


**Befimmo (Hold - EUR 47.2): Valuation is less demanding after great October deals**

Befimmo reported its Q3 figures

**Facts**

- Q3 rental income came in at EUR 96.7m vs. our EUR 95.7m expected. Bottom line arrived 2.9% higher than our expectations at EUR 57.8m or EUR 3.30/share (vs. our EUR 56.2m).
- EPRA NAV came in at EUR 57.52 vs. EUR 58.31 expected (>< EUR 61.26 last year at 30/09).
- Befimmo increased guidance for the net current result /share for the year to arrive approx. 5% higher than guided at the end of 2011: Guidance for 2011 stood at EUR 3.86/share. By adding 5%, Befimmo could arrive at a net current result of EUR 4.05/share.
- Befimmo confirms the interim dividend of EUR 2.59/share (ex-date 28th of November) in cash or shares. An additional EUR 0.86/share dividend should be approved by the OGM in April next year. The overall dividend of EUR 3.45 offers a dividend yield of 7% vs. a dividend of 5.2% at Gecina currently.
- The rise in EPRA earnings is due to the increase of rental income and non-recurring revenues recorded for the coordination work in the WTC III building and lower overheads than last year, offset by higher financial expenses.
- Paradis tower: On 16 October, the Council of State rejected the actions for suspension. Construction resumed in early November. The building should be ready by the end of 2014.
- The occupancy rate was stable at 95.54% (95.49% as at 30 June 2012).
- Excluding investments, the decrease of fair value of the portfolio was EUR 20.9m (-1.04%) over the first 9 months of 2012. Befimmo hinted on a fair value decrease FY 12 of EUR 29m in the beginning of the year. Like for like change of the portfolio in Q3 is -0.37% and modestly better than our expectations. Outliers were the decentralized zone, -2.27% (mainly because of the leave of Levi's from the Triumph I, amongst others) and a positive uptick of 2.74% in Wallonia.

**Our view**

- On the update of guidance: We already have EUR 3.99/share in our model. The new guidance hints on a beat of 2% on our figures.
- We would not be surprised if Befimmo reshuffles its dividend policy (intermediary + final) for next year and just pay a final dividend after the publication of year-end figures. This would be logic when look at the timing of dividend pay out at peers.

**Conclusion**

- Befimmo reported good Q3 results and the valuation becomes less demanding. Befimmo's earnings multiples trade at 11.7x vs. 11.9x at Cofinimmo and 17.1x at Gecina.
- The discount to NAV stands at 17.5% and looks attractive when comparing to peers (Cofinimmo and Gecina at 6% and 13% discount respectively).
- We welcome the fact that Befimmo became more pro-active during October and would cheer the company to continue this trend. We like the focus on Belgium and Luxemburg >< France for this Belgian office player.
- Our main triggers to upgrade the stock are: i) the terms of the next property investment ii) further earnings/share growth iii) positive like-for-like evolution of the portfolio value and rental income.
- For now, we keep our Hold rating.

in mEUR	30 sept/'11	30 sept/'12	% Ch	30 sept/'12	% A/E
Net rental result	93.07	96.7	3.9%	95.7	1.0%
Net current result	56.90	57.80	1.6%	56.21	2.8%
Recurring CF/share (undilluted; 17.53m shares)	3.39	3.30	-2.6%	3.21	2.9%
Recurring CF/share (dilluted; 18.76m shares)	3.27	3.08	-5.7%	3.00	2.8%
NAV/share	61.26	57.52	-6.1%	58.31	-1.4%

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