

Company update

BUY (Unchanged)

Target: € 1.75 (Unchanged)

Risk: High

STOCK DATA

Price €	1.3
Bloomberg code	DEA IM
Market Cap. (€ mn)	398
Free Float	37%
Shares Out. (mn)	306.6
52-week range	1.17 - 1.5
Daily Volumes (mn)	0.08

PERFORMANCE

	1M	3M	12M
Absolute	1.2%	-10.9%	1.3%
Rel. to FTSE all shares	-1.2%	-8.9%	-13.3%

MAIN METRICS

	2012	2013E	2014E
EPS - € cents	-9.6	-4.3	-3.8
DPS ord - € cents	0.0	0.0	0.0

NAV

	2012	2013E	2014E
Nav (Equita) ps ord - €	2.2	2.1	2.1
Nav (Reported) ps ord - €	2.63	2.55	2.55
BVPS - € cents	2.36	2.32	2.29

MULTIPLES

	2012	2013E	2014E
P/NAV (Equita)	0.6 x	0.6 x	0.6 x
P/NAV Reported	0.5 x	0.5 x	0.5 x
P/BV	0.6 x	0.6 x	0.6 x

INDEBTNESS

	2012	2013E	2014E
NFP	-124	-136	-132
Debt to assets ratio	0.2 x	0.2 x	0.2 x
D/E	0.1 x	0.2 x	0.2 x

PRICE ORD LAST 365 DAYS



ANALYSTS

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AWAITING DISPOSAL OF GDS'S PSYCHIATRIC BUSINESS

NAV reported at € 2.55ps vs. € 2.72 in 1Q as a result of Kenan's (Migros) fair value change due to the poor performance reported by the Migros' stock because of social turmoil in Turkey and depreciation of the Turkish lira vs. euro. GDS's disposal of its psychiatric business - expected to occur in the next few months represent the main catalysts for the stock, permitting a reduction of the discount on NAV (37% on Equita NAV and 49% on reported). BUY rating confirmed: at current prices, if we strip out GDS's and Migros' value, the implicit valuation of Alternative Asset Management is zero.

■ 2Q13 results: reported NAV of € 2.55 (vs. € 2.72 at end of 1Q13)

- **Reported NAV = € 2.55 PS** vs. € 2.72 1Q13;
- **Holding NFP = € -140.6mn vs. € -150.4mn exp.**

■ Générale de Santé (25% of NAV): valuation +23% to €15.4ps. Psychiatric assets expected to be sold by year-end

We have revised GDS valuation upwards by 23% improving our multiples valuation, since we believe that following the sale of the psychiatric division (which, according to our estimates, might occur at higher multiples than the group average, given the quality of the business and the recent M&A operations @10-11x EV/EBITDA) and the subsequent reduction in the financial leverage (which will make the refinancing of debt maturing in 2014 much easier), the discount at which GDS has historically been traded on the sector might shrink. Furthermore, **starting from January 2014, Santé shareholders will no longer be bound for their potential exit from GDS, thereby increasing – in our view - the speculative appeal on the asset**, currently being traded at EV/EBITDA 2013E = 6.4x (with EBITDA CAGR 2013-15E of 3%).

■ Migros (25%): Stock impacted by turmoil in Turkey and weakness of the Turkish Lira, but remain an interesting M&A target

Migros reported 2Q13 results that were a touch above consensus (Bloomberg) at EBITDA level (TL 101mn vs. TL 96.9mn exp. by consensus), with a robust top-line growth (+10.8% YoY vs. consensus +10%), but with the bottom-line impacted by TL 166mn forex-related losses on debt in €. In spite of good operating results, the Migros stock has recorded a weak performance YTD (-23.5%), but especially over the last 3 months (-32%) because of social tension in Turkey and the depreciation of the Turkish lira against the euro (which went up from 2.4 TL/€ at the end of May to the current 2.69). DEA's exit from Migros is the main catalyst for the stock, and we believe that, although the uncertainty on the macro scenario in Turkey might slow down the selling process, the consolidation in the Food Retailing industry in Turkey is still an on-going process.

■ NAV and target confirmed: GDS up and Migros down

NAV and target basically confirmed at €2.1ps and €1.75ps respectively, where Migros' lower valuation is offset by GDS' increase.

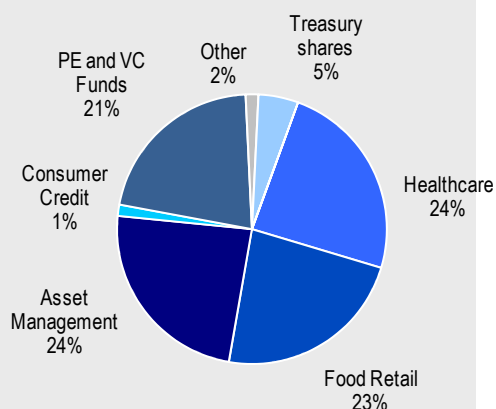
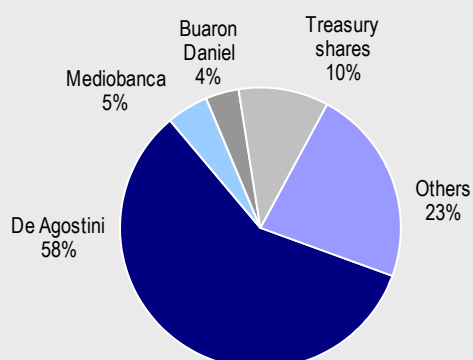
■ BUY recommendation confirmed

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

- **High discount on Equita NAV:** ~37% (49% on reported);
- **Exposure to defensive sectors** (healthcare and food retailing) through leading players whose assets are difficult to replicate;
- **Focus on alternative asset management:** we estimate Alternative AM's contribution to 2013E net profit reached approx. €21mn (ex-minorities)

BUSINESS DESCRIPTION

DeA Capital is an investment company (started-up in 2007 through the takeover of a listed entity -CdB Web Tech- by DeAgostini) focusing on direct and indirect private equity investments and alternative asset management.

NAV BUSINESS SEGMENTATION - 2013**SHAREHOLDER STRUCTURE - 2013**

MAIN FIGURES € mn	2010	2011	2012	2013E	2014E	2015E
AM Commissions	27.8	47.8	82.0	80.6	83.2	85.8
Profit (Loss) on equity	-15.5	-55.5	-18.4	-10.2	-11.3	-8.6
Other investment income (charges)	-3.4	13.5	-7.9	0.5	0.0	0.0
Other income	10.5	10.7	12.5	12.9	13.2	13.4
Other expenses	-36.8	-51.4	-81.3	-71.3	-70.7	-60.0
Tot. Income & exp.	-17.3	-34.9	-13.1	12.5	14.3	30.6
Growth	n.m.	n.m.	n.m.	n.m.	15%	113%
Financial Income	-4.6	-2.8	-6.8	-4.5	-3.5	-2.8
Profit before tax	-22.0	-37.7	-19.8	8.0	10.8	27.8
Growth	n.m.	n.m.	n.m.	n.m.	36%	157%
Results from Discontinued op	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-0.9	-2.1	-8.1	-5.9	-6.5	-9.7
Net Income	-26.3	-43.6	-26.3	-11.9	-10.3	-1.7
Growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Net income adjusted	-26.3	-43.6	-26.3	-11.9	-10.3	-1.7
Growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

SHARE DATA	2010	2011	2012	2013E	2014E	2015E
Nav (Reported) ps ord - €	2.60	2.60	2.63	2.55	2.55	2.55
Nav (Equita) ps ord - €	2.0	2.1	2.2	2.1	2.1	2.1
EPS - € cents	-8.8	-15.5	-9.6	-4.3	-3.8	-0.6
Growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Adj. EPS - € cents	-9.1	-15.1	-9.6	-4.3	-3.8	-0.6
Growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
DPS ord - € cents	0.00	0.00	0.00	0.00	0.00	0.00

MARKET RATIOS	2010	2011	2012	2013E	2014E	2015E
P/NAV Reported	0.44 x	0.49 x	0.50 x	0.51 x	0.51 x	0.51 x
P/NAV (Equita)	0.57 x	0.61 x	0.62 x	0.63 x	0.63 x	0.63 x
P/BV	0.5 x	0.6 x	0.6 x	0.6 x	0.6 x	0.6 x
P/E	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
P/E Adj	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

