KBC Securities

Morning Note

14 March 2003

Contents

Company	Comment	Recommendation	Price (at close)	Target Price
Ackermans & vH	Disappointing FY02	Accumulate	€ 12.75	€ 19.60*
Agfa-Gevaert	Financial update	Accumulate	€ 17.98	€ 20.00
Bekaert	Upgrade to Buy	Buy	€ 32.00	€ 45.00
Deceuninck	Feedback analyst meeting	Reduce	€ 15.50	€ 17.50
Delhaize	2002 results: mixed feelings	Reduce	€ 15.59	€ 20.00
Mitiska	Partnership Idé-GIFI	Reduce	€ 1.61	€ n.a.
Philips	A very positive and expected restructuring	Buy	€ 13.81	€ 17.20
Recticel	More dark clouds than expected	Reduce	€ 7.95	€ 9.50
Spector	Preview 2002 – Outlook 2003	Reduce	€ 8.20	€ 9.20
UCB	Final full year results today	Accumulate	€ 20.01	€ 26.00

**under review*

Changes in recommendation

Company	From	To
Ackermans & vH	Buy	Accumulate
Bekaert	Accumulate	Buy
Philips	Accumulate	Buy
Recticel	Accumulate	Reduce

Changes in EPS forecast

Company	From		To	
	2003E	2004E	2003E	2004E
Agfa-Gevaert (€)	2.08	2.35	1.90	2.18
Philips (€)	0.40	1.16	0.28	1.16

Key figures

(at close)	Price	1D	1M	12M
AEX	240.3	10.0%	-12.8%	-53.0%
BEL20	1,566.2	9.8%	-10.2%	-41.8%
CAC40	2,554.7	6.3%	-7.4%	-43.8%
DAX30	2,354.3	6.9%	-7.9%	-55.1%
FTSE100	3,486.9	6.1%	-3.4%	-33.9%
EUROSTOXX50	1,974.9	6.8%	-7.0%	-46.7%
STOXX50	2,036.1	6.7%	-6.0%	-44.2%
NECI	2,311.1	-1.1%	-4.2%	-64.2%
DJIA	7,821.7	3.6%	0.9%	-25.5%
S&P500	831.9	3.5%	1.8%	-28.7%
NASDAQ Comp	1,340.8	4.8%	5.0%	-28.0%
EUR/USD	1.09	-1.4%	0.3%	23.9%
EUR/GBP	0.68	-1.0%	1.3%	9.3%
Bel govt	3.9%	0.2 bp	0.0 bp	-1.5 bp
French govt	3.8%	0.2 bp	0.0 bp	-1.4 bp
Neth govt	3.8%	0.2 bp	0.0 bp	-1.2 bp

Source: KBC Securities

Corporate calendar

	Company	Event
14.03.03	Passat	Sales FY02
	IBA	Analyst Meeting / Results FY02
	UCB	Results FY02
	NRJ Group	Payment div. FY02
	Océ	Payment div. FI02
17.03.03	Lagardère	Results FY02
	Spector	Results FY02
18.03.03	Almanij	Analyst Meeting
19.03.03	Interbrew	Results FY02
	Omega Pharma	Results FY02
	USG	Results FY02
20.03.03	GIMV	Results FY02
24.03.03	Roularta	Results FY02
	SES Global	Results FY02
	Roularta	Analyst Meeting
25.03.03	ASML	General Assembly
	Metro	Analyst Meeting
	VPK Packaging	Results FY02

Ackermans & vH
AVHBt.BR / ACKB BB

Diversified Industr.
Belgium

Current price	€ 12.75
Target price	€ 19.60
Market cap	€ 427 m
Free float	47%

	EPS (€)	P/E
FY02E	1.60	7.95
FY03E	2.13	5.99
FY04E	2.52	5.07

Disappointing FY02

Accumulate
Downgraded

Yesterday morning AvH published disappointing FY02. Net profit declined by 83.9% to €14.8m. The 'current' result (result of the operating subsidiaries) was down 66.2% to €30.8m.

