

Morning Note

23 May 2007

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Please update your phone numbers for the KBC Securities Equity Research Department!
As from 12 April, all numbers have changed. [See list](#). Thank you.

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| Company / Sector | Comment | Recommendation | Price (at close) | Target Price |
|------------------|--|------------------|------------------|--------------|
| Arinso | Good 1Q07 results, no further details on offer | Accept The Offer | € 24.65 | € 25.00 |
| BAM Group | Investigation to sell Flatiron | Accumulate | € 19.60 | € 21.00 |
| DSM | Share price up on speculation of takeover | Accumulate | € 37.47 | € 40.00 |
| Deceuninck | Earnings model adapted | Buy | € 22.80 | € 27.00 |
| Delhaize | Implementation of cross guarantees | Accumulate | € 73.84 | € 80.00 |
| EPIQ | Preview 1Q07: strong trend to continue | Buy | € 2.95 | € 3.20 |
| Kinepolis | More resistance | Accumulate | € 53.50 | € 57.00 |
| Recticel | Expansion for Proseat | Accumulate | € 10.50 | € 12.00 |
| Sioen | Upcoming update: positive volume trends | Reduce | € 10.00 | € 9.50 |
| Tessenderlo | Downgrade to Accumulate after share rally | Accumulate | € 46.47 | € 47.00 |

Changes in recommendation

| Company | From | To |
|-------------|------|------------|
| Sioen | Sell | Reduce |
| Tessenderlo | Buy | Accumulate |

Changes in target price

| Company | From | To |
|-----------|-------|-------|
| BAM Group | 18.00 | 21.00 |
| Sioen | 8.50 | 9.50 |

Key figures

| (at close) | Price | 1D | 1M | 12M |
|-------------|----------|--------|---------|---------|
| AEX | 540.6 | 0.4% | 0.8% | 24.0% |
| BEL20 | 4,730.2 | 0.0% | 2.2% | 29.9% |
| CAC40 | 6,089.7 | 0.0% | 2.5% | 25.1% |
| DAX30 | 7,659.4 | 0.5% | 4.3% | 37.1% |
| FTSE100 | 6,606.6 | -0.5% | 1.9% | 18.3% |
| EUROSTOXX50 | 4,469.9 | 0.1% | 1.2% | 25.0% |
| STOXX50 | 3,897.4 | -0.2% | 0.1% | 18.0% |
| DJIA | 13,540.0 | 0.0% | 4.5% | 21.8% |
| S&P500 | 1,524.1 | -0.1% | 2.7% | 21.1% |
| NASDAQ Comp | 2,588.0 | 0.4% | 2.4% | 19.3% |
| USD/EUR | 0.74 | -0.1% | 1.1% | -5.2% |
| GBP/EUR | 1.47 | 0.2% | -0.4% | -0.2% |
| Bel govt | 4.4% | 3.0bps | 15.0bps | 46.0bps |
| French govt | 4.4% | 1.0bps | 13.0bps | 45.0bps |
| Dutch govt | 4.4% | 3.0bps | 15.0bps | 48.0bps |

Source: KBC Securities

Changes in EPS forecast

| Company | From | | To | |
|------------|------|------|------|------|
| | 2007 | 2008 | 2007 | 2008 |
| Deceuninck | 1.17 | 1.38 | 0.85 | 1.20 |

