

Mercatone Uno

Investment Profile



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Why Mercatone Uno is an opportunity



Plug and play opportunity to enter the Italian market from the main door (top 3 players) through a preferred fast track



Leverage a top retailer for "Made in Italy" home style as a platform for future expansion toward EU markets



Ministry of Economic Development (MiSE) as your privileged counterpart, playing today a leading role for business development in Italy



Sales process through public tender, with clear rules and pre-defined timeline taking advantage of the Italian special situations procedure for large companies

Mercatone Uno is an Italy based home specialist in the non-food retailer business with a leading positioning in the Italian market

1

Historical Italian Brand in home non-food retail sector

- > Mercatone Uno is one of the most important and largest non-food retail chains in Italy
- > Mercatone Uno brand is widely recognized by the market and by the customers

2

Large retail area available (480,000 square meters)

- > Availability (owned or leased) of a commercial area of about 480,000 square meters, in addition to 220,000 square meters of warehouses
- > Unique commercial area in Italy for size and localization; point of sales widely distributed throughout the country

3

Several commercial licenses available

- > Availability of many commercial licenses for large sales structures (average point of sales area exceeding 2,500 square meters)
- > The granting of those commercial licenses *ex-novo* would require long time and complex procedures

4

Established relationships with primary suppliers

- > Availability of an established and qualified supply chain, in particularly related to furniture
- > Well established relationships with a network of distributors and direct access to low cost countries suppliers

5

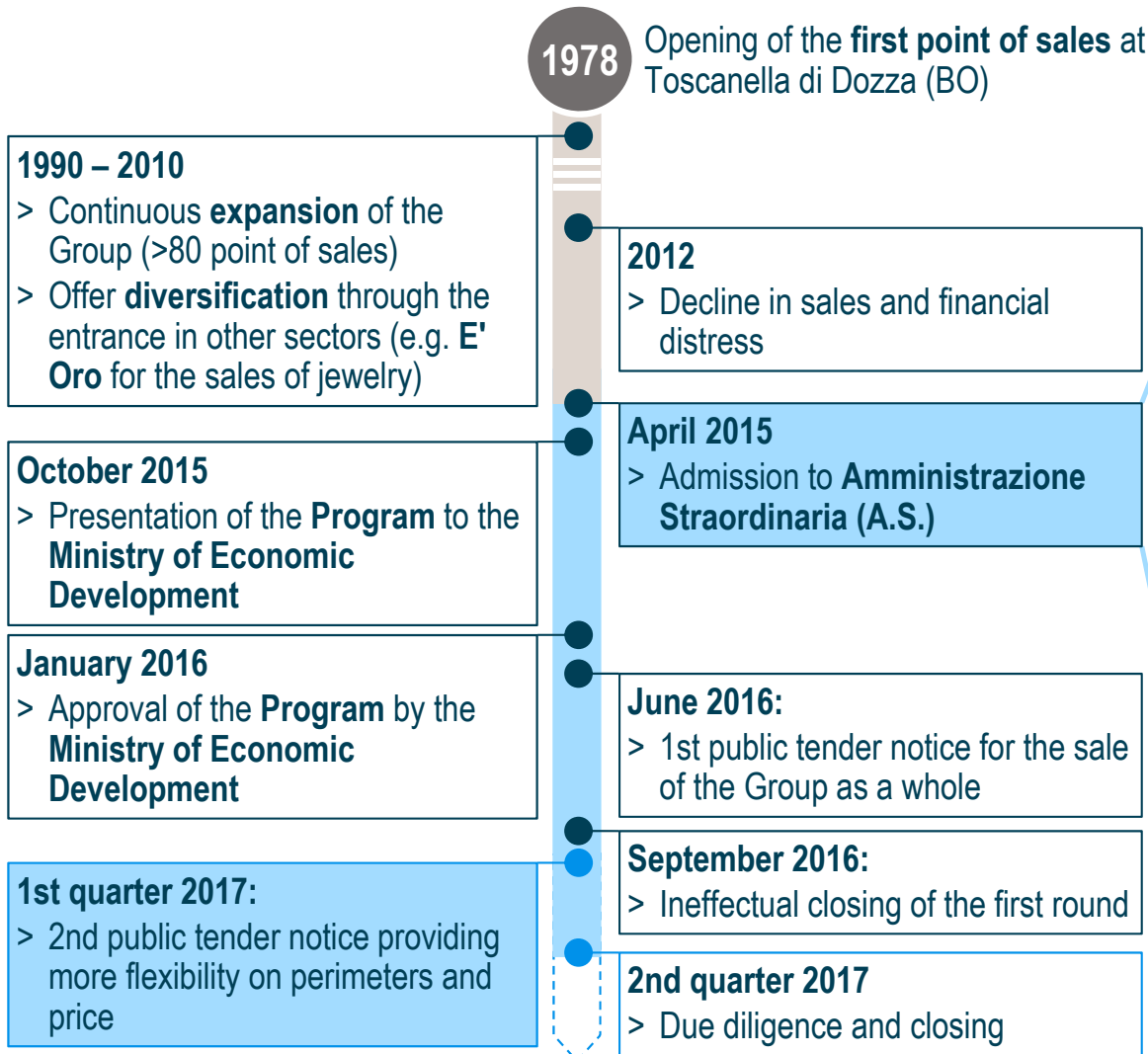
Combination of new experienced management team and skilled loyal workforce

