

BEFIMMO

Blue Tower acquisition + ABB treasury shares € 49

REAL ESTATE INVESTMENT TRUSTS
BELGIUM

CURRENT PRICE € 51.36
TARGET PRICE € 51.00

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

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

Market Cap € 982.0m
Shares outst. 19.1m
Volume (daily) € 1,029,730
Free float 80.3%

Next corporate event

General Assembly 12: 24 April 2013

(€ m)	2012E	2013E	2014E
Current Result	74.9	77.2	78.0
Portf. Result	-48.0	-13.7	-4.2
Net Profit	29.0	63.5	73.8
Adj. EPS (€)	4.25	4.11	4.19
NAV (€)	54.1	54.8	55.1
P/E (x)	12.1	12.5	12.3
DPS (€)	3.45	3.45	3.45
Dividend yield	6.7%	6.7%	6.7%

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Summary:

Yesterday, Befimmo announced the acquisition of the Blue Tower in the Louise district and the ABB of 637,371 treasury shares. The shares were placed at € 49 (discount of 4.6% vs. latest trading and 9.4% vs. NAV at end-FY12). We up our TP from € 50 to € 51, but maintain Hold.

Acquisition of Blue Tower in Brussels office market:

Befimmo acquired Blue Tower Louise for € 78.5m from the German fund Morgan Stanley P2 Value. Gross rental income amounts to € 5.4m which corresponds to a gross yield of 6.9% with upside potential to € 5.9m or 7.5% in case of full occupation. The office building is located in the heart of the Louise area and includes a total of 24,535m² of office space, 3,629m² of archive space, 285m² of commercial space and 332 parking spaces. The building underwent recently an extensive renovation and received the BREEAM certificate "good". The building is currently let based on 3/6/9 or 6/9 lease agreements. Post transaction the company's occupancy rate will stand at 95.7% and the average portfolio maturity at 9.08 years.

Accelerated book build of 637,371 treasury shares:

Additionally, Befimmo placed up to 637,371 treasury shares representing 3.33% of total to institutional investors through an accelerated book build. The funds raised will be used to partially redeem the credit lines that have been used to finance the acquisition of Blue Tower Louise and to maintain Befimmo's LTV close to its previous level (48% at end-FY12). The placement was executed at a price of € 49 per share, representing a 4.6% discount vs. the latest trading price € 51.36 and 9.4% discount vs. FY12 NAV of € 54.1. The new free float amounts to 80.3% (AG Insurance & SFPI hold 19.7%)

Acquisition by Befimmo and Fedimmo:

The acquisition will be made by Befimmo and Fedimmo (25 and 75% respectively). In the future, 610,000 new Befimmo shares will be created to acquire the 75% stake held by Fedimmo. Such new shares are not intended to be offered immediately on the market and Befimmo has agreed a lock-up period of 180 days.

Our View:

As a result of this transaction, we adapted our model. The transaction has a slight negative impact on the company's NAV, but no dilutive effect on EPS. We had been expecting no growth in FY13 and therefore increase our EPRA EPS estimates today from € 4.08 to € 4.11 in FY13 and from € 4.02 to € 4.19 in FY14.

Using an EVA and DCF model over a 5-year forecasting period, we attain a new theoretical fair value range between € 50.6 and € 51.0 per share. We therefore up our target price from € 50 to € 51, but maintain our Hold rating as our view on the Brussels office market has not fundamentally changed. We detect a gradual decline in vacancies, but expect only a limited amount of growth opportunities.

A conf. call is scheduled at 10am to provide more in-depth information.