

Morning Note - Eurozone

21 October 2002

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Company	Comment	Recommendation	Price (at close)	Target Price
Bekaert	Quarterly trading updates	Accumulate	€ 41.47	€ 54.00
CMB	Weak third quarter	Buy	€ 43.00	€ 54.00
CMG	Positives are reflected in the share price	Reduce	€ 1.08	€ 1.00
Crédit Agricole	Acquisition of Finaref	Reduce	€ 18.24	€ 21.00
Electrabel	Bidding on Enel unit	Accumulate	€ 240.80	€ 280.00
Heineken	Majority stake in Dinal brewery, Kazakhstan	Accumulate	€ 39.00	€ 48.00
IntesaBci	Leaving Argentina	Buy	€ 1.67	€ 3.00
Rexel	EPS estimates lowered	Reduce	€ 33.75	€ 40.00
SOITEC	Q2 sales preview	Buy	€ 5.25	€ 5.30
Media	Wolters Kluwer sells KAP for € 600m			

Changes in recommendation

Company	From	To
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Changes in EPS forecast

Company	From		To	
	2002E	2003E	2002E	2003E
Rexel (€)	3.22	4.15	2.80	3.71

Key figures

(at close)	Price	DTD	MTD	YTD
AEX	345.3	0.6%	9.3%	-24.0%
BEL20	2,031.7	-0.4%	0.8%	-22.0%
CAC40	3,157.0	-0.8%	5.2%	-27.3%
DAX30	3,163.7	-0.3%	1.2%	-31.5%
FTSE100	4,130.5	-1.0%	6.9%	-18.5%
EUROSTOXX50	2,527.4	-0.4%	6.1%	-27.4%
STOXX50	2,606.4	-0.7%	7.3%	-24.8%
NECI	2,663.4	2.8%	-3.5%	-65.4%
DJIA	8,322.4	0.6%	1.8%	-11.3%
S&P500	884.4	0.6%	1.7%	-18.8%
NASDAQ Comp	1,287.9	1.2%	2.9%	-24.6%
EUR/USD	0.97	0.1%	-0.7%	7.4%
EUR/GBP	0.63	0.4%	-0.4%	0.5%
Bel govt	4.7%	0.0 bp	0.2 bp	-0.2 bp
French govt	4.6%	0.0 bp	0.3 bp	-0.1 bp
Neth govt	4.6%	0.0 bp	0.2 bp	-0.1 bp

Source: KBC Securities

Corporate calendar

	Company	Event
21.10.02	ASMI	Results 3Q
22.10.02	Business Object	Results 3Q02
	Peugeot S.A.	Sales 3Q02
	Remy Cointreau	Sales 1H02
	ST Micro	Results 3Q02
	Schneider	Sales 3Q02
	UCB	R&D day
	UCB	R&D day
23.10.02	Akzo Nobel	Results 3Q02
	Akzo Nobel	Results 3Q02
	DaimlerChrysler	Results 3Q02
	Dassault Syst.	Results 3Q02
	Gaudriot	Results 1H02
	Glaxosmithkline	Results 3Q02
	Sanofi-Synth.	Sales 3Q02
24.10.02	ASF	Sales 3Q02
	AstraZeneca	Results 3Q02
	HVB Group	Results 3Q02
	Memscap	Sales 3Q02

Bekaert

BERTt.BR / BEKB BB

Engineering
Belgium

Current price € 41.47
Target price € 54.00
Market cap € 925 m
Free float 60%

	EPS (€)	P/E
FY01	2.38	17.08
FY02E	3.47	11.94
FY03E	5.05	8.21

Quarterly trading updates

Bekaert announced on Friday that it will release quarterly trading updates starting on 30 October 2002 (3Q2002).

Obviously this is good news and Bekaert in will hopefully set an example to others. It should increase visibility, which in time should result in more interest from potential investors and more liquidity.

We have an Accumulate rating on the stock with a €54 price target.

