

REAL ESTATE

BELGIAN REAL ESTATE Updating estimates

	RATING	TARGET PRICE	FFO 13e	FFO 14e
Befimmo	(-)	EUR46 > -4%	# 7%	7 2%
Cofinimmo	(=)	EUR83 💥 -6%	-	-
Warehouses De Pauw	(=)	EUR49 > -2%	-	-

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Please refer to important disclosures at the end of this report

Befimmo - beating its own expectations yet again

For the second year in a row, Befimmo looks on course to comfortably beat its own earnings guidance. Solid operational performance and a couple of big acquisitions year-to-date confirm Befimmo's status as the premier pure play on the Belgian office market. The key question for investors is whether to be exposed to this weak market at a still unfavourable point of the cycle.

What's happened so far this year?

There weren't too many surprises in the half-year results for the Belgian stocks.

Befimmo - earnings hold up better than expected

For the second year in a row, Befimmo looks likely to significantly outperform the earnings guidance it provided at the beginning of the year. During H1, Befimmo reported FFO/share of EUR2.39 (up 12% year-on-year), in part driven by a lower cost of debt which averaged just 3.17% over the first half of the year. H1 earnings therefore represented c. 58% of the company's FY guidance of EUR4.03, which was given at the beginning of the year. Despite this, Befimmo made no explicit comments about changing the outlook and reiterated its EUR3.45 dividend/share guidance.

Operational performance provided few clues that conditions in the Brussels office market are improving meaningfully. 8,600 sq m of new leases and renewals were agreed during H1 at levels "in line with assumptions made when preparing the three-year outlook". Delivering an improvement in leasing trends looks likely to remain challenging, with reversionary potential remains still deep in negative territory at -11.8%.

Befimmo's activity in 2013 year-to-date has been dominated by two major acquisitions in its core Belgian office market, with a combined value of just under EUR200m. First, Befimmo acquired the 28,500 sq m Blue Tower office building for EUR78.5m, partly funded by the issuance of 640,000 shares (raising EUR31.2m). Secondly, Befimmo agreed to acquire the AMCA building in Antwerp for EUR110m (implying a 6.4% gross yield) from AXA Belgium in exchange for 2.037m new shares – strengthening capital ratios and introducing a major new shareholder into the register.

Befimmo's activities over the year leave us in no doubt about the business's focus, strategy and operations. The question, as ever, for investors is whether it makes sense to be exposed to the weak Belgian office market at all at this point of the cycle.

Befimmo (-)

Price*: EUR50.5 . TP: EUR46 . Downside: 9%

Market cap: EUR1.1bn

	12/13e	12/14e	12/15e	12/16e
Diluted FFO (EUR)	4.33	3.90	3.94	3.88
NOPAT yield (%)	5.4	5.4	5.6	5.7
FFO yield (%)	8.6	7.7	7.8	7.7
Dividend yield (%)	6.8	6.8	6.8	6.8
Premium to GAV (%)	(2)	(1)	(1)	(2)
Premium to NNAV (%)	(4)	(1)	(2)	(3)
Premium to NNNAV (%)	(4)	(1)	(2)	(3)

^{*} Prices at 24 September

Offices | Real Estate - Belgium

Company description

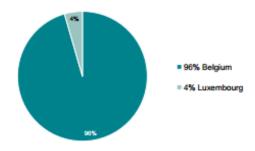
Befimmo is one of the leading players in the Belgian real estate market, with a portfolio consisting wholly of offices that was valued at EUR1.9bn at last year end (Sept 2010). During the 2008/07 fiscal year, the company acquired a 90% shareholding in Fedimmo SA, owners of a portfolio of 62 buildings all occupied by federal public services, valued at EUR725.5m at the time of the transaction. Befimmo now derives 59% of its revenues from the Belgian public sector. Befimmo benefits from the tax-transparent Sical status.

