

1H07/08 results posed few surprises

Befimmo published its 1H07/08 results yesterday after trading hours showing a positive revaluation and sales result of €14.5m. The 1H07/08 CF came in at €25.6m (2H06/07: €24.7m) reflecting a CF increase of 3.6% vs. 2H06/07. Befimmo's 1H07/08 NNAV was €72.9 implying that the stock is trading at a premium of 4%. The portfolio is valued at a net yield of c6.0% which we believe will be subject to 40bps yield expansion over FY08-10. We reiterate our PT (€68) and our Reduce rating.

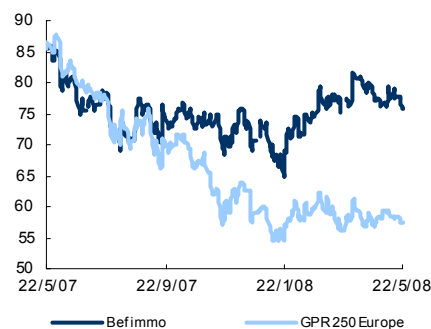
- 1H07/08 operating results** Gross rental income over 1H07/08 was €54.9m reflecting a decrease of -/2.1% vs. 2H06/07. The decline is attributable to the disposal of the semi-industrial portfolio for a total amount of €72m (gross exit yield 7.0% based upon current rents + rental guarantees). Occupancy improved to 96.9% due to the disposal of the non-core assets and the newly signed leases of 20,000 sqm (2.4% of the pf). The CF amounted to €25.6m (CFPS: €1.96) which is 3.6% higher than the 2H06/07 CF €24.7m.
- Outlook** Management reiterated its 08E CFPS of EUR 3.79. This is slightly lower than our assumed 08E CFPS of €3.85, implying a CF yield of 5.1%. FY07/08 will be a transition year as Befimmo has several refurbishments which will be completed within a year and which will increase the CF as of FY08/09. We assume a FY08/09E CFPS of €4.44 and €4.70 for FY09/10E, reflecting CF yields of 5.8% (European average 5.9%) and 6.2% (European average 6.4%) respectively. These CF yields are not particularly appealing but the CF appears relatively secure since 66% is leased to the public sector with an average lease-duration of 9.2yrs. The company continues to search for offices in Paris (preferably CBD) and intends to invest between €90 and €180m (or 5-10% of the portfolio). Management also announced its intention to become more active in buying and selling assets. Currently Befimmo has c€120m assets for sale which will be sold if this creates additional value. We calculate with annual acquisitions of €100m at a net yield of 5.5% which will be financed at 5.2% and are thereby hardly CF-accretive.
- Result on the portfolio** Befimmo reported a positive revaluation result of €5.8m on its own portfolio (FY07/08E: -/€20m - on the portfolio). Additionally the company reported a sales result of €7.5m (€0.57 p/s). Befimmo's gross yield amounts to 6.4% (net yield c6.0%) which we believe will be subject to annual softening of yields of 20bps for FY08 and FY09, reflecting a negative return on the portfolio of -/0.9% and -/0.7% respectively. All in all, we expect the YE09 NAV to come out at €68 p/s.
- Financing** Currently €50m (or 6% of total debt) of Befimmo's debt might need to be refinanced in FY08, whilst the company has sufficient unused credit facilities (€170m). We believe that Befimmo's financial position is relative secure as the debt maturity is 4.2yrs, 74% of the debt is hedged and a 48% LTV (Belgian REIT legislation allows an LTV of 65%).
- Valuation** Befimmo is trading at a premium of 4% to its published 1H07/08 NAV (€72.9). We leave our PT unchanged at €68 and reiterate our Reduce rating.

