



## Investment Research

### Buy

vs Accumulate

Share price: EUR 12.13

closing price as of 26/06/2009

Target price: EUR 16.00

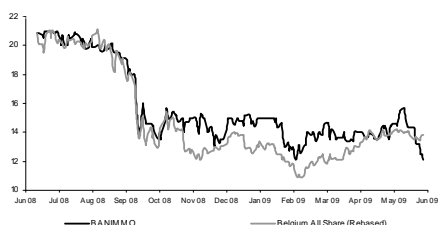
vs Target Price: EUR 19.40

Reuters/Bloomberg BANI.BR/BANI.BB

Daily avg. no. trad. sh. 12 mth	958
Daily avg. trad. vol. 12 mth (m)	0.02
Price high 12 mth (EUR)	21.28
Price low 12 mth (EUR)	12.10
Abs. perf. 1 mth	-13.4%
Abs. perf. 3 mth	-12.4%
Abs. perf. 12 mth	-42.2%

Market capitalisation (EURm)	137
Current N° of shares (m)	11
Free float	22%

Key financials (EUR)	12/08	12/09e	12/10e
Sales (m)	16	17	20
EBITDA (m)	9	9	11
EBITDA margin	54.4%	50.0%	56.1%
EBIT (m)	12	15	21
EBIT margin	76.9%	84.6%	104.8%
Net Profit (adj.)(m)	9	9	15
ROCE	4.6%	5.4%	7.5%
Net debt/(cash) (m)	173	181	186
Net Debt Equity	1.2	1.3	1.3
Net Debt/EBITDA	19.8	20.8	16.3
Int. cover(EBITDA/Fin.int)	1.1	1.1	1.4
EV/Sales	18.0	15.2	13.3
EV/EBITDA	33.1	30.3	23.6
EV/EBITDA (adj.)	33.1	30.3	23.6
EV/EBIT	23.4	17.9	12.6
P/E (adj.)	19.9	16.0	9.4
P/BV	1.2	1.0	0.9
OpFCF yield	1.9%	2.9%	5.6%
Dividend yield	8.2%	5.9%	6.4%
EPS (adj.)	0.75	0.76	1.30
BVPS	12.67	12.36	12.93
DPS	1.00	0.72	0.78



Source: Factset

Shareholders: Affine 50%; Management 28%;

For company description please see summary table footnote

## Can the driver sail while the wind is not blowing ?

While Banimmo is a (re-) developer with the growth potential that it implies, the company also manages an own portfolio of real estate assets whose rents cover recurring operational charges (by 1.16x). With a lack of investments and divestments up to now in 2009 and a difficult financing environment that participated to the lackluster climate in the real estate sector, the redevelopment activity is expected to remain modest over FY2009 as a whole. More specifically the resurgence of the development activity will be linked to divestments, in order to keep LTV under control and to tackle financing hurdles, and to purchase prices that gradually are becoming attractive. No compulsory appointment with the bankers is planned before 2011. Despite a cautious reduction of the 2008 dividend, but on the back of a share price decrease since the listing at the peak of the stock market in June 2007, the yield of Banimmo share remains attractive and compares favourably with Belgian REITs. This means to some extent that the future development activity is only modestly valued by the market.

- Banimmo is a Belgian real estate company specialised in the redevelopment (or repositioning) of obsolete or undervalued real estate assets. Banimmo offers a **revenue mix** with both traditional **recurring revenues** from a well diversified portfolio of property assets (like REITs) in addition to a succession of **capital gains** from sales of redeveloped assets. This mixed portfolio, on top its financial structure, enables Banimmo to optimize the cycle of its investments and divestments.
- The **specificity of Banimmo's activity** consists in acquiring office and retail assets, in addition to conference and exhibition centres with redevelopment potential in order to sell them after heavy refurbishment/transformation. Geographical areas of activities are Belgium, Luxembourg and Paris in the retail segment.
- Banimmo's **management** has a good track record in the repositioning of real estate assets in its Brussels domestic market, taking into consideration the short life of the company in a rather euphoric framework however. The company's IRR over the last 6 years amounted to 20% supported by a favourable environment that enabled some exceptional deals. Throughout the preferred dividend scheme, there is a clear management cash incentive to rotate assets at best on a short term period and to optimize leverage.
- ✓ **Major investments and divestments** since the IPO were **the sale of the remaining 40% of the De Brouckère Tower** in Brussels that generated a profit of EUR 9.53 m; **the concretisation of a PPP "The Loop"** in Ghent that will allow within a 10 years timeframe to develop 376,000 m<sup>2</sup> of offices, residential, retail and leisure centres; the launch of a **tender offer** for all real estates certificates of **Immo-North Plaza** in order to acquire the block A of this building located in the North district of Brussels for EUR 32m ; **the sale of CAP2** in Luxembourg for EUR 31.5m; **the acquisition of the Unilever site** in Brussels together with Montea for EUR 25.5m (office part); **the agreement with Mobistar for the construction of their 29,500 m<sup>2</sup> new headquarters** in Brussels to be delivered in the first part of 2010, and the more recent acquisition of **Clamart** (retail) in France.
- ✓ Our target price is based on a SOTP and a DCF.

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## Investment Case

### FY 2008 results and Q1 2009 trading update

<b>Not bad at all</b>	FY 2008 figures were not bad at all as could have been feared in the current economic environment that prevented the achievement of optimal capital gains. While net rental income of EUR 15.6m, up by 38%, exceeded without surprise the target of EUR 14m fixed by the company, bottom line suffered from the relatively modest amount of capital gains (EUR 7m). This happened on the back of IFRS adjustments in addition to the spot outcome of IFRS that weight on the affected the contribution of the stakes in Montea and of the Belgian conference center in particular overshadowing their underlying good performance.
<b>Net acquiror with new credit facilities</b>	This performance has been achieved on top of net investment efforts of EUR 65m which reduced the debt ratio to 52% (coming from 58%). Credit facilities have been renegotiated/confirmed for EUR 140m until September 2011 and for EUR 70m until September 2012.
<b>With or without non cash items</b>	Net profit emerged at only EUR 4.2m (EUR 0.30 per ordinary share) vs EUR 22.7m in 2007 while the dividend per share was reduced to EUR 1 versus EUR 1.26 one year earlier. Net current profit amounted to EUR 8.7m (EUR 0.77 per share). It's noteworthy that the company succeeded to improve the ratio of recurrent revenues on charges to 1.16x coming from 1.02x in 2007 (though it was 1.26x in 2006 on the back of a below average level of capital gains). With IFRS rules weighing EUR 5.4m of which revaluation of assets by EUR 3.5m and change in fair value of hedging instruments by EUR EUR 1.9m, cash earnings emerged at EUR 8.7m.
<b>Better occupancy rates enhances rental income</b>	Net rental income, up by 39% to EUR 17.9m, benefited from an improvement of the occupancy rate of the Atlantic House (close to full occupancy) building in Antwerp and of its shopping malis in France (Clamart in Paris at 78% and Jardins des Quais in Bordeaux with 79%). Total portfolio was filled at 89% versus 87% in 2007. This being said, one will avoid to compare the occupancy rate with that of a pure rental activity regarding the redevelopment activities in course. Activity in the two Conference centers was, by contrast with fears considering the poor economic climate, very satisfying in particular the Belgian center (turnover up by 37% to EUR 20m equally balanced on 1H and 2H, EBITDA at EUR 4.5m of which however EUR 2.6m in 1H) while the French center posted a decrease of 3.2% of the turnover to EUR 15.7m (EUR 7.3m in 2H) and of 14.3% of the EBITDA to EUR 3.3m (EUR 1.3m in 2H) reflecting partly refurbishments that pushed down its occupancy rate.
<b>Net acquiror in 2008</b>	During 2008, Banimmco has pursued its net investment efforts with investments & acquisitions for EUR 82m (in Belgium: Unilever building with Montea, North Plaza, increase of the stake in The Loop - in France several assets in commercial areas) and EUR 17m of divestments (in Belgium: Devimo, retail in Verviers and a plot of land).
	All in all, though 2008 figures were solid enough in the current framework, the latter financial year - but probably also 2009 - should be considered as transitional years, meaning a below average pace of capital gains and modest redevelopment initiatives on top of a weakening in the conference centers.

Accounting Year	2006	2007	2008	2009E	2010E	2011E
SALES	17.55	13.67	16.01	17.37	19.70	19.09
% change		-22.1%	17.1%	8.5%	13.4%	-3.1%
EBITDA (reported)	9.43	5.49	8.71	8.70	10.81	10.10
% margin		40.2%	54.4%	50.0%	54.9%	52.9%
EBIT incl cap gains	29.15	27.06	12.31	14.70	24.01	27.50
net financial charges	-5.52	-4.96	-8.04	-8.13	-8.32	-8.51
Income / (Loss) from Associates	1.33	0.17	-0.43	2.20	2.76	3.69
EBT	24.95	22.28	3.84	8.76	18.45	22.69
Net Profit (reported)	22.76	22.73	4.25	8.62	17.83	22.29
Net Profit (adj.)	30.39	26.79	8.56	8.62	18.50	21.68

Source : Company data, Bank Degroof Research

**Q1 2009:  
preparing the  
future**

No major surprise in the Q1 2009 (end March) figures, taking into account that no acquisition and no divestment have been recorded. Gross rental income reached EUR 5.2m, which was 37% in advance of first quarter of 2008. The occupancy rate continued to grow at the same pace (2%) at 91%, a record level in the short life of Banimmo.

