

Morning Note

3 May 2004

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Company / Sector	Comment	Recommendation	Price (at close)	Target Price
Arinso	2.4% dilution from exercise of warrants	Outperform	€ 13.00	€ 16.00
Bekaert	Possible disposal of Bekaert Fencing	Outperform	€ 46.50	€ 52.00
Belgacom	Expanding its ADSL offer	Outperform	€ 25.30	€ 28.00
Delhaize	Main competitor to exit 147 stores in US	Outperform	€ 40.50	€ 50.00
Interbrew	Does not need all of its 75 breweries	Outperform	€ 25.06	€ 27.00
M6 - métropole	1Q04 advertising revenues rose by 10.1%	Neutral	€ 24.29	€ 27.00
Melexis	1Q preview	Outperform	€ 9.16	€ 12.30
Pernod Ricard	1Q04 sales preview	Outperform	€ 105.30	€ 106.00
SOITEC	Preview annual results	Outperform	€ 4.50	€ 5.90
Telindus	Waiting for a recovery ... or extra charges?	Underperform	€ 8.37	€ 7.50
Support Services	Benelux staffing: 1Q04 preview			

Changes in recommendation

Company	From	To
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Changes in EPS forecast

Company	From		To	
	2004E	2005E	2004E	2005E
Arinso (€)	0.81	0.93	0.80	0.91
Aventis (€)	3.49	3.80	3.43	3.75
M6 - métropole (€)	1.13	1.27	0.99	1.27

Key figures

(at close)	Price	1D	1M	12M
AEX	341.4	-0.6%	0.5%	19.1%
BEL20	2,439.6	-0.2%	3.0%	29.3%
CAC40	3,674.3	-0.4%	1.5%	22.6%
DAX30	3,985.2	-0.6%	2.9%	32.3%
FTSE100	4,489.7	-0.7%	1.7%	13.6%
EUROSTOXX50	2,787.5	-0.7%	-0.1%	18.5%
STOXX50	2,707.7	-1.0%	1.0%	15.9%
DJIA	10,225.6	-0.5%	-1.5%	19.9%
S&P500	1,107.3	-0.6%	-1.7%	19.5%
NASDAQ Comp	1,920.2	-2.0%	-4.0%	27.7%
EUR/USD	1.20	0.4%	-1.9%	7.3%
EUR/GBP	0.67	0.3%	1.2%	-3.3%
Bel govt	3.9%	0.0 bp	0.2 bp	0.0 bp
French govt	3.2%	0.0 bp	0.0 bp	-0.7 bp
Neth govt	3.9%	-0.1 bp	0.3 bp	0.0 bp

Source: KBC Securities

Corporate calendar

	Company	Event
03.05.04	KBC	Payment div. FY03
	Nedschroef	Payment div. FY03
04.05.04	Melexis	Results 1Q04
	Option	Results 1Q04
	Pernod Ricard	Sales 1Q04
05.05.04	SOITEC	Analyst Meeting
	Heijmans	General Assembly
	Mobistar	General Assembly
	Randstad	Results 1Q04
	Casino	Payment div. FY03
	Vedior	Payment div. FY03
06.05.04	M6 - métropole	Payment div. FY03
	BNP Paribas	Results 1Q04
	Delhaize	Results 1Q04
	EVS	Results 1Q04
	SES Global	General Assembly
	Spector	Results 1Q04
	USG	General Assembly
		Results 1Q04

Arinso

ARIN.BR / ARIN BB

Softw. & IT Services
Belgium

Current price € 13.00
Target price € 16.00
Market cap € 191m
Free float 32%

	EPS*(€)	P/E
FY03	0.69	12.29
FY04E	0.80	16.25
FY05E	0.91	14.32

*Adjusted for goodwill and exceptionals

2.4% dilution from exercise of warrants

Arinso announced that following the exercise of warrants by the personnel, the number of outstanding shares will increase by 358,750 to a total of 15m. This implies a 2.4% dilution for existing shareholders.

To take into account the slightly higher number of outstanding shares, we lowered our per share estimates; FY04 and FY05 EPS forecasts now stand at € 0.80 and € 0.91 versus € 0.81 and € 0.93 previously.

