EDISON

DeA Capital

Q3 results

Quaestio transactions completed

Financial services

DeA Capital (DEA) is exploiting its financial strength and leading Italian position in alternative asset management (AAM) to grow and internationalise its AAM platform, extend its customer reach and enhance its product capability. The completed agreements with Quaestio Group mark an important step in this process. Before any contribution from Quaestio, the Q319 financial report shows year-on-year growth in alternative assets under management (AUM) and underlying earnings.

Year end	Closing AUM (€bn)	AAM fees* (€m)	NAV/share (€)	DPS (declared) (€)	P/NAV (x)	Yield (%)
12/17	11.7	59.8	1.92	0.12	0.74	8.5
12/18	11.9	63.3	1.84	0.12	0.77	8.5
12/19e	14.4	64.0	1.75	0.12	0.81	8.5
12/20e	14.8	68.8	1.68	0.12	0.85	8.5

Note: NAV as reported, including goodwill. *Divisional AAM fees before group consolidation adjustment for own funds managed.

Quaestio transactions increase scale and capability

The Quaestio transactions agreed in July were completed in early November (Q419). DeA has acquired the Quaestio SGR non-performing loans (NPL) business with AUM of €2.35bn for an outlay of €12.2m, increasing directly managed alternative AUM to €14.4bn, and significantly broadening its capabilities. DeA has also acquired a 38.8% stake in the Quaestio SGR holding company for an initial outlay of €14.1m, becoming its largest single investor. Quaestio SGR will focus on traditional liquid investments (AUM of €7.5bn) and under a product and marketing partnership between the two companies, DeA will not develop its own liquid products but will offer those of Quaestio, whereas the latter will not develop illiquid products and will offer those of DeA. DeA will gain access to Quaestio's added-value investment solutions and capital allocation capabilities.

Growth in existing AUM and underlying earnings

Alternative AUM of c €11.8bn at end-Q319 was similar to the previous quarter and start of the year but up c €0.4bn or 3% from a year earlier, up from c €11.2bn at end-H118 but slightly down from €11.9bn at end-Q119. AAM divisional fee income increased from €45.1m (€44.4m excluding consolidation adjustments in respect of own funds held) in the first nine months of FY18 (9M18) to €48.0m (€47.2m) in 9M19. Edison adjusted attributable earnings (excluding investment gains/losses, non-recurring items, and other adjustments) increased by c 20% from c €7.5m to c €8.9m. At the group level, NAV per share increased to €1.73 (Q219: €1.69) and the holding company net financial position remained strong at €78.6m or €0.30 per share (c 17% of NAV).

Valuation: Low P/NAV and high yield

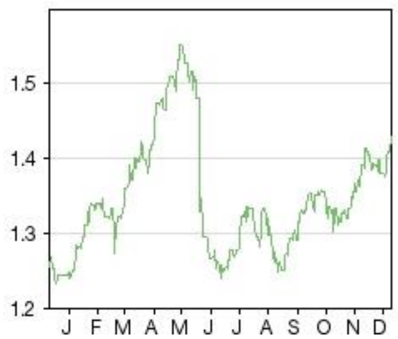
At c 0.8x H119 IFRS NAV, DeA has the lowest P/NAV among a range of peers and the highest yield. The discount to our adjusted NAV per share is larger still; the increase in our adjusted NAV per share to €1.94 (€1.83 previously) is driven by the AAM business valuation (see page 8).

10 December 2019

Price	**€1.42**
Market cap	**€369m**

Holding company net financial position (€m) at 30 September 2019	78.6
Shares in issue (excluding treasury shares)	260.0m
Free float	30.4%
Code	DEA
Primary exchange	BIT
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	2.9	7.5	13.1
Rel (local)	4.6	2.3	(7.2)
52-week high/low		€1.56	€1.23

Business description

DeA Capital, a De Agostini group company, is Italy's leading alternative asset manager of real estate, private equity and NPLs, with AUM of c €11.8bn at 30 September 2019. The investment portfolio, including co-investment in funds managed, investment in the asset management platform, and direct investment, amounted to c €369m.

