

Leasinvest

Real Estate / Belgium

Target Price EUR 67.00

Expected performance (12 mth) 35.1%

BUY EUR 49.59 (Closing price 13-Apr-09)

Delivery of BIAN building in April will be a trigger

20 April 2009

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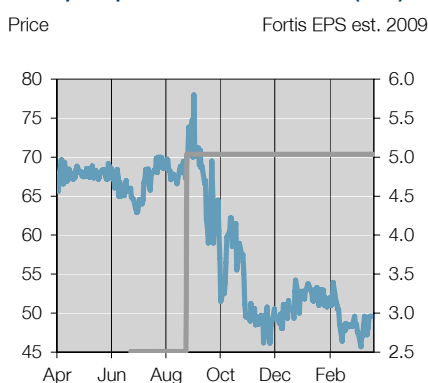
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Opinion on qualitative criteria

Accounting	IFRS 31/12/2008
Quality of track record	High
Solvency	High
Currency risk	Low
Risk of asset write-off	Neutral

Share price performance/EPS revision (EUR)



Source: FactSet, Fortis Equity Research

Market capitalisation (EUR m)	199.0
No. of shares (m)	4.0
Free float	32.6%
1/3/12 mth perf. (%)	1.8/(1.9)/(29.3)
High/low 52 weeks (EUR)	78.00/45.68
Next results due	14 May 2009
Price/book value (x)	
Volatility (β) (5yrs/EPRA Eurozone)	0.5
Reuters symbol	LNRE.BR
Bloomberg symbol	LEAS BB
Website	www.leasinvest-realestate.com

We maintain our Buy recommendation on Leasinvest (LEAS) and point to the expected capital gain on the delivery of the BIAN building scheduled this April. We cut our price target to EUR 67 from EUR 88 based on the FY09E NAV per share.

Investment case

We expect that Leasinvest will announce that the BIAN building, an office building in Luxembourg has been fully leased upon delivery. We expect this announcement to come at the Q1 09 trading update, scheduled for May 14. This will trigger a capital gain of EUR 2.2 per share. We expect the FY09E NAV per share to grow to EUR 66.9 from EUR 66.17 as the capital gain offsets the negative revaluations that are the result of our 30bps yield expansion scenario. We are confident on the resilience of the net rental income. We expect the FY09 net rental income to grow 19.3%, mostly driven by development & acquisitions. We expect the FY09E direct result per share to grow to EUR 5.35 vs. EUR 4.85 FY07/08 (last 12 months). There is little refinancing risk, because there are no significant refinancing issues until 2011 and we estimate the FY09E loan-to-value to come in at 52%, well below the 65% limit for Belgian REITs. The company is cheap on valuation as it is trading in line with offices stocks that have much more cash flow risk and do not have such a promising development pipeline. Leasinvest trades at a 9.7% DIVY, at 9.4 x P/FFO and a 13% discount to NAV FY09E.

Financing - No significant debt renewals until 2011

The company has a solid financial position with loan-to-value expected to come in at 52% FY09. December 2008, the company was able to attract a new EUR 65m credit facility, paying an average spread of 218bps. Apart from the annual renewal of the back-up lines of its commercial paper program (EUR 90m). The company does not have to refinance large parts of debt until 2011.

Year to December	2008	2009e	2010e	2011e	2012e
Net rental income (EUR m)	40.7	33.9	36.7	38.5	39.9
EBIT (EUR m)	38.2	32.5	35.1	36.9	38.2
Direct result per share (EUR)	6.62	5.35	5.78	6.13	6.50
Indirect result per share (EUR)	2.70	(2.76)	1.13	5.51	5.71
Dividend per share (EUR)	5.70	4.82	5.20	5.51	5.85
NAV per share (EUR)	66.17	66.91	69.00	75.44	82.13
P/NAV (%)	99.4	74.1	71.9	65.7	60.4
Premium/(Discount) to NAV (%)	(0.6)	(25.9)	(28.1)	(34.3)	(39.6)
FFO multiple (x)	9.6	9.3	8.6	8.1	7.6
Dividend yield (%)	8.7	9.7	10.5	11.1	11.8

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The pipeline will continue to drive rental growth FY09E

In the coming two years net rental income will continue to grow on the back of developments & acquisitions. We expect to see most impact of the economic down-turn in 2010 as the company has already renegotiated most contracts for 2009. FY10E 23% of the leases will come up for renewal, we expect net rental income on the standing portfolio to decline 0.9% as the company will be confronted with rising vacancy and more costs.

