

# Morning Note

14 February 2007

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

## Contents

Company / Sector	Comment	Recommendation	Price (at close)	Target Price
AXA	Upgrade target price to €36 & FY06 preview	Accumulate	€32.85	€36.00
BIP	Record FY06 earnings	Buy	€85.00	€98.50
Barco	Mixed 4Q results, no 1Q07 outlook	Reduce	€68.25	€67.00
Bekaert	Trading update on Friday	Accumulate	€94.65	€92.00
Belgacom	Pressure to cut tariffs	Reduce	€34.45	€28.00
Carrere Group	Revenues from "distribution" soared (+33%)	Buy	€23.98	€27.00
DSM	4Q06/FY06 results	Accumulate	€38.50	€40.00
EXMAR	Excelsior makes first docking at Teesside	Accumulate	€23.50	€26.00
IBt	Increasing stake in German distributor to 100%	Buy	€8.30	€10.00
Mobistar	Accelerated push into F2M	Accumulate	€65.10	€71.00
Option	Ericsson in, Nokia out of module game	Accumulate	€12.82	€14.50
SES	To buy GE's 19.5% stake for assets and cash	Accumulate	€13.63	€13.60
SQLI	Preview FY06 sales	Buy	€2.92	€3.50
Total	4Q & FY results	Accumulate	€52.50	€57.00
Vedior	In-line performance	Accumulate	€16.16	€17.00

## Changes in recommendation

Company	From	To
DSM	Buy	Accumulate

## Changes in target price

Company	From	To
AXA	31.50	36.00
Option	13.00	14.50

## Key figures

(at close)	Price	1D	1M	12M
AEX	506.7	0.6%	0.8%	10.0%
BEL20	4,528.1	0.6%	0.9%	20.1%
CAC40	5,682.7	0.7%	1.2%	15.2%
DAX30	6,895.3	0.5%	2.8%	19.6%
FTSE100	6,381.8	0.5%	2.3%	10.2%
EUROSTOXX50	4,239.0	0.6%	1.5%	13.7%
STOXX50	3,815.9	0.3%	1.2%	10.5%
DJIA	12,654.8	0.8%	0.8%	14.4%
S&P500	1,444.3	0.8%	1.0%	12.8%
NASDAQ Comp	2,459.9	0.4%	-1.7%	8.1%
USD/EUR	0.77	-0.6%	-1.2%	-8.8%
GBP/EUR	1.49	-0.6%	-1.3%	2.1%
Bel govt	4.2%	1.0bps	8.0bps	63.0bps
French govt	4.2%	2.0bps	6.0bps	66.0bps
Dutch govt	4.2%	2.0bps	6.0bps	67.0bps

Source: KBC Securities

## Changes in EPS forecast

Company	From		To	
	2007	2008	2007	2008
Vedior (€)	1.17	1.38	1.24	1.45

## Corporate calendar

Date	Company	Event
14.02.07	Barco	Results FY06
	DSM	Conference Call
		Results FY06
	Keyrus	Sales FY06
	Lotus Bakeries	Results FY06
15.02.07	SQLI	Sales FY06
	Total	Results FY06
	Akzo Nobel	Results FY06
	Brantano	Results FY06
	Bull	Analyst Meeting
		Results FY06
	ENTREPOSE	Sales FY06
	ICOS	Results FY06
	ING	Results FY06
	Maurel & Prom	Sales FY06
16.02.07	Randstad	Results FY06
	SAFT	Sales FY06
	Solvay	Results FY06
	Telenet	Results FY06
	Thrombogenics	Results 1H06
	Umicore	Results FY06
	Artwork Systems	Results 1Q07
	Bekaert	Trading update 4Q06
	Elia	Results FY06
	Pharming	Results FY06
19.02.07	Telenet	Conference Call
	Van de Velde	Results FY06
20.02.07	SES	Results FY06
	AGF	Results FY06
	IBt	Results FY06

