Befimmo

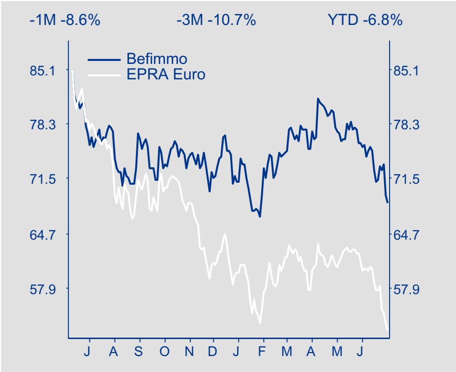
Rating: **Neutral (=)** PT: **€83.0 (=)** Last: **€67.8**

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	14.0	14.5	16.9	15.4
P/NAV	1.01	0.95	0.93	0.91
CF yield (%)	7.2	7.1	5.9	6.5
Div. yield (%)	7.3	6.7	6.7	6.8
EV/EBITDA	16.9	19.1	18.5	18.4



Expensive acquisitions

- **Facts.** Last week Befimmo acquired three buildings (2 in Antwerp, 1 in Leuven) valued at €94.1 from its main shareholder Fortis (~ 16% equity interest). The premises are located in the city-centre and some are relatively old but we understand there is no capex backlog. The surfaces are fully let mainly to Fortis (~ 90%) on long-term leases with an average duration of 17y which will improve the overall lease maturity profile to 9.5y (from 9.2y). The entry yield is equivalent to 5.22%.
- **Financials.** Since negotiations had been going on for the last 6 months, the company had already contracted an IRS at 3.9% (callable by the bank within 3y) and taking into account the favourable terms of the credit facility (~ 30bps), mgmt argues this would translate into EPS accretion of €0.07 (~ 2%, implying a 100bps spread over funding and most of the expenses borne by the tenant). However, since the hedge ratio was already below 100% (74%), the IRS was already used to cover existing debt, so from an analytical point of view one would have to look at the marginal cost of funding. With the 5y swap rate at 5% this would rather be a break-even or say, with a callable swap, be marginally in the black (< 1% EPS accretion). Arguably the leases are of high quality and indexed annually, but should one be buying assets today? Or why haven't the troubles at Fortis resulted in better deal terms? Perhaps better opportunities may arise now Fortis has earmarked another €1.5bn real estate intended for sale & lease back.

Analyst: **Mickael Van den Hauwe**(+32 2 222 33 95 mickael.vandenhauwe@dexia.com)

ANALYST CERTIFICATION

I, Mickael Van den Hauwe, hereby certify that the views expressed in this research report accurately reflect my personal opinion about the companies and the securities discussed herein. This report has been submitted to the issuer of the financial instrument it relates to before its publication. Like all employees of Dexia Bank Belgium, the remuneration can be base in part on the results of Dexia Bank Belgium as a whole, which may include investment banking revenues. I certify that I do not hold, directly or indirectly, any interest in the companies mentioned above. However, no part of my compensation was or is related to any recommendation or opinion expressed in this report.

COMPANY SPECIFIC REGULATORY DISCLOSURES

Dexia Bank Belgium or any entity of Dexia Group can perform commercial banking, brokerage and advisory services for or on behalf of any of the companies or organisations referred to in this report. Furthermore, Dexia Bank Belgium or any entity of Dexia group may hold a position either independently or for the benefit of third parties, or trade in the securities of any company or organisation referred to this report, as a broker, market maker, or in any other role. The following disclosures relate to relationships between Dexia Bank Belgium or its subsidiaries and companies covered by the equity research division of Dexia Bank Belgium and referred to in this research. Dexia Bank Belgium may have from time to time non-securities related banking relationships with the companies covered by its research department.

RECOMMENDATIONS

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

DISTRIBUTION OF RATINGS/INVESTMENT BANKING RELATIONSHIPS (AS OF 03-31-2008)

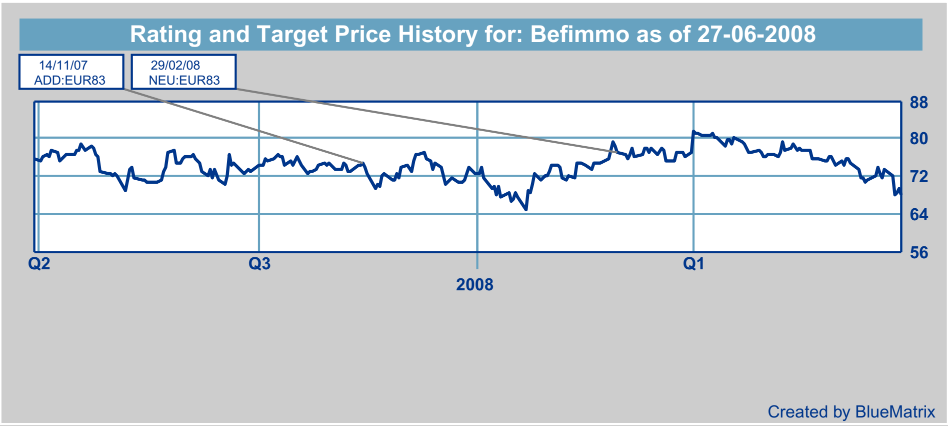
	Rating distribution		Investment banking relationship	
Rating Category	**Count**	**Percent**	**Count**	**Percent**
Buy	27	34.2%	3	11.1%
Add	22	27.8%	3	13.6%
Neutral	24	30.4%	4	16.7%
Reduce	6	7.6%	0	0.0%

