

# Fortis Bank Nederland

## Befimmo

Real Estate / Belgium

**Target Price EUR 52.00****Expected performance (12 mth) -4.2%****HOLD EUR 54.27 (Closing price 10-Jun-09)**

## Better off in Brussels

**11 June 2009****Analyst: Steven Vlek**

Fortis Bank (Nederland) N.V.  
Tel: +31 20 527 14 77  
Email: steven.vlek@nl.fortis.com

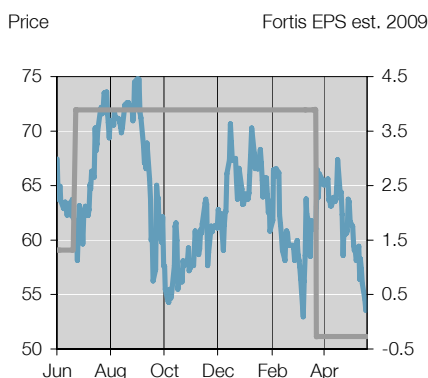
**Analyst: Miriam Wijnands**

Fortis Bank (Nederland) N.V.  
Tel: +31 20 527 23 23  
Email: miriam.wijnands@nl.fortis.com

### Opinion on qualitative criteria

Accounting	IFRS 01/01/2005
Quality of track record	High
Solvency	High
Currency risk	Low
Risk of asset write-off	Neutral

### Share price performance/EPS revision (EUR)



Source: FactSet, Fortis Equity Research

Market capitalisation (EUR m)	531.5
No. of shares (m)	9.8
Free float	84.0%
1/3/12 mth perf. (%)	(19.5)/(10.4)/(19.4)
High/low 52 weeks (EUR)	74.79/52.97
Next results due	23 June 2009
Price/book value (x)	
Volatility (β) (5yrs/EPRA Eurozone)	0.5
Reuters symbol	BEFB.BR
Bloomberg symbol	BEFB BB
Website	www.befimmo.be

On the 18<sup>th</sup> of June, the subscription period of Befimmo's 2-for-7 EUR 167m rights issue will end. We maintain our Hold recommendation on Befimmo but lower our price target to EUR 52 from EUR 69. We apply a 10% discount to the lowered FY09/10E NAV, to reflect the risk that the company will use the proceeds for an acquisition that adds risk to the stock.

### Investment case

We believe that the recent equity raising of Benelux REITs (EUR 544m in the last two weeks) will take its toll on the cash resources of investors. In addition, we believe that demand for the rights issue of Befimmo is limited and see this reflected in the weakening of the stock price. The company does not need the cash to avoid a breach of covenants and no acquisition has been announced, for which the proceeds will be used. There is the possibility that the company would enter the Paris office market. We believe that would add risk, as Befimmo lacks the local knowledge. The company has toned down its ambition to enter this market and now states it is primarily looking at acquisitions in Brussels and secondarily at the Paris and Luxembourg. After the rights, issue Befimmo has a war chest of EUR 250m, and the FY08/09E LTV will come down to 46% from 49%. Based on our expected FY09/10 net yield of 5.5%, we calculate that acquiring buildings at a higher net yield would be cash flow accretive. We believe that is not that difficult as the prime Brussels offices are currently valued at a gross yield of 6.25%. Such an acquisition would alleviate our worries and lower the discount to NAV.

### The rights issue

Befimmo will issue 3.73m shares at EUR 44.65 in a 2-for-7 rights issue that is fully underwritten. The subscription period will end the 18<sup>th</sup> of June. The new shares will be trading from June 25. The company will pay-out an interim dividend to the original shareholders of EUR 3.36. The FY08/09 final dividend, attributable to all shares is set at EUR 1.04.

