REAL ESTATE: NEUTRAL





TARGET PRICE

FF0 12e

FF0 13e

Positive steps on corporate structure and strategy

31 OCTOBER 2012

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Simplification of the corporate structure to bring more transparency and control

On 31 October, Befimmo announced it has reached an agreement with AG Real estate on (1) the purchase by Befimmo SCA of the Statutory Manager, Befimmo SA, from AG Real Estate for a consideration in cash of EUR21m and (2) the full internalisation of property management activities for a consideration of EUR1. This agreement is subject to EGM approval (to be organised in December 2012). We believe this is positive as it will give Befimmo better control as it will be in closer/direct contact with its tenants. Interestingly, management indicated that this initiative came from AG Real estate. Befimmo will also propose to transform the Limited Partnership by Shares into a Limited Liability. Finally, management confirmed its decision to apply for REIT status for its 100% owned subsidiary Fedimmo.

Simplification of corporate structure: one-off cost but annual accretion of cash-flows

Management indicated that the EUR21m price was assessed using a wide range of valuation methodologies. The cancellation of the annual management fee would have saved EUR1.6m in 2011 (EUR1.4m in 2010), implying a positive FFO impact of EUR0.07/share in 2012 and EUR0.06/sh pa from 2013e. There will be a one-off negative impact on NNNAV of EUR1.09/sh in 2012, ie EUR21m minus EUR1.6m. LTV will also increase by 1%. We have updated our model to reflect this. This is broadly neutral on valuation and we keep our TP and rating unchanged.

Strategy: no longer looking at Paris office, re-focus on core market makes sense

Following Befimmo's announcement earlier this year that it was assessing potential diversification in Paris offices, management indicated that in the current macroeconomic environment, such a diversification would not meet Befimmo's risk/return targets as returns in CBD were too low and risks in the suburbs too high. Therefore, Befimmo will remain focused on the Belgian and Luxembourg office markets. Mgmt will monitor investment opportunities, which will be financed through disposals of non-strategic buildings (from Fedimmo portfolio). Mgmt intends to keep LTV around or below 50%. We believe that focusing on its core markets where its expertise lies makes sense, although the outlook for the Belgian office market remains very weak in our view.

Price (31 October 2012)	EUR47.0
Market cap (EURm)	834
Free float (EURm)	677
EV (EURm)	1,806
3m avg volume (EURm)	0.7
Reuters / Bloomberg	BEFB.BR / BEFB BB
Country / Sub Sector	Belgium / Offices

Financials	12/11	12/12e	12/13e	12/146	
Diluted FFO (EUR)	5.30	3.90	3.66	3.78	
Net dividend (EUR)	4.93	3.45	3.45	3.48	
Diluted NAV (EUR)	57.37	54.20	52.81	51.84	
Diluted NNNAV (EÚR)	57.02	54.30	53.10	52.29	
Rental income (EURm)	156	129	129	134	
EBITDA (EURm)	103	108	107	112	
NOPAT (EURm)	103	107	106	111	
EEO (ELÌDm)	71	60	65	67	

Performance* (%)	1w	1m	3m	12m
Absolute	1	2	(4)	(11)
Rel. Real Estate	(0)	(2)	(7)	(25)
Rel. MSCI SMID	Ó	ì í	(8)	(22)

^{*} In listing currency, with dividend reinvested

Valuation metrics*	12/11	12/12e	12/13e	12/14e
NOPAT yield (%)	6.6	5.9	5.7	5.8
FFO yield (%)	7.1	8.3	7.8	8.0
Dividend yield (%)	8.3	7.3	7.3	7.4
Premium to GAV (%)	2	(7)	(5)	(4)
Premium to NAV (%)	4	(13)	(11)	(9)
Premium to NNNAV (%)	4	(13)	(11)	(10)

^{*} Yearly average price for FY ended 12/11

Forthcoming events

Date	Event	
15 Nov. 2012	Q3 Trading Statement	
19 Feb. 2013	FY 2012 Results	
24 Apr. 2013	AGM	

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Investment	Distributor	ributor Liquidity Corporate provider links			ity stake	Amended after Disclosure to	Additional material	
banking	Distributor		interest	US Law	French Law	company	conflicts	
NO	NO	NO	NO	NO	NO	NO	NO	NO

Source: Exane

BNP Paribas
Potential conflicts of interest: None.