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Edison profile page

DeA Capital is a research client of Edison Investment Research Limited

Focused on growing asset management

The year to date has seen significant progress in the development of DeA's AAM platform. Alternative AUM and recurring AUM earnings are ahead year-on-year. Strategically this progress includes completion of the buyout of minorities in DeA Capital Real Estate and the international roll-out of DeA's real estate activities as well as the recent completion of a series of agreements with Quaestio Group and its main shareholders. This increases AUM, enhances DeA's NPL management offering and broadens its product capabilities and investor reach. The key features of the Q319 financial report were:

- **Alternative AUM increase year-on-year.** At 30 September 2019 (end-Q319), AUM was c €11.8bn, a similar level to the previous quarter and start of the year but up c €0.4bn/ c 3% year-on-year. The year-on-year increase in AUM includes the contribution from new fund launches, partially offset by fund maturities and liquidations.
- **AAM management fees and core profitability also increased.** AAM divisional fee income increased from €45.1m (€44.4m excluding consolidation adjustments in respect of own funds held) in the first nine months of FY18 (9M18) to €48.0m (€47.2m) in 9M19. In addition to the increase in AUM, the growth includes c €0.8m earned by DeA Capital Real Estate France, which has completed its first two transactions, performance fees (we estimate c €2.5m in Q119) and a retrospective recognition of fee income in respect of the CCRI and CCRII funds (we estimate c €1.0m in Q319), partly offset by a non-repeat of one-off fund sales fees and some overall erosion of average management fee margins. Reported attributable net profit of the asset management division increased from €5.2m in 9M18 to €9.5m in 9M19 and Edison adjusted attributable earnings (excluding investment gains/losses, non-recurring items, and other adjustments) increased by c 20% from c €7.5m to c €8.9m.
- The **group investment portfolio**, comprising the investment in the AAM division (€188.0m), as well as its direct shareholding (€61.5m) and fund investments (€119.4m), was €368.9m at end-9M19 compared with €366.6m at end-FY18.

Exhibit 1: Summary of net asset value

					Adjusted for distribution*	
	30 September 2019		30 June 2019		31 December 2018	
	€m	€ per share	€m	€ per share	€m	€ per share
AAM						
DeA Capital Real Estate	138.0	0.53	135.0	0.52	140.4	0.55
DeA Capital Alternative Funds	42.6	0.16	41.6	0.16	43.4	0.17
Other (inc YARD, DeA Capital RE France/Spain)	7.4	0.03	7.1	0.03	6.8	0.03
Total AAM	**188.0**	**0.72**	**183.7**	**0.71**	**190.6**	**0.75**
Alternative Investment						
Funds	119.4	0.46	123.0	0.47	125.0	0.49
Direct shareholdings	61.5	0.24	46.7	0.18	51.0	0.20
Total private equity investment	**180.9**	**0.70**	**169.7**	**0.65**	**176.0**	**0.69**
Total investment portfolio	**368.9**	**1.42**	**353.4**	**1.36**	**366.6**	**1.45**
Other net assets/(liabilities)	3.0	0.01	4.4	0.02	3.4	0.01
Holding company net financial position	78.6	0.30	81.5	0.31	65.3	0.26
Net asset value (NAV)	**450.5**	**1.73**	**439.3**	**1.69**	**435.3**	**1.72**

Source: DeA capital. Note: *31 December 2018 adjusted for subsequent €0.12 per share distribution.

The relatively small changes in the carried value of the AAM division during FY19 reflect distributions from the asset management subsidiaries to the group (€22.9m), investment to eliminate the remaining minority interest in DeA Capital Real Estate (c €8m) and profit retention. The reduction in the value of the fund investments in 9M19 includes distributions in excess of capital calls (€3.0m) and negative fair value movements (€2.6m).

Exhibit 2: Fund holding movement

€m	Q319	FY19 YTD
Fund holdings at beginning of period	123.0	125.0
Capital calls	1.7	8.8
Distributions (net of withholding tax	(5.3)	(11.8)
Fair value movement	0.0	(2.6)
Fund holdings at end of period	**119.4**	**119.4**

Source: DeA Capital

The increase in the carried value of the direct shareholding investments year to date primarily reflect the improved valuation of the indirect investment in Turkish retailer Migros, owned via DeA's shareholding in Kenan Investments and a Q319 co-investment, alongside the IDeA Taste of Italy Fund (IDeA ToI), in the Alice Pizza group, Italy's number one pizza by slice chain. The €5m direct investment represents a c 10% interest in Alice Pizza, and IDeA ToI, in which DeA has a c 11.6% ownership has also increased its investment by €5.1m to €25.7m. In November, Kenan investments, in which DeA has a 17.1% stake, reduced its stake in Migros from 23.2% to 12.2%. The 11% stake was sold at a price of TRY22.5, above the TRY20.76 price that the shares were carried in the balance sheet at 30 September and generating funds to DeA of c €11m.

