

# Gabetti Group

Strategic Business Plan 2006-2008

Milan, 31<sup>st</sup> of January 2006



# DISCLAIMER

**This document has been prepared by Gabetti Holding to present its strategy and its economic and financial objectives**

**The Group's strategy and objectives have been developed on a 5-year time frame. While the start and the realization of the plan's initiatives will take place in 2006 - 2008, full economic benefits will only be reached in 2009 - 2010**

**Given the difficulty to quantitatively forecast medium and long-term results, this document shows an analytical representation of 2006-2008 results and only a qualitative overview of objectives and expectations for 2009-2010**

**Please note that financial data of individual lines of business are presented according to the activity that originates revenues for the Group (ex., the Fund Services line of business does not represent a specific product line, but includes all revenues generated from real estate services provided to asset management companies<sup>(1)</sup>)**

(1) In Italy called SGR, i.e. the legal entity that is authorized to manage and sell closed and open-end investment portfolios

# AGENDA

**Gabetti Group today**

**The evolution of Gabetti's markets**

**Gabetti Group's strategy and objectives for 2006-2008**

**Gabetti's business lines: strategy and objectives for 2006-2008**

**Conclusions and Q&A**

**Gabetti Group today**

**The evolution of Gabetti's markets**

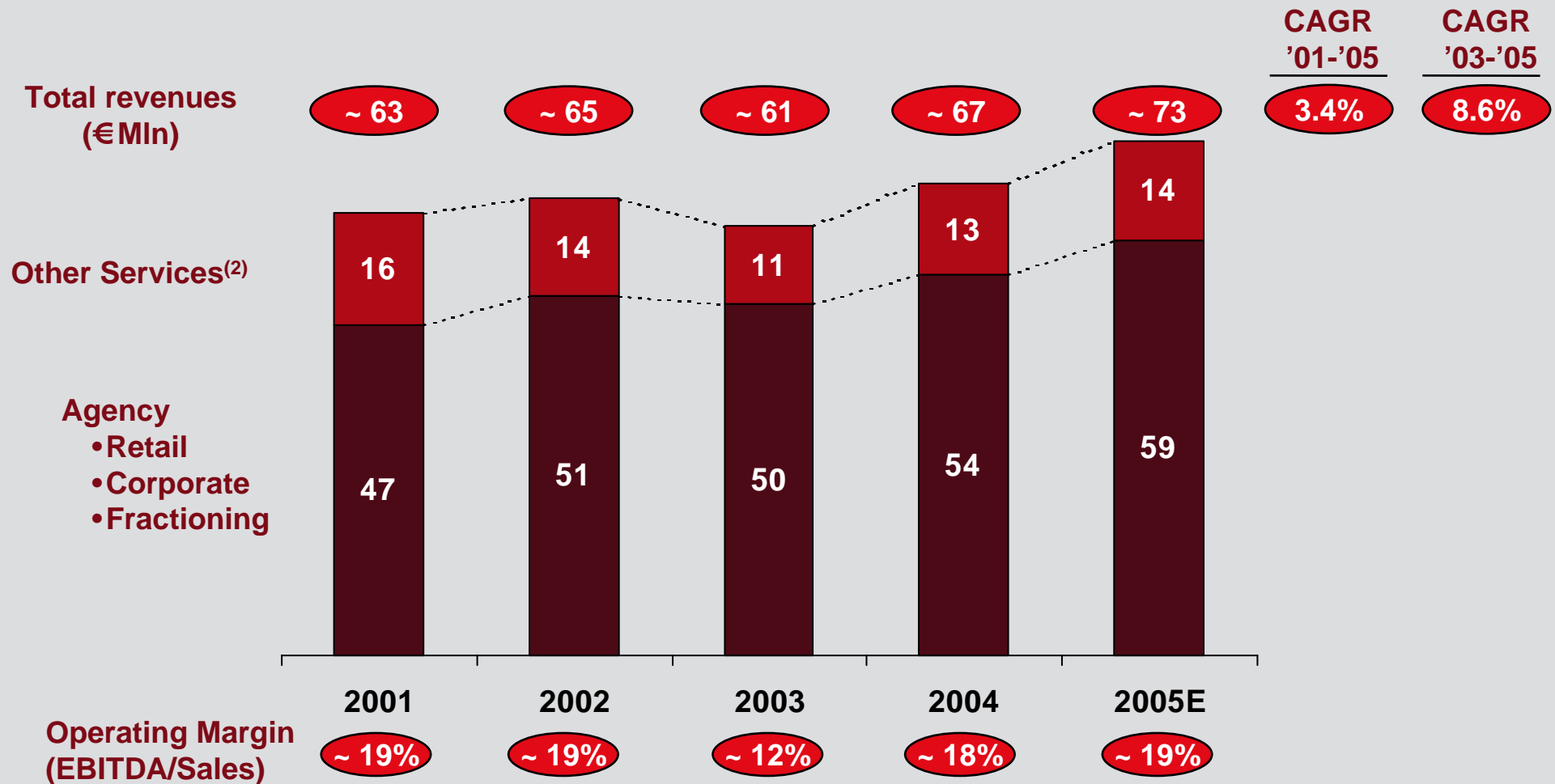
**Gabetti Group's strategy and objectives for 2006-2008**

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# GABETTI ENTERED A PATH OF GROWING REVENUES AND MARGINS IN THE LAST YEARS

Gabetti Group's core business revenues<sup>(1)</sup>



(1) Revenues from co-investment and proprietary mortgage portfolio not included (2) Real estate advisory and services, financial services

# ... AND OWNS THE KEY ASSETS REQUIRED TO FUEL FURTHER GROWTH

## Tradition

- 50-years experience in real estate brokerage

## Deep market knowledge

- Direct monitoring of real estate market dynamics and trends, through the ownership of 146 real estate agencies and a network of 564 franchising agencies

## Strong brand

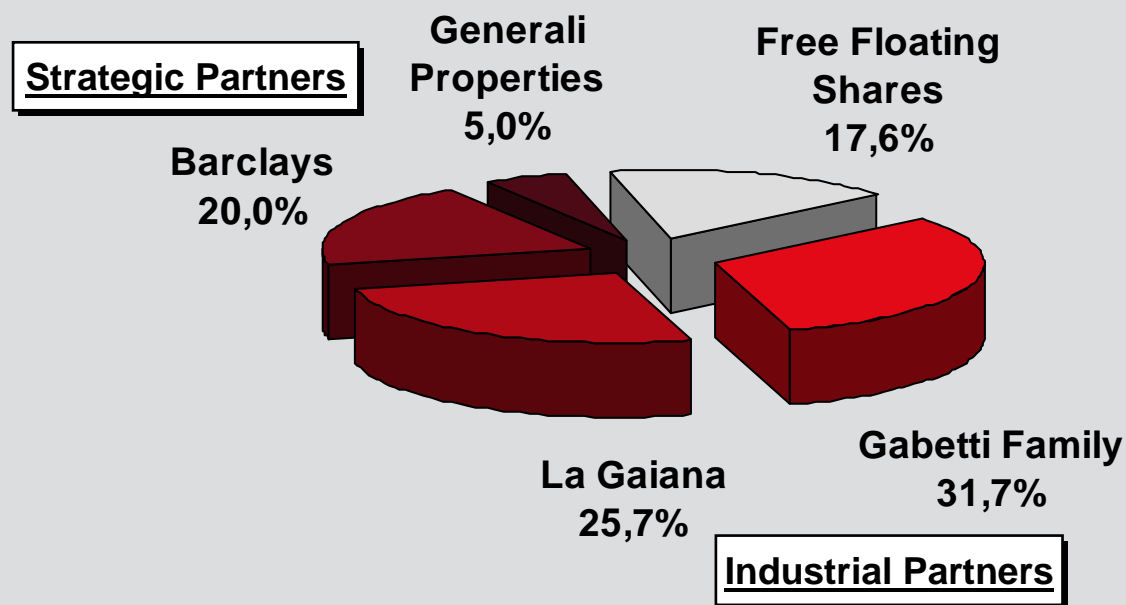
- 67% brand awareness
- Associated with prestige and reliability

## Wide product range

- Retail and corporate agency
- Distribution of mortgage products
- Real Estate Services

# TOP-RATED COMPANIES ARE AMONG CURRENT SHAREHOLDERS

Gabetti Holding SpA shareholders as of the 31<sup>st</sup> of January 2006



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# THE MACROECONOMIC SCENARIO IS FAVOURABLE TO REAL ESTATE AND MORTGAGE MARKETS

## Low GDP growth

- 1.46% the expected annual GDP growth in 2006-2010

## Political uncertainty

- Expected political instability in the forthcoming years

## Low real interest rates

- Interest rates lower than 3% up to 2008

## Low household debt levels

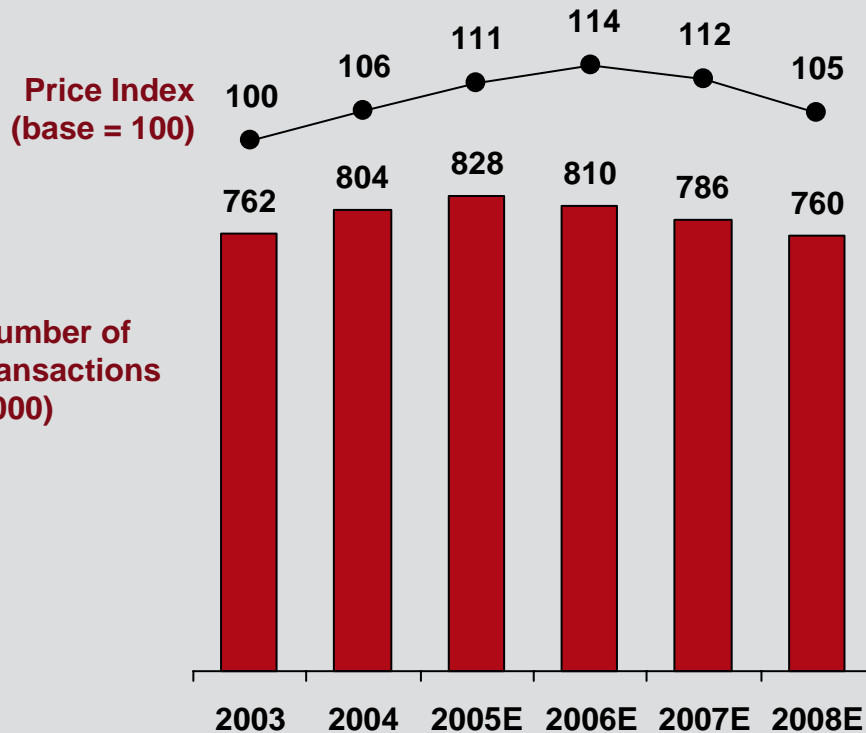
- Italian household debt levels 13% of GDP, relative to 25% in France, 54% in Germany and 70% in the UK

- Real estate will remain a safe asset class for households and the preferred investment for institutional investors

- Real estate returns competitive relative to other financial products
- 8% per year the expected growth in new mortgages issuance
- 14% per year the expected growth in household debt levels

# IN A RESIDENTIAL MARKET THAT IS SLOWING DOWN, SOME MARKET SEGMENTS WILL KEEP A STRONG UPWARD TREND

Average prices and number of transactions are expected to decline...



... but some geographic areas and property types are expected to deliver sustained growth

## Geographic areas

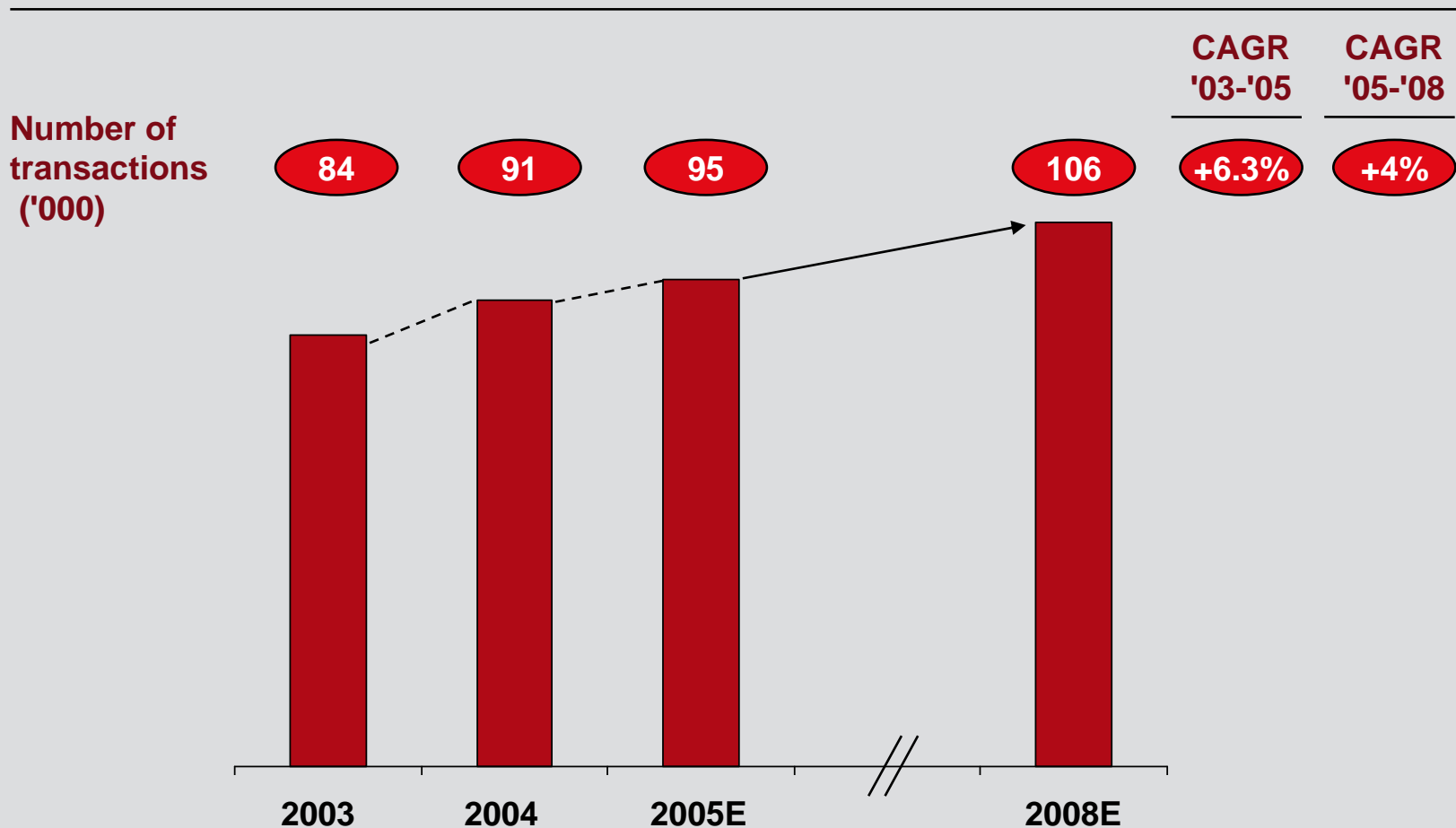
- Medium-small urban areas
  - Highly priced big towns are being gradually neglected
- Tourist locations
  - Properties in tourist areas are being considered a form in investment

