

Vastned Retail Belgium

Belgium/Real Estate

Analysers



Hold

Recommendation unchanged

Share price: EUR 56.55

closing price as of 16/01/2015

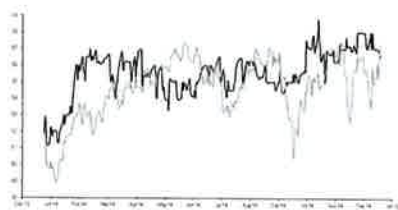
Target price: EUR 57.00
from Target Price: EUR 59.00

Reuters/Bloomberg

VASTB BRVASTB BB

Market capitalisation (EURm)	287
Current N° of shares (m)	5
Free float	30%
Daily avg. no. trad. sh. 12 mth	771
Daily avg. trad. vol. 12 mth (m)	44
Price high 12 mth (EUR)	58.80
Price low 12 mth (EUR)	51.00
Abs. perf. 1 mth	-0.62%
Abs. perf. 3 mth	2.82%
Abs. perf. 12 mth	9.36%

Key financials (EUR)	12/13	12/14e	12/15e
Gross Rental Income (m)	22	22	20
EBITDA (m)	18	19	17
EBITDA margin	85.0%	84.8%	84.9%
Portfolio Result (m)	(3)	(4)	1
Net Financial Result	(3)	(6)	(4)
Net Profit (adj.) (m)	13	13	13
Funds From Operations	13	13	13
EPS (adj.)	2.63	2.65	2.57
DPS	2.65	2.70	2.57
IFRS NAVPS	46.37	45.89	45.90
EPRA NAVPS	47.08	46.50	46.51
Premium/(Discount)	13.0%	26.3%	23.2%
Earnings adj. yield	4.7%	4.7%	4.5%
Dividend yield	4.7%	4.8%	4.5%
EV/EBITDA	20.9	21.1	23.6
P/E (adj.)	19.9	21.9	22.0
Int. cover(EBITDA/Fin.Int)	3.8	4.3	4.1
Net debt/(cash) (m)	120	108	122
Net Debt/Total Assets	32.9%	30.9%	33.5%



Shareholders: Vastned Retail 66%; Capfi Delen Investment Management 4%;

Analyst(s):

Dirk Peeters, Bank Degroof

dirk.peeters@degroof.be

+32 2 287 97 16

CN: "What's next?" – TP reduced to EUR 57

The facts: We are publishing today a Company Note on Vastned Retail Belgium. With the announcement on 24 December 2014, that it was selling 14 non-strategic properties, Vastned Retail Belgium has realised its strategy to have 65% of its portfolio invested in inner-city shops. This raises the question: "What's next"? The share is fully valued but still offers an attractive yield.

Our analysis: Vastned Retail Belgium invests exclusively in commercial real estate and more specific in inner-city shops (68%) in prime locations and high-quality retail warehouses (32%). The mother company Vastned Retail NV controls 65.5%.

On 27 October 2014, the EGM approved unanimously to convert into a Regulated Real Estate Company: openbare Gereguleerde Vastgoed Vennootschap (GVV) / Société Immobilière Réglementée Publique (SIR). 65.8% of the capital was represented in the EGM.

Vastned Retail Belgium tries to make its share more attractive by increasing the liquidity by growing the portfolio if possible via mergers and investments in kind. Today, Vastned Retail Belgium still has the second lowest liquidity among Belgian RRECs. This does however not exclude institutional ownership as was demonstrated by the transparency declaration of Capfi Delen Asset Management.

Vastned Retail Belgium has a policy of distributing 100% of the distributable profit which tends to closely trail the net current profit excluding IAS-39. We expect the FY14E dividend to rise by 2% to EUR 2.70 per share, in line with the expected evolution of the distributable profit. This offers an attractive yield of 4.8%.

The Ghent, Veldstraat 23-27 acquisition in August 2014 for EUR 27.7m has added momentum to earnings growth but is not big enough to change our investment case. The acquisition was financed with debt resulting in a debt ratio of 39% at the end of September 2014.

On 24 December 2014, Vastned Retail Belgium announced a club deal selling 14 non-strategic assets for EUR 35.6m. The sale includes the Julianus Shopping Centre and shops at Vilvoorde, Hoboken, Bree, Chênée, Flémalle, Genk, La Louvière, Malmédy, Mons, Sint-Pieters-Leeuw, Waterloo, Antwerpen Adbijkstraat and Westerlo. The total transaction represents GLA of c. 33,000 and GRI of EUR 3.2m.

Our DCF valuation points to a fair value of EUR 56.6 including the announced divestments and with a scenario of reinvestment of the proceeds in a 2-year span at an average yield of 4.5%.

Conclusion & Action: We set a new TP of EUR 57 and maintain our Hold recommendation which is justified by the attractive yield.