

Maintained

Buy**Befimmo**

1H08 results; first reaction – in line

Price (22/05/08) €75.92

Maintained

12m target price €85.00

12m forecast returns (%)

Share price 12.0

Dividend 5.9

12m fcst total return 17.9

Market cap €991.4m

Reuters BEFB.BR

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Forecasts and ratios

Yr to Sep (€m)	2007	2008F	2009F	2010F
Turnover	104.9	109.7	116.2	123.4
EBITDA	88.3	90.9	97.3	102.6
Net profit	129.0	83.7	79.1	80.4
Adj EPS	4.55	3.89	4.31	4.43
Adj PER (x)	16.7	19.5	17.6	17.1
Dividend yield (%)	5.9	5.9	6.1	6.1
EV/EBITDA (x)	20.7	19.9	20.2	19.3
Price/NAV (x)	1.1	1.0	1.0	1.0
ROE (%)	11.2	7.1	7.1	7.2

Source: Company data, ING estimates

News

Befimmo released its 1H08 results yesterday after market close (1H closed end March). As a reminder, absolute figures are not meaningful given the enlarged consolidation scope (Fedimmo consolidated for the full six months versus only three in 1H07). Figures per share are affected by the dilution from the 2007 capital increase (average shares outstanding up 33%).

These results were essentially in line with our estimates in recurrent terms. It is also interesting to note that on a like-for-like basis the portfolio value increased by 0.44% versus end-September 2007. Appraised yields remain at a conservative 6.38% (Fedimmo alone estimated at c.5.20%).

Befimmo maintains its dividend guidance at €4.51 gross but notes that CFPS guidance, originally at €3.79, will now be at a more robust €4.43 given realised gains in 1H (Periphery portfolio and capital gains from the liquidation of real estate certificates).

Investment thesis

Our investment case remains intact; Befimmo is one of the lowest risk plays in offices in Europe with 66% of rents generated by public tenants and a lease duration of over nine years.

Conclusion

We are reviewing our DCF valuation but do not expect dramatic changes.

1H08 results – main items (€m)

Yr to Sep	1H08 actual	1H08F	1H07	% change act.	Consensus
Rents	54.9	55.8	48.6	13.0	N/A
EBIT	46.8	46.3	41.9	11.7%	N/A
Net current EPS ex-IAS 39 (€)	2.03	1.99	2.52	-19.7%	N/A

Source: Company data, ING estimates

Risk factors

Market risk: Mainly exposed to the Brussels office market but mitigated by long-term leases & top tenants.

Interest rate risk: Financial debt is mainly at floating rates, but most of it is hedged. Hedging was substantially reinforced recently with a 2007-12 IRS at 3.73%.