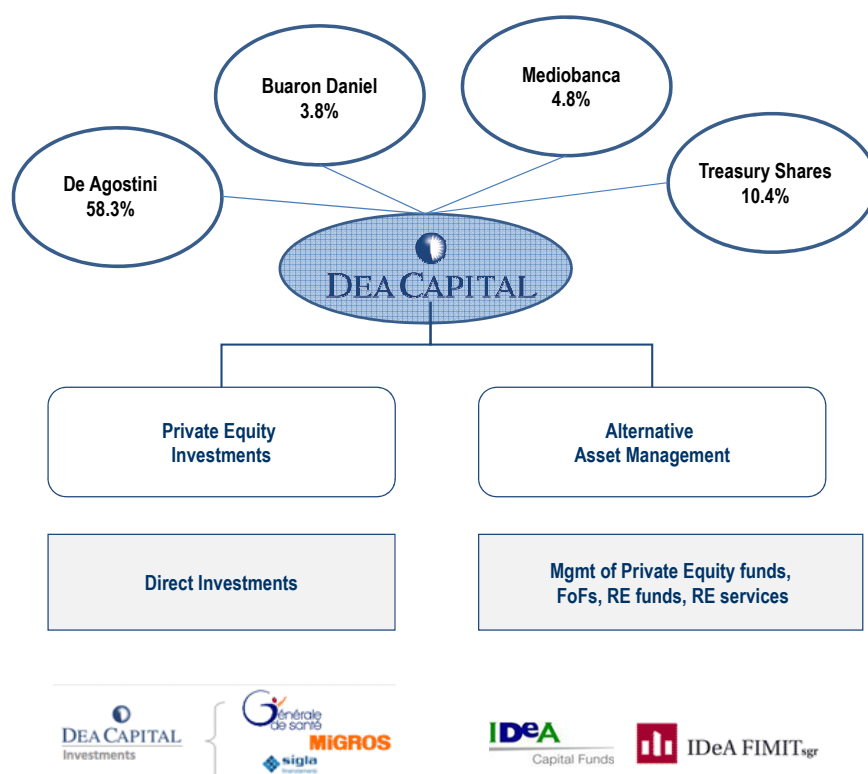
REMUNERATION	2010	2011	2012	2013E	2014E	2015E
Div. Yield ord	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROE	-3.4%	-6.5%	-3.6%	-1.7%	-1.5%	-0.2%

INDEBTNESS - €mn	2010	2011	2012	2013E	2014E	2015E
NFP	-20.4	-102.5	-123.6	-136.2	-132.4	-126.7
Holding system NFP	20.9	19.6	-141.6	-144.8	-150.8	-147.8
Debt to assets ratio	n.m.	n.m.	18.2%	18.8%	19.6%	19.2%
D/E	0.03	0.13	14.4%	16.1%	15.8%	15.2%

Source: company data and EQUITA SIM estimates

VALUATION: TARGET PRICE CONFIRMED AT € 1.75 PS. DISCOUNT TO OUR NAV @ 37% (49% ON REPORTED).

DEA CAPITAL: GROUP STRUCTURE



Source: Equita SIM

DEA CAPITAL: NAV (@ target price)

Asset	Sector	Stake %	Shares (mn)	PS	€ mn	%	Valuation method
Santé (Générale de Santé)	Healthcare	43.0%		€ 15.4	152	25%	Equity - Avg.DCF&Multiples (Impl.Ev/Ebitda 13E 7x)
Migros Turk (via Kenan)	Food retail	13.7%	24.4	TL 16.5	150	25%	Market Price
Dea Capital	Treasury shares	10.6%	32.6	€ 1.3	42	7%	Market Price
TOTAL LISTED SHAREHOLDINGS (1)					344	57%	
Idea-Fimit	Real Estate Asset	64.3%			161	27%	P/E 14E 10.6x - P/AUM 2.3%
Sigla	Consumer credit	35.0%			12	2%	P/BV 1H13 1x
Idea Capital Funds SGR	Altern. Asset Mgmt	100.0%			50	8%	P/E 13E 10x - P/AUM 3.9%
PE funds and Fund of Funds	Funds	n.m.			189	25%	Book Value 1H13
Innovation Real Estate	Funds	n.m.			12	2%	P/E 2013E 6x
Other investments*	-	n.m.			2	0%	Book Value 1H13
TOTAL UNLISTED SHAREHOLDINGS (2)					425	70%	
ATTRIBUTABLE NET CASH / (DEBT) + HLD SEVERANCE INDEMNITY (3)					-145	-24%	Pro-forma as today
CAPITALISED HOLDING COSTS (4)					-29	-5%	Perpetuity @ 10% net of tax effect
TAXES / TAX CREDITS (5)					10	2%	5yr PV of tax loss carryforwards
STOCK OPTIONS DILUTION (6)					0	0%	
TOTAL NAV (1+2+3+4+5+6)					605	100%	
TOTAL NAV ex treasury shares					563		
Nr. Shares (mn)					306.6		
Nr. Shares (mn) ex treasury shares					274.0		
NAV per share					2.1		
Current discount / (premium)					37%		
P/NAV					0.63		

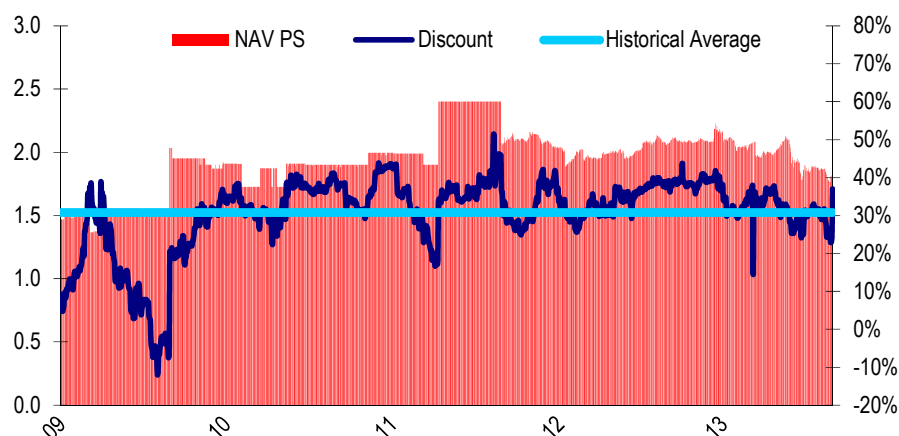
Source: company data and EQUITA SIM estimates

NAV REVISION (€ mn)				
Asset	Previous € mn	Current € mn	Change %	Change abs
Santé (Générale de Santé)	93	152	64%	59
Kenan (Migros Turk)	225	150	-33%	-75
Dea Capital	42	42	1%	0
TOTAL LISTED SHAREHOLDINGS (1)	360	344	-4%	-15
Idea-Fimit	161	161	0%	0
Sigla	12	12	-1%	0
IdeA Capital Funds SGR	49	50	2%	1
PE funds and Fund of Funds	181	189	4%	8
Innovation Real Estate	12	12	0%	0
Other investments*	3	2	-42%	-1
TOTAL UNLISTED SHAREHOLDINGS (2)	418	425	2%	8
ATTRIBUTABLE NET CASH / (DEBT) + HLD SEVERANCE INDEMNITY (3)	-150	-145	-3%	5
CAPITALISED HOLDING COSTS (4)	-29	-29	1%	0
TAXES / TAX CREDITS (5)	10	10	-3%	0
STOCK OPTIONS DILUTION (6)	0	0	0%	0
TOTAL (1+2+3+4+5+6)	608	605	-1%	-4
TOTAL NAV ex treasury shares	567	563		
Nr. Shares (mn)	306.6	306.6		
Nr. Shares (mn) ex treasury shares	274.6	274.0		
NAV per share	2.1	2.1	0%	0.0
Current discount / (premium)	37%	37%		
P/NAV	0.63	0.63		

Source: EQUITA SIM estimates

In fixing out target price we apply a 15% discount to NAV. As a consequence, **starting from a NAV of € 2.1 PS our target price is € 1.75 PS (unchanged – higher valuation for GDS offset by the lowered valuation of Migros).**

DEA HISTORICAL DISCOUNT TO NAV



Source: Equita SIM estimates

The main differences between Equita NAV and the company's reported NAV is the valuation of GDS (€ 15.4 PS in our NAV or € 152 mn vs. € 19 PS or € 225 mn reported in DEA accounts).

