

Morning Note

4 January 2007

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Company / Sector	Comment	Recommendation	Price (at close)	Target Price
Colruyt	Recommendation lowered to Reduce	Reduce	€ 162.50	€ 155.00
Deceuninck	Earnings model adapted	Accumulate	€ 22.18	€ 25.00
Delhaize	Delhaize Belgium holds press conference	Accumulate	€ 63.30	€ 68.50
GBL	Further increases stake in Lafarge to 15.9%	Buy	€ 92.35	€ 100.00
ING	Intends to sell ING Trust	Accumulate	€ 34.09	€ 37.50
Imtech	Positive comments for the new year	Buy	€ 48.60	€ 52.00
Innogenetics	No additional damages from Abbott	Accumulate	€ 9.09	€ 10.50
Kinopolis	FY06 ticket sales preview	Accumulate	€ 44.40	€ 41.00
Memscap	Cancellation of warrants	Buy	€ 21.86	€ 33.00
Nord Sumatra Inv.	Bollore sells shares	Sell	€ 605.00	€ 545.00
Suez	AMF will set deadline for Pinault	Accumulate	€ 39.90	€ 38.00
Texaf	Upped target price. Rating downgraded.	Accumulate	€ 139.00	€ 150.00
Van de Velde	FY06 sales preview	Accumulate	€ 40.00	€ 40.00

Changes in recommendation

Company	From	To
Colruyt	Accumulate	Reduce
Texaf	Buy	Accumulate

Changes in target price

Company	From	To
Texaf	130.00	150.00

Key figures

(at close)	Price	1D	1M	12M
AEX	501.0	0.0%	5.9%	13.1%
BEL20	4,454.2	0.0%	8.3%	22.4%
CAC40	5,617.7	0.0%	6.9%	16.2%
DAX30	6,681.1	0.0%	7.1%	21.1%
FTSE100	6,310.9	0.0%	4.8%	10.9%
EUROSTOXX50	4,182.1	0.0%	6.4%	14.6%
STOXX50	3,747.2	0.0%	5.1%	10.0%
DJIA	12,463.2	0.0%	2.2%	14.5%
S&P500	1,418.3	0.0%	1.6%	11.4%
NASDAQ Comp	2,415.3	0.0%	0.1%	6.1%
USD/EUR	0.75	0.0%	-0.3%	-10.9%
GBP/EUR	1.49	0.0%	-0.1%	1.9%
Bel govt	4.0%	0.0bps	28.0bps	61.0bps
French govt	4.0%	0.0bps	29.0bps	62.0bps
Dutch govt	4.0%	0.0bps	28.0bps	64.0bps

Source: KBC Securities

Changes in EPS forecast

Company	From		To	
	2007	2008	2007	2008
Deceuninck (€)	1.40	1.82	1.03	1.39

Corporate calendar

Date	Company	Event
04.01.07	Boskalis	Investor Day
05.01.07	Boskalis	Investor Day
08.01.07	Van de Velde	Sales FY06
09.01.07	BP	Trading update 4Q06
10.01.07	Kinopolis	Sales FY06
11.01.07	Deceuninck	Trading update 4Q06
	Imtech	Investor Day
	Repsol-Ypf	Payment div. IN06
15.01.07	Brantano	Sales FY06
	D'leteren	Trading update
18.01.07	Delhaize	Sales FY06
	NextRadioTV	Sales FY06
	Omega Pharma	Sales FY06
19.01.07	Quest For Growth	Analyst Meeting
		Results FY06
22.01.07	Afone	Sales FY06
23.01.07	Euronav	Results FY06
	Foncia	Results 4Q06
25.01.07	CMB	Results FY06
	EXMAR	Results FY06
26.01.07	Econocom	Trading update
30.01.07	SECHE	Sales FY06
31.01.07	Moustier	General Assembly
	Naturex	Sales FY06
01.02.07	AXA	Sales FY06
	Ahold	Trading update 4Q06
	Royal Dutch Shell	Results FY06
02.02.07	BIP	NAV update
	Bois Sauvage	NAV update

Roadshow calendar

Date	Company	Place
09.01.07	Punch	Madrid
		Barcelona
18.01.07	ENTREPOSE	Frankfurt
01.02.07	Tessengerlo	Paris
02.02.07	ENTREPOSE	Brussels