## Roadshow calendar

Date	Company	Place
16.02.07	ICOS	London
20.02.07	ABN Amro	Brussels
21.02.07	Umicore	New York
22.02.07	Umicore	New York
23.02.07	Umicore	Boston
27.02.07	Artwork Systems	Brussels
01.03.07	EVS	Frankfurt
	Telenet	New York
05.03.07	Punch International	Frankfurt
06.03.07	EVS	Paris
	Global Graphics	London
07.03.07	Cumerio	New York
	GIMV	London
08.03.07	Cumerio	New York
	D'leteren	London
	GIMV	Dublin
	Global Graphics	Paris
12.03.07	Ackermans	Brussels
13.03.07	Agfa-Gevaert	London
	Global Graphics	Luxembourg
	Recticel	Paris
14.03.07	USG People	Brussels
16.03.07	EVS	US
19.03.07	EVS	US
20.03.07	EVS	US
21.03.07	Kinopolis	Frankfurt
	EVS	US
	Mobistar	Dublin
	Tessengerlo	Brussels

For an overview of our upcoming events, please click [here](#)

## Publication overview

Date	Company / Sector	Title report	Current Recommendation	Current Target Price
13.02.07	ABN Amro	4Q06 earnings disappoint again	Accumulate	25.00
	ICOS	Preview 4Q06 results	Accumulate	32.00
	ING	4Q06 earnings preview	Accumulate	37.50
	Recticel	Target price up on sum-of-the-parts revision	Buy	12.50
	Solvay	4Q06/FY06 results preview	Buy	130.00
	Tessengerlo	Ready for significant margin expansion	Buy	40.00
	Umicore	Earnings preview	Accumulate	145.00
12.02.07	Barco	4Q06 results preview	Reduce	67.00
	BOURBON	Success almost priced-in	Accumulate	50.00
	Brederode	Strong FY06 earnings fuel upward revision	Accumulate	31.50
	MFC	More growth in prospect	Accumulate	66.00
	Mobistar	Good 2006, decline in 2007, high dividend	Accumulate	71.00
09.02.07	Telenet	FY06 results preview	Buy	28.00
08.02.07	D'leteren	Belron acquires leading US player	Buy	320.00
08.02.07	Melexis	Positive surprises unlikely in FY07	Accumulate	15.00
	Total	Preview 4th quarter and full-year 2006	Accumulate	57.00
07.02.07	BP	Rather disappointing 4th quarter	Reduce	500.00
	Brantano	Another difficult year ahead	Reduce	36.00
	Lotus Bakeries	Look ahead, not back	Buy	275.00
06.02.07	Oil & Gas	Stabilising prices offer respite		
	Staffing	FY06 preview		
05.02.07	Melexis	4Q06 results preview	Accumulate	15.00
	Mobistar	FY06 results preview	Accumulate	71.00
02.02.07	ABN Amro	4Q06 earnings preview	Accumulate	25.00
	Dexia	4Q06 earnings preview	Accumulate	22.50

## AXA

AXAF.PA / CS FP

Insurance  
France

Current price	€ 32.85
Target price	€ 36.00
Market cap	€ 68,415m
Free float	77%

	EPS (€)	P/E
FY06E	2.13	15.4
FY07E	2.40	13.7
FY08E	2.66	12.4

## Upgrade target price to € 36 & FY06 preview

AXA will report its FY06 earnings on 22 February, before market. We forecast a rise in consolidated underlying profit of 17.2% to €3,819m (consensus at €3,802m). After adding €1,096m realised gains, adjusted net profit should rise by 19.6% to €4,915m (consensus at €4,729m). In its presentation on the introduction of IFRS accounting, AXA indicated that a 100bps rise of LT rates should lead to a c. €100m loss in the P&L on financial assets & derivatives. We have pencilled in a FY06 €380m loss, leading to a net profit of €4,623m (+10.8% y/y), or a basic EPS of €2.34.

To reflect our new FY07E appraisal value, we have raised our target price to €36.0 per share from €31.5 previously. This implies around 10% upside on current prices and integrates higher franchise value for the non-life activities (prolonging the peak earnings cycle) and the impact of higher LT yields and the FY06 stock market performance on EV. Accumulate rating maintained.

