



**22.06.09**

**Befimmo (EUR 55.30 - From Reduce to Hold): Multiples back in line**

As multiples are inline again with Cofinimmo and the company will be able to pay-out its targeted 2009 dividend per share (EUR 4.6), we upgrade our recommendation from Reduce to Hold

**Facts**

Friday after close, the company announced 91.58% of the new shares were subscribed, corresponding to 3,416,852 shares. The remainder of the preferential rights which were not exercised will be sold as scrips on 22 June (today) through an accelerated book building. The results will be published on 23 June in L'Echo and De Tijd.

The delivery versus payment of the new shares, with coupon No 19 attached, and the listing of the new shares will take place at 25 June.

At the announcement of the rights issue (3 June), the company expected:

- The leverage to decrease to 46% at the end of the financial year (30/09/09) compared to the 51.1% it expected before the transaction. At 31/03/09, the leverage amounted to 49.43%. For the coming years the company expects the leverage to amount to approx. 45%.
- It would use the money to pay of debt and possible opportunity investments in the near future. The company's main target region is the Brussels CBD. However, possible investments could also be made on the Luxembourg or Paris office market.
- This transaction to not dilute the targeted dividend per share for 2009 (EUR 4.60). Pro rata temporis calculated as of 1 October 2008 the shareholders will receive an interim dividend of EUR 3.36 (gross). This will be done under coupon nr 18 which will take place on 24 June. At the end of the book year, the company will propose an additional dividend of EUR 1.04 per share to all the new and existing shares.

**Our View**

As investors already subscribed to 91.58% of the rights issue compared to 70% in 2007 (EUR 270m capital increase), we expect the remaining rights to be sold today.

Even though, the discount of the new shares was slightly more than we expected, the dilution of earnings per share seems to be limited for 2009. We estimate that if the company would be able to achieve a direct result for the full year inline with its H1 results, this would amount to EUR 65.6m (i.e. EUR 5.23 per share excl. the transaction). Including a 3 month positive impact of the EUR 160m on the financial result (EUR 1m, our estimate), the direct result would increase to EUR 66.6m. We estimate this will amount to EUR 49.2m (i.e. EUR 3.676 per share) for the first three quarters of the financial year (excluding the

impact and new shares of the transaction). We estimate the direct result in the last quarter (including the impact and new shares of the transaction) would amount to EUR 17.4m (i.e. EUR 1.036 per share). As a result, the direct result per share would decrease to EUR 4.70 per share compared to EUR 5.23 before the transaction. This implies the company would not need its cash position to pay-out EUR 4.60 dividend per share for 2009.

However, as the new shares will fully share in the results during 2010, the direct result per share will be diluted to below its 2009 dividend per share. We estimate the direct result would increase to EUR 72.8m due to the impact of completed pipeline items and the transaction on the financial result (EUR 4m, our estimate). Based on the new total amount of shares (16,790,103) this would amount to EUR 4.34 per share. Therefore, the company will have to spend some money to not have to increase the pay-out ratio to +100% in 2010.

## **Conclusion**

Due to the recent share price decline, Befimmo's P/E currently amounts to 8.3 compared to 8.1 for Cofinimmo (our estimates) and the discount to NAV amounts to 16% vs. 21% for Cofinimmo. Furthermore, the EV/EBITDA, based on the current share price, indicates 18 for Befimmo and 17 for Cofinimmo. As a result of the latter and the fact that the company will be able to pay-out its targeted 2009 dividend per share (EUR 4.6), we upgrade our recommendation from Reduce to Hold and hope to see some high yielding investments soon. Target Price EUR 62.50

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