

Banimmo

Expensive on recurring basis

Nice track record but non recurring cashflow

- The Belgian property repositioning company which focuses on technical and commercial renovation of under-valued/obsolete buildings in Belgium and France reported remarkably strong results during 2009.
- Since its IPO in 2007 the company has been able to outperform the 10% ROE target (16.1% achieved in 2009) despite the downturn, thanks to a high level of rotation of assets (EUR 286m investments, EUR 183.5m divestments achieving EUR 48.2m worth of capital gains).
- However the trend came to an end in H1 10 since the investment market is on complete standstill. This shows that the business model is more volatile than the other property companies in our universe and the dividend is not covered by recurring cashflow.

Acquisition of a stake in Foruminvest but impact expected later

- Initially, the portfolio target size was EUR 500m by YE 2009 but the crisis prevented them to reach it (EUR 360m at H1 10). The company then focussed on securing recurring profit by extending debt arrangements and renewing/extending lease contracts.
- However, in August 2010, Banimmo announced a major step towards increasing the portfolio and switching from offices to retail, with the acquisition of a 38% stake in the former Foruminvest Belgium (3 shopping centre projects).
- In our view the impact of that acquisition will be felt in the medium-term at best while it's even not sure the 3 centres will be erected (one building permit granted by then). The acquisition also pushes the LTV very close to 60%, using all the proceeds of the bond issue (April 10).

Quite expensive unless using aggressive assumptions

- Although track record is encouraging, we are cautious in assuming high recurring realized capital gains. As a result, the company looks quite expensive compared to peers, despite underperforming this year. Also the company has to renew a EUR 147m credit line next year. As a result, we initiate the coverage with a Hold recommendation. But we acknowledge the fact that as soon as market sentiment improves and the investment market reopens, there is upside to our figures.

Year end	Rental income (m)	Total profit (m)	Total EPS	P/E (*)	Total debt / Assets	NAV per share	Premium (*)	Div.	Yield (*)
12/07	14.2	22.7	2.27	9.0	21%	15.7	30.5%	1.26	6.1%
12/08	17.9	4.2	0.37	40.1	51%	12.7	18.3%	1.00	6.7%
12/09	19.2	11.0	0.97	15.6	46%	12.6	20.1%	1.00	6.6%
12/10e	17.1	0.4	0.03	nm	58%	11.1	28.6%	0.70	4.9%
12/11e	18.7	14.7	1.29	11.2	58%	11.5	25.2%	1.00	6.9%
12/12e	19.0	15.2	1.34	10.8	58%	11.8	22.5%	1.03	7.2%

(*) 2006-2010 figures of P/E, Discount and Yield are based on end F.Y. price

Hold

Price: EUR 14.45
(05/01/11)

Target price: 14.40

Risk: High

Reuters: BANI.BR

Bloomberg: BANI BB

Shares number (m): 11.36

Market cap. (m): 164

NAV 30/06/2010 : 10.81

Premium : 34%

H/L 1 year: 17.40 - 13.80

1 year price perf.: -6.1%

Diff. with EPRA Eurozone : -12.8%

Volume (sh./day): 876

Free Float 17%

Affine 50%

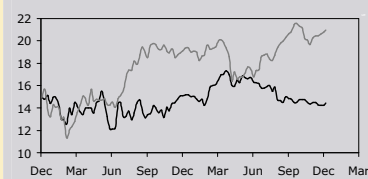
Management Banimmo 29%

Ethias 4%

Company description:

Banimmo is a Belgian property repositioning company. It specializes in the technical and commercial renovation of under-valued or obsolete buildings of at least EUR 5m in Belgium, France and Luxembourg. It targets B2B property assets.

Banimmo + relative to EPRA Eurozone (grey)



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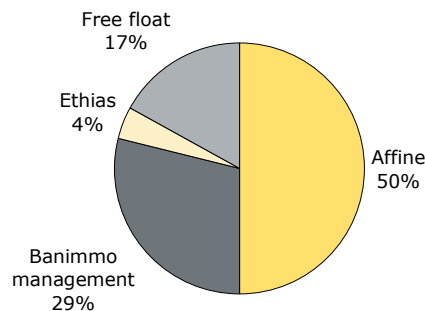
Introduction – The property hybrid

Banimmo is a Belgian real estate company¹ that specialises in the technical and commercial redevelopment of undervalued or derelict properties, valued at a minimum of EUR 5m and located in Belgium, France and Luxembourg. Its primary objective is trying to keep the tenants both during and after most of the renovation works. The company initially targeted offices, but is now diversifying in retail and conference centres.

Through these refurbishments the company targets to be able to increase rental levels upon completion, lower maintenance costs and lower the market yield on which it is valued as a result of the increased quality of the asset. This should eventually materialize for the company when the asset gets sold. On average, from acquisition to divestment, the company keeps the assets for 4 to 7 years.

The company does not have the tax-efficient REIT status as this does not allow active real estate (re)development. The company has been listed on the Euronext Brussels since June 2007 (Bloomberg ticker: BANI BB) and total market capitalization amounts to EUR 160m. The free float amounts to 21.2%, as the French real estate company Affine and the management of Banimmo hold 50%² and 28.8% of the shares respectively.

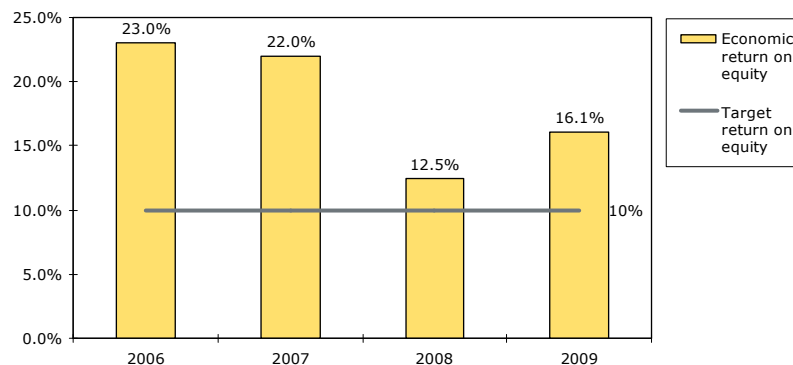
Exhibit 1 Shareholders & free float



Source: Banimmo

The company targets to offer shareholders a higher return on equity than the European real estate market and targets at least 10% which it has outperformed since the IPO (June 2007). But this is mainly coming from realized capital gains upon completion of developments while the company is barely able to cover its financing expenses and general costs by means of the recurring income (rental income plus commissions).

Exhibit 2 Economic return on equity 2006 - 2009



Source: Banimmo

¹The company is a spin-off of former Anhyp bank, now owned by Axa.

² Affine acquired a majority stake of 65% in 2006 before the IPO in 2007.

Experienced management

The supervisory board counts 10 people of which 4 are independent. Since the IPO, a shareholder agreement exists between the 2 main shareholders: Affine and the management. That agreement expires in 2016. However, given the relatively more fragile financial position of Affine, we wouldn't be surprised if they were to sell their stake. In that case, the management could maybe be interested to reinforce their stake.

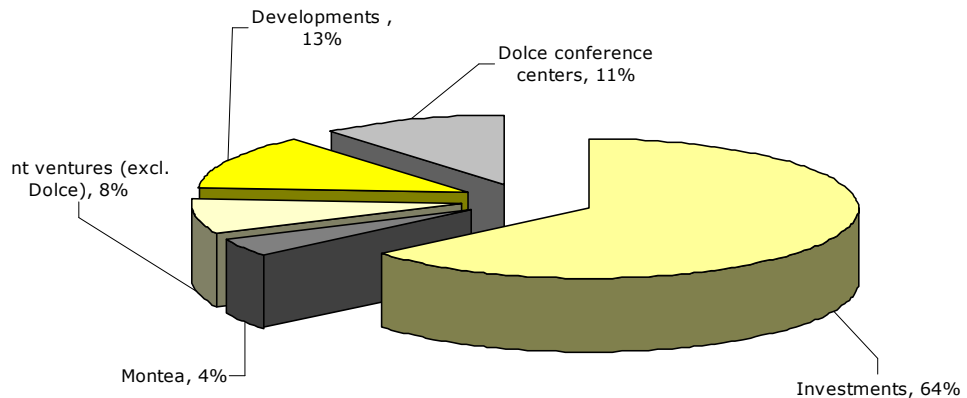
The daily management is made up of 6 people led by CEO, Didrik van Caloen who has extensive experience in the real estate sector as head of real estate financing at Anhyp bank between 1995 and 1999. In 1999 and 2000 Mr. van Caloen was managing director at AXA REIM Benelux. For detailed overview of the management team see appendix B.

