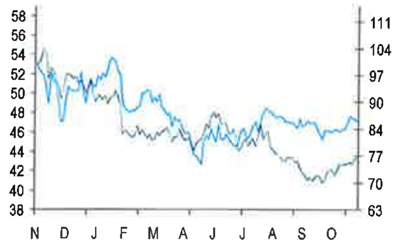
14 November 2012

BEFIMMO

We expect a drop in 3Q12 EPS y/y to € 0.97

REAL ESTATE INVESTMENT TRUSTS	**CURRENT PRICE**	**€ 47.37**	**HOLD**
BELGIUM	**TARGET PRICE**	**€ 50.00**	RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	BEFB BB
Reuters	BEFB.BR
www.befimmo.be	
Market Cap	€ 795.3m
Shares outst.	16.8m
Volume (daily)	€ 995,587
Free float	77.6%

Next corporate event

Results 3Q12: 15 November 2012

(€ m)	2011	2012E	2013E
Current Result	90.0	72.4	69.8
Portf. Result	-6.6	-24.5	-14.5
Net Profit	81.9	48.0	55.3
Adj. EPS (€)	5.35	4.10	3.93
NAV (€)	57.4	59.1	58.4
P/E (x)	10.9	11.6	12.0
DPS (€)	4.93	3.50	3.50
Dividend yield	8.5%	7.4%	7.4%

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Befimmo will release its 3Q12 results Thursday 15 November after market.

We expect net rental income to grow only slightly to € 32.1m in 3Q12 vs. € 31.9m in 3Q11. This increase will mainly be driven by the new rental contracts of the Science-Montoyer and Froissart building. We estimate property charges at 10% of rental income and corporate overheads in-line with 1Q12, which will lead to a 3% drop y/y in operating result before result on portfolio to € 26.3m. Furthermore, we bank on higher financial charges given the net increase in debt and estimate a net current result of € 0.97 p.s. compared to € 1.10 in 3Q11.

Our View:
Since Befimmo's half-year update in August, a lot has changed. The company gained full control over Fedimmo, through the acquisition of the remaining 10% in hands of the federal government for a price tag of € 65m (funded through equity and debt). As a result, the company will apply for a REIT status for its subsidiary, enabling the complete benefices. Additionally, the company significantly simplified its corporate structure by acquiring the statutory manager, Befimmo NV, from AG Real Estate for € 21m and its property management team. All these transactions are estimated to have a positive impact on the company's FY net current EPS figures of € 0.10 in the coming years. For FY12, we therefore increase our net current earnings estimates to € 4.10 p.s. This will enable the company to pay out its guided € 3.45 dividend (interim dividend of € 2.59 p.s. in December 2012).

Furthermore, the company announced to store its plans of expansion towards Paris as the current macro-economic conditions don't allow for a decent risk/return reward. These challenges together with the requirements of a full team in France, don't make it worth the effort. We applaud this decision as we are convinced that Befimmo should not jump rashly on opportunities which are not fully outstanding, but it should rather focus on its core markets and protect its low-risk profile. This however doesn't take away that the current Brussels office market isn't boosting of opportunities.

Conclusion:
The current uncertainties on the Belgian office market, linked to limited growth prospects, let us maintain our Hold rating on Befimmo. This rating is however supported by the company's solid fundamentals and the recently announced simplification of the corporate structure of which the impact will be visible as of 4Q12.