DAILY STOCK NEWS – Institutional Research and Sales

Friday, 28 July 2017 - Highlights

- **Proximus** (Hold from ADD): A little light but good KPI's (EUR 30.41 / TP EUR 32.00)
- **Wolters Kluwer** (Hold): Slight beat in H1-17 (EUR 37.2 / TP EUR 40.00)
- **Bekaert** (ADD from BUY): Results slightly below expectations (EUR 46.70 / TP EUR 52.00)
- **BESI** (Buy): This Cycle is Strong: Higher Estimates and Target Price (EUR 56.30 / TP EUR 65.00)
- **Econocom** (Hold from BUY): Earnings weak but guidance unchanged (EUR 7.66 - TP EUR 8.15)
- **Elia** (Hold): 1H17 in line (EUR 49.13/TP EUR 50)
- **Flow Traders** (Buy): Q2-17 results in line with consensus (EUR 24.15 / TP EUR 34.0)
- **Galapagos** (Buy): Reports strong cash position and licensing of GLPG1972 to Servier (EUR 70.1 / TP EUR 96)
- **Cofinimmo** (Hold): Satisfactory 1H results, weak valuation (EUR 108.50/TP EUR 110.50)
- **Heineken** (to Hold from Add): 1H17 expected to be solid again (EUR 89.2 / TP EUR92)
- **Umicore** (Buy): H1 2017 preview (EUR 65.10 / TP EUR 68.5)
- Degroof Petercam Benelux **Preference List**

BEL 20 0.83% 3985.6

Best Performers	
ANHEUSER-BUS	5.86%
UMICORE	2.36%
BPOST SA	1.72%

Worst Performers	
ONTEX GROUP	-6.20%
SOLVAY	-0.93%
GALAPAGOS NV	-0.69%

AEX 25 0.50% 530.35

Best Performers	
AALBERTS IND	2.65%
KPN	2.21%
RELX NV	1.72%

Worst Performers	
DSM	-0.76%
VOPAK	-0.71%
GALAPAGOS NV	-0.69%

Euronext 100 0.39% 1011.78

Best Performers	
JCDECAUX SA	6.98%
ANHEUSER-BUS	5.86%
SCHNEIDER EL	3.78%

Worst Performers	
CASINO GUICH	-5.89%
IMERYS SA	-5.76%
JERONIMO MAR	-4.32%

Next 150 -0.17% 2886.38

Best Performers	
ARCADIS NV	16.66%
SOITEC	9.56%
BESI	6.23%

Worst Performers	
TECHNICOLOR-	-16.74%
SOLOCAL GROU	-13.58%
ELIOR GROUP	-9.61%

Proximus									Hold
Telecom									*Target price : 32.00*
Price	Mark.cap.(m)	eps 17e	eps 18e	Ratios	12/17e	12/18e	Glob. fig. (m)	12/17e	12/18e
EUR 31.80	10,103	2.01	2.05	P/E	15.8	15.5	Sales	5,923	5,940
				Div. Yield	4.7%	4.7%	EBITA	961	1,022
RIC : PROX.BR - Bloomberg : PROX BB				EV/EBITDA	6.6	6.4	Adj.Profit	638	651

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Proximus: A little light but good KPI's - Hold from ADD

Facts: REBITDA EUR 464m against EUR 473m expected

- Proximus releases results just a little shy of expectations with REBITDA coming in at EUR 464m against EUR 473m expected and consensus of EUR 467m.
- Sales reached EUR 1,417m (-2.9%) versus EUR 1,461m expected an consensus of EUR 1,453.
- The Direct margin of the Domestic business recorded a decline of 1.2% against -0.2% in the quarter. Underlying Domestic expenses declined by 3.6%, resulting in a 1.1% growth of Domestic EBITDA.
- Divisionally, sales in Consumer were in-line at EUR 727m with solid KPI's. Postpaid net adds reached 44k versus 21k expected, while prepaid net adds were -59k versus -30k expected. Broadband net ads were at +15k vs. +10k anticipated and TV net adds +17k versus +20k expected.
- Sales in the Business segment came in at EUR 342m versus EUR 352m anticipated. Postpaid net adds of 14k were strong and ex-regulation, mobile continued to do well. ICT revenues declined by 1.3% in the quarter versus 16% growth in Q1.
- BICS sales were lower than expected but REBITDA was in-line.
- Guidance is kept unchanged.

Our View: Results a little light but with good KPI’s

Most KPI’s continued to do well on the back of the Tuttimus and Biz All-in offers and higher uptake at Scarlett at the lower end of the segment. As such, Proximus is not feeling a major impact from Orange Belgium’s “LOVE” offer. However, Proximus has taken some commercial initiatives such a renewed focus on mobile devices, which hurts profitability somewhat.

We expect continued good commercial traction in H2, but H2 will see the full impact from Roam-Like-At-Home.

Investment Conclusion: Hold from ADD – Target price EUR 32.00

The shares have come close to our target price of EUR 32.00. We see some further target price upside from a potential favorable tax impact, but this is hard to judge today and will still depend on the changes in tax deductible costs, which are not known yet. Rating from ADD to Hold. The shares trade at 7.0x EV/EBITDA and offer a gross yield of 4.7%.

