COMPANY NOTE

KBC Securities

2 May 2016

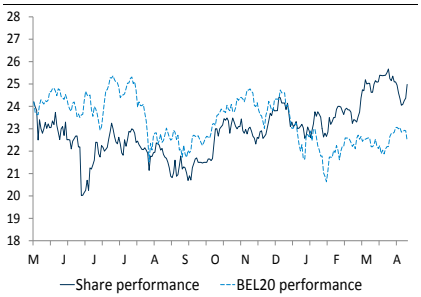
IO&W

The rise of Intervest 2.0

REAL ESTATE INVESTMENT & SERVICES
BELGIUM

CURRENT PRICE € 24.98
TARGET PRICE € 25.00

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	INTO BB
Reuters	PRIF.BR
www.intervest.be	
Market Cap	€ 406m
Shares outst.	16.2m
Volume (Daily)	€ 0.55m
Free float	75.73%
Next corporate event	
Results 1Q16: 3 May 2016	

Performance	1M	3M	12M
Absolute	0%	8%	-4%
Rel. BEL20	-1%	10%	4%

12-m Hi/Lo	€ 25.67/20.02

FY/e 31.12	2015	2016E	2017E	2018E
Current Result (€ m)	31.1	29.1	31.0	33.5
Portfolio Result (€ m)	-4.7	-14.6	0.6	7.0
Net Profit (€ m)	26.5	14.5	31.6	40.4
Diluted Adjusted EPS (€)	1.90	1.77	1.77	1.84
NAV Per Share (€)	20.1	19.4	20.2	21.0
P/E	12.30	14.14	14.12	13.61
EV / EBITDA	16.28	18.60	19.58	19.23
DPS (€)	1.71	1.41	1.42	1.47
Dividend Yield	7.3%	5.7%	5.7%	5.9%

Source: KBC Securities

In the post-NSI era, IOW will continue to focus on its two existing pillars – logistics and offices – but the priority will now shift to growing the logistics segment towards 60% by 2018 (from 51% today), equivalent to a net expansion of € 166m. We have updated our model and valuation, but stick to our Hold rating.

- **New strategy improves risk profile.** IOW is now ready to further spread its wings in the logistics sector. Growth in logistics should be beneficial to shareholders as it will support occupancy rates and average lease lengths and is also less capex-intensive.
- **Fair BS risk.** We believe balance sheet risk will be acceptable, (applying a 45-50% debt ratio and with new shareholders willing to support new equity strengthening when needed.
- **Financial adjustments.** We expect NRI to be mainly driven by external expansion, as we predict no real rental growth (in offices & logistics) and only moderate inflation. We foresee a marked drop in avg. CoD as of FY16. Our model update leads to a revision of our EPS forecasts from € 1.83, € 1.68 and € 1.74 to € 1.77, € 1.77 and € 1.84 in FY16, FY17 and FY18.
- **Investment case.** We believe that IOW has chosen the right path. The sale of offices was a first step in de-risking and freeing up the resources for more value-accretive investments, but we see obstacles in weak NAV growth triggers (are the revaluations in the Brussels periphery sufficient?) and increased capex and occupancy risk at the Diegem campus. Meanwhile, growth in logistics will also be tricky with specialist investors like WDP and Montea in the market. We conclude that IOW is fully valued and stick to our Hold.

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INTERVEST OFFICES & WAREHOUSES – COMPANY PROFILE

Company profile

Intervest Offices & Warehouses is a **Belgian REIT with a € 593m portfolio located exclusively in Belgium**. While logistics amounted to only 25% of the portfolio in 2002, this increased gradually to reach 51% in 1H16E. The company targets to have 60% logistics in the short term.

IOW has built up a **solid position in offices (49%) in Antwerp and particularly Mechelen**, while some locations in the **Brussels periphery seem less core**. Antwerp offers the fewest rental incentives to tenants and Brussels the most. IOW's turnkey solutions concept is no longer offered only to attract new tenants, but also to keep existing ones, and with great success.

With regard to logistics, **IOW is increasing its investments on the Antwerp-Liège axis**. It seems to be attracting interest from logistics companies between Limburg-Liège thanks to low land-prices & available human capital.

Growth in logistics has given a healthy boost to the occupancy rate, which currently stands at 90% (95% logistics and 85% offices). The gross portfolio yield is 7.9%, of which 8.4% for offices and 7.3% logistics. Thus, **even with 15% vacancy in offices, the return on offices remains attractive.** The EPRA NIY amounts to 6.6%. Average lease maturity is 3.7y.

Investment case

IOW is **reorienting its office portfolio towards logistics**, which should de-risk it and support cash flow and portfolio quality. The company remains active in both segments, given the **strong office portfolio in Antwerp and Mechelen**, and its track record in value creation. These assets are of good quality and the company's turnkey solutions/RE:flex concepts support solid occupancy ahead.

But this **repositioning also comes at a cost**, as reflected in the recent transaction in which IOW had to take a sizeable € 13m hit. Exiting the non-core offices was essential however, as they no longer held value-creation potential, while the occupancy risk was only increasing. Meanwhile, **we see little to zero NAV growth** and question whether the small FV adjust. for the remaining offices in the Brussels periphery is sufficient.

