

Investment Research

Hold

Recommendation unchanged

Share price: EUR 50.77

closing price as of 14/02/2014

Target price: EUR 54.00

Target Price unchanged

Reuters/Bloomberg BEFB.BR/BEFB.BB

Daily avg. no. trad. sh. 12 mth	20,816
Daily avg. trad. vol. 12 mth (m)	1,059.93
Price high 12 mth (EUR)	52.03
Price low 12 mth (EUR)	45.48
Abs. perf. 1 mth	0.8%
Abs. perf. 3 mth	-1.4%
Abs. perf. 12 mth	3.7%

Market capitalisation (EURm)	1,074
Current N° of shares (m)	21
Free float	74%

Key financials (EUR)	12/12	12/13e	12/14e
Gross Rental Income (m)	129	137	138
EBITDA (m)	87	115	116
EBITDA margin	64.5%	81.2%	81.1%
Portfolio Result (m)	(35)	(10)	(5)
Net Financial Result	(41)	(21)	(34)
Net Profit (adj.)(m)	75	85	77
Funds From Operations	74.93	84.59	77.38
EPS (adj.)	4.24	4.36	3.99
DPS	3.45	3.45	3.50
IFRS NAVPS	54.10	56.06	56.35
EPRA NAVPS	54.18	56.06	56.35
Premium/(Discount)	(13.2%)	(10.0%)	(9.9%)
Earnings adj. yield	8.4%	8.6%	7.9%
Dividend yield	6.8%	6.8%	6.9%
EV/EBITDA	22.4	17.7	18.0
P/E (adj.)	11.1	11.6	12.7
Int. cover(EBITDA/Fin.int)	2.1	5.5	3.5
Net debt/(cash) (m)	948	973	1,020



Shareholders: AG Insurance 15%; AXA Belgium 9%; Own shares 2%;

For company description please see summary table footnote

2013 preview

The facts: Financial year 2013 results will be released on February 20 after market close. An analyst meeting will be organised the same day.

Our analysis: 2013 earnings will have benefited from a EUR 3.4m indemnity from the tenant General Electric leaving earlier than the break date (recorded in 1H) in a very good location in the Brussels CBD (Rond-Point Schuman).

Financial year 2013 and in particular the first half has been characterised by some big changes in the composition of the portfolio. Befimmo activity was made during 1H by the acquisition of two major additional assets (Blue Tower from Morgan Stanley P2 Value in Brussels and AMCA building from Axa in Antwerp) and, as a consequence of one of these transactions, of the entry into the capital of a new shareholder, Axa Belgium, with 9.6%.

As a result, at the end of 1H the debt ratio was down at 48.5% (46.1% with AMCA) from 49.3% at the end of December 2012 so that the firepower of Befimmo for new investments climbed to EUR 209m (with AMCA), compared to EUR 99m earlier, before reaching a LTV of 50% that the company does not want to exceed. This compares to a lower amount of unused credit lines of EUR 113.7m. The doubling of the firepower may excite the appetite of Befimmo for potential major deals rumoured in the market, having however in mind a higher committed capex program for 2013 and 2014 (cf details at the end of this note) on top of the possible construction of the WTC IV (issue of a tender in September).

Comparison Table:

Befimmo (EUR m)	FY2012A	1Q 2013A	1H2013A	3Q2013A	9M2013A	4Q2013E	2H 2013E	FY 2013E
Net rental income	128754	32500	68709	33991	102700	34499	68490	137199
Operating res of buildings	86754	30500	59647	n.a	n.a.	n.a.	55714	115361
Operating margin (%)	67.4%	93.8%	86.8%	n.a	n.a.	n.a.	81.3%	84.1%
Net profit adjusted (gr share)	74926	n.a.	44836	18720	63556	21039	39759	84595
EPS adjusted	4.24	1.13	2.39	0.96	3.35	1.01	1.97	4.36

Sources: company data, Degroof estimates

We anticipate that Befimmo will continue to benefit from a lower charge of interest rates despite a somewhat higher debt level.

Taking into consideration the release of Cofinimmo results, we should expect some pressure on the NAV figure that we anticipate at EUR 56.1, compared to EUR 56.29 at the end of September but before the detachment of the interim dividend of EUR 2.59 that occurred in November.