Portfolio description

Volatile office portfolio part of the game

Before the acquisition of the stake in City Mall, the company's EUR 258m portfolio comprises of 11 office buildings, 6 retail assets and an exhibition centre. The company's total real estate assets amount to EUR 357m, also including their 23% stake in Montea, 2 Dolce conference centers, their stake in Jardin des Quais and their 25% stake in The Loop (PPP project with the city of Ghent).

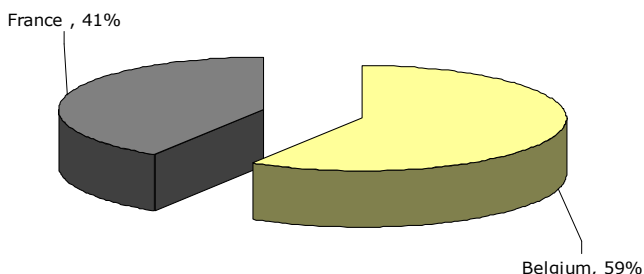
Exhibit 3 Investment breakdown (30/06/10, including City Mall)



Source: Banimmo

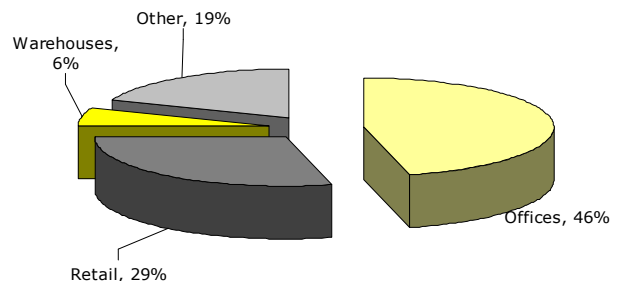
Out of the 11 office assets, 10 are located in Belgium and 1 in France. 8 of the Belgian assets are located in the greater Brussels region and the other 2 in Antwerp. In general the company's portfolio mainly comprises of larger office buildings (5,000sqm+ and 7 properties of 10,000sqm+) in both central business districts and peripheral locations³. The assets are on average 10 years old since construction/last major refurbishment, which is reasonable/young especially when compared to the Brussels office market which comprises of many 1960's/1970's assets⁴. This is of course in line with the company's strategy of actively developing/refurbishing assets as compared to many buy and hold investors on the Brussels office market. Typical for an active developer the company has new buildings (recently developed) and considerably older assets like its Evere site (1983) which the company acquired with the intention of adding value to this site by re/development.

Exhibit 4 Geographical breakdown portfolio⁵



Source: Banimmo

Exhibit 5 Sectorial breakdown portfolio⁶



Source: Banimmo

³ The approx. 150,000sqm portfolio also comprises of 26,000sqm warehouse space. The warehouse space is always part of the office buildings. The Belgian Da Vinci asset also comprises of 5,100sqm atelier space.

⁴ At the 2009 results analyst meeting the company said approx. 60%/70% of Brussels office supply is outdated, i.e. does not comply with current standards tenants require, which has been confirmed by an article on 14/12/10 in Le Soir, saying that the level of structural vacancy in Brussels is now 9%.

⁵ At 30/06/10, excluding City Mall

⁶ At 30/06/10, excluding City Mall

In Belgium, take up on the Brussels office market declined by more than 50% since 2007 (although 2010 better than 2009 with 2 very large transactions at the end of the year), rental levels for prime located buildings in the Schuman area declined from EUR 290/sqm to around EUR 260/sqm (except for exceptional deals signed at EUR 310/sqm), not taking into account incentives provided to tenants (up to 20%). The average rental level decreased from EUR 168/sqm at YE 2008 to around EUR 150/sqm at YE 2009 (and currently stabilizes). Furthermore, as yields increased from 5.75% to 6.25%/6.5% property values dropped by up to 15% and even more for older lesser quality buildings in the periphery. Total vacancy rate for the Brussels office market increased from 9% in 2007 to 12% and is expected to stabilize since the letting transactions are moves from one old building to a new(er) one (modern and at the same price), which can't help to balance for the spaces still developed (but development drying up, 113,000sqm expected in 2011 of which only 13,000sqm speculative). Banimmo clearly targets corporates willing to move from an old building at an old (high) rent to a new, build-to-suit asset with a reasonable rent. The best example is the Mobistar HQ, which was energy efficient while the construction costs were well under control (EUR 900/sqm). The only problem in Belgium is that because of the low historical rent, the projects are not profitable in some cases (>< in Paris or Luxembourg).

Exhibit 6 Brussels office market

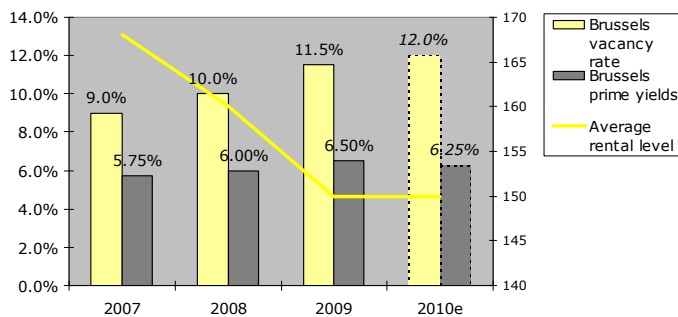
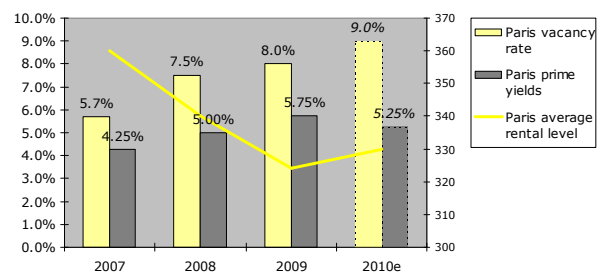


Exhibit 7 Ile de France office market



Source: Petercam estimates based on JLL & C&W

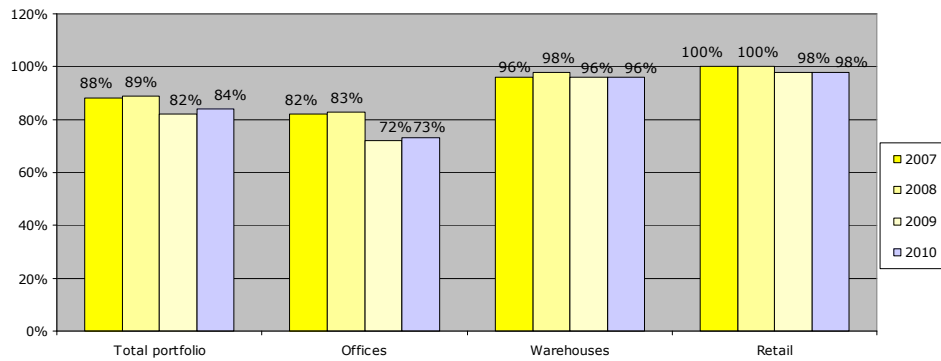
Source: Petercam estimates based on JLL & C&W

In France with take-up of 1,750,505sqm in 2009, occupiers' demand registered a 26% decrease compared to 2008 which implies a 40% drop compared to 2006/2007 and 17% below the average take-up from 1998 to 2008. However, the market seems to pick up in 2010, with a 28% take-up increase over the first 8 months of the year. Prime Paris office rental levels have dropped from EUR 800/sqm to EUR 700/sqm with the average rent for the greater Paris region dropping to EUR 324/sqm in 2009 from EUR 350/sqm in 2007. Total vacancy for the total office market now amounts to 8% (vs. 5.7% in 2007) which is the highest level since 1997. This is however expected to decrease eventually as there is some demand and not many developments to be delivered. The situation is better than in Brussels and should improve more rapidly. Prime yields have increased from 4.25% to 5.75% in the CBD and from 5.25% to 6.5% in La Défense. Prime yields in other regions such as Lyon have increased to 7% vs. 6% previously.

