



Acquisition of a strategic property portfolio  
and launch of a €200M rights issue

July 8, 2014 3 p.m. | Analyst call

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Transaction  
overview

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## Transaction overview

A major step for IGD confirming growth and value-creation strategy through the industrial partnership with its reference shareholders

- On July 7 2014, IGD has signed 2 preliminary agreements for the **acquisition of a strategic real estate portfolio from Coop Adriatica (~ €77M value) and Unicoop Tirreno (~ €16M value)**
  - Total investment <sup>(1)</sup>: €94.8M (~ 5 % of IGD portfolio value as of 31/12/2013)
  - Expected full year increase in EBITDA: ~ €6.2M (~ 6.5% of total investment) <sup>(2)</sup>
  - Transaction subject to successful completion of the capital increase described below
- Transaction portfolio consisting of 3 hypermarkets, 1 shopping mall freehold <sup>(3)</sup> and 2 supermarkets, all **leading properties in terms of standing and client attraction in their reference areas** and representing a key strategic location for the cooperatives retail operations
  - Transaction allowing to achieve the entire ownership of the Cesena Lungo Savio site (acquisition of hypermarket whereas the gallery is already owned by IGD) and the full ownership of Ascoli Piceno Città delle Stelle mall (currently held in leasehold)
  - Hypermarkets and supermarkets to be leased to Coop Adriatica and Unicoop Tirreno on the basis of 18 years double-net lease agreements without break-options and without any ordinary and extraordinary maintenance costs
- In parallel, the board of directors of IGD has decided to call an EGM, scheduled on August 7, 2014, for the approval of a **€200M rights issue** aimed at
  1. **funding the acquisition of the abovementioned property portfolio** and
  2. **improving the financial structure of IGD reducing LTV < 50% and stabilizing ICR > 2x**, converging towards the benchmarks set by the main listed European retail REITs
- **Coop Adriatica and Unicoop Tirreno has already committed to subscribe to the capital increase pro-rata** to their current stake
- **The portion of the rights issue being offered to the market has been secured through a pre-underwriting agreement** signed with BNP Paribas, acting as global coordinator of the transaction
- The capital increase as well as the acquisition of the property portfolio are **expected to be completed in Q4 2014**

(1) The total investment includes €92.7M acquisition price for the properties + €2.1M transfer duties and sundry costs

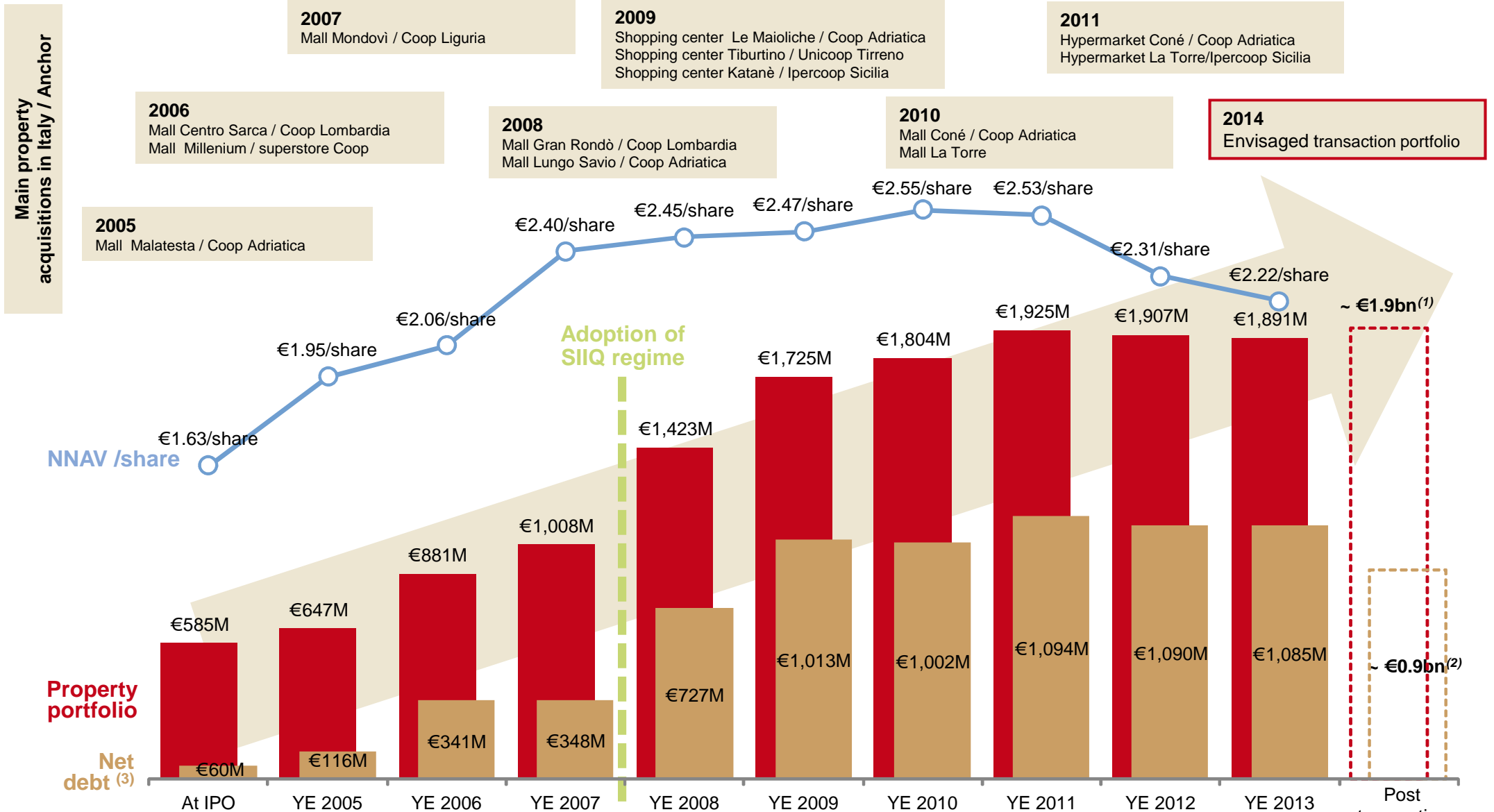
(2) Includes € 4.6M rental income from hypermarket / supermarkets + €1.9M reduction in leasehold cost following the acquisition of the freehold on Ascoli Piceno property

(3) Property already owned by virtue of a leasehold agreement with Coop Adriatica

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## Coherence and continuity of IGD strategy through the years

Leverage on privileged relationship with Cooperatives to foster growth and value creation



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(1) Q1 2014 portfolio adjusted to consider the envisaged acquisition of €94.8M properties  
 (2) Q1 2014 net debt reduced by circa €101M capital increase proceeds after the €94.8M envisaged property acquisition  
 (3) This does not include financial assets / liabilities of derivatives

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## A strategic transaction...