**Conference  
centers a late  
cyclical business**

By contrast, the first signs of the economic downturn had a negative impact, though limited, on the occupancy rates in the two conference centers (Dolce). Occupancy rate in La Hulpe (Belgium) was down by 1% to 53% compared to end 2008 and down by 4% in Chantilly to 56% reflecting the complete withdrawn of the banking and the automotive sector in particular. Banimmo also mentioned, without surprise, that it benefited from the low interest rate environment considering that only 25% of bank debt is currently hedged.

## Outlook

**1H 2009 like 2H  
2008 but 2H 2009  
could become  
different**

At the issue of the AGM, the management said that it banked on a limited activity level for 2009, like during the second half of 2008, which would lead to a decrease of about 5% of the real estate assets in portfolio. Besides, at the occasion of the Q1 release, the company mentioned that it is actively looking at acquisitions and divestments, however on a so-called "selective basis, having in mind that it will preserve its financial health (cf section on LTV). Besides, taking into consideration more restrictive access to financing if not some fears about a further weakening of the real estate market, the company is probably inclined to bring more concomitance between acquisitions and divestments.

More precisely, the company is finalizing some divestments while only one acquisition in Paris could be materialized.

Net rentals for 2009 will benefit from the investment wave of 2008. We expect an increase of 8.5%, well below the 39% increase for 2008, reflecting a poorer wave of investments as well as of divestments.

The contribution of equity consolidated companies is expected to emerge positively at EUR 2.2m by contrast with a negative contribution of EUR -427m in 2008 mainly thanks to a positive figure of EUR 8.6m for the 23.26% stake in the Belgian REIT Montea (before any adjustment to the fair value of portfolio) while the negative contribution of conference centers is expected to remain comparable to the 2008 figure.

On the basis of the Q1 trading update, we could fear more difficult times for conference centers in the course of 2009. Taking into consideration that the first quarter posted still firm figures by contrast with weakening signs at the start of the second quarter, the management however banks on a final 2009 contribution of the conference centers comparable with 2008. Of course the EBITDA figure of Chantilly benefits from a guaranteed floor of EUR 4m (only EUR 3.3m in 2008 because of renovation).

**NAV down 5% at  
the end of June ?**

Banimmo anticipates a negative revision of its property portfolio of only 5% by the end of June, which is in the continuation of the declining trend observed by other companies active in real estate. This would weigh for EUR 1.1 on the adjusted Net Asset Value (see section on SOTP).

**Mobistar building  
delivered**

2009 may be considered as a transition year made of a poor set of divestments and probably also investments in anticipation of the sale of the major Mobistar building (29,000 sqm) in particular early in 2010, which will deliver a huge capital gain

By the IPO, the goal of the company was to increase the portfolio value from EUR 300m to EUR 500m, compared to EUR 390m nowadays. This goal remains valid; though it will be achieved on a longer period than initially expected considering the dramatic change in the financing environment.

With capital gains of EUR 23m in 2006 and 2007 but limited to EUR 7m in 2008, and our assumption of EUR 6m for 2009, we bank on an average cruise speed of EUR 15.4m per year as from 2011 derived from a 22% final return on investments.

Besides, the share has been listed in June 2007 at an initial price of EUR 21 at the top of the stock market that anticipated a sharp deterioration of the economic environment. In the meantime, the maximum price of Banimmo share reached EUR 21.80.

\*\*\*\*\*

After having been net a acquiror in FY 2008, FY 2009 financing and real estate environment at least will not allow Banimmo to pursue the same policy neither to divest at a huge pace so that the room of manoeuvre has become thinner also for Banimmo. In other words, the scope for progressing in new developments as well as the timing for bearing the fruits of its original business model are not present. In addition, the dividend yield which might support the share price could be affected in the absence of divestments. This being said, on the basis of a 100% pay-out of our estimate EPS09, the dividend yield would still emerge above 6%, below the average yield of 8.1% average yield offered by Belgian REITs but nevertheless a supportive level.

While no appointment with the banker is planned before 2011, LTV is good enough (56% end 2009E our estimate) to face adverse reversals of the market that would bring LTV in inamical areas but not sufficient however, in the absence of divestments following a sustained investment wave, to support new investments that would fit well with Banimmo's capabilities.

Having said that, it could be very informative to see if the unavoidable new investments will be firstly focus to Belgium (with a minimum size of EUR 5M for each investment) or to Paris in retail (an individual much higher amount in this concern).

While we have said earlier in this paper that Banimmo has an hybrid activity, it would have been better to start with the non-recognised "tribrid" one. Indeed, between the rental activity (of B classes or to be sold real estate assets) and the development one (or redevelopment or repositioning) Banimmo has a third leg being the conference centers where the group acts for 50% as a shareholder for 2 centers out of 31 for a third party which is the operator on a daily basis. This diversification may be seen as a tool versus a deterioration of markets, but we have to be attentive to the evolution of the occupancy rate of the conference centers as well as to the occupancy rates of the rental portfolio considering the widespread number of tenants.

## Company description

### History

Banimmo is a leading Belgian property company with specific focus on acquisition, transformation and repositioning (followed by their resale) of real estate assets.

Banimmo is a limited company according to Belgian law (SA); it has not the REIT status (Sicafi:vastgoedbevak in Belgium).

Banimmo was started in 1995 by a dedicated team of the savings bank An-Hyp. Banimmo has since been active in repositioning real estate assets. Today the Atlantic House and Picardie Park are the only remaining assets still in the Banimmo portfolio, which was acquired within the framework of the non-performing mortgage loan activity of An-Hyp.

After the acquisition of An-Hyp by Royale Belge in 1998, Banimmo was sold to Pricoa (Prudential Insurance Company of America). On this occasion the management of Banimmo acquired a stake of 0.85 % in the capital.

In August, 2000, Pricoa sold half of its participation to Artesia, which was later acquired by Dexia.

Management gradually increased its participation from 0.85 % to 4 % in 2001 and 2002.

In October 2002 Dexia and Pricoa sold their participation in Banimmo to GP Beta Holding, a Luxembourg-based specialised fund established by the Australian group Lend Lease (part of the Macquarie group) and the Management increased its participation to 12 %.

At the end of February 2006, GP Beta Holding sold its stake in Banimmo to Affine, a SIIC according to French law (listed on Euronext Paris). Management gradually increased its participation in Banimmo to 35 %.

Banimmo has been introduced to the Brussels stock exchange on 26 June 2007. The IPO resulted in a capital increase that diluted Affine and the Management's participations. Today they respectively own 50% and 28.4% of the total shares.

The company is also listed on Euronext Paris since December 2007.

### Business profile

Neither REIT nor  
a pure developer

Banimmo is not a traditional property company that holds real estate assets such as a REITs generating mainly operating rental income. In addition to producing rental income, a significant part of Banimmo's income comes from repositioning and trading high-yielding investment and development assets.

A diversified  
portfolio like a  
REIT

The Company's portfolio is a mix of real estate assets generating a recurring income (stabilised or in the course of stabilisation) and development assets. The investment and assets under re-development proportion typically corresponds to a 80/20 relation.

The recurring income covers the operating charges and financial expenses and allows for the generation of a positive operating profit, excluding capital gains on the sale of buildings.

EUR 5m as a  
minimal target  
for buildings

Banimmo is a real estate company specialised in the redevelopment of obsolete or undervalued real estate assets of minimum EUR 5m all-in in Belgium, France and Luxemburg. It has a hybrid activity in the real estate sector since it combines leasing of buildings that provide net rental income in addition to a particular repositioning activity.

Its core activity consists in acquiring geographically spread real estate assets, identifying the source of obsolescence, and then leading heavy refurbishment/transformation of the properties, after obtaining the required permits. Banimmo then adopts a new commercial approach in view of increasing the rental level to the market standards. Finally, the building can be sold to institutional investors. Banimmo has regularly sold repositioned assets at the best possible conditions, realising capital gains reaching mostly IRRs of 20%.

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) in order to cover the operational costs and financial charges.

**But a low  
duration like a  
developer**

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 retail 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. Banimmo ambitions to increase the number of conference centers in its portfolio to four.

**29 Investment  
properties**

Property repositioning is a highly profitable business with higher entry barriers for investors from abroad, without the risks involved by pure property development. Rotation is longer than for pure property developers, since the redevelopment many times occurs in steps in different parts of the building. Besides, redeveloped buildings are not in each case sold quickly after refurbishment, 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 already reached a sufficient critical mass in terms of diversification. The initial and still valid goal of the company is however to further continue to increase the size of its portfolio to EUR 500m, compared to EUR 390m at the end of 2008 (EUR 261m however putting aside developments in course, conference centers, the stake in Montea and other equity consolidated companies).

**Higher  
Environmental  
standards**

Stricter environmental standards accelerates the obsolescence of buildings and as such enhances the potential of redevelopments.