DEA CAPITAL: EQUITA VS REPORTED NAV

Asset	Sector	Stake %	Target Price € mn	Cost € mn
Santé (Générale de Santé)	Healthcare	43.0%	152	225
Kenan (Migros Turk)	Food retail	13.7%	150	193
Dea Capital	Treasury shares	10.4%	42	42
TOTAL LISTED SHAREHOLDINGS (1)			344	460
Idea-Fimit	Real Estate Asset Management	64.3%	161	169
Sigla	Consumer credit	41.0%	12	13
Idea Capital Funds SGR	Alternative Asset Management	100.0%	50	52
PE funds and Fund of Funds	Funds	n.m.	189	189
Innovation Real Estate	Funds	n.m.	12	4
Other investments*	-	n.m.	2	0
TOTAL UNLISTED SHAREHOLDINGS (2)			425	427
ATTRIBUTABLE NET CASH / (DEBT) + HLD SEVERANCE INDEMNITY (3)			-145	-145
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)			605	742
TOTAL NAV ex treasury shares			563	699
Nr. Shares (mn)			306.6	306.6
Nr. Shares (mn) ex treasury shares			274.0	274.0
NAV per share			2.1	2.55
Current discount / (premium)			37%	49%
P/NAV			0.63	0.51

Source: EQUITA SIM estimates

The tables below show the current and historical discount (premium) to NAV of the main Italian holding companies. At the current price, DEA is trading at a 37% discount to reported NAV and 49% discount to Equita NAV, compared to the 39% of 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	2006	2007	2008	2009	2010	2011	2012	Avg.**	2013
ASTM	market price	n.a.	20.9	10.7	12.5	14.5	11.7	14.5	17.0	n.a.	31%	50%	23%	33%	38%	48%	37%	47%
CAMFIN	(1) market price	1.79	2.37	0.49	0.65	0.56	0.56	0.90	0.99	20%	40%	40%	54%	34%	58%	39%	36%	19%
CIR	market price	3.05	3.28	2.15	2.50	2.18	2.20	1.75	1.74	18%	24%	65%	30%	36%	44%	55%	37%	30%
COFIDE	see through	1.52	1.64	1.03	1.21	1.06	1.08	0.81	0.82	28%	35%	68%	48%	38%	49%	51%	43%	33%
DEA CAPITAL	market price	2.61	2.40	1.64	1.88	1.99	2.10	2.15	2.10	-8%	10%	22%	33%	43%	39%	38%	25%	37%
EXOR ord.	(2) market price	8.2	9.2	15.9	25.2	36.6	25.8	31.8	35.7	25%	28%	50%	48%	36%	42%	40%	37%	26%
IMMSI	market price	2.88	2.12	1.12	1.57	1.86	1.30	0.97	0.85	25%	35%	38%	47%	55%	56%	55%	44%	50%
ITALMOBILIARE	(3) market price	122.3	93.1	53.1	56.4	42.3	29.1	25.8	29.0	36%	32%	49%	47%	41%	50%	43%	42%	39%
MEDIOBANCA	(4) market price	17.4	16.4	14.3	11.1	11.6	7.9	6.0	7.2	13%	10%	40%	36%	44%	15%	10%	25%	34%
MITTEL	market price	n.a.	5.0	4.5	5.0	4.2	3.3	3.6	3.3	n.a.	-5%	49%	27%	20%	51%	64%	34%	48%
VIANINI LAVORI		n.a.	13.44	10.86	11.22	11.32	8.29	7.69	10.06	n.a.	15%	63%	58%	65%	52%	57%	59%	65%
AVERAGE										20%	23%	48%	41%	40%	45%	46%	36%	39%

(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)

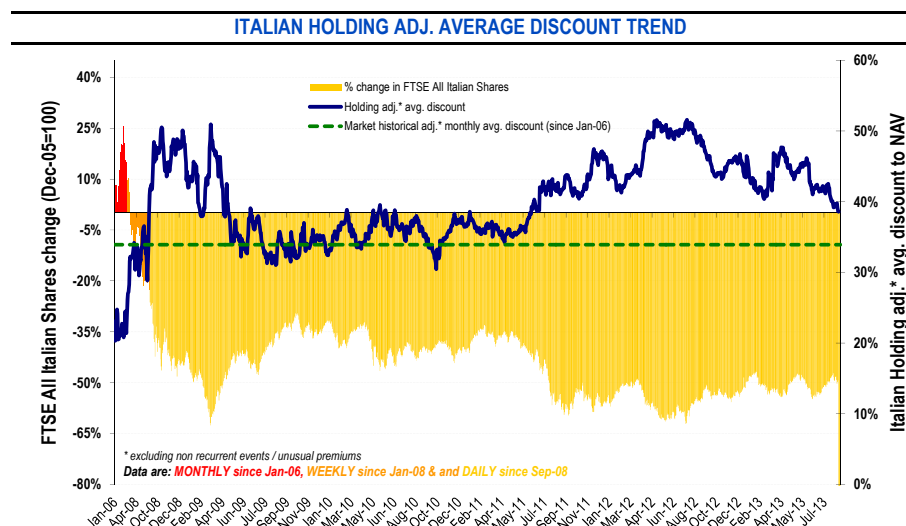
(3) adj. number shares: before Nov-07 based on market discount; after Nov-07 applying avg. between 3-month and market discounts

(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



Source: Equita SIM estimates

SECTOR PERFORMANCE

DEA stock is down 2% YTD, significantly underperforming the LPX Europe PI index by 20% and the Ftse Italy All-share index by 8%. We think this is caused by the Migros weak performance YTD (-23.5%) because of social tension in Turkey and the depreciation of the Turkish lira against the euro (which went up from 2.4 TL/€ at the end of May to the current 2.66).

DEA: STOCK PRICE PERFORMANCE



Source: Bloomberg

The main Italian listed holdings have posted a positive performance YTD (on average +22%), outperforming the Italian market as a whole.

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	9.0	797	4.9	0.3	0.3	58.5	15.2
CIR SPA	EUR	1.1	854	7.8	29.3	36.8	20.6	35.6
COFIDE SPA	EUR	0.5	388	18.0	31.8	40.4	23.1	33.9
DEA CAPITAL SPA	EUR	1.3	402	2.3	-9.8	-1.4	2.5	-2.1
EXOR	EUR	26.2	6,454	5.9	5.4	22.1	39.9	37.9
IMMSI SPA	EUR	0.4	141	-0.7	-12.4	-21.6	-4.7	-7.2
ITALMOBILIARE	EUR	18.0	578	-2.2	10.5	24.5	38.2	40.6
MEDIOBANCA	EUR	4.7	4,078	3.2	-7.9	1.7	28.3	1.6
CAM FINANZIARA	EUR	0.8	627	0.1	-4.0	-2.3	140.8	46.7
TAMBURI INVESTME	EUR	1.8	249	15.0	14.0	21.5	26.6	21.1
VIANINI LAVORI	EUR	3.5	152	3.3	4.8	-0.3	21.6	13.3
MITTEL SPA	EUR	1.7	150	-4.0	0.5	23.3	37.4	31.3
Average				4.5	5.2	12.1	36.1	22.3
Median				3.2	2.7	11.6	27.4	26.2

Source: EQUITA SIM estimates

EUROPEAN PRIVATE EQUITY AND INVESTMENT COMPANIES: PERFORMANCE AND DISCOUNT TO REPORTED NAV

DESCRIPTION				PERFORMANCE				NAV PS (Reported)	NAV Discount (Premium) to NAV	Last reported
Company	Currency	Price	Mkt cap (€ mn)	1 m	3 m	6 m	1 y			
DEA CAPITAL SPA	EUR	1.31	401	2.1	-10.0	-1.7	2.3	2.55	49%	June 30, 2013
MITTEL SPA	EUR	1.75	154	-1.6	3.1	26.4	40.9	3.40	49%	as today
TAMBURI INVESTME	EUR	1.81	246	13.8	12.8	20.3	25.3	1.93	6%	as today
3I GROUP PLC	GBp	360.0	4,098	-6.2	6.1	12.4	74.0	326	-10%	June 30, 2013
CANDOVER INVEST	GBp	409.5	104	5.7	5.7	-3.8	15.9	627	35%	June 30, 2013
ELECTRA PRIVATE	GBp	2,255.0	933	-3.4	-0.2	-0.7	33.6	2,671	16%	June 30, 2013
SVG CAPITAL PLC	GBp	396.5	1,132	1.1	-0.4	4.3	42.5	480	17%	June 30, 2013
EURAZEO	EUR	47.0	3,218	-2.2	10.8	18.2	39.7	59	20%	August 20, 2013
GIMV NV	EUR	36.6	904	-3.1	-6.6	-10.3	0.7	40	10%	June 30, 2013
RATOS AB-B SHS	SEK	57.9	2,405	0.1	1.4	-12.9	-1.5	38	-52%	June 30, 2013
WENDEL	EUR	92.5	4,587	7.4	9.5	9.6	56.8	124	25%	May 16, 2013
AVERAGE			1,653	1.2	2.9	5.6	30.0		15%	
MEDIAN			933	0.1	3.1	4.3	33.6		17%	