Acceleration of growth along the existing strategic guidelines...

### GROWTH OF RENTAL INCOME AND EBITDA



Properties being acquired to contribute for €4.6M rents, representing a ~ 4% increase vs. YE2013 + €1.9M reduction of leasehold cost

An increase in EBITDA ~ €6.2M

### PROPERTY VALUATION AND YIELD



Properties being acquired in line with the appraisal value <sup>(1)</sup>

Yield in line with that of comparable assets already part of IGD investment allocation

### STRATEGIC VALUE



IGD enjoys a deep knowledge and understanding of the properties being acquired, which were part of the natural growth pipeline of the company

Leading properties in their respective reference area, confirming IGD investment focus on proximity retail

Strengthening of the position of IGD as a primary player in the retail / commercial real estate in Italy

Reconstitution of individual ownership on the Cesena Lungo Savio asset (hypermarket + gallery) and acquisition of freehold on Ascoli Piceno allowing for more operational flexibility

(1) Supported by the appraisal value defined by Cushman & Wakefield on July 3, 2014



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## ... Improving IGD financial profile

... while converging the leverage structure to best practices and paving the way to a new value creation phase

### STRENGTHEN FINANCIAL PROFILE

Deleveraging objectives set in the 2014-2016 business plan to be widely exceeded



IGD leverage profile stabilised in order to converge the parameters in terms of LTV (< 50%) and ICR (> 2x) with those observed for the main European retail REIT

Confirmed the €150M disposal plan announced in December 2013 partly achieved (~ €60M completed as of today)

### ENHANCED CASH FLOW GENERATION CAPACITY

Secured and visible cash flows from acquired portfolio coupled with lower financial expenses to trigger a ~ €10M increase of run-rate FFO



Sustainable portfolio rents: 3.2% of 2013 revenues in average for hypermarkets / supermarkets and 10.8% OCR for the Ascoli Piceno shopping mall

Net rents expected to be almost entirely reflected in the FFO thanks to double net lease

### IMPROVEMENT OF LISTING PROFILE

Significant increase of market cap and free float post transaction



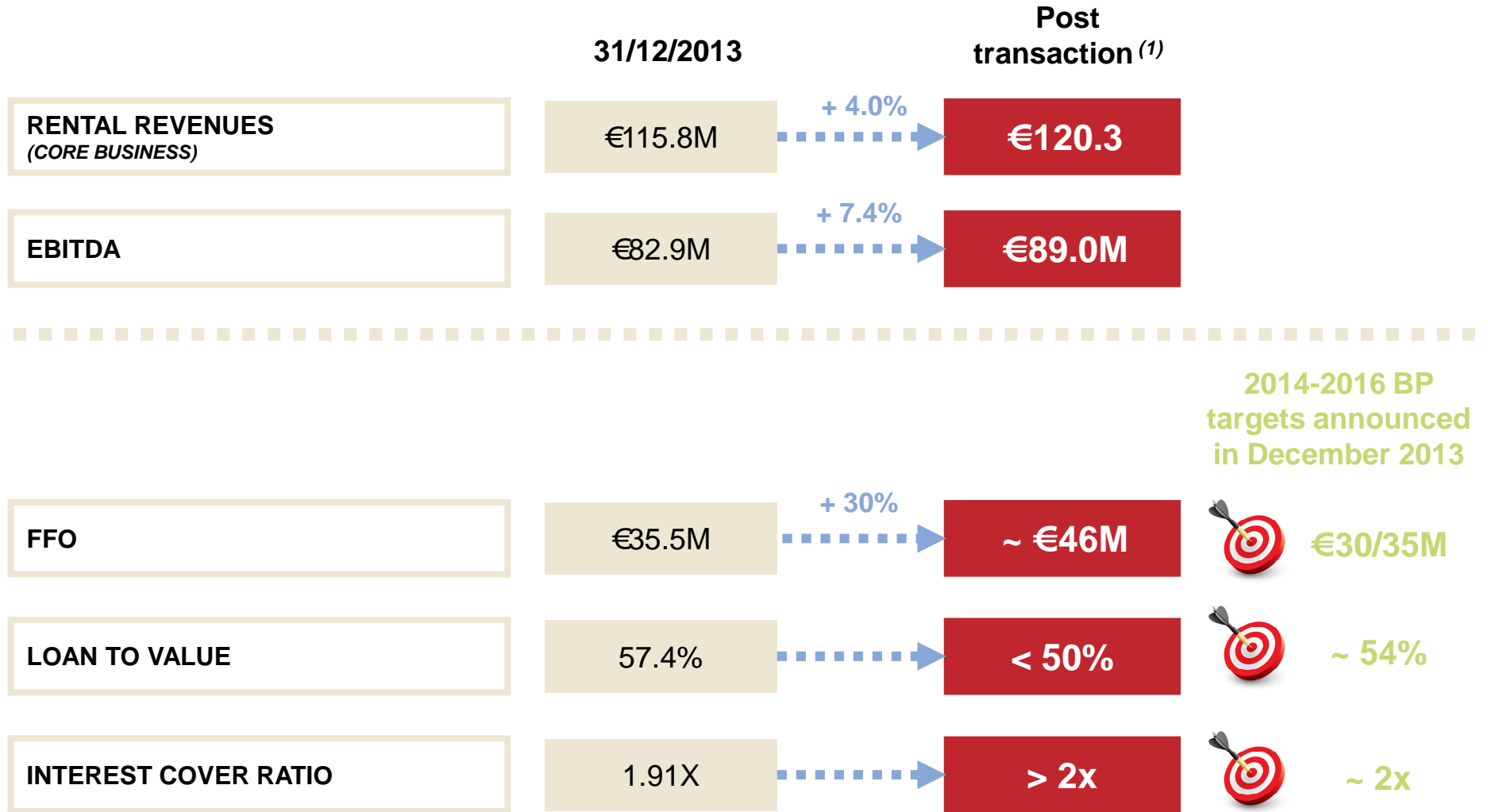
Increased stock liquidity and IGD weight in main reference indexes