Details

in EUR m	2016 Q2	2017 Q2e	Actual	vs. Exp
Revenues (underlying)	1,463	1,461	1,417	-3.0%
REBITDA	463	473	464	-1.9%
EBIT	229	239	202	-15.5%
Net result	105	155	126	-18.7%
net debt	2,014	1,944	2,001	2.9%
Domestic	**1,101**	**1,120**	**1105**	-1.3%
Consumer BU	718	726	727	0.1%
Enterprise BU	345	352	342	-2.8%
Wholesale	49	52	48	-7.7%
Other	-11	-10	-13	30.0%
International Carrier (ICS)	**359**	**340**	**312**	-8.2%
REVENUES (underlying)	**1,460**	**1,461**	**1,417**	**-3.0%**
Domestic	424	440	430	-2.3%
BICS	39	33	34	3.0%
REBITDA	**463**	**473**	**464**	**-1.9%**

Net adds CBU	**2017 Q2e**	**Actual**
Fixed voice	0	-10
Broadband	10	15
TV	20	17
Mobile	-10	-15
Net adds EBU		
Fixed voice	-10	-10
Broadband	1	0
Mobile (ex M2M)	5	14

Wolters Kluwer — Hold

Media: Publishers — ***Target price : 40.00***

Price	Mark.cap.(m)	eps 17e	eps 18e	Ratios	12/17e	12/18e	Glob. fig. (m)	12/17e	12/18e
EUR 37.15	10,688	2.28	2.42	P/E	16.3	15.3	Sales	4,542	4,628
				Div. Yield	2.1%	2.2%	EBITA	1,017	1,050
RIC : WLSNc.AS - Bloomberg : WKL NA				EV/EBITDA	11.8	11.0	Adj.Profit	650	678

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Wolters Kluwer: Slight beat in H1-17

Sales and adjusted net profit were in line, and adjusted operating profit was slightly better than expected. FY 2017 guidance was repeated. SBB was raised to EUR 300m (from EUR 200m).

Slight beat on H1-17 adjusted operating profits

- In H1-17, Wolters Kluwer beat on sales and adjusted net profit by 1%, and on adjusted operating profit by 4%.Sales rose 6% y/y to EUR 2,174m (DP 2,160, CSS 2,152). Adjusted EBITA was EUR 450m (DP 435, CSS 433) and the adjusted EBITA margin was 20.7%, a rise of 70bps y/y (DP and CSS 20.1%). Adjusted net profit was EUR 278m (DP 270, CSS 276).
- Reported EBIT(A) and reported net profit are stronger than expected due to exceptional items of EUR +40m in the operating profit.
- Organic sales growth was 2% in H1-17, following 2% in Q1-17 (both are rounded figures). This compares to our estimate of 2.0% and CSS of 2.2%. Organic growth was 4% in Digital, 1% in Services, and -8% in Print. It was 3% in North America, 1% in Europe, and 1% in Asia & ROW.
- Adjusted operating profit was much stronger than expected in Health, better than expected in GR&C, and slightly below expectations in Tax & Accounting, and Legal & Regulatory.

Balance sheet and cash flow look fine

- FCF was EUR 246m vs. EUR 225m a year ago. Net debt was EUR 2,257m or 1.9x EBITDA vs. 1.7x at year end 2016 and 1.7x a year ago. WC was EUR -954m or –21.5% of 12-months trailing sales vs. -21.6% last year.

SBB raised to EUR 300m

- Management has executed circa EUR 150m in share buy backs YTD. They raised the SBB to EUR 300m (from EUR 200m), which leaves another EUR 150m to go during the remainder of 2017.
- Management set an interim dividend of EUR 0.20 p/s, which is in line with our expectations.
- Management also announced it has reached an agreement to sell certain Legal activities in the UK for a price of EUR 13m.

Guidance maintained

- Guidance for FY 2017 was repeated: solid organic sales growth, adjusted operating margins of 22.5-23.0%, adjusted FCF of EUR 675-725m, ROIC of 9.5-10.0%, and mid-single-digit growth in diluted adjusted EPS.

Our view

- The H1-17 results look fine on all accounts, with 2% organic sales growth and a slight beat on adjusted operating profits. Guidance was repeated, which is comforting, and the step-up in the share buy-back is the icing on today's cake. We expect to make only small tweaks to our estimates for FY 2017 and beyond, and we expect the same to happen to consensus. Overall, we expect a positive share price reaction.

Investment case

- Wolters is in its fourth year of healthy organic sales growth as the mix has improved structurally for the better, with digital being dominant and print being small enough to no longer hamper the overall performance. Profitability clearly benefit as cost inflation is now easily absorbed. Meanwhile, strong cash flow is used to boost growth through (digital) product development, to make add-on acquisitions of companies with a superior growth profile, and to buy back shares. Historically, Wolters traded at a discount vs. its closest peers over a long period of time. Over the past 12 months, however, the gap narrowed considerably. Our target price of EUR 40 is based on the average outcome of the fair values from our DCF-model, and 2014-2016 multiples set against our estimates for 2018. This offers no meaningful upside. Hence our Hold rating.

P&L Account (EUR m)	**H1 16**	**H1 17e**	**CSS WK**	**ACTUAL**	**vs. CSS**
Sales	2,042	2,160	2,152	2,174	1%
Growth y/y	1.3%	5.8%	5.4%	6.5%	
o.w. organic	2.7%	2.0%	2.2%	2.0%	
Adjusted EBITA	408	435	433	450	4%
%	20.0%	20.1%	20.1%	20.7%	
Exceptionals in op. profit	-2	0		40	
EBITA	406	435		490	
%	19.9%	20.1%		22.5%	
EBIT	317	344	345	396	15%
%	15.5%	15.9%	16.0%	18.2%	
Financial result	-54	-57	-52	-58	12%
PBT	263	287	293	338	15%
Taxes	-64	-101	-78	-72	-8%
Tax-rate	24.3%	35.2%	26.6%	21.3%	
Net profit reported	199	212	214	266	24%
Net profit adjusted	260	270	276	278	1%

Adjusted EBITA (EUR m)	**H1 16**	**H1 17e**	**CSS WK**	**ACTUAL**	**vs. CSS**
Health	106	116	116	133	15%
Tax & Accounting	143	155	153	146	-5%
Governance, Risk & Compliance	141	147	145	156	8%
Legal & Regulatory	42	43	43	42	-2%
Corporate	-24	-26	-26	-27	4%
Total	408	435	433	450	4%