- > Expert management team with several years of experience in non-food retail sector
- > The highly skilled and loyal workforce is a lever for the re-launch

FURTHER OPPORTUNITIES FOR INDUSTRIAL INVESTORS

- > Lower **purchasing costs** leveraging economies of scale
- > **Optimization** of the vendor / supplier list
- > **Value** local brands / suppliers *out of Italy (for non-Italian retailers)*
- > **Product offering integration / optimization**
- > Exploit **synergies** on **headquarter** support activities

For over 35 years, Mercatone has been a recognized player on the market – Next step is a sale tender with flexibility on the perimeters



"Amministrazione Straordinaria" (A.S.): key points

- > The "Amministrazione Straordinaria" (A.S.) is the Italian **insolvency procedure** reserved to **large commercial companies**
- > The main purpose of A.S. is the preservation of the goodwill and of the employment levels of the company through a **programme** aimed at the **restructuring** and/or at the **sale of the business**
- > The realization and implementation of the programme, as well as the management of the company, is entrusted with one or three **Extraordinary Commissioners** appointed by the **Ministry of Economic Development**, acting as key stakeholder in the M&A process
- > The existing **Board of Directors** and **shareholders** of the company are totally **ousted from the Procedure** and from the management of the company

The insolvency procedure "Amministrazione Straordinaria" implies several advantages for the buyer and a regulated sale process

Advantages for the buyer

- > **Asset deal:** the object of the sale are the business assets of the company (**no sale of shares**), which usually includes fixed assets, inventories, employees, contracts, licenses and authorizations
- > **No debts and encumbrances:** except where otherwise agreed between the buyer and the Extraordinary Commissioners, the buyer assumes no liability for existing debts incurred before the closing of the deal. All encumbrances deriving from lending agreements (mortgages, pledges, etc.) are cancelled by Decree of the Ministry of Economic Development
- > **Employment reorganization:** the buyer has the opportunity to agree upon the partial transfer of the employees to the buyer as well as upon amendments to working conditions

Sale process

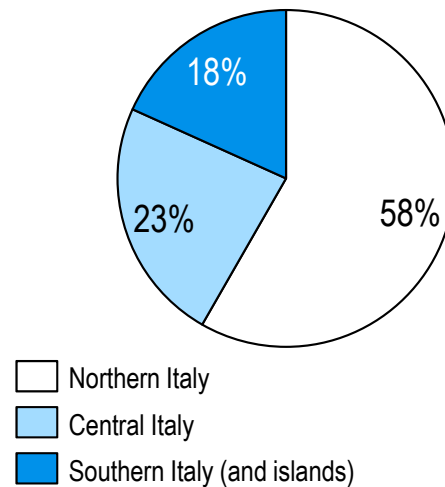
- > Structured as a **public and transparent tender**, where bidders are expected to place their binding offers to purchase the business assets of the company within a given mandatory deadline
- > According to the law, the **criteria** for the assessment of the binding offers are the following:
 - **Price:** the assessment of the price is based on appraisals made on the business assets by independent appraisers appointed by the Extraordinary Commissioners
 - **Employment levels:** The buyer has to undertake to maintain for a minimum period of 2 years the agreed employment levels. Such obligation is normally secured through a first demand bank guarantee
 - **Sustainability of the Industrial Plan:** The buyer must attach to the purchase contract an Industrial Plan for the recovery of the business
 - **Reliability of the buyer:** The bidders are required to prove their financial robustness

Mercatone Uno is a widespread Group primarily focused on the sale of furniture, electrical appliances and household products

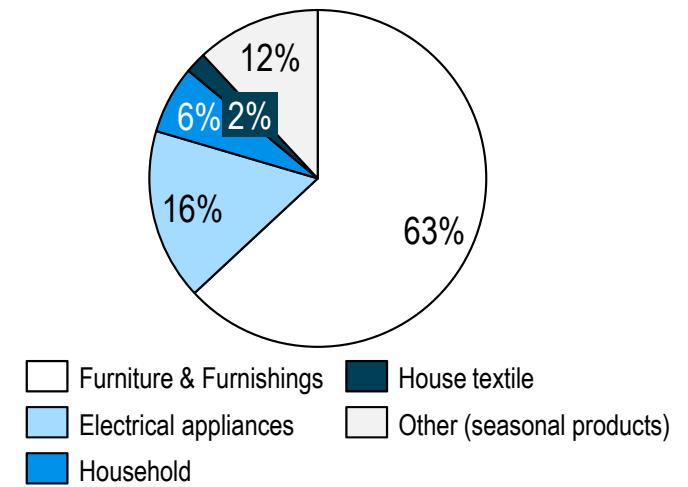
Key facts (2014)

