

Company update

BUY (Unchanged)

Target: € 1.87 (Prev. €1.95)

Risk: High

STOCK DATA

Price €	1.4
Bloomberg code	DEA IM
Market Cap. (€ mn)	395
Free Float	27%
Shares Out. (mn)	274.0
52-week range	1.19 - 1.54
Daily Volumes (mn)	0.15

PERFORMANCE	1M	3M	12M
Absolute	5.0%	-1.9%	8.3%
Rel. to FTSE all shares	-1.8%	3.4%	-9.2%

MAIN METRICS	2013	2014E	2015E
EPS - € cents	-11.4	-19.3	3.0
DPS ord - € cents	0.0	0.0	0.0

NAV	2013	2014E	2015E
Nav (Equita) ps ord - €	2.0	2.1	2.1
Nav (Reported) ps ord - €	2.30	2.27	2.27

MULTIPLES	2013	2014E	2015E
P/NAV (Equita)	0.7 x	0.7 x	0.7 x
P/NAV Reported	0.6 x	0.6 x	0.6 x
P/BV	0.6 x	0.6 x	0.6 x

INDEBTNESS	2013	2014E	2015E
NFP	-128	-109	-90
Debt to assets ratio	0.2 x	0.2 x	0.2 x
D/E	0.2 x	0.1 x	0.1 x

PRICE ORD LAST 365 DAYS



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NEXT STEP? EXITING MIGROS

The following messages emerged from 2Q14 results: 1) Migros keeps reporting solid results and 2) AAM division is still mixed, with a weak performance for Idea Fimit and solid numbers for Idea Capital Funds/IRE. We update our NAV to €2.08 PS (-3.5%) mainly due to a lower value for Idea Fimit/GDS. BUY in light of: 1) Expectation of a sizeable dividend from the GDS' disposal (we estimate >€0.25 PS) and 2) Potential upside from exiting Migros (now more likely in our opinion).

■ Migros (~25% of NAV): solid performance & stabilization in Turkey

2Q was solid and showed the following trends:

- **A nice top-line development:** Sales grew nicely (+14.2% YoY), even in a still uncertain environment, thanks to: 1) Positive like-for-like growth and inflation and 2) An important contribution from new openings;
- **Resilient margins:** EBITDA margin =6.1% (+20bps YoY). Company is working well in fighting food inflation and price competition thanks to 1) Operating costs efficiencies and 2) Several efforts on supply chain.

In light of these solid trends and the recent stabilization in the Turkish political scenario, we believe that the Migros' disposal is now more likely.

■ Alternative Asset Management: (~30% of NAV): a mixed quarter

Two opposite trends have emerged:

- **Idea Fimit (17% of NAV):** due to a still difficult environment, regulatory uncertainty and the recent management reshuffle, Idea Fimit is suffering: 1) Pressure on fees (-14% YoY) and 2) A postponement of the launch of new initiatives;
- **Idea Capital Funds (8% of NAV):** company is working well enjoying a good pipeline of new funds (direct funds as well as FoF);
- **IRE (5% of NAV):** the small Real Estate services company is delivering strong results (sales +33% YoY in 1H14).

■ Trimming NAV (~-3%) mainly due to Idea Fimit/GDS

Following 2Q14 results we have revised downward our NAV (-3.5%, from 2.15 PS to 2.08 PS) mainly incorporating a lower valuation for:

- **Idea Fimit:** 1H subdued results has let us to be more conservative and to cut valuation by 10% (please see pag 11); we are waiting for the new BP (November) to have more visibilities on the new initiatives;
- **GDS/Santè:** valuation (book value) to €162.8 mn from €177.2 mn taking into consideration transaction costs/financial costs linked to the disposal.

.....these were able to more than offset a better Holding NFP (from €-143 mn to €-131 mn) and a higher valuation of IRE (+€6). Target price to €1.87 PS from €1.95 PS (-4%) applying a 10% discount to our NAV.

■ Focus on dividends from GDS and Migros' disposal

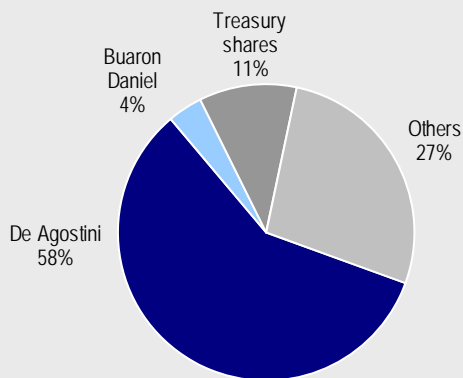
We reiterate our positive view on the stock in light of:

- Expectation of a sizeable dividend (>€0.25 PS) from the GDS' disposal (closing expected in October. French Antitrust gave the "green-light");
- Potential upside in case of exit from Migros (~25% of NAV) which would result in another "jumbo" dividend (our exp. >€0.40 PS);
- Still high discount on NAV (~30%): at current market prices, it is as if the market was valuing the AAM division (avg.2014-2015 Adj.Net Income = €17 mn) basically zero.

MAIN FIGURES € mn	2010	2011	2012	2013	2014E	2015E
AM Commissions	27.8	47.8	82.0	78.8	68.3	68.0
Profit (Loss) on equity	-15.5	-55.5	-18.4	1.9	-1.0	-1.0
Other investment income (charges)	-3.4	13.5	-7.9	-18.2	-56.2	0.0
Other income	10.5	10.7	12.5	20.2	18.8	19.5
Other expenses	-36.8	-51.4	-81.3	-128.2	-76.3	-64.7
Tot. Income & exp.	-17.3	-34.9	-13.1	-45.5	-46.3	21.8
Growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Financial Income	-4.6	-2.8	-6.8	-0.4	-1.4	-0.9
Profit before tax	-22.0	-37.7	-19.8	-45.9	-47.7	20.9
Growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Results from Discontinued op	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-0.9	-2.1	-8.1	19.2	-1.8	-3.9
Net Income	-26.3	-43.6	-26.3	-31.1	-52.9	8.2
Growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Net income adjusted	-26.3	-43.6	-26.3	-31.1	-52.9	8.2
Growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
SHARE DATA	2010	2011	2012	2013	2014E	2015E
Nav (Reported) ps ord - €	2.60	2.60	2.63	2.30	2.27	2.27
Nav (Equita) ps ord - €	2.0	2.1	2.2	2.0	2.1	2.1
EPS - € cents	-8.8	-15.5	-9.6	-11.4	-19.3	3.0
Growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Adj. EPS - € cents	-9.1	-15.1	-9.6	-11.4	1.2	3.0
Growth	n.m.	n.m.	n.m.	n.m.	n.m.	151%
DPS ord - € cents	0.00	0.00	0.00	0.00	0.00	0.00
MARKET RATIOS	2010	2011	2012	2013	2014E	2015E
P/NAV Reported	0.44 x	0.49 x	0.50 x	0.55 x	0.63 x	0.63 x
P/NAV (Equita)	0.57 x	0.61 x	0.62 x	0.65 x	0.69 x	0.69 x
P/BV	0.4 x	0.6 x	0.5 x	0.6 x	0.6 x	0.6 x
P/E	n.m.	n.m.	n.m.	n.m.	n.m.	48.3 x
P/E Adj	n.m.	n.m.	n.m.	n.m.	n.m.	48.3 x
REMUNERATION	2010	2011	2012	2013	2014E	2015E
Div. Yield ord	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROE	-3.4%	-6.5%	-3.6%	-4.9%	-8.4%	1.3%
INDEBTNESS - €mn	2010	2011	2012	2013	2014E	2015E
NFP	-20.4	-102.5	-123.6	-127.7	-108.6	-89.7
Holding system NFP	20.9	-40.7	-113.5	-138.7	-129.4	-119.9
Debt to assets ratio	n.m.	0.07	14.6%	18.1%	16.9%	15.6%
D/E	0.03	0.13	14.4%	17.2%	13.4%	10.9%