Rating distribution Total: 79
Investment banking relationship Total: 10

MEASURES PREVENTING CONFLICTS OF INTEREST

Dexia Bank Belgium prohibits its analysts from owning securities of any company he/she is covering. Such restrictions are enhanced by the formal undertaking to perform all personal securities transactions through an account with Dexia Bank Belgium. Analysts' remuneration can be based in part on the results of Dexia Bank Belgium which may include investment banking revenues. Analysts are required to respect the information sharing policy that restricts disclosure of recommendations to third parties or to any other department of Dexia Bank Belgium or any other entity of the Dexia group prior to the distribution or the public disclosure thereof. Similar information barriers apply to the staff involved in the corporate banking, corporate finance and structured finance activity in order to prevent conflicts of interest. They are not allowed to enter into transactions involving securities of a listed company for their own account or for the account any third party, when involved in the customer relationship with such company nor communicate on the relationship with such company outside the corporate department without the prior authorization of the Compliance Officer.

12-MONTH PRICE TARGET CHART



Equity Research
Disclaimer

Disclaimer

This report has been prepared with necessary care under the responsibility of Dexia Bank Belgium, a Belgian bank licensed and supervised by the CBFA (the Belgian Banking, Finance and Insurance Commission). This report does not contain an offer or solicitation for the purchase or sale of any financial instrument. This report is for distribution in the United Kingdom only to persons having professional experience in matters relating to investments or to persons of the kind described in Article 49(2) (A) to (D) of the Financial services and Markets Act 2000 (Financial Promotion) Order 2001 of the United Kingdom and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons (including private investors) in the United Kingdom. This report is distributed in the U.S. solely to "major institutional investors" as defined in Rule 15a-6 (U.S. Act of 1934). Each U.S recipient by its acceptance hereof warrants that it is a "major institutional investor", as defined, understands the risks involved in dealing in securities or any financial instrument, and shall not distribute nor provide this report, or any part thereof, to any other person. The information contained in this report is based on information obtained from reliable public sources with respect to the information barriers (Chinese walls) applicable within Dexia Bank Belgium. Dexia Bank Belgium or any entity of the Dexia Group is not liable for any damages that may result from any inaccuracy or incompleteness in/of this information. Dexia Bank Belgium or any entity of the Dexia Group is not liable for any investment decisions of whatever nature, which are in any way based on this report by the user of this report. Any entity of the Dexia Group can perform commercial banking, brokerage and advisory services on behalf of any of the companies or organisations referred to this report. Furthermore, Dexia Group or an entity thereof may hold a position either independently or for the benefit of third parties, or trade in the securities of any company or organisation referred to this report, as a broker, market maker, or in any other role. This report was based on current facts and conditions that can change from time to time. In addition, because research reports contain more complete information concerning the analysts' views, investors should carefully read the entire research report. Dexia Bank Belgium is under no obligation whatsoever to inform the user of this report, of any change to these facts, circumstances, and/or opinions upon which they are based. Save as indicated otherwise, this report has not been disclosed to the issuer of the financial instrument it relates to before its publication nor is there any agreement between Dexia Bank Belgium and the issuer or any other person related to the dissemination of the recommendation. The content of this report has not been disclosed to any entity of the Dexia Group prior to its public disclosure. Our salespeople, traders and other professionals may provide oral or written comments to our clients that reflect opinions that differ from the opinions or recommendations expressed in this research. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations expressed in this report.

Our research is available on our website: **www.dexia.be/EquityReports**

EQUITIES CONTACT LIST

RESEARCH

HEAD OF EQUITY RESEARCH
Steven De Proost +32 2 222 02 55

ENERGY & UTILITIES
Alternative Energies
Dieter Furniere +32 2 222 55 45
Peter Van Assche +32 2 222 33 16

Electric & Gas Utilities
Steven De Proost +32 2 222 02 55

Electrical Equipment
Dieter Furniere +32 2 222 55 45
Jo De Mil +32 2 222 01 67

Environmental Utilities
Filiz Satik +32 2 222 33 16

INFRASTRUCTURE
Construction
Jo De Mil +32 2 222 01 67

Healthcare Infrastructure & Services
Koen Wuyts +32 2 222 33 18

Transportation Infrastructure
Koen Wuyts +32 2 222 33 18

REAL ESTATE
Mickaël Van den Hauwe +32 2 222 33 95

TELECOM
Rob Goyens +32 2 222 03 47
Kristof Lybaert +32 2 222 56 14

HOLDINGS
Willem Glorie +32 2 222 47 04

SALES

BELGIUM

Manager Sales & Trading
Benjamin Vierendeel +32 2 222 84 24

Head of Sales
Guy Noerens +32 2 222 71 73

Equity Sales
Wouter De Schrijver +32 2 222 70 82
Dennis Scheyltjens +32 2 222 70 68
Olivier Schoevaerdts +32 2 222 70 20

FRANCE

Manager Institutional and Corporate Sales
Didier Chaudesaygues +33 1 5628 5001

Head of Institutional Sales
Philippe Plaa +33 1 5628 5121

Equity Sales
Olivier Streichenberger +33 1 5628 5008

Corporate Sales
Patrick Berebi +33 1 5628 5116
Philippe Cantelaube +33 1 5628 5111
Arnaud de Montlaur +33 1 5628 5004

STRATEGY
Jean-Paul Pierret +33 1 5628 5267