Year to September	08/09e	09/10e	10/11e	11/12e	12/13e
Net rental income (EUR m)	108.7	114.6	120.0	123.0	128.0
EBIT (EUR m)	99.1	105.3	110.4	113.2	117.9
Direct result per share (EUR)	4.49	4.40	4.50	4.57	4.75
Indirect result per share (EUR)	(9.68)	2.43	1.19	2.76	(2.63)
Dividend per share (EUR)	4.13	4.40	4.70	4.57	4.75
NAV per share (EUR)	57.85	63.41	64.95	67.78	65.54
P/NAV (%)	93.8	85.6	83.6	80.1	82.8
Premium/(Discount) to NAV (%)	(6.2)	(14.4)	(16.4)	(19.9)	(17.2)
FFO multiple (x)	12.1	12.3	12.1	11.9	11.4
Dividend yield (%)	7.6	8.1	8.7	8.4	8.8

### Rental income will remain stable

We have increased our expected FY08/09 direct result to EUR 66.2m from EUR 57.7m on the back of lower financing cost. We leave our FY08/09E net rental income unchanged at EUR 108.7m and expect stability on rental income in the current year as 99.7% of the rents are guaranteed, and FY09/10, just 5% is at risk.

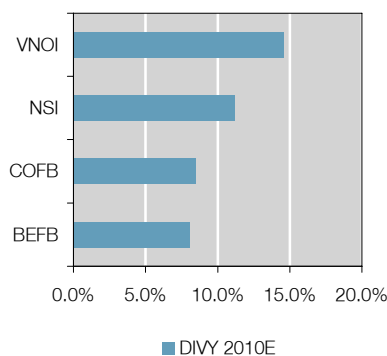
### 55%, borrowed at floating rates

We lowered our average FY08/09 financing cost to 3.5% while BEFB reported 4.1% 1H 08/09. 55% of the debt is borrowed at a floating rate while with the use of optional hedging instruments 91% of the total is hedged against interest rate increases. The company has no expiring credit until 2011 when EUR 200m expires (23% of net. debt).

### We add 20bps to yield expansion scenario

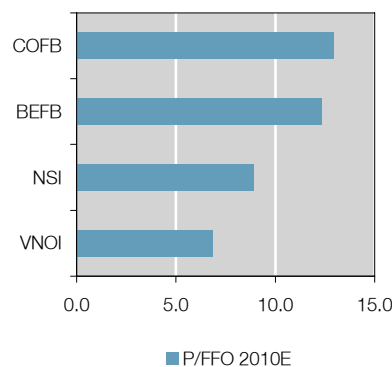
We lower our expected FY09/10 NAV per share to EUR 57.85 from EUR 71.96 on the back of the rights issue, interim dividend and extra yield expansion. We believe yield will expand further as vacancy will increase when more speculative investments will come to the market. We increased the expected FY08/09 yield expansion by 10 bps to 30bps FY08/09 and to 10 bps from zero for FY09/10. This book year the company has already reported 17 bps yield expansion.

BEFB- FY10E dividend yield



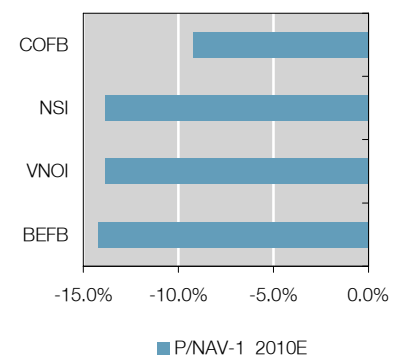
Source: Fortis Bank Nederland

BEFB- FY10E P/FFO



Source: Fortis Bank Nederland

BEFB- FY10E discount to NAV



Source: Fortis Bank Nederland

We find Befimmo fairly valued at current levels. The stock is a bit expensive, looking at the dividend yield and the P/FFO multiple. However, on NAV the stock is now trading in line with most of its peers. The cash flow multiples will turn more favourable after the company announces an acquisition.

