

# Morning Note

21 January 2008

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KBC Securities sponsors the upcoming biotech event in France on January 31st, 2008. Click [here](#) to register.  
Belgian Techno & Telco Day in Brussels on March 5<sup>th</sup>, 2008. Click [here](#) to register.

## Contents

Company / Sector	Comment	Recommendation	Price (at close)	Target Price
Akzo Nobel	Profit warning from competitor Kemira	Accumulate	€ 48.25	€ 66.00
Alfacam	Covering CAN2008	Buy	€ 13.05	€ 19.00
Bekaert	Bekaert to invest over €97m in Russia	Accumulate	€ 78.53	€ 110.00
Boskalis	Feedback from Capital Markets event	Accumulate	€ 33.79	€ 37.00
Dexia	Exposure to Ambac	Buy	€ 15.14	€ 24.00
Euronav	Earnings preview + increased EPS08	Buy	€ 21.69	€ 28.00
InBev	New share buyback program	Reduce	€ 49.80	€ 62.00
SNS REAAL	To sell Swiss Life Belgium to Delta Lloyd	Accumulate	€ 12.78	€ 18.50
Suez	Higher stake in Aguas de Barcelona	Accumulate	€ 44.83	€ 41.00
Telenet	400,000 Telenet Digital TV clients	Buy	€ 17.70	€ 23.00

## Changes in recommendation

Company	From	To
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## Changes in target price

Company	From	To
Boskalis	30.00	37.00

## Key figures

(at close)	Price	1D	1M	12M
AEX	450.1	-2.2%	-10.5%	-11.0%
BEL20	3,695.1	-1.9%	-8.9%	-17.3%
CAC40	5,092.4	-1.3%	-7.6%	-8.3%
DAX30	7,314.2	-1.3%	-6.8%	9.3%
FTSE100	5,901.7	0.0%	-6.0%	-5.0%
EUROSTOXX50	3,995.2	-1.7%	-7.3%	-3.4%
STOXX50	3,351.7	-1.5%	-8.2%	-10.7%
DJIA	12,099.3	-0.5%	-8.6%	-3.7%
S&P500	1,325.2	-0.6%	-8.9%	-7.1%
NASDAQ Comp	2,340.0	-0.3%	-9.9%	-4.2%
USD/EUR	0.6812	0.1%	-1.9%	-12.1%
GBP/EUR	1.3357	-0.3%	-4.6%	-12.3%
Bel govt	4.16%	0.0bps	-28.0bps	4.0bps
French govt	4.07%	1.0bps	-31.0bps	-3.0bps
Dutch govt	4.05%	0.0bps	-32.0bps	-4.0bps

## Changes in EPS forecast

Company	From		To	
	2008	2009	2008	2009
Boskalis (€)	1.72	1.55	2.55	2.68
Euronav (\$)	1.67	1.20	2.82	1.96

Source: KBC Securities

## Corporate calendar

Date	Company	Event
21.01.08	Memscap	Results FY07
22.01.08	Euronav	Results FY07
24.01.08	CMB	Results FY07
25.01.08	Ahold	Trading update 4Q07
	Econocom	Trading update
	KBC Ancora	Results 1H07
	Quest For Growth	Analyst Meeting
		Results FY07
29.01.08	SNS REAAL	Ex. General Meeting
30.01.08	AST Groupe	Sales FY07
	Colruyt	Trading update 3Q08
	Séchilienne	Sales FY07
31.01.08	AXA	Sales FY07
	EXMAR	Results FY07
	Royal Dutch Shell	Results FY07
05.02.08	Mobistar	Analyst Meeting
		Results FY07
06.02.08	BOURBON	Analyst Meeting
	Henex	Payment div. FY07
	Rubis	Sales FY07
07.02.08	BOURBON	Sales FY07
	Maurel & Prom	Sales FY07
	Vedior	Results FY07
08.02.08	Doctissimo	Sales FY07
	Spector	Trading update 4Q07
11.02.08	Porthus	Results 1H08

## Roadshow calendar

Date	Company	Place
22.01.08	Omega Pharma	Vienna
29.01.08	Omega Pharma	Luxembourg
13.02.08	Porthus	London
14.02.08	Porthus	Brussels