Source: company data and EQUITA SIM estimate

SHAREHOLDER STRUCTURE – 1H14



BUSINESS DESCRIPTION

Dea Capital (DEA) is a STAR listed investment company which started-up in 2007 through the takeover of a listed entity – CdB Web Tech – by the De Agostini Family.

The company is a best-in class player in Italian PE, focusing on 2 areas:

- **Private Equity Investments:**
 - **Direct investments in the services sector** (i.e retail and financial services) **in Europe mainly via a stake in Migros** (one of the main Turkish food retailer);
 - **Indirect investments** in private equity funds, funds of funds, and venture capital funds.
- **Alternative asset management (29% of NAV):** circa €10bn of AUM between real estate funds (€9.0 bn – through Idea Fimit) and PE funds (€1.4 bn – through Idea Capital Funds), which assure stable cash flow generation (around €95mn of revenues and €18mn of net income in 2013 including the contribution of IRE which operates in project, property and facility management). Idea Fimit e Idea Capital Funds are leaders in their respective industries.

The **De Agostini Group** is the **main shareholder** of DEA Capital, with a 58.3% stake, followed by Daniel Buaron with 3.8%. The De Agostini Group is owned by the Boroli and Drago families and is active in many industries (i.e Publishing, Media & Communications, Gaming and Financials).

DEA Capital is characterised by its exposure to typically defensive sectors: around 60-70% of its NAV pertains to the following sectors:

- Food&Beverage (**Migros**);
- Asset Management (**Idea Fimit, Idea Capital Funds and IRE**);
- Healthcare (**Générale de Santé**);

DEA Capital's main goal in the short to medium term is to finally exit from direct investments in PE (i.e Migros and GDS). This would enable the company:

- To give more visibility to the P&L of its Alternative Asset Management activities (~€95 mn revenues in FY13) in order to gradually reduce the discount on the NAV;
- To consider dividend pay-out.

In our opinion, future challenges are the following:

- **To Exit from PE investments** with reasonable valuations and in the short-medium terms;
- **Idea Fimit:** to focus on domestic consolidation, to gradual start-up the international business and to launch new initiatives (i.e SIIQs, new funds);
- **Idea Capital Funds:** to launch new funds to enrich offer: thematic funds, managed account.

Strengths / Opportunities	Weaknesses /Threats
<ul style="list-style-type: none"> • Exposure to defensive sectors • Sound holding-system financial structure • Focus on Alternative Asset Management • Experienced management 	<ul style="list-style-type: none"> • Volatile macroeconomic environment in Turkey • Poor momentum of the RE business • Potential write-downs in PE/RE businesses

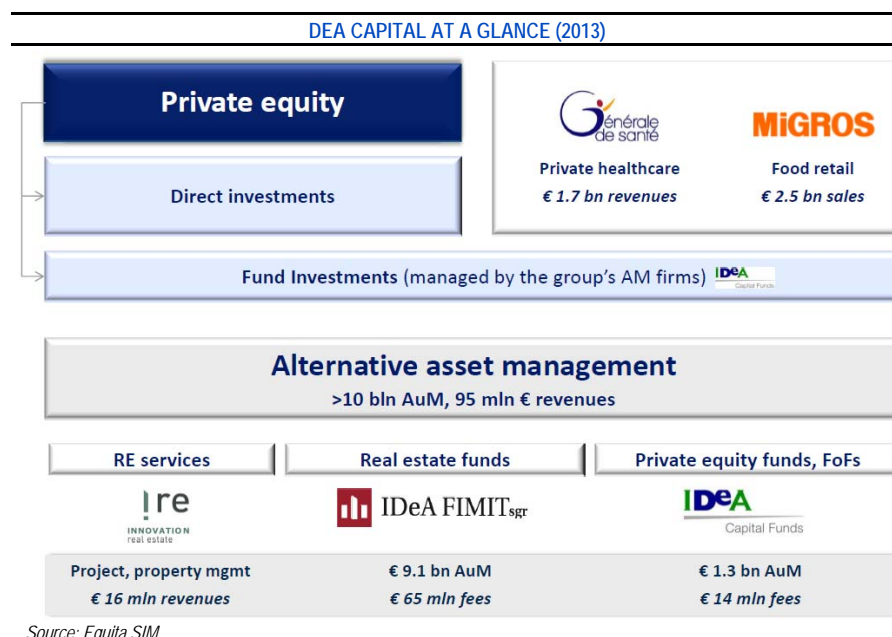
VALUATION: IDEA FIMIT AND GDS LED TO A ~3% REVISION

Following 2Q14 results we have revised downward our NAV (~-3.5%, from 2.15 PS to 2.08 PS) mainly incorporating a lower valuation for:

- Idea Fimit: 1H subdued results has let us to be more conservative and to cut valuation by some 10% (please see pag. 11);
- GDS/Santè: valuation (book value) to €162.8 mn from €177.2 mn taking into consideration transaction costs/financial costs linked to the disposal.

.....These were able to more than offset a better Holding NFP (from €143 mn to €131 mn) and a higher valuation of IRE (from €23 to €29 mn) mainly in light of its good trading momentum.

Target price to €1.87 PS from €1.95 PS (-4%) applying a 10% discount to our NAV.



