

# Costamp

Sector: Metal machinery



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## Casting the e-mobility revolution

Costamp Group is specialized in the engineering, production and trade of dies and moulds for automotive components manufacturing.

### The “haute-couture” tailor of moulds and dies

In our view there is a great fit between Co.Stamp S.r.l. and Modelleria Brambilla, whose business combination has been recently finalized.

Indeed, as a result of the deal, Costamp Group is now one of the very few players worldwide boasting a complete offer in terms of casting processes and products, offering to its clients (belonging to the automotive industry) a 360° service ranging from engineering & design to post sales assistance with timely and successful delivery of moulds / dies of a superior quality.

Possibility to achieve material cross / upselling synergies and to saturate the currently unutilized output capacity of Modelleria Brambilla adds on top.

### Noteworthy market opportunity ahead

Regulatory push towards lower fuel emissions is stimulating the production of hybrid and full-electric vehicles and the transition to lower weight alloys such as Aluminum, where Costamp group holds an undisputable leadership.

This is, in our view, a noteworthy market opportunity that the company is expected to ride also thanks to “Puzzle Die”, an innovative and patented technology to be commercialized from now on and aimed at significantly increasing aluminum dies lifetime.

### Revenues and EBITDA expected up at double digit CAGR

In our Base Case scenario we expect 2017PF-20E Revenues growing at ca. +12% CAGR, compared to the latest four years +16% annual pace.

Externalization of low value productions and commercialization of “Puzzle-Die” should drive profitability up more than proportionally, with 2017PF-20E EBITDA growing at ca. +43% CAGR.

Eventually, we also performed a Best Case scenario with 2017PF-20E Revenues growing at +17% CAGR driven by full achievement of cross and upselling synergies with Modelleria Brambilla.

### Current free float limited, but due to increase ahead

As a consequence of the complex deal with Modelleria Brambilla, the free float is currently extremely limited, at ca. 2%, and recent traded volumes are lower than 2,000 daily shares. A higher free float, however, should be restored in the next few months.

**Market Price (€)** **3.60**

**Market Cap. (€m)** **152**

| KEY FINANCIALS (€m) | 2017A | 2018E | 2019E |
|---------------------|-------|-------|-------|
| REVENUES            | 58.0  | 65.9  | 74.0  |
| EBITDA              | 4.6   | 8.5   | 10.4  |
| EBIT                | 1.7   | 6.0   | 7.8   |
| NET PROFIT          | 0.4   | 3.0   | 4.4   |
| EQUITY              | 27.4  | 30.4  | 34.8  |
| NET FIN. POS.       | -26.9 | -26.7 | -25.0 |
| EPS ADJ. (€)        | nm    | 0.07  | 0.10  |
| DPS (€)             | nm    | 00.0  | 00.0  |

Source: Company (historical pro-forma figures)  
Value Track (2018E-19E estimates)

| RATIOS & MULTIPLES    | 2017A | 2018E | 2019E |
|-----------------------|-------|-------|-------|
| EBITDA MARGIN (%)     | 7.9   | 12.9  | 14.1  |
| EBIT MARGIN (%)       | 2.9   | 9.1   | 10.5  |
| NET DEBT / EBITDA (x) | 5.9   | 3.1   | 2.4   |
| NET DEBT / EQUITY (x) | 1.0   | 0.9   | 0.7   |
| EV/EBITDA (x)         | nm    | 21.1  | 17.1  |
| EV/EBIT (x)           | nm    | 29.9  | 22.8  |
| P/E ADJ. (x)          | nm    | 50.6  | 34.8  |
| DIV YIELD (%)         | nm    | 00.0  | 00.0  |

Source: Company (historical pro-forma figures)  
Value Track (2018E-19E estimates)

### STOCK DATA

|                        |                   |
|------------------------|-------------------|
| MARKET PRICE (€)       | 3.60              |
| SHS. OUT. (m)          | 42.5              |
| MARKET CAP. (€m)       | 152.3             |
| FREE FLOAT (%)         | 2.0               |
| AVG. -20D VOL. (# shs) | 1,980             |
| RIC / BBG              | MOLD.MI / MOLD IM |
| 52 WK RANGE            | 2.70-4.16         |

Source: Stock Market Data



## Executive summary

### Dies and mould manufacturer with complete offer in terms of processes and products

Costamp group is engaged in the **engineering, production and trade of dies and moulds for the automotive industry**. In particular, the Group is configured as among the very few global B2B players and strategic suppliers able to provide a **complete offer** in terms of:

- ◆ **Processes:** High pressure die casting (HPDC), low pressure die casting (LPDC) & gravity;
- ◆ **Products:** Moulds and dies for the production of structural and powertrain car components made of aluminum, magnesium, cast iron and plastic.

This leading position has been recently strengthened thanks to the **business combination** of the privately owned **Co.Stamp**, specialized in manufacturing of high pressure die casting moulds for structural car parts, with **Modelleria Brambilla**, the AIM Italia listed company specialized in gravity low pressure processes for powertrain components.

### Tailor made approach and turn-key service leading to a “royal” client base

Costamp group aims at offering an “haute couture” service, i.e. producing a relatively low number of dies / moulds, but of a superior quality with respect to its competitors.

In line with this **tailor-made approach**, Costamp works on orders and not for warehouse, boasting a **complete turn-key service** to clients structured on the following main steps:

- 1) Project management;
- 2) Design;
- 3) Dies and moulds manufacturing;
- 4) Sampling, customization, post-sales support.

We underline that Costamp is strategically positioned in the car manufacturing chain not only as Sub-Supplier for machining but also as **Engineering & Design partner**, thanks to its die casting simulation software capability and to the above mentioned sampling activity based on a internal foundry.

All these features have allowed the company to build a client base composed by leading names both in the car component business and in direct car manufacturing (OEMs). Indeed, up to date Costamp’s client base accounts for **more than 80 customers**, split between independent foundries / car component manufacturers (ex. Nemak) and carmakers running some components manufacturing internally, out of which also luxury names as Ferrari and Maserati.

### E-mobility plus aluminum transition = huge market opportunity

The car industry is undergoing a massive revolution with a regulatory pushed **shift towards lower and lower fuel emissions**. This is stimulating the production of hybrid and full-electric vehicles and the transition to **lower weight alloys such as Aluminum**, where Costamp group holds an undisputable leadership.

This is, in our view, an extremely interesting market opportunity that the company is expected to ride in the next few years also thanks to a brand new technique developed in-house, the so-called “**Puzzle Die**” technology, aimed at increasing the lifetime of aluminum dies (3x) thus offsetting the higher costs coming from the use of this raw material.

As a proof of the Company’s optimal market positioning in regard to these technological developments, we underline the recent contract signed with Nemak USA Inc. worth \$1.72mn and concerning the construction of two dies for aluminum die casting for the production of the SAMSUNG JX Battery Box.

### Strategies: Riding the aluminum market opportunity and going “glocal”

In the short term we expect Costamp to finalize ongoing tactical projects, being:

- ◆ Achievement of synergies between “old” Co.Stamp and Modelleria Brambilla in the shape of products cross-selling and client base upselling; the use of both die casting techniques (HPDC and LPDC & Gravity) is going to allow the company to sell both dies for structural components and for powertrains ones, as well as to consequently enlarge its network of customers;
- ◆ Commercialization of a premium line in the high pressure division through the Puzzle-Die technology.

On top of riding the aluminum market opportunity offered by a market moving towards e-mobility and lightweight materials, we expect the brand “new” Costamp group to pursue additional organic and M&A driven development strategies such as:

- ◆ Externalization of lower value added productions, keeping in-house the engineering and assembly processes with an expected consequent boost in the company’s turnover and profitability;
- ◆ Geographical “glocal” expansion in order get closer to clients (East Europe, USA, China and Mexico) and hence being more and more perceived as local supplier, also abating delivery costs and increasing time efficiency;
- ◆ Offer of integrated solutions to OEMs and Tier 1 customers through strategic partnerships between suppliers.

### Historical financials

As of 2017 year end pro-forma **Net Debt stood at ca. €27mn**, driven by heavy capex posted in the latest few years in order to boost output capacity.

Pro-Forma IAS based 2017 Revenues stood at €59mn level with a **4yy Revenues CAGR at ca. 16%**. We note that 2017 figures have been negatively impacted by the non repetition of a €5mn jumbo order for plastic bumpers that was accomplished back as of 2016, by the postponement to 2018 of a couple of orders and by a number of one-off items (e.g. M&A fees) having a negative impact on profitability.

### Forecasted financials

In our Base Case scenario we expect **Revenues growing at ca. 12% 2017PF-20E CAGR**, driven by the cross selling of HPDC-LPDC technologies on the client base and by the progressive market penetration of Puzzle-Die technique. Magnesium “ready” dies should also add from 2020E onwards.

A rebound in company’s profitability is forecasted, thanks to economies mainly arising from the company’s choice to externalize low value added production.

Overall, we expect **EBITDA growing at 43% 2017PF-20E CAGR** reaching ca. **€13.5mn by 2020E**, with a resulting EBITDA Margin achieving the 13% level by 2020E.

As for the company’s Net Debt is concerned, we expect a gradual reduction thanks to steady organic OpFCF generation through the years.

As the company has a “works by orders” business model and a higher visibility on results of cross-selling / clients upselling effort with Modelleria Brambilla is due to be achieved only in the next quarters, we also performed a Scenario Analysis by considering a Best Case with 2020E Revenues reaching €93mn level (2017A-20E CAGR at ca. 19%).

## Possible valuation criteria

We believe it's clear that the company is extremely well positioned in order to ripe the benefit of:

1. E-mobility + aluminum transition in the car manufacturing industry;
2. Exploitation of cross selling and up selling synergies with Modelleria Brambilla;
3. Operating leverage generated by Modelleria Brambilla's unutilized output capacity.

At the same time we reckon that the achievement of number two and three above mentioned points as of today implies an execution risk. That's why we deem useful to draw two scenarios, a Base Case and a Best Case depending on the success degree of planned strategies.

That said, running a valuation assessment on the company would imply, in our view, to start from the figures provided in the fairness opinion published as of few months ago (reverse take-over) plus the tender offer value. Those values did not include the expected synergies of the deal (rather they were valuing the two entities on a stand alone basis) but are a useful "floor" valuation.

Subsequently, in order to provide an "all in" valuation inclusive of all synergies that the recent business combination should drive, a proper valuation would have to be based, in our belief, on both DCF analysis and Multiples analysis (adjusted for growth rates). A cross check with 2020E Brembo's multiples would also be useful.

For the sake of clarity we point out that when we talk about Co.Stamp, or Co.Stamp Srl or "old" Co.Stamp we are referring to the privately owned company that launched the acquisition of Modelleria Brambilla and that only in a second stage was merger with the latter. On the contrary when we talk about Costamp Group or "new" Costamp, we are referring to the brand new group that was the result of the merger between the two previous entities.

### Co.Stamp srl – Modelleria Brambilla deal valuation would be the floor in our view

The recent deal between the "old" Co.Stamp and Modelleria Brambilla was structured along two main steps, i.e. a Reverse take-over followed by a Public Tender Offer, and implied an aggregated equity value ranging from €69.6mn to €75.3mn. Again, we would view these values as a "floor" level valuation for the new combined entity as they did not include the expected synergies.

More in details, the values implied in the Modelleria Brambilla – Co.Stamp deal were:

- ◆ In the first step the "old" pre-merger Co.Stamp was valued ca. €62.6mn and Modelleria Brambilla (implicitly) ca. €7.0mn. Hence, the group's aggregate equity value was estimated at €69.6mn;
- ◆ In the second step the "old" Co.Stamp launched a PTO on Modelleria Brambilla shares, at €3.00 per share, implicitly valuing Modelleria Brambilla at €12.6mn, and the aggregated group at ca. €75.3mn.

#### Co.Stamp – Modelleria Brambilla deal: Implied aggregated equity values

| €mn                      | Reverse take-over | PTO         |
|--------------------------|-------------------|-------------|
| Co.Stamp                 | 62.6              | 62.6        |
| Modelleria Brambilla     | 7.0               | 12.6        |
| <b>Costamp Group SpA</b> | <b>69.6</b>       | <b>75.3</b> |

Source: Costamp Group, Value Track analysis

## Discounted Cash Flow model valuation

A DCF model aimed at valuing the new Costamp Group would have to be based, in our view, on a ca. **9%-10% rolling WACC**, to be obtained as follows.

### Unlevered Beta

We would estimate Costamp's unlevered Beta, on Damodaran's estimates, considering those industries that we recognize as most closely related to the business of the group, i.e. Auto Parts (80% of total) / Steel (10%) / Software (10%). This analysis includes a panel of 354 companies that on average have a debt to equity ratio of ca. 26% and a limited tax rate of ca. 6% and leads to 0.92x average unlevered Beta.

#### Unlevered Beta computation

| Industry Name  | Weight (%) | # of firms | Beta        | D/E Ratio    | Tax rate    | Unlevered Beta |
|----------------|------------|------------|-------------|--------------|-------------|----------------|
| Auto Parts     | 80%        | 62         | 1.04        | 28.3%        | 7.7%        | 0.85           |
| Steel          | 10%        | 37         | 1.82        | 36.2%        | 7.1%        | 1.41           |
| Software       | 10%        | 255        | 1.09        | 14.1%        | 4.0%        | 0.98           |
| <b>Average</b> |            | <b>354</b> | <b>1.18</b> | <b>26.2%</b> | <b>6.3%</b> | <b>0.92</b>    |

Source: Market Consensus, Value Track Analysis

### Cost of Equity

- ◆ Risk free rate would have to be settled at 2.2% in line with Eurozone medium term-target inflation;
- ◆ Stable 0.92x unlevered Beta, obtained as described above;
- ◆ 6.7% Implied Italian Equity Risk premium ERP (see Damodaran's on line web site);
- ◆ 2.0% of Small Size Risk Premium, in line with the Expanded CAPM approach that we consider more appropriate when dealing with small sized companies.

### Cost of Debt

- ◆ Pre-tax cost of debt at 3.7% i.e. the sum of 2.2% risk free rate and 1.5% of additional credit spread;
- ◆ Corporate tax rate assumed at 24%.

#### Costamp Group: WACC calculation

|                               | 2018E         | 2019E         | 2020E         | 2021E         |
|-------------------------------|---------------|---------------|---------------|---------------|
| Risk free                     | 2.2%          | 2.2%          | 2.2%          | 2.2%          |
| Risk Premium                  | 6.7%          | 6.7%          | 6.7%          | 6.7%          |
| Credit spread                 | 1.5%          | 1.5%          | 1.5%          | 1.5%          |
| Beta Unlevered                | 0.92          | 0.92          | 0.92          | 0.92          |
| Beta Levered                  | 1.44          | 1.37          | 1.24          | 1.11          |
| Small Cap Mkt Risk Premium    | 2.0%          | 2.0%          | 2.0%          | 2.0%          |
| <b>COST OF EQUITY</b>         | <b>13.85%</b> | <b>13.32%</b> | <b>12.48%</b> | <b>11.60%</b> |
| <b>COST OF DEBT after tax</b> | <b>2.79%</b>  | <b>2.79%</b>  | <b>2.79%</b>  | <b>2.79%</b>  |
| D/D+E                         | 46.7%         | 41.8%         | 33.1%         | 22.6%         |
| <b>Rolling WACC</b>           | <b>8.7%</b>   | <b>8.9%</b>   | <b>9.3%</b>   | <b>9.6%</b>   |

Source: Value Track Analysis

### Additional DCF model assumptions and fair equity valuation

We would run a three stages DCF model based on the following assumptions:

- ◆ 2017FY used as historical reference point;
- ◆ 2018E-2020E as explicit financial statements projections;
- ◆ A second stage (2022E-27E) in which company's growth rate converges at long term values;
- ◆ Terminal value at 2028YE obtained applying a 2% Perpetuity Growth Rate.

## Peers Analysis

### Choice of comparables

The automotive supply chain is quite structured and not “univocal” i.e. it is composed by several types of players, not always contributing in the same way to final products. Indeed, sub-suppliers sometimes talk directly with OEMs and sometimes OEMs cooperate with more actors of the supply chain at the same time.

In order to give a fair relative valuation of Costamp Group we believe it would be better to focus on those players that contribute a higher value to final products, as die casters do. However, for the sake of completeness, we would also show how Costamp Group's fundamentals do compare in a wider group composed by:

- ◆ **International peers:** Alumetal, American Axle, Exco Technologies, Georg Fischer, Nemak.
- ◆ **Italian peers:** Freni Brembo, Landi Renzo and Sogefi SpA.

## Costamp Group: Italian Peers' Business Profiles

### Freni Brembo SpA

Specialized in the manufacture of brake systems, the company provides products for cars, motorcycles, commercial vehicles and racing cars and motorbikes.

### Landi Renzo

Landi Renzo S.p.A. designs, produces, installs, and sells LPG and CNG fuel supply components and systems for the automotive, industrial automation, and sound industries primarily in the European and Asian markets.

### Sogefi SpA

Sogefi SpA is primarily engaged in the manufacture of motor vehicle parts, with a product portfolio comprising fluid filtration systems, suspension components and others.

Source: Various, Value Track Analysis

## Costamp Group: International Peers' Business Profiles

### Alumetal

Poland based company engaged in the aluminum industry, Alumetal Group is specialized in the manufacture of secondary aluminum casting alloys.

### American Axle & Manufacturing

The American company manufactures, engineers and validates driveline and drivetrain systems and related components for trucks, sport utility, crossover and commercial vehicles, as well as for passenger cars

### Exco Technologies Ltd

Exco Technologies Limited (Canada) is a designer, developer and manufacturer of dies, molds, components and assemblies, and consumable equipment for the die-cast, extrusion and automotive industries.

### Georg Fischer AG

Switzerland based company engaged in the development and supply of systems for industrial applications. The company operates through three business segments, out of which also GF Automotive.

### Nemak SA de CV

Market leader of high-tech automotive aluminum components, the company (based in Mexico) has a diversified product portfolio that specializes in the design, manufacture and distribution of components for powertrain and body structure applications. Its customers include BMW, Toyota and Volkswagen among all.

### Park Ohio Holdings

Park Ohio Holdings is a diversified American, and international, company providing supply chain management outsourcing services, capital equipment used on their production lines and manufactured components used assemble its products.

Source: Various, Value Track Analysis

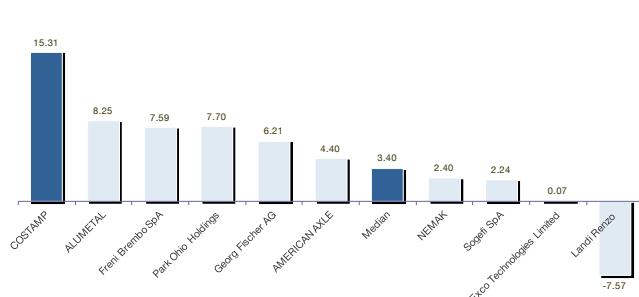
### Costamp vs Peers

Costamp Group combines both growth and profitability potential. In particular:

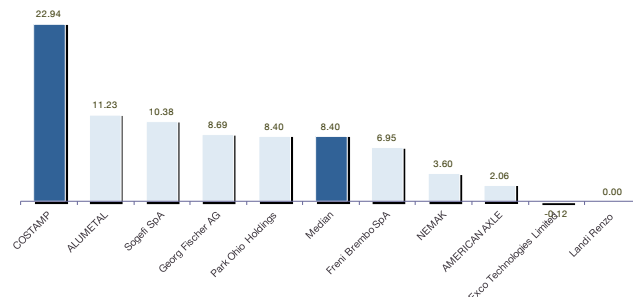
- ◆ As for 2017PF-20E Net Revenues CAGR Costamp Group ranks best in class with ca. 15.3% figure, consistently above peers at 3.4%;
- ◆ Costamp is best in class also in terms of EBITDA 2017PF-20E CAGR (>20% vs. peers at ca. 8%);
- ◆ As for EBITDA Margin 2018E the company is positioned slightly below the average of the sample (13.2%), with a margin of 12.4%;
- ◆ In terms of Net Debt/EBITDA 2018E Costamp Group stands at 3.5x vs. peers at ca. 1.3x.

## Costamp Group vs. Peers

Net Revenues 2017PF-20E CAGR



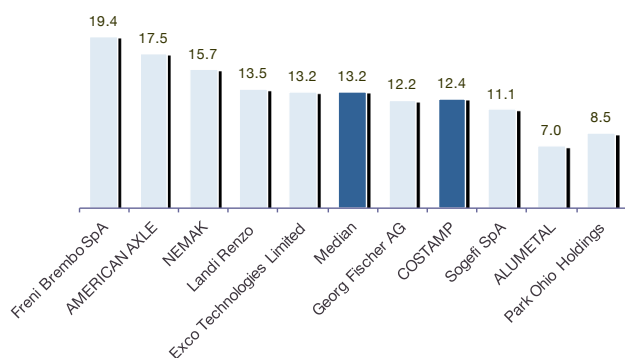
EBITDA 2017PF-20E CAGR



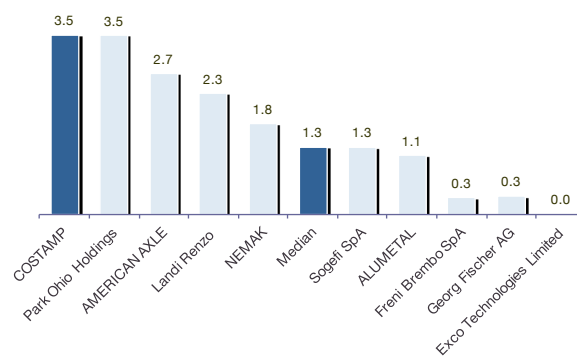
Source: Market Consensus, Value Track estimates and analysis

## Costamp Group vs. Peers (cont.)

EBITDA Margin 2018E



Net Debt/EBITDA 2018E



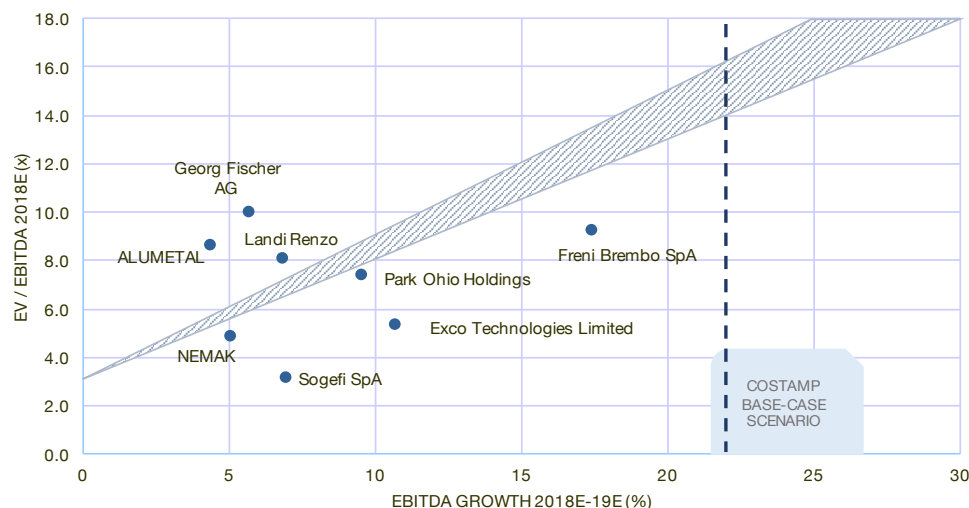
Source: Market Consensus, Value Track estimates and analysis



### Stock trading multiples

In our view, EV/EBITDA adjusted for EBITDA growth would be a stock trading multiple that could well represent the features of the various stocks included in our panel. If so, it could be reasonable for Costamp Group to trade at material premium vs. peers thanks to its much higher than average growth expectations.

#### 2018E EV/EBITDA vs. EBITDA 2018E-19E growth



Source: Market Consensus, Value Track estimates and analysis

### Cross check with Brembo's 2020E stock trading multiples

Brembo SpA is engaged in brake systems manufacturing and could be a potential customer of Costamp Group. Indeed, Brembo is running some foundries in Mexico, Poland, Italy and North America.

However, from a stock market point of view we would find appropriate to cross check Costamp Group valuation with Brembo's one as the latter is considered the best in class among Italian listed car components makers, so it would represent, in our view, the ceiling for Costamp Group multiples once the superior growth phase of the former is over.

