

15 November 2013

BEFIMMO

9M13 results bang in-line with expectations

REAL ESTATE INVESTMENT TRUSTS
BELGIUM

CURRENT PRICE € 53.55
TARGET PRICE € 54.00

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	BEFB.BB
Reuters	BEFB.BR
www.befimmo.be	
Market Cap	€ 1,133.0m
Shares outst.	21.2m
Volume (daily)	€ 1,182,809
Free float	82.2%

Next corporate event

Results FY13: 20 February 2014

(€ m)	2012	2013E	2014E
Current Result	74.9	85.0	82.7
Portf. Result	-87.1	-7.6	-4.4
Net Profit	7.9	77.4	78.3
Adj. EPS (€)	4.25	4.24	3.81
NAV (€)	54.1	54.9	54.9
P/E (x)	11.2	12.6	14.0
DPS (€)	3.45	3.45	3.45
Dividend yield	7.2%	6.4%	6.4%

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Summary:

Befimmo reported 9M13 results bang in-line with expectations. The company reported 12.9% result growth and 10% portfolio growth. Noteworthy, the evolution in FV of the portfolio beats guidance. We foresee a steady evolution going forward and make no changes to our investment case. Hold.

News:

Befimmo reported 3Q results bang in-line with expectations. The net current result increased 12.9% y/y from € 57.8m in 9M12 to € 65.2m in 9M13 (€ 65.2m KBCSe). This growth was booked as a result of a rise in net rental income from € 96.7m in 9M12 to € 102.7m in 9M13 (€ 103.1m KBCSe) on the back of external portfolio expansion (€ 3.1m) and early departure fees (€ 3.4m), but it lacked like-for-like rental growth creating a small discrepancy vs. our estimates. On the other, the operating and financing costs were kept under control. Certainly the financial charges could benefit from a sustained low interest rate supported by a successful commercial paper program.

The portfolio fundamentals remained solid with an occupancy rate of 94.0%, average lease maturity of 9.14 years and gross yield of 7.1%.

The company surprised posting a negative change in fair value in 9M13 of only € -7.5m (€ -10.8m KBCSe), of which € -0.2m or -0.01% in 3Q13. These marginal negative revaluations were equally spread across the portfolio in all segments from CBD to periphery, whereas the progress in the Paradis project tempered this negative change.

Following the finalization of the partly equity-funded transactions announced in 1H, the loan-to-value ratio declines to 43.6%. Management confirms the payment of an interim dividend of € 2.59 in December (in-line with expectations). The NAV (EPRA) comes in at € 56.3.

Our View:

Befimmo published results bang in-line with expectations. We therefore asked management for trends going forward. It should be expected that I-f-I rental growth will remain neutral in Q4, that the debt cost will remain attractive given the successful CP program, but that a slightly more negative fair value change is probable given the more limited expected progress in Paradis in Q4 vs. Q3.

Currently the company is actively marketing the Schuman III building for which it received the correct, but royal, compensation fee. Management guides here for a rental price between € 220 and € 250 per m².

Conclusion:

We make no changes to our investment case, but see target price triggers in portfolio expansion and increasing occupancy.

We rate Hold and € 54 TP.