Bekaert									Add
Metal technology									*Target price : 52.00*
Price	Mark.cap.(m)	eps 17e	eps 18e	Ratios	12/17e	12/18e	Glob. fig. (m)	12/17e	12/18e
EUR 46.66	2,804	3.57	3.94	P/E	13.1	11.8	Sales	4,112	4,223
				Div. Yield	2.4%	2.4%	EBITA	337	375
RIC : BERTt.BR - Bloomberg : BEKB BB				EV/EBITDA	7.5	6.9	Adj.Profit	205	227

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Bekaert: Results slightly below expectations - ADD from BUY

Facts: REBIT EUR 176m versus EUR 178m expected

- Sales came in at EUR 2,095m against EUR 2,138m expected and consensus of EUR 2,119m.
- REBIT reached EUR 176m versus EUR 178m expected and consensus of EUR 181m.
- Organic growth reached 6.5% of which 1% volume and +5.5% price and price/mix. This implies a volume decline in Q2 since volumes increased by 6% in Q1.
- This was mainly due to a slowdown in China in Q2. Most regions performed in-line with expectations except for China with APAC sales coming in at EUR 565m against EUR 603m expected. After a very strong first quarter with vigorous volume growth across the region, demand from tire markets dropped in the second quarter as a result of temporary capacity reduction actions implemented by Chinese tire manufacturers in anticipation of declining prices for steel and rubber. Bekaert also noted a slowdown in demand in South East Asia during the month of June due to lower economic activity in Ramadhan. Bekaert's sawing wire activities faced demand volatility across the first half of 2017. These evolutions cancelled out the firm organic volume growth realized in the first quarter of the year. However, Bekaert projects tire markets to pick up after the temporary drop caused by stock correction actions from Chinese tire makers in anticipation of declining raw materials prices and are confident of the inherent strength and growth perspectives of tire markets across the region. Bekaert will also be taking actions to upgrade its sawing wire offering and position so it can play a part in the ongoing technology shift in solar markets.
- Latam was also slightly weaker on top level and REBIT and the region continues to suffer from economic and political instability.
- EMEA performed well with strong automotive, construction and industrial markets but some problems to pass on higher wire rod prices in the construction market.
- North America reported strong profitability improvement on the back of the transformation program.
- Net debt was in-line at EUR 1,230m and the group repeats its guidance that underlying EBIT will be broadly in-line with the 2016 level.

Our View: Weaker second quarter but mainly due to de-stocking by Chinese tire manufacturers

Bekaert's second quarter remained below expectations, mainly due to China. In China, increased pricing pressure in sawing wire, anticipating changes in feed-in tariffs, and de-stocking by tire manufacturers impacted volumes and prices. While the sawing wire segment is more uncertain and Bekaert is taking strategic actions, the tire cord volume decline looks temporarily.

Europe remains extremely solid, apart from the oil and gas sector, which also continues to hurt BBRG. The US margin is a positive surprise, while Latam remains highly uncertain.

Investment Conclusion: ADD from BUY / Target Price slightly down to EUR 52 from EUR 53

We will slightly reduce our FY REBIT estimate as we now still anticipate a 6% growth. We will not materially alter our 2018 estimates. The transformation program is on track but with less short term visibility and slightly reduced estimates we move from BUY to ADD. The shares trade at an estimated 10.5x EV/EBIT 2018.

Details

in EUR	**2016 H1**	**2017 H1e**	**actual**	**vs. Exp**
Combined sales (m)	**2,124**	**2,469**	**2,424**	**-1.8%**
Sales group (m)	**1,819**	**2,135**	**2,095**	**-1.9%**
EMEA	608	651	653	0.3%
North America	264	286	287	0.2%
Latin America	328	364	356	-2.2%
Asia Pacific	517	603	565	-6.4%
BBRG		230	234	1.7%
EBITDA (m)	**241.3**	**265.5**	**277.0**	**4.3%**
REBIT (m)	**157.0**	**178.0**	**176.0**	**-1.1%**
EMEA	80.8	81.4	81.0	-0.5%
North America	12.7	15.8	21.0	33.3%
Latin America	32.8	36.4	28.0	-23.1%
Asia Pacific	58.1	72.4	61.0	-15.8%
BBRG		4.6	11.0	139.1%
Other	-37.0	-32.5	-26.0	-20.0%
EBIT (m)	**143.3**	**170.5**	**196.6**	**15.3%**
Fin result (m)	-27.9	-33.0	-76.3	131.2%
Associates	12.8	10.0	9.4	-6.0%
Net profit (m)	**32.7**	**109.0**	**86.9**	**-20.3%**

BESI									Buy
Semiconductor Equipment									*Target price : 65.00*
Price	Mark.cap.(m)	eps 17e	eps 18e	Ratios	12/17e	12/18e	Glob. fig. (m)	12/17e	12/18e
EUR 56.30	2,101	3.73	3.95	P/E	15.1	14.2	Sales	540.3	562.0
				Div. Yield	5.3%	5.6%	EBITA	182	190
RIC : BESI.AS - Bloomberg : BESI NA				EV/EBITDA	9.9	9.2	Adj.Profit	139	146

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BESI: This Cycle is Strong: Higher Estimates and Target Price

Following the stronger than expected 2Q17 and 3Q17 guidance we raise our 2017-19 EPS estimates by an average 17% (see pdf attached). We expect die attach equipment demand to be very strong in 2017. We raise our TP to EUR65 from EUR60: BUY.

