

Recordati SpA

"Reverse Merger Announcement Conference Call"

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COMMUNICATION

OPERATOR: Good morning. This is the Chorus Call conference operator. Welcome and thank you for joining the Recordati Reverse Merger Announcement Conference Call. After the presentation, there will be an opportunity to ask questions.

At this time, I would like to turn the conference over to Ms. Marianne Tatschke, Investor Relations of Recordati. Please go ahead, madam.

MARIANNE TATSCHKE: Good morning to everybody and thank you for attending the Recordati conference call. Andrea Recordati, our CEO, and Luigi La Corte, CFO will be explaining our recent announcement of a reverse merger transaction. For a better understanding of his presentation, please access the set of slides available on our website www.recordati.com under the Investor Section and presentations tab. At the end of the presentation, we will answer any questions you may have. Andrea, please go ahead.

ANDREA RECORDATI: Thank you. Thank you, Marianne, and thank you, everybody, for connecting this morning to this reverse merger announcement conference call. So after 2 years of majority ownership of Recordati by CVC Partners, a project was started with the aim of shortening the control chain with respect to the operating companies of the Group.

Recordati Board of Directors has now approved the project which, of course, [indiscernible] at an extraordinary shareholder meeting. The Board approved the incorporation of both Rossini Investimenti and Fimeì in Recordati. Following the merger Rossini S.à r.l. will directly own the 51.82% holding of Recordati currently held by Fimeì.

This decision provides several benefits to both the majority shareholders and to the Recordati Group. The merger aims at shortening the chain of control with respect to the operating companies of the Group, resulting in

a simplification of the corporate governance structure and in a reduction in the cost associated with maintaining the disappearing companies, and for the surviving company in lower taxes due to the tax benefits transferred by the disappearing companies.

The transaction provides a tax benefit for Recordati as mentioned, deriving from the possibility of using the ACE surplus too by Rossini Investimenti with a non-recurring reduction in taxes of approximately €12.9 million, and thereafter an annual recurring benefit of around €1.3 million. Most importantly, the net assets and income profile [ph] of Recordati remain substantially in line with the current one.

In particular, the merger does not alter Recordati's net financial position and therefore its investment capability, nor its capital allocation strategy or policy. Furthermore, the shareholdings of the main shareholder and those of other investors are unaffected by this transaction.

I will now leave the floor to our CFO, Luigi La Corte, to take you through the technical details of the proposed merger and answer any questions you might have. Thank you very much. Luigi, the floor is yours.

LUIGI LA CORTE: Thank you, Andrea, and good morning, everyone. So on Slide 3, I will illustrate what the merger plans foresee and what the end result will be. I'll start at first with a little bit of background. As I'm sure you will recall, in 2018, Rossini S.à r.l and ultimately Rossini Luxembourg S.à r.l acquired the majority stake in Recordati via the acquisition through Rossini Investimenti S.p.A and newco [ph] of 100% of the share capital of Fimeì, the holding company of the previous owners.

Rossini Investimenti and Fimeì are pure holding company with, as noted on the slide, very little in terms of additional net assets beyond the

shareholding in Recordati. In fact, you will see both Rossini and Fimeï excluding the shareholding in Recordati have net assets of around €2 million at the end of June 2020, both entity also have no financial debt. It is, as you appreciate, a fairly complex and long chain of control.

As contemplated already in the tender offer documents at the time of the acquisition in 2018, Rossini Luxembourg have sent to Recordati and the other companies a request in June to move forward with the process to merge Rossini Investimenti and Fimeï into Recordati. They did so in June following a positive ruling by the Italian Tax Authorities which confirmed Rossini Investimenti's entitlement to the ACE benefit which is described in more detail in the appendix, but essentially it allows a deduction for a notional return on the capital which was injected into the company at the time of the acquisition.

Following recite of the request, Recordati with Fimeï and Rossini have put in place the procedure which is foreseen for the major transaction with a related party to assess the merger. And the Merger Plan which was foreseen...which was been agreed proceeds [ph] first of all, that any cash...net cash that was residual in the company's net of charges, taxes, costs and debt will be paid out prior to the effective date of the merger. And also the Rossini Investimenti and Fimeï would be discharged of any obligations that they have arising from the original acquisition of Fimeï.