**The transformation and repositioning of real estate assets occurs through:**

- Technical upgrading
- Commercial repositioning and active follow-up
- Financial and/or fiscal repackaging

The **value creation** consists of **3 main phases**:

**1. The acquisition phase (6-12 months)**

Banimmo aims first at **the acquisition** of an obsolete or undervalued real estate asset, rather than finished and/or new products let at normal market conditions.

**2. The transformation phase (2-4 years)**

Then, Banimmo undertakes the transformation of the asset, while keeping as much as possible its existing tenants, in order to maintain revenue during this phase. If the renewed/refurbished areas are let as targeted by Banimmo, the profit is triple:

- an increase of the rental value
- a decline of the operating charges of the building

**3. The exit phase (from a few months to several years)**

Finally, the building **is sold** to final investors.

**Typically, the process takes between 4 and 7 years, which means that asset turnover may vary between 14% and 25% on a yearly basis. .**

Its important stockholders' equity and the availability of external financing allows Banimmo in a normal financial environment to mobilise quickly substantial financial means and to make a commitment in a short notice. The operations are structured in such a way that the works of repositioning once ended allow to generate recurring incomes that amount between 7 % to 8 % of the related total invested capital.

Banimmo operates alone or in partnership via joint ventures with financial investors or other real estate companies. The type of structuring depends on the size and the risk of the transaction.

The stricter environmental rules are an accelerator of obsolescence of buildings and as such enlarges the scope of potential redevelopments for Banimmo.

**Financial targets**

Financial targets to obtain added value through asset repositioning are clearly identified:

- average IRR (post tax – post leverage) on individual investments close to 15%
- ratio “recurring income” divided by “platform costs (SGA) + financial charges” > 1
- leverage ratio below 65%

**In conclusion**, Banimmo creates value by exploiting the lack of interest for, and therefore undervaluation of obsolete real estate premises or by targeting new classes of assets.

**Portfolio**

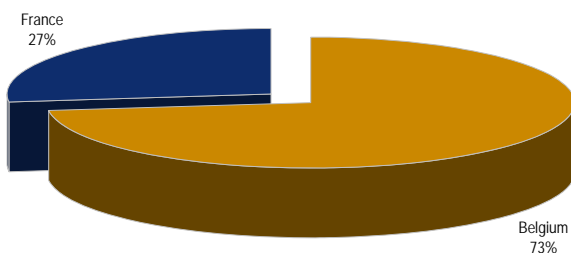
Banimmo is active in **three real estate sectors (offices, retail and conference centres) in three countries** (Belgium, France and Luxembourg where the last asset however was sold in 2007).

As of 31 December 2008, the Banimmo real estate portfolio consisted of **29 sites** and a **participation of 23.26% in the Belgian REIT Montea**.

Belgium and offices represent the main parts of the portfolio with respectively 73%% and 57% of the portfolio. These percentages will gradually be reduced over the coming years since Banimmo for new investments will give priority to the Ile de France, and the centre of Paris more particularly.

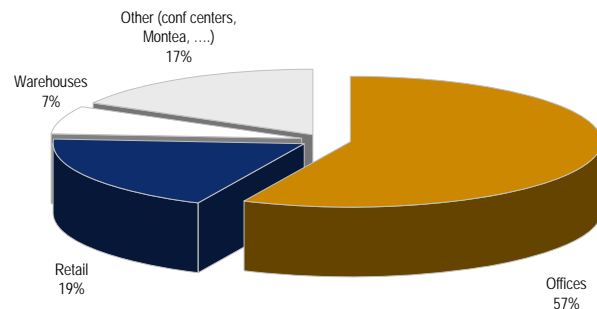
The biggest building represents 9% of the total value of the portfolio.

**Portfolio breakdown by asset**



Source: Company data

**Portfolio breakdown by asset class**



Source: Company data

Let us have a deeper look in the portfolio by asset class.

- **Offices**

- In **Belgium**, Banimmo focuses on the **Brussels' Central Business District (CBD)**, but is also active in **decentralised areas**.
- Regarding the size of the **Luxembourg** and its historical and still current low vacancy rate Banimmo has, like many players an **opportunistic** approach, with a preference for the decentralised areas. For the time being, there are no longer assets in Luxembourg since the remaining building was sold in 2007 at the peak of the market.
- In **France**, Banimmo is active more particularly in the "**Ile de France**" region.

- **Retail**

Banimmo is active in this sector in **Belgium** and **France** across large and medium sized cities. The size of assets ranges from small to large units.

- **Conference centres and exhibition centres**

In 2007, Banimmo made its first investment in this sector via "sale-and-manage back" transactions with the American **Group Dolce International**. Dolce International manages 31 conference centres across the world which consist of 3,834 guestrooms and 630 meeting rooms.

Banimmo is currently invested in **two of Dolce's conference centres**, one in Belgium and one in France, via Conferinvest, which owns the conference centre of Chantilly, near Paris and The Dolce of La Hulpe in the Periphery of Brussels. Banimmo owns 49% of Conferinvest, the remaining 51% was sold to two private investors (Imocobel&RH Ventures) in 1Q07.

Under the sale-and-managed agreement, which has been signed for a 15 year period, Dolce remains the exclusive manager responsible for all operational matters (marketing & sales, employment, operational reporting and maintenance) for which it receives fees. This being said, Banimmo remains ultimately the owner and operator of both Dolce in Chantilly and in La Hulpe and as such assumes the full business risks and benefits.

Dolce is paid a fixed management fee plus an incentive fee based on performance (ROCE based). Since Banimmo is an active operational partner in this venture (and therefore collects a management fee therefore), it can decrease its exposure to the real estate market and gain exposure to the growing hospitality segment which is in first steps in Belgium.

#### Financials

Banimmo's initial intention was to acquire two additional conference centres, with an investment value between EUR 30 m and EUR 50 m, an ambition that remains actual.

Banimmo does not manage Dolce but assumes its management risks

## Main investments and divestments since IPO

The list of investments and divestments below is not exhaustive and shows only the main ones in terms of price, size and/or future development potential according to Bank Degroof Research.

### Sale of the De Brouckère Tower...

Banimmo has sold on 28 June 2008 the remaining 40% interest in the De Brouckère Tower building to Morgan Stanley Eurozone Office Fund (MSEOF). MSEOF bought the first 60% share interest in the building at the end of 2006, when it also agreed an option to acquire the remaining share of the building by the end of 2007. Banimmo has completed the renovation of some 6,600 m<sup>2</sup> within the complex, which comprises in total some 34,175 m<sup>2</sup> of offices and retail areas on the ground floor, as well as 519 parking spaces.

The Brouckère Tower had been acquired in 1998. It is subject to a 99-year long lease until 2066. The investment value amounted to EUR 27.3 m. Banimmo has progressively refurbished the vacant office areas, entrance hall and techniques. The investment of these refurbishment works amounted to EUR 17 m. As at mid-2006, the building was fully let.

### ... an exceptionally good transaction

This sale, that reduced the Belgian part of the portfolio, has generated a net profit of EUR 9.53 m for this year. The IRR for this operation amounted to an exceptionally high 29%. This sale occurred when the repositioning of the building was completed and in order not to keep a too large share on one single asset.

### Joint venture with Pramerica

Banimmo has formed on 20 September 2007 a EUR 200m joint venture to invest and to refurbish retail properties in France. Pramerica is the real estate business of Prudential Financial that has initially contributed up to EUR 40 m out of the EUR 60 m of equity committed to the joint venture. The balance has been provided by Banimmo. The joint venture is expected to have a total investment volume of around EUR 200 m, with gearing. No cash has yet been paid in.

This joint venture will allow Banimmo, through its French subsidiary, to increase its position in large scale retail projects in France.

### The Loop

On 19 October 2007, Banimmo, in cooperation with the City of Ghent, has concretised a project named "The Loop", which aims at revaluing the entire zone around the Flanders Expo buildings. Through a public-private partnership agreement with the City of Ghent, Banimmo will work on the development of a 376,500 sqm site where the area around the exhibition halls will be reserved for offices, residential, retail and leisure centres. The investment amounted to approximately EUR 4m.

The Schoonmeers Bugten company, in which Banimmo has now a 50% participation, brought its lands located between the Flanders Expo complex and the R4 ring road around Ghent in the De Grondbank The Loop company. The Stedelijk Ontwikkelingsbedrijf (SOB) of the City of Ghent has done the same.

### Pharaonic or marathonic

After this operation, Schoonmeers Bugten and the SOB respectively own 33.4% and 66.6% of the share interest of De Grondbank The Loop, which owns a 45 ha plot of land that will be developed and commercialised in the framework of the partnership. In accordance with the "Ruimtelijk Uitvoeringsplan" (Space Development Plan), the site will allow a 376,500 m<sup>2</sup> development in

several phases that will include offices, residential, retail and leisure centres. Though the timeframe for development is not yet known and has also not started, it may last 10 years.

A first sale has been concluded with Ikea for the development of a 30,500 m<sup>2</sup> store and 1,270 parking spaces. This sale will allow De Grondbank The Loop to finance the infrastructure works (piles, slab...).

