



24 July 2014

## Investment Research

### Hold

Recommendation unchanged

Share price: EUR 58.57

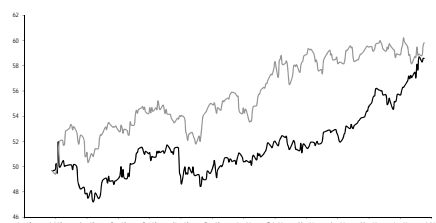
closing price as of 23/07/2014

Target price: EUR 54.00

Target Price unchanged

Reuters/Bloomberg	BEFB.BR/BEFB.BB
Daily avg. no. trad. sh. 12 mth	10,052
Daily avg. trad. vol. 12 mth (m)	587.60
Price high 12 mth (EUR)	58.68
Price low 12 mth (EUR)	47.20
Abs. perf. 1 mth	7.4%
Abs. perf. 3 mth	11.1%
Abs. perf. 12 mth	17.3%
Market capitalisation (EURm)	1,239
Current N° of shares (m)	21
Free float	73%

Key financials (EUR)	12/13	12/14e	12/15e
Gross Rental Income (m)	137	140	139
EBITDA (m)	114	114	108
EBITDA margin	78.3%	78.8%	75.1%
Portfolio Result (m)	(11)	(5)	0
Net Financial Result	(22)	(24)	(21)
Net Profit (adj.)(m)	84	85	80
Funds From Operations	84.13	84.57	80.40
EPS (adj.)	4.22	3.93	3.73
DPS	3.45	3.50	3.55
IFRS NAVPS	55.09	55.75	56.41
EPRA NAVPS	55.09	55.75	56.41
Premium/(Discount)	(8.4%)	5.1%	3.8%
Earnings adj. yield	7.2%	6.7%	6.4%
Dividend yield	5.9%	6.0%	6.1%
EV/EBITDA	18.0	19.7	21.0
P/E (adj.)	11.9	14.9	15.7
Int. cover(EBITDA/Fin.int)	5.1	4.9	5.1
Net debt/(cash) (m)	978	1,010	1,027



Shareholders: AG Insurance 15%; AXA Belgium 10%; Own shares 2%;

For company description please see summary table footnote

## 1H preview

**The facts:** 1H figures will be released on August 1st before market. A conference call for analysts will follow at 9.00 AM.

**Our analysis:** on top of these 1H figures, characterized by the absence of major portfolio moves, in contrast to FY 2013, we will keep attention also to some pending issues (vacancies, WTC IV) in the framework of classical and related comments about the market environment. Indeed, after some major portfolio moves during FY 2013, silence predominated during 1H 2014 hiding some potential outcomes.

In other words, while FY2013 was characterised by the acquisition of the Blue Tower and the AMCA building, overshadowing the sale of the smaller Mons 1 and the renovation of Triomphe 1, the only news released during 1H of this year (already during 1Q) was about the choice by the Flemish Community to locate its future Brussels offices in Tour&Taxi while the Befimmo WTC IV (56,400sqm) was the only one amongst three other to have a building permit and could as such be considered as having a pole position and somewhat as a trigger for the share price. In the meantime, Befimmo has made an appeal against this decision.

By contrast, this bad, but not necessarily sufficient, news did not preclude the share price to post a good rally which was driven by more external factors: the market of which the BEL20 appartenance and the recent sharp decreasing interest rate environment which favoured most players in the real estate sectors.

As far as 1H figures are concerned, we hope we may now anticipate a bottoming out of the negative revaluation figures of the portfolio, backed by an improving take-up mirroring several other European capitals and a reduction of the vacancy rate in the Brussels office market, putting somewhat aside the periphery and the decentralized part of the city where Befimmo involvement is rather marginal.

We anticipate only a modest increase of the net rental income considering the weak economic and the low inflation environments. Mainly because of a positive one-off item during previous half (delays, lower commercial costs and charges on empty premises) we anticipate the operating result to emerge at EUR 62.0 m.

### Comparison Table:

Befimmo (EUR m)	FY2012A	1Q 2013A	1H2013A	FY 2013A	1Q2014A	2Q2014e	1H2014e	2H2014e	2014
Net rental income	128754	32500	68709	136765	34500	34600	69100	70943	140043
Property operating result	120341	30500	64517	125374	31300	30900	62200	62475	124675
Operating margin (%)	93.5%	93.8%	93.9%	91.7%	90.7%	89.3%	90.0%	88.1%	89.0%
Net profit adjusted (gr share)	74926	n.a.	44836	84125	21700	21400	43000	41569	84569
EPS adjusted	4.24	1.13	2.39	4.24	1.01	0.99	2.00	1.93	3.93

Sources: company data, Degroof estimates

**Conclusion & Action:** On top of these 1H figures, characterised by the absence of major portfolio moves, in contrast to FY 2013, we will keep attention also to some pending issues (vacancies, WTC IV) in the framework of classical and related comments about the market environment. No change in TP and recommendation ahead of the release.

