Public

# MORNING NOTE

KBC Securities

23 February 2018

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## CHANGES IN RECOMMENDATION

| Company | From | To |
|---|---|---|
| Brunel International | Accumulate | Hold |
| Texaf | Accumulate | Hold |

## CHANGES IN TARGET PRICE

| Company | From | To |
|---|---|---|
| Brunel International | 14.50 | 16.50 |
| Galapagos | 88.00 | 104.00 |
| Heijmans | 7.00 | 10.40 |
| Qrf | 28.00 | 26.00 |
| Texaf | 40.00 | 36.00 |

## KEY FIGURES

| (at close) | Price | 1D | 1M | 12M |
|---|---|---|---|---|
| AEX | 532.6 | -0.3% | -6.7% | 6.7% |
| BEL20 | 3,978.9 | 0.7% | -4.7% | 9.8% |
| CAC40 | 5,309.2 | 0.1% | -4.2% | 8.4% |
| DAX30 | 12,461.9 | -0.1% | -7.4% | 3.9% |
| DJIA | 24,961.0 | 0.7% | -4.8% | 20.3% |
| NASDAQ Comp | 7,210.1 | -0.1% | -2.7% | 22.9% |
| USD/EUR | 0.8113 | -0.3% | -0.5% | -14.5% |
| GBP/EUR | 1.1318 | -0.1% | -0.8% | -4.2% |
| Bel govt | 1.00% | -3.0bps | 29.0bps | 21.0bps |
| Dutch govt | 0.76% | -1.0bps | 16.0bps | 32.0bps |
| German govt | 0.70% | -2.0bps | 20.0bps | 43.0bps |

Source: KBC Securities

## CHANGES IN EPS FORECAST

| Company | From | | To | |
|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 |

## CORPORATE CALENDAR

| Date | Company | Event |
|---|---|---|
| 23.02.18 | Brunel International | Results FY17 |
| | Elia Group | Results FY17 |
| | Heijmans | Results FY17 |
| | RealDolmen | Trading update 3Q17 |
| 26.02.18 | Econocom | Results FY17 |
| | PostNL | Results FY17 |
| | Recticel | Results FY17 |
| 27.02.18 | Banimmo | Results FY17 |
| | D'Ieteren | Results FY17 |
| | Van de Velde | Results FY17 |
| 28.02.18 | Aalberts Industries | Results FY17 |
| | Ackermans | Results FY17 |
| | Ahold Delhaize | Results FY17 |
| | Bekaert | Results FY17 |
| | CFE | Results FY17 |
| | GrandVision | Results FY17 |
| | Kinepolis | Results FY17 |
| | Sioen | Results FY17 |
| | Solvay | Results FY17 |
| 01.03.18 | AB InBev | Results FY17 |
| | Argenx | Results FY17 |
| | Balta | Results FY17 |
| | Biocartis | Results FY17 |
| | Jensen-Group | Results FY17 |
| | Solvac | Results FY17 |

## ROADSHOW CALENDAR

| Date | Company | Place |
|---|---|---|
| 28.02.18 | Heijmans | The Netherlands |
| 05.03.18 | AB InBev | Belgium |
| | PostNL | Belgium |
| 06.03.18 | PostNL | The Netherlands |
| 07.03.18 | Sioen | London |
| 12.03.18 | Deceuninck | Belgium |
| 13.03.18 | Biocartis | Frankfurt |
| 15.03.18 | EVS | Paris |
| | Orange Belgium | Frankfurt |
| 16.03.18 | Biocartis | London |
| | bpost | Paris |
| 20.03.18 | GBL | Brussels |
| 21.03.18 | Immobel | Paris |
| | Montea | London |
| 03.04.18 | Bekaert | Madrid |
| 15.05.18 | Barco | Luxembourg |
| 16.05.18 | Bekaert | Frankfurt |
| | EXMAR | London |
| 18.05.18 | EXMAR | Paris |
| 22.05.18 | Aalberts Industries | Paris |
| | EXMAR | Frankfurt |
| 23.05.18 | Bekaert | Chicago |
| | EXMAR | Belgium |
| 24.05.18 | EXMAR | The Netherlands |
| 25.05.18 | Bekaert | Boston |
| 06.06.18 | IBA | Paris |

## PUBLICATION OVERVIEW

| Date | Company / Sector | Title report | Recommendation | Target Price |
|---|---|---|---|---|
| 22.01.18 | UCB | Bridging the gap with Parkinson's? | Buy | 75.00 |
| 19.01.18 | RealDolmen | A Real Cash flow Machine | Buy | 37.00 |
| 16.01.18 | PostNL | Unpacking a gift-wrapped parcel | Buy | 5.20 |
| 10.01.18 | Ablynx | Capla - maximizing value creation | Hold | 45.00 |
| 09.01.18 | Real Estate | December: EPRA Europe outperforms Eurostoxx in 2017 | | |
| 14.12.17 | Tigenix | Cx601 heading towards approval in Europe | Buy | 1.78 |
| 05.12.17 | Ontex | Dark fluffy clouds | Hold | 25.00 |
| | Real Estate | November: no surprises in Q3 | | |
| 04.12.17 | VGP | European logistics player in full expansion | Buy | 78.00 |
| 07.11.17 | Real Estate | November: Equity transactions dominate news | | |
| 06.11.17 | Nyrstar | The (zinc-price) trend is your friend | Buy | 9.00 |
| 28.09.17 | Agfa | Why "the day after tomorrow" will be better | Buy | 5.00 |
| 18.09.17 | Barco | Life begins at the end of your comfort zone | Hold | 95.00 |
| 30.08.17 | Bone Therapeutics | Time to break a leg | Buy | 11.00 |

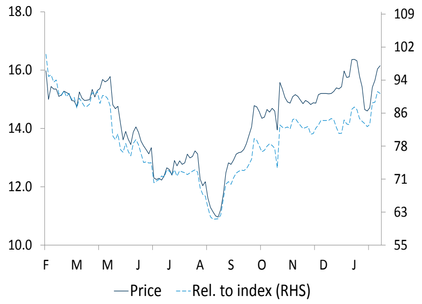
# BRUNEL INTERNATIONAL

## Confirmation of the trend, downgrade to Hold

SUPPORT SERVICES
NETHERLANDS

CURRENT PRICE € 16.15
TARGET PRICE € 16.50

**HOLD**
RATING DOWNGRADED




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | BRNL NA |
| Reuters | BRUN.AS |
| www.brunelinternational.net | |
| Market Cap | € 802.4m |
| Shares outst. | 50.4m |
| Volume (daily) | € 1,983,957 |
| Free float | 100.0% |

Next corporate event

Trading update 1Q18: 4 May 2018

| (€ m) | 2017E | 2018E | 2019E |
|---|---|---|---|
| Sales | 796.9 | 891.1 | 975.8 |
| REBITDA | 26.0 | 47.2 | 61.9 |
| Net earnings | 8.4 | 24.2 | 35.1 |
| Adj. EPS (€) | 0.17 | 0.48 | 0.69 |
| P/E (x) | 97.1 | 33.7 | 23.3 |
| EV/REBITDA | 25.5 | 14.0 | 10.7 |
| FCF Yield | 2.6% | 2.9% | 4.0% |
| Dividend yield | 2.8% | 4.0% | 3.5% |

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### 4Q EBIT of € 6.4m vs. KBCSe € 6.5m

- Sales were € 210.2m (KBCS € 217.0m), flat y/y despite fewer selling days. Global businesses were € 92.1m, -8% y/y (-10% LFL). Germany was € 54.7m, +2% y/y, +4.6% per working day. Netherlands was € 53.9.8m , +16% y/y, +17.7% per working day.
- Gross profit was € 49.4m (KBCS € 47.8m), a 23.5 % margin vs. 22.0% expected. Global businesses had a 14.1% margin, up 270bps, resulting in a FY17 margin of 12.2% (KBCS 11.7%). Germany's gross profit margin decline to 32.2% (-300bps) and 34.6% for FY17 (KBCS 35.0%). In the Netherlands, gross margin was also up 270 bps to 31.0% (FY17 29.3% vs KBCS 28.3%).
- Operating costs were € 43.0m (KBCS € 41.3m). EBIT of € 6.4m vs. KBCS € 6.5m, +221% y/y, and in line. FY17 EBIT of € 17.9m, fairly in line with us (KBCS € 18.0m) and above guidance of "at least € 15m for FY17".

### Outlook

Given the higher starting headcount and the further expected growth, Brunel expects sales and profitability growth. For Global Business, Brunel anticipates y/y growth as from 1Q as well as a return to profitability for FY18.

### Conclusion

We see this release as a decent set of results in light of our expectations and management comments, following a long series of quarterly disappointments. Higher gross margin compensated for lower than expected sales while operating expenses were broadly in line. We are pleased with the initial outlook statement but believe this was already included in market expectations. E.g. we expect Global Business to post € 3.3m EBIT in FY18 (0.8% margin).

Since September the stock has already performed very well. Operationally speaking, 3Q was an inflexion point and 4Q confirmed the trend. Nevertheless, we believe that this is currently captured in the share price and expectations.

We increase our TP to € 16.5, updating our SOTP for the latest peer multiples. We value Germany and NL at 10.5x EV/EBIT FY19e, in line with peers, and Global business at 15.5x EV/EBIT 19e, reflecting a potential return to 4% EBIT margin by FY21e. We apply a 10x multiple for the holding costs.

Given the lack of upside we downgrade to Hold.

