

Company results

Belgium

Banimmo

Beyond the obvious

Real estate

24/04/08

€21.49

Despite its share price performance, one of the few recent IPO's to trade above introduction price, we believe Banimmo's complexity and lack of transparency may have had an unsettling effect on investors. BUY maintained.

Complexity. In addition to its intrinsic complexity, Banimmo's results are clouded by IAS intricacies and the related difficulties and, in our view, the irrelevance of, computing a net asset value. We believe this is regrettable given its astute business model and attractive valuation of the shares.

Highly profitable and low-risk business model. Banimmo's primary business is 'property repositioning'; it is both very profitable (high margins and high entry barriers) and without many of the risks associated with pure property development. The slow rotation of assets allows Banimmo to optimise the timing of disposals and to generate recurrent income from residual tenants. Other recurring income includes that derived from the ownership of two residential conference centres.

Attractive valuation Our DCF and SOTP valuation models suggest a target price of €29, or a total potential upside in excess of 40%.

Forecasts and ratios

Yr to Dec (€m)	2007	2008F	2009F	2010F
Turnover	10.9	14.8	16.1	17.0
EBITDA	27.1	26.3	27.4	28.1
Net profit	19.6	23.2	23.6	24.0
Adj EPS (€)	1.78	1.96	1.98	2.02
Adj PER (x)	12.1	11.0	10.8	10.7
Dividend yield (%)	5.9	6.1	6.3	6.6
EV/EBITDA (x)	9.2	9.3	8.9	8.7
Price/NAV (x)	1.6	1.5	1.4	1.3
ROE (%)	14.9	14.3	13.8	13.4

Source: Company data, ING estimates

Herman van der Loos, CFA

Brussels +32 2 547 2509

herman.van-der-loos@ing.be

Maintained

Buy

28 April 2008

Target price (12 mth): Previously €25

€29

Reuters

BANI.BR

12-month forecast returns (%)

Share price	34.9
Dividend	6.1
12m f'cst total return	41.0

Key ratios (%)

	2007	2008F
Turnover growth	-34.4	35.7
EBITDA margin	247.8	178.2
Operating margin	263.1	189.5
Net debt/equity	30.1	38.8
ROACE	13.8	13.0

Share data

No. of shares (m)	11.4
Daily turnover (shares)	1,864.0
Free float (%)	22.6
Enterprise value (€m)	244.3
Market cap (€m)	244.1

Share price performance



Source: ING

Contents

Investment case	3
Risk factors.....	4

FY07 results review	5
----------------------------	----------

Business model & outlook	11
-------------------------------------	-----------

Valuation	20
------------------	-----------

Disclosures Appendix	26
-----------------------------	-----------

Investment case

In our view, Banimmo offers a **unique business concept, which is both highly profitable and without undue risks**. The company specialises in 'property repositioning' ie, the acquisition, transformation and disposal of inefficient property assets, ie, property poorly rented and managed and/or obsolete. All three stages of the process contribute to create value. This activity is very profitable given:

- The traditionally high development margins in Belgium.
- The entry barriers involved (technical, financial, legal and tax expertise).
- The lower appetite among investors, especially from abroad, for 'complicated' assets.
- The upbeat investment market for suitable properties, ie, assets brought back to satisfactory technical levels and subsequently well rented. The acquisition stage involves the identification of suitable assets, thorough due diligence and a purchase at an attractive price. The transformation involves not only technical upgrades and refurbishment works, but also a financial and tax 'repackaging' of the asset, in order to maximise the eventual exit price.
- The long 'rotation' period versus pure property developers. This allows Banimmo to optimise the timing of the eventual disposal of the asset, ie, maximise the selling price as the company is not 'hard-pressed' to sell.

This 'soft' property development approach mitigates risks versus that of a 'pure' developer, as it allows Banimmo to generate some recurring income from remaining tenants. Banimmo intends to cover its recurring cost base and financial expenses with a recurrent flow of income which includes residual rents from assets under refurbishment and rents from assets awaiting their eventual disposal. Risk is further reduced by the adequate diversification of the property portfolio. None of the medium-sized 20+ assets accounts for more than 11% of the total portfolio value. The portfolio is well diversified among asset types (offices, conference centres, retail etc) spread across Belgium & France.

Alongside capital gains, recurrent revenues are expected to grow in forthcoming years and represent well over 50% of total revenues. In addition to the abovementioned rental income, Banimmo enjoys other sources of recurrent income:

- Ownership (now partial) of two residential conference centres managed by Dolce International. One in France was recently acquired 'up and running' (operational for several years) while the other in Belgium opened in 2007. The latter is expected to attain its 'cruise speed' in 2010.
- Fee income from joint ventures. One of them is Conferinvest; Banimmo brought Dolce assets into LHS, the forerunner of Conferinvest, and then sold 51% of the latter to institutional investors. Banimmo retains a 49% stake and the management, for a fee, of the joint venture.
- Dividends from the investment in the listed REIT-like Belgian SICAFI Montea. The latter was listed in 2006 and invests in logistics and semi-industrial property.
- A share in the results of other partially-owned companies such as Devimo.

One year after its IPO, the business model of Banimmo is now well understood by the market. However, despite the solid performance of the Banimmo share (one of the few recent IPO's to trade above its initial offer price), we believe Banimmo's complexity and lack of transparency still discourages investors despite Banimmo's best efforts. The main issues are:

- The lack of transparency of results caused by IAS-related intricacies (such as the compulsory depreciation of conference centres),
- The difficulty of assessing the value of developments assets and hence, the difficulty and irrelevance of computing a net asset value (NAV).

This cautiousness of the market results in a very attractive valuation of the share. Our DCF and SOTP valuation models suggest a €29 target price, ie, a total potential upside, including dividends, in excess of 40%. A dividend yield of 6% is close to REIT-like property shares, but at a much lower payout. Hence we believe, the excellent 2007 operating performance of the company, well above IPO projections, and the excellent value offered by its shares, deserves a second look.

Attractive medium-term prospects and newsflow. Our cautious earnings scenario, based on strictly unchanged consolidation scope assumptions, barely scratches the surface of the significant growth potential of Banimmo and not included in:

- Additional conference centres to be brought into Conferinvest.
- New joint ventures, such as the one with Pramerica, intended to invest in retail assets.
- New growth opportunities enabled by the proceeds of the recent capital increase. Committed credit facilities allow potential additional investment of c.€190m, of which €60m is already committed in 2008.

All current and future financial needs are already fully secured until 2011 in terms of liquidity (committed credit and back-up lines), margins (already negotiated) and interest rate risk (hedging already in place).

Seasoned and committed management. Key managers have been active for many years in the property sector and can already boast an impressive track record at Banimmo. Management owns 27% of the company, down from 35% before the IPO; no shares were sold but the stake was diluted as a result of the capital increase. Management is entitled to a preferred dividend which is closely linked to Banimmo's profitability.

Risk factors

Lack of investment opportunities. In the context of ever-falling property yields, the main risk factor, in our view is, the still low but growing competition from large yield-hungry real estate investors such as the investment-starved Belgian SICAFIs.

Volatility of results, which are still heavily reliant on capital gains from asset disposals. In 2007, recurrent results did not 'cover' dividends. However, this should improve from FY08 given the expected strong growth of recurrent revenues.

The share's lack of liquidity. The total market cap of the company stands at c.€240m, of which less than 25% is free float. On top of that, the preferred shares (9% of the total shares outstanding post capital increase) are not listed.

FY07 results review

Net current FY07 results came out ahead of expectations, but were a mixed bag of positive and negative elements. As expected, some accounting issues clouded the transparency of the figures despite the company disclosure efforts.

Rents were down 34.4% at €10.9m; most of the fall vs 2006 was expected given the very large disposal at end-2006 and early 2007 of the Brouckère Tower which was worth €6.0m in terms of annual rents and logistics assets sold to Montea (€0.7m)¹ but the actual figure still came in below our expectations of €12.0m. In addition to the abovementioned disposals, new leases contributing to a higher occupancy rate as of end-2007 (87% vs 78% one year ago) were concluded at the end of the year, and hence, barely contributed to 2007 rents. The occupancy ratio excludes assets under construction (Clamart and Da Vinci 4H); still occupancy is very high considering Banimmo's business model (so-called 'property repositioning') vs 'classic' property managers such as REITs. For example, several 'investment buildings' actually include assets generating (at least partially) rents, but are not considered 'mature' as the are either awaiting renovation (Arts 27) or have recently been refurbished (Atlantic House).

Fig 1 Group share in other revenues (€000)

	2006	2007	
Devimo		686	
Jardins des Quais		(318)	
Conferinvest		(197)	
Other		(2)	
Total	1,325	169	-87.2%

Source: Company data

The 'group share in other revenues' is down sharply from €1.3m to a mere €0.2m. This caption includes the bottom line contributions (equity method) of companies in which Banimmo holds a significant, but minority stake, such as Devimo (32.5% stake, management of shopping malls), Jardins des Quais (50%-owned shopping complex) or Conferinvest, the 49%-owned company housing the two conference centres.

Negative contribution of conference centres...

The Devimo and the Jardins des Quais contributions both look 'normal' as they show respectively, a mature company delivering consistent profit and a property still in full reconversion (new tenants). Still, the overall 87.2% is misleading as Conferinvest, by far the largest economic contributor to 'group share in other revenues' is actually heavily distorted given important depreciation charges (€3.5m on a 100% basis); this issue has been public since the release of 1H figures (see our report *Turns obsolescence into excellence* dated 13 September 2007). As both conference centres are now up and running, Banimmo initially logically considered them as 'investment assets' and therefore booked them at fair value (IAS 40). However company auditors consider that conference centres are not specifically property, but 'goods & services producing assets', such as a manufacturing plant falling outside of the IAS 40 scope. As a result Banimmo was required to book substantial depreciation charges. Other distortions include timing issues (equity method as from March only) and the fact that several one-off start-up expenses are included in the figures.

