



# Benelux All Caps

October 2009



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**Key ingredients for our new favourite list are (i) operating leverage, (ii) M&A fantasy and (iii) earnings surprise potential. Our selection comprises non-consensus ideas such as Logica, Omega Pharma and TenCate. We selected Ahold and Reed Elsevier as defensive valuation plays, given the uncertain shape of economic recovery.**

**Figure 1: Rabo Securities New All Cap Favourites (entry price 30 September 2009)**

	Entry price (EUR)	Price target 12-m (EUR)	Potential (%)	Market cap (EUR m)	Daily turnover (EUR m)
Ahold	8.24	11.0	33	9,821	56.2
BAM	7.88	10.0	27	1,066	7.8
Binck	12.01	17.0	42	914	2.0
Logica	1.43	1.65	19	2,285	2.0
Omega Pharma	29.91	37.0	24	725	2.2
Reed Elsevier	7.78	10.0	29	5,629	32.0
Ten Cate	14.93	19.0	27	374	1.5
TNT	18.40	24.0	30	6,826	30.0
Unit 4 Agresso	14.29	20.0	40	367	0.7

Source: Rabo Securities

## Key theme for 2010: operational earnings leverage will dazzle consensus

We argue that no V-shape economic recovery is required to see a V-shape earnings recovery in particularly early cyclical sectors in 2010. Most companies have anticipated much better than expected on the general collapse in top-line by reducing their cost base massively (up to - 25% y-o-y). This creates huge positive leverage when some top-line growth would kick in, as part of the realised cost savings seems structural and companies face up to 30% excess capacity. We argue that in general, co's will need much lower sales levels to achieve previous peak earnings again. Rabo projects an average EPS growth of 18% in 2010, versus 8% consensus and we believe this is only partially reflected in current valuations.

## Operational leverage analysis: don't buy the usual recovery suspects

Our base case EPS 2010 scenario assumes 2.4% GDP growth in the US and 1.0% for the Eurozone, while our positive and bull scenarios reflect respectively 1% and 2% additional GDP growth for both regions in 2010. Bottom-up, we have established EPS projections for all individual companies based on their usual top-line/GDP growth multiplier. We compared the implied P/Es under all 3 scenarios with the historical average forward P/E and argue that Benelux stocks still trade at a discount P/E on depressed earnings.

## Recovery valuation potential report generated 45% absolute return since July

Our top-10 selection of recovery plays based on 4-5 years valuation potential ("Analysing longer-term recovery potential", 6 July 2009) generated an absolute return of 45% so far, amongst others fuelled by abating debt concerns, hence markedly outperforming the AEX index (+25%). Our recovery price targets based on estimated next peak earnings and normalised P/Es continue to indicate healthy upside, albeit obviously significantly less than three months ago.

### Equity Research

Amsterdam +31 20 460 4862

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading +31 20 460 4723

www.rabosecurities.com

## Table of Contents

Introduction & Summary	2
Macro recovery: the trend is your friend?	5
Operating leverage analysis: don't buy usual suspects	9
Appendices	401

### Company Profiles

Aalberts	28	KBC	216
ABInbev	32	Kendrion	220
Accell	36	KKR Private Equity	224
Ackermans & van Haaren	40	KPN	228
Aegon	44	Logica	232
Ahold	48	Macintosh	236
AkzoNobel	52	Mediq	240
AMG	56	Mobistar	244
Arcadis	60	Nedap	248
ArcelorMittal	64	Nieuwe Steen	252
Arseus	68	Nutreco	256
ASM International	72	Oce	260
ASML	76	Omega Pharma	264
Ballast Nedam	80	Ordina	268
BAM	84	Pharming	272
Befimmo	88	Philips	276
Belgacom	92	Prologis	280
Besi	96	Randstad	284
Beter Bed	100	ReedElsevier	288
Binck	104	SBM Offshore	292
Boskalis	108	Sligro	296
Brunel	112	Smit Internationale	300
CFE	116	SNS Reaal	304
Cofinimmo	120	Solvay	308
Colruyt	124	Stern	312
Corio	128	Super de Boer	316
Crucell	132	Telegraaf	320
CSM	136	Telenet	324
Delhaize	140	TenCate	328
Dexia	144	Tessenderlo	332
Dockwise	148	TKH	336
DPA Flex	152	TNT	340
Draka	156	TomTom	344
DSM	160	UCB	348
Eurocommercial properties	164	Unibail Rodamco	352
EVS	168	Unilever	356
Exact	172	Unit 4 Agresso	360
Fortis	176	USG People	364
Fugro	180	Van Lanschot	368
Gamma Holding	184	Vastned Offices	372
Grontmij	188	Vastned Retail	376
Heijmans	192	Vopak	380
Heineken	196	Wavin	384
ICT	200	Wereldhave	388
Imtech	204	Wessanen	392
ING	208	WoltersKluwer	396
KAS Bank	212		

## Introduction & Summary

We proudly present you the fourth edition of our Benelux All Cap Guide, incorporating a universe of 93 companies. Organically, this is a further expansion versus our previous book, mainly driven by the successful establishment of our Pan-European property team.

### **Key theme for 2010: operational earnings leverage**

The key theme of our book is operational earnings leverage in 2010, which is bound to surprise market expectations to a huge extent. We argue that no V-shape economic recovery is required to fuel a V-shape earnings recovery next year, particularly related to early cyclical stocks. Most companies under coverage have anticipated much better than expected on the general collapse in revenues by cutting costs to the bone. As part of the achieved cost savings are structural in our view, co's will require (much) lower sales levels to achieve previous peak earnings again, which is only partially reflected in current valuation levels.

Our operational earnings leverage analysis has been linked with valuation and shows that not the usual recovery suspects are topping the ranks. Especially IT services and IT software stocks have been lagging other early cyclical sectors such as temping and industrials in terms of share price performance, whereas their operating leverage potential should be comparable. Our analysis also highlights that several defensive plays have simply become too attractive to ignore from plain valuation/FCF perspective, particularly in the Media industry.

### **Macro recovery has started, risks on the upside?**

Recent months have provided a string of relatively inspiring economic data, not only in the US and emerging Asia, but also in Japan and the Eurozone. We flag that the underlying macro economic climate remains fragile, but the trend is undeniably upward, also reflected by ongoing monthly upgrades of consensus GDP forecasts for these regions since June. National governments have acknowledged the sense of urgency by introducing elaborate stimulus plans, which has been an important contributor to improving macro trends. We realise this bears the risk of a slower recovery pace once most monetary stimulus plans have been absorbed, but recent leading indicators suggest that packages have been sufficient to kick-start a more sustainable recovery.

In our view, better than expected operating leverage is the key argument why 2010 EPS is (in general) bound to surprise consensus, further intensified by financial deleveraging. Additionally, our analysis shows that Benelux stocks still trade at a discount P/E 10 of -1% to -17% (from base to bull case) versus the historical average forward P/E on depressed earnings. This confirms that despite the impressive stock market rally since March 2009 (> 50%), stocks are still trading markedly below their fair values, as also suggested by our derived DCF values. Last but not least, M&A has lifted off swiftly since recent weeks on the back of declining financing costs, and is also here to stay as long as low-interest rates are maintained.

### **Our new All Cap favourite selection**

Key ingredients for our new favourite list are:

- (i) Operating leverage potential
- (ii) M&A fantasy
- (iii) Earnings surprise potential
- (iv) Secular growth opportunities

**Figure 2: Rabo Securities All Cap Favourites (entry price 30 September 2009)**

	Entry price (EUR)	Price target (EUR)	Potential (%)	Market cap (EUR m)	Daily turnover (EUR m)
Ahold	8.24	11.0	33	9,821	56.2
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Source: Rabo Securities

## Superb performance of recovery picks

Our research special "Analysing longer-term recovery potential" (July 2009) zoomed in on the 4-5 years valuation potential of Benelux stocks. The selected top-10 generated an excellent absolute return of 45%, hence markedly outperforming the AEX index (+25%). Particularly USG People and Aalberts Industries contributed to this performance, also fuelled by abating debt concerns.

**Figure 3: Rabo Securities recovery top-10 picks (closing date 30 September 2009)**

Company	Entry price	Current price	Performance
USG People	7.78	14.10	81.2%
Oce	3.56	4.476	25.7%
Randstad	19.38	29.70	53.3%
Beter Bed	8.40	12.90	53.6%
BAM	5.77	7.88	36.6%
Ordina	2.84	4.27	50.3%
Aalberts Industries	5.40	9.22	70.7%
Boskalis	15.92	23.18	45.6%
SBM Offshore	12.70	14.63	15.2%
Draka	10.18	12.24	20.2%
<b>Average</b>			<b>45.2%</b>

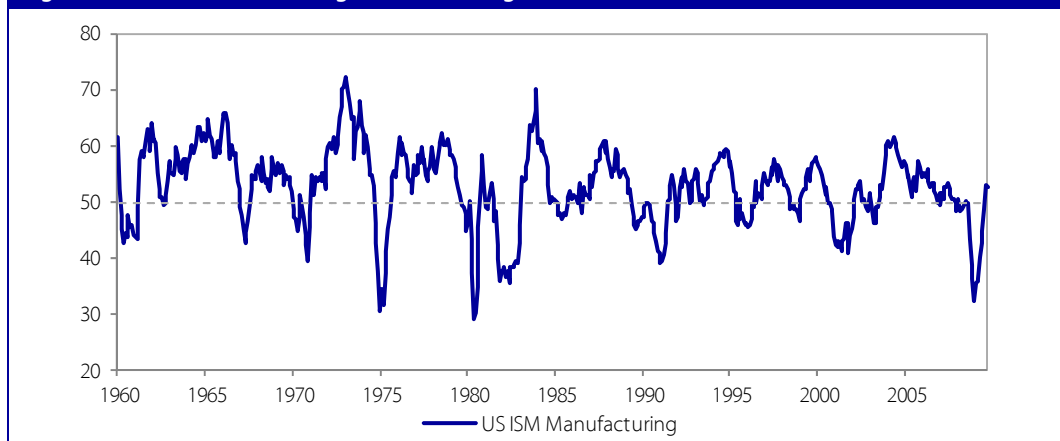
Source: Rabo Securities

## Macro recovery: the trend is your friend?

Recent months have provided a string of relatively inspiring economic data, not only in the US and emerging Asia, but also in Japan and the Eurozone. We flag that the underlying macro economic climate remains fragile, but the trend is undeniably upward, also reflected by ongoing monthly upgrades of consensus GDP forecasts for these regions since June. National governments have acknowledged the sense of urgency by introducing elaborate stimulus plans, which have been an important contributor to improving macro trends. We realise this bears the risk of a slower recovery pace once most fiscal/monetary stimulus plans have been absorbed and especially consumer spending (related to still rising unemployment rates) seems to be at risk. Still, recent leading indicators suggest that packages have been sufficient to kick-start a more sustainable recovery.

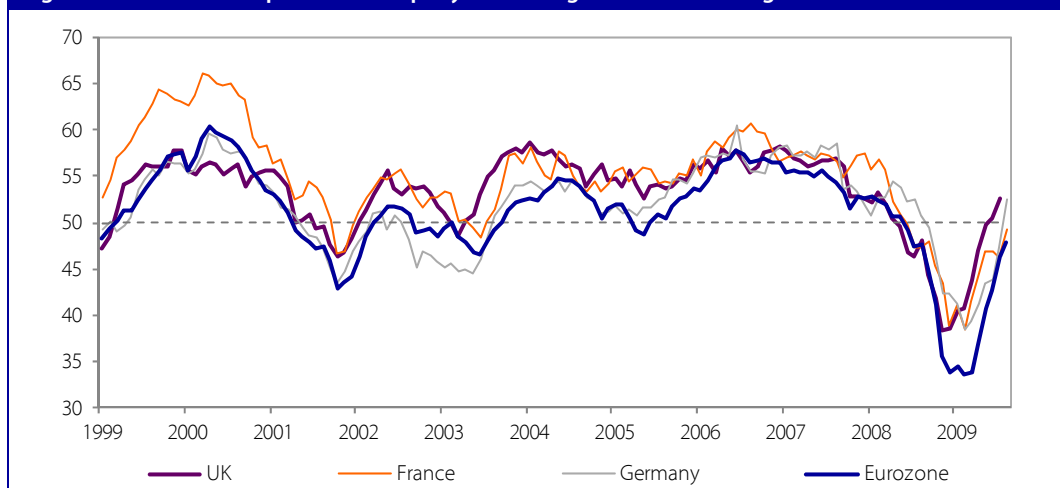
To illustrate, 09Q2 company earnings were purely driven by better than anticipated cost savings, while generally top-line achievements missed market expectations. Besides macro indicators, we also identify anecdotal evidence of improving demand at micro i.e. company level, underpinned by recent upward earnings revisions of early cyclical companies such as Fedex (US) and ASML. Additionally, we have the feeling that various companies are downplaying expectations for 09Q3 despite the fact that they already witnessed some upswing in month-on-month demand since July/August. The most important September month still has to be officially finalised and the summer period is traditionally not the most reliable benchmark.

**Figure 4: US ISM Manufacturing Index bouncing back to above critical 50-level**



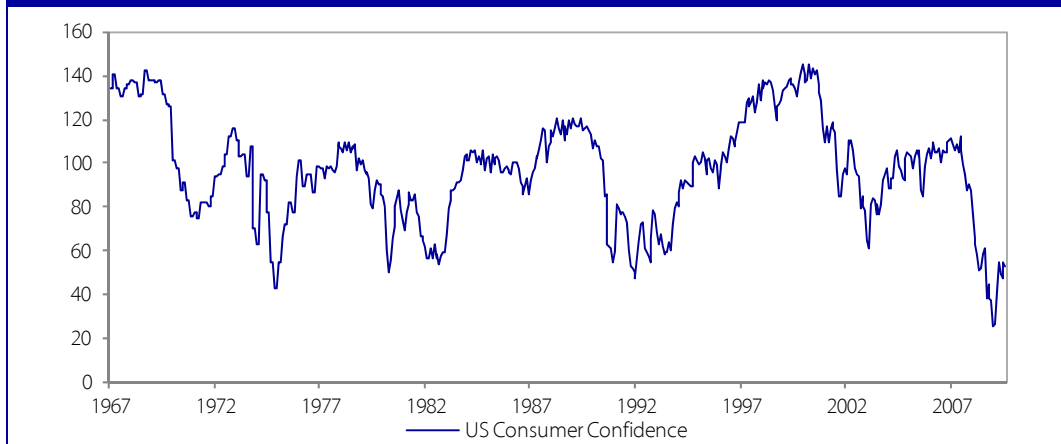
Source: EcoWin, Rabo Securities

**Figure 5: Eurozone composite PMIs rapidly recovering without a time-lag so far**



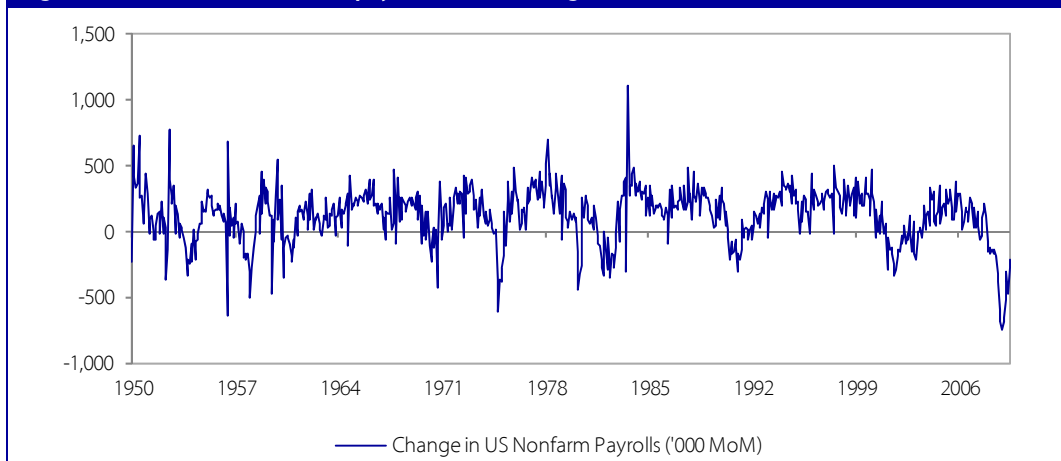
Source: EcoWin, Rabo Securities

**Figure 6: US consumer confidence bottoming out as well**



Source: Bloomberg, Rabo Securities

**Figure 7: Decline in US Nonfarm payrolls shows easing trend, albeit still down**

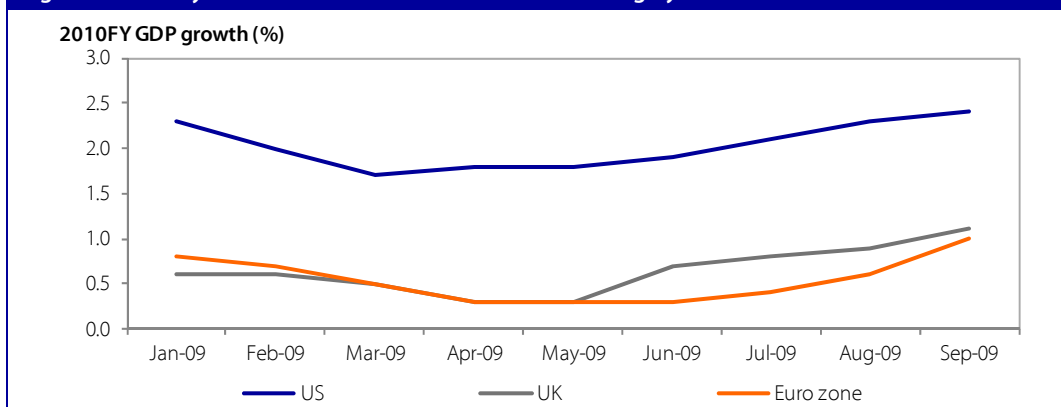


Source: Datastream, Rabo Securities

### Consensus: US GDP +2.4% in 2010, Eurozone +1.0%

Consensus GDP growth forecasts have been consistently revised upward since May 2009 in sync with stock market developments. US GDP is now expected to rise by 2.4% y-o-y in 2010 versus a projection of 1.8% in May, with a wide range from the most bearish +0.7% to Mr Bull at 4.0%. Consensus forecasts 1.0% for the Eurozone in 2010, coming from 0.3% in May (range: -0.1% to +2.7%).

**Figure 8: Monthly GDP consensus forecasts for 2010FY rising by month**



Source: Consensus Economics, Rabo Securities

### Swift pick-up in M&A fuelled by more attractive funding cost

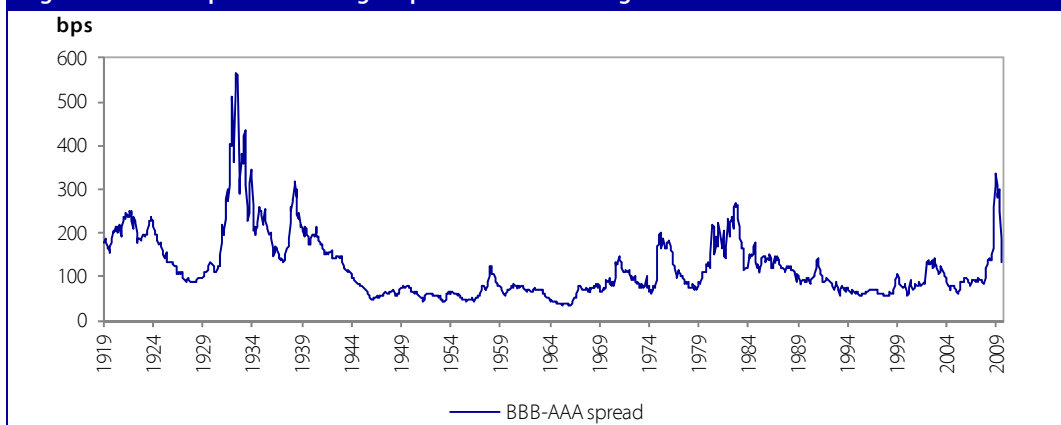
During recent weeks, we have witnessed a string of sizeable M&A transactions globally (see figure 9). In our view, this trend is a reflection of (i) gradually increasing confidence of management teams, (ii) cheaper funding (see figure 10 and 11) and most importantly (iii) generally depressed valuations of (listed) companies as we might be at an early stage of the cycle. We can imagine that the M&A wave has just started, as central banks might be tempted to maintain current low interest rates for a while to avoid any economic disruption, while anecdotal evidence reveals that strategic players are increasingly eager to buy.

**Figure 9: Recent M&A deals in US and the Benelux**

Announcement date	Target Company	Bidder company	Deal value (USD m)
01/10/2009	Tandberg	Cisco Systems	2,960
28/09/2009	Affiliated Computer Services	Xerox	3,640
21/09/2009	Perot Systems	Dell	3,640
07/09/2009	Cadbury	Kraft Foods	16,300
31/08/2009	Marvel Entertainment	Walt Disney	4,000
Deals in the Benelux	Target Company	Bidder company	Deal value (EUR m)
28/09/2009	Crucell (18% stake)	JHC Nederland (Johnson & Johnson)	N/A
28/09/2009	Solvay Pharmaceuticals	Abbott Laboratories	4,500
25/09/2009	Sara Lee (body care & detergents)	Unilever	1,275
25/09/2009	ING Australia; ING New Zealand	Australia and New Zealand Banking Group	1,040
18/09/2009	Super de Boer	Jumbo Supermarkten	563
29/06/2009	Draka Holding	Prysmian	N/A
24/06/2009	Eriks Group	SHV Holdings	762

Source: Mergermarket, Rabo Securities

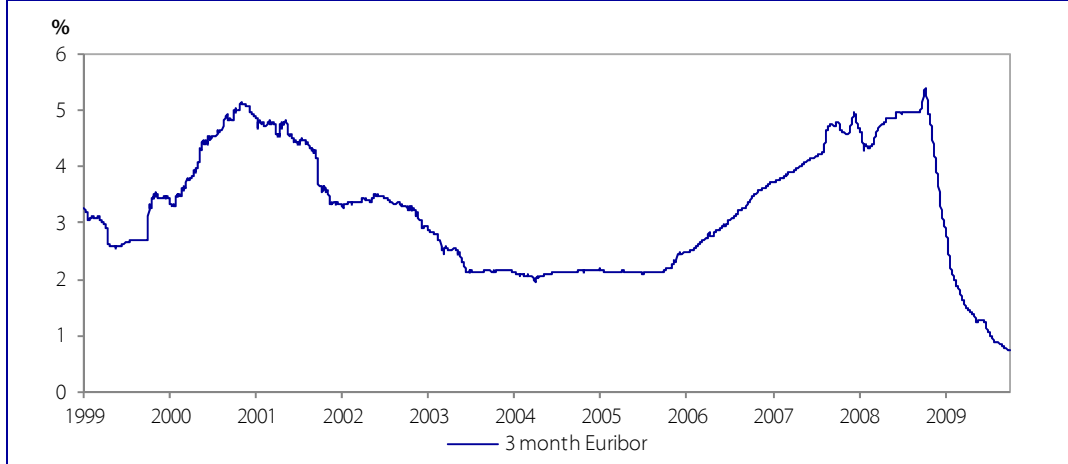
**Figure 10: Credit spreads heading for pre-Lehman levels again?**



Source: EcoWin, Rabo Securities



Figure 11: 3 month Euribor rate hits 10-year low



Source: Datastream, Rabo Securities

## Operating leverage analysis: don't buy usual suspects

We argue that no V-shape economic recovery is required to see a V-shape earnings recovery in 2010 in particularly early cyclical sectors. Most companies have anticipated much better than expected on the general collapse in top-line by reducing their cost base massively (up to -25% y-o-y). This creates huge positive leverage when some top-line growth would kick in, as part of the realised cost savings seem structural and companies face up to 30% excess capacity. We argue that in general, co's will require much lower sales levels to achieve previous peak earnings again.

Our operational earnings leverage analysis creates the link with valuation and shows that not the usual recovery suspects are topping the ranks. Especially IT services and IT software stocks such as Logica, Ordina and to a lesser extent Unit 4 Agresso have been lagging other early cyclical sectors such as temping and industrials in terms of share price performance, whereas their operating leverage potential should be comparable. Our analysis also highlights that several defensive plays have simply become too attractive to ignore from plain valuation/FCF perspective, particularly in the Media industry.

### Methodology explained

- Per individual company, we have analysed the sensitivity of its top-line growth to GDP growth changes, based on their usual top-line/GDP growth multiplier (if existent);
- Our base macro scenario assumes 2.4% GDP growth in the US and 1.0% for the Eurozone, both in 2010. In our positive macro scenario, we have added 1% GDP growth to 3.4% for the US and 2.0% for the Eurozone; our bull case adds 2% GDP, leading to 4.4% for the US and 3.0% for the Eurozone;
- We have calculated the bottom-line EPS impact of the top-line swing by leaving SG&A unchanged (when applicable) in our positive scenario versus our base scenario. Where applicable, we used the estimated SG&A run rate of 09Q4 for FY10. Our bull case assumes an only very low single-digit SG&A increase in FY10. For simplicity reasons, we use similar gross margins in different scenarios versus our base scenario, while pricing should admittedly depend on the economic climate as well;
- The implied P/Es under our base/positive/bull case scenarios are compared to companies' respective historical average forward P/Es to calculate the valuation discount/premium under various scenarios; similarly we calculated the implied P/E under our bear case, when deducting 1% GDP growth vs base.
- Each scenario offers a top-10 ranking based on valuation discount; See figure 17 for full details.

### Our main conclusions are:

1. Our coverage universe trades at a P/E discount of -1% under base case, -10% according to our positive scenario and -17% under our bull case scenario. Our bear case shows a premium of 18% on plain P/E.
2. Our base case scenario projects on average 18% EPS growth in 2010, ahead of consensus of 8%, while our positive case indicates 32% EPS growth in 2010 and our bull case a striking +47% y-o-y.

Figure 12: Ranking by P/E discount vs historical average on base, positive and bull case scenario								
Base case			Positive case			Bull case		
1	Unit 4 Agresso	-33.3%	1	Ordina	-43.3%	1	Ordina	-58.1%
2	Reed Elsevier	-31.2%	2	Unit 4 Agresso	-35.8%	2	ICT	-45.0%
3	Wolters Kluwer	-26.7%	3	ICT	-35.1%	3	Logica	-44.3%
4	Omega Pharma	-25.4%	4	Reed Elsevier	-32.0%	4	Draka	-40.8%
5	Ahold	-25.0%	5	Logica	-31.5%	5	Unit 4 Agresso	-38.1%
6	Draka	-22.9%	6	Draka	-29.9%	6	BAM	-35.3%
7	ICT	-22.3%	7	Wolters Kluwer	-27.6%	7	Reed Elsevier	-33.5%
8	Logica	-18.2%	8	Omega Pharma	-27.5%	8	CFE	-30.4%
9	Binck	-16.9%	9	Ahold	-26.5%	9	Omega Pharma	-29.7%
10	Ordina	-14.3%	10	BAM	-21.8%	10	Wolters Kluwer	-28.5%

Source: Bloomberg, Rabo Securities

We acknowledge that the outcome of our analysis is directly dependent on the used input variables. In other words, a markedly higher EPS projection for 2010 versus consensus could be an important driver for the derived P/E discount. In this respect, also financial de-leveraging can play an important role. Still, figure 13 shows the companies for which we are most significantly ahead of consensus EPS 2010, such as the staffers Randstad and USG People, did not make it to the overall top-10 ranking as valuation is simply not attractive enough versus other stocks.

**Figure 13: Top 10 ranking by positive difference between Rabo base estimate and consensus (EUR)**

Rank	Company	Base case EPS 2010E	Consensus EPS 2010E	Difference
1	Randstad	1.82	1.20	51.7%
2	USG People	0.90	0.60	50.0%
3	TomTom	0.91	0.61	49.5%
4	Unit 4 Agresso	1.80	1.49	20.8%
5	CSM	1.62	1.36	19.1%
6	Binck	1.35	1.17	15.4%
7	Ahold	0.99	0.86	15.1%
8	Draka	1.29	1.13	14.2%
9	CFE	3.78	3.32	13.9%
10	Nutreco	3.56	3.17	12.3%

Source: Bloomberg, Rabo Securities

**Figure 14: Top 10 ranking by adverse difference between Rabo base estimate and consensus (EUR)**

Rank	Company	Base case EPS 2010E	Consensus EPS 2010E	Difference
1	AMG	0.23	0.88	-73.9%
2	Tessenderlo	0.53	2.02	-73.8%
3	DSM	0.92	1.68	-45.2%
4	Akzo Nobel	1.65	2.83	-41.7%
5	Oce	0.25	0.38	-34.2%
6	Solvay	4.25	6.11	-30.4%
7	ASM International	0.28	0.39	-28.2%
8	Kendrion	0.50	0.69	-27.5%
9	Telegraaf	0.72	0.97	-25.8%
10	Wavin	0.05	0.06	-18.0%

Source: Bloomberg, Rabo Securities

Figure 15 depicts an overview of our bull case estimates versus the official consensus high per company, highlighting that several companies might still experience significant re-rating potential in a blue sky scenario. This underpins that even the most bullish analysts in the market might well underestimate the positive operating earnings leverage once top-line growth truly kicks in.

**Figure 15: Top 10 ranking by difference Rabo bull case versus highest EPS 2010 market estimate**

Rank	Company	Bull case EPS 2010E	Consensus EPS 2010E	Difference
1	Ordina	0.96	0.53	81.1%
2	USG People	1.50	0.93	61.3%
3	Randstad	2.74	1.82	50.5%
4	CFE	5.06	3.68	37.5%
5	Nedap	1.11	0.82	35.4%
6	ICT	0.72	0.55	30.9%
7	Draka	1.68	1.29	30.2%
8	ASM International	0.80	0.63	27.0%
9	BAM	1.45	1.16	25.0%
10	Heijmans	0.26	0.21	23.8%

Source: Bloomberg, Rabo Securities

## Longer-term recovery potential still existent, albeit less appealing

On 6th July 2009, we published our research special on longer-term (i.e. 4-5 years) valuation potential, indicating more than doubling potential for our coverage universe on average. Following the ongoing stock market rally since then however, part of the potential long-term upside has been already discounted for by investors, amongst others driven by several impressive debt relief rallies. Based on unchanged recovery price targets since July 2009, we estimate a remaining average upside of 47% for our universe.

**Figure 16: Top 10 ranking by upside 4-5 yrs recovery price target versus current share price**

Rank	Company	Price	Recovery price target	Upside
1	Oce	4.48	10.00	123.4%
2	ReedElsevier	7.78	16.80	116.0%
3	TenCate	14.93	32.12	115.1%
4	Wavin	1.45	3.00	106.8%
5	BAM	7.88	15.75	99.8%
6	SBM Offshore	14.63	28.70	96.2%
7	TKH	11.10	21.45	93.2%
8	Tessenderlo	26.49	49.20	85.7%
9	Draka	12.24	22.50	83.9%
10	Ahold	8.24	15.12	83.5%

Source: Bloomberg, Rabo Securities

Figure 17a: Operating earnings leverage analysis – base, positive, bull case scenario (30 September 2009)

Company	Share price	Base case: US GDP +2.4%, Eurozone +1.0% (2010)				Consensus			
		Sales chg				Sales chg			
		EPS 2009	EPS 2010	2010	P/E 2010	EPS 2009	EPS 2010	2010	P/E 2010
AMG	10.48	-0.63	0.23	1.0%	66.0	-0.1	0.88	7.8%	17.3
Aalberts	9.22	0.26	0.71	3.6%	13.0	0.46	0.69	4.1%	13.4
ABInbev	31.11	1.84	2.07	3.5%	15.0	1.82	2.06	4.0%	15.1
Accell	33.00	3.22	3.31	3.0%	10.0	3.22	3.32	2.6%	9.9
Ahold	8.24	0.84	0.99	2.7%	8.3	0.75	0.86	2.5%	9.6
AkzoNobel	42.13	2.23	1.65	-2.5%	25.5	2.26	2.83	0.7%	14.9
Arcadis	12.56	1.08	1.04	1.0%	12.1	1.11	1.09	0.0%	11.5
ArcelorMittal	25.99	-0.76	2.47	23.4%	15.3	-0.28	2.74	24.2%	13.8
Arseus	7.73	0.79	0.83	5.0%	9.3	0.80	0.87	5.0%	8.9
ASM International	12.28	-0.66	0.28	22.0%	43.9	-0.99	0.39	33.0%	31.5
ASML	20.10	-0.38	0.73	82.0%	27.5	-0.44	0.67	79.0%	30.0
Ballast Nedam	15.85	1.17	1.01	-1.3%	15.7	1.27	1.15	-5.0%	13.8
BAM	7.88	0.92	0.96	-5.4%	8.2	0.94	0.95	-4.5%	8.3
Belgacom	26.82	2.45	2.44	-0.8%	11.0	2.44	2.4	-1.2%	11.2
Beter Bed	12.90	0.68	0.74	1.4%	17.4	0.72	0.83	4.0%	15.5
Binck	12.01	1.03	1.35	17.0%	8.9	0.92	1.17	14.0%	10.3
Boskalis	23.18	2.27	1.87	-5.9%	12.4	2.26	1.71	-6.6%	13.6
Brunel	23.74	1.50	1.63	3.2%	14.6	1.50	1.52	2.2%	15.6
CFE	37.00	5.12	3.78	-4.5%	9.8	4.76	3.32	-3.5%	11.1
Colruyt	159.90	10.45	11.86	8.2%	13.5	10.33	11.26	7.4%	14.2
CSM	17.08	1.32	1.62	1.3%	10.5	1.23	1.36	1.0%	12.6
Delhaize	47.61	4.88	4.98	2.5%	9.6	4.87	5.05	1.5%	9.4
Dockwise	7.60	0.34	0.32	2.0%	140.8	0.36	0.34	-2.3%	132.6
DPA Flex	2.44	-0.03	0.06	0.0%	40.7	N/A	N/A	N/A	N/A
Draka	12.24	0.98	1.29	1.7%	9.5	0.98	1.13	2.8%	10.8
DSM	28.21	1.03	0.92	-3.8%	30.7	1.05	1.68	1.8%	16.8
EVS	51.25	2.17	3.17	33.3%	16.1	2.00	2.86	25.0%	17.9
Exact	17.90	1.46	1.45	-1.9%	12.3	1.48	1.47	-2.0%	12.2
Fugro	39.40	3.42	3.06	-5.3%	12.9	3.44	2.86	-3.5%	13.8
Grontmij	18.32	1.88	1.90	1.0%	9.6	1.98	1.99	0.0%	9.2
Heijmans	1.57	0.08	0.13	-7.6%	12.1	-0.06	0.14	-7.1%	11.2
Heineken	31.65	2.19	2.6	2.7%	12.2	2.07	2.41	2.8%	13.1
ICT	4.08	0.30	0.51	-2.4%	8.0	0.26	0.51	-2.0%	8.0
Imtech	17.25	1.82	1.67	-1.5%	10.3	1.78	1.69	-1.2%	10.2
Kendrion	9.75	0.18	0.50	11.0%	19.5	0.12	0.69	7.4%	14.1
KPN	11.45	0.90	1.05	-0.2%	10.9	0.90	1.03	0.1%	11.1
Logica	1.43	0.12	0.124	2.0%	10.5	0.102	0.111	0.0%	11.7
Macintosh	13.97	1.22	1.42	1.0%	9.8	1.26	1.51	0.5%	9.3
Mediq	11.27	1.10	1.15	4.0%	9.8	1.14	1.21	0.0%	9.3
Mobistar	47.49	4.21	4.15	-1.4%	11.4	4.21	4.16	-1.1%	11.4
Nedap	16.71	0.08	0.81	3.0%	20.6	0.18	0.82	2.2%	20.4
Nutreco	33.11	2.62	3.56	10.2%	9.3	2.4	3.17	5.2%	10.4
Oce	4.48	0.03	0.25	-1.6%	17.9	0.16	0.38	-0.4%	11.8
Omega Pharma	29.91	2.73	3.11	2.0%	9.6	2.79	3.18	3.0%	9.4
Ordina	4.27	0.37	0.47	2.0%	9.1	0.46	0.47	-2.6%	9.1
Philips	17.00	0.94	0.87	1.0%	19.5	0.40	0.82	0.0%	20.7
Randstad	29.70	1.20	1.82	4.0%	16.3	1.11	1.20	-4.3%	24.8
ReedElsevier	7.78	0.84	0.85	1.3%	9.2	0.81	0.80	-4.3%	9.8
SBM Offshore	14.63	1.21	1.41	-5.8%	15.0	1.42	1.53	-8.1%	13.9
Sligro	20.03	1.79	2.01	1.0%	10.0	1.7	1.86	1.1%	10.8
Smit Internationale	53.74	5.54	4.77	0.5%	11.3	5.42	4.99	0.6%	10.8
Solvay	72.67	4.54	4.25	-6.7%	17.1	5.02	6.11	3.0%	11.9
Telegraaf	13.20	0.57	0.72	1.0%	18.3	0.76	0.97	0.0%	13.6
Telenet	18.00	0.99	1.07	4.6%	16.8	0.88	1.14	5.2%	15.8
TenCate	14.93	1.21	1.52	2.4%	9.8	1.16	1.60	2.0%	9.3
Tessenderlo	26.49	-0.65	0.53	-2.2%	50.0	-1.69	2.02	5.1%	13.1
TKH	11.10	0.53	0.83	3.6%	13.4	0.61	0.91	2.1%	12.2
TNT	18.40	1.25	1.48	0.0%	12.4	1.28	1.48	0.0%	12.4
TomTom	12.01	0.74	0.91	5.0%	13.2	0.44	0.61	6.6%	19.7
Unilever	19.68	1.17	1.46	3.7%	13.5	1.16	1.42	3.5%	13.9
Unit 4 Agresso	14.29	1.36	1.80	3.4%	7.9	1.34	1.49	1.1%	9.6
USG People	14.10	0.44	0.90	2.3%	15.7	0.40	0.60	-4.9%	23.5
Vopak	44.92	3.74	3.90	3.2%	11.5	3.69	3.95	4.5%	11.4
Wavin	1.45	0.02	0.05	-1.5%	29.0	0.014	0.061	-1.6%	23.8
WoltersKluwer	14.63	1.54	1.65	1.6%	8.9	1.49	1.53	-0.5%	9.6

Source: Rabo Securities

Figure 17b: Operating earnings leverage analysis – base, positive, bull case scenario (30 September 2009)

Company	Sales/GDP Multiplier	Positive case: US GDP +3.4%, Eurozone +2.0% (2010)			Bull case: US GDP +4.4%, Eurozone +3.0% (2010)			Bear case: US GDP +1.4%, Eurozone 0% (2010)		
		Sales chg	EPS 2010	P/E 2010	Sales chg	EPS 2010	P/E 2010	Sales chg	EPS 2010	P/E 2010
AMG	6	7.0%	0.76	20.0	13.0%	1.29	11.8	-5.0%	0.02	N/A
Aalberts	3	6.6%	0.85	10.8	9.6%	1.00	9.2	0.6%	0.54	17.1
ABInbev	1	4.5%	2.12	14.7	5.5%	2.15	14.5	2.5%	2.00	15.6
Accell	3	6.0%	3.68	9.0	9.0%	4.02	8.2	0.0%	3.22	10.2
Ahold	1	3.7%	1.01	8.2	4.7%	1.02	8.1	1.7%	0.99	8.3
AkzoNobel	1.5	-1.0%	1.99	21.2	0.5%	2.22	19.0	-4.0%	0.75	56.2
Arcadis	3	4.0%	1.12	11.2	7.0%	1.25	10.0	-2.0%	0.95	13.2
ArcelorMittal	5	28.4%	3.10	12.2	33.4%	3.73	10.1	18.4%	1.01	37.3
Arseus	1.5	6.5%	0.85	9.1	8.0%	0.88	8.8	3.5%	0.80	9.7
ASM International	4	26.0%	0.55	22.3	30.0%	0.80	15.4	18.0%	0.25	49.1
ASML	4	86.0%	0.85	23.6	90.0%	1.00	20.1	78.0%	0.60	33.5
Ballast Nedam	1	-0.3%	1.39	11.4	0.7%	1.81	8.8	-2.3%	0.76	20.9
BAM	1	-4.4%	1.20	6.6	-3.4%	1.45	5.4	-6.4%	0.72	10.9
Belgacom	0.5	-0.3%	2.55	10.5	0.2%	2.68	10.0	-1.3%	2.35	11.4
Beter Bed	3	4.4%	0.97	13.3	7.4%	1.16	11.1	-1.6%	0.6	21.5
Binck	3	20.0%	1.41	8.5	23.0%	1.47	8.2	14.0%	1.28	9.4
Boskalis	2	-3.9%	2.01	11.5	-1.9%	2.16	10.7	-7.9%	1.77	13.1
Brunel	4	7.2%	1.84	12.9	11.2%	2.02	11.8	-0.8%	1.46	16.3
CFE	1.5	-3.0%	4.41	8.4	-1.5%	5.06	7.3	-6.0%	3.25	11.4
Colruyt	1	9.2%	11.95	13.4	10.2%	12.06	13.3	7.2%	11.75	13.6
CSM	1.5	2.8%	1.65	10.3	4.3%	1.68	10.2	-0.2%	1.59	10.7
Delhaize	1	3.5%	5.04	9.4	4.5%	5.12	9.3	1.5%	4.93	9.7
Dockwise	3	5.0%	0.38	118.6	8.0%	0.43	104.8	-1.0%	0.31	4.1
DPA Flex	4	4.0%	0.10	24.4	8.0%	0.13	18.8	-4.0%	0.02	122.0
Draka	3	4.7%	1.42	8.6	7.7%	1.68	7.3	-1.3%	1.15	10.6
DSM	2	-1.8%	1.27	22.2	0.2%	1.58	17.9	-5.8%	0.68	41.5
EVS	3	36.3%	3.28	15.6	39.3%	3.39	15.1	30.3%	3.07	16.7
Exact	1	-0.9%	1.46	12.3	0.1%	1.48	12.1	-2.9%	1.43	12.5
Fugro	2.5	-2.8%	3.3	11.9	-0.3%	3.6	10.9	-7.8%	2.73	14.4
Grontmij	2	3.0%	2.00	9.2	5.0%	2.1	8.7	-1.0%	1.75	10.5
Heijmans	1	-6.6%	0.19	8.3	-5.6%	0.26	6.0	-8.6%	0.07	22.4
Heineken	1	3.7%	2.67	11.9	4.7%	2.75	11.5	1.7%	2.50	12.7
ICT	2	-0.4%	0.61	6.7	1.6%	0.72	5.7	-4.4%	0.22	18.5
Imtech	2	0.5%	1.75	9.9	2.5%	1.95	8.8	-3.5%	1.46	11.8
Kendrion	2	13.0%	0.60	16.3	15.0%	0.70	13.9	9.0%	0.47	20.7
KPN	0.5	0.3%	1.07	10.7	0.8%	1.11	10.3	-0.7%	1.02	11.2
Logica	2.5	4.5%	0.148	8.8	7.0%	0.182	7.1	-0.5%	0.081	16.0
Macintosh	1.5	2.5%	1.67	8.4	4.0%	1.80	7.8	-0.5%	1.32	10.6
Mediq	1	5.0%	1.17	9.6	6.0%	1.19	9.5	3.0%	1.1	10.2
Mobistar	0.5	-0.9%	4.21	11.3	-0.4%	4.31	11.0	-1.9%	4.10	11.6
Nedap	2	5.0%	0.95	17.6	7.0%	1.11	15.0	1.0%	0.55	30.4
Nutreco	1.5	11.7%	3.65	9.1	13.2%	3.74	8.9	8.7%	3.49	9.5
Oce	2	0.4%	0.42	10.7	2.4%	0.64	7.0	-3.6%	0.02	223.8
Omega Pharma	1	3.0%	3.20	9.3	4.0%	3.3	9.1	1.0%	3.00	10.0
Ordina	3	5.0%	0.71	6.0	8.0%	0.96	4.4	-1.0%	0.20	21.3
Philips	1.5	2.5%	0.94	18.1	4.0%	1.03	16.5	-0.5%	0.78	21.8
Randstad	4	8.0%	2.31	12.9	12.0%	2.74	10.8	0.0%	1.23	24.1
ReedElsevier	1.5	2.8%	0.86	9.0	4.3%	0.88	8.8	-0.2%	0.83	9.4
SBM Offshore	3	-2.8%	1.73	12.3	0.2%	1.89	11.2	-8.8%	1.24	17.1
Sligro	1.5	2.5%	2.06	9.7	4.0%	2.1	9.5	-0.5%	1.99	10.1
Smit Internationale	2	2.5%	4.98	10.8	4.5%	5.18	10.4	-1.5%	4.68	11.5
Solvay	1.5	-5.2%	4.42	16.4	-3.7%	4.58	15.9	-8.2%	4.05	17.9
Telegraaf	1	2.0%	0.81	16.3	3.0%	0.91	14.5	0.0%	0.62	21.3
Telenet	0.5	5.1%	1.14	15.8	5.6%	1.19	15.1	4.1%	1.03	17.5
TenCate	3	5.4%	1.65	9.0	8.4%	1.80	8.3	-0.6%	1.40	10.7
Tessengerlo	2	-0.2%	1.11	23.9	1.8%	1.52	17.4	-4.2%	-2.03	-13.0
TKH	3	6.6%	0.93	11.9	9.6%	1.07	10.4	0.6%	0.68	16.3
TNT	1	1.0%	1.58	11.6	2.0%	1.70	10.8	-1.0%	1.35	13.6
TomTom	3	8.0%	0.98	12.3	11.0%	1.06	11.3	2.0%	0.84	14.3
Unilever	1	4.7%	1.49	13.2	5.7%	1.52	12.9	2.7%	1.43	13.8
Unit 4 Agresso	3	6.4%	1.87	7.6	9.4%	1.94	7.4	0.4%	1.73	8.3
USG People	4	6.3%	1.27	11.1	10.3%	1.50	9.4	-1.7%	0.44	32.0
Vopak	1.5	4.7%	4.08	11.0	6.2%	4.27	10.5	1.7%	3.77	11.9
Wavin	2	0.5%	0.08	18.1	2.5%	0.1	14.5	-3.5%	0	
WoltersKluwer	1	2.6%	1.67	8.8	3.6%	1.69	8.7	0.6%	1.62	9.0

Source: Rabo Securities

Figure 17c: Operating earnings leverage analysis – scenarios linked to valuation (30 September 2009)

Company	Overview P/E 2010					Consensus	Historical avg
	Base	Positive	Bull	Bear			
AMG	66.0	20.0	11.8	N/A		17.3	6.8
Aalberts	13.0	10.8	9.2		17.1	13.4	10.1
ABInbev	15.0	14.7	14.5		15.6	15.1	16.5
Accell	10.0	9.0	8.2		10.2	9.9	9.1
Ahold	8.3	8.2	8.1		8.3	9.6	11.1
AkzoNobel	25.5	21.2	19.0		56.2	14.9	12.3
Arcadis	12.1	11.2	10.0		13.2	11.5	12.5
ArcelorMittal	15.3	12.2	10.1		37.3	13.8	8.7
Arseus	9.3	9.1	8.8		9.7	8.9	9.2
ASM International	43.9	22.3	15.4		49.1	31.5	16.2
ASML	27.5	23.6	20.1		33.5	30.0	19.6
Ballast Nedam	15.7	11.4	8.8		20.9	13.8	7.9
BAM	8.2	6.6	5.4		10.9	8.3	8.4
Belgacom	11.0	10.5	10.0		11.4	11.2	11.4
Beter Bed	17.4	13.3	11.1		21.5	15.5	13.2
Binck	8.9	8.5	8.2		9.4	10.3	10.7
Boskalis	12.4	11.5	10.7		13.1	13.6	13.3
Brunel	14.6	12.9	11.8		16.3	15.6	13.4
CFE	9.8	8.4	7.3		11.4	11.1	10.5
Colruyt	13.5	13.4	13.3		13.6	14.2	15.3
CSM	10.5	10.3	10.2		10.7	12.6	11.1
Delhaize	9.6	9.4	9.3		9.7	9.4	10.8
Dockwise	140.8	118.6	104.8		4.1	132.6	N/A
DPA Flex	40.7	24.4	18.8		122.0	N/A	16.2
Draka	9.5	8.6	7.3		10.6	10.8	12.3
DSM	30.7	16.8	22.2		17.9	41.5	10.3
EVS	16.1	15.6	15.1		16.7	17.9	11.5
Exact	12.3	12.3	12.1		12.5	12.2	13.0
Fugro	12.9	11.9	10.9		14.4	13.8	12.8
Grontmij	9.6	9.2	8.7		10.5	9.2	10.1
Heijmans	12.1	8.3	6.0		22.4	11.2	7.8
Heineken	12.2	11.9	11.5		12.7	13.1	14.2
ICT	8.0	6.7	5.7		18.5	8.0	10.3
Imtech	10.3	9.9	8.8		11.8	10.2	11.1
Kendrion	19.5	16.3	13.9		20.7	14.1	9.4
KPN	10.9	10.7	10.3		11.2	11.1	11.9
Logica	10.5	8.8	7.1		16.0	11.7	12.8
Macintosh	9.8	8.4	7.8		10.6	9.3	8.7
Mediq	9.8	9.6	9.5		10.2	9.3	10.4
Mobistar	11.4	11.3	11.0		11.6	11.4	12.3
Nedap	20.6	17.6	15.0		30.4	20.4	12.4
Nutreco	9.3	9.1	8.9		9.5	10.4	10.3
Oce	17.9	10.7	7.0		223.8	11.8	9.5
Omega Pharma	9.6	9.3	9.1		10.0	9.4	12.9
Ordina	9.1	6.0	4.4		21.3	9.1	10.6
Philips	19.5	18.1	16.5		21.8	20.7	16.1
Randstad	16.3	12.9	10.8		24.1	24.8	12.7
ReedElsevier	9.2	9.0	8.8		9.4	9.8	13.3
SBM Offshore	15.0	12.3	11.2		17.1	13.9	13.2
Sligro	10.0	9.7	9.5		10.1	10.8	11.5
Smit Internationale	11.3	10.8	10.4		11.5	10.8	8.6
Solvay	17.1	16.4	15.9		17.9	11.9	11.6
Telegraaf	18.3	16.3	14.5		21.3	13.6	17.3
Telenet	16.8	15.8	15.1		17.5	15.8	18.6
TenCate	9.8	9.0	8.3		10.7	9.3	10.6
Tessengerlo	50.0	23.9	17.4		-13.0	13.1	10.1
TKH	13.4	11.9	10.4		16.3	12.2	10.6
TNT	12.4	11.6	10.8		13.6	12.4	13.1
TomTom	13.2	12.3	11.3		14.3	19.7	14.8
Unilever	13.5	13.2	12.9		13.8	13.9	14.9
Unit 4 Agresso	7.9	7.6	7.4		8.3	9.6	11.9
USG People	15.7	11.1	9.4		32.0	23.5	10.7
Vopak	11.5	11.0	10.5		11.9	11.4	12.6
Wavin	29.0	18.1	14.5		0.0	23.8	8.6
WoltersKluwer	8.9	8.8	8.7		9.0	9.6	12.1

Source: Rabo Securities

Figure 17d: Operating earnings leverage analysis – scenarios linked to valuation (30 September 2009)

Company	P/E discount vs historical average					Consensus	Recovery price target	Recovery price target upside
	Base	Positive	Bull	Bear				
AMG	871%	194%	73%	N/A	154%	9.0	-14%	
Aalberts	29%	7%	-9%	69%	32%	14.4	56%	
ABInbev	-9%	-11%	-12%	-6%	-8%	36.5	17%	
Accell	10%	-1%	-10%	13%	9%	29.7	-10%	
Ahold	-25%	-27%	-27%	-25%	-14%	15.1	83%	
AkzoNobel	108%	72%	54%	357%	21%	49.7	18%	
Arcadis	-3%	-10%	-20%	6%	-8%	16.7	33%	
ArcelorMittal	75%	40%	16%	329%	58%	40.5	56%	
Arseus	1%	-1%	-5%	5%	-3%	7.8	1%	
ASM International	171%	38%	-5%	203%	94%	16.5	34%	
ASML	40%	21%	3%	71%	53%	30.2	50%	
Ballast Nedam	99%	44%	11%	164%	74%	23.4	48%	
BAM	-2%	-22%	-35%	30%	-1%	15.8	100%	
Belgacom	-4%	-8%	-12%	0%	-2%	27.0	1%	
Beter Bed	32%	1%	-16%	63%	18%	23.0	78%	
Binck	-17%	-20%	-24%	-12%	-4%	14.5	21%	
Boskalis	-7%	-13%	-19%	-2%	2%	36.0	55%	
Brunel	9%	-4%	-12%	21%	17%	34.1	44%	
CFE	-7%	-20%	-30%	8%	6%	57.5	55%	
Colruyt	-12%	-13%	-13%	-11%	-7%	202.4	27%	
CSM	-5%	-7%	-8%	-3%	13%	22.0	29%	
Delhaize	-11%	-13%	-14%	-11%	-13%	67.8	42%	
Dockwise	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
DPA Flex	151%	51%	16%	653%		4.0	64%	
Draka	-23%	-30%	-41%	-14%	-12%	22.5	84%	
DSM	198%	63%	116%	73%	303%	42.0	49%	
EVS	40%	36%	31%	45%	56%	67.3	31%	
Exact	-5%	-6%	-7%	-4%	-6%	20.2	13%	
Fugro	1%	-7%	-14%	13%	8%	64.4	63%	
Grontmij	-5%	-9%	-14%	4%	-9%	27.0	47%	
Heijmans	55%	6%	-23%	187%	44%	3	59%	
Heineken	-14%	-17%	-19%	-11%	-8%	44.3	40%	
ICT	-22%	-35%	-45%	80%	-23%	6.6	62%	
Imtech	-7%	-11%	-20%	6%	-8%	20.7	20%	
Kendrion	107%	73%	48%	121%	50%	13.5	38%	
KPN	-8%	-10%	-13%	-6%	-7%	13.8	21%	
Logica	-18%	-31%	-44%	25%	-9%	1.9	32%	
Macintosh	13%	-4%	-11%	22%	6%	22.0	57%	
Mediq	-6%	-7%	-9%	-2%	-10%	12.7	12%	
Mobistar	-7%	-8%	-10%	-6%	-7%	52.5	10%	
Nedap	66%	42%	21%	145%	64%	25.4	52%	
Nutreco	-10%	-12%	-14%	-8%	1%	48.2	46%	
Oce	88%	12%	-26%	2256%	24%	10.0	123%	
Omega Pharma	-25%	-28%	-30%	-23%	-27%	43.4	45%	
Ordina	-14%	-43%	-58%	101%	-14%	7.7	80%	
Philips	21%	12%	2%	35%	29%	24.5	44%	
Randstad	28%	1%	-15%	90%	95%	53.4	80%	
ReedElsevier	-31%	-32%	-34%	-30%	-26%	16.8	116%	
SBM Offshore	14%	-7%	-15%	30%	5%	28.7	96%	
Sligro	-13%	-15%	-17%	-12%	-6%	27.4	37%	
Smit Internationale	31%	25%	21%	34%	25%	60.1	12%	
Solvay	47%	42%	37%	55%	3%	111.1	53%	
Telegraaf	6%	-6%	-16%	23%	-21%	9.8	-26%	
Telenet	-10%	-15%	-19%	-6%	-15%	23.8	32%	
TenCate	-7%	-15%	-22%	1%	-12%	32.1	115%	
Tessenderlo	395%	136%	73%	-229%	30%	49.2	86%	
TKH	26%	13%	-2%	54%	15%	21.5	93%	
TNT	-5%	-11%	-17%	4%	-5%	27.8	51%	
TomTom	-11%	-17%	-23%	-3%	33%	16.9	41%	
Unilever	-10%	-11%	-13%	-8%	-7%	25.1	27%	
Unit 4 Agresso	-33%	-36%	-38%	-31%	-19%	25.8	81%	
USG People	46%	4%	-12%	199%	120%	25.0	77%	
Vopak	-9%	-13%	-17%	-5%	-10%	52.3	16%	
Wavin	237%	111%	69%	-100%	177%	3.0	107%	
WoltersKluwer	-27%	-28%	-28%	-25%	-21%	20.5	40%	

Source: Rabo Securities



## List of Favourites

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Ahold	17
BAM	18
Binck	19
Logica	20
Omega Pharma	21
Reed Elsevier	22
TenCate	23
TNT	24
Unit 4 Agresso	25

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## Ahold – The unbeatable benchmark

Buy

			Share data
Market cap	EUR 9,821m	Price target	EUR 11.0
Free float	100%	Share price	EUR 8.24
Average daily turnover	EUR 56.2m	Potential	33%

### Key message

Despite a strong operational performance, the shares underperformed during 09H1, partly following a sharp decline in the USD/EUR rate. Triggers for outperformance include: (i) the potential for further sales and earnings surprises, (ii) on top of an update on cost savings and the US performance during the Q3 results, more details on the mid-term strategy and outlook, (iii) clarity on the allocation of FCF. Although Jumbo taking over Super de Boer seems the least preferred scenario for AH, we expect its outperformance to continue. Valuation remains attractive, reflected by a 20-25% discount versus its European peers.

Key financial data	2008	2009E	2010E	2011E
EPS Recurring	0.89	0.77	0.91	1.06
P/E Recurring	9.3	10.7	9.1	7.8
P/FCFPS	36.1	10.3	11.1	8.5
EV/ EBITDA	6.6	5.4	4.7	4.1
Dividend Yield (%)	1.8	2.5	3.4	4.0

Source: Rabo Securities

### Key points

- When adjusted for its 60% economic stake in ICA, our 2010EV/EBITDA multiple arrives at 4x, roughly in line with Kroger but at a 20-25% discount versus its European peers. We believe a re-rating is justified as: (i) The Netherlands accounts for 50% of group results and will maintain its strong performance into 2010, (ii) Ahold is benefiting from a strong momentum of accelerating volume growth and higher margins in the US, (iii) an underleveraged BS combined with high FCF generation, could lead to substantial cash returns to shareholders.
- We see no reason why Albert Heijn (AH) cannot sustain 9-10% EBIT growth in the next years, compared to consensus of 6-7%. AH has a winning format and a structural cost advantage. Although Jumbo taking over SdB seems the least preferred scenario (Schuitema taking over SdB would have provided more opportunities to gain share), Jumbo has to overcome some serious challenges. Aside from supply chain disruptions, these include: (i) implementing its extensive assortment and no-compromise EDLP concept into substantially smaller SdB stores, (ii) maintaining control and culture with a store base growing from 125 to over 400 units, (iii) dealing with franchisers.
- Incl. a further recovery of the US, we project EBIT growth of 10-12% for the group for the coming 2 years. When factoring in a more aggressive recovery and add-on acquisitions, EBIT growth might amount to 15%. Including lower financial charges and SBB's, EPS growth could amount to 20%.
- Management will provide more details on its US operations and new cost savings during the 09Q3 event. Strong results and an underleveraged BS (0.6x EBITDA per 09YE) triggers the question of the allocation of FCFs. We do not expect Ahold management to pursue big transformational M&A deals, but to hunt for add-on deals in existing or neighbouring markets in the US. Such would still provide room to increase dividend and or structural share-buy-backs.

### Downside risks

- Irrational pricing behaviour in local markets
- A deflation scenario could provide negative operational leverage
- Further declines in the USD/EUR exchange rate

**BAM – From covenant fear to SOTP fantasy****Buy**

Share data			
Market cap	EUR 1,066m	Price target	EUR 10.0
Free float	70%	Share price	EUR 7.9
Average daily turnover	EUR 7.8m	Potential	27%

**Key message**

BAM offers substantial (longer-term) earnings upside in combination with an improving balance sheet that will unlock the underlying valuation potential of the company. Short-term earnings visibility remains limited, although we argue that the 10FY comparison base works in BAM's favour. We see positive working capital trends and disposals (i.e. land positions, PFIs, Van Oord) as main catalysts for the stock in the coming two quarters. Mid to long-term, we argue that operating margins can return to historical levels (c. 3%), which results in a recovery price target of EUR 16.

Key financial data	2008	2009E	2010E	2011E
EPS Recurring	1.93	0.92	0.96	1.16
P/E Recurring	5.8	8.5	8.3	6.8
P/FCFPS	-26.1	-158.9	45.3	12.7
EV/ EBITDA	4.8	7.0	6.8	5.9
Dividend Yield (%)	4.5	3.2	3.2	3.2

Source: Rabo Securities

**Key points**

- The solid result and working capital control that BAM realised in 09Q2 strongly reduced the covenant fears that surfaced following the rather modest 09Q1 event. Although we can still not fully rule out that BAM might want to strengthen its balance sheet (e.g. via a sub-10% issue), there is no acute threat and we see a high likelihood of a decent 09FY dividend (EUR 0.25 p/s or 3% yield).
- While we acknowledge that short-term earnings visibility is limited, we argue that 10FY earnings are helped by a positive comparison base, as (i) there are restructuring costs in 09FY, alongside (ii) negative value adjustments in the real estate portfolio, while (iii) the restructuring gains should largely fall in 10FY, as will (iv) the benefits from stimulus packages in infrastructure. Finally, 09FY results will experience a lot of tender costs, a.o. in PFI.
- At the interim results (cash flow from operations amounted to EUR 91m negative in 09H1 vs EUR 318m negative in 08H1), BAM highlighted there is room for further working capital improvement, a.o. via increased prepayment levels. Moreover, management aims to divest some of its operational PFIs (book gain already incorporated in 09FY guidance) and possibly some of its land positions.
- We have derived our 4 to 5 year price target of EUR 16 based on a historical average P/E multiple of 8x in combination with new peak earnings of EUR 1.75 (07FY peak of EUR 2.13). This target is in line with our sum-of-the-parts value, which could act as a catalyst for the stock once management materialises some of the embedded value (e.g. 10FY sale of 21.5% stake in Van Oord, which should yield c. EUR 200m using Boskalis multiples). Please note that P/E multiples of Dutch construction stocks have historically increased on the back of growing earnings, and vice versa (e.g. BAM's 07FY share price peak of EUR 22 reflected a forward P/E ratio of 11x).

**Downside risks**

- Economic setbacks causing volume and price pressure in commercial and residential segments
- Inability to post working capital gains or sell assets
- Execution and margin disappointments associated with the current order backlog

**Binck – Record 09Q3 expected****Buy**

			Share data
Market cap	EUR 914 m	Price target	EUR 17.0
Free float	80%	Share price	EUR 12.0
Average daily turnover	EUR 2.0m	Potential	41%

**Key message**

Binck continued to outperform its peers in client growth in 09H1 (number of clients +14% vs end 2008). We expect high growth to continue during the next two years due to the expansion in France (2.2m online retail investors = 3x as much as in The Netherlands). So far peers in France have not made significant competitive moves and Binck is able to remain the cheapest because it has a low cost structure and best service. Client activity in general was high in 09Q3 and this together with better pricing is likely to result in a record 09Q3. For 2010 we expect a EPS of EUR 1.35, so Binck is trading at an attractive 8.9x P/E 2010, while M&A fantasy is a free wild card.

Key financial data	2008	2009E	2010E	2011E
EPS Recurring	0.83	1.05	1.35	1.49
P/E Recurring	13.0	10.3	8.0	7.3
Equity per share	6.35	6.76	7.24	7.62
Dividend	0.39	0.52	0.67	0.74
Dividend Yield (%)	3.6	4.8	6.2	6.9

Source: Rabo Securities

**Key points**

- Online brokers benefit from increased demand for simpler, transparent and cost efficient products resulting in high client growth (at least 15% per annum through the cycle)
- Anecdotal evidence, market data and results of peers reveal high client activity in 09Q3, while prices have increased. We expect 09Q3 commission income of around EUR 36m, up 14% versus 09Q2.
- Additional growth is likely to come from expanding in savings related products as mutual funds. We expect Binck to announce the launch of its mutual fund supermarket before end 2009.
- We have clear indications that Binck may grow in (technology driven) asset management under the Alex label which is already successful at Swissquote. We estimate this could add at least 5% top-line.
- In 09Q3, Binck and Optiver launched a new trading platform which will save significantly in commission costs. We estimate a positive net profit impact of 8%-10%, which is in our view not fully reflected in consensus estimates.
- Binck is trading at a discount to peers of around 30%, which is in our view unjustified. The average P/E 2010 of the European online brokers is 13.2, while we estimate 8.9x P/E 10 for Binck. This is at odds with Binck's above average client growth versus peers.

**Downside risks**

- More competition from Saxo Bank which opened a Dutch office in September.
- We believe that the presence of Saxo will cost Binck some growth, increase the expenses somewhat because we believe that Binck may be forced to improve the product offering further. As a result, earnings might be impacted to a slight extent (20% of Binck clients generate 80% of profits). For example, at Alex it is still not possible to buy or sell a major world currency such as the GBP (futures in euro/dollar are possible).

**Logica – Outsourcing Outperformer!****Buy**

			Share data
Market cap	EUR 2,285m	Price target	EUR 1.65
Free float	90%	Share price	EUR 1.43
Average daily turnover	EUR 2.0m	Potential	19%

**Key message**

The “hand of the new CEO” Andy Green has become increasingly visible in the last 12-18 months at Logica: (i) increased cost cutting targets, (ii) improved cash management, (iii) growth in off-shoring, and (iv) strengthened management teams. Positive share price momentum should be driven by consensus upgrades due to (i) continued outperformance for Logica’s outsourcing division and (ii) a mild recovery for Logica’s non-recurring business in hard-hit verticals like Industry, Transport and Financial Services.

Key financial data	2008	2009E	2010E	2011E
EPS Recurring	12.30p	11.50p	12.40p	14.70p
P/E Recurring	10.5	10.6	9.8	8.3
P/FCFPS	9.4	8.0	8.7	7.8
EV/ EBITDA	7.5	7.3	6.4	5.2
Dividend Yield (%)	2.5	2.5	2.5	3.3

Source: Rabo Securities

**Key points**

- Logica’s Outsourcing business (37% of sales) grew 10% in 09H1, orders were up 18% in 09H1 and the pipeline remains strong. Logica’s outsourcing deal pipeline was up 70% y-o-y . Contract wins in 09H1 included 18 deals in excess of GBP 5m. Logica announced amongst others wins with TeliaSonera, UK’s National Policing Improvement Agency, Sony Ericsson Sweden, Airbus, Australian Communications and Media Authority, Unimills, Finnair, Channel 4 and Neste Oil. The recruitment of a number of large deal specialists, the strengthening of the sales force and Logica’s successful blended delivery model are increasingly delivering results.
- We also welcome Logica as it is a play on a recovery for IT spending in Europe. Forrester Research expects that, after a 6% decline for European IT spending in 2009, IT spending growth will recover with 4% in 2010. A recovery in staff utilization creates a lot of positive operational gearing, fuelled by (i) the recent round of further headcount reductions at Logica and (ii) expected market stabilization in 09H2 and some recovery in 10H1. Overall, we expect a margin uplift from a trough of 7.4% in 2009 towards 8.7% in 2011. We see a peak margin of 9.5% and a peak EPS of 18.2p for Logica.
- Last but not least, we see healthy EPS upgrade potential for 2010 (Rabo: 12.4p/consensus: 11.8p).

**Downside risks**

- Continuing price pressure and underutilisation of the workforce when the economy will not materially pick up.
- Increased competition from Indian players.

## Omega Pharma – Coucking confidence

Buy

			Share data
Market cap	EUR 725m	Price target	EUR 37.0
Free float	60%	Share price	EUR 29.9
Average daily turnover	EUR 2.2m	Potential	24%

### Key message

Fully acknowledging Omega's volatile earnings history, we remain of the opinion that (i) Omega Pharma is well positioned for solid organic growth through its broad product portfolio, good innovation and unique focus on pharmacies across Europe, (ii) Omega has the potential to raise its margins through growth and cost savings and (iii) the company is undervalued even assuming very conservative growth and margin estimates. Given the resilient 09H1 results and assuming a further return of investor confidence, a re-rating of Omega towards historical multiples would generate further upside.

Key financial data	2008	2009E	2010E	2011E
EPS Recurring	2.78	2.73	3.11	3.48
P/E Recurring	10.8	11.0	9.6	8.6
P/FCFPS	32.5	11.0	9.8	8.8
EV/ EBITDA	7.9	7.5	6.8	6.1
Dividend Yield (%)	2.0	1.9	2.2	2.5

Source: Rabo Securities

### Key points

- Due to highly volatile earnings reports, investor confidence in Omega has suffered since early 2008. Fully acknowledging its history, we remain believers in Omega's potential for growth and margin expansion. Simply avoiding new negative surprises should already lead to some re-rating.
- First, Omega's 09H1 results were better than expected, as EBITDA of EUR 67.4m beat our estimate of EUR 62.0m, interest charges dropped rapidly and free cash flow generation was strong.
- Second, Omega is well positioned for solid organic growth. It has a broad portfolio of OTC medicines, from which it can pick the most promising brands or applications to leverage internationally. It has a unique focus on pharmacies, which are increasingly looking for ways to generate income beyond the regulated prescription drugs. Lastly, it has good exposure to Emerging Eastern Europe and has recently launched a joint-venture in India.
- Third, we believe there is room for higher margins. Omega has started a big cost savings program of EUR 30m, of which EUR 20m was already realised by mid-year. Besides, a more centralised management of marketing, innovation and production can save more costs.
- Our DCF takes into account only 2.5% organic revenue growth and largely flat margins at 17% and still comes out at EUR 37. Current P/E multiples point to a firm discount versus historical averages.

### Downside risks

- The comparison base for 09Q3 revenues (Trading update planned for 15 October) is quite tough, so Omega's guidance of roughly flat sales for FY09 could be slightly lowered.

## Reed Elsevier– Perfect storm behind us

Buy

			Share data
Market cap	EUR 5,629m	Price target	EUR 10.0
Free float	93%	Share price	EUR 7.8
Average daily turnover	EUR 32.0m	Potential	29%

### Key message

The Reed shares have hugely underperformed given a string of disappointments, most notably the recent sub-10% equity issue. We argue that the perfect storm is behind us, and like the fact that (i) the new CEO is starting with a clean slate, (ii) Reed Elsevier will focus much more on cheaper organic growth instead of expensive acquisitions. As the performance of main divisions RBI, RX, US Legal and Risk is at trough levels, we see limited earnings downside. Positive momentum for the shares could amongst others be driven by (i) a successful Choicepoint integration, (ii) outperformance of cost savings targets and (iii) a recovery of Legal Info markets in 2010.

Key financial data	2008	2009E	2010E	2011E
EPS Recurring	0.87	0.83	0.84	0.88
P/E Recurring	8.9	9.4	9.3	8.8
P/FCFPS	11.0	10.9	9.8	9.0
EV/ EBITDA	11.1	8.0	7.9	7.3
Dividend Yield (%)	5.1	4.9	5.0	5.3

Source: Rabo Securities

### Key points

- Reed Elsevier's cyclical upside is vastly overlooked by investors. The main trigger will be recovery for its these businesses (screening, advertising, consulting, trade shows, LexisNexis transactional business) in 2010. Overall this accounts for 34% of total sales.
- In order to fix US Legal (18% of total sales) Reed will invest an incremental "tens of millions USD" in the New Lexis initiative (Improved user interface; Legal directory business; New technology platforms). The threat for single sourcing is vastly exaggerated, as Westlaw and LexisNexis are complementary products. Market share loss in the core US Legal should not be overstated: sales to US law firms increased 1% organically in 09H1, only slightly worse than Thomson's West which delivered + 2%. The Choicepoint integration is ahead of schedule (EBITA: + 44% y-o-y in 09H1).
- One third of the Science Direct contracts is up for renewal this year (average contract length is three years). The US academic library market remains difficult due to the pressure on US university library budgets. Some Science Direct contracts for 2010 could therefore see reduced volumes, other clients could receive some pricing concessions. The total net impact from volume and price changes in 2010 for Science & Technology, will still be a small increase. The open access threat is exaggerated, as Elsevier is adding value due to the peer review, the editorial process, and the search and archiving functionality. The back to university and back to school trend is clear positive catalyst for the important medical textbook and nursing book businesses.

### Downside risks

- Lower pricing for 2010 Science Direct contracts and lower renewal rates due to library budget pressure.
- Continued outperformance of Westlaw in the US Legal Info market could continue to be an issue for investors, weighing on the share price.

## Ten Cate –Material growth to be unwrapped

Buy

			Share data
Market cap	EUR 374m	Price target	EUR 19.0
Free float	64%	Share price	EUR 14.9
Average daily turnover	EUR 1.5m	Potential	27%

### Key message

Operating in specific niche markets benefiting from trends such as personal protection, fuel efficiency, climate change and infrastructure stimulus plans, Ten Cate's high value-added materials have the potential for high single-digit organic growth. Although (i) the absence of or delays in big projects, (ii) destocking, and (iii) focus on cash flows over profits has depressed the EBITA margin in H1 to 5.1%, we believe this growth can push the margin towards a double-digit rate in the mid-term. This story offers short, mid and long term triggers, while nothing of this potential seems to be priced in at current multiples.

Key financial data	2008	2009E	2010E	2011E
EPS Recurring	2.62	1.18	1.51	2.01
P/E Recurring	5.7	12.7	9.9	7.4
P/FCFPS	N/A	4.1	8.4	10.3
EV/ EBITDA	6.5	7.0	6.1	4.8
Dividend Yield (%)	5.7	3.3	3.3	4.0

Source: Rabo Securities

### Key points

- Ten Cate has 5 big product-market combinations, all offering good organic growth and high value-added. Industrial Protective Fabrics benefits from regulation and increased personal protection. Military Protective Fabrics and Armour Composites benefit from an increase in military conflicts, improved soldier protection and big army modernisation programs. Aerospace Composites benefits from the replacement of steel by composites in airplanes, improving fuel efficiency and lowering noise and maintenance. Artificial Grass benefits from climate change, water scarcity and limited public space. Geosynthetics benefits from climate change and infrastructure stimulus plans.
- Short term, we believe Artificial Grass did well in 09Q3 due to an extended season after a late start. For Q4, Ten Cate could still receive an order from Oshkosh for the supply of armour composites for new MRAP vehicles for the US Army, while we also expect Airbus A380 related deliveries to return.
- Mid-term, Ten Cate is planning substantial cost reductions across all Dutch production facilities. More details are likely at Q3. We also expect Geosynthetics to finally benefit from stimulus spending during 2010.
- Long term, Aerospace Composites' growth in the Airbus A380 & A350 and in Boeing's 787 is beyond any doubt. We also believe Artificial Grass must deliver on its promise at a point in time, despite repeated disappointments over the last 3 years.

### Downside risks

- At Artificial Grass, Ten Cate may not be able to capture market growth or improve its margin, due to capital constraints at clients or raw material inflation.
- At Armour Composites, the market is mainly driven by large projects. If these projects are delayed, or Ten Cate is not involved, earnings could suffer.
- At Military Protective Fabrics, the war in Afghanistan is an important driver. A quick pull-out of all international troops could impact sales of Defender M / GEN2.



**TNT – Speed it up!****Buy**

			Share data
Market cap	EUR 6,826 m	Price target	EUR 24.0
Free float	100%	Share price	EUR 18.4
Average daily turnover	EUR 30m	Potential	30%

**Key message**

Express is back as the cyclical earnings driver for TNT in the coming years, due to (i) the huge cost savings of EUR 500m in 2009, (ii) the gradual recovery of volumes, and (iii) TNT's strong position in emerging markets (China, Asia, LatAm). We believe the Express EBIT margin can thus recover from an estimated 4.5% in 2009 towards the previous peak of 9.1% within 2-3 years. Although TNT Mail is clearly struggling to achieve its labour cost savings as part of the Masterplan, we believe there are several other possibilities to cut costs, e.g. by reducing the number of delivery shifts from 6 to 5. Lower pension costs or consolidation between competitors Sandd and SelektMail may also help. All combined, valuation is attractive, while a buy-out by a combination of UPS/FedEx/private equity remains a free wild card.

Key financial data	2008	2009E	2010E	2011E
EPS Recurring	1.93	1.28	1.60	1.94
P/E Recurring	11.2	14.4	11.5	9.5
P/FCFPS	11.1	8.9	14.2	10.3
EV/ EBITDA	6.7	7.2	6.5	5.4
Dividend Yield (%)	3.3	2.6	3.3	4.1

Source: Rabo Securities

**Key points**

- We see huge operating leverage for Express in the coming years. Its leading positions in the domestic European, Asian and LatAm markets will benefit from any recovery in volumes, as indicated by recent transportation data and peer FedEx. With 1/3 of the EUR 500m cost savings being structural due to network optimisation, Express EBIT margins are bound to return to their previous highs of +9% within 2-3 years, from an estimated 4.5% in 2009. Moreover, the EBIT contribution from emerging markets will improve with their development into more mature networks.
- At Mail, TNT is clearly struggling to achieve labour cost savings as part of the EUR 395m Masterplan cost savings scheme. Together with accelerating volume losses, the target to maintain stable cash flows in the coming years is at risk. However, we see multiple possibilities to limit this risk. TNT may announce a hard restructuring with a higher number of forced redundancies or may reduce the number of delivery shifts from 6 to 5. Pension costs may also drop again in 2010. Besides, competitors Sandd and SelektMail are in financial trouble, potentially forcing one of them out of business or both into a merger.
- TNT's Express assets remain highly attractive for UPS or FedEx, as TNT offers the only sizable inroad into Europe (TNT is the market leader) and has domestic platforms in emerging markets which are complementary to the transatlantic routes of UPS/FedEx. The high cash generation of Mail ticks all boxes for a private equity transaction.

**Downside risks**

- TNT may not come to an agreement with labour unions and Mail employees about labour cost savings, hampering the Masterplan cost savings target.
- An easing of volume growth in Express during 2010 may limit earnings leverage potential.

## Unit 4 Agresso– A winning strategy

Buy

			Share data
Market cap	EUR 367m	Price target	EUR 20.0
Free float	65%	Share price	EUR 14.3
Average daily turnover	EUR 0.7m	Potential	40%

### Key message

Unit 4 Agresso's very competitive CODA, Agresso, Payroll, Accountancy and Healthcare products in combination with strong market positions in Norway, Sweden, Benelux, Spain and the UK, offer a winning niche strategy for the ERP software mid-market. The positive 09Q4 outlook offers a good short term trigger. A positive scenario for the launched venture in collaboration with US SaaS pioneer Salesforce.com could add EUR 1.58 on the DCF-value per share, while a blue skies scenario could add even EUR 2.95. These estimates are not in our DCF-model, nor in our EUR 20 SPT. We see good margin upside in an economic upturn due to (i) recovery of high-margin license sales, (ii) higher utilisation and higher billing rates for the services business, (iii) acceleration for high-margin contract sales.

Key financial data	2008	2009E	2010E	2011E
EPS Recurring	1.32	1.36	1.80	2.00
P/E Recurring	10.8	10.2	7.7	7.0
P/FCFPS	7.4	6.7	9.8	7.7
EV/ EBITDA	7.8	6.9	5.8	4.8
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Rabo Securities

### Key points

- Unit 4 Agresso's margins have proven to be resilient in the downturn due to (i) higher proportion of contract sales in the mix, (ii) a flexible cost structure and (iii) more hands-on approach to manage costs. We see good margin upside in an upturn due to (i) a recovery of high-margin license sales, (ii) higher utilisation and billing rates for the services business, and (iii) acceleration for high-margin contract sales. Based on EUR 5m cost savings and a slight top-line recovery we expect 11% underlying EBITDA growth in 2010.
- Valuation remains very attractive: the FCF yield 2009E amounts to 15% and our DCF points to doubling potential. U4A is now trading at a 32% discount to its 2000-2008 average EV/EBITDA multiple. Compared to its peer group U4A is trading at a 24% discount on 2010 EV/EBITDA's and at a 32% discount based on P/CF 2010E.
- Given (i) the positive 09Q4 outlook, (ii) the relative outperformance of 09H1 license sales, (iii) the reduced covenant risks, (iv) the potential upside for operating margins and (v) the stronger than expected CF generation, the U4A shares deserve a clear re-rating. Applying a peer group multiple of 7.6x EV/EBITDA 2010 on U4A, points to 12-month upside for the shares towards EUR 20.
- In order to tap the large SaaS opportunity, Unit 4 Agresso has launched a new company to develop, sell and support the CODA 2go accounting application called FinancialForce.com. Salesforce.com is a minority investor in the new company, Unit 4 Agresso retains the controlling stake in the company, estimated at 70-80%.

### Downside risks

- Big ERP players becoming more aggressive in the mid-market
- Smaller SaaS players taking market share at the low-end of the market

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## Company Profiles

Aalberts	28	KBC	216
ABInbev	32	Kendrion	220
Accell	36	KKR	224
Ackermans & van Haaren	40	KPN	228
Aegon	44	Logica	232
Ahold	48	Macintosh	236
AkzoNobel	52	Mediq	240
AMG	56	Mobistar	244
Arcadis	60	Nedap	248
ArcelorMittal	64	Nieuwe Steen	252
Arseus	68	Nutreco	256
ASM International	72	Oce	260
ASML	76	Omega Pharma	264
Ballast Nedam	80	Ordina	268
BAM	84	Pharming	272
Befimmo	88	Philips	276
Belgacom	92	Prologis	280
Besi	96	Randstad	284
Beter Bed	100	ReedElsevier	288
Binck	104	SBM Offshore	292
Boskalis	108	Sligro	296
Brunel	112	Smit Internationale	300
CFE	116	SNS Reaal	304
Cofinimmo	120	Solvay	308
Colruyt	124	Stern	312
Corio	128	Super de Boer	316
Crucell	132	Telegraaf	320
CSM	136	Telenet	324
Delhaize	140	TenCate	328
Dexia	144	Tessenderlo	332
Dockwise	148	TKH	336
DPA Flex	152	TNT	340
Draka	156	TomTom	344
DSM	160	UCB	348
Eurocommercial properties	164	Unibail Rodamco	352
EVS	168	Unilever	356
Exact	172	Unit 4 Agresso	360
Fortis	176	USG People	364
Fugro	180	Van Lanschot	368
Gamma Holding	184	Vastned Offices	372
Grontmij	188	Vastned Retail	376
Heijmans	192	Vopak	380
Heineken	196	Wavin	384
ICT	200	Wereldhave	388
Imtech	204	Wessanen	392
ING	208	WoltersKluwer	396
KAS Bank	212		

# Aalberts Industries

## Cash machine

### Key message

The construction-related end markets have recently come to a virtual standstill, although especially the early cyclical Industrial services division might profit from recent car scrapping government initiatives. The company has reduced head count by 1,500 people, which could result in cost savings reaching over EUR 75m annually in 2010. Although we expect top line growth will be subdued, we expect earnings to improve in 09H2 as cost savings kick in. Cash generation should remain resilient, which we believe would be best used for debt reduction. Our DCF based share price target arrives at EUR 10 per share.

	2008	2009E	2010E	2011E
Sales (EUR m)	1,750	1,387	1,436	1,484
EPS Recurring	1.02	0.44	0.71	0.77
P/E Recurring	9.0	21.0	13.0	12.0
P/FCFPS	92.2	5.5	11.2	11.1
EV/ EBITDA	7.4	9.4	7.0	6.7
Dividend Yield (%)	3.0	0.9	1.6	1.8

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 13 August, Aalberts Industries announced 09H1 figures. The company achieved a better than expected EBITA of EUR 38.7m, while lower interest rates helped push the bottom line as well.
- Additionally the company announced that it had reached an agreement with its banks to adjust covenants. New covenants on net debt/EBITDA ratio's are below 4.5x as at end of 2009, mid-2010: <4.0 and end of 2010: <3.5, while the interest margin had been adjusted as well. We view this agreement with the banks as a very positive development and therefore believe investors in Aalberts Industries can take a more long term view again.

### Valuation

Our DCF-based target price is EUR 10 (WACC 10.0%). In our model, we use average organic sales growth of 5.1% pa from 2009 and an average EBITA margin of 11.4%. This compares to historic averages of 2.8% organic growth and 19% total annual growth (including acquisitions) and between 10-13% EBITA margin respectively, depending on the reference period. A potential cartel fine (from the EU) would represent a worst-case scenario of circa EUR 1 per share.

### Rating

**Buy**

**Price target:** EUR 10.0   
**Price 29 Sep 2009:** EUR 9.2  
**Up-/downside:** +8.5%

### Building Products

#### Market capitalisation:

EUR 978 m

#### Avg (12 month) daily volume:

805,621

#### Free float

81%

#### Reuters

AALBAS

#### Bloomberg code

AALB NA

### Share Price Performance %

	-1m	-3m	-12m
Aalberts Industries	+4	+65	+3
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3	05 Nov 2009
Results 09FY	25 Feb 2010

### Major shareholders

	%
Aalberts Beheer B.V.	13.5
WAM Acquisitions GP, Inc	5.9

### Listed Peers

	Ticker
Bodycote	BOY LN
Geberit	GEBN SW
Wavin	WAVIN NA

### Analysts

#### Fabian Smeets

+31 (0) 20 460 4864

#### Ralf Jacobs

+31 (0) 20 460 4839

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

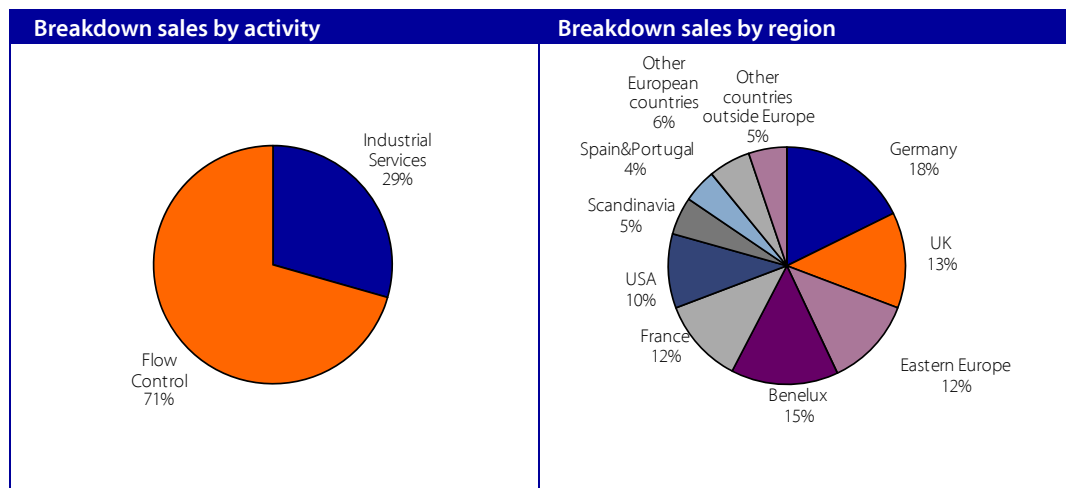
As the construction of new homes and commercial real estate has virtually come to a stand still, 09H2 will likely be tough for the Flow Control business unit due to the late cyclicality of this unit. On the other hand Industrial Services can potentially benefit from new orders from the early cyclical semiconductor industry and a restart of factories in the automotive sector due to government incentivized car scrapping schemes. In 09H2, working capital relative to sales could increase somewhat vs 08H2 due to higher copper prices. Rabo Securities expects a significant improvement in profitability in 09H2 vs 09H1.

### Company profile

Aalberts is an industrial group with two operations (1) Industrial Services comprises tailor-made manufacturing and treatment (heating, coating) of metal components for use in a broad range of industrial end products. In the treatment segment, Aalberts is the number two player in Europe behind UK based Bodycote. (2) Flow Control manufactures a broad range of valves and fittings that are used for distribution of liquids, gasses and heating in buildings, industrial sites, and utilities. In Flow Control, Aalberts is market leader in Europe, and it is an important player in the US.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Balanced sales spread (geography and segments)</li> <li>▪ Dominant market shares in niche segments</li> <li>▪ Strong cash flow</li> <li>▪ Strong track record in making acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Parts of the business are cyclical</li> <li>▪ Limited visibility on sales trends (few indicators)</li> <li>▪ Perceived succession of the CEO</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Outsourcing/divestment of metal treatment activities by industrial companies</li> <li>▪ Pan-European network allows for cross-selling and cost synergies from rationalization and joint R&amp;D</li> <li>▪ Expansion in Eastern Europe, organically and via M&amp;A</li> <li>▪ Strong operational leverage in case of an economic recovery</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fluctuations in energy and raw material prices</li> <li>▪ Switching to alternative products/materials</li> <li>▪ Competition from low-cost countries</li> <li>▪ Fine of EUR101m for alleged cartel participation</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	1,702.5	1,750.8	1,387.2	1,436.6	1,484.8
Cost of sales	-723.8	-735.9	-619.6	-641.6	-663.2
Gross profit	978.7	1,014.9	767.7	795.0	821.7
Operating costs	-724.5	-763.3	-596.8	-573.5	-598.3
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	254.2	251.6	170.8	221.4	223.4
Depreciation	-60.9	-70.1	-78.0	-82.8	-79.1
EBITA	193.3	181.5	92.8	138.7	144.3
Amortisation	-9.3	-12.2	-13.2	-13.2	-13.2
EBIT	184.0	169.3	79.6	125.5	131.1
Net financial result	-35.8	-44.5	-35.0	-34.0	-29.9
Other pre-tax items	5.6	-11.7	-5.0	0.0	0.0
EBT	153.8	113.1	39.6	91.5	101.2
Income taxes	-33.8	-19.3	-5.6	-26.2	-28.6
Minority interests	-1.3	-1.1	-0.8	-1.3	-1.4
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	118.7	92.7	33.3	64.1	71.2
Adjustments, total	9.3	12.2	13.2	13.2	13.2
Net income recurring	128.0	104.9	46.5	77.3	84.4
PER SHARE ITEMS					
Shares outstanding avg. (mln)	101.7	103.3	106.2	109.4	110.1
Shares outstanding fully diluted (mln)	101.7	103.3	106.2	109.4	110.1
EPS reported	1.17	0.90	0.31	0.59	0.65
EPS recurring	1.26	1.02	0.44	0.71	0.77
CPS	1.88	1.47	2.07	1.41	1.44
DPS	0.32	0.28	0.08	0.15	0.17
Fiscal year ends 12/2009					
% GROWTH					
Revenues		2.8	-20.8	3.6	3.4
EBITA		-6.1	-48.9	49.4	4.1
Net income recurring		-18.0	-55.7	66.3	9.3
% MARGINS					
Gross margin		58.0	55.3	55.3	55.3
EBITA margin		10.4	6.7	9.7	9.7
Net recurring margin		6.0	3.3	5.4	5.7
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	2,347.4	1,863.4	1,596.3	1,551.9	1,485.0
P/E recurring (x)	14.2	10.4	21.0	13.0	12.0
P/Sales (x)	0.6	0.5	0.7	0.7	0.7
P/FCF (x)	15.4	91.6	5.5	11.2	11.1
P/CF (x)	4.9	6.3	4.5	6.5	6.4
P/B (x)	1.8	1.7	1.6	1.6	1.4
Dividend yield (%)	3.5	3.0	0.9	1.6	1.8
EV/EBITDA (x)	9.2	7.4	9.3	7.0	6.6
EV/Sales (x)	1.4	1.1	1.2	1.1	1.0
EV/FCF (x)	38.7	179.2	8.9	17.2	16.2

Cash Flow Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	118.7	92.7	33.3	64.1	71.2
Depreciation & Amortisation	70.2	82.3	91.2	96.0	92.3
Working Capital Change	-7.9	-32.5	93.6	-6.9	-6.7
Other Items	10.5	9.4	1.4	1.5	1.6
Cash Flow from Operations	191.5	151.9	219.4	154.6	158.4
Net Capital Expenditure	-130.8	-141.5	-40.0	-64.6	-66.8
Goodwill from Acquisitions	-79.4	-196.7	-1.0	0.0	0.0
Other Investments	-4.0	-9.1	0.0	0.0	0.0
Cash Flow from Investments	-214.2	-347.3	-41.0	-64.6	-66.8
Ordinary Dividends	-12.6	-15.3	-8.7	-16.7	-18.5
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	-10.2	-10.2	0.0	0.0	0.0
Change in Equity	54.6	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	2.2	250.6	-147.8	-74.2	-74.0
Change in Minorities	2.6	1.1	0.4	0.8	0.9
Cash Flow from Financing	36.6	226.2	-156.0	-90.0	-91.6
Change in Cash	13.9	30.8	22.4	0.0	0.0
Free Cash Flow	60.7	10.4	179.4	90.0	91.6
Free Cash Flow Yield (%)	6.5	1.1	18.3	8.9	9.0

Balance Sheet (EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	0.1	0.1	0.1	0.1	0.1
Other current assets	563.0	566.9	424.7	439.8	454.5
Net PP&E	444.9	516.3	500.7	482.6	470.3
Intangible assets	410.2	594.7	582.5	569.3	556.1
Other non-current assets	16.3	25.4	25.4	25.4	25.4
Total Assets	1,434.5	1,703.4	1,533.4	1,517.2	1,506.4
Short-term debt	164.0	192.6	110.0	120.0	120.0
Other current liabs	308.4	279.8	231.2	239.4	247.4
Long-term debt	361.0	572.8	507.7	423.5	349.5
Other non-current liabs	62.9	71.2	71.8	72.0	72.2
Minority interest	7.8	10.0	11.1	13.2	15.5
Total equity	530.4	577.0	601.6	649.0	701.7
Total liabs & equity	1,434.5	1,703.4	1,533.4	1,517.2	1,506.4
Net debt	524.9	765.3	617.6	543.4	469.5
ROIC (%)	12.4	11.9	5.2	7.5	7.8
Net gearing (%)	99.0	132.6	102.7	83.7	66.9
Working capital as % of sales	15.0	16.4	14.0	14.0	14.0
Inventory period days		71.8	83.9	71.7	71.8
Trade debtor days		40.0	39.9	32.3	32.3
Trade creditor days		38.7	43.9	39.5	39.5
Cash cycle		73.1	79.9	64.6	64.6



# ABInBev

## In need of new triggers

### Key message

We have a Hold rating and EUR 28 price target as we regard valuation (multiples) fair and we do not see near-term triggers for outperformance, certainly as 09Q3 seems to become a relatively weak quarter. Management has an excellent track record in delivering cost savings and to improve cash flow, however an overdelivery versus market expectations seems unlikely in the near-term. The 10FY EV/EBITDA implies a 35% premium versus Heineken and also a premium versus the sector.

	2008	2009E	2010E	2011E
Sales (USD m)	39,158	36,746	35,658	36,909
EPS Recurring	2.20	2.69	3.02	3.35
P/E Recurring	20.6	16.9	15.0	13.5
P/FCFPS		5.3	4.3	7.0
EV/ EBITDA	10.2	9.3	8.5	7.9
Dividend Yield (%)	0.9	1.5	1.7	1.9

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The 09Q2 EBITDA was 12% higher than consensus, driven by much higher EBITDA at North America on the back of cost saving and one-off benefits related to pension plans. Also EBITDA in Western Europe surprised positively due to lower COGS and marketing expenditure. The net profit was 9% better than expected, since interest charges and the tax rate were higher. Group volumes disappointed with a 1.1% decline, while the pricing momentum deteriorated versus 09Q1. Of ABI's 3 big markets, Brazil stood out with 7% organic volume growth on the back of good weather, market share gains and solid demand.
- At September 16 the ABInbev shares begin trading in NY.
- In August, ABInbev sold its UK Tennent's Brand for GBP 180m. Other disposal's in 09H1 included, South Korea, (part of) US packaging, its stake in Tsingtao and Inbev USA. Combined with a strong FCF, the net debt EBITDA declined to 4.2x on a 12m rolling basis per 09H1 versus 4.7x 08YE.
- Grupo Modelo has requested for arbitration in the case of the acquisition of Anheuser Busch by Inbev.

### Valuation

Trading at a 2010E EV/EBITDA of 9x we believe that Anheuser Busch is fully valued. This implies a c. 35% premium over Heineken and also a premium versus international peers. Based on quick de-leveraging and large AB merger synergies, earnings growth will be high in the coming years, but we argue that this is captured in this demanding valuation. The 09/10FY FCF yield still amounts to around 8% and our DCF points at USD 45, or EUR 31.

### Rating

**Hold**

**Price target:** EUR 28.0   
**Price 29 Sep 2009:** EUR 31.1  
**Up-/downside:** -10.0%

### Beverages

#### Market capitalisation:

EUR 49,870 m

#### Avg (12 month) daily volume:

3,076,474

#### Free float

100%

#### Reuters

INTB.BR

#### Bloomberg code

INB BB

### Share Price Performance %

	-1m	-3m	-12m
ABInBev	+5	+21	+19
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Results 09Q3 12 Nov 2009

### Major shareholders

	%
Stichting InBev	46%
Rayvax	7.2%

### Listed Peers

	Ticker
Heineken	HEIA NA
Carlsberg	CARLB DC
SAB/Miller	SAB LN

### Analysts

#### Karel Zoete

+31 (0) 20 460 4827

#### Patrick Roquas

+31 (0) 20 460 4826

### Rabo Securities Amsterdam

Equity Sales	+ 31 20 460 4707
Equity Sales Trading	+ 31 20 460 4723
<a href="http://www.rabosecurities.com">www.rabosecurities.com</a>	

### Outlook

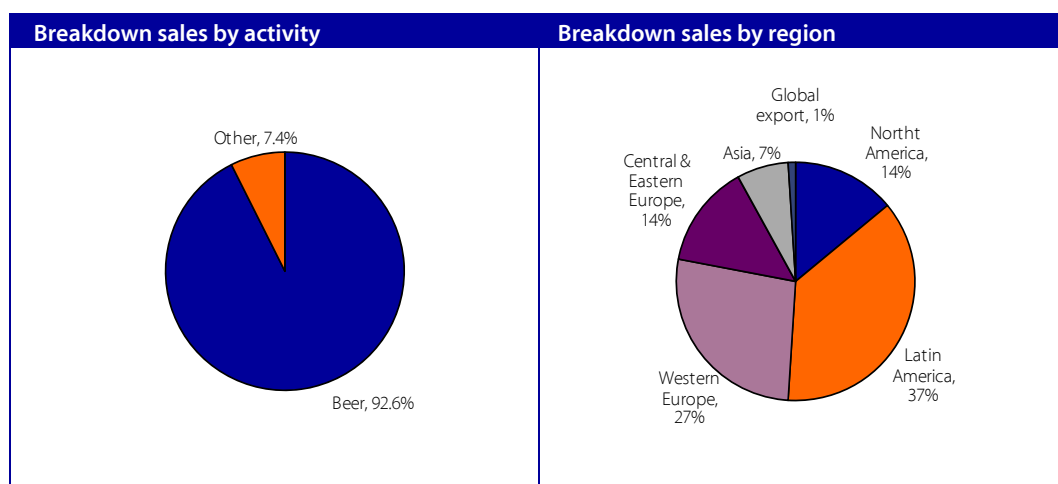
ABInBev does not provide quantified guidance. Management does however expect lower EBITDA growth in 09H2 than in 09H1 given a tougher comparison base related to the phasing of synergies. The 3rd quarter is seen as particularly challenging given, i) a tough comparison base (high volume growth in 08Q3), ii) higher marketing costs behind product launches, iii) the phasing of price increases in 2008 and iv) the qoq deceleration of the AB cost synergy savings. Management has also indicated that it expects i) USD 2bn cost synergies until 2011 related to the AB acquisition, ii) a yoy reduction of Capex by USD 1bn in 2009 and iii) a reduction of the working capital of at least USD 0.5bn in the US.

### Company profile

ABInBev is by far the largest brewer in the world with a global market share of c. 27% after the recent acquisition of Anheuser Busch. The brewer ranked number 1 or 2 in 20 key markets around the world including some of the countries that offer the highest growth like Brazil, Argentina, Russia, Ukraine. Strongholds in mature beer markets include Belgium, Canada, the UK, the US and Germany. In total the brewer generates about 50% of its sales in emerging beer markets.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Leading positions in the attractive Brazilian, Canadian and US market</li> <li>▪ Strong market positions in developing beer markets with above average growth, including Ukraine, China and South America.</li> <li>▪ Hands on management team</li> </ul>	<ul style="list-style-type: none"> <li>▪ The international premium brands Budweiser, Stella Artois and Beck's are still relatively small compared to the Heineken brand</li> <li>▪ Performance in Western and Eastern Europe not convincing</li> <li>▪ Highly leveraged balance sheet</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Integration benefits of recent AB acquisitions</li> <li>▪ Exploiting cross selling opportunities with Budweiser</li> <li>▪ Restructuring of US distribution network</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increasing excise duties in the US and restrictions on alcohol advertising</li> <li>▪ Volatility in emerging markets</li> <li>▪ Large exposure to USD</li> <li>▪ Modelo arbitration process</li> </ul>



Income Statement ( USD mln)					
	2007	2008	2009E	2010E	2011E
Revenues	14,430.0	16,101.0	36,746.5	35,658.8	36,909.9
Cost of sales	5,936.0	7,122.0	17,638.3	16,973.6	17,495.3
Gross profit	8,494.0	8,979.0	19,108.2	18,685.2	19,414.6
Operating costs	3,502.0	3,645.0	5,812.0	5,215.2	5,205.8
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	4,992.0	5,334.0	13,296.1	13,470.0	14,208.8
Depreciation	1,013.0	1,313.0	2,645.7	2,496.1	2,657.5
EBITA	3,979.0	4,021.0	10,650.4	10,973.9	11,551.3
Amortisation & exceptionals	315.0	-404.0	-213.0	-63.0	-63.0
EBIT	4,294.0	3,617.0	10,437.4	10,910.9	11,488.3
Net financial result	-598.0	-1,120.0	-3,800.0	-3,088.9	-2,771.4
Other pre-tax items	1.0	47.0	450.0	468.0	486.7
EBT	3,697.0	2,544.0	7,087.4	8,289.9	9,203.6
Income taxes	-649.0	-445.0	-1,771.8	-2,142.4	-2,471.5
Minority interests	-850.0	-811.0	-1,079.3	-1,285.2	-1,349.5
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	2,198.0	1,288.0	4,236.2	4,862.3	5,382.6
Adjustments, total	-335.0	423.4	90.8	0.0	0.0
Net income recurring	1,863.0	1,711.4	4,327.0	4,862.3	5,382.6
PER SHARE ITEMS					
Shares outstanding avg. (mln)	610.0	1,602.0	1,602.4	1,602.4	1,602.4
Shares outstanding fully diluted (mln)	610.0	1,602.0	1,607.4	1,607.4	1,607.4
EPS reported	3.60	1.85	2.64	3.03	3.36
EPS recurring	3.05	2.20	2.69	3.02	3.35
CPS	7.20	15.25	5.38	5.54	6.20
DPS	2.44	0.39	0.67	0.76	0.84
%					
GROWTH					
Revenues		11.6	128.2	-3.0	3.5
EBITA		1.1	164.9	3.0	5.3
Net income recurring		-8.1	152.8	12.4	10.7
%					
MARGINS					
Gross margin		55.8	52.0	52.4	52.6
EBITA margin		25.0	29.0	30.8	31.3
Net recurring margin		10.6	11.8	13.6	14.6

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	27,291.9	48,196.7	74,418.8	127,253.5	120,718.2
P/E recurring (x)	14.5	20.1	16.4	14.6	13.2
P/Sales (x)	1.9	4.4	1.9	2.0	1.9
P/FCF (x)	10.3	8.9	8.5	6.8	12.2
P/CF (x)	6.1	2.9	8.2	8.0	7.1
P/B (x)	2.0	3.2	2.8	2.6	2.3
Dividend yield (%)	5.5	0.9	1.5	1.7	1.9
EV/EBITDA (x)	5.5	14.0	9.6	9.0	8.3
EV/Sales (x)	1.9	3.0	2.0	3.6	3.3
EV/FCF (x)	10.5	6.0	8.9	12.2	20.8

Cash Flow Statement ( USD mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	2,198.0	2,969.4	4,236.2	4,862.3	5,382.6
Depreciation & Amortisation	1,072.0	2,945.0	2,708.7	2,559.1	2,720.5
Working Capital Change	43.1.0	2,986.6	598.5	172.0	482.4
Other Items	690.0	15,536.2	1,079.3	1,285.2	1,349.5
Cash Flow from Operations	4,391.0	24,437.1	8,622.8	8,878.6	9,935.0
Net Capital Expenditure	-1,341.0	-15,966.4	775.0	2,803.9	-2,768.2
Goodwill from Acquisitions	-1,588.0	-3,566.1	-63.0	-63.0	-63.0
Other Investments	179.0	-29,834.6	63.0	63.0	63.0
Cash Flow from Investments	-2,750.0	-8,146.2	775.0	2,803.9	-2,768.2
Ordinary Dividends	-1,488.4	-623.5	-1,078.4	-1,211.8	-1,341.5
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-381.0	6,978.1	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	263.0	53,314.4	-5,045.5	-7,000.0	-4,000.0
Change in Minorities	-445.0	-490.9	-1,079.3	-1,285.2	-1,349.5
Cash Flow from Financing	-2,051.4	59,178.2	-7,203.2	-9,497.0	-6,690.9
Change in Cash	-410.4	2,153.2	2,194.6	2,185.5	475.8
Free Cash Flow	2,605.0	7,979.8	8,318.5	10,397.3	5,817.3
Free Cash Flow Yield (%)	9.7	11.3	11.8	14.7	8.2

Balance Sheet ( USD mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	1,365.0	2,984.3	4,602.8	5,633.1	4,885.3
Other current assets	4,174.0	8,363.6	7,428.6	7,091.3	7,162.6
Net PP&E	6,629.0	19,650.4	16,229.7	10,929.7	11,040.4
Intangible assets	13,834.0	49,495.1	49,495.1	49,495.1	49,495.1
Other non-current assets	2,697.0	3,253.16	3,246.8	3,240.6	3,234.26
Total Assets	28,699.0	113,025.1	110,224.8	105,554.8	104,926.1
Short-term debt	1,518.0	12,051.3	12,051.3	7,051.3	5,051.3
Other current liabs	5,167.0	12,343.2	12,006.7	11,841.3	12,395.0
Long-term debt	5,185.0	47,966.1	42,920.7	40,920.7	38,920.7
Other non-current liabs	1,919.0	16,263.0	16,263.0	16,263.0	16,263.0
Minority interest	1,285.0	1,986.3	1,986.3	1,986.3	1,986.3
Total equity	13,625.0	22,415.1	24,996.8	27,492.2	30,309.8
Total liabs & equity	28,699.0	113,025.1	110,224.8	105,554.8	104,926.1
Net debt	5,338.0	57,033.1	50,369.2	42,338.8	39,086.6
ROIC (%)	24.4	127.8	17.6	20.0	24.0
Net gearing (%)	39.2	254.4	201.5	154.0	129.0
Working capital as % of sales	-4.9	-19.9	-10.5	-11.3	-12.2
Inventory period days		45.5	27.4	26.0	24.4
Trade debtor days		81.4	42.6	39.7	37.7
Trade creditor days		180.1	112.3	112.9	110.8
Cash cycle		-53.1	-42.3	-47.3	-48.7

# Accell

## E-bike boost

### Key message

Despite the recession, Accell is showing double digit earnings growth due to the ongoing success of the electronically supported bike (E-bike). The sale of 'normal city bikes' may be somewhat impacted by the economic environment, but this is more than compensated by the ongoing growth of E-bikes, which is still in the early phase of its product life cycle. We believe that the long-term trends remain positive for Accell with more attention for health, environment and mobility. However, after the recent share price run-up, much is in our view already reflected in its short-term valuation.

	2008	2009E	2010E	2011E
Sales (EUR m)	538	576	597	620
EPS Recurring	3.16	3.22	3.31	3.46
P/E Recurring	10.4	10.2	10.0	9.5
P/FCFPS	10.8	17.2	13.7	13.1
EV/ EBITDA	5.8	7.4	7.0	6.7
Dividend Yield (%)	4.3	4.6	4.8	5.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Driven by the continuing success of the E-bike, the 15% net profit growth in 09H1 exceeded our estimated 3% (consensus +2%). The new FY outlook of around 10% net profit growth might even be too conservative (we estimate 14%). Although the number of bikes sold has hardly increased (579K vs 573K), the average price increased from EUR 413 to EUR 455, which resulted in an organic growth of 7% vs our estimated 3%. This is a reflection of the ongoing success of the E-bike, now also in Germany. The sale of 'normal city bikes' may be somewhat impacted by the recession, but this is more than compensated by the ongoing growth of E-bikes, which is still in the early phase of its product life cycle.
- The 09H1 results were not all positive: fitness remains a problem child with a 35% decline (but less than 5% of total) and the FCF was not that strong (EUR 6m vs our EUR 9m) due to higher working capital requirements.
- Accell continues with its strategy of doing add-on acquisitions. In June it acquired Hellberg, a top brand in Finland for bicycles, bicycle parts and accessories and also with its own network of dealers.


### Valuation

Accell is now trading at a 2010 EV/EBITDA of >7x and forward P/E ratio of >10x. This still does not look overly demanding, but it is above its historical average P/E ratio of around 8x. As its share price has already moved up significantly, we do not see any triggers that provide much further upside in the short-term. We also still see uncertainty on consumer behaviour in the current environment. Nevertheless, we continue to believe that Accell is an attractive long-term growth story with a strong track record and attractive investment themes such as ageing population (E-bike), health and environment.

### Rating

**Hold** 

**Price target:**

**EUR 33.0** 

**Price 29 Sep 2009:**

**EUR 33.0**

**Up-/downside:**

**0.0%**

### Leisure Equipment & Products

**Market capitalisation:**

EUR 323 m

**Avg (12 month) daily volume:**

32,415

**Free float**

53%

**Reuters**

ACCGAS

**Bloomberg code**

ACCEL.NA

### Share Price Performance %

	-1m	-3m	-12m
Accell	-4	+21	+52
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

None

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### Major shareholders

	%
Aviva plc.	9.9
Darlin N.V.	7.4
Delta Deelnemingen Fonds N.V.	6.9
R.J.H. Krusinga	6.9
Fortis Verzekeringen Nederland N.V.	5.8

### Listed Peers

None

**Ticker**

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### Analysts

**Frank Claassen**

+31 (0) 20 460 4868

### Rabo Securities Amsterdam

**Equity Sales** +31 20 460 4707

**Equity Sales Trading** +31 20 460 4723

**www.rabosecurities.com**

### Outlook

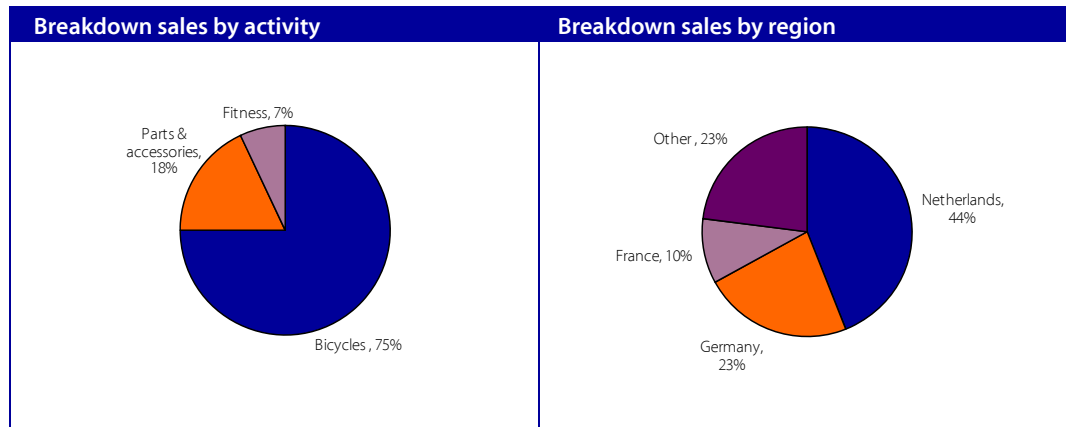
Despite the recession, Accell is guiding for a FY net profit growth of around 10%. Given the reported 15% net profit growth in 09H1 (first half makes up some 65% of full year), we believe that this guidance may even be too conservative. Note that last year's second half results also included a EUR 2.3m goodwill write-down. Stripping this out, Accell can get away with a double digit earnings decline in 09H2 and would still make its FY guidance. We estimate 14% yoy earnings growth and we would not be surprised if Accell would raise its guidance towards the end of 2009.

### Company profile

Accell is Europe's second largest manufacturer of bicycles and bicycle parts. With strong brands such as Batavus, Sparta, Hercules, Koga-Miyata and Lapierre, it focuses on the middle and higher segments in the Netherlands, Germany and France. The bicycles developed and produced by Accell are mainly sold through the bicycle retail specialists channel. The company has a buy and build strategy to further strengthen its presence in the relatively fragmented European market. Accell has a strong earnings growth track record and is successful in integrating acquired companies.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Market leader in the Netherlands</li> <li>▪ Strong position in E-bikes</li> <li>▪ Strong acquisition track record</li> </ul>	<ul style="list-style-type: none"> <li>▪ Profitability of fitness still below average</li> <li>▪ Dependency on weather conditions</li> <li>▪ Working capital control</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Positive long term trends of health, environment</li> <li>▪ Expanding E-bike internationally</li> <li>▪ New add-on acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consumer spending under pressure in recession</li> <li>▪ Consumers migrating to cheap bicycles from Asia</li> <li>▪ Dealer channel threatened by major retailers and internet</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	476.1	538.0	576.7	597.0	620.8
Cost of sales	-296.5	-339.0	-367.3	-379.7	-393.6
Gross profit	179.5	199.0	209.3	217.3	227.2
Operating costs	-129.6	-141.3	-150.5	-155.8	-162.7
Extraordinaries	-4.6	-2.3	0.0	0.0	0.0
EBITDA	45.3	55.3	58.8	61.5	64.6
Depreciation	-5.8	-6.9	-7.3	-7.6	-7.9
EBITA	39.6	48.4	51.5	53.9	56.7
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	39.6	48.4	51.5	53.9	56.7
Net financial result	-5.6	-5.8	-6.3	-6.4	-6.1
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	34.0	42.7	45.3	47.5	50.6
Income taxes	-9.6	-11.8	-12.8	-13.5	-14.4
Minority interests	-0.0	-0.0	-0.0	-0.0	-0.0
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	-4.6	-2.3	0.0	0.0	0.0
Net income	19.7	28.5	32.4	34.0	36.3
Adjustments, total	4.7	2.4	0.1	0.1	0.1
Net income recurring	24.4	30.9	32.5	34.1	36.4
PER SHARE ITEMS					
Shares outstanding avg. (mln)	9.4	9.7	10.1	10.3	10.5
Shares outstanding fully diluted (mln)	9.4	9.8	10.1	10.3	10.5
EPS reported	2.09	2.95	3.22	3.31	3.46
EPS recurring	2.60	3.16	3.22	3.31	3.46
CPS	0.59	4.46	2.65	3.26	3.40
DPS	1.25	1.42	1.51	1.59	1.66
Fiscal year ends 12/2009					
% GROWTH					
Revenues		13.0	7.2	3.5	4.0
EBITA		22.4	6.4	4.6	5.2
Net income recurring		26.5	5.1	5.0	6.6
% MARGINS					
Gross margin		37.0	36.3	36.4	36.6
EBITA margin		9.0	8.9	9.0	9.1
Net recurring margin		5.7	5.6	5.7	5.9
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	384.2	317.3	433.7	432.1	430.0
P/E recurring (x)	12.7	10.4	10.2	10.0	9.5
P/Sales (x)	0.7	0.6	0.6	0.6	0.6
P/FCF (x)	N/A	10.7	17.2	13.8	13.1
P/CF (x)	55.9	7.4	12.5	10.1	9.7
P/B (x)	2.9	2.4	2.2	2.0	1.9
Dividend yield (%)	3.8	4.3	4.6	4.8	5.0
EV/EBITDA (x)	8.5	5.7	7.4	7.0	6.7
EV/Sales (x)	0.8	0.6	0.8	0.7	0.7
EV/FCF (x)	N/A	10.6	22.4	17.5	16.3

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	19.8	28.6	32.5	34.1	36.4
Depreciation & Amortisation	5.8	6.9	7.3	7.6	7.9
Working Capital Change	-25.4	-6.7	-12.3	-6.9	-6.5
Other Items	5.4	14.4	-0.7	-1.2	-2.0
Cash Flow from Operations	5.5	43.2	26.8	33.6	35.7
Net Capital Expenditure	-10.2	-13.4	-7.4	-8.9	-9.3
Goodwill from Acquisitions	0.0	-20.2	-5.0	0.0	0.0
Other Investments	-0.8	0.3	0.0	0.0	0.0
Cash Flow from Investments	-11.0	-33.3	-12.4	-8.9	-9.3
Ordinary Dividends	-11.8	-13.7	-15.3	-16.4	-17.4
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	-3.3	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	12.6	-0.2	4.9	-5.0	-12.0
Change in Minorities	-0.0	-0.0	-0.0	-0.0	-0.0
Cash Flow from Financing	0.8	-17.2	-10.4	-21.4	-29.5
Change in Cash	-4.7	-7.3	4.0	3.3	-3.1
Free Cash Flow	-4.7	29.8	19.4	24.7	26.4
Free Cash Flow Yield (%)	N/M	9.3	5.8	7.3	7.6

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	0.1	0.1	4.1	7.4	4.3
Other current assets	199.6	224.9	239.2	249.5	259.5
Net PP&E	54.8	61.3	61.4	62.7	64.2
Intangible assets	13.3	39.6	44.6	44.6	44.6
Other non-current assets	9.8	9.5	9.5	9.5	9.5
Total Assets	277.6	335.5	358.8	373.7	382.1
Short-term debt	49.9	33.9	43.0	43.0	43.0
Other current liabs	53.8	72.4	74.4	77.8	81.3
Long-term debt	49.9	65.7	61.5	56.5	44.5
Other non-current liabs	16.9	3.1	30.6	29.4	27.4
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	107.1	132.1	149.3	167.1	186.0
Total liabs & equity	277.6	335.4	358.8	373.7	382.1
Net debt	99.7	99.5	100.4	92.1	83.2
ROIC (%)	17.6	18.6	16.0	15.5	15.7
Net gearing (%)	93.1	75.3	67.3	55.1	44.7
Working capital as % of sales	30.7	28.4	28.6	28.8	28.7
Inventory period days		86.6	88.7	90.1	90.2
Trade debtor days		57.4	58.2	59.3	59.5
Trade creditor days		22.8	24.6	24.5	24.6
Cash cycle		121.2	122.3	124.9	125.0



# Ackermans & van Haaren

## Good growth potential, strong margin of safety

### Key message

The order book of DEME remains high around EUR 2bn as demand remains good due to investments from governments and in renewable energies. The banks grow well and we see significant earnings upside for Bank Delen when a larger part of AuM is allocated to equities and AuM grow. We still believe that the recession may give management the opportunity to do some acquisitions at attractive prices.

	2008	2009E	2010E	2011E
EPS Operat. (EUR)	4.18	3.65	4.85	5.47
EPS Recurring	4.18	3.65	4.85	5.47
P/E Recurring	11.9	13.7	10.3	9.1
P/Equity	1.1	1.1	1.0	0.9
Dividend Yield (%)	2.7	2.7	2.9	3.2

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 27 August, AvH reported a 09H1 net profit from operations of EUR 50m (-15% vs our expected). The result of DEME was -6% vs expected as four ships were temporarily unable to operate. The profit from the real estate activities was affected by EUR -12m IFRS revaluations.

### Valuation

Current management has been able to growth book value per share with a CAGR 1999-2009 of 13.1%. We believe that the potential for growth is good. AvH is trading at a 7% premium to our estimated end 2009 BV per share of EUR 47. We believe that this is not expensive given the good track record and strong margin of safety (almost zero risk) on the down side. We estimate a NAV end 2010 of EUR 69.5. Our price target of EUR 63 is a 10% discount to this. We keep our Buy recommendation and price target of EUR 63.

### Rating

**Buy**

**Price target:** EUR 63.0   
**Price 29 Sep 2009:** EUR 50.7  
**Up-/downside:** +24.3%

### Diversified Financials

#### Market capitalisation:

EUR 1,698 m

#### Avg (12 month) daily volume:

33,005

#### Free float

67%

#### Reuters

AVHBt.BR

#### Bloomberg code

ACKB BB

### Share Price Performance %

	-1m	-3m	-12m
Ackermans & van Haaren	-3	+8	-20
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Results 09Q3	16 Nov 2009
Results 09FY	05 Mar 2010
Results 10Q1	17 May 2010
AGM	25 May 2010
Results 10H1	26 Aug 2010

### Major shareholders

	%
Scaldis Invest	33.0

### Listed Peers

	Ticker
Boskalis	BOKA NA
Hal trust	HTTC NA
Van Lanschot	VLB NA
CFE	CFEB BB
Julius Baer	BAER VX

### Analysts

#### Georg Krijgh

+31 20 460 4860

#### Cor Kluis

+31 (0) 20 460 4870

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

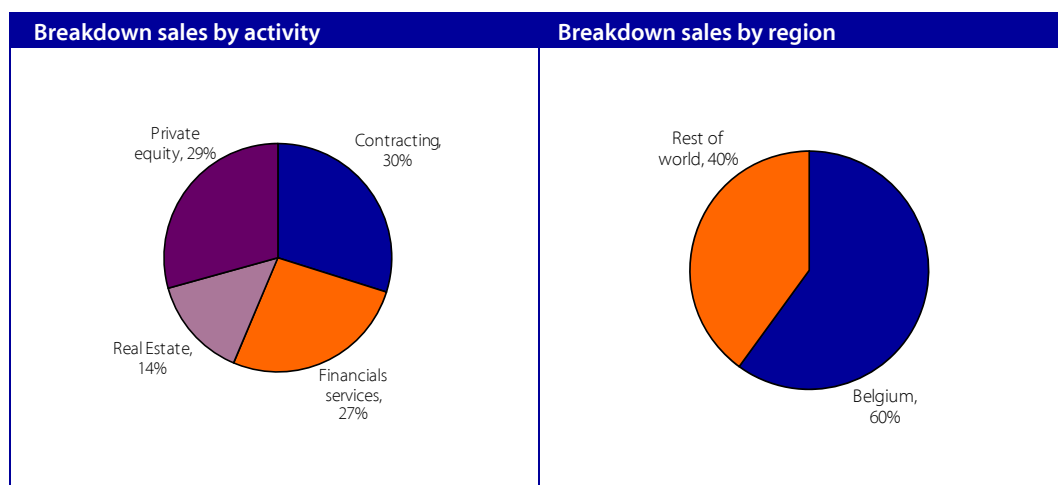
The pipeline of orders in tender is full and DEME is likely to get its share (e.g. in deepening the Panama channel at the Atlantic side and the Schelde river). Since 2004, DEME invested EUR 1bn in the fleet and during the same time the order book grew by about EUR 1bn. This shows that demand for DEME's knowledge is increasing despite the recession and driven by investments in renewable energy, infrastructure and coastal protection. We expect a 09H2 net profit for DEME of EUR 25m (AvH share) which is flat yoy. We expect that the banks will gradually increase their equity exposure which will have a positive effect on revenues. AvH's new business unit 'Energy and materials' contains the investments in Indian cement producer Sagar, palm oil producer Sipef, the Indian Oriental Quarries & Mines which produces aggregates and Alcofina which exports bio ethanol from Brazil. AvH's strategy going forward is to access places that will benefit from continued demand for raw materials and energy and create value by investments in partnership with local contacts.

### Company profile

Ackermans & van Haaren (AvH) is an investment company with a long-term strategy focused on a limited number of large participations and a number of private equity stakes mainly in Belgium. The quality of AvH's portfolio is high and the companies it controls have leading positions in Belgian private and SME banking (25% of NAV; Bank Delen and Bank van Breda), dredging (28%; DEME), private equity (19%; Sofinim), real estate 9% and about EUR 150m in net cash (8%).

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Experienced management with a strong track record of value creating deals</li> <li>▪ Bank Delen is one of the best and most efficient Belgian private banks</li> <li>▪ DEME is better diversified than competitors and has a diversified order book</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited disclosure</li> <li>▪ Complex to calculate intrinsic value</li> <li>▪ Limited cash position</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Acquiring assets at attractive prices</li> <li>▪ Increase fees at Bank Delen by increasing equity exposure of clients</li> </ul>	<ul style="list-style-type: none"> <li>▪ Decreasing real estate prices affects Leasinvest and Extensa</li> <li>▪ The industrial Sofinim participations are affected by recession</li> </ul>



Value participation portfolio Ackermans & van Haaren (EUR m)							
EUR millions (NAV)	2005	2006	2007	2008	2009E	2010E	2011E
<b>Dredging &amp; Contracting</b>							
DEME	283	340	589	722	596	644	696
Van Laere	36	52	53	27	18	24	25
NMP	37	39	40	56	29	31	32
Rent-A-Port				4	4	5	6
<b>Financials services</b>							
Bank Delen	210	273	354	318	358	398	446
Bank van Breda	294	295	272	228	280	290	315
BDM-ASCO	9.0	11.8	14	13	15	17	20
<b>Real estate</b>							
Leaseinvest/Extensa (book value)	84	120	132	119	124	130	136
Groupe Financière Duval			13	24	25	25	26
Cobelguard			7	7	7	8	9
<b>Private equity</b>							
Sofinim	247	344	276	285	319	367	403
GIB (Groupe Flo/Trasys)		68	25	19	19	20	21
<b>Energy and materials</b>							
Sipef, Henschel, Sagar	41	28	177	129	82	82	82
<b>Total participation portfolio:</b>							
Dredging & Contracting	356	432	682	809	648	704	759
Financials services	513	579	640	559	653	705	781
Real estate	84	120	152	150	155	163	171
Private equity	373	623	302	305	338	387	424
Energy and materials	41	28	177	129	82	82	82
Total participation portfolio	1,367	1,782	1,953	1,952	1,876	2,040	2,217
Other investments:							
Shares (investment portfolio)	172	204	211	39	47	50	52
Cash en deposits	151	38	155	114	121	165	274
-/- Interest bearing debt	-150	-62	-43	-47	-26	-25	-23
Net cash	173	180	323	106	142	190	303
Debtors	0	0	0	0	0	0	1
Provisions	-50	-29	-5	-6	-7	-8	-9
Creditors	-36	-8	-8	0	0	0	0
Estimated Net Asset Value	1,454	1,925	2,262	2,052	2,012	2,223	2,512
<b>Distribution total participation portfolio:</b>							
Dredging & Contracting	24%	22%	30%	39%	32%	32%	30%
Financials services	35%	30%	28%	27%	32%	32%	31%
Real estate	6%	6%	7%	7%	8%	7%	7%
Private equity	26%	32%	13%	15%	17%	17%	17%
Other investments	3%	1%	8%	6%	4%	4%	3%
Cash, other investments -/- debt and provisio	6%	7%	14%	5%	7%	8%	12%
Total participation portfolio	100%	100%	100%	100%	100%	100%	100%
<b>Figures per share:</b>							
Number of shares	33,496	33,496	33,496	33,496	33,496	33,496	33,496
NAV per share (estimated average valuation)	43.4	57.5	67.5	61.3	60.1	66.4	75.0
Book value per share	33.4	42.5	47.2	45.3	47.5	51.2	55.6
Book value per share (excl goodwill)	30.0	39.0	43.6	41.1	43.0	46.4	50.5
EPS	8.17	8.95	7.21	3.42	3.63	5.08	5.82
EPS recurring (excl. goodw. + non-rec. items)	2.78	3.59	5.47	4.18	3.65	4.65	5.33
Dividend	0.90	1.15	1.39	1.39	1.39	1.40	1.60
Dividend pay-out	11%	13%	19%	41%	38%	27%	27%
Dividend pay-out (EPS recurring)	32%	32%	25%	33%	38%	30%	30%
<b>Ownership</b>							
DEME	19%	18%	26%	35%	30%	29%	28%
Van Laere	2%	3%	2%	1%	1%	1%	1%

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# Aegon

## Learn from the past to estimate the future

### Key message

The macro environment is the key driver of the Aegon valuation and with improving stock and bond markets Aegon is clearly benefiting. However, at 8.8x through-the-cycle EPS assuming the government debt is converted/paid back, it is fully valued. With a risk profile in line with US peers Aegon can earn its way out of this difficult period. Going forward to realise its strategic plans it has to make some divestments.

	2008	2009E	2010E	2011E
Net income. (EUR)	-1391	697	68	450
EPS Published	-0.92	-0.46	0.05	0.30
P/E Published	-0.92	-0.46	0.05	0.30
P/Equity	0.7	0.8	0.7	0.7
Dividend Yield (%)	5.2	0.0	3.8	3.8

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 31 August Aegon completed the sale of its Taiwan life insurance business.
- On 13 August Aegon presented 09Q2 earnings which were in line with expectations. The underlying profit before tax was EUR 397m and if we add the EUR 215m positive effects of the equity markets (e.g. releases provision for guarantees) which Aegon showed via the overperformance fair value item line, the underlying profit was EUR 599m (397+202). We expected EUR 603m so it was in line with expectations. The net profit (excluding loss on the Taiwan divestment) was EUR 212m (EUR -173m net profit + EUR -385m loss on Taiwan) versus our expected EUR 409m.

### Valuation

Applying a through the cycle PE of 8.3x on our through-the-cycle EPS on a fully diluted basis of EUR 0.69 and a price book of 1.2x gives a fair value of EUR 5.75 for Aegon.

