Dolphin Capital Investors – QuickView

10 June 2011

Event	Q111 NAV and trading update

Investment summary: A low price for luxury

DCI's current valuation – c 80% below reported 171p Q1 NAV/share – suggests that investors give more weight to perceived operational/financing risks, than the potential contribution from development and sales of a portfolio of luxury residential projects. The catalysts to close that gap may be forthcoming this year, as sales illustrate that appraised values are conservative and further access to development debt promises to unlock project values. The Q1 update provided comfort on those issues; there were asset sales at prices above balance sheet values and new project finance in Greece. Concern over exposure to the Greek economy (c 29% of investments) is countered by the product's international appeal and the fact that DCI's other assets, in Cyprus, Turkey, Croatia and Panama, fully support the current equity valuation. Euro-based pricing limits exposure to forex volatility.

Growing demand from international buyers and tourists

While markets have yet to recover their pre-crash poise, the group has nonetheless still seen appetite from emerging markets (BRICs) for its high-end luxury residential properties. International tourism recovered well in 2010 post a tough two years; arrivals in the group's four Mediterranean markets totalled 62.1m in 2010, one million up on 2009, while Panama was 9.8% higher year-on-year.

Securely financed: Net debt 22% of total assets

Finances appear robust, ie c €38m cash and no debt at the company level (except for interest guarantees), FY10 net debt at 22% of total assets. Some €345m (c 89%) of all group debt was held within its wholly-owned subsidiary Aristo.

Valuation: A low price for luxury

The Q1 statement suggests that group news flow may help trigger a re-rating this year and build investor confidence in the investment case. DCI's house broker puts the shares well below a 45p DCF appraisal of revenues solely from sales of the first phase of the group's four active projects, ie incorporating only 50% of around a third of the total portfolio; it puts implied value of the entire portfolio, fully developed, at 500p. The shares are materially behind forecast 187p FY11 NAV/share.

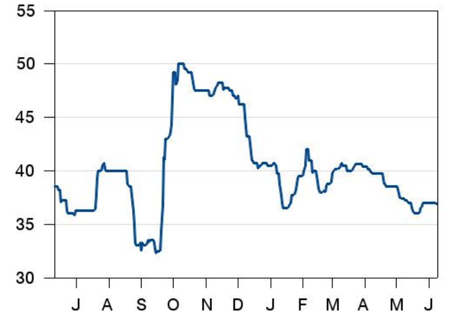
Consensus estimates

Year End	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	NAV (p)	NAV discount
12/09	102.2	3.3	(0.29)	0.0	294	87%
12/10	70.3	(11.2)	(0.12)	0.0	193	81%
12/11e	N/A	N/A	N/A	0.0	187	80%
12/12e	N/A	N/A	N/A	0.0	198	81%

Note: Panmure Gordon estimates.

Price	37p
Market Cap	£235m

Share price graph



Share details

Code	DCI
Listing	AIM
Sector	Real Estate
Shares in issue	638.8 m

Business

Dolphin Capital is an investor in residential resorts, with a portfolio of 14 large-scale development projects in Cyprus, Greece, Croatia, the Dominican Republic, Panama and Turkey. It also holds over 60 smaller holiday home projects in Cyprus and Greece via Aristo, its largest subsidiary.

Bull

- Shares well below NAV
- Modest debt relative to gross assets
- Gradual recovery in tourism and interest from emerging market buyers

Bear

- Early stage development/land assets
- Shares tightly held
- Exposure to Greece

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