At €15m DEME's contribution was significantly lower than expected compared to previous guidance. The substantial drop in net profit was partly due to a number of exceptional factors. Write-downs and impairments amounted to €-42.1m. Important impairment amortizations of goodwill were made at Solvus (€-15.8m on BVDS/Schoevers) and Ad'Arma (€-2m on De Kie). The contribution of Sofinim was negatively influenced by additional write-downs on its portfolio (€-6.8m) and within the Coditel Group (€-12.3m). An unchanged dividend of €0.51 will be proposed to the AGM. In terms of outlook management believes there is limited visibility. Most important participations of the group are expected to improve their results for 2003, if market circumstances remain unchanged. Early in 2003 a first capital gain of €10.9 was realized on the change in Sofinim's stake SCF/Unisel.

On the basis of yesterday's poor results and due to limited transparency we are reducing our rating from buy to Accumulate, despite today's very large discount (45.6%). Both our target price and estimates are put under review.

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Agfa-Gevaert
AGFAt.BR / AGFB BB

Health
Belgium

Current price	€ 17.98
Target price	€ 20.00
Market cap	€ 2,517 m
Free float	75%

	EPS*(€)	P/E
FY02	1.83	9.51
FY03E	1.90	9.47
FY04E	2.18	8.26

*Adjusted for goodwill and exceptionals

Financial update

Accumulate
Unchanged

Based on our recent discussions with the company, we adjusted our financial outlook for 2003. After a very successful 9M02 for Agfa in terms of the impact from Horizon, 4Q02 and the beginning of 2003 showed a more cautious stance. At the end of 2002, Agfa had to book some one-off negative side-effects from Horizon and the first 2 months of 2003 did certainly not meet the criteria (no economic deterioration, stable $) to reach 12% EBIT after restructuring in 2003. As a result of all this news and following our view on 2003, we **lowered our 2003 sales forecast from € 4.5bn to € 4.4bn**. The **EBIT margin forecast was lowered from 11% to slightly less than 10%**. As a result our **EPS03 is reduced from € 2.08 to € 1.90** and EPS04 from € 2.35 to € 2.18. Based on our new financial guidance, we further lower our target price from € 21 to € 20. Hence, our target PE of 10x still holds and the target EV/EBITDA before restructuring is 5x. We think that the current stock price reflects most of the assumptions in our model (deterioration in GS and weak CI) but any further negative news from GS or CI needs to be closely monitored in order to fine-tune our model. A recovery of the $ will obviously have a positive effect on our sales and EBIT outlook. Accumulate.

More details will follow in a separate flash this morning.

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Bekaert

BERTt.BR / BEKB BB

Engineering
Belgium

Current price	€ 32.00
Target price	€ 45.00
Market cap	€ 714 m
Free float	60%

	EPS*(€)	P/E
FY02E	2.27	14.07
FY03E	4.51	7.10
FY04E	4.76	6.72

*Adjusted for goodwill and exceptionals

Upgrade to Buy

Buy
Upgraded

We are upgrading Bekaert to Buy this morning. The reason is mainly a valuation issue.

Bekaert published - as expected - a € 49.5m net loss yesterday. That was mainly the result of a series of exceptional costs: a.o. the impairment charge on the Uni Solar participation which finally costed the group appr. € 100m. Abstracting these exceptionals from the bottom line, we feel the underlying trend is rather positive. To give one example: Result from Operations on Sales amounts to 6.6% without taking into account the exceptional items. That ratio has only been exceeded in 1994 and was accomplished in very difficult market circumstances. The focus on Central- and Eastern Europe and Asia/China to expand with steel wire and steel cord is also credible and should add to the bottom line in the next few years. Management is not afraid to close down factories or to end collaborations that are not useful enough for Bekaert.
This does not mean that Bekaert's business is without risk: order books in steel wire are slightly down this year, BAM and steel cord are doing well. We must not forget the Iraq crisis and what this may do to the world economy later.

A price to book of only 0.80x, a strong cash flow generation, a strong balance sheet (net debt brought down €178m and gearing only 42%), a dividend yield of 5.25%, low pricing multiples… warrant in our view a higher pricing. We advise investors to Buy Bekaert at the current price level. Company flash coming up.

