

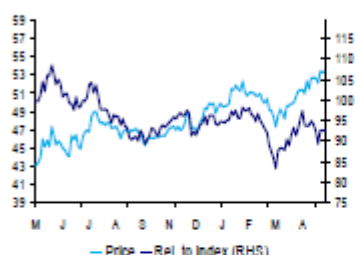
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BEFIMMO

Rental income in-line, pos. one-offs influence EPS

 REAL ESTATE INVESTMENT TRUSTS
 BELGIUM

 CURRENT PRICE € 53.36
 TARGET PRICE € 51.00

 HOLD
 RATING UNCHANGED


Source: Thomson Reuters Datastream

 Bloomberg BEFB.BB
 Reuters BEFB.BR

www.befimmo.be

 Market Cap € 1,020.3m
 Shares outst. 19.1m
 Volume (daily) € 1,078,262
 Free float 80.3%

Next corporate event

| (€ m) | 2012 | 2013E | 2014E |
|----------------|-------|-------|-------|
| Current Result | 74.9 | 76.4 | 73.7 |
| Portf. Result | -48.0 | -13.7 | -4.2 |
| Net Profit | 29.0 | 62.7 | 69.5 |
| Adj. EPS (€) | 4.25 | 4.09 | 3.86 |
| NAV (€) | 54.1 | 54.7 | 54.8 |
| P/E (x) | 11.2 | 13.0 | 13.8 |
| DPS (€) | 3.45 | 3.45 | 3.45 |
| Dividend yield | 7.2% | 6.5% | 6.5% |

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Befimmo reported a 2.5% increase in net rental income to € 32.5m vs. € 32.4m KBCSe. However, the operating charges came in significantly lower than expected. As a result of a very good integration following the acquisition of the property management team and the absence of statutory shareholder fees, but mainly due to the delay in some construction works following the bad weather conditions in 1Q13. Certainly this latter one-off impact should not be underestimated and shouldn't be extrapolated as trend over FY13 (management did not want to comment on the size of it). Given the fact that the general overheads were in-line with the company's guidance at year-start, we estimate that the operating result before result on portfolio should have amounted to approx. € 28m in 1Q13 vs. € 26.8m KBCSe.

We estimate that the financial charges decreased stronger than expected (the average debt cost dropped from 3.38% to 3.22%), leading to a net current EPS of € 1.13 vs. € 1.01 KBCSe. However, mgmt stated that they are still comfortable with the FY13 outlook of € 4.03 (+€ 0.03 of Blue Tower), confirming that the one-off items should have been significant. We therefore also believe that these delayed property charges will be made in FY13.

Normally, the company provides us with an update of the new letting activity. The lack of this information today signals that Befimmo's management just did not have much to announce. In general the trend in portfolio FV change was still negative, but the company could report a positive change in the Brussels periphery and Luxembourg. The portfolio metrics remained stable: The occupancy, weighted average lease duration and initial yield stood at respectively 95.8%, 9.1 yrs and 6.9%. The NAV increased slightly to € 55.2.

The balance sheet is very sound with a debt ratio of 48.7% and LTV ratio of 46.6%. One should however take into account that the company acquired the Blue Tower in 2Q13 of which the price tag was only partly covered by equity. Therefore, the LTV is expected to rise to 47%, still very acceptable.

Management confirmed its EPS and DPS guidance.

Our View: lowering EPS in FY13 and FY14, Hold maintained

Befimmo reported a net rental income in-line with KBCSe. For FY13, we however lowered our rental income estimates based on the sold Mons I building and lower indexation estimates. On the other, we trimmed our property charges estimates and more significantly lowered the debt charges as the low interest rates seem to remain. As a result, we lower our FY13 EPS to € 4.14 to € 4.09 (€ 4.06 Befimmo guidance). The lowering of our rental income growth and the dilutive effect of the treasury shares sale has also led to a reduction of our FY14e EPS to € 3.86 (€ 3.81 Befimmo).

The company has certainly solid portfolio metrics. However, despite the current slight amelioration, the office market is still suffering from overcapacity. Together with the rapidly changing sustainability requirements, we believe that there is still potential of tenants leaving or asking for surface reduction and the necessity for significant capex to keep on providing attractive offices. We therefore maintain our Hold rating and € 51 TP.