

Investment Research

Hold

Recommendation unchanged

Share price: EUR 51.74

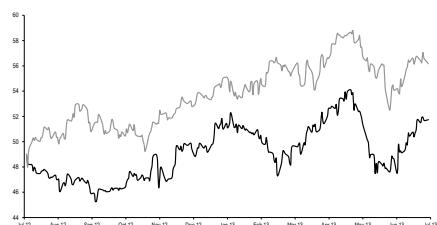
closing price as of 29/07/2013

Target price: EUR 54.00

Target Price unchanged

Reuters/Bloomberg	BEFB.BR/BEFB.BB
Daily avg. no. trad. sh. 12 mth	161,520
Daily avg. trad. vol. 12 mth (m)	837.28
Price high 12 mth (EUR)	54.11
Price low 12 mth (EUR)	45.28
Abs. perf. 1 mth	6.4%
Abs. perf. 3 mth	-0.5%
Abs. perf. 12 mth	8.0%
Market capitalisation (EURm)	1,095
Current N° of shares (m)	21
Free float	70%

Key financials (EUR)	12/12	12/13e	12/14e
Gross Rental Income (m)	129	133	140
EBITDA (m)	87	111	117
EBITDA margin	64.5%	80.6%	80.9%
Portfolio Result (m)	(35)	(7)	(5)
Net Financial Result	(41)	(35)	(34)
Net Profit (adj.)(m)	75	80	83
Funds From Operations	74.93	80.03	82.78
EPS (adj.)	4.24	3.90	4.04
DPS	3.45	3.45	3.50
IFRS NAVPS	47.18	55.36	55.67
EPRA NAVPS	46.68	55.36	55.67
Premium/(Discount)	3.5%	(6.5%)	(7.1%)
Earnings adj. yield	8.2%	7.5%	7.8%
Dividend yield	6.7%	6.7%	6.8%
EV/EBITDA	22.8	18.8	18.1
P/E (adj.)	11.5	13.3	12.8
Int. cover(EBITDA/Fin.int)	2.1	3.2	3.4
Net debt(cash) (m)	948	1,004	1,029



Shareholders: AG Insurance 15%; AXA Belgium 10%; SFPI 3%; Blackrock 3%;

For company description please see summary table footnote

1H: larger portfolio and shareholding

The facts: 1H figures will be released on August 1 after market. A conference call for analysts will start at 6.00pm.

Our analysis: In the framework of a Brussels market made of a poor level of transactions, Befimmo activity was made during this 1H by two major additional assets: the emblematic Blue Tower in Brussels and the AMCA building in Antwerp. The entry of a new shareholder – Axa Belgium – in its capital as a result of one of these two transactions and the launch of a private placement of own shares also characterised 1H of Befimmo.

A private placement of own 637,131 shares was launched in April at a price of EUR 49 per share, meaning a total of EUR 31.2m in order to facilitate the acquisition of the so-called “Blue Tower” in Brussels (quartier Louise) for EUR 78.5m from the German fund Morgan Stanley P2 value. Subsequently, the shares of the Blue Tower have been bought in exchange of 610,000 new Befimmo shares. These new shares have a lock-up period of 180 days.

Besides, in June, Axa agreed to sell its AMCA building in Antwerp to Befimmo for EUR 110m in exchange of 2,037,037 new Befimmo shares at a price of EUR 54 per share (close to the last released EPRA NAV per share, EUR 55.20 at the issue of 1Q) so that the insurance company took a stake of 9.6% in Befimmo’s equity. The building will generate annual rents of EUR 7.1m, coming from a public body, for a remaining length of 16.5 years, implying a gross yield of 6.4%. This operation has been achieved with a record date on July 10th so that it should not be incorporated in the 1H figures.

As a reminder, the EPS of EUR 1.13 achieved in 1Q could take profit of the typical seasonally lower costs which were exacerbated this year, particularly in January and February. In addition, corporate overheads were lower because there were no longer fees to be paid to the statutory manager thanks to the simplification of the structure and the adoption of a new legal regime (SA). Besides, the average cost of debt continued to decline somewhat from 3.38% in 2012.