**Accumulate**  
Rating Unchanged

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## BIP

BIP.LU / BIP LX

Investment Companies  
Luxembourg

Current price	€ 85.00
Target price	€ 98.50
Market cap	€ 406m
Free float	44%

## Record FY06 earnings

**BIP announced that its FY06 net profit climbed 70% to €70.95m, versus €41.79m in FY05. As a result, BIP will increase its dividend by a stronger-than-expected 50% to €3.** The result consists of dividends & other income of €16.62m vs. €7.98m in FY05. Realised capital gains added €46.3m vs. €16.51m, which is largely attributable to Mittal's successful bid on Arcelor. Fair value adjustments of the **PE portfolio** chipped in another €12.76m to FY06 earnings, largely due to an increase in the fair value of VOXmobile, Cargolux and IEE. This confirms our view that BIP's Private Equity portfolio still offers significant potential to unlock value. We estimate the PE portfolio at €132m, or 23% of equity. Investment in Private Equity funds account for a rough €27m (not including €33m in commitments). **Some changes to the listed portfolio** are the partial selling of stakes in Fortis, Option and SES and the entire stake in Archos. BIP acquired 48,534 of its own shares, or 1% of total. After having shed its stake in Arcelor Brasil in 1H06, BIP re-acquired shares in the steel company and also build up a stake in Companhia Vale do Rio Doce to bring its exposure to the steel sector to 15%. Telecoms make up 17%, while media and banks account for 22%. The total value of listed portfolio stands at €372m, or 65% of equity value.

We are pleased by the results, as they confirm that BIP's management continues to create shareholders value, both via dynamically managing the listed portfolio and via a hands-on management of its Private Equity stakes. We estimate equity value at around €120.

A detailed Flash note will be published early next week.

**Buy**  
Rating Unchanged

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**Barco**

BARBt.BR / BARB BB

Electronic & Electrical  
Equipment  
Belgium

Current price €68.25  
Target price €67.00  
Market cap €851m  
Free float 87%

	EPS (€)	P/E
FY06E	4.01	17.0
FY07E	4.86	14.1
FY08E	5.25	13.0

**Mixed 4Q results, no 1Q07 outlook**

**Reduce**

Rating Unchanged

Barco published strong 4Q sales: €222.5m, up 6% y/y and above the high end of the guidance range (€207m-€217m). Despite the higher-than-expected sales, EBITA came in at €26.8m, below the midpoint of the €25m-30m guidance range. This is nevertheless an acceptable performance, representing a 12% EBITA margin and up 40% y/y. Bottom-line results came in substantially below expectations (€8.1m net profit vs. our €22.1m) due to an €11.5m goodwill impairment charge and a €1.4m loss on the sale of the MS divisions. Looking by division, it becomes clear that the 4Q performance is mainly driven by Control Rooms, where sales went up by 24%, while the EBITA margin stood at no less than 25%! Media & Entertainment showed a slight y/y sale decline (because of difficult comps), but more worrisome is the fact that the EBITA margin was a negative 5.8% despite a relatively high turnover (partly due to provisions for the replacement of a product in the Media market). 4Q profitability was also supported by the 18.8% EBIT margin in the BarcoVision unit (that is up for sale).

Contrary to our expectations, Barco does not provide a 1Q07 outlook. It does give a general FY07 outlook however: a higher sales growth than in FY06 (+5.4%), but lower than 10%, and an improvement in profitability. This is no surprise: we were counting on 9.5% sales growth and an improvement in the EBITA margin to 10%.

Conclusion: good 4Q results, but mainly driven by an exceptional and non-sustainable performance in Control Rooms, and good margins in Vision (that might be divested). Disappointing performance in M&E. No 1Q outlook, but FY outlook inline with our numbers.