Source: BNP Paribas



Price at 31 Oct. 12 / 12m Target Price **BEFIMMO (Underperform)** EUR47.0 / EUR46 -2% Reuters / Bloomberg: BEFB.BR / BEFB BB Offices | Real Estate (Neutral) - Belgium Webb (+44) 203 430 8419 & Guezi (+44) 207 039 9505 Company Highlights Enterorise value 1.806 Market capitalisation 85. Free float 677 75.0 12m 65. Absolute 2% (4%) (11%)Rel. Secto (25%) 55. Rel. MSCI SMID 1% (8%) (22%) 12m Hi/Lo (EUR): 56.6 -17% / 42.7 +109 Diluted FFO PS (3%)Diluted NNAV PS 65.9 Sep. 03 to Dec Price (yearly avg from Sep. PER SHARE DATA (EUR) p. 03 ep. 04 ep. 05 ep. 07 Sep. 08 Sep. 09 ep. 10 Dec. 11 Dec. 126 ec. 13e Dec. 14e Dec. 15e c. 16e 16.790 17.738 17.738 17.738 17.738 Avg no of shares, diluted, excl. treasury stocks (m) 9.794 9.794 9.794 9.794 10.823 13.059 14.061 16.816 17.638 Diluted FFO 5 19 5.08 Net dividend 4.62 4.80 Diluted NAV 61.40 61.77 68.28 67.38 70.75 73.38 59.85 61.68 57.37 54.20 52.81 51.84 53.31 54.79 Diluted NNAV 61.30 61.65 67.59 67.13 71.32 73.98 58 49 60.27 57.02 53.85 52.47 51.49 52.96 54.45 67.13 71.32 61.30 67.59 61.65 STOCKMARKET RATIOS ep. 08 p. 09 p. 10 c. 11 c. 12e c. 13e c. 14e c. 15e c. 16e 7.1% FFO yield 8.2% 7.3% 6.6% 6.2% 5.2% 5.6% 8.5% 7.8% 8.3% 7.8% 8.0% 8.6% 8.7% Dividend vield 6.8% 6.5% 6.2% 6.2% 5.4% 6.1% 6.9% 6.5% 8.3% 7.3% 7.3% 7.4% 7.6% 7.7% Premium/(Discount) to GAV (0%) (7%) (5%) (4%) (5%) Premium/(Discount) to NAV 7% 15% 13% 17% 18% 1% 7% (3%) 4% (13% (11%)(9%) (12%)(14%)(13%) (13%) (10%) (11%) Premium/(Discount) to NNAV 7% 15% 14% 18% 17% 0% 9% (1%) 4% (9%) (11%) (14%) remium/(Discount) to NNNAV **ENTERPRISE VALUE (EURm)** 1,113 1,225 1,168 1,168 1,737 1,861 1,759 1,878 1,942 1,806 1,882 1,914 1,901 1,888 906 773 776 + Net debt 467 529 405 392 841 784 871 902 977 1,010 997 984 + Minority interests 65 62 62 64 64 64 Derivatives (0) (8) (9) 16 18 Other debt marked to market adjustment P & L HIGHLIGHTS (EURm) p. 07 р. 08 p. 09 p. 10 c. 14e :. 16e 78.3 79.5 119.1 128.8 128.8 (7.1) 0.0 (7.7 Operating expenses (4.2) (5.6) (6.8) (5.9) (7.9) (7.4) (3.8) (9.3) (7.7) (8.0) (8.5) (8.7) Other operating income 0.0 (7.8) (13.9) (10.6)(10.8)(17.8)(13.4)(14.2)G&A expenses (5.5)(6.2)(6.3)(8.9)(8.0)(14.6)(15.0)EBITDA 68.6 66.7 66.4 62.5 88.1 91.4 107.3 106.1 129.0 107.7 107.2 111.8 119.0 120.7 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 Associates Non-real estate depreciation 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 Net financial expenses (15.2) (16.0) **50.4** (13.7) (37.6) (32.4) (29.3) **78.0** (22.8) (34.5) **94.5** (34.8) (38.3) **68.8** (40.7) **71.1** 52.8 51.5 48.8 50.5 59.0 83.3 72.9 75.7 77.0 Pre-tax recurring profit Current taxation (0.1) (0.7) (0.7)(0.6) (0.6) (0.6) (0.5) (0.7) (0.8) (0.7 (0.7) (0.7) (0.7) (0.8) 0.0 **52.7** 0.0 0.0 0.0 (3.9) **78.8** (3.3) **64.9** (3.4) **67.0** (3.6) **71.3** (1.1) **76.4** 47.2 89.2 72.6 68.8 Real estate depreciation 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 (7.5) (109.7) (38.1) (11.6) (87.4) (28.2) After-tax unrealised valuation