Exhibit 3: Direct shareholdings

	Q319	H119	FY18
Kenan Investments (holding company for Migros)	25.8	16.7	19.4
Crescita/Cellularline	6.7	7.4	7.5
IDeaIMI	22.3	22.3	23.8
ToI due/Alice Pizza	5.0	0	0
Minor investments & other adjustments	1.7	0.3	0.3
Total direct shareholdings	**61.5**	**46.7**	**51.0**

Source: DeA Capital data, Edison Investment Research

- Group NAV per share was €1.73 at end-Q319 compared with €1.69 at end-Q219 and €1.72 at end-FY18 adjusted for the €0.12 per share distribution paid during FY19.
- The net financial position of the holding company remained strongly positive at €78.6m, or c 17% of NAV, before the completion of the previously announced Quaestio transactions in early November.

Quaestio transactions completed

On 5/6 November 2019, DeA completed the agreements it entered into with the Quaestio Group and its main shareholders in July 2019. These mark an important step in the development of DeA's AAM platform and are now included in our group forecasts. We wrote in detail on this complex transaction in our note published in August. The agreements as completed include:

- The acquisition by DeA of the NPL management business of Quaestio SGR, a Milan-based independent asset management company, mainly comprising the management contracts for the Atlante Fund and Italian Recovery Fund. This has added c €2.35bn of NPL AUM directly to DeA Capital Alternative Funds and extends its business into the small-ticket NPL/UTP sector, complementary to the IDeA CCRI and IDeA CCRII funds. The consideration of €12.2m is as indicated in the July announcement.
- The acquisition by DeA of a 38.8% stake in Quaestio Holding (the parent company of Quaestio SGR) by acquiring shares from its founder and from minority interests for an outlay at closing of €14.1m. This makes DeA the single largest investor in Quaestio Holdings (Fondiazione Cariplo has a 34.0% interest), cementing a product and marketing partnership between the two companies whereby Quaestio will offer DeA's AAM products to its clients and DeA will offer to its clients the liquid asset-based products that will be the focus of Quaestio SGR going forwards. DeA will gain access to Quaestio's added-value investment solutions and capital allocation capabilities.

- The agreement covering the investment in Quaestio Holding provides for a post-closing price adjustment that will be based on the net financial position of Quaestio Holding and the final terms of the sale by it of certain other assets. The exact amount of any further outlay by DeA is yet to be determined, although we expect this to be matched by a corresponding adjustment to the fair value of the assets acquired by DeA.

Our forecasts for the financial impacts of the transaction are detailed in the Financials section, below. DeA's directly managed alternative AUM have increased to €14.4bn compared with €11.8bn at end-Q319 and we expect the acquisition of the NPL business to add c €2.5m to attributable net earnings on a full year basis.

Including the traditional liquid AUM that will be retained by Quaestio SGR and equity accounted through the Quaestio Holdings stake, the broad DeA group, AUM will increase to more than €20bn. Beyond the immediate benefits, over the medium term DeA hopes to leverage benefit from its additional scale in alternative AUM, broader product capabilities, enhanced investor reach and both directly and indirectly (through its equity investment) from the product and marketing partnership with Quaestio.

Financials

In this section we update our forecasts and valuation for the Q319 reported data and the completion of the Quaestio transaction.

The AAM division

Our updated AAM division earnings are shown in Exhibit 5. The AAM division as reported in the DeA financial statements comprises the AAM platform (DeA Capital Real Estate and DeA Capital Alternative Investments) plus other asset management activities (primarily the 44%-owned associate YARD, which provides property services to the real estate sector and the recently created European real estate businesses in France, Iberia and going forward, Poland).

Our AAM division adjusted earnings forecasts (reported earnings adjusted for intangible amortisation/impairment, non-recurring investment earnings and other items) increase by c 4% or c €0.5m for FY19 and by c 27% or c €2.5m for FY20. The changes are primarily driven by the inclusion of the Quaestio NPL business for a part year in FY19 and a full year in FY20, with a further small uplift by the forecast of further fee income from the new pan-European real estate platform, itself partly offset by increased costs for the platform rollout (Exhibit 4). The pan-European real estate platform has generated c €0.8m in fee income in the year to date and we now assume c €0.9m for the year and a €1.0m in FY20 (previously nil).

