

DEA CAPITAL

BUY

SECTOR: Holdings & RE

Price (Eu):
1.66

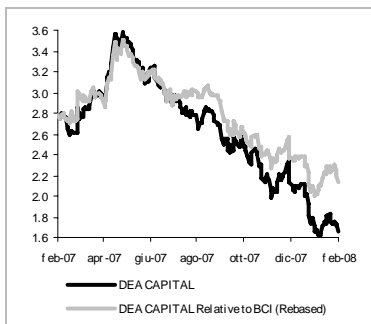
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Target Price (Eu):
2.55

Delivering Quickly

- **DeA Capital has announced 4Q07 results, NAV stood at Eu860.4mn (Eu2.81p.s.)** and net cash at Eu415.9mn. Two new investments were announced:
 - An 18% interest in a consortium acquiring the majority of Migros Turk for Eu100-175mn;
 - The acquisition of 44.3% of IDeA from DeAgostini at Eu57.7mn.
 Consequently, the Eu415.9mn in cash available at the end of 2007 will drop to Eu258mn (or Eu183mn if the full Eu175mn is spent for Migros), i.e. 2/3 of the investment plan has been carried out. The stock is now trading at a 40% discount to its NAV.
- **Migros Turk is the leading food retailer in Turkey**, where it generates about 82% of sales. It is listed, with a market cap of around Eu2.2bn and has an estimated YTL 4.5bn (Eu1.3bn) of revenues in 2007 and YTL 184mn of net profit. The acquiring consortium (led by BC Partners) is paying YTL 21.85 per share, +10% vs. Thursday's market closing price, i.e. around 10x EV/EBITDA 07 vs. an average of 9x in Europe and 11-12x in emerging markets. The average target price set by analysts following the stock is YTL 24.
- **The 44% IDeA stake held by DeAgostini was transferred to DeA Capital at a shareholder friendly price**, as the company already announced would occur. IDeA Alternative Investments currently has around Eu1.85bn in AuM (including IA and Wise) and aims to reach Eu3bn over the next three years, or Eu5bn including other EU funds. This 44.3% acquisition was made for Eu57.7mn, which implies 7% of AuM, below the peer group average which stands at 14%. On top of this, DeA Capital announced that Eu200mn has been committed to IDeA's Eu300mn co-investment fund.
- **Générale de Santé reported FY07 revenues above our expectations** on Jan 30th, at Eu1.906bn, 4% above our estimates for 4Q, and up 11.9% YoY thanks to a 1.3% price effect and 4.1% growth due to the mix and to volumes. The operating margin guidance was slightly below previous indications, at 7.2%, but this is in line with our expectation for a 6.3% EBIT margin. Complete results will be announced on 21/2/08.
- **Valuation: Adjusted NAV of Eu3.0.** We have valued the new investments based on average valuations in the market for Migros Turk (i.e. around Eu121mn, 14% of adj. NAV) and an average of peer group and cost for Idea (i.e. Eu 88mn, i.e. 9.4% of adj. NAV). Around 40% of DeA Capital's valuation is comprised by GDS, while now close to 28% is cash. Given the discount now applied to listed private equity funds, we have set our 12-month target price by applying a 15% discount to the fair value and reach a TP of Eu2.55 per share (up from EU 2.45).
- **These investments show that management is quickly delivering on plan**, where cash is to be used up by 2009 and 2/3 of the investment has already been carried out; additional sources will come from the remaining cash and 20% target leverage. We believe DeA Capital will see its value increase as: it boasts a strong management team whose interests have been aligned to those of other shareholders; its current main investment, GDS, is a highly defensive business which is a play on the trend of an aging population; finally, private equity funds have historically offered higher than market returns and give long term investors the opportunity to diversify risk.

DEA CAPITAL - 12m Performance


RATING: Unchanged

TARGET PRICE (Eu): from 2.45 to 2.55

Change in EPS est:

	2007A	2008E
	n.m.	n.m.