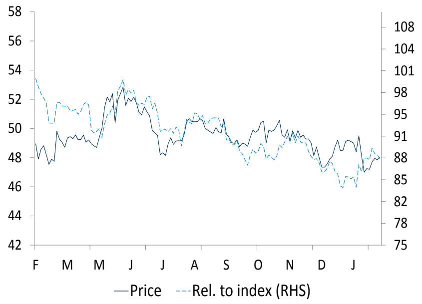
# ELIA GROUP

## Electrified FY17 results

ELECTRICITY
BELGIUM

CURRENT PRICE € 48.05
TARGET PRICE € 50.00

**ACCUMULATE**
RATING UNCHANGED




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | ELI BB |
| Reuters | ELI.BR |
| www.eliagroup.eu | |
| Market Cap | € 2,900.1m |
| Shares outst. | 67.4m |
| Volume (daily) | € 1,257,123 |
| Free float | 52.1% |

Next corporate event

Results 1Q18: 16 May 2018

| (€ m) | 2017E | 2018E | 2018E |
|---|---|---|---|
| Sales | 899.8 | 950.0 | |
| REBITDA | 361.5 | 402.3 | |
| Net earnings | 211.2 | 241.5 | |
| Adj. EPS (€) | 3.48 | 3.77 | |
| P/E (x) | 13.8 | 12.8 | |
| EV/REBITDA | 15.8 | 14.9 | |
| FCF Yield | -12.6% | -8.2% | |
| Dividend yield | 3.3% | 3.3% | |

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**Normalized profit up +29% thanks to both regions (DE in particular)**

Elia Group reported solid results for FY17. Normalised net profit is up +29% yoy to € 217m, driven by both the containment of operating costs in Germany (in particular) and in Belgium the full realisation of the strategic investment program. For Belgium the normalized net profit amounted to € 109m (+8.8% yoy), with Elia's share in Germany coming in at € 108 (up an impressive +58.2%). EPS is € 3.76 per share, with a gross dividend of € 1.62 per share being foreseen.

In Belgium, the regulated net profit increased by € 7.5m thanks to the full realisation of the mark-up investments since the start of the tariff period in 2016 (up € 9.5m) and increase in the yearly average OLO (up € 5m). This is partially offset by lower contributions from incentives (€ -5m) and a regulatory settlement from the prior year (€ -1.7m). An increase in customer contribution (due to higher investments) of € 4.5m was offset by lower movements in pension provisions (€ -2.7m) and a lower result recognised on associates (€ -2.5m).

In Germany, operational costs declined significantly (€ 72.4m), after a peak in the the maintenance cycle prior in 2016 (when damage to electrical installation was higher) and thanks to lower operating costs due to an efficiency program. Furthermore there was an increased investment cost coverage on off- and onshore investments (€ 38.7m), partially offset by higher depreciations (€ 11.5m).

**Investments:**

Grid investments of € 486m in Belgium (including Nemo) and € 461m in Germany were carried out to accommodate increasing renewable energy flows and to facilitate the further integration of the European energy market through interconnection. In Belgium Nemo Link was the largest at € 141.1m, with other investments in Stevin (€ 67m), Brabo (€ 37.7m), ALEGrO (€ 21.6m) and Mercator-Horta (€ 33.5m).

In Germany grid investments were 38% lower than in 2016 (after a peak in '16 with Ostwind I), with onshore investments amounting to € 214.2m and offshore € 246.4. CAPEX for Germany is expected to increase again going forward.

**Balance sheet:**

The net financial debt increased slightly to € 2,689.1 m (+ 5.2%), following the emission of a € 250m Eurobond in late March '17. In addition the CAPEX program was also largely carried by the operating cash flow (€ 370.2m), proceeds from the sale of green certificates to the Walloon Region (€ 176.2m) and prior profit reservation.

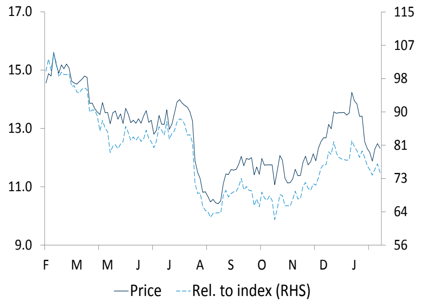
**Conclusion:**

Solid, better than expected results for the Elia Group for FY17, with both regions contributing. Elia cannot make a profit forecast for 2018, however the outlook remains positive. Elia will host a conference call today at 10:30 CET (http://www.eliagroup.eu). We at this moment reiterate our € 50 TP and Accumulate rating yet assume the market to react positively to the results.

# FUGRO

## Feedback FY17 Analyst meeting

| | | | |
|---|---|---|---|
| OIL EQUIPMENT, SERVICES & DISTRIBUTION | CURRENT PRICE | € 12.32 | **HOLD** |
| NETHERLANDS | TARGET PRICE | € 13.50 | RATING UNCHANGED |




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | FUR NA |
| Reuters | FUGRc.AS |
| www.fugro.com | |
| Market Cap | € 1,041.9m |
| Shares outst. | 84.6m |
| Volume (daily) | € 11,627,245 |
| Free float | 50.9% |

Next corporate event

Trading update 1Q18: 26 April 2018

| (€ m) | 2017E | 2018E | 2019E |
|---|---|---|---|
| Sales | 1,529.7 | 1,719.9 | 1,886.9 |
| REBITDA | 131.3 | 171.5 | 242.1 |
| Net earnings | -77.6 | 10.8 | 65.9 |
| Adj. EPS (€) | -0.92 | 0.21 | 0.86 |
| P/E (x) | | 59.1 | 14.3 |
| EV/REBITDA | 11.7 | 8.4 | 5.6 |
| FCF Yield | -0.9% | 5.1% | 8.9% |
| Dividend yield | 0.0% | 0.4% | 2.5% |

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Yesterday Fugro held its analyst meeting in Amsterdam, where CEO Paul van Riel and CFO Paul Verhagen presented the FY17 results. The main topics discussed regarded Fugro's Backlog, Seabed projects and what to expect in FY18

**Market:** Fugro sees the Oil&Gas markets further stabilizing in FY18 with higher oil prices (Brent +15% YTD vs FY17 avg of $ 54 p.b.), Global growth (GDPe +4%), Offshore wind and Buildings/Infrastructure capex increasing (Expected: +10%, +7%). Offshore OFS expenditure however is expected to decrease -3%. We recall Fugro's non-Oil&Gas revenue grew 9% y/y currency comparable in FY17, where Oil&Gas revenues do still account for 57%. Fugro sees a bit more pricing discipline in the specific market after the Gardline acuisition (by Boskalis), yet emphasised that Gardline is only one of several small competitors of Fugro.

**Seabed** is more a "Boom or bust" kind of business with the market seeing fewer, yet bigger projects. Fugro has reduced the segment's headcount to <200, with flexibility of manning up to 1000 if required. The 3D Buzios Manta Node project has been postponed by the client and could start in 1Q18, but could as well be more towards 2H18. We recall that the Geoscience division historically has seen higher EBITDA margins.

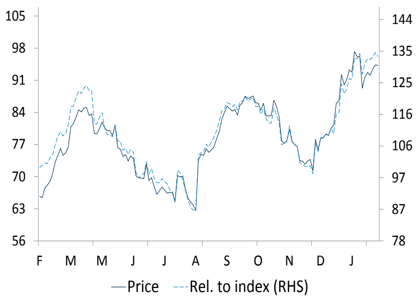
**Backlog**: Down -7.3% y/y, Q/Q +9.1%. Land site characterization is down (-17% y/y) mainly due to the finalization of two large projects (power plant in Europe and runway in Hong Kong. Seabed backlog stands at € 110m (+31.9% curr. Comp.) with a strong pipeline of potential projects that Fugro could win in FY18 (of which 2 could have an impact on FY18 result).

**FY18 Outlook:** Fugro expects a similar revenue level as FY17, although it see a deviation of a couple percentages. EBIT margin is expected to improve (FY17: -2%), with cash flow after investments becoming positive again (FY17: -€ 50m).

# GALAPAGOS

## FY17 – Filgotinib and IPF lead the way

| | | | |
|---|---|---|---|
| PHARMACEUTICALS & BIOTECHNOLOGY | CURRENT PRICE | € 94.26 | **BUY** |
| BELGIUM | TARGET PRICE | € 103.60 | RATING UNCHANGED |




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | GLPG NA |
| Reuters | GLPG.AS |
| www.glpg.com | |
| Market Cap | € 4,801.3m |
| Shares outst. | 50.9m |
| Volume (daily) | € 40,832,409 |
| Free float | 67.5% |

Next corporate event

Results 1Q18: 26 April 2018

| (€ th) | 2017 | 2018E | 2019E |
|---|---|---|---|
| Sales | 137,627 | 198,833 | 208,189 |
| REBITDA | -71,642 | -89,574 | -127,835 |
| Net earnings | -76,466 | -95,374 | -133,314 |
| Adj. EPS (€) | -1.57 | -1.87 | -2.62 |
| P/E (x) | | | |
| EV/REBITDA | | | |
| FCF Yield | -2.9% | -4.0% | -3.8% |
| Dividend yield | | | |

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**Finance:** Galapagos shows revenues of € 155.9m, + € 4.3m (CSS € 148.6m) (KBCSe € 145.6m) with an operating loss increased to € 89.8m, + € 78.3m for FY17. R&D expenses increased significantly to € 218.5m (€ 139.6m in 2016) due to the different (pre-)clinical and late stage clinical trials. G&A and S&M expenses were largely in line with last year. A net loss has been made of € 115.7m (CSS: € -104.1m) compared to a net profit of € 54.0m in 2016 negatively impacted with € 27.8m by unrealized currency exchange rate fluctuations on US cash. Cash position is very comfortable at € 1,152.4m, € +171.5m YE17 (CSS € 1,167m) (KBCSe € 1,154m). Cash burn was € 154.1m. The balance sheet also holds a receivable from the French government amounting to € 36.4m, payable in 4 yearly tranches and a receivable from the Belgian Government for R&D incentives amounting to € 39.4m.