Strong retail portfolio to balance

The retail portfolio which is located in France is the best part of the portfolio from an occupancy rate perspective (see exhibit 7).

Exhibit 8 Banimmo's occupancy rate evolution



Source: Banimmo

Going forward the company also said it wishes to increase its exposure towards the retail sector, especially in France, also to decrease the exposure to Belgian offices. Several steps have been made in that direction lately (the retail gallery in Rouen⁷, 38% stake in City Mall⁸, acquisition of 2 Castorama units in France⁹).

For examples of Banimmo assets see appendix A.

Furthermore, when looking at the vacancy rate of the office portfolio which amounts to 80% - 85% since 2007, one has to take into account that this is partly due to the company's strategy. As the company focuses on acquiring older/slightly outdated office buildings to redevelop them and add value the occupancy rate tends to be lower due to the state at acquisition. The drop to 73% at H1 10 was due to tenant's departure at North Plaza, Prins B5 and Vaugirard to start planned renovation works. Furthermore, the occupancy rate at the company's Arts 27 building only amounts to 30% as it was only completed very recently.

New exposure to Belgian retail: 38% in City Mall

In order to diversify its portfolio focused on Belgian offices, Banimmo took in August 2010 a stake in the new company taking over the projects of Foruminvest in Belgium and Luxembourg. That new company (City Mall) is owned by Patric Huon (former CEO of Foruminvest Belgium) and Banimmo and provides the later with an economic ownership of 38.25% of the 3 projects (Foruminvest NL keeping a 10% interest in the projects themselves). The 3 existing projects are at different stages: the 30,000sqm shopping centre "Au Fil de l'Eau" in Verviers (to be delivered in 2014¹⁰), the 18,000sqm shopping centre "Le Côté Verre" in Namur (to be delivered in end 2014) and the study of a shopping centre in Charleroi (timing really not sure, depending on the strategic decision to be taken by the city of Charleroi). Banimmo invests EUR 54m in that new holding (equity + mezzanine loan).

According to management, there were 3 main reasons behind that one-in-a-lifetime opportunity: increasing the size of the company, stabilizing the current result and diversifying from offices. EUR 19m equity and EUR 20m mezzanine has been paid upfront at the acquisition. The remaining EUR 15m mezzanine will be paid in June 2011. The bond proceeds (April 2010) have been (partly) used to acquire City Mall. Thanks to the 8% interest rate on the mezzanine, the operation is accretive from day 1 (bond: 5.15% coupon paid on EUR 54m).

⁷ The 2,848sqm retail gallery in Rouen was acquired in Q2 2010. The acquisition price amounted to EUR 12m, which implied a 7.1% yield. For now, the company does not plan any renovation work but will proceed with restructuring of rental contracts, which should unlock some rental reversion (15% estimated).

⁸ More details in the next paragraph

⁹ On the 6th of December, 2010, Banimmo acquired 12,000sqm in a retail park in Eragny (West of Paris) for EUR 12.6m. The surfaces acquired by Banimmo are let by Castorama (EUR 130m turnover), which could leave the premises soon (2014), explaining the high initial yield of 11.5% (no over-rented situation). In the 2 scenarios (Castorama resigns for the long-term or Banimmo splits the large box in smaller units and rent them out at a higher rent), Banimmo would be glad.

¹⁰ The Walloon region gave a positive opinion to the project and the city of Verviers delivered the building permit a few weeks ago.

Conservatively valued portfolio given the business model but uncertainties about extracting capital gains

Looking at the overall value of the portfolio (gross rental yield of 7.8%, after vacancy, and 9.7% including ERV on vacant surfaces), we believe this is rather conservative (and due to some extent to accounting rules). Furthermore, the average rental level of the portfolio (around EUR 125/sqm) compares favourably to EUR 150/sqm for the whole of the Brussels office market.

However, the real potential of the assets can only be fully extracted when the assets are sold. This hasn't been a problem between the IPO and last year; in total the company was able to divest EUR 183.5m and achieve EUR 48.2m worth of capital gains (see appendix C). But the crisis impacting the Belgian market since last year made the investment market become very illiquid and disposals very difficult to complete. As a result, no sale has been completed YTD and, hence, no capital gain has been extracted. Even more, the only sales that took place YTD are related to fully let assets with a long-term lease contracts.

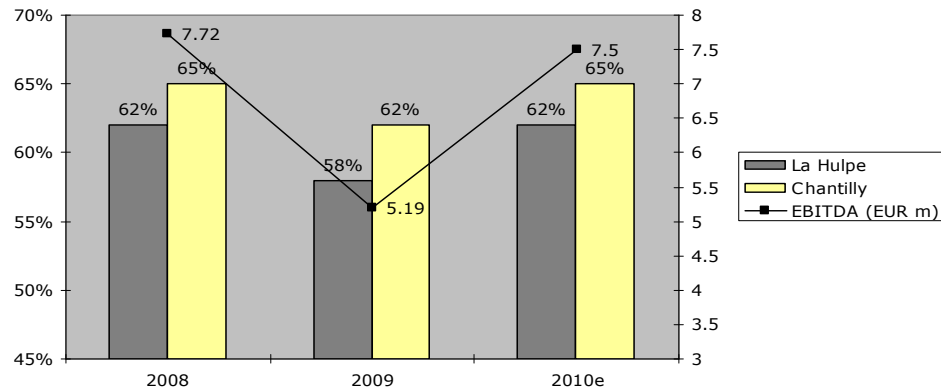
Banimmo's average lease maturity is 4.8 years. For both 2010 and 2011, the company has to renew approx. 20% of its leases p.a., which shows that these assets are not the ones for which investment appetite exists.

Hidden value in Dolce conference centres

Around 13% of the portfolio comprises of the 2 Dolce conference centres in La Hulpe close to Brussels, and Chantilly, close to Paris. The company acquired the Chantilly centre in 2007 and the La Hulpe centre in 2005 which was completely redeveloped afterwards. The centres are managed by Dolce which has been managing conference centres since 1981. Dolce is an American specialist in the operating of conference centres with 25 assets in North America and Europe. The long term agreement (15 years) between Banimmo and Dolce is based on the fact that Banimmo holds the operational risk of the centres. Dolce is paid a management fee of 3% of total revenues (2% in Chantilly and 3% in La Hulpe). An incentive fee is paid on top of this if certain targets are achieved. In order to decrease operational risk, the company sold 51% to (Belgian) private investors with Banimmo being in charge of management of the joint venture. This business bears more risk than the other real estate assets (except hotels) the company holds as there are no long term rental contracts in place and Banimmo bears all the operational risk. As such the business is comparable to hotels but is more transparent as conferences tend to be booked well in advance (1 year). 50% occupancy is reckoned to be enough to break even while mature assets should be able to reach 60%/70% occupancy, compared to 60% for Banimmo's assets during 2009. 2009 was indeed seen as a very difficult year. But activity in the conference centres is picking up, especially the quality of demand. In December 2010, we should be back to 50% pre-booking for 2011 (pre-crisis level). The weaker part is the price, which is down. Recovery should be even more pronounced in H2 (close to EUR 4m EBITDA targeted for La Hulpe for FY 10, more than EUR 3m for Chantilly).

Although this segment might seem (and probably is) riskier, the outcome is a higher EBITDA yield, assessed by management at 8-9% (on a normalized basis).

Exhibit 9 Occupancy rate and EBITDA Dolce conference centres



Source: Banimmo

Besides the fact that these centres are accretive to earnings one of the most interesting aspects is the fact that they are under-valued in the books of Banimmo. Accounting standards stipulates that the company has to depreciate over 5 years the difference between the estimated value in 5 years and the current value. As a result of this depreciation (EUR 4.7m in 2008 and EUR 2m in 2009) the book value of these assets is below acquisition price and far below market value according to Banimmo. For the H1 10 results, Banimmo succeeded to convince auditors to accept lower depreciation of the conference centres as of H1 10.

More acquisitions are considered in that segment (currently in France and Portugal) and 4 Dolce centres would be the target size. The impact is that the sale of Conferinvest is probably delayed by 2 years (to 2016-2017).