According to this, we would derive Costamp Group's implicit valuation by taking into account Brembo's 2020E multiples.

#### Brembo's 2020E multiples

| Multiple         | Brembo's 2020E multiples |
|------------------|--------------------------|
| P/E              | 11.9x                    |
| EV/Sales         | 1.3x                     |
| EV/EBITDA        | 6.6x                     |
| EV/EBIT          | 9.2x                     |
| EV/Cap. Employed | 2.3x                     |

Source: Market Consensus, Value Track estimates and analysis

### Costamp Group: Multiples analysis depending on share price evolution

Depending on the evolution of Costamp share price, and based on the current number of outstanding shares, its implied multiples would change as highlighted in the below mentioned tables. Please note that we have calculated such multiples based on estimates provided by both our Base Case scenario and Best Case one.

#### Costamp Group (Base Case 2018E-20E estimates): Sensitivity of implicit stock trading multiples

| Equity Value (100%) | €-per share | EV    |       |       | EV/Sales |       |       | EV/EBITDA |       |       | EV/EBIT |       |       | P/E   |       |       |
|---------------------|-------------|-------|-------|-------|----------|-------|-------|-----------|-------|-------|---------|-------|-------|-------|-------|-------|
|                     |             | 2018E | 2019E | 2020E | 2018E    | 2019E | 2020E | 2018E     | 2019E | 2020E | 2018E   | 2019E | 2020E | 2018E | 2019E | 2020E |
| €74mn               | €1.75       | 101   | 99    | 94    | 1.5      | 1.3   | 1.1   | 11.9      | 9.5   | 7.1   | 16.8    | 12.7  | 8.8   | 24.6  | 16.9  | 11.2  |
| €85mn               | €2.00       | 111   | 110   | 105   | 1.7      | 1.5   | 1.3   | 13.1      | 10.6  | 7.8   | 18.6    | 14.1  | 9.8   | 28.1  | 19.3  | 12.8  |
| €96mn               | €2.25       | 122   | 120   | 116   | 1.9      | 1.6   | 1.4   | 14.4      | 11.6  | 8.6   | 20.4    | 15.5  | 10.8  | 31.6  | 21.7  | 14.4  |
| €106mn              | €2.50       | 132   | 131   | 126   | 2.0      | 1.8   | 1.5   | 15.6      | 12.6  | 9.4   | 22.1    | 16.8  | 11.8  | 35.1  | 24.2  | 16.0  |
| €111mn              | €2.75       | 143   | 141   | 137   | 2.2      | 1.9   | 1.7   | 16.9      | 13.6  | 10.2  | 23.9    | 18.2  | 12.8  | 38.7  | 26.6  | 17.6  |
| €127mn              | €3.00       | 154   | 152   | 148   | 2.3      | 2.1   | 1.8   | 18.1      | 14.7  | 11.0  | 25.7    | 19.5  | 13.8  | 42.2  | 29.0  | 19.2  |
| €138mn              | €3.25       | 164   | 163   | 158   | 2.5      | 2.2   | 1.9   | 19.4      | 15.7  | 11.8  | 27.4    | 20.9  | 14.8  | 45.7  | 31.4  | 20.8  |
| €149mn              | €3.50       | 175   | 173   | 169   | 2.7      | 2.3   | 2.0   | 20.6      | 16.7  | 12.6  | 29.2    | 22.3  | 15.7  | 49.2  | 33.8  | 22.5  |
| €159mn              | €3.75       | 186   | 184   | 179   | 2.8      | 2.5   | 2.2   | 21.9      | 17.7  | 13.4  | 31.0    | 23.6  | 16.7  | 52.7  | 36.2  | 24.1  |
| €170mn              | €4.00       | 196   | 194   | 190   | 3.0      | 2.6   | 2.3   | 23.1      | 18.7  | 14.2  | 32.7    | 25.0  | 17.7  | 56.2  | 38.7  | 25.7  |

Source: Value Track estimates and analysis

#### Costamp Group (Best Case 2018E-20E estimates):: Sensitivity of implicit stock trading multiples

| Equity Value (100%) | €-per share | EV    |       |       | EV/Sales |       |       | EV/EBITDA |       |       | EV/EBIT |       |       | P/E   |       |       |
|---------------------|-------------|-------|-------|-------|----------|-------|-------|-----------|-------|-------|---------|-------|-------|-------|-------|-------|
|                     |             | 2018E | 2019E | 2020E | 2018E    | 2019E | 2020E | 2018E     | 2019E | 2020E | 2018E   | 2019E | 2020E | 2018E | 2019E | 2020E |
| € 74 mn             | € 1.75      | 100   | 98    | 92    | 1.5      | 1.2   | 1.0   | 11.4      | 7.5   | 5.4   | 16.0    | 9.3   | 6.4   | 23.3  | 12.4  | 8.8   |
| € 85 mn             | € 2.00      | 111   | 109   | 103   | 1.7      | 1.3   | 1.1   | 12.6      | 8.3   | 6.0   | 17.7    | 10.3  | 7.2   | 26.6  | 14.2  | 10.0  |
| € 96 mn             | € 2.25      | 121   | 119   | 114   | 1.8      | 1.5   | 1.2   | 13.8      | 9.1   | 6.7   | 19.3    | 11.3  | 7.9   | 29.9  | 15.9  | 11.3  |
| € 106 mn            | € 2.50      | 132   | 130   | 124   | 2.0      | 1.6   | 1.3   | 15.0      | 9.9   | 7.3   | 21.0    | 12.4  | 8.6   | 33.3  | 17.7  | 12.5  |
| € 117 mn            | € 2.75      | 143   | 141   | 135   | 2.2      | 1.7   | 1.4   | 16.3      | 10.7  | 7.9   | 22.7    | 13.4  | 9.4   | 36.6  | 19.5  | 13.8  |
| € 127 mn            | € 3.00      | 153   | 151   | 145   | 2.3      | 1.9   | 1.5   | 17.5      | 11.5  | 8.5   | 24.4    | 14.4  | 10.1  | 39.9  | 21.3  | 15.0  |
| € 138 mn            | € 3.25      | 164   | 162   | 156   | 2.5      | 2.0   | 1.7   | 18.7      | 12.3  | 9.1   | 26.1    | 15.4  | 10.9  | 43.2  | 23.0  | 16.3  |
| € 149 mn            | € 3.50      | 174   | 172   | 167   | 2.6      | 2.1   | 1.8   | 19.9      | 13.1  | 9.8   | 27.8    | 16.4  | 11.6  | 46.6  | 24.8  | 17.5  |
| € 159 mn            | € 3.75      | 185   | 183   | 177   | 2.8      | 2.2   | 1.9   | 21.1      | 14.0  | 10.4  | 29.5    | 17.4  | 12.3  | 49.9  | 26.6  | 18.8  |
| € 170 mn            | € 4.00      | 196   | 193   | 188   | 3.0      | 2.4   | 2.0   | 22.3      | 14.8  | 11.0  | 31.2    | 18.4  | 13.1  | 53.2  | 28.3  | 20.0  |

Source: Value Track estimates and analysis

## Costamp in a nutshell

### Market leader in moulds and dies manufacturing for car manufacturing industry

Costamp group is the **result of a business combination** between **Modelleria Brambilla**, a well-established B2B player in the foundry engineering industry listed on AIM Italia stock market since the end of 2014, and the privately owned **Co.Stamp**, market leader as well in foundry engineering field, but characterised by different technological features. The “new” group has substantially gone “live” since only few months.

The two companies were active in the same end market i.e. the automotive industry, as their core business is the **design, production and commercialization of moulds / shells / dies to be utilised by foundries producing power train and structural car parts**, with a special expertise on aluminum based car components.

As a result of the deal, the new group is market leader in both the manufacturing of **die-casting dies for high-pressure processes (HPDC)** and in the **gravity-low pressure processes (LPDC)**.

Costamp brings on also three ancillary businesses:

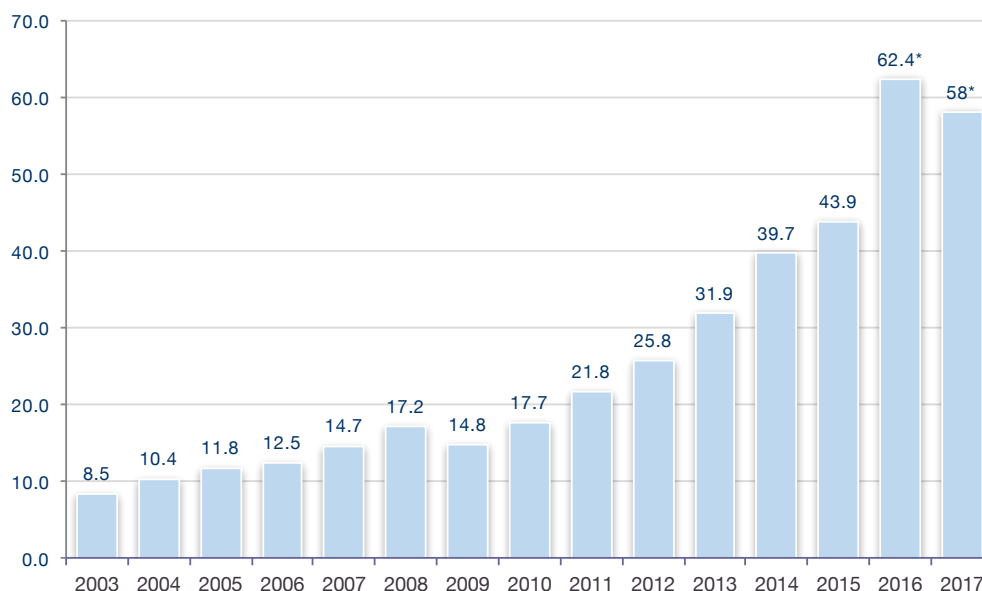
- ◆ Mould holders production;
- ◆ Processing of plastic materials;
- ◆ Die-casting simulation software production.

### Revenues growing at a double digit rate

Costamp group has achieved, as of 2017FY, Pro-Forma IAS based **€58mn Total Revenues** and we note that latest **4yy Revenues CAGR stands at ca. 16%**. In the latest 15 years revenues always posted a positive growth rate but for 2009FY.

As of 2017 year end, **Net Debt stood at ca. €27mn** i.e. ca. 100% of equity.

**Costamp Group: Total Revenues evolution 2003-2017FY (€mn)**



Source: Costamp \* 2016-17 Pro-Forma figures after Modelleria Brambilla – Co.Stamp business combination

### Totally domestic industrial footprint

The group is headquartered in **Sirone** (Lecco, Italy) where it has its main production unit, which has the capacity to sustain 440 projects per year, and also has a plant in **Rivalta** (Torino, Italy), specialized in plastic injection moulds, with a production capacity of 185 projects per year.

Additional plants are located in **Correggio** (Reggio Emilia, Italy), **Bologna** (Italy), **Azzano Mella** (Brescia, Italy) and **Brescia** (Italy).

We estimate the group to account more than **300 employees** up to date.

### Widely spread international client base

Costamp Group boasts a **solid client base** composed by most of the leading names in the automotive sector among **car suppliers** and **direct OEMs**.

As for the former, we mention players such as Endurance, George Fisher, Nemak, while for the latter we underline names as BMW AG, GM, FCA Italy SpA, Lamborghini Automobili and Maserati, which obviously require the company an added value in terms of quality of service.

### Widespread International business footprint

In order to ensure global market coverage and a direct linkage with targeted customers, Costamp can rely on important business partnerships with local businesses all around the globe.

More in particular, thanks to its partners, the company provides an international direct on-site after-sale support in North America, China, Brazil, Iran and India and Mexico.

#### Costamp international partnerships



Source: Costamp

## Die casting: what are we talking about?

*Among the various processes / techniques that are now available to foundries, Permanent Casting ones such as High Pressure Die Casting and Gravity Die Casting Low Pressure Process are those that boast better features in terms of quality / cost efficiency mix. “New” Costamp group has focused its moulds and dies manufacturing core business precisely on these two processes.*

### A Story of Technology and Innovation which dates back to 4000 Before Christ

The goal of this preliminary section is to help better understanding the various technologies that can be utilized by foundries in their manufacturing processes, as only a few of these processes are addressed and supplied by Costamp group.

#### Intro

In general terms, foundry processes are a subset of metallurgical ones that deal with production of metal objects through so-called melting and casting processes. Obtained results are called “jets” or “cast”.

Foundry processes utilising materials that are initially liquefied and, later on, solidified in special forms / shapes are among the oldest processing technologies ever known, so old that first tools obtained by foundry date back to 4000 Before Christ. However, it's only at the end of the 19th century that foundry processes took an industrial shape with a significant technological progress, an improvement of firms' plants, and the development of constant research on new materials.

#### From Ideal Shapes to Real-World Objects

Almost all manufacturing processes based on foundry utilise a cavity, said “form”, which works as a negative of the piece to be obtained and in which the molten metal, or metal alloy, is poured. The piece that comes out of the shape is called a cast and can be a blank for subsequent processing (semi-finished), or a finished piece. It is possible to divide foundry processes into two macro categories:

- ◆ **Transitional Form Casting**, in which the form employed to create the desired piece is destroyed at the end of every single production cycle. This is a process that is best utilised in artisanal works or very large single pieces;
- ◆ **Permanent casting**, in which the form utilised to create the desired piece is reused in a large number of production cycles, even up to 200K processes. This is a process that is best utilised in industrial manufacturing productions.

Please see the *Appendix* for a thorough review of all Transitional and Permanent form casting processes and on their pros and cons.

#### Types of Foundry Processes

| Transitional Form Casting | Permanent Casting                          |
|---------------------------|--|
| ◆ Sand Casting            | ◆ Die Casting:                             |
| ◆ Moulding Shell          | ○ High Pressure Die Casting (HPDC)         |
| ◆ Cold Box                | ○ Gravity Die Casting Low Pressure Process |
| ◆ Lost-Wax Casting        | ○ Counter Gravity Low Pressure Process     |
| ◆ Vacuum-pattern Casting  | ◆ Centrifugal Casting                      |

Source: Various, Value Track Analysis

### Permanent Casting, the industrialised way for foundry manufacturing processes

“New” Costamp group operates in the **Permanent Casting** environment as it designs and realises steel or cast iron mould and dies (those used to shape the metal during the core phase of the foundry process) that are not broken or wasted during the extraction phase of the finished piece. As such Permanent Casting, despite a higher complexity of the whole procedure, grants the opportunity of re-using the shells for a large number of jets.

More in details, this type of forming is suitable to cast small-medium size pieces, automating the various casting operations by means of Numerical Controls Machines. This is a paramount feature that makes these techniques economically justifiable in series production, with the beneficial effect of economies of scale.

Summarizing all key-aspects of **Permanent Casting** foundry processes we obtain:

- ◆ The chance to use the same shape in **several production cycles**;
- ◆ The opportunity **to automate production process**;
- ◆ The possibility of producing castings with **less wall thickness**;
- ◆ **Better finished surfaces**.

### High Pressure Die Casting vs. Low Pressure Gravity Process

A further differentiation can be made depending on whether the casting of the metal in the form is dynamic or static. Whenever the permanent process is static we refers to Gravity Casting.

On the contrary, in the case of dynamicity, it is possible to define both a Centrifugal Casting, in which is the shape that moves, and a Pressured Casting or Die Casting, in which is the liquid metal to move.

“New” Costamp Group focuses its core business in both the manufacturing of **die-casting dies for high-pressure machines (HPDC)** and in the **gravity-low pressure** processes. This is the result of the deal that combines skills previously owned by Modelleria Brambilla (specialised in gravity-low pressure processes) and “old” Co.Stamp group (specialised in high-pressure die casting).

Here follows a scheme of the features of these two techniques with their respective pros and cons.

### High Pressure Die Casting (HPDC)

High Pressure Die casting covers an important part of the macro-category of foundry in Permanent-Dynamic Environments.

The technique is innovative and it differs from all other processes thanks to the fact that the molten metal is injected into the form at high pressures. This requires the use of high-cost machines, and that’s the reason why such procedures are preferably used only in large series productions.

The process has the chance to be highly automated: this involves very short cycle times, resulting in a very high productivity.

The finished product has a surface greater in quality compared other techniques, typical of the permanent form, thanks to a further improvement obtained by the high casting pressure, which allows the material to adhere better along the shape.

Die-casting can be split in two categories:

- ◆ **Hot chamber die-casting** if the molten metal tank is inserted into a furnace;
- ◆ **Cold chamber die casting**, if the metal tank is a simple non-temperature controlled cavity.

More in details, HPDC does not provide a single-operative model. The metal is cast in a form made of two pressurized moulds with pre-defined high melting temperatures.

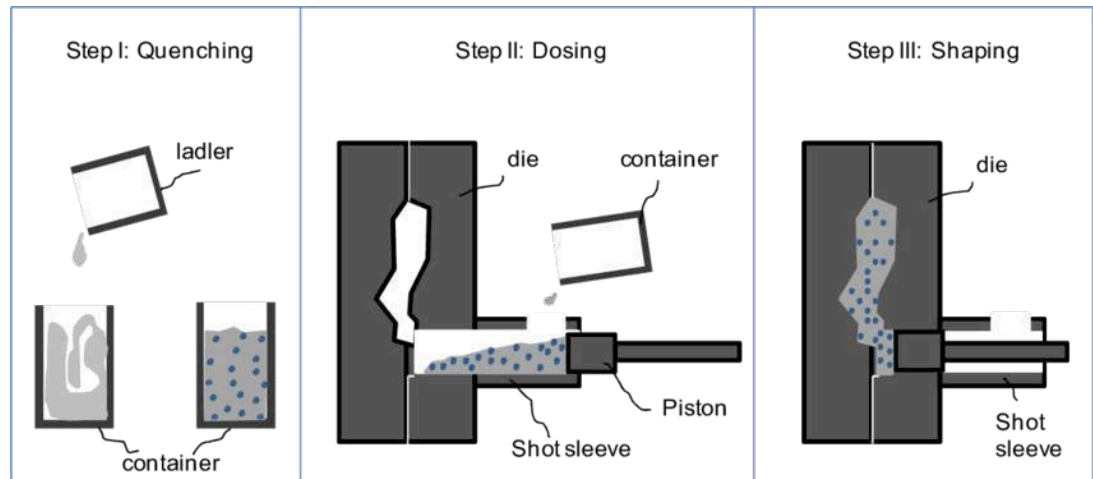
For this reason, the materials poured into the mould must necessarily have a melting temperature lower than the form material.

Compared to other foundry shells, the jet cavity of the HPDC mould can have considerably thinner thicknesses (i.e. up to 1 mm), due to an easier filling caused by high pressure, but it must be free of massive areas (parts of the object much larger than all the others) to have a uniform cooling.

The extraction of the piece from the mould tends to be quite difficult, the process is thought to extract the object integrally by moving part of the shell, to facilitate the exit in less-time.

Since the cast may not have more than two moulds, it is necessary to resort, to plugs and to avoid any undercuts.

#### High Pressure Die Casting Process



Source: Mechanchiatech.com

#### Gravity Die Casting Low Pressure Process

Dealing with Static-Permanent casting processes, Gravity die casting is probably the most used technique worldwide.

Gravity die casting is a process that involves a pouring liquid (e.g. aluminum) into an ex-ante prepared mould, specifically studied for the piece to be made. This technique exploits the force of gravity, allowing the molten metal to fill the form, forcing the air to exit, reducing significantly the risk that air-bubbles remain inside the structure reducing the integrity of the cast.

In this process, shells are permanent metal forms used to mass-produce both metal and aluminum jets. By means of this procedure both simple and moderately complex shapes can be created.

The advantages of the process are found in the robustness of the obtained forms. Furthermore, the cast is more precise compared to different technologies and it allows a better-finished quality surface. Among the disadvantages of the fusion shell there are instead the high production costs and, once again, the difficulty of the de-moulding, which must be performed by highly qualified personnel, with the utmost care and attention required to avoid damages to the piece.

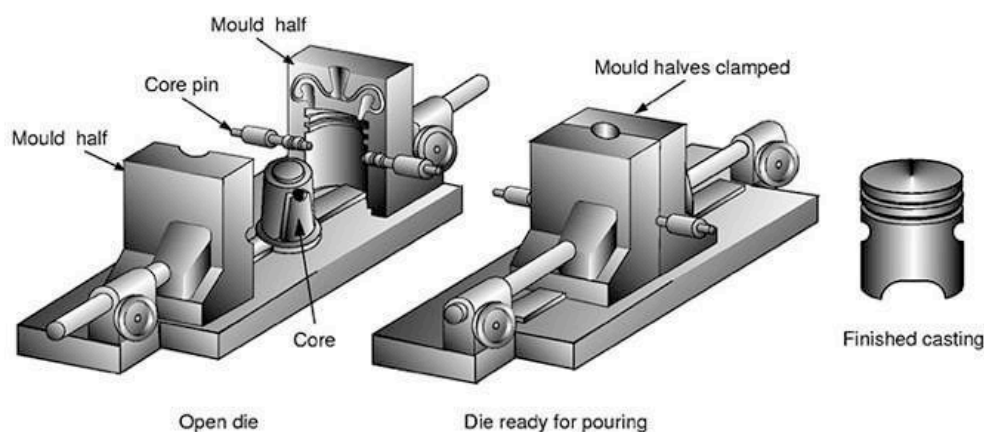
In case of very complex shapes, it is possible to use mechanical extractors to simplify and speed up the process.

More in details, the shells used for Gravity casting are metal forms (generally made of cast iron or special steel) with a support body provided with two sliding guides.



In addition the core component is divided into two parts, which fit together and slide on the supporting body. The central part of the shell is used to form the cavity that houses the molten metal and additional channels with several small vents are positioned to avoid porosity, allowing the gas to escape.

#### Gravity Die Casting Low Pressure Process



Source: Mechanchiatech.com.

#### Foundry Processes: Different techniques boast different peculiarities

| Process                          | Foundry Process Description  | Pros and Cons   |
|----------------------------------|--|---|
| <b>Permanent Gravity Mould</b>   | <p>Molten metal is poured from a vertical position into a metallic tool with no additional force applied.</p> <p>This method is best suited for large, thick parts and it can produce great levels of details.</p>   | <p><b>Advantages:</b> Superior mechanical properties. It produces dense, uniform castings with high dimensional accuracy. Excellent finished surface and grain structure. The process makes possible the production of parts that are not suitable for the HPDC. Repeated use of moulds. Rapid production rate with low scrap loss.</p> <p><b>Disadvantages:</b> Long time of process makes it an expensive production technique.</p> |
| <b>High Pressure Die Casting</b> | <p>The essential feature of die-casting is the use of permanent metal dies into which the molten metal is injected under high pressure (normally 5000 psi or more).</p> <p>The process is used to produce large volumes of castings of intricate shapes.</p> | <p><b>Advantages:</b> Cost of castings is relatively low with high volumes. High degree of design complexity and accuracy. Excellent smooth-finished surface. High production rates.</p> <p><b>Disadvantages:</b> Inferior mechanical properties. Limits on size of castings.</p>   |

Source: Various, Value Track analysis



## Costamp Reference Market: The Auto Industry

*Due to an increased specialisation in manufacturing moulds for precision components of structural and powertrain parts of vehicles, the main reference market of Costamp is the automotive sector. That's why Costamp benefits from the number of new models launched into the market. From this point of view, 2018-19 should be "busy" years. And the outlook ahead, impacted by trends such as electrification and regional shift in car production imply Costamp adapting quickly to a new brand environment.*

New Costamp group is involved in the production of moulds and dies used in the automotive industry both in Italy and internationally. These products are either used by smelters and foundries or are sold directly to car manufacturing companies, in order to create the designated structural or powertrain car parts.

Therefore, the appropriate reference market should have been foundries and other intermediate car component producers. Unfortunately, these functions are usually independent or an internal process of car manufacturers and it is not possible to collect homogeneous and consistent statistics to get a clear view of the size and trends within this particular market.

There is, however, a 100% correlation between the end market i.e. the production of motor vehicles, and the production of moulds. As a result, we believe that **motor vehicles industry and its prospective growth is a suitable reference market for understanding Costamp current and future underlying drivers**. More in particular, we believe that the pace of introduction of new model remains the more powerful driver of growth for Costamp.