Accumulate

Unchanged

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CMB

CMBBte.BR / CMB BB

Transport
Belgium

Current price € 43.00
Target price € 54.00
Market cap € 348 m
Free float 47%

	EPS (€)	P/E
FY01	9.38	6.81
FY02E	-2.84	-
FY03E	4.96	8.66

Weak third quarter

CMB published weak third quarter results on Friday. The net loss amounted to €27m (vs. €54m over the first quarter thanks to the €59m capital gain on the sale of Hesse Noord Natie and €13m net loss over the second quarter of this year). The consolidated result amounts to €11m after 9 months (despite the capital gains).

The dry bulk divisions posted a net loss of €13m. The tankers division was also loss making (€8m). Only Naviga, the insurance arm broke even. The sale of Naviga is to get closed by the end of October. The capital gain of €52 will be accounted for in the 4th quarter.

This poor performance was expected. The shipping business remained in the doldrums during the summer period. Tariffs, particularly in the tanker business, remained extremely low (+/- \$ 12,500 which is about 50% of break even).

Conditions are improving however. Tanker rates jumped again last week, >60% (now +/- \$48,000/day). CMB is no longer loss making in dry bulk either. The fourth quarter could see quite an improvement and the outlook for 2003 is improving.

For these reasons, we recently upgraded to Buy with a €54 price target.

Buy

Unchanged

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CMG

CMG.AS / CMG NA

Softw. & IT Services
Netherlands

Current price € 1.08
Target price € 1.00
Market cap € 674 m
Free float 96%

	EPS (p)	P/E
FY01	5.53	78.10
FY02E	4.32	15.70
FY03E	4.98	13.62

Positives are reflected in the share price

Reduce
Unchanged

CMG and Logica announced they are in talks to merge their businesses. Although this deal seems to be born out of necessity and weak spots remain, we believe the strategic rationale makes sense. We believe the Combination could better compete in the highly competitive IT services market.

Our DCF value for the Combination points to an equity value of £967m. This translates to a share price for CMG of 62p or €1.00, which is also our new target price (€0.80 previously).

We believe that at the current price of €1.08 or 67p the positives of this deal are largely reflected in the share price. Hence, the current valuation seems a good exit price for CMG shareholders.

A report on the Combination will be published today.

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Crédit Agricole

CAGR.PA / ACA FP

Banks
France

Current price € 18.24
Target price € 21.00
Market cap € 17,733 m
Free float 27%

	EPS (€)	P/E
FY01	1.63	10.81
FY02E	1.54	11.84
FY03E	1.73	10.54

Acquisition of Finaref

Reduce
Unchanged

According to a report in Les Echos, Crédit Agricole SA is strongly placed to buy Finaref, the PPR subsidiary. This would be a major acquisition, enabling Sofinco to overtake Cetelem, the BNP Paribas subsidiary and current leader on the French market. The operation would also increase the proportion of retail banking within CASA as a whole.

But the group looks set to pay a high price: between 3 and €4bn for consumer credit outstandings of €5.9bn. Remember that we valued Sofinco at €1.7bn, close to 3x shareholder equity, for outstandings in France of €11.9bn. This would therefore be a very expensive acquisition.

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Electrabel

ELCBt.BR / ELEB BB

Electricity
Belgium

Current price	€ 240.80
Target price	€ 280.00
Market cap	€ 13,146 m
Free float	52%

	EPS (€)	P/E
FY01	16.19	14.60
FY02E	16.07	14.98
FY03E	18.20	13.23

Bidding on Enel unit

Electrabel, Europe's 6th power producer, and four other Italian utilities have jointly submitted the only bid for Enel's Interpower generation unit. Enel did not disclose details on the bid. Enel is selling assets to foster competition. Interpower (2,611 megawatts, three thermoelectric plants which last year accounted for 2.5% of Italy's domestic production) is the third group of assets to be sold. According to the Italian press, the bid would amount between € 800m and 900m. Enel would consider the unit to be worth € 1.4bn.

