

BEFIMMO UNDERPERFORM
 TARGET PRICE **EUR48** (UPSIDE 2%)

TARGET PRICE	FFO 12e	FFO 13e
↗ 4%	↗ 10%	↗ 10%

Guidance up – but not by enough

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Solid Q3 results

Befimmo reported a solid set of Q3 results, with trends remaining very stable over the quarter. Occupancy was virtually unchanged at 95.5%, reflecting the benefits of Befimmo's relatively prime and long-leased portfolio. The property portfolio valuation continued to decline modestly, falling just 0.37% in the quarter – a speed of decline in-line with the run-rate during the first half of the year. Befimmo also reported that construction has resumed on the new Finance Centre at Rue Paradis following the rejection of an appeal to suspend it.

Full-year guidance up by “over 5%”

Befimmo also announced that it has increased its full-year guidance for FFO/share by “over 5%” versus the previous guidance provided at the beginning of the financial year. The previous guidance was EUR3.86/share, so this increase would imply FY earnings of at least EUR4.05/share. With FFO of EUR3.30/share over the first nine months of the year, beating original guidance by 5% should be straightforward. We revise our estimates more aggressively and now forecast FFO/share of EUR4.27 – an increase of 10% and some 5% higher than guidance. While net rental income is slightly higher than originally forecast, lower finance costs are by far the dominant driver. Befimmo is relatively highly exposed to short-term interest rate movements and has been a major beneficiary of falling finance costs.

We remain cautious on the Brussels office market

We retain our Underperform recommendation, reflecting our ongoing caution on the Brussels office market where we expect values to continue to decline for the foreseeable future. While there are some signs of a stabilisation in market vacancy rates, it will be some time before rents start to grow again, in our view.

Price (16 November 2012)	EUR47.1				Performance* (%)	1w	1m	3m	12m
Market cap (EURm)	836				Absolute	(1)	2	(2)	(6)
Free float (EURm)	679				Rel. Real Estate	1	3	0	(22)
EV (EURm)	1,849				Rel. MSCI SMID	1	4	(2)	(20)
3m avg volume (EURm)	0.6								
Reuters / Bloomberg	BEFB.BR / BEFB.BB								
Country / Sub Sector	Belgium / Offices								
					* In listing currency, with dividend reinvested				
Financials	12/11	12/12e	12/13e	12/14e	Valuation metrics*	12/11	12/12e	12/13e	12/14e
Diluted FFO (EUR)	5.30	4.27	4.03	4.07	NOPAT yield (%)	6.6	5.9	5.7	5.8
Net dividend (EUR)	4.93	3.45	3.45	3.48	FFO yield (%)	7.1	9.1	8.6	8.6
Diluted NAV (EUR)	57.37	54.35	53.00	52.06	Dividend yield (%)	8.3	7.3	7.3	7.4
Diluted NNNAV (EUR)	57.02	54.20	53.05	52.28	Premium to GAV (%)	2	(6)	(5)	(4)
Rental income (EURm)	156	132	131	136	Premium to NAV (%)	4	(13)	(11)	(10)
EBITDA (EURm)	103	110	109	113	Premium to NNNAV (%)	4	(13)	(11)	(10)
NOPAT (EURm)	103	110	109	113					
FFO (EURm)	71	75	72	72					

* Yearly average price for FY ended 12/11


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Forthcoming events

Date	Event
19 Feb. 2013	FY 2012 Results
24 Apr. 2013	AGM

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Source: Exane

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Potential conflicts of interest: None.

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