We may anticipate some news about the future lease of the building Rond-Point Schuman (somewhat more than 1% of the total area of the portfolio) of which about the rental level.

Conclusion & Action: We will particularly keep attention to the evolution of the NAV and of the 2014 outlook considering at the one hand some encouraging news about the liquidity of the Brussels office market but at the other one, and strangely enough, some possible further pressure on the value of the portfolio. No change in TP and recommendation.

Analyst(s): Jean-Marie Caucheteux +32 2 287 99 20 jeanmarie.caucheteux@degroof.be



Befimmo: Summary tables

PROFIT & LOSS (EURm)	09/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Gross Rental Income	123.5	155.8	128.8	137.2	138.4	145.1
Other Operating Income	6.5	9.4	5.8	5.0	5.0	5.3
Operating Costs	-14.3	-18.4	-14.2	-17.9	-18.1	-18.6
Net Rental Income	115.7	146.8	120.3	124.2	125.3	131.8
General Expenses	-12.5	-17.7	-14.3	-10.2	-10.4	-15.5
Net Other Income/(Costs)	9.0	-0.1	-19.2	1.4	1.4	1.4
EBITDA	112.2	129.0	86.8	115.4	116.2	117.6
Portfolio Result	-34.3	-11.6	-35.0	-10.3	-5.0	0.0
<i>o/w Revaluation of Fair Value of Investment Properties</i>	<i>-34.6</i>	<i>-26.4</i>	<i>-35.2</i>	<i>-10.3</i>	<i>-5.0</i>	<i>0.0</i>
<i>o/w Gain/Losses on Disposal of Investment Properties</i>	<i>0.2</i>	<i>14.8</i>	<i>0.2</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Net Operating Profit before Finance Cost	77.8	117.4	51.8	105.0	111.2	117.6
Net Financial Result	-26.6	-29.5	-40.6	-21.0	-33.6	-34.3
<i>o/w Share of the profit of associates & dividend income</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>o/w Revaluation of Financial Instruments</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>o/w Net Financial Costs</i>	<i>-26.6</i>	<i>-29.5</i>	<i>-40.6</i>	<i>-21.0</i>	<i>-33.6</i>	<i>-34.3</i>
EBT	51.3	87.9	11.2	84.0	77.6	83.4
Tax	-0.7	-0.8	-0.8	-0.8	-0.7	-0.9
<i>o/w Deferred Taxes</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>o/w Real Taxes</i>	<i>-0.7</i>	<i>-0.8</i>	<i>-0.8</i>	<i>-0.8</i>	<i>-0.7</i>	<i>-0.9</i>
<i>Tax rate</i>	<i>1.3%</i>	<i>0.9%</i>	<i>6.7%</i>	<i>0.9%</i>	<i>0.9%</i>	<i>1.1%</i>
Net Result (reported)	50.6	87.1	10.4	83.3	76.9	82.5
<i>o/w Minorities</i>	<i>-3.9</i>	<i>-5.2</i>	<i>-2.6</i>	<i>-4.0</i>	<i>-4.5</i>	<i>-4.8</i>
<i>o/w Group Share</i>	<i>46.7</i>	<i>81.9</i>	<i>7.9</i>	<i>79.3</i>	<i>72.4</i>	<i>77.6</i>
