

## Equity issue materializes

Yesterday Befimmo announced a rights issue for a total amount of €140m (E: €125m) which we already anticipated in February '09. The company also published its 1H08/09 results showing EBITDA in line with expectations (A: €51m vs. E: €50m) and a healthy CFPS of €2.51 (E: €2.45), benefiting from its 55% floating debt. Befimmo showed a modest 2.7% write-down over 1H08/09 after yields softened by 17bps to a gross yield of 6.43% on the portfolio. We reiterate our Reduce rating and our PT of €55.

- €140m rights issue** Yesterday Befimmo announced its intention to do a rights issue totalling €140m (to be approved on 3 June '09) to strengthen the balance sheet and take advantage of opportunities in the Paris CBD office market. The conditions relating to the offering have not been published yet. The details will be published in the prospectus before 4 June '09. However we have already updated our estimates and increase the equity issue in our model to €140m whilst pencilling in a deeper discount (25%; was 16%) implying an issue price of €49p/s (was: €55p/s) resulting in the issue of 2.86 million new shares. An issue price of €49 would imply EBITDA/EV of 6.4%. As a result we believe it will be challenging for Befimmo to find acquisitions that will be value accretive, i.e. net initial yields for Grade A offices significantly above 6.7% (assuming c.30bps SGA costs). The largest shareholder (Fortis Insurance) has announced its intention to subscribe pro-rata to all of its shares (18.8%). We expect management to elaborate on the rights issue during the conference call today at 9h00 (CET; NL +31(0)20.713.3488 / UK +44(0)207.750.9926; PIN: 26052009#)
- Equity issue not imperative** As mentioned in our note yesterday 'Equity issue on the cards', we do not believe that the equity issue is imperative since Befimmo has sufficient headroom in its covenants (LTV 49% vs. 65% allowed) and holds adequate access to future liquidities. As Befimmo's €225m unused facilities are almost sufficient to refinance all of its maturing debt for the coming two years (c.€100m), a committed investment (Axento: €79m) and renovation spends planned (€73m). All in all, we do not (yet) see a reason for an expansion plan in combination with an equity issue.
- 1H08/09 result: accurately financed** Befimmo's net rental income over 1H08/09 came out at €57.4m (+5.1%y-o-y) which is in line with our €116m FY08/09 assumptions. The 1H08/09 CF was €2.51 p/s (E: €2.45); we assume a slightly lower annualized 08/09E CFPS of €4.7 since we forecast the dilutive effect (as a result of the €140m rights issue) will impact the FY08/09 CFPS. However we expect the dilutive effect to be partly offset by a low cost of debt since Befimmo can continue to benefit from the low interest rate as from 2Q08/09. We expect the financing costs on standing debt to decline to an average cost of debt of 3.8% for FY08/09 (1H08/09: 4.1%) as 55% of the debt is floating (91% holds a cap). Befimmo posted a modest 2.7% negative revaluation over 1H08/09, after yields softened by 17bps to a gross yield of 6.4% (net: 6.1%) on the pf. We believe that the low net yields of 7.0% for offices as seen in 1999 could recur. We apply a trough net yield of 7.0% on the 11E portfolio.
- Valuation** We reiterate our Reduce rating and €55 PT as we believe that the stock is defensive yet too expensive, i.e. 10E CF yield is 7.0%, EBITDA/EV yield 5.4% and trading at current NNAV.