### Conclusion

We lowered our target price for Befimmo to EUR 52 from EUR 69 and maintain our Hold recommendation. We lowered our target price on the back of the EUR 166m rights issue and use a 10% discount the FY08/09E NAV to reflect the risk of an acquisition in Paris. The company will profit from the lower interest rates as 55% is borrowed at a floating rate. We believe that the company is able to do a solid acquisition in Brussels that will alleviate our worries and the 10% discount.

<b>P &amp; L Statement (EUR m)</b>	<b>03/04</b>	<b>04/05</b>	<b>05/06</b>	<b>06/07</b>	<b>07/08</b>	<b>08/09e</b>	<b>09/10e</b>	<b>10/11e</b>	<b>11/12e</b>	<b>12/13e</b>
Gross rental income	78.5	78.8	76.0	104.9	109.5	117.0	123.8	128.2	131.5	136.8
Direct property expenses	(5.6)	(6.4)	(5.7)	(86.9)	(7.4)	(8.3)	(9.2)	(8.2)	(8.5)	(8.8)
<b>Net rental income</b>	<b>72.9</b>	<b>72.4</b>	<b>70.3</b>	<b>18.0</b>	<b>102.1</b>	<b>108.7</b>	<b>114.6</b>	<b>120.0</b>	<b>123.0</b>	<b>128.0</b>
General costs	(6.4)	(5.8)	(7.0)	(8.9)	(11.9)	(9.6)	(9.3)	(9.5)	(9.8)	(10.1)
Other income/expenses	0.0	(0.4)	(0.9)	0.0	1.3	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>66.5</b>	<b>66.1</b>	<b>62.5</b>	<b>9.1</b>	<b>91.4</b>	<b>99.1</b>	<b>105.3</b>	<b>110.4</b>	<b>113.2</b>	<b>117.9</b>
Net financial result	(16.2)	(15.5)	(14.3)	(35.7)	(31.3)	(29.0)	(28.0)	(32.2)	(33.8)	(35.4)
Associates (pretax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income taxes	(0.7)	(0.7)	(0.6)	(0.6)	(0.6)	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)
<b>NOPAT</b>	<b>49.7</b>	<b>50.0</b>	<b>47.5</b>	<b>(27.2)</b>	<b>59.4</b>	<b>69.3</b>	<b>76.4</b>	<b>77.4</b>	<b>78.5</b>	<b>81.6</b>
Extra ordinaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	(2.7)	(3.7)	(3.0)	(4.1)	(3.4)	(3.5)	(3.6)
<b>Direct result</b>	<b>49.7</b>	<b>50.0</b>	<b>47.5</b>	<b>(29.9)</b>	<b>55.7</b>	<b>66.2</b>	<b>72.4</b>	<b>74.0</b>	<b>75.1</b>	<b>78.0</b>
Valuation results	(8.4)	1.3	18.0	38.7	(6.3)	(109.6)	40.0	19.5	45.3	(43.1)
Realised results disposals	2.6	13.6	0.5	1.3	8.8	0.0	0.0	0.0	0.0	0.0
Valuation result fin. assets	0.0	0.0	0.0	0.0	0.0	(33.2)	0.0	0.0	0.0	0.0
Other indirect results	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities indirect result	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Indirect investment result</b>	<b>(5.8)</b>	<b>14.9</b>	<b>18.5</b>	<b>40.0</b>	<b>2.5</b>	<b>(142.8)</b>	<b>40.0</b>	<b>19.5</b>	<b>45.3</b>	<b>(43.1)</b>
<b>Net profit</b>	<b>43.9</b>	<b>64.9</b>	<b>66.0</b>	<b>10.1</b>	<b>58.2</b>	<b>(76.6)</b>	<b>112.4</b>	<b>93.5</b>	<b>120.4</b>	<b>34.9</b>

