

Vastned Retail Belgium

Belgium/Real Estate

Analysers



Reduce

Recommendation unchanged

Share price: EUR 54.10

closing price as of 29/07/2015

Target price: EUR 50.00

Target Price unchanged

Reuters/Bloomberg

VASTB.BR/VASTB.BB

Market capitalisation (EURm)	275
Current N° of shares (m)	5
Free float	30%
Daily avg. no. trad. sh. 12 mth	390
Daily avg. trad. vol. 12 mth (m)	21
Price high 12 mth (EUR)	62.93
Price low 12 mth (EUR)	52.50
Abs. perf. 1 mth	-1.62%
Abs. perf. 3 mth	-10.56%
Abs. perf. 12 mth	-1.64%

Key financials (EUR)	12/14	12/15e	12/16e
Gross Rental Income (m)	22	20	20
EBITDA (m)	18	17	17
EBITDA margin	83.2%	84.1%	84.4%
Portfolio Result (m)	8	1	1
Net Financial Result	(5)	(4)	(4)
Net Profit (adj.) (m)	12	13	13
Funds From Operations	12	13	13
EPS (adj.)	2.46	2.56	2.63
DPS	2.72	2.56	2.63
IFRS NAVPS	47.84	47.69	47.91
EPRA NAVPS	48.71	48.45	48.66
Premium/(Discount)	21.2%	13.4%	12.9%
DPS	2.72	2.56	2.63
Earnings adj. yield	4.5%	4.7%	4.9%
Dividend yield	5.0%	4.7%	4.9%
EV/EBITDA	21.8	23.7	23.0
P/E (adj.)	23.6	21.2	20.6
int. cover(EBITDA/Fin.int)	4.4	4.7	4.5
Net debt/(cash) (m)	106	123	125
Net Debt/Total Assets	29.2%	32.7%	32.8%



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

Analyst(s):

Dirk Peeters, Bank Degroof

dirk.peeters@degroof.be

+32 2 287 97 16

2Q15 net current result deteriorates

The facts: Vastned Retail Belgium released its 2Q15 earnings. An analyst meeting will be held at 3 PM CET.

Our analysis: The 2Q15 net current profit dropped 17.4% YoY to EUR 2.9m and declined by 9.6% QoQ. 2Q15 net rental income declined by 9.7% to EUR 4.9m which was mainly driven by divestments in 2014 (19 shops – c. 12% of the portfolio sold at a yield of 9%). This was partly offset by the acquisition of a premium city high street shop in Ghent at a much lower yield (3.98%), rental renewals and indexation of existing contracts.

The fair value of the portfolio stood at EUR 361.1m (vs EUR 356.5m at the end of 2014). During 2Q15, VNRB did not make any new acquisitions.

The occupancy declined from 98% at year-end 2014 to 96% at the end of June 2015 or 97% when excluding properties that are being renovated.

The EPRA NAV rose by 4.6% YoY to EUR 48.06 but slipped by 4.1% QoQ. The debt ratio increased slightly to 33%. The average cost of debt in 1H15 was 3.5% or 3.0% when excluding the break-up refinancing penalties. 80% of interest rates are fixed with a duration of 3.8 years.

Management expects the FY15 operational distributable result to decline significantly following the material divestments in FY14. It now adds a dividend guidance ranging between EUR 2.35 – EUR 2.45 which is lower than we have modeled. Given a pay-out ratio of 100% this may imply that our full year net current EPS forecasts are still too high.

Key figures (in EUR k)	2Q14	2Q15	% Δ yoy	1H14	1H15	% Δ yoy
Net rental result	5,394	4,871	-9.7%	10,824	9,789	-9.6%
Operating property result	4,529	4,040	-10.8%	8,975	8,246	-8.1%
Financial result (excl. IAS 39)	-1,064	-1,109	4.2%	-2,104	-1,930	-8.3%
Other income & charges	-7	-73	942.9%	-15	-145	866.7%
Net current profit	3,458	2,858	-17.4%	6,856	6,171	-10.0%
Result on the portfolio	229	401	75.1%	773	4,366	464.8%
IAS 39	-525	278	-153.0%	-978	369	-137.7%
Net profit	3,162	3,537	11.9%	6,651	10,906	64.0%
No. of shares	5,078,525	5,078,525	0.0%	5,078,525	5,078,525	0.0%
Net current profit per share (EUR)	0.68	0.56	-17.4%	1.33	1.19	-10.2%
EPRA NAVps excl. IAS39 (EUR)				45.94	48.06	4.6%

Source: Vastned Retail Belgium, Bank Degroof (ESN) research

Conclusion & Action: We maintain our Reduce rating on valuation grounds with an unchanged TP of EUR 50.