

19 May 2009

# Financials Flash

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Europe  
**Financials**

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**Fair Value REIT AG**

Add €3.09  
(Previously Neutral)

Target Price: €3.50 (n/a)  
Reuters Code: FVIG.DE  
Bloomberg Ticker: FVI GR  
EPS adj.  
Dec 2008E €-1.41 (-1.39)  
Dec 2009E €-1.17 (-1.68)  
Dec 2010E €0.56 (0.52)  
Dec 2011E €0.68  
WestLB Research estimates  
Market Cap: € 29m

For disclosures and statements required by regulatory bodies, please see the last page.

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# Fair Value REIT AG

## Enough is enough, upgrade to Add

- **We upgrade Fair Value REIT AG from neutral to Add after the Q1 result 2009.** At first glance the result does not look impressive, however it contained some items that will not be ongoing, and thus the underlying improvement is hidden. In addition the company has solved its short-term financing issue. We expect improving quarterly operating results in the course of the year. We have raised our estimates on lower valuation losses and lower financing costs. However, we still expect still substantial valuation adjustments in 2009. Thus we upgrade the stock by only one notch to Add, with a target price of €3.50.

### Fair Value REIT AG forecasts and multiples

Year End	Sales	EBITDA	EPS adj.	P/E	EV/EBITDA	Yield
Dec	(€m)	(€m)	(€)	(x)	(x)	(%)
2008E	12	8	-1.41	nm	16.8	0.0
2009E	10	5	-1.17	nm	21.5	0.0
2010E	10	5	0.56	5.5	22.0	11.3
2011E	10	5	0.68	4.5	22.2	11.3
Net cash/Share	-€8.5					
NAV/Share	€8.2					

<sup>1</sup> Cash/debt at end of current year

Source Fair Value REIT AG, WestLB Research estimates

### Changes in estimates

- **Earnings estimates raised.** We raise our earnings estimates mainly on the expectation of lower valuation losses in 2009. First there were high valuation adjustments at the end of 2008, second also at the participations level in Q1 2009 and third Fair Value reported reduced vacancies in Q1.

### Changes in estimates

€m	2009E			2010E			2011E
	new	old	change	new	old	change	new
Rental income	10.1	13.8	-26.8%	10	13.9	-28.1%	10.1
Rental result	7.8	12	-35.0%	7.7	12.3	-37.4%	7.7
Costs	-2.2	-2.8	-21.4%	-2.3	-2.7	-14.8%	-2.3
EBITDA	5.5	9.1	-39.6%	5.3	9.3	-43.0%	5.3
Sales gains	0	0	n.a.	0	0	n.a.	0
Valuation result	-10.5	-16.5	-36.4%	0.1	0.1	0.0%	1
Result from associates	-3.1	-5.3	-41.5%	5.5	3	83.3%	6
Financial result	-4.7	-5.8	-19.0%	-4.8	-5.8	-17.2%	-4.8
Net attributable result	-11	-15.8	-30.4%	5.2	4.9	6.1%	6.4
EPS (€)	-1.17	-1.68	-30.4%	0.56	0.52	7.7%	0.68
NAV (€)	6.99	6.69	4.5%	7.54	6.86	9.9%	7.88

Source Company, WestLB Research estimates

- **Operating result stable.** At an operating level we have reduced our estimates for rental income due to the sale of the Airport Office property and the termination of rental guarantees against cash at the end of 2008. This is offset at the operating level by lower estimates for interest payments on the reduced level of debt. Much of the restructuring has been done in the participations area. Thus the main positive impact is from the result from associates.

- **Short term refinancing issue solved.** The company has got a prolongation for its short-term financing of stakes in funds. The loan has already been reduced from €16.1m to €10m. There will be an additional redemption of €2.5m in the current quarter. The loan is extended until 31.7.2011 at a high margin of 475bp (was 165bp), thus there is no relief on the interest payment side from this loan, but long-term financing will then increase to 97% of the debt.

#### Valuation

- **We determine the new target price at €3.50, which represents a 50% discount to our NAV estimate for 2009.** This is slightly below the sector average. We think this is justified due to the small size of the company, despite its average equity ratio.
- **Fair Value is traded at the highest discount to NAV** in our German property holding company universe. As its balance sheet has a higher equity ratio, this implies even a stronger deviation on implied valuation losses. On the negative side is the expectation that there will be no dividend paid for 2009.

#### German property holding companies

	Price	RIC	Price/NAV			NAV			Implied losses on NAV 09E
			2008	2009E	2010E	2008	2009E	2010E	
IVG	5.36	IVGG.DE	0.42	0.52	0.49	12.7	10.3	11.03	12.7%
DIC Asset	5.80	DAZG.DE	0.36	0.44	0.39	16.23	13.31	14.96	11.6%
Deutsche Wohnen	10.55	DWNG.DE	0.43	0.51	0.50	24.48	20.63	21.22	9.2%
Fair Value REIT	2.90	FVIG.DE	0.36	0.41	0.38	8.16	6.99	7.55	21.3%
Deutsche EuroShop	21.71	DEQGn.DE	0.79	0.83	0.78	27.43	26.3	27.92	8.0%
Average			0.47	0.54	0.51				12.6%