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**Bekaert**

BERTt.BR / BEKB BB

Engineering & Machinery  
Belgium

Current price €94.65  
Target price €92.00  
Market cap €2,038m  
Free float 57%

	EPS (€)	P/E
FY06E	6.48	14.6
FY07E	6.82	13.9
FY08E	7.27	13.0

**Trading update on Friday**

**Accumulate**

Rating Unchanged

Friday, before market, Bekaert will publish its Q4 trading update. Publication of FY results is scheduled for 16 March, before market. We expect Q4 sales up 3.3% y/y to €489m; split into €414m for the advanced wire products, €44m for the advanced materials and €35m for the advanced coatings.

In its 9M06 trading update, Bekaert offered very succinct guidance: "Despite continued weakening on its European and North American markets, Bekaert confirms sales growth for 2006." For 2H06, we expect sales to increase from €943.4m to €985.1m. Our estimate for recurring EBIT stands at €59.5m, down from €73.7m in 2H05. In 1H06, Bekaert recorded a recurring EBIT of €80.0m. The contribution of joint ventures and associates is expected to remain stable at €29.2m. This leads us to a net consolidated result of €128.1m, down from €135.7m over 2005.

Since Bekaert will have approximately 200k tonnes p.a. of tyre cord capacity operational by the end of 2006, the 2007 results should be boosted by higher steel cord output in China. In addition, we expect Bekaert to maintain Capex at high levels in 2007.

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## Belgacom

BCOM.BR / BELG BB

Telecommunication  
Services  
Belgium

Current price	€ 34.45
Target price	€ 28.00
Market cap	€ 12,463m
Free float	44%

	EPS (€)	P/E
FY06E	2.73	12.6
FY07E	2.35	14.7
FY08E	2.03	17.0

## Pressure to cut tariffs

The Belgian telecom regulator BIPT requires Belgacom to lower fixed to mobile tariffs following the lower mobile interconnection rates since November 2006. The lower tariffs were introduced for mobile to mobile but Belgacom has not yet adjusted the prices for fixed to mobile. Belgacom needs to comply with the demands by 2 April otherwise it faces a possible penalty. The reason for Belgacom's delay of lowering the tariffs is due to some pending legal cases.

**Reduce**

Rating Unchanged

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## Carrere Group

CRGP.PA / CAR FP

Media & Photography  
France

Current price	€ 23.98
Target price	€ 27.00
Market cap	€ 202m
Free float	46%

	EPS (€)	P/E
FY06E	1.87	12.8
FY07E	2.24	10.7
FY08E	2.60	9.2

## Revenues from "distribution" soared (+33%)

**Carrere Group FY06 turnover was €141.43m** vs. €123.5m in FY05 (+14.5%) and €150m forecasted. According to the company, organic growth is in line with the 10% year target. The main difference with our forecast comes from a delay in an acquisition planned for FY06 but completed in FY07 (as already announced). Production rose 12% to €104.2m vs. €92.9m (€114m forecasted). With €15.1m, marketing rose by 8% but was also below expectations (€16m). **We are satisfied with distribution** which increased by 33% to €22.2m from €16.8m, largely above our €20m forecast. Carrere Group's library has been strongly reinforced and this allowed the group to sell more products to more clients.

Carrere Group said its 67.5% subsidiary RIFF **has invested €8m in a new technical centre** able to provide all necessary skills for post-production for images, sounds and special effects. The group added that "Du côté de chez vous" theme channel is a big success. New projects of theme channels are currently being investigated and are the group's challenge for 2007 as well as the ramp up of the new technical centre. FY06 turnover was below expectations, but organic growth was in line. This difference, and the weigh of RIFF's investment are likely to impact our FY06 result forecast.

**Our valuation of Carrere Group is mainly based on the book value of the library** for which there is no reason to be revised downwards since its exploitation appears better than expected. Acquisitions are only being delayed, not cancelled, and will contribute to the library in FY07 and beyond. Another acquisition should be announced in the coming weeks. FY06 results should be unveiled in the last week of April.

