

FORTIS BANK NEDERLAND

Interinvest Retail

Real Estate / Belgium

Company results

Target Price EUR 46.00**Expected performance (12 mth) 58.6%****BUY EUR 29.01 (Closing price 05-Nov-08)**

Upgrade to Buy on strong operational results

6 November 2008**Analyst: Miriam Wijnands**

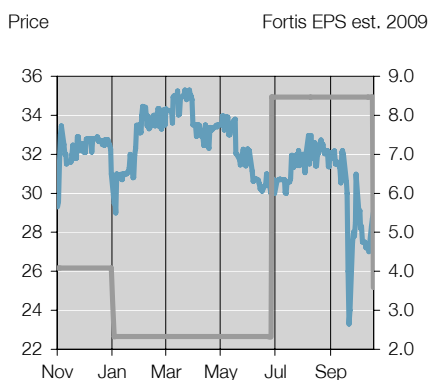
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Opinion on qualitative criteria

Accounting	IFRS 01/01/2005
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)	147.3
No. of shares (m)	5.1
Free float	28.0%
1/3/12 mth perf. (%)	(9.3)/(5.7)/(3.3)
High/low 52 weeks (EUR)	35.30/23.30
Next results due	17 February 2009
Price/book value (x)	
Volatility (β) (5yrs/)	
Reuters symbol	INTV.BR
Bloomberg symbol	INTV BB
Website	www.intinvest.be

We upgrade Interinvest Retail (INTV) to Buy from Hold and increase our target price to EUR 46 from EUR 36 on the back of solid Q3 08 results. INTV reported positive revaluations of EUR 3.37m or EUR 0.66 per share and a direct result of EUR 2.7m, EUR 0.52 per share. The company reported stronger than expected occupancy and efficiency ratios. As such we have adjusted our estimates accordingly. In addition, we adjusted our cost of debt. To reflect the changed view of our economists on the FY09E 10yY European bond yield.

Solid direct result attributable to strong occupancy and efficiency

The Q3 direct result of EUR 0.52 per share exceeded our estimate of EUR 0.47 per share, thanks to the strong occupancy of 99.2% and lower property expenses. INTV reported a LFL growth of 5% compared to Q3 07, which was in line with our estimate. We adjusted our expected occupancy to 99% from 97% and increased the efficiency ratio to 90% from 86%. These changes add EUR 2.4 to the fair value calculated in our DCF-model

Retail: Still reporting positive revaluations.

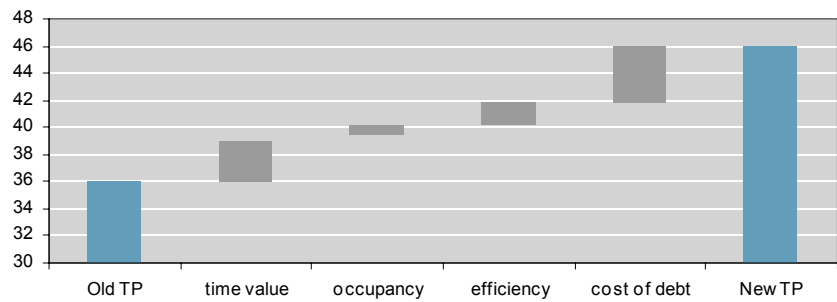
INTV reported positive revaluations of EUR 0.66 per share. We stick to our 30 bps yield expansion scenario FY08E and now forecast an EUR 38.8 NAV FY08E. We forecast an expected yield of 6.9% FY08E. The quality of INTV's assets (56% high street shops) justifies the spread compared to its peers Retail Estates (7.4%) and Ascencio (7.7%), who solely invest in retail warehouses.

Upgrade to Buy with a target price of EUR 46

We have lowered our cost of debt to 5.0% from 5.6% to reflect the view of our economists on the 10Y European bond yield FY09E. We upgrade to Buy from Hold and stress our preference for high quality retail over secondary offices. INTV is currently trading at a 7.3% DIVY and a 26% discount to the EUR 39 NAV FY08E. Once more, we would like to point to the defensive nature of the retail portfolio that is well positioned to weather negative revaluations and negative reversions.

Year to December	2007	2008e	2009e	2010e	2011e
Net rental income (EUR m)	13.0	17.4	19.5	21.3	22.1
EBIT (EUR m)	12.0	16.3	18.3	20.0	20.7
Direct result per share (EUR)	1.47	2.04	2.35	2.61	2.75
Indirect result per share (EUR)	3.24	1.30	1.23	9.31	2.50
Dividend per share (EUR)	1.47	2.04	2.35	2.61	2.75
NAV per share (EUR)	36.97	38.84	40.38	49.95	52.60
P/NAV (%)	94.3	74.7	71.8	58.1	55.2
Premium/(Discount) to NAV (%)	(5.7)	(25.3)	(28.2)	(41.9)	(44.8)
FFO multiple (x)	23.7	14.2	12.3	11.1	10.5
Dividend yield (%)	4.2	7.0	8.1	9.0	9.5

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INTV- components changed target price