We believe that IOW has chosen the right path. **Selling offices was a first step in de-risking and freeing up the resources for more value-accretive investments**, but we see obstacles in weak NAV growth triggers (are the revaluations in the Brussels periphery sufficient?) and increased capex and occupancy risk at the Diegem campus. Meanwhile, growth in logistics will also be tricky with specialist investors like WDP and Montea in the market.

We conclude that **IOW is fully valued and stick to our Hold**. Our updated valuation leads to a PT cut from € 26 to € 25, which corresponds to a div yield16E of 5.6% and a P/NAV16E of 1.31x.

Valuation

Target price: We value Intervest O&W using an EVA and DCF model over a fixed 5-year forecasting period and apply a WACC of 6.1%. Our valuation leads to a theoretical future fair value range between € 20 and € 25 p.s. We therefore have a € 25 price target, which corresponds to a dividend yield 16E of 5.6% and a P/NAV16E of 1.31x. Given the current share price, we rate the stock Hold.

EVA valuation: Starting from the NAV (EPRA), we estimate the value creation spread (ROIC-WACC) in the coming 5-year forecasting period, to obtain an expected total value of € 20.3/sh.

DCF Valuation: We discounted our FCF at a WACC of 6.1% over a 5-year forecasting period and applied a 1.5% long-term growth rate. This calculation pointed to a forward price of € 25.1/sh.

SWOT analysis

Strengths:
- Attractive net yield of 6.6% on back of 90% occupancy
- Strong market position in offices in Antwerp and Malines
- Rebalancing towards logistics improves CF & portf. quality
- Marked CoD decline in FY16

Weaknesses:
- Uncertainty regarding re-letting of Diegem campus
- Still some exposure to Brussels decentralized offices
- Relatively short average lease maturity (3.7y)

Opportunities:
- Finding a solution for the Deloitte office building
- Further qualitative growth in logistics

Threats:
- Challenging office market in Brussels decentralized area
- Rapidly-changing sustainability requirements in offices

STRATEGY UPDATED

Growth on the menu…

…via portfolio de-risking and an increased presence in logistics

Following NSI's exit as majority shareholder, Intervest Offices & Warehouses (IOW) published its new strategy and 3-year plan. In the post-NSI era, it will continue to focus on its two existing pillars – logistics and offices – but more emphasis will now be on expanding the logistics segment towards 60% by 2018 (51% today). It thereby targets € 166m of net expansion via investments and disposals.

Offices

Offices will remain strategic in IOW's future portfolio. The company has built up know-how and a certain market dominance (in Antwerp and Mechelen) that it would like to strengthen. The focus will increasingly shift to experience and services. Flexibility in office space has become crucial, as has creating a pleasant working environment. IOW will make new investments in campuses (e.g. Diegem campus) or at city-centre locations, but it will also investigate the disposal of non-core assets, most likely those located in the Brussels periphery. The first steps were announced recently (cf. portfolio update).

IOW pro-actively maintains its relationships with existing and new tenants via its concept of total decoration turn-key solutions. It thereby offers tailor-made fitting-out solutions that include the design-plans, the follow-up works and coordination, all in a pre-agreed framework covering timing and cost. This increases the retention of existing tenants and attracts new ones. Furthermore, with RE:flex, IOW has a flexible office space concept, offering several facilities such as shared meeting rooms. Its success has prompted the company to promote this concept further.

Logistics

IOW also targets 50% growth in its logistics portfolio to € 500m. The aim is to achieve this growth by 2018 on the Antwerp-Brussels-Nivelles and Antwerp-Limburg-Liège axes, where it has already built up a solid presence. It aims to create asset clusters in order to improve efficiency and provide a more optimal client service. Growth can be realized in three ways: via the acquisition of high-quality assets, developments on existing land banks or extensions of existing assets. Alongside the Antwerp-Liège axis, we can already think of likely expansion possibilities at the sites in Herentals or Herstal.

Balance sheet: 45-50% gearing

The company would like to realize all this growth with a gearing ratio of 45-50%. The management team will also end its contract with Vastned Retail Belgium and will continue working exclusively for IOW.

Our take

This strategic announcement is fully consistent with our expectations for the company post NSI. We are confident that IOW will be able to achieve its strategic shift to logistics and appreciate its continued presence in offices, in which it has already shown its value creation skills, particularly in its dominant markets of Antwerp and Mechelen. Building further on the existing logistics axes in Belgium looks to be an obvious future step. We are also convinced that the new shareholders will support this growth, while maintaining a sound balance sheet.

PORTFOLIO UPDATE

LOGISTICS EXPANSION ON THE ANTWERP-LIÈGE AXIS

Over the past 18 months, IOW recorded € 62m external logistics growth

The last significant growth transactions date from November 2014 and February 2015, when IOW bought the logistics assets in Opglabbeek and Liège for € 62m. The site in Herstal (Liège) counts 77k sqm (built between 1999 and 2012), is 100% occupied was acquired at a gross yield of c. 8% and with an average rental duration of 5.3 years (multi-tenant). The site includes a 12k sqm land bank, while IOW also holds a call option on an adjoining plot of land allowing it to build 55k sqm of warehouse extension.