Earnings adj.	84.7	90.0	74.9	84.6	77.4	77.6
Funds From Operations	84.7	90.0	74.9	84.6	77.4	77.6
CASH FLOW (EURm)	09/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Cash Flow from Operations after change in NWC	72.6	72.7	90.0	117.9	106.5	114.5
Interest Costs	-26.6	-29.5	-40.6	-21.0	-33.6	-34.3
Capex	-48.3	-39.3	-85.8	-257.2	-57.8	-27.6
Free Cash Flow	-2.3	3.9	-36.4	-160.3	15.0	52.7
Dividends	-61.9	-65.5	-49.8	-36.7	-70.7	-71.7
Other (incl. Capital Increase + change in cons. & share buy	0.0	0.0	30.6	171.3	9.5	4.8
Change in Net Debt	-64.1	-61.6	-55.6	-25.7	-46.2	-14.2
NOPLAT	110.7	127.8	80.9	114.3	115.2	116.4
BALANCE SHEET & OTHER ITEMS (EURm)	09/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Investment Properties	1901.5	1988.0	1977.1	2208.2	2261.0	2288.6
Development Properties	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	4.2	10.2	13.7	13.7	13.7	13.7
Cash & Cash equivalents	3.5	4.2	2.3	4.6	4.6	4.6
Other current assets	75.9	25.4	34.1	36.4	36.6	37.6
Total Assets	1985.1	2027.8	2027.2	2262.8	2315.8	2344.4
Shareholders Equity	1017.4	1002.6	998.2	1186.0	1192.2	1202.9
Minorities Equity	64.4	67.8	0.0	0.0	0.0	0.0
Non Current Financial Debt	584.8	855.8	553.5	723.3	757.4	768.0
Deferred Tax Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Current Liabilities	20.1	10.4	12.8	12.8	12.8	12.8
Current Financial Debt	206.0	22.6	396.6	254.7	266.8	270.5
Other Current Liabilities	92.3	68.5	66.1	86.0	86.6	90.3
Total Equity & Liabilities	1985.1	2027.8	2027.2	2262.8	2315.8	2344.4
GROWTH & MARGINS	09/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
<i>Rental Income Growth</i>	<i>4.1%</i>	<i>26.2%</i>	<i>-17.3%</i>	<i>6.6%</i>	<i>0.9%</i>	<i>4.9%</i>
<i>EBITDA growth</i>	<i>5.7%</i>	<i>15.0%</i>	<i>-32.7%</i>	<i>33.0%</i>	<i>0.8%</i>	<i>1.2%</i>
<i>Net Result Group Share Growth</i>	<i>n.m.</i>	<i>75.4%</i>	<i>-90.4%</i>	<i>907.5%</i>	<i>-8.7%</i>	<i>7.3%</i>
<i>Earnings adj. growth</i>	<i>79.7%</i>	<i>6.2%</i>	<i>-16.8%</i>	<i>12.9%</i>	<i>-8.5%</i>	<i>0.3%</i>
<i>EPS growth</i>	<i>n.m.</i>	<i>75.1%</i>	<i>-90.8%</i>	<i>817.2%</i>	<i>-8.7%</i>	<i>7.3%</i>
<i>EPS adj. growth</i>	<i>50.5%</i>	<i>6.0%</i>	<i>-20.7%</i>	<i>2.8%</i>	<i>-8.5%</i>	<i>0.3%</i>
<i>DPS adj. growth</i>	<i>-11.4%</i>	<i>26.4%</i>	<i>-30.0%</i>	<i>0.0%</i>	<i>1.4%</i>	<i>2.9%</i>
<i>Operating Margin</i>	<i>86.3%</i>	<i>78.1%</i>	<i>64.5%</i>	<i>81.2%</i>	<i>81.1%</i>	<i>78.2%</i>