### Rating

**Hold**

**Price target:** EUR 5.8   
**Price 29 Sep 2009:** EUR 5.7  
**Up-/downside:** +0.1%

### Insurance

#### Market capitalisation:

EUR 9,968 m

#### Avg (12 month) daily volume:

16,121,253

#### Free float

68%

#### Reuters

AEGN.AS

#### Bloomberg code

AGN NA

### Share Price Performance %

	-1m	-3m	-12m
Aegon	+8	+31	-7
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	12 Nov 2009
Results 09Q4	25 Feb 2010
Annual Report 09	29 Mar 2010
AGM	29 Apr 2010
Results 10Q1	12 May 2010

### Major shareholders

	%
Vereniging Aegon	31.9

### Listed Peers

	Ticker
ING	INGA NA
Generali	G IM
AXA	CS FP

### Analysts

#### Cor Kluis

+31 (0) 20 460 4870

#### Georg Krijgh

+31 20 460 4860

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

**Outlook**

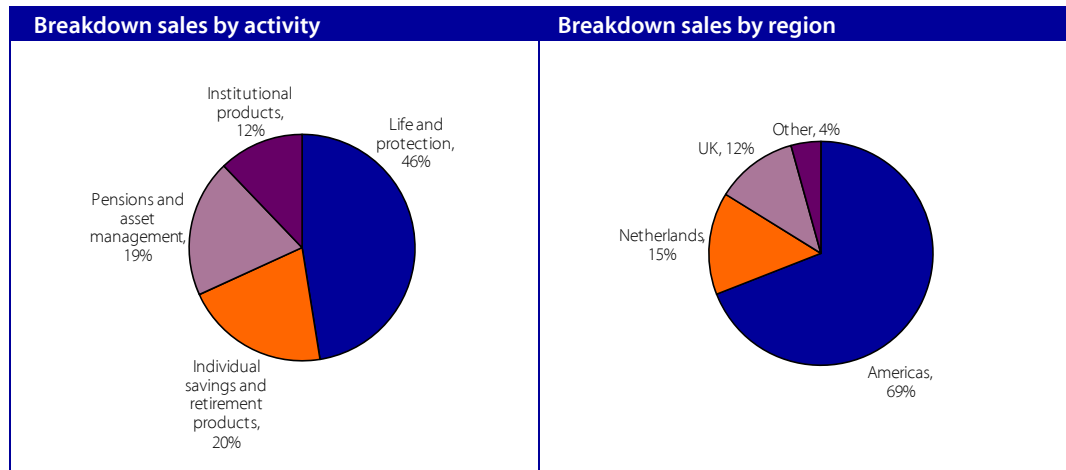
Despite Aegon’s EUR 2.2bn excess core capital, its EUR 0.8bn free disposable annual profit before dividend payment, and its ability to do some securitisation solvency releases (EUR 1bn), we estimate based on the strategic analysis and its plans for the next five years, that Aegon has to do some divestments (e.g. Direct Marketing unit for EUR 1.5-1.8bn). It is likely to keep the dividend low consequently create a high valued share which it can use as acquisition currency.

**Company profile**

AEGON is one of the world's largest life insurance and pension companies, and a strong provider of investment products. With headquarters in The Hague, the Netherlands, AEGON companies employ more than 30,000 people worldwide. AEGON's businesses serve millions of customers in over twenty markets throughout the Americas, Europe and Asia, with major operations in the United States, the Netherlands and the United Kingdom.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Relatively good acquisition track record</li> <li>▪ Strong market positions in the Netherlands and US</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited activity in emerging markets</li> <li>▪ No diversification to reduce (interest rate) risk</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Divestments of non strategic units</li> <li>▪ Higher inflation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Higher bond defaults</li> <li>▪ Stock market drop hurts weak tangible solvency</li> <li>▪ Unexpected asset and DAC/VOBA impairment.</li> </ul>



Income statement (EUR mln)					
	07	08	09E	10E	11E
Life and protection	1,290	911	982	987	1,096
Individual savings and retirement products	495	-147	-102	450	499
Pensions and asset management	498	512	324	412	455
Institutional products	330.6	404.2	219.0	128.5	131.2
Reinsurance	118	-63	28	93	100
Distribution	6	1	15	21	23
General insurance	47	45	37	53	52
Other	0	0	0	0	0
Interest charges and other	-18.5	-123	-235	-170	-170
Share in profit/(loss) of associates	3.6	25	29	37	44
Operating earnings before tax	2,607	157	1,097	2,076	2,393
Net Profit	2,524	-1,089	-127	507	999
Coupons on perpetuals (net of tax)	-166	-189	-327	-327	-327
Dividend on preferred shares	-8.5	-112	-122	-112	-112
NOP for ord. shareholders (1)	1,781	-83	281	1,063	1,179
PERSHARE ITEMS					
Average number of shares (mln)	1.6	1.5	1.6	1.8	1.8
EPS recurring	1.44	-0.92	-0.44	0.04	0.25
Shareholders equity	7.60	8.02	7.58	7.88	8.21
DPS	0.6	0.3	0.0	0.2	0.2

**Aegon**

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# Ahold

## The unbeatable benchmark

### Key message

Despite its recent underperformance, Ahold remains the stock to play. Interim results outperformed expectations during the last 18 months on the back of recovering results in the US and an ongoing strong performance of Albert Heijn. We believe that the potential for new earnings surprises remains. As chances of a big acquisition in the next 12 months seem low, this triggers questions regarding the allocation of FCF.

	2008	2009E	2010E	2011E
Sales (EUR m)	25,722	27,390	27,666	28,496
EPS Recurring	0.89	0.77	0.91	1.06
P/E Recurring	9.3	10.7	9.1	7.8
P/FCFPS		10.6	11.4	8.8
EV/ EBITDA	6.2	5.0	4.4	3.8
Dividend Yield (%)	1.8	2.5	3.4	4.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- 09Q2 underlying group EBIT pre corporate costs exceeded expectations by 11%. This is mainly driven by S&S/Giant and AH which report underlying margins of 5% (+140 bps yoy) and 6.7% (+130 bps yoy) respectively, thereby compensating for bigger than expected pressure in the Czech Republic. Giant Carlisle reported good margins despite substantial price investments made. AH reported a somewhat bigger than anticipated deceleration in ID sales, though this was compensated by stronger margins.
- We have lowered our EPS projections by 5-6% following the decline of the US\$/EUR exchange rate and adjustments in the number of shares.
- As of 08Q4, AH's outperformance vs the market started to decelerate. However, 09Q2 was the first quarter since 2004 during which it underperformed the market. In terms of organic volume growth we estimate that the underperformance was 100-125 bps, much less than when comparing AH's ID of 0.4% and market growth of 5.6% based on publicly available Gfk data. This difference is caused by 2 factors: (i) when based on AC Nielsen, market growth was c. 3%, (ii) a substantial difference in food inflation of the market (1-2%) and that AH (c. 0%), which is derived from AH's indications of achieving volume growth in Q2. Finally, although comparables were tough both Q1 and Q2, the yoy deceleration in ID's in Q2 was higher than in 09Q1. We believe that consensus might have underestimated the positive impact of a highly successful campaign in soccer pictures in Q1, which would explain too optimistic expectations of ID sales of 4% for Q2.

### Valuation

When adjusted for its 60% economic stake in ICA, our 2010EV/EBITDA multiple arrives at 4x, roughly in line with Kroger but at a 20-25% discount versus its European peers. We anticipate a further re-rating of the shares as: (i) The Netherlands accounts for 50% of group results and will maintain its strong performance into 2010, (ii) the momentum of Ahold US operations has strengthened since 08H1, (iii) Ahold has an underleveraged balance sheet, which combined with high FCF generation under the scenario of a US recovery, could lead to substantial cash returns to shareholders.

### Rating

**Buy**

**Price target:** EUR 11.0   
**Price 29 Sep 2009:** EUR 8.2  
**Up-/downside:** +33.5%

### Food & Drug Retailing

#### Market capitalisation:

EUR 9,821 m

#### Avg (12 month) daily volume:

5,685,456

#### Free float

69%

#### Reuters

AHLN.AS

#### Bloomberg code

AH NA

### Share Price Performance %

	-1m	-3m	-12m
Ahold	-1	+1	+1
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3	20 Oct 2009
Results 09Q3	18 Nov 2009

### Major shareholders

	%
Deltafort Beleggingen	11.2
ING Groep N.V.	9.3
AllianceBernstein Corporation	5.0
Capital Research & Management	4.2
Aegon N.V.	1.2

### Listed Peers

	Ticker
Super de Boer	LAU NA
Schuiterna	SUTN NA
Sligro	SLIGR NA
Delhaize	DELB.BB
Colruyt	COLR.BB

### Analysts

#### Patrick Roquas

+31 (0) 20 460 4826

#### Karel Zoete

+31 (0) 20 460 4827

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

www.rabosecurities.com

**Outlook**

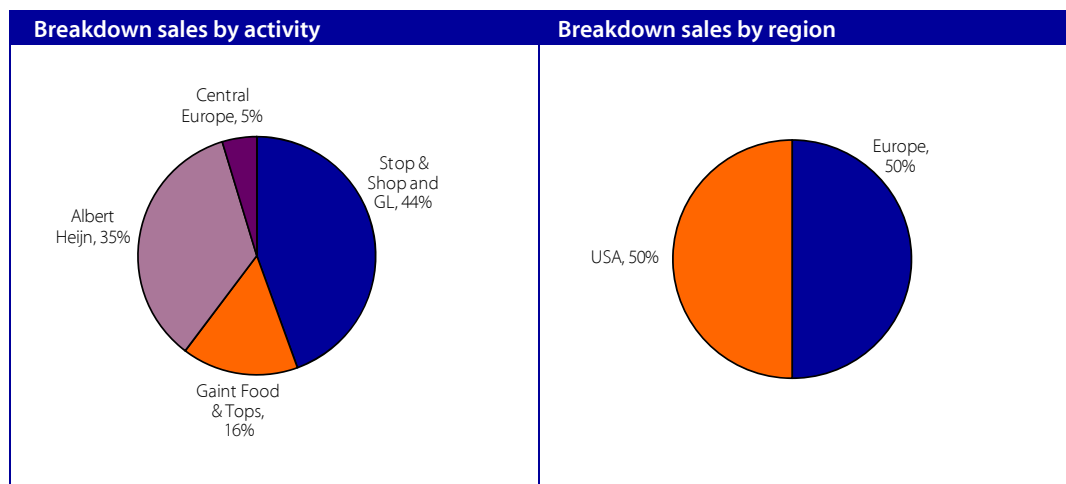
Management has provided no guidance for 2009. For the midterm, Ahold aims for 5% sales growth and an EBIT margin of 5%. We see no reason why AH cannot sustain 9-10% EBIT growth in the next years, compared to consensus of 6-7%. Remember that AH has a winning nationwide format and a structural cost advantage. Consolidation will take time and will provide AH opportunities to gain share first. Assuming a modest recovery of the US operations, we project EBIT growth of 10-12% for the coming 2 years. When factoring in a more aggressive recovery as well as add on acquisitions, EBIT growth might amount to over 15%. Including lower financial charges and SBB's, EPS growth could amount to 20%. Management will provide more details regarding the performance of its US operations and the prospects for a new cost savings plan during the 09Q3 event. Dominant market positions will generate high FCF's allowing for substantial cash returns (in case 25% of FCF generation is distributed via SBB's, Ahold could buyback 5% of its shares annually. On a 2-3 years horizon our PT still arrives at a directional EUR 13.

**Company profile**

After disposals, Ahold's core operations comprise of No.1 or No.2 market positions in retail the Northeast of the US, the Netherlands and Scandinavia. We estimate that Europe, including 60% of ICA, accounts for 60% of group EBIT by 2008.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong local market shares in US food retail</li> <li>▪ The No 1 fully integrated supermarket chain in the Netherlands</li> <li>▪ 60% stake in leading Scandinavian food retailers</li> <li>▪ Skills in distribution and high end formats</li> </ul>	<ul style="list-style-type: none"> <li>▪ Relatively old Giant Landover stores, which also need price investments</li> <li>▪ No synergy between US and European operations</li> <li>▪ No exposure to faster growing D&amp;E markets</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Underleveraged balance sheet</li> <li>▪ Room for add-on acquisitions</li> <li>▪ Reengineering of US food retail</li> </ul>	<ul style="list-style-type: none"> <li>▪ Structural price competition</li> <li>▪ Exposure to lower USD/EUR exchange rates</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	28,152.1	25,722	27,390	27,666	28,496
Cost of sales	-20,864.0	-19,037	-20,244	-20,421	-21,034
Gross profit	7,288.1	6,685	7,146	7,245	7,463
Operating costs	-5,463.1	-4,824	-5,121	-5,058	-5,131
Extraordinaries	0.0	0	0	0	0
EBITDA	1,825.0	1,860	2,025	2,187	2,332
Depreciation	-690.7	-662	-692	-715	-738
EBIT	1,134.3	1,198	1,333	1,472	1,594
Net financial result	-302.0	-216	-258	-204	-57
Other pre-tax items	-6.0	0	0	15	15
EBT	826.3	98.2	1,075	1,283	1,551
Income taxes	-167.5	-225	-229	-282	-355
Minority interests	-14.2	-4	0	0	0
Other post-tax items / participation	167.6	114	72	99	104
Income discontinued operations	2,148.0	0	0	0	0
Net income	2,960.2	867	918	1,100	1,300
Adjustments, total	-2,148.0	211	21	0	-15
Net income recurring	812.2	1,078	939	1,100	1,285
PER SHARE ITEMS					
Shares outstanding avg. (mln)	1,447.4	1,174	1,176	1,176	1,176
Shares outstanding fully diluted (mln)	1,456.5	1,215	1,215	1,215	1,215
EPS reported	2.05	0.74	0.78	0.94	1.11
EPS recurring	0.56	0.89	0.77	0.91	1.06
CPS	3.14	0.91	1.62	1.56	1.79
DPS	0.00	0.15	0.21	0.28	0.33
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-8.6	6.5	1.0	3.0
EBITDA		5.6	11.2	10.4	8.3
Net income recurring		32.8	-13.0	17.2	16.8
% MARGINS					
Gross margin		26.0	26.1	26.2	26.2
EBITDA margin		4.7	4.9	5.3	5.6
Net recurring margin		4.2	3.4	4.0	4.5

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	14,893.0	12,365	10,898	10,358	9,615
P/E recurring (x)	14.7	9.3	10.7	9.1	7.8
P/Sales (x)	0.4	0.4	0.4	0.4	0.3
P/FCF (x)	2.2	36.1	10.3	11.1	8.5
P/CF (x)	2.6	9.1	5.1	5.3	4.6
P/B (x)	3.0	2.1	1.8	1.6	1.4
Dividend yield (%)	0.0	1.8	2.5	3.4	4.0
EV/EBITDA (x)	8.2	6.6	5.4	4.7	4.1
EV/Sales (x)	0.5	0.5	0.4	0.4	0.3
EV/FCF (x)	2.7	46.1	11.5	11.9	8.4

## Ahold

Cash Flow Statement (EURm)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	2,960.2	867	918	1,100	1,300
Depreciation & Amortisation	690.7	662	692	715	738
Working Capital Change	1,637.0	-613	558	20	60
Other Items	-750.3	155	-265	4	11
Cash Flow from Operations	4,537.6	1,072	1,902	1,839	2,110
Net Capital Expenditure	896.0	-804	-959	-968	-969
Goodwill from Acquisitions	1,932.0	1	0	0	0
Other Investments	202.0	-38	80	-3	-8
Cash Flow from Investments	3,030.0	-841	-878	-971	-977
Ordinary Dividends	0.0	-173	-248	-330	-390
Preferred Dividend	0.0	0	0	0	0
Change in Preferred Stock	0.0	0	0	0	0
Change in Equity	0.0	0	0	0	0
Change in Subordinated Debt	0.0	0	0	0	0
Change in Bank Debt	-1,812.0	-473	209	222	242
Change in Minorities	-8.2	-81	88	0	0
Cash Flow from Financing	-1,820.2	-727	49	-108	-148
Change in Cash	5,747.4	-496	1,073	760	985
Free Cash Flow	5,433.6	268	944	870	1,141
Free Cash Flow Yield (%)	45.6	2.8	9.7	9.0	11.8

Balance Sheet (EURm)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	3,177.7	2,863	3,936	4,695	5,680
Other current assets	2,564.0	2,433	2,495	2,520	2,595
Net PP&E	5,390.0	5,532	5,799	6,052	6,282
Intangible assets	252.0	251	251	251	251
Other non-current assets	2,475.0	2,513	2,433	2,435	2,443
Total Assets	13,858.7	13,591	14,912	15,953	17,252
Short-term debt	322.0	271	289	291	291
Other current liabs	4,611.0	3,867	4,486	4,531	4,667
Long-term debt	4,346.0	3,924	4,115	4,334	4,576
Other non-current liabs	701.5	853	588	592	603
Minority interest	77.0	0	88	88	88
Total equity	3,982.6	4,677	5,346	6,116	7,026
Total liabs & equity	14,040.1	13,591	14,912	15,953	17,252
Net debt	1,490.3	2,093	1,211	671	-72
ROIC (%)	4.0	5.1	5.4	5.9	6.2
Net gearing (%)	37.4	44.8	22.7	11.0	-1.0
Working capital as % of sales	-5.3	-3.6	-5.3	-5.3	-5.3
Inventory period days		18.3	17.0	16.3	16.1
Trade debtor days		12.0	11.1	12.1	12.0
Trade creditor days		32.1	29.7	28.9	28.6
Cash cycle		-1.8	-1.7	-0.5	-0.5

# Akzo Nobel

## Price pressure kicking in

### Key message

AkzoNobel presented very solid 09Q2 results, showing average EBITDA margins of 14.4% virtually equal to last year's 14.5% margins. Pricing pressures remained subdued and strong cost cutting and (temporary) lower raw material costs supported margins significantly. Although AkzoNobel will likely continue to cut costs and will try to maintain its relative pricing position, we believe achieving the 14% FY EBITDA target by 2011 will be difficult with strong headwinds from the current economic climate.

	2008	2009E	2010E	2011E
Sales (EUR m)	15,415	13,856	13,516	14,193
EPS Recurring	3.85	3.01	1.65	2.02
P/E Recurring	10.9	14.1	25.7	21.0
P/FCFPS		14.2	56.2	26.5
EV/ EBITDA	6.5	7.0	8.6	7.4
Dividend Yield (%)	4.3	3.1	3.1	3.1

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 3 September, the company announced that it ranked second place within the Chemicals supersector of the Dow Jones Sustainability World Indexes (DJSI). AkzoNobel has been listed on the DJSI for 5 years as AkzoNobel has systematically reinforced its commitment to sustainability. Currently approximately 50% of the long-term executive incentive scheme is linked to the company's ranking in the DJSI index.
- On 29 July, AkzoNobel announced 09Q2 results. Although sales declined by 8% y-o-y, the company managed to keep the damage to margins in control as EBITDA margins only declined by 10bps y-o-y.
- On 22 July AkzoNobel confirmed it has received full immunity from an EUR 17.4m fine which would otherwise have been imposed by the European Commission following an investigation into price fixing involving the company's Calcium Carbide business between November 2004 and November 2006.
- On May the 29th, AkzoNobel announced the agreement to divest its 75% stake in the PTA activities of the Chemicals Pakistan business to KP Chemical corporation. The transaction is expected to be completed in the fourth quarter of 2009. PTA (Pure Terephthalic Acid) is an essential raw material for the polyester fiber industry and polyester resins used in the manufacture of PET packaging.

### Valuation

We have significantly increased our estimates for 2009 after the strong 09Q2 results. For 2009, we expect EBITDA to decline by c. 16%, leading to an EV/EBITDA of 7x and a P/E of 18x. Which is a reasonable valuation in our view.

### Rating

**Hold**

**Price target:**

**EUR 34.0**

**Price 29 Sep 2009:**

**EUR 42.1**

**Up-/downside:**

**-19.3%**

### Chemicals

**Market capitalisation:**

EUR 9,760 m

**Avg (12 month) daily volume:**

1,062,732

**Free float**

90%

**Reuters**

AKZO.AS

**Bloomberg code**

AKZA NA

### Share Price Performance %

	-1m	-3m	-12m
Akzo Nobel	+5	+34	+25
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	27 Oct 2009
Results 09FY	18 Feb 2010
Results 10Q1	27 Apr 2010
AGM	28 Apr 2010

### Major shareholders

	%
Capital Research & Management	5.5
ING Groep N.V.	5.0

### Listed Peers

	Ticker
DSM	DSM NA
BASF	BAS GR
PPG	PPG US
Sherwin Williams	SHW US
Valspar	VAL US

### Analysts

**Fabian Smeets**

+31 (0) 20 460 4864

**Philip Scholte**

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

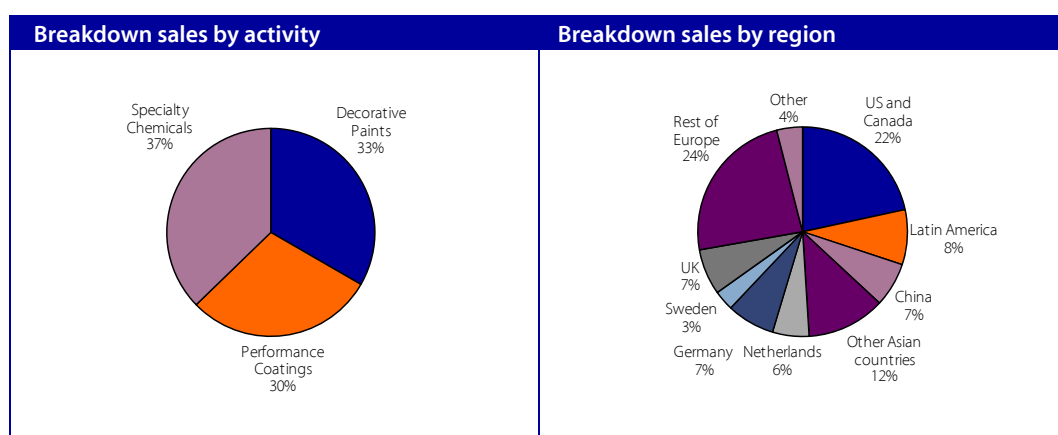
Due to the current economic climate, AkzoNobel issued no quantitative guidance for 2009. The company expects that due to its continued focus on margin management, cost reduction and cash generating actions, the company will remain well positioned to meet the current challenges and as a result will be in good shape to take advantage of the recovery when it comes. AkzoNobel remains committed to achieve its medium-term target of an EBITDA margin of 14 percent by the end of 2011, deliver the combined €540 million synergies and restructuring initiatives, drive margin management programs and rigorous cost and cash control across the company.

### Company profile

Akzo Nobel is a producer of a wide range of paints, coatings and specialty chemicals with revenue of EUR 14bn. After the acquisition of ICI, it is the global market leader in paints and coatings for both decorative and performance purposes. In its Specialty Chemicals division, Akzo produces pulp bleaching chemicals, salt, surfactants and other functional chemicals for industries worldwide for a wide range of uses. The company employs about 60,000 employees in more than 80 countries.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Global market leader in paints and coatings</li> <li>▪ Strong balance sheet, with ample room for share buy backs</li> <li>▪ Global geographical spread limits risks</li> </ul>	<ul style="list-style-type: none"> <li>▪ Potential pension deficit</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Achieving the synergies of the acquisition of ICI</li> <li>▪ Add-on acquisitions in Paints and Coatings</li> </ul>	<ul style="list-style-type: none"> <li>▪ ICI integration risk</li> <li>▪ Further increase in raw material and energy prices costs might prove difficult to pass on, notably in coatings</li> <li>▪ Big exposure to housing markets</li> <li>▪ Large USD exposure</li> </ul>



Income Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Revenues	10,217	15,415	13,857	13,516	14,193
Cost of sales	-6,252	-9,972	-8,868	-8,650	-7,664
Gross profit	3,965	5,443	4,988	4,866	6,529
Operating costs	5,888	-5,370	-3,667	-3,741	-4,943
Extraordinaries	-8,751	1,854	291	236	0
EBITDA	1,102	1,927	1,612	1,361	1,586
Depreciation	-355	-462	-499	-499	-499
EBITA	747	1,465	1,113	862	1,087
Amortisation	0	-150	-150	-150	-150
EBIT	916	1,278	993	507	937
Net financial result	-120	-183	-348	-306	-344
Other pre-tax items	-189	-1,852	-140	-61	-60
EBT	607	-757	505	141	533
Income taxes	-166	-260	-168	-64	-178
Minority interests	-31	0	-58	-58	-58
Other post-tax items / participation	0	0	22	22	22
Net income	9,330	-994	301	41	319
Adjustments, total	-8,751	1,932	396	341	150
Net income recurring	579	938	698	382	469
Shares outstanding avg. (mln)	275.8	243.6	231.7	231.7	231.7
EPS reported	33.83	-4.19	1.30	0.18	1.38
EPS recurring	2.10	3.85	3.01	1.65	2.02
CPS	34.56	-8.47	5.02	2.49	3.68
DPS	1.80	1.80	1.30	1.30	1.30
Fiscal year ends 12/2009					
% GROWTH					
Revenues		50.9	-10.1	-2.5	5.0
EBITA		96.2	-24.0	-22.6	26.1
Net income recurring		62.1	-25.6	-45.3	22.9
% MARGINS					
Gross margin		35.3	36.0	36.0	46.0
EBITA margin		9.5	8.0	6.4	7.7
Net recurring margin		6.1	5.0	2.8	3.3

Valuation Akzo Nobel					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	7,317.5	12,476.3	11,280.9	11,684.8	11,781.8
P/E recurring (x)	20.2	11.0	14.1	25.7	21.0
P/Sales (x)	1.1	0.7	0.7	0.7	0.7
P/FCF (x)	1.3	N/A	13.3	169.4	26.4
P/CF (x)	1.2	N/A	8.4	17.0	11.5
P/B (x)	1.1	1.4	1.3	1.4	1.4
Dividend yield (%)	4.3	4.3	3.1	3.1	3.1
EV/EBITDA (x)	6.6	6.5	7.0	8.6	7.4
EV/Sales (x)	0.7	0.8	0.8	0.9	0.8
EV/FCF (x)	0.8	N/A	15.3	201.8	31.7

Cash Flow Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	9,330	-1,021	301	41	319
Depreciation & Amortisation	355	612	649	649	649
Working Capital Change	73	39	119	34	16
Other Items	-225	-1,693	93	-147	-129
Cash Flow from Operations	9,533	-2,063	1,163	576	854
Net Capital Expenditure	-359	-640	-469	-563	-483
Goodwill from Acquisitions	-235	-2,442	0	0	0
Other Investments	10,599	9,114	130	58	7
Cash Flow from Investments	10,005	6,032	-339	-505	-475
Ordinary Dividends	-398	-417	-301	-417	-417
Preferred Dividend	0	0	0	0	0
Change in Preferred Stock	0	0	0	0	0
Change in Equity	-1,527	-1,604	0	0	0
Change in Subordinated Debt	0	0	0	0	0
Change in Bank Debt	490	-683	-1,000	0	0
Change in Minorities	0	-146	88	-58	-58
Cash Flow from Financing	-1,435	-2,850	-1,213	-475	-475
Change in Cash	18,103	1,119	-389	-404	-96
Free Cash Flow	9,174	-2,703	739	58	372
Free Cash Flow Yield (%)	78.6	N/M	7.5	0.6	3.8

Balance Sheet (EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	11,628	1,595	1,206	802	705
Other current assets	3,341	4,762	4,210	4,085	4,261
Net PP&E	2,203	3,357	3,327	3,391	3,374
Intangible assets	463	7,172	7,022	6,872	6,722
Other non-current assets	1,608	1,848	1,718	1,660	1,652
Total Assets	19,243	18,734	17,483	16,810	16,715
Short-term debt	1,635	1,338	338	338	338
Other current liabs	2,794	4,355	3,922	3,831	4,023
Long-term debt	1,954	2,341	2,341	2,341	2,341
Other non-current liabs	1,731	2,787	2,822	2,617	2,428
Minority interest	97	450	596	596	596
Total equity	11,032	7,463	7,463	7,087	6,989
Total liabs & equity	19,243	18,734	17,483	16,810	16,715
Net debt	-8,039	2,084	1,473	1,877	1,974
ROIC (%)	10.0	7.4	5.5	8.8	11.0
Net gearing (%)	-72.9	27.9	19.7	26.5	28.2
Working capital as % of sales	15.7	4.6	4.1	3.9	3.7
Inventory period days		35.0	44.6	42.8	41.3
Trade debtor days		60.2	72.8	69.2	66.0
Trade creditor days		59.0	74.7	71.8	69.2
Cash cycle		36.3	42.7	40.2	38.1



## Timminco's troubles not over yet

### Key message

We see long-term value and steep recovery potential in the core AMG parts, but as long as Timminco is in trouble, we do not consider AMG's investment case to be particularly attractive. If we take Timminco's current market value as input (which we believe is debatable), our SOTP arrives at EUR 10 per share. We do not consider its valuation to be attractive at a 2010 EV/EBITDA of more than 8x. However, if the governmental stimulus plans kick in, the outlook for the solar industry and hence AMG can improve fast.

	2008	2009E	2010E	2011E
Sales (USD m)	1,517	932	935	1,009
EPS Recurring	2.00	-0.63	0.25	0.85
P/E Recurring	7.6	N/A	61.1	18.0
P/FCFPS			130.9	15.4
EV/ EBITDA	3.6	11.8	8.2	6.4
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The total EBITDA of 09Q2 was not as bad as we had expected at USD 13m vs our USD 9m, while we were above consensus. Engineering systems still benefited from its backlog and Advanced Materials saw signs of stabilization (destocking ending and increase in ferrovanadium price) and cost savings kicking in. As virtually no solar grade silicon was sold, Timminco was indeed weak at a negative EBITDA of USD -9m. We were disappointed by the net debt position that increased by USD 33m in one quarter from USD 107m to USD 139m, e.g. due to the high cash burn at Timminco, advance payments at Engineering Systems and limited working capital release.
- We remain skeptical on the outlook and worried on the financial position of Timminco. The demand for upgraded solar grade silicon has completely collapsed due to weak end demand in solar and as spot polysilicon is more attractive. Timminco also has to negotiate with customers that want to cancel their contracts and want back their prepayments. The recent loan of CAD 25m from the Quebec government may give some breathing space, but for how long?

### Valuation

AMG's 2010 EV/EBITDA of around 8.2x is not particularly attractive. Our SOTP now arrives around EUR 10. For GK and Timminco we have taken the current market value and for Engineering Systems 5.5x 2010 EBITDA and 0.2x revenues for Advanced Materials. As indicated, we have our doubts whether the current market value of Timminco is a right reflection of its value, given its troubled outlook and troubled financial situation. As long as Timminco is in trouble, we believe AMG's investment case is not really attractive. Nevertheless, if the governmental stimulus plans kick in, the outlook for the solar industry and hence AMG can improve fast.

### Rating

**Hold**

**Price target:**

**EUR 10.0**

**Price 29 Sep 2009:**

**EUR 10.5**

**Up-/downside:**

**-4.5%**

### Metals & Mining

**Market capitalisation:**

EUR 281 m

**Avg (12 month) daily volume:**

797,612

**Free float**

59%

**Reuters**

AMG.AS

**Bloomberg code**

AMG NA

### Share Price Performance %

	-1m	-3m	-12m
AMG	-7	+116	-63
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3

11 Nov 2009

### Major shareholders

	%
Safeguard International Fund L.P.	26.6
Hunter Hall Investment Management Ltd	5.1
American Funds Insurance Series Global G	4.9
Morgan Stanley International Plc	4.5

### Listed Peers

None

### Ticker

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### Analysts

**Frank Claassen**

+31 (0) 20 460 4868

**Michiel de Jonge**

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

**Outlook**

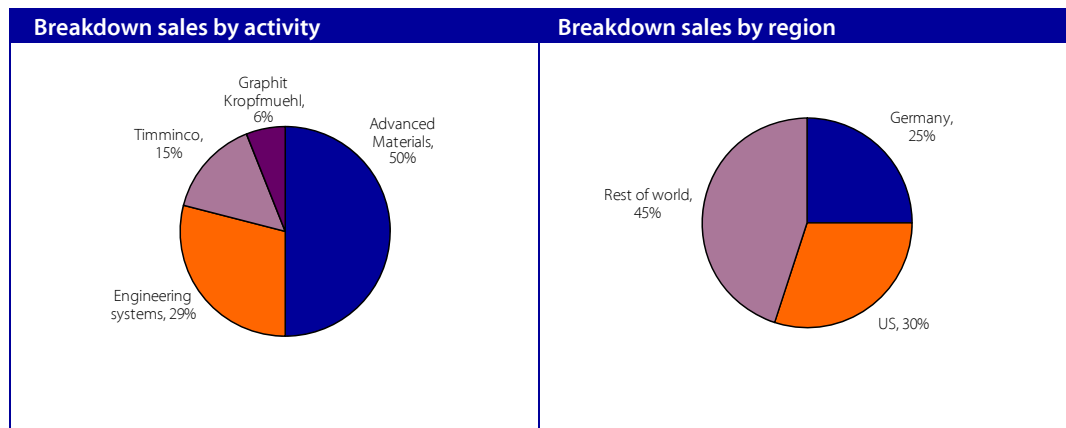
AMG states that it is too early to indicate that markets are turning around and expects a challenging second half for Engineering Systems. Although the order intake has increased from the very weak 09Q1 (USD 53m vs our USD 40m), note that the current book-to-bill for this division is still only 0.6. It may still take a while before customers start investing in new capacity and start ordering new furnaces, especially in solar. We have become less negative on the outlook for Advanced Materials, as steel volumes and ferrovanadium prices are recovering and more cost savings are kicking in. All in all, we do see the recovery potential at AMG with an estimated EBITDA growth of 37% in 2010.

**Company profile**

AMG or Advanced Metallurgical Group is a global specialty metals company offering highly-engineered metallurgical products (e.g. alloys) to a wide range of industries (e.g. aerospace, energy, electronics, chemicals, construction, and transportation industries). Engineering Systems designs, engineers and produces advanced vacuum furnace systems with the solar industry as one of the main customer segments. Timminco is a majority controlled, Canada listed subsidiary. Timminco has found a way to upgrade normal silicon to upgraded metallurgical silicon for the solar photovoltaic energy industry.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Playing themes such as fuel efficiency, solar, nuclear</li> <li>▪ Global leaders vacuum furnaces for titanium and other alloys</li> </ul>	<ul style="list-style-type: none"> <li>▪ Untransparent profile</li> <li>▪ Financial position and outlook Timminco</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Price and volume recovery ferrovanadium</li> <li>▪ Return of the solar industry</li> <li>▪ Growth in emerging markets for furnaces</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financial troubles Timminco</li> <li>▪ Continued slowdown in solar</li> </ul>



Income Statement ( USD mln)					
	2007	2008	2009E	2010E	2011E
Revenues	1,155.7	1,517.8	932.1	935.3	1,009.5
Cost of sales	-782.1	-954.3	-1,219.0	-783.0	-776.3
Gross profit	373.6	563.5	-286.9	152.3	233.2
Operating costs	-254.2	-378.3	340.0	-75.6	-134.4
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	119.4	185.2	53.2	76.7	98.8
Depreciation	-35.2	-39.5	-36.6	-38.5	-41.5
EBITA	84.2	145.7	16.6	38.1	57.3
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	84.2	145.7	16.6	38.1	57.3
Net financial result	-17.5	-20.1	-18.0	-16.5	-12.6
Other pre-tax items	-4.6	-10.6	-70.4	-3.0	-2.0
EBT	62.1	115.0	-71.8	18.7	42.7
Income taxes	-19.3	-41.9	-16.9	-11.6	-15.9
Minority interests	3.6	11.9	24.6	4.0	-0.6
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	-0.0	0.0	0.0	0.0
Net income	46.4	85.0	-64.1	11.1	26.2
Adjustments, total	5.3	-30.3	46.9	-4.2	-3.0
Net income recurring	51.6	54.7	-17.2	6.9	23.2
PERSHARE ITEMS					
Shares outstanding avg. (mln)	27.3	27.3	27.3	27.3	27.3
Shares outstanding fully diluted (mln)	27.3	27.3	27.3	27.3	27.3
EPS reported	0.43	0.53	-0.63	0.25	0.85
EPS recurring	1.89	2.00	-0.63	0.25	0.85
CPS	2.76	2.32	-0.42	1.69	2.72
DPS	0.00	0.00	0.00	0.00	0.00
Fiscal year ends 12/2009					
% GROWTH					
Revenues		31.3	-38.6	0.3	7.9
EBITA		73.1	-88.6	129.4	50.3
Net income recurring		5.9	N/M	N/M	235.9
% MARGINS					
Gross margin		37.1	-30.8	16.3	23.1
EBITA margin		9.6	1.8	4.1	5.7
Net recurring margin		3.6	-1.8	0.7	2.3
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	1,440.2	1,537.2	526.7	524.5	501.6
P/E recurring (x)	7.8	7.3	#VALUE!	58.7	17.3
P/Sales (x)	0.3	0.3	0.4	0.4	0.4
P/FCF (x)	6.6	#VALUE!	#VALUE!	95.4	17.7
P/CF (x)	3.8	4.5	N/A	6.2	3.9
P/B (x)	1.2	1.6	1.7	1.6	1.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Adjusted EV/EBITDA (x)	8.7	3.6	11.8	8.2	6.4
EV/Sales (x)	1.2	1.0	0.6	0.6	0.5
EV/FCF (x)	33.4	N/A	N/A	124.9	22.2

Cash Flow Statement ( USD mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	11.7	14.5	-17.2	6.9	23.2
Depreciation & Amortisation	35.2	39.5	36.6	38.5	41.5
Working Capital Change	-9.8	0.9	-14.2	9.8	11.9
Other Items	38.4	8.6	-16.5	-9.0	-2.4
Cash Flow from Operations	75.4	63.5	-11.4	46.3	74.3
Net Capital Expenditure	-89.7	-197.2	-50.2	-43.0	-48.5
Goodwill from Acquisitions	0.0	-8.0	-4.0	0.0	0.0
Other Investments	-41.4	1.9	9.4	-1.5	-2.9
Cash Flow from Investments	-131.1	-275.3	-44.8	-44.5	-51.4
Ordinary Dividends	0.0	0.0	0.0	0.0	0.0
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-13.6	84.7	9.5	-55.0	0.0
Change in Minorities	57.4	4.9	24.6	2.4	-0.3
Cash Flow from Financing	-78.6	89.6	34.1	-52.6	-0.3
Change in Cash	-134.3	-122.3	-22.1	-50.8	22.6
Free Cash Flow	43.1	-128.9	-37.0	4.2	22.6
Free Cash Flow Yield (%)	15.1	#VALUE!	#VALUE!	1.0	5.6

Balance Sheet ( USD mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	187.9	143.5	109.1	56.3	79.2
Other current assets	426.0	551.4	441.5	425.5	429.0
Net PP&E	155.8	313.5	327.1	331.6	338.5
Intangible assets	50.3	47.1	51.1	51.1	51.1
Other non-current assets	76.4	74.5	65.1	66.6	69.5
Total Assets	896.4	1,130.0	994.0	931.1	967.3
Short-term debt	25.1	86.6	75.0	40.0	40.0
Other current liabs	281.3	407.6	283.5	277.3	292.7
Long-term debt	115.7	138.9	160.0	140.0	140.0
Other non-current liabs	164.6	185.1	180.9	173.9	171.2
Minority interest	64.1	57.1	57.1	55.5	55.7
Total equity	245.5	254.7	237.5	244.4	267.7
Total liabs & equity	896.3	1,130.0	994.0	931.1	967.3
Net debt	-47.1	82.0	125.9	123.7	100.8
ROIC (%)	13.9	8.5	-3.1	0.6	5.3
Net gearing (%)	-19.2	32.2	53.0	50.6	37.7
Working capital as % of sales	12.5	9.5	17.0	15.8	13.5
Inventory period days		60.7	111.6	95.6	87.0
Trade debtor days		43.4	61.2	53.3	47.9
Trade creditor days		34.1	53.4	45.1	42.6
Cash cycle		70.0	119.4	103.9	92.3

# Arcadis

## Turn of the tides?

### Key message

An excellent operational performance in 09H1 and the good strategic acquisition of Malcolm Pirnie are largely reflected in the valuation. Our Hold rating is based on our view that 2010 may see a further drop in the operating margin, as also indicated by the cautious guidance for 09H2. However, this scenario may be too conservative, due to (i) the recent sizable GRIP project wins, (ii) the potential to benefit from stimulus plans, (iii) the likely absence of restructuring charges in 2010, (iv) the potential synergies from Malcolm Pirnie, and (v) a potential recovery in earnings at RTKL due to Asia. If 2009 earnings prove to be the trough, the excellent strategy and prospects deserve a higher valuation.

	2008	2009E	2010E	2011E
Sales (EUR m)	1,740	1,790	1,928	2,033
EPS Recurring	1.15	1.08	1.04	1.17
P/E Recurring	10.9	11.6	12.1	10.7
P/FCFPS	14.8	9.1	10.1	10.2
EV/ EBITDA	5.9	7.0	6.4	5.6
Dividend Yield (%)	3.6	3.5	3.7	4.2

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- In June 2009, Arcadis announced the acquisition of Malcolm Pirnie, a US based engineering company, specialized in water and environmental services with gross revenues of USD 392m in 2008. This largest acquisition ever brings scale in the attractive engineering segment Water, which will become a separate division for Arcadis (pro forma 17% of group sales).
- In 09Q2, the organic net revenue growth decelerated to -5% from -1% in Q1, with all 3 divisions slowing down from Q1. Still, EBITA of EUR 28.5m was in line with our EUR 28.4m. Moreover, the result included restructuring charges of EUR 2.7m, so the underlying performance is remarkably strong. Corrected for one-offs, the EBITA margin over net revenues improved y-o-y by 110bps to 10.9%. Net income from operations of EUR 17.1m beat our EUR 15.7m due to low financial charges. Cash flow was also very strong, bringing the pro forma net debt/EBITDA down to 1.5x.
- In Sept 09, Arcadis announces the win of 2 major GRIP soil sanitation projects for a total value of USD 170m, from BP and from the US Army. The BP contract starts with immediate effect. We estimate these contracts could add some 2% to net sales to Environment, or c. 1% to group sales, limiting downside risk in EBITA. Arcadis also hints at good long term demand from both public and private customers in soil sanitation.

### Valuation

Our forecasts assume the EBITA margin to drop from 10.0% in 2009 to 9.8% in 2010, raised from 9.3% for reasons mentioned in Key message. Valuation multiples of a P/E 2010 of 12x and an EV/EBITDA of 6.3x are starting to look attractive, (i) compared to US peers, (ii) given the attractive long term organic growth prospects and (iii) the margin upside once sales recover.

### Rating

**Hold**

**Price target:** EUR 12.0

**Price 29 Sep 2009:** EUR 12.6

**Up-/downside:** -4.4%

### Construction & Engineering

#### Market capitalisation:

EUR 850 m

#### Avg (12 month) daily volume:

157,994

#### Free float

56%

#### Reuters

ARDS.AS

#### Bloomberg code

ARCAD NA

### Share Price Performance %

	-1m	-3m	-12m
Arcadis	-5	+6	+3
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3 11 Nov 2009

### Major shareholders

	%
Stichting Lovinklaan	19.2
Delta Deelnemingen Fonds N.V.	5.0
ASR Nederland	5.0
Aviva Plc	5.0
Lucerne Capital Management	4.9

### Listed Peers

	Ticker
Grontmij	GRONC NA
WS Atkins	ATK LN
Poyry	JPG1V FH

### Analysts

#### Philip Scholte

+31 (0) 20 460 4823

#### Ralf Jacobs

+31 (0) 20 460 4839

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

## Outlook

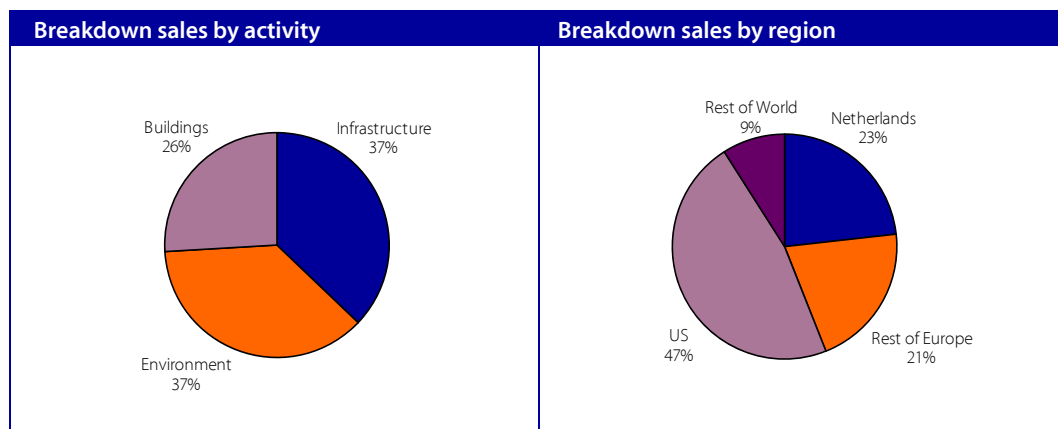
Arcadis is guiding to a slight decline in net income from net operations of 0-5% for 2009. After +3% in 09H1, this implies significant margin pressure in 09H2. Mid term, stimulus spending can help the division Infra. Longer term, Arcadis' strategic targets are (i) average growth in revenue of at least 15% p.a., half of which is organic, (ii) an operating margin (EBITA over gross profit) of at least 10%, (iii) average growth in EPS of at least 15% p.a., and (iv) a ROIC of at least 15%. Acquisitions are an important part of Arcadis' strategy, with the US infrastructure market, strengthening of home markets (e.g. Netherlands, UK, US, Brazil) in general and adding specialised services in each of the business lines are key.

## Company profile

Arcadis is a leading international design, consultancy and engineering group for public and private clients, active in Infrastructure, Environment, Buildings and Water. The company employs approximately 15,000 people. Arcadis is mostly active in larger engineering projects. It is particularly successful with its GRIP approach in the US (clients a.o. the Department of Defense), which guarantees a fixed price for soil remediation, with projects in water infrastructure and with rail infrastructure, especially in the Netherlands.

## Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong market positions and activity mix</li> <li>▪ Successful in cross-selling of concepts</li> <li>▪ Strong acquisition track record</li> <li>▪ Solid (historical) FCF generation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Highly labour intensive industry</li> <li>▪ Relatively inflexible in Europe to adapt to changes</li> <li>▪ Limited activity base in Asia</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Further expansion of GRIP programme in Europe</li> <li>▪ Expansion of EU offers opportunities in Central Europe</li> <li>▪ FCF and balance sheet enable acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Shortage skilled engineers</li> <li>▪ Considerable US dollar exposure (only translation risk)</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	1,510.0	1,740.0	1,806.0	1,944.5	2,050.8
Cost of sales	-505.5	-578.1	-576.7	-620.9	-654.8
Gross profit	1,004.5	1,161.9	1,229.3	1,323.6	1,395.9
Operating costs	-1,382.4	-1,585.1	-1,660.3	-1,793.1	-1,888.9
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	127.6	154.9	145.7	151.3	161.9
Depreciation	-20.4	-23.0	-23.4	-27.6	-28.8
EBITA	107.2	131.9	122.3	123.7	133.1
Amortisation	-12.2	-12.3	-12.1	-16.0	-10.0
EBIT	95.0	119.6	110.2	107.7	123.1
Net financial result	-8.6	-23.7	-4.6	-18.6	-18.1
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	86.4	95.9	105.6	89.2	104.9
Income taxes	-28.1	-32.8	-37.9	-34.9	-38.8
Minority interests	-2.6	-5.7	-1.2	-2.8	-3.0
Other post-tax items/participation	-0.8	-0.1	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	54.9	57.3	66.4	51.4	63.1
Adjustments, total	7.4	12.8	2.2	10.7	6.6
Net income recurring	62.3	70.1	68.6	62.1	69.7
PERSHARE ITEMS					
Shares outstanding avg. (mln)	61.0	60.5	63.4	66.3	66.3
Shares outstanding fully diluted (mln)	63.2	61.0	63.9	66.8	66.8
EPS reported	1.02	1.16	1.04	0.94	1.05
EPS recurring	0.99	1.15	1.07	0.93	1.04
CPS	1.60	1.28	1.93	1.55	1.55
DPS	0.41	0.45	0.43	0.42	0.47
Fiscal year ends 12/2009					
% GROWTH					
Revenues		15.2	3.8	7.7	5.5
EBITA		23.0	-7.3	1.2	7.5
Net income recurring		12.5	-2.1	-9.6	12.3
% MARGINS					
Gross margin		N/A	N/A	N/A	N/A
EBITA margin (over gross profit)	10.7	11.4	9.9	9.3	9.5
Net recurring margin		4.0	3.8	3.2	3.4
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	1,224.3	911.6	1,015.8	1,005.8	968.0
P/E recurring (x)	12.7	10.9	11.7	13.5	12.1
P/Sales (x)	0.5	0.4	0.4	0.4	0.4
P/FCF (x)	11.2	14.7	9.1	11.2	11.3
P/CF (x)	7.9	9.8	6.5	8.1	8.1
P/B (x)	4.1	3.7	2.5	2.4	2.2
Dividend yield (%)	3.3	3.6	3.4	3.3	3.7
EV/EBITDA (x)	9.6	5.9	7.0	6.6	6.0
EV/Sales (x)	0.8	0.5	0.6	0.5	0.5
EV/FCF (x)	17.9	17.6	11.6	13.5	13.2

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	54.9	57.3	66.4	51.4	63.1
Depreciation & Amortisation	32.6	35.3	35.5	43.6	38.8
Working Capital Change	2.3	-19.0	8.8	6.8	-7.5
Other Items	7.9	3.7	11.2	0.8	8.0
Cash Flow from Operations	97.7	77.3	122.0	102.6	102.5
Net Capital Expenditure	-29.3	-25.6	-34.3	-28.2	-28.8
Goodwill from Acquisitions	-41.0	-34.7	-179.8	0.0	0.0
Other Investments	-16.6	-4.6	-9.3	1.8	-4.3
Cash Flow from Investments	-86.8	-64.9	-223.4	-26.4	-33.1
Ordinary Dividends	-25.0	-24.8	-27.5	-27.9	-31.4
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-42.2	0.8	60.4	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	83.2	55.1	46.3	0.0	0.0
Change in Minorities	-3.0	-4.8	-1.0	-2.2	-0.2
Cash Flow from Financing	13.0	26.3	78.2	-3.02	-31.6
Change in Cash	24.0	38.7	-23.1	46.0	37.7
Free Cash Flow	68.5	51.7	87.7	74.4	73.6
Free Cash Flow Yield (%)	8.9	6.8	11.0	8.9	8.8

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	92.6	117.9	108.2	154.2	191.9
Other current assets	496.2	578.0	689.0	649.4	738.1
Net PP&E	63.9	66.5	77.4	77.9	77.9
Intangible assets	226.9	249.3	417.0	401.0	391.0
Other non-current assets	42.1	46.7	56.0	54.3	58.5
Total Assets	921.7	1,058.4	1,347.5	1,336.8	1,457.5
Short-term debt	61.2	14.7	17.1	17.1	17.1
Other current liabs	444.6	507.4	627.1	594.5	675.6
Long-term debt	165.2	266.8	310.7	310.7	310.7
Other non-current liabs	51.5	49.6	59.6	57.6	62.5
Minority interest	11.5	12.3	12.5	13.1	15.9
Total equity	187.7	207.6	320.4	343.9	375.6
Total liabs & equity	921.7	1,058.4	1,347.5	1,336.8	1,457.5
Net debt	133.8	163.6	219.6	173.6	135.8
ROIC (%)	33.7	30.2	24.7	15.8	17.2
Net gearing (%)	71.3	78.8	68.5	50.5	36.2
Working capital as % of sales	3.4	4.1	3.6	2.8	3.0
Inventory period days		0.2	0.2	0.2	0.2
Trade debtor days		105.2	119.5	117.4	115.4
Trade creditor days		26.5	30.5	30.8	30.4
Cash cycle		78.9	89.2	86.8	85.2



# ArcelorMittal

## Pricing in too much recovery too early?

### Key message

We acknowledge that ArcelorMittal is doing the right things, its balance sheet is normally no issue anymore, and we have past the trough, but we believe that its current valuation has gone somewhat too far ahead of the potential recovery. Although so far the steel market has shown fairly strong discipline, we still fear that the current price recovery could be hurt by a too soon re-opening of idled capacity (perhaps not by AM, but what about its competitors?). We also wonder what will drive the recovery in end demand in the Western world in 2010. We fear that automotive may face a hangover from the end of stimulus plans while construction is usually late-cyclical (combined some 50%). Even when the visibility on the anticipated recovery is not really high, the 2010 EV/EBITDA multiple is already at 7.5x and P/E ratio of 15x. We therefore believe that investors are pricing in a possible recovery too early and too much.

	2008	2009E	2010E	2011E
Sales (USD m)	124,936	68,714	84,862	94,197
EPS Recurring	6.78	-0.73	2.46	3.83
P/E Recurring	5.6	N/A	15.4	9.9
P/FCFPS	3.4	6.2	12.3	11.0
EV/ EBITDA	4.7	12.8	7.5	5.9
Dividend Yield (%)	4.0	2.0	2.0	2.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The 09Q2 EBITDA of USD 1.2bn, was a touch below our estimated USD 1.3bn (=also consensus) and at the low end of the guidance range (USD 1.2-1.5bn). Although the qualitative statements on the outlook were hopeful (e.g. initial signs of recovery, gradual improvement), the quantitative guidance on 09Q3 EBITDA was quite meagre: USD 1.4-1.8bn, while consensus at that time stood at USD 1.9-2.0bn.
- In April, AM still raised some USD 3bn of new equity and in June it renegotiated its covenants (from 3.5x to 4.5x end 2009), but at the investor day of 16 September AM indicated that further deleveraging is no longer top priority. It will use its FCF for renewed growth capex (e.g. the multi-billion projects in India, mining) and even acquisitions (for which it may also use new equity). The new financial frameworks limits AM to raise net debt above 0.5x its market cap.
- At the September investor day, AM also indicated that the destocking phase has ended and AM's is currently restarting several blast furnaces which will push up its utilisation rate more than 10% in the coming weeks (moving towards 70%). The company is especially bullish on the outlook for emerging markets.

### Valuation

Even while the visibility on the anticipated recovery is not really high, the 2010 EV/EBITDA multiple is already at 7.5x and P/E ratio of 15x. Also looking at the price-to-book ratio this is already at 1.2x, while it normally is around 0.75x during the trough, 1.25x on average and close to 2x in a peak. We therefore believe that investors are pricing in a possible recovery too early and too much.

### Rating **Reduce** ==

<b>Price target:</b>	<b>EUR 23.0</b> ==
<b>Price 29 Sep 2009:</b>	<b>EUR 26.0</b>
<b>Up-/downside:</b>	<b>-11.5%</b>

### Metals & Mining

#### Market capitalisation:

EUR 40,560 m

#### Avg (12 month) daily volume:

9,548,642

#### Free float

59%

#### Reuters

ISPA.AS

#### Bloomberg code

MT NA

### Share Price Performance %

	-1m	-3m	-12m
ArcelorMittal	+1	+11	-26
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	28 Oct 2009
Ex Dividend	20 Nov 2009

### Major shareholders

	%
L.Mittal	40.8

### Listed Peers

	Ticker
Nippon Steel	5401 JP
Thyssen Krupp	RST GR
US Steel	X US

### Analysts

#### Frank Claassen

+31 (0) 20 460 4868

#### Ralf Jacobs

+31 (0) 20 460 4839

### Rabo Securities Amsterdam

Equity Sales +31 20 460 4707

Equity Sales Trading +31 20 460 4723

www.rabosecurities.com

### Outlook

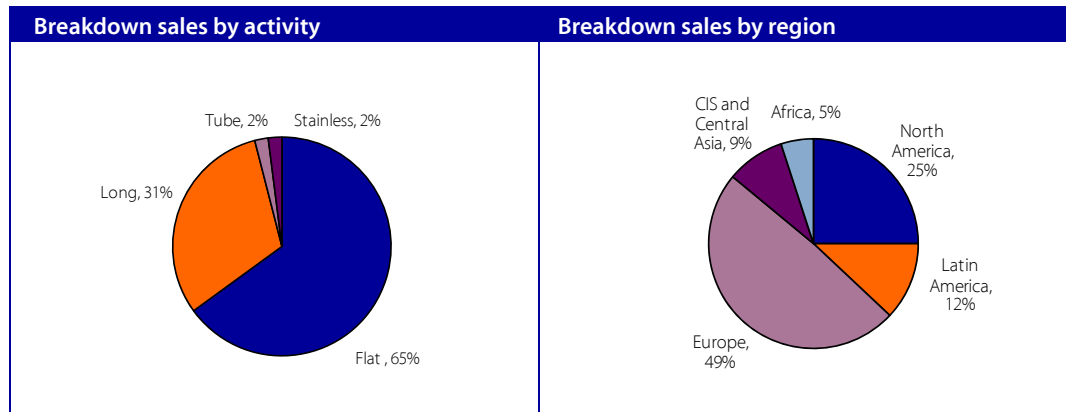
AM always gives an EBITDA guidance for the upcoming quarter, which has to increase from USD 1.2bn in 09Q2 to USD 1.4-1.8bn in 09Q3 (we are at USD 1.7bn). AM is still quite cautious on the outlook for the developed world ('slow recovery'), but bullish on emerging markets. After a double digit technical volume recovery in 2010, it expects that global steel demand will again return to its former growth path of 3-5% per year. AM indicated that a 'normalised' EBITDA per tonne should be around USD 150 (was USD 72 in 09Q2). With an annual volume of 100-110mT (for 2009 only around 70 mT), we then arrive at a normalised FY EBITDA of USD 15-16bn. We indeed believe that this number is achievable in 2012, but consensus anticipates that we will already be back to this level in 2011.

### Company profile

ArcelorMittal is the world's number one steel company, with a production capacity of around 100-110 mT of steel, almost 10% of the global market. It has led the consolidation of the global steel industry and now has a well-spread geographical exposure both in mature as well as emerging markets (45% of total). The company holds sizeable captive supplies of raw materials and operates extensive distribution networks.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ By far leading global player in steel</li> <li>▪ Vertically integrated, e.g. own iron ore mines</li> <li>▪ Well-spread geographical profile</li> <li>▪ Relative cost price advantage</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sizeable debt position</li> <li>▪ Lack of exposure to China, Russia</li> <li>▪ Small position in pipes and tubes</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Production cuts leading to price improvements</li> <li>▪ New growth capex (e.g. India) and acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Too soon opening of idled capacity</li> <li>▪ Chinese steel exports</li> <li>▪ Sustained weakness in demand (automotive, construction)</li> </ul>



Income Statement ( USD mln)					
	2007	2008	2009E	2010E	2011E
Revenues	105,216	124,936	68,715	84,863	94,198
Cost of sales	0	0	0	0	0
Gross profit	105,216	124,936	68,715	84,863	94,198
Operating costs	-8,5816	-100,458	-62,599	-73,915	-80,633
Extraordinaries	X	X	0	0	0
EBITDA	19,400	24,478	6,116	10,947	13,564
Depreciation & Amortisation	4,570	6,100	4,733	4,845	4,953
EBITA	14,830	18,378	1,383	6,103	8,611
Amortisation	0	0	0	0	0
EBIT	14,830	18,378	1,383	6,103	8,611
Net financial result	-927	-2,175	-2,453	-1,674	-1,550
Other pre-tax items	985	1,653	-70	250	300
EBT	14,888	17,856	-1,141	4,679	7,361
Income taxes	-3,038	-1,098	2,282	-632	-1,067
Minority interests	-1,482	-1,040	180	-324	-503
Other post-tax items/participation	0	0	0	0	0
Extraordinaries	0	0	0	0	0
Net income	10,368	15,718	1,321	3,723	5,790
Adjustments, total	0	-6,319	-2,425	0	0
Net income recurring	10,368	9,399	-1,104	3,723	5,790
PER SHARE ITEMS					
Shares outstanding avg. (mln)	1,399	1,383	1,508	1,508	1,508
Shares outstanding fully diluted (mln)	1,401	1,383	1,508	1,508	1,508
EPS reported	7.40	6.78	-0.73	2.46	3.83
EPS recurring	7.40	6.78	-0.73	2.46	3.83
CPS	7.40	6.78	-0.73	2.46	3.83
DPS	1.50	1.50	0.75	0.75	0.75
Fiscal year ends 12/2009					
% GROWTH					
Revenues		18.7	-45.0	23.5	11.0
EBITA		23.9	-92.5	341.4	41.1
Net income recurring		-9.3	N/M	N/M	55.5
% MARGINS					
Gross margin		100.0	100.0	100.0	100.0
EBITA margin		14.7	2.0	7.2	9.1
Net recurring margin		7.5	-1.6	4.4	6.1
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	100,281	115,246	77,848	82,094	79,753.2
P/E recurring (x)	4.4	5.6	N/A	15.3	9.8
P/Sales (x)	0.4	0.4	0.8	0.7	0.6
P/FCF (x)	4.2	5.2	9.0	18.5	16.4
P/CF (x)	4.4	5.6	N/A	15.3	9.8
P/B (x)	0.8	0.9	1.0	1.0	0.9
Dividend yield (%)	4.6	4.0	2.0	2.0	2.0
EV/EBITDA (x)	5.2	4.7	12.7	7.5	5.9
EV/Sales (x)	1.0	0.9	1.1	1.0	0.8
EV/FCF (x)	9.3	11.6	12.4	26.8	23.0

Cash Flow Statement ( USD mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	10,368	9,399	-1,104	3,723	5,790
Depreciation & Amortisation	4,570	6,100	4,733	4,845	4,953
Working Capital Change	68	-920	5,887	-1,849	-1,619
Other Items	1,279	837	-134	543	182
Cash Flow from Operations	16,285	15,416	9,382	7,262	9,307
Net Capital Expenditure	-5,448	-5,448	-3,092	-4,073	-5,746
Goodwill from Acquisitions	-6,256	-6,256	-250	0	0
Other Investments	30	30	-2,166	-125	-89
Cash Flow from Investments	-11,674	-11,674	-5,509	-4,199	-5,835
Ordinary Dividends	-2,092	-2,092	-1,134	-1,131	-1,131
Preferred Dividend	0	0	0	0	0
Change in Preferred Stock	0	0	0	0	0
Change in Equity	-179	-179	3,153	0	0
Change in Subordinated Debt	0	0	0	0	0
Change in Bank Debt	5,449	5,449	-7,076	-2,000	-2,000
Change in Minorities	0	0	-20	-524	-503
Cash Flow from Financing	3,178	3,178	-5,077	-3,655	-3,634
Change in Cash	7,789	6,920	-1,204	-591	-163
Free Cash Flow	10,837	9,968	6,290	3,064	3,472
Free Cash Flow Yield (%)	24.0	19.1	11.1	5.4	6.1

Balance Sheet ( USD mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	8,105	7,587	6,003	5,536	5,877
Other current assets	3,7405	3,6827	26,730	3,1230	33,911
Net PP&E	61,994	60,755	59,114	58,343	59,136
Intangible assets	15,031	16,119	16,369	16,369	16,369
Other non-current assets	11,113	11,800	13,966	14,092	14,181
Total Assets	133,648	133,088	122,183	125,569	129,473
Short-term debt	8,542	8,409	6,000	5,000	5,000
Other current liabs	23,849	22,351	18,141	20,791	21,854
Long-term debt	22,085	25,667	21,000	20,000	18,000
Other non-current liabs	17,796	17,431	17,097	17,440	17,623
Minority interest	4,850	4,032	3,832	3,632	3,632
Total equity	56,526	55,198	56,113	58,705	63,364
Total liabs & equity	133,648	133,088	122,183	125,569	129,473
Net debt	22,522	26,489	20,997	19,464	17,123
ROIC (%)	16.2	18.8	-0.3	6.6	9.0
Net gearing (%)	39.8	48.0	37.4	33.2	27.0
Working capital as % of sales	12.9	11.6	12.5	12.3	12.8
Inventory period days		67.9	107.7	73.8	75.1
Trade debtor days		24.0	34.9	30.2	30.3
Trade creditor days		3.60	49.8	37.8	38.2
Cash cycle		55.9	92.8	66.1	67.2

# Arseus

## Showing healthcare resilience

### Key message

We believe Arseus is well positioned to become a leading pan-European distributor of products and services to the growing healthcare industry. All 4 divisions operate in very fragmented markets and have a still negligible market share, leaving ample room for both organic and acquisitive growth. Good examples of solid execution are the 09H1 organic growth of 4% and the acquisition of Julie-Owandy. This combination of organic and acquisitive growth and good execution in non-regulated parts of the growing healthcare market in our view deserves a higher valuation.

	2008	2009E	2010E	2011E
Sales (EUR m)	354	383	402	422
EPS Recurring	0.68	0.79	0.83	0.90
P/E Recurring	11.4	9.8	9.3	8.6
P/FCFPS	70.3	40.7	12.1	10.9
EV/ EBITDA	8.3	7.6	7.0	6.4
Dividend Yield (%)	3.9	4.1	4.5	4.9

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Arseus' Q2 sales and H1 full results were both better than expected, delivering on its promise that its business model is resilient in this turbulent economy. Q2 sales of EUR 100.0m easily beat our EUR 95.9m forecast. Organic growth of 6.9% vs our 2.5% estimate is the main driver and showed a solid improvement from 1.5% in Q1, with all 4 divisions contributing to that. The 09H1 full results were largely in line with our estimates. REBITDA growth of 12.1% slightly outpaced revenue growth of 11.6%, in line with FY09 guidance.
- Arseus is still very much in buy-and-build mode. In terms of acquisitions, the company acquired Julie-Owandy (Dental), Tamda and Unichem (Fagron) during 2008 and, more recently, Duo-Med (Medical) in 2009. In terms of organic growth, Arseus started greenfield operations in the division Fagron in the UK, France and Poland and is actively acquiring new distribution agreements in the division Medical. Arseus also reinforced the management team of many divisions over the last year.

### Valuation

We believe Arseus can benefit from attractive organic growth in the non-regulated parts of the European healthcare market. Given the solid execution through good organic growth and logical acquisitions, we believe Arseus' P/E 2009 multiple of c. 10x is cheap. Our price target of EUR 9.5 is based on our DCF, using 5% organic growth till 2011 and 3% thereafter, with a long term EBITDA margin of 11% (from 12.1% in 2009).

### Rating

**Buy**

**Price target:** EUR 9.5   
**Price 29 Sep 2009:** EUR 7.7  
**Up-/downside:** +22.9%

### Health Care Equipment & Supplies

#### Market capitalisation:

EUR 241 m

#### Avg (12 month) daily volume:

36,747

#### Free float

55%

#### Reuters

RCUS.BR

#### Bloomberg code

RCUS BB

### Share Price Performance %

	-1m	-3m	-12m
Arseus	-2	+18	+2
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Trading Update 09Q3 13 Oct 2009

### Major shareholders

	%
Omega Pharma	24.0
Couckinvest	12.4
Fortis	8.8

### Listed Peers

None -

### Analysts

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

**Equity Sales** +31 20 460 4707

**Equity Sales Trading** +31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

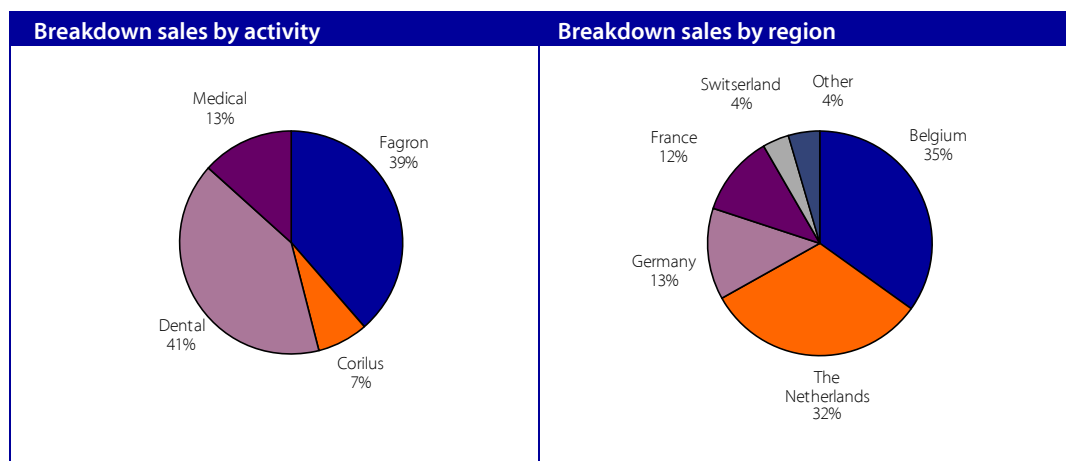
Arseus has a target for 2009 of total revenue growth of 5-10%, of which 3-6% organically, with an increase in the EBITDA margin. We believe this is achievable. Longer term, Arseus wants to achieve revenues of EUR 500m by 2011, but this includes acquisitions. We believe Arseus can achieve a mid-single digit organic revenue growth, driven by an ageing population and share gains in huge, but very fragmented markets. Besides, Arseus operates in non-regulated parts of healthcare. Through this steady growth, we believe Arseus can withstand margin pressure coming from insurers and healthcare clients seeking purchasing combinations; we estimate largely flat EBITDA margins for Arseus.

### Company profile

Arseus is a European provider of products and services to the healthcare industry, like hospitals, nursing homes, pharmacies, dentists and veterinaries, structured around 4 divisions. These divisions are regionally integrated on physical locations, the back-office and sometimes purchasing. Front-office functions like sales and marketing are separate. Arseus had annual sales of EUR 355m in 2008 and is active across Europe.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Active in the growing, but very fragmented European healthcare markets</li> <li>▪ Arseus is one of the few international B2B healthcare distributors</li> <li>▪ Strong foothold in home market Belgium</li> <li>▪ No regulatory problems / government intervention</li> </ul>	<ul style="list-style-type: none"> <li>▪ Division Corilus and Medical are vulnerable, due to very small scale and limited geographical spread</li> <li>▪ Somewhat weak historical track record (in 2005-2006), although due to restructurings</li> <li>▪ Division Medical is struggling to grow organically</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Organic and acquisitive growth in a growing, very fragmented market</li> <li>▪ Small acquisitions (often family owned) are often low-priced</li> <li>▪ Expanding the product range and becoming the one-stop-shop for customers</li> <li>▪ Increasing scale offers margin upside by leveraging the fixed distribution costs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pricing pressure from consolidation in healthcare market</li> <li>▪ Overpaying for acquisitions</li> <li>▪ Integration of acquisitions may fail</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	304.5	354.6	383.5	402.7	422.8
Cost of sales	-161.3	-18.90	-203.6	-213.0	-222.8
Gross profit	143.2	165.6	179.9	189.7	200.0
Operating costs	#VALUE!	-123.0	-135.4	-141.2	-148.1
EBITDA	38.1	42.6	44.6	48.5	52.0
Depreciation	-9.2	-9.3	-9.7	-11.0	-12.1
EBITA	28.8	33.4	34.9	37.5	39.9
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	28.8	33.4	34.9	37.5	39.9
Net financial result	-7.0	-12.0	-7.5	-6.7	-6.6
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	21.8	21.3	27.4	30.8	33.3
Income taxes	-3.2	-3.1	-4.0	-5.6	-6.2
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	-2.4	-3.3	-2.8	0.0	0.0
Net income	16.3	14.9	20.6	25.2	27.1
Adjustments, total	2.0	6.0	3.3	0.0	0.0
Net income recurring	18.3	20.9	23.9	25.2	27.1
PERSHARE ITEMS					
Shares outstanding avg. (mln)	26.5	30.7	30.3	30.2	30.2
Shares outstanding fully diluted (mln)	26.5	30.7	30.2	30.2	30.2
EPS reported	0.61	0.49	0.68	0.83	0.90
EPS recurring	0.69	0.68	0.79	0.83	0.90
CPS	0.72	0.84	0.69	1.11	1.20
DPS	0.06	0.30	0.32	0.35	0.38
Fiscal year ends 12/2009					
% GROWTH					
Revenues		16.5	8.2	5.0	5.0
EBITA		15.7	4.5	7.5	6.4
Net income recurring		14.6	14.3	5.4	7.5
% MARGINS					
Gross margin		46.7	46.9	47.1	47.3
EBITA margin		9.4	9.1	9.3	9.4
Net recurring margin		5.9	6.2	6.3	6.4

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	300.1	355.0	353.0	343.2	333.0
P/E recurring (x)	11.2	11.4	9.8	9.3	8.6
P/Sales (x)	0.7	0.7	0.6	0.6	0.6
P/FCF (x)	41.0	71.9	41.8	12.0	10.8
P/CF (x)	10.7	9.2	11.2	7.0	6.4
P/B (x)	1.1	1.3	1.2	1.1	1.0
Dividend yield (%)	0.8	3.9	4.1	4.5	4.9
EV/EBITDA (x)	7.9	8.3	7.9	7.1	6.4
EV/Sales (x)	1.0	1.0	0.9	0.9	0.8
EV/FCF (x)	60.0	107.6	63.0	17.6	15.4

<b>Cash Flow Statement (EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	16.3	14.9	20.6	25.2	27.1
Depreciation & Amortisation	9.2	9.3	9.7	11.0	12.1
Working Capital Change	-7.1	-1.9	-9.5	-2.8	-2.9
Other Items	0.7	3.6	0.2	0.1	0.1
Cash Flow from Operations	19.0	25.9	21.0	33.6	36.4
Net Capital Expenditure	-14.0	-22.5	-15.3	-14.1	-14.8
Goodwill from Acquisitions	-10.0	-45.5	-10.0	0.0	0.0
Other Investments	-3.6	-4.1	0.0	0.0	0.0
Cash Flow from Investments	-27.6	-72.1	-25.3	-14.1	-14.8
Ordinary Dividends	-1.9	-9.1	-9.8	-10.6	-11.4
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	63.5	-8.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-27.4	44.5	0.0	0.0	0.0
Change in Minorities	0.0	2.0	0.0	0.0	0.0
Cash Flow from Financing	34.3	29.4	-9.8	-10.6	-11.4
Change in Cash	25.7	-16.8	-14.2	8.9	10.2
Free Cash Flow	5.0	3.3	5.6	19.5	21.6
Free Cash Flow Yield (%)	2.4	1.4	2.4	8.4	9.3

<b>Balance Sheet (EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	27.8	18.5	4.3	13.2	23.4
Other current assets	128.3	145.0	156.8	164.7	172.9
Net PP&E	21.2	34.5	40.1	43.3	46.0
Intangible assets	155.7	201.1	211.1	211.1	211.1
Other non-current assets	14.5	18.6	18.6	18.6	18.6
Total Assets	347.5	417.7	431.0	450.8	472.0
Short-term debt	72.9	2.0	2.0	2.0	2.0
Other current liabs	84.2	98.9	101.3	106.3	111.6
Long-term debt	5.4	120.9	120.9	120.9	120.9
Other non-current liabs	6.7	10.4	10.6	10.7	10.8
Minority interest	0.0	2.0	2.0	2.0	2.0
Total equity	178.2	183.5	194.3	208.9	224.7
Total liabs & equity	347.5	417.7	431.0	450.8	472.0
Net debt	50.6	104.4	118.6	109.7	99.5
ROIC (%)	12.5	12.2	10.6	10.1	10.5
Net gearing (%)	28.4	56.9	61.0	52.5	44.3
Working capital as % of sales	23.6	13.0	14.5	14.5	14.5
Inventory period days		61.4	62.2	63.1	63.1
Trade debtor days		63.4	65.4	66.3	66.3
Trade creditor days		62.6	61.3	59.6	59.6
Cash cycle		62.2	66.3	69.8	69.8



# ASM International

## A split personality

### Key message

The value proposition at ASMI remains attractive. Given ASM PT's stock market value, the Front-End (FE) activities are still valued at a negative c. EUR 250m (EUR 5 per share). However, because we believe the company is making a serious effort in improving the performance of the FE business, which should ultimately lead to a positive EBITA, we are believers in the ability of FE to trade at a positive value. The firm stand-alone valuation of ASM PT and the lengthy restructuring and significant negative cash flows at Front-End keep us at Hold though.

	2008	2009E	2010E	2011E
Sales (EUR m)	747	531	677	775
EPS Recurring	0.21	-0.67	0.42	0.92
P/E Recurring	58.5	N/A	29.2	13.3
P/FCFPS	10.3		16.4	6.4
EV/ EBITDA	6.7	N/A	6.1	3.9
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- During 2008, activist shareholders Hermes/Fursa announced a plan to improve the lagging profitability of ASMI's FE business, calling for the dismissal of CEO Chuck del Prado. In reaction, ASMI issued preference shares and presented its own plan: Roadmap to Peer Profitability. In June 08, Applied Materials announced it is willing to buy (parts of) ASMI's FE business, later teaming with Francisco Partners, for a total of EUR 625-800m, but withdrew that offer in Nov 08. Hermes/Fursa continued their stride and the Enterprise Chamber has now ordered an inquiry in respect of the affairs of ASMI.
- ASMI is aggressively moving forward with its Front End restructuring, shifting from 3 to 1 production facilities, from 20 to 5 product platforms and from 49 to <30 offices/locations. This will reduce the break-even level from EUR 90m per quarter to EUR 55m by 10Q4.
- In 09Q2, the recovery at ASM PT was incredibly strong, with sales increasing 123% QoQ. After only one quarterly loss in 09Q1, ASM PT immediately returned to profitability with an impressive EBITA margin of 18%. Front-End (FE) showed a totally different picture, with sales dropping another 40% from an already weak Q1, book-to-bill still only at 0.8x and a significant underlying EBITA loss of EUR 22m.

### Valuation

ASMI's consolidated multiples are inflated by the operating losses of the Front-End operations. The 53% holding in separately listed ASM PT is worth about EUR 19 per share ASMI, implying a negative value of c. EUR 5 for the Front End. In our view, the major restructuring efforts of ASMI and the ongoing recovery in the semiconductor industry will produce a positive operating income for Front End, and hence a positive value.

### Rating

**Hold**

**Price target:** EUR 13.0   
**Price 29 Sep 2009:** EUR 12.3  
**Up-/downside:** +5.9%

### Semiconductor Equipment & Products

#### Market capitalisation:

EUR 667 m

#### Avg (12 month) daily volume:

199,415

#### Free float

66%

#### Reuters

ASMIAS

#### Bloomberg code

ASM NA

### Share Price Performance %

	-1m	-3m	-12m
ASM International	-8	+18	-3
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3 03 Nov 2009

### Major shareholders

	%
A.H. del Prado	22.3
Hermes Focus Asset Management Europe	7.1
Fursa Alternative Strategies LLC	4.2

### Listed Peers

	Ticker
Besi	BESI NA
Applied Materials	AMAT US
Kulicke & Soffa	KLIC US
Novellus Systems	NLVS US
LAM Research	LRCX US

### Analysts

#### Philip Scholte

+31 (0) 20 460 4823

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

**Equity Sales** +31 20 460 4707

**Equity Sales Trading** +31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

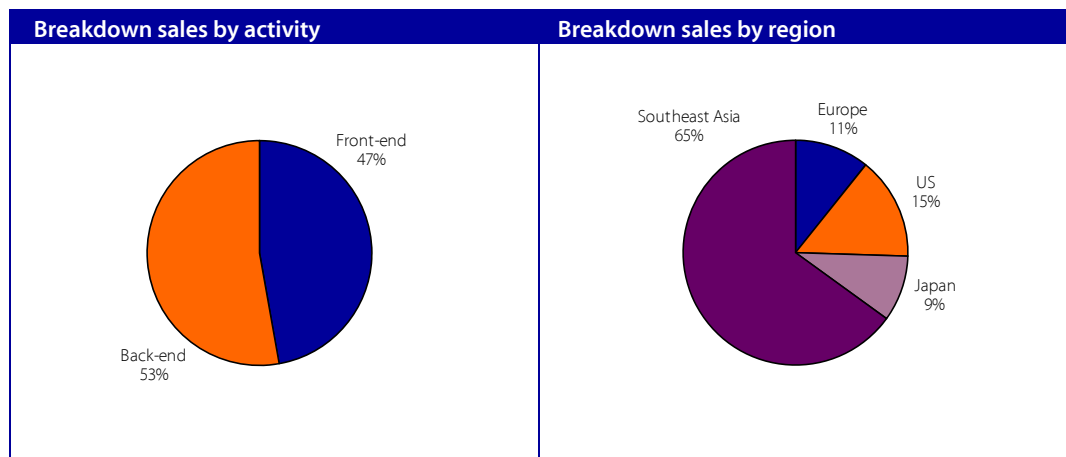
The strength and speed of the recovery in the semiconductor market continues to surprise and we expect ASM PT to benefit from that strongly, certainly as the majority of its sales are in the Asia-Pacific region. Although the recovery in Front End has not materialised yet in 09Q2 due to a relatively low exposure to memory, which is currently the main driver of the recovery, we believe the logic market will pick up as well in the coming quarters. Due to the current high operating losses and restructuring payments, Front End in our view needs additional liquidity, but the holding in ASM PT allows for a new credit facility.

### Company profile

ASMI operates in the semiconductor industry and its profile is unique as it manufactures equipment for both the packaging of chips through its 53.6% subsidiary ASMPT (back-end) and assembles equipment for the front-end of the industry. As all of ASMPT 's manufacturing sites are located in Asia, it has the lowest and most flexible cost-base in the industry. ASMI's front-end activities include vertical furnaces, epitaxy, and PECVD and new technologies such as low-k, ALD, PEALD, silicon germanium, strained silicon and nano-carbon polymer layers.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong Back-End operations through ASMPT</li> <li>▪ Strong ALD position in market for transistors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Front-End's profitability has clearly lagged peers in last years</li> <li>▪ Front-End lacks traction at large memory producers Samsung and Elpida</li> <li>▪ Vulnerable to semiconductor cycle</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Strengthening Yen vs Euro enhances position compared to Tokyo Electron</li> <li>▪ Structurally improving the EBIT margins for the Front-End division</li> </ul>	<ul style="list-style-type: none"> <li>▪ Internal turmoil and major restructuring may prevent ASMI from fully benefiting from an industry upturn</li> <li>▪ Front End requires additional liquidity due to operating losses and restructuring payments</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	955.4	747.4	531.4	677.3	775.7
Cost of sales	-594.3	-477.2	-381.0	-402.4	-447.2
Gross profit	361.1	270.2	150.3	274.9	328.5
Operating costs	-179.8	-168.4	-192.4	-150.5	-149.9
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	181.2	101.8	-42.1	124.3	178.7
Depreciation	-33.3	-34.7	-35.7	-36.8	-38.4
EBITA	148.0	67.1	-77.8	87.5	140.2
Amortisation	-5.0	0.0	0.0	0.0	0.0
EBIT	143.0	67.1	-77.8	87.5	140.2
Net financial result	-4.8	-3.0	-13.6	-8.5	-8.5
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	138.2	64.1	-91.4	79.0	131.8
Income taxes	-19.2	-12.1	-4.5	-13.9	-16.1
Minority interests	-55.3	-38.4	-27.8	-47.8	-55.5
Other post-tax items/participation	3.0	0.0	0.0	0.0	0.0
Extraordinaries	-10.0	8.0	0.0	0.0	0.0
Net income	56.6	21.6	-123.8	17.3	60.1
Adjustments, total	15.0	-8.0	80.1	10.0	0.0
Net income recurring	71.6	13.6	-43.7	27.3	60.1
PERSHARE ITEMS					
Shares outstanding avg. (mln)	54.0	52.8	51.6	51.6	51.6
Shares outstanding fully diluted (mln)	65.4	65.4	65.4	65.4	65.4
EPS reported	1.13	0.40	-2.40	0.33	1.17
EPS recurring	1.10	0.21	-0.67	0.42	0.92
CPS	2.16	2.18	-0.64	1.54	3.10
DPS	0.10	0.00	0.00	0.00	0.00
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-21.8	-28.9	27.5	14.5
EBITA		-54.7	N/M	N/M	60.3
Net income recurring		-81.0	N/M	N/M	120.4
% MARGINS					
Gross margin		36.2	28.3	40.6	42.4
EBITA margin		9.0	-14.6	12.9	18.1
Net recurring margin		1.8	-8.2	4.0	7.7

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	1,008.8	706.1	758.5	762.5	698.5
P/E recurring (x)	11.2	58.5	N/A	29.2	13.3
P/Sales (x)	0.9	1.2	1.8	1.4	1.2
P/FCF (x)	7.8	8.1	N/A	12.9	5.1
P/CF (x)	5.7	5.6	N/A	8.0	4.0
P/B (x)	2.1	2.0	4.6	4.2	3.1
Dividend yield (%)	0.8	0.0	0.0	0.0	0.0
EV/EBITDA (x)	9.0	13.6	-305.9	10.8	6.7
EV/Sales (x)	1.4	1.3	2.1	1.7	1.3
EV/FCF (x)	11.9	8.8	N/A	15.5	5.6

<b>Cash Flow Statement (EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	61.0	21.4	-123.8	17.3	60.1
Depreciation & Amortisation	38.3	34.7	35.7	36.8	38.4
Working Capital Change	-42.0	18.0	33.8	-22.3	5.8
Other Items	59.3	40.8	21.4	47.8	55.5
Cash Flow from Operations	116.6	114.9	-32.9	79.6	159.8
Net Capital Expenditure	-31.6	-34.6	-23.9	-30.5	-34.9
Goodwill from Acquisitions	0.0	1.6	0.0	0.0	0.0
Other Investments	2.4	-4.0	7.9	0.0	0.0
Cash Flow from Investments	-29.2	-37.1	-16.0	-30.5	-34.9
Ordinary Dividends	-5.4	-5.4	-5.4	-5.4	-5.4
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-16.8	-119.6	0.0	0.0	0.0
Change in Subordinated Debt	-43.2	-32.2	-30.0	-30.0	0.0
Change in Bank Debt	1.7	-1.1	12.2	37.0	-49.2
Change in Minorities	-49.6	-33.9	-23.0	-47.8	-55.5
Cash Flow from Financing	-113.3	-192.1	-46.2	-46.2	-110.0
Change in Cash	-26.0	-114.3	-95.1	2.9	14.9
Free Cash Flow	85.0	80.2	-56.8	49.1	124.9
Free Cash Flow Yield (%)	12.8	12.4	N/M	7.7	19.7

<b>Balance Sheet (EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	167.9	157.3	10.7	13.6	28.5
Other current assets	465.6	402.4	318.8	379.3	403.4
Net PP&E	149.6	149.6	137.8	131.4	127.9
Intangible assets	49.6	48.0	48.0	48.0	48.0
Other non-current assets	7.5	11.6	3.6	3.6	3.6
Total Assets	840.3	768.8	518.9	575.9	611.4
Short-term debt	32.1	23.6	23.6	23.6	23.6
Other current liabs	209.2	164.0	114.2	152.4	182.3
Long-term debt	154.8	130.1	112.2	119.2	70.1
Other non-current liabs	4.6	7.0	0.5	0.5	0.5
Minority interest	120.6	125.1	130.0	130.0	130.0
Total equity	318.9	317.9	138.2	150.2	204.9
Total liabs & equity	840.3	767.8	518.9	575.9	611.4
Net debt	19.0	-3.6	125.2	129.3	65.2
ROIC (%)	26.8	10.1	-16.1	15.4	25.1
Net gearing (%)	6.0	-1.1	90.6	86.1	31.8
Working capital as % of sales	28.4	33.9	40.5	35.5	30.5
Inventory period days		98.5	120.8	90.8	88.6
Trade debtor days		98.1	106.7	81.0	78.4
Trade creditor days		41.2	44.0	37.6	42.8
Cash cycle		155.4	183.5	134.2	124.2

# ASML

## Momentum vs valuation

### Key message

The surprisingly strong recovery in the global semiconductor market since 09Q1 has strongly improved bookings momentum at ASML. This recently led to an upgrade in sales guidance for Q3 and Q4, with an even stronger bookings figure. This momentum may continue for a while and may offer more upside in the shares, but we still see a risk that a muted recovery in end demand will prevent a full comeback of capacity buys in H2 2010, implying that new peak sales are still some years away. Although we fully acknowledge the company's technological lead, strong cash flow and strong balance sheet, we believe valuation is full. Hold.

	2008	2009E	2010E	2011E
Sales (EUR m)	2,953	1,577	2,863	3,488
EPS Recurring	0.83	-0.38	0.73	1.15
P/E Recurring	24.2	N/A	27.5	17.5
P/FCFPS	118.2		60.9	17.8
EV/ EBITDA	15.4	N/A	15.1	9.4
Dividend Yield (%)	1.0	1.0	1.0	1.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The recession had a dramatic impact on the semiconductor equipment industry since 08Q4, coming to a complete standstill early 2009. ASML booked only 8 systems in 09Q1 and shipped only 10 in 09Q2.
- Since then, the industry recovered due to restocking demand and semi companies successful refinancing. In September 09, this led ASML to raise its sales guidance for Q3 and Q4 from the previous 'a minimum quarterly sales of between EUR 400m and EUR 500m for the next quarters' to 'net sales of above EUR 500m', with Q3 bookings significantly above that level.
- ASML used the dip to reduce its cost base, bringing its break-even sales level down to EUR 450m, through production platform integration and simplification and further discretionary cost savings. This is likely to lead to higher peak margins in the next upturn.
- In October 08, ASML announced its new TWINSCAN NXT platform and we believe this tool is crucial in winning market share in the future. The machine is faster (>200wph) and double patterning enables lithography up to the 22nm node as well as an overlay of just 2nm. In addition, the wafer stage is no longer air based, but uses magnetic fields, making the stage suitable for the upcoming EUV platform as well.

### Valuation

We believe the widely expected full recovery of sales is already priced in. We estimate ASML's next peak sales of EUR 5.2bn (previous peak: EUR 3.8bn), leading to EPS of EUR 2.30 (EUR 1.56). We see a risk that this new peak will not occur before 2013, and therefore we believe valuation is full. Our DCF also points to a fair value of EUR 19.

### Rating

**Hold**

**Price target:**

**EUR 19.0**

**Price 29 Sep 2009:**

**EUR 20.1**

**Up-/downside:**

**-5.5%**

### Semiconductor Equipment & Products

#### Market capitalisation:

EUR 8,669 m

#### Avg (12 month) daily volume:

2,886,377

#### Free float

74%

#### Reuters

ASMLAS

#### Bloomberg code

ASML NA

### Share Price Performance %

	-1m	-3m	-12m
ASML	+3	+30	+62
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	14 Oct 2009
Results 09FY	20 Jan 2010
AGM	24 Mar 2010

### Major shareholders

	%
FMR Corp.	5.0
Barclays Global Investors	4.9
ASML	4.9
Magellan Fund	4.8
UBS AG	3.7

### Listed Peers

	Ticker
Applied Materials	AMAT US
Novellus Systems	NLVS US
LAM Research	LRCX US
KLA Tencor	KLAC US
Tokyo Electron	8035 JP

### Analysts

#### Philip Scholte

+31 (0) 20 460 4823

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

**Outlook**

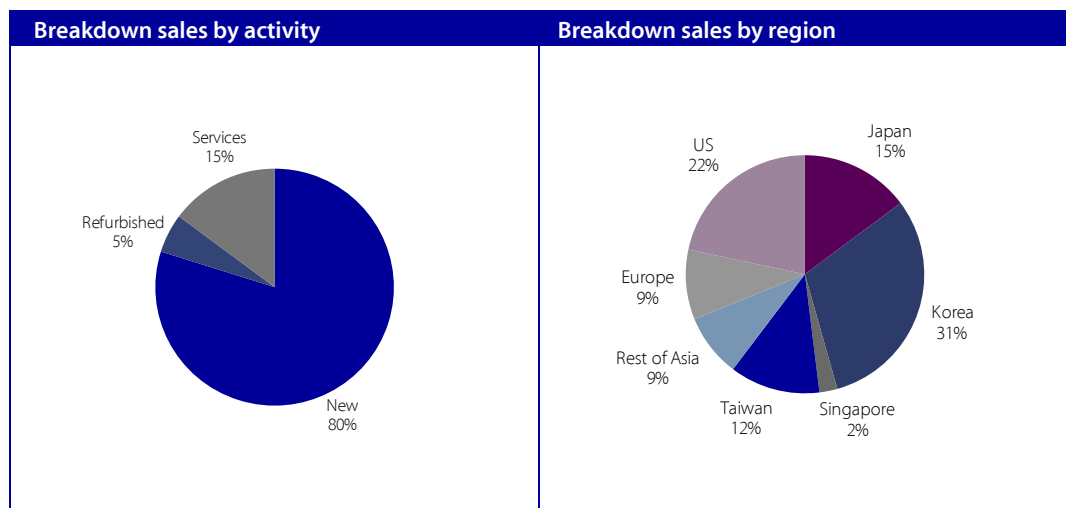
ASML recently raised its sales guidance for Q3 and Q4 from the previous ‘a minimum quarterly sales of between EUR 400m and EUR 500m for the next quarters’ to ‘net sales of above EUR 500m’. Indications of a higher bookings number in Q3 and based on the industry-wide recovery, we expect this momentum to continue short term. The technology shift ('shrink') is driving growth in ASML's high end, high priced immersion and NXT machines. Mid-term, the main question in our view remains whether this acceleration will progress into a full recovery towards quarterly sales of EUR 800-1,000m, but we see a risk that a muted recovery in consumer spending will lead to an investment pause from semiconductor companies from H2 2010. ASML says its next peak sales may exceed EUR 5bn.

**Company profile**

ASML is the world's leading designer, manufacturer and supplier of lithography equipment, used in the production of semiconductors. Its market share is estimated to be 65% in 2007. In leading edge equipment (300mm ArF equipment for immersion lithography) ASML's market share is around 80%. The company's strategy is focussed entirely on lithography, with production, R&D and training sites in the Netherlands, US and Asia.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Technology leadership</li> <li>▪ Market share of c. 80% in immersion lithography</li> <li>▪ Leading R&amp;D programme in next generation lithography (EUV)</li> <li>▪ Strong balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>▪ Vulnerable to economic downturns</li> <li>▪ ASML is a one-product company</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ New platforms will push ASML's ASP in the future</li> <li>▪ TWINSCAN NXT platform has the ability to push out Nikon from leading edge</li> </ul>	<ul style="list-style-type: none"> <li>▪ EUV as successor of Arf is uncertain</li> <li>▪ The emergence of a new disruptive technology could endanger ASML's market position</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	3,808.7	2,953.7	1,577.9	2,863.4	3,488.4
Cost of sales	-2,248.3	-1,800.2	-1,136.5	-1,718.0	-2,023.3
Gross profit	1,560.3	1,153.5	441.4	1,145.4	1,465.1
Operating costs	-585.5	-747.2	-514.1	-589.5	-614.5
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	974.9	406.3	-72.7	555.9	850.6
Depreciation	-126.3	-119.2	-128.1	-140.7	-152.9
EBITA	848.5	287.1	-200.8	415.2	697.7
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	848.5	287.1	-200.8	415.2	697.7
Net financial result	33.5	22.6	-1.3	-3.8	-2.9
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	882.0	309.7	-202.1	411.4	694.8
Income taxes	-171.0	12.7	37.4	-90.5	-194.5
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	711.0	322.4	-164.7	320.9	500.3
Adjustments, total	15.2	37.3	0.0	0.0	0.0
Net income recurring	726.2	359.7	-164.7	320.9	500.3
PERSHARE ITEMS					
Shares outstanding avg. (mln)	462.4	433.6	431.2	431.2	431.2
Shares outstanding fully diluted (mln)	467.0	434.8	431.2	436.7	436.7
EPS reported	1.49	0.74	-0.38	0.74	1.16
EPS recurring	1.56	0.83	-0.38	0.73	1.15
CPS	1.62	0.82	-0.18	0.70	1.47
DPS	0.25	0.20	0.20	0.20	0.20
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-22.4	-46.6	81.5	21.8
EBITA		-66.2	N/M	N/M	68.0
Net income recurring		-50.5	N/M	N/M	55.9
% MARGINS					
Gross margin		39.1	28.0	40.0	42.0
EBITA margin		9.7	-12.7	14.5	20.0
Net recurring margin		12.2	-10.4	11.2	14.3

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	9,110.3	6,237.2	8,432.6	8,394.8	7,997.2
P/E recurring (x)	12.9	24.2	N/A	27.5	17.5
P/Sales (x)	2.4	3.0	5.5	3.0	2.5
P/FCF (x)	18.1	115.9	N/A	60.6	17.6
P/CF (x)	12.4	24.5	N/A	28.7	13.7
P/B (x)	4.9	4.4	5.0	4.4	3.6
Dividend yield (%)	1.2	1.0	1.0	1.0	1.0
EV/EBITDA (x)	9.3	15.4	N/A	15.1	9.4
EV/Sales (x)	2.4	2.1	5.3	2.9	2.3
EV/FCF (x)	17.8	82.9	N/A	58.7	16.2

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	687.9	322.4	-164.7	320.9	500.3
Depreciation & Amortisation	126.3	119.2	128.1	140.7	152.9
Working Capital Change	-70.5	-86.3	-39.4	-178.7	-15.7
Other Items	5.1	-1.2	-3.0	17.8	-4.9
Cash Flow from Operations	748.8	354.1	-79.0	300.6	632.5
Net Capital Expenditure	-236.4	-278.9	-157.8	-157.5	-139.5
Goodwill from Acquisitions	-171.5	8.3	0.0	0.0	0.0
Other Investments	34.9	-66.3	95.6	-19.3	-9.4
Cash Flow from Investments	-372.9	-337.0	-62.2	-176.8	-148.9
Ordinary Dividends	-116.0	-86.0	-86.0	-86.0	-86.0
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-78.46	-110.8	0.0	0.0	0.0
Change in Subordinated Debt	-380.0	0.0	0.0	0.0	0.0
Change in Bank Debt	549.7	45.1	0.0	0.0	0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-730.9	-151.7	-86.0	-86.0	-86.0
Change in Cash	-355.1	-134.6	-227.2	37.8	397.6
Free Cash Flow	512.4	75.2	-236.8	143.1	493.0
Free Cash Flow Yield (%)	5.5	0.9	N/M	1.7	5.7

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	1,271.6	1,109.2	882.0	919.8	1,317.4
Other current assets	2,053.1	1,864.0	1,609.5	2,118.9	2,197.7
Net PP&E	380.9	540.6	570.3	587.1	573.8
Intangible assets	166.5	158.1	158.1	158.1	158.1
Other non-current assets	201.0	267.4	171.8	191.1	200.5
Total Assets	4,073.1	3,939.4	3,391.7	3,975.1	4,447.5
Short-term debt	0.0	0.0	0.0	0.0	0.0
Other current liabs	1,326.8	1,051.4	757.4	1,088.1	1,151.2
Long-term debt	602.0	647.1	647.1	647.1	647.1
Other non-current liabs	253.4	252.1	249.1	267.0	262.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	1,891.0	1,988.8	1,738.1	1,973.0	2,387.2
Total liabs & equity	4,073.1	3,939.4	3,391.7	3,975.1	4,447.5
Net debt	-669.6	-462.1	-234.9	-272.7	-670.3
ROIC (%)	35.4	11.4	-6.3	15.7	21.1
Net gearing (%)	-35.4	-23.2	-13.5	-13.8	-28.1
Working capital as % of sales	45.3	61.4	86.2	58.0	46.0
Inventory period days		129.8	217.8	127.5	118.6
Trade debtor days		68.4	99.9	61.6	62.8
Trade creditor days		42.3	79.3	45.5	46.2
Cash cycle		156.0	238.4	143.7	135.3



# Ballast Nedam

## Strong finances, poor momentum

### Key message

Building & Development performed poorly in 09H1, while management issued a cautious guidance range for 09FY group operating result. Management is making good progress by moving into niche segments such as offshore wind energy, raw materials, and natural gas, but critical mass in these segments is not yet sufficient to counter a weakening Dutch construction market. We expect earnings momentum to remain poor in coming quarters, but acknowledge the long-term value proposition with a strong balance sheet. Moreover, speculation on a Strukton team-up also adds to Ballast Nedam's appeal.

	2008	2009E	2010E	2011E
Sales (EUR m)	1,426	1,380	1,362	1,408
EPS Published	2.46	1.08	0.92	1.46
P/E Published	6.3	13.5	15.7	10.2
P/FCFPS	7.1		34.5	9.1
EV/ EBITDA	4.5	5.9	6.2	5.1
Dividend Yield (%)	7.8	3.4	2.9	4.6

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Infrastructure outperformed our operating profit estimate with a EUR 7m contribution vs EUR 3m expected. (08H1: EUR 5m). Moreover, Ballast Nedam incurred EUR 1m lower overhead y-o-y. Building & Development erased these positive surprises, as it broke even while we expect a EUR 5m contribution (08H1: EUR 11m). As a result, EUR 4m in operating profit was in line with our estimate.
- The construction activities within B&D were loss making in 09H1, including the finalisation of several problem projects. CFO was EUR 52m negative and in combination with considerable CFI (EUR 45m negative, due to PPP investments), total FCF amounted to EUR 97m negative vs EUR 25m negative in 08H1; management showed confidence that cash inflow towards 09FY should be strong.
- Recent newsflow highlighted that the likelihood of an imminent sale of Dutch Railways-owned Strukton has increased. Strukton (strong in international rail infrastructure) has long been mentioned as merger partner for Ballast Nedam.

### Valuation

Ballast Nedam's long-term case is based on normalised earnings that should reflect c. 3% operating margins post 2011 (vs. our 1.9% for 11FY), a.o. driven by a pick up in the structurally undersupplied Dutch residential segment. On short-term earnings, the stock looks expensive at 10FY P/E of c. 15x, but we note that merger speculation and a shareholder base that includes several Dutch long-term institutions will limit downside.

### Rating

**Hold**

**Price target:**

**EUR 14.0**

**Price 29 Sep 2009:**

**EUR 15.9**

**Up-/downside:**

**-11.7%**

### Construction & Engineering

#### Market capitalisation:

EUR 159 m

#### Avg (12 month) daily volume:

6,632

#### Free float

43%

#### Reuters

BALNc:AS

#### Bloomberg code

BALN NA

### Share Price Performance %

	-1m	-3m	-12m
Ballast Nedam	-2	+3	-23
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading update 09Q3

23 Oct 2009

### Major shareholders

	%
Navitas	15.4
Hurks Groep	15.4
Delta Lloyd	6.8
Delta Deelnemingen Fonds	5.8
Menor Investments B.V.	5.1

### Listed Peers

	Ticker
BAM	BAMNB NA
Heijmans	HEJN NA

### Analysts

#### Ralf Jacobs

+31 (0) 20 460 4839

#### Fabian Smeets

+31 (0) 20 460 4864

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

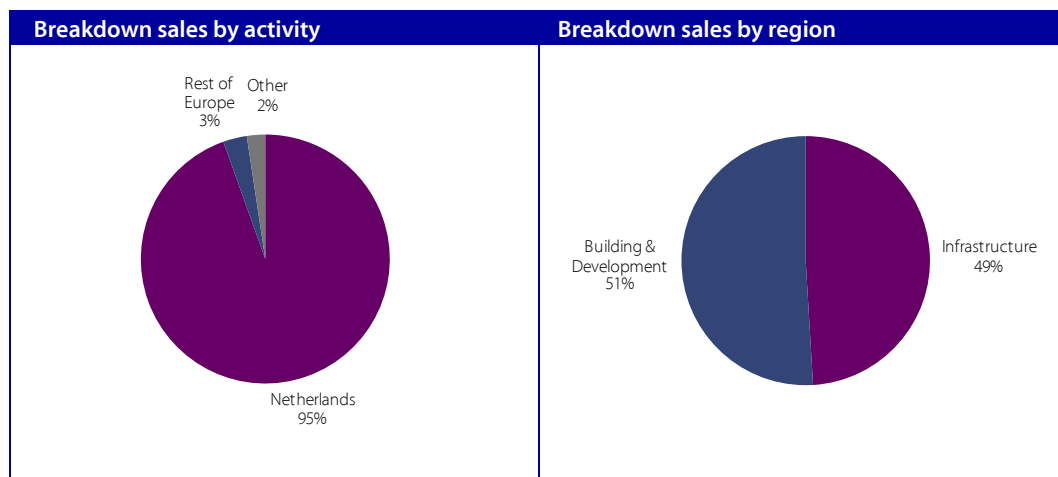
Going forward, Ballast Nedam will benefit from its sound order book of EUR 1.9bn, although management indicated that (top-line) uncertainty for 10FY is still high (order book includes many projects with a multi-year duration). We do not expect the residential and commercial segments to materially pick up ahead of peak unemployment (expected mid/end-2010), thus the (semi-)governmental segments remain the key drivers. In all, we arrive at an 09FY operating result of EUR 22m, at the low end of the guidance range (EUR 20m-EUR 26m), while we expect the knock-on effect of fewer homes sold to impact 10FY results (operating result of EUR 20m foreseen). We expect management to keep the house in order, with a strong balance sheet and continued strategic improvement (niche focus).

### Company profile

Ballast Nedam is a Top-Six Dutch construction company, mainly active in the Netherlands (c. 95% of sales). The company operates in property development and construction (both housing and non-residential), and civil engineering. It has considerable tax losses from its former international divisions, which it can use for its Dutch activities. In the past few years, management has entered niche segments such as offshore wind energy, raw materials, and natural gas to broaden the portfolio and to become less dependent on general construction.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Balanced portfolio in the Netherlands</li> <li>▪ Strategic asset via Svanen heavy lift vessel</li> <li>▪ Substantial tax losses</li> <li>▪ Hidden value in land bank</li> </ul>	<ul style="list-style-type: none"> <li>▪ Volatility in divisional earnings</li> <li>▪ Modest position in rail</li> <li>▪ Throughput time of land bank</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Growing demand for PFIs</li> <li>▪ Niche segments like offshore wind energy/natural gas</li> <li>▪ Consolidation, both as prey and predator</li> </ul>	<ul style="list-style-type: none"> <li>▪ Credit crisis is affecting Dutch housing market</li> <li>▪ Volatility in input prices</li> <li>▪ Lengthy procedures in the Netherlands</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	1,270.0	1,426.0	1,380.4	1,362.0	1,408.4
Cost of sales	-923.0	-1,036.4	-1,003.2	-989.9	-1,023.6
Gross profit	347.0	389.6	377.2	372.1	384.8
Operating costs	-285.0	-322.6	-329.4	-326.5	-331.7
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	62.0	67.0	47.8	45.7	53.1
Depreciation	-20.0	-24.0	-24.5	-25.0	-25.5
EBITA	42.0	43.0	23.3	20.7	27.6
Amortisation	-1.0	-1.0	-1.0	-1.0	-1.0
EBIT	41.0	42.0	22.3	19.7	26.6
Net financial result	-4.0	-11.0	-7.0	-7.0	-6.5
Other pre-tax items	1.0	0.0	0.0	0.0	0.0
EBT	38.0	31.0	15.3	12.7	20.1
Income taxes	-11.0	-7.0	-4.6	-3.5	-5.6
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	27.0	24.0	10.7	9.1	14.5
Adjustments, total	1.0	1.0	1.0	1.0	1.0
Net income recurring	28.0	25.0	11.7	10.1	15.5
PERSHARE ITEMS					
Shares outstanding avg. (mln)	9.9	9.9	9.9	9.9	9.9
Shares outstanding fully diluted (mln)	10.0	10.0	10.0	10.0	10.0
EPS reported	2.72	2.42	1.08	0.92	1.46
EPS recurring	2.80	2.50	1.17	1.01	1.55
CPS	-2.62	6.69	-3.27	2.48	3.78
DPS	1.38	1.24	0.54	0.46	0.73
Fiscal year ends 12/2007					
% GROWTH					
Revenues		12.3	-3.2	-1.3	3.4
EBITA		2.4	-45.8	-11.4	33.6
Net income recurring		-10.7	-53.1	-13.7	53.0
% MARGINS					
Gross margin	27.3	27.3	27.3	27.3	27.3
EBITA margin	3.3	3.0	1.7	1.5	2.0
Net recurring margin	2.2	1.8	0.8	0.7	1.1
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	377.0	201.1	250.8	251.6	238.6
P/E recurring (x)	10.1	5.5	13.5	15.6	10.2
P/Sales (x)	0.2	0.1	0.1	0.1	0.1
P/FCF (x)	-5.1	6.2	-1.9	34.2	9.0
P/CF (x)	-10.8	2.1	-4.8	6.4	4.2
P/B (x)	1.6	0.8	0.7	0.7	0.7
Dividend yield (%)	4.9	9.0	3.4	2.9	4.6
EV/EBITDA (x)	6.1	3.0	5.2	5.5	4.5
EV/Sales (x)	0.3	0.1	0.2	0.2	0.2
EV/FCF (x)	-6.9	9.1	-3.0	54.8	13.6

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	27.0	24.0	10.7	9.1	14.5
Depreciation & Amortisation	21.0	25.0	25.5	26.0	26.5
Working Capital Change	-63.0	-18.0	-63.6	-5.5	-3.5
Other Items	-11.0	35.0	-5.0	-5.0	0.0
Cash Flow from Operations	-26.0	66.0	-32.4	24.6	37.5
Net Capital Expenditure	-29.0	-44.0	-50.0	-20.0	-20.0
Acquisitions	0.0	-4.0	0.0	0.0	0.0
Other Investments	0.0	6.0	0.0	0.0	0.0
Cash Flow from Investments	-29.0	-42.0	-50.0	-20.0	-20.0
Ordinary Dividends	-13.0	-14.0	-12.3	-5.4	-4.6
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-1.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-17.0	30.0	65.0	0.0	0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-31.0	16.0	52.7	-5.4	-4.6
Change in Cash	-86.0	40.0	-29.7	-0.8	12.9
Free Cash Flow	-55.0	22.0	-82.4	4.6	17.5
Free Cash Flow Yield (%)	-19.6	16.0	-52.5	2.9	11.1

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	34.5	54.0	24.3	23.5	36.5
Other current assets	621.5	676.0	676.3	676.9	692.9
Net PP&E	158.0	176.0	201.5	196.5	191.0
Intangible assets	22.0	25.0	24.0	23.0	22.0
Other non-current assets	62.0	73.0	68.4	64.9	59.2
Total Assets	898.0	1,004.0	994.5	984.8	1,001.6
Short-term debt	53.0	24.0	24.0	24.0	24.0
Other current liabs	537.0	636.0	572.7	567.7	580.3
Long-term debt	97.0	126.0	126.0	126.0	126.0
Other non-current liabs	39.0	50.0	45.0	40.0	40.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	172.0	168.0	226.8	227.0	231.3
Total liabs & equity	898.0	1,004.0	994.5	984.8	1,001.6
Net debt	115.5	96.0	125.7	126.5	113.5
ROIC (%)	9.3	9.5	4.5	3.7	4.7
Net gearing (%)	67.2	57.1	55.4	55.7	49.1
Working capital as % of sales	6.7	2.8	7.5	8.0	8.0
Inventory period days	51.4	57.3	52.6	55.5	55.3
Trade debtor days	81.9	74.7	78.0	81.4	77.7
Trade creditor days	60.6	53.0	79.3	55.5	52.9
Cash cycle	194.0	185.1	209.9	192.4	185.9

# BAM

## From covenant fear to SOTP fantasy

### Key message

BAM's 09Q2 release provided comfort on the covenants, but the FY09 outlook fell short of consensus. On balance, we turned more positive as the investment case was never built on 09FY/10FY numbers, while financial risk has diminished. BAM is a long-term value proposition, whereby it will take time for earnings to recover (spill-over effects of market difficulties into 10FY). However, if management is able to deliver on its intention to divest its stake in dredging company Van Oord, reduce its exposure to land positions, and sell some PFI stakes, these will act as triggers for the share price.

	2008	2009E	2010E	2011E
Sales (EUR m)	8,835	8,208	7,766	7,921
EPS Recurring	1.93	0.92	0.96	1.16
P/E Recurring	5.8	8.5	8.3	6.8
P/FCFPS	-26.1	-158.9	45.3	12.7
EV/ EBITDA	4.8	7.0	6.8	5.9
Dividend Yield (%)	4.5	3.2	3.2	3.2

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The 09Q2 operating result was slightly better than anticipated at EUR 57m versus our EUR 55m, where Property Development underperformed (EUR 22m loss versus our EUR 10m loss) and Construction outperformed our estimates (EUR 37m profit versus our EUR 22m). With 150 FTEs reduced at residential development and 100 FTEs reduced at residential construction, BAM adjusted the cost base to the new market conditions.
- At Property, the EUR 19m provision on the UK and Irish portfolio of land and buildings (EUR 200m and EUR 100m in size, respectively) reflects a yield outmove, and does not necessarily incorporate a cash outflow. Positive news can be found in the number of Dutch homes sold in 09Q2, as the 35% y-o-y drop represents a sequential improvement versus -75% in 09Q1.
- In all markets, BAM mentions that "volumes are shrinking, competition is intensifying and there is substantial pressure on pricing". BAM's working capital control was strong (EUR 91m outflow in 09H1 vs EUR 318m in 08H1), partly helped by good prepayment levels. Its portfolio of PFIs grew to a level of 28, whereof 18 are operational. In September, management reached financial and contractual close on Brandenburg's EUR120m parliament building in Potsdam.

### Valuation

We regard BAM especially attractive for investors with a longer-term value orientation, as short-term earnings will likely not immediately improve; our three year price target arrives at EUR 16, based on future peak earnings of EUR 1.75 and a target multiple of 9x; this value is in line with our sum-of-the-parts value. Applying a multiple of 10x to 10FY earnings, we arrive at a 12-month price target of EUR 10.0.

### Rating

**Buy**

**Price target:** EUR 10.0   
**Price 29 Sep 2009:** EUR 7.9  
**Up-/downside:** +26.9%

### Construction & Engineering

#### Market capitalisation:

EUR 1,066 m

#### Avg (12 month) daily volume:

1,237,664

#### Free float

74%

#### Reuters

BAMN.AS

#### Bloomberg code

BAMNB NA

### Share Price Performance %

	-1m	-3m	-12m
BAM	+6	+36	-13
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	19 Nov 2009
Results 09FY	04 Mar 2010
AGM	21 Apr 2010
Results 10Q1	27 May 2010
Results 10H1	26 Aug 2010

### Major shareholders

	%
A. van Herk	9.4
Delta Lloyd	6.0
ING Groep	5.5
AllianceBernstein	5.0

### Listed Peers

	Ticker
Ballast Nedam	BALN NA
BAM	BAMNB NA
Heijmans	HEIJN NA

### Analysts

#### Ralf Jacobs

+31 (0) 20 460 4839

#### Fabian Smeets

+31 (0) 20 460 4864

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

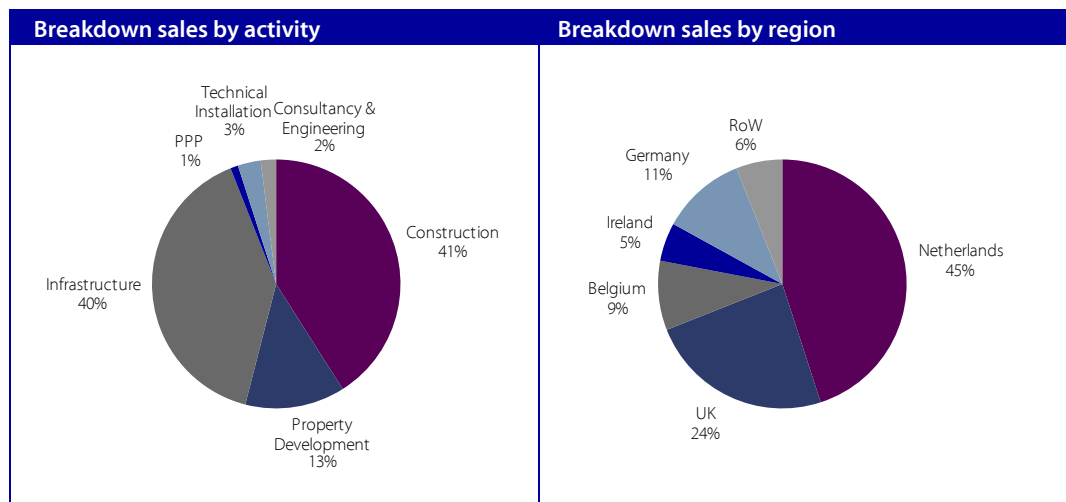
Despite the reduced workforce at residential development, volumes probably need to improve further for BAM to realise a positive (1%/2%) operating margin at Property Development, while higher margins seem unlikely within 2 years. At EUR 125m, we are now slightly ahead of management's guidance of EUR 100m to EUR 120m in net profit for 09FY and expect stabilisation in 10FY with a group margin of 2.3%. Longer term, this margin should exceed the 3%-level. Due to BAM's strong working capital control in 09H1, BAM has sufficient room versus its covenants in our updated calculations. Asset sales (PPPs and land) are likely in 09H2, while discussions on the disposal of the 21.5% stake in Van Oord will resume in 10FY.

### Company profile

BAM is the largest construction company in the Netherlands (c. 45% of sales) with activities in property development and construction (housing and non-residential), civil engineering, and technical services. It has a development potential of circa 75,000 homes in the Netherlands. The company also has operations in Belgium, Germany, Ireland, and the UK, and it has a consultancy unit that operates on a global scale. BAM also has a 21.5% stake in dredging company Van Oord. Management intends to dispose of this asset.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Balanced portfolio re segments and regions</li> <li>▪ Strong management</li> <li>▪ PFI portfolio is gaining momentum</li> <li>▪ Hidden value in land bank, Van Oord stake, PFI stakes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Very complex financial structure</li> <li>▪ Volatility of divisional earnings</li> <li>▪ Capital intensity of property division</li> <li>▪ Long-term outlook for Irish activities</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Sale of non-core assets (PFI, Van Oord)</li> <li>▪ Acquisitions to broaden the portfolio</li> <li>▪ Growth in PFI segment</li> <li>▪ Cross-selling through AM</li> </ul>	<ul style="list-style-type: none"> <li>▪ Credit crisis is affecting Dutch housing market</li> <li>▪ Volatility in input prices</li> <li>▪ Lengthy procedures in the Netherlands</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	8,953.8	8,835.0	8,208.0	7,766.6	7,921.9
Cost of sales	-6,571.1	-6,483.9	-6,023.8	-5,699.8	-5,813.8
Gross profit	2,382.7	2,351.1	2,184.2	2,066.8	2,108.1
Operating costs	-1,940.7	-2,022.2	-1,919.3	-1,792.4	-1,799.4
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	442.0	328.9	264.9	274.4	308.7
Depreciation	-94.5	-95.5	-95.5	-95.5	-97.4
EBITA	347.5	233.4	169.4	178.9	211.3
Amortisation	-6.7	0.0	0.0	0.0	0.0
EBIT	340.7	233.4	169.4	178.9	211.3
Net financial result	-3.4	-3.0	-40.6	-35.6	-30.6
Other pre-tax items	49.2	50.0	31.3	25.0	25.0
EBT	355.9	252.5	160.1	168.3	205.8
Income taxes	-77.1	-86.7	-31.1	-35.8	-45.2
Minority interests	-2.0	-3.9	-3.8	-3.0	-3.5
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	72.2	-100.0	0.0	0.0	0.0
Net income	349.0	61.9	125.2	129.5	157.1
Adjustments, total	-64.4	200.0	0.0	0.0	0.0
Net income recurring	284.5	261.9	125.2	129.5	157.1
PER SHARE ITEMS					
Shares outstanding avg. (mln)	124.8	133.8	135.5	135.2	135.2
Shares outstanding fully diluted (mln)	135.5	135.5	135.5	135.5	135.5
EPS reported	2.80	0.46	0.92	0.96	1.16
EPS recurring	2.10	1.93	0.92	0.96	1.16
CPS	-0.60	1.52	1.61	1.28	1.73
DPS	0.90	0.50	0.25	0.25	0.25
Fiscal year ends 12/2007					
% GROWTH					
Revenues		-1.3	-7.1	-5.4	2.0
EBITA		-32.8	-27.4	5.6	18.1
Net income recurring		-8.0	-52.2	3.4	21.3
% MARGINS					
Gross margin	26.6	26.6	26.6	26.6	26.6
EBITA margin	3.9	2.6	2.1	2.3	2.7
Net recurring margin	3.2	3.0	1.5	1.7	2.0
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	2,409.8	1,591.0	1,864.5	1,874.8	1,824.5
P/E recurring (x)	7.7	5.8	8.5	8.3	6.8
P/Sales (x)	0.2	0.2	0.1	0.1	0.1
P/FCF (x)	165.6	-26.1	-158.9	45.3	12.7
P/CF (x)	-27.0	7.3	4.9	6.1	4.6
P/B (x)	2.0	1.8	1.2	1.1	0.9
Dividend yield (%)	5.6	4.5	3.2	3.2	3.2
EV/EBITDA (x)	5.5	4.8	7.0	6.8	5.9
EV/Sales (x)	0.3	0.2	0.2	0.2	0.2
EV/FCF (x)	198.5	-27.9	-277.3	79.7	21.7

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	3 49.0	61.9	125.2	129.5	157.1
Depreciation & Amortisation	101.3	95.5	95.5	95.5	97.4
Working Capital Change	-202.2	-52.4	-2.4	-51.5	-20.4
Other Items	-78.3	-29.2	0.0	0.0	0.0
Cash Flow from Operations	169.7	75.8	218.3	173.5	234.1
Net Capital Expenditure	-157.6	-132.9	-225.0	-150.0	-150.0
Acquisitions	-141.8	-14.5	0.0	0.0	0.0
Other Investments	114.4	-65.6	0.0	0.0	0.0
Cash Flow from Investments	-185.0	-213.0	-225.0	-150.0	-150.0
Ordinary Dividends	-60.1	-121.8	-67.6	-33.8	-33.8
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	79.2	208.9	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	0.0	0.0	0.0	0.0	0.0
Change in Minorities	-0.5	-0.3	0.0	0.0	0.0
Cash Flow from Financing	18.6	86.8	-67.6	-33.8	-33.8
Change in Cash	3.3	-50.4	-74.3	-10.3	50.3
Free Cash Flow	12.1	-57.1	-6.7	23.5	84.1
Free Cash Flow Yield (%)	0.6	-3.8	-0.6	2.2	7.9

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	508.0	421.0	346.7	336.4	386.7
Other current assets	4,359.8	4,306.8	4,124.4	4,016.6	4,093.0
Net PP&E	434.7	430.2	559.7	614.2	666.8
Intangible assets	773.0	669.9	669.9	669.9	669.9
Other non-current assets	910.1	914.0	914.0	914.0	914.0
Total Assets	6,985.5	6,741.9	6,614.7	6,551.1	6,730.4
Short-term debt	372.0	361.1	361.1	361.1	361.1
Other current liabs	3,435.1	3,329.7	3,144.9	2,985.6	3,041.6
Long-term debt	1,826.6	1,768.8	1,768.8	1,768.8	1,768.8
Other non-current liabs	347.4	429.2	429.2	429.2	429.2
Minority interest	10.8	5.7	5.7	5.7	5.7
Total equity	993.5	847.4	905.0	1,000.7	1,124.0
Total liabs & equity	6,985.5	6,741.9	6,614.7	6,551.1	6,730.4
Net debt	1,690.7	1,708.9	1,783.2	1,793.5	1,743.2
ROIC (%)	9.6	5.0	4.6	4.6	5.2
Net gearing (%)	170.2	201.7	197.0	179.2	155.1
Working capital as % of sales	10.3	11.1	11.9	13.3	13.3
Inventory period days	60.8	71.9	77.9	79.2	78.1
Trade debtor days	45.2	45.4	46.7	49.0	47.8
Trade creditor days	52.0	50.3	51.9	51.4	49.5
Cash cycle	158.0	167.5	176.4	179.7	175.4



# Befimmo

## Another rights-issue on the cards

### Key message

Befimmo's steep valuation reflects that the stable earnings profile is currently priced in. Also, Befimmo is already at, or slightly ahead of its historical average FFO multiple. The average weighted upside of our calculated scenarios of 4% is clearly below the 13% sector average. Furthermore, the recent rights-issue is bound to have a follow-up in case LTV would crawl back above 50% as we understand from management. We see further write-downs inevitable in the Brussels CBD office market that will likely be hurt by new developments coming on stream and therefore consider another rights-issue likely. We view current valuation of over 16.5x 2009 FFO to be rather demanding.

	2008	2009E	2010E	2011E
Net rental income (EUR m)	102.1	107.2	116.6	115.8
EBITDA (EUR m)	91.4	96.5	104.6	103.9
Direct result (EUR m)	55.7	62.6	67.4	63.9
Indirect result (EUR m)	2.49	-148.23	-76.33	14.47
Recurring FFO p/s	4.26	3.76	4.05	3.84
Consensus recurr. FFO p/s		4.60	4.81	4.25
EPS	4.45	-6.22	-0.54	4.71
NNAV p/s	74.03	54.79	43.98	44.64
P/NNAV-1	0.16-	0.13	0.41	0.39
FFO multiple	14.5	16.5	15.3	16.2
Dividend Yield (%)	7.3	7.0	6.5	6.2

Source: Rabo Securities

Year to September, fully diluted


### Recent developments

- Befimmo's portfolio has taken a write-down on the portfolio of 0.43% in 09Q2, which is far less than we anticipated (-6.4%). In our view it shows the resilience in value terms of the high-end Belgian offices with a long-term lease with mostly public tenants. The occupancy level remained solid at 94.11%, which includes a major vacant renovation property. The NAV comes out EUR 58.65 per share. The guidance is re-iterated on a final dividend payment of EUR1.04 per share for 09FY.
- The 2 for 7 rights-issue announced at the 09H1 results brings Befimmo about EUR 160m in proceeds, to be used for balance sheet strengthening, acquisitions and pipeline financing. We take the view that management did not live up to its statements of not changing the dividend yield profile. We do not see the necessity of diluting existing shareholders just for the sake of balance sheet strengthening, as the company is not close to its debt covenants. The subscription price of EUR 44.65 per share implies a discount to TERP of 24% and 28% to previous trading.

### Valuation

Our DCF based price target is set at EUR 56, based on a required ROE 8.4%. This is based on a successful EUR 160m rights-issue at EUR 44.65 per share. The assumption is made that the proceeds are being used to pay down debt and we have not calculated with any acquisitions other than previously announced. With sufficient defensive features in-place, we are comfortable with the 10E dividend yield of 6.4%, but see limited re-rating potential after the rights-issue.

### Rating **Reduce**

<b>Price target:</b>	<b>EUR 56.0</b> 
<b>Price 29 Sep 2009:</b>	<b>EUR 62.7</b>
<b>Up-/downside:</b>	<b>-10.7%</b>

### Real Estate

#### Market capitalisation:

EUR 1,053 m

#### Avg (12 month) daily volume:

30,830

#### Free float

81%

#### Reuters

BEFB.BR

#### Bloomberg code

BEFB BB

### Share Price Performance %

	-1m	-3m	-12m
Befimmo	-4	+16	-8
MSCI Europe	+1	+30	-18
MSCI Belgium	+4	+30	-9

### Agenda

Results 09FY	18 Nov 2009
AGM	15 Dec 2009

### Major shareholders

	%
Fortis Brussels S.A./N.V.	18.8

### Listed Peers

	Ticker
VastNed OI	VNOI NA
DIC Asset	DAZ GR
alstria	AOX GR

### Analysts

#### Ruud van Maanen

+31 (0) 20 460 4831

#### Rick Tervoort

+31 (0) 20 460 4830

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

Equity Sales	+ 31 20 460 4707
Equity Sales Trading	+ 31 20 460 4723
<a href="http://www.rabosecurities.com">www.rabosecurities.com</a>	

### Outlook

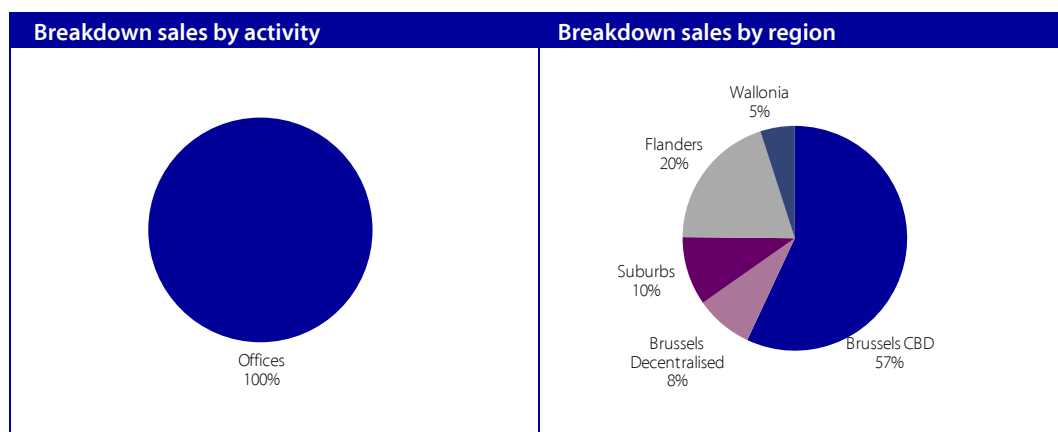
We expect Befimmo to report a 09FYE GRI at EUR 115m, which is 1% below company forecast. The 3% increase in GRI expected for 2010 is only due to the Axento acquisition. In the 10-11 period we assume flat GRI development on a like-for-like basis. Our estimates include vacancy to increase to 8% and an average indexation of 1.5%. We assume occupancy rate reaches its trough level in 2011 at 92%. In the previous cyclical downturn, Befimmo’s occupancy dipped peak-to-trough only 5% to 91% with a slightly lower quality tenancy profile. Befimmo is currently active on a large renovation program (EUR 53m current, of which ca. 43m already invested), which is expected to peak in 2009. We expect the Axento project to run into the portfolio during the summer 2009, with EUR 80m in liquidity needs as a small part has already been paid. Further ahead, the Luik project will contribute to earnings at completion in 2013. After the dilution of the rights issue, we see FFO stabilizing at EUR 3.84 per share in 2011.

