

4 October 2012

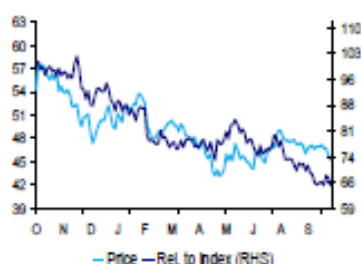
BEFIMMO

Befimmo acquires full control over Fedimmo

REAL ESTATE INVESTMENT TRUSTS
BELGIUM

CURRENT PRICE € 45.28
TARGET PRICE € 50.00

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEFB.BB
Reuters BEFB.BR

www.befimmo.be

Market Cap € 760.2m
Shares outst. 16.8m
Volume (daily) € 982,488
Free float 77.6%

Next corporate event

Results 3Q12: 15 November 2012

(€ m)	2011	2012E	2013E
Current Result	90.0	70.6	68.0
Portf. Result	-6.6	-24.5	-14.1
Net Profit	81.9	46.1	53.9
Adj. EPS (€)	5.35	4.02	3.83
NAV (€)	57.4	58.9	58.3
P/E (x)	10.9	11.3	11.8
DPS (€)	4.93	3.50	3.50
Dividend yield	8.5%	7.7%	7.7%

Koen Overlaet-Michiels

+32 2 429 37 21

koen.overlaet-michiels@kbcsecurities.be

Summary:

Befimmo acquires full control of the Fedimmo portfolio by acquiring the remaining 10% of FPIM and Sopima at a 10% discount vs. market value. The deal will be funded through equity and debt. It will have a positive impact of € 0.03 p.s. on EPRA earnings and € 0.18 p.s. on intrinsic value. It is furthermore the Fedimmo portfolio which has the longest lease durations. We regard this transaction as positive and reiterate our € 50 TP.

News:

Befimmo acquires the remaining 10% of the Fedimmo portfolio. Thereby, it acquires the full control over the portfolio enabling it to apply the REIT statute on it. This deal is expected to have a positive impact on recurring earnings € +0.03 p.s., on the net asset value € +0.18 p.s. and will lead to a loan-to-value ratio of 47% post transaction.

The acquisition will be financed both through equity and debt. Befimmo acquires 491,008 shares Fedimmo shares of FPIM in exchange of 593,901 new Befimmo shares. The remaining 230,148 FPIM shares and 260,880 Sopinam shares of Fedimmo are acquired in cash.

We recall that Befimmo acquired 90% of Fedimmo in 2006. This portfolio comprised 62 buildings was previously fully owned by the Federal State and Sopima. Following the transaction, the stakes of FPIM and Sopima were reduced to respectively 7.34% and 2.66%.

Our View:

This transaction looks positive, as it entails a simplification in the Befimmo structure as every building now fully complies to the REIT statute. This enables the company to have a full exemption of corporate taxation of the Fedimmo portfolio, where this was previously not the case (previously some taxation, but this was marginal given the positive impact of the notional interest deduction). This will positively impact EPRA earnings given the strong increase in rental income which is only partly offset by an increase in interest costs. Furthermore, the company increases its portfolio with a € 64.8m and funds this transaction partly through equity and partly through debt. The new shares are issued at only a 10% discount to NAV which comes in around € 51.5 p.s. and is clearly positive for the shareholders given the current share price. Befimmo is able to acquire the Fedimmo portfolio at a 10% discount to the latest market value.

Conclusion:

This transaction is positive in the way that Befimmo acquires the remaining part at a discount of its market value and could fund the transaction partly through equity at a value of around € 51.5 p.s. We reiterate our Hold and € 50 TP.