REAL ESTATE: NEUTRAL





TARGET PRICE FF0 12e FF0 13e

7 4% 7 10% 7 10%

# Guidance up – but not by enough

#### **16 NOVEMBER 2012**

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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
Market cap (EURm)	836
Free float (EURm)	679
EV (EURm)	1,849
3m avg volume (EURm)	0.6
Reuters / Bloomberg	BEFB.BR / BEFB BB
Country / Sub Sector	Belgium / Offices

Financials	12/11	12/12e	12/13e	12/14e
Diluted FFO (EUR)	5.30	4.27	4.03	4.07
Net dividend (EUR)	4.93	3.45	3.45	3.48
Diluted NAV (EUR)	57.37	54.35	53.00	52.06
Diluted NNNAV (EUR)	57.02	54.20	53.05	52.28
Rental income (EURm)	156	132	131	136
EBITDA (EURm)	103	110	109	113
NOPAT (EURm)	103	110	109	113
FFO (EURm)	71	75	72	72

Performance* (%)	1w	1m	3m	12m
Absolute	(1)	2	(2)	(6)
Rel. Real Estate	1	3	0	(22)
Rel. MSCI SMID	1	4	(2)	(20)

<sup>\*</sup> In listing currency, with dividend reinvested

2/11	12/12e	12/13e	12/14e
6.6	5.9	5.7	5.8
7.1	9.1	8.6	8.6
8.3	7.3	7.3	7.4
2	(6)	(5)	(4)
4	(13)	(11)	(10)
4	(13)	(11)	(10)
	7.1 8.3 2 4	6.6 5.9 7.1 9.1 8.3 7.3 2 (6) 4 (13)	6.6 5.9 5.7 7.1 9.1 8.6 8.3 7.3 7.3 2 (6) (5) 4 (13) (11)

<sup>\*</sup> Yearly average price for FY ended 12/11

### Forthcoming events

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

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

Source: Exane

**BNP Paribas**Potential conflicts of interest: None.

Source: BNP Paribas



#### **BEFIMMO (Underperform)**

EUR47.1 / EUR48 +2% Offices | Real Estate (Neutral) - Belgium Webb (+44) 203 430 8419 & Guezi (+44) 207 039 9505