Corporate calendar

| Date | Company | Event |
|----------|---------------------|---------------------|
| 23.05.07 | AEGON | Investor Day |
| | Arinso | Results 1Q07 |
| | Dexia | Results 1Q07 |
| 24.05.07 | EXMAR | Payment div. FY06 |
| | Fortis | General Assembly |
| | Delhaize | General Assembly |
| | Devgen | Trading update 1Q07 |
| | Dexia | Payment div. FY06 |
| 25.05.07 | GIMV | Results FY06 |
| | IRIS | Payment div. FY06 |
| | Punch International | General Assembly |
| | Artwork Systems | Results 2Q07 |
| | Brantano | Payment div. FY06 |
| | EPIQ | Results 1Q07 |
| | Fortis | Payment div. FI06 |
| | | Payment div. FY06 |
| | KBC Biotech | Results 1Q07 |
| | Punch Telematix | General Assembly |
| 29.05.07 | Sioen | General Assembly |
| | Tubize | Trading update 1Q07 |
| | VPK Packaging | General Assembly |
| | Ackermans | General Assembly |
| 30.05.07 | | Trading update 1Q07 |
| | Avenir Telecom | Results FY07 |
| | BOURBON | General Assembly |
| | Nord Sumatra Inv. | General Assembly |
| | Systemat | General Assembly |
| | Zetes | General Assembly |

Roadshow calendar

| Date | Company | Place |
|----------|--------------|-------------|
| 29.05.07 | Barco | Dublin |
| 01.06.07 | Metris | Stockholm |
| | Agfa-Gevaert | London |
| 05.06.07 | NPM/CNP | London |
| | Telenet | London |
| 25.10.07 | GIMV | Paris |
| 26.10.07 | Melexis | Scandinavia |
| | Melexis | Scandinavia |

For an overview of our upcoming events, please click [here](#)

Publication overview

| Date | Company / Sector | Title report | Current Recommendation | Current Target Price |
|----------|-------------------|---|------------------------|----------------------|
| 21.05.07 | Maurel & Prom | Shrunk, but will bounce back next year | Buy | 19.50 |
| 18.05.07 | Belgacom | One-off items explain strong 1Q07 | Reduce | 28.00 |
| 16.05.07 | Dexia | 1Q07 earnings preview | Accumulate | 22.50 |
| 14.05.07 | Belgacom | 1Q07 preview: the worst is still to come | Reduce | 28.00 |
| | CGGVeritas | Promising 1st quarter, target raised | Buy | 196.00 |
| 11.05.07 | Delhaize | Exemplary US performance | Accumulate | 80.00 |
| | Telenet | 1Q07 results: very strong start of the year | Buy | 28.00 |
| | Dexia | FSA 1Q07 earnings grow moderately | Accumulate | 22.50 |
| 10.05.07 | InBev | Valuation in the danger zone | Reduce | 57.00 |
| | AEGON | 1Q07 earnings confuse, but are strong | Buy | 17.50 |
| 09.05.07 | AXA | 1Q07 revenues rise 33.5% to € 29,367m | Accumulate | 36.00 |
| | Solvay | 1Q07 results helped by one-offs | Buy | 130.00 |
| 07.05.07 | Carrere Group | Still looking strong | Buy | 23.60 |
| | EVS | 1Q07 preview | Buy | 65.00 |
| 04.05.07 | AEGON | 1Q07 preview - raised target | Buy | 17.50 |
| | Agfa-Gevaert | 1Q07: the good news is... it is not too bad | Accumulate | 20.00 |
| | Foyer | Downgrade to Accumulate - still upside | Accumulate | 63.00 |
| | Melexis | Weak 1Q07 but long-term fundamentals intact | Accumulate | 15.00 |
| | Telenet | 1Q07 preview: will EBITDA pass € 100m? | Buy | 28.00 |
| 04.05.07 | Total | Estimates and target price upgraded | Buy | 63.00 |
| | Delhaize | 1Q07 results preview | Accumulate | 80.00 |
| | ICOS | First signs of broader market recovery | Buy | 40.00 |
| | Royal Dutch Shell | Promising 1st quarter, rating upgraded | Buy | 31.00 |
| | Tessenderlo | 1Q07 earnings more than triple | Accumulate | 47.00 |
| | Umicore | A new star is born | Buy | 165.00 |

