

PRESS RELEASE

Arcadia Small Cap II sales the entire participation of Castello Italia to Group ARaymond

Milan, 13 October 2021

Arcadia SGR S.p.A. (“Arcadia”) announces that its managed private equity fund Arcadia Small Cap II (“ASC II” or the “Fund”) sold the entire share capital of Castello Italia S.p.A. (“Castello” or the “Company”) to Group ARaymond. Castello is based in Casalmorano (CR) and is active in the extrusion of polyamide and polyurethane coils and tubes for the automotive and the industrial automation sectors.

In August 2018, Arcadia acquired 75% share capital of Castello from Chemical Project Holding S.r.l. (“CPH”), the holding company of Frederic Hepineuze. The acquisition was entirely financed by ASC II, without using financial leverage. CPH maintained 25% equity shareholding in the company and shared with Arcadia an ambitious industrial plan based on new investments and turnover growth.

ARaymond, a French company owned by the Raymond family, is a worldwide leading provider of special fastening and components for the automotive and industrial sector. The attractiveness for Castello arises from a strong complementarity between the two companies, both at product and industrial know-how level: the components produced by ARaymond can be applied to the tubes produced by Castello. The partnership between the two companies will improve the level of market supply, from a single product to a more sophisticated system produced internally.

Under the three years of management, Arcadia helped Castello to reach a significant growth: the number of employees increased of about 70% since the acquisition; revenues increased from Euro 17 million to Euro 30 million expected in 2021; EBITDA increased from Euro 2.6 million to Euro 5 million expected in 2021. The Company’s growth has been supported by a strong management, driven by the Managing Director Pierluigi Testa, with the contribution of Arcadia’s Business Partner, Fausto Lanfranco, appointed as Chairman.

Many actions have been put in place for the industrial development of the company, such as the production capacity increase and the production re-layout, with the installation of a 1,500 sqm tensile structure outside the building for goods storage. From a commercial point of view, Castello has further developed its positioning in the automotive sector: after a successful audit by the Traton/Volkswagen Group, the company became Tier 1 supplier of MAN and Scania for brake tubes for trucks and industrial vehicles.

In line with the responsible investment principles detailed in Arcadia’s ESG policy, Vigeo Eiris, part of Moody’s Group, has produced a rating of Castello whose excellent results positioned the Company far above the sector average.

The sale of Castello represents the first divestment of ASC II, which to date has called about 60% of the total commitment. With the present sale, Arcadia has been able to reimburse a significant amount to its investors, generating a return from the transaction equal to 40% in term of IRR.



Alessandro Grassi, Partner di Arcadia, who followed the entire process of acquisition, management and sale of the Company, with the support of Tristano Pinter (Investment Associate), stated: “We are proud of the success of the investment in Castello, enabled by the strong management team, the significant industrial investments and the commercial development with new customers. We want to thank Pierluigi Testa and the rest of the team for their active contribution, wishing that their success, together with the success of the Company, will continue in the future”.

Simone Arnaboldi, CEO of Arcadia, stated: “We have invested in a good business, which we supported in its further growth towards a level of excellence. The successful investment in Castello will generate very good returns to our investors and is a clear example of Arcadia’s investment strategy”.

Pierluigi Testa, CEO of Castello, stated: “I’m really proud of the work of all the team; we have set a detailed business plan and, despite the pandemic, we have been able to reach our targets. We have been working with Arcadia with a long-term view and industrial coherence. I wish to thank Arcadia for these years of cooperation and for trusting our company potentials. We are proud to be part of ARaymond big family”.

Arcadia has been supported by Advent NCTM for the legal documentation, with a team composed by Matteo Trapani, Alessia Trevisan and Anna Bianchi. Dentons law firm has assisted ARaymond with a team composed by Jean-Marc Groperrin, Alessandro Dubini and Lisa Alice Julien.

Arcadia (www.arcadiasgr.it) is an independent asset management company authorised by the Bank of Italy. Arcadia is specialised in investments in the Italian non-listed SME companies. The investment team has a cumulated experience of over 70 years in the private equity sector and is supported by a group of first-class senior managers, who have run successful business (“**Business Partners**”).

Arcadia has an industrial approach: portfolio companies are managed through an active presence in the BoD and with a significant support in the growth processes.

The first fund raised by Arcadia (Arcadia Small Cap) with a total commitment of Euro 53 million, has completed 4 investments and 3 exits, distributing more than the amount drawn by the investors. The last portfolio company, Vision Group, is the leading Italian specialist distributor and retailer of optical products, with a network of c. 2.700 affiliated point of sales and 300 franchisees under the brand VisionOttica.

In 2017 Arcadia has raised its second private equity fund, Arcadia Small Cap II (“**ASCII**”), with a total commitment of Euro 80 million. ASCII has been subscribed by institutional Italian and international investors, among which there is the European Investment Fund.

ASCII has completed four investments to date. In addition to Castello Italia: (i) 100% of the share capital of Chiorino Technology S.p.A., a company established in Biella, specialised in the finishing of leather for the luxury segment of the leather goods industry; (ii) 51% of Grafiche Favillini S.r.l., leading company in the production of secondary packaging for pharmaceutical and nutraceutical manufacturers, which has then bought 100% of Idea Grafica, established in the Milan district, which produces boxes and leaflets for the pharmaceutical and



nutraceutical market. The integration of the two companies gave birth to a strategic Italian partnership in the sector; (iii) 100% of Starlaks Italia S.r.l., situated near Novara and active in the processing and sale of smoked salmon, both PL and branded, to the main Italian GDO.

ASC II mainly focuses on acquisitions of SMEs as defined by the European Commission (maximum 250 employees, revenues lower than Euro 50 million or balance sheet not higher than Euro 43 million), with a keen eye on ESG compliant investments, with limited use of leverage for the acquisition. The value creation is based on the strategic focus, the professionalisation and the growth of the companies.

Arcadia will soon start the marketing activities for the raising of its third fund, Arcadia Small Cap III, which will have the same investment strategies of the two previous funds.

Arcadia is partner of the Italian Stock Exchange through Elite, a programme which supports exclusive SME to facilitate their access to capital markets, their relationships with the financial system, and their internationalisation projects (www.elite.borsaitaliana.it).

For further information

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