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Deceuninck

DECBt.BR / DECB BB

Construction
Belgium

Current price	€ 15.50
Target price	€ 17.50
Market cap	€ 334 m
Free float	52%

	EPS*(€)	P/E
FY02E	1.34	11.57
FY03E	1.43	10.85
FY04E	1.62	9.58

*Adjusted for goodwill and exceptionals

Feedback analyst meeting

Reduce
Unchanged

Deceuninck hosted an analyst meeting yesterday to comment on the FY02 results, which were published yesterday morning. All in all there were no surprises. The conclusion is that the group did a fine job in FY02 with volumes up 8.5% (sales +2.7% because of currency effects which had an impact of -4.6%, price pressure -1.2%). Margins did not deteriorate despite a 10% increase y-o-y in the PVC price (which remains high so far this year). Continuous focus on efficiency, productivity and added value is the explanation for the margins that held up well.
Outlook : Deceuninck did not dare to comment on 2003. They hope to do better again but low visibility prevents them from being more precise. 2003 will again be a year of significant capex (€ 38m again was suggested where maintenance capex amounts to €20-25m). That will of course weigh on the results again this year. Deceuninck also awaits higher taxes this year (27/28% vs. 20%).
More interesting was the fact that the company is currently drafting a new business plan 2003-2007 that will be presented some weeks from now. Part of that plan will be a possible focus on expansion in Asia. China e.g. has become the biggest market in the PVC window systems business and Deceuninck should not miss out on growth opportunities. Given the uncertainties and the current pricing as such we are keeping our Reduce rating awaiting more details to be presented in a couple of weeks time.

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Delhaize
DELBt.BR / DELB BB

Food & Drug Retailer
Belgium

Current price	€ 15.59
Target price	€ 20.00
Market cap	€ 1,438 m
Free float	80%

	EPS*(€)	P/E
FY02E	3.08	5.06
FY03E	3.11	5.02
FY04E	3.55	4.39

*Adjusted for goodwill and exceptionals

2002 results: mixed feelings

Reduce
Unchanged

Bottom-line earnings (+19%) were better than expected as a result of higher than expected EBITDA margins in the US and Belgium in Q4 and a lower than expected net interest charge.

Net debt fell by € 878 m but the weaker dollar contributed € 636 m to this positive evolution.

Delhaize America's announced cost savings (USD 100 m) in 2003 will be used to 'invest' in lower sales prices in order to protect Food Lion' market share. The gross margin for the US operations improved from 25.9% in Q4 2001 to 26.9% in Q4 2002. This improvement is mainly due to an accounting change however. Since 2002 supplier allowances are added above the gross profit line. In the past they used to be netted with other operating costs/income.

The Belgian operations, Hannaford and Alfa-Beta (Greece) were the best performers in 2002. Delhaize Belgium realized an EBITDA margin of 6.9% in Q4 2002 versus 6.1% in Q4 2001.

We have welcomed the decision to cut the dividend by 39%.

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Mitiska
MISK.BR / MIT BB

General Retailers
Belgium

Current price	€ 1.61
Target price	€ n.a.
Market cap	€ 10 m
Free float	30%

	EPS*(€)	P/E
FY02E	-	-
FY03E	-	-
	-	-

*Adjusted for goodwill and exceptionals

Partnership Idé-GIFI

Reduce
Unchanged

The French retail Group GIFI will acquire a 50% stake in Idé, a 100% subsidiary of Mitiska. GIFI will invest €5m via a capital increase in Idé. Therefore, the deal has no impact on Mitiska's non-consolidated debt position.

Reduce rating maintained.

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Philips

PHG.AS / PHIA NA

Electronics
Netherlands

Current price	€ 13.81
Target price	€ 17.20
Market cap	€ 18,175 m
Free float	100%

	EPS*(€)	P/E
FY02E	-2.51	-
FY03E	0.28	49.26
FY04E	1.16	11.89

*Adjusted for goodwill and exceptionals

A very positive and expected restructuring

Buy
Upgraded

After the closure of the semiconductor fab of Alburquerque, the company announced this morning they are going to shut down the San Antonio fab. In total, more than 20% of their capacity will be cut.
We believe this restructuring measure could not be avoided in order for Philips to go back to profitability and was strongly expected by the market.
Due to restructuring charges (€ 200 m) we have cut our 03 EPS to €0.28 Vs €0.40. We believe to have fully priced in this negative news, despite the tough environment, the negative dollar effect and the cost of pensionfunds for 2003. We have also severely cut our forecast (with a current Equity risk premium at 6%). According to us, the very difficult macroeconomics environment has already been taken into account. Taking into account the new measures and the recent fall of Philips's stake held in different listed companies (TSMC, Vivendi, Asml…), we have cut our target price to €17.2 Vs €19., offering a 30% upside, with very conservative assumptions.
We are upgrading our rating from "Accumulate" to "Buy"