- **Strong 2Q17 beat.** BESI reported 2Q17 revenue of EUR170m, up 54% sequentially and 56% y-o-y driven by higher die bonding shipments for smart phone applications. We were aiming for EUR161m, while the company had guided for a +40-50% sequential increase. The gross margin of 57.3% also came in above our 55.0% estimate, despite FX headwinds, reflecting a more favorable mix and increased production efficiencies. BESI continued to ramp its Asian supply chain and expand its Malaysian and Chinese production which has further reduced cycle times.
- **Healthy bookings.** Bookings came in at EUR130m, down 46% sequentially from the exceptionally strong 1Q17 order intake, but this was still up 30% y-o-y. BESI cites broad based y-o-y order growth with particular strength in cloud server and automotive applications.
- **Ongoing share buyback.** BESI ended the quarter with a solid Net Cash position of EUR132m. The company has repurchased 413k shares (EUR15.3m) under the existing 1m share buyback program.
- **Outlook points to only moderate seasonality.** The company guides for 3Q17 revenue to seasonally decrease by 5-15 % sequentially. Revenue and operating income are expected to “substantially exceed Q3-16 levels" at the midpoint of the guidance. Management cites that “the industry environment remains positive with ongoing investment in a new technology upgrade cycle and specific applications such as smart phones, automotive, cloud server and high end memory”. BESI guides for a 55-57% gross margin in 3Q17 and OPEX to be down 5%-10% sequentially.
- **The upcycle continues in 3Q17.** Revenue growth in 2Q17 exceeded expectations primarily due to earlier than anticipated shipments of die attach systems that were scheduled for 3Q17. The guidance for 5-15% sequentially lower revenue in 3Q17 is better than we had anticipated, especially in view of these order pull-ins. Historical seasonality would suggest a 16% decline while we were conservatively modeling for a 20% decrease.
- **Higher estimates and TP: BUY.** We raise our 2017-19 EPS estimates by an average 17%. We expect back-end semiconductor equipment demand to be very strong in 2017 as many end markets require additional die bonding capacity. Hence, BESI is very well positioned to enjoy this multi-year growth cycle. Our new estimates allow us to raise our target price further to EUR65 from EUR60 and we reiterate our BUY-rating.

Econocom

Hold

Information technology

Target price : 8.15

Price	Mark.cap.(m)	eps 17e	eps 18e	Ratios	12/17e	12/18e	Glob. fig. (m)	12/17e	12/18e
EUR 7.66	1,832	0.36	0.42	P/E	21.6	18.1	Sales	2,719	2,855
				Div. Yield	1.4%	1.6%	EBITA	157	172
RIC : EBAB.BR - Bloomberg : ECONB BB				EV/EBITDA	12.2	11.0	Adj.Profit	79.3	100

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Econocom: Earnings weak but guidance unchanged - Hold from BUY

Facts: REBIT +9.2% but EBIT -5.2%

- Econocom released H1 results below expectations but indicates this was mainly the result of the postponement of a number of contracts in Technology, Management & Financing, which will be compensated in H2.
- As such, FY guidance of organic growth of >5% and double digit REBIT growth is kept unchanged.
- Sales in the first half increased by 5.7% to EUR 1,280m but this is a slowdown versus Q1 growth of 9.7%.
- Organic growth reached 2.4% for H1 versus 7.5% in Q1, but which had a favorable comparison base.
- Sales in Technology, Management & Financing (TFM) declined by 1.5% to EUR 604m, due to the delay on some larger projects.
- Service sales increased by 10.9% (4.4% organically) to EUR 430m thanks to some large multi/year contracts. The Service satellites (acquired) grew by 11% organically.
- Products & Solutions sales grew by 16.8% of which 9% organically with good growth in France and Spain.
- REBIT increases by 9.2% to EUR 58.2m, which makes the double digit growth target well within reach given the additional contracts that will be recorded in H2.
- However, non-recurring charges related to the transformation were higher than expected at EUR 8.9m, while we estimated EUR 5m for the full year. Full year guidance is for 0.7% of sales, i.e. close to EUR 20m.
- Earnings were also supported by higher residual values on TMF, which explains an estimated 100bp's of the 130bp's margin increase. We estimate a net positive earnings impact of EUR 6m. Residual interest of leased assets increased by EUR 18m.
- REBIT in services declined from EUR 18.5m to EUR 14.6m despite the higher sales as some of the large gained contracts have lower margins at the start.
- Products and Solutions margins increased from 1.9% to 2.2% bringing REBIT to EUR 5.5m from EUR 4.1m in H1 2016.
- Net financial debt of EUR 204m is higher than we expected and compares to EUR 185m on 31/12 and benefited from the convertible conversion of EUR 133m. The increases is due to seasonal pattern and business investments. This includes, i.a. additional BS financing in TMF for EUR 12m, 106m WCR, EUR 18m capex, EUR 20m SBB, EUR 26m M&A and EUR 11m non-recurring.
- The group is currently looking at medium-sized acquisitions in the UK and Germany.

Our View: Guidance unchanged but lower quality and higher debt

The lower than expected sales are mainly due to lower sales in TMF, whih recognizes revenues up font and thus typically has an end of period cut-off volatility.
The sales performance in Services also highlights that the Satellite strategy is working, but the new big contracts record a lower initial margin.
All in all, we are confident that the group will reach its double digit REBIT growth and in our preliminary new estimates we do not materially alter our REBIT forecast. However, we do reduce our EBIT number on the back of higher than expected non-recurring items and we anticipate lower earnings quality, supported by higher residual values.

We will also increase our net debt estimate to EUR 147m, including an implicit assumption on the potential new acquisitions. The smaller acquisitions are part of REBIT guidance.

Investment Conclusion: Downgrade to Hold – TP EUR 8.15 from EUR 8.75

The shares have had a good performance recently and on the back of the higher net debt and lower EBIT numbers we reduce our price target from EUR 8.75 to EUR 8.15. At 8.15 we continue to value Econocom at 12x EV/EBIT and think it is time for a pause, awaiting the Investor Day on October 3. Therefore, we downgrade to Hold from BUY.