Rating	REDUCE
Price target (12m)	€68.0
Closing price (22 May 2008)	€75.9
Expected total return	-4.5%
Date	23 May 2008

Fiscal Year	2007	2008E	2009E	2010E
Net rental income (€m)	97.0	106.0	120.9	130.7
EBITDA (€m)	88.1	95.5	109.6	118.8
Net Income (€m)	89.2	29.9	43.7	73.9
Recurring CF p/s (€)	4.30	3.85	4.44	4.70
Indirect result p/s (€)	3.50	-1.56	-1.09	0.96
EPS (€)	7.80	2.29	3.34	5.66
Dividend (€)	4.51	4.51	4.60	4.65
NNAV (€)	68.41	67.48	68.74	69.90
P/NAV-1	6.6%	12.5%	10.4%	8.6%
EBITDA/EV	5.0%	5.0%	5.4%	5.5%
Recurring CF Yield	5.9%	5.1%	5.8%	6.2%
Earnings Yield	10.7%	3.0%	4.4%	7.5%
Dividend Yield	6.2%	5.9%	6.1%	6.1%

Source: Company Data, Kempen & Co Estimates

BEFB BB vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-3.5%	1.3%	-11.2%
Rel. to GPR 250 Europe	-3.5%	5.6%	31.2%

Source: Factset

Company data	
52-Week range	€64.79 - 85.95
Market cap	€991.44m
Number of shares	13.1m
Average daily volume	14,349
Free float	84%

Company data	
Bloomberg / Reuters	BEFB BB / BEFB.BR
Next announcement	28 August 2008
	Q3 2008 Results

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Befimmo

Property ■ Belgium

Income Statement (Year to 30 Sep)	2006	2007	2008 E	2009 E	2010 E	2011 E
Gross rental income	76.3	104.9	114.6	130.3	140.8	149.8
Operating costs	-5.9	-7.9	-8.6	-9.4	-10.0	-10.7
Net rental income	70.3	97.0	106.0	120.9	130.7	139.1
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-7.0	-8.9	-10.5	-11.4	-11.9	-12.3
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	63.3	88.1	95.5	109.6	118.8	126.8
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	63.3	88.1	95.5	109.6	118.8	126.8
Net financial	-14.3	-35.7	-41.7	-47.9	-53.7	-59.6
EBT	49.0	52.4	53.9	61.7	65.1	67.2
Taxes	-0.6	-0.6	-0.6	-0.7	-0.8	-0.8
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	-2.6	-3.0	-3.0	-3.0	-3.0
Direct investment result	48.4	49.2	50.2	58.0	61.4	63.4
Sales result	0.5	1.3	0.0	0.0	0.0	0.0
Revaluation Property	18.0	38.7	-20.4	-14.3	12.6	14.7
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	18.5	40.0	-20.4	-14.3	12.6	14.7
Net profit	66.8	89.2	29.9	43.7	73.9	78.2
Per share data	2006	2007	2008 E	2009 E	2010 E	2011 E
Number of shares	9.8	13.1	13.1	13.1	13.1	13.1
Average number of shares	9.8	11.4	13.1	13.1	13.1	13.1
Direct investment result per share	4.94	4.30	3.85	4.44	4.70	4.86
Indirect investment result per share	1.88	3.50	-1.56	-1.09	0.96	1.13
EPS (IFRS)	6.82	7.80	2.29	3.34	5.66	5.99
CFPS (recurring)	4.94	4.30	3.85	4.44	4.70	4.86
Dividend per share	4.92	4.51	4.51	4.60	4.65	4.80
Payout ratio %	100%	105%	117%	104%	99%	99%
NNAV per share	71.36	68.41	67.48	68.74	69.90	72.25
NAV per share	71.36	69.14	68.25	69.57	70.77	73.17
Balance sheet	2006	2007	2008 E	2009 E	2010 E	2011 E
Investment property	1,078.4	1,812.9	1,897.0	2,008.6	2,157.1	2,275.9
Developments	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.4	0.0	0.0	0.0	0.0	0.0
Other fixed assets	0.0	16.2	16.2	16.2	16.2	16.2
Total fixed assets	1,078.7	1,829.1	1,913.2	2,024.8	2,173.3	2,292.1
Receivables	10.3	15.2	15.2	15.2	15.2	15.2
Cash and banks	15.0	5.3	2.9	10.8	21.1	32.3
Other current assets	2.6	47.2	47.2	47.2	47.2	47.2
Total current assets	27.9	67.7	65.3	73.2	83.5	94.7
Total assets	1,106.6	1,896.8	1,978.5	2,098.1	2,256.8	2,386.7
Shareholders' equity	660.2	931.9	902.9	89.12	908.5	924.2
Minority interests	0.0	64.9	65.0	65.0	65.0	65.0
Total equity	660.2	996.8	967.9	95.62	973.5	989.2
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Long interest bearing debt	91.4	148.6	148.6	148.6	148.6	148.6
Other long term liabilities	0.0	5.2	5.2	5.2	5.2	5.2
Total long term liabilities	91.4	153.8	153.8	153.8	153.8	153.8
Short term debt	317.4	662.7	773.4	904.6	1,046.1	1,160.2
Other current liabilities	40.0	83.4	83.4	83.4	83.4	83.4
Total current liabilities	357.4	746.1	856.8	988.0	1,129.5	1,243.7
Total equity and liabilities	1,109.0	1,896.8	1,978.5	2,098.1	2,256.8	2,386.7
Financing Ratio's	2006	2007	2008 E	2009 E	2010 E	2011 E
Equity-to-assets %	59.5%	52.6%	48.9%	45.6%	43.1%	41.4%
Net gearing %	59.7%	80.9%	95.0%	109.0%	120.6%	129.1%
Interest cover	4.4	2.5	2.3	2.3	2.2	2.1
Valuation	2006	2007	2008 E	2009 E	2010 E	2011 E
Enterprise value	1,255.3	1,758.4	1,910.5	2,033.8	2,165.1	2,268.1
Market Cap	773.9	1,033.9	991.4	991.4	991.4	991.4
P/NAV-1	23.2%	6.6%	12.5%	10.4%	8.6%	5.1%
EBITDA/EV	5.0%	5.0%	5.0%	5.4%	5.5%	5.6%
Recurring Cash Flow Yield	5.6%	5.9%	5.1%	5.8%	6.2%	6.4%
Earnings Yield	7.8%	10.7%	3.0%	4.4%	7.5%	7.9%
Dividend Yield %	6.2%	5.4%	5.9%	6.1%	6.1%	6.3%