## Property types

- Luxury properties
  - Growing wealth concentration among higher social classes
- Small apartments
  - Growing demand from young couples and immigrants (only 5% of legal immigrants own the house where they live)

# + 4% THE EXPECTED YEARLY GROWTH IN THE CORPORATE REAL ESTATE MARKET

Evolution of corporate real estate transactions 2003-2008

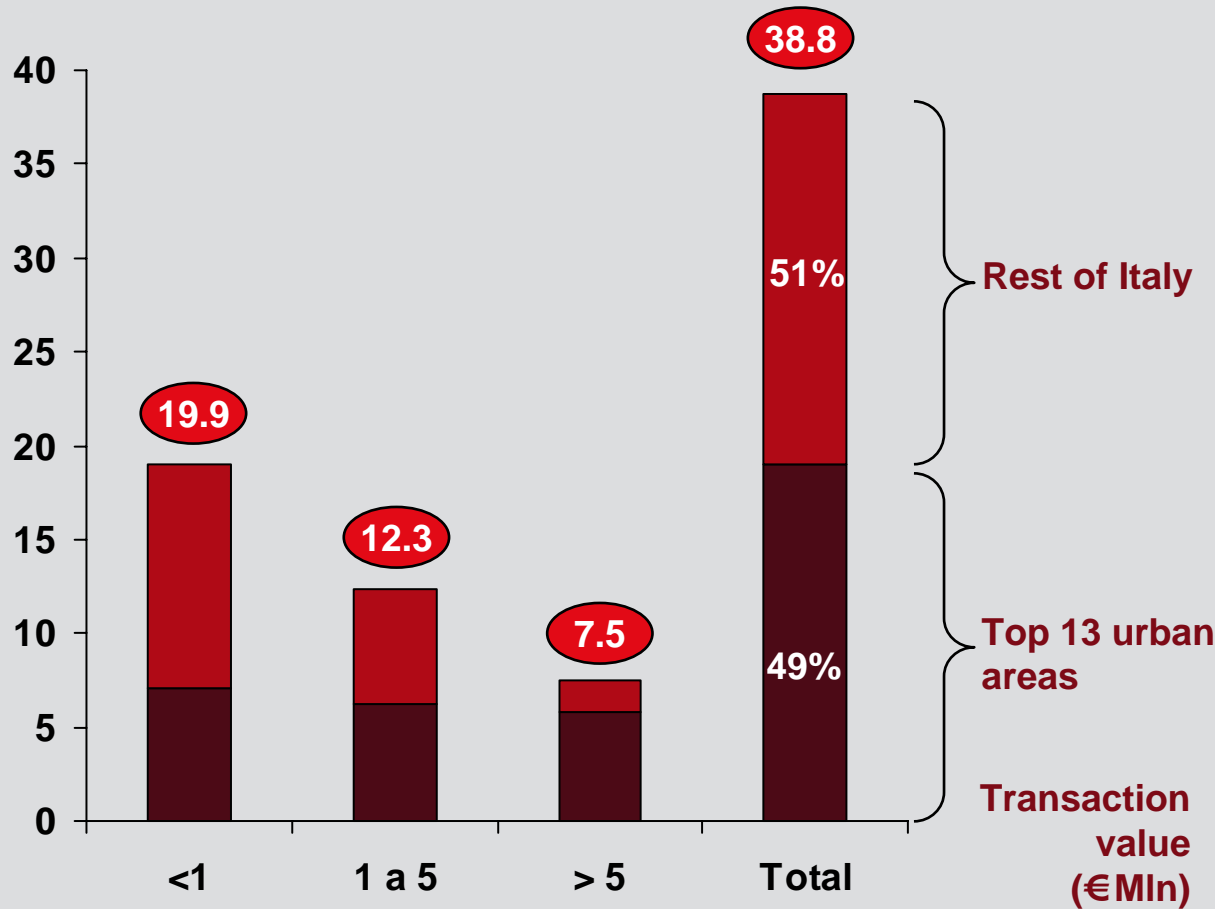


Source: Italian "Agenzia del Territorio", Research Firm "Scenari Immobiliari"

# 13 URBAN AREAS REPRESENT APPROX. 50% OF THE ITALIAN MARKET

Estimate of the yearly value of corporate transactions by dimension

Total value of corporate transactions (€Bn)



## Urban areas

Milan  
Rome  
Brescia  
Florence  
Bologna  
Trieste  
Verona  
Padova  
Venice  
Parma  
Bergamo  
Turin  
Modena

...but more than 75% of transactions above €5 Mln value

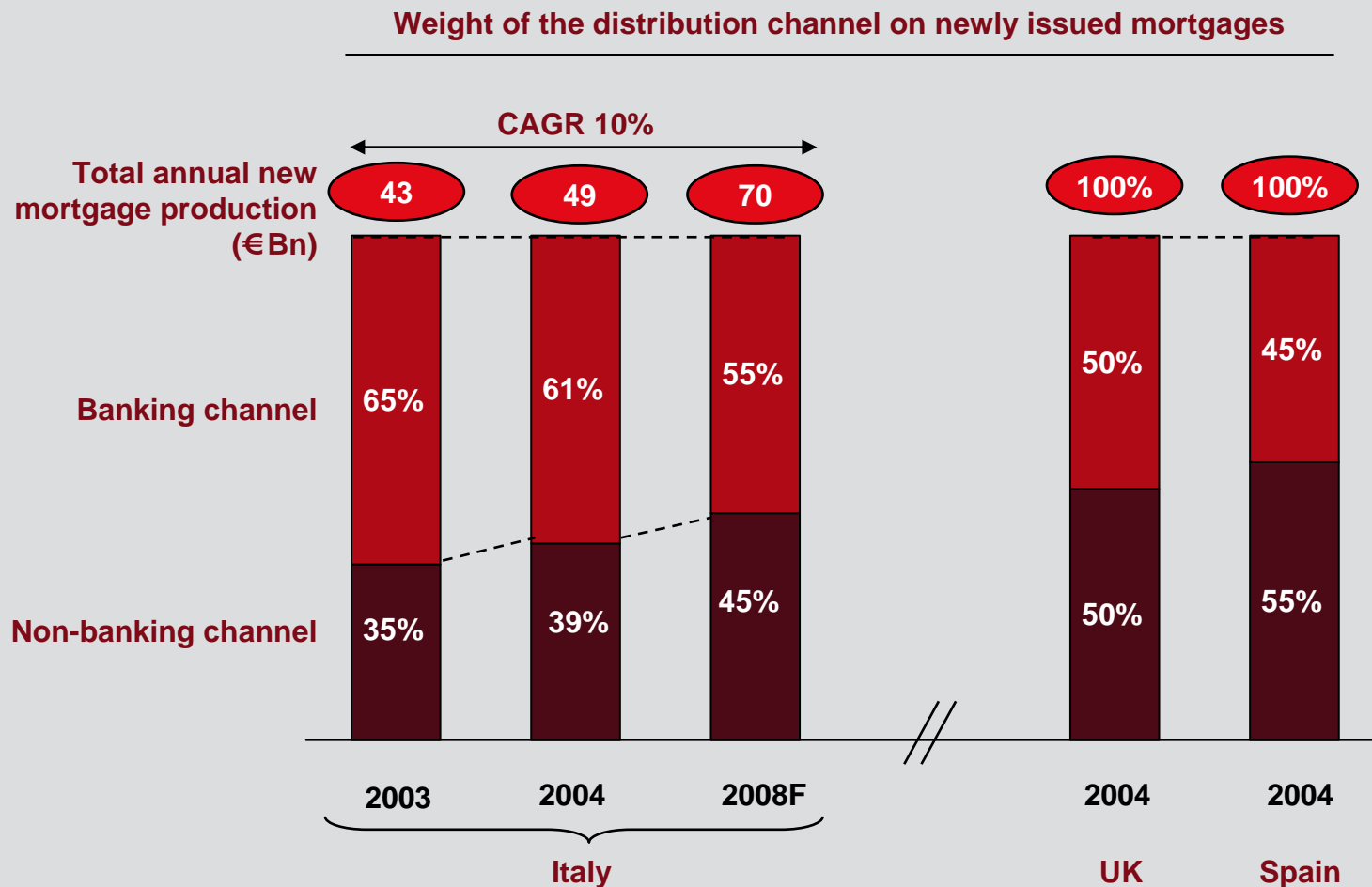
# INSTITUTIONAL INVESTORS WILL DRIVE DEMAND FOR REAL ESTATE SERVICES



Source: Gabetti Research Department, Scenari Immobiliari, Il Sole 24 Ore – 17 September 2005

# THE MORTGAGE MARKET WILL KEEP GROWING AND NON-BANKING DISTRIBUTION CHANNELS WILL GAIN MARKET SHARE

Among them, real estate intermediaries are experiencing the highest growth rates



Source: Assofin, EMF, Bank of Italy, Databank, BCG Analysis

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# THE GROUP'S TARGET IS TO STRENGTHEN ITS EXISTING LINES OF BUSINESS AND ENTER NEW HIGH-VALUE BUSINESSES ...

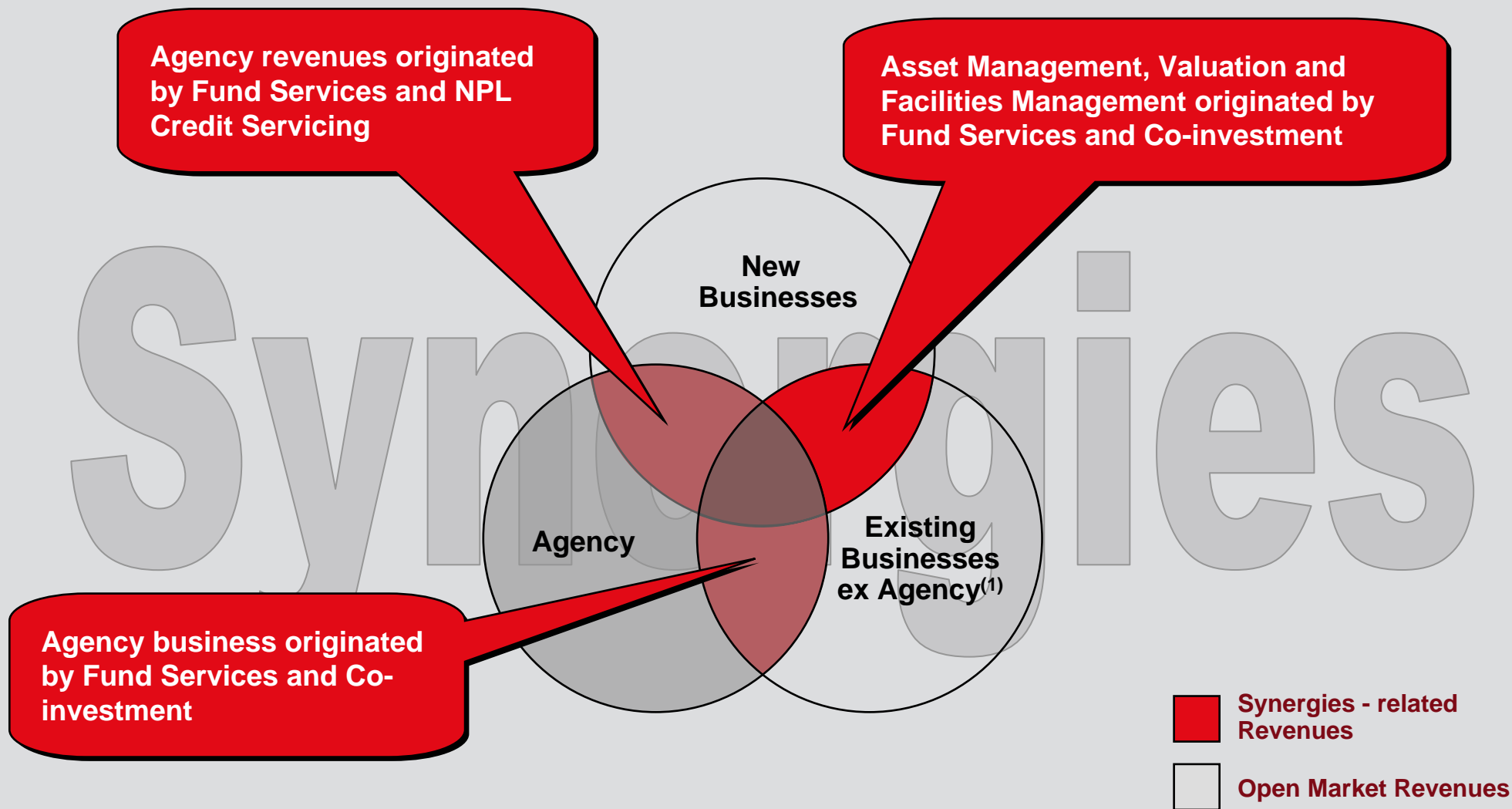
## The mission

*"To become the preeminent full service provider of the Italian real estate market, in terms of innovation ability, capillarity, competency, credibility, reliability and transparency"*

