

ARC Ratings assigns a BBB- rating, with a stable outlook, to Aegide

<u>ISSUER</u>	<u>ISSUER RATING</u>
Aegide, S.A.	BBB- Medium and Long Term (BBB-, with stable outlook)
<u>RATING DATE</u>	<u>ISSUES RATING</u>
18 June 2014	BBB- Medium and Long Term (BBB-, with stable outlook)

The Group is pursuing an expansion strategy of its senior residences operation activity, especially in France. The operation of its residences and real estate development businesses are not risk free. The materialisation of these risks can have an impact on its ability to honour its medium and long term financial commitments subject to rating. The quality of the Group's management and its ability to absorb any losses resulting from the materialisation of these risks will therefore be crucial. After having analysed the Group's management ability and cash flow generation capacity, even in a stress scenario, ARC Ratings considers that Aegides' ability to timely and fully comply its medium and long term financial commitments - including a bond loan in a maximum amount of EUR 20 millions - is worthy of a BBB- rating, with a stable outlook.

FUNDAMENTALS

- Groupe Aegide has two core businesses in France - real estate development and management and operation of assisted living residences after construction is completed. It has an in-depth knowledge of the market, in terms of both supply and demand. It has shown great thoroughness in its choice of locations. It possesses a thorough insight of the product and its component parts - real estate development & marketing and operation. The Group thus benefits from an experience feedback of over 12 years;
- Development and operation will create synergies which the Group will maximized to the maximum. Aiming at a faster development while restraining the allocation of own funds, the group privileges co-development. This results in a leverage effect in the number of new residences managed through active co-developments;
- Aegide has a reference shareholder - Nexity, which holds 38.15% of its share capital. Nexity's major shareholder is Groupe Caisse d'Epargne Participations S.A., with a 40.5% stake. (BPCE has an A rating, with a stable outlook given by Fitch Ratings; A, with a negative outlook by Standards & Poors; and A2 with a negative outlook by Moodys Investors Services);
- The concept of seniors assisted residences brings responses to an ageing French population. The seniors market where the group operates has a strong growth potential, which naturally attracts new competitors;
- Groupe Aegide has an ambitious plan for the operation of its seniors residences, the implementation of which is not entirely risk free and requires monitoring and management capacity. The operation of the residences must also take into account the risk of non-renewal at the end of the one year-lease period, even if these contracts are renewable

by tacit agreement and the stays are for 6 years in average. The group's relationship with investors lasts 11 years in average.

AEGIDE PROFILE

Aegide was created in 1995 and developed in France a concept consisting of seniors assisted living residences, in line with customers expectations. This new generation concept is called DOMITYS and has taken shape following the opening of the first residence near La Rochelle. Aegide, which operates this brand, has become leader in this market segment.

Following approximately 10 years, in 2006 the founders of Aegide decided to open up the company's capital to a reference shareholder - Groupe GCE Immobilier, to accelerate development. This stake is held since 2007 by Nexity, which became the privileged shareholder. At the end of 2013, the three founding managers jointly hold 61.85% of the share capital, while Nexity holds 38.15%. Note the stability of the share ownership, which was strengthened by a shareholders' agreement, containing right of pre-emption and anti-dilution provisions.

Groupe Aegide's business model draws on the ability to transform a capital intensive activity into a lesser capital intensive business, as result to the sale of residences to investors. The value of real estate assets under management totals EUR 700 million.

RECENT DEVELOPMENTS AND OUTLOOK

The number of Seniors Residences managed by Groupe Aegide rose from 10 residences in 2010 to 15 in 2011, 25 in 2012 and 36 in 2013. The Group presently manages 39 residences. The increasing pace in the opening of residences in 2011 led to a 7% decrease in occupancy rate (OR) in relation to 2010. This rate stands presently at 75% and should remain at this level in spite of an important residence opening plan for the next few years.

CONSOLIDATED INDICATORS OF AEGIDE

	2009	2010	2011	2012	2013	2020 (F)
Number of Residences in Operation	9	10	15	25	36	136
Turnover (EUR Thousand)	47 998	75 085	132 318	120 996	124 536	550 259
EBITDA (EUR Thousand)	4 891	10 742	16 311	14 409	7 250	62 532
Net Profit of Group (EUR Thousand)	2 264	5 488	5 637	3 445	3 582	29 553
Net Assets (EUR Thousand)	50 537	95 753	108 441	126 703	138 336	366 455
(Equity + Minority Interests) / Assets (%)	16,2	19,5	22,8	21,8	24,0	35,4
Payout Ratio (%)	0,0	18,3	24,9	58,1	50,3	40,0
Cash Flow (EUR Thousand)	4 803	9 240	10 634	10 961	(4 301)	41 934
Coverage of Net Fin. Borrowing Costs / EBITDA	16,0	41,0	25,9	24,2	6,0	14,1

Notes:

Figures rounded.

