

Strengthening our Leadership with a Sustainable **Growth**

2019 - 2021 Strategic Plan



igd 
SPACES TO BE LIVED IN

Market Conference call
Bologna 7th November 2018 3 p.m.

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1 A LEADING PORTFOLIO WITH A WINNING BUSINESS MODEL

4

2 CONTEXT AND STRATEGIC TARGETS UP TO 2021

11

3 FINANCIAL DETAILS OF THE STRATEGIC PLAN

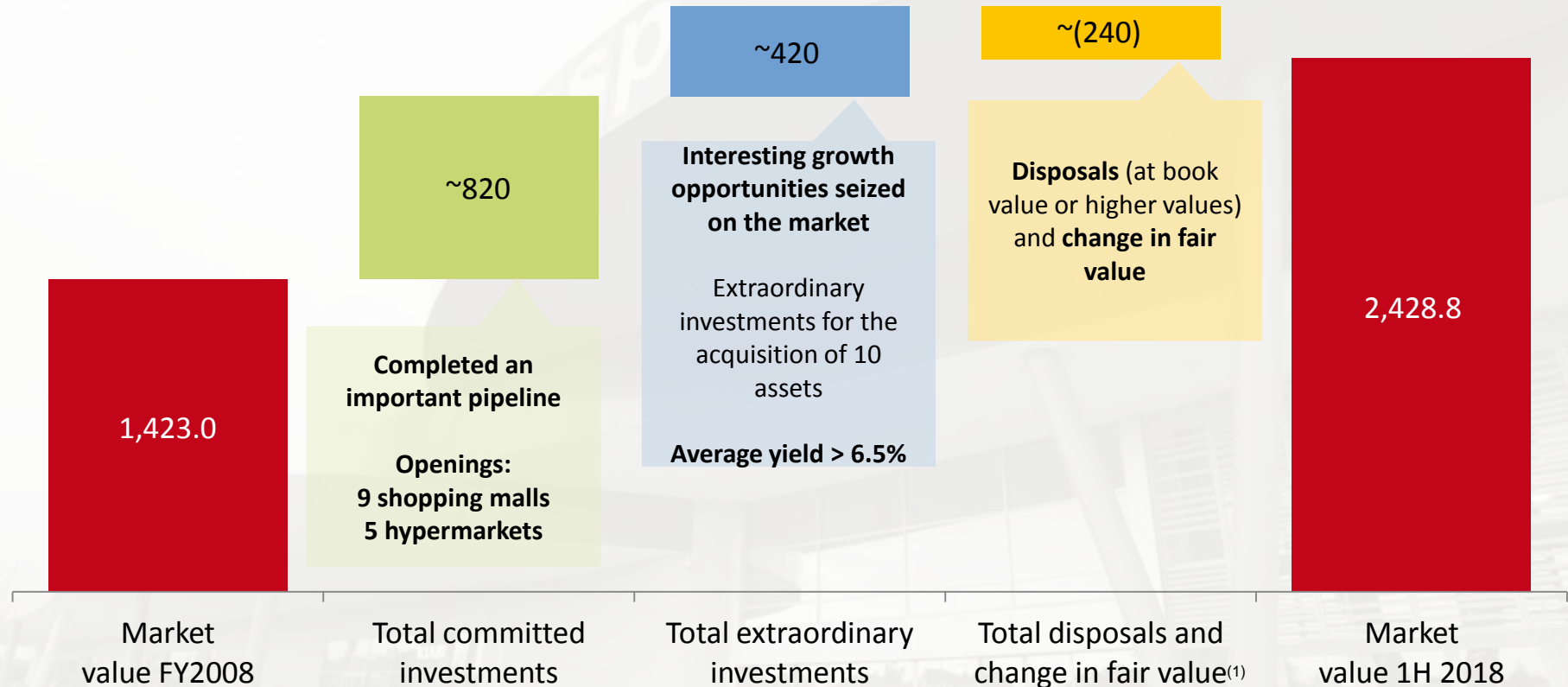
32



1. A leading portfolio with a winning business model

An intense growth journey to reach a suitable size...

Real estate portfolio market value €mn



A decade of intense growth to reach an ideal size and leadership in Italy





...while delivering on 2016-2018 BP economic/financial targets

(in progress)

Economic and financial targets have been reached, in particular in the last 4 years:

- FFO more than doubled
- Constant dividend growth
- Considerable decrease in average cost of debt
- Group leverage decreased by about 10 percentage points

2016-2018 Business Plan targets either achieved or exceeded (especially in relation to financial targets)

		Target BP 2016-2018	IGD forecast for 2018 not including the 2018 portfolio acquisition	IGD forecast for 2018 including the 2018 portfolio acquisition
Operating Targets / Results	Revenues from Rental Activities	Total growth c. 20% CAGR c. 7%	 Excellent operating results and targets substantially achieved Target FFO slightly affected by a delay in delivery of a project	 Further improvement of operating results thanks to €12.5 mn of net rental income entirely reflected on the FFO net of financing costs
	EBITDA Margin (core business)	>70% (at BP end)		
	EBITDA Margin (Freehold)	c. 80% (at BP end)		
	FFO (core business)	c. €75 mn at end of 2018 CAGR >18%		
Financial Targets / Results	Interest Cover Ratio (ICR)	>3x at end of 2018	 Very positive financial results: ICR 9M18 – 3.5x Cost of debt 9M18 – 2.7% LTV 9M2018 – 45.8%	 Further improvement of financial results due to the share capital increase which led to a reduction in LTV and a rebalancing of the capital structure
	Cost of debt	<3% at end of 2018		
	Loan to Value (LTV)	>45% <50% (BP timespan)		

Consistency between set Targets and Results achieved

IGD: a portfolio of high quality assets, dominant in their catchment area...

