



**18.02.2010**

**COMPANY: Befimmo**  
**Recommendation: Hold**  
**Current Price: € 57.9**  
**Target Price: € 58.0**

News:

Befimmo published its 1Q09/10 trading update last night. Only headline numbers are released and these were in line with our forecasts:

- i. Rental income € 30.9m vs. € 31.2m KBCS est.
- ii. EBITDA € 26.4m vs. € 26.6m KBCS est
- iii. Recurring EPS € 1.13 vs. € 1.13 KBC est.
- iv. Confirms dividend at € 3.90.
- v. NAV (post closing dividend) at € 58.5 vs. € 58.2 KBCS est. after a mild q/q portfolio adjustment of 0.5%. The rental yield is now 6.6% and 7.0% on full occupancy. The latter was stable q/q at 94% and 96% excluding buildings in renovation.

Our View:

These earnings confirm our full year scenario and we recall that based on our assumptions the P&L trend for Befimmo over the next 2-3y is as follows: due to the ongoing renovation programme the operational performance is subnormal but this is more than compensated by a low funding cost; over time, these trends will reverse and we calculate a recurring look-through EPS of € 4.30-4.40.

The main element in the press release is the fact that the team was able to let 6,500m<sup>2</sup> in the Luxembourg Axento office complex (10,640m<sup>2</sup> offices & 1,600m<sup>2</sup> retail) next to the shops that were already let. This forward purchase scheme was acquired last summer and is subject to an 18-month rental guarantee; since it posed a considerable risk to cash flow (and our forecasts) this is an important news fact.

Conclusion:

We had downgraded the stock after the FY results in November inspired on valuation (trading 10% higher at the time) and potential investor concern on lettings and on the reinvestment of the proceeds from the rights issue (or rather the possible absence of it). One issue has now partially been addressed and with the dividend yield now at 6.7% (based on a low payout ratio), we believe time has come to change our view. We upgrade to Hold (from Reduce).

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