As a result, the effective date Rossini Investimenti and Fimeï effectively will only hold the share in...Fimeï will only hold the shares of Recordati, Rossini in turn only hold the share in Fimeï. And the Merger Plan perceive that the shares which Fimeï hold in Recordati will be reassigned to Rossini S.à r.l. The end result is therefore that Rossini S.à r.l. will simply hold only shares that certainly held by Fimeï...which will be held by Fimeï prior to the merger and all other shareholders will also continue

to hold the number of shares that they held before the merger, so all shareholdings are unaffected.

Turning on to Slide 4, as I said, this being a major transaction with the related party, it was assessed by the committee for transaction with related parties which is wholly composed by independent directors, issued their favorable binding opinions on the transactions and specifically the committee was called to assess the fairness of the exchange and the specific interest that Recordati had in pursuing the transaction.

As referenced already and as mentioned, there is a tax benefit for the allowance for corporate equity which will be transferred to Recordati S.p.A. As Andrea mentioned, this...the accrued benefit by Rossini and that will be accrued up until the effective date of the merger is estimated to be worth €12.9 million and Recordati will enjoy a €1.3 million annual recurring benefit [indiscernible] €1 million in 2021.

The merger is conditional upon confirmation also by an independent appraiser which will be appointed by the Court of Milan on the fairness of the exchange, it is subject to the Italian Government not exercising its veto rights under Golden Power Regulation that was recently extended you know to reach [ph] to the pharmaceutical sector in light of the COVID pandemic.

And it's also obviously subject to, as said, the 2 merging entities being discharged of any and all obligations and liens resulting from the original acquisition of Fime. And finally that no material adverse changes would occur between now and effective date that could change any of the basic assumptions and the risk profile behind the...what's assumed in the plan and ultimately, as Andrea also said, it is subject to shareholder approval.

The...this also...there is, as mentioned, no change in Recordati's Articles of Association nor in the number of shares which have been issued. Existing shareholders in Recordati's are unaffected by the merger. There is no change in the net financial position, strategy nor capital allocation policy of Recordati SpA. And also importantly, no impact on the financial statements of Recordati, as explained in more detail in the appendix. This being a transaction amongst entities under common control where the merging entities do not meet the definition of businesses, this will not fall under the application of the IFRS 3.

The merger will be accounted for from the perspective of Recordati as the surviving entity, which will recognize any assets or liabilities, which are transferred at the book value with no pushdown accounting of any goodwill or reassessments or value of any intangibles that may have arisen as a result of the original acquisition. So once again, Recordati financial statements will remain substantially unaffected.

And finally, alongside the merger plan, a merger agreement was entered into which provides customary representation and warranties on the part of Rossini Luxembourg S.à r.l., which also makes and governs the interim management of the company between now and the effective date and indemnification provisions in case of any breaches or changes to vis-à-vis those representations [indiscernible] which are...have been provided.

And finally, on Slide #5, you will see a timetable of next steps. We aim by the 8th of October to publish the details of the merger plan and information documents, which will be made available to investors. The government...Italian government has 45 days to express a bid [ph] or conditions, we don't expect, frankly, any to apply as there were no effective change of control. We are waiting for the appointment of the experts by the Court of Milan. We're expecting that experts will then be

able to provide their opinion on the fairness of the exchange and the terms of the merger by the middle of November.

Based on this timeline we expect the extraordinary shareholders meeting to be held in the middle of December, and with regards to an effective date and clearly have on February, the merging entities will finalize the financial statements, which will be the basis for any final residual dividends, to payout to any net assets, which are in the company, again net of any liabilities or debts. And immediately after the close on 31st of March, the deed of merger will be finalized in the early days of April with an effective date for accounting and tax purposes of April 1st.

With that, operator, opening up the call for questions.

MARIANNE TATSCHKE: Yes, operator, can you please start the Q&A section?

Q&A

OPERATOR: Thank you. Excuse me, this is the Chorus Call conference operator. We will now begin the question and answer session. The first question is from Jo Walton with Credit Suisse.

JO WALTON: Thank you. Just a just a couple. Am I right in assuming that the timing of this announcement was effectively down to the tax authorities then, is this something you had in mind, you needed to get the tax guidance so that you knew that you'd get the onetime gain and then the ongoing element? Now you've got that, you can put it in play.

You say there will be substantially no change to the costs, I mean, presumably it's absolutely de minimis, so there should be apart from the tax element, absolutely no change to our numbers.

