

## Repositioning assets to a higher level

We initiate coverage on Banimmo with a Neutral rating and a PT of €21. Banimmo is active in the repositioning of secondary quality assets, investing in conference centres and has JV investments (e.g. with Pramerica). In June 2007 the company raised €57m in new equity to increase the value of the target portfolio to €500m from about €300m. Currently, Affine and the management hold 50% and 27% respectively. We believe that the management is amongst the most active in Europe.

Fiscal Year	2006	2007E	2008E	2009E
Net rental income (€m)	8.6	10.2	11.1	12.0
EBITDA (€m)	34.1	34.7	39.5	44.9
Net Profit (€m)	22.8	23.0	25.8	28.2
Recurring CF p/s (€)	2.63	2.29	2.27	2.48
Indirect result p/s (€)	0.00	0.00	0.00	0.00
EPS (€)	2.63	2.29	2.27	2.48
Dividend (€)	2.86	1.15	1.20	1.25
NNAV (€)	16.12	18.10	19.18	20.41
P/NNAV-1		13.2%	10.4%	3.8%
EBITDA/EV		14.9%	16.4%	18.7%
Recurring CF Yield		11.2%	10.7%	11.7%
Earnings Yield		11.2%	10.7%	11.7%
Dividend Yield		5.6%	5.7%	5.9%

Source: Company Data, Kempen & Co Estimates

**Repositioning activities** The main part of the co's activities is the repositioning of obsolete assets into quality properties and selling them off at a profit (E: 37% of FY08E revenues). The value creation process includes the improvement of the technical and commercial value (re-letting). Overall the process spans five to seven years. During this period rental income from the buildings (E: 40% of FY08E revenues) would cover finance and operating costs. Management has announced its intention to carry on with this strategy in the future. Going forward the trading margin is expected to be under pressure as Banimmo's focus is on secondary locations where we expect the first yield expansion to come through.

**Joint Ventures** Banimmo has initiated JV's (FY08E: 17% of revenues) to spread risks whilst still taking advantage of market opportunities in the conference centre market and more expensive (>€20m) retail properties (JV with Pramerica). We expect Banimmo to rapidly increase the conference centre fund to four centres under management (€200m) from the two centres (€100m) at present. The Pramerica retail fund is expected to increase to €200m AuM (currently: €0m); the first transaction has just been proposed by Banimmo (€20m-€25m) to JV partner Pramerica.

**Management** Banimmo is internally managed by a team with significant experience in the real estate and finance sector. Management's commitment to success is guaranteed by a significant management stake in the company (27%). In addition, management benefits from an incentive structure of preferred dividend payments on its shares, qualified as 'B shares'.

**Fair value limited and risks** We believe an important risk factor for Banimmo is a decrease in further trading margins as investment markets cool down and letting risk increased limiting the speed at which the company can roll out its (re)developments. Lastly, the vehicle might be sensitive to interest-rate fluctuations as a result of a high target LTV of 70% (1H07: 45%) and a low liquidity risk. Our +12M EFV indicates €21, indicating a return of 4.6%.

Rating

**NEUTRAL**

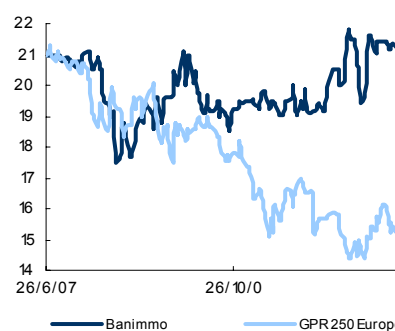
Price target (12m) €21.0

Closing price (13 February 2008) €21.2

Expected total return 4.6%

Date 14 February 2008

BANI BB vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-1.5%	10.0%	0.9%
Rel. to GPR 250 Europe	-10.6%	14.6%	56.3%

Source: Factset

### Company data

52-Week range	€17.50 - 21.80
Market cap	€243.57m
Number of shares	11.5m
Average daily volume	1,323
Free float	23%

### Company data

Bloomberg / Reuters	BANI BB / BANI.BR
Next announcement	22 February 2008
	FY 2007 Results

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# Banimmo

Property ■ Belgium

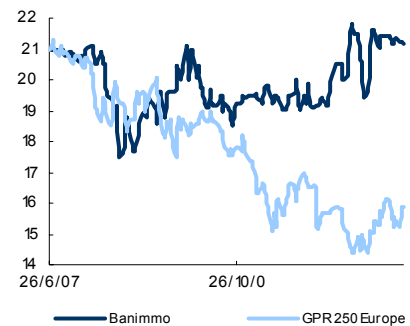
Income Statement (Year to 31 Dec)	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	15.2	16.7	17.9	18.8	20.1	20.7
Operating costs	-7.2	-8.1	-7.7	-7.7	-8.0	-8.3
Net rental income	8.0	8.6	10.2	11.1	12.0	12.4
Sales (developments)	0.0	0.0	1.4	44.2	45.1	13.6
Costs of sales (developments)	0.0	0.0	-1.3	-41.5	-42.6	-13.4
Sales result (developments)	0.0	0.0	0.1	2.7	2.5	0.3
Overhead costs	0.0	0.0	0.0	0.0	0.0	0.0
Other income	4.8	25.5	24.5	25.6	30.4	35.7
Other costs	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	12.8	34.1	34.7	39.5	44.9	48.4
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	12.8	34.1	34.7	39.5	44.9	48.4
Net financial	-5.5	-5.5	-5.6	-7.2	-9.7	-11.0
EBT	7.3	28.6	29.1	32.3	35.2	37.4
Taxes	-2.1	-2.2	-2.9	-3.0	-3.3	-3.7
Extraordinary items	-0.5	-3.6	-3.3	-3.5	-3.8	-4.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	4.7	22.8	23.0	25.8	28.2	29.7
Sales result	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	0.0	0.0	0.0	0.0	0.0	0.0
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	4.7	22.8	23.0	25.8	28.2	29.7
Per share data	2005	2006	2007E	2008E	2009E	2010E
Number of shares	8.7	8.7	11.4	11.4	11.4	11.4
Average number of shares	8.7	8.7	10.0	11.4	11.4	11.4
Direct investment result per share	0.55	2.63	2.29	2.27	2.48	2.61
Indirect investment result per share	0.00	0.00	0.00	0.00	0.00	0.00
EPS (IFRS)	0.55	2.63	2.29	2.27	2.48	2.61
CFPS (recurring)	0.55	2.63	2.29	2.27	2.48	2.61
Dividend per share	1.39	2.86	1.15	1.20	1.25	1.30
Payout ratio %	253%	109%	50%	53%	50%	50%
NNAV per share	10.51	16.12	18.10	19.18	20.41	21.73
NAV per share	12.02	16.70	18.54	19.62	20.85	22.17
Balance sheet	2005	2006	2007E	2008E	2009E	2010E
Investment property	223.6	228.3	249.2	371.7	446.7	504.2
Developments	4.8	9.7	9.7	9.7	9.7	9.7
Financial fixed assets	15.7	16.6	26.6	56.7	70.5	89.6
Other fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed assets	244.1	254.5	285.4	438.0	526.9	603.4
Receivables	13.1	22.0	13.1	26.6	28.7	21.0
Cash and banks	1.2	1.5	72.1	3.4	10.4	11.5
Other current assets	0.8	1.4	1.4	1.4	1.4	1.4
Total current assets	15.0	24.9	86.6	31.3	40.5	33.8
Total assets	259.1	279.4	372.0	469.3	567.3	637.3
Shareholders' equity	90.9	139.5	205.6	217.8	231.8	246.7
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	90.9	139.5	205.6	217.8	231.8	246.7
Provisions	7.6	10.4	10.4	10.4	10.4	10.4
Long interest bearing debt	149.3	85.0	111.5	196.7	280.6	335.7
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	156.9	95.4	121.9	207.1	291.0	346.0
Short term debt	2.1	16.4	16.4	16.4	16.4	16.4
Other current liabilities	9.1	28.1	28.1	28.1	28.1	28.1
Total current liabilities	11.2	44.5	44.5	44.5	44.5	44.5
Total equity and liabilities	259.1	279.4	372.0	469.3	567.3	637.3
Financing Ratio's	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	35.1%	49.9%	55.3%	46.4%	40.9%	38.7%
Net gearing %	165.2%	71.7%	27.1%	96.3%	123.6%	138.0%
Interest cover	2.3	6.2	6.2	5.5	4.6	4.4
Valuation	2005	2006	2007E	2008E	2009E	2010E
Enterprise value			288.5	450.3	527.1	581.1
Market Cap			223.2	240.5	240.5	240.5
P/NNAV-1			13.2%	10.4%	3.8%	-2.5%
EBITDA/EV			14.9%	16.4%	18.7%	20.1%
Recurring Cash Flow Yield			11.2%	10.7%	11.7%	12.3%
Earnings Yield			11.2%	10.7%	11.7%	12.3%
Dividend Yield %			5.9%	5.7%	5.9%	6.1%

Model updated: 14 February 2008

Rating

**NEUTRAL**Price target (12m) **€21.0**Closing price (13 February 2008) **€21.2**Expected total return **4.6%**Date **14 February 2008****Company description**

Banimmo is active in the repositioning of undervalued assets, providing an expected above average IRR of 15% (Co's target).