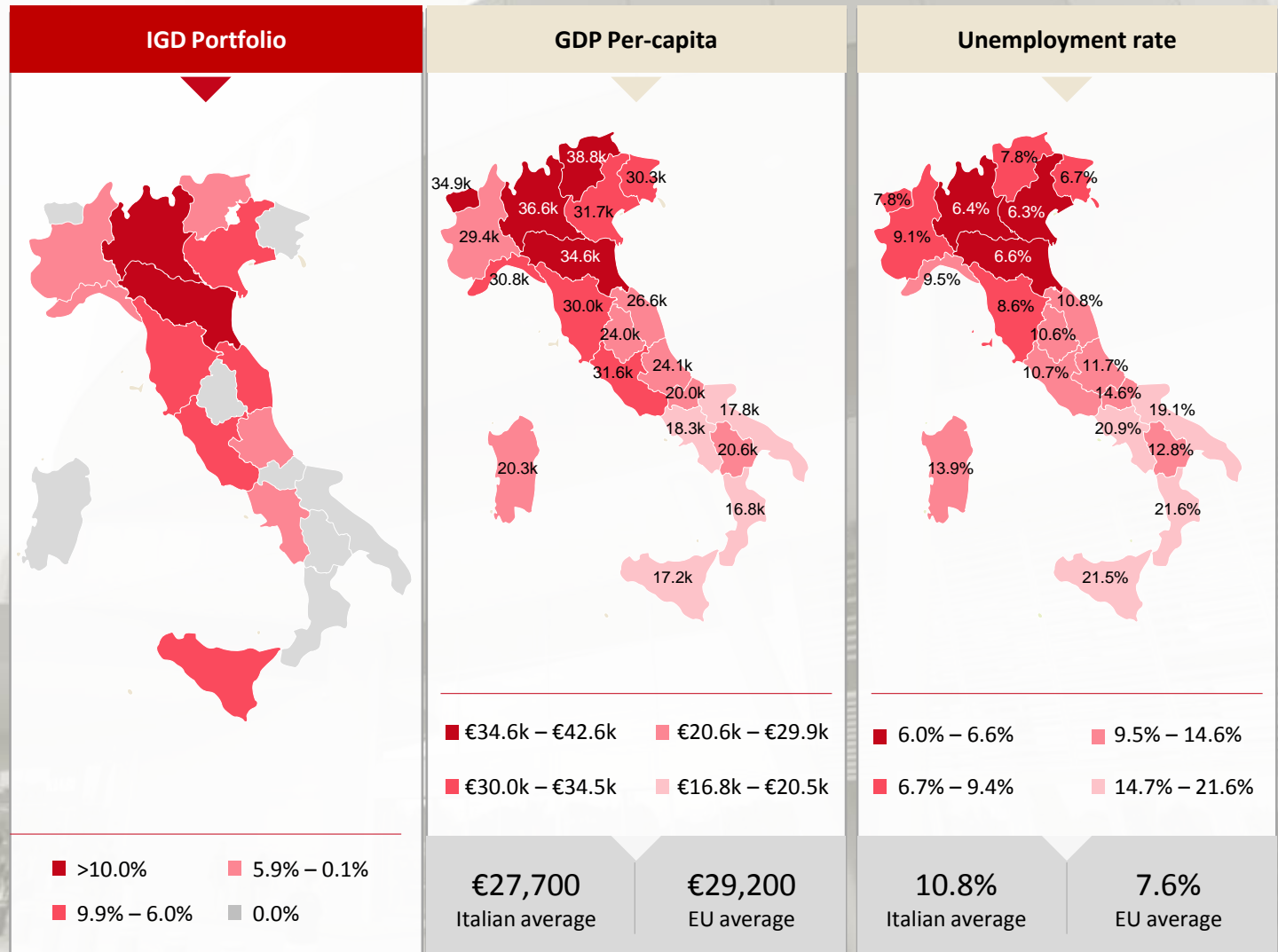


> 75% of the market value of Italian Malls and Hypermarkets dominant ⁽¹⁾ in respective catchment areas

1. Dominant assets: assets that are reference points for the consumers in their catchment area in terms of attractiveness and offer quality

...located in the most attractive Italian regions

- Portfolio mainly located in the **most attractive Italian regions**
 - Approx. 75% of the portfolio located in regions with a **GDP per-capita higher than the Italian and European average**
 - Approx. 2/3 of the portfolio located in regions with an **unemployment rate lower than the Italian and European average**



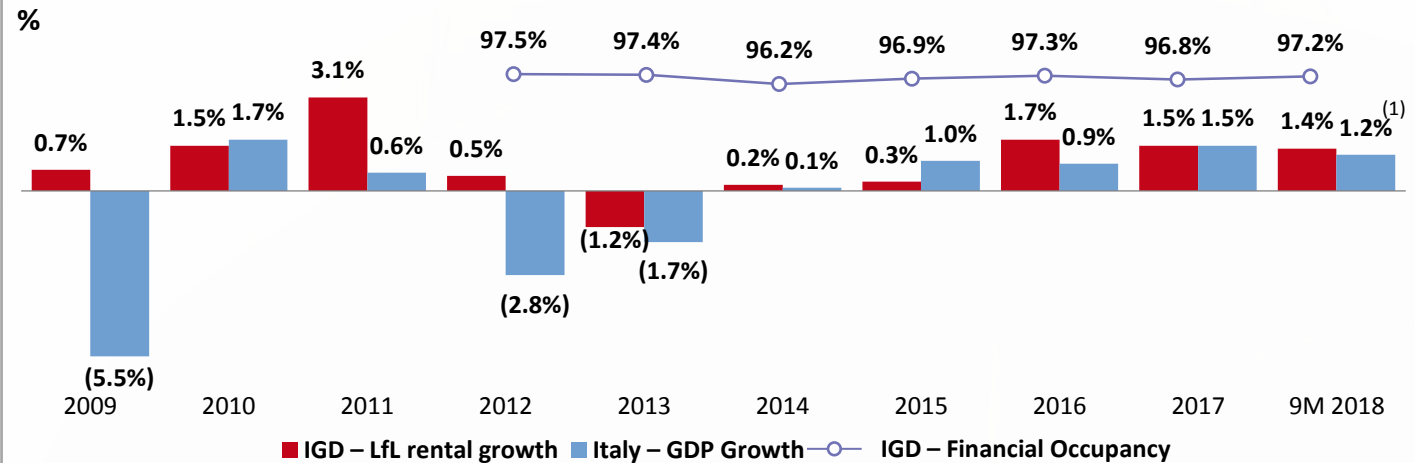
IGD performances better and more resilient than Italian GDP and consumption trends

Always high, stable and resilient occupancy over time

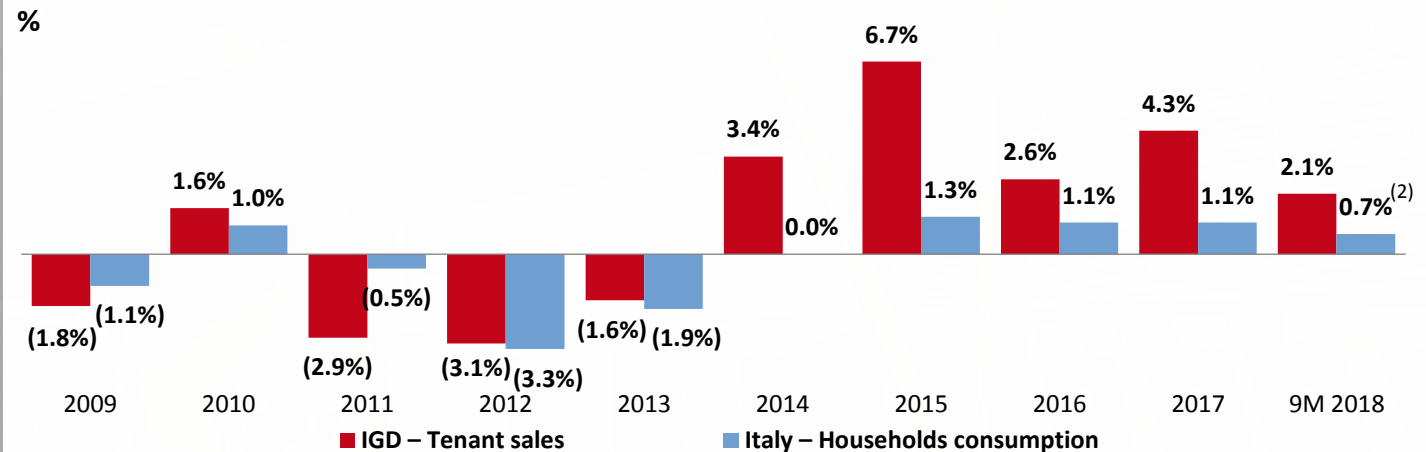
Over performance vs Italian GDP growth

Over performance vs Household consumption

IGD – LfL Rental Growth vs. Italy – GDP Growth



IGD – Tenant sales vs. Italy – Households consumption



1. 2018 expected GDP growth
2. Household consumption expenditure 1H2018 - Istat

Sources:
IMF, Eurostat

Strong repositioning of the Romanian portfolio

- **Romania, a growing country:**

2018 GDP **+4.0%**

2019 GDP **+3.5%**

- **Diversification / low risk**

- 600 lease contracts

- Extended network: 14 assets in strategic locations

Positive and convincing results:

