

# **designcapital**

permanent capital dedicated to **design**

21 January 2008

8:01am

## **DESIGNCAPITAL PLC**

("designcapital" or "the Company")

### **Admission to AIM – First Day of Dealings**

#### **Highlights:**

- designcapital plc announces the completion of its admission to AIM and that trading in its ordinary shares commenced at 8.00am today.
- designcapital is a newly incorporated public limited company with the objective of becoming a major pan-European design-focused investment company.
- The Directors of designcapital intend that the company will make investments in luxury, contemporary design orientated companies with a particular focus on manufacturers and retailers of luxury furniture and design-enabled products and appliances.
- The value of the high-end/luxury, contemporary/modern/design furniture market is predicted to reach €9.4 billion by 2008 with a growth rate of 6-8% per annum (source: Merrill Lynch).
- Key shareholders include Luxadvor which recently acquired the French luxury foods company Hédiard. Luxadvor, which is owned by the prominent Russian industrialist Sergei Pugachev, intends to invest £3.4 million in designcapital over the next 12 months\*.
- The total number of new shares in issue at Admission is 59,828,400 million raising a total of £4,784,100 before expenses.
- HB Corporate is the Company's Nominated Adviser and Broker.

#### **Frederic Bobo, Executive Chairman, designcapital plc, commented:**

"The luxury goods market is expanding quickly and we are seeing a rapidly emerging demand for 'new luxury' products such as top-end designer furniture.

"Currently, the European luxury designer furniture industry is highly fragmented, with more than 200 relatively small companies with limited managerial and marketing capabilities, which often leads to these companies being unable to obtain scale.

"designcapital aims to consolidate this marketplace by acquiring, nurturing and bringing to maturity aspirational luxury design furniture brands and retail concepts; we will create brands and concepts that respond to the same customer's aspirations for design and luxury.

"With strong financial investors including Luxadvor, designcapital will now implement its well prepared acquisition and investment strategy with a view to quickly becoming the number one European design-focused investment company."

**Placing and Subscription statistics:**

Placing Price/Subscription Price	<b>10p</b>
Number of Ordinary Shares in issue on Admission	<b>59,828,400</b>
Percentage of the enlarged issued share capital of the Company held by new shareholders on Admission	<b>58%</b>
Estimated net proceeds of the Placing and Subscription on Admission *	<b>£4.1 million</b>
Approximate capitalisation at the Placing Price on Admission	<b>£6 million</b>

\* Total possible proceeds of approximately £11.5 million pursuant to the Deferred Subscription Letters at 30 days and 12 months post Admission

**For further information:**

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## **DESIGNCAPITAL PLC - KEY INFORMATION**

The Company has been established with the objective of becoming a major pan-European design-focused investment company. The Directors intend that the Company will make investments in luxury, contemporary design orientated companies with a particular focus on manufacturers and retailers of luxury furniture and design-enabled products and appliances. In addition, the Directors intend that the Company will invest in companies providing advisory services in the fields of architecture and design.

The Company will focus primarily on investment and acquisition opportunities within the European Union and the United States as well as in selected emerging markets.

The Directors intend that the Company will make investments in target businesses at all development stages save for start-up businesses.

The Directors intend that the Company will make direct investments in and directly manage its investments in design related companies and projects, as well as making investments in such companies and projects through various investment vehicles.

The Directors intend that the Company's interest in a proposed investment may range from a minority position to 100 per cent. ownership. These proposed investments may be made through a direct interest in a design company or project, an indirect interest through a partnership, joint venture or through quoted or unquoted companies.

The Directors intend on identifying and investing in investment opportunities which they believe show excellent growth potential on a stand-alone basis and which would add value to the Company either through the expertise of the Company's personnel or through ongoing funding.

The Directors intend on actively monitoring any investments and/or acquisitions made by the Company.

The Company is undertaking the Placing and offering third parties the right to subscribe for Subscribed Shares pursuant to the Subscription as the first step in the implementation of this strategy.