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

## Publication overview

Date	Company / Sector	Title report	Current Recommendation	Current Target Price
21.01.08	General Topics	Dividends are an investor's best friend		
16.01.08	Delhaize	4Q07 sales preview: weak dollar to hit figures	Buy	70.00
14.01.08	Hansen Transmissions	Sailing on the wind	Buy	300.00
	Thenergo	Tomatoes, biomass and kilowatts	Buy	11.50
07.01.08	Oil & Gas	100 dollars, now what?		
	RHJ International	1H07/08 results confirm valuation model	Buy	16.00
04.01.08	Akzo Nobel	ICI acquisition completed	Accumulate	66.00
19.12.07	Texaf	Plentiful investment opportunities	Accumulate	160.00
18.12.07	UCB	Building for the future	Accumulate	35.00
17.12.07	Ablynx	Leading the camel race	Buy	9.00
	Maurel & Prom	Exploring new seams	Buy	18.00
12.12.07	Doctissimo	Bright prospects already priced in	Reduce	24.50
10.12.07	Colruyt	Some remaining concerns	Accumulate	170.00
	Nyrstar	Leading industry consolidation	Buy	21.00
03.12.07	Ahold	Nearing the tipping point for VIP	Buy	11.50
	General Topics	Ideas for the coming year		
28.11.07	Colruyt	1H07/08: the resilience test	Accumulate	170.00
	Tessengerlo	Still cyclical, but valuation supportive	Buy	47.00
26.11.07	Telecom	2008: operational execution & strategic choices		
23.11.07	Ackermans	Market jitters fail to dent value creation	Buy	79.00
	Deceuninck	Profit margins redressing	Buy	23.00
	EVS	Leading broadcasting digitisation	Buy	90.00
	Metris	Acquisitions should bear fruit in 2008	Buy	21.00
	Option	In need of a new business model	Sell	6.00
	RHJ International	Actions must now speak louder than words	Buy	16.00

## Akzo Nobel

AKZO.AS / AKZA NA

Chemicals  
Netherlands

Current price €48.25  
Target price €66.00  
Market cap €11,516m  
Free float 100%

	EPS (€)	P/E
FY07E	3.26	14.8
FY08E	3.02	16.0
FY09E	4.41	10.9

## Profit warning from competitor Kemira

Kemira, which is a competitor to Akzo Nobel in the field of Pulp & Paper chemicals, issued a profit warning by saying that its FY07 operating profit excluding non recurring items would not grow from the previous year level. The profit warning seems mainly due to the performance of the Kemira Specialty division, but also the Pulp & Paper division (for which Akzo is a competitor) was commented as having faced a difficult December and FY07 operating profit will fall short of the previous year level. Part of the problem is related to start-up delays for a new mill in Uruguay, but also to high-energy costs and the weak USD.

Pulp & Paper Chemicals accounts for about €1bn turnover at Akzo (or about 6% of the enlarged Akzo-ICI group's estimated turnover). We keep our FY07 forecasts unchanged for now. These include a 4Q07 EBIT growth of 15% for Akzo's Chemicals division, after a 26% growth in 3Q07, reflecting a positive impact from cost savings amongst others. Yet, the risk level seems clearly to have risen with Kemira's profit warning.

**Accumulate**

Rating Unchanged

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## Alfacam

ALFGR.BR / ALFA BB

Media & Photography  
Belgium

Current price €13.05  
Target price €19.00  
Market cap €106m  
Free float 32%

	EPS (€)	P/E
FY07E	0.43	30.2
FY08E	0.95	13.7
FY09E	0.80	16.4

## Covering CAN2008

Alfacam, the TV facilities unit of the Alfacam Group just announced it provides three large HD OB vans to cover a major part of the Coupe Africaine des Nations (CAN). No financials were disclosed. CAN2008 started off yesterday and the final will be held on Feb-10. The football championship will have an estimated 4.2 billion viewers worldwide. No change to rating and target price.

**Buy**

Rating Unchanged

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## Bekaert

BEKB.BR / BEKB.BB

Engineering & Machinery  
Belgium

Current price € 78.53  
Target price € 110.00  
Market cap € 1,561m  
Free float 63%

	EPS (€)	P/E
FY07E	7.33	10.7
FY08E	7.26	10.8
FY09E	7.49	10.5

## Bekaert to invest over € 97m in Russia

Friday, after market, Bekaert announced its intentions to invest in a new steel cord production plant in the Lipetsk Special Economic Zone. The investments are estimated at over € 97m and will take place in phases over the period 2008 to 2013. The first phase is scheduled to enter production in 2010. When talks with Uralkord proved to have been unsuccessful, we welcomed the fact that Bekaert remained loyal to its strict acquisition criteria. The construction of a greenfield project, gradually ramping up capacity to catch up with growth in Russia, might at the end prove to be the best solution.

**Accumulate**

Rating Unchanged

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## Boskalis

BOSN.AS / BOKA.NA

Construction & Building  
Materials  
Netherlands

Current price € 33.79  
Target price € 37.00  
Market cap € 2,899m  
Free float 69%

	EPS (€)	P/E
FY07E	2.31	14.6
FY08E	2.55	13.2
FY09E	2.68	12.6

## Feedback from Capital Markets event

Last week, Boskalis hosted analysts and investors on its annual capital markets event. Focus this year was on the company's presence in the Americas (area West) with special attention to the Panama Canal expansion project and Boskalis' home market strategy in Mexico. As a reminder the people of Panama approved the expansion project in October 2006, which should result into double capacity by 2025. The official budget for the project amounts to \$ 5.25bn with the largest chunk (\$ 2.73bn) related to the construction of the new set of locks. The first upcoming tender for dredging work is related to the Pacific access channels to the new locks, which could be worth \$ 150 up to \$ 250m (official government budget of \$ 180m). Deadline for the tender is 29 February but the main dredging companies seem to be pushing for an extension of the deadline. The project is expected to be executed over the 2008 to 2013 period.