Reuters / Bloomberg: BEFB.BR / BEFB BB Company Highlights Enterprise value 1.849 Market capitalisation 836 85. 679 Free float 75.0 3m average volun Performance (\*) 12m 65 Absolute 2% (2%) (6%)Party Adjust Rel. Sector 3% 0% (22%) 55. Rel. MSCI SMI 12m Hi/Lo (EUR): 53.7 CAGR 2004/2012 2012/2010 Diluted FFO PS 40.6 Diluted NNAV PS (2%)83. Sep. 08 Sep. 10 Dec. 11 Dec. 13e Dec. 14e Dec. 15e c. 16e p. 03 No of shares year end, basic, (m) 9.794 9.794 9.794 9.794 13.059 13.059 16.790 16.790 17.538 17.738 17.738 17.738 17.738 17.738 Avg no of shares, diluted, excl. treasury stocks (m) Diluted FFO 9.794 10.823 13.059 14.061 16.790 16.816 17.738 5.43 4.40 5.30 4.93 4.27 3.45 4.22 3.55 4.18 4.55 4.36 4.51 4.69 3.91 4.45 4.80 3.48 3.63 Net dividend 4.62 4.92 3.45 Diluted NAV 61 40 61 77 68 28 67.38 70.75 73.38 59.85 61 68 57 37 54 35 53.00 52.06 53 50 54.80 Diluted NNAV 61.30 57.02 54.01 54.45 Diluted NNNAV 61.30 61.65 67.59 67.13 71.32 73.98 58.49 60.27 57.02 53.05 52.28 53.63 54.86 STOCKMARKET RATIOS Sep. 08 ер. 09 ep. 10 ec. 11 ec. 12e Dec. 13e Dec. 14e ec. 15e ec. 16e 6.2% 8.2% 5.4% 5.3% 5.0% NOPAT yield 6.1% 8.5% 5.6% 7.8% 6.6% 7.1% 5.9% 9.1% 5.6% 8.6% 8.6% FFO yield 7.3% 6.6% 6.2% 5.2% 9.0% 8.8% Dividend yield Premium/(Discount) to GAV 6.8% 6.5% 6.2% 6.2% 5.4% 6.1% 6.9% 6.5% 8.3% 7.39 7.3% 7.4% 7.5% 7.7% 4% 7% 8% 11% 17% (6%) (5%) (11%) 10% 0% (4%) 5% (0%) 2% (5%) 15% Premium/(Discount) to NAV 13% 18% 1% 7% (3%) 4% (13%) (10%) (12%) (14%) (1%) (1%) (13%) (13%) (11%) (11%) Premium/(Discount) to NNAV 7% 7% 15% 14% 18% 17% 0% 9% 4% (9%) (11%) (13%) 1,113 1,942 ENTERPRISE VALUE (EURm) 1,225 1,168 1,168 1,737 1,861 1,759 1,878 1,849 1,922 1,953 1,941 1,931 1,005 784 645 467 906 773 898 776 1,001 871 Net debt 1,015 1,047 1,034 1,025 + Minority interests 0 0 65 62 62 64 64 64 64 64 64 + Derivatives (0) (8) (9) 16 P & L HIGHLIGHTS (EURm) c. 16e ep. 08 Sep. 09 ec. 13e ec. 14e ep. 07 ep. 10 ec. 11 c. 12e ec. 15e 79.5 (6.8) 104.9 109.5 (7.4) 124.0 (7.1) 156.0 (9.3) 131.1 (7.9) (5.9) (3.8) (7.9) (4.2) (5.6) (8.6) (8.6) Operating expenses (8.1) Other operating income 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 G&A expenses (5.5) (6.2) (6.3) **66.4** (7.8) **62.5** (8.9) (10.6) (8.0) **107.3** (10.8) (17.8) (13.4) (13.9) (14.2) (15.0) **EBITDA** 68.6 66.7 88.1 91.4 106.1 129.0 110.3 109.4 113.3 119.7 120.4 Associates 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 0.0 (37.6) Non-real estate depreciation (32.4) (40.2) (15.2) (13.7) (29.3) (22.8) (33.5) (36.7) (15.8)(16.0)(30.4)(42.3)Net financial exp Pre-tax recurring profit 52.8 51.5 50.4 48.8 50.5 59.0 78.0 83.3 94.5 **79.9** (0.8) 75.9 76.6 79.5 78.1 (0.7) (0.7) (0.6) (0.6) (0.7) (8.0) (8.0) 0.0 0.0 0.0 Minorities (2.7)(3.7)(1.1)(3.9)(4.5)(3.8)(3.6)(3.7)(3.8)(3.7)FFO 52.7 50.9 49.7 48.2 47.2 54.6 76.4 78.8 89.2 75.3 71.5 72.2 74.9 73.7 Real estate depreciation 0.0 0.0 0.0 0.0 0.0 0.0 After-tax unrealised valuation movements (7.5) (5.8)14.5 17.8 41.8 