

Befimmo

Rating: Reduce (-)

PT: €66.0 (-)

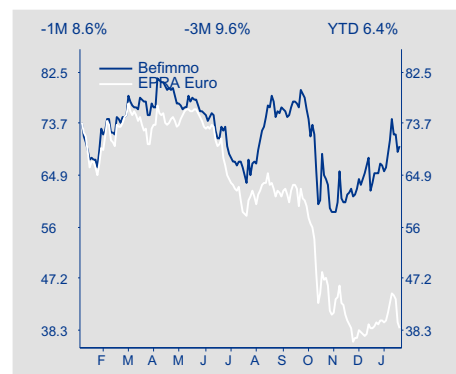
Last: €71.0

Key estimates

€	2006A	2007A	2008A	2009E
Net Profit (m)	47.5	50.4	50.7	57.5
EPS	4.85	4.66	3.89	4.40
DPS	4.92	4.51	4.55	4.60
CFPS	4.87	4.79	4.58	4.42
NAV	67.4	71.7	74.0	65.3

Valuation & other

	2006A	2007A	2008A	2009E
P/E	14.6	15.2	18.3	16.1
P/NAV	1.05	0.99	0.96	1.09
CF yield (%)	6.9	6.7	6.5	6.2
Div. yield (%)	6.9	6.4	6.4	6.5
EV/EBITDA	17.4	19.6	19.0	18.8



Safen haven at a premium - down to Reduce

- Quality at a price.** Due to its solid balance sheet (LTV 47% with covenant at 65% and no refi scheduled before 2011), good quality assets (58% Brussels CBD) and secured cash flows (64% public institutions, 9.4y lease duration) the stock is seen as a relatively safe place to park money especially in down equity markets. However, after posting a YTD return of 6% versus -8% for the EPRA Euro the normalized cash flow yield differential vis-à-vis the sector is now 375bps (6.7% vs. 10.5%) which in our view is too high.
- We downgrade to Reduce (from Neutral) with a PT of €66 (from €72).** We cite three principal reasons: i. at a 6.3% yield (with Fedimmo at 5.5%) we see up to 10% downside in property values, ii. acquisition risk ~ should Befimmo really invest in Paris and is there in fact a lot of balance sheet leeway left after correcting for the committed capex programme and a drop in property values?, iii. valuation.

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

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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 12-31-2008)

Rating Category	Rating distribution		Investment banking relationship	
	Count	Percent	Count	Percent
Buy	17	23.6%	1	5.9%
Add	13	18.1%	0	0.0%
Neutral	36	50.0%	0	0.0%
Reduce	6	8.3%	1	16.7%

Rating distribution Total: 72

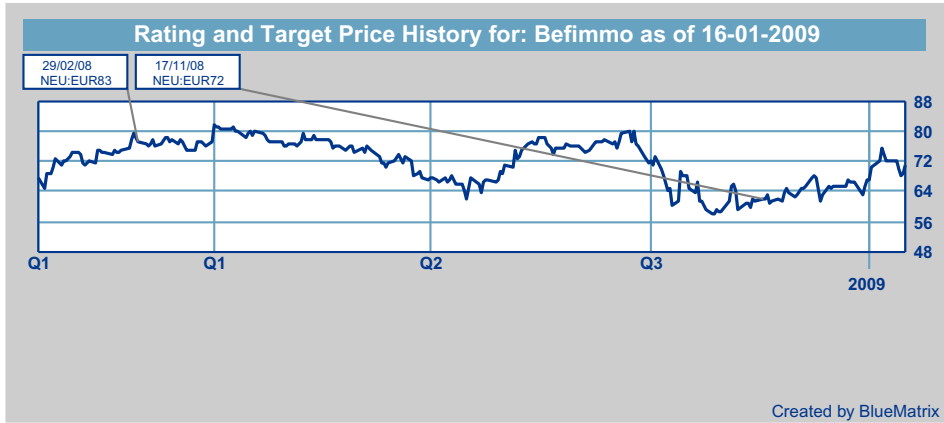
Investment banking relationship Total: 2

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12-MONTH PRICE TARGET CHART



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EQUITIES CONTACT LIST

RESEARCH

HEAD OF EQUITY RESEARCH

Rob Goyens +32 2 222 03 47

ENERGY & UTILITIES

Alternative Energies

Dieter Furniere +32 2 222 55 45

Electrical Equipment

Dieter Furniere +32 2 222 55 45

Environmental Utilities

Filiz Satik +32 2 222 33 16

INFRASTRUCTURE

Construction

Damien Caucheteux +32 2 222 01 67

Healthcare Infrastructure & Services

Koen Wuyts +32 2 222 33 18

Shipping

Koen Boriau +32 2 222 33 12

Transportation Infrastructure

Koen Wuyts +32 2 222 33 18

REAL ESTATE

Mickaël Van den Hauwe +32 2 222 33 95

COMMUNICATION SERVICES

Fixed Satellite Services

Kristof Lybaert +32 2 222 56 14

Postal Services

Rob Goyens +32 2 222 03 47

Telecom Services

Kristof Lybaert +32 2 222 56 14

Rob Goyens +32 2 222 03 47

HOLDINGS

Willem Glorie +32 2 222 33 12

SALES

BELGIUM

Head of Sales

Guy Noerens +32 2 222 71 73

Equity Sales

Bertrand Butez +32 2 222 11 11

Dennis Scheyltjens +32 2 222 70 68

Olivier Schoevaerds +32 2 222 70 20

Wouter De Schrijver +32 2 222 70 82

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

Arnaud de Montlaur +33 1 5628 5004

Patrick Berebi +33 1 5628 5116

Philippe Cantelaube +33 1 5628 5111

STRATEGY

Jean-Paul Pierret +33 1 5628 5267