<b>Cash Flow Statement (EUR m)</b>	<b>03/04</b>	<b>04/05</b>	<b>05/06</b>	<b>06/07</b>	<b>07/08</b>	<b>08/09e</b>	<b>09/10e</b>	<b>10/11e</b>	<b>11/12e</b>	<b>12/13e</b>
EBIT	66.5	66.1	62.5	9.1	91.4	99.1	105.3	110.4	113.2	117.9
Cash interest	(16.2)	(13.6)	(13.0)	(30.9)	(32.6)	(29.0)	(28.0)	(32.2)	(33.8)	(35.4)
Cash taxes	(0.7)	(0.7)	(0.5)	(0.6)	(0.7)	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)
Change in current assets/liabilities	10.7	11.9	2.5	79.7	2.7	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from operations</b>	<b>60.5</b>	<b>63.7</b>	<b>51.5</b>	<b>57.4</b>	<b>60.9</b>	<b>69.3</b>	<b>76.4</b>	<b>77.4</b>	<b>78.5</b>	<b>81.6</b>
Acquisitions of investment properties	(38.0)	0.0	0.0	(576.6)	(94.3)	0.0	0.0	0.0	0.0	0.0
Disposals of investment properties	0.0	35.9	2.8	8.4	65.1	0.0	0.0	0.0	0.0	0.0
Net investments	(79.2)	35.9	2.8	(568.6)	(77.7)	(177.4)	(56.6)	(47.1)	(52.9)	(47.3)
Net investments in financial assets	0.0	2.7	0.1	(4.6)	2.5	0.0	0.0	0.0	0.0	0.0
Other	0.0	(0.2)	(0.3)	(18.9)	0.1	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investments</b>	<b>(79.2)</b>	<b>38.5</b>	<b>2.6</b>	<b>(592.1)</b>	<b>(75.2)</b>	<b>(177.4)</b>	<b>(56.6)</b>	<b>(47.1)</b>	<b>(52.9)</b>	<b>(47.3)</b>
Dividends	(43.6)	(45.3)	(47.0)	(48.2)	(49.8)	(102.6)	(25.1)	(71.7)	(77.3)	(75.2)
Change in equity	0.0	0.0	(0.0)	256.3	(6.0)	160.0	0.0	0.0	0.0	0.0
Change in debt	47.2	(55.5)	(4.9)	316.9	61.3	35.7	48.0	60.0	60.0	45.0
<b>Cash flow from financing</b>	<b>3.6</b>	<b>(100.8)</b>	<b>(51.9)</b>	<b>525.0</b>	<b>5.6</b>	<b>93.1</b>	<b>22.9</b>	<b>(11.7)</b>	<b>(17.3)</b>	<b>(30.2)</b>
<b>Net cash flow/Change in cash</b>	<b>(15.1)</b>	<b>1.4</b>	<b>2.2</b>	<b>(9.7)</b>	<b>(0.7)</b>	<b>(48.2)</b>	<b>42.7</b>	<b>18.6</b>	<b>8.4</b>	<b>4.1</b>