Model updated: 23 May 2008

REDUCE

Rating

Price target (12m) €68.0

Closing price (22 May 2008) €75.9

Expected total return -4.5%

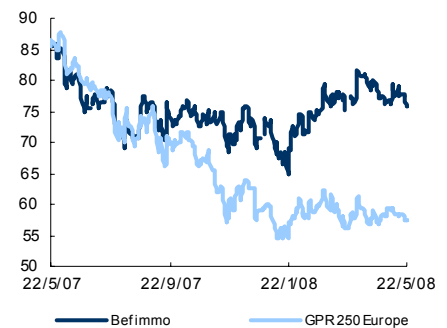
Date 23 May 2008

Company description

Tax efficient property company with focus on offices in the greater Brussels area (Belgium)

Website: www.befimmo.be

BEFB BB vs GPR 250 Europe



Total Return Performance (%)	-1 m	-3 m	-12 m
Absolute	-3.5%	1.3%	-11.2%
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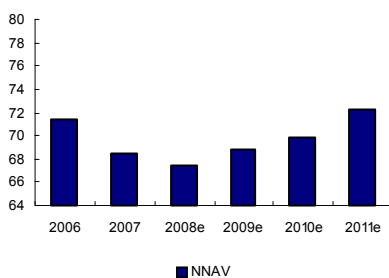
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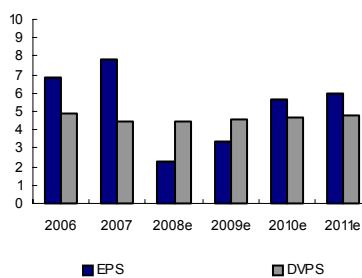
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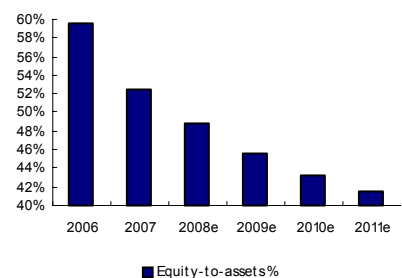
NNAV