Befimmo: Summary tables

RATIOS	09/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Net Debt/Equity	0.7	0.8	0.9	0.8	0.9	0.9
Net Debt/EBITDA	7.0	6.8	10.9	8.4	8.8	8.8
Interest cover (EBITDA/Fin.interest)	4.2	4.4	2.1	5.5	3.5	3.4
Total Debt/Total Assets	45.5%	47.2%	50.8%	47.6%	48.5%	48.7%
LTV	41.8%	44.3%	48.3%	44.1%	45.1%	45.2%
Cash Flow from Operations/Capex	1.5	1.8	1.0	0.5	1.8	4.2
ROE	7.8%	8.4%	7.5%	7.1%	6.5%	6.5%
ROCE	6.0%	6.7%	4.4%	5.6%	5.3%	5.2%
WACC	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
ROCE/WACC	1.0	1.1	0.7	0.9	0.9	0.9
Payout ratio	140.3%	101.3%	n.m.	84.4%	93.8%	89.9%

PER SHARE DATA (EUR)**	09/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Average diluted number of shares	16.8	16.8	17.7	19.4	19.4	19.4
Diluted Number of shares end of period	16.8	17.5	19.1	21.2	21.2	21.2
EPS (reported)	2.8	4.9	0.4	4.1	3.7	4.0
EPS (adj.)	5.0	5.4	4.2	4.4	4.0	4.0
DPS	3.9	4.9	3.5	3.5	3.5	3.6
IFRS NAV	56.0	52.4	54.1	56.1	56.3	56.9
EPRA NAV	61.7	51.9	54.2	56.1	56.3	56.9
EPRA NNNAV	60.3	52.1	53.4	56.1	56.3	56.9

PORTFOLIO KEY FIGURES	09/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Occupancy Rate	93.8%	93.8%	95.5%	95.0%	95.0%	95.0%
Portfolio Yield	6.9%	7.0%	6.8%	6.8%	6.8%	6.8%
Portfolio Yield on Full Occupancy	6.6%	6.6%	6.7%	6.7%	6.7%	6.7%
Average length of leases (end of contract)	0.0	9.2	10.0	10.0	10.0	10.0
Average length of leases (first break)	9.4	9.2	9.2	9.4	9.4	9.4

VALUATION	09/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Premium/(discount) to NAV	6.5%	(7.8%)	(13.2%)	(10.0%)	(9.9%)	(10.7%)
Premium/(discount) to EPRA NAV	(3.3%)	(6.9%)	(13.3%)	(10.0%)	(9.9%)	(10.7%)
P/E (adj.)	11.8	9.0	11.1	11.6	12.7	12.7
EV/Earnings adj.	22.8	20.7	25.9	24.1	27.1	27.2
EV/EBITDA	17.3	14.5	22.4	17.7	18.0	17.9

EV AND MKT CAP (EURm)	09/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Price* (EUR)	59.6	48.3	47.0	50.5	50.8	50.8
Outstanding number of shares for main stock	18.2	19.1	21.2	21.2	21.2	21.2
Total Market Cap	1083.5	924.4	993.4	1067.4	1074.2	1074.2
Net Debt	787.3	874.3	947.8	973.5	1019.6	1033.9
<i>o/w Cash & Marketable Securities</i>	-3.5	-4.2	-2.3	-4.6	-4.6	-4.6
<i>o/w Gross Debt (+)</i>	790.8	878.5	950.1	978.0	1024.2	1038.4
Other EV components	64.4	67.8	0.0	0.0	0.0	0.0
Enterprise Value (EV adj.)	1935.2	1866.5	1941.2	2040.9	2093.8	2108.1

Source: Company, Bank Degroof estimates.

Notes
 *Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years
 **EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs

Sector: Real Estate/Real estate

Company Description: With a portfolio predominantly made by public tenants in Brussels, Befimmo has probably the most defensive and transparent portfolio among Belgian REITs. Befimmo is one of the two largest Belgian REITs listed in the BEL20 but also on EPRA Europe.

ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

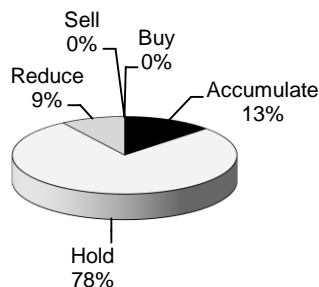
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

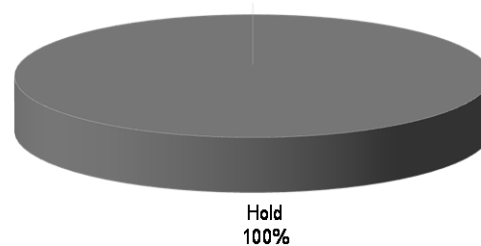
Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved or to a change of analyst covering the stock
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Bank Degroof Ratings Breakdown



Bank Degroof Ratings Breakdown for companies with conflicts of interest

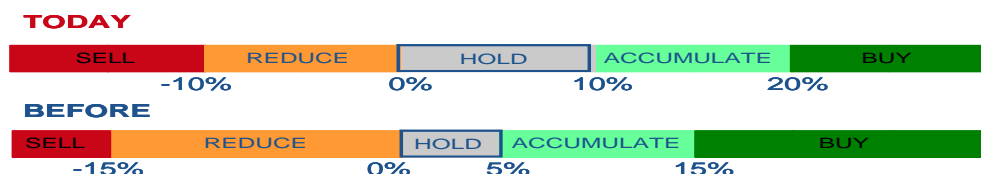


History of ESN Recommendation System

Since 18 October 2004, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.