### Company profile

Befimmo is a Belgian office pure player focused on inner-city high-quality offices with a buy-and-hold strategy. A modest expansion strategy targets towards neighboring countries. Its EUR 1.9bn portfolio is located for 58% in Brussels CBD, Befimmo is one of the larger providers of office space in the Brussels region. Befimmo can be characterized by long average lease term (>9y) with secure tenants (64% public sector) and a high occupancy rate (97%). Management seeks expansion by assets of similar investment profile in neighboring countries. After the first foreign step in Luxemburg has been set, further steps are likely to be set into the Paris CBD.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Alignment of large shareholder Fortis</li> <li>▪ Pure-play strategy</li> <li>▪ Long average lease term</li> <li>▪ Largely public tenants</li> <li>▪ High portion of fixed debt</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited growth profile on balance sheet</li> <li>▪ Little upside due to high occupancy level</li> <li>▪ Low liquidity of the stock</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Reversionary potential from renovation projects</li> <li>▪ Letting of Axento project</li> <li>▪ Lower interest rate environment</li> </ul>	<ul style="list-style-type: none"> <li>▪ Corporate governance issues regarding Fortis</li> <li>▪ Fortis (4%) &amp; Citygroup (3%) default</li> <li>▪ Execution of foreign acquisition strategy</li> </ul>



Income Statement ( EURm)				
	2008	2009E	2010E	2011E
Gross rental income	109.5	115.3	119.7	119.1
Operating costs	-7.4	-8.1	-3.1	-3.3
Net rental income	102.1	107.2	116.6	115.8
Property development income	N/A	N/A	N/A	N/A
General expenses	-11.9	-10.7	-12.0	-11.9
Other income & expenses	1.3	0.0	0.0	0.0
EBITDA	91.4	96.5	104.6	103.9
Depreciation & Amortisation	0.0	0.0	0.0	0.0
EBIT	91.4	96.5	104.6	103.9
Net financial result	-3 1.3	-3 1.6	-3 3.4	-3 5.8
Other pre-tax items	0.0	0.0	0.0	0.0
EBT	60.1	64.9	71.2	68.1
Income taxes	-0.6	-0.8	-0.8	-0.8
Direct result of associates	0.0	0.0	0.0	0.0
Other post-tax items / minorities	-3.7	-1.5	-3.0	-3.4
Extraordinaries	0.0	0.0	0.0	0.0
Direct investment result	55.7	62.6	67.4	63.9
Revaluation	-6.3	-148.4	-84.2	14.5
Taxes on revaluation	0.0	0.0	0.0	0.0
Net result of property sales	8.8	0.2	7.8	0.0
Indirect result of associates	0.0	0.0	0.0	0.0
Other post-tax items / minorities	0.0	0.0	0.0	0.0
Indirect investment result	2.5	-148.2	-76.3	14.5
Net profit	58.2	-8 5.6	-8.9	78.3
PER SHARE ITEMS				
Shares outstanding avg. (m)	13.1	16.6	16.6	16.6
Shares outstanding fully diluted (m)	13.1	16.6	16.6	16.6
EPS reported	4.5	-6.2	-0.5	4.7
EPS recurring	4.3	3.8	4.1	3.8
NNAV	74.0	54.8	44.0	44.6
DPS	4.6	4.4	4.1	3.8
Payout ratio (%)	106.7	116.0	100.0	100.0
Fiscal year ends 9/2008				
% GROWTH				
Net rental income	0.0	0.0	0.0	0.0
Lfi Net rental income	0.0	0.0	0.0	0.0
EBITDA	5.3	1.0	3.6	-1.3
Net income recurring	5.3	1.0	3.6	-1.3
% MARGINS				
Gross margin	3.8	5.6	8.4	-0.7
EBITDA margin	13.4	12.5	7.6	-5.3
Net recurring margin	93.2	93.0	97.4	97.2

<b>Cash Flow Statement ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	61.9	-84.1	-5.9	81.7
Minorities	-3.7	-1.5	-3.0	-3.4
Investment property disposal profit	-8.8	-0.2	-7.8	0.0
Net Valuation Movements	6.3	148.4	84.2	-14.5
Direct Result of Associates	0.0	0.0	0.0	0.0
Indirect Result of Associates	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	0.0	0.0	0.0	0.0
Working Capital Change	-38.0	34.3	0.0	0.0
Other Items	6.9	0.2	0.2	0.2
Cash Flow from Operations	24.5	97.1	67.6	64.0
Investment in properties	-60.0	-156.2	-83.1	26.5
Investment in associates	0.0	0.0	0.0	0.0
Investment in immaterial fixed asset:	0.2	0.0	0.0	0.0
Investment in other property, plant	0.0	0.0	0.0	0.0
Cash flow from investing	-59.9	-156.2	-83.1	26.5
Increase in long term debt	708.4	-30.0	75.0	-25.0
Increase in short term debt	-647.3	0.0	0.0	0.0
Dividends & other equity changes	-26.5	-67.6	-72.7	-67.4
Cash flow from financing	34.6	-97.6	2.3	-92.4
Change in cash	-0.7	-156.7	-13.2	-1.8

<b>Balance Sheet ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Investment property	1,877.6	1,885.6	1,892.3	1,880.3
Financial non-current assets	33.6	33.6	33.6	33.6
Other non-current assets	16.7	16.7	16.7	16.7
Cash & Cash Equivalents	4.6	-152.2	-165.4	-167.2
Other current assets	39.3	5.0	5.0	5.0
Total assets	1,971.8	1,788.7	1,782.3	1,768.4
Short-term debt	15.4	15.4	15.4	15.4
Other current liabs	60.7	60.7	60.7	60.7
Long-term debt	857.0	827.0	902.0	877.0
Other non-current liabs	10.2	10.3	10.5	10.7
Minority interest	61.7	61.7	61.7	61.7
Shareholders' equity	966.8	813.6	732.0	742.9
Total liabs & equity	1,971.8	1,788.7	1,782.3	1,768.4
Net debt	867.8	994.6	1,082.8	1,059.6
Total return on equity (%)	5.7	-9.8	-1.1	9.7
Direct return on equity (%)	5.4	7.2	8.5	7.9
Indirect return on equity (%)	0.2	-16.9	-9.6	1.8
Net gearing (%)	89.8	122.2	147.9	142.6

# Belgacom

## Defensive but declining

### Key message

Although Belgacom's valuation does not look really demanding compared to the other Benelux telecom players, we believe this is justified as it is stuck in a declining market, we see the introduction of handset subsidies as a long-term risk and some 45% of employees still has civil servant protection. In addition, it is not the most logical take-over target as the Belgian government still owns a majority stake and it may do foreign add-on acquisitions. Under pressure from the recession, Belgacom has finally become more strict on the cost side (flat on HR, decline -4% to -5% on non-HR cost). Its solid balance sheet (net debt to EBITDA of 1) and sound cash returns (>8%) are strong defensive characteristics. Hold.

	2008	2009E	2010E	2011E
Sales (EUR m)	5,986	5,975	5,926	5,904
EPS Recurring	2.45	2.60	2.44	2.35
P/E Recurring	10.9	10.3	11.0	11.4
P/FCFPS	9.8	10.2	10.2	10.1
EV/ EBITDA	5.9	5.6	5.5	5.5
Dividend Yield (%)	8.1	8.1	8.1	8.1

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The 09Q2 EBITDA of EUR 440m clearly exceeded our EUR 414m. This was driven by a nice top line (1.3% vs our +0.1%), as the recession is not yet impacting the Consumer segment and International Carrier keeps on growing fast. Mainly due to lower ICT projects and roaming volumes, the recession is becoming more visible in the Corporate segment (-9% on top line vs our -7%), but due to cost saving the drop in EBITDA was limited to only -3% (we had -5%). The customer growth trends (enterprise+consumer) were OK and did not differ that much from the previous quarters. It seems that under pressure from the recession, Belgacom has finally become more strict on the cost side and the benefits are becoming visible (flat on HR, decline -4% to -5% on non-HR cost).
- In June Belgacom ICS (BICS) and MTN announced a next step in their strategic co-operation by combining their international carrier services, resulting in MTN holding an equity stake in BICS. Post implementation of the transaction, Belgacom will own 57.6%, Swisscom 22.4% and MTN 20.0%.

### Valuation

Belgacom's 2010 EV/EBITDA ratio of around 6x and P/E ratio of 10-11x are not really demanding in a relative perspective, neither very attractive. Our sum of parts arrives at a value per share of around EUR 28-29, which provides little upside from current share price levels. Our DCF arrives around EUR 30 per share. We do not see much more downside risk either due to its dividend yield of close to 8% and possible new share buy back programmes.

### Rating

**Hold**

**Price target:** EUR 28.0

**Price 29 Sep 2009:** EUR 26.8

**Up-/downside:** +4.4%

### Diversified Telecommunication Services

#### Market capitalisation:

EUR 9,064 m

#### Avg (12 month) daily volume:

575,497

#### Free float

50%

#### Reuters

BCOM.BR

#### Bloomberg code

BELG BB

### Share Price Performance %

	-1m	-3m	-12m
Belgacom	0	+18	+1
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Results 09Q3 30 Oct 2009

### Major shareholders

Belgian State 53.5%

### Listed Peers

	Ticker
KPN	KPN NA
British Telecom	BT/A LN
France Telecom	FTE FP
Deutsche Telekom	DTE GR
Telecom Italia	TIT IM

### Analysts

#### Frank Claassen

+31 (0) 20 460 4868

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

Equity Sales +31 20 460 4707

Equity Sales Trading +31 20 460 4723

www.rabosecurities.com

**Outlook**

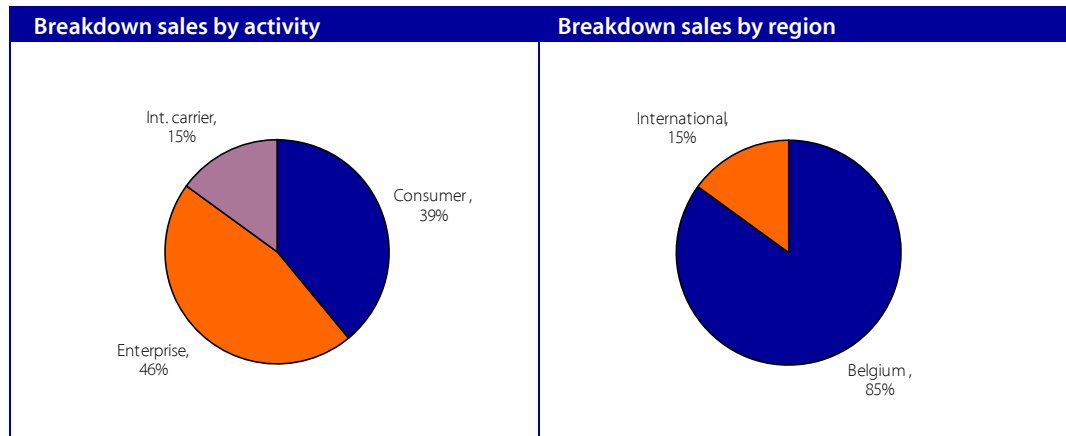
Belgacom started the year with a FY outlook of -1% on revenues and EBITDA margin of 32-33%. Looking at the trends so far in 09H1: revenues of +1.4% and EBITDA margin of 33.2%, this FY outlook looks pretty comfortable. We are at -0.2% and recurring EBITDA margin of 32.7%. For 2010, we expect ongoing revenues decline of -1% with a slight EBITDA margin pressure to 32%.

**Company profile**

Belgacom is the Belgian telecoms incumbent that has a strong market share in both the fixed (>50%) as well as mobile market (>40%). The company has revenues of some EUR 6bn and EBITDA of EUR 1.9bn. The company is investing in a upgrading its current network to be able to offer VDSL and IPTV. With its entrance in the digital TV market, Belgacom aims to offer complete quadruple-play solutions. Following the acquisition of Telindus in 2007, it has also entered the field of ICT services and system integration.

**Swot**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>▪ Leading position in Belgium in both fixed and mobile</li> <li>▪ Strong balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>▪ Few growth engines</li> <li>▪ Government is still majority shareholder</li> <li>▪ Many employees still have civil servant protection</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>▪ Using balance sheet for more returns or acquisitions</li> <li>▪ Growth in digital TV, quadruple bundles</li> </ul>	<ul style="list-style-type: none"> <li>▪ Recession further impacting top line</li> <li>▪ Entrance of handset subsidies impacting margins</li> <li>▪ More regulatory pressure</li> <li>▪ Risky foreign acquisitions</li> </ul>



Income Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Revenues	6,065	5,986	5,976	5,926	5,905
Cost of sales	-2,025	-2,015	-2,015	-1,996	-1,985
Gross profit	4,040	3,971	3,961	3,930	3,920
Operating costs	-2,009	-2,066	-2,068	-2,033	-2,051
Extraordinaries	0	0	0	0	0
EBITDA	2,031	1,905	1,892	1,898	1,869
Depreciation	-659	-638	-619	-622	-629
EBITA	1,372	1,267	1,273	1,276	1,239
Amortisation	-115	-105	-105	-105	-105
EBIT	1,257	1,162	1,168	1,171	1,134
Net financial result	-73	-109	-126	-131	-124
Other pre-tax items	74	0	0	0	0
EBT	1,258	1,053	1,042	1,040	1,010
Income taxes	-300	-254	-257	-260	-256
Minority interests	0	0	0	0	0
Other post-tax items/participation	0	0	0	0	0
Extraordinaries	0	0	0	0	0
Net income	958	799	785	780	754
Adjustments, total	0	0	47	0	0
Net income recurring	958	799	832	780	754
PERSHARE ITEMS					
Shares outstanding avg. (mln)	3 340	3 263	3 200	3 200	3 200
Shares outstanding fully diluted (mln)	3 340	3 263	3 200	3 200	3 200
EPS reported	2.87	2.45	2.45	2.44	2.35
EPS recurring	2.87	2.45	2.60	2.44	2.35
CPS	5.06	4.80	4.56	4.57	4.56
DPS	2.18	2.18	2.18	2.18	2.18
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-1.3	-0.2	-0.8	-0.4
EBITA		-7.7	0.5	0.2	-2.9
Net income recurring		-16.6	4.1	-6.2	-3.4
% MARGINS					
Gross margin		66.3	66.3	66.3	66.4
EBITA margin		21.2	21.3	21.5	21.0
Net recurring margin		13.3	13.9	13.2	12.8

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	13,338.6	12,380.1	11,617.9	11,445.5	11,264.7
P/E recurring (x)	9.3	10.9	10.3	11.0	11.4
P/Sales (x)	1.5	1.5	1.4	1.4	1.5
P/FCF (x)	8.2	9.8	10.2	10.2	10.1
P/CF (x)	5.3	5.6	5.9	5.9	5.9
P/B (x)	3.6	3.9	4.0	3.8	3.7
Dividend yield (%)	8.1	8.1	8.1	8.1	8.1
EV/EBITDA (x)	6.6	6.5	6.1	6.0	6.0
EV/Sales (x)	2.2	2.1	1.9	1.9	1.9
EV/FCF (x)	12.3	13.8	13.8	13.6	13.2

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	958	799	785	780	754
Depreciation & Amortisation	774	743	724	727	734
Working Capital Change	-1	61	-9	-18	-1
Other Items	-42	-38	-42	-26	-27
Cash Flow from Operations	1,689	1,565	1,458	1,463	1,460
Net Capital Expenditure	-602	-669	-616	-622	-608
Goodwill from Acquisitions	0	0	-30	-20	-20
Other Investments	284	-57	21	24	19
Cash Flow from Investments	-318	-726	-625	-619	-609
Ordinary Dividends	-728	-711	-698	-698	-697
Preferred Dividend	0	0	0	0	0
Change in Preferred Stock	0	0	0	0	0
Change in Equity	0	0	-200	0	0
Change in Subordinated Debt	0	0	0	0	0
Change in Bank Debt	-24	557	0	-178	-50
Change in Minorities	-2	-1	0	0	0
Cash Flow from Financing	-754	-155	-898	-876	-747
Change in Cash	617	684	-65	-31	104
Free Cash Flow	1,087	896	842	841	852
Free Cash Flow Yield (%)	12.1	10.2	9.8	9.8	9.9

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	728	565	500	468	572
Other current assets	1,525	1,653	1,611	1,593	1,582
Net PP&E	2,470	2,501	2,498	2,498	2,477
Intangible assets	2,259	2,663	2,588	2,503	2,418
Other non-current assets	343	400	379	356	337
Total Assets	7,325	7,782	7,576	7,418	7,386
Short-term debt	69	393	393	393	393
Other current liabs	1,741	1,930	1,878	1,843	1,831
Long-term debt	1,895	2,128	2,128	1,950	1,900
Other non-current liabs	1,094	1,056	1,014	988	962
Minority interest	6	5	5	5	5
Total equity	2,520	2,270	2,157	2,239	2,296
Total liabs & equity	7,325	7,782	7,576	7,418	7,386
Net debt	1,236	1,956	2,021	1,875	1,721
ROIC (%)	31.5	30.8	30.7	29.1	28.0
Net gearing (%)	49.0	86.2	93.7	83.7	75.0
Working capital as % of sales	-3.6	-4.6	-4.5	-4.2	-4.2
Inventory period days		6.1	6.1	6.1	6.1
Trade debtor days		72.0	72.5	71.4	70.8
Trade creditor days		70.7	74.4	73.4	73.1
Cash cycle		7.4	4.1	4.1	3.7



# Besi

## Esec acquisition already bearing fruits

### Key message

Besi is already bearing the fruits from the Esec acquisition. Positive news flow from the industry has pushed Besi's share price recently (+80% since May 1 vs +28% for the AScX). Esec adds a line of wire bonders to the Besi product portfolio and through the take-over, Besi moves to a no. 1 position in die bonding. In the long-run, we believe the Esec acquisition enables Besi to generate decent margins (>6% EBIT margin in 2012/2013) as it improves the fire power of the company. However, currently sales are at too depressed levels as they have been for years. We value Besi on a DCF basis, which point at EUR 3.2, but assume a 10% liquidity discount is reasonable. We maintain our Hold rating and raise PT to EUR 2.9.

	2008	2009E	2010E	2011E
Sales (EUR m)	149	141	169	195
EPS Recurring	-0.05	-1.03	-0.19	0.03
P/E Recurring	N/A	N/A	N/A	87.7
P/FCFPS				
EV/ EBITDA	22.0	N/A	N/A	9.4
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Besi's 09Q2 figures showed the first benefits of the Esec acquisition (closed April 1, 2009). Consolidated sales of EUR 30.5m were in line with our anticipated EUR 30.3m. Besi posted a one-time book gain associated with the acquisition of EUR 42m, but underlying EBIT of EUR -10m was better than our EUR -12m estimate.
- January 26, Besi announced its intention to acquire Esec from the Swiss OC Oerlikon Corporation. The transaction was paid with 2.8m treasury shares with a value of EUR 4.8m, while the fair value of assets acquired was EUR 46m, free of bank debt. In addition, Besi acquired sufficient working capital to fund remaining restructuring costs and near-term operating losses. Oerlikon's distressed financial position allowed Besi to negotiate these superb terms. Besi estimates synergies at c. EUR 10m-12m.
- The Dragon restructuring programme is in full swing, aimed at a cost reduction of >EUR 15m annualised at the end of 2010. End 09Q2 headcount reduction of 18% exceeded the 15% target and the Hungarian production facility was transferred to Malaysia. In addition some management changes took place: (i) Mr. Claus Lichtenberg stepped down as COO and (ii) Mr. Rutterschmidt (CEO of Datacon) has left the company.

### Valuation

Since we do not expect Besi to be break-even before 2011, we value Besi on EV/Sales together with DCF. Besi currently trades at 0.5x EV/Sales 2010. Given strong share price performance recently, we believe the company is currently fairly valued as our DCF analysis points to EUR 3.2 (0.6x 2010 EV/Sales). We maintain our Hold rating and set our price target at EUR 2.9, taking into account a 10% liquidity discount.

### Rating

<b>Price target:</b>	<b>EUR 2.9</b>
<b>Price 29 Sep 2009:</b>	<b>EUR 2.6</b>
<b>Up-/downside:</b>	<b>+10.3%</b>

### Hold

### Semiconductor Equipment & Products

#### Market capitalisation:

EUR 89 m

#### Avg (12 month) daily volume:

21,045

#### Free float

47%

#### Reuters

BESI.AS

#### Bloomberg code

BESI NA

### Share Price Performance %

	-1m	-3m	-12m
Besi	-8	+25	-9
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	29 Oct 2009
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### Major shareholders

	%
A. Strating	10.1
D. Lindenbergh	6.6
Aviva Plc	6.4
Darlin N.V.	5.9
De Kolk Beheer B.V.	5.5

### Listed Peers

	Ticker
ASM International	ASM NA
Kulicke & Soffa	KLIC US
ASM PT	522 HK

### Analysts

#### Michiel de Jonge

+31 (0) 20 460 4841

#### Frank Claassen

+31 (0) 20 460 4868

### Rabo Securities Amsterdam

Equity Sales	+ 31 20 460 4707
Equity Sales Trading	+ 31 20 460 4723
<a href="http://www.rabosecurities.com">www.rabosecurities.com</a>	

### Outlook

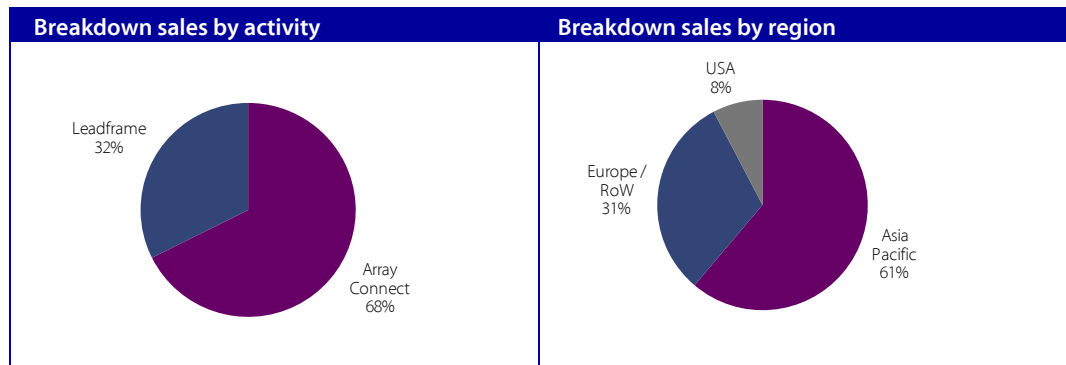
A decent order book and positive statements from the semiconductor industry make us more confident on the near-term future of Besi. For 09Q3 we pencil in consolidated sales of EUR 40.5m (+33% sequentially, at the low end of Besi's guided 30%-40%). At these levels, we believe Besi should be able to achieve 29.5% gross margin. Excluding minor restructuring costs (EUR 0.3m), we estimate 09Q3 EBIT at EUR -7.6m. For 09FY we anticipate on organic sales of -40% YoY. Adding Esec's contribution (we estimate EUR 51m), we believe consolidated 09FY sales of EUR 141m are down 5.4% YoY. We estimate Besi to be break-even in 2011.

### Company profile

Besi manufactures equipment for the packaging of chips (back-end process). Although the company is relatively small, it has strong positions in the markets it serves. Through the acquisition of Esec earlier this year, Besi has acquired a no. 1 position in die bonding and a no. 4 position in wire bonding (prior Besi had no wire bonding activities). Besi is also heavily restructuring its operations by moving the majority of its production to Asia and moving to common platforms.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ No. 1 in Die Bonding, Plating, Trim &amp; Form and Flip-chip, no. 2 in Singulation and Die Handling</li> <li>▪ Penetrating new markets outside the back-end market, such as RFID and solar panels</li> </ul>	<ul style="list-style-type: none"> <li>▪ Vulnerable to a decline of the US dollar</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Leverage the customer base of Esec for Besi's niche products</li> <li>▪ Switch to full production in Asia</li> <li>▪ Improve top-line through RFID and solar plating</li> </ul>	<ul style="list-style-type: none"> <li>▪ Competition in back-end is extremely fierce, which could put more pressure on prices</li> <li>▪ A further deterioration of the US Dollar vs the Euro</li> </ul>



## Besi

Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	166.5	149.4	141.3	169.5	195.0
Cost of sales	-106.5	-99.5	-100.3	-118.2	-131.8
Gross profit	59.9	49.9	41.0	51.4	63.2
Operating costs	-52.4	-46.4	-63.7	-52.6	-55.4
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	7.5	3.5	-22.7	-1.2	7.7
Depreciation	-4.7	-4.7	-5.1	-5.2	-6.0
EBITA	2.9	-1.2	-27.8	-6.4	1.8
Amortisation	-4.0	-2.8	-2.8	0.0	0.0
EBIT	-1.1	-4.0	-3.06	-6.4	1.8
Net financial result	-2.3	-0.5	-2.0	-0.4	-0.7
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	-3.4	-4.5	-32.6	-6.8	1.0
Income taxes	2.5	-4.8	-1.6	1.0	-0.2
Minority interests	0.0	-0.1	-0.0	-0.0	0.0
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	-0.9	-9.5	-34.3	-5.8	0.9
Adjustments, total	3.2	8.1	2.7	0.0	0.0
Net income recurring	2.3	-1.4	-31.6	-5.8	0.9
PERSHARE ITEMS					
Shares outstanding avg. (mln)	3.2.2	3.0.7	3.0.7	3.0.7	3.0.7
Shares outstanding fully diluted (mln)	3.2.2	3.0.7	3.0.7	3.0.7	3.0.7
EPS reported	-0.17	-1.09	0.26	-0.19	0.03
EPS recurring	0.07	-0.05	-1.03	-0.19	0.03
CPS	0.03	0.01	0.03	0.08	-0.04
DPS	0.00	0.00	0.00	0.00	0.00
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-10.3	-5.4	20.0	15.0
EBITA		N/M	2,156.8	-76.9	N/M
Net income recurring		N/M	2,144.5	-81.6	N/M
% MARGINS					
Gross margin		33.4	29.0	30.3	32.4
EBITA margin		-0.8	-19.7	-3.8	0.9
Net recurring margin		-0.9	-22.4	-3.4	0.5
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	142.1	77.1	46.5	59.3	72.2
P/E recurring (x)	37.6	N/A	N/A	N/A	87.7
P/Sales (x)	0.5	0.5	0.6	0.5	0.4
P/FCF (x)	N/A	N/A	N/A	N/A	N/A
P/CF (x)	87.7	263.0	87.7	32.9	N/A
P/B (x)	0.5	0.6	0.5	0.5	0.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	18.9	22.0	N/A	N/A	9.4
EV/Sales (x)	0.9	0.5	0.3	0.3	0.4
EV/FCF (x)	N/A	N/A	N/A	N/A	N/A

## Besi

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	-5.5	-33.6	8.0	-5.8	0.9
Depreciation & Amortisation	8.7	7.5	7.9	5.2	6.0
Working Capital Change	-2.5	26.5	-13.8	1.7	-8.6
Other Items	0.1	0.0	-1.2	1.4	0.4
Cash Flow from Operations	0.8	0.4	0.9	2.5	-1.3
Net Capital Expenditure	-3.1	-10.8	-2.7	-8.5	-9.4
Goodwill from Acquisitions	-3.1	17.0	-0.0	0.0	0.0
Other Investments	0.9	1.4	5.2	-6.9	-2.2
Cash Flow from Investments	-5.3	7.6	2.5	-15.4	-11.6
Ordinary Dividends	0.0	0.0	0.0	0.0	0.0
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-42.7	1.1	-24.2	0.0	0.0
Change in Subordinated Debt	0.7	-8.5	0.3	0.0	0.0
Change in Bank Debt	-9.2	-1.4	-7.8	-0.0	-0.0
Change in Minorities	0.3	-0.0	-0.0	-0.0	0.0
Cash Flow from Financing	-50.8	-8.9	-3.1.8	-0.0	0.0
Change in Cash	-55.3	-0.8	-28.4	-12.9	-12.9
Free Cash Flow	-2.3	-10.3	-1.8	-5.9	-10.7
Free Cash Flow Yield (%)	N/M	N/M	N/M	N/M	N/M

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	74.8	74.0	88.4	75.5	62.7
Other current assets	103.5	77.2	105.9	93.6	107.6
Net PP&E	21.2	27.3	24.9	28.2	31.5
Intangible assets	63.2	43.4	40.6	40.6	40.6
Other non-current assets	22.3	20.9	15.7	22.7	24.9
Total Assets	285.0	242.9	275.5	260.6	267.3
Short-term debt	20.9	21.3	16.6	16.6	16.6
Other current liabs	31.4	31.7	46.5	36.0	41.4
Long-term debt	50.6	40.3	37.5	37.5	37.5
Other non-current liabs	3.4	3.2	2.0	3.4	3.8
Minority interest	0.3	0.4	0.4	0.4	0.4
Total equity	178.4	145.9	172.5	166.7	167.6
Total liabs & equity	285.0	242.9	275.5	260.6	267.3
Net debt	-3.3	-12.4	-34.3	-21.4	-8.6
ROIC (%)	-1.5	-15.6	7.2	-3.4	0.8
Net gearing (%)	-1.8	-8.5	-19.9	-12.9	-5.1
Working capital as % of sales	61.3	50.5	54.1	52.0	50.0
Inventory period days		114.7	148.2	136.7	119.4
Trade debtor days		80.1	63.8	56.6	54.4
Trade creditor days		30.2	29.8	26.4	25.2
Cash cycle		164.5	182.3	167.0	148.6

# Beter Bed

## Hunting for a new CEO

### Key message

The better than expected 09Q2 results and confident 09Q3 outlook underline the strength of the operations and that consumer demand is picking up from a low base. We increased our estimates for 09/10FY by 15% and 37% after the 09H1 event. We continue to regard Beter Bed a high quality retail operation in an attractive niche segment. Despite an attractive long term potential, we have a Hold as valuation based on 2010/11 multiples is demanding. Moreover the departure of the highly successful management team is a risk. Our PT of EUR 13 implies 7x 11FY EV/EBITDA.

	2008	2009E	2010E	2011E
Sales (EUR m)	358	348	353	367
EPS Recurring	1.01	0.68	0.74	1.04
P/E Recurring	12.8	19.0	17.4	12.4
P/FCFPS	15.0	24.8	19.0	13.4
EV/ EBITDA	6.9	9.9	9.1	7.0
Dividend Yield (%)	4.0	2.7	2.9	6.6

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Net profit in 09Q2 was EUR 0.8m versus EUR 0.55m expected. This was due to a better than expected cost control, as the top line was already known (lfl -4.8%) and the gross margin was somewhat lower than expected (down 40bps yoy). The latter does not worry us, as new product introductions will support gross margins as of 09Q3. The operating costs were EUR 1m lower than we projected and cost per store declined by an impressive 5%.
- The provided net profit outlook for 09Q3 of at least EUR 3.5m was stronger than we had expected (09Q3E: EUR 2.7m) and underlines management confidence in the business. Part of the confidence is based on a strong order book in the Netherlands in June, but we regard it unlikely that Germany has been weak during July and August given the good outlook.
- The highly successful management team (CEO and CFO) is leaving. An internal successor of the CFO is already known, but the CEO not yet.

### Valuation

In a full recovery, we foresee a next peak EPS of around EUR 2.00 and recovery PT of 23. However, near-term valuation looks full. In 2011, we assume margins to recover to the mid-term average of 9%, which seems aggressive. Under these assumptions, valuation is already demanding with 2010/11 PER of 17x and 12x and EV/EBITDA of 9x and 7x. Our new PT of EUR 13 implies a 2011 EV/EBITDA of 7.0x, while our DCF points at EUR 14.5.

### Rating

**Hold** **Price target:****EUR 13.0** **Price 29 Sep 2009:****EUR 12.9****Up-/downside:****+0.8%**

### Specialty Retail

**Market capitalisation:**

EUR 281 m

**Avg (12 month) daily volume:**

19,117

**Free float**

35%

**Reuters**

BETR.AS

**Bloomberg code**

BBED.NA

### Share Price Performance %

	-1m	-3m	-12m
Beter Bed	+4	+49	+34
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	30 Oct 2009
Revenues 09Q4	22 Jan 2010

### Major shareholders

	%
Breedinvest B.V.	12.8
Delta Deelnemingen Fonds N.V.	11.6
Kempen & Co N.V.	9.9
Aviva plc.	7.6
Fortis Verzekeringen Nederland N.V.	6.6

### Listed Peers

	Ticker
Macintosh	MACIN.NA

### Analysts

**Karel Zoete**

+31 (0) 20 460 4827

**Patrick Roquas**

+31 (0) 20 460 4826

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707**Equity Sales Trading** + 31 20 460 4723**www.rabosecurities.com**

### Outlook

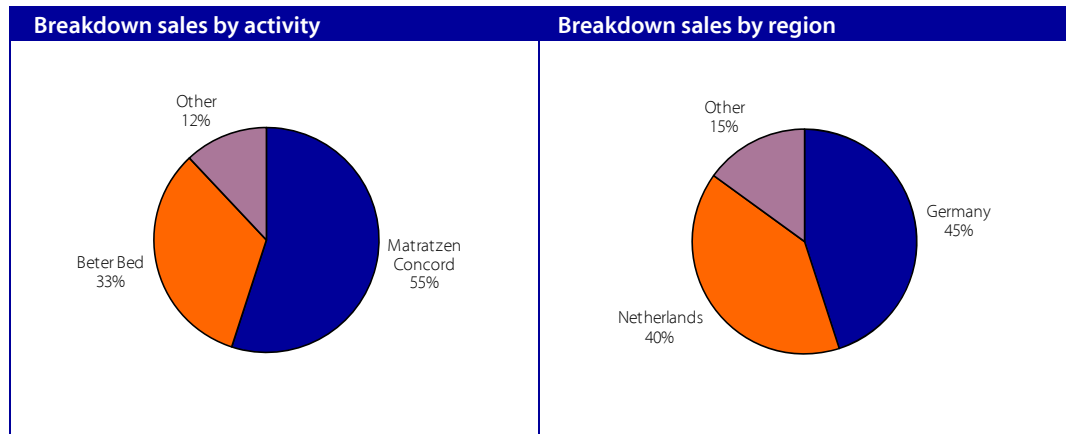
The provided net profit outlook for 09Q3 of at least EUR 3.5m was stronger than we had expected (09Q3E: EUR 2.7m) and underlines management confidence in the business. Part of the confidence is based on a strong order book in the Netherlands in June. For 09FY management has not provided a quantified guidance, but expects a flattish gross margin and a decline of the costs per store.

### Company profile

Beter Bed is active in bedroom furniture in the Netherlands, Germany, Austria, Switzerland, Spain and recently also Belgium and Poland. The company has leading market positions in the Netherlands and in Germany and operates both the mid end of the market (Beter Bed, Slaapgenoten) as well as at the low end of the market (Matratzen Concord, Beddenreus).

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Leading position in the Netherlands with Beter Bed and in Germany with Matratzen Concord</li> <li>▪ Economies of scale</li> <li>▪ Continues store expansion programme and reduction of costs per store</li> </ul>	<ul style="list-style-type: none"> <li>▪ High exposure to the general economic climate</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Further improving gross margins by improving penetration rate private label and M-line</li> <li>▪ Fragmented European market offers good growth prospects</li> <li>▪ Entering new markets in CEE and Belgium</li> </ul>	<ul style="list-style-type: none"> <li>▪ The highly successful management team is leaving</li> <li>▪ Lower consumer confidence and willingness to buy</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	351.1	358.6	348.3	353.4	367.6
Cost of sales	-162.4	-163.1	-158.4	-160.7	-167.6
Gross profit	188.7	195.5	189.9	192.7	200.0
Operating costs	-144.4	-157.0	-160.2	-161.1	-159.3
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	44.3	38.5	29.7	31.5	40.7
Depreciation	-7.0	-7.3	-7.7	-7.8	-7.9
EBITA	37.3	31.2	22.0	23.7	32.7
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	37.3	31.2	22.0	23.7	32.7
Net financial result	-0.8	-0.5	-0.9	-0.8	-0.9
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	36.5	30.7	21.1	22.9	31.9
Income taxes	-9.3	-8.2	-5.9	-6.4	-9.0
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	27.2	22.5	15.2	16.5	22.9
Adjustments, total	0.4	-0.4	0.1	-0.1	0.3
Net income recurring	27.6	22.1	15.3	16.5	23.2
PERSHARE ITEMS					
Shares outstanding avg. (mln)	21.8	21.8	21.8	21.8	21.8
Shares outstanding fully diluted (mln)	21.7	21.8	21.8	21.8	21.8
EPS reported	1.27	1.01	0.70	0.76	1.06
EPS recurring	1.27	1.01	0.68	0.74	1.04
CPS	1.00	1.34	0.97	1.10	1.38
DPS	1.05	0.52	0.35	0.38	0.85
Fiscal year ends 12/2009					
% GROWTH					
Revenues		2.1	-2.9	1.4	4.0
EBITA		-16.4	-29.5	7.9	37.8
Net income recurring		-19.7	-31.0	7.9	40.6
% MARGINS					
Gross margin		54.5	54.5	54.5	54.4
EBITA margin		8.7	6.3	6.7	8.9
Net recurring margin		6.2	4.4	4.7	6.3
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	508.4	265.8	294.1	287.3	284.5
P/E recurring (x)	18.1	11.5	19.0	17.4	12.4
P/Sales (x)	0.8	0.8	0.8	0.8	0.8
P/FCF (x)	29.3	14.3	24.0	18.6	13.1
P/CF (x)	12.9	9.6	13.3	11.7	9.3
P/B (x)	6.2	6.6	6.1	5.2	4.8
Dividend yield (%)	8.1	4.0	2.7	2.9	6.6
EV/EBITDA (x)	11.5	6.9	9.9	9.1	7.0
EV/Sales (x)	1.4	0.7	0.8	0.8	0.8
EV/FCF (x)	53.0	13.6	25.1	19.0	13.3

## Beter Bed

Cash Flow Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	27.6	22.1	15.3	16.5	23.2
Depreciation & Amortisation	7.0	7.3	7.7	7.8	7.9
Working Capital Change	-13.4	-0.2	-1.9	-0.3	-0.9
Other Items	0.6	0.0	0.0	0.0	0.0
Cash Flow from Operations	21.8	29.2	21.1	23.9	30.2
Net Capital Expenditure	-12.2	-9.6	-9.4	-8.8	-8.8
Goodwill from Acquisitions	0.0	0.0	0.0	0.0	0.0
Other Investments	0.0	-0.5	0.0	0.0	0.0
Cash Flow from Investments	-12.2	-10.1	-9.4	-8.8	-8.8
Ordinary Dividends	-19.5	-22.9	-18.2	-7.6	-8.2
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-5.2	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	12.6	4.0	-0.2	-6.8	-2.6
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-12.1	-18.9	-18.4	-14.4	-10.8
Change in Cash	-2.5	0.2	-6.7	0.7	10.5
Free Cash Flow	9.6	19.6	11.7	15.1	21.4
Free Cash Flow Yield (%)	3.4	7.0	4.2	5.4	7.6

Balance Sheet (EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	6.6	5.2	5.0	5.1	5.3
Other current assets	55.1	55.5	54.7	55.5	57.7
Net PP&E	29.7	31.9	33.6	34.7	35.6
Intangible assets	3.8	3.8	3.8	3.8	3.8
Other non-current assets	0.0	0.5	0.5	0.5	0.5
Total Assets	95.2	97.0	97.7	99.6	103.0
Short-term debt	14.1	16.3	11.3	6.3	6.3
Other current liabs	34.3	34.4	31.7	32.2	33.5
Long-term debt	0.0	1.7	6.6	4.8	2.2
Other non-current liabs	1.8	1.8	1.8	1.8	1.8
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	45.1	42.7	46.3	54.6	59.2
Total liabs & equity	95.2	97.0	97.7	99.6	103.0
Net debt	7.5	12.9	12.9	6.0	3.2
ROIC (%)	22.0	15.2	10.7	11.3	15.1
Net gearing (%)	16.7	30.2	27.7	11.0	5.4
Working capital as % of sales	7.8	7.3	8.1	8.1	8.1
Inventory period days		50.5	51.4	50.7	50.1
Trade debtor days		5.8	6.3	6.2	6.1
Trade creditor days		19.6	21.1	20.3	20.0
Cash cycle		36.7	36.6	36.6	36.2



# Binck Bank

## Record 09Q3 expected

### Key message

We expect a record 09Q3 driven by high client activity and higher prices. Client growth continues to be strong in all countries and after three quarters Binck has a 4% market share in transactions in France. Binck continues to outperform its peers in client growth. More upside comes from the new trading platform which will save commission costs. We expect Binck to announce the launch of its new mutual fund super market before end 2009.

	2008	2009E	2010E	2011E
Net income (EUR)	33	47	68	78
EPS Recurring	0.83	1.05	1.35	1.49
P/E Recurring	13.0	10.3	8.0	7.3
P/Equity	1.9	1.8	1.7	1.6
Dividend Yield (%)	3.6	4.8	6.2	6.9

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 26 July, Binck reported a 09Q2 EPS of 0.22, (EUR 0.24 expected) due to EUR 1.4m lower interest income, EUR 0.7m impairment for loans and EUR 0.6m higher taxes. Client growth was strong in all countries (4% market share in transactions in France) and client activity and commission per transaction were clearly better than expected.
- In September 2009, Saxo Bank officially opened its Dutch office. We believe that the product may be attractive to advanced or professional investors.

### Valuation

Binck is trading at a 25% discount to its peer group (PE09 of 9 vs. an average of 13 for the peer group). Given continued client growth and low risk profile we believe the current valuation is attractive. Binck continues to buy back shares and we believe the 5% dividend yield is safe. We have a Buy recommendation with a EUR 17 price target.

### Rating

**Buy**

**Price target:** EUR 17.0   
**Price 29 Sep 2009:** EUR 12.0  
**Up-/downside:** +41.5%

### Diversified Financials

#### Market capitalisation:

EUR 914 m

#### Avg (12 month) daily volume:

302,865

#### Free float

51%

#### Reuters

BINCK.AS

#### Bloomberg code

BINCK NA

### Share Price Performance %

	-1m	-3m	-12m
Binck Bank	+8	+33	+123
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3 30 Oct 2009

### Major shareholders

	%
Aviva Plc	10.0
Boron Investments	9.9
Vereniging Friesland Bank	9.4
Navitas B.V.	5.2
Delta Deelnemingen Fonds	5.0

### Listed Peers

	Ticker
Etrade	EGRPSC B
TD Ameritrade	AMTD US
Avanza	AZA SS
Comdirect	COM GR
Boursorama	BRS FP

### Analysts

#### Georg Krijgh

+31 20 460 4860

#### Cor Kluis

+31 (0) 20 460 4870

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

**Outlook**

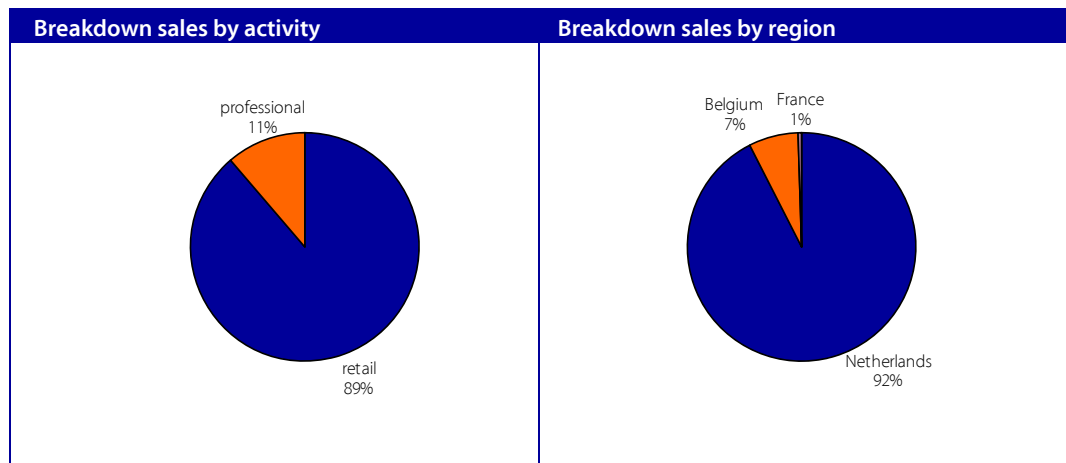
Binck expects that the new trading platform (TOM) will go live before the end of 09Q3, first for equity trading and later for derivatives. The 09Q2 results included a EUR 0.5m loss for TOM. We expect that TOM will save about EUR 4-5m net in 2010. In addition, we expect Binck to announce the launch of the mutual fund supermarket before the end of 2009 and start marketing in 10Q1. Given their distribution power, independent status and positive contribution of this activity at Swissquote, Nordnet and Comdirect, we believe it is likely to work.

**Company profile**

Binck is the largest independent Dutch online broker and also active in Belgium and in France since September 2008. Binck consists of 2 business units 1) Retail which includes Alex (86% of revenues) and 2) Professional Services. The Professional Services unit offers order execution and administrative services (outsourcing) for independent asset managers.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong position in The Netherlands</li> <li>▪ Low cost base</li> <li>▪ High quality service and functionalities</li> <li>▪ Low balance sheet risk</li> </ul>	<ul style="list-style-type: none"> <li>▪ Earnings largely dependent on transaction volumes</li> <li>▪ Growth in new clients in The Netherlands will eventually slow down as it already has a 25% market share.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Growth in France</li> <li>▪ Cost savings from TOM</li> <li>▪ Upside from selling mutual funds</li> <li>▪ Continued share buy backs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Higher costs because Binck needs to invest in the product offering or it is likely to loose clients to Saxo Bank which offers more trading solutions</li> <li>▪ High competition makes it difficult to attract savings</li> <li>▪ Binck doing an acquisition</li> <li>▪ More aggressive competitive reactions from French banks</li> </ul>



Income Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net interest income	17.9	40.6	39.6	43.4	47.2
Net commission income	46.0	101.2	125.3	155.5	171.4
Results financial transactions	2.8	1.2	4.7	0.0	0.0
Other	5.5	6.2	5.9	6.5	7.2
<b>Total revenues</b>	<b>72.3</b>	<b>149.2</b>	<b>175.5</b>	<b>205.5</b>	<b>225.7</b>
Staff costs	17.5	38.4	43.8	47.7	51.8
Other expenses	14.2	37.3	37.3	40.5	43.7
Depreciation	1.7	31.8	34.2	36.5	38.3
Value adjustments assets	1.1	-0.1	0.0	0.0	0.0
Total expenses	34.4	107.4	115.3	124.8	133.8
<b>Profit before tax</b>	<b>37.9</b>	<b>41.8</b>	<b>60.2</b>	<b>80.7</b>	<b>92.0</b>
Income taxes	4.8	8.9	13.7	12.6	14.2
<b>Group profit</b>	<b>33.1</b>	<b>32.9</b>	<b>46.5</b>	<b>68.2</b>	<b>77.7</b>
Minority interests	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>33.1</b>	<b>32.9</b>	<b>46.5</b>	<b>68.2</b>	<b>77.7</b>
Adjustments, total	1.5	0.5	0.0	0.0	0.0
<b>Net income recurring</b>	<b>31.6</b>	<b>32.3</b>	<b>46.5</b>	<b>68.2</b>	<b>77.7</b>
<b>PER SHARE ITEMS</b>					
Shares outstanding avg. (mln)	41.9	77.1	74.9	73.5	73.2
Shares outstanding fully diluted (mln)	41.9	77.1	74.9	73.5	73.2
EPS reported	0.83	0.43	0.63	0.93	1.06
<b>EPS recurring</b>	<b>0.83</b>	<b>0.83</b>	<b>1.05</b>	<b>1.35</b>	<b>1.49</b>
Equity per share	6.14	6.35	6.76	7.24	7.62
DPS	0.41	0.39	0.52	0.67	0.74
Fiscal year ends 12/2009					
<b>% GROWTH</b>					
Revenues		106%	18%	17%	10%
Operating profit		-1%	42%	47%	31%
Net income recurring		2%	44%	47%	31%
<b>Ratios</b>					
	2007	2008	2009E	2010E	2011E
P/E recurring (x)	13.0	13.0	10.3	8.0	7.3
P/FCF (x)	3.74	2.61	2.77	20.9	16.0
P/B (x)	1.8	1.7	1.6	1.5	1.4
Dividend yield (%)	3.8	3.6	4.8	6.2	6.9

**Binck Bank**

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# Boskalis

## Waiting for the Big One

### Key message

Boskalis' 09H1 results and strong 09FY outlook provide short-term comfort for this stock that was surrounded by much earnings uncertainty. The fact that some markets are improving (i.e. gas segment and European ports) in combination with a more efficient fleet should cushion the operating margin decline ahead. At the current share price level, new contracts such as Singapore will be necessary to give this stock another push. We do not anticipate any hard news flow on Boskalis' sub-30% stake in Smit Internationale in the near future. Main trigger for the stock is earnings fantasy arising from a big contract announcement.

	2008	2009E	2010E	2011E
Sales (EUR m)	2,093	2,116	1,991	1,913
EPS Recurring	2.75	2.27	1.87	1.67
P/E Recurring	8.4	10.2	12.4	13.9
P/FCFPS	10.3	2318.0	56.5	13.0
EV/ EBITDA	6.0	5.3	5.9	6.1
Dividend Yield (%)	5.1	5.1	4.1	3.6

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Dredging & Earthmoving performed in line with our estimates, correcting for a EUR 7.2m hedging gain. Revenues were supported by specialist niches in oil and gas, and large projects such as Tweede Maasvlakte and Felixstowe. Utilisation rates remained very high at 45 weeks for hoppers (was 41 in 08H1) and 34 weeks for cutters (was 31 weeks).
- The 3.1% y-o-y margin decline was mainly due to a lower contribution from hit-and-run projects. Maritime Infrastructure performed strongly based on a solid backlog and US dollar; this performance will continue in 09H2. In all, normalised EBIT of EUR 113m outperformed our EUR 108m and consensus of EUR 105m.
- Boskalis announced that its operating plan for the anticipated Singapore project incorporates two 50,000 cbm VLCCs to be converted into sand carriers; it represents an overall initial investment of c. EUR 22m, while further capex will be incurred after a firm contract has been received. In July 2009, the company secured a new EUR 350m credit facility for reinforcing and expanding activities.

### Valuation

Our recovery price target arrives at EUR 36, based on a normalised P/E ratio and next peak earnings of EUR 3.00 (previous peak: EUR 2.75). On a 12-month basis, we apply a higher multiple on our 10FY EPS estimate of EUR 1.87. A Singapore contract award is in our view partially priced in at the current share price level.

### Rating

**Buy**

**Price target:** EUR 26.0   
**Price 29 Sep 2009:** EUR 23.2  
**Up-/downside:** +12.2%

### Construction & Engineering

#### Market capitalisation:

EUR 2,078 m

#### Avg (12 month) daily volume:

543,365

#### Free float

63%

#### Reuters

BOSNA5

#### Bloomberg code

BOKA NA

### Share Price Performance %

	-1m	-3m	-12m
Boskalis	+3	+43	-30
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3 17 Nov 2009

### Major shareholders

	%
HAL Holding	31.8
Barclays Global Investors	5.1

### Listed Peers

	Ticker
Ackermans & van Haaren	ACKB BB
CFE	CFEB BB

### Analysts

#### Ralf Jacobs

+31 (0) 20 460 4839

#### Fabian Smeets

+31 (0) 20 460 4864

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

www.rabosecurities.com

**Outlook**

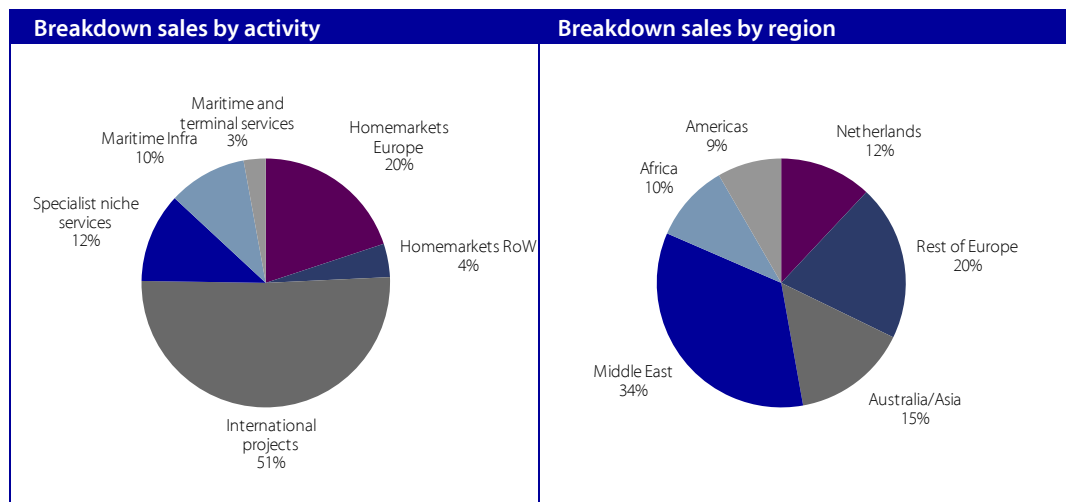
Management issued a strong outlook with 09H2 net profit comparable to 09H1 (i.e. around EUR 200m in 09FY net profit versus our EUR 192m). For next year, c. EUR 1.0bn of revenues has been secured in the EUR 3.0bn order book. Management will start a fleet rationalisation programme to scrap older (inefficient) vessels as volumes are expected to stay below the peak years 2007-2009. Consequently, utilisation rates should hover around 40 weeks for hoppers and 30 weeks for cutters. Management is clearly focused on margin preservation instead of the top-line, a healthy approach in our view; we are looking for a trough operating margin at Dredging & Earthmoving of 9.0% in 11FY, compared to the 14.5% peak in 08FY. A request for proposal by Singapore is expected per year-end 2009.

**Company profile**

Boskalis is one of the world’s leading dredging companies with an estimated market share of circa 20% of the free market. Activities include construction and maintenance of ports and waterways, land reclamation, protection of coast and waterways, and related activities such as offshore services, ground moving, and sand & gravel trading. Boskalis also has a 40% stake in maritime construction company Archirodon, a 50% stake in terminal operator Lamnalco, and a sub-30% stake in marine services company Smit Internationale.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong market position with large, flexible fleet</li> <li>▪ Strong balance sheet with net cash position and zero goodwill</li> <li>▪ Balanced sales split across regions and segments</li> <li>▪ Strong cash generating nature of the business</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fleet renewal/expansion consumes large amounts of cash</li> <li>▪ Parts of the business depend on government budgets</li> <li>▪ Lagging competition in renewal in large cutter segment</li> <li>▪ Expansion into adjacent segments has been relatively slow</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Lower costs due to larger ships, make land reclamation more affordable</li> <li>▪ Growing trade stimulates port construction, maintenance, and expansion.</li> <li>▪ Opportunities in emerging markets, notably BRIC</li> <li>▪ Singapore tender expected per 09YE</li> </ul>	<ul style="list-style-type: none"> <li>▪ Deflation re cost drivers fuel and steel parts/components</li> <li>▪ Competition from Asian companies (low cost)</li> <li>▪ Capacity expansion could lead to imbalance</li> <li>▪ Project delays and cancellations could lead to overcapacity</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	1,868.5	2,093.8	2,116.8	1,991.8	1,913.3
Cost of sales	-1,301.4	-1,439.2	-1,455.0	-1,369.1	-1,315.1
Gross profit	567.1	654.6	661.8	622.7	598.1
Operating costs	-219.1	-200.0	-292.8	-287.0	-279.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	348.1	454.6	369.0	335.6	319.1
Depreciation	-102.5	-115.5	-127.5	-139.5	-147.5
EBITA	245.5	339.1	241.5	196.1	171.6
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	245.5	339.1	241.5	196.1	171.6
Net financial result	-2.6	0.5	-5.0	-5.0	-5.0
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	242.9	339.6	236.5	191.1	166.6
Income taxes	-43.3	-60.9	-53.9	-44.6	-39.9
Minority interests	-2.7	-1.0	-0.2	-0.2	-0.2
Other post-tax items/participation	7.5	-28.6	24.0	21.3	23.3
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	204.4	249.1	206.4	167.6	149.8
Adjustments, total	-20.0	-13.4	-7.2	0.0	0.0
Net income recurring	184.4	235.7	199.2	167.6	149.8
PERSHARE ITEMS					
Shares outstanding avg. (mln)	85.8	85.8	87.7	89.6	89.6
Shares outstanding fully diluted (mln)	85.8	85.8	87.7	89.6	89.6
EPS reported	2.38	2.90	2.35	1.87	1.67
EPS recurring	2.15	2.75	2.27	1.87	1.67
CPS	4.86	3.65	3.43	3.20	3.17
DPS	1.19	1.19	1.19	0.94	0.94
Fiscal year ends 12/2007					
% GROWTH					
Revenues		12.1	1.1	-5.9	-3.9
EBITA		38.1	-28.8	-18.8	-12.5
Net income recurring		27.8	-15.5	-15.9	-10.6
% MARGINS					
Gross margin	30.4	31.3	31.3	31.3	31.3
EBITA margin	13.1	16.2	11.4	9.8	9.0
Net recurring margin	9.9	11.3	9.4	8.4	7.8
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	3,304.9	1,094.4	1,919.9	1,987.8	1,932.8
P/E recurring (x)	7.7	8.4	10.2	12.4	13.9
P/Sales (x)	0.8	0.9	1.0	1.0	1.1
P/FCF (x)	9.2	10.2	4,306.9	57.0	13.0
P/CF (x)	3.4	6.3	6.8	7.3	7.3
P/B (x)	1.9	2.3	2.3	2.2	2.1
Dividend yield (%)	7.2	5.1	5.1	4.0	4.0
EV/EBITDA (x)	9.7	2.7	5.3	5.9	6.1
EV/Sales (x)	1.8	0.5	0.9	1.0	1.0
EV/FCF (x)	21.3	5.6	4,067.6	54.5	12.1

Cash Flow Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	204.4	249.1	206.4	167.6	149.8
Depreciation & Amortisation	102.5	115.5	127.5	139.5	147.5
Working Capital Change	88.4	27.1	-33.4	-20.6	-13.0
Other Items	21.3	-78.4	0.0	0.0	0.0
Cash Flow from Operations	416.6	313.3	300.5	286.5	284.4
Net Capital Expenditure	-261.7	-119.0	-300.0	-250.0	-125.0
Acquisitions	0.0	-264.6	0.0	0.0	0.0
Other Investments	26.6	0.0	0.0	0.0	0.0
Cash Flow from Investments	-235.2	-383.6	-300.0	-250.0	-125.0
Ordinary Dividends	-58.3	-105.3	-102.1	-104.4	-104.4
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-2.6	225.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	0.0	0.0	0.0	0.0	0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-60.9	119.7	-102.1	-104.4	-104.4
Change in Cash	120.5	49.4	-101.6	-67.9	55.0
Free Cash Flow	154.9	194.3	0.5	3.6	159.4
Free Cash Flow Yield (%)	10.9	9.8	0.0	1.8	7.7

Balance Sheet (EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	351.9	408.4	306.8	238.9	293.9
Other current assets	969.7	910.8	959.6	906.5	873.1
Net PP&E	857.4	979.3	1,151.8	1,262.3	1,239.8
Intangible assets	3.5	19.4	19.4	19.4	19.4
Other non-current assets	17.6	233.5	162.3	162.3	162.3
Total Assets	2,200.1	2,551.4	2,599.9	2,589.4	2,588.5
Short-term debt	27.7	250.0	250.0	250.0	250.0
Other current liabs	1,281.7	1,333.5	1,348.9	1,275.1	1,228.8
Long-term debt	59.4	50.0	50.0	50.0	50.0
Other non-current liabs	54.6	50.2	50.2	50.2	50.2
Minority interest	8.7	7.6	7.6	7.6	7.6
Total equity	768.1	860.1	893.2	956.4	1,001.9
Total liabs & equity	2,200.1	2,551.4	2,599.9	2,589.4	2,588.5
Net debt	-264.8	-108.4	-6.8	61.1	6.1
ROIC (%)	3.4	38.6	20.6	14.5	11.9
Net gearing (%)	-3.4	-12.6	-0.8	6.4	0.6
Working capital as % of sales	-16.7	-20.2	-18.4	-18.5	-18.6
Inventory period days	10.9	10.4	10.3	11.0	11.0
Trade debtor days	68.3	64.9	61.1	62.1	59.0
Trade creditor days	30.0	31.5	33.7	33.9	32.2
Cash cycle	49.2	43.7	37.8	39.2	37.8



# Brunel

## Brutal growth

### Key message

Specialised staffer Brunel is undeniably a long-term winner in the industry, underpinned by its unparalleled growth track record and clean balance sheet. Moreover, the co is an undisputed take-over target and is likely to play a key role in the upcoming M&A game in the Dutch staffing market. Brunel is also finally generating FCF since 09H1, so we see no reason left why the co should still trade at a c. 30% valuation discount vs peers. Except for Germany (idle time issues), earnings have proven to be more resilient than foreseen in a severe recession, underlining Brunel's sound spread by activity & region as well as ongoing significant market share gains. Buy.

	2008	2009E	2010E	2011E
Sales (EUR m)	714	740	763	868
EPS Recurring	1.96	1.50	1.63	2.17
P/E Recurring	12.1	15.8	14.6	10.9
P/FCFPS	28.6	23.5	19.9	13.1
EV/ EBITDA	4.2	9.5	8.4	6.1
Dividend Yield (%)	3.4	2.5	2.7	3.7

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- 09Q2 EBIT came in at EUR 9.5m (-47% y-o-y), missing our EUR 12.5m projection, as margins in Germany (0.4% vs 4% foreseen) and the Netherlands (11.6% vs 14.5%) came in below expectations. Main culprit was idle time (in Germany 100% of temps is fixed on the payroll, Netherlands c. 60%) due to lower revenues than foreseen: Dutch sales dropped by 10% vs -5% expected, German top-line fell by 25% vs -20% foreseen, both also due to fewer working days. Positive outlier was Energy given 6.4% EBIT margins vs 5.5% foreseen in line sales growth of 25%.
- Brunel's overly cautious FY09 EBIT guidance of at least EUR 40m should not be taken too seriously as it is a clear minimum level with ample upside potential. This is confirmed by the fact that CEO Van Barneveld sees 09H2 sales similar to 09H1, while the FY EBIT forecast implies 09H2 of at least EUR 17m vs EUR 23m (incl EUR 2.5m one-offs!) in 09H1. We do not see any reason for markedly lower profitability in 09H2 vs 09H1, certainly not given the higher number of working days (c. 7), having a huge effect on idle time.
- M&A seems inevitable in the Dutch staffing market, given (i) Adecco's deep pockets and ambitions in this region and (ii) the stage of the cycle. Brunel ticks all the boxes as take-over candidate for Adecco, but also a merger with USG People could create significant shareholder value.

### Valuation

Our price target of EUR 27 reflects 12x P/E 11, still markedly below our DCF value of EUR 34, also as Brunel still has to prove it can sustainably generate a positive FCF.

### Rating

**Buy**

**Price target:** EUR 27.0   
**Price 29 Sep 2009:** EUR 23.7  
**Up-/downside:** +13.7%

### Commercial Services & Supplies

#### Market capitalisation:

EUR 548 m

#### Avg (12 month) daily volume:

60,229

#### Free float

31%

#### Reuters

BRUN.AS

#### Bloomberg code

BRNL NA

### Share Price Performance %

	-1m	-3m	-12m
Brunel	+25	+46	+69
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3 04 Nov 2009

### Major shareholders

	%
J. Brand	63.0
Capital Group International Inc.	4.0
Fidelity	1.5

### Listed Peers

	Ticker
Randstad	RAND NA
USG People	USG NA
DPA Flex Group	DPA NA
Adecco	ADEN VX

### Analysts

#### David Tailleux

+31 (0) 20 460 4852

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

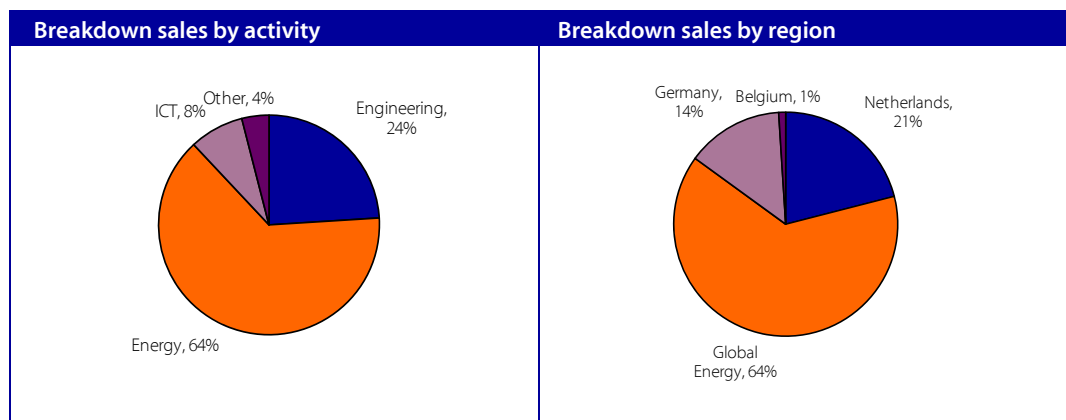
Brunel's overly cautious FY09 EBIT guidance of at least EUR 40m should not be taken too seriously as it is a clear minimum level with ample upside potential. This is confirmed by the fact that CEO Van Barneveld sees 09H2 sales similar to 09H1, while the FY EBIT forecast implies 09H2 of at least EUR 17m vs EUR 23m (incl EUR 2.5m one-offs!) in 09H1. We do not see any reason for markedly lower profitability in 09H2 vs 09H1, certainly not given the higher number of working days (c. 7), having a huge effect on idle time. In addition, management's bottom-up guidance of (i) at least 6% EBIT margins for Energy, (ii) at least double-digit EBIT margins for NL and (iii) a significant earnings improvement for Germany makes our FY09 EBIT forecast of EUR 47m feasible.

### Company profile

Brunel is active in secondment in the Netherlands (19% of sales), Germany (14% of sales) and Belgium, focussing on engineering (automotive, railway), ICT, Finance and Legal. Besides, Brunel is active in the global oil and gas production markets (64% of sales). Because of Brunel's pure focus on specialised staffing activities, the company is able to realise clearly above market-average margins in countries like the Netherlands and Germany, while also Energy margins are finally delivering on its long-term promises.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Leading position in global Energy staffing market</li> <li>▪ Strong foothold in German and Dutch engineering niche segment</li> <li>▪ Highly diversified business mix, no focus on general staffing</li> <li>▪ Robust financial position with a sound net cash position</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited synergies between NL/Ger and Energy business</li> <li>▪ Brunel Energy looks relatively difficult to manage given its presence in multiple countries</li> <li>▪ Lack of FCF generation in recent years, although this has improved in 09H1</li> <li>▪ Poor communication to financial markets resulting in credibility issues</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ A potential spin-off of Energy activities could fully unlock significant value</li> <li>▪ Strong margin upside potential as specialised staffer in booming Dutch and German markets</li> <li>▪ Balance sheet optimisation could add at least 15% to fair value</li> <li>▪ Rumoured take-over could add c. 50% value at once (Adecco/USG?)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of corporate action could continue to depress Brunel's valuation</li> <li>▪ Ongoing strong growth in Energy division could further hamper free cash flow generation</li> <li>▪ Sudden second-leg collapse of macro and staffing trends</li> </ul>



Income Statement (EURm)					
	2007	2008	2009E	2010E	2011E
Revenues	579.9	714.2	740.2	763.8	868.1
Cost of sales	-443.6	-547.2	-586.9	-607.9	-687.8
Gross profit	136.3	167.0	153.3	155.9	180.3
Operating costs	-8.1.6	-100.9	-101.2	-97.9	-103.9
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	54.7	66.1	52.0	58.0	76.4
Depreciation	-3.4	-4.1	-4.7	-5.2	-5.8
EBITA	51.2	62.1	47.3	52.8	70.6
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	51.2	62.1	47.3	52.8	70.6
Net financial result	0.1	0.4	1.8	1.0	1.2
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	51.3	62.5	49.1	53.8	71.8
Income taxes	-14.4	-16.9	-14.3	-15.6	-20.8
Minority interests	-0.8	-0.7	-0.5	-0.5	-0.5
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	36.1	44.9	34.4	37.7	50.5
Adjustments, total	0.0	0.0	0.0	0.0	0.0
Net income recurring	36.1	44.9	34.4	37.7	50.5
PERSHARE ITEMS					
Shares outstanding avg. (mln)	22.7	22.9	23.0	23.1	23.2
Shares outstanding fully diluted (mln)	22.7	22.9	23.0	23.1	23.2
EPS reported	1.59	1.96	1.50	1.63	2.17
EPS recurring	1.59	1.96	1.50	1.63	2.17
CPS	1.56	1.05	1.20	1.39	2.06
DPS	0.70	0.80	0.60	0.65	0.87
Fiscal year ends 12/2009					
% GROWTH					
Revenues		23.2	3.6	3.2	13.6
EBITA		21.1	-23.7	11.6	33.6
Net income recurring		24.2	-23.4	9.6	33.9
% MARGINS					
Gross margin		23.4	20.7	20.4	20.8
EBITA margin		8.7	6.4	6.9	8.1
Net recurring margin		6.3	4.6	4.9	5.8

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	467.5	278.7	479.1	469.5	450.4
P/E recurring (x)	14.5	11.7	15.3	14.1	10.6
P/Sales (x)	0.9	0.7	0.7	0.7	0.6
P/FCF (x)	17.2	27.7	22.8	19.4	12.7
P/CF (x)	14.7	21.9	19.2	16.5	11.2
P/B (x)	4.1	3.4	3.0	2.7	2.3
Dividend yield (%)	3.0	3.5	2.6	2.8	3.8
EV/EBITDA (x)	8.5	4.2	9.2	8.1	5.9
EV/Sales (x)	0.8	0.4	0.6	0.6	0.5
EV/FCF (x)	15.4	14.7	20.7	17.1	10.7

Cash Flow Statement (EURm)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	36.1	44.9	34.4	37.7	50.5
Depreciation & Amortisation	3.4	4.1	4.7	5.2	5.8
Working Capital Change	-5.0	-25.6	-11.9	-11.4	-9.0
Other Items	0.8	0.7	0.5	0.5	0.5
Cash Flow from Operations	35.4	24.0	27.6	32.0	47.8
Net Capital Expenditure	-4.9	-5.0	-4.4	-4.6	-5.6
Goodwill from Acquisitions	0.0	0.0	0.0	0.0	0.0
Other Investments	0.0	0.0	0.0	0.0	0.0
Cash Flow from Investments	-4.9	-5.0	-4.4	-4.6	-5.6
Ordinary Dividends	-15.9	-18.4	-13.8	-15.1	-20.2
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	0.0	0.0	0.0	0.0	0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-15.9	-18.4	-13.8	-15.1	-20.2
Change in Cash	14.5	0.6	9.4	12.4	21.9
Free Cash Flow	30.4	19.0	23.2	27.4	42.1
Free Cash Flow Yield (%)	5.8	3.6	4.4	5.2	7.9

Balance Sheet (EURm)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	39.7	40.3	49.7	62.1	84.0
Other current assets	150.5	192.2	207.3	221.5	243.1
Net PP&E	7.7	8.6	8.4	7.7	7.6
Intangible assets	2.5	2.5	2.5	2.5	2.5
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Total Assets	200.3	243.6	267.9	293.8	337.1
Short-term debt	0.0	0.0	0.0	0.0	0.0
Other current liabs	69.6	85.7	88.8	91.7	104.2
Long-term debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabs	0.6	0.6	0.6	0.6	0.6
Minority interest	1.4	2.1	2.6	3.1	3.6
Total equity	128.8	155.2	175.9	198.5	228.8
Total liabs & equity	200.3	243.6	267.9	293.8	337.1
Net debt	-39.7	-40.3	-49.7	-62.1	-84.0
ROIC (%)	27.1	29.9	18.2	18.8	23.2
Net gearing (%)	-30.8	-26.0	-28.3	-31.3	-36.7
Working capital as % of sales	14.0	14.9	16.0	17.0	16.0
Inventory period days		0.0	0.0	0.0	0.0
Trade debtor days		87.6	98.5	102.4	97.7
Trade creditor days		39.7	43.0	43.1	41.2
Cash cycle		47.9	55.5	59.3	56.5

# CFE

## Dredging at a discount

### Key message

Despite slightly disappointing interim results, caused by (partly non-recurring) setbacks in the dredging activities, we continue to regard CFE as an attractive dredging-cum-construction company. Given the size and composition of the dredging fleet, with limited exposure to megahoppers, we consider DEME to be relatively well-positioned. The construction activities should continue to benefit from large infrastructure works in both Belgium and the Netherlands. Longer-term corporate activity can not be ruled out, considering AvH's 50% stake in DEME and Vinci's 47% stake in CFE. At current valuation levels, we do not consider CFE expensive, even taking into account the stock's limited liquidity.

	2008	2009E	2010E	2011E
Sales (EUR m)	1,728	1,576	1,505	1,550
EPS Recurring	5.39	5.05	3.83	3.94
P/E Recurring	6.9	7.3	9.7	9.4
P/FCFPS	58.7	740.0	115.6	31.1
EV/ EBITDA	4.7	3.5	3.7	3.4
Dividend Yield (%)	3.2	3.4	2.5	2.6

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- CFE's operating result of EUR 47m fell slightly short of our EUR 48m, albeit the divisional deviations were substantial. Construction did far better than anticipated with a EUR 15m contribution, up from EUR 9m in 09H1 (we: EUR 7m); positive rulings in court cases have in our view added several million euro. Property came in line, but Technical Services and Dredging both underperformed.
- Dredging's EUR 29m contribution compared to our EUR 36m and to EUR 50m in 08H1. CFE indicated that the docking of four vessels burdened the result; we estimate this impact at c. EUR 15m. Technical Services reported a break-even result (we: EUR 4m), due to one recently acquired subsidiary that incurred difficulties on its growth path.
- CFE's order book of EUR 2.1bn deteriorated slightly compared to 08YE (EUR 2.3bn), but remained at a healthy level. Also the quality and the diversification of the order book are satisfactory according to management, in particular for DEME. In September, CFE announced the acquisition of Van de Maele, active in technical services with c. EUR 8m in revenues.

### Valuation

At a 10FY EV/EBITDA multiple of c. 3.7x and P/E of c. 10x, we consider CFE attractively valued. We acknowledge that margin pressure in dredging is a threat, but consider this priced in at current levels, also as several large contracts (i.e. Singapore) could mitigate these fears. We set our 12-month price target at EUR 42, incorporating a 20% discount to our target P/E multiple for Boskalis.

### Rating

**Buy**

**Price target:** EUR 42.0   
**Price 29 Sep 2009:** EUR 37.0  
**Up-/downside:** +13.5%

### Construction & Engineering

#### Market capitalisation:

EUR 484 m

#### Avg (12 month) daily volume:

23,950

#### Free float

53%

#### Reuters

CFEB.BR

#### Bloomberg code

CFEB BB

### Share Price Performance %

	-1m	-3m	-12m
CFE	+3	+30	-37
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Trading Update 17 Nov 2009

### Major shareholders

Vinci Construction 46.8%

### Listed Peers

Boskalis BOKA NA

### Analysts

#### Ralf Jacobs

+31 (0) 20 460 4839

### Rabo Securities Amsterdam

Equity Sales +31 20 460 4707

Equity Sales Trading +31 20 460 4723

www.rabosecurities.com

## Outlook

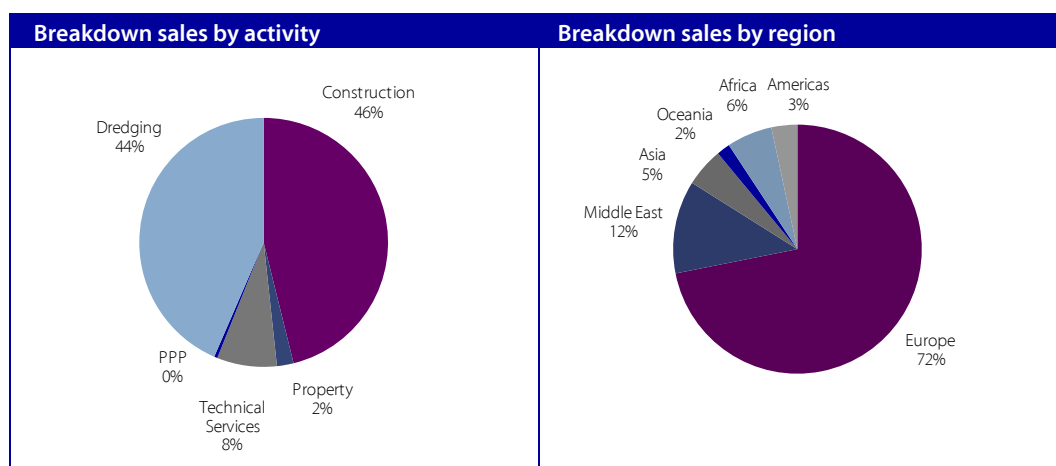
For 09FY, management is guiding that "the evolution of the turnover and the operational result recorded during the first half of 2009, compared to the same period in 2008, should be confirmed for the whole year." We are looking for a 09FY y-o-y decline in operating profit of 15%, compared to 28% in 09H1; we expect a sequential improvement at dredging and technical services, while construction should hold up well. Next year, we pencil in a drop in operating profit by another 17%, bearing in mind that this will mark the trough for the dredging cycle. Mid to long-term, we apply a margin forecast of 3% for the construction business, while the dredging activities should achieve a margin of 8%.

## Company profile

CFE is one of the larger construction companies in the Benelux with operations in construction (buildings and civil engineering), property development, technical services, and dredging through a 50% stake in DEME. The company operates in the Benelux, Central Europe, the Middle East, and Africa. In 2007 and 2008, the technical services division was expanded through several add-on acquisitions. The majority of earnings is generated by the dredging division, with c. 77% of 2008 EBIT.

## Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Strong position in Benelux construction</li> <li>Strong position in global dredging via 50% stake in DEME</li> <li>Foothold in Central Europe re construction</li> <li>Strong balance sheet with little goodwill</li> </ul>	<ul style="list-style-type: none"> <li>Thin margins in construction leave little room for error</li> <li>Volatile earnings trends at property development</li> <li>Rising working capital requirements</li> <li>Limited liquidity of the stock</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>Lower costs due to larger ships, make land reclamation more affordable</li> <li>Growing trade stimulates port construction, maintenance, and expansion</li> <li>Piggy back riding through major shareholder Vinci</li> <li>PFI market is growing</li> </ul>	<ul style="list-style-type: none"> <li>Credit crisis is affecting Dutch and Belgium housing markets</li> <li>Volatility input prices</li> <li>Lengthy procedures in Benelux construction</li> <li>Delays at mega projects in Dubai leading to overcapacity</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	1,467.6	1,728.4	1,576.2	1,505.3	1,549.7
Cost of sales	N/A	N/A	N/A	N/A	N/A
Gross profit	N/A	N/A	N/A	N/A	N/A
Operating costs	-1,301.7	-1,542.6	-1,396.6	-1,331.8	-1,362.3
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	165.9	185.8	179.6	173.5	187.3
Depreciation	-62.7	-72.7	-84.3	-94.5	-103.9
EBITA	103.2	113.1	95.4	79.1	83.4
Amortisation	-4.1	-0.7	-0.7	-0.7	-0.7
EBIT	99.0	112.4	94.7	78.4	82.8
Net financial result	-11.1	-12.2	-14.2	-14.8	-15.2
Other pre-tax items	-4.0	-4.8	0.0	0.0	0.0
EBT	83.9	95.4	80.5	63.6	67.6
Income taxes	-21.5	-23.9	-15.1	-12.8	-15.4
Minority interests	-1.6	-2.9	-1.6	-1.2	-1.3
Other post-tax items/participation	1.7	1.3	1.7	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	62.4	69.9	65.5	49.5	51.0
Adjustments, total	4.1	0.7	0.7	0.7	0.7
Net income recurring	66.6	70.6	66.2	50.1	51.6
PERSHARE ITEMS					
Shares outstanding avg. (mln)	13.1	13.1	13.1	13.1	13.1
Shares outstanding fully diluted (mln)	13.1	13.1	13.1	13.1	13.1
EPS reported	4.77	5.34	5.00	3.78	3.89
EPS recurring	5.09	5.39	5.05	3.83	3.94
CPS	15.31	12.81	11.16	10.93	12.11
DPS	1.20	1.20	1.25	0.94	0.97
Fiscal year ends 12/2009					
% GROWTH					
Revenues		17.8	-8.8	-4.5	2.9
EBITA		9.6	-15.7	-17.1	5.5
Net income recurring		6.0	-6.2	-24.2	3.0
% MARGINS					
Gross margin		N/A	N/A	N/A	N/A
EBITA margin		6.5	6.0	5.3	5.4
Net recurring margin		4.1	4.2	3.3	3.3
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	932.3	869.8	632.0	639.1	635.5
P/E recurring (x)	7.3	6.9	7.3	9.7	9.4
P/Sales (x)	0.3	0.3	0.3	0.3	0.3
P/FCF (x)	N/A	59.1	692.4	115.4	31.1
P/CF (x)	2.4	2.9	3.3	3.4	3.1
P/B (x)	1.5	1.4	1.2	1.1	1.0
Dividend yield (%)	3.2	3.2	3.4	2.5	2.6
EV/EBITDA (x)	5.6	4.7	3.5	3.7	3.4
EV/Sales (x)	0.6	0.5	0.4	0.4	0.4
EV/FCF (x)	N/A	106.1	902.9	152.2	40.7

Cash Flow Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	62.4	69.9	65.5	49.5	51.0
Depreciation & Amortisation	66.9	73.3	84.9	95.1	104.6
Working Capital Change	26.6	-15.3	-1.0	-0.5	0.3
Other Items	44.5	39.7	-3.4	-1.1	2.7
Cash Flow from Operations	200.4	167.7	146.1	143.1	158.5
Net Capital Expenditure	-476.8	-159.4	-145.4	-138.9	-143.0
Goodwill from Acquisitions	0.0	0.0	0.0	0.0	0.0
Other Investments	-76.8	-9.2	0.5	0.2	-0.1
Cash Flow from Investments	-553.6	-168.7	-144.9	-138.6	-143.1
Ordinary Dividends	-15.7	-15.7	-16.4	-12.4	-12.7
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-2.2	-13.8	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	244.5	90.2	0.0	0.0	0.0
Change in Minorities	4.0	2.0	1.1	0.9	0.9
Cash Flow from Financing	23.07	62.7	-15.3	-11.5	-11.8
Change in Cash	-122.5	61.7	-14.1	-7.1	3.6
Free Cash Flow	-276.4	8.2	0.7	4.2	15.6
Free Cash Flow Yield (%)	N/M	1.7	0.1	0.9	3.2

Balance Sheet (EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	141.5	201.2	187.1	180.0	183.6
Other current assets	716.3	890.3	811.9	775.4	798.2
Net PP&E	414.1	500.8	562.0	606.4	645.5
Intangible assets	4.5	5.9	5.3	4.6	4.0
Other non-current assets	76.8	86.0	85.5	85.2	85.4
Total Assets	1,353.2	1,684.2	1,651.7	1,651.7	1,716.6
Short-term debt	93.2	110.8	110.8	110.8	110.8
Other current liabs	742.9	901.6	822.2	785.2	808.4
Long-term debt	151.4	223.9	223.9	223.9	223.9
Other non-current liabs	42.9	79.7	74.7	72.4	73.9
Minority interest	5.6	10.5	13.2	15.3	17.5
Total equity	317.3	357.7	406.8	443.9	482.2
Total liabs & equity	1,353.2	1,684.2	1,651.7	1,651.7	1,716.6
Net debt	103.0	133.5	147.6	154.7	151.1
ROIC (%)	#DIV/0!	17.8	15.5	11.3	10.7
Net gearing (%)	3.2.5	3.7.3	3.6.3	3.4.8	3.1.3
Working capital as % of sales	0.8	2.0	2.0	2.0	2.0
Inventory period days		21.6	28.1	27.5	26.5
Trade debtor days		140.2	157.3	153.6	147.9
Trade creditor days		106.4	120.1	117.3	113.0
Cash cycle		55.5	65.3	63.8	61.4



# Cofinimmo

## Liquidity risks solved, covenants wobbly

### Key message

Until property values in the Brussels CBD office markets have stabilised, Cofinimmo remains in a shrinking modus, which is likely to dilute the earnings profile on FFO per share. By selling EUR 200m in lease receivables, Cofinimmo has recently solved its funding obligations regarding its development pipeline and reset the 12m timer on the debt covenant. However, we expect further write-downs to occur for Brussels CBD offices and expect the company to remain in disposal modus in the foreseeable future. However, giving the high-quality of its portfolio and its recent disposal track-record, we argue management is likely to be successful, although it will still be earnings dilutive.

	2008	2009E	2010E	2011E
Net rental income (EUR m)	177.9	175.0	178.4	178.8
EBITDA (EUR m)	169.9	167.4	170.8	171.3
Direct result (EUR m)	98.2	89.6	87.9	84.2
Indirect result (EUR m)	92.2-	37.9-	38.0-	40.6
Recurring FFO p/s	8.97	6.66	6.53	6.26
Consensus recurr. FFO p/s		7.51	7.44	7.90
EPS	1.26	3.84	3.71	9.28
NNAV p/s	114.48	98.56	95.95	99.02
P/NNAV-1	2.6%	-3.1%	-0.5%	-3.5%
FFO multiple	13.1	14.3	14.6	15.3
Dividend Yield (%)	8.1	6.6	6.5	6.2

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Cofinimmo sold 96% of future lease receivables on the office buildings Egmont I and II for EUR 199.6m in order to fund its future development pipeline obligations on 28 August 2009. To avoid dilution of cash flow, payments will start at the moment of completion of the pipeline projects. This reduced its LTV by 3%, which brings the company back under 55% for now.
- Representing a 4.5% discount to the then quoted share price, Cofinimmo sold 330k in treasury shares in a block-trade on 9 June 2009. The EUR 26.4m proceeds will be used to strengthen the balance sheet. We understand that the 22,374 shares still owned by the company will be used for stock-option incentive plans.
- With the implied yield on the ABInbev bond substantially decreased, in our view also reduces the risk on a substantial write-down on the Pubstone portfolio. Also backed by an anticipated general slowdown in write-downs, we have reduced our yield outmove to 25bps for 09H1 and 25bps for 10FY.

### Valuation

Cofinimmo's stock currently trades at a 14.5x 10E FFO and a 2% discount to our 10E NNAV. Our EUR 90 price target is based on a 10 year DCF using a 8.6% required ROE. We have taken into account 13.5m shares, which includes 1.5m preference shares, as these can be transferred into ordinary shares at the option of the holder.

### Rating

**Price target:**  
**Price 29 Sep 2009:**  
**Up-/downside:**

**Hold**

**EUR 90.0**   
**EUR 96.0**  
**-6.3%**

### Real Estate

#### Market capitalisation:

EUR 1,197 m

#### Avg (12 month) daily volume:

34,539

#### Free float

86%

#### Reuters

COFIT.BR

#### Bloomberg code

COFIT BB

### Share Price Performance %

	-1m	-3m	-12m
Cofinimmo	+4	+16	-22
MSCI Europe	+1	+30	-18
MSCI Belgium	+4	+30	-9

### Agenda

Results 09Q3	16 Nov 2009
Results 09FY	12 Feb 2010
AGM	30 Apr 2010
Results 10Q1	10 May 2010
Results 10H1	02 Aug 2010

### Major shareholders

	%
Dexia S.A.	8.6
Allianz Belgium S.A.	5.2

### Listed Peers

	Ticker
None	--

### Analysts

#### Ruud van Maanen

+31 (0) 20 460 4831

#### Rick Tervoort

+31 (0) 20 460 4830

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

## Outlook

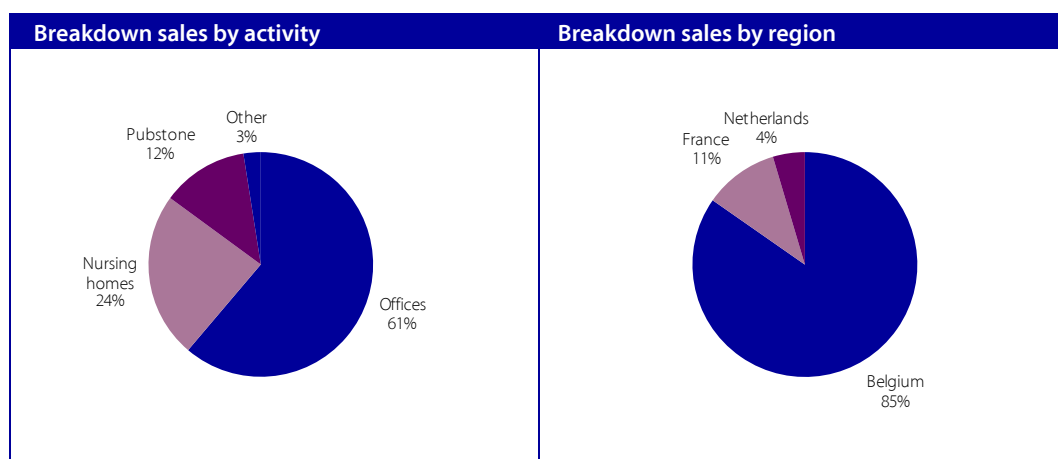
The company is in deleveraging modus, illustrated by recent disposal of assets, lease receivables and treasury shares. An option to deleverage is acquiring properties by a contribution in kind (shares). We estimate a 09FY LTV to come out at 57%, which will put Cofinimmo in the position that it needs to sell assets to stay under its (soft) debt covenants. This will have a slightly dilutive earnings effect on FFO going forward. Until the office market values in Brussels fully stabilise, Cofinimmo remains in a slow shrinking modus. We expect this stabilisation at the end of 2010.

## Company profile

Cofinimmo is the market leader in real estate in Belgium, with a current market share of 8%. The majority (68%) of its EUR 3.2bn portfolio consist of offices, with other sectors being nursing homes and pubs. The pubs are held in a vehicle Pubstone SA, in which Cofinimmo holds a 90% stake. Acquisitions are targeted also in Public Private Partnerships. Although the company's strategy historically was more buy-and-hold, management has stated in wants to be more actively towards trading properties. The company has a target LTV of 55%, which disables a further debt serviced acquisition policy. The portfolio is managed by an in-house property management department.

## Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Dominant market position</li> <li>▪ Diversified nature of earnings</li> <li>▪ Local involvement of its banks</li> <li>▪ Long average lease term (11y)</li> <li>▪ High-quality portfolio</li> <li>▪ Good liquidity of the stock</li> </ul>	<ul style="list-style-type: none"> <li>▪ Close to debt covenants: deleveraging modus</li> <li>▪ High exposure to single tenants (pubs &amp; nursing home operators)</li> <li>▪ Liquidity need of pipeline commitments</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Selling assets to strengthen balance sheet</li> <li>▪ Issuing preference shares</li> <li>▪ Acquisitions for shares in kind</li> </ul>	<ul style="list-style-type: none"> <li>▪ Failure of ABInbev (13% of GRI)</li> <li>▪ Covenant breach on asset write-downs</li> <li>▪ Pricing pressure in rent</li> <li>▪ EU retraction from Brussels</li> </ul>



Income Statement (EURm)				
	2008	2009E	2010E	2011E
Gross rental income	187.8	198.3	202.4	203.1
Operating costs	-8.9	-23.4	-23.9	-24.3
Net rental income	177.9	175.0	178.4	178.8
Property development income	N/A	N/A	N/A	N/A
General expenses	-6.5	-7.5	-7.6	-7.5
Other income & expenses	0.0	0.0	0.0	0.0
EBITDA	169.9	167.4	170.8	171.3
Depreciation & Amortisation	0.0	0.0	0.0	0.0
EBIT	169.9	167.4	170.8	171.3
Net financial result	-63.1	-73.7	-78.2	-82.1
Other pre-tax items	0.0	0.0	0.0	0.0
EBT	106.8	93.7	92.6	89.2
Income taxes	-1.3	-5.7	-5.7	-6.0
Direct result of associates	1.0	1.0	1.0	1.0
Other post-tax items / minorities	-1.3	0.5	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0
Direct investment result	98.2	89.6	87.9	84.2
Revaluation	-63.8	-51.1	-49.8	27.4
Taxes on revaluation	0.0	0.4	0.0	0.0
Net result of property sales	0.0	-0.3	0.0	0.0
Indirect result of associates	1.0	0.0	0.0	0.0
Other post-tax items / minorities	-0.3	13.0	11.8	13.2
Indirect investment result	-92.2	-37.9	-38.0	40.6
Net profit	2.9	51.7	49.9	124.8
PER SHARE ITEMS				
Shares outstanding avg. (m)	10.9	13.5	13.5	13.5
Shares outstanding fully diluted (m)	10.9	13.5	13.5	13.5
EPS reported	1.3	3.8	3.7	9.3
EPS recurring	9.0	6.7	6.5	6.3
NNAV	114.5	98.6	96.0	99.0
DPS	7.8	6.3	6.2	6.0
Payout ratio (%)	87.0	95.0	95.0	95.0
Fiscal year ends December 2008				
% GROWTH				
Net rental income	0.0	0.0	0.0	0.0
Lfl Net rental income	-0.3	13.0	11.8	13.2
EBITDA	30.7	-1.6	2.0	0.2
Net income recurring	N/A	-1.6	2.0	0.2
% MARGINS				
Gross margin	30.1	-1.5	2.0	0.3
EBITDA margin	-2.0	-8.8	-1.8	-4.2
Net recurring margin	95.2	88.2	88.2	88.0

<b>Cash Flow Statement ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	4.6	50.8	49.5	123.9
Minorities	0.8	0.8	0.5	0.9
Investment property disposal profit	0.0	0.3	0.0	0.0
Net Valuation Movements	63.8	51.1	49.8	-27.4
Direct Result of Associates	-1.0	-1.0	-1.0	-1.0
Indirect Result of Associates	-1.0	0.0	0.0	0.0
Deferred Tax Liabilities	0.0	-0.4	0.0	0.0
Working Capital Change	136.0	0.0	0.0	0.0
Other Items	23.1	7.0	0.0	0.0
Cash Flow from Operations	226.2	108.6	98.8	96.4
Investment in properties	-398.3	-120.9	-274.0	0.0
Investment in associates	1.5	1.5	1.0	1.0
Investment in immaterial fixed assets	-36.0	0.0	0.0	0.0
Investment in other property, plant & equipment	0.0	0.0	0.0	0.0
Cash flow from investing	-432.8	-119.4	-273.0	1.0
Increase in long term debt	429.9	172.2	291.0	0.0
Increase in short term debt	-160.7	0.0	0.0	0.0
Dividends & other equity changes	-40.2	-94.1	-85.0	-83.6
Cash flow from financing	228.9	78.1	206.0	-83.6
Change in cash	22.3	67.3	31.7	13.9

<b>Balance Sheet ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Investment property	3,134.9	3,203.9	3,428.1	3,455.5
Financial non-current assets	19.0	19.0	19.0	19.0
Other non-current assets	282.7	253.7	253.7	253.7
Cash & Cash Equivalents	25.4	92.8	124.5	138.4
Other current assets	88.0	88.0	88.0	88.0
Total assets	3,550.1	3,657.4	3,913.3	3,954.6
Short-term debt	220.8	220.8	220.8	220.8
Other current liabs	175.3	175.3	175.3	175.3
Long-term debt	1,579.8	1,752.0	2,043.0	2,043.0
Other non-current liabs	196.9	174.5	174.5	174.5
Minority interest	8.7	8.7	8.7	8.7
Shareholders' equity	1,368.6	1,326.1	1,291.0	1,332.3
Total liabs & equity	3,550.1	3,657.4	3,913.3	3,954.6
Net debt	1,775.2	1,880.1	2,139.4	2,125.5
Total return on equity(%)	0.2	3.9	3.8	9.3
Direct return on equity(%)	7.1	6.7	6.8	6.3
Indirect return on equity(%)	-6.7	-2.8	-2.9	3.0
Net gearing(%)	129.7	141.8	165.7	159.5

# Colruyt

## To benefit from partial exit of Carrefour

### Key message

Colruyt combines an outstanding and well-managed growth story with defensive qualities. We recently upgraded to Buy for two reasons. Firstly, the time has come to start factoring in the potential rationalization of Carrefour's assets. Secondly, at 7.9x 2009/10EV/EBITDA and 14.8x 2009/2010PER, the trade-off between growth prospects and valuation has become attractive.

	2008/2009	2009/2010E	2010/2011E	2011/2012E
Sales (EUR m)	6,309	6,754	7,307	7,679
EPS Recurring	9.55	10.45	11.86	12.54
P/E Recurring	16.7	15.3	13.5	12.8
P/FCFPS	31.2	16.4	15.9	15.2
EV/ EBITDA	9.3	7.9	7.0	6.4
Dividend Yield (%)	2.5	2.7	3.0	3.2

Source: Rabo Securities

Year to March, fully diluted

### Recent developments

- Colruyt hosted its AGM on Sep 16th, during which its guided for attributable FY net profit of EUR 320m, slightly below consensus and our projection of EUR 328m (+7% yoy). Remember that Colruyt has a track record for releasing conservative guidance. Management also confirmed sales growth of the Colruyt stores of around 6.5%, underlined by sales growth of c. 7% during the first 5 months, implying further market share gains in Q2 and Q3.
- The 09Q1 trading update met our expectations with sales growth of the Colruyt banner at around 7%, in line with the FY target of 6.5%. Adjusted for several factors we regard this as a solid performance. We perceive that gross margins are roughly flat, in line with the group's expectations.
- 08/09FY results indicated that growth of the other operations (33% of group sales) is becoming a major driver for the group, which is illustrated by the expansion in square metres (c. 11,000m<sup>2</sup> compared to 9,000m<sup>2</sup> for the Colruyt supermarkets).

### Valuation

Our current projections assume group sales and EBIT growth of 7%, while net profit growth could near 10%. Within sector-perspective, Colruyt combines an outstanding and well-managed (profitable) growth story with defensive qualities, reflected by a 90% exposure to Belgian retail with price-focused formats and a net cash position of EUR 400m. At 7.9x 2009/10EV/EBITDA and 14.8x 2009/2010PER, valuation has become attractive. Current valuation reflects a 22% discount versus the shares historic forward EV/EBITDA ratio and a discount of 24% versus its historic forward PER ratio.

### Rating

**Buy**

**Price target:** EUR 185.0   
**Price 29 Sep 2009:** EUR 159.9  
**Up-/downside:** +15.7%

### Food & Drug Retailing

#### Market capitalisation:

EUR 5,343 m

#### Avg (12 month) daily volume:

65,188

#### Free float

50%

#### Reuters

COLRt.BR

#### Bloomberg code

COLR BB

### Share Price Performance %

	-1m	-3m	-12m
Colruyt	-1	-2	-10
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

None

### Major shareholders

	%
Familie Colruyt	44.5
Sofina S.A.	5.7

### Listed Peers

	Ticker
Delhaize	DELB.BB

### Analysts

#### Patrick Roquas

+31 (0) 20 460 4826

#### Karel Zoete

+31 (0) 20 460 4827

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

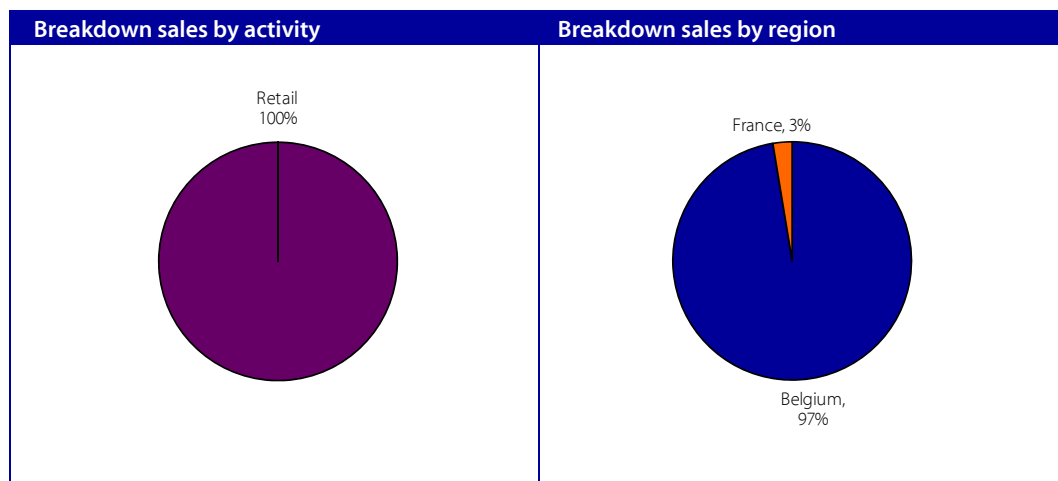
For 2009/2010FY management has guided for sales growth for the Colruyt banner of around 6.5% and a group net income of EUR 320m, largely in line with our projections of sales growth of 6.5% and a net profit of EUR 328m. Carrefour’s decision to either stay or exit Belgium is likely to dramatically impact the competitive landscape. We believe that Carrefour’s only option is a drastic restructuring of its Belgian hypermarkets. A recovery of the hypermarkets requires substantial investments while the outcome would be highly uncertain, whereas an ongoing focus on cash keeps the negative vicious circle intact in the tough competitive environment. However, in case Carrefour would stay and invest, fears for a price war would increase. Remember that Colruyt is a consequent price follower, that hard discount is already moving to regain previous market share losses and that Delhaize has finally found the right momentum in driving volume growth.

### Company profile

Colruyt is Belgium’s most successful retailer. Over the past 10 years it has almost doubled its market share to around 21%, ranking third behind Carrefour and Delhaize. The Colruyt stores, a no-frills, full range discount concept, account for 77% of group sales. Other activities include non-food retail chains in Belgium and food service and food retailing in France.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Unassailable image for low prices</li> <li>▪ Strong corporate culture and cost focus</li> <li>▪ No currency risk</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited free float</li> <li>▪ Unproductive cash pile</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Export succesful format to neighbouring markets</li> <li>▪ Expansion in food service</li> </ul>	<ul style="list-style-type: none"> <li>▪ Irrational pricing behaviour in Belgian food retail</li> <li>▪ Ongoing SBB further limit liquidity of the shares</li> </ul>



Income Statement (EURmln)					
	2008	2009	2010E	2011E	2012E
Revenues	5,673.8	6,309.4	6,754.5	7,307.6	7,676.9
Cost of sales	-4,297.8	-4,779.2	-5,116.4	-5,535.3	-5,815.1
Gross profit	1,376.0	1,530.2	1,638.1	1,772.2	1,861.8
Operating costs	-872.1	-981.2	-1,051.1	-1,125.2	-1,175.5
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	503.9	549.0	587.0	647.0	686.3
Depreciation	-102.3	-117.2	-124.9	-134.8	-151.8
EBITA	401.6	431.8	462.1	512.2	534.5
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	401.6	431.8	462.1	512.2	534.5
Net financial result	14.0	3.4	6.4	10.4	11.4
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	415.6	435.2	468.5	522.6	545.9
Income taxes	-128.7	-126.8	-140.6	-156.8	-174.8
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items / participation	0.0	-2.4	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	286.9	306.0	328.0	365.8	371.1
Adjustments, total	1.2	0.1	0.1	0.1	9.0
Net income recurring	288.1	306.0	328.0	365.9	380.1
PERSHARE ITEMS					
Shares outstanding avg. (mln)	32.5	32.0	31.4	30.9	30.3
Shares outstanding fully diluted (mln)	32.5	32.0	31.4	30.9	30.3
EPS reported	8.86	9.55	10.45	11.86	12.54
EPS recurring	8.86	9.55	10.45	11.86	12.54
CPS	12.94	12.82	16.16	17.34	18.06
DPS	3.62	3.92	4.28	4.86	5.14
Fiscal year ends 3/2010					
% GROWTH					
Revenues		11.2	7.1	8.2	5.1
EBITA		7.5	7.0	10.8	4.3
Net income recurring		6.2	7.2	11.5	3.9
% MARGINS					
Gross margin		24.3	24.3	24.3	24.3
EBITA margin		6.8	6.8	7.0	7.0
Net recurring margin		4.9	4.9	5.0	5.0
Valuation					
	2008	2009	2010E	2011E	2012E
Enterprise Value (mln)	4,706.6	4,639.5	4,639.1	4,534.1	4,426.6
P/E recurring (x)	18.0	16.7	15.3	13.5	12.8
P/Sales (x)	0.9	0.8	0.7	0.7	0.6
P/FCF (x)	27.5	26.6	18.0	15.9	15.2
P/CF (x)	12.0	12.1	9.6	8.9	8.6
P/B (x)	5.4	4.7	4.6	4.2	3.8
Dividend yield (%)	2.3	2.5	2.7	3.0	3.2
EV/EBITDA (x)	9.3	8.5	7.9	7.0	6.4
EV/Sales (x)	0.8	0.7	0.7	0.6	0.6
EV/FCF (x)	25.7	24.9	17.1	15.1	14.3

<b>Cash Flow Statement ( EURm)</b>					
	<b>2008</b>	<b>2009</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
Net Income Reported	288.1	306.0	328.0	365.9	380.1
Depreciation & Amortisation	102.3	117.2	124.9	134.8	151.8
Working Capital Change	17.7	-16.1	35.5	28.4	11.3
Other Items	12.4	3.5	19.0	5.8	3.9
Cash Flow from Operations	420.5	410.7	507.5	535.0	547.1
Net Capital Expenditure	-237.2	-224.0	-236.4	-233.8	-238.0
Goodwill from Acquisitions	-18.1	-10.8	0.0	0.0	0.0
Other Investments	-35.8	-2.2	-5.8	-1.5	-1.0
Cash Flow from Investments	-291.1	-237.0	-242.2	-235.3	-239.0
Ordinary Dividends	-117.6	-125.5	-134.5	-150.0	-155.8
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	6.9	1.3	1.5	1.9	1.3
Change in Minorities	-0.1	0.1	4.2	0.0	0.0
Cash Flow from Financing	-110.8	-124.1	-128.8	-148.2	-154.5
Change in Cash	18.5	49.6	136.5	151.5	153.6
Free Cash Flow	183.3	186.6	271.1	301.2	309.1
Free Cash Flow Yield (%)	3.6	3.8	5.6	6.3	6.6

<b>Balance Sheet ( EURm)</b>					
	<b>2008</b>	<b>2009</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
Cash & Cash equivalents	352.5	348.2	252.3	273.9	297.5
Other current assets	759.9	820.9	858.6	921.5	968.1
Net PP&E	936.9	1,043.7	1,155.2	1,254.2	1,340.4
Intangible assets	71.3	82.1	82.1	82.1	82.1
Other non-current assets	65.1	67.3	73.1	74.6	75.6
Total Assets	2,185.6	2,362.2	2,421.3	2,606.3	2,763.7
Short-term debt	2.8	3.6	3.8	4.0	4.2
Other current liabs	1,087.9	1,132.8	1,206.0	1,297.4	1,355.3
Long-term debt	18.5	19.0	20.3	22.0	23.1
Other non-current liabs	104.4	107.9	126.9	132.8	136.7
Minority interest	0.7	0.8	5.0	5.0	5.0
Total equity	970.5	1,098.0	1,059.3	1,145.2	1,239.4
Total liabs & equity	2,184.8	2,362.1	2,421.3	2,606.3	2,763.7
Net debt	-331.2	-325.6	-228.2	-247.9	-270.2
ROIC (%)	48.6	42.8	38.1	38.9	37.2
Net gearing (%)	-34.1	-29.7	-21.5	-21.6	-21.8
Working capital as % of sales	-3.7	-2.9	-3.1	-3.1	-3.0
Inventory period days		26.3	26.1	25.6	26.0
Trade debtor days		17.4	17.4	17.0	17.1
Trade creditor days		44.1	42.6	41.7	41.6
Cash cycle		-0.3	0.9	0.9	1.4



# Corio

## Buying Spain, feeling good

### Key message

With its main exposure to solid Western European countries with a low-risk shopping centre portfolio, we consider Corio a liquid safe bet on European real estate. Although its Spanish and Turkish projects are likely to suffer in the coming period, results can be offset by income producing development projects running in the numbers. On top of that, Corio expressed the desire to invest the remaining EUR 131.5m proceeds from recent equity issue at attractive yields before May 2010, which are going to be funded by its recent equity issue.

	2008	2009E	2010E	2011E
Net rental income (EUR m)	317.7	338.2	351.3	354.7
EBITDA (EUR m)	316.1	298.7	309.5	312.4
Direct result (EUR m)	204.1	208.7	219.7	222.9
Indirect result (EUR m)	443.7-	367.7-	67.9-	18.9-
Recurring FFO p/s	3.08	2.73	2.88	2.92
Consensus recurr. FFO p/s		2.97	2.93	2.89
EPS	3.62-	2.08-	1.99	2.67
NNAV p/s	52.20	43.36	43.03	43.25
P/NNAV-1	-37.0%	8.7%	9.5%	9.0%
FFO multiple	10.7	17.2	16.4	16.1
Dividend Yield (%)	5.6	4.9	5.2	5.3

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Along with the 09FY profit upgrade at the interims, Corio announced to have increased its funding flexibility by an extension (averaging 2.3y) of EUR 186m existing loan (until Oct 2013) and a new 7-year EUR 200m inflation-linked facility with APG. We understand the latter is priced at a 3.1% coupon relating to a CPI-adjusted principle amount.
- On 25 June, Corio announced to have taken a 95% stake in the company PPG managing the Spanish shopping centre Príncipe Pío in Madrid for EUR 126.5m at a 7.8% NIY. Corio paid EUR 56.5m for the shares, as PPG itself involves EUR 70m (long term) debt. According to Corio, the initial net return on equity is 13.0%. We estimate a normalized return on equity of 10.2%, based on a normalized cost of finance of 4.45% and a 10% haircut on current rental income. We view this transaction as a good deal for Corio, as with the long-term debt involved it (pro-rata) makes up for the dilution of the recent equity issue.

### Valuation

Our DCF model currently points to a fair value of EUR 44, which is roughly in-line with our anticipated 2009 NNAV. Current trading of over 15x 2009E FFO is above its historical 13.7x multiple. We consider this appropriate, since historical data includes period of Corio being an open-ended diversified fund, while it now is a closed-end retail company which has less risks involved.

### Rating

**Hold**

**Price target:**

**EUR 44.0**

**Price 29 Sep 2009:**

**EUR 47.0**

**Up-/downside:**

**-6.4%**

### Real Estate

**Market capitalisation:**

EUR 3,589 m

**Avg (12 month) daily volume:**

284,141

**Free float**

63%

**Reuters**

CORAS

**Bloomberg code**

CORA NA

### Share Price Performance %

	-1m	-3m	-12m
Corio	+10	+36	-6
MSCI Europe	+1	+30	-18
MSCI Netherlands	+4	+30	-9

### Agenda

Results 09Q3

18 Nov 2009

### Major shareholders

	%
APG	36.6

### Listed Peers

	Ticker
VastNed Retail	VASTN NA
Eurocommercial Properties	ECMPA NA
Unibail Rodamco	UL FP

### Analysts

**Ruud van Maanen**

+31 (0) 20 460 4831

**Rick Tervoort**

+31 (0) 20 460 4830

**Michiel de Jonge**

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

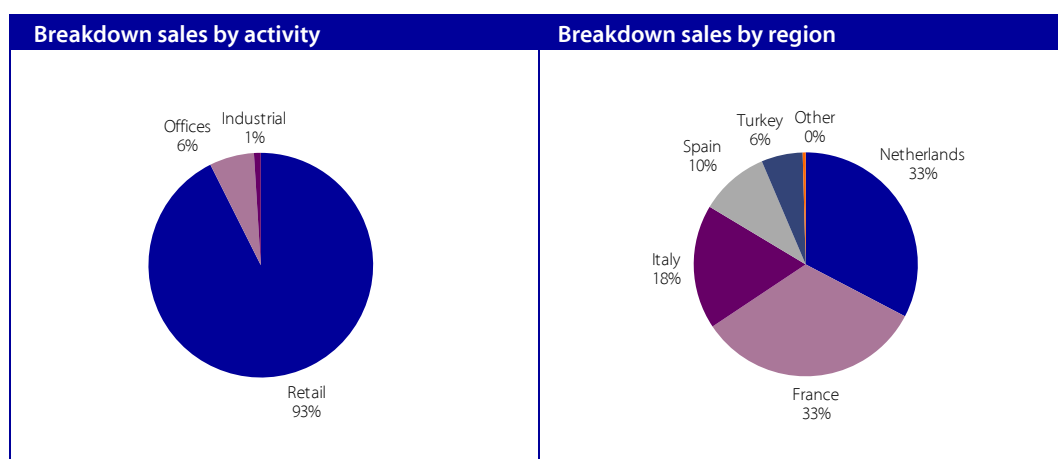
Corio's attraction is illustrated by an earnings-resilient low-risk shopping centre portfolio with a pan-European footprint, and a low-geared balance sheet allowing to seize attractive deal opportunities that could further enhance its FFO profile in the coming years. We argue top-line earnings will find a lot of support from its pipeline developments running in the numbers for the coming years. As funding is in-place, these developments can more than offset the I-f-I rent decline that we expect mainly to occur in Spain and Turkey. We anticipate the GRI to increase by 7.6% in 2009 to EUR 393m, which is assumed to show further growth in 2010 in spite of our -5% I-f-I rent decline in Spain. Our FFO estimate of EUR 209m is in-line with company guidance on 2009 direct result, which is to be a touch above 2008 (EUR 204m).

### Company profile

Corio is one of Europe's largest self administered and self managed real estate investment companies. Its portfolio comprises of 92% retail and is mainly focused on large shopping centres that are dominant in its surrounding area. Corio's portfolio is tilted towards the Netherlands and France, with other core countries being Spain, Italy and Turkey. Corio aims to expand its EUR 6bn investment portfolio mainly with its pipeline (EUR 3.0bn) and targets to seize attractive deal opportunities mainly in Spain and France. Expansion of its Turkish portfolio can be expected for the coming years by completed developments that will be taken possession of at completion.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Solid balance sheet</li> <li>▪ Limited cyclicality of shopping centres</li> <li>▪ Diversified to several Western European economies</li> <li>▪ Room for acquisitions</li> <li>▪ High-liquidity of the stock</li> </ul>	<ul style="list-style-type: none"> <li>▪ Exposure to troubling Spain and Turkey</li> <li>▪ Liquidity demand for pipeline developments</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Future growth and value creation (pipeline) developments</li> <li>▪ Attractive acquisitions in declining real estate markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Earnings risk in deteriorating retail sales environment</li> <li>▪ Yield expansion declining NNAV</li> <li>▪ Risks associated with a development pipeline</li> <li>▪ Negative indexation in France</li> </ul>



Income Statement ( EURm)				
	2008	2009E	2010E	2011E
Gross rental income	3 64.7	3 92.6	408.5	412.4
Operating costs	-47.0	-54.3	-57.2	-57.7
Net rental income	3 17.7	3 38.2	3 51.3	3 54.7
Property development income	N/A	N/A	N/A	N/A
General expenses	-30.2	-39.5	-41.8	-42.2
Other income & expenses	28.6	0.0	0.0	0.0
EBITDA	3 16.1	298.7	3 09.5	3 12.4
Depreciation & Amortisation	0.0	0.0	0.0	0.0
EBIT	3 16.1	298.7	3 09.5	3 12.4
Net financial result	-127.2	-98.1	-103.8	-104.6
Other pre-tax items	0.0	0.0	0.0	0.0
EBT	188.9	200.6	205.6	207.8
Income taxes	0.0	-0.9	-0.9	-0.9
Direct result of associates	15.2	9.0	14.0	14.0
Other post-tax items / minorities	0.0	0.0	1.0	2.0
Extraordinaries	0.0	0.0	0.0	0.0
Direct investment result	204.1	208.7	219.7	222.9
Revaluation	-33 6.5	-43 5.0	-84.3	-25.5
Taxes on revaluation	21.6	81.9	15.3	4.6
Net result of property sales	-2.8	0.0	0.0	0.0
Indirect result of associates	-96.7	-14.5	0.0	0.0
Other post-tax items / minorities	-29.3	0.0	1.0	2.0
Indirect investment result	-443.7	-3 67.7	-67.9	-18.9
Net profit	-23 9.6	-158.9	153.8	208.0
PER SHARE ITEMS				
Shares outstanding avg. (m)	66.3	76.4	76.4	76.4
Shares outstanding fully diluted (m)	66.3	76.4	76.4	76.4
EPS reported	-3 .62	-2.08	1.99	2.67
EPS recurring	3.08	2.73	2.88	2.92
NNAV	52.20	43.3 6	43.03	43.25
DPS	2.64	2.3 2	2.45	2.48
Payout ratio (%)	85.7	85.0	85.0	85.0
Fiscal year ends 12/2009				
% GROWTH				
Net rental income	5.2	2.7	-1.8	6.2
Lfi Net rental income	14.8	-0.8	-0.6	1.4
EBITDA	9.2	-5.5	3.6	1.0
Net income recurring	0.5	2.3	5.3	1.4
% MARGINS				
Gross margin	87.1	86.2	86.0	86.0
EBITDA margin	86.7	76.1	75.8	75.8
Net recurring margin	56.0	53.2	53.8	54.0

<b>Cash Flow Statement ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	-239.6	-158.9	151.8	204.0
Minorities	0.0	0.0	2.0	4.0
Investment property disposal profit	2.8	0.0	0.0	0.0
Net Valuation Movements	336.5	435.0	84.3	25.5
Direct Result of Associates	-15.2	-9.0	-14.0	-14.0
Indirect Result of Associates	96.7	14.5	0.0	0.0
Deferred Tax Liabilities	-21.6	-8.19	-15.3	-4.6
Working Capital Change	-229.2	0.0	0.0	0.0
Other Items	3.1	-8.0	0.0	0.0
Cash Flow from Operations	-66.5	191.7	208.7	214.9
Investment in properties	-13.7	-3.60	-157.3	-0.8
Investment in associates	20.9	16.6	24.0	10.2
Investment in immaterial fixed assets	6.1	0.0	0.0	0.0
Investment in other property, plant & eq.	11.2	0.0	0.0	0.0
Cash flow from investing	24.5	-19.4	-133.4	9.4
Increase in long term debt	164.6	-187.5	206.1	76.2
Increase in short term debt	3.2	0.0	0.0	0.0
Dividends & other equity changes	-127.7	11.8	-177.2	-187.1
Cash flow from financing	40.1	-175.6	28.9	-110.9
Change in cash	-1.9	-3.3	104.3	113.4

<b>Balance Sheet ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Investment property	6,031.7	5,610.6	5,673.7	5,652.7
Financial non-current assets	56.4	56.4	56.4	56.4
Other non-current assets	68.3	68.3	68.3	68.3
Cash & Cash Equivalents	10.8	7.5	109.8	219.3
Other current assets	241.3	241.3	241.3	241.3
Total assets	6,408.5	5,984.1	6,149.5	6,238.0
Short-term debt	96.8	96.8	96.8	96.8
Other current liabs	199.0	199.0	199.0	199.0
Long-term debt	2,362.9	2,175.4	2,381.5	2,457.8
Other non-current liabs	291.3	201.4	186.1	181.4
Minority interest	0.0	0.0	0.0	0.0
Shareholders' equity	3,458.5	3,311.4	3,286.1	3,303.0
Total liabs & equity	6,408.5	5,984.1	6,149.5	6,238.0
Net debt	2,448.9	2,264.7	2,368.5	2,335.3
Total return on equity (%)	-6.9	-4.8	4.7	6.3
Direct return on equity (%)	5.9	6.3	6.7	6.7
Indirect return on equity (%)	-12.8	-11.1	-2.1	-0.6
Net gearing (%)	70.8	68.4	72.1	70.7

# Crucell

## Acquisition machine

### Key message

We currently rate the shares a Hold with a PT of EUR 15.5. Although the market for pentavalent vaccines is expected to keep on growing at a healthy pace, competition in this market is clearly increasing. Several Indian producers like Shanta and Panacea have recently won contracts from Unicef to provide pentavalent vaccine, with the two Indian producers accounting for more than 50% of the first tender. Additionally prices for pentavalent vaccine have declined by close to 10% in the past year. On the other hand Crucell still has a very interesting product pipeline with products for Rabies, Influenza, Tuberculosis and Malaria which will start driving the top line within several years.

	2008	2009E	2010E	2011E
Sales (EUR m)	283	385	392	394
EPS Recurring	0.20	0.59	0.66	0.71
P/E Recurring	78.5	26.6	23.8	22.1
P/FCFPS	196.2	24.5	24.5	29.1
EV/ EBITDA	16.1	8.5	8.0	7.5
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On the 18th of August Crucell announced that it had received a contract from the National Institute of Health (NIH), aimed at advancing the development of Crucell's highly specific and unique monoclonal antibodies for the treatment of Influenza. The contract provides funding of up to \$40.7 million, with additional options that may be triggered at the discretion of the NIH worth a further \$28.4 million, bringing the potential total amount to \$69.1 million.
- On the 17th of August Crucell announced new contracts for Quinvaxem valued at USD 300m for deliveries needed in the period 2010-2012. These contracts are in addition to the \$500 million obtained over the tender period 2007-2009, and support the superior quality and reliability of Crucell's fully-liquid pentavalent vaccine. During the first tender round in 2006, Crucell was initially awarded \$230 million (Dec 2006) and received additional incremental awards of \$130 million and \$140 million in May and September, 2008, respectively. Additional tenders for the period spanning 2010-2012 are expected in the coming years.
- At the end of June, Crucell announced positive phase II clinical trial results of its investigational Rabies monoclonal antibody combination, which started in May 2008 in the Philippines.

### Valuation

Our risk-adjusted DCF valuation, which does not attach any value to Crucell's pre-clinical research, IP and know-how arrives at fair value of EUR 15.5. In the short term, we believe risks with regard to pricing and marketshare for Quinvaxem are increasing, but long term potential remains significant. We believe especially the monoclonal antibodies against Rabies and Influenza have significant potential for Crucell.

### Rating

**Hold**

**Price target:** EUR 15.5   
**Price 29 Sep 2009:** EUR 15.7  
**Up-/downside:** -1.2%

### Biotechnology

**Market capitalisation:**

EUR 1,046 m

**Avg (12 month) daily volume:**

426,730

**Free float**

84%

**Reuters**

CRCLAS

**Bloomberg code**

CRXL NA

### Share Price Performance %

	-1m	-3m	-12m
Crucell	+2	-8	+44
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	03 Nov 2009
Results 09Q4	09 Feb 2010

### Major shareholders

	%
A. van Herk	10.2
Aviva	5.9

### Listed Peers

	Ticker
Eutelsat	ETL FP
Bavarian	BAVA DC
Baxter	BAX US
Intercell	ICLL AV

### Analysts

**Fabian Smeets**

+31 (0) 20 460 4864

**Philip Scholte**

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

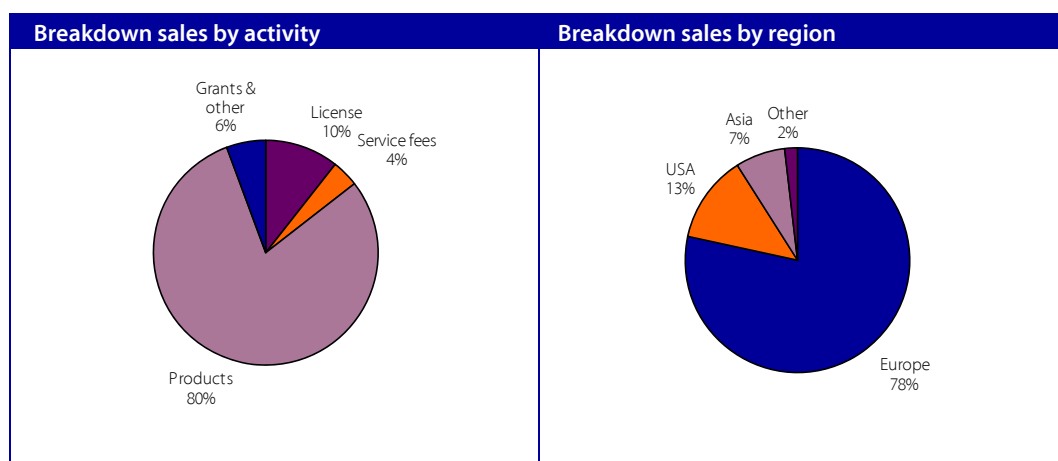
Crucell targets revenues to grow by 20% in constant currencies in 2009 and show positive cash flow, which is in line with our expectations as we expect 36% revenue growth in 2009 and positive cash flow. Contrary to consensus we expect Quinvaxem sales are near their peak and therefore future growth will come from the Rabies mAB collaboration with Sanofi Pasteur from 2011 onwards. Another important growth will be the travel segment where the introduction of Epaxal and Dukoral in new countries will be responsible for most of the growth.

### Company profile

Crucell is a biotechnology company focused on developing vaccines and antibodies that prevent and treat infectious diseases, including Ebola, Influenza, Malaria, Rabies and Yellow fever. Crucell's products are based on its innovative PER.C6 technology, which offers a safer, more efficient way of producing biopharmaceuticals. The company licenses its technology to leading biopharmaceutical companies such as Merck, Aventis, Centocor/J&J and UCB.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Successful partnering and outlicensing PER.C6</li> <li>▪ Strong position in vaccine industry</li> <li>▪ Promising proteins and antibody pipeline</li> <li>▪ Cash rich and with a positive cash flow</li> </ul>	<ul style="list-style-type: none"> <li>▪ High exposure to a single technology</li> <li>▪ Very dependent on Quinvaxem</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Expansion of the vaccines portfolio</li> <li>▪ Successful partnering and licensing of its main technologies</li> <li>▪ Further penetration of the protein manufacturing market, together with DSM</li> </ul>	<ul style="list-style-type: none"> <li>▪ Projects in pipeline can fail</li> <li>▪ Although PER.C6 has many beneficial properties, clients in the protein production industry might still prefer other cell types</li> <li>▪ Lower USD vs the EUR</li> <li>▪ More competition for Quinvaxem</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	213.1	283.4	385.0	392.0	394.3
Cost of sales	-238.3	-247.1	-304.7	-299.0	-300.7
Gross profit	-25.2	36.2	80.3	93.0	93.7
Operating costs	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	-25.2	36.2	80.3	93.0	93.7
Depreciation	-14.5	-16.6	-16.8	-20.1	-21.2
EBITA	-39.7	19.6	63.5	72.9	72.4
Amortisation	-11.9	-11.7	-9.9	-8.6	-7.6
EBIT	-51.6	7.9	53.6	64.3	64.9
Net financial result	1.4	-2.7	-1.2	4.1	8.2
Other pre-tax items	1.2	1.1	0.0	0.0	0.0
EBT	-49.0	6.3	52.4	68.4	73.1
Income taxes	3.0	8.3	-5.1	-15.4	-16.1
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	-45.9	14.6	47.3	53.0	56.9
Adjustments, total	0.0	-1.4	0.0	0.0	0.0
Net income recurring	-45.9	13.2	47.3	53.0	56.9
PERSHARE ITEMS					
Shares outstanding avg. (mln)	65.1	65.7	73.1	80.4	80.4
Shares outstanding fully diluted (mln)	65.3	65.9	80.4	80.4	80.4
EPS reported	-0.71	0.22	0.65	0.66	0.71
EPS recurring	-0.70	0.20	0.59	0.66	0.71
CPS	0.55	0.32	1.38	1.03	0.93
DPS	0.00	0.00	0.00	0.00	0.00
Fiscal year ends 12/2009					
% GROWTH					
Revenues		33.0	35.9	1.8	0.6
EBITA		N/M	224.3	14.8	-0.7
Net income recurring		N/M	258.7	11.9	7.5
% MARGINS					
Gross margin		12.8	20.9	23.7	23.8
EBITA margin		6.9	16.5	18.6	18.4
Net recurring margin		4.7	12.3	13.5	14.4
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	965.6	921.5	686.1	746.1	701.6
P/E recurring (x)	N/A	78.5	26.6	23.8	22.1
P/Sales (x)	4.8	3.6	3.0	3.2	3.2
P/FCF (x)	118.8	190.9	22.4	24.6	29.1
P/CF (x)	28.5	49.0	11.4	15.2	16.9
P/B (x)	2.3	2.3	1.4	1.5	1.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	N/A	25.5	8.5	8.0	7.5
EV/Sales (x)	4.5	3.3	1.8	1.9	1.8
EV/FCF (x)	112.3	170.6	13.4	14.6	16.2

<b>Cash Flow Statement (EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	-45.9	14.6	47.3	53.0	56.9
Depreciation & Amortisation	26.3	31.7	26.7	28.7	28.8
Working Capital Change	49.1	-9.5	32.5	1.5	-10.0
Other Items	6.2	-15.6	-5.4	-0.7	-0.8
Cash Flow from Operations	35.7	21.2	101.1	82.5	75.0
Net Capital Expenditure	-27.0	-15.8	-50.0	-31.4	-31.5
Goodwill from Acquisitions	0.0	0.0	0.0	0.0	0.0
Other Investments	1.4	0.0	0.0	0.0	0.0
Cash Flow from Investments	-25.6	-15.8	-50.0	-31.4	-31.5
Ordinary Dividends	0.0	0.0	0.0	0.0	0.0
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-22.2	14.4	301.8	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	9.0	8.9	0.0	0.0	0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-13.2	23.3	301.8	0.0	0.0
Change in Cash	-3.2	28.7	352.9	51.2	43.4
Free Cash Flow	8.6	5.4	51.1	51.2	43.4
Free Cash Flow Yield (%)	0.8	0.5	4.5	4.1	3.4

<b>Balance Sheet (EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	163.2	171.0	522.5	577.0	621.5
Other current assets	140.0	151.3	169.4	164.6	165.6
Net PP&E	145.5	151.2	184.3	192.2	201.4
Intangible assets	44.4	46.1	46.1	46.1	46.1
Other non-current assets	131.7	116.7	106.8	98.2	90.6
Total Assets	624.9	636.3	1,029.1	1,078.1	1,125.2
Short-term debt	24.7	26.3	26.3	26.3	26.3
Other current liabs	90.0	91.9	142.5	139.1	130.1
Long-term debt	28.0	35.3	35.3	35.3	35.3
Other non-current liabs	44.9	29.3	23.9	23.3	22.5
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	437.2	453.5	801.1	854.0	911.0
Total liabs & equity	624.9	636.3	1,029.1	1,078.1	1,125.2
Net debt	-110.5	-109.3	-460.9	-515.4	-559.9
ROIC (%)	-12.5	6.4	21.2	20.8	20.8
Net gearing (%)	-25.3	-24.1	-57.5	-60.3	-61.5
Working capital as % of sales	23.4	21.0	7.0	6.5	9.0
Inventory period days		102.5	81.9	72.3	69.1
Trade debtor days		56.5	44.6	50.6	50.9
Trade creditor days		71.0	66.4	74.1	69.1
Cash cycle		88.0	60.0	48.8	51.0



## Finally tailwind

### Key message

Although further confirmation is needed to convince the market, 09Q2 results did prove that CSM has passed the trough. A recovery of Bakery Supplies (BS) and Purac remains the main trigger for further outperformance in the short term, while a breakthrough of PLA and the return to a 100% cash dividend would justify multiple expansion in the midterm. We rate the shares Buy, but after strong share price performance the upside versus our price target has diminished. We will align our rating and PT after the investor event on October 6.

	2008	2009E	2010E	2011E
Sales (EUR m)	2,599	2,637	2,672	2,780
EPS Recurring	1.86	1.32	1.62	2.11
P/E Recurring	9.2	12.9	10.5	8.1
P/FCFPS	63.2	10.2	10.1	10.0
EV/ EBITDA	8.6	7.2	6.2	5.1
Dividend Yield (%)	5.2	5.2	5.2	5.2

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- 09Q2 EBITA was 21% ahead of consensus, driven by BS NA that benefited from previous restructuring, a full recovery of Brill, as well as the positive effects from favorable raw material prices and currencies. 09Q2 also saw a modest improvement in volume growth and an increase in corporate costs.
- 09Q2 followed a disappointing 09Q1 trading update, with group EBITA almost 30% below consensus. This was partly driven by: (i) a reduction in finished goods inventories; (ii) negative volume growth, (iii) a negative raw material hedge at BS Europe, and (iv) an increase in holding costs due to higher pension costs and consultancy fees.
- So far, Purac has publicly announced 2 partnerships in relation to PLA. These include Synbra and Toyoba. A contract with a third party has been signed, although its name has not been disclosed so far, expectations are that this involves Teijin.
- In September CSM announced a JV with BASF to develop a business in succinic acid, a new potential growth platform with very interesting prospects.

