

## Banimmo

Rating: Buy (=)

PT: €23.0 (=)

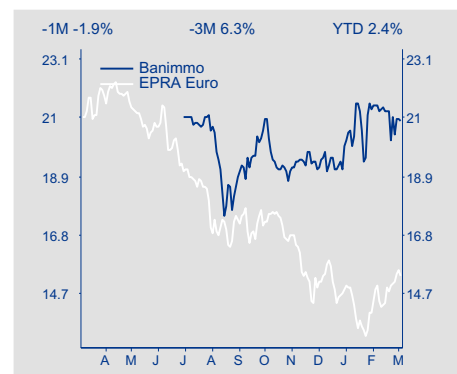
Last: €21.0

### Key estimates

€	2006A	2007A	2008E	2009E
DPS	1.39	1.15	1.29	1.45
CFPS	2.59	1.72	1.99	2.24
Net Profit (m)	22.4	19.6	22.5	25.4
EPS	2.59	1.72	1.99	2.24
NAV	12.2	13.9	15.0	16.3

### Valuation & other

	2006A	2007A	2008E	2009E
P/E	8.1	12.2	10.5	9.4
P/NAV	1.72	1.51	1.40	1.29
CF yield (%)	12.3	8.2	9.5	10.7
Div. yield (%)	6.6	5.5	6.1	6.9
EV/EBITDA	7.9	9.0	10.9	10.7



## Some further thoughts/feedback analyst meeting

- How to find a steady stream of assets to receive the 'Banimmo makeover'.** Mgmt acknowledges the market is still competitive but it indicates it sees less competition for the more 'complicated assets' it is targeting. In our view this is also very much related to intellectual capital and whereas its track record on the stock market might be limited, we would be inclined to give the team some credit while also taking into account the attractiveness of the latest transactions. For the sceptics we could also refer to the case of Atenor which has - throughout the interest rate cycle - always been able to post exceptional returns.
- Portfolio movements.** i. mgmt argues it is aiming to invest at least twice the amount of assets divested per annum to grow the portfolio to €500m within 5y. For 2008 it targets €80m of (gross) investment volume (excl. Unilever ~ €25m, North Plaza ~ 30m) whereas it has identified two assets to dispose. The sales process of the Atlantic House is still ongoing (Dexia est'd gain ~ €10m) while our analysis would suggest that Athena Business Centre (~ €5m), Kruger Centre (~ €8m) & Gérardchamps (~ €2m) are potential disposal candidates as well. ii. it will probably not sell the Mobistar building before 2009 (~ €15-20m) when it will be delivered as to be able to rotate its capital base in a way that it can guarantee some recurrence in trading gains, iii. we do not believe the Unilever building fits with the strategy but we can follow mgmt's comment that it needs to actively restore recurring income flows after the significant disposals in 2007 and the entry yield of 8% looks attractive to do so; iv. the company aims to identify a site for the development of a third Dolce conference centre; v. it seems the JV with Pramerica will only start to invest as from H2'08, which is somewhat disappointing.
- The key ingredient: a solid capital base.** Whereas participants in the direct market have seen credit spreads move out by 50-100bps to 150bps, Banimmo is able to rely on the credit lines that were contracted last year (at the old spreads) of which €165m are still undrawn. In fact the current debt fully consists of CP that does not appear to be affected by the crisis with spreads even slightly down to 28-29bps. If we add the reservation fee on the backup lines the marginal cost of funding is around 5.0%. The LTV is only 38% with a covenant at 70%.
- The NAV dilemma.** For many investors the premium to the NAV is a serious entry barrier but at €13.9 per share it is heavily understated and we point out the following thoughts: i. the experts are appointed by the banks which are pushing for a low valuation given the restrictive covenant of 70% LTV in the loan syndication; ii. the management incentive fee is based on realized results and therefore excludes property revaluations; iii. the €168m investment portfolio is valued at 7.9% and 9.1% when fully let (~ 87% occupancy). We calculate the market value of these assets at €260m which would give a surplus after correcting for capex to come of €85m or €7.5 per share. This would even exclude two ongoing development projects (Clamart, Mobistar building), the potential on the land reserves and the pending acquisitions (North Plaza, Unilever) whereas the conference centres are being held at their historical cost minus depreciation. We remain buyers.

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We use four stock recommendations which reflect the share's expected absolute performance as follows:

- **Buy:** we expect this stock to generate a return of >15% over the next twelve months;
- **Add:** we expect this stock to generate a return of 5-15% over the next twelve months;
- **Neutral:** we expect this stock to generate a return of 0-5% over the next twelve months;
- **Reduce:** we expect this stock to generate a negative return over the next twelve months

## DISTRIBUTION OF RATINGS/INVESTMENT BANKING RELATIONSHIPS (AS OF 31/12/2007)

Rating Category	Rating distribution		Investment banking relationship	
	Count	Percent	Count	Percent
Buy	25	34.7%	4	16.0%
Add	17	23.6%	2	11.8%
Neutral	21	29.2%	5	23.8%
Reduce	9	12.5%	0	0.0%

Rating distribution Total: 72

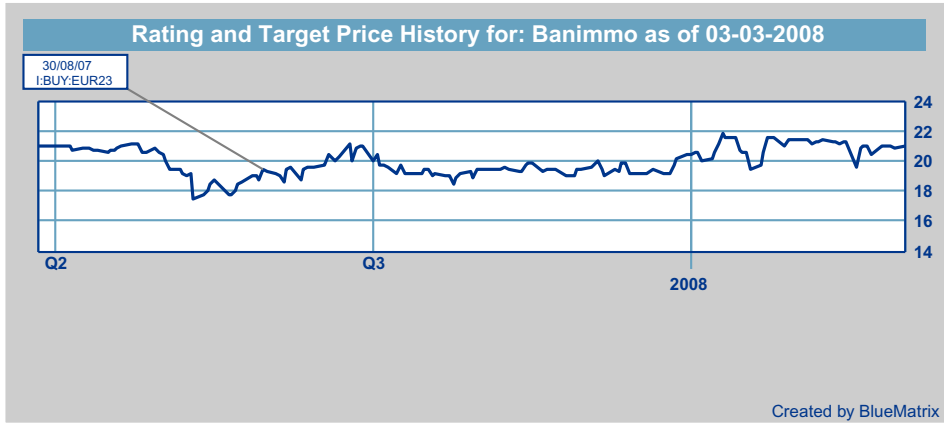
Investment banking relationship Total: 11

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12-MONTH PRICE TARGET CHART



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