Publication overview

Date	Company / Sector	Title report	Current Recommendation	Current Target Price
22.12.06	Porthus	Business without boundaries	Buy	13.00
20.12.06	Colruyt	Exemplary but dear	Reduce	155.00
	Maurel & Prom	3 hopes and 1 disappointment	Buy	19.50
19.12.06	Arinso	Booming HR outsourcing market	Accumulate	18.50
	IBA	Overvalued	Sell	15.00
15.12.06	Colruyt	1H06/07 results preview	Reduce	155.00
14.12.06	Keyrus	Timely mid-market acquisition	Buy	5.00
13.12.06	Wessanen	Double or quits	Accumulate	11.40
12.12.06	Foyer	Target price raised - Upgrade to Buy	Buy	60.00
	General Topics	Radar Book: Screening of covered universe		
	Umicore	Alea iacta est	Buy	130.00
05.12.06	Carrere Group	Kirikou comes of age	Buy	27.00
	Oil & Gas	Scenario and estimates revised		
04.12.06	Telenet	Updated financial model	Buy	23.00
30.11.06	General Topics	The impact of the € strength		
28.11.06	Telenet	3Q06 preview	Buy	23.00
27.11.06	Ackermans	High-octane earnings injection	Accumulate	65.00
	IBt	Good results, but new delay for Optiseed	Buy	10.00
	Omega Pharma	Exceptional costs return	Accumulate	53.00
	RHJ International	Assess, acquire and improve	Accumulate	17.00
	SES	Securing a bright future	Accumulate	13.60
24.11.06	Bekaert	Capturing Chinese growth	Accumulate	92.00
	Devgen	Diligent execution of IPO business plan	Buy	25.00
	ICOS	Waiting for the recovery	Accumulate	32.00
	Option	Trump card	Accumulate	12.00

Colruyt

COLRt.BR / COLR BB

Food & Drug Retailers
Belgium

Current price € 162.50
Target price € 155.00
Market cap € 5,383m
Free float 46%

	EPS (€)	P/E
FY06	6.86	16.8
FY07E	8.21	19.8
FY08E	8.89	18.3

Recommendation lowered to Reduce

Reduce
Rating Downgraded

We are changing our rating from Accumulate to Reduce. Colruyt's share price rose by 15% during the past month on the back of the exemplary 1H06/07 results. Note however that the full year net profit guidance was raised by only 5%. Colruyt's gross margin improved by 100bps in 1H06/07 but 45-50bp was related to the one-off hot summer effect on fruit and vegetables prices. Colruyt also benefited from the relatively benign competitive environment and improved consumer confidence. The German hard discounters and Carrefour have been losing market share lately. We would not be surprised if these players were to become more aggressive this year. Given the above, one might wonder whether the high margin level is sustainable. The stock is now trading at a 24% to 38% premium versus its peers on an EV/EBITDA basis for 2006-2008. The premium equals 16% to 18% on a P/E basis. Our net profit forecast for FY06/07 assumes that the actual results will exceed the new company guidance by 5%. Our forecast implies a P/E of 19.8 for FY06/07. This compares with Tesco's P/E of 18.8 for 2006 and 16.6 for 2007.

On 30 Jan (after market close), the company will release divisional sales figures for 9M06/07 (period ending 31 Dec). We are forecasting 9.6% for the full year versus 9.4% in 1H06/07. Jean-Pierre Roelands, Commercial Director of Colruyt, commented to the Belgian press that business was slightly better than expected during the Christmas period as more consumers opted to celebrate Christmas at home rather than in a restaurant.

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Deceuninck

DECBt.BR / DECB BB

Construction & Building
Materials
Belgium

Current price € 22.18
Target price € 25.00
Market cap € 478m
Free float 38%

	EPS (€)	P/E
FY06E	-0.40	
FY07E	1.03	21.4
FY08E	1.39	16.0

Earnings model adapted

Accumulate
Rating Unchanged

We adapted our earnings model on Deceuninck following last week's profit warning. We remind that Deceuninck guided that turnover would be about flat in the second half of the year (meaning about flat to -1% in 4Q at about €169m). This means sales will come in at about €663m. FY06 EBITDA was guided to be between €54-60m and EBITA between €5-8m, while net profit should be negative. We have revised our 2H06 scenario, downgrading our 2H06 anticipated EBITDA margin from 13.3% to 10.7%, bringing our FY06 estimated EBITDA at €58m and our estimated EBITA at €5.6m. This means our FY06 EPS forecast declines from €0.23 to €-0.40. Out of prudence reasons, we have also revised our estimated FY07 EBITDA margin from 14.0% to 13.5%, bringing the margin at about the 2005 level (which was 13.1%). Our FY07 EPS estimate declines from €1.40 to €1.03.