¹ Actually 'lost' rents have been partially compensated for by dividends from the Montea participation (430,594 shares as of end-2007)

.. despite excellent operating performances

Depreciation is the main cause of the discrepancy between the actual figures and our estimates for the 'group share in other revenues' caption as until now we have kept depreciation charges out of our estimates given their disputed pertinence and our desire to keep figures as 'close to cash' as possible for the sake of comparability with REIT-like companies. These accounting issues are all the more depressing considering that the operational performances of Conferinvest centres were actually strong and above expectations, especially at La Hulpe (opened January 2007) which, despite the summer recess, showed EBITDA and revenue per available room (RevPar) well above expectations, on the back of strong occupancy, and which is now well above 50%. Chantilly's EBITDA is in line with expectations.

Fig 2 Conference centres – key financials (100% basis, €000)

	2006	1Q07	2Q07	1H07	2007F	2H07	2007
Dolce Chantilly							
Revenues	15,633	3,778	4,627	8,405	15,868	7,809	16,214
EBITDA	4,061	627	1,383	2,010	3,808.2	1,798	3,808
EBITDA margin (%)	26.0	16.6	29.9	23.9	24.0	23.0	23.5
Occupancy rooms (%)	67.6	65.6	76.6	71.1	70.0	67.9	69.5
Average daily rate (€)	136.6	127.5		134.2	130.0	135.8	135.0
RevPar (€)	92.31	83.63		95.44	91.00	92.2	93.83
Available rooms/year	73,000	73,000		73,000	73,000	73,000	73,000
RevPar available rooms	6,739.0	6,105.2		6,966.9	6,643.0	6,731.5	6,849.2
As a % of revenues	43.1	40.4		41.4	41.9	43.1	42.2
As a % of EBITDA	165.9	243.4		173.3	174.4	187.2	179.9
Dolce La Hulpe (opened 31/01/07)							
Revenues		2,095	4,068	6,163	12,570	9,647	15,810
EBITDA		128.0	837.0	965.0	1,508.4	2,287	3,252
EBITDA margin (%)		6.1	20.6	15.7	12.0	23.7	20.6
Occupancy rooms (%)		42.5	50.1	46.3	45.0	51.7	49.0
Average daily rate (€)		119.5		141.2	120.0	138.8	140.0
RevPar (€)		50.80		65.39	54.00	71.8	68.60
Available rooms/year		96,360		96,360	96,360	96,360	96,360
RevPar available rooms		4,895.5		6301.4	5203.4	6,919.2	6610.3
As a % of revenues		38.9		102.2	41.4	35.9	41.8
As a % of EBITDA		637.4		653.0	345.0	151.3	203.3
Total EBITDA				2,975.0	5,316.6	4,085.0	7,060.0

Source: Company data, ING estimates

The bottom-line contribution of the conference centres to Banimmo is obtained by multiplying the total bottom line by 49% (stake owned); however, for 2007 things are complicated by the fact that Conferinvest was only included in the 'group share in other revenues' caption as from March (ie, 10 months vs previously fully consolidated) when the disposal of a 51% stake to third-party investors was completed.

Fig 3 Conference centres – key financials (100% basis, €000)

	Dolce La Hulpe (open 31/01/07)	Dolce Chantilly	Total
EBITDA	3,252	3,808	7,060
Depreciation	(2,894)	(639)	(3,533)
EBIT	358	3,169	3,527
Net financial expenses	(2,460)	(413)	(2,873)
Tax	0	(643)	(643)
Exceptional items	0	(948)	(948)
Net results	(2,102)	1,165	(937)
Cash flow	792	1,804	2,596

Source: Company data

'Other revenues' increased eightfold to €2.7m This caption includes fees for managing joint-ventures, mainly Conferinvest and, in the future, the one with PraAmerica (Brittany). For 2007, a one-off €2m fee was paid by Conferinvest. As a result, total net recurrent revenues were down 24.5% to €13.8m, ie, below our expectations of €15.6m, given the shortfall in rents.

Operating expenses remained flat at €8.2m. This item includes several one-off costs (€0.8m including, among others, the IPO costs) and the opening expenses at La Hulpe (fully consolidated before the disposal of a 51% stake in the conference centres business).

At €23.1m, capital gains on disposals came out well above company guidance (€19.0m) and our expectations (€18.8m), on the back of an impressive margin vs fair value. This is admittedly slightly below 2006 levels, but the latter was historically very high (catch-up effect after an 'inactive' FY05). Disposals went very smoothly with the sale of the Brouckère Tower already planned since 2006 and the partial sale of the conference centres business done prior to the IPO. The rationale behind the latter is related to the large size of conference centres (unitary value at c.€50m) vs the still-modest size of Banimmo. Hence, beyond booking capital gains, Banimmo also wanted to reduce the exposure to individual conference centres. As a reminder, and unlike REIT-like companies such as Cofinimmo or Montea, we include realised capital gains in the operating revenues given Banimmo's profile sits between that of a 'pure' property developer and a long-term investor (for more background information on Banimmo please refer to our Company Report dated 13 September 2007).

Fig 4 2007 main disposals (€m)

	Net capital gain
Brouckère Tower (remaining 40%)	9.5
Cap2 Luxembourg	9.7
51% disposal of conference centres pole	2.7

Source: Company data

Recurrent income only represents 37% of total revenues...

As a result, recurrent income is below 40% (37.4%) of total income vs the company target of above 50%. Note however, that the figure is slightly pessimistic as income from dividends (Montea) is not considered here (it is included in financial items).

Fig 5 P&L – main items (€000)

	2006	1H07	2007F	2007	(%) CY guidance	
Net lease revenues	16,675	5,196	12,012	10,937	-34.4	
<i>Spot occupancy</i>	76.0		80.0	87.0		
<i>Yield (%)</i>	8.4		8.9	5.8		
<i>Yield is 100% occupied (%)</i>	11.0		11.2	6.7		
Group share in other revenues	1,325	183	1,955	169	-87.2	
Other revenues (JV)	334	596	1,664	2,729	NM	2,000
Recurrent revenues	18,334	5,975	15,631	13,835	-24.5	15,500
Operating costs	(8,118)	(3,727)	(7,174)	(8,176)	0.7	
Other revenues	540			0		
REBIT	10,756	2,248	8,457	5,659	-47.4	
Net capital gains on disposals	23,348	12,891	18,750	23,117	-1.0	19,000
<i>Margin on asset disposals (%)</i>	24.0		25.0	47.4		
EBIT	34,104	15,139	27,207	28,776	-15.6	
Net financial charges	(6,386)	(3,842)	(3,668)	(5,431)	-15.0	
Taxes	(2,054)	97	(2,354)	(404)	-80.3	
Net economic results (excl IAS 39)	25,664	11,394	21,185	22,941	-10.6	20,000
Recurrent revenues/operating costs (%)	226	160	218	169		
Recurrent revenues/op costs & net fin charges (%)	126	79	144	102		
Recurrent revenues/total revenues (%)	43.4	31.7	45.5	37.4		

Source: Company data, ING estimates

**... but still cover all
recurrent expenses
including financial
charges**

However, after failing to do so in 1H07, recurrent revenues for the full year managed to cover recurrent costs including financial expenses (another company target), reflecting higher recurrent revenues in 2H07. Net financial expenses are the sum of dividends paid by Montea² (€0.4m), interest expenses (€5.8m) and non-cash IAS 39 adjustments (€0.5m loss). The latter are not included by Banimmo-computed 'net economic results'. At €5.4m (excl. IAS 39), net financial expenses are sharply above our expectations, but Banimmo reckons they include the cost of new hedging instruments (€0.6m). The company reckons that even future debt requirements are now covered with coverage ratios in excess on 75% until 2010 (30% in 2010/2011) with an average maximum rate of 3m Euribor of 4.40% excluding the margin (see 'outlook' section).

The acquisition cost of the interest rate caps was partially covered with the sale of floors with lower strike rates. Close to 100% of existing debt is commercial paper which was sold to local corporate investors with temporary excess cash. As it is the case with Belgian REITs, Banimmo debt is exclusively short-term (3-months Euribor), hence the extensive hedging in order to reduce interest rate risk.

² €0.95 per share

Fig 6 Debt hedging (€m)

Amount	Period	Type	Rate (%)	Knock out/knock-in (%)
50	31/03/07>31/03/08	Cap	3.20	4.20
40	31/03/07>31/03/08	Cap	3.10	4.45
50	31/03/07>31/03/08	Cap	4.20	
50	31/03/07>31/03/08	Cap	4.20	
15.8	30/03/07>29/04/09	Cap	4.50	
55.0	31/03/08>31/03/09	Cap	3.65	5.20
50.0	31/03/08>31/03/09	Cap	3.75	
25.0	31/03/09>31/03/10	Cap	4.85	
50.0	31/03/09>31/03/10	Cap	4.50	
25.0	31/03/09>31/03/10	Cap	4.40	5.50
50.0	31/03/09>31/03/10	Cap	4.35	5.35
50.0	31/03/09>31/03/10	Cap	4.20	5.05
40.0	31/03/09>31/03/10	Cap	4.20	4.85
25.0	31/03/10>31/03/11	Cap	5.00	
30.0	31/03/10>31/03/11	Cap	4.55	5.25
40.0	31/03/10>31/03/11	Cap	4.55	5.50
30.0	31/03/10>31/03/11	IRS	Euribor 1Y paid vs Euribor 3M	

Source: Company data

At €22.9m, the latter are down 10.6%, but still ahead of our expectations (€21.2m) and company guidance (€20m). The tax burden is quite low given among others: (1) several tax shields in Belgian tax legislation (depreciation, and so-called 'notional interests'; (2) the fact that abovementioned realised capital gains are computed on a net basis; (3) capital gains on the sale of shares (of ad hoc property companies) are not taxed in Belgium; and (4) under certain conditions the reinvestment of property capital gains is tax-exempt.