- Financial occupancy from 86.4% to 96.5%⁽¹⁾

- Revenues : CAGR +4%⁽¹⁾



2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

2018

Acquisition

Surfaces recovery/Tenant Repositioning and complete external / internal refurbishment

Consolidation

Self-financing of the investments carried out

No financial leverage

c. €20mn of investments (2008-2018) for the upgrade and repositioning of the portfolio

C. €60 mn of dividends generated since the acquisition ⁽²⁾

Romanian portfolio considerably repositioned, currently generating important free-cash flow and providing for monetisation options

1. 2014- 9M2018
2. Until December 2017



2. Context and strategic targets up to 2021

Italian macro-economic context

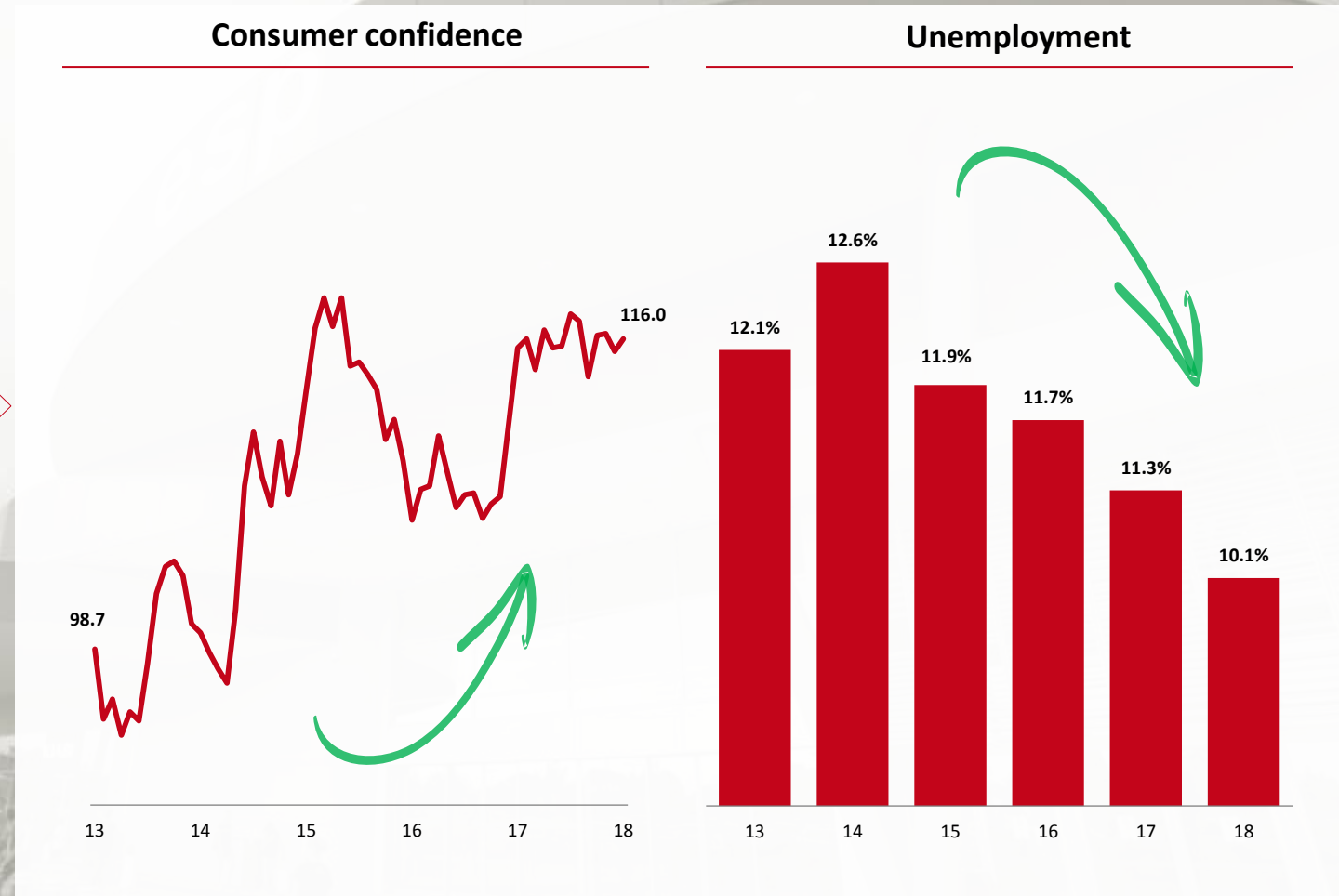
Positive trends in 2017 with further growth expected in 2018

Positive macro-economic fundamentals:

- Consumer confidence near its 5 year high
- Unemployment rate on a steady decline
- The **budget law** could have an additional **positive effect on Italian consumer spending**, especially in the short-term
- **Moody's** recent opinion⁽¹⁾: ***"positive public and private consumer trend expected"***
- **S&P confirmed Italian rating** (even tough it reviewed the outlook)
- **Banking system strengthened**: net NPL decreased by more than 53% in the last 20 months ⁽²⁾



Main Italian macro-economic indicators



Italian shopping center sector remains strong

Retail Real Estate Investments

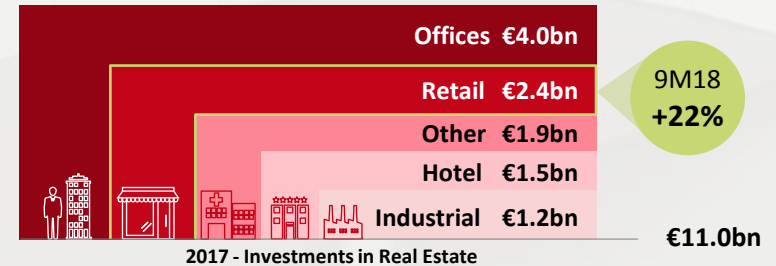


Dynamic and liquid retail real estate sector

- **22% increase** in investments in retail real estate in 9M 2018 (total of €1.7 bn) compared to 9M 2017
 - Positive performance of demand from operators, in particular international brands