Exhibit 4: Summary of change in AAM division forecast

€m	FY19e	FY20e
Previous AAM adjusted earnings forecast	**11.2**	**10.0**
Quaestio period-end AUM (€bn)		
Quaestio NPL business:	2.4	2.4
Quaestio average AUM (€bn)	0.4	2.4
Fee margin (bp)	30.0	30.0
Revenue	1.1	7.1
Personnel costs	(0.5)	(3.0)
Other costs	(0.1)	(0.5)
Pre-tax contribution	0.5	3.6
Tax	(0.2)	(1.1)
Tax rate	30%	30%
Quaestio NPL business after tax contribution	**0.4**	**2.5**
Other changes AAM adjusted earnings forecast	0.1	0.2
New AAM adjusted earnings forecast	**11.7**	**12.6**
Percentage change in forecast	4%	27%

Source: Edison Investment Research

Quaestio NPL business assumptions

The Quaestio transactions completed on 5/6 November 2019 and will contribute for less than two months in FY19 but will make a full contribution in FY20. The NPL AUM acquired by the DeA Capital Alternative Funds subsidiary was €2.35bn and we estimate an annual revenue margin of 30bp. As part of the transaction, the Quaestio NPL management team, consisting of eight investment professionals, joined DeA and we estimate annualised personnel costs of €3.0m with an additional €0.5m in other expenses. On a full-year basis, after tax at an assumed 30%, we forecast a €2.5m contribution to the AAM division/DeA Capital Alternative Funds adjusted attributable earnings after tax.

Exhibit 5: AAM division summary and forecasts

	Reported/forecast				Last published		Change	
€m unless stated otherwise	**2017**	**2018**	**2019e**	**2020e**	**2019e**	**2020e**	**2019e**	**2020e**
Period-end AUM (€bn)								
DeA Capital Alternative Funds	2.190	2.430	4.915	4.915	2.534	2.634	2.381	2.281
DeA Capital Real Estate	9.542	9.451	9.497	9.897	9.497	9.897	0.000	0.000
Total period-end AUM (€bn)	**11.732**	**11.881**	**14.412**	**14.812**	**12.031**	**12.531**	**2.381**	**2.281**
Period average AUM (€bn)							0.0	0.0
DeA Capital Alternative Funds	1.944	2.230	2.888	4.913	2.520	2.545	0.369	2.369
DeA Capital Real Estate	9.282	9.266	9.303	9.697	9.339	9.697	(0.036)	0.000
Total period average AUM (€bn)	**11.226**	**11.495**	**12.191**	**14.610**	**11.858**	**12.242**	**0.333**	**2.369**
Management fees/AUM bps								
DeA Capital Alternative Funds	95	105	84	55	87	78	(3)	(23)
DeA Capital Real Estate	45	43	42	42	42	42	0	0
INCOME STATEMENT								
DeA Capital Real Estate	41,381	39,768	38,909	40,727	38,947	40,727	(38)	0
DeA Capital Alternative Funds	18,438	23,483	24,157	27,059	21,886	19,750	2,271	7,309
Other (European RE platform)			893	1,000	405	0	488	1,000
Total alternative asset management fees (before group consolidation adjustments)	**59,819**	**63,251**	**63,959**	**68,786**	**61,238**	**60,478**	**2,722**	**8,309**
Income from equity investments	822	717	150	1,137	498	1,174	(349)	(36)
Other income/expense	1,676	(4,212)	1,975	1,931	1,592	2,080	383	(149)
Income from services	703	1,867	35	0	33	0	2	0
Total revenue	**63,020**	**61,623**	**66,119**	**71,855**	**63,361**	**63,732**	**2,758**	**8,123**
Total expenses	**(91,116)**	**(47,539)**	**(46,925)**	**(51,372)**	**(45,450)**	**(46,716)**	**(1,475)**	**(4,656)**
Finance income/expense	13	(39)	(175)	0	(117)	0	(58)	0
Profit before tax	**(28,083)**	**14,045**	**19,019**	**20,483**	**17,794**	**17,016**	**1,225**	**3,467**
Taxation	(2,991)	(4,817)	(7,058)	(6,956)	(6,325)	(5,774)	(732)	(1,183)
Profit after tax	**(31,074)**	**9,228**	**11,962**	**13,527**	**11,469**	**11,242**	**493**	**2,285**
Minority interests	13,575	(109)	518	0	377	0	141	0
Attributable profits	**(17,499)**	**9,119**	**12,480**	**13,527**	**11,846**	**11,242**	**634**	**2,285**
Adjustments (net of tax & minorities)								
PPA amortisation*	592	543	443	442	305	165	139	277
SFP impairment**	2,460	632	0	0	0	0	0	0
Goodwill impairment	24,897		0	0	0	0	0	0
Other income/expense	(839)	2,948	(1,248)	(1,352)	(973)	(1,456)	(275)	104
Provisions against investment impairment			0	0	0	0	0	0
Adjusted attributable earnings	**9,611**	**13,242**	**11,675**	**12,617**	**11,177**	**9,951**	**497**	**2,666**
o/w DeA Capital Real Estate	5,889	7,103	8,243	8,450	8,097	8,439	146	11
o/w DeA Capital Alternative Funds	3,153	6,114	5,335	5,470	4,643	2,978	691	2,491
o/w other (inc YARD and European RE platform)	569	25	(1,903)	(1,303)	(1,563)	(1,466)	(340)	164