Renewed equity story in light of an enhanced financial structure paving the way to a new value creation phase

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## Highlights on main transaction impacts

Transaction allowing to exceed the targets set in the 2014-2016 business plan, paving the way for IGD to pursue new strategic ambitions in terms of growth and value creation



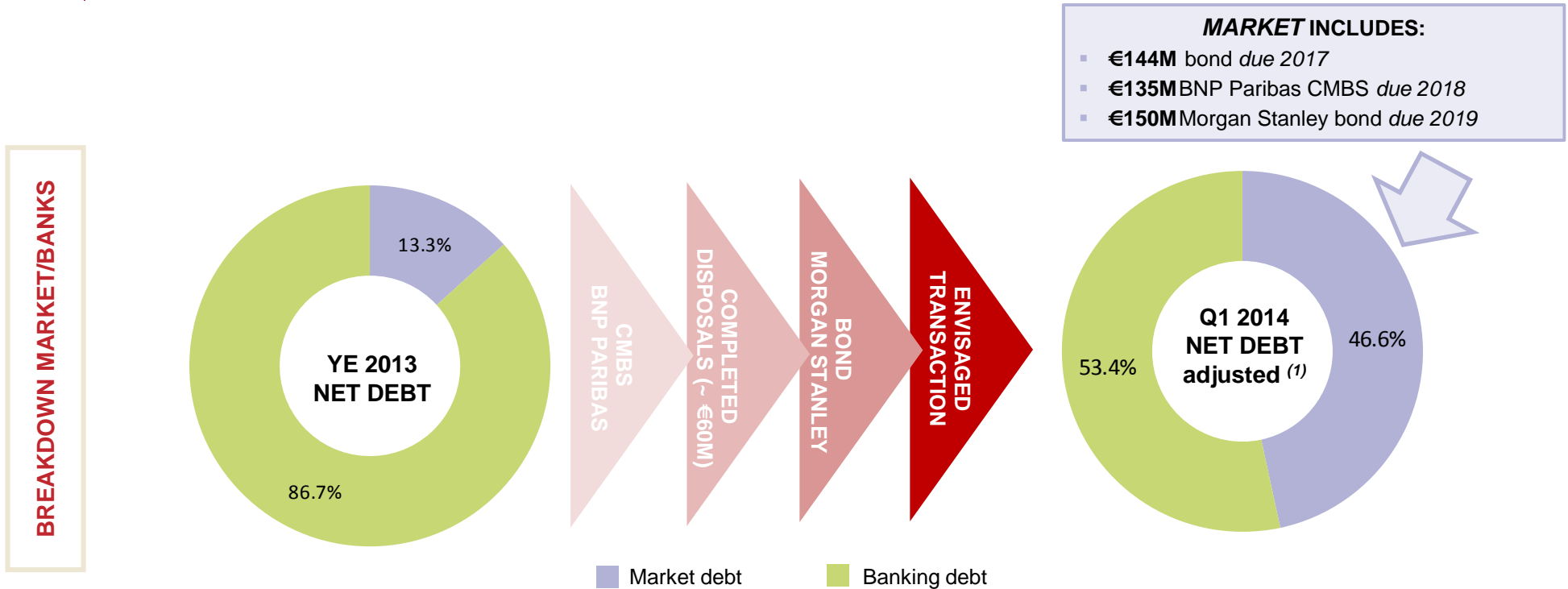
(1) Data as of 31/12/2013 adjusted for a €200M capital increase and acquisition of a €94.8M investment (including estimated transfer duties and costs)



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## Financial prospects

Acceleration of disintermediation of IGD funding policy from the banking market



- ↗
 The improvement of the main balance sheet and financial indicators will further ease IGD access to the capital markets
- ↗
 This repositioning will represent a significant step to converge towards financial parameters more in line with those of an investment grade rated real estate players which should further contribute to reduce the average cost of debt

(1) Q1 2014 data adjusted to consider a €135M CMBS structured with BNP Paribas in January 2014, the use of €60M cash proceeds from disposals completed in H1 2014 to reimburse bank debt, the placement of €150M bond placed with Morgan Stanley in April 2014 and assuming the proceeds of the announced capital increase will be used for €94,8M for the acquisition of the property portfolio and for €101M to reimburse bank debt

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## Indicative transaction timetable

Acquisition of the properties and capital increase expected to be closed by the end of October 2014



**July 7, 2014:** IGD Board of Directors calls EGM to approve the capital increase and

- Signing of preliminary purchase agreement with Coop Adriatica and Unicoop Tirreno
- Signing of the pre-underwriting agreement with BNP Paribas and commitment of the Coops to subscribe pro-rata the capital increase

■ **August 7, 2014:** EGM approving the capital increase

■ **By the end of October 2014:** execution of capital increase and closing of the transaction portfolio acquisition