<b>Balance Sheet (EUR m)</b>	<b>03/04</b>	<b>04/05</b>	<b>05/06</b>	<b>06/07</b>	<b>07/08</b>	<b>08/09e</b>	<b>09/10e</b>	<b>10/11e</b>	<b>11/12e</b>	<b>12/13e</b>
Investment properties	1,125.3	1,063.2	1,078.4	1,812.9	1,877.6	1,968.5	2,064.3	2,119.9	2,177.4	2,236.6
Development pipeline	0.0	0.0	0.0	2.2	0.0	(23.1)	(22.3)	(11.3)	29.4	(25.6)
Other fixed assets	0.1	0.2	0.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Intangible assets	0.0	0.0	0.0	16.2	16.0	16.0	16.0	16.0	16.0	16.0
Financial fixed assets (FFA)	3.7	2.0	2.0	35.5	33.6	33.6	33.6	33.6	33.6	33.6
<b>Total fixed assets</b>	<b>1,129.2</b>	<b>1,065.4</b>	<b>1,080.8</b>	<b>1,867.5</b>	<b>1,927.9</b>	<b>1,995.7</b>	<b>2,092.3</b>	<b>2,158.9</b>	<b>2,257.1</b>	<b>2,261.2</b>
Receivables	10.3	14.6	13.3	24.0	39.3	39.3	39.3	39.3	39.3	39.3
Cash	12.8	12.8	15.0	5.3	4.6	(43.6)	(0.9)	17.7	26.1	30.2
<b>Total current assets</b>	<b>23.1</b>	<b>27.4</b>	<b>28.2</b>	<b>29.3</b>	<b>43.8</b>	<b>(4.4)</b>	<b>38.4</b>	<b>57.0</b>	<b>65.3</b>	<b>69.5</b>
<b>Total assets</b>	<b>1,152.3</b>	<b>1,092.8</b>	<b>1,109.0</b>	<b>1,896.8</b>	<b>1,971.8</b>	<b>1,991.3</b>	<b>2,130.7</b>	<b>2,215.8</b>	<b>2,322.4</b>	<b>2,330.7</b>
Shareholders equity	649.2	641.3	660.2	931.9	966.8	950.7	1,042.0	1,067.2	1,113.7	1,077.0
Minority interests	0.0	0.0	0.0	64.9	61.7	61.7	61.7	61.7	61.7	61.7
<b>Total group equity</b>	<b>649.2</b>	<b>641.3</b>	<b>660.2</b>	<b>996.8</b>	<b>1,028.5</b>	<b>1,012.4</b>	<b>1,103.7</b>	<b>1,128.9</b>	<b>1,175.4</b>	<b>1,138.7</b>
Deferred tax liabilities	0.0	0.0	0.0	0.0	5.4	5.4	5.4	5.4	5.4	5.4
Other LT liabilities	3.6	2.1	1.5	0.0	51.7	51.7	51.7	51.7	51.7	51.7
LT interest bearing debt	185.6	114.9	89.9	153.8	805.3	820.0	840.0	900.0	945.0	990.0
<b>Total LT liabilities</b>	<b>189.2</b>	<b>117.0</b>	<b>91.4</b>	<b>153.8</b>	<b>862.4</b>	<b>877.1</b>	<b>897.1</b>	<b>957.1</b>	<b>1,002.1</b>	<b>1,047.1</b>
ST interest bearing debt	283.3	297.5	317.4	662.7	9.0	30.0	58.0	58.0	73.0	73.0
Other current liabilities	30.6	37.0	40.0	83.4	71.8	71.8	71.8	71.8	71.8	71.8
<b>Total current liabilities</b>	<b>313.9</b>	<b>334.5</b>	<b>357.4</b>	<b>746.1</b>	<b>80.8</b>	<b>101.8</b>	<b>129.8</b>	<b>129.8</b>	<b>144.8</b>	<b>144.8</b>
<b>Total liabilities</b>	<b>1,152.3</b>	<b>1,092.8</b>	<b>1,109.0</b>	<b>1,896.8</b>	<b>1,971.8</b>	<b>1,991.3</b>	<b>2,130.7</b>	<b>2,215.8</b>	<b>2,322.4</b>	<b>2,330.7</b>



**Important disclosures**

Issuer	Ticker	Price (EUR)
Befimmo	BEFB.BR	54.27

Fortis Bank (Nederland) N.V. adopted a Research Policy for the purpose of ensuring that research produced by its analysts is impartial, independent, fair, clear and not misleading. In particular the Policy identifies policies intended to promote the integrity of research including those designed to ensure the identification and avoidance, management or disclosure of conflicts of interest in connection with the production of research, including information barriers.

**Consequently Fortis Bank (Nederland) N.V. discloses the following:**

Fortis Bank (Nederland) N.V. or its affiliates beneficially owns 5% or more of any class of common equity securities of this issuer. This position reflects information available as of the prior business day.

Fortis Bank (Nederland) N.V. or its affiliates has received compensation for investment banking services provided within the past 12 months from this issuer.