## Growth strategy

- 1 Strengthen existing businesses**
  - Retail Agency
  - Corporate Agency
  - Real Estate Co-investment
  - Valuation
  - Retail Financial Services
- 2 Internally grow in new businesses**
  - Advisory and Asset management
  - Real Estate Funds Services
  - NPL Credit Servicing
- 3 And through the acquisition of companies/teams**
  - Corporate Financial Services
  - Technical Services

# ... BY LEVERAGING OFF THE SYNERGIES CREATED BY A FULL RANGE OF REAL ESTATE SERVICES



(1) Retail Financial Services included; Corporate Financial Services have been included among New Businesses

# DIFFERENT STRATEGIES HAVE BEEN DEFINED FOR EACH LINE OF BUSINESS (I)

## Retail Agency

**We will keep our mixed model based on a proprietary agencies network and a franchising network, both centrally managed**

- 1 Strengthening of the proprietary network, through**
  - Productivity increase of existing agencies, by improving the commercial effectiveness of sales force
  - Broadening of the type of traded properties, to include those different than residential, up to 1 Mln € value (so called “small business”)
  - Reorganization of existing branches and few new carefully selected openings (10 during the three-year period)
- 2 Dramatic strengthening of the franchising network**
  - 280 new operative agencies within 2008
  - Broadening of the type of traded properties, to include those different than residential, up to 1 Mln € value (so called “small business”)
- 3 Dramatic strengthening of the "SantAndrea" brand in order to consolidate the positioning in the luxury buildings market segment, through openings in the most attractive areas**

# DIFFERENT STRATEGIES HAVE BEEN DEFINED FOR EACH LINE OF BUSINESS (II)

## Corporate Agency

Maintain the territorial presence in most Italian regions by targeting two macro areas: “Mid accounts” (secondary market) e “Large Accounts” (main market)

- 1 Redirect the business focus towards >1 Mln € value transactions
- 2 Presence in the most attractive areas through dedicated agencies (Milano, Roma, Firenze, Brescia, Bologna, Padova, Bergamo, Torino, Bari, Napoli, Palermo)
- 3 Synergies maximization through the creation of Key Account Managers dedicated to the main clients

## Financial Services

Huge investment in the development of a multi-brand and multi-product platform for the sales of lending and insurance products

- 1 Further growth in the mortgage retail market through the creation of an innovative credit brokers network
- 2 Enter the corporate real estate financing market through the integration in the Gabetti Group of an established player in the sector

# DIFFERENT STRATEGIES HAVE BEEN DEFINED FOR EACH LINE OF BUSINESS (III)

## Real Estate Services (Advisory, Asset Management, Valuations)

Presence in the high value-added real estate services market , by leveraging off the synergies within the Group

1

- **Advisory:** consolidate existing commercial relationships and create new ones in order to grow in the top accounts market (property companies, pension funds, trusts, banks and insurers)

2

- **Asset management:** consolidate and further develop the ability to manage complex real estate portfolios resulting from co-investment

3

- **Valuation:** strengthen the current leadership by improving the business model, i.e. by focusing existing in-house resources towards higher value-added activities and by exploiting the agencies network to perform lower value-added tasks

## Technical Services (technical and environmental due diligence, building, facility, project and property management)

Completion of range of real estate services provided by introducing highly technical services, synergic with the other lines of business

1

- **Reach the leadership within a short time frame, possibly through the acquisition of primary market specialists**

# DIFFERENT STRATEGIES HAVE BEEN DEFINED FOR EACH LINE OF BUSINESS (IV)

## Real Estate Funds Services

Focus on Real Estate Funds in order to generate business for the Real Estate Services division; possible stake in the equity of target clients

1

- Creation of a team dedicated to the commercial and product focus on this market segment

## NPL Credit Servicing

Mid-range positioning, in order to maximize synergies with other lines of business

1

- Strategic partnership with leading Italian and foreign financial institutions

2

- Creation of a dedicated team, through the addition of highly qualified resources to the existing structure

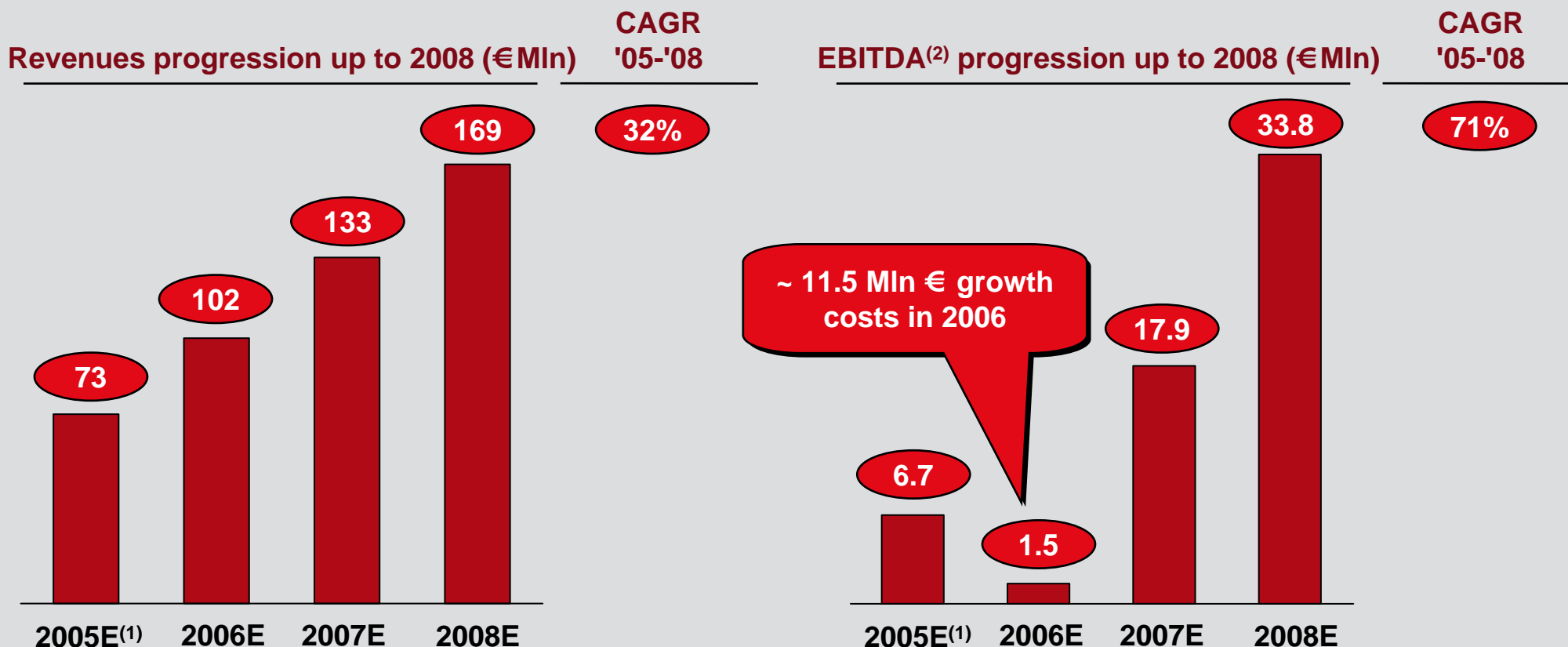
## Real Estate Co-investment

Possible stake in investment vehicles, in order to generate business opportunities for the other lines of business

1

- Rebalancing of the investment portfolio, towards a more diversified range of small, multiple stakes in investment vehicles

# 2008 TARGETS: € 170 MLN REVENUES AND € 34 MLN EBITDA



**Expected a further growth of Revenues and EBITDA in years 2009-2010 due to the consolidation of Retail Agency and Financial Services**

(1) Trading revenues and EBITDA not included, as these activities are non-recurring

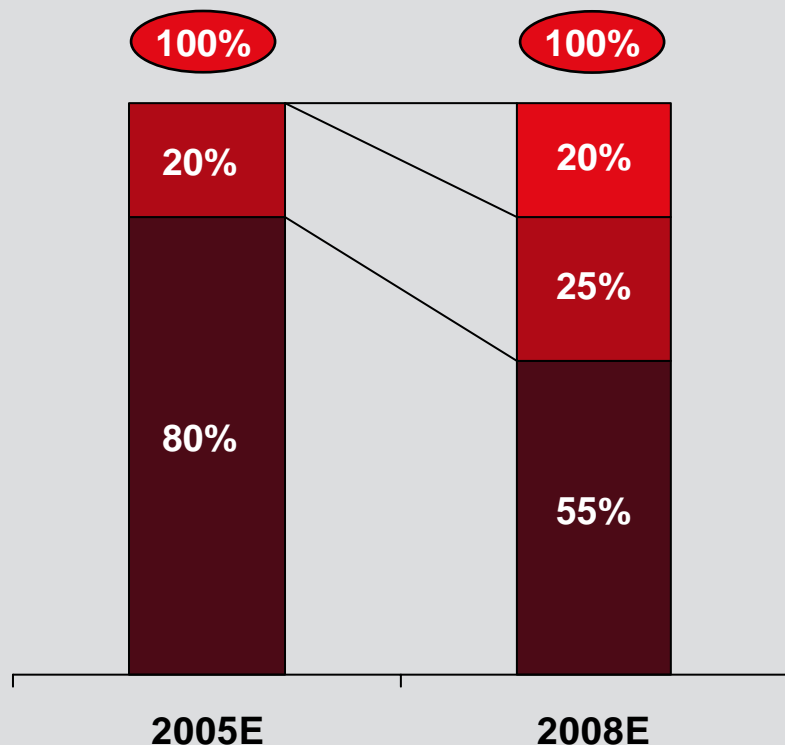
(2) Gabetti's proprietary mortgage portfolio included. EBITDA calculated after Holding costs, which amount to: € 8.4 Mln in 2005, € 13.3 Mln in 2006, € 13.2 Mln in 2007, € 12.6 Mln in 2008

Note: EBITDA from trading activities has been consolidated, revenues have not

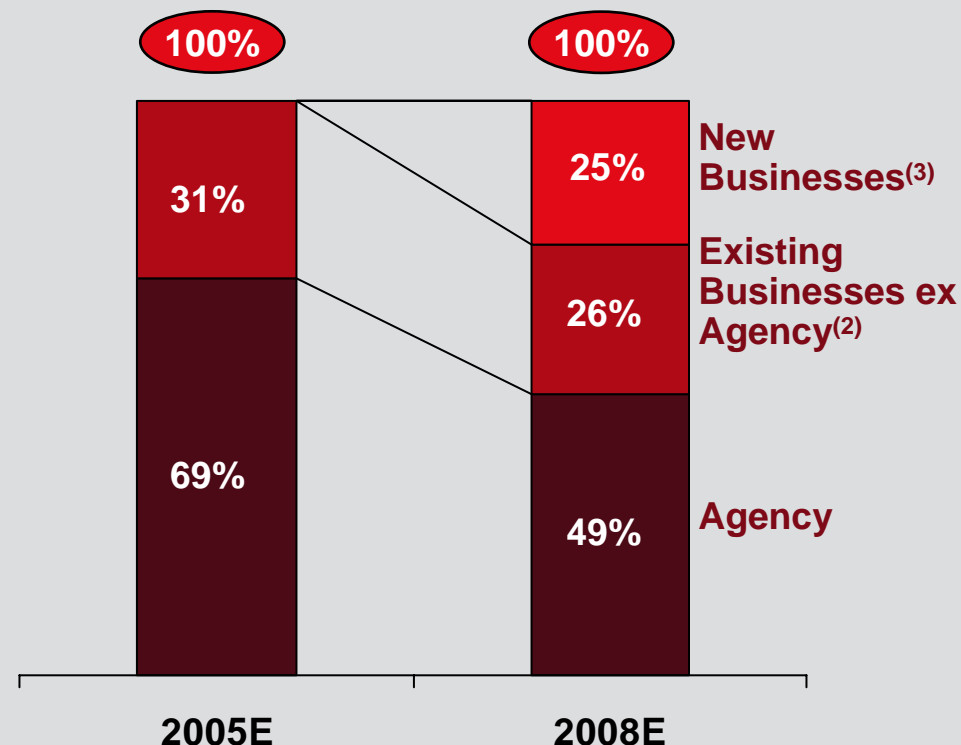
# STRONG REBALANCING OF REVENUES AND EBITDA MIX

45% of total revenues and 51% of total EBITDA from non-agency businesses in 2008

Gabetti Group Revenues 2008 vs. 2005 (€Mln)



Gabetti Group EBITDA<sup>(1)</sup> 2008 vs. 2005 (€Mln)



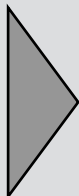
(1) EBITDA calculated before deducting holding costs; Gabetti's proprietary mortgage portfolio included. Earnings from co-investment included in total EBITDA but not included in Revenues

(2) Co-investment, Valuation, Retail Financial Services

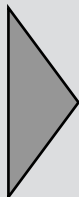
(3) Corporate Financial Services, Advisory, Asset Management, Technical Services, Fund Services, NPL Services