## **THE MARKET**

The world market of furniture was estimated to be €235 billion in 2005.

Excluding lighting appliances, bath and kitchen furniture, the high-end/luxury, contemporary/modern/design furniture market is composed of around 200 luxury brand manufacturers, most of which are located in the European and US markets.

The aggregated turnover of this niche market was estimated in 2005 as being €7.7 billion.

In 2005, Europe and America each accounted for 35% of the high-end/luxury furniture market whilst the Asian markets represented 21%.

The luxury furniture market has an estimated growth rate of 6-8% per annum which is estimated by the Poltrona Frau Group ("Poltrona"), a leading player in the world luxury furniture market, to be double the pace of the overall furniture industry. This growth rate is predicted to reach €9.4 billion by 2008.

In 2006, only 8 companies in this market generated revenues in excess of €100 million, with the majority of companies in this sector generating a turnover of less than €50 million.

The high-end/luxury, contemporary/modern/design furniture market is particularly fragmented and this is highlighted by the fact that in 2005 Poltrona held only a 4.7% market share with only one of their seven brands generating a turnover of more than €100 million.

When contrasting the generation of turnover in the high-end/luxury furniture market with that of the luxury fashion brands, fashion brands such as Gucci, Hermes and Bulgari generate more than 50% of their sales

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through fully owned retail networks, whilst even Poltrana, a leading player in the world luxury furniture market, does not have a significantly owned retail network and had only 13 directly operated stores in 2006.

Within the Company's immediate pool of target acquisitions of 200 luxury brand manufacturers and producers of high-end/luxury contemporary/modern/design furniture and design-enabled products less than 70 are companies with an international reach.

Furthermore, of this pool, Italian editors and producers constitute the large majority and a third are non-Italian, European companies. This pool does not even include businesses and manufacturers of luxury lighting appliances and other accessories nor the manufacturers of luxury kitchen and bathroom design furniture.

On the retailing side, the Directors believe that the Company's aggregated market is composed of hundreds of small independent retailers of high-end/luxury furniture, mostly located in the EU, with some larger target companies located in the US.

The Directors believe that most of the Company's acquisition targets are likely to come from a pool of luxury design brands and furniture design companies which:

- » are private/family owned businesses, often under-capitalised, running relatively small operations, and which are unable to reach their full potential;
- » are too small to be able to significantly distinguish themselves that well, and/or to build strong brand differentiation; and
- » do not own or control their distribution networks, and which generate 70% to 80% of their turnover through hundreds of small independent retailers of design furniture.

The Directors believe that such a sizeable and growing market offers the Company an opportunity to create a successful business that will strive to identify, acquire, nurture and grow to global maturity, companies and brands that, in the next few years, will combine creativity and technological innovation to create and to build the luxury design brands of the future.

## **STRATEGY**

The Company's strategy is to acquire holdings in luxury design-related companies and businesses which the Directors believe are under-capitalised, such as small or family run businesses which are unable to reach their full potential, and as such have the potential to create value for Shareholders.

The Directors intend to focus on the aspirational high-end/luxury design furniture brands in the Company's immediate pool of target acquisitions and retail concepts with a marketable brand name.

The Directors intend that the Company will take majority investments and controlling stakes in target companies with the objective of creating a portfolio of strategically integrated companies.

The Directors intend to build on the skills of the Board in order to implement the Company's investment strategy. It is the Directors' intention that a significant proportion of the Company's assets will continue to be invested and managed, both directly by the Company, but also through the creation of investment vehicles in respect of which the Company may delegate the management.

Additional funds may be required in order to meet any cash consideration payable in respect of any such investments and/or acquisitions as and when appropriate.

The Directors are currently reviewing potential investment and acquisition opportunities in line with the Company's strategy but have not yet entered into any firm commitment in connection with any such investments or acquisitions.

## **FINANCIAL GOALS OF THE COMPANY**

The Directors anticipate that revenue of the Company is likely to consist of the following income streams:

- » investment and management fees, generated from the management of invested companies and controlled investment vehicles;
- » interest from loans, or from similar financing support, to controlled and invested companies; and
- » dividends and capital gains from the equity investments intended to be made by the Company.