### A look at motor car industry current stance

Two points are, in our view, worth mentioning:

- ◆ Motor vehicles production was up +2.4% YoY in 2017;
- ◆ Global market is going at two speeds.

### 2017 motor vehicles production up +2.4% YoY

According to the latest data from OICA (the International Organization of Motor Vehicle Manufacturers), the worldwide production growth of motor vehicles in 2017 was up at a low single digit rate. China was the fastest growing market while Latam remained in severe troubles.

#### World motor vehicles production 2016-17

| (units)        | 2016              | 2017              | Chg. % YoY  | Diff. (units)    |
|----------------|-------------------|-------------------|-------------|------------------|
| EUROPE         | 21,486,270        | 22,161,107        | 3.1%        | 674,837          |
| AMERICA        | 20,821,670        | 20,669,537        | -0.7%       | -152,133         |
| ASIA-OCEANIA   | 51,846,421        | 53,540,607        | 3.3%        | 1,694,186        |
| of which CHINA | 28,118,794        | 29,015,434        | 3.2%        | 896,640          |
| AFRICA         | 903,568           | 931,283           | 3.1%        | 27,715           |
| OTHERS         | 0                 | 0                 |             |                  |
| <b>TOTAL</b>   | <b>95,057,929</b> | <b>97,302,534</b> | <b>2.4%</b> | <b>2,244,605</b> |

Source: OICA

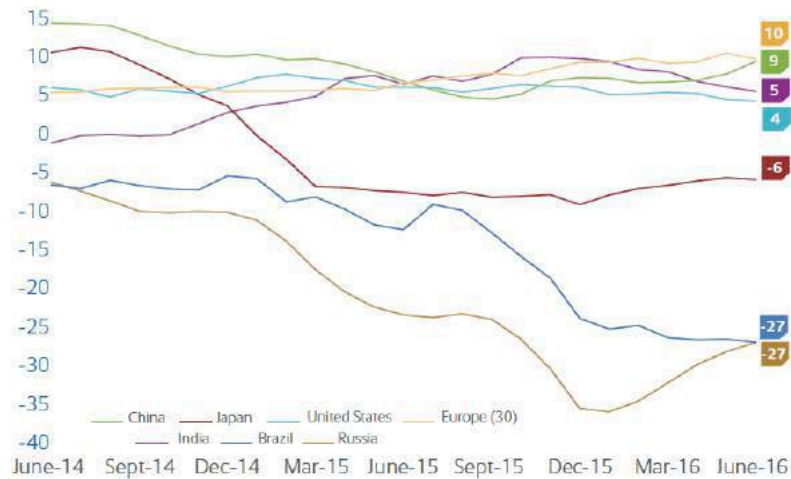
### Global market going at two speeds

It's already since a few years that the global automotive market has been travelling in two speeds:

- ◆ On one hand, Emerging markets such as China posting double digit growth;
- ◆ On the other, Russia and Brazil suffering from macroeconomic crisis.

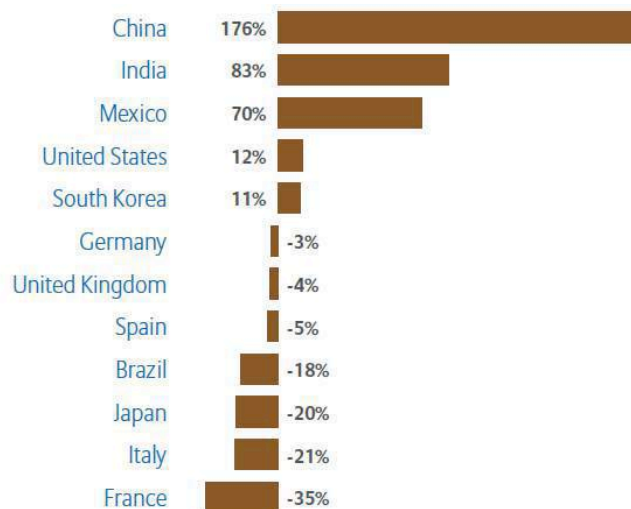
In the middle, US and Europe posting low single digit annual growth rates.

#### Growth in Car Registrations for Top Markets, YoY changes



Source: OICA, Euler-Hermes

#### Growth in Automotive Production by Country, 2007-2015 (cumulated % change)



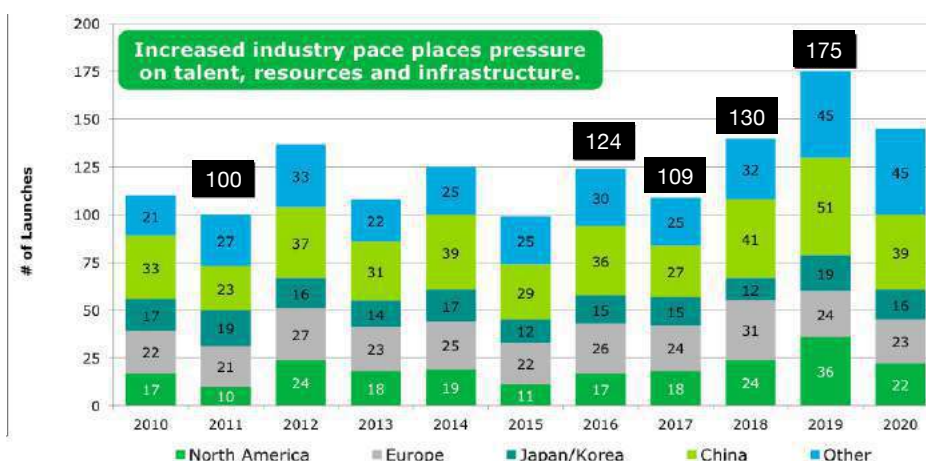
Source: OICA, Euler Hermes

## Car Industry ahead – Macro and technological drivers to be taken into account

As we said before, Costamp is highly correlated with car production volumes as mould and dies have a finite life and need to be replaced from time to time in order to produce car components.

And, again, more in particular **Costamp benefits from the number of new models launched into the market**, as new car models require the development of new moulds and dies, which are more profitable than just the sale of an additional unit of “old” moulds. From this point of view, 2018-19 should be “busy” years, while 2017 has been a weak one (dieselgate...).

### Forecasts of global launches of new models of vehicles



Source: IHS Markit

According to Business Monitor International’s projections, in terms of total car production volumes, light vehicles are expected to exceed the 105mn of units i.e. a ca. 3.5% CAGR by 2020. Similar growth is expected for PwC, which considers a larger universe (up to 6 tons) and estimates a CAGR of 4% between 2016 and 2020.

The above mentioned forecasts of launches of new models and of total production volumes are the result of the impact of some main trends expected to shape the future of the car industry.

Worthy to note, some of these trends can affect Costamp business while other ones in our view are not going to be relevant.

- ◆ Car industry trends not affecting Costamp: **Autonomous driving, Connectivity;**
- ◆ Car industry trends indirectly affecting Costamp: **Electrification;**
- ◆ Car industry trends directly affecting Costamp: **Urbanization, shared mobility, regional shifts of production.**

### Trend not affecting Costamp - Autonomous driving and Connectivity

Together with Electrification, Autonomous driving is the biggest thematic currently under spotlight in the car industry. We believe Costamp to be “neutral” in this “debate”, as autonomous vehicles will need the same amount of car components (and moulds behind) of traditional cars.

Another theme is the one of Connectivity, introducing what is known as the phenomenon of “Smart Life on Board”: as different use cases become a reality with increase connectivity and autonomous driving, the interior of the vehicle will become a key differentiator. Again, no impact on new car volumes is expected from this trend.

### Trend indirectly affecting Costamp – Electrification

All major car manufacturers and their suppliers have long embraced the concept of **energy efficiency**, making it a priority in upgrading the manufacturing process. Incentivised by tighter regulation on pollution, the attention towards alternative-powered vehicles is growing everywhere; that's accompanied by investments in public and private infrastructure to support the electric vehicle production market by restyling existing fleets and coming up with new models.

Costamp is “power train technology neutral” i.e. it doesn't care about the debate about what will be the “winning” technology, internal combustion vs. electric power.

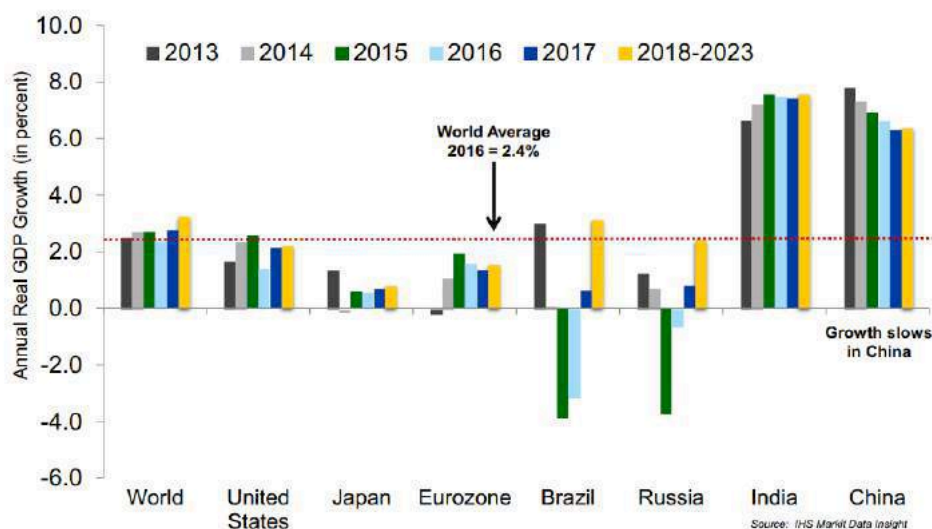
However, we'll see later on that lower pollution not only means electric vehicles but also lighter ones, also because electric battery pack is quite heavy. This should lead higher demand for aluminum and represent a tremendous market opportunity for Costamp.

### Trend # 1 directly affecting Costamp –Urbanization and GDP growth

The car industry is an integral part of the global economy. Taking into account both the industrial phase and the distribution phase, global production of cars occupies millions of people. In Europe alone, the automotive industry accounts for over 12mn jobs; in the US for more than 8mn; and in Japan, for more than 5mn. On the demand side, evolution of personal spending capability is an obvious “enabling factor”.

As a result, the car industry is highly correlated with macroeconomic evolution and also recent trends in volumes productions / car registrations do confirm such a correlation in the various geographies, with emerging markets outperforming thanks to progressive urbanization and rise of middle class.

#### Evolution of World economic growth by regions



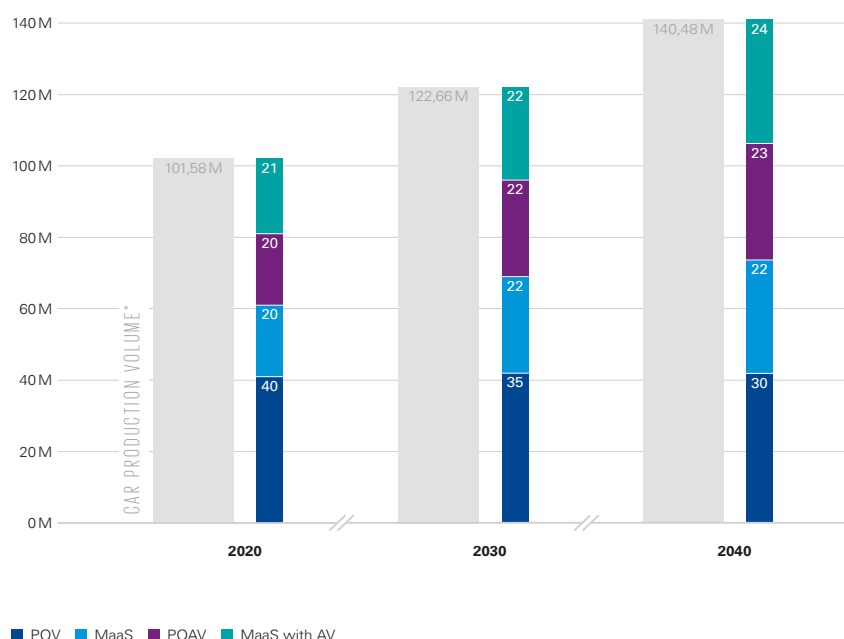
Source: IHS Markit Data Insight

### Trend # 2 directly affecting Costamp –Shared mobility

According to experts (see McKinsey reports on the future of car markets), car production volumes should decrease their growth rates from 2030 onwards i.e. from the current ca. 3.0%-3.5% annual growth it should drop to ca. 2.0% annually impacted by the rise of new mobility services such as car sharing. Indeed, McKinsey says: “A detailed analysis suggests that dense areas with a large, established vehicle base are fertile ground for these new mobility services, and many cities and suburbs of Europe and North America fit this profile. New mobility services may result in a decline of private vehicle sales, but this decline is likely to be partially offset by increased sales in shared vehicles that need to be replaced more often due to higher utilization and related wear and tear”.

KPMG, as well, underlines the importance of this cultural revolution leading to a shift from personally owned vehicles to non personally owned ones.

#### Expected future breakdown of car production: Personally vs. non personally owned vehicles



**Note:** Executives (n=907); percentages may not add up to 100% due to rounding; figures in percent; 2040 volumes are estimated on CAGR 2027–2032; \*LMC Automotive

Source: KPMG ; Notes: POV ((Personally owned vehicle); POAV (personally owned autonomous vehicles); MaaS (Mobility as a service); MaaS with AV (autonomous vehicles)

### Trend # 3 directly affecting Costamp –Regional shift of production

According to a recent poll from KPMG, it is expected that **by 2030 less than 5% of total car volumes will be manufactured in Western Europe** vs. the current 15%.

That's because production by area is expected to follow demand for motor vehicles, growing especially in the emerging countries of Asia, South America and Central and Eastern Europe. **China, in particular, should account for a higher and higher share of worldwide car volumes.**

The consequence of such massive production shift will be, in our view, the **need of all OEM suppliers (Tier I, Tier II, Specialists) to relocate their activity in those high growing countries**, close to OEMs. The introduction of duties could also impact as well on this aspect, even if not directly applied to dies.

Please refer to Appendix for a thorough analysis of current and expected car volumes production by region.

## Costamp group profile

*Costamp group is one of the international leaders in the business of components for the automotive industry. In particular, the business is focused on the engineering, production and trade of moulds for die-casting of aluminum, magnesium and plastic alloys, mainly for the automotive industry.*

As we said before, the “new” Costamp group is the result of a business combination between Modelleria Brambilla, a well-established player in the foundry engineering industry listed on AIM Italia stock market since the end of 2014, and “old” Co.Stamp group, market leader as well in foundry engineering field, but characterised by different technological features.

### Two stories to tell: Co.Stamp and Modelleria Brambilla.

**Modelleria Brambilla** has the following historical background:

- ◆ **1951** - Founded by Eugenio Brambilla, in Carpi (Modena, Italy);
- ◆ **70's** – The company becomes a pioneer in the computerization of production processes;
- ◆ **80's** – Acquisition of important customers as Teksid (FIAT Group) and Ferrari;
- ◆ **90's** – Continuous innovation brings new customers, like Mazzucconi and BMW;
- ◆ **2011** – Mr. Bonfiglioli is appointed general manager and board member. Doubling of sales in few years, of which ca. 80% abroad;
- ◆ **2013** – Set up of Goa (India) engineering centre, and then of Brambilla India Private Limited, a 50% joint venture with a local foundry;
- ◆ **2014** – Modelleria Brambilla acquires the first direct order from Volkswagen's foundry. On December of the same year the company becomes listed on AIM Italia market;
- ◆ **2016** – Set up of new Correggio industrial site and acquisition of 51% stake in Modelleria ARA Srl;
- ◆ **2017/18** – Italian plant doubling (from 2,500 to 5,000 sqm) and business combination with Co.Stamp.

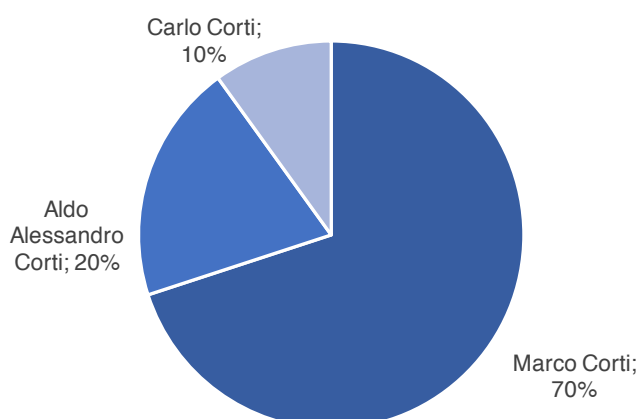
The “old” **Co.Stamp** shares a similar story as it was founded back as of 1968 as a small workshop with few employees, specialized in the manufacturing of die-casting dies. Since then, the company has deeply evolved serving the whole High Pressure Die Casting (HPDC) market. Among the various historical milestones we underline:

- ◆ **1968** – Foundation;
- ◆ **1982** – Purchase of first numerically controlled production machine;
- ◆ **1994** – Production of the first automotive die - steering housing;
- ◆ **1999** – Establishment in currently used site in Sirone (Lecco, Italy);
- ◆ **2004** – Acquisition of 49% of the shares of PAMA SrL, active in the field of die-cast portfolios;
- ◆ **2013** – Opening and start up of new plant in Rivalta (Torino, Italy) for plastic injection moulds;
- ◆ **2014** – Expansion of Sirone's plant: rough cutting & drilling facility;
- ◆ **2016** – Takeover of PiQ2, company that develops simulation software;
- ◆ **2017** – Achievement of Horizon 2020 award;
- ◆ **2017/18** – Business combination with Modelleria Brambilla SpA.

### A few words on “old” Co.Stamp shareholders and management structure

The ownership structure of Co.Stamp Srl is quite simple. i.e. the share capital is entirely in the hands of Corti’s family, with Marco Corti (CEO) shareholding accounting for the 70% of total.

#### “Old” Co.Stamp Srl shareholding structure



Source: Costamp

#### Co.Stamp Board of Directors

| Member                | Role             |
|-----------------------|------------------|
| Marco Corti           | Chairman and CEO |
| Aldo Alessandro Corti | Director         |
| Carlo Corti           | Director         |
| Mario Antonio Corti   | Director         |
| Tarcisio Corti        | Director         |

Source: Costamp

### Costamp key people and BoD

Mr. Marco Corti, owner at 70% of Costamp SpA shares, is also the Chairman and CEO of the group. He was hired in Costamp back as of 1988 and he continued his career in the company moving quickly to managerial tasks.

He took care of the transformation of the company into a limited liability one and he founded a subsidiary dedicated to import - export subsequently incorporated into Costamp.

Eventually, back as of 2004, he took over a controlling stake in Costamp.

As for Davide Corti (CFO, he joined Costamp in 2008 after a career as Financial & Administration Manager.



Giacomo Molteni (COO), has been working for Costamp since 2002. He previously worked as Technical Manager by company EffeC2 Srl and as Project Manager by Arturo Salice Spa.

Gabriele Bonfiglioli is Modelleria Brambilla General Manager and CEO since 2011. He was capable to lead the company at the listing at AIM Italia market in 2014 and is now Head of LPDC & Gravity department in the new Costamp Group.

Another figure which we consider worth to mention, even if not belonging to the BoD, is Michele Tombini (CCO). He joined Costamp in 2010 and previously worked as Area Sales Manager at Eucasting Srl, HPDC foundry specialized in automotive components.

#### Costamp: Board of Directors

| Member                | Role                              |
|-----------------------|-----------------------------------|
| Marco Corti           | Chairman and CEO                  |
| Aldo Alessandro Corti | Director                          |
| Carlo Corti           | Director                          |
| Davide Corti          | Director and CFO                  |
| Cesare Carbonchi      | Director                          |
| Gabriele Bonfiglioli  | Director (Head of LPDC & Gravity) |
| Giacomo Maria Molteni | Director and COO                  |

Source: Costamp

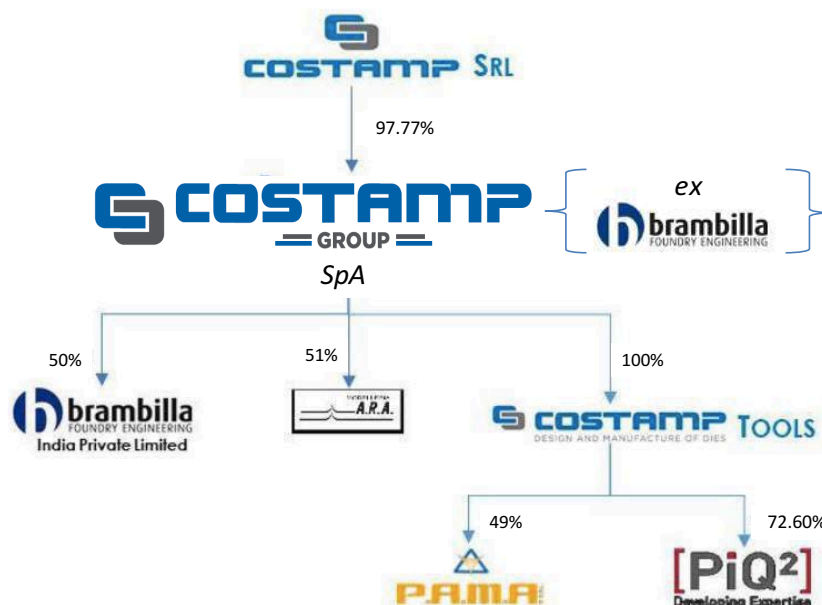
#### Organizational structure of “new” Costamp group post Mod. Brambilla deal

From an organizational point of view, the “new” Costamp group resulting from the business combination with Modelleria Brambilla is structured as follows:

- ◆ **Costamp Srl** (the new name of old Co.Stamp Srl) is the parent company of the group and actually has a 97.7% stake on Modelleria Brambilla;
- ◆ **Costamp Tools Srl** is a 100% controlled NewCo mainly running high pressure die casting business in Sirone and Rivalta plants;
- ◆ **Modelleria Brambilla SpA** is focused on low pressure gravity casting business with main plant based in Correggio (Province of Reggio Emilia);
- ◆ **PiQ² Srl**, 72.6% owned subsidiary active in the production of software for die-casting industry, located in Azzano Mella (Province of Brescia);
- ◆ **P.A.M.A. Srl**, 49.0% owned subsidiary active in the production of die holders, located in Rivalta (Province of Torino);
- ◆ **Modelleria ARA**, 49.0% owned subsidiary active in the production of moulds and dies for automotive, motorcycle and agricultural end-markets, located near Bologna;
- ◆ **Brambilla India Private Limited**, a 50% joint venture with a local Indian foundry.



## Costamp Group Overview



Source: Costamp

## Brief recap on Costamp – Modelleria Brambilla deal technicalities

It was back as of July 28<sup>th</sup>, 2017, that Co.Stamp, Modelleria Brambilla and their main shareholders jointly signed a business combination agreement (subsequently amended on November 20<sup>th</sup>, 2017 and January 26<sup>th</sup>, 2018) aimed at putting together their assets in order to strengthen their leadership position in the international market of moulds and dies manufacturing dedicated to car production industry.

## Parties involved in the deal

The two parties involved in the deal were Co.Stamp group and Modelleria Brambilla whose details, before the launch of the deal, were as follows:

- ◆ **Co.Stamp group.** Italian based privately held company, €50mn revenues 2016;
- ◆ **Modelleria Brambilla group.** Italian based company publicly listed on AIM Italia MTF since December 2014. €16.7mn revenues 2016. Its share capital was made of 3,835.607 shares (4,300,662 fully diluted if we consider the 459,393 shares eventually issued in case of conversion of “Modelleria Brambilla Covertibile 7% 2014 – 2019” convertible bond). Last trading price before deal announcement stood at €3.24 per share implying a €12.4mn market capitalization.

## Deal structure

The deal has been structured along two main steps: 1) Reverse take-over; 2) Public Tender Offer.

### Step 1. Reverse take-over

The two companies agreed for a “reverse take-over” deal structured as follows:

- ◆ Co.Stamp transferred to a 100% controlled NewCo (Costamp Tools srl) all its operating assets, at a value of ca. €62.62mn, assessed by an independent fairness opinion;
- ◆ Mod. Brambilla acquired Costamp Tools by issuing 38,655,000 new Mod. Brambilla shares at €1.62 each for a total €62.62mn value. Implicitly the 100% of Mod. Brambilla equity has been evaluated €6.97mn;
- ◆ As a consequence, Co.Stamp became Mod. Brambilla’s main shareholder with a 90% stake (38.65mn shares out of 42,950,000 total new number of Mod. Brambilla shares).