Website: [www.banimmo.be](http://www.banimmo.be)**BANI BB vs GPR 250 Europe**

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-1.5%	10.0%	0.9%
Rel. to GPR 250 Europe	-10.6%	14.6%	56.3%

Source: Factset

**Company data**

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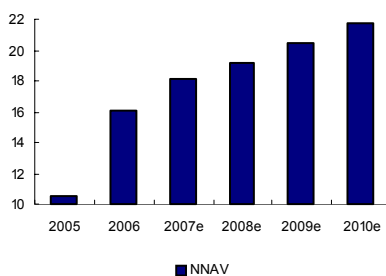
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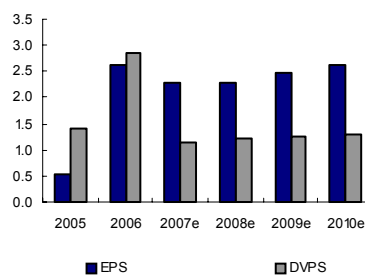
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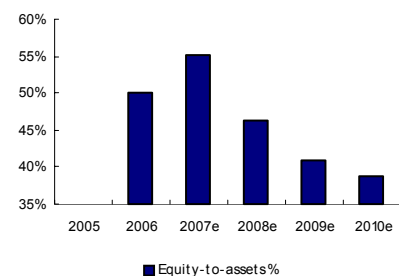
NNAV



EPS &amp; Dividends



Equity-to-assets



Source: Company Data, Kempen &amp; Co



## Contents

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<b>Investment case</b>	<b>4</b>
<b>Conflicts of interests with Affine</b>	<b>5</b>
<b>Banimmo: Hybrid Real Estate Company</b>	<b>6</b>
<b>Banimmo's growth in figures</b>	<b>12</b>
<b>Corporate Governance</b>	<b>15</b>
<b>Conclusions management impact</b>	<b>16</b>
<b>Financing: room for growth</b>	<b>17</b>
<b>Banimmo's peers</b>	<b>18</b>
<b>Valuation</b>	<b>22</b>
<b>Impact on the most crucial assumptions</b>	<b>24</b>



## Investment case

### **Standing portfolio well diversified, but with a focus on obsolete properties**

Banimmo has built up a portfolio mainly located in Belgium (75%) and the remainder in France (25%). About 54% is allocated to office premises while the other allocations are conference centres and retail properties. Currently, within Banimmo's portfolio no single asset represents a value of more than 15% of the total portfolio. The value of the portfolio in June 2007 amounted to €281m (including the financial investments and after the adjustments to market value).

### **Unique business plan: No real pan-European peers**

Banimmo is neither a pure property investor nor a pure developer but acquires assets with recurring income to reposition them in the market after improvement. The management is able to recycle capital effectively by acquiring under managed, poor quality and/or (partly) vacant properties, repositioning them into a higher segment of the market and following a repositioning period of five to seven years sell them off as mature properties. Banimmo indicates it is targeting an IRR of 15% through the repositioning strategy despite market conditions. We have included a more average IRR of 14% in our estimates. The value added business plan covers three aspects: i.) Technical upgrading of the building, ii.) Commercial repositioning (re-letting), and iii.) Financial and/or fiscal repackaging.

### **Future growth: increase both property holdings in France and Joint Ventures**

Management has communicated its intention to increase its property holdings in France, especially in the Ile-de-France area. The current French portfolio has a total value of €50m-€60m. Management would follow the same repositioning strategy. In addition, management wants to set up a portfolio of four to six conference centres across Europe. Banimmo has set up a JV with two financial partners holding two conference centers: one in Belgium and one in France. We expect Banimmo to acquire two additional conference centers over the period FY08-10. Lastly, Banimmo intends to initiate a JV with Pramerica focusing on retail assets. Banimmo will continue to be active in the Belgian market. Banimmo targets an annual acquisition/investment amount of approximately €70m.

### **Low liquidity**

Banimmo's market cap is currently €245m however with a low free float of 23% and an average daily turnover of €0.12m since the IPO. At the moment the market condition (P/NAV) limits the possibilities of an increase in capital to increase liquidity.

### **Management strongly committed to Banimmo**

Management holds a 27.4% stake in Banimmo and does not intend to sell its stake in the short/medium term. In addition to the equity stake, management's remuneration is linked to the IRR of the company. The performance bonus is paid through a special dividend on management's shares. For this the shares of management have been given a special status (class B) to entitle them to a preferred dividend. The preferred dividend increases if the IRR of the company exceeds certain hurdles. Nevertheless, the total amount of preferred dividend is capped at €4m. Currently, 12% of the outstanding shares are preferred shares held by the co's management.

The additional preferred dividend works as a further incentive structure. As such, we believe the main strength of the company is in its highly committed management team with significant experience dedicated to realizing growth in the portfolio.

**Sufficient financial room to finance growth**

Management indicated it aimed to grow the target portfolio from approximately €300m to €500m and target acquisitions of €70m per annum. Management would finance growth from the proceeds from the equity issue (IPO in June 2007) and additional debt. In addition, management can significantly boost up the assets under management due to their intention to also grow through new joint venture projects providing operating leverage. Taking the equity issue and an LTV of 60% (while the agreed syndicated credit limit is a 70% LTV) into consideration, the company has additional firepower of about €300m.

**High dividend payout**

Management indicated that the dividend payout policy implies that a substantial part of the value created will be distributed to shareholders. Banimmo thereby provides for a future dividend yield which should be in line with its Belgian peers. The target payout ratio is expected to be approximately 50% to 60% over both recurring revenues and realized capital gains. The 07E dividend (€1.15 p/s) reflects a 07E dividend yield of 5.4%.

**Conflicts of interests with Affine**

We do not foresee any conflicts of interest between Banimmo and 50% shareholder Affine because every acquisition/disposal and/or important decision must be approved by a board of ten directors. The number of directors from Affine is three and therefore Affine will never hold a majority beforehand. Banimmo's management is represented by three directors. The other four are independent members.

**Banimmo cannot apply for SICAFI status, but applied for SIIC status**

Due to Banimmo's activities (redevelopment, joint ventures, major cross-border investments) it is not able to apply for a REIT-like SICAFI status in Belgium and therefore the company is obliged to pay tax (tax-rate in Belgium: 33.99%). Nevertheless, Banimmo only has an expected effective tax-rate of 10%, as the company does not pay taxes on capital gains on the properties sold, since this is done through a Special Purpose Vehicle (capital gains on the disposed shares are tax exempted), the fictive deductible cost on equity (in the Belgium tax law a company can subtract a fictive cost of equity rate from its EBT), and appreciations. As of 31 December the company has a (dual) listing on the stock exchange of Paris to be able to apply for a French REIT (SIIC) status for their French assets.

**Summary: Stuck in the middle**

Overall we are positive on the: i.) strong alignment between shareholders and management, ii.) the out-of-the-box thinking with regard to sourcing new alternative real-estate income streams, iii.) an active and value added management style, and iv.) effective tax engineering.

Whilst we are negative on: i.) Banimmo's limited liquidity, ii.) volatility of the result as a large chunk of the income comes from trading gains, iii.) Cost of B-shares (fee mechanism), iv.) for the conference centres there is no risk transfer to the operator and v.) secondary quality assets.

Overall we believe the company follows a strategy which is more difficult to pursue in a declining market. We initiate with a Neutral rating.



# Banimmo: Hybrid Real Estate Company

## Description of Banimmo

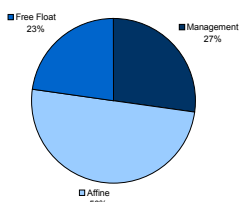
Banimmo is active in a combination of property investment and property trading. The main objective of the company is to generate sufficient rental revenue to cover the operating and financing costs of the company while repositioning the undervalued properties. Excess income is realised upon the sale of these repositioned properties. In addition, Banimmo has also initiated several joint ventures, through these JV-vehicles Banimmo invests in larger properties (above €20m) and conference centres to spread its risk and receive fee income. Banimmo was de-merged from AnHyp (a mortgage bank) in 1999. The portfolio amounts to €281m.

## Banimmo's history

During the period 1995-1999 Banimmo was a workout unit for Anhyp, a mortgage bank which is currently owned by AXA. In the period 1999/2000 the company was spun off from Anhyp. Anhyp was active in distressed debt assets, which led to strong competence in repositioning obsolete property assets. Thereafter, (2000-2006) Banimmo benefited from a progressive value added focus by exploiting their expertise in the real-estate business. Management effectively took advantage of inefficiencies in the market by acquiring undervalued/obsolete assets improving quality, and later selling them off. So far, this strategy has proved very successful.