SITE IN HERSTAL

Source: IOW

SITE IN OPGLABBEEK

Source: IOW

In Opglabbeek, IOW executed a sale and lease back transaction with Vincent logistics to acquire a 52k sqm logistics site (built between 2001 and 2008). The price tag was € 28.6m, corresponding to a net yield of 8.2%. 84% of the site is leased to Vincent Logistics on a long-term, while the remainder is leased on the short-term.

DIVESTMENTS

Disposing four offices and one semi-industrial asset

After three years of trying, IOW finally succeeded in selling non-core offices in Brussels. It sold four office assets and one semi-industrial site in the decentralized area and periphery of Brussels: Brussels 7, Park Station, Hermes Hills, 3T estate and the semi-industrial building; Berchem Technology Centre. This enabled IOW to de-risk its portfolio, which is a welcome development.

Taking a € 13m value cut

However, the deal didn't leave IOW unscathed. It had to accept a 32% cut vs. the latest appraised market value (the assets were sold at € 27m vs. € 40m appraised). This was larger than anticipated and puts a question mark over the valuation of the remaining assets in the portfolio for the Brussels decentralized region.

Assuming a comparable asset quality, a further € 0.25 cut in NAVp.s. can be expected…

A back-of-the-envelope calculation points to an average disposal price for the office portfolio deal of € 740-€ 860 per sqm, depending on whether a scrap value is still attached to the Hermes Hills building (Deloitte's lease ends December 2016). Applying an average value of € 800 per sqm to the remaining assets (except for the Diegem campus, PWC building & Inter Access Park that enjoy high demand), points to a possible value cut of € 0 to € 4m (or a € 0-0.25 cut in NAVps).

…Higher asset quality could limit this impact.

Following the sale, IOW recognized a € 1.2m value cut on these assets. However, the occupancy of these remaining buildings is above the level for the sold assets. This could justify a higher value of € 1,000 to € 1,200 per sqm, which would halve the impact.

OVERVIEW OFFICE PORTFOLIO IN BRUSSELS

Building	Tenant	Lease mat.	Construction	Surface
Diegem Campus 1 & 2	Deloitte	End-FY16	2000-2002	17,632
Inter Access Park	multi	3/6/9	2000	6,391
Park Rozendal	multi	3/6/9	1994 (2006)	2,830
Woluwe Garden	PWC	2021	2000	24,460
Exiten	multi	3/6/9	2002	3,628

Source: IOW

DIEGEM CAMPUS – VACATED BY DELOITTE END FY16

Source: IOW

Despite the value hit, we think it's better to focus on de-risking and long-term value creation

While we applaud this deal for the way it de-risks the portfolio and creates headroom for expansion in more value-accretive logistics deals, the company took a significant hit of € 13m that it will take some time to recover from. But in what is still an illiquid market, we think it's better to focus on de-risking and long-term value creation rather than to leave capex-intensive assets with no clear visibility on occupancy.

REJUVENATING DIEGEM CAMPUS

The Diegem campus is an example of the new office strategy

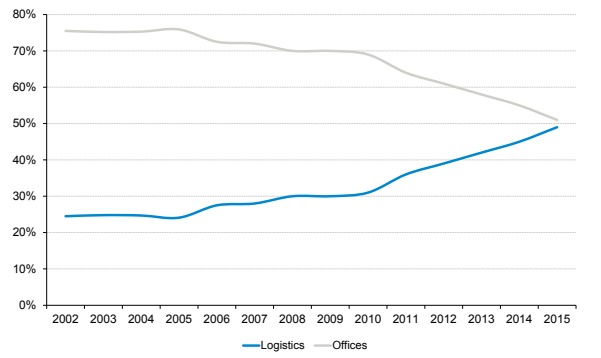
In 2016, IOW's priority will be to put the Diegem campus back on the market. This project will bring all IOW's expertise under one roof. The campus will become a state-of-the-art office building, offering quality office space, flexibility, services and a relaxing yet stimulating working environment, with a co-working lounge, a cafeteria and an auditorium. The building will therefore be in direct competition with new projects at the airport and will attract other tenants than surrounding (older) projects do.

PORTFOLIO METRICS IN GENERAL

€ 593m portfolio with 51% logistics (post-closing of the disposal transaction)

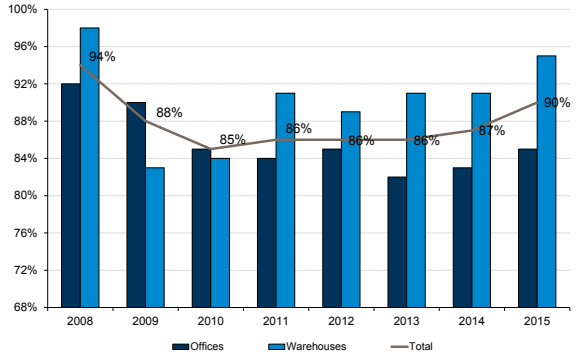
Following the recent disposal, IOW's portfolio value will drop to € 593m, located exclusively in Belgium. While logistics amounted to only 25% of the portfolio in 2002, this has increased gradually to reach 51% today. The company targets 60% by FY18. The portfolio counts 32 properties (16 offices and 16 logistics assets) offering 677k sqm.