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Recticel

RECTt.BR / REC BB

Chemicals
Belgium

Current price	€ 7.95
Target price	€ 9.50
Market cap	€ 221 m
Free float	30%

	EPS*(€)	P/E
FY02E	0.49	16.21
FY03E	1.07	7.42
FY04E	1.16	6.88

*Adjusted for goodwill and exceptionals

More dark clouds than expected

Reduce
Downgraded

Recticel hosted an analyst meeting yesterday to comment on the FY02 results. At first sight these results did not disappoint. Yesterday, it became clear however that a few risk elements have become more eminent.
First there is the outlook as such (low visibility). Raw material suppliers have indicated possible price increases. It is not clear which effect this will have on margins. Foamex was written down to € 5.0/share (vs. current share price of appr. $ 2). It seems that the amount written down was set in order to show a rise in net profit. In our opinion mark to market would have yielded an extra cost of at least € 3m. Margin in automotive was lower because of start up costs on the MercedesE. Also because the car is so successful that Recticel had to introduce extra (weekend) shifts. That operational risk/cost element is for the account of Recticel. Growth in automotive continues. The company foresees € 70m capex in Automotive this year and € 33m in 2004 (again start up costs and possible losses). Most likely the company will need extra means if the expansion continues like this. The shareholders agreement has to be renegotiated by the end of this year. Management refused to comment on this.
Quite a few uncertainties thus that will weigh on the results and which we will discuss in the flash coming up shortly. We have put the outlook under review but because of the uncertainties we mentioned, we are cutting our stance to Reduce. Recticel hopes to post better results again this year but we have our doubts whether that is possible.

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Spector
SPEBt.BR / SPEC BB

Media
Belgium

Current price	€ 8.20
Target price	€ 9.20
Market cap	€ 55 m
Free float	59%

	EPS*(€)	P/E
FY02E	1.34	6.11
FY03E	1.32	6.20
FY04E	1.42	5.76

*Adjusted for goodwill and exceptionals

Preview 2002 – Outlook 2003

Reduce
Unchanged

Spector will release its annual results 2002 on Monday March 17th at 2h30 pm (CET). Back in February, Spector published a 2002 turnover of €381m (+0.3% y-o-y), in line with our forecast (Mail Order sales of €120m and Retail of €228m).

The EBIT for the first nine months was €18m and we forecast a 2002 EBIT of €19m. This is only an EBIT in 4Q02 of €1m, which is due to the large fixed costs in Mail Order and the seasonal weak quarter. The 4Q02 operational loss in Mail Order is however offset by the profitability in Retail. On a full year basis, we expect an EBIT margin for Mail Order of 9% and for Retail of 3%. EBITDA02 is expected to be €48m and the EBITDA margin is forecast to be 28% (29% in 9M02) and 6% (5.5% in 9M02) respectively. The net result will be around break-even (we expect €-2m) depending on the impact from taxes (€2.4m) and some other effects (currency fluctuations). As the net result was impact by exceptional charges of more than €10m (a/o negative impact from Kodak deal of selling wholesale labs), the EPS02 is expected to be €1.34. Spector is still carrying debt of about €110m while we expect annual free cash flows of €16-20m. Currently, we forecast a 4% top line growth in 2003 (which might be too optimistic given the company's dependence on the consumer segment) with an EBIT of €20m. EPS03 will stabilize at €1.32. We keep our Reduce rating as 1Q is traditionally a weak quarter. We will update our target price after publication of the results.

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UCB
UCBBt.BR / UCB BB

Pharma & Biotech
Belgium

Current price	€ 20.01
Target price	€ 26.00
Market cap	€ 2,920 m
Free float	59%

	EPS*(€)	P/E
FY02E	2.39	8.37
FY03E	2.51	7.98
FY04E	2.68	7.47

*Adjusted for goodwill and exceptionals

Final full year results today

Accumulate
Unchanged

As UCB's final results are traditionally identical to its preliminary results, we do not expect any surprises.

For those who are interested in more details, we refer to our company report published on 6 Mar.

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