Accumulate

Unchanged

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Heineken

HEIN.AS / HEIA NA

Beverages
Netherlands

Current price	€ 39.00
Target price	€ 48.00
Market cap	€ 15,287 m
Free float	50%

	EPS (€)	P/E
FY01	1.82	24.73
FY02E	2.09	18.65
FY03E	2.22	17.55

Majority stake in Dinal brewery, Kazakhstan

Heineken announced Friday it has increased its stake in Dinal brewery in Kazakhstan from 28% to 51%. Heineken acquired the 28% stake in 1999 when Dinal started production. The brewery has a capacity of 300,000 hectoliters, expected sales volume for 2002 is 180,000 hectoliters. Dinal has a local market share of 8% in a country with 2.4 million hectoliters annual consumption. The market is characterized by double digit growth. It is again a relatively small expansion for Heineken (€8m sales in FY01), in what is apparently a promising market. Rating and price target maintained.

Accumulate

Unchanged

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IntesaBci
BIN.MI / IES GR

Leaving Argentina

Buy
Unchanged

Banks
Italy

IntesaBci has concluded an agreement with Mildesa, which via its subsidiary bank Patagonia will take over Banco Suidam eris Argentine.

Current price	€ 1.67
Target price	€ 3.00
Market cap	€ 10,769 m
Free float	100%

The withdrawal of IntesaBci will result in a \$150m charge, probably booked in 2002. IntesaBci will keep a 20% stake in the entity resulting from the merger with Patagonia. Even if IntesaBci only gradually exits Argentina, this is good news as the subsidiary will in any case be deconsolidated.

	EPS (€)	P/E
FY01	0.05	46.84
FY02E	-0.03	-55.39
FY03E	0.12	14.21

From the standpoint of Cr dit Agricole, this operation is negative in the short term but very positive in the medium term.

The programme to restructure IntesaBci is gradually taking shape. We are confident that it will be successful and thus be profitable for its shareholder, Cr dit Agricole.

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Rexel
CDME.PA / RXL FP

EPS estimates lowered

Reduce
Unchanged

Support Services
France

The continuing fall in sales over the third quarter and the poor visibility have prompted us to lower our sales estimate for the full year to -7%, down from -5.2% previously.

Current price	€ 33.75
Target price	€ 40.00
Market cap	€ 1,618 m
Free float	28%

Given the resulting rise in the proportion of fixed costs as a percentage of sales and the higher financial charges (effectively slowing down debt reduction), we are making a downward revision to our estimates for EPS before goodwill of 13% to €2.80 for 2002 and of 11% to €3.71 for 2003. Our new target price is €50, down from €40.

	EPS (€)	P/E
FY01	4.00	17.85
FY02E	2.80	12.05
FY03E	3.71	9.11

We now expect 2002 sales of €7.40bn and attributable net profit before exceptionals of €98m (down respectively 7% and 38%).

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SOITEC

SOIT.LN / SOIT FP

IT Hardware
France

Current price € 5.25
Target price € 5.30
Market cap € 294 m
Free float 31%

	EPS (€)	P/E
FY01	0.07	357.61
FY02E	0.39	13.38
FY03E	0.26	20.33

Q2 sales preview

Soitec will publish Q2 sales after the market closes this evening. We expect €29m, +7% vs Q1 2002/03.

H1 revenue should post a 1% gain vs H2 2001/02. In the second half of the fiscal year, we look for €129.9m sales, +31% sequentially and +39% vs H1 2001/02.

These projections reflect our expectation of accelerating sales after the growth trough in H1. We do not expect the delayed launch of the AMD processor to have a significant impact.

It is true that the share price is approaching our target of €5.40, but it is based on very conservative assumptions: a 33% market share for Soitec in five years vs 85% at present. Consequently we in fact consider this target a minimum, and we continue to rate the shares a Buy.

Buy
Unchanged

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Media

Wolters Kluwer sells KAP for € 600m

Wolters Kluwer announced it has sold its Science division called KAP (Kluwer Academic Publishers) for a total enterprise value of € 600m. The buyers are private equity funds Candover and Cinven. The price is in line with recent press reports and represents a good deal for Wolters Kluwer. We estimate it has received 4 times sales and 12 times EBITA for KAP.

The deal is in line with Wolters Kluwer's strategy, and the proceeds will be used to strengthen the core businesses in the Legal, Medical and Education segments.

Accumulate rating and € 19 price target on Wolters Kluwer are maintained.

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