

Future trading income at risk

Company profile Banimmo's portfolio currently stands at €280m and the company's target is to increase this by 80% to €500m by FY10. The assets are mainly located in Belgium (>70%) with the remainder in France. The main part of the company's activities is the repositioning of obsolete assets into quality properties and selling them off at a 25% profit (the company's target). Additionally, Banimmo has also initiated JV's in conference centres and larger retail assets (>€20m). The MC is currently €245m and the company has a very low liquidity with a daily turnover of <€0.1m mainly on account of its low FF of 23%. Banimmo has €98m in unused facilities and cash to finance its growth.

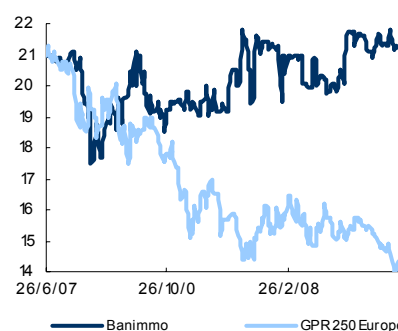
Investment case Banimmo is neither a pure property investor nor a pure developer but acquires assets with recurring income to reposition them in the market after improvement and thereby expects to make a gain on cost of at least 20%. Although this is particularly a bull-market game, we expect Banimmo to already lock-in its €18-20m sales gains target in either 2Q or 3Q08. Nevertheless after FY08 we are more cautious about future gains and we lower the gain on cost to 15% from 20%. With its two latest acquisitions which have increased the portfolio by 34% (North-Plaza and Unilever-site) we assume that management will achieve a net rental income for FY08E of €14m and a rental income for FY09E of €16m. We expect an 08E and 09E EBITDA from its Conference centre JV of €11m and €16m respectively. All in all we arrive at a 08E and 09E CF of €22.7m and €22.6m respectively reflecting an CF yield of 9.4% and 8.8% which seems to be attractive, but future CF might come under pressure due to its substantial income from trading part (c45%).

Developments and outlook We think that the development project of Mobistar's HQ of about €60m currently has the largest upside for Banimmo as the yield on completion amounts to 7.3% whilst a comparable market yield is approximately 6.0%. In addition, Banimmo is in the process of disposing of three assets with a current book value of approximately €60m and will thereby lock-in its expected trading result of €18m-20m, reflecting a gain on sales of between 23-25%. Going forward we however continue to calculate a gain on sales of 15% which contributes about 45% of the total revenues. The company is also in the process of completing several smaller acquisitions for retail properties in France for a total amount of approximately €25m. On top of the France acquisitions we believe that Banimmo will acquire another €55m of assets during FY08 which will be financed with debt. Additionally, we expect Banimmo to start acquiring larger retail properties for its JV with Pramerica and pencil in the total amount invested as approximately €40m by YE08. We believe that by YE10 the company will achieve its target size of €500m and will then return to the market to increase its equity and to continue its growth strategy.

Valuation Since the IPO at the end of June 2007 the company has seen a strong performance of +8% while the GPR 250 ex-UK was down -/-28%. We foresee three risks for the company: i.) trading margins under pressure as investment markets cool down, ii.) the letting risk, and iii.) low liquidity. We think that the company's high 08E 8.8% CF yield is to compensate for the extra risk, whilst the 15% P/NAV is too high. Our +12M EFV indicates €18.5 reflecting a total return of -6.6%. We downgrade the stock to Reduce from Neutral.

Rating	REDUCE (Downgrade from NEUTRAL)
Price target (12m)	€18.5
Closing price (19 June 2008)	€21.2
Expected total return	-6.6%
Date	22 June 2008

BANI BB vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	0.5%	6.5%	1.0%
Rel. to GPR 250 Europe	10.7%	17.0%	56.9%

Source: Factset

Company data	
52-Week range	€17.50 - 21.80
Market cap	€243.80m
Number of shares	11.5m
Average daily volume	1,963
Free float	23%

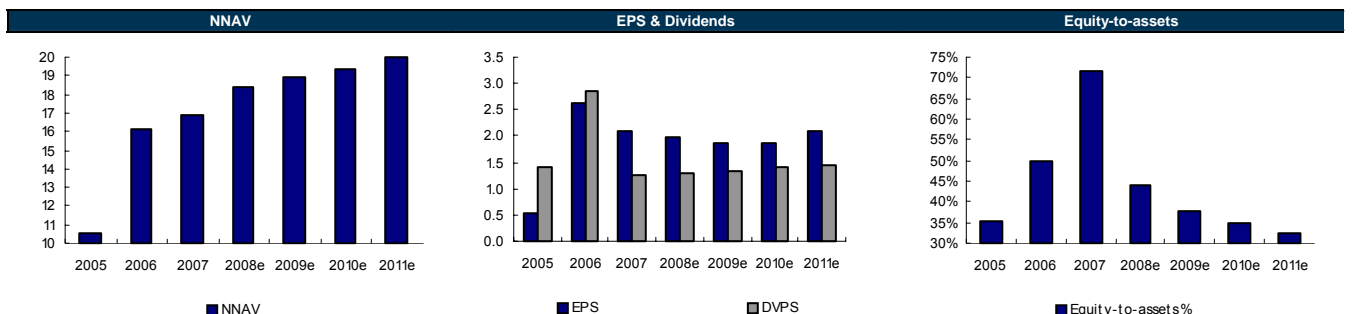
Company data	
Bloomberg / Reuters	BANI BB / BAN1.BR
Next announcement	28 August 2008 H1 2008 Results