Source: Fortis estimates

INTV- DCF

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2015E	2016E	TV
EBIT	16.4	18.5	20.3	21.0	21.5	22.1	22.8	23.5	24.2	24.9	
Change in working cap	12.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Investments	-13.7	-20.0	0.0	0.0	0.0						
Free CashFlow	14.8	-1.5	20.3	21.0	21.5	22.1	22.8	23.5	24.2	24.9	498.3
Discount factor	0.15	1.15	2.15	3.15	4.15	5.15	6.15	7.15	8.15	9.15	10.15
NPV FCFs	14.6	-1.4	17.3	16.6	15.8	15.2	14.5	13.9	13.3	12.7	236.3
% per annum		-110.4%	-1420.7%	3.5%	2.4%	3.0%	3.0%	3.0%	3.0%	3.0%	2.5%
COD	5.00%	50%									
COE	10.25%	50%									
Target gearing	100%										
WACC	7.63%										
Terminal growth rate	2.50%										
Cumulative NPV	368.9										
(a) Market value debt	127.9										
(b) Minority interest	0.0										
(c) Financial Assets/Associates	0.0										
(d) paid-out dividend in 2008	7										
Fair value (NPV-(a)-(b)+(c)-(d))	234										
NOSH	5.1										
DCF Fair Value / share (EUR)	46.0										

Source: Fortis

P & L Statement (EUR m)	2002	2003	2004	2005	2006	2007	2008e	2009e	2010e	2011e
Gross rental income	19.1	18.9	18.7	18.4	18.4	17.1	19.3	21.7	23.7	24.5
Direct property expenses	(3.2)	(3.2)	(2.0)	(3.3)	(3.7)	(4.1)	(1.9)	(2.2)	(2.4)	(2.5)
Net rental income	16.7	15.7	16.7	15.1	14.8	13.0	17.4	19.5	21.3	22.1
General costs	(1.7)	(1.8)	(1.0)	(0.8)	(1.0)	(1.0)	(1.1)	(1.2)	(1.3)	(1.4)
Other income/expenses	0.0	1.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	15.0	15.6	15.7	14.2	13.8	12.0	16.3	18.3	20.0	20.7
Net financial result	(2.9)	(3.0)	(2.9)	(3.4)	(3.9)	(4.6)	(6.0)	(6.4)	(6.8)	(6.7)
Associates (pretax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income taxes	0.3	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0
NOPAT	12.5	12.6	12.8	10.8	9.9	7.4	10.4	11.9	13.2	14.0
Extra ordinaries	0.0	0.0	0.0	0.0	0.1	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	12.5	12.6	12.8	10.8	9.9	7.4	10.4	11.9	13.2	14.0
Valuation results	(1.1)	4.0	(0.0)	8.4	3.5	36.0	6.6	6.3	47.3	12.7
Realised results disposals	(0.7)	0.3	(0.6)	(0.5)	(1.2)	(19.6)	0.0	0.0	0.0	0.0
Valuation result fin. assets	0.0	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	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indirect investment result	(1.8)	4.3	(0.6)	7.9	2.4	16.4	6.6	6.3	47.3	12.7
Net profit	10.6	16.9	12.3	18.7	12.3	23.9	16.9	18.2	60.5	26.7

Cash Flow Statement (EUR m)	2002	2003	2004	2005	2006	2007	2008e	2009e	2010e	2011e
EBIT	15.0	15.6	15.7	14.2	13.8	12.0	16.3	18.3	20.0	20.7
Cash interest	(2.9)	(3.0)	(2.9)	(3.4)	(3.9)	(4.6)	(6.0)	(6.4)	(6.8)	(6.7)
Cash taxes	0.0	0.3	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0
Change in current assets/liabilities	3.2	0.8	4.9	0.0	1.8	(6.1)	12.1	0.0	0.0	0.0
Cash flow from operations	15.4	13.7	17.8	10.8	11.8	1.3	22.5	11.9	13.2	14.0
Acquisitions of investment properties	(29.3)	(20.0)	(6.0)	(6.8)	(2.6)	(20.1)	0.0	0.0	0.0	0.0
Disposals of investment properties	2.1	2.0	2.1	8.1	19.1	12.1	0.0	0.0	0.0	0.0
Net investments	(41.5)	(18.6)	(5.5)	(0.1)	5.7	(15.7)	(8.7)	(20.0)	0.0	0.0
Net investments in financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	(0.1)	(0.1)	(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.0
Cash flow from investments	(41.5)	(18.7)	(5.6)	(0.4)	5.6	(15.7)	(8.7)	(20.0)	0.0	0.0
Dividends	(12.2)	(12.3)	(12.9)	(12.9)	(10.9)	(10.0)	(7.5)	(10.4)	(11.9)	(13.2)
Change in equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in debt	32.4	15.8	1.5	7.4	(12.0)	24.7	(4.4)	16.0	(1.0)	0.0
Cash flow from financing	20.2	3.5	(11.4)	(5.5)	(22.9)	14.7	(11.8)	5.6	(12.9)	(13.2)
Net cash flow/Change in cash	(5.9)	(1.5)	0.7	4.9	(5.5)	0.4	1.9	(2.4)	0.3	0.7

