

Maintained

Buy

Befimmo

Refining the breed

Price (19/08/08) €76.34

Maintained

12m target price €86.50

12m forecast returns (%)

Share price 13.3

Dividend 5.9

12m f'cst total return 19.2

Market cap €996.9m

Reuters BEFB.BR

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Forecasts and ratios

Yr to Sep (€m)	2007	2008F	2009F	2010F
Turnover	104.9	111.6	122.1	125.9
EBITDA	88.3	92.5	102.8	104.3
Net profit	129.0	93.0	82.6	88.0
Adj EPS (€)	4.55	3.74	4.52	4.46
Adj PER (x)	16.8	20.4	16.9	17.1
Dividend yield (%)	5.9	5.9	6.0	6.1
EV/EBITDA (x)	20.8	20.5	19.9	19.7
Price/NAV (x)	1.1	1.0	1.0	1.0
ROE (%)	11.2	7.5	7.4	7.5

Source: Company data, ING estimates

News

Befimmo disclosed earlier than expected some figures as of end-June (ie, nine months of the fiscal year that ends on 30 September). NAV stands at €74.50, no yield figures were disclosed but the company indicates the portfolio value like-for-like increased by 0.30%, a rather comforting performance in the current context of appraised yields under pressure. Appraised yield as of end March (1H) stood at 6.38% (6.58% at full occupancy). No detailed 9M08 P&L figures were released save for reported EPS (down 27.9% at €4.92 given sizeable unrealised gains last year) and reported CFPS (+1.4% at €3.72 thanks to realised capital gains, none last year).

Befimmo also announced the disposal of several buildings from Fedimmo (State assets portfolio acquired in December 2006) earmarked for sale (short term leases, suboptimal size). Disposals are spread over the current fiscal year and the next 2 ones. The negative impact on recurrent results (lost rents) is negligible. Befimmo books sizeable capital gains totalling €0.65 per share above appraised value.

Investment thesis

We expect FY07/08 recurrent EPS to fall by 17.5% as a result of refurbishments currently in progress. No news beyond the above-mentioned disposals. The current round of refurbishments is now secured as all assets are now pre-let (only small vacancies at the Central gate & Ikaros remain)/ The next round of refurbishments is expected to start in September 2009 (Impératrice, Science, Froissart buildings). Given the duration of the works (18months) and the excellent location of the assets, vacancy risk is still remote.

Conclusion

No fundamental changes following these figures, Befimmo further improves its very low risk profile (stable & prudent portfolio valuation, 66% of rents generated by public tenants, secured & hedged financing). Despite its recent good performance, the share remains attractive with no premium vs. its conservative NAV, a sizeable dividend yield (realized capital gains helping temporarily lower recurrent earnings) and a positive future newsflow. Our slightly amended adj. EPS estimates (incl. above-mentioned disposals) remain below consensus for FY07/08 (Bloomberg consensus: €4.13). DCF-based target price sustained.

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%.