STOCK DATA

 Reuters code: DEA.MI
 Bloomberg code: DEA IM

Performance	1m	3m	12m
Absolute	-3.3%	-24.1%	-40.1%
Relative	4.3%	-10.7%	-17.9%
12 months H/L:	3.59/1.62		

SHAREHOLDER DATA

No. of Ord. shares (mn):	307
Total No. of shares (mn):	307
Mkt Cap Ord (Eu mn):	510
Total Mkt Cap (Eu mn):	510
Mkt Float - ord (Eu mn):	192
Mkt Float (in %):	37.6%
Main shareholder:	
De Agostini	57.6%

BALANCE SHEET DATA

	2008
Book value (Eu mn):	873
BVPS (Eu):	2.85
P/BV:	0.6
Net Debt (#BadKeyword mn):	-258
NAV (Eu mn)	873

Key Figures	2005A	2006A	2007A	2008E	2009E
EBIT (Eu mn)	0	(5)	(4)	(4)	(4)
Net profit (Eu mn)	0	86	4	12	27
EPS - New (Eu)	0.00	0.49	0.02	0.04	0.09
EPS - Old (Eu)	0.00	0.49	0.01	0.05	0.08
DPS (Eu)	0.00	0.00	0.00	0.00	0.00
NAVPS (Eu)	0.00	1.51	2.81	2.85	2.94

Ratios & Multiples	2005A	2006A	2007A	2008E	2009E
P/E	nm	3.4	nm	41.0	18.6
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
P/NAVPS	nm	1.1	0.6	0.6	0.6
ROCE					

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DEA CAPITAL - KEY FIGURES

		2005A	2006A	2007A	2008E	2009E
Fiscal year end		31/12/2005	31/12/2006	31/12/2007	31/12/2008	31/12/2009
PROFIT & LOSS (Eu mn)	Sales	0	1	0	0	0
	EBITDA		0	0	0	0
	EBIT	0	(5)	(4)	(4)	(4)
	Financial income (charges)					
	Associates & Others	0	1	(7)	7	21
	Pre-tax profit (loss)	0	11	3	12	27
	Taxes	0	(0)	(1)	0	0
	Tax rate (%)		1.2%	26.1%	0.0%	0.0%
	Minorities & discontinue activities	0	76	2	0	0
	Net profit	0	86	4	12	27
	Total extraordinary items					
	Ebitda excl. extraordinary items					
Ebit excl. extraordinary items						
Net profit restated	0	86	4	12	27	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	177	177	307	307	307
	EPS stated fd	0.00	0.49	0.02	0.04	0.09
	EPS restated fd	0.00	0.49	0.02	0.04	0.09
	BVPS fd	0.00	1.51	2.81	2.85	2.94
	NAVPS fd	0.00	1.51	2.81	2.85	2.94
	Dividend per share (ord)	0.00	0.00	0.00	0.00	0.00
Dividend pay out ratio (%)						
CASH FLOW (Eu mn)	Change in NWC					
	Capital expenditure					
	Other cash items					
	Free cash flow (FCF)					
	Acquisitions, divestments & other					
	Dividend					
Change in Net Financial Position			178	(158)	10	
BALANCE SHEET (Eu mn)	Total fixed assets	0	29	444	615	632
	Net working capital	0	(1)	0	0	0
	Long term liabilities	0				
	Net capital employed	0	29	444	615	632
	Net financial position	0	(238)	(416)	(258)	(268)
	Group equity	0	267	860	873	900
	Minorities	0	0	0	0	0
	Net equity	0	267	860	873	900
NAV DATA (Eu mn)						
RATIOS(%)	EBITDA margin*					
	EBIT margin*					
	Gearing - Debt/equity	nm	89.3%	48.3%	29.6%	29.8%
	Interest cover on EBIT					
	Debt/Ebitda		nm	nm	nm	nm
	Capex as % sales					
	ROCE*					
ROE*						
GROWTH RATES (%)	Sales		nm	-97.5%	2.0%	2.0%
	EBITDA*					
	EBIT*					
	Net profit		nm	-95.4%	211.6%	121.0%
	EPS restated		nm	-96.6%	145.6%	121.0%

* Excluding extraordinary items

Source: Intermonte SIM estimates

DETAILS and VALUATION

DeA Capital closed 2007 with Eu4mn in net profit, in line with estimates. Net cash stood at Eu415.9mn at year end.