+22% Investments in retail real estate 9M18 vs. 9M17



Structural advantage for Italian shopping centers

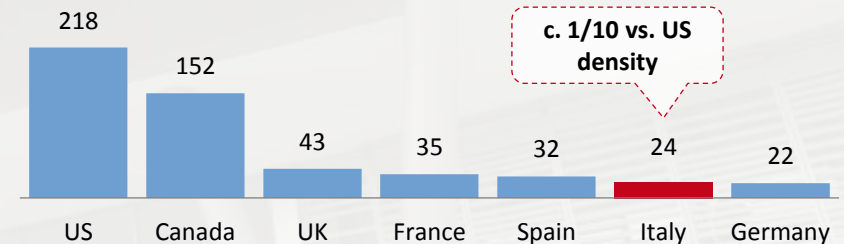


Low density of Italian shopping centers

- Italian shopping centers are typically integrated in the urban fabric with one-stop-shop offer
- Italian population distributed in various middle sized cities



Low density of shopping centers M² GLA / 10,000 inhabitants



Low E-Commerce penetration

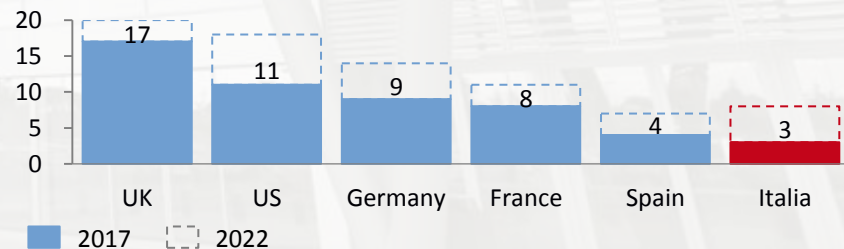


E-commerce in Italy: 3% of total retail sales

- E-commerce penetration in Italy is the lowest compared to other industrialised countries, this is not only a delay but is due to cultural / structural factors
- 5 year forecasts predict that Italy will reach 6-7%, well below the other European countries / US (2-3 times higher)



E-commerce out of total retail sales %

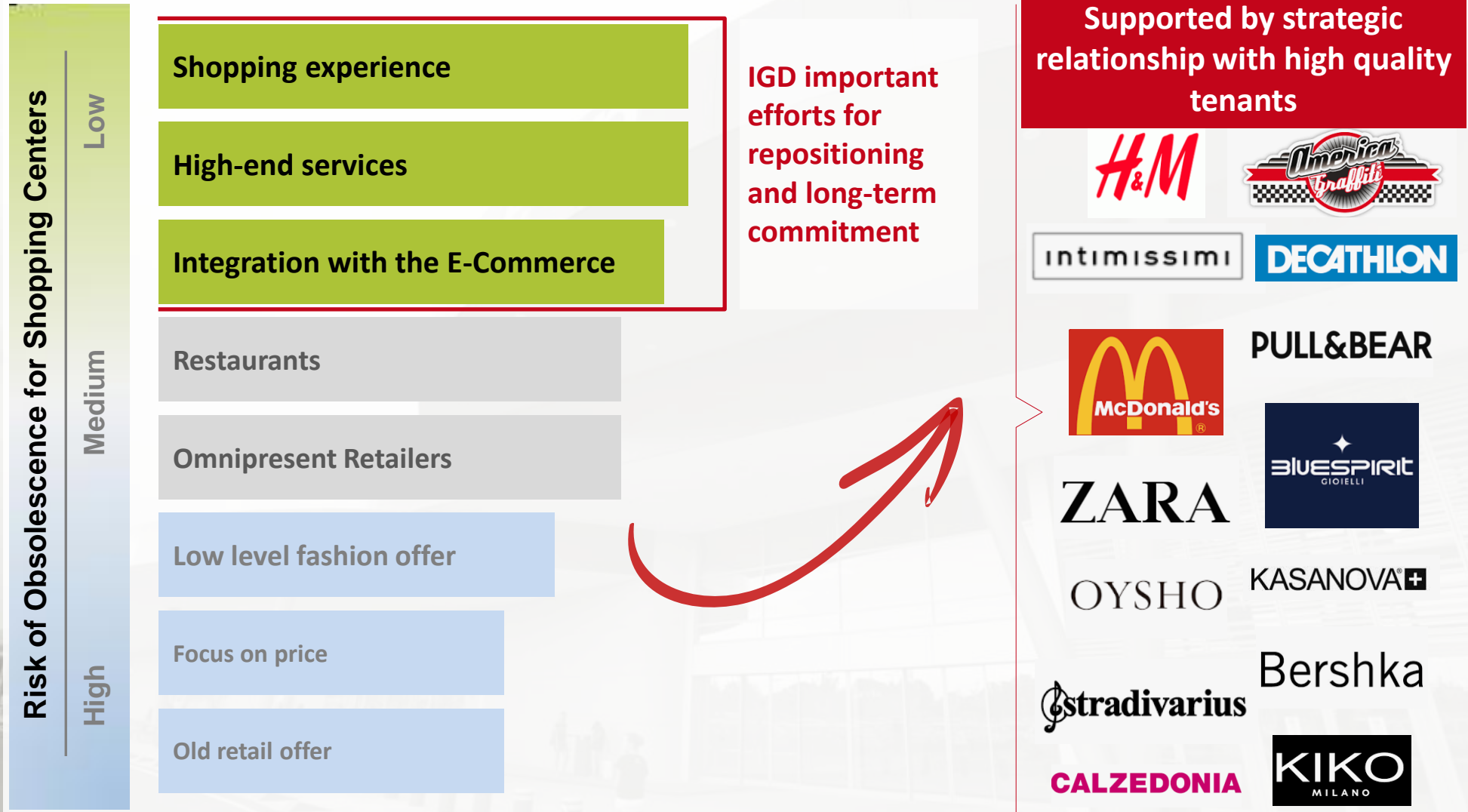


Retail: a continuously evolving world

FEATURES



IGD's current positioning and long-term commitment



IGD Mission Statement



After a decade of growth...
A plan focused on strengthening the solid and sustainable leadership of our shopping centers in their respective catchment area and to be prepared for future challenges

A consolidation and enhancement plan based on 3 pillars



Innovation and operational excellence

Great focus on innovation and operational excellence mainly in relation to commercial, marketing and sustainability areas



Asset management

Investments aimed at maintaining and increasing the quality of our portfolio favouring innovation, merchandising mix, attractiveness, the quality of materials, as well as sustainability



Financial strategy

Maintaining a solid financial structure in line with the investment grade profile

Our idea of shopping centers in 6 key words 1/2



Target

Identify solutions that make shopping more engaging and experiential in order to impress visitors: **experience oriented shopping center**



What we doing

- «Experience to be lived» project has already been introduced in 2 Shopping Centers (Puntadiferro and Città delle Stelle) in 2018. 3 other Shopping Centers will be involved from 2019



Experience

Social Shopping Centre



Entrench the Shopping Center in its local area promoting good relations and social behaviour in order to establish ties, exchange knowledge and carry out projects of common interest.

