

Befimmo (Hold - EUR 53.25) Preview FY'11

Befimmo will publish its Q5 reporting Thursday after close. We remind that FY '11 will count 5 quarters, i.e. Befimmo moved year end towards 31/12.

Preview

in EUR	2010 5Q*	2011 5Q	% Diff 11/10
Rental income (m)	155.0	155.8	0.52%
EBITDA	140.1	130.8	-6.65%
Net current result (m)	110.9	90.8	-18.11%
Recurring CF/share (diluted)	6.60	5.20	-21.21%
NAV at YE	60.60	57.25	-5.53%
* annualized			
Analyst Meeting	16 January at 6pm		
Conference call	16 January at 6pm		

Key items

1. Q4 results were in line with our expectations. Epra earnings/share decreased to EUR 4.41 from EUR 5.05 YoY. Net direct result was EUR 78.1m or 5.54% higher than our expectations thanks to non-recurring items (non expected indemnities from leaving tenants) and lower technical costs (EUR -600k).
2. Befimmo has a filled development pipe-line for 2012: (i) Central gate building (Brussels CBD; 33,000sqm; investment of EUR 19.2m) will be renovated by H2 12. (ii) Tower 3 of the WTC in Brussels should be renovated by the end of 2012, mostly works performed at the tenant's request who is still occupying the building (North district; 75,800sqm; investment of EUR 22.2m). (iii) Permit for the Paradis tower in Liège (39,000sqm): the company is confident that it will get green light for the project in Q1 '12 (we expect news on this item).
3. By the end of '11, Befimmo offered shareholders the choice to receive the payment of the interim dividend in cash or in stocks. 60.1% of shareholders opted for new shares. Befimmo increased its equity by EUR 35m as a result of this operation and has EUR 170m fire power (leveraged) when limiting the debt ratio to 50%.
4. Brussels marks a decreasing availability, now standing at 11.6% with 1,526,000sqm available, mainly thanks to very low speculative pipeline. Availability in recent buildings also massively decreased from 580,000sqm in 2010 to 425,000sqm in 2011. By 2025, the European Commission wants to take up 300,000sqm of new office space. Nevertheless the EU commission states that it makes no sense to put down towers as the problem of mobility in and around the EU-quarter (Rue de la Loi) is not resolved. Good news for Befimmo is the permanent removal of a possible project at Delta for the EU-commission. This might increase interest again for buildings at the EU-quarter.

Conclusion

We expect Befimmo to propose an interim dividend of EUR 0.99 for the 5th quarter ~ in line with the proposed 1.5% increase of the dividend over the years '10-'11. For Q5, we expect a flat LfL rental growth, though this might be beaten to a lightly increasing rental level for high-end buildings in the Léopold district. LfL negative change in fair value was -0.39% or EUR 7.7m over Q4, and amounts to -1.51%, or EUR 30.1m for the 12 first months of the fiscal year (-1.77% last year). We expect the LfL negative change in fair value to arrive at EUR -6.5m (-0.33% QoQ) for Q5 as the situation is only slightly improving in the EU quarter/CBD.

Analyst: Joël Gorselé, Phone: +32 (0)2 229 63 40, E-mail: joel.gorsele@petercam.be

Sales contact: Joël Gorselé, Phone: +32 (0)2 229 63 40, E-mail: joel.gorsele@petercam.be