### **North Plaza**

On 10 December 2007, Banimmo launched a tender offer for all 152,490 real estate certificates of Immo-North Plaza at a price of EUR 169 per certificate.

Immo-North Plaza has been founded in 1997 in the framework of the acquisition of a part (13,630 m<sup>2</sup> – block A) of the North Plaza office complex in Brussels, in order to issue real estate certificates. On 1<sup>st</sup> October 2007, the company was owned by KBC Bank (99%) and KBC-Vastgoedinvesteringen (1%) and issued 152,490 certificates, which share price was trading at EUR 144 on 25 October 2007. The Banimmo offer therefore included a 16% premium.

The North Plaza is a complex of three office buildings erected in 1993. The considered building (block A) is let to the Régie des Bâtiments (fixed lease until 2010) and Fin Force. The area previously occupied by Bank Card Company (20% of the building) is currently vacant.

Banimmo had the right not to acquire the certificates if less than 75% of the certificates are brought in the offer. The offer was valid until 28 December 2007.

On 19 December 2007, Immo-North Plaza announced that GE Real Estate France made a counter-offer on the building. The amount has not been published but, according to Immo-North Plaza, the amount was sensibly higher than Banimmo's offer.

Consequently on 4 January 2008 after market, Banimmo has reviewed its offer upwards at EUR 192 per certificate, which share price was trading at EUR 180. The offer has been prolonged until 18 January 2008. The 75% condition has been dropped.

The competing offer for the underlying asset, made by GE Real Estate France has been made public on 17 January 2008 and amounts to EUR 30.5m. Including the EUR 12.38 estimated dividend and a EUR 0.86 working capital in case of liquidation, this brings the GE offer to EUR 196.9 per certificate. Consequently, Banimmo again prolonged its offer until 22 January 2008.

On 25 January 2008, Banimmo announced that it has acquired 48,800 (32.0%) out of the 152,490 real estate certificates of Immo-North Plaza at a price of EUR 192 per certificate.

On 26 March 2008, Immo-North Plaza's shareholders approved the sale of the underlying asset. Despite KBC's refusal (owning ca. 20% of the certificates), the offer made by Banimmo at EUR 31.5m has finally been agreed at EUR 32m, which is lower than the market valuation done by an external expert at EUR 36.9m.

This acquisition allows Banimmo to operate the expected exit of the building from the real estate certificate and a progressive renovation of the building.

### **Sale of the CAP2 building in Luxembourg**

Banimmo has sold on 20 December 2007 the CAP2 building located at Capellen in the Grand Duchy of Luxembourg to Orco Property Group, a real estate actor in Central Europe, which partly occupies the building. The transaction value amounted to EUR 31.5m.

CAP2 is a new construction from 2005/2006. The built area amounts to 7,750 m<sup>2</sup> and includes 250 parking spaces. It is almost fully let to prime tenants, except 470 sqm. Indeed, Banimmo has actively improved the tenant situation over the 6 previous months bringing down the vacancy rate from approximately 40% down to 6%.

Banimmo made a capital gain of an estimated EUR 12m on this transaction.

### **Acquisition of the Unilever site**

On 27 December 2007, Banimmo acquired, together with Montea, a Belgian REIT specialised in semi-industrial and logistics properties, the Unilever site in Brussels based upon a "sale and lease-back" operation. The 8.7 hectares site consists of semi-industrial buildings with a built-up surface of 24,936 sqm and an office building with a built-up surface of 13,608 sqm. The investment value amounted to EUR 42.5 m.

Parties have agreed to transfer the office building to Banimmo for EUR 25.5m. Unilever will remain lessee of the whole site through a "triple net" 6/9-year lease for the office part. The yield for this part should be approximately 7%.

The Unilever site has a high development potential. Banimmo will therefore profit from opportunities and will develop extra semi-industrial and logistics areas at the expense of its 23% affiliate Montea.

### **Mobistar**

On 3 January 2008, Bannimo announced an agreement with Mobistar for the construction of their new headquarters in Brussels (Evere).

The new building will be located in the "Da Vinci" office park, rue du Bourget in the municipality of Evere. The built-out surface should amount to 29,500 m<sup>2</sup> over six floors. Three underground levels could house some 630 parking spaces. This location, alongside the A201 motorway to the Brussels Airport, will allow the regrouping of Mobistar's activities currently located in Evere (rue Colonel Bourg) and in Schaerbeek (boulevard Auguste Reyers).

The works were planned to last about 22 months, but it seems now that the delivery is foreseen in the beginning of 2010. The conception has been entrusted to Assar, the architects who have been awarded at the MIPIM for the Mondrian (Brussels) in 2005 and the Madou Plaza (Brussels) in 2006. The agreement foresees a long-term lease of 15 years with an additional option for 9 years.

A major delivery  
to come early in  
2010

## Management committee, incentive& people

Banimmo employs 31 people of which 25 in Belgium and has grew to 6 in France. Banimmo believes that no main enlargement of the workforce is required at short term.

All management committee members got a large experience in the real estate sector.

The 6 executive directors hold A and B shares. A shares are ordinary ones while B shares are not listed and give a right to a preferred dividend until financial year 2016 (distribution 2017) whose amount is linked to the return on equity of the company.

More precisely, the minimum required return on equity hurdle giving right to the preferred dividend is 10% while it is capped at EUR 4m when the return on equity reaches 20%. This return on equity is calculated on a cash basis, which means that property revaluations and value of hedging is excluded.

### Preferred dividends

Tranche	ROE	Preference dividend
Tranche 1	10% - 12%	25% of Tranche 1
Tranche 2	12% - 14%	30% of Tranche 2
Tranche 3	14% - 16%	35% of Tranche 3
Tranche 4	> 16%	40% of Tranche 4

Source: company data

Since 2004, the preferred dividends distributed to all B shares were :

- 2004: EUR 1.3m
- 2005: EUR 0,00
- 2006: EUR 4m
- 2007: EUR 3.2m
- 2008: EUR 0.8m

## Shareholders structure

### Limited free float

50% is held by Affine and 28.4%% by management which leaves a free float limited to 21.6%, however without taking into account that Ethias (insurance company) has a 4.2% stake.

Affine management are acting in concert by virtue of a shareholder agreement. They have agreed not to cede shares until 28 February 2011. Management and Affine are both allowed to cede each up to 856,657 shares (7.5%).

Management has B shares that represent 9% of the equity of the company.

### Independence

This being said, a defined list of matters is reserved to the board of Directors composed of 10 people (4 independents, 3 for Affine and 3 Banimmo managers).

## Financials

### P&L analysis

Accounting Year	2006	2007	2008	2009E	2010E	2011E
SALES	17.55	13.67	16.01	17.37	19.70	19.09
% change		-22.1%	17.1%	8.5%	13.4%	-3.1%
EBITDA (reported)	9.43	5.49	8.71	8.70	10.81	10.10
% margin		40.2%	54.4%	50.0%	54.9%	52.9%
EBIT incl cap gains	29.15	27.06	12.31	14.70	24.01	27.50
net financial charges	-5.52	-4.96	-8.04	-8.13	-8.32	-8.51
Income / (Loss) from Associates	1.33	0.17	-0.43	2.20	2.76	3.69
EBT	24.95	22.28	3.84	8.76	18.45	22.69
Net Profit (reported)	22.76	22.73	4.25	8.62	17.83	22.29
Net Profit (adj.)	30.39	26.79	8.56	8.62	18.50	21.68

Source: company data, Bank Degroof Research

- **Rental income&EBITDA**

We took into **account a 4% yield on new investments on top of a 50% occupancy** rate while we included a **7.5% yield on disposables** 95% let this time. We retained an inflation figure of 0.5% for 2009, followed by a figure of 1% in 2010 and 2% latter on. All in all, taking into consideration the investments and disposals plans (see below), we bank on a 7% increase of the net rental income on an average

**Capital gains** have contributed somewhat more than rentals to EBITDA until 2007 by contrast with 2008 for obvious reasons. While current portfolio covers the operational costs of the company (a ratio of 1.16x for FY 2008), a growth of this portfolio as well as a capital gains are determinant to enable a gradual growth of the dividend. For example, the modest amount of capital gains in 2008 has led the company to reduce the ordinary dividend to EUR 1.0 per share coming from EUR 1.26 in for 2007. Obviously the actual pay-out has to be compared to cash EPS. While an over distribution policy is not an ideal issue; it remains a theoretical assumption in the case of Banimmo which has no reserves available enough for distribution.

While asset rotations may move widely regarding the market environment, operating costs are mainly personnel costs which are, putting aside indexations, rather stable having in mind a rather stable proportion (in terms of area) of development versus rentals. . It's noteworthy that several costs preceding acquisitions may interfere in this stability by contrast with the costs incurred once the acquisition is finalised.

- **Net financial expenses& equity accounted companies**

Cheap or sustainable

Almost all the debt is based on floating rates, of which about three quarter will benefit from the low interest environment considering the current hedging policy in place (cf Capital & Credit analysis section). We assume that the cost of debt will emerge at 4.6% for FY2009, somewhat below the 2008 level. Obviously, if the current structure of interest rates and the accompanying high bank margin would still prevail over the medium term, net financial charges with current favourable hedging policy (see below) would drop below 4% in 2010 and 2011. We however believe that current situation will not continue to prevail while in the meantime economics and redevelopment would regain pace. Indeed,

it's difficult to believe that the current steepness of the yield curve will be untasted in a more favourable environment.