Since 4 August 2008, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:




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Equity brokerage

John Paladino	+32 2 287 96 40
Tanguy del Marmol	+32 2 287 96 13
Frederic Lebrun	+32 2 287 96 84
Robin Podevyn	+32 2 287 91 82
Christian Saint-Jean	+32 2 287 97 80

Equity derivatives sales trading

Mohamed Abalhossain	+32 2 287 95 10
Olivier-Pierre Morrot	+32 2 287 96 18

Treasury desk

Alain Strapart	+32 2 287 95 16
Jeroen De Keer	+32 2 287 97 71

Equity research

Jean-Marie Caucheteux	+32 2 287 99 20
Hans D'Haese	+32 2 287 92 23
Bernard Hanssens	+32 2 287 96 89
Bart Jooris, CFA	+32 2 287 92 79
Dirk Peeters	+32 2 287 97 16

Mail: firstname.lastname@degroof.be

Recommendation history for BEFIMMO

Date	Recommendation	Target price	Price at change date
16-Dec-13	Hold	54.00	49.34
02-Aug-13	Hold	52.88	50.00
17-May-13	Hold	51.92	51.87
15-Mar-13	Hold	50.00	45.48
27-Jun-12	Hold	48.08	42.84
17-Feb-12	Hold	51.92	47.65
18-Nov-11	Hold	54.81	50.23
21-Sep-11	Hold	56.73	55.18
24-Aug-11	Hold	58.65	53.99

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Bank Degroof continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Jean-Marie Caucheteux (since 23/11/2009)



Bank Degroof acts as liquidity provider for:

Aedifica, Atenor, Banimmo, Bois Sauvage, BSB International, Connect Group, D'Ieteren, Eckert-Ziegler, Elia, Floridienne, Gimv, Greenyard Foods, Home Invest Belgium, Kinapolis, Leasinvest Real Estate, Luxempart, Montea, Realco, Resilux, Roularta, Sapec, Ter Beke, Van de Velde and Vastned Retail Belgium.

Bank Degroof holds a significant stake in:

Fountain.

Bank Degroof board members and employees hold mandates in the following listed companies:

Aedifica, Atenor Group, Barco, Brederode, Cofinimmo, D'Ieteren, Elia, Floridienne, Sapec, Sipef, Ter Beke, Tessengerlo and Zetes.

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Members of ESN (European Securities



Banca Akros S.p.A.
Viale Eginardo, 29
20149 MILANO
Italy
Phone: +39 02 43 444 389
Fax: +39 02 43 444 302



Bank Degroof
Rue de l'Industrie 44
1040 Brussels
Belgium
Phone: +32 2 287 91 16
Fax: +32 2 231 09 04



BEKA Finance
Serrano, 39
28001 Madrid
Spain
Phone: +34 91 436 7813
Fax: +34 91 577 3770



Caixa-Banco de Investimento
Rua Barata Salgueiro, nº 33
1269-057 Lisboa
Portugal
Phone: +351 21 313 73 00
Fax: +351 21 389 68 98



CM - CIC Securities
6, avenue de Provence
75441 Paris
Cedex 09
France
Phone: +33 1 4596 7940
Fax: +33 1 4596 7748



Equinet Bank AG
Gräfenstraße 97
60487 Frankfurt am Main
Germany
Phone: +49 69 - 58997 - 410
Fax: +49 69 - 58997 - 299



Investment Bank of Greece
32 Aigialeias Str & Paradissou,
151 25 Maroussi,
Greece
Tel: +30 210 81 73 383



Pohjola Bank plc
P.O.Box 308
FI-00013 Pohjola
Finland
Phone: +358 10 252 011
Fax: +358 10 252 2703



SNS Securities N.V.
Nieuwezijds Voorburgwal 162
P.O. Box 235
1000 AE Amsterdam
The Netherlands
Phone: +31 20 550 8500
Fax: +31 20 626 8064