SEGMENTAL EVOLUTION



Source: IOW

OCCUPANCY EVOLUTION



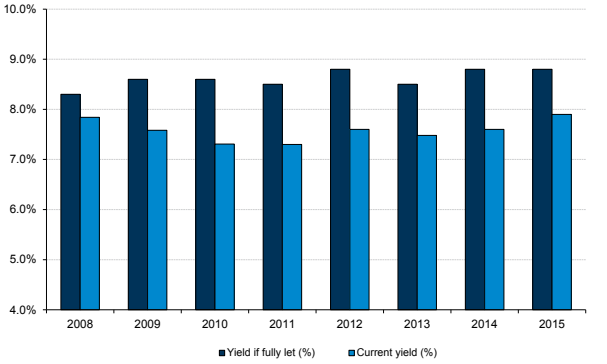
Source: IOW

Occupancy of 90%

EPRA NIY of 6.6%

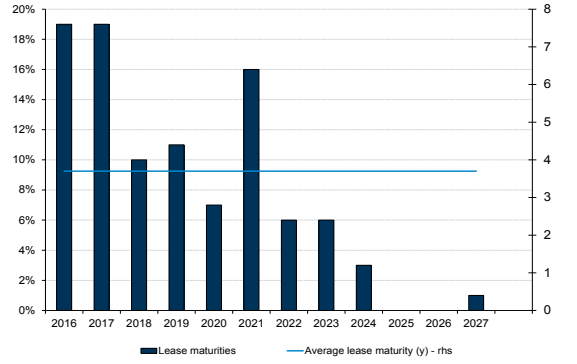
Growth in logistics has given strong support to portfolio occupancy. At end-FY15, the occupancy rate was 90% (95% logistics and 85% offices). The gross portfolio yield was 7.9%, of which 8.4% for offices and 7.3% logistics. Thus, even with 15% vacancy in offices, the return on offices remains attractive. The EPRA NIY amounts to 6.6%.

OCCUPANCY EVOLUTION



Source: IOW

LEASE MATURITY PROFILE



Source: IOW

Average lease of 3.7 years

19% at risk in FY16

Average lease maturity amounts to 3.7 years (4.0y logistics and 3.5y offices). Most contracts in the offices portfolio are of the 3/6/9 type. This creates a continuous need for rental renewals or extensions. 19% of rents comes to an end or have a break in FY16, of which 8% are related to Deloitte (end-December FY16). The remainder is spread across several smaller tenants in offices (5%) and logistics (6%). In FY17, this is 11%, of which 8% are two large logistics tenants that are highly likely to stay.

MANAGEMENT UPDATE

Four-headed mgmt. team

The management committee has decided to end its management contract with Vastned Retail Belgium and to focus in full on Intervest Offices & Warehouses. Marco Hengst has been promoted to the position of Chief Investment Officer (Head of Logistics). The management team has therefore been expanded to include four people: Jean-Paul Sols CEO, Inge Tas CFO, Luc Feyaerts COO (Head of offices) and Marco Hengst.

MANAGEMENT COMMITTEE

Jean-Paul Sols	CEO
Inge Tas	CFO
Luc Feyaerts	COO (Head of Offices)
Marco Hengst	CIO (Head of Logistics)

Source: IOW

BOARD OF DIRECTORS

Jean-Pierre Blumberg*	Independent	Partner Linklaters
Chris Peeters	Independent	Partner Policy research
Marleen Willekens	Independent	Professor Accounting
Jacqueline de Rijk	Independent	Director J.d. Rijk Logistics
Gunther Gielen	Dependent	M.D. Belfius Insurance
Johan Buijs	Dependent	CEO NSI

Source: IOW * Chairman

New composition of the Board

Furthermore, the exit of NSI as majority shareholder led to several board changes. Thomas Dijksman, Daniel van Dongen and Nico Tates ended their mandates as dependent directors and the chairman Paul Christiaens and Nick van Ommen as independent directors. They were replaced by Jean-Pierre Blumberg (independent director) who returned as chairman, Marleen Willekens and Jacqueline de Rijk as independent directors and Gunther Gielen as a dependent director.

Since NSI has also sold its minority stake in IOW, Johan Buijs is expected to become an independent board member. We don't exclude him to exit the board in the short-term.

FINANCIAL OUTLOOK

Portfolio expansion ahead

We updated our model to incorporate the company's new growth ambitions and the recent disposal (expected to be closed this summer). We see investments accelerating on the back of a growing market presence. We bank on € 6m net expansion in FY16, € 60m in FY17 and € 100m in FY18.

Diegem campus: a key priority in 2016

Capex est. of € 4m - € 8m

As of 31 December 2016, Deloitte's rental contract will end (8% impact on total rents). IOW will immediately start the works (estimated at € 4m to € 8m) that will link the Diegem campus buildings to create communal spaces for leisure, flexible offices, a café, restaurant, auditorium, etc. The office space itself will not be refurbished (it already has Breeam 'Very Good' certification) and each tenant will need to furnish its own space and install new offices. IOWs total "turnkey-solutions" concept can help to attract new tenants. Management says that it is already in negotiations with potential tenants for this new hub that offers a totally new way of working. We prefer however to take a conservative stance and pencil in two years of vacancy before any new contributions. Given these efforts to create an attractive, flexible and service-oriented campus, we do not expect the site to be sold.

