



ELISABETTA FRANCHI IS SET TO LIST ON MILAN STOCK EXCHANGE THANKS TO BUSINESS COMBINATION WITH SPACTIV

- **Spactiv, the SPAC promoted by Borletti Group and Milano Capital, has announced the business combination with Betty Blue, a company owned by the designer Elisabetta Franchi and the owner of the brand**
- **With this agreement, Spactiv has finalised its project to identify a successful company in the lifestyle sector with solid market positioning, a clear strategic vision, high profitability and growth potential**
- **The skills that the Borletti Group has developed in distributing fashion brands through Printemps and Rinascente and managing luxury brands will give solid support to the implementation of the development strategy. Betty Blue will also be able to count on the support of Gabriele Bavagnoli, who can boast experience in consumer goods, acquired during a career in consultancy and private equity**
- **The deal is based on an equity value of 195 million euros for Betty Blue**
- **If the business combination with Spactiv is approved, Betty Blue will be listed on AIM Italia of Borsa Italiana, with the name “Elisabetta Franchi S.p.A.”, opening up its capital to other investors, with the aim of accelerating its development plans in Italy and abroad**
- **Pursuant to the agreement, Spactiv will buy Betty Blue shares up to a maximum of 77.5 million euros; any excess financial resources will be reimbursed to its current shareholders**

Milan, 12 September 2019 – Today’s board of Spactiv S.p.A., the Italian SPAC (special purpose acquisition company) listed on AIM Italia and promoted by Borletti Group and Milano Capital, approved the business combination with Betty Blue S.p.A. (the company which holds the Elisabetta Franchi brand), which has already approved the deal.

A framework agreement was signed today between Spactiv, Betty Blue and its shareholders, Elisabetta Franchi and her company Gingi S.r.l., which sets out the terms of the business combination that will lead to the merger by incorporation of Betty Blue into Spactiv, subsequent to the acquisition by Spactiv of Betty Blue shares up to a maximum of 77.5 million euros, on the basis of an equity value for the entire share capital of Betty Blue of 195 million euros. The company that results from the merger will take the name Elisabetta Franchi S.p.A. The business combination is a “reverse take-over” operation pursuant to article 14 of the “AIM Italia rules for companies”.



Elisabetta Franchi, sole director and shareholder of Betty Blue, **said:** *“I have always tried to be coherent in implementing the values that I feel are part of my DNA: Italian creativity, my vision of femininity, a tradition of craftsmanship, environmentally-friendly fashion; these are the essential ingredients of my brand, and which have meant that Elisabetta Franchi has been able to build a strong identity, and to find unique positioning.*

I have always believed in innovative direct communication tools, and these have allowed me to get close to people. The Elisabetta Franchi brand now deserves to go a long way and to look to the future with a view to an increasingly international expansion.

The opening up of the capital is the most coherent way to achieve the company’s future goals, and the Spactiv team, with the skills that set it apart, is the ideal ally. Our business combination is like a perfect, tailor-made outfit.”

Maurizio Borletti, the president of Spactiv, **spoke on behalf of the company and its promoters:** *“When we launched our SPAC two years ago, we promised that our target would be a company that reflects the excellence of Italian entrepreneurship. In Elisabetta Franchi we have found the ideal opportunity to present to our shareholders. It is a very successful company, that features significant profitability and good brand recognition, but also Italian-made production and important environmental initiatives. We are convinced that the resources and the support of Spactiv will provide Elisabetta Franchi the tools needed to accelerate its development plan, including internationally, with results that will be rewarding to shareholders and investors.”*

1. THE COMPANIES INVOLVED

Spactiv is an Italian special purpose acquisition company (SPAC) promoted by Maurizio Borletti, Paolo De Spirt and Gabriele Bavagnoli, through the companies BG Asset Management S.A. and Milano Capital S.r.l. (the **“Promoters”**) with the aim of executing a business combination with a company (the target) in the lifestyle sector that is very profitable and has growth potential, through the use of resources acquired through the IPO of 90 million euros.