**Outlook 2018**: Phase III topline results on Filgotinib (GLPG/Gilead) in RA are expected by (early) 2H18 and as well interim analysis on the phase III in UC (go/no go 2Q18). GLPG1690 (GLPG) for IPF is progressing into phase IIb with 2 other candidates (different mode-of-action, '1205 going to phase II) complementing the IPF franchise. Phase I interim data from the GLPG triple combinations (first 2 studies, with AbbVie) will become available by mid18. Cash burn guidance (operational) is set at € 220-240m (€ 135-155m FY17) as the company will be running 13 phase II programs in 2018.

**Our View:** The financial are quite straightforward and mostly in line with consensus expectations. The cash position of the company is comfortable thanks to a capital increase on Nasdaq (€ 353.4m) supporting pipeline developments. Operational cash burn guidance significantly increases for 2018 (€ 220-240m) due to the 13 phase II trials. Filgotinib results on RA (topline) and UC (interim) will be key by mid/2H18 and determine the future nature of the collaboration with Gilead. During 2017, good progress has been made on GLPG1960 for IPF transitioning into a phase IIb trial and two extra compounds in phase I backing up the franchise. During 2H18, the topline results of 2 triple combo's with GLPG compounds will provide better insight into the efficacy and market potential for CF.
On the basis of the **strong progress made in 2017** and **key triggering events coming up in 2018**, we have reworked our investment case. **Filgotinib** still dominates the share price (58%) thanks to multiple late stage trials - although we need to stress that competition in the JAK space (Xeljanz, Olumiant, ABT-494, (TD-1473)) is fierce certainly with regard to the potential of these inhibitors for **chronic inflammatory diseases** like Crohn's. We see a strong growth potential for the **IPF franchise** (13%) as few drugs are available today with improvement possible on efficacy/safety through novel mode-of-action drug synergies. Key players in the field are Roche (Esbriet) and Boehringer (Ofev) reaching IPF sales between $ 680-780m in 2016. On the contrary, Vertex is a strong competitor which might limit the market potential of the GLPG/AbbVie CF franchise that is still in early stage of clinical development.
We increase our TP to € 104 (SOTP/DCF) and maintain a Buy rating.

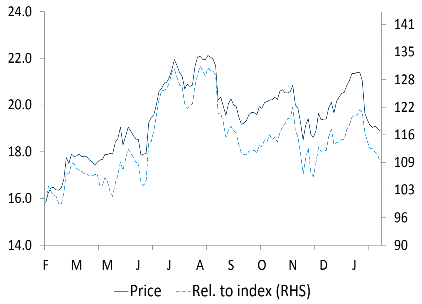
# GREENYARD

## 3Q trading update

FOOD PRODUCERS
BELGIUM

CURRENT PRICE € 18.90
TARGET PRICE € 22.00

**ACCUMULATE**
RATING UNCHANGED




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | GREEN BB |
| Reuters | GREENY.BR |
| www.greenyard.com | |
| Market Cap | € 838.6m |
| Shares outst. | 42.6m |
| Volume (daily) | € 1,555,525 |
| Free float | 29.8% |

Next corporate event

Results FY18: 5 June 2018

| (€ m) | 2017E | 2018E | 2019E |
|---|---|---|---|
| Sales | 4,200.6 | 4,299.2 | 4,417.6 |
| REBITDA | 153.5 | 169.0 | 178.5 |
| Net earnings | 31.3 | 42.0 | 49.2 |
| Adj. EPS (€) | 0.65 | 0.81 | 0.99 |
| P/E (x) | 29.1 | 23.2 | 19.0 |
| EV/REBITDA | 8.1 | 7.2 | 6.6 |
| FCF Yield | 8.6% | 4.6% | 7.2% |
| Dividend yield | 1.1% | 1.1% | 1.1% |

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### News

Greenyard reported a short 3Q trading update. Sales came in at € 995.6m (KBCS € 993.5m/CSS € 994.9m), flat y/y. LFL growth further recovered to -0.4% vs -2.0% in 1H. Mykogen, which is consolidated since December, added 0.3%. FX had no material impact.

Long Fresh sales were stable at € 198.4m (KBCS € 201.1m/CSS € 200.8m), while it was still down in 1H. Fresh sales came in at € 782.0m (KBCS € 778.1m/CSS € 780.2m), down 0.6% y/y and LFL -0.7%. Horticulture sales were up 42% to € 15.2m (KBCS € 14.3m/CSS € 13.8m), aided by the inclusion of Mykogen and also a strong LFL 9.9%.

For the first 9 months, sales reached € 3,090m, still a LFL drop of 1.5% but an improvement compared to the -2.0% shown in 1H.

### Our View

3Q sales came in slightly above expectations, thanks to a stronger than expected performance in Fresh and Horticulture. Long Fresh was on the other hand a bit softer. The numbers however confirm that momentum is progressively improving after a very difficult 1Q. In the absence of more detailed numbers it is difficult to draw hard conclusion. The nature of the beat is furthermore not sufficient enough to make us change our estimates.

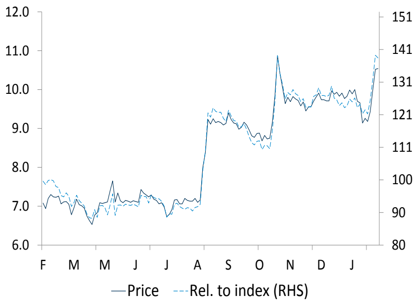
### Conclusion

Greenyard confirmed it is well positioned to deliver profitable growth and to unlock the synergy potential of the business combination going forward. We expect that Greenyard will see a sequential improvement in 2H17/18 as the measures taken bear fruit. Greenyard trades at 7.2x EV/EBITDA18 and 23.2x P/E.

# HEIJMANS

## Good results FY17, 2H17 slightly below expectations

| | | | |
|---|---|---|---|
| CONSTRUCTION & MATERIALS | CURRENT PRICE | € 10.54 | **HOLD** |
| NETHERLANDS | TARGET PRICE | € 10.40 | RATING UNCHANGED |




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | HEIJM NA |
| Reuters | HEIJ.AS |
| www.heijmans.nl | |
| Market Cap | € 225.6m |
| Shares outst. | 21.4m |
| Volume (daily) | € 1,507,920 |
| Free float | 100.0% |

Next corporate event

Trading update 1Q18: 16 May 2018

| (€ m) | 2017E | 2018E | 2019E |
|---|---|---|---|
| Sales | 1,484.6 | 1,546.4 | 1,603.4 |
| REBITDA | 30.0 | 35.1 | 41.9 |
| Net earnings | 81.6 | 10.4 | 16.7 |
| Adj. EPS (€) | 3.81 | 0.49 | 0.78 |
| P/E (x) | 2.8 | 21.7 | 13.5 |
| EV/REBITDA | 6.6 | 6.2 | 5.3 |
| FCF Yield | 47.3% | -8.3% | 0.0% |
| Dividend yield | 0.0% | 0.0% | 3.0% |

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Heijmans overall reported good FY17 results in a transitional year (certainly compared vs last year), yet 2H17results were slightly below expectations. In 2017 it transformed into a purely Dutch company with a focus on its core competencies in property development, residential building, non-residential and infrastructure. **NL revenues** came in at € 1,402m (+2.3% yoy). **Underlying EBITDA NL** was € 30m (CSS € 28m). Following slightly worse revaluations on property of € -6 (CSS € -3) and restructuring charges € -8 (CSS € -4), **EBIT** came in slightly below expectations at € 45m (CSS € 50), vs. € -94m in 2016 (which was a year in which several settlements for difficult projects were made). The EBIT of € 45m for FY17 includes the operating result on the discontinued operations (including the bookresult on the sale of the Belgian and German entities) of € 31.**Net profit** was also slightly below expectations at € 20m (CSS € 25m), for the same reasons as the EBIT as well as € -3m soil remediations (combined which also resulted in less taxes ad € -2m vs € -6m CSS). **EPS** are € 0.91. Given the importance attached to the balance sheet ratios and further reduction of its credit facility, **no dividend** will be paid out for FY17.

**Non-residential** again was difficult and lagged behind (revenue was lower at € 240m, CSS € 255m and FY16 € 315m). Although there was an increase in volume in the market, there was still no notable recovery in price levels. Heijmans remains selective in tendering, which resulted in less projects to be accepted (too few to cover general overhead: underlying EBITDA € -6m, CSS € -14m). **Infra** importantly however continued its recovery, with revenues at € 680m (CSS € 614m, FY16 € 621m) and underlying EBITDA € 16m (CSS € 9m, FY16 € -73m).
**Residential:** Total number of homes sold were 2,192 (2016: 1,962), representing a yoy increase of 11.7%. **Property** continued with good growth in revenue and result (revenue € 391m, CSS € 364m; underlying EBITDA € 20m, CSS € 18m).

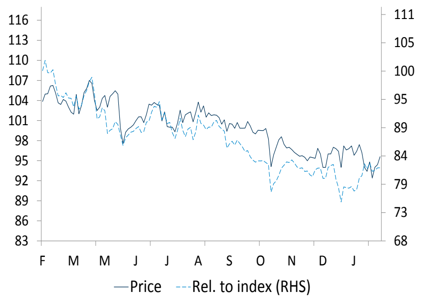
**Order book**: declined to € 1,898m (CSS € 2,121m and FY16 1,863m) following announced exit of the RIVM project (€ -150m) and selective tendering. **Net debt** reduced significantly to € -59.3m (better than CSS € 16m and certainly compared to FY16 € 100m). Covenants were met with some margin Outlook: Due to combination of profit recovery and policy aimed at de-risking the company, there is a foundation going-forward. Outlook for 2018 is limited to continued profitability as key goal.