Source: EQUITA SIM estimates, Bloomberg prices

INVESTEE COMPANIES' 2Q13

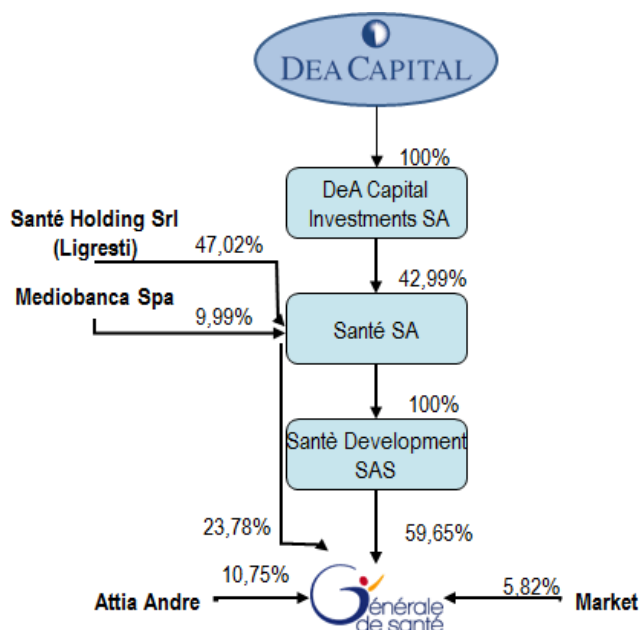
SECOND QUARTER AND FIRST HALF RESULTS											
Dea Capital Investments		2Q12	2Q13 Exp.	2Q13 Actual	Change abs	Change %	1H13 Exp.	1H13 Actual	2012	2013E	2014E
Générale de Santé	Revenues (€ mn)	496.6	484	483	-1.6	0%	984	982	1,929	1,901	1,939
	% change		-2.5%	-2.8%			-3.0%	-3.2%		-1.4%	2.0%
	EBITDA	65.5	62	59	-2.6	-4%	140	138	240	231	238
	% change		-5.8%	-9.8%			-3.6%	-5.4%		-3.6%	2.8%
	Net Profit	8.8	11	10	-1.3	-12%	28	27	56	36	41
	% change		27.3%	12.5%			0.0%	-4.6%		-35.3%	12.7%
	NFP	-847	-801	-810	-9.4	nm	-801	-810	-769	-755	-734
Migros	Revenues (YTL mn)	1,552.5	1,711.0	1,721	9.5	1%	3,301.7	3,311	6,482	7,300	8,210
	% change		10.2%	10.8%			9.8%	10.1%		12.6%	12.5%
	EBITDA	97.4	96	101	5.5	6%	200	206	430	451	513
	% change		-1.9%	3.8%			2.0%	4.8%		4.9%	13.8%
	Net Profit	72.9	-157	-161	-3.9	nm	na	na	88	93	167
	% change		nm	nm			nm	nm		6.1%	78.5%
	NFP	-1,477.0	na	-1,447	na	na	na	-1,447	-1447	-1325	-1077
Asset management											
IDEA Capital Funds	AuM - € mn	1,232	1,288	1,279	-9.0	-1%	1,288	1,279	1,238	1,288	1,307
	% change		4.5%	3.8%			4.5%	3.8%		4.0%	1.5%
	Management fees	2.9	3.0	4.9	1.9	66%	5.9	7.8	13.5	13.9	14.3
	% change		2.0%	69.0%			-0.7%	32.2%		2.9%	2.7%
	Net Profit	0.9	0.9	2.1	1.2	126%	1.9	3.1	4.5	4.8	5.0
IDEA Fimit	AuM - € mn	9,289	9,800	9,500	-300.0	-3%	9,800	9,500	9,410	10,351	10,869
	% change		5.5%	2.3%			5.5%	2.3%		10.0%	5.0%
	Management fees	16.1	16.8	16.1	-0.7	-4%	33.3	32.6	65.4	66.7	69.0
	% change		4.6%	0.0%			3.2%	0.9%		2.0%	3.4%
	Net Profit	8.1	4.4	2.9	-1.5	-34%	8.8	7.3	19.4	15.3	16.7
	% change		-45.4%	-64.2%			-23.9%	-37.1%		-21.1%	9.2%
Dea Capital	NFP Holding	-118.2	-150.4	-140.6	+9.8		-150.4	-140.6	-141.6	-152.1	-150.8
	NFP Consolidated	-113.1	-130.9	-130.6	+0.3		-130.9	-130.6	-123.6	-136.2	-132.4

Source: Company data and EQUITA SIM estimates

Générale de Santé (French private healthcare – 25% of our NAV): top-line holding up well in 2Q13, whereas EBITDA penalised by higher costs

DEA controls 43% of Santé, a holding company that in turn owns 83.9% of Générale de Santé (GDS), a leader in private healthcare. Most of the remainder of Santé is owned by Antonio Ligresti (40%), Mediobanca (7%) and Generali (7%). DEA therefore indirectly controls 36.1% of GDS.

GENERALE DE SANTE: SHAREHOLDER STRUCTURE



Source: Equita SIM elaborations on company data *stakes ex-treasury shares in GDS (419k treasury shares or 0.7% of capital)

■ **2Q results a touch below expectations**

GDS has reported **2Q results** that were **a touch below expectations**, displaying **however** a relatively **resilient top-line**, mainly thanks to a particularly positive mix largely offsetting volumes drop and the negative tariffs environment.

As a result, revenues decreased by 2.8% YoY or +1.9% LFL at € 483mn (vs. € 484mn expected, whereas EBITDA turned out to be on a decrease by 9.8% at € 59.1mn (vs. 61.7 mn expected), mostly suffering from 1) The increase in rental costs, 2) The change in the consolidation perimeter and 3) Some restrictive government measures on the labour side. However cost control initiatives are working properly in particular on the purchases side.

Net debt amounted to € 810mn against € 769mn at the end of the year, mostly due to an increase in the working capital resulting from the business seasonality; it was however lower than € 847mn in 1H12.

During the conference call the management has declared to expect **2013 EBITDA to reach levels close to 2012 at constant perimeter** (~€230-235mn vs. our estimate €236mn), **with a lower net debt versus 2012 levels** (our estimate € 743mn vs. € 769mn at the end of 2012).

About FY13-15 estimates we basically confirmed the top-line trend but decreasing the EBITDA (by some 2% on average) incorporating a stronger disposal activities and higher costs. As a consequence we revised downward the Net Debt estimates (by some 2% on average).