Headquarter:	Imola (BO)
Net sales [€m]:	463
Employees:	≈ 3.400
# point of sales:	79
Total size [sqm]	500.000
Logistic hubs:	2

Sales by area



Sales by product segment



Main other non-core (out of the public tender scope)

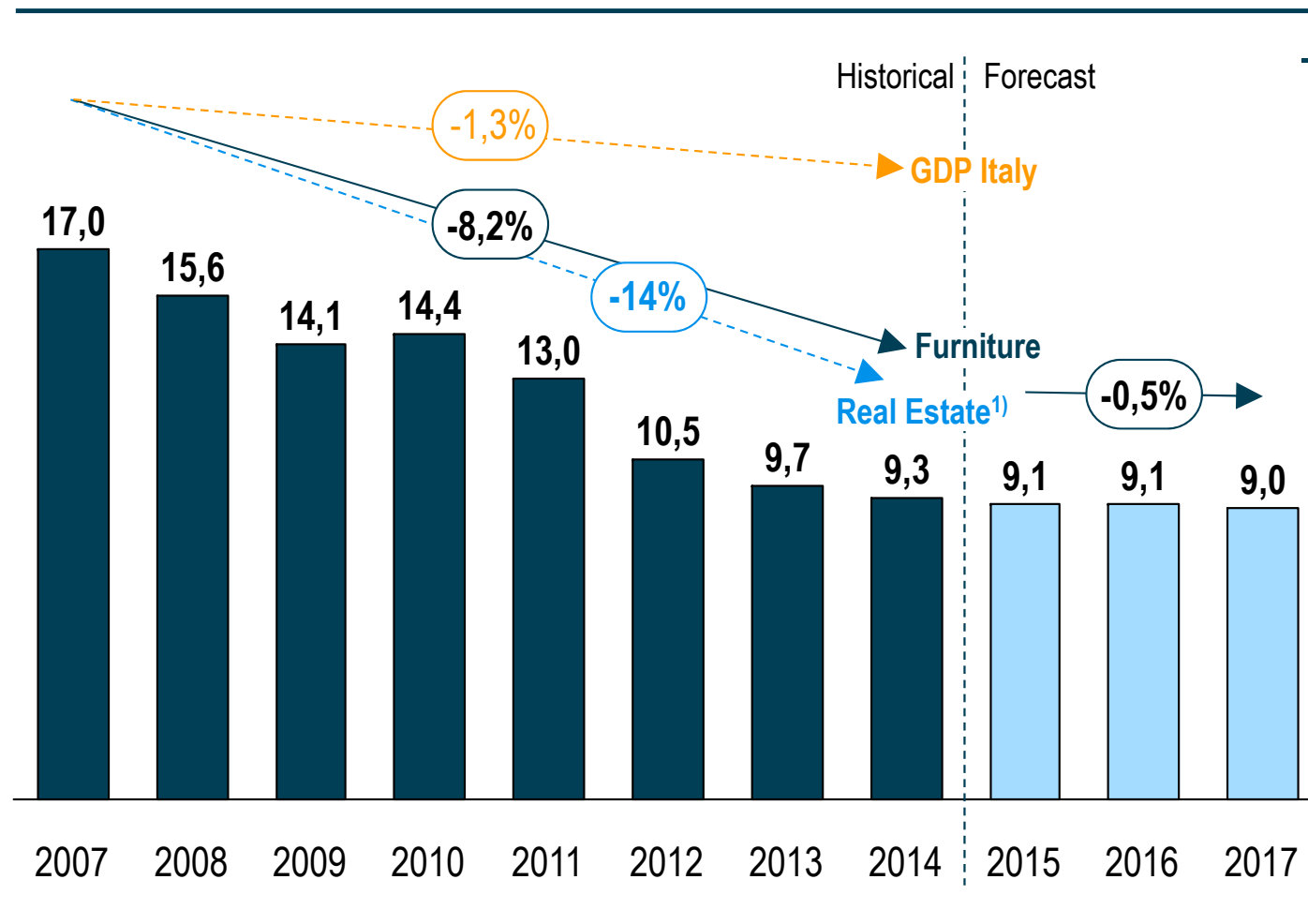
COMPANY	INDUSTRY
È ORO	Jewelry / bijouterie
MELLI SALOTTI S.R.L.	Living room furniture
3C CASALINGHI S.P.A.	Household products
S.I.EL. S.R.L.	Furniture, El. Appl., Household
PACKCENTER S.R.L.	Brico, Household products

- > È Oro was founded in 1994 with the opening of the first point of sales in Toscanella di Dozza (BO)
- > The company operates throughout the Country with both stores located inside **shopping centers Mercatone Uno stores**