**Conclusion**: 2017 was certainly a very positive year, yet a lot of the good news was already announced earlier. Final results 2H17 came in just under expectations. Hence we consider most of the positive information to be already priced in for now, which does still provide a foundation to further build for continued recovery. We up our TP to € 10.4 for now and maintain our Hold rating.

# LEASINVEST RE

## Feedback analyst meeting: ensuring growth

| | | | |
|---|---|---|---|
| REAL ESTATE INVESTMENT TRUSTS | CURRENT PRICE | € 95.60 | HOLD |
| BELGIUM | TARGET PRICE | € 105.00 | RATING UNCHANGED |




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | LEAS BB |
| Reuters | LNRE.BR |
| www.leasinvest.be | |
| Market Cap | € 472.2m |
| Shares outst. | 4.9m |
| Volume (daily) | € 121,665 |
| Free float | 41.0% |

Next corporate event

Results 1Q18: 17 May 2018

| (€ m) | 2017E | 2018E | 2019E |
|---|---|---|---|
| Current Result | 28.3 | 30.4 | 33.1 |
| Portf. Result | 8.4 | 7.9 | 9.1 |
| Net Profit | 36.7 | 38.3 | 42.2 |
| Adj. EPS (€) | 4.90 | 5.65 | 6.14 |
| NAV (€) | 84.2 | 97.1 | 100.7 |
| P/E (x) | 19.5 | 16.9 | 15.6 |
| DPS (€) | 4.90 | 5.00 | 5.20 |
| Dividend yield | 5.1% | 5.2% | 5.4% |

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**Value adding strategy in times of market low yield stabilised products**
Since the disposal of the Swiss assets last year the strategic pillars have been set to 3 countries and 2 sectors i.e. acting opportunity driven in retail in BE, LUX and AT and in offices in LUX and BE. The remainder after disposal of the log.port. in BE will be further reduced in next years. Value creation is high on the agenda (e.g. Montoyer63, Strassen, Treesquare) to generate capital gains and improving the quality of the portfolio. Recurring income generation via active lease management and a focused financial strategy to lower the CoD and capital recycling will result in a stable dividend flow.

**Portfolio:**
The portfolio (incl. Retail Estates) is 52% active in retail, 42% in offices and a remaining 6% in logistics. This is geographically spread over 39% BE, 11% AT and the remainder in Luxembourg. FV rose to € 976m inter alia due to € +35m of Mercator and € +56m of Stadleu and the increased stake in Lux airport certificate leading to an allocation in IAS40. The occupancy rate decreased to an overall 94.80% witnessing a lower but stable occ. rate in BE of 91.3% y/y which is linked to De Mot, Crescent and Montoyer.

The sale of the Swiss portfolio in 4Q17 was driven by the illiquidity of the Swiss market, expensive CHF and negative cross border shopping of customers, a € -2m loss was written due to sale costs and unwinding of the cross currency swaps. Mercator building has been fully let by end 17, yielding 6.75% bearing in mind the big residual value of the building/plot seen its excellent location and reconversion possibilities, a statement that can be equally made for the latest acquisition in AT, again both an example of value creation.

**Projects:**
Montoyer will be delivered 4Q18 and is pre-let to the European Parliament for a triple net usufruct of 21 years. This might raise the question to offload this A grade office building in a prime location, at a very attractive yield for stabilised products, crystallising the gains.

**P&L: New sources are expected to be attracted soon**
Debt ratio stands at 57.14% ranging above comfortable room and a quite elevated cost of debt at 2.99% (2.90%) resulting from forward hedges coming into force as from dec. 2017. Management confirms to ‘blend and extend’ hedging instruments to a cost level of 2.7-2.8% in 2018-19. They need to hold a minimum of 10% stake in *Retail Estates* for fiscal reasons and thus need to keep in track of their pace as well on top of new acquisitions in pipeline in the own portfolio expansion. LRE reminds us to the run-off of 2 bonds maturing in resp. 2019 (€ 75m) and 2020 (€ 20m).

Last but not least, Michel Van Geyte will step in as sole CEO as from June 18 , where Jean-Louis Appelmans after a 20 year successful career path with LRE will retire.

# MDXHEALTH

## Conference call feedback

| | | | |
|---|---|---|---|
| PHARMACEUTICALS & BIOTECHNOLOGY | CURRENT PRICE | € 3.45 | **BUY** |
| BELGIUM | TARGET PRICE | € 5.50 | RATING UNCHANGED |


*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | MDXH BB |
| Reuters | MDXH.BR |
| www.mdxhealth.com | |
| Market Cap | € 171.8m |
| Shares outst. | 49.8m |
| Volume (daily) | € 529,602 |
| Free float | 76.4% |

Next corporate event

Trading update 1Q18: 24 April 2018

| ($ m) | 2017E | 2018E | 2019E |
|---|---|---|---|
| Sales | 39.3 | 44.2 | 68.9 |
| REBITDA | -9.4 | -16.6 | 4.3 |
| Net earnings | -11.7 | -18.9 | 1.9 |
| Adj. EPS ($) | -0.23 | -0.37 | 0.04 |
| P/E (x) | | | 114.7 |
| EV/REBITDA | | | 52.0 |
| FCF Yield | -6.1% | -7.5% | -1.1% |
| Dividend yield | | | |

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**News:**

In yesterday's conference call, MDx Health again stated that they are looking to expand the use of SelectMDx to active monitoring of patients with elevated PSA levels. To this end, 2 studies are ongoing, which are expected to release results in the course of the year. Upon release, SelectMDx will be available for use in active monitoring but of course not yet be reimbursed.

The company was also vocal about looking to port its assays onto liquid biopsy IVD platforms, with a first focus on SelectMDx. MDx Health is currently reviewing platforms and hopes to announce a collaboration in the course of the year. Also AssureMDx and InformMDx were mentioned as potentially interesting assays to develop an automated IVD version of.

Additionally, MDx is also compiling its file for submitting SelectMDx to be taken up in relevant guidelines (NCCN, EAU). To this end, the company is awaiting the results of the 4M study, comparing SelectMDx to mpMRI and histopathology. The study results will be part of the filing and MDx plans to submit in 4Q18, paving the way for uptake in the guidelines in the course of 2019.

The company mentioned 3 main unknowns with major topline impact that make giving any specific 2018 guidance difficult at this time. A first is the rate at which payor contracts can be added. As some of these are large insurers, the time at which they sign a potential contract is expected to have a large impact on FY18 revenue. A second is the ConfirmMDx CPT code, in effect since January, which is expected to decrease upfront denials for payment from insurers and thus increase revenue recognized per payor. At this time it is too early in the year to predict the effect on FY revenue. Test volumes were mentioned as a last obvious topline growth driver. Encouraging signs from the first months of the year's trade make the company quite confident in this area.

**Our View / Conclusion:**

Although uncertainties remain, MDx hopes to provide more specific guidance as the year progresses. The efforts to expand the use of SelectMDx and filing for uptake in guidelines are encouraging, but will have little short-term impact. MDx rightfully takes a more conservative approach for 2018, preferring to wait and see how things evolve for now.

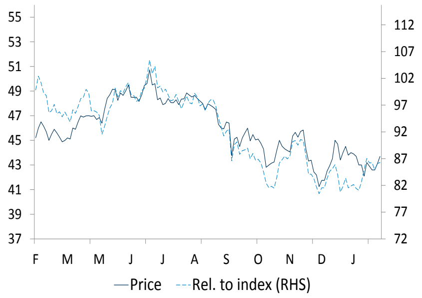
# MONTEA

## FY 17 analyst meeting feedback

REAL ESTATE INVESTMENT TRUSTS
BELGIUM

CURRENT PRICE € 43.70
TARGET PRICE € 44.50

**HOLD**
RATING UNCHANGED




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | MONT BB |
| Reuters | MONTE.BR |
| www.montea.eu | |
| Market Cap | € 434.9m |
| Shares outst. | 10.0m |
| Volume (daily) | € 257,440 |
| Free float | 54.5% |

Next corporate event

Results 1Q18: 15 May 2018

| (€ m) | 2017E | 2018E | 2019E |
|---|---|---|---|
| Current Result | 27.1 | 32.0 | 37.8 |
| Portf. Result | 11.0 | 10.7 | 12.3 |
| Net Profit | 38.1 | 42.6 | 50.0 |
| Adj. EPS (€) | 2.55 | 2.76 | 3.25 |
| NAV (€) | 30.4 | 32.3 | 34.4 |
| P/E (x) | 17.1 | 15.9 | 13.4 |
| DPS (€) | 2.17 | 2.24 | 2.30 |
| Dividend yield | 5.0% | 5.1% | 5.3% |

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**Montea delivered FY17 results in line with expectations. NRI remained stable due to the disposal of non-core assets in 2016 and the severance payment received from Neovia Logistics that was higher in 2016 than the one received in 2017 from SAS Automotive.**

**News: operating efficiency rises to sustainable 92% (95% incl. once-offs)**

- NRI rose 1% y/y from € 40.52m to € 40.8m (KBCSe € 40.89m). The flat result is primarily due to the disposal of non-core assets in 2016 and the indemnity fee paid in 2016 (higher than the one received in 2017).
- The operating result before the result on portfolio rose from € 36.30m to € 38.8m (€ 36.89m), corresponding to an operating margin of 95.2%, up 6pps y/y. Excluding the once-offs, the operating margin rose to 92%.
- The financial result (excl. IAS40) improved 6% from € -11.8m to € -11.1(€ -11.2m), despite an average debt burden increase of 13%
- All in all, EPRA Earnings rose 12% from € 24.02m to € 26.8m (€ 26.7m), or 4.5% from € 2.47 to € 2.58 ps.