Despite the weak earnings track record in the past two years, we still keep our faith in the company's business model, as the high client retention means in our view rising PVC prices will eventually be successfully passed on to clients. Our DCF-derived fair value stands at €27, and given the limited short term visibility we maintain a slight discount vs this DCF fair value when setting our €25 target price.

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Delhaize

DELbt.BR / DELB BB

Food & Drug Retailers
Belgium

Current price €63.30
Target price €68.50
Market cap €6,079m
Free float 83%

	EPS (€)	P/E
FY06E	4.41	14.4
FY07E	4.64	13.6
FY08E	4.96	12.8

Delhaize Belgium holds press conference

Delhaize Belgium organises a press conference twice a year to discuss the Belgian operations. A press conference will take place today at 11am. We don't anticipate any earth shattering news. We expect that management will provide more details on network expansion, the evolution of the store formats and the conversion of the Cash Fresh stores. Comments about the current trading conditions should be optimistic. Colruyt's management mentioned already that the competitive environment has been relatively benign lately and that sales during the Christmas period were slightly higher than expected.

Accumulate
Rating Unchanged

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GBL

LAMBt.BR / GBL BB

Investment Companies
Belgium

Current price €92.35
Target price €100.00
Market cap €13,591m
Free float 48%

EPS	P/E
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Further increases stake in Lafarge to 15.9%

An announcement on the French regulator's website yesterday revealed that GBL breached the 15% threshold of voting rights of Lafarge, now owning 15.02%. The breach is the result of a further increase of GBL's equity stake in Lafarge from a previous 15% to 15.92%. Based on a stock price of €115, the financing of the acquisition of 1,660,000 Lafarge shares should hover around €190m.

We continue to believe that GBL plans to further step up its stake in Lafarge up until the moment that it will ask to take up a seat in the board. In our view, the holding's presence in Lafarge's capital has been a successful play on continued global economic growth and also helps to partly shield Lafarge of becoming a subject of a hostile takeover offer. We remind that Lafarge has successfully turned around its business over the past couple of years and is clearly on the right track now: it most of its roofing business, bought back minority stakes of its North American unit and increased its expectations towards the end of 2006.

As such, Lafarge's stock price rose to new records and now makes up 19.2% of total equity value, or €3.23bn in total. Total makes up 30.5% of GBL's portfolio, while Suez accounts for 24.1%. We estimate net cash at around €3bn, although GBL's Private Equity funds are likely to have called up a high amount of the total €325m in committed capital in recent months. We estimate equity value at €114.2 per share, with a discount of 19.8%, which we believe reflects the relatively large amount of cash that still has to be spent.

Buy
Rating Unchanged

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ING

ING.AS / INGA NA

Insurance
Netherlands

Current price €34.09
Target price €37.50
Market cap €75,166m
Free float 94%

	EPS (€)	P/E
FY06E	3.26	10.5
FY07E	3.51	9.7
FY08E	3.77	9.1

Intends to sell ING Trust

ING Group intends to sell its business unit ING Trust to management and Foreman Capital, an independent investment company based in the Netherlands. Financial details of the transaction were not disclosed.

The management buyout team is led by Floris Nijland, Commercial Director of ING Trust, and Joep Bruins, ING Trust's Financial Director. Michiel Schölvink, interim Chief Executive Officer of ING Trust, will stay on as CEO for a transitional period at the request of both ING and Foreman Capital. The buyout team includes the majority of ING Trust's senior management. Following the completion of the sale, ING Trust will be rebranded to reflect its new stand-alone position. However, the rebranded trust company and ING intend to continue their excellent working relationship following the transaction.

Headquartered in the Netherlands, ING Trust offers fiduciary and advisory services to private individuals and corporate clients, including trustee services, administration of companies, and tax compliance services. The company currently employs c. 165 staff and has operations in six countries: the Netherlands, Luxembourg, Aruba, Curacao, Hong Kong and Mauritius. The sale is subject to regulatory approval as well as advice from the Works Council and is expected to be completed in the first quarter of 2007. The transaction is expected to have no material impact on the results of ING Group or the Tier-1 ratio of ING Bank NV.