Together with results, DeA Capital also announced two investments:

- An 18% interest in a consortium acquiring the majority of Migros Turk for Eu100-175mn;
- The acquisition of 44% of IDEa from DeAgostini at Eu57.7mn, implying 7% of AuM, below the peer group average of 14%.

On top of this, it has committed up to Eu200mn to the IDEa alternative Eu300mn co-investment fund.

Consequently, the Eu415.9mn in cash available at the end of 2007 will drop to Eu258mn or Eu 183mn, should Migros Turk's commitment be fully spent. We remind that Eu258mn cash does not reflect this, nor fully the Eu170mn (out of which Eu120mn has not yet been paid) committed to IDEa I Funds of Funds and Eu200mn to the co-Investment fund.

As a matter of fact, in about 7 months, DeA Capital has managed to carry out about 2/3 of its investment plan. Additional investment resources, on top of the remaining cash, will come from about 20% leverage.

The stock is now trading at a 41% discount to its reported NAV, which stands at Eu2.81ps.

DeA Capital NAV

Asset	Value (€ mln)	per share €	%	Valuation method
Santè SA	343	1.12	39.8%	Cost
Sigla	31	0.10	3.6%	Cost
IDeA I Fund of Funds	40	0.13	4.6%	Cost
Venture Cap. Funds	28	0.09	3.3%	Cost
Minor participations	3	0.01	0.3%	Fair value
IDEA SGR	57.7	0.19	6.7%	Cost
Migros TURK	100.0	0.33	11.6%	Cost
Cash, credits and marketable sec.	258.2	0.84	30.0%	
Total	861	2.81	100.0%	
# shares (mln)		306.57		

* quarterly updated by fund managers

Source: Intermonte SIM and Company Data

Adjusted NAV, however, is a higher Eu3.03ps: we have valued the new investments based on average valuations on the market for Migros Turk (i.e. around Eu121mn investment, 13% of adj. NAV) a peer group average and the cost for Idea (Eu88mn, i.e. 9.4% of adj. NAV). Around 40% of DeA Capital's valuation is comprised by GDS, while now close to 28% is cash.

DeA Capital Valuation - Adjusted NAV

Asset	Value (€ mln)	per share €	%	Valuation method	Value (€ mln)	per share €	%	Valuation method
Santè SA	369	1.20	39.8%	DCF & Market Price (including 07 div)	464	1.51	40.8%	DCF
Sigla	16	0.05	1.7%	MULTIPLE	16	0.05	1.4%	MULTIPLE
IDeA I Fund of Funds	45	0.15	4.8%	Fair value*	45	0.15	4.0%	Fair value*
Venture Cap. Funds	28	0.09	3.0%	Fair value*	28	0.09	2.5%	Fair value*
Minor participations	3	0.01	0.3%	Fair value	3	0.01	0.3%	Fair value
IDEA SGR	88	0.29	9.4%	PEER GROUP & COST	118	0.38	10.3%	MULTIPLE
Migros TURK	121	0.40	13.1%	AVG Migros TURK TP	207	0.67	18.2%	EXIT MULTIPLE
Cash, credits and marketable sec. 2008	258	0.84	27.8%		258	0.84	22.7%	
Total	928	3.03	100%		1138	3.71	100%	
% discount		15%						
Target price (Eu p.s.)		2.57						
% Upside/downside		55.0%						
# shares (mln)		306.57						

* quarterly updated by fund managers

Source: Intermonte SIM and Company Data

Given the discount now applied to listed private equity funds, we have set our 12-month target price by applying a 15% discount to the fair value and reach a TP of Eu2.55 per share (up from Eu2.45). If we were to value IDEA investments purely on fair value, however, NAV would be higher at Eu3.7ps.