Inflation of 1-1.5% will support rental income growth

We predict limited real rental growth, as competition in the offices segment remains fairly fierce, while there is still sufficient available land to develop new logistics buildings. Rental indexation is therefore only expected to be driven by inflation, which is low on a European level, but looks set to reach 1-2% in FY16 in Belgium (driven by local increases in electricity taxation). Low economic growth leads us to believe that it will remain fairly low in the coming years. Eurostat forecasts average EU inflation of 1-1.5% over FY16-18.

New NRI forecasts

As a result, we expect net rental income to be mainly driven by external expansion, evolving from € 46.2m in FY15 to € 45.1m in FY16, € 45.9m in FY17 (Deloitte impact fully offset) and € 50.2m in FY18.

We see 2% upside in operating margin in the short-term

Including a one-off refurbishment fee in FY15, we expect the operating margin to drop from 91% to 86% in FY16. We then bank on a gradual improvement to reach 88% in FY18, on the back of less capital-intensive management of logistics properties and lower vacancy costs.

Cost of debt expected to come down markedly as of FY16

Following the maturity of the 5.1% coupon-bond in June 2015, we foresee a marked drop in average cost of debt. The gradual increase in the proportion of logistics should also have a positive impact on the offered credit spreads. We believe the amount of outstanding debt will remain under control, in-line with management's guidance (target debt ratio 45-50%). We do think however that the targeted growth at stable gearing will necessitate an equity strengthening in FY17.

FY16 EPS: € 1.77
FY17 EPS: € 1.77
FY18 EPS: € 1.84

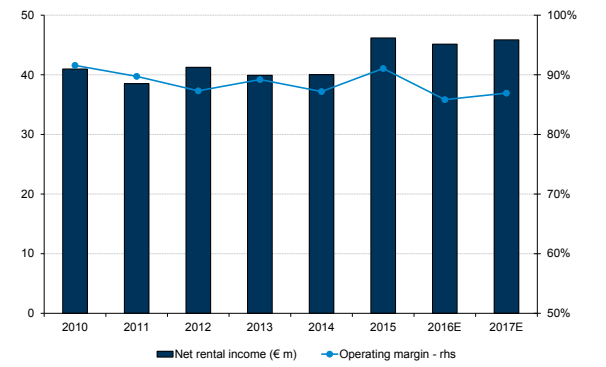
We expect a drop in net current result from € 30.8m to € 29.1m in FY16. In FY17, it should stabilize at € 31.0m before increasing again to € 33.5m in FY18 on the back of external portfolio growth. Taking into account an equity strengthening in FY17, this corresponds to EPS (EPRA) forecasts of € 1.77 in FY16, € 1.77 in FY17 and € 1.84 in FY18.

P&L ANALYSIS

€ m	2013	2014	2015	2016E	2017E	2018E
Net rental income	39.9	40.0	46.2	45.1	45.9	50.2
Property operating expenses	(3.1)	(3.5)	(2.5)	(4.6)	(4.0)	(4.2)
Property operating result	36.8	36.5	43.7	40.6	41.9	46.0
Administrative expenses	(1.2)	(1.6)	(1.7)	(1.8)	(2.0)	(2.0)
EBITDA	36	35	42	39	40	44
Net financing expenses	(11.0)	(11.8)	(10.9)	(9.5)	(8.9)	(10.4)
Corporate income tax	-	-	-	(0.1)	-	-
Minorities	-	-	-	-	-	-
Net current result - group	24.6	23.1	31.1	29.1	31.0	33.5
Profit (loss) on disposals	1.9	(0.6)	0.1	(13.0)	-	-
Portfolio revaluations	5.5	(5.2)	(5.3)	(1.6)	0.6	7.0
Net other income / (expenses)	-	-	-	-	-	-
Revaluation of financial instruments	2.2	(0.3)	0.6	-	-	-
Deferred tax expenses	-	-	-	-	-	-
Portfolio result - group	9.6	(6.1)	(4.7)	(14.6)	0.6	7.1
Net profit - group	34.2	16.9	26.5	14.5	31.6	40.6
Number of shares	14.4	16.1	16.2	16.7	18.3	18.3
EPS – direct (EPRA)	1.70	1.56	1.90	1.77	1.77	1.84
EPS – indirect	0.66	(0.38)	(0.29)	(0.87)	0.03	0.38
EPS – net result	2.36	1.18	1.61	0.89	1.80	2.22
DPS	1.53	1.40	1.71	1.41	1.42	1.47
Pay-out ratio	90%	90%	90%	80%	80%	80%