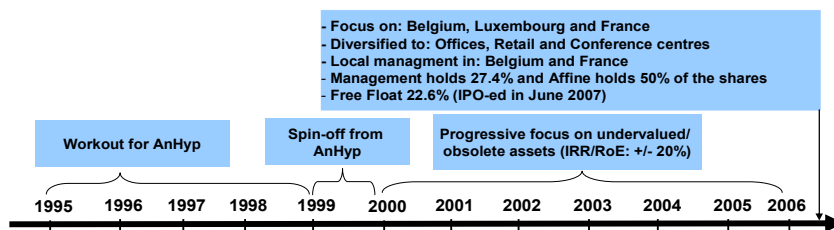
Management increased its stake from 4% to 12% during the period 2000-2006, which reflects the commitment to the company seen since 2000. From 2004 to the present day, Banimmo has been active in three countries: Belgium, Luxembourg, and France. The portfolio has three asset classes: Office, Retail and Conference centres. Banimmo has a local presence in Belgium and in France. Currently, the management has a 27% stake in the company while Affine owns the remaining 50%. Management thereby increased its stake from 12% to 35% between February 2006 and 2007, which diluted to 27% after the equity issue in June 2007.

Figure 1. Shareholder structure



Source: Banimmo

Figure 2. Banimmo's timeline



Source: Banimmo

Affine is a real-estate company listed on Euronext Paris with a market capitalisation of around €260m. Affine benefits from its SIIC status, equivalent to a REIT status. The company announced its intention to be a long-term majority stakeholder in Banimmo.

## A SIIC, but not a SICAFI

In December 2007 Banimmo was listed on the stock exchange in Paris. Banimmo can thereby apply for REIT (SIIC) status for its French assets, with the exception of the future French assets in the Pramerica JV. The main benefit of this tax status is that Banimmo is tax exempted for its recurring cash flow and the capital gains, if Banimmo distributes at least 85% and 50% of its recurring cash flow and capital gains respectively.



**Table 1. Base characteristics SIIC**

<b>Eligible companies</b>	Listed on the French stock exchange Minimum share capital of €15m One shareholder cannot have more than 60% of the shares
<b>Distribution Obligations</b>	85% over the rental income 50% Capital gain income 100% income from qualifying subsidiaries
<b>LTV</b>	No restrictions
<b>Exit tax</b>	16.5% on existing latent capital gains on assets

*Source: Baker & Mc Kenzie*

To apply for SIIC status a property company cannot have one shareholder with more than 60% of the shares. If a shareholder owns more than 10% (directly or indirectly) of the share capital of the SIIC and the said shareholder is exempt from tax on the dividend received, the SIIC is liable for a 20% corporate tax prorata equaling to the percentage of ownership held by the shareholder concerned at the time of the dividend distribution. Banimmo's largest shareholder is Affine (50%) which has a SIIC status the future dividends are therefore exempt from tax. Therefore, we assume the effective tax-rate on Banimmo's French activities to be nil.

Banimmo cannot apply for SICAFI status (Belgian REIT) because of Banimmo's character of being somewhere in between a (re)developer and a property investor, while the SICAFI does not allow developments. Nevertheless, the effective tax rate for Banimmo is expected to be only 10% as the gain on shares is exempted from tax and thereby the sales gain on the traded properties is tax-free because all transactions are structured in an SPV. In addition, Banimmo can apply a fictive deductible cost on its equity and has deductible depreciation costs.

#### **Banimmo track-record**

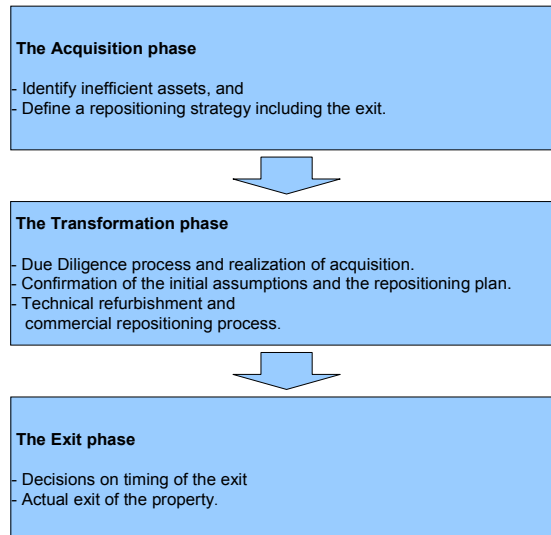
Banimmo's average IRR over the period 2000-2006 was about 20%. A substantial part of the revenues is from trading. In 2005, Banimmo was less active in its core business (trading) because the company assisted the previous shareholder (Macquarie) in disposing their Banimmo shares. This had a direct impact on the company's IRR, as management was less involved with operations in that period. In the future, management expects to achieve an IRR of at least 15%.

#### **Banimmo's: Value added strategy**

Banimmo's growth in the standing portfolio comes from repositioning the undervalued properties in the portfolio by upgrading their technical quality, increasing the commercial value through re-lettings and increasing value by smart financing and/or applying opportunities in current tax legislation. Banimmo's value creation process can be broken down into three phases: i.) the acquisition phase, ii.) the transformation phase, and iii.) the exit phase.



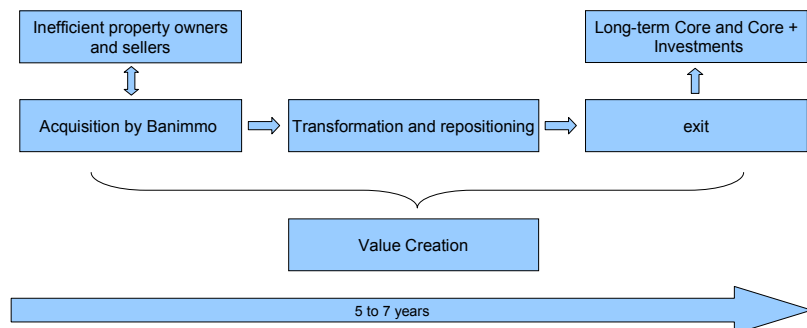
**Figure 3. Value-added process**



Source: Banimmo

The rule of thumb is one asset may not exceed 15% of the portfolio's value. Nevertheless, if the investment exceeds this threshold or is a conference centre, Banimmo invests in the asset through a joint venture. As such, Banimmo wants to minimize its risk through diversification. The joint ventures enable Banimmo to combine risk mitigation with the acquisition of larger assets. In some cases Banimmo expects substantial value creation with limited risk due to pre-leasing (i.e. the Mobistar development), than the asset can be larger than 15%.

**Figure 4. Banimmo's Value Added Strategy**

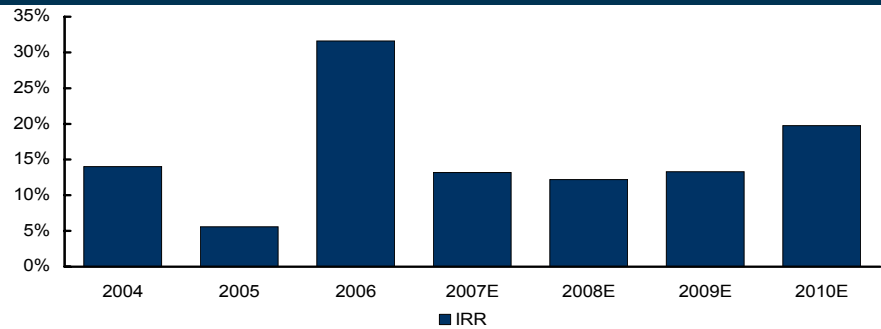


Source: Banimmo

We consider Banimmo, with its repositioning strategy, as a niche player providing shareholders an above average IRR (over the period 2000–2006 c.20%), while limiting the market risk exposure through diversification of the type of assets and geographical spread. The company perfectly utilizes the inefficient supply and demand side (in terms of quality of the assets) of the Belgian, Luxembourg and French property markets. The total value adding process takes between five and seven years.



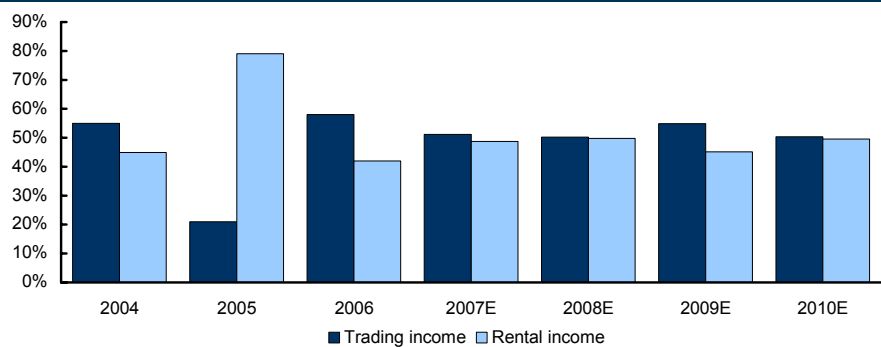
**Figure 5. Internal Rate of Return (historically and our forecast)**



Source: Banimmo

Going forward, Banimmo expects to receive approximately 40% of its total revenue from capital gains on asset sales (trading income), this is in line with the company's track record. Trading income came to an average of 45% over the period FY04-06. In addition, management expects a redevelopment gain on completion of 20-25% over its traded assets, which seems low taking the historical averages into account as the trading margins were 58%, 51% and 24% for FY04, FY05 and FY06 respectively. Nevertheless, we expect the trading margin to come out at 20%, as we foresee more yield expansion for the type of properties in which Banimmo is active. Going forward, we expect annual sales gain of €18m-€23m over the period FY08-FY10.