GÉNÉRALE DE SANTÉ: MAIN FIGURES (€ MN)								
P&L account (€ mn.)	2012	%	2013E	%	2014E	%	2015E	%
Revenues	1,928.6		1,901.1		1,939.1		1,977.9	
Change%	-1.4%		-1.4%		2.0%		2.0%	
Labour cost	-873.5	-45.3%	-864.7	-45.5%	-872.4	-45.0%	-889.9	-45.0%
Purchases of consumables	-362.0	-18.8%	-354.5	-18.7%	-368.4	-19.0%	-373.8	-18.9%
Taxes and duties	-85.1	-4.4%	-81.7	-4.3%	-85.3	-4.4%	-87.0	-4.4%
Other op. income and expenses	-214.5	-11.1%	-211.3	-11.1%	-214.5	-11.1%	-217.7	-11.0%
EBITDAR	393.5	20.4%	388.8	20.5%	398.5	20.6%	409.5	20.7%
Change%	-1.2%		-1.2%		2.5%		2.8%	
Rental expenses	-153.8	-8.0%	-157.6	-8.3%	-160.8	-8.3%	-164.0	-8.3%
Change%	3.1%		2.5%		2.0%		2.0%	
EBITDA	239.7	12.4%	231.2	12.2%	237.7	12.3%	245.5	12.4%
Change%	-3.7%		-3.6%		2.8%		3.3%	3%
Depreciation and amortization	-124.5	-6.5%	-120.0	-6.3%	-120.0	-6.2%	-115.0	-5.8%
Others	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
EBIT recurring	115.2	6.0%	111.2	5.8%	117.7	6.1%	130.5	6.6%
Change%	-8.1%		-3.5%		5.9%		10.9%	
Others income and expenses	19.1	1.0%	-9.8	-0.5%	0.0	0.0%	0.0	0.0%
EBIT	134.3	7.0%	101.4	5.3%	117.7	6.1%	130.5	6.6%
Change%	167.0%		-24.5%		16.1%		10.9%	
Financial charges	-32.8	-1.7%	-32.0	-1.7%	-40.3	-2.1%	-41.9	-2.1%
Other financial expenses	-5.9	-0.3%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Associates	0.2	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Pre tax profit	95.8	5.0%	69.4	3.6%	77.4	4.0%	88.6	4.5%
Change%	n.m.		-27.6%		11.6%		14.5%	
Taxes	-36.5	-1.9%	-29.8	-1.6%	-33.3	-1.7%	-38.1	-1.9%
Minorities	-3.6	-0.2%	-3.5	-0.2%	-3.5	-0.2%	-3.5	-0.2%
Net Profit	55.7	2.9%	36.0	1.9%	40.6	2.1%	47.0	2.4%
Change%	n.m.		-35.3%		12.7%		15.7%	
Adjusted Net Profit	36.6	1.9%	41.6	2.2%	40.6	2.1%	47.0	2.4%
Change%	-21.5%		13.7%		-2.4%		15.7%	
Cash-flow	180.2	9.3%	156.0	8.2%	160.6	8.3%	162.0	8.2%
Change%	89.7%		-13.4%		2.9%		0.9%	
Adjusted Cash-Flow	161.1	8.4%	161.6	8.5%	160.6	8.3%	162.0	8.2%
Change%	-5.3%		0.3%		-0.6%		0.9%	
Tax rate	38.1%		43.0%		43.0%		43.0%	
Capital Expenditure	54.9	2.8%	95.0	5.0%	95.0	4.9%	95.0	4.8%
Other net investments	-66.5		-1.5		0.0		0.0	
NFP	-769.1		-755.4		-733.6		-710.4	

■ Psychiatric assets expected to be sold by year end

Last May GDS announced its intention to possibly sell its psychiatric division (Revenues =€180mn and EBITDA ~€20mn); **during the 2Q conference call, the management has reported that it is currently considering several bids and that it expects to close the deal by year end.**

The disposal of this business would enable it to decrease debt and to focus the company business on care and rehabilitation services. By applying a 10x EV/EBITDA multiple (in line with recent operations - EBITDA ~€ 20mn), we estimate that the sale of the psychiatric business might result in a ~€200mn cash-in for GDS. GS's ND/EBITDA would go down from 3.1x to ~2.6x, whereas at group level (including the Santé holding), it would decline from 4.5x to ~4.1x.

GDS holds a 18% market share in the psychiatric business in France, followed by Orpea (16%), Korian (8%) and Medica (3%).

We think that DEA is being traded at a high discount on NAV (37% or 49% on reported NAV), also due to concerns linked to GDS debt refinancing, which would be partially reduced thanks to the disposal of the psychiatric asset. Furthermore, the leverage reduction would make this asset more appealing to a potential buyer.

Starting from January 2014, Santé shareholders will no longer be bound for their potential exit from GDS, thereby increasing – in our view – the speculative appeal on the asset, currently being traded at EV/EBITDA 2013E = 6.3x (with EBITDA CAGR 2013-15E of 3%).

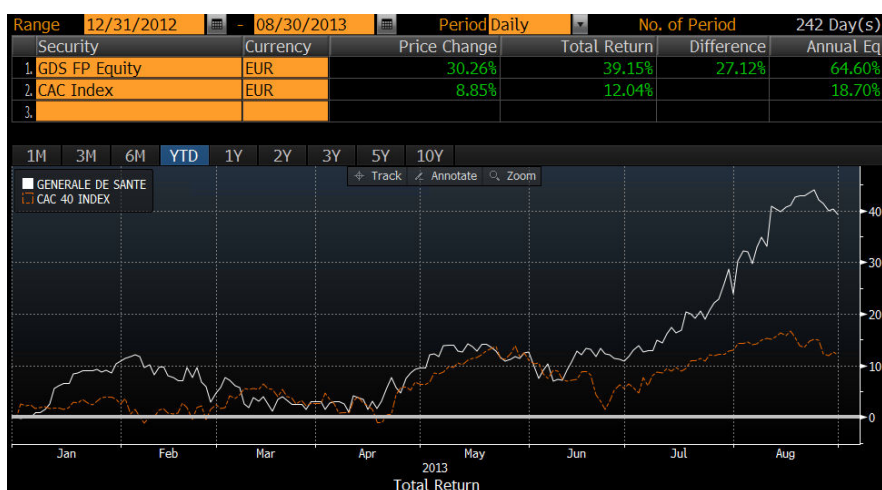
Here are what we believe to be the most likely scenarios for the exit from GDS:

- **Sale to an industrial buyer** (French and/or foreign – e.g. the Australian Ramsay has already mentioned its intention to buy foreign assets, Capio Group has an important footprint in Europe) in order to extract value from synergies
- **Sale to a private equity fund**, which would be attracted by the company's low valuation as well as by the possibility to be even more aggressive on the disposal of the clinics.
- **Aggregation with another French industrial player**, with the aim of creating synergies through the aggregation of clinics, thus making the asset more appealing and improving exit conditions.

■ Sharp re-rating of the stock: YTD +39%

The GDS stock has enjoyed a remarkably strong performance YTD (+39% and +12% relative to CAC40); in our view, this has been the result of both expectations of psychiatric division sale (allowing for a reduction of financial leverage, thereby making debt refinancing easier), and the expiry of Santé shareholders agreement, triggering the speculative appeal of the asset, currently trading with EV/EBITDA 2013E = 6.4x (with EBITDA CAGR 2013-15E at 3%).

GDS: STOCK PRICE PERFORMANCE



Source: Bloomberg data

■ GDS valuation +23% at € 15.4ps improving valuation on multiples

We have revised GDS valuation upwards by 23% improving our multiple valuation, since we believe that following the sale of the psychiatric division (which, according to our estimates, might occur at higher multiples than the group average, given the quality of the business and the recent M&A operations – 10-11x EV/EBITDA) and the subsequent reduction in the financial leverage (which will make the refinancing of debt maturing in 2014 much easier), the discount at which GDS has historically been traded on the sector might shrink.

In particular, we have now reached a valuation of € 152mn pro-quota DEA or € 15.4ps (from prev. 12.5ps), with a DCF valuation of € 13.3ps and on € 17.5ps multiples (EV/EBITDA 2014E target multiple of 7x vs. ~8x sector average).

Furthermore, starting from January 2014, Santé shareholders will no longer be bound for their potential exit from GDS, thereby increasing – in our view – the speculative appeal on the asset, currently being traded at EV/EBITDA 2013E = 6.4x (with EBITDA CAGR 2013-15E of 3%).