Compared to net economic results, net reported results (share of the group) came out at €19.6m (+4.3%) after considering unrealised losses on property (we expected small gains; very high gains were unlikely given that 'mature' buildings are sold and as a result of valuation intricacies, see 'valuation' discussion hereafter) and preferred dividends (included in our figures as minority interests).

Figures per share depressed by a higher shares' outstanding...

New shares issued at the 2007 capital increase are fully entitled to FY07 dividends, hence we computed figures per share based on total shares outstanding and not on a weighted-average basis (the proceeds of the capital increase were only collected during the summer). This explains why the figures per share are even less-comparable vs 2006 figures. Still at €1.74 (excl IAS 39), EPS based on net economic results are comfortably above expectations and Banimmo's (ordinary) dividend guidance (€1.15).

... but still more than enough for a nice dividend surprise

The proposed gross full-year dividend, initially announced at €1.15, was subsequently set at €1.26 resulting in a payout ratio at 72.4% of economic results. This is well above the company target (60%), but still comfortably below the payout levels of REIT-like companies which in most countries have to cope with minimum payout requirements (ie, 80% of recurrent income in Belgium). However, given the very slow rotation of REIT portfolios, the latter usually supplements recurrent income with sizeable realised or unrealised gains, at least in the years 2004-07 (yield compression).

Fig 7 P&L and data per share - main items (€000)

Yr to Dec	2006	1H06	1H07	2007F	2007	2006/07 (%ch)
Net economic results	25,664	4,597	11,394	21,185	22,941	-10.6
Unrealised capital gains & IAS 39	(2,907)	1,137	3,671	4,417	(208)	-92.8
Results from discontinued operations					0	
Net reported results	22,757	5,734	15,065	25,603	22,733	-0.1
Preferred dividend	3,998			3,851	3,167	-20.8
Net econ. results (share of the group)	21,666	4,597	11,394	17,334	19,774	-8.7
Net rep results (share of the group)	18,759	5,734	15,065	21,751	19,566	4.3
Total shares' outstanding	8,653,100	8,653,100	8,653,100	11,356,544	11,356,544	31.2
Net current EPS (€, excl IAS 39)	2.50	0.53	1.32	1.53	1.74	-30.5
Net reported EPS (€)	2.17	0.66	1.74	1.92	1.72	-20.5
Gross DPS (€)	2.86			1.15	1.26	-55.9
Ordinary payout (economic results) (%)	114.2			75.3	72.4	
Ordinary payout (reported results) (%)	131.9			60.0	73.1	

Source: Company data, ING estimates

Business model & outlook

In its results press release Banimmo did not issue any quantified guidance for 2008 beyond positive general comments. The recently published annual report only states that 'in the current market circumstances, FY08 results should be in line with FY07'. We believe this is an understatement, even when considering our very cautious assumptions.

Property repositioning: a profitable and low-risk business

We believe that Banimmo business model offers strong growth opportunities as the company focuses on complex transactions (split ownership, decayed property, environmental issues, public offers etc) which do not attract many of the investors that are more eager to chase 'up and running' assets as epitomised by the classic example of a new office building leased to an EU organisation on a long-term basis. Disposals consist of 'repositioned' assets, ie, properties which have been refurbished, fully leased to high quality tenants and financially and fiscally 'repackaged', ie, properties that are well sought after in the investment market. This business model not only generates better growth than REIT-like companies, but also strongly reduces risk given: (1) the ongoing generation of recurrent income by assets undergoing refurbishment works as Banimmo attempts to let existing occupiers remain (as far as possible) in the building during the work phase; (2) the long/short position of Banimmo in the market (buying distressed property/selling repositioned property) and hence its lower exposure to an overall fall of property prices; and (3) the significant entry barriers involved (technical, financial and legal and tax) allowing Banimmo to buy assets at attractive prices.

These entry barriers are also the main reason, alongside the traditionally high development margins in Belgium and the longer 'rotation' period vs pure property developers (thereby allowing Banimmo to optimise the timing of the eventual disposal of its assets), behind the very high profitability of the asset repositioning business. (refer to our report dated 13 September for a full discussion of Banimmo's model).

New acquisitions expected to be twice as large as disposals

One of Banimmo's strategic targets is the growth of its portfolio; in the 'property repositioning' business, new acquisitions are expected to be roughly twice as large as planned capital gains generated by disposals. External growth is not ruled out. More specifically for 2008, its main targets are:

- new acquisitions worth €80m including works in progress; considering the recently completed office premises of the Unilever site (€25.5m) and the lengthy, but successful bid on the North Plaza building (€32.0m), this target has now already virtually been met. Banimmo reckons that roughly one-third of this amount should be done in France; both the North Plaza and the Unilever site are located in the Brussels area, hence future acquisitions should take place in France;
- two important disposals; one of them (Atlantic House in Antwerp) was already mentioned in the IPO offering memorandum;
- the acquisition or construction of a third conference centre; last year Banimmo missed the purchase of the Les Frégates conference centre (France). Locations considered together with Dolce include Southern France and Italy.
- a first acquisition for Brittany. The joint venture with Pramerica targets retail property in France.

We have retained our main investment assumptions on an aggregate basis including a portfolio 'rotation length' of six years (assets remain, on average, for six years in Banimmo's portfolio), capex expenditures of 50% of acquisition costs spread over four years following the acquisition and a margin on disposals of 24%. From 2009, we have raised our reinvestment assumption on net margins (new acquisitions and capex on existing sites) to 50% from 40% previously (on top of the cost base recouped).

The €80m investment target should easily be reached

The latter modification was made considering the growth ambitions of the company, but we still believe that investing twice the value of the disposals is too ambitious. For 2007 Banimmo boasts investments roughly twice as large as disposals (€87.6m vs €46.2m), but all in all and when considering the resale of 51% of the conference centres segment, investment buildings and tangible assets (mainly assets under construction or undergoing renovation) are put together they are down in 2007 vs 2006 at €182.4m.

We have assumed disposals worth €75.2m per year as from 2008 (an unchanged assumption), ie, capital gains worth €18m pa, roughly in line with 2007. Company targets assume investments worth €150m; possible but quite a challenging investment target. We believe our (what) margin assumption of 24% is very conservative, while the company insists that the very high margin booked in 2007 cannot be extrapolated into the future. Hence for 2008F, we assume total investments (new acquisitions and capex) worth €84.3m (Banimmo's target is €80m). In other words, we believe that the gross investment target (€80m) should be easily met; especially bearing in mind that close to €60m has already been secured. The picture for disposals is less clear as annual capital gains of roughly €20m imply disposals of c.€75m or a very high margin. The reality is likely to be somewhere between these assumptions, ie, disposals below €75m and a margin above 24%; however, as a measure of caution we sustain our 24% margin assumption.

Fig 8 Expected capital gains (€m)

	2007	2008F	2009F	2010F	2011F	2012F
Disposals (cost base)		(75.2)	(73.8)	(72.5)	(71.4)	(70.5)
Realised capital gains		18.1	17.7	17.4	17.1	16.9
Margin on disposals (%)		24	24	24	24	24
Unrealised capital gains		0.9	1.0	1.1	1.1	1.2
Acquisitions & capex		84.3	82.6	81.2	80.0	78.9
Investment prop & tangible assets	182.4	192.4	202.3	212.1	221.8	231.5

Source: ING estimates

Strong catch-up effect of rental income following new leases signed end-2007...

We have assumed average occupancy of investment assets at 86% (spot occupancy as of end-2007 was 87%) in 2008-09F and 87% thereafter. This leads to rental income of €14.4m, up 31.7% YoY. The company hinted at the analysts' meeting that 2008 rental income should be close to €14m. Most of the rise is related to a the high gap between contractual rents in force and the actual rental booked in 2007 as important new leases were only signed towards the end of the year. Rental income is also helped by high expected inflation (2.8% in Belgium and 2.3% in France) and net investments.

... and of income from conference centres as La Hulpe enjoys a full year of operations...

Our basic scenario for the Dolce conference centres remains unaltered, ie, a gradual catch-up of La Hulpe operating performances with Chantilly levels by 2010F. However, our aggregate estimates rise given the very strong performance of La Hulpe in 2007 with total expected 2008F EBITDA now at €8.9m vs €7.8m previously. At 'cruise

speed', the combined EBITDA of the two conference centres should be close to €10m (100% basis).

Fig 9 Dolce assets - key prospective data (100% basis, €000)

	2007	2008F	2009F	2010F
Dolce Chantilly				
Revenues	16,214	16,587	16,935	17,291
EBITDA	3,808	3,981	4,233.8	4,322.7
EBITDA margin (%)	23.5	24.0	25.0	25.0
Occupancy rooms (%)	69.5	70.0	70.0	70.0
Average daily rate (€)	135.0	138.1	141.0	144.0
RevPar (€)	93.83	96.67	98.70	100.78
Available rooms/year	73,000	73,000	73,000	73,000
RevPar available rooms	6,849.2	7,057.2	7,205.4	7,356.7
As a % of revenues	42.2	42.5	42.5	42.5
As a % of EBITDA	179.9	177.3	170.2	170.2
Dolce La Hulpe (grand opening 31/01/07)				
Revenues	15,810	19,503	20,867	22,327
EBITDA	3,252	4,876	5,216.9	5,581.8
EBITDA margin (%)	20.6	25.0	25.0	25.0
Occupancy rooms (%)	49.0	60.0	65.0	70.0
Average daily rate (€)	140.0	143.9	146.7	149.4
RevPar (€)	68.60	86.35	95.33	104.61
Available rooms/year	96,360	96,360	96,360	96,360
RevPar available rooms	6610.3	8320.9	9,185.6	10,080.1
As a % of revenues (%)	41.8	42.7	44.0	45.1
As a % of EBITDA	203.3	170.7	176.1	180.6
Total EBITDA	7,060.0	8,856.7	9,450.7	9,904.5

Source: Company data, ING estimates

As already stated, the contribution from the conference centres to Banimmco's earnings is computed after depreciation expenses, which we assume are flat on a 12-months basis. We have also assumed flat financial expenses (excluding one-off fees worth €1.0m) and a tax burden at 20%. Even when considering the depressing effect of depreciation, the net contribution from the conference centres is expected to rise strongly in 2008-10F.