LEAS- Net rental Income growth (%)

	2009E	2010E	2011E	2012e
Like for like	1.3	1.4	3.4	3.6
Acquisitions & developments	19.5	9.2	0.7	0.0
Δ Occupancy	0.0	-1.7	0.6	0.0
Δ Cost efficiency	-1.5	-0.6	0.0	0.0
Combined growth	19.3	8.3	4.7	3.4

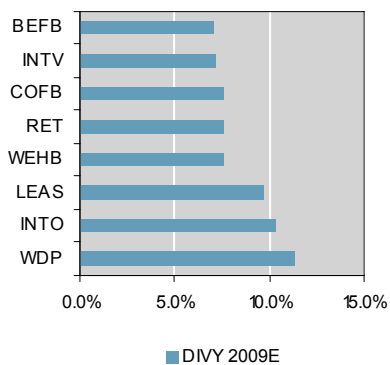
Source: Fortis Bank Nederland

The expected profit from the BIAN building will offset the negative revaluations that are the result of our 30bps yield expansion scenario. We forecast the FY09E NAV per share to grow to EUR 66.9 vs. EUR 66.2 FY07/08.

Valuation of the stock is undemanding

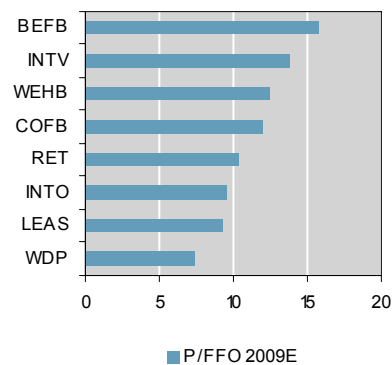
Leasinvest is cheap on valuation as it trading in line with peers such as Intervest Offices that hold more cash flow risk. The valuation of the stock does not reflect the benefits from its diversified portfolio and exposure to Luxembourg. The company currently trades at a 9.7% DIVY, at 9.4 P/FFO and a 13% discount to NAV FY09E.

LEAS- DIVY 2009E Belgian stocks



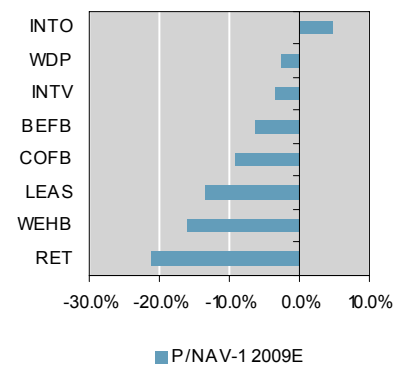
Source: Fortis Bank Nederland

LEAS- P/FFO 2009E Belgian stocks



Source: Fortis Bank Nederland

LEAS- P/NAV 2009E Belgian stocks



Source: Fortis Bank Nederland

Conclusion, BIAN building could act as a trigger

We stick to our Buy recommendation, but have cut our price target to EUR 67 from EUR 88. We expect the company to profit from its diversified investment portfolio and solid financial position. We calculate that the FY09 net rental income will grow 19.5% on the back of the acquisition and developments in 2008 (EUR 80m) and the delivery of projects (EUR 52m) in 2009. We identify news on the BIAN project as a trigger and expect this at the Q1 trading update.

Leasinvest

P & L Statement (EUR m)	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e	2012e
Gross rental income	20.2	22.7	19.9	24.0	33.2	49.1	40.9	44.2	46.4	48.1
Direct property expenses	(5.5)	(7.3)	(4.7)	(5.2)	(6.0)	(8.3)	(6.9)	(7.5)	(7.9)	(8.2)
Net rental income	14.7	15.4	15.1	18.7	27.1	40.7	33.9	36.7	38.5	39.9
General costs	0.0	0.0	(0.9)	4.5	(1.5)	(2.5)	(1.5)	(1.5)	(1.6)	(1.6)
Other income/expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	14.7	15.4	14.3	23.2	25.6	38.2	32.5	35.1	36.9	38.2
Net financial result	(2.2)	(3.7)	(4.8)	(3.0)	(7.3)	(11.4)	(10.9)	(11.9)	(12.2)	(12.1)
Associates (pretax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income taxes	(0.0)	(0.2)	0.3	(0.8)	(0.9)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
NOPAT	12.4	11.5	9.8	19.4	17.4	26.5	21.4	23.1	24.5	26.0
Extra ordinaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct result	12.4	11.5	9.8	19.4	17.4	26.5	21.4	23.1	24.5	26.0
Valuation results	(2.3)	(3.1)	2.2	3.9	16.6	13.4	(11.0)	4.5	22.0	22.8
Realised results disposals	0.1	0.0	1.1	0.0	1.5	3.6	0.0	0.0	0.0	0.0
Valuation result fin. assets	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other indirect results	0.0	0.0	0.0	0.0	0.0	(4.9)	0.0	0.0	0.0	0.0
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities indirect result	0.0	0.0	0.7	(3.6)	(0.6)	(1.2)	0.0	0.0	0.0	0.0
Indirect investment result	(2.3)	(3.1)	4.0	0.3	17.5	10.8	(11.0)	4.5	22.0	22.8
Net profit	10.2	8.3	13.8	19.7	34.9	37.3	10.3	27.6	46.5	48.8