Elia									Hold
Regulated Utilities									*Target price : 52.00*
Price	Mark.cap.(m)	eps 17e	eps 18e	Ratios	12/17e	12/18e	Glob. fig. (m)	12/17e	12/18e
EUR 49.13	2,967	3.35	3.79	P/E	14.7	13.0	Sales	1,034	1,124
				Div. Yield	3.3%	3.3%	EBITA	277	309
RIC : ELI.BR - Bloomberg : ELI BB				EV/EBITDA	14.1	13.0	Adj.Profit	202	229

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Elia: 1H17 in line

Facts

- Elia reported a 1H17 normalised net profit of EUR 111m (from EUR 84.6m in 1H16, so up 28.3% yoy.) vs. our estimate of EUR 100m (no consensus available). There were no non-recurring items.
- The 1H17 normalised net profit in Belgium came in at EUR 60m (from EUR 41m in 1H16, so up 46.7% yoy.), where we estimated EUR 50m. The main reason for the difference is that Elia received front-loaded customer contributions for specific investments. These are IFRS profits only so there is no influence on the dividend based on GAAP. 1H17 investments stood at EUR 192m.
- The German part of Elia's 1H17 normalised net profit was EUR 51m (from EUR 43.6m in 1H16, up 13.3% yoy.), a notch above our forecast of EUR 50m. Investments in Germany amounted to EUR 7m.
- As usual, the company provides no FY guidance stating that as some parameters can only be calculated at year-end (10y OLO yield, Elia beta, etc.). It does expect to meet its investment target of EUR 488m and realisation of 55%-60% of incentives in Belgium. Also for Germany, Elia remains positive. Some expenditures will be shifted to next year however, so that the investment target of EUR 600m will drop to EUR 500m.
- There is a conference call at 10h00 am CET, number +31 20 531582 . Registration on **www.eliagroup.eu** is required.

Our view

Elia's 1H17 results were in line with expectations as the excess in Belgium is IFRS based only. We will have to lower our net profit estimate in Germany somewhat because of the lowered investment target but these profits will shift to next year.

Conclusion: Hold recommendation and TP of EUR 50

We see no reasons to change our target price as there will be only a time shift in profit generation in Germany. Hence, we stick to our Hold recommendation.

Degroof Petercam acts as a liquidity provider for this company and is paid for these services.

Flow Traders									**Buy**
Financial Services									***Target price : 34.00***
Price	Mark.cap.(m)	eps 17e	eps 18e	Ratios	12/17e	12/18e	Glob. fig. (m)	12/17e	12/18e
EUR 24.15	1,124	1.02	1.72	P/E	23.8	14.0	Sales	185.7	261.3
				Div. Yield	2.7%	4.6%	EBITA	59.1	100
RIC : FLOW.AS - Bloomberg : FLOW NA				EV/EBITDA	16.9	10.2	Adj.Profit	47.3	80.1
Analyst: Michael Roeg - E-mail: m.roeg@degroofpetercam.com - Phone: +31 20 573 5422									

Flow Traders: Q2-17 results in line with consensus

Flow Traders' reported Q2-17 results that were in line with consensus, beating our estimates. They gained further market share, and posted a profit on every single trading day.

Key items

- In Q2-17, NTI decreased 3% q/q to EUR 46.7m (DP 43.7, CSS 46.9). EBITDA was EUR 17.0m (DP 15.1, CSS 17.0), EBIT was EUR 15.3m (DP 13.3), and net income was EUR 12.5m (DP 10.6, CSS 12.4). The EBITDA margin was 36.4% (DP 34.4%, CSS 36.2%).
- Regional NTI was much stronger than we had expected in EMEA, and much lower than we had expected in Americas and APAC.
- In Q2-17, Flow Traders' value traded rose 6% q/q and global ETP value traded decreased 1% q/q. Hence, the company gained further market share, just like they had done in previous quarters. Flow Traders posted a profit on every single trading day in Q2-17, which brings their profitable streak to 38 months.
- Total trading capital at the end of Q2-17 was EUR 273m vs. EUR 299m at the end of Q1-17 and EUR 343m at the end of 2016.
- Management set an interim dividend of EUR 0.30 p/s compared to an interim dividend of EUR 0.55 p/s last year. Our estimate for the FY 2017 dividend is EUR 0.66.
- The number of FTEs grew 8% YTD to 369 people.

Our view

- We recently set our Q2-17 estimates on the basis of 5 out of 6 quarterly indicators, which pointed to market value traded of -6% q/q. The final statistic, however, was a nice uptick in value traded m/m which thus resulted in market value traded over Q2-17 of -1% q/q, thus explaining why we were too cautious with our estimate for NTI.
- On the back of these results we do not expect to make large changes to our estimates for Q3-17 and beyond, as volatility remains at record low levels, and other growth drivers are developing in line with expectations. Our investment case is built on a gradual recovery in volatility over the period Q4-17 until Q4-19. We expect a neutral share price reaction.

Investment case

- Flow Traders is a market maker that specialises in ETPs on a global scale. The key growth driver is ETP AuM, which have grown strongly and which are expected to double over 2015-2020. This has resulted in steady growth in NTI and profits over 2009-2016. In 2017, however, volatility took a nosedive from levels that were already well below the long-term average. This has put strong pressure on NTI in Q1-17 and Q2-17. Hence we have adjusted our scenario to reflect a gradual recovery in volatility from the current record low level towards that of our original scenario. Various initiatives employed by management, which aim to grow market share and to penetrate adjacent markets, should also support growth going forward. Our target price of EUR 34 is based on a peer group comparison, and it is underpinned by the outcome of our DCF-model. Buy.

P&L Account (EUR m)	Q1 17	Q2 17e	CSS FT	ACTUAL	vs. CSS
NTI	48	44	47	47	0%
EBITDA	18.2	15.1	17.0	17.0	0%
%	37.7%	34.4%	36.2%	36.4%	
EBIT	16.5	13.3		15.3	
%	34.2%	30.3%		32.8%	
PBT	16.5	13.3		15.3	
Taxes	-2.9	-2.7		-2.8	
Tax-rate	17.6%	20.0%		18.3%	
Net profit reported	13.6	10.6	12.4	12.5	1%

NTI (EUR m)	Q1 17	Q2 17e	CSS FT	ACTUAL	vs. DP
EMEA	31	28		35	23%
Americas	13	11		8	-25%
APAC	5	4		3	-20%
NTI	48	44		47	7%

