

Executive Summary CAPSTONE

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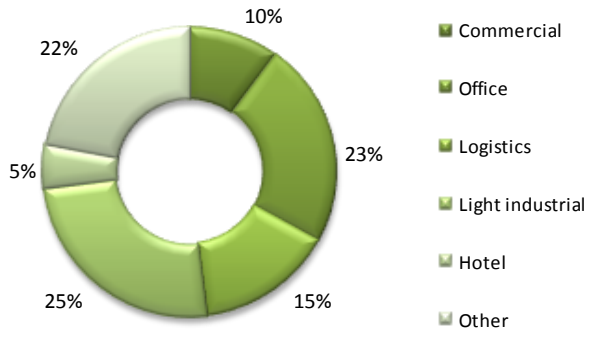
Represented by		Company details	
Surname	LIPP	Name	CAPSTONE Properties
First name	Stéphane	Form	SAS
Position	Chairman	Date of registration	06/2009
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Mobile	+33 (0)6 10 58 62 84	Capital	€259,460
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I – PRESENTATION

ORIGIN	Stéphane LIPP (37), 15 years experience in corporate real estate: development, investment, management, marketing.
CONCEPT	<p>Real Estate Investment Company Partnering SMEs dedicated to accompanying its client-partners over the long term. Innovative positioning in a non-structured sector largely ignored by institutional investors.</p> <p>Activity is 75% sale and leaseback of existing buildings, the remaining 25% comprising development of bespoke real estate solutions and services.</p> <p>Differentiators:</p> <ul style="list-style-type: none"> - Investment in non-prime real estate assets of SMEs by portfolio acquisition, sale & leaseback, site conversion - Creation of a diversified high yielding portfolio (>8%) with long lease terms (>10 years) - Long term asset holding, non-speculative posture, progressive debt reduction.
CONTEXT	<ul style="list-style-type: none"> - Sector not covered by institutional investors as assets are « non-prime » - SMEs seeking to strengthen balance sheets, alternative sources of finance and facilitation of business transfer.
VISION	Capstone will become a key player in the financing and management of SME property assets. It will have a market value of 600 M€ in 6 years with 250 M€ of equity capital and will be quoted on a recognised stock exchange with an exceptional risk/reward profile.

II - OFFER & MARKET

OFFER	<ul style="list-style-type: none"> - Sale & leaseback (75%), redevelopment and other real estate services (25%) via bespoke real estate solutions and services to SMEs - Benefits for SMEs: diversification of financing, strengthening of balance sheets, facilitation of business transfers through reduction of sale price, optimisation of existing and future real estate requirements by a specialist provider.
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MARKET/ CUSTOMERS	<ul style="list-style-type: none"> - Global corporate real estate > 1 trillion € - 1,000,000 SMEs, of which 2/3 own their property (1/3 in USA) - Trading parameters: <ul style="list-style-type: none"> - Average gross rental yield 10.35% - Average lease length 10 years - Leverage 50/50 - Average investment 5.8M€ - Initial markets France (ex central Paris), Belgium - Built area owned in Year 5 535,000m² - Diversification by number of assets, asset type, location and industry sector <p style="text-align: center;">Diversification of revenue by asset type</p>  <p style="text-align: center;"><i>Other = bespoke buildings, laboratories, car parks...</i></p>
MARKET ACCESS	<ul style="list-style-type: none"> - Network of Leadership Team contacts (15 to 30 years experience each) - Regional Directors from banking background (awareness of local economic drivers): identify assets for acquisition and establish SME customer relationships. - Accountants, M&A advisors, estate agents, professional contacts.
COMPETITION	<ul style="list-style-type: none"> - Leasing companies, Proudreed (partially) - Competitive advantages : regional presence, commitment to long term asset holding, objective of lease terms > 10 years, non-prime assets in quality locations, rental yields > 8%
CURRENT PIPELINE	<ul style="list-style-type: none"> - 3 investments, of which one already in freehold ownership, are under exclusive negotiation for a total investment of 30 to 60M€.
III – ECONOMIC MODEL	
REVENUES	<ul style="list-style-type: none"> - Sale & leaseback of corporate assets (recurring long term revenues) - Acquisition of tenanted parks/portfolios - Sale of services associated with these assets (management fees for renovations, fees for outsourced property management...)
IV - TEAM	
CURRENT TEAM	<ul style="list-style-type: none"> - Stéphane LIPP (37), CNAM Commercial Law, MBA Corporate Finance - Fordham University (NY, USA), Financière Norbert Dentressangle, DTZ Thouard, Wal*Mart. - 4 experienced professionals (finance, asset management, legal affairs, sales & marketing)
FUTURE RECRUITMENT	<ul style="list-style-type: none"> Regional Directors with banking background Commercial Account Managers/Business Developers