Befimmo (EUR m)	1H2012A	2H2012A	FY2012A	1Q 2013A	2Q 2013E	1H 2013E	2H 2013E	FY 2013E
Net rental income	63582	65172	128754	32500	32700	65200	68299	133499
Operating res of buildings	53884	32870	86754	30500	24400	54900	56541	111441
Operating margin (%)	84.7%	50.4%	67.4%	93.8%	74.6%	84.2%	82.8%	83.5%
EPS adjusted	2.13	2.11	4.24	1.13	1.00	2.13	1.77	3.90

Sources: company data, Degroof estimates

Conclusion & Action: 1H made of two major acquisitions and consequently the entry (effective July) of a new shareholder. No change in TP and recommendation.

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Befimmo: Summary tables

PROFIT & LOSS (EURm)	09/2009	09/2010	12/2011	12/2012	12/2013e	12/2014e
Gross Rental Income	118.6	123.5	155.8	128.8	133.5	139.8
Other Operating Income	13.1	6.5	9.4	5.8	4.8	5.1
Operating Costs	-17.7	-14.3	-18.4	-14.2	-14.0	-14.4
Net Rental Income	114.1	115.7	146.8	120.3	124.3	130.4
General Expenses	-9.8	-12.5	-17.7	-14.3	-14.2	-14.5
Net Other Income/(Costs)	1.9	9.0	-0.1	-19.2	1.4	1.4
EBITDA	106.1	112.2	129.0	86.8	111.4	117.2
Portfolio Result	-74.8	-34.3	-11.6	-35.0	-7.0	-5.0
<i>o/w Revaluation of Fair Value of Investment Properties</i>	<i>-75.0</i>	<i>-34.6</i>	<i>-26.4</i>	<i>-35.2</i>	<i>-7.0</i>	<i>-5.0</i>
<i>o/w Gain/Losses on Disposal of Investment Properties</i>	<i>0.2</i>	<i>0.2</i>	<i>14.8</i>	<i>0.2</i>	<i>0.0</i>	<i>0.0</i>
Net Operating Profit before Finance Cost	31.4	77.8	117.4	51.8	104.4	112.2
Net Financial Result	-64.3	-26.6	-29.5	-40.6	-35.1	-34.1
<i>o/w Share of the profit of associates & dividend income</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>o/w Revaluation of Financial Instruments</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>o/w Net Financial Costs</i>	<i>-64.3</i>	<i>-26.6</i>	<i>-29.5</i>	<i>-40.6</i>	<i>-35.1</i>	<i>-34.1</i>
EBT	-32.9	51.3	87.9	11.2	69.3	78.1
Tax	-0.5	-0.7	-0.8	-0.8	-0.8	-0.9
<i>o/w Deferred Taxes</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>o/w Real Taxes</i>	<i>-0.5</i>	<i>-0.7</i>	<i>-0.8</i>	<i>-0.8</i>	<i>-0.8</i>	<i>-0.9</i>
<i>Tax rate</i>	<i>-1.4%</i>	<i>1.3%</i>	<i>0.9%</i>	<i>6.7%</i>	<i>1.1%</i>	<i>1.1%</i>
Net Result (reported)	-33.4	50.6	87.1	10.4	68.5	77.3
<i>o/w Minorities</i>	<i>-1.1</i>	<i>-3.9</i>	<i>-5.2</i>	<i>-2.6</i>	<i>-4.0</i>	<i>-4.5</i>
<i>o/w Group Share</i>	<i>-34.5</i>	<i>46.7</i>	<i>81.9</i>	<i>7.9</i>	<i>64.5</i>	<i>72.8</i>
