

BEFB BB | CLOSE: EUR 56.60 (+0.42%) | RATING: NEUTRAL  
**Kempen & Co news – Befimmo: 9M09/10 key figures came in decently**

Befimmo published its 9M09/10 fair value of its portfolio, turnover and CFPS yesterday after trading hours, which did not contain any surprises. Befimmo reported a decent CF of EUR 59m, a write-down of EUR 27m (-/-1.4% on the portfolio) and an NNAV of EUR 59.95 (-5.5% discount vs share price). Moreover the company reiterates its 2009/10 DPS of 3.9 (or a dividend yield of 6.9%). We regard it as positive that Befimmo is able to benefit from its 50% exposure to a floating interest rate (whereas interest rates have been capped at between 3.5% and 4.5%). Unfortunately there was still no material update on potential acquisitions. We reiterate our Neutral rating and our PT (EUR 59; +12m total return -/+11%) is unchanged.

**Operating result:** The net rental income over 9M09/10 came out at EUR 92.4m (+6% y-o-y) which is in line with our EUR 123m FY09/10 assumptions. The increase in revenues is mainly due to the inclusion of the Axento and Extension Justice building. The CF (excl one-off's) improved by 13% y-o-y to 59m (EUR 3.6p/s) and is thus well on track to our FY10E CF of EUR 81m. No further guidance was given other than that the company's forecast still applies. For the coming years the company reiterates its 2010/11 CF of EUR 71m (CFPS: EUR 4.2) and a 2011/12 CF of EUR 67m (CFPS EUR 4.0). We expect Befimmo's FY09/10 CFPS to come out at EUR 4.8 (we expect Befimmo to benefit from its 50% floating debt longer than previously anticipated) and an FY10/11 CFPS of EUR 4.2, implying CF yields of 8.4% and 7.4% respectively.

**Result on the portfolio:** The overall gross yield on the portfolio came out at 6.4% at the end of 9M09/10 and the total write-down on the standing portfolio came out at EUR 27m y-t-d (clearly decelerating over the quarters 1Q09/10: -/0.54%, 2Q: -/0.48% and 3Q: -/0.39%). Earlier this year management stated that the pace of the write-down had been slowing and we thus expect a marginal write-down (i.e. <2%) for FY09/10. All in all, we expect the year-end NNAV to be EUR 59 p/s (after EUR 3.9 DPS – ex-date 12 December 2010).

**Outlook:** Befimmo reiterated a gross dividend for FY09/10 of EUR 3.90 per share. In addition, unfortunately no update was given on potential acquisitions in its home market where the company's focus lies (high-quality well-located properties in Brussels with long leases). The company reiterates its acquisition strategy of mainly searching for grade A offices in Brussels and can invest up to EUR 150m without jeopardizing its maximum LTV of 50% (currently 42.7%).

**Valuation:** We approve of the future top-line revenues being secured, i.e. a lease maturity of 9.3-yrs, 64% leased to public institutes and with c.7% of leases to mature in three years' time. We are however not overly excited about the Brussels office market and the fact that the portfolio is over-rented. All in all, we regard the multiples as modestly appealing: i.e. FY11E CF yield of 7.4% (average continent 7.0%) and 11E EBITDA/EV of 5.6% (average: 5.6%) whereas the company is trading at a 6% discount vs. spot NNAV (whilst the company in general tends to trade at a premium). *We reiterate our PT of EUR 59 and Neutral rating. For further information please contact Robert Woerdeman (+31 (0)20 348 8458; robert.woerdeman@kempen.nl)*