Fig 10 Dolce assets – key financials (100% basis, €000)

	2007			2008F	2009F	2010F
	La Hulpe	Chantilly	Total	Total	Total	Total
EBITDA	3,252	3,808	7,060	8,856.7	9,450.7	9,904.5
Depreciation	(2,894)	(639)	(3,533)	(3,796)	(3,796)	(3,796)
EBIT	358	3,169	3,527	5,061	5,655	6,108
Net financial expenses	(2,460)	(413)	(2,873)	(1,821)	(1,821)	(1,821)
Tax	0	(643)	(643)	(648)	(767)	(857)
Exceptional items	0	(948)	(948)	0	0	0
Net results	(2,102)	1,165	(937)	2,592	3,067	3,430
Cash flow	792	1,804	2,596	6,388	6,863	7,226

Source: Company data, ING estimates

For an extensive discussion on the conference centres business, please refer to our company report dated 13 September 2007. As a reminder, this second activity alongside asset repositioning, offers important attractions including:

- Day-to-day management, including the international reservation and IT system, is left to professionals (Dolce International) with a long and proven track record in the sector. Dolce is strongly 'incentivised' by the fee structure.

- Conference centres are less cyclical than hotels: most of the business is done with corporate clients booking conference arrangements well in advance. Typically two-thirds of the annual business is booked in the first quarter and 60-70% of the business of a mature Dolce conference centre is from returning clients. The client base of Dolce includes first-class corporates such as McKinsey, Total, GE, Philips etc. To further improve occupancy, rooms left over are offered at a discount to leisure customers (weekends, public holidays etc). In order to better serve these customers several leisure facilities are planned at La Hulpe and the Chantilly site includes an 18-holes golf course.
- High profitability from the 'all-in' and 'no surprise fees' concept which is highly sought-after by corporate clients. With a flexible cost base; 20-30% of the staff at La Hulpe are temporary workers, Dolce reckons that an occupancy rate of 50% is enough to break-even. The average occupancy rate at a mature Dolce centre stands at 65-70%.
- Banimmo reckons that conference centres offer a higher yield, but this has to compensate, at least partially, for their lower liquidity (high unitary size).

Fig 11 Equity-method consolidated companies (€000)

	2007	2008F	2009F	2010F
Devimo (32.5%)	686	704	718	733
Jardins des Quais (50.0%)	(318)	0	100	170
Conferinvest (49.0%)	(197)	1,270	1,503	1,681
Other	(2)	0	0	0
Total	169	1,974	2,321	2,583

Source: Company data, ING estimates

Other equity-method consolidated companies include Devimo and Jardins des Quais. As a cautionary measure, we have assumed that the net contribution of Devimo rises in line with inflation and that there will be no contribution from Jardins des Quais in 2008. The latter is a 50%-owned retail complex located in Bordeaux and is currently undergoing a shift of tenants towards a more 'fashionable' mix; its 2007 contribution was penalised by important commercialisation expenses.

We have assumed 'other revenues', mainly management fees for JV, at €0.8m, in 2008F, which is sharply lower vs 2006 (€2.7m considering that the latter included a one-off €2m fee). As a measure of caution we have assumed no acquisitions by Brittany and Conferinvest which would trigger additional fees.

**... lead to REBIT rising
by 68.5%...**

We assume total operating expenses fall to €7.6m in 2008F (-6.7%) as the 2007 figures included several one-offs worth €0.8m (including the IPO costs) and expenses related to the opening of the La Hulpe conference centre before its partial disposal. Beyond 2008 operating expenses are assumed to rise in line with inflation with an additional 1% drift. As a result, we expect REBIT of €9.6m, up 69.2% vs 2007, but still down against our previous estimate of €10.5m as a result of our more conservative assumptions on 'other revenues'

**... and recurrent
revenues close to 50%
of the total**

Our estimates for realised capital gains are left roughly unchanged and are based on our aggregated assumptions described above with a constant margin on disposals of 24% of the cost base of assets sold. This leads to capital gains worth €18.0m in 2008F. As a result, recurrent revenues (ie, excluding realised capital gains) are close to 50% of total revenues in 2008F and above thereafter.

Financing is secured until March 2011 and allows additional net acquisitions of close to €200m

Net financial expenses consist mainly of dividends (the Montea stake) and interest expenses on financial debt. For 2008, the dividend to be paid is known to be €1.1m (final dividend of €1.64 on 689,873 owned shares). Banimmo's financial debt is basically short-term (3-months euribor based), but is systematically hedged for interest rate risk (see Figure 6). Debt levels are moderate since last year's capital increase with loan-to-value down to 30%, and even lower in economic terms considering that not all assets are booked at fair value (IAS 40 – see 'Valuation' section) from over 60% in 2005-06. Banimmo has managed not only to hedge its interest rate risk, but also credit margin risks, which are currently under pressure, until March 2011.

Financial debt basically consists of bank credits and short-term bonds (commercial paper), but Banimmo currently finances itself mainly with commercial paper which enjoys margins as low as +28bp. Even when adding the costs of the commitment fees of the back-up lines (€50m), its costs are well below bank credit margins at +85-115 bp.³ The abovementioned back-up line is included in a €215m syndicated bank facility running until September 2011. An additional specific €25m credit line is aimed at financing new joint ventures. These amounts are well above the current level of financial debt of €49.0m as of end-2007; the maximum debt allowed (€240m) is close to the 70% maximum loan-to-value allowed by its bank covenants. Hence, Banimmo is currently able to complete acquisitions worth €190m without having to tap the equity market or renegotiate with the banks. Interestingly, the current financial turmoil has left the domestic CP market unaffected; investors in CP are mainly local corporate treasurers with excess liquidity.

Hedging in place offers good protection until 2010 should interest rates rise...

We have computed future interest expenses on the basis of ING 3-month euribor forecasts and existing hedge cost (see Figure 6). For the sake of simplicity we have left aside the 2010-11 interest rate swap. Although the total CP programme amounts to €75m (of which €50m is backed by committed lines), we have assumed for the sake of prudence, CP outstanding remains at €50m with the remainder being bank-financed in order to compute margins. Banimmo's hedging strategy has three potential snags:

- 1) purchased caps were partially financed by the sale of floors. Hence, Banimmo will not benefit fully from a possible fall of interest rates. However, most of floors are out of the money and all have knock-ins limiting the downside and this negative impact is obviously compensated for by the primary effect of lower rates;
- 2) secondly, the knock-out features embedded in several of the caps purchased lowered the cost of the caps, but also make them ineffective if the knock-out rate is attained;
- 3) caps from 2009 onwards have higher strike prices and hence do not protect against a modest rise in interest rates.

On the basis of ING interest rate forecasts, our middle-of-the-road scenario suggests total interest expenses (all inclusive – see Figure 12) are contained at around 5% of average financial debt. The rise in 2009 is mainly the result of the above-mentioned higher cap rates.

³ Margins increase in line with LTV levels with a maximum LTV of 70%.

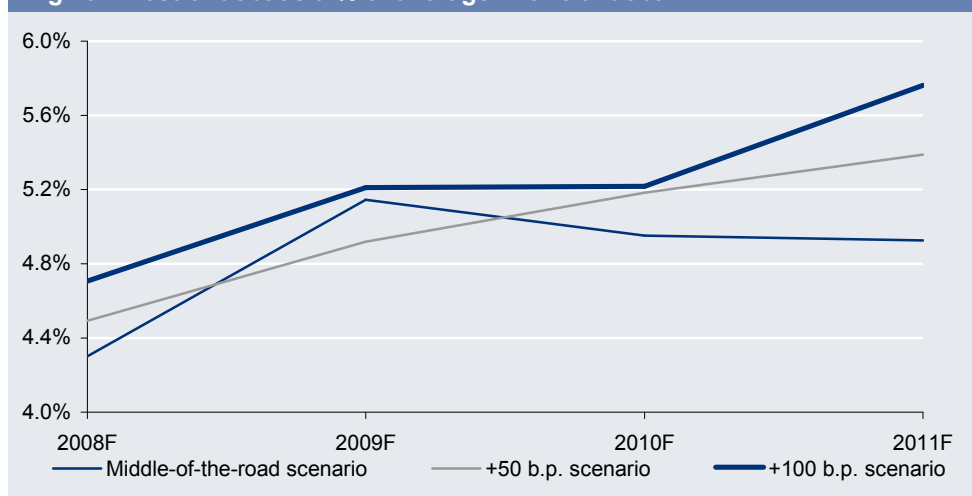
Fig 12 Financial expenses – middle-of-the-road scenario (€m)

	2006	2007	2008F	2009F	2010F	2011F
Financial debt	101.4	49.0	66.1	67.0	68.5	69.4
Average financial debt		75.2	57.5	66.6	67.8	68.9
Assumed 3M euribor (average) (%)		4.28	4.20	3.70	4.20	4.20
Unhedged debt 1Q			0.0	11.6	0.0	68.9
Unhedged debt 2Q-4Q			0.0	66.6	67.8	68.9
Margin on CP (bp)			28	28	28	28
Margin on bank credit (bp)			85	85	85	85
Interest expenses 1Q			0.5	0.68	0.8	0.8
Interest expenses 2Q-4Q			1.7	2.06	2.4	2.4
Commitment fees (40bp on €50m)			0.2	0.2	0.2	0.2
Cost of floors sold			0.0	0.5	0.0	0.0
Total annual interest expenses			2.5	3.4	3.4	3.4
As a % of average financial debt			4.30	5.14	4.95	4.93

Source: Company data, ING estimates

**... but cannot avoid
higher interest
expenses in 2009-10**

We have also run two stress scenarios consisting of euribor plus 50bp and plus 100bp above expected euribor rates; in the first case (+50bp) the hedging currently in place offers good protection until 2009, but less so in 2010 (most of the caps are out of the money) and close to none in 2011 (most of the caps are out of the money and only run until March). In the case of a 100bp interest rate hike above our forecasts, the picture looks even better with good protection until 2010 (cost of debt rises by 40bp or less) before vanishing in 2011.

