

EUR 55.42

# BEFIMMO

Hold

BEFB.BR/BEFB.BB

Market capitalisation: EUR 1173m

Real Estate

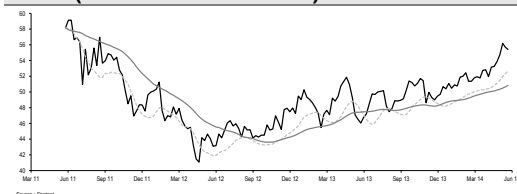
EUR	12/12	12/13	12/14e	12/15e
Gross Rental Income (m)	129	137	140	139
EBITDA (m)	86.8	114	114	108
EBITDA margin	64.5%	78.3%	78.8%	75.1%
Portfolio Result (m)	-35.0	-11.4	-5.0	0.0
Net Financial Result	-40.6	-22.4	-23.6	-21.1
Net Profit (reported)(m)	7.9	79.2	80.1	81.1
Net Profit (adj.)(m)	74.9	84.1	84.6	80.4
Funds From Operations	74.9	84.1	84.6	80.4
Net Debt (m)	948	978	1,010	1,027
Portfolio Value (m)	1,977	2,201	2,238	2,265
Enterprise Value (m)	1,941	2,045	2,182	2,199
EPS (adj.)	4.2	4.2	3.9	3.7
DPS	3.5	3.5	3.5	3.6
IFRS NAVPS	54.1	55.1	55.7	56.4
Premium/(discount)	-13.2%	-8.4%	-0.6%	-1.7%
EPRA NAVPS	54.2	55.1	55.7	56.4
Earnings adj. yield	9.0%	7.6%	7.1%	6.7%
Dividend yield	7.3%	6.2%	6.3%	6.4%
EV/EBITDA	22.4	18.0	19.1	20.4
P/E (adj.)	11.1	11.9	14.1	14.9
Int. cover(EBITDA/Fin.int)	2.1	5.1	4.9	5.1
Net debt/(cash) (m)	948	978	1,010	1,027
Net Debt/Total Assets	46.8%	43.5%	44.1%	44.3%
Abs. Performances(12m,6m,3m,1m):	19.3%	12.7%	6.8%	3.7%
12 month High/low: EUR56.18 / 45.69	Avg. Daily nb traded shares:32,319			

Main shareholders: Free float 73.4%; AG Insurance 14.6%; AXA Belgium 9.6%;

Own shares 2.4%;

All share prices at 19/06/14.

## PRICE (SHORT & LONG AVERAGE)



## FINANCIAL CALENDAR

01/08/14 Results 2014H1

Source: Pathon

**Profile:** Pure player in offices, Befimmo owns and lets a portfolio of EUR 2.2 bn (899.3k sqm) mostly located in Brussels (69%) and in particular in its Central (European) Business District (58%). 68% of rents are coming from public institutions. Weighted average leases last 9.0 years but the reversion rate is 10.4%. Gross yield is 6.8% on fair value. Befimmo is looking for diversification in Luxembourg (3.2% of the portfolio) on an opportunistic basis, but no longer in Paris. Since the end of 2012, Befimmo is a "common" Limited Liability Company. It manages its portfolio itself and it totally controls its Fedimmo (90% previously) subsidiary made of real assets leased to Belgian public bodies. The company benefits from the advantageous fiscal framework offered by the status of Belgian Reit (= sicafi/bevak). Befimmo is a member of the Bel20 and EPRA indexes.

## SWOT Analysis

### Strengths

- 58% of the portfolio (FV) in CBD of Brussels
- 68% of the portfolio leased to public institutions
- Remaining average length of leases of 9.0 years
- Traditionally rather low LTV (now 46.9% vs max. target of 50%) and cost of debt of 3.2%.

### Opportunities

- Higher environmental standards
- Lifecycle of offices is reducing
- Disinterest of the Brussels office today may offer opportunities
- Conversion into residential / other

### Weaknesses

- High vacancy rate of Brussels office market (10.8%) and virtually no net take-up
- Developments of offices in Brussels is regulated by 19 competing municipalities
- Limited diversification out of Brussels offices

### Threats

- Higher environmental standards
- Public institutions may negotiate lower rents and reduce their real estate portfolio (in sqm/people)
- Decreasing occupier demand offices (mobility)

**Recommendation:** Befimmo has traditionally been considered as, and to a large extent remains, a defensive play. The coming years could become somewhat more challenging considering the 10.8% vacancy rate on the Brussels office market and increasing sustainability requirements. The recent simplification of the corporate structure and the abandonment of the expansion around Paris removes some question marks. 1Q started well with a current EPS of EUR 1.01, on the back of net rental income up by 6.2% to EUR 34.5m and an operating margin of 90.7%, above historical figures. EPRA NAV per share is EUR 55.62.

Target Price: EUR 54.00

## Analyst(s)

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