**Analyst certification**

The persons named as the authors of this research report certify that:

1. all of the views expressed in the research report accurately reflect the personal views of the authors about the subject financial instruments and issuers; and
2. no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report.

Steven Vlek - Equity Research Analyst

Miriam Wijnands - Equity Research Analyst

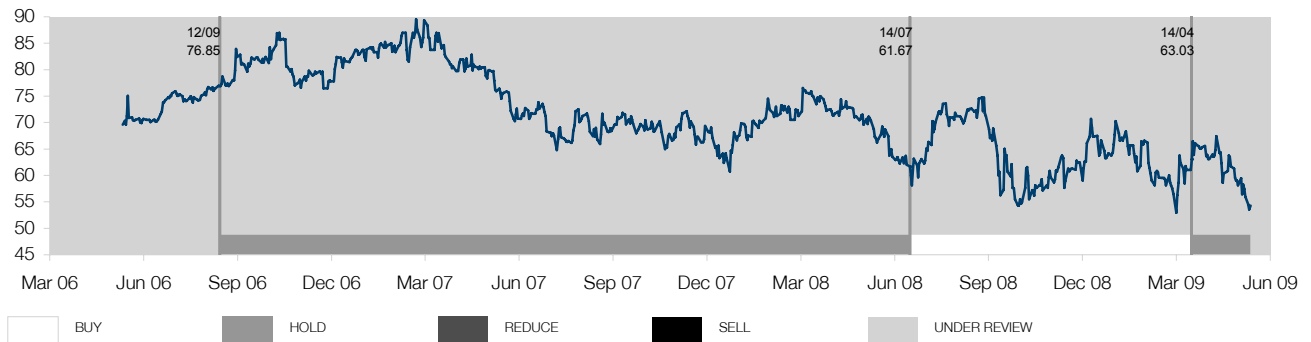
Analysts' compensation is determined based upon activities and services intended to benefit the clients of Fortis Bank (Nederland) N.V. and its affiliates. Like all Fortis (Nederland) N.V. and affiliate employees, analysts receive compensation that is impacted by overall Fortis Bank (Nederland) N.V. profitability, which includes revenues business units.

**Fortis Bank (Nederland) N.V. and affiliates equity research ratings distribution (primary covered stocks)**

Category	Fortis Rating	Definition	% companies under coverage with this rating	% companies for which Fortis has provided Investment Banking services
BUY	BUY	The stock belongs to the favourites of the local Fortis Bank (Nederland) N.V. univer Expected performance: > +15%	38%	25%
HOLD	HOLD	The stock does not belong to the current favourites. The investment case is not appealing for the time being. However, it's worth to keep the stock. Expected performance: > +5%, < +20%	48%	58%
	REDUCE	The stock belongs to the less attractive ones within the Fortis Bank (Nederland) N.V. universe. While the outlook is uncertain, the stock does not deserve an outright Sell. Expected performance: > -5%, < +10%	10%	17%
SELL	SELL	The investment case is definitively negative. Investors should sell the stock at any conditions. Expected performance: negative	4%	0%

11 June 2009

Fortis Bank (Nederland) N.V. Primary Equity Research Coverage: 79



#### History of Target Prices

Date	Recommendation	Target Price
14/4/2009	HOLD	EUR 64.67
14/7/2008	BUY	EUR 81.55
27/3/2008	HOLD	EUR 74.98
23/1/2008	HOLD	EUR 62.80
21/1/2008	HOLD	EUR 62.71
8/5/2007	HOLD	EUR 83.65
16/1/2007	HOLD	EUR 79.67
12/9/2006	HOLD	EUR 74.42

#### History of Recommendations

Date	Recommendation	Target Price
14/4/2009	HOLD	EUR 64.67
14/7/2008	BUY	EUR 81.55
12/9/2006	HOLD	EUR 74.42

Source: Fortis Equity Research, FactSet

**Fortis Bank (Nederland) N.V.**

Rokin 55 (visiting address)  
P.O. Box 243  
1000 AE Amsterdam  
The Netherlands  
Tel: +31 20 527 91 11

---

Each research analyst primarily responsible for the content of this research report certifies that with respect to each security or issuer that the analyst covered in this report: 1) all of the expressed views accurately reflect his or her personal views about those securities or issuers, and 2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views contained in this report.

