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28/09/2012

Servizi Italia keen to continue acquisition spree in Sao Paulo area, CEO says Prop

Dealscope

Bidder Financial

Vendor

Tamburi & Associati S.p.A.

TS DS

DS

TS DS

DS

Competitor American Laundry Ospedaliera

Servizi Italia Spa

s.p.a.

Competitor Lavin SpA

Competitor Servizi Ospedalieri SpA

Competitor SoGeSi Competitor Sterience

Story

Servizi Italia [SRI:IM], a listed Italian hospital services provider, is looking for M&A opportunities in Brazil following the recent purchase of a 50% stake in Lavsim Higienização Têxtil S.A, CEO Luciano Facchini said. Management has a strong focus on the Sao Paulo area, where most of its M&A efforts are focused, he added.

Facchini pointed to 10 hospital management specialists in Brazil competing head-to-head with Servizi Italia and holding a similar market share. However, he noted that Servizi Italia remains the only international player active in Brazil and that it has gained exposure in the M&A community following the Lavsim deal. Lavsim generated revenues of EUR 5.3m in 2011 with earnings of EUR 500,000.

Milan-based Tamburi e Associati is advising Servizi Italia on its expansion strategy in Brazil, while legal advice is provided by a local law firm, Facchini said without elaborating further.

Facchini mentioned recent approaches from sector players in Chile which were interested in teaming up with Servizi Italia. But the company's priority at present is growing within the state of Sao Paulo and subsequently expanding across Brazil, he said.

The hospital laundry market in Brazil is valued at USD 220m and private hospitals in the Sao Paulo area supply around 56,000 beds, Facchini said. Around 35% of hospital laundry services in Brazil are done in-house by the same hospitals, the CEO said. He noted that most existing laundry systems require maintenance and renovation, which would open business opportunities to Servizi Italia given its competitive advantage.

The company recently launched a EUR 26.3m capital increase to support growth. The cash call became effective on August 1.

As for domestic expansion, Servizi Italia plans to continue growing organically in Italy, but could engage in opportunistic buys in case its direct competitors run out of business or suffer from financial difficulties. Smaller rivals in Italy include Servizi Ospedalieri, part of Manutencoop, SO.GE.SI in Perugia, Lavin in Rome, and American Laundry in Italy. Sterience, part of Veolia, is a French competitor, Facchini said.

Servizi Italia has a market capitalization of EUR 76.1m. It reported 1H revenues of EUR 104m, showing a 3.8% increase on the same period in 2011. EBITDA stood at EUR 30.6m (EUR 27.7m) while earnings were of EUR 5.5m (EUR 3.7m).

The company has a net financial position of EUR 75.1m. Management has no plans to carry out asset disposals, although two production centres were shut down in recent months, the CEO said.

Lavsim Higienizacao Textil (50% stake) Target

Bidder Servizi Italia Spa

Lavsim-Higienizacao Textil

Ltda.

Sectors Medical

Medical: Pharmaceuticals

Services (other)

SubSectors **Business support services**

Health institutions Hospital management Medical equipment & services

Other services

Advisory Appointment Topics Joint Ventures/Partnerships Market Entry

Intel Type Bolt on/Opportunistic Cross Border

Healthcare Services M&A Other

Countries Brazil Italy

Intel, Grade Confirmed Intelligence 1449635

Proprietary Intelligence Source Value GBP 83m (1H12 revenues) Stake Value more than 30% inclusive

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