**Figure 6. Historical Track record on trading and our forecast**

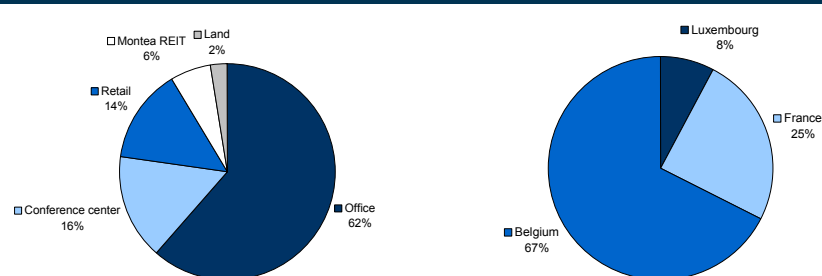


Source: Banimmo

**Banimmo's allocation to commercial properties**

Banimmo has a mixed property portfolio, which mainly consists of medium-sized properties with the emphasis on office properties (1H07: 53%). To a lesser degree, Banimmo owns conference centers (1H07: 26%) and retail properties (1H07: 15%). Currently approximately 75% its holdings are allocated to Belgium and 25% to France. Management announced that it mainly intended to grow in France and was aiming at expansion in its conference centre activity and the JV with Pramerica.

**Figure 7. Breakdown of portfolio in market value 1H07**



Source: Kempen & Co estimates  
Currently the Luxembourg asset of Banimmo is sold



### Banimmo's joint ventures

Banimmo has set up joint ventures to spread its risks and yet still take advantage of opportunities in the conference centre sector. Through joint ventures the company is also able to acquire larger retail properties in Belgium, Luxembourg and particularly in France. The stake in the conference centre JV was reduced through syndication in 1Q07. In 1Q07, management sold 51% of the holding vehicle to two financial investors. Management expects a part of Banimmo's future growth will come from the JV's, which are expected to grow rapidly. We expect the strongest growth to come from the following two JV's:

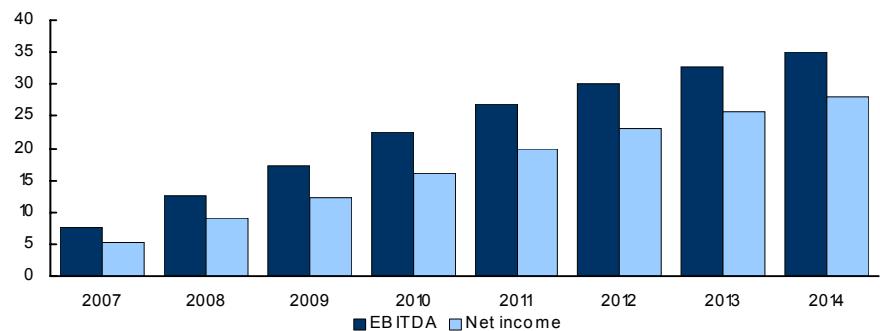
#### 1. Dolce-fund

Banimmo has initiated a sale-and-manage back transaction with Dolce, a globally active hospitality company specialized in conference facilities. Given the manage back structure, the vacancy risks (operating risks) are still borne by Banimmo. Banimmo holds a 49% stake in the fund which holds two conference centres (La Hulpe and Chantilly). In addition to the return on equity stake, Banimmo also receives fund fees. These centres are operated by Dolce who receives a service fee from the fund based on the centres' returns.

#### Fees from Dolce activities

The base fee received by Banimmo is €0.4m; additionally Banimmo receives 51% of the incentive fees. The incentive fee is divided into three tranches. The first tranche is €2.0m (to be paid in FY08) and will be paid as Banimmo has leased the office building 14 on the La Hulpe location thus if the redevelopment is completed and leased on time within the budget. Management is confident they will achieve the first tranche. The second tranche is €1.0m and will be received if the FY09 EBITDA for La Hulpe and Chantilly amounts to €9.5m. The last tranche is €3.0m and is paid if the fund has realized an annual IRR of 12% pre-leverage over the time of the fund (to be determined in FY12).

Figure 8. Expected income from Dolce



Source: Kempen & Co estimates

#### 2. Pramerica-fund

Together with Pramerica, Banimmo has invested in a new fund which will acquire retail properties with a value above €20m in France. The targeted fund size is €200m and Banimmo holds a 30%-stake in the fund. In addition to the return on equity stake, Banimmo also receives management fees (undisclosed). The fund has no assets yet in the fund, however Banimmo is currently in talks for at least one substantial project.

### Important transaction after the IPO

After the IPO, Banimmo announced several acquisitions and disposals, which we believe clearly added value. The majority of the projects have been started without taking leasing risk.

- **Mobistar:** in January 2008 Banimmo announced that they would develop the headquarters for Mobistar to whom they will be fully leased for 15 years. The office building will have a total GLA of 29,500 and the total investment amounts to €60m while the annual rental income will be €4.4m. This reflects an initial gross yield of 7.3% (net yield c7.0%). We expect a relevant market yield of approximately 6.0%, indicating a potential capital gain of €10m.
- **Sale-and-lease back Unilever site:** Banimmo (together with Montea) has acquired logistic and office premises for the total amount of €42.5m. The site consists of 22,900 sqm of industrial/logistic space and 13,600 sqm of office space. Banimmo will purchase the office building and the remainder will be bought by Montea. Banimmo has acquired the property at a triple net yield of 6.9%. Montea has to raise new equity to finance their part of the deal; Banimmo have committed themselves to acquiring up to €8m (capped) in Montea shares if the equity placement does not succeed. In addition, Banimmo will develop another 10,000 sqm of logistic space which after completion will be sold to Montea, at an expected development profit which we think will lie between 15 and 20%.
- **The Loop:** Banimmo announced its intention to enter a public-private transaction with the city of Ghent. The development consists of 376,500 sqm of office, retail, residential and leisure space and is located near the ring-road and the Flanders Expo complex in Ghent. Banimmo will contribute approximately 33.4% of the 45 hectare land bank and the remainder will come from the city of Ghent. In addition to that, Banimmo has already disposed of 30,500 sqm of retail space to Ikea which is located on this development complex.
- **North Plaza:** At present Banimmo is in the process to acquire North Plaza, a listed office building which has been securitized in 1997. In the meanwhile, GE Real Estate is bidding €30.5m (implying €201 per certificate) for the property and thereafter the listed vehicle will be liquidated. On 26 October 2007 Banimmo announced its €25.8m (or €169 per certificate) offer on North plaza office building (GLA 13,630 sqm); thereafter Banimmo increased its offer to €29.3m (or €192 per certificate). Whilst the independent appraiser has valued the office building at €37.8m (November 2007). Banimmo already announced its intention to renovate the building for a total amount of €7.4m (or €450 p/sqm). The expected rent per sqm is €170 per sqm (which is conservative as rents can be as high as €200 p/sqm) implying a rental value of €2.5m (including parking spaces). The theoretical gross yield will be 6.8% and the initial net yield amounts to 6.0% (th. net yield 6.3%). The market yield on an equal quality property is 5.5% (th. net yield). On 28 January 2008 48,800 certificates (out of 152,490 certificates) accepted the bid of €192 per certificate. Future steps are not yet decided upon, but if Banimmo makes a decision to cancel further bids; than they will make a profit of €9 per certificate if GE Real Estate acquires North Plaza.
- **Luxembourg (Orco):** in December 2007 Banimmo announced the disposal of its Luxembourg property for a total amount of €31.5m. Unfortunately the management could not comment on the capital gains received on the transaction.
- **Brouckere Tower:** in June 2007 Banimmo announced the disposal of its 40% stake in the Brouckère Tower to Morgan Stanley Eurozone Office Fund (MSEOF) with a sales result of €9.5m.



## Banimmo's growth in figures

Banimmo's growth is mainly due to the improvement of obsolete assets due to an increase in the technical and commercial value of the property and subsequent repositioning in the property market.

### Our growth assumptions

#### Acquisitions of €70m per annum

We expect Banimmo to acquire €70m in obsolete undervalued assets and to dispose of an equal amount in refurbished properties in FY08. Thereafter we expect €70m in net acquisitions per annum. We assume that the properties are 50% occupied at the time of acquisition and have an initial theoretical net yield of 8.5%. Banimmo's target is to increase the value of its assets in the portfolio from approximately €300m to €500m whilst increasing the LTV between 60% and 70% (1H07: 45%). Banimmo is going to focus on the existing markets with a strong focus on increasing the French portfolio, especially in the Ile-de-France region.

#### Trading gains expected at 20%

Banimmo's higher than average IRR is fuelled by its trading activities. We expect, underlined by the management, that approximately 50% (or between €18m-€23m per annum) of the total income would come from capital gains on disposed assets. Banimmo indicated that the average capital gain on sales would amount to 20-25%. We assume a trading margin of 20%. We expect valuations on the standing portfolio to be flat (our previous assumption during the IPO was a revaluation of +1% per annum).

#### Developments to represent 15%-20% of the portfolio

Banimmo announced that it did not engage in (or hardly engage in) speculative developments. Nevertheless Banimmo announced a build-to-suit development for a total amount of about €60m. Additionally, we expect future developments to already be partly disposed before completion (i.e. Mobistar HQ). We expect Banimmo to annually start developments representing 15-20% of the portfolio value for FY08-FY09. We assume that the construction phase will last for 24 months and have a gross margin of 15% (net margin 7%).