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Banimmo

Property ■ Belgium

Income Statement (Year to 31 Dec)	2005	2006	2007	2008E	2009E	2010E	2011E
Gross rental income	15.2	16.7	14.2	18.8	20.1	20.7	25.5
Operating costs	-1.6	-2.7	-3.8	-4.1	-4.0	-4.1	-5.1
Net rental income	13.6	14.0	10.4	14.7	16.1	16.6	20.4
Sales (developments)	0.0	0.0	0.0	44.2	45.1	13.6	15.4
Costs of sales (developments)	0.0	0.0	0.0	-41.5	-42.6	-13.4	-15.1
Sales result (developments)	0.0	0.0	0.0	2.7	2.5	0.3	0.3
Overhead costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other income	4.8	25.5	26.0	25.0	25.5	29.1	34.0
Other costs	-5.6	-5.4	-7.7	-5.8	-6.2	-6.4	-7.9
EBITDA	12.8	34.1	28.8	36.6	37.9	39.5	46.8
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	12.8	34.1	28.8	36.6	37.9	39.5	46.8
Net financial	-5.5	-5.5	-5.0	-7.2	-9.7	-11.0	-15.2
EBT	7.3	28.6	23.8	29.4	28.2	28.5	31.5
Taxes	-2.1	-2.2	0.5	-3.2	-3.2	-3.5	-3.9
Extraordinary items	-0.5	-3.6	-3.2	-3.5	-3.8	-4.0	-4.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	4.7	22.8	21.1	22.7	21.3	21.1	23.6
Sales result	0.0	0.0	-1.5	0.0	0.0	0.0	0.0
Revaluation Property	0.0	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	0.0
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	0.0	0.0	-1.5	0.0	0.0	0.0	0.0
Net profit	4.7	22.8	19.6	22.7	21.3	21.1	23.6
Per share data	2005	2006	2007	2008E	2009E	2010E	2011E
Number of shares	8.7	8.7	11.4	11.4	11.4	11.4	11.4
Average number of shares	8.7	8.7	10.0	11.4	11.4	11.4	11.4
Direct investment result per share	0.55	2.63	2.11	1.99	1.87	1.85	2.08
Indirect investment result per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS (FRS)	0.55	2.63	2.11	1.99	1.87	1.85	2.08
CFPS (recurring)	0.55	2.63	2.11	1.99	1.87	1.85	2.08
Dividend per share	1.39	2.86	1.26	1.30	1.35	1.40	1.45
Payout ratio %	253%	109%	60%	65%	72%	75%	70%
NNAV per share	10.51	16.12	16.87	18.39	18.91	19.37	20.00
NAV per share	12.02	16.70	17.27	18.80	19.32	19.77	20.40
Balance sheet	2005	2006	2007	2008E	2009E	2010E	2011E
Investment property	223.6	228.3	216.6	371.7	446.7	489.2	569.2
Developments	4.8	9.7	11.1	11.1	11.1	11.1	11.1
Financial fixed assets	15.7	16.6	29.8	58.9	71.7	82.3	92.8
Other fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed assets	244.1	254.5	257.4	441.6	529.4	582.6	673.1
Receivables	13.1	22.0	7.0	26.4	27.2	19.0	22.4
Cash and banks	1.2	1.5	1.5	5.2	11.5	31.8	4.2
Other current assets	0.8	1.4	1.4	1.4	1.4	1.4	1.4
Total current assets	15.0	24.9	10.0	33.1	40.2	52.2	28.1
Total assets	259.1	279.4	267.4	474.7	569.6	634.8	701.1
Shareholders' equity	90.9	139.5	191.6	208.9	214.8	220.2	227.7
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	90.9	139.5	191.6	208.9	214.8	220.2	227.7
Provisions	7.6	10.4	8.4	8.4	8.4	8.4	8.4
Long interest bearing debt	149.3	85.0	21.9	211.9	300.9	360.7	419.5
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	156.9	95.4	30.3	220.3	309.3	369.0	427.9
Short term debt	2.1	16.4	27.0	27.0	27.0	27.0	27.0
Other current liabilities	9.1	28.1	18.5	18.5	18.5	18.5	18.5
Total current liabilities	11.2	44.5	45.5	45.5	45.5	45.5	45.5
Total equity and liabilities	259.1	279.4	267.4	474.7	569.6	634.8	701.1
Financing Ratio's	2005	2006	2007	2008E	2009E	2010E	2011E
Equity-to-assets %	35.1%	49.9%	71.6%	44.0%	37.7%	34.7%	32.4%
Net gearing %	165.2%	71.7%	24.8%	111.9%	147.3%	168.8%	201.7%
LTV (Gross debt/Properties + Dev)	62.0%	39.9%	19.0%	54.1%	61.9%	64.9%	64.9%
LTV (Net debt/Properties + Dev)	61.5%	39.3%	18.4%	52.9%	59.8%	62.1%	66.6%
Interest cover	2.3	6.2	5.8	5.1	3.9	3.6	3.1
Valuation	2005	2006	2007	2008E	2009E	2010E	2011E
Enterprise value			280.1	474.5	557.1	612.0	698.7
Market Cap			223.2	240.8	240.8	240.8	240.8
P/NNAV-1			21.5%	15.3%	12.1%	9.5%	6.0%
EBITDA/EV			12.4%	15.2%	15.7%	16.4%	19.4%
Recurring Cash Flow Yield			10.3%	9.4%	8.8%	8.7%	9.8%
Earnings Yield			10.3%	9.4%	8.8%	8.7%	9.8%
Dividend Yield %			6.4%	6.1%	6.4%	6.6%	6.8%



Source: Company Data, Kempen & Co