And long-term upside via joint ventures

The company has 2 large joint ventures, in which there should be some potential but more in the medium-term we initially thought. Nevertheless, Banimmo announced in November 2010 that the first building will be erected on The Loop site.

The JV The Loop is a PPP project (public private partnership) with the city of Ghent in which the company holds a 25% stake. The project targets a complete redevelopment of the Flanders Expo area next to the Brussels-Oostende highway. The development will provide retail, office and residential space. One of the latest developments is that the joint venture sold a piece of land to Ikea which developed its largest Belgian store on this site (EUR 15m capital gain realized). Also, as mentioned above, Banimmo won a tender to build a tailor-made hybrid (office + laboratory) 7,200sqm building on the site to host the Flemish Environment Agency. The investment amounts to nearly EUR 22m. The start of the construction is scheduled in December 2010, the occupation of the building in December 2011. On that kind of operation, Banimmo receives project management fees.

These are first steps in the development of the The Loop site and it's occurring earlier than we expected, which is positive.

The other JV, The Jardin des Quais, is a 25,334sqm retail and office complex in Bordeaux. This '03/'04 redevelopment of 5 old warehouses is based next to the River Garonne (1.5km from the historic centre of Bordeaux). The last unit is not let yet, putting the occupancy rate down to 85%. It will be challenging to let it in the coming 2 years (when works still in progress to improve accessibility). Before being fully let, the asset can't be sold at a good price.

Montea stake to show positive result compared to 2009

Through its 23% stake in Montea, which in accordance with its REIT status has to pay-out 80% of its direct result, Banimmo receives an annual dividend. Montea is a Belgian REIT which invests in logistic and semi-industrial property in both Belgium and France. The company has been listed since October 2006 and has both the Belgian (Sicafi) and French (SIIC) REIT status. Total market cap amounts to around EUR 130m. For the financial year of 2009, Montea paid EUR 2.09 dividend/share, which should amount to EUR 1.74m in 2010 (28/05/2010). For a detailed description of Montea we refer to our specific emails dedicated to Montea (actively covered by Petercam).

The initial 15% stake, through a contribution in kind of 2 logistic assets, was increased to 23% when it acquired the Unilever site in Vorst Brussels (Diamond building) together with Montea. At the current share price and following the capital increase (fully followed) in June 2010, this stake amounts to EUR 31m. There is no special agreement between Banimmo and the promoter/main familial shareholder which has a 30% stake (De Pauw family) to keep this stake for a defined time frame (opportunistic approach).

In our view, since only the Unilever deal leveraged on the relationship between Banimmo and Montea and both management teams acknowledge the fact that there are not many synergies / joint projects¹¹, we wouldn't be surprised if Banimmo sells its full stake in the near- to medium-term.

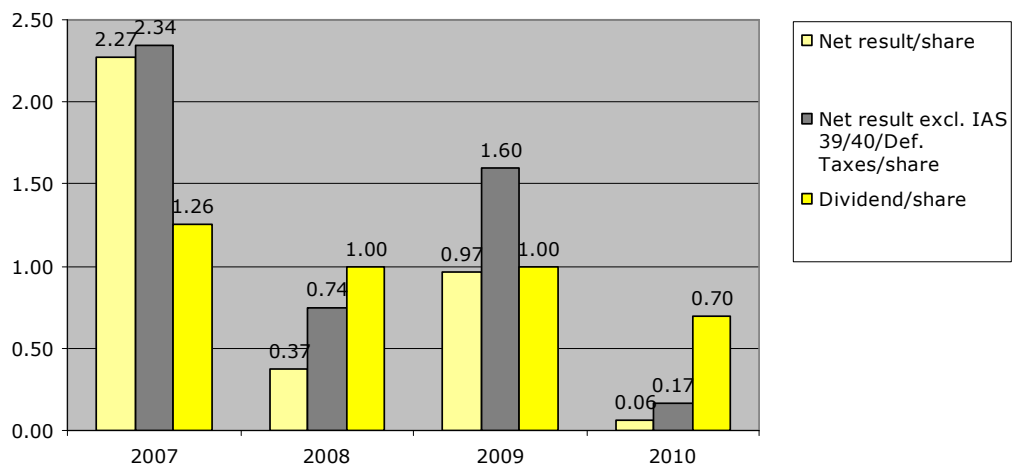
During Montea's H1 2010 results it became clear that negative revaluation is bottoming out and that as a result the total net result of Montea will be positive during 2010 compared to -EUR 10m during 2009. For 2010 we expect EUR 8.8m total net result of which 23% (Banimmo's stake) will be transferred to Banimmo's P&L.

¹¹ The initial idea was that Banimmo would be developing logistics projects for Montea.

Strong results till 2009, 2010 to be weak

In the first half of 2009 the company was not able to make any divestments, investments and much needed capital gains on disposals as markets were in still despair. Nonetheless as the company was able to sell its biggest development (Sirius: Mobistar head office) to a German fund for EUR 70m and achieve EUR 15.4m capital gain the company was able to report a significant increase in its net result. The result was further supported by the Atlantic house securitisation and the sale of the Kruger center to Retail Estates. Excluding negative revaluation of property and derivatives (IAS 39/40) which are non cash items the company was even able to report a result that was close to EUR 20m.

Exhibit 10 Net result – Dividend 2007-2010



Source: Banimmo, Petercam estimates

As a result of the good set of results in 2009 the company paid out EUR 1.00/share, which was slightly more than the net result per share. However, as it was less than the net result excluding property and derivative revaluation, i.e. real cash flow, meaning this was no problem for the company.

However the story in 2010 is somehow different since no asset has been sold this year (management made clear a few months ago that they prefer to optimize the sale price, and hence, potentially delay the disposals). As a result, they mentioned the fact that net result will be well below 2009's and the dividend will hence be likely cut (to EUR 0.7/share in our model). Although the dividend policy is intended to stick to high payout ratio, realized capital gains are a good proxy for the dividend.

Looking at acquisitions / pipeline items, after the City Mall and Castorama acquisitions (+ The Loop building to be financed soon), the financial state is slightly stretched, meaning that no more acquisition is expected before an asset is sold. The pipeline is made of the following projects.

Exhibit 11 Current redevelopment pipeline

North Plaza	13,600sqm	Renovation works started at YE 2009 First new letting has been completed
Da Vinci H5	3,900sqm	Heavy renovation works finished Pre-let on 6/9 year contract
Evere	8,000sqm	Long-term let to Electrolux
Prins B.5		Renovation works in progress Tenants has left as expected and has been partially re-let
Vauqirard		Heavy renovation of retail gallery underway
Dolce	La Hulpe	Completion of new spa center New wing of complex will be completed which is let for 10 yrs
Arts 27	3,700sqm	Has already been completed (in 2009) but is still only 27% pre-let

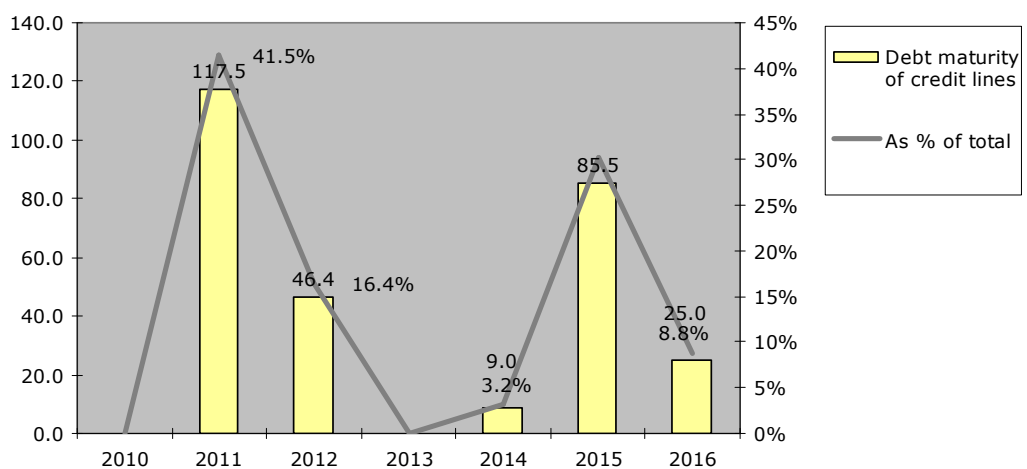
Source: Banimmo

Financing

Significant maturity in 2011

Although the company succeeded to lower its syndicated bank credit by EUR 42.5m (to EUR 147.5m), next year will be important since 41.5% of the existing debt needs to be refinanced (all related to the syndicated credit). However Banimmo made some significant efforts in working on the liability side of the balance sheet, issuing a bond for EUR 75m (@ 4.78% effective coupon), which is efficient in diversifying the financing sources. As a result, we are convinced they will be able to renegotiate (for a smaller amount since the credit is currently used for EUR 100m) with the current banks and earlier than expected (discussions have just started). Belgian banks have appetite to lend to Belgian, well-known players right now but the margin will clearly increase (80bp currently).