MIGROS TURK

DeA Capital announced that it is acquiring an 18% stake in a consortium led by BC Partners (whose controlling stake in the vehicle is undisclosed). The consortium will acquire 50.83% of Migros Turk, the leading supermarket retail chain in Turkey. DeA's interest could increase to Eu175mn in the event of a successful takeover bid on the remainder of the retailer's share capital.

Migros Turk is a listed company with a market cap of around Eu2.2bn. The consortium is offering 21.85 YTL (new Turkish lira) per share, as compared to an average target price of YTL 23.85, the highest being YTL 27, while 13/2/08 closing price of the stock was YTL 19.8 (10% premium). The stake will be purchased from current main shareholder Koc Group, which has owned the company since 1975 and will use the proceeds to concentrate on privatisations. Other interested parties in the purchase, which then retreated, were local competitors such as Carrefour, and other private equity funds.

The following table shows consensus figures for Migros Turk as of 13/01/08, i.e. the day before the announcement of the acquisition

Migros Turk at 13/02/2008 in TRY (Relative to Turkey (TR)) - Consensus figures							
Fiscal Year End	31/12/2004	31/12/2005	31/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010
Fiscal Year	2004	2005	2006	2007	2008	2009	2010
PRICE							
Price End of Fiscal Year	9.6	11.3	18.1	22.9	19.5	19.5	19.5
Performance (%)	39.3	17.0	60.6	26.4	-14.8	0.0	0.0
Relative Performance	1.2	0.3	-141.4	0.8	0.8	0.0	0.0
Number of Shares (Mio)	160	160	178	178	178	178	178
GENERAL (Median Figures)							
Sales (Mil.)	2.274	2.707	4.240	4.415	5.042	5.773	4.170
Ebitda (Mil.)	142	187	308	329	369	414	285
Ebit (Mil.)	82	108	207	222	269	298	217
Pre-Tax Profit (Mil.)	105	99	156	210	267	384	275
Net Profit (Mil.)	74.7	74.3	77.9	170	213	280	218
Net Debt (Mil.)	-196	342	267	-153	-270	-660	-231
Market Capitalisation	1.542	1.804	3.226	4.077	3.472	3.472	3.472
Enterprise Value (Ev Mil.)	1.346	2.146	3.493	3.924	3.202	2.811	3.241
MEDIAN RATIOS (Price End of Y.)							
Net Dividend Yield (%)	1.33%	1.03%	0.00%	0.98%	1.57%	2.41%	0.98%
Price to Cash Flow	15.7	10.3	17.7	12.1	8.0	8.0	12.1
Net Margin (%)	3.3%	2.7%	1.8%	3.9%	4.2%	4.8%	5.2%
Price to Book	2.37	2.55	3.49	4.02	2.94	2.49	2.40
Price to Sales	0.68	0.67	0.76	0.92	0.69	0.60	0.83
Ev / Sales	0.59	0.79	0.82	0.89	0.63	0.49	0.78
Ev / Ebitda	9.5	11.5	11.3	11.9	8.7	6.8	11.4
Ev / Ebit	16.5	19.8	16.9	17.7	11.9	9.4	14.9
Return on Equity	0.11	0.10	0.09	0.16	0.16	0.17	0.15
(E : Estimated)							
adj EV for Russia disposal				3.530	2.924	2.924	2.924
adj. Ev / Sales				0.8	0.6	0.5	0.7
adj. Ev / Ebitda				10.7	7.9	7.1	10.3
adj. Ev / Ebit				15.90	10.87	9.81	13.49
Source: JCF & Company Data							

As a matter of fact, net cash appears to be higher than the consensus, at YTL 700mn, thanks to the disposal of Russian activities, implying that EV stands lower, as shown in the bottom part of the table.

The investment vehicle should be financed 50/50 debt and equity, or with higher leverage should the investment rise to Eu175mn. As the bid price is set in new Turkish lira, the currency risk is on the minority shareholders, which will have to wait around 4-6 months before they cash in money from the mandatory tender offer, which is however not 100% sure, based on local regulation. We therefore assume that the consortium will acquire 50.83% for now. Funding for the deal will be provided for by local financial institutions (Garanti Bank, IS Bank and Vakifbank). Due to these characteristics: biggest LBO deal in Europe after the credit crunch, in an emerging market (with the related issue of FOREX) and financed through local banks, with 50% equity, the deal represents quite an innovation, showing

that private equities are willing to take on new risks to generate their 20%+ IRR returns.