Fig 13 Cost of debt as a % of average financial debt

Source: ING estimates

We have made no assumptions on IAS 39 adjustments. For 2008F we expect a sharp fall in interest expenses as a result of; (1) benign interest rates (average euribor down 8bp to 4.20%); (2) lower average financial debt following the capital increase of 2007 (down 22.9%); and (3) several one-offs booked in 2007 are no longer borne in 2008 (among others the purchase of hedging instruments worth €0.6m). Overall, financial items are further helped by higher dividends from Montea. Financial expenses are expected to rise again despite the hedging in place as from 2009 in line with higher average debt. As already stated, preferred dividends paid to holders of 'B' shares (management) are included in our figures as minorities⁴.

⁴ Management holds 'B' shares which, on top of ordinary payouts, are entitled to a preferred dividend. The system is an incentive for the management. Preferred dividend is calculated as a function of ROE, the latter being defined as net economic results divided by available equity at the end of the previous fiscal year. Different levels of ROE are

Fig 14 Preferred dividend estimates (€000)

	(%)	2007	2008F	2009F	2010F	2011F
ROE for pref dividend (%)		18.0	16.4	14.5	13.3	13.2
Tranche A	25	637.8	771.1	883.0	996.6	1,045.0
Tranche B	30	765.3	925.3	1,059.6	1,196.0	1,254.0
Tranche C	35	892.9	1,079.5	1,236.2	1,395.3	1,463.0
Tranche D	40	1,012.7	215.9	0.0	0.0	0.0
Total, capped at €4m		3,167.0	2,991.9	3,178.7	3,587.9	3,762.0

Source: ING estimates

**Sharply higher EPS
growth in 2008 vs 2007
diluted figures**

All in all, 2008 should be a good year with net current EPS rising by 9.8% YoY on the back of higher rental income, the ongoing catch-up of la Hulpe in the conference centres business and lower interest expenses helped by astute hedging. Bear in mind however, that YoY growth is overstated as FY07 EPS were depressed by the 2007 capital increase (computed using the number of shares outstanding after the capital increase).

**... and strong
underlying business
thereafter
overshadowed by our
very cautious
assumptions**

The picture beyond 2008 looks uninspiring with EPS flat in 2009-10F, mainly as a result of higher interest expenses (higher average debt and higher cap rates), before resuming moderate growth from 2011F onwards. However, we believe the underlying trend is much stronger when one considers:

- the strong growth of REBIT in 2009-10F should rise respectively by 7.8% and 4.9% on the back of La Hulpe catching up with the Chantilly operating performance as well as healthy rental income growth;
- that bottom line is held back by very cautious assumptions on realised capital gains, roughly flat at €18m per annum as witnessed by the better quality of earnings, ie, the higher share of recurrent earnings rising gradually from 49% in 2008F to 54% in 2001F;
- more generally, the strict constant consolidation scope ie, no growth whatsoever beyond the abovementioned portfolio rotation. Hence, we do not assume a third conference centre acquisition, nor a first acquisition for Brittany (which would trigger commissions) or any sizeable new acquisitions. These events are all uncertain and difficult to assess at this stage, but are still quite likely to happen in the next two years.

**A dividend yield close
to REIT-like property
shares but with a lower
payout**

All in all, headline EPS, strongly up in 2008, only shows modest growth from 2009 onwards, but this is the result of very cautious assumptions. The quality of earnings strongly improves as witnessed by the higher share of recurrent income and the improving 'coverage' of recurrent expenses, including financial charges, by recurrent income from slightly over 100% in 2007, to close to 200% in 2010F. Despite our lower EPS estimates, we have raised our DPS estimates in line with the higher-than-expected dividend for FY07. Banimmo has repeatedly stated it wants to offer a dividend yield close to those of REIT-like property companies such as the Belgian SICAFIs (c.6% gross dividend yield). The key here is the much lower payout of Banimmo vs these REIT-like companies which are required by law to distribute a high share of their recurrent income (80% in Belgium).

defined and a percentage of economic results in excess of each threshold is to be paid as preferred dividend. Total preferred dividends are capped at €4m and the system remains in place until FY2016. For more details please refer to our company report dated September 13, 2007.

Fig 15 P&L prospects – main items (€000)

	2006	2007	(%)	2008F	2009F	2010F
Net lease revenues	16,675	10,937	-34.4	14,774	16,055	16,997
Spot occupancy (%)	78.0	87.0		85.0	87.0	87.0
Yield (%)	8.4	5.8		7.5	7.7	7.8
Yield at 100% occupied	10.7	6.7		8.8	8.9	8.9
Group share in other revenues	1,325	169	-87.2	1,974	2,321	2,583
Other revenues (JV)	334	2,729	717.1	824	849	875
Recurrent revenues	18,334	13,835	-24.5	17,572	19,226	20,456
Operating costs	(8,118)	(8,176)	0.7	(7,630)	(7,848)	(8,071)
Other revenues	540	0				
REBIT	10,756	5,659	-47.4	9,943	11,377	12,384
Net capital gains on disposals	23,348	23,117	-1.0	18,054	17,710	17,409
Margin on asset disposals (%)	24.0	47.4		24.0	24.0	24.0
EBIT	34,104	28,776	-15.6	27,997	29,087	29,793
Net financial charges*	(6,386)	(5,431)	-15.0	(1,593)	(2,191)	(2,053)
Taxes	(2,054)	(404)	-80.3	(1,188)	(1,210)	(1,248)
Net economic results*	25,664	22,941	-10.6	25,215	25,685	26,492
Recurrent revenues/operating costs (%)	226	169		230	245	253
Recurrent rev/oper costs+net fin charges (%)	126	102		191	191	202
Recurrent revenues/total revenues (%)	43.4	37.4		49.3	52.1	54.0

*=excl IAS 39 adjustments

Source: Company data, ING estimates

Most Belgian SICAFIs have payout ratios above 90% of recurrent earnings, whereas Banimmo's payout stands at c.70% of economic results. Admittedly the latter includes realised capital gains (reverted to 'portfolio results') in the case of SICAFIs but, as already said, these capital gains are part of the business of Banimmo and of a large rotating portfolio; in both cases unrealised gains. Moreover and as already said, the share of realised gains in Banimmo's total revenues is expected to decline in the future and their share in SICAFIs (reported) results remains small. Banimmo views an ordinary payout as around 60%, which is roughly equivalent to our 70% estimate given that Banimmo computes its 60% payout BEFORE preferred dividends.

Fig 16 P&L prospects data per share – main items (€000)

	2006	2007	(%)	2008F	2009F	2010F
Net economic results	25,664	22,941	-10.6	25,215	25,685	26,492
Unrealised capital gains & IAS 39	(2,907)	(208)	-92.8	989	1,119	1,129
Results from discontinued operations		0				
Net reported results	22,757	22,733	-0.1	26,204	26,804	27,621
Preferred dividend	3,998	3,167	-20.8	2,992	3,179	3,588
Net econ. results (share of the group)	21,666	19,774	-8.7	22,223	22,507	22,904
Net rep. results (share of the group)	18,759	19,566	4.3	23,212	23,626	24,033
Total shares' outstanding	8,653,100	11,356,544	31.2	11,356,544	11,356,544	11,356,544
Net current EPS (€) (excl. IAS 39)	2.50	1.74	-30.5	1.96	1.98	2.02
Net reported EPS (€)	2.17	1.72	-20.5	2.04	2.08	2.12
Gross DPS (€)	2.86	1.26	-55.9	1.31	1.36	1.41
Ordinary payout (economic results) (%)	114.2	72.4		66.9	68.6	69.9
Ordinary payout (reported results) (%)	131.9	73.1		64.1	65.4	66.6

Source: Company data, ING estimates

Given the limited coverage, no meaningful consensus figures are available.

Fig 17 Change of ING's EPS estimates (€)

	2007 act	2008	2009	2010
Net current EPS (old)	1.78	1.84	1.96	2.06
Net current EPS (new)		1.96	1.98	2.02

Source: ING estimates

Valuation

Computing a NAV is impractical

One important issue affecting investors' perceptions of Banimmo's shares is the NAV question. Normally a straightforward, if not simple computation in the case of REIT-like companies such as Belgian SICAFs, French SIICs or Dutch FBIs, the exercise is, in the case of Banimmo, marred by several issues making a NAV computation difficult and even irrelevant because:

- Future capital gains generated on a regular, if not recurrent basis, by an 'asset repositioning' business are not included in a NAV calculation.
- Only a portion of the assets is actually valued at fair value (IAS 40). Development assets are valued at cost.
- Even assets appraised at fair value can sometimes turn out to be significantly underestimated in terms of their true marketable value as evidenced by the recent disposals of Cap2 (appraised at €22m, sold for €31m) or the Brouckère Tower (appraised at €55m and sold for more than €80m).