Accounts adjusted by ARC Ratings for analysis purposes.

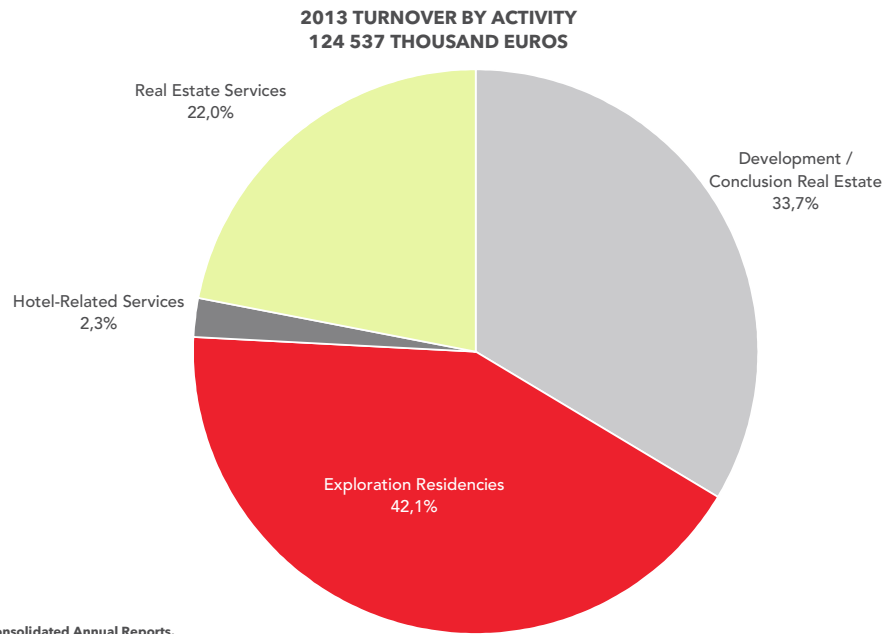
(F) Forecasts for 2014-2020.

Sources:

Aegide Consolidated Annual Reports.

Activity forecasts for Aegide Group.

At the end of 2013 the Group posted assets of EUR 138.3 million, most of which associated with real estate production, which totals EUR 77.0 million. In addition to the above, the Group owns the operating sites (EUR 26.0 million in 2013). The Group's "(equity + minority interests) / assets" ratio stood at 24.0% at the end of 2013.



Groupe Aegide's business plan for the 2014–2020 period (base scenario) foresees an average annual growth of around 21.0% in the number of managed residences. The medium term bond loan in the amount of EUR 20 million will respond to the long term financing requirements arising from a development strategy in a promising market. At the end of 2020, the Group's total assets will reach EUR 366.5 million and its "(own funds + minority interests) / assets" ratio will stand at 35.4%.

ISSUES TO FOLLOW UP

To the extent where they are likely to influence, either directly or indirectly, the Group's cash flows and consequently, Aegide's ability to timely and fully comply with its medium and long term financial commitments, the following factors will be closely followed up ARC Ratings:

- Economic factors likely to have a significant impact on the turnover from assisted residences but which are exogenous to the Group's will and ability: fiscal situation the majority of European countries, including France, likely to influence i) the average income of seniors and the granting of housing allowances to this age group (impact on demand for residences and for related services in particular), ii) income of private investors and the level of taxation on property (impact on return on investment rates);
- Regulatory factors likely to increase the maintenance, improvement and operation costs of residences (new rules, for instance);
- Change in Nexity's policy and / or strategy;
- Ability and availability of bank partners to finance the Group's development and changes, if unfavourable, in interest rates;
- Fiercer competition with the potential arrival of new players into the market and from existing players seeking to win

more market share; and

- Factors associated to the Group, including i) its ability to attract investors and retaining them (renewal of contracts with the same investors), ii) its ability to well manage operating risks of seniors residences in the current phase of strong business expansion, iii) its control of the development of a non risk free real estate development activity, and, iv) its ability to absorb losses resulting from the potential materialisation of these risks.

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