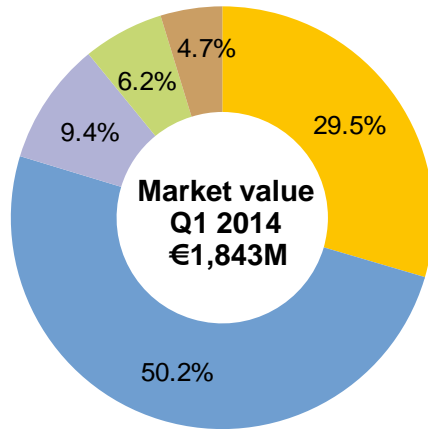


**Overview of properties  
being acquired by IGD**

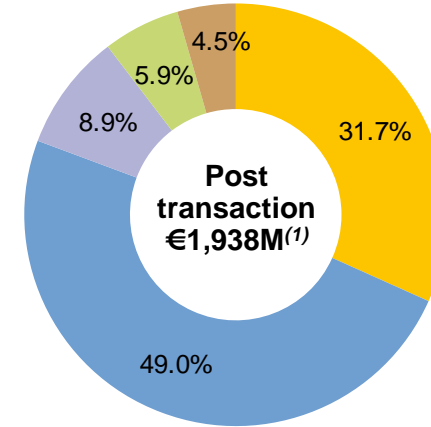
# Evolution of IGD property portfolio post transaction

Transaction portfolio in line with IGD core asset allocation in terms of asset class

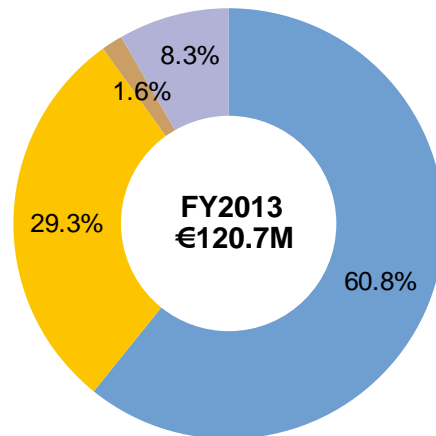
BREAKDOWN BY TYPE OF IGD'S PORTFOLIO MARKET VALUE



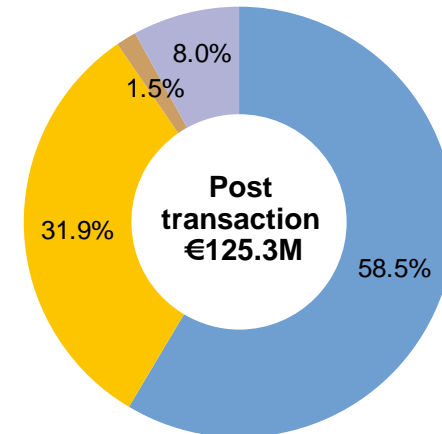
Malls Supermarkets / Hypermarkets Romania Porta a Mare Others



