



25 November 2008

## Investment Research

### Accumulate

vs Hold

Share price: EUR 14.70

*closing price as of 24/11/2008*

Target price: EUR 19.40

vs Target Price: EUR 22.50

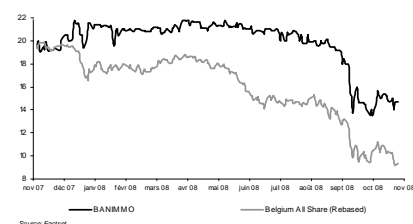
Reuters/Bloomberg BANI.BR/BANI.BB

Accounting Standard/Since IFRS/2004

Daily avg. 12 mth n° trad. sh. (th)/vol. (m)	2	0
Price high/low 12 mth (EUR)	21.80	13.50
Abs. perf.(%) 1/3/12 mth	5.00	-25.57

Market capitalisation (EURm)	167
Current N° of shares (m)	11
Free float	22%

(EUR)	12/07	12/08e	12/09e
Sales (m)	14	17	19
EBITDA (m)	27	17	25
EBITDA margin	198.0%	99.6%	130.1%
EBIT (m)	27	17	25
EBIT margin	198.0%	99.6%	130.1%
Net Profit (adj.)(m)	27	13	18
ROCE	3.2%	2.9%	3.1%
Net debt/(cash) (m)	46	171	200
Debt Equity	29.3%	111.1%	124.7%
Debt/EBITDA	1.7	10.0	8.0
Int. cover(EBITDA/Fin.int)	5.5	3.4	2.9
EV/Sales	12.8	16.9	16.7
EV/EBITDA	6.5	16.9	12.9
EV/EBITDA (adj.)	32.0	35.2	32.5
EV/EBIT	6.5	16.9	12.9
P/E (adj.)	6.4	12.8	9.2
P/BV	1.1	1.1	1.0
FCF yield	17.3%	-54.9%	-8.6%
Dividend yield	8.6%	6.8%	6.9%
EPS (adj.)	3.10	1.15	1.60
BVPS	18.20	13.53	14.09
DPS	1.26	1.00	1.02



Source: Factset  
Shareholders: Affine 50%; Management 28%;

### Company Description

Banimmo is a Belgian real estate company active in the redevelopment of obsolete or undervalued real estate assets mainly in Belgium but also in France and Luxembourg

### 2008 has not ended

With the release of its 2007 figures, the company did not provide any precise outlook about 2008, which is not uncommon since economics and banking crisis already started to turn down. In the latest trading update, for the first nine months of FY 2008, Banimmo confirms its objective of rental income and still expects that full year results should "remain rather good". This means that additional capital gains will be recorded between now and the rest of the year!

- ✓ Banimmo has a hybrid activity in the real estate sector in Belgium, France and in Luxemburg, since it combines leasing of buildings that provide net rental income in addition to a particular repositioning activity. This latter means that it specialises in the technical and commercial renovation of obsolete or undervalued buildings of a minimal size (EUR 5 million as a minimal target). Besides, Banimmo also generates a regular flow of rental incomes securing a minimal cash-in, like traditional property companies or Belgian REITs (SICAFI or Vastgoedbevak).
- ✓ Banimmo focuses on B2B property assets, which are office buildings, shopping centres and shopping malls. In Belgium, Banimmo focuses on Brussels (Central District as well as the decentralised area) and Antwerp. In France it is active in the Ile de France but also in other cities like Bordeaux or Orléans. In Luxemburg the approach is more opportunistic. It's noteworthy that Banimmo has also invested in two conference centres (Dolce), one in Belgium and one in France.
- ✓ Property repositioning is a highly profitable business with high entry barriers especially from investors from abroad, without the risks involved by pure property development. Rotation is longer than for pure property developers, which enables to maximise the selling price. Diversification is ensured by a minimal number of properties in portfolio, currently 29, which also means that Banimmo has reached a sufficient critical mass. Recurrent incomes now cover the operational and financial charges, meaning that the operational business is not strictly bounded to investments and divestments.
- ✓ First nine months of the year were impacted by the low level of capital gains (EUR 3.4m at the issue of 1H about the sale of the stake in Devimo compared to EUR 12.9m for 1H 2007 and no mention of divestment at the issue of the first nine months). Banimmo is negotiating the sale of one of the two commercial centres it has in portfolio since the beginning of the year and banks on a disposal before the end of the year. It's unclear to which extent the bad economic and banking environment is delaying finalisation of transaction or either is putting pressure on price. This being said, it appears at reading the trading update on 3Q that transactions are not ended!
- ✓ We opt for a DCF valuation taking into consideration that a typical NAV valuation is not appropriate considering the assets under development. Neither EBITDA multiples are satisfying regarding the large size, and not necessarily linear capital gains, while IFRS compulsory depreciation of conference centers disturb the image. Cautiously, we anticipate a somewhat lower dividend distribution policy.

