

17 February 2012

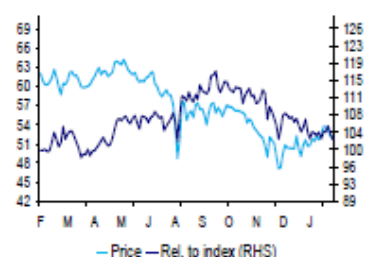
BEFIMMO

FY10-11 results in-line, Dividend cut

REAL ESTATE INVESTMENT TRUSTS
BELGIUM

CURRENT PRICE € 52.01
TARGET PRICE € 54.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEFB.BB
Reuters BEFB.BR
www.befimmo.be
Market Cap € 873.3m
Shares outst. 16.8m
Volume (daily) € 1,149,722
Free float 77.6%

Next corporate event

General Assembly 12: 25 April 2012

(€ m)	2011	2012E	2013E
Current Result	92.0	72.2	69.2
Portf. Result	-6.6	-11.6	3.0
Net Profit	85.4	60.5	72.2
Adj. EPS (€)	5.04	4.12	3.94
NAV (€)	56.9	56.0	55.6
P/E (x)	11.5	12.6	13.2
DPS (€)	4.93	3.50	3.64
Dividend yield	8.5%	6.7%	7.0%

Koen Overlaet-Michiels

+32 2 429 37 21

koen.overlaet-michiels@kbcsecurities.be

Summary:

EPRA earnings were in line with estimates: € 90.0m vs. 89.1m KBCSe. Moreover the negative revaluation of the portfolio was halted in 5Q10-11 to € -26.4 or -1.29% of the portfolio (vs. -1.77% FY10-11). However, the 7 company proposed weak forecasts for the future with an expected dividend cut of -12.5% to € 3.45. TP revised from € 56.5 to € 54.

News:

FY10-11 net rental income came in at € 155.75m vs. € 152.6m KBCSe (or € 124.6m over 12M11 vs. € 123.7m over 12M10). This little rise resulted mainly from the contribution of the Pavilion building, which was however tempered by a negative like-for-like growth. The operating margin amounted to 84% vs. 86% 12M10. This can mainly be explained by the one-off compensation for the settlement of the WTC II contract, as the net property charges were in line with last year.

The net result increased to € 81.9m FY10-11 (or € 62.0m 12M11 vs. € 55.0m 12M10). This result was mainly driven by the lower-than-expected negative revaluation of the portfolio: € -26.4m FY10-11 vs. € -34.6m FY09-10 and the positive revaluation of the financial instruments: € 5.0m FY10-11 in line with expectations. Together with the capital gain of € 14.8m on the disposal of the Empress Court and Kattendijkdok, the EPRA earnings come in at € 90.0m FY10-11 vs. € 89.1m KBCSe. The loan-to-value ratio remains fairly limited to 44.2% reducing every credit risk.

These are solid results given the more challenging office market and in line with expectations. The company confirms the final dividend of € 0.99.

Outlook:

The outlook convinces however less. The company cuts its dividend for 2012 to € 3.45 gross. This is significant given the average of € 4 over the recent years (yield will drop from 7.5% to 6.6%). Moreover NAV is expected to decrease over the next three years from € 57.2 end-2011 to € 54.9.

Conclusion:

We still believe that the company is a defensive investment with a stable tenant-base and indexed long-term lease contracts. However, the shareholder will have to cope with a lower absolute dividend, which will probably be distributed as an optional dividend. Together with the limited growth opportunities in 2012 we lower our TP from € 56.5 to € 54, rating remains unchanged.