After several years of significant drop, the furniture market is expected to reduce its decline and stabilize

Italian furniture market – sales [EUR bn]



- > The Italian furniture market is characterized by high fragmentation and has undergone a significant fall
- > This decrease was mainly driven by the enduring uncertainty and macro economy conditions, the ongoing crisis in the housing market and by a significant slowdown in investments in durable goods
- > From 2015 the furniture market is expected to arrest its decline and the demand is expected to stabilize (CAGR 2015-17 -0,5%)

1) Investments in new residential building in Italy – CRESME 2013
Source: Euromonitor 2014; IHS

Mercatone Uno is one of the most important player in Italy in terms of sales and has the most extensive product offering of the market

		Revenues [€m] ¹⁾	Furniture	Brico	Household	El. Appl.
Home generalists		<input type="text"/>	✓	✓	✓	✓
		<input type="text"/>	✓	✓	✓	✓
		<input type="text"/>	✓	✓	✓	✓
		<input type="text"/>	✓	✓	✓	
		<input type="text"/>	✓	✓	✓	✓
Furniture Specialists	ZARA HOME	<input type="text"/>	✓		✓	
	MAISONS DU MONDE	<input type="text"/>	✓		✓	
Bricolage Specialists		<input type="text"/>		✓		
		<input type="text"/>		✓		
Household Specialists		<input type="text"/>			✓	
		<input type="text"/>			✓	
Electronic App. Specialists		<input type="text"/>				✓
		<input type="text"/>				✓

EXEMPLARY

1) Based on public data, 2013-2014 ✓ Strong presence ✓ Limited presence

Mercatone Uno presents itself on the market as a home multi-specialized retailer offering a wide range of products

Product category	Furniture & furnishing	Electric appliances	Household products	House textile	Other (seasonal)
Product offering (selection)					
	<ul style="list-style-type: none"> > Furniture (standard and customized) <ul style="list-style-type: none"> – Kitchen – Bedroom – Bathroom – Living room > Lightning > Accessories 	<ul style="list-style-type: none"> > Built-in appliances > Big appliances > Small appliances > TV > Mobile Phones > Hi-Fi 	<ul style="list-style-type: none"> > Food preparation > Cooking items > Ars de la table > Decoration > Party items > Candles > Tablemats 	<ul style="list-style-type: none"> > Bed Linen > Table Cloths > Bath's Towels > Sofa Covers > Mattresses > Pillows > Furniture Cushions 	<ul style="list-style-type: none"> > Jewelry and bijouterie > Bikes > Perfumery > Toys > Pet care > Motorcycles > Brico > Gardening

The footprint of Group Mercatone Uno includes today 78 point of sales widespread throughout the whole Italian territory