Source: DeA Capital accounts, Edison Investment Research. Note: *Purchase price amortisation. **The SFP asset relates to financial equity instruments within DeA Capital Real Estate that represents DeA share in the carried interest of certain funds.

'Other group' forecasts

For our group forecasts, in addition to our estimates for the AAM profit contribution, our reported earnings and NAV forecasts seek to capture at least part of the potential return that would be expected from those parts of the investment portfolio that are not captured in the AAM segment. This includes the private equity fund holdings and the direct investments (Kenan Investments/Migros, Crescita/Cellularline and IDeaMI), the co-investment in Alice Pizza and going forward the 38.8% equity accounted stake in Quaestio Holdings. The group's investment in own-managed real estate funds are accounted for within the AAM division (in DeA Capital Real Estate). We assume 7.5% per year 'normalised' growth in the carried value of all of the private equity fund investments whether carried as available for sale investments, consolidated (eg 47% owned IDeA Opportunities Fund 1) or equity accounted (eg 30% owned IDeA EESS Fund). We believe this is a useful way to capture at least some of the returns that may be earned on these investments, even though our approach differs from the way these assets are actually managed, seeking to maximise the internal rate of return. Our forecasts assume no change to the last published value of (or income from) the quoted investments, Migros (Kenan Investments), Cellularline (formerly Crescita) and IDeaMI, although for valuation purposes our adjusted NAV (see below) does mark these to market values. For the real estate funds owned by Within DeA Capital Real Estate, we assume a total return of 4% per year, substantially representing the expected income returns, but exclude this from recurring adjusted earnings.

Quaestio investment

We have included the €14.1m investment in a 38.8% stake Quaestio Holdings within equity investments on the balance sheet, at cost, and for now assume no equity accounted return on the stake, although this may prove conservative. DeA has disclosed that in the year ending 31 December 2018 the asset management subsidiary of Quaestio Holdings, Quaestio SGR, generated revenues of €37.0m (of which €7m from the NPL business that has been sold to DeA) and a net profit of €2.9m.

For now, relatively little information is publicly available about the profitability of Quaestio Holdings, either before or after its divestment to DeA of the NPL management business and we will look to refine our assumptions. Pending more detailed disclosure, we have included the €12.2m investment to acquire the Quaestio NPL management business within intangible assets on the balance sheet, anticipating relatively low tangible asset value as is common in the asset management industry.

Forecast FY19 group IFRS NAV per share increased to €1.75

Our forecast for FY19 IFRS NAV per share is now €1.75 compared with €1.72 previously. For end-FY20 we forecast €1.67 including payment of a €0.12 share distribution, ahead of our forecast earnings and reflecting the continuing strong liquidity position. We estimate a holding company net financial position of €71.3m at end-FY19, lower than the €98.5m that we previously forecast predominantly as a result of the €26.3m investment in Quaestio Holdings and the Quaestio NPL management business as well as the €5m co-investment in Alice Pizza Group, partly offset by the Migros part-divestment (€11.0m).

Edison adjusted NAV per share now €1.94

Our adjusted NAV replaces the stated book value of the AAM platform with our assessment of a fair value based on P/E multiples observed across a global peer group of both alternative and more conventional asset management companies. We also mark to market DeA's quoted investments. Our updated adjusted NAV per share is now €1.94 compared with our last published value of €1.83.