#### Joint Ventures source growth

Banimmo announced its intention to grow the two most significant joint ventures (Dolcefund and Pramerica-fund) in which it is currently active. Currently the Dolcefund owns two conference centers; Banimmo stated its intention to increase the number of conference centre assets to between four and six. We expect Banimmo to start two developments in the next two years (one in France one in Italy). The Pramerica-fund is expected to grow to €200m in AuM, we assume the company will reach this level in FY10. Currently Banimmo has proposed its first development for a total amount of between €20m and €25m.

## Banimmo's forecast CFPS and NNAV

#### Banimmo's cash flow growth based upon management growth plan

Taking all our assumptions into consideration we arrive at FY07E-FY10E CF growth of on average 7% per annum in which trading gains play an important role. Based upon our assumptions the (future) investment portfolio is expected to generate sufficient recurring rental income to cover all expenses. In our forecast we expect a ratio of trading income versus rental income of 51%, 48%, 50% and 52% in FY07E, FY08E, FY09E and FY10E respectively. This is roughly in line with the communicated plan of the management.



In addition, the income from joint ventures will increase rapidly in the coming years. The income from the JV which exploits the conference centres (Dolce) will become a more significant part of the total income over the coming years (as from FY06); in FY10 we expect this JV to contribute 27% of the company's EBITDA. We expect a marginal income from development at risks.

**Table 1. Kempen & Co's forecast P&L**

Income statement	2004	2005	2006	2007E	2008E	2009E	2010E
Sales revenues	18.2	4.0	23.3	18.8	17.5	20.0	22.5
Rental revenues	14.7	15.2	16.7	17.9	18.8	20.1	20.7
Net equity result in joint ventures	0.3	0.8	1.3	5.7	8.1	10.4	13.2
Development revenues	0.0	0.0	0.0	0.1	2.7	2.5	0.3
Other revenues	0.0	0.0	0.9	0.0	0.0	0.0	0.0
Operating costs	(6.1)	(7.2)	(8.1)	(7.7)	(7.7)	(8.0)	(8.3)
<b>EBITDA</b>	<b>27.2</b>	<b>12.8</b>	<b>34.1</b>	<b>34.7</b>	<b>39.5</b>	<b>44.9</b>	<b>48.4</b>
Temporary adjustments in value	0.7	(0.5)	(3.6)	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>27.9</b>	<b>12.3</b>	<b>30.5</b>	<b>34.7</b>	<b>39.5</b>	<b>44.9</b>	<b>48.4</b>
Interest	(6.2)	(5.5)	(5.5)	(5.6)	(7.2)	(9.7)	(11.0)
<b>EBT</b>	<b>21.7</b>	<b>6.8</b>	<b>25.0</b>	<b>29.1</b>	<b>32.3</b>	<b>35.2</b>	<b>37.4</b>
Tax	(7.2)	(2.1)	(2.2)	(2.9)	(3.0)	(3.3)	(3.7)
Preferred Dividend	0.0	0.0	0.0	(3.3)	(3.5)	(3.8)	(4.0)
<b>Cash flow</b>	<b>14.5</b>	<b>4.7</b>	<b>22.8</b>	<b>23.0</b>	<b>25.8</b>	<b>28.2</b>	<b>29.7</b>
<b>CFPS</b>	<b>1.68</b>	<b>0.55</b>	<b>2.63</b>	<b>2.02</b>	<b>2.27</b>	<b>2.48</b>	<b>2.61</b>

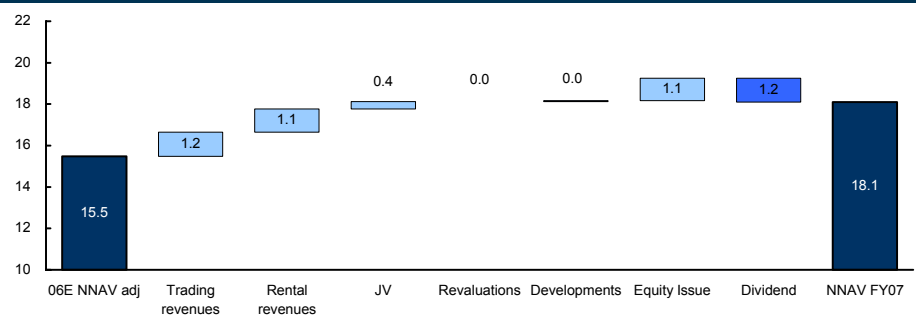
Source: Kempen & Co estimates

#### Banimmo's expected NNAV per share growth

We expect modest NNAV growth of 9% per annum over the period YE07-YE10, as most of the proceeds from Banimmo's activities are paid to its shareholders. We adjusted the 2006 NNAV to the latest portfolio valuation which was based on the portfolio in April 2007 and we have taken a development profit of 20% into account for La Hulpe and Chantilly, which is currently reported at cost due to accounting issues. The importance of revenues from trading can be seen in the NNAV growth graphs below.

We expect an average IRR over FY07-FY10 of 14%, which is roughly in line with Banimmo's average taken from the last three year period performance and a bit higher than the future guidance of the management expected returns.

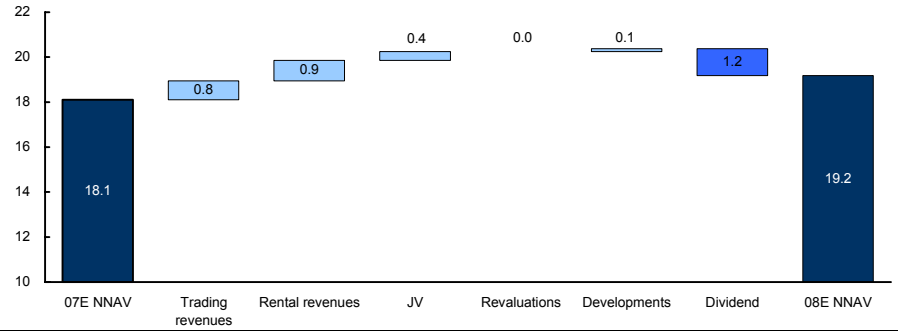
**Figure 9. NNAV growth FY07**



Source: Kempen & Co estimates

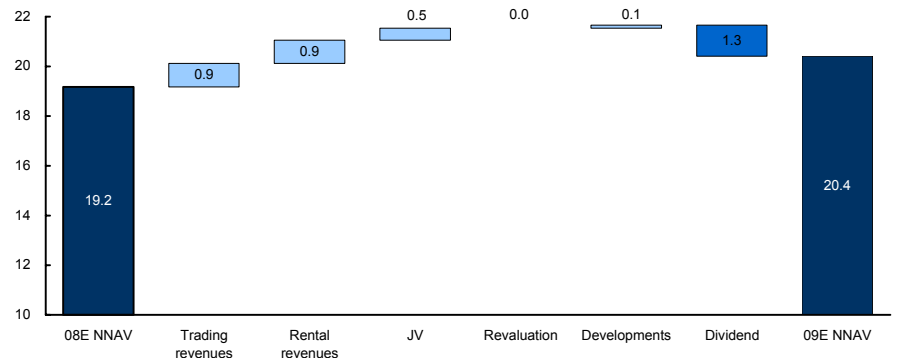


**Figure 10. NNAV growth FY08**



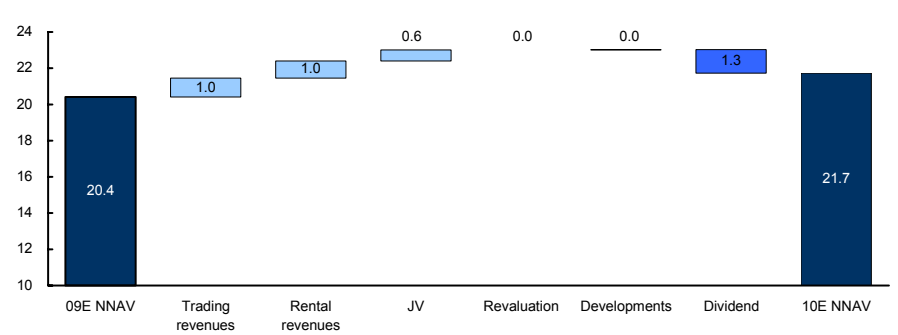
Source: Kempen & Co estimates

**Figure 11. NNAV growth FY09**



Source: Kempen & Co estimates

**Figure 12. NNAV growth FY10**



Source: Kempen & Co estimates

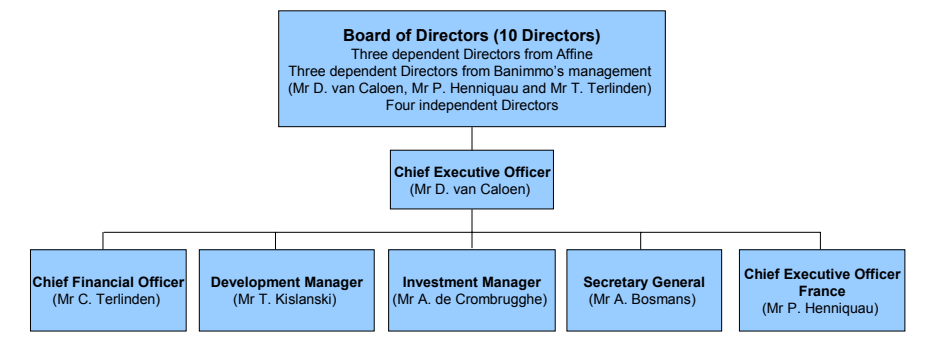


## Corporate Governance

### Highly committed management

The company benefits from an experienced management team which previously operated in the finance and real estate sector. The interest of Banimmo's management is aligned with minority shareholders, due to the significant stake (27.4%) that the management holds in Banimmo. Additionally, Banimmo has an incentive structure through preferred B shares in which the management receives extra rewards should the company perform well.

