



Befimmo (EUR 51.62 - Add) FY13 results - mission completed but still challenging years ahead

As usual in the sector results were more or less in line with expectations. Guidance for 2014-16 is very prudent and somewhat below our estimates. Market multiples remain attractive.

Facts

- FY13 were roughly in line, somewhat above our expectations but slightly below consensus. Direct EPS stands at EUR 4.24 (-0.2% YoY) vs. our est. at 4.11 and consensus at 4.29. As it was widely expected DPS is confirmed at EUR 3.45.
- At EUR 136.8m (+6.2%) net rents were also slightly above our estimate (135.5m); no like-for-like figure is available yet but considering the termination payment received (EUR 3.7m) and the consolidation scope changes (AMCA, Blue Tower in, Triomphe III & Mons I out) we estimate like-for-like to be barely positive at best. Negative market reversion remains depressingly stable (-15% in the CBD) but this has hopefully not a too large impact on Befimmo given the long duration of its leases; only Decentralized & Periphery locations witness an improving reversion (resp. at -10% and -8%) but at very low rents.
- Occupancy is slightly down at 95.2% (95.9% in 2012).
- At EUR 23.0m (+7.6% excl. exceptional items in 2012), operating expenses came out above our estimated EUR 21.6m. The company acknowledges that costs were high in 2013, mainly on the back of several projects, some higher taxes and the integration of the property management business. As a result at EUR 113.7m (+6.0%) EBIT is bang in line with our est. (113.8m).
- Net financial expenses are a pleasant surprise at EUR 28.9m (-2.3%, our est. at 31.2m) on the back of a lower cost of debt falling to 3.18% (vs. 3.38%, we expected it flat).
- Another nice surprise were the sharply lower negative adjustments (IAS40) on the property portfolio at EUR 11.6m (-66.9%) or -0.5% of the portfolio. Hence the stable NAVPS at 54.13 (IFRS), close to our EUR 55.00 estimate.
- Guidance for 2014-16 remains very cautious; direct EPS are expected at resp. EUR 3.90, 3.72 and 3.62; our estimates stand at resp. 3.74, 3.86 and 3.93. When checking our business plan, the main discrepancy comes from future occupancy not improving before 2016 in the Befimmo projections. This despite the fact that the management appeared quite upbeat on Brussels offices confirming the improving market mood and slightly better market data. FY14 DPS is announced at EUR 3.45 for 2014 (flat); hence, no problem for the dividend in the next 3 years.
- No news on Noord Building or WTC IV beyond 'business as usual' and repeating the well know attractions of the assets. As a reminder the Flemish Community leaves the Noord Building sometime in 2017 (can leave as from Jan. 2017 but after notifying Befimmo several months in advance).

Our View

- 2013 figures are slightly above our expectations.
- We like the positive tone and restored confidence of the company but are a bit disappointed by the 2014-16 guidance, especially after 2014. However we acknowledge that the company projections assume an unchanged consolidation scope (no new acquisitions) and the traditional prudence of the company.
- The Noord building challenge is still far but nevertheless we would appreciate more substance behind the company plans on that asset; rental income amounts to ca. EUR 0.38 per share and thus could put some temporary pressure on the dividend beyond 2016; not a big deal if the site is prelet (only 1-2 years to bridge) but more problematic is Befimmo has to start the works with empty hands.

Conclusion

All in all, we trust the pilot and appreciate the improving weather but would appreciate some additional meters above ground. Despite its recent good market performance the share still trades below NAV (4.6% discount, 5.0% vs. EPRA NAV) and offers a rather secure 6.7% dividend yield. Add rating sustained.

Details

in EUR	2012a	2013e	2013a	% Ch	consensus
Net rents (m)	128.8	135.5	136.8	6.2%	137.4
EBIT (m)	107.3	113.8	113.7	6.0%	112.6
Net direct result (m)	75.2	82.1	84.1	11.9%	85.8
Direct EPS	4.25	4.11	4.24	-0.2%	4.29
NAVPS (IFRS)	54.10	55.00	54.13	0.1%	54.62
DPS	3.45	3.45	3.45	0.0%	3.35

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