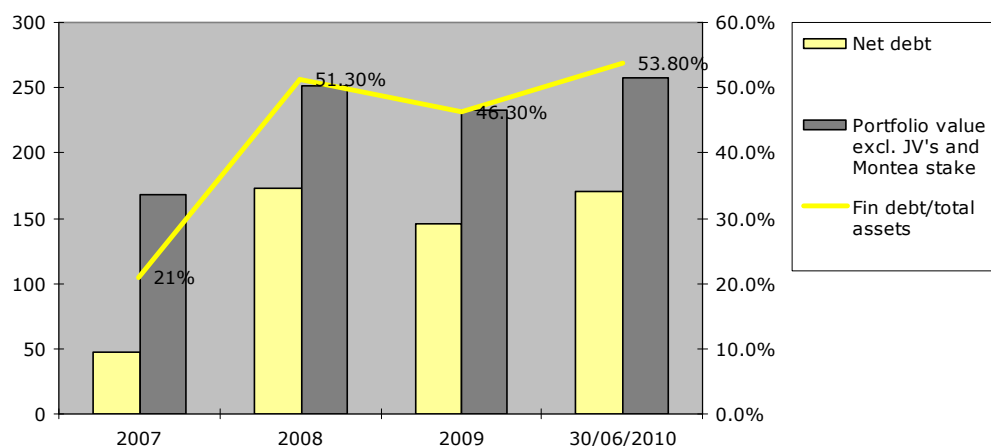
Exhibit 12 Credit line maturities



Source: Banimmo

Looking at the debt ratio, it increased very close to 60% (covenant at 65% for the syndicated credit but reaching 55% for that part of the portfolio) after the City Mall acquisition in August. As a result, we don't expect them to make any more acquisitions. A capital increase could also be an option but we have some doubts given the stock performance. Also the issued bond had an equity feature, with the warrant, which will reinforce the equity base by EUR 50m, but only by 2014. A capital increase is not considered at the moment.

Exhibit 13 Debt facilities & debt ratios (before City Mall)



Source: Banimmo

Furthermore, thanks to its hedging strategy the average interest rate for 2010 will not amount to more than 4.6%. This is slightly higher than 4.4% last year, which is due to a slight over hedging. The company is slightly over hedged as it expects to complete more debt financed investments during 2010. Excluding hedges the average cost of debt amounts to 3.7%. For a detailed overview of the company's hedges see Appendix D. Nonetheless, for a company like Banimmo which is a hybrid between a buy and hold real estate company like most of the Belgian REIT's (Befimmo, WDP, Ascencio, etc) and a plain vanilla real estate developer which bears more risk the average interest rate it pays on its debt is not that high. However, like many real estate companies it faces higher margin on average debt facilities that were arranged in 2007 or earlier. Margins on debt facilities for Banimmo have increased from 90bps previously to 175bps/190bps at the moment. This is nonetheless offset by current low market interest rates.

Valuation – Sum of the Parts

Given the specific business model of Banimmo, we have decided to value the shares based on the Sum of the Parts method and not our relative valuation method, mixing an EVA approach and the cashflow – dividend - operational multiples. This is due to the fact that cash flow and hence, to some extent, dividend is much less stable and foreseeable than for the other REITs-like property companies we cover. Also looking at the NAV (basis of the EVA method), it's not reflecting the real value of the portfolio since accounting issues prevent NAV to include only fair values.

The different parts are valued based on our estimates or on market prices (Montea).

Exhibit 14 Valuation – Sum of the parts		
Parts	Value	Comment
Portfolio 2010e	297	Including the latest acquisitions and an "arbitrary" 10% revaluation (after EUR 8m capex)
Equity stakes	142.4	
<i>Jardins des Quais</i>	17.8	<i>Based on a 6.25% yield and 85% let</i>
<i>The Loop</i>	11.6	<i>Based on land value (our estimate at EUR 10m) + capital gain on the land (new building; from 7.5% to 6.5%)</i>
<i>Conferinvest</i>	21.3	<i>NAV based on 8.5% EBITDA 11e yield (cfr Unibail-Rodamco Viparis)</i>
<i>City Mall - Equity</i>	21.5	<i>Initial investment of 19.5m, with value creation of 10%</i>
<i>City Mall - Mezzanine</i>	35.0	
<i>Montea</i>	30.6	<i>Stock price</i>
<i>Atlantic building</i>	4.6	<i>15% stake at the selling price</i>
Other	10	Land bank
Management fees	15	@ 15x multiple
- Corporate costs	42.0	@ 12x multiple
- Net debt	239.6	Exl. Financial instr.
- Debt for mezzanine City Mall	15.0	
- Long-term provisions	4.7	
# shares	11.36	
Fair value per share	14.4	
Current stock price	14.45	
Upside / downside	-0.5%	
Source: Petercam estimates		

- The portfolio includes the latest acquisitions (post 30/06/10) and our valuation includes a 10% premium, recognizing the acquisition skills of management and the efforts made to improve the letting mix. However EUR 8m capex in 2011 is required to get to that premium.
- The equity stakes are revalued based on "appropriate" cap rates. Given the quite early stage of the projects in City Mall, we apply a 10% premium (on the equity component and not the mezzanine), reflecting our positive view on the Belgian retail market and the mentioned yield on cost around 7.5% expected.
- We arrive at EUR 14.4/share fair value for the stock, which we set as the target price.

Conclusion

The Belgian property repositioning company which focuses on technical and commercial renovation of under-valued/obsolete buildings in Belgium, France and Luxembourg reported remarkably strong results during 2009. Despite one of the worst downturns in recent memory of the European property market the company was able to sell its biggest development (Sirius: Mobistar head office) for EUR 70m with a EUR 15.4m capital gain. As a result, it was able to outperform its target return on equity (10%) considerably (16.1%). However, although since its IPO in 2007 they outperformed this target, the crisis is now hitting the Belgian market, impacting negatively the business model of Banimmo. It indeed barely covers all the costs through recurring rental income.

Another impact of the crisis is that, whereas the company targeted at the IPO to increase its total real estate holdings to EUR 500m by YE 2009, the portfolio "only" reaches EUR 400m by now. Instead of focussing on further growth, early on, the company identified problems on the market and focussed on securing recurring income by extending debt arrangements and renewing/extending lease contracts. Furthermore, it made fewer investments than planned to keep the debt ratio below 50%; 46.3% at 31/12/09 but very close to 60% after the City Mall acquisition.

Although we acknowledge the great track record of management since the IPO (and even before), we would become prudent with Banimmo's shares given a much less resilient business model, cash flow wise, than not that close peers Sicafris. In the current environment, investors chase dividend yield stocks while we don't expect the investment market to wake up soon, at least significantly (and for non-prime), and so the timing for the capital gains to be realized will be unpredictable, as highlighted by the absence of capital gains this year.

The former argument is also reinforced by the fact that the company strategy's is not straight-forward (compared to the Sicafris) while the accounting rules don't help to improve the feeling of an opaque company. Again, this is an element not supporting the story in the current environment.

Finally, we appreciate the fact that management is trying to diversify its portfolio and to switch the office exposure towards retail. However, the EUR 54m invested in City Mall is quite a significant amount that will only start to deliver some profit in 3 years. In addition, the acquisition is related to a developer, which should generate capital gains when the projects (shopping centres) are sold. That means that the revenues won't be recurring (>< rental income).