Management

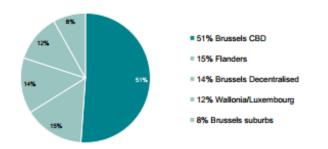
Benoit De Blieck, CEO Alain Devos, Chairman

Ownership structure	
AG Insurance	18.1%
Treasury shares	3.6%
Other Shareholders	78.2%

Geographical breakdown of 2013e EBITDA



Breakdown by activity of 2013e EBITDA



Analyst

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Stock	Price (24 Sep. 13)		YTD performance in EUR (%)	
Stock			Abs.	Rel. Sector
Capco (+)	р	336	34.4	26
SEGRO (•)	P	307	22.6	15
WdP (=)	EUR	51.1	13.3	6
Beni Stabili (=)	EUR	0.49	12.1	5
Land Securities (+)	p	927	12.1	5
Nexity (+)	EUR	27.0	10.9	■4
Derwent Ldn (+)	p	2,387	10.2	4
Klépierre (=)	EUR	32.0	10.2	3
Gecina (-)	EUR	90.0	9.6	3
Great Portland (+)	p	541	8.1	2
CeGeREAL (=)	EUR	20.4	6.9	0.4
Cofinimmo (=)	EUR	85.2	5.6	m1
Unibail-Rodamco (+)	EUR	184.5	5.2	(t)
Icade (+)	EUR	66.7	5.1	m I
Befimmo (-)	EUR	50.5	4.7	(2)
Hammerson (+)	P	505	3.6	(3)
British Land (=)	p	585	3.2	(3)
Shaftesbury (-)	P	591	2.8	(3)
IGD (=)	EUR	0.79	2.3	(4)
Fo. des Régions (+)	EUR	60.6	0.4	(6)
Corio (-)	EUR	31.9	(0.5)	(7) =
Eurocommercial (-)	EUR	29.2	(3.3)	(9)
Mercialys (=)	EUR	14.6	(6.8)	(12)
Intu (-)	р	324	(7.8)	(13)
PSP (+)	CHF	79.2	(10.2)	(16)

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Se	ctor	cal	endar
01	Oct.	13	Capco: Q3 2013 Results
09	Oct.	13	Mercialys: Investor Day
15	Oct.	13	Mercialys: Q3 2013 Sales
16	Oct.	13	Castellum: Q3 2013 Results
			Citycon: Q3 2013 Results
22	Oct.	13	Silic: Q3 2013 Results
23	Oct.	13	Gecina: Q3 2013 Results
			Klépierre: Q3 2013 Sales
24	Oct.	13	Icade: Q3 2013 Sales
			SEGRO: Q3 2013 Sales
			Unibail-Rodamco: Q3 2013 Sales (Post Mkt)
			Nexity: Q3 2013 Sales
05	Nov.	13	Eurocommercial: AGM
			Fo. des Murs: Q3 2013 Sales
			Intu: Q3 2013 Sales
06	Nov.	13	Beni Stabili: Q3 2013 Results
			WdP: Q3 2013 Results
07	Nov.	13	
			Corio: Q3 2013 Results
			IGD: Q3 2013 Results
08	Nov.	13	
	Mari		Fo. des Régions: Q3 2013 Sales
			Hammerson: Q3 2013 Sales
12	Nov.	13	Cofinimmo: Q3 2013 Results Land Securities: H1 2013 Results
			PSP: Q3 2013 Results
12	New	13	Barratt Develop: AGM
	Nov.		Befimmo: Q3 2013 Sales
14	NOV.	13	CeGeREAL: Q3 2013 Sales
			Great Portland : H1 2014 Results
15	Nov.	13	
10	HUV.		Derweitt Luit. Qo imo

1%

(296)

(1%)

(156)Price (yearly avg from Sep. 03 to Dec. 12)

6%

(3%)

(9%)

Market capitalisation

Free float

Absolute

Ret Secto

Rel. MSCI SMID

Diluted FFO PS

Diluted NNAV PS

Net dividend Diluted NAV

Diluted NNAV

Diluted NINNAV

NOPAT yield

Dividend yield

Market cap

Minority into

+ Derivatives

Operating expens

GSA expenses EBITDA

Minorities

Other items

Net income NOPAT

FFO total share

Other recurring ite

Net investments Distributed dividend

Change in borrowings

Other fixed assets Working capital Net intangibles Other net assets

Long-term debt

Short-term debt

Minority interests

Other marked to market adjustment

Diluted FFO PS (% change)

Cash

NAV

NNAV Net defer

NNNAV

EBITDA Margin

Effective tax rate

WACC

ROCEWACC

EBITDA coverage of in

Payout as % of FFO ROCE

Other non-recurring item

FFO

Net financial expenses

Pre-tax recurring profit

Real estate depreciation

After-tax unrealised value

CASH FLOW HIGHLIGHTS (EURm)

nge in working capital

FFO yie

12m Hi/Lo (EUR) : 54.1 CAGR 20

PER SHARE DATA (EUR)