HEALTHCARE SERVICES SECTOR ANALYSIS

Company	Mkt Cap (€ mn)	EV / EBITDA			P/E Adj			EBITDA Margin			ND / EBITDA	Sales CAGR	EBITDA CAGR
		2013	2014	2015	2013	2014	2015	2013	2014	2015	2014	2013-2015	2013-2015
Core Hospitals													
RHOEN-KLINIKUM	2,537	10.1x	8.8x	7.7x	22.5x	17.1x	14.7x	10.8%	11.8%	12.4%	1.9x	7.7%	11.7%
RAMSAY HEALTH	6,867	12.4x	11.0x	10.1x	25.0x	21.8x	19.5x	15.0%	15.3%	15.5%	1.3x	12.1%	10.3%
NETCARE LTD	34,969	7.5x	7.9x	7.1x	17.2x	14.9x	13.3x	17.9%	15.5%	16.1%	0.8x	12.4%	1.5%
MEDICLINIC INT	59,202	15.5x	13.6x	12.3x	26.8x	20.6x	17.8x	21.4%	21.8%	22.0%	3.6x	18.2%	12.0%
BUMRUNGRAD HOSPI	61,381	16.2x	14.1x	12.3x	26.6x	23.6x	21.0x	25.8%	26.4%	25.9%	-0.2x	20.7%	14.5%
IHH HEALTHCARE B	33,679	23.4x	19.6x	17.1x	48.7x	39.8x	32.9x	21.6%	22.0%	22.0%	0.2x	15.7%	15.8%
APOLLO HOSPITALS	126,214	20.7x	18.5x	15.1x	39.7x	34.8x	28.0x	16.6%	16.1%	16.3%	1.2x	12.7%	18.4%
Average		15.1x	13.4x	11.7x	29.5x	24.7x	21.0x	18.5%	18.4%	18.6%	1.2x	14.2%	12.0%
Median		15.5x	13.6x	12.3x	26.6x	21.8x	19.5x	17.9%	16.1%	16.3%	1.2x	12.7%	12.0%
US Core Hospitals													
COMMUNITY HEALTH	3,914	7.0x	6.2x	5.8x	13.8x	10.5x	8.6x	14.5%	15.1%	15.3%	4.1x	9.0%	8.7%
HEALTH MGMT AS-A	3,388	8.2x	7.3x	6.8x	22.5x	17.6x	13.9x	13.8%	14.5%	14.4%	3.6x	8.6%	9.1%
LIFEPOINT HOSPIT	2,198	7.2x	6.4x	6.1x	16.4x	13.8x	12.4x	14.5%	15.2%	15.0%	2.6x	9.1%	8.5%
UNIVERSAL HLTH-B	6,855	8.4x	7.5x	7.1x	15.4x	13.4x	12.2x	17.2%	17.6%	17.9%	2.3x	13.6%	7.3%
HCA HOLDINGS INC	17,096	7.2x	6.6x	6.2x	11.9x	10.2x	8.9x	18.7%	19.0%	19.2%	3.8x	14.2%	6.5%
TENET HEALTHCARE	4,071	7.5x	6.6x	6.1x	18.1x	13.2x	11.0x	13.0%	13.8%	14.0%	3.7x	8.7%	10.2%
VANGUARD HEALTH	1,629	7.8x	7.9x	7.4x	27.5x	27.0x	20.8x	9.0%	9.3%	9.5%	4.9x	5.2%	5.6%
Average		7.6x	6.9x	6.5x	17.9x	15.1x	12.5x	14.4%	14.9%	15.1%	3.6x	9.8%	8.0%
Median		7.5x	6.6x	6.2x	16.4x	13.4x	12.2x	14.5%	15.1%	15.0%	3.7x	9.0%	8.5%
Nursing Home													
KORIAN	645	7.7x	6.8x	6.4x	13.5x	10.8x	9.3x	13.1%	13.4%	13.7%	3.4x	9.9%	8.8%
ORPEA	1,890	12.2x	10.9x	10.0x	16.5x	14.1x	12.6x	18.5%	18.5%	19.2%	5.1x	14.8%	9.5%
MEDICA SA	799	10.4x	8.5x	8.0x	15.2x	12.3x	11.3x	16.6%	16.0%	16.1%	3.5x	13.1%	12.8%
LE NOBLE AGE	86	8.8x	8.2x	7.6x	11.7x	10.1x	9.0x	7.7%	9.3%	9.8%	4.9x	7.9%	6.8%
CURANUM AG	118	6.9x	6.0x	5.4x	12.6x	9.2x	7.1x	12.4%	12.7%	13.4%	3.1x	9.3%	9.7%
Average		9.2x	8.1x	7.5x	13.9x	11.3x	9.8x	13.7%	14.0%	14.4%	4.0x	11.0%	9.5%
Median		8.8x	8.2x	7.6x	13.5x	10.8x	9.3x	13.1%	13.4%	13.7%	3.5x	9.9%	9.5%
GDS		6.4x	6.1x	5.8x	17.4x	17.8x	15.4x	12.2%	12.3%	12.4%	3.1x	2.0%	3.1%

Source: Company data and EQUITA SIM estimates

Migros (Turkish mass-market retailing – 25% of our NAV): robust top-line growth. Bottom-line impacted by exchange rates. Guidance confirmed

Migros reported 2Q13 results that were a touch above consensus (Bloomberg) at EBITDA level, with a robust top-line growth (+10.8% YoY vs. consensus +10%), EBITDA at TL 101mn vs. TL 96.9mn expected by consensus, highlighting a +3.8% YoY improvement despite costs for new openings. The bottom-line was impacted by TL 166mn forex-related losses on debt in €. NFP at TL -1.44 bn, basically unchanged against the end of 2012 and 1Q13 benefiting from a good management of working capital (cash-conversion cycle improved by 10 days to 66 days driven by improvements of days payable).

EBITDA margin achieved 5.9% vs. 5.7% expected, penalised by an increase in personnel costs ensuing from new openings.

Guidance for 2013 confirmed: double digit top-line growth (vs. consensus +12.5%), gross margin between 25.5% and 26% (vs. consensus 26%), EBITDA margin range 6.0%-6.5% (vs. consensus 6.2%), with 120-150 new supermarkets (from prev. 100-150, 112 new openings in 1H13) and 2-3 hypermarkets (2 new openings in 1H). Guidance at the mid-point implies EBITDA at TL 445 mn (+3.5% YoY), consistent with consensus forecast of TL 450 mn.

Migros opened 71 stores in 2Q13 (and closed 11), reaching 967 stores by end of June. These store openings imply 112 additions (85 net) in 1H13, vs. company guidance to roll out 120-150 stores by FY13.

MIGROS TURK: MAIN FIGURES (YTL, mn)

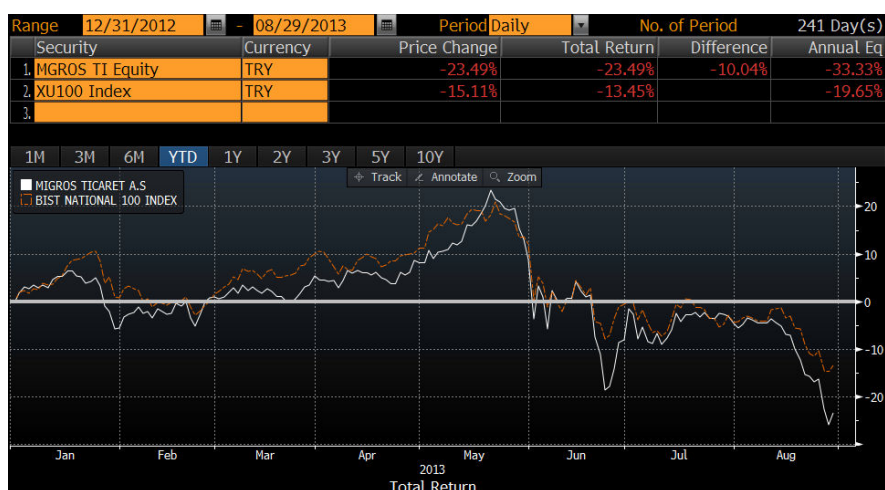
P&L account (TRY mn.)	2012	%	2013E	%	2014E	%	2015E	%
Revenues	6,482		7,293		8,095		8,904	
Change%	12.7%		12.5%		11.0%	12%	10.0%	11%
Cost of sales	-4,777.1	-73.7%	-5,378.4	-73.8%	-5,965.9	-73.7%	-6,562.5	-73.7%
Gross Profit	1,705.3	26.3%	1,914.3	26.3%	2,129.0	26.3%	2,341.9	26.3%
Change%	14.1%		12.3%		11.2%		10.0%	
Operating expense	-1,275	-19.7%	-1,464	-20.1%	-1,619	-20.0%	-1,776	-20.0%
EBITDA	430.0	6.4%	450.0	6.2%	510.0	6.3%	565.4	6.4%
Change%	11.4%		4.6%		13.3%		10.9%	
Depreciation and amortization	-131.1	-2.0%	-140.0	-1.9%	-160.0	-2.0%	-160.0	-1.8%
Others	-50.9	-0.8%	-70.0	-1.0%	-72.9	-0.9%	-80.1	-0.9%
EBIT	247.9	3.8%	240.0	3.3%	277.1	3.4%	325.3	3.7%
Change%	6.7%		-3.2%		15.5%		17.4%	
Net financial income	-96.0	-1.5%	-104.0	-1.4%	-90.0	-1.1%	-80.0	-0.9%
Due date difference on sale (purchase)	-74.1	-1.2%	0.0	0.0%	0.0	0.0%	0.0	0.0%
FX	78.6	1.2%	-259.0	-3.6%	0.0	0.0%	0.0	0.0%
Net other income/expense	-27.6	-0.4%	-4.3	-0.1%	0.0	0.0%	0.0	0.0%
Pre tax profit	128.9	2.0%	-127.4	-1.7%	187.1	2.3%	245.3	2.8%
Change%	-140.8%		-198.8%		-246.9%		31.1%	
Taxes	-40.8	-0.6%	-42.1	-0.6%	-56.1	-0.7%	-68.7	-0.8%
Profit on continuing operations	88.1		-169.5		131.0		176.6	
Change%	-123.9%		-292.3%		-177.3%		34.8%	
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%	-169.5	-2.3%	131.0	1.6%	176.6	2.0%
Change%	-153.9%		-292.5%		-177.3%		34.8%	
Cash-flow	270.1	4.2%	40.5	0.6%	363.8	4.5%	416.7	4.7%
Change%	-2900.0%		-85.0%		798.4%		14.5%	
NFP	-1,447.0		-1,364.6		-1,204.3		-1,001.0	

Source: company data and EQUITA SIM estimates

■ Stock performance was impacted by turmoil in Turkey as well as weakness of the Turkish Lira

The Istanbul Stock Exchange Index (Istanbul National 100) has lost 39% since May's highs because of social turmoil in Turkey. At the same time the Turkish lira has lost 10% of its value against the euro (moving from 2.4 TL/€ at the end of May to 2.69 currently) also following the Fed's decision to start slowing down its expansionary monetary policy that had indirectly supported emerging markets. In spite of good operating results, the Migros stock has recorded a soft performance YTD (-23.5%), but especially over the last 3 months (-32%) because of social tension in Turkey and the depreciation of the Turkish lira against the euro.