Banimmo released additional information pertaining to its property valuation as at end-2007 (see Figure 18) displaying its portfolio 'at fair value'. At €274m, the portfolio value is €54m above the value on its books. The main difference is related to the Dolce conference centres, which are booked at acquisition cost and represent 15% of the total. Based on a value of €274m, Banimmo reckons that 65% of the assets are investment properties, ie, properties generating rent and, once optimally leased, available for sale. Most of these assets are located in Belgium. Development assets (5% of total) remain valued at cost and hence their true weight in the portfolio is understated to say the least. The main assets here are Clamart, a 8,000m² retail complex in the Paris Periphery to be completed in 3Q08 and the Da Vinci 4H project (Brussels) due to be completed in 3Q09. The latter is already fully pre-let to the mobile operator Mobistar. A substantial part of Clamart is also pre-let. Other projects under development are included in the 'joint ventures' caption (9% of total) and are, in addition to Devimo, the The Loop and Les Jardins des Quais projects.

Fig 18 Property portfolio as of end-2007 (€m)

	IFRS accounts		Company breakdown (% of total)		Diff		
Investment properties	167.9	Fair value (IAS 40)	178.1	65	Fair value	10.2	Latent fiscal losses
Montea stake	13.8	Market value	13.8	5	Market value	0.0	
Dolce conference centres	13.3	Long-term fin asset & eq method	41.1	15	Acq cost	27.9	
Joint-ventures (excl Dolce)	10.1	Equity method	24.7	9	Fair value	14.6	Incl the Loop, Jardins des Quais & Devimo
Development assets	14.5	At cost in tangible assets	13.7	5	At cost	-0.8	Diff inc other assets (furniture, vehicles...)
Stocks (landbank)	0.9	LOCOM	2.7	1	Fair value	1.8	Incl latent fiscal losses
Total property portfolio	220.4		274.1			53.7	

Source: Company data, ING estimates

Figure 18 suggests that adding €53.7m to the book value would result in an approximate NAV calculation. However, we believe that such a NAV (€18.59 per share) remains a rough understatement as, in addition to the abovementioned omission of future capital gains, the Dolce assets remain valued at acquisition cost and the value of several activities such as Devimo are likely to be sharply underestimated.

It is interesting to note that despite its focus on Belgium (73% of portfolio value) and France (27%) (the only Luxembourg asset was sold in 2007), Banimmo's portfolio is well-diversified among asset classes (52% offices, 19% retail, 6% logistics and 23% other assets including conference centres), has 'maturity' from a repositioning cycle perspective and no single asset weighs more than 11% of the total.

Our DCF model suggests a fair value of €29 per share...

Given the difficulties inherent in computing a NAV and its lack of pertinence in the case of a company generating a sizeable portion of its value creation from property development, we adhere to our two main valuation methods, ie, a discounted cash flow model (DCF) and a sum-of-the-parts (SOTP) model. Our DCF model suggests a fair value of €29 per share vs €25 previously. This is the result of higher earnings estimates, a lower normalised tax rate and a slightly lower market-risk premium (although still at a very conservative 5.0%).

Fig 19 Discounted cash flow model (€m)

	2008F	2009F	2010F	2011F
Operating cash flow	24.8	21.7	22.6	24.0
Discount factor	0.94	0.87	0.81	0.75
Present value of free cash flow	23.4	19.0	18.3	18.0
Cumulative present value of free cash flow	78.6			
+ Present value of terminal value	277.0			
+ Other financial assets (e)	42.3			
= Enterprise value	397.8			
- Net Financial Debt (group share)	(64.6)			
= Theoretical market capitalisation	333.3			
- Present value pref. dividend	(23.3)			
Fair value per share (€)	27.30			
12M Price target (€)	29.47			

Source: ING estimates

Other assumptions are detailed in the table below; the beta used (0.9) stands at an intermediary level between pure property developers (above 1.0) and REIT-like companies (0.7-0.8). Note also the terminal long-term growth rate at a mere 1.5%, is a very modest level considering the moderate payout of the company.

Fig 20 DCF assumptions (%)

Gross gearing	26.9
Tax rate	5.00
Cost of debt before tax	5.50
Cost of debt after tax	5.23
Medium-term growth rate	3.82
Long-term growth rate	1.50
Risk-free 10Y	4.50
Risk premium	5.00
Beta (x)	0.90
Cost of equity	9.00
WACC	7.98

Source: ING estimates

... confirmed by our SOTP model

Given the diversity of the company, our preferred valuation method remains a SOTP. We have used the same assumptions for our DCF model. The average 2009F EV/EBITDA of hotel shares currently stands at 8x, but we value the conference centres business using an unchanged EV/EBITDA multiple of 9x given the much lower risk and higher visibility of the conference centres business, and signs in the market that conference centres actually command much higher multiples. In 2007, Banimmo was outbid when tendering an offer for the 'Les Frégates' conference centre in France;

Banimmo offered 15x EBITDA. We have used 2009 earnings as the 2007-08 figures still do not reflect the full potential of the La Hulpe conference centre. Our SOTP-valuation implies a fair value of €29 per share which confirms the outcome of our DCF-based valuation.

Fig 21 EV/EBITDA of selected hotel company shares (x)

	2007 EV/EBITDA	2008F EV/EBITDA	2009F EV/EBITDA
Accor SA	9.2	8.8	8.0
Intercontinental Hotels Group	11.3	9.8	8.6
Sol Melia SA	8.0	7.4	6.9
NH Hotels SA	10.2	9.2	8.9
Millennium And Copthorne	8.8	7.7	7.4
Un-weighted average	9.5	8.6	7.9

Source: Jacques Chahine Finance

Fig 22 SOTP valuation (€m)

	2008F	2009F	2010F	2011F	2012F	2013F	Terminal year
Capital gains	18.1	17.7	17.4	17.1	16.9	17.1	17.0
Discount factor	0.94	0.87	0.81	0.75	0.69	0.64	0.64
PV capital gains	17.0	15.5	14.1	12.9	11.7	11.0	
Cum value of PV capital gains	82.2						
Terminal value							230.1
PV terminal value	148.0						
Total value redevelopment	230.2						
9x 2009F EBITDA							
2009F EBITDA	9.5						
Total value conference centres (49%)	41.7						
Fair value fixed assets (2008F)	193.3						
Investment in Montea	22.1						
Fee business	1.7	0.8	0.8	0.9	0.9	0.9	0.9
Discount factor	0.94	0.87	0.81	0.75	0.69	0.64	0.64
PV capital gains	1.6	0.7	0.7	0.6	0.6	0.6	
Cum value of PV capital gains	4.8						
Terminal value							12.4
PV terminal value	8.0						
Total value fee business	12.8						
Corporate costs	(7.6)	(7.8)	(8.1)	(8.3)	(8.5)	(8.8)	(8.9)
Discount factor	0.94	0.87	0.81	0.75	0.69	0.64	0.64
PV corporate costs	(7.2)	(6.9)	(6.5)	(6.2)	(5.9)	(5.6)	
Cum. value of PV corporate costs	(38.4)						
Terminal value							(120.4)
PV terminal value	(77.5)						
Total corporate costs	(115.9)						
Other assets excl. cash	35.3						
Net debt	(64.6)						
PV pref. dividend	(23.3)						
= Theoretical market cap.	331.7						
Fair value per share (€)	29.21						

Source: ING estimates

Not a lot of comparables out there

A valuation based on comparables is quite difficult as Banimmo's business model sits somewhere between a pure property developer and that of a long-term property investor such as a REIT-like company, and as such is rather unique. Admittedly the latter sometimes extract a substantial amount of value from 'property development', but this has to be understood as development for its own account and long holding periods as pure property development is often forbidden (Belgium, the Netherlands until recently) or taxed (France). Finally, just adding property development or pure property trading (such as at the German Vivacon) to long-term ownership of property still fails to capture the kind of value creation undertaken by Banimmo. Finally, one has to cope with huge differences in size, segments (eg, residential versus offices etc).

Significant upside potential and interesting dividend yield

We adopt a 12-month target price of €29 based on our DCF and SOTP valuation models. At current market prices, the share offers an interesting upside potential of over 30%, excluding dividends. Note also that while offering much better growth prospects than pure patrimonial plays, such as SICAFIs (lower payout, retained earnings via depreciation), Banimmo still offers a comparable dividend yield close to 6%. We reiterate our 'Buy' rating.

Comments on financials

Banimmo is not a REIT-like SICAFI, but more of a 'normal' corporate subject to corporate tax, but is not limited by the strict regulations ruling Belgian SICAFIs. The actual tax burden is very low.

The contribution of conference centres (equity method) is computed after depreciation charges.

All figures come under IFRS

Property assets are partially valued at fair value (investment assets – IAS 40) and at cost (development assets and conference centres). 'Fair value' is calculated as the appraised investment value of the asset less 2.5%.

Financial debt is fully hedged against rising interest rates.