Looking at the valuation, we couldn't implement our usual valuation method, which is relative and compares to long-term (more buy-and-hold) investors. As a result, we computed a Sum of the Parts, pointing to a EUR 14.4/share target price. As a result, we set our recommendation at Hold. But we acknowledge the fact that as soon as market sentiment improves and the investment market reopens, there is upside to our figures.

Appendices

Appendix A: Banimmo assets

Exhibit 15 Alma Court, Zaventem (Brussels)



Source: Banimmo

Exhibit 16 Arts 27 (after redevelopment), Brussels



Source: Banimmo

Exhibit 17 Da Vinci, Brussels (before redev.)



Source: Banimmo

Exhibit 18 Clamart, France (retail, ground floor)



Source: Banimmo

Exhibit 19 Marché Saint-Germain, Paris



Source: Banimmo

Exhibit 20 Vaugirard, Paris



Source: Banimmo

Appendix B: Banimmo management

Exhibit 21 Banimmo management

CEO – Didrik van Caloen	CFO – Christian Terlinden	Secretary-General André Bosmans
Age: 55 1980 – 1994: Citibank 1994 – 1999: Anhyp bank, responsible for property debt department 1999 – 2000: AXA REIM Benelux, managing director 2000 – 2010: Banimmo	Age: 50 1984 – 1988: Citibank 1989 – 1995: Copeba private equity, responsible for property holdings 1995 – 2005: Sapec CFO 2005 – 2010: Banimmo	Age: 56 1990 – 1996: Imofo/Anhyp bank, specialised in property 1996 – 2010: Banimmo
Head of development Thierry Kislanski	Investment manager Amaury de Crombrughe	CEO Banimmo FR Patrick Henniquau
Age: 51 1996 – 2004: Bouygues France, managing positions in property development departments in both France and Belgium 2004 – 2010: Banimmo	Age: 43 Proctor & Gamble: Accounting manager Cofinimmo: Commercial director AOS: head corporate real estate CBRE: managing director 2005 – 2010: Banimmo	Age: 58 Batir: Head of property development northern France Codic property France: Founding director 2003 – 2010: Banimmo

Source: Banimmo

Appendix C: Investments/divestments/developments

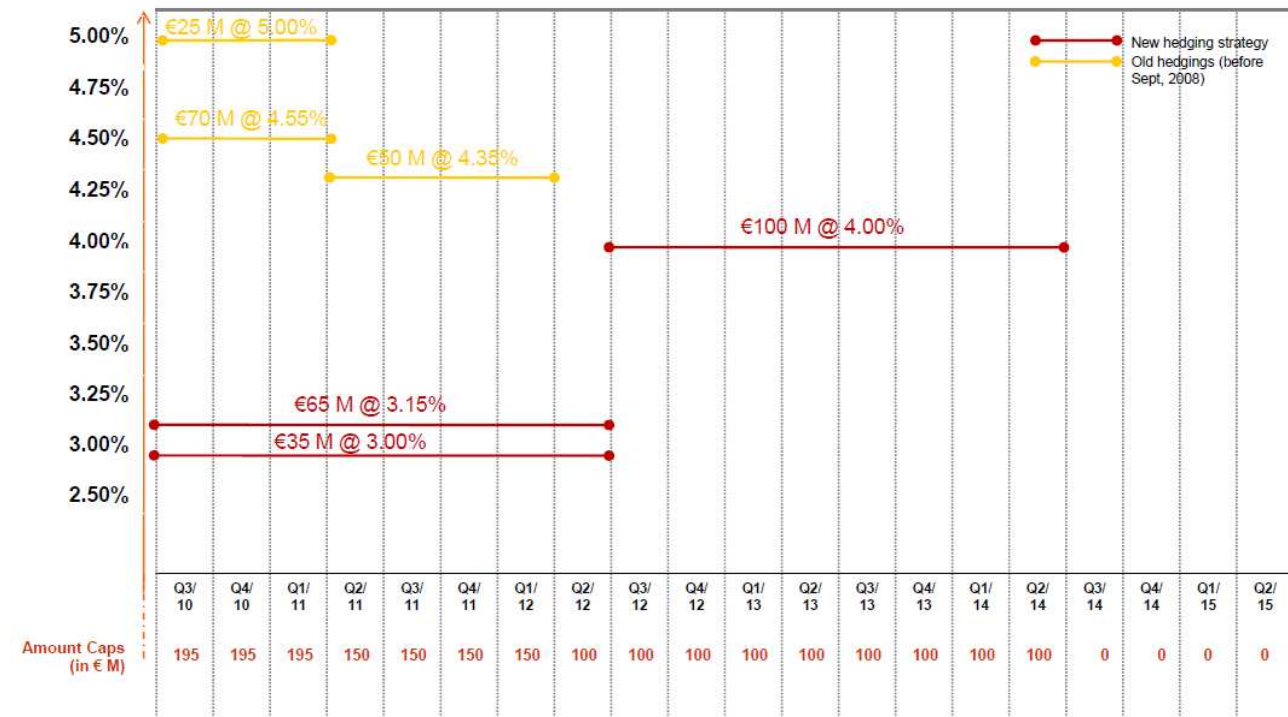
Exhibit 22 Investments/divestments/developments 2007 to date

Total 2007 investments	EUR 87.0m
Total 2007 divestments	EUR 46.0m
Mar-08	Acquisition of the Diamond office building on the Unilever site in Brussels
Mar-08	Acquires 259,279 Montea shares for EUR 7.8m (EUR 30.11/share)
Mar-08	Acquisition of North Plaza building Brussels for EUR 32m
Jun-08	Sold its 33% stake in Devimo (EUR 3.45m capital gain)
Jul-08	Acquisition of La Galerie Vaugirard in Paris for EUR 7.1m
Aug-08	Completion of 3,500sqm of supermarket space for Intermarché in its 8,015sqm retail center
Aug-08	Completion of renovation works at Dolce Chantilly
Sep-08	Start of renovation works in Dolce La Hulpe
Sep-08	Start of construction of the 29,500sqm head office for Mobistar in Brussels
Sep-08	Start of the renovation works at the Arts 27 building in Brussels
Sep-08	Sold 39,739sqm of it's the Loop land bank to Ikea, net contribution of EUR 1.33m
Dec-08	Sold retail asset in Belgium (Verviers) with EUR 2.6m capital gain.
Other 2008	Increased stake The Loop from 17% to 25% and acquired 2 retail assets in France
Total 2008 investments	EUR 81.8m
Total 2008 divestments	EUR 17.0m
Jul-09	Sold Atlantic House trough real estate certificates, for the amount of EUR 30.8m (EUR1.5m capital gain)
Oct-09	Sold Sirius building (Mobistar head office) to German fund for EUR 70.0m (EUR 15.4m capital gain)
Nov-09	Acquired a retail asset in Paris (Saint-Germain des Prés) for EUR 29.6m from Klépierre
Dec-09	Retail asset Belgium (Eeklo) sold for EUR 17.0m (EUR 0.7m cap gain)
Dec-09	Office building Brussels was sold for EUR 2.7m with a slight loss
Total 2009 investments	EUR 29.6m
Total 2009 divestments	EUR 120.5m
Apr-10	Acquired 2,850sqm retail complex in France (Rouen) for EUR 12.0m from Klemurs
Jul-10	Took part in the Montea rights issue, for EUR 9m
Aug-10	Acquired 38.25% of City Mall for EUR 54m
Dec-10	Acquired 12,000sqm in a retail park in Western Paris
Total capital gains	EUR 48.2m
Total investments	EUR 286m
Total divestments	EUR 183.5m

