

Exane Market Commentary

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3) Befimmo – FY13 Results

> Numbers

Numbers look marginally below our forecasts but in-line with consensus:

- FFO/share of EUR4.22 was slightly below our estimate (EUR4.33) but matching the consensus estimate
- NAV/share of EUR54.13 - a touch below our EUR54.6 forecast but flat year-on-year
- Dividend/share of EUR3.45 as expected

>Leasing performance

A fairly stable performance as expected:

- 15,500 sq m of space let during the year
- Occupancy broadly unchanged over the year at 95.2% - this remains much better than market averages
- Average lease duration maintained at 9.1 years - only slightly down vs. end-2012
- The portfolio remains significantly over-rented (-10.4%), although this has improved versus end-2012 (-12.0%) due to: (1) Stable rents, (2) Capture of some negative reversion through lease renegotiations and (3) Acquisition of properties leased at market rents.

>Portfolio valuation

As usual, capital values are flat. There has been almost no movement in the capital value of the portfolio, which fell by just 0.5% over 2013.

>Outlook and guidance

Earnings guidance looks pretty soft with the company expecting FFO/share declines in each of the next three years. Befimmo expects to see FFO/share decline in 2014e to EUR3.90 - matching our current forecast (although below consensus which is at EUR3.98). Thereafter, Befimmo expects further declines to EUR3.72 in 2015e and EUR3.62 in 2016e - which compares negatively to our expectations for broadly flat FFO/share over these two years. Dividend guidance is flat at EUR3.45/share.

Source: Company

Exane BNPP view:

> A reasonably solid set of results, as expected. Numbers slightly below us but in-line with consensus. Earnings guidance looks a bit soft, but Befimmo has consistently outperformed its guidance over the past two years so it's not a major concern at this point. We don't expect any major share price reaction.

>There do appear to be some positive signs in the Brussels CBD office market with vacancy declining, rents stabilising and investment volumes picking up. Nonetheless, these results still show no sign of growth in NAV and the earnings outlook remains weak. Returns from Befimmo's shares are likely to remain limited to the dividend. The dividend yield of 6.7% looks attractive but the total return proposition still compares unfavourably in a sector context (particularly versus the rapid NAV growth we expect from the UK REITs).