BREAKDOWN BY TYPE OF IGD'S PORTFOLIO REVENUES FROM CORE BUSINESS

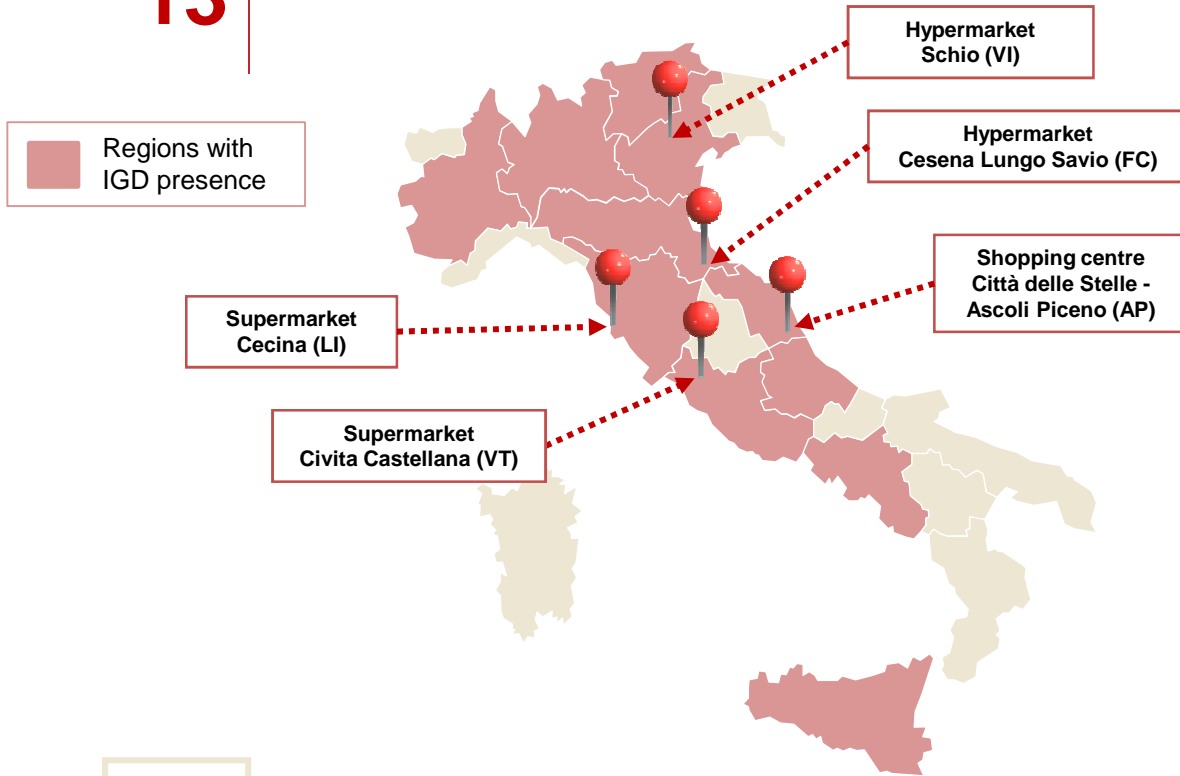


Malls Supermarkets / Hypermarkets Romania Others



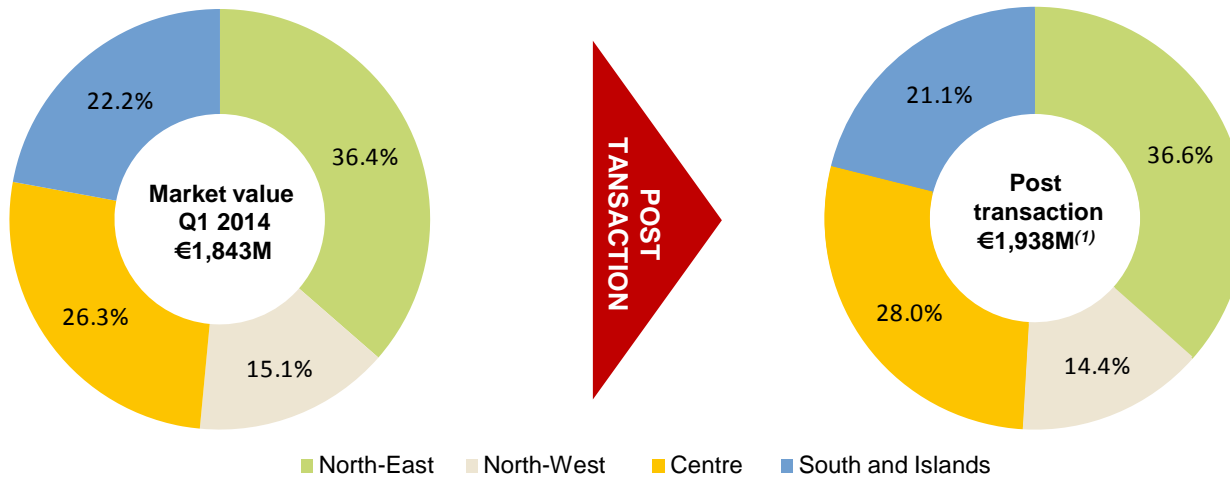


# Acquisition details (1/2)



- Acquisition of the transaction portfolio approved by the Committee for Related Party Transactions composed by 3 independent members
- Acquisition of properties to be completed at a price in line independent appraisal values prepared by Cushman Wakefield on July, 3, 2014 and confirmed by fairness opinion of Ernst Young on July, 4.

BREAKDOWN OF MARKET VALUE BY GEOGRAPHIC AREA IN ITALY



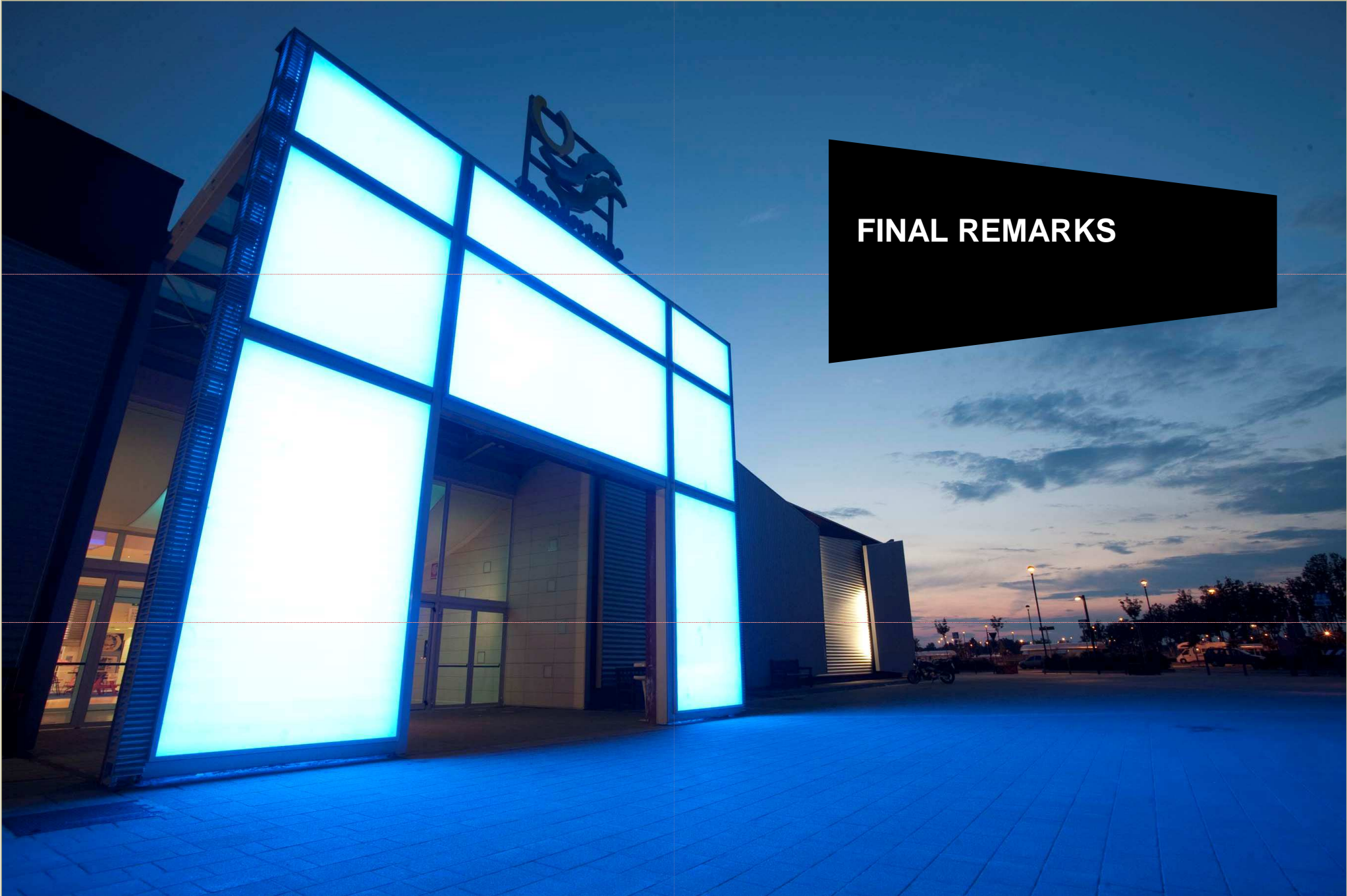
## Acquisition details (2/2)

Total investment for the acquisition of the properties: €92.7M + €2.1M estimated transfer duties and costs

### POINT OF STRENGTHS OF THE PORTFOLIO

- ☑ **Leading properties in terms of standing and client attraction in their reference areas**
- ☑ **Highly visible cash flow generation capacity**
- ☑ **No incremental management / structure costs for IGD**
- ☑ **Reconstitution of individual ownership on the Cesena Lungo Savio asset (hypermarket + gallery) and acquisition of freehold on Ascoli Piceno allowing for more operational flexibility**
- ☑ **Proven resilience and profitability throughout the crisis: hypermarket / supermarkets average 2013 sales / sqm: ~ €7,800<sup>(1)</sup>**
- ☑ **Portfolio accretive on IGD EBITDA, net profit and FFO**