All this being said, on the basis of current hedging structure leading to a cost of debt of 4.6% according to our calculations, we have extrapolated this percentage to 2010 and 2011 before pointing gradually to a stable 5%.

As far as equity accounted companies are concerned, the bulk of the contribution is expected to come from the 23.26% in Montea, which means that it could be a combination of cash and non cash items, before Jardin des Quais (Bordeaux) which should however see a better contribution over time while we expect the conference centers to post a modest positive contribution from 2011 onwards.

- **Taxes**

Cash taxes are expected to remain **limited** as the rental income is only modestly higher than the operational charges (1.16x for 2008 and 1.02x for 2007) while the disposal of stakes in SPVs is tax free. Besides, the tax base at the holding company level may benefit from some losses carried forward.

## Cash flow analysis

Banimmo has historically invested nearly EUR 60m in assets. Taking into consideration that one of the investments criteria consist in achieving an average IRR (post tax – post leverage) on individual investments of about 15%, we estimate that Banimmo aims at achieving capital gain margins approaching between 20 and 25% on the back of leverage profiles ultimately to 65%.

While capex exceeds EUR 100m according to management guidance, we retained a figure of EUR 85m, however having not planned possible capital increases if projects were numerous enough with LTV kept somewhat below 60%.

For 2009, the situation is different considering the modest presence of players in the market and the adverse financing environment. We only anticipated capital gains of EUR6m, still to be achieved.

## Capital & credit analysis

Banimmo has no debt refinancing need before end 2011. This period mirrors well the average duration of leases of only 2.5 years (until next break) and 4.4 years until contractual end of the leases. Besides, the company released that with this new debt structure, the average all-in credit margin if all credit lines are drawn emerges at 150bps.

Banimmo finances its debt at floating rates, which is to various extent over time capped and floored. Currently only 25% of bank debt is hedged by collars (at interest rates between 4% and 4.5%) so that the company may largely benefit from the low interest rate environment. Since Banimmo caps have lost effectiveness, the company aims at implementing a new hedging policy.

Banimmo has three types of debts:

1. Syndicated bank credit

No compulsory  
appointment with  
the banker

In the course of February, Banimmo has renegotiated a syndicated bank credit for an amount of EUR 210m of which EUR 140m maturing in September 2011 and the balance of EUR 70m in September 2012.

## 2. Euro commercial paper program

Banimmo has concluded a program of commercial paper for a total amount of EUR 50 m which is included in the syndicated bank credit facility. This source of credit traditionally provides Banimmo a direct access to capital markets, in other words at cheaper conditions (margin of 25-30 bps)

## 3. Special credit facility

The company has over the last month signed two new credit facilities for a total amount of EUR 64.9m dedicated to two specific assets. This transaction is aimed at facilitating access to credit since the potential of the back up line enlarges in due course, and said in other words, it would to a large extent help to reduce LTV.

## LTV

As far as LTV is concerned, Banimmo has an ultimate bank covenant at 65%. However, before having reached this level, the bank margin already enlarges by 10 bps when LTV reach 60%. It's noteworthy that the LTV calculation does not take into account equity consolidated companies (with the major exception of the bulk of the stake in Montea) and other financial assets.

On the back of a debt to assets ratio of 56% at the end of May (after the dedication of 2 credits for EUR 64.9m two specific assets which is not taken into account), and considering a decrease of the value of investment properties by 5% at the end of June compared to the situation prevailing at the end of December, we estimate that the LTV will emerge at 50% while it would have been close to 60% without the dedication of the two assets.

In other words, it seems that Banimmo is creating better conditions for starting new acquisitions, a move that would be enhanced if as already said by the company is expected to be accompanied by divestments, as we took them into account in our forecasts.

Putting together the management of the LTV in front of the capex/disposal program, we bank on a capital increase of EUR 50m in 2012 allowing LTV to be reduced by 12% to 44%.

## Dividend policy

By the IPO, the pay-out target was 60% as a starting point for a gradual increase of the dividend. This level illustrates well the hybrid activity of Banimmo compared to pure developers (ex Atenor) while it stands well below that of Belgian REIT's. As a reminder, Banimmo tries to increase the recurrence of its revenues by the diversification, of which the number of rented investment properties.

For 2008, taking into consideration a sharp reduction of the level of capital gain, the company had very logically reduced the level of the ordinary dividend (from EUR 1.26 to 1.00). As far as FY 2009 is concerned, we assume that the company will realise capital gains, that have not been materialised up to now, to an extent that will not be sufficient enough to keep the dividend unchanged without tasting the reserves. Since we have no guidance about this issue whereas it's unclear to which extent a pay-out above 100% would not contradict article 617 of the Belgian Code of companies and while we put aside the importance of the ordinary dividends for the reference shareholders, we assume that Banimmo management would propose the most cautious solution like it did last year.

Besides, the share has been listed in June 2007 at an initial price of EUR 21 at the top of the Stock Exchange market that anticipated a sharp deterioration of the economic environment. In the meantime, the maximum price of Banimmo share reached EUR 21.80.

## Valuation

Our valuation of Banimmo share is built exclusively around a Discounted Cash Flow in addition to a sum of the parts.

1. The DCF is expected to capture both rental flows and the capital gains coming from the rotation of redeveloped real estate assets.
2. Besides, the SOTP is expected to give more insight in the different components of Banimmo : investment properties, developments in course, stake in Montea, equity consolidated companies and joint ventures, conference centers. In this SOTP, it may be decided to take fully or only partly into account the goodwill for the development of new projects in the future because of the difficulty today to find classical financing like in the past.
3. We didn't made a peer comparison because of the rather unique business model of Banimmo nowadays. We will not say however that barriers to entry are higher.

\*\*\*\*\*

Taking into account of a DCF value of EUR 21 (average of EUR 19.1 and EUR 22.9 when conference centers are valued on the basis of a specific DCF) but also of a SOTP (Goodwill for further development included) leading to a value of EUR 15.8 per share and finally a worst case scenario (goodwill for further development not included, low case valuation for conference centers and discount to the outcome of 15% like the average of Belgian REITs putting as such aside any consideration about the quality of the portfolio), we come to a value of EUR 11.4. Putting these three figures together we come to a final value of EUR 16 per Banimmo share that we retain as a price target.

\*\*\*\*\*

General assumptions are :

- We took into account an inflation rate of 0.5% in 2009, 1% in 2010 and 2% later on;
- Recurring rental revenue based on a yield estimate of 7.50% on the investment portfolio value with an occupancy rate of 95%
- Normalised net investment effort of EUR 10m at cruise speed on a yearly basis
- Capital gains on asset sale of:
  - EUR 6m in 2009
  - EUR 10 m in 2010
  - EUR 15.4m in 2011 and 2012
  - EUR 16.5m from 2013 onwards
- We have assumed that a preferred dividend of EUR 3 m (below the cap of EUR 4m) will be paid ad infinitum. We know the existing preferred dividend scheme is scheduled to expire in 2017 but we do not take that into account since it is the main bonus structure of the top management for the time being and it is unlikely that the management will have from then no incentive and no bonus scheme anymore.

## DCF valuation

We used a non penalising WACC of 7.7% compared to several REITs and in particular to Atenor whose financial leverage is lower.

On the basis of our DCF valuation, summarized in the table on the next page, we value Banimmo at EUR 216.7m or EUR 19.1 per share, however without any correction for the associates.

If we value these later separately, we come to a final value of EUR 19.1 per Banimmo share and even EUR 22.9 replacing the value of the conference centers by a value derived on a specific DCF for those centers.