# ALL FINANCIAL RATIOS REFLECT STRONG VALUE CREATION DURING THE 3-YEAR PERIOD

**ROE**  
(Earnings/ Equity)



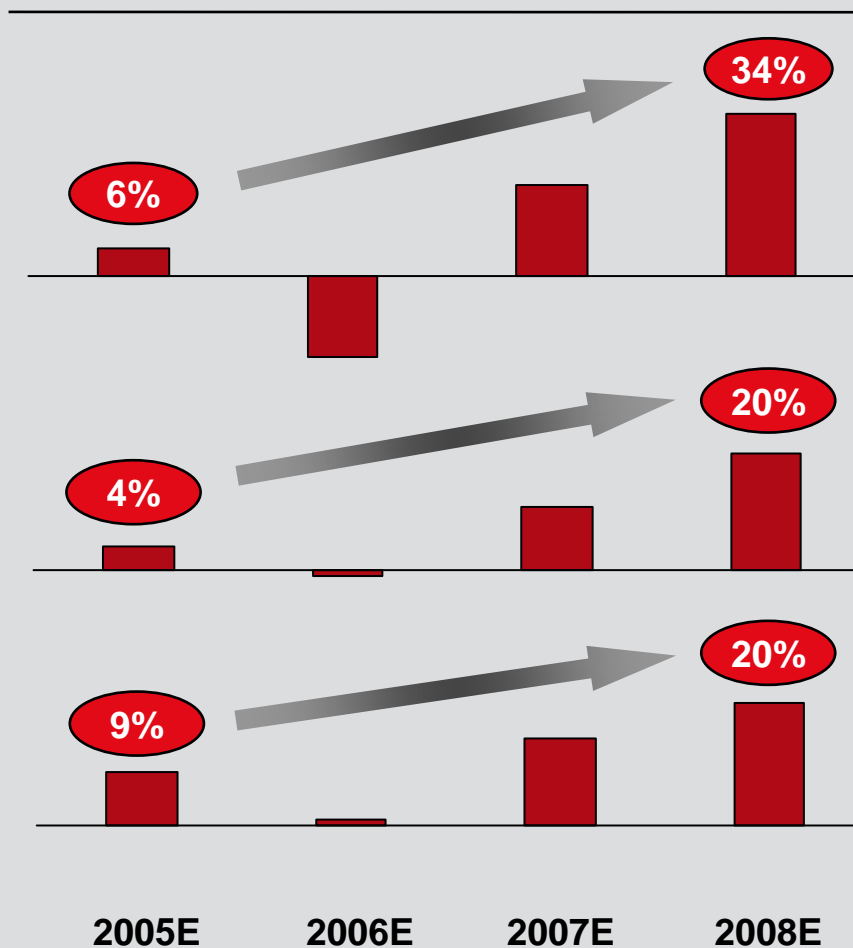
**ROI**  
(EBIT / Investments)



**ROS**  
(EBITDA / Revenues)



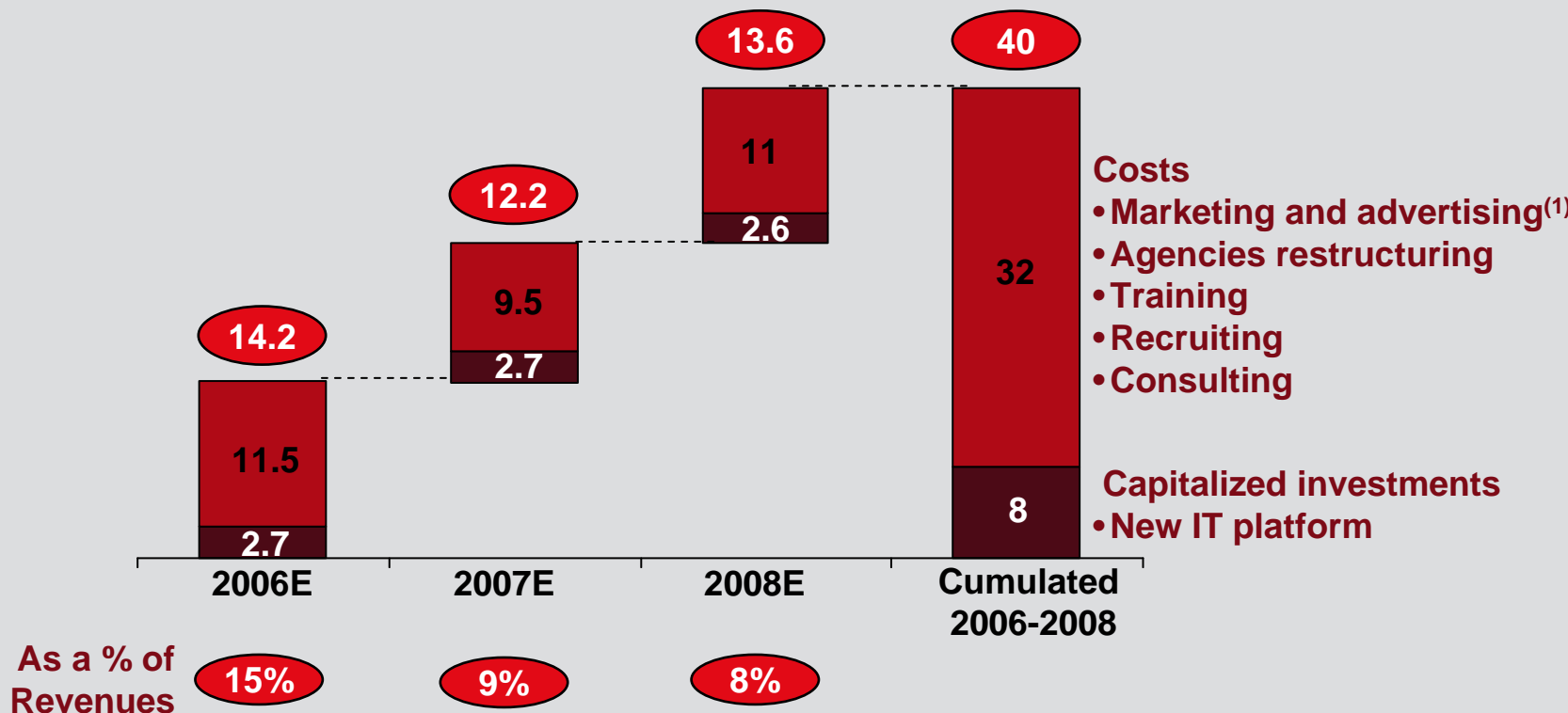
Financial Ratios 2005-2008



# REACHING THE STATED TARGETS WILL REQUIRE HUGE INVESTMENTS...

Costs and investments required to support growth 2006-2008 (€Mln)

Costs and investments



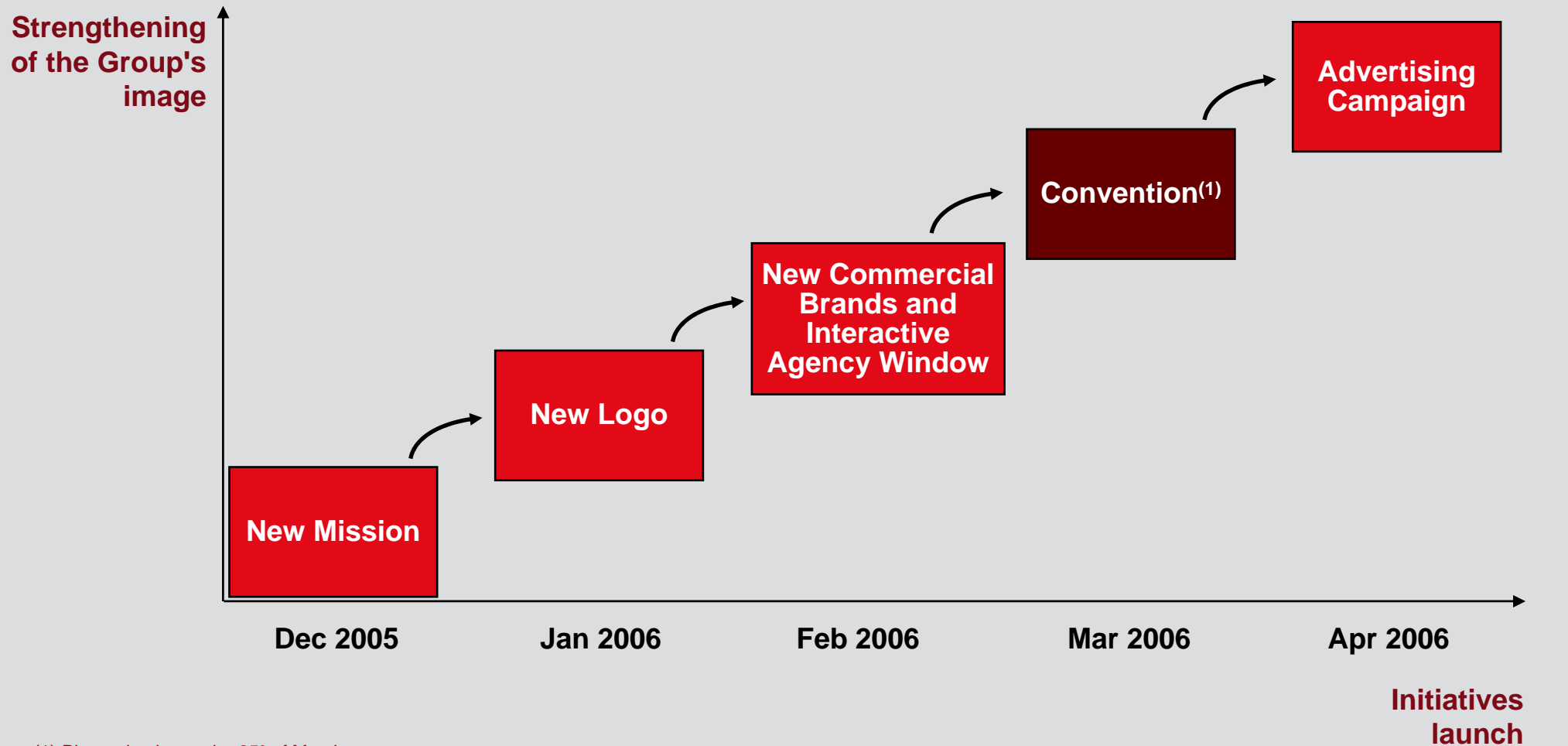
Operating debt

Operating debt (€Mln)

(1) Corporate annual meeting and corporate advertising campaign included

# ... AND THE SHAPING OF A NEW CORPORATE IMAGE

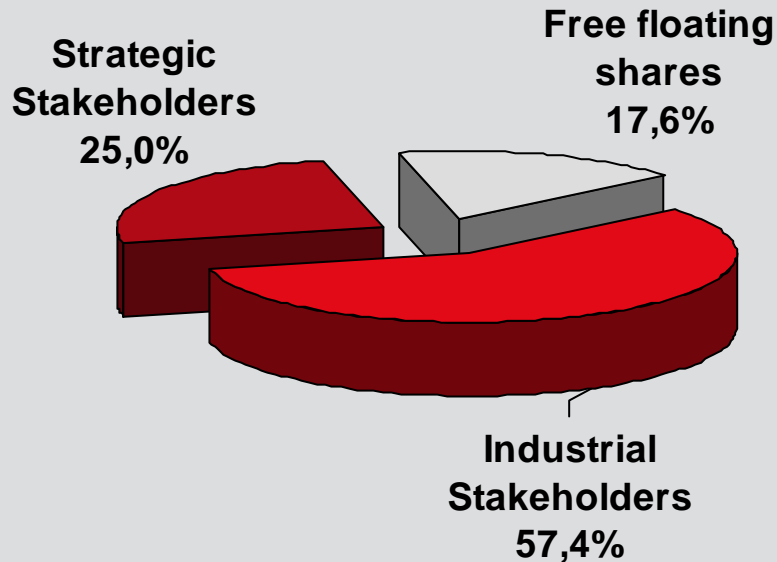
## Image strengthening strategy



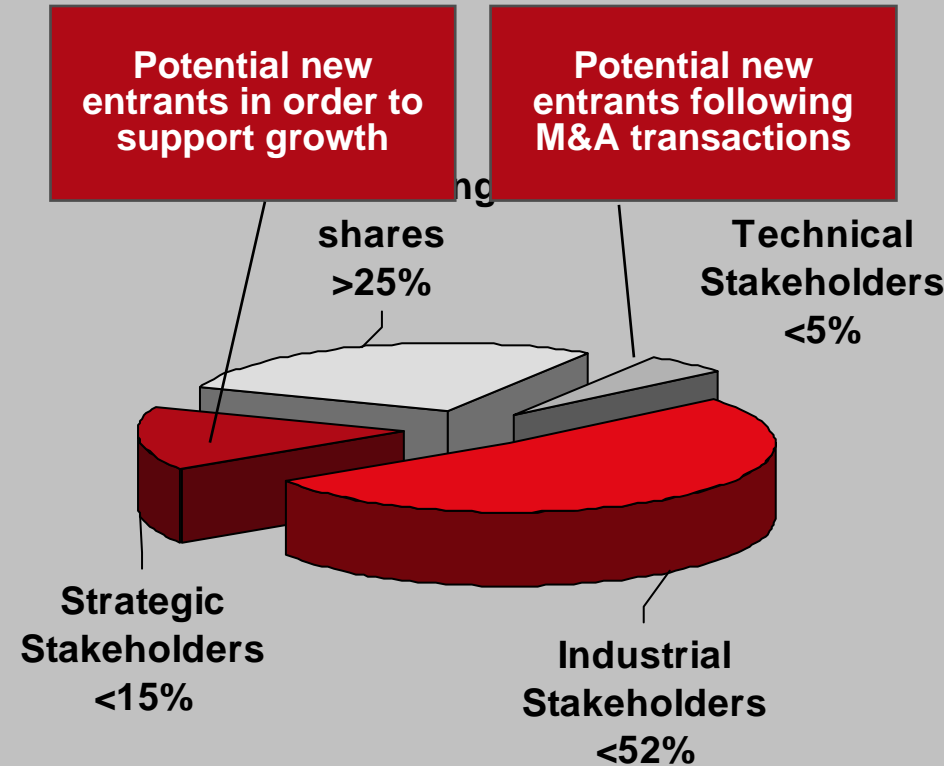
(1) Planned to be on the 25<sup>th</sup> of March

