

Maintained

Buy**Befimmo**

Q1 results: irrelevant but good outlook

Price (01/03/07) €92.35

Previously: €93.5

12m target price €96.00

12m forecast returns (%)

Share price 4.0

Dividend 4.8

12m fcst total return 4.0

Market cap €904.5m

Reuters BEFIT.BR

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Forecasts and ratios

Yr to Sep (€m)	2006	2007F	2008F	2009F
Turnover	76.3	76.3	74.8	80.2
EBITDA	62.6	61.6	59.5	64.6
Net profit	84.5	56.4	55.8	57.1
Adj EPS (€)	4.85	4.46	4.09	4.28
Adj PER (x)	19.0	20.7	22.6	21.6
Dividend yield (%)	5.3	4.8	4.9	4.9
EV/EBITDA (x)	20.7	21.7	22.9	23.0
Price/NAV (x)	1.4	1.4	1.4	1.3
ROE (%)	10.1	7.6	7.2	7.4

Source: Company data, ING estimates

News

Actually not much news at a first glance as no new earnings nor any update on the planned SPO was given. Still some important news was made available on Fedimmo (portfolio of State assets auctioned in December).

Q1 (close end December) net current EPS were in line at €1.21 vs. €1.18 expected. However, at €2.04 per share, portfolio results were particularly strong; the portfolio yield is down to 6.47% vs 7.15%, ie, a comparable correction vs Cofinimmo. We believe appraised valuation remains very conservative (as are most analysts), and this is merely a catch-up effect.

As a reminder, Q1 results are not very relevant for the future given that they do not include Fedimmo (effect as from January)? Even when excluding Fedimmo, Q1 results cannot be extrapolated given the vacancy in Woluwe Garden D from January & Bréderode 2 renovation from March.

Still the company gave important info on Fedimmo. 7 buildings have short-term leases (3 in Antwerp City, 3 in Brussels and one in Brugge). One large asset in Brussels is already sold. The remaining ones weigh c.€2.5m in terms of rents or c.2.1% of total Befimmo consolidated. WTC4 (land) might be sold, but the company is not in a hurry as it wants to capture as much value as possible on this well located asset but within a now 'crowded' North District. It nevertheless confirmed it will NOT develop it at its own risk.

Finally, as is also the case at peers such as Leasinvest Real Estate, Befimmo confirmed a more active management of its portfolio, hinting that several minor assets are to be sold.

Investment thesis

We now have more elements to include Fedimmo on estimates. An amendment to our DCF model to include Fedimmo & a €200m SPO leads to a new TP of €96 (vs €93.5 previously). The company thus still offers upside of 9% incl. gross dividend.

Conclusion

Reassuring news on Fedimmo, positive momentum and still sizeable upside potential. Hence we maintain our current **BUY** rating.