

12th November 2010

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Designcapital* - Placing and UK Expansion: Reiterate Buy at 14p with a 27p Target Price (up from 26p)

On 11th November, Designcapital, the AIM listed Investment Company specialising in luxury high end furniture design announced the placing of 1,727,272 shares at 11p, raising £190,000 - each share also comes with a warrant at 11p. The fund raising comes on the back of improved trading in France following a period of profound restructuring and will allow the company to open a showroom in London's West End to attack the increasingly lucrative UK market.

The UK expansion of Designcapital and its Artelano brand (the internationally acclaimed and leading French design company of contemporary furniture) will be facilitated by the opening of the Company's new showroom located in Dover Street, Mayfair by February of next year. The key determinant prompting Designcapital's distension into the UK market is the fact that the management believes that the recent robust trading performance of the Company's refreshed French subsidiaries can be matched and enhanced within the UK high end furniture sector. The location of the Company's new London offices provides a perfect retail market for the initial Artelano product offerings. This is due to the fact that the Mayfair area of London is especially popular with and known for housing a large French ex-patriot and professional community. The management has identified this demographic as a key customer base for its products.

The company believes that as has been seen in France, the internationally renowned Designers, for example, Patrica Urquiola, will continue to widen the appeal of the Company's products to the high net worth client base Design is targeting. The Altagamma Foundation, the Italian luxury product trade association recently predicted that the growth rate of the high end furniture market will be 6-8% per annum during the next few years. The management is confident that having a base in the UK, specifically Mayfair, London, will allow the Company to compete directly for the increased market opportunities.

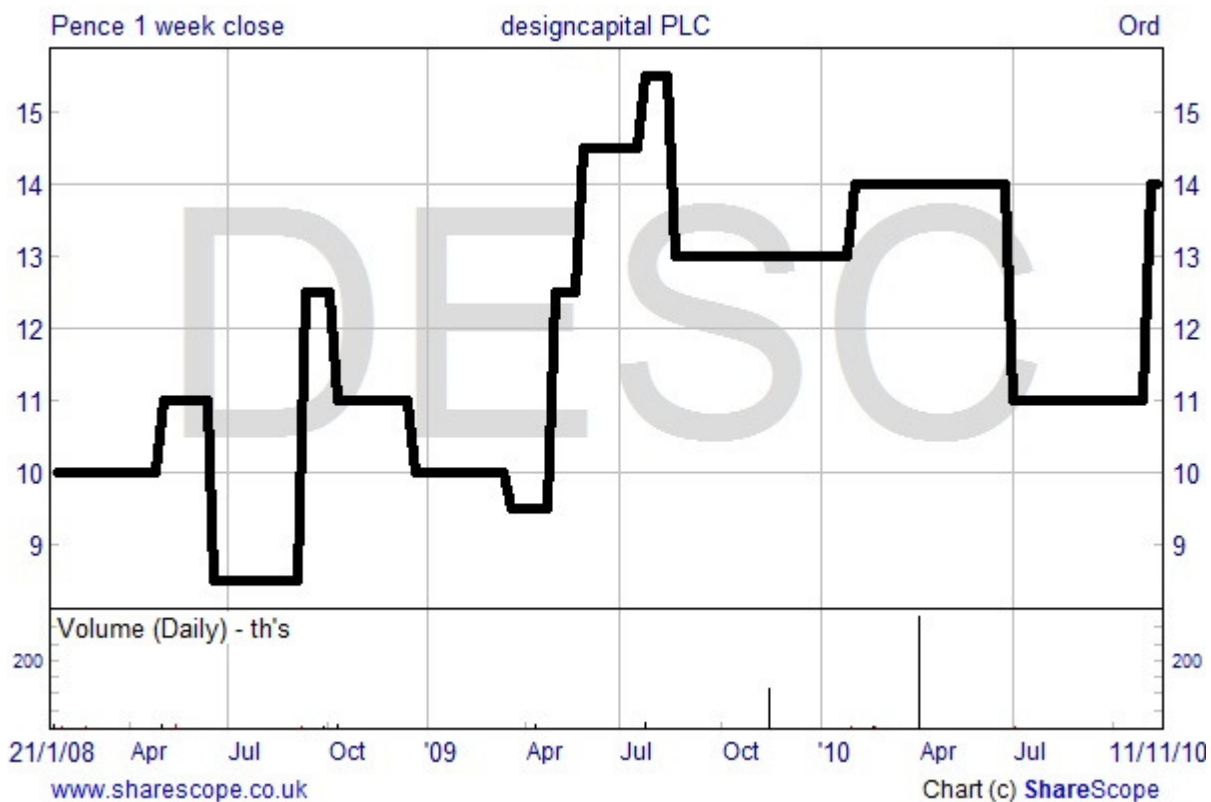
Along with the immediate growth strategy of promoting and selling its products into the lucrative high net worth areas of London and the South East, the Company's medium term goal is to expand

Key Data	
EPIC	DESC
Share Price	14p
Spread	12p - 16p
Total no of Shares	65,300,847
Market Cap	£9.1 million
12 Month Range	11p - 14p
Market	AIM
Website	www.designcapitalplc.com
Sector	Speciality Finance
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its Paris based subsidiary, Forum Diffusion, into the UK market also. Forum Diffusion currently offers consultancy services whilst distributing the Company's contemporary furniture to the commercial market. Having announced on 1 November 2010 a significant contract win with the French Ministry for Foreign Affairs, worth a total of €1,100,000 including additional requirements, we expect the Company to win comparable upper echelon clients within the UK and expect more French contracts - of a similar scale - to be announced during the coming months.

The last year has been one of restructuring and consolidation for the Company. Although this is now complete we expect the results of the process to be clearly shown in the financial statement for the year ending 31 December 2010. The company will report a material loss for 2010 but we believe that in the final months of the year it has moved into profit at an EBITDA level and that trend should accelerate going forward. Moving on to next calendar year, we believe that the Company's restructuring process plus the move into the UK market will boost both sales and gross margins significantly. We conservatively forecast turnover for the 2011 calendar year to increase from £6 million to £10 million equating to an EBITDA of £1.5 million. For 2012 (without acquisitions) we forecast sales of £15 million and an EBITDA of £ 2 million.

On the basis of the increasingly cash generative nature of the Company and its clear growth trajectory and the fact that it is now, we believe, moving past breakeven we value the company on 12.5 times forecast underlying earnings of 2.15p or 27p per share. As the company demonstrates delivery and a massive ramp up in profitability we see the potential for a further re-rating and thus regard our target as cautious. At 14p we increase our target price from 26p to 27p and, with upside of almost 100%, we reiterate our stance of **buy**.



Forecast table

Year to 31st Dec	Revenue	Pre-Tax Profit (loss) Excluding Amortisation	EBITDA	Earnings (loss) Per Share (Excluding Amortisation)	Price Earnings Ratio	EV/EBITDA Multiple
2009A	£8.1m	(£4.0m)	(£3.5m)	(6.4p)	N/A	N/A
2010E	£6.2m	(£2.47m)	(£2.0m)	(3.78p)	N/A	N/A
2011E	£10.0m	£0.9m	£1.5m	1.37p	10.2	11.2
2012E	£15.0m	£1.41m	£2.0m	2.15p	6.5	8.4

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