Migros Turk T.S.A. is the leading food retailer in Turkey, with a market share of 22% in retail chains at the end of 2006 and around 14,800 employees. Migros Turk currently manages over 900 points of sale in Turkey with an overall commercial surface area of 550,000sqm, as well as 16 operations in neighbouring countries, (Azerbaijan, Kazakhstan, Kyrgyzstan, Macedonia). Group turnover in 2006 came to YTL4.3bn, (around Eu2.4bn at current exchange rates. Turkey, which made up 86% of revenue. This should increase following the disposal of the Russian joint venture that took place in 2007.

The investment is considered attractive because of:

- national GDP (the Turkey economy is growing at 4-5% per year);
- retail chains make up 35-40% of total retail sales in Turkey;
- low concentration in the sector (the top 3 retailers make up just 19% of sales).

No targets have yet been supplied by the new shareholders. For 2011, the company had disclosed the following targets:

- USD5bn of revenues thanks to:
 - o 12% growth (in YTL) in Turkey;
 - o 25% growth in USD in other countries (which were intended to reach 20% of total sales);
- 44% increase in surface area to reach 1mn sqm in 1,300 stores in Turkey (vs. the current 900) in 2009;
- 20% dividend pay out.

Based on the press releases, through new store openings, Migros Turk aims to:

- maintain and strengthen its leading position among supermarket chains
- strengthen its discount chain, and
- enter the hypermarket segment

We therefore expect the new shareholders to further accelerate the growth plans and estimate a doubling in the number of stores.

Key figures and performance (roughly -16% at one month) are attached. Compared to the consensus figures, the company tells us that it should have around YTL700mn (i.e. around Eu400mn) of cash at the end of 2007, meaning the 2007 EV/EBITDA paid is around 10x, compared to the average of 9x in Europe and 12-13x in emerging countries. The sales multiple is 0.8x 2007, vs. 0.6x in Europe (1x for Tesco) and 11-12x in emerging markets.

Peer group

Minibase in EUR as of 13/02/08

Company	Crcy	Price	Mkt Cap I.c.	EV / EBITDA			P / E		
				2006	2007	2008	2006	2007	2008
Ahold (Kon.)	EUR - Euro	8.74	10,417	5.7x	5.6x	5.4x	12.0x	14.9x	14.1x
Carrefour SA	EUR - Euro	46.30	32,637	8.0x	7.9x	7.1x	17.6x	17.2x	15.5x
Casino Guichard Perrachon SA	EUR - Euro	74.00	8,034	8.0x	7.0x	6.4x	17.9x	16.2x	15.0x
Colruyt SA	EUR - Euro	164.88	5,499	11.1x	10.3x	9.5x	20.8x	18.7x	17.1x
Delhaize Group SA	EUR - Euro	49.78	4,982	5.3x	5.2x	5.0x	11.9x	11.3x	10.6x
Metro AG	EUR - Euro	57.51	18,754	7.4x	7.1x	6.5x	21.7x	20.4x	17.3x
Tesco	GBP - UK Pound Sterling	5.39	42,401	9.7x	9.5x	8.7x	16.4x	15.8x	14.1x
Wal Mart Stores Inc	USD - US Dollar	34.78	139,300	8.3x	8.6x	8.3x	15.8x	16.4x	14.8x
Costco Wholesale Inc	USD - US Dollar	45.1	19,606	11.5x	11.8x	10.7x	25.9x	25.1x	22.0x
Total			80,322						
Average				8.3x	8.1x	7.5x	17.8x	17.3x	15.6x
Median				8.0x	7.9x	7.1x	17.6x	16.4x	15.0x
Average per CAP				7.6x	7.3x	6.7x	17.7x	17.3x	15.5x
Wal-Mart de Mexico S.A.B. de C.V.	MXN - Mexican Peso	2.62	22,226	15.6x	15.4x	13.0x	26.0x	25.2x	21.0x
Grupo Famsa S.A. de C.V.	MXN - Mexican Peso	2.3	764	9.6x	9.9x	8.1x	20.6x	21.4x	14.3x
X5 Retail Group N.V.	USD - US Dollar	23.69	20,504	95.0x	66.3x	45.6x	n.s.	n.s.	28.3x
Seventh Continent	USD - US Dollar	17.0	1,272	16.1x	15.3x	11.8x	24.8x	22.8x	22.6x
Magnit JSC	USD - US Dollar	31.76	2,286	25.9x	19.4x	14.1x	52.9x	38.7x	30.8x
Total			248,358						
Average				19.6x	16.3x	12.9x	23.6x	21.6x	19.4x
Median				9.7x	9.9x	8.7x	19.2x	19.4x	15.6x
<i>Deviazione standard</i>				<i>25.6x</i>	<i>17.0x</i>	<i>11.1x</i>	<i>11.0x</i>	<i>7.0x</i>	<i>5.9x</i>
Migros Turk	TRY - New Turkish Lira	11.3	2,012	13.1x	10.0x	8.8x	47.7x	20.9x	18.7x
BIM Birlesik Magazalar A.S.	TRY - New Turkish Lira	53.66	1,358	23.4x	15.9x	12.0x	35.3x	24.3x	19.2x
Total									
Average				18.2x	12.9x	10.4x	41.5x	22.6x	18.9x
Median				18.2x	12.9x	10.4x	41.5x	22.6x	18.9x