Arinso

ARIN.BR / ARIN BB

Software & Computer
Services
Belgium

Current price €24.65
Target price €25.00
Market cap €370m
Free float 33%

| | EPS (€) | P/E |
|-------|---------|------|
| FY06 | 0.62 | 29.0 |
| FY07E | 1.04 | 23.8 |
| FY08E | 1.28 | 19.3 |

Good 1Q07 results, no further details on offer

Arinso published 1Q07 results that came in slightly above our forecasts. **Sales** grew by 19.8% y/y to €56.7m, which was in line with our €56.6m forecast (+19.7%). The sales breakdown by segment showed further strong growth in the company's outsourcing business, as HR Outsourcing now accounts for 41.5% of sales compared to 35% during 1Q06. Integration and Strategy represented 54.1% and 4.4% of sales respectively. The **EBITA margin** came in at 9.1%, slightly above our 8.9% but a marked improvement from the 8.7% realised a year ago. The improved profitability shows that Arinso is well on track to meet our estimated 9% EBITA margin over FY07. In absolute terms, **EBITA** amounted to €5.2m, up 25.6% y/y, compared to our €5.0m forecast. Furthermore, thanks to a better (positive) financial income and a lower than expected tax rate (28%), **net profit** for the quarter amounted to €3.8m (€0.25 EPS), up 21% y/y and above our €3.5m forecast (€0.23).

Given the current offer of **Northgate**, the relevance of these results is however quite limited. Concerning this offer, nothing new has been said from the Arinso corner as everything lies now in the hands of Northgate. We expect Northgate to continue to buy more Arinso shares on the market until the EGM of half June. With these transactions, management hopes to increase their chances for an approval from their shareholders. As a result, we expect no new elements to appear until half June.

Accept The Offer

Rating Unchanged

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BAM Group

BAMN.AS / BAMNB NA

Construction & Building
Materials
Netherlands

Current price €19.60
Target price €21.00
Market cap €2,426m
Free float 100%

| | EPS (€) | P/E |
|-------|---------|------|
| FY06E | 1.01 | 19.4 |
| FY07E | 1.55 | 12.7 |
| FY08E | 1.67 | 11.8 |

Investigation to sell Flatiron

Yesterday, BAM Group announced intraday it is in negotiations with a large internationally operating European construction group about the possible sale of its US-subsiary Flatiron. Flatiron specialises in design and construction of (mainly large-scale) transportation projects. It is expected that the negotiations will lead to conclusions by the end of August. In 2006, Flatiron realised a result (before overheads, taxes) of €18.6m on revenues of €496m. We maintain our accumulate recommendation on BAM Group with increased target price of €21 per share (€18).

Accumulate

Rating Unchanged

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DSM

DSMN.AS / DSM NA

Chemicals
Netherlands

Current price €37.47
Target price €40.00
Market cap €7,567m
Free float 100%

| | EPS (€) | P/E |
|-------|---------|------|
| FY06 | 2.82 | 12.3 |
| FY07E | 2.68 | 14.0 |
| FY08E | 2.95 | 12.7 |

Share price up on speculation of takeover

Yesterday, DSM's share price was up about 4% on speculation that private equity groups might plan a bit for DSM. We have no idea whether anything will happen, but if we look at the group's current profile, with a very strong balance sheet (estimated gearing below 10% for year-end 2007) and a discounted valuation (EV/EBITDA multiples of 6.1x on our 2007 forecasts and 5.5x on our 2008 forecasts vs. peer group multiples of about 7.0x and 6.4x respectively), we believe that DSM could be amongst the most likely names in the European Chemical industry for such a takeover.

No change to our Accumulate rating and €40 target price for the time being.