DEA CAPITAL: NAV (@ target price)

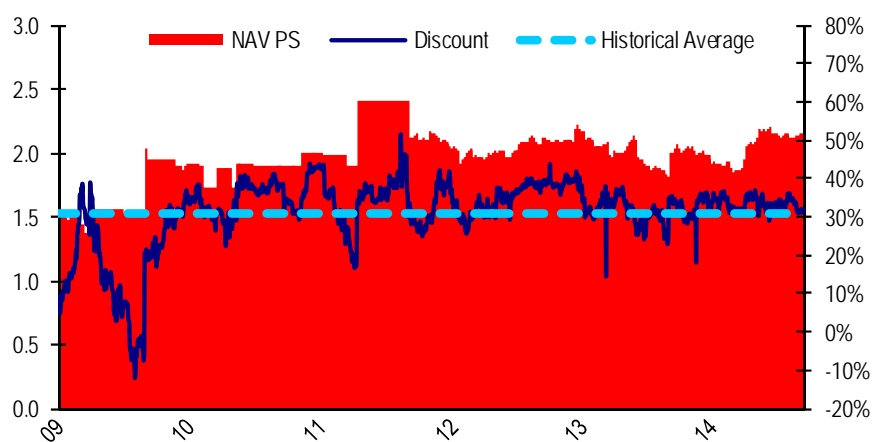
Asset	Sector	Stake %	Shares (mn)	PS	€ mn	%	Valuation method
Santè (Générale de Santé)	Healthcare	43%		€ 16.8	163	26%	Book Value 1H14
Migros Turk (via Kenan)	Food retail	13.7%	24.4	TRL 18.7	159	26%	Market Price
Dea Capital	Treasury shares	10.6%	32.6	€ 1.441	47	8%	Market Price
TOTAL LISTED SHAREHOLDINGS (1)					369	60%	
Idea-Fimit	Real Estate Asset Management	64.3%			104	17%	P/E 14E ~11x - P/AUM 1.8%
Sigla	Consumer credit	41.0%			12	2%	P/BV 1H14 1x
Idea Capital Funds SGR	Altern. Asset Mgmt	100.0%			48	8%	P/E 14E ~12x - P/AUM 3%
PE funds and Fund of Funds	Funds	n.m			205	33%	Book Value 1H14
Innovation Real Estate	Real Estate services	97%			29	5%	P/E 2014E ~10x
Other investments	-				1	0%	Book Value 1H14
TOTAL UNLISTED SHAREHOLDINGS (2)					398	65%	
ATTRIBUTABLE NET CASH / (DEBT) + HLD SEVERANCE INDEMNITY (3)					-131	-21%	
CAPITALISED HOLDING COSTS (4)					-29	-5%	Perpetuity @ 10% net of tax effect
TAXES / TAX CREDITS (5)					10	2%	5yr PV of tax loss carry forwards
STOCK OPTIONS DILUTION (6)					0	0%	
TOTAL NAV (1+2+3+4+5+6)					617	100%	
TOTAL NAV ex treasury shares					570		
Nr. Shares (mn)					306.6		
Nr. Shares (mn) ex treasury shares					274.0		
NAV per share					2.08		
Current discount / (premium)					31%		
P/NAV					0.69		

Source: company data and EQUITA SIM estimates

NAV REVISION (€ mn)				
Asset	Previous € mn	Current € mn	Change %	Change abs
Santé (Générale de Santé)	177	163	-8%	-14
Kenan (Migros Turk)	171	159	-7%	-12
Dea Capital	47	47	0%	0
TOTAL LISTED SHAREHOLDINGS (1)	395	369	-7%	-26
Idea-Fimit	116	104	-10%	-12
Sigla	12	12	-3%	0
IdeA Capital Funds SGR	48	48	-2%	-1
PE funds and Fund of Funds	204	205	0%	1
Innovation Real Estate	23	29	28%	6
Other investments	1	1	0%	0
TOTAL UNLISTED SHAREHOLDINGS (2)	404	398	-1%	-6
ATTRIBUTABLE NET CASH / (DEBT) + HLD SEVERANCE INDEMNITY (3)	-143	-131	-8%	12
CAPITALISED HOLDING COSTS (4)	-29	-29	0%	0
TAXES / TAX CREDITS (5)	10	10	0%	0
STOCK OPTIONS DILUTION (6)	0	0	0%	0
TOTAL (1+2+3+4+5+6)	637	617	-3%	-20
TOTAL NAV ex treasury shares	590	570		-20
Nr. Shares (mn)	306.6	306.6		
Nr. Shares (mn) ex treasury shares	274.0	274.0		
NAV per share	2.15	2.08	-3.4%	-0.1
Current discount / (premium)	33%	31%		
P/NAV	0.67	0.69		

Source: EQUITA SIM estimates

DEA HISTORICAL DISCOUNT TO NAV (2009-Today)



Source: Equita SIM

DEA CAPITAL: EQUITA VS REPORTED NAV (1Q14)

Asset	Sector	Stake %	Target Price € mn	Book value € mn
Santé (Générale de Santé)	Healthcare	43%	163	163
Kenan (Migros Turk)	Food retail	13.7%	159	171
Dea Capital	Treasury shares	10.6%	47	47
TOTAL LISTED SHAREHOLDINGS (1)			369	381
Idea-Fimit	Real Estate Asset Management	64.3%	104	142
Sigla	Consumer credit	41.0%	12	12
IdeA Capital Funds SGR	Altern. Asset Mgmt	100.0%	48	49
PE funds and Fund of Funds	Funds	n.m.	205	205
Innovation Real Estate	Real Estate services	97%	29	5
Other investments	-		1	6
TOTAL UNLISTED SHAREHOLDINGS (2)			398	419
ATTRIBUTABLE NET CASH / (DEBT) + HLD SEVERANCE INDEMNITY (3)			-131	-131
CAPITALISED HOLDING COSTS (4)			-29	0
TAXES / TAX CREDITS (5)			10	0
STOCK OPTIONS DILUTION (6)			0	0
TOTAL NAV (1+2+3+4+5+6)			617	669
TOTAL NAV ex treasury shares			570	622
Nr. Shares (mn)			306.6	306.6
Nr. Shares (mn) ex treasury shares			274.0	274.0
NAV per share			2.08	2.27
Current discount / (premium)			31%	36%
P/NAV			0.69	0.64

Source: EQUITA SIM estimates

The tables below show the current and historical discount (premium) to NAV of the main Italian holding companies.

ITALIAN HOLDING COMPANIES: CURRENT AND HISTORICAL NAV AND DISCOUNTS

Company	Val. method listed assets	NAV (€ PS) *										Disc. / (Prem.) to NAV									
		2006	2007	2008	2009	2010	2011	2012	2013	2014		2006	2007	2008	2009	2010	2011	2012	2013	Avg.**	2014
Astm	market price	n.a.	20.9	10.7	12.5	14.5	11.7	14.5	17.5	19.6		n.a.	31%	50%	23%	33%	38%	48%	36%	37%	47%
Camfin	(1) market price	1.79	2.37	0.49	0.65	0.56	0.56	0.90	1.02	n.a.		20%	40%	40%	54%	34%	58%	39%	n.a.	36%	-
Cir	market price	3.05	3.28	2.15	2.50	2.18	2.20	1.75	1.85	1.48		18%	24%	65%	30%	36%	44%	54%	38%	37%	26%
Cofide	see through	1.52	1.64	1.03	1.21	1.06	1.08	0.81	0.87	0.69		28%	35%	68%	48%	38%	49%	51%	38%	43%	24%
Dea capital	market price	2.61	2.40	1.64	1.88	1.99	2.10	2.15	1.95	2.10		-8%	10%	22%	33%	43%	39%	38%	35%	26%	30%
Exor ord.	(2) market price	8.2	9.2	15.9	25.2	36.6	25.8	31.8	33.0	35.2		25%	28%	50%	48%	36%	42%	40%	16%	35%	14%
Immsi	market price	2.88	2.12	1.24	1.57	1.86	1.30	0.87	0.86	0.97		25%	35%	44%	47%	55%	56%	50%	45%	45%	38%
Impregilo	market price	n.a.	n.a.	n.a.	n.a.	3.85	3.21	3.87	n.a.	n.a.		n.a.	n.a.	n.a.	n.a.	45%	29%	12%	n.a.	28%	-
Italmobiliare	(3) market price	122.3	93.1	53.1	56.4	42.3	32.7	25.8	34.1	35.3		36%	32%	49%	47%	41%	56%	53%	29%	43%	14%
Mediobanca	(4) market price	17.4	16.4	14.3	11.1	10.1	7.9	6.0	8.2	8.2		13%	10%	40%	36%	35%	15%	32%	43%	26%	19%
Mittel	market price	n.a.	5.0	4.5	5.0	4.2	3.3	3.3	3.4	2.6		n.a.	-5%	49%	27%	20%	51%	61%	49%	36%	42%
Pirelli	market price	9.01	10.73	4.85	7.03	n.a.	n.a.	n.a.	n.a.	n.a.		10%	20%	41%	33%	n.a.	n.a.	n.a.	n.a.	23%	-
Vianini Lavori	market price	n.a.	13.44	10.86	11.22	11.32	8.29	7.69	11.63	13.40		n.a.	n.a.	63%	58%	65%	60%	60%	56%	61%	60%
AVERAGE												18%	24%	48%	40%	40%	45%	45%	39%	37%	31%