### Step 2. Public Tender Offer

Costamp launched a Public Tender Offer (PTO) aimed at purchasing all Mod. Brambilla remaining outstanding shares. Main terms were:

- ◆ PTO price at €3.00 per share;
- ◆ Offer on maximum 4,222,400 Mod. Brambilla ordinary shares i.e. the 9.83% of its share capital not held by Costamp. This number is calculated on a fully diluted basis considering:
  - 3,763,007 Mod. Brambilla shares outstanding, equal to the 8.76% of the Issuer’s share capital on the date of the Tender Offer Prospectus;
  - Maximum 459,393 ordinary shares deriving from the possible conversion of “Modelleria Brambilla 7% 2014 – 2019” convertible bond issued by Mod. Brambilla back as of 2014, equal to 1.07% of its share capital increased by the actions deriving from the conversion itself;
- ◆ 72,600 Mod. Brambilla treasury shares, (0.17% of MBR share capital) were not subject to PTO;
- ◆ PTO period starting as of March 30th, 2018 and ending as of April 19th, 2018;
- ◆ Settlement of PTOed shares as of April 26th, 2018.

Actual results of the PTO were that 2,980,207 MBR ordinary shares have been tendered, i.e. 6.80% Mod. Brambilla share capital outstanding for a total Co.Stamp cash out of €8.67mn.

As a result, Co.Stamp was holding 41,545,207 Mod. Brambilla ordinary shares, i.e. ca. 97.77% stake with an average carrying price at ca. €1.75 per share. Co.Stamp changed its name into Costamp Srl.

### Current and next steps

The deal finalization is taking place with the following few steps:

- ◆ **Residual compulsory tender offer.** Costamp Srl has been obliged, pursuant to article 108, paragraph 1 of “Testo Unico della Finanza” (TUF) to launch a compulsory residual tender offer on 872,800 Mod. Brambilla shares not tendered during the voluntarily PTO ended as of April 26th, 2018 and still in circulation.  
This means a PTO on 2.05% of Mod. Brambilla share capital, expiry May 25<sup>th</sup>, 2018;
- ◆ **Name change.** Mod. Brambilla is expected to change its name into Costamp SpA group;
- ◆ **Free float reinstatement.** Costamp Srl would have the legal possibility to launch a “minority squeeze out” tender but rather it has announced the will to reinstate the “new” Costamp group free float.
  - This is going to happen through an **Accelerated Book Building (ABB)** procedure on all or part of the shares acquired in the offer;
  - In addition, a **€4.99mn rights issue** should be promoted in order to endow the group with new financial weapons, between the conclusion of the tender offer and August 30<sup>th</sup>, 2018.

## Core business focused on automotive industry

As we said before, both Modelleria Brambilla and “old” Co.Stamp had the **automotive industry** as their reference market with the difference being that the core business of the latter has always been the production of **die-casting moulds** under **high pressure (HPDC)**, while the former followed the same purpose but working through what are known as **gravity** and **low pressure** processes (**LPDC**).

### Strategic positioning in the car manufacturing supply chain

Car manufacturing supply chain is quite long and complex as every new model launched into the market is the result of several phases of design, engineering, assembly involving not only the car maker but also its suppliers and suppliers of the suppliers thus creating a hierarchical interaction process where Tier I suppliers interface directly with OEMs (Original Equipment Manufacturer), while down the chain to the Tier II, III interact each other.

We can thus “cluster” the following categories of suppliers:

- ◆ **System integrators and module providers (Tier I).** Big global suppliers organized in multinationals, placed at the top of the supply chain, with plants placed close to those of the car manufacturer. Some of these Tier I suppliers could actually manufacture the final vehicle themselves, but they lack brand and distribution capability;
- ◆ **Specialists (Tier II).** Manufacturers of parts and components with a content of innovation and specificity such as that they constitute a competitive advantage for the user;
- ◆ **Sub-suppliers (Tiers III).** Manufacturers of standardized parts and components, produced accordingly to specifications provided by end customers and easily replicable by competitors;
- ◆ **Engineering and Designing players (E&D).** Companies active in design / prototyping / engineering interacting with all Tiers actors and, sometimes, providing services directly to the OEM.

**Costamp group**, as producer of moulds and dies, enters among specialists and sub-suppliers categories, in particular we would place the company among **sub-suppliers for machining**.

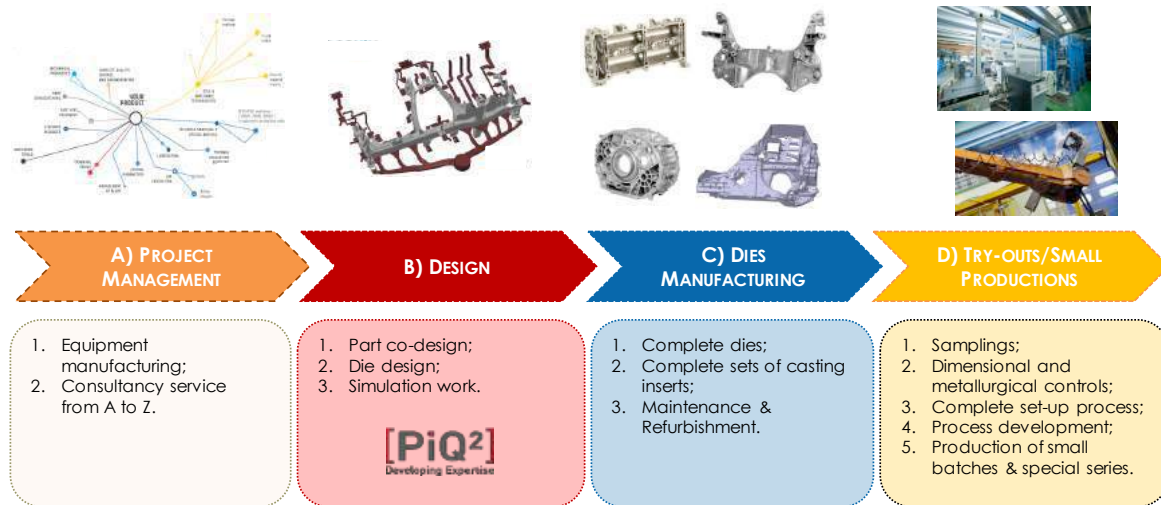
However, since the company's is engaged also in the design part, it also belongs to the E&D category, thus establishing **direct relationships with OEMs**.

### A complete, turn-key service offer ranging from design to post sales support

The “new” Costamp group can boast a **complete turn-key service to clients**, be them independent foundries or internal foundries to car manufacturers, which develops along **four main steps, i.e.:**

- 1) **Project management;**
- 2) **Design;**
- 3) **Dies and moulds manufacturing;**
- 4) **Sampling, customization, post-sales support.**

## Costamp offer: A turn-key service

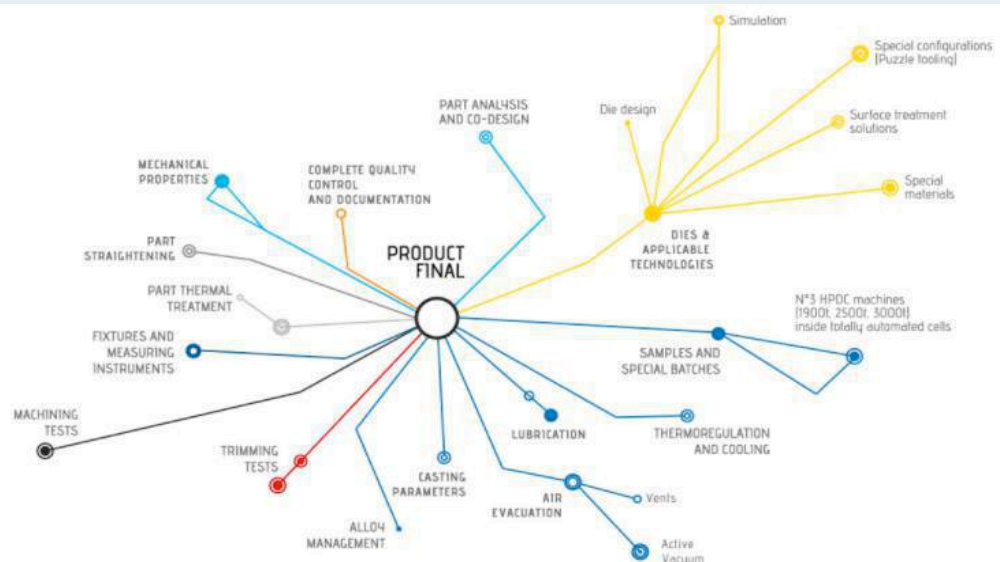


Source: Costamp

## Step 1. Project Management

Since the goal of the company is to provide its customers with a full package service, and not only the equipment manufacturing, the company articulates a complete support during each stage in the process, through an efficient and widespread project management network.

### Step 1: Project Management



Source: Costamp

## Step 2. Design

The design phase takes place in continuous collaboration with the end-user. The know-how and the practical experience of mould maker and foundry-man combine to create a product that fulfils the customer's production and quality needs.

Working alongside the customer for the preliminary study of the die-cast component, taking into account every single step of the manufacturing process, allows to make the die less complex and easier for the user to manage, together with optimizing and improving its performance.

Moreover, the design office can operate with the updated version of all the most important software on the market, such as Autodesk AutoCAD and Inventor.

Eventually, the Company employs a dual phase simulation software specifically developed by the subsidiary PiQ2 in close cooperation with Costamp R&D department.

## Step 3. Manufacturing of dies

In this phase the CNC machine takes the model designed in the previous phase and is then driven by highly specialized workers to draw the tool path according to the process to be carried.

This is done for both the production of complete dies and the related sets of casting inserts, and is followed by:

- ◆ A stage of encoding where is implemented a codification system which assigns a barcode to each stage of the manufacturing process;
- ◆ A stage of maintenance and refurbishment in order to provide the maximum quality standards and being able to meet the changing needs of the company's customers.

### Examples of dies and car components that can be produced with them

|              |   |                         |
|--------------|---|-------------------------|
| TYPES        | Die-casting dies                        |                         |
| ALLOY        | Aluminium                               | Magnesium               |
| MARKET       | Automotive                              | Industrial applications |
| SIZE         | For HPDC machines from 500t up to 4500t |                         |
| APPLICATIONS | Powertrain                              | Structural              |



Source: Costamp

## Step 4. Sampling, customization, post-sales support

This stage is dedicated to the production of samples, small productions and special series, and is an essential step in order to finalize a product characterized by the maximum level of efficiency.

Indeed, by sampling the production, the company is able to anticipate any issue that may occur in the realization of the piece needed. For this reason, the group is equipped with an internal foundry department where each die casting machine is placed in an automated workstation equipped with: casting extraction robot, automated lubrication system, cooling tank and trimming press. Here the samples are subjected to the first try-out, then they have to step by the quality control, which is both dimensional and metallurgical, and finally they can complete the set up.

Moreover, Costamp, thanks to its collaboration with international partners, is able to offer an after sales service on-the-spot for any modification, repair and assistance.



### A wide range of products and services, further enlarged by the recent deal

The “new” Costamp supplies foundries (internal or external to the producers of vehicles) with several types of moulds in which the melting or casting of the metal is carried out to give the desired shape to the piece needed in the manufacturing of vehicles. These moulds can be either suitable for low pressure gravity casting and for high pressure die casting.

While die-casting moulds allow faster finished piece production, at the same time they can result to be less precise and more adaptable to automotive’s structural parts that must not withstand a much greater stress.

On the other hand, low pressure processes are more sophisticated and, even if they allow to obtain less pieces in one hour (and thus require more capital to run out an order), they result to be more performing and hence more efficiently capable to stand the stress the powertrain application area would require.

This important difference between technologies utilized, hence embeds also a difference in terms of products and customers, but most of all represents the key strategic point of Modelleria Brambilla – Co.Stamp deal, since in this way the new group is going to be able to realize a cross selling among the different categories and to widen and loyalize its client base.

Summing up, the deal should allow **expanding the range of production processes** currently offered to clients (i.e. High pressure die casting and Low pressure gravity technique), **of materials** (i.e. aluminum, cast iron, thermoplastic, magnesium and related alloys) **and of products / services** such as:

- ◆ Shells, core boxes and pre-series samples for gravity casting;
- ◆ Moulds for die-casting (HPDC) of aluminum and magnesium.

#### High pressure die casting products



Rear Grill – Aesthetic part



Magnesium – Instrument panel



Magnesium – FEC



Door frame



Structural die – Tailgate



Structural die – Shock tower



Powertrain die – Gearbox Housing



Third plate & 4 slides – Camshaft Housing



Battery Housing

Source: Costamp

### Low pressure gravity products



Source: Costamp

### Further industrial benefits of the business combination

We believe that the business combination among Modelleria Brambilla and the “old” Co.Stamp has allowed the new group to ripe the following industrial benefits:

- ◆ **Expanding the range of production processes.** See what we said so far;
- ◆ **Improving the geographical footprint** (Italy, China, India, Germany, Brazil, Mexico, Russia e USA among the others);
- ◆ **Integrating the two previous clients bases**, thus acquiring a greater number of leading clients, i.e. foundries of important production capacity in the automotive sector, and cross selling them with new services / products offered;

Given such characteristics and strengths, we expect the “new” Costamp Group to be strongly active in the market also acquiring a **greater bargaining power** and a **better-integrated supply chain**, thanks to integration of common suppliers and customers.

### A few tips on Costamp group’s ancillary businesses

Costamp brings on also four ancillary businesses:

- ◆ Mould holders production by its subsidiary P.A.M.A. Srl. Such a company started as a general mechanical machining company, but over the years decided to specialise in machining die holders, hence becoming object of interest for Costamp;
- ◆ Processing of plastic materials which is run in Torino’s plant. This unit has been operating in the thermoplastic mould industry for over 20 years producing equipment for the most important Tier1/OEM, with automotive being always the reference application sector and, more specifically: bumpers, door panels, planks and various kind of coatings;

- ◆ Die-casting simulation software production through its subsidiary PiQ<sup>2</sup> Srl. Indeed, PiQ<sup>2</sup> Srl develops and supports software solutions aimed to aid the mould design for die makers which are essential for Costamp to run its business and optimize its production, as well as they provide the company to gain customers in the casting and foundry industries;
- ◆ Design, production and sale on Indian and worldwide market of moulds and core boxes for cast aluminum or cast iron through Brambilla India Private Ltd, th JV established with the Indian company Continental Engines Ltd.

### A “royal” list of customers

The long experience and the high level quality of its service allowed the company to conquer several clients among the most important name of the sector which can be grouped in two clusters:

- ◆ Independent foundries / car component manufacturers e.g. George Fisher, Nemak and so on;
- ◆ Carmakers internally running some car component productions e.g. mass market producers such as BMW, GM, FCA, Renault but also luxury manufacturers such as Ferrari or Maserati.

#### Costamp Customers

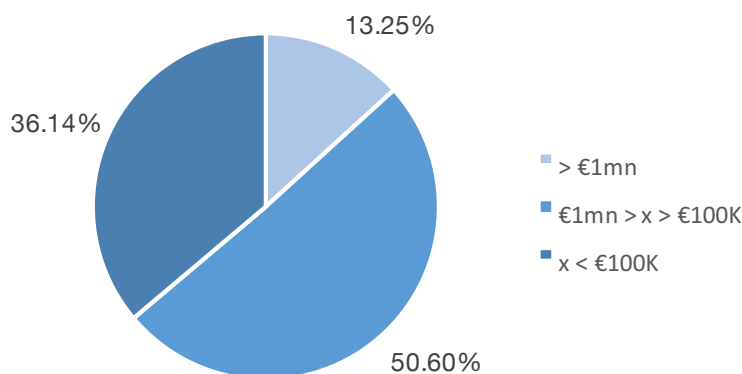


Source: Costamp

Up to date, the Group's client base accounts for **more than 80 customers**, out of which ca. 13% brings a turnover above the million euro, a consistent part, i.e. ca. 50% is positioned below but over the €100K cutoff and a remaining 36% under the €100K turnover.



### Customers breakdown per cluster



Source: Costamp and Value Track analysis

More in particular, we note that 58% of turnover comes from the first 10 customers of the company, out of which only one, Nemark, accounts for more than the 10% of turnover.

### Long acquisition process by once acquired, the client is fidelised

Costamp's strategy is to work on orders and not for the warehouse, with a time of customer acquisition that may take from 14 up to 18 months from the very first contact. According to this, even though customers release regular down-payments (25% raw materials' cost covered by initial account), it is important for Costamp to have the financial capacity to recover its investment and ensure the long term payments typical of a B2B2B company (efficient management of receivables is obtained also through non-recourse factoring).

To sum up, the company can boast punctuality both in deliveries and payments (only one suffering receivable due to a client's bankruptcy in 2011).

What we just said, together with Costamp's high product quality, is translated into a high customer loyalty, which comes also in the shape of public client's endorsement that in turn can act as a catalyst of new important contracts.

Among the most important partnerships with top OEMs we remind that the company has been in charge for the development of Lamborghini Huracan's rear grille.

### Case history 1: Lamborghini Huracan – Rear grille



Source: Costamp

The company followed the whole project from the very beginning across all the processes regarding:

- ◆ Casting and trimming;
- ◆ Dimensional check through dedicated fixtures and gauges;
- ◆ Machining;
- ◆ Teflon coating;
- ◆ Delivery to customer for assembly.

#### Case history 1: Lamborghini Huracan – Rear grille

##### Lamborghini Huracan – Rear Grille

- ❖ Casting and trimming
- ❖ Dimensional check through dedicated fixtures and gauges
- ❖ Machining
- ❖ Teflon coating
- ❖ Delivery to customer for assembly



Source: Costamp

Another case history worth to be reminded is the partnership with BMW for the processes of casting and trimming of the C-Evolution Scooter, which is the electric engine equipped scooter of the famous automotive maker.

#### Case history 2: BMW C-Evolution Electric Scooter



Source: Costamp

## Recap on Costamp key success factors and competitive advantages

Among the key success factors and competitive advantages of Costamp group we underline the following:

- ◆ Migration from a small to a large size HPDC production;
- ◆ Positioning on high value added products / processes;
- ◆ Completeness of product/service range and cross selling opportunities;
- ◆ Flexibility and speed in satisfying customer requests even after sales;
- ◆ Continuous improvement of technical production know-how;
- ◆ Very accurate control of production and zeroing of returns;
- ◆ Networking ability.

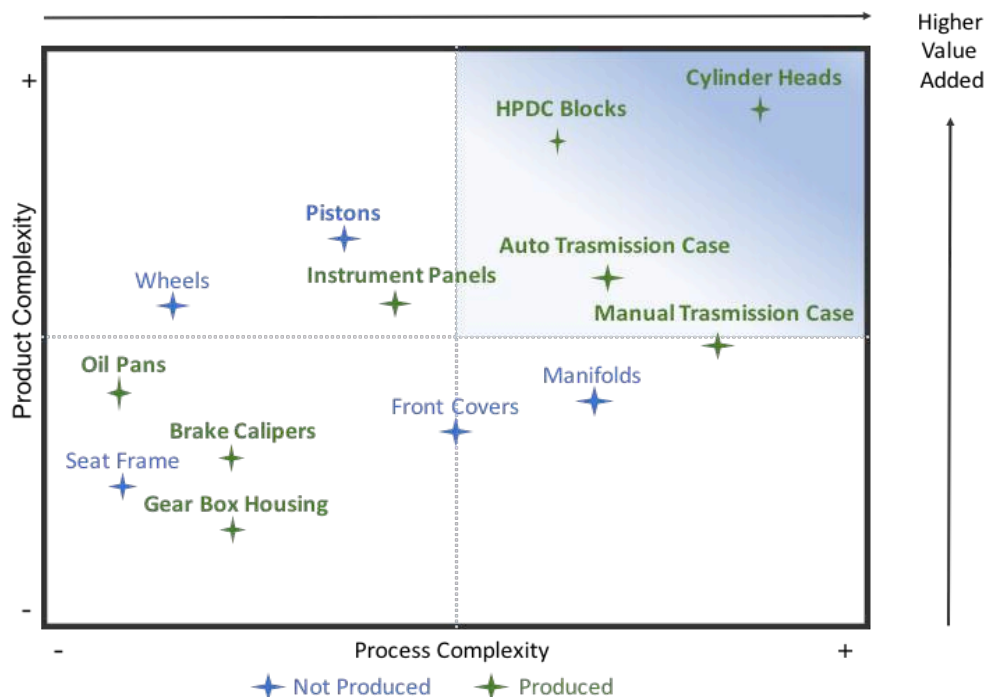
### Migration from a small to a large size HPDC production

In an industry where high quality large die pieces were obtainable through low pressure technology, Costamp had the capacity to enter with high pressure one, deciding to produce an inferior number of pieces but larger in scale and of a superior quality (up to date ca. 130 new models per year). This resulted in a winning choice that allowed the company to survive and constantly grow, differently from its HPDC competitors who decided to remain in the low scale production.

### Positioning on high value added products / processes

The unique know-how that the single entities daily apply during the whole production processes, led the group to be highly specialized on those products capable to bring a high value added, thanks to a positive mix of Process and Product Complexity. This is translated into the company capability of keeping good levels of profitability.

#### Costamp Group: High Value Added Product positioning



Source: Value Track Analysis

### Completeness of product/service range and cross selling opportunities

The recent business combination between Costamp Tools and Modelleria Brambilla will create a **leading player**, able to provide the market with a **complete offer** in terms of **processes** (pressure die casting, low pressure and gravity casting) and **products** (aluminum, cast iron, thermoplastic, magnesium and related alloys) thus allowing the company to match the various needs of customers which should be from now on addressable with many cross selling opportunities.

### Flexibility and speed in satisfying customer requests even after sales

Costamp boasts a real “turn-key” product and service offer as we previously described, and has the ability to manage the whole process from design to sampling and testing thus allowing project customization also in advanced production phases in order to always meet customer needs, respecting delivery times. The latter is extremely important for two reasons: on one hand it represents a quality matter, where punctuality is synonym of excellence, on the other it allows Costamp to receive payments on time, which is a strong advantage since overall B2B2B companies are characterized by long term payments and often suffer consequent delays on a financial point of view.

Last but not least, thanks to collaborations with international partners, Costamp is able to offer a complete service of after sales assistance directly on-the-spot, answering for any modifications and repairs’ issues.

### Continuous improvement of technical production know-how

Innovation is a must and has allowed the group to gain trust from clients i.e. some of the most important OEM supplier foundries that in turn contribute to co-development of new solutions.

One of the more recent and promising innovation developed by R&D department of the company, in agreement with Politecnico di Milano (Lecco), has the goal of reducing thermal fatigue and extending the life of the moulds, as well as to improve the quality of all the pieces produced through a particular approach named “puzzle tooling”.

### Very accurate control of production and zeroing of returns

Thanks to the internal foundry, Costamp directly carries the sampling phase, and therefore can test its production and reduce to almost zero the possibility of malfunctioning of moulds before the delivery to the customer. Moreover, the creation of a production model and bar-coding system for each phase of production allows to obtain a precise analysis of the progress of each individual component in the production flow, and to reduce the related costs with consequent contractual force during negotiations.

### Networking ability

Costamp is a member of the Foundry Star Alliance (“FSA”), a group of companies that decided to combine their efforts with the goal of providing integrated solutions to better meet the global market.

## Future strategies and growth drivers

*The brand “new” Costamp group is expected to pursue several organic and M&A driven development strategies such as: 1) Achievement of synergies between “old” Co.Stamp and Modelleria Brambilla; 2) Finalization and commercialization of the “Puzzle Die” technology; 3) Geographical expansion.*

*All these strategies with the aim of positively riding the aluminum wave and electric cars one.*

2017 has been an intense year for the “new” Costamp, and the job is not over yet as the group is expected to pursue several organic and M&A driven development strategies such as:

- ◆ Achievement of synergies between “old” Co.Stamp and Modelleria Brambilla;
- ◆ Geographical “glocal” expansion;
- ◆ Externalization of lower value added production;
- ◆ Finalization and commercialization of the “Puzzle Die” technology;
- ◆ Riding the aluminum market opportunity.