**Buy**

Rating Unchanged

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## DSM

DSMN.AS / DSM NA

Chemicals  
Netherlands

Current price €38.50  
Target price €40.00  
Market cap €7,346m  
Free float 100%

	EPS (€)	P/E
FY06E	2.82	13.7
FY07E	3.01	12.8
FY08E	3.09	12.5

## 4Q06/FY06 results

DSM's 4Q06 results were below our and consensus forecasts. Sales from continuing operations were flat at €2,067m and total sales were down about 1% to €2,076m (vs. €2,129m expected). EBIT from continuing operations was at the bottom of the guidance range given (+6-8% for the FY implying 3-12% growth in 4Q) with a 3% growth to €186m (we expected €206m and consensus stood at €198m). The shortfall is mainly due to the Nutrition division (EBIT of €66m vs. €81m expected), Performance Materials (EBIT of €71m vs. €86m expected) and the others line (€-24m vs. €-8m expected). Pharma (EBIT of €24m vs. €18m expected) and Industrial Chemicals (EBIT of €49m vs. €34m expected) were ahead of estimates. The net result stood at €89m vs. €140m expected, partly because of €-30m negative one-offs.

DSM also warned that FY07 operating profit would come in below the FY06 figure because of the expiration of some attractive LT contracts and intensified competition in Nutrition, currency effects (lower USD) and still high natural gas prices (especially in the Netherlands). We anticipated an EBIT of €899m for FY07 or an 8% rise vs. the actual FY06 figure of €835m, so we clearly will have to revise our earnings model downward.

We decide today to **reduce our rating from Buy to Accumulate, but we keep our €40 target price unchanged** as it still represents a significant discount vs. the fair value of our DCF model (which is above €45). **We nevertheless expect a negative share price reaction today on the weaker than anticipated 4Q06 results and FY07 profit warning.**

**Accumulate**  
Rating Downgraded

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## EXMAR

EXMR.BR / EXM BB

Transport  
Belgium

Current price €23.50  
Target price €26.00  
Market cap €839m  
Free float 41%

	EPS (\$)	P/E
FY06E	2.30	13.3
FY07E	1.70	18.0
FY08E	1.91	16.1

## Excelsior makes first docking at Teesside

On Monday, Exmar's LNGRV (LNG Regasification Vessel) Excelsior has docked at Excelerate Energy's new Teesside GasPort, located in Teesside, UK. The commissioning of the terminal will be another big milestone for Exmar, as it will involve the first dockside onboard regassification. Hence, LNGRVs prove extremely flexible with three alternative discharge possibilities: offshore as natural gas through an STL-buoy, onshore dockside delivery of natural gas and onshore delivery of LNG as ordinary LNG Carriers. Ship-to-ship transfer of LNG from LNG Carriers to LNGRVs further enhances flexibility. The Teesside GasPort concept is minimal, as it does not require on-land storage and regassification capacity.

In the meantime LPG rates have continued to plunge to current levels of \$ 7,726/day for a modern VLGC (Very Large Gas Carrier). At these levels, which approach the operating costs, rumours about older vessels been offered on the market for scrap become more plausible. The only positive one can say today is that rates are so unsustainable low that they simply will have to bottom out. The situation in the crucial MGC (midsize) segment is less dramatic than in the VLGC segment. In addition, Exmar has a good fleet coverage for the year at rewarding levels.

**Accumulate**  
Rating Unchanged

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**IBt**

IBTH.BR / IBTB BB

Health  
Belgium

Current price € 8.30  
Target price € 10.00  
Market cap € 77m  
Free float 79%

	EPS (€)	P/E
FY06E	-0.13	
FY07E	0.07	118.2
FY08E	0.42	19.9

**Increasing stake in German distributor to 100%**

IBt bought out the minority shareholder (49.5%) of its German distributor Urorad, increasing its stake to 100%. The acquisition was made for an undisclosed amount of cash. Since 2003 Urorad distributed IBt's products in Germany, the largest European market for permanent prostrate brachytherapy implants. It represents over 25% of the European market. This buy-out is in line with the group's strategy to increase its commercial presence in this market.

IBt will be announcing its annual results for 2006 on 28 February after the close of trading on Euronext.

