

Maintained

Hold

Price (15/05/14) €53.02

Maintained

Target price (12m) €48.90

Forecast total return -1.3%

Market cap €1,141.7m

Bloomberg BEFB BB

Befimmo: 1Q14 a quiet quarter

1Q14 EPS came in at €1.01, down vs €1.13 in 1Q13 but up vs 4Q13 at €0.87 (with volatility partly due to cost recognition in 1Q13 and one off payments). Net rental income came in at €34.5m (+6% YoY) compared to €32.5m in 1Q13 where the increase is mostly due to acquisitions in 2013 (Blue tower and AMCA). Like-for-like growth was not reported in 1Q14 and stood at 3.7% over 2013. The reported 1Q14 EPS seems in line with our full year forecast of €3.92 (2014F BBG consensus of €3.94). A dividend forecast of €3.45 is confirmed.

Key financials – 1Q14 vs 1Q13

(€m)	1Q14	1Q13	Δ (%)
Net rental result	34.5	32.5	6.2
EBIT	31.3	30.5	2.6
EPRA earnings	21.7	20.8	4.3
EPRA EPS (€)	1.01	1.13	-10.6
NAV per share (€)	55.1	55.4	-0.5
EPRA NAV per share (€)	55.6	55.2	0.8
LTV (%)	44.2	46.6	-2.4
Occupancy rate (%)	95.1	95.7	-0.6

Source: Company data

The variation in fair value mostly stable at +0.3% in 1Q14. The increase in the portfolio value for 1Q14 was €7m, and while predominantly stable to negative in Brussels (0% in Brussels CBD, -1% in Brussels periphery), Luxembourg and the development in Liege booked value gains. The EPRA NAV per share stood at €55.6 (including dividend of €0.80 with ex-date of May 7) vs €54.4 at end 2013, the decrease mostly coming from retained earnings and the value increase.

The average duration of leases stood at 9.02 years compared to 9.06 years at 2013. The overall rental yield, based on current rents, remained relatively stable at 6.8% (2013: 6.8%). The vacancy rate stands at 4.9% (4.8% end 2013 for standing portfolio).

Befimmo's LTV at 44.2%; EPS growth through acquisitions still the likely gameplan. Befimmo managed the difficult situation on the Belgian office market relatively well and lowered its LTV to 44.2% (2013: 45%). The debt ratio (Belgian leverage convention) stands at 46.9%. For Befimmo, we see as key upside the acquisition potential that could grow EPS offsetting the negative reversion on the non-prime properties (and prime also not being able to hold on to inflation increases of rent) and cost for building upgrades.

Valuation and outlook. Befimmo is trading at cash 2015F PER of 14.3x, premium of 1% to the 2015F EPRA NAV and implied cap rate of 6.1%. This is somewhat more expensive to Cofinimmo (at a PER of 14.0x, discount to EPRA NAV of 1% and implied cap rate of 5.9%. For the short to medium term, we prefer Befimmo shares over Cofinimmo (€90.31, Hold, TP: €90.20) shares due to its 'cleaner' higher quality office exposure, but believe that in the longer term the healthcare exposure of Cofinimmo could make us move the other way. Befimmo confirms its forecast for a dividend of €3.45

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