Accumulate

Rating Unchanged

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Imtech

IMUN.AS / IM NA

Engineering & Machinery
Netherlands

Current price €48.60
Target price €52.00
Market cap €1,307m
Free float 100%

	EPS (€)	P/E
FY06E	2.65	18.4
FY07E	3.24	15.0
FY08E	3.65	13.3

Positive comments for the new year

Yesterday Imtech gave a few short comments for the new year. The company indicated that it would close the year 2006 with good results. Management indicated that autonomous EBITA-growth would be in the high-end of the 5-10% range. More importantly, the company also sounded very positive on the year 2007. With respect to its takeover strategy, the company noted that it would continue to look for add-in acquisitions.

Detailed 2006 results will be published on 27 February 2007.

Buy

Rating Unchanged

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Innogenetics

INNX.BR / INNX.BB

Pharmaceuticals &
Biotechnology
Belgium

Current price €9.09
Target price €10.50
Market cap €281m
Free float 69%

	EPS (€)	P/E
FY06E	-0.68	
FY07E	-0.45	
FY08E	0.17	52.0

No additional damages from Abbott

Innogenetics just announced that the judge in its trial against Abbott did not award Innogenetics additional damages on top of the \$7m awarded. This is bad news for Innogenetics as its cash position is shrinking rapidly. The good news is that the judge also denied Abbott a retrial, although a possibility of appeal remains. If no appeal is initiated, Abbott should obtain a licence from Innogenetics to continue selling its HCV test. This should lead to additional revenues.

Nevertheless, the shrinking cash position of Innogenetics and its dual business model is becoming a hot item in 2007, as its therapeutics division is likely to continue consuming a lot of cash. Innogenetics 2007 challenges will be to get income from Abbott, to get as much royalties as possible from the Roche Septifast test, to find a strategic solution for its cash burning therapeutics division and to cut costs to make its diagnostics division profitable. All of this as soon as possible of course.

This news highlights the risks associated with Innogenetics' shrinking cash position. Management did not yet want to discuss this publicly in the past. We will try to get an update and evaluate our investment opinion accordingly but it is clear that the lack of the extra cash from damages is negative news.

Accumulate

Rating Unchanged

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Kinopolis

KIPO.BR / KIN.BB

Leisure, Entertainment &
Hotels
Belgium

Current price €44.40
Target price €41.00
Market cap €318m
Free float 58%

	EPS (€)	P/E
FY06E	2.06	21.6
FY07E	2.22	20.0
FY08E	2.47	18.0

FY06 ticket sales preview

Kinopolis will publish FY06 ticket sales on Wednesday 10-jan, after trading.

Our FY06 earnings forecasts are based on a 6% rise in ticket sales (to 23.9m). This implies a 3% y/y decline in 4Q, mainly reflecting the tough comparison basis in December.

But as ticket sales held up better than expected during October and November (Belgian and French sector federations suggested flattish trends), we see some upside to our numbers.

Ahead of results, we maintain our Accumulate rating.

Accumulate

Rating Unchanged

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Memscap

MEMS.PA / MEMS.FP

Information Technology
Hardware
France

Current price € 21.86
Target price € 33.00
Market cap € 99m
Free float 79%

	EPS (€)	P/E
FY06E	-0.10	
FY07E	0.90	24.3
FY08E	2.04	10.7

Cancellation of warrants

The acquisition of Optogone in 2004 included the allocation to Optogone's shareholders of a number of "D" warrants as an earn-out if certain revenues targets were achieved during the period 01/01/05 – 12/31/06. These conditions have not been met and the "D" warrants cannot be exercised and become void. As a result, the potential creation of 75,757 new Memscap shares (1.7%) is avoided.

Memscap remains with warrants "F" maturing on December 12, 2008 and a potential creation of 112,318 new shares (2.4% potential dilution) if exercised at a price of € 16 per new share.

Also note that trading in the old Memscap shares (before consolidation of shares by a factor of 40 for 1) has ended from December 29, 2006.

Memscap is part of our FOCUS LIST.

Buy

Rating Unchanged

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Nord Sumatra Inv.

NOSB.BR / NOR.BB

Investment Companies
Belgium

Current price € 605.00
Target price € 545.00
Market cap € 210m
Free float 24%

	EPS	P/E

Bolloré sells shares

A declaration statement of Euronext Brussels finally updated the shareholder structure of Nord Sumatra. Following the acquisition of Bolloré by Bolloré Investissement, Bolloré now owns 40.21% of Nord Sumatra. Other companies from the widespread Bolloré empire own 35.13%. This brings the total percentage of Nord Sumatra that is controlled by Mr. Bolloré at 75.34%, down from an earlier 76.24%.