## **DIRECTORS**

The Board comprises:

### *Frédéric Bobo (aged 45) - Executive Chairman*

Frédéric Bobo, a French national, has almost 20 years of experience in investment banking and in corporate advisory services. He began his career in 1988, as a corporate banker at Banque Bruxelles Lambert, first in New York, then in Brussels. In 1990, Frédéric joined Eurogroup Consultants in Paris, where, as a consultant in organisation strategy for financial institutions and groups, he participated in the creation of the Warsaw Stock-Exchange (Société des Bourses Françaises assignment, 1991). In 1992, Frédéric assisted Société Générale bank in creating Société Générale Finance Développement (SGFD, Managing Director), an affiliate of Société Générale Investment Banking M&A Division) which was exclusively dedicated to investment banking and corporate advisory services in emerging markets (5 offices in Eastern Europe – Commonwealth of Independent States). There, Frédéric directly led and managed over 150 assignments including privatisations, corporate sales, IPOs, industrial restructurings, cross border M&A, joint-ventures and similar direct investment schemes, complex financial and tax related capital engineering, off-shore financial engineering. In 2001, Frédéric created his own venture, Stunning partners & co, which is both an idea laboratory and a corporate advisory consulting firm, and which provides corporate finance and strategic advisory services to companies and high profile managers. He graduated from the Institut d'Etudes Politiques d'Aix en Provence (1985); and also holds an MBA from the George Washington University (Washington, USA, 1988).

### *Philippe Hervé (aged 51) - Executive Director*

Philippe Hervé, a French national, has 26 years of experience in the retailing and furniture industries. He started his career in the Darty Group, first as Business Controller at Darty Spain (1981), then as Product Manager in Marseille (1983), before being appointed Purchasing Director in Paris (1984). In 1988, after a short period at Groupe BATA France as Marketing Director (1987), he was appointed Managing Director of Centres Maison et Jardin, a subsidiary of the Nouvelles Galeries Group with the purpose of turning the company around before leading its sale to Groupe Atlas. Philippe joined the Recticel group in 1992, as Business Unit Manager and subsequently was appointed as Deputy Manager of South Europe Bedding in 1999. In 2002, Philippe joined Cauval Industries as its CEO of the seats division. In 2005 Philippe left to pursue his own entrepreneurial ventures and in 2006 he acquired a controlling capital stake in Omoté Futons, a retail chain specializing in Asian furniture. Philippe graduated from HEC in 1978 (Ecole des Hautes Etudes Commerciales - France).

### *Sacha Tikhomirow (aged 42) - Executive Director*

Sacha Tikhomirow, a French national, has 20 years of experience in strategy consulting and in the retail industry. He began his career in 1988 as an IS programmer at BNP-Paribas Milan branch. In 1990, Sacha joined Eurogroup Consultants in Paris where he met Frédéric Bobo. There, as a consultant in

organisation strategy for financial institutions and industrial groups, he participated in the creation of the Warsaw Stock-Exchange (Société des Bourses Française assignment, 1991). In 1993, Sacha joined Braxton Associates in London as a strategy consultant and was responsible for the restructuring of large Russian enterprises (and during which time he was Moscow based (1994-1995)). During 1996-2000, Sacha was the Managing Director CIS of Groupe SEB and was responsible for its group activities throughout Russia. Following the 1998 rouble crisis, Sacha returned to Paris to take up the position of Vice-President Marketing "home cleaning" of Groupe SEB and was responsible for sales (2000-2001). In 2001, Sacha joined PC City, the French subsidiary of Dixons Group, as Managing Director, launching the brand in France. More recently, in 2004, Sacha joined Office Depot, as Managing Director of Retail, and, in 2006, he was promoted to Managing Director of Business Solutions Divisions of Office Depot-France. Sacha holds a MSc in Telecommunication from the Institut National des Télécommunications (1988, Evry, France). He is also an Insead graduate (MBA with Honors, 1993).