### DCF Valuation

CASH FLOW (EUR m)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Sales	15.2	16.5	19.4	18.3	19.3	20.9	22.5	24.1	25.7	27.3	28.9
% change	38.8%	9.0%	17.5%	-5.8%	5.6%	7.9%	7.7%	7.1%	6.7%	6.2%	5.9%
EBITDA (including capital gain)	15.8	14.7	21.3	25.6	26.5	29.0	30.4	31.8	33.2	34.6	36.0
% margin	104.0%	88.8%	109.6%	139.8%	136.9%	138.8%	135.1%	132.0%	129.2%	126.8%	124.6%
% change	-44.8%	-6.9%	45.0%	20.2%	3.3%	9.4%	4.9%	4.6%	4.4%	4.2%	4.1%
Depreciation & other provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITA	15.8	14.7	21.3	25.6	26.5	29.0	30.4	31.8	33.2	34.6	36.0
% margin	104.0%	88.8%	109.6%	139.8%	136.9%	138.8%	135.1%	132.0%	129.2%	126.8%	124.6%
% change	-44.8%	-6.9%	45.0%	20.2%	3.3%	9.4%	4.9%	4.6%	4.4%	4.2%	4.1%
Taxes	-1.3	-1.3	-1.7	-1.5	-1.7	-1.9	-2.1	-2.3	-2.5	-2.7	-2.9
Normative tax rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
NOPLAT	14.5	13.4	19.6	24.1	24.8	27.1	28.3	29.5	30.7	31.9	33.1
Depreciation & other provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross Operating Cash Flow	14.5	13.4	19.6	24.1	24.8	27.1	28.3	29.5	30.7	31.9	33.1
Capex	-100.2	0.0	-5.0	0.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0
% sales	659.9%	0.0%	25.7%	0.0%	51.7%	47.9%	44.5%	41.5%	38.9%	36.7%	34.6%
Change in Net Working Capital	2.6	1.4	2.9	-1.1	1.0	1.5	1.6	1.6	1.6	1.6	1.6
Cash Flow to be discounted	-76.5	14.7	17.7	23.0	16.3	19.1	20.3	21.5	22.7	23.8	25.0
<b>DCF EVALUATION (EUR m)</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
WACC		7.71%	7.71%	7.71%	7.71%	7.71%	7.71%	7.71%	7.71%	7.71%	7.71%
Discount Rate factor		0.96	0.89	0.83	0.77	0.72	0.66	0.62	0.57	0.53	0.49
Discounted Cash Flow		14.2	15.9	19.1	12.6	13.7	13.5	13.2	13.0	12.7	12.3
Cumulated DCF		14.2	30.1	49.1	61.7	75.3	88.8	102.1	115.0	127.7	140.0
<b>WACC &amp; DCF ANALYSIS</b>											
Cost of Equity (Ke or COE)	10.91%	Cumulated DCF				140.0	- Net Financial Debt		(172.7)		
Cost of Debt (gross)	5.0%	Perpetual Growth Rate (g)				1.0%	- Minorities (estimated value)		0.0		
Debt tax rate	15%	Normalised Annual CF				28.8	+ Associates		36.8		
Cost of Debt net (Kd or COD)	4.25%	Terminal Value @ 12/2018				428.6	- Pension underfunding		0.0		
Target gearing (D/D+ E) or % Kd	48.0%	Disc. Rate of Terminal Value				0.49	Equity Market Value		233.6		
% Ke	52.0%	Discounted Terminal Value				211.4	Pref. Dividend		-16.9		
Normative Tax Rate	15%	Financial assets				18.1	Clean Equity Mkt Value		216.7		
WACC	7.71%	Enterprise Value (EUR m)				369.5	Number of shares (m)		11.4		
							Fair Value per share (EUR)		19.1		

Source: Bank Degroof estimates

## Sum of the parts

NAV is a popular approach among REITs. Banimmo however only partially has some REITs characteristics thanks to its portfolio of investment properties which comes only on top of the main activity of redeveloping made of asset rotations.

These asset rotations may vary in size and timing according to opportunities, to the momentum in the cycle and to the financing leeway as it is the case nowadays. While this future flow of capital gain is fluctuating in time and amount, it is not captured into a traditional NAV calculation. However, we may circumvent this weakness by isolating a value for the goodwill.

Accounting figures of Banimmo report investment properties at fair value while Developments are booked at the acquisition cost.

As such the main difference with the accounting figures relies on the two conference centers. This being said, their share in the total value should not be overestimated especially by contrast with the investment properties but not versus the Developments which represent the second leg of Banimmo business model. The two conference centers (fully in hands of the 49% affiliate Conferinvest) are booked at cost and are depreciated following the IAS16 accounting rule.

As far as developments are concerned, the bulk of the activity is the “DA Vinci H4”, a building of 29,500 sqm that will be the headquarter of Mobistar and will be delivered in the first half of 2010. Other developments are hold in JV. It concerns “Les Jardins des Quais” in Bordeaux mainly retail and “The Loop” (Flanders Expo) in Gent, a ground with an area of 454,645 sqm.

### Sum of the parts (EURm)

NPV of portfolio	248.0	55.8%
NPV of goodwill for new projects	94.8	21.3%
value of conference centers	46.7	10.5%
Montea	19.9	4.5%
Other financial assets	27.6	6.2%
NPV of management fees	7.7	1.7%
NPV of corporate costs	-71.6	
NPV preference shares	-16.7	
Net debt	-176.8	
SOTP	179.4	
per share (EUR)	15.8	

Source: Bank Degroof

- The value of the portfolio is based on the fair value at the end of 2008 reduced by a factor of 5% in line with management guidance and to a large extent with observations released in the market up to now. While several players believe that a bottom has been reached, we may not exclude a further correction before the end of the year.
- The value of the goodwill takes into account an annual capital gain of EUR 16.5m

- Conference centers have been valued on a DCF basis. However, if the exercise had been based on a multiple comparison, the outcome would have been much lower (see below). We didn't retained this approach because of the lack of a valid comparison basis. Indeed, major hotel groups have a cyclical profile while in the meantime the conference center of Chantilly will benefit from a minimal EBITDA (see in portfolio section).
- Montea contribution is based on its latest share price.

### Valuation of the conference centers

#### DCF

The DCF calculation of conference centers has been based on the following assumptions.

We obtain a value for Banimmo share of EUR 46.7m after deduction of a specific global net debt of EUR 58.8m.

CONFERinvest											
	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e
La Hulpe											
Sales	20025	17853	19015	20064	22171	24354	24841	25338	25844	26361	26889
EBITDA	4455	3749	3993	4314	4878	5601	5962	6334	6720	6854	6991
EBITDA margin	22.2%	21%	21.00%	21.50%	22%	23%	24%	25%	26%	26%	26%
Occupancy rooms	62.0%	55%	58%	60%	65%	70%	70%	70%	70%	70%	70%
Average daily rate (EUR)	150	151	152	155	158	161	165	168	171	175	178
RevPar (EUR)	92.9	82.8	88.2	93.1	102.9	113.0	115.2	117.5	119.9	122.3	124.7
Available rooms/year	96.36	96.36	96.36	96.36	96.36	96.36	96.36	96.36	96.36	96.36	96.36
RevPar available rooms (EUR)	8951.8	7980.9	8500.3	8969.3	9911.1	10887.0	11104.7	11326.8	11553.3	11784.4	12020.1
Other											
Net result	-1473	-2179	-1935	-1614	-1050	-327	34	406	792	926	1063
Chantilly											
Sales	15689	16346	16509	16840	18608	20440	20849	21266	21691	22125	22567
EBITDA	3264	4000	3880	4041	4559	5110	5212	5316	5423	5531	5642
EBITDA margin	20.8%	23.50%	23.50%	24%	24.50%	25%	25%	25%	25%	25%	25%
Occupancy rooms	65.0%	60%	60%	60%	65%	70%	70%	70%	70%	70%	70%
Average daily rate (EUR)	135	136	137	140	143	145	148	151	154	157	161
RevPar (EUR)	97.9	81.4	82.2	83.9	92.7	101.8	103.8	105.9	108.0	110.2	112.4
Available rooms/year	65	73	73	73	73	73	73	73	73	73	73
RevPar available rooms (EUR)	5703.8	5942.6	6002.0	6122.0	6764.8	7430.9	7579.5	7731.1	7885.8	8043.5	8204.3
Taxes	-126.0	-600.0	-582.0	-606.2	-683.8	-766.5	-781.8	-797.5	-813.4	-829.7	-846.3
Net result	394	1130	1010	1171	1689	2240	2342	2446	2553	2661	2772
Total Sales	35714	34199	35524	36904	40779	44794	45690	46603	47535	48486	49456
Total EBITDA	7719	7749	7873	8355	9436	10711	11174	11651	12142	12385	12633
Total net result conference centers	-1079	-1049	-925	-443	638	1913	2376	2853	3344	3587	3835
<b>Contribution to profit</b>	<b>-535</b>	<b>-524.4</b>	<b>-462.6</b>	<b>-221.4</b>	<b>319.2</b>	<b>956.7</b>	<b>1188.0</b>	<b>1426.4</b>	<b>1672.1</b>	<b>1793.6</b>	<b>1917.4</b>
% change			-11.8%	-52.1%	-244.2%	199.7%	24.2%	20.1%	17.2%	7.3%	6.9%
Capex	5000	0	0	0	2000	0	0	0	3000	0	2000

Source: Bank Degroof Research

### Multiple comparison for Conference centers

	Ev/EBITDA 2008 (100 days)	Ev/EBITDA 2009 (100 days)	Ev/EBITDA 2010 (100 days)
Accor SA	6.5	7.0	7.0
Intercontinental Hotels Group	5.5	8.9	8.5
Millennium And Copthorne	6.1	9.2	9.5
NH Hoteles SA	6.1	10.8	9.9
Rezidor Hotel Group AB	3.4	18.6	6.2
Sol Melia SA	7.2	9.6	9.2
Whitbread	6.3	6.5	6.5
AVERAGE	5.9	10.1	8.1
EBITDA conf centers	7719	7749	7873
(EURk)	45257	78097	63791
	Debt	-58800	
	Equity value	19297	
	Banimmo share	9455.4	

Source: Bank Degroof Research

### Multiple comparison

Since Banimmo has a hybrid activity, the comparison with a REIT is not a valid exercise. In Belgium, we could have made a comparison with Atenor (cf similarity of P/E and dividend yield by contrast with EV/EBITDA partially the higher indebtedness of Banimmo) but the comparison would not be satisfying enough in our view because of the hybrid activity of Banimmo made of rentals in addition to the redevelopment/repositioning business while also Atenor is a pure developer (of which some mega projects) starting from scratch. Mutatis mutandis, the same conclusion could be derived from comparison, with redevelopers outside of Belgium in addition to their local features.