In Mexico, one of Boskalis' home markets, the group is present through Dragamex, a 50/50 joint-venture with a local partner. The current fleet amounts to 6 hoppers (1-6k cbm), 6 cutters, 1 backhoe and 1 floating grab. The company has a strong market share of approximately 80% with some competition from Jan de Nul. Typical projects range in size from as low as \$ 30k up to \$ 70m. For larger projects, Dragamex seeks to tender in combination with Boskalis. As indicated earlier, we have refreshed our scenario (unrelated to the capital markets event), increasing our EPS estimates for 2008 and 2009 from € 1.72 and € 1.55 to € 2.55 and € 2.68 with an increased target price of € 37 per share (€ 30). More to follow later on.

**Accumulate**

Rating Unchanged

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## Dexia

DEXI.BR / DEXB BB

Banks  
Belgium

Current price	€ 15.14
Target price	€ 24.00
Market cap	€ 17,676m
Free float	43%

	EPS (€)	P/E
FY07E	1.89	7.5
FY08E	2.09	6.9
FY09E	2.28	6.4

## Exposure to Ambac

Following the announcement of a downgrade by Fitch of financial guarantor Ambac from AAA to AA, Dexia provides its exposure to assets guaranteed by Ambac on 31.12.2007. Dexia has no direct exposure to Ambac Group and is only indirectly exposed through assets with a financial guaranty from Ambac. Dexia's exposure (excluding FSA) on assets guaranteed by Ambac is €5,816m, of which €4,211m (73%) for public sector, €1,056m (18%) for Project Finance Utilities and €550m (9%) for ABS. Within the ABS, c. 0% is sub-prime, 30% is US prime RMBS and 44% is non US RMBS. The ABS is rated A (22%), AA (9%) or AAA (66%) and 3% BBB.

FSA has exposure to Ambac primarily through its FSA-insured portfolio (guarantees of transactions already insured by Ambac) for \$ 3,436m (in which 6% RMBS and 9% ABS), an investment portfolio of \$ 512m (all Municipal) and the financial products investment portfolio for \$ 936m. Additionally, Ambac has provided \$ 1,304m of reinsurance of FSA-insured transactions (44% US health care, 52% international infrastructure and 4% US Municipal & other). As a general policy Dexia or FSA only acquire or guarantee assets based on the credit analysis of the underlying risk without taking into consideration the existence of a financial guaranty provided by a mono-line insurance company.

Based on this information we do not anticipate additional P&L write offs in Dexia's accounts.

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**Buy**

Rating Unchanged

## Euronav

EUAV.BR / EURN BB

Transport  
Belgium

Current price	€ 21.69
Target price	€ 28.00
Market cap	€ 1,139m
Free float	41%

	EPS (\$)	P/E
FY07E	0.75	42.4
FY08E	2.82	11.3
FY09E	1.96	16.2

## Earnings preview + increased EPS08

Tuesday, after market, Euronav will report its preliminary 4Q07 results. We have based our scenario upon average TCEs (time charter equivalent earnings) of \$ 35k/day per Euronav VLCC operated spot in the Tankers International pool during the quarter. Under this assumption, we expect Euronav to report revenues of \$ 100.1m, EBITDA of \$ 42.1m and a net loss over the quarter to the amount of \$ 13.3m. The loss over 4Q compares to the 3Q loss of \$ 23.3m and is less severe than initially feared thanks to the recovery in the VLCC market at the end of the quarter. For the full year, we now bank on a net result of \$ 98.9m, including the capital gains on the sale of one joint-venture newbuilding suezmax, the sale of the VLCC *Savoie* and the compensation payment related to the early termination of the Time Charter contract of the *Shinyo Landes* by its owners. In total, these one-off elements amount to \$ 69.4m. With regards to 2008, we have increased our EPS estimate from \$ 1.67 to \$ 2.82 thanks to a more aggressive rate assumption for 1Q (\$ 85k/day). Hence, we expect the company to report on a massive 1Q with EBITDA of \$ 154.8m and a net result of \$ 99.1m or \$ 1.89 per share. Given the lower result in 2007 and the softer US\$ exchange rate, one should reasonable expect the company to cut in its dividend, which amounted to € 1.68 per share last year. We have pencilled-in a dividend of € 0.75 per share, which still corresponds to a pay-out of 60% of the net result, including capital gains on vessel disposals. Over the past week, average modern VLCC earnings weakened by a 24% to \$ 83,872 last Friday. It is expected that rates will continue to soften in the next week.