### Valuation

At 10x 2010PER, 6.0x 2010EV/EBITDA and a FCF yield of 10%, valuation is no longer at rock bottom levels. Following its recent outperformance the shares are now in line with our PT of EUR 16. We will review our rating and PT ahead of the investor days on 5 and 6 October. Further upside in our estimates relate to: (i) a return to 2-4% sales growth at BS, compared to the current projected of 0%, (ii) BS EUR improving margins towards the level of BS NA or the previously targeted level of 8-10%, whereas we now assume 6% by 2011, (iii) Purac returning to a margin of 15%, on the back of volume growth and increased production from Thailand. A full recovery would translate into a PT towards EUR 20 by 2010/2011. On top of this: (i) the combination of recovering results and a solid BS, might trigger a return to a 100% cash dividend of EUR 0.8 per share, (ii) a breakthrough of PLA would justify multiple expansion (refer to our report of July 2009 and October 2008).

### Rating

**Buy**

**Price target:** EUR 16.0   
**Price 29 Sep 2009:** EUR 17.1  
**Up-/downside:** -6.3%

### Food Products

#### Market capitalisation:

EUR 1,109 m

#### Avg (12 month) daily volume:

318,195

#### Free float

63%

#### Reuters

CSMNC.AS

#### Bloomberg code

CSMNC NA

### Share Price Performance %

	-1m	-3m	-12m
CSM	+12	+62	0
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3	28 Oct 2009
Results 09FY	24 Feb 2010

### Major shareholders

	%
Franklin Mutual	10.4
Fortis Verzekeringen Nederland N.V.	6.7
ING Groep	5.4
CSM	5.1
Delta Deelnemingen Fonds	4.8

### Listed Peers

	Ticker
IAWS	IAW ID
Hiestand	HIEN SW

### Analysts

#### Karel Zoete

+31 (0) 20 460 4827

#### Patrick Roquas

+31 (0) 20 460 4826

### Rabo Securities Amsterdam

Equity Sales	+31 20 460 4707
Equity Sales Trading	+31 20 460 4723
<a href="http://www.rabosecurities.com">www.rabosecurities.com</a>	

### Outlook

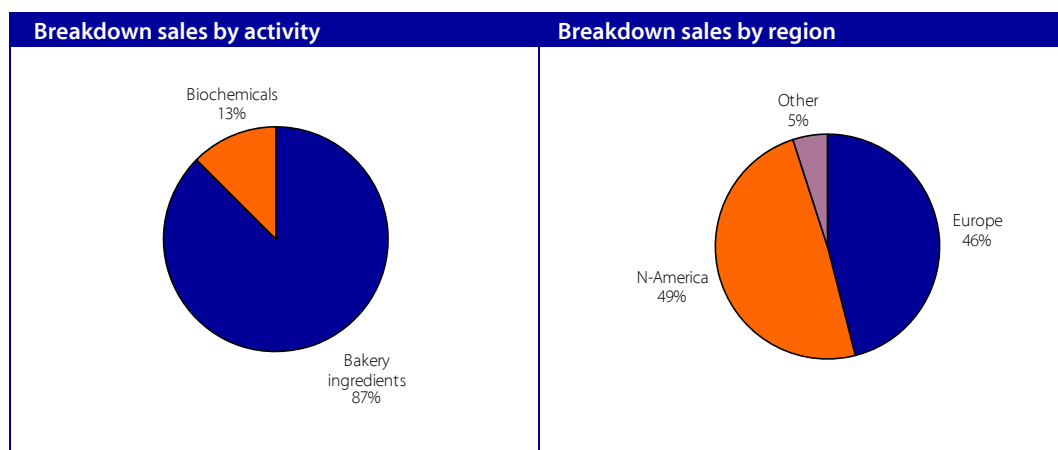
Management has not disclosed guidance for 09FY. For 09Q3, CSM guides a higher 09Q3 EBITAE yoy. We find this cautious based on: (i) the improvements shown in 09Q2, including BS NA which 09H1 margin level of 7-8% is seem as sustainable, (ii) 08H2 providing an easy comparison base, (iii) less negative volumes and further cost savings in 09H2, (iv) the positive support from raw materials and currencies in 09Q3 and potentially also in 09Q4. CSM's exposure to record high sugar prices seems safe until 09YE. To put the recovery potential into perspective, since 07H1, CSM has been impacted by headwind factors totalling up to EUR 65m, while our projections assume that EUR 36m will be recovered by 2010.

### Company profile

CSM is the European market leader in Bakery Supplies with a market share of 12% (44% of sales) as well as the second player in the relatively more fragmented US market with a market share of 6% (43% of sales). After the disposal of Sugar Confectionary and Sugar, operations in lactic acid generate the remainder of group sales. In lactic acid, CSM is the global market leader with a market share of 65%.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Leading market positions in the fragmented bakery market</li> <li>▪ Scale benefits versus local bakery competitors</li> <li>▪ A very strong market position in the attractive lactic acid market</li> </ul>	<ul style="list-style-type: none"> <li>▪ Large exposure to declining segments in Bakery Supplies</li> <li>▪ Limited synergy between divisions</li> <li>▪ Low organic growth potential of 2-3% for Bakery Supplies</li> <li>▪ Limited pricing power</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Increasing (niche) applications for lactic acid and PLA</li> <li>▪ Restructuring of Bakery Supplies North America and Europe</li> <li>▪ Value creating add on acquisitions in BS for attractive multiples</li> <li>▪ Step up sales growth at BS through innovation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overcapacity in lactic acid and competition from Chinese suppliers</li> <li>▪ Rising raw material prices</li> </ul>



Income Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Revenues	2,485.6	2,599.3	2,637.6	2,672.1	2,780.7
Cost of sales	-1,988.5	-2,079.4	-2,110.1	-2,137.7	-2,224.5
Gross profit	497.1	519.9	527.5	534.4	556.1
Operating costs	-282.7	-328.0	-322.1	-299.2	-277.2
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	214.4	191.9	205.5	235.2	279.0
Depreciation	-60.7	-58.8	-65.2	-66.2	-68.4
EBITA	153.7	133.1	140.3	169.0	210.6
Amortisation & exceptionals	93.9	26.6	7.4	7.4	7.4
EBIT	59.8	106.5	132.9	161.6	203.2
Net financial result	-19.6	-28.1	-31.6	-27.0	-25.6
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	40.2	78.4	101.3	134.6	177.6
Income taxes	15.9	11.6	-22.3	-33.7	-44.4
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	146.7	0.0	0.0	0.0	0.0
Net income	202.8	90.0	79.0	101.0	133.2
Adjustments, total	-73.7	26.6	7.9	0.6	0.6
Net income recurring	129.1	116.6	86.8	101.6	133.8
PERSHARE ITEMS					
Shares outstanding avg. (mln)	65.3	61.8	63.4	63.4	63.4
Shares outstanding fully diluted (mln)	65.3	61.8	64.9	64.9	64.9
EPS reported	3.11	1.46	1.37	1.60	2.11
EPS recurring	1.95	1.86	1.32	1.62	2.11
CPS	4.04	2.41	2.28	2.58	3.11
DPS	0.88	0.88	0.88	0.88	0.88
Fiscal year ends 12/2009					
% GROWTH					
Revenues		4.6	1.5	1.3	4.1
EBITA		-13.4	5.4	20.5	24.6
Net income recurring		-9.7	-25.5	16.9	31.7
% MARGINS					
Gross margin		20.0	20.0	20.0	20.0
EBITA margin		5.1	5.3	6.3	7.6
Net recurring margin		4.5	3.3	3.8	4.8
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	2,036.8	1,655.0	1,537.6	1,471.1	1,418.2
P/E recurring (x)	8.8	9.2	12.9	10.5	8.1
P/Sales (x)	0.4	0.4	0.4	0.4	0.4
P/FCF (x)	3.5	63.6	10.0	9.9	9.8
P/CF (x)	4.2	7.1	7.5	6.6	5.5
P/B (x)	1.2	1.1	1.1	1.0	1.0
Dividend yield (%)	5.2	5.2	5.2	5.2	5.2
EV/EBITDA (x)	9.5	8.6	7.5	6.3	5.1
EV/Sales (x)	0.8	0.6	0.6	0.6	0.5
EV/FCF (x)	6.3	99.7	14.2	13.4	12.8

<b>Cash Flow Statement (EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	202.8	90.0	86.8	101.6	133.8
Depreciation & Amortisation	55.1	65.6	72.6	73.6	75.8
Working Capital Change	63.0	-35.1	12.1	9.5	-15.6
Other Items	-3.6	-51.5	0.0	0.0	0.0
Cash Flow from Operations	317.3	69.0	171.5	184.6	193.9
Net Capital Expenditure	5.1	-52.4	-63.0	-74.8	-83.3
Goodwill from Acquisitions	-63.7	-8.9	-0.0	-0.0	-0.0
Other Investments	10.2	-16.3	0.0	0.0	0.0
Cash Flow from Investments	-48.4	-77.6	-63.0	-74.8	-83.3
Ordinary Dividends	-54.4	-54.4	-57.1	-57.1	-57.1
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-100.5	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-179.1	118.4	0.0	0.0	0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-334.0	64.0	-57.1	-57.1	-57.1
Change in Cash	-65.1	55.4	51.5	52.8	53.5
Free Cash Flow	322.4	16.6	108.6	109.9	110.6
Free Cash Flow Yield (%)	28.9	1.6	10.0	10.1	10.2

<b>Balance Sheet (EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	8.0	83.6	156.4	222.9	275.8
Other current assets	619.4	662.0	653.4	647.1	672.6
Net PP&E	519.8	513.4	511.2	519.7	534.6
Intangible assets	771.6	773.7	766.3	758.9	751.5
Other non-current assets	57.5	73.8	73.8	73.8	73.8
Total Assets	2,048.3	2,106.5	2,161.1	2,222.4	2,308.4
Short-term debt	8.8	5.0	5.0	5.0	5.0
Other current liabs	465.7	473.2	476.7	479.8	489.7
Long-term debt	484.5	606.7	606.7	606.7	606.7
Other non-current liabs	131.6	80.1	80.1	80.1	80.1
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	957.7	941.5	992.6	1,050.7	1,126.8
Total liabs & equity	2,048.3	2,106.5	2,161.1	2,222.4	2,308.4
Net debt	413.3	528.1	455.3	388.8	335.9
ROIC (%)	10.0	20.3	16.5	18.2	22.4
Net gearing (%)	43.2	56.1	45.9	37.0	29.8
Working capital as % of sales	8.2	9.3	8.7	8.3	8.6
Inventory period days		39.8	42.6	41.4	40.4
Trade debtor days		46.2	45.8	44.9	43.8
Trade creditor days		32.6	33.0	33.1	32.6
Cash cycle		53.4	55.4	53.2	51.5

## Preference for Ahold

### Key message

Despite solid 09H1 numbers and confirmation of 09FY guidance, earnings risks have increased for 09H2 given a more aggressive pricing environment in the US. We continue to favour Ahold, which US operations have a better momentum. We rate the shares Hold with a price target of EUR 51.

	2008	2009E	2010E	2011E
Sales (EUR m)	19,023	20,455	20,946	21,449
EPS Recurring	4.70	4.88	4.98	5.67
P/E Recurring	10.1	9.8	9.6	8.4
P/FCFPS	20.3	9.8	16.9	13.3
EV/ EBITDA	5.2	4.8	4.7	4.3
Dividend Yield (%)	3.5	3.7	3.7	4.2

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- 09Q2 numbers were in line with consensus expectations, with 09Q2 EBIT of EUR 244m. The US reported a combination of 2.5% comp sales (or 0.2% when adjusted for the positive calendar effect from Easter and July 4th) and a margin of 5.4% (+30bps yoy). Belgium saw solid comp sales of 1.9% and an EBIT margin of 4.3% (+ 10 bps).
- The investor days in the US underlined Delhaize's strategy focusing on innovation and cost efficiency, which improve competitiveness and provide flexibility in penetrating local markets. Innovation was exemplified by: (i) the further roll out of Bottom Dollar, Bloom and the testing of new prototype stores at both Hannaford and Food Lion, (ii) initiatives to optimise the assortment in terms of private labels, value brands, prepared meals and the further expansion of guiding stars.
- On top of existing projects (like market renewals and private label development), SKU rationalisation at Food Lion might provide margin support in the short term. Support should also come from the emergence towards one master supply chain network with a 10 year benefit of US\$ 334m in NPV, through a combination of PL and BS gains. Benefits mainly stem from better sales (less out of stock), improved COGS (fuller truckloads, reduced mileage, and better supplier terms), inventory reductions and lower shrinkage. Current inefficiencies are for example illustrated by substantial unutilised DC capacity and a high % of direct store deliveries.

### Valuation

A consistent sales-driven strategy is paying off into solid earnings growth and improved earnings visibility. The shares are valued at of 4.7x 2010 EV/EBITDA, 10x 2010 PER, as well as a FCF yield of 6%. Mentioned multiples are generally in line with the US sector and reflect a small discount versus Carrefour, whereas based on historical multiples, Delhaize traded a 10-15% discount versus US peers and a 25-30% discount versus Carrefour. At these levels, we favour Ahold (Buy, PT EUR 11) given: (i) the momentum of VIP which is gradually and consistently paying off into better results, while S&S and Giant Landover operate in resilient regions, (ii) the overlap with Supervalu which we regard as a vulnerable competitor, (iii) a more attractive position in its home market. We maintain our Hold rating with a PT of EUR 51.

### Rating

**Hold**

**Price target:** EUR 51.0

**Price 29 Sep 2009:** EUR 47.6

**Up-/downside:** +7.1%

### Food & Drug Retailing

#### Market capitalisation:

EUR 4,802 m

#### Avg (12 month) daily volume:

401,967

#### Free float

94%

#### Reuters

DELBt:BR

#### Bloomberg code

DELB.BB

### Share Price Performance %

	-1m	-3m	-12m
Delhaize	+2	-5	+16
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Results 09Q3

05 Nov 2009

### Major shareholders

	%
Axa	5.9

### Listed Peers

	Ticker
Ahold	AH NA
Colruyt	COLR BB

### Analysts

#### Patrick Roquas

+31 (0) 20 460 4826

#### Karel Zoete

+31 (0) 20 460 4827

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

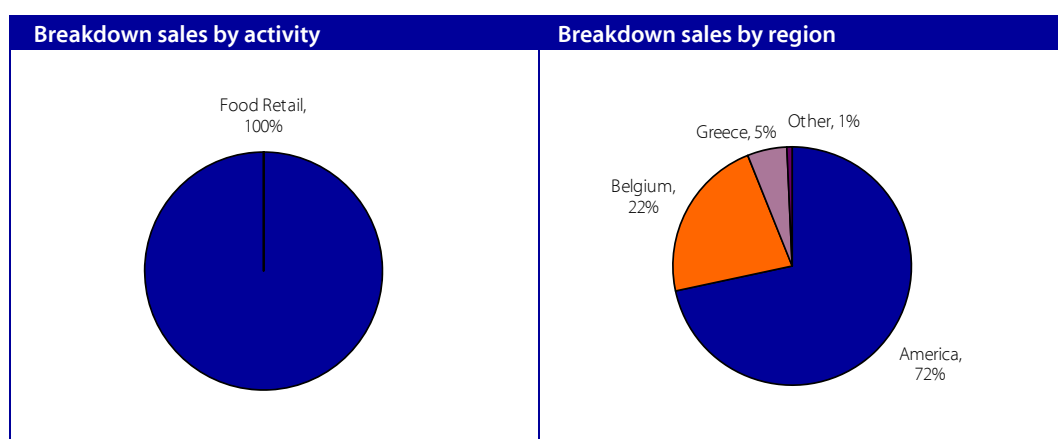
During the 09H1 event, management confirmed its guidance for 09FY on the back of solid 09H1 results and confidence for further cost savings. We believe however that earnings risks are increasing for 09H2. This is due to the more demanding comparison base as well as more aggressive price cuts from respected competitors including Wal-Mart, Kroger and Publix. At the same time, Food Lion is active in markets which are severely hit by rising unemployment. Contrary, we expect Belgium to sustain its positive momentum driven by the Excel program and structural focus on improving its price perception. Carrefour's decision to either stay or exit Belgium is likely to dramatically impact the competitive landscape. We believe that Carrefour's only option is a drastic restructuring of its Belgian hypermarkets. A recovery of the hypermarkets requires substantial investments while the outcome would be highly uncertain, whereas an ongoing focus on cash keeps the negative vicious circle intact in the tough competitive environment. However, in case Carrefour would stay and invest, fears for a price war would increase. Remember that Colruyt is a consequent price follower, that hard discount is already moving to regain previous market share losses and that Delhaize has found the right momentum in driving volume growth.

### Company profile

Delhaize is a leading food retailer in the US with sales of almost US\$ 19bn. Belgium accounts for around 24% of sales and represents a No.1 position ahead of Carrefour, Greece (No.1), Romania and Indonesia. The US operations contributed 75% of 2008 group EBIT.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ No.1/2 market positions in its core markets</li> <li>▪ strong operational skills</li> <li>▪ Comfortable balance sheet ratios</li> </ul>	<ul style="list-style-type: none"> <li>▪ High fixed interest rates on its US debt</li> <li>▪ Track record of earnings volatility</li> <li>▪ Exposed to low growth markets</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Store portfolio optimization</li> <li>▪ Product mix improvements</li> <li>▪ De-leveraging</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continued fierce competition in core markets</li> <li>▪ Increased competition from non food retailers</li> <li>▪ Exposed to lower US\$/EUR rates</li> </ul>



Income Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Revenues	18,943.7	19,023.9	20,455.8	20,946.1	21,449.1
Cost of sales	-14,151.9	-14,204.2	-15,293.8	-15,681.3	-16,079.3
Gross profit	4,791.8	4,819.7	5,162.0	5,264.8	5,369.8
Operating costs	3,378.9	3,430.1	3,666.9	3,747.3	3,735.3
EBITDA	1,412.9	1,389.6	1,495.1	1,517.4	1,634.5
Depreciation	-424.3	-433.5	-454.4	-474.5	-500.9
EBITA	988.6	956.2	1,040.7	1,042.9	1,133.5
Amortisation	-51.4	-52.1	-52.1	-52.1	-52.1
EBIT	937.2	904.1	988.6	990.8	1,081.4
Net financial result	-347.2	-212.9	-233.5	-223.4	-214.3
Other pre-tax items	14.5	11.1	0.0	0.0	0.0
EBT	604.5	702.2	755.1	767.3	867.2
Income taxes	-203.7	-216.8	-246.8	-249.1	-277.8
Minority interests	-14.4	-12.2	-12.7	-12.9	-14.5
Other post-tax items / participation	23.7	-6.1	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	410.1	467.1	495.7	505.4	574.9
Adjustments, total	80.7	44.3	43.8	43.8	43.8
Net income recurring	490.8	511.4	539.5	549.1	618.6
PERSHARE ITEMS					
Shares outstanding avg. (mln)	97.7	99.4	99.4	99.4	99.4
Shares outstanding fully diluted (mln)	103.4	103.1	103.1	103.1	103.1
EPS reported	3.96	4.53	4.81	4.90	5.57
EPS recurring	3.81	4.70	4.88	4.98	5.67
CPS	9.00	9.62	11.03	10.29	11.27
DPS	1.44	1.65	1.75	1.78	2.02
Fiscal year ends 12/2009					
% GROWTH					
Revenues		0.4	7.5	2.4	2.4
EBITA		-3.3	8.8	0.2	8.7
Net income recurring		4.2	5.5	1.8	12.7
% MARGINS					
Gross margin		25.3	25.2	25.1	25.0
EBITA margin		5.0	5.1	5.0	5.3
Net recurring margin		2.7	2.6	2.6	2.9
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	9,024.9	7,229.5	7,176.9	7,090.4	6,949.7
P/E recurring (x)	12.5	10.1	9.8	9.6	8.4
P/Sales (x)	0.2	0.2	0.2	0.2	0.2
P/FCF (x)	9.9	63.3	9.4	16.3	12.8
P/CF (x)	5.3	4.9	4.3	4.6	4.2
P/B (x)	1.3	1.1	1.1	1.0	0.9
Dividend yield (%)	3.0	3.5	3.7	3.7	4.2
EV/EBITDA (x)	6.4	5.2	4.8	4.7	4.3
EV/Sales (x)	0.5	0.4	0.4	0.3	0.3
EV/FCF (x)	19.1	96.7	14.3	24.5	18.8

<b>Cash Flow Statement (EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	410.1	467.1	495.7	505.4	574.9
Depreciation & Amortisation	475.7	485.6	506.5	526.6	553.0
Working Capital Change	72.4	-100.3	-1.3	-0.4	-0.5
Other Items	-78.8	104.0	95.1	-9.0	-7.2
Cash Flow from Operations	879.4	956.4	1,096.0	1,022.6	1,120.3
Net Capital Expenditure	-407.4	-88.1	-593.2	-73.1	-750.7
Goodwill from Acquisitions	200.5	-213.4	-0.0	-0.0	-0.0
Other Investments	-20.9	-62.2	-114.8	-17.1	-17.5
Cash Flow from Investments	-227.8	-1,157.2	-708.0	-750.2	-768.2
Ordinary Dividends	-154.9	-163.5	-173.5	-176.9	-201.2
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-3,976	234.4	-142.0	-78.3	-132.2
Change in Minorities	-1.9	-9.3	-16.3	-9.0	-10.1
Cash Flow from Financing	-554.4	61.6	-331.8	-264.2	-343.6
Change in Cash	97.2	-139.2	56.2	8.2	8.5
Free Cash Flow	472.0	74.8	502.8	289.5	369.5
Free Cash Flow Yield (%)	10.1	1.6	10.6	6.1	7.8
<b>Balance Sheet (EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	248.9	322.3	344.2	352.4	360.9
Other current assets	1,948.1	2,080.7	2,237.3	2,290.9	2,345.9
Net PP&E	3,383.1	3,831.2	3,970.0	4,228.6	4,478.4
Intangible assets	2,445.7	2,607.0	2,554.9	2,502.8	2,450.7
Other non-current assets	796.1	858.3	973.1	990.1	1,007.7
Total Assets	8,821.9	9,699.5	10,079.5	10,364.9	10,643.6
Short-term debt	189.4	522.5	561.8	575.3	589.1
Other current liabs	2,031.3	2,063.6	2,218.9	2,272.1	2,326.7
Long-term debt	2,507.6	2,408.9	2,227.6	2,135.8	1,989.8
Other non-current liabs	417.6	509.4	591.8	569.9	548.3
Minority interest	48.7	51.6	48.0	51.8	56.2
Total equity	3,627.3	4,143.5	4,431.4	4,759.9	5,133.6
Total liabs & equity	8,821.9	9,699.5	10,079.5	10,364.9	10,643.6
Net debt	2,448.1	2,609.1	2,445.2	2,358.7	2,218.0
ROIC (%)	5.7	9.7	9.0	8.8	9.4
Net gearing (%)	67.5	63.0	55.2	49.6	43.2
Working capital as % of sales	0.9	1.8	1.8	1.8	1.8
Inventory period days		24.9	24.8	25.4	25.4
Trade debtor days		13.0	13.1	13.4	13.4
Trade creditor days		26.4	25.6	26.2	26.2
Cash cycle		11.5	12.3	12.6	12.6



## High dependency on macro developments remains

### Key message

Dexia is executing its transformation plan in which it will more focus on core markets and activities. The investment portfolio's are put in a run-off. Liquidity is gradually improving as the covered bond markets reopen, as Dexia is exiting non core markets and as spreads decline. However, Dexia remains dependent on macro events and the government. Deleveraging is likely to take quite long. Dexia expects to announce a definitive decision on the transformation plan presented to EU commission before year end.

	2008	2009E	2010E	2011E
Net income (EUR)	-1618	794	595	1430
EPS Published	-1.24	0.42	0.30	0.72
P/E Published	3.7	7.4	7.3	6.3
P/Equity	0.7	0.8	0.8	0.8
Dividend Yield (%)	3.2	0.0	0.0	6.9

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 27 August Dexia reported 09Q2 net profit of EUR 283m vs our expected EUR 250m, consensus of EUR 352m, driven by higher costs of State guarantees, rising loan loss provisions (0.9% of RWA) and limited impairments in the investment portfolio's.
- On 26 September Dexia announced that it would cut additional jobs (602) to achieve its cost cutting plans.
- On 30 September, CEO Mariani said that the 09Q3 results will be in line with the 09Q2 results so Dexia is likely to remain profitable in 2009.

### Valuation

We estimate that the through-the-cycle net profit of Dexia is about EUR 1.8bn or EUR 1.02 per share. As uncertainty remains as Dexia is much dependent on macro events, we allow for some extra dilution (EUR 1.5bn resulting in about 13% more shares and a through the cycle EPS of EUR 0.9). We increase our price target by EUR 1 to EUR 6.5 which is 7x our through-the-cycle EPS.

### Rating

**Hold**

**Price target:**

**EUR 6.5**

**Price 29 Sep 2009:**

**EUR 6.3**

**Up-/downside:**

**+3.9%**

### Banks

**Market capitalisation:**

EUR 11,028 m

**Avg (12 month) daily volume:**

4,106,468

**Free float**

56%

**Reuters**

DEXLBR

**Bloomberg code**

DEXB BB

### Share Price Performance %

	-1m	-3m	-12m
Dexia	+1	+16	-17
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Results 09Q3	13 Nov 2009
Results 09FY	25 Feb 2010
AGM	12 May 2010
Results 10Q1	12 May 2010
Results 10Q2	26 Aug 2010

### Major shareholders

	%
Arcofin	15.3
Gemeentelijke Holding	14.9
Caisse des dépôts et consignations	7.7
Ethias	5.7

### Listed Peers

	Ticker
None	--

### Analysts

**Georg Krijgh**

+31 20 460 4860

**Cor Kluis**

+31 (0) 20 460 4870

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

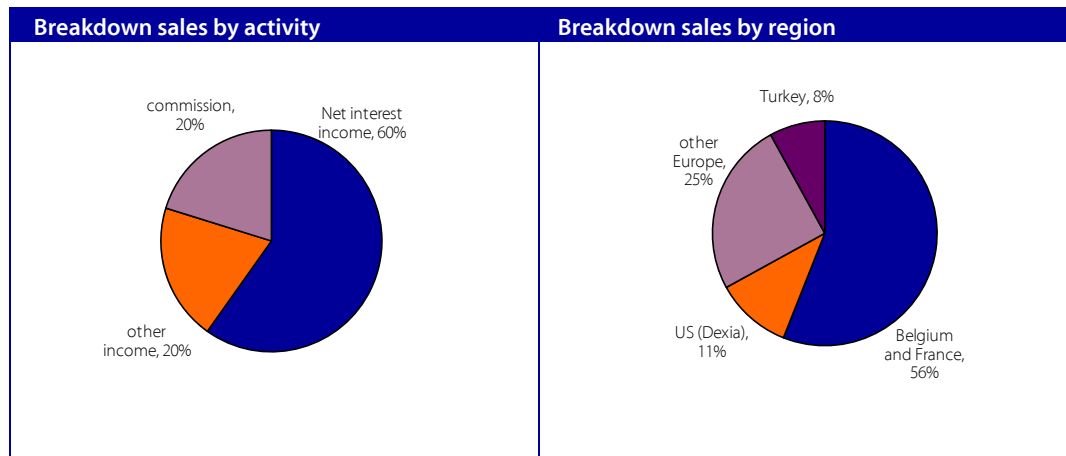
Given the large bond portfolio (EUR 149bn) and average duration of 12 years, there is still a long way to go. Further spread improvements will help Dexia to accelerate the bond sales in 09H2 and management expects at limited losses. Rating migration was limited in 09Q2 according to Dexia. Total provisions/reserves already built up on the EUR 149bn bond portfolio were EUR 900m end 09Q2. Dexia took USD 53m additional provisions in the Financial Products portfolio (USD 16.3bn) and total provisions are USD 2bn. RWA declined by 3% vs end 09Q1 due to lower market risk and credit spreads. With an excess core solvency of about EUR 4bn end 09H1, Dexia's solvency is reasonably good but it is unknown what additional losses from the bond portfolio will be or what restructuring the European Commission will require.

### Company profile

Dexia is the world market leader in local public finance using its good expertise and product offering developed in its core markets France and Belgium. Its second major business unit is retail banking in Belgium (where it is the number three) and Turkey through the acquisition of Denizbank.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Solvency is reasonably strong</li> <li>▪ Franchise in public finance remains good</li> </ul>	<ul style="list-style-type: none"> <li>▪ Too dependent on wholesale funding (60% of its liabilities)</li> <li>▪ Limited organic growth potential in the Belgian retail market</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Efficiency improvements</li> <li>▪ Reopening covered bond market</li> <li>▪ Improve disclosure</li> </ul>	<ul style="list-style-type: none"> <li>▪ Higher municipalities defaults</li> <li>▪ Decision of EU commission to shrink balance sheet faster</li> <li>▪ Depreciating Turkish Lira</li> </ul>



Income Statement ( EURmln)					
	2008	2009	2010E	2011E	2012E
Net interest income	6,073	5,474	6,300	6,489	6,749
Net commission income	1,431	1,233	1,258	1,283	1,321
Results financial transactions	-2,251	-1,048	-1,500	-900	-200
<b>Total revenues</b>	<b>4,820</b>	<b>6,710</b>	<b>6,842</b>	<b>7,137</b>	<b>7,378</b>
Staff costs	2,021	1,814	1,850	1,869	1,962
Other operating expenses	370	362	380	399	419
Depreciation	296	286	300	315	331
Other costs	370	362	380	399	419
Total expenses	4,120	3,547	3,582	3,695	3,873
<b>Operating profit</b>	<b>700</b>	<b>3,163</b>	<b>3,260</b>	<b>3,443</b>	<b>3,505</b>
Loan loss provisions	-2,844	-1,808	-2,179	-1,329	-428
<b>Profit before tax</b>	<b>-2,166</b>	<b>1,322</b>	<b>1,048</b>	<b>2,081</b>	<b>3,044</b>
Tax	-625	315	301	495	693
<b>Group profit</b>	<b>-1,541</b>	<b>1,008</b>	<b>748</b>	<b>1,586</b>	<b>2,351</b>
<b>PERSHARE ITEMS</b>					
Shares outstanding avg. (mln)	<b>1,497,395</b>	<b>1,907,172</b>	<b>1,989,165</b>	<b>1,992,149</b>	<b>1,998,126</b>
Shares outstanding fully diluted (mln)	<b>1,497,395</b>	<b>1,907,172</b>	<b>1,989,165</b>	<b>1,992,149</b>	<b>1,998,126</b>
EPS reported	-1.08	0.45	0.30	0.72	1.10
<b>EPS recurring</b>	<b>120</b>	<b>0.84</b>	<b>0.86</b>	<b>1.00</b>	<b>1.10</b>
Equity per share	0.9	0.9	1.2	1.8	2.5
DPS	0.00	0.00	0.00	614.69	3138.70

**Dexia**

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# Dockwise

## De-leveraging balance sheet, up-leveraging multiples

### Key message

In 09Q2 Dockwise made a big step in deleveraging and proved its EBITDA is resilient in more difficult times. With the capex expansion programme ready, sound FCF, strong backlog, a more steady revenues mix (shift to long-term offshore/onshore projects) and balance sheet more in control, we believe that Dockwise should be trading at higher multiples (currently EV/EBITDA 10 of only 4.5x, P/E ratio of 4x). We believe that its plans to go for a dual listing in Amsterdam within the coming months, will put Dockwise on the radar screen of more investors and will improve its liquidity.

	2008	2009E	2010E	2011E
Sales (USD m)	456	489	499	528
EPS Recurring	0.34	0.34	0.32	0.43
P/E Recurring	3.8	3.8	4.1	3.0
P/FCFPS		14.1	14.6	16.5
EV/ EBITDA	7.7	4.8	4.4	3.6
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The 09Q2 EBITDA of USD 60m was steady, but slightly missed our USD 62m estimate. Revenues were not as high as in previous quarters (USD 122m vs our USD 135m) as the number of oil rigs transported did not reach the record high of the previous quarters and there were more docking days, especially for the bigger vessels (e.g. Blue and Black Marlin). Although lead times are shortening as customers are waiting as long as possible, the price levels remained constant. The backlog of USD 367m missed our estimate of >USD 400m, but recently another USD 50m has been signed for 09H2. The strategy to focus on more sizeable onshore/offshore projects is becoming increasingly visible as already USD 188m is in the backlog for 2010 (>40% of revenues), much more than at the same point in 2009.
- The net debt was lowered by USD 93m in 09H1 more than we had expected end 09Q1 (e.g. due to release of escrow of Mighty Servant) and further reducing the covenant breach risk. For end 2009, we now estimate a net debt to EBITDA ratio of 3.5x, safely within the covenant of 3.85x.

### Valuation

In our view Dockwise's deserves clearly higher multiples than the current undemanding 2010 EV/EBITDA of 4.5x and P/E ratio of only 4x. Although the covenant breach risk is not completely gone, in our view it still weighs too much on its valuation. The market cap is so modest within the total enterprise value, that better than expected cash flow generation can result in significant improvements in market cap. Our DCF easily arrives above NOK 11 per share. In our view also the limited liquidity on the Oslo stock exchange is not really supportive for its share price development. We therefore like its plans to go for a dual listing on Euronext as in our view this will support its liquidity and will put Dockwise on the radar screen of more investors.

### Rating

**Buy**

**Price target:** NOK 10.0   
**Price 29 Sep 2009:** NOK 7.6  
**Up-/downside:** +31.6%

### Energy Equipment & Services

#### Market capitalisation:

NOK 1,746 m

#### Avg (12 month) daily volume:

215,627

#### Free float

69%

#### Reuters

DOCK.OL

#### Bloomberg code

DOCK NO

### Share Price Performance %

	-1m	-3m	-12m
Dockwise	+9	+5	-31
MSCI Europe	+4	+20	-1
MSCI Norway	+5	+14	-8

### Agenda

Results 09Q3 05 Nov 2009

### Major shareholders

	%
3i	26.2
Franklin Templeton	5.4

### Listed Peers

None --

### Analysts

#### Frank Claassen

+31 (0) 20 460 4868

#### Fabian Smeets

+31 (0) 20 460 4864

### Rabo Securities Amsterdam

**Equity Sales** +31 20 460 4707

**Equity Sales Trading** +31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

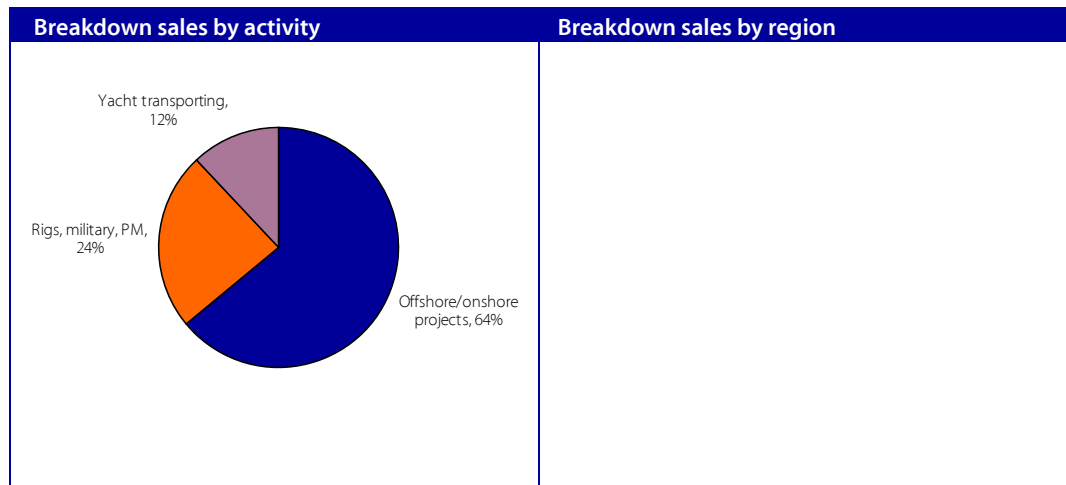
In its outlook, Dockwise indicates that it expects to deliver a financial performance in line with expectations. We were at a FY09E EBITDA of USD 234m (consensus around USD 236m) and left these estimates unchanged after 09Q2. The internal target to reduce net debt to EBITDA below 3 has been moved forward in time (was initially end 2009), mainly as we believe that Dockwise had higher expectations on buying back debt below nominal value. Although there are some contractual delays in the oil-related business, the oil majors are not really cutting their capex plans and so far there are not really signs for less rig movements. This provides comfort that also in 2010 Dockwise will stay within its covenants (we estimate 3.2x vs 3.4x).

### Company profile

Dockwise is the global leader in heavy lift services to the offshore industry with a fleet of 16 ships in different sizes and configurations. The company also holds a position in the luxury yacht segment with a fleet of 4 ships. The majority of the business relates to transport and installation of oil and gas related exploration and production units, with the remainder comprising e.g. dredging ships, navy ships, barges, cranes, and dry-docks.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Global leader in heavy lift services</li> <li>▪ Sound backlog of close to 1 year revenues</li> <li>▪ Steady FCF as expansion capex is finished</li> </ul>	<ul style="list-style-type: none"> <li>▪ Leveraged balance sheet</li> <li>▪ Still significant part based on spot</li> <li>▪ Yacht transporting more impacted by recession</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Ongoing oil &amp; gas investments</li> <li>▪ Moving up to more on-shore/offshore projects</li> <li>▪ Further deleveraging</li> <li>▪ Dual listing improving visibility and liquidity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Price erosion on day rates</li> <li>▪ Balance sheet ratio's not far off from covenants</li> </ul>



Income Statement (USD mln)					
	2007	2008	2009E	2010E	2011E
Revenues	290.1	456.6	489.9	499.0	528.3
Cost of sales	-131.6	-207.2	-222.3	-226.4	-239.7
Gross profit	158.5	249.4	267.6	272.6	288.6
Operating costs	-54.0	-48.3	-33.9	-44.2	-43.2
Extraordinaries	-36.5	-36.5	-8.2	0.0	0.0
EBITDA	104.5	201.1	233.8	228.4	245.4
Depreciation	-46.4	-66.4	-83.4	-86.4	-87.3
EBITA	58.2	134.7	150.4	142.0	158.1
Amortisation	-36.7	-5.2	-4.5	-4.5	-4.5
EBIT	21.5	129.6	145.8	137.4	153.6
Net financial result	-96.4	-82.8	-70.5	-61.5	-53.5
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	-74.9	46.8	75.4	75.9	100.1
Income taxes	-0.9	0.2	-1.6	-1.6	-1.5
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	-75.8	47.0	73.8	74.3	98.6
Adjustments, total	75.8	31.7	4.5	0.0	0.0
Net income recurring	-0.0	78.7	78.3	74.3	98.6
PER SHARE ITEMS					
Shares outstanding avg. (mln)	174.5	229.8	229.8	229.8	229.8
Shares outstanding fully diluted (mln)	229.8	229.8	229.8	229.8	229.8
EPS reported	-0.43	0.20	0.32	0.32	0.43
EPS recurring	0.00	0.34	0.34	0.32	0.43
CPS	0.11	0.68	0.76	0.75	0.72
DPS	0.00	0.00	0.00	0.00	0.00
Fiscal year ends 12/2007					
% GROWTH					
Revenues		57.4	7.3	1.9	5.9
EBITA		131.7	11.6	-5.6	11.4
Net income recurring		NM	-0.5	-5.1	32.6
% MARGINS					
Gross margin	54.6	54.6	54.6	54.6	54.6
EBITA margin	20.0	29.5	30.7	28.5	29.9
Net recurring margin	-0.0	17.2	16.0	14.9	18.7
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	1,877.9	1,104.9	1,118.6	999.1	894.0
P/E recurring (x)	NM	1.6	3.8	4.1	3.1
P/Sales (x)	3.3	0.3	0.6	0.6	0.6
P/FCF (x)	-14.2	-1.4	2.4	2.5	2.3
P/CF (x)	38.0	0.8	1.7	1.8	1.8
P/B (x)	1.7	0.2	0.5	0.4	0.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	18.0	5.5	4.8	4.4	3.6
EV/Sales (x)	6.5	2.4	2.3	2.0	1.7
EV/FCF (x)	-27.8	-12.3	8.9	8.4	6.9

Cash Flow Statement ( USD mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	-75.8	47.0	73.8	74.3	98.6
Depreciation & Amortisation	83.1	71.6	88.0	90.9	91.8
Working Capital Change	7.3	41.0	-1.5	6.2	-1.0
Other Items	4.6	-3.0	15.0	0.0	0.0
Cash Flow from Operations	19.1	129.5	175.2	171.5	189.4
Net Capital Expenditure	-8.6	-219.3	-50.0	-52.0	-60.0
Acquisitions	0.0	0.0	-3.0	0.0	0.0
Other Investments	-699.5	9.9	6.0	0.0	0.0
Cash Flow from Investments	-786.1	-209.4	-47.0	-52.0	-60.0
Ordinary Dividends	0.0	0.0	0.0	0.0	0.0
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	176.4	-0.7	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	0.0	0.0	0.0	0.0	0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	176.4	-0.7	0.0	0.0	0.0
Change in Cash	-590.5	-8.0	128.2	119.5	129.4
Free Cash Flow	-67.4	-8.9	125.2	119.5	129.4
Free Cash Flow Yield (%)	-9.3	-72.0	52.9	50.5	54.7

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	15.5	21.4	21.4	21.4	21.4
Other current assets	134.3	107.8	80.8	82.3	87.2
Net PP&E	837.6	1,008.2	974.8	940.4	913.2
Intangible assets	614.8	613.5	609.0	604.4	599.9
Other non-current assets	1.1	2.7	2.7	2.7	2.7
Total Assets	1,603.2	1,753.7	1,688.7	1,651.3	1,624.3
Short-term debt	20.0	10.0	10.0	10.0	10.0
Other current liabs	111.4	176.1	147.6	155.3	159.1
Long-term debt	917.8	991.3	863.1	743.6	638.5
Other non-current liabs	0.0	0.0	0.0	0.0	0.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	554.0	576.2	668.0	742.3	816.6
Total liabs & equity	1,603.2	1,753.7	1,688.7	1,651.3	1,624.3
Net debt	922.3	98.0	851.8	732.3	627.2
ROIC (%)	6.4	8.7	9.4	9.1	10.4
Net gearing (%)	166.5	170.1	127.5	98.6	76.8
Working capital as % of sales	7.9	-15.0	-13.6	-14.6	-13.6
Inventory period days	14.9	12.9	12.7	12.7	12.4
Trade debtor days	95.2	83.9	57.6	47.0	46.1
Trade creditor days	108.7	113.5	120.1	110.3	108.2
Cash cycle	1.5	-16.8	-49.8	-50.7	-49.6



# DPA Flex Group

## When the going gets tough...

### Key message

New DPA CEO Van der Hoek seems to have saved DPA from bankruptcy, as bank debt has rapidly disappeared. Besides a capital injection, DSO has been brought down nicely. Main concern is DPA's lack of critical mass following the steep sales declines of previous years and related to this, DPA's still high exposure to the Dutch banking sector (c. 20% of sales). We believe a full transformation towards a higher margin, better focussed and less sub-scaled organisation is required to unlock the co's true fair value, which could be supported by an upswing of the Dutch economy in 2010. Upgrade from Reduce to Hold.

	2008	2009E	2010E	2011E
Sales (EUR m)	70	56	56	62
EPS Recurring	0.10	-0.03	0.06	0.20
P/E Recurring	24.4	N/A	40.7	12.2
P/FCFPS	4.0		40.7	9.9
EV/ EBITDA	21.0	N/A	17.9	6.6
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- While staffing trends are deteriorating less fast in surrounding countries, the late cyclical Dutch market (100% of DPA sales) does not show any true signs of better sales comps yet. Hence, we do not rule out that DPA sales will continue to fall by 20%-25% y-o-y in the coming quarters, although the comparison base is getting admittedly increasingly friendly. Historically the Netherlands picks up with some 6-9 time-lag versus the US, which would imply a relatively soild 2010 (i.e. at least flattish sales should be possible for DPA).
- Main challenge for CEO Van der Hoek is a successful transformation towards the "old" DPA again, i.e. being a leader in financial staffing in the Netherlands at clearly above average margins. This requires sufficient scale, a different attitude of own workers and a different sales pitch towards (more diversified) clients.
- 09H1 was still modestly loss making given a net loss of EUR 2m, including one-off charges of EUR 0.9m. Revenues dropped by 24% y-o-y, while SG&A fell by 28% underlining DPA's improved cost awareness. Net debt was reduced to EUR 4.4m from EUR 7.1m and now only comprises working capital financing.

### Valuation

Our price target of EUR 2.5 reflects 12x P/E 11, still markedly below DPA's DCF value of around EUR 5.

### Rating

**Hold**

**Price target:** EUR 3.0

**Price 29 Sep 2009:** EUR 2.4

**Up-/downside:** +23.0%

### Commercial Services & Supplies

#### Market capitalisation:

EUR 31 m

#### Avg (12 month) daily volume:

1,445

#### Free float

24%

#### Reuters

DPANAS

#### Bloomberg code

DPA NA

### Share Price Performance %

	-1m	-3m	-12m
DPA Flex Group	-9	-12	-29
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

None

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### Major shareholders

	%
Aviva Plc	16.6
Kempen & Co N.V.	13.8
Janivo Holding B.V.	11.3
A.Strating	10.2
Interhim	7.6

### Listed Peers

	Ticker
Randstad	RAND NA
USG People	USG NA
Brunel	BRNL NA
Adecco	ADEN VX

### Analysts

#### David Tailleux

+31 (0) 20 460 4852

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

www.rabosecurities.com

### Outlook

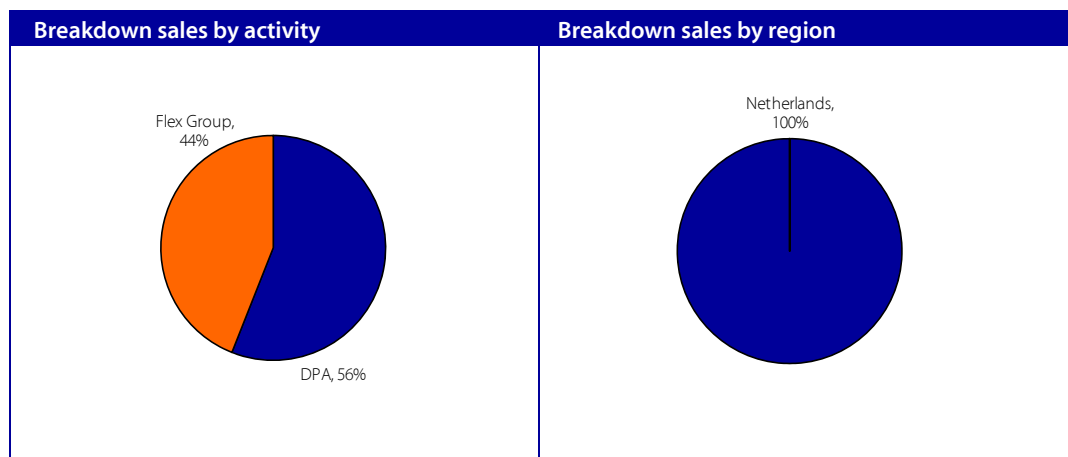
DPA has provided no outlook for FY09 and also no longer-term outlook. We believe it is management's key ambition is to return to EBITA margins of at least 8%-10% in the foreseeable future.

### Company profile

DPA Flex is active in the Netherlands and has the ambition to be a leading player in delivering integrated solutions for personnel flexibility within corporate clients. The company has a leading position in the secondment of financial and ICT professionals and has presence in HRM, Legal, Supply Chain and Management & Strategy.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong brand name</li> <li>▪ Leading position in Dutch financial staffing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Track record management is volatile</li> <li>▪ Extra vulnerable to continuing economic downturn due to its small size</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Take-over candidate</li> <li>▪ Increasing exposure to other Dutch specialised segments</li> <li>▪ Improving critical mass in IT staffing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increased competition in the Netherlands from large specialised players</li> <li>▪ Making an expensive large acquisition which destroys shareholder value</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	84.3	70.2	56.2	56.2	61.8
Cost of sales	-60.6	-47.2	-35.5	-34.0	-38.1
Gross profit	23.7	23.1	20.7	22.1	23.7
Operating costs	-17.0	-20.4	-21.6	-20.3	-19.2
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	6.6	2.6	-0.9	1.8	4.5
Depreciation	-0.8	-0.6	-0.5	-0.4	-0.5
EBITA	5.8	2.0	-1.4	1.4	4.0
Amortisation	-1.3	-14.7	-1.1	-1.1	-1.1
EBIT	4.6	-12.7	-2.5	0.3	2.9
Net financial result	-0.8	-0.8	-0.7	-0.5	-0.5
Other pre-tax items	0.0	0.0	-0.9	0.0	0.0
EBT	3.7	-13.6	-4.1	-0.2	2.5
Income taxes	0.3	0.0	0.9	-0.2	-0.9
Minority interests	-0.3	0.0	0.8	0.0	-0.3
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	-4.1	0.0	0.0	0.0	0.0
Net income	-0.4	-13.6	-2.4	-0.4	1.3
Adjustments, total	5.4	14.7	2.0	1.1	1.1
Net income recurring	5.0	1.1	-0.4	0.7	2.4
PERSHARE ITEMS					
Shares outstanding avg. (mln)	10.5	11.6	11.7	11.7	11.8
Shares outstanding fully diluted (mln)	10.5	11.6	11.7	11.7	11.8
EPS reported	-0.04	-1.17	-0.21	-0.04	0.11
EPS recurring	0.47	0.10	-0.03	0.06	0.20
CPS	0.06	0.61	0.02	0.09	0.29
DPS	0.09	0.00	0.00	0.00	0.03
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-16.7	-20.0	0.0	10.0
EBITA		-66.2	N/M	N/M	18.60
Net income recurring		-77.0	N/M	N/M	249.0
% MARGINS					
Gross margin		32.8	36.8	39.4	38.3
EBITA margin		2.8	-2.5	2.5	6.5
Net recurring margin		1.6	-0.7	1.2	3.8
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	107.7	54.6	32.8	32.3	29.8
P/E recurring (x)	5.2	24.4	N/A	40.7	12.2
P/Sales (x)	0.3	0.4	0.5	0.5	0.5
P/FCF (x)	N/A	4.0	N/A	47.6	9.9
P/CF (x)	40.7	4.0	122.0	27.1	8.4
P/B (x)	3.4	N/A	N/A	N/A	N/A
Dividend yield (%)	3.7	0.0	0.0	0.0	1.2
EV/EBITDA (x)	16.3	21.0	N/A	17.9	6.6
EV/Sales (x)	1.3	0.8	0.6	0.6	0.5
EV/FCF (x)	N/A	7.7	N/A	53.8	10.3

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	-0.4	-13.6	-2.4	-0.4	1.3
Depreciation & Amortisation	2.1	15.3	1.6	1.5	1.6
Working Capital Change	-1.5	5.4	1.9	0.0	0.2
Other Items	0.5	-0.0	-0.9	0.0	0.3
Cash Flow from Operations	0.6	7.1	0.2	1.1	3.4
Net Capital Expenditure	-0.8	0.0	-0.3	-0.4	-0.5
Goodwill from Acquisitions	-13.3	0.0	0.0	0.0	0.0
Other Investments	0.0	0.0	0.0	0.0	0.0
Cash Flow from Investments	-14.1	0.0	-0.3	-0.4	-0.5
Ordinary Dividends	-0.9	0.0	0.0	0.0	-0.3
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	2.2	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	21.0	-8.1	-3.8	-0.6	-2.0
Change in Minorities	0.0	0.0	0.5	0.0	0.0
Cash Flow from Financing	20.0	-8.1	-1.1	-0.6	-2.3
Change in Cash	6.6	-1.0	-1.2	-0.0	0.6
Free Cash Flow	-0.1	7.1	-0.0	0.6	2.9
Free Cash Flow Yield (%)	N/M	25.1	N/M	2.1	10.1

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	8.0	7.1	5.9	5.9	6.5
Other current assets	14.2	9.8	7.7	7.7	8.4
Net PP&E	0.9	0.2	0.0	0.1	0.1
Intangible assets	15.6	0.9	-0.2	-1.3	-2.4
Other non-current assets	1.0	1.0	1.0	1.0	1.0
Total Assets	39.6	18.9	14.3	13.3	13.5
Short-term debt	-0.0	-0.0	-0.0	-0.0	-0.0
Other current liabs	9.3	10.3	10.1	10.1	11.1
Long-term debt	22.1	14.0	10.2	9.6	7.6
Other non-current liabs	0.4	0.3	0.3	0.3	0.3
Minority interest	0.4	0.4	0.0	0.0	0.3
Total equity	7.5	-6.0	-6.2	-6.7	-5.7
Total liabs & equity	39.6	18.9	14.3	13.3	13.5
Net debt	14.0	6.9	4.3	3.6	1.0
ROIC (%)	44.2	6.2	-2.9	5.0	13.4
Net gearing (%)	186.5	-114.5	-68.8	-54.8	-18.3
Working capital as % of sales	15.3	9.3	6.1	6.1	6.1
Inventory period days		0.0	0.0	0.0	0.0
Trade debtor days		18.9	10.2	7.3	7.0
Trade creditor days		19.8	29.9	29.2	27.9
Cash cycle		-0.8	-19.7	-21.9	-20.9

# Draka Holding

**No short-term premium, more long-term upside**

## Key message

On 10 September was announced that the share-for-share deal with Prysmian is off the table. Although this takes away the chance on a short-term premium, we see even more longer-term upside for existing Draka shareholders in a stand-alone scenario. Draka's valuation is really undemanding at an EV/EBITDA 2010 of around 6x and P/E ratio 2010 of <10x. Draka's utilization rate is currently only 60-65%, so if volume growth returns, this will result in significant earnings recovery potential. Our DCF points towards EUR 20 per share and also looking at the previous peak in EPS of EUR 2.25, we believe that these levels are again achievable in the medium term.

	2008	2009E	2010E	2011E
Sales (EUR m)	2,828	2,197	2,257	2,347
EPS Recurring	2.25	0.98	1.29	1.62
P/E Recurring	5.4	12.5	9.5	7.6
P/FCFPS	12.9	5.1	7.8	7.3
EV/ EBITDA	8.0	8.6	5.5	4.7
Dividend Yield (%)	0.0	0.0	0.0	3.7

Source: Rabo Securities

Year to December, fully diluted

## Recent developments

- On 10 September the negotiations on the share for share deal on a cross-border statutory merger with Prysmian as surviving entity were terminated. We saw the synergy potential of the deal (we estimated >EUR 60m per year or NPV of EUR 450m). However, in our view the ratio at which the shares were trading just before the cancellation (less than 1 Prysmian share for 1 Draka share) was more favourable to Prysmian than Draka shareholders. We believe that Draka shareholders deserved a bigger part of the synergies pie.
- The 09H1 results exceeded expectations (EBIT recurring EUR 41m vs our EUR 34m and guidance range of EUR 32-37m), although partly due to the full consolidation of its Chinese fibre JV. This was driven by efficiency and cost saving measures, but also as volume declines smoothed over the last couple of months (-20% vs -23% over first 4 months).
- Driven by working capital release the FCF was much stronger than expected, bringing down its net debt to EUR 456m vs our estimate of EUR 480m. This has set its net debt to EBITDA ratio at 2.9x vs the covenant of 3.5x. As normally 09H2 should be stronger, the risk that Draka will breach its covenants has become smaller than perceived before the 09H1 results.

## Valuation

Draka's valuation is undemanding at an EV/EBITDA 2010 of around 6x and P/E ratio 2010 of <10x. Our DCF reaches close to EUR 20 per share. In the previous peak of 2007, Draka made an EPS recurring of EUR 2.25 per share. We see no structural reasons why Draka would not be able to reach the same net profit level in a next peak. It may even reach higher given the improved internal efficiency and the potential for fibre price recovery. Attaching a P/E multiple of 10x, this would point to share price levels above EUR 20.

## Rating

**Buy**

**Price target:** EUR 15.0

**Price 29 Sep 2009:** EUR 12.2

**Up-/downside:** +22.6%

## Electrical Equipment

### Market capitalisation:

EUR 497 m

### Avg (12 month) daily volume:

219,465

### Free float

42%

### Reuters

DRAKAS

### Bloomberg code

DRAK NA

## Share Price Performance %

	-1m	-3m	-12m
Draka Holding	-6	+29	-15
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

## Agenda

Trading Update 09H2 12 Nov 2009

## Major shareholders

	%
Flint Holding N.V.	42.9
Fortis Verzekeringen Nederland N.V.	6.8
Ducatus	5.3
ING Groep N.V.	3.0

## Listed Peers

	Ticker
TKH	TK NA
Belden	BWC US
Corning	GLW US
Nexans	NEX FP

## Analysts

### Frank Claassen

+31 (0) 20 460 4868

### Philip Scholte

+31 (0) 20 460 4823

## Rabo Securities Amsterdam

**Equity Sales** +31 20 460 4707

**Equity Sales Trading** +31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

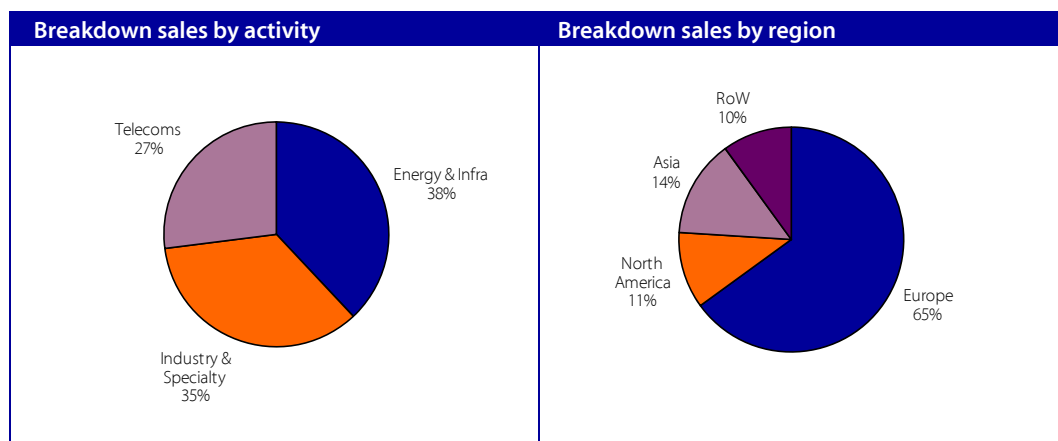
Draka has not given a specified outlook, but does indicate market conditions appear to be stabilising, although the economic outlook is still uncertain. Also as more cost savings will kick in (EUR 20m in 09H2, EUR 20m in 2010), we believe that 09H2 EBITDA will grow from 09H1. For 2010 we assume virtually no volume growth at 1-2%. Draka's utilization rate is currently only 60-65%, so if volume growth returns, this will result in significant earnings recovery potential. The incremental EBITA margin made on extra revenues is normally 20-25%, >4 times as high the total EBITA margin.

### Company profile

Draka Holding is one of the leading European cable manufacturing companies. Draka has three divisions Energy & Infrastructure (e.g. low voltage), Industry & Specialty (e.g. marine, oil& gas, rubber) and Communication (e.g. fibre, telecom copper). It is one of the leading global fibre manufacturers, also via its Chinese joint venture YOFC.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ One of the leading European cable players</li> <li>▪ Leading global optical fibre producer</li> <li>▪ Building up position in fast growing rubber cable</li> </ul>	<ul style="list-style-type: none"> <li>▪ No position in high-voltage</li> <li>▪ Fairly leveraged balance sheet</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Breakthrough of fibre to the home projects in Europe</li> <li>▪ Selling off non-consolidated stakes</li> <li>▪ High operational leverage</li> <li>▪ Draka is consolidation target</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing volume declines, e.g. due to late-cyclical construction</li> <li>▪ Increasing copper price puts pressure on working capital</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	2,816.2	2,828.9	2,197.0	2,257.1	2,347.4
Cost of sales	-2,526.3	-2,580.3	-1,994.8	-2,024.6	-2,103.3
Gross profit	289.9	248.6	202.1	232.5	244.1
Operating costs	-150.1	-141.8	-133.0	-128.0	-125.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	202.5	198.5	152.9	170.8	189.3
Depreciation	-52.5	-51.3	-55.1	-56.2	-56.8
EBITA	150.0	147.2	97.8	114.6	132.5
Amortisation	-4.3	-5.2	-4.5	-4.5	-4.5
EBIT	145.7	142.0	93.3	110.1	128.0
Net financial result	-45.6	-38.5	-32.7	-29.6	-27.6
Other pre-tax items	0.0	-46.7	-34.9	0.0	0.0
EBT	100.1	56.8	25.6	80.5	100.3
Income taxes	-22.4	8.0	-4.0	-19.1	-24.8
Minority interests	-1.0	-1.3	-1.5	-3.0	-4.0
Other post-tax items/participation	15.5	5.8	0.6	1.5	3.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	92.2	69.3	20.7	60.0	74.5
Adjustments, total	4.6	25.2	20.6	-5.4	-5.3
Net income recurring	96.7	94.5	41.4	54.6	69.2
PERSHARE ITEMS					
Shares outstanding avg. (mln)	35.6	35.6	40.6	40.8	41.0
Shares outstanding fully diluted (mln)	42.0	42.0	42.2	42.4	42.6
EPS reported	2.44	1.80	0.38	1.34	1.69
EPS recurring	2.30	2.25	0.98	1.29	1.62
CPS	2.01	3.40	3.39	2.76	3.08
DPS	0.67	0.00	0.00	0.00	0.45
Fiscal year ends 12/2009					
% GROWTH					
Revenues		0.5	-22.3	2.7	4.0
EBITA		-1.9	-33.6	17.2	15.6
Net income recurring		-2.3	-56.2	32.1	26.6
% MARGINS					
Gross margin		8.8	9.2	10.3	10.4
EBITA margin		5.2	4.5	5.1	5.6
Net recurring margin		3.3	1.9	2.4	2.9
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	1,781.9	1,301.5	1,094.5	1,028.2	976.7
P/E recurring (x)	5.3	5.4	12.5	9.5	7.5
P/Sales (x)	0.2	0.2	0.2	0.2	0.2
P/FCF (x)	59.6	10.9	4.9	7.5	7.0
P/CF (x)	6.1	3.6	3.6	4.4	4.0
P/B (x)	1.3	1.2	1.3	1.2	1.0
Dividend yield (%)	5.5	0.0	0.0	0.0	3.7
EV/EBITDA (x)	8.8	6.6	7.2	6.0	5.2
EV/Sales (x)	0.6	0.5	0.5	0.5	0.4
EV/FCF (x)	244.1	32.5	10.8	15.4	13.6

## Draka Holding

Cash Flow Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	92.2	69.3	20.8	60.0	74.6
Depreciation & Amortisation	56.8	56.5	59.6	60.7	61.3
Working Capital Change	-69.5	4.5	57.8	-5.3	-8.9
Other Items	-8.0	-9.4	-0.5	-2.7	-0.6
Cash Flow from Operations	71.5	120.9	137.6	112.7	126.4
Net Capital Expenditure	-58.8	-75.5	-3.08	-40.6	-49.3
Goodwill from Acquisitions	-8.8	-17.7	0.0	0.0	0.0
Other Investments	21.6	33.8	4.4	5.0	5.0
Cash Flow from Investments	-46.0	-59.4	-26.4	-35.6	-44.3
Ordinary Dividends	-24.0	0.0	0.0	0.0	-18.6
Preferred Dividend	-5.4	-5.4	-5.4	-5.4	-5.4
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	-166.5	0.0	0.0	0.0	0.0
Change in Bank Debt	370.7	6.1	-162.7	-30.0	-30.0
Change in Minorities	-115.9	11.3	-1.9	-3.0	-4.0
Cash Flow from Financing	58.9	12.0	-170.0	-38.4	-58.0
Change in Cash	8.44	73.5	-58.7	38.7	24.0
Free Cash Flow	7.3	40.0	101.5	66.7	71.7
Free Cash Flow Yield (%)	1.7	9.2	20.4	13.4	14.3

Balance Sheet (EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	39.4	74.6	15.9	54.6	78.6
Other current assets	915.9	828.5	751.4	747.1	762.9
Net PP&E	538.0	562.2	537.8	522.3	514.7
Intangible assets	101.0	113.5	109.0	104.5	100.0
Other non-current assets	158.2	124.4	120.0	115.0	110.0
Total Assets	1,752.5	1,703.2	1,534.1	1,543.4	1,566.2
Short-term debt	84.3	72.9	45.0	45.0	45.0
Other current liabs	576.8	493.9	474.5	465.0	471.8
Long-term debt	603.9	544.8	410.0	380.0	350.0
Other non-current liabs	136.5	125.8	123.8	118.1	113.4
Minority interest	12.8	25.4	25.0	25.0	25.0
Total equity	338.2	363.8	379.2	433.8	484.3
Total liabs & equity	1,752.5	1,626.6	1,457.5	1,466.8	1,489.6
Net debt	648.8	543.1	439.1	370.4	316.4
ROIC (%)	12.5	8.7	4.6	8.2	9.6
Net gearing (%)	191.8	149.3	115.8	85.4	65.3
Working capital as % of sales	12.0	11.8	12.6	12.5	12.4
Inventory period days		52.7	57.3	51.1	50.1
Trade debtor days		58.2	70.6	67.1	65.0
Trade creditor days		64.6	76.1	72.0	68.9
Cash cycle		46.3	51.7	46.3	46.2



## Innovation remains key

### Key message

We believe DSM is making good progress with its strategic plan Vision 2010, but not disposing of the cyclical businesses will likely weigh on earnings going forward. At Nutrition, DSM's claim that structural changes in the vitamin market will prevent prices from nosediving again is increasingly credible for the shorter term, although long term price erosion is not unlikely. Dyneema is likely to drive growth of Performance Materials for some time. However, price volatility for penicillin remains highly unpredictable, while the current cyclical slowdown will hurt Engineering Plastics, Base Chemicals and materials and Polymer Intermediates.

	2008	2009E	2010E	2011E
Sales (EUR m)	9,297	7,495	7,073	7,215
EPS Recurring	3.64	1.03	0.92	1.62
P/E Recurring	7.7	27.4	30.7	17.4
P/FCFPS	20.3	7.0	16.1	14.5
EV/ EBITDA	5.2	7.2	7.3	6.1
Dividend Yield (%)	4.3	4.3	4.3	4.3

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- At the start of September DSM announced that it had regained its number one position in the chemical industry sector in the Dow Jones sustainability index. The main theme for the company in the coming years remains sustainable innovations, providing solutions to global societal issues, by manufacturing and selling sustainable products in the value chain.
- On the 4th of August, DSM announced 09Q2 results which were largely in line with expectations. Nutrition showed its resilience, although margins deteriorated somewhat. The more cyclical business units showed a modest improvement vs 09Q1, mainly due to cost cutting. The company aims to reduce costs by more than EUR 125m in 2010.
- On the 29th of July the company announced that it had reached an agreement with QAQA Abu Dhabi National Energy Company PJSC for the sale of DSM Energy Holding for an enterprise value of EUR 285m. DSM energy realized net sales of EUR 161m in 2008 and DSM realized a book profit of EUR 275m after tax. On the same day, the company announced the sale of its urea-licensing subsidiary Stamicarbon B.V. to Maire Tecnimont for a consideration of EUR 38m in enterprise value. Stamicarbon realized net sales of EUR 57m in 2008 and an operating profit of EUR 25m. The sale of these businesses is part of the Vision 2010 framework, in which the company intends to dispose non-core businesses.

### Valuation

DSM trades at around 7x EV/EBITDA 2009, which we consider fairly valued. Upside risks to our estimates are faster and more than expected cost savings, a continued cyclical recovery and strong pricing power in Nutrition.

### Rating

**Hold**

**Price target:**

**EUR 21.0**

**Price 29 Sep 2009:**

**EUR 28.2**

**Up-/downside:**

**-25.6%**

### Chemicals

#### Market capitalisation:

EUR 5,118 m

#### Avg (12 month) daily volume:

1,206,623

#### Free float

60%

#### Reuters

DSMNA.S

#### Bloomberg code

DSM NA

### Share Price Performance %

	-1m	-3m	-12m
DSM	+10	+26	-15
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	27 Oct 2009
Results 09FY	17 Feb 2010
AGM	24 Mar 2010

### Major shareholders

	%
Fortis Verzekeringen Nederland N.V.	7.9
Aviva	6.9
Rabo Finance C.V.	5.9
Koninklijke DSM N.V.	5.2
AllianceBernstein	5.0

### Listed Peers

	Ticker
Akzo Nobel	AKZA NA
BASF	BAS GR
Cytec	CYT US
DuPont de Nemours	DD US
Dow Chemical	DOW US

### Analysts

#### Fabian Smeets

+31 (0) 20 460 4864

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

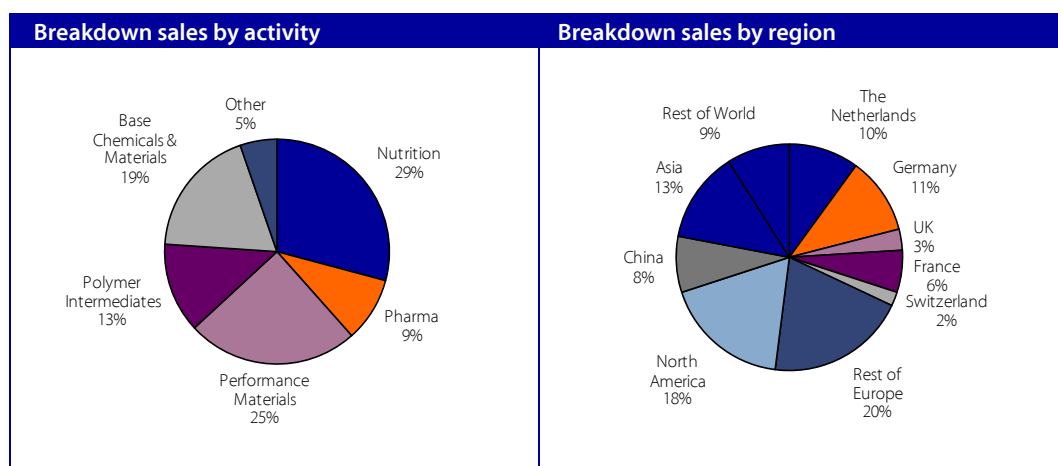
In view of the uncertain economic conditions, DSM has given no quantitative guidance for 09FY. According to the company end demand remains low when compared to pre-recession levels while de-stocking has come to an end in most markets. Due to a bottoming-out of feedstock prices, the company expects no further inventory write-downs. For Nutrition the company expects to achieve full year results, above the 2008 level, while pharma results are expected to be substantially lower than last year. The company expects to be loss making in the polymer intermediates and base chemicals & materials division. Longer term, the strategic plan Vision 2010 calls for increased focus on Life Sciences and Material Sciences.

### Company profile

DSM is active worldwide in the development, production and sales of nutritional and pharma ingredients, performance materials and industrial chemicals. DSM's products are used in a wide range of end markets and applications such as human and animal nutrition and health, cosmetics, pharmaceuticals, automotive and transport, coatings, housing and electrics & electronics. Market-driven growth, innovation and increased presence in emerging economies are key drivers of the Vision 2010 strategic plan.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Increased focus on Life and Materials Sciences reduces cyclicity</li> <li>▪ Strong focus on innovation and technology</li> <li>▪ High quality production processes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low profitability of DSM Anti-infectives</li> <li>▪ Window of opportunity for the disposals of cyclical businesses is closed</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Launching new innovative products</li> <li>▪ Finding new applications for Dyneema, the world's strongest fibre</li> <li>▪ Expand geographical exposure, particularly to Asia</li> <li>▪ Executing its partnership strategy for Anti-infectives</li> </ul>	<ul style="list-style-type: none"> <li>▪ Chinese competition, particularly for carotenoids, vitamins and Anti-Infectives</li> <li>▪ Continued overcapacity in the pharmaceutical manufacturing market</li> <li>▪ Difficulties in passing on higher raw material prices</li> <li>▪ Lower US dollar</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	8,757	9,297	7,496	7,074	7,216
Cost of sales	-4,793	-5,089	-4,123	-3,891	-3,969
Gross profit	3,964	4,208	3,373	3,183	3,247
Operating costs	-2,717	-2,854	-2,549	-2,391	-2,313
Extraordinaries	0	0	0	0	0
EBITDA	1,247	1,354	824	792	934
Depreciation	-424	-451	-471	-478	-484
EBITA	823	903	353	314	450
Amortisation	0	0	0	0	0
EBIT	823	903	353	314	450
Net financial result	-75	-102	-114	-102	-83
Other pre-tax items	0	-3	-4	0	0
EBT	748	798	235	212	366
Income taxes	-183	-196	-62	-52	-90
Minority interests	-5	6	3	-2	-4
Other post-tax items/participation	-2	0	1	1	1
Extraordinaries	-129	-30	263	0	0
Net income	429	578	440	159	273
Adjustments, total	119	20	-273	-10	-10
Net income recurring	548	598	167	149	263
PERSHARE ITEMS					
Shares outstanding avg. (mln)	178.5	164.2	162.2	162.2	162.2
Shares outstanding fully diluted (mln)	180.0	163.8	163.8	163.8	163.8
EPS reported	2.35	3.46	2.65	0.92	1.62
EPS recurring	3.07	3.64	1.03	0.92	1.62
CPS	4.73	5.05	6.76	4.31	4.57
DPS	1.20	1.20	1.20	1.20	1.20
Fiscal year ends 12/2009					
% GROWTH					
Revenues		6.2	-19.4	-5.6	2.0
EBITA		9.7	-60.9	-11.0	43.2
Net income recurring		9.1	-72.1	-10.8	76.7
% MARGINS					
Gross margin		45.3	45.0	45.0	45.0
EBITA margin		9.7	4.7	4.4	6.2
Net recurring margin		6.4	2.2	2.1	3.6
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	8,070.3	6,972.5	5,903.5	5,797.9	5,678.4
P/E recurring (x)	9.2	7.8	27.4	30.7	17.4
P/Sales (x)	0.6	0.5	0.6	0.6	0.6
P/FCF (x)	8.1	27.7	6.9	16.0	14.3
P/CF (x)	6.0	5.6	4.2	6.5	6.2
P/B (x)	1.0	1.1	1.0	1.0	1.0
Dividend yield (%)	4.3	4.3	4.3	4.3	4.3
EV/EBITDA (x)	6.5	5.1	7.2	7.3	6.1
EV/Sales (x)	0.9	0.7	0.8	0.8	0.8
EV/FCF (x)	12.9	41.8	9.0	20.2	17.8

<b>Cash Flow Statement (EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	429	578	440	159	273
Depreciation & Amortisation	424	451	471	478	484
Working Capital Change	83	-63	23.5	72	-24
Other Items	-92	-13.7	-5.0	-9	8
Cash Flow from Operations	8.44	8.29	1,096	700	741
Net Capital Expenditure	-209	-65.2	-42.7	-40.3	-41.1
Goodwill from Acquisitions	1	-9.8	0	0	0
Other Investments	-15.1	8.72	12.4	14	-5
Cash Flow from Investments	-3.59	12.2	-3.03	-3.8.9	-4.16
Ordinary Dividends	-2.14	-1.95	-1.95	-1.95	-1.95
Preferred Dividend	-1.0	-1.0	-1.0	-1.0	-1.0
Change in Preferred Stock	0	0	0	0	0
Change in Equity	5.98	-2.50	0	0	0
Change in Subordinated Debt	0	0	0	0	0
Change in Bank Debt	2.38	5.41	0	-5.00	0
Change in Minorities	-3	-5	9	-0	-1
Cash Flow from Financing	6.09	8.1	-1.96	-7.05	-2.05
Change in Cash	1,094	1,03.2	597	-3.94	120
Free Cash Flow	6.25	1.67	6.59	2.8.6	3.20
Free Cash Flow Yield (%)	12.4	3.6	14.4	6.3	7.0

<b>Balance Sheet (EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	3.69	6.01	1,198	8.04	9.23
Other current assets	3,3.21	3,48.7	2,8.13	2,6.54	2,7.08
Net PP&E	3,4.40	3,6.41	3,5.98	3,5.23	3,4.50
Intangible assets	7.24	8.22	8.22	8.22	8.22
Other non-current assets	1,9.74	1,1.02	9.78	9.64	9.69
Total Assets	9,8.28	9,6.53	9,4.08	8,7.66	8,8.71
Short-term debt	1.92	7.34	7.34	7.34	7.34
Other current liabs	1,8.71	1,9.74	1,5.3.5	1,4.49	1,4.78
Long-term debt	1,7.93	1,7.92	1,7.92	1,2.92	1,2.92
Other non-current liabs	8.22	6.91	6.44	6.3.2	6.3.6
Minority interest	7.3	6.2	6.8	7.0	7.3
Total equity	5,0.77	4,4.00	4,6.3.5	4,5.8.9	4,6.5.8
Total liabs & equity	9,8.28	9,6.53	9,4.08	8,7.66	8,8.71
Net debt	1,6.16	1,9.25	1,3.2.8	1,2.2.2	1,1.0.3
ROIC (%)	9.5	4.3	4.1	6.1	12.1
Net gearing (%)	3.1.8	43.8	28.6	26.6	23.7
Working capital as % of sales	17.6	17.3	18.0	18.0	18.0
Inventory period days		65.0	76.7	69.5	66.9
Trade debtor days		65.2	72.7	67.9	65.2
Trade creditor days		45.4	51.7	46.9	45.1
Cash cycle		84.8	97.7	90.5	87.0

# Eurocommercial Properties

## Good geo exposure

### Key message

ECP's 08-09Q4 results were in-line with slightly less write-downs than we anticipated. Besides further steps in redeveloping 18,000 m<sup>2</sup> of Växjö, which is now 60% pre-let, ECP is looking to sweep the dust of other extension schemes (targets NIY above 7%). Also management wants to position itself for acquisition opportunities. As ECP mentions debt will only be a part of the funding mix, raising equity by some means seems to be on the cards. We consider a private placement of convertible bond as one of the most likely instruments. Our analysis shows ECP has a below market weighted average score. Considering this, we see ECP as fairly valued in the current market.

	2007/2008	2008/2009E	2009/2010E	2010/2011E
Net rental income (EUR m)	109.9	114.4	115.1	117.7
EBITDA (EUR m)	100.4	105.9	106.2	108.5
Direct result (EUR m)	62.3	65.1	66.2	67.2
Indirect result (EUR m)	47.9	245.8-	86.0-	23.2
Recurring FFO p/s	1.75	1.82	1.85	1.87
Consensus recurr. FFO p/s		1.78	1.79	1.77
EPS	3.10	5.04-	0.55-	2.52
NNAV p/s	36.59	28.82	26.98	27.69
P/NNAV-1	-26%	-6%	0%	-2%
FFO multiple	15.4	14.9	14.7	14.4
Dividend Yield (%)	6.5	6.6	6.7	6.8

Source: Rabo Securities

Year to June, fully diluted

### Recent developments

- ECP's 08-09Q4 results were in-line with slightly less write-downs than we anticipated. Its direct result came in bang in-line in at EUR 16.1m, with a better than anticipated indirect result of EUR -77m (we: EUR -113m). Statements made for the coming year are positive. Underlying retail turnover declines have been marginal at an overall -1.1%. No firm guidance is being given, but management expects to book positive letting results on the 16% of rental income that is up for renewal. For the medium term the low occupancy cost ratio would allow for further rent increases.
- Besides further steps in redeveloping a 18,000 m<sup>2</sup> of Växjö, which is now 60% pre-let, ECP is looking to sweep the dust of other extension schemes. On extension of its I Gigli property in Italy, management is also about to push the button. ECP targets a NIY above 7%. Also management wants to position itself for acquisition opportunities. As ECP mentions debt will only be a part of the funding mix, raising equity by some means seems to be on the cards.

### Valuation

Our FFO-based DCF valuation currently points to a fair value of EUR 29, using an required ROE of 7.45%. Related to its NNAV, the company trades at a discount, versus premiums to NNAV of its larger peers Corio and Unibail-Rodamco. This can be related to the more limited acquisition headroom that is currently involved for ECP.

### Rating

**Price target:**  
**Price 29 Sep 2009:**  
**Up-/downside:**

**Hold**

**EUR 29.0**   
**EUR 27.5**  
**+5.3%**

### Real Estate

#### Market capitalisation:

EUR 991 m

#### Avg (12 month) daily volume:

125,233

#### Free float

82%

#### Reuters

SIPFf:AS

#### Bloomberg code

ECMPA NA

### Share Price Performance %

	-1m	-3m	-12m
Eurocommercial Properties	+1	+25	-10
MSCI Europe	+1	+30	-18
MSCI Netherlands	+4	+30	-9

### Agenda

AGM

03 Nov 2009

### Major shareholders

	%
Government of Singapore	12.8
PFZW	4.9

### Listed Peers

	Ticker
VastNed Retail	VASTN NA
Corio	CORA NA
Unibail Rodamco	UL FP

### Analysts

#### Ruud van Maanen

+31 (0) 20 460 4831

#### Rick Tervoort

+31 (0) 20 460 4830

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

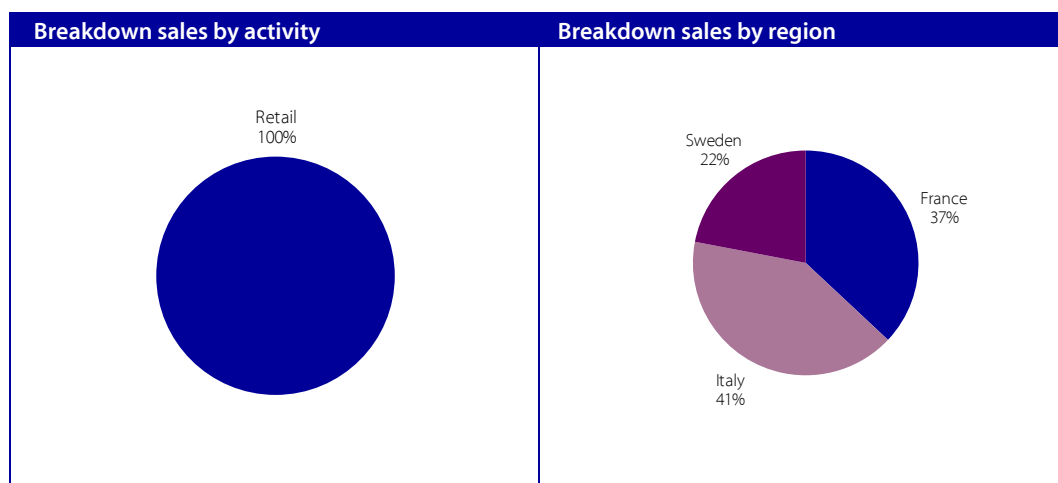
We recognise the defensive character of ECP's portfolio but are cautious towards the turnover-based parts of the rent, although it is fairly small (est. 2%). Negative indexation can be expected for 2010 in France and Sweden. ECP's own budget is a 4% decrease for the 40% of its French contracts that are still under the ICC. This could be too pessimistic, as these are just the contracts still under (upward) renegotiation. Our main concern at the moment is development in the Swedish retail market, as the economic indicators have deteriorated rapidly. In May 2009 onwards, the EUR 33m Ingelsta development project in Sweden will run in ECP's numbers, which has already been leased for 99%.

### Company profile

Eurocommercial Properties is a medium sized real estate investment company, fully focused on retail properties. Its EUR 2.1bn portfolio is located in France, Italy and Sweden. Its balance sheet is modestly leveraged and interest and operational costs seem well under control. Management focuses on extension and redevelopment of existing properties to enhance its future income growth.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ high quality assets in low-risk retail property segment</li> <li>▪ experienced management team</li> <li>▪ solid balance sheet</li> <li>▪ low refinancing &amp; interest rate risk</li> <li>▪ defensive top-line by low rent-to-turnover levels</li> </ul>	<ul style="list-style-type: none"> <li>▪ fixed interest rates in declining interest rate environment</li> <li>▪ exposure to Swedish Krona (22% of net rental income)</li> <li>▪ low yielding portfolio vulnerable to yields moving out</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Enhance income by extension of centers</li> <li>▪ Creating room for attractive deal opportunities</li> <li>▪ Strengthening of the Swedish Krona</li> <li>▪ Reversionary of ICC contracts in France</li> </ul>	<ul style="list-style-type: none"> <li>▪ tenancy risk in an environment of declining retail sales</li> <li>▪ weakness of Swedish Krona</li> </ul>



Income Statement (EURm)				
	2008	2009E	2010E	2011E
Gross rental income	128.7	134.2	135.4	138.0
Operating costs	-18.7	-19.9	-20.3	-20.3
Net rental income	109.9	114.4	115.1	117.7
Property development income	N/A	N/A	N/A	N/A
General expenses	-9.5	-8.5	-8.9	-9.2
Other income & expenses	0.0	0.0	0.0	0.0
EBITDA	100.4	105.9	106.2	108.5
Depreciation & Amortisation	0.0	0.0	0.0	0.0
EBIT	100.4	105.9	106.2	108.5
Net financial result	-38.1	-40.8	-40.0	-41.3
Other pre-tax items	0.0	0.0	0.0	0.0
EBT	62.3	65.1	66.2	67.2
Income taxes	0.0	0.0	0.0	0.0
Direct result of associates	0.0	0.0	0.0	0.0
Other post-tax items / minorities	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0
Direct investment result	62.3	65.1	66.2	67.2
Revaluation	38.8	-294.7	-91.2	24.6
Taxes on revaluation	-0.3	50.5	5.2	-1.4
Net result of property sales	0.6	-0.3	0.0	0.0
Indirect result of associates	0.0	0.0	0.0	0.0
Other post-tax items / minorities	8.8	-1.3	0.0	0.0
Indirect investment result	47.9	-245.8	-86.0	23.2
Net profit	110.2	-180.7	-19.8	90.3
PER SHARE ITEMS				
Shares outstanding avg. (m)	35.7	35.8	35.8	35.8
Shares outstanding fully diluted (m)	35.3	35.8	35.8	35.8
EPS reported	3.10	-5.04	-0.55	2.52
EPS recurring	1.75	1.82	1.85	1.87
NNAV	36.59	28.82	26.98	27.69
DPS	1.75	1.78	1.81	1.84
Payout ratio (%)	99.9	98.0	98.0	98.0
Fiscal year ends 6/2009				
% GROWTH				
Net rental income	14.7	-0.1	-3.9	3.2
Lfi Net rental income	14.7	-5.3	-2.7	3.0
EBITDA	14.2	5.5	0.2	2.2
Net income recurring	5.6	4.5	1.6	1.5
% MARGINS				
Gross margin	85.4	85.2	85.0	85.3
EBITDA margin	78.0	78.9	78.4	78.6
Net recurring margin	48.4	48.5	48.8	48.7

Cash Flow Statement ( EURm)				
	2008	2009E	2010E	2011E
Net Income Reported	110.2	-180.7	-19.8	90.3
Minorities	0.0	0.0	0.0	0.0
Investment property disposal profit	-0.6	0.3	0.0	0.0
Net Valuation Movements	-38.8	294.7	91.2	-24.6
Direct Result of Associates	0.0	0.0	0.0	0.0
Indirect Result of Associates	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	0.3	-50.5	-5.2	1.4
Working Capital Change	-14.3	28.1	0.0	0.0
Other Items	-13.5	74.3	14.8	0.0
Cash Flow from Operations	43.2	166.2	80.9	67.2
Investment in properties	-167.6	-27.8	-56.5	-26.0
Investment in associates	0.0	0.0	0.0	0.0
Investment in immaterial fixed assets	0.0	0.0	0.0	0.0
Investment in other property, plant & equipment	-0.5	-0.2	0.0	0.0
Cash flow from investing	-168.0	-27.9	-56.5	-26.0
Increase in long term debt	349.6	-50.6	112.1	-10.0
Increase in short term debt	-177.7	-6.4	10.0	10.0
Dividends & other equity changes	-51.3	-87.2	-46.2	-64.9
Cash flow from financing	120.6	-144.3	75.8	-64.9
Change in cash	-4.2	-6.0	100.2	-23.7

Balance Sheet ( EURm)				
	2008	2009E	2010E	2011E
Investment property	2,404.1	2,136.8	2,102.1	2,152.7
Financial non-current assets	30.1	1.0	1.0	1.0
Other non-current assets	3.1	3.0	3.0	3.0
Cash & Cash Equivalents	13.8	7.8	108.1	84.4
Other current assets	77.8	23.4	23.4	23.4
Total assets	2,528.9	2,172.0	2,237.6	2,264.5
Short-term debt	62.3	55.8	65.8	75.8
Other current liabs	90.1	63.7	63.7	63.7
Long-term debt	908.0	857.3	969.4	959.4
Other non-current liabs	167.6	162.0	171.6	173.0
Minority interest	0.0	0.0	0.0	0.0
Shareholders' equity	1,301.0	1,033.1	967.0	992.4
Total liabs & equity	2,528.9	2,172.0	2,237.6	2,264.5
Net debt	956.5	905.4	927.2	950.9
Total return on equity (%)	8.5	-17.5	-2.1	9.1
Direct return on equity (%)	4.8	6.3	6.8	6.8
Indirect return on equity (%)	3.7	-23.8	-8.9	2.3
Net gearing (%)	73.5	87.6	95.9	95.8



## The sports season starts early

### Key message

EVS is preparing for a new sports season. In our view, 2010 might be the next record year for EVS in terms of sales as a result of the large number of sports events taking place. Orders for these events are gaining momentum and we believe EVS' order book will peak in 10Q2. Postponed investments from large studios might be an additional trigger for the order book going forward. We believe EVS is well on track to gain market share in the studio segment, leveraging its dominant position in the outdoor broadcast segment. Given the strong market position and growth profile of EVS, we believe the company is not overvalued at 14.6x 2010 P/E recurring. We reiterate our Buy rating and price target of EUR 53.

	2008	2009E	2010E	2011E
Sales (EUR m)	110	83	111	105
EPS Recurring	3.47	2.38	3.52	3.07
P/E Recurring	14.8	21.5	14.6	16.7
P/FCFPS	14.4	23.9	17.8	15.1
EV/ EBITDA	10.2	13.5	9.1	9.5
Dividend Yield (%)	4.8	3.2	4.6	5.1

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- EVS' 09Q2 results were better than expected. Underlying gross margin (ex. EUR 0.6m inventory write-off) of 83.9% was slightly higher compared to our anticipated 83.2%. As a result of decent cost control, EBIT surprised positively (EUR 8.9m vs Rabo: EUR 7.6m). Solid figures on 09Q2 sales (EUR 18.7m) and total open order book (EUR 8m) were announced earlier in a trading update.
- The figures also show order intake is increasing in recent months. Average monthly order intake is up from EUR 5.3m in April to EUR 7.8m in Jul/Aug (MoM CAGR: +10.5%). As a result we believe orders for 2010 sports events are gaining momentum in advance of the Olympic Wintergames in 10Q1. As EVS' order book did not contain any order >EUR 2m for delivery in 09, we believe the big fish might bite before 09FY.
- At the IBC trade fair in Amsterdam (10-15 Sep), EVS introduced XEDIO, especially designed for the production of news and sports in the studio segment. Through XEDIO, we believe EVS is positioning itself better to conquer the studio market by adding small scale production solutions to its product offering. Since recent studio orders have been light (31% of the order intake vs a high of 47% in 08H1), we welcome these initiatives.

### Valuation

EVS currently trades at a P/E 10 recurring of 14.6x, which we believe is not too demanding. Although we recognise the long-term opportunity for EVS, we believe it is too early to call our EUR 72.5 DCF value as official price target. For the time being, we view a multiple of 15x 10FY recurring earnings as fair, implying a value of EUR 53. We maintain our BUY rating and price target of EUR 53.

### Rating

**Buy**

**Price target:** EUR 53.0   
**Price 29 Sep 2009:** EUR 51.3  
**Up-/downside:** +3.4%

### Electronic Equipment & Instruments

#### Market capitalisation:

EUR 698 m

#### Avg (12 month) daily volume:

28,098

#### Free float

69%

#### Reuters

EVSB.BR

#### Bloomberg code

EVS BB

### Share Price Performance %

	-1m	-3m	-12m
EVS	+16	+43	+2
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Results 09Q3	12 Nov 2009
Results 09Q4	11 Feb 2010
Results 10Q1	11 May 2010
Combined AGM/EGM	18 May 2010

### Major shareholders

	%
DTV	12.3
Michel Counson	6.3
Fortis	4.2
Barclays Global Investors	3.0
BiP	2.9

### Listed Peers

	Ticker
None	--

### Analysts

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

Equity Sales	+ 31 20 460 4707
Equity Sales Trading	+ 31 20 460 4723
www.rabosecurities.com	

### Outlook

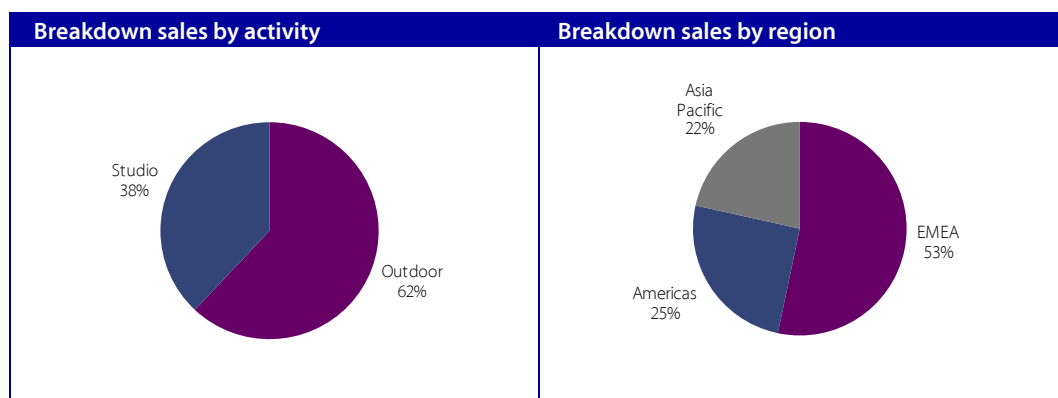
Because EVS already included the orders over August in the 09Q2 report, we believe the 09Q3 order book will look worse than it is. Therefore we advice to focus on a sequential increase in the open order book (Rabo: from EUR 8.0m to EUR 8.4m) and an increase in average monthly order intake (Rabo: from EUR 7.8m in July/August to EUR 8.5m in October). We forecast 09Q3 sales to jump 23% sequentially to EUR 23.4m and an EBIT of EUR 13.6m (58.4% margin) as a result of cost control. Orders for 2010 sports events are gaining momentum and we believe the order book will peak in 10Q2 during the FIFA World Cup Soccer, but in advance of the 10Q3/10Q4 sports events in Asia (Commonwealth Games, Asian Games and Youth Olympics). As a result, we foresee 2010 to become a new record year with sales of EUR 111.8m (peak 2008: EUR 110.7m).

### Company profile

EVS Broadcast Equipment S.A. (EVS) is leader in the market for digital outdoor video production and focuses on the markets for outdoor broadcasts (sports, concerts), in which it has a market share of more than 90%. Furthermore, the company currently leverages its technology by entering the market for studio productions. EVS strongly benefits from (i) the transition from tape to tapeless recording, (ii) the adoption of High Definition Television (HDTV) and (iii) broadcasts via new media (internet, mobile phones). EVS has been listed on Euronext Brussels since 1998.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Best-in-class technology for video encoding</li> <li>▪ Dominant market position in Outdoor Broadcasts (&gt; 90%)</li> <li>▪ Introduced a dedicated studio product line (Silver Line)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dependence on one product/technology</li> <li>▪ Seasonality due to sports events in even years</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Transition to tapeless recording</li> <li>▪ Adoption of HDTV</li> <li>▪ More media for playout (TV, Internet &amp; Mobile)</li> <li>▪ Further leverage its technology for the studio market</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of capital at large studios to upgrade equipment</li> <li>▪ Weaker USD negatively impacts EVS' position at European studios</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	94.7	110.7	83.9	111.8	105.3
Cost of sales	-12.0	-15.7	-13.4	-16.1	-16.4
Gross profit	82.7	95.0	70.5	95.8	88.9
Operating costs	-19.6	-25.0	-22.6	-25.1	-22.7
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	63.1	70.0	47.9	70.7	66.2
Depreciation	-1.1	-1.6	-1.9	-2.2	-2.7
EBITA	61.9	68.4	46.0	68.5	63.5
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	61.9	68.4	46.0	68.5	63.5
Net financial result	1.1	1.3	1.6	1.8	2.1
Other pre-tax items	-0.8	-2.9	-3.0	-5.5	4.8
EBT	62.3	66.8	44.6	64.8	70.4
Income taxes	-19.8	-21.6	-15.2	-21.7	-23.2
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	42.4	45.2	29.5	43.1	47.2
Adjustments, total	-3.0	2.3	3.0	4.9	-5.4
Net income recurring	39.5	47.5	32.5	48.0	41.8
PERSHARE ITEMS					
Shares outstanding avg. (mln)	13.6	13.6	13.6	13.6	13.6
Shares outstanding fully diluted (mln)	13.3	13.7	13.6	13.6	13.6
EPS reported	2.90	3.33	2.17	3.17	3.48
EPS recurring	2.97	3.47	2.38	3.52	3.07
CPS	2.99	3.87	2.41	3.21	3.70
DPS	2.00	2.48	1.62	2.36	2.59
Fiscal year ends 12/2009					
% GROWTH					
Revenues		16.9	-24.2	33.3	-5.8
EBITA		10.4	-32.7	48.8	-7.2
Net income recurring		20.4	-31.7	47.9	-13.0
% MARGINS					
Gross margin		85.8	84.1	85.6	84.4
EBITA margin		61.8	54.9	61.2	60.3
Net recurring margin		42.9	38.7	42.9	39.7
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	799.6	715.5	646.0	639.2	628.1
P/E recurring (x)	17.3	14.8	21.5	14.6	16.7
P/Sales (x)	7.4	6.3	8.3	6.2	6.6
P/FCF (x)	18.1	14.3	24.0	17.8	15.1
P/CF (x)	17.1	13.2	21.3	16.0	13.9
P/B (x)	11.2	10.3	9.2	8.0	7.1
Dividend yield (%)	3.9	4.8	3.2	4.6	5.1
EV/EBITDA (x)	12.7	10.2	13.5	9.0	9.5
EV/Sales (x)	8.4	6.5	7.7	5.7	6.0
EV/FCF (x)	20.7	14.6	22.2	16.3	13.6

<b>Cash Flow Statement (EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	39.5	45.2	29.5	43.1	47.2
Depreciation & Amortisation	1.1	1.6	1.9	2.2	2.7
Working Capital Change	-1.0	5.3	1.8	-1.9	0.4
Other Items	1.1	0.6	-0.5	0.2	-0.1
Cash Flow from Operations	40.7	52.6	32.7	43.7	50.2
Net Capital Expenditure	-2.1	-3.7	-3.6	-4.5	-4.0
Goodwill from Acquisitions	0.0	0.0	0.0	0.0	0.0
Other Investments	-3.9	1.6	-0.2	-0.2	0.1
Cash Flow from Investments	-6.0	-2.1	-3.8	-4.7	-3.9
Ordinary Dividends	-27.2	-33.7	-21.9	-32.1	-35.2
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-2.3	-3.4	0.0	0.0	0.0
Change in Subordinated Debt	-0.3	0.0	0.0	0.0	0.0
Change in Bank Debt	-0.4	-0.3	0.0	0.0	0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-30.1	-37.3	-21.9	-32.1	-35.2
Change in Cash	4.6	13.2	7.0	6.8	11.1
Free Cash Flow	38.6	48.9	29.1	39.2	46.2
Free Cash Flow Yield (%)	5.5	7.0	4.2	5.6	6.6

<b>Balance Sheet (EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	35.5	45.5	52.4	59.2	70.4
Other current assets	21.0	19.6	14.8	19.8	18.6
Net PP&E	7.5	9.6	11.2	13.5	14.9
Intangible assets	0.0	1.0	1.0	1.0	1.0
Other non-current assets	11.0	9.4	9.7	9.9	9.9
Total Assets	75.0	85.0	89.2	103.4	114.7
Short-term debt	0.3	0.3	0.3	0.3	0.3
Other current liabs	8.2	12.1	9.2	12.3	11.6
Long-term debt	2.5	2.3	2.3	2.3	2.3
Other non-current liabs	1.7	2.3	1.8	2.1	2.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	62.1	68.0	75.6	86.6	98.6
Total liabs & equity	75.0	85.0	89.2	103.4	114.7
Net debt	-32.7	-42.9	-49.9	-56.7	-67.8
ROIC (%)	164.0	174.1	108.4	177.4	130.4
Net gearing (%)	-52.6	-63.0	-66.0	-65.5	-68.8
Working capital as % of sales	18.7	15.8	15.7	15.6	15.5
Inventory period days		22.5	30.9	23.3	27.5
Trade debtor days		40.8	39.6	29.9	35.2
Trade creditor days		10.1	13.1	9.9	11.7
Cash cycle		53.2	57.4	43.3	51.0

## Lean and mean cash return machine

### Key message

Topline visibility for 09H2 remains poor due to longer sales cycles, more price pressure on new licenses and lower service revenues. Exact remains very hands-on to adjust the cost base and we therefore expect flat EBITDA-margins in 2009. Exact remains a compelling cash cow: operating CF rose 15% and profit to cash conversion amounted to 185% in 09H1. Because of excellent cash conversion in 09H1 we raised our 2009E FCF estimate from EUR 33.8m towards EUR 36.6m. This translates into a 8% FCF yield. Due to the change towards a software as a service business (SaaS) model and the increased importance of maintenance in the sales mix, Exact expects that within 3-5 years 80% of total sales will come from recurring revenues, up from 58% in 09H1.

	2008	2009E	2010E	2011E
Sales (EUR m)	261	238	238	244
EPS Recurring	1.54	1.52	1.53	1.64
P/E Recurring	11.6	11.8	11.7	10.9
P/FCFPS	13.2	10.9	11.6	10.5
EV/ EBITDA	7.6	6.7	6.7	6.2
Dividend Yield (%)	9.1	8.5	8.5	7.8

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Exact reported 09H1 sales (EUR 117.6m), EBITDA (EUR 23.7m) and net profit (EUR 15.0m) that were fully in line with our estimates. License sales were down 33% organically. The cost base organically decreased 11.6%, highlighting management's hands-on approach in managing this severe downturn. Cost savings of EUR 12.5m were realized in 09H1, outperforming the EUR 8m target. The EBITDA-margin showed a slight decline of 60bps towards 20.1%. After the 10% headcount cut in 2008, Exact implemented an additional 4% cut in 2009. Exact posted a very strong margin increase in NL of 610bps towards the record-high level of 48.5%, even in spite of a 9% organic sales decline. License sales in the SME segment in NL were under pressure, in spite of a 46% increase in Exact Online subscriptions. License sales in the mid-market segment in NL were very weak. Maintenance sales increased 2.9% due to higher renewal rates and a CPI based price increase.
- Exact also showed an impressive margin increase in EMEA of +290bps driven by stringent cost controls and operational alignments. As we feared, the margin performance in Americas was disappointing: Exact suffered from a 790bps margin decline from 23.1% to 15.2% due to a fiercely competitive environment. Sales in the Americas declined 18% organically. After the weak first half, it will be difficult to achieve the target of a flat 20% EBITDA margin for 2009FY in the Americas. Longview saw its sales declining 16% as good demand for tax solutions was offset by a very weak CPM market due to postponed investments, price pressure and lower average deal sizes.

### Valuation

Exact's valuation is strongly supported by one of the strongest balance sheets in the industry (net cash of EUR 43m per June 30, 2009). Valuation is quite compelling: EV/EBITDA 2009E: 7x; generous dividend yield of 8%; FCF/EV: 10%. We maintain our Buy with a revised SPT of EUR 20 (previous: EUR 19).

### Rating

**Buy**

**Price target:** EUR 20.0   
**Price 29 Sep 2009:** EUR 17.9  
**Up-/downside:** +11.8%

### Software

#### Market capitalisation:

EUR 437 m

#### Avg (12 month) daily volume:

21,335

#### Free float

31%

#### Reuters

EXAHAS

#### Bloomberg code

EXACT NA

### Share Price Performance %

	-1m	-3m	-12m
Exact	-6	+4	-1
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3 28 Oct 2009

### Major shareholders

	%
A.R. van Nieuwland	15.7
E. Hagens	14.9
Janivo Holding B.V.	8.9
Aviva	7.5
Exact Holding	6.5

### Listed Peers

	Ticker
Unit 4 Agresso	U4AGR NA
Sage Group	SGE LN
Epicor	EPIC US
Lawson	LWSN US

### Analysts

#### Hans Slob

+31 (0) 20 460 4866

#### Frank Claassen

+31 (0) 20 460 4868

### Rabo Securities Amsterdam

**Equity Sales** +31 20 460 4707

**Equity Sales Trading** +31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

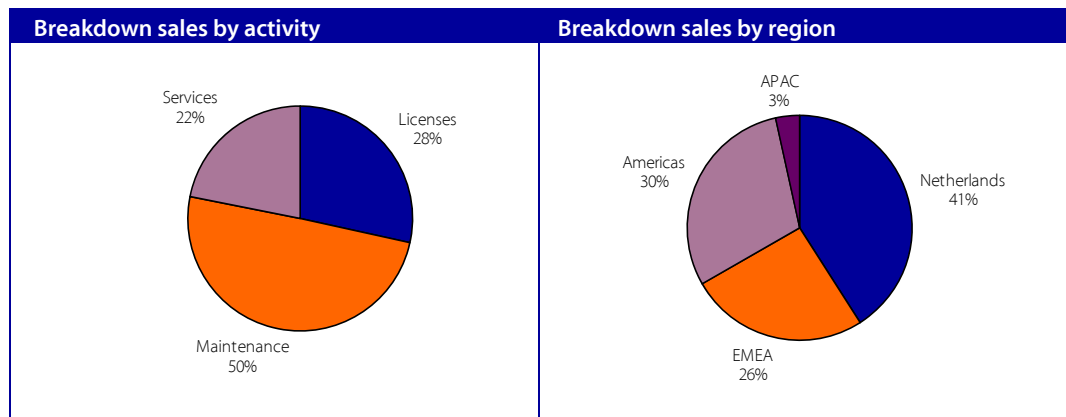
Exact maintained the previous outlook and will focus on EBITDA protection in 2009. We believe this target is too ambitious in the current market and with the weaker USD. Given excellent cost control, we estimate Exact to maintain EBITDA-margins, leading to an absolute EBITDA decline of 9% in 2009. Due to the strong operational gearing from high margin license sales on the lower cost base, real upside for the shares should be driven by an expected recovery for corporate IT investments from 10Q4 onwards. Another catalyst could possibly come from Exact willing to use its cash pile for a high growth acquisition in emerging markets. This could be a clear possibility for 2010, when end-market should start to experience the first real recovery signs in 10H2. A third catalyst could come from more M&A in the sector, as Exact remains a clear acquisition target.

### Company profile

Exact Software provides business software to small and medium-sized businesses, and subsidiaries of multinationals, with diverse implementation and industry requirements ranging from manufacturing, distribution, and retail to trade and service environments. Exact is market leader in the Netherlands in the SME segment. The company was established in 1984 and now has offices in Europe, the Middle East, North America, South America, Africa, Asia, and Australia (divided into Netherlands, International, and North America). Exact has subsidiaries in more than 40 countries and customers in more than 125 countries.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Market leader in the Benelux SME segment</li> <li>▪ Very strong balance sheet</li> <li>▪ Very hands-on cost management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Exact's new license sales revenues have been lagging</li> <li>▪ Old customer base difficult to move towards newer products</li> <li>▪ Challenge to find new customers for higher-end synergy products</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Cross-selling Synergy product on the large installed base</li> <li>▪ Exact is an acquisition candidate in the ERP consolidation wave because of its large and profitable user base</li> <li>▪ Cross-selling the Longview tax compliance solution on the installed base</li> <li>▪ Strong growth potential for Exact Online</li> </ul>	<ul style="list-style-type: none"> <li>▪ SAP and Microsoft entering Exact's markets</li> <li>▪ Competition in acquisitions, particularly from Sage</li> </ul>



Income Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Revenues	252.1	261.0	238.3	238.4	244.5
Cost of sales	-18.6	-18.7	-18.1	-18.1	-18.6
Gross profit	233.6	242.3	220.2	220.3	225.9
Operating costs	-176.5	-184.1	-165.1	-165.3	-167.7
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	57.0	58.2	55.0	55.0	58.2
Depreciation	-7.2	-8.8	-8.3	-7.6	-7.5
EBITA	49.8	49.4	46.8	47.4	50.7
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	49.8	49.4	46.8	47.4	50.7
Net financial result	2.6	0.8	1.3	1.3	1.3
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	52.4	50.2	48.1	48.7	52.0
Income taxes	-13.3	-13.3	-12.7	-12.9	-13.8
Minority interests	-0.9	-0.4	-0.4	-0.4	-0.4
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	38.2	36.4	35.0	35.4	37.8
Adjustments, total	-0.0	0.0	0.0	0.0	0.0
Net income recurring	38.2	36.4	35.0	35.4	37.8
PER SHARE ITEMS					
Shares outstanding avg. (mln)	24.0	23.6	23.1	23.1	23.1
Shares outstanding fully diluted (mln)	24.0	23.6	23.1	23.1	23.1
EPS reported	1.59	1.54	1.52	1.53	1.64
EPS recurring	1.59	1.54	1.52	1.53	1.64
CPS	2.50	1.59	1.86	1.87	2.02
DPS	1.59	1.62	1.52	1.53	1.39
Fiscal year ends 12/2009					
% GROWTH					
Revenues		3.5	-8.7	0.0	2.6
EBITA		-0.8	-5.3	1.3	7.0
Net income recurring		-4.6	-4.0	1.2	6.6
% MARGINS					
Gross margin		92.8	92.4	92.4	92.4
EBITA margin		18.9	19.6	19.9	20.7
Net recurring margin		14.0	14.7	14.9	15.4
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	574.0	440.3	368.9	369.4	362.7
P/E recurring (x)	11.3	11.6	11.8	11.7	10.9
P/Sales (x)	1.7	1.6	1.7	1.7	1.7
P/FCF (x)	8.3	13.3	10.9	11.6	10.5
P/CF (x)	7.2	11.3	9.6	9.6	8.9
P/B (x)	2.6	3.1	3.0	3.0	2.9
Dividend yield (%)	8.9	9.1	8.5	8.5	7.8
EV/EBITDA (x)	10.1	7.6	6.7	6.7	6.2
EV/Sales (x)	2.3	1.7	1.5	1.5	1.5
EV/FCF (x)	11.1	13.8	9.8	10.4	9.3

Exact

<b>Cash Flow Statement (EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	38.2	36.4	35.0	35.4	37.8
Depreciation & Amortisation	7.2	8.8	8.3	7.6	7.5
Working Capital Change	5.2	-0.2	0.4	-0.2	0.7
Other Items	9.4	-7.4	-0.8	0.3	0.7
Cash Flow from Operations	60.1	37.6	43.0	43.2	46.7
Net Capital Expenditure	-8.2	-5.8	-5.1	-7.6	-7.5
Goodwill from Acquisitions	-49.7	6.9	-1.9	0.0	0.0
Other Investments	-0.4	0.9	-0.0	0.0	0.0
Cash Flow from Investments	-58.3	2.0	-7.0	-7.6	-7.5
Ordinary Dividends	-38.2	-38.2	-35.0	-35.4	-32.1
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.8	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-2.4	-0.7	0.0	0.0	0.0
Change in Minorities	-0.1	-1.6	-1.5	-0.6	-0.4
Cash Flow from Financing	-40.8	-40.6	-35.7	-36.1	-32.5
Change in Cash	-39.0	-1.0	0.3	-0.5	6.7
Free Cash Flow	51.9	31.8	37.8	35.6	39.2
Free Cash Flow Yield (%)	12.1	7.5	9.1	8.6	9.5

<b>Balance Sheet (EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	69.0	44.7	45.0	44.5	51.2
Other current assets	59.4	58.1	50.9	50.5	51.8
Net PP&E	17.9	14.9	11.7	11.7	11.7
Intangible assets	122.7	115.8	117.6	117.6	117.6
Other non-current assets	5.9	5.0	5.1	5.1	5.1
Total Assets	274.9	238.6	230.3	229.4	237.4
Short-term debt	0.0	0.0	0.0	0.0	0.0
Other current liabs	86.2	84.7	77.9	77.4	79.4
Long-term debt	1.4	0.6	0.6	0.6	0.6
Other non-current liabs	21.6	13.8	12.7	12.6	13.0
Minority interest	2.7	1.5	0.3	0.0	0.0
Total equity	162.9	137.9	138.8	138.8	144.4
Total liabs & equity	274.9	238.6	230.3	229.4	237.4
Net debt	-67.6	-44.1	-44.3	-43.8	-50.5
ROIC (%)	26.0	20.2	19.3	19.6	21.0
Net gearing (%)	-41.5	-32.0	-32.0	-31.6	-35.0
Working capital as % of sales	-10.6	-10.2	-11.2	-11.3	-11.3
Inventory period days		2.3	4.0	3.8	3.7
Trade debtor days		72.0	71.2	65.9	64.9
Trade creditor days		8.0	7.8	7.5	7.4
Cash cycle		66.3	67.4	62.2	61.2



## Dependent on optionalities

### Key message

The book value (excl. the call option, RPN and any SPV impairment) was with EUR 7.5bn somewhat better than expected. We are more positive on the call option than Fortis is and more negative on the SPV. Based on a price/market based book value (where we include all optionalities and risks) of 1x and a PE12 of 8.3x for insurance, we keep our Hold and EUR 3 price target.

	2008	2009E	2010E	2011E
Net income (EUR)	-610	1156	494	710
EPS Published	-0.24	0.45	0.19	0.27
P/E Published	N/A	7.0	16.6	11.7
P/Equity	1.3	1.1	1.0	1.0
Dividend Yield (%)	0.0	0.0	2.9	3.8

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 25 September Fortis has finalised its strategic review, which began in May of this year, immediately following the approval by shareholders of the transactions with BNP Paribas, Fortis Bank and the Belgian State. The capital is strong and cash may be allocated to potential investments. Fortis intends to resume payment of a regular annual cash dividend of 40% to 50% of the net profit of the insurance activities.
- On 17 September Fortis and BNP Paribas Assurance acquire a majority stake in UBI Assicurazioni, one of the leading non-life bancassurance players in Italy. UBI Assicurazioni enters into a long term exclusive distribution agreement with UBI Banca, a Top 5 Italian bank.
- On 11 September Tesco and Fortis finalised their insurance partnership

### Valuation

The insurance business, which the market implicitly values at EUR 1.75 per share (EUR 3.18 current share price - EUR 1.43 book value of the general unit = EUR 1.75 left for insurance) makes an estimated EPS in 2012 of EUR 0.21 (EUR 538m insurance net profit / 2.58bn shares). So basically the market implicitly values the insurance business of Fortis at a PE12 of 8.3x (1.74/0.21), if one values the general/spv business at book value. Concerning the EUR 538m insurance profit, this is 12% of the EUR 4.6bn book value of the insurance business (official IFRS book value of EUR 4.9bn + EUR 0.4bn real estate revalued to market value - EUR 0.45m goodwill impairment - EUR 0.3bn fixed income security investments at amortisation value). It is most important for Fortis to enhance its value by: -1- increasing the book value by working better than expected on the optionalities or -2- invest the book value of the general unit in such a way that real value is being created.

### Rating

**Price target:**  
**Price 29 Sep 2009:**  
**Up-/downside:**

**Hold**

**EUR 3.0**   
**EUR 3.2**  
**-4.8%**

### Diversified Financials

#### Market capitalisation:

EUR 7,408 m

#### Avg (12 month) daily volume:

16,010,252

#### Free float

95%

#### Reuters

FOR.AS

#### Bloomberg code

FORA NA

### Share Price Performance %

	-1m	-3m	-12m
Fortis	0	+30	-27
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Results 09Q3 17 Nov 2009

### Major shareholders

Ping An 5.0%

### Listed Peers

	Ticker
ING	INGA NA
AXA	CS FP
KBC	KBC BB

### Analysts

#### Cor Kluis

+31 (0) 20 460 4870

#### Georg Krijgh

+31 20 460 4860

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

**Outlook**

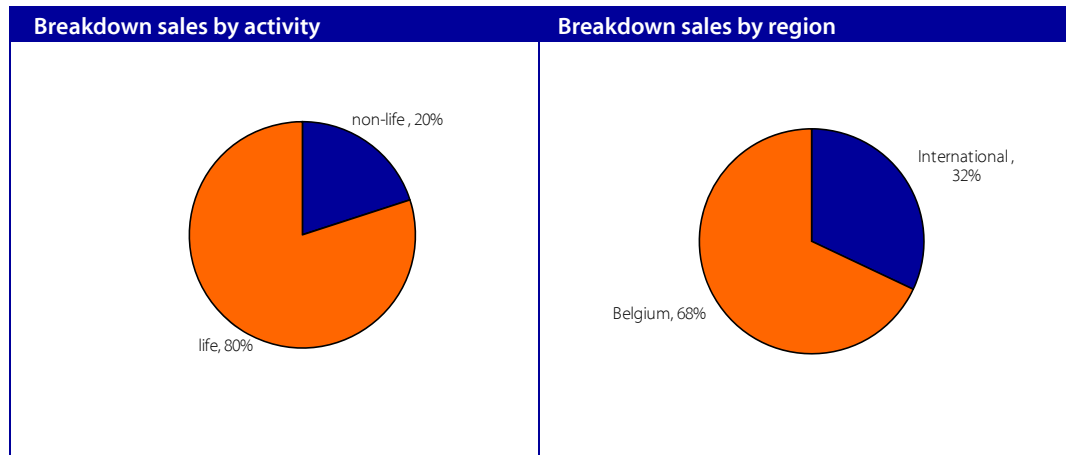
In 2012 Fortis should be able to make a net profit of about EUR 800m or EUR 0.31 per share. This would be a ROE of about 10% on market based book value of EUR 8.2bn. This would at a share price of EUR 3.18 BE a PE12 of 10.3. In the near term generating EUR 800m in net profit is not possible as it still has a large amount of cash (EUR 3bn) which is yielding almost nothing now with the current low short term interest rates and still a part of the General business unit book value does not generate earnings (e.g. call option BNP and claim on Dutch government). However in a few years time when the call option will be monetised/executed and the claims will be settled this cash can generate a reasonable return if it will be invested in the right way/acquisitions.

**Company profile**

Fortis Holding, after the deal with BNP Paribas, includes (1) international insurance activities, (2) a 66% stake in a structured credit portfolio and (3) financial assets and liabilities of various financing vehicles. The international insurance activities (Fortis Insurance International) are located in UK, France, Hong Kong, Luxembourg (Non-Life), Germany, Turkey, Russia, and Ukraine, and in joint ventures in Luxembourg (Life), Portugal, China, Malaysia, India and Thailand.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong capital</li> <li>▪ Growth potential in Asia</li> </ul>	<ul style="list-style-type: none"> <li>▪ Small market shares in Russia, parts of Asia</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Rising value of BNP shares</li> <li>▪ Benefit if MCS is settled with Dutch government</li> <li>▪ Acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Claims from shareholders</li> </ul>



	2009E total (EUR m)	2009E per share (EUR)	
Assumed number of shares (m)		2,582	Z
<b>Pro forma book value per share (EUR)</b>			
Official book value (incl. SPV)	7,686	2.98	A
Revalue real estate to market value in insurance Belgium	377	0.15	B
Impairment goodwill to zero	-451	-0.17	C
Add the RPN	344	0.13	
Deduct the Call option on BNP	-482	-0.19	
Putting fixed income investments at amortisation value	-319	-0.12	D
Corrected regulatory book value	7,155	2.77	E
- Insurance International	2,049	0.79	F
- Insurance Belgium	2,502	0.97	G
- Special Purpose Vehicle (SPV) with distressed credits	760	0.29	H
- General unit	1,844	0.71	I
Total corrected regulatory book value	7,155	2.77	E
Benefit if claims from MCS & EUR 450m with FBN will be settled	819	0.32	J
EUR 18bn SPV assets at 30% of nominal value	-560	-0.22	H
Call option on the BNP shares	1,396	0.54	K
Buying back debt below nominal value	200	0.08	L
Relative performance note (RPN)	-300	-0.12	M
Cost of potential claims from shareholders	-500	-0.19	N
Market based book value	8,210	3.18	P
Insurance international	2,049	0.79	F
Insurance Belgium	2,502	0.97	G
Special Purpose Vehicle (SPV) with distressed credits	200	0.08	H
Other	3,459	1.34	I
Market based book value	8,210	3.18	P
- Insurance International	95%	95%	
- Insurance Belgium	95%	95%	
- General unit	95%	95%	
Fair value P/B	95%	95%	
- Insurance International	1,947	0.75	
- Insurance Belgium	2,377	0.92	
- General unit / SPV	3,476	1.35	
Fair value Fortis (x times market based book value)	7,799	3.02	
Insurance international	25%	25%	
Insurance Belgium	30%	30%	
General unit/SPV	42%	42%	
Market based book value	100%	100%	

See our Fortis 'Valuation in Detail' study of 15 June 2009 for more details

**Fortis**

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# Fugro

## Surprising Survey

### Key message

Fugro surprised with a strong 09FY net profit outlook of "around EUR 260m", signalling market conditions across the board are relatively sound; especially Survey held up well in 09H1. A lot of bad news has been incorporated in the 10FY consensus estimates (16% y-o-y profit decline; we now stand at -11%), while valuation is rather modest for a company that can show aggressive top-line acceleration; we do not rule out that Fugro will be able to report level earnings in 10FY if the oil price remains at current levels, as two-thirds of its business is protected by high market shares. The USD dollar represents a risk factor to Fugro.

	2008	2009E	2010E	2011E
Sales (EUR m)	2,154	2,189	2,135	2,167
EPS Recurring	3.82	3.42	3.06	3.29
P/E Recurring	10.3	11.5	12.9	12.0
P/FCFPS	38.3	31.3	12.9	11.9
EV/ EBITDA	6.9	6.1	6.1	5.6
Dividend Yield (%)	3.8	3.5	3.1	3.4

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Fugro's 09H1 net profit of EUR 112m was in line with earlier guidance of around EUR 110m. Operating result of EUR 177m fell slightly short of our EUR 182m, which was compensated for by lower taxes. While Geotechnical (by c. 15%) and Geoscience (by c. 5%) both fell short of our expectations, Survey outperformed (by 5%).
- Geotechnical was affected by a recession-caused decline in the onshore operations in Europe and the US, while offshore experienced good capacity utilisation (a.o. due to wind farms). At Geoscience, Fugro notes that it appears the exploration sector is now stabilising. Geosurvey benefitted from continued spending by oil majors and NOCs, while margins have remained strong, helped by increased efficiency and lower fuel costs.
- In terms of recent contract wins Fugro was awarded a contract to supply site survey and positioning services to Chevron Indonesia in September and a contract for a large multi-site high resolution geophysical and geotechnical survey by PEMEX in August. In 09H1, Fugro acquired four companies with annual revenues of c. EUR 20m.

### Valuation

Given the fact that Fugro does not have any balance sheet issues (bulk of financing rolled over from 2010 to 2012) and has the flexibility to grow its top-line aggressively in case of a pick-up, we consider the 10FY EV/EBITDA multiple of c. 6.1x rather attractive. Incorporating operating margin erosion to 12% per 12FY, our DCF value for Fugro arrives at EUR 44.

### Rating

**Buy**

**Price target:** EUR 44.0   
**Price 29 Sep 2009:** EUR 39.4  
**Up-/downside:** +11.7%

### Energy Equipment & Services

#### Market capitalisation:

EUR 3,104 m

#### Avg (12 month) daily volume:

454,859

#### Free float

73%

#### Reuters

FUGRC:AS

#### Bloomberg code

FUGR NA

### Share Price Performance %

	-1m	-3m	-12m
Fugro	+2	+33	-5
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

None --

### Major shareholders

	%
ING Groep N.V.	9.6
G.J. Kramer (Woestduin Holding)	7.1
WAM Acquisitions	5.3
FMR	4.8

### Listed Peers

	Ticker
ENI	
Schlumberger	SLB US

### Analysts

#### Ralf Jacobs

+31 (0) 20 460 4839

#### Fabian Smeets

+31 (0) 20 460 4864

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

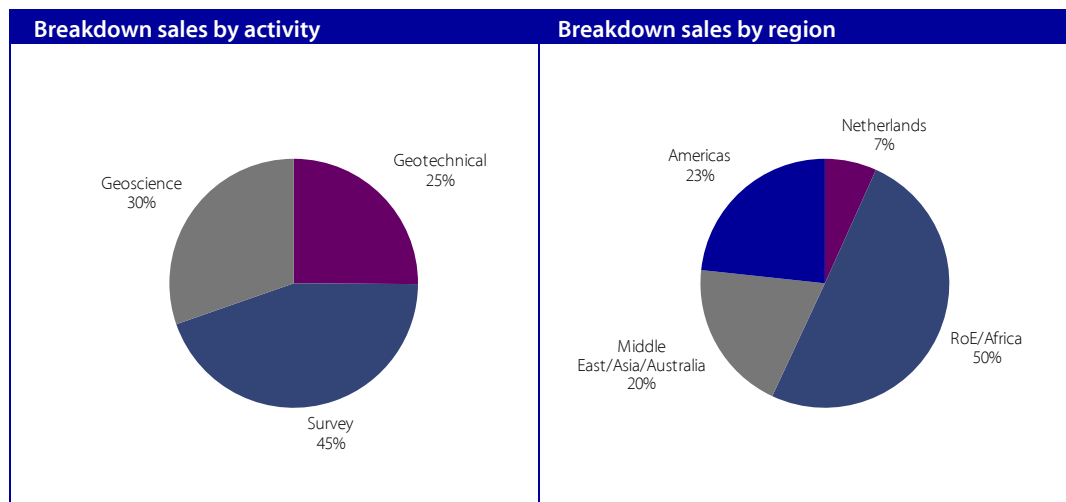
We are impressed by Fugro's outlook of around EUR 260m in net profit (on level y-o-y revenues), given our former estimate of EUR 251m and consensus of EUR 255m. The order backlog stood at a healthy level of EUR 931m, which covers c. 80% of 09H2 anticipated revenues. Evidently, margin pressure seems under control at a projected net margin of 12%. In this light, we note that the 10FY consensus outlook of EUR 219m in net profit incorporates quite a lot of caution. Mining will likely remain subdued in the foreseeable future, but Infrastructure should benefit from stimulus packages, and capital expenditure in Oil & Gas should hold up at current oil prices. While we acknowledge the risk of a delayed impact of lower exploration spending on Survey, there are no signs of this yet.