- In the AAM division, from the stated NAV of €188.0m we have reallocated the value of the real estate funds (€51.0m) owned to what we call the 'investments' division. We value the division at €189.3m on a multiple of 15.0x our forecast FY20 adjusted earnings of €12.0m. Our previous valuation was €156.6m and was based on our previous forecast for FY19 AAM division adjusted earnings of €11.2m using a multiple of 14.0x. We have decided to base the analysis on FY20 earnings given the late stage of the current financial year and because we expect the Quaestio NPL business to make a meaningful contribution to earnings on a full-year basis in FY20. The higher multiple reflects our updated analysis of peer group multiples (Exhibit 7). An increase or reduction in the multiple to 16.0x/14.0x would lift or reduce adjusted NAV by c €0.05.
- The 'investments' (€233.7m) shown in Exhibit 6 include the €188.0m of direct shareholding and fund investments shown in the breakdown of NAV in Exhibit 1, plus the value of the real estate funds that we have reallocated. We have also adjusted for the recent divestment of a 11% stake in Migros by Kenan investments and have marked to market DeA's listed investments, of which the most significant is the remaining indirect investment in Migros, using a Migros share price of TRY23.3 and a TRY/€ exchange rate of 6.43 (both as at 9 December 2019) compared

with the balance sheet valuation based on a share price of TRY20.76 and a TRY/€ exchange rate of 6.16.

- The 'other' column represents the holding company net financial position (predominantly cash) and other net assets, shown in Exhibit 1, adjusted for the Migros part-divestment proceeds.

Exhibit 6: Summary of Edison adjusted NAV

€m except where stated otherwise	AAM	Investments	Other	Total	Per share
Last published NAV	188.0	180.9	81.6	450.5	1.73
Adjustments	(51.0)	51.0			
Listed investment mark to market as at date of report		1.8			
Sale of Migros		(11.0)	11.0		
Adjustment to earnings valuation	52.3				
Adjusted NAV	**189.3**	**222.7**	**92.6**	**504.5**	**1.94**
FY20 earnings	13.5	(14.8)		(1.3)	
Adjustments	-0.9				
Adjusted earnings	12.6				
P/E (x)	15.0				

Source: Edison Investment Research

The increase in adjusted NAV to €1.94 compared with our previous estimation of €1.83 is partly driven by the increased AAM multiple that we are using (with an unchanged 14.0x AAM multiple the adjusted NAV would be €1.89), partly due to our slight increase in AAM adjusted earnings before the inclusion of Quaestio, and partly due to the increasing weight of AAM within the total as a result of the acquisition of the Quaestio NPL business. However, our peer group analysis does show that DeA's increasing AAM focus and scale has the potential to lift the valuation, especially if the group can successfully lift ROE as a result.

Low P/NAV compared with peers

DeA shares trade at a P/NAV of c 0.8x, the lowest in the peer group shown in Exhibit 7. At the same time, DeA's yield of c 8.6% is the highest in the group and although the pay-out is not covered by recurring income, it is supported by a strong holding company financial position and significantly net positive cash flow from its investment portfolio. In our view, there is significant value in DeA that is not captured in the current share price. In part, this reflects the low ROE that it generates compared with the peer group, partly but not wholly explained by the depressing effect of high liquidity (c 20% of NAV).

We have divided Exhibit 7 into two groups. The first is a 'narrow' group of companies that DeA management believes mostly closely resemble its own strategy of combining AAM for third parties with balance sheet investment (both co-investment in funds managed and direct investment) supported by permanent capital. We have also included a broad range of other private equity, specialist and conventional asset managers, many of which focus on 'balance sheet-light' third-party asset management. Given this mix of strategies among its peer group, combining widely differing reliance on 'recurring' asset management earnings and balance sheet-driven investment earnings, we would caution against focusing on any particular valuation multiple. In our view, Exhibit 7 highlights the significant value in DeA, as well as the immediate returns to shareholders via strong and regular distributions.