- Transfer within the shopping center of the rationale and dynamics of a **social street**, phenomenon first created in Bologna in via Fondazza in 2013, now involving over 100 thousand people, not only in Italy



Personalisation of Shopping Center / Visitor relation

Focus on visitors, establishing unique and special relations

- **Chat bot** technology: customer service by means of 24/7 real time chat
- **CRM** (Customer Relationship Management) Strategy



Our idea of shopping centers in 6 key words 2/2



Services



Target

Introduce and manage a set of tools which enable us to improve our customers' journey, also by means of new technology



What we doing

- Introduce **EV charging stations** (in 20 Shopping Centers) and e-bike charging points
- Structured use of social media / Instagram
- Interactive digital communication by means of totem in all the IGD centers



Omnichannel

Connect the online and offline shopping experience

- Establish a **channel of communication** with the Marketing office of the shopping mall tenants in order to better identify innovative and common solutions regarding the omnichannel issue
- Installation of Amazon **lockers**. 2 Poste Italiane lockers have already been installed in Sarca and Tiburtino Shopping Centers



Entertainment



Offer recreational opportunities within Shopping Centers, enhancing their role as an entertainment, activity and meeting location.

- Offer **innovative, exclusive and inclusive** events (also through co-marketing activities) as part of the approx. 540 events held every year in the IGD Shopping Centers



Business approach to align merchandising mix with current trends



Broaden and diversify the retail offer



Services

Introduction of new services (medical and veterinary clinics, schools)



Sharing economy

Introduction of new sharing economy activities (coworking, rental retail..)



Entertainment Areas

Set-up of entertainment areas conceived as primary destination

Online-offline interaction



Kiosks

Creation of kiosks for the collection of online purchases



Outlet

Creation of outlet stores in the Mall, in agreement with the tenants



Tenants with a wider and more complementary offer

Introduction of tenants with merchandise that complements the reduction of the hypermarkets



Food court

More diversified offer, in line with new trends (vegan, bio,..)



Tenants present online

Search for online tenants who would like to open stores within the mall

Sustainability as essential driver 1/2



Becoming
g.r.e.a.t.



GREEN



RESPONSIBLE



ETHICAL



ATTRACTIVE



TOGETHER

Area

Environmental certification



- 95% of the portfolio ISO 14001 certified
- BREEAM IN USE (at least at level «Very Good») for 5 more shopping centers

Measures to reduce energy consumption



- €5 mn expected for structural intervention in order to improve the energy efficiency
- More photovoltaic systems will be installed

Sustainable mobility



- Intervention on electric mobility
- Definition of a feasibility study to favour cycling solutions
- Evaluation on the possibility to use bike and car sharing

Circular economy



- Starting of the operating phase of the Waste2Value project and evaluation of other projects on the same issue





Becoming g.r.e.a.t.



GREEN



RESPONSIBLE



ETHICAL



ATTRACTIVE



TOGETHER

- Continuous update of the corporate Welfare System
- Monitoring of the work environment and definition of follow-up actions
- Continuation of projects for the safety and security of the structures (anti-seismic and anti-terrorism measures)

- Anti-corruption certification project
- Maintaining highest possible score (3 stars) of legality rating

- Exclusive and inclusive events
- Cooperation with the local area
- Analysis and definition of measures to favour wellbeing inside shopping centers

- Projects to capture insights from millennials regarding the shopping center of the future and from tenants regarding common sustainability projects



Asset management: 4 main operating levers



1



Requalification of the existing portfolio (restyling/refurbishment)

2



Strategic agreement with Coop Alleanza 3.0: an opportunity

3



Completion of the current pipeline (Officine Storiche and ESP Entertainment)

4



Asset rotation

1 Restyling/refurbishment projects

Important track record in asset management



Between 2014 and 2018 we carried out and completed various extensions, remodeling and restyling work in our shopping centers



		Shopping Center	Date of work	Type of work	Increase in Shopping Center revenues ⁽¹⁾
1		Centro Sarca (Milano)	2015	Complete restyling and remodeling	22.4%
2		Centro Borgo (Bologna)	2015	Complete restyling and remodeling	21.4%
3		Esp (Ravenna)	2017	Extension	61.4% ⁽²⁾
4		Città delle Stelle (Ascoli Piceno)	2017	Remodeling	18.6% ⁽²⁾
5		Centro d'Abruzzo (Chieti)	2014	Extension and restyling	14.4%
6		Tiburtino (Roma)	2014	Remodeling	17.4%
7		Le Porte di Napoli (Napoli)	2015	Remodeling	5.2%
8		La Torre (Palermo)	2015	Remodeling	5.7%

Important advantages for our tenants with a positive effect on the long-term sustainability of rental income

1 Restyling/refurbishment projects



	CENTRO CASILINO	FONTI DEL CORALLO	GRAN RONDO'	LA FAVORITA
Project				
Type of work	Internal and external Restyling	Remodeling and Restyling	Internal Restyling	Internal and external Restyling
Description	<p>Restyling of the external facade and internal areas together with (voluntary) seismic improvement measures on the Ground Floor and First Floor</p> <p>1st phase: Restyling of the Ground Floor, the facade and the exterior in addition to seismic improvement measures by the end of 2018</p> <p>2nd phase: First Floor restyling by the end of 1H 2019</p>	<p>Following the reduction in size of the hypermarket, new retail units to be created inside the Mall (approx. 5,400 m² new GLA), where services can also be introduced.</p> <p>Unicoop Tirreno has signed an extension to the lease agreement with expiry in 2037</p> <p>Mall interior and exterior restyling project (jointly financed by BNP Paribas, current owner of the mall)</p>	<p>Following the extension and the restyling of the facade, the restyling of the mall interior will be carried out together with the remodeling of the hypermarket</p>	<p>Restyling of the facade, the internal areas and the car park</p>
End of work	1H 2019	2H 2019	2H 2020	1H 2021

Total investments c. €35mn over Plan timespan
(including other minor projects and investments to support marketing activities)

2 Strategic Agreement with Coop Alleanza 3.0, partner / food anchor

The role of the mall and the hypermarket



The role of the food anchor (hypermarket) remains fundamental with the ability to attract visitors.
Strong synergy between IGD and Coop that generates excellent operating / financial performances

For 7 out of 10 visitors ⁽¹⁾ the hypermarket is the reason they visit our Shopping Centers



CURRENT SITUATION

- Continuous and effective **Cooperation** between the **Shopping Malls and Coop** in the ordinary and extraordinary management of the centers
- **Cooperation with Coop** for common marketing analysis
- **GLA surplus** in some hypermarkets



FUTURE SITUATION

- Establish **relations which are increasingly structured and integrated** with regard to common **marketing** projects
- More in-depth analysis on **behaviour of consumers/visitors**
- **Customer relationship management (CRM)**
- Organisation of **contests and events**
- **Take advantage of the unitary ownership to make a better use of the GLA**



Agreement regarding approx. €520 mn of the market value (approx. 21% of IGD total market value)

A framework agreement regarding the complete review of 18 contracts (out of a total of 20) of the hypermarket portfolio rented to Coop Alleanza 3.0, has been signed:

1. **Review of contractual terms and conditions:** the expiry dates of all the contracts affected by the agreement will be extended and some of the rents will be revised to make them more stable and sustainable
2. **Qualitative review of assets:** following the successful remodeling of the hypermarkets and malls in Le Porte di Napoli and Città delle Stelle, 5 assets have been identified, where the number of stores/services in the mall needs to be increased, by means of reducing the hypermarket, in order to enhance the attractiveness of the centers.

