



Securities

COMPANY: Befimmo

Recommendation: Hold

Current Price: € 50.7

Target Price: € 50

Detailed comments:

Befimmo will publish its FY12 results on 21 February after market. At the same time an analyst meeting will be held.

Company News in 2H12:

The sustained challenges in the office market have tempered external portfolio growth for Befimmo. Only one transaction was announced, namely the acquisition of the remaining 10% stake of the Fedimmo portfolio. The remaining time was used to simplify its corporate structure, enabling longer term efficiency. Towards year-end ameliorating news regarding the Brussels office market was published, but this is marginal given the structural overcapacity.

FY12 results preview:

We estimate an increase in net rental income from € 124.6m in FY11 to € 128.8m in FY12 on the back of an increased occupancy in the Medialaan, Central Gate, Pavilion and Science building. We however believe negative rental renewals will off-set this positive effect leading to a neutral l-f-l rental growth. The property related costs and charges are expected to come in slightly lower on the back of one-offs while a more significant drop is expected in the corporate management costs as the statutory manager no longer needs to be rewarded. Hence, we estimate growth in the operating result before result on portfolio of 6.9% from € 102.6m in FY11 to € 109.6m in FY12, strengthening the operating margin again above 85%. The portfolio result is expected to come in sharply negative as we bank on a negative change in the fair value of the portfolio of -1.2% or € -23.7m. Furthermore, the payment of the statutory shareholder of € 21m is expected to be recorded under the post 'other results on portfolio', leading to a total negative result of € -44.7m.

We expect an improvement of the financial result from € -31.3m to € -29.9m, following the low EURIBOR rates. Due to this drop in rates, we estimate a significant negative adjustment of the financial instruments (non-cash).

All in all, we expect the company to report a net current result in FY12 of € 75.5m down from € 84.7m in FY11 or up 7.4% when excluding the gain on disposals of € 14.6m in FY11. This corresponds to a drop in net current result per share from € 5.03 to € 4.27, which is nevertheless strongly above the company's guidance of initially € 3.86, upped in 3Q12 to at least € 4.05. This result is supported by lower a minority leakage following the full ownership of the Fedimmo portfolio.

Conclusion:

FY12 has not yet brought the recovery on the Belgian office market. The structural overcapacity seems to remain. However, Befimmo's portfolio is largely focused on grade A buildings, offering great stability in earnings. Expansion towards Paris was considered in search for growth but these plans got luckily dismissed as a result of conflict with the company's strategy that is focused on possessing critical mass in a market at top locations.

Koen Overlaet-Michiels
Equity Analyst

KBC Securities (kbcsecurities.com)
Havenlaan 12 Avenue du Port SIR 8068
B-1080 Brussels
Belgium

Tel : +32 2 429 37 21

Mobile : +32 476 93 02 78

E-mail : koen.overlaet-michiels@kbcsecurities.be