

2 August 2013

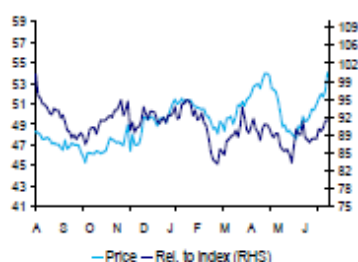
BEFIMMO

GE cash crowns underlying earnings

REAL ESTATE INVESTMENT TRUSTS
BELGIUM

CURRENT PRICE € 54.05
TARGET PRICE € 51.00

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEFB.BB
Reuters BEFB.BR
www.befimmo.be

Market Cap € 1,033.5m
Shares outst. 19.1m
Volume (daily) € 1,142,237
Free float 80.3%

Next corporate event

Results 3Q13: 14 November 2013

(€ m)	2012	2013E	2014E
Current Result	74.9	80.0	80.7
Portf. Result	-46.0	-13.7	-4.5
Net Profit	29.0	66.3	76.2
Adj. EPS (€)	4.25	4.05	3.81
NAV (€)	54.1	54.7	54.7
P/E (x)	11.2	13.3	14.2
DPS (€)	3.45	3.45	3.45
Dividend yield	7.2%	6.4%	6.4%

Koen Overlaet-Michiels

+32 2 429 37 21

koen.overlaet-michiels@kbcsecurities.be

Befimmo's net rental income over 1H13 increased by 8.1% y/y, from € 63.6m to € 68.7m. However, this rise includes a € 3.7m one-off indemnity payment of General Electric for early contract termination (normal ending begin FY16). Excluding this fee, net rental income would land at € 65.0m bang in-line with our € 65.0m forecast. The underlying increase resulted from an indexation of the rents (€ 0.8m), new rentals (€ 0.1m) and the external portfolio changes (e.g. Blue Tower). The net property charges came in however lower than expected (€ 1m diff.) and dropped y/y on the back of postponed building works given the bad weather. These costs are expected to be booked in 2H13, reflecting the exceptional character. Hence, the company's underlying (excl. € 3.7m) operating result before result on portfolio increased from € 53.9m to € 55.8m (€ 54.8m KBCSe).

The change in portfolio value came in at € -7.3m (€ -6.9m KBCSe), confirming our view of the office values under pressure in the decentralized area and periphery. Following the disposal of Mons I to the Walloon region, a small capital gain of € 0.2m was booked in the portfolio result.

There is positive news on the financing side, where a drop in average interest rate from 3.46% to 3.17% in 1H13 took place, lowering the charges y/y from € -15.1m to € -14.2m (€ -15.3m KBCSe) despite an increase in debt from € 878m to € 958m. Hence, the company's net current result soared from € 38.4m to € 45.0m (€ 41.3m excl. one-off) vs. € 39.1m KBCSe.

Including the AMCA building (transaction recorded in July), the portfolio metrics amount to: occupancy rate of 95.1% (95.9% end FY12), average lease maturity of 9.3yrs (9.3yrs), initial yield 6.8% (6.9%) and NAV of € 55.2 (€ 54.1). The rent reversion rate improved from -12% to -10.7%.

Befimmo's debt ratio dropped from 49% to 46% (following the AMCA share deal), creating € 209m of investment power (vs. development/renovation pipeline of € 154m in FY13-15). However, more cash will become available through the sale of Triomf III later this year. The debt maturity stood at 4.46y.

Our View:

Befimmo reported decent results. Despite the one-off payment of € 3.7m in net rental income and the delay in renovations, the operational results were strongly in-line. The drop in financial charges was however better, helped by an interest rate of only 3.17%. The company's portfolio FV changes are under control as guided for in the beginning of the year and the 1H13 EPS enable the confirmation of the FY13 DPS of € 3.45.

The early departure of GE reflects however the sustained uncertainty on the Brussels office market. We however believe that a tenant can be found before the beginning of FY16 for this building. For the Befimmo office buildings located outside of Brussels with contracts ending in FY15, Befimmo doesn't rule out the disposal to developers for reconversion projects.

Conclusion:

We maintain our Hold recommendation given the share price of € 54.