Galapagos									Buy
Healthcare									*Target price : 96.00*
Price	Mark.cap.(m)	eps 17e	eps 18e	Ratios	12/17e	12/18e	Glob. fig. (m)	12/17e	12/18e
EUR 70.11	3,243	-1.18	-1.26	P/E	nm	nm	Revenues	133.2	145.1
				Div. Yield	-	-	EBITA	-63.1	-70.6
RIC : GLPG AS - Bloomberg : GLPG NA				EV/EBITDA	nm	nm	Decl. Profit	-60.2	-64.1

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Galapagos: Reports strong cash position and licensing of GLPG1972 to Servier

Facts

- Galapagos' 1H17 results bear no surprises. Group revenues landed at EUR 73m (Css. 65.4m; DPe EUR 67.6m), an increase of 50% compared to the same period last year, mainly due to increased revenue recognition related to the upfront payment from Gilead (filgotinib program).
- Operating expenses added up to EUR 105.9m (1H16 EUR 73.1m; Css. 99.4m; DPe 106.9m). R&D expenses increased to EUR 92.9m (1H16 EUR 62.4m), mainly due to an increase of EUR 21.3m in subcontracting costs for the filgotinib and cystic fibrosis programs. G&A and S&M costs evolved in line, respectively coming in at EUR 11.9m and EUR 1.1m. This leads to an operating loss of EUR 32.9m.
- The company realized a net loss of EUR 49.2m, compared to a net profit of EUR 32.2m in 1H16, however last year's results was driven by a EUR 57.5m non-cash fair value gain from the re-measurement of a financial asset.
- Cash & cash equivalents position was in-line with market expectations, coming in at EUR 1,263m (Css. EUR 1,269m; DPe EUR 1,245m).
- On the FY17 outlook, the company
  - Aims to dose the first CF patient with the first triple combination therapy in Q4, and to launch new clinical studies with CF candidates and combinations throughout the half year.
  - Expects results from the FLORA Phase IIa study with GLPG1690 in IPF (Q3) and from the Phase Ib study with MOR106 in atopic dermatitis patients later this year.
  - Confirms its guidance for an operational cash burn of EUR 133m-155m.
- Additionally, the company announces that its partner in osteoarthritis, Servier, has decided to exercise its opt-in right for further development and ex-US commercial rights of GLPG1972. Galapagos will receive a license fee of EUR 6m from Servier and is eligible for EUR 290m in success-based milestones.
- The company will host a conference call today at 14:00 CET. Dial-in: +32 2 403 7297, code 4659682.

Our view – Strong cash position and news flow-rich pipeline

- Two main elements to watch are the confirmation of operational cash burn (EUR 135m-155m) and operational outlook for FY17. The company's strong cash position allows to move full steam ahead in its clinical development plan, initiating several new studies with filgotinib and pushing ahead on the CF program. This expansion also explains the increased R&D expenses.
- News flow will be dense in the coming months following the initiation of several filgotinib trials, the CF program and the results of the ongoing studies in IPF and atopic dermatitis.
- While we are pleased to see that Servier has exercised its opt-in right for GLPG1972, we find it of lesser importance to the investment story of GLPG. Remember that this collaboration dates back to 2010 and is a relic of the old strategy to partner assets at an early stage.

Investment conclusion – Buy recommendation reiterated (TP EUR 96)

No surprises in the 1H17 press release, both the cash burn and operational outlook are in line with our (and market) expectations. While we are pleased to see that Servier has exercised its opt-in right for GLPG1972 in osteoarthritis, this does not impact our investment case. More important is the confirmation that Galapagos is executing its development plan as expected. With a strong cash position (EUR 1,263m) and rich news flow ahead we see little reason to change our stance. We maintain our Buy recommendation and TP of EUR 96.

Cofinimmo								Hold	
Real Estate								*Target price : 110.50*	
Price	Mark.cap.(m)	eps 17e	eps 18e	Ratios	12/17e	12/18e	Glob. fig. (m)	12/17e	12/18e
EUR 108.50	2,312	6.64	6.57	P/E	16.3	16.5	Revenues	209.7	211.6
Latest NAV (31/03/2017): 94.34				Div. Yield	5.1%	5.1%	EBIT	178	180
RIC : COFIt.BR - Bloomberg : COFB BB				EV/EBITDA	24.0	24.0	Adj. Profit	140	142

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Cofinimmo: Satisfactory 1H results, weak valuation

Results in line with our estimates & ahead of consensus but figures include some positive one-offs. No real news on the hot topics (Belliard 40, Souverain site).

Facts

- Overall, good 1H figures with direct EPS very close to our estimates (+13.8% at EUR 3.25 vs. 3.23) and ahead of consensus (EUR 3.16).
- As expected, absolute figures' growth is driven by the portfolio expansion (see our preview note dd. July 19) with net rents up 4.5% at EUR 104.2m (our est. EUR 106.9m) and higher non-cash income. LfL is flat (+0.03%) as positive indexation and new lettings were compensated by departures and renegotiations; per segment offices show a negative LfL (-1.5%) compensated by positive figures in healthcare (+2.2% in Belgium). Occupancy slightly improves vs. Q1 at 94.4% (+20 bp) mainly on the back of an improvement in offices (+40 bp at 88.3%).
- Opex (property costs & overheads) are bang in line with our estimates and well under control; overheads are down 9.2% at EUR 13.7m after a rather poor 1H16.
- Net financial expenses are slightly better than expected at EUR 12.4m (13.8m expected). Direct bottom line is further helped by low taxes, admittedly helped by the non-recurrent 'recuperation of various taxes'.
- NAV evolution is less rosy with EPRA NAVPS down 5.1% at EUR 89.78 (EUR 92.05 expected). Portfolio value is down -0.2% on a LfL basis and includes a 5.6% negative evolution in Decentralized offices where the Souverain site is located.
- Leverage remains at a conservative 45%; cost of debt is further down to 2.0% vs. 2.4% in 2016.
- No news on the portfolio save the disposal to a third party of a healthcare asset in The Netherlands (Oosterhout, former Green portfolio) for EUR 10.5m as the operator wishes to terminate its operations on this site. No evolution on Souverain 25 (conflict between the desire of the Brussels Region to grade the building as a monument and the wish of the conditional buyer, the US State Department, to develop a smaller, secured, environmentally performant building).
- The company reiterates its full year guidance (direct EPS at EUR 6.49, gross DPS at 5.50).