The table below is released as information only and was not used for our valuation.

### Peer Group Valuation

Company	Country	Rec.	Price	Target Price	Market cap EUR (m)	P/E(adj.)		Div. Yield %		EV/EBITDA	
			26-Jun-09	Fair value		2009	2010	2009	2010	2009	2010
Aedifica	BE	Accumulate	EUR 35.00	40.00	158	23.3	17.2	5.1	5.3	20.8	20.0
Atenor	BE	Accumulate	EUR 38.04	45.00	192	8.5	7.8	7.4	7.8	7.7	9.7
Banimmo	BE	Accumulate	EUR 12.13	16.00	138	16.0	9.4	5.9	6.4	30.3	23.6
Beni Stabili	IT	Accumulate	EUR 0.55	0.70	1,061	34.6	28.1	1.5	1.5	15.8	16.2
CLS Holdings	GB	Buy	GBP 306.50	411.00	153	nm	nm	0.0	0.0	nm	nm
Cofinimmo	BE	Hold	EUR 84.50	83.00	1,010	11.2	10.6	9.2	9.2	14.8	14.9
Deutsche EuroShop	DE	Buy	EUR 22.54	28.00	775	9.4	9.1	4.7	4.7	15.3	14.6
IGD	IT	Accumulate	EUR 1.21	1.34	374	14.3	14.3	4.7	4.7	17.4	16.6
IVG Immobilien AG	DE	Buy	EUR 4.55	7.50	528	nm	4.4	0.0	11.0	18.5	11.7
Lamda Development	GR	Buy	EUR 5.92	9.00	261	21.6	19.4	0.0	0.0	15.5	15.0
Leasinvest Real Estate	BE	Accumulate	EUR 50.07	58.00	201	11.3	10.4	7.8	8.5	17.2	15.2
Montea	BE		EUR 23.50		84						
Realia	ES	Accumulate	EUR 1.87	2.85	517	nm	nm	0.0	0.0	17.4	15.7
WDP	BE	Accumulate	EUR 28.39	32.00	356	9.1	10.2	10.4	10.4	16.0	15.1
Mkt cap total (EUR) & Weighted averages					5,807	45.2	12.7	4.1	5.2	15.6	13.5
Arithmetical Average						18.0	12.6	4.7	5.6	16.9	15.4
Median						12.8	10.6	4.7	5.3	15.9	15.0

Source: ESN estimates

## SWOT analysis

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Well diversified revenue mix and portfolio</li> <li>• Recurrent coverage of charges</li> <li>• Financial health</li> <li>• Management incentives</li> <li>• Track record</li> </ul>	<ul style="list-style-type: none"> <li>• Dependence on the Brussels periphery office market, but balanced by the conference/exhibition centres</li> <li>• Modest free float and low liquidity</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Contracyclical redevelopments</li> <li>• Buy assets at discounts</li> <li>• Acceleration of obsolescence of existing buildings reflecting environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>• Access to new financing</li> <li>• Length of the bear markets preventing optimisation of capital gains.</li> </ul>

## Upcoming Events Calendar

Date	Event type	Description	Period
31/08/09	1H results		2009H1

Source: AMI

## Banimmo : Summary tables

<b>PROFIT &amp; LOSS (EURm)</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009e</b>	<b>2010e</b>	<b>2011e</b>
<b>Sales</b>	<b>17.5</b>	<b>13.7</b>	<b>16.0</b>	<b>17.4</b>	<b>20.3</b>	<b>19.2</b>
Cost of Sales & Operating Costs (excl. Pers. Expenses)	0.0	0.0	0.0	0.0	0.0	1.0
Personnel Expenses	0.0	0.0	0.0	0.0	0.0	1.0
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	1.0
<b>EBITDA</b>	<b>9.4</b>	<b>5.5</b>	<b>8.7</b>	<b>8.7</b>	<b>11.4</b>	<b>10.2</b>
<b>EBITDA (adj.)*</b>	<b>9.4</b>	<b>5.5</b>	<b>8.7</b>	<b>8.7</b>	<b>11.4</b>	<b>9.2</b>
D & A	19.7	21.6	3.6	6.0	9.9	16.4
<b>EBIT</b>	<b>29.1</b>	<b>27.1</b>	<b>12.3</b>	<b>14.7</b>	<b>21.3</b>	<b>27.6</b>
<b>EBIT (adj.)*</b>	<b>29.1</b>	<b>27.1</b>	<b>12.3</b>	<b>14.7</b>	<b>21.3</b>	<b>26.6</b>
Net Financial Interest	-5.5	-5.0	-8.0	-8.1	-8.4	-8.7
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	1.3	0.2	-0.4	2.2	2.6	3.3
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>25.0</b>	<b>22.3</b>	<b>3.8</b>	<b>8.8</b>	<b>15.5</b>	<b>22.2</b>
Tax	-2.2	0.5	0.4	-0.1	-0.7	-0.4
<i>Tax rate</i>	<i>8.8%</i>	<i>nm</i>	<i>nm</i>	<i>1.6%</i>	<i>4.8%</i>	<i>1.7%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Profit (reported)</b>	<b>22.8</b>	<b>22.7</b>	<b>4.2</b>	<b>8.6</b>	<b>14.7</b>	<b>21.8</b>
<b>Net Profit (adj.)</b>	<b>30.4</b>	<b>26.8</b>	<b>8.6</b>	<b>8.6</b>	<b>14.7</b>	<b>21.2</b>
<b>CASH FLOW (EURm)</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009e</b>	<b>2010e</b>	<b>2011e</b>
Cash Flow from Operations before change in NWC	3.0	1.2	0.7	2.6	4.8	4.4
Change in Net Working Capital	11.1	6.0	2.6	1.4	2.9	-1.1
<b>Cash Flow from Operations</b>	<b>14.1</b>	<b>7.1</b>	<b>3.3</b>	<b>4.0</b>	<b>7.7</b>	<b>3.3</b>
Capex	60.1	12.2	-100	0.0	-5.0	0.0
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>74.2</b>	<b>19.3</b>	<b>-96.9</b>	<b>4.0</b>	<b>2.7</b>	<b>3.3</b>
Dividends	-7.3	-11.1	-16.8	-12.2	-8.2	-8.8
Other (incl. Capital Increase & share buy backs)	-15.5	44.1	-12.8	0.0	0.0	0.0
<b>Change in Net Debt</b>	<b>51.4</b>	<b>52.3</b>	<b>-127</b>	<b>-8.2</b>	<b>-5.5</b>	<b>-5.6</b>
NOPLAT	29.1	27.1	12.3	14.7	21.3	0.0
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009e</b>	<b>2010e</b>	<b>2011e</b>
Net Tangible Assets	194	182	282	288	302	318
Net Intangible Assets (incl. Goodwill)	0.3	0.3	0.3	0.3	0.3	0.3
Net Financial Assets & Other	26.2	40.8	54.9	54.9	54.9	54.9
<b>Total Fixed Assets</b>	<b>221</b>	<b>224</b>	<b>337</b>	<b>343</b>	<b>358</b>	<b>373</b>
Net Working Capital	-6.5	-12.5	-15.1	-16.4	-19.3	-18.2
<b>Shareholders Equity</b>	<b>105</b>	<b>157</b>	<b>144</b>	<b>140</b>	<b>147</b>	<b>158</b>
Minorities Equity	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Debt</b>	<b>98.5</b>	<b>46.2</b>	<b>173</b>	<b>181</b>	<b>186</b>	<b>192</b>
Provisions	10.3	7.5	5.1	5.1	5.1	5.1
Other Net Liabilities or Assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Capital Employed/Invested</b>	<b>214</b>	<b>211</b>	<b>322</b>	<b>326</b>	<b>338</b>	<b>355</b>
<b>GROWTH &amp; MARGINS</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009e</b>	<b>2010e</b>	<b>2011e</b>
<i>Sales growth</i>	<i>15.2%</i>	<i>-22.1%</i>	<i>17.1%</i>	<i>8.5%</i>	<i>17.0%</i>	<i>-5.5%</i>
<i>EBITDA growth</i>	<i>18.0%</i>	<i>-41.8%</i>	<i>58.6%</i>	<i>-0.1%</i>	<i>31.2%</i>	<i>-10.5%</i>
<i>EBITDA (adj.)* growth</i>	<i>18.0%</i>	<i>-41.8%</i>	<i>58.6%</i>	<i>-0.1%</i>	<i>31.2%</i>	<i>-19.3%</i>
<i>EBIT growth</i>	<i>151.7%</i>	<i>-7.2%</i>	<i>-54.5%</i>	<i>19.4%</i>	<i>45.0%</i>	<i>29.6%</i>
<i>EBIT (adj.)* growth</i>	<i>151.7%</i>	<i>-7.2%</i>	<i>-54.5%</i>	<i>19.4%</i>	<i>45.0%</i>	<i>24.9%</i>
<i>Net Profit growth</i>	<i>483.2%</i>	<i>-11.8%</i>	<i>-68.0%</i>	<i>0.7%</i>	<i>70.8%</i>	<i>43.9%</i>
<i>EPS adj. growth</i>	<i>483.2%</i>	<i>-11.8%</i>	<i>-75.7%</i>	<i>0.7%</i>	<i>70.8%</i>	<i>43.9%</i>
<i>DPS adj. growth</i>	<i>51.1%</i>	<i>-1.6%</i>	<i>-20.6%</i>	<i>-27.9%</i>	<i>7.8%</i>	<i>27.8%</i>
<i>EBITDA margin</i>	<i>53.7%</i>	<i>40.2%</i>	<i>54.4%</i>	<i>50.0%</i>	<i>56.1%</i>	<i>53.2%</i>
<i>EBITDA (adj.)* margin</i>	<i>53.7%</i>	<i>40.2%</i>	<i>54.4%</i>	<i>50.0%</i>	<i>56.1%</i>	<i>47.9%</i>
<i>EBIT margin</i>	<i>166.1%</i>	<i>198.0%</i>	<i>76.9%</i>	<i>84.6%</i>	<i>104.8%</i>	<i>143.8%</i>
<i>EBIT (adj.)* margin</i>	<i>166.1%</i>	<i>198.0%</i>	<i>76.9%</i>	<i>84.6%</i>	<i>104.8%</i>	<i>138.6%</i>

