

Exane Market Commentary

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1) Befimmo – Q4 marginally above, but market risks remain

>FFO/share 3% above due to lower than expected opex

Befimmo reported its results for the 12m to September 2011 yesterday (after market close). As a reminder, Befimmo are changing their reporting date to December, so the current reporting period will consist of 5 quarters. FFO/share was EUR4.38, 3% ahead of our forecast (EUR4.27). While rental income was 1% below our estimate (with LFL rents -0.9% yoy, down from -1% at June), operating expenses have not increased as much as we had expected given the increase in vacancy since the start of the year (now 5.6% up from 4.5% at Sept-10). We have updated our model to reflect this. Net financial expenses came in 4% below our forecast.

>NAV/share in line with our forecast

NAV/share was reported as EUR61.3, in line with our forecast of EUR61.5. The like-for-like declines in the value of the portfolio continue to moderate, down only 0.4% yoy (vs 0.5% at June), with the decline driven by lower rents rather than any movement in the portfolio yield which has remained flat at 6.6% since the start of the year. Loan-to-value remains in line with office peers at 42.5%.

>March 2012 refinancing agreed

Management announced the refinancing of its EUR130m March 2012 maturity through the agreement of a EUR100m 5-year bilateral credit line and a EUR44m fixed-rate loan. There are no other material refinancings in 2012.

>Cautious market outlook, TP unchanged at EUR51/share, reiterate U/P

We remain highly cautious on the outlook for the Brussels office market (73% of 2013e EBITDA), and expect a 1% decline in LFL rents over 2012 given high levels of market vacancy and incentives and a muted outlook for take-up given recent macroeconomic developments. While the stock offers an attractive dividend yield (7.6%), it remains expensive at a 26% discount to 2012e NNAV vs 37% for peers. Following minor changes to our model our TP remains EUR51/share (2% downside).