Source Companies, WestLB Research estimates

Dr. Georg Kandera

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## European Financials

	Code	Reporting	Price	Price	Rating	Rating	Rating
	Reuters	Currency	Close	Target	Current	Previous	Latest change
Aareal Bank	ARLG.DE	EURO	7.9	n/a	Neutral	Add	13/05/2009
Aegon	AEGN.AS	EURO	4.6	n/a	Neutral	Add	08/05/2008
Allianz	ALVG.F	EURO	71.1	87.0	Buy	Add	06/06/2007
Generali Deutschland Holdin	GE1G.DE	EURO	68.4	60.0	Reduce	Neutral	04/12/2008
AXA	AXAF.PA	EURO	12.4	n/a	Neutral	Add	19/02/2009
Barclays	BARC.L	UK POUNDS	2.8	n/a	Neutral	Reduce	09/10/2007
BBVA	BBVA.MC	EURO	8.5	n/a	Neutral	Buy	11/11/2008
BNP-Paribas	BNPP.PA	EURO	46.2	51.0	Add	Buy	12/02/2009
comdirect	CDBG.DE	EURO	5.1	6.2	Add	Buy	20/02/2009
Commerzbank	CBKG.DE	EURO	5.6	3.5	Sell	Reduce	14/05/2009
Credit Suisse	CSGN.VX	SWISS FRANCS	46.6	53.0	Buy	Add	02/08/2007
Crédit Agricole	CAGR.PA	EURO	10.7	n/a	Neutral	Add	15/05/2008
DAB bank	DRNG.DE	EURO	2.8	2.6	Add	Buy	24/02/2009
DESIGN Bau	D2BG.DE	EURO	2.5	n/a	Neutral	Buy	02/03/2009
Deutsche Bank	DBKGn.DE	EURO	43.0	50.0	Buy	Add	12/06/2006
Deutsche Börse	DB1Gn.DE	EURO	59.8	n/a	Neutral	Reduce	08/02/2008
Deutsche EuroShop	DEQGn.DE	EURO	21.7	25.0	Add	Neutral	29/01/2009
Deutsche Wohnen AG	DWNG.DE	EURO	10.6	13.5	Add	Neutral	01/04/2009
DIC Asset AG	DAZG.DE	EURO	5.8	8.0	Buy	Add	16/07/2008
Estavis AG	E7S.DE	EURO	1.5	1.2	Sell	Neutral	28/01/2009
Fair Value REIT AG	FVIG.DE	EURO	3.1	3.5	Add	Neutral	19/05/2009
Fondiaris - SAI	FOSA.MI	EURO	11.5	n/a	Neutral	Add	17/03/2009
Generali	GASI.MI	EURO	15.7	n/a	Neutral	Add	05/03/2009
GrenkeLeasing	GKLG.DE	EURO	23.6	24.0	Add	Buy	09/02/2009
Hannover Rück	HNRGn.DE	EURO	28.0	29.0	Add	Neutral	21/10/2008
HCI Capital	HXCIgn.DE	EURO	1.5	n/a	Neutral	Reduce	24/11/2008
HSBC	HSBA.L	US DOLLARS	5.6	3.6	Sell	Reduce	18/11/2008
INDUS Holding	INHG.F	EURO	10.9	13.0	Buy	Add	06/03/2007
ING Groep	ING.AS	EURO	7.9	n/a	Neutral	Buy	20/10/2008
Intesa Sanpaolo	ISP.MI	EURO	2.6	n/a	Neutral	Buy	10/03/2009
IVG	IVGG.F	EURO	5.4	7.0	Add	Buy	06/05/2009
Lloyds Banking Group	LLOY.L	UK POUNDS	1.0	3.3	Add	Neutral	23/04/2008
Mediolanum	MED.MI	EURO	3.5	2.9	Sell	Neutral	14/05/2009
MLP	MLPG.F	EURO	9.8	9.0	Reduce	Neutral	20/04/2009
MPC Capital	MPCG.DE	EURO	5.5	n/a	Neutral	Add	16/07/2008
Münchener Rück	MUVGn.DE	EURO	98.4	122.0	Add	Neutral	19/02/2009
Postbank	DPBGn.F	EURO	17.2	n/a	Neutral	Add	04/02/2009
Royal Bank of Scotland	RBS.L	UK POUNDS	0.4	0.2	Sell	Neutral	03/03/2009
Santander	SAN.MC	EURO	7.1	n/a	Neutral	Buy	08/04/2009
Société Générale	SOGN.PA	EURO	37.3	n/a	Neutral	Buy	28/01/2008
SWISS LIFE	SLHN.VX	SWISS FRANCS	92.8	n/a	Neutral	Add	05/05/2009
Swiss Re	RUKN.VX	SWISS FRANCS	36.4	n/a	Neutral	Buy	02/04/2008
UBS	UBSN.VX	SWISS FRANCS	15.9	n/a	Neutral	Buy	10/02/2009
UniCredit Group	CRDI.MI	EURO	1.8	1.7	Reduce	Neutral	18/05/2009
Zurich Financial Services	ZURN.VX	US DOLLARS	197.1	270.0	Buy	Add	17/08/2007

Source FactSet, WestLB Research estimates

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Buy/Add	80	39	Buy/Add	24	60
Neutral	80	39	Neutral	12	30
Sell/Reduce	45	22	Sell/Reduce	4	10

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