* based on Ebitda according to Swisscom Definition - before extr.

Source: Intermonte SIM estimates, JCF consensus

We value Migros Turk on the basis of the average TP assumed by the consensus (around YTL 24ps), on a 50.8% stake; we assume no FOREX risk, as it is going to be hedged, reaching a valuation of Eu121mn, vs. a Eu100mn investment.

MIGROS TURK VALUATION		
Price PAID	YTL	21.85
avg TP	YTL	24.0
mkt CAP	YTL mn	4273
of which 50.83%	YTL mn	2171
Investment vehicle		
implied equity @YTL 24	YTL mn	1166.7
Implied DEBT	YTL mn	1.004
DECAPITAL stake @YTL 24	Eu mn	121
Source: Intermonte SIM		

Instead, if we were to use and an exit multiple and average it with the price paid, assuming:

- 2x sales 2007, thanks to a twofold increase in the number of sales points
- Stable 7% EBITDA margin
- YTL 500mn cumulated 08-12 CAPEX plan for the new shops
- YTL 70mn maintenance CAPEX

We would get a higher value, at Eu206mn discounted back, which would imply a 20% IRR.

IdeA Alternative Investment

As indicated in the January report, DeA Capital will be the group's exclusive vehicle for indirect private equity investment. As a result, the 44% stake currently held by DeAgostini in IdeA has been sold to DEA CAPITAL, as anticipated beforehand. The transaction went through at shareholder friendly prices, given the possible conflict of interest, at multiples which are at a discount to listed peers, which trade at 14% on AuM, vs. the 7% used by the company, as shown in the following table.

European Listed Direct PE Companies - Prices as of 140208

	Price	YTD % change	Mkt Cap	P/AUM	P/E 07	P/E 08	P/E 09	AUM
Blackstone (USD)	17.07	-22.86	18.460	17.9%	11.4	12.0	8.8	103.000
Fortress (USD)	12.36	-20.67	5.026	11.6%	11.7	9.4	6.9	43.179
GLG (USD)	12.26	-9.85	2.953	12.0%	12.6	10.0	9.4	24.590
MAN Group (GBP)	575.00	1.05	9.859	27.1%	15.2	13.2	11.5	36.406
Partners Group (SFR)	140.00	-7.90	3.738	15.3%	19.0	15.3	12.7	24.400
Ashmore (GBP)	279.50	3.90	1.981	12.3%	15.8	12.9	10.8	16.104
Bluebay (GBP)	250.50	-29.44	481	7.2%	9.9	6.7	6.0	6.656
RAB (GBP)	70.5	-19.66	363	10.6%	10.7	8.8	6.0	3.415
Avg. (all)				14.3%	13.3	11.0	9.0	
Avg. (top 5)				16.8%	14.0	12.0	9.9	
IDEA	130.0			7.0%		14.9	8.1	1.860
IDEA (proportionate AUM)	130.0			9.6%				1.354