### Company profile

Fugro is a leading engineering firm that is predominantly active as a service provider to the oil and gas industry. The activities focus on collecting and interpreting data relating to the surface or subsurface of the earth. The company was established in 1962 and listed on the Amsterdam stock exchange in 1992. Over the last ten years, it has grown at an average rate of 15% p.a., broken down into 10% organically and 6% via acquisitions. Hardware consists of 55 vessels (25 fully owned), hundreds of cone penetration testing and drilling units, c. 30 jack-up platforms, c. 60 aircraft, 125 ROVs, 5 AUVs, and satellite positioning systems.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Balanced portfolio, both regional and across segments</li> <li>▪ Strong market shares in niche segments</li> <li>▪ Strong focus on R&amp;D and innovation</li> <li>▪ Balance between ownership and charter of ships</li> </ul>	<ul style="list-style-type: none"> <li>▪ Large exposure to USD and GBP</li> <li>▪ Relatively low visibility due to short-term nature of backlog</li> <li>▪ Perceived exposure to the oil price development</li> <li>▪ Part of the operations are cyclical</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Oil industry is shifting towards offshore exploration</li> <li>▪ Growth in several divisions through fleet expansion</li> <li>▪ Depletion should stimulate demand for 4D-seismic</li> <li>▪ Governments keep spending on large infrastructure projects</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strong decline in oil and metal prices can affect investments</li> <li>▪ Capacity expansion of seismic companies could lead to overcapacity</li> <li>▪ Weather conditions can impact execution at sea</li> <li>▪ Growth in alternative energy sources</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	1,802.7	2,154.5	2,189.2	2,135.6	2,167.2
Cost of sales	N/A	N/A	N/A	N/A	N/A
Gross profit	N/A	N/A	N/A	N/A	N/A
Operating costs	-1,363.1	-1,618.8	-1,620.6	-1,587.7	-1,593.7
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	439.6	535.7	568.6	547.9	573.5
Depreciation	-107.7	-140.4	-176.0	-191.8	-197.1
EBITA	331.9	395.3	392.6	356.1	376.5
Amortisation	-7.1	-9.0	-9.0	-9.0	-9.0
EBIT	324.8	386.2	383.6	347.1	367.4
Net financial result	-31.0	-1.9	-28.0	-28.4	-23.3
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	293.8	384.4	355.6	318.7	344.2
Income taxes	-71.3	-94.8	-90.7	-81.9	-88.3
Minority interests	-6.1	-6.0	-5.5	-5.0	-5.4
Other post-tax items/participation	-0.2	-0.1	1.5	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	216.2	283.4	260.8	231.8	250.5
Adjustments, total	7.1	9.0	9.0	9.0	9.0
Net income recurring	223.3	292.4	269.8	240.8	259.5
PERSHARE ITEMS					
Shares outstanding avg. (mln)	69.6	73.0	75.2	75.3	75.3
Shares outstanding fully diluted (mln)	70.4	76.6	78.8	78.8	78.8
EPS reported	3.11	3.88	3.47	3.08	3.33
EPS recurring	3.17	3.82	3.42	3.06	3.29
CPS	2.87	6.56	5.97	5.86	6.11
DPS	0.34	1.50	1.39	1.23	1.33
Fiscal year ends 12/2009					
% GROWTH					
Revenues		19.5	1.6	-2.4	1.5
EBITA		19.1	-0.7	-9.3	5.7
Net income recurring		31.0	-7.7	-10.8	7.8
% MARGINS					
Gross margin		N/A	N/A	N/A	N/A
EBITA margin		18.3	17.9	16.7	17.4
Net recurring margin		13.6	12.3	11.3	12.0
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	3,681.8	3,688.8	3,477.3	3,336.4	3,181.9
P/E recurring (x)	12.4	10.3	11.5	12.9	12.0
P/Sales (x)	1.5	1.3	1.4	1.4	1.4
P/FCF (x)	N/A	3.66	3.00	12.3	11.4
P/CF (x)	13.7	6.0	6.6	6.7	6.4
P/B (x)	3.9	3.1	2.7	2.4	2.2
Dividend yield (%)	0.9	3.8	3.5	3.1	3.4
EV/EBITDA (x)	8.4	6.9	6.1	6.1	5.5
EV/Sales (x)	2.0	1.7	1.6	1.6	1.5
EV/FCF (x)	N/A	46.9	35.2	13.8	12.3

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	216.2	283.4	260.8	231.8	250.5
Depreciation & Amortisation	114.8	149.4	185.0	200.9	206.1
Working Capital Change	-184.3	20.4	-2.6	4.1	-2.4
Other Items	53.2	25.6	5.8	4.6	5.6
Cash Flow from Operations	199.9	478.9	448.9	441.4	459.7
Net Capital Expenditure	-707.0	-400.2	-3 500.0	-200.0	-200.0
Goodwill from Acquisitions	-644.0	-76.0	-0.0	-0.0	-0.0
Other Investments	-25.8	-4.7	0.0	0.0	0.0
Cash Flow from Investments	-1,376.8	-480.9	-3 500.0	-200.0	-200.0
Ordinary Dividends	-23.4	-109.6	-104.3	-92.7	-100.2
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-23.1	-67.2	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	53 4.9	81.6	0.0	0.0	0.0
Change in Minorities	0.9	-5.6	-5.1	-4.6	-5.0
Cash Flow from Financing	48 9.2	-100.8	-109.5	-97.3	-105.2
Change in Cash	-68 7.7	-102.8	-10.5	144.1	154.6
Free Cash Flow	-507.1	78.6	98.9	241.4	259.7
Free Cash Flow Yield (%)	N/M	2.7	3.3	8.1	8.8

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	72.0	113.3	102.8	246.8	401.4
Other current assets	595.4	668.3	679.0	662.4	672.2
Net PP&E	599.3	859.1	1,033.1	1,041.2	1,044.2
Intangible assets	407.6	452.1	443.1	43 4.1	425.1
Other non-current assets	25.8	30.5	30.5	30.5	30.5
Total Assets	1,700.1	2,123.3	2,288.5	2,415.1	2,573.4
Short-term debt	84.9	221.1	221.1	221.1	221.1
Other current liabs	411.2	504.4	512.5	500.0	507.4
Long-term debt	450.0	395.4	395.4	395.4	395.4
Other non-current liabs	47.1	66.6	66.8	66.5	66.7
Minority interest	7.0	7.5	7.9	8.3	8.7
Total equity	700.0	928.3	1,084.8	1,223.9	1,374.2
Total liabs & equity	1,700.1	2,123.3	2,288.5	2,415.1	2,573.4
Net debt	462.9	503.2	513.7	369.6	215.1
ROIC (%)	#DIV/0!	18.3	14.6	12.3	13.0
Net gearing (%)	66.1	54.2	47.4	30.2	15.7
Working capital as % of sales	10.2	7.6	7.6	7.6	7.6
Inventory period days		7.2	6.9	7.0	6.9
Trade debtor days		66.4	70.9	72.3	70.9
Trade creditor days		16.7	16.5	16.9	16.5
Cash cycle		56.9	61.2	62.5	61.3



# Gamma Holding

## Covenants remain crucial

### Key message

Gamma's exposure to industrial and housing markets led to a sharp and significant decline in sales and operating profit during 2008 and 09H1, highlighting the vulnerability of Gamma's product portfolio. A high debt position in combination with a lower EBIT forced the company to renegotiate its debt covenants in February 2009. We expect Gamma to continue to suffer losses through 2010, due to underutilisation, continuous restructuring and much higher interest charges. Due to the large financial and operating risks, we stick to our reduce rating with a price target of EUR 2.5.

	2008	2009E	2010E	2011E
Sales (EUR m)	744	670	686	703
EPS Recurring	2.81	-2.55	-1.06	0.27
P/E Recurring	2.4	N/A	N/A	24.8
P/FCFPS	1.4			8.6
EV/ EBITDA	7.3	8.4	6.4	5.1
Dividend Yield (%)	0.0	0.0	0.0	0.4

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- In December 2007, Gamma announced the acquisition of Uni-chains for around EUR 83m, significantly raising its net debt.
- During 2008 and 09H1, Gamma's results suffered significantly from the recession. The division Industrial Solutions even dropped into operating losses, as volume losses in Belting and Filtration was exacerbated by pricing pressure. Within the division Lifestyle Fabrics, especially Sleep Care Fabrics suffered from the weak housing market, but also from a product preference shift. The only strong performance came from Exotic Fabrics.
- Due to the sharp decline in EBIT, Gamma broke its debt covenants by the end of 2008. New covenants on the EUR 390m facility were agreed in July 2009, calling for a maximum net debt/EBITDA of 5.4x by year end 2009. This new facility came at significant upfront costs and included an option for the banks to convert EUR 30m of debt into at least 50.1% of equity voting right, exercisable when the net debt/EBITDA ratio exceeds 7.5x.
- In June 2009, CEO Veninga stepped down. The proposed successor Jan Albers was approved by the EGM in July.
- Gamma has announced major restructurings and cost savings, leading to savings of EUR 30m in 2009 and EUR 45m in 2010.

### Valuation

We forecast net losses in 2009 and 2010, due to continued subdued sales levels and much higher interest charges. Gamma's first priority is meeting the covenants of the new credit facility while executing the restructurings. The vulnerable operational situation in combination with these financial risks leave big risks for shareholders.

### Rating **Reduce** ==

<b>Price target:</b>	<b>EUR 2.5</b> ==
<b>Price 29 Sep 2009:</b>	<b>EUR 6.7</b>
<b>Up-/downside:</b>	<b>-62.7%</b>

### Industrial Conglomerates

#### Market capitalisation:

EUR 50 m

#### Avg (12 month) daily volume:

36,580

#### Free float

44%

#### Reuters

GAMNcAS

#### Bloomberg code

GAMN NA

### Share Price Performance %

	-1m	-3m	-12m
Gamma Holding	-6	+63	-70
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3	23 Oct 2009
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### Major shareholders

	%
ING Groep	26.5
Kempen & Co N.V.	10.6
Fortis Verzekeringen Nederland N.V.	8.5
Aviva	5.5
Allianz Nederland Groep N.V.	5.2

### Listed Peers

	Ticker
Sioen	SIOE BB

### Analysts

#### Philip Scholte

+31 (0) 20 460 4823

#### Frank Claassen

+31 (0) 20 460 4868

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

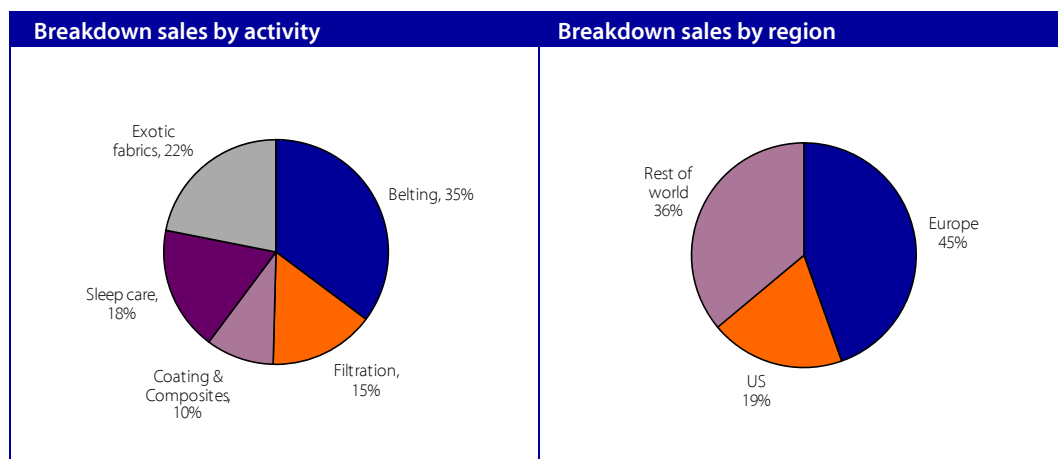
Gamma said it does not expect an improvement in its markets for 09H2. The initiated cost savings should lead to a better EBITDA than in 09H1, enabling Gamma to meet its covenants. The debt position will be the most crucial issue to watch. The planned sale of Verseidag (ballistic) and SailCloth may help. Gamma is also open to a public-to-private transaction. Operationally, Industrial Solutions may benefit from a cautious recovery in industrial production, e.g. in automotive, but the division Lifestyle Fabrics may suffer from weakening consumer spending. Gamma does not have longer term targets currently.

### Company profile

Gamma Holding develops, manufactures and sells industrial and consumer-related textile products through its two divisions Industrial Solutions and Lifestyle Fabrics. The company employs some 7,300 people and is active in five market segments: within Industrial Solutions, there are Belting, Filtration and Coating & Composite. Within Lifestyle Fabrics, there are Sleep Care and Exotic Fabrics.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Highly profitable franchise in Exotic Fabrics</li> <li>▪ Extensive product know-how</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sailcloth, Belting and Filtration are quite mature end-markets</li> <li>▪ Exposed to potentially unstable West African markets in Exotic Fabrics</li> <li>▪ Fragmented production base</li> <li>▪ Sleep Care faces competition from low cost countries</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Increased focus on growth markets (e.g. filtration, composites)</li> <li>▪ Restructuring and relocation of Sleep Care</li> <li>▪ Portfolio restructuring</li> </ul>	<ul style="list-style-type: none"> <li>▪ US dollar exposure</li> <li>▪ Competition from low-cost countries in Sleep Care</li> <li>▪ Pricing pressure in mature, low value-added markets</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	713.0	744.0	670.9	686.3	703.4
Cost of sales	-292.3	-303.6	-271.7	-277.9	-284.9
Gross profit	420.7	440.4	399.2	408.3	418.5
Operating costs	-330.0	-367.3	-353.4	-347.9	-342.7
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	90.7	73.1	45.8	60.4	75.9
Depreciation	-30.6	-32.4	-32.5	-33.6	-34.7
EBITA	60.1	40.7	13.2	26.8	41.2
Amortisation	-0.8	-2.3	0.0	0.0	0.0
EBIT	59.3	38.4	13.2	26.8	41.2
Net financial result	-10.6	-17.2	-33.7	-36.7	-37.2
Other pre-tax items	-7.0	-1.8	0.0	0.0	0.0
EBT	41.7	19.4	-20.4	-9.9	4.0
Income taxes	-14.1	0.7	2.0	2.8	-1.1
Minority interests	-0.6	-0.8	-0.8	-0.8	-0.8
Other post-tax items/participation	0.1	0.0	0.0	0.0	0.0
Extraordinaries	2.3	-55.2	-43.6	0.0	0.0
Net income	29.4	-35.9	-62.8	-7.9	2.1
Adjustments, total	7.0	57.0	43.6	0.0	0.0
Net income recurring	36.4	21.1	-19.2	-7.9	2.1
PERSHARE ITEMS					
Shares outstanding avg. (mln)	7.4	7.5	7.5	7.5	7.5
Shares outstanding fully diluted (mln)	7.6	7.6	7.6	7.6	7.6
EPS reported	4.39	-4.53	-8.35	-1.06	0.27
EPS recurring	4.82	2.81	-2.55	-1.06	0.27
CPS	3.73	7.43	-6.29	3.10	4.53
DPS	2.00	0.00	0.00	0.00	0.03
Fiscal year ends 12/2009					
% GROWTH					
Revenues		4.3	-9.8	2.3	2.5
EBITA		-32.3	-67.5	102.4	53.5
Net income recurring		-42.0	N/M	-58.7	N/M
% MARGINS					
Gross margin		59.2	59.5	59.5	59.5
EBITA margin		5.5	2.0	3.9	5.9
Net recurring margin		2.8	-2.9	-1.2	0.3
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	257.0	355.3	403.2	388.6	383.2
P/E recurring (x)	1.4	2.4	N/A	N/A	24.8
P/Sales (x)	0.1	0.1	0.1	0.1	0.1
P/FCF (x)	N/A	15.7	N/A	N/A	8.5
P/CF (x)	1.8	0.9	N/A	2.2	1.5
P/B (x)	0.2	0.4	0.5	0.5	0.5
Dividend yield (%)	29.9	0.0	0.0	0.0	0.4
EV/EBITDA (x)	2.8	4.9	8.8	6.4	5.0
EV/Sales (x)	0.4	0.5	0.6	0.6	0.5
EV/FCF (x)	N/A	111.0	N/A	N/A	64.9

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	3 6.4	-3 4.1	-62.8	-7.9	2.1
Depreciation & Amortisation	3 1.4	34.7	32.5	33.6	34.7
Working Capital Change	-24.6	35.8	5.8	-3.4	-3.8
Other Items	-15.7	19.4	-22.8	1.0	1.1
Cash Flow from Operations	27.5	55.8	-47.3	23.3	34.0
Net Capital Expenditure	-3 8.7	-52.2	-26.8	-27.5	-28.1
Goodwill from Acquisitions	-0.4	-50.0	0.0	0.0	0.0
Other Investments	3 6.1	-66.0	0.5	-0.3	-0.3
Cash Flow from Investments	-3.0	-168.2	-26.4	-27.7	-28.4
Ordinary Dividends	-14.8	0.0	0.0	0.0	-0.2
Preferred Dividend	-0.8	-0.4	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-0.6	-0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-2.7	77.9	23.1	4.4	-5.4
Change in Minorities	-1.1	-0.2	0.0	0.0	0.0
Cash Flow from Financing	-20.0	77.3	23.1	4.4	-5.6
Change in Cash	4.5	-35.1	-50.6	-0.0	0.0
Free Cash Flow	-12.0	3.2	-73.6	-4.1	5.9
Free Cash Flow Yield (%)	N/M	6.4	N/M	N/M	11.7

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	25.3	24.9	0.0	0.0	0.0
Other current assets	327.1	296.8	285.5	292.1	299.4
Net PP&E	216.6	203.4	197.7	191.5	184.9
Intangible assets	47.9	68.6	68.6	68.6	68.6
Other non-current assets	15.7	81.7	81.2	81.5	81.8
Total Assets	632.6	675.4	633.1	633.7	634.7
Short-term debt	67.4	304.4	304.4	304.4	304.4
Other current liabs	137.8	143.3	137.9	141.0	144.5
Long-term debt	165.5	6.4	29.5	33.8	28.4
Other non-current liabs	60.7	79.3	55.7	55.9	56.2
Minority interest	2.8	3.4	4.2	5.0	5.8
Total equity	198.4	138.6	101.5	93.5	95.4
Total liabs & equity	632.6	675.4	633.1	633.7	634.7
Net debt	207.6	285.9	333.9	338.2	332.8
ROIC (%)	10.4	8.1	2.8	4.5	6.9
Net gearing (%)	104.6	206.3	329.0	361.6	348.9
Working capital as % of sales	26.5	20.6	22.0	22.0	22.0
Inventory period days	96.0	87.5	90.4	87.6	87.5
Trade debtor days	69.2	62.3	63.4	61.4	61.4
Trade creditor days	61.4	56.6	59.1	57.3	57.2
Cash cycle	103.8	93.2	94.6	91.8	91.7

# Grontmij

## Let the UK water flow

### Key message

Grontmij is making good progress in its shift towards high value added engineering services and the new CFO is clearly trying to improve transparency in reporting. However, the underlying drop in the EBITA margin from 8.8% in 08H1 to 7.6% in 09H1 confirmed our view that Grontmij will face margin pressure in this recession. The outlook for 2009 is in our view also challenging. The uncertainty on the margins keeps us cautious, although we must admit that the big UK water framework contracts kicking in as of 10Q2, continued growth in Transportation and general cost cutting offer upside for 2010, in which case valuation is attractive.

	2008	2009E	2010E	2011E
Sales (EUR m)	846	821	829	863
EPS Recurring	2.09	1.88	1.90	1.98
P/E Recurring	8.8	9.7	9.6	9.3
P/FCFPS	5.9	7.5	9.6	9.3
EV/ EBITDA	6.6	6.2	6.3	5.8
Dividend Yield (%)	6.3	4.9	4.5	4.7

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- During 2008, Grontmij has done several smaller acquisitions in the UK, Poland and The Netherlands to improve its positioning in special niches and fast growing geographies.
- The underlying EBITA in 09Q2 was roughly in line with our estimate. As Grontmij did not provide all quarterly details, we estimate an underlying 09Q2 EBITA of EUR 14.1m vs our estimate of EUR 14.3m. Like we already predicted, the 09Q1 results indeed included a sizable EUR 5.2m one-off gain from a divestment. For H1, the underlying EBITA (i.e. the operating EBITA plus the recurring net profit of joint ventures and associates) declined from EUR 29.3m last year to EUR 25.1m (resulting in a margin over net revenues dropping from 8.8% to 7.6%). The main culprit for this is the slowdown in the segment Buildings & Industry, which also depressed the group's organic revenue growth from +6% in Q1 to an estimated -4% in Q2.
- CFO Douwe van der Werf left Grontmij after the FY08 results. His successor is Mr. Mel Zuydam, who has held several financial positions at the UK Highway Agency and at Balfour Beatty.

### Valuation

We have raised our EBITA margin 2010 from 7.3% to 7.7% (over net revenues). At a P/E 2010 of c. 10x and an EV/EBITDA of c. 6x, Grontmij is trading roughly in line with its European peers. Our caution comes from the volatile and still somewhat intransparent quarterly earnings. If Grontmij can further improve its consistency and transparency, can report easing margin pressure in H2 and can use its strong balance sheet to do strategic acquisitions, valuations looks attractive.

### Rating

**Hold** **Price target:****EUR 17.0** **Price 29 Sep 2009:****EUR 18.3****Up-/downside:****-7.2%**

### Construction & Engineering

**Market capitalisation:**

EUR 325 m

**Avg (12 month) daily volume:**

65,345

**Free float**

61%

**Reuters**

GRONC.AS

**Bloomberg code**

GRONC.NA

### Share Price Performance %

	-1m	-3m	-12m
Grontmij	-1	+12	-21
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3

12 Nov 2009

### Major shareholders

	%
Delta Deelnemingen Fonds N.V.	11.4
ING Groep	7.5
Capital Research & Management	5.2
Smallcap Wolrd Fund Inc.	5.2
C.A.C.M. Oomen	5.1

### Listed Peers

	Ticker
Arcadis	ARCAD.NA
WS Atkins	ATK.LN
Poyry	JPG1V.FH

### Analysts

**Philip Scholte**

+31 (0) 20 460 4823

**Ralf Jacobs**

+31 (0) 20 460 4839

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707**Equity Sales Trading** + 31 20 460 4723**www.rabosecurities.com**

### Outlook

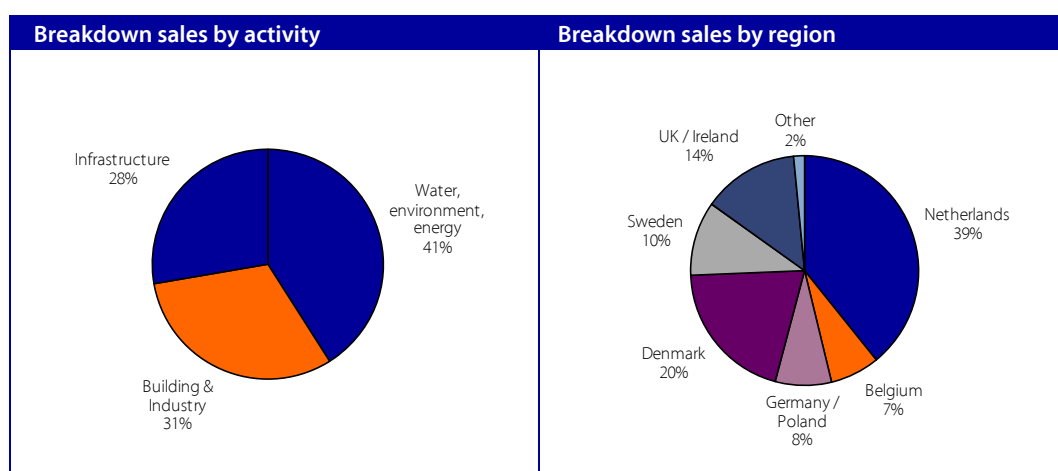
For 09H2, Grontmij guides to profit after tax to be equal to 09H1 (EUR 15.4m). We estimate that this implies that H2 underlying EBITA drops only by about EUR 1-2m. Compared to a drop of EUR 4.2m in H1, we believe this is challenging. Grontmij recently won large UK water framework contracts, which will start as of 10Q2. Longer term, the company has attractive positions in environment, water, energy and transportation to achieve solid organic growth. Grontmij has a target to achieve an EBITA margin (over gross revenues) of 8-9%, officially by 2010, but the recession is likely pushing this back. Grontmij has an active acquisition strategy, supported by its strong balance sheet (net debt/EBITDA below 1x by YE09).

### Company profile

Grontmij is a large Dutch engineering company active in the building, transportation, environmental, water, energy and industrial sectors, employing c. 7,000 people. It is active in The Netherlands, Denmark, UK, Sweden, Germany, Poland, Belgium and Central Europe. Via the large acquisition of Carl Bro in July 2006, adding more than 50% in sales, Grontmij expanded its operations into Denmark, Sweden, and the UK. The main asset of Grontmij is its combination of strong local presence and multi-disciplinary offering.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Leading position in Dutch infrastructure</li> <li>▪ Good contacts with municipalities</li> <li>▪ Public exposure of c. 50%</li> <li>▪ Strong balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>▪ Highly labour intensive with little cost flexibility</li> <li>▪ Lagging quality and transparency of reporting</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Continued growth in the energy, waste and environment markets</li> <li>▪ Doing acquisitions, either big (like Carl Bro) or add-on</li> <li>▪ Infrastructure spending by governments</li> </ul>	<ul style="list-style-type: none"> <li>▪ Slower-than-expected price improvement in Dutch infra</li> <li>▪ Pricing impacted by aggressive competition</li> <li>▪ Labour scarcity / wage inflation could impact growth or margins</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	772.8	846.2	821.7	829.9	863.1
Cost of sales	N/A	N/A	N/A	N/A	N/A
Gross profit	N/A	N/A	N/A	N/A	N/A
Operating costs	-706.6	-769.7	-756.3	-768.5	-799.1
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	66.2	76.5	65.4	61.4	64.0
Depreciation	-12.2	-11.4	-11.0	-11.3	-12.2
EBITA	54.1	65.1	54.4	50.1	51.8
Amortisation	-6.1	-6.9	-8.6	-8.6	-8.6
EBIT	48.0	58.2	45.8	41.5	43.2
Net financial result	-6.0	-7.5	-5.2	-3.6	-3.5
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	42.0	50.7	40.6	37.9	39.6
Income taxes	-9.3	-12.0	-10.3	-10.0	-10.5
Minority interests	-0.0	-0.5	-0.3	-0.3	-0.3
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	32.7	38.3	29.9	27.6	28.8
Adjustments, total	7.1	-1.2	3.5	6.2	6.3
Net income recurring	39.8	37.1	33.4	33.8	35.1
PERSHARE ITEMS					
Shares outstanding avg. (mln)	17.8	17.8	17.8	17.8	17.8
Shares outstanding fully diluted (mln)	17.8	17.8	17.8	17.8	17.8
EPS reported	1.84	2.16	1.69	1.54	1.62
EPS recurring	2.24	2.09	1.88	1.90	1.98
CPS	2.19	3.58	3.06	2.58	2.68
DPS	1.10	1.15	0.90	0.82	0.86
Fiscal year ends 12/2009					
% GROWTH					
Revenues		9.5	-2.9	1.0	4.0
EBITA		20.4	-16.5	-7.9	3.3
Net income recurring		-6.8	-10.0	1.1	3.9
% MARGINS					
Gross margin		N/A	N/A	N/A	N/A
EBITA margin		7.7	6.6	6.0	6.0
Net recurring margin		4.4	4.1	4.1	4.1
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	593.3	480.7	384.6	365.0	345.2
P/E recurring (x)	8.2	8.8	9.7	9.6	9.3
P/Sales (x)	0.4	0.4	0.4	0.4	0.4
P/FCF (x)	11.4	5.9	7.5	9.6	9.4
P/CF (x)	8.4	5.1	6.0	7.1	6.8
P/B (x)	2.1	1.9	1.7	1.6	1.5
Dividend yield (%)	6.0	6.3	4.9	4.5	4.7
EV/EBITDA (x)	9.0	6.3	5.9	5.9	5.4
EV/Sales (x)	0.8	0.6	0.5	0.4	0.4
EV/FCF (x)	20.8	8.7	8.8	10.7	9.9

Cash Flow Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	32.7	38.3	29.9	27.4	28.8
Depreciation & Amortisation	18.2	18.3	19.6	19.9	20.8
Working Capital Change	19.3	12.7	6.9	-0.9	-1.6
Other Items	-31.3	-5.7	-2.1	-0.6	-0.3
Cash Flow from Operations	39.0	63.7	54.4	45.9	47.7
Net Capital Expenditure	-10.5	-8.5	-10.9	-11.9	-12.8
Goodwill from Acquisitions	-4.1	-40.2	-0.0	-0.0	-0.0
Other Investments	-8.0	-12.2	0.0	0.0	0.0
Cash Flow from Investments	-22.7	-61.0	-10.9	-11.9	-12.8
Ordinary Dividends	-19.5	-20.4	-16.0	-14.6	-15.3
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-15.5	14.1	0.0	0.0	0.0
Change in Minorities	-0.1	0.3	0.2	0.2	0.2
Cash Flow from Financing	-35.1	-6.0	-15.7	-14.4	-15.1
Change in Cash	-18.8	-3.3	27.8	19.6	19.7
Free Cash Flow	28.5	55.1	43.5	34.0	34.8
Free Cash Flow Yield (%)	8.7	16.9	13.3	10.4	10.7

Balance Sheet (EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	33.7	29.5	57.2	76.8	96.6
Other current assets	246.0	305.7	288.0	294.7	306.5
Net PP&E	43.3	40.5	40.3	40.9	41.5
Intangible assets	168.8	202.1	193.5	184.9	176.3
Other non-current assets	37.5	49.6	49.6	49.6	49.6
Total Assets	529.2	627.3	628.7	647.0	670.5
Short-term debt	37.5	63.0	63.0	63.0	63.0
Other current liabs	186.6	259.0	248.2	254.0	264.2
Long-term debt	64.7	53.4	53.4	53.4	53.4
Other non-current liabs	83.3	77.1	74.6	73.7	73.1
Minority interest	0.6	1.3	1.9	2.5	3.1
Total equity	156.6	173.6	187.6	200.4	213.8
Total liabs & equity	529.2	627.3	628.7	647.0	670.5
Net debt	68.6	86.9	59.1	39.5	19.8
ROIC (%)	15.3	16.1	13.7	12.9	13.1
Net gearing (%)	43.8	50.0	31.5	19.7	9.2
Working capital as % of sales	7.7	5.5	4.8	4.9	4.9
Inventory period days		14.9	0.0	0.0	0.0
Trade debtor days		94.9	116.7	114.4	113.5
Trade creditor days		63.9	110.3	108.2	107.3
Cash cycle		45.8	6.4	6.3	6.2



# Heijmans

## Back to business

### Key message

Following Heijmans' successful EUR 101m rights issue, focus is gradually shifting from its financial situation to the profitability improvement potential. The company's underlying 09H1 operating result fell EUR 6m short of our EUR 11m, mainly attributable to higher non-allocated costs for equipment. Management seemed comfortable with the expected covenant situation per 09YE, also as there is room for working capital improvement. However, large disposals seems unlikely in the imminent future. Following its recent rally, we consider Heijmans fairly valued, but recognise further upside once profitability picks up.

	2008	2009E	2010E	2011E
Sales (EUR m)	3,631	2,924	2,701	2,794
EPS Recurring	0.00	0.08	0.13	0.22
P/E Recurring		19.6	12.1	7.1
P/FCFPS	3.1		5.4	7.5
EV/ EBITDA	21.6	9.6	7.9	5.6
Dividend Yield (%)	13.4	0.0	0.0	0.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Within the Dutch portfolio, Construction (combined result of Residential and Commercial) and Technical Services did better than we anticipated in 09H1, partially mitigated by under-performance of Infrastructure and Property. Especially the good result of Construction was comforting, given all the losses incorporated in recent years.
- However, due to underutilisation of equipment and still (too) high overhead, the other/unallocated line missed our estimate by EUR 10m. In all, the Dutch businesses fell EUR 3m short of our forecast. Although all foreign businesses were profitable in 09Q2, they also undershot our estimate by EUR 3m. Net financial expenses of EUR 35m negative incorporated EUR 23m in refinancing costs and hedging losses, while restructuring charges amounted to EUR 24m in 09H1. The resulting net loss amounted to EUR 43m in 09H1.
- The divestment programme has been progressing slowly. The sale of land positions seems rather difficult (position actually increased due to historical purchase commitments), given the difficult funding environment. Management indicated that the financially driven disposals (Heitkamp, Belgian activities ex Infra) have highest priority, also as they immediately contribute to the financial strength.

### Valuation

Following the successful rights issue, Heijmans posted a 75% advance since its low on 8 July 2009. On current multiples, we consider the company fairly valued; based on normalised margins, we see further upside for the stock (DCF of c. EUR 2.5), but argue that we will need to see proof of a margin recovery and a complete absence of covenant threats for the full value to materialise.

### Rating

**Hold**

**Price target:** EUR 1.6   
**Price 29 Sep 2009:** EUR 1.6  
**Up-/downside:** +2.0%

### Construction & Engineering

#### Market capitalisation:

EUR 264 m

#### Avg (12 month) daily volume:

5,505,865

#### Free float

91%

#### Reuters

HEIJ.AS

#### Bloomberg code

HEIJ NA

### Share Price Performance %

	-1m	-3m	-12m
Heijmans	-4	+5	-54
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3 12 Nov 2009

### Major shareholders

	%
Aviva plc	3.6
Delta Deelnemingen	5.6

### Listed Peers

	Ticker
BAM	BAMNB NA
Heijmans	HEIJM NA
Ballast Nedam	BALNE NA

### Analysts

#### Ralf Jacobs

+31 (0) 20 460 4839

#### Fabian Smeets

+31 (0) 20 460 4864

### Rabo Securities Amsterdam

**Equity Sales** +31 20 460 4707

**Equity Sales Trading** +31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

**Outlook**

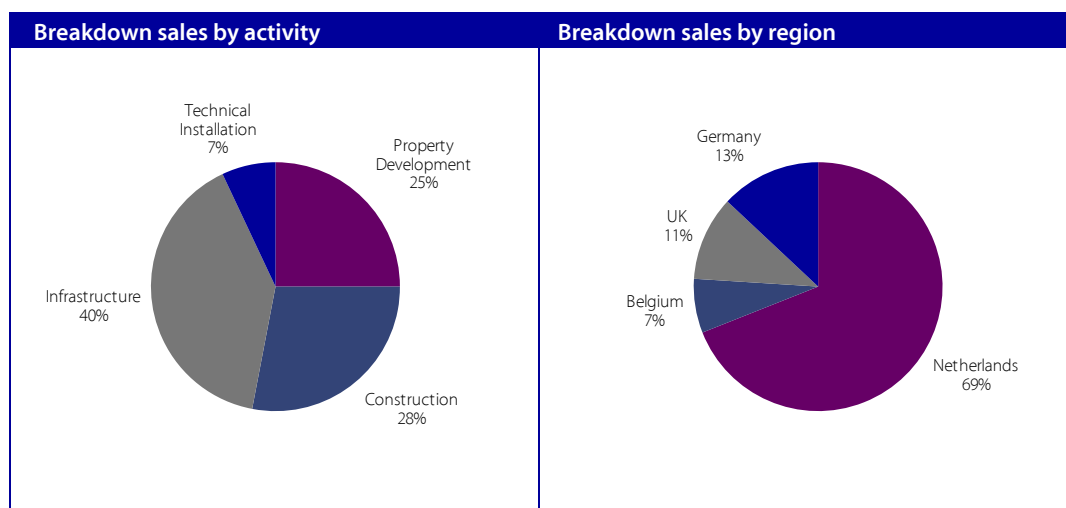
Management did not issue concrete guidance on 09FY, given the uncertainties, especially in Dutch residential. In the Netherlands, we are looking for a sequential improvement at Infrastructure, with a stable contribution from Property Development and a decline at Construction. Internationally, we are pencilling in a recovery in Germany. For next year, the balance of deterioration at Property Development, improvement at Infrastructure and lower overhead delivers an improvement in EBIT. Longer term, Heijmans' margin should recover to a level in excess of 3% (10FY estimate of 1.5%). We expect further disposals in 09H2, albeit possibly in smaller transactions. Provided that Heijmans shows strict working capital control, it should not have difficulty meeting its covenants per 09YE according to our calculations, even if it is unsuccessful in realising any disposals.

**Company profile**

Heijmans is a Top-Six Dutch construction company. Circa 69% of revenues is generated in the Netherlands with the remainder in Belgium, Germany, and the UK. In the Netherlands, the company operates in property development and construction (housing and non-residential), civil engineering, and technical services. Heijmans has a development potential of c. 45,000 houses. In the surrounding countries, Heijmans operates in only a few segments per country; management has indicated that it intends to dispose the non-Dutch activities (excluding Belgian infrastructure).

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Land bank is an asset with hidden value and earnings potential</li> <li>▪ New CEO has experience with turnaround situations</li> <li>▪ Restructuring of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Weak balance sheet ratios</li> <li>▪ Poor track record at several divisions</li> <li>▪ Throughput time of landbank is relatively long</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Balance sheet restructuring</li> <li>▪ Turnaround at construction division</li> <li>▪ Divestment of non-core units</li> <li>▪ Speculation on consolidation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Credit crisis is affecting Dutch housing market</li> <li>▪ Volatility in input prices</li> <li>▪ Lengthy procedures in the Netherlands</li> <li>▪ Debt covenants</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	3,732	3,631	2,924	2,701	2,795
Cost of sales	N/A	N/A	N/A	N/A	N/A
Gross profit	N/A	N/A	N/A	N/A	N/A
Operating costs	-3,608	-3,578	-2,868	-2,639	-2,713
Extraordinaries	0	0	0	0	0
EBITDA	124	53	56	63	82
Depreciation	-32	-33	-21	-21	-21
EBITA	92	20	35	42	61
Amortisation	-4	-34	-2	-2	-2
EBIT	88	-14	33	40	59
Net financial result	-11	-3	-20	-14	-12
Other pre-tax items	0	0	0	0	0
EBT	78	-17	13	26	46
Income taxes	-22	-18	-3	-7	-12
Minority interests	0	0	0	0	0
Other post-tax items/participation	1	0	1	1	1
Extraordinaries	0	0	-38	0	0
Net income	56	-34	-27	20	35
Adjustments, total	4	34	40	2	2
Net income recurring	60	-0	13	22	37
PERSHARE ITEMS					
Shares outstanding avg. (mln)	168.5	168.5	168.5	168.5	168.5
Shares outstanding fully diluted (mln)	168.5	168.5	168.5	168.5	168.5
EPS reported	0.33	-0.20	-0.16	0.12	0.21
EPS recurring	0.36	0.00	0.08	0.13	0.22
CPS	-1.15	0.73	-0.11	0.37	0.30
DPS	0.21	0.21	0.00	0.00	0.00
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-2.7	-19.5	-7.6	3.5
EBITA		-77.9	71.7	18.7	45.7
Net income recurring		N/M	N/M	69.4	68.8
% MARGINS					
Gross margin		N/A	N/A	N/A	N/A
EBITA margin		0.6	1.2	1.5	2.2
Net recurring margin		-0.0	0.4	0.8	1.3
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	632.0	597.0	542.0	493.8	459.0
P/E recurring (x)	4.4	N/A	19.8	12.2	7.2
P/Sales (x)	0.1	0.1	0.1	0.1	0.1
P/FCF (x)	N/A	3.1	N/A	5.5	7.6
P/CF (x)	N/A	2.2	N/A	4.3	5.3
P/B (x)	0.6	0.7	0.6	0.6	0.5
Dividend yield (%)	13.3	13.3	0.0	0.0	0.0
EV/EBITDA (x)	5.1	11.2	9.7	7.9	5.6
EV/Sales (x)	0.2	0.2	0.2	0.2	0.2
EV/FCF (x)	N/A	6.9	N/A	10.2	13.2

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	56	-34	-27	20	35
Depreciation & Amortisation	36	67	23	23	23
Working Capital Change	-350	102	-15	20	-8
Other Items	65	-12	0	0	0
Cash Flow from Operations	-193	123	-19	63	50
Net Capital Expenditure	-226	-36	-15	-15	-15
Goodwill from Acquisitions	0	0	0	0	0
Other Investments	-81	-9	0	0	0
Cash Flow from Investments	-307	-45	-15	-15	-15
Ordinary Dividends	-35	-35	0	0	0
Preferred Dividend	0	0	0	0	0
Change in Preferred Stock	66	0	0	0	0
Change in Equity	3	-23	89	0	0
Change in Subordinated Debt	0	0	0	0	0
Change in Bank Debt	534	98	-90	0	0
Change in Minorities	0	0	0	0	0
Cash Flow from Financing	568	41	-1	0	0
Change in Cash	68	119	-35	48	35
Free Cash Flow	-419	87	-34	48	35
Free Cash Flow Yield (%)	N/M	33	N/M	18	13

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	234	368	333	381	416
Other current assets	1,428	1,346	1,097	1,013	1,048
Net PP&E	194	198	192	186	180
Intangible assets	267	219	217	215	213
Other non-current assets	81	90	90	90	90
Total Assets	2,205	2,220	1,928	1,884	1,946
Short-term debt	96	60	60	60	60
Other current liabs	1,077	1,097	833	770	797
Long-term debt	504	639	549	549	549
Other non-current liabs	65	53	53	53	53
Minority interest	0	0	0	0	0
Total equity	462	371	433	453	488
Total liabs & equity	2,205	2,220	1,928	1,884	1,946
Net debt	366	331	276	228	193
ROIC (%)	#DIV/0!	-0	7	7	11
Net gearing (%)	79	89	64	50	40
Working capital as % of sales	9	7	9	9	9
Inventory period days	52	55	62	57	54
Trade debtor days	66	64	70	67	63
Trade creditor days	82	84	92	84	79
Cash cycle	36	36	41	40	38

# Heineken

## Consensus underestimates TCM potential

### Key message

We believe that Heineken is entering a 3-4 period of high-single-digit (09FY) to double-digit EPS growth, driven by i) TCM cost savings, ii) de-leveraging, iii) S&N cost savings and iv) a recovery of consumer demand in the course of 2010. We keep our Buy and raised our PT to EUR 37 (from 35) after the 09H1 event. The discount versus many LT valuation metrics is large (LT PER 18x) and combined with a recovery potential for the operations, provide significant mid-term upside. In the near term, record high FCF's of of EUR 1.2bn+ in 09FY and EUR 1.6bn in 10FY provide downside protection.

	2008	2009E	2010E	2011E
Sales (EUR m)	12,161	14,909	15,272	15,800
EPS Recurring	2.07	2.19	2.60	2.98
P/E Recurring	15.3	14.5	12.2	10.6
P/FCFPS	11.9	20.6	9.0	8.0
EV/ EBITDA	9.1	8.1	6.9	6.0
Dividend Yield (%)	2.0	2.1	2.5	3.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The reported 09H1 EBIT beia of EUR 993m was 7% higher than consensus and EPS beia was 8% higher than consensus. This was due to better than expected pricing (+6.2%) and cost savings, since volumes were lower than expected. Volumes were down 6.6%, in particular Eastern -and Western Europe performed less than expected, while Africa is going from strength to strength. The Heineken premium brand continued to outperform the overall portfolio (-4.7% yoy) even in Western Europe. EBIT growth was supported by 23% growth in Africa, but also the Americas and Asia surprised positively.
- A new TCM cost savings programme was initiated in 09Q1 and yielded higher than expected savings in 09H1 of EUR 50m. The savings projects initiated in the course of 09H1 provide annualized cost savings of EUR 120m. Also in 09H2 new projects will be implemented. We still feel comfortable with our total TCM savings potential of EUR 400m.
- The 3 yr hunt-for-cash programme has had a strong positive impact on FCF. In 09H1 the FCF increased by EUR 531m yoy on the back of capex cuts and lower working capital requirements.

### Valuation

After a strong share price performance, the share is now longer trading at historic lows. However, at around 12x 10FY PER the discount versus the 20yr average forward PER of 18x remains large. Also compared to peers the current forward PER implies an unjustified discount, whereas the EV/EBITDA of around 6.8x for 2010FY implies a c. 25% discount versus ABInbev. Moreover, we believe that consensus for 2010/2011 is too low. Our DCF arrives at EUR 39.

### Rating

**Buy**

**Price target:** EUR 37.0   
**Price 29 Sep 2009:** EUR 31.7  
**Up-/downside:** +16.9%

### Beverages

#### Market capitalisation:

EUR 15,508 m

#### Avg (12 month) daily volume:

1,559,109

#### Free float

45%

#### Reuters

HEIN.AS

#### Bloomberg code

HEIA NA

### Share Price Performance %

	-1m	-3m	-12m
Heineken	+8	+20	+12
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3 28 Oct 2009

### Major shareholders

	%
Heineken Holding N.V.	50.0
ING Groep N.V.	4.9

### Listed Peers

	Ticker
ABInBev	INB BB
Anheuser Busch	BUD US
SAB/Miller	SAB LN

### Analysts

#### Karel Zoete

+31 (0) 20 460 4827

#### Patrick Roquas

+31 (0) 20 460 4826

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

**Outlook**

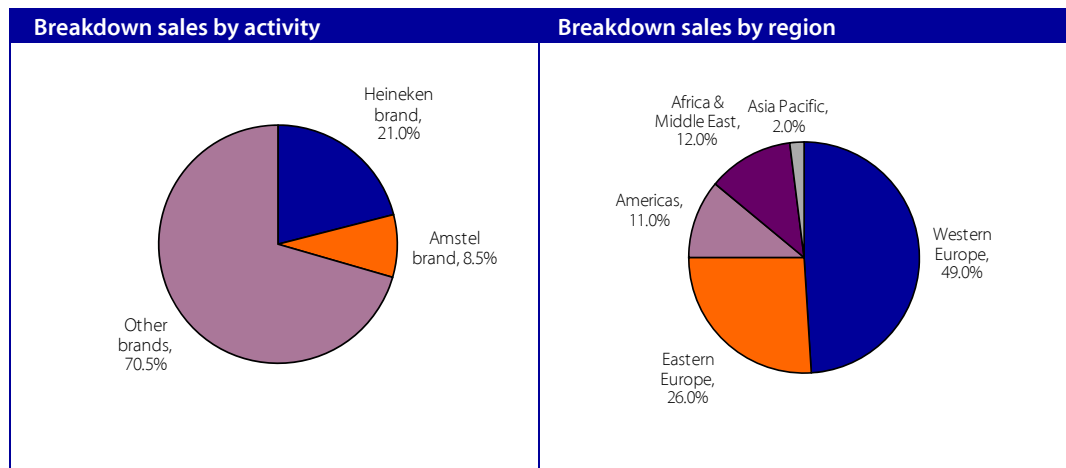
Heineken has guided for at least high single digit organic net profit growth in 09FY, after reporting 12% organic net profit growth in 09H1. The positive impact from the price increases will level off in 09H2, but the yoy volume trend is expected to improve in the course of 09H2 given an easier comparison base. Moreover, TCM savings will increasingly contribute to the EBIT. In general, the outlook provided at the H1 events turned out to be conservative.

**Company profile**

Heineken ranks number 3 in the global brewing industry. However, with a presence in more than 170 countries it is the most international brewer, while the Heineken brand is by far the global number one in the international premium segment. This is a great asset since the international premium segment is highly profitable and forecasted to grow 3x as fast as the overall beer market in the next decade. The brewer generates about 45% of its volumes in Western Europe, but Africa is sizeable too and accounts for 25% of the EBIT.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ The Heineken brand is the largest international premium brand in the world</li> <li>▪ Premium positioning drives positive mix effects</li> <li>▪ The premium segment is expected to outgrow the total beer market in the next decade</li> <li>▪ Portfolio of number 1 and 2 market positions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pressure on the mainstream beer segment</li> <li>▪ Weak positions in growth markets in China and Latin America</li> <li>▪ Leveraged balance sheet</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Selling more premium Heineken beer in the UK, Eastern Europe and Africa</li> <li>▪ Improving the performance of the recently acquired businesses (S&amp;N)</li> <li>▪ Opening of the new brewery in South Africa in 09Q4</li> <li>▪ Recovery of Heineken in the US</li> </ul>	<ul style="list-style-type: none"> <li>▪ Changes in consumer preferences from beer to wine and spirits in Western Europe</li> <li>▪ Restrictions on alcohol advertising</li> <li>▪ Recession negatively impacts the profitable OOH consumption</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	12,563.6	12,161.2	14,909.1	15,272.9	15,800.7
Operating costs	-9,953.6	-9,441.2	-11,955.9	-11,974.3	-12,229.4
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	2,610.0	2,720.0	2,953.2	3,298.6	3,571.3
Depreciation	-764.0	-892.0	-909.5	-962.2	-1,027.0
EBITA	1,846.0	1,828.0	2,043.7	2,336.4	2,544.2
Amortisation & Exceptionals	-343.0	-646.0	-210.0	-154.9	-160.1
EBIT	1,503.0	1,182.0	1,833.7	2,181.5	2,384.1
Net financial result	-101.0	-378.0	-507.8	-492.6	-438.9
Other pre-tax items	25.0	-102.0	70.0	74.9	80.1
EBT	1,427.0	702.0	1,396.0	1,763.7	2,025.3
Income taxes	-429.0	-248.0	-398.8	-496.4	-568.5
Minority interests	-165.0	-138.0	-135.0	-148.5	-155.9
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	833.0	316.0	862.1	1,118.8	1,300.9
Adjustments, total	286.0	697.0	213.0	154.9	160.1
Net income recurring	1,119.0	1,013.0	1,075.1	1,273.7	1,461.1
PERSHARE ITEMS					
Shares outstanding avg. (mln)	490.0	490.0	490.0	490.0	490.0
Shares outstanding fully diluted (mln)	490.0	490.0	490.0	490.0	490.0
EPS reported	1.70	0.64	1.76	2.28	2.66
EPS recurring	2.28	2.07	2.19	2.60	2.98
CPS	2.35	4.58	2.97	4.67	3.52
DPS	0.70	0.62	0.66	0.78	0.95
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-3.2	22.6	2.4	3.5
EBITA		-1.0	11.8	14.3	8.9
Net income recurring		-9.5	6.1	18.5	14.7
% MARGINS					
Gross margin		N/A	N/A	N/A	N/A
EBITA margin		15.0	13.7	15.3	16.1
Net recurring margin		8.3	7.2	8.3	9.2

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	22,730.8	23,100.7	22,754.1	23,129.5	21,859.9
P/E recurring (x)	13.9	15.3	14.5	12.2	10.6
P/Sales (x)	1.2	1.3	1.0	1.0	1.0
P/FCF (x)	N/A	38.7	14.5	9.4	8.4
P/CF (x)	13.5	6.9	10.7	6.8	9.0
P/B (x)	2.9	3.5	3.0	2.6	2.3
Dividend yield (%)	2.2	2.0	2.1	2.5	3.0
EV/EBITDA (x)	8.9	8.1	7.8	6.6	5.7
EV/Sales (x)	1.8	1.9	1.5	1.5	1.4
EV/FCF (x)	N/A	57.6	21.3	14.1	11.8

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	833.0	316.0	862.1	1,118.8	1,300.9
Depreciation & Amortisation	764.0	892.0	909.5	962.2	1,027.0
Working Capital Change	-504.0	527.0	0.0	120.9	84.2
Other Items	56.0	510.0	75.0	88.5	155.9
Cash Flow from Operations	1,149.0	2,245.0	1,846.6	2,290.4	2,568.1
Net Capital Expenditure	-1,182.0	-1,844.0	-780.7	-645.1	-712.0
Goodwill from Acquisitions	-92.0	-4,568.0	80.0	80.0	80.0
Other Investments	146.0	-1,170.0	0.0	0.0	0.0
Cash Flow from Investments	-1,128.0	-7,582.0	-700.7	-565.1	-632.0
Ordinary Dividends	-343.0	-303.8	-322.5	-382.1	-467.5
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-656.0	6,968.0	-400.0	-700.0	-900.0
Change in Minorities	-134.0	-399.0	-135.0	-148.5	-155.9
Cash Flow from Financing	-1,133.0	6,265.2	-857.5	-1,230.6	-1,523.5
Change in Cash	-1,112.0	928.2	288.3	494.7	412.6
Free Cash Flow	-33.0	401.0	1,065.9	1,645.3	1,856.1
Free Cash Flow Yield (%)	N/M	2.6	6.9	10.6	12.0

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	715.0	698.0	73.1	1,300.6	1,793.4
Other current assets	3,129.0	4,051.0	4,041.4	4,056.4	4,110.0
Net PP&E	5,362.0	6,314.0	6,185.3	5,868.2	5,553.2
Intangible assets	2,541.0	7,109.0	7,029.0	6,949.0	6,869.0
Other non-current assets	1,221.0	2,391.0	2,391.0	2,391.0	2,391.0
Total Assets	12,968.0	20,563.0	20,377.7	20,565.2	20,716.5
Short-term debt	1,155.0	969.0	969.0	969.0	969.0
Other current liabs	2,806.0	4,255.0	3,852.1	3,988.0	4,125.8
Long-term debt	1,521.0	8,675.0	8,275.0	7,575.0	6,675.0
Other non-current liabs	1,540.0	1,912.0	1,852.0	1,792.0	1,792.0
Minority interest	542.0	281.0	281.0	281.0	281.0
Total equity	5,404.0	4,471.0	5,148.6	5,960.2	6,873.7
Total liabs & equity	12,968.0	20,563.0	20,377.7	20,565.2	20,716.5
Net debt	1,961.0	8,946.0	8,513.0	7,243.4	5,850.6
ROIC (%)	12.3	8.1	13.7	15.7	17.8
Net gearing (%)	36.3	200.1	165.3	121.5	85.1
Working capital as % of sales	4.6	0.3	3.3	2.4	1.9
Inventory period days		33.8	30.7	30.0	28.8
Trade debtor days		65.7	56.4	50.4	49.2
Trade creditor days		53.2	53.3	57.6	57.8
Cash cycle		46.3	33.7	22.7	20.1



## Margins have reached the trough

### Key message

While the stellar performance for ICT Germany in recent years has been impressive, the overall investment case remains mixed. The Embedded division is facing a rapid cyclical short term decline as well as a structurally declining long-term market in the Netherlands. In addition, ICT Solutions also has to cope with significant pressure on tariffs. In general ICT's operations are sub-scale and too dependent from a few large clients. However in terms of margins, 09H1 has been the trough with an EBIT-margin of only 1%. Due to a stabilisation of end markets and the positive impact on utilisation rates from the staff reduction, we see margins recovering towards 6% in 2010 and 8% in 2011.

	2008	2009E	2010E	2011E
Sales (EUR m)	97	85	84	87
EPS Recurring	0.89	0.30	0.45	0.62
P/E Recurring	8.6	13.1	8.9	6.4
P/FCFPS	7.4	111	5.6	6.1
EV/ EBITDA	7.5	10.9	8.2	4.7
Dividend Yield (%)	6.1	2.0	4.8	6.8

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- ICT's turnover in 09H1 decreased by 19.3% to EUR 39.4m. The operating result decreased to EUR 0.5m (08H1: EUR 4.8m). The operating margin over the first half of 2009 was 1.3% (H1 2008: 9.7%). The net result was a negative EUR 2.9m (08H1: EUR 3.7m positive) as the company had to take a reorganisation provision of EUR 4.5m in 09H1. About one third of the decrease in turnover in 09H1 was the result from pressure on billing rates. In the second quarter, the capacity utilisation rate decreased further. Especially in May and June, the capacity utilisation rate was lower than expected as a result of a decline in efficiency during the public holidays and the fact that especially clients in Germany combined these public holidays with long-lasting factory shutdowns.
- Turnover at ICT Embedded decreased by 30.2% to EUR 10m as a result of a drop in demand and pressure on tariffs. Turnover at ICT Solutions dropped to EUR 18.5m, a 19.8% decrease. A growing pressure on both demand and tariffs was also the cause here. Turnover at ICT Germany amounted to EUR 9.9m compared with EUR 10.1m in the first half of 2008. In stead of an anticipated increase in turnover, there was a slight decrease as a result of a loss in turnover following the factory shutdowns in the second quarter that were announced on a very short notice. Besides, Germany also had to face pressure on tariffs.

### Valuation

We maintain our Hold rating for ICT with a SPT of EUR 5. Based upon an estimated net cash position of EUR 7m at ultimo 2009, we believe that ICT can survive this downturn. Based on an EPS recovery from EUR 0.30 in 2009 towards EUR 0.51 in 2010 and EUR 0.61 in 2011, we see recovery potential for the shares towards a level of EUR 5-6.

### Rating

**Hold**

**Price target:** EUR 5.0   
**Price 29 Sep 2009:** EUR 4.1  
**Up-/downside:** +22.5%

### IT Consulting & Services

#### Market capitalisation:

EUR 36 m

#### Avg (12 month) daily volume:

8,679

#### Free float

40%

#### Reuters

ICTA.AS

#### Bloomberg code

ICT NA

### Share Price Performance %

	-1m	-3m	-12m
ICT	-3	+3	-44
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

None --

### Major shareholders

	%
Aviva plc.	10.1
Kempen & Co N.V.	8.0
Delta Deelnemingen Fonds	5.9
Generali Holding Vienna AG	5.6

### Listed Peers

	Ticker
Cap Gemini	CAP FP
Ordina	ORDI NA
Atos Origin	SAX FP
TietoEnator	TIE1V FH
Logica	LOG NA

### Analysts

#### Hans Slob

+31 (0) 20 460 4866

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

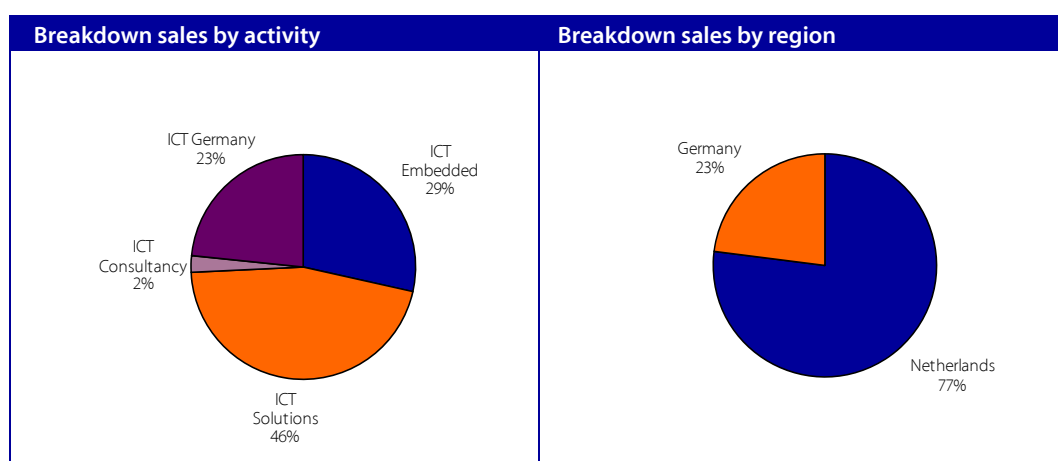
The pricing environment is becoming much more challenging for 2009. For ICT Embedded we fear an organic sales decline in 2009 of 30% comparable with the enormous 30% decline of 2002. Overall we now forecast a 12% organic sales decline for 2009 for ICT driven by a 30% organic decline for ICT Embedded, a 10% organic sales decline for ICT Solutions and a 3% organic decline for ICT Germany. Our 09/10/11 EPS Recurring estimates are respectively EUR 0.30, EUR 0.51 and EUR 0.61. Due to the quickly weakening market conditions and the fact that the Embedded market structurally declining market in the Netherlands, ICT has reduced headcount with 70 FTE's. ICT is observing the first cautious signs of market recovery and expects a modest improvement of the market circumstances as of 09Q4.

### Company profile

ICT is one of the larger independent Dutch software developers, mainly active in technical automation. ICT consists of four divisions: ICT embedded, ICT solutions, ICT Germany and ICT Consultancy. ICT embedded is the Dutch market leader in its field of expertise which includes markets such as automotive, home entertainment and medical systems. ICT solutions delivers services in the technical computerisation field in markets such as traffic & transportation, industry and defence. ICT is working for clients including Philips and ASML. ICT has eight offices in Germany by now.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Dutch market leader in embedded software services niche</li> <li>▪ Strong balance sheet with excess cash</li> <li>▪ Skilled workforce</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dependency on a relatively few large companies</li> <li>▪ Limited pricing power</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ New technological standards could increase orders</li> <li>▪ ICT is a prime acquisition candidate</li> <li>▪ Expansion possibilities for ICT Germany</li> </ul>	<ul style="list-style-type: none"> <li>▪ Clients increasingly move R&amp;D capacity out of the Netherlands</li> <li>▪ Increasing off-shore (India, China) software development</li> <li>▪ Clients in restructuring mode lowering use of external ICT staff</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	88.3	97.5	85.9	84.0	87.1
Cost of sales	-8.9	-10.0	-9.9	-8.4	-8.7
Gross profit	79.4	87.5	76.0	75.6	78.4
Operating costs	-71.1	-77.5	-72.1	-69.9	-70.8
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	8.2	10.0	3.9	5.7	7.6
Depreciation	-0.5	-0.7	-0.7	-0.7	-0.6
EBITA	7.8	9.3	3.1	5.0	6.9
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	7.8	9.3	3.1	5.0	6.9
Net financial result	0.5	0.6	0.5	0.5	0.7
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	8.3	9.8	3.6	5.5	7.6
Income taxes	-2.2	-1.9	-0.9	-1.4	-1.9
Minority interests	0.0	-0.1	-0.0	-0.1	-0.1
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	-2.5	-3.0	0.0	0.0
Net income	6.1	5.3	-0.3	4.0	5.6
Adjustments, total	-0.0	2.5	3.0	0.0	0.0
Net income recurring	6.1	7.8	2.7	4.0	5.6
PERSHARE ITEMS					
Shares outstanding avg. (mln)	8.3	8.5	8.3	8.3	8.3
Shares outstanding fully diluted (mln)	8.3	8.7	8.8	8.9	9.0
EPS reported	0.73	0.62	-0.04	0.48	0.68
EPS recurring	0.74	0.89	0.30	0.45	0.62
CPS	0.57	0.74	0.09	0.80	0.73
DPS	0.58	0.25	0.08	0.19	0.27
Fiscal year ends 12/2009					
% GROWTH					
Revenues		10.4	-11.9	-2.2	3.7
EBITA		19.5	-66.4	60.9	38.4
Net income recurring		28.2	-65.8	50.8	39.5
% MARGINS					
Gross margin		89.8	88.5	90.0	90.0
EBITA margin		9.5	3.6	6.0	8.0
Net recurring margin		8.0	3.1	4.8	6.4
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	123.3	75.0	42.3	46.9	35.4
P/E recurring (x)	18.4	8.6	13.1	8.9	6.4
P/Sales (x)	0.4	0.4	0.4	0.4	0.4
P/FCF (x)	9.7	7.4	110.7	5.6	6.1
P/CF (x)	7.2	5.5	44.4	5.0	5.5
P/B (x)	0.8	0.8	0.7	0.7	0.6
Dividend yield (%)	14.1	6.1	2.0	4.8	6.8
EV/EBITDA (x)	14.9	7.5	10.9	8.2	4.7
EV/Sales (x)	1.4	0.8	0.5	0.6	0.4
EV/FCF (x)	35.2	16.0	141.0	7.9	6.6

<b>Cash Flow Statement (EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	6.1	5.3	2.0	4.8	5.7
Depreciation & Amortisation	0.5	0.7	0.7	0.7	0.6
Working Capital Change	-1.8	-0.1	-1.8	1.1	-0.4
Other Items	0.0	0.3	0.0	0.1	0.1
Cash Flow from Operations	4.7	6.3	1.0	6.6	6.1
Net Capital Expenditure	-1.2	-1.6	-0.7	-0.7	-0.6
Goodwill from Acquisitions	0.0	0.0	0.0	0.0	0.0
Other Investments	0.5	0.1	0.0	0.0	0.0
Cash Flow from Investments	-0.8	-1.5	-0.7	-0.7	-0.6
Ordinary Dividends	-4.8	-2.1	-0.8	-1.9	-2.3
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-0.2	-0.2	0.0	0.0	0.0
Change in Minorities	0.0	-0.1	-0.1	-0.1	-0.1
Cash Flow from Financing	-5.0	-2.4	-0.9	-2.0	-2.4
Change in Cash	-1.0	2.4	-0.6	3.9	3.1
Free Cash Flow	3.5	4.7	0.3	5.9	5.4
Free Cash Flow Yield (%)	10.3	13.5	0.9	17.8	16.3

<b>Balance Sheet (EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	12.4	9.2	8.3	12.3	15.3
Other current assets	27.5	28.7	28.2	26.8	27.7
Net PP&E	1.9	2.8	2.8	2.8	2.8
Intangible assets	17.8	24.3	24.3	24.3	24.3
Other non-current assets	0.3	0.2	0.2	0.2	0.2
Total Assets	60.0	65.2	63.8	66.4	70.4
Short-term debt	0.0	0.0	0.0	0.0	0.0
Other current liabs	17.7	18.7	16.5	16.1	16.7
Long-term debt	1.2	1.0	1.0	1.0	1.0
Other non-current liabs	0.0	0.2	0.2	0.2	0.2
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	41.1	45.3	46.5	49.3	52.8
Total liabs & equity	60.0	65.2	64.2	66.7	70.7
Net debt	-11.2	-8.2	-7.3	-11.3	-14.3
ROIC (%)	25.7	30.2	18.5	12.1	18.6
Net gearing (%)	-27.3	-18.1	-15.7	-22.9	-27.2
Working capital as % of sales	11.2	10.2	13.6	12.6	12.6
Inventory period days		0.0	0.0	0.0	0.0
Trade debtor days		99.4	113.7	112.6	107.6
Trade creditor days		0.0	0.0	0.0	0.0
Cash cycle		99.4	113.7	112.6	107.6

# Imtech

## Late-cyclical pressures materializing

### Key message

A strong element of the Imtech investment case is its positioning in the field of water treatment, energy saving projects, alternative energy plants, green offices, reduction of fine particles, efficient traffic solutions. In spite of its diversified sales profile, Imtech is not immune to a recession. For 2009E we forecast an EBITA-margin (pre-overhead) of 5.8% (+ 40bps), followed by a decline to a trough level of 5.5% in 2010. We then anticipate a mild recovery towards 5.7% in 2011 and a full recovery towards 6% in 2012. So, due to the sustainability of the high margins for Imtech Germany we believe that the 6% EBITA-margin target (pre-overhead) can be reached in 2012. We maintain our Hold as late-cyclical downside is materializing in ICT, Scandinavia, Benelux and in UK, Ireland and Spain and valuation is rich: EV/EBITDA 2010E: 6.7x; PER 2010E: 10.3x.

	2008	2009E	2010E	2011E
Sales (EUR m)	3,859	4,277	4,215	4,338
EPS Recurring	1.64	1.82	1.67	1.82
P/E Recurring	10.5	9.5	10.3	9.5
P/FCFPS	246.4	10.2	12.1	15.5
EV/ EBITDA	7.1	6.5	6.7	6.1
Dividend Yield (%)	3.4	3.7	3.2	3.7

Source: Rabo Securities

Year to December, fully diluted


### Recent developments

- Imtech delivered strong 09H1 results as EBITA was 3% ahead of consensus and 7% above our EUR 85.6m estimate. Main reason for the strong performance was a strong result for Imtech Germany.
- In line with our forecast, Germany & Eastern Europe delivered the strongest performance. The 09H1 EBITA of EUR 28.9m was in line with our EUR 29.0m forecast due to strong organic EBITA growth of 35%. The margin jumped 130bps towards 5.9%. Due to: i) strongly improved project execution; ii) growth in high-margin energy contracting; iii) Imtech's very dominant competitive market position; iv) a shift in the sales mix towards higher margin maintenance contracts, we believe that 6% margins are sustainable for Germany. The strong performance for Imtech Germany is masking the fact that the late-cyclical downside is increasingly materializing in other parts of the group. Clients in the industrial and commercial property segments segment are decreasing the scope of maintenance contracts and clients are also demanding to open up existing contracts in order to get lower pricing. There is continuing margin pressure for the UK/IR/SP cluster (-/- 50bps), due to margin pressure in the Spanish and UK commercial building segments. With an unchanged margin of 3.6% the Benelux underperformed our 3.7% margin estimate. In NL, margin pressure is clearly intensifying pressure due to more aggressive tendering from Stork and Cofely.

### Valuation

Our DCF-model for Imtech points to fair value of EUR 20 per share. This is based on a WACC of 9.3% and a peak EBITA-margin (pre-overhead) in 2012 of 6.0% and a long term EBITA-margin (pre-overhead) of 5.6%, and 2-3% organic growth in the medium term. Imtech is now trading at EV/EBITDA 2010E of 6.7x and PER 2010E of 10.3x. This compares to an average EV/EBITDA multiple of 6.5x for the 2000-2008 period and an average PER multiple of 11.4x. We believe the 12-month upside is limited, hence our Hold.

### Rating

**Hold** **Price target:****EUR 17.5** **Price 29 Sep 2009:****EUR 17.3****Up-/downside:****+1.4%**

### Construction & Engineering

**Market capitalisation:**

EUR 1,416 m

**Avg (12 month) daily volume:**

426,315

**Free float**

60%

**Reuters**

imun.as

**Bloomberg code**

IM NA

### Share Price Performance %

	-1m	-3m	-12m
Imtech	-1	+25	+20
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3	28 Oct 2009
Results 09FY	16 Feb 2010
AGM	07 Apr 2010

### Major shareholders

	%
WAM Acquisitions	5.2
Fortis Verzekeringen Nederland N.V.	5.1
Delta Deelnemingen Fonds N.V.	5.1
Aviva Plc	5.1
Aviva plc.	5.0

### Listed Peers

	Ticker
ICT	ICT NA
GDF Suez	GSZ FP

### Analysts

**Hans Slob**

+31 (0) 20 460 4866

**Ralf Jacobs**

+31 (0) 20 460 4839

### Rabo Securities Amsterdam

<b>Equity Sales</b>	+ 31 20 460 4707
<b>Equity Sales Trading</b>	+ 31 20 460 4723
<b>www.rabosecurities.com</b>	

### Outlook

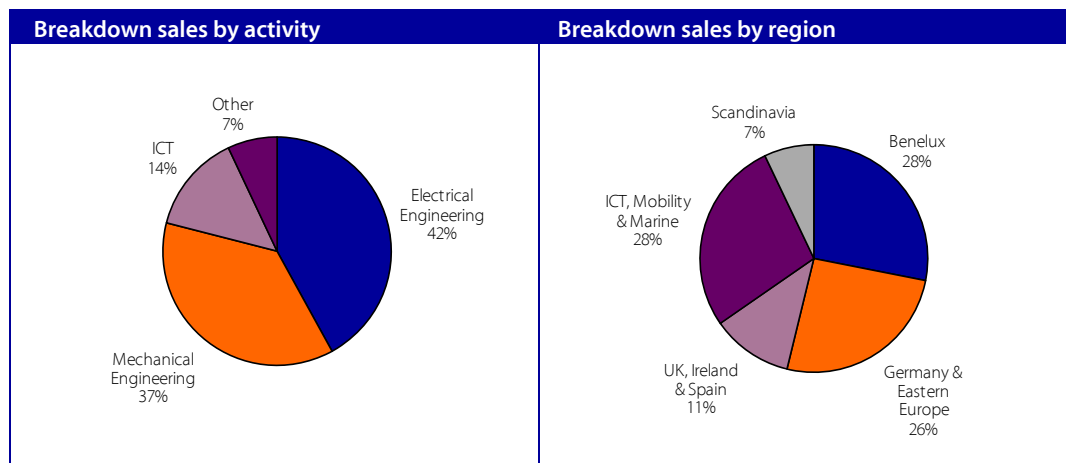
In terms of late- cyclical downside we expect to see the following trends starting to materialize from 09H2 onwards. Margin pressure for the ICT business due to increasing price pressure. We also expect increasing pressure on recurring business as now and then (higher-margin) smaller projects are delayed/postponed. We also see renewal risk on industrial maintenance and facility management contracts, as pricing will become less favorable. We also see signs of fiercer competition for new business in the Dutch market as Stork technical services and Cofely are tendering more aggressively on price. Although it is positive that governments will bring more projects to the market. Margins on these public projects could be modest given European tender procedures which are attracting many competitors. Project execution risks are also increasing due to risk of subcontractors getting into financial distress.

### Company profile

Imtech is a pan-European engineering and technology services firm with a strong presence in the Benelux (28% of 09H1 sales) and Germany & Eastern Europe (24%). Furthermore, the company is active in UK, Ireland and Spain (13%) , in the Nordics (7%) and in the field of ICT, Traffic & Marine (27%). Imtech is active in electrical engineering (45% of sales) and mechanical engineering (36% of sales) as well as in ICT (13% of sales).

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Increasing its operating margin by offering higher valued services</li> <li>▪ Market leader in the Netherlands and Germany</li> <li>▪ Limited debt position</li> </ul>	<ul style="list-style-type: none"> <li>▪ Many smaller independent operating units</li> <li>▪ Limited cross-border synergies in lower added value activities</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Good time for acquisitions since the company has a strong balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>▪ Insourcing installation work by construction companies</li> <li>▪ Setback on one large project could have significant impact on earnings</li> <li>▪ Credit crisis continuing for another year</li> </ul>



Income Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Revenues	3,346	3,859	4,277	4,215	4,339
Gross profit	3,346	3,859	4,278	4,216	4,339
Operating costs	-3,166	-3,633	-4,015	-3,969	-4,073
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	180.5	226.5	262.9	246.1	265.9
Depreciation	-24.0	-29.3	-31.5	-32.8	-36.7
EBITA	156.5	197.2	231.4	213.3	229.2
Amortisation	-9.2	-13.4	-22.0	-22.0	-22.0
EBIT	147.3	183.8	209.4	191.3	207.2
Net financial result	-20.9	-29.3	-37.5	-35.0	-33.0
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	126.4	154.5	171.9	156.3	174.2
Income taxes	-33.3	-41.2	-51.5	-47.3	-52.1
Minority interests	-0.9	-0.2	-0.8	-0.8	-0.8
Other post-tax items/participation	-0.2	0.2	0.0	0.5	0.8
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	92.0	113.3	119.7	108.7	122.1
Adjustments, total	9.2	13.6	22.0	22.0	22.0
Net income recurring	101.1	126.9	141.7	130.7	144.1
PERSHARE ITEMS					
Shares outstanding avg. (mln)	78.6	77.4	77.4	78.2	79.0
Shares outstanding fully diluted (mln)	79.9	77.4	77.7	78.5	79.3
EPS reported	1.17	1.47	1.55	1.39	1.55
EPS recurring	1.29	1.64	1.82	1.67	1.82
CPS	2.29	1.45	2.20	1.98	2.16
DPS	0.47	0.59	0.63	0.56	0.63
Fiscal year ends 12/2009					
% GROWTH					
Revenues		15.3	10.8	-1.5	2.9
EBITA		26.0	17.3	-7.8	7.5
Net income recurring		25.5	11.6	-7.8	10.3
% MARGINS					
Gross margin		100.0	100.0	100.0	100.0
EBITA margin		5.1	5.4	5.1	5.3
Net recurring margin		3.3	3.3	3.1	3.3

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	1,599.5	1,764.2	1,716.3	1,653.2	1,617.9
P/E recurring (x)	13.4	10.5	9.5	10.3	9.5
P/Sales (x)	0.4	0.3	0.3	0.3	0.3
P/FCF (x)	9.2	20.6	9.9	11.2	14.0
P/CF (x)	7.5	11.9	7.8	8.7	8.0
P/B (x)	3.7	3.4	2.9	2.5	2.3
Dividend yield (%)	2.7	3.4	3.7	3.2	3.7
EV/EBITDA (x)	8.9	7.8	6.5	6.7	6.1
EV/Sales (x)	0.5	0.5	0.4	0.4	0.4
EV/FCF (x)	10.9	27.2	12.7	13.8	16.6

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	91.9	113.5	119.7	108.7	122.1
Depreciation & Amortisation	33.2	42.7	53.5	54.8	58.7
Working Capital Change	77.1	-67.8	-4.4	-8.1	-9.5
Other Items	-22.2	24.0	1.6	-0.5	-0.8
Cash Flow from Operations	180.1	112.4	170.3	154.9	170.5
Net Capital Expenditure	-33.5	-47.5	-34.8	-34.9	-73.1
Goodwill from Acquisitions	-8.4	-209.3	-8.2	0.0	0.0
Other Investments	9.4	-15.3	-0.5	0.0	0.0
Cash Flow from Investments	-108.5	-272.1	-43.6	-34.9	-73.1
Ordinary Dividends	-37.0	-46.0	-48.5	-44.0	-49.5
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	110.4	342.0	1.0	1.0	1.0
Change in Minorities	-0.3	0.0	-3.2	0.5	0.8
Cash Flow from Financing	73.2	296.0	-50.7	-42.6	-47.7
Change in Cash	144.7	136.2	76.0	77.5	49.7
Free Cash Flow	146.6	64.9	135.4	120.0	97.4
Free Cash Flow Yield (%)	10.8	4.9	10.1	8.9	7.1

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	124.0	101.8	177.8	255.2	305.0
Other current assets	1,241.6	1,496.4	1,665.3	1,651.7	1,704.5
Net PP&E	107.4	132.2	135.6	137.6	174.0
Intangible assets	387.7	697.2	683.4	661.4	639.4
Other non-current assets	30.5	45.8	46.3	46.3	46.3
Total Assets	1,891.2	2,473.3	2,708.4	2,752.3	2,869.2
Short-term debt	81.9	190.1	190.1	190.1	190.1
Other current liabs	1,145.5	1,332.4	1,496.9	1,475.2	1,518.5
Long-term debt	134.0	367.8	368.8	369.8	370.8
Other non-current liabs	159.6	183.8	185.4	185.4	185.4
Minority interest	3.4	3.3	0.0	0.0	0.0
Total equity	366.7	395.9	467.1	531.8	604.4
Total liabs & equity	1,891.1	2,473.3	2,708.4	2,752.3	2,869.2
Net debt	91.9	456.1	381.1	304.7	255.9
ROIC (%)	14.8	19.0	18.3	16.3	17.0
Net gearing (%)	25.1	115.2	81.6	57.3	42.3
Working capital as % of sales	2.9	4.2	3.9	4.2	4.3
Inventory period days		7.0	7.4	7.9	7.7
Trade debtor days		85.2	89.1	95.1	93.7
Trade creditor days		85.7	86.8	91.9	89.9
Cash cycle		6.5	9.8	11.1	11.5



## Three reasons to Buy ING

### Key message

We have three reasons for our BUY. First, the most important swing factor is that doing divestments becomes better manageable in the current improved markets. Second, with less dilution due to better markets and better cost control we increase our PT to EUR 15 (assumed fair value PE of 8.5x). Third, from EUR 8bn annual pre provisioning earnings we believe it can digest its impairments.

	2008	2009E	2010E	2011E
Net income (EUR)	-159	-463	2241	3322
EPS Published	-0.08	-0.23	1.11	1.64
P/E Published	N/A	N/A	10.7	7.2
P/Equity	1.1	1.1	1.0	0.9
Dividend Yield (%)	6.3	0.0	0.0	6.3

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 2 May, ING announced to acquire Citistreet for EUR 578m.
- On 10 April, ING raised EUR 1.5bn with perpetual bond sale.
- For 09Q2 the net profit (excl. The EUR 425m coupon payment on the EUR 10bn government injection, which we put in the P&L for Q2 but which ING already charged from the shareholders equity in 08Q4) was EUR 71m while we expected EUR 47m.
- We believe based on rumours in the market that the next two weeks ING Group will sell its Asian/Swiss private banking business for a good price (EUR 1-1.2bn is being rumoured). The execution of this transaction will make clear that ING Group is willing to sell some activities but only at reasonable prices. As ING has clearly more to sell the next two years this creates a good starting position to sell more for reasonable prices

### Valuation

We put the dilution at 700m shares such that the fully diluted number of shares is 2.7bn making an EPS of EUR 1.78. Multiplying this with a fair value PE of 8.5x gives a fair value/price target of EUR 15.

### Rating

**Buy**

**Price target:** EUR 15.0   
**Price 29 Sep 2009:** EUR 11.8  
**Up-/downside:** +26.8%

### Diversified Financials

#### Market capitalisation:

EUR 24,407 m

#### Avg (12 month) daily volume:

15,563,336

#### Free float

80%

#### Reuters

ING.AS

#### Bloomberg code

INGA NA

### Share Price Performance %

	-1m	-3m	-12m
ING	+10	+65	-21
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	11 Nov 2009
AGM	27 Apr 2010

### Major shareholders

	%
ING Groep N.V.	10.0
AllianceBernstein Corporation	5.0
RFS Holdings B.V.	4.8
Fortis N.V.	0.6

### Listed Peers

	Ticker
Generali	G IM
AXA	CS FP
American Int. Group	AIG US

### Analysts

#### Cor Kluis

+31 (0) 20 460 4870

#### Georg Krijgh

+31 20 460 4860

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

**Outlook**

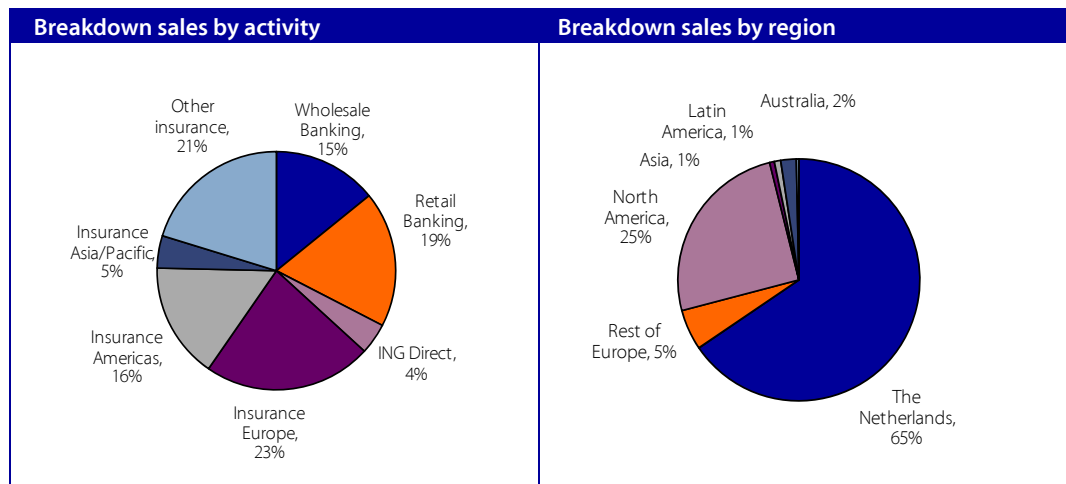
The most important variable for the ING Group share price is if and how it will execute its divestment strategy (plan EUR 6-8bn) to relief capital (plan EUR 4bn of which EUR 1.5bn done) to enhance the excess core capital and build up capital to pay back the Dutch government in due time. Until now the execution has been good of Mr Jan Hommen by basically waiting for better prices. We believe based on rumours in the market that the next two weeks ING Group will sell its Asian/Swiss private banking business for a good price (EUR 1-1.2bn is being rumoured). The execution of this transaction will make clear that ING Group is willing to sell some activities but only at reasonable prices. As ING has clearly more to sell the next two years this creates a good starting position to sell more for reasonable prices.

**Company profile**

ING is a global financial services company providing banking, investments, life insurance and retirement services. The company serves more than 75 million customers in Europe, the United States, Canada, Latin America, Asia and Australia, over 50 countries. ING has a wide-spread entrepreneurial culture.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Entrepreneurial culture</li> <li>▪ Activities in high growth markets (ING Direct, life in emerging markets and employee benefits)</li> <li>▪ Realisation of huge cost cutting potential</li> <li>▪ Diversified activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dilution from issuing shares to pay back Dutch government</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Raising capital by selling assets at better prices</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regulators and rating agencies can become more critical about the usage of Basel II assumptions.</li> </ul>



Income statement (EUR mln)					
	07	08	09E	10E	11E
ING Insurance	6,152	-1,221	-785	779	1,530
ING Bank	4,971	448	582	2,153	3,528
Profit before tax	11,123	-773	-203	2,932	5,058
Taxation	-1,650	577	78	-614	-1,052
Minorities	-267	37	87	-77	-134
Operational net profit	9,206	-159	-463	2,241	3,322
Average number of shares (m)	2,141	2,053	2,024	2,024	2,024
EPS (EUR)	4.30	-0.08	-0.23	1.11	1.64
DPS	1.48	0.74	0.00	0.00	0.74
Dividend pay out	0.34	-9.56	0.00	0.00	0.45
Equity per share	12.70	11.57	11.73	12.84	

ING

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# KAS Bank

## Back on track

### Key message

KAS Bank reported a 09H1 net profit of EUR 11.5m, 10% higher than our EUR 10.4m expected. Revenues are resilient due to a +40% yoy rise in interest income and despite -78% yoy decline in securities lending commissions. Solvency is strong, risk control has improved and there is more focus on improving efficiency. The trading platform is growing gradually and we believe that current developments such as more demand for risk management and transparency are positive for custodians.

	2008	2009E	2010E	2011E
Net income (EUR)	-39	24	25	27
EPS Published	-2.49	1.52	1.58	1.72
P/E Published	10.3	9.0	8.1	7.5
P/Equity	1.2	1.0	1.0	0.9
Dividend Yield (%)	3.5	6.2	7.4	8.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 20 August, KAS reported 09H1 revenues of EUR 67m which is 2% higher than we expected and driven by 1) higher net interest income (+40% yoy) as net interest margins were resilient while we expected a decline and as clients continued to store excess liquidity at KAS (funds entrusted rose by 12% vs end 2008 to EUR 7.5bn) and 2) by lower securities lending commissions (EUR 2.9m down 78% yoy) as the willingness at pension funds to lend securities has been hurt by the crisis.
- On 16 July, KasBank acquired Deutsche Postbank Privat Investment Kapitalanlagegesellschaft GmbH (PPI)

### Valuation

We estimate a 2010 EPS of EUR 1.58 so KAS is currently trading at 8.2x this 2010 EPS. For 09H2 we expect an EPS of EUR 0.79 and given a 60% pay-out ratio the dividend for FY 2009 is about EUR 0.8 so the dividend yield is 6%. We also believe that KAS Bank would be an interesting asset for a larger custodian so a slight takeover premium should be justified.

### Rating

**Hold**

**Price target:**

**EUR 16.0**

**Price 29 Sep 2009:**

**EUR 12.8**

**Up-/downside:**

**+24.7%**

### Diversified Financials

#### Market capitalisation:

EUR 202 m

#### Avg (12 month) daily volume:

40,026

#### Free float

38%

#### Reuters

KASNC.AS

#### Bloomberg code

KASA NA

### Share Price Performance %

	-1m	-3m	-12m
KAS Bank	-2	+8	-14
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09FY	04 Mar 2010
AGM	21 Apr 2010
Ex Dividend	23 Apr 2010
Results 10H1	26 Aug 2010
Ex Dividend	27 Aug 2010

### Major shareholders

	%
Aviva Plc	12.7
Delta Deelnemingen Fonds	8.6
ING Groep	7.9
Parcom Quoted Equity Management	7.9
ABP	6.9

### Listed Peers

	Ticker
State Street	STT US
Bank of New York	BK US

### Analysts

#### Georg Krijgh

+31 20 460 4860

#### Cor Kluis

+31 (0) 20 460 4870

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

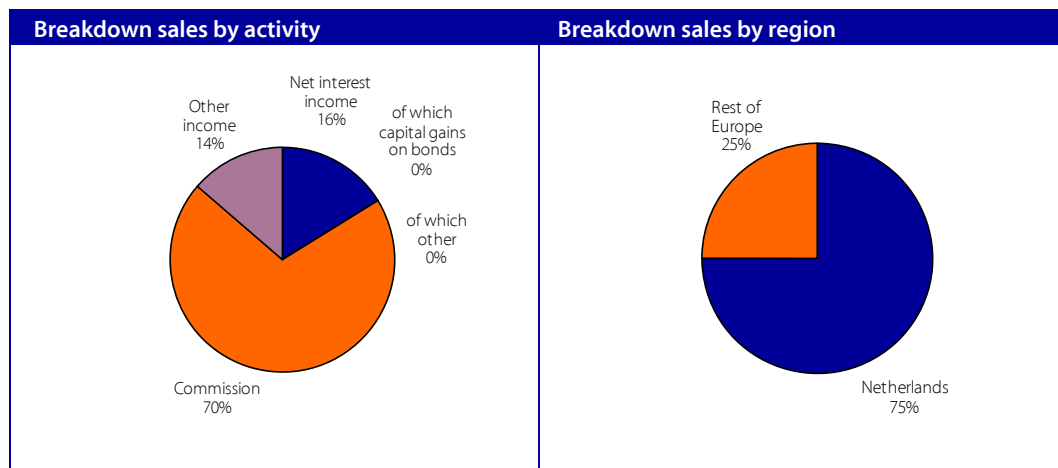
KAS Bank returned to profitability in 09H1 and absent IFRS impairments on the NYSE shares or the five bank perpetuals, KAS Bank is likely to show a profit in 09H2 as well. The AFS portfolio is highly liquid and of high quality as about 90% of own investments is government guaranteed and rated Aaa/Aa3. The securities lending market will only gradually improve. We expect that increased focus on efficiency will have some payoff in 2010.

### Company profile

KAS Bank is one of the few remaining independent custodian banks. It offers custody, clearing and settlement, securities lending and investment management services (e.g. proxy voting, performance measurement). The company has a superior service level due to its state of the art IT systems and has developed into a pan-European player. KAS Bank focuses mainly on small and medium sized clients as the competition in the segment of large clients is too severe.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Independent company without asset management services</li> <li>▪ Strong partnerships</li> <li>▪ Strong solvency and liquidity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Small player so limited scale</li> <li>▪ Fixed cost base</li> <li>▪ Limited growth in assets under custody</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ More demand for risk management, reporting and transparency</li> <li>▪ Growth in Germany</li> <li>▪ Improving efficiency due to decreasing costs and increased outsourcing of services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Takeover by foreign player</li> <li>▪ Consolidation in the Dutch pension fund industry which puts more pressure on pricing</li> <li>▪ Less willingness to lend securities</li> </ul>



KAS Bank	2007	2008	2009E	%	2010E	%	2011E
Interest income	21.6	28.9	37.2	29%	39.5	6%	41.8
<i>of which capital gains on bonds</i>	0.0						
<i>of which other</i>	0.0						
Commission income	93.4	89.2	77.1	-14%	84.5	10%	91.1
Other income	18.2	11.5	19.3	68%	17.2	-11%	17.2
<i>of which trading income</i>	16.1	9.1	15.2	67%	14.0	-8%	14.0
<i>of which gains on investment portfolio</i>	0.5	1.8	2.9	61%	2.0	-32%	2.0
<i>of which capital gains on bonds/other</i>	0.0	0.0	0.0		0.0		0.0
<b>Total revenues</b>	<b>133.1</b>	<b>129.6</b>	<b>133.7</b>	<b>3%</b>	<b>141.2</b>	<b>6%</b>	<b>150.2</b>
Salaries	62.6	70.1	69.4	-1%	72.8	5%	77.6
Other costs	29.8	30.1	27.5	-9%	28.9	5%	30.7
Depreciation	9.1	7.9	8.2	3%	8.5	4%	8.8
<b>Total costs</b>	<b>101.5</b>	<b>108.2</b>	<b>105.1</b>	<b>-3%</b>	<b>110.2</b>	<b>5%</b>	<b>117.0</b>
<b>Operational profit</b>	<b>31.7</b>	<b>21.5</b>	<b>28.7</b>	<b>34%</b>	<b>31.0</b>	<b>8%</b>	<b>33.1</b>
Impairments	0.0	-73.4	0.0		0.0		0.0
IFRS capital gains	0.0	0.0	2.0		0.0		0.0
Pretax profit	31.7	-52.0	30.7		31.0		33.1
Taxes	8.2	-12.0	7.5		7.4		8.0
<b>Net profit before minorities</b>	<b>23.5</b>	<b>-40.0</b>	<b>23.2</b>		<b>23.6</b>		<b>25.2</b>
Minorities	0.0	-0.9	0.0		0.0		0.0
<b>Net profit (1)</b>	<b>23.5</b>	<b>-39.1</b>	<b>23.2</b>		<b>23.6</b>		<b>25.2</b>
Exceptional capital gains/impairments	26.7	-58.7	1.4		0.0		0.0
<b>Net profit incl. exceptionals (2)</b>	<b>50.2</b>	<b>-39.1</b>	<b>23.2</b>		<b>23.6</b>		<b>25.2</b>
Extraordinaries	26.7	-58.7	1.4		0.0		0.0
Pension benefit (05) restr. costs (06)	0.0	0.0	0.0		0.0		0.0
After-tax bond gains	0.0	0.0	0.0		0.0		0.0
<b>Underlying net profit (3)</b>	<b>23.5</b>	<b>19.6</b>	<b>21.8</b>		<b>23.6</b>		<b>25.2</b>
Cost/income ratio	76.2%	83.5%	78.6%		78.1%		77.9%
Tax rate	25.8	-55.7	26.2		24%		24%
Total assets	8,372	8,337	7,964	-4%	8,522	7%	9,118
Risk-weighted assets (m)	1,277	940	798	-15%	854	7%	914
Number of shares (x1000)	15,699	15,699	15,699		15,699		15,699
EPS (1)	1.50	-2.49	1.48	-159%	1.50	2%	1.60
EPS (2)	3.20	-2.49	1.48	-159%	1.50	2%	1.60
EPS (3)	1.50	1.25	1.39	11%	1.50	8%	1.60
Dividend	2.60	0.45	0.78	73%	0.90	16%	0.96
Payout ratio	81.4%	-18.1%	52.7%		60.0%		60.0%
Tier-1 ratio	13%	15.0%	19.0%		19.0%		19.0%
shareholders equity		167	192		201		212
ROE			12.1%		11.7%		11.9%
Book value per share		10.7	12.2		12.8		13.5
<b>Commission income:</b>							
Custody + IMS	32.8	28.7	29.2		31.2		32.5
Clearing and settlement	39.4	37.6	37.4		38.1		38.9
Securities lending	15.5	17.2	4.6		9.2		13.7
Other	5.7	5.7	6.0		6.0		6.0
<b>Funds entrusted</b>	<b>5,863</b>	<b>6,741</b>	<b>7,476</b>				
savings	15	292					
deposits	1,562	445					
other	4,286	4,786					

**KAS Bank**

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## They can come through it

### Key message

We put a Buy on KBC (from Hold) with a price target of EUR 26 because -1- the provision for the run off of KBC Financial Products was 'only' EUR 760m and it seems to cover most such that the risk for additional capital raise by KBC is much smaller now. -2- outlook 09Q3 is good. -3- higher share price results in less dilution. -4- fully diluted through cycle PE is only 6.8x.

	2008	2009E	2010E	2011E
Net income (EUR)	-2490	-3188	921	1002
EPS Published	-7.24	-9.39	2.71	2.95
P/E Published	N/A	N/A	12.8	11.7
P/Equity	3.0	2.6	2.1	1.9
Dividend Yield (%)	0.0	0.0	0.0	2.9

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The 09Q2 net profit excluding CDO revaluations, premium paid for government CDO/Monoline insurance and KBC Financial Product derivative loss (EUR 302m reported profit – EUR 996m CDO gains/revaluations as the corporate credit spreads came in strongly in Q2 and the improved guarantee structured it insured at the Belgian government + EUR 740m paid for insurance to government + EUR 760m derivative losses for KBC Financial Products) is EUR 806m. This EUR 806m still includes some positive market-to-market derivatives for hedging purposes and market-to-market of own debt. Excluding this the net result was EUR 410m while we expected EUR 393m, so in line with expectations.

### Valuation

The interesting thing is that the higher the share price the less dilution from the second EUR 3.5bn. If the share price would for example be EUR 26, then the fully diluted number of shares would be 614m (340+120+154), the EPS EUR 3.09 and the PE at a share price of EUR 26 will be 8.4x (so if KBC share will rise by 30%). We put our price target at EUR 26. Note that: -1- the dilution can become less (and the PE lower) if KBC gets more excess cash/earnings which is likely to be the case as Belgium is very profitable, it has good excess core capital buffers and it has a EUR 2.2bn own equity portfolio, -2- we assume that it does not have to issue shares for EUR 1.8bn (as it has the option to do that if first 'real cash' losses on MBIA/super senior CDO will be higher than EUR 5.2bn)

### Rating

**Buy** =

**Price target:** EUR 35.5  
**Price 29 Sep 2009:** EUR 34.6  
**Up-/downside:** +2.6%

### Banks

#### Market capitalisation:

EUR 12,382 m

#### Avg (12 month) daily volume:

1,770,009

#### Free float

64%

#### Reuters

KBKbt.BR

#### Bloomberg code

KBC BB

### Share Price Performance %

	-1m	-3m	-12m
KBC	+26	+166	-42
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Results 09Q3	13 Nov 2009
Results 09FY	11 Feb 2010
AGM	29 Apr 2010
Ex Dividend	03 May 2010

### Major shareholders

	%
Almancora	20.9
MRBB	11.7
Almanij N.V.	3.9

### Listed Peers

	Ticker
Erste Bank	EBD GR
Bank Austria Creditanst.	BKAC GR

### Analysts

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+31 (0) 20 460 4870

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### Outlook

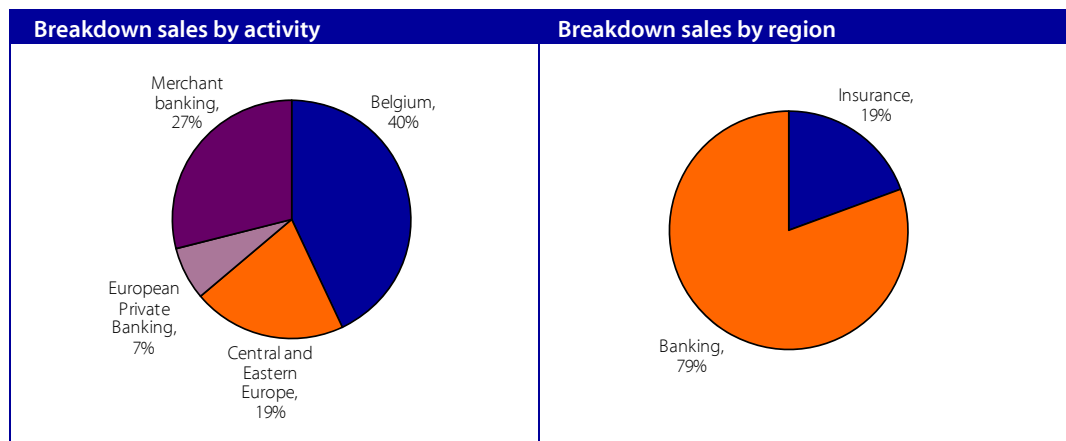
We are optimistic on the 09Q3 outlook for KBC. The Belgian economy has been doing relatively well with a GDP decline of only -0.4% in 09Q2 which gives us comfort that the loan loss impairments in its largest market Belgium (50% of company) remains well under control. The cost cutting has been hard and to a large extent structural so that the expenses in 09Q2 are expect to be well under control. Finally, the deposit rates in Belgium remain low so that one can expect again a strong net interest income in Belgium. Impairments in Eastern Europe are rising somewhat in 09H2 (09H1 2% of RWA; 09H2E 2.7%) but can well be paid from the pre provisioning profits as with this Eastern Europe still makes a net profit of EUR 100m in 09H2.

### Company profile

KBC is the second largest Belgian bank, mainly based in Flanders (the northern and wealthiest part) and especially strong in mutual funds, where it is the market leader in Belgium. It also has a European private banking network and several niche positions in Merchant Banking. Around 22% of 2008E net profit is derived from Central Europe, where KBC has market leading positions in the Czech Republic an Hungary and a smaller presence in Slovakia and Poland.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong cash generation in Belgium to fund growth in Central Europe</li> <li>▪ Strong solvency ratios</li> <li>▪ Stable shareholders pact</li> </ul>	<ul style="list-style-type: none"> <li>▪ Volatile results in Merchant Bank</li> <li>▪ High exposure to slow down in Belgian mutual fund market</li> <li>▪ Exposure to higher loan losses in Ireland</li> <li>▪ Majority shareholding of the shareholders'pact limits merger/acquisition opportunities</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Benefit from continued growth in Central Europe</li> <li>▪ Improve margins on Belgian loans</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Basel II release may be less than estimated</li> </ul>



Income Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Net interest income	3,353	3,908	4,369	4,285	4,332
Gross earned premiums, insurance	3,990	4,588	4,976	5,264	5,571
Gross technical charges, insurance	-3,400	-3,883	-4,420	-4,708	-4,981
Net fee and commission income	2,140	1,753	1,570	1,777	1,928
Net realised gain from available-for-sale	460	343	-149	187	193
Other income	455	409	-1,104	373	395
<b>Total revenues</b>	<b>9,279</b>	<b>4,342</b>	<b>5,032</b>	<b>8,952</b>	<b>9,294</b>
Operating expenses	-5,156	-5,585	-4,837	-5,225	-5,450
Impairment	-268	-1,543	-1,950	-2,064	-1,814
<b>Profit before tax</b>	<b>3,911</b>	<b>-2,772</b>	<b>-1,758</b>	<b>1,660</b>	<b>2,027</b>
Taxation	-847	312	-556	-362	-458
<b>Net income</b>	<b>2,942</b>	<b>-2,470</b>	<b>-2,516</b>	<b>1,248</b>	<b>1,216</b>
PER SHARE ITEMS					
Shares outstanding avg. (mln)	12.4	11.5	11.3	12.1	12.9
<b>Underlying EPS</b>	<b>0.25</b>	<b>-0.21</b>	<b>-0.20</b>	<b>0.11</b>	<b>0.12</b>
Dividend per share	8.44	-7.24	-7.41	3.68	3.58

KBC

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# Kendrion

## Managing magnetic downturn

### Key message

Despite weak revenues (-38% vs our -29%) in 09Q2, due to significant cost saving measures, the 09Q2 EBITA was not as bad as feared (EUR 1.7m vs our EUR 1.4m). The interest cover covenant breach was a negative, but in the meantime this has been solved by a sub 10 equity issue and new financing arrangement. Although Kendrion is a play on a potential automotive/industrial recovery, we do not consider its valuation to be particularly attractive. Hold.

	2008	2009E	2010E	2011E
Sales (EUR m)	204	145	160	178
EPS Recurring	0.78	0.18	0.50	0.76
P/E Recurring	12.5	54.2	19.5	12.8
P/FCFPS	1.7	12.3	12.2	15.7
EV/ EBITDA	7.1	9.5	6.4	5.4
Dividend Yield (%)	0.0	9.9	1.5	2.4

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Unexpectedly, revenues fell even further in 09Q2 (-38%) from 09Q1 (-34%) due to ongoing destocking in automotive and industrial sectors (we had -29%). On the positive, the benefits of EUR 20m cost saving programme (23% staff reduction) are already becoming visible. From 09Q1 to 09Q2, the EBITA improved by more than EUR 2m.
- It is negative that at the 09Q2 results, Kendrion breached its interest cover covenant breach, but we believe that current debt levels are not problematic (net debt EUR 30m).
- On 26 September, Kendrion has done a sub10 new equity issue at its existing major shareholders (EUR 9.2m). In addition, it has entered into a new, two-year financing arrangement of EUR 50 million (interest margin 375) under which the present guarantee facility for the claim of the European Commission will be continued.


### Valuation

Although we believe that Kendrion has passed the trough and qualifies as a potential automotive/industrial recovery play, we do not consider it as particularly attractive at current share price levels. Assuming already a 40% EBITDA growth in 2010, it is trading at a 2010 EV/EBITDA of close to 7x, while its P/E level is even at double digit levels for 2010/2011. In addition, the plans of Kendrion to grow by means of acquisitions is in our view quite risky in the current environment and with potential candidates in more financial difficulties.

### Rating

**Hold** 

**Price target:**

**EUR 10.0** 

**Price 29 Sep 2009:**

**EUR 9.8**

**Up-/downside:**

**+2.6%**

### Industrial Conglomerates

**Market capitalisation:**

EUR 110 m

**Avg (12 month) daily volume:**

5,014

**Free float**

29%

**Reuters**

SVELAS

**Bloomberg code**

KENDR NA

### Share Price Performance %

	-1m	-3m	-12m
Kendrion	-4	+25	-39
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	10 Nov 2009
Results 09FY	25 Feb 2010
AGM	07 Apr 2010
Results 10Q1	11 May 2010
Results 10H1	24 Aug 2010

### Major shareholders

	%
New NIB Partners LP	13.8
ING Groep	12.7
T.Tettamanti	8.5
Menor Investments B.V.	7.9
Aviva	7.6

### Listed Peers

	Ticker
Aalberts Industries	AALB NA
Gamma Holding	GAMN NA
Eriks Group	ERIKG NA

### Analysts

**Frank Claassen**

+31 (0) 20 460 4868

**Philip Scholte**

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

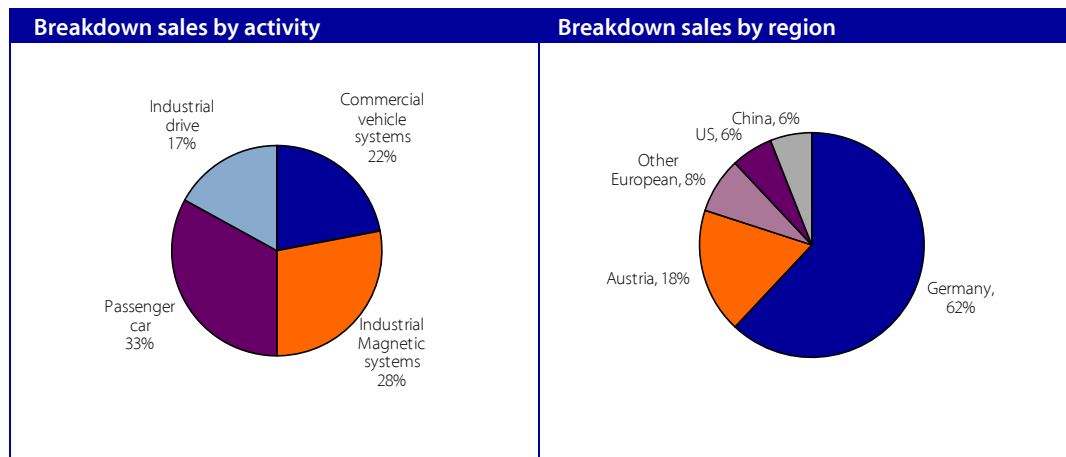
It is more hopeful that there are signs of stabilisation/improvement in June and July, e.g. coming from Asia. Nevertheless, according to the company it is still too early to speak about a structural improvement in the demand for electromagnetics. We expect that the coming quarters will see a gradual improvement in revenues, driven by the end of destocking, slowing declines in automotive sales (e.g. driven by scrapping plans) and signs of improvement in industrial production. In addition, more benefits of the cost savings programme will kick in. As a result, for 2010 we estimate double digit revenues growth and >40% EBITDA growth.

### Company profile

Following the sale of its Distribution Services division, Kendrion will be fully focused on electromagnetic. Kendrion Electromagnetic designs and manufactures electromagnetic components for the automotive industry and other industrial markets (in specific applications such as elevators, doors, industrial robots, dialysis equipment and precision control technology). The production companies of Kendrion Electromagnetic are based in Germany, Austria, Spain, the Czech Republic and China. The group also relies on sales organizations in the UK, Austria, the US and Switzerland.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ One of the European leaders in Electromagnetics</li> </ul>	<ul style="list-style-type: none"> <li>▪ Earnings track record</li> <li>▪ Overhang EU fine</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Add-on acquisitions in Electromagnetic</li> <li>▪ New long-term projects in Automotive</li> <li>▪ Growth in emerging markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prolonged slowdown in automotive and industrial</li> <li>▪ Integration failures of acquisitions</li> </ul>



Income Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Revenues	170.0	204.2	145.0	160.9	178.6
Cost of sales	-352.5	-352.5	-89.3	-98.8	-109.7
Gross profit	-182.5	-148.3	55.7	62.1	69.0
Operating costs	202.4	172.3	-42.2	-43.4	-47.5
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	19.9	24.0	13.4	18.7	21.4
Depreciation	-8.7	-8.3	-7.3	-7.6	-7.3
EBITA	11.2	15.7	6.1	11.1	14.1
Amortisation	-1.4	-1.4	-1.3	-1.3	-1.3
EBIT	9.8	14.3	4.8	9.8	12.8
Net financial result	-3.8	-2.5	-3.8	-2.7	-2.3
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	6.0	11.8	1.0	7.1	10.5
Income taxes	0.4	-3.8	-2.0	-1.9	-2.7
Minority interests	-0.1	0.0	0.0	0.0	0.0
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	-2.7	4.9	13.9	0.0	0.0
Net income	3.6	12.9	12.9	5.2	7.8
Adjustments, total	2.7	-4.9	-11.0	0.0	0.0
Net income recurring	6.3	8.0	1.9	5.2	7.8
PER SHARE ITEMS					
Shares outstanding avg. (mln)	10.3	10.3	10.3	10.3	10.3
Shares outstanding fully diluted (mln)	10.3	10.3	10.3	10.3	10.3
EPS reported	0.35	1.25	0.33	0.50	0.76
EPS recurring	0.61	0.78	0.18	0.50	0.76
CPS	3.20	5.50	1.50	1.43	1.31
DPS	0.38	0.00	0.97	0.15	0.23
Fiscal year ends 12/2009					
% GROWTH					
Revenues		20.1	-29.0	11.0	11.0
EBITA		40.2	-61.2	82.4	27.1
Net income recurring		27.0	-76.8	178.4	50.6
% MARGINS					
Gross margin		-72.6	38.4	38.6	38.6
EBITA margin		7.7	4.2	6.9	7.9
Net recurring margin		3.9	1.3	3.2	4.4
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	297.6	170.7	127.5	119.7	115.7
P/E recurring (x)	16.0	12.5	54.2	19.5	12.8
P/Sales (x)	0.6	0.5	0.7	0.6	0.6
P/FCF (x)	2.8	1.7	12.2	12.1	15.9
P/CF (x)	3.0	1.8	6.5	6.8	7.4
P/B (x)	1.1	1.1	1.2	1.2	1.1
Dividend yield (%)	3.9	0.0	9.9	1.5	2.4
EV/EBITDA (x)	15.0	7.1	9.5	6.4	5.4
EV/Sales (x)	1.8	0.8	0.9	0.7	0.6
EV/FCF (x)	8.3	2.9	15.5	14.4	18.4

Cash Flow Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	3.6	12.9	3.4	5.2	7.8
Depreciation & Amortisation	10.1	9.7	8.6	8.9	8.6
Working Capital Change	18.2	35.7	3.4	0.6	-2.9
Other Items	1.1	-1.6	0.0	0.0	0.0
Cash Flow from Operations	33.0	56.7	15.4	14.7	13.5
Net Capital Expenditure	3.0	2.5	-7.2	-6.4	-7.1
Goodwill from Acquisitions	-42.2	-0.1	-0.0	-0.0	-0.0
Other Investments	-0.6	8.3	2.5	1.0	0.0
Cash Flow from Investments	-39.8	10.7	-4.7	-5.4	-7.1
Ordinary Dividends	-3.9	0.0	-10.0	-1.6	-2.3
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	1.8	-69.4	10.6	-3.0	-9.0
Change in Minorities	-0.1	0.0	0.0	0.0	0.0
Cash Flow from Financing	-2.2	-69.4	0.6	-4.6	-11.3
Change in Cash	-9.0	-2.0	11.3	4.7	-5.0
Free Cash Flow	36.0	59.2	8.2	8.3	6.3
Free Cash Flow Yield (%)	35.8	58.9	8.2	8.3	6.3

Balance Sheet (EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	9.6	3.7	9.0	13.7	8.7
Other current assets	162.0	55.4	47.1	47.9	53.2
Net PP&E	57.5	46.7	46.6	45.4	45.3
Intangible assets	49.2	43.3	42.0	40.7	39.4
Other non-current assets	24.8	16.5	14.0	13.0	13.0
Total Assets	303.1	165.6	158.7	160.8	159.6
Short-term debt	7.7	4.6	5.0	4.0	0.0
Other current liabs	103.8	32.9	28.0	29.5	31.9
Long-term debt	87.1	20.8	31.0	29.0	24.0
Other non-current liabs	15.6	14.0	14.0	14.0	14.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	88.9	93.3	80.7	84.3	89.7
Total liabs & equity	303.1	165.6	158.7	160.8	159.6
Net debt	85.2	21.7	27.0	19.3	15.3
ROIC (%)	8.5	6.3	-3.8	7.6	9.8
Net gearing (%)	95.8	23.3	33.5	22.9	17.1
Working capital as % of sales	34.2	11.0	13.2	11.5	12.0
Inventory period days		88.9	69.2	49.9	41.6
Trade debtor days		102.6	57.7	56.2	60.0
Trade creditor days		120.7	73.0	62.4	59.8
Cash cycle		70.9	53.8	43.7	41.8



## Taking advantage of better capital markets

### Key message

The merger of KKR and KPE is effective and KPE (tomorrow 'KKR') shareholders own a 30% stake in the combined asset management business which may benefit from growth in fee income and value of investments as capital markets gradually improve. The KKR track record and brand is strong and the pipeline of opportunities is full, so the potential for growth is good. We see significant upside in valuation (+50%).

	2008	2009E	2010E	2011E
Net profit (USD)	-1204	974	1052	1136
Dividend per share	0	0	0.2	0.25
NAV per share	12	4.39	4.83	5.31
EPS (30% for KPE)	-5.8	4.73	5.11	5.52
P/E	11	6.5	6.5	6.5
Dividend Yield (%)	0	0	2	2.1

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 19 July 2009 the merger between KKR and KPE was approved by the KPE board
- On 1 October 2009 the merger is effective and KPE owners hold a 30% interest in the combined business which besides being a business investing in assets also earns income from management fees, advisory fees and from profit participations as it is entitled to 20% of the annual profit of which 60% is allocated shareholders (40% to partners & employees). KPE is likely to seek a US listing in 2010 which may give better liquidity to KPE shareholders

### Valuation

We estimate total annual net profit of USD 974m based on AuM of USD 51 and an IRR of 12%. Using a PE multiple of 15 for the earnings from managing the assets, a PE of 7 for earnings from performance fees, a 10% discount to the net asset value of own assets, the value per new KPE share is about USD 14.

### Rating

**Buy**

**Price target:** USD 14.0   
**Price 29 Sep 2009:** USD 9.2  
**Up-/downside:** +52.2%

### Diversified Financials

#### Market capitalisation:

USD 1,885 m

#### Avg (12 month) daily volume:

248,542

#### Free float

100%

#### Reuters

#### Bloomberg code

KPE NA

### Share Price Performance %

	-1m	-3m	-12m
KKR Private Equity	+9	+53	-2
Investors			
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

None

### Major shareholders

%

### Listed Peers

Ticker

None

### Analysts

#### Georg Krijgh

+31 20 460 4860

#### Cor Kluis

+31 (0) 20 460 4870

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

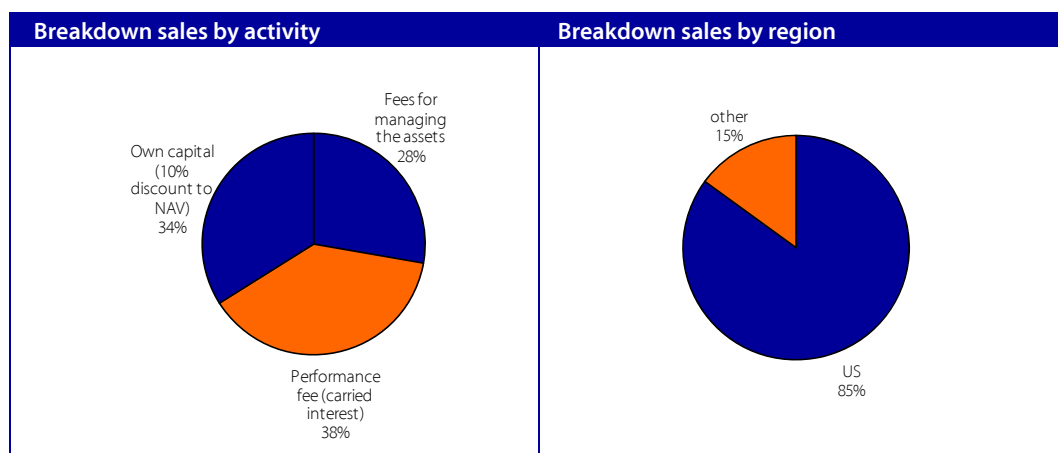
KKR generated an average annual IRR since 1976 of more than 20% and is able to attract the best people by allocating equity stakes to its people which KKR is constantly challenging to create value. KKR has USD 51bn AuM of which USD 14.7bn are still non-invested dollars so it is in a position to capitalise on the crisis as prices are lower, competition is less and opportunities plenty also in credit as more firms sell assets to pay down debt (e.g. it bought Oriental Brewing from Anheuser Busch for USD 1.8bn). KKR will focus to launch a new private equity fund in 2010 as capital will be returned to investors in older funds, non-invested capital in existing funds is shrinking and when pension funds again become more willing to allocated capital to private equity. Rising AuM would have a clear positive impact on fee revenues. Additional upside is likely to come from credit investments (mezzanine, high yield) and from a rebound in transaction fees in the investment bank. Risks are that if capital markets reverse profits and the valuation will be lower.

### Company profile

KKR is a leading global alternative asset manager with two main businesses being private equity and fixed income. KKR had USD 51bn AuM end 09H1 and earnings come from management & advisory fees, profit sharing and own capital.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Experienced management with track record across economic cycles</li> <li>▪ Adding value by proactive monitoring of investments</li> <li>▪ Good incentives as fund managers invest 2-4% own capital in a fund</li> <li>▪ Equity stakes enables to attract best people</li> <li>▪ Global geographic presence and scale</li> </ul>	<ul style="list-style-type: none"> <li>▪ Problems in some highly leveraged companies Limited disclosure</li> <li>▪ Success depends on a few key people such as founders</li> <li>▪ Ultimate decision making is done by a few KKR partners and as a result of complex structure KPE investors may not know all their options</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Building presence in credit and infrastructure</li> <li>▪ Invest more un-invested dollars</li> <li>▪ IPO stakes to repay debt</li> <li>▪ The Combination Transaction may solve liquidity issues that KPE may have as a stand alone company</li> <li>▪ Competition may decline somewhat as some private equity companies may not survive</li> </ul>	<ul style="list-style-type: none"> <li>▪ New regulations on maximum debt levels</li> <li>▪ Changing tax rules may increase tax liabilities so a reduction in value</li> <li>▪ Poor performance of stock markets and investments may keep returns low so net income as well</li> </ul>



<b>Combined P&amp;L KKR Group</b>	
<b>Fees for managing the assets</b>	
management fees	500.0
advisory fees	150.0
total fee income	650.0
staff costs	220.0
other costs	200.0
total costs	420.0
pre tax income (pre-carry income)	230.0
tax (assumed 25%)	57.5
after tax fee income	172.5
<b>Performance fee (carried interest)</b>	
profit participation from investments (A-B)xCxDxE	680.8
tax (assumed 25%)	170.2
total after tax economic income	510.6
A Total AuM	50,792
B value own assets	3,513
C assumed IRR on investments	12%
D carried interest	20%
E carried interest allocated to shareholders	60%
F tax rate	25%
<b>Return on own capital</b>	
after tax earnings from own assets (B x C x (1-F))	316.2
minus carried interest allocated to employees (40% of 20% carried interest)	25.3
Return on own capital	290.9
Value own assets (USD 3bn KPE assets + estimated USD 500 partner investmer	3,513
Value own assets per KPE share	5.12
<b>Consolidated</b>	
Fees for managing the assets	172.5
Performance fee (carried interest)	510.6
Return on own capital	290.9
<b>Total net profit</b>	<b>974.0</b>
<b>Net profit</b>	
Fees for managing the assets	172.5
Performance fee (carried interest)	510.6
Return on own capital	290.9
G Net profit	974.0
<b>PE</b>	
Fees for managing the assets	15.0
Performance fee (carried interest)	7.0
Implied PE own capital	10.9
Implied PE for entire company (H/G)	9.6
<b>Values</b>	
Fees for managing the assets	2,588
Performance fee (carried interest)	3,574
Own capital (10% discount to NAV)	3,162
H Total value	9,323
number of KKR shares outstanding	205.9
KPE ownership	30%
Value per KPE share	13.58

## KKR Private Equity Investors

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## Focus on cash is paying off

### Key message

Although KPN is not completely immune and is facing more pressure on revenues, it still shows EBITDA growth by its strong cost cutting capabilities. Also FCF remains at very sound levels. We like KPN because of its clear strategy (e.g. no risky acquisitions), it is one of the best-managed incumbents and its commitment to return cash to shareholders. KPN will continue to pay out all FCF to shareholders, making KPN in our view almost a high-yield bond with the upside from accelerating profit growth. Our SOTP and DCF arrive at levels around EUR 14.

	2008	2009E	2010E	2011E
Sales (EUR m)	14,602	13,672	13,661	13,993
EPS Recurring	0.78	0.90	1.05	1.14
P/E Recurring	14.7	12.7	10.9	10.0
P/FCFPS	8.4	10.8	8.8	8.0
EV/ EBITDA	6.0	5.8	5.4	5.2
Dividend Yield (%)	5.2	6.1	7.0	7.4

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Although at 09Q2 the FY revenues guidance was lowered, this is mainly due to the low-margin I-basis part. The 09Q2 EBITDA was some 5% ahead of expectations due to strong cost savings, especially in Netherlands. The lesson is that the 2010 EBITDA target of EUR 5.5bn may not be that unrealistic after all. The main positive is at Consumer, especially in mobile. While lowering SAC's by 23% (e.g. effect consolidation), service revenues growth still grew by 4% (e.g. data, smart inflation), boosting its EBITDA by 19%. Although the recession is more felt at Business, this is more than compensated by cost savings/internal simplification (-1% revenues, +16% EBITDA).
- E-plus was strong on margin (42% vs our 40%), but there was no top line growth, e.g. from an MTA cut, but also as there is more impact from bundle optimisation and increased churn. It is a bit disappointing that the benefits of E-plus' strategic plan to re-ignite growth (e.g. regionalisation) will kick in 1-2 quarters later than earlier anticipated.
- KPN has launched an offer on the US-listed minority stake of I-basis. However, this is not supported by the board of I-basis and this has led to legal cases.

### Valuation

Our sum of parts and DCF valuation point at a fair value per share of around EUR 14. KPN is trading roughly in line with its peer group on EV/EBITDA and P/E, but is more attractive on FCF yield. KPN is really standing out with its double digit cash return yield with a dividend yield of >6% and on top of that a share buy back programme of more than EUR 1bn (>5% yield).

### Rating

**Buy**

**Price target:** EUR 14.0   
**Price 29 Sep 2009:** EUR 11.4  
**Up-/downside:** +22.3%

### Diversified Telecommunication Services

#### Market capitalisation:

EUR 19,123 m

#### Avg (12 month) daily volume:

5,833,433

#### Free float

100%

#### Reuters

KPN.AS

#### Bloomberg code

KPN NA

### Share Price Performance %

	-1m	-3m	-12m
KPN	+5	+17	+12
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3 27 Oct 2009

### Major shareholders

%

### Listed Peers

Ticker

British Telecom	BT/A LN
France Telecom	FTE FP
Deutsche Telekom	DTE GR
Telecom Italia	TIT IM
Telefónica	TEF SM

### Analysts

#### Frank Claassen

+31 (0) 20 460 4868

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

Equity Sales +31 20 460 4707

Equity Sales Trading +31 20 460 4723

www.rabosecurities.com

### Outlook

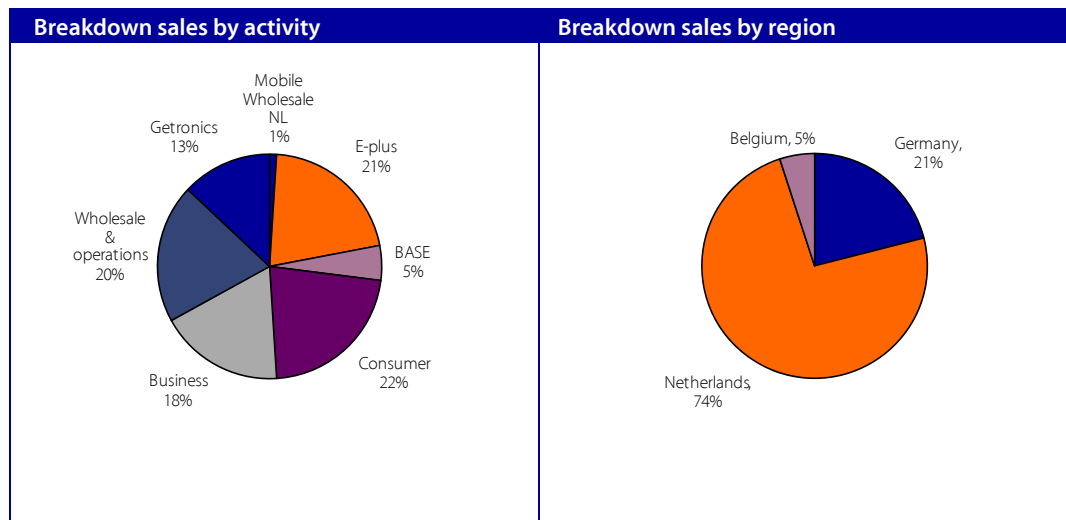
With the 09Q2 figures, KPN had to lower its FY09 revenues guidance from EUR 14bn to EUR 13.6-13.8bn, but note that this is for EUR 200m from the low-margin I-basis part, EUR 60m from lower real estate sales (understandable in current environment) and basically only EUR 50m from the recession impact in the corporate market. More importantly, KPN sticks to its EBITDA and FCF targets (important step towards EUR 5.5bn and for FCF around EUR 2.4bn). We follow the guidance in our 2009 estimates and are still somewhat below the ambitious EUR 5.5bn EBITDA target for 2010.

### Company profile

KPN is the Dutch telecom incumbent that serves around 4m fixed line subscribers and 2.5m internet customers and 0.8m TV customers in both the residential and the corporate market. In the Netherlands it is the leading mobile operator with a market share around 45%. In Germany and Belgium, KPN owns the number three mobile operators, which brings total mobile customers to more than 31 million. With the acquisition of Getronics, KPN has strengthened its ICT offering and is the leading ICT provider in the Netherlands.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Leading position in both fixed and mobile in Netherlands</li> <li>▪ Successful mobile challenger model in Belgium &amp; Germany</li> <li>▪ FCF return to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>▪ KPN is small player on European battlefield</li> <li>▪ Network still mainly based on copper instead of fibre</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Growth in new services such as IP TV, mobile data</li> <li>▪ Rolling out mobile challenger model to new countries</li> <li>▪ New growth and cost savings all-IP programme</li> </ul>	<ul style="list-style-type: none"> <li>▪ Downturn having more impact</li> <li>▪ Increasing competition in fixed (e.g. cable)</li> <li>▪ New regulation</li> </ul>



Income Statement (EURm)					
	2007	2008	2009E	2010E	2011E
Revenues	12,462	14,602	13,672	13,647	13,980
Cost of sales	N/A	N/A	N/A	N/A	N/A
Gross profit	N/A	N/A	N/A	N/A	N/A
Operating costs	-7,562	-9,544	-8,501	-8,292	-8,487
Extraordinaries	0	0	0	0	0
EBITDA	4,900	5,058	5,171	5,355	5,492
Depreciation	-1,640	-1,614	-1,570	-1,590	-1,586
EBITA	3,260	3,444	3,601	3,764	3,906
Amortisation	-760	-847	-780	-770	-760
EBIT	2,500	2,597	2,821	2,994	3,146
Net financial result	-559	-704	-771	-756	-763
Other pre-tax items	0	0	0	0	0
EBT	1,941	1,893	2,050	2,238	2,383
Income taxes	-455	-550	-589	-626	-647
Minority interests	3	-11	0	0	0
Other post-tax items/participation	0	0	0	0	0
Extraordinaries	1,160	0	0	0	0
Net income	2,649	1,332	1,462	1,613	1,736
Adjustments, total	-1,160	-0	-0	-0	-0
Net income recurring	1,489	1,332	1,462	1,612	1,736
PERSHARE ITEMS					
Shares outstanding avg. (mln)	1,850	1,739	1,619	1,529	1,529
Shares outstanding fully diluted (mln)	1,850	1,714	1,619	1,529	1,529
EPS reported	0.80	0.77	0.90	1.05	1.14
EPS recurring	0.80	0.77	0.90	1.05	1.14
CPS	2.98	2.19	2.09	2.38	2.47
DPS	0.54	0.60	0.70	0.80	0.85
Fiscal year ends 12/2009					
% GROWTH					
Revenues		17.2	-6.4	-0.2	2.4
EBITA		5.6	4.6	4.5	3.8
Net income recurring		-10.5	9.7	10.3	7.6
% MARGINS					
Gross margin		N/A	N/A	N/A	N/A
EBITA margin		23.6	26.3	27.6	27.9
Net recurring margin		9.1	10.7	11.8	12.4

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	33,136	30,633	29,924	29,100	28,342
P/E recurring (x)	14.3	14.9	12.7	10.9	10.0
P/Sales (x)	1.7	1.4	1.4	1.3	1.3
P/FCF (x)	5.3	8.5	9.0	8.1	7.9
P/CF (x)	3.8	5.2	5.5	4.8	4.6
P/B (x)	4.7	5.3	6.3	7.5	6.3
Dividend yield (%)	4.7	5.2	6.1	7.0	7.4
EV/EBITDA (x)	6.8	6.1	5.8	5.4	5.2
EV/Sales (x)	2.7	2.1	2.2	2.1	2.0
EV/FCF (x)	8.3	13.1	14.6	13.4	12.8

Cash Flow Statement (EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	2,649	1,332	1,462	1,612	1,736
Depreciation & Amortisation	2,400	2,461	2,350	2,360	2,346
Working Capital Change	415	604	-164	-140	-100
Other Items	54	-583	-264	-190	-203
Cash Flow from Operations	5,518	3,814	3,384	3,643	3,779
Net Capital Expenditure	-1,541	-1,484	-1,668	-1,651	-1,594
Goodwill	-2,133	-483	-170	-160	-160
Other Investments	-1,266	157	339	179	25
Cash Flow from Investments	-4,940	-1,810	-1,499	-1,632	-1,729
Ordinary Dividends	-994	-1,043	-1,140	-1,225	-1,302
Preferred Dividend	0	0	0	0	0
Change in Preferred Stock	0	0	0	0	0
Change in Equity	-1,500	-1,103	-900	-1,000	0
Change in Subordinated Debt	0	0	0	0	0
Change in Bank Debt	2,091	149	-233	300	-300
Change in Minorities	3	-11	9	10	9
Cash Flow from Financing	-400	-2,008	-2,264	-1,916	-1,593
Change in Cash	178	-5	-379	95	457
Free Cash Flow	3,977	2,345	2,055	2,171	2,210
Free Cash Flow Yield (%)	18.8	11.8	11.1	12.4	12.6

Balance Sheet (EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	1,148	1,199	597	692	1,150
Other current assets	2,939	2,655	2,475	2,429	2,558
Net PP&E	7,866	7,736	7,834	7,894	7,902
Intangible assets	10,424	10,060	9,450	8,840	8,240
Other non-current assets	2,420	2,263	1,924	1,745	1,720
Total Assets	24,797	23,913	22,280	21,601	21,570
Short-term debt	2,301	1,165	700	1,000	1,000
Other current liabs	4,276	4,596	4,252	4,067	4,096
Long-term debt	9,783	11,068	11,300	11,300	11,000
Other non-current liabs	3,919	3,325	3,061	2,870	2,668
Minority interest	0	0	9	19	28
Total equity	4,518	3,759	2,958	2,345	2,779
Total liabs & equity	24,797	23,913	22,280	21,601	21,570
Net debt	10,936	11,034	11,403	11,608	10,850
ROIC (%)	7.2	6.0	7.0	7.4	7.6
Net gearing (%)	242.1	293.5	385.5	495.1	390.5
Working capital as % of sales	-10.7	-13.3	-13.0	-12.0	-11.0
Inventory period days		3.6	3.3	2.9	2.9
Trade debtor days		64.4	62.7	60.8	60.4
Trade creditor days		100.1	106.0	100.5	96.5
Cash cycle		-32.1	-40.1	-36.7	-33.2



## Cost flexible IT recovery play

### Key message

We see three catalysts for the shares: 1) Benelux margin recovery from 09H2 onwards; 2) new outsourcing wins; 3) IT market recovery from 09Q4 onwards. In terms of operating performance, Logica has probably passed the trough. Logica sees volume and price pressure (2-3%) stabilizing. For 09H2 Logica expects an organic sales decline in line with the +/- 2% in 09H1. Following the large headcount reductions (600 in 2008, 800 in 09H1) and a stabilization of volumes, staff utilization rates increased in Q2 vs Q1 in all geographies with the exception of the Benelux. We expect strong momentum for the Outsourcing business to be continued. Logica's outsourcing deal pipeline was up 70% over September 2008. Orders were up 18% in 09H1. Wins included 18 deals greater than GBB 5m.