Exhibit 7: Peer group valuation summary

	Price (local)	Market cap ($m)	Last year-end	P/E last reported year (x)	P/E current year (x)	P/NAV last reported year (x)	P/NAV current year (x)	ROE last reported year (%)	ROE current year (%)	Historic yield (%)
Brookfield Asset Management	58.3	58,679	31-Dec	17.1	32.2	1.9	2.0	NULL	7.3	1.0
KKR	29.1	16,035	31-Dec	15.1	17.1	1.9	1.6	21.5	10.5	2.2
3i Group	1070.5	13,703	31-Mar	8.3	8.3	1.3	1.2	16.8	14.8	3.3
Intermediate Capital	1561.0	5,964	31-Mar	16.7	16.9	3.2	3.0	19.6	18.3	2.9
Tikehau	23.6	3,581	31-Dec	-22.7	18.7	1.1	1.0	-4.5	6.3	1.1
Deutsche Beteiligungs	40.5	676	30-Sep	18.2	14.6	1.4	1.3	7.5	9.4	3.6
EQT	10.6	11,193	31-Dec	N/A	48.2	N/A	10.8	N/A	33.1	N/A
Average narrow group				**8.8**	**17.9**	**1.8**	**1.7**	**12.2**	**11.1**	**2.3**
Blackstone	53.9	63,771	31-Dec	22.8	23.8	5.6	5.6	43.8	21.2	4.5
Partners Group	856.4	23,167	31-Dec	29.9	27.9	11.5	10.2	39.2	39.0	2.6
Apollo	44.7	9,933	31-Dec	-212.6	19.3	10.9	8.4	-6.0	72.1	4.3
Schroders	3217.0	11,345	31-Dec	15.2	16.5	2.0	2.4	16.9	14.8	3.5
Janus Henderson	24.9	4,665	31-Dec	9.1	10.2	1.0	1.0	11.1	9.6	5.8
Man Group	2.0	3,032	31-Dec	14.3	11.7	1.9	1.8	13.1	16.0	5.7
Ashmore	476.0	4,463	30-Jun	19.0	16.6	3.8	3.6	22.3	22.8	3.5
Jupiter	376.2	2,265	31-Dec	11.9	13.3	2.8	2.8	22.9	21.2	4.5
Azimut	22.4	3,569	31-Dec	24.9	11.4	5.5	4.2	21.1	44.9	6.7
Patrizia	19.3	1,977	31-Dec	33.8	25.1	1.5	1.2	5.4	5.3	1.4
Average: broader group				**-3.2**	**17.6**	**4.7**	**4.1**	**19.0**	**26.7**	**4.3**
Average whole group				**1.3**	**17.7**	**3.6**	**3.2**	**16.7**	**20.8**	**3.5**
Median narrow group				**15.9**	**17.0**	**1.6**	**1.4**	**16.8**	**9.9**	**2.5**
Median broader group				**17.1**	**16.6**	**3.3**	**3.2**	**19.0**	**21.2**	**4.4**
Median whole group				**16.0**	**16.8**	**2.0**	**2.2**	**16.9**	**15.4**	**3.5**
DeA Capital – Edison*	1.41	403	31-Dec	32.3	37.8	0.8	0.8	2.2	1.5	8.5

Source: Refinitiv. Note: Prices at 9 December 2019. *Forward-looking DeA figures are Edison forecasts and are group figures, which differ from the AAM segment forecasts.

Although it has been consistently positive over the past three years, return on equity is currently relatively low, both in absolute terms and compared with the peer group. As noted in the financial section, the forecast data in Exhibit 8 for FY19 and FY20 reflects the impact of both our recurring AAM earnings forecasts and the notional return on investments that we factor in. We believe that the successful execution of DeA's strategy, subject to market conditions, should result in:

- less cash drag as DeA commits further liquidity to higher-yielding investments or continuing distributions; and
- greater capital efficiency as the less capital-intensive AAM platform continues to grow in size and as a share of the group.

Exhibit 8: NAV total return

€ per share unless otherwise stated	FY16	FY17	FY18	FY19e	FY20e
Opening NAV per share	2.07	2.03	1.92	1.84	1.75
Distributions per share	0.12	0.12	0.12	0.12	0.12
Closing NAV per share	2.03	1.92	1.84	1.75	1.68
NAV total return	3.5%	0.5%	2.2%	1.5%	2.9%