## Banimmo : Summary tables

RATIOS	2006	2007	2008	2009e	2010e	2011e
Net Debt/Equity	0.9	0.3	1.2	1.3	1.3	1.2
Net Debt/EBITDA	10.4	8.4	19.8	20.8	16.3	18.8
Interest cover (EBITDA/Fin.interest)	1.7	1.1	1.1	1.1	1.4	1.2
Capex/D&A	304.8%	56.7%	-2783.6%	0.0%	-50.5%	0.0%
Capex/Sales	-342.5%	-89.5%	625.6%	0.0%	24.6%	0.0%
NWC/Sales	-37.2%	-91.3%	-94.2%	-94.6%	-95.1%	-94.8%
ROE (average)	31.0%	20.4%	5.7%	6.1%	10.3%	13.9%
ROCE (adj.)	15.5%	15.9%	4.6%	5.4%	7.5%	0.0%
WACC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROCE (adj.)/WACC	nm	nm	nm	nm	nm	nm

PER SHARE DATA (EUR)	2006	2007	2008	2009e	2010e	2011e
EPS (reported)	2.63	2.63	0.37	0.76	1.30	1.92
EPS (adj.)	3.51	3.10	0.75	0.76	1.30	1.87
BVPS	12.18	18.20	12.67	12.36	12.93	13.90
DPS	1.28	1.26	1.00	0.72	0.78	0.99

VALUATION	2006	2007	2008	2009e	2010e	2011e
EV/Sales		13.4	18.0	15.2	13.3	14.5
EV/EBITDA		33.3	33.1	30.3	23.6	27.2
<b>EV/EBITDA (adj.)*</b>		<b>33.3</b>	<b>33.1</b>	<b>30.3</b>	<b>23.6</b>	<b>30.2</b>
EV/EBIT		6.7	23.4	17.9	12.6	10.1
<b>EV/EBIT (adj.)*</b>		<b>6.7</b>	<b>23.4</b>	<b>17.9</b>	<b>12.6</b>	<b>10.4</b>
<b>P/E (adj.)</b>		<b>6.6</b>	<b>19.9</b>	<b>16.0</b>	<b>9.4</b>	<b>6.5</b>
P/BV		1.1	1.2	1.0	0.9	0.9
Total Yield Ratio		9.5%	8.8%	6.0%	6.4%	9.2%
EV/CE		1.1	1.1	1.0	0.9	0.9
OpFCF yield		4.0%	1.9%	2.9%	5.6%	2.4%
OpFCF/EV		3.9%	1.1%	1.5%	2.9%	1.2%
Payout ratio	48.7%	48.0%	nm	95.0%	60.0%	51.8%
Dividend yield (gross)		6.1%	8.2%	5.9%	6.4%	8.2%

EV AND MKT CAP (EURm)	2006	2007	2008	2009e	2010e	2011e
Price** (EUR)		20.5	15.0	12.1	12.1	12.1
Outstanding number of shares for main stock	8.7	8.7	11.4	11.3	11.4	11.4
<b>Total Market Cap</b>		<b>177</b>	<b>170</b>	<b>137</b>	<b>138</b>	<b>138</b>
<b>Net Debt</b>	<b>98.5</b>	<b>46.2</b>	<b>173</b>	<b>181</b>	<b>186</b>	<b>192</b>
o/w Cash & Marketable Securities	-3.0	-2.8	-14.4	-13.8	-13.4	-13.1
o/w Short Term Debt	16.4	27.0	31.2	32.5	33.3	34.2
o/w Long Term Debt	85.0	21.9	156	162	166	171
<b>Other EV components</b>	<b>-26.2</b>	<b>-40.8</b>	<b>-54.9</b>	<b>-54.9</b>	<b>-54.9</b>	<b>-51.9</b>
Enterprise Value (EV adj.)		<b>183</b>	<b>288</b>	<b>263</b>	<b>269</b>	<b>278</b>

Source: Company, Bank Degroof estimates.

## Notes

\* Where EBITDA (adj.) or EBIT (adj.) = EBITDA (or EBIT) +/- Non Recurrent Expenses/Income

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

## 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

## 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**.

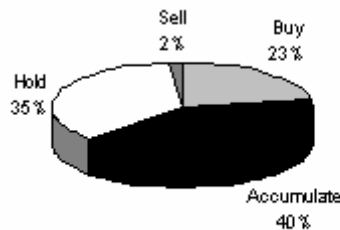
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

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
- **Rating Suspended:** the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved or to a change of analyst covering the stock
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Bank Degroof Ratings Breakdown

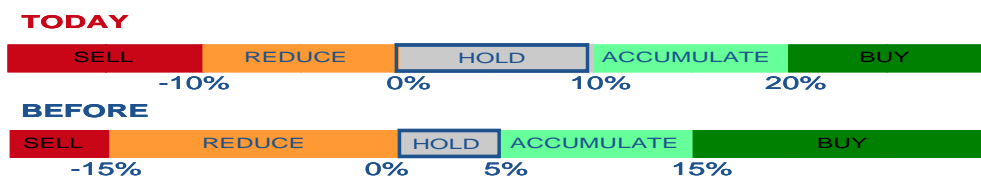


### History of ESN Recommendation System

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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**Equity research**

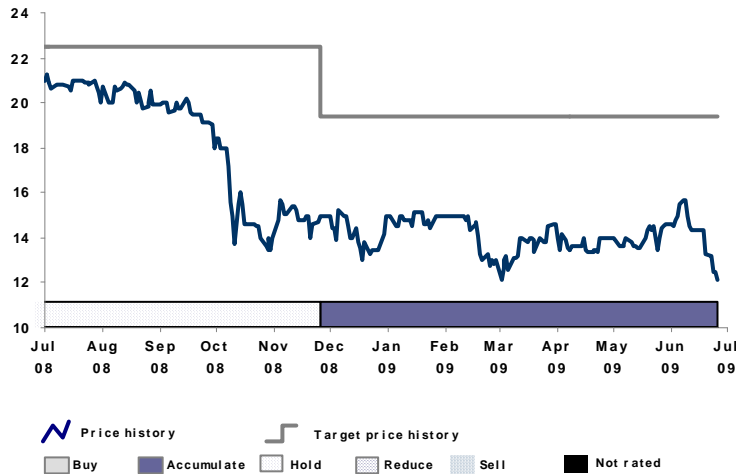
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## Recommendation history for BANIMMO

Date	Recommendation	Target price	Price at change date
29-Jun-09	Buy	16.00	12.13
25-Nov-08	Accumulate	19.40	15.00
28-Jan-08	Hold	22.50	21.02
22-Jan-08	Buy	23.70	20.51
17-Jan-08	Buy	23.00	20.51

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Bank Degroof continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Jean-Marie Caucheteux (since 31/07/2008)



### Bank Degroof acts as liquidity provider for:

Aedifica, Atenor, Banimmo, Bois Sauvage, Duvel, Ecodis, Evadix, Floridienne, GIMV, IBt, Intervest Retail, IPTE, I.R.I.S., Kinapolis, Leasinvest, Luxempart, Mitiska, Montea, NewTree, PinguinLutosa, Realco, Resilux, Sapec, Ter Beke, Tessengerlo and Van de Velde.

### Bank Degroof holds a significant stake in:

Aedifica, Fountain and Proximedia.

### Bois Sauvage holds a significant stake in Bank Degroof

### Bank Degroof board members and employees hold mandates in the following listed companies:

Atenor, Bois Sauvage, Brederode, CFE, Cofinimmo, Deceuninck, D'Ieteren, Emakina, Floridienne, FuturaGene, Lotus Bakeries, Proximedia, Recticel, Sipef, Ter Beke, Tessengerlo and UCB.

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