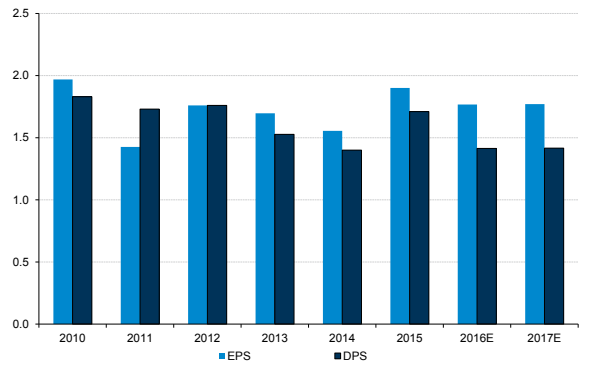
Source: KBC Securities

NRI EVOLUTION



Source: KBC Securities

EPS – DPS EVOLUTION



Source: KBC Securities

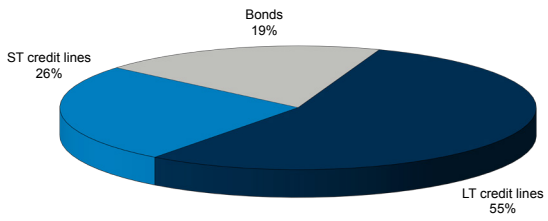
BALANCE SHEET

Well-diversified debt profile…

…and easy-to-manage debt maturities

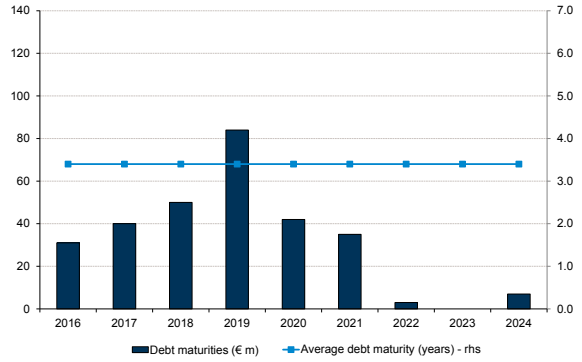
IOW has two bonds outstanding. One 5-year bond of € 25m generating a coupon of 3.43% and € 35m of 7-year bonds generating a coupon of 4.06%. Its credit lines can be divided between € 79m of short-term debt and € 167m of long-term debt. The debt maturity profile is well-spread, creating easy-to-manage maturities. The average debt maturity stands at 3.4y, being close to the asset duration (3.7y), generating solid earnings visibility. IOW typically applies 66% hedge rate (3.5y maturity), leaving some room for flexibility.

DEBT PROFILE



Source: IOW

DEBT MATURITY PROFILE

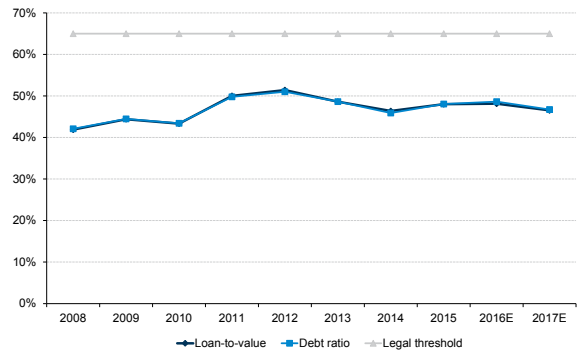


Source: IOW

We estimate an average CoD of 2.8-3.0% in FY16-18

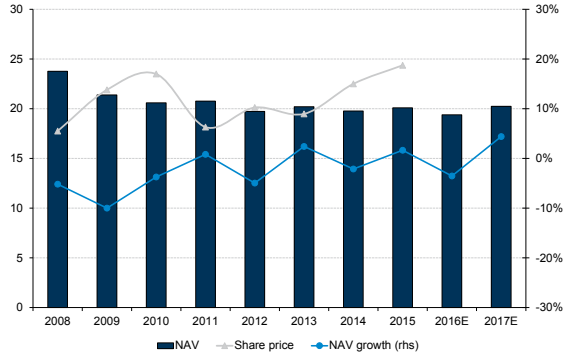
We expect the company to maintain a debt ratio between 45-50% as guided by management. Based on the growth program, we have however pencilled in a capital increase in FY17 to create new headroom. We also bank on the continued use of an optional dividend, which we believe will gain success given the exit of the non-participating shareholder NSI. The FY15 average cost of debt landed at 3.5%, but was heavily impacted by the costly bond that matured in June. In FY16, we expect the company to benefit in full from this maturity. Taking into account the rather flat Euribor 3m curve, we estimate an average CoD of 2.8-3.0% in FY16-18.

DEBT RATIO EVOLUTION



Source: IOW, KBC Securities

NAV EVOLUTION



Source: IOW, KBC Securities

VALUATION AND INVESTMENT CASE

INVESTMENT CASE

1. Partly shifting towards logistics

IOW is reorienting its office portfolio towards logistics, which should support cash flow quality and be value accretive. The company remains however active in both segments as its presence in the office markets of Antwerp and Mechelen has proven successful.

2. Growth in logistics improves cash flow quality (occupancy and lease length)

Thanks to its logistics know-how and strengthened network, IOW is now ready to further spread its wings in the sector. Growth in logistics should also be beneficial to shareholders as it supports occupancy rates and the average lease length.

3. This reorientation brings with it value cuts… but also de-risks the portfolio

But this repositioning also comes at a cost, as reflected in the recent transaction in which IOW had to take a sizeable € 13m hit. Recovering from this will take time, but this exit from non-core assets is necessary, as they no longer hold value creation potential, while the occupancy risk was only increasing. So the strategy reduces risk and creates more sound fundamentals. The downside is that the appetite for peripheral offices is still weak, forcing the company to bite the bullet.

4. Fair balance sheet risk

Looking ahead, we believe IOW will carry a fair balance sheet risk applying a 45-50% debt ratio. We also expect the new shareholder base to support new equity strengthening when needed given the plans to further expand the portfolio.