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**Buy**

Rating Unchanged

**InBev**  
INTB.BR / INB BB

**New share buyback program**

**Reduce**  
Rating Unchanged

Beverages  
Belgium

InBev announced today that, following the completion of the €300m share buyback program that was announced last August, the company is initiating a new buyback program, also for €300m. This program represents about 1% of outstanding shares.

Current price	€49.80
Target price	€62.00
Market cap	€29,880m
Free float	28%

	EPS (€)	P/E
FY07E	3.02	16.5
FY08E	3.42	14.6
FY09E	3.78	13.2

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**SNS REAAL**  
SR.AS / SR NA

**To sell Swiss Life Belgium to Delta Lloyd**

**Accumulate**  
Rating Unchanged

Banks  
Netherlands

SNS REAAL will sell Swiss Life Belgium to Delta Lloyd Group for an amount of €135m million in cash. SNS REAAL had decided to sell Swiss Life Belgium because the company's strategic focus is on the Netherlands. The consideration of €135m is based on financial data as at 31 December 2006. The final consideration will be based on financial data as at 31 December 2007. The transaction includes the same indemnities as were provided by Swiss Life Holding to SNS REAAL.

Current price	€12.78
Target price	€18.50
Market cap	€3,304m
Free float	46%

	EPS (€)	P/E
FY07E	1.85	6.9
FY08E	1.95	6.5
FY09E	2.13	6.0

The agreement between SNS REAAL and Delta Lloyd Group is subject to completion of the acquisition of the Dutch and Belgian activities of Swiss Life Holding as announced by SNS REAAL on 19 November. The completion of that transaction and the transaction with Delta Lloyd Group is subject to approval from the relevant regulators and works council and is expected to take place in the second quarter of 2008. Swiss Life Belgium is a multi-line insurer with a strong focus on pension products. Swiss Life Belgium generated €475m GWP in 2006 of which 85% was traditional and 15% unit linked. The Belgian operations in Brussels employ 360 people (FTE).

The acquisition of the Dutch activities of Swiss Life (Zwitserleven) by SNS REAAL will not be impacted by the sale of Swiss Life Belgium. The acquisition of Zwitserleven is expected to be accretive to earnings per share for ordinary shareholders of SNS REAAL starting in the first 12 months following the completion of the acquisition.

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## Suez

LYOE.PA / SZE FP

Utilities  
France

Current price €44.83  
Target price €41.00  
Market cap €56,968m  
Free float 75%

	EPS (€)	P/E
FY07E	2.53	17.7
FY08E	2.72	16.5
FY09E	2.83	15.9

## Higher stake in Aguas de Barcelona

In autumn last year, Suez and La Caixa had the opportunity to buy a 6.7% stake from the Spanish company Torreal in Aguas de Barcelona (market cap approximately €4bn). Other shareholders of Aguas de Barcelona were given the opportunity to sell their shares at the same conditions (€27.65 in cash).

Now it turns out that a lot of Agbar's shareholders decided to offer their shares. After the offer, the controlling shareholders will hold 90.01% of Agbar (Hisusa (Suez 51%/La Caixa 49%) 66.44%; Suez 12.02%, Criteria Caixacorp 11.55%). Suez Environment will hold directly and indirectly 45.91% of Agbar's capital.

It's the goal of the controlling shareholders to keep Agbar listed on the Spanish stock exchange, with a free float of 30% within two years.

The deal costs €812m and confirms that Suez is very interested in the Spanish market.

**Accumulate**

Rating Unchanged

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## Telenet

TNET.BR / TNET BB

Media & Photography  
Belgium

Current price €17.70  
Target price €23.00  
Market cap €1,964m  
Free float 38%

	EPS (€)	P/E
FY07E	0.35	50.5
FY08E	0.75	23.7
FY09E	1.02	17.4

## 400,000 Telenet Digital TV clients

Telenet announced that, on 18 January, it has passed the milestone of 400,000 digital TV customers. The previous milestone, 300,000, was reached on 5 June. The new milestone is in line with our end-of-year IDTV forecast of 384,000 customers. This would represent an increase of 44,000 IDTV customers in the last quarter of 2007. As this growth matches the 4Q06 growth (+44,000 to 226,000), Telenet's IDTV growth did not slow down in 2007. Indeed, based on our calculations, the 2007 IDTV subscriber growth would be 158,000 and is well in line with the 151,000 new IDTV clients in 2006.

Telenet will publish its 2007 results on 18 February. At the current price, Telenet has a PE08 of 24x and an EV/EBITDA08 of 8x. We find this attractive given the sustained growth and high margins.

**Buy**

Rating Unchanged

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