



PRIVATE EQUITY

Deal flash, June 2017

FIRST STEP TOWARDS THE CREATION OF A LEADING ITALIAN GROUP IN THE HIGH-END CERAMIC TILE INDUSTRY

Deal snapshot

- Mandarin Capital Partners and Banca Esperia's clients have acquired La Fabbrica S.p.A. via the Italcer S.p.A. investment vehicle. This marks the first acquisition of a project that will consist of the creation of a leading Italian group in the high-end ceramic tile sector capable of generating over US\$300 million in revenue.
- Mandarin Capital Partners, the Italo-Chinese fund that manages approximately US\$225 million via its MCP II fund, is the primary investor in this project. Banca Esperia, Gruppo Mediobanca's private bank, has offered its high-net-worth clients the possibility to co-invest in the project.
- La Fabbrica, a leading Italian high-end ceramic tile manufacturer, set to report over US\$55 million in revenue in 2017, operates in the growing large-slab tile market with its AVA brand. Driven by its product differentiation and state-of-the-art facilities, the company has experienced an average annual growth rate of more than 12% in the last 15 years.
- Graziano Verdi will lead Italcer's acquisitions and manage the group towards its successful implementation and development.



What our client said



Graziano Verdi, CEO, Italcer S.p.A., Italy

"I really appreciated all the support from Oaklins' Italian team during La Fabbrica's acquisition process. We have incessantly worked together on the business plan to better value the company's medium and long-term strategic components as well as the project's feasibility."

Our role in the transaction

Oaklins' team in Italy advised Italcer's management team and the private equity fund throughout the project, developing a fully integrated industrial and financial plan. The team selected potential private equity investors and conducted market research and analysis to select potential Italian ceramic tile producers.



Market trends and deal drivers

- In 2014, the global demand for ceramic tiles was valued at around US\$72 billion and it is expected to reach US\$120 billion by the end of 2020. This growth is mainly driven by the change in consumer preferences from soft surface floors (carpet and rugs) to ceramic tiles.
- In the last five years, global exports in the ceramic tile industry have grown significantly. In 2014, Italy was the second largest player in the market, accounting for 27% of global exports, slightly behind China with 27.6% and significantly ahead of Spain with 15.3%.
- The average Italian selling price is easily the highest in the world, twice as much as the second highest, Spain, and three times that of China.
- In 2017, Italy is expected to consolidate its leading position as the top exporter (in value) thanks to growing demand from Germany and the USA.

M&A valuation aspects

- Financial details of the transaction have not been disclosed but, due to the company's leading position in an attractive, growing and sustainable niche (the large-slab market), the final transaction price reflected a premium valuation.
- Over the last five years, the industry has experienced significant consolidation pressures as well as the participation of multiple leading private equity firms. As a result, both the number of transactions and the industry's trading multiples have increased.
- In addition, size significantly affects trading multiples. Larger companies with a market capitalization above US\$300 million are most likely to be trading at a higher EBITDA multiple.

Oaklins industry specialists



✉ **Michele Manetti**, Partner, Oaklins, Italy

"The Italian high-end ceramic tile market is closely connected with both the real estate and luxury industries. We have analyzed dozens of companies in Italy and in Europe and have noticed that most of them are experiencing high annual turnover growth, which can be attributed to two main factors: the recovery effect following the economic downturn and the substitution effect driven by changes in consumer preferences."



✉ **Federico Cappa**, Partner, Oaklins, Italy

"Our project will be the first of its kind as it aims to consolidate companies in the mid-market segment, triggering product diversification among niche players and providing them with a platform for future growth."

OAKLINS HAS CLOSED 336 DEALS IN PRIVATE EQUITY IN THE LAST FIVE YEARS

Oaklins is the world's most experienced mid-market M&A advisor, with 700 professionals globally and dedicated industry teams in 40 countries worldwide. We have closed over 1,500 transactions in the past five years.