MIGROS: STOCK PRICE PERFORMANCE



Source: Bloomberg data

In our NAV we now value the Migros stake at market prices, i.e. TL 16.5 or € 150mn, believing that the price is now meaningful as floating stock has been restored to about 19.5% (the other 80.5% is held by Kenan).

■ Migros is still an interesting M&A target

In July Bloomberg reported that BC Partners had selected advisors for the disposal of its stake in Migros (amounting to 80.5%, 17% of which held by DEA).

Moreover, during a press conference held at the end of May, Haluk Dincer (President of Retail and Insurance Group of Sabanci Holding – majority shareholder of the Turkish Carrefour SA) had stated that **Carrefour SA might consider taking over Migros** in order to support growth and that this deal would not entail any violation of the antitrust regulation.

Carrefour SA and Migros are multi-format players, holding a 20%+ and 20% market share respectively in the hypermarkets segment, a 3% and 20% market share in supermarkets as well as a lower than 10% share (Carrefour) in discount supermarkets. A merger between Carrefour SA and Migros would result in the largest retailer in Turkey, thus creating the conditions for DEA to exit its investment in Migros, since this stake dates back to 2008 and it has a very positive IRR.

Sabanci has recently increased its stake in Carrefour SA by 12%, thus reaching 50.8%, and it has launched a takeover bid on minorities; this deal, combined with the currency volatility, might slow down a potential operation by Sabanci targeting Migros, in our opinion.

DEA's exit from Migros is the main catalyst for the stock, and we believe that, although the uncertainty on the macro scenario in Turkey might slow down the selling process, the consolidation in the Food Retailing industry in Turkey is still an on-going process.

In our view, the most likely scenarios for the exit from Migros are the following two: its sale to an industrial player (e.g. Walmart) or a merger with Carrefour, whereby DEA would have the possibility to sell its own stake.

We believe the asset continues to have some interesting features: Migros is leader in a sharply growing market with a differentiated positioning that is not easy to replicate. The stock is traded at EV/EBITDA 2013-14E = 9.5x-8.1x with EBITDA CAGR 2013-15E at 12%, at a discount both against the Food Retailing emerging market (12x-10x) sector and against its main Turkish peer, BIM (18.8x-15.7x with EBITDA CAGR 17%).

EMERGING MARKET FOOD RETAILERS															
Company	DESCRIPTION			EV/SALES			EV/EBITDA			EV/EBIT			P/E		
	Currency	Price	Mkt cap (€ mn)	2013E	2014E	2015E	2013E	2014E	2015E	2013E	2014E	2015E	2013E	2014E	2015E
EUROCASH	PLN	51.4	1,664	0.4 x	0.4 x	0.3 x	13.8 x	11.9 x	10.7 x	17.5 x	14.9 x	13.5 x	23.2 x	19.0 x	17.1 x
WUMART STORES	HKD	14.7	1,833	0.9 x	0.8 x	0.7 x	13.1 x	11.2 x	9.4 x	18.4 x	15.7 x	13.1 x	28.9 x	25.1 x	21.7 x
WOOLWORTHS LTD	AUD	35.7	30,074	0.8 x	0.8 x	0.8 x	10.6 x	10.1 x	9.4 x	13.4 x	12.7 x	11.9 x	18.8 x	18.0 x	17.0 x
LOTTE SHOPPING	KRW	340,500	7,303	0.4 x	0.3 x	0.3 x	4.0 x	3.5 x	2.8 x	6.0 x	5.2 x	4.1 x	10.1 x	8.8 x	7.8 x
MAGNIT	USD	245.0	17,505	1.4 x	1.1 x	0.9 x	13.3 x	11.1 x	9.2 x	18.1 x	14.6 x	11.8 x	23.8 x	19.5 x	15.9 x
SHOPRITE HLDGS	ZAR	15,908	6,632	0.9 x	0.8 x	0.7 x	13.2 x	11.4 x	9.7 x	16.5 x	14.4 x	12.3 x	23.3 x	20.4 x	17.4 x
WALMART DE MEX-V	MXN	31.4	31,451	1.2 x	1.1 x	1.0 x	12.1 x	10.7 x	9.3 x	15.3 x	13.2 x	11.0 x	22.2 x	19.4 x	16.6 x
SORIANA-B	MXN	41	4,205	0.7 x	0.6 x	0.5 x	9.3 x	8.0 x	7.2 x	12.4 x	10.4 x	9.4 x	18.8 x	16.3 x	15.0 x
LOJAS AMERIC-PRF	BRL	15	4,520	1.3 x	1.1 x	1.0 x	10.4 x	8.5 x	7.3 x	11.8 x	9.7 x	8.7 x	28.9 x	22.5 x	18.2 x
BIM BIRLESIK MAG	TRY	37.5	4,220	0.9 x	0.8 x	0.7 x	18.8 x	15.7 x	13.4 x	23.5 x	19.7 x	16.7 x	29.1 x	24.3 x	21.2 x
X 5 RETAIL-GDR	USD	16.2	3,314	0.5 x	0.4 x	0.4 x	6.7 x	6.0 x	5.1 x	11.7 x	10.3 x	8.7 x	17.0 x	13.2 x	9.9 x
JERONIMO MARTINS	EUR	14.6	9,172	0.8 x	0.7 x	0.6 x	11.7 x	10.2 x	8.8 x	16.8 x	14.5 x	12.4 x	21.5 x	18.4 x	15.8 x
Average				0.9 x	0.8 x	0.7 x	11.4 x	9.7 x	8.3 x	15.1 x	12.8 x	10.9 x	22.1 x	18.7 x	16.0 x
Median				0.9 x	0.8 x	0.7 x	11.9 x	10.2 x	9.2 x	15.9 x	13.2 x	11.8 x	22.7 x	19.4 x	16.6 x
Max				1.4 x	1.1 x	1.0 x	18.8 x	15.7 x	13.4 x	23.5 x	19.7 x	16.7 x	29.1 x	25.1 x	21.7 x
Min				0.4 x	0.3 x	0.3 x	4.0 x	3.5 x	2.8 x	6.0 x	5.2 x	4.1 x	10.1 x	8.8 x	7.8 x
MIGROS TURK	TRY	16.5	1,086	0.6 x	0.5 x	0.4 x	9.5 x	8.1 x	6.9 x	17.9 x	14.9 x	12.1 x	32.7 x	22.4 x	16.6 x

Source: Bloomberg prices and consensus

■ **Idea Fimit (Real Estate Asset Management – 27% of our NAV): 2Q13 slightly below exp. for higher opex. Waiting for Santa Giulia's closing**

IdeA Fimit Sgr (IF) reported lower than expected 2Q13 results, mainly ensuing from higher costs. These were partly due to some costs for the unsuccessful launch of some funds (these costs were before capitalized and then accounted in 2Q).

- AUM = € 9.5bn (+2% YoY) versus € 9.8bn exp.
- Management fees = € 16.1mn (+12%) vs. € 16.8mn expected; the annualized management fee is equal to 68bps against the expected 70bps.
- Net income adj. (for PPA) = € 4.4mn vs. € 6.1mn expected.

IDEA-FIMIT: 2Q13 RESULTS			
	2Q12	2Q13 Exp.	2Q13 Act.
Net commission	16.1	16.8	16.1
%change		4.3%	0.0%
EBIT	3.2	7.0	4.8
%change		119%	50.0%
EBIT adj.	7.0	9.7	7.2
%change		39%	2.8%
Net Income	8.1	4.4	2.9
%change		-45.7%	-64.1%
Adj. Net Income	4.3	6.1	4.4
%change		40.5%	1.3%
Total AUM (€ mn)	9,289	9,800	9,500
%change			

Source: EQUITA SIM estimates and company data

In the next quarters we expect an improvement in AUM (mainly from the recent new managed fund called “Fondo Spazio Industriale” with AUM = ~€390mn) whilst maintaining management fees at a conservative 68bps.