(1) see-through until 2009; at market price starting from 2010

(2) IFIL ord. until 2007 (assuming total n. shares ord+sav), EXOR ord. (IFIL+IFI) since merger announcement (Sep-08)

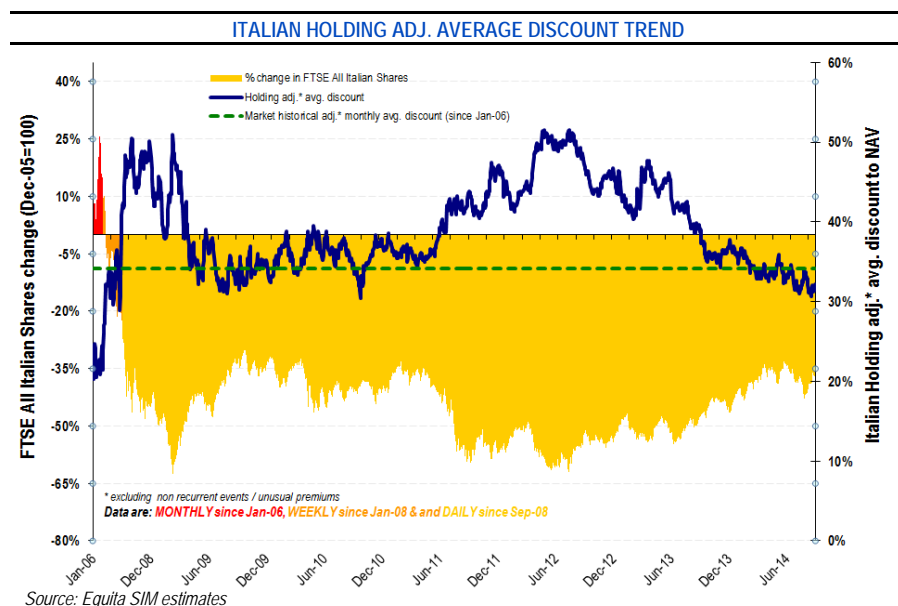
(3) adj. number shares: before Nov-07 based on market discount; after Nov-07 applying avg. between 3-month and market discounts

(4) year-end: June

* based on estimated year-end net debt and listed assets valued at December avg. market price

** historical 9-year arithmetical average (2004-12 when available)

Source: EQUITA SIM estimates



SECTOR PERFORMANCE



Source: Bloomberg

The stock has enjoyed a positive performance YTD (+15.7%) over-performing both the FTSE Italia Mid Cap Index and the Italian holding sector. DEA has benefitted from the disposal of GDS which is expected to lead to a sizeable extraordinary dividend.

Noteworthy this performance is quite sizeable taking into consideration that Mediobanca has sold part of its stake during the period.

In fact, on May 9th Mediobanca announced the disposal of some of its stake (now <2% from 4.8%).

ITALIAN HOLDING COMPANIES: STOCK PERFORMANCE								
DESCRIPTION				PERFORMANCE				
Company	Currency	Price	Mkt cap (€ mn)	1 m	3 m	6 m	1 y	YTD
ASTM SPA	EUR	10.7	945	3.0	-9.7	-10.8	14.3	-6.6
CIR SPA	EUR	1.0	793	1.8	-12.2	-6.7	-12.9	-12.7
COFIDE SPA	EUR	0.5	352	-1.8	-6.5	-9.2	-12.3	-12.4
DEA CAPITAL SPA	EUR	1.4	395	5.0	-1.9	12.7	8.3	13.5
EXOR	EUR	30.9	7,604	10.4	-0.2	1.9	10.6	6.8
IMMSI SPA	EUR	0.6	198	2.1	-21.4	-11.5	36.8	24.5
ITALMOBILIARE	EUR	27.5	893	-0.5	-5.6	-10.6	50.5	12.1
MEDIOBANCA	EUR	6.9	5,975	12.3	-9.9	-8.1	38.1	9.0
VIANINI LAVORI	EUR	5.4	235	13.1	-3.8	-15.9	50.8	3.9
MITTEL SPA	EUR	1.6	137	4.8	-5.1	-11.6	-9.8	-10.1
Average				5.0	-7.6	-7.0	17.4	2.8
Median				3.9	-6.0	-9.9	12.4	5.3

Source: EQUITA SIM estimates

EUROPEAN PRIVATE EQUITY AND INVESTMENT COMPANIES: PERFORMANCE AND DISCOUNT TO REPORTED NAV										
DESCRIPTION				PERFORMANCE				NAV PS	NAV	
Company	Currency	Price	Mkt cap (€ mn)	1 m	3 m	6 m	1 y	(Reported)	Discount (Premium) to NAV	Last reported
DEA CAPITAL SPA	EUR	1.44	442	5.0	-1.9	12.7	8.3	2.1	31%	as today
MITTEL SPA	EUR	1.56	137	4.8	-5.1	-11.6	-9.8	2.6	40%	as today
TAMBURI INVESTME	EUR	2.37	340	3.6	-10.6	-5.5	29.9	2.4	0%	as today
3I GROUP PLC	GBp	376.6	4,583	-0.1	-8.3	-4.2	4.6	361	-4%	June 30, 2014
CANDOVER INVEST	GBp	566.0	154	0.5	-0.4	6.3	39.1	722	22%	June 30, 2014
ELECTRA PRIVATE	GBp	2,715.0	1,203	2.0	0.6	-0.7	18.8	2,914	7%	March 31, 2014
SVG CAPITAL PLC	GBp	410.5	1,065	0.1	-1.7	-3.2	3.3	535	23%	June 30, 2014
EURAZEO	EUR	58.6	4,055	15.6	-6.3	4.3	25.4	70	16%	June 30, 2014
GIMV NV	EUR	36.6	931	-0.4	-4.7	-0.2	-1.2	39	6%	June 30, 2014
RATOS AB-B SHS	SEK	52.8	2,086	-4.5	-13.9	-10.7	-15.1	36	-47%	June 30, 2014
WENDEL	EUR	93.6	4,563	-2.4	-13.8	-14.6	-7.4	130	28%	August 19, 2014
AVERAGE			1,778	2.2	-6.0	-2.5	8.7		12.1%	
MEDIAN			1,065	0.5	-5.1	-3.2	4.6		16.2%	
AVERAGE EX RATOS				2.9	-5.2	-1.7	11.1		18.0%	

Source: EQUITA SIM estimates, Bloomberg prices.