Accumulate
Rating Unchanged

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Deceuninck

DECBt.BR / DECB BB

Construction & Building
Materials
Belgium

Current price €22.80
Target price €27.00
Market cap €491m
Free float 38%

| | EPS (€) | P/E |
|-------|---------|------|
| FY06 | -1.64 | - |
| FY07E | 0.85 | 26.7 |
| FY08E | 1.20 | 19.0 |

Earnings model adapted

We have decided to alter our earnings model on Deceuninck somewhat. Given the relatively weak building market conditions in the US we expect to persist during most of 2007, we lowered our top line growth assumption for 2007 from +9% to +5%. Our new sales estimate of €697m, or +5% y/y, fits within the company guidance of a 5-10% growth. With regards to the estimated margin evolution, we lowered our EBITDA margin forecast for 2007 from 13.0% to 12.0% (and for 2008 from 14.0% to 13.5%). The main reason is that we fear that the upwardly oriented ethylene price might result in new PVC price rises in the months to come. As a result of the adaptations, our EPS forecast declines from €1.17 to €0.85. We decided to keep our Buy rating and €27 price target unchanged as this is the fair value coming out of our DCF model (which assumes by the way a gradual return of the EBITDA margins to 16% by 2010 and beyond, vs. historical peaks of +20%).

Buy
Rating Unchanged

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Delhaize

DELBt.BR / DELB BB

Food & Drug Retailers
Belgium

Current price €73.84
Target price €80.00
Market cap €7,147m
Free float 83%

| | EPS (€) | P/E |
|-------|---------|------|
| FY06 | 4.19 | 13.9 |
| FY07E | 4.43 | 16.7 |
| FY08E | 4.86 | 15.2 |

Implementation of cross guarantees

This morning, Delhaize announced that the cross guarantees between Delhaize Group and Delhaize America have been put in place. This will improve the group's access to the capital markets and increase financial flexibility. Delhaize Group and most of Delhaize America's subsidiaries now guarantee each other's existing and future unsubordinated financial debt obligations. All senior and unsecured debt at Delhaize Group and Delhaize America now rank pari passu. Delhaize Group will now be the rated entity instead of Delhaize America.

This news does not come as a surprise. Earlier this month, management indicated already that the implementation of cross guarantees was imminent.

We anticipate that the group will optimise its financial structure over the coming year.

Accumulate
Rating Unchanged

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EPIQ

EPIQ.BR / EPI BB

Electronic & Electrical
Equipment
Belgium

Current price €2.95
Target price €3.20
Market cap €70m
Free float 14%

| | EPS (€) | P/E |
|-------|---------|------|
| FY06 | 0.13 | 15.2 |
| FY07E | 0.19 | 15.4 |
| FY08E | 0.24 | 12.1 |

Preview 1Q07: strong trend to continue

EPIQ will publish 1Q07 results on Thursday evening after market close. The company published strong and better-than-expected results during previous quarters, showing healthy sales growth and further margin improvement. We expect to see the same trends in the 1Q results. We are counting on €40.1m in sales, up 17.5% y/y, which is in line with the FY sales growth that we expect. The company has guided for FY07 sales growth of between 15% and 20%. As during previous quarters, we expect the automotive division (and mainly EPIQ's largest client SensorNite) to be the main growth driver. We expect a 10% gross margin, comparable to the levels seen during previous quarters.

EBIT is forecast to shoot up to €1.8m, a 4.5% operating margin, compared to €1.4m or 4.2% of sales a year ago. Net profit and EPS are forecast to come in at €0.7m and €0.03, up from €0.6m and €0.03 a year ago.

The company's FY07 guidance hints at 15% to 20% sales growth and a further improvement of the net result. We are counting on a 17.5% increase in sales to €172.3m, €8.8m in EBIT (a 5% operating margin and up 35% y/y), and a €4.7m net profit (€0.19 in EPS), compared to €0.6m (€0.13 EPS) a year ago.

We reiterate our Buy recommendation and €3.2 price target. Our positive stance on the stock is based on the thesis that the FY07 results will show strong top line growth and a marked improvement in the profitability, as low-margin activities have been divested and certain loss-making activities are being turned around. Our €3.2 price target corresponds to 16x our FY07 EPS forecast.

Buy
Rating Unchanged

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Kinepolis

KIPO.BR / KIN BB

Leisure, Entertainment & Hotels
Belgium

Current price €53.50
Target price €57.00
Market cap €383m
Free float 61%

| | EPS (€) | P/E |
|-------|---------|------|
| FY06 | 2.09 | 16.5 |
| FY07E | 2.26 | 23.6 |
| FY08E | 2.53 | 21.2 |

More resistance

Also UGC and Utopolis (together with the sector federation) are now appealing against the decision of competition authorities to lift the restrictions for Kinepolis' expansion in Belgium. Kinepolis said last week not to expect a suspension of this decision.