Outperform rating and € 16 target maintained, as we believe that the announcement of new BPO contracts in the coming months will support the share price.

Outperform

Rating unchanged

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Bekaert

BERTI.BR / BEKB BB

Engineering
Belgium

Current price € 46.50
Target price € 52.00
Market cap € 1,026m
Free float 59%

	EPS*(€)	P/E
FY03E	4.80	9.68
FY04E	4.29	10.85
FY05E	4.91	9.47

*Adjusted for goodwill and exceptionals

Possible disposal of Bekaert Fencing

The Belgian economic newspaper 'De TIJD' today reported on its front-page that Bekaert is in the process of selling Bekaert Fencing. By no doubt, this would be an earthquake in the history of Bekaert. Little industrial partners would be in the running and the scenario of a leveraged MBO would be on top of table. In 2003, Bekaert Fencing generated a turnover of € 382.9m or 21.3% of consolidated sales. EBITDA stood at € 43.7m or 18.3% of total. In 2004, the unit is expected to realise further cost savings of around € 5 to 7m. We estimate the valuation range could go from a (too) low € 225m up to € 275m.

What about the proceeds?

We estimate net financial debt end 2004 (after heavy investment programme in Chinese steel cord market) of € 447.4m or a very healthy gearing of 45.8%. Potential proceeds could go to new steel cord plants in Russia and/or India or acquisitions.

Rating confirmed at 'outperform' with target price at € 52 per share.

Outperform

Rating unchanged

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Belgacom

BCOM.BR / BELG BB

Telecommunication
Belgium

Current price € 25.30
Target price € 28.00
Market cap € 9,807m
Free float 38%

	EPS*(€)	P/E
FY03	1.91	-
FY04E	2.26	11.18
FY05E	2.41	10.50

*Adjusted for goodwill and exceptionals

Expanding its ADSL offer

Belgacom announced this morning that **it will offer an ADSL Light version for € 29.95** per month (512Kbps down/128Kbps up). At the same time, the operator intends to increase the upstream speed for existing (private and professional) ADSL users. These announcements follow the decision of Telenet last week also to introduce a light cable broadband offer in the market (with the same transfer speed as Belgacom's).

In December last year, Versatel was the first player to launch a national light ADSL offer.

In our view, this offer has currently most success with people that want to upgrade their analogue connection to broadband without paying too much (an ordinary broadband connection costs around € 40 per month with 3 to 4MBps downstream speed). With this new offer, Belgacom is increasingly launching more and more alternative (and often more attractive) offers into the market. Last week, the operator already announced a fixed line offer with lower monthly line rental cost (from € 16.8 per month to € 6.5) but with an additional call charge. All these elements are part of Belgacom's strategy to keep and win-back clients.

Outperform

Rating unchanged

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Delhaize

DELbt.BR / DELB BB

Food&Drug Retailer
Belgium

Current price € 40.50
Target price € 50.00
Market cap € 3,751m
Free float 80%

	EPS*(€)	P/E
FY03	4.20	6.69
FY04E	4.15	9.75
FY05E	4.72	8.58

*Adjusted for goodwill and exceptionals

Main competitor to exit 147 stores in US

Winn-Dixie, one of Delhaize America's main competitors, is planning to exit 147 stores in the SE of the US. Management believes that they will be able to sell many of them. The remainder will be closed. Winn-Dixie will leave non-core markets (small market share) such as Greenville-New Bern (NC), Norfolk-Portsmouth-Newport (VA), Richmond-Petersburg (VA), Wilmington (NC), etc..... Delhaize America is present in these markets.

Winn-Dixie's decision to exit 147 stores will give Delhaize the opportunity to buy ("cherry picking") some stores. This is in line with Delhaize's fill-in strategy. Ahold is also selling 470 stores (Bruno's and BI-LO's). It's definitely a buyers' market ! The closure of Winn-Dixie stores will reduce the level of competition in certain areas.

Winn-Dixie's comparable stores sales declined by 6.4% during the quarter ending 31 March. We believe that Delhaize America is gaining market share at the detriment of Winn-Dixie thanks to price investments, improved product mix (more fresh produce) and the continuous improvement of the store concepts (e.g. through clustered remodellings).