Cash Flow Statement (EUR m)	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e	2012e
EBIT	14.7	15.4	14.3	23.2	25.6	38.2	32.5	35.1	36.9	38.2
Cash interest	(2.2)	(3.7)	(4.8)	(3.0)	(7.3)	(11.4)	(10.9)	(11.9)	(12.2)	(12.1)
Cash taxes	(0.0)	(0.2)	0.3	(0.8)	(0.9)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
Change in current assets/liabilities	0.0	0.0	(0.8)	(4.6)	(4.3)	5.5	0.0	0.0	0.0	0.0
Cash flow from operations	14.2	12.7	9.7	11.2	12.6	33.1	21.4	23.1	24.5	26.0
Acquisitions of investment properties	0.0	0.0	(0.7)	(3.0)	(1.2)	(74.6)	(29.4)	(26.3)	0.0	0.0
Disposals of investment properties	1.0	5.8	0.0	0.0	29.1	7.1	0.0	0.0	0.0	0.0
Net investments	0.0	0.0	0.0	(0.1)	(1.9)	(21.4)	0.0	0.0	0.0	0.0
Net investments in financial assets	0.1	(0.6)	(7.9)	(212.5)	(14.2)	(3.4)	0.0	0.0	0.0	0.0
Other	0.0	(0.3)	0.5	38.1	0.7	(11.2)	0.0	0.0	0.0	0.0
Cash flow from investments	1.1	4.8	(8.1)	(177.5)	12.5	(103.5)	(29.4)	(26.3)	0.0	0.0
Dividends	(11.6)	(10.6)	(10.6)	(11.3)	(12.4)	(30.6)	(7.4)	(19.2)	(20.8)	(22.0)
Change in equity	0.0	0.3	23.8	47.7	0.0	0.0	0.0	0.0	0.0	0.0
Change in debt	(10.5)	(6.0)	(19.4)	133.5	(16.7)	102.2	13.2	23.0	(4.0)	(4.0)
Cash flow from financing	(22.1)	(16.3)	(6.1)	169.9	(29.1)	71.5	5.8	3.8	(24.8)	(26.0)
Net cash flow/Change in cash	(6.8)	1.3	(4.5)	3.5	(4.0)	1.1	(2.2)	0.5	(0.3)	(0.1)

Balance Sheet (EUR m)	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e	2012e
Investment properties	221.3	257.5	268.6	467.2	445.9	534.0	575.3	606.1	628.1	650.9
Development pipeline	0.0	0.0	0.0	0.1	13.4	29.2	6.3	6.3	6.3	6.3
Other fixed assets	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (FFA)	59.3	0.7	1.2	2.6	4.4	1.0	1.0	1.0	1.0	1.0
Total fixed assets	280.6	258.2	269.9	469.9	463.7	564.2	582.6	613.4	635.4	658.2
Receivables	3.5	3.0	3.1	8.2	12.1	10.1	10.1	10.1	10.1	10.1
Cash	5.2	6.5	2.0	5.5	1.5	2.6	0.4	0.9	0.6	0.6
Total current assets	8.7	9.4	5.1	13.7	13.5	12.7	10.5	11.0	10.7	10.6
Total assets	289.3	267.6	275.0	483.7	477.2	576.9	593.1	624.4	646.1	668.9
Shareholders equity	150.0	148.9	180.0	237.8	262.1	264.4	267.4	275.7	301.5	328.2
Minority interests	0.0	0.0	8.0	24.7	10.0	0.0	0.0	0.0	0.0	0.0
Total group equity	150.0	148.9	188.0	262.6	272.0	264.4	267.4	275.7	301.5	328.2
Deferred tax liabilities	0.0	0.0	0.7	0.7	0.9	3.1	3.1	3.1	3.1	3.1
Other LT liabilities	5.8	9.5	1.4	0.1	1.8	1.1	1.1	1.1	1.1	1.1
LT interest bearing debt	0.0	41.6	29.8	94.8	86.3	172.5	175.0	172.0	168.0	169.0
Total LT liabilities	5.8	51.1	31.9	95.6	88.9	176.7	179.3	176.3	172.3	173.3
ST interest bearing debt	131.8	65.1	42.7	108.5	100.3	116.3	127.0	153.0	153.0	148.0
Other current liabilities	1.7	2.5	12.3	17.0	15.9	19.4	19.4	19.4	19.4	19.4
Total current liabilities	133.5	67.6	55.0	125.5	116.2	135.8	146.4	172.4	172.4	167.4
Total liabilities	289.3	267.6	275.0	483.7	477.2	576.9	593.1	624.4	646.2	668.9