■ **Migros (Turkish mass-market retailing – ~25% of our NAV): Another solid quarter. Guidance 2014 revised upwards in terms of new openings**

Main metrics:

- Sales at TL 1965 mn (+14.2%) vs TL 1920 mn exp.
- EBITDA at TL 120 (+18.8%) vs TL 119 mn exp.
- NFP at TL -1,708 bn (TL -1.896 bn FY13) vs TL -1,760 mn exp.

2Q14 was solid and slightly outperformed our expectations at operating level. A strong cash generation from NWC drove the sizeable deleverage NFP/EBITDA LTM = 3.4x (NFP = TL -1.7 bn vs. circa TL -1.9 bn FY13).

2Q showed the following messages:

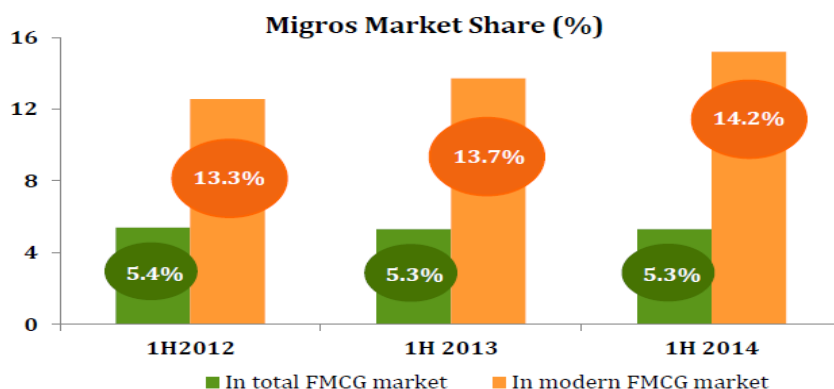
A solid underlying top-line trend

Sales grew nicely by +14.2%, even in a still uncertain environment (subdued consumer confidence) thanks to:

- Positive like-for-like growth and inflation;
- An important contribution from new openings (65 new stores only in 2Q after +17 in 1Q14).

Company is continuing to gain market shares (+50bps in the modern FMCG market) thanks to a good positioning and the massive expansion plan.

MIGROS – MARKET SHARE EVOLUTION (1H14)



Source: Nielsen

Note 1: FMCG stands for Fast Moving Consumer Goods

Note 2: Modern FMCG market and total FMCG market include all food-retail formats

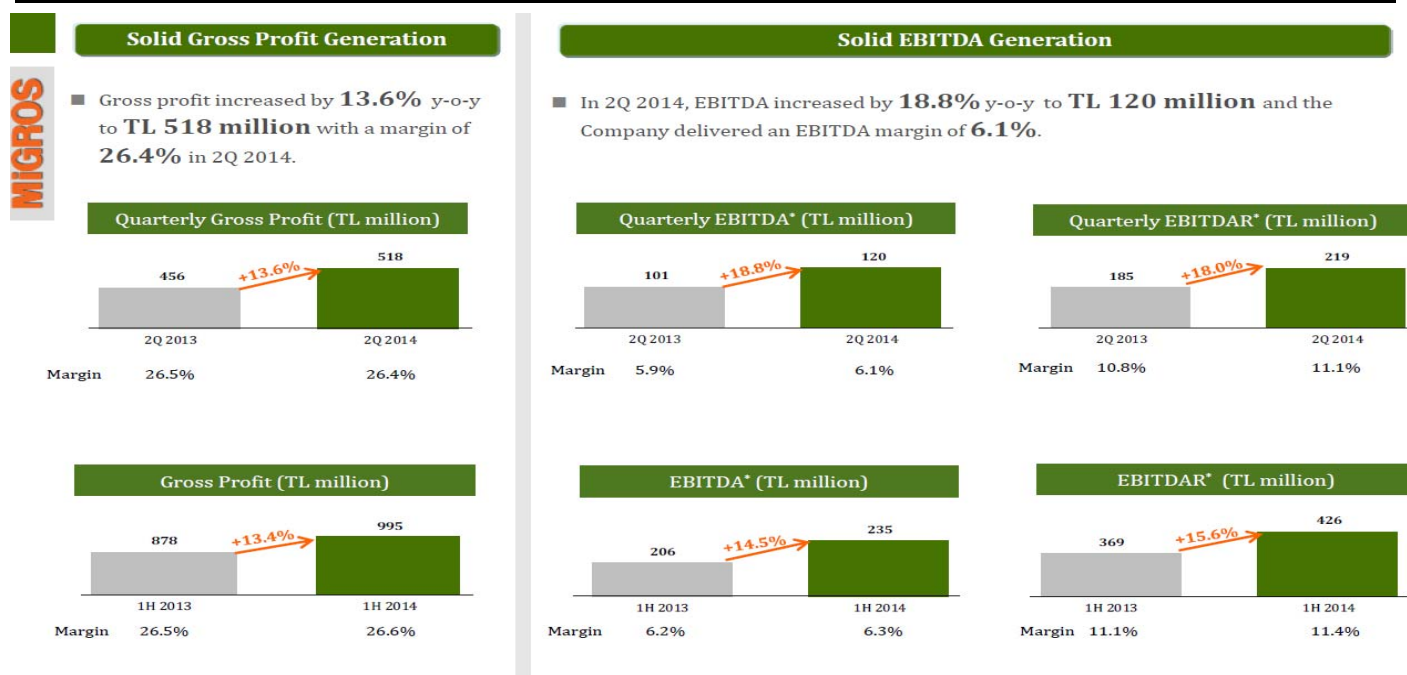
Source: Company presentation

Margins are holding well

EBITDA margin (company definition) was =6.1% (+20bps YoY). Company is working well in fighting food inflation and price competition thanks to:

- Operating costs efficiencies;
- Several efforts on supply chain (i.e negotiations with suppliers and shrinkage levels).

MIGROS – EBITDA EVOLUTION (1H14)



Source: Company presentation

We believe that these numbers can **increase visibility on the FY14 guidance** (revised upwards in term of number of new openings): top-line reporting a double digit growth (cons. +12%), EBITDA margin range 6.0%-6.5% with +150 new supermarkets (from 100-150 previous exp.) and +3 hypermarkets (from 2-3 previous exp.).

From a corporate action point of view we think that:

- After the GDS disposal, the exit from Migros is the most important catalyst for the stock with the potential pay-out of a staggering jumbo dividend;
- The recent stabilization of the Turkish macro-political scenario (strong victory of Mr.Erdogan and his party) and the solid Migros' results could speed-up the change in the company control (we remember as DEA Capital holds a stake =17% in Kenan investments which owns circa 80% of Migros).