Outperform

Rating unchanged

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Interbrew

INTB.BR / INTB.BB

Beverages
Belgium

Current price	€ 25.06
Target price	€ 27.00
Market cap	€ 10,801m
Free float	24%

	EPS*(€)	P/E
FY03	1.43	13.86
FY04E	1.69	14.81
FY05E	1.86	13.46

*Adjusted for goodwill and exceptionals

Does not need all of its 75 breweries

During a luncheon in Brussels, CEO John Brock said that the company does not need all of the 75 breweries it now owns. The group grew very rapidly over the last ten years, mainly through acquisitions. It is therefore relatively obvious the company looks at its industrial footprint once in a while. We believe that there are possibilities for cuts particularly in the German operations, but also in Canada and in Korea. The company wants to achieve EBITDA margins like Anheuser-Busch within three to four years.

Outperform rating and € 27 per share price target maintained.

Outperform

Rating unchanged

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M6 - métropole

MMTP.PA / MMT.FP

Media
France

Current price	€ 24.29
Target price	€ 27.00
Market cap	€ 3,204m
Free float	16%

	EPS*(€)	P/E
FY03	1.06	21.38
FY04E	0.99	24.61
FY05E	1.27	19.12

*Adjusted for goodwill and exceptionals

1Q04 advertising revenues rose by 10.1%

M6's turnover for the 1Q04 rose by 1.9% to € 293m. **Advertising revenues rose sharply by 10.1% to € 147.1m, while diversification activities fell by 5.2% to € 145.9m, suffering from poor release schedules for videos and a high comparison basis.** The advertising revenues were slightly above our forecast (€ 146m), but diversification is strongly under our expectations (€ 170m). Part of the diversification activities depend on product offerings that can vary a lot from quarter to quarter; 1Q04 being a weak one.

Among the diversification activities, tele-shopping (€ 31.7m) rose by 19.4% and pay TV by 8.3% to € 53.7m (TPS stake + thematic channels), but the other activities decreased sharply for several reasons: no new publications and store collections, weak distribution of movies (there was Gangs of NY last year) and a weak music market. In 1Q04, M6 audience's share rose from 18% to 19.6% compared to 1Q03 as far as the housewives under 50 years are concerned. They represent the key population segment for advertisers.

We have raised our advertising revenue forecast from € 610.5m to € 616.6m for the full year, but have reduced our forecast from € 655m to € 620.9m for diversifications, an adjustment that is perhaps too drastic. We have also reduced our price target to € 27.

Neutral

Rating unchanged

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Melexis

MLXS.BR / MELE BB

Electronics
Belgium

Current price € 9.16
Target price € 12.30
Market cap € 418m
Free float 40%

	EPS*(€)	P/E
FY03E	0.57	16.16
FY04E	0.63	14.43
FY05E	0.74	12.31

*Adjusted for goodwill and exceptionals

1Q preview

Tomorrow before the market opening, Melexis will publish its 1Q results. A conference call will be held at 17h00 (00 32 2 290 14 11).

We expect sales of € 35.337m, EBIT of € 7.175m, net income of € 5.917m and EPS of € 0.13.

We believe the group may have been conservative with its annual sales growth target of 10/15%. The automotive division of Infineon and STMicroelectronics posted strong performance in 1Q.

We continue to favour Melexis for its defensive status. "Outperform" and € 12.3 target price maintained.

Outperform

Rating unchanged

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Pernod Ricard

PERP.PA / RI FP

Beverages
France

Current price € 105.30
Target price € 106.00
Market cap € 7,422m
Free float 69%

	EPS*(€)	P/E
FY03	6.99	11.65
FY04E	7.03	14.97
FY05E	7.74	13.61

*Adjusted for goodwill and exceptionals

1Q04 sales preview

Tomorrow morning, the group will release its 1Q04 sales figures. During 1Q04 the group faced very difficult comparables, with organic growth of +16.8% in 1Q03. During that period the group returned to a normal level of activity after the significant de-stocking by the retailers in 1Q02, especially as far as Chivas and Martell are concerned. It will be easier for the group to deliver strong growth in 2Q04.

Nevertheless, we expect for 1Q04 an organic growth rate of 3.2% coming from a strong momentum in the USA (10%e of growth), and weaker figures for France (0%), Europe (2.0%) and rest of the world (1%). If the group manages to realize these growth rates, the figures can be considered as being comforting.