STOCKMARKET RATIOS

mium/(Discount) to GAV mium/(Discount) to NAV

ENTERPRISE VALUE (EURm)

+ Other debt marked to market adjust P & L HIGHLIGHTS (EURm)

Premium/(Discount) to NNAV

EUR50.5 / EUR46 -9% Reuters / Bloomberg: BEFB.BR / BEFB BB

BEFIMMO (Underperform) Offices | Real Estate - Belgium Webb (+44) 203 430 8419 & Guezi (+44) 207 039 9505 EUR 2,124 1,055 856 1.0 75.0 KW 65.0 14% 1% (8%) MA 45.0 40.6 (4% 65.9 70.9 77.2 79.0 83.7 74.0 63.9 59.9 59.5 47.7 50.5 50.5 50.5 50.5 ер. 03 ep. 04 ep. 05 ър. 08 lep. 09 iep. 10 Dec. 11 Dec. 13e ec. 14e lec. 15e lec. 12 Sep. 06 iep. 07 13,756 10.470 10.470 10.470 10.470 13,756 16,790 16,790 17,538 18.453 20.872 21,304 21.745 21,745 Avg no of shares, diluted, excl. treasury stocks (m) 10.470 10.470 10.470 13.756 21.525 21.745 10.470 11,401 14.061 16.790 16,816 17.687 19.862 21.088 62,80 57.35 57.67 63,23 67.71 70.23 58,49 60.27 57.02 53.36 52.70 51.11 51.51 52.20 57.35 57.67 63,23 62,80 67.71 70.23 58,49 60.27 57.02 53,36 52,70 51.11 51.51 52,20 p. 68 p. 09 p. 10 ic. 11 ic. 12 c. 13e c. 14e c. 15e 5.9% 5.2% 5.4% 5.1% 4.9% 4.7% 6.1% 5.6% 6.6% 5.7% 5.4% 5.4% 5.6% 5.7% 7.7% 5.8% 8.5% 7.8% 8.6% 7.7% 7.8% 6.8% 6.5% 6.2% 6.2% 5.4% 6.1% 6.9% 6.5% 8.3% 7.2% 6.8% 6.8% 6.8% 6.8% 3% 6% 5% 12% 23% 16% 25% 8% 15% (5%) (12%) (2%) (5%) (1%) (2%) (1%) (2%) 15% 23% 22% 26% 24% 9% (1%) 4% (11%) (496)(196)(296)(3%) 9% 1,759 4% 23,547 15% 23% 22% (11%) (4%)(196) (2%) (3%) 1,055 1,000 1,913 1,157 1,273 1,220 1,221 1,785 1,878 1,868 2,161 2,168 2,159 742 827 1,001 843 690 809 954 773 1,018 898 776 1,005 1,076 1,099 1,099 529 841 871 945 1.016 62 (0) (8) (9) 16 18 4 14 0 Sep. 04 3 p. 06 6 ep. 09 Dec. 11 ep. 05 ер. 07 p. 08 ec. 12 IC. 13e ec. 14e ec. 16e p. 03 ep. 10 78.5 (4.2)(5.9)(7.9)(7.4)(7.1)(9.3)(5.6)(6.8)(3.8)(9.3)(9.0)(9.4)(9.8)(10.0)0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 1.6 3.5 0.0 0.0 0.0 (5.5)(6.2) 66.7 (7.8)(8.9)(10.6)(8.0)(10.8)(17.8)(15.3)(15.7)123.1 91.4 107.6 115.7 121.5 0.0 (15.8)(15.2)(16.0)(13.7)(37.6)(32.4)(29.3)(22.8)(34.5)(29.6)(29.8)(33.6)(35.7)(37.9) 85.3 52.8 51.5 50.4 48.8 50.5 59.0 78.0 83.3 94.5 78.0 85.9 83.0 85.7 (0.1) (0.7)(0.7)(0.6) (0.6) (0.5) (0.7)(8.0)(0.8) (0.8) (0.8) 0.0 0.0 0.0 0.0 (2.7)(3.7) (1.1)(3.9) (4.5)(2.3) 0.0 0.0 0.0 0.0 49.7 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 (109.7) (7.5)(5.8)(38.1) (11.6)(41.6)(1.0)(0.1) (1.1)0.0 0.0 0.0 0.0 (1.2)6.1 4.3 (32.1)0.0 0.0 0.0 0.0 46.7 45.7 114.9 90.0 61.8 81.9 128.2 40.5 115.7 a. 03 p. 04 p. 05 o. 06 p. 07 p. 68 p. 09 p. 10 c. 11 ic. 12 c. 13e c. 14e c. 15e :. 