Our View/Investment Conclusion

- Results in line with our estimates & ahead of consensus but figures include some positive one-offs. No real news on the hot topics (Belliard 40, Souverain site).
- Unchanged guidance is somewhat disappointing given the Dutch acquisitions in, July (see our Note dd. July 4) and the positive tax one-offs.

ConfCall scheduled today.

Details

in EUR	1H16a	1Q17a	2Q17a	1H17e	1H17a	YoY	FY17e	Cons.*
Net rents (m)	99.8	52.3	52.0	106.9	104.2	4.5%	210.2	NA
Non-cash income	5.6	3.1	3.1	6.2	6.2	10.7%	12.5	NA
EBIT (m)	79.8	40.4	45.5	88.2	85.9	7.6%	178.3	NA
Direct result (m)	60.0	30.3	39.0	68.3	69.3	15.5%	140.7	NA
Direct EPS	2.86	1.44	1.84	3.23	3.25	13.8%	6.65	3.16
Direct cash EPS	2.59	1.30	1.70	2.94	2.96	14.3%	6.06	NA
EPRA NAVPS	94.61	94.34		92.05	89.78	-5.1%	93.96	91.47
Gross DPS							5.50	

Conference Call	Yes, July 28 10h CET
Analyst Meeting	No

** consensus as compiled by Cofinimmo*

Heineken									
Breweries								**Hold** ***Target price : 92.00***	
Price	Mark.cap.(m)	eps 17e	eps 18e	Ratios	12/17e	12/18e	Glob. fig. (m)	12/17e	12/18e
EUR 89.20	51,379	3.88	4.19	P/E	23.0	21.3	Sales	22,073	23,152
				Div. Yield	1.5%	1.6%	EBITA	3,684	3,969
RIC : HEIN.AS - Bloomberg : HEIA NA				EV/EBITDA	13.9	13.0	Adj.Profit	2,200	2,377

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Heineken: 1H17 expected to be solid again - to Hold from Add

Preview

Period	1H17
Date/Time	31/07/17
Recommendation	Add
Target price	92.00

in EURm or mHl	**1H16**	**1H17**	**Change**	**CSS**
Cons. Beer Vol (in mHl)	97.0	99.8	2.8%	99.8
Organic evolution	3.8%	1.3%		1.7%
Consolidated revenues	10,094	10,272	1.8%	10,324
Organic revenue growth	4.7%	4.4%		4.1%
Consolidated op. profit (BEIA)	1,705	1,731	1.5%	1,749
Operating margin	16.9	16.9		16.9
Net profit (beia)	978	982	0.4%	1,035.0

On Monday 31 July, Heineken will publish its 2Q17 trading update and 1H17 results. Some key items we are looking for:

- We expect consolidated beer volumes to be up 3.7% in 2Q17 to 55.8mhl, resulting in 1H17 volumes of 99.8mhl. We estimate that organic volume growth accelerated to 1.3% in 2Q17, implying 1.9% for 1H17. CSS is aiming for 1.7% organic growth, implying a 2Q17 CSS estimate of 2.6%. Asia Pacific is the main driver for the growth but all regions are expected to have contributed to the acceleration. However, we remain cautious on the region Africa Middle East & Eastern Europe, where CSS has turned more positive. Given the timing of the closures, Kirin Brazil and Lagunitas only had a marginal contribution.
- 1H17 revenues are expected to be up 2% to EUR 10.3bn, driven by 4.4% organic growth (CSS 4.1%) composed of 3.0% price/mix, 1.2% volumes and 1.1% contribution of M&A. Growth is offset by an estimated negative foreign exchange effect of 3.5%.
- 1H17 consolidated operating profit (beia) is expected to be up by 1.5% to EUR 1,731m implying a margin of 16.9%. Excluding M&A, margins would have been up 20bps. Interesting to see whether the margin in Africa Middle East has fully recovered. In 2H16, margin in this region halved y-o-y, primarily due to the devaluation of the Nigerian Naira. However, thanks to price increases, margins of Nigerian Breweries recovered nicely in 1Q17, boding well for Heineken's 1H17 results in Africa.
- Due to the dividend payment and M&A we expect net debt to be up from EUR 11.6bn year end to EUR 12.8bn end of June.
- Guidance: We do not expect Heineken to change its outlook as provided in March (key item a 40bps margin improvement). However, we expect Heineken to provide an update on the impact of the announced acquisitions (Kirin Brasil, Punch and Lagunitas), in particular the late closing of Punch. The accretive impact of the consolidation of Punch would have more or less offset the negative impact of

the consolidation of Kirin Breweries. Due to the delay in the Punch transaction, it is likely that on balance M&A will negatively impact operating margins and that therefore a 40bps improvement will be challenging. Including M&A we expect a 30bps, with M&A diluting margins by some 15bps.

Investment Conclusion: To Hold from ADD, TP set at EUR 92

- Operationally, Heineken continues to perform well. We are pleased with the acquisition of Kirin Brazil, which created a solid number 2 position in a large beer market with significant synergy potential. Although, less about brewing, on balance we also expect the acquisition of Punch Taverns to work out nicely for Heineken.
- However, the stock is trading at 21x 2018 earnings and 12.5x 2018 EV/EBITDA, turning the slight discount into a small premium. Hence, we see limited room to raise our 12m TP. Assuming valuation to remain more a less stable over and applying the 2018 multiples at our 2019 estimates we arrive at EUR 92 vs. EUR 87 previously. We consider the upside as too limited to justify an Add rating and downgrade to Hold.