Earnings adj.	47.2	84.7	90.0	74.9	80.0	82.8
Funds From Operations	47.2	84.7	90.0	74.9	80.0	82.8
CASH FLOW (EURm)	09/2009	09/2010	12/2011	12/2012	12/2013e	12/2014e
Cash Flow from Operations after change in NWC	158.6	72.6	72.7	90.0	115.9	109.3
Interest Costs	-64.3	-26.6	-29.5	-40.6	-35.1	-34.1
Capex	-29.8	-48.3	-39.3	-79.8	-268.1	-39.0
Free Cash Flow	64.5	-2.3	3.9	-30.4	-187.3	36.2
Dividends	-59.4	-61.9	-65.5	-49.8	-36.7	-70.7
Other (incl. Capital Increase + change in cons. & share buy	0.0	0.0	0.0	30.6	168.0	9.5
Change in Net Debt	5.1	-64.1	-61.6	-49.6	-56.1	-25.0
NOPLAT	107.6	110.7	127.8	80.9	110.2	115.9
BALANCE SHEET & OTHER ITEMS (EURm)	09/2009	09/2010	12/2011	12/2012	12/2013e	12/2014e
Investment Properties	1934.8	1901.5	1988.0	1977.1	2222.5	2256.5
Development Properties	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	4.9	4.2	10.2	13.7	13.7	13.7
Cash & Cash equivalents	6.1	3.5	4.2	2.3	4.6	4.6
Other current assets	43.6	75.9	25.4	34.1	35.8	36.8
Total Assets	1989.4	1985.1	2027.8	2027.2	2276.5	2311.5
Shareholders Equity	988.4	1017.4	1002.6	998.2	1171.3	1177.9
Minorities Equity	61.6	64.4	67.8	0.0	0.0	0.0
Non Current Financial Debt	745.4	584.8	855.8	553.5	745.8	764.2
Deferred Tax Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Current Liabilities	18.9	20.1	10.4	12.8	12.8	12.8
Current Financial Debt	47.0	206.0	22.6	396.6	262.7	269.2
Other Current Liabilities	128.1	92.3	68.5	66.1	84.0	87.4
Total Equity & Liabilities	1989.4	1985.1	2027.8	2027.2	2276.5	2311.5
GROWTH & MARGINS	09/2009	09/2010	12/2011	12/2012	12/2013e	12/2014e
<i>Rental Income Growth</i>	<i>8.7%</i>	<i>4.1%</i>	<i>26.2%</i>	<i>-17.3%</i>	<i>3.7%</i>	<i>4.7%</i>
<i>EBITDA growth</i>	<i>16.1%</i>	<i>5.7%</i>	<i>15.0%</i>	<i>-32.7%</i>	<i>28.5%</i>	<i>5.2%</i>
<i>Net Result Group Share Growth</i>	<i>n.m.</i>	<i>n.m.</i>	<i>75.4%</i>	<i>-90.4%</i>	<i>720.3%</i>	<i>12.8%</i>
<i>Earnings adj. growth</i>	<i>-15.3%</i>	<i>79.7%</i>	<i>6.2%</i>	<i>-16.8%</i>	<i>6.8%</i>	<i>3.4%</i>
<i>EPS growth</i>	<i>n.m.</i>	<i>n.m.</i>	<i>75.1%</i>	<i>-90.8%</i>	<i>604.8%</i>	<i>13.1%</i>
<i>EPS adj. growth</i>	<i>-21.3%</i>	<i>50.5%</i>	<i>6.0%</i>	<i>-20.7%</i>	<i>-8.2%</i>	<i>3.7%</i>
<i>DPS adj. growth</i>	<i>-3.3%</i>	<i>-11.4%</i>	<i>26.4%</i>	<i>-30.0%</i>	<i>0.0%</i>	<i>1.4%</i>
<i>Operating Margin</i>	<i>80.5%</i>	<i>86.3%</i>	<i>78.1%</i>	<i>64.5%</i>	<i>80.6%</i>	<i>80.9%</i>