Targets

1

Stabilisation of lease agreements
in the long-term

2

Increase the sustainability of
rents / future cash-flow

3

Requalification and adaptation of
the role of the hypermarket in
shopping centers

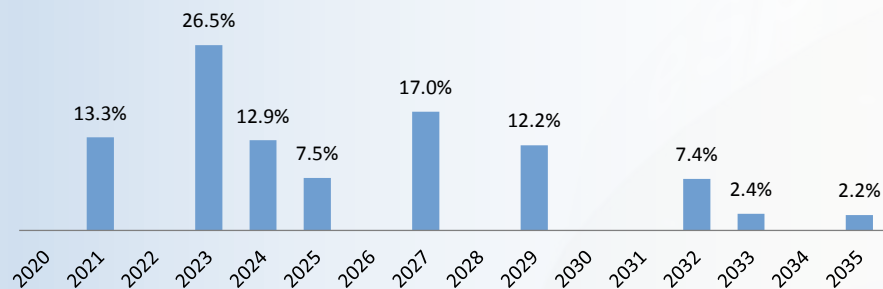
Strategic Agreement with Coop Alleanza 3.0, partner / food anchor



The main effects expected from the agreement, together with a higher rent sustainability, will be:

Pre agreement

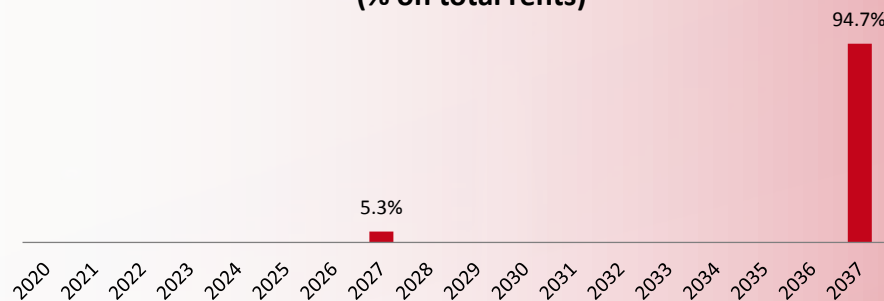
Maturity of the Coop Alleanza 3.0 hypermarket contracts
(% on total rents)



Average residual maturity: 7.1 years

Post agreement

Maturity of the Coop Alleanza 3.0 hypermarket contracts
(% on total rents)

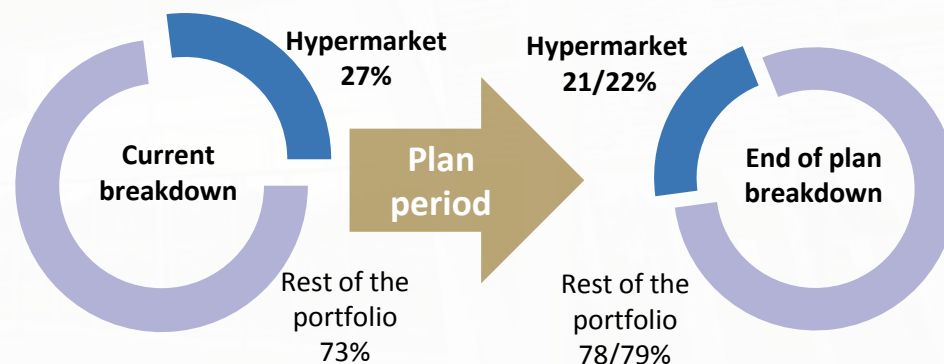


Average residual maturity: 17.7 years

Agreement effects:

- Reduced and uniform effort rate
- GLA Hypermarkets -21,400m² → GLA Malls +18,600m²
- Net rental impact of c. € -1.9 mn
- Rents in line with ERV⁽¹⁾ (neutral effect on appraisals⁽²⁾)

Breakdown by rental income IGD Group



3

Pipeline completion

Officine Storiche and ESP Entertainment



Officine Storiche - Porta A Mare



Piazza Mazzini



>15,000

M² dedicated
to retail

43

Sea front flats

c. €53mn

Investment
(of which over the
plan period
€22mn)

1H2020

End of work

69

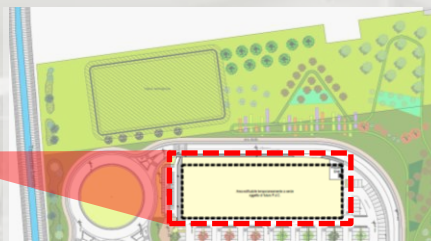
Flats sold / pre-sold
out of a total of 73

90.7%

Total m² sold / pre-
sold

Sale of residential
almost completed

Entertainment ESP



Creation of an
entertainment area
for children /
young teenagers

c. €4mn
Investment

2021
End of work



Rationalisation of the portfolio through the **disposal of some non-strategic assets** for €150-200mn is under evaluation

Income from disposals will be primarily allocated **to reduce debt and leverage** and partly **re-invested**

Maintain a rigorous financial discipline in line with the Investment Grade profile

Improve and further reduce the LTV

Improve the liquidity profile while maintaining a significant share of medium long-term debt (currently equal to approx. 80%⁽¹⁾)

Maintain a balanced debt structure between bank debt and bond debt (maximum flexibility in the sources of financing)

Broaden the investor base

Lower the exposure to financial risks (interest rate and credit) and obtain the best available capital market conditions