	1H16	1H17e	CSS
Consolidated Beer Volume			
Africa, Middle East & Eastern Europe	19.1	19.1	19.4
Americas	28.1	29.6	28.9
Asia Pacific	11.5	12.4	12.4
Europe	38.3	38.7	39.1
Total Consolidated Beer Volume	97.0	99.8	99.8
org growth beer volumes			
Africa, Middle East & Eastern Europe	**-1.2**	**0.1**	**0.8**
Americas	**3.9**	**0.7**	**1.1**
Asia Pacific	**19.4**	**6.2**	**6.5**
Europe	**2.4**	**0.9**	**1.0**
Total Consolidated Beer Volume	**3.8**	**1.3**	**1.7**
Consolidated Revenue (beia)			
Africa, Middle East & Eastern Europe	1,646	1,475	1,522
Americas	2,485	2,671	2,678
Asia Pacific	1,345	1,454	1,469
Europe	4,933	4,990	4,968
Head Office and Eliminations	-315	-318	-315
Total Consolidated Revenue	10,094	10,272	10,324
org growth revenues			
Africa, Middle East & Eastern Europe	**1.1**	**7.4**	**6.7**
Americas	**7.3**	**4.8**	**4.6**
Asia Pacific	**12.9**	**6.0**	**7.1**
Europe	**2.4**	**2.5**	**2.1**
Organic Revenue Growth	**4.7**	**4.4**	**4.1**

(see also next page)

Consolidated Operating Profit (beia)			
Africa, Middle East & Eastern Europe	267	192	200
Americas	458	497	495
Asia Pacific	419	459	468
Europe	581	604	602
Head Office and Eliminations	-20	-21	-17
Total Consolidated Operating Profit (beia)	1,705	1,731	1,749
Group margin	**16.9**	**16.9**	**16.9**
Net profit	586	816	918
Net profit (beia)	978	982	1,035
Organic Net profit (beia) growth (%)	0.1	4.2	6.5

Umicore									
Specialty chemicals								Buy	*Target price : 68.50*
Price	Mark.cap.(m)	eps 17e	eps 18e	Ratios	12/17e	12/18e	Glob. fig. (m)	12/17e	12/18e
EUR 67.19	7,262	2.66	3.14	P/E	25.2	21.4	Sales	2,907	3,433
				Div. Yield	2.0%	2.1%	EBITA	-	-
RIC : UMI.BR - Bloomberg : UMI BB				EV/EBITDA	14.1	12.7	Adj.Profit	288	339

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Umicore: H1 2017 preview

Period	H1 2017
Date/Time	July 31, 2017, 7:30 a.m. CET
Recommendation	Buy
Target price	68.5
Conference Call	+32 (0)2 404 06 62 July 31, 2017, 9:30 a.m. CET
Analyst Meeting	August 3, 2017, 12:00 CET

(EUR m)	**H1 2016**	**H1 2017e**	**css**
Sales (ex metals)	1,354	1,415	1,416
EBITDA	259	271	286
REBIT	**176**	**183**	**191**
- Catalysis	78	84	84
- Energy & Surface Tech	37	45	50
- Recycling	62	66	69
- Corporate	-21	-21	-20
- Discontinued	20	8	9

Key items

- Catalysis will benefit from the full consolidation of the Ordeg JV over one quarter, explaining the 8% EBIT yoy growth for the segment. Besides, we factor in a negative mix effect as Diesel share, primarily in Europe keeps on declining.
- Battery materials faces capacity constraint in H1, reason why we tends to me more cautious than consensus on the REBIT line. We factor in back end loaded growth as the second capacity addition will come on stream during the second part of the year. We expect Cobalt and Specialty Materials to remain strong on the back of healthy demand and higher cobalt prices, also benefiting from an easy comparison basis.
- Recycling should benefit from a progressive ramp up of the new Hoboken capacity but, as indicated by Management, the benefit will rather be back end loaded. The learning process will boost volumes toward the end of the year and 2018 will see the full contribution of the capacity addition. On top of that, we see an increase in metal prices in general but not significant enough to give a big boost to Recycling earnings.

Investment conclusion

We rate Umicore a Buy as we see the company as the clear leader in the booming battery materials market for electric cars. With the recent announcement of a total six fold increase in NMC capacity, we estimate that Umicore has the potential to add ~EUR 180m to the EBIT line by 2020 with a EUR 460m investment. We believe that the surge of this industry and Umicore's technological leadership position will largely overcompensate the progressive decline that should be seen in the catalysis business beyond 2020 as car manufacturers are quickly turning to full electric production. At our TP, the shares trade at 18.4x EV/EBIT 18 (12.7x EV/EBIT 20). Premium multiples are justified by the company's superior growth profile and pioneer technology in battery materials. Looking at 2019-20 estimates we see room to add EUR 15 p/s to our TP.

Degroof Petercam Benelux Preference List

Degroof Petercam Benelux Preference list		
Date of entry	**Outperformers**	**Target price**
Jan. 6, 2016	BAM Group	6.50
Jan. 10, 2017	Barco	101.00
Nov. 21, 2016	Corbion	30.00
Apr. 13, 2015	DSM	77.00
Jan. 10, 2017	Galapagos	96.00
Nov. 21, 2016	Melexis	85.00
Sept. 13, 2016	Refresco Group	19.00
Jan. 10, 2017	RTL Group	84.00
	Underperformers	
March 8, 2017	Boskalis	32.00
Jan. 10, 2017	D'Ieteren	40.00
Jan. 10, 2017	PostNL	4.00
July 4, 2016	Vopak	38.00

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	SELL	REDUCE	HOLD	ADD	BUY
High Beta >= 1.3	RP<-15%	-15%<=RP<-6%	-6%<=RP<+6%	+6%<=RP<+15%	RP>=15%
Medium 0.9 < Beta > 1.3	RP<-10%	-10%<=RP<-4%	-4%<=RP<+4%	+4%<=RP<+10%	RP>=10%
Low Beta <= 0.9	RP<-6%	-6%<=RP<-2%	-2%<=RP<+2%	+2%<=RP<+6%	RP>=6%

RP : Relative Performance against Degroof Petercam coverage universe

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