MIGROS TURK: MAIN FIGURES (YTL, mn)

P&L account (TRY mn.)	2012	%	2013	%	2014E	%	2015E	%
Revenues	6,482		7,127		8,053		8,939	
Change%	12.7%		9.9%		13.0%		11.0%	11%
Cost of sales	-4,777.1	-73.7%	-5,232.2	-73.4%	-5,927.3	-73.6%	-6,579.3	-73.6%
Gross Profit	1,705.3	26.3%	1,894.7	26.6%	2,126.1	26.4%	2,360.0	26.4%
Change%	14.1%		11.1%		12.2%		11.0%	
Operating expense	-1,275	-19.7%	-1,425	-20.0%	-1,603	-19.9%	-1,788	-20.0%
EBITDA (Co.definition)	430.0	6.6%	469.3	6.6%	523.5	6.5%	572.1	6.4%
Change%	11.4%		9.1%		11.5%		9.3%	
Depreciation and amortization	-131.1	-2.0%	-143.3	-2.0%	-157.0	-1.9%	-165.0	-1.8%
Others	-101.3	-1.6%	-90.0	-1.3%	-117.0	-1.5%	-134.1	-1.5%
EBIT	197.6	3.0%	236.0	3.3%	249.5	3.1%	273.0	3.1%
Change%	-15.0%		19.4%		5.7%		9.4%	
Net financial income	-116.6	-1.8%	-120.0	-1.7%	-127.0	-1.6%	-110.0	-1.2%
FX	78.6	1.2%	-500.1	-7.0%	46.9	0.6%	0.0	0.0%
Net other income/expense	-30.6	-0.5%	-0.7	0.0%	0.0	0.0%	0.0	0.0%
Pre tax profit	128.9	2.0%	-384.7	-5.4%	169.4	2.1%	163.0	1.8%
Change%	n.m		n.m		n.m		-3.7%	
Taxes	-40.8		-78.4		-36.7		-48.9	
Profit on continuing operations	88.1		-463.1		132.6		114.1	
Change%	n.m		n.m		n.m		-14%	
Profit/(loss) on disc. operations	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Minorities	-0.1	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Net Profit	88.1	1.4%	-463.1	-6.5%	132.6	1.6%	114.1	1.3%
Change%	n.m		n.m		n.m		-14%	
NFP	-1,477		-1,870		-1,672		-1,499.9	

Company has reported a positive performance YTD (+15.6%) thanks to:

- Stabilization of the Turkish macro-political scenario;
- Some speculation on potential M&A deals in the sector (i.e potential merge between Migros and Tesco Kipa);
- Solid results.

MIGROS: STOCK PRICE PERFORMANCE (2014 YTD)



Source: Bloomberg data

EMERGING MARKETS FOOD RETAILERS ANALYSIS

Company	Country	Mkt Cap (€ mn)	EV / Sales		EV / EBITDA		P/E Adj		EBITDA Margin		ND / EBITDA 2014
			2014	2015	2014	2015	2014	2015	2014	2015	
EUROCASH	Poland	1,139	0.3	0.3	12.4	10.3	21.0	17.1	2.5%	2.6%	1.1
WUMART STORES	China	972	0.4	0.4	6.7	5.8	18.6	16.5	6.1%	6.2%	-1.6
WOOLWORTHS LTD	Australia	30,886	0.8	0.8	10.1	9.6	18.0	17.0	7.9%	7.8%	0.8
SHOPRITE HLDGS	South Africa	5,847	0.8	0.7	10.9	10.0	19.7	18.5	7.2%	7.1%	-0.3
WALMART DE MEX-V	Mexico	36,041	1.3	1.2	13.9	12.5	24.0	23.0	9.7%	9.9%	-0.3
SORIANA-B	Mexico	4,794	0.8	0.7	10.7	9.6	22.4	19.8	7.1%	7.3%	-0.3
LOJAS AMERIC-PRF	Brazil	5,437	1.2	1.0	10.0	8.2	36.2	26.1	12.4%	12.6%	1.6
BIM BIRLESİK MAG	Turkey	5,238	1.0	0.8	21.1	17.1	32.3	26.5	4.8%	4.9%	-0.7
X 5 RETAIL-GDR	Russia	4,237	0.5	0.4	6.9	6.1	15.1	12.3	7.3%	7.4%	2.6
JERONIMO MARTINS	Portugal	6,015	0.5	0.5	8.7	7.9	16.7	14.7	6.0%	6.1%	0.5
Average			0.8	0.7	11.1	9.7	22.4	19.2	7.1%	7.2%	0.3
Median			0.8	0.7	10.4	9.6	20.4	17.8	7.1%	7.2%	0.1
Min			0.3	0.3	6.7	5.8	15.1	12.3	2.5%	2.6%	-1.6
Max			1.3	1.2	21.1	17.1	36.2	26.5	12.4%	12.6%	2.6
Migros (Consensus)		1,149	0.6	0.5	10.3	8.9	25.5	21.5	6.1%	6.1%	3.5x
Migros (Equita)		1,149	0.6	0.5	9.6	8.5	38.8	29.2	6.5%	6.4%	3.2x

Source: Bloomberg and Equita SIM

■ **Idea Fimit (RE Asset Management – ~17% of our NAV): Subdued results. To cut estimates and valuation. Waiting for a new Business Plan.**

Idea Fimit reported 2Q results which were slightly below our expectations mainly due to lower commissions (% on AUM).

AUM were in line with expectations and down by some €150mn vs. 1Q14.

Reported metrics (i.e EBT = €0.6 mn) were affected by some non-recurrent items (mostly non-cash): 1) Costs related to the end of the Santa Giulia project (some €0.4 mn) and 2) The impairment of financial equity instruments representing the right to variable commission in respect of the funds managed by FIMIT SGR before the merger with FARE SGR (some €6.3 mn).

More in details:

- Net Commissions at €13.8 mn vs €14.2 expected (0.61% vs 0.63% exp.);
- Adj. Net Income at €3.7 mn vs. €3.9mn expected;
- AUM €9.0bn vs €9.0bn expected.

IDEA-FIMIT: 2Q14 RESULTS (€ mn)

	2Q13	2Q14 Exp.	2Q14 Act.
Net commission	16.1	14.2	13.8
% change		-11.6%	-14.3%
Adj. Net Income	4.4	3.9	3.7
% change		-11.3%	-15.9%
Total AUM (€ mn)	9,500	9,040	9,017
% change		-4.8%	-5.1%

Source: EQUITA SIM estimates and company data

Cutting estimates and valuation.

Due to a still difficult environment, the recent management reshuffle and the regulatory uncertainty Idea Fimit is suffering: 1) Pressure on fees and 2) A postponement of the launch of new initiatives which should offset the termination of some funds and the on-going assets disposal.