* IdeA PE not including carried interest

Source: Bloomberg consensus and Intermonte SIM

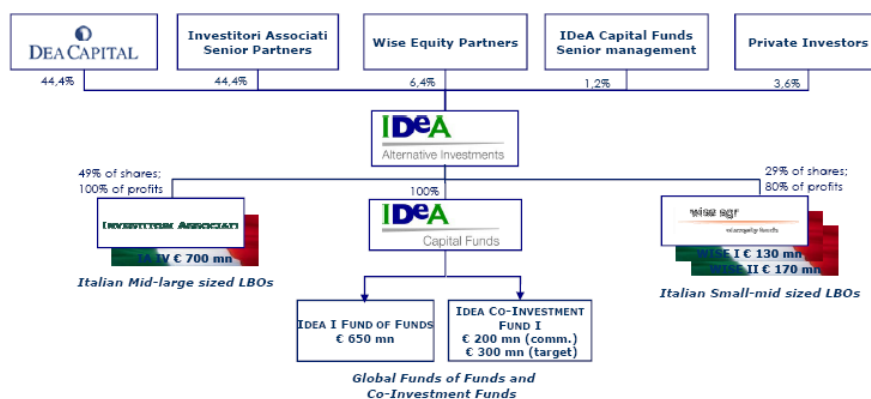
On "proportionate" funds, the multiple is higher, but it should be noted that IDEA is entitled to close to 100% of net income.

On top of this, DeA Capital has committed to invest Eu200mn in the new co-investment fund managed by IDEa Capital Funds SGR (100% IDEa Alt. Inv.).

We discussed the nature of IDEa Alternative investment extensively in the previous report. In brief, it is a joint venture between the De Agostini, Investitori Associati and Wise Equity. funds. Through the IDEa project, De Agostini aims to create the largest Italian private equity investor group (together with Investitori Associati and Wise). IDEa Alternative Investments currently has around Eu1.85bn in AuM (including IA and Wise) and aims to reach Eu3bn over the next three years, or Eu5bn including other EU funds.

Through this acquisition, DeA Capital captures the whole value chain of alternative investments (investment returns and asset management returns), and joins a project aimed at creating the largest private equity group in Italy. Finally, it has become the only vehicle in the private equity sector for DeAgostini group. The structure of IDeA Alternative Investment is shown below:

Post-acquisition structure of IDeA Alternative Investments



Febbraio 2008



Source: Company Presentation

IDeA Alternative Investments will hold companies managing various types of funds: initially, these will be private equity funds, funds of private equity funds, co-investment funds, and subsequently, other high yield financial products (special situation, hedge, real estate and mezzanine funds).

Specifically, the funds that will initially make up the IDeA SpA portfolio will be managed by:

- Investitori Associati SGR, in relation to Italian private equity funds which will carry out medium to large sized deals;
- Wise SGR, in relation to investments in small caps carried out through Italian private equity funds;
- IDeA Capital Funds SGR, which will have the task of managing global funds (funds of funds and co-investment funds);
- It is also envisaged that other regional management companies that will manage private equity funds and alternative products in Southern Europe will join the project in the future, by contributing their management companies and becoming shareholders.

The main source of income for IDeA will be the fees coming from the different funds, which will vary between 1-2%, depending on the type of fund. On the cost side, we estimate about Eu12-15mn in operating costs. On top of this, IDeA will be entitled to a portion of the carried interest on IDeA Capital Funds and on all new funds launched by IA and Wise. We have set our expectations lower, not including carried interest, with revenues estimated in the Eu25/26mn region in 2007/2008, rising to Eu40mn, as the new fund raising kicks in, leading to some Eu7-9mn of net profit in 2008 and Eu16mn in 2009.