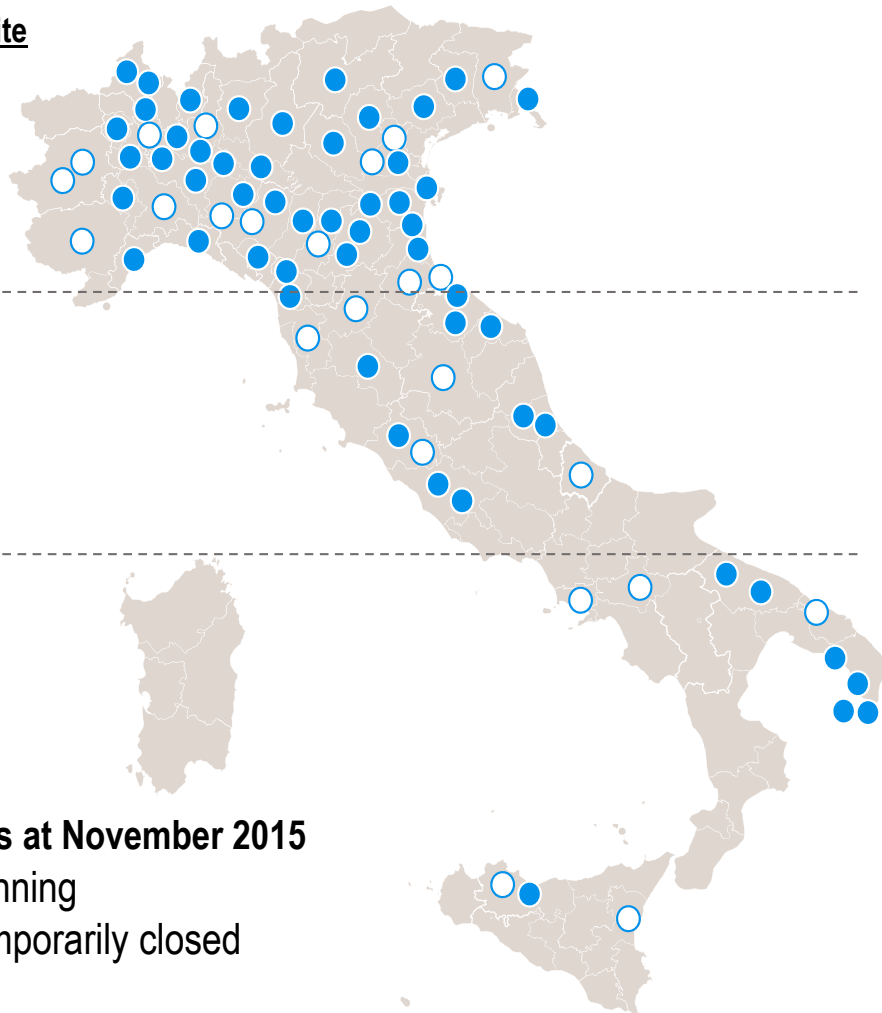
Localization of point of sales

GDP pro capite

33k€

29k€

17k€



Status at November 2015

- Running
- Temporarily closed

KPIs

- > **Number of point of sales** **78**
of which running 59
of which planned to be opened 2
of which temporarily closed 17
- > **Point of sales renewed after 2012** **27**
- > **Avg. sales per PoS 2014 [€m]** **≈ 7**
- > **Total size [sqm]** **≈ 500.000**
N° 1 in Italy
- > **Avg. size [sqm per PoS]** **5.400**
- > **Sales productivity 2014 [€ per sqm]** **≈ 1.400**
affected by financial distress

List of PoS locations, current status, building ownership and sale surfaces (1/3)

ID	Location	Address	Status	Building ownership	Commercial surface smq
1	Altopascio - LU	Località Cerbaia	Open	Third parties	6.155
2	Arzano - NA	Via Prov. Casandrino 60	Closed *	Group	5.925
3	Bari - BA	Via Francesco de Blasio 4-6	Open	Third parties	4.876
4	Beinasco - TO	Via Giotto	Open	Third parties	4.474
5	Bertinoro - FC	Via Ponara ang. Emilia	Open	Third parties	5.317
6	Biella - BI	Strada Camplasso 4	Open	Third parties	5.250
7	Bologna Navile - BO	Via Cristoforo Colombo 7/34	Open	Third parties	8.353
8	Brandizzo - TO	Via Torino 454	Closed	Third parties	4.770
9	Brindisi - BR	Via Enrico Fermi 1	Closed	Third parties	3.366
10	Calenzano - FI	Via Caduti di Nassyria 1	Open	Group	3.593
11	Caltignaga - NO	Via Martiri di Bologna 3	Open	Third parties	4.821
12	Capena - RM	Viale della Buona fortuna 1	Open	Third parties	4.870
13	Carini - PA	S.S. 113 Km 282,100	Closed	Third parties	8.010
14	Carre' - VI	Via Val d'Assa km 92	Open	Third parties	6.489
15	Cascina - PI	Via Nugolaio 62/E	Closed	Third parties	5.990
16	Castegnato - BS	Via Iseo	Open	Third parties	7.255
17	Castelfranco E. - MO	Via Archimede 6/8	Open	Group	4.039
18	Castelfranco Veneto - TV	Circonvallazione Est,30	Open	Third parties	4.772
19	Cesano maderno - MI	Via Don Luigi Viganò	Open	Third parties	6.656
20	Civitanova Marche - MC	Via L. Einaudi 22	Open	Third parties	7.983
21	Colle Val D'elsa - SI	Località Belvedere	Open	Third parties	4.960
22	Colonnella - TE	Contrada Isola	Open	Group	5.960
23	Coriano - RN	S.S. S. Marino	Closed	Group	5.300
24	Curtarolo - PD	Via Dell'Industria 4	Closed	Third parties	3.780
25	Ferrara - FE	Via Della Fiera 1	Open	Third parties	6.330
26	Francavilla Fontana - BR	S.S. N.7 km 684	Open	Group	6.900

*) Opening planned

List of PoS locations, current status, building ownership and sale surfaces (2/3)