### Achievement of synergies between “old” Co.Stamp and Modelleria Brambilla

As we already stressed, the recent business combination with Modelleria Brambilla is expected to create an international player able to provide the market with a complete offer in terms of processes and products.

The products cross selling and the upscaling client base deriving from the deal should allow the Group to serve a wider market share with an increasing offer, resulting in an exploitation of synergies and economies of scale.

In order to achieve such benefits, we expect a post deal integration phase whose main steps should be:

- ◆ **An improved management hi-tech system.** The current assembly, production, and integration tools should be grouped in a single system, with the effect of increasing and making more effective the control over the entire value chain of both current companies;
- ◆ **A renewed customer database.** The legal union among the “old” Co.stamp group and Modelleria Brambilla should lead to a strengthening of the corporate-structure integration. The outcome is expected to be a new client approach aimed at ensuring a synergic offer among all the customers in the portfolio;
- ◆ **A new billing management.** The new entity is expected to merge billing and payment management centers under a new unified system;
- ◆ **Treasury management.** The business combination between the two entities is expected to merge respective treasury systems at the controlling company level.

### Geographical “glocal” expansion

We saw before that currently the group has an industrial footprint that is entirely based in Italy, despite the fact that clients are spread internationally.

We expect the aim in the next future to be a massive increase of output capacity abroad both in terms of number of plants and employees, also according to the expected shift of automotive production abroad.

In particular, the idea behind is to approach customers (independent foundries or OEMs with internal ones) in an even more efficient way, through the realization of vertically integrated districts of the automotive supply chain. All this, maintaining the more “intellectual” parts of the production process (R&D and engineering design) in the Italian parent company.

Overall, we expect M&A to focus on markets such as China, Germany, Mexico, USA, with the aim of providing a close-to-the-customer after sale service and enter in contracts with local producers.

In particular:

- ◆ Mexico, being one of the main supplier of American automotive sector (in particular for Illinois), even though customs duties imposed by President Trump may strongly reduce visibility;
- ◆ China, being the global leader in the car manufacturing sector and estimated to reach its maximum production capacity by the next two years;
- ◆ Germany, top-player of the automotive market with manufacturers not always trusting foreign suppliers;
- ◆ USA, where OEMs, as German ones, typically prefer “local” suppliers.

#### Motor vehicles producers ranking

| 2000           |                   | 2016           |                   |
|----------------|-------------------|----------------|-------------------|
| Country        | N° of vehicles    | Country        | N° of vehicles    |
| <b>USA</b>     | <b>12.773.714</b> | <b>CHINA</b>   | <b>28.118.794</b> |
| JAPAN          | 10.140.796        | <b>USA</b>     | <b>12.198.137</b> |
| <b>GERMANY</b> | <b>5.526.615</b>  | JAPAN          | 9.204.590         |
| FRANCE         | 3.348.361         | <b>GERMANY</b> | <b>6.207.858</b>  |
| SOUTH KOREA    | 3.114.998         | INDIA          | 4.488.956         |
| SPAIN          | 3.032.874         | SOUTH KOREA    | 4.228.509         |
| CANADA         | 2.963.097         | <b>MEXICO</b>  | <b>3.597.462</b>  |
| <b>CHINA</b>   | <b>2.069.069</b>  | SPAIN          | 2.885.992         |
| UK             | 1.813.894         | CANADA         | 2.370.271         |
| <b>MEXICO</b>  | <b>1.922.889</b>  | BRAZIL         | 2.156.356         |

Source: Various

Moreover, since in the production of moulds it is essential to anticipate customers' requests to emerge among competitors, being Glocal and getting closer to the final OEM is expected to be a key strategic choice, allowing the company to strengthen the part of product's design and co-development.

#### Externalization of lower value added production

The company aims at increasing both its size and profitability through the decision to externalize part of the production, the one with lower added value such as renovations and processing, while keeping in-house higher value added one, represented by the engineering and the assembly part of the work. According to this, a new plant will be established in Sirone (Lecco, Italy) with five new workstations dedicated to assembly.

The key strategic point is embedded in the fact that, since the company is directly the owner of the engineering, it has the capacity to purchase this work at relatively lower costs, and hence not decreasing its marginality.

#### Finalization and commercialization of the “Puzzle Die” technology

In 2017 Costamp has been awarded by the European Union with a ca. €2mn contribution from the Horizon 2020 funding-program. This was recognized for the company's “Puzzle Die” project, aimed at the study and development of an innovative technique for the design and production of moulds for die casting of aluminum components for the automotive sector, capable of making their life much longer compared to current ones.

The significant cost reduction of this technology is destined to have a strong impact on the automotive sector, making it possible to use a much wider use of aluminum (please refer to the Appendix).

The company stated it is in its development programs to move towards this direction investing material resources to finalize the project, considering the strategic value embedded into it.

### **Riding the aluminum market opportunity**

All these growth drivers are aimed at positively riding the market opportunity that we spotlight in the increasing utilization of aluminum made car components, also coupled with the higher and higher number of hybrid and fully electric cars that are going to be produced in the future.

We consider the use of this material as a key driver of future growth, and Costamp is not going to miss it. According to this, we believe this topic to deserve a more in-depth analysis, which is provided in the next section.

We anticipate that the combined effect of “Puzzle Die” plus “aluminum” expertise should strongly enhance Costamp commercial proposition.

## The future is electric and aluminum

*Aluminum use in the automobile industry has been steadily increasing in the past few years with growth expected to accelerate in the near future. We believe that the regulatory changes on total carbon emissions and the overall global demand for a more efficient and environmentally-friendly fuel economy will increase the percentage of aluminum pieces in cars, subsequently increasing the production of moulds dedicated to aluminum parts; a field where Costamp's specialisation will prove most beneficial.*

As **Costamp** is specialized in the manufacturing of **moulds and dies aimed at the production of aluminum and magnesium based car parts**, the group is directly and positively exposed to the current (and expected for the next eight-ten years) constant growth of aluminum weight on total structural composition of a car, a growth driven by the environmental and cost-effective benefits of using aluminum as a material in cars and trucks.

### Aluminum content per vehicle due to massively grow in the next few years

**Aluminum content per vehicle worldwide is expected to massively increase in the period 2018-25**, as a consequence of the following driving points:

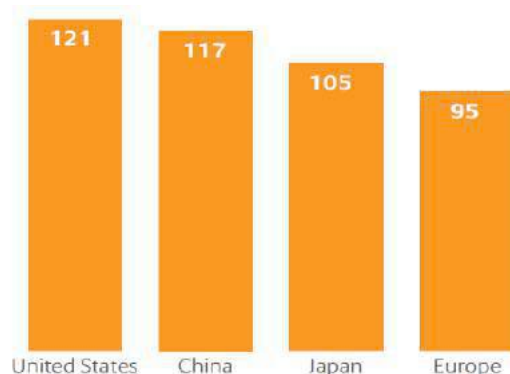
- ◆ Tighter regulation on pollution asking for lower and lower vehicles weight;
- ◆ Structural benefits;

#### Driver #1: Tighter regulation on pollution asking for lower and lower vehicles weight

In the United States, the Corporate Average Fuel Economy (or CAFE) regulations, imposed by the U.S. Department of Transportation, have been demanding a significant increase in the average fuel economy of cars (**+37% miles per gallon for cars in 2016** compared to that of the 1990-2015 period).

Carbon dioxide regulations have continued to tighten worldwide as well, as China, Japan, and Europe have also enacted **laws to reduce greenhouse gas emissions**.

2020 CO2 Emission Targets per Vehicle (in g/km)

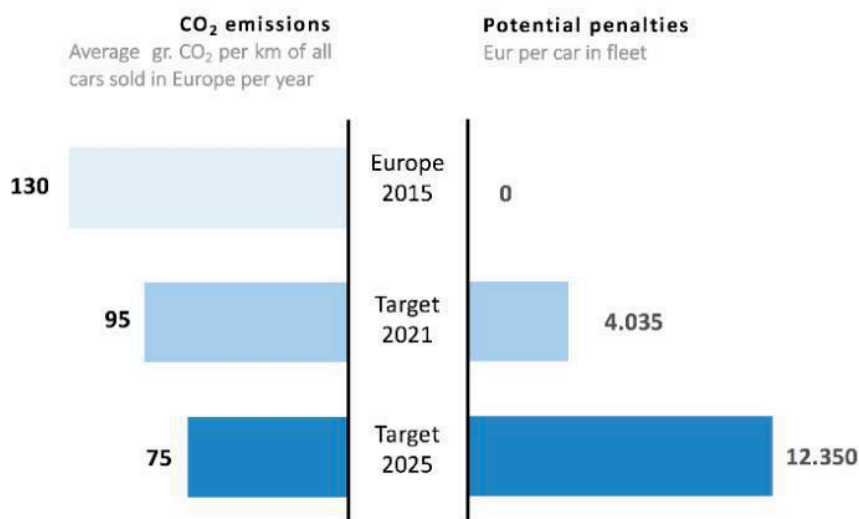


Source : Cologne Institut, VDA, Euler Hermes



Moreover, restrictions are coming also for European automakers, who have to meet the very specific schedule of reduction in CO<sub>2</sub> emission limits set by the EU. By 2021, 100% of new vehicles will have to comply with the fleet average of 95 Coz g/km, with a “excess emissions premium” of €95 per gram of CO<sub>2</sub> to be paid anytime the average level is above the limit. This premium is expected to be increased to €190 per gram of CO<sub>2</sub>, hence the potential penalty to be paid for non-compliance is so high to constitute a true incentive for car makers to not ignore this guidelines.

#### Regulations in Europe force OEMs to significantly reduce CO<sub>2</sub> emissions

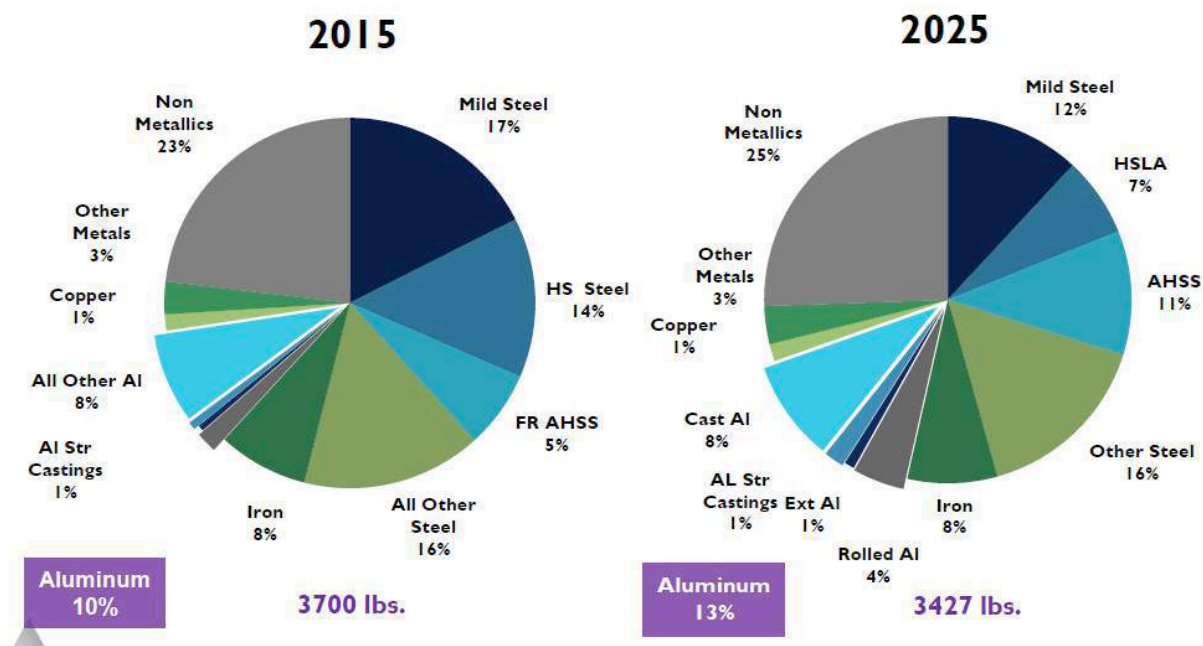


Source : McKinsey

In order to adhere to such stringent emission regulations imposed by regulatory bodies around the world, car manufacturers have been **increasing the production of hybrid/electric cars and reducing the average weight of vehicles** as it leads to reduction of greenhouse gas emissions. A key strategy to achieve such a result is represented by **higher usage of aluminum** (as a substitute to material alternatives such as steel). Indeed:

- ◆ As far as **Gas/ Diesel vehicles** are concerned, when high-strength, low-weight material such as aluminum alloys replace steel, cars are able to keep or even increase their size, while safely **reducing the vehicle's weight by as much as 40%**, compared to only 11% for high-strength steel. This means that substituting for aluminum is one of the best ways for car manufacturers to achieve the CO<sub>2</sub> emission targets per vehicle **without downsizing their vehicles**.

### Example of the weight reduction of automotive materials by shifting to aluminum



Source: Aluminium Association's, Aluminium Transportation Group

- ◆ The next logical step now is to look on the impact of aluminum on the other side of the spectrum, namely **Electric/ Hybrid vehicles**. These vehicles inherently have zero-to-low fuel usage, so how can aluminum improve their performance? The principal is the same: aluminum reduces the vehicle's weight and **lighter vehicles consume less energy**, be that fuel or, in this case, battery power. By reducing the weight of the structural parts of the car, it offsets the weight of the heavy batteries, and as a result the vehicle's driving range on the same charge is increased by roughly the same proportion as it reduced weight (for example, reducing the weight by 20 percent will allow the vehicle to travel 20 percent longer). (Source: [drivealuminum.org](http://drivealuminum.org))

#### Driver #2: Structural Benefits

Thanks to its high strength-to-weight ratio, **aluminum** is not only able to reduce the weight of the vehicle, but also to **improve performance, safety and durability of vehicles**.

- ◆ **Performance:** All other factors equal, the lighter aluminum-bodied vehicles accelerate quicker, brake in shorter distances and are able to handle corners better than their heavier, less-efficient steel counterparts. The rigidity of aluminum structural parts, help the driver have better handling over the vehicle and improve stability and response. Lastly, its mechanical properties and design flexibility allow engineers to optimise the shape and performance of each specific application according to their and the driver's needs.

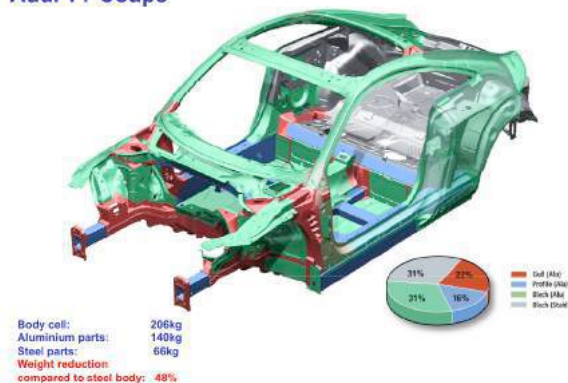
- ◆ **Safety:** When it comes to safety, cars designed with aluminum are amongst the safest on the road, since they can absorb twice as much crash energy as those made with steel. This means that in the event of a crash, aluminum alloys are designed to absorb the majority of the energy from the impact and deflect crash forces away from the vehicle's occupants, i.e. the car is the one mostly affected by the crash, not the passengers. Their lighter weight calls for shorter stopping distances compared to those needed for heavier vehicles, so that could prevent drivers from crashing altogether.
- ◆ Eventually, **Durability:** Aluminum's corrosion resistant properties increase the car's longevity and help maintain the vehicle's structure. It can be engineered to match or even exceed the strength of steel so that it may withstand the harshest of conditions and environments. Due to the fact that it weighs around one-third the weight of steel, it can be made as thick and strong as it needs to be, with the end result still being lighter.

When it comes to electric and electric-hybrid vehicles, aluminum structures can be designed to hold the vehicle's batteries in order to provide thermal transfer capabilities to **help stabilise the battery's temperature**, hence keeping it warm in cold weather or helping keep it cool and not overheating in warmer conditions. As a result, the aluminum structure can become **part of the power source**.

Summing up, we believe that higher use of aluminum should lead to cars that are more fuel efficient, lighter and better performing. That's why we expect it to be used to build a significant majority of the structural parts, as seen in the images below, streamlining the production process.

### Aluminum Body Components

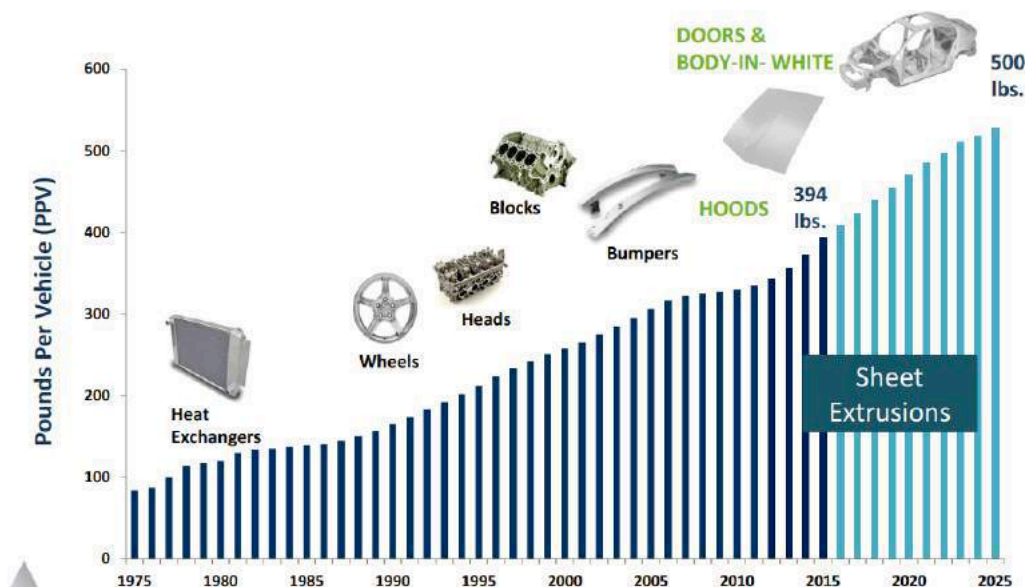
Audi TT Coupe



Source: SIMLab- Centre for Research-based Innovation at NTNU (Left), Aluminium Association's Aluminium Transportation Group (Right)

In particular, the future growth of aluminum content in cars is attributed to the **increasing amount of structural parts being made by aluminum** such as rolled and extruded products, which Costamp specializes in, as they are the results of amongst the most technologically advanced methods of aluminum production.

### Aluminum Structural Parts Over the Years



Source: Alcoa

### Aluminum in Cars; Looking Forward

Overall, the use of aluminum in mass market car vehicles has been accelerating over past decades, moving from ca. 3% of total weight as of late '70s to the current 10% of total i.e. ca. 150 kg / vehicle.

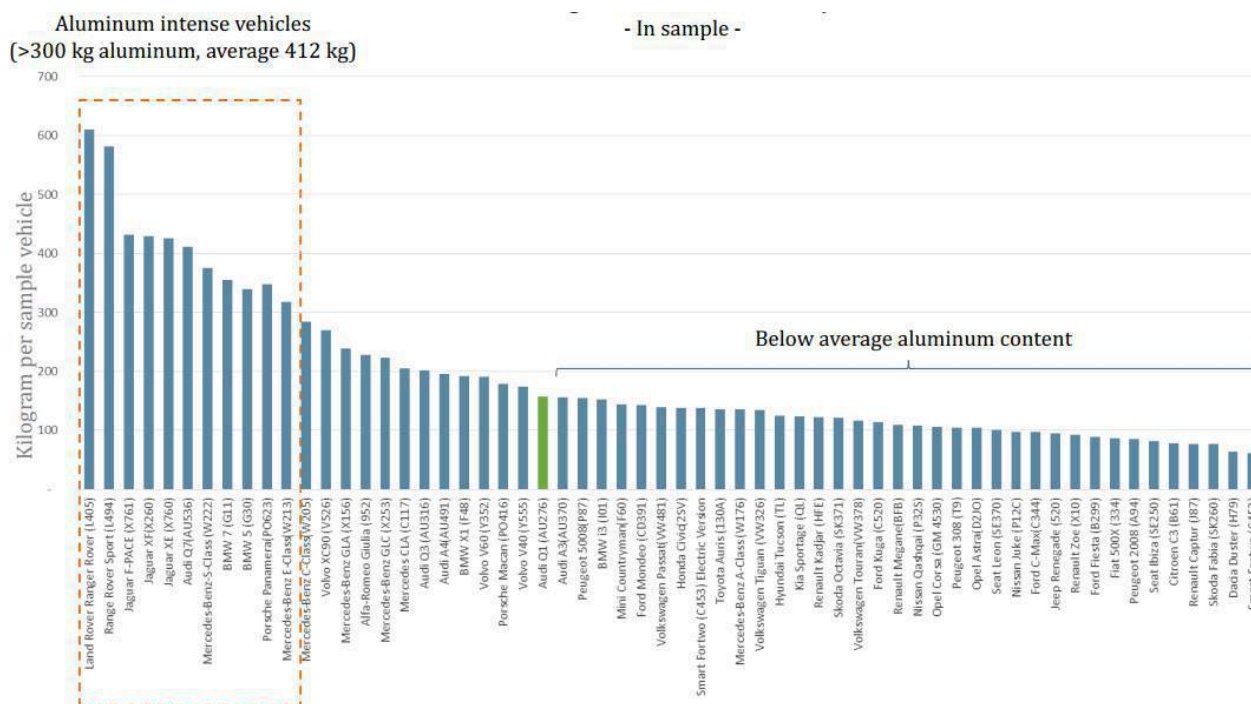
#### Historical evolution of aluminum content in vehicles

| Aluminum Content | % of Total Content |
|------------------|--------------------|
| 1976             | 3% (39kg)          |
| Mid-90s          | 7% (89kg)          |
| <b>2016</b>      | <b>10% (151kg)</b> |

Source: Ducker Worldwide

However, already as of now there are some “aluminum intensive” vehicles (e.g. Range Rover models) utilizing at least 500 kg of aluminum in each vehicle.

## Ranking of 2016 vehicles by kilograms of aluminum



Source: DuckerWorldwide June 2016

However, already as of now there are some “aluminum intensive” vehicles (e.g. Range Rover models) utilizing at least 500 kg of aluminum in each vehicle.

Right now, aluminum is the second most-used material in cars and it is very probable that it will soon climb to first place as the benefits of making cars lighter, stronger, safer, and more fuel efficient, start outweighing any cost premiums that might incur from switching materials from steel to aluminum.

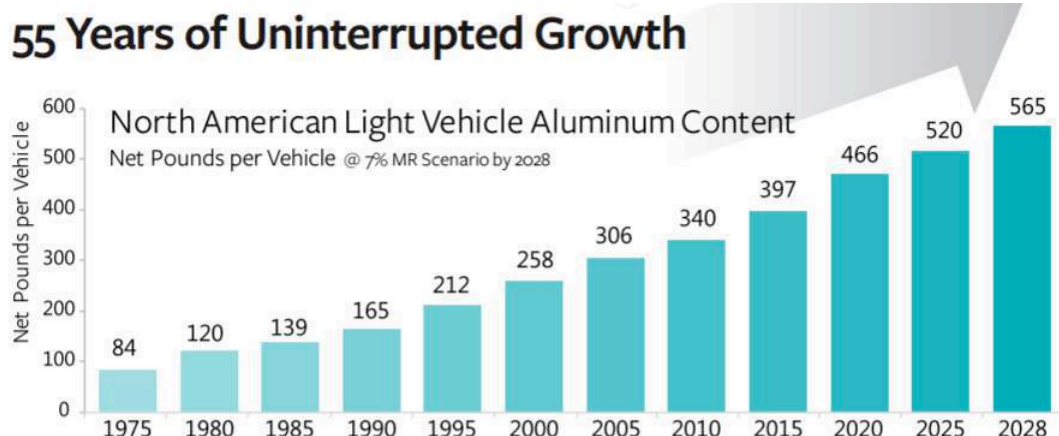
Indeed, **total aluminum content per vehicle worldwide is expected to increase by over 30% in the period 2016-25.**

## Expected evolution of aluminum content in vehicles

| Aluminum Content | % of Total Content |
|------------------|--------------------|
| 2016             | 10% (151kg)        |
| 2020 (E)         | 13%                |
| 2025 (E)         | 16%                |

Source: Ducker Worldwide

## Expected evolution of aluminum content in North American light vehicles



Source: DuckerWorldwide, July 2017

### Aluminum higher cost to be strongly reduced by puzzle-die technology adoption

As a matter of fact, the increasing use of aluminum will determine an increasing cost as well, which we consider to be worth considering both the macro trend of e-mobility and the several technological advantages of this material, as we already stressed.

