

**Befimmo (to Add from Hold - EUR 48.15): From Antwerp with love****Facts**

- Befimmo announced i) the contribution in kind with Axa Belgium with regard to the AMCA building in Antwerp (EUR 110m) ii) the creation of 2,037,037 new shares priced at EUR 54.00/share and hence Axa will become the 2nd largest shareholder with 9.6%.
- The asset: This building, which was erected in 1992, includes approximately 58,000sqm of office space, 1,500sqm of archives, and 500 parking spaces. Management quoted that the building does not require renovation given a recent upgrade of the building by Axa.
- The current annual rent is EUR 7.1m which generates a gross yield of 6.4% (6.2% net).

Our view

- We like the acquisition in Antwerp given the LT contract with the Federal government which is fixed until 2029 and the reconversion potential of the building given its location (waterfront view is ideal for residential renovations) and building characteristics. We note that the sqm's on the top floors in the Entrepot Royal, adjacent to Befimmo's new acquisition, were sold for a price of EUR 5,000/sqm.
- We understood from the CEO, Mr. De Blicq, that Axa contacted Befimmo and that there was no other party involved in the acquisition process. We assume that Axa was keen on getting Befimmo shares given the immediate re-investment in a LT cash generating vehicle and fiscal advantages of the contribution in kind structure.

Conclusion

- The NAV stood at EUR 55.36 at the end of March. The dilutive effect on eps is limited to EUR 0.02/share. The capital increase provides room for additional investments as the LTV dropped by 2.5% thanks to the deal. The weighted average duration of leases for the entire portfolio increased from 9.08 years to 9.21 years.
- Since the latest peak, on May the 20th, Befimmo dropped approx. 12% and hence we see 8.6% upside for the Belgian office player (TP of EUR 52.2) vs. 4.6% in our universe. Amongst Belgians, Befimmo provides the highest relative upside currently at 4.9%. The dividend yield is 7.2% currently vs. 7% at Cofinimmo (not fully covered by cash though) and only 4.8% at Gecina. Therefore we change our rating to Add from Hold.