ID	Location	Address	Status	Building ownership	Commercial surface smq
27	Genola - CN	Via Marconi 90	Closed	Group	6.925
28	Genova - GE	Via Rivarolo 47	Open	Group	5.557
29	Gravellona Toce - VB	Corso Roma 156	Open	Group	1.491
30	Legnano - MI	Viale Sabotino 128	Open	Third parties	4.870
31	Lucca - LU	Viale Puccini 1718	Open	Group	6.476
32	Madignano - CR	Via Oriolo 37	Open	Group	8.628
33	Magione - PG	Via Frà Filippo Longo	Closed	Third parties	7.740
34	Mappano di Caselle - TO	Via Cottolengo Nuovo 2	Closed *	Third parties	3.860
35	Matino - LE	S.P. 334 Collepasso-Casarano	Open	Third parties	5.840
36	Mesola - FE	Via XXV Aprile 18	Open	Group	4.628
37	Mirabella E. - AV	V.S.Michele Fraz. Passo	Closed	Third parties	4.018
38	Misterbianco - CT	Contrada Mezzocampo	Open	Third parties	8.400
39	Monfalcone - GO	Via C.A. Colombo 51	Open	Third parties	4.521
40	Monsano - AN	Via Breccia	Open	Third parties	7.065
41	Monterosi - VT	Loc. Prato Fontana SS. Cassia Cimina	Open	Third parties	5.765
42	Noventa Padovana - PD	Via Noventana, 194	Open	Third parties	6.330
43	Occhiobello - RO	Via Eridania 46	Open	Third parties	6.730
44	Palermo - PA	Via U. La Malfa 32	Open	Third parties	4.313
45	Parma Via Fleming - PR	Via Fleming 2/A	Closed	Third parties	3.260
46	Parma Via Mantova - PR	Via Mantova 61	Open	Group	6.186
47	Pavia - PV	Via Vigentina 132	Open	Group	6.170
48	Pesaro - PS	Via dei Pioppi	Open	Third parties	4.281
49	Pessano con Bornago - MI	Via Provinciale 1	Closed	Third parties	3.450
50	Pieve Fissiraga - LO	Viale Pavia 1/3	Open	Group	5.293
51	Pombia - NO	Via Larino	Open	Third parties	7.630
52	Preglia di Crevoladossola - VB	Piazza I Maggio 1	Open	Third parties	4.880

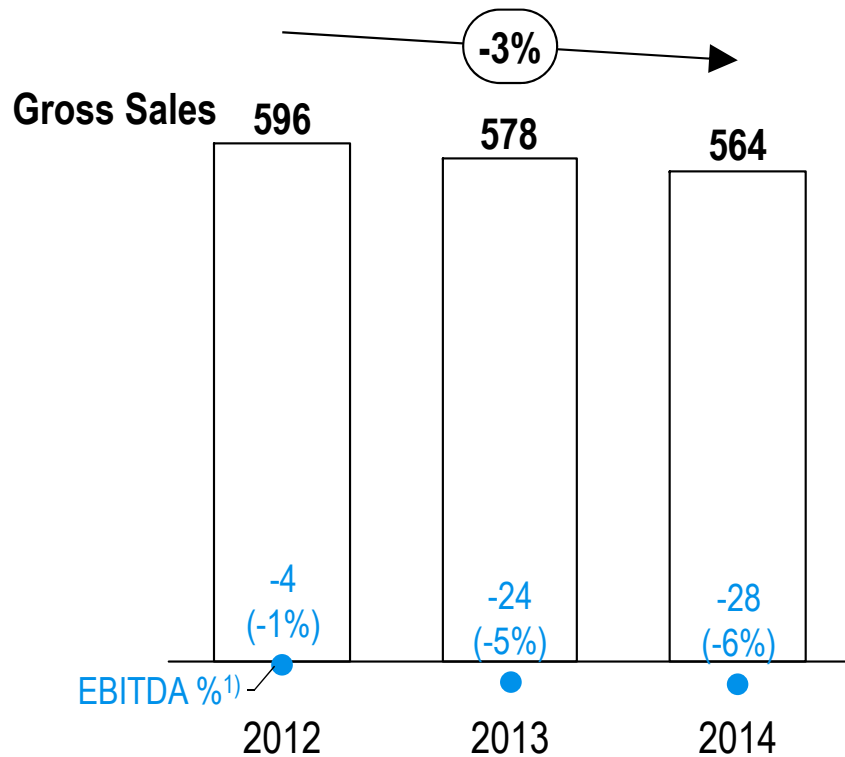
*) Opening planned

List of PoS locations, current status, building ownership and sale surfaces (3/3)

ID	Location	Address	Status	Building ownership	Commercial surface smq
53	Reana del R. - UD	Via Nazionale (SS.13 Pontebbana)	Closed	Third parties	7.690
54	Rimini - RN	Via Tolemaide 130	Open	Third parties	5.500
55	Roma - RM	Via Fosso Tor Tre Teste	Open	Third parties	7.140
56	Romagnano Sesia - NO	Via Novara 420	Closed	Group	4.835
57	Rottofreno - PC	Via Emilia Pavese	Open	Group	7.310
58	Rubiera - RE	Via Marsala 7/A	Open	Third parties	6.065
59	Russi - RA	Via faentina sud, 9	Open	Third parties	7.850
60	S. Cesario - LE	Via Lecce Km 3.100	Open	Third parties	4.445
61	S. Giorgio di Piano - BO	P.le Galliera	Open	Group	6.716
62	S. Giuseppe di Comacchio - FE	S.S. Romea km 65	Open	Group	6.011
63	S. Michele All'Adige - TN	Via Brennero 4/A	Open	Group	5.985
64	S. Pietro di Legnago - VR	Viale Europa 39	Open	Third parties	6.350
65	Sacile - PN	Viale Trento 81	Open	Group	5.640
66	Sambuceto - CH	Via Po 12	Open	Third parties	3.940
67	Scerne di Pineto - TE	S.S. Adriatica 16	Open	Group	11.926
68	Serravalle Scrivia - AL	Via Cassano 21	Closed	Third parties	6.985
69	Sorbara - MO	Via Ravarino-Carpi 117	Closed	Third parties	8.469
70	Surano - LE	S.S. 275 Km 14	Open	Group	6.000
71	Tavernerio - CO	Via Briantea	Open	Third parties	4.230
72	Terlizzi - BA	S.S. Terlizzi - Mariotto	Open	Group	8.674
73	Trecate - NO	Corso Roma 181	Open	Third parties	5.820
74	Tribano - PD	Viale Europa 49	Closed	Third parties	3.239
75	Verdello - BG	Viale Lombardia 7	Open	Third parties	7.800
76	Villafranca d'Asti - AT	S.S. 10 101/103	Open	Third parties	5.950
77	Villanova D'Albenga - SV	Via Martiri della Libertà 38	Open	Third parties	2.795
78	Viterbo - VT	SS Cassia Nord Km 88.400, 31/O-N	Closed	Third parties	6.155