Rating

**REDUCE**

Price target (12m) **€55.0**

Closing price (25 May 2009) **€65.4**

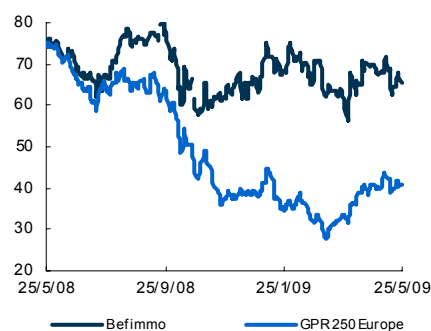
Expected total return **-8.9%**

Date **26 May 2009**

Fiscal Year	2008	2009E	2010E	2011E
Net rental income (€m)	102.1	116.0	125.3	130.8
EBITDA (€m)	91.4	104.8	114.0	119.3
Net Income (€m)	55.2	-41.0	2.9	65.5
Recurring CF p/s (€)	4.04	4.71	4.54	4.46
Indirect result p/s (€)	0.19	-7.54	-4.36	-0.34
EPS (€)	4.23	-2.83	0.18	4.12
Dividend (€)	4.55	4.60	4.50	4.50
NNAV (€)	73.32	61.87	57.50	57.09
P/NNAV-1	-2.4%	5.6%	13.7%	14.5%
EBITDA/EV	4.9%	5.1%	5.4%	5.6%
Recurring CF Yield	5.5%	7.2%	7.0%	6.8%
Earnings Yield	5.7%	-4.3%	0.3%	6.3%
Dividend Yield	6.1%	7.0%	6.9%	6.9%

Source: Company Data, Kempen & Co Estimates

### BEFB BB vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-6.2%	-7.2%	-13.9%
Abs. to GPR 250 Europe	-6.4%	-33.3%	32.3%

Source: Factset

### Company data

52-Week range	€56.51 - 79.79
Market cap	€853.5m
Number of shares	13.1m
Free float	81%
Average daily volume	22,489

### Company data

Bloomberg / Reuters	BEFB BB / BEFB.BR
Next announcement	23 August 2009 9m 2009 Results

### Analyst

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# Befimmo

Property ■ Belgium

Income Statement (Year to 30 Sep)	2007	2008	2009E	2010E	2011E	2012E
Gross rental income	104.9	109.5	124.0	134.1	140.0	144.2
Operating costs	-7.9	-7.4	-8.0	-8.8	-9.2	-9.4
Net rental income	97.0	102.1	116.0	125.3	130.8	134.7
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	-8.9	-10.6	-11.2	-11.3	-11.5	-11.7
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	88.1	91.4	104.8	114.0	119.3	123.0
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	88.1	91.4	104.8	114.0	119.3	123.0
Net financial	-35.7	-36.4	-32.9	-38.0	-44.6	-47.3
EBT	52.4	55.0	71.9	76.0	74.6	75.8
Taxes	-0.6	-0.6	-0.9	-0.9	-0.9	-0.9
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-2.6	-1.6	-2.8	-2.8	-2.8	-2.8
Direct investment result	49.2	52.7	68.2	72.3	70.9	72.0
Sales result	1.3	8.8	0.0	0.0	0.0	0.0
Revaluation Property	38.7	-6.3	-109.3	-69.4	-5.4	-1.2
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	40.0	2.5	-109.3	-69.4	-5.4	-1.2
Net profit	89.2	55.2	-41.0	2.9	65.5	70.8

Per share data	2007	2008	2009E	2010E	2011E	2012E
Number of shares	13.1	13.1	15.9	15.9	15.9	15.9
Average number of shares	11.4	13.1	14.5	15.9	15.9	15.9
Direct investment result per share	4.30	4.04	4.71	4.54	4.46	4.52
Indirect investment result per share	3.50	0.19	-7.54	-4.36	-0.34	-0.08
EPS (IFRS)	7.80	4.23	-2.83	0.18	4.12	4.45
CFPS (recurring)	4.30	4.04	4.71	4.54	4.46	4.52
Dividend per share	4.51	4.55	4.60	4.50	4.50	4.50
Payout ratio %	105%	113%	98%	99%	101%	99%
NNAV per share	71.36	73.32	61.87	57.50	57.09	56.75
NAV per share	71.36	74.03	62.50	58.12	57.71	57.38