**Production of the document**

Fortis Bank (Nederland) N.V., with registered office at Blaak 555, 3011 GB Rotterdam, Netherlands ("**Fortis**"), is responsible for the production and the dissemination of this document, which has been prepared by the individual(s) working for Fortis or any of its affiliates and whose respective identity is disclosed in this document (the "**persons involved**") (together the "**producers of the document**"). This document can be distributed (i) by an affiliate of Fortis Bank (Nederland) N.V. that is not registered as a U.S. broker-dealer to major U.S. institutional investors only.

**No public offer or financial promotion**

This document does not constitute an offer or solicitation for the sale, purchase or subscription of any financial instrument in any jurisdiction. It is not directed to, or intended for distribution to, any person or entity who is a citizen or resident of or incorporated or located in any jurisdiction where such distribution would be contrary to local law or regulation and/or where Fortis would infringe any registration or licensing requirement within such jurisdiction. This document has been provided to you for your personal use only and should not be communicated to any other person without the prior written consent of Fortis. Should you have received this document by mistake, please delete or destroy it, and notify the sender immediately.

**Sources and disclosure**

Fortis believes that the information and/or the interpretations, estimates and/or opinions regarding the financial instrument(s) and/or issuer(s) to which this document relates (respectively, the "**financial instrument(s) concerned**" and/or the "**issuer(s) concerned**") are based on reliable sources. Fortis makes no representations as to the accuracy or completeness of those sources and, in any case, the recipients of this document should not exclusively rely on it before making an investment decision. The interpretations, estimates and/or opinions reflect the judgement of Fortis on the date of this document and are subject to changes without notice. This document has not been disclosed to the issuer(s) concerned prior to its dissemination by Fortis.

**No investment advice**

The information contained herein does not constitute investment advice nor any other advice of whatever nature (including advice on the tax consequences that might result from making any particular investment decision). Investments in the financial instrument(s) to which this document relates may involve significant risks, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any financial instrument(s) concerned may fluctuate and/or be affected by external factors such as exchange rates fluctuations. Past performance is not indicative of future results. This document is intended for general circulation and does not take into account the recipient's particular financial knowledge and experience, investment objectives and financial situation or needs, and is not intended as a personal recommendation to invest in the financial instrument(s) concerned. Before making an investment decision on the basis of this document, an investor should consider whether such investment is suitable in light of, amongst others, its particular financial knowledge and experience, investment objectives and financial situation and, if necessary, should seek appropriate professional advice. Neither Fortis nor any of its group companies (including any subsidiary, affiliate or holding company), directors, officers and employees shall in any way be liable or responsible (whether directly or indirectly) for any costs, claims, damages, liabilities and other expenses, including any consequential loss, arising from any use of this document, except in the event of wilful misconduct or gross negligence on their part.

**Supervision**

Fortis Bank (Nederland) N.V. has a full banking License from the Dutch National Bank (DNB) and is overseen, as all Dutch banks, by the Autoriteit Financiële Markten (Authority Financial Markets, AFM) and DNB

**Copyright**

This document contains information, text, images, logos, and/or other material that is protected by copyrights, database rights, trademarks, or other proprietary rights. It may not be reproduced, distributed, published or used in any way by any person for any purpose without the prior written consent of Fortis or in the case of third party materials, the owner of that content.

To check the occurrence of possible (conflicts of) interests please send an email to: [equities.nl@nl.fortis.com](mailto:equities.nl@nl.fortis.com)