(1) Average of the revenues / sqm sale area reported by the 3 hypermarkets and the 2 supermarkets part of the envisaged acquisition perimeter



**FINAL REMARKS**

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## Closing remarks

Transaction in line with IGD core strategy guidelines and allowing all shareholders to take part to the transaction under the same terms

**TRANSACTION IN LINED WITH IGD STRATEGY**  
→ LONG-TERM VALUE CREATION PARTNERSHIP WITH THE COOP UNIVERSE



Cooperatives are the leading player in the Italian grocery retail sector → A resource IGD has been leveraging upon to consolidate its positioning

Resilience of the cash flows underlying the portfolio being acquired thanks to long-term, inflation-linked double net lease agreements

After ~ €30M cash investment through the DRO since 2012  
Coops confirming their long-term commitment to IGD

**THE TRANSACTION TO IMPROVE OF IGD ECONOMIC, FINANCIAL AND LISTING PROFILE**



Enhancement of leverage ratios (LTV, ICR, unencumbered assets)

Improvement of EBITDA and EBITDA margin

Confirmed dividend distribution policy, in line with previous years

Increased market-cap / free float and better market visibility

**CAPITAL INCREASE OPEN TO ALL SHAREHOLDERS THANKS TO THE GRANTING OF A PREFERENTIAL SUBSCRIPTION RIGHTS**



All shareholders enabled to take benefit from this transaction under equal terms

Coops will reinvest the entire proceeds of the property disposals (€92.7M) + some €21M additional cash (on top of dividend reinvestment option capital increase)





Portfolio  
description

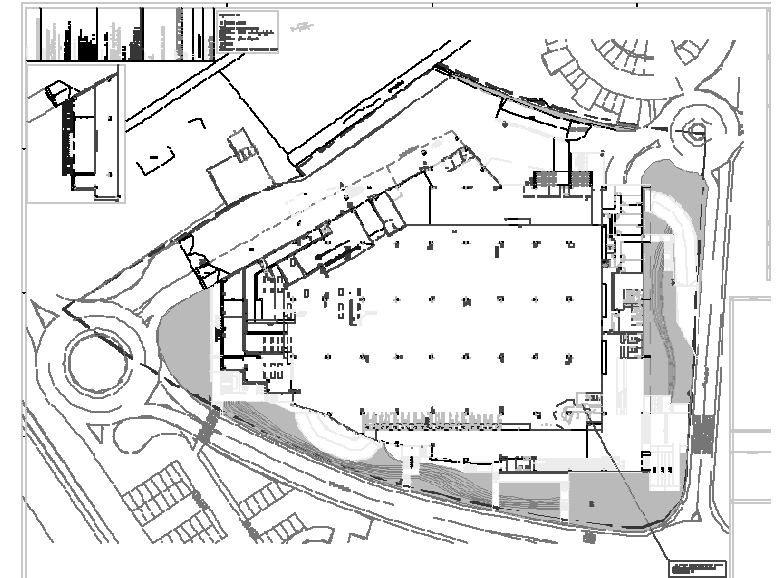
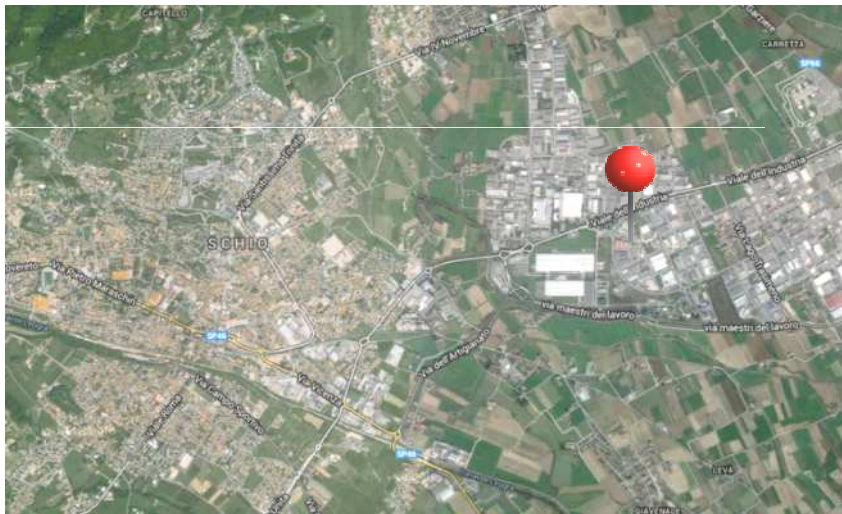
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# Schio hypermarket

Via Luigi della Via , 9 int. 1 – Schio (Vicenza)

- Portion of the building used for hypermarket
- Opened to the public in 2008
- GLA of Hypermarket: 8,176 sqm
  - Net sales area: 4,806 sqm
- The market share: 11.6%
- The catchment area (0-20 minutes): 141,524 inhabitants