There is, by the way, an important project that is expected to mitigate this cost increase, coming in the shape of the “Puzzle Die” technology.

The project has been developed by Costamp and offers the concrete possibility to increase the lifetime of aluminium dies (3x). This is going to act as positive catalyst of aluminum, as its expensiveness is expected to be offset by the savings deriving from the implementation of this new technology.

### Positioning of the proposed innovation

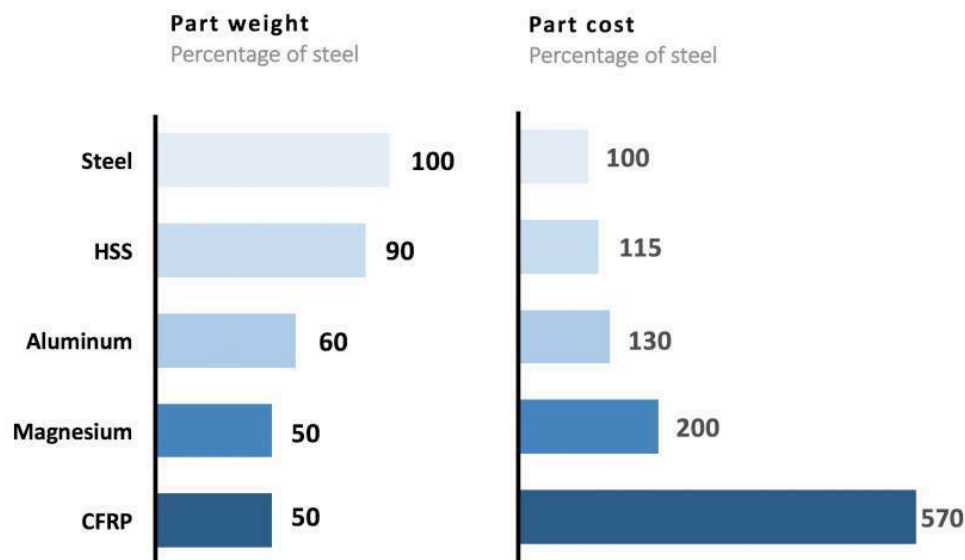
Moreover, among other die manufacturers and casters players there does not appear to be any information on techniques similar or alternative to the puzzle die, meaning that Costamp has the chance to dominate the actual aluminum die-casting market in the short-mid term.

In the long term, the success of the projects lays in the extent to which automakers choose in terms of lightweight material, being high-strength steel (HSS), magnesium, carbon fibre reinforced composite (CFRC) or aluminum.

The latter costs nearly three times more than steel but offers savings in terms of machining and automakers are much more familiar with it.

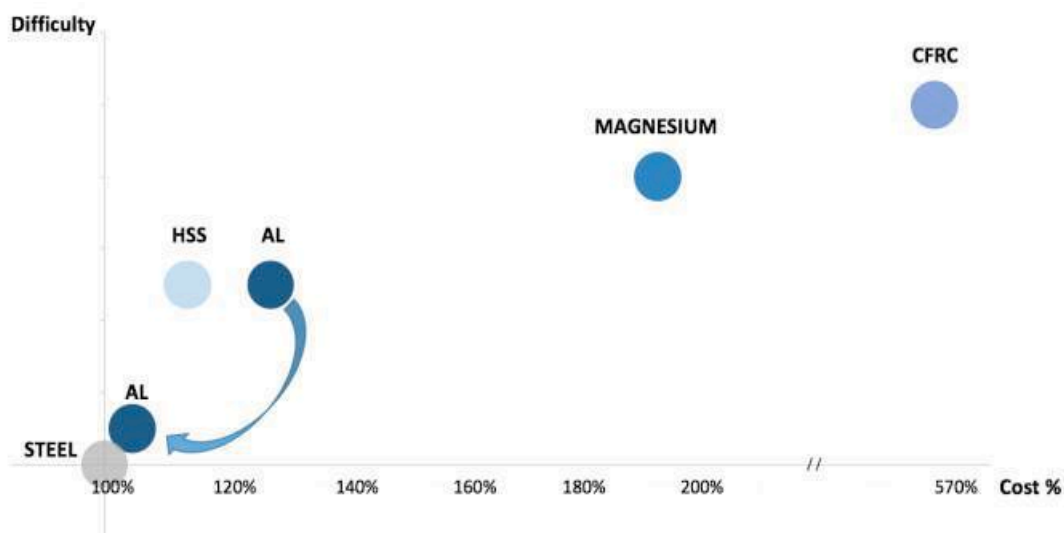
To sum up, the exploitation of puzzle die is forecasted to reposition this aluminum among other lightweight materials, and consequently strengthen Costamp positioning among aluminum large dies manufacturers.

#### Actual part weight and part average cost per material (steel is the reference)



Source: Costamp, Horizon 2020

#### Puzzle die will reposition Aluminum convenience among competitor material ones



Source: Costamp, Horizon 2020



## Historical Financials

*2017FY pro-forma financial results have been negatively impacted by the delayed impacts of so-called Diesel-Gate. At the same time, YoY comparison is affected by a €5mn jumbo order on plastic bumpers that positively impacted 2016PF revenues (ca. €1mn at the EBITDA level). One off M&A costs add on top in 2017PF and all these factors combined explain the severe drop in 2017PF profitability.*

### Intro and Key Pro-Forma financial figures

The “new” Costamp group resulting from the business combination of Modelleria Brambilla and “old” Co.Stamp group is substantially going “live” in current months, after the finalisation of 2H17 reverse take-over deal.

As such, the two companies have been managed separately in 2016 and 2017 fiscal years, so the financial figures hereby commented are Pro-Forma ones, (built under IAS-IFRS accounting standards), only aimed at better understanding what could be the economic and financial evolution from now on.

#### “New” Costamp Group: 2016-17FY key Pro-Forma financial figures

| €mn, IAS  | 2016PF       | 2017PF       |
|---|--------------|--------------|
| Net Revenues  | 62.4         | 58.0         |
| <b>Total Revenues (i.e. Value of Production)</b>      | <b>63.2</b>  | <b>59.0</b>  |
| EBITDA  | 8.0          | 4.6          |
| EBITDA margin (% on Net Revenues)                     | 12.9%        | 7.9%         |
| EBIT  | 5.6          | 1.7          |
| EBIT margin (% on Net Revenues)                       | 9.1%         | 2.9%         |
| <b>Group Net Profit</b>                               | <b>3.32</b>  | <b>0.36</b>  |
| Net Equity  | 26.1         | 27.4         |
| <b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b> | <b>-27.2</b> | <b>-26.9</b> |

Source: Costamp, Value Track Analysis

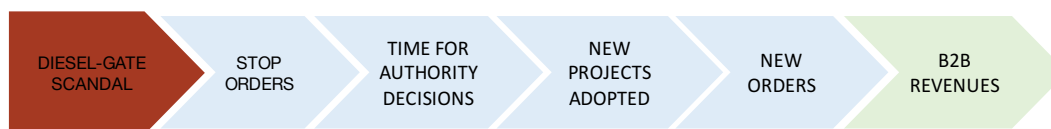
Before starting to analyse the performance of the group in the latest two years, we have to underline how figures do take into account some non recurring items and also the impact that the whole car component industry suffered as a consequence of the unexpected important event called “diesel-gate”.

### Diesel-gate: an unexpected impactful event

Diesel-gate stands for the September 2015 scandal that involved the main German and non-German car manufacturers, accused, by EPA (US Environmental Protection Agency), of intentionally manipulating NOx (nitric-oxide) emissions on different models equipped with diesel combustion engines.

The scandal had direct economic and financial consequences on involved car manufacturing companies and indirectly, through a block in orders, up backwards on the entire supply chain. More in details, manufacturers stopped launches of new models and restyling, waiting for sanctions and for the introduction of new criteria on exhaust emissions.

### Costamp: Scandal Magnitude Reflection Chain



Source: Value Track Analysis

### Revenues Analysis: a Group worth ca. €59mn Total Revenues

In FY17 Costamp group reported a -7% YoY Net Revenues decrease to ca. €58mn.

This results from the contraction in orders due to the just mentioned Diesel Gate issue, as well as from the postponement to 2018 of a couple of orders and from a drop in sales of moulds for plastic structural parts. Indeed, 2016FY Revenues had enjoyed a “jumbo” €5mn non recurring order for Jeep plastic bumpers from FCA Group.

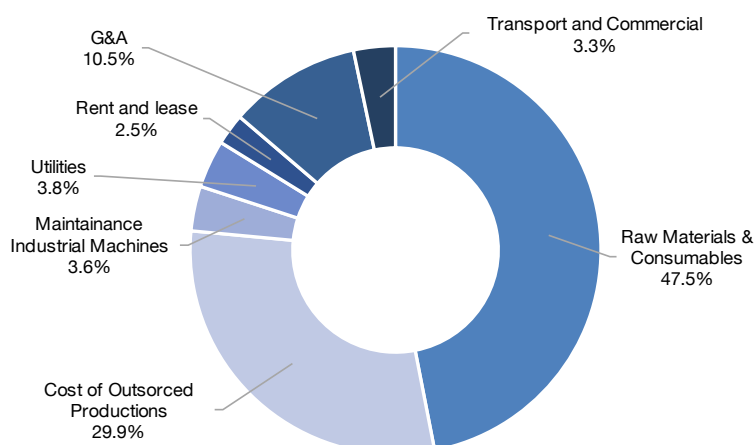
### Costs Structure: Higher Raw materials and non recurring expenses hit 2017FY profitability

Costamp Group’s **total Operating costs base** (ex D&A) was roughly €58.4mn in 2017FY, out of which we estimate ca. €1.4mn non recurring items coming from both the previous stand alone companies:

- ◆ Ca. €500k M&A fees to be taken into account for Modelleria Brambilla, as a consequence of Modelleria ARA acquisition and of Co.Stamp deal;
- ◆ Ca. €300k M&A fees for Co.Stamp deriving from Modelleria Brambilla deal;
- ◆ Ca. €0.6mn capital loss on machineries disposal.

As far as ordinary costs items are concerned, Raw Materials (aluminum, steel, cast-iron etc...) was the highest weight cost item accounting for ca. 47.5% of total costs, while costs of outsourced production (ca. 30%) and G&A (ca. 10.5%) represented, respectively, second and third most important cost item. R&D costs accounted for ca. €226K.

### Costamp Group 2017PF Cost Structure: Breakdown (% of total)



Source: Costamp, Value Track Analysis

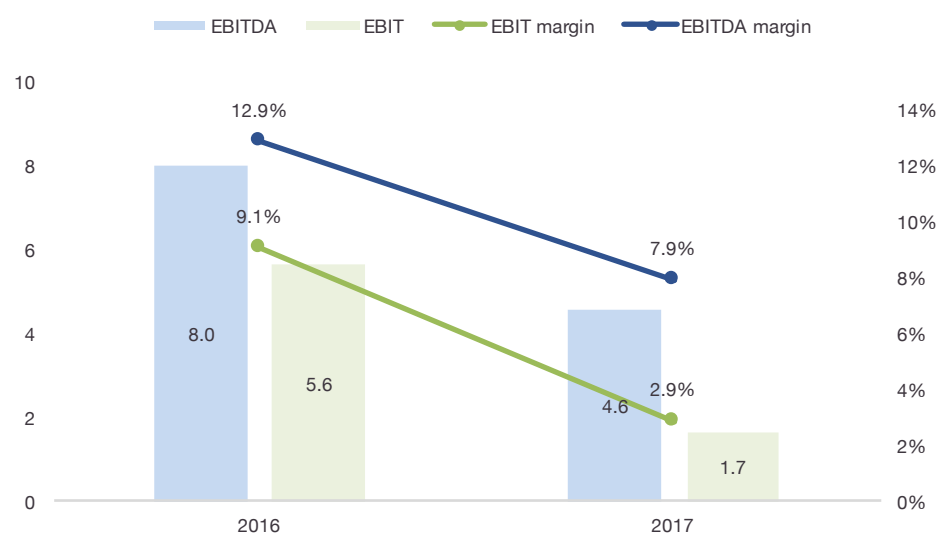
### Higher costs incidence lead to lower profitability

Although the Diesel-gate breath of scandal was at the end of Q3-15FY, the group profitability during the 2016FY evolved steadily with an EBITDA margin in line to the market at ca. 12.9%, i.e. €8mn in absolute value, and an EBIT margin of ca. 9%, i.e. €5.6mn in absolute terms.

However, 2017PF did not record such a positive performance, due to the above mentioned: 1) non repetition of FCA order on plastic bumpers and, 2) non recurring costs items.

Hence, the Group recorded a €3.4mn drop in EBITDA (€3.8mn drop at the EBIT level) and a resulting EBITDA margin decrease at ca. 7.9% from the previous level of roughly 13%.

#### Costamp Group: 2016PF-17PF EBITDA and EBIT evolution with margins



Source: Costamp, Value Track Analysis

#### Costamp Group: 2016PF-17PF results from Group Revenues to EBIT

| € mn, IAS                   | 2016PF        | 2017PF        |
|-----------------------------|---------------|---------------|
| <b>Group Revenues</b>       | <b>62.4</b>   | <b>58</b>     |
| Cost of sales               | -39.5         | -38.1         |
| Labour costs                | -14.8         | -15.2         |
| <i>Labour costs / Sales</i> | <i>-23.8%</i> | <i>-26.3%</i> |
| <b>EBITDA</b>               | <b>8</b>      | <b>4.6</b>    |
| <b>EBITDA margin (%)</b>    | <b>12.9%</b>  | <b>7.9%</b>   |
| Depreciation & Amortization | -2.4          | -2.9          |
| <b>EBIT</b>                 | <b>5.6</b>    | <b>1.7</b>    |
| <b>EBIT margin (%)</b>      | <b>9.1%</b>   | <b>2.9%</b>   |

Source: Costamp, Value Track Analysis

### Down to the bottom-line

After taking into account ca. €1mn net financial charges (out of which some €100k FX losses) and €260k tax ones, the Group's reported Net Profit was equal to ca. €360K in FY17, a ca. €3mn decrease vs. FY16.

#### Costamp Group: 2016PF-17PF results from Revenues to Net Profit

| € mn, IAS                             | 2016PF      | 2017PF      |
|---------------------------------------|-------------|-------------|
| <b>EBIT</b>                           | <b>5.6</b>  | <b>1.7</b>  |
| <b>EBIT margin (%)</b>                | <b>9.1%</b> | <b>2.9%</b> |
| Net Fin. Income / Charges             | -1.0        | -1.1        |
| Non-Operating Items                   | 0.0         | 0.0         |
| <b>Pre-tax Profit</b>                 | <b>4.6</b>  | <b>0.6</b>  |
| Tax                                   | -1.2        | -0.3        |
| Tax rate (%)                          | -26.7%      | -41.6%      |
| <b>Group Net Profit</b>               | <b>3.4</b>  | <b>0.4</b>  |
| <b>Group net Profit as % of Sales</b> | <b>5.4%</b> | <b>0.7%</b> |

Source: Costamp, Value Track Analysis

### Balance Sheet structure, Higher Payables vs Less Receivables Turnover

Total Capital Employed 2017FY stood at ca. €54mn. **The high capital intensity of this business is clear:** indeed, Net Fixed Assets stood at ca. €50mn, while €9.4mn Working Capital was partially offset by €3.9mn Provisions.

As of 2017 year end, Net Debt stood at ca. €27mn i.e. ca. 100% of equity and ca. 5.8x EBITDA.

#### Costamp Group: 2016-17FY Balance Sheet evolution

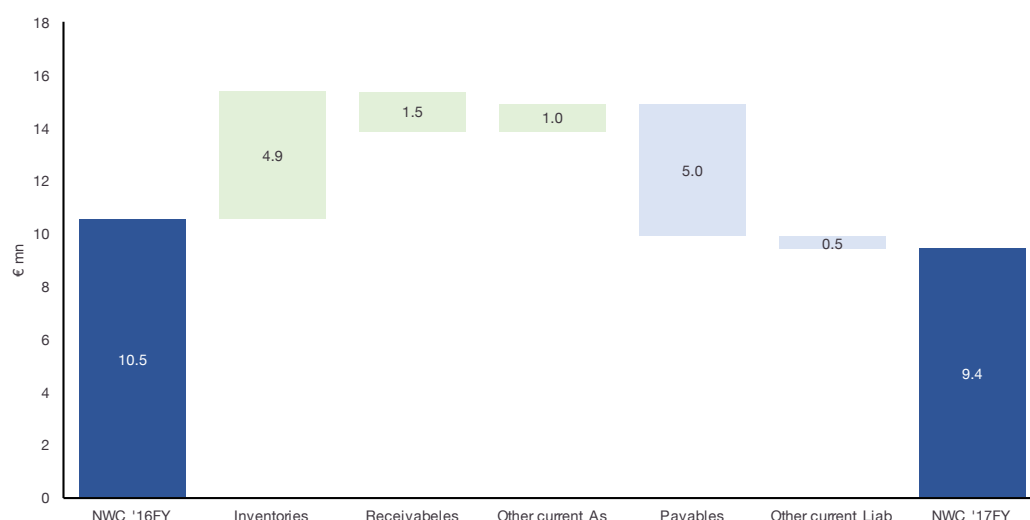
| €mn, IAS                                | 2016PF       | 2017PF       |
|---|--------------|--------------|
| Working Capital                         | 10.5         | 9.4          |
| Net Fixed Assets                        | 47.7         | 48.7         |
| Provisions                              | 4.8          | 3.9          |
| <b>Total Capital Employed</b>           | <b>53.4</b>  | <b>54.3</b>  |
| As % Of Sales                           | 85%          | 93%          |
| Shareholders' Equity                    | 26.1         | 27.4         |
| Minorities' Equity                      | 0.0          | 0.0          |
| <b>Group Net Equity</b>                 | <b>26.1</b>  | <b>26.4</b>  |
| <b>NFP [i.e. Net Debt (-) Cash (+)]</b> | <b>-27.2</b> | <b>-26.9</b> |

Source: Costamp, Value Track Analysis

Two things are worth to be mentioned as for Net Working Capital:

- ◆ **Weight of Trade Receivables.** Receivables accounted for ca. 28.5% of Revenues from Sales in FY17, i.e. ca. 50bps lower YoY.
- ◆ **Weight of Trade Payables.** In 2017FY the Group recorded an increase in trade payables that passed from 21.6% on Revenues from Sales in FY16 to 34.9% in FY17.

#### Costamp Group: 2016PF-17PF Working Capital evolution



Source: Costamp, Value Track Analysis

#### Costamp Group: 2016PF-17PF Net Working Capital Structure

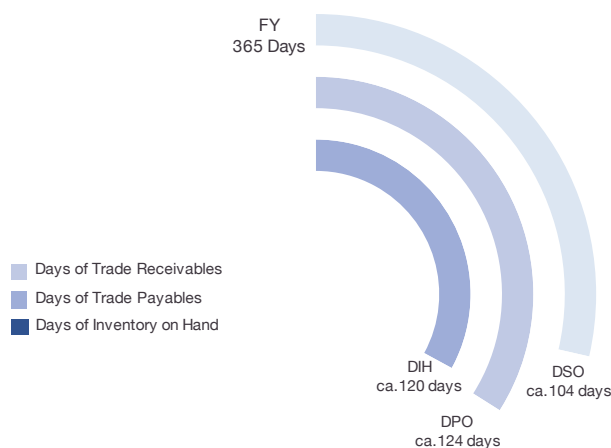
| €mn, IAS                                     | 2016PF       | 2017PF       | Diff.'17PF-'16PF |
|--|--------------|--------------|------------------|
| Inventories                                  | 14.2         | 19.1         | 4.9              |
| Trade Receivables                            | 18.1         | 16.5         | -1.5             |
| Accruals and prepaid expenses                | 1.8          | 2.8          | 1.0              |
| Other s.t. credits                           | 0.3          | 0.2          | 0.0              |
| <b>Current Assets</b>                        | <b>34</b>    | <b>38.4</b>  | <b>4.4</b>       |
| <b>Current Assets as % Net Revenues</b>      | <b>54.6%</b> | <b>66.3%</b> |                  |
| Trade Payables                               | 13.5         | 18.6         | 5.0              |
| Other Payables                               | 10.8         | 10.5         | -0.3             |
| Other s.t. debits                            | 0.0          | 0.2          | 0.3              |
| Accruals and deferred income                 | 0.0          | 0.0          | 0.0              |
| <b>Current Liabilities</b>                   | <b>23.5</b>  | <b>29</b>    | <b>5.5</b>       |
| <b>Current Liabilities as % Net Revenues</b> | <b>37.7%</b> | <b>50%</b>   |                  |
| <b>Net Working Capital</b>                   | <b>10.5</b>  | <b>9.4</b>   | <b>-0.6</b>      |
| <b>Net Working Capital as % Net Revenues</b> | <b>15.9%</b> | <b>17.7%</b> |                  |

Source: Costamp, Value Track Analysis

### Cash Conversion Cycle, ca. 104 Days of Selling Outstanding

The group shows a DIH of ca. 120 days. Costamp Group's clients are, for the most, foundries or OEMs which operate, as the "new" Costamp group itself, with a warehouse timing between three and four months. This is translated into a slow-down in terms of payments-back of the company, with a DPO of ca.120 days and a DSO of 104 days.

#### Costamp Group: Cash Conversion Cycle 2017PF



Source: Costamp, Value Track Analysis

### EBITDA to Cash Flow Conversion ratio, ca. 42% pre-tax in FY17

In 2017FY Costamp Group was capable to convert ca. 41% of EBITA in OpFCF, and overall it generated ca. €600K of Free Cash Flow in FY17.

#### Costamp Group: 2017FY Cash Flow Statement

| €mn, IAS                                      | 2017PF       |
|---|--------------|
| EBITDA  | 4.6          |
| Working Capital Needs                         | -1.5         |
| Capex   | -1.3         |
| Change in Provisions                          | 0.0          |
| <b>OpFCF b.t.</b>                             | <b>1.9</b>   |
| <b>As a % of EBITDA</b>                       | <b>40.8%</b> |
| Cash Taxes                                    | -0.9         |
| <b>OpFCF a.t.</b>                             | <b>1.0</b>   |
| Other Op. Items (incl. Fin. Inv.)             | -0.3         |
| CF available to serve debt / equity investors | 0.7          |
| Net Financial Charges                         | 0.0          |
| <b>Net Cash generated</b>                     | <b>0.6</b>   |

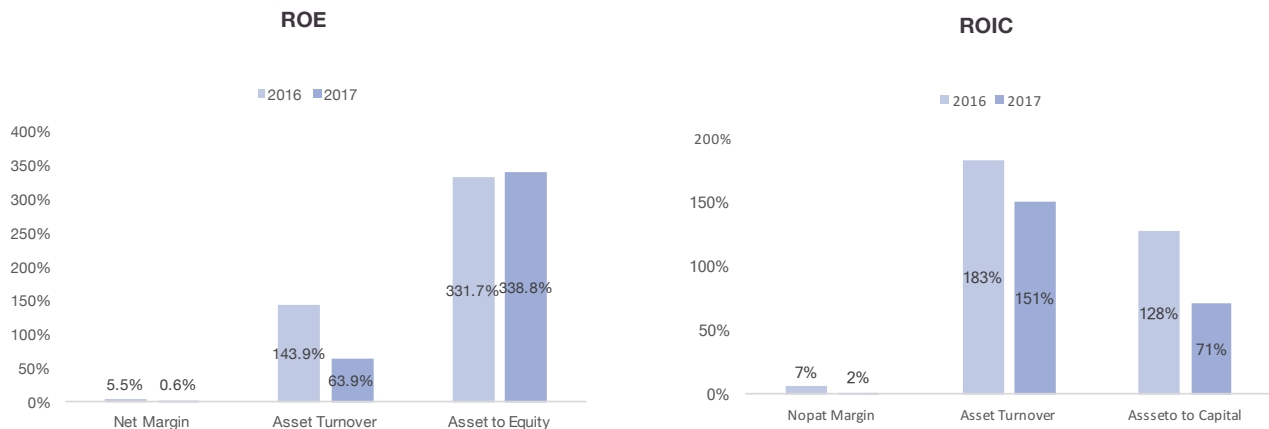
Source: Costamp, Value Track Analysis

### Du Pont analysis, ROE and ROIC underperformed

The above mentioned factors that negatively impacted operating and net profitability took their toll also on ROE and ROIC performances which respectively stood at ca. 1.3% and 1.6% as of 2017 year end, down YoY as an effect of Net margin dropping to 0.6% in FY17 and of Asset Turnover decreasing from 186% in FY16 to 151% in FY17.