**Qualitative portfolio with long visibility, vacancy only in Belgium**

The portfolio FV (incl. solar panel/developments) rose 30% (+1.8% lfl or € 8.4m) y/y from € 552m to € 719m (KBCSe € 701), of which c. 71% realized in BE, 22% in NL and 7% in FR. The occupancy rate came down 1.8ppt y/y to 96.3% and concerns the building in Milmort, Willebroek (25%) and Genk. The average lease maturity came down 0.2yr to 7.5yrs and the gross yield compressed 10bps to 7.2%.

**Balance sheet: High – and increasing – debt maturity**

The debt ratio rose 30bps to 51.9%. Note that in Sep17, a successful € 68m capital increase had taken place. The average cost of debt remains stable at 3%, though this is expected to improve thanks to the settlement of four IRS and the concluding of more favourable ones. By end-17, Montea had a total of € 265m of bank debt (bilateral or credit) spread across 7 institutions of which 87% of fin. debt has been hedged. EPRA NAV rose 7% to € 29.7 per share.

**Outlook: 5% EPS growth and 3% DPS growth confirmed**

A € 2.17 DPS has been proposed, confirming its projected 3% increase. Looking forward, Montea is projecting 5% EPS growth and 3% DPS growth, while reducing the pay-out from 84% to 80%. The portfolio fair value is foreseen to grow with € +100m in 2018 going beyond € 800m and occupancy rates will remain above 95%. They account for € 40-50m of CiK and/or optional dividend.

**Our view:** Montea reported operating results in-line with our expectations, which led to an exceptional operating margin of 95%. Even excluding the once-offs, Montea managed to improve its operating efficiency to 92%. Even though the average CoD remains elevated, the IRS settlement could improve 20-30bps in 2018. Montea is actively working on increasing its average debt maturity from approx. 5 to 7.7yrs, in line with its lease duration (no CP program), giving us more visibility on the long run.

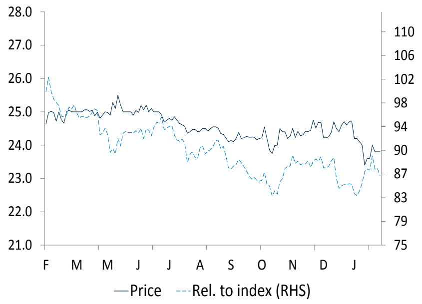
# QRF

## Analyst meeting feedback: ERV & EPS pressure

REAL ESTATE INVESTMENT TRUSTS
BELGIUM

CURRENT PRICE € 23.80
TARGET PRICE € 26.00

**ACCUMULATE**
RATING UNCHANGED




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | QRF BB |
| Reuters | QRF.BR |
| www.qrf.be | |
| Market Cap | € 122.1m |
| Shares outst. | 5.1m |
| Volume (daily) | € 75,095 |
| Free float | 83.5% |

Next corporate event

Results 1Q18: 9 May 2018

| (€ m) | 2017E | 2018E | 2019E |
|---|---|---|---|
| Current Result | 8.1 | 9.9 | 10.4 |
| Portf. Result | 1.3 | 2.9 | 4.8 |
| Net Profit | 9.3 | 12.8 | 15.2 |
| Adj. EPS (€) | 1.55 | 1.71 | 1.71 |
| NAV (€) | 24.6 | 25.7 | 26.8 |
| P/E (x) | 15.4 | 13.9 | 13.9 |
| DPS (€) | 1.35 | 1.40 | 1.45 |
| Dividend yield | 5.7% | 5.9% | 6.1% |

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QRF closed its FY17 with a fair value of the real estate portfolio at € 287.4m (€ +36.7m or 14.6% y/y), since IPO in dec 2013 a CAGR of 26% proving its appetite to invest, with a market cap of € 138m introducing a new shareholder Family Vanmoerkerke with a stake of 9.5% via a CiK in 4Q17. Portfolio is invested 90.5% (€ 260.1m) in BE and 9.5% (€ 27.3m) in NL in good locations along the last mile and with stable high occ. rate of 97.5%

Top 4 tenants include H&M (16.2%), Inno (10.3%), Kruidvat (4.4%) and America today (3.7%). On average, specifically for BE, 1/3th of portfolio has a break every year, risking potential loss of income. Qrf confirmed that H&M will exercise their break in St-Niklaas (expected € 200k rental income loss and 1.980m² of extra vacancy) by 4Q18 and another H&M store is, as we speak, in negotiations, say very hard conditions, almost no chances to land any extension (in our estimates approx. € -570k annually).

12 new retailers, mainly international brands, have been welcomed in the portfolio last year seeing diversification of retailer risk (cfr. H&M) and also the sector mix is quite resilient, though 60% still is in fashion, which is undergoing (as a targeted segment) massive changes with maturing e-commerce and where the market is seeking for a new equilibrium of convenience and experience. Omni-channel is the new reality where the online world rediscovers bricks and mortar. To tackle and reduce segment risk, food retailers, who represent 8% of the portfolio, are one to target more in the future according to QRF.

We see a decline in the portfolio yield to gross 5.5% from 5.7% FY16, this compression is the result from divesting higher yielding products of non-core assets in non-strategic regions and buying more qualitative products hence at lower yields (4.5-4.8%), nonetheless gains were made on the disposals of the buildings in Temse and Merksem (€ +0.5m) compared to their latest FV quotation (showing a conservative appraisal of the portfolio). Besides, also ERV's are not picking up and the market seems to be lagging behind without re-valuation, these mechanics result in a prudent attitude of QRF for new acquisitions. Occ rate stood at a high level due to active commercial management but LfL went down with -3.3% given rental incentives and reductions are being demanded and given. The portfolio of investment properties (IAS40) consequently declined € -3.6m.

Financial debt rose to € 149.5m (52.7% debt ratio) slightly below the strategic target of 55%, lowering debt to a more comfortable level by divesting assets will impact top and bottom line hence EPS while cash/debt acquisitions will increase debt; we see no new investment happen or very opportunistic deals should pass the bar. Focus in 2018 will be on renovation and quality improvement of the portfolio resulting in profits in the medio long term. Given the upcoming vacancy(ies), ERV pressure and delayed expansion we **anticipate on a lower EPS in 2018 & 2019 in our model and therefor lower our TP from € 28 to € 26 and reiterate accumulate rating**.

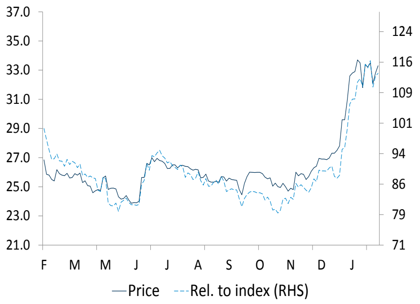
# REALDOLMEN

## Takeover bid by Gfi Informatique at € 37

SOFTWARE & COMPUTER SERVICES
BELGIUM

CURRENT PRICE € 33.30
TARGET PRICE € 37.00

**BUY**
RATING UNCHANGED




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | REA BB |
| Reuters | REAL.BR |
| www.realdolmen.com | |
| Market Cap | € 173.4m |
| Shares outst. | 5.2m |
| Volume (daily) | € 138,062 |
| Free float | 59.2% |

Next corporate event

Results FY17: 25 May 2018

| (€ m) | 2017 | 2018E | 2019E |
|---|---|---|---|
| Sales | 243.8 | 246.2 | 253.7 |
| REBITDA | 14.2 | 15.5 | 16.2 |
| Net earnings | 10.6 | 9.0 | 12.1 |
| Adj. EPS (€) | 2.04 | 2.22 | 2.33 |
| P/E (x) | 11.1 | 15.0 | 14.3 |
| EV/REBITDA | 5.1 | 8.0 | 7.2 |
| FCF Yield | 6.2% | 6.9% | 6.9% |
| Dividend yield | 3.1% | 2.4% | 2.4% |

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Gfi Informatique and Realdolmen announced the signing of a transaction agreement, pursuant to which Gfi Informatique will file with the FSMA (Financial Services and Markets Authority) in the following days a voluntary and conditional takeover bid in cash for the shares of Realdolmen, at the price of € 37 per share.

France (Saint-Ouen) based Gfi Informatique is a major player in value-added IT services and software in Europe, and occupies a strategic position in its differentiated approach to global firms and niche entities. With its multi-specialist profile, the Group serves its customers with a unique combination of proximity, sector organisation and industrial-quality solutions. Gfi Informatique has around 15,000 employees and generated revenue of € 1.13bn in 2017.

The proposed transaction is a voluntary and conditional takeover bid in cash for all outstanding shares and warrants of Realdolmen at € 37 per share.

The offer will be conditional to Gfi Informatique holding more than 75% of Realdolmen's fully diluted share capital and more than 75% of the voting rights.
The bid is unanimously supported by Realdolmen's board of directors. A group of entities and persons affiliated to the Colruyt family and QuaeroQ, long-term shareholders of Realdolmen representing together 21.94% of its share capital have executed with Gfi Informatique an undertaking to tender their shares to the offer. After the close of the bid, Gfi Informatique intends to launch a simplified squeeze-out bid, if the conditions for such a squeeze-out bid are met.