V - STRUCTURE AND FINANCING REQUIREMENTS

STRUCTURE & COMPOSITION OF CAPITAL	<p>- S.LIPP: valuation of current projects, developed outside of the investment company and contributed as capital to the company.</p> <p>- Investors : according to capital contributed: approx. 95% (*)</p> <p>(*) for a total capital contribution of approx. 267 M€</p>
FINANCING REQUIREMENT AND APPLICATION	<p>Capstone is seeking a total equity investment of 267 M€ issued in tranches as follows :</p> <p>- Year 1 :</p> <ul style="list-style-type: none"> • First tranche 0.5M€ Quarter1 2011 • Second tranche 0.6M€ Quarter2 2011 • Third tranche 22M€ July 2011 <p>Total Year 1 : 67M€</p> <p>- Year 2 – Year 5: 50M€ p.a. approx.</p> <p>Leverage at 50% by bank debt.</p>
VALUATION YEAR 5	<p>Two methods of calculation :</p> <p>- Net Asset Value with a capitalisation rate (gross rent/asset value) of 8% : Valuation = 548 M€, IRR = 24 %</p> <p>- DCF (operating cash flow/(8,2% - 3.00%) – debt) : Valuation = 612 M€, IRR = 27 %</p> <p>Average in Year 5 : Net valuation = 580M€, IRR = 25 %</p>
VI – FINANCIAL DATA	
See below	
VII - OTHER	
REMARKS	- Investment approval > 2 M€ by Investment Committee/Board of Directors

Profit & loss account	Y1	Y2	Y3	Y4	Y5
	2011	2012	2013	2014	2015
Revenues	5.10	17.30	31.80	45.70	61.80
<i>Growth</i>		239%	84%	44%	35%
EBITA	1.89	13.16	26.25	38.56	53.38
<i>Margin</i>	37.1%	76.1%	82.5%	84.4%	86.4%
Depreciation	7.79	14.47	22.35	30.29	38.78
Operating profit	5.90	1.31	3.90	8.27	14.60
Finance cost	- 1.80	- 4.88	- 8.02	- 11.13	- 14.54
Net profit	- 7.70	- 6.19	- 4.12	- 2.86	0.06
Operating yield (EBITA/Equity)	3.20%	12.48%	16.80%	19.06%	21.66%

Balance sheet	Y1	Y2	Y3	Y4	Y5
	2011	2012	2013	2014	2015
Shareholders equity	59.21	105.52	156.26	202.35	246.52
Bank debt	63.90	117.68	177.52	235.71	293.15
Fixed asset investments	125.17	227.08	339.90	446.38	550.09
Total assets	125.47	227.38	340.20	446.68	550.39

Cash flow	Y1 2011	Y2 2012	Y3 2013	Y4 2014	Y5 2015
Operating cash flow	0.09	8.28	18.22	27.43	38.84
OCF/equity	0.16%	7.85%	11.66%	13.55%	15.76%
Share capital	66.92	52.50	54.86	48.95	44.11
Bank debt	63.90	53.78	59.84	58.19	57.44
Tenant deposits	2.35	1.82	2.24	2.20	2.10
	133.26	116.38	135.16	136.77	142.49
Investments	- 132.96	- 116.38	- 135.16	- 136.77	- 142.49
Change in working capital	- 0.30	-	-	-	-
Free cash flow reinvested	0.02	6.12	13.20	19.69	27.36
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