Befimmo: Summary tables

RATIOS	09/2009	09/2010	12/2011	12/2012	12/2013e	12/2014e
Net Debt/Equity	0.7	0.7	0.8	0.9	0.9	0.9
Net Debt/EBITDA	7.4	7.0	6.8	10.9	9.0	8.8
Interest cover (EBITDA/Fin.interest)	1.7	4.2	4.4	2.1	3.2	3.4
Total Debt/Total Assets	47.2%	45.5%	47.2%	50.8%	48.6%	49.0%
LTV	40.8%	41.8%	44.3%	48.3%	45.2%	45.6%
Cash Flow from Operations/Capex	5.3	1.5	1.8	1.1	0.4	2.8
ROE	4.5%	7.8%	8.4%	7.5%	6.8%	7.0%
ROCE	6.1%	6.0%	6.7%	4.4%	5.4%	5.3%
WACC	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%
ROCE/WACC	0.9	0.9	1.0	0.6	0.8	0.8
Payout ratio	-179.3%	140.3%	101.3%	n.m.	109.8%	98.5%
PER SHARE DATA (EUR)**	09/2009	09/2010	12/2011	12/2012	12/2013e	12/2014e
Average diluted number of shares	14.1	16.8	16.8	17.7	20.5	20.5
Diluted Number of shares end of period	16.8	16.8	17.5	19.1	21.2	21.2
EPS (reported)	-2.5	2.8	4.9	0.4	3.1	3.6
EPS (adj.)	3.4	5.0	5.4	4.2	3.9	4.0
DPS	4.4	3.9	4.9	3.5	3.5	3.5
IFRS NAV	58.9	56.0	52.4	47.2	55.4	55.7
EPRA NAV	58.9	61.7	51.9	46.7	55.4	55.7
EPRA NNAV	58.9	60.3	52.1	46.9	55.4	55.7
PORTFOLIO KEY FIGURES	09/2009	09/2010	12/2011	12/2012	12/2013e	12/2014e
Occupancy Rate	93.8%	93.8%	93.8%	95.5%	95.0%	95.0%
Portfolio Yield	6.5%	6.9%	7.0%	6.8%	6.8%	6.8%
Portfolio Yield on Full Occupancy	6.9%	6.6%	6.6%	6.7%	6.7%	6.7%
Average length of leases (end of contract)	0.0	0.0	9.2	10.0	10.0	10.0
Average length of leases (first break)	9.4	9.4	9.2	9.2	9.4	9.4
VALUATION	09/2009	09/2010	12/2011	12/2012	12/2013e	12/2014e
Premium/(discount) to NAV	5.3%	10.8%	(4.1%)	3.5%	(6.5%)	(7.1%)
Premium/(discount) to EPRA NAV	5.3%	0.5%	(3.2%)	4.6%	(6.5%)	(7.1%)
P/E (adj.)	18.5	12.3	9.4	11.5	13.3	12.8
EV/Earnings adj.	40.0	23.3	21.1	26.4	26.2	25.7
EV/EBITDA	17.8	17.6	14.8	22.8	18.8	18.1
EV AND MKT CAP (EURm)	09/2009	09/2010	12/2011	12/2012	12/2013e	12/2014e
Price* (EUR)	62.0	62.0	50.3	48.8	51.7	51.7
Outstanding number of shares for main stock	16.8	18.2	19.1	21.2	21.2	21.2
Total Market Cap	1041.0	1126.9	961.4	1033.1	1094.7	1094.7
Net Debt	786.3	787.3	874.3	947.8	1003.9	1028.9
<i>o/w Cash & Marketable Securities</i>	-6.1	-3.5	-4.2	-2.3	-4.6	-4.6
<i>o/w Gross Debt (+)</i>	792.4	790.8	878.5	950.1	1008.4	1033.4
Other EV components	61.6	64.4	67.8	0.0	0.0	0.0
Enterprise Value (EV adj.)	1889.0	1978.6	1903.5	1980.9	2098.6	2123.6

Source: Company, Bank Degroof estimates.

Notes
 *Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years
 **EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs

Sector: Real Estate/Real estate

Company Description: With a portfolio predominantly made by public tenants in Brussels, Befimmo has probably the most defensive and transparent portfolio among Belgian REITs. Befimmo is one of the two largest Belgian REITs listed in the BEL20 but also on EPRA Europe.

ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

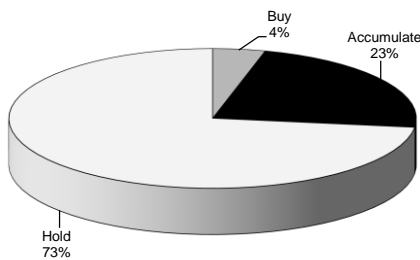
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

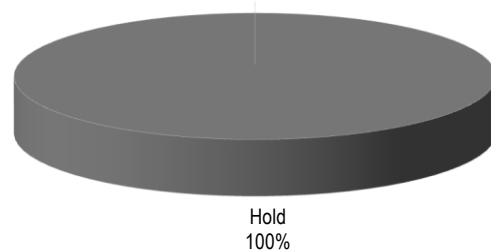
Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved or to a change of analyst covering the stock
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Bank Degroof Ratings Breakdown



Bank Degroof Ratings Breakdown for companies with conflicts of interest

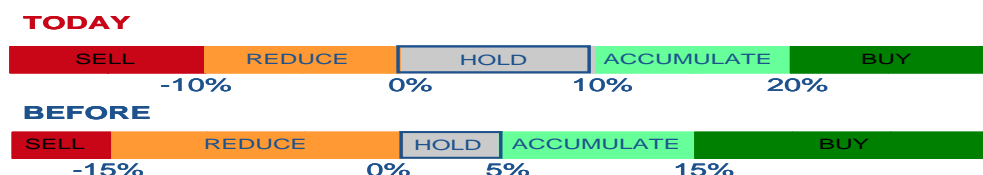


History of ESN Recommendation System

Since **18 October 2004**, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.

Since **4 August 2008**, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:




Institutional & corporate equity desk

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Pascal Magis	+32 2 287 97 81
Peter Rysseleere	+32 2 287 97 46

Institutional & corporate bond desk

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Institutional & Structured products

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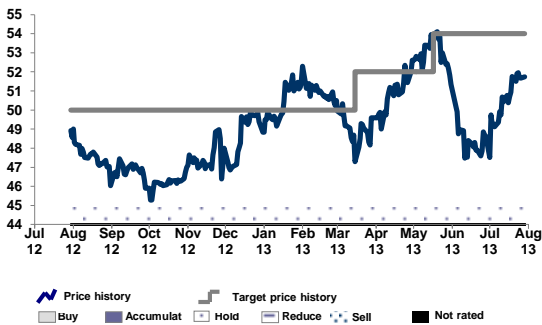
Mail: firstname.lastname@degroof.be

Recommendation history for BEFIMMO

Date	Recommendation	Target price	Price at change date
17-May-13	Hold	54.00	53.95
15-Mar-13	Hold	52.00	47.30
27-Jun-12	Hold	50.00	44.55
17-Feb-12	Hold	54.00	49.56
18-Nov-11	Hold	57.00	52.24
21-Sep-11	Hold	59.00	57.39
24-Aug-11	Hold	61.00	56.15

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Bank Degroof continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Jean-Marie Caucheteux (since 23/11/2009)



Bank Degroof acts as liquidity provider for:

Aedifica, Atenor, Banimmo, Bois Sauvage, BSB International, Connect Group, D'Ieteren, Eckert-Ziegler, Elia, Floridienne, Gimv, Home Invest Belgium, Vastned Retail Belgium, Kinopolis, Leasinvest, Luxempart, Montea, Pinguin, Realco, Resilux, Roularta, Sapec, Ter Beke, Van de Velde.

Bank Degroof holds a significant stake in:

Fountain

Bank Degroof board members and employees hold mandates in the following listed companies:

Aedifica, Atenor, Barco, Brederode, Cofinimmo, D'Ieteren, Elia, Floridienne, Proximedia, Sapec, Sipef, Ter Beke, Tessenderlo and Zetes.

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