	2008	2009E	2010E	2011E
Sales (GBP m)	3,588	3,666	3,737	3,898
EPS Recurring	12.30p	11.50p	12.40p	14.70p
P/E Recurring	10.5	10.6	9.8	8.3
P/FCFPS	9.4	8.0	8.7	7.8
EV/ EBITDA	7.5	7.3	6.4	5.2
Dividend Yield (%)	2.5	2.5	2.5	3.3

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The 09H1 results showed that Logica is a much more cost flexible company than during the previous downturn. EBITA in 09H1 was 6% higher than consensus due to excellent cost control. Logica maintained its 2009 margin outlook, while the market expected a margin downgrade. Logica reported 09H1 EBITA of GBP 127m ahead of our GBP 125m estimate. In spite of very challenging market conditions, the EBITA-margin jumped 10bps towards 6.8%, ahead of our 6.6% estimate.
- Pro forma sales declined 2% slightly below our estimate of a 1% pro forma decline. Main positive is the strong UK performance with 7% organic sales growth. The performance in the UK public sector was very strong with a 16% growth rate, as Logica increased its market share. As expected the Benelux performance was weakest. Weakness in FS and in IDT combined with the 79% exposure to cyclical Consulting and Professional Services triggered severe top-line pressure. Billing rates in NL were under more pressure than the 2-3% for the group as a whole. It is a key positive that Logica expects Benelux margins to start recovering in 09H2, following the recent restructuring (reduction with 300 FTE's. We also expect the new Benelux CEO Kieboom (ex Atos Origin) to give much more momentum to Logica's Benelux outsourcing business, which is still relatively small.

### Valuation

Logica is still only trading at PER 2010E of 10.5x; EV/EBITDA 2010E of 6.7x; FCF Yield 2011E: 11.1%. We will not be surprised that in case of a more broader economic recovery the shares will see a further re-rating with investors paying 13-15x earnings for Logica.

### Rating

**Buy**

**Price target:** EUR 1.7   
**Price 29 Sep 2009:** EUR 1.4  
**Up-/downside:** +15.5%

### IT Consulting & Services

#### Market capitalisation:

EUR 2,285 m

#### Avg (12 month) daily volume:

2,334,673

#### Free float

90%

#### Reuters

LOG.AS

#### Bloomberg code

LOG NA

### Share Price Performance %

	-1m	-3m	-12m
Logica	+10	+54	+5
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

09Q3 Interim Statement 04 Nov 2009

### Major shareholders

	%
UBS Global AM	10.2

### Listed Peers

	Ticker
Cap Gemini	CAP FP
ICT	ICT NA
Ordina	ORDI NA
Atos Origin	SAX FP
TietoEnator	TIE1V FH

### Analysts

#### Hans Slob

+31 (0) 20 460 4866

#### Frank Claassen

+31 (0) 20 460 4868

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

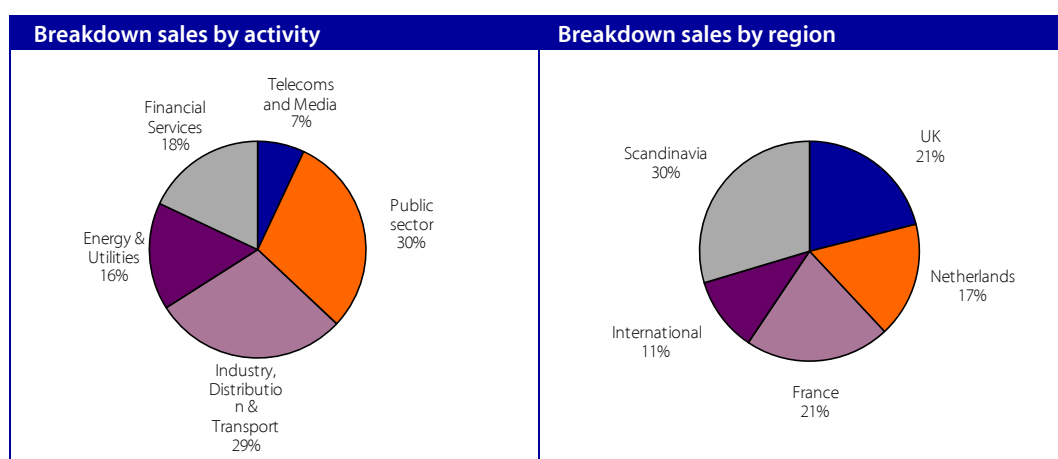
We expect the IT Services market to start already recovering from 09Q4 onwards, as killed ICT projects are being re-animated. This scenario is in our view clearly not yet reflected in current consensus estimates. We therefore see good consensus EPS upgrade potential for 2009 (Rabo: 11.5p/consensus: 10.2p) and 2010 (Rabo: 12.4p/consensus: 11.1p) is significant. Logica expects that IT budgets in 2010 could be flat. Due to the outsourcing trend Logica should be able to grow faster than IT budget growth. Our 2% organic sales growth estimate for 2010, therefore looks attainable. Recently, Logica has seen a few cases that IT projects which were killed after the collapse of Lehman's have been restarted recently. In spite of the deplorable state of the UK public finances, we expect that the important UK public sector business will grow in 2010, due to a good backlog and expected new projects that will be tendered. A change in the government in case of the conservatives winning the elections should not be harmful for Logica, as it generates the bulk of its UK public sector business in the field of Justice, Security and Defense.

### Company profile

Logica is one of the largest international companies active in IT services. It provides management and IT consultancy, systems integration and outsourcing services to clients across diverse markets including telecoms, financial services, energy and utilities, industry, distribution and transport, and the public sector. Established in December 2002 through the merger of Logica and CMG, the company now employs around 39,000 staff in offices including the French Unilog acquisition and the Scandinavian WM-data acquisition.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Pan-European presence</li> <li>▪ Global Blended Delivery model</li> <li>▪ Good quality image</li> </ul>	<ul style="list-style-type: none"> <li>▪ Underperforming Dutch business</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Winning pan-European deals</li> <li>▪ Winning new outsourcing deals</li> <li>▪ Improving staff utilization rates</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increased competition from Indian off-shore companies</li> <li>▪ Pressure on billing rates (2-3%)</li> </ul>



Income Statement ( GBP mln)					
	2007	2008	2009E	2010E	2011E
Revenues	3,073.2	3,588.0	3,666.4	3,739.7	3,900.5
Operating costs	-2,826.9	-3,278.3	-3,350.5	-3,404.6	-3,518.5
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	246.3	309.7	315.9	335.1	381.9
Depreciation	-38.7	-42.7	-43.6	-47.3	-44.3
EBITA	207.6	267.0	272.3	287.8	337.7
Amortisation	-74.7	-88.7	-99.0	-99.0	-99.0
EBIT	132.9	178.3	173.3	188.8	238.7
Net financial result	-26.8	-43.3	-32.7	-26.2	-24.9
Other pre-tax items	1.2	0.7	0.0	0.0	0.0
EBT	107.3	135.7	140.6	162.7	213.7
Income taxes	-5.4	-4.9	-55.1	-60.2	-71.9
Minority interests	-1.8	-0.2	0.0	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	89.4	0.0	-47.0	-20.8	0.0
Net income	189.5	130.6	38.5	81.7	141.8
Adjustments, total	-37.7	47.5	146.0	119.8	99.0
Net income recurring	151.8	178.1	184.5	201.5	240.8
PERSHARE ITEMS					
Shares outstanding avg. (mln)	1,494.6	1,453.4	1,553.0	1,593.9	1,609.9
Shares outstanding fully diluted (mln)	1,494.6	1,453.4	1,609.4	1,625.5	1,641.7
EPS reported	0.111	0.027	0.025	0.051	0.088
EPS recurring	0.102	0.123	0.115	0.124	0.147
CPS	0.18	0.17	0.19	0.18	0.19
DPS	0.06	0.03	0.03	0.03	0.04

Fiscal year ends 12/2009

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	3,995.5	2,313.0	2,318.6	2,154.9	1,997.9
P/E recurring (x)	23.1	10.5	10.6	9.8	8.3
P/Sales (x)	0.6	0.5	0.5	0.5	0.5
P/FCF (x)	7.8	9.4	8.0	8.7	7.8
P/CF (x)	6.8	7.2	6.4	6.8	6.4
P/B (x)	1.1	0.9	0.9	0.9	0.9
Dividend yield (%)	4.9	2.5	2.5	2.5	3.3
EV/EBITDA (x)	16.2	7.5	7.3	6.4	5.2
EV/Sales (x)	1.3	0.6	0.6	0.6	0.5
EV/FCF (x)	17.0	12.3	9.7	9.6	8.0

<b>Cash Flow Statement ( GBP mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	166.3	38.7	38.5	81.7	141.8
Depreciation & Amortisation	113.4	131.4	142.6	146.3	143.3
Working Capital Change	35.1	41.7	187.0	39.4	-5.8
Other Items	-45.5	35.6	-75.2	12.2	30.4
Cash Flow from Operations	269.3	247.4	292.8	279.5	309.7
Net Capital Expenditure	-34.2	-59.6	-55.0	-56.1	-58.5
Goodwill from Acquisitions	-126.6	-478.9	-43.9	0.0	0.0
Other Investments	62.6	-54.5	-67.2	10.3	-17.7
Cash Flow from Investments	-98.2	-593.0	-166.1	-45.8	-76.2
Ordinary Dividends	-85.9	-44.0	-46.1	-50.4	-56.7
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-52.8	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-142.5	-26.9	0.0	0.0	0.0
Change in Minorities	-1.8	-0.2	2.4	0.0	0.0
Cash Flow from Financing	-283.0	-71.1	-43.7	-50.4	-56.7
Change in Cash	-111.9	-416.7	83.0	183.3	176.8
Free Cash Flow	235.1	187.8	237.9	223.4	251.2
Free Cash Flow Yield (%)	12.9	10.6	12.6	11.5	12.8

<b>Balance Sheet ( GBP mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	108.7	126.9	209.9	393.2	570.0
Other current assets	1,063.1	1,383.1	1,294.2	1,320.1	1,365.2
Net PP&E	132.1	149.0	160.4	169.2	183.4
Intangible assets	1,604.0	1,994.2	1,939.1	1,840.1	1,741.1
Other non-current assets	437.9	492.4	559.6	549.4	567.0
Total Assets	3,345.8	4,145.6	4,163.3	4,272.0	4,426.8
Short-term debt	317.2	10.7	10.7	10.7	10.7
Other current liabs	933.4	1,295.1	1,393.2	1,458.5	1,497.8
Long-term debt	274.7	554.3	554.3	554.3	554.3
Other non-current liabs	195.2	230.6	155.4	167.5	198.0
Minority interest	0.0	0.0	2.4	2.4	2.4
Total equity	1,625.3	2,054.9	2,047.3	2,078.6	2,163.6
Total liabs & equity	3,345.8	4,145.6	4,163.3	4,272.0	4,426.8
Net debt	483.2	438.1	355.1	171.8	-5.0
ROIC (%)	3.7	4.9	6.6	6.8	8.1
Net gearing (%)	29.7	21.3	17.3	8.3	-0.2
Working capital as % of sales	4.2	2.5	-0.7	-1.7	-1.4
Inventory period days		0.1	0.9	1.8	1.8
Trade debtor days		121.4	130.6	124.0	122.1
Trade creditor days		105.0	119.8	119.3	118.7
Cash cycle		16.5	11.7	6.5	5.2

# Macintosh

## Debt relief

### Key message

Given a strong FCF in 09H1 and further improvements expected in 09H2, we believe that worries on the balance sheet are diminishing. Combined with a bottoming out of consumer confidence in the Netherlands, we are becoming more positive on the shares. Valuation has however already discounted a more positive scenario, while earnings visibility remains low and 09Q3 seems a difficult quarter. Our price target of EUR 12.5 implies forward PER of 9.5x, which is in line with the long-term average.

	2008	2009E	2010E	2011E
Sales (EUR m)	1,186	1,136	1,122	1,156
EPS Recurring	1.59	1.22	1.42	1.89
P/E Recurring	8.8	11.5	9.8	7.4
P/FCFPS	8.0	5.5	5.9	7.5
EV/ EBITDA	5.7	6.3	5.4	4.3
Dividend Yield (%)	3.9	3.1	4.2	5.6

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The 09H1 results were a mixed bag with an EBIT that was 15% below expectations, but a higher than expected net profit due to lower interest and tax charges. The EBIT excluding one-off's declined by 30% yoy to EUR 12.2m. At Living the EBIT halved and also at Fashion the margin pressure was severe. Telecom benefited from market share gains and the disposal of Belgium. Brantano was able to slightly improve the EBIT, despite difficult markets and high wage inflation. The high wage inflation (+4% in NL, +6% BE) was one of the key drivers behind a disappointing cost development and EBIT, since the gross margins held up well.
- In the traditionally weak H1 period the net debt declined by EUR 29m versus 08YE due to a EUR 32m FCF (-23m in 08H1). Due to capex cuts and a successful programme in the shoes-supply chain, working capital for the group improved by EUR 20m in 09H1. The number of shoe suppliers has been cut by some 50% and the payment terms increased from 10 to 45 days in this segment. In 09H2 the programme will provide further benefits.
- Consumer confidence in the Netherlands has bottomed-out in 09Q2 and slightly recovered in recent months, albeit the actual level is still very depressed.

### Valuation

Our price target of EUR 12.5 implies a forward PER of 9.5x, which is in line with the 20yr average forward PER. At 2010 multiples of c 9.2x PER and c. 5.2x EV/EBITDA we regard valuation fair and not very cheap nor expensive. Our DCF valuation arrives at around EUR 19.

### Rating

**Hold**

**Price target:**

**EUR 12.5**

**Price 29 Sep 2009:**

**EUR 14.0**

**Up-/downside:**

**-10.5%**

### Specialty Retail

**Market capitalisation:**

EUR 327 m

**Avg (12 month) daily volume:**

15,068

**Free float**

19%

**Reuters**

MCIN.AS

**Bloomberg code**

MACIN NA

### Share Price Performance %

	-1m	-3m	-12m
Macintosh	+20	+39	+29
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3 20 Oct 2009

### Major shareholders

	%
Breedinvest B.V.	17.6
Bestinvest Gestion	15.6
Delta Deelnemingen Fonds N.V.	11.2
Aviva plc.	7.7
Kempen & Co N.V.	7.2

### Listed Peers

Beter Bed BBED NA

### Analysts

**Karel Zoete**

+31 (0) 20 460 4827

**Patrick Roquas**

+31 (0) 20 460 4826

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

**Outlook**

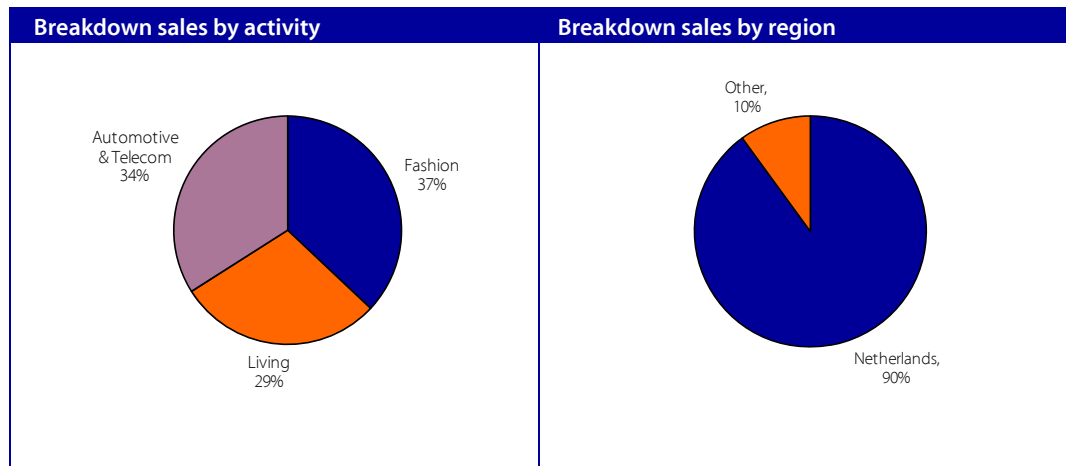
Management has not provided an outlook for 09FY since it believes that the consumer behaviour is impossible to predict. A slight uptick in consumer sentiment during the summer is not reflected in trading during July and August. In 09H2 management does expect that the supply chain programme at Shoes will provide further working capital benefits.

**Company profile**

Macintosh’ operations consist of shoes, home decoration, car maintenance & enhancements, bicycles, leisure and telecom. Macintosh has leading positions in all (sub)-segments in which it is active. All formats are profitable with the exception of French format GP Décors as it lacks critical mass to cover for the overhead costs. Management has indicated that intends to put its focus more on the shoes’ operations in which it did 2 large acquisitions in recent years.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Leading position in Benelux shoe market</li> <li>▪ Very hands-on management</li> <li>▪ Proven track record of improving margins</li> </ul>	<ul style="list-style-type: none"> <li>▪ Weak balance sheet</li> <li>▪ Too many activities</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Improving the performance of Brantano assets</li> <li>▪ Big supply chain project at shoes yields substantial benefits</li> <li>▪ More focus by selling or partnering non-key formats</li> <li>▪ Further European expansion in shoes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Structural difficult market conditions for mobile telephones</li> <li>▪ Competition from specialty and discount stores, notably in Fashion</li> <li>▪ Low consumer confidence and willingness to buy</li> </ul>



## Macintosh

Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	920.4	1,186.5	1,136.2	1,122.2	1,156.3
Cost of sales	-525.0	-649.1	-618.2	-609.5	-626.8
Gross profit	395.4	537.4	518.0	512.8	529.5
Operating costs	-308.1	-451.5	-443.4	-432.3	-435.2
Extraordinaries	0.0	0.0	0.0	-0.4	0.0
EBITDA	87.3	85.9	74.6	80.1	94.3
Depreciation	-20.4	-31.8	-29.0	-30.6	-31.3
EBITA	66.9	54.1	45.6	49.4	62.9
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	66.9	54.1	45.6	49.4	62.9
Net financial result	0.3	0.3	0.5	1.3	1.3
Other pre-tax items	-5.0	-15.3	-9.0	-7.5	-6.7
EBT	62.2	39.1	37.1	43.2	57.5
Income taxes	-14.7	-7.8	-8.5	-9.9	-13.2
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	47.5	31.3	28.6	33.2	44.3
Adjustments, total	0.0	4.2	0.0	0.0	0.0
Net income recurring	47.5	35.5	28.6	33.2	44.3
PER SHARE ITEMS					
Shares outstanding avg. (mln)	21.6	21.6	22.7	22.7	22.7
Shares outstanding fully diluted (mln)	21.7	21.6	22.3	22.7	22.7
EPS reported	2.51	1.45	1.37	1.46	1.95
EPS recurring	2.16	1.59	1.22	1.42	1.89
CPS	-0.29	3.11	3.62	3.33	3.30
DPS	1.00	0.55	0.43	0.59	0.78
Fiscal year ends 12/2009					
% GROWTH					
Revenues		28.9	-4.2	-1.2	3.0
EBITA		-19.2	-15.7	8.4	27.3
Net income recurring		-25.3	-19.4	16.3	33.3
% MARGINS					
Gross margin		45.3	45.6	45.7	45.8
EBITA margin		4.6	4.0	4.4	5.4
Net recurring margin		3.0	2.5	3.0	3.8
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	688.7	513.9	477.6	435.8	409.7
P/E recurring (x)	6.5	8.8	11.5	9.8	7.4
P/Sales (x)	0.3	0.3	0.3	0.3	0.3
P/FCF (x)	7.9	N/A	4.6	5.7	7.3
P/CF (x)	N/A	4.5	3.9	4.2	4.2
P/B (x)	1.5	1.5	1.4	1.3	1.2
Dividend yield (%)	7.2	3.9	3.1	4.2	5.6
EV/EBITDA (x)	7.9	6.0	6.4	5.4	4.3
EV/Sales (x)	0.7	0.4	0.4	0.4	0.4
EV/FCF (x)	18.1	N/A	6.9	7.9	9.4

## Macintosh

Cash Flow Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	54.5	31.3	30.6	33.2	44.3
Depreciation & Amortisation	20.4	31.8	29.0	30.6	31.3
Working Capital Change	-12.7	-15.8	30.0	11.9	-0.6
Other Items	0.0	0.0	0.0	0.0	0.0
Cash Flow from Operations	62.2	47.3	89.6	75.8	75.0
Net Capital Expenditure	-24.1	-65.3	-20.8	-20.7	-31.3
Goodwill from Acquisitions	0.5	-109.5	0.0	0.0	0.0
Other Investments	76.5	2.3	0.0	0.0	0.0
Cash Flow from Investments	52.9	-172.5	-20.8	-20.7	-31.3
Ordinary Dividends	-21.6	-21.6	-2.3	-13.3	-17.7
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	10.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-18.4	143.3	-21.9	-40.0	-20.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-40.0	121.7	-14.2	-53.3	-37.7
Change in Cash	75.1	-3.6	54.6	1.9	6.0
Free Cash Flow	38.1	-18.0	68.8	55.2	43.7
Free Cash Flow Yield (%)	12.6	N/M	21.7	17.4	13.8

Balance Sheet ( EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	12.0	21.4	50.4	52.3	58.3
Other current assets	196.1	269.6	230.6	229.4	231.3
Net PP&E	81.5	115.0	106.8	96.8	96.8
Intangible assets	108.6	218.1	218.1	218.1	218.1
Other non-current assets	5.0	2.7	2.7	2.7	2.7
Total Assets	403.2	626.8	608.6	599.3	607.1
Short-term debt	9.2	30.5	20.5	0.5	0.6
Other current liabs	89.7	147.4	138.4	149.1	150.3
Long-term debt	80.0	201.9	190.0	170.0	150.0
Other non-current liabs	25.6	45.4	36.4	36.3	36.4
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	198.7	201.5	223.4	243.3	269.9
Total liabs & equity	403.2	626.7	608.6	599.3	607.1
Net debt	77.2	211.1	160.1	118.3	92.2
ROIC (%)	14.9	9.0	7.2	8.1	10.8
Net gearing (%)	38.8	104.7	71.7	48.6	34.2
Working capital as % of sales	12.9	10.3	9.1	8.2	8.0
Inventory period days	63.1	57.3	64.0	59.9	58.2
Trade debtor days	14.7	14.3	16.4	15.0	14.5
Trade creditor days	15.5	16.4	20.1	20.6	21.8
Cash cycle	62.3	55.2	60.2	54.2	50.9



# Mediq

## No dispensation from dispensing fee

### Key message

We recently downgraded from Buy to Hold, as the decision of the NZa to leave the dispensing fee for 2009 unchanged at EUR 7.28 in our view offers little hope for an improving profitability of Pharmacies Netherlands in the mid-term. Moreover, increasing preference policy and other negative measures from insurers announced since June can potentially eat away another EUR 23m in EBIT. Resulting valuation is fair.

	2008	2009E	2010E	2011E
Sales (EUR m)	2,730	2,581	2,674	2,789
EPS Recurring	0.93	1.11	1.11	1.16
P/E Recurring	12.1	10.3	10.3	9.9
P/FCFPS	2.8	15.5	12.3	10.6
EV/ EBITDA	8.8	6.9	6.7	6.2
Dividend Yield (%)	2.7	3.1	3.1	3.2

Source: Rabo Securities

Year to December, fully diluted


### Recent developments

- In March 08, Mediq acquired Byram, a direct seller of medical supplies in the US with annual sales of USD 150m, active in ostomy, diabetes, woundcare, incontinence and clinical nutrition. This was the entry into the US and added c. 18% to Mediq's Direct & Institutional sales.
- Early 2008, several Dutch insurers launched preference policy on generic drugs. The resulting significant price declines directly hit the pharmacies' purchasing discounts. In December 08, the Dutch healthcare regulator NZa raised the dispensing fee per prescription from EUR 6.10 to EUR 7.28, to partly compensate for the impact of preference policy. During 2009, insurers expanded their preference policy, putting further pressure on pharmacies' EBIT. The regulator is expected to issue its new dispensing fee before the end of 2009, but the uncertainty around the profitability of pharmacies will remain high during 2010.
- 09Q2 results were better than expected. Pharmacies Netherlands surprised due to organic growth in prescriptions and OTC and cost savings. Direct & Institutional also beat estimates, as margins remained flat, defying fears of continued pricing pressure (09Q1: -200bps). The underlying improvement came from Denmark and the US. Besides, private label growth and purchasing synergies countered pricing pressure.
- The regulator NZa decided to leave the dispensing fee unchanged at EUR 7.28 in 2009, providing no compensation for increasing preference policy.

### Valuation

In our view, Mediq's valuation has returned to fair levels of c. 10x P/E 2010. Given the continued regulatory risk and expansion of preference policy in the Netherlands and the looming risk of further margin pressure at D&I, we see limited further upside.

### Rating

**Hold** **Price target:****EUR 11.0** **Price 29 Sep 2009:****EUR 11.3****Up-/downside:****-2.7%**

### Health Care Providers & Services

**Market capitalisation:**

EUR 657 m

**Avg (12 month) daily volume:**

120,061

**Free float**

43%

**Reuters**

MEDIQ.AS

**Bloomberg code**

MEDIQ.NA

### Share Price Performance %

	-1m	-3m	-12m
Mediq	+1	+24	+16
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	27 Oct 2009
Results 09FY	18 Feb 2010
AGM	08 Apr 2010
Ex Dividend	12 Apr 2010
Results 10Q1	28 Apr 2010

### Major shareholders

	%
ING Groep	10.1
ABP	6.1
St. Samenwerking Apothekers OPG	6.1
Aviva plc.	5.6
Navitas B.V.	5.1

### Listed Peers

	Ticker
Galenica	GAL NB
Celesio	CLS GR

### Analysts

**Philip Scholte**

+31 (0) 20 460 4823

**Ralf Jacobs**

+31 (0) 20 460 4839

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707**Equity Sales Trading** + 31 20 460 4723**www.rabosecurities.com**

### Outlook

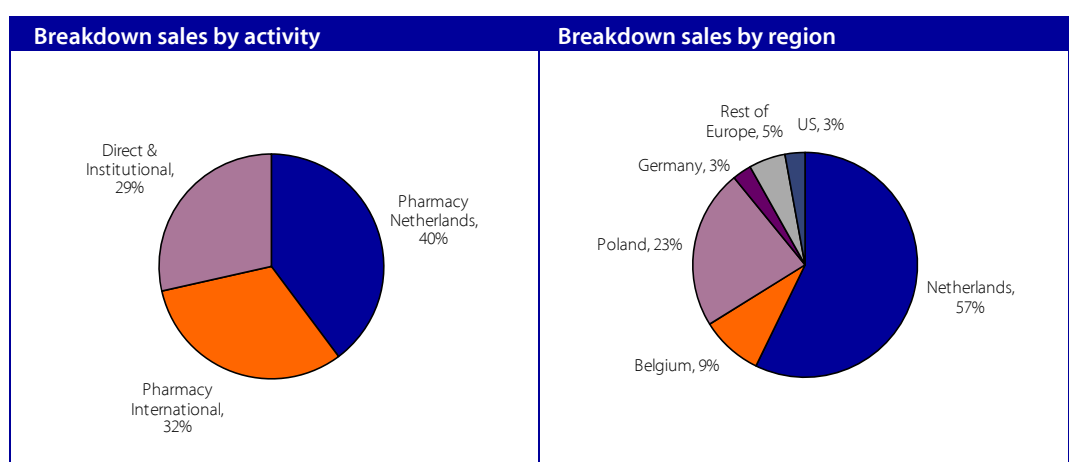
For 2009, Mediq is guiding to EBIT of EUR 105-110m, including a EUR 5.6m book gain on real estate (Q2), the EUR 7m gain on the sale of Belgium and a EUR 4m restructuring charge (both Q3). We are in line with guidance. Longer term, the uncertainty on the regulatory environment in the Netherlands remains, with the NZa deciding on the dispensing fee for 2010 by the end of November. Besides, Mediq must cope with margin pressure at D&I through purchasing synergies and private label growth. Only then will Mediq be able to benefit from the attractive organic growth in these distribution channels. Mediq is actively looking for acquisitions in D&I, most notably in West-Europe and the US.

### Company profile

Mediq is a retail and distribution company for pharmaceuticals and medical supplies, mainly active in the Netherlands, Poland, Denmark, Germany and the US. Within the Pharma Netherlands unit, Mediq has a pharmacy network of 225 stores and a wholesaler with two distribution centres. The Pharma International activities holds the activities in Poland (both retail and wholesale). The Direct & Institutional unit distributes medical supplies in both a B-2-B and B-2-C environment.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Leading position in Dutch pharmacy wholesale and retail market</li> <li>▪ Strong position in Dutch direct &amp; institutional supplies</li> <li>▪ Strong balance sheet</li> <li>▪ Unique international position in Direct &amp; Institutional</li> </ul>	<ul style="list-style-type: none"> <li>▪ Polish activities lack critical mass in a very competitive market, leading to low profitability</li> <li>▪ Preference policy has undermined the purchasing role of the Dutch pharmacy</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Expansion of successful direct &amp; institutional formulas abroad</li> <li>▪ Demographic issues, aging of the population</li> <li>▪ Take-over candidate (e.g. by Celesio or private equity)</li> <li>▪ Successful built-out of Polish retail chain</li> <li>▪ Sale of Poland and reinvestments in D&amp;I</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dutch regulatory environment remains highly uncertain</li> <li>▪ Insurers may further expand preference policy</li> <li>▪ Continuous pressure to contain rising costs of healthcare system</li> <li>▪ The restructuring of the activities in Poland may lead to disruptions</li> </ul>



## Mediq

Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	2,477.5	2,730.3	2,580.8	2,674.4	2,786.9
Cost of sales	-1,981.8	-2,184.0	-2,064.4	-2,139.3	-2,229.3
Gross profit	495.7	546.3	516.4	535.1	557.6
Operating costs	-3,405	-424.1	-386.4	-405.2	-423.7
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	155.3	122.2	130.0	130.0	134.0
Depreciation	-17.9	-22.1	-23.2	-24.4	-24.7
EBITA	137.4	100.1	106.7	105.6	109.2
Amortisation	-2.9	-203.1	-5.2	-5.2	-5.2
EBIT	134.5	-103.0	101.5	100.4	104.0
Net financial result	-10.5	-16.2	-14.6	-13.9	-13.3
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	124.0	-119.2	86.9	86.4	90.8
Income taxes	-31.5	-25.1	-24.9	-24.7	-25.9
Minority interests	-2.3	-0.5	-2.2	-2.0	-2.1
Other post-tax items / participation	2.8	-2.5	1.3	1.3	1.3
Extraordinaries	0.0	221.2	8.6	-5.0	0.0
Net income	93.0	73.9	69.8	56.0	64.1
Adjustments, total	2.9	-18.1	-3.4	10.2	5.2
Net income recurring	95.9	55.8	66.4	66.2	69.3
PER SHARE ITEMS					
Shares outstanding avg. (mln)	58.3	58.3	58.3	58.3	58.3
Shares outstanding fully diluted (mln)	59.9	59.9	59.9	59.9	59.9
EPS reported	1.59	1.27	1.20	0.96	1.10
EPS recurring	1.60	0.93	1.11	1.11	1.16
CPS	1.62	1.83	1.37	1.34	1.50
DPS	0.54	0.30	0.35	0.35	0.36
Fiscal year ends 12/2009					
% GROWTH					
Revenues		10.2	-5.5	3.6	4.2
EBITA		-27.1	6.6	-1.1	3.5
Net income recurring		-41.8	19.0	-0.3	4.6
% MARGINS					
Gross margin		20.0	20.0	20.0	20.0
EBITA margin		3.7	4.1	3.9	3.9
Net recurring margin		2.0	2.6	2.5	2.5
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	1,567.2	1,076.8	899.5	866.1	825.2
P/E recurring (x)	7.1	14.7	10.3	10.3	9.8
P/Sales (x)	0.27	0.24	0.26	0.25	0.24
P/FCF (x)	10.9	2.6	15.5	12.3	10.6
P/CF (x)	7.0	6.2	8.3	8.5	7.6
P/B (x)	1.2	1.8	1.5	1.4	1.3
Dividend yield (%)	4.7	2.6	3.1	3.1	3.2
EV/EBITDA (x)	10.1	8.8	6.9	6.7	6.2
EV/Sales (x)	0.6	0.4	0.3	0.3	0.3
EV/FCF (x)	25.7	4.3	21.0	16.0	13.2

## Mediq

Cash Flow Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	93.0	73.9	69.8	56.0	64.1
Depreciation & Amortisation	20.8	225.2	28.4	29.6	29.9
Working Capital Change	-9.5	-25.7	-9.1	-9.4	-8.1
Other Items	-10.0	15.3	-9.4	1.8	1.6
Cash Flow from Operations	94.3	288.7	79.8	78.0	87.5
Net Capital Expenditure	-33.3	-36.1	-36.9	-24.1	-25.1
Goodwill from Acquisitions	-73.1	-106.9	-0.0	-0.0	-0.0
Other Investments	5.0	27.3	0.0	0.0	0.0
Cash Flow from Investments	-101.4	-115.7	-36.9	-24.1	-25.1
Ordinary Dividends	-31.1	-17.5	-20.2	-20.1	-21.2
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-14.6	-3.7	-10.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	26.0	117.3	0.0	0.0	0.0
Change in Minorities	-2.2	-3.4	-0.4	-0.4	-0.4
Cash Flow from Financing	-21.9	92.7	-30.6	-20.5	-21.6
Change in Cash	-29.0	265.7	12.3	33.4	40.9
Free Cash Flow	61.0	252.6	42.9	54.0	62.5
Free Cash Flow Yield (%)	9.2	38.0	6.5	8.1	9.4

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	11.9	28.5	71.7	105.1	146.0
Other current assets	526.3	564.1	562.5	591.2	616.0
Net PP&E	117.9	131.9	145.6	145.2	145.6
Intangible assets	435.0	338.8	333.6	328.4	323.2
Other non-current assets	81.1	53.8	53.8	53.8	53.8
Total Assets	1,172.2	1,117.1	1,167.1	1,223.7	1,284.6
Short-term debt	25.3	27.1	27.1	27.1	27.1
Other current liabs	377.0	389.1	378.4	397.7	414.4
Long-term debt	164.6	280.1	280.1	280.1	280.1
Other non-current liabs	27.0	41.8	30.2	30.0	29.6
Minority interest	17.0	14.1	15.9	17.5	19.1
Total equity	561.3	364.9	435.4	471.3	514.3
Total liabs & equity	1,172.2	1,117.1	1,167.1	1,223.7	1,284.6
Net debt	178.0	278.7	235.5	202.1	161.2
ROIC (%)	11.1	7.1	7.1	6.9	7.1
Net gearing (%)	31.7	76.4	54.1	42.9	31.3
Working capital as % of sales	6.0	6.4	7.1	7.2	7.2
Inventory period days		29.1	31.7	31.4	31.5
Trade debtor days		39.0	43.0	42.5	42.6
Trade creditor days		47.2	50.8	49.5	49.7
Cash cycle		20.9	23.9	24.3	24.4

# Mobistar

## Defensive dividend play

### Key message

In our view Mobistar is not really a play on the fundamentals as also 2010 will likely see an earnings decline, although primarily due to regulatory termination rate cuts and the changeover to a model with handset subsidies. We believe Mobistar is primarily attractive because of its safe haven qualities: limited impact of the economic downturn, a sound FCF and balance sheet, a high dividend yield of close to 9% and always the chance of a buy out by majority shareholder France Telecom.

	2008	2009E	2010E	2011E
Sales (EUR m)	1,566	1,560	1,538	1,542
EPS Recurring	4.54	4.20	4.14	4.24
P/E Recurring	10.5	11.3	11.5	11.2
P/FCFPS	11.1	10.9	11.1	10.4
EV/ EBITDA	5.9	5.6	5.7	5.6
Dividend Yield (%)	14.4	9.6	8.7	8.9

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The 09Q2 results were a bit mixed. Quarterly customer growth looked weak (+6K vs our estimated +36K), but this is also due to a clean up in the lower-end prepaid and MVNO customer base (e.g. Lyca Mobile). The 09Q2 EBITDA of EUR 144m (-8% yoy) slightly missed our EBITDA of EUR 146m (=also consensus). Blended ARPU was still OK (EUR 31.7 vs our EUR 31.8) due to growth in usage, data and ongoing shift to postpaid. Net profit was a touch better (EUR 68m vs our EUR 66m, consensus EUR 65m) e.g. due to lower financial charges. Also cash flow was some EUR 30m better than expected, due to working capital improvement and slowing capex (guidance from 11-12% of revenues to 10%).
- The Belgian lawmaker is working on a new framework that will allow handset subsidies. We do see this as a risk that this will lead to some margin erosion. Mobistar will use it wisely by pushing for ARPU increasing propositions (e.g. data subscriptions on I-phone). However, outside competitors (e.g. MVNOs) may use this instrument to spoil the atmosphere in the calm Belgian mobile market.
- Telenet and Mobistar have closed a new MVNO partnership for 3 years, for which Telenet has invested in its own mobile switching centre.

### Valuation

Even taking into account that it is not growing, Mobistar's valuation is not really demanding at an EV/EBITDA of around 5.5x. Even after all the cash returns of the past years, its net debt to EBITDA is still only 0.6x. With a 'normal' debt to EBITDA ratio of 2, it could even free up more than 25% of its total market cap. However, due to the constraint of too low equity, we estimate that Mobistar will probably not return more than 100% of its net profit in 2010, still a yield of close to 9%. Our DCF arrives in the high 50's.

### Rating

**Buy**

**Price target:** EUR 51.0   
**Price 29 Sep 2009:** EUR 47.5  
**Up-/downside:** +7.4%

### Wireless Telecommunication Services

#### Market capitalisation:

EUR 2,850 m

#### Avg (12 month) daily volume:

182,435

#### Free float

50%

#### Reuters

MSTAR.BR

#### Bloomberg code

MOBB BB

### Share Price Performance %

	-1m	-3m	-12m
Mobistar	+4	+8	-5
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Results 09Q3 23 Oct 2009

### Major shareholders

France Telecom 50.2%

### Listed Peers

Belgacom **Ticker** BELG BB

### Analysts

#### Frank Claassen

+31 (0) 20 460 4868

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

**Equity Sales** +31 20 460 4707

**Equity Sales Trading** +31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

**Outlook**

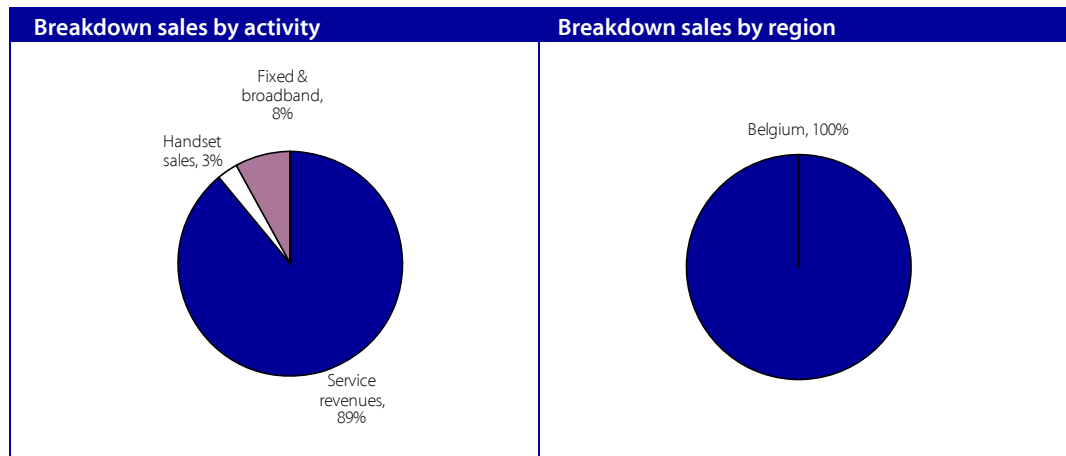
As expected, at 09Q2 Mobistar reiterated its outlook of flat revenues, EBITDA margin close to 40% and net profit of EUR 240-260m (we EUR 252m). Mobistar has taken measures to mitigate the margin pressure: some smart price increases have been introduced as of 1 July (e.g. redesign prepaid offers, EUR 1 ct increase on national tariff) and more cost savings kicking in (e.g in IT). Nevertheless, for 2010 we expect to see a further decline in earnings. Although Mobistar has a termination rate cut holiday for 09H2, in 2010 it is inevitable that it will feel more impact.

**Company profile**

Mobistar is the strong number two player in the Belgian mobile market with a market share of around 33% and close to 3.9 million customers. As there are no major MVNOs and handset subsidies are not allowed, Belgium is a rather favourable mobile market. Roaming and termination rate cuts will have a negative effect, but we expect that Mobistar will be able to compensate by ongoing growth in postpaid, usage growth in data and its step into broadband. France Telecom is majority shareholder in Mobistar with a 51% stake.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong brand name</li> <li>▪ Strong balance sheet</li> <li>▪ Innovative product range</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lower market share in Flanders region</li> <li>▪ Still limited market share in broadband</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Increasing cash returns to shareholders</li> <li>▪ New data services driving ARPU growth</li> <li>▪ New cost saving initiatives (e.g. outsourcing IT)</li> <li>▪ Mobile partnership with Telenet</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lowering of termination and roaming rates</li> <li>▪ Intensifying competition in Belgian mobile</li> <li>▪ Customer downtrading due to recession</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	1,539.9	1,566.8	1,559.7	1,539.6	1,536.6
Cost of sales	-325.0	-328.7	-347.8	-344.9	-344.2
Gross profit	1,214.9	1,238.1	1,211.9	1,194.7	1,192.4
Operating costs	-608.4	-630.3	-630.1	-623.5	-620.8
Extraordinaries	-14.3	-16.2	-19.5	-18.5	-16.9
EBITDA	592.2	591.6	562.3	552.7	554.7
Depreciation	-164.3	-173.1	-168.8	-168.0	-165.6
EBITA	427.9	418.5	393.5	384.8	389.1
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	427.9	418.5	393.5	384.8	389.1
Net financial result	0.0	-5.5	-14.3	-14.3	-14.0
Other pre-tax items	-0.1	0.0	0.0	0.0	0.0
EBT	427.8	413.0	379.1	370.5	375.2
Income taxes	-137.9	-132.9	-127.0	-120.8	-120.4
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	289.9	280.1	252.1	249.7	254.7
Adjustments, total	0.0	0.0	0.0	0.0	0.0
Net income recurring	289.9	280.1	252.1	249.7	254.7
PERSHARE ITEMS					
Shares outstanding avg. (mln)	63.3	61.8	60.1	60.2	60.3
Shares outstanding fully diluted (mln)	63.3	61.8	60.1	60.2	60.3
EPS reported	4.58	4.54	4.20	4.15	4.22
EPS recurring	4.58	4.54	4.20	4.15	4.22
CPS	7.61	6.96	7.05	6.86	7.04
DPS	4.50	6.83	4.55	4.15	4.22
Fiscal year ends 12/2009					
% GROWTH					
Revenues		1.7	-0.5	-1.3	-0.2
EBITA		-2.2	-6.0	-2.2	1.1
Net income recurring		-3.4	-10.0	-1.0	2.0
% MARGINS					
Gross margin		79.0	77.7	77.6	77.6
EBITA margin		26.7	25.2	25.0	25.3
Net recurring margin		17.9	16.2	16.2	16.6

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	3,659.2	3,501.1	3,170.9	3,170.4	3,159.8
P/E recurring (x)	10.4	10.5	11.3	11.4	11.3
P/Sales (x)	2.0	1.9	1.8	1.9	1.9
P/FCF (x)	9.5	11.1	10.7	11.2	10.6
P/CF (x)	6.2	6.8	6.7	6.9	6.7
P/B (x)	3.9	6.5	6.6	6.6	6.6
Dividend yield (%)	9.5	14.4	9.6	8.7	8.9
EV/EBITDA (x)	6.2	5.9	5.6	5.7	5.7
EV/Sales (x)	2.4	2.2	2.0	2.1	2.1
EV/FCF (x)	11.6	13.3	11.8	12.4	11.7

<b>Cash Flow Statement ( EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	289.9	280.1	252.1	249.7	254.7
Depreciation & Amortisation	164.3	173.1	168.8	168.0	165.6
Working Capital Change	58.8	-25.5	3.0	-4.6	4.4
Other Items	-3.1.2	2.2	-0.1	-0.2	-0.0
Cash Flow from Operations	48.1.8	429.9	423.8	412.8	424.7
Net Capital Expenditure	-165.2	-166.6	-156.0	-157.0	-153.7
Goodwill from Acquisitions	0.0	0.0	0.0	0.0	0.0
Other Investments	-11.5	-3.8	0.1	0.2	0.0
Cash Flow from Investments	-176.7	-170.4	-155.9	-156.8	-153.6
Ordinary Dividends	-284.8	-422.0	-273.2	-249.7	-254.7
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	-175.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	3.7	3.12.2	-1.5	-6.3	-5.5
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-28.1.1	-28.4.8	-274.7	-256.0	-260.2
Change in Cash	24.0	-25.3	-6.8	0.0	10.8
Free Cash Flow	3.16.6	263.3	267.8	255.8	271.0
Free Cash Flow Yield (%)	10.5	9.0	9.4	8.9	9.5

<b>Balance Sheet ( EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	7.2	6.8	-0.0	0.0	10.8
Other current assets	249.9	295.5	280.5	272.3	259.4
Net PP&E	524.0	529.5	516.7	505.7	493.8
Intangible assets	387.9	352.4	352.4	352.4	352.4
Other non-current assets	12.3	16.1	16.0	15.8	15.8
Total Assets	1,18.1.3	1,200.3	1,165.6	1,146.2	1,13.2.3
Short-term debt	6.1	243.3	230.0	230.0	230.0
Other current liabs	392.6	412.7	400.7	387.8	379.4
Long-term debt	0.0	75.0	86.8	80.5	75.0
Other non-current liabs	14.6	16.8	16.7	16.5	16.5
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	768.0	452.5	43.1.4	43.1.4	43.1.4
Total liabs & equity	1,18.1.3	1,200.3	1,165.6	1,146.2	1,13.2.3
Net debt	-1.1	3.11.5	3.16.8	3.10.5	294.2
ROIC (%)	3.7.1	3.7.0	3.2.7	3.3.1	3.4.0
Net gearing (%)	-0.1	68.8	73.4	72.0	68.2
Working capital as % of sales	-9.3	-7.5	-7.7	-7.5	-7.8
Inventory period days		3.1	2.9	2.9	2.9
Trade debtor days		46.7	49.3	47.6	45.3
Trade creditor days		64.4	65.2	63.4	61.2
Cash cycle		-14.7	-13.0	-12.9	-13.0



# Nedap

## Hit hard by poor investment climate

### Key message

The current poor investment climate has spoiled the project driven business of Nedap, primarily in Agri (lower mik prices), Power Supplies (destocking and fall in demand in industrial) and Specials (related to automotive). After disappointing 09H1 results and no clear outlook on improvement in 09H2, we believe that its current valuation is too demanding at a 2009E EV/EBITDA of close to 10x. As Nedap will probably be around breakeven in 2009, we expect there will be (virtually) no dividend over 2009, while this has always been one of its main positives. We have a Reduce rating.

	2008	2009E	2010E	2011E
Sales (EUR m)	143	115	119	124
EPS Recurring	2.29	0.08	0.81	1.11
P/E Recurring	7.3	208.8	20.6	15.0
P/FCFPS	8.5	29.3	20.4	15.8
EV/ EBITDA	6.8	10.3	8.4	7.2
Dividend Yield (%)	11.1	0.0	3.4	4.7

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The revenues fall deteriorated in the last couple of months from the reported -15% over the first 10 weeks of 2009 to -22% over the first 6 months. As Nedap did not yet adjust its cost base, this resulted in a rather disappointing net profit of only EUR 0.6m, while we still anticipated > EUR 2m (was still EUR 6m in 8H1). In the last downturn in 2001/2002 Nedap was still able to keep results at par, but Nedap can not escape this recession.
- Nedap will cut the number of employees in own production facilities by around 60 or some 9% of total. This will lower its cost base by EUR 2.2m, but it will take a high one-off charge of EUR 5.5m, of which still EUR 4.9m in 09H2.

### Valuation

After the EUR 5.5m charge, we estimate that Nedap will be hardly profitable in 2009. Therefore we expect that Nedap will pay out no or virtually no dividend over 2009. This has always been one of the main positive characteristics of the Nedap shares. At a 2009 EV/EBITDA of 10x and 2010 P/E ratio of close to 20x, we believe its valuation is too demanding, given that the visibility on a recovery is quite low. Even on peak 2007/2008 earnings, Nedap is still trading at close to 8x earnings.

### Rating **Reduce** ==

<b>Price target:</b>	<b>EUR 12.0</b> ==
<b>Price 29 Sep 2009:</b>	<b>EUR 16.7</b>
<b>Up-/downside:</b>	<b>-28.2%</b>

### Industrial Conglomerates

#### Market capitalisation:

EUR 112 m

#### Avg (12 month) daily volume:

5,378

#### Free float

30%

#### Reuters

NEDP.AS

#### Bloomberg code

NEDAP NA

### Share Price Performance %

	-1m	-3m	-12m
Nedap	0	+2	-23
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

None

### Major shareholders

	%
Cross Options Beheer B.V.	15.1
Delta Deelnemingen Fonds N.V.	13.5
Kempen & Co N.V.	10.3
Aviva	8.1
Fortis Verzekeringen Nederland N.V.	7.9

### Listed Peers

None

### Ticker

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### Analysts

#### Frank Claassen

+31 (0) 20 460 4868

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

www.rabosecurities.com

### Outlook

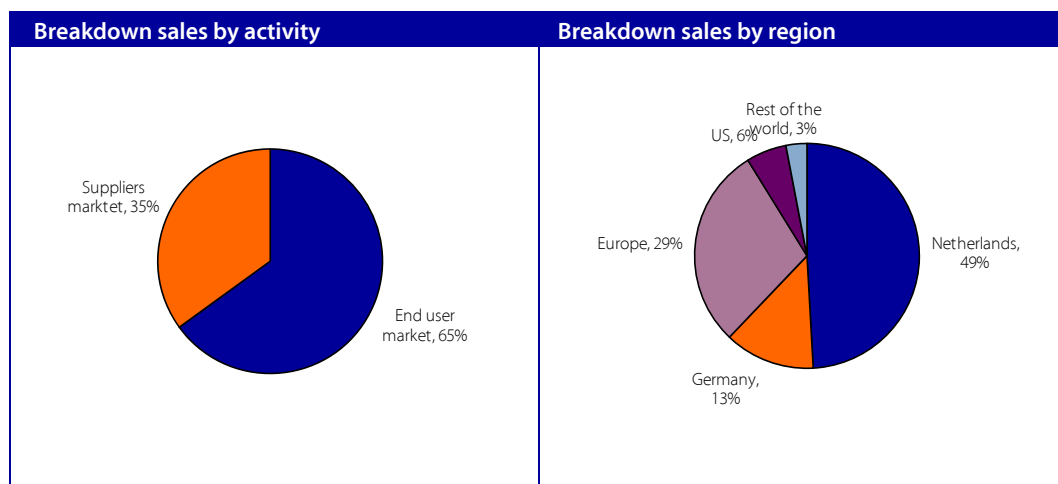
Nedap does not expect that trading conditions will clearly improve in the second half of 2009. Driven by the cost savings and some signs of stabilization in the economy, we do anticipate that 09H2 (EBITDA EUR 7.8m) will be somewhat better than 09H1 (EBITDA of EUR 5.4m), apart from the one-off charge. So we expect that 2009 will be around breakeven and anticipate a clear earnings recovery in 2010. However, as it is basically all project driven business, earnings visibility of Nedap is low.

### Company profile

Nedap is a highly innovative and creative company which is aiming at organic growth. The company is divided into different market groups, each run as a separate company. The main market groups are agri, security management, retail support, voting systems and power supplies. In addition to the development of new products, its main goal is to strengthen its distribution network.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Highly innovative</li> <li>▪ Focussed on long-term organic growth</li> <li>▪ Attractive dividend pay-out</li> </ul>	<ul style="list-style-type: none"> <li>▪ Scattered activity portfolio</li> <li>▪ No recurring business, all project based</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Outsourcing of lower added value activities</li> <li>▪ Strengthening of distribution network</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing weak investment climate</li> <li>▪ Increasing competition from low cost countries</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	145.8	143.0	115.8	119.3	124.1
Cost of sales	-54.7	-51.8	-35.9	-36.4	-37.8
Gross profit	91.1	91.2	79.9	82.9	86.2
Operating costs	-64.4	-65.2	-66.7	-66.6	-67.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	26.7	26.0	13.2	16.3	19.2
Depreciation	-6.5	-6.5	-6.5	-6.6	-6.7
EBITA	20.2	19.5	6.7	9.7	12.6
Amortisation	0.0	0.0	-0.9	-0.8	-0.8
EBIT	20.2	19.5	5.8	8.9	11.8
Net financial result	-1.1	-1.4	-1.3	-1.6	-1.6
Other pre-tax items	0.8	0.5	0.2	0.2	0.2
EBT	19.9	18.6	4.7	7.5	10.4
Income taxes	-5.4	-4.7	0.8	-2.1	-2.8
Minority interests	-0.3	-0.1	-0.0	-0.0	-0.1
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	-4.9	0.0	0.0
Net income	14.2	13.8	0.5	5.4	7.5
Adjustments, total	0.0	1.5	-0.0	0.0	0.0
Net income recurring	14.2	15.3	0.5	5.4	7.5
PERSHARE ITEMS					
Shares outstanding avg. (mln)	6.7	6.7	6.7	6.7	6.7
Shares outstanding fully diluted (mln)	6.7	6.7	6.7	6.7	6.7
EPS reported	2.12	2.06	0.08	0.81	1.11
EPS recurring	2.12	2.29	0.08	0.81	1.11
CPS	3.19	3.08	1.60	1.89	2.17
DPS	1.91	1.85	0.00	0.57	0.78
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-1.9	-19.0	3.0	4.0
EBITA		-3.2	-65.8	45.8	29.0
Net income recurring		7.9	-96.4	892.1	37.8
% MARGINS					
Gross margin		63.8	69.0	69.5	69.5
EBITA margin		13.7	5.8	8.2	10.1
Net recurring margin		10.7	0.5	4.5	6.0
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	240.6	184.6	135.5	136.9	138.1
P/E recurring (x)	7.9	7.3	208.8	20.6	15.0
P/Sales (x)	0.8	0.8	1.0	0.9	0.9
P/FCF (x)	9.0	8.5	29.4	20.3	15.8
P/CF (x)	5.2	5.4	10.4	8.8	7.7
P/B (x)	2.0	1.9	2.1	2.0	1.9
Dividend yield (%)	11.4	11.1	0.0	3.4	4.7
EV/EBITDA (x)	9.0	7.1	10.3	8.4	7.2
EV/Sales (x)	1.7	1.3	1.2	1.1	1.1
EV/FCF (x)	19.2	14.1	35.7	24.9	19.5

Cash Flow Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	14.2	13.8	0.5	5.4	7.5
Depreciation & Amortisation	6.5	6.5	7.4	7.4	7.5
Working Capital Change	-0.0	0.2	2.7	-0.2	-0.5
Other Items	0.7	0.1	0.0	0.0	0.1
Cash Flow from Operations	21.4	20.6	10.8	12.6	14.5
Net Capital Expenditure	-8.9	-7.5	-6.9	-7.2	-7.4
Goodwill from Acquisitions	-0.7	1.3	-2.5	-3.0	-3.0
Other Investments	0.0	-1.8	0.0	0.0	0.0
Cash Flow from Investments	-9.6	-8.0	-9.4	-10.2	-10.4
Ordinary Dividends	-12.8	-12.4	0.0	-3.8	-5.2
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-0.9	0.1	4.5	0.0	0.0
Change in Minorities	-0.3	-0.1	-0.0	-0.0	-0.1
Cash Flow from Financing	-14.0	-12.4	4.5	-3.8	-5.3
Change in Cash	-2.2	0.2	5.8	-1.3	-1.2
Free Cash Flow	12.5	13.1	3.8	5.5	7.1
Free Cash Flow Yield (%)	11.2	11.7	3.4	4.9	6.3

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	2.3	2.0	2.9	1.5	0.3
Other current assets	47.7	47.2	41.7	42.4	43.4
Net PP&E	43.7	44.7	45.1	45.7	46.4
Intangible assets	6.2	4.9	6.5	8.7	10.9
Other non-current assets	2.6	4.4	4.4	4.4	4.4
Total Assets	102.5	103.2	100.6	102.6	105.5
Short-term debt	4.9	4.5	9.0	9.0	9.0
Other current liabs	19.4	19.1	16.3	16.8	17.4
Long-term debt	17.0	17.5	17.5	17.5	17.5
Other non-current liabs	4.1	4.1	4.1	4.1	4.1
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	57.1	58.0	53.7	55.3	57.5
Total liabs & equity	102.5	103.2	100.6	102.6	105.5
Net debt	19.6	20.0	23.6	25.0	26.2
ROIC (%)	20.7	20.3	10.5	10.0	12.2
Net gearing (%)	34.3	34.5	44.0	45.2	45.5
Working capital as % of sales	19.4	19.6	21.9	21.5	21.0
Inventory period days		50.8	60.1	55.7	53.7
Trade debtor days		70.3	80.0	72.8	72.5
Trade creditor days		41.0	46.8	43.1	42.7
Cash cycle		80.1	93.3	85.5	83.5

# Nieuwe Steen Investments

## New leader on the board

### Key message

NSI's direct and indirect result for 09Q2 came in better than both our expectations and consensus. New 09E direct result guidance stands at EUR 1.30-1.36 (EUR 1.30-1.38 at 09Q1, which is pre-equity issue). Surprisingly, NSI did hardly show any write-down on the portfolio, bringing the indirect result to only EUR 2.1m negative. This should give some extra re-assurance of NSI holding debt covenants, as the current 54.7% LTV has quite some headroom towards its 65% debt covenant. The average weighted upside in each of our reviewed scenarios stands at a sector average of 15%, which is not madly exciting. With 10%, NSI is one of the high-dividend yields, which in our view is fairly valued.

	2008	2009E	2010E	2011E
Net rental income (EUR m)	88.3	91.1	86.6	83.9
EBITDA (EUR m)	84.9	87.6	83.2	80.6
Direct result (EUR m)	50.0	52.4	49.7	43.5
Indirect result (EUR m)	71.6-	85.9-	75.0-	48.5-
Recurring FFO p/s	1.40	1.33	1.26	1.11
Consensus recurr. FFO p/s		1.33	1.34	1.28
EPS	0.60-	0.85-	0.64-	0.13-
NNAV p/s	16.27	13.55	11.58	10.19
P/NNAV-1	-22%	-6%	10%	25%
FFO multiple	9.1	9.6	10.1	11.5
Dividend Yield (%)	10.8	10.3	9.8	8.6

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Nieuwe Steen Investments has found a successor for the CFO function. The name is Daniel van Dongen (1971) and his appointment will be submitted to the AGM of 15 October 2009. He was employed since 2005 at Wereldhave NV as Group Controller as part of the management team. Previous functions include Business Controller at TNT Logistics and TNT Logistics France, Controller (with TNT) at CEVA Logistics and Manager Corporate Finance at KPN.
- NSI commenced a sub-10% equity issue on 2 June 2009. In total a number of 3,577,210 shares were placed at a fixed price of EUR 11, which was roughly a 5% discount to the prior closing price. The EUR 39.5m proceeds will be used for balance sheet strengthening and potential acquisition purposes. In our view it mainly wards off LTV debt covenant risks in case property values fall off a cliff. The LTV is lowered by this transaction to 54% (from 57%) which gives a substantial amount of room to the LTV covenants that range 65-85%. We do not expect NSI to use the proceeds for acquisitions soon as the company is still above its 50% LTV target and property values are still heading south, albeit that we expect the pace to slow down.

### Valuation

After the dilution of the private placement, NSI trades at a dividend yield of around 10%. Although we expect this dividend to come down as a result of rapidly deteriorating office market in the Netherlands, we argue the income derived from the retail investments should provide a good floor in the income stream.

### Rating

**Price target:**  
**Price 29 Sep 2009:**  
**Up-/downside:**

**Hold**

**EUR 14.0**   
**EUR 12.9**  
**+8.5%**

### Real Estate

#### Market capitalisation:

EUR 508 m

#### Avg (12 month) daily volume:

64,733

#### Free float

80%

#### Reuters

NSTEc.AS

#### Bloomberg code

NISTI NA

### Share Price Performance %

	-1m	-3m	-12m
Nieuwe Steen	-4	+17	-18
Investments			
MSCI Europe	+1	+30	-18
MSCI Netherlands	+4	+30	-9

### Agenda

09Q3 results	30 Oct 2009
ex-dividend date	13 Nov 2009

### Major shareholders

	%
Habas-H.Z. Investments (1960) Ltd	20.1

### Listed Peers

	Ticker
VastNed OI	VNOI.NA

### Analysts

#### Ruud van Maanen

+31 (0) 20 460 4831

#### Rick Tervoort

+31 (0) 20 460 4830

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

**www.rabosecurities.com**

### Outlook

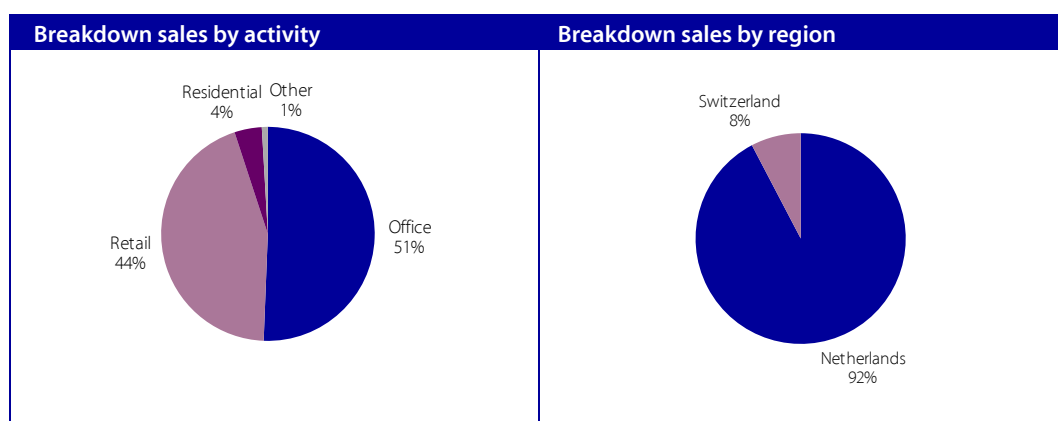
We understand NSI has a EUR 50m disposal target for 2009, of which currently EUR 32.7m already has been done. We do not expect substantial difficulties for NSI to reach this target. The disposals for 2009 are part of a larger capital recycling program which contains a shift from small-scale management-intensive assets into larger properties. On the longer run, we expect NSI to lose FFO per share by selling high-yielding assets and buying back low-yielding assets. For calculation purposes we do not have included this into our model, as we base our valuation on the standing portfolio. However, we do like to point out that a shift towards more quality properties also incurs a lower risk-profile. This could make the company stay level on a risk-return basis. After dilution and recent disposals, our estimate on direct results for 2009 is lowered to EUR 1.33. However, we expect this to slow down to EUR 1.20 for 2010. Main reason is a deteriorating occupancy level to 80% in 2010 from 88% year-end 2008. Going forward we believe the FFO will enter a declining phase by 1) increased vacancies and declining rental levels in the Dutch office markets, 2) a FFO dilutive capital recycling programme by investing in Switzerland.

### Company profile

Nieuwe Steen Investments N.V. (NSI) is a buy-and-hold real estate investment company with a strategy focused on sustainable high dividends. The portfolio is mainly diversified to office and retail properties. In 2006 it expressed a large expansion strategy towards foreign countries. As market conditions halt debt leveraged expansion, management seeks to free up cash by selling management intensive small-scale assets in the Netherlands. Retail in Switzerland is one of its expansion focuses, and France and Spain are on the target list for the offices sector.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ High yielding portfolio</li> <li>▪ Backed by strong network of Habas</li> <li>▪ Diversified portfolio spreads default risk</li> <li>▪ 2009 refinancing covered</li> <li>▪ Foreign &amp; development experience of CEO</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited room for acquisitions</li> <li>▪ Largely fixed rate financed</li> <li>▪ FFO dilutive portfolio strategy</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Disposing relatively liquid small assets</li> <li>▪ (re)development opportunities in portfolio</li> <li>▪ Potential takeover target for Habas</li> <li>▪ FFO accretive acquisitions in France/ Switzerland</li> </ul>	<ul style="list-style-type: none"> <li>▪ Downturn of Dutch office market</li> <li>▪ Increasing currency risk on Swiss operations</li> <li>▪ Potential share overhang from Habas stake</li> <li>▪ Equity issue for acquisitions</li> <li>▪ Increased vacancy triggering ICR debt covenant</li> <li>▪ Corporate governance risk of large shareholder Habas</li> </ul>



Income Statement ( EURm)				
	2008	2009E	2010E	2011E
Gross rental income	101.7	105.1	99.9	96.8
Operating costs	-13.4	-14.0	-13.3	-12.9
Net rental income	88.3	91.1	86.6	83.9
Property development income	N/A	N/A	N/A	N/A
General expenses	-3.3	-3.6	-3.4	-3.3
Other income & expenses	0.0	0.0	0.0	0.0
EBITDA	84.9	87.6	83.2	80.6
Depreciation & Amortisation	1.0	0.0	0.0	0.0
EBIT	85.9	87.6	83.2	80.6
Net financial result	-34.8	-35.0	-33.4	-36.9
Other pre-tax items	1.0	0.0	0.0	0.0
EBT	52.2	52.5	49.7	43.6
Income taxes	-0.1	-0.1	-0.1	-0.1
Direct result of associates	0.0	0.0	0.0	0.0
Other post-tax items / minorit	0.0	0.0	0.0	0.0
Extraordinaries	1.0	0.0	0.0	0.0
Direct investment result	50.0	52.4	49.7	43.5
Revaluation	-42.7	-80.1	-78.8	-58.7
Taxes on revaluation	-0.3	0.0	0.0	0.0
Net result of property sales	-0.2	0.0	0.0	0.0
Indirect result of associates	0.0	0.0	0.0	0.0
Other post-tax items / minorit	-28.3	-5.8	3.8	10.2
Indirect investment result	-71.6	-85.9	-75.0	-48.5
Net profit	-21.5	-33.4	-25.3	-5.0
PER SHARE ITEMS				
Shares outstanding avg. (m)	35.8	39.4	39.4	39.4
Shares outstanding fully diluted	35.8	39.4	39.4	39.4
EPS reported	-0.6	-0.8	-0.6	-0.1
EPS recurring	1.4	1.3	1.3	1.1
NNAV	16.3	13.5	11.6	10.2
DPS	1.4	1.3	1.3	1.1
Payout ratio (%)	100.0	100.0	100.0	100.0
Fiscal year ends 12/2009				
% GROWTH				
Net rental income	1.0	0.0	0.0	0.0
Lfi Net rental income	-28.3	-5.8	3.8	10.2
EBITDA	28.9	-3.1	-5.7	-2.8
Net income recurring	19.1	-0.7	-4.9	-3.1
% MARGINS				
Gross margin	13.0	3.1	-5.0	-3.1
EBITDA margin	4.7	4.8	-5.3	-12.3
Net recurring margin	86.8	86.7	86.7	86.7

<b>Cash Flow Statement ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	-21.5	-33.4	-25.3	-5.0
Minorities	0.0	0.0	0.0	0.0
Investment property disposal	0.2	0.0	0.0	0.0
Net Valuation Movements	42.7	80.1	78.8	58.7
Direct Result of Associates	0.0	0.0	0.0	0.0
Indirect Result of Associates	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	0.3	0.0	0.0	0.0
Working Capital Change	-13.3	18.0	0.0	0.0
Other Items	27.8	0.0	0.0	0.0
Cash Flow from Operations	36.3	64.7	53.5	53.8
Investment in properties	-221.9	14.3	0.0	0.0
Investment in associates	0.0	0.0	0.0	0.0
Investment in immaterial fixed	0.0	0.0	0.0	0.0
Investment in other property,	-1.4	0.0	0.0	0.0
Cash flow from investing	-223.4	14.3	0.0	0.0
Increase in long term debt	215.8	-104.9	0.0	0.0
Increase in short term debt	21.0	0.0	0.0	0.0
Dividends & other equity chan	-49.7	-15.6	-52.3	-49.6
Cash flow from financing	187.1	-120.5	-52.3	-49.6
Change in cash	0.0	-41.5	1.2	4.2

<b>Balance Sheet ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Investment property	1,393.1	1,298.7	1,219.9	1,161.2
Financial non-current assets	0.0	0.0	0.0	0.0
Other non-current assets	14.1	14.1	14.1	14.1
Cash & Cash Equivalents	0.0	-41.5	-40.4	-36.2
Other current assets	22.0	4.0	4.0	4.0
Total assets	1,429.3	1,275.4	1,197.7	1,143.2
Short-term debt	59.6	59.6	59.6	59.6
Other current liabs	23.7	23.7	23.7	23.7
Long-term debt	747.2	642.3	642.3	642.3
Other non-current liabs	16.6	16.6	16.6	16.6
Minority interest	0.0	0.0	0.0	0.0
Shareholders' equity	582.2	533.2	455.5	401.0
Total liabs & equity	1,429.3	1,275.4	1,197.7	1,143.2
Net debt	806.8	743.4	742.3	738.1
Total return on equity (%)	-3.7	-6.3	-5.6	-1.2
Direct return on equity (%)	8.6	9.8	10.9	10.9
Indirect return on equity (%)	-12.3	-16.1	-16.5	-12.1
Net gearing (%)	138.6	139.4	162.9	184.1



# Nutreco

## Safe play, attractive valuation

### Key message

Nutreco offers attractive organic EBIT growth prospects, mainly driven by structural growth in Fish feed and Premix as well as supply chain savings. Moreover, Nutreco is to benefit from the increased awareness for quality and traceability in the food industry and the company is a safeplay with regard to increased price volatility of soft commodities. Valuation is attractive at 4.9x 2010EV/EBITDA, 7.8x 2010PER and a FCF yield of 12%. We regard the BS as solid, reflected by a net debt/EBITDA of 1.6x, implying a safe dividend yield of 6%.

	2008	2009E	2010E	2011E
Sales (EUR m)	4,943	4,545	5,012	5,272
EPS Recurring	3.02	2.62	3.56	3.99
P/E Recurring	11.0	12.6	9.3	8.3
P/FCFPS		20.3	12.7	9.8
EV/ EBITDA	7.3	7.0	5.5	4.8
Dividend Yield (%)	4.4	3.4	4.6	5.2

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- 09H1 group EBITA exceeded expectations by c. 4%, as slightly lower than expected results in compound feed and fish were more than compensated by a good performance in Premix and Meat. The provided outlook for 09H2 was roughly in line with our projections. With management expressing confidence for compound and fish feed (Norway is running at record levels) as well as prudence for premix, meat remains the (limited) swing factor for 09H2. Beyond 2009, fish feed, compound feed and meat still offer attractive recovery potential, while premix could further expand margins through new cost savings.
- Nutreco acquired 12 compound feed mills from Cargill strengthening its No. 1 position in the Iberian region. Incl. restructuring and investments, deal multiples amount to an est. 6x EBIT and 4x EBITDA incl. synergies in logistics, food safety and purchasing. The upside is illustrated by Nutreco's more efficient scale in Spain where it produces c. 170m3 ton per mill, compared to 60m3 ton for Cargill. This underlines the rationale of the deal, albeit that Fish feed and Premix remain the preferred areas to expand. Remember that the BASF premix deal offered similar dynamics.
- The EUR 20m trading loss in 09H1 was caused by 2 major hedging positions (futures) that were entered on top of "normal" forward buying. This should be seen as a one off related to the background of extreme volatile raw material prices during 08H2-09Q1. Given the internal measures taken, future results are not heavily exposed to trading positions in raw materials.

### Valuation

Nutreco is valued at 4.9x 2010EV/EBITDA, 7.8x 2010PER and a FCF yield of 12%. Taking into account for a one off trading loss in 09H1, the shares performed reasonably well versus the AEX and AMX since last August. We regard the BS as solid, reflected by a net debt/EBITDA of 1.6x, implying a safe dividend yield of 6%. We regard Nutreco as an attractive story with sound fundamentals, a strong BS and a relatively favorable business model regarding raw materials. We have raised our PT from EUR 35 to EUR 37 on the back of higher sector valuations.

### Rating

**Buy**

**Price target:** EUR 37.0   
**Price 29 Sep 2009:** EUR 33.1  
**Up-/downside:** +11.7%

### Food Products

#### Market capitalisation:

EUR 1,163 m

#### Avg (12 month) daily volume:

170,733

#### Free float

70%

#### Reuters

NUTRAS

#### Bloomberg code

NUO NA

### Share Price Performance %

	-1m	-3m	-12m
Nutreco	+4	+19	0
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3 29 Oct 2009

### Major shareholders

	%
ING Groep N.V.	9.6
Maes Invest B.V.	9.1
Fortis Verzekeringen Nederland N.V.	6.6
FMR Corp.	5.0

### Listed Peers

Marine Harvest MHG NO

### Analysts

#### Patrick Roquas

+31 (0) 20 460 4826

#### Karel Zoete

+31 (0) 20 460 4827

### Rabo Securities Amsterdam

**Equity Sales** +31 20 460 4707

**Equity Sales Trading** +31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

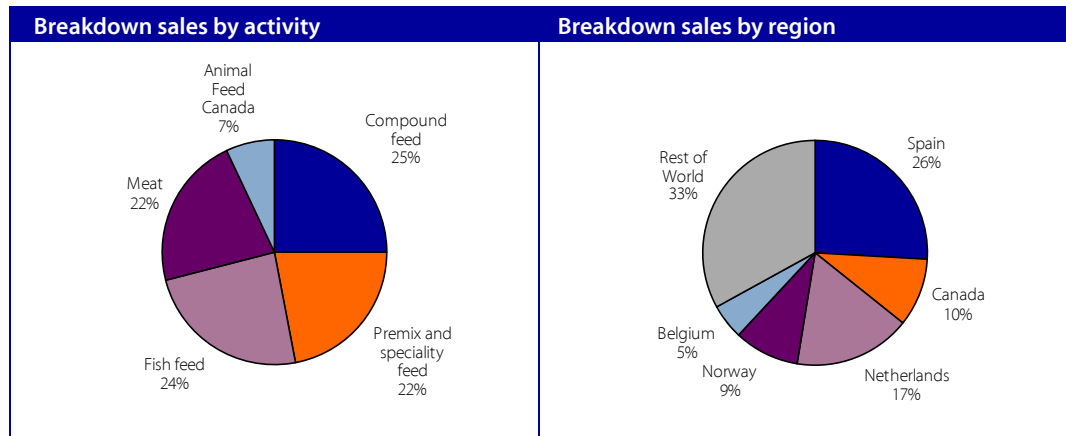
Management has not provided a quantified outlook for net profit for 09FY, though has given indications per division. With Norway continue to perform well in July and August, as well as healthy conditions in Meat, Premix and Compound feed, we believe Nutreco is on track to achieve our 09FY EBITA projection of EUR 151m. Issues in Chile are unlikely to be solved in 2010, but fully compensated by strong performance in Norway (also note that Chile now accounts for less than 5% of group sales). Nutreco still aims to achieve EBITA of EUR 230m by 2012. Nutreco could potentially allocate c. EUR 400m in total in the next 2-3 years to acquisitions given room to gear up the BS by EUR 150-200m and annual FCF of c. EUR 60 -80m. Next to new acquisitions, further upside is offered by the new cost savings program that focuses on OPEX.

### Company profile

After divesting its operations in salmon farming, Nutreco has emerged as a pure international play in animal nutrition and fish feed. The company is the global number 1 for fish feed for salmon species with a market share of 40% and is an important player in Europe and Canada for compound feed, premixes and specialties. Nutreco also has a leading position in poultry (Spain).

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong positions in animal nutrition</li> <li>▪ Global market leader in fish feed</li> <li>▪ Strong positions in Agriculture in the Benelux, Spain, Canada</li> </ul>	<ul style="list-style-type: none"> <li>▪ (potential) dependency on commodity prices</li> <li>▪ Exposure to salmon farming, which used to be a volatile industry</li> <li>▪ Limited exposure to emerging markets in Asia</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Reinvesting in Agriculture (specialty feed, pre-mixes, complete feed)</li> <li>▪ Strong R&amp;D base to produce fish feed with alternative ingredients</li> </ul>	<ul style="list-style-type: none"> <li>▪ Risks and costs related to animal diseases</li> <li>▪ Irrational competition from cooperative compound mix producers in the Benelux</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	4,021.1	4,943.1	4,545.7	5,012.0	5,272.6
Cost of sales	-3,153.5	-3,876.6	-3,565.0	-3,930.7	-4,135.0
Gross profit	867.5	1,066.5	980.7	1,081.3	1,137.6
EBITDA	203.1	236.5	210.5	256.5	277.1
Depreciation	-44.4	-54.4	-59.9	-63.4	-65.2
EBITA	158.8	182.1	150.6	193.1	211.9
Amortisation	-6.2	-11.6	-11.6	-11.6	-11.6
EBIT	152.6	170.5	139.0	181.5	200.3
Net financial result	-10.1	-31.2	-32.3	-31.0	-29.1
Other pre-tax items	-2.6	1.8	-3.1	0.0	0.0
EBT	139.9	141.1	103.7	150.5	171.2
Income taxes	-26.4	-37.2	-29.0	-40.5	-46.6
Minority interests	-2.1	-2.1	-2.2	-2.3	-2.4
Other post-tax items / participation	0.8	2.1	2.5	2.5	2.5
Extraordinaries	6.4	10.9	0.0	0.0	0.0
Net income	118.6	114.8	75.0	110.1	124.7
Adjustments, total	2.4	-0.3	14.7	11.6	11.6
Net income recurring	121.0	114.5	89.7	121.7	136.3
PERSHARE ITEMS					
Shares outstanding avg. (mln)	34.3	34.4	34.4	34.4	34.4
Shares outstanding fully diluted (mln)	34.3	34.4	34.4	34.4	34.4
EPS reported	3.46	3.35	2.19	3.22	3.65
EPS recurring	3.24	3.02	2.62	3.56	3.99
CPS	4.82	4.92	4.36	5.42	5.90
DPS	1.63	1.45	1.13	1.53	1.72
Fiscal year ends 12/2009					
% GROWTH					
Revenues		22.9	-8.0	10.3	5.2
EBITA		14.7	-17.3	28.2	9.7
Net income recurring		-5.3	-21.7	35.8	11.9
% MARGINS					
Gross margin		21.6	21.6	21.6	21.6
EBITA margin		3.7	3.3	3.9	4.0
Net recurring margin		2.3	2.0	2.4	2.6
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	1,928.0	1,715.6	1,497.1	1,441.6	1,362.7
P/E recurring (x)	10.4	11.2	12.9	9.5	8.5
P/Sales (x)	0.3	0.2	0.3	0.2	0.2
P/FCF (x)	N/A	N/A	20.8	13.0	10.0
P/CF (x)	7.0	6.9	7.7	6.2	5.7
P/B (x)	1.8	1.8	1.6	1.5	1.3
Dividend yield (%)	4.8	4.3	3.3	4.5	5.1
EV/EBITDA (x)	9.5	7.3	7.1	5.6	4.9
EV/Sales (x)	0.5	0.3	0.3	0.3	0.3
EV/FCF (x)	N/A	N/A	26.8	16.2	11.7

<b>Cash Flow Statement ( EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	118.6	114.8	75.0	110.1	124.7
Depreciation & Amortisation	50.6	66.0	71.5	75.0	76.8
Working Capital Change	-59.5	-78.5	10.9	-14.1	-7.9
Other Items	21.9	-12.5	-0.3	-0.2	-0.1
Cash Flow from Operations	131.6	89.9	157.0	170.9	193.6
Net Capital Expenditure	-192.3	-103.6	-101.2	-81.7	-77.1
Goodwill from Acquisitions	-233.7	20.7	0.0	0.0	-0.0
Other Investments	-13.3	18.6	0.0	0.0	0.0
Cash Flow from Investments	-439.3	-64.3	-101.2	-81.7	-77.1
Ordinary Dividends	-56.7	-49.9	-32.2	-47.4	-53.6
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	155.5	97.7	-0.0	-0.0	-0.0
Change in Minorities	0.2	0.6	-2.2	-2.3	-2.4
Cash Flow from Financing	99.0	48.4	-34.4	-49.7	-56.0
Change in Cash	-208.7	73.9	21.4	39.6	60.4
Free Cash Flow	-60.7	-13.8	55.9	89.2	116.4
Free Cash Flow Yield (%)	N/M	N/M	4.8	7.7	10.0

<b>Balance Sheet ( EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	207.7	228.3	258.9	314.4	393.3
Other current assets	942.1	1,102.6	1,027.4	1,120.7	1,172.8
Net PP&E	428.9	478.1	519.4	537.7	549.6
Intangible assets	318.5	286.2	274.6	263.0	251.4
Other non-current assets	95.3	76.7	76.7	76.7	76.7
Total Assets	1,992.5	2,171.9	2,157.0	2,312.5	2,443.7
Short-term debt	87.3	128.3	128.3	128.3	128.3
Other current liabs	773.8	855.8	791.5	870.8	915.0
Long-term debt	410.3	467.0	467.0	467.0	467.0
Other non-current liabs	69.9	55.3	52.8	50.3	47.8
Minority interest	7.8	10.5	10.5	10.5	10.5
Total equity	643.4	655.0	706.9	785.6	875.1
Total liabs & equity	1,992.5	2,171.9	2,157.0	2,312.5	2,443.7
Net debt	289.9	367.0	336.4	280.9	202.0
ROIC (%)	34.9	26.3	17.1	20.8	21.6
Net gearing (%)	45.1	56.0	47.6	35.8	23.1
Working capital as % of sales	4.2	5.0	5.2	5.0	4.9
Inventory period days		26.8	29.4	26.7	27.3
Trade debtor days		40.6	46.6	42.9	43.9
Trade creditor days		58.6	64.6	59.1	60.5
Cash cycle		8.8	11.4	10.5	10.7

### Key message

Especially the segments in which Océ has a strong position are hit hard: wide format (e.g. construction-related) and high volume production printing (e.g. financials-related). Furthermore in the office segment Océ is lacking scale. Therefore Océ is currently printing red figures as cost savings cannot fully compensate the top line decline and the negative effect of the underutilisation of the factories. As more restructuring charges are necessary in 09H2, Océ will be pushed further into the red. Following a poor 09Q2 quarter, no improvement in the outlook and with more loss making quarters upcoming, we believe it is not the right signal to change our Reduce rating. Nevertheless, the strategic review which Océ is currently going through may in the end lead to a take-over of the company, which should provide upside from current share price levels.

	2007/2008	2008/2009E	2009/2010E	2010/2011E
Sales (EUR m)	2,909	2,724	2,639	2,705
EPS Recurring	0.33	0.03	0.25	0.41
P/E Recurring	13.6	149.2	17.9	10.9
P/FCFPS	7.7	13.6	7.1	6.6
EV/ EBITDA	7.1	7.4	5.4	4.8
Dividend Yield (%)	3.4	0.0	0.0	2.9

Source: Rabo Securities

Year to November, fully diluted

### Recent developments

- It was a negative surprise in 09Q2 that despite no further deterioration in top line (-8% vs we had -10%), the normalized EBIT declined by EUR 30m in one quarter (to EUR -15m vs our EUR +17m estimate). Main reason is a gross margin decline (35% vs our 38%) due to underutilization in the supply centers, as Océ slowed down production and reduced inventories. Also hedge results, share based payments, higher bad debt provision and timing of holiday provision partly explained this major difference. The lower-margin Business Services still grows (+8% vs our +4%), but the usual profit-maker Wide Format is hit by a dramatic slowdown in architecture, engineering and construction.
- Following the renegotiations with the banks, at least the balance sheet worries have been pushed to the background. Under the new covenants definition the net debt to EBITDA was reduced to 2.4x (covenant <3.25x), also as net debt has been reduced by EUR 87m due to exchange rate effects. Would Océ not have renegotiated with the banks (e.g. reported instead of normalized EBITDA), it would have had a net debt to EBITDA ratio of 2.8x at the end of 09Q2 or close to the covenant of 3.0x at that time.

### Valuation

In a long-term perspective, we believe that Océ's valuation already reflects quite a bit of pain. However, there still is a clear risk of further deteriorating trading conditions and that estimates are still too high. We therefore believe that it is currently not the right signal to change our Reduce rating. In a shorter-term perspective its valuation also looks pretty demanding; it is trading at 18x P/E ratio 2010 and also on EV/EBITDA terms (around 5.5x 2010E), Océ's valuation is also not overly attractive given its sizeable on-balance pension liabilities of close to EUR 400m.

### Rating

**Reduce**

<b>Price target:</b>	<b>EUR 3.5</b>
<b>Price 29 Sep 2009:</b>	<b>EUR 4.5</b>
<b>Up-/downside:</b>	<b>-21.8%</b>

### Office Electronics

#### Market capitalisation:

EUR 391 m

#### Avg (12 month) daily volume:

607,306

#### Free float

67%

#### Reuters

OCEN.AS

#### Bloomberg code

OCE NA

### Share Price Performance %

	-1m	-3m	-12m
Océ	+10	+17	-10
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	01 Oct 2009
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### Major shareholders

	%
Hermes Focus Asset Management Europe	9.6
Fortis Verzekeringen Nederland N.V.	7.7
New NIB Partners LP	5.6
Bestinvest Gestion	5.1

### Listed Peers

	Ticker
Canon	7751 JP
Ricoh	7752 JP
Xerox	XRX US

### Analysts

#### Frank Claassen

+31 (0) 20 460 4868

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

<b>Equity Sales</b>	+ 31 20 460 4707
<b>Equity Sales Trading</b>	+ 31 20 460 4723
<b>www.rabosecurities.com</b>	

**Outlook**

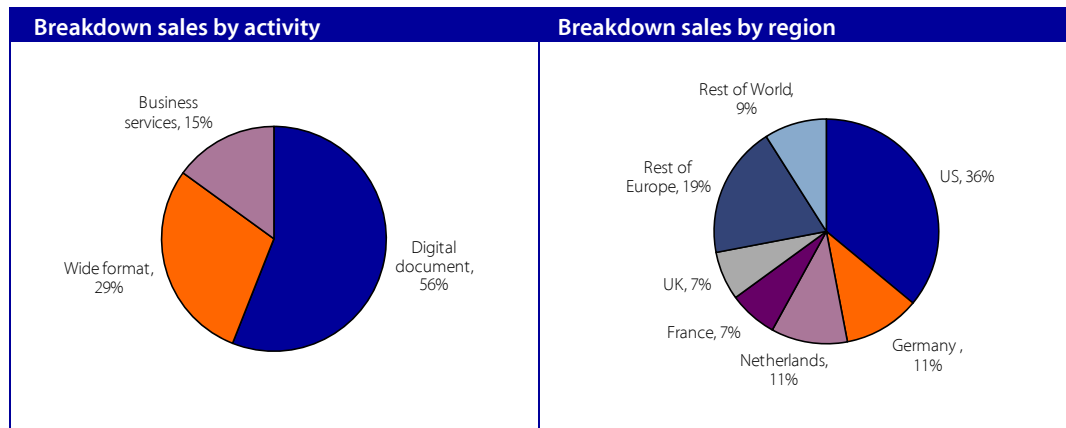
In its outlook, Océ indicates that it does not anticipate an improvement of relevant markets in the second half of 2009. It mentions that the governmental/utilities sector is slowing down and competition is increasing. We estimate that recurring EBIT will improve in 09H2 due to more cost savings kicking, but we see downside risk that the top line will deteriorate further due to the possible lagging effect of a decline in services revenues. As the bulk of the restructuring charges (EUR 40m) still have to be taken in 09H2, we expect that Océ will continue to be heavily loss making in the upcoming quarters.

**Company profile**

Océ supplies innovative printing systems, software, media and document management services to professional users, in over 90 countries with about 24,000 employees. In order to stay ahead of the global printing giants, it focuses on niches such as wide format, high volume and display graphics.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Leading positions in technical documentation and production printing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Colour portfolio</li> <li>▪ Less marketing, distribution and R&amp;D power than its larger competitors</li> <li>▪ Modest position in office market</li> <li>▪ Lacks economies of scale</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Further cost savings</li> <li>▪ Building on partnership with KonicaMinolta</li> <li>▪ Strategic step towards more scale</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing impact recession on machine sales and print volumes</li> <li>▪ Continuing price erosion</li> <li>▪ Global competitors entering Océ's niches</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	3,098.2	2,909.0	2,724.9	2,639.3	2,705.3
Cost of sales	-1,900.8	-1,806.5	-1,722.2	-1,653.8	-1,688.1
Gross profit	1,197.4	1,102.5	1,002.8	985.5	1,017.2
Operating costs	-877.2	-867.5	-782.5	-748.0	-761.5
Extraordinaries	0.0	0.0	-38.0	0.0	0.0
EBITDA	320.2	235.0	182.3	237.5	255.7
Depreciation	-164.0	-154.0	-144.0	-143.1	-144.6
EBITA	156.2	81.0	38.3	94.4	111.2
Amortisation	-35.0	-35.0	-30.0	-30.0	-30.0
EBIT	121.2	46.0	8.3	64.4	81.2
Net financial result	-39.9	-47.3	-36.5	-40.9	-36.3
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	81.3	-1.3	-28.2	23.5	44.9
Income taxes	-2.4	5.1	12.0	1.2	-5.8
Minority interests	-1.8	-1.8	-1.3	-0.6	-1.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	77.1	2.0	-17.5	24.0	38.1
Adjustments, total	-2.6	26.1	19.9	-2.5	-2.5
Net income recurring	74.5	28.1	2.4	21.5	35.6
PERSHARE ITEMS					
Shares outstanding avg. (mln)	84.7	84.7	85.1	85.5	86.0
Shares outstanding fully diluted (mln)	84.7	84.7	85.1	85.5	86.0
EPS reported	0.88	-0.01	-0.23	0.18	0.41
EPS recurring	0.88	0.33	0.03	0.25	0.41
CPS	3.47	1.23	1.93	2.35	2.54
DPS	0.64	0.15	0.00	0.00	0.13
Fiscal year ends 11/2009					
% GROWTH					
Revenues		-6.1	-6.3	-3.1	2.5
EBITA		-48.1	-52.7	146.3	17.8
Net income recurring		-62.3	-91.4	795.9	65.1
% MARGINS					
Gross margin		37.9	36.8	37.3	37.6
EBITA margin		2.8	1.4	3.6	4.1
Net recurring margin		1.0	0.1	0.8	1.3
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	2,050.4	1,678.7	1,343.9	1,280.5	1,236.8
P/E recurring (x)	5.1	13.6	149.3	17.9	10.9
P/Sales (x)	0.1	0.1	0.1	0.1	0.1
P/FCF (x)	3.0	4.4	7.9	5.6	6.3
P/CF (x)	1.3	3.6	2.3	1.9	1.8
P/B (x)	0.6	0.6	0.7	0.6	0.6
Dividend yield (%)	14.3	3.3	0.0	0.0	2.9
EV/EBITDA (x)	6.4	7.1	7.4	5.4	4.8
EV/Sales (x)	0.7	0.6	0.5	0.5	0.5
EV/FCF (x)	16.4	19.3	27.8	18.6	20.2

Cash Flow Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	77.1	2.0	-17.5	24.0	38.1
Depreciation & Amortisation	199.0	189.0	174.0	173.1	174.6
Working Capital Change	72.0	-60.0	18.7	11.0	3.6
Other Items	-53.9	-27.2	-11.1	-7.6	2.4
Cash Flow from Operations	294.2	103.8	164.1	200.7	218.6
Net Capital Expenditure	-106.0	-13.60	-116.1	-121.4	-129.9
Investments in goodwill	-3.60	8.10	-20.0	-25.0	-3.00
Other Investments	24.0	-41.0	20.3	14.7	2.6
Cash Flow from Investments	-118.0	-96.0	-115.8	-131.7	-157.3
Ordinary Dividends	-54.2	-12.7	0.0	0.0	-11.4
Preferred Dividend	-2.8	-2.8	-2.5	-2.5	-2.5
Change in Preferred Stock	59.0	-1.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-97.0	48.0	-44.0	-70.0	-50.0
Change in Minorities	-2.8	-2.8	-2.3	-1.1	-1.8
Cash Flow from Financing	-97.8	28.7	-48.8	-73.6	-65.7
Change in Cash	78.4	3.65	-0.6	-4.7	-4.4
Free Cash Flow	125.4	87.0	48.3	68.9	61.3
Free Cash Flow Yield (%)	33.0	22.9	12.7	18.0	15.9

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	179.0	101.0	100.4	95.8	91.4
Other current assets	1,031.0	1,063.0	920.6	878.8	887.3
Net PP&E	482.0	464.0	436.2	414.4	399.7
Intangible assets	512.0	593.0	583.0	578.0	578.0
Other non-current assets	287.0	328.0	307.7	293.0	290.4
Total Assets	2,491.0	2,549.0	2,347.9	2,260.0	2,246.8
Short-term debt	65.0	61.0	50.0	50.0	50.0
Other current liabs	673.0	743.0	619.3	588.6	600.6
Long-term debt	551.0	603.0	570.0	500.0	450.0
Other non-current liabs	490.0	461.0	448.6	440.4	441.8
Minority interest	3.60	3.50	3.40	3.3.5	3.2.7
Total equity	617.0	588.0	568.0	589.5	613.7
Total liabs & equity	2,432.0	2,491.0	2,289.9	2,202.0	2,188.8
Net debt	437.0	563.0	519.6	454.2	408.6
ROIC (%)	10.6	6.3	3.8	8.2	8.4
Net gearing (%)	70.8	95.7	91.5	77.0	66.6
Working capital as % of sales	11.6	11.0	11.1	11.0	10.6
Inventory period days		42.7	44.6	42.2	40.7
Trade debtor days		85.6	84.5	78.5	74.8
Trade creditor days		83.3	85.5	78.5	75.7
Cash cycle		45.0	43.6	42.2	39.8



# Omega Pharma

## Pure play OTC at a low price

### Key message

Fully acknowledging Omega's volatile earnings history, we remain of the opinion that (i) Omega Pharma is well positioned for solid organic growth through its good product portfolio and unique focus on pharmacies across Europe, (ii) Omega has the potential to raise its margins with this growth and (iii) that the company is undervalued even assuming very conservative growth and margin estimates. Given the resilience Omega is showing in its 09H1 results in these turbulent times, we stick to our Buy rating with a new price target of EUR 37.

	2008	2009E	2010E	2011E
Sales (EUR m)	811	798	819	839
EPS Recurring	2.78	2.73	3.11	3.48
P/E Recurring	10.8	11.0	9.6	8.6
P/FCFPS	32.5	11.0	9.8	8.8
EV/ EBITDA	7.9	7.5	6.8	6.1
Dividend Yield (%)	2.0	1.9	2.2	2.5

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Omega's 09Q2 sales came in a bit disappointing, as the impact of the recession was a bit higher than we expected. Still, an organic sales drop of c. 3% is relatively mild, in our view showing the resilience of Omega's products. Moreover, the 09H1 full results were better than expected, as the initiated cost savings bore fruit. Group EBITDA of EUR 67.4m beat our forecast of EUR 62.0m. Although non-recurring charges were a bit higher, lower depreciation, interest and taxes led to net income of EUR 33.8m vs our forecast of EUR 23.4m.
- Omega started a joint venture with the Indian company Modi for the production and marketing of Omega Pharma products in India. This further enhances the growth profile and potential of Omega.
- In March 2008, founder, 28% shareholder and previous CEO Marc Coucke returned to the CEO position. We believe he brought back the entrepreneurial, decentralised spirit. Since then, results have improved strongly.
- The split-off of Arseus has been finalised as of 5 October 2007 making Omega Pharma a pure play OTC player. OP still owns 25% in Arseus.

### Valuation

Even using conservative estimates for organic revenue growth (a sales CAGR 2009-2012 of 2.5%) and for the EBITDA margin (largely flat at c. 17%), our DCF valuation for Omega Pharma points to EUR 37. At a P/E 2010 of c. 10x, we believe there is still ample room for a re-rating in case of a slight acceleration in growth or a gradual margin improvement.

### Rating

**Buy**

**Price target:** EUR 37.0   
**Price 29 Sep 2009:** EUR 29.9  
**Up-/downside:** +23.7%

### Health Care Equipment & Supplies

#### Market capitalisation:

EUR 725 m

#### Avg (12 month) daily volume:

61,061

#### Free float

60%

#### Reuters

OMEP.BR

#### Bloomberg code

OME BB

### Share Price Performance %

	-1m	-3m	-12m
Omega Pharma	+6	+27	-1
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Trading Update 09Q3	15 Oct 2009
Trading Update 09Q4	21 Jan 2010

### Major shareholders

	%
Couckinvest	30.9
Capital Group International	4.9
Omega Pharma	3.9

### Listed Peers

	Ticker
L'Oreal	OR FP
Reckitt Benckiser	RB/ LN
SSL International	SSL LN

### Analysts

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

Equity Sales	+ 31 20 460 4707
Equity Sales Trading	+ 31 20 460 4723
<a href="http://www.rabosecurities.com">www.rabosecurities.com</a>	

### Outlook

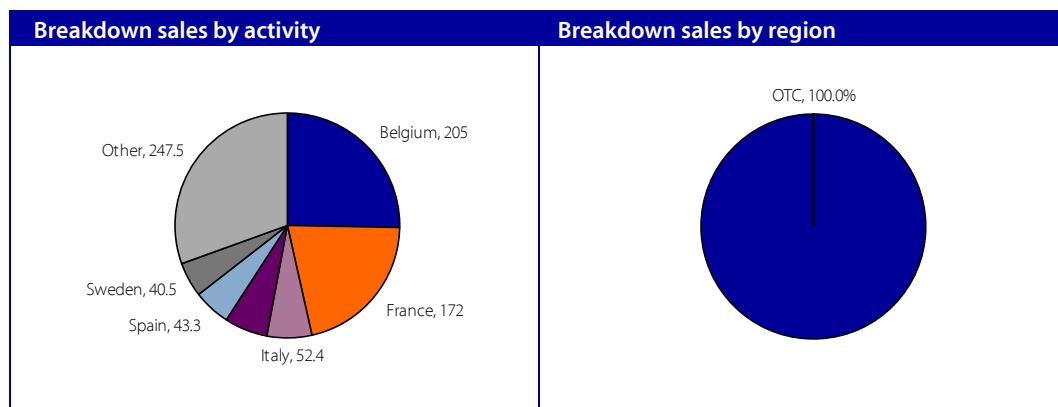
For 2009, Omega is guiding to largely flat sales vs 2008, despite the revenue drop of 3% in H1. We believe this may be challenging given the weakening consumer spending across Europe. Omega is in the middle of a cost reduction program of EUR 30m, of which EUR 20m was already achieved by mid-2009. There are no other targets anymore, short term nor long term. Longer term, we believe Omega has mid single digit organic growth potential, as pharmacies across Europe are increasingly focussing on the sale of OTC products as another, non-regulated source of income.

### Company profile

After the spin-off of its B2B healthcare distribution subsidiary Arseus in October 2007, Omega Pharma is a pure play OTC company. OP produces and sells over-the-counter (OTC) pharmaceuticals and cosmetics to pharmacies across Europe. Brand names include Davitamon, Predictor, Biodermal and Jungle Formula. It is the worldwide number 13 in the OTC market, especially active in smaller niche OTC categories.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Large OTC brand portfolio which can be leveraged across Europe</li> <li>▪ Largest pharmacy focussed sales force in Europe</li> <li>▪ Acquisition of Bittner gives exposure to fast growing Russian and Polish market</li> </ul>	<ul style="list-style-type: none"> <li>▪ The communication track record is quite poor, with several profit warnings during the last years</li> <li>▪ Volatile earnings reports</li> <li>▪ Brand portfolio includes many small, local products</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Pharmacies are increasingly focussing on the sale of OTC medicines</li> <li>▪ Growth in Eastern Europe</li> <li>▪ Improving the communications track record</li> </ul>	<ul style="list-style-type: none"> <li>▪ Heavy competition in OTC from large pharmaceuticals like Bayer and Sanofi</li> <li>▪ The introduction of private label OTC products at pharmacies</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	789.0	811.3	798.3	819.3	839.7
Cost of sales	-458.7	-470.1	-461.0	-471.4	-481.5
Gross profit	330.3	341.2	337.3	347.8	358.2
Operating costs	-193.4	-197.9	-203.2	-209.1	-214.3
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	136.9	143.3	134.2	138.8	143.9
Depreciation	-16.4	-21.7	-21.6	-21.4	-21.5
EBITA	120.5	121.6	112.6	117.4	122.4
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	120.5	121.6	112.6	117.4	122.4
Net financial result	-3.44	-3.99	-28.3	-26.2	-25.6
Other pre-tax items	-15.1	-6.3	-7.6	-0.5	4.7
EBT	70.9	75.4	76.7	90.7	101.5
Income taxes	-7.9	-7.9	-13.0	-18.1	-20.3
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items / participation	2.1	0.0	0.0	0.0	0.0
Extraordinaries	101.0	0.0	0.0	0.0	0.0
Net income	166.1	67.5	63.7	72.5	81.2
Adjustments, total	-101.0	0.0	0.0	0.0	0.0
Net income recurring	65.1	67.5	63.7	72.5	81.2
PERSHARE ITEMS					
Shares outstanding avg. (mln)	25.3	24.3	23.6	23.3	23.3
Shares outstanding fully diluted (mln)	24.8	24.3	23.3	23.3	23.3
EPS reported	6.56	2.78	2.70	3.11	3.48
EPS recurring	2.63	2.78	2.73	3.11	3.48
CPS	10.34	1.81	3.57	3.92	4.30
DPS	0.50	0.60	0.57	0.66	0.74
Fiscal year ends 12/2009					
% GROWTH					
Revenues		2.8	-1.6	2.6	2.5
EBITA		1.0	-7.5	4.3	4.3
Net income recurring		3.7	-5.7	13.9	12.0
% MARGINS					
Gross margin		42.1	42.3	42.5	42.7
EBITA margin		15.0	14.1	14.3	14.6
Net recurring margin		8.3	8.0	8.9	9.7

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	1,787.2	1,135.6	1,000.4	937.8	875.5
P/E recurring (x)	11.4	10.8	11.0	9.6	8.6
P/Sales (x)	1.0	0.9	0.9	0.9	0.8
P/FCF (x)	3.0	32.4	11.0	9.8	8.8
P/CF (x)	2.9	16.5	8.4	7.6	7.0
P/B (x)	1.2	1.2	1.0	0.9	0.8
Dividend yield (%)	1.7	2.0	1.9	2.2	2.5
EV/EBITDA (x)	13.1	7.9	7.5	6.8	6.1
EV/Sales (x)	2.3	1.4	1.3	1.1	1.0
EV/FCF (x)	7.2	50.7	15.6	13.2	11.0

<b>Cash Flow Statement ( EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	166.1	67.5	63.7	72.5	81.2
Depreciation & Amortisation	16.4	21.7	21.6	21.4	21.5
Working Capital Change	33.1	-23.4	-0.7	-2.8	-2.7
Other Items	46.3	-21.8	-0.3	0.5	0.5
Cash Flow from Operations	262.0	44.0	84.3	91.6	100.4
Net Capital Expenditure	-12.9	-21.5	-20.0	-20.5	-21.0
Goodwill from Acquisitions	-8.2.5	-33.6	0.0	0.0	0.0
Other Investments	-40.8	-0.9	-0.0	-0.0	-0.0
Cash Flow from Investments	-136.2	-56.1	-20.0	-20.5	-21.0
Ordinary Dividends	-12.4	-14.3	-13.5	-15.3	-17.2
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-178.0	1.4	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-59.2	89.8	-0.2	-0.0	-0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-249.6	77.0	-13.7	-15.3	-17.2
Change in Cash	-123.9	64.9	50.6	55.8	62.2
Free Cash Flow	249.1	22.4	64.3	71.1	79.4
Free Cash Flow Yield (%)	32.9	3.1	9.1	10.2	11.4

<b>Balance Sheet ( EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	35.4	33.8	151.5	207.2	269.5
Other current assets	323.0	380.8	377.1	387.0	396.7
Net PP&E	50.2	50.1	48.4	47.5	47.0
Intangible assets	845.3	879.0	879.0	879.0	879.0
Other non-current assets	72.7	73.6	73.6	73.7	73.7
Total Assets	1,326.7	1,417.3	1,529.6	1,594.4	1,665.9
Short-term debt	22.5	101.9	101.9	101.9	101.9
Other current liabs	241.2	275.6	271.2	278.3	285.2
Long-term debt	334.5	345.0	344.8	344.8	344.8
Other non-current liabs	116.3	94.5	94.2	94.7	95.2
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	612.2	600.3	717.6	774.8	838.8
Total liabs & equity	1,326.7	1,417.3	1,529.6	1,594.4	1,665.9
Net debt	321.6	413.1	295.2	239.4	177.1
ROIC (%)	18.4	17.6	13.1	14.2	15.5
Net gearing (%)	52.5	68.8	41.1	30.9	21.1
Working capital as % of sales	14.9	17.1	17.4	17.4	17.4
Inventory period days		50.3	55.9	55.0	55.0
Trade debtor days		85.2	91.9	90.2	90.2
Trade creditor days		85.8	91.1	89.2	89.3
Cash cycle		49.7	56.7	55.9	55.9

# Ordina

## A non-consensus Buy

### Key message

The lower than expected cost base and a stabilization of end demand, could offer room for another positive earnings surprise in 09H2. A modest 09Q4 recovery could materialize when Ordina's clients will re-animate ICT projects that were killed in blind panic. ING for instance is planning to reanimate a number of ICT projects that were killed in 08Q4.

	2008	2009E	2010E	2011E
Sales (EUR m)	696	567	569	620
EPS Recurring	0.50	0.37	0.47	0.60
P/E Recurring	8.5	11.5	9.1	7.1
P/FCFPS		22.5	13.8	9.7
EV/ EBITDA	8.6	6.2	5.2	4.1
Dividend Yield (%)	0.0	0.0	0.7	1.4

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- In spite of a weak topline performance, Ordina's 09H1 results positively surprised due to impressive cost cutting and excellent working capital management. The Recurring EBITA of EUR 17.0m was clearly ahead of our EUR 13.5m and consensus of EUR 15.0m. The recurring cost base of EUR 268.4m in 09H1 was EUR 10.1m lower than our 278.5m estimate. Personnel costs decreased organically with EUR 24m in 09H1. In spite of 20% growth for off-shoring, subcontracting costs decreased 17%. Of the EUR 15m of projected cost savings for 2009, still only EUR 4m was realized in 09H1. Ordina is quite confident to be able to outperform this target.
- Ordina reported recurring 09H1 sales of EUR 285.6m vs our EUR 291.9m and consensus of EUR 297.0m. The organic sales decline of 11% was weaker than our +/- 7% estimate. The organic sales decline of 4% in 09Q1 was followed by a 18% organic decline in 09Q2. The main reason for the weaker than expected topline performance was Ordina Finance. Driven by the restructuring at ING, sales for Ordina Finance fell 20% to come out at EUR 79.4m, below our EUR 87.8m forecast. In spite a major reorganization at the Dutch Tax Authority, sales for Ordina Public were up 1% towards EUR 123.8m, slightly higher than our EUR 122.2m estimate. New business was won with the Ministry of Justice and the Public Prosecutor. Sales for Ordina Industry of EUR 82.4m were down 16% and in line with our EUR 82.0m.

### Valuation

Our DCF points to a fair value per share of EUR 6 per share. This value is based on a WACC of 8.7%, a 5.5% trough margin in 2009, a gradual recovery of the margin towards 9.7% in 2012, 4% organic sales growth for the medium term and 8% long term EBITA-margins. Ordina is now trading at 2009E EV/EBITDA of 6.2x. This reflects a 34% discount to the average 2000-2008 multiple of 10.8x.

### Rating

**Buy**

**Price target:**

**EUR 6.0**

**Price 29 Sep 2009:**

**EUR 4.3**

**Up-/downside:**

**+40.6%**

### IT Consulting & Services

#### Market capitalisation:

EUR 186 m

#### Avg (12 month) daily volume:

403,817

#### Free float

77%

#### Reuters

ORDN.AS

#### Bloomberg code

ORDI NA

### Share Price Performance %

	-1m	-3m	-12m
Ordina	0	+53	-20
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09FY

02 Mar 2010

### Major shareholders

	%
Cyrt Investments BV	7.7
Fortis Verzekeringen Nederland N.V.	5.5
Aviva Plc	5.1
UBS AG	4.8

### Listed Peers

	Ticker
Cap Gemini	CAP FP
ICT	ICT NA
Atos Origin	SAX FP
TietoEnator	TIE1V FH
Logica	LOG NA

### Analysts

#### Hans Slob

+31 (0) 20 460 4866

#### Frank Claassen

+31 (0) 20 460 4868

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

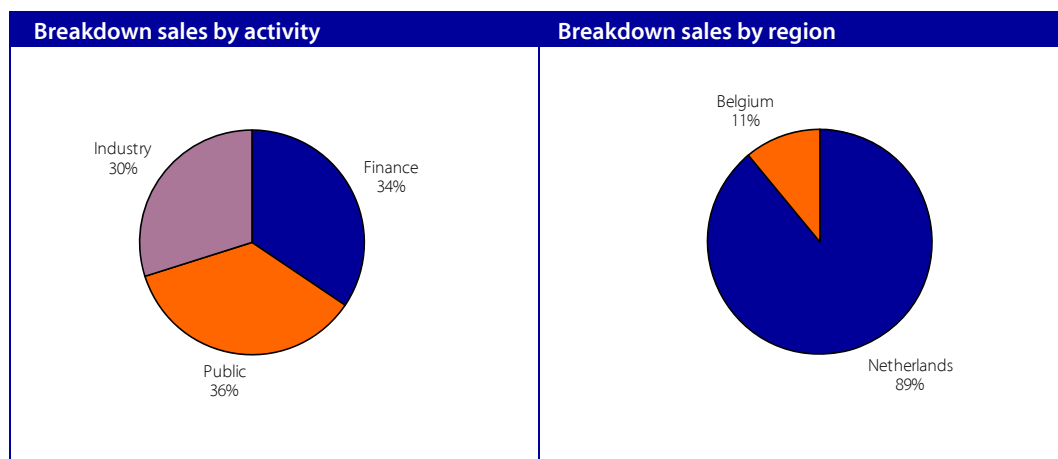
Excellent working capital management and the EUR 20.7m equity offering have almost completely taken away covenant fears. Following the expected 11% organic sales decline for 2009E, we continue to expect a modest 2% topline recovery for 2010, followed by a strong acceleration towards 9% organic sales growth in 2011. This topline scenario should trigger a 62% EPS increase from the 2009 trough level of 2009 towards 2011. From a trough level of EUR 0.37 in 2009, we see EPS Recurring rising from EUR 0.47 in 2010 to a level of EUR 0.60 in 2011.

### Company profile

Ordina is one of the leading Benelux IT services companies offering Consulting, IT and Outsourcing services. Ordina employs a workforce of 5,000 staff who primarily serve large clients in three segments: Finance, Public and Industry.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong position in the public sector</li> <li>▪ Clear focus on the Benelux</li> </ul>	<ul style="list-style-type: none"> <li>▪ High exposure to non-recurring businesses</li> <li>▪ No international exposure</li> <li>▪ No direct presence in India</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Market share gains at the expense of the smaller competitors</li> <li>▪ Ordina is a potential acquisition candidate</li> <li>▪ Carve-out of the BPO bleeder</li> </ul>	<ul style="list-style-type: none"> <li>▪ Clients might require more international presence, which Ordina lacks</li> <li>▪ Increasing wage inflation</li> <li>▪ Strong pressure on 2009 billing rates</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	665.4	696.5	567.1	569.1	620.9
Cost of sales	-116.0	-143.7	-127.6	-108.1	-111.8
Gross profit	549.4	552.8	43.95	461.0	509.2
Operating costs	-472.8	-505.6	-3.998	-412.6	-451.4
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	76.6	47.2	3.97	48.4	57.7
Depreciation	-14.5	-11.1	-8.7	-8.9	-9.5
EBITA	62.1	3.61	3.1.0	3.9.5	48.3
Amortisation	-16.4	-24.6	-17.6	-17.6	-17.6
EBIT	45.7	11.6	13.4	21.9	30.7
Net financial result	-4.7	-5.4	-6.1	-7.7	-7.4
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	41.1	6.1	7.3	14.2	23.3
Income taxes	-10.8	18.8	-6.5	-8.3	-10.6
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	-106.0	0.0	0.0	0.0
Net income	3.03	-8.11	0.8	5.9	12.6
Adjustments, total	12.7	101.7	17.6	17.6	17.6
Net income recurring	43.0	20.7	18.4	23.5	30.2
PER SHARE ITEMS					
Shares outstanding avg. (mln)	39.9	41.3	45.4	49.8	50.3
Shares outstanding fully diluted (mln)	41.1	41.3	49.3	49.8	50.3
EPS reported	0.76	-1.96	0.02	0.12	0.25
EPS recurring	1.05	0.50	0.37	0.47	0.60
CPS	1.30	-1.02	0.33	0.49	0.75
DPS	0.19	0.00	0.00	0.03	0.06

Fiscal year ends 12/2009

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	688.8	405.0	269.0	257.4	240.4
P/E recurring (x)	4.2	8.7	11.8	9.3	7.3
P/Sales (x)	0.3	0.3	0.3	0.4	0.4
P/FCF (x)	21.7	N/A	21.1	14.3	9.8
P/CF (x)	3.4	N/A	13.2	8.9	5.8
P/B (x)	0.7	1.1	1.1	1.1	1.1
Dividend yield (%)	4.4	0.0	0.0	0.7	1.4
EV/EBITA	11.1	11.2	8.7	6.5	5.0
EV/EBITDA (x)	9.0	8.6	6.8	5.3	4.2
EV/Sales (x)	1.0	0.6	0.5	0.5	0.4
EV/FCF (x)	86.1	N/A	28.6	16.9	10.8

Cash Flow Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	30.4	-81.1	0.8	5.9	12.6
Depreciation & Amortisation	30.9	35.7	26.3	26.5	27.1
Working Capital Change	-6.3	18.3	-0.9	0.7	-0.5
Other Items	-3.3	-14.8	-11.0	-8.5	-1.4
Cash Flow from Operations	51.7	-41.9	15.2	24.5	37.8
Net Capital Expenditure	-43.7	-40.8	-5.8	-9.3	-15.5
Goodwill from Acquisitions	0.0	0.0	0.0	-0.0	-0.0
Other Investments	0.7	-1.0	0.0	0.0	0.0
Cash Flow from Investments	-43.0	-41.8	-5.8	-9.3	-15.5
Ordinary Dividends	-7.7	0.0	0.0	-1.5	-3.2
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	20.7	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	9.7	17.2	-0.0	-0.0	-0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	2.0	17.2	20.7	-1.5	-3.2
Change in Cash	10.8	-66.5	30.1	13.7	19.2
Free Cash Flow	8.0	-82.7	9.4	15.2	22.3
Free Cash Flow Yield (%)	4.6	N/M	4.7	7.0	10.2

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	36.0	25.7	55.8	69.5	88.7
Other current assets	168.7	167.5	146.6	138.0	149.0
Net PP&E	29.1	20.4	17.4	17.9	23.9
Intangible assets	292.6	240.0	222.4	204.8	187.2
Other non-current assets	5.8	6.8	6.8	6.8	6.8
Total Assets	532.2	460.5	449.1	437.1	455.7
Short-term debt	57.7	82.0	82.0	82.0	82.0
Other current liabs	161.2	178.3	156.4	148.5	159.0
Long-term debt	34.9	27.8	27.8	27.8	27.8
Other non-current liabs	23.8	9.0	-2.0	-10.5	-11.9
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	254.6	163.3	184.8	189.2	198.7
Total liabs & equity	532.2	460.5	449.1	437.1	455.7
Net debt	56.6	84.1	54.0	40.3	21.1
ROIC (%)	14.3	14.1	7.3	10.0	11.7
Net gearing (%)	22.2	51.5	29.2	21.3	10.6
Working capital as % of sales	6.5	2.1	-1.7	-1.8	-1.6
Inventory period days	0.0	0.0	0.0	0.0	0.0
Trade debtor days	92.5	86.5	99.1	91.3	84.4
Trade creditor days	85.0	81.6	94.6	85.9	79.4
Cash cycle	7.6	4.8	4.5	5.4	5.0



# Pharming

## Restructuring almost complete

### Key message

Pharming's future is highly dependent on Rhucin, for the treatment of acute attacks of hereditary angioedema (HAE). Rhucin was filed for approval in July 2006 with the EMEA and in 08Q1 the company received a final negative opinion from the EMEA. Additional trials show that the drug is effective and safe and we therefore believe an approval mid 2010 is likely. The balance sheet restructuring is almost complete, which is positive. However in the short term there will be more dilution for shareholders ahead and we therefore rate the stock a Reduce, with a PT of EUR 0.35.

	2008	2009E	2010E	2011E
Sales (EUR m)	0	11	15	29
EPS Recurring	-0.29	-0.17	-0.12	0.00
P/E Recurring	N/A	N/A	N/A	
P/FCFPS				18.0
EV/ EBITDA	N/A	N/A	N/A	14.4
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Rabo Securities

Year to December, fully diluted


### Recent developments

- On 30 September, the company announced that 70% of the nominal amount of currently outstanding bonds, accepted the offer to convert the bonds in cash and shares. At the request of certain bondholders, the offer period has been extended until October 13, 2009. Bondholders can therefore still participate in the offer. Following conversion of 70% of the bonds, the total amount of outstanding debt from the convertible bonds will be reduced from EUR 35.8m to EUR 10.9m in exchange for 29.38m newly issued shares and EUR 3.74m in cash.
- On 3 September, Pharming announced the submission of a new Marketing Authorisation Application (MAA) for Rhucin for the treatment of acute attacks of Hereditary Angioedema (HAE) to the European Medicines Agency (EMA). Pharming has followed up on and addressed concerns raised by the Committee for Medicinal Products for Human Use (CHMP) during the last evaluation procedure in 2007, which resulted in a negative opinion with regard to a marketing authorisation. We expect an announcement of the CHMP in the second half of 2010. HAE is a genetic disorder caused by a shortage of C1 inhibitor activity, characterized by acute attacks of painful swelling of soft tissues (edema) and can be fatal.
- On 14 August the company announced that the US Food and Drug Administration (FDA), allowed Dnage to initiate a clinical trial in children suffering from Cockayne Syndrome (CS). CS is a genetic disorder that is (amongst other symptoms) characterized by growth failure, mental retardation, hearing loss, a premature aged appearance (progeria) and premature death.

### Valuation

Based on our risk-adjusted DCF model for Pharming's different projects, we come to a fair value of EUR 0.35 per share. This methodology does not attach any value to Pharming's research projects, IP and know-how. This fair value is more than 20% below the current share price and due to the additional risk of a dilutive share issue we rate the stock a Reduce.

### Rating **Reduce**

<b>Price target:</b>	<b>EUR 0.3</b> 
<b>Price 29 Sep 2009:</b>	<b>EUR 0.5</b>
<b>Up-/downside:</b>	<b>-35.1%</b>

### Biotechnology

#### Market capitalisation:

EUR 61 m

#### Avg (12 month) daily volume:

871,752

#### Free float

75%

#### Reuters

PHARAS

#### Bloomberg code

PHARM NA

### Share Price Performance %

	-1m	-3m	-12m
Pharming	-6	-3	-33
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	16 Oct 2009
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### Major shareholders

	%
Lafferty Limited	10.0
A. van Herk	9.9
UBS AG	4.9

### Listed Peers

	Ticker
Dyax	DYAX US

### Analysts

#### Fabian Smeets

+31 (0) 20 460 4864

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

Equity Sales +31 20 460 4707

Equity Sales Trading +31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

## Pharming

### Outlook

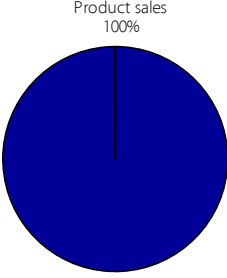
The company is aiming to file Rhucin in the USA at the start of 2010 and we therefore expect no market approval in the USA before 2011. Therefore we expect the company to continue to be cash flow negative in 2009 and 2010. The company has been restructuring its debt position by a debt for equity swap and we believe this has significantly reduced risks for shareholders. In a blue skies scenario in which the company receives an approval for Rhucin in 2010, there is even significant upside for shareholders.

### Company profile

Pharming's therapeutic proteins are produced using its innovative technology and isolated from milk of transgenic cows or rabbits. These transgenic animals are almost identical to non-transgenic members of the same species, but have an extra gene built in that makes them produce specific human proteins in their milk. The simple and elegant method yields the human protein in high quantities, but the company has no experience yet on the scale necessary to be able to produce enough quantities to meet world wide demand.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"><li>▪ Lead product close to market introduction</li><li>▪ Innovative technology platform</li></ul>	<ul style="list-style-type: none"><li>▪ High dependency on lead product</li><li>▪ Market potential of lead product is shrinking due to product launches of competitors in key markets</li></ul>
Opportunities	Threats
<ul style="list-style-type: none"><li>▪ Building a diversified pipeline</li><li>▪ Forming strategic alliances</li></ul>	<ul style="list-style-type: none"><li>▪ Competition from companies such as Jerini, Dyax, Lev pharmaceuticals and CSL Behring</li><li>▪ Additional cash will be necessary in 2009 and 2010, resulting in more dilution for current share holders</li></ul>

Breakdown sales by activity	Breakdown sales by region
 <p>A pie chart with a single dark blue slice representing 100% of the total. The text 'Product sales 100%' is centered above the chart.</p>	

## Pharming

Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	0.7	0.7	11.0	15.6	29.2
Cost of sales	-14.8	-20.9	-24.0	-16.5	-17.5
Gross profit	-14.1	-20.2	-13.0	-0.9	11.7
Operating costs	-8.8	-4.1	-5.2	-7.1	-6.0
Extraordinaries	-0.3	-5.1	0.0	0.0	0.0
EBITDA	-23.2	-29.3	-18.2	-8.0	5.6
Depreciation	-1.4	-1.4	-0.5	-0.6	-0.6
EBITA	-24.6	-30.8	-18.7	-8.6	5.0
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	-24.6	-30.8	-18.7	-8.6	5.0
Net financial result	0.1	4.0	-1.0	-4.9	-5.3
Other pre-tax items	-2.2	0.2	0.0	0.0	0.0
EBT	-26.8	-26.5	-19.7	-13.5	-0.3
Income taxes	0.3	0.5	0.1	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	-9.1	0.0	0.0	0.0	0.0
Net income	-35.6	-26.0	-19.6	-13.5	-0.3
Adjustments, total	9.1	-0.2	0.0	0.0	0.0
Net income recurring	-26.5	-26.2	-19.6	-13.5	-0.3
PERSHARE ITEMS					
Shares outstanding avg. (mln)	91.0	91.7	113.2	115.8	115.8
Shares outstanding fully diluted (mln)	96.2	99.0	115.0	115.0	115.0
EPS reported	-0.39	-0.28	-0.17	-0.12	0.00
EPS recurring	-0.29	-0.29	-0.17	-0.12	0.00
CPS	-0.50	-0.27	-0.29	-0.06	0.04
DPS	0.00	0.00	0.00	0.00	0.00
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-3.8	1,556.6	41.6	87.2
EBITA		24.9	-3.92	-54.2	N/M
Net income recurring		-1.0	-25.0	-31.4	-98.0
% MARGINS					
Gross margin		-3,041.1	-118.2	-5.9	40.0
EBITA margin		-4,631.0	-170.0	-54.9	17.2
Net recurring margin		-3,944.3	-178.5	-86.4	-0.9
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	280.5	92.5	76.4	87.5	93.4
P/E recurring (x)	N/A	N/A	N/A	N/A	N/A
P/Sales (x)	70.2	70.7	5.6	4.0	2.1
P/FCF (x)	N/A	N/A	N/A	N/A	18.9
P/CF (x)	N/A	N/A	N/A	N/A	13.5
P/B (x)	1.6	3.7	2.6	6.3	6.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	N/A	N/A	N/A	N/A	16.7
EV/Sales (x)	400.7	132.1	6.9	5.6	3.2
EV/FCF (x)	N/A	N/A	N/A	N/A	28.3

## Pharming

Cash Flow Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	-35.6	-26.0	-19.6	-13.5	-0.3
Depreciation & Amortisation	1.4	1.4	0.5	0.6	0.6
Working Capital Change	2.0	0.2	-16.8	4.9	0.5
Other Items	-13.5	-0.3	3.6	1.2	3.9
Cash Flow from Operations	-45.7	-24.7	-32.3	-6.8	4.7
Net Capital Expenditure	-1.2	-0.2	-0.8	-0.9	-1.5
Goodwill from Acquisitions	0.0	2.1	0.0	0.0	0.0
Other Investments	0.6	1.3	0.1	-2.0	-9.2
Cash Flow from Investments	-0.6	3.2	-0.7	-2.9	-10.6
Ordinary Dividends	0.0	0.0	0.0	0.0	0.0
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	53.0	-18.1	9.9	0.0	0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	53.0	-18.1	9.9	0.0	0.0
Change in Cash	6.8	-3.96	-23.1	-9.7	-5.9
Free Cash Flow	-46.9	-24.9	-33.1	-7.8	3.3
Free Cash Flow Yield (%)	N/M	N/M	N/M	N/M	5.3

Balance Sheet ( EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	54.9	23.4	29.9	20.2	14.3
Other current assets	23.8	12.6	33.5	35.5	35.0
Net PP&E	7.1	5.9	6.2	6.5	7.3
Intangible assets	9.2	7.1	7.1	7.1	7.1
Other non-current assets	19.4	18.1	18.0	20.0	29.2
Total Assets	114.3	67.0	94.6	89.2	92.9
Short-term debt	0.1	0.1	0.1	0.2	0.2
Other current liabs	23.4	12.4	16.5	23.4	23.3
Long-term debt	53.2	35.1	45.0	45.0	45.0
Other non-current liabs	6.3	6.0	9.7	10.9	14.7
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	31.2	13.5	23.3	9.9	9.6
Total liabs & equity	114.3	67.2	94.6	89.2	92.9
Net debt	-1.6	11.9	15.2	25.0	30.9
ROIC (%)	-127.4	-103.5	-68.6	-22.9	14.7
Net gearing (%)	-5.1	88.1	65.3	253.2	321.6
Working capital as % of sales	919.9	929.5	179.7	98.0	52.0
Inventory period days		6,236.6	430.9	358.3	188.7
Trade debtor days		0.0	58.4	92.3	63.8
Trade creditor days		4,176.6	304.7	311.4	188.7
Cash cycle		2,060.0	184.6	139.2	63.8

# Philips

## Not really early cyclical

### Key message

We remain cautious on Philips. We believe the division Healthcare will have only a moderate recovery in the coming years as hospitals' financing remains constraint and government budget cuts put pressure on healthcare spending growth. We also believe the division Lighting is for a substantial part late-cyclical due to its exposure to housing, office and commercial construction. Apart from a potential recovery in Consumer Lifestyle, this all means Philips' earnings leverage is mainly driven by its cost savings. Despite good cash flow generation and a strong balance sheet, at 20x EPS 2010, we believe Philips is fully valued.

	2008	2009E	2010E	2011E
Sales (EUR m)	26,385	22,893	23,163	24,532
EPS Recurring	1.30	0.82	0.85	1.24
P/E Recurring	13.1	20.7	20.0	13.7
P/FCFPS	11.4		17.7	10.7
EV/ EBITDA	9.0	9.6	8.2	6.2
Dividend Yield (%)	4.1	4.1	4.1	4.1

Source: Rabo Securities

Year to December, fully diluted


### Recent developments

- In July 09, Philips acquired Saeco, expanding CL's exposure into the espresso machine market.
- Philips has announced major cost savings in all its division to cope with the impact of the recession. Since early 2008, it has announced measures to save in total EUR 600m annually, of which c. 1/2 will be achieved by the end of 2009.
- 09Q2 recurring EBITA of EUR 262m beat our estimate of EUR 55m, driven by all divisions and a EUR 90m insurance benefit at GM&S. Overall, sales were a bit weak, but cost savings and mix effects limited the downside. At Healthcare, Philips managed to cope with an organic sales drop of 5% (Q1: -1%), defying fears of a further sharp decline in EBITA. At CL, portfolio pruning, a strong performance of the former DAP and cost savings from the CE-DAP integration are clearly paying off. At Lighting, we believe mix effects (automotive due to scrapping schemes) led to the earnings surprise. Operating working capital was strong.
- In order to fix the profitability level of the Television business, Philips closed brand licensing deals for the North American television market with Funai in April 2008 and for the monitor business with TPV in June 2009. These deals greatly reduce the operating losses.

### Valuation

Due to the expected mild recovery at Healthcare and late-cyclicity of Lighting, we believe Philips is not greatly benefiting from the first signs of an economic recovery. Acknowledging the huge cost savings and the strong balance sheet, we believe valuation multiples are rather full, also compared to the peer group.

### Rating **Reduce**

<b>Price target:</b>	<b>EUR 11.0</b> 
<b>Price 29 Sep 2009:</b>	<b>EUR 17.0</b>
<b>Up-/downside:</b>	<b>-35.3%</b>

### Semiconductor Equipment & Products

#### Market capitalisation:

EUR 16,526 m

#### Avg (12 month) daily volume:

4,573,755

#### Free float

100%

#### Reuters

PHG.AS

#### Bloomberg code

PHIA NA

### Share Price Performance %

	-1m	-3m	-12m
Philips	+6	+29	-11
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	12 Oct 2009
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### Major shareholders %

### Listed Peers Ticker

Siemens	SIE GR
General Electric	GE US

### Analysts

#### Philip Scholte

+31 (0) 20 460 4823

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

Equity Sales +31 20 460 4707

Equity Sales Trading +31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

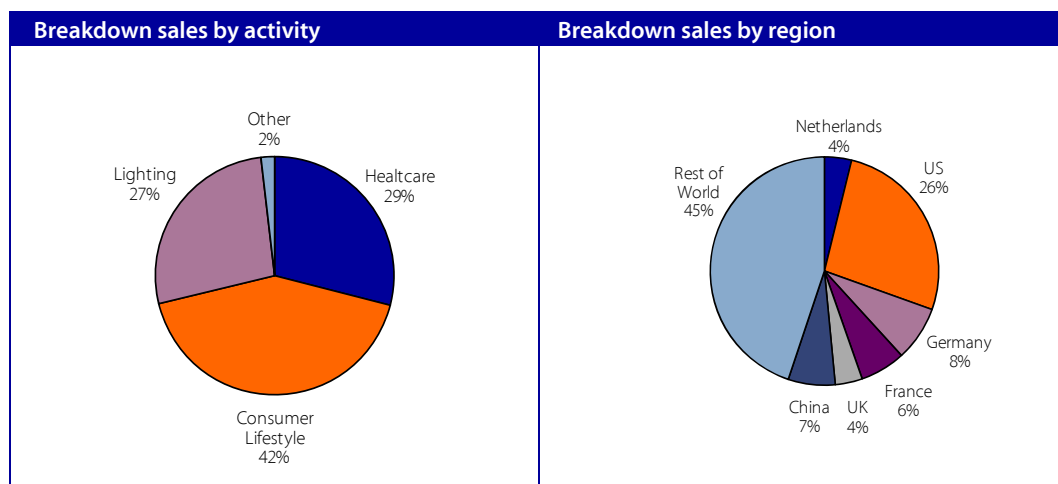
Philips has no concrete outlook for 2009, but expects H2 to be better than H1 due to cost savings. The recession has forced Philips to abandon the Vision 2010 targets, which called for group average sales growth of 6% and an EBITA margin of 10-11%. For Healthcare, the impact of the US healthcare reform remains uncertain, outweighing growth in Emerging Markets. For Lighting, the exposure to new housing, offices and commercial building means 2010 is likely to be difficult. For Consumer Lifestyle, the TV and monitor outsourcing deals and other portfolio pruning will greatly improve EBIT, further helped by a recovery in sales.