Source: Company data, Edison Investment Research

Exhibit 9: Financial summary

Period ending 31 December (€000's)	2014	2015	2016	2017	2018	2019e	2020e
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
AAM fees (after inter-company eliminations)	66,045	62,416	59,114	57,944	62,422	63,588	67,709
Income (loss) from equity investments	(786)	(539)	524	3,898	(59)	160	1,649
Other investment income/expense	(56,149)	72,464	12,338	8,633	37,848	6,061	9,215
Income from services	19,176	18,496	8,509	2,208	2,505	298	0
Other income		3,204	288	144	141	32	0
Revenue	28,286	156,041	80,773	72,827	102,857	70,139	78,573
Expenses	(87,957)	(128,514)	(66,888)	(98,616)	(56,232)	(55,158)	(60,172)
Net Interest	2,905	4,982	(1,220)	(84)	485	(226)	0
Profit Before Tax	(56,766)	32,509	12,665	(25,873)	47,110	14,755	18,401
Tax	1,720	6,452	(199)	(420)	(5,765)	(5,849)	(4,409)
Profit After Tax	(55,046)	38,961	12,466	(26,293)	41,345	8,906	13,991
Profit from discontinued operations	(887)	286	0	682	0	0	0
Profit after tax	(55,933)	39,247	12,466	(25,611)	41,345	8,906	13,991
Minority interests	(1,668)	1,825	(39)	13,959	(30,275)	780	(942)
Net income (FRS 3)	(57,601)	41,072	12,427	(11,652)	11,070	9,686	13,050
Profit after tax breakdown							
Private equity	(60,739)	78,322	7,859	8,327	39,152	3,584	5,795
AAM	9,464	(37,304)	7,309	(31,073)	9,228	11,962	13,527
Holdings/Eliminations	(4,658)	(1,771)	(2,702)	(2,865)	(7,035)	(6,640)	(4,730)
Total	(55,933)	39,247	12,466	(25,611)	41,345	8,906	14,591
Average Number of Shares Outstanding (m)	273.8	266.6	263.1	258.3	253.8	259.5	260.0
IFRS EPS (c)	(21.0)	15.4	4.7	(4.5)	4.4	3.7	5.0
Distributions per share (declared basis) (€)	0.30	0.12	0.12	0.12	0.12	0.12	0.12
BALANCE SHEET							
Fixed Assets	786,141	558,086	559,335	454,156	372,650	395,342	376,206
Intangible Assets (inc. goodwill)	229,711	167,134	156,583	117,233	114,768	126,299	126,299
Other assets	39,988	38,590	35,244	10,305	8,939	25,450	25,450
Investments	516,442	352,362	367,508	326,618	248,943	243,593	224,457
Current Assets	117,585	173,882	141,521	178,161	185,446	139,397	141,325
Debtors	50,711	20,694	15,167	32,955	18,729	12,557	12,557
Cash	55,583	123,468	96,438	127,916	143,767	107,313	109,241
Other	11,291	29,720	29,916	17,290	22,950	19,527	19,527
Current Liabilities	(36,193)	(31,294)	(26,979)	(34,783)	(37,902)	(29,468)	(29,468)
Creditors	(35,833)	(30,643)	(25,757)	(34,583)	(37,698)	(24,638)	(24,638)
Short term borrowings	(360)	(651)	(1,222)	(200)	(204)	(4,830)	(4,830)
Long Term Liabilities	(40,911)	(15,514)	(12,830)	(12,475)	(14,414)	(27,103)	(27,103)
Long term borrowings	(5,201)	0	(19)	0	(2,859)	(15,183)	(15,183)
Other long term liabilities	(35,710)	(15,514)	(12,811)	(12,475)	(11,555)	(11,920)	(11,920)
Net Assets	826,622	685,160	661,047	585,059	505,780	478,168	460,960
Minorities	(173,109)	(138,172)	(131,844)	(95,182)	(39,299)	(24,426)	(25,368)
Shareholders' equity	653,513	546,988	529,203	489,877	466,481	453,742	435,592
Year-end number of shares m	271.6	263.9	261.2	255.7	253.8	260.0	260.0
NAV per share (€)	2.41	2.07	2.03	1.92	1.84	1.75	1.68
CASH FLOW							
Operating Cash Flow	188,419	188,492	19,148	91,146	96,408	12,348	33,128
Acquisitions/disposals	(1,476)	70	(290)	(633)	(275)	(793)	0
Financing	(157,756)	(38,148)	(4,362)	(26,073)	(46,994)	(10,476)	0
Dividends	0	(82,432)	(33,494)	(32,962)	(33,098)	(37,531)	(31,200)
Other							
Cash flow	29,187	67,982	(18,998)	31,478	16,041	(36,452)	1,928
Other items	0	(97)	(8,032)	0	(190)	(1)	0
Opening consolidated cash	26,396	55,583	123,468	96,438	127,916	143,767	107,314
Closing consolidated cash	55,583	123,468	96,438	127,916	143,767	107,314	109,242
Financial debt	(5,561)	(651)	(1,241)	(200)	(3,063)	(20,013)	(20,013)
Closing consolidated net (debt)/cash	50,022	122,817	95,197	127,716	140,704	87,301	89,229
Holding company net financial position	40,600	90,016	79,739	92,301	100,600	71,318	73,246

Source: DeA Capital data, Edison Investment Research forecasts