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For important disclosure information, please refer to the disclaimer page of this report

Befimmo: Summary tables

<b>PROFIT &amp; LOSS (EURm)</b>	<b>09/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>
<b>Gross Rental Income</b>	<b>123.5</b>	<b>155.8</b>	<b>128.8</b>	<b>136.8</b>	<b>140.0</b>	<b>138.8</b>
Other Operating Income	6.5	9.4	5.8	8.5	5.1	5.0
Operating Costs	-14.3	-18.4	-14.2	-19.9	-20.5	-19.7
<b>Net Rental Income</b>	<b>115.7</b>	<b>146.8</b>	<b>120.3</b>	<b>125.4</b>	<b>124.7</b>	<b>124.1</b>
General Expenses	-12.5	-17.7	-14.3	-11.0	-9.7	-15.5
Net Other Income/(Costs)	9.0	-0.1	-19.2	-0.7	-0.7	-0.7
<b>EBITDA</b>	<b>112.2</b>	<b>129.0</b>	<b>86.8</b>	<b>113.7</b>	<b>114.3</b>	<b>108.0</b>
<b>Portfolio Result</b>	<b>-34.3</b>	<b>-11.6</b>	<b>-35.0</b>	<b>-11.4</b>	<b>-5.0</b>	<b>0.0</b>
<i>o/w Revaluation of Fair Value of Investment Properties</i>	<i>-34.6</i>	<i>-26.4</i>	<i>-35.2</i>	<i>-11.6</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>0.3</i>	<i>0.0</i>	<i>0.0</i>
<b>Net Operating Profit before Finance Cost</b>	<b>77.8</b>	<b>117.4</b>	<b>51.8</b>	<b>102.4</b>	<b>109.3</b>	<b>108.0</b>
<b>Net Financial Result</b>	<b>-26.6</b>	<b>-29.5</b>	<b>-40.6</b>	<b>-22.4</b>	<b>-23.6</b>	<b>-21.1</b>
<i>o/w Share of the profit of associates &amp; 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>-22.4</i>	<i>-23.6</i>	<i>-21.1</i>
<b>EBT</b>	<b>51.3</b>	<b>87.9</b>	<b>11.2</b>	<b>80.0</b>	<b>85.8</b>	<b>86.9</b>
Tax	-0.7	-0.8	-0.8	-0.9	-1.2	-1.2
<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>-0.9</i>	<i>-1.2</i>	<i>-1.2</i>
<i>Tax rate</i>	<i>1.3%</i>	<i>0.9%</i>	<i>6.7%</i>	<i>1.1%</i>	<i>1.4%</i>	<i>1.4%</i>
<b>Net Result (reported)</b>	<b>50.6</b>	<b>87.1</b>	<b>10.4</b>	<b>79.2</b>	<b>84.6</b>	<b>85.7</b>
<i>o/w Minorities</i>	<i>-3.9</i>	<i>-5.2</i>	<i>-2.6</i>	<i>0.0</i>	<i>-4.5</i>	<i>-4.6</i>
<i>o/w Group Share</i>	<i>46.7</i>	<i>81.9</i>	<i>7.9</i>	<i>79.2</i>	<i>80.1</i>	<i>81.1</i>
<b>Earnings adj.</b>	<b>84.7</b>	<b>90.0</b>	<b>74.9</b>	<b>84.1</b>	<b>84.6</b>	<b>80.4</b>
Funds From Operations	84.7	90.0	74.9	84.1	84.6	80.4

<b>CASH FLOW (EURm)</b>	<b>09/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>
<b>Cash Flow from Operations after change in NWC</b>	<b>72.6</b>	<b>72.7</b>	<b>90.0</b>	<b>124.1</b>	<b>94.7</b>	<b>98.9</b>
Interest Costs	-26.6	-29.5	-40.6	-22.4	-23.6	-21.1
Capex	-48.3	-39.3	-85.8	-257.2	-57.8	-27.6
<b>Free Cash Flow</b>	<b>-2.3</b>	<b>3.9</b>	<b>-36.4</b>	<b>-155.5</b>	<b>13.4</b>	<b>50.2</b>
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	161.3	25.3	4.6
<b>Change in Net Debt</b>	<b>-64.1</b>	<b>-61.6</b>	<b>-55.6</b>	<b>-30.9</b>	<b>-32.0</b>	<b>-16.9</b>
NOPLAT	110.7	127.8	80.9	112.5	112.7	106.5