Balance sheet	2007	2008	2009E	2010E	2011E	2012E
Investment property	1,812.9	1,877.6	1,977.2	1,978.3	2,003.6	2,002.3
Developments	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	33.6	33.6	33.6	33.6	33.6
Other fixed assets	16.2	16.7	16.7	16.7	16.7	16.7
Total fixed assets	1,829.1	1,927.9	2,027.5	2,028.6	2,053.9	2,052.6
Receivables	15.2	25.9	25.9	25.9	25.9	25.9
Cash and banks	5.3	4.6	8.0	19.0	28.6	39.2
Other current assets	47.2	13.4	13.4	13.4	13.4	13.4
Total current assets	67.7	43.8	47.3	58.3	67.8	78.5
Total assets	1,896.8	1,971.8	2,074.8	2,086.9	2,121.7	2,131.1
Shareholders' equity	931.9	966.8	994.7	925.1	918.6	913.2
Minority interests	64.9	61.7	61.7	61.7	61.7	61.7
Total equity	996.8	1,028.5	1,056.4	986.8	980.3	974.9
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Long interest bearing debt	148.6	857.0	15.4	15.4	15.4	15.4
Other long term liabilities	5.2	5.4	5.4	5.4	5.4	5.4
Total long term liabilities	153.8	862.4	20.8	20.8	20.8	20.8
Short term debt	662.7	15.4	932.2	1,013.9	1,055.2	1,070.0
Other current liabilities	83.4	65.4	65.4	65.4	65.4	65.4
Total current liabilities	746.1	80.8	997.7	1,079.3	1,120.6	1,135.4
Total equity and liabilities	1,896.8	1,971.8	2,074.8	2,086.9	2,121.7	2,131.1

Financing Ratio's	2007	2008	2009E	2010E	2011E	2012E
Equity-to-assets %	52.6%	52.2%	50.9%	47.3%	46.2%	45.7%
Net gearing %	80.9%	84.4%	88.9%	102.4%	106.3%	107.3%
Interest cover	2.5	2.5	3.2	3.0	2.7	2.6

Valuation	2007	2008	2009E	2010E	2011E	2012E
Enterprise value	1,899.9	1,834.3	1,979.8	2,050.5	2,082.2	2,086.3
Market Cap	1,093.9	966.4	1,040.2	1,040.2	1,040.2	1,040.2
P/NNAV-1	2.2%	-2.4%	5.6%	13.7%	14.5%	15.2%
EBITDA/EV	4.5%	4.9%	5.1%	5.4%	5.6%	5.8%
Recurring Cash Flow Yield	5.1%	5.5%	7.2%	7.0%	6.8%	6.9%
Earnings Yield	9.3%	5.7%	-4.3%	0.3%	6.3%	6.8%
Dividend Yield %	5.4%	6.1%	7.0%	6.9%	6.9%	6.9%

Model updated: 26 May 2009

Rating

**REDUCE**

Price target (12m)

**€55.0**

Closing price (25 May 2009)

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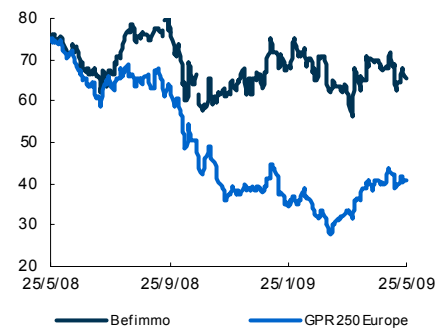
Expected total return

**-8.9%**

Date

**26 May 2009****Company description**

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

Website: [www.befimmo.be](http://www.befimmo.be)**BEFB BB vs GPR 250 Europe****Total Return Performance (%)**

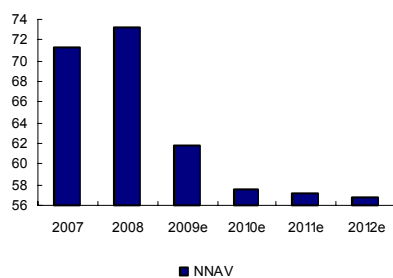
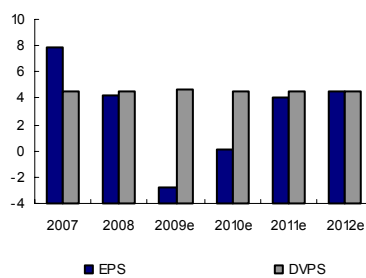
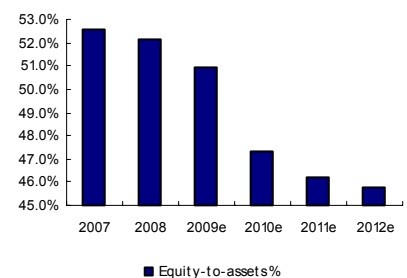
	-1m	-3m	-12m
Absolute	-6.2%	-7.2%	-13.9%
Abs. to GPR 250 Europe	-6.4%	-33.3%	32.3%