**Buy**

Rating Unchanged

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**Mobistar**

MSTAR.BR / MOBB BB

Telecommunication  
Services  
Belgium

Current price € 65.10  
Target price € 71.00  
Market cap € 4,120m  
Free float 45%

	EPS (€)	P/E
FY06	4.74	13.4
FY07E	4.60	14.1
FY08E	4.46	14.6

**Accelerated push into F2M**

Mobistar said on the 3GSM congress that it will launch on 19 March 2007 Mobistar AtHome, a €10 monthly subscription that will allow residential post paid clients to make mobile calls for 40 hours to fixed lines from their own homes. It is the first time that such a service is offered in Belgium and it is intended to convince people to get rid of their fixed line. To date, 65% of the Belgian inhabitants still have a fixed line at home. With this strategy, Mobistar is trying to find growth outside the pure mobile market which shows today an active penetration of 90%.

**Accumulate**

Rating Unchanged

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**Option**

OPIN.BR / OPTI BB

Information Technology  
Hardware  
Belgium

Current price € 12.82  
Target price € 14.50  
Market cap € 529m  
Free float 82%

	EPS (€)	P/E
FY06E	0.85	15.1
FY07E	1.11	11.6
FY08E	1.38	9.3

**Ericsson in, Nokia out of module game**

**Accumulate**  
Rating Unchanged

According to the Belgian newspaper 'de Tijd' (quoting an Intel manager), Nokia has ditched its plans of launching an embedded module for laptops. **This would be very good news for Option, as we feared that Nokia's plans (in cooperation with Intel) would have an important negative impact on Option's market share in this market.**

**On the other hand, Swedish telecom equipment company Ericsson announced at the 3GSM Congress in Barcelona that it will launch an HSUPA embedded module for laptops and other mobile devices.** This will make them a direct competitor to Option and its rivals Sierra Wireless and Novatel Wireless in the embedded module market. Ericsson states that its embedded module will be included in notebook PCs by early 2008. Option's HSUPA module will be available during 2Q07. Hence, we expect the short-term impact on Option of the Ericsson launch to be quite limited, but it again shows that in the mid-term, the embedded module market will be highly competitive. We point out that Ericsson will be marketing the module, and not SonyEricsson (that is active in the data card market).

We expect embedded modules to represent around 7% of Option's turnover in FY07 (or € 27.2m). This is still quite limited, but in the future, embedded modules should be one of the growth drivers of Option's business model. But to safeguard the growth opportunities in this market, Option needs additional supply contracts for its embedded modules. New competitors entering this market will obviously make this more difficult.

**We believe Intel & Nokia ditching their module plans lowers Option's mid-term risk profile, and as a result we up our price target to € 14.5 (P/E07 of 13x).**

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**SES**

SESFd.PA / SESG FP

Media & Photography  
Luxembourg

Current price € 13.63  
Target price € 13.60  
Market cap € 7,494m  
Free float 53%

	EPS (€)	P/E
FY06E	0.75	18.2
FY07E	0.61	22.5
FY08E	0.57	23.9

**To buy GE's 19.5% stake for assets and cash**

**Accumulate**  
Rating Unchanged

SES announced it reached agreement on an exit of 19.5% shareholder GE out of its capital. The exit is structured as a split-off transaction as SES will contribute both assets and cash to a newco. The shares of this newco will then be exchanged for GE's 19.5% shareholding in SES (equivalent to 103.1m shares). The newco is to be named SES International Holding (SIH) and will comprise € 538m cash as well as assets valued at € 650m, bringing the total transaction value to € 1238m. This is equivalent to € 12 per SES share implying a 12% discount on yesterday's closing price. The cash amount may be increased by € 45m depending on closing date (expected in 2Q07). The assets brought into SIH are: the AMC-23 satellite (launched in Dec-05), 100% of Satlynx (2-way Broadband), 34% in AsiaSat, 20% in StarOne and 5.5% in Orbcomm. At first sight valuation of the assets seems fair. SES achieves two objectives through this transaction: **1/** removal of the GE overhang and **2/** optimisation of the business portfolio. With regards to portfolio optimisation, the New Skies acquisition generated some overlap in Asian and Latin American coverage earlier reached through the minority holdings in StarOne and AsiaSat and a/o 100% owned AMC-23. Hence the disposal of these assets makes sense. We further believe the disposal of Satlynx is a plus as the operation had mixed success in the past. The transaction should be earnings accretive, will increase financial leverage (investment grade rating will be maintained) and bring the free float up to 70%. We regard this deal as positive and expect a positive share price reaction. Further feedback after conference call where we hope to get an update on new strategic goals for Asia.