5. Small hurdles remain

While we see a bright future from a strategic perspective, we still think the company will encounter some short-term obstacles. First, we see few to zero NAV growth triggers. We even question whether the small fair value adjustment in the Brussels periphery is sufficient. Second, IOW will still have to increase capex and fill the Diegem campus with new tenants.

Conclusion

All in all, we believe that IOW has chosen the right path. The start is proving somewhat bumpy and we believe it will take a while for the lost value to be regained, but the office disposal was a first step in de-risking and freeing up the resources for more value-accretive investments. With a fully dedicated management team and clear balance sheet structure, we believe the road is clear for logistics growth that will improve cash flow quality. However, the presence on the market of the specialist logistics investors WDP and Montea will make achieving the growth target tricky. Based on our valuation exercise, we conclude that the company is currently fully valued and therefore stick to our Hold rating.

Hold rating, € 25 PT

VALUATION

We value IOW using an Economic Value Added and Discounted Cash Flow model on a 5-year forecasting horizon and with a 1.5% long-term growth rate. We attain a 6-month forward fair value range between € 20.3 and € 25.1 per share. We therefore cut our PT from € 26 to € 25 per share, reflecting the value loss linked to the disposal transaction.

VALUATION

EVA Valuation		DCF Valuation	
NAV (EPRA)	20.1	Total DCF Value	699.7
Minus 50% deferred taxes	0	- Corrections (NFD, etc.)	-304.6
NPV of EVA	-0.4	Equity value	395.1
Forward	0.6	N° of shares	16.2
Future value per share	20.3	Future value per share	25.1

Source: KBC Securities

FINANCIAL DATA

Income statement (€ m)	2013	2014	2015	2016E	2017E	2018E
Gross Rental Income (GRI)	39.9	40.0	46.1	45.2	45.9	50.3
Other Income	-	-	-	-	-	-
Property & Development Costs	-3.1	-3.5	-2.5	-4.6	-4.0	-4.2
Other Costs	-1.2	-1.6	-1.7	-1.8	-2.0	-2.0
EBITDA	35.6	34.9	42.0	38.7	39.9	44.0
Depreciation & Amortization	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**35.6**	**34.9**	**42.0**	**38.7**	**39.9**	**44.0**
Financial Result	-11.0	-11.8	-10.9	-9.5	-8.9	-10.5
Taxes	0.0	0.0	0.0	-0.1	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued / Other	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
Net current result (Group's share)	**24.6**	**23.1**	**31.1**	**29.1**	**31.0**	**33.5**
Changes in FV of investment properties	5.5	-5.2	-5.3	-1.6	0.6	7.0
Gains/losses on real estate divestments	1.9	-0.6	0.1	-13.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Portfolio Result	9.6	-6.1	-4.7	-14.6	0.6	7.0
Net Profit (Group's share)	**34.2**	**16.9**	**26.5**	**14.5**	**31.6**	**40.4**
Adjusted Net Profit (Group's share)	24.6	23.1	31.1	29.1	31.0	33.5

Cash flow statement (€ m)	2013	2014	2015	2016E	2017E	2018E
Cash Flow from Operations	27.1	22.1	25.0	29.1	31.0	33.5
Change in Working Capital	4.7	-0.1	-4.5	0.0	0.0	0.0
Cash Flow from Operating Activities	31.8	22.0	20.5	29.1	31.0	33.5
Cash Flow from Investments	-0.1	-33.0	-29.5	-11.0	-66.0	-72.7
Free Cash Flow	33.6	-11.6	-9.0	18.1	-35.0	-39.1
Dividend Payments	-21.2	-15.4	-18.4	-17.1	-25.8	-25.8
Share issues	0.0	26.0	0.0	0.0	40.0	0.0
New borrowings / reiumbursements	-7.0	2.0	32.3	5.0	17.0	65.0
Other cash flow from financing	-	-	-	-	-	-
Cash Flow from Financing	-28.2	12.6	13.9	-12.1	31.2	39.2
Fx and changes in consolidation scope	-	-	-	-	-	-
Change in Cash & Equivalents	5.4	1.0	4.9	6.0	-3.8	0.0

Balance sheet (€ m)	2013	2014	2015	2016E	2017E	2018E
Investment Properties	580.7	609.5	634.4	630.8	697.5	777.1
Development Projects	-	-	-	-	-	-
Other Fixed Assets	0.3	0.2	0.8	0.8	0.8	0.8
Total Fixed Assets	581.0	609.7	635.2	631.6	698.3	777.9
Assets held for Sale	0.0	0.0	0.0	0.0	0.0	0.0
Receivables	3.8	3.9	7.0	7.0	7.0	7.0
Other current assets	3.4	3.7	5.6	5.6	5.6	5.6
Cash and Cash Equivalents	0.7	1.3	0.6	6.6	2.7	2.7
Total Current Assets	7.9	8.9	13.2	19.2	15.3	15.3
TOTAL ASSETS	**588.9**	**618.6**	**648.4**	**650.8**	**713.6**	**793.2**
Shareholders' Equity	286.5	314.1	321.7	319.1	364.9	379.5
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	286.5	314.2	321.7	319.1	364.9	379.6
LT Financial Debt	221.3	171.5	226.1	231.1	248.1	313.1
Other LT Liabilities	10.9	5.7	5.4	5.4	5.4	5.4
Total LT Liabilities	226.2	177.2	231.5	236.5	253.5	318.5
ST Financial Debt	61.7	112.5	79.2	79.2	79.2	79.2
Other Current Liabilities	14.5	14.8	16.0	16.0	16.0	16.0
Total ST Liabilities	76.2	127.3	95.2	95.2	95.2	95.2
TOTAL LIABILITIES	**588.9**	**618.6**	**648.4**	**650.8**	**713.6**	**793.2**