Income statement (€m)

Yr to Dec	2007	2008F	2009F	2010F
Turnover	10.9	14.8	16.1	17.0
Total operating revenues	10.9	14.8	16.1	17.0
Costs of goods sold	(10.9)	(14.8)	(16.1)	(17.0)
Other operating costs	(9.9)	(9.3)	(9.5)	(9.7)
Depreciation	1.7	1.7	1.7	1.7
Total operating costs	(8.2)	(7.6)	(7.8)	(8.1)
EBIT before exceptionals	28.8	28.0	29.1	29.8
Operating exceptionals	(0.7)	1.0	1.1	1.1
EBITA	28.8	28.0	29.1	29.8
Operating profit	28.8	28.0	29.1	29.8
EBITDA	27.1	26.3	27.4	28.1
Net interest income	(5.0)	(1.6)	(2.2)	(2.1)
Investment income				
Net financial charges	(5.0)	(1.6)	(2.2)	(2.1)
Adj pre-tax profit	23.8	26.4	26.9	27.7
Exceptionals & GW	(0.7)	1.0	1.1	1.1
Pre-tax profit	23.1	27.4	28.0	28.9
Taxes	(0.4)	(1.2)	(1.2)	(1.2)
Extraordinary items (net)	0.0	0.0	0.0	0.0
Group profit	22.7	26.2	26.8	27.6
Minorities	(3.2)	(3.0)	(3.2)	(3.6)
Net profit	19.6	23.2	23.6	24.0
Net attributable profit	19.6	23.2	23.6	24.0
Adj net attributable profit	20.2	22.2	22.5	22.9
Net attributable profit from ordinary ops	19.6	23.2	23.6	24.0
Dividend on ordinary shares	(14.3)	(14.9)	(15.4)	(16.0)
Retained earnings	5.3	8.3	8.2	8.0

Source: Company data, ING estimates

Cash flow (€m)

Yr to Dec	2007	2008F	2009F	2010F
EBITDA (CF)	27.1	26.3	27.4	28.1
Change in working capital	4.8	6.0	1.5	1.1
Change in provisions	(2.6)	0.0	0.0	0.0
Operating cash flow (pre-tax)	29.2	32.3	28.9	29.2
Cash taxes	(0.4)	(1.2)	(1.2)	(1.2)
Operating cash flow (after-tax)	28.8	31.1	27.7	28.0
Net financial charges	(5.0)	(1.6)	(2.2)	(2.1)
Capital expenditure (net of disposals)	(20.4)	(9.3)	(9.1)	(8.9)
Free cash flow	3.4	20.2	16.4	17.0

Source: Company data, ING estimates

Balance sheet (€m)

Yr to Dec	2007	2008F	2009F	2010F
Investment Properties	0.0	0.0	0.0	0.0
S/T debt	27.0	44.2	45.1	46.5
S/T hybrid debt	0.0	0.0	0.0	0.0
L/T debt	21.9	21.9	21.9	21.9
L/T hybrid debt	0.0	0.0	0.0	0.0
L/T non-interest-bearing liabilities	26.9	33.1	35.1	36.6
Shareholders equity	157.5	166.4	175.1	183.7

Source: Company data, ING estimates

Per share and other data

Yr to Dec	2007	2008F	2009F	2010F
Per share data (€)				
Adj EPS	1.78	1.96	1.98	2.02
DPS	1.26	1.31	1.36	1.41
NAV	13.86	14.65	15.42	16.17
Ratios (%)				
EBITDA margin	247.8	178.2	170.7	165.4
Operating margin	263.1	189.5	181.2	175.3
EBITDA growth	(20.7)	(2.9)	4.1	2.6
Operating profit growth	(15.6)	(2.7)	3.9	2.4
Adj tax rate	1.7	4.5	4.5	4.5
ROE	14.9	14.3	13.8	13.4
ROACE	13.8	13.0	12.7	12.5
Net debt/equity	30.1	38.8	37.4	36.4
Valuation (x)				
EV/turnover	22.8	16.5	15.2	14.4
EV/EBITDA	9.2	9.3	8.9	8.7
Adj PER	12.1	11.0	10.8	10.7
Price/NAV	1.6	1.5	1.4	1.3
P/FCFPS	70.8	12.1	14.8	14.4
Adj PEG	(0.4)	1.1	8.5	6.0
Dividend yield (%)	5.9	6.1	6.3	6.6

Source: Company data, ING estimates

Company profile**History**

Banimmo's origins lie in the former Antwerp-based bank An-Hyp (now AXA Bank following its purchase by the AXA group); after its spin-off from the latter. Bit by bit, Banimmo developed an expertise in so-called distressed property. Management has gradually built up an equity stake that now stands at 27%. The French listed SIIC Affine owns 50% (acquiring a majority stake in 2006).

Banimmo is a property company with a specific focus on 'exploiting the structural accelerated technical and economical obsolescence of buildings' and the 'repositioning of undervalued assets'. Given the holding period and intermediary risks (no pure development, some recurring revenues secured), the company is somewhere between a property developer and a long-term property investor such as SICAFI. It is a 'property redeveloper'.

Acquisitions are either 100% funded by Banimmo or shared with financial partners if assets are (too) large, eg, the recent investment in Dolce conference centres. In addition to diversifying risk, JVs are expected to become a second source of recurrent income as it manages the JV (asset management and redevelopment fees).

Today, Banimmo is active in Belgium and France, and in three asset classes (offices, retail and conference centres). It operates through two business units (Brussels, Paris). The main area of activity consists of offices with a focus on the Brussels decentralised area as prices in the CBD are now very high. French activities are concentrated in the Ile de France area but, for the same reasons as in Brussels, with no strong focus in the Paris CBD area. Retail assets are subject to an 'active reach' across large and medium-sized cities in France and Belgium. Still the share of retail in the portfolio value remains small at 19%.

2007 saw the acquisition of a conference centre in Chantilly, not far from Paris, and the grand opening at end-January of Dolce La Hulpe in the Brussels Periphery. The latter site, a former IBM training centre, was acquired in 2005 and heavily upgraded before its opening. The Chantilly conference centre has been operational for six years. Banimmo currently owns two conference centres, both managed by Dolce International, a US conference centre operator founded in 1981 and offering a complete 'all-in' solution for companies wanting to organise conferences/ seminars.

Strategy

The company is committed to growing its portfolio with annual acquisitions roughly twice that of disposals. Other areas of expansion include a third conference centre and new JV's. Banimmo also has several targets aimed at reducing the volatility of its earnings such as a 50/50 split between capital gains and recurrent revenues and a full coverage of its operating expenses + financial charges by recurrent revenues.

Disclosures Appendix

ANALYST CERTIFICATION

The analyst(s) who prepared this report hereby certifies that the views expressed in this report accurately reflect his/her personal views about the subject securities or issuers and no part of his/her compensation was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this report.

IMPORTANT DISCLOSURES

For disclosures on companies other than the subject companies of this report visit our disclosures page at <http://research.ing.com> or write to The Compliance Department, ING Financial Markets LLC, 1325 Avenue of the Americas, New York, USA, 10019.

US regulatory disclosures

- The following subject company/ies of this report are or have been a client of ING Financial Markets LLC or an affiliate within the last 12 months and have received investment banking services: Banimmo CVA
- The research analyst or other person with the ability to influence the substance of this report is aware that the following subject company/ies of this report are or have been a client of ING Financial Markets LLC for investment banking services within the last 12 months: Banimmo CVA
- One or more members of ING Group has lead managed or co-lead managed a public offering of the shares of the following subject company/ies of this report in the last 12 months: Banimmo CVA
- One or more members of ING Group has received compensation for investment banking services from the following subject company/ies of this report within the last 12 months: Banimmo CVA

Valuation & risks: For details of the methodologies used to determine our price targets and risks related to the achievement of these targets refer to main body of report and/or the most recent company report at <http://research.ing.com>.

European regulatory disclosures

- One or more members of ING Group has lead managed or co-lead managed a public offering of the securities of the following subject company/ies of this report in the last 12 months: Banimmo CVA
- The following subject company/ies of this report are or have been party to an investment banking agreement with one or more members of ING Group over the last 12 months: Banimmo CVA
- One or more members of ING Group has a member of its board of directors or supervisory board or senior officer on the board of directors or supervisory board of the following subject company/ies of this report: Banimmo CVA

The *remuneration of research analysts* is not tied to specific investment banking transactions performed by ING Group although it is based in part on overall revenues, to which investment banking contribute.

Financial interests: One or more members of ING Group may hold financial interests in the companies covered in this report other than those disclosed above.

Securities prices: Prices are taken as of the previous day's close on the home market unless otherwise stated.

Job titles. The functional job title of the person/s responsible for the recommendations contained in this report is equity research analyst unless otherwise stated. Corporate titles may differ from functional job titles.

Conflicts of interest policy. ING manages conflicts of interest arising as a result of the preparation and publication of research through its use of internal databases, notifications by the relevant employees and Chinese walls as monitored by ING Compliance. For further details see our research policies page at <http://research.ing.com>.

FOREIGN AFFILIATES DISCLOSURES

Each ING legal entity which produces research is a subsidiary, branch or affiliate of ING Bank N.V. See back page for the addresses and primary securities regulator for each of these entities.

RATING DISTRIBUTION (as of end 1Q08)

	Equity coverage	Investment Banking clients*
Buy	52%	29%
Hold	43%	26%
Sell	5%	27%
	100%	

* Percentage of companies in each rating category that are Investment Banking clients of ING Financial Markets LLC or an affiliate.