movements (5.8) Other items (0.1)(1.1)0.0 0.0 0.0 0.0 (1.2)6.1 4.3 0.0 0.0 0.0 0.0 0.0 84.3 119.9 107.0 CASH FLOW HIGHLIGHTS (EURm) p. 03 p. 04 p. 05 p. 06 ep. 07 p. 08 p. 09 ep. 10 c. 11 c. 12e c. 13e c. 14e c. 15e c. 16e 50.9 0.0 Other recurring items 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 (1.0)(1.0)(1.0) 0.0 0.0 Net cash flow from operations 52.7 50.9 49.7 48.2 49 9 58.3 77.5 82.7 93 7 67.2 69.4 74.9 (38.4) (0.2) (144.8) (81.2) (40.7) 0.0 (4.3) (72.7) (718.3) (123.3) (34.8) (81.2) 0.0 (118.0) Disposals 0.6 3.7 0.0 2.8 22.4 64.9 3.9 58.8 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 (69.0) (695.8) (79.9) Net investments (3.7)(38.4)2.6 (119.5)24.0 (118.0)(81.2)(81.2) (40.7) 0.0 Distributed dividend (43.6) (45.3) (45.3) (47.0) 0.0 (48.2) 256.3 (49.8) (60.6) 159.5 (62.7) (67.4) (20.8 (61.2) (61.2) (61.8) 0.0 (63.0) 0.0 45.2 0.0 0.0 0.0 (116.0) (11.0) 61.1 (1.7)86.5 81.2 81.2 40.7 Change in borrowings 402.5 (80.0)0.0 0.0 Other non-recurring item 160.1 25.6 9.5 24.6 (45.0) 0.0 (0.7)(2.6) BALANCE SHEET HIGHLIGHTS (EURm) Sep. 03 p. 04 Sep. 05 Sep. 06 ep. 07 Sep. 08 Sep. 09 ep. 10 ec. 11 c. 12e ec. 13e ec. 14e c. 15e c. 16e Other fixed assets Working capital Other net assets 13 (66) (27) (70) (42) (97) (55) (43) (43) (43) (43) (43) (43) Capital employed 1 068 1 134 1 074 1 052 1.762 1 861 1 842 1 885 1 945 1.927 1.975 1 989 2 002 2 016 (116) (91) (149) (857) (745) (585) (856) (937) (1,018) (1,059) Long-term debt (118) (186) Short-term debt (373) (350) (304) (317) (663) (15) (47) (206) (21) (21 (21) (21) (21) (21) Financial assets 10 33 10 Net debt (467) (529) (405) (392) (773) (841) (776) (784)(871) (902) (977) (1,010) (997) (984) Minority interes 601 937 NAV 605 669 660 924 958 1,005 1,036 1,006 961 920 946 972 Derivative (1) (1) (1) (16) (18) (4) (3) (1) (1) Other marked to market adjustment (3) (6) (3) (3) NNAV 600 604 662 658 931 966 982 1.012 1.000 955 931 913 939 966 Net deferred tax liabilities 11 NNNAV 600 662 658 931 966 982 1,012 1,000 963 927 977 FINANCIAL RATIOS 0.3 0.04 p. 05 p. 06 p. 07 80 .a n 09 n 10 : 12e c. 13e 14e 15e . 16e (11.3%) (4.2%) Dividend (% change) NS 3.8% 3.9% 2.5% (8.3%)0.9% (3.3%)(11.2%)26.2% (30.0%) 0.0% 1.0% 2.0% 2.0% Diluted NNAV PS (% change NS 0.6% 9.6% (0.7%) 6.2% 3.7% (20.9%) 3.0% (5.4%) (5.6%) (2.6%) (1.9%) 2.9% 2.8% EBITDA Margin 83.5% 83.5% 83.6% 83.2% 83.4% 87.6% 84.9% 84.0% 85.6% 82.7% 83.7% 90.1% 83.6% EBITDA coverage of interests 4.3x 4.4x 4.2x 4.6x 2.3x 2.8x 3.7x 4.7x 3.7x 3.1x 2.8x 2.7x 2.7x 2.8x Effective tax rate 0.87% 0.98% 0.18% 1.27% 1 31% 1 27% 1 16% 1.10% 0.59% 0.78% 0.98% 0.98% 0.98% 0.98% 47.0% 40.4% 48.8% Loan-to-value 44.3% 35.5% 36.3% 42.6% 44.6% 40.8% 50.1% 49.1% 48.1%

(*) In listing currency, with div. Reinvested

Payout as % of FFO ROCE

WACC

ROCE/WACC

82 7%

89.0%

94.5%

100.0%

103.5%

108 9%

5.2%

80.3%

83.3%

97.0%

0.0%

89.0%

6.9%

94.3%

6.9%

92.3%

6.9%

88 4%

6.9%

88.6%

6.9%

0.8x Oct. 12

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