<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>09/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>
Investment Properties	1901.5	1988.0	1977.1	2200.7	2237.7	2265.3
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	22.2	22.2	22.2
Cash & Cash equivalents	3.5	4.2	2.3	1.5	4.6	4.6
Other current assets	75.9	25.4	34.1	25.0	27.4	27.2
<b>Total Assets</b>	<b>1985.1</b>	<b>2027.8</b>	<b>2027.2</b>	<b>2249.4</b>	<b>2291.8</b>	<b>2319.3</b>
Shareholders Equity	1017.4	1002.6	998.2	1165.6	1179.5	1193.4
Minorities Equity	64.4	67.8	0.0	0.0	0.0	0.0
Non Current Financial Debt	584.8	855.8	553.5	709.6	750.1	762.6
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	16.9	16.9	16.9
Current Financial Debt	206.0	22.6	396.6	269.6	264.2	268.6
Other Current Liabilities	92.3	68.5	66.1	87.7	81.2	77.8
<b>Total Equity &amp; Liabilities</b>	<b>1985.1</b>	<b>2027.8</b>	<b>2027.2</b>	<b>2249.4</b>	<b>2291.8</b>	<b>2319.3</b>

<b>GROWTH &amp; MARGINS</b>	<b>09/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>
<i>Rental Income Growth</i>	<i>4.1%</i>	<i>26.2%</i>	<i>-17.3%</i>	<i>6.2%</i>	<i>2.4%</i>	<i>-0.9%</i>
<i>EBITDA growth</i>	<i>5.7%</i>	<i>15.0%</i>	<i>-32.7%</i>	<i>31.1%</i>	<i>0.5%</i>	<i>-5.6%</i>
<i>Net Result Group Share Growth</i>	<i>n.m.</i>	<i>75.4%</i>	<i>-90.4%</i>	<i>906.2%</i>	<i>1.2%</i>	<i>1.3%</i>
<i>Earnings adj. growth</i>	<i>79.7%</i>	<i>6.2%</i>	<i>-16.8%</i>	<i>12.3%</i>	<i>0.5%</i>	<i>-4.9%</i>
<i>EPS growth</i>	<i>n.m.</i>	<i>75.1%</i>	<i>-90.8%</i>	<i>791.7%</i>	<i>-6.5%</i>	<i>1.3%</i>
<i>EPS adj. growth</i>	<i>50.5%</i>	<i>6.0%</i>	<i>-20.7%</i>	<i>-0.5%</i>	<i>-7.0%</i>	<i>-4.9%</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>1.4%</i>
<i>Operating Margin</i>	<i>86.3%</i>	<i>78.1%</i>	<i>64.5%</i>	<i>78.3%</i>	<i>78.8%</i>	<i>75.1%</i>

## Befimmo: Summary tables

<b>RATIOS</b>	<b>09/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>
Net Debt/Equity	0.7	0.8	0.9	0.8	0.9	0.9
Net Debt/EBITDA	7.0	6.8	10.9	8.6	8.8	9.5
Interest cover (EBITDA/Fin.interest)	4.2	4.4	2.1	5.1	4.9	5.1
Total Debt/Total Assets	45.5%	47.2%	50.8%	48.2%	48.5%	48.5%
LTV	41.8%	44.3%	48.3%	44.7%	45.1%	45.3%
Cash Flow from Operations/Capex	1.5	1.8	1.0	0.5	1.6	3.6
ROE	7.8%	8.4%	7.5%	7.2%	7.2%	6.7%
ROCE	6.0%	6.7%	4.4%	5.5%	5.2%	4.8%
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	0.8
Payout ratio	140.3%	101.3%	n.m.	86.8%	94.2%	94.3%
<b>PER SHARE DATA (EUR)**</b>	<b>09/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>
Average diluted number of shares	16.8	16.8	17.7	19.9	21.5	21.5
Diluted Number of shares end of period	16.8	17.5	19.1	21.2	21.2	21.2
EPS (reported)	2.78	4.87	0.45	3.97	3.72	3.76
EPS (adj.)	5.05	5.35	4.24	4.22	3.93	3.73
DPS	3.90	4.93	3.45	3.45	3.50	3.55
IFRS NAV	55.98	52.44	54.10	55.09	55.75	56.41
EPRA NAV	61.68	51.94	54.18	55.09	55.75	56.41
EPRA NNAV	60.26	52.14	53.36	55.09	55.75	56.41
<b>PORTFOLIO KEY FIGURES</b>	<b>09/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>
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
<b>VALUATION</b>	<b>09/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>
Premium/(discount) to NAV	6.5%	(7.8%)	(13.2%)	(8.4%)	5.1%	3.8%
Premium/(discount) to EPRA NAV	(3.3%)	(6.9%)	(13.3%)	(8.4%)	5.1%	3.8%
P/E (adj.)	11.8	9.0	11.1	11.9	14.9	15.7
EV/Earnings adj.	22.8	20.7	25.9	24.3	26.6	28.2
EV/EBITDA	17.3	14.5	22.4	18.0	19.7	21.0
<b>EV AND MKT CAP (EURm)</b>	<b>09/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>
Price* (EUR)	59.6	48.3	47.0	50.5	58.6	58.6
Outstanding number of shares for main stock	18.2	19.1	21.2	21.2	21.2	21.2
<b>Total Market Cap</b>	<b>1083.5</b>	<b>924.4</b>	<b>993.4</b>	<b>1067.4</b>	<b>1239.2</b>	<b>1239.2</b>
Net Debt	787.3	874.3	947.8	977.6	1009.7	1026.6
<i>o/w Cash &amp; Marketable Securities</i>	-3.5	-4.2	-2.3	-1.5	-4.6	-4.6
<i>o/w Gross Debt (+)</i>	790.8	878.5	950.1	979.2	1014.2	1031.2
Other EV components	64.4	67.8	0.0	0.0	0.0	0.0
<b>Enterprise Value (EV adj.)</b>	<b>1935.2</b>	<b>1866.5</b>	<b>1941.2</b>	<b>2045.1</b>	<b>2248.9</b>	<b>2265.8</b>