*Frédéric Michel-Verdier (aged 39) - non-Executive Director*

Frédéric Michel-Verdier, a French national based in London, has spent most of his career in corporate finance. He worked as a Director of Corporate Finance for ING Barings in London for 7 years until July 2007, and prior to that had spent 4 years with SG Investment Banking (commencing in 1996), and 3 years with Ernst and Young (commencing in 1993). Frédéric Michel-Verdier has extensive experience of structuring and executing a wide range of complex cross-border M&A, capital markets and privatisation transactions in Europe and MENA region. Whilst at ING Barings, Frédéric played a leading role advising companies and executing large transactions in various sectors. Frédéric is a founding partner of a Paris-based marketing and communication company, COFLEX sarl and the founding partner of Blue Oak sarl, an auction website for horse breeders, as well as Essential Emporium, a business which carries out the e-tailing of personal care products. Frédéric received a MSc in Finance from Sorbonne University (IAE Paris) in 1996 and a MSc in Business Administration from French business school Institut Supérieur de Gestion (Paris) in 1991.

*Pierre Rainero (aged 49) - non-Executive Director*

Pierre Rainero, a French national, spent his military service as an officer in the French navy, following which he started his career in advertising in 1980 at Ogilvy and Mather, initially in Rio de Janeiro and then in Paris. In 1984, he joined the Cartier Group. Whilst at the Cartier Group, Pierre has developed a broad expertise in the luxury goods industry and a unique insight into the management of luxury brands. Pierre first worked for Cartier as International Advertising Manager in Paris and was then promoted in 1987 to Marketing Manager for Cartier Italy based in Milan. In 1999 he returned to Paris and was appointed Research and Strategy Director at Cartier International. He subsequently became a member of the Cartier's 'Creation Committee' headed by the president of Cartier, Alain-Dominique Perrin. In 1995, Pierre was appointed Communication Director of Cartier and, in 1999, he also took over the artistic direction of Cartier (responsibilities including product creation, communication, and boutique design). In 2001, he was appointed Artistic, Image & Strategy Director for Cartier and was subsequently appointed to his current role of Strategy and Heritage Director of the House of Cartier in 2003. In this role, Pierre is, amongst other things, responsible for style and the cultural dimensions of the House of Cartier worldwide. Pierre is a member of the board of directors of Cartier S.A. and Hexagram (which is involved in the production of computerised images). Pierre graduated from HEC in 1980 (Ecole des Hautes Etudes Commerciales - France). He is also a former student of Fondation Rachel Boyer (History of Art - Ecole du Louvre).

*David Henderson-Stewart (aged 34) - non-Executive Director*

Born in Wellington, New Zealand, in 1973, David graduated cum laude from the Sorbonne (Paris, France) as well as from Oxford University. He subsequently obtained a master's degree in European law from the Sorbonne and was admitted to the Paris Bar. From 1997 to 1999 he served at the Moscow office of Bureau

Francis Lefebvre, concentrating on legal and taxation monitoring of European investments in Russia. In 2000 he joined the French office of the American law firm Coudert Brothers and subsequently the Paris bureau of the international law firm Jones Day. Since 2005, David has held the position of Managing Director of International Affairs and Member of the Board of the International Industrial Bank-Mejprombank (zao Mejdunarodny Promishleny Bank). David is also member of the board of United Industrial Corporation-OPK, zao Obyedinionaya Promishlenaya Korporatsia, and the trustee of OPK Trust Company Limited.

## **REASONS FOR THE PLACING, THE SUBSCRIPTION AND ADMISSION**

The Company is seeking Admission to AIM in order to take advantage of the market's high profile, broad investor base, liquidity and access to institutional investors.

The net proceeds of the Placing and the Subscription, being approximately £4.1 million, are intended to be applied in carrying out the due diligence on, and acquisition of, potential targets, and will cover the Company's initial working capital requirements in accordance with the Company's investment strategy outlined above.