16e 52.7 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 (1.5)(0.5)0.0 77.5 52.7 50.9 48.2 49.9 58.3 82.7 93.7 82.6 (4.3)(72.7)(38.4)(0.2)(718.3) (144.8) (123.3)(34.8) (94.4)(53.5) (198.7)(44.7)(16.5) 0.0 0.6 64.9 58.8 0.0 3.7 0.0 2.8 22.4 0.0 0.0 0.0 0.0 3.9 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 (118.0) (3.7)(0.03) (38.4)2.6 (695.8) (79.9)(119.5)24.0 (53.5)(196.7)(44.7)(16.5)0.0 (43.6) 0.0 (45.3) 0.0 (45.3) (47.0) (48.2) 256.3 (49.8) 0.0 (60.6) 159.5 (62.7) (67.4) 2.0 (50.5) (89.9) 129.1 (73.1) 21.6 (74.6) 22.0 (75.0) 0.0 72.6 0.0 45.2 (116.0) (11.0)402.5 61.1 (80.0) (1.7)69.2 67.6 23.1 (5.5)0.0 25.6 24.6 (2.4)(47.0)(11.2) ip. 04 3.1 10.1 (9.7)(0.7)1.5 (2.6)(0.2)(1.0)12.7 7.5 9.8 9.4 a. 03 a. 09 e. 11 . 13e 1.055 1.078 1.815 1,887 1,923 1,923 1,971 2,128 2,133 2,149 2,154 16 (42) 16 (97) 16 (43) 16 (40) 16 (40) 13 (27) (66)(70)(55)(40) (40)(40)1.068 1.134 1.074 1,052 1.762 1,861 (857) 1.842 1,885 1,945 (856) 1,945 2,105 (621) 2,109 2.125 2.131 (149) (745) (554) (118) (116) (91) (585) (644) (188)(639) (639)(304) (396) 15 (373)(350) (317)(663) (15) (47) (206) (21) (396)(396) (396) (396) 23 14 13 32 15 10 33 27 10 (529) (776) (871) (991) (467) (405) (392)(773) (841) (784) (945) (1,000) (1,016) (1,000) 62 1,005 64 1,006 64 1,140 65 62 84 64 64 (1) (1) (1) (16)(4) (14) (4) (3) (1) 604 662 658 931 1,012 1,089 1,120 1,135 658 1,012 1,089 1,120 1,135 600 604 662 931 966 982 1,000 985 1,100 Sep. 10 (13.7%) p. 04 p. 05 p. 06 ec. 11 ic. 12 ic. 13e 37.0% NS (3.5%)(2.2%)(3.2%)(9.9%)(4.2%)(9.6%)(0.2%)2.1% (10.0%) 1.2% (1.6%)3.9% 2.5% (8.3%) 7.8% 0.9% 3.7% (3.3%) (16.7%) 26.2% (5.4%) (30.0%) (8.4%) 0.0% 0.0% 0.0% 0.0% 3.8% 87.6% 84.9% 83.5% 81.9% 84.0% 83.5% 90,1% 85.6% 82.7% 83,2% 84.8% 82.5% 82.6% 82.5% 3.9x 4.3x 4.4x 4.2x 4.6x 2.3x 2.8x 3.7x 4.7x 3.7x 3.5x 3.4x 3.3x

3.6x

0.96%

48.0%

85.0%

6.8%

0.98% 47.0%

84.6%

6.8%

0.98%

47.6%

89.5%

6.8%

0.8x

0.98%

46.5%

88,4%

6.8%

0.8x

0.98%

46.0%

88.9% 5.6%

6.8%

x8.0 late: 25 Sep. 13

0.18%

44.3%

82,7%

1,27%

47.0%

89.0%

1.31%

35.5%

94.5%

1.27%

36.3%

100.0%

1.16%

42.6%

6.9%

1.10%

44.6%

5.4%

0.59%

83.3% 6.1%

0.78%

40.8%

83,3%

0.87%

44.2%

97.0%

0.0%