

13 February 2012

BEFIMMO

FY11 results preview

REAL ESTATE INVESTMENT TRUSTS
BELGIUM

CURRENT PRICE € 53.31
TARGET PRICE € 56.50

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEFB.BB
Reuters BEFB.BR

www.befimmo.be

Market Cap € 895.1m
Shares outst. 16.8m
Volume (daily) € 1,180,487
Free float 77.6%

Next corporate event

Results FY12: 16 February 2012

(€ m)	2011E	2012E	2013E
Current Result	89.1	75.3	72.8
Portf. Result	-11.2	-11.6	4.0
Net Profit	77.9	63.7	76.8
Adj. EPS (€)	5.08	4.29	4.15
NAV (€)	56.9	61.4	62.0
P/E (x)	10.5	12.4	12.8
DPS (€)	4.93	3.98	4.00
Dividend yield	9.2%	7.5%	7.5%

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Preview FY11 results:

Befimmo will publish its FY10-11 results on Thursday 16 February after market closing. An analyst meeting will follow at 5:30pm.

Exceptionally, Befimmo's book year will count five quarters as the company aligns its book year to a calendar year. In order to compensate for this prolonged period, the company distributed an optional interim dividend of € 3.94/share. 60.1% of the coupons were reinvested in the company, strengthening the company's equity.

Befimmo reported solid 4Q11 results. Net rental income was € 124.3m, in line with last year's € 123.5m. The capital gain on the disposal of property amounted to € 15m, elevating the operating result to € 89.6m vs. € 77.8m in FY10. We expect FY net rental income of € 152.6m vs. € 144.7m (CSS) and net result at € 82.6m vs. € 83.5m (CSS). The net result will be hit hard by a fair value adjustment of € -30.1m on the property investment portfolio and by the € 5m revaluation of financial instruments.

Our main focus will be on current EPS, which we expect at € 5.08 vs. € 5.11 (CSS). The results will be driven by the contribution of the Pavilion building and a capital gain of approx. € 14.5m on building disposals. The company proposes a final dividend of € 0.99.

2012 Outlook:

As we said on 13 January, we do not expect the company to achieve significant growth in 2012 as the office market will still be suffering from oversupply and we see no immediate change in economic conditions. However, we do believe Befimmo will increase its occupancy rate (94.38% 4Q11) over 2012. Together with the long-term indexed contracts, we forecast current EPS of € 4.29 in 2012 and € 4.15 in 2013.

Conclusion:

Befimmo is a pure player in the office market, more specifically in the relatively stable Brussels Central Business District. Both the indexed long-term contracts – average portfolio maturity exceeds 9 years – and the stable tenant base – 67% of the portfolio is leased to public sector entities – secure the company's income stream in the following years. Befimmo comfortably outperforms the market with a vacancy rate of only 7.1% vs. 11.5%. Although management currently sees no growth opportunities, we believe that the stock is a defensive investment, based on the discount to NAV (10.2% on January 13) and a recurring dividend yield of 7.5%. Accumulate rating and TP of € 56.5 maintained.