As far as 2014-2016 estimates are concerned, we cut revenues and Net Income Adj. estimates in order to factor in a more cautious development in both AUM and fees (%) also on the back of: 1) Higher assets disposal (not sufficiently covered by new initiatives at the moment) and 2) Fees renegotiation at some funds.

We know our estimates (commissions equal to some €53 mn in 2015-2016) may prove to be too conservative if some new initiatives start.

Concerning these initiatives, we think that we could have more visibility in November when the new management (in May Emanuele Caniggia replaced Massimo Brunelli as new CEO) is expected to issue a **new business plan** focused on:

- New business lines (SIIQs management?, social housing?, internationalization?, partnerships with global PE houses?);
- Further efficiencies on corporate costs;
- M&A (we believe that Idea Fimit could be an important aggregator).

.....In the meantime two positive new laws were announced.

Extraordinary extension for retail real estate funds

Event: on 20th August the measure introducing the extraordinary extension for retail real estate funds (for Idea Fimit approx. 20% of total AUM) became law.

The above-mentioned measure sets forth that by December 2014 management companies can extend the duration of retail real estate funds until December 2017 for funds whose activity term expires by December 2015 and until a maximum of 2 years for all the other funds.

Moreover, this extension:

- Is subject to approval by the fund's shareholders meeting;
- Must be targeted only to the complete disposal of investments;
- Sets forth the reduction of management fees by at least 2/3 and the fund management company cannot withdraw incentive fees from the fund (during the extended period).

It is a positive piece of news for the industry: now funds approaching their maturity (we estimate that some €1bn AUM will finally expire by 2016), in case they opt for the extension, can have more time to better manage the disposal of their assets thus avoiding the forced sale of real estate (as it was recently the case for Prelios' Olinda fund) in a still difficult market.

We expect Idea Fimit to apply for this extension for the Beta fund only (expiry: early 2015 – some €180 AUM).

IDEA FIMIT AUM BREAKDOWN (June-14)		
Funds	AUM (€, mn)	Maturity
Listed Funds	1,956	
Atlantic 1	639	31-dic-16 (grace-period available)
Atlantic 2, Berenice	348	31-dic-15 (grace-period available)
Alpha	457	27-giu-30 (grace-period available)
Beta	187	18-feb-15 (new extension available)
Delta	325	31-dic-17
Reserved Funds	7,061	
Idea Fimit	9,017	

Source: Company data

New SIIQ regulation

On 13th September, the new SIIQ regulation entered into force, whose main novelties are the following:

- Reduction of minimum free float (from 35% to 25%) and increase of the maximum share of the majority shareholder (from 51% to 60%);
- Removal of the capital gain taxation on RE disposals: 50% of these incomes have to be distributed over the following two years;
- Reduction of minimum dividend payout-ratio from the renting activity (from 85% to 70%).

We believe that these changes might encourage the listing of new SIIQs by banks, insurances and public institutions and create a “real” and more liquid sector (so far only two SIIQs are operating in Italy vs circa 40 in France).

Idea Fimit, given its long-standing experience in the industry, could be awarded mandates to manage such vehicles and we believe that it is already working on this new opportunity.

CHANGE IN ESTIMATES (2014-2016)

	2014E Prev.	2014E Curr.	Chg. Abs.	2015E Prev.	2015A Curr.	Chg. Abs.	2016E Prev.	2016A Curr.	Chg. Abs.
Net Commissions	57.5	54.6	-2.9	57.0	52.8	-4.2	58.2	52.9	-5.3
Incr. YoY	-11.0%	-15.5%		-0.9%	-3.3%		2.1%	0.3%	
EBIT Adj.	26.3	24.6	-1.7	26	23.5	-2.5	27.5	24.0	-3.5
Incr. YoY	-21.3%	-26.4%		-1.1%	-4.5%		5.8%	2.4%	
Net Income	10.5	5.0		14.4	10.9		15.5	11.5	
Net Income Adj.	16.1	14.7	-1.4	16.0	14.4	-1.6	16.9	14.8	-2.1
Incr. YoY	-8.7%	-16.4%		-0.6%	-2.1%		5.6%	2.4%	
Total AUM (€ mn)	9,087	8,950		9,314	8,815		9,454	9,124	-
Incr. YoY	-1.0%	-2.5%		2.5%	-1.5%		1.5%	3.5%	

Source: Equita SIM Estimates

IDEA-FIMIT: MAIN FIGURES

	2013	2014E	2015E	2016E	2017E
Management fees	64.6	54.6	52.8	52.9	53.7
Variable fees and others	0.0	0.0	0.0	0.0	0.0
Net commission	64.6	54.6	52.8	52.9	53.7
%change	-1.2%	-15.5%	-3.3%	0.3%	1.5%
Operating costs	-29.7	-28.5	-27.8	-27.4	-27.1
Write-offs/D&A	-1.5	-9.5	-4.5	-4.5	-4.5
PPA amortization	-9.9	-7.6	-2.7	-2.3	0.0
EBIT	23.5	9.0	17.8	18.7	22.1
margin%	36%	16%	34%	35%	41%
EBIT adj.	33.5	24.6	23.5	24.0	25.1
margin%	52%	45.0%	44.5%	45.4%	46.8%
Pre tax	6.2	8.3	17.8	18.7	22.1
taxes	-5.0	-3.2	-6.8	-7.2	-8.5
tax rate	81%	39%	39%	39%	39%
Net Income	1.2	5.0	10.9	11.5	13.6
%change	-94%	320%	117%	5%	18%
Adj. Net Income	17.6	14.7	14.4	14.8	15.4
%change	-18%	-16%	-2.1%	2.4%	4.5%
Total AUM (€ mn)	9,179	8,950	8,815	9,124	9,398
%change	-2.5%	-2.5%	-1.5%	3.5%	3.0%
P/E	9.1	10.9	11.2	10.9	10.4
P/AUM	1.8%	1.8%	1.8%	1.8%	1.7%

Source: EQUITA SIM estimates and company data

To evaluate the stake in Idea Fimit in our NAV we apply a P/E multiple = 11x to 2014-16E adj. profits, resulting in a € 104mn valuation (from € 116mn previously expected).

This value is around 25% below the Book Value.

IDEA FIMIT RESULTING VALUATION				
	2014	2015	2016	AVG
Equity Value	162	159	162	161
P/E Adj.	11.0	11.0	11.0	
Avg. Equity Value (€ mn) 100%				161
Implied P/AUM				1.8%
DEA stake				64%
Avg. Equity Value (€ mn) 64%				104

Source: EQUITA SIM estimates

■ **IDeA Capital Funds Sgr (Alternative Asset Management - 8% of our NAV):**
Resilient results and good pipeline of new funds

IDeA Capital Funds reported 2Q14 results in line with our expectations (Net income at € 1.1mn vs € 0.9mn exp.)

AUM was up vs 1Q14 by circa €50mn (at €1.39bn) thanks to the 1st closing of the FoF ICF III.

The annualized management fee amounts to 1% (slightly above our expectations).

The table below shows AUM value for IDeA Capital Funds as of end FY13/1H14.

