zero.

The company's business model is divided into two units:

- Piping Systems (58% of revenues): Focused on the design and manufacturing of conduits for electrical and telecommunications installations in residential buildings, along with piping solutions for sewage systems ("Ecopal" systems) and manhole covers.
- Resins (42% of revenues): Specializes in the production of resins used for lining Oil & Gas pipeline tubes and adhesives for various industries, including food packaging, cosmetics, and pharmaceuticals.

This acquisition aligns perfectly with our strategy due to: (i) the favorable entry multiple we negotiated, (ii) the potential for pursuing a cross-border M&A strategy in partnership with the existing management, and (iii) the company's low debt and high cash flow generation within its niche market.

**GBC AG: Can you elaborate on the strategic importance and performance of some of your key portfolio companies?**

One of the key portfolio companies of RFLTC is Movinter S.p.A., through which RFLTC is driving an aggregation project in the railway and naval sectors, leveraging its industrial expertise. Movinter, a 100% owned company, was acquired in April 2023 with a turnover of €22 million, specializing in light carpentry production for railway and subway carriages.

In November 2023, Movinter acquired Six Italia, a €15 million company specializing in "special materials" for the railway and naval industries. This was followed by a second acquisition in June 2024, when Movinter acquired Saiep S.r.l., another €15 million company specializing in electric solutions (cabling) for railway trains.

This build-up strategy aims to create a group that can introduce production and product synergies, allowing Movinter to transition from offering a single product to providing a complex assembly. This "one-stop shop" approach positions Movinter as a single point of contact for major customers like Hitachi and Alstom. With the acquisitions of Six Italia S.p.A. and Saiep S.r.l., the group is now forecasting annual consolidated sales of over €60 million.

**GBC AG: What specific strategies does RedFish LongTerm Capital employ to create value within its portfolio companies?**

Our strategy focuses on (i) cross-border M&A through an add-on approach, (ii) driving international expansion and (iii) providing strategic consulting with our industry experts. We also prioritize (iv) strengthening governance and management structures while (v) enhancing ESG awareness across our portfolio companies.

**GBC AG: What is your typical holding period for investments, and how do you approach exits?**

RFLTC has developed a unique industrial holding model that differentiates it from traditional private equity funds (such as SICAF, ELTIF, SGR, or financial holding companies). While RFLTC engages in similar activities like raising capital and acquiring companies to support their growth, its focus is distinctly on acquiring family-owned SMEs or companies undergoing generational transitions, particularly those poised for further growth and development.

What sets RFLTC apart is its hands-on approach to enhancing the operational capabilities of its portfolio companies. This includes integrating key roles such as a CFO with expertise in finance and banking, implementing a robust management control system, appointing a manager who reports directly to ownership, bringing in an international sales expert, and establishing an ESG support committee that is currently being standardized across the Group. These roles are often absent in companies of similar size, and RFLTC's ability to provide these services adds significant value to its subsidiaries—an approach highly appreciated by entrepreneurs.

Additionally, RFLTC distinguishes itself from financial operators through its long-term investment horizon. Unlike typical financial holdings, RFLTC does not rely on Drag-Along clauses or predetermined exit strategies. The companies RFLTC acquires are often second or third-generation businesses where the founders' legacy continues to be relevant for many years, aligning with RFLTC's commitment to long-term growth and stability.

**GBC AG: Which sectors do you consider most promising for future investments, and why?**

1. **MADE IN ITALY:** Family-run Italian SMEs in the Fashion and Interior Design sectors have long been recognized as leaders in their niche markets. These companies set themselves apart through their creativity and top-tier production, representing excellence in "Made in Italy" craftsmanship.
2. **ICT / INDUSTRIAL AUTOMATION:** Following our co-investment in Matic Mind alongside Fondo Italiano d'Investimento, RFLTC remains keenly interested in the ICT sector and industrial automation. We are particularly focused on digital operators and engineering companies that possess strong competitive advantages and demonstrate significant growth potential.
3. **FOOD:** The Italian food industry remains highly fragmented, presenting opportunities for consolidation through the acquisition of SMEs rooted in Italy's rich food tradition. This sector continues to show resilient demand both domestically and internationally, making it a strategic area for aggregation projects.

Looking ahead, we are deepening our commitment to Movinter, where RFLTC is building a group of companies active in the Railway, Aerospace, and Naval sectors. Our goal is to

create production and product synergies across these subsidiaries, leading to significant cost savings and enhanced operational efficiency.

**GBC AG: Where do you see RedFish LongTerm Capital in the next 5-10 years, and what are the key milestones you aim to achieve during this period?**

RFLTC aims to reach a market capitalization of €150 million by pursuing additional fund-raising and focusing on new acquisitions. Our strategy emphasizes sector diversification and a robust add-on policy for our subsidiaries.

**GBC AG: Thank you for the Interview.**

## ANHANG

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