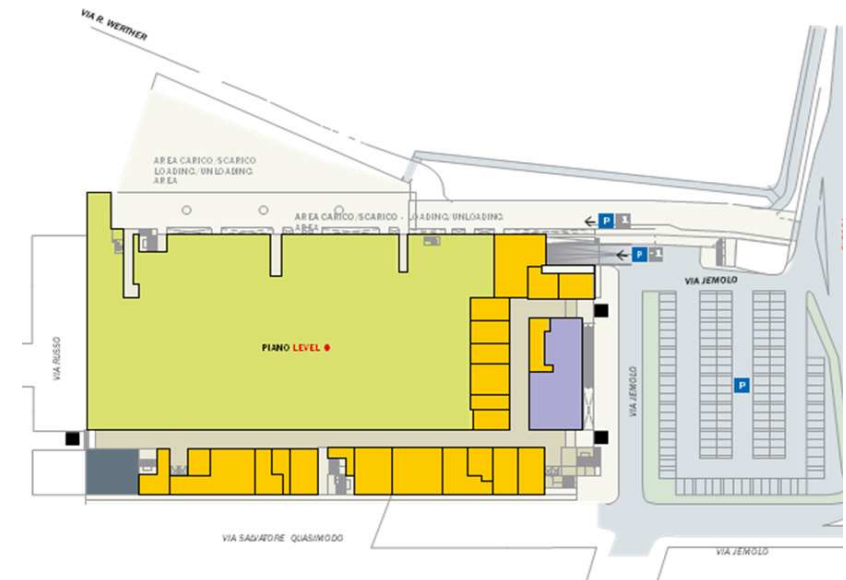
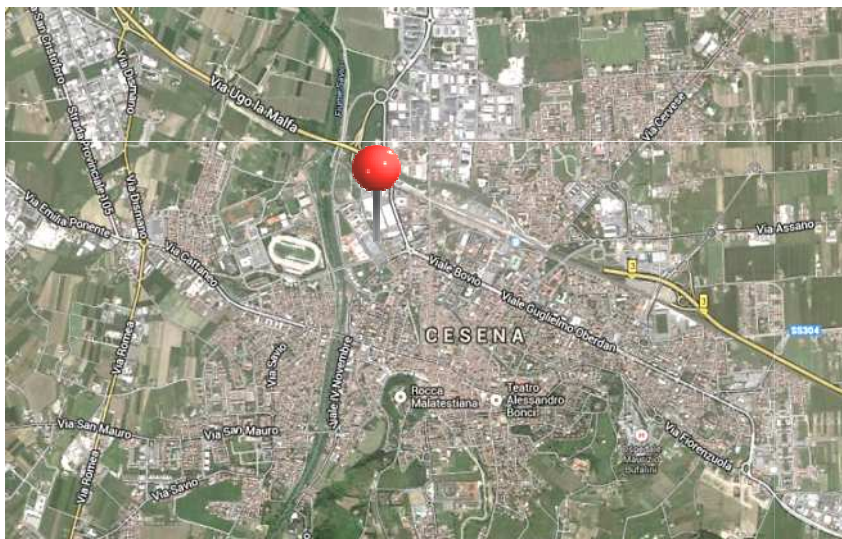


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# “Cesena – Lungo Savio” hypermarket

Via Arturo Carlo Jemolo, 110 - Cesena

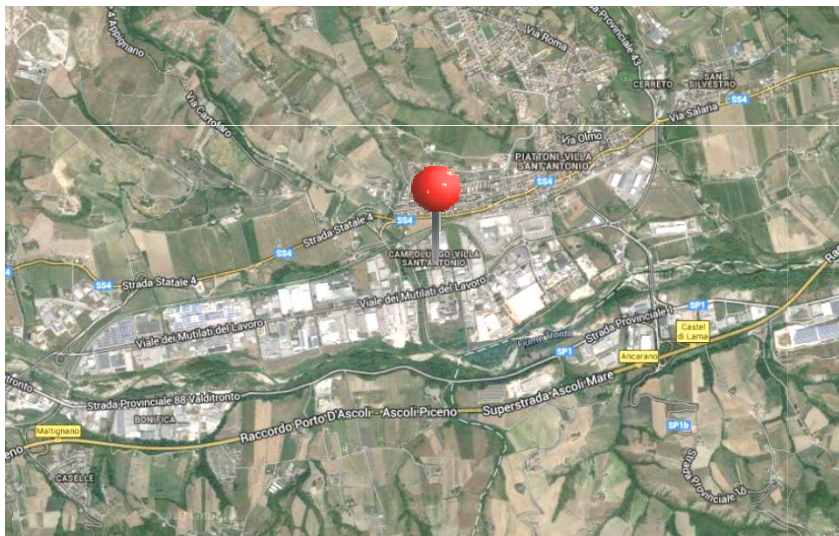
- Portion of the building used as hypermarket and located inside the Lungo Savio mall, already owned by IGD
  - Hypermarket GLA: 7,476 sqm (sales area 4,000sqm)
  - Gallery GLA: 2,917 sqm split in 22 points of sales (including 1 medium surface)
- Opened in 2002 and is located in a key central position in Cesena, within an area of new construction
- The mall includes a broad range of services in addition to covering any need for shopping with the presence of the most popular brands and local traditional
- Hypermarket market share: 12.8%
- The catchment area (0-20 minutes): 150,425 inhabitants



# Città delle Stelle shopping mall – Ascoli Piceno

Viale dei Mutilati ed Invalide del Lavoro, 94 – Campolungo (Ascoli Piceno)

- The shopping center open in 2002
- The complex is built on 2 levels: ground floor hosting the hypermarket and a large shopping area + first floor with many recreational facilities (multiplex, bowling, games room, food court)
- The location directly impacts on the sea-coast above all during the summer, it is easily reachable
- Hypermarket + unit GLA: 14,381 sqm (sales area: 9,203 sqm)
- Shopping gallery+ Multiplex GLA: 17,203 sqm
- IGD already manages the shopping gallery by mean of a leasehold contract
- The market share on the Ascoli Piceno city: 14.4%
- The catchment area (0-20 minutes): 93,051 inhabitants