EPS & Dividends



Equity-to-assets



Source: Company Data, Kempen & Co



Disclosures

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Regulatory disclosure

Company mentioned in this report

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Recommendation structure

Definitions

Method	Combination of cash flows, NNAVs, relative valuation and our fair value analysis. The Kempen & Co equity fair value analysis calculates the returns the company is expected to generate going forward. If these returns exceed the returns that are perceived as 'fair', we consider the company's fair value to be higher than the NNAV and vice versa.
Sell	Expected negative total return of 20% or more on a 12 month basis.
Reduce	Expected negative total return of 5% or more on a 12 month basis.
Neutral	Expected total return between 5% to -5% on a 12 month basis.
Add	Expected positive total return of 5% or more on a 12 month basis.
Buy	Expected positive total return of 20% or more on a 12 month basis.
Under review	Rating and/or price target are under review in case there is insufficient basis for determining a rating and/or price target.
Not rated	Rating and price target are suspended because of Kempen & Co's engagement in an investment banking transaction and in certain other circumstances.
Price Target	Expected share price in 12 months.

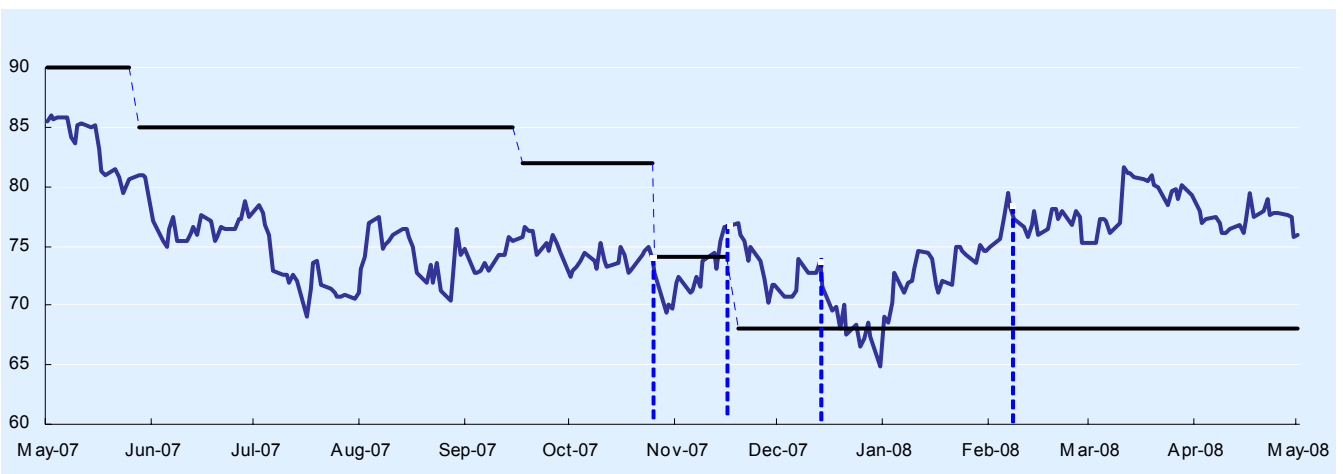
Recommendation distribution

Rating	Count (% of total coverage)	% of investment banking clients
BUY	3 (6%)	0%
ADD	22 (43%)	52%
NEUTRAL	19 (37%)	33%
REDUCE	6 (12%)	10%
SELL	1 (2%)	5%
Total	51 (100%)	100%

Stock price, price target and recommendation history

Befimmo (BEFB BB)

Date	Close	Price target	Rating
29-Feb-08	77.25	68.00	REDUCE
04-Jan-08	71.59	68.00	NEUTRAL
08-Dec-07	76.61	68.00	REDUCE
16-Nov-07	72.70	74.00	NEUTRAL



Analyst coverage: Robert Woerdeman
Source: Kempen & Co, Factset



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