# NEW STRATEGIC AND TECHNICAL PARTNERS MAY ENTER THE EQUITY CAPITAL IN ORDER TO STRENGTHEN THE GROUP

Today's equity composition



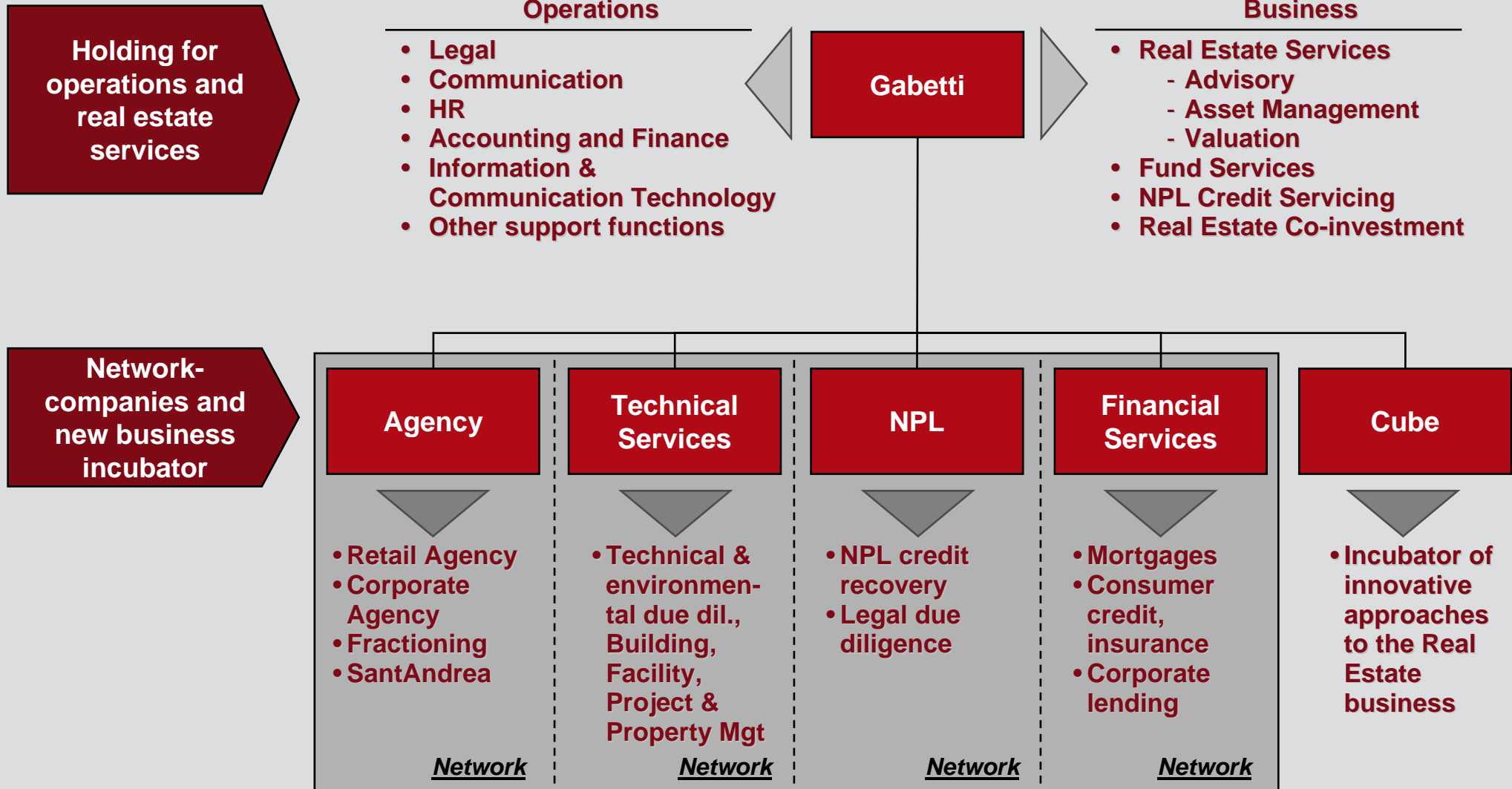
... and its evolution in the next years



Target: admission to the STAR segment of the Italian Stock Exchange

# A NEW ORGANIZATIONAL STRUCTURE WILL BE IMPLEMENTED

A Holding for operations and high value added services, 5 operating companies



Note: The network companies names only reflect the activity provided and are not the commercial brands that will be adopted

# INTELLECTUAL CAPITAL IS KEY IN THE NEW STRATEGY

- **Gabetti is aware of the role of Intellectual Capital as a main asset and key success factor for its strategic evolution**
- **With this in mind, we will further invest to improve existing competencies and attract new ones, with the objective to rapidly become the "Employer of Choice" and reference point for the most talented individuals in the field**
- **These investments will dramatically contribute to the Group's Embedded Value**

# HUMAN RESOURCES STRENGTHENING PROCESS ALREADY STARTED

## Top management

Top management renewed with experienced professionals coming from leading real estate companies



**Maurizio Monteverdi**  
*CEO Gabetti Holding*



**Filippo Cartareggia**  
*CEO Gabetti SpA*

## Mid management

70 mid managers have already been assessed in order to build individual development plans and extract the maximum value from each individual

A training plan for all key resources (including the whole sales force) is currently under study, following Gabetti's tradition in real estate education

- With the support of foreign contributions and best practices
- With the objective of educating a group of managers to manage the turnaround challenge and create tomorrow's real estate opinion leaders

New role-specific incentive plans are already under study

# FURTHER GROWTH OPPORTUNITIES: GABETTI CUBE, THE GROUP'S RESEARCH AND INNOVATION LABORATORY...

**Gabetti Cube: an incubator of innovative ideas...**

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**An incubator of innovative ideas that through "lateral thinking" will be able to**

- **Promptly exploit opportunities offered by contiguous markets to those where Gabetti operates**
- **Generate business opportunities in sectors currently unexplored**

**... to be translated into concrete business initiatives**

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**Initiatives with the potential to generate business will be transferred into the company structure and released as new products**

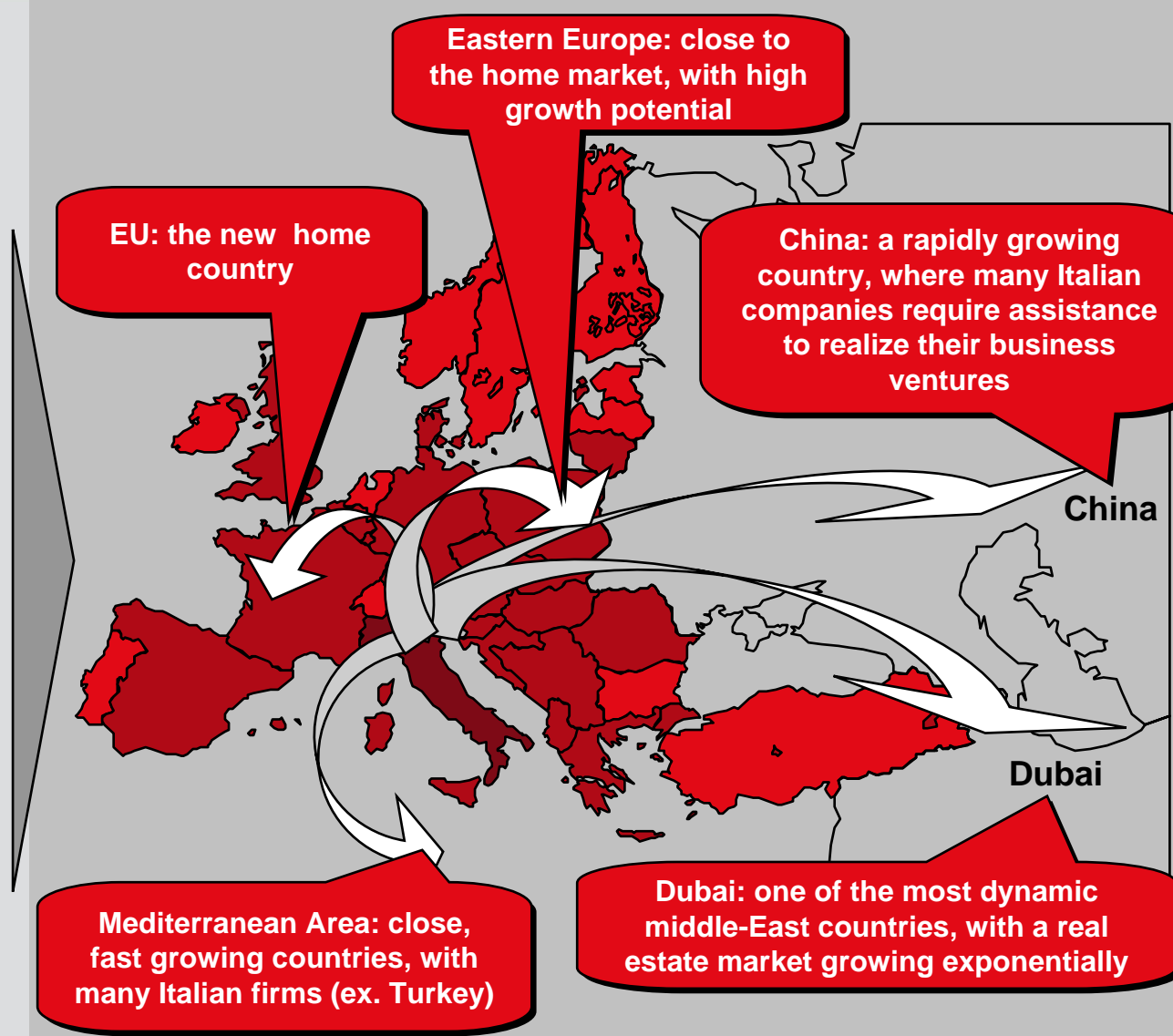


# ... EXPORTING THE BUSINESS MODEL TO FOREIGN MARKETS

Company size is a key success factor

The Italian Real Estate market will be inadequate to investors needs

Globalization consequences will require the ability to provide cross-border assistance



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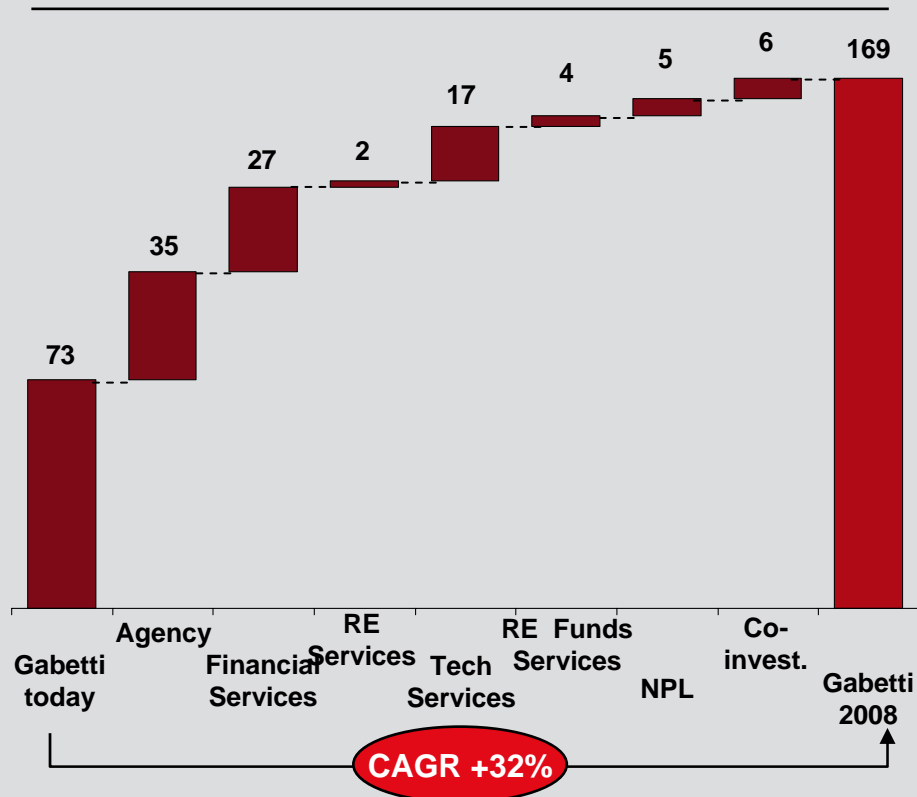
**Conclusions and Q&A**

# BUSINESS LINES' TARGET

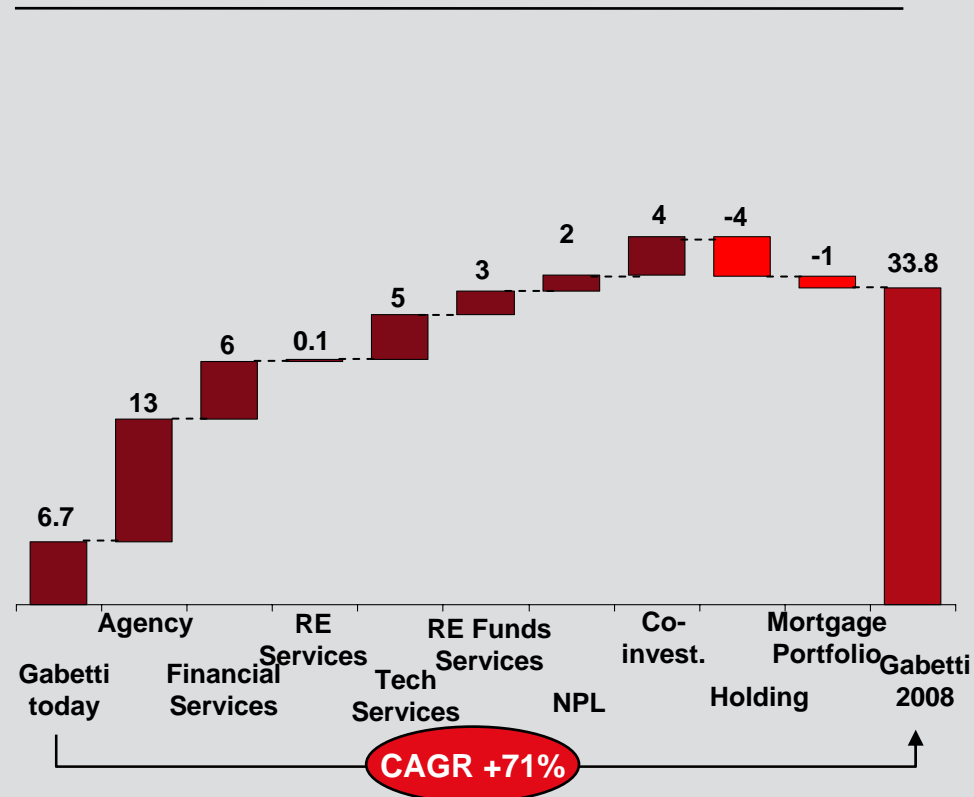
| <u>Business Line</u>       |   | <u>Target Positioning</u> |
|----------------------------|---|---------------------------|
| RETAIL AGENCY              | ▶ | Leadership                |
| CORPORATE AGENCY           | ▶ | Leadership                |
| FINANCIAL SERVICES         | ▶ | Leadership                |
| REAL ESTATE SERVICES       | ▶ | Mid range                 |
| TECHNICAL SERVICES         | ▶ | Leadership                |
| REAL ESTATE FUNDS SERVICES | ▶ | Mid range                 |
| NPL CREDIT SERVICING       | ▶ | Mid range                 |
| CO-INVESTMENT              | ▶ | Mid range                 |