Source: Banimmo

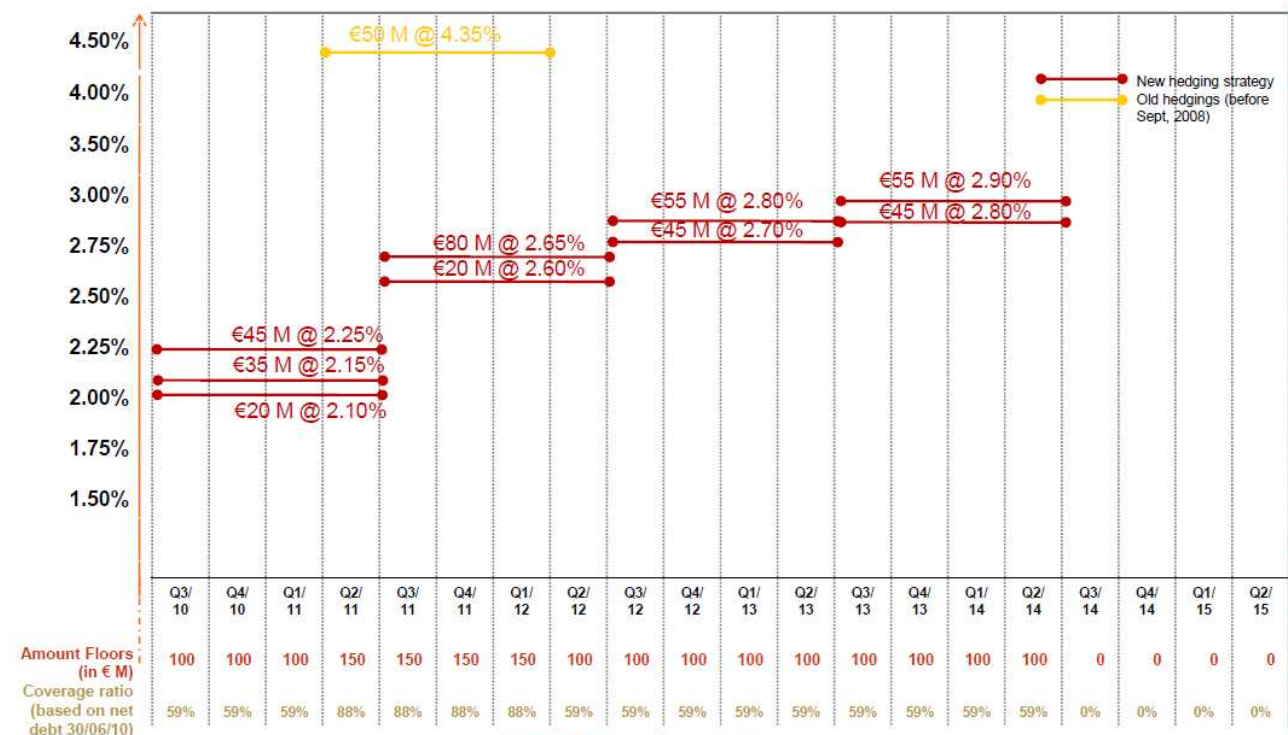
Appendix D: Overview of caps, floors and swaptions

Exhibit 23 Overview of caps



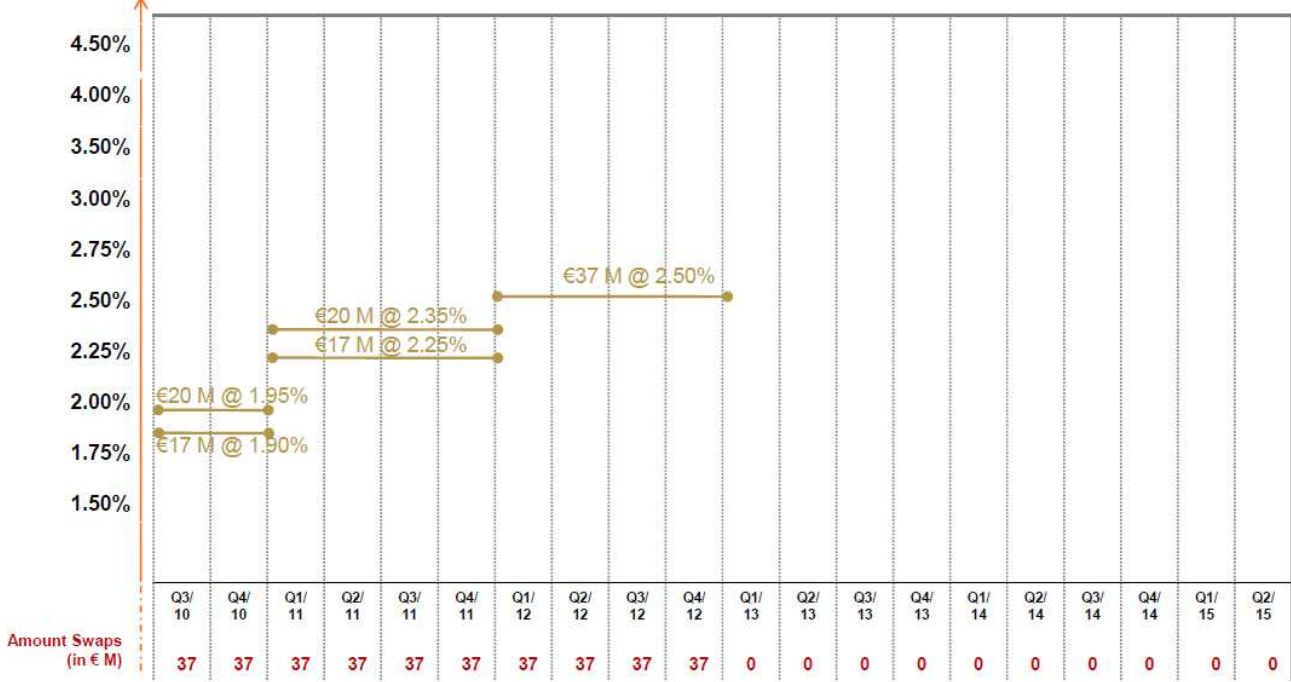
Source: Banimmo

Exhibit 24 Overview of floors



Source: Banimmo

Exhibit 25 Overview of swaptions



Source: Banimmo

Profit & Loss (EUR m)	12/07	12/08	12/09	12/10e	12/11e	12/12e
Rental income	14.2	17.9	19.2	17.1	18.7	19.0
Operating costs	-3.3	-2.7	-3.1	-2.7	-2.8	-2.9
Net rental income	10.9	15.2	16.2	14.4	16.0	16.1
Other revenues	2.7	0.8	1.3	0.9	1.0	1.0
Overhead costs	-7.7	-7.9	-8.0	-6.8	-7.2	-7.6
Other costs	-0.5	0.6	-0.5	-1.3	-0.5	-0.5
EBITDA	5.5	8.7	9.0	7.2	9.2	9.0
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	5.5	8.7	9.0	7.2	9.2	9.0
Associates	0.2	3.0	-2.4	3.4	5.7	6.5
Interest charges	-5.5	-7.5	-7.2	-9.0	-8.7	-8.7
Interest income	0.6	1.1	0.1	0.2	0.2	0.2
Financial Result	-4.9	-6.4	-7.1	-8.8	-8.5	-8.5
Exceptionals	-	-	-	-	-	-
Minorities	-	-	-	-	-	-
Pre-tax result	0.8	5.3	-0.5	1.8	6.4	6.9
Taxes	-0.4	-0.5	0.6	-0.2	-0.5	-0.6
Direct result	0.4	4.8	0.1	1.6	5.9	6.4
Property revaluation	-1.5	-3.5	-11.6	-1.3	3.8	3.8
Capital gain on sales	23.1	3.7	18.0	0.0	5.0	5.0
Other	0.8	-0.7	4.5	0.0	0.0	0.0
Indirect result	22.4	-0.5	10.9	-1.3	8.8	8.8
Total result	22.7	4.2	11.0	0.4	14.7	15.2
Non-cash costs	-	-	-	-	-	-
Non-cash revenues	-	-	-	-	-	-
Recurring cash earnings	0.4	4.8	0.1	1.6	5.9	6.4
Cash Flow (EUR m)	12/07	12/08	12/09	12/10e	12/11e	12/12e
EBIT	5.5	8.7	9.0	7.2	9.2	9.0
Depreciation	-	-	-	-	-	-
Amortization	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-
Changes in provision	-	-	-	-0.3	0.0	0.0
Changes in working capital	-	-	-	-	-	-
Others	-	-	-	-	-	-
Operational Cash Flow	5.4	8.3	8.6	6.9	14.2	14.0
Tax expenses	-	-	-	-0.2	-0.5	-0.6
Dividends from associates	-	-	-	3.4	5.7	6.5
Net interest charges	-	-	-	-8.8	-8.5	-8.5
Others	-	-	-	-	-	-
CF from operating activities	14.5	7.8	-9.7	1.3	10.9	11.4
CAPEX	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Divestments	-	-	-	-	-	-
Others	-	-	-	-	-	-
CF from investing activities	13.9	-103.5	57.5	0.0	0.0	0.0
Dividend payment	-	-	-	-7.2	-10.3	-10.7
Minor. & pref. dividends	-	-	-	-	-	-
Equity financing	-	-	-	-	-	-
Others	-	-	-	-	-	-
CF from financing activities	-28.5	110.3	-61.6	-7.2	-10.3	-10.7
Changes in consolidation scope	52.6	-140.0	41.3	-60.4	-4.6	-1.6
Exchange rate impact	-	-	-	-	-	-
Net debt/cash change	52.5	-125.4	27.5	-66.2	-4.0	-0.9
Notes	-	-	-	-	-	-

