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Petercam

17/02/2012

Corporate News

Befimmo, from Hold to Reduce, TP under review

Befimmo published its Q5 reporting yesterday after close. ' 11 Figures were bang in line with our expectations on all levels. Epra earnings arrived at EUR 5.35, (diluted at EUR 5.15/share vs. ours at EUR 5.20/share) while it stood at EUR 6.6/share last year (-19% YoY). Refinancing ('12-'14) consists of a tranche of EUR 527m by 2014 (40.4% of total debt), while it doesn't seem that easy. Mr. De Blieck quoted "margins have increased very badly". Average financing cost was 3.55% over '11, while at 2.97% last year. Company forecasts that cost of debt will increase to a level close to 4%. EPS guidance for 12e was lowered by 8% to 3.86/share because of higher cost of debt and general economic weakening. This is even 9.9% lower than what we had in our model. Despite previous communication on the dividend for '12 at EUR 3.98/share, Befimmo plans to distribute only EUR 3.45/share (interim div of EUR 2.59 in December and EUR 0.89 in May) or a decrease of 13.3% when comparing to previous guidance. Befimmo confirms the final dividend to EUR 0.99/share for Q5 (as expected), bringing the total dividend for '11 at EUR 4.93/share. Revaluation of the portfolio was positive during Q5 (+0.19% QoQ), while it was -1.29% for the past 15 months (-0.93% on a yearly base). Q5-valuation was better than we expected (-0.33% QoQ) for Q5. Befimmo quotes that this is due to a higher than expected inflation, i.e. 2.8% instead of estimates below 2%. Rental reversion of the portfolio is negative at -7.5% instead of -5.6% last year. Befimmo expects a negative revaluation of its properties of -1.44% in '12, -0.89% in '13 and -0.38% in '14. NAV arrived at EUR 57.35 (in line with exp.), currently a discount of 9.3%. Positive news on the Paradis project, where the permit was obtained last week. Befimmo will offer a stock dividend again (60% hit rate in '11).

Conclusion: Dividend plans for '12 were cut quite hard, while a potential cut was never mentioned before. Moreover, we didn't expect the dividend cut given the LT lease profile of the portfolio and the linked sustainability on dividend. Since the beginning of the macro-economic perils, long term investors face a lower share price (with a discount to NAV of 9.3%). Secondly the dividend is lowered as well. This double whammy comes probably quite unexpected given the defensive profile of the company (i.e. LT lease contracts in Brussels CBD). Looking to the LTV estimates of the company, LTV will move up from 44.2% to 48.1% without acquisitions nor CF/share growth nor NAV/share growth. Based on the dividend cut and lower EPS guidance for the coming 3 years, we downgrade the stock from Hold to Reduce.

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