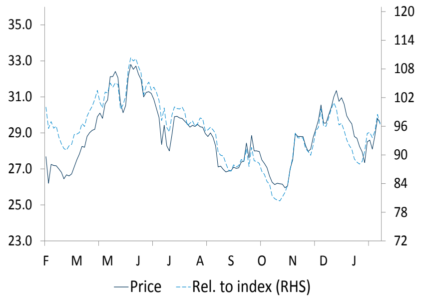
Realdolman today also announced for 3Q17/18 6.1% growth in IT & Business Consulting to € 27.5m (KBCSe € 28.8m) and 4.9% decrease in IT & Business Support to € 38.1m (KBCSe € 40.3m) resulting in an overall turnover growth of 1.1% for 9M17/18 to € 181.6m, just below our expectations (KBCSe € 182.6m).
For FY17/18, Realdolmen expect turnover in IT & Business Consulting to grow above mid-single digit levels. Turnover in the IT & Business Support segment should slightly decrease as a consequence of lower product sales only partially compensated by growing outsourcing and cloud business. Realdolmen expect FY REBIT to grow and margins to be at mid-single digit or slightly above.

**Conclusion:** This proposed share bid price represents a premium of 11% compared to Realdolmen's last closing price of yesterday and a premium of 22% and 28% compared to the volume weighted average share price over 3 and 6 months.
The bid price of € 37 per share was our Target Price in our base case scenario in our most recent note of January 2018 titled "*A Real Cash flow Machine*" as we anticipated RealDolmen to generate strong free cash flow in the coming years, helped by its important deferred tax assets (although an impairment after the tax reform is not excluded) and limited capex, translating into impressive FCF yields.
Recall that our Target Price was based on a stand-alone strategy and a projected top-line growth to € 262m and 5.6% REBIT-margin by FY19/20E.

# SIOEN

## Preview FY17 results

| | | | |
|---|---|---|---|
| GENERAL INDUSTRIES | CURRENT PRICE | € 29.55 | **BUY** |
| BELGIUM | TARGET PRICE | € 30.50 | RATING UNCHANGED |




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | SIOE BB |
| Reuters | SIOE.BR |
| www.sioen.be | |
| Market Cap | € 632.1m |
| Shares outst. | 19.8m |
| Volume (daily) | € 241,965 |
| Free float | 40.1% |

Next corporate event

Results FY17: 28 February 2018

| (€ m) | 2017E | 2018E | 2019E |
|---|---|---|---|
| Sales | 476.2 | 511.8 | 525.9 |
| REBITDA | 64.2 | 75.0 | 80.0 |
| Net earnings | 23.9 | 34.8 | 37.7 |
| Adj. EPS (€) | 1.41 | 1.81 | 1.96 |
| P/E (x) | 21.0 | 16.3 | 15.1 |
| EV/REBITDA | 11.2 | 9.3 | 8.3 |
| FCF Yield | 5.5% | 5.7% | 8.3% |
| Dividend yield | 1.9% | 2.7% | 2.9% |

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Sioen will publish its FY17 results on Wednesday 28 February after market. Including the consolidation impact of Manifattura Fontana (3-month), Dimension-Polyant (6-month), Verseidag (12-month), Ursuit Group (12-month), UV Curable Systems (12-month), and James Dewhurst (7-month), we bank on 31.1% top-line growth (5.5% organic growth). Our FY17 sales estimates account for 5.8%, 5.3%, and 4.0% organic growth of respectively Coating, Apparel, and Chemicals division. For group REBITDA, we are looking for € 66m in 2017 (€ 60m in 2016). This reflects a 260bps margin contraction due to higher raw material costs, change in sales mix (from acquisitions), and higher labour costs related to the reorganization in Semarang and Jakarta.

Mid-November, Sioen published a **9M17 trading update**. The company posted net sales growth of 32.0%, ahead of our expectations of 30.5%. Excluding acquisitions, Sioen posted organic growth of 5.8% for 9M17, with an acceleration in Q3 (+8.6%) vs Q2 (+3.8%) and Q1 (+5.2%). We applaud that the group managed to grow by nearly 6% organically, tracking GDP growth in the EU at a factor of 3x.

The prices of **raw materials** have increased substantially throughout 2017, initiating price increases by Sioen at the end of Jul'17. Considering a competitive environment that is less prone to play on price and Sioen's strong emphasis on technical capabilities, we believe gross margins (GM) to stabilize as of mid-2018 around a level of 50% (down from its 2015-2016 avg. of 52%, but up from c.49% in 2017).

Due to adverse FX changes (depreciation of dollar versus euro), one-time reorganization costs, and increased non-cash charges (following PPA of the various acquisitions), we expect a decline in **net earnings** to € 23.9m in 2017 (from € 26.0m in 2016). Nonetheless, we expect a growing **dividend** for fiscal year 2017 (kbcs: € 0.57ps, € 0.53ps in 2016) following the solid organic growth of the business. Since its IPO back in '96, Sioen has only cut its dividend once (in 2008).

Banking on cost savings from reduced labour costs, 55bp GM expansion, 3.3% group organic growth, no substantial FX changes, a FY contribution from Dewhurst, and reduced ETR (to 28.8%), we expect **FY18 group adj. earnings** to advance by 25% y/y (+17% organically).

We have assigned Sioen as one of our **top picks** on the back of: an improvement in private consumption and public spending, smoothly running integration of acquired assets, solid expected earnings growth (+12% CAGR 2017-2020), and high operating cash conversion (c.78%), The company has healthy ambitions to further expand its business both organically as through M&A, building its lead in Europe (and beyond) in the Apparel and technical textiles market. Sioen is one of the strongest FCF generators, currently trading at a normalized FCF yield of 8.5%.

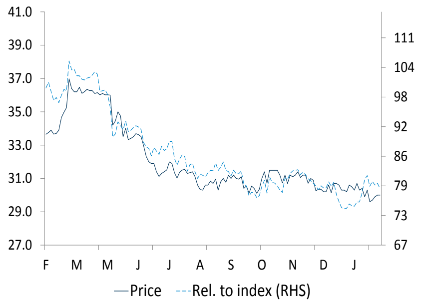
# TEXAF

## FY17: Solid RE results though red ink for quarry

FINANCIAL SERVICES
BELGIUM

CURRENT PRICE € 30.00
TARGET PRICE € 36.00

**HOLD**
RATING DOWNGRADED




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | TEXF BB |
| Reuters | TEXB.BR |
| www.texaf.be | |
| Market Cap | € 106.3m |
| Shares outst. | 3.5m |
| Volume (daily) | € 16,558 |
| Free float | 27.7% |

Next corporate event

| (€ th) | 2017E | 2018E | 2019E |
|---|---|---|---|
| Sales | 18,741 | 20,932 | 22,719 |
| REBITDA | 9,219 | 11,047 | 12,594 |
| Net earnings | 1,659 | 5,122 | 5,863 |
| Adj. EPS (€) | 0.47 | 1.45 | 1.65 |
| P/E (x) | 64.1 | 20.8 | 18.1 |
| EV/REBITDA | 15.3 | 12.6 | 11.1 |
| FCF Yield | -5.9% | -2.2% | -0.9% |
| Dividend yield | 2.7% | 3.3% | 3.9% |

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**Texaf reported steadied recurrent results of € 7m, taking into account positively evolved real estate activities and a worsened stance on Carrigrès. The DRC's economy is getting worse, the Congolese franc took another -24% hit against the U.S. dollar and inflation is up 40%. The importance of the real estate segment rose to over 90% of turnover and further dilution of Carrigrès is expected, though, we expect this to bottom out by FY-end19. The proposed dividend rises 19% to € 0.82 per share.**

**Results:** REBITDA remained stable (+1%) at € 7m (KBCSe € 9.3m). The RE portfolio is 100% occupied. The operating profit fell -45% to € 3.4m (€ 3.1m); while the net result fell -17% to € 4.5m**.** The group has invested € 6.4m, resulting in a net debt of € 5.6m. The non-recurring elements which significantly impacted the results include the € -3.6m impairment quarry, restructuring costs of € -0.2m on Carrigrès, € -0.6m Fx and € +1m to a reversal of tax provision.

**Carrigrès:** Revenues dropped 52% y/y to € 1.6m (KBCSe € 2.2m) due to the ongoing absence of construction works and a turnover of 102 tonnage (kbcse 130t) Fixed costs dropped with approx. € 400k as a result of the restructuring of FTE's. A combination of restructuring costs € -200, impairment of € -3.4m, the net result fell to € -2.8m, tempered by a pos. effect of deferred taxes.

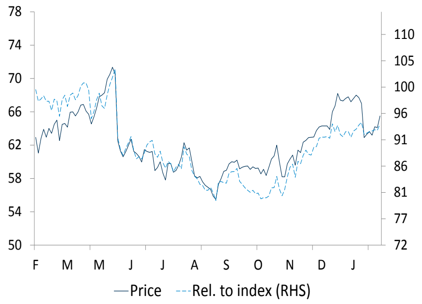
**Real Estate:** Turnover rose 10% to € 16.7m (KBCSe € 16.7m), including the full-year effect of the "Close Des Musiciens". The occ. rate remarkably stayed at 100%. The net result came in at € 7.6m, up 22.9%. The development project "Bois Nobles", which includes 36 residential units, is moving forward and is expected to be delivered by the summer of 2018. The development of a 104 ha land, intended for housing, will lead to an implementation plan in 2018.