RATING DEFINITIONS

Buy: Forecast 12-mth absolute total return greater than +15%

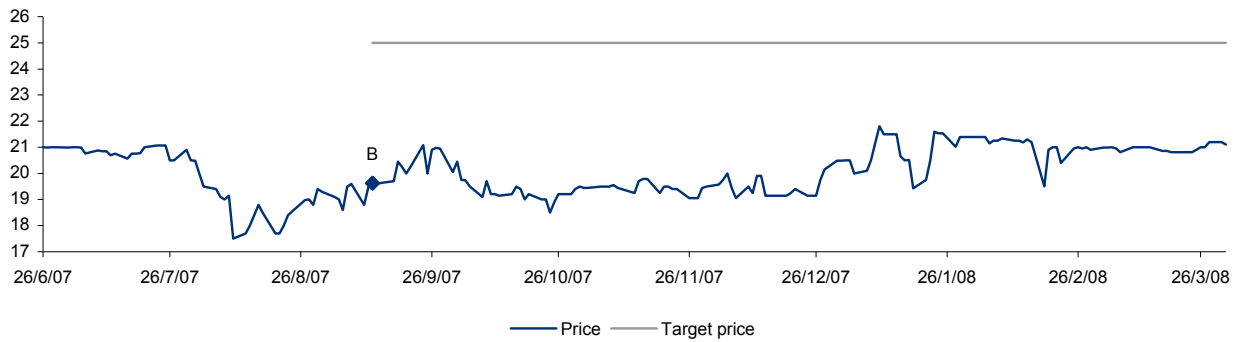
Hold: Forecast 12-mth absolute total return of +15% to -5%

Sell: Forecast 12-mth absolute total return less than -5%

Total return: forecast share price appreciation to target price plus forecast annual dividend. Price volatility and our preference for not changing recommendations too frequently means forecast returns may fall outside of the above ranges at times.

Research published prior to 15/12/05: EMEA equities' ratings were based on US dollar total returns; Western Europe's were based on: absolute return +25%, Strong Buy; greater than +10%, Buy; +10% to -10%, HOLD; lower than -10%, Sell.

PRICE & RATINGS HISTORY TO 01/04/08: BANIMMO (BANI.BR)



SB = Strong Buy; B = Buy; H = Hold; S = Sell; NR = Not Rated; R = Restricted

Chart shows ING coverage: current analyst may or may not have covered the stock for the entire period shown
 Where ING coverage is longer than three years, chart shows recommendation current at start of the share price history

Source: ING

AMSTERDAM Tel: 31 20 563 84 17	BRUSSELS Tel: 32 2 547 75 34	LONDON Tel: 44 20 7767 1000	NEW YORK Tel: 1 646 424 6000	SINGAPORE Tel: 65 6535 3688
Bratislava Tel: 421 2 5934 61 11	Edinburgh Tel: 44 131 527 3000	Madrid Tel: 34 91 789 8880	Paris Tel: 33 1 56 39 31 41	Shanghai Tel: 86 21 6841 3355
Bucharest Tel: 40 21 222 1600	Geneva Tel: 41 22 593 8050	Manila Tel: 632 479 8888	Prague Tel: 420 2 5747 1111	Sofia Tel: 359 2 917 6400
Budapest Tel: 36 1 268 0140	Hong Kong Tel: 852 2848 8488	Mexico City Tel: 52 55 5258 2000	Santiago Tel: 562 452 2700	Taipei Tel: 886 2 2734 7600
Buenos Aires Tel: 54 11 4310 4700	Istanbul Tel: 90 212 258 8770	Milan Tel: 39 02 89629 3660	Sao Paulo Tel: 55 11 4504 6000	Tokyo Tel: 813 5210 0100
Dubai Tel: 971 4 365 3430	Kiev Tel: 380 44 230 3030	Moscow Tel: 7495 755 5400	Seoul Tel: 822 317 1800	Warsaw Tel: 48 22 820 5018

Research offices: legal entity/address/primary securities regulator

Almaty	Representative office, ING Bank N.V. in Kazakhstan, 85a, Dostyk Avenue, Office 510, 050010, Almaty, Kazakhstan. <i>Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market & Financial Organizations</i>
Amsterdam	ING Bank N.V., Foppingadreef 7, Amsterdam, Netherlands, 1102BD. <i>Netherlands Authority for the Financial Markets</i>
Bratislava	ING Bank N.V., pobočka zahraničnej banky, Jesenskeho 4/C, 811 02 Bratislava, Slovak Republic. <i>National Bank of Slovakia</i>
Brussels	ING Belgium S.A./N.V., Avenue Marnix 24, Brussels, Belgium, B-1000. <i>Banking Finance and Insurance Commission</i>
Bucharest	ING Bank N.V. Bucharest Branch, 11-13 Kiseleff Avenue, PO Box 2-208, 011342, Bucharest 1, Romania. <i>Romanian National Securities and Exchange Commission</i>
Budapest	ING Bank Zrt, Dozsa Gyorgy ut 84/B, H - 1068 Budapest, Hungary. <i>Hungarian Financial Supervisory Authority</i>
Dubai	ING Bank N.V. Dubai Branch, Level 2, Gate Village 05, Dubai International Financial Center (DIFC), PO Box 506641. <i>Dubai Financial Services Authority</i>
Edinburgh	ING Bank N.V. London Branch (Edinburgh office), 2 Canning Street Lane, Edinburgh, United Kingdom, EH3 8ER. <i>Financial Services Authority</i>
Hong Kong	ING Bank N.V. Hong Kong Branch, 39/F, One International Finance Centre, Central Hong Kong. <i>Hong Kong Monetary Authority</i>
Istanbul	ING Bank N.V. Istanbul Representative Office, Suleyman Seba Cadessi No. 48 BJK Plaza, Blok B Floor 8, 34357 Akaretler-Besiktas, Istanbul, Turkey. <i>Capital Markets Board</i>
Kiev	ING Bank Ukraine JSC, 30-a, Spaska Street, Kiev, Ukraine, 04070. <i>Ukrainian Securities and Stock Commission</i>
London	ING Bank N.V. London Branch, 60 London Wall, London EC2M 5TQ, United Kingdom. <i>Financial Services Authority</i>
Madrid	ING Bank NV, Sucursal en Espana, C/Genova, 27. 4th Floor, Madrid, Spain, 28004. <i>Comisión Nacional del Mercado de Valores</i>
Manila	ING Bank N.V. Manila Branch, 21/F Tower I, Ayala Avenue, 1226 Makati City, Philippines. <i>Philippine Securities and Exchange Commission</i>
Mexico City	ING Grupo Financiero (Mexico) S.A. de C.V., Bosques de Alisos 45-B, Piso 4, Bosques de Las Lomas, 05120, Mexico City, Mexico. <i>Comisión Nacional Bancaria y de Valores</i>
Milan	ING Bank N.V. Milano, Via Paleocapa, 5, Milano, Italy, 20121. <i>Commissione Nazionale per le Società e la Borsa</i>
Moscow	ING Bank (Eurasia) ZAO, 36, Krasnoproletarskaya ulitsa, 127473 Moscow, Russia. <i>Federal Financial Markets Service</i>
Mumbai	ING Vysya Bank Limited, A Wing, Shivsagar Estate, 2nd Floor, South Wing, Dr. Annie Besant Road, Worli, Mumbai, 400 018. India. <i>Securities and Exchange Board of India</i>
New York	ING Financial Markets LLC, 1325 Avenue of the Americas, New York, United States, 10019. <i>Securities and Exchange Commission</i>
Paris	ING Belgium S.A., Succursale en France, Coeur Défense, Tour A, La Défense 4, 110 Esplanade du Général de Gaulle, Paris La Défense Cedex, 92931. <i>l'Autorité des Marchés Financiers</i>
Prague	ING Bank N.V. Prague Branch, Nadrazni 25, 150 00 Prague 5, Czech Republic. <i>Czech National Bank</i>
Sao Paulo	ING Bank N.V. Sao Paulo, Av. Brigadeiro Faria Lima n. 3.400, 11th Floor, Sao Paulo, Brazil 04538-132. <i>Securities and Exchange Commission of Brazil</i>
Singapore	ING Bank N.V. Singapore Branch, 19/F Republic Plaza, 9 Raffles Place, #19-02, Singapore, 048619. <i>Monetary Authority of Singapore</i>
Sofia	ING Bank N.V. Sofia Branch, 12 Emil Bersinski Str, Ivan Vazov Region, 1408 Sofia, Bulgaria. <i>Bulgarian Central Bank and Financial Supervision Commission</i>
Warsaw	ING Securities S.A., Plac Trzech Krzyzy, 10/14, Warsaw, Poland, 00-499. <i>Polish Financial Supervision Authority</i>

Disclaimer

This report has been prepared on behalf of ING (being for this purpose the wholesale and investment banking business of ING Bank NV and certain of its subsidiary companies) solely for the information of its clients. ING forms part of ING Group (being for this purpose ING Groep NV and its subsidiary and affiliated companies). It is not investment advice or an offer or solicitation for the purchase or sale of any financial instrument. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, ING makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. ING Group and any of its officers, employees, related and discretionary accounts may, to the extent not disclosed above and to the extent permitted by law, have long or short positions or may otherwise be interested in any transactions or investments (including derivatives) referred to in this report. In addition, ING Group may provide banking, insurance or asset management services for, or solicit such business from, any company referred to in this report. Neither ING Group nor any of its officers or employees accepts any liability for any direct or consequential loss arising from any use of this report or its contents. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Past performance is not indicative of future results. Investors should make their own investigations and investment decisions without relying on this report. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this report. This report is issued: 1) in the United Kingdom only to persons described in Articles 19, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed, directly or indirectly, to any other class of persons (including private investors); 2) in Italy only to persons described in Article No. 31 of Consob Regulation No. 11522/98. Clients should contact analysts at, and execute transactions through, an ING entity in their home jurisdiction unless governing law permits otherwise. ING Bank N.V., London branch is authorised by the Dutch Central Bank and regulated by the Financial Services Authority for the conduct of UK business. It is incorporated in the Netherlands and its London branch is registered in the UK (number BR000341) at 60 London Wall, London EC2M 5TQ. ING Financial Markets LLC, which is a member of the NYSE, NASD and SIPC and part of ING, has accepted responsibility for the distribution of this report in the United States under applicable requirements. ING Vysya Bank Ltd is responsible for the distribution of this report in India.