



18/02/2011

COMPANY: Befimmo

Recommendation: Hold

Current Price: € 62.2

Target Price: € 63.0

News:

Befimmo yesterday announced 1Q11 results. On the quant side we highlight: i. Recurring EPS at € 1.18 vs. € 1.10 KBCS est. with the outperformance due to better rental income (i.e. a mismatch in timing temporary vacancies due to redevelopments). ii. The portfolio result came at -0.4% q/q in line with our assumptions. The gross portfolio yield (based on 100% occupancy) equates to 7.0%. iii. As a consequence the spot NAV (EPRA) stands at € 58.5 vs. € 58.4 KBCS est. iv. The guidance for a DPS of € 3.94 for the full year was confirmed implying a payout ratio of 90-95% (on our recurring earnings forecast).

Our View:

On the letting side the company was able to renew leases on 28,000m² (~3% of surfaces) predominantly through long lease contracts as the average lease duration (till first break option) increased to 9.3y from 9.1y q/q. The occupancy rate (incl. redevelopment projects) was stable q/q at 94%. Over 2011-13 a limited 14% of leases are up for renewal which should enable the company to focus on leasing up the buildings currently under renovation.

On the investment front management sees a growing number of acquisition opportunities but highlights tight pricing is an issue. As a reference, the project in Bruges let on a long lease to the Belgian State is alleged to go under 5%. It does bear the question in our view on whether one should be selling assets rather than acquiring, though management underscored its priority to maintain a solid recurring dividend.

Conclusion:

The key messages we retained from the release: better on recurring cash flow and in line on NAV with the underlying trends remaining unchanged. We confirm our Hold rating.

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