**Our view and conclusion:** Quarry: needed for first 30k delivery, thereafter, transport cost will become too expensive. It can yield 4-500 tonnage annually, to date its producing approx. 100t (we cut our mid-term production output from 200t to 120t). In 2017 Texaf already announced to take an impairment of approx. € -3.6m on its sandstone quarry as a result of a lack of infrastructure investments in the city centre of Kinshasa. We therefore anticipated ongoing sales erosion on the quarry and do not expect any improvements any time soon. Instability in the region is increasing and public infrastructure investments are taking a hit. As a result, the DRC continues to lag on economic rejuvenation, rehabilitation and integration. Despite this uncertainty however, Texaf managed to book strong growth in its real estate portfolio. Given the political, financial and economic insecurity and security constraints, we believe that public investments are only sinking further and road constructions and/or maintenance works will not materialize. Even though management provides a very cautious outlook, politics remain fraught. President J. Kabila's reluctance to surrender power triggered demonstrations, that ignited protests leading to the killing of dozens of people. Consequently, prior to December 2018, we only expect continued deterioration, lack of visibility and infrastructure remains a perennial concern. We cut out forecasts and increase our country risk premium, leading to a **cut of our target price from € 40 to € 36**.The upside potential on the long run remains unharmed, especially in Texaf's exceptionally solid RE results, though the ongoing instability coupled with a deepening economic crisis is fuelling unrest, even in Kinshasa, making the DRC a difficult environment for foreign investments.

# TUBIZE

## FY17 results

| | | | |
|---|---|---|---|
| EQUITY INVESTMENT INSTRUMENTS | CURRENT PRICE | € 65.50 | **BUY** |
| BELGIUM | TARGET PRICE | € 77.00 | RATING UNCHANGED |




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | TUB BB |
| Reuters | TUB.BR |
| www.financiere-tubize.be | |
| Market Cap | € 2,917.9m |
| Shares outst. | 44.5m |
| Volume (daily) | € 501,503 |
| Free float | 48.0% |
| Next corporate event | |

| (€ m) | 2014 | 2015 | 2016 |
|---|---|---|---|
| Net result | 60.8 | 212.5 | |
| Adj. net result | 59.7 | 63.1 | |
| Basic EPS (€) | 1.36 | 4.77 | |
| ROE | 3.9% | 13.1% | |
| Adj. eq. value | 75.51 | 121.80 | |
| Premium/disc. | 37.6% | 44.1% | |
| DPS (€) | 0.49 | 0.48 | 0.51 |
| Dividend yield | 1.0% | 0.7% | |

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Financière de Tubize reported a profit of € 72.688m, up from € 69.044m in FY16. The holding's stake in UCB did not change, standing at 68,076,981 shares or 35% of UCB's outstanding capital. Tubize's net debt stood at € 192m on 30/12/17, in line with our estimate of € 193m. The major post YE17 event was the termination of the concert participation agreement announced by Schwarz Vermögenverwaltung on 19/01/18 (Schwarz 1.04% of UCB shares). Gross dividend of € 0.54 p.s (+4%). will be proposed.

**News:**
Tubize's profit is almost entirely attributable to profits made at the UCB level. It does not pay taxes and has no minorities to account for, equalling its recurring result to the reported bottom line figure. Tubize's balance sheet currently carries net debt of € 192m (KBCS estimate: 193m), down from € 241m at year end FY16. Dividends received from UCB came in at € 78.289m and have been deployed for the dividend payment of € 23.165m, financial charges of € 4.6m (FY16: € 5.4m) and general expenses of € 0.9m (FY17: € 0.67m)**.** The increase in general expenses is mainly linked to an increase in directors remuneration. Solvency ratio stands at 87.32% vs 87.32% at YE16, with 70% being the agreed minimum. The LTV come down to 4.26% vs 5.81% at YE16.

**Dividend**
For FY17 the BoD will propose a gross dividend of € 0.54 p.s., an increase of 4% vs the preceding year (totalling € 24.06m). The dividend is expected to go ex-coupon on 02/06/18.

**Our View:**
As Tubize's net debt is in line with our estimates, no adjustments to our NAV model are made. Combined with the real value driver, being the operating performance of UCB, Tubize's leverage together with a still elevated discount is a key part of our investment case. The holding is clearly committed to its long-term investment in UCB, and does not hesitate to take on additional leverage at favourable terms to up its stake.

**Conclusion:**
KBCS UCB TP stands at € 75 p.s., resulting in a target equity value of € 110.28 per share of Tubize. Our Tubize TP of € 77 signals a discount of 30% vs. the latter (vs. 2y average of 39%), BUY rating reiterated.
Tubizes adj. NAV p.s. currently stands at € 98.15 p.s., trading at a discount of 34.99%.

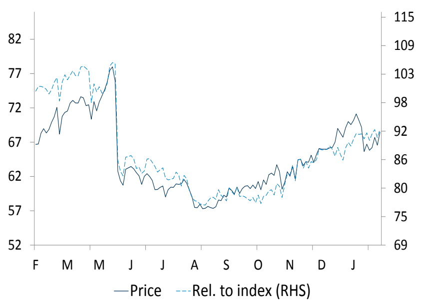
# UCB

## Feedback FY17: solid R&D roots and firepower

PHARMACEUTICALS & BIOTECHNOLOGY
BELGIUM

CURRENT PRICE € 68.48
TARGET PRICE € 75.00

**BUY**
RATING UNCHANGED




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | UCB BB |
| Reuters | UCB.BR |
| www.ucb-group.com | |
| Market Cap | € 13,319.7m |
| Shares outst. | 194.5m |
| Volume (daily) | € 24,854,468 |
| Free float | 42.0% |

Next corporate event

Results 1Q18: 23 April 2018

| (€ m) | 2017 | 2018E | 2019E |
|---|---|---|---|
| Sales | 4,504.5 | 4,700.8 | 4,893.2 |
| REBITDA | 1,251.4 | 1,407.7 | 1,449.9 |
| Net earnings | 714.4 | 880.6 | 946.6 |
| Adj. EPS (€) | 3.45 | 4.30 | 4.63 |
| P/E (x) | 18.7 | 15.9 | 14.8 |
| EV/REBITDA | 9.7 | 8.7 | 7.9 |
| FCF Yield | 7.1% | 7.7% | 8.0% |
| Dividend yield | 1.8% | 1.7% | 1.8% |

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**Financials & 2018 guidance:** Cimzia, Vimpat, Keppra, Briviact and Neupro combined sales reached € 3.6bn (+13%) in 2017. Thanks to a strong CF, reduction of debt, worldwide improvement in operating/R&D expenses and strategic divestments UCB now has the flexibility to explore and engage into the acquisition of sustainable assets. **Briviact peak sales guidance > or = € 600m in 2026** was evidenced from Cimzia's differentiating potential benefitting from the loss of market share seen for branded drugs and biosimilars and as well its total value proposition for patients through UCB's injector device and patient support programs. **Revenue guidance** for **2018** is set at **€ 4.5-4.6bn** (CSS € 4.57bn), **rEBITDA** at **€ 1.3-1.4bn** (CSS € 1.35bn) and **core EPS** at **€ 4.30-4.70** (CSS € 4.58) in line with consensus estimates. rEBITDA/revenue ratio now has a **2021 midterm guidance of 31%** rather on the conservative side taking a cautious view on the upcoming market challenges by 2021.

**R&D:** The R&D part of yesterday's webcast was led by UCB's new CSO, Dhaval Patel (ex-Novartis, 10y), providing a clear vision of UCB's clinical product roadmap with key drivers at each stage and throughout the different clinical franchises. Patel was supported by rheumatology Prof D Baeten (AMC, A'dam (NL)) for the Bimekizumab potential.

**Three key take aways on the R&D pipeline:** (1) **Bimekizumab (IL-17A/F)** progressing in phase III with a focus on chronic joint and skin inflammatory diseases (psoriasis, RA, Ankyl spond), but with potential beyond. Thanks to its superior MOA (rapid and deep response), UCB is **differentiating** the asset by targeting both anti-TNF naïve as well as **anti-TNF-incomplete responder patients** in the late stage trials to decrease the barrier for market entry in a competitive landscape. The inflammation franchise will be further supported by early stage advancements such as **UCB0159** (bispecific Ab, IL-17 dimers, TNFa, albumin-coupled to increase t1/2) targeting a broader cytokine window and spondyloarthropathies (joint diseases). (2) **Padsevonil**, developed for refractory, highly drug resistant epilepsy patients, could - thanks to its unique synergistic dual MOA – soon benefit from a **pivotal phase IIb** trial driving early market entry. (3) **UCB0107**, an anti-Tau Ab in phase I for progressive supranuclear palsy & **Alzheimer's** disease. A field known as a graveyard requiring deep pockets and characterized by many late stage clinical failures that pursued the beta-amyloid hypothesis. A breakthrough drug - targeting a different MOA like eg Tau – could bring blockbuster sales. High risk, high gain.

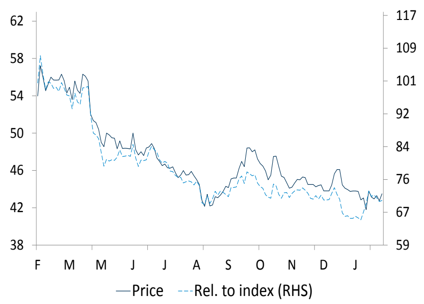
**Firepower:** The latter modality brings us to the now **openly stated acquisition plans** to strengthen the internal pipeline and provide a shield for the upcoming patent cliff and biosimilar threat anticipated in 2021-2022. UCB indicated that it is exploring opportunities to **expand the neurodegenerative franchise** with assets that synergize and further build on current capabilities.

Overall, yesterday's webcast brought a positive vibe with a cautious view on short term/near future growth, but supported by strong R&D blocks and firepower nurturing sustainable long-term growth.