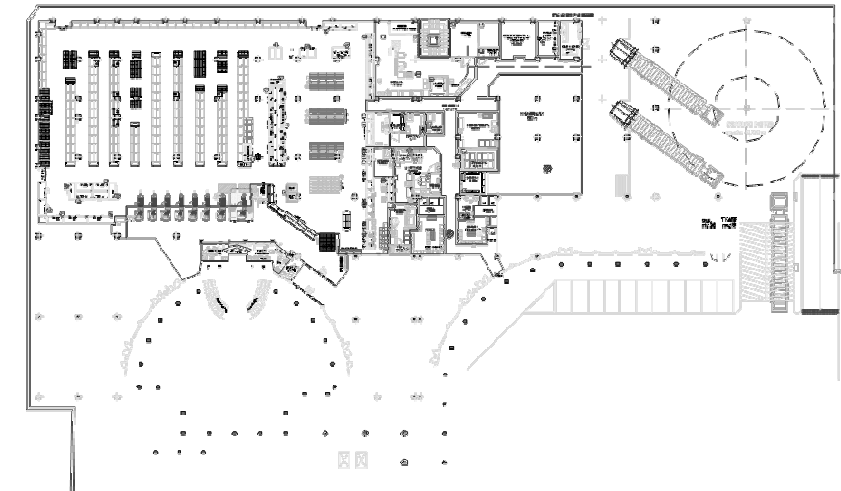
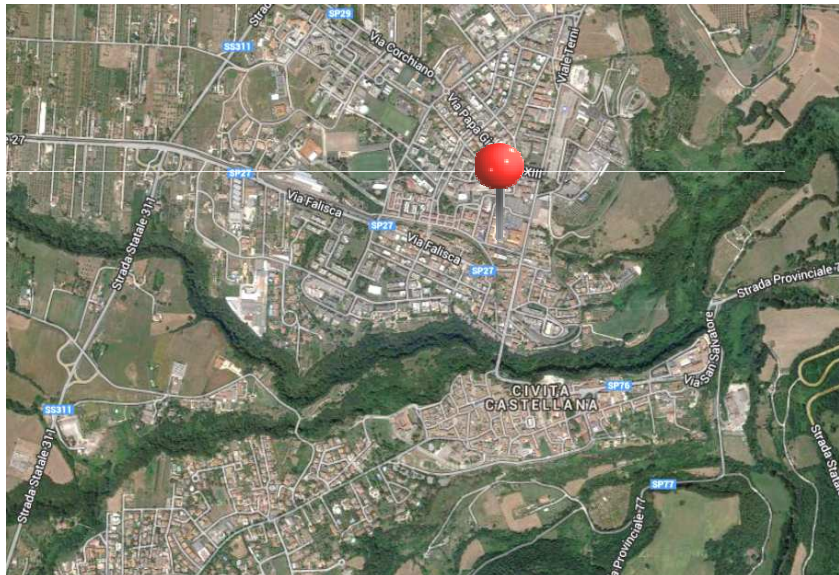


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# Civita Castellana supermarket

Piazza Marcantoni – Civita Castellana (Viterbo)

- Supermarket located within the Piazza Marcantoni in-town shopping mall
- The mall opened to the public in 2010 and is situated between the historic center and areas of more recent settlement
  - The supermarket has public access on the main square of the town.
- Supermarket GLA: 3,020 sqm (sales area: 1,510 sqm)
- The market share on the Civita Castellana city: ~ 39%,
- The catchment area (0-20 minutes): 53,000 inhabitants



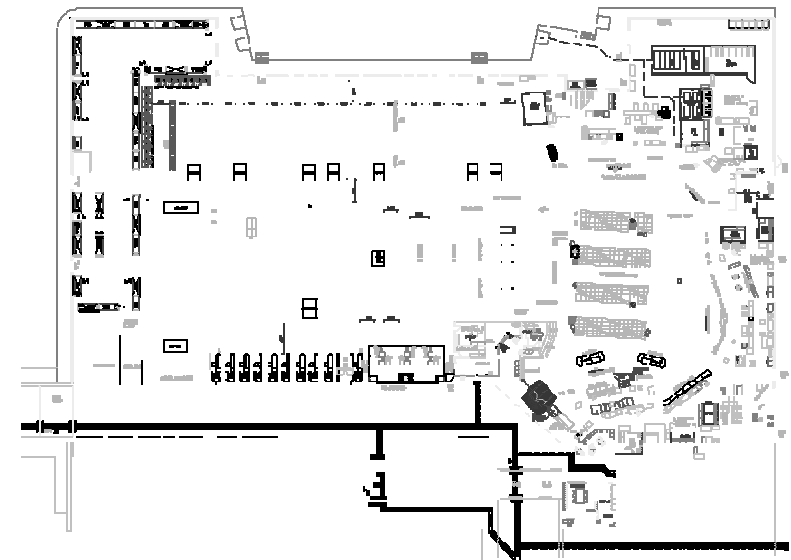
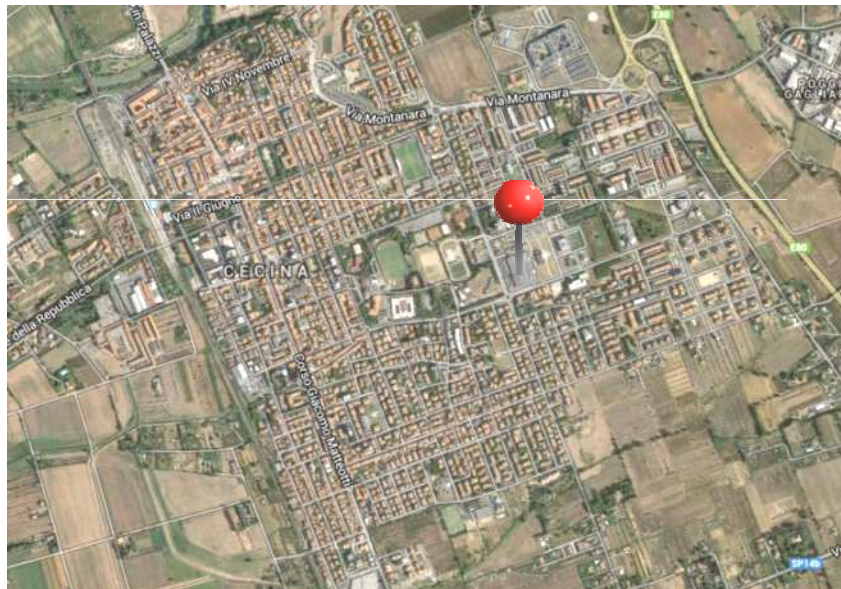
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## Cecina supermarket

Via Pasubio, 33 – Cecina (Livorno)



- Supermarket hosted within a shopping center located in the town of Cecina
- The mall opened in 1994 and it was completely renovated in 2008
- Supermarket GLA: 5,749 sqm (sales area: 3,155 sqm)
- The market share on the Cecina city: ~ 41%
- The catchment area (0-20 minutes): 80,000 inhabitants



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