



PRESS RELEASE

Arcadia SGR promotes the growth and sustainability of Italian SMEs through two new acquisitions in the HVACR industry

Milan, 22 July 2022

Arcadia SGR S.p.A. ("Arcadia") completed the investment program of its second fund, Arcadia Small Cap II ("ASC II") with two new acquisitions in the Heating, Ventilation, Air Conditioning and Refrigeration ("HVACR") industry: **KFL EST S.r.l.** ("KFL") and **CBS EST S.r.l.** ("CBS"). Arcadia has acquired a majority stake in both companies through a partnership with the respective teams of managing shareholders who, by retaining significant stakes, will promote a new organic growth and market consolidation, with the support of a manager introduced by Arcadia, with many years of experience in the specific sector.

KFL (*Klima For Life*) headquartered in Romans d'Isonzo (GO), is among the leading European players in the production of customized air heat exchangers, mainly used in industrial refrigeration (cold rooms, transportation and storage of products along the cold chain, ice machines) and industrial air conditioning (hotels, restaurants, shopping centres and data centres). The company closed the first half of 2022 with a 44% sales growth and expects to reach Euro 25M revenues at the end of the year.

CBS, headquartered in Varmo (UD), is active in the contract manufacturing of shaped connection tubes and other manifolds and distribution circuits, mainly made of copper, for the HVACR sector, in particular for industrial and residential heat pumps and data centre temperature control systems. In recent years CBS has shown a significant development trend, with revenues growing in the period 2020-2022 at a CAGR of +50%, up to Euro 32M expected in 2022 (first half of 2022 +46%).

The HVACR market has several solid growth potentials, mainly due to: (i) growing consumption of refrigerated/frozen food; (ii) need for refrigerated solutions for chemical/pharmaceutical products; (iii) significant increase of data consumption and consequent need for data centre cooling; and (iv) investments in building renovations in line with the RePowerEU directives issued by the European Commission, which will ban fossil fuel boilers by 2029, with the goal of developing the installation of heat pumps that can also be powered by renewable energy.

Alessandro Grassi, Partner of Arcadia, who led the transaction with **Giovanni Barbujani**, Investment Manager, stated: "All the seven investments completed by ASC II have been characterized by a strong approach related to

sustainability: Arcadia has always focused its investment strategy on the growth of the investee companies (both in size and number of employees), and on the promotion of improvement of ESG factors."

Simone Arnaboldi, CEO of Arcadia, said: "With these two new acquisitions Arcadia has completed the investment cycle of ASC II, which has invested in 7 companies (one of which was recently divested) and has called about 90% of the total commitment to its investors. We are now ready to launch our third fund that will continue to be focused on the growth of Italian SMEs for which sustainability is a competitive advantage, and with an increasing focus on ESG factors for value creation."

The advisors involved in the two transactions are:

For Arcadia

- Fineurop Soditic (financial advisor): Umberto Zanuso and Francesco Panizza;
- Bernoni Grant Thornton (financial due diligence): Stefano Marchetti and Alberto Alverà;
- goetzpartners (business due diligence): Giovanni Calia and Filippo Cerrone;
- ERM (ESG and EHS due diligence): Giovanni Aquaro and Andrea Perna;
- Pirola Pennuto Zei & Associati (structuring & tax due diligence): Luca Fossati and Giovanni Cereda;
- Orrick Herrington & Sutcliffe (legal assistance): Guido Testa (legal documentation) and Marina Balzano (financing).

For KFL

- Campeis Avvocati (legal assistance): Giuseppe and Massimiliano Campeis;
- Data Est (financial advisor).

For CBS

- Campeis Avvocati (legal assistance): Giuseppe e Massimiliano Campeis;
- Data Est (financial advisor);
- Banco BPM e BNL provided the acquisition financing, with the support of the law firm Molinari Agostinelli (team led by Andrea Taurozzi).

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Arcadia (www.arcadiasgr.it), an independent asset management company controlled by the management and authorised by Bank of Italy, is specialised in investments in Italian SMEs. The investment team has a cumulated experience of more than 100 years in private equity and is supported by a group of managers/entrepreneurs who have run successful companies ("Business Partners").

The first fund raised by Arcadia, Arcadia Small Cap (total commitment of Euro 53M), completed four investments and three divestments to date, distributing 100% of the amount drawn by its investors. The last portfolio company, Vision Group, is the Italian largest independent distributor and retailer of optical products, with a network of approximately 2,700 affiliated stores and 500 stores under the brand VisionOttica (of which 200 directly operated stores). In the holding period Arcadia has supported the company in a process of transformational growth through acquisitions.

In 2017 Arcadia raised its second fund, ASC II (total commitment of Euro 80M). ASC II has been subscribed by leading Italian and international investors, mainly institutional, including the European Investment Fund, also investor of the previous fund, and has now completed the investment program, acquiring besides KFL and CBS:

- (i) 100% of Chiorino Technology S.p.A., headquartered in Biella and active in the finishing and refining of leather for luxury leather goods of the main international fashion brands, for which innovative solutions aimed at recycling waste materials from the supply chain, as well as a fully vegetable-based leather finishing process have been patented;
- (ii) 75% of Castello Italia S.p.A., based near Cremona, active in the extrusion of polyamide tubes for application in the automotive (AdBlue transportation and electric car battery refrigeration) and industrial sectors. The company was sold in October 2021 to the French group ARaymond, generating returns for investors, in terms of IRR, of about 40%;
- (iii) 51% of Grafiche Favillini S.r.l., based in Livorno, leader in the production of secondary cardboard packaging for the pharmaceutical and nutraceutical sectors, which promotes the development of the circular economy using only raw materials certified by the Forest Stewardship Council program. In July 2020 Grafiche Favillini completed the add-on of Idea Grafica S.r.l., creating a strategic partnership in the sector;
- (iv) 100% of Starlaks Italia S.r.l., based in Novara, active in the processing, smoking and packaging of salmon (so-called superfood) distributed to the main Italian food retailers both under its own brand and private label. The company only uses raw materials whose origin is tracked and certified according to the rules of Aquaculture Stewardship Council and Marine Stewardship Council. Starlaks also promotes a healthy lifestyle, that supports the reduction of animal protein based consumption;
- (v) 56% of EMC Colosio S.r.l., based in the outskirts of Brescia and active in the production of electromechanical devices for the lighting industry (architectural design, residential/commercial, and urban) supporting energy efficiency and reduction of energy consumption through the use of LED systems, with low environmental impact, and the development of technologies related to smart cities.

With the conclusion of the investment program of ASC II, Arcadia has started the marketing activities for its third fund (EuVECA and PIR compliant), with a target of Euro 120M, which, in line with the previous funds, will focus on acquisitions of controlling stakes in Italian SMEs with a strong focus on growth and sustainability.

Arcadia supports the Principles for Responsible Investments (PRI) and is a partner of Borsa Italiana in Elite, a program which supports outstanding SMEs to facilitate their access to the capital market, their relationships with the financial system and their internationalization projects (www.elite.borsaitaliana.it).

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