Accumulate
Rating Unchanged

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Recticel

RECTI.BR / REC BB

Chemicals
Belgium

Current price €10.50
Target price €12.00
Market cap €301m
Free float 47%

| | EPS (€) | P/E |
|-------|---------|------|
| FY06 | -0.73 | |
| FY07E | 0.97 | 10.8 |
| FY08E | 1.11 | 9.5 |

Expansion for Proseat

Recticel issued two press releases to announce expansion plans for Proseat, its joint venture with Woodbridge that is active in the production of moulded seat cushions for the automotive industry:

First, Proseat has decided to set up a manufacturing joint venture with Johnson Controls for the production of moulded seat cushions in two plants, one in Poland and one in Slovakia. Johnson Controls will hold 65% of the shares in this JV and Proseat 35%. In Slovakia, a manufacturing facility of Johnson Controls will be used, whereas in Poland, a new plant will be set up that is scheduled to be operational by November 2007.

Secondly, Recticel announced the intention to set up a joint operation between Proseat and Foamline, an Eastern European flexible polyurethane foamer, which is studying a plant in Russia. A decision on the size and the location of such a plant is scheduled for the next few months.

We keep our earnings model for the time being unchanged. Recticel is currently trading at about 5.5x EV/EBITDA07E, and that seems quite attractive. Hence we also keep our Accumulate rating and €12 target price unchanged.

Accumulate
Rating Unchanged

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Sioen

SIOE.BR / SIOE BB

Household Goods &
Textiles
Belgium

Current price € 10.00
Target price € 9.50
Market cap € 214m
Free float 40%

| | EPS (€) | P/E |
|-------|---------|------|
| FY06 | 0.57 | 15.4 |
| FY07E | 0.70 | 14.2 |
| FY08E | 0.74 | 13.5 |

Upcoming update: positive volume trends

Reduce
Rating Upgraded

On Friday, Sioen will publish a trading update (sales only) for the first quarter.

We expect sales to increase by 17% to € 102m, with organic growth of 6%. We anticipate particular strong growth in truck related sales, as suggested by recent market data (EU truck sales +10% in 1Q07, according to ACEA).

Given these positive volume trends, we are increasingly confident that Sioen will be able to achieve over 20% earnings growth in 2007 (as reflected in our unchanged forecasts); even if the ongoing increase in raw material prices will probably further weigh on margins going forward.

Given the group's limited pricing power and free cash-flow generation, we maintain our prudent stance on the stock. But as the positive volume trends should limit the downside risk, we are upgrading our rating from Sell to Reduce with a target of € 9.5 (up from € 8.5), implying 7x 2007E EBITDA.

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Tessenderlo

TESBt.BR / TESB BB

Chemicals
Belgium

Current price € 46.47
Target price € 47.00
Market cap € 1,269m
Free float 69%

| | EPS (€) | P/E |
|-------|---------|------|
| FY06 | 1.16 | 25.5 |
| FY07E | 3.54 | 13.1 |
| FY08E | 3.35 | 13.9 |

Downgrade to Accumulate after share rally

Accumulate
Rating Downgraded

We decided to downgrade our rating on Tessenderlo from Buy to Accumulate after a hefty share price rally has brought the share price close to our €47 target price. The main reason is that, at an EV/EBITDA07E multiple of 6.9x and EV/EBITDA08E multiple of 6.3x, valuation is now in line with its European Chemical peers. Given the relatively cyclical portfolio and limited exposure outside Western Europe which makes Tessenderlo's profile somewhat less attractive than a number of peers, we view current valuation is getting close to fair value. Further upside is in our view dependent on the outcome of the strategic review the company is currently undertaking. This outcome might be (entirely or partly) revealed at the company's AGM, which is scheduled for 5 June.

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