IDEA CAPITAL FUNDS: AUM AND MANAGEMENT FEES (€ MN)		
	FY13	1H14
ICF II	281	281
IDeA EESS	100	100
IDeA I FoF	681	681
IDeA OF I	216	216
AVA	55	55
ICF III	0.0	57
Total AUM	1334	1390
ICF II	2.8	1.3
IDeA EESS*	3.5	1
IDeA I FoF	5.1	2.3
IDeA OF I	2.5	1.2
AVA	0.4	0.7
ICF III	0.0	0.2
Management fees	14.3	6.7
ICF II	1.0%	1.0%
IDeA EESS	3.5%	2.0%
IDeA I FoF	0.7%	0.7%
IDeA OF I	1.2%	1.1%
AVA	0.7%	2.2%
ICF III	0.0%	1.4%
Management fees as % of AUM	1.1%	1.0%

Source: Company data

* In 2013, the Idea EEMS benefited from €1.9 mn of star-up commissions

We continue to think that the company is doing a good job from a commercial point of view; it boasts a good pipeline of new funds that are currently under fund-raising and enjoying an good feedback from investors:

- **ICF III:** third fund of funds focusing on Buy-outs, credit distressed and emerging markets: Fund-raising target = €250 mn (1° closing = circa €57);
- **Taste of Italy:** PE fund focusing on investments in Italian companies operating in the agri-foods sector. Fund-raising target = €200 mn.

We leave FY14/FY16 estimates broadly unchanged assuming some acceleration in 2H14. Equity Valuation = €48 mn which implies 2015 Adj.PE = 10x.

IDEA CAPITAL FUNDS SGR					
	2012	2013	2014E	2015E	2016E
Management fees	12.2	12.3	13.8	15.3	16.2
Variable fees and others	1.3	1.9	0.0	0.0	0.0
Net commission	13.5	14.2	13.8	15.3	16.2
%change	5%	5%	-3%	11%	6%
Costs	-6.6	-7.0	-7.6	-7.7	-7.7
Extraordinary costs (restructuring costs)	0.0	0.0	0.0	0.0	0.0
<i>total costs ex extr</i>	<i>-6.6</i>	<i>-7.0</i>	<i>-7.6</i>	<i>-7.7</i>	<i>-7.7</i>
EBIT	6.9	7.2	6.2	7.6	8.5
margin%	51%	51%	45%	50%	53%
Interest charges	0.0	0.0	0.4	0.4	0.4
Others and extraord.	0.0	0.0	0.0	0.0	0.0
Pre tax	6.9	7.2	6.6	8.0	8.9
taxes	-2.4	-3.2	-2.6	-3.1	-3.5
tax rate	35%	44%	39%	39%	39%
Net Income	4.5	4.0	4.0	4.9	5.4
%change	-8%	-11%	0%	22%	12%
Adj. Net Income	4.5	4.0	4.0	4.9	5.4
%change	-8%	-11%	0%	22%	12%
Total AUM (€ mn)	1,238	1,333	1,533	1,683	1,733
%change	0%	8%	15.0%	9.8%	3.0%

Source: EQUITA SIM estimates and company data

IDEA CAPITAL FUNDS (2014*)

- On average, Idea Capital's funds have reported a positive Investment multiple (TVPI) to date.
- Since 2013, funds have generated a €19 mn positive fair value change in DeA's equity (€204.7 mn in 1H14.)



Source: Company Presentation. *Book Value as of 31 March 2014

INVESTMENT CASE

We confirm our positive view on the stock in light of the:

- **Still high discount on Equita NAV (~30%)** with a solid financial structure (2014E Holding NFP pre-disposal GDS = €129.4 mn) and a simple holding structure. At current market prices, it is as if the market was valuing the AAM division basically zero (avg. 2014-2015 Adj. Net Income = €17 mn).

DEA CAPITAL: IMPLIED AAM VALUATION	
Name	Value
Listed Assets (GDS, Migros)	322
PE Funds	205
Other Assets (i.e Sigla, Capitalized Holding Costs)	-6
Total	520
Holding NFP	-131
NAV ex AAM	389
DEA Capital Market Cap	395
Implied AAM valuation (Idea Fimit, Idea Capital Funds and IRE)	5

Source: EQUITA SIM estimates

We note that DEA's ultimate objective is to convert into a pure Alternative Asset manager and to "streamline" its holding structure.

- **Potential upside in case of exit from the remaining direct PE investments:**

We believe that after the GDS disposal, the next catalyst is the final exit from the last PE direct holdings: **Migros** and **Sigla**.

The exit from Migros is definitely an important catalyst, considering the large scale of the disposal and the likely pay-out of a "jumbo dividend": our assumption is DPS >€ 0.40 PS assuming >70% of the total cash-in (conservatively assuming that Migros could be disposed at current market prices).

The private equity consortium led by BC Partners is ready to consider bids and we are convinced that the asset could be attractive both to industrial (i.e. Wal-Mart) and financial players.

We believe that: 1) The recent stabilization of the macro-political environment in Turkey and 2) The company's solid results...could speed up the disposal process.

On the other hand, Sigla (Italian player operating in the consumer credit industry) is a small non-strategic holding (Book Value = €12 mn) that could be disposed given the DEA management's intention to put its efforts into becoming a pure Alternative Asset Manager.

STATEMENT OF RISK

The primary elements that **could negatively impact DEA include:**

- Significant deterioration in the main assets reference macroeconomic scenario
- Significant increase in short term interest rates
- Eventual participation to rights issue of main controlled assets just to restore
- Financial flexibility.
- Depreciation of the Turkish lira
- Deterioration of private equity and alternative AM portfolio valuation

INFORMATION PURSUANT TO ARTICLE 69 ET SEQ. OF CONSOB (Italian securities & exchange commission) REGULATION no. 11971/1999

This publication has been prepared by Alessandro Cecchini and Luigi de Bellis on behalf of EQUITA SIM SpA (licensed to practice by CONSOB resolution no. 11761 of December 22nd 1998 and registered as no. 67 in the Italian central register of investment service companies and financial intermediaries)

In the past EQUITA SIM has published studies on Dea Capital.

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EXPECTED TOTAL RETURN FOR THE VARIOUS CATEGORIES OF RECOMMENDATION AND RISK PROFILE

RECOMMENDATION/RATING	Low Risk	Medium Risk	High Risk
BUY	ETR ≥ 10%	ETR ≥ 15%	ETR ≥ 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
REDUCE	ETR ≤ -5%	ETR ≤ -5%	ETR ≤ 0%

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MOST RECENT CHANGES IN RECOMMENDATION AND/OR IN TARGET PRICE (OLD ONES IN BRACKETS):

Date	Rec.	Target Price (€)	Risk	Comment
13 May 2014	BUY (BUY)	1.95 (1.6)	High	M&A and market price update

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EQUITY RATING DISPERSION AS OF JUNE 30, 2014 (art. 69-quinquies c. 2 lett. B e c. 3 reg. Consob 11971/99)

	COMPANIES COVERED	COMPANIES COVERED WITH BANKING RELATIONSHIP
BUY	43.8%	55.1%
HOLD	51.1%	42.9%
REDUCE	5.1%	2.0%
NOT RATED	0.0%	0.0%