Figure 13. Banimmo's structure



Source: Banimmo / Kempen & Co

### Experienced Management

The company is managed by an experienced board. Each executive director has experience in his particular field, either in Belgium or in France. Moreover, all members have complementary skills in: real estate, financial engineering, fiscal and legal affairs.

**Mr D. van Caloen**  
*Chief Executive Officer*

Worked at Axa as a Real Estate Manager, and at Citibank in Luxembourg and Brussels and has wide experience in corporate finance, real estate finance and commercial real estate. In 1995 he was appointed by AnHyp. In 1999-2000 he led the spin-off from AnHyp commercial mortgages.

**Mr C. Terlinden**  
*Chief Financial Officer*

Worked as a corporate banker at the Citibank in Brussels (1984 – 1988). Thereafter he moved to Cobepa where he focussed on M&A. He was CFO at Sapec from 1995 to June 2006. In July 2005, Mr Terlinden joined Banimmo as a CFO.

**Mr P. Henniquau**  
*Chief Executive Officer –  
Banimmo France*

He started in 1978 at Bouygues Group working until 1990 at the group companies NORPAC and BATIR and was involved in several real-estate projects. In 2000 Mr Henniquau became responsible for HRO retail within HRO, a real-estate developer. He joined Banimmo Real Estate France in 2003.

**Mr A. Bosmans**  
*Corporate Affairs*

Mr. Bosman has wide experience in legal affairs and joined Imofa in 1990, a business unit of AnHyp specialized in real-estate legal issues. Since 1996 Mr Bosmans has been a member of Banimmo's executive board. He has extensive knowledge on legal and tax issues.

**Mr A. de Crombrugge**  
*Investment Manager*

Has a long career in the real-estate business. He worked as Commercial Director at Cofinimmo, thereafter he was responsible for the corporate real estate team at DB Associates and Managing Director at CB Richard Ellis. He joined Banimmo in 2005 as Commercial Director and board member.

**Mr T. Kislanski**  
*Development Manager*

Worked at the Bouygues Group in Belgium and in France where he was responsible for real-estate developments. He joined Banimmo in 2004 as Development Manager and member of the board.



### Conclusions management impact

The management remuneration is composed of two components, a base salary and a preferred stock plan. The compensation for the preferred stock plan mainly depends on the ability of the management to realize an IRR of 10% or more. This will encourage management to show a strong IRR as their preferred dividend growth will be disproportional if Banimmo's IRR increases. In addition, the management immediately benefits from the improved company performance.

### Preferred dividend: Incentive to perform

The shares held by management have a special 'B Share' status. As such these shares have a right to a preferred dividend in addition to an ordinary dividend. This dividend is based on Banimmo's achieved IRR. The equity is defined as the consolidated equity on 31 December 2006 and is increased by the net proceeds of the capital increase resulting from the IPO and the net consolidated economic result, which is not distributed as dividend. Based on the total equity, different levels of return on equity are defined in four tranches. The privileged dividend is related to the equity return and capped at €4m (without indexation). The preferred dividend will be paid until FY16.

**Table 3. Return for the Preferred dividend (B-shares)**

Tranche	IRR	Return to preferred shareholder
Tranche A	10% to 12%	privileged dividend will be equal to 25% of the said tranche
Tranche B	12% to 14%	privileged dividend will be equal to 30% of the said tranche
Tranche C	14% to 16%	privileged dividend will be equal to 35% of the said tranche
Tranche D	16% or higher	privileged dividend will be equal to 40% of the said tranche

*Source: Banimmo*

### Conflicts of interests with Affine

We do not foresee any conflicts of interest between Affine and Banimmo because every acquisition/disposal and/or important decision must be approved by a board of ten directors (the company has currently eight directors). The number of directors from Affine is three and does not represent a majority. Banimmo's management is represented by three directors. The other four directors are independent of Banimmo's management, Affine and Banimmo.



## Financing: room for growth

We expect the company to remain highly leveraged with a target LTV of about 65% (60-70%). Banimmo has agreed upon a maximum LTV of 70% with its current credit facilitators.

### Debt financing

Banimmo has three types of debt financing instruments in its possession.

- The company has a syndicated bank credit with a maximum of €215m, with a covenant that Banimmo cannot exceed an LTV ratio of 70%. Management indicated that the cost of this debt depends on the co's LTV and is between 80bps to 115bps above 3M Euribor. The standby facility of this debt incurs a cost of 50 bps. The facility provides for finance for buildings which are more than 75% owned.
- Banimmo has a commercial paper (CP) programme for €75m which provides Banimmo direct access to the capital market (The CP is included in the €215m ceiling). The cost for the paper depends on the LTV and varies from 29bps to 33bps + cost of the bank c25bps. Nevertheless, Banimmo cannot exceed an LTV ratio of 70%. The standby facility of €75m incurs a cost of 20 bps.
- Furthermore, the company also has a special credit line (€25m) to finance equity participations in joint ventures. The maturity of this programme is December 2011.

**Table 4. Banimmo's Hedged Debt**

Amount (in €)	period	Type Hedge	Rate covered at
70,000,000	Until 31/12/07	CAP	3.50%
50,000,000	Until 30/03/08	CAP	4.20%
40,000,000	Until 30/03/08	Collar with knock-out	3.10% knock-out at 4.25%; 4.35%; 4.45%
<b>After 30/03/2008</b>			
55,000,000	Until 30/03/09	Collar with knock-out	3.65%; knock-out at 5.2%
50,000,000	Until 30/03/09	CAP	3.65%; knock-out at 5.2%
15,800,000	Expiry 29/04/09	CAP	4.50%
25,000,000	Expiry 30/03/10	CAP	4.85%
40,000,000	Expiry 30/03/10	Collar with knock-out	4.2%; knock-out at 4.85%
50,000,000	Expiry 30/03/10	Collar with knock-out	4.2%; knock-out at 5.05%
50,000,000	Until 30/03/10	Collar with knock out	4.35%; knock out at 5.35%
120,000,000	Expiry 30/03/11	Collar with knock-out	4.55%; knock-out 5.50%
25,000,000	Expiry 30/03/11	CAP/FLOOR	CAP at 5.0% - Floor 4.0%
30,000,000	Expiry 30/03/11	SWAP	Euribor 20yr swapped for Euribor 3m

Source: Banimmo

A knock-out: is an option with a built in mechanism to expire worthless should a specified interest rate be exceeded.

### Firepower following the IPO

At the end of 1H07, Banimmo published an equity amount of €149m (after the equity issue of EUR 57m). Taking an LTV of 70% and the value adjustment of the portfolio to market value (i.e. Dolce) into consideration, the company has additional firepower of about €300m. This should be sufficient to finance Banimmo's growth strategy, even if the company has a payout ratio of 100%.



## Banimmo's peers

As we already stated, we believe that Banimmo's investment case is unique within our coverage universe; therefore we have selected a group of six pan-European property companies which earn substantial part of their income from trading and/or (re)development and have the same risk-profile (with the exemption of Affine). In addition, we compare Banimmo with its three competitors in the Belgium market, although we see differences in the investment cases.

### Peer group comparison

We believe that Affine, Fabège, Unibail-Rodamco, Klépierre, Risanamento and SILIC incur a comparable risk profile as Banimmo. This selection is trading at a discount of – 25% and is providing an average CF yield of 7.3%, whilst Banimmo is providing a higher CF yield 10.3% nevertheless Banimmo is trading at a premium to 08E NNAV (11%). This gives us reason to believe that Banimmo's current stock price already anticipates future upside.

**Table 5. Peers based upon character**

Name	Price	Market cap	08E P/NAV	08E P/NNAV	08E EBITDA/EV	08E CF yield	08E ICR
Affine	32.0	257.7	-32.8%	-32.8%	6.9%	15.2%	2.43
Fabège	6.8	1167.2	-9.0%	-0.2%	5.2%	6.9%	2.03
Unibail-Rodamco	163.1	15602.0	-8.0%	-8.0%	5.5%	5.5%	4.61
Klépierre	35.6	4928.9	-11.6%	-11.6%	5.8%	7.3%	3.39
Risanamento	2.6	724.2	-80.3%	-71.0%	4.4%	1.7%	1.07
SILIC	84.9	1505.1	-24.1%	-24.1%	5.7%	7.4%	4.08
<b>Average peers</b>			<b>-27.6%</b>	<b>-24.6%</b>	<b>5.6%</b>	<b>7.3%</b>	<b>2.93</b>
<b>Average Europe</b>			<b>-14.8%</b>	<b>-9.5%</b>	<b>5.3%</b>	<b>6.4%</b>	<b>2.41</b>

Source: Kempen & Co estimates  
Closing prices 12 February 2008

The low risk profile stocks: Befimmo and Cofinimmo seem to be trading at a more conservative discount to NNAV compared to high growth stocks WDP and Banimmo which are trading at a premium to their NNAV.