# THE CONTRIBUTION OF BUSINESS LINES RESULTS TO REVENUES AND EBITDA EVOLUTION ROM 2005 TO 2008

Revenues (€Mln)



EBITDA (€Mln)



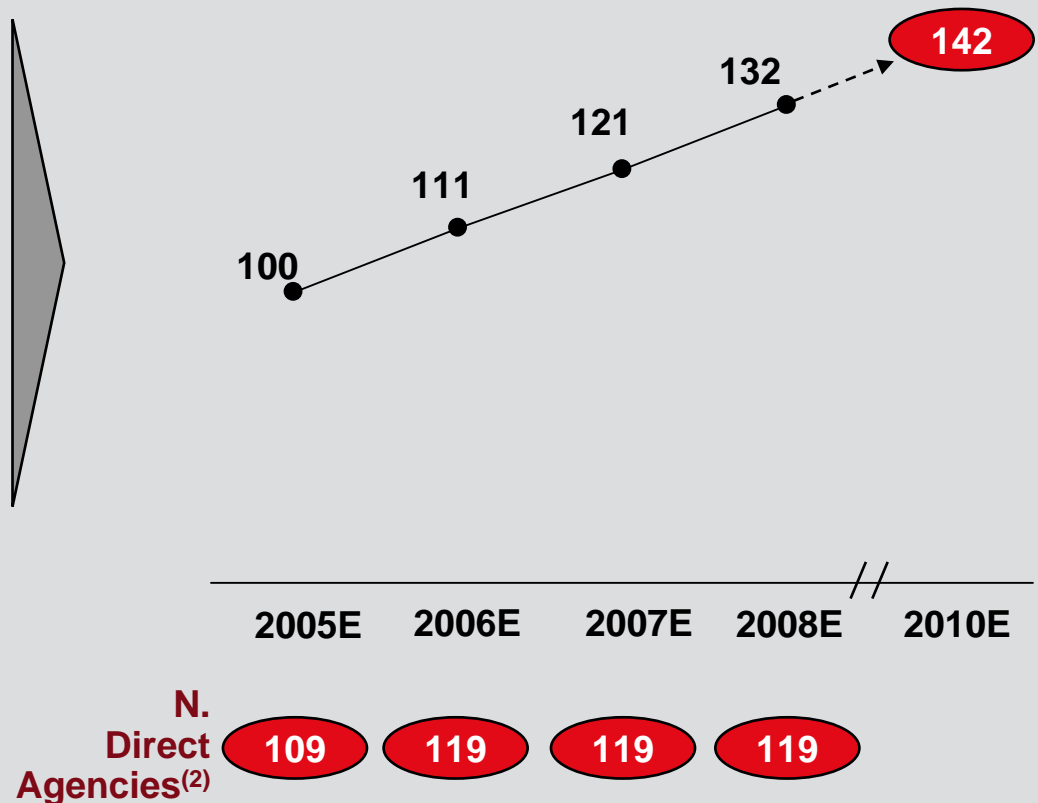
Note: revenues and EBITDA indirectly generated by RE Funds Services and Co-investment have been included in these lines of businesses

# DIRECT AGENCIES PRODUCTIVITY IS EXPECTED TO INCREASE...

## Actions

1. **Re-organization of the direct network with carefully studied new openings**
  - 10 new agencies in 2006 in order to strategically complete the territorial coverage
2. **Broadening of the type of traded properties**
  - From residential only, to every kind of real estate asset, within a value of €1 Mln (so called "small business")
3. **Focus on rental market**
  - Targeted a +10% yearly increase in the number of transaction
4. **Re-design of benefits and incentives systems**

Evolution of average productivity per agency (number of yearly transactions<sup>(1)</sup>, index= 100 in 2005)



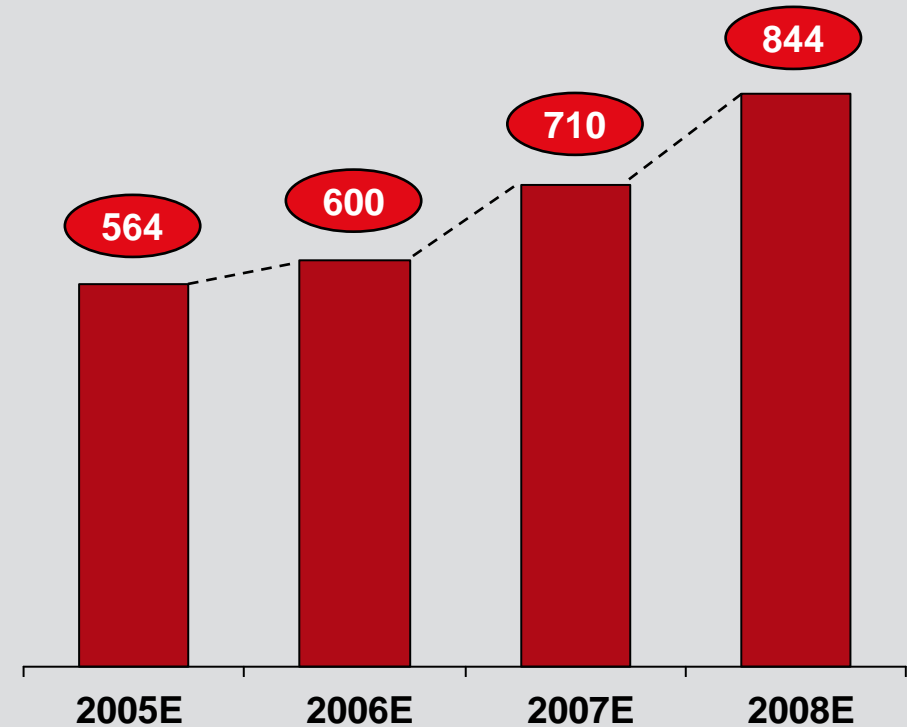
(1) Only residential transactions (small business not included)

(2) Except Agencies SantAndrea and small business

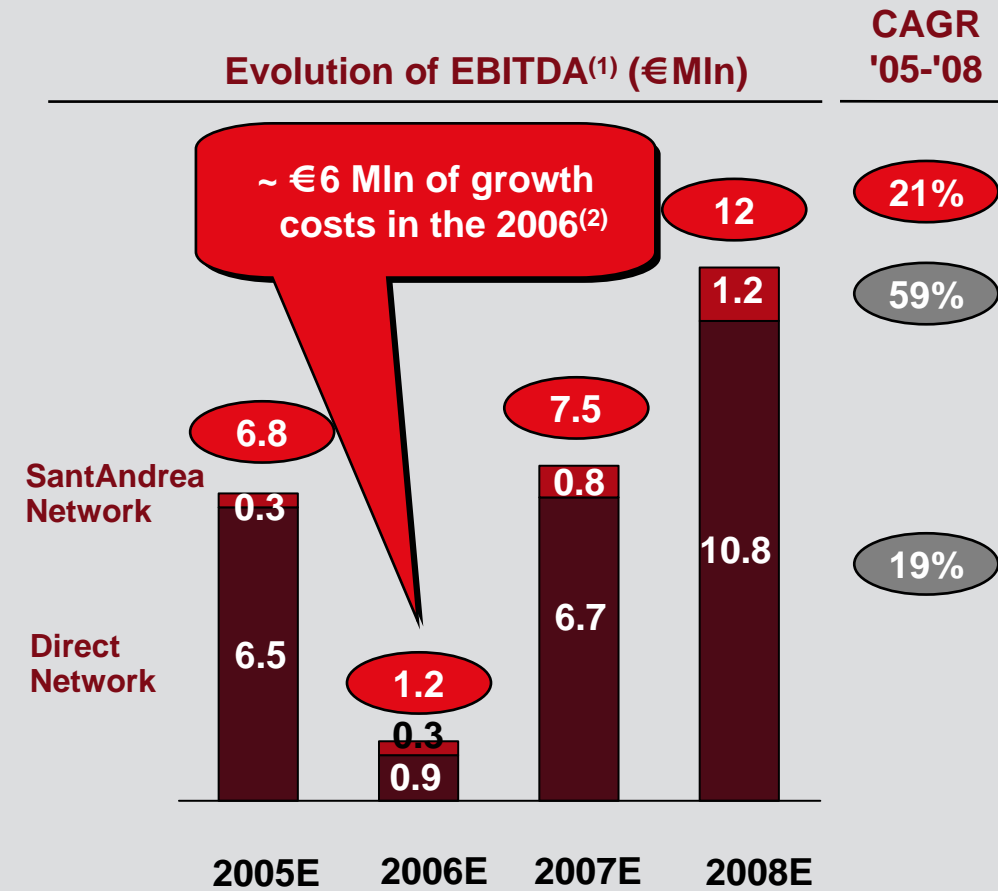
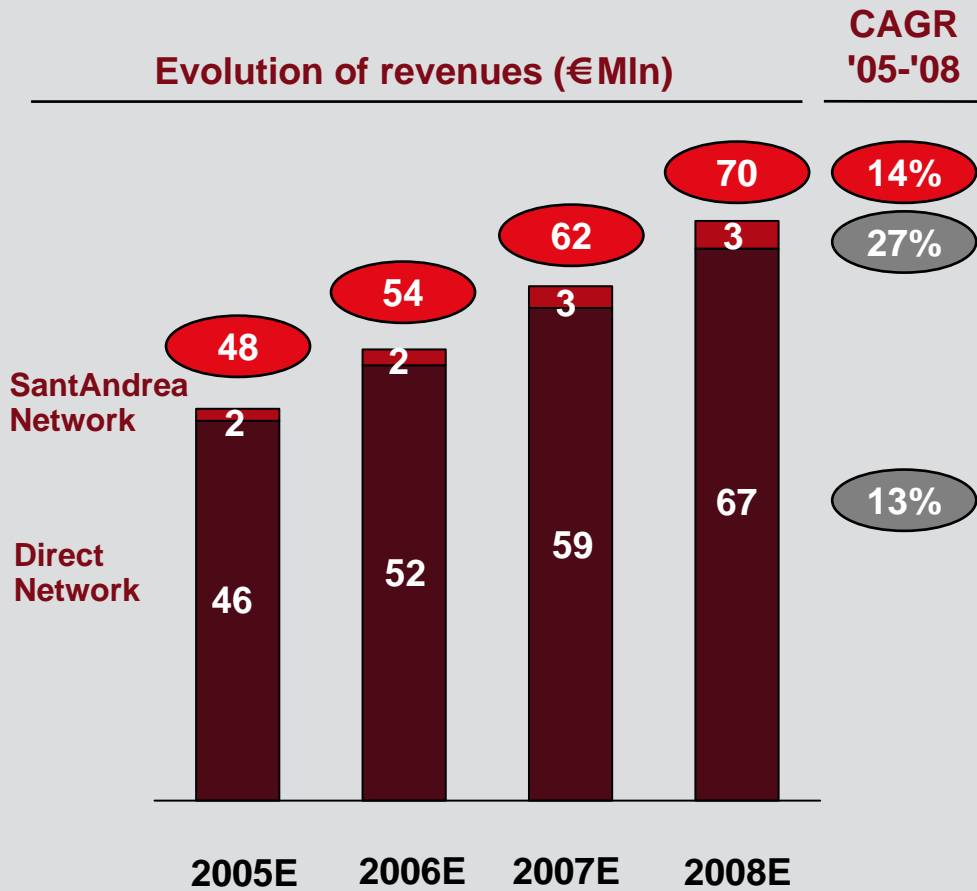
## Actions

1. 280 new operative agencies within 2008, focused on
  - Urban areas not currently covered
  - Geographic areas with strong expected growth (small urban areas, tourist centres, suburbs with medium-small size properties)
2. Launch targeted advertising campaigns and increase marketing and advertising expenses
  - + €5.2 Mln in the 2006
3. Establish a 15 people team dedicated to the recruiting of new franchisees
4. Extend the range of tradable properties
  - From residential only, to each kind of real estate asset, limited to an amount of €1 Mln (so called "small business")