3. Financial details of the Strategic Plan

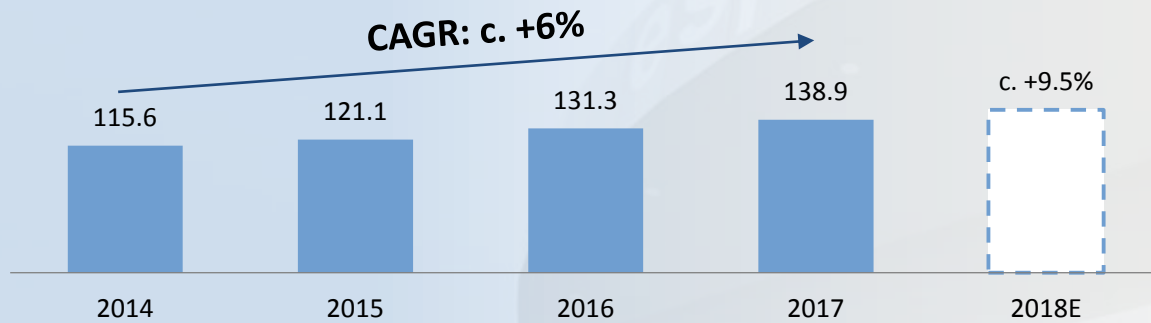
Revenues and FFO

4 years of considerable growth... Driven by new openings and acquisitions



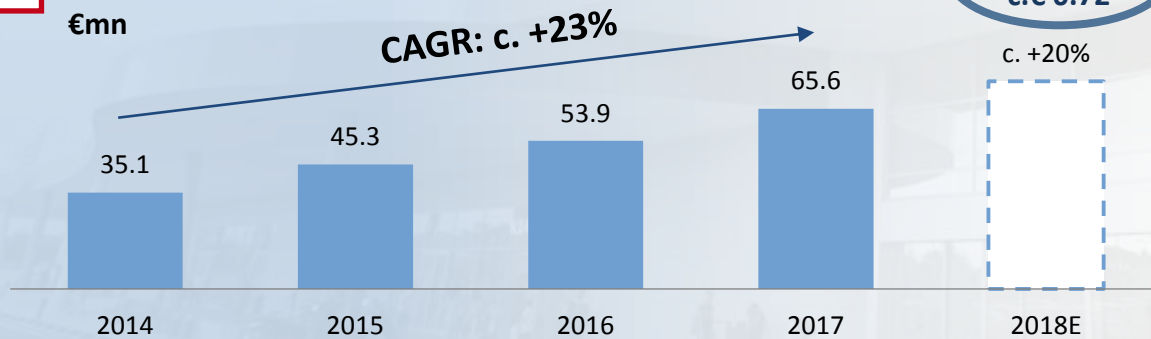
Gross rental income

€mn



FFO

€mn



FFO ps
c.€ 0.72

c. +20%

Consolidation plan with a sustainable growth

CAGR Plan period 2019-2021⁽¹⁾

c.+2%
LFL c.+1.7%

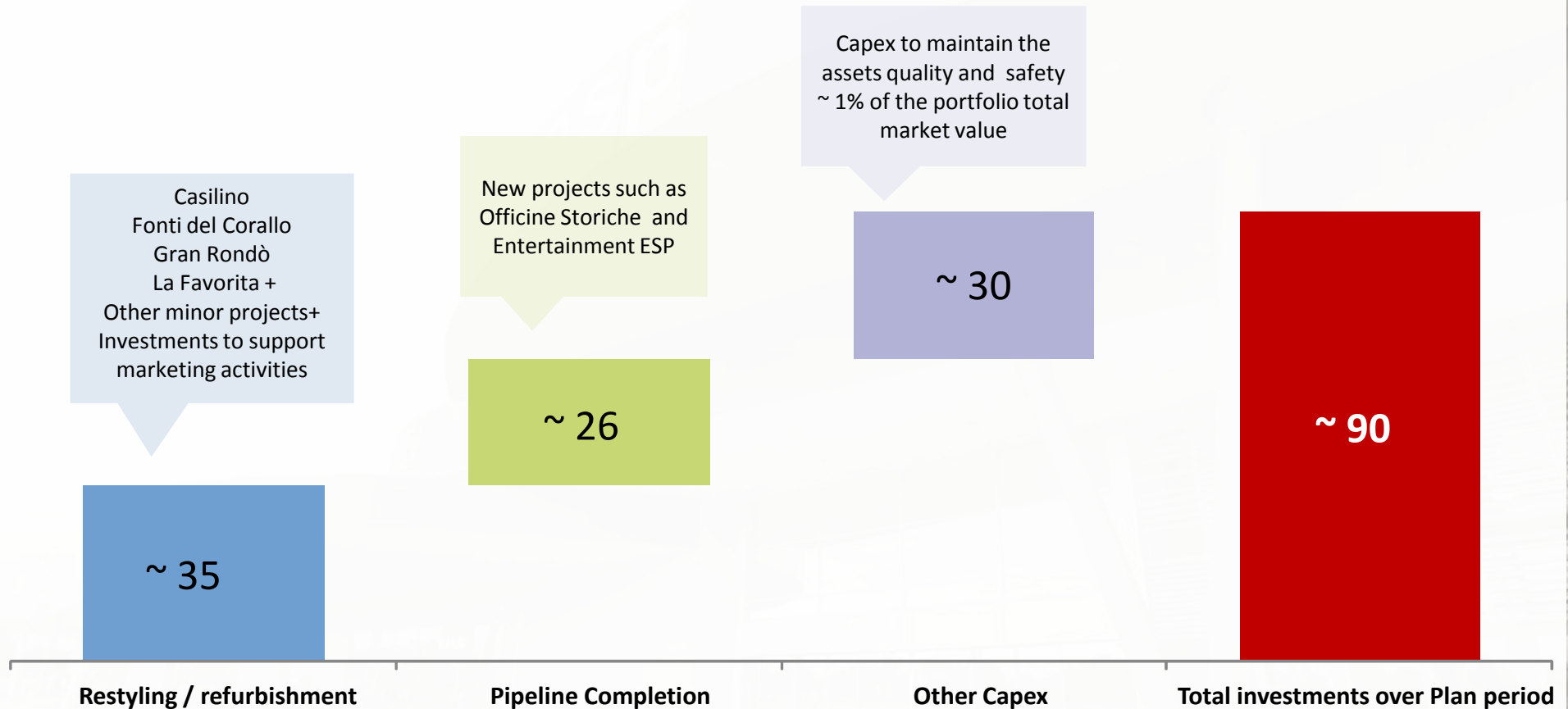
c.+3%

Investments



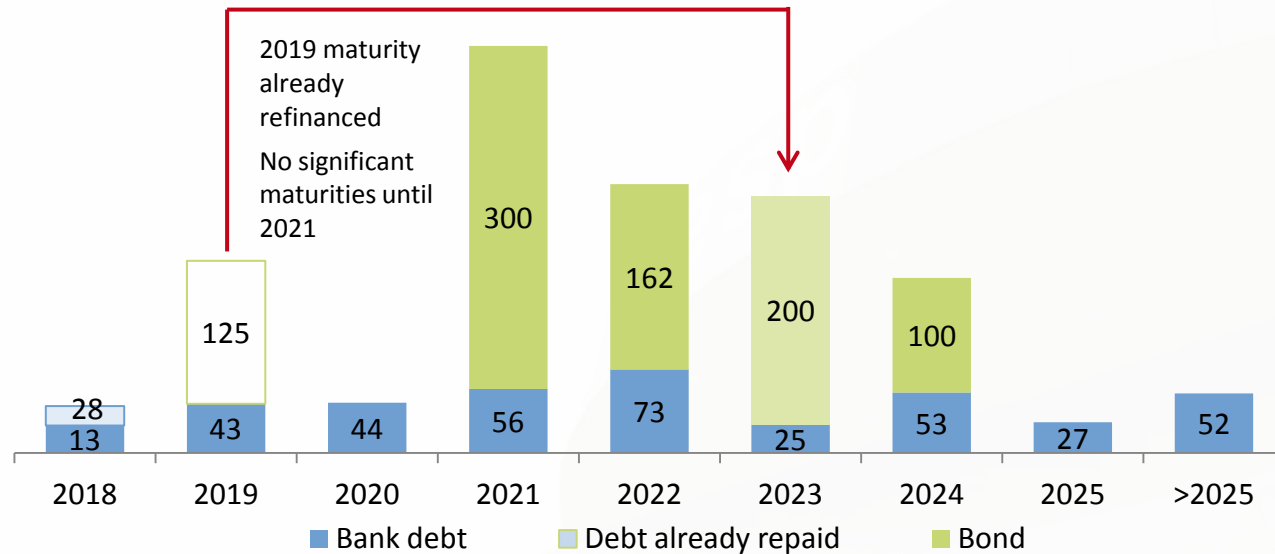
Total investment plan⁽¹⁾

€mn

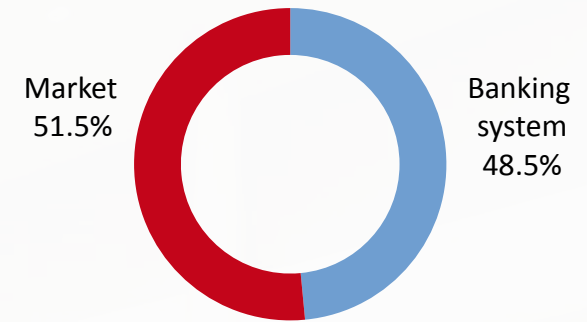


Financial targets: a clear and defined path

Debt maturity⁽¹⁾ € mn

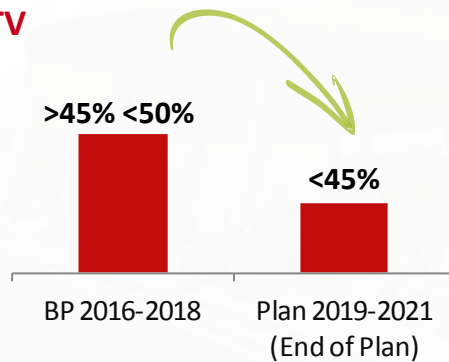


Well balanced debt Breakdown⁽¹⁾ %



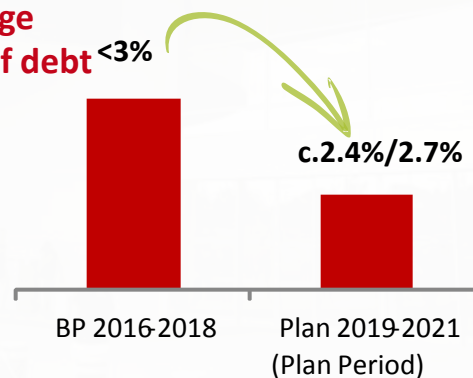
Average residual maturity of long-term debt : 4.3 years

LTV

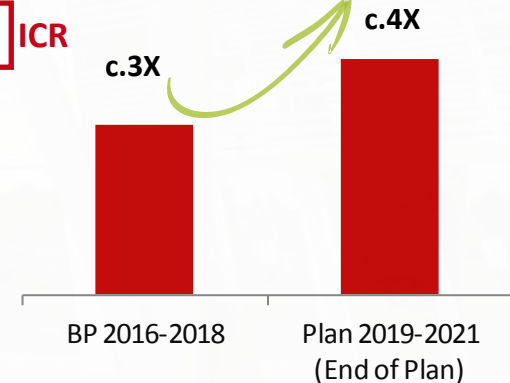


Average cost of debt

<3%



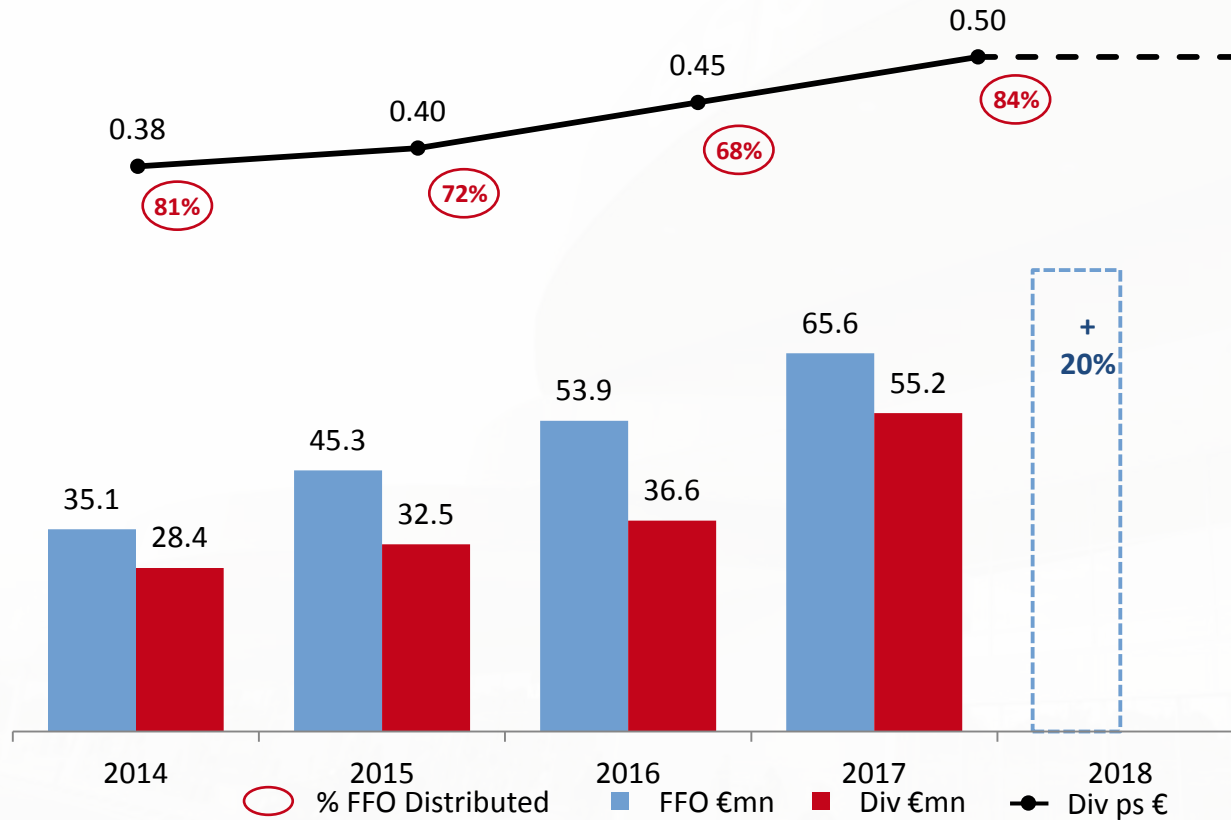
ICR



Dividend Policy

Constant FFO and dividends growth

€ mn



Target

Offer an attractive and sustainable dividend over time



Further option of growth

- A **Strategic Plan** aimed at strenghtening the **leadership** of our shopping centers, **without further acquisitions**
- IGD's idea, to act as a **platform able to aggregate new assets** in order to further increase its market share and pursue greater economies of scale, remains valid
- Always subject to adequate **market conditions**

Final remarks

1

Built a portfolio of dominant shopping centers in their catchment area and integrated within the urban fabric

2

Focus on new market trends, innovation and quality of the assets to enhance the leadership of shopping centers

3

Strategic agreement with COOP Alleanza 3.0: a unique and distinctive opportunity

4

Strong commitment in reducing financial leverage (end of plan LTV <45%)

4

Sustainable growth of FFO and Dividends



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