Betty Blue

The Betty Blue company, which was founded in 1998 by the designer and businesswoman Elisabetta Franchi, is based in Granarolo Emilia in the province of Bologna. It produces Italian-made *pret-à-porter* that owes its success to its style and an unusual production strategy focussing on quality and attention to details.

The company has an extensive distribution network throughout the world, currently composed of 84 stores, 8 outlets store and around 1.100 multi-brand stores located in the world’s most important cities.

The positioning that the brand has achieved on the market is reflected in the fact that the designer is a regular participant on the catwalks at Milan Fashion Week.



Betty Blue S.p.A.'s financial statement as at 31 December 2018, and drawn up according to Italian accounting standards, show turnover of 115.6 million euros, EBITDA of 22.3 million euros, EBIT of 19.8 million euros, net profit of 15.0 million euros and cash available of 9.3 million. The return on invested capital¹ is over 40.0% and cash conversion² is over 90%. In the 2016-2018 period, turnover grew at an average annual rate of 6.5%, EBITDA by 7.5% a year, EBIT by 8.5% a year and net profit by 16.6% a year. Over the same period, the company distributed dividends totalling 30.0 million euros, and has already authorised a further 15.0 million for the year in progress.

2019 turnover for Betty Blue S.p.a. is expected around 123.0 million, with a growth of around 7.4 million euros from the previous financial year, a 6.4% increase.

2. THE MAIN TERMS OF THE OPERATION

Subject to the approval of the business combination by the shareholders' meeting of Spactiv and Betty Blue and in accordance with the conditions contained in the framework agreement, Betty Blue will be merged by incorporation into Spactiv; the company resulting from the merger (the "*Combined Entity*") will take the company name "Elisabetta Franchi S.p.A." and will be listed on AIM Italia of Borsa Italiana, with the aim of subsequently moving to Mercato Telematico Azionario of Borsa Italiana. The deal values for 100% of the share capital of Betty Blue is 195 million euros.

The valuation of Spactiv for the purposes of the merger has been set at 92.3 million euros, from which will be subtracted the amount that Spactiv will have to pay to those shareholders who exercise their right of withdrawal, and the possible amount that it will distribute to its own shareholders (in the terms described below). It should be noted that the Spactiv shareholders who do not vote to approve the merger will be able to withdraw from the company, and the company will not be able to proceed to execute the business combination if the shares that are withdrawn, also following the legal procedure, are at least equal to 30% of the total number of ordinary shares in Spactiv. In accordance with the framework agreement, the business combination will be carried out by the merger, following the acquisition by Spactiv of a minority stake in the share capital of Betty Blue for an amount between a minimum of 63 million euros and a maximum of 77.5 million euros; the definitive price and the stake will be determined according to the amount needed: (i) to liquidate the shares that have been subject to withdrawal, (ii) to the sum of resources that may eventually exceed the maximum amount mentioned to be distributed to the Spactiv shareholders, and (ii) to finance the operating costs of the company itself.

The share exchange ratio in the merger has been laid down in the framework agreement as 1 newly-issued ordinary share in the combined entity for 1 ordinary share in Betty Blue; the exchange ratio has been determined on the base of the valuations of Betty Blue and Spactiv, and operations that the company will carry out as part of the business combination (below described). This share exchange ratio will have to be reflected in the merger project, and an expert will give a legal opinion on its suitability.

¹ Calculated as EBIT/Total capital invested. Total capital invested=Shareholders' equity – net cash available

² Calculated as (EBITDA-CAPEX)/EBITDA



As result of the sale the merger, Elisabetta Franchi will hold a stake in the overall share capital of the combined entity of between(as determined by the definitive price of the sale), a minimum of 58.3% and a maximum of 65.1% (assuming minimum and maximum withdrawals respectively and, in both cases, following conversion of the first tranche of special shares). In any case and following any subsequent conversions of special shares and/or the exercise of warrants, Elisabetta Franchi will continue to have a controlling stake in the Combined Entity.