Number of operative franchising agencies



# € 70 MLN OF REVENUES AND € 12 MLN OF EBITDA EXPECTED IN 2008



**Further increase of profitability in 2009 due to business consolidation**

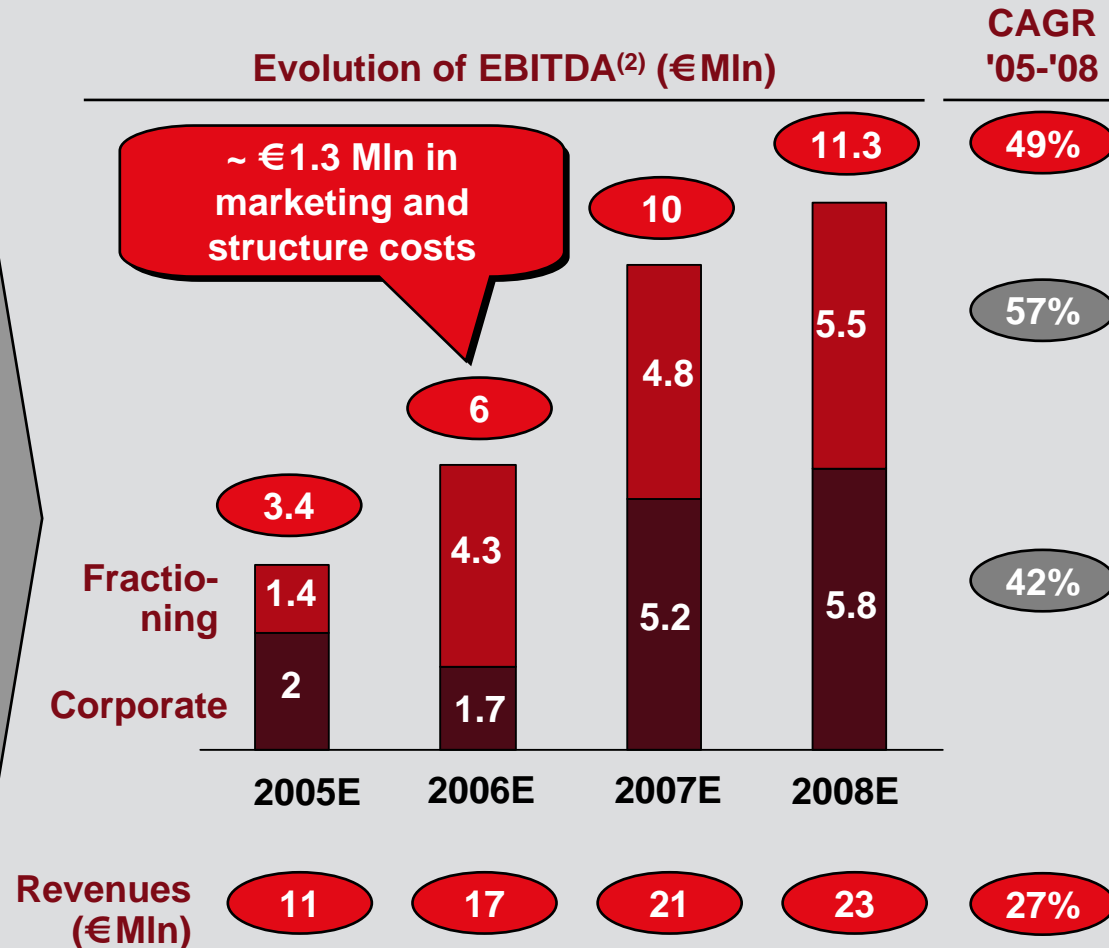
(1) Before holding costs. (2) Marketing and advertising, training, openings new agencies

Source: Gabetti Holding, BCG analysis

# CORPORATE AGENCY WILL TARGET BOTH MAIN AND SECONDARY MARKET<sup>(1)</sup>

## Actions

1. **Re-organization of the network in order to cover the most attractive areas**
  - 11 operative agencies
2. **Management reinforcement**
  - Introduced a new Head of the division
  - Hired senior resources
  - Identified internal resources with high potential
3. **Key Account Manager devoted to key clients to maximize synergies within the Group**
4. **Training of current Gabetti Company sales force**
5. **Strong development of fractioning**



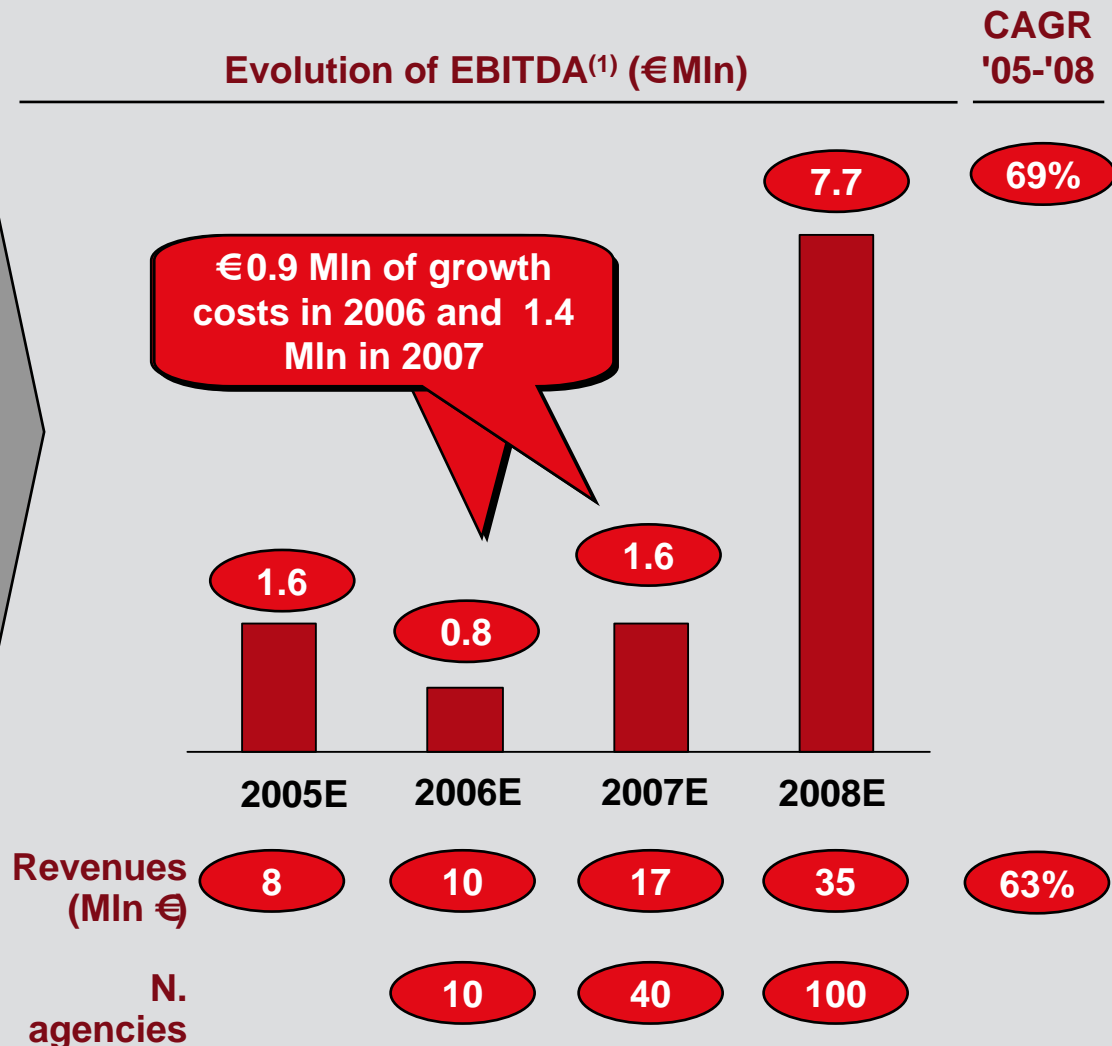
(1) Before holding costs

(2) "Main" market constituted by transactions above €20 Mln; "secondary" market constituted by transactions with value between € 1 Mln and 20Mln

# CREATION OF A NETWORK OF FINANCIAL RETAIL AGENCIES AND INTEGRATION OF A TEAM DEDICATED TO THE CORPORATE MARKET

## Actions

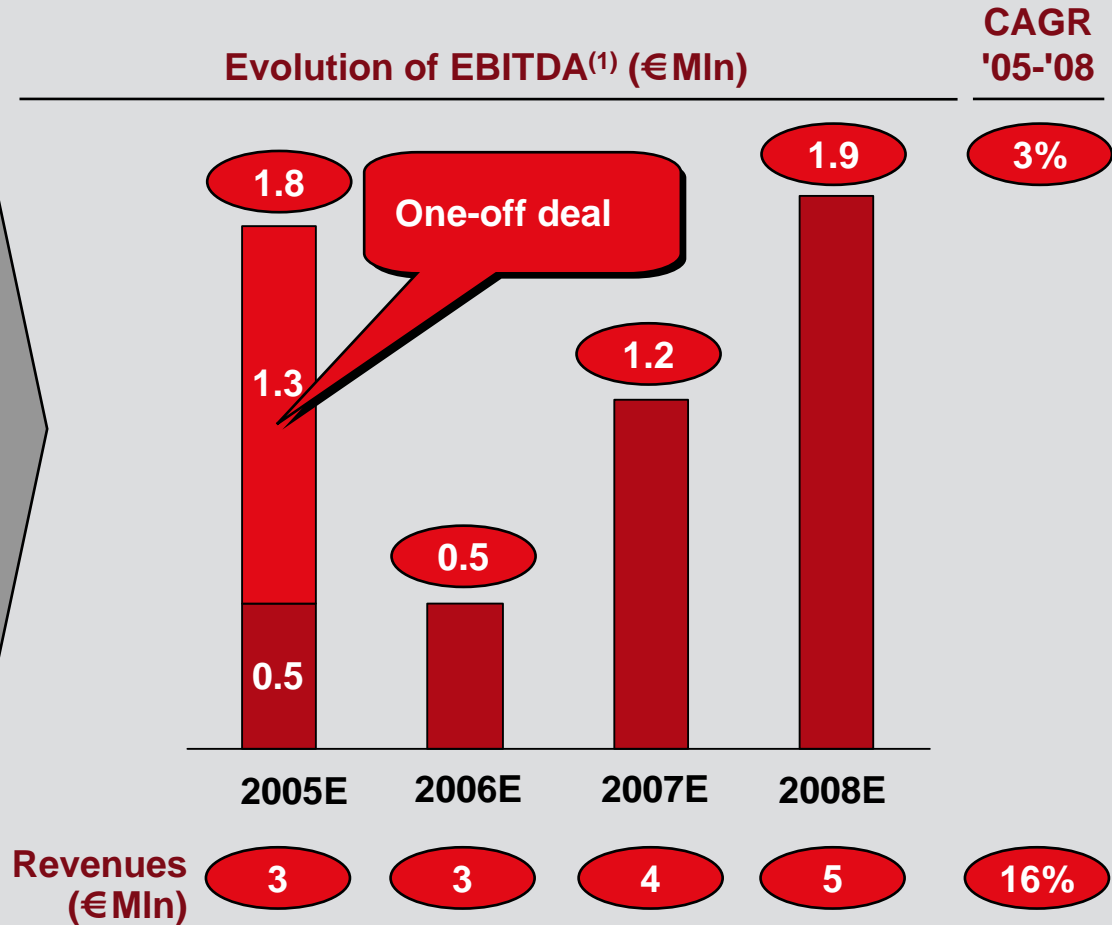
1. Creation of a network of 100 innovative financial agencies
  - Multibrand products
  - Likely extension of the product range (un-guaranteed loans, insurance, consumer credit, leasing)
  - Proximity to real estate agencies
2. Currently under study the integration in Gabetti of a team of managers and financial consultants already operative with corporate clients. Their support will also be key to develop financial retail services



(1) Before holding costs

## Actions

1. **Advisory**
  - Consolidate existing commercial relationship and create new ones in order to grow in the top accounts market
2. **Asset management**
  - Consolidate and further develop the ability to manage complex real estate portfolios resulting from co-investment
3. **Valuation**
  - By focusing existing in-house resources towards higher value-added activities
  - By exploiting the agencies network to perform lower value-added tasks



(1) Before holding costs

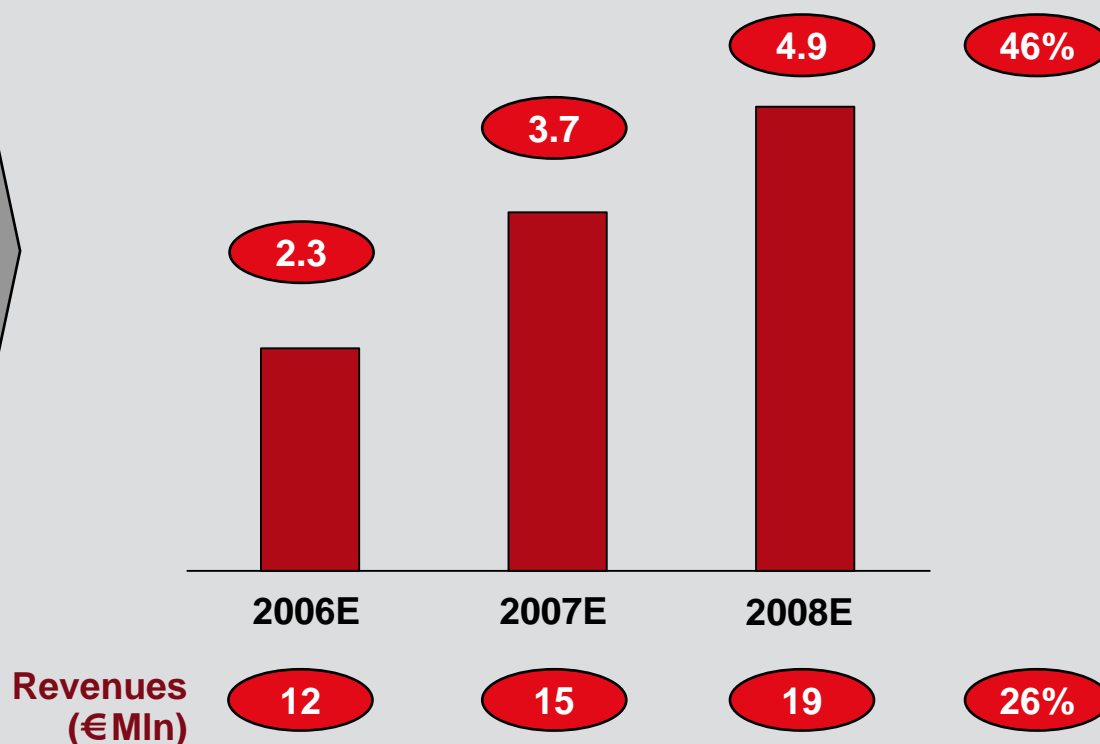
**Actions**

1. **Completion of the range of RE services with highly technical products, synergic to other business lines**
  - Technical and environmental Due diligence
  - Building management
  - Facility management
  - Project management