And finally, as we have both the CEO and the CFO, I wonder if you could just give us an update anything we should be mindful of, if this has happened in the third quarter. Many thanks.

ANDREA RECORDATI: Yes. You're absolutely right on the first 2, Jo, the timing is absolutely deriving from the receipt of the confirmation from the Italian Tax Authorities of Rossini Investimenti's entitlement to the credit, you know, it was earlier...it was received earlier this year. The procedure is quite a robust one that a transaction with a major related party goes through, and so we just took the due diligence time to go through that as I've described involving the Independent Directors and Advisors.

In terms of impact on Recordati financial statements absolutely will be de minimis, I mean, I can't say zero, because there may be some residual assets, residual abilities. But as I hopefully I illustrated the company...few holding companies are pure holding companies, there's essentially nothing in them, but the Recordati share holding. I think we are going to ask you to be patient on Q3 Jo. We have not been really to add versus what we said at Q2 or in even Q1 in terms of the effects of the pandemic. So please bear with us until October 29th on that one.

JO WALTON: And you will book this presumably then in the €12.9 million exceptional gain or do you believe that this is part of your ongoing business, it will happen in 2Q next year presumably?

ANDREA RECORDATI: No, we are...this would be a non-recurring Jo. I think we have been very clear. I am sorry...well, we have, well...first of all, we have to wait for the transaction to be approved obviously, and therefore we would book this once the merger takes place in 2021.

JO WALTON: Thank you.

OPERATOR: The next question is from KC Arikatla with Goldman Sachs. Please go ahead.

KC ARIKATLA: Good morning everyone and thank you for taking my question. You mentioned that there won't be any change to Recordati's financial position. Andrea, can you reassure investors at this stage that there is no plan for transferring the deck that CVP had then to fund the acquisition onto Recordati's balance sheet some point in the future. Thank you.

ANDREA RECORDATI: Yes, I can reassure you on this.

COMPANY REPRESENTATIVE: There is no plan.

ANDREA RECORDATI: There is no plan. There is absolutely no plan, no risk that I see on that.

COMPANY REPRESENTATIVE: Absolutely.

ANDREA RECORDATI: Absolutely zero.

KC ARIKATLA: Thank you. Very clear.

OPERATOR: The next question is from Matas Vala with Morgan Stanley. Please go ahead.

MATAS VALA: Hi. Good morning. Thank you for the call. My questions have been [technical difficulty] for bondholders, I guess?

MARIANNE TATSCHKE: No, we can't...

ANDREA RECORDATI: We are losing you. You are coming and going.

MATAS VALA: Hello. Can you hear me now?

ANDREA RECORDATI: Yes. Now, we can hear you better. And no, we cannot again. You are coming and going.

MATAS VALA: Can you hear me now?

ANDREA RECORDATI: Yes. Well, let's try again, and otherwise you may want to dial back in from a different line and we will...

MATAS VALA: Apologies. My questions have been answered. Just wanted to follow-up on one for bondholders, I guess, there is no content [ph] coming up, we don't have to vote on this transaction, it's all for their shareholders. Is that correct? Thank you.

ANDREA RECORDATI: The bondholders do not have to vote on this transaction. I can't speak obviously for the bondholders. My understanding, as I said, is this potential shortening of the control chain. In Italy, we foresee both in the original MTA [ph] and in the bondholder and bond prospects, and they will change that I can see from a bondholder perspective. But again, certainly will not be voting on this matter, but I don't see any change either.

MATAS VALA: Understood. Thanks very much.

OPERATOR: As a reminder, if you wish to register for a question, please press "*" and "1" on your telephone. Next question is from Isacco Brambilla with Mediobanca. Please go ahead.

ISACCO BRAMBILLA: Hi, good morning everybody. Just a very quick one. Can you remind us which is the majority cash holder to be achieved at the Extraordinary Shareholders' Meeting in December to total the transaction?

ANDREA RECORDATI: Yes, it's 2/3rds of shareholders attending the meeting.

ISACCO BRAMBILLA: Okay. 2/3rds of the...

ANDREA RECORDATI: Okay. Correct. Next question operator?

OPERATOR: Gentlemen, there are no more questions registered at this time.

ANDREA RECORDATI: Okay. Thank you very much everybody for connecting. Have a good day.
Bye-bye.