Source: Factset

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[robert.woerdeman@kempen.nl](mailto:robert.woerdeman@kempen.nl)**NNAV****EPS & Dividends****Equity-to-assets**

Source: Company Data, Kempen &amp; Co



## Disclosures

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### Regulatory disclosure

Company mentioned in this report
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### Recommendation structure

Definitions	
<b>Method</b>	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.
<b>Sell</b>	Expected negative total return of 20% or more on a 12 month basis.
<b>Reduce</b>	Expected negative total return of 5% or more on a 12 month basis.
<b>Neutral</b>	Expected total return between 5% to -5% on a 12 month basis.
<b>Add</b>	Expected positive total return of 5% or more on a 12 month basis.
<b>Buy</b>	Expected positive total return of 20% or more on a 12 month basis.
<b>Under review</b>	Rating and/or price target are under review in case there is insufficient basis for determining a rating and/or price target.
<b>Not rated</b>	Rating and price target are suspended because of Kempen & Co's engagement in an investment banking transaction and in certain other circumstances.
<b>Price Target</b>	Expected share price in 12 months.

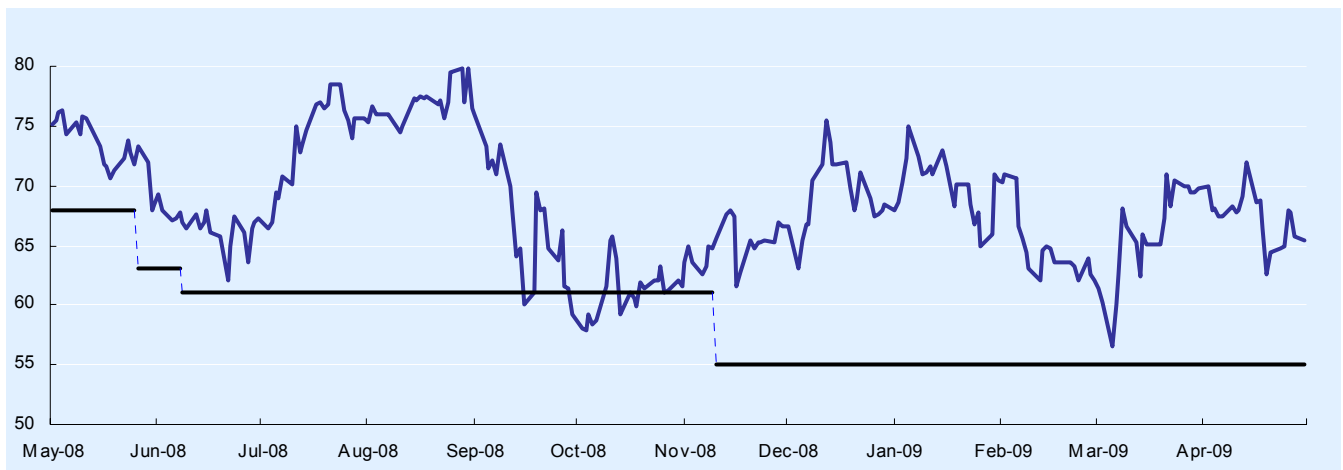
### Recommendation distribution

Rating	Count (% of total coverage)	% of investment banking clients
BUY	6 (15%)	0%
ADD	7 (17%)	26%
NEUTRAL	11 (27%)	37%
REDUCE	11 (27%)	37%
SELL	6 (15%)	0%
<b>Total</b>	<b>41 (100%)</b>	<b>100%</b>

### 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

### Price target history



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



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