So as to ensure stability in the shareholding structure of the Combined Entity, Elisabetta Franchi will commit to a lock up obligation lasting 36 months from the effective date of the merger which relates to a number of ordinary shares of the Combined Entity of up to 60% of the shares of that company at the effective date of merger. Correspondingly, the promoters of Spactiv will commit to lock up obligations relating to the ordinary shares of the Combined Entity that they will own because of the conversion of special shares, and this will last 12 months from the date of that conversion and will in no case exceed the end of the 5th year following the completion of the merger.

The board of directors of the Combined Entity will be made up of 9 members, of whom 2 will be independent; 5 board members, including the CEO, will be designated by Elisabetta Franchi, and 4 by the Promoters.

In the context of the business combination, Spactiv will proceed to distributing reserves to the holders of its own ordinary and special shares, provided that the company has resources exceeding the maximum price of the sale (77.5 million euros), the potential outlay that it will have to make to pay for the liquidation of the shares that have been withdrawn and the operating costs up to the execution date (the “**Distribution**”).

If the prerequisites for the Distribution are fulfilled, and also so as to better determine the merger share exchange ratio, the ordinary and special shares of Spactiv will be brought together in a number so that the implicit value per share will be 9.93 euros (the “**Reverse Stock Split**”). In this event, the company will proceed to a capital increase in share capital through the emission of special shares, at a unit price of 10 euros (including premium, if any), that will be underwritten by the Promoters to the extent that they will hold again 300,000 special shares (the “**Promoters’ Increase**”) on the effective date of the merger³ (and thus following the reverse stock split, but before the conversion of the first tranche of special shares).

As part of the business combination, so as to better align their interests with those of the investors, the Promoters propose to set up (subject to the conversion of 105,000 special shares to the business combination) a single conversion trigger for the remaining special shares fixed at 13.30 euros, with the reference period being extended to 5 years, and to recognize that special shares have voting and dividend rights.

This proposal is based on the promoters’ belief that the Combined Entity has growth and development potential in the medium term.

³ The number of special shares mentioned above refers to the effective date of the merger and thus after a potential reverse stock split but before the conversion of the first tranche of special shares



3. TIMING AND DOCUMENTATION

The merger project and the related reports will be submitted to the approval of the administrative bodies of Spactiv and Betty Blue during the coming weeks. The balance sheet positions used in the merger will be the half-yearly financial reports for the company and Betty Blue as at 30th June 2019.

Spactiv Board of Directors will also be called upon to determine, in accordance with the Law and company by-laws, the liquidation value of any shares that are withdrawn and to approve the further documentation relating to the business combination, including the disclosure document ("Documento Informativo") in accordance with article 14 of the "AIM Italia rules for companies". In accordance with the regulations, trading in the ordinary shares and warrants of Spactiv will be suspended on AIM Italia from today until the publication of the information document. According to applicable regulation, Spactiv in its quality of issuer and UBI Banca in its quality of Nomad, will issue in favour of Borsa Italiana the relevant declarations which will be announced to the market.

It is expected that the merger will be completed during the first quarter of 2020. With today's agreement, the duration of the company has been extended by six months in accordance with company by-laws.

The company will make available to the public the documentation that has been mentioned above on its Internet website www.spactiv.com the "*Operazione Rilevante*" – section, also communicating that it has been published through a press release.

4. ADVISORS

Spactiv has been advised by Gatti Pavesi Bianchi and Cerina Studio Legale on legal issues, PWC Advisory for financial issues, Key2People for organisational issues, Deloitte for tax issues and Spafid for Investor Relations.

Betty Blue and Elisabetta Franchi have been advised by GDTRE, Poggi & Associati for financial and tax issues, and – together with NCTM – for the legal aspects of the operation.

UBI Banca works as a nominated advisor (nomad) and specialist for Spactiv, and together with Mediobanca has been the joint global coordinator of the Spactiv IPO.

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