3.6 (109.7)(38.1)(11.6)(49.8)(30.7) (24.2) 11.8 12.0 Other items (0.1) (1.1)0.0 0.0 0.0 0.0 (1.2) 6.1 0.0 0.0 0.0 0.0 0.0 Net income 81 9 NOPAT 68.5 66.0 65.7 61.8 87.5 90.8 106.8 105.5 128.2 109.5 108.6 112.5 118.9 119.7 CASH FLOW HIGHLIGHTS (EURm) ер. 03 Sep. 04 ep. 05 ер. 06 ep. 07 Sep. 08 Sep. 09 Sep. 10 Dec. 11 ec. 12e Dec. 13e Dec. 14e c. 15e c 16e Other recurring items 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 (2.0)(2.0)(1.0)0.0 0.0 Net cash flow from operation: 52.7 50.9 49.7 48.2 49.9 58.3 77.5 82.7 93.7 77.1 73.2 74.8 78.7 77.4 (72.7) (0.2) (718.3) (123.3) (34.8) (118.0) (81.2) Disposals 0.6 0.0 2.8 22.4 64.9 3.9 58.8 0.0 0.0 0.0 0.0 0.0 0.0 Change in working capital 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 (38.4) (119.5) Distributed dividend (43.6)(45.3)(45.3)(47.0) (48.2)(49.8)(60.6)(62.7)(67.4)(67.1) (64.8)(65.3)(66.5)(67.7)Capital increases 0.0 0.0 0.0 0.0 256.3 0.0 159 5 nή 25 0.0 81.2 0.0 0.0 0.0 0.0 (11.0) 0.0 Change in borrowings (116.0) 402.5 (80.0) (1.7) Other non-recurring items (2.4) 7.0 160.1 25.6 9.5 24.6 (45.0) 2.6 0.0 0.0 0.0 0.0 0.0 (11.2) 10.0 **BALANCE SHEET HIGHLIGHTS (EURm)** p. 10 1,055 1,140 1,078 2,087 Working capital Net intangibles 16 16 16 16 16 16 16 16 (66) **1,074** (27) 1,052 (70) **1,762** (97) **1,842** (55) **1,885** (43) **1,945** (43) **2,019** (43) **2,032** (43) **2,046** (43) **2,060** Other net assets (42) **1,861** (43) **1,972** 1,068 1,134 Capital employed Long-term debt Short-term debt (118) (186) (116) (91) (149) (857) (745)(585) (856) (937) (1.018)(1.059) (1.059)(1.059) (373) (350) (304) (317) (663) (15) (47) (206) (21) (21) (21) (21) (21) (21) Cash 13 15 22 31 43 53 Financial assets 10 33 27 10 (**776**) (**784**) (1,**047**) 64 (467) (529) (405) (871) Minority interests NAV 601 605 669 660 924 958 1.005 1.036 1.006 964 940 923 949 972 (1) (1) (4) (3) (4) (3) Other marked to market adjustment (3) (1) (1) (3) (6) (6) (6) (3) (3) (3) 982 NNAV 600 604 662 658 931 966 1,012 1.000 958 934 917 943 966 Net deferred tax liabilities NNNAV 662 658 931 966 982 1,012 1,000 961 927 951 973 FINANCIAL RATIOS . 03 o. 04 p. 05 p. 06 p. 07 p. 08 ep. 09 ep. 10 ec. 11 c. 12e c. 13e c. 14e c. 15e c. 16e (11.2%) (30.0%) 1.0% 2.0% Dividend (% change) NS 3.8% 3.9% 2.5% (8.3%)0.9% (3.3%)26.2% 0.0% 2.0% (5.3%) 83.8% Diluted NNAV PS (% change) NS 0.6% 9.6% (0.7%) 6.2% 3.7% (20.9%) 3.0% (5.4%) (2.5%) (1.8%) 2.8% 2 4% EBITDA Margin 87.6% 82.7% EBITDA coverage of interests 4.3x 4.4x 4.2x 4.6x 2.3x 2.8x 3.7x 4.7x 3.7x 3.6x 3.3x 3.1x 3.0x 2.8x Effective tax rate 0.18% 1.27% 1.31% 1.27% 1.16% 1.10% 0.59% 0.78% 0.87% 0.98% 0.98% 0.98% 0.98% 0.98% Loan-to-value 44.3% 35.5% 44.6% 40.8% 49.6% 50.8% Payout as % of FFO 82.7% 89.0% 94.5% 100.0% 103.5% 108.9% 80.3% 83.3% 97.0% 81.29 85.5% 85.6% 84.2% 87.3% 0.0% 6.9% 6.9% 6.9% 6.9% 6.9% ROCE/WACC 0.8 0.8x 0.8x

(\*) In listing currency, with div. Reinvested

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