Same concerns apply with respect to Nopat Performance, declined of ca. 500bps, and Asset to Capital ratio that lead the ROIC in the considered period.

#### Costamp Group: Du Pont analysis 2016PF-17PF



Source: Costamp, Value Track Analysis



## 2018E-20E Forecasted Financials

*We performed our top-line estimates (12% CAGR 2017PF-20E) through a bottom up approach considering HPDC technology as driver of organic growth, LPDC in order to take into account the synergies deriving from the deal with Modelleria Brambilla, magnesium applied technology and Puzzle Die starting as of 2019. An improvement in the company's profitability is forecasted as well (43% EBITDA CAGR 2017PF-20E), thanks to economies mainly arising from the company's choice to externalize low value added production and to progressive market penetration of high margins Puzzle Die business. As for the company's Net Debt, we expect a gradual recovery driven by steady OpFCF generation.*

### Intro

As far as 2018E-20E financial forecasts are concerned, we point that all our figures are:

- ◆ Estimated in compliance with IAS-IFRS principles;
- ◆ Assuming the economic and financial effects of the merger between old Co.Stamp and Modelleria Brambilla to be effective as of 1<sup>st</sup> January 2018;
- ◆ Based on Work in Progress being valued (among Other Revenues) not at historical costs but at state of progress, as the company should adopt this methodology starting as of 2018E;
- ◆ Based on a stand-alone scenario, i.e. with no financial impact from possible future M&A deals;
- ◆ Pre-money, i.e. without considering the expected capital injections.

In addition, in order to better compare the future evolution with “normalized” 2017 financial figures, we summarize the already mentioned non recurring items that negatively affected 2017FY pro-forma figures, resulting in a decrease in the company's profitability.

Indeed, we estimate that 2017PF €4.6mn EBITDA has been affected by:

- ◆ Ca. €0.8mn of M&A costs;
- ◆ Ca. €0.6mn capital loss on machineries disposal;
- ◆ Ca. €0.1mn of FX losses;

To sum up, we calculate Costamp “normalized” FY2017 EBITDA of ca. €6.2mn. And we remind the postponement from 20107PF to 2018FY of a couple of orders that lowered 2017 figures and, on the opposite, should benefit 2018 ones.

### Costamp Group: 2017PF EBITDA evolution adjusted for one off costs

|                                 | €mn        |
|---------------------------------|------------|
| <b>2017PF “Reported” EBITDA</b> | <b>4.6</b> |
| M&A                             | 0.8        |
| Capital loss on disposals       | 0.6        |
| FX losses                       | 0.1        |
| Other                           | 0.1        |
| <b>2017PF “Adjusted” EBITDA</b> | <b>6.2</b> |

Source: Value Track estimate / calculation on Costamp figures

## Costamp Group 2018E-20E forecasts at a glance

### Costamp: 2018E-20E key financial forecasts

| €mn   | 2017A        | 2018E        | 2019E        | 2020E        |
|---|--------------|--------------|--------------|--------------|
| Revenues  | 58.0         | 65.9         | 74.0         | 83.0         |
| <b>EBITDA</b>   | <b>4.60</b>  | <b>8.51</b>  | <b>10.40</b> | <b>13.45</b> |
| EBITDA margin (%)                                     | 7.9%         | 12.4%        | 14.1%        | 16.2%        |
| <b>EBIT</b>   | <b>1.67</b>  | <b>6.01</b>  | <b>7.80</b>  | <b>10.75</b> |
| EBIT margin (%)                                       | 2.9%         | 9.1%         | 10.5%        | 13.0%        |
| <b>Net Profit</b>                                     | <b>0.36</b>  | <b>3.02</b>  | <b>4.40</b>  | <b>6.62</b>  |
| <b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b> | <b>-26.9</b> | <b>-26.7</b> | <b>-25.0</b> | <b>-20.5</b> |

Source: Costamp (historical figures), Value Track forecasts

### Revenues growing at a 12% in our Base Case scenario

Costamp Group has a **“work by order” business model** and its growth is mainly driven by the development of “new auto vehicles models”.

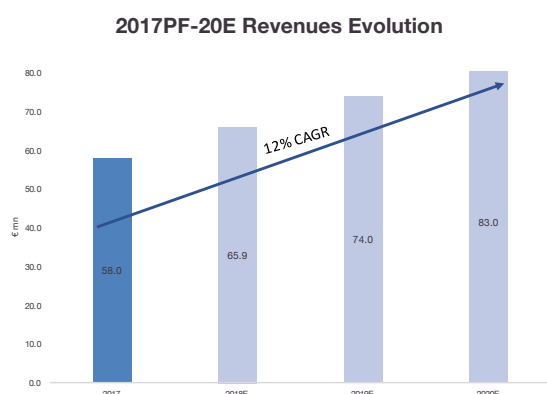
From this point of view we believe the outlook remains positive, not only for the whole market (see the chapter on Reference market) but also for Costamp itself that should ripe the benefit of its positioning focused on dies dedicated to aluminum and magnesium jets. Indeed, in our analysis top line growth should be driven by:

- ◆ Organic growth in both HPDC and LPDC & gravity businesses;
- ◆ Exploitation of above mentioned cross selling and up-selling synergies;
- ◆ The progressive market penetration of Puzzle Die technology starting as of 2019FY.

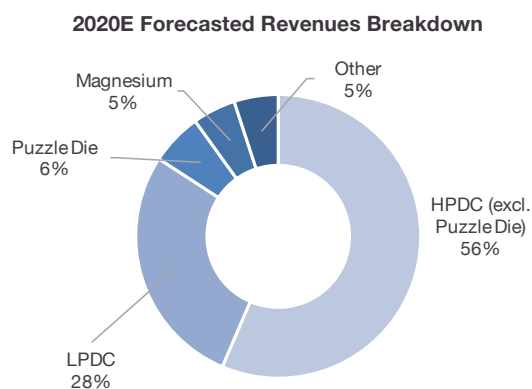
Worthy to note, as it is not so high the visibility on new orders (especially from 2019FY onwards) and on the magnitude of success of cross selling and upselling with Modelleria Brambilla, we performed our estimates considering both a Base Case and a Best Case scenario.

In our Base Case scenario we forecast **Revenues growing at ca. 12.7% 2017PF-20E CAGR** and we underline that as of 1Q18 orders' backlog stood at ca. €55mn vs. €32mn as of 1Q17.

### Costamp Group: Revenues evolution 2017PF-20E



Source: Costamp Group (historical figures), Value Track forecasts



### Profitability rebounding from its lows

As for the company's profitability, in our view we expect a more than proportional increase due to:

- ◆ Exploitation of Modelleria Brambilla's not yet utilized output capacity;
- ◆ Labour costs growing gradually in absolute terms, from €15.2mn in 2017PF to €17.3mn by 2020E, but decreasing as a percentage of Group Revenues from 26% to 22% thanks to externalization of lower value added production.

We note that the externalization of some production leads, in theory, to a dilutive effect on marginalities, but not in this case as Costamp Group is expected to outsource low value added works.

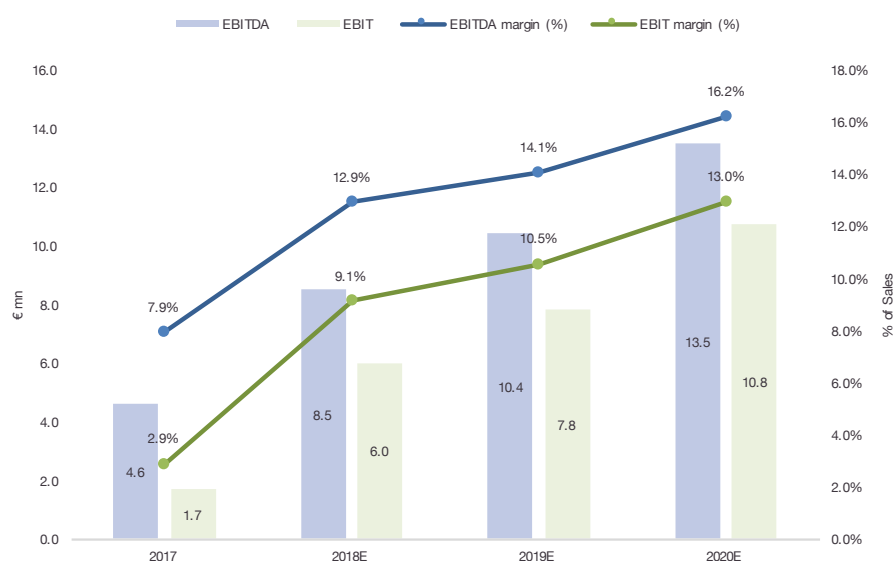
As an effect, **we expect EBITDA to triple in the 2017PF-20E period reaching ca. €13.5mn by 2020E**, with EBITDA Margin progressively improving, from 7.9% to 16.2% by 2020E. Once again we remind that 2018E should be benefitted by the postponement of a couple of orders back from 2017.

### Costamp Group 2017PF-20E: P&L from Revenues down to EBIT

| €mn                         | 2017PF       | 2018E        | 2019E        | 2020E        |
|-----------------------------|--------------|--------------|--------------|--------------|
| Group Revenues              | 57.96        | 65.90        | 74.00        | 83.00        |
| Cost of sales               | -38.13       | -41.58       | -46.77       | -52.21       |
| <b>Gross profit</b>         | <b>19.82</b> | <b>24.32</b> | <b>27.23</b> | <b>30.79</b> |
| <b>Gross margin</b>         | <b>34.2%</b> | <b>36.9%</b> | <b>36.8%</b> | <b>37.1%</b> |
| Labour costs                | -15.24       | -15.81       | -16.83       | -17.34       |
| <b>EBITDA</b>               | <b>4.58</b>  | <b>8.51</b>  | <b>10.40</b> | <b>13.45</b> |
| <b>EBITDA margin (%)</b>    | <b>7.9%</b>  | <b>12.9%</b> | <b>14.1%</b> | <b>16.2%</b> |
| Depreciation & Amortization | -2.91        | -2.50        | -2.60        | -2.70        |
| <b>EBIT</b>                 | <b>1.67</b>  | <b>6.01</b>  | <b>7.80</b>  | <b>10.75</b> |
| <b>EBIT margin (%)</b>      | <b>2.9%</b>  | <b>9.1%</b>  | <b>10.5%</b> | <b>13.0%</b> |

Source: Costamp Group (historical figures), Value Track forecasts

### Costamp Group: profitability evolution 2017PF-20E



Source: Costamp Group (historical figures), Value Track forecasts

### Net Profit expected to grow at 47.6% CAGR

We expect **Net Profit to move from 2017PF €0.36mn to €6.6mn in 2020E** as an effect of:

- ◆ The above-mentioned increase in EBITDA-EBIT values;
- ◆ Net Financial charges increasing in 2018E and then stabilizing at €1.3mn by 2020E;
- ◆ Tax rate decreasing from 35% as of 2018E down to 30% as of 2020E in order to discount Patent Box effect on Puzzle Die project.

#### Costamp Group 2017E-20E: P&L from EBIT down to Net Profit

| €mn                            | 2017PF      | 2018E       | 2019E       | 2020E       |
|--------------------------------|-------------|-------------|-------------|-------------|
| EBIT                           | 1.67        | 6.01        | 7.80        | 10.75       |
| EBIT margin (%)                | 2.9%        | 9.1%        | 10.5%       | 13.0%       |
| Net Financial Income (charges) | -1.10       | -1.36       | -1.29       | -1.29       |
| Tax                            | -0.26       | -1.63       | -2.12       | -2.84       |
| Tax rate (%)                   | -41.6%      | -35.0%      | -32.5%      | -30.0%      |
| <b>Net Profit</b>              | <b>0.36</b> | <b>3.02</b> | <b>4.40</b> | <b>6.62</b> |
| <b>Net Profit margin (%)</b>   | <b>0.6%</b> | <b>4.6%</b> | <b>5.9%</b> | <b>8.0%</b> |

Source: Costamp Group (historical figures), Value Track forecasts

### 2018E-20E Balance Sheet and Cash Flow statement evolution

Costamp's balance sheet is currently quite stretched, with Net Debt at €27mn, but we forecast debt to experience a progressive reduction to €20.5mn in 2020E, i.e. ca. 1.5x Net Debt/EBITDA ratio.

This is expected to happen thanks to a steady cash flow generation, driven by Net Fixed Assets remaining substantially flat at ca. €50mn as the recent Capex plan and the unutilized Modelleria Brambilla's output capacity should imply limited Capex ahead.

#### Costamp Group: 2017PF-20E Balance Sheet evolution

| Balance Sheet (€mn)                                   | 2017PF        | 2018E         | 2019E         | 2020E         |
|---|---------------|---------------|---------------|---------------|
| Working Capital                                       | 9.43          | 11.72         | 14.03         | 15.90         |
| As a % of Sales                                       | 16.3%         | 17.8%         | 19.0%         | 19.2%         |
| Net Fixed Assets                                      | 48.72         | 49.22         | 49.62         | 49.92         |
| Provisions  | 3.86          | 3.86          | 3.86          | 3.86          |
| <b>Total Capital Employed</b>                         | <b>54.29</b>  | <b>57.07</b>  | <b>59.78</b>  | <b>61.95</b>  |
| <b>Group Net Equity</b>                               | <b>27.39</b>  | <b>30.41</b>  | <b>34.80</b>  | <b>41.43</b>  |
| <b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b> | <b>-26.90</b> | <b>-26.66</b> | <b>-24.98</b> | <b>-20.52</b> |

Source: Costamp Group (historical figures), Value Track forecasts

Indeed, as for the evolution of future Cash Flow Statement is concerned, we forecast only limited absorption coming from Net Working Capital and from Capex.

As a result, we forecast Costamp could generate ca. €6.4mn Free Cash Flow in the FY18E-20E period, with €4.45mn generated in 2020E only.

#### Costamp Group: 2017PF-20E Cash Flow Statement evolution

| (€mn)                                      | 2017A        | 2018E        | 2019E        | 2020E        | Cumulated '18E-20E |
|--|--------------|--------------|--------------|--------------|--------------------|
| <b>EBITDA</b>                              | 4.58         | 8.51         | 10.40        | 13.45        | 32.36              |
| Working Capital Needs                      | 1.09         | -2.29        | -2.31        | -1.87        | -6.47              |
| Capex                                      | -3.98        | -3.00        | -3.00        | -3.00        | -9.00              |
| Change in Provisions                       | 0.00         | 0.00         | 0.00         | 0.00         | 0.00               |
| <b>OpFCF b.t.</b>                          | <b>1.70</b>  | <b>3.22</b>  | <b>5.09</b>  | <b>8.58</b>  | <b>16.89</b>       |
| <b>As a % of EBITDA</b>                    | <b>37.0%</b> | <b>37.9%</b> | <b>49.0%</b> | <b>63.8%</b> | <b>52.2%</b>       |
| Cash Taxes                                 | -0.26        | -1.63        | -2.12        | -2.84        | -6.58              |
| <b>OpFCF a.t.</b>                          | <b>1.44</b>  | <b>1.59</b>  | <b>2.98</b>  | <b>5.74</b>  | <b>10.31</b>       |
| Capital Injections                         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00               |
| Other Op. Items (incl. Fin. Inv.)          | 0.01         | 0.00         | 0.00         | 0.00         | 0.00               |
| <b>CF available to serve debt / equity</b> | <b>1.45</b>  | <b>1.59</b>  | <b>2.98</b>  | <b>5.74</b>  | <b>10.31</b>       |
| Net Financial Charges                      | -1.10        | -1.36        | -1.29        | -1.29        | -3.94              |
| Dividends paid                             | 0.00         | 0.00         | 0.00         | 0.00         | 0.00               |
| <b>Net Cash generated</b>                  | <b>0.34</b>  | <b>0.24</b>  | <b>1.69</b>  | <b>4.45</b>  | <b>6.38</b>        |

Source: Costamp Group (historical figures), Value Track forecasts

#### Costamp Group: 2017PF-20E Cash Flow evolution



Source: Costamp Group (historical figures), Value Track forecasts

### Scenario analysis

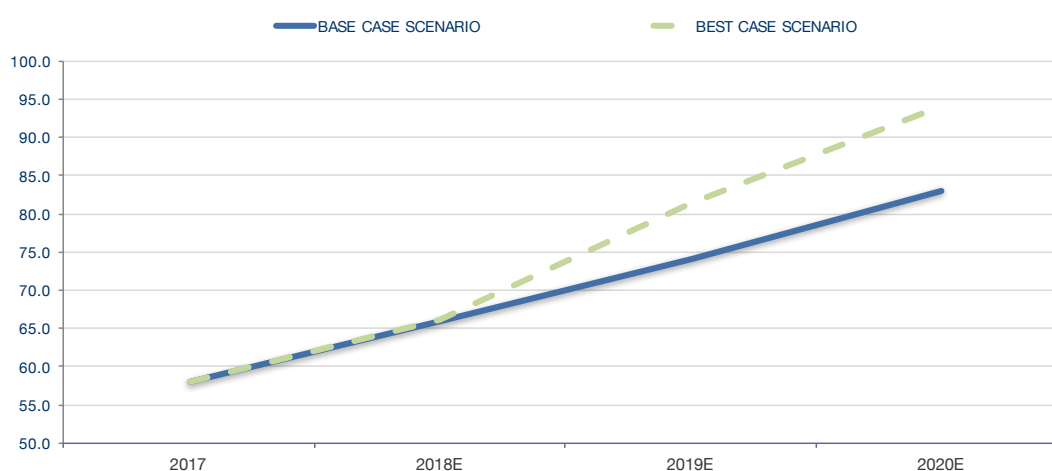
We said before that as it is not so high the visibility on new orders (especially from 2019FY onwards) and on the magnitude of success of cross selling and upselling with Modelleria Brambilla, we performed our estimates considering both a Base Case and a Best Case scenario.

In our **Base Case** scenario we forecast **Revenues growing at ca. 12.7% 2017PF-20E CAGR** (compared to the historical 4yy 16% CAGR).

In our **Best Case** scenario we forecast **Revenues growing at ca. 17% 2017PF-20E CAGR**. This can be achieved as long as all the bullish expectations about the synergies with Modelleria Brambilla come to reality.

Thanks to a “medium level” operating leverage, higher revenues lead to much higher Operating profitability / Operating Cash Flow estimates.

#### Costamp Group: 2017PF-20E Revenues in different scenarios (€mn)



Source: Costamp Group (historical figures), Value Track forecasts

#### Costamp Group: 2017PF-20E Key Financials in different scenarios (€mn)

| (€mn)  | Base Case    |              |              | Best Case    |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2018E        | 2019E        | 2020E        | 2018E        | 2019E        | 2020E        |
| Group Revenues                                     | 65.9         | 74.0         | 83.0         | 66.2         | 81.4         | 94.0         |
| <b>EBITDA</b>                                      | <b>8.5</b>   | <b>10.4</b>  | <b>13.5</b>  | <b>8.8</b>   | <b>13.1</b>  | <b>17.1</b>  |
| EBITDA Margin*                                     | 12.9%        | 14.1%        | 16.2%        | 13.2%        | 16.1%        | 18.1%        |
| <b>EBIT</b>  | <b>6.0</b>   | <b>7.8</b>   | <b>10.8</b>  | <b>6.3</b>   | <b>10.5</b>  | <b>14.4</b>  |
| EBIT Margin*                                       | 9.1%         | 10.5%        | 13.0%        | 9.5%         | 12.9%        | 15.3%        |
| <b>Net Profit (Loss)</b>                           | <b>3.0</b>   | <b>4.4</b>   | <b>6.6</b>   | <b>3.2</b>   | <b>6.0</b>   | <b>8.5</b>   |
| OpFCF b.t.   | 3.2          | 5.1          | 8.6          | 4.3          | 6.5          | 11.6         |
| Op FCF Margin*                                     | 4.9%         | 6.9%         | 10.3%        | 6.4%         | 8.0%         | 12.4%        |
| <b>OpFCF a.t.</b>                                  | <b>1.6</b>   | <b>3.0</b>   | <b>5.7</b>   | <b>2.5</b>   | <b>4.3</b>   | <b>7.1</b>   |
| <b>Net Fin. Position [Net debt (-) / Cash (+)]</b> | <b>-26.7</b> | <b>-25.0</b> | <b>-20.5</b> | <b>-25.7</b> | <b>-23.7</b> | <b>-17.9</b> |

Source: Value Track \*On Group Revenues

## Appendix 1: Foundry Processes

| Process                          | Foundry Process Description  | Pros and Cons   |
|----------------------------------|--|---|
| <b>Transitional Form Casting</b> |  |   |
| <b>Sand Casting</b>              | The process uses a mould made of compressed or compacted moist sand, packed around a wood or metal pattern. A metal frame is placed over the pattern to produce a cavity representing one half of the casting. The sand is compacted by either jolting or squeezing the mould.   | <b>Advantages:</b> Both ferrous and non-ferrous metals can be used. Low Pattern & Material costs. No limits on size, shape or weight.<br><b>Disadvantages:</b> Low design complexity and Low dimensional accuracy.  |
| <b>Moulding Shell</b>            | The Process is based on resin-bonded silica sand placed onto a heated pattern, which forms shell-like mould halves. Furthermore, the pattern halves are bonded together with or without cores to obtain the form used during the process.  | <b>Advantages:</b> Adaptable to large-medium quantities, both ferrous and non-ferrous metals can be used. The production rate is rapid with good dimensional casting details and accuracy. <b>Disadvantages:</b> The tooling requires heat to cure the mould, pattern costs and pattern wear can be higher. Energy and Material costs are higher than those for sand casting.   |
| <b>Lost-Wax</b>                  | The wax patterns are assembled on a "tree" and invested with ceramic slurry. The tree is then immersed into a fluidized bed of refractory particles to form the first layer of the ceramic shell. The mould dries and the process is repeated with coarser material until sufficient thickness has been built up to withstand the impact of hot metal. When the slurry hardens, the wax pattern is melted out. | <b>Advantages:</b> Excellent accuracy and flexibility of design. Useful for casting alloys that are difficult to machine. Suitable for large-small quantities of parts. Almost unlimited intricacy. Suitable for most ferrous/non-ferrous metals. No flash to be removed or parting line tolerances. <b>Disadvantages:</b> Limitations on size of casting. High casting costs   |
| <b>Vacuum</b>                    | This technique permits moulds to be made of free-flowing, unbounded sand, without using high-pressure squeezing, jolting, slinging or blowing as means of compaction. The V-process is dimensionally consistent, economical, environmentally and ecologically acceptable, energy thrifty, versatile and clean.   | <b>Advantages:</b> Superb finishes. Good dimensional accuracy. No defects from gas holes. All sizes and shapes of castings are possible in both ferrous and non-ferrous metals. <b>Disadvantages:</b> The V-process requires plated pattern equipment.  |
| <b>Permanent Casting</b>         |  |   |
| <b>Permanent Gravity Mould</b>   | Permanent moulds consist of form cavities machined into metal die blocks and designed for repetitive use. Currently, moulds are usually made of cast iron or steel, although graphite, copper and aluminum have been recently implemented.   | <b>Advantages:</b> Superior mechanical properties. Produces dense, uniform castings with high dimensional accuracy. Excellent finished surface and grain structure. The process makes possible the production of parts that are not suitable for the HPDC. Repeated use of moulds. Rapid production rate with low scrap loss. <b>Disadvantages:</b> High cost of tooling requires a high volume of castings. The process is generally limited to the production of small casts of simple exterior design. |
| <b>High Pressure Die Casting</b> | The process is used to produce large volumes of zinc, aluminum and magnesium castings of intricate shapes. The essential feature of die-casting is the use of permanent metal dies into which the molten metal is injected under high pressure (normally 5000 psi or more).  | <b>Advantages:</b> Cost of castings is relatively low with high volumes. High degree of design complexity and accuracy. Excellent smooth-finished surface. High production rates. <b>Disadvantages:</b> Limits on size of castings, most suitable for small castings. Equipment and die costs are high.   |
| <b>Centrifugal Moulding</b>      | The technique consists of a metal or graphite mould that is rotated in the horizontal or vertical plane during the casting solidification. The centrifugal force shapes and feeds the molten metal into the designed crevices and details of the form.   | <b>Advantages:</b> Rapid production rate. Suitable for Ferrous/Non-ferrous parts. Good soundness and cleanliness of castings. Ability to produce extremely large cylindrical parts. <b>Disadvantages:</b> Limitations on shape of castings, normally restricted to the production of cylindrical geometric shapes.  |