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## Banimmo : Summary tables

<b>PROFIT &amp; LOSS (EURm)</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008e</b>	<b>2009e</b>	<b>2010e</b>	<b>CAGR 10/05</b>
<b>Sales</b>	<b>15.2</b>	<b>17.5</b>	<b>13.7</b>	<b>17.2</b>	<b>19.1</b>	<b>21.3</b>	<b>6.9%</b>
Cost of Sales & Operating Costs (excl. Pers. Expenses)	7.2	8.1	8.2	9.0	9.3	9.6	
Personnel Expenses	0.0	0.0	0.0	0.0	0.0	0.0	
Non Recurrent Expenses/Income	3.6	19.7	21.6	8.9	15.0	17.5	
<b>EBITDA</b>	<b>11.6</b>	<b>29.1</b>	<b>27.1</b>	<b>17.2</b>	<b>24.8</b>	<b>29.2</b>	<b>20.3%</b>
<b>EBITDA (adj.)*</b>	<b>8.0</b>	<b>9.4</b>	<b>5.5</b>	<b>8.2</b>	<b>9.8</b>	<b>11.7</b>	
Depreciation, Amortisation & Write Downs	0.0	0.0	0.0	0.0	0.0	0.0	
<b>EBIT</b>	<b>11.6</b>	<b>29.1</b>	<b>27.1</b>	<b>17.2</b>	<b>24.8</b>	<b>29.2</b>	
EBIT (adj.)*	8.0	9.4	5.5	8.2	9.8	11.7	
Net Financial Interest	-5.5	-5.5	-5.0	-5.0	-8.7	-10.0	
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0	
Associates	0.8	1.3	0.2	1.0	1.7	1.9	
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Earnings Before Tax (EBT)</b>	<b>6.8</b>	<b>25.0</b>	<b>22.3</b>	<b>13.1</b>	<b>17.8</b>	<b>21.1</b>	<b>25.3%</b>
Tax	-2.1	-2.2	0.5	-0.1	0.0	-0.1	
Tax rate	30.6%	8.8%	nm	0.7%	0.2%	0.2%	
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Minorities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Net Profit (reported)</b>	<b>4.7</b>	<b>22.8</b>	<b>22.7</b>	<b>13.0</b>	<b>17.8</b>	<b>21.0</b>	
Net Profit (adj.)	5.2	30.4	26.8	13.0	18.2	22.1	
<b>CASH FLOW (EURm)</b>							
Cash Flow from Operations before change in NWC	12	3.0	12	4.1	2.8	3.5	25.0%
Change in Net Working Capital	12	3.0	12	4.1	2.8	3.5	
<b>Cash Flow from Operations</b>	<b>2.3</b>	<b>6.1</b>	<b>2.3</b>	<b>8.2</b>	<b>5.6</b>	<b>7.1</b>	
Capex	0.0	0.0	0.0	0.0	0.0	0.0	
Net Financial Investments	6.4	-60.1	-27.2	99.9	20.0	10.0	
<b>Free Cash Flow</b>	<b>-4.1</b>	<b>66.2</b>	<b>29.5</b>	<b>-91.7</b>	<b>-14.4</b>	<b>-2.9</b>	<b>R+</b>
Dividends	-11.1	-7.3	-11.1	-14.3	-11.4	-11.6	
Other (incl. Capital Increase & share buybacks)	1.6	-11.7	56.7	0.0	0.0	0.0	
<b>Change in Net Debt</b>	<b>-13.6</b>	<b>47.1</b>	<b>75.1</b>	<b>-106.0</b>	<b>-25.8</b>	<b>-14.5</b>	
NOPLAT	16.0	9.4	5.5	8.2	9.8	11.7	
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>							
Net Tangible Assets	223.6	194.2	182.4	282.3	317.3	344.8	
Net Intangible Assets (incl. Goodwill)	0.0	0.3	0.3	0.3	0.3	0.3	
Net Financial Assets & Other	20.4	26.2	40.8	47.2	47.2	46.8	
<b>Total Fixed Assets</b>	<b>244.0</b>	<b>220.7</b>	<b>223.6</b>	<b>329.8</b>	<b>364.8</b>	<b>391.9</b>	<b>9.9%</b>
Net Working Capital	4.6	-6.5	-12.5	2.0	2.3	2.5	
Shareholders Equity	90.9	105.4	157.5	153.6	160.1	169.1	13.2%