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**.

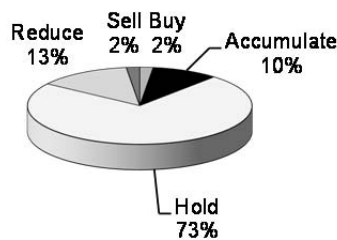
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

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.

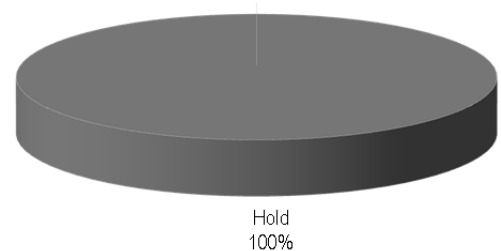
### Meaning of each recommendation or rating:

- **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

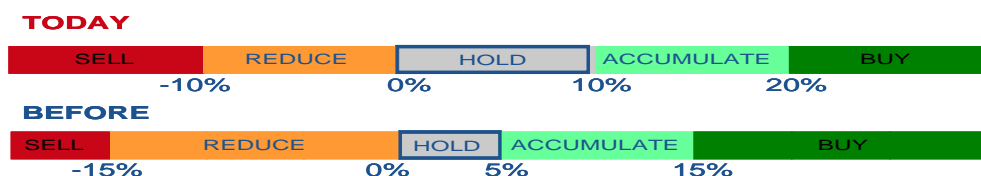


### History of ESN Recommendation System

**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:




**Institutional & corporate equity desk**

Damien Crispiels	+32 2 287 96 97
Bart Beullens	+32 2 287 91 80
Laurent Goethals	+32 2 287 91 85
Pascal Magis	+32 2 287 97 81
Fabian De Smet	+32 2 287 99 16

**Institutional & corporate bond desk**

Peter Deknopper	+32 2 287 91 22
Gauthier de Ghellinck	+32 2 287 68 74
Fabrice Faccenda	+32 2 287 91 81

**Structured products**

Edouard Nouvellon	+32 2 287 93 23
Quentin De Decker	+32 2 287 92 87
Tim Vercammen	+32 2 287 91 83
Jerome Verhaegen	+32 2 287 92 56
Stéphane Everaerts	+32 2 287 97 75

**Fund services**

Thomas Palmblad	+32 2 287 93 27
Oliver Gigounon	+32 2 287 91 84
Fabio Ghezzi Morgalanti	+32 2 287 92 72
Frederic Collett	+32 2 287 93 06

**Real estate**

Jean-Baptiste Van Ex	+32 2 287 91 27
Preben Bruggeman, CFA	+32 2 287 95 71
Antoni Slawecki	+32 2 287 93 35

**Equity brokerage**

John Paladino	+32 2 287 96 40
Tanguy del Marmol	+32 2 287 96 13
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## Recommendation history for BEFIMMO

Date	Recommendation	Target price	Price at change date
16-Dec-13	Hold	54.00	49.34
2-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, Connect Group, D'Ieteren, Eckert-Ziegler, Elia, Gimv, Greenyard Foods, Home Invest Belgium, Kinopolis, 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, Tessenderlo and Zetes.

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