Nord Sumatra's portfolio breaks down in 69% cash and 31% investments. We estimate the company's equity value at €664.5, which brings the discount at 9.1%. We believe this reflects investor's belief that Nord Sumatra could one day become a takeover target of Bolloré, who has appeared to be keep to slimline its many-branched structure via last year's takeover of SocFin.

However, this scenario is at right angles with yesterday's declaration statement, so that we will not to alter our scenario, being that Nord Sumatra's shareholders will continue to drain the company of its cash via high dividend payouts (interim and regular). We therefore implied a discount on the cash to reflect the withholding tax that private investors must have to take into account. Our €545 target price therefore warrants our Sell recommendation and implies an 18% discount.

Sell

Rating Unchanged

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Suez

LYOE.PA / SZE FP

Utilities
France

Current price € 39.90
Target price € 38.00
Market cap € 50,703m
Free float 75%

	EPS (€)	P/E
FY06E	2.08	19.1
FY07E	2.34	17.0
FY08E	2.49	16.0

AMF will set deadline for Pinault

Yesterday evening, the French market authority AMF has indicated that the answer of Pinault was too vague. In the letter of Pinault, the AMF found indications that Artemis (the holding company of Pinault) is considering an acquisition of Suez, even though these plans still seem to be early stage. The AMF thinks however that Pinault should give more information with respect to the timing and the conditions of a possible offer. On its next meeting on 9 January, the AMF will set a deadline for Pinault. Before that deadline expires, Pinault will have to make clear what his intentions are. If he does not give more information on an offer on Suez, his hands will be tied for six months. For the time being, it looks as if the French government is not supporting the plans of Pinault. A spokesman of the government declared yesterday that the French government is still in favour of the merger between Suez and GDF.

Accumulate
Rating Unchanged

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Texaf

TEXB.BR / TEXF BB

Investment Companies
Belgium

Current price € 139.00
Target price € 150.00
Market cap € 44m
Free float 19%

	EPS (€)	P/E
FY06E	4.59	30.3

Upped target price. Rating downgraded.

We are downgrading our rating from Buy to Accumulate. The share price has risen by 37% since 8 November 2006 when we initiated our coverage. We are raising the target price from € 130 to € 150 following the appointment of Antoine Gizenga as Congo's new prime minister on 31 December 2006. Mr Gizenga is known to be strongly opposed to corruption. Moreover, he aims to restore the confidence of investors. This bodes well for companies like Texaf. Our sum-of-the-parts valuation does not include the loss making textile activities of Congotex (44% stake) but we have assigned € 165/m² for Utexaf's former textile factory site and € 10/m² for the CPA site. We estimate the value of Texaf's real estate assets (including the sites of the textile factories) at € 48m after capital gain taxes based on current market prices. To value Mécélco (mechanic workshop) we adjusted its net book value for the estimated recoverable portion of the Gécamines receivable because it looks probable that at least part of it will be recovered even though it had been written off. Texaf aims to revitalize Mécélco and a new management team is being put in place. Given the recovery potential of this business, we consider our valuation of Mécélco (€ 0.54m) to be on the low side. To value the sandstone quarry (Carrigrès), we've applied a 20% yield to the estimated free cash flow for 2006. We arrive at a value of € 3.0m for this business. Our assumptions generate a value of € 163 per Texaf share before any discount for the stock's illiquidity and country risk. Note however that this valuation excludes any potential recovery of Imbakin's receivable (€ 62m excluding interest).

Accumulate
Rating Downgraded

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Van de Velde

VELD.BR / VAN BB

Household Goods &
Textiles
Belgium

Current price	€40.00
Target price	€40.00
Market cap	€542m
Free float	41%

	EPS (€)	P/E
FY06E	2.16	18.5
FY07E	2.30	17.4
FY08E	2.44	16.4

FY06 sales preview

Van de Velde will publish FY06 sales on Monday 8-Jan, after trading.

Our FY forecast of €121.6m (+8.6% y/y) implies 5.5% growth in 2H06, in line with management's earlier guidance – which was based on pre-sales indications. Given the unfavourable “shopping conditions” (too warm / wet weather) in the past few months, however, we do not exclude a (minor) shortfall to this estimate.

We are particularly looking forward to the group's 1H/FY07 sales guidance. Note that we are currently forecasting 6% top-line growth in FY07. It has to be said that comparables are much tougher in the first (1H06 sales +12%) than in the second half (2H06 sales +5.5%E).

The publication of FY06 results is scheduled on 16-Feb.

No change in our rating or target price.

Accumulate
Rating Unchanged[Back to contents](#)nathalie.sierens@kbcsecurities.be

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