

Befimmo

Rating: Neutral (=)

PT: €72.0 (-)

Last: €61.5

Key estimates

€	2006A	2007A	2008E	2009E
Net Profit (m)	47.5	50.4	52.4	57.5
EPS	4.85	4.66	4.02	4.40
DPS	4.92	4.51	4.51	4.60
CFPS	4.87	4.79	4.03	4.42
NAV	67.4	71.7	72.8	74.2

Valuation & other

	2006A	2007A	2008E	2009E
P/E	12.7	13.2	15.3	14.0
P/NAV	0.91	0.86	0.84	0.83
CF yield (%)	7.9	7.8	6.6	7.2
Div. yield (%)	8.0	7.3	7.3	7.5
EV/EBITDA	15.9	18.2	17.7	17.6



FY'07/08 preview

- FY'07/08 earnings release Tuesday Nov 18 post market close.** We see recurring EPS at €3.91. The 16% yoy drop is related to i. the full effect of the capital increase to fund the Fedimmo acquisition and ii. the ongoing renovation programme which is temporarily depressing the result. Management is guiding towards a minimum CFPS of €4.40 but this includes €0.64 on the sale of non-core assets (~ Rockspring deal, real estate certificates) whereas another €0.65 will be booked over 2008-10 after disposing four small buildings let on short-term leases in the Fedimmo portfolio (~ €24m). The gains should ensure the stability of the dividend now the company is (until 2010) overdistributing on recurring cash flow.

Table. Befimmo FY'07/08 results

EUR m	2007A	2008E	chg %
Rental income	104.9	110.8	5.6%
Operating expenses	(16.8)	(16.4)	
EBIT	88.1	94.4	7.1%
margin %	84.0%	85.2%	
Net financial	(34.4)	(39.5)	
Taxes	(0.6)	(0.6)	
Minorities	(2.7)	(3.2)	
Net direct result - group	50.4	51.1	1.3%
EPS (recurring EPRA adj.)	4.66	3.91	-16.0%
DPS	4.51	4.51	0.0%
NAV	71.7	71.1	-0.8%

- Key topics.** i. Befimmo showed stable property values at Q3 (+0.3% YTD) with the valuation yield stable at 6.4%. Whilst we are cognisant of the quality of the portfolio (66% public sector, 48% Brussels CBD, 9y+ average lease duration), we believe property values could become under pressure due to recent expensive acquisitions. We highlight that after selling the riskier assets (short-term leases) in Fedimmo the latter's portfolio is now valued at 5.2% whereas two buildings were acquired from Fortis in June at an equivalent yield. ii. acquisition risk. we have indicated before we would no prefer management to venture into the Paris office market and with the company having listed its share on Euronext Paris in order to apply for the SIIC status, this looks more likely to materialize. iii. an update on the capex programme on the existing portfolio. We stay Neutral and update our fair value to €72 (from €83).

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We use four stock recommendations which reflect the share's expected absolute performance as follows:

- **Buy:** we expect this stock to generate a return of >15% over the next twelve months;
- **Add:** we expect this stock to generate a return of 5-15% over the next twelve months;
- **Neutral:** we expect this stock to generate a return of 0-5% over the next twelve months;
- **Reduce:** we expect this stock to generate a negative return over the next twelve months

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Rating Category	Rating distribution		Investment banking relationship	
	Count	Percent	Count	Percent
Buy	27	29.0%	4	14.8%
Add	19	20.4%	1	5.3%
Neutral	41	44.1%	2	4.9%
Reduce	6	6.4%	0	0.0%

Rating distribution Total: 93

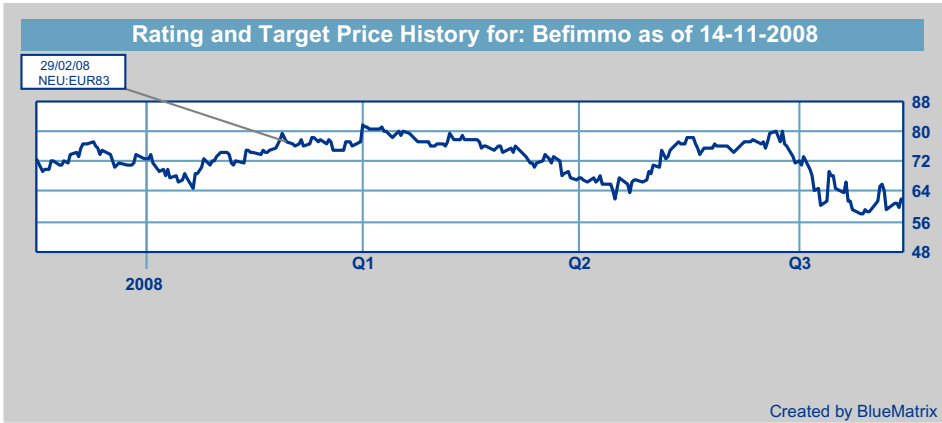
Investment banking relationship Total: 7

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12-MONTH PRICE TARGET CHART



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