In 1Q04, sales are impacted again by adverse currency fluctuations (-7%e). We therefore expect that the group will report a decrease in sales of 3.5%.

We are having a conference call at 8.30am.

Outperform

Rating unchanged

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SOITEC

SOIT.LN / SOIT FP

IT Hardware
France

Current price € 4.50
Target price € 5.90
Market cap € 252m
Free float 31%

	EPS*(€)	P/E
FY03	0.03	202.76
FY04E	-0.72	-
FY05E	-0.18	-

*Adjusted for goodwill and exceptionals

Preview annual results

This evening, after the Paris Bourse closes, SOITEC will publish its annual results. The group already mentioned that losses will be lower than previously expected due to higher 2H sales. Therefore we expect 2H EBIT to amount to € -12.48m (vs. € -15.78m), net income € -17.47m (vs. € -20.97m) and EPS € -0.31 (vs. € -0.37).

After several false starts, we believe the worst is now behind us. We expect strong sales growth this year and the group should benefit from its operating leverage. Still there is one point of concern; SOITEC may need to raise money in order to improve its balance sheet. However, we think the momentum will be strong in the coming months. We are maintaining our "Outperform" rating.

Outperform

Rating unchanged

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Telindus

TELB.BR / TEL BB

IT Hardware
Belgium

Current price € 8.37
Target price € 7.50
Market cap € 333m
Free float 64%

	EPS*(€)	P/E
FY03	-0.20	-
FY04E	0.10	84.90
FY05E	0.29	29.21

*Adjusted for goodwill and exceptionals

Waiting for a recovery ... or extra charges?

The publication of the 1Q04 business update did not provide signs of a global recovery or margin improvement. **In line with our expectations, management kept its full year outlook, i.e. a "small operating profit and 5% sales growth"**. Unfortunately, the company did not give detailed sales or EBIT figures. Telindus only said that **1Q04 sales were below those in 1Q03** (as expected) and that services increased 9% y-o-y (this is below the full year target of 10%). It is not obvious to extrapolate the 1Q04 results towards the full year but our general impression is that 1Q04 results were slightly below expectations (services grew less than 10% and hardware probably declined more than anticipated). It would not surprise us if Telindus was still loss-making in 1Q04 as well. Yet, management saw signs of improvement in some countries (e.g. Italy was profitable). On the other hand, a cost reduction was realised in Switzerland while Germany remains a question mark. A new Managing Director has been appointed (since 1 April) with the task to achieve the turnaround in Germany (the country employs about 100 people in four offices).

To conclude, management's 1Q04 update included positive signs (improvement in some countries) but at the same time **we did not yet have a more comfortable feeling** (lack of figures, no indication that overhead costs are under control), especially with regards to Germany (no comments were given on the market conditions while we think that the new MD could take additional charges). No change in rating and target.

Underperform

Rating unchanged

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Support Services**Benelux staffing: 1Q04 preview**

Randstad (Neutral, € 23 target, up from € 22.5) will publish 1Q04 results on 5-May, before market opening. We expect Randstad to report EPS of € 0.10 (compared to management's guidance of € 0.09), the Y/Y profit swing (1Q03 EPS of € -0.04) related to stronger demand in all markets except for the Netherlands, and stringent costs savings (-7%E).

Vedior (Outperform, € 14.5 target) will publish 1Q04 results on 6-May, after market close. We expect EPS to increase by 50% to € 0.09 reflecting 3.5%E top-line growth (local currency) and sustained costs savings.

USG (Neutral, € 17.5 target) will publish 1Q04 results on 6-May, during trading hours. We expect EPS to decline by 38% to € 0.15, due to very difficult market conditions (regarding sales and gross margins) in the Netherlands.

*Adjusted for goodwill and exceptionals

Solvus (Neutral, € 15 target, down from € 16) will not publish quarterly results, but will provide a "qualitative" trading update on 11-May.

We continue to prefer Vedior to Randstad for valuation reasons and maintain a cautious stance on Solvus and USG, because of their high dependence on the still very difficult Dutch market. For more details, we refer to our Upcoming flash note.

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