Balance Sheet (EUR m)	12/07	12/08	12/09	12/10e	12/11e	12/12e
Property investments	167.9	251.9	233.4	264.2	268.0	271.8
Property not in operation	14.5	29.5	1.4	1.5	1.5	1.5
Other Investments	12.5	39.1	43.6	46.7	46.7	46.7
Financial assets	29.8	18.1	18.4	48.9	54.4	54.4
Total investments	224.7	338.6	296.8	361.3	370.6	374.4
Cash position	1.5	14.3	1.4	12.8	14.3	13.4
Tradable receivables	4.7	10.5	6.3	6.5	6.5	6.5
Other current assets	2.3	1.3	12.6	3.8	3.8	3.8
Total Assets	233.3	364.6	317.0	384.5	395.2	398.1
Total Equity	157.5	143.9	142.9	125.8	131.0	134.0
Equity	157.5	143.9	142.9	125.8	131.0	134.0
Minorities & preferred	-	-	-	-	-	-
Provisions & deferred taxes	8.9	6.5	9.5	9.3	9.3	9.3
LT bearing interest debt	21.9	155.9	129.8	216.9	222.4	222.4
ST bearing interest debt	27.0	31.2	16.9	7.5	7.5	7.5
Total debt	49.0	187.1	146.7	224.4	229.9	229.9
Tradable payables	18.0	27.2	17.9	25.0	25.0	25.0
Total Liabilities	233.3	364.6	317.0	384.5	395.2	398.1

EV and CE details (EUR m)	12/07	12/08	12/09	12/10e	12/11e	12/12e
Market cap.	205.4	170.2	171.6	161.8	164.1	164.1
+ Net financial debt	47.4	172.8	145.3	211.6	215.6	216.5
(of which LT debt)	21.9	155.9	129.8	216.9	222.4	222.4
(of which ST debt)	27.0	31.2	16.9	7.5	7.5	7.5
(of which Cash position)	-1.5	-14.3	-1.4	-12.8	-14.3	-13.4
+ Minorities (MV)	0.0	0.0	0.0	0.0	0.0	0.0
+ Others	-	-	-	-	-	-
Enterprise Value	252.9	343.0	316.9	373.4	379.7	380.6
Equity (group share)	157.5	143.9	142.9	125.8	131.0	134.0
+ Net financial debt	47.4	172.8	145.3	211.6	215.6	216.5
+ Minorities	-	-	-	-	-	-
+ Others	-	-	-	-	-	-
Capital employed (for ROCE)	204.9	316.7	288.2	337.4	346.7	350.5

Notes	-
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Per Common Share (EUR)	12/07	12/08	12/09	12/10e	12/11e	12/12e
Direct EPS	0.04	0.42	0.01	0.14	0.52	0.56
Y/Y	-85%	1019%	-98%	1459%	261%	8%
Indirect EPS	2.23	-0.05	0.96	-0.11	0.77	0.78
Total EPS	2.27	0.37	0.97	0.03	1.29	1.34
Recurring cash earnings	0.04	0.42	0.01	0.14	0.52	0.56
Dividend	1.26	1.00	1.00	0.70	1.00	1.03
Y/Y	-56%	-21%	0%	-30%	43%	3%
NAV	15.71	12.67	12.58	11.08	11.54	11.80
Y/Y	29%	-19%	-1%	-12%	4%	2%
Shares (m)						
At the end of F.Y.	10.025	11.357	11.357	11.357	11.357	11.357
Average number	10.025	11.357	11.357	11.357	11.357	11.357
Fully diluted Average number	-	-	-	-	-	-

Ratios	12/07	12/08	12/09	12/10e	12/11e	12/12e
Valuation analysis						
Direct P/E	nm	35.5	nm	98.8	27.8	25.8
Price/Recurring cash earnings	nm	35.5	nm	98.8	27.8	25.8
Premium on NAV	30.5%	18.3%	20.1%	28.6%	25.2%	22.5%
EV/Rental Income	17.8	19.2	16.5	21.8	20.3	20.0
EV/EBITDA	46.0	39.4	35.1	51.8	41.1	42.5
EV/CE	1.2	1.1	1.1	1.1	1.1	1.1
Rental yield (1)	6.7%	7.2%	6.7%	5.8%	6.0%	6.0%
Implied rental yield (1)	-	5.1%	4.9%	4.2%	4.2%	4.2%
Div. yield	6.1%	6.7%	6.6%	4.9%	6.9%	7.2%
Payout	3341.8%	237.0%	10816%	485.5%	192.1%	184.6%
Financial ratios						
Net Debt/Equity	30.1%	120.1%	101.7%	168.2%	164.5%	161.6%
Loan to value (2)	28.2%	68.6%	62.3%	80.1%	80.5%	79.7%
ROCE	13.6%	2.6%	6.9%	1.8%	5.2%	5.1%
ROCE post-tax	13.4%	2.4%	7.1%	1.7%	5.0%	4.9%
ROE	17.3%	2.8%	7.7%	0.3%	11.4%	11.5%
Margin analysis						
Property expend./Rental income	-23.0%	-15.1%	-16.0%	-16.0%	-14.8%	-15.4%
Overheads /Rental income	-53.9%	-44.3%	-41.4%	-39.6%	-38.2%	-39.9%
EBITDA / Rental income	38.6%	48.7%	47.0%	42.2%	49.4%	47.0%
Direct result / Rental income	2.7%	26.8%	0.5%	9.6%	31.6%	33.4%
Growth analysis						
Rental Income	-28.6%	25.8%	7.6%	-11.1%	9.4%	1.8%
EBITDA	-41.8%	58.6%	3.8%	-20.2%	28.0%	-3.1%
Direct result	-82.6%	1167.5%	-97.8%	1459.4%	261.1%	7.6%
Total result	-0.1%	-81.3%	159.1%	-96.5%	3709.1%	3.4%

(1) based on Net rental income - (2) based on Net financial debt

Notes -

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Investment rating system: The Petercam stock ratings are based on the estimated performance relative to the market. The market is represented by the EPRA Eurozone index, which is a broad European index representative for the European, Euro region, listed real estate equity market. The total return required for a given rating depends on the risk profile relative to this universe. This risk profile is represented by the Beta, as estimated by the analyst. Low risk stocks have an estimated Beta below or equal to 0.9, Medium risk stocks have a Beta between 0.9 and 1.3 and High risk stocks have a Beta equal to or above 1.3. The required relative performance for a given rating is indicated below. The price targets given and the expected relative performance are always based on a 12 month time horizon.

	SELL	REDUCE	HOLD	ADD	BUY
High Beta > 1.3	RP < -15%	-15% ≤ RP < -6%	-6% ≤ RP < +6%	+6% ≤ RP < +15%	RP ≥ 15%
Medium 0.9 < Beta ≤ 1.3	RP < -10%	-10% ≤ RP < -4%	-4% ≤ RP < +4%	+4% ≤ RP < +10%	RP ≥ 10%
Low Beta ≤ 0.9	RP < -6%	-6% ≤ RP < -2%	-2% ≤ RP < +2%	+2% ≤ RP < +6%	RP ≥ 6%

RP : Relative Performance against EPRA Eurozone.

Rating distribution and remuneration policy:

<http://www.petercam.com/indexen.cfm?act=petercam.ssresearch>

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