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## SQLI

SQLI.PA / SQI FP

Software & Computer  
Services  
France

Current price € 2.92  
Target price € 3.50  
Market cap € 88m  
Free float 73%

	EPS (€)	P/E
FY06E	0.22	13.0
FY07E	0.32	9.2
FY08E	0.25	11.8

## Preview FY06 sales

SQLI will release after market close its FY06 turnover. For the 9 months 2006, turnover was up 66% at €64.7m (+ 10.6% organically on a 2005 proforma basis of €81.4m). For FY06 sales, we expect €90.8m, up 53.1% (+10% organically). These forecasts include 2006 acquisitions of Procea (€ 1.1m on 6 months) and Inlog (€0.16m on 3 months). **Our figures are slightly above management's guidance of €90m and in line with consensus of €91m.**

Regarding the positive performance for the last quarter sales releases of several French IT services players, **we can't rule out a good surprise.** Moreover, significant acquisitions (Aston and Sysdeo for €27m FY05 sales consolidated as from November 2005) are now integrated in the group's perimeter for more than one year and should deliver dynamic organic growth.

SQLI's growth outstrips that of the wider IT services sector. Management's clearly defined strategy to industrialise IT services should lead to double digit growth for the coming years with a significant margin improvement. The federating strategy is validated by the healthy cash position and management's track record.

**We have a Buy recommendation with a price target of €3.5, implying upside potential of almost 20% for 2007.**

**Buy**

Rating Unchanged

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## Total

TOTF.PA / FP FP

Oil & Gas  
France

Current price € 52.50  
Target price € 57.00  
Market cap € 128,927m  
Free float 98%

	EPS (€)	P/E
FY06E	5.59	9.4
FY07E	5.45	9.6
FY08E	5.42	9.7

## 4Q & FY results

4Q adjusted net earnings were €2.74m, down 10% y/y. This was above consensus but lower than our expectations. The group's environment (oil & gas prices, refining margins) was less favourable than for the previous quarters of 2006 which had seen record-high prices. Operating profit was €5.45bn, down 14% but in line with our expectation. Full year adjusted net profit was €12.6bn, up 5%. The 2006 dividend will be €1.87 per share, up 11%.

The management's comments are rather bullish. The reserves replacement ratio for 2006 was 102% (a better performance than most other oil companies). After a disappointing 2006 in terms of hydrocarbon production, Total is expecting an average production growth of above 5% per year in the 2006-2010 period.

A Flash note with more details will be issued after today's analysts meeting.

**Accumulate**

Rating Unchanged

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**Vedior**

VDOR.AS / VEDR NA

Support Services  
Netherlands

Current price € 16.16  
Target price € 17.00  
Market cap € 2,800m  
Free float 100%

	EPS (€)	P/E
FY06	1.05	14.7
FY07E	1.24	13.1
FY08E	1.45	11.1

**In-line performance**

Vedior has reported in-line 4Q06/FY06 results and provided positive outlook statements. The group expects current top-line growth trends (8% in 4Q06/FY06) to continue and improved operating leverage during 2007. In France and the Netherlands, where Vedior lagged rivals during 2006, management is anticipating gross profit growth ahead of the market. Barring major changes in the economic environment, management now expects its 4.6%-5.6% EBITA margin targets to be met by 2008.

The guidance, although positive, has not triggered material earnings upgrades. In fact, taking into account the higher-than-expected financial costs, we have left our underlying earnings forecasts virtually unchanged. The reported EPS increases (+6%) are almost entirely due to accounting changes, without impact on valuation.

We therefore leave our Accumulate rating and €17 target price (9x 2007E EBITDA) unchanged.

Upcoming Flash note.

**Accumulate**  
Rating Unchanged

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