

29 January 2014

BEFIMMO

10% portfolio growth to € 2.2bn in FY13

REAL ESTATE INVESTMENT TRUSTS
BELGIUM

CURRENT PRICE € 50.40
TARGET PRICE € 55.00

ACCUMULATE
RATING UPGRADED



Source: Thomson Reuters Datastream

Bloomberg	BEFB.BB
Reuters	BEFB.BR
www.befimmo.be	
Market Cap	€ 1,066.4m
Shares outst.	21.2m
Volume (daily)	€ 1,113,053
Free float	82.2%

Next corporate event

Results FY13: 20 February 2014

(€ m)	2013E	2014E	2015E
Current Result	85.2	82.7	88.9
Portf. Result	-7.6	-4.4	14.2
Net Profit	77.6	78.3	103.2
Adj. EPS (€)	4.25	3.81	4.10
NAV (€)	54.9	54.9	55.5
P/E (x)	11.9	13.2	12.3
DPS (€)	3.45	3.45	3.45
Dividend yield	6.8%	6.8%	6.8%

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Befimmo will release its FY13 results Thursday 20 February after market.

FY13 has been an interesting year for Befimmo. A year in which it could finally catch up again with growth and this while maintaining the debt ratio relatively unchanged. It acquired the Blue Tower in the Brussels' Louise district and the AMCA building in Antwerp ('t Eilandje). The Blue Tower acquisition (multi-tenant and for 95% occupied) proved attractive given the recent renovation, good location and yield of 7%. The AMCA is 100% occupied by the Federal government, has a remaining lease term of 16 years and is under-rented vs. the market.

We expect net rental income to increase 6.3% y/y from € 128.8m to € 136.9m on the back of portfolio expansion, a broadly unchanged occupancy and a positive rental indexation. Furthermore, we expect the property charges again to be positively impacted by one-offs (being it less than last year), leading to a slight deterioration, while we expect the property costs to increase proportionate to the rise in income. The overheads are assumed to rise 8% y/y, leading to an operating result before result on portfolio (EBITDA) of € 115.3m, up 8.1% y/y.

We expect the average interest rate to come in lower than last year, resulting in a marginal drop of the net financial result (excl. IAS39) from € -29.6m in FY12 to € -29.3m in FY13, despite the increased debt amount. Hence, the net current result is expected to increase from € 75.1m to € 85.2m. However, following the increased number of shares, we bank on net current EPS exactly in line with FY12, being € 4.25. We therefore bank on a stable dividend of € 3.45.

The improved situation on the Brussels office market has caused a further decline in the negative revaluation trend. After losing € 35.2m of value in FY12, we bank on a gentler decline of € -14.2m (non-cash) in FY13. Following the slight increase in interest rates, we expect the IAS39 impact to come in positive in FY13.

Our View:

After a calm FY12, Befimmo expanded its portfolio 10% in FY13, while remaining the debt ratio under control. Furthermore, the solid tenant base in buildings at good locations is expected to support the occupancy towards the future.

Despite the continued trend of reducing office space per employee, we believe that the economic improvements, the forecasts for increased employment in Brussels and the need for top offices at prime locations should support Befimmo's results in the coming years.

Conclusion:

The improved sentiment in the office market and the certainty to be able to cover the dividend in cash let us increase our rating to Accumulate. Additionally, we up our TP from € 54 to € 55.