# VAN DE VELDE

## Partnership with Pippa & Jean in Germany

| | | | |
|---|---|---|---|
| PERSONAL GOODS | CURRENT PRICE | € 43.50 | **HOLD** |
| BELGIUM | TARGET PRICE | € 48.00 | RATING UNCHANGED |




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | VAN BB |
| Reuters | VELD.BR |
| www.vandevelde.eu | |
| Market Cap | € 579.5m |
| Shares outst. | 13.3m |
| Volume (daily) | € 382,043 |
| Free float | 43.7% |

Next corporate event

Results FY17: 27 February 2018

| (€ m) | 2017E | 2018E | 2019E |
|---|---|---|---|
| Sales | 208.7 | 216.1 | 224.8 |
| REBITDA | 56.0 | 60.6 | 65.7 |
| Net earnings | 32.2 | 35.1 | 38.2 |
| Adj. EPS (€) | 2.42 | 2.63 | 2.87 |
| P/E (x) | 18.0 | 16.5 | 15.2 |
| EV/REBITDA | 9.8 | 8.9 | 8.1 |
| FCF Yield | 5.6% | 6.0% | 6.5% |
| Dividend yield | 2.2% | 3.6% | 5.3% |

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Van de Velde and social selling platform provider Pippa & Jean will join hands in Germany. Women are now able to experience Marie Jo and Prima Donna lingerie at an exclusive Lingerie Styling Event in their own home in the company of friends, and in the near future order via personalised online boutiques.

Founded in 2011, Pippa & Jean offers women a social selling platform for jewellery, accessories and other lifestyle products via exclusive Style Parties, Facebook Style Parties and personalized online boutiques. The Financial Times ranked Pippa & Jean as the second fastest growing fashion company in Europe. Originally developed for the Pippa&Jean core business, the social selling technology platform (O3S) is also accessible to other brands interested to manage and built their own sales forces.

In Germany, this sales channel will be led by Anja Horst, a former Director Marketing Products & Consumer Promotions at Tupperware Germany.

**Conclusion**

The partnership with Pippa & Jean is the next step in Van de Velde's online sales strategy. Through this partnership, the lingerie company launches a new business model bringing together Pippa & Jean's successful social selling platform with the lingerie brands Marie Jo and Prima Donna.

With this partnership Van de Velde jumps on the bandwagon of a concept of social selling, which allows people to experience products in the comfort of their own home, has become increasingly popular in Germany. The overall size of the German social selling market is currently over € 16bn euros and growing at a rate of 8% per year. With the development of this new innovative sales channel, Van de Velde increases the awareness and availability of Prima Donna and Marie Jo brands.

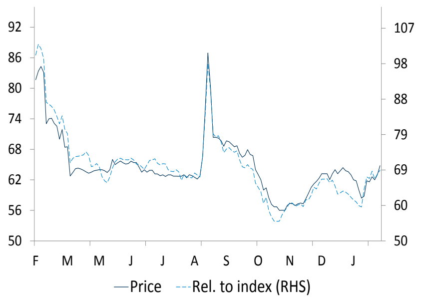
This new partnership with Pippa & Jean fits in Van de Velde's commitment to ensure the availability of its brands for customers through all channels. For Pippa&Jean this is the first step into opening its social selling platform O3S for other brands interested to launch their own sales force.

We reiterate our Hold rating and € 48 Target Price.

# VGP

## Record profits and better-than-anticipated outlook

| | | | |
|---|---|---|---|
| REAL ESTATE INVESTMENT & SERVICES | CURRENT PRICE | € 64.80 | **BUY** |
| BELGIUM | TARGET PRICE | € 78.00 | RATING UNCHANGED |




*Source: Thomson Reuters Datastream*

| | |
|---|---|
| Bloomberg | VGP BB |
| Reuters | VGP1.BR |
| www.vgpparks.eu | |
| Market Cap | € 1,204.2m |
| Shares outst. | 18.6m |
| Volume (daily) | € 217,146 |
| Free float | 37.5% |

Next corporate event

| (€ m) | 2017E | 2018E | 2019E |
|---|---|---|---|
| Sales | 27.1 | 37.9 | 45.0 |
| REBITDA | 144.4 | 130.5 | 126.6 |
| Net earnings | 109.4 | 92.5 | 90.0 |
| Adj. EPS (€) | 5.89 | 4.98 | 4.84 |
| P/E (x) | 11.0 | 13.0 | 13.4 |
| EV/REBITDA | 10.9 | 12.8 | 13.5 |
| FCF Yield | -14.1% | -20.1% | -17.5% |
| Dividend yield | 0.0% | 1.5% | 1.8% |

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**VGP delivered record profits of € 96m or € 5.17 p.s. (KBCSe € 107m), up 5.2% y/y and driven by € 94.6m net valuation gains and € 17m GRI (KBCS € 18.2m). Strong growth in all markets in which VGP is active, increasing importance of e-commerce, ongoing yield compression, geographic expansion and outstanding capital recycling are providing VGP solid and a promising 2018. Solvency remains solid with a gearing of approx. 42%.**

**Evolution portfolio:** The signed annualised leases rise to € 82.8m, up 35% y/y of which Germany has been the main driver with € 12.5m **new** leases. Over 2017, 17 buildings (350k sqm GLA) were delivered, 22 are under construction and 730k sqm new development land (470k sqm in Germany) has been acquired to sustain long-term growth. Besides, another 1.5m sqm land has been taken under option and a remaining 3.3m sqm secured land of which 1.8m is in full ownership. The combined weighted average annual lease term remains high at **9.7yrs**, down 0.6 yr since year-start. The own portfolio reached 13 years, whereas the JV reached 7.9 years. The portfolio remains **fully occupied** (98.8% FY16). The own portfolio represents 446k sqm GLA whereas the JV consists of 45 buildings or 831k sqm GLA. Another 475k sqm GLA is currently under construction. 730k sqm GLA of new development land plots were delivered.

**Outlook: Solid demand for logistics RE secures development pipeline**
In 2018, VGP aims to deliver up to 500k sqm (KBCSe 460k sqm) of which over 200k sqm to be delivered during 1Q18. VGP Announces to be closing the next transfer to the JV by March 2018 of **over € 370m**, allowing to company to recycle its financing needs and pursue its expansion plans. VGP is actively working on implementing EPRA best practices.

**Our View and conclusion:**
VGP delivered record high results, commits to distribute **a € 1.90 DPS** and a **fourth major** closing of **over € 370m** has been proposed, boosting VGP's development potential significantly. On top of that, VGP announces to **align its remuneration** plan with shareholders' interest, based on VGP's NAV growth. We look forward to VGP's **geographical expansion** plans into Western Europe as it is aiming to be included in the **EPRA index**. Financial debt rose to € 471m, particularly driven by an € 80m bond-placement, leading the gearing ratio to increase 3pps to 42.3%. The JV's weighted yield **compressed** 45bps to **5.63%.** From the € 94m (KBCSe € 119m) valuation gains, **€ 65m** (KBCSe € 24m) have been realized, indicating that its development pipeline delivered significantly faster as anticipated. Its pipeline remains above predictions. VGP **unquestionably delivered on its promises** to recycle its invested capital and crystalize built-up valuation gains to speed of the pace of its development activities. Record profits have been delivered, though slightly below expectations (timing of delivery). VGP announces a 4th major closing of over **€ 370m by March,** significantly faster and larger than we expected. On its balance sheet, the disposal 'held for sale' rose from € 132m to € 442m. The trend of increasingly lower yields persisted over the second half in 2017, even though we anticipated stable yields. This led to a compression of 20bps to 6.26%. We repeat our **BUY** rating and **€ 78TP**

# VARIOUS

## BEL20 : Who's in, who's out?

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Yesterday, after market close (i.e. the last Friday of February) was the cut-off date for the BEL20's annual review. The effective date is after the market close of the third Friday of March (i.e. 15 March 2018).

As a reminder, to be eligible for a position in the BEL20 index, companies must have Euronext Brussels as their market of reference. Companies with a reference market other than Euronext Brussels may be selected if they fulfil one of the following criteria: **a**. business assets in Belgium represent at least 1/3 of the consolidated balance sheet, **b**. HQ activities in Belgium represent for at least 1/3 of the consolidated balance sheet or sales, or **c**. employment numbers of staff in Belgium represent at least 15% of the group.

For companies already included in the BEL20 index, the thresholds are respectively 20%, 20% and 15%. Shares that are investment trusts or mono-holdings or with a free float below 15% are per definition excluded from the BEL20.

Eligible companies are screened and ranked based on their free float velocity. The free float percentage used is the one on the review cut-off date and it is rounded to the nearest 5% multiple. Euronext defines free float velocity as the regulated trading volume over the total number of listed shares available for trading (free float) calculated over the past twelve months. To be selected for the BEL20 index, a company must have a velocity of at least 35% while to remain in the BEL20 the velocity must be above 25%.

To enter the BEL20 index the stocks must also have a free float market capitalisation that is higher than the level of the BEL20 multiplied by € 300,000 (the exit level is set at the BEL20 times € 200,000).

During last year's annual review, Ahold Delhaize and Elia were removed from the index and replaced by Sofina and Aperam. Ahold Delhaize was not removed because it did not met the velocity criteria but because it was not eligible anymore according to the criteria described above.

According to our calculations, we think that Sofina is at risk given that its free float velocity is close to the 25% condition to stay in the BEL20. With already 20 names in the index, no new company can enter the index without that another one exits. From a technical point of view, Ablynx could perfectly enter the index as it meets all of Euronext's criteria. However, given that it will be acquired by Sanofi this would be surprising. As such, if Sofina were to be removed from the index – which we think is not likely given that it still meets the criteria and that it was included only last year – the most evident candidate to replace it would be Melexis. This being said, Aedifica also meets all the selection conditions.

A flash note will be published which includes a comprehensive list of the current BEL20 members as well as the potential candidates.

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The company disclosures can be consulted on our website http://www.kbcsecurities.com/disclosures.

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