Significant drop in economics from 2012, due to a difficult business environment and the crisis of the Mercatone Uno business model

Key financials [2012-2014; EUR m]



Main causes of the decline

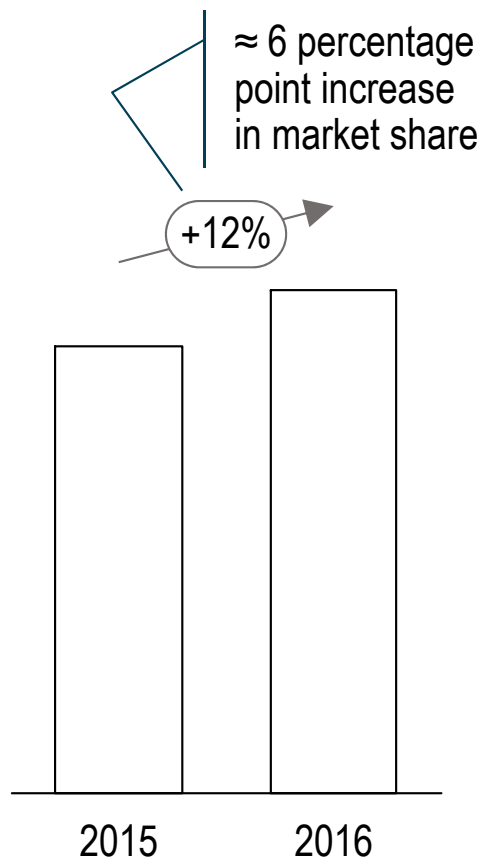
- > The **drop** suffered by the primary **markets** in which the Group Mercatone Uno operates, compounded by an **overall contraction in consumer spending**
- > Simultaneously with the reduction in spending, the market has been affected by a progressive change in the **profile of consumer choice** and in the structural **characteristics of the demand**
- > The reduction in purchasing power and the entrance of players called **Category killers** (eg. Mediaworld , Euronics) specialized in certain categories of products made the consumer more informed, demanding and sophisticated
- > The previous **Generalist model** by Mercatone Uno suffered a progressive crisis in favor of new and more **specialized models**, focused on a few product categories and more competitive in terms of pricing