We have valued IDeA based on peers, by attributing the current P/AUM 2007 average multiple of 14% on current AUM. AUM however are set to increase to Eu3bn and Eu5bn .

As already said, on top of the IDeA transaction, DeA Capital has committed to invest Eu200mn in the new co-investment fund managed by IDeA Capital Funds SGR (100% IDeA Alt. Inv.). This follows the Eu170mn commitment to the Funds of

Funds already made (out of which Eu129mn still due), which had a target of Eu300mn fund-raising but has reached Eu650mn.

The co-investment fund makes minority private equity co-investment alongside top-tier professional investors and focuses on medium large LBOs, including expansion capital, change of control, refinancing, follow-up investments etc. Targets of the funds are companies which are leaders in their market segment, or near-leaders, and have strong and recurring revenues and cash flows. The geographical focus is on Europe, mainly southern Europe, over a wide spectrum of industries, however excluding pure real estate investment.

The CO-investment first closing is expected by Feb 2008 at Eu300mn. DeA Capital has committed up to Eu200mn,.

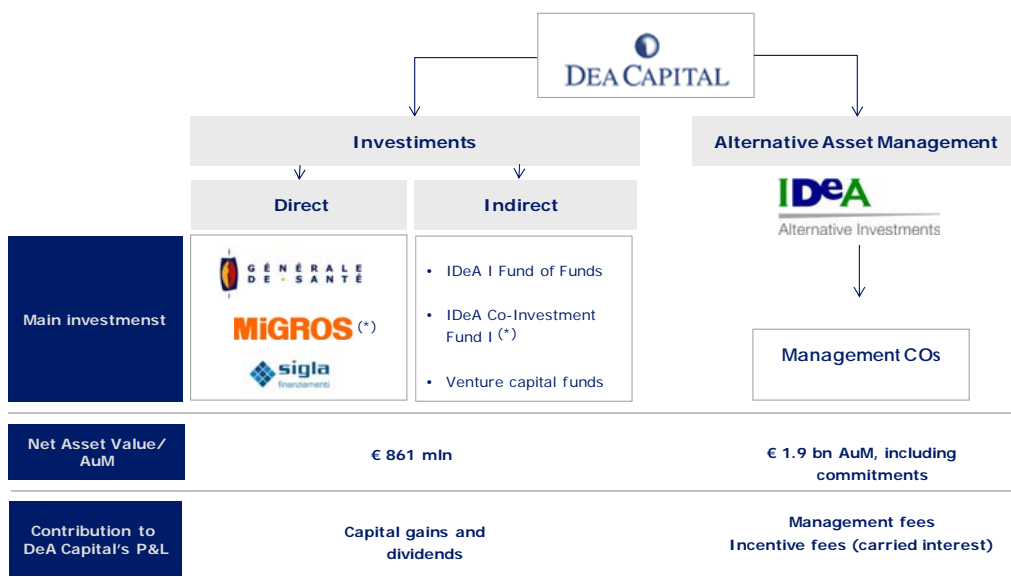
Both commitments (Co-inv. Fund and FoF) represent further use of cash for DeA Capital, which has shown the ability to invest around 2/3 of the resources in the plan in around 7 months, and still has around Eu258mn of cash available (before the unpaid commitments to the funds), as well as around 20% leverage in DeACapital (most of the leverage will however be carried out in the companies acquired).

APPENDIX:

DeA Capital After the Deal

DeA Capital after the deal - 1

➤ After this transaction, DeA Capital's business model evolves along the following lines:



(*) To be finalized

Source: Company Presentation

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DETAILS ON STOCK RECOMMENDATION

Stock NAME	DEA CAPITAL		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	2.55	Previous Target (Eu):	2.45
Current Price (Eu):	1.66	Previous Price (Eu):	1.67
Date of report:	18/02/2008	Date of last report:	21/01/2008

Further information is available