**Table 6. Belgian peers**

Name	Price	Marketcap	08E P/NAV	08E P/NNAV	08E EBITDA/EV	08E CF yield	08E ICR
Befimmo	74.9	978.4	4.8%	6.0%	5.0%	5.1%	2.29
Cofinimmo	136.2	1525.3	7.1%	8.4%	4.6%	5.8%	2.22
WDP	43.5	373.4	15.1%	21.8%	5.8%	8.2%	3.04
<b>Average</b>			<b>9.0%</b>	<b>12.1%</b>	<b>5.1%</b>	<b>6.4%</b>	<b>2.52</b>

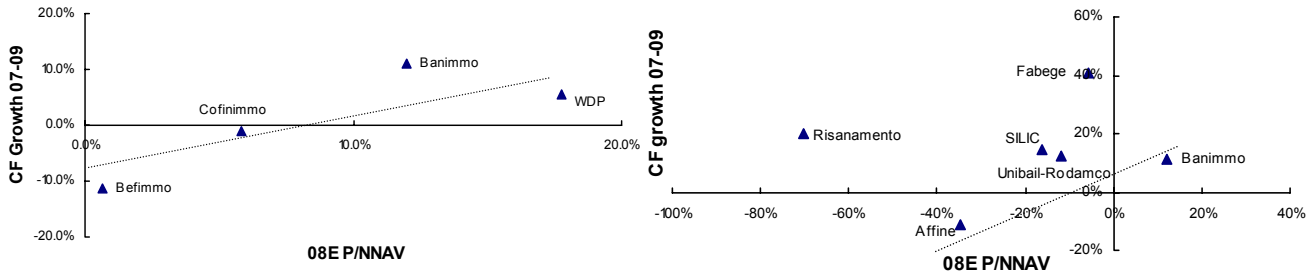
Source: Kempen & Co estimates  
Closing prices 12 February 2008



**Valuation based on peer group**

The 08E EBITDA and CF yield of Banimmo is amongst the highest compared to the Belgian and high growth peer groups, while Banimmo still has a substantial premium to NNAV. Therefore, we believe that Banimmo's valuation is neither attractive nor expensive.

**Figure 14. CF Growth vs. P/NNAV for Banimmo's peers**

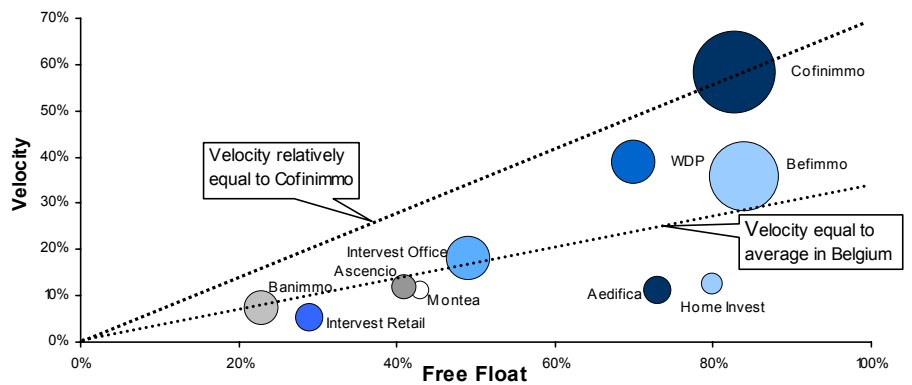


Source: KEMPEN & Co estimates

**Low liquidity compared to its Belgium peers**

Banimmo's velocity is the lowest compared to its Belgium peers, which is mainly due to its major shareholder Affine (50%) and the fact that the management holds a 27% stake in the company. Nevertheless, taking the low free-float into account, Banimmo has average liquidity when taking the Belgium property market as a whole. The average daily traded volume amounted to approximately 6,000 shares, as of 1 July 2007, which represents a daily trading value of €119,000. In relative terms, the adjusted -12M turnover amounts to 13% of the outstanding shares.

**Figure 15. Velocity and market capitalization per Belgium company**



Source: Bloomberg  
The size of the circle indicates the market capitalization



## Property market in Belgium

### Banimmo is active in stable economies

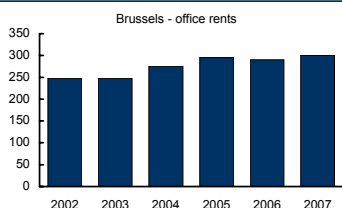
Banimmo is active in two stable European economies (Belgium and France) and previously Luxembourg as well (we still believe that Luxembourg is on Banimmo's radar screen). Going forward we do not expect any positive/negative surprises in any of the three countries. The Belgian market seems to be performing in line with European averages. We are however positive about the decreasing unemployment rate in FY08, which should fuel growth in the Belgian office market. The office market in France furthermore seems to offer abundant opportunities for repositioning obsolete properties, while demand for quality remains high. We expect therefore that France might be a more interesting growth market for Banimmo than Belgium. Luxembourg is expected to perform strongly in terms of all three economic indicators. Nevertheless, the unemployment rate is expected to increase in FY08.

Table 7. Economic indicators in Banimmo's markets

	GDP 08	GDP 09	Consumer spending 08	Consumer spending 09	Unemployment % 08	Unemployment % 09
Belgium	1.9%	2.0%	2.1%	1.9%	7.3%	7.0%
France	1.8%	2.0%	2.1%	2.4%	n/a	n/a
Luxembourg	4.9%	4.1%	3.3%	3.4%	4.2%	3.9%
European average	1.9%	2.0%	2.1%	2.1%	n/a	n/a

Source: OECD

Figure 16. Hist. office rents - Brussels

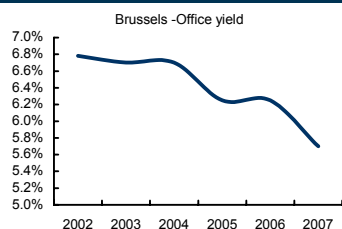


Source: Jones Lang Lasalle

### Fundamentals of the Belgian office market

The Brussels office market could be perceived as being below the European average in terms of its volatility. The vacancy in the CBD is perceived as low (5.3%), while the vacancies in the decentralized (14%) and peripheral (21.2%) areas as high. We expect the overall vacancy rate to be approximately 9% at YE07 (9M07: 9.6%), which would be the lowest level seen since 2003. However, substantial development completions will be carried out in FY08 (E: 370,000 sqm) and FY09 (E: 280,000 sqm) we therefore do not expect strong rental growth in the Brussels office market. Currently prime rents in the CBD are approximately €300 per sqm, while prime rents in the decentralized area and periphery are €175 and €165 respectively. We foresee marginal rental growth of 2-4% for FY08. The Antwerp office market is far less developed than the Brussels market. From a Europe-wide perspective Belgian office yield compression has been lagging behind: the net yield for the CBD is 5.5% which is 60bps below the European average. Although local real-estate players are seeing less interest from foreign investors in the Belgian market, we expect yields to remain stable going forward.

Figure 17. Hist. office yields - Brussels



Source: Jones Lang Lasalle

### Fundamentals of the Belgian retail market

Prime retail yields in Brussels and Antwerp are 4.25% for both cities. We believe prime retail yield has bottomed out and we expect 50bps yield expansion going forward. Looking ahead GDP growth and consumer spending are expected to top-out, however the retail rental market is expected to remain firm. Additionally, the demand for retail investment properties still outweighs the supply, as demand for prime investment product remains strong, but actual activity is held back by the lack of stock. Whilst overall property investment volumes experienced growth, retail investments were down, representing only about 5% of the total volume.



In the last 10 years the average Belgian vacancy rate has never exceeded 6%. Whilst development of high quality retail has taken off with the completion of two shopping centres in 1H07 and the expected completion of two shopping centres in FY08 (totalling 128,000), a supply-demand imbalance remains. Rental growth has been positive in all retail sectors in the last five years with average annual growth of between 3% and 6%. Currently the prime rental levels in Brussels and Antwerp are EUR 1,580 and 1,500 respectively, with a marked y-o-y rental growth in Antwerp of 13%.

**Table 8. Rental market in Belgium and France**

	Office Rents	Yields	Retail rents	Yields	retail warehouse rents	Yields
Brussel - CBD	€ 300	5.30%	€ 1,580	4.25%	€ 170	5.60%
Brussel	€ 165	6.60%	n/a	n/a	n/a	n/a
Antwerp	€ 136	7.00%	€ 1,500	4.25%	€ 155	5.80%
Paris - CBD	€ 800	3.80%	€ 10,500	4.00%	€ 190	5.00%
Paris	€ 520	4.50%	n/a	n/a	n/a	n/a

Source: Cushman & Wakefield and Jones Lang Lasalle



## Valuation

### Kempen & Co Equity Fair Value

We have applied our Kempen & Co equity fair value method to calculate our +12M price target. The starting point of our calculation is the NNAV at the beginning of 2007, which we adjust for 50% of CGT. Subsequently, we calculated the expected total return (direct investment result plus indirect investment result corrected for 50% of deferred capital gains) on our adjusted NNAV.