<b>Minorities Equity</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
Net Debt	149.9	98.5	46.2	170.7	199.5	217.8	7.8%
<b>Provisions</b>	<b>7.7</b>	<b>10.3</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	
Other Net Liabilities or Assets	0.0	0.0	0.0	0.0	0.0	0.0	
Net Capital Employed/Invested	248.5	214.1	211.1	331.9	367.1	394.4	
<b>Total Market Cap</b>			<b>170.2</b>	<b>166.9</b>	<b>166.9</b>	<b>166.9</b>	
Enterprise Value (EV adj.)			175.5	290.4	319.2	337.9	
<b>MARGINS AND RATIOS</b>							
Sales growth	3.2%	15.2%	-22.1%	26.0%	10.8%	11.5%	
EBITDA growth	-56.5%	151.7%	-7.2%	-36.6%	44.7%	17.7%	
EBIT growth	-56.5%	151.7%	-7.2%	-36.6%	44.7%	17.7%	
<b>EBITDA margin</b>	<b>76.0%</b>	<b>166.1%</b>	<b>198.0%</b>	<b>99.6%</b>	<b>130.1%</b>	<b>137.4%</b>	
EBIT margin	76.0%	166.1%	198.0%	99.6%	130.1%	137.4%	
<b>Debt/Equity (gearing)</b>	<b>164.8%</b>	<b>93.5%</b>	<b>29.3%</b>	<b>111.1%</b>	<b>124.7%</b>	<b>128.8%</b>	
Debt/EBITDA	12.9	3.4	1.7	10.0	8.0	7.5	
Interest cover (EBITDA/Fin.interest)	2.1	5.3	5.5	3.4	2.9	2.9	
ROCE (adj.)	7.0%	5.0%	3.2%	2.9%	3.1%	3.4%	
WACC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<b>ROCE (adj.)/WACC</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	
EV/CE			10	10	10	10	
OpFCF/EV			16.8%	-31.6%	-4.5%	-0.9%	
EV/Sales			12.8	16.9	16.7	15.9	
<b>EV/EBITDA</b>			<b>6.5</b>	<b>16.9</b>	<b>12.9</b>	<b>11.6</b>	
EV/EBITDA (adj.)*			32.0	35.2	32.5	28.9	
EV/EBIT			6.5	16.9	12.9	11.6	
EV/EBIT (adj.)*			32.0	35.2	32.5	28.9	
P/E (adj.)			6.4	12.8	9.2	7.5	
P/BV			1.1	1.1	1.0	1.0	
<b>FCF yield</b>			<b>17.3%</b>	<b>-54.9%</b>	<b>-8.6%</b>	<b>-1.7%</b>	
Payout ratio	154.4%	48.7%	48.0%	87.3%	65.0%	65.0%	
<b>Dividend yield (gross)</b>			<b>8.6%</b>	<b>6.8%</b>	<b>6.9%</b>	<b>8.2%</b>	
<b>PER SHARE DATA (EUR)</b>							
<b>EPS (reported)</b>	<b>0.55</b>	<b>2.63</b>	<b>2.63</b>	<b>1.15</b>	<b>1.57</b>	<b>1.85</b>	<b>27.6%</b>
<b>EPS (adj.)</b>	<b>0.60</b>	<b>3.51</b>	<b>3.10</b>	<b>1.15</b>	<b>1.60</b>	<b>1.95</b>	<b>26.5%</b>
BVPS	10.51	12.18	18.20	13.53	14.09	14.89	7.2%
DPS	0.85	1.28	1.26	1.00	1.02	1.20	7.3%

Source: Company, Bank Degroof estimates. \* Where EBITDA (adj.) or EBIT (adj.)=EBITDA (or EBIT) +/- Non Recurrent Expenses/Income  
2004 restated as IFRS proforma

## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

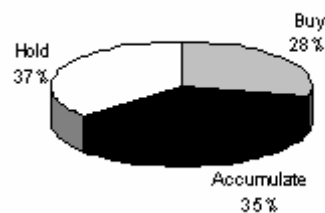
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
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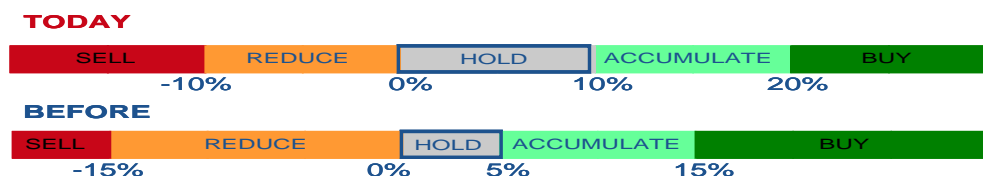


### History of ESN Recommendation System

**Since 18 October 2004**, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.

**Since 4 August 2008**, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:



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