Performance criteria	2013	2014	2015	2016E	2017E	2018E
Net Debt (€ m)	282.3	282.7	304.6	303.6	324.5	389.5
NAV (€ m)	20.2	19.8	20.1	19.4	20.2	21.0
Net Current Result (€ m)	24.6	23.1	31.1	29.1	31.0	33.5
Portfolio Result (€ m)	9.6	-6.1	-4.7	-14.6	0.6	7.0
Debt Ratio (%)	48.6%	45.9%	48.0%	48.6%	46.7%	50.2%
Net Debt / Equity+Minorities (%)	98.5%	90.0%	94.7%	95.2%	88.9%	102.6%
Net Debt / EBIT	7.9	8.1	7.2	7.8	8.1	8.9
Interest Cover Ratio (%)	323.1%	295.3%	385.3%	407.8%	448.6%	418.9%
ROA	5.8%	0.0%	0.0%	0.0%	0.0%	0.0%
GRI-growth	-3.1%	0.3%	15.3%	-2.1%	1.6%	9.6%
EBITDA-growth	-1.1%	-2.0%	20.5%	-7.9%	2.9%	10.3%
EBITDA margin	89.2%	87.1%	91.1%	85.8%	86.8%	87.3%
Pay-out Ratio	90.0%	90.0%	90.0%	80.0%	80.0%	80.0%
Per share data (€)	**2013**	**2014**	**2015**	**2016E**	**2017E**	**2018E**
Year-end # of shares (m)	14.4	16.1	16.2	16.7	18.3	18.3
Weighted average # of shares (m)	14.4	16.1	16.2	16.7	18.3	18.3
Weighted average # of shares, diluted (m)	14.4	16.1	16.2	16.7	18.3	18.3
Dividend shares (m)	14.4	16.1	16.2	16.7	18.3	18.3
Basic EPS (€)	2.36	1.18	1.61	0.89	1.80	2.22
Adjusted EPS (€)	1.70	1.56	1.90	1.77	1.77	1.84
Diluted EPS (€)	2.36	1.18	1.61	0.89	1.80	2.22
Diluted Adjusted EPS (€)	1.70	1.56	1.90	1.77	1.77	1.84
Net Current Result Per Share (€)	1.70	1.56	1.90	1.77	1.77	1.84
Portfolio Result Per Share (€)	0.66	-0.38	-0.29	-0.87	0.03	0.38
DPS (€)	1.53	1.40	1.71	1.41	1.42	1.47
NAV Per Share (€)	20.20	19.81	20.09	19.38	20.24	21.04
Valuation data	**2013**	**2014**	**2015**	**2016E**	**2017E**	**2018E**
Max share price (€)	20.39	23.59	27.48	25.67	-	-
Min share price (€)	17.60	19.12	20.02	22.57	-	-
Reference share price (€)	19.23	21.91	23.39	24.98	24.98	24.98
Market Cap (€ m)	277.4	353.6	379.8	417.1	456.1	456.1
Entreprise Value (€ m)	559.7	636.4	684.4	720.8	780.6	845.6
Current Net Profit / EV	6.1%	2.7%	3.9%	2.0%	4.0%	4.8%
EV / EBITDA	15.7	18.2	16.3	18.6	19.6	19.2
P / NAV	1.0	1.1	1.2	1.3	1.2	1.2
Premium (Discount) to NAV	4.8%	-10.6%	-16.4%	-28.9%	-23.4%	-18.7%
Dividend Yield	7.9%	6.4%	7.3%	5.7%	5.7%	5.9%

Source: KBC Securities

*Historic valuation data are based on historic prices

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ACCUMULATE	Expected total return (including dividends) between 0% and 15% over a 6-month period
HOLD	Expected total return (including dividends) between -5% and 5% over a 6-month period
REDUCE	Expected total return (including dividends) between –15% and 0% over a 6-month period
SELL	Expected total return (including dividends) of -10% or worse over a 6-month period

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Stock rating	% of covered universe	% of covered universe with investment banking relationship during last year
BUY	36.40%	66.67%
ACCUMULATE	24.60%	16.67%
HOLD	36.40%	16.67%
REDUCE	0.80%	0.00%
SELL	1.70%	0.00%

Intervest Offices & Warehouses is shifting its focus from offices to logistics. This change will improve the overall company profile (occupancy, lease length and cash flow quality). We see strong expansion potential ahead.
The price target for Intervest Offices & Warehouses is based on following parameters:
The risks which may impede the achievement of our price target are:

Below is an overview of the stock ratings and target price history in the last 12 months for the stock described in this report.

Date	Rating	Target price
2016-05-02	Hold	€ 25.00
2016-03-22	Hold	€ 26.00
2016-02-08	Accumulate	€ 25.50
2015-06-18	Buy	€ 26.00

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