Source: Various, Value Track analysis



## Appendix 2: Current and expected worldwide car manufacturing activity by region

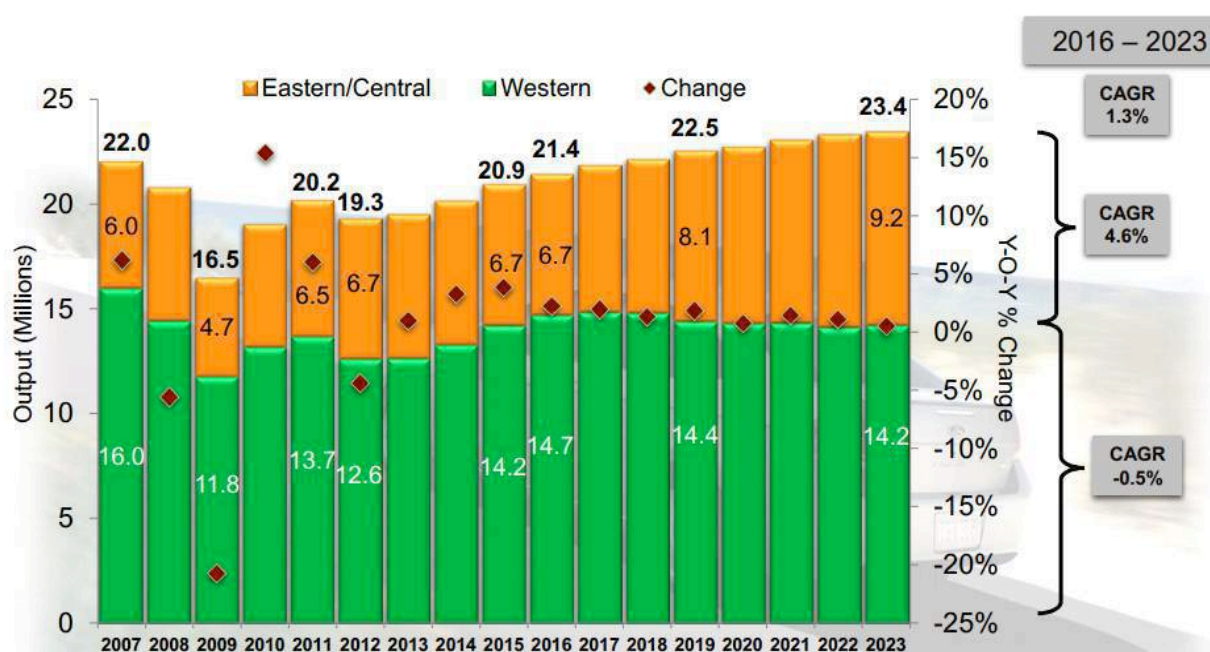
### Europe & North America

These two markets have been the largest, most developed and most stable throughout the years. However, there seems to be limited potential for significant growth. More in particular:

- ◆ **Europe** is currently responsible for 23.6% of the world production of vehicles. France and Germany are doing consistently better and are expected to reach their pre-crisis levels soon, while Italy's production continues to increase (+5% in 2017). **Germany remains by far the leading European automotive producer**, with a volume of 5.8mn units, of which more than 80% is exported.

On the contrary, United Kingdom and Spain are expected to witness a decrease in sales due to Brexit and the end of old car scrapping incentives respectively.

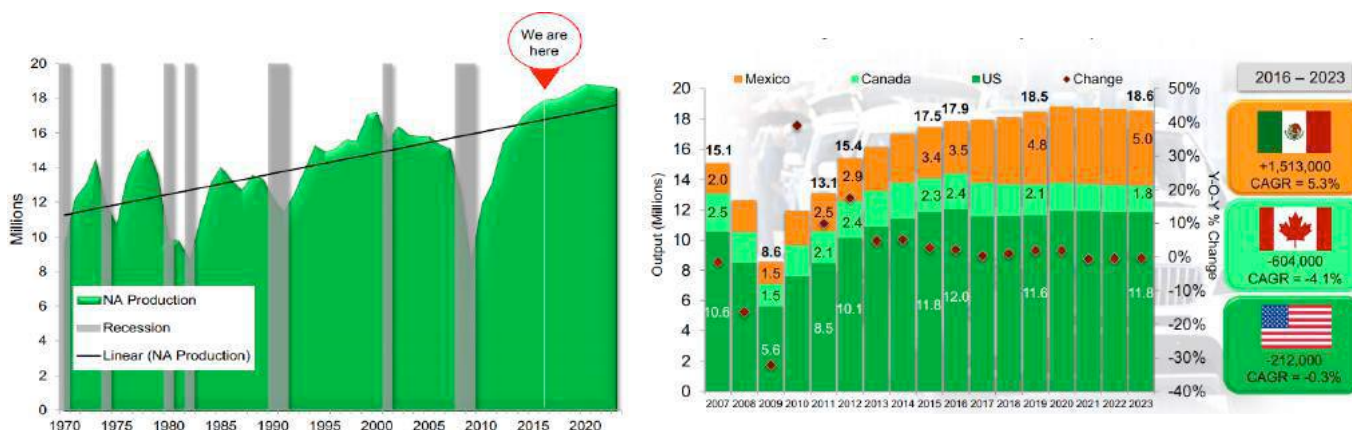
#### European Light Vehicle Production Outlook



Source: IHS Markit Light Vehicle Production Forecast

- ◆ **North America** reached c. 18mn units sold in 2016 thanks to **low interest rates and fuel prices**, thus achieving a 1% growth, followed by sales of 17.8mn in 2017. While interest rates and fuel prices may be positive for the market in the short-term, they do not encourage a transition to more energy efficient alternatives. So, even though petrol-using vehicles of the United States occupy a large part of the market, their future is uncertain if greenhouse gas regulations continue to tighten.

## North American Light Vehicle Production Outlook



Source: IHS Markit Light Vehicle Production Forecast

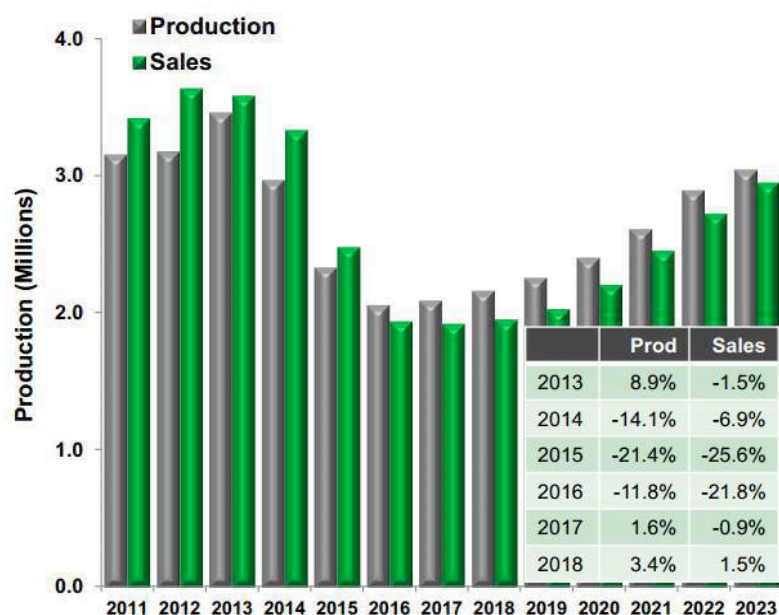
## Brazil, Russia, and India

Past few years have not been kind to Brazil and Russia, but there seems to be long-term growth prospects here.

- ◆ **Brazil** has been experiencing a stagnation in car sales in 2017 after a 26% decline in 2015 and a 22% decline in 2016. The reasons behind the downfall are the usual suspects: **poor macroeconomic conditions, low consumer confidence, tight credit etc.**

While short-term forecasts remain pessimistic due to uncertainty and deficit pressures, the long-term seems more optimistic due to Brazil's exports benefiting from the performance of surrounding markets.

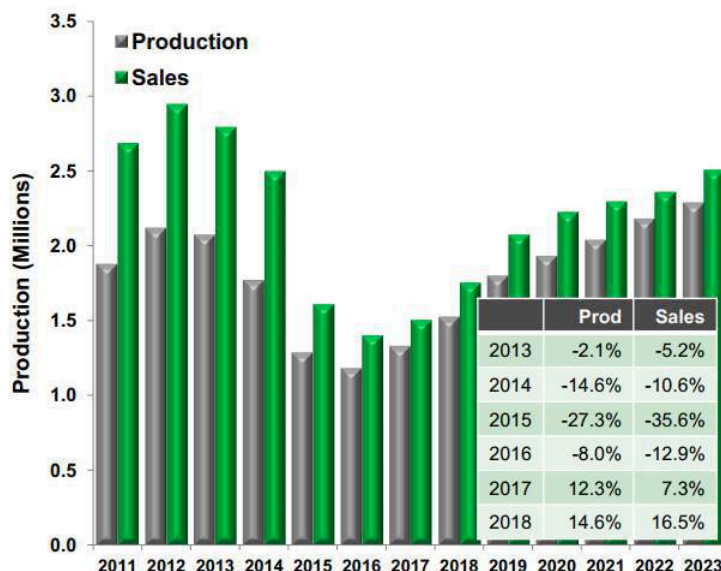
## Brazil Sales and Production



Source: IHS Markit Light Vehicle Production Forecast

- ◆ **Russia** has been experiencing a similar fate with Brazil (36% decline in 2015 and 13% decline in 2016) but is calculated to have had a +73x growth recovery in 2017. A decline in oil prices, as well as tough economic conditions have increased the risk volatility of the market and **car manufacturers will need to diversify their production if they wish to stabilise from the changes in oil and gas pricing**. If the Russian automobile manufacturing sector becomes more flexible perhaps its export potential might increase.

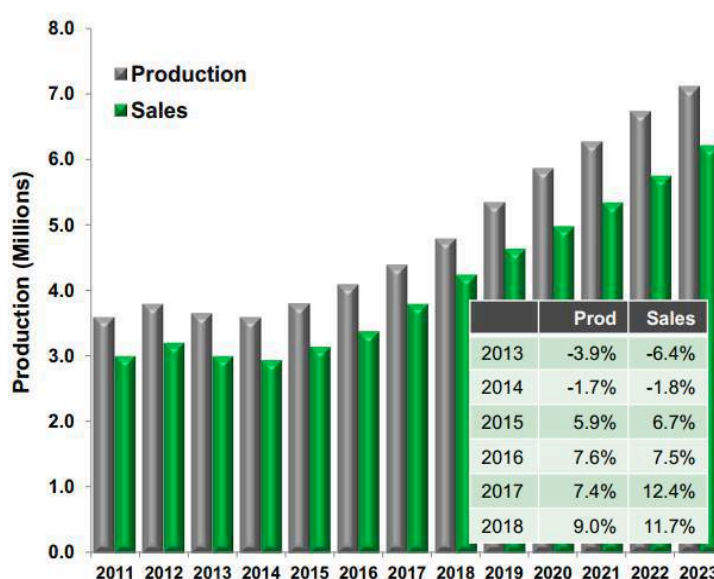
#### Russia Sales and Production



Source: IHS Markit Light Vehicle Production Forecast

- ◆ **India** has been facing a severe slowdown back as of 2013-14, and even though its population exceeds 1 billion people, only 2 million cars are sold per year. **There's still a lot to be done before India could be considered a trustful market.**

#### India Sales and Production



Source: IHS Markit Light Vehicle Production Forecast

## China

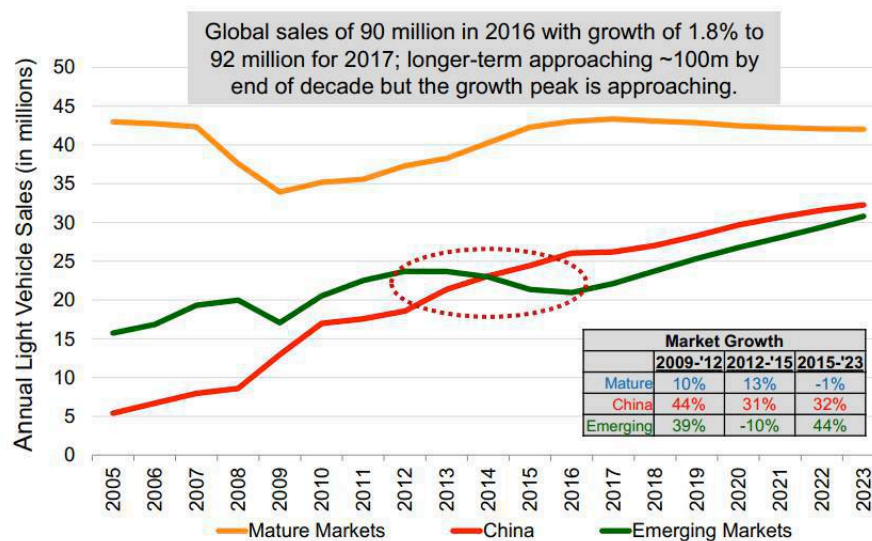
When sales started to slow last year, the Chinese government intervened **and lowered the VAT rate on small and medium-sized cars**, thus succeeding in maintaining a slightly positive market's growth rate.

In order to fight the increasing pollution, the Chinese authorities are introducing new restrictions and are **incentivising manufacturers to start mass production of electric vehicles**.

With **a successful transition to electric/ hybrid vehicles**, China's production is expected to increase at a **double digit rate** ahead.

This means that Costamp, that profits from any increase in car manufacturing, needs to rapidly install output capacity in China.

### Global Market Growth



Source: IHS Markit Light Vehicle Production Forecast

### China Sales and Production Outlook



Source: IHS Markit Light Vehicle Production Forecast

## Appendix 3: Puzzle Die technology

### A disruptive innovation

The seed for this project lies in a request from Audi, which is one of the manufacturers most committed to the use of aluminum in automotive construction. They wanted to determine why one of their dies had unexpectedly deteriorated after just 12,000 castings — as compared to the normal expected die-casting die lifespan of between 100,000 and 150,000 castings.

In general, in high pressure technology it happens that the die breaks after many solicitations in what can be defined as its fatigue points, and this is extremely inefficient considering that its average price ranges between €40k and €1mn

Costamp found a solution to extend the life of die castings through an innovative technology, exploiting the use of aluminum and consisting in the die fragmentation along its “fracture lines”, which can be revealed and shown by an ad hoc mathematical model. The die will no longer consist of a single block, but rather of sub-blocks combined along the "fault lines (fracture lines)" revealed by the die-casting predictive engineering model, thus creating some flexibility in the points of greatest fatigue so the die could "absorb" the stress

### Advantages and ambitions

The company already produced four pieces through this technology, and the final result is a prolonged die lifespan and an enhancement of product quality, which allows the company to make the entire die-casting process much cheaper and faster.

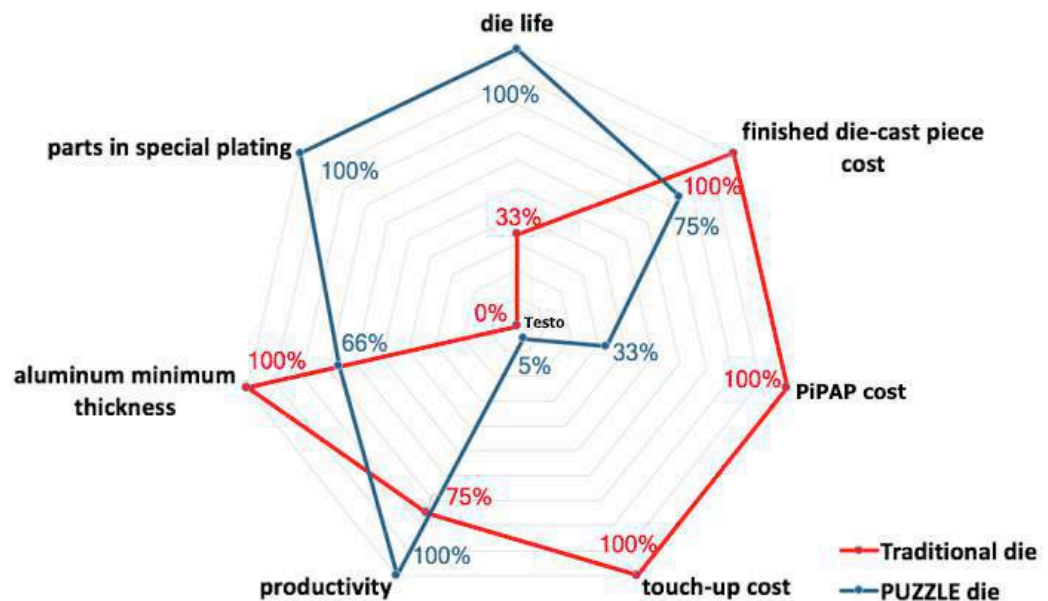
| Puzzle Die Technology Advantages                            |   |
|---|---|
| <b>Prolonged die life and reduced costs for casting</b>     | Imagine the customer having to cast 350,000 pieces, the size and complexity of which require a die costing €0.9mn and having an average lifespan of 130k castings; the customer would have to budget a total cost of €2.7mn in dies. This solution has proved to triple the life of the die: just a single puzzle die would be necessary, which in this specific case would cost €1.45mn, and the customer would save €1.25mn;                              |
| <b>Higher die-casting process productivity (&gt; 20%):</b>  | The process is used to produce large volumes of zinc, aluminum and magnesium castings of intricate shapes. The essential feature of die-casting is the use of permanent metal dies into which the molten metal is injected under high pressure (normally 5000 psi or more);   |
| <b>Elimination of the costs for part touch-ups</b>          | Fragmentation reduce the formation of cracks, hence the need to manually touch-ups any surface defects after the extraction of the piece will be reduced to practically zero, thus eliminating a major processing cost;   |
| <b>Lower PiPAP (Production Part Approval Process) costs</b> | Before setting a new die into production, all automakers need to obtain production process approval. This involves a “run at rate” (continuous production for at least 8 hours), taking of two samples and running a testing campaign aimed at subsequent processing. This operation requires a cost of ca. €40k, hence the use of a single die instead of three as in the previous example would save €80k;  |
| <b>Obtaining reduced thicknesses</b>                        | The thermal balance also allows to obtain greater homogeneous heating and prevent solidification before the die is filled, reducing the thickness and consequently extend the possibilities for aluminum component design;  |
| <b>Parts in special plating become sustainable</b>          | Again thanks to fragmentation, it will also be possible to make parts of the die in special plating for special purposes which is not possible with the current technology because of the high cost of materials and relative treatments. The costs, unsustainable if applied to the entire die, may instead be sustainable if incurred for only a part of thereof, further extending the range of components that could in the future be made of aluminum; |



In the figure below are summarized the advantages just showed, which are expected to lead also to important results as:

- ◆ **Increased margins for die manufacturers**, because they will have to negotiate with Tier 1 suppliers for much more productive dies in terms of number of pieces;
- ◆ **Increased margins for the caster**, because process costs will be drastically reduced;
- ◆ **Reduced cost of the finished item**, since automakers can evaluate the production costs and, in the negotiation, benefit from the reduction in process costs;
- ◆ **Increased prospects for use of aluminum by automakers** by reducing the costs and minimum thicknesses, thus more quickly reducing vehicle weights.

#### Puzzle die advantages versus traditional die



Source: Costamp, Horizon 2020

## Appendix 4: Financial Summary (Base Case)

### Costamp Group: 2017PF-20E Profit & Loss

| €mn                          | 2017PF      | 2018E        | 2019E        | 2020E        |
|------------------------------|-------------|--------------|--------------|--------------|
| <b>Net Revenues</b>          | 57.96       | 65.90        | 74.00        | 83.00        |
| Cost of sales                | -38.13      | -41.58       | -46.77       | -52.21       |
| Labour costs                 | -15.24      | -15.81       | -16.83       | -17.34       |
| <b>EBITDA</b>                | <b>4.58</b> | <b>8.51</b>  | <b>10.40</b> | <b>13.45</b> |
| <b>EBITDA margin (%)</b>     | <b>7.9%</b> | <b>12.9%</b> | <b>14.1%</b> | <b>16.2%</b> |
| Depreciation & Amortization  | -2.91       | -2.50        | -2.60        | -2.70        |
| <b>EBIT</b>                  | <b>1.67</b> | <b>6.01</b>  | <b>7.80</b>  | <b>10.75</b> |
| <b>EBIT margin (%)</b>       | <b>2.9%</b> | <b>9.1%</b>  | <b>10.5%</b> | <b>13.0%</b> |
| Net Fin. Income (charges)    | -1.10       | -1.36        | -1.29        | -1.29        |
| Tax                          | -0.26       | -1.63        | -2.12        | -2.84        |
| Tax rate (%)                 | -41.6%      | -35.0%       | -32.5%       | -30.0%       |
| <b>Net Profit</b>            | <b>0.36</b> | <b>3.02</b>  | <b>4.40</b>  | <b>6.62</b>  |
| <b>Net Profit margin (%)</b> | <b>0.6%</b> | <b>4.6%</b>  | <b>5.9%</b>  | <b>8.0%</b>  |

Source: Costamp (Historical figures) and Value Track (forecasts)

### Costamp Group: 2017PF-20E Statement of Financial Position

| €mn   | 2017PF        | 2018E         | 2019E         | 2020E         |
|---|---------------|---------------|---------------|---------------|
| Working Capital                                   | 9.43          | 11.72         | 14.03         | 15.90         |
| Net Fixed Assets                                  | 48.72         | 49.22         | 49.62         | 49.92         |
| Provisions  | 3.86          | 3.86          | 3.86          | 3.86          |
| <b>Total Capital Employed</b>                     | <b>54.29</b>  | <b>57.07</b>  | <b>59.78</b>  | <b>61.95</b>  |
| <b>Group Net Equity</b>                           | <b>27.39</b>  | <b>30.41</b>  | <b>34.80</b>  | <b>41.43</b>  |
| <b>Net Fin. Pos. [i.e. Net Debt (-) Cash (+)]</b> | <b>-26.90</b> | <b>-26.66</b> | <b>-24.98</b> | <b>-20.52</b> |

Source: Costamp (Historical figures) and Value Track (forecasts)

### Costamp Group: 2017PF-20E Cash Flow Statement

| €mn                       | 2017PF      | 2018E       | 2019E        | 2020E        |
|---------------------------|-------------|-------------|--------------|--------------|
| <b>EBITDA</b>             | <b>4.58</b> | <b>8.51</b> | <b>10.40</b> | <b>13.45</b> |
| Working Capital Needs     | 1.09        | -2.29       | -2.31        | -1.87        |
| Capex                     | -3.98       | -3.00       | -3.00        | -3.00        |
| <b>OpFCF b.t.</b>         | <b>1.70</b> | <b>3.22</b> | <b>5.09</b>  | <b>8.58</b>  |
| Cash Taxes                | -0.26       | -1.63       | -2.12        | -2.84        |
| <b>OpFCF a.t.</b>         | <b>1.44</b> | <b>1.59</b> | <b>2.98</b>  | <b>5.74</b>  |
| Capital Injections        | 0.00        | 0.00        | 0.00         | 0.00         |
| Net Financial Charges     | -1.10       | -1.36       | -1.29        | -1.29        |
| Dividends paid            | 0.00        | 0.00        | 0.00         | 0.00         |
| <b>Net Cash generated</b> | <b>0.34</b> | <b>0.24</b> | <b>1.69</b>  | <b>4.45</b>  |

Source: Costamp (Historical figures) and Value Track (forecasts)



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