Since our expected total return exceeds our cost of equity of 10.4%, one might argue that Banimmo may trade at a premium to its NNAV. Additionally, Banimmo's fair value on the portfolio is conservative as the properties are under development and therefore in the account at acquisition plus construction costs. Nevertheless, this premium reflects the value creation by management until 2010. For the year 2007 we apply a correction of Banimmo's equity issue, as the shares were placed at a significant premium to the company's YE07E NNAV (€18.1 vs. €20.8).

Based on our Equity Fair Value model, we arrive at a €21 Price Target, which implies a 4.6% total return to yesterday's closing price. At the current price level, we believe that future value creation by management has already been priced in.

**Table 9. Fair Value calculation for Banimmo**

	2007E	2008E	2009E	2010E
Operating result	2.3	2.2	2.3	2.6
Indirect investment result	0.0	0.0	0.0	0.5
<b>Total return</b>	<b>2.3</b>	<b>2.2</b>	<b>2.3</b>	<b>3.1</b>
<b>NNAV begin year</b>	<b>16.4</b>	<b>18.3</b>	<b>19.3</b>	<b>20.4</b>
ROE	14.0%	12.1%	12.1%	15.1%
COE	10.4%	10.4%	10.4%	10.4%
Difference	3.6%	1.7%	1.7%	4.7%
Value creation	0.6	0.3	0.3	1.0
NPV of Values (Until 2010)	1.5			
NNAV increase through equity issue	1.1			
NNAV	16.4			
Fair Value	19.0			
Running profit	2.2			
Dividend	-1.2			
<b>Fair value today</b>	<b>20.0</b>			
Fair value 12m	22.2			
Dividend paid in 12 months	-1.2			
<b>12 month PT</b>	<b>21.0</b>			

Source: Kempen & Co estimates



### Breakdown cost of equity

We believe the company's management is successful in both sourcing and letting obsolete real estate and thereafter repositioning the properties into a higher segment of the market and selectively selling them off as mature properties. The upside for Banimmo lies in the fact that they realise substantial capital gains over a period of five to seven years.

**Table 10. Cost of Equity**

Specification cost of equity	
Real estate	
Portfolio quality	1.00%
Strategy	0.00%
Development exposure	1.00%
Management	
Company management	0.00%
Property management	0.00%
Financing	
Debt structure	0.00%
Shareholder structure	-0.25%
Liquidity	0.00%
Corporate Governance	
Inside ownership	0.00%
Transparency	0.00%
Supervisory board	0.00%
Takeover barriers	0.00%
Total	1.75%
Base risk	2.00%
Financing risk	1.90%
Rf Rate	4.75%
Costs of Equity	10.40%

*Source: Kempen & Co estimates*



## Impact on the most crucial assumptions

### Trading activity

We apply a 20% trading margin which is lower compared to our 25% assumption during the IPO as we expect yield expansion for Banimmco's sub-prime properties. We continue to take an average turnover rate on the properties into account of five years. We pencil in trading revenues for FY08, FY09 and FY10 of 37%, 38% and 40% respectively.

**Table 11. Scenarios turnover of properties in years and average profit on traded properties**

turnover in yrs / avg. trading profit	10%	15%	20%	25%	30%
4 years	20.1	21.1	22.1	23.2	24.2
5 years	19.4	20.2	21.0	21.8	22.7
6 years	18.9	19.6	20.3	20.9	21.6

Source: Kempen & Co estimates

We believe that the Mobistar acquisition has assured Banimmco of a large part of the trading revenues for FY08 as we expect the Mobistar development will be disposed of pre-completion at an expected profit of €10m. Nevertheless one could argue its future trading revenues.

### Tax impact / rental growth

We apply an effective tax-rate of 10% (normal rate 33.99%); we however foresee that a substantial part of Banimmco's realized capital gain is tax exempt as the properties are sold through tax-efficient SPV's. Additionally, we assume that the standing portfolio has no hidden rental value and therefore keep the rental level flat during the period that the property will be held by Banimmco. After the redevelopment the property will be disposed of in a higher segment of the commercial property market.

**Table 12. Scenarios tax impact and rental growth**

increase in rental levels / tax-rate	nil	5.0%	10.0%	15.0%	20.0%
-5.0%	16.9	16.7	16.4	16.2	15.9
-2.5%	19.1	18.9	18.6	23.6	18.1
0.0%	21.5	21.3	21.0	21.3	21.5
2.5%	24.0	23.8	23.5	23.2	23.0
5.0%	26.7	26.4	26.1	25.9	25.6

Source: Kempen & Co estimates

### Dolce and Pramerica

We expect Banimmco to increase the number of conference centres to four through the Dolce joint venture; currently Banimmco has two conference centres in a joint venture. Banimmco announced the intention to increase to €200m in AuM, at present this is nil.

**Table 13. Impact from the Joint Ventures**

Pramerica AuM / # of conf. centers	2 conf. center	3 conf. center	4 conf. centers	5 conf. centers
€200m	20.6	20.8	21.0	21.2
€150m	20.5	20.6	20.8	21.0
€100m	20.4	20.6	20.7	20.9
€50m	20.3	20.5	20.6	20.8
€0m	20.3	20.4	20.6	20.7

Source: Kempen & Co estimates



# Disclosures

## Analyst certifications

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## Regulatory disclosure

### Company mentioned in this report

Kempen & Co and/or its affiliates acted as lead manager or co-manager in a public offering for Banimmo in the last 12 months.

## Recommendation structure

### Definitions

<b>Method</b>	Combination of cash flows, NNAVs, relative valuation and our fair value analysis. The Kempen & Co equity fair value analysis calculates the returns the company is expected to generate going forward. If these returns exceed the returns that are perceived as 'fair', we consider the company's fair value to be higher than the NNAV and vice versa.
<b>Sell</b>	Expected negative total return of 20% or more on a 12 month basis.
<b>Reduce</b>	Expected negative total return of 5% or more on a 12 month basis.
<b>Neutral</b>	Expected total return between 5% to -5% on a 12 month basis.
<b>Add</b>	Expected positive total return of 5% or more on a 12 month basis.
<b>Buy</b>	Expected positive total return of 20% or more on a 12 month basis.
<b>Under review</b>	Rating and/or price target are under review in case there is insufficient basis for determining a rating and/or price target.
<b>Not rated</b>	Rating and price target are suspended because of Kempen & Co's engagement in an investment banking transaction and in certain other circumstances.
<b>Price Target</b>	Expected share price in 12 months.

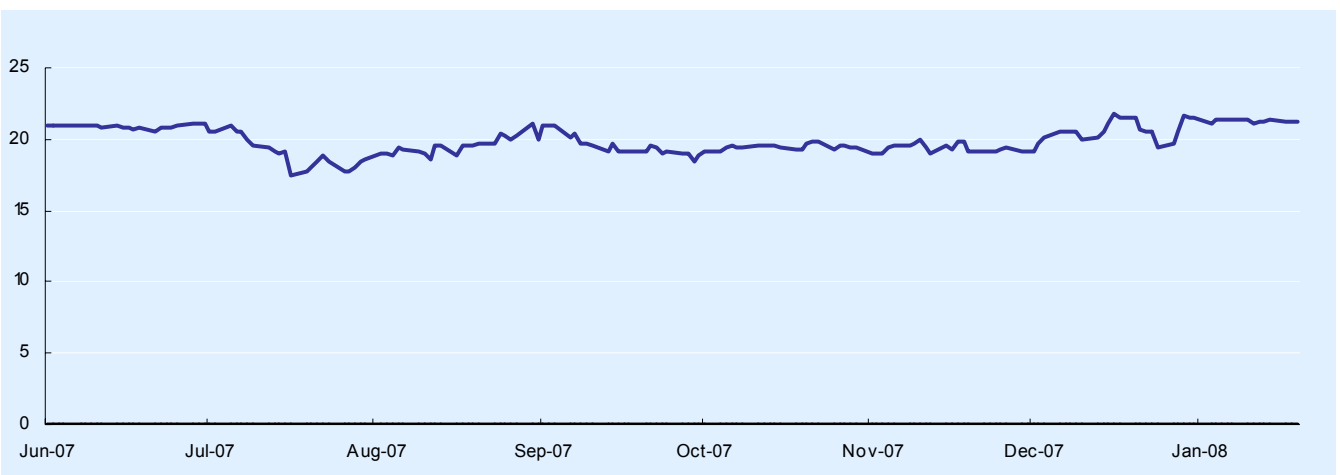
## Recommendation distribution

Rating	Count (% of total coverage)	% of investment banking clients
BUY	13 (26%)	0%
ADD	20 (40%)	63%
NEUTRAL	15 (30%)	38%
REDUCE	2 (4%)	0%
SELL	0 (0%)	0%
<b>Total</b>	<b>50 (100%)</b>	<b>100%</b>

## Stock price, price target and recommendation history

### Banimmo (BANI BB)

Date	Close	Price target	Rating
14-Feb-08	21.18	21.00	NEUTRAL



Analyst coverage: Robert Woerdeman  
Source: Kempen & Co, Factset



# Disclaimer



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