The IF's action plan for 2013 is the follow:

- **Finalization of Santa Giulia Project (SGP):** IF aims to create a brand new district in Milan, comprising residential, office, retail and entertainment areas. Total SQM ~440k with a gross contribution value of circa € 700mn funded by equity (circa € 60mn) and bank debt;
- **Contribution to existing funds:** contribution of properties with a value of around € 50mn;
- **RE Estate Debt Fund:** pilot test of the market interest for this product, involving a few selected investors;
- **Participation to tenders:** Increased focus on participation to tenders, as a means to further boost AUM growth;
- **Consolidation of managed assets:** feasibility study on initiatives aimed at 1) Actively managing the maturity of existing funds, 2) Exploiting synergies to enhance investor returns and 3) Consolidating managed assets.

Medium term strategic initiatives comprises both **domestic market initiatives** (i.e Product innovation, acquisition of smaller players) and **European projects** (i.e offering Italian funds to foreign investors and creating a presence abroad as well).

IDEA FIMIT: MEDIUM TERM STRATEGIC INITIATIVES



Source: Company presentation

IDEA-FIMIT: MAIN FIGURES

	2010PF	2011PF	2012	2013E	2014E
Management fees	56.3	58.2	65.4	66.7	69.0
Variable fees and others	1.5	0.0	0.0	0.0	0.0
Net commission	57.8	58.2	65.4	66.7	69.0
%change	24%	1%	12%	2%	3%
Operating costs	-30.2	-32.1	-31.5	-32.0	-32.0
Merger costs	0.0	-3.4	0.0	0.0	0.0
PPA amortization	0.0	-2.9	-11.6	-11.0	-11.0
EBIT	27.6	19.8	22.3	23.7	26.0
margin%	48%	34%	34%	36%	38%
EBIT adj.	27.6	26.1	33.9	34.7	37.0
margin%	48%	45%	52%	52%	54%
Interest charges	1.5	1.8	1.0	1.0	1.0
Others and extraord.	0.0	0.0	0.0	0.0	0.0
Pre tax	29.1	21.6	23.3	24.7	27.0
taxes	-10.4	-7.7	-3.9	-9.4	-10.2
tax rate	36%	36%	17%	38%	38%
Net Income	18.7	13.9	19.4	15.3	16.7
%change	17%	-26%	40%	-21%	9%
Adj. Net Income	18.7	18.0	21.6	22.1	23.5
%change	4%	-4%	21%	2%	6%
Total AUM (€ mn)	8,241	9,375	9,410	10,351	10,869
%change	-2%	14%	-1%	10%	5%
Equity value (100%)	250	250	250	250	250
P/E	13.4	13.9	11.6	11.3	10.6
P/AUM	3.0%	2.6%	2.7%	2.4%	2.3%

Source: EQUITA SIM estimates and company data

■ **IDeA Capital Funds Sgr (Alternative Asset Management - 8% of our NAV):**
2Q13 above expectations

IDeA Capital Funds reported 2Q13 results above expectations (Net income at € 2.1mn vs € 0.9mn exp.) thanks to some non-recurrent fees (some €1.9 mn) from the closing of the Idea EESS fund (AUM = €100 mn).

AUM was broadly in line with last year at € 1.28bn (vs 1.23 mn 1H12).

The annualized management fee (excluding the one-off fees) amounts to 95bps (broadly in line with our expectations).

The table below shows AUM value for IDeA Capital Funds as of end FY12/1H13

IDEA CAPITAL FUNDS: AUM AND MANAGEMENT FEES (€ MN)		
	FY12	1H13
ICF II	281	281
IDeA EESS	59	100
IDeA I FoF	681	681
IDeA OF I	217	217
Total AUM	1238	1279
	FY12	1H13
ICF II	2,8	0,7
IDeA EESS	1,2	2,2**
IDeA I FoF	7,1	1,3
IDeA OF I	2,3	0,7
Management fees	13,4	4,9
	FY12	1H13
ICF II	1,0%	1,0%
IDeA EESS	2,0%	8,8%**
IDeA I FoF	1,0%	0,8%
IDeA OF I	1,1%	1,3%
Management fees as % of AUM	1,1%	1,5%

**Management fees include some €1.9mn of one-off fees.

Source: Company data

IDEA CAPITAL FUNDS SGR: DETAILS OF THE FUNDS							
	Launch Year	% capital called-down	Paid-in capital	% distribution	Distributions	Residual commitments funds	DEA Capital's Stake
ICF II	2009	45.4%	128	5%	13	153	18.2%
IDeA EESS	2011	20.4%	20	0%	0	80	15.3%
IDeA I FoF	2007	76.3%	520	26%	177	161	25.5%
IDeA OF I	2008	73.6%	160	0%	0	57	47.0%

Source: Company data

For FY13/FY14 we basically unchanged our estimates.

To evaluate the stake in IDeA Capital Funds in our NAV we apply a P/E multiple = 10x to 2013-15E profits, resulting in a € 50mn evaluation.

IDEA CAPITAL FUNDS SGR					
	2011	2012	2013E	2014E	2015E
Management fees	12.8	12.2	13.9	14.3	14.5
Variable fees and others	0.0	1.3	0.0	0.0	0.0
Net commission	12.8	13.5	13.9	14.3	14.5
%change	-1%	5%	3%	3%	1%
Costs	-5.2	-6.6	-6.6	-6.7	-6.9
Extraordinary costs (restructuring costs)	0.0	0.0	0.0	0.0	0.0
<i>total costs ex extr</i>	<i>-5.2</i>	<i>-6.6</i>	<i>-6.6</i>	<i>-6.7</i>	<i>-6.9</i>
EBIT	7.6	6.9	7.3	7.5	7.6
margin%	59%	51%	52%	53%	53%
Interest charges	0.0	0.0	0.2	0.3	0.5
Others and extraord.	0.0	0.0	0.0	0.0	0.0
Pre tax	7.6	6.9	7.5	7.9	8.1
taxes	-2.7	-2.4	-2.7	-2.8	-2.9
tax rate	36%	35%	36%	36%	36%
Net Income	4.9	4.5	4.8	5.0	5.2
%change	-4%	-8%	7%	5%	3%
Adj. Net Income	4.9	4.5	4.8	5.0	5.2
%change	-4%	-8%	7%	5%	3%
Total AUM (€ mn)	1,232	1,238	1,288	1,307	1,327
%change	4%	0%	4%	2%	2%

CONCLUSION

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

- **High discount on Equita NAV:** ~37% (49% on reported) and its **exposure to defensive sector** (healthcare and food retailing);
- **Potential upside in case of exit from Migros with an extraordinary dividend;**
- **Focus on alternative asset management:** Alternative AM's contribution to 2012 net profit reached approx. €17mn (ex-minorities) thanks to Idea-Fimit (in which DEA holds a majority stake of 61.3%) consolidation.

At current prices, if we strip out GDS's and Migros' value, the implicit valuation of Alternative Asset Management is zero.

SENSITIVITY

DEA: NAV SENSITIVITY TO MIGROS AND GENERALE DE SANTE PRICE			
GDS STOCK PRICE	MIGROS STOCK PRICE		
	TL 10.5 PS	TL 16.5 PS	TL 22.5 PS
€ 12.4 PS	1.6	1.8	2.0
€ 15.4 PS	1.9	2.1	2.3
€ 18.4 PS	2.1	2.3	2.5

Source: EQUITA SIM estimate

DEA: TARGET SENSITIVITY TO MIGROS AND GENERALE DE SANTE PRICE			
GDS STOCK PRICE	MIGROS STOCK PRICE		
	TL 10.5 PS	TL 16.5 PS	TL 22.5 PS
€ 12.4 PS	1.4	1.55	1.7
€ 15.4 PS	1.6	1.75	1.9
€ 18.4 PS	1.8	1.95	2.1

Source: EQUITA SIM estimate

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 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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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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Date	Rec.	Target Price (€)	Risk	Comment
Nil				

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	COMPANIES COVERED	COMPANIES COVERED WITH BANKING RELATIONSHIP
BUY	40.5%	41.2%
HOLD	50.9%	52.9%
REDUCE	8.7%	5.9%
NOT RATED	0.0%	0.0%