Property management will be predominantly a captive activity
1. **Currently under study the acquisition of a leading company**

**Evolution of EBITDA<sup>(1)</sup> (€Mln)**

**CAGR '05-'08**

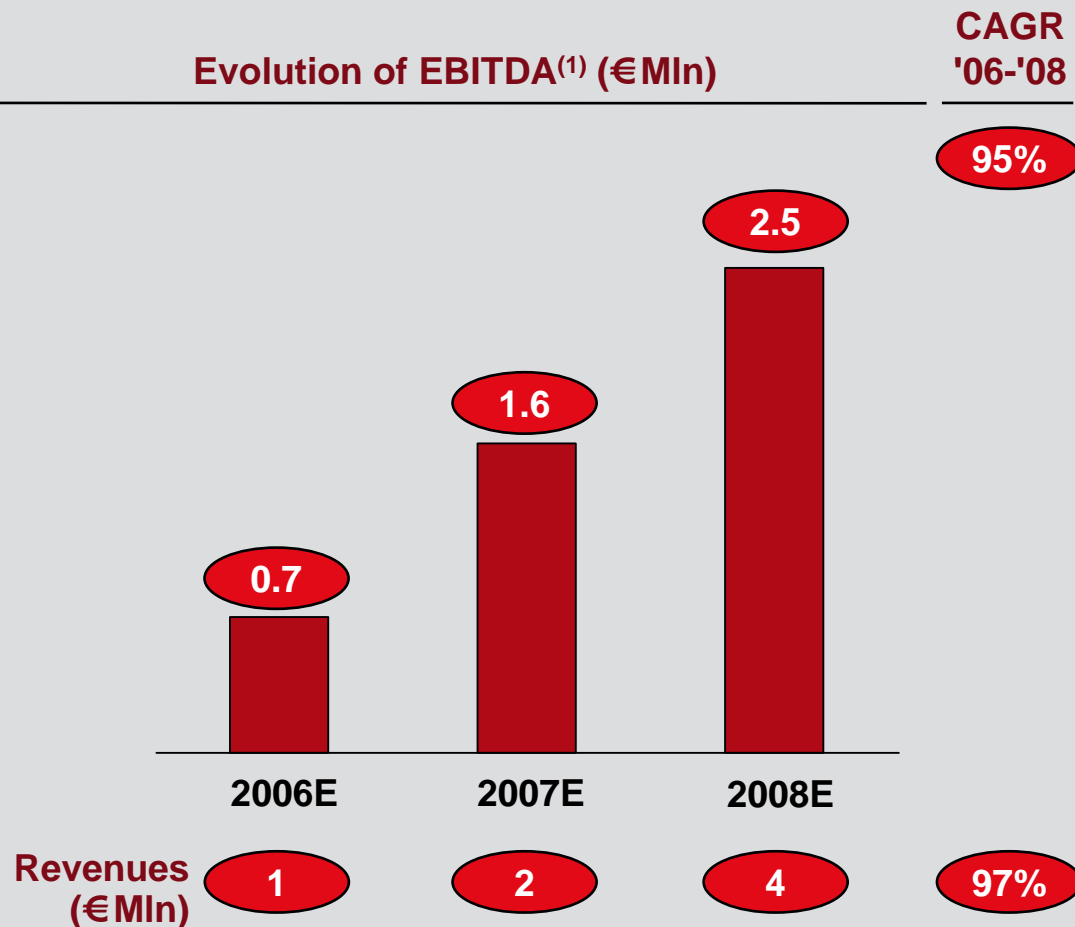


(1) Before holding costs

# DEVELOP OF A RANGE OF SERVICES DEDICATED TO REAL ESTATE FUNDS

## Actions

1. Establish a key account managers team to develop long-term partnerships with asset management companies
2. Proposition of Gabetti as a full service provider
3. Availability to invest in minority equity stakes of asset management companies



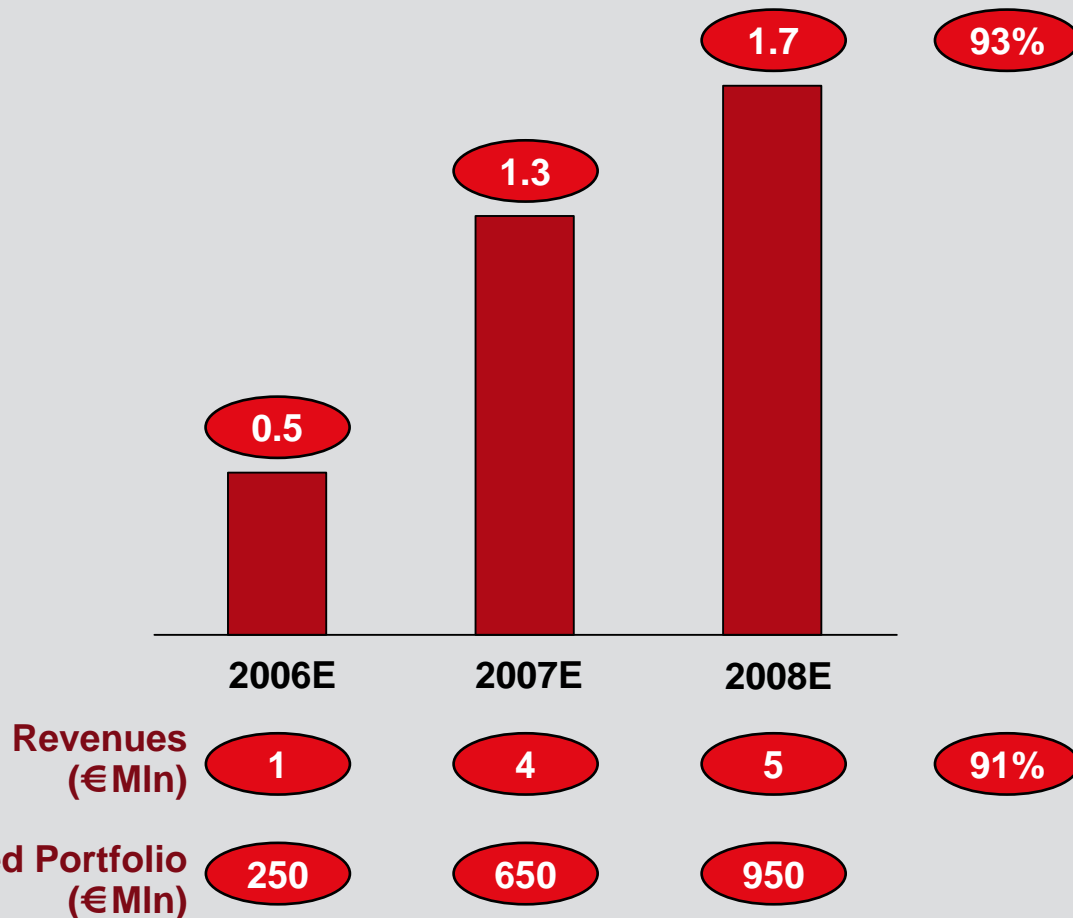
(1) Before holding costs

## Actions

1. Build strategic agreements with leading Italian and foreign financial institutions
2. Establish a dedicated team, through the reinforcement of the existing structure with highly skilled profiles
3. Consolidate and develop a legal network (up to 400 lawyers) for credit recovery



Evolution of EBITDA<sup>(1)</sup> (€Mln) CAGR '06-'08



(1) Before holding costs

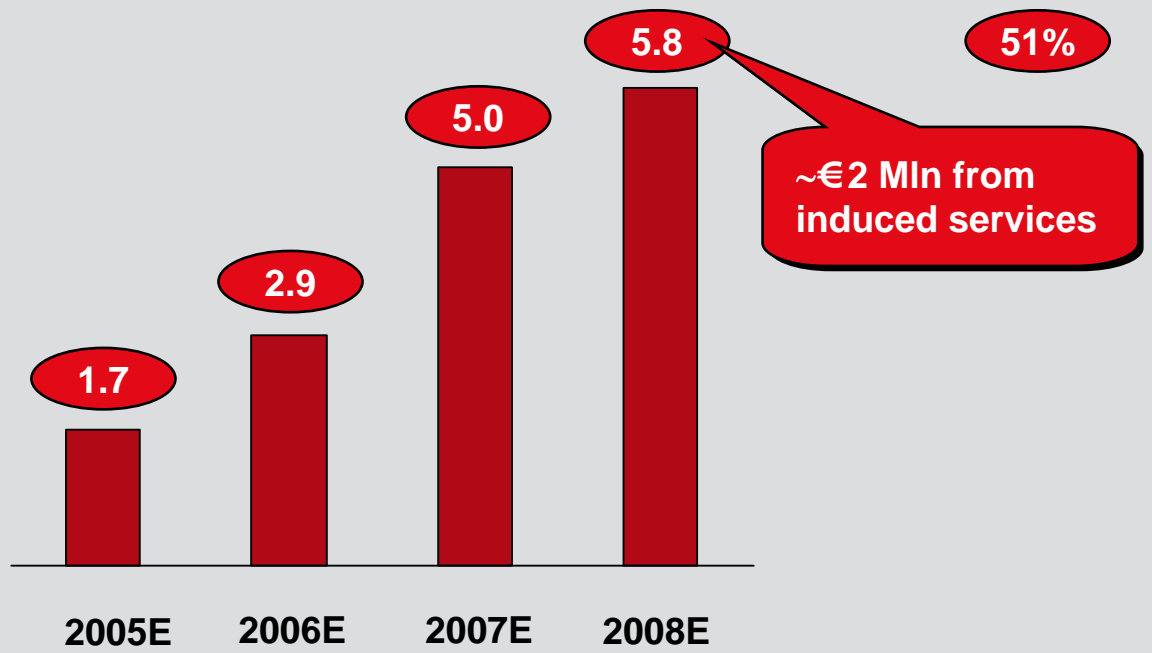
# MINORITY STAKES IN REAL ESTATE INVESTMENT VEHICLES IN ORDER TO GENERATE BUSINESS OPPORTUNITIES FOR AGENCY AND SERVICES

## Actions

- 1. Proposition of Gabetti as a player interested in assuming minority stakes in a high number of investment initiatives
- 2. Qualify as full service provider for real estate investment vehicles

Evolution of Earning from co-investment<sup>(1)</sup> (€Mln)

CAGR '06-'08



(1) Before holding costs. It includes EBITDA induced in other business lines

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**Gabetti Group today**

**The evolution of Gabetti's markets**

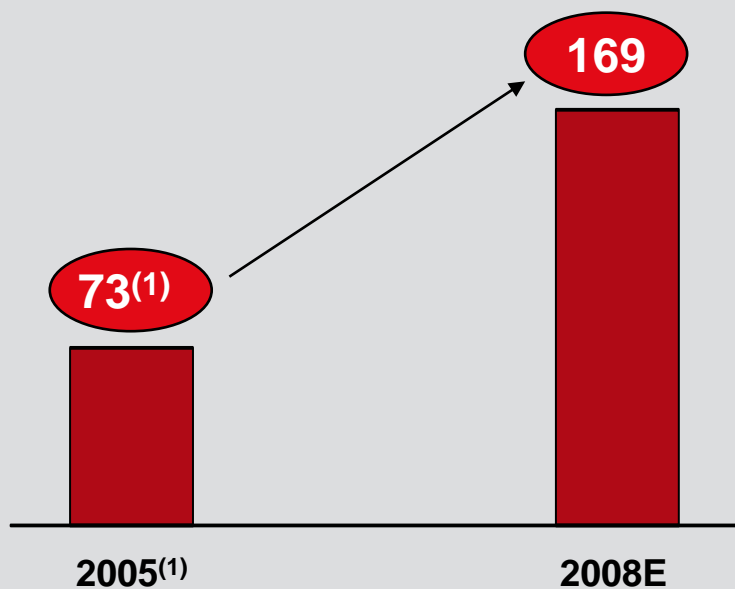
**Gabetti Group's strategy and objectives for 2006-2008**

**Gabetti's business lines: strategy and objectives for 2006-2008**

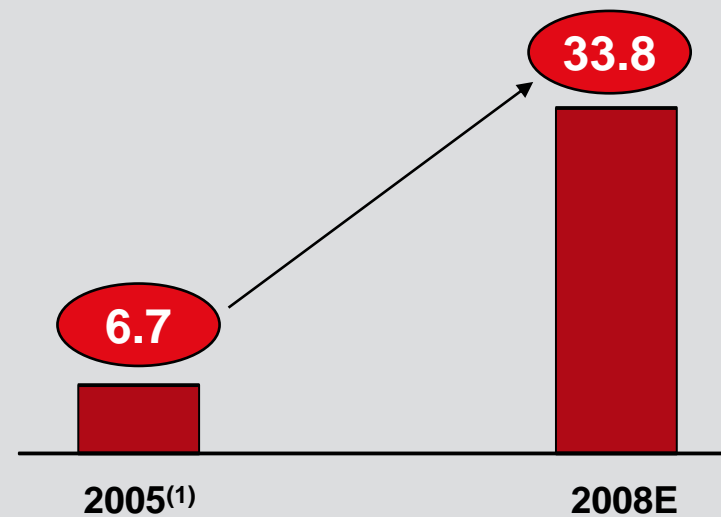
**Conclusions and Q&A**

# THE NEW GABETTI ERA

Target: x2 the revenues...



... x5 the EBITDA



(1) Excluded revenues and EBITDA generated by trading vehicles

Notes: Data in € Mln