### Company profile

Royal Philips Electronics is a diversified company focussed on Healthcare, Lighting and Consumer Lifestyle, being a market leader in cardiac care, acute care and home healthcare, energy efficient lighting solutions and new lighting applications, as well as lifestyle products for personal well-being and pleasure with strong leadership positions in flat TV, male shaving and grooming, portable entertainment and oral healthcare.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Leading global positions in all 3 divisions</li> <li>▪ Strong cash generation / balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>▪ Healthcare's market share in Asia still relatively low</li> <li>▪ Expensive legacy production facilities across Europe</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Ageing of population drives Healthcare growth</li> <li>▪ Increasing health / environmental awareness among consumers</li> <li>▪ Switch towards energy efficient lighting solutions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Governmental budget cuts in healthcare</li> <li>▪ Prolongued slowdown in construction markets</li> <li>▪ Weak consumer spending</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	26,793.0	26,385.0	22,893.3	23,163.6	24,532.2
Cost of sales	-17,603.0	-17,918.0	-14,880.6	-15,056.3	-15,945.9
Gross profit	9,190.0	8,467.0	8,012.7	8,107.3	8,586.3
Operating costs	-6,560.9	-5,274.0	-5,916.8	-6,136.1	-6,051.6
Extraordinaries	-3.5	-768.0	-386.0	0.0	0.0
EBITDA	2,625.5	2,425.0	1,709.9	1,971.2	2,534.7
Depreciation	-568.0	-726.0	-673.0	-679.4	-749.8
EBITA	2,057.5	1,699.0	1,036.9	1,291.8	1,784.9
Amortisation	-213.0	-614.0	-440.0	-440.0	-440.0
EBIT	1,844.5	1,085.0	596.9	851.8	1,344.9
Net financial result	137.0	-63.1	-234.0	-208.3	-203.8
Other pre-tax items	2,475.0	879.0	124.0	0.0	0.0
EBT	4,456.5	1,900.9	486.9	643.5	1,141.1
Income taxes	-622.0	-290.3	103.5	-173.7	-308.1
Minority interests	-5.0	-6.0	-5.0	-5.0	-5.0
Other post-tax items / participation	763.8	73.0	-24.0	0.0	0.0
Extraordinaries	-433.0	-1,339.0	0.0	0.0	0.0
Net income	4,160.3	338.6	561.4	464.7	828.0
Adjustments, total	-2,286.8	963.2	203.8	321.2	321.2
Net income recurring	1,873.5	1,301.8	765.2	785.9	1,149.2
PERSHARE ITEMS					
Shares outstanding avg. (mln)	1,064.9	923.0	926.0	926.0	926.0
Shares outstanding fully diluted (mln)	1,097.4	1,002.7	927.9	928.5	928.5
EPS reported	3.83	-0.43	0.19	0.50	0.89
EPS recurring	1.71	1.30	0.82	0.85	1.24
CPS	4.27	2.28	0.27	1.67	2.34
DPS	0.69	0.70	0.70	0.70	0.70
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-1.5	-13.2	1.2	5.9
EBITDA		-17.4	-39.0	24.6	38.2
Net income recurring		-30.5	-41.2	2.7	46.2
% MARGINS					
Gross margin		32.1	35.0	35.0	35.0
EBITA margin		6.4	4.5	5.6	7.3
Net recurring margin		4.9	3.3	3.4	4.7
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	26,453.3	20,367.1	16,530.3	16,232.0	15,639.3
P/E recurring (x)	9.9	13.1	20.7	20.0	13.7
P/Sales (x)	0.7	0.6	0.7	0.7	0.6
P/FCF (x)	4.6	12.7	N/A	17.6	10.6
P/CF (x)	4.0	7.5	63.0	10.2	7.3
P/B (x)	0.8	1.0	1.0	1.1	1.0
Dividend yield (%)	4.1	4.1	4.1	4.1	4.1
EV/EBITDA (x)	10.1	8.4	9.7	8.2	6.2
EV/Sales (x)	1.0	0.8	0.7	0.7	0.6
EV/FCF (x)	6.7	16.5	N/A	18.2	10.6

Cash Flow Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	4,156.8	-429.4	175.4	464.7	828.0
Depreciation & Amortisation	781.0	1,340.0	1,113.0	1,119.4	1,189.8
Working Capital Change	-688.0	1,142.0	-764.5	3.7	-55.7
Other Items	386.0	210.0	-275.7	-44.9	203.4
Cash Flow from Operations	4,635.8	2,262.6	248.3	1,542.9	2,165.5
Net Capital Expenditure	-663.0	-1,028.0	-585.3	-649.9	-686.9
Goodwill from Acquisitions	1,722.0	-4,094.0	-87.7	0.0	0.0
Other Investments	2,737.0	2,979.0	856.3	58.5	-232.6
Cash Flow from Investments	3,796.0	-2,143.0	183.3	-591.4	-919.5
Ordinary Dividends	-734.8	-749.4	-646.1	-648.2	-648.2
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-4,748.0	-4,948.1	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-306.0	625.0	178.7	0.0	0.0
Change in Minorities	-9.0	-8.4	-5.0	-5.0	-5.0
Cash Flow from Financing	-5,797.8	-5,156.6	-472.4	-653.2	-653.2
Change in Cash	2,634.0	-5,037.0	-40.9	298.3	592.7
Free Cash Flow	3,972.8	1,234.6	-337.0	893.0	1,478.6
Free Cash Flow Yield (%)	21.9	7.9	N/M	5.7	9.4

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	8,769.0	3,620.0	3,579.1	3,877.4	4,470.1
Other current assets	8,644.0	8,409.0	7,651.4	7,541.7	7,970.7
Net PP&E	3,194.0	3,496.0	3,408.3	3,378.8	3,315.9
Intangible assets	3,800.0	7,280.0	6,927.7	6,487.7	6,047.7
Other non-current assets	11,964.0	8,985.0	8,128.7	8,070.2	8,302.8
Total Assets	36,371.0	31,790.0	29,695.3	29,355.9	30,107.3
Short-term debt	2,350.0	722.0	73.0	73.0	73.0
Other current liabs	7,284.0	8,191.0	6,668.9	6,562.9	6,936.2
Long-term debt	1,213.0	3,466.0	3,636.0	3,636.0	3,636.0
Other non-current liabs	3,614.0	3,818.0	3,537.3	3,487.4	3,685.8
Minority interest	127.0	49.0	49.0	49.0	49.0
Total equity	21,783.0	15,544.0	15,073.3	14,889.8	15,069.5
Total liabs & equity	36,371.0	31,790.0	29,695.3	29,355.9	30,107.3
Net debt	-5,206.0	568.0	787.6	489.3	-103.4
ROIC (%)	10.7	5.5	5.3	5.6	7.5
Net gearing (%)	-23.9	3.7	5.2	3.3	-0.7
Working capital as % of sales	3.78	14.5	18.4	18.0	17.9
Inventory period days		45.5	51.2	47.8	46.1
Trade debtor days		62.0	65.3	61.1	58.9
Trade creditor days		44.0	45.9	43.4	41.8
Cash cycle		63.4	70.6	65.5	63.1



# Prologis European Properties

## Game on

### Key message

With property values trending down, PEPR is likely to issue equity by means of a rights issue in order to avoid breaching its net worth debt covenant at year-end 2009. As the first test date is 31 December 2009, PEPR is currently changing into a Luxembourg SICAF, as issuing equity below NAV is currently not allowed under the FCP structure. We understand the aim of a rights-issue is to bring PEPR's overall LTV to mid to high forties. According to our calculations, this points to a EUR 350-400m capital increase. Our EUR 4.65 price target reflects a post rights-issue normalised FFO multiple of 13.0x. The EUR 1.60 issue price is based on a 40% discount to TERP (EUR 2.58) on current price levels.

	2008	2009E	2010E	2011E
Net rental income (EUR m)	259.8	244.2	232.1	230.3
EBITDA (EUR m)	249.1	233.4	221.6	219.8
Direct result (EUR m)	129.6	110.1	82.8	75.8
Indirect result (EUR m)	612.0-	323.3-	28.4-	13.8-
Recurring FFO p/s	0.68	0.58	0.43	0.40
Consensus recurr. FFO p/s		0.57	0.32	0.28
EPS	2.53-	1.12-	0.29	0.33
NNAV p/s	7.38	6.06	6.34	6.67
P/NNAV-1	-42%	-30%	-33%	-36%
FFO multiple	6.3	7.4	9.8	10.7
Dividend Yield (%)	13.9	0.0	0.0	0.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- PEPR has announced the desire to convert its structure to SICAF from its current FCP in order to create funding flexibility by issuing equity below NAV. However, the EGM that was planned 30 Sept 2009, where unitholders could vote on this, has been postponed until further notice. PEPR wants to spend more time with investors regarding issues and also investigate issuing capital by means of convertible units.
- Although several corporate governance issues are solved, large shareholder AGP (12%) has sent letter to investors and PEPR to give further improvements to this and oppose the current proposal. Main items involved are i) shareholders should have the option to get rid of the manager at all time, ii) shareholders representing >1% should be able to put items on the agenda of general meetings. APG needs a total of 33% of the votes to oppose the conversion. We understand from PEPR management that especially the first item is non-negotiable from ProLogis side. Furthermore, management indicates that there will one chance only for PEPR to convert and get the equity in before the end of the year.

### Valuation

We have taken the approach on PEPR to include a EUR 400m rights-issue at a 40% discount to TERP on current valuation levels. Our EUR 4.65 price target then is based on a post rights-issue FFO multiple of 13x on EUR 0.27 normalised FFO per share with added up the theoretical value of the rights.

### Rating

**Buy**

**Price target:** EUR 4.7   
**Price 29 Sep 2009:** EUR 4.1  
**Up-/downside:** +13.4%

### Real Estate

#### Market capitalisation:

EUR 781 m

#### Avg (12 month) daily volume:

518,505

#### Free float

45%

#### Reuters

PEPRAS

#### Bloomberg code

PEPR NA

### Share Price Performance %

	-1m	-3m	-12m
Prologis European Properties	+4	+52	-35
MSCI Europe	+1	+30	-18
MSCI Netherlands	+4	+30	-9

### Agenda

None

### Major shareholders

	%
ProLogis	25.0
ABP	13.0
GIC	8.0
PGGM	5.0
Teachers Ins & Ann Ass	4.0

### Listed Peers

	Ticker
Segro	SGRO LN

### Analysts

#### Ruud van Maanen

+31 (0) 20 460 4831

#### Rick Tervoort

+31 (0) 20 460 4830

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

**Equity Sales** +31 20 460 4707

**Equity Sales Trading** +31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

APG will need 33% of the votes to oppose the conversion and, if possible, delay the whole conversion process. If majority shareholders GIC (8%) and PGGM (5%) would support APG in the voting, a quorum less than 75% would make conversion impossible at 30 September 2009. As GIC is involved on more sides with ProLogis as well as co-invested with APG in other funds, it remains unclear what position it will take. As opinions of the investor community remain a mixed-bag, conversion is certainly not a done deal.

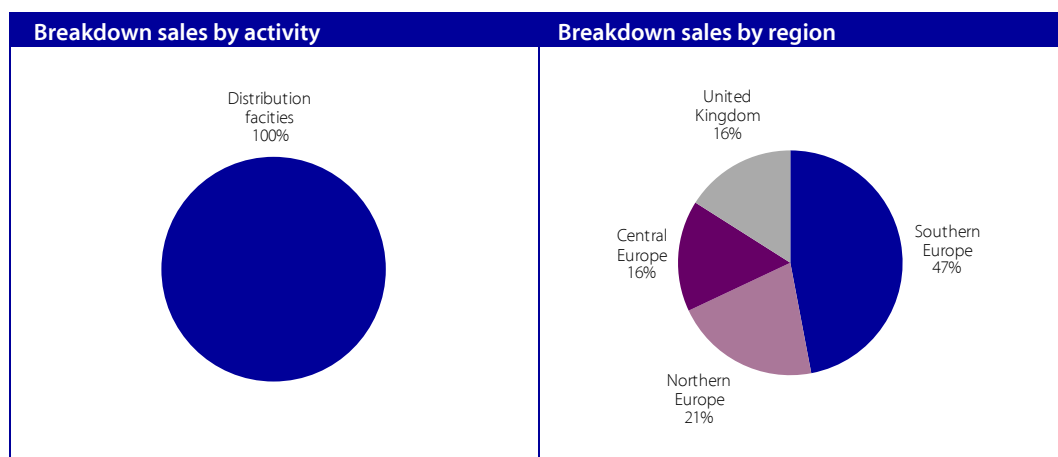
We do have faith in the outcome, even if shareholders oppose conversion and PEPR's existence looks fragile. Firstly, we do not believe PEPR debt and bondholders will demand immediate repayment on 1 Jan 2010 and demand a portfolio fire-sale in case of a tripped covenant the day before if PEPR is still in the process of solving these issues and is held up by a regulatory timeframe. Secondly, we do not expect PLD to run the risk that PEPR blows up with a potential risk of a cascading effect onto itself. Therefore the bargaining power in our view tilted towards the side of shareholders instead of PLD.

### Company profile

ProLogis European Properties (PEPR) is an externally managed and Luxemburg-based real estate investment fund with a pan-European portfolio of high quality, large scale distribution facilities (DC). It is managed by the global market leader in distribution facilities ProLogis (NYSE: PLD).

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Managed by global market leader</li> <li>▪ Good track record in occupancy rates</li> <li>▪ High security in top-line earnings</li> <li>▪ Pro-active cash-saving programme</li> <li>▪ Best-in-class portfolio</li> </ul>	<ul style="list-style-type: none"> <li>▪ Externally managed</li> <li>▪ Refinancing largely tilted towards 2010</li> <li>▪ CMBSs expiring in 2010</li> <li>▪ Limited growth opportunities</li> <li>▪ Single-sector exposure to distribution facilities</li> <li>▪ Not allowed to raise equity under NNAV</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Appropriate ending of dividend holiday</li> <li>▪ Deleveraging by asset disposals</li> <li>▪ Extension of existing credit facilities</li> <li>▪ Refinancing maturing debt</li> <li>▪ Changing of the structure</li> </ul>	<ul style="list-style-type: none"> <li>▪ Possible conflicts of interest with PLD</li> <li>▪ Share overhang of PLD stake in PEPR</li> <li>▪ Downturn of DC occupier market</li> <li>▪ Debt covenants likely to breach at 09FY</li> </ul>



Income Statement ( EURm)				
	2008	2009E	2010E	2011E
Gross rental income	292.2	272.8	260.3	258.7
Operating costs	-32.4	-28.6	-28.3	-28.4
Net rental income	259.8	244.2	232.1	230.3
Property development income	N/A	N/A	N/A	N/A
General expenses	-12.3	-10.8	-10.5	-10.5
Other income & expenses	1.6	0.0	0.0	0.0
EBITDA	249.1	233.4	221.6	219.8
Depreciation & Amortisation	0.0	0.0	0.0	0.0
EBIT	249.1	233.4	221.6	219.8
Net financial result	-110.8	-102.9	-123.4	-129.9
Other pre-tax items	0.0	0.0	0.0	0.0
EBT	138.3	130.5	98.2	89.8
Income taxes	-23.6	-19.6	-14.7	-13.5
Direct result of associates	15.9	0.0	0.0	0.0
Other post-tax items / minorities	-1.0	-0.9	-0.7	-0.6
Extraordinaries	0.0	0.0	0.0	0.0
Direct investment result	129.6	110.1	82.8	75.8
Revaluation	-384.1	-421.7	-36.3	-17.2
Taxes on revaluation	46.5	93.1	7.8	3.5
Net result of property sales	0.0	4.9	0.0	0.0
Indirect result of associates	-276.2	0.0	0.0	0.0
Other post-tax items / minorities	1.8	0.3	0.0	0.0
Indirect investment result	-612.0	-323.3	-28.4	-13.8
Net profit	-482.4	-213.3	54.3	62.0
PER SHARE ITEMS				
Shares outstanding avg. (m)	190.5	190.5	190.5	190.5
Shares outstanding fully diluted (m)	190.5	190.5	190.5	190.5
EPS reported	-2.5	-1.1	0.3	0.3
EPS recurring	0.7	0.58	0.4	0.4
NNAV	7.4	6.1	6.3	6.7
DPS	0.6	0.0	0.0	0.0
Payout ratio (%)	83.8	0.0	0.0	0.0
Fiscal year ends /2006				
% GROWTH				
Net rental income	-3.7	-4.1	-4.3	-0.6
Lfl Net rental income lfl	0.8	-0.7	-1.8	-1.1
EBITDA	-7.5	-6.3	-5.1	-0.8
Net income recurring	-14.3	-15.1	-24.8	-8.5
% MARGINS				
Gross margin	88.9	89.5	89.1	89.0
EBITDA margin	85.3	85.6	85.1	85.0
Net recurring margin	44.4	40.3	31.8	29.3

<b>Cash Flow Statement ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	-482.0	-212.7	55.0	62.6
Minorities	-0.4	-0.5	-0.6	-0.6
Investment property disposal profit	0.0	-4.9	0.0	0.0
Net Valuation Movements	384.1	421.7	36.3	17.2
Direct Result of Associates	-15.9	0.0	0.0	0.0
Indirect Result of Associates	276.2	0.0	0.0	0.0
Deferred Tax Liabilities	-46.5	-93.1	-7.8	-3.5
Working Capital Change	-94.8	48.5	0.0	0.0
Other Items	-66.4	0.0	0.0	0.0
Cash Flow from Operations	-45.8	158.9	82.8	75.8
Investment in properties	331.2	228.6	-36.3	-32.2
Investment in associates	-152.1	0.0	0.0	0.0
Investment in immaterial fixed assets	0.0	0.0	0.0	0.0
Investment in other property, plant & €	0.0	0.0	0.0	0.0
Cash flow from investing	179.1	228.6	-36.3	-32.2
Increase in long term debt	-164.0	-1,152.8	0.0	0.0
Increase in short term debt	333.2	965.8	0.0	0.0
Dividends & other equity changes	-348.6	-38.1	0.0	0.0
Cash flow from financing	-179.4	-225.1	0.0	0.0
Change in cash	-46.1	162.3	46.5	43.6

<b>Balance Sheet ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Investment property	3,441.9	2,796.5	2,796.5	2,811.5
Financial non-current assets	90.3	90.3	90.3	90.3
Other non-current assets	5.6	5.6	5.6	5.6
Cash & Cash Equivalents	77.1	239.4	285.9	329.5
Other current assets	145.6	97.1	97.1	97.1
Total assets	3,760.4	3,228.9	3,275.4	3,334.0
Short-term debt	335.3	1,301.1	1,301.1	1,301.1
Other current liabs	159.5	159.5	159.5	159.5
Long-term debt	1,735.8	583.0	583.0	583.0
Other non-current liabs	118.9	25.8	18.0	14.5
Minority interest	5.6	5.6	5.6	5.6
Shareholders' equity	1,405.3	1,153.9	1,208.2	1,270.2
Total liabs & equity	3,760.4	3,228.9	3,275.4	3,334.0
Net debt	1,994.0	1,644.7	1,598.2	1,554.6
Total return on equity (%)	-34.2	-18.4	4.5	4.9
Direct return on equity (%)	9.2	9.5	6.8	5.9
Indirect return on equity (%)	-43.4	-27.9	-2.3	-1.1
Net gearing (%)	141.9	142.5	132.3	122.4

# Randstad

## Close to inflection point

### Key message

Strong operating leverage is about to kick in as (i) early cyclical staffing areas show first signs of recovery and (ii) SG&A continues to come down in a highly disciplined way. We recently lifted our EPS estimates for 2010 and beyond to some 30% above consensus and stress that increased pricing pressure is already largely reflected in our model. We maintain our Hold and would be buyers on weakness.

	2008	2009E	2010E	2011E
Sales (EUR m)	17,177	12,433	12,924	14,223
EPS Recurring	3.18	1.20	1.82	2.58
P/E Recurring	9.3	24.8	16.3	11.5
P/FCFPS	12.3	21.4	13.8	7.3
EV/ EBITDA	5.8	14.8	10.6	7.5
Dividend Yield (%)	0.0	0.0	0.0	4.2

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Recent data show a bottoming-out of most staffing markets, and even first signs of modest improvement in absolute volume terms. The US market sales comps in August of -24.5% flagged a more modest deterioration vs June (-27.2%), while traditionally early cyclical regions such as Tennessee and Georgia signal a more pronounced uptick. Comps also improved in France (from -35% in June to -25% in August), Belgium (-23% in July vs -30% in May) and the Netherlands (industrial segment down 23% in August vs -35% in May), while anecdotal evidence signals some upswing in Germany as well.
- We argue that well-managed staffers like Randstad will set the new benchmark for creating maximum earnings leverage. The co's cost base was y-o-y 24% lower in 09Q2 and will continue to fall the coming quarters, implying that any top-line growth will directly feed the bottom-line. Given (i) the historical strong relationship between GDP and temp growth and (ii) consensus forecast of 2.3% GDP growth for the US in 2010 and c. 1% for the Eurozone (UK & Germany > 1%), our 4% top-line growth forecast for 2010 looks realistic. Using the 09Q4 SG&A run rate of c. EUR 500m for FY10 (RS has 10%-20% excess capacity in most of its markets), we arrive at our FY10 EPS forecast of EUR 1.82, also driven by financial deleveraging.

### Valuation

Our price target of EUR 31 reflects 12x P/E 11 and is still markedly below our estimated DCF value of EUR 46 and recovery PT of EUR 53. The latter is based on 11x peak EPS of close to EUR 5.00, based on (i) 3 years of c. 15% top-line growth and management's through the cycle EBITA margin target of 5%-6%. Main downside risks are (i) an economic double-dip scenario and (ii) more severe pricing pressure.

### Rating

**Hold**

**Price target:**

**EUR 31.0**

**Price 29 Sep 2009:**

**EUR 29.7**

**Up-/downside:**

**+4.4%**

### Commercial Services & Supplies

#### Market capitalisation:

EUR 5,036 m

#### Avg (12 month) daily volume:

960,512

#### Free float

37%

#### Reuters

RAND.AS

#### Bloomberg code

RAND NA

### Share Price Performance %

	-1m	-3m	-12m
Randstad	+1	+51	+61
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	28 Oct 2009
Results 09FY	18 Feb 2010
Results 10Q1	28 Apr 2010

### Major shareholders

	%
F.J.D. Goldschmeding	32.9
ING Groep N.V.	11.1
AllianceBernstein	5.7
Fortis Verzekeringen Nederland N.V.	5.0
Stichting Administratiekantoor Randstad	4.1

### Listed Peers

	Ticker
USG People	USG NA
Brunel	BRNL NA
DPA Flex Group	DPA NA
Adecco	ADEN VX

### Analysts

#### David Tailleux

+31 (0) 20 460 4852

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

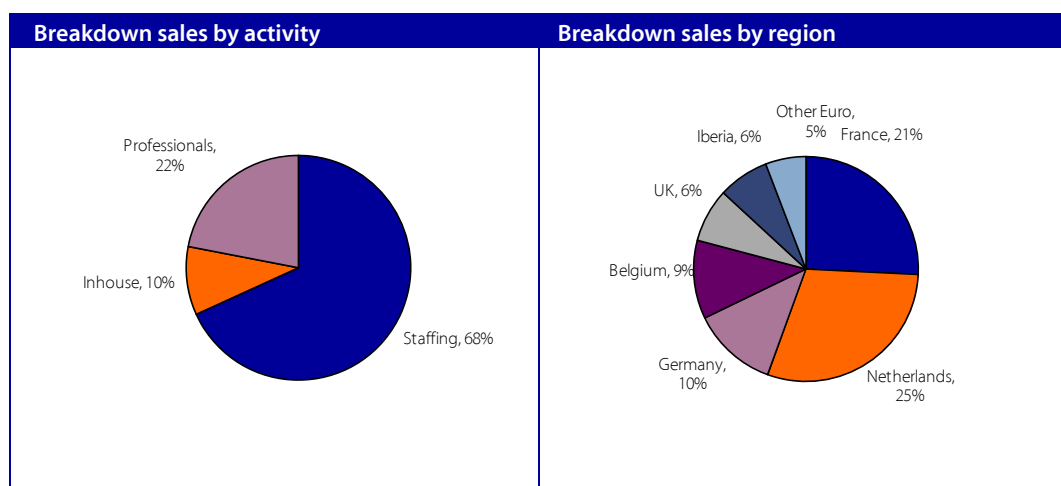
Randstad aims to achieve 5%-6% EBITA margins through the cycle, although the different margin targets per reporting segment (i.e. Inhouse, Mass-customized and Professional) indicate an even higher range of around 6%-7%. This seems sensible given the higher share of professional staffing following the Vedior acquisition. Management also seems eager to get as close as possible to its previous trough EBITA margin target of 4%, at least in 2010. In this light, our 3.6% margin forecast for 2010 seems shy, although being c. 30% ahead of consensus.

### Company profile

Randstad (incl Vedior) is the number two staffing company in the world in terms of revenues (c. EUR 12.5bn in 2009). The company is market leader in the Netherlands, Belgium, Germany and Poland. Following the Vedior acquisition, Randstad is shifting significantly from general staffing towards more professional staffing services. Current management has built an outstanding track-record of achieving above average revenue and earnings growth.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Market leader in the Netherlands, Belgium and Germany, markets with highest ROIC and FCF</li> <li>▪ Strong operational performance versus peers</li> <li>▪ Highest professional staffing exposure vs peers Adecco and Manpower</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of track record in successfully executing and expanding professional staffing</li> <li>▪ Very limited financial room for further acquisitions</li> <li>▪ Significantly dependent on Dutch and French staffing market (combined c. 45% of sales)</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Optimizing operating earnings leverage in upcycle</li> <li>▪ Further international expansion of successful In-house concept</li> <li>▪ Successful integration of Vedior acquisition without too much loss of commercial focus</li> <li>▪ Improving focus on faster growing countries such as Asia &amp; Eastern Europe</li> <li>▪ Realising full margin potential within professional staffing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sudden second-leg collapse of macro and staffing top-line trends</li> <li>▪ Adecco grasping a strong foothold in Randstad's home market the Benelux</li> <li>▪ Faster than foreseen increase in SG&amp;A when top-line recovers again</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	17,625.2	17,177.2	12,433.5	12,924.8	14,223.2
Cost of sales	-13,988.1	-13,637.0	-10,000.3	-10,469.1	-11,520.8
Gross profit	3,637.1	3,540.2	2,433.2	2,455.7	2,702.4
Operating costs	#VALUE!	-2,705.8	-2,105.8	-1,993.7	-2,063.5
EBITDA	985.1	910.0	417.3	550.9	727.1
Depreciation	-78.0	-75.6	-89.8	-88.9	-88.2
EBITA	907.1	834.4	327.4	462.0	638.9
Amortisation	-144.0	-724.1	-158.8	-158.8	-158.8
EBIT	763.1	110.3	168.6	303.2	480.1
Net financial result	-137.0	-127.0	-59.7	-49.9	-46.2
Other pre-tax items	0.0	-51.6	-67.6	0.0	0.0
EBT	626.1	-68.3	41.3	253.3	433.9
Income taxes	-194.1	109.0	-5.4	-68.4	-117.1
Minority interests	-1.0	0.0	-0.9	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	431.0	40.7	35.0	184.9	316.7
Adjustments, total	136.8	498.2	168.6	127.0	127.0
Net income recurring	567.8	538.9	203.7	311.9	443.8
PERSHARE ITEMS					
Shares outstanding avg. (mln)	169.5	169.5	170.3	171.2	172.1
Shares outstanding fully diluted (mln)	169.5	169.5	170.3	171.2	172.1
EPS reported	2.50	0.22	0.21	1.08	1.84
EPS recurring	3.35	3.18	1.20	1.82	2.58
CPS	3.75	2.99	1.68	2.46	4.38
DPS	1.25	0.00	0.00	0.00	1.26
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-2.5	-27.6	4.0	10.0
EBITA		-8.0	-60.8	41.1	38.3
Net income recurring		-5.1	-62.2	53.2	42.3
% MARGINS					
Gross margin		20.6	19.6	19.0	19.0
EBITA margin		4.9	2.6	3.6	4.5
Net recurring margin		3.1	1.6	2.4	3.1

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	10,279.5	5,315.7	6,165.6	5,852.7	5,482.9
P/E recurring (x)	8.9	9.3	24.8	16.3	11.5
P/Sales (x)	0.3	0.3	0.4	0.4	0.4
P/FCF (x)	7.9	12.3	10.4	12.1	11.4
P/CF (x)	7.9	9.9	17.7	12.1	6.8
P/B (x)	2.0	2.0	2.0	1.8	1.8
Dividend yield (%)	4.2	0.0	0.0	0.0	4.2
EV/EBITDA (x)	10.4	5.8	14.8	10.6	7.5
EV/Sales (x)	0.6	0.3	0.5	0.5	0.4
EV/FCF (x)	16.2	13.0	12.7	13.9	12.2

Cash Flow Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	43 1.0	40.7	35.0	184.9	3 16.7
Depreciation & Amortisation	222.0	799.7	248.6	247.7	247.0
Working Capital Change	-8 02.0	-3 26.1	53.0	-16.6	174.8
Other Items	78.4	-7.0	-49.9	5.5	14.4
Cash Flow from Operations	63 5.0	507.3	286.8	421.4	753.0
Net Capital Expenditure	0.0	-93.9	-49.7	-51.7	-56.9
Goodwill from Acquisitions	0.0	-0.0	-0.0	-0.0	-0.0
Other Investments	-1,53 5.0	40.3	293.1	-3 1.6	-83.4
Cash Flow from Investments	-1,53 5.0	-53.6	243.4	-8 3.3	-140.3
Ordinary Dividends	-211.9	0.0	0.0	0.0	-217.4
Preferred Dividend	0.0	-3.6	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	1,899.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	2,441.0	0.0	0.0	-3 00.0	-3 00.0
Change in Minorities	5.0	0.0	4.5	0.0	0.0
Cash Flow from Financing	4,13 3.1	-3.6	4.5	-3 00.0	-517.4
Change in Cash	3,23 3.1	450.0	53 4.7	38.2	95.3
Free Cash Flow	63 5.0	409.7	48 7.1	419.7	448.1
Free Cash Flow Yield (%)	12.6	8.1	9.6	8.3	8.8

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	3 50.0	8 00.0	1,3 3 4.8	1,3 72.9	1,468.2
Other current assets	3,418.0	3,651.0	2,920.5	3,010.1	3,028.0
Net PP&E	2 29.0	2 47.4	2 07.3	1 70.1	1 38.8
Intangible assets	2,808.0	2,083.9	1,925.1	1,766.3	1,607.5
Other non-current assets	1,53 5.0	1,494.7	1,201.6	1,23 3.1	1,3 16.5
Total Assets	8,340.0	8,277.0	7,589.2	7,552.5	7,559.0
Short-term debt	0.0	0.0	0.0	0.0	0.0
Other current liabs	2,616.0	2,522.9	1,8 45.4	1,918.3	2,111.1
Long-term debt	2,441.0	2,441.0	2,441.0	2,141.0	1,841.0
Other non-current liabs	78 3.0	776.0	725.3	73 0.7	745.2
Minority interest	6.0	6.0	11.4	11.4	11.4
Total equity	2,494.0	2,53 1.1	2,566.2	2,75 1.1	2,850.3
Total liabs & equity	8,340.0	8,277.0	7,589.2	7,552.5	7,559.0
Net debt	2,091.0	1,641.0	1,106.2	768.1	3 72.8
ROIC (%)	41.2	28.4	11.7	17.4	23.1
Net gearing (%)	83.8	64.8	43.1	27.9	13.1
Working capital as % of sales	6.5	8.5	10.6	10.4	8.4
Inventory period days		0.0	0.0	0.0	0.0
Trade debtor days		74.0	95.2	82.7	76.5
Trade creditor days		50.6	59.5	49.3	47.9
Cash cycle		23.4	35.7	33.4	28.5



# Reed Elsevier

## What a welcome...

### Key message

Following the strongest earnings growth in more than a decade in 2008 (+ 15% in CC), Reed Elsevier shocked the market with an unexpected sub-10 equity offering and a 7% organic sales decline in 09H1. Reed will invest an incremental "tens of USDm" in the New Lexis initiative in OPEX and CAPEX for a period of 4-5 years. New CEO Ian Smith makes a realistic, pragmatic and down to earth impression. From a low base we expect him to start building up a positive track record of organic growth. Momentum for the shares could be driven by: a successful Choicepoint integration; outperformance of cost savings targets; recovery for high-margin risk solution volumes in 2010, potential credit rating upgrade in 2010, stabilization of RBI and RX in 2010, easing pressure on library budgets in 2011, a mild recovery for Legal Info markets in 2010.

	2008	2009E	2010E	2011E
Sales (EUR m)	6,721	6,874	6,961	7,216
EPS Recurring	0.87	0.83	0.84	0.88
P/E Recurring	8.9	9.4	9.3	8.8
P/FCFPS	11.0	10.9	9.8	9.0
EV/ EBITDA	11.1	8.0	7.9	7.3
Dividend Yield (%)	5.1	4.9	5.0	5.3

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- RE delivered decent 09H1 results in spite of a clear organic top-line shortfall. EBITA of EUR 876m was 5% ahead of our EUR 837m estimate due to a strong EBITA-margin of 25.6% vs our 24.4% assumption. Cash EPS of EUR 0.42 topped our EUR 0.38 due to the higher EBITA and lower interest charges (EUR 154m vs our EUR 190m).
- Overall organic sales growth disappointed: -/ - 7% % vs our -/ - 2.5%. STM delivered a steady 3% organic sales increase with Science + 5% and Health + 2% (+ 6% excl. farma adv.). LN negatively surprised with a 3% organic decline. US Legal saw a 5% organic decline as the legal directory business dropped 29% and sales in the government, corporate and academic segment fell 7%. LN INT still showed 1% organic growth and Risk posted a 1% pro forma decline due to pressure on screening. The CP business delivered very strong results with EBITA up 44%.
- RBI posted an 18% organic decrease with an EBITA-margin of 8.4% (Rabo: 10.0%). RBI US was down 26% due the low quality US controlled circulation business, which has been identified as a divestment candidate. RX showed a 24% organic sales decrease. Ex-cycling, revenues fell 15% and space sales were down 12% organically.

### Valuation

Due to Reed Elsevier's highly cash generating businesses like Science Direct, LexisNexis, Reed Exhibitions and Choicepoint's insurance business, RE is now trading at a projected 2009E FCF yield of 10%, even taking into account a sharp ramp-up for CAPEX spending. Our DCF with 24% long term EBITA-margins points to upside towards EUR 11.40 (+ 55%). A reverse DCF-analysis indicates that EBITA-margins have to contract 830bps from the 2008 level of 25.8% towards 17.5% in order to obtain a DCF-value per share at the current share price.

### Rating

**Buy**

**Price target:** EUR 10.0   
**Price 29 Sep 2009:** EUR 7.8  
**Up-/downside:** +28.6%

### Media

#### Market capitalisation:

EUR 5,629 m

#### Avg (12 month) daily volume:

4,300,912

#### Free float

88%

#### Reuters

ELSN.AS

#### Bloomberg code

REN NA

### Share Price Performance %

	-1m	-3m	-12m
Reed Elsevier	+4	-1	-26
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

None

### Major shareholders

	%
Mondrian Inv Partners	5.2
Morgan Stanley International Plc	1.7

### Listed Peers

	Ticker
Wolters Kluwer	WLSNC NA
Thomson Reuters	TRI CN
Pearson	PERSON LN
McGraw-Hill	MHP US
Informa	INF LN

### Analysts

#### Hans Slob

+31 (0) 20 460 4866

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707  
**Equity Sales Trading** + 31 20 460 4723  
**www.rabosecurities.com**

### Outlook

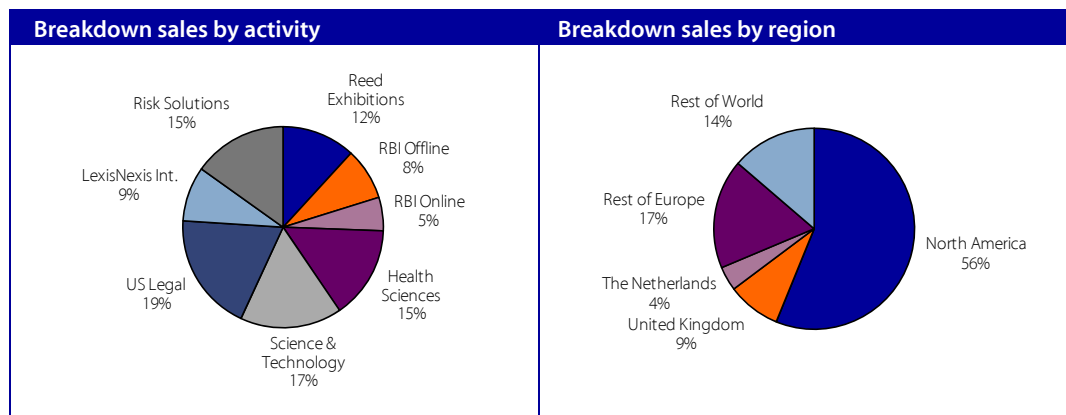
Although we are negatively surprised by the sub-10, we like the fact that: 1) the new CEO is starting with a clean slate; 2) Reed will focus much more on cheaper organic growth instead of expensive acquisitive growth. We still see two negative triggers for RE: i) Lower pricing for 2010 Science Direct contracts due to library budget pressure; ii) continued outperformance of Westlaw in the US Legal Info market. As the new CEO looks to set up an easy comparison base from which to improve, there is room to build up a positive track record from here. As the performance of RBI, RX, US Legal and Risk is at trough levels, we see limited downside for the shares.

### Company profile

Reed Elsevier is a world leading publisher of information and solutions for professional users operating in three core markets: Science & Medical, Legal, Risk Solutions, Business Information and Exhibitions. In February 2008, Reed Elsevier reported revenues of EUR 6.7bn. Reed Elsevier's key objective is to become the indispensable partner to its target customers: scientists, lawyers and business professionals, for information-driven services and solutions.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Global leadership STM publishing market</li> <li>▪ Global leadership Exhibitions business</li> </ul>	<ul style="list-style-type: none"> <li>▪ Relatively weak position of Legal Publishing Europe</li> <li>▪ Dependency on collaboration of scientists for STM division</li> <li>▪ Limited presence in emerging markets (&lt; 5%)</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Rolling out global Legal product platform</li> <li>▪ Add-on acquisitions financed out of FCF</li> <li>▪ Growth Risk Solutions business</li> </ul>	<ul style="list-style-type: none"> <li>▪ Competition from free government internet sites at low-end of the Legal market</li> <li>▪ Open access initiatives</li> <li>▪ Lower entry barriers of Risk Solutions business</li> </ul>



Income Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Revenues	6,694.1	6,721.2	6,874.0	6,961.7	7,216.8
Operating costs	-4,818.3	-4,773.4	-4,872.8	-4,922.7	-5,066.1
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	1,875.8	1,947.9	2,001.2	2,038.9	2,150.8
Depreciation	-216.0	-211.0	-226.8	-232.3	-240.0
EBITA	1,659.8	1,736.9	1,774.4	1,806.7	1,910.8
Amortisation	-378.0	-412.0	-480.0	-480.0	-480.0
EBIT	1,281.8	1,324.9	1,294.4	1,326.7	1,430.8
Net financial result	-203.0	-219.0	-280.4	-218.1	-231.4
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	1,078.8	1,105.9	1,014.0	1,108.6	1,199.4
Income taxes	-343.8	-355.2	-328.7	-349.5	-369.5
Minority interests	-4.0	-5.0	-5.0	-6.0	-7.0
Other post-tax items / participation	267.4	0.0	0.0	0.0	0.0
Extraordinaries	0.0	-145.0	-135.0	0.0	0.0
Net income	998.4	600.7	545.3	753.1	822.9
Adjustments, total	428.0	557.0	615.0	480.0	480.0
Net income recurring	1,426.4	1,157.7	1,160.3	1,233.1	1,302.9
PERSHARE ITEMS					
Shares outstanding avg. (mln)	1,642.0	1,420.0	1,390.0	1,466.8	1,472.7
Shares outstanding fully diluted (mln)	1,620.0	1,328.0	1,390.0	1,466.8	1,472.7
EPS reported	0.61	0.42	0.39	0.51	0.56
EPS recurring	0.88	0.87	0.83	0.84	0.88
CPS	0.97	0.86	0.89	0.98	1.04
DPS	0.43	0.40	0.38	0.39	0.41
Fiscal year ends 12/2009					
% GROWTH					
Revenues		0.4	2.3	1.3	3.7
EBITA		4.6	2.2	1.8	5.8
Net income recurring		-18.8	0.2	6.3	5.7
% MARGINS					
EBITA margin		25.8	25.8	26.0	26.5
Net recurring margin		17.2	16.9	17.7	18.1
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	23,084.4	21,545.8	15,974.7	16,172.6	15,771.8
P/E recurring (x)	8.8	8.9	9.4	9.3	8.8
P/Sales (x)	1.9	1.6	1.6	1.6	1.6
P/FCF (x)	9.3	11.0	10.9	9.8	9.0
P/CF (x)	8.0	9.0	8.7	7.9	7.5
P/B (x)	3.2	10.9	4.2	4.4	4.4
Dividend yield (%)	5.5	5.1	4.9	5.0	5.3
EV/EBITDA (x)	12.3	11.1	8.0	7.9	7.3
EV/Sales (x)	3.4	3.2	2.3	2.3	2.2
EV/FCF (x)	16.7	21.4	16.2	14.0	12.4

<b>Cash Flow Statement ( EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	998.4	600.7	545.3	753.1	822.9
Depreciation & Amortisation	594.0	623.0	706.8	712.3	720.0
Working Capital Change	0.0	0.0	-8.8	-27.8	-16.9
Cash Flow from Operations	1,592.4	1,223.7	1,243.3	1,437.6	1,526.0
Net Capital Expenditure	-212.0	-217.0	-254.3	-278.5	-252.6
Goodwill from Acquisitions	1,369.0	-3,807.0	0.0	0.0	0.0
Other Investments	-593.0	211.0	0.0	0.0	0.0
Cash Flow from Investments	564.0	-3,813.0	-254.3	-278.5	-252.6
Ordinary Dividends	-700.0	-573.0	-533.8	-567.2	-599.3
Change in Equity	77.0	77.0	1,000.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	99.8	99.8	0.0	0.0	0.0
Change in Minorities	-7.1	-7.1	-15.0	-11.0	-7.0
Cash Flow from Financing	-530.3	-403.3	451.2	-578.2	-606.3
Change in Cash	1,626.1	-2,992.6	1,440.2	580.9	667.0
Free Cash Flow	1,380.4	1,006.7	989.0	1,159.1	1,273.4
Free Cash Flow Yield (%)	10.8	9.1	9.1	10.2	11.1
<b>Balance Sheet ( EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	3,355.0	3,860.0	1,165.5	1,565.2	2,011.6
Other current assets	1,929.0	2,094.0	2,062.2	2,123.3	2,237.2
Net PP&E	325.0	3,393.0	3,668.0	413.0	425.6
Intangible assets	6,189.0	9,584.0	9,104.0	8,624.0	8,144.0
Other non-current assets	1,059.0	848.0	848.0	848.0	848.0
Total Assets	12,857.0	13,251.3	13,546.6	13,573.5	13,666.4
Short-term debt	1,533.0	461.0	461.0	461.0	461.0
Other current liabs	3,727.0	3,905.0	2,612.1	2,645.4	2,742.4
Long-term debt	2,723.0	5,865.0	5,865.0	5,865.0	5,865.0
Other non-current liabs	1,154.0	1,995.3	1,998.5	1,997.1	1,993.0
Minority interest	15.0	15.0	5.0	0.0	0.0
Total equity	4,032.0	1,010.0	2,605.0	2,605.0	2,605.0
Total liabs & equity	13,184.0	13,251.3	13,546.6	13,573.5	13,666.4
Net debt	901.0	5,940.0	5,160.5	4,760.8	4,314.4
ROIC (%)	7.7	7.7	10.2	10.4	10.9
Net gearing (%)	22.3	58.8.1	198.1	182.8	165.6
Inventory period days		19.7	18.6	18.1	17.9
Trade debtor days		89.5	91.7	91.6	92.3
Trade creditor days		150.0	139.6	126.9	125.5
Cash cycle		-40.8	-29.2	-17.2	-15.2

# SBM Offshore

## Five birds in the bush

### Key message

SBMO's interim results did not contain major surprises and the 09FY outlook failed to impress with small negative adjustments. However, management sounded rather confident on two large wins in 09H2; indeed, it announced the Benita win in August, signalling that the FPSO market has started to open up again. With five additional contracts up for award in the coming months, SBMO could return to investors' radar screens quickly, especially if management is able to show an improvement of the operational track record. We maintain our Hold rating for the moment awaiting proof of contract wins / an operational turnaround.

	2008	2009E	2010E	2011E
Sales (USD m)	3,060	2,873	2,705	2,552
EPS Recurring	1.38	1.22	1.43	1.58
P/E Recurring	15.5	17.5	14.9	13.5
P/FCFPS				11.2
EV/ EBITDA	9.7	8.1	9.3	8.7
Dividend Yield (%)	4.4	3.4	3.3	3.7

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- While 09H1 revenues arrived in line with our estimates and consensus, EBIT and net profit (EUR 90m vs our EUR 98m, equal to consensus) underperformed. Especially the EUR 39m impairment on the Yme MOPUstor was an operational setback within L&O (USD 17m tanker losses were in line with earlier guidance), although somewhat cushioned by frontloaded bonus payments and USD 12m in released provisions.
- TSS saw very good utilisation in its offshore installation unit, which will likely come off somewhat in 09H2. The first-time split between Systems and Services revealed that Services (component supply and offshore installation) enjoyed a very strong margin of almost 25%. Group order intake in 09H1 was modest at USD 364m (USD 3.0bn in 08H1), as no large orders have been awarded in the market.
- Late August, SBMO announced the Benita contract win, an FPSO leased by Noble Energy; it represents a USD 1.2bn contract starting in 2012 with a duration of fifteen years offshore Equatorial Guinea. Benita had been earmarked by SBMO as a highly likely candidate, with another five contracts directly on SBMO's target list.

### Valuation

The promise of large contract wins has brought fantasy into the SBMO story, despite uncertainties about (i) potential margins and (ii) implications for its financial position. We estimate room for one lease deal in the current balance sheet, but an equity issue can certainly not be ruled out. We argue that SBMO's lease fleet explains c. 80% of the current share price. If TSS will experience a margin recovery towards the 10% level, upside for the stock will improve towards EUR 18 level.

### Rating

**Hold**

**Price target:**

**EUR 15.0**

**Price 29 Sep 2009:**

**EUR 14.6**

**Up-/downside:**

**+2.5%**

### Energy Equipment & Services

#### Market capitalisation:

EUR 2,201 m

#### Avg (12 month) daily volume:

856,832

#### Free float

85%

#### Reuters

SBMO.AS

#### Bloomberg code

SBMO NA

### Share Price Performance %

	-1m	-3m	-12m
SBM Offshore	-3	+20	0
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3

10 Nov 2009

### Major shareholders

	%
Schroders Plc	10.0
Capital Income Builder	4.8

### Listed Peers

	Ticker
Acergy	ACY NO
Modec	6269 JP
Prosafe	PRS NO
Moller Maersk	MAERSKA
Teekay LNG	TGP US

### Analysts

#### Ralf Jacobs

+31 (0) 20 460 4839

#### Fabian Smeets

+31 (0) 20 460 4864

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

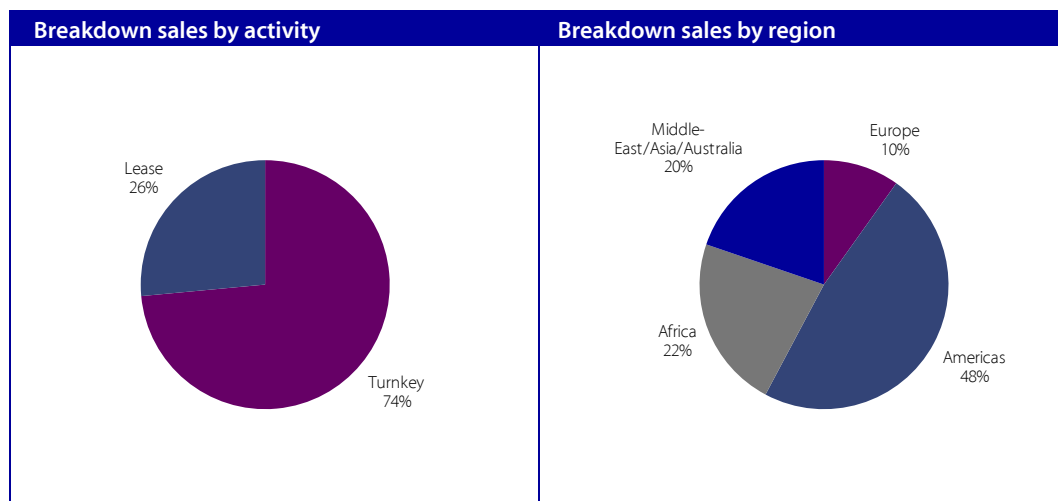
The 09FY outlook contained several adjustments at the 09H1 results, such as (i) TSS' EBIT margin now "at the low end" of the 5% to 10% range, (ii) L&O EBIT "well" below the 08FY level, and (iii) a provision for delays in the award of new contracts and negotiations on client claims and variation orders being added to the 09FY guidance [net profit in the range of the 08FY level]. However, during the analyst meeting, SBMO sounded rather confident on its target of two large contract wins in 09H2. We estimate a total pool of six contracts, including the Kuito extension and Benita, which has been awarded already.

### Company profile

SBM Offshore supplies materials and services to the oil and gas industry. The product range comprises Floating Production, Storage and Offloading systems (FPSO), Floating Storage and Offloading systems (FSO), Tension Leg Platforms (TLP) and Floating Production Units (FPU) such as semi-submersibles and MOPU (mobile offshore production unit). In addition, SBM Offshore operates FPSO/FSOs for its own account, which are leased to customers (18 units of which 3 under construction). SBM is the global market leader in FPSO/FSO systems.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ High earnings visibility due to FPSO lease portfolio</li> <li>▪ Market leader in high-end of the lease FPSO market</li> <li>▪ Forerunner in LNG segment of FPSO market</li> </ul>	<ul style="list-style-type: none"> <li>▪ Expansion in lease segment requires significant capex</li> <li>▪ Scratch on the track record re execution in Turnkey</li> <li>▪ No SPAR Technology</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ High growth in deepwater fields in Africa and Brazil</li> <li>▪ Gulf of Mexico opening up for use of FPSOs</li> <li>▪ New production types (semi-submersibles; MOPU)</li> <li>▪ New concepts for production facilities (LNG)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Competition is becoming more aggressive</li> <li>▪ Some competitors even build units on speculation</li> <li>▪ Utilisation of inhouse engineering capacity</li> <li>▪ Volatility in input prices</li> <li>▪ Oil price volatility could impact demand</li> </ul>



Income Statement ( EURmn)					
	2007	2008	2009E	2010E	2011E
Revenues	2,871.2	3,060.3	2,873.0	2,705.4	2,552.2
Cost of sales	-2,435.6	-2,646.7	-2,413.3	-2,259.0	-2,131.1
Gross profit	435.6	413.6	459.7	446.4	421.1
Operating costs	-133.6	-138.6	-167.7	-157.1	-106.5
Extraordinaries	5.0	3.14	3.20	0.0	0.0
EBITDA	548.3	530.1	582.0	550.3	575.7
Depreciation	-245.4	-255.0	-290.0	-261.0	-261.0
EBITA	302.9	275.1	292.0	289.3	314.7
Amortisation	-0.8	0.0	0.0	0.0	0.0
EBIT	302.0	275.1	292.0	289.3	314.7
Net financial result	-22.4	-40.3	-61.0	-65.0	-62.0
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	279.7	234.7	231.0	224.3	252.7
Income taxes	-14.9	-9.4	-11.6	-11.2	-12.6
Minority interests	-3.9	-4.7	-8.0	0.0	0.0
Other post-tax items / participation	2.0	2.5	1.0	1.0	1.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	262.9	223.2	212.4	214.1	241.0
Adjustments, total	-4.2	-23.5	-32.0	0.0	0.0
Net income recurring	258.7	199.7	180.4	214.1	241.0
PERSHARE ITEMS					
Shares outstanding avg. (mln)	142.3	144.6	147.8	150.0	153.0
Shares outstanding fully diluted (mln)	144.1	146.5	149.6	151.8	154.8
EPS reported	1.85	1.54	1.44	1.43	1.58
EPS recurring	1.80	1.36	1.21	1.41	1.56
CPS	2.33	3.99	3.40	0.49	3.29
DPS	0.93	0.93	0.72	0.71	0.79
Fiscal year ends 12/2007					
% GROWTH					
Revenues		6.6	-6.1	-5.8	-5.7
EBITA		-9.2	6.2	-0.9	8.8
Net income recurring		-22.8	-9.7	18.7	12.6
% MARGINS					
Gross margin	15.2	13.5	16.0	16.5	16.5
EBITA margin	10.5	9.0	10.2	10.7	12.3
Net recurring margin	9.0	6.5	6.3	7.9	9.4
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	5,318.0	2,945.1	4,187.6	4,577.3	4,489.7
P/E recurring (x)	15.2	10.0	16.9	14.4	13.1
P/Sales (x)	1.3	0.6	1.0	1.1	1.2
P/FCF (x)	-17.2	-4.4	-63.8	-11.0	15.3
P/CF (x)	11.7	3.4	6.0	41.4	6.2
P/B (x)	2.9	1.6	2.2	2.0	1.8
Dividend yield (%)	3.4	6.8	3.5	3.5	3.9
EV/EBITDA (x)	9.7	5.6	7.2	8.3	7.8
EV/Sales (x)	1.9	1.0	1.5	1.7	1.8
EV/FCF (x)	-23.7	-6.5	-88.9	-16.6	22.1

Cash Flow Statement ( EUR mln )					
	2007	2008	2009E	2010E	2011E
Net Income Reported	262.9	223.2	212.4	214.1	241.0
Depreciation & Amortisation	246.3	255.0	290.0	261.0	261.0
Working Capital Change	-183.2	107.8	0.5	-401.4	0.8
Other Items	5.1	-8.9	0.0	0.0	0.0
Cash Flow from Operations	331.1	577.0	502.9	73.7	502.8
Net Capital Expenditure	-555.8	-1,028.6	-550.0	-3,500	-3,000
Acquisitions	0.0	0.0	0.0	0.0	0.0
Other Investments	-14.2	0.0	0.0	0.0	0.0
Cash Flow from Investments	-570.0	-1,028.6	-550.0	-3,500	-3,000
Ordinary Dividends	-58.3	-79.9	-67.3	-53.1	-53.5
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	8.3	48.16	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	0.0	0.0	0.0	0.0	0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-50.0	401.8	-67.3	-53.1	-53.5
Change in Cash	-288.9	-49.8	-114.3	-3,294	149.3
Free Cash Flow	-224.7	-45.16	-47.1	-276.3	202.8
Free Cash Flow Yield (%)	-5.8	-22.8	-1.6	-9.1	6.5

Balance Sheet ( EUR mln )					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	28.07	23.03	23.03	23.03	23.03
Other current assets	1,254.8	1,069.1	750.2	1,091.3	1,035.3
Net PP&E	1,962.4	2,565.4	2,825.4	2,914.4	2,953.4
Intangible assets	3.56	46.8	46.8	46.8	46.8
Other non-current assets	101.2	433.4	433.4	433.4	433.4
Total Assets	3,634.6	4,345.0	4,286.1	4,716.1	4,699.2
Short-term debt	233.9	264.0	264.0	264.0	264.0
Other current liabs	1,096.6	1,373.8	1,055.4	995.1	939.9
Long-term debt	921.5	1,430.3	1,544.7	1,874.0	1,724.8
Other non-current liabs	44.9	3.60	3.60	3.60	3.60
Minority interest	4.3	6.2	6.2	6.2	6.2
Total equity	1,333.4	1,234.7	1,379.8	1,540.9	1,728.3
Total liabs & equity	3,634.6	4,345.0	4,286.1	4,716.1	4,699.2
Net debt	874.7	1,464.0	1,578.3	1,907.7	1,758.4
ROIC (%)	14.7	10.7	9.8	8.6	8.6
Net gearing (%)	65.6	118.6	114.4	123.8	101.7
Working capital as % of sales	5.5	-10.0	-10.6	3.6	3.7
Inventory period days	2.0	2.3	3.0	3.1	3.3
Trade debtor days	56.8	74.1	51.9	44.4	71.4
Trade creditor days	103.6	116.2	120.8	112.9	112.8
Cash cycle	-44.8	-39.8	-66.0	-65.4	-38.0



# Sligro

## Mercedes at a Volkswagen price

### Key message

In Foodservice, Sligro's outperformance versus the market continues to accelerate, thereby increasingly offering opportunities for new contracts and add on deals. Beyond the recession, Sligro will likely have emerged as the dominant player, with superior sales and margins. At the same time, food retail is gradually improving. Combined with an attractive valuation remain, we rate the shares Buy.

	2008	2009E	2010E	2011E
Sales (EUR m)	2,167	2,157	2,170	2,239
EPS Recurring	1.80	1.79	2.01	2.18
P/E Recurring	11.1	11.2	10.0	9.2
P/FCFPS	12.1	8.6	8.7	8.7
EV/ EBITDA	8.1	6.7	5.6	4.9
Dividend Yield (%)	3.2	3.2	3.7	4.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Sligro announced a joint venture with Bergmans in the field of (low margin) tobacco trade to petrol stations. Wholesaling to petrol stations include F&B products with attractive margins, as well as low margin Tobacco sales. Mentioned structure allows Sligro to grow volumes without the (optional) pressure on margins from low margin sales in tobacco.
- LFL sales growth at Foodservice amounted to 3.7% in 09H1, versus a market contraction of 5% due to the harsh impact of the recession. Sligro is benefiting from competitors which are going out of business as well as from ongoing store openings and expansions. At Food retail, Em-Te outperformed the market, while the Golf format underperformed. The clean EBIT was flat yoy, reflecting a modest margin gain at Foodservice, offset by some slight pressure at Food retail.
- 09H1 results confirmed Sligro's strong FCF generation (+40% yoy), as a flat EBIT was combined with WC improvements.

### Valuation

The shares trade a FCF yield of 12%, a 2010PER of 10 times and a 2010EV/EBITDA multiple of 5.6 times. Based on traditional multiples the shares roughly trade in line with the European food retail sector and at a discount of more than 25% versus Colruyt. We regard the shares as a safe haven: (i) FCF generation, reflected by a FCF yield of 12%, has proved to remain strong even during a recession, (ii) Sligro is a pure play on the Dutch OOH market, where it operates as the No.1 player with a strong track record, (iii) the company has a strong BS, reflected by a 08FY net debt/EBITDA of 1.3 times and further improvements in 09H1. Downside related to food retail seems limited, while a disposal would benefit valuation as EV/EBITDA multiples would decrease by c. 10%. Moreover, Sligro would revert into a fully focused champion in Foodservice, justifying a re-rating of 10-20%.

### Rating

**Buy**

**Price target:** EUR 23.0   
**Price 29 Sep 2009:** EUR 20.0  
**Up-/downside:** +14.9%

### Food & Drug Retailing

#### Market capitalisation:

EUR 886 m

#### Avg (12 month) daily volume:

57,512

#### Free float

34%

#### Reuters

SLGN.AS

#### Bloomberg code

SLIGR NA

### Share Price Performance %

	-1m	-3m	-12m
Sligro	0	+7	-5
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update	15 Oct 2009
Revenues 09FY	06 Jan 2010
Results 09FY	28 Jan 2010

### Major shareholders

	%
St. Administratiekantoor Slippens	34.0
Darlin N.V.	6.1
ING Groep	5.4
Threadneedle AM	5.1
Stichting Administratiekantoor Arkelhave	5.1

### Listed Peers

	Ticker
Ahold	AH NA
Super de Boer	LAU NA
Schuitema	SUTN NA
Colruyt	COLR BB

### Analysts

#### Patrick Roquas

+31 (0) 20 460 4826

#### Karel Zoete

+31 (0) 20 460 4827

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

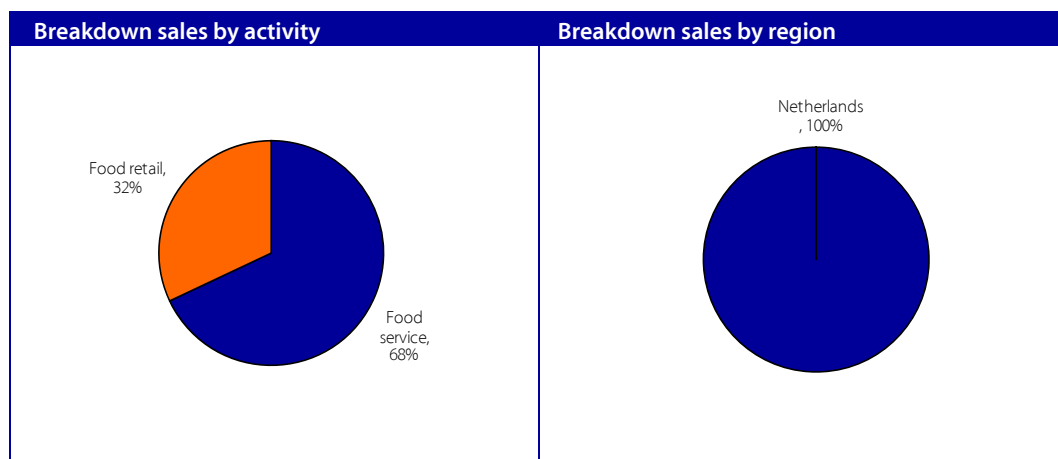
For 09H2, management projects positive LFL sales growth at Foodservice, despite a further expected deterioration of market conditions. We read this as an even more confident outlook than provided during the 08FY event. For 09FY we project a flat net income of EUR 72m, reflecting 1.5% organic sales growth at a flat margin for Foodservice in 09H2, (ii) 3% organic sales growth and a recovery driven increase in the EBIT margin of c. 100 bps. We anticipate that Albert Heijn will continue to put pressure on the market implying fierce competition amongst the full service supermarkets.

### Company profile

Operations are concentrated in the Netherlands and include foodservice (>75% of group EBIT) and food retail. Foodservice encompasses: (i) Sligro and VEN stores/facilities that offer cash & carry as well as delivery services, (ii) Van Hoeckel, which focuses on institutions in the non-profit segment, and (iii) Inversco, which services in fresh food is complementary to Van Hoeckel and the national accounts. Operations in food retail include: (i) wholesaler Prisma that supplies several retail formats including Golf and Attent, (ii) company owned stores operated under the EM-TE banner. In cooperation with Sperwer, Sligro acquired more than 200 Edah stores from Laurus in 2006, which have now been converted into EM TĒ.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Structural cost focus</li> <li>▪ Leading position in attractive out-of-home markets</li> <li>▪ Excellent management</li> <li>▪ Strong track record (in acquisitions)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Food retail geared to generally smaller stores</li> <li>▪ The increasing market dominance of Albert Heijn</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Improving the profitability of the converted Edah stores</li> <li>▪ Add independents to the network in foodservice and food retail</li> <li>▪ Further type IV store openings in foodservice</li> </ul>	<ul style="list-style-type: none"> <li>▪ A continuation of the difficult Dutch food retail market conditions</li> <li>▪ Potential losses of important clients</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	2,065.7	2,167.8	2,157.5	2,170.2	2,239.6
Cost of sales	-1,592.6	-1,651.6	-1,643.8	-1,653.5	-1,706.3
Gross profit	473.0	516.1	513.7	516.7	533.2
Operating costs	-338.3	-369.3	-366.4	-351.0	-354.8
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	134.8	146.9	147.3	165.7	178.5
Depreciation	-33.7	-40.2	-43.2	-46.0	-48.7
EBITA	101.0	106.7	104.1	119.8	129.7
Amortisation	-5.2	-8.1	-8.1	-8.1	-8.1
EBIT	95.8	98.6	96.0	111.7	121.7
Net financial result	-10.9	-11.0	-6.0	-7.2	-6.2
Other pre-tax items	11.1	0.0	0.0	0.0	0.0
EBT	96.0	87.6	90.0	104.4	115.4
Income taxes	-21.8	-20.9	-24.7	-28.4	-31.1
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items / participation	0.0	4.8	6.3	6.6	6.9
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	74.2	71.4	71.6	82.7	91.3
Adjustments, total	-4.2	8.1	8.1	8.1	8.1
Net income recurring (ex gw amortisatio	70.0	79.5	79.7	90.8	99.3
PER SHARE ITEMS					
Shares outstanding avg. (mln)	43.1	43.4	43.8	44.3	44.7
Shares outstanding fully diluted (mln)	43.9	44.2	44.6	45.1	45.5
EPS reported	1.72	1.65	1.63	1.87	2.04
EPS recurring	1.59	1.80	1.79	2.01	2.18
CPS	2.40	2.69	3.34	3.22	3.25
DPS	0.65	0.65	0.65	0.74	0.81
Fiscal year ends 12/2009					
% GROWTH					
Revenues		4.9	-0.5	0.6	3.2
EBITA		5.6	-2.4	15.0	8.3
Net income recurring		13.6	0.2	13.9	9.4
% MARGINS					
Gross margin		23.8	23.8	23.8	23.8
EBITA margin		4.9	4.8	5.5	5.8
Net recurring margin		3.7	3.7	4.2	4.4
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	1,522.9	1,182.4	992.1	930.2	870.9
P/E recurring (x)	12.6	11.1	11.2	10.0	9.2
P/Sales (x)	0.4	0.4	0.4	0.4	0.4
P/FCF (x)	23.8	12.0	8.4	8.6	8.5
P/CF (x)	8.3	7.4	6.0	6.2	6.2
P/B (x)	2.4	2.1	1.9	1.7	1.6
Dividend yield (%)	3.2	3.2	3.2	3.7	4.0
EV/EBITDA (x)	11.3	8.0	6.7	5.6	4.9
EV/Sales (x)	0.7	0.5	0.5	0.4	0.4
EV/FCF (x)	42.0	16.3	9.5	9.0	8.3

<b>CashFlowStatement ( EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	74.2	71.4	71.6	82.7	91.3
Depreciation & Amortisation	38.9	48.3	51.3	54.1	56.8
Working Capital Change	-19.3	-13.4	24.0	5.8	-2.7
Other Items	9.5	10.5	-0.5	0.0	0.1
Cash Flow from Operations	103.4	116.8	146.4	142.6	145.4
Net Capital Expenditure	-67.1	-44.1	-42.4	-3.91	-40.3
Goodwill from Acquisitions	-30.7	-8.4	-0.0	-0.0	-0.0
Other Investments	-68.2	3.0	0.1	-0.2	-0.8
Cash Flow from Investments	-166.0	-49.4	-42.3	-3.92	-41.1
Ordinary Dividends	-19.5	-19.8	-19.8	-22.9	-25.2
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	23.5	-62.1	-30.1	1.1	5.9
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	4.1	-8.19	-49.9	-21.8	-19.3
Change in Cash	-58.6	-14.5	54.2	81.6	84.9
Free Cash Flow	36.3	72.7	104.0	103.5	105.1
Free Cash Flow Yield (%)	4.2	8.4	11.9	11.7	11.7

<b>Balance Sheet ( EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	17.0	23.4	69.1	140.9	215.0
Other current assets	310.1	325.8	290.0	291.7	301.0
Net PP&E	279.1	283.0	282.2	275.3	266.8
Intangible assets	159.6	159.9	151.8	143.8	135.7
Other non-current assets	95.7	92.6	92.5	92.6	93.5
Total Assets	861.5	884.7	885.6	944.2	1,012.0
Short-term debt	74.0	53.2	42.0	42.2	43.6
Other current liabs	197.0	210.4	198.7	206.2	212.8
Long-term debt	202.2	160.9	142.0	142.8	147.4
Other non-current liabs	29.0	39.5	39.0	39.0	39.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	359.2	420.6	464.0	514.0	569.2
Total liabs & equity	861.5	884.7	885.6	944.2	1,012.0
Net debt	259.2	190.7	114.9	44.2	-24.0
ROIC (%)	14.7	15.7	13.6	16.4	18.1
Net gearing (%)	72.2	45.3	24.8	8.6	-4.2
Working capital as % of sales	6.3	6.4	5.2	4.9	4.9
Inventory period days		32.6	31.5	29.1	28.7
Trade debtor days		18.9	19.3	18.2	18.0
Trade creditor days		20.4	20.9	20.0	19.8
Cash cycle		31.1	29.8	27.3	27.0

# Smit Internationale

## Still sailing steadily

### Key message

So far Smit is still sailing steadily through the recession. It is a strong sign that Smit already dared to issue a FY outlook of a similar net profit level in 09H2 as in 09H1. However, after its recent share price run up, we do not see more triggers for outperformance. It is now trading at a 2010 P/E ratio of around 11x, which already is above its historical average of around 9-10x. Although it can not be excluded that it will happen one day, in our view renewed take-over speculation seems premature.

	2008	2009E	2010E	2011E
Sales (EUR m)	708	641	645	678
EPS Recurring	6.44	5.54	4.77	5.05
P/E Recurring	8.3	9.7	11.3	10.6
P/FCFPS		11.7	13.4	10.5
EV/ EBITDA	6.4	6.1	6.4	5.8
Dividend Yield (%)	5.6	4.9	4.2	4.4

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Net profit in 09H1 was a touch better than expected at EUR 51.9m vs our EUR 48.2m (consensus EUR 48.4m). However, this was mainly due to lower than expected tax and financial charges, as underlying EBIT was a bit light at EUR 67.7m vs our EUR 71.6m. Harbour Towage was rather weak (EBIT more than halved to EUR 7.9m vs our estimated EUR 13.5m) due to double digit volume declines in shipping traffic (e.g. in Antwerp, Rotterdam). However, Smit has repositioned some tug boats to other divisions/joint ventures and new locations (e.g. Taiwan, Brazil). Transport still exceeded our expectations (EUR 18.0m vs our EUR 15.6m) as utilisation rates are still OK (50% is long-term) and still limited price pressure. As several new big contracts are kicking in, the growth potential of Terminals is becoming really visible (+45%). Excluding Thunderhorse, Salvage did not have a really busy first half, but more projects are kicking in 09Q3.
- In March, Smit and BP have reached a settlement agreement with regard to the salvage services rendered to the semi-submersible rig "Thunderhorse" in the Gulf of Mexico, from July 2005. This had a one-off positive impact on the net profit line of Smit of EUR 10m in 09H1.

### Valuation

In May 2008, Smit has issued new 5-year profit growth targets for the different divisions, which would translate in an average high single digit earnings growth. In a long-term perspective, Smit's current valuation is in our view therefore not overly demanding. However, for the short term the outlook is still quite difficult and we anticipate an earnings decline in 2010. It is now trading at a 2010 P/E ratio of around 11x, which already is above its historical average of around 9-10x. Nevertheless, our DCF value arrives above EUR 60. We therefore see limited downside risk, also as this is limited by possible new take-over speculation.

### Rating

**Hold**

<b>Price target:</b>	<b>EUR 50.0</b>
<b>Price 29 Sep 2009:</b>	<b>EUR 53.7</b>
<b>Up-/downside:</b>	<b>-7.0%</b>

### Energy Equipment & Services

#### Market capitalisation:

EUR 987 m

#### Avg (12 month) daily volume:

49,097

#### Free float

26%

#### Reuters

SMTNCAS

#### Bloomberg code

SMIT NA

### Share Price Performance %

	-1m	-3m	-12m
Smit Internationale	+1	+27	-12
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3	12 Nov 2009
Results 09FY	04 Mar 2010
AGM	12 May 2010

### Major shareholders

	%
Boskalis Westminster	25.1
Aviva Plc	10.1
Fairplay Schelde GmbH	10.0
Delta Deelnemingen Fonds N.V.	5.5
Janivo Holding B.V.	5.4

### Listed Peers

	Ticker
Moller Maersk	MAERSKA
Seacor	
Tidewater	

### Analysts

#### Frank Claassen

+31 (0) 20 460 4868

### Rabo Securities Amsterdam

<b>Equity Sales</b>	+ 31 20 460 4707
<b>Equity Sales Trading</b>	+ 31 20 460 4723
<b>www.rabosecurities.com</b>	

### Outlook

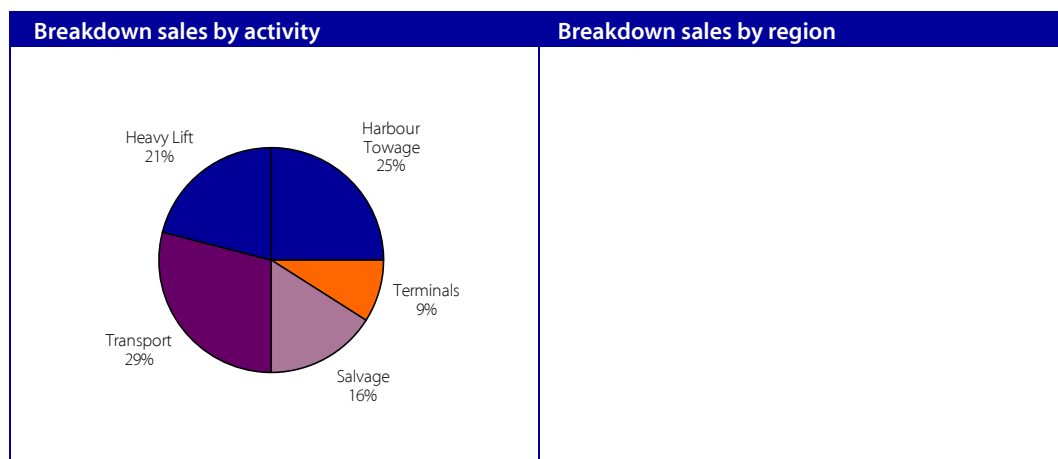
Smit guides that 09H2 net profit will be around the same level as 09H1 (excluding the EUR 10m of Thunderhorse), which will translate in a FY net profit level of around EUR 94m (we are at EUR 96m). For 2010, we anticipate an 11% earnings decline as we still see the risk of more pressure on tariffs, lower utilisation rates in Transport & Heavy Lift and there is no new Thunderhorse.

### Company profile

Smit Internationale operates in global maritime services. The company has four divisions: Harbour Towage, Terminals, Salvage and Transport & Heavy Lift. At Harbour Towage, Smit operates more than 150 vessels at harbours in more than ten countries. At Terminals, the company is active at 20 terminals. Smit is market leader at salvage with a 25-35% market share. The division Transport & Heavy Lift manages a fleet of 130 vessels for a wide variety of services.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Global presence at Harbour Towage</li> <li>▪ Global market leader at Salvage</li> <li>▪ Solid balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>▪ Salvage market is unpredictable</li> <li>▪ Synergy potential between divisions is questioned</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Terminals benefiting from growth in deepwater oil&amp;gas exploration</li> <li>▪ New ordered vessels coming into operations</li> <li>▪ New add-on acquisitions in Harbour Towage</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lower sea traffic impacting Harbour Towage</li> <li>▪ Pressure on day rates</li> <li>▪ Recession leading to lower utilisation rates Transport &amp; Heavy Lift</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	551.5	708.4	641.6	645.1	678.9
Cost of sales	-250.9	-362.6	-328.4	-330.2	-347.5
Gross profit	300.6	345.8	313.2	314.9	331.4
Operating costs	-141.2	-144.8	-110.6	-122.1	-123.9
Extraordinary	0.0	0.0	0.0	0.0	0.0
EBITDA	159.4	201.0	202.6	192.8	207.5
Depreciation	-3.08	-63.1	-68.6	-71.2	-76.0
EBITA	128.6	137.9	134.1	121.6	131.5
Amortisation	0.0	0.0	-5.4	-5.4	-5.4
EBIT	128.6	137.9	128.7	116.2	126.1
Net financial result	-3.2	-11.0	-10.4	-14.5	-13.8
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	125.4	126.9	118.3	101.7	112.3
Income taxes	-19.3	-18.7	-21.6	-16.6	-19.0
Minority interests	-0.5	-0.4	-0.4	-0.3	-0.3
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Net income	105.6	107.8	96.3	84.8	93.0
Adjustments, total	0.0	5.7	5.4	5.4	5.4
Net income recurring	105.6	113.5	101.7	90.2	98.4
PERSHARE ITEMS					
Shares outstanding avg. (mln)	15.8	17.6	18.4	18.9	19.5
Shares outstanding fully diluted (mln)	15.8	15.8	18.4	18.9	19.5
EPS reported	6.68	6.11	5.24	4.48	4.77
EPS recurring	6.68	6.11	5.54	4.77	5.05
CPS	8.61	11.80	10.53	8.44	8.63
DPS	3.00	3.00	2.62	2.24	2.39
Fiscal year ends 12/2009					
% GROWTH					
Revenues		28.4	-9.4	0.5	5.2
EBITDA		7.2	-2.8	-9.3	8.1
Net income recurring		7.5	-10.4	-11.3	9.1
% MARGINS					
Gross margin		48.8	48.8	48.8	48.8
EBITDA margin		19.5	20.9	18.9	19.4
Net recurring margin		16.0	15.9	14.0	14.5
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	959.9	1,212.0	1,233.7	1,234.9	1,213.0
P/E recurring (x)	8.0	8.8	9.7	11.3	10.6
P/Sales (x)	1.5	1.3	1.5	1.6	1.5
P/FCF (x)	28.0	N/A	11.7	13.4	10.4
P/CF (x)	6.2	4.6	5.1	6.4	6.2
P/B (x)	2.3	1.7	1.6	1.5	1.5
Dividend yield (%)	5.6	5.6	4.9	4.2	4.4
EV/EBITDA (x)	6.0	6.0	6.1	6.4	5.8
EV/Sales (x)	1.7	1.7	1.9	1.9	1.8
EV/FCF (x)	31.6	N/A	14.6	16.3	12.1

Cash Flow Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	105.6	107.8	96.3	84.8	93.0
Depreciation & Amortisation	30.8	63.1	74.0	76.6	81.4
Working Capital Change	-4.1	0.3	22.8	-0.1	-0.5
Other Items	3.8	36.9	0.3	-1.6	-5.7
Cash Flow from Operations	136.1	208.1	193.4	159.7	168.1
Net Capital Expenditure	-105.8	-360.1	-109.1	-83.9	-67.9
Goodwill from Acquisitions	0.0	-126.3	0.0	0.0	0.0
Other Investments	-43.5	30.1	-18.9	-5.2	-1.5
Cash Flow from Investments	-149.3	-456.3	-128.0	-89.0	-69.4
Ordinary Dividends	-47.5	-52.9	-48.1	-42.4	-46.5
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	-3.7	0.0	0.0	0.0	0.0
Change in Bank Debt	70.3	158.9	-43.1	-40.0	-10.0
Change in Minorities	-0.5	0.2	0.2	0.2	0.2
Cash Flow from Financing	18.6	106.2	-91.1	-82.2	-56.3
Change in Cash	5.4	-142.0	-25.7	-11.5	42.4
Free Cash Flow	30.3	-152.0	84.3	75.9	100.2
Free Cash Flow Yield (%)	3.6	N/M	8.5	7.5	9.6

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	65.3	69.8	44.2	32.6	75.0
Other current assets	220.0	257.4	221.1	215.8	227.1
Net PP&E	332.7	629.7	670.2	682.9	674.9
Intangible assets	6.4	132.7	127.3	121.9	116.5
Other non-current assets	134.4	104.3	123.2	128.4	129.9
Total Assets	758.8	1,193.9	1,186.0	1,181.7	1,223.4
Short-term debt	31.9	20.9	20.9	20.9	20.9
Other current liabs	187.1	224.8	211.3	206.0	216.8
Long-term debt	143.3	313.1	270.0	230.0	220.0
Other non-current liabs	31.1	67.6	67.6	65.7	59.6
Minority interest	0.0	0.6	1.1	1.6	2.1
Total equity	365.5	566.9	615.0	657.4	703.9
Total liabs & equity	758.8	1,193.9	1,186.0	1,181.7	1,223.4
Net debt	109.8	264.2	246.8	218.3	165.9
ROIC (%)	37.9	37.2	16.6	14.6	14.7
Net gearing (%)	30.1	46.6	40.1	33.2	23.6
Working capital as % of sales	6.0	4.6	1.5	1.5	1.5
Inventory period days		3.5	4.8	4.6	4.5
Trade debtor days		116.3	127.7	114.7	110.3
Trade creditor days		96.6	112.8	107.4	103.2
Cash cycle		23.3	19.8	11.9	11.6



# SNS Reaal

## Realizing the synergies

### Key message

Apart from the attractive valuation (through cycle fully diluted PE 5x and PB 0.6x) we have three reasons for our Buy. First, SNS REAAL will have strong profit/revenue growth (e.g. interest income in retail bank/prop finance). Second, the good solvency enables 50% less dilution in repaying the government. Third, the property finance impairments will be high but can mostly be financed from property finance revenues.

	2008	2009E	2010E	2011E
Net income (EUR m)	-493	34	191	274
EPS Recurring	-1.95	0.10	0.70	1.00
P/E Recurring	N/A	53.9	7.7	5.4
P/Equity	0.6	0.6	0.5	0.5
Dividend Yield (%)	7.6	0.0	0.0	6.1

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- For 09H1 the SNS REAAL net profit (excluding the EUR 55m goodwill impairment in property finance and intangible PPA amortisation) was EUR 44m versus our expected EUR -40m. However, this was fully due to the fact that the bond gains (selling bonds which are in the money, realising gains on buying back own debt) and equity impairments were EUR 75m after tax higher than we expected (EUR +63m higher bond gains in bank, EUR +40m higher bond gains in insurer, EUR -28m higher equity impairments in insurer). Excluding this EUR 75m the 09H1 net result was EUR -31m in line with our expected EUR -40m. So the earnings excluding these capital market gains/impairments it was in line.
- On 24 September, SNS Reaal sold 26.4 new shares to raise capital to pay back part of the government injection.

### Valuation

With the improved share price recently we believe that SNS REAAL can issue about EUR 120-130m in shares at a reasonable price. And if the remainder of the government redemption will be paid back from excess core capital the EPS dilution of the EUR 250m redemption will be about 25m new shares instead of about 50m shares so 50% less dilution.

### Rating

**Buy**

**Price target:**

**EUR 7.0**

**Price 29 Sep 2009:**

**EUR 5.4**

**Up-/downside:**

**+29.9%**

### Diversified Financials

**Market capitalisation:**

EUR 1,549 m

**Avg (12 month) daily volume:**

1,351,885

**Free float**

40%

**Reuters**

SR.AS

**Bloomberg code**

SR NA

### Share Price Performance %

	-1m	-3m	-12m
SNS Reaal	-4	+35	-32
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3	10 Nov 2009
Results 09FY	18 Feb 2010

### Major shareholders

	%
St.SNS Reaal	54.3
Aviva	5.9

### Listed Peers

	Ticker
None	-

### Analysts

**Cor Kluis**

+31 (0) 20 460 4870

**Georg Krijgh**

+31 20 460 4860

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

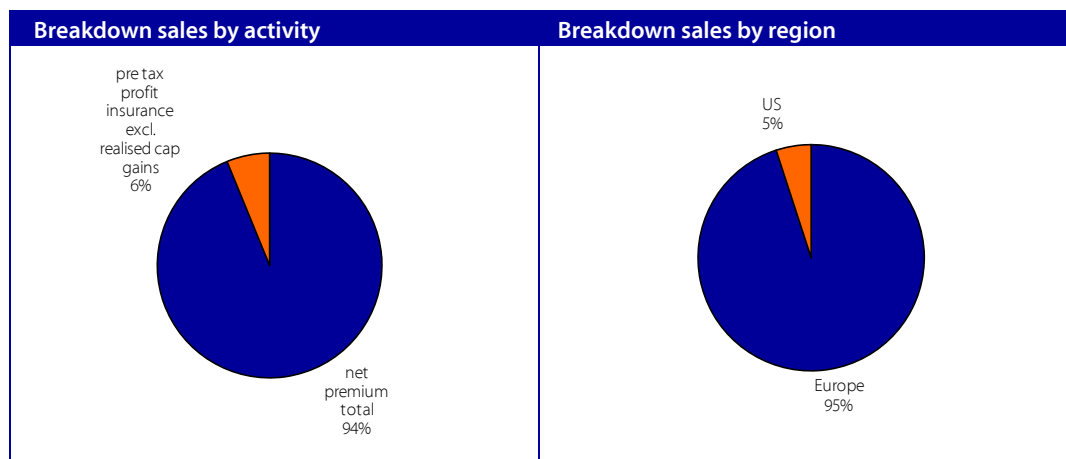
We estimate that the cumulative losses of property finance over this total credit cycle of about 4-5 years will be about EUR 700-800m pre tax (19% of international property finance loan book or 5.4% of total property loan book). In our model we already assume that the cumulative impairments will be EUR 700m over 2008-2010 which can mostly be financed from the revenues (mostly net interest income) of the property finance business (about EUR 300m per year). The good excess solvency gives more confidence it can manage this item even if losses will be somewhat higher than expected.

### Company profile

SNS REAAL is a Dutch midsized bank and insurance company which is focused on retail clients and small and medium sized (SME) companies. In most activities SNS REAAL has sustainable strong market positions. The company wants 1) to grow in the Randstad (Western part of the Netherlands) while it is more active in the Eastern part and in 2) SME banking.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Well-balanced mix of product lines and distribution channels.</li> <li>▪ Low interest rate risk at group level as it owns life insurance and a bank.</li> <li>▪ High provisions in the non-life business.</li> <li>▪ Low risk profile of operations outside the un-hedged equity portfolio.</li> <li>▪ Good cost control in the bank.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Size of Dutch daily banking activities.</li> <li>▪ Size of Dutch non-life business.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Possible parties that want to sell their Dutch insurance or bank business.</li> <li>▪ Synergies in the insurance business.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low long-term interest rates.</li> <li>▪ Declining Dutch housing prices</li> <li>▪ Interbank funding (short-term).</li> <li>▪ High inflation</li> </ul>



Income Statement ( EURmln)					
	2007	2008E	2009E	2010E	2011E
Net interest income	596	557	405	545	550
- of which pre payment penalties (NET)	29.0	39.0	22.0	3.0	3.0
- of which underlying net interest income	567.0	518.0	383.0	515.0	520.0
Net commissions	128.0	112.0	108.0	118.8	127.1
Result financial transactions & other	15.0	68.0	180.0	26.0	28.0
IFRS derivative impact	12.0	1.0	2.0	6.0	6.0
Total bank income	751.0	738.0	695.0	695.8	711.1
Total bank expenses	505.0	555.0	514.0	514.0	519.1
Operating profit	246.0	183.0	181.0	181.8	192.0
Bad debt provisioning	20.0	37.0	100.0	13.0	120.0
Pre tax banking profit	226.0	146.0	81.0	51.8	72.0
Pre tax SNS Property Finance profit	144.0	61.0	-73.0	-29.6	95.8
Pre tax insurance profit	259.0	-75.2	119.0	292.3	336.0
Pre tax other profit	0.0	0.0	0.0	0.0	0.0
Pre tax holding profit	-27.0	-146.0	-85.0	-85.0	-115.0
Pre tax excess cash profit	0.0	0.0	0.0	0.0	0.0
Total pre tax profit	602.0	-691.0	42.0	229.5	388.8
Tax	114.0	-198.8	7.8	38.8	72.1
Minority interest	3.0	0.0	0.0	0.0	0.0
Net profit	485.0	-492.3	34.2	190.7	316.7
PER SHARE ITEMS					
Shares outstanding avg. (mln)	0.0	0.0	0.0	0.0	316.7
EPS reported	1.95	-1.88	0.13	0.66	0.94
Operational EPS	1.86	-1.95	0.10	0.64	0.91
DPS	1.53	-2.40	-0.45	-0.01	0.28
Fiscal year ends 12/2009					
% GROWTH					
Banking revenues		-1.7	-5.8	0.1	2.2
Operating profit		N/M	N/M	446.4	69.4
Net income recurring		N/M	N/M	404.3	43.1

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### Key message

We currently have a Buy and a PT of EUR 80 on Solvay because Solvay has a strong balance sheet, with almost EUR 4bn in net cash after the recent successful disposal of the pharmaceutical division. Additionally the company has significantly reduced the cost base in the chemicals and plastics divisions. Given Solvay's strong acquisition track record, we believe the company will make smart acquisitions, while not overpaying.

	2008	2009E	2010E	2011E
Sales (EUR m)	9,490	8,384	7,823	8,019
EPS Recurring	7.14	4.54	4.25	5.83
P/E Recurring	10.2	16.0	17.1	12.5
P/FCFPS	20.6	31.3	15.0	10.3
EV/ EBITDA	5.9	6.3	6.3	5.2
Dividend Yield (%)	4.0	4.0	4.0	4.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 28 September Solvay announced the decision to sell the pharmaceuticals division to Abbott for a total enterprise value of EUR 5.2bn including EUR 4.5bn in cash, EUR 300m in potential milestones related to Androgel sales and EUR 400m in liabilities (mainly pension related).
- On 9 September Solvay announced that its cell-based production facility in Weesp, intended for the production of Influenza vaccines has been validated and is operational. When the facility is fully operational, the plant will be able to produce 20m doses per Influenza season. For 2009 we only expect a moderate contribution to sales as the facility has only recently begun production.
- On 8 September the company announced it has signed an agreement with Sodium Group Investments Limited to acquire its majority stake in a Russian soda ash plant. This plant is one of the three major soda ash producers in Russia with a capacity of 500,000 metric tons per annum and will be acquired for about EUR 160m in enterprise value.
- In July the company announced stronger than expected 09Q2 results, driven by strong results in the chemicals and pharmaceuticals divisions. Especially soda ash performed well due to lower energy prices and strong pricing.

### Valuation

Our DCF currently indicates a fair value of EUR 80 per share. Solvay has no balance sheet issues, given the fact that the pharmaceutical division has just been sold for an EV of EUR 5.2bn, which is another guarantee the 4% dividend yield can be sustained. The company is currently trading at an EV/EBITDA of 6.2x (excluding the pharmaceuticals division), which we find too low considering the fact that the two cyclical divisions are currently at or near trough earnings.

### Rating

**Buy**

**Price target:** EUR 80.0   
**Price 29 Sep 2009:** EUR 72.7  
**Up-/downside:** +10.1%

### Chemicals

#### Market capitalisation:

EUR 6,155 m

#### Avg (12 month) daily volume:

226,305

#### Free float

73%

#### Reuters

SOLbt.BR

#### Bloomberg code

SOLB BB

### Share Price Performance %

	-1m	-3m	-12m
Solvay	-1	+21	-16
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Results 09Q3 29 Oct 2009

### Major shareholders

Solvac S.A. 27.0%

### Listed Peers

	Ticker
Akzo Nobel	AKZA NA
Bayer	BAY GR
Tessenderlo	TESB BB

### Analysts

#### Fabian Smeets

+31 (0) 20 460 4864

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

Equity Sales +31 20 460 4707

Equity Sales Trading +31 20 460 4723

www.rabosecurities.com

### Outlook

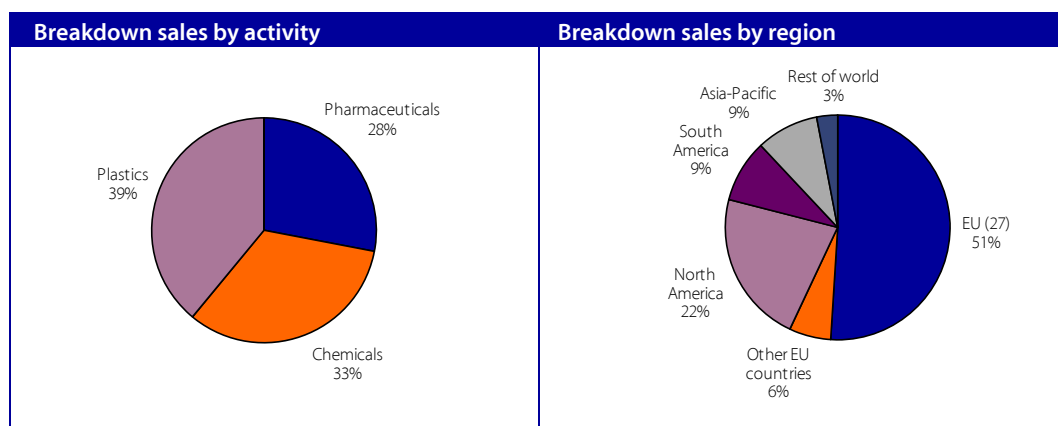
Solvay has given no quantitative outlook for 2009, while at the 09Q2 results it stated that it expects results in the pharmaceuticals sector to improve vs 2008, while chemicals and plastics show good resilience thanks to their competitive positions and to the measures taken, while the company expects market conditions to remain difficult. For 2009 we expect EBIT of EUR 673m and a net recurring profit of EUR 4.54 per share, 36% lower than 2008 due to weak results in the plastics division, compensated by resilience in the chemicals sector and strong results in the pharmaceuticals sector.

### Company profile

Solvay is a diversified chemical and pharmaceutical hybrid and has recently decided to sell its pharmaceuticals division to Abbott. The company is looking to acquire non-cyclical activities with a low energy footprint, which will reduce cyclicity. Solvay has a relatively good control over its chemicals and plastics end markets as Solvay is the nr 1 producer in the world of Soda ash, Hydrogen peroxide, persalts and has a worldwide nr 3 position in caustic soda and vinyls.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ A strong balance sheet with a large amount of cash after completion of disposal</li> <li>▪ Expanding emerging market exposure</li> </ul>	<ul style="list-style-type: none"> <li>▪ High European exposure</li> <li>▪ Low liquidity of the stock</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Use strong balance sheet for smart acquisitions to reduce cyclicity and reduce the energy footprint at a reasonable price</li> </ul>	<ul style="list-style-type: none"> <li>▪ A prolonged poor economic climate will negatively affect the Chemicals and Plastics divisions</li> <li>▪ The company could potentially overpay for acquisitions</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	9,569	9,490	8,384	7,823	8,019
Operating costs	-7,784	-8,108	-7,196	-6,674	-6,683
Extraordinaries	0	0	0	0	0
EBITDA	1,785	1,382	1,188	1,149	1,336
Depreciation	-593	-417	-515	-524	-524
EBITA	1,192	965	673	625	812
Amortisation	0	0	0	0	0
EBIT	1,192	965	673	625	812
Net financial result	-83	-112	-115	-104	-98
Other pre-tax items	26	-281	25	26	27
EBT	1,135	572	583	546	740
Income taxes	-337	-143	-163	-153	-207
Minority interests	-47	-44	-17	-15	-20
Other post-tax items/participation	0	0	0	0	0
Extraordinaries	0	0	0	0	0
Net income	751	385	402	378	512
Adjustments, total	-9	203	-18	-18	-19
Net income recurring	742	588	385	360	494
PERSHARE ITEMS					
Shares outstanding avg. (mln)	82.6	82.3	84.7	84.7	84.7
Shares outstanding fully diluted (mln)	83.1	82.4	82.4	82.4	82.4
EPS reported	9.47	4.92	4.75	4.46	6.05
EPS recurring	8.99	7.14	4.54	4.25	5.83
CPS	10.32	12.65	9.79	10.71	12.53
DPS	2.93	2.93	2.93	2.93	2.93
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-0.8	-11.7	-6.7	2.5
EBITA		-19.0	-30.3	-7.2	29.9
Net income recurring		-20.8	-34.5	-6.5	37.2
% MARGINS					
Gross margin		N/A	N/A	N/A	N/A
EBITA margin		10.2	8.0	8.0	10.1
Net recurring margin		6.2	4.6	4.6	6.2

Valuation Solvay					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	10,407.2	8,230.8	7,432.7	7,258.3	6,959.8
P/E recurring (x)	8.1	10.2	16.0	17.1	12.5
P/Sales (x)	0.6	0.6	0.7	0.8	0.8
P/FCF (x)	9.8	20.6	10.7	15.4	10.6
P/CF (x)	7.0	5.7	7.4	6.8	5.8
P/B (x)	1.4	1.3	1.3	1.3	1.2
Dividend yield (%)	4.0	4.0	4.0	4.0	4.0
EV/EBITDA (x)	5.8	6.0	6.3	6.3	5.2
EV/Sales (x)	1.1	0.9	0.9	0.9	0.9
EV/FCF (x)	16.9	28.3	12.9	18.2	12.0

## Solvay

Cash Flow Statement (EUR mln)	Solvay				
	2007	2008	2009E	2010E	2011E
Net Income Reported	78.2	405	402	378	512
Depreciation & Amortisation	593	417	515	524	524
Working Capital Change	-263	241	41	59	-21
Other Items	-18	-22	-130	-54	45
Cash Flow from Operations	1,094	1,041	829	907	1,061
Net Capital Expenditure	-479	-750	-254	-508	-481
Goodwill from Acquisitions	4	-457	0	0	0
Other Investments	30	39	146	39	-14
Cash Flow from Investments	-445	-1,168	-108	-470	-495
Ordinary Dividends	-243	-241	-248	-248	-248
Preferred Dividend	0	0	0	0	0
Change in Preferred Stock	0	0	0	0	0
Change in Equity	-114	0	0	0	0
Change in Subordinated Debt	0	0	0	0	0
Change in Bank Debt	106	597	0	0	0
Change in Minorities	1	96	-154	-15	-19
Cash Flow from Financing	-250	452	-403	-263	-268
Free Cash Flow	615	291	575	399	580
Free Cash Flow Yield (%)	10.2	4.9	9.3	6.5	9.4

Balance Sheet (EUR mln)	Solvay				
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	575	883	1,202	1,376	1,674
Other current assets	3,605	3,630	3,224	3,008	3,083
Net PP&E	3,885	4,218	3,957	3,941	3,898
Intangible assets	1,210	1,667	1,667	1,667	1,667
Other non-current assets	1,905	1,866	1,720	1,681	1,695
Total Assets	11,180	12,264	11,769	11,673	12,017
Short-term debt	317	627	627	627	627
Other current liabs	2,441	2,707	2,342	2,185	2,240
Long-term debt	1,565	1,852	1,852	1,852	1,852
Other non-current liabs	2,398	2,332	2,185	2,115	2,140
Minority interest	156	296	159	160	161
Total equity	4,303	4,449	4,604	4,733	4,997
Total liabs & equity	11,180	12,263	11,769	11,673	12,017
Net debt	1,307	1,596	1,277	1,103	805
ROIC (%)	15.9	15.2	6.9	6.7	8.9
Net gearing (%)	30.4	35.9	27.7	23.3	16.1
Working capital as % of sales	16.2	13.7	14.5	14.5	14.5
Inventory period days		48.3	51.6	50.4	48.0
Trade debtor days		64.9	68.5	66.8	63.7
Trade creditor days		49.7	53.7	51.0	48.7
Cash cycle		63.5	66.4	66.1	63.0



# Stern Group

## The automotive consolidator

### Key message

We believe in Stern's strategy to build a leading automotive company in the Netherlands. Through acquisitions, integration and the development of additional services, we believe there is upside in Stern's profitability to an EBIT margin well above industry average. This long term belief is currently tested by short term pain caused by the recession, adverse government measures, wage inflation, integration costs and the dilutive effect of acquisitions. However, Stern continues to make good strategic progress in building its dealer network, cherry-picking acquisitions from the Dutch automotive graveyard. Despite the long horizon needed to achieve higher margins, we stick to our Buy and raise our PT to EUR 27.

	2008	2009E	2010E	2011E
Sales (EUR m)	912	783	745	780
EPS Recurring	0.78	0.13	0.43	1.56
P/E Recurring	24.5	147.0	44.4	12.3
P/FCFPS	5.5	8.5	9.4	9.8
EV/ EBITDA	5.7	4.5	4.1	3.6
Dividend Yield (%)	1.5	0.3	0.8	0.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Stern's 09H1 results clearly reflected the difficult market circumstances and adverse government measures in the Dutch automotive market, but we believe Stern is outperforming the total market, e.g. shown by a still positive operating result, while the Dutch automotive market is suffering from a large number of bankruptcies.
- 09H1 sales dropped 15%, especially due to the car dealers. This caused EBIT to more than halve from EUR 10.8m to EUR 5.2m, especially because the car dealers suffered a small EBIT loss of EUR 0.8m due to lower sales and a lower margin on used cars.
- Stern is actively reducing operating costs under its program 'Stormvogel'. In 09Q2, this led to a reduction in operating costs of c. 10%. We believe Stern is using this difficult period to accelerate the integration and rationalisation of its dealer network.
- Stern continues to acquire dealers in several car brands, building out its market share. The acquisitions of Kinesis, (2007, Opel), Van Kooy (2007, Mercedes-Benz), Renault Amsterdam (2008) and LIAM (2009, Mercedes-Benz) have strengthened the market share and geographical position of Stern.

### Valuation

Stern is trading at high P/E multiples for 2009 and 2010, the result of the late cyclicality in car sales and the dilutive effect of the acquisitions. Longer term, we remain believers in a potential long term EBIT margin of 3.0% (from 1.1% in 2008E). Our DCF then points to EUR 27.

### Rating

**Buy**

**Price target:** EUR 27.0   
**Price 29 Sep 2009:** EUR 19.1  
**Up-/downside:** +41.3%

### Specialty Retail

#### Market capitalisation:

EUR 113 m

#### Avg (12 month) daily volume:

1,206

#### Free float

22%

#### Reuters

STRN.AS

#### Bloomberg code

STRN NA

### Share Price Performance %

	-1m	-3m	-12m
Stern Group	+27	+29	-13
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

None

### Major shareholders

	%
NPM Capital N.V.	26.8
H.H. van der Kwast	11.8
Stern Groep N.V.	10.0
Kempen & Co N.V.	8.5
Todlin N.V.	5.8

### Listed Peers

	Ticker
Pendragon	
Lookers	
Billa	BHJA GR
Autonation	AN UN

### Analysts

#### Philip Scholte

+31 (0) 20 460 4823

#### David Tailleux

+31 (0) 20 460 4852

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

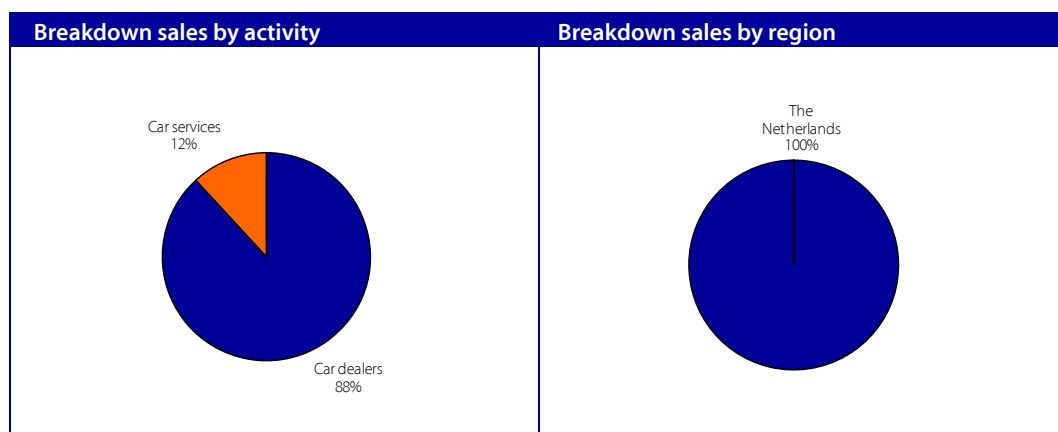
For FY09, Stern is guiding to a positive operating free cash flow, which we believe is achievable. With car sales being late cyclical, 2010 will probably be another difficult year. We expect Stern to continue to do acquisitions. The Dutch automotive market is hurt badly, with sharply lower sales and adverse government measures ruining the already marginal profitability of the industry. As one of the strongest financial players in the market, we expect Stern to benefit. This buy-build-and-integrate model should enable Stern to have better buying power vs car manufacturers and importers and to have an efficient operating model. In our view, an EBIT margin of 3.0% is possible (up from 1.1% in 2008).

### Company profile

Stern Group is a leading automotive group active in the Netherlands. Its division Car Dealers operates from around 90 sales points, representing car brands as Mercedes, Opel, Ford, Renault, Fiat and Chrysler. Its division Car Services is active with car rental activities (a.o. under the Budget brand) with 25 locations, car lease and related financial products, such as finance, insurance and maintenance, and damage repair services from 15 locations.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ The largest car dealer in the Netherlands, with strong coverage in the Randstad</li> <li>▪ Strong balance sheet and access to capital market</li> <li>▪ Diversified revenue stream with dealers, maintenance, rental and repair</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low profitability of some (clusters of) car dealers</li> <li>▪ Capacity utilisation in some work shops</li> <li>▪ Dutch car market is mature, offering little secular growth prospects</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Strict focus on financial/ operational metrics</li> <li>▪ Picking acquisitions from a large pool of underperforming automotive companies</li> <li>▪ Higher sales of additional products, like finance, insurance and lease</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increasing power from car importers / manufacturers</li> <li>▪ Ongoing price competition from small dealers</li> <li>▪ Independent companies (like Kwik Fit) taking share in maintenance market</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	1,003.5	912.7	783.1	745.0	779.7
Cost of sales	-820.5	-746.3	-640.3	-609.2	-637.5
Gross profit	183.0	166.4	142.8	135.8	142.2
Operating costs	-121.4	-111.6	-84.2	-74.9	-73.7
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	61.5	54.8	58.6	60.9	68.5
Depreciation	-38.2	-44.3	-50.7	-51.6	-53.5
EBITA	23.3	10.5	7.9	9.3	15.0
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	23.3	10.5	7.9	9.3	15.0
Net financial result	-7.9	-7.9	-7.1	-6.8	-6.8
Other pre-tax items	0.1	0.2	0.1	0.1	0.1
EBT	15.5	2.8	0.9	2.5	8.3
Income taxes	-2.3	1.7	5.3	-0.3	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	13.2	4.4	6.2	2.3	8.3
Adjustments, total	0.0	0.0	-5.5	0.0	0.0
Net income recurring	13.2	4.4	0.7	2.3	8.3
PERSHARE ITEMS					
Shares outstanding avg. (mln)	5.5	5.7	5.3	5.3	5.3
Shares outstanding fully diluted (mln)	5.5	5.7	5.3	5.3	5.3
EPS reported	2.38	0.78	0.13	0.43	1.56
EPS recurring	2.38	0.78	0.13	0.43	1.56
CPS	0.95	24.42	10.78	11.65	11.84
DPS	1.19	0.29	0.05	0.15	0.53
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-9.1	-14.2	-4.9	4.6
EBITA		-55.1	-24.4	17.1	62.2
Net income recurring		-66.5	-84.3	227.6	264.3
% MARGINS					
Gross margin		18.2	18.2	18.2	18.2
EBITA margin		1.1	1.0	1.2	1.9
Net recurring margin		0.5	0.1	0.3	1.1

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	429.9	311.2	262.4	252.3	244.9
P/E recurring (x)	8.0	24.5	147.0	44.4	12.3
P/Sales (x)	0.1	0.1	0.1	0.1	0.1
P/FCF (x)	N/A	1.7	8.5	9.4	9.8
P/CF (x)	20.1	0.8	1.8	1.6	1.6
P/B (x)	0.7	0.8	0.8	0.8	0.7
Dividend yield (%)	6.2	1.5	0.3	0.8	2.8
EV/EBITDA (x)	7.0	5.7	4.5	4.1	3.6
EV/Sales (x)	0.43	0.34	0.34	0.34	0.31
EV/FCF (x)	N/A	4.8	22.1	23.4	23.8

<b>Cash Flow Statement ( EURm)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	13.2	4.4	0.7	2.3	8.3
Depreciation & Amortisation	38.2	44.3	50.7	51.6	53.5
Working Capital Change	-41.5	58.7	14.6	4.3	-4.0
Other Items	-4.7	30.7	-8.5	3.9	5.4
Cash Flow from Operations	5.2	138.1	57.5	62.1	63.1
Net Capital Expenditure	-77.5	-73.2	-45.6	-51.3	-52.8
Goodwill from Acquisitions	-7.4	-1.2	0.0	0.0	0.0
Other Investments	-2.8	0.2	0.0	0.0	0.0
Cash Flow from Investments	-87.6	-74.2	-45.6	-51.3	-52.8
Ordinary Dividends	-6.6	-1.6	-0.2	-0.8	-2.8
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	20.4	-5.5	0.0	0.0	0.0
Change in Subordinated Debt	-2.5	-3.5	0.0	0.0	0.0
Change in Bank Debt	68.5	-43.2	-0.0	-0.0	-0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	79.8	-53.9	-0.2	-0.8	-2.8
Change in Cash	-2.6	10.0	11.6	10.0	7.5
Free Cash Flow	-72.2	64.9	11.9	10.8	10.3
Free Cash Flow Yield (%)	N/M	59.6	11.7	10.7	10.2

<b>Balance Sheet ( EURm)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	1.9	1.0	10.5	20.5	28.0
Other current assets	218.8	223.3	200.3	199.9	209.2
Net PP&E	239.9	268.8	263.7	263.4	262.8
Intangible assets	33.1	34.3	34.3	34.3	34.3
Other non-current assets	14.0	13.9	13.9	13.9	13.9
Total Assets	507.7	541.3	522.7	531.9	548.1
Short-term debt	160.0	112.5	112.5	112.5	112.5
Other current liabs	55.1	118.3	110.0	113.8	119.1
Long-term debt	57.7	58.5	58.5	58.5	58.5
Other non-current liabs	89.9	120.6	112.1	116.0	121.4
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	145.0	131.4	129.7	131.2	136.7
Total liabs & equity	507.7	541.3	522.7	531.9	548.1
Net debt	215.8	170.0	160.5	150.4	143.0
ROIC (%)	8.0	3.5	2.7	3.1	5.7
Net gearing (%)	148.8	129.4	123.8	114.7	104.6
Working capital as % of sales	16.5	11.6	11.7	11.7	11.7
Inventory period days		72.6	81.6	80.4	78.2
Trade debtor days		103	11.0	11.4	11.3
Trade creditor days		21.0	36.8	37.9	37.7
Cash cycle		61.9	55.8	53.8	51.8

# Super de Boer

## Finally some action

### Key message

The chance of Super de Boer finally being taken over seems large following Jumbo's recent offer. Schuitema/Sperwer might launch a competitive bid, though we do not foresee substantial further upside in the share price. We have raised our PT to EUR 4.2 and upgraded to Hold.

	2008	2009E	2010E	2011E
Sales (EUR m)	1,685	1,717	1,767	1,818
EPS Recurring	0.26	0.17	0.27	0.32
P/E Recurring	16.1	24.6	15.5	13.1
P/FCFPS	26.2	12.0	16.8	13.5
EV/ EBITDA	9.2	9.2	7.3	6.3
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Jumbo announced its offer for Super de Boer on September 18. Jumbo intends to acquire the assets and liabilities, representing EUR 4.20 per share and excludes dividend taxes in case proceeds are distributed to the shareholders. The deal will be structured as an asset deal in order to maximize available tax losses carry forward. Casino, Super de Boer's main shareholder supports the bid on the condition of support from both the supervisory and the executive board.
- Sperwer and Schuitema are rumored to investigate a counterbid. Ahold has indicated not to bid for Super de Boer
- Sales growth per store increased by 3.4% during 9m2009, below market growth of around 5%.
- During 08H1, Super de Boer reached agreement with its banks on revising the existing credit facilities. The overall facility has been reduced from EUR 181m to EUR 120m. In addition, the interest margins and commission fees have been reduced in line with the improved risk profile.

### Valuation

Jumbo's bid values Super de Boer at 0.3x sales, 9x EV/EBITDA and 24x PER. This is based on 2009 numbers and excludes synergies and the benefits from Sdb's tax losses carry forward.

### Rating

**Hold**

**Price target:**

**EUR 4.2**

**Price 29 Sep 2009:**

**EUR 4.2**

**Up-/downside:**

**+0.2%**

### Food & Drug Retailing

#### Market capitalisation:

EUR 481 m

#### Avg (12 month) daily volume:

360,314

#### Free float

27%

#### Reuters

LAU.AS

#### Bloomberg code

LAU NA

### Share Price Performance %

	-1m	-3m	-12m
Super de Boer	+47	+36	+34
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Revenues 09FY 19 Jan 2010

### Major shareholders

	%
J.C. Naouri	63.3
Stichting Administratiekantoor Arkelhave	5.0
ABN Amro Holding N.V.	5.0

### Listed Peers

	Ticker
Ahold	AH NA
Schuitema	SUTN NA
Sligro	SLIGR NA
Colruyt	COLR BB

### Analysts

#### Patrick Roquas

+31 (0) 20 460 4826

#### Karel Zoete

+31 (0) 20 460 4827

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

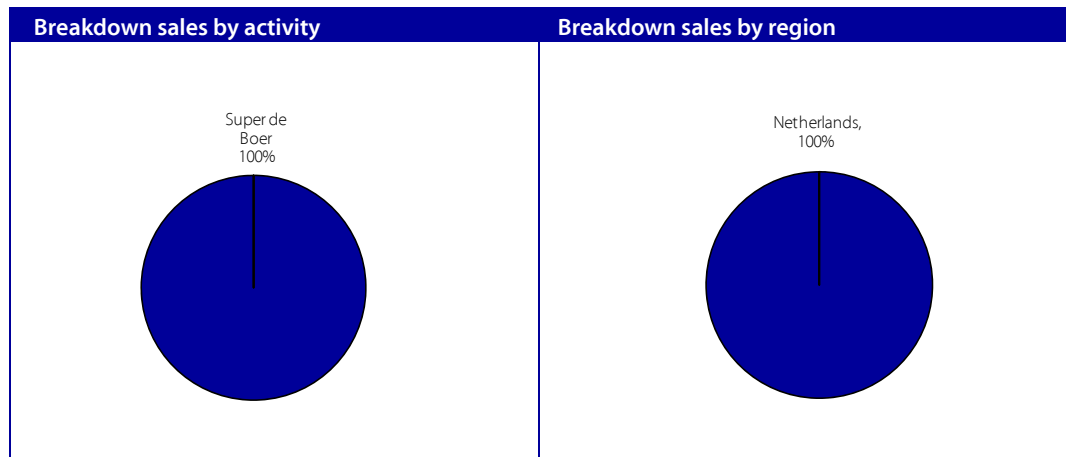
Management has not provided profit guidance for 09FY. Focus will be on converting 50-60 stores, improving private labels and price positioning. We project a gradual improvement in sales and margins for 2009-2012.

### Company profile

Following the divestment of Edah and Konmar in 2006, Laurus comprises only the Super de Boer banner. After selling of a further 50 Super de Boer stores, the company achieves a market share of around 7%. The Super de Boer format is positioned at the higher end of the market.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Focus in the Netherlands on just one format (i.e. Super de Boer)</li> <li>▪ Highly experienced CEO with good track record in Dutch food retail</li> </ul>	<ul style="list-style-type: none"> <li>▪ Weak balance sheet</li> <li>▪ Weak financial track record</li> <li>▪ Further losing market share</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Membership with Superunie or other purchasing groups</li> <li>▪ Forming a combination with for example Schuitema or Sperwer (Dutch independent with c. 8% market share)</li> </ul>	<ul style="list-style-type: none"> <li>▪ A new price war in the Dutch food retail market</li> <li>▪ A slower than expected recovery for Super de Boer</li> </ul>



Income Statement ( EURbn)					
	2007	2008	2009E	2010E	2011E
Revenues	1,858.0	1,685.0	1,717.5	1,767.3	1,818.6
Cost of sales	-1,577.0	-1,442.0	-1,466.4	-1,505.4	-1,549.1
Gross profit	281.0	243.0	251.1	261.9	269.5
Operating costs	-233.0	-192.0	-195.7	-196.4	-198.5
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	48.0	51.0	55.4	65.5	71.0
Depreciation	-27.0	-26.0	-26.5	-27.3	-28.1
EBITA	21.0	25.0	28.9	38.2	42.9
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	21.0	25.0	28.9	38.2	42.9
Net financial result	-11.0	-11.0	-9.1	-7.2	-5.7
Other pre-tax items	0.0	-1.0	0.0	0.0	0.0
EBT	10.0	13.0	19.8	31.0	37.2
Income taxes	0.0	16.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	10.0	29.0	19.8	31.0	37.2
Adjustments, total	0.0	1.0	0.0	0.0	0.0
Net income recurring	10.0	30.0	19.8	31.0	37.2
PER SHARE ITEMS					
Shares outstanding avg. (mln)	114.7	114.7	114.7	114.7	114.7
Shares outstanding fully diluted (mln)	114.7	114.7	114.7	114.7	114.7
EPS reported	0.09	0.25	0.17	0.27	0.32
EPS recurring	0.09	0.26	0.17	0.27	0.32
CPS	0.11	0.45	0.57	0.52	0.58
DPS	0.00	0.00	0.00	0.00	0.00
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-9.3	1.9	2.9	2.9
EBITA		19.0	15.6	32.3	12.2
Net income recurring		201.4	-34.1	57.0	19.8
% MARGINS					
Gross margin		14.4	14.6	14.8	14.8
EBITA margin		1.5	1.7	2.2	2.4
Net recurring margin		1.8	1.2	1.8	2.0
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (bn)	479.8	468.5	509.0	479.8	444.5
P/E recurring (x)	46.6	16.1	24.6	15.5	13.1
P/Sales (x)	0.3	0.3	0.28	0.3	0.3
P/FCF (x)	N/A	22.9	12.1	16.5	13.6
P/CF (x)	38.1	9.3	7.4	8.1	7.2
P/B (x)	9.4	6.0	4.9	3.7	2.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	10.0	9.2	9.2	7.3	6.3
EV/Sales (x)	0.3	0.3	0.30	0.27	0.24
EV/FCF (x)	N/A	22.3	12.8	16.4	12.6

<b>Cash Flow Statement ( EURbn)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	10.0	29.0	19.8	31.0	37.2
Depreciation & Amortisation	27.0	26.0	26.5	27.3	28.1
Working Capital Change	-4.0	6.0	15.7	0.4	0.4
Other Items	-20.0	-9.0	3.6	0.6	0.6
Cash Flow from Operations	13.0	52.0	65.6	59.3	66.2
Net Capital Expenditure	-24.0	-31.0	-25.9	-3.0	-30.9
Goodwill from Acquisitions	2.0	1.0	0.0	0.0	0.0
Other Investments	11.0	-13.0	0.0	0.0	0.0
Cash Flow from Investments	-11.0	-43.0	-25.9	-3.0	-30.9
Ordinary Dividends	0.0	0.0	0.0	0.0	0.0
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-3.6	-9.0	0.0	0.0	0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-3.6	-9.0	0.0	0.0	0.0
Change in Cash	-3.4	0.0	39.7	29.2	35.3
Free Cash Flow	-11.0	21.0	39.7	29.2	35.3
Free Cash Flow Yield (%)	N/M	4.4	8.3	6.1	7.3
<b>Balance Sheet ( EURbn)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	18.0	18.0	56.6	85.8	121.1
Other current assets	132.0	128.0	114.7	118.0	121.5
Net PP&E	114.0	119.0	118.4	121.2	124.0
Intangible assets	20.0	19.0	19.0	19.0	19.0
Other non-current assets	59.0	72.0	72.0	72.0	72.0
Total Assets	343.0	356.0	380.8	416.1	457.7
Short-term debt	21.0	18.0	18.0	18.0	18.0
Other current liabs	146.0	148.0	150.4	154.1	157.9
Long-term debt	73.0	67.0	67.0	67.0	67.0
Other non-current liabs	52.0	43.0	46.6	47.2	47.8
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	51.0	80.0	98.7	129.8	166.9
Total liabs & equity	343.0	356.0	380.8	416.1	457.7
Net debt	76.0	67.0	28.4	-0.8	-3.6
ROIC (%)	5.9	8.9	7.4	9.2	9.9
Net gearing (%)	149.0	83.8	28.7	-0.6	-21.7
Working capital as % of sales	0.2	-0.1	-1.0	-1.0	-0.9
Inventory period days		13.3	12.5	10.8	10.8
Trade debtor days		12.3	11.8	11.7	11.7
Trade creditor days		24.7	26.8	26.7	26.7
Cash cycle		1.0	-2.5	-4.2	-4.2



# Telegraaf Media Groep

## Pace of cost savings is accelerating

### Key message

So far, TMG has only slightly participated in the strong rally for advertising driven media shares while other advertising driven stocks have soared (ProSiebenSat1, JC Decaux). For the debt-free market leader in the Dutch consumer media market we see two triggers: 1) positive operational leverage due to the EUR 40-50m lower cost base and a small advertising recovery in 2010/2011; 2) strong upside for the value of TMG's 6% stake in ProSiebenSat1. TMG holds 13.1m non-listed shares with special voting rights. P7S1 is a leveraged play on the European TV advertising market. The listed shares P7S1 have already recovered from a low of EUR 0.88 towards EUR 7. In case of a recovery towards EUR 15 (50% below the EUR 30 peak) and applying a 25% premium, the value of TMG's stake in P7S1 could increase to a value of EUR 246m (EUR 4.92 per share TMG).

	2008	2009E	2010E	2011E
Sales (EUR m)	684	615	622	637
EPS Recurring	-5.95	0.57	0.72	0.84
P/E Recurring	N/A	23.2	18.3	15.7
P/FCFPS		23.2	14.8	14.8
EV/ EBITDA	9.8	9.9	8.6	7.5
Dividend Yield (%)	2.7	2.6	2.8	3.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- TMG's 09H1 EBITA of EUR 18.8m was well ahead of our EUR 7.2m and well ahead of the consensus of EUR 5m (range: EUR 2-9m) due to very impressive cost cutting. Sales of EUR 301.5m in line with our EUR 302.4m. TMG's 09H1 ad sales were down 19.1%, slightly better than our +/- 20%. TMG's circulation sales were up 1.4% in 09H1, slightly better than our + 1%. Cost cutting at TMG was very impressive, fully explaining the higher than expected EBITA outcome in 09H1 (Recurring EBITA of EUR 17.8m vs our EUR 7.2m). EBITA for TMG NL dropped 41% towards EUR 17.9m in 09H1. EBITA for Sky Radio Group dropped 30% towards EUR 7.8m. EBITA for Keesing jumped 17% to EUR 4.9m.
- TMG's total cost base was reduced with EUR 30m, a y-o-y decrease of 9%. Personnel costs were down 14% and decreased EUR 18.6m in 09H1. Of the plan to lower headcount with 500 FTE's, a reduction with 334 FTE's was effectuated per 30/6/2009. Costs for temporary labor were also decreased with EUR 5.5m. Depreciation decreased EUR 2.7m. Overhead costs decreased EUR 1.4m. Raw material costs also decreased EUR 2.6m due to lower paper usage. Other company costs fell with 5.7% due to the outsourcing of non-core activities and procurement savings. The pace of cost savings accelerated. Recurring expenses dropped 10.8% in 09Q2 after a 6.0% drop in 09Q1. Of the targeted EUR 31m cost savings for 2009E, already EUR 19m was realized in 09H1. So, TMG is clearly ahead of schedule with its target to achieve the desired EUR 40-50m lower cost level in 2010.

### Valuation

We calculate a DCF-value per share for TMG of EUR 12-13 for the core business. This value is excluding the value for the 6% stake in ProSieben Sat1 and is based upon a WACC of 8.6%, long term EBITA-margins of 9% and 1-2% organic sales growth.

### Rating

**Buy**

**Price target:** EUR 15.0   
**Price 29 Sep 2009:** EUR 13.2  
**Up-/downside:** +13.6%

### Media

#### Market capitalisation:

EUR 660 m

#### Avg (12 month) daily volume:

5,792

#### Free float

34%

#### Reuters

TLGNc.AS

#### Bloomberg code

TEAC NA

### Share Price Performance %

	-1m	-3m	-12m
Telegraaf Media Groep	+3	+14	-32
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3 13 Nov 2009

### Major shareholders

	%
Puijenbroek Beheer	30.5
Cyrt Investments NV	20.1
Aviva	5.1
Navitas B.V.	5.0
M.M.J.J. Boekhoorn	5.0

### Listed Peers

	Ticker
Independant News & Media	INWS ID
Schibsted	SCH NO
Gruppo Editoriale l'Espresso	ES IM
Roularta Media Group	ROU BB
Axel Springer	SPR GR

### Analysts

#### Hans Slob

+31 (0) 20 460 4866

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

Equity Sales +31 20 460 4707

Equity Sales Trading +31 20 460 4723

www.rabosecurities.com

### Outlook

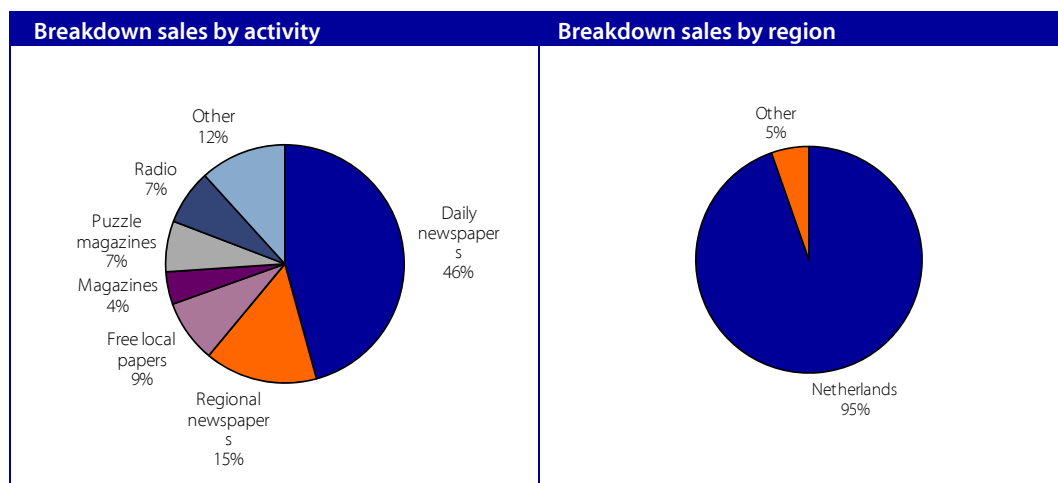
We expect that the trough for newspaper advertising will be reached in 09Q3. Due to an expected recovery for advertising volumes from financials and consumer driven companies, we expect the advertising market to start stabilizing from 09Q4 onwards. We remain worried by a trend of rising discounts on advertisements offered by newspaper publishers to advertisers. Due to the lower than expected cost level in 09H1 and an expected stabilization of the advertising market in 09Q4, we increased our 2009E EBITA-forecast from EUR 25.1m towards EUR 37.4m after the 09H1 results, still a 40% y-o-y decline. Based upon flat organic sales growth and the positive impact from the cost savings, we expect a 7% EBITA increase in 2010.

