

16 May 2014

BEFIMMO

Strong year-start for Befimmo

REAL ESTATE INVESTMENT TRUSTS
BELGIUM

CURRENT PRICE € 53.02
TARGET PRICE € 56.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEFB.BB
Reuters BEFB.BR

www.befimmo.be

Market Cap € 1,121.8m
Shares outst. 21.2m
Volume (daily) € 1,120,924
Free float 82.2%

Next corporate event

(€ m)	2013	2014E	2015E
Current Result	84.0	85.5	89.0
Portf. Result	-4.8	0.0	4.7
Net Profit	79.2	85.5	93.7
Adj. EPS (€)	4.24	3.98	4.12
NAV (€)	54.4	55.9	56.6
P/E (x)	12.0	13.3	12.9
DPS (€)	3.45	3.45	3.45
Dividend yield	6.8%	6.5%	6.5%

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Summary:

Befimmo's Q1 results came in north of our expectations. The portfolio showed a +0.3% revaluation. We up our FY14 EPS to € 3.98 and PT to € 56 which equals our FY14 NAV forecast. Accumulate.

News

Befimmo reported a 6.2% increase in net rental income from € 32.5m to € 34.5m (€ 34.0m KBCSe) on the back of an expanded portfolio (Blue Tower and AMCA building) and a neutral I-f-I rental evolution, but tempered by the sale of the Mons I building and the under-renovation-being Triumph I building. The net operating charges increased 60% y/y provided an unfavourable comparison base (pos. one-off in 1Q13), but also in-line with the grown portfolio. This leads to a property operating result of € 31.3m (€ 30.6m KBCSe), up 2.6% y/y.

Despite a 5.7% rise in debt, the financial result remained remarkably stable, leading to an increase in net current result from € 20.8m to € 21.7m (€ 1.01/sh), clearly above our € 20.5m (€ 0.95/sh) forecast.

The portfolio fair value increased by 0.3% or € 6.7m (mainly because of lease extensions), confirming the trend of stabilizing asset values. The company's occupancy remained stable at 95%, as did the gross yield at 6.78% and the average lease maturity at 9.02 years.

Lease extensions and renewals were however limited to 3,000m² in 1Q14. Making us curious towards the rental potential of Triomphe I and Ikaros Business Park Phase II, of which the renovating works will end in May 2014.

The company's LTV ratio dropped from 45% end-FY13 to 44.2%, while the EPRA NAV landed at € 55.6 p.s.

Outlook:

The company confirms its FY14 guidance of € 3.90 EPS and € 3.45 DPS. However, Befimmo performed clearly better than expected, while our forecast was already higher than the company's guidance. Hence, we believe the outlook to be too conservative and up our EPS from € 3.92 to € 3.98, being the exact Q1 discrepancy with our forecast.

Our View:

Befimmo outperformed our expectations on all levels (rental income, operating and financial costs), which reflects a strong year-start. Furthermore, portfolio fundamentals were confirmed while the portfolio was positively revalued, confirming our view of Befimmo finding itself on a turning point towards value creation after years of neg. revaluations.

Conclusion:

We reiterate our Accumulate rating and up our PT from € 55 to € 56, which is in-line with our FY14 NAV forecast.