1) Calculated on Net Sales
Source: Company information

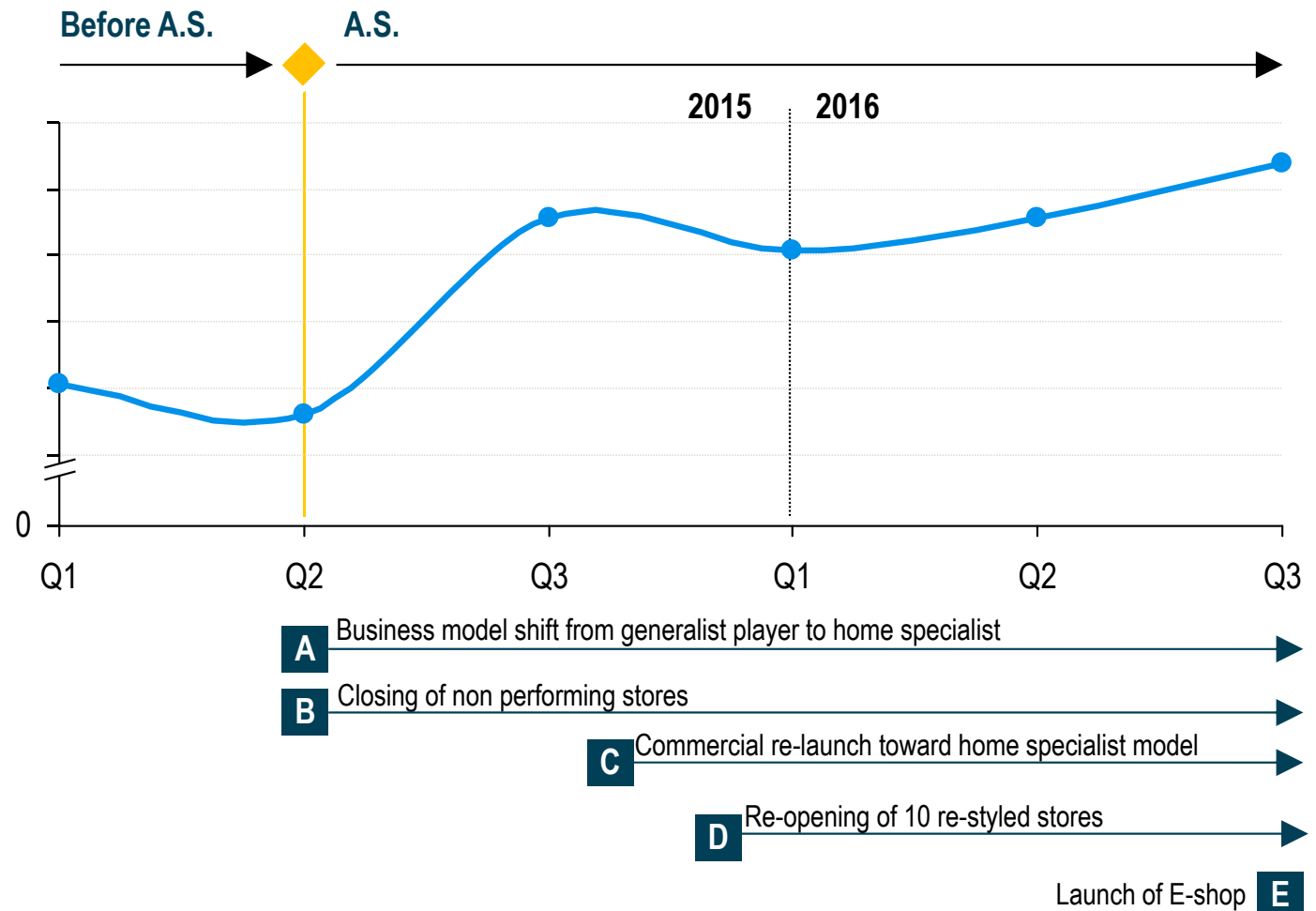
The quick hits undertaken by the Commissioners and new management team are turning results starting from July 2015

Recovery after AS

Gross Sales



Quarterly performance [Gross sales]



The Group is ready for a credible performance improvement, while further value could be created through a new business combination

Potential initiatives on a stand alone base (Selection)

Focused on revenues improvement

- > Reputational recovery, through targeted marketing and specific projects (already underway)
- > Optimization of the product mix
- > Development of IT systems to simplify the sales process
- > Strengthening of the sales force

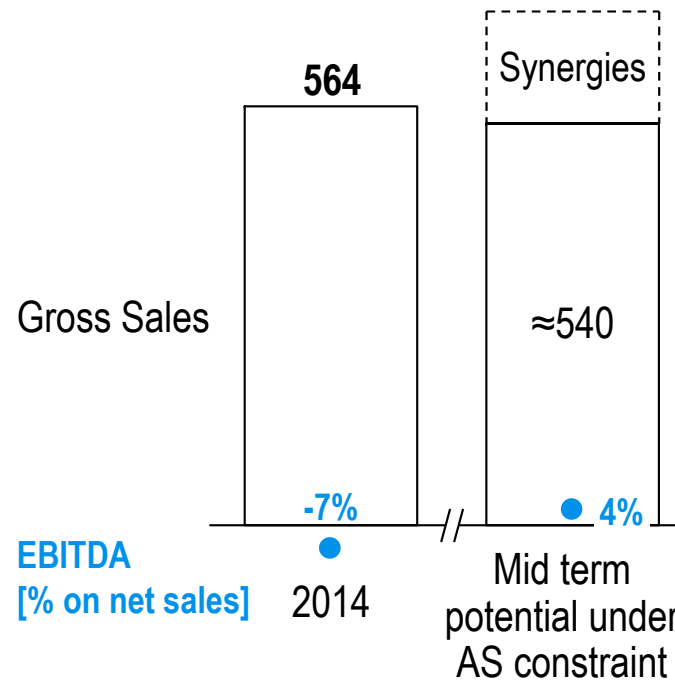
Focused on marginality improvement

- > Re-negotiation of rents
- > Centralization of logistics
- > HQ costs optimization

Estimated impacts [EUR m]

ILLUSTRATIVE

#PV ¹⁾	78	59
Gross sales productivity [€ / sqm]	≈ 1.400	≈ 1.800
		← Market benchmark ≈ 3.000 →



1) # of operative PoS at the end of the year

Roland
Berger