Balance Sheet (EUR m)	2002	2003	2004	2005	2006	2007	2008e	2009e	2010e	2011e
Investment properties	215.4	250.5	272.4	280.1	267.0	291.4	320.6	326.8	374.1	386.8
Development pipeline	17.1	3.7	4.6	4.6	13.9	21.6	7.7	27.7	27.7	27.7
Other fixed assets	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
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)	0.0	0.1	0.1	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Total fixed assets	232.5	254.3	277.1	285.2	281.3	313.4	328.7	355.0	402.3	415.0
Receivables	3.3	5.3	3.7	2.6	5.1	17.1	4.9	4.9	4.9	4.9
Cash	2.5	1.0	1.7	6.6	1.1	1.5	3.4	1.0	1.3	2.0
Total current assets	5.7	6.3	5.4	9.1	6.1	18.6	8.4	5.9	6.2	7.0
Total assets	238.2	260.6	282.5	294.3	287.4	332.0	337.1	360.9	408.5	422.0
Shareholders equity	138.5	143.5	166.6	171.7	173.7	187.8	197.2	205.1	253.7	267.1
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total group equity	138.5	143.5	166.6	171.7	173.7	187.8	197.2	205.1	253.7	267.1
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.3	0.3
Other LT liabilities	0.3	5.8	0.5	0.5	0.4	0.3	0.3	0.3	0.3	0.3
LT interest bearing debt	19.1	63.8	63.5	72.8	71.9	66.6	80.0	95.0	95.0	95.0
Total LT liabilities	19.4	69.6	64.0	73.3	72.3	67.2	80.6	95.6	95.6	95.6
ST interest bearing debt	72.8	43.9	45.6	32.7	32.7	62.8	45.0	46.0	45.0	45.0
Other current liabilities	7.5	3.6	6.2	16.5	8.7	14.3	14.3	14.3	14.3	14.3
Total current liabilities	80.3	47.4	51.8	49.3	41.4	77.0	59.3	60.3	59.3	59.3
Total liabilities	238.2	260.6	282.5	294.3	287.4	332.0	337.1	360.9	408.5	422.0

Important disclosures

Issuer	Ticker	Price (EUR)
Interest Retail	INTV.BR	29.01

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Steven Vlek - Equity Research Analyst

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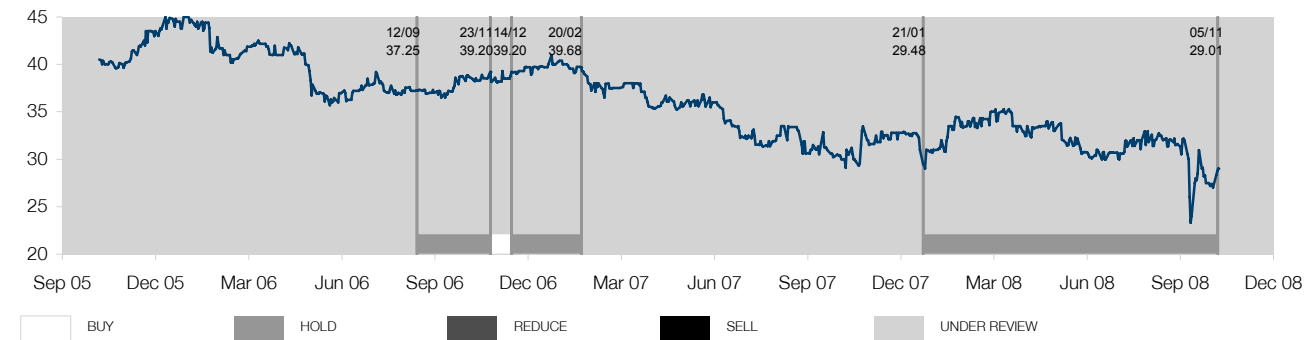
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HOLD	HOLD	The stock does not belong to the current favourites. The investment case is not appealing for the time being. However, it's worth to keep the stock. Expected performance: > +5%, < +20%	28%	25%
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SELL	SELL	The investment case is definitively negative. Investors should sell the stock at any conditions. Expected performance: negative	3%	3%

6 November 2008

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Historical equity recommendations and target price for Intervest Retail (EUR)



History of Target Prices

Date	Recommendation	Target Price
5/11/2008	BUY	EUR 46.00
15/7/2008	HOLD	EUR 36.00
23/1/2008	HOLD	EUR 33.00
21/1/2008	HOLD	EUR 33.10
20/2/2007	NO OPINION	EUR
16/1/2007	HOLD	EUR 37.40
23/11/2006	BUY	EUR 36.60
12/9/2006	HOLD	EUR 35.20

History of Recommendations

Date	Recommendation	Target Price
5/11/2008	BUY	EUR 46.00
21/1/2008	HOLD	EUR 33.10
20/2/2007	NO OPINION	EUR
14/12/2006	HOLD	EUR 36.60
23/11/2006	BUY	EUR 36.60
12/9/2006	HOLD	EUR 35.20

Source: Fortis Equity Research, FactSet

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