### Company profile

Telegraaf Media Groep is the largest media group in the Netherlands. TMG is the publisher of Telegraaf, the largest paid newspaper in the Netherlands. In addition, TMG also publishes the market leading free sheet Spits. TMG is also active in the field of Radio, puzzle publications, free door-to-door papers, regional newspapers and magazines. TMG also holds a 6% stake in free-to-air TV broadcaster ProSieben Sat1.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strongest newspaper franchise in NL</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of real focus</li> <li>▪ Limited cross-media synergies</li> <li>▪ Magazine group lacks scale</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Monetising internet position</li> <li>▪ Additional cost cutting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pressure on circulation sales</li> <li>▪ Pressure on advertising rates</li> <li>▪ Rising paper prices</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	700.1	684.2	615.6	615.6	630.9
Cost of sales	0.0	0.0	0.0	0.0	0.0
Gross profit	700.1	684.2	615.6	615.6	630.9
Operating costs	-608.9	-589.0	-550.9	-551.3	-553.7
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	91.2	95.2	64.6	64.3	77.3
Depreciation	-37.9	-32.8	-27.2	-24.3	-24.0
EBITA	53.3	62.4	37.4	40.0	53.3
Amortisation	-50.8	-63.8	-40.0	-30.0	-25.0
EBIT	2.5	-1.4	-2.6	10.0	28.3
Net financial result	10.8	-182.9	-1.2	-0.9	-0.7
Other pre-tax items	3.1	-131.3	0.0	0.0	0.0
EBT	16.4	-315.7	-3.8	9.1	27.6
Income taxes	6.7	-10.2	-9.2	-10.0	-13.4
Minority interests	-0.8	-0.8	0.1	0.1	0.1
Other post-tax items / participation	0.0	0.0	0.3	0.3	0.3
Extraordinaries	377.0	-33.3	0.0	0.0	0.0
Net income	399.3	-360.0	-12.7	-0.5	14.5
Adjustments, total	-326.2	75.7	40.0	30.0	25.0
Net income recurring	73.1	-284.3	27.3	29.5	39.5
PERSHARE ITEMS					
Shares outstanding avg. (mln)	50.0	48.0	48.3	47.8	47.8
Shares outstanding fully diluted (mln)	50.0	47.8	47.8	47.8	47.8
EPS reported	7.99	-7.49	-0.26	-0.01	0.30
EPS recurring	1.46	-5.95	0.57	0.62	0.83
CPS	10.58	-5.50	0.94	1.16	1.41
DPS	1.00	0.35	0.34	0.34	0.40
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-2.3	-10.0	0.0	2.5
EBITA		17.1	-40.0	6.8	33.3
Net income recurring		N/M	N/M	8.0	34.1
% MARGINS					
EBITA margin		9.1	6.1	6.5	8.5
Net recurring margin		-41.6	4.4	4.8	6.3
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	751.8	932.9	617.6	590.7	569.1
P/E recurring (x)	9.0	N/A	23.2	21.3	15.9
P/Sales (x)	0.9	0.9	1.0	1.0	1.0
P/FCF (x)	1.3	N/A	23.5	17.1	15.0
P/CF (x)	1.2	N/A	14.0	11.4	9.4
P/B (x)	0.8	1.5	1.7	1.7	1.7
Dividend yield (%)	7.6	2.7	2.6	2.6	3.0
EV/EBITDA (x)	8.2	9.8	9.6	9.2	7.4
EV/Sales (x)	1.1	1.4	1.0	1.0	0.9
EV/FCF (x)	1.5	N/A	22.8	16.1	13.5

Cash Flow Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	3 99.3	-3 60.0	-12.7	-0.5	14.5
Depreciation & Amortisation	88.7	96.6	67.2	54.3	49.0
Working Capital Change	55.6	-1.9	-9.1	0.0	2.0
Other Items	-14.8	1.0	0.2	1.5	1.8
Cash Flow from Operations	528.7	-264.3	45.6	55.3	67.3
Net Capital Expenditure	-17.7	-15.3	-18.5	-18.5	-25.2
Goodwill from Acquisitions	-57.3	-52.3	0.0	0.0	0.0
Other Investments	191.8	-33.4	-1.4	-1.5	-1.5
Cash Flow from Investments	116.9	-100.9	-19.9	-19.9	-26.7
Ordinary Dividends	-50.0	-16.7	-16.4	-16.1	-19.0
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-172.4	-16.7	-0.0	-0.0	-0.0
Change in Minorities	-3.3	-1.5	0.1	0.0	0.0
Cash Flow from Financing	-225.7	-3 5.0	-16.2	-16.1	-19.0
Change in Cash	419.9	-400.2	9.5	19.2	21.5
Free Cash Flow	511.1	-279.5	27.1	36.8	42.1
Free Cash Flow Yield (%)	77.4	N/M	4.3	5.8	6.7

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	503.3	3 3.6	43.0	62.2	83.8
Other current assets	13 5.9	13 9.0	125.1	125.1	128.2
Net PP&E	112.1	85.8	77.1	71.2	72.5
Intangible assets	429.6	418.0	3 78.0	3 48.0	3 23.0
Other non-current assets	52.2	85.6	87.0	88.5	90.0
Total Assets	1,23 3.1	762.0	710.2	695.1	697.5
Short-term debt	21.8	15.8	15.8	15.8	15.8
Other current liabs	228.8	23 0.1	207.0	207.0	212.2
Long-term debt	3 8.1	27.2	27.2	27.2	27.2
Other non-current liabs	73.8	74.0	74.3	75.9	77.7
Minority interest	4.0	3.3	3.3	3.3	3.2
Total equity	8 66.8	411.6	3 8 2.5	3 65.9	3 61.4
Total liabs & equity	1,23 3.2	762.0	710.2	695.1	697.5
Net debt	-443.5	9.5	0.1	-19.2	-40.7
ROIC (%)	23.3	40.2	21.2	22.4	31.0
Net gearing (%)	-51.2	2.3	0.0	-5.2	-11.3
Working capital as % of sales	-13.3	-13.3	-13.3	-13.3	-13.3
Inventory period days		9.3	10.4	9.8	9.7
Trade debtor days		56.7	52.5	49.7	49.1
Trade creditor days		102.7	100.7	95.4	94.2
Cash cycle		-3 6.7	-3 7.8	-3 5.8	-3 5.4

# Telenet

## Shake your money maker

### Key message

Telenet is so far not seeing any effect from the recession, in contrast: consumers more and more go for the shakes (triple play bundles) and digital TV is becoming more mainstream and is growing fast (e.g. also due to shift from out-of-home to in-home entertainment). Also due to strong cost control, Telenet's results are quite impressive. The FY09 outlook is upgraded from an EBITDA growth of >12% to >15%, but we believe there is still room for more and have raised our estimates from 14% to 20% EBITDA growth. In our view Telenet has an attractive growth vs valuation trade-off, its 2010 EV/EBITDA of 6x is historically low, while it is showing double digit organic growth.

	2008	2009E	2010E	2011E
Sales (EUR m)	1,018	1,171	1,241	1,305
EPS Recurring	0.16	0.99	1.07	1.34
P/E Recurring	112.5	18.2	16.8	13.4
P/FCFPS		11.5	9.8	8.7
EV/ EBITDA	7.6	6.8	6.3	5.7
Dividend Yield (%)	0.0	2.8	2.7	2.7

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- The 09Q2 results were impressive with revenues growth of 19% (vs our 16%) and EBITDA growth of 26% (of which 17% organically) to EUR 156m (we had EUR 143m, consensus EUR 144m). Due to the success of the triple play bundles (shakes), quarterly customer growth exceeded expectations on all levels: digital TV 76K vs our 64K, broadband 30K vs our 20K, telephony 29K vs our 20K. Even the loss in the basic cable TV subscribers was not bad (-12K vs our -15K) and this part also benefited from a price increase of 6% as of February. Cost control continues to be strong, underlined by the fact that organically cost increased by only 0.2%, while organic sales grew by 9%.
- The 09Q2 FCF was in line with our expectations (EUR 33m), but due to the strong EBITDA growth the net debt to EBITDA ratio is currently down to 3.0x, so further downplaying any comments on Telenet's 'too leveraged' balance sheet. Also its redemption profile has been extended by 2 years (first tranche from 2012 to 2014) at a reasonable price (around 100bps).
- In order to kickstart its mobile growth ambitions, Telenet acquired the Belgian Belcompany stores.
- On 1 September Telenet paid out EUR 0.50 capital reduction.

### Valuation

A 2010E EV/EBITDA of around 6x is historically low and also a slight discount to US peers. We believe this is a very attractive multiple, given the double digit EBITDA growth Telenet is reporting. This multiple is also clearly below the double digit EV/EBITDA multiples that private equity parties used to pay for this kind of highly cash-generative assets only 2-3 years ago. Our DCF arrives at EUR 21-22 per share.

### Rating

**Buy**

**Price target:** EUR 21.0   
**Price 29 Sep 2009:** EUR 18.0  
**Up-/downside:** +16.7%

### Diversified Telecommunication Services

#### Market capitalisation:

EUR 1,981 m

#### Avg (12 month) daily volume:

232,814

#### Free float

49%

#### Reuters

TNET.BR

#### Bloomberg code

TNET BB

### Share Price Performance %

	-1m	-3m	-12m
Telenet	+10	+19	+24
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Results 09Q3 02 Nov 2009

### Major shareholders

Liberty Global 51.0%

### Listed Peers

None

### Analysts

#### Frank Claassen

+31 (0) 20 460 4868

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

Equity Sales +31 20 460 4707

Equity Sales Trading +31 20 460 4723

www.rabosecurities.com

**Outlook**

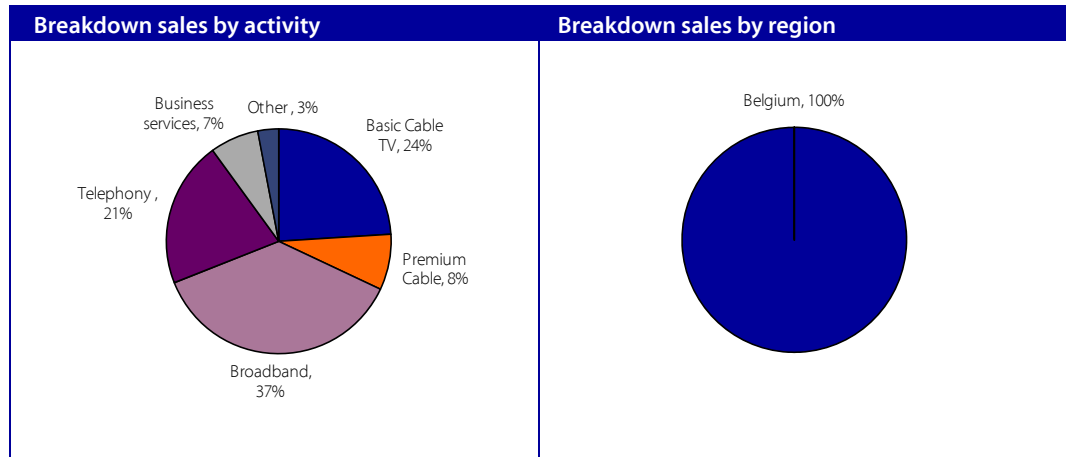
At the 09Q2 results Telenet has upgraded its guidance from 12% to at least 15% EBITDA growth, which we believe is still rather conservative. Telenet seems to want to keep a safety margin for potentially more impact from the economy, competition and more cost related to its plans in mobile. However, so far Telenet is not yet seeing a change in underlying trends. We were at 14% EBITDA growth (consensus 15%) and have increased this to 20% EBITDA growth, which still assumes a lower EBITDA in 09H2 (EUR 301m) vs 09H1 (EUR 305m).

**Company profile**

Telenet is the leading Belgian cable operator with a foothold in Flanders, the Dutch speaking Northern part of Belgium. Following the acquisition of Interkabel, Telenet’s own network has passed 2.7m households for cable TV, broadband internet and telephony. Market share in TV is more than 90%, broadband more than 50% and telephony more than 20%. Already >30% of analogue TV households have been migrated to digital.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Leading position in triple play in Flanders</li> <li>▪ Reputation of high service</li> <li>▪ Top-of-the-bill digital TV offering</li> <li>▪ Cost control, hands-on management</li> </ul>	<ul style="list-style-type: none"> <li>▪ No strong position in mobile</li> <li>▪ Fairly leveraged balance sheet</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Growth in penetration and ARPU digital TV</li> <li>▪ New revenues stream in mobile</li> <li>▪ Ongoing market share gains in telephony, internet</li> </ul>	<ul style="list-style-type: none"> <li>▪ Price erosion due to less benign competitive environment</li> <li>▪ Changes in regulatory framework</li> <li>▪ Belgacom entering TV segment</li> <li>▪ High capex requirements for mobile plans</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	93 1.9	1,018.9	1,171.7	1,241.6	1,305.8
Cost of sales	-270.2	-28 1.8	-3 29.2	-3 51.4	-3 69.5
Gross profit	661.7	73 7.1	8 42.4	8 90.2	93 6.2
Operating costs	-218.8	-23 1.4	-23 6.7	-25 4.5	-263 8
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	442.9	505.7	605.8	63 5.7	67 2.5
Depreciation	-18 2.0	-199.5	-23 7.7	-242.6	-245.7
EBITA	260.9	3 06.2	3 68.1	3 93.1	426.7
Amortisation	-55.6	-62.7	-67.0	-70.0	-70.0
EBIT	205.3	243.5	3 01.1	3 23.1	3 56.7
Net financial result	-121.5	-163.9	-129.7	-13 2.9	-125.1
Other pre-tax items	0.0	-3 3.0	-14.2	0.0	0.0
EBT	83 8	46.6	157.1	190.2	23 1.7
Income taxes	-65.6	-62.3	-60.5	-70.3	-8 1.5
Minority interests	0.0	0.0	0.0	0.0	0.0
Other post-tax items / participation	2.5	0.4	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	20.7	-15.3	96.6	119.9	150.2
Adjustments, total	-0.0	3 3.1	14.2	0.0	0.0
Net income recurring	20.7	17.8	110.8	119.9	150.2
PERSHARE ITEMS					
Shares outstanding avg. (mln)	104.6	109.9	111.4	112.0	112.5
Shares outstanding fully diluted (mln)	109.3	109.9	111.4	112.0	112.5
EPS reported	0.20	-0.14	0.87	1.07	1.34
EPS recurring	0.19	0.16	0.99	1.07	1.34
CPS	2.28	3 2.6	4.49	4.35	4.49
DPS	0.00	0.00	0.50	0.49	0.49
Fiscal year ends 12/2009					
% GROWTH					
Revenues		9.3	15.0	6.0	5.2
EBITA		17.4	20.2	6.8	8.6
Net income recurring		-14.0	522.6	8.2	25.2
% MARGINS					
Gross margin		72.3	71.9	71.7	71.7
EBITA margin		3 0.1	3 1.4	3 1.7	3 2.7
Net recurring margin		1.7	9.5	9.7	11.5
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	4,402.3	3,851.1	4,137.1	3,998.5	3,834.1
P/E recurring (x)	94.7	112.5	18.2	16.8	13.4
P/Sales (x)	2.0	1.9	1.7	1.6	1.6
P/FCF (x)	88.8	15.5	11.4	9.9	8.8
P/CF (x)	7.9	5.5	4.0	4.1	4.0
P/B (x)	11.1	11.6	9.5	7.3	5.5
Dividend yield (%)	0.0	0.0	2.8	2.7	2.7
EV/EBITDA (x)	9.9	7.6	6.8	6.3	5.7
EV/Sales (x)	4.7	3.8	3.5	3.2	2.9
EV/FCF (x)	207.7	30.2	23.6	19.7	16.6

Cash Flow Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	20.7	-15.2	96.6	119.9	150.2
Depreciation & Amortisation	237.6	262.2	304.7	312.6	315.7
Working Capital Change	4.6	77.8	36.4	28.7	19.7
Other Items	-24.5	33.3	62.4	25.9	19.9
Cash Flow from Operations	238.4	358.1	500.1	487.2	505.5
Net Capital Expenditure	-217.2	-276.4	-325.4	-281.9	-274.2
Investments in goodwill	0.0	0.0	0.0	0.0	0.0
Other Investments	-60.2	45.8	0.4	-2.1	-1.2
Cash Flow from Investments	-277.4	-230.6	-325.0	-284.0	-275.4
Ordinary Dividends	0.0	0.0	-56.0	-54.6	-55.6
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	612.1	298.2	-102.1	-130.0	-100.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	612.1	298.2	-158.1	-184.6	-155.6
Change in Cash	573.1	425.7	17.0	18.6	74.5
Free Cash Flow	21.2	127.5	175.2	203.2	231.3
Free Cash Flow Yield (%)	1.1	6.4	8.7	10.1	11.4

Balance Sheet ( EURmln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	76.6	65.6	82.6	101.2	175.7
Other current assets	161.8	110.5	111.7	126.2	134.5
Net PP&E	1,008.6	1,286.1	1,373.8	1,413.1	1,441.6
Intangible assets	1,355.1	1,543.8	1,476.8	1,406.8	1,336.8
Other non-current assets	62.5	16.7	16.3	18.4	19.6
Total Assets	2,664.6	3,022.7	3,061.2	3,065.7	3,108.2
Short-term debt	18.5	34.5	34.5	34.5	34.5
Other current liabs	419.6	446.1	483.8	527.0	555.0
Long-term debt	1,999.9	2,282.1	2,180.0	2,050.0	1,950.0
Other non-current liabs	56.5	89.8	152.2	178.0	197.9
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	170.1	170.2	210.8	276.2	370.8
Total liabs & equity	2,664.6	3,022.7	3,061.2	3,065.7	3,108.2
Net debt	1,941.8	2,251.0	2,131.9	1,983.3	1,808.8
ROIC (%)	6.8	6.1	14.4	13.1	14.1
Net gearing (%)	1,141.6	1,322.6	1,011.4	718.2	487.8
Working capital as % of sales	-27.7	-32.9	-31.8	-32.3	-32.2
Inventory period days		0.0	0.0	0.0	0.0
Trade debtor days		32.0	21.4	21.7	22.6
Trade creditor days		88.9	86.4	87.4	87.5
Cash cycle		-56.9	-65.0	-65.7	-64.9



# TenCate

## Strong material

### Key message

Ten Cate's product-market combinations have high single-digit organic growth potential, leading to significant earnings leverage from the current depressed levels, while valuation is very attractive. Operating in specific niche markets exposed to trends such as personal protection, fuel efficiency, climate change and infrastructure stimulus plans, Ten Cate can achieve high single-digit organic revenue growth in the mid-term. This will drive the EBIT margin from its current 5.1% (depressed by underutilisation) towards a double-digit rate. At under 10x EPS 2010, this growth story is highly undervalued.

	2008	2009E	2010E	2011E
Sales (EUR m)	1,033	899	903	989
EPS Recurring	2.62	1.18	1.51	2.01
P/E Recurring	5.7	12.7	9.9	7.4
P/FCFPS		4.1	8.4	10.3
EV/ EBITDA	6.5	7.0	6.1	4.8
Dividend Yield (%)	5.7	3.3	3.3	4.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- In February 2008, Ten Cate acquired the US company Composix, becoming the global market leader in composite vehicle armour. After benefiting from big investments of the US Army in so-called MRAP vehicles during 2008, Ten Cate is not yet involved in the newest US Army order. Negotiations with the vehicle producer Oshkosh are ongoing though.
- Ten Cate's fire resistant military fabric Defender M is highly successful with the US Army and is the exclusive fabric for battle uniforms of both the army and the marines.
- 09H1 results were disappointing. Sales dropped 23% organically, suffering from weakness in industrial markets, destocking and a difficult comparison base. The EBITA margin dropped from 8.9% to 4.8%. At Advanced Textiles & Composites, the lack of big MRAP orders and significant declines in Industrial Protective Fabrics depressed earnings. The division Geo & Grass suffered from a lack of infrastructural projects in the US and financial constraints in the Artificial Grass market, leading to underutilization. Besides, Grass focussed on inventory reduction by giving discounts. Cash flow generation was strong, bringing the net debt/EBITDA at the end of June down to 2.5x (covenant is 3x).

### Valuation

Ten Cate is trading at a P/E 2010 of c. 10x and an EV/EBITDA 2010 of c. 6x. Given its highly attractive growth potential, we believe that is very cheap. With this growth leading to earnings leverage and with an improving mix, we believe the EBITA margin could rise from c. 5% in 2009 towards double-digit levels. We believe its net debt-to-EBITDA ratio of 2.5x by June 09 does not pose a problem.

### Rating

**Buy**

**Price target:** EUR 19.0   
**Price 29 Sep 2009:** EUR 14.9  
**Up-/downside:** +27.3%

### Industrial Conglomerates

#### Market capitalisation:

EUR 374 m

#### Avg (12 month) daily volume:

153,715

#### Free float

64%

#### Reuters

NTCN.AS

#### Bloomberg code

KTC NA

### Share Price Performance %

	-1m	-3m	-12m
TenCate	+1	-13	-34
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3 29 Oct 2009

### Major shareholders

	%
Kempen Capital Management N.V.	9.9
WAM Acquisitions GP, Inc	9.0
Schroder Int. Selection Fund	7.1
Aviva Plc	5.1
Allianz Global Investors	5.0

### Listed Peers

	Ticker
Hexcel	HXL US
Cytec	CYT US
Gurit	GUR SW
Low & Bonar	LWB LN

### Analysts

#### Philip Scholte

+31 (0) 20 460 4823

#### Ralf Jacobs

+31 (0) 20 460 4839

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

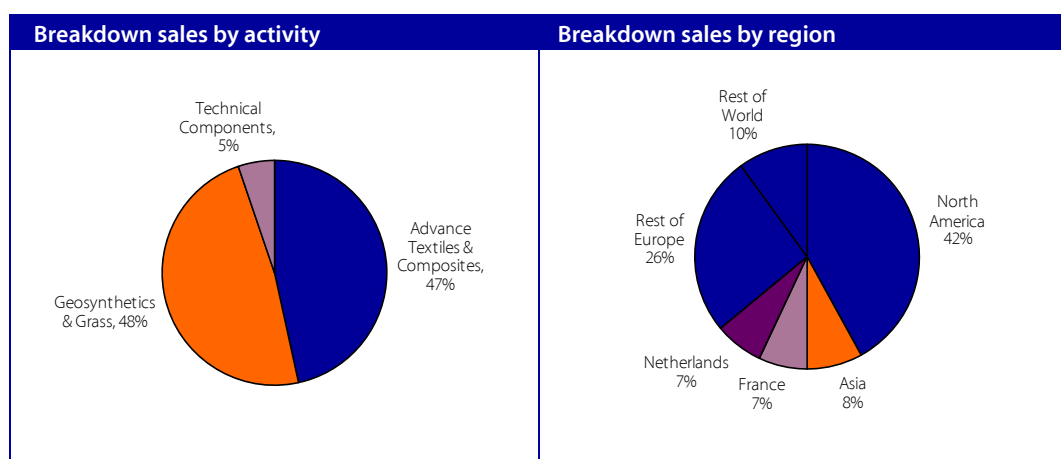
For 09H2, Ten Cate expects sales to be at least the same as in H1. No further guidance is given. Longer term, Ten Cate has a target of EPS growth of 10%. We believe the company has the potential to achieve high single-digit organic revenue growth due to the following drivers. Industrial Protective Fabrics: regulation and focus on employee safety. Military Protective Fabrics & Armour Composites: increase in military conflicts, increased soldier protection. Aerospace Composites: replacement of steel by composites to reduce weight, fuel consumption, noise and maintenance cost. Artificial grass: lower cost, more efficient use of public space, lower maintenance costs and water use. Geosynthetics: stimulus plans, climate change, water infrastructure investments, waste / soil clean ups. This growth enables good operating leverage.

### Company profile

TenCate is an industrial supplier of fibre-based advanced materials. TenCate operates in three business units: Advanced Textiles & Composites, Geosynthetics & Grass, and Technical Components. The company's six key strategic product market combinations are (i) Industrial Protective fabrics, (ii) Military Protective Fabrics, (iii) Aerospace composites, (iv) Armour composites, (v) Grass and (vi) Geosynthetics. Technical Components (comprising of just TenCate Enbi) will be divested in due course.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ World market leader in each of its product market combinations</li> <li>▪ High added-value in each of its materials</li> <li>▪ High entry barriers in many niches</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dependent on several large customers</li> <li>▪ Dependent on availability of key materials like Dyneema and Nomax</li> <li>▪ Volatile earnings reports due to lumpy project business and lack of details in reporting</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Expansion of Protective Fabrics into the army market</li> <li>▪ Further roll-out of artificial turf via new applications</li> <li>▪ Increased use of composites in airplanes</li> <li>▪ Add-on acquisitions in composites</li> <li>▪ Launch of revolutionary new textile technology Digitex (Ten Cate iTEX)</li> </ul>	<ul style="list-style-type: none"> <li>▪ US dollar exposure</li> <li>▪ Rise in commodity prices</li> <li>▪ IP leakage</li> </ul>



Income Statement ( EURmn)					
	2007	2008	2009E	2010E	2011E
Revenues	886.0	1,032.6	899.5	902.9	988.6
Cost of sales	-463.6	-562.0	-498.6	-500.4	-547.9
Gross profit	422.4	470.6	401.0	402.4	440.7
Operating costs	-324.4	-344.5	-309.5	-303.0	-319.8
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	98.0	126.1	91.5	99.4	120.8
Depreciation	-29.1	-30.7	-35.4	-36.7	-38.3
EBITA	68.9	95.4	56.1	62.7	82.5
Amortisation	-3.6	-11.6	-9.2	-9.2	-9.2
EBIT	65.3	83.8	46.9	53.5	73.3
Net financial result	-11.3	-13.7	-9.5	-10.0	-8.7
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	54.0	70.1	37.4	43.5	64.6
Income taxes	-10.9	-19.1	-5.8	-11.7	-17.4
Minority interests	-0.1	0.2	-4.6	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	3.4	0.0	10.1	0.0	0.0
Net income	46.4	51.2	37.1	31.8	47.2
Adjustments, total	0.2	11.6	-7.9	6.7	6.7
Net income recurring	46.6	62.8	29.2	38.5	53.9
PERSHARE ITEMS					
Shares outstanding avg. (mln)	22.8	23.8	24.8	25.6	26.6
Shares outstanding fully diluted (mln)	23.0	24.0	24.8	25.6	26.8
EPS reported	2.04	2.15	1.09	1.24	1.78
EPS recurring	2.03	2.62	1.18	1.51	2.01
CPS	1.87	1.73	4.32	2.83	2.65
DPS	0.80	0.85	0.50	0.50	0.60
Fiscal year ends 12/2009					
% GROWTH					
Revenues		16.5	-12.9	0.4	9.5
EBITA		38.4	-41.2	11.9	31.6
Net income recurring		34.7	-53.4	31.6	40.1
% MARGINS					
Gross margin		45.6	44.6	44.6	44.6
EBITA margin		9.2	6.2	6.9	8.4
Net recurring margin		6.1	3.2	4.3	5.5
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	828.8	822.3	638.6	604.0	583.7
P/E recurring (x)	7.4	5.7	12.7	9.9	7.4
P/Sales (x)	0.4	0.3	0.4	0.4	0.4
P/FCF (x)	N/A	N/A	4.1	8.4	10.2
P/CF (x)	8.0	8.6	3.5	5.3	5.6
P/B (x)	1.1	1.0	1.0	0.9	0.9
Dividend yield (%)	5.4	5.7	3.3	3.3	4.0
EV/EBITDA (x)	8.5	6.5	7.0	6.1	4.8
EV/Sales (x)	0.9	0.8	0.7	0.7	0.6
EV/FCF (x)	N/A	N/A	7.1	13.3	15.0

Cash Flow Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	46.4	51.2	27.0	31.8	47.2
Depreciation & Amortisation	32.7	42.3	44.6	45.9	47.5
Working Capital Change	-33.5	-50.6	29.5	-4.8	-25.1
Other Items	-2.9	-1.9	5.9	-0.4	0.9
Cash Flow from Operations	42.7	41.0	107.0	72.4	70.4
Net Capital Expenditure	-8.1.4	-60.0	-16.7	-27.1	-31.6
Goodwill from Acquisitions	-128.0	-86.9	-10.3	-0.0	-0.0
Other Investments	-1.5	-5.3	-1.3	1.1	-2.4
Cash Flow from Investments	-210.9	-152.2	-28.3	-26.0	-34.0
Ordinary Dividends	-16.5	-19.2	-5.3	-3.3	-3.4
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	62.2	8.2	5.3	3.3	2.3
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	141.3	101.3	-36.7	-30.0	-30.0
Change in Minorities	0.0	5.0	0.2	-0.2	0.0
Cash Flow from Financing	187.0	95.3	-36.5	-30.2	-31.1
Change in Cash	18.8	-15.9	42.3	16.2	5.3
Free Cash Flow	-38.7	-19.0	90.3	45.3	38.8
Free Cash Flow Yield (%)	N/M	N/M	24.4	11.9	9.8

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	48	5.5	31.2	47.4	52.6
Other current assets	342.4	399.2	357.1	357.5	394.5
Net PP&E	218.1	247.4	228.7	219.1	212.5
Intangible assets	136.8	212.1	213.2	204.0	194.8
Other non-current assets	19.8	25.1	26.4	25.3	27.7
Total Assets	721.9	889.3	856.6	853.3	882.0
Short-term debt	12.9	20.3	21.3	21.3	21.3
Other current liabs	135.5	141.7	129.2	124.8	136.6
Long-term debt	222.3	316.2	278.5	248.5	218.5
Other non-current liabs	40.8	39.1	40.4	40.0	40.8
Minority interest	0.3	5.1	9.9	9.7	9.7
Total equity	310.1	366.9	377.3	409.1	455.1
Total liabs & equity	721.9	889.3	856.6	853.3	882.0
Net debt	230.4	331.0	268.6	222.4	187.2
ROIC (%)	14.2	12.9	5.0	6.6	8.7
Net gearing (%)	74.3	90.2	71.2	54.4	41.1
Working capital as % of sales	23.9	25.2	25.7	26.1	26.4
Inventory period days		68.5	80.5	75.1	72.5
Trade debtor days		55.6	65.1	61.6	59.0
Trade creditor days		46.2	51.2	47.5	44.7
Cash cycle		77.9	94.5	89.1	86.8

# Tessenderlo

## A new wind is blowing

### Key message

After presenting record earnings in 2008, this year has been a show of the opposite. Significant write downs on inventories and large provisions have pushed the bottom line in the red. Longer term strategic initiatives are being formulated at the moment and we believe this could be a significant positive trigger. In the short term however, the announced restructuring measures will likely not be able to offset weak building markets in Europe and the US, a lack of pricing power in the chemicals sector and weakening agricultural trends and we therefore rate the stock a Reduce with a PT of EUR 15.

	2008	2009E	2010E	2011E
Sales (EUR m)	2,765	2,080	2,034	2,069
EPS Recurring	5.77	-0.65	0.53	1.92
P/E Recurring	4.6	N/A	50.0	13.8
P/FCFPS	294.3	29.1	19.3	18.4
EV/ EBITDA	2.9	11.0	7.8	5.7
Dividend Yield (%)	4.8	4.8	4.8	4.8

Source: Rabo Securities

Year to December, fully diluted


### Recent developments

- On the 27th of August Tessenderlo announced a record loss of EUR 101.5m due to writedowns on phosphates and potash in inventories and large provisions. The group announced that it was not seeing a recovery of activities in the markets on which it operates and therefore the group will increase its cost savings target which should reach EUR 25m in 2010.
- On 29 June Tessenderlo announced it had expanded the agrochemicals activities of Tessenderlo Kerley in the USA by purchasing the linuron herbicide assets from DuPont. This speciality herbicide is used primarily in the carrot, asparagus, celery, potato, cotton and soybean markets. The business represents annual sales of less than 20 million USD.
- At the AGM of 2 June, Frank Coenen was accepted as COO of Tessenderlo group. Additionally the board of directors has announced its intention to appoint Frank Coenen as CEO of Tessenderlo Group in January 2010.

### Valuation

The company is currently trading at a 2010 EV/EBITDA of 7.8 and PE of 50. Although some argue the cost savings program has changed the company and made it less cyclical, we have our doubts on this and additionally expect more inventory writedowns in 2010. We therefore rate the stock a Reduce with a PT of EUR 15.

### Rating **Reduce**

<b>Price target:</b>	<b>EUR 15.0</b> 
<b>Price 29 Sep 2009:</b>	<b>EUR 26.5</b>
<b>Up-/downside:</b>	<b>-43.4%</b>

### Chemicals

#### Market capitalisation:

EUR 736 m

#### Avg (12 month) daily volume:

73,368

#### Free float

70%

#### Reuters

TESBt.BR

#### Bloomberg code

TESB BB

### Share Price Performance %

	-1m	-3m	-12m
Tessenderlo	+8	+17	-25
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Results 09Q3	05 Nov 2009
Results 09FY	18 Mar 2010
Results 10Q1	29 Apr 2010
AGM	01 Jun 2010
Results 10H1	26 Aug 2010

### Major shareholders

	%
SNPE	26.4
Levimmio	3.1

### Listed Peers

	Ticker
Solvay	SOLB BB
Arkema	AKE FP

### Analysts

#### Fabian Smeets

+31 (0) 20 460 4864

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

Equity Sales	+ 31 20 460 4707
Equity Sales Trading	+ 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

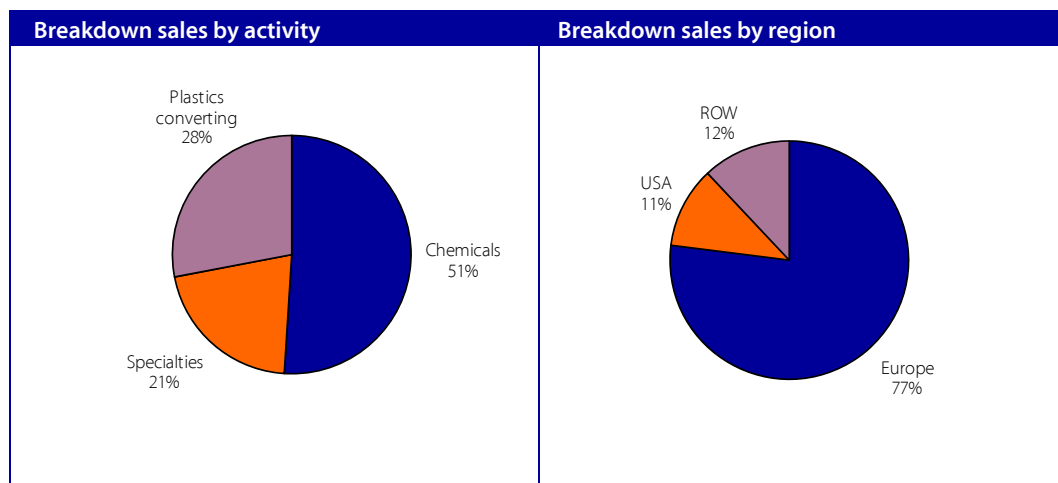
At the 09Q2 results, the group announced that it was not seeing a recovery of activities in the markets on which it operates and therefore the group will increase its cost savings which should reach EUR 25m in 2010. Additionally the company expects to reduce working capital through lower inventories, which should result in a stabilisation of net debt at approximately EUR 350m. We expect 2009 to be a lossmaking year, with REBIT of EUR 15.5m and a net loss of EUR 115m due to large provisions. Results should improve in 2010 as inventory write downs should have come to an end while cost savings should start kicking in.

### Company profile

Tessenderlo is a medium-sized well integrated chemical company with 2008 sales of EUR 2.1bn and a market cap of roughly EUR 700m. It is the number 5 in the European PVC market with a production capacity of 480 kilotons at 2 production sites. In addition, it holds leading global and regional positions in several niche markets, such as plastic pipes, plastic profiles, gelatine, feed phosphates, liquid sulphur fertilizers, hydrochloric acid and sodium hydrosulphide.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Market leading positions in several niche markets, such as liquid sulphur fertilizers, potassium sulphates and gelatins.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Number 5 in the difficult European PVC industry and not backwardly integrated into ethylene</li> <li>▪ Exposure to organic chlorine derivatives, which are under pressure from Asian competition</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Divest its VCM/PVC and plastics converting business</li> <li>▪ Accelerate growth of Tessenderlo Kerley.</li> <li>▪ Accelerate growth in emerging markets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Its competitive position in PVC could weaken further if Tessenderlo does not play an active role in the consolidation of the European PVC industry.</li> <li>▪ Higher than expected penalty from the EC regarding feed phosphates.</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	2,405.9	2,765.0	2,080.2	2,034.7	2,069.7
Cost of sales	-1,873.6	-2,165.0	-1,747.4	-1,576.9	-1,604.0
Gross profit	532.3	600.0	332.8	457.8	465.7
Operating costs	-251.1	-242.5	-333.6	-316.7	-267.0
Extraordinaries	0.0	26.9	97.1	0.0	0.0
EBITDA	281.2	384.4	96.4	141.1	198.7
Depreciation	-128.9	-144.8	-111.9	-112.7	-117.7
EBITA	152.3	239.6	-15.5	28.3	81.0
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	152.3	239.6	-15.5	28.3	81.0
Net financial result	-17.6	-21.6	-15.7	-16.6	-18.0
Other pre-tax items	41.1	11.5	7.0	8.0	9.0
EBT	175.8	229.5	72.9	19.8	71.9
Income taxes	-47.1	-61.7	6.3	-5.1	-18.7
Minority interests	0.2	0.1	-0.1	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	128.9	167.9	79.1	14.6	53.3
Adjustments, total	-25.7	-8.1	-97.1	-0.0	0.0
Net income recurring	103.2	159.8	-18.0	14.6	53.3
PERSHARE ITEMS					
Shares outstanding avg. (mln)	27.5	27.7	27.7	27.7	27.7
Shares outstanding fully diluted (mln)	27.5	27.7	27.7	27.7	27.7
EPS reported	4.69	5.09	-4.15	0.53	1.92
EPS recurring	3.75	5.77	-0.65	0.53	1.92
CPS	10.03	4.38	5.04	5.05	6.07
DPS	1.22	1.28	1.28	1.28	1.28
Fiscal year ends 12/2009					
% GROWTH					
Revenues		14.9	-24.8	-2.2	1.7
EBITA		57.3	N/M	N/M	185.7
Net income recurring		54.9	N/M	N/M	263.7
% MARGINS					
Gross margin		21.7	16.0	22.5	22.5
EBITA margin		8.7	-0.7	1.4	3.9
Net recurring margin		5.8	-0.9	0.7	2.6
Valuation Tessenderlo					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	1,325.7	1,124.8	1,061.3	1,094.7	1,123.7
P/E recurring (x)	7.1	4.6	N/A	5.0	13.8
P/Sales (x)	0.3	0.3	0.4	0.4	0.4
P/FCF (x)	3.7	305.7	29.0	19.3	16.6
P/CF (x)	2.6	6.0	5.3	5.2	4.4
P/B (x)	0.9	0.8	1.0	1.1	1.2
Dividend yield (%)	4.6	4.8	4.8	4.8	4.8
EV/EBITDA (x)	4.7	2.9	11.0	7.8	5.7
EV/Sales (x)	0.6	0.4	0.5	0.54	0.54
EV/FCF (x)	6.8	468.7	41.9	28.7	25.5

Cash Flow Statement ( EUR mln)	Tessenderlo				
	2007	2008	2009E	2010E	2011E
Net Income Reported	129	141	-115	15	53
Depreciation & Amortisation	129	145	112	113	118
Working Capital Change	24	-189	174	14	-4
Other Items	-6	24	-31	-2	2
Cash Flow from Operations	276	121	140	140	168
Net Capital Expenditure	-8.0	-119	-114	-102	-124
Goodwill from Acquisitions	3	-1	0	0	0
Other Investments	7	-11	14	1	-1
Cash Flow from Investments	-70	-13.1	-100	-101	-125
Ordinary Dividends	-3.4	-3.5	-3.5	-3.5	-3.5
Preferred Dividend	0	0	0	0	0
Change in Preferred Stock	0	0	0	0	0
Change in Equity	3.7	0	0	0	0
Change in Subordinated Debt	0	0	0	0	0
Change in Bank Debt	-110	11	20	33	30
Change in Minorities	0	0	-0	0	0
Cash Flow from Financing	-106	-25	-16	-3	-6
Change in Cash	99	-3.4	24	3.6	3.8
Free Cash Flow	196	2	25	3.8	4.4
Free Cash Flow per share		0.09	0.91	1.3.7	1.5.9
Free Cash Flow Yield (%)	26.9	0.3	3.4	5.2	6.0
				137	
Balance Sheet ( EUR mln)	Tessenderlo				
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	93.6	53.5	40.3	3.9.4	40.0
Other current assets	765.8	949.3	708.0	68.6.4	696.1
Net PP&E	677.8	652.0	654.5	643.5	650.0
Intangible assets	37.2	38.3	38.3	38.3	38.3
Other non-current assets	108.8	119.8	105.6	104.7	105.4
Total Assets	1,683.2	1,812.9	1,546.6	1,512.2	1,529.8
Short-term debt	214.8	251.4	258.9	266.7	274.7
Other current liabs	396.9	391.8	324.6	317.5	323.0
Long-term debt	122.6	96.7	108.9	133.6	155.3
Other non-current liabs	146.7	171.0	139.6	137.6	139.2
Minority interest	2.0	2.0	2.0	2.0	2.0
Total equity	800.2	900.0	712.5	654.8	635.7
Total liabs & equity	1,683.2	1,812.9	1,546.6	1,512.2	1,529.8
Net debt	243.8	294.6	327.6	361.0	390.0
ROIC (%)	8.9	13.3	-8.5	1.9	5.5
Net gearing (%)	30.5	32.7	46.0	55.1	61.3
Working capital as % of sales	19.2	22.1	20.4	20.1	20.0
Inventory period days		53.7	72.6	62.7	61.1
Trade debtor days		59.0	71.8	61.6	60.0
Trade creditor days		51.1	62.4	57.2	56.1



## Innovative but not immune

### Key message

TKH has been far from immune to the economic recession with a heavy 30% revenues decline in 09H1. The main reasons are destocking in connectivity systems and the drop in capital goods investments (e.g. tyre manufacturing systems). As most of the cost savings still have to kick in, TKH faced a steep EBITA drop of 70% in 09H1. Following a recent share price run up, TKH is now trading at a 2010 EV/EBITDA of close to 8x, which in our view is not really undemanding. We therefore would not yet play TKH in the short-term. On a longer term horizon, we still like TKH because of its innovative power and focus on added value.

	2008	2009E	2010E	2011E
Sales (EUR m)	997	753	780	824
EPS Recurring	1.63	0.53	0.83	1.04
P/E Recurring	6.8	20.9	13.4	10.7
P/FCFPS	11.7	5.0	15.6	13.7
EV/ EBITDA	7.1	13.8	7.6	6.5
Dividend Yield (%)	5.9	2.2	3.0	3.9

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Unexpectedly, the revenues declined further from -26% in 09Q1 to -34% 09Q2. Telecoms still performed OK (e.g. growth in fibre), but especially Industrial and Building solutions still felt the negative effects from destocking and weak investment climate (e.g. tyre manufacturing systems - 38%). Although more cost savings are kicking in, the quarterly EBITA improvement from EUR 5.5m to EUR 8.3m disappointed. A compensating positive is the net debt reduction of EUR 44m to EUR 143m (we EUR 160m), mainly due to much stronger working capital control.
- Despite the steep drop, we expect TKH to remain within its covenants (net debt to EBITDA now 2.5x, covenant at 3.5x), also because the company for a further net debt reduction of at least EUR 25m in 09H2. TKH is rather subdued on the outlook for tyre manufacturing systems, but even with lower revenues in 2010 it should be able to remain profitable due to the cost saving measures taken.

### Valuation

TKH is now trading at a 2010 EV/EBITDA of close to 8x and 2010 P/E ratio of 14x, which in our view is rather demanding. We therefore would not yet play TKH in the short-term as in our view already a big part of the anticipated earnings recovery is reflected in its valuation. We do not believe that the recently published figures can fuel a renewed share price run up. On a longer term horizon, we still like TKH because of its diversity, innovative power and focus on added value. Note that TKH's long-term EBITA margin target is 9-10%, while we have pencilled in less than 7% for 2010.

### Rating

**Hold**

**Price target:** EUR 11.0   
**Price 29 Sep 2009:** EUR 11.1  
**Up-/downside:** -0.9%

### Electronic Equipment & Instruments

#### Market capitalisation:

EUR 411 m

#### Avg (12 month) daily volume:

41,891

#### Free float

43%

#### Reuters

TWKNc.AS

#### Bloomberg code

TKNA

### Share Price Performance %

	-1m	-3m	-12m
TKH	+1	+12	-15
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3	12 Nov 2009
Results 09FY	10 Mar 2010
AGM	27 Apr 2010

### Major shareholders

	%
Delta Deelnemingen Fonds	10.1
Fidelity Low-Priced Stock Fund	9.3
Aviva	6.4
Navitas B.V.	5.8
Darlin N.V.	5.3

### Listed Peers

	Ticker
Draka Holding	DRAK NA
Nexans	NEX FP

### Analysts

#### Frank Claassen

+31 (0) 20 460 4868

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

Equity Sales	+ 31 20 460 4707
Equity Sales Trading	+ 31 20 460 4723
<a href="http://www.rabosecurities.com">www.rabosecurities.com</a>	

## Outlook

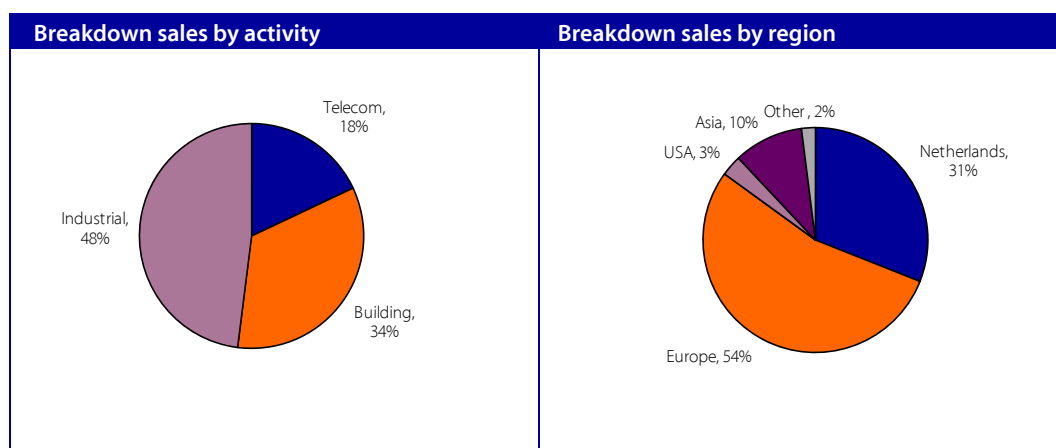
As expected, TKH does not yet give a clear or quantified FY outlook. Our FY recurring 2009E EBITA estimate of EUR 37m still assumes a clear improvement in 09H2 (from EUR 13.8m in 09H1 to EUR 23.8m in 09H2) due to markets stabilising and cost savings. If the top line will stabilise or show a bit of improvement in 2010, we believe that results can recover fast due to the cost savings taken (> EUR 40m). For 2010, we therefore assume a jump in EPS recurring from EUR 0.53 to EUR 0.83.

## Company profile

TKH is a holding of several entrepreneurial companies that operate in the telecoms, industrial and building segments. Telecoms solutions is divided in the subsegments Indoor telecoms (e.g. modem, connectivity systems), Fibre network investments and Copper network systems. Building solutions is divided in security systems, connectivity systems and building technologies. Industrial Solutions is mainly made up by VMI, a subsidiary that is the global market leader in tyre manufacturing systems.

## Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong position in growth niches (e.g security)</li> <li>▪ Global leader in promising tyre manufacturing systems</li> <li>▪ Focus on innovations</li> <li>▪ Entrepreneurial spirit</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited synergy potential between different divisions</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Increasing activity overlap in different countries</li> <li>▪ New add-on acquisitions</li> <li>▪ Outsourcing trend by tyre manufacturers</li> <li>▪ Growth in fibre to the home investments</li> </ul>	<ul style="list-style-type: none"> <li>▪ Late-cyclical slowdown in Building</li> <li>▪ Continued poor investment climate for new tyre manufacturing systems</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	8 378	997.1	753.4	780.5	8 244
Cost of sales	-514.7	-612.5	-462.8	-479.4	-506.4
Gross profit	3 23.1	3 84.6	290.6	3 01.0	3 18.0
Operating costs	-242.4	-291.6	-238.6	-234.3	-241.3
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	80.8	93.0	52.0	66.8	76.7
Depreciation	-14.9	-12.8	-14.7	-14.2	-14.2
EBITA	65.9	80.2	37.3	52.6	62.5
Amortisation	-2.5	-7.0	-8.0	-8.0	-8.0
EBIT	63.4	73.1	29.3	44.6	54.5
Net financial result	-5.8	-7.9	-10.0	-7.5	-7.0
Other pre-tax items	0.0	0.0	-15.0	0.0	0.0
EBT	57.6	65.2	4.3	37.1	47.5
Income taxes	-12.6	-15.0	-0.1	-10.4	-12.8
Minority interests	0.0	-0.4	0.2	-0.2	-0.2
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	45.0	49.9	4.4	26.5	34.5
Adjustments, total	-1.0	7.5	14.5	3.4	3.4
Net income recurring	44.0	57.4	18.9	29.9	37.9
PERSHARE ITEMS					
Shares outstanding avg. (mln)	34.2	35.0	35.6	36.0	36.3
Shares outstanding fully diluted (mln)	34.6	35.1	35.8	36.2	36.5
EPS reported	1.32	1.43	0.10	0.74	0.95
EPS recurring	1.27	1.63	0.53	0.83	1.04
CPS	1.31	1.85	2.36	0.97	1.20
DPS	0.66	0.66	0.24	0.33	0.43
Fiscal year ends 12/2009					
% GROWTH					
Revenues		19.0	-24.4	3.6	5.6
EBITA		21.7	-53.5	41.0	18.9
Net income recurring		30.5	-67.1	58.2	26.8
% MARGINS					
Gross margin		38.6	38.6	38.6	38.6
EBITA margin		8.0	4.9	6.7	7.6
Net recurring margin		5.8	2.5	3.8	4.6

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	775.7	660.0	509.0	505.6	501.9
P/E recurring (x)	8.7	6.8	20.9	13.4	10.7
P/Sales (x)	0.5	0.4	0.5	0.5	0.5
P/FCF (x)	24.2	12.0	5.0	15.7	13.7
P/CF (x)	8.5	6.0	4.7	11.4	9.3
P/B (x)	1.4	1.3	1.3	1.3	1.2
Dividend yield (%)	5.9	5.9	2.2	3.0	3.9
EV/EBITDA (x)	9.6	7.1	9.8	7.6	6.5
EV/Sales (x)	0.9	0.7	0.7	0.6	0.6
EV/FCF (x)	49.4	20.3	6.5	19.8	17.0

Cash Flow Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	45.1	50.0	3.6	26.6	34.6
Depreciation & Amortisation	17.4	19.8	22.7	22.2	22.2
Working Capital Change	-33.0	-15.4	63.9	-11.6	-11.9
Other Items	15.2	10.5	-6.1	-2.3	-1.4
Cash Flow from Operations	44.7	64.9	84.1	34.9	43.5
Net Capital Expenditure	-29.0	-32.4	-5.3	-9.4	-14.0
Goodwill from Acquisitions	-104.6	-28.8	-5.0	-6.0	-6.0
Other Investments	0.6	-3.9	1.1	0.0	0.0
Cash Flow from Investments	-132.9	-65.1	-9.2	-15.4	-20.0
Ordinary Dividends	-22.5	-23.0	-8.4	-12.0	-15.6
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	7.0	7.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	95.0	22.1	-60.6	-10.7	-25.0
Change in Minorities	0.0	-0.4	0.2	-0.2	-0.2
Cash Flow from Financing	79.5	5.7	-68.9	-22.9	-40.8
Change in Cash	-8.8	5.5	6.0	-3.3	-17.3
Free Cash Flow	15.7	32.5	78.8	25.5	29.5
Free Cash Flow Yield (%)	4.1	8.4	19.9	6.4	7.3

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	9.7	9.5	21.8	18.5	1.2
Other current assets	347.2	365.7	277.2	284.9	296.8
Net PP&E	142.5	161.4	152.0	147.1	146.9
Intangible assets	147.1	168.9	165.9	163.9	161.9
Other non-current assets	12.1	16.1	15.0	15.0	15.0
Total Assets	658.6	721.5	631.9	629.4	621.8
Short-term debt	87.9	70.6	10.0	5.0	0.0
Other current liabs	172.2	175.2	150.7	146.7	146.7
Long-term debt	86.3	125.7	125.7	120.0	100.0
Other non-current liabs	46.4	56.5	50.6	48.1	46.5
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	265.9	293.5	294.9	309.5	328.6
Total liabs & equity	658.6	721.6	631.9	629.4	621.8
Net debt	164.5	186.8	113.9	106.5	98.8
ROIC (%)	23.5	14.4	4.1	9.0	10.5
Net gearing (%)	61.9	63.6	38.6	34.4	30.1
Working capital as % of sales	20.9	19.1	16.8	17.7	18.2
Inventory period days		52.2	63.2	56.5	54.2
Trade debtor days		78.3	92.5	75.0	74.6
Trade creditor days		57.6	75.1	66.3	62.1
Cash cycle		72.8	80.7	65.1	66.6

## On time delivery of cost savings

### Key message

Although we believe it is becoming increasingly difficult to protect the free cash flow of the division Mail, the strong potential earnings leverage of Express, driven by a recovery in volumes and huge cost savings, is in our view the main driver of TNT's investment case. At Mail, accelerating volume losses, increasing price pressure and the difficulties in achieving an agreement with the labour unions on cost savings is putting pressure on FCF. At Express, the EUR 500-550m cost savings already drove 09Q2 results and, together with a gradual recovery of volumes and a strong position in Emerging Markets (China, Brazil), can lead to significant earnings growth for the coming years.

	2008	2009E	2010E	2011E
Sales (EUR m)	11,151	10,498	10,716	11,120
EPS Recurring	1.93	1.28	1.60	1.94
P/E Recurring	11.2	14.4	11.5	9.5
P/FCFPS	11.1	8.9	14.2	10.3
EV/ EBITDA	6.7	7.2	6.5	5.4
Dividend Yield (%)	3.3	2.6	3.3	4.1

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- As of 1 April 2009, the Dutch mail market has finally been fully liberalised. Sandd (c. 7.5% market share, privately owned) is the main competitor; SelektMail (c. 5% market share, owned by Deutsche Post) seems to be losing volumes recently.
- Employees of the Dutch mail unit voted down an agreement in principle between TNT and the labour unions to reduce the wages by c. 15%. This meant a delay in achieving cost savings. The unions have ordered new studies into the necessity of the cost savings and will wait for these before they will start new negotiations with TNT about labour conditions. Although TNT can choose to save costs through a higher number of forced redundancies, TNT is clearly struggling to get the cost savings.
- 09Q2 results beat expectations, with underlying EBIT of EUR 201m better than our EUR 186m. Especially Express surprised, as the organic revenue decline in Emerging Platforms was limited to 4% (Q1: -8%) due to China and as cost savings hit the bottom line. Group FCF was strong, even excluding the EUR 157m tax refund, due to low capex and good working capital. As expected, TNT returned to a cash interim dividend, of EUR 0.18 per share (cash or stock).
- At the Q2 results, TNT announced it has fully withdrawn from talks with the British government about a potential stake in Royal Mail.

### Valuation

The division Express has huge operating leverage. We forecast EBIT of EUR 255m for 2009 (4.3% margin). This compares to a previous peak of EUR 599m (9.1%). Due to the huge cost savings, volume growth and an improved contribution from Emerging Markets, we believe the next peak will be higher than that. Taking that into account, we believe multiples are still attractive.

### Rating

**Buy**

**Price target:** EUR 24.0   
**Price 29 Sep 2009:** EUR 18.4  
**Up-/downside:** +30.4%

### Air Freight & Couriers

#### Market capitalisation:

EUR 6,826 m

#### Avg (12 month) daily volume:

1,727,279

#### Free float

91%

#### Reuters

TPAS

#### Bloomberg code

TNT NA

### Share Price Performance %

	-1m	-3m	-12m
TNT	+4	+33	-3
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3 02 Nov 2009

### Major shareholders

	%
Morgan Stanley International Plc	5.6
UBS AG	3.7
Allianz SE	0.1

### Listed Peers

	Ticker
Deutsche Post World Net	DPW GR
Fedex	FDX US
UPS	UPS US
Austria Post	1021Z AV

### Analysts

#### Philip Scholte

+31 (0) 20 460 4823

#### Ralf Jacobs

+31 (0) 20 460 4839

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707  
**Equity Sales Trading** + 31 20 460 4723  
[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

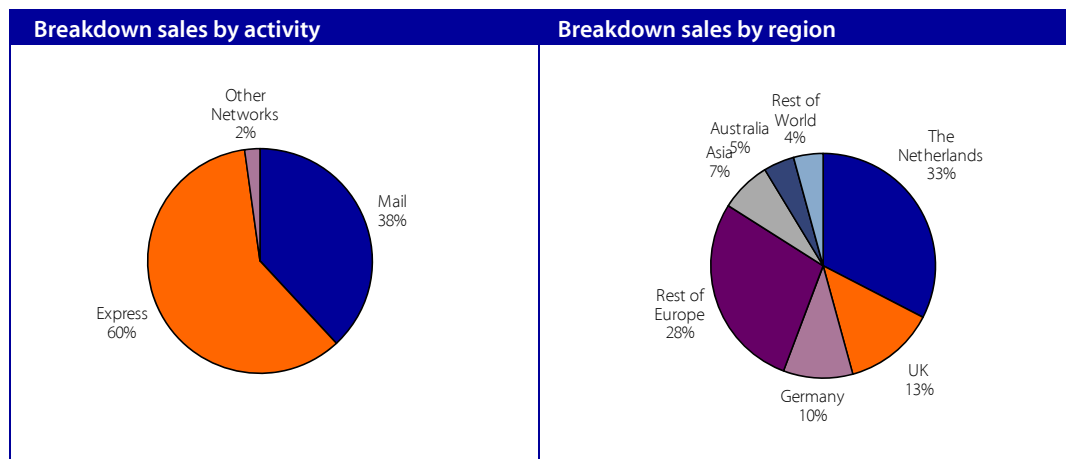
TNT has no concrete outlook for 2009. Longer term, for Mail, TNT is guiding to annual volume losses of 5-6% in the Netherlands. To counter that, TNT has a Masterplan cost savings scheme, targeting total savings of EUR 395m by 2015. An important part of that (EUR 125m) should come from lower labour costs, but negotiations with the unions and employees are taking over a year now, reducing the likelihood of a successful solution. For Express, TNT is implementing cost savings of EUR 500-550m in 2009. In the coming years, Express' Emerging Platform activities should raise their EBIT contribution from c. break-even towards a mid-single digit margin.

### Company profile

TNT is a Dutch mail and express company formerly known as TPG Group. Its Mail division consists of the traditional Dutch mail business, which still accounts for the majority of TNT's operating profit, and the European Mail Networks (EMN), its fast-growing mail activities in European mail markets like Germany and the UK. Its Express division is mainly active in Europe and, after several acquisitions in China, India, Brazil and Chili, increasingly in the fast growing Asian and Latin American markets.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Highly profitable domestic mail activities</li> <li>▪ Strong free cash flow generation and strong balance sheet</li> <li>▪ Strong market positions in Express Europe</li> </ul>	<ul style="list-style-type: none"> <li>▪ No market position in the domestic US Express market</li> <li>▪ Smaller product offering in Express than its main peers (no shipping, transport, freight forwarding, logistics)</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Growth in Express Europe due to market share gains</li> <li>▪ Growth in Express Emerging Markets, like China, Asia, Brazil, Chili, etc.</li> <li>▪ Growth at European Mail Networks (EMN)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Full Dutch mail market liberalisation may lead to ongoing volume and pricing pressure</li> <li>▪ TNT may not achieve targeted cost savings in Mail, as unions and employees disagree</li> <li>▪ TNT may not be able to achieve critical mass in EMN, possibly leading to low margins</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	11,021.2	11,151.5	10,497.9	10,716.4	11,119.8
Cost of sales	0.0	0.0	0.0	0.0	0.0
Gross profit	11,021.2	11,151.5	10,497.9	10,716.4	11,119.8
Operating costs	-9,510.2	-9,711.3	-9,394.0	-9,507.8	-9,747.4
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	1,511.0	1,440.2	1,103.9	1,208.6	1,372.4
Depreciation	-319.0	-308.0	-277.5	-283.6	-289.3
EBITA	1,192.0	1,132.2	826.3	925.0	1,083.1
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	1,192.0	1,132.2	826.3	925.0	1,083.1
Net financial result	-94.0	-147.0	-151.0	-128.3	-124.5
Other pre-tax items	0.0	-33.0	-12.0	0.0	0.0
EBT	1,098.0	952.2	663.3	796.7	958.6
Income taxes	-316.0	-242.0	-209.6	-207.1	-244.4
Minority interests	-4.0	-4.0	0.0	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	206.0	-159.0	-26.0	0.0	0.0
Net income	984.0	547.2	427.8	589.5	714.1
Adjustments, total	-68.0	159.0	38.0	0.0	0.0
Net income recurring	916.0	706.2	465.8	589.5	714.1
PER SHARE ITEMS					
Shares outstanding avg. (mln)	382.3	366.1	364.5	369.0	369.0
Shares outstanding fully diluted (mln)	382.3	366.1	364.5	369.0	369.0
EPS reported	2.57	1.49	1.17	1.60	1.94
EPS recurring	2.40	1.93	1.28	1.60	1.94
CPS	3.39	2.39	2.78	2.12	2.64
DPS	0.85	0.71	0.47	0.60	0.75
Fiscal year ends 12/2009					
% GROWTH					
Revenues		1.2	-5.9	2.1	3.8
EBITA		-5.0	-27.0	11.9	17.1
Net income recurring		-22.9	-34.0	26.6	21.1
% MARGINS					
Gross margin		100.0	100.0	100.0	100.0
EBITA margin		10.2	7.9	8.6	9.7
Net recurring margin		6.3	4.4	5.5	6.4
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	13,551.8	9,684.7	7,988.2	7,819.6	7,449.3
P/E recurring (x)	12.8	11.2	14.4	11.5	9.5
P/FCF (x)	14.6	11.1	8.9	14.2	10.3
P/B (x)	6.1	4.6	3.4	2.9	2.4
Dividend yield (%)	2.8	3.3	2.6	3.3	4.1
FCF yield (%)	6.8	9.0	11.2	7.0	9.7
EV/EBITDA (x)	9.0	6.7	7.2	6.5	5.4
EV/Sales (x)	1.2	0.9	0.76	0.7	0.7
EV/FCF (x)	16.9	13.5	10.6	16.4	11.3

<b>Cash Flow Statement ( EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	984.0	547.2	427.8	589.5	714.1
Depreciation & Amortisation	319.0	308.0	277.5	283.6	289.3
Working Capital Change	73.0	174.0	300.6	9.0	23.6
Other Items	-81.0	-155.0	6.7	-101.6	-54.7
Cash Flow from Operations	1,295.0	874.2	1,012.6	780.5	972.4
Net Capital Expenditure	-491.0	-157.0	-261.4	-303.5	-315.0
Goodwill from Acquisitions	-255.0	21.0	-93.9	0.0	0.0
Other Investments	-90.0	53.0	-13.2	-2.4	-10.1
Cash Flow from Investments	-836.0	-83.0	-368.5	-305.9	-325.0
Ordinary Dividends	-287.9	-255.6	-169.3	-222.9	-277.1
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-609.1	-430.0	20.8	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	519.0	156.0	31.0	0.0	0.0
Change in Minorities	-9.0	0.0	0.3	-0.3	0.0
Cash Flow from Financing	-386.9	-529.6	-117.3	-223.2	-277.1
Change in Cash	72.1	261.6	526.9	251.4	370.3
Free Cash Flow	804.0	717.2	751.3	477.0	657.5
Free Cash Flow Yield (%)	6.8	9.0	11.2	7.0	9.7

<b>Balance Sheet ( EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	295.0	497.0	990.5	1,242.0	1,612.2
Other current assets	1,967.0	1,958.0	1,875.7	1,890.7	1,961.9
Net PP&E	1,785.0	1,634.0	1,617.8	1,637.8	1,663.4
Intangible assets	1,828.0	1,807.0	1,900.9	1,900.9	1,900.9
Other non-current assets	616.0	563.0	576.2	578.6	588.7
Total Assets	6,491.0	6,459.0	6,961.2	7,250.0	7,727.1
Short-term debt	791.0	396.0	400.8	400.8	400.8
Other current liabs	2,111.0	2,276.0	2,494.3	2,518.4	2,613.1
Long-term debt	1,294.0	1,845.0	1,871.2	1,871.2	1,871.2
Other non-current liabs	344.0	185.0	191.7	90.1	35.4
Minority interest	20.0	24.0	24.3	24.0	24.0
Total equity	1,931.0	1,733.0	1,978.9	2,345.6	2,782.6
Total liabs & equity	6,491.0	6,459.0	6,961.2	7,250.0	7,727.1
Net debt	1,790.0	1,744.0	1,281.4	1,030.0	659.7
ROIC (%)	17.2	18.3	12.5	15.7	18.2
Net gearing (%)	92.7	100.6	64.8	43.9	23.7
Working capital as % of sales	1.4	1.6	-1.4	-1.4	-1.4
Inventory period days		0.9	0.8	0.8	0.8
Trade debtor days		52.9	53.6	51.6	50.9
Trade creditor days		12.3	14.9	15.3	15.1
Cash cycle		41.5	39.5	37.1	36.6



# TomTom

## Keeping its eyes on the road again

### Key message

TomTom is ready for a new start after refinancing its balance sheet and a set of solid 09Q2 results. We believe TomTom has positioned itself for a new business strategy, focussed more on software/services and less as a hardware manufacturer. Its new businesses (Tele Atlas, Mobile and LIVE services) will secure TomTom's margin potential going forward. With improved retail data, we anticipate on a less depressed holiday season compared to last year. Since balance sheet issues are subdued, we believe TomTom should no longer trade at a discount vs its peers. Trading at a 2010 P/E recurring of 13x, we believe Tom2 is significantly undervalued. We maintain our Buy rating and price target of EUR 14.

	2008	2009E	2010E	2011E
Sales (EUR m)	1,674	1,508	1,584	1,773
EPS Recurring	1.93	0.74	0.91	1.10
P/E Recurring	6.2	16.2	13.2	10.9
P/FCFPS	5.6	13.2	12.8	10.8
EV/ EBITDA	9.8	9.0	8.9	7.4
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments


- TomTom surprised the markets by reporting very strong 09Q2 results. The company showed it was able to keep ASP levels at a decent level, supporting its gross margin. We believe such margins are unsustainable in 09Q4 because (i) sales will be skewed more towards the US (more pricing pressure) and (ii) an emphasis on lower-end models during the holiday season.
- Recently, TomTom introduced new PND product ranges, the x50, x50 LIVE and XXL models, announced a partnership with Fiat Group to supply in-dash navigation and launched the long awaited iPhone application and car kit. In our view, these are examples TomTom (i) gets ready for the holiday season, (ii) is conquering the in-dash market and (iii) captures the opportunity of mobile navigation. Tom2 also revealed it is in talks with other automotive manufacturers and LIVE services might be added to a future version of the iPhone app.
- At the start of 09Q3, Tom2 successfully placed an EUR 430m rights issue to bring down its leverage. Its towering debt weighed heavy on Tom2's balance sheet and covenant risks depressed its valuation. Now the balance sheet risk is restored, the company can fully focus on its long-term strategy again. We believe the company should focus on the in-dash market and on additional services (maps, LIVE services) to support margins.

### Valuation

Despite strong share price performance in recent months, TomTom currently trades at a 2010 P/E recurring of 13x, a significant discount to its closest peer Garmin. We believe this valuation gap is unjustified since balance sheet issues are subdued. We believe a multiple of 15x is reasonable, providing upside to EUR 14 with our current estimates. We maintain our BUY rating and price target of EUR 14.

### Rating

**Buy** 

**Price target:** EUR 14.0   
**Price 29 Sep 2009:** EUR 12.0  
**Up-/downside:** +16.6%

### Semiconductor Equipment & Products

#### Market capitalisation:

EUR 2,662 m

#### Avg (12 month) daily volume:

3,723,227

#### Free float

24%

#### Reuters

TOM2.AS

#### Bloomberg code

TOM2 NA

### Share Price Performance %

	-1m	-3m	-12m
TomTom	+22	+70	+14
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	21 Oct 2009
Results 09Q4	18 Feb 2010
AGM	26 Apr 2010
Results 10Q1	26 Apr 2010
Results 10Q2	21 Jul 2010

### Major shareholders

	%
The Corinne Goddijn-Vigreux 2005 Trust	14.5
The Harold Goddijn 2005 Trust	14.5
Stichting Beheer Moerbeij	14.2
Stichting Beheer Pillar Arc	14.2
Flevo Deelnemingen IV	8.4

### Listed Peers

	Ticker
Navteq	NVT US
Garmin	GRMN US

### Analysts

#### Michiel de Jonge

+31 (0) 20 460 4841

#### Hans Slob

+31 (0) 20 460 4866

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

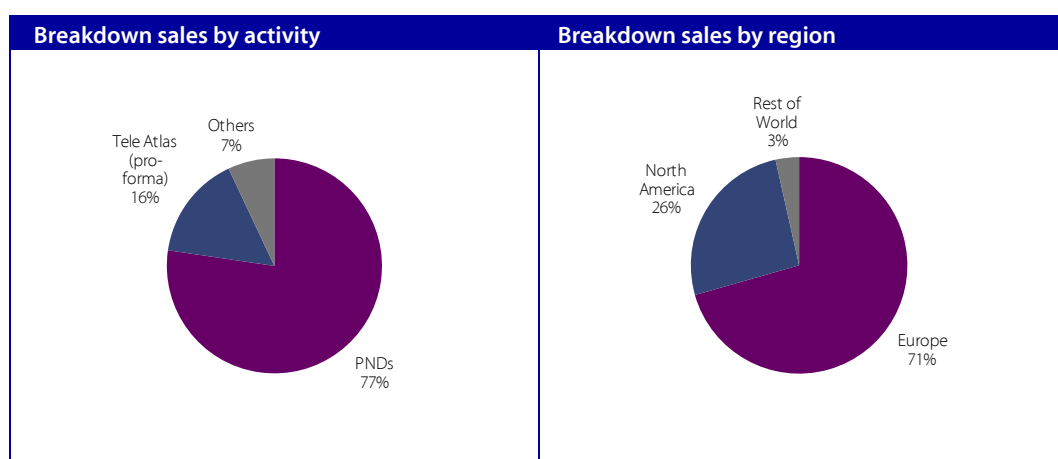
For 09FY we anticipate a sales decline of 10% YoY to EUR 1.5 bn, which will be driven by a strong decline in PND revenues, being partly offset by a jump in sales from Other (Automotive, LIVE Services) and consolidated Tele Atlas. While 09Q3 will only see a modest increase sequentially, sales are largely skewed to 09Q4, in which we foresee a healthier holiday season compared to last year if retail and consumer data continues to improve. In the long-run, we believe TomTom's sales mix will be less dependent on the low margin PND business, but include more service revenues from maps and LIVE services. This will support TomTom's gross margin development going forward to a level of c. 50% in 2011/2012. For 10FY we currently foresee a modest sales improvement of 5%.

### Company profile

TomTom is a consumer electronics company, specialised in personal navigation devices for the consumer mass market. The company currently broadens its scope with maps, navigation software for mobile phones (a.o. iPhone), and internet services (live traffic information). In addition, TomTom leverages its technology for the in-dash market through agreements with Renault, Fiat and Toyota. For personal navigation devices (PNDs) TomTom currently holds a no. 1 position in Europe and is no. 2 in the US.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ High brand awareness, also in US</li> <li>▪ Best routing information through HD Traffic and IQ Routes</li> <li>▪ Duopoly position in digital maps</li> </ul>	<ul style="list-style-type: none"> <li>▪ High exposure to still weak consumer markets</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Leverage its technology for the in-dash market</li> <li>▪ LIVE services revenues</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing price pressure for PNDs</li> <li>▪ Lack of traction in the in-dash market</li> <li>▪ Competition from small scale mapping companies</li> <li>▪ Competition from other 'connected devices'</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	1,737.1	1,674.0	1,508.1	1,584.2	1,773.5
Cost of sales	-972.9	-893.3	-781.0	-811.2	-893.7
Gross profit	764.2	780.7	727.1	773.0	879.8
Operating costs	-298.2	-454.9	-414.9	-437.6	-510.3
Extraordinaries	-31.3	-5.6	-10.6	-9.5	-10.6
EBITDA	434.7	320.3	301.7	325.9	358.8
Depreciation	-6.9	-17.4	-31.1	-29.1	-33.4
EBITA	427.8	302.9	270.5	296.8	325.4
Amortisation	0.0	-1,095.5	-79.9	-87.9	-87.9
EBIT	427.8	-800.6	190.6	208.9	237.5
Net financial result	19.1	-52.1	-59.6	-29.7	-18.2
Other pre-tax items	-15.6	58.7	-48.0	-25.0	-10.0
EBT	431.4	-793.9	83.1	154.2	209.3
Income taxes	-114.1	-78.1	-21.0	-39.9	-54.2
Minority interests	0.0	-0.5	0.0	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	317.2	-872.6	62.1	114.2	155.1
Adjustments, total	15.9	1,108.9	77.8	87.9	87.9
Net income recurring	333.1	236.3	139.9	202.1	243.0
PERSHARE ITEMS					
Shares outstanding avg. (mln)	113.8	122.5	189.0	221.7	221.7
Shares outstanding fully diluted (mln)	119.2	122.5	190.0	221.7	221.7
EPS reported	2.79	-7.12	0.32	0.52	0.70
EPS recurring	2.79	1.93	0.74	0.91	1.10
CPS	3.55	2.57	1.07	1.08	1.35
DPS	0.00	0.00	0.00	0.00	0.00
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-3.6	-9.9	5.0	11.9
EBITDA		-29.2	-10.7	9.7	9.7
Net income recurring		-29.0	-40.8	44.5	20.2
% MARGINS					
Gross margin		46.6	48.2	48.8	49.6
EBITDA margin		19.1	20.0	20.6	20.2
Net recurring margin		14.1	9.3	12.8	13.7
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	3,476.1	3,067.9	2,720.0	2,904.0	2,658.4
P/E recurring (x)	4.3	6.2	16.2	13.2	10.9
P/Sales (x)	0.8	0.9	1.5	1.7	1.5
P/FCF (x)	3.5	5.6	13.1	12.8	10.8
P/CF (x)	3.4	4.7	11.2	11.1	8.9
P/B (x)	1.0	2.9	2.2	2.4	2.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	8.0	9.6	9.0	8.9	7.4
EV/Sales (x)	2.0	1.8	1.8	1.8	1.5
EV/FCF (x)	9.0	11.7	15.7	13.9	10.8

Cash Flow Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	3 17.2	-8 72.6	60.0	114.2	155.1
Depreciation & Amortisation	6.9	1,112.8	111.0	117.0	121.3
Working Capital Change	48.7	55.7	36.3	6.2	15.5
Other Items	3 1.4	19.0	-6.0	2.7	6.8
Cash Flow from Operations	404.2	3 14.9	201.3	240.2	298.8
Net Capital Expenditure	-16.8	-52.7	-28.0	-3 1.7	-53.2
Goodwill from Acquisitions	16.6	-1,950.2	-0.0	-0.0	-0.0
Other Investments	-8 46.3	-152.3	0.0	0.0	0.0
Cash Flow from Investments	-8 46.4	-2,155.2	-28.0	-3 1.7	-53.2
Ordinary Dividends	0.0	0.0	0.0	0.0	0.0
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	93 8.1	46.8	43 0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	0.0	1,3 88.5	-610.0	-210.0	-210.0
Change in Minorities	0.0	4.4	-4.4	0.0	0.0
Cash Flow from Financing	93 8.1	1,43 9.7	-18 4.4	-210.0	-210.0
Change in Cash	495.9	-400.6	-11.1	-1.4	35.6
Free Cash Flow	3 87.5	262.2	173.3	208.6	245.6
Free Cash Flow Yield (%)	28.4	17.8	7.6	7.8	9.2

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	463.3	3 21.0	3 28.4	3 26.9	3 62.5
Other current assets	590.9	48 7.9	464.5	48 7.9	5 46.2
Net PP&E	17.8	53.2	50.0	52.6	72.4
Intangible assets	0.0	8 54.7	774.8	68 6.9	5 99.0
Other non-current assets	8 97.5	1,049.8	1,049.8	1,049.8	1,049.8
Total Assets	1,969.6	2,766.7	2,667.6	2,604.2	2,63 0.0
Short-term debt	0.0	146.6	146.6	146.6	3 53.5
Other current liabs	574.8	575.3	58 8.2	617.8	691.6
Long-term debt	0.0	1,241.9	63 1.9	421.9	5.0
Other non-current liabs	42.4	28 9.5	28 3.5	28 6.3	293.1
Minority interest	0.0	5.0	0.5	0.5	0.5
Total equity	1,3 52.4	508.4	1,016.9	1,13 1.1	1,28 6.2
Total liabs & equity	1,969.6	2,766.7	2,667.6	2,604.2	2,63 0.0
Net debt	-463.3	1,067.4	450.1	241.5	-4.0
ROIC (%)	206.8	301.6	11.2	12.6	13.7
Net gearing (%)	-3 4.3	210.0	44.3	21.4	-0.3
Working capital as % of sales	6.7	0.8	-1.2	-1.2	-1.2
Inventory period days		30.1	3 4.9	3 3.8	3 2.8
Trade debtor days		75.6	67.0	62.3	60.5
Trade creditor days		33.1	36.7	35.6	34.6
Cash cycle		72.5	65.3	60.6	58.7

## At the start of a growth phase

### Key message

UCB currently is in a transformational phase in which it is in the final phase of digesting the Schwarz pharma acquisition, cutting costs and looking for partners in its cancer product portfolio. Although the company has been plagued by important patent expirations, important follow up drugs like Neupro, Vimpat and Keppra XR received approval in many indications in the USA and Europe. Although we believe short term valuation is stretched, UCB's long term story remains exciting as we are at the start of a new and long growth phase.

	2008	2009E	2010E	2011E
Sales (EUR m)	3,601	3,139	3,324	3,108
EPS Recurring	1.50	1.48	2.15	1.41
P/E Recurring	19.9	20.2	13.9	21.2
P/FCFPS		9.7	14.8	20.2
EV/ EBITDA	9.6	10.4	8.3	9.9
Dividend Yield (%)	3.1	3.1	3.1	3.1

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 27 Augustus UCB announced positive phase IIb results for Epratuzumab, a compound for the treatment of Systemic Lupus Erythematosus (SLE). SLE, commonly referred to as lupus, is a chronic and potentially fatal autoimmune disease with a variable and unpredictable course. Antibodies are generated against the body's own nuclear proteins causing the immune system to attack its own cells and tissues resulting in inflammation and tissue damage.
- On 31 July the company announced strong 09H1 figures, as cost savings from the Shape restructuring program kicked in faster than expected. The company expects to reduce the cost base by approximately EUR 300m to invest more in the launch of its new products Neupro, Vimpat and Cimzia.
- On the 29th of July, the company announced a re-introduction of Neupro in the EU. Neupro can be prescribed again for all patients with Parkinson's disease and is newly available to adult patients with moderate to severe Restless Legs Syndrome (RLS). Since June 2008, Neupro supply in Europe has been limited to patients already established on the drug as UCB needed to introduce a cold-chain storage and distribution system to meet the need for refrigeration of the product.

### Valuation

UCB is currently trading at 8x 10' EV/EBITDA and 14x 10' EPS, which is significantly above peers. Although we believe UCB has a very strong pipeline, the issue is timing. As new products have only recently been launched, we believe investors have to be patient to see a significant return on investment. Additionally due to all the issues surrounding the company (leveraged balance sheet and Keppra generics), we believe on the short to medium term there are still downside risks.

### Rating

**Hold**

**Price target:**

**EUR 30.0**

**Price 29 Sep 2009:**

**EUR 29.8**

**Up-/downside:**

**+0.6%**

### Pharmaceuticals

**Market capitalisation:**

EUR 5,471 m

**Avg (12 month) daily volume:**

346,548

**Free float**

60%

**Reuters**

UCBBt.BR

**Bloomberg code**

UCB BB

### Share Price Performance %

	-1m	-3m	-12m
UCB	+9	+31	+20
MSCI Europe	+4	+20	-1
MSCI Belgium	+5	+24	-8

### Agenda

Trading Update 09Q3	22 Oct 2009
Results 09FY	02 Mar 2010
Results 10Q1	29 Apr 2010
AGM	29 Apr 2010
Results 10H1	02 Aug 2010

### Major shareholders

	%
Financière d'Obourg S.A.	40.3

### Listed Peers

	Ticker
Lundbeck	LUN DC
Shire	SHP LN
Merck KGaA	MKGAF US

### Analysts

**Fabian Smeets**

+31 (0) 20 460 4864

**Philip Scholte**

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

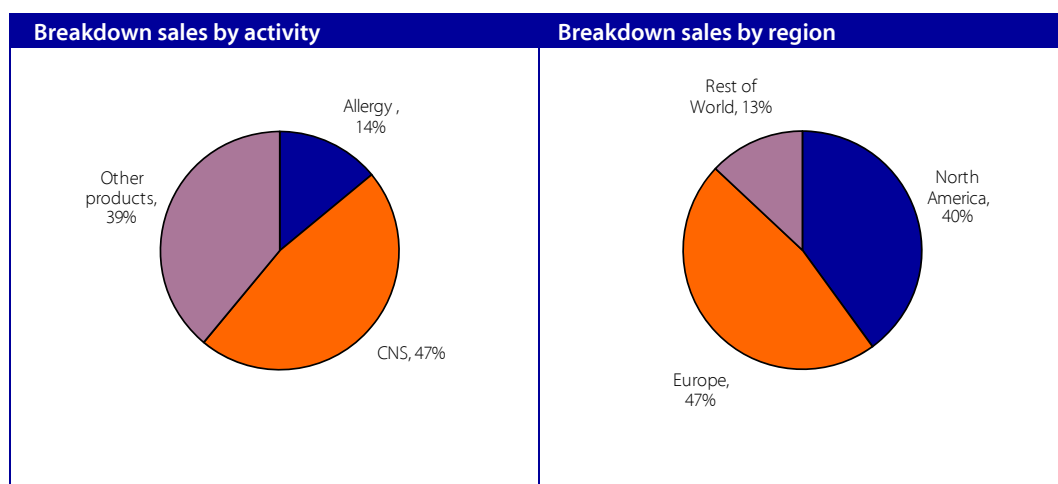
At the 09H1 figures UCB reiterated its guidance for full year sales between EUR 3.1bn and EUR 3.3bn and REBITDA of more than EUR 680m for 2009. We currently expect sales of EUR 3.1bn and REBITDA of EUR 697m in 2009 and believe that new products like Cimzia, Neupro and Vimpat should pick up the tab from Keppra which is bothered by generics entering the US market.

### Company profile

UCB is a leading global biopharmaceutical company dedicated to the research, development and commercialisation of innovative pharmaceutical and biotechnology products in the fields of central nervous system disorders and inflammatory disorders. UCB focuses on securing a leading position in severe disease categories.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Some highly valuable compounds like Cimzia, Neupro and Vimpat</li> <li>▪ Strong marketing partnership</li> <li>▪ Focus on diseases of the CNS and inflammation diseases</li> </ul>	<ul style="list-style-type: none"> <li>▪ The high dependence on only two drug families</li> <li>▪ Low liquidity and a family-dominated shareholder structure</li> <li>▪ Leveraged balance sheet</li> <li>▪ Keppra will lose marketing exclusivity in the EU in 2010</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Partnering the development and marketing of the cancer drug portfolio</li> </ul>	<ul style="list-style-type: none"> <li>▪ Neupro production problems could have dented confidence in the product for the long term</li> <li>▪ Pressure from governments on drug prices</li> </ul>



Income Statement (EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	3,626.0	3,601.0	3,139.1	3,324.8	3,108.9
Cost of sales	-1,047.0	-1,146.0	-963.2	-968.2	-914.0
Gross profit	2,579.0	2,455.0	2,175.9	2,356.6	2,194.9
Operating costs	-1,702.0	-1,303.0	-1,972.8	-1,473.1	-1,487.0
Extraordinaries	-136.0	-418.0	493.8	-23.1	0.0
REBITDA	741.0	734.0	697.0	860.3	707.9
Depreciation	-75.0	-97.0	-105.5	-128.3	-154.4
REBITA	666.0	637.0	591.4	732.1	553.5
Amortisation	-93.0	-105.0	-115.5	-125.9	-136.0
REBIT	573.0	532.0	475.9	606.2	417.6
Net financial result	-166.0	-184.0	-183.5	-141.2	-141.2
Other pre-tax items	-95.0	-390.0	493.8	-23.1	0.0
EBT	312.0	-42.0	786.2	441.9	276.4
Income taxes	-60.0	3.0	-252.5	-159.0	-115.5
Minority interests	2.0	55.0	6.5	0.0	-3.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	254.0	43.0	540.2	282.9	158.0
Adjustments, total	38.0	227.0	-272.4	107.3	97.9
Net income recurring	292.0	270.0	267.9	390.2	255.9
PERSHARE ITEMS					
Shares outstanding avg. (mln)	180.2	180.3	180.8	181.3	181.8
Shares outstanding fully diluted (mln)	183.4	183.4	183.4	183.4	183.4
EPS reported	0.89	0.24	2.99	1.56	0.87
EPS recurring	1.62	1.50	1.48	2.15	1.41
CPS	3.64	-1.58	3.82	2.78	2.09
DPS	0.92	0.92	0.92	0.92	0.92
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-0.7	-12.8	5.9	-6.5
EBITDA		-4.4	-7.2	23.8	-24.4
Net income recurring		-7.5	-0.8	45.7	-34.4
% MARGINS					
Gross margin		68.2	69.3	70.9	70.6
EBITDA margin		17.7	18.8	22.0	17.8
Net recurring margin		7.5	8.5	11.7	8.2

Valuation UCB					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	9,615.8	7,071.9	7,270.9	7,092.6	7,016.8
P/E recurring (x)	18.4	19.9	20.2	13.9	21.2
P/Sales (x)	1.5	1.5	1.7	1.6	1.7
P/FCF (x)	11.0	N/A	9.5	14.6	20.0
P/CF (x)	8.2	N/A	7.8	10.7	14.3
P/B (x)	1.3	1.3	1.2	1.2	1.2
Dividend yield (%)	3.1	3.1	3.1	3.1	3.1
EV/EBITDA (x)	13.0	9.6	10.4	8.2	9.9
EV/Sales (x)	2.7	2.0	2.3	2.1	2.3
EV/FCF (x)	19.7	N/A	12.9	19.2	25.9

<b>Cash Flow Statement ( EURmln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	161	43	540	283	158
Depreciation & Amortisation	168	202	221	254	290
Working Capital Change	56	67	-93	-27	-12
Other Items	270	-597	23	-7	-56
Cash Flow from Operations	655	-285	691	503	380
Net Capital Expenditure	-168	38	-126	-133	-109
Goodwill from Acquisitions	0	-176	176	0	0
Other Investments	474	254	105	116	126
Cash Flow from Investments	306	116	155	-17	17
Ordinary Dividends	-164	-166	-166	-167	-167
Preferred Dividend	0	0	0	0	0
Change in Preferred Stock	0	0	0	0	0
Change in Equity	0	0	0	0	0
Change in Subordinated Debt	0	0	0	0	0
Change in Bank Debt	-694	493	-90	0	0
Change in Minorities	-195	54	6	0	-3
Cash Flow from Financing	-1,053	381	-250	-167	-170
Change in Cash	-92	212	596	319	227
Free Cash Flow	487	-247	565	370	271
Free Cash Flow Yield (%)	9.1	N/M	10.5	6.8	5.0

<b>Balance Sheet ( EURmln)</b>					
	<b>UCB</b>				
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	479.0	463.0	943.9	1,137.1	1,227.8
Other current assets	1,176.0	1,374.0	1,023.3	1,087.2	1,019.7
Net PP&E	758.0	623.0	643.0	647.7	602.2
Intangible assets	4,403.0	4,579.0	4,403.0	4,403.0	4,403.0
Other non-current assets	2,739.0	2,485.0	2,380.0	2,264.5	2,138.6
Total Assets	9,555.0	9,524.0	9,393.3	9,539.5	9,391.2
Short-term debt	514.0	917.0	917.0	917.0	917.0
Other current liabs	1,372.0	1,637.0	1,192.9	1,230.2	1,150.3
Long-term debt	1,906.0	1,996.0	1,906.0	1,906.0	1,906.0
Other non-current liabs	1,499.0	957.0	986.5	979.2	920.1
Minority interest	1.0	0.0	0.0	0.0	0.0
Total equity	4,263.0	4,017.0	4,391.0	4,507.1	4,497.9
Total liabs & equity	9,555.0	9,524.0	9,393.3	9,539.5	9,391.2
Net debt	1,941.0	2,450.0	1,879.1	1,685.9	1,595.2
ROIC (%)	6.4	16.2	-1.0	8.2	6.0
Net gearing (%)	45.5	61.0	42.8	37.4	35.5
Working capital as % of sales	-3.4	-5.3	-3.4	-2.3	-2.2
Inventory period days		34.0	36.6	30.2	32.1
Trade debtor days		81.3	87.5	73.1	77.8
Trade creditor days		114.9	122.1	106.4	113.3
Cash cycle		0.4	2.0	-3.2	-3.4



# Unibail Rodamco

## Delivering on guidance

### Key message

We believe UL's dominant shopping centers will continue to attract first quality retailers that can pay the rent even in difficult economic times. Add the well-diversified portfolio, high occupancy levels and indexed rental contracts and we conclude UL is not only the play to weather the downturn, but also ticks all the boxes for a market upturn. The mix of a solid capital structure and proven management enable lucrative external growth opportunities at the bottom of the cycle. However, we believe many of these features are reflected in the current implied 6.3% FFO yield. Consequently, we stick to our Hold rating and EUR 150 price target.

	2008	2009E	2010E	2011E
Net rental income (EUR m)	1215.5	1297.8	1323.1	1381.7
EBITDA (EUR m)	1160.2	1237.7	1277.5	1319.5
Direct result (EUR m)	776.9	826.9	840.1	853.2
Indirect result (EUR m)	-1892.9	-2254.2	-117.0	613.1
Recurring FFO p/s	8.52	9.07	9.21	9.35
Consensus recurr. FFO p/s		8.98	9.40	9.66
EPS	-12.25	-15.65	7.93	16.08
NNAV p/s	138.1	121.6	121.4	129.1
P/NNAV-1	3%	17%	17%	10%
FFO multiple	16.7	15.7	15.4	15.2
Dividend Yield (%)	5.3	5.7	5.8	5.9

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On September 10, UL issued an EUR 500m seven-year bond priced at 155bps over mid-swap rate.
- UL's 09H1 results beat our estimates and were in line with consensus. The 7.8% y-o-y FFO increase and 09FY guidance reiteration were reassuring. Asset value depreciation was stronger than we anticipated with EUR 1.9bn write-down on the portfolio following 60bps yield expansion (shopping centres increased 50bps to 5.9%, while office yields were lifted 70bps to 7.1%). We believe the stronger than expected yield increase includes an anticipation in rent declines and weak indexation. However, the LTV increased only moderately from 30% per 08FY to 33% at 09H1.
- In April, UL successfully raised EUR 575m through the private placement of a convertible bond. 3.93m convertible bonds were issued with a nominal value of EUR 146.36, corresponding to a 30% premium over the company's average share price over the period from launch to pricing (EUR 112.58). The convertible bond bears an interest of 3.5% and will mature on January 1st 2015.

### Valuation

We believe the current 6.3% 09FFO yield offers some more upside as we expect UL to benefit from its solid balance sheet. Even if we take further asset depreciation into account, the LTV will not come above 40% in our projections. This headroom in combination with management's proven acquisition track-record makes us believe UL will benefit from the current downturn by focussing on external growth. However, in our model we have only accounted for the ongoing pipeline projects. Consequently, we reiterate our Hold rating and EUR 150 price target based on a 7.3% return on equity.

### Rating

**Hold**

**Price target:** EUR 150.0   
**Price 29 Sep 2009:** EUR 142.8  
**Up-/downside:** +5.0%

### Real Estate

#### Market capitalisation:

EUR 12,615 m

#### Avg (12 month) daily volume:

344,620

#### Free float

87%

#### Reuters

UNBP.PA

#### Bloomberg code

UL FP

### Share Price Performance %

	-1m	-3m	-12m
Unibail Rodamco	+3	+35	0
MSCI Europe	+1	+30	-18
MSCI France	+4	+30	-9

### Agenda

None

### Major shareholders

	%
ABP	7.7
Credit Agricole	5.4

### Listed Peers

None

### Ticker

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### Analysts

#### Rick Tervoort

+31 (0) 20 460 4830

#### Ruud van Maanen

+31 (0) 20 460 4831

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

**Equity Sales** +31 20 460 4707

**Equity Sales Trading** +31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

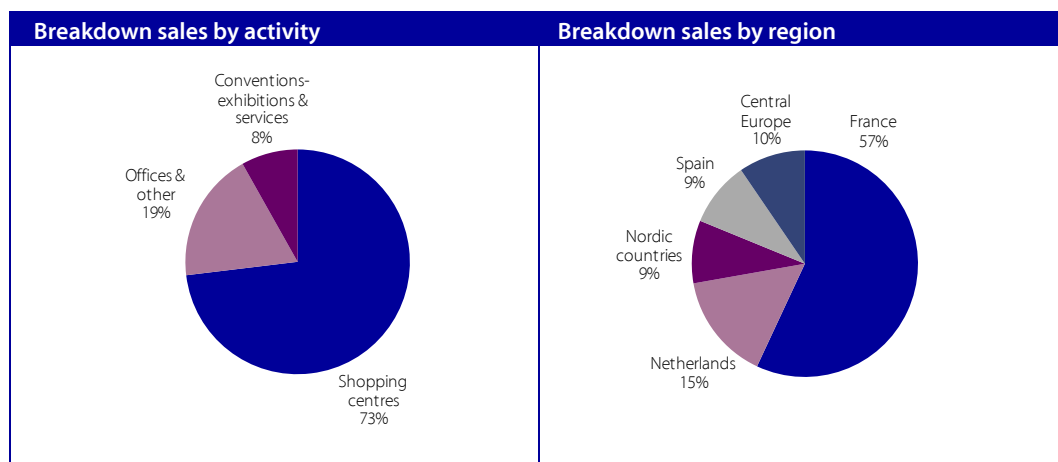
With the publication of the 09H1 results, management reiterated its guidance of at least 7% or more growth in recurring in EPS for 09FY. To stay on the conservative side, we are currently looking for 7% EPS growth in 09FY and a modest 1.6% growth in 10FY accounting for rent declines and weak inflation. With respect to valuation yields, the company surprised with when it reported EUR 1.9bn negative valuations per 09H1, emphasizing its market leadership. The balance sheet can handle such an adjustment as the reported 33% LTV is still significantly below the most aggressive covenant of 55%. For 09FY we expect yield outmoves for shopping centers to come in at +70bps, while we expect the yield on the office portfolio to increase 100bps. Even after these write-downs, the LTV comfortably stays below 40%, illustrating the power of this blue-chip company's balance sheet. Based on management's track-record, we believe it is just a matter of time before the company will start to act in the acquisition arena, focussing on i) large prime retail assets and ii) opportunistic office deals.

### Company profile

In 2007, Unibail and Rodamco Europe merged and created the leading pan-European commercial property company. Unibail had a leading position in the French market and is strong in development, but had little exposure outside France. Rodamco had an international presence but did not develop internally. The new company owns a EUR 25bn portfolio and has an investment pipeline of more than EUR 6bn. Its retail properties are predominantly regional and super-regional shopping centres, making the stock a focused play on prime Continental European retail.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Market leader in attractive shopping centre segment</li> <li>▪ Strong management track record, also in development</li> <li>▪ Limited cyclicality of shopping centres</li> <li>▪ Strong track-record in Paris office market</li> <li>▪ Track record of solidly growing cash flows</li> <li>▪ High liquidity of the stock</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reduced rented surface in convention centers</li> <li>▪ Volatility of development activities</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Value creation via (pipeline) development</li> <li>▪ Portfolio optimisation following merger</li> <li>▪ Balance sheet optimisation via acquisitions</li> <li>▪ Increasing the European footprint in retail</li> </ul>	<ul style="list-style-type: none"> <li>▪ Yield expansion affecting NNAV</li> <li>▪ Earnings risk due to a slowdown in consumer spending</li> <li>▪ Earnings risk due to the office cyclicality in Paris</li> <li>▪ Risks associated with development pipeline</li> </ul>



Income Statement (EURm)				
	2008	2009E	2010E	2011E
Gross rental income	1,422.5	1,518.8	1,548.4	1,617.0
Operating costs	-207.0	-221.0	-225.3	-235.3
Net rental income	1,215.5	1,297.8	1,323.1	1,381.7
Property development income	N/A	N/A	N/A	N/A
General expenses	-107.4	-109.5	-111.7	-114.0
Other income & expenses	52.1	49.4	66.1	51.8
EBITDA	1,160.2	1,237.7	1,277.5	1,319.5
Depreciation & Amortisation	0.0	0.0	0.0	0.0
EBIT	1,160.2	1,237.7	1,277.5	1,319.5
Net financial result	-275.2	-286.9	-304.3	-330.7
Other pre-tax items	0.0	0.0	0.0	0.0
EBT	885.0	950.8	973.2	988.8
Income taxes	-21.2	-22.6	-23.1	-24.1
Direct result of associates	4.7	5.1	5.5	5.9
Other post-tax items / minorities	-91.6	-93.4	-96.2	-98.2
Extraordinaries	0.0	0.0	0.0	0.0
Direct investment result	776.9	826.9	840.1	853.2
Revaluation	-1,766.4	-2,481.2	-128.7	674.9
Taxes on revaluation	59.4	83.4	4.3	-22.7
Net result of property sales	47.0	0.0	0.0	0.0
Indirect result of associates	-332.3	0.0	0.0	0.0
Other post-tax items / minorities	99.4	143.6	7.4	-39.1
Indirect investment result	-1,892.9	-2,254.2	-117.0	613.1
Net profit	-1,116.0	-1,414.4	742.4	1,485.6
PER SHARE ITEMS				
Shares outstanding avg. (m)	91.1	91.2	91.2	91.2
Shares outstanding fully diluted (m)	93.3	93.3	93.3	93.3
EPS reported	-12.25	-15.65	7.93	16.08
EPS recurring	8.52	9.07	9.21	9.35
NNAV	138.1	121.6	121.4	129.1
DPS	7.50	8.16	8.29	8.42
Payout ratio (%)	88.1	90.0	90.0	90.0
Fiscal year ends December 2008				
% GROWTH				
Net rental income	58%	7%	2%	4%
Lfl Net rental income	6%	2%	-2%	3%
EBITDA	59%	7%	3%	3%
Net income recurring	44%	6%	2%	2%
% MARGINS				
Gross margin	85%	85%	85%	85%
EBITDA margin	82%	81%	83%	82%
Net recurring margin	55%	54%	54%	53%

<b>Cash Flow Statement ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	-1,123.8	-1,464.6	83.1.2	1,622.8
Minorities	7.8	50.1	-88.8	-137.2
Investment property disposal profit	-47.0	0.0	0.0	0.0
Net Valuation Movements	1,766.4	2,481.2	128.7	-674.9
Direct Result of Associates	-4.7	-5.1	-5.5	-5.9
Indirect Result of Associates	332.3	0.0	0.0	0.0
Deferred Tax Liabilities	-59.4	-83.4	-4.3	22.7
Working Capital Change	555.5	227.1	12.4	13.0
Other Items	-116.1	-28.6	20.2	21.2
Cash Flow from Operations	1,311.0	1,176.8	893.9	861.7
Investment in properties	-1,915.2	-306.3	-296.9	-286.6
Investment in associates	-327.6	5.1	5.5	5.9
Investment in immaterial fixed assets	212.1	0.0	0.0	0.0
Investment in other property, plant &	162.2	-93.7	-103.1	-113.4
Cash flow from investing	-1,868.5	-394.9	-394.5	-394.1
Increase in long term debt	1,726.3	0.0	0.0	0.0
Increase in short term debt	-757.3	0.0	0.0	0.0
Dividends & other equity changes	-369.2	-255.3	-749.3	-714.9
Cash flow from financing	599.8	-255.3	-749.3	-714.9
Change in cash	42.3	526.5	-250.0	-247.4

<b>Balance Sheet ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Investment property	21,702.6	19,527.7	19,695.9	20,657.4
Financial non-current assets	698.7	698.7	698.7	698.7
Other non-current assets	1,446.1	1,539.8	1,642.9	1,756.3
Cash & Cash Equivalents	158.7	672.4	403.1	136.5
Other current assets	918.1	737.9	774.8	813.6
Total assets	24,924.2	23,176.5	23,215.4	24,062.4
Short-term debt	985.4	985.4	985.4	985.4
Other current liabs	938.5	985.4	1,034.7	1,086.4
Long-term debt	7,510.0	7,510.0	7,510.0	7,510.0
Other non-current liabs	1,340.6	1,228.6	1,244.4	1,288.3
Minority interest	1,264.6	1,121.0	1,113.6	1,152.6
Shareholders' equity	12,885.1	11,346.1	11,327.3	12,039.7
Total liabs & equity	24,924.2	23,176.5	23,215.4	24,062.4
Net debt	8,336.7	7,823.0	8,092.3	8,358.9
Total return on equity (%)	-7.9	-11.3	6.0	11.3
Direct return on equity (%)	5.5	6.6	6.8	6.5
Indirect return on equity (%)	-13.4	-18.1	-0.9	4.6
Net gearing (%)	64.7	68.9	71.4	69.4

# Unilever

Spray more, get more

## Key message

The strong top line performance in Q2 underlines that Unilever has evolved from an underperformer in the sector towards a strong player, certainly compared to direct PC peers. In case end market demand would pick-up again (which the company is not expecting in the foreseeable future), we see no reason why Unilever would be able to grow EBIT by 8-10% instead of a low single digit growth seen in the past. Next to good volume growth, cash flow surprised positively in 09Q2 as the days of working capital outstanding was reduced by 15 days. Based on an attractive valuation and good fundamental developments, we have a Buy and EUR 23 price target.

	2008	2009E	2010E	2011E
Sales (EUR m)	40,523	40,882	42,403	43,617
EPS Recurring	1.38	1.17	1.46	1.56
P/E Recurring	14.3	16.8	13.5	12.6
P/FCFPS	10.0	16.1	12.5	11.9
EV/ EBITDA	9.4	8.9	8.4	7.9
Dividend Yield (%)	3.9	4.1	4.6	5.1

Source: Rabo Securities

Year to December, fully diluted

## Recent developments

- In September Unilever announced the acquisition of Sara Lee Personal Care for EUR 1,275m. We believe that this add-on acquisition is a good strategic fit and cheap at an EV/EBITDA ex synergies of 10.0x. Through the deal Unilever conquers a number 1 position in Skin Cleansing in many large EU markets, a number 1 position in Deodorant in Spain and France and a number 1 position in Baby care and toothpaste in the Benelux. We expect the deal to be directly earnings enhancing and value enhancing after 2 years as costs synergies are large.
- With volume growth of 2.0% in 09Q2, Unilever results beat consensus expectations and the performance of many peers. Consensus stood at a volume decline of 0.4%, while we were at 0.0%. Volumes accelerated in all regions and in particular the good performance in Western Europe (+1.0% yoy) surprised. The latter was amongst others due to a good Ice cream season. As expected the performance in emerging markets remained solid and even in the troubled Russian market Unilever grew sales double digits. Compared to peers such as P&G and L Oreal, the 5.4% organic sales growth at Personal care stood out.
- Per January Paul Polman is the new CEO at Unilever. He has a good track record at P&G, where he worked for most of his career and was responsible for Western Europe. At Nestle he acted as CFO, before moving to Unilever.

## Valuation

At 10FY PER of c. 13x and EV/EBITDA of c. 8.5x, we regard Unilever attractively valued given its safe haven qualities and turnaround of the business. Compared to our DCF of EUR 24 the shares also trade at a large discount. Versus sector peers Unilever's discount has largely disappeared, which we regard justified given an outperformance in 09H1.

## Rating

**Buy**

**Price target:** EUR 23.5

**Price 29 Sep 2009:** EUR 19.7

**Up-/downside:** +19.4%

## Food Products

### Market capitalisation:

EUR 30,221 m

### Avg (12 month) daily volume:

5,670,959

### Free float

67%

### Reuters

UNc.AS

### Bloomberg code

UNA NA

## Share Price Performance %

	-1m	-3m	-12m
Unilever	+1	+15	-1
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

## Agenda

Results 09Q3 05 Nov 2009

## Major shareholders

	%
ING Groep N.V.	16.9
Aegon N.V.	5.6
Fortis Verzekeringen Nederland N.V.	5.1
Unilever	5.0

## Listed Peers

	Ticker
Nestlé	NESN SW
Procter & Gamble	PG US
Heinz	HNZ US

## Analysts

### Karel Zoete

+31 (0) 20 460 4827

### Patrick Roquas

+31 (0) 20 460 4826

## Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

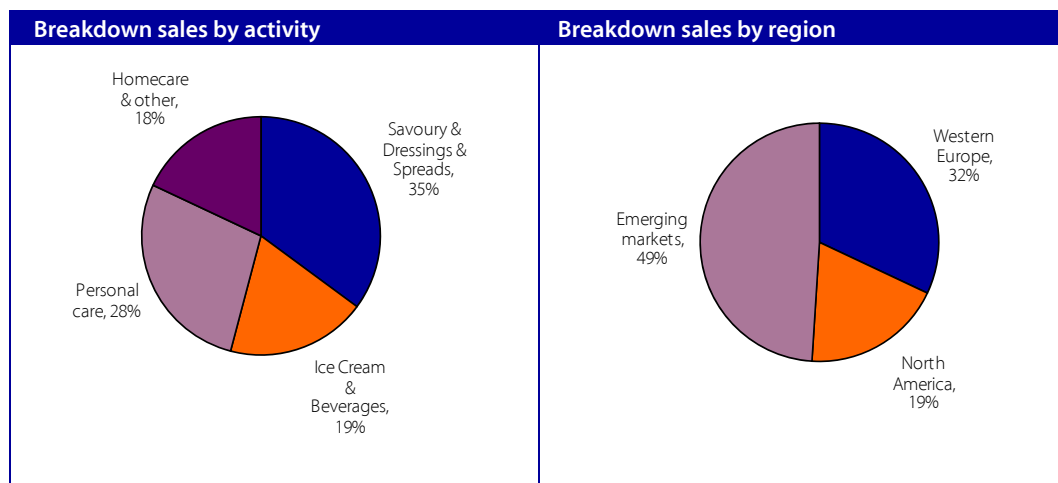
Unilever has withdrawn all near-term guidance as well as the 2010 margin guidance. Near-term and long-term priority is volume growth, while not sacrificing margins and cash flows. In 09H2, Unilever expects flattish pricing and a couple of hundred million euro in lower raw material costs. For 09FY the company expects at least a flattish EBIT margin.

### Company profile

Unilever is among the largest global consumer goods companies with sales of EUR 40bn, of which 50% is generated in Food and the remainder in Home and Personal Care (HPC). Unilever is the global market-leader in Food categories such as: Savoury & Dressings, Spreads, Weight Management, Tea and Ice Cream. The company is also global market-leader in Skin and Deodorants. More than half of sales is generated by the 13 EUR 1bn plus brands including: Knorr, Flora/Becel, Hellmann's, Lipton, Omo, Surf, Lux, Rexona, Dove, Iglo/Birds Eye/Findus, Blue Band/Rama, Sunsilk and the Heart ice cream brand. Around 40% of total sales is generated in emerging markets.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Relatively high operating margins and returns on invested capital</li> <li>▪ Strong market shares and a focused brand portfolio</li> <li>▪ Strong market position in emerging markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Organisation is still more complex than some competitors</li> <li>▪ Large exposure specific low growth categories in Western Europe</li> <li>▪ Low EBIT margins versus competitors in Personal Care</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Increase organic sales growth by better managed innovation and A&amp;P</li> <li>▪ Acquisitions at attractive prices</li> <li>▪ Costs savings from restructuring in Europe</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increasing retail consolidation and competition from private labels</li> <li>▪ Input costs inflation</li> <li>▪ Emerging market volatility</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	40,187.0	40,523.0	40,882.3	42,403.0	43,617.4
Cost of sales	-20,455.2	-20,585.7	-20,727.3	-21,455.9	-22,070.4
Gross profit	19,731.8	19,937.3	20,155.0	20,947.1	21,547.0
Operating costs	-13,041.6	-11,525.3	-12,918.4	-13,019.9	-13,238.7
Extraordinaries	-577.0	-242.0	-875.0	-868.0	-1,022.1
EBITDA	6,690.3	8,412.0	7,236.6	7,927.2	8,308.3
Depreciation	-786.0	-846.0	-1,175.4	-829.0	-741.5
EBITA	5,904.3	7,324.0	5,186.2	6,230.3	6,544.7
Amortisation & other	-157.0	-157.0	-157.0	-157.0	-157.0
EBIT	5,747.3	7,167.0	5,029.2	6,073.3	6,387.7
Net financial result	-252.0	-257.0	-605.0	-300.0	-220.0
Other pre-tax items	191.0	219.0	158.8	163.5	168.4
EBT	5,686.3	7,129.0	4,583.0	5,936.8	6,336.1
Income taxes	-1,128.0	-1,844.0	-1,224.6	-1,551.3	-1,653.1
Minority interests	-248.0	-258.0	-263.2	-271.1	-279.2
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	80.0	0.0	0.0	0.0	0.0
Net income	4,390.3	5,027.0	3,095.2	4,114.4	4,403.9
Adjustments, total	-316.3	-1,018.0	280.2	87.8	100.4
Net income recurring	4,074.0	4,009.0	3,375.4	4,202.2	4,504.2
PERSHARE ITEMS					
Shares outstanding avg. (mln)	2,874.6	2,809.0	2,789.0	2,789.0	2,789.0
Shares outstanding fully diluted (mln)	2,976.1	2,905.9	2,879.0	2,879.0	2,879.0
EPS reported	1.35	1.79	1.11	1.48	1.58
EPS recurring	1.37	1.38	1.17	1.46	1.56
CPS	1.69	1.73	1.63	1.80	2.01
DPS	0.75	0.77	0.80	0.90	1.01
Fiscal year ends 12/2009					
% GROWTH					
Revenues		0.8	0.9	3.7	2.9
EBITA		24.0	-29.2	20.1	5.0
Net income recurring		-1.6	-15.8	24.5	7.2
% MARGINS					
Gross margin		49.2	49.3	49.4	49.4
EBITA margin		18.1	12.7	14.7	15.0
Net recurring margin		9.9	8.3	9.9	10.3
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	62,584.1	74,361.0	65,445.5	63,958.6	62,178.2
P/E recurring (x)	14.4	14.3	16.8	13.5	12.6
P/Sales (x)	1.4	1.4	1.3	1.3	1.3
P/FCF (x)	19.4	9.7	15.7	12.1	11.6
P/CF (x)	11.6	11.4	12.1	10.9	9.8
P/B (x)	4.6	5.3	4.9	4.3	3.8
Dividend yield (%)	3.8	3.9	4.1	4.6	5.1
EV/EBITDA (x)	11.1	9.6	8.9	8.4	7.9
EV/Sales (x)	1.6	1.8	1.6	1.5	1.4
EV/FCF (x)	21.4	13.0	18.7	14.1	13.1

Cash Flow Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	3,888.0	5,027.0	3,095.2	4,114.4	4,403.9
Depreciation & Amortisation	943.0	1,003.0	1,332.4	986.0	898.5
Working Capital Change	497.0	421.0	785.0	149.5	30.0
Other Items	-1,616.0	-224.0	-436.8	271.1	279.2
Cash Flow from Operations	3,712.0	6,227.0	4,775.8	5,520.9	5,611.5
Net Capital Expenditure	-794.0	-519.0	-1,272.1	-975.3	-872.3
Goodwill from Acquisitions	294.0	507.0	0.0	0.0	0.0
Other Investments	-996.0	1,416.0	0.0	0.0	0.0
Cash Flow from Investments	-1,496.0	1,404.0	-1,272.1	-975.3	-872.3
Ordinary Dividends	-2,182.0	-2,086.0	-2,231.2	-2,521.3	-2,816.9
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	1,048.0	1,556.0	-2,500.0	0.0	0.0
Change in Minorities	-258.0	-266.0	-179.2	-243.9	-251.3
Cash Flow from Financing	-1,392.0	-796.0	-4,910.4	-2,765.3	-3,068.2
Change in Cash	824.0	6,835.0	-1,406.7	1,780.4	1,671.0
Free Cash Flow	2,918.0	5,708.0	3,503.7	4,545.7	4,739.2
Free Cash Flow Yield (%)	5.2	10.3	6.4	8.3	8.6

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	1,314.0	3,193.0	1,786.3	3,566.7	5,352.1
Other current assets	8,614.0	7,982.0	7,266.3	7,410.4	7,614.9
Net PP&E	6,284.0	5,957.0	6,053.7	6,200.0	6,330.8
Intangible assets	16,755.0	16,091.0	15,934.0	15,777.0	15,620.0
Other non-current assets	4,335.0	2,919.0	2,919.0	2,919.0	2,919.0
Total Assets	37,302.0	36,142.0	33,959.4	35,873.1	37,836.8
Short-term debt	4,166.0	4,842.0	2,342.0	2,342.0	2,342.0
Other current liabs	8,412.0	8,201.0	8,270.4	8,564.0	8,798.4
Long-term debt	5,483.0	6,363.0	6,363.0	6,363.0	6,363.0
Other non-current liabs	6,422.0	5,940.0	5,240.0	5,240.0	5,240.0
Minority interest	432.0	424.0	508.0	535.1	563.0
Total equity	12,387.0	10,372.0	11,236.0	12,829.1	14,530.4
Total liabs & equity	37,302.0	36,142.0	33,959.4	35,873.1	37,836.8
Net debt	8,335.0	8,012.0	6,918.7	5,138.3	3,352.9
ROIC (%)	10.7	11.0	11.3	13.9	14.8
Net gearing (%)	67.3	77.2	61.6	40.1	23.1
Working capital as % of sales	2.5	1.5	-0.4	-0.7	-0.7
Inventory period days		35.1	32.4	29.0	28.6
Trade debtor days		36.1	33.3	31.9	32.0
Trade creditor days		71.3	70.2	69.2	69.5
Cash cycle		-0.2	-4.5	-8.4	-8.9



# Unit 4 Agresso

## A winning strategy

### Key message

U4A's top-line momentum will improve from 09Q4 onwards due to: 1) Upside from CODA 2go; 2) Agresso sales in Germany gaining traction; 3) Overall recovery of the enterprise software market; 4) Undemanding 08Q4 comparables. On the basis of the positive Q4 outlook and the strong CF generation, we expect the shares to maintain their positive momentum. The valuation of U4A offers scope for significant outperformance. Our DCF-analysis points to 100% potential upside for the shares. U4A is trading at a 32% discount to its 2000-2008 average EV/EBITDA multiple. Compared to its peer group U4A is trading at a 24% discount on 2010 EV/EBITDA's; U4A's FCF yield amounts to 15%.

	2008	2009E	2010E	2011E
Sales (EUR m)	393	387	400	427
EPS Recurring	1.32	1.36	1.80	2.00
P/E Recurring	10.8	10.2	7.7	7.0
P/FCFPS	7.4	6.7	9.8	7.7
EV/ EBITDA	7.8	6.9	5.8	4.8
Dividend Yield (%)	0.0	0.0	0.0	0.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- U4A reported 09H1 EBITDA of EUR 28.8m (-/ 5% y-o-y) fully in line with our EUR 28.9m. As we expected, reported EBITDA was negatively impacted by EUR 5.2m restructuring charges. Mostly in Spain and to a lesser extent in the UK, close 173 FTE's have been made redundant. This should lead to structural cost savings of at least EUR 5m p.a. U4A also made an incremental EUR 1.0m marketing investment for to the launch of the Coda2Go product in the US. The cleaned EBITDA-margin (excl. restructuring) rose 140bps. The gross margin jumped 120bps towards 91.1%, ahead of our 90.5% estimate, as U4A has used fewer external subcontractors.
- In order to tap the large SaaS opportunity, Unit 4 Agresso launches a new company to develop, sell and support the only accounting application delivered in the cloud 100% on the Force.com platform. FinancialForce.com is a spinoff from Unit 4 Agresso; Salesforce.com is a minority investor in the new company, Unit 4 Agresso retains the controlling stake in the company. We estimate that Unit 4 Agresso invests "a few EUR m" in the new company and that it will have a 70-80% majority stake.

### Valuation

Given: 1) the positive 09Q4 outlook; 2) the relatively strong development for license sales in 09H1; 3) the reduced covenant risks; 4) the potential upside for operating margins; 5) the stronger than expected cash flow generation, shares Unit 4 Agresso deserve a clear re-rating in our opinion. A re-rating for the shares driving the 2010 EV/EBITDA multiple up from the current 5.7x towards the peer group average of 7.6x for 2010, points to 12-month upside for the shares towards EUR 20.

### Rating

**Buy**

**Price target:** EUR 20.0   
**Price 29 Sep 2009:** EUR 14.3  
**Up-/downside:** +40.0%

### Software

#### Market capitalisation:

EUR 367 m

#### Avg (12 month) daily volume:

60,330

#### Free float

68%

#### Reuters

UNI4.AS

#### Bloomberg code

U4AGR NA

### Share Price Performance %

	-1m	-3m	-12m
Unit 4 Agresso	+5	+23	+14
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

None

### Major shareholders

	%
Aviva plc.	7.5
WAM Acquisitions GP, Inc	6.8
Fortis Investment Management Netherlands	6.6
Navitas B.V.	6.1
JP Morgan Chase & Co	4.9

### Listed Peers

	Ticker
Exact	EXACT NA
Sage Group	SGE LN
Epicor	EPIC US
Lawson	LWSN US

### Analysts

#### Hans Slob

+31 (0) 20 460 4866

#### Frank Claassen

+31 (0) 20 460 4868

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

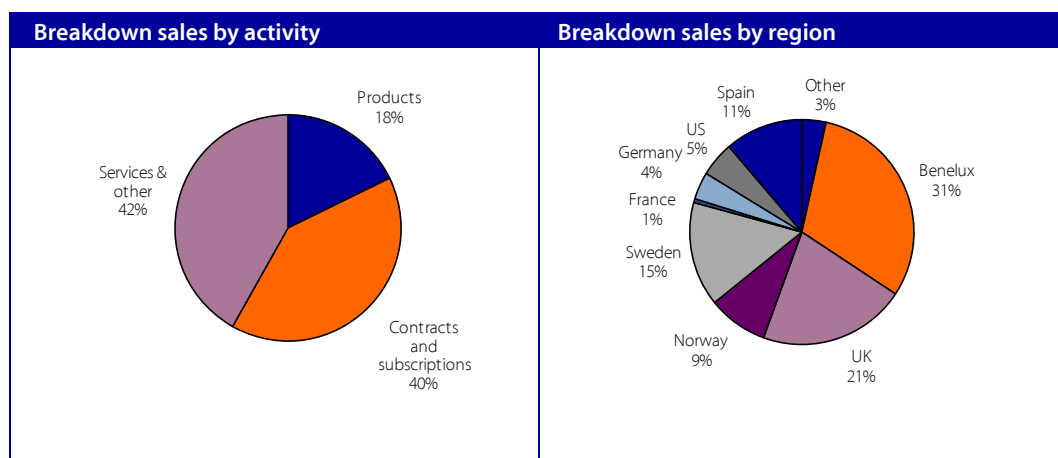
The positive 09Q4 outlook offers a good short term trigger. For the medium term the impact from CODA 2go could be another catalyst for the shares. We see good margin upside in an economic upturn due to: 1) Recovery of high-margin license sales; 2) Higher utilisation and higher billing rates for the services business; 3) Acceleration for high-margin contract sales. For 2009 we maintain our EUR 71.1m EBITDA estimate and for 2010 we expect EUR 79m, due: 1) Expected absence of restructuring costs (EUR 5m swing factor); 2) Positive impact from cost savings (incremental EUR 2-3m swing); 3) Continuing growth for high-margin maintenance sales. Our sales estimates for 2009 and 2010 are 1.1% and 3.5% above consensus. Our EBITDA estimates for 2009 and 2010 are 2.0% and 8.2% above consensus.

### Company profile

Unit 4 Agresso is a leading international producer of business software for public and private sector organizations. The group has 3,500 staff in 19 countries across Europe, North America and Asia-Pacific and sales activities in other countries around the world. Unit 4 Agresso has leading international market positions in the public sector and in the professional and business services sectors. In the Benelux Unit 4 Agresso also has strong market positions in the wholesale trade and distribution sectors and in the market for accountancy firms.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Ability to gain share with Agresso product</li> <li>▪ Strong market shares in public markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Relatively small compared to market leaders such as SAP</li> <li>▪ High R&amp;D expenses compared to size</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ New ABW opportunities in the Netherlands, Spain, France, Germany and US</li> <li>▪ New Agresso countries</li> <li>▪ Selling the Agresso product in the commercial sectors</li> <li>▪ Partnership with Salesforce.com</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing consolidation in ERP market increased importance of size</li> </ul>



## Unit 4 Agresso

Income Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Revenues	3 08.8	3 93.6	3 87.4	400.6	427.6
Cost of sales	-37.1	-39.9	-34.5	-35.7	-38.1
Gross profit	271.7	353.7	352.9	365.0	389.6
Operating costs	-219.6	-283.5	-281.8	-285.9	-304.6
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	52.0	70.1	71.1	79.0	85.0
Depreciation	-12.5	-19.5	-20.1	-18.0	-17.5
EBIT A	39.5	50.6	50.9	61.1	67.4
Amortisation	-14.0	-18.2	-18.0	-18.0	-18.0
EBIT	25.5	32.4	32.9	43.1	49.4
Net financial result	1.6	-7.0	-7.7	-3.4	-2.9
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	27.1	25.4	25.3	39.7	46.6
Income taxes	-5.7	-0.9	-6.9	-9.2	-10.3
Minority interests	-3.3	0.0	0.0	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	6.9	-6.1	0.0	0.0	0.0
Net income	25.0	18.4	18.4	30.5	36.2
Adjustments, total	-2.6	16.3	18.0	18.0	18.0
Net income recurring	22.4	34.7	36.4	48.5	54.2
PERSHARE ITEMS					
Shares outstanding avg. (mln)	25.5	25.5	25.9	26.3	26.5
Shares outstanding fully diluted (mln)	26.0	26.2	26.7	26.9	27.1
EPS reported	0.98	0.48	0.71	1.16	1.4
EPS recurring	0.86	1.32	1.36	1.80	2.0
CPS	4.08	2.97	2.85	2.21	2.7
DPS	0.75	0.00	0.00	0.00	0.0
Fiscal year ends 12/2009					
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	492.0	547.2	493.9	458.2	411.6
P/E recurring (x)	16.6	10.8	10.2	7.7	7.0
P/Sales (x)	1.2	0.9	1.0	0.9	0.9
P/FCF (x)	4.2	7.4	6.7	9.8	7.7
P/CF (x)	3.5	4.8	5.0	6.5	5.4
P/B (x)	2.7	3.7	3.2	2.6	2.1
Dividend yield (%)	5.2	0.0	0.0	0.0	0.0
EV/EBITDA (x)	9.5	7.8	6.9	5.8	4.8
EV/Sales (x)	1.6	1.4	1.3	1.1	1.0
EV/FCF (x)	5.7	11.1	9.0	11.9	8.3

## Unit 4 Agresso

<b>Cash Flow Statement ( EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	25.0	12.2	18.4	30.5	36.2
Depreciation & Amortisation	26.5	37.7	38.1	36.0	35.5
Working Capital Change	52.0	9.2	17.6	-8.4	-1.6
Other Items	0.4	16.6	-0.1	0.1	0.3
Cash Flow from Operations	104.0	75.7	74.0	58.2	70.4
Net Capital Expenditure	-17.5	-26.3	-19.0	-19.6	-21.0
Goodwill from Acquisitions	-17.0	-21.2	0.0	0.0	0.0
Other Investments	3.0	-1.3	0.0	0.0	0.0
Cash Flow from Investments	-31.5	-48.9	-19.0	-19.6	-21.0
Ordinary Dividends	-19.0	0.0	0.0	0.0	0.0
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	2.2	2.2	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-25.6	162.0	0.0	0.0	0.0
Change in Minorities	22.6	-27.8	0.0	0.0	0.0
Cash Flow from Financing	-19.8	136.4	0.0	0.0	0.0
Change in Cash	52.7	163.3	55.0	38.5	49.5
Free Cash Flow	86.5	49.4	55.0	38.5	49.5
Free Cash Flow Yield (%)	23.7	13.6	14.9	10.2	13.1
<b>Balance Sheet ( EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	61.3	35.3	90.3	128.9	178.3
Other current assets	110.5	99.1	92.6	97.8	104.4
Net PP&E	25.7	32.6	31.4	33.1	36.5
Intangible assets	158.8	295.7	277.7	259.7	241.7
Other non-current assets	12.7	14.1	14.1	14.1	14.1
Total Assets	369.1	476.7	506.1	533.5	575.0
Short-term debt	39.5	59.0	59.0	59.0	59.0
Other current liabs	131.6	129.4	140.5	137.3	142.2
Long-term debt	1.1	143.5	143.5	143.5	143.5
Other non-current liabs	30.4	47.0	47.0	47.1	47.4
Minority interest	28.0	0.2	0.2	0.2	0.2
Total equity	137.2	97.5	115.9	146.3	182.6
Total liabs & equity	367.7	476.7	506.1	533.5	575.0
Net debt	-20.7	167.3	112.2	73.7	24.2
ROIC (%)	11.0	24.3	15.4	19.7	21.0
Net gearing (%)	-15.1	171.5	96.9	50.4	13.3
Working capital as % of sales	-6.8	-7.7	-12.4	-9.9	-8.9
Inventory period days		0.5	0.4	0.4	0.4
Trade debtor days		89.7	81.5	78.1	77.8
Trade creditor days		22.7	15.7	15.3	15.1
Cash cycle		67.6	66.2	63.2	63.1

# USG People

## Up, up and away (part II)

### Key message

Strong operating leverage is bound to kick in as (i) early cyclical staffing areas show first signs of recovery and (ii) SG&A continues to come down in a highly disciplined way. Our EPS estimates are some 25% ahead of consensus, while increased pricing pressure is already largely reflected in our model. We stick to our Buy with M&A as free wild card. Besides the much speculated take-over by Adecco we see other value adding moves such as a Brunel merger.

	2008	2009E	2010E	2011E
Sales (EUR m)	4,025	3,014	3,084	3,339
EPS Recurring	1.79	0.44	0.90	1.46
P/E Recurring	7.9	32.0	15.7	9.7
P/FCFPS	6.4	6.2	10.8	11.0
EV/ EBITDA	4.9	14.1	8.8	6.0
Dividend Yield (%)	0.6	0.6	1.5	3.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Recent data show a bottoming-out of most staffing markets, and even first signs of modest improvement in absolute volume terms. The US market sales comps in August of -24.5% flagged a more modest deterioration vs June (-27.2%), while comps also improved in France (from -35% in June to -25% in August), Belgium (-23% in July vs -30% in May) and the Netherlands (industrial segment down 23% in August vs -35% in May), while anecdotal evidence signals some upswing in Germany as well.
- Operating earnings leverage should be huge as the co's cost base was y-o-y 22% lower in 09Q2 and will continue to fall the coming quarters, implying that any top-line growth will directly feed the bottom-line. Consensus GDP growth is around 1% in 2010 for USG's key regions, with upside potential. Given the historical strong relationship between GDP and staffing growth, we therefore we feel confident with our 2.3% top-line growth estimate for 2010, also given the extremely low comparison base. Using the 09Q4 SG&A run rate of c. EUR 145m for FY10, we arrive at our EPS forecast of EUR 0.90.
- Rumours about an Adecco bid fuelled by the recent appointment of Dehaze make some sense, as Adecco could create value within 2-3 years and add c. 17% to EPS 2011 even when offering EUR 25 per USG share. Still, we see more M&A alternatives in the Dutch staffing market.

### Valuation

Our price target of EUR 16 reflects 11x P/E 11 and is still markedly below our estimated DCF value of EUR 25. Our recovery price target also arrives at EUR 25, based on 10x peak EPS of EUR 2.50. We remind that an equity issue is highly unlikely also in a stand-alone scenario: we argue that sound 09Q3 results will show that Senior net debt/EBITDA will arrive at 2.5x per ultimo 2009, well below the max ratio of 3.0x.

### Rating

**Buy**

**Price target:** EUR 16.0   
**Price 29 Sep 2009:** EUR 14.1  
**Up-/downside:** +13.5%

### Commercial Services & Supplies

#### Market capitalisation:

EUR 997 m

#### Avg (12 month) daily volume:

604,724

#### Free float

71%

#### Reuters

UINT.AS

#### Bloomberg code

USG NA

### Share Price Performance %

	-1m	-3m	-12m
USG People	+21	+73	+59
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	28 Oct 2009
Results 09FY	03 Mar 2010

### Major shareholders

	%
A. D. Mulder	20.0
Threadneedle AM	4.7
Franklin Resources Inc	4.6

### Listed Peers

	Ticker
Randstad	RAND NA
Brunel	BRNL NA
Adecco	ADEN VX

### Analysts

#### David Tailleux

+31 (0) 20 460 4852

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

Equity Sales	+ 31 20 460 4707
Equity Sales Trading	+ 31 20 460 4723
www.rabosecurities.com	

### Outlook

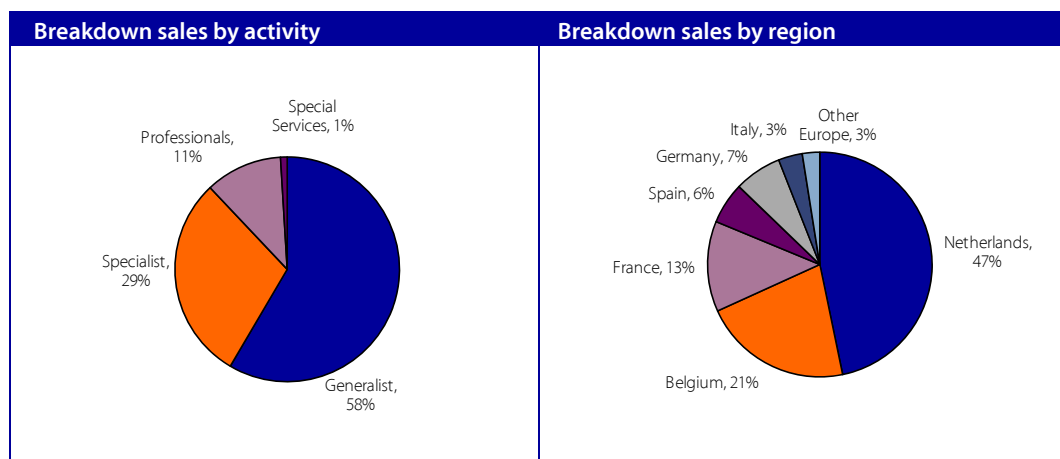
USG's official trough EBITA margin target of at least 4.5% is obviously not feasible anymore in 2009 and even for 2010 we are still below this figure (3.7%). A couple of double-digit top-line growth years should however catapult USG's margin up to previous peak levels of c. 7% again, or even more bearing in mind that part of the realised cost savings will prove to be structural.

### Company profile

USG People is a top-5 staffer in global perspective with total revenues of around EUR 3bn and above average margins. The company has its main presence in the Netherlands and Belgium, but has also positions in the French, Spanish and German markets, with several labels focusing on specific segments in each market (multi-label strategy). We do not rule a strategic repositioning, leading to more focus on the high FCF area Benelux & Germany and more professional staffing focus.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong position in cash generative Dutch staffing market</li> <li>▪ Strong position through highly specialised, high margin labels</li> </ul>	<ul style="list-style-type: none"> <li>▪ Still limited exposure to underpenetrated growth markets</li> <li>▪ A fairly leveraged balance sheet</li> <li>▪ Subscaled in countries such as France, Spain, Italy, Austria and Switzerland</li> <li>▪ Limited geographical diversification compared to large peers</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Huge operating leverage once top-line growth kicks in</li> <li>▪ Exporting successful specialty labels (SP) to Italy, France and Spain</li> <li>▪ Successful strategic review to result in value creation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sudden second-leg collapse of macro and staffing growth</li> <li>▪ Risk of to be left aside in Benelux M&amp;A soap story</li> <li>▪ Increased pricing pressure in high margin Benelux markets</li> </ul>



Income Statement (EURm)					
	2007	2008	2009E	2010E	2011E
Revenues	3,887.7	4,025.0	3,014.6	3,084.8	3,339.9
Cost of sales	-2,919.9	-3,031.9	-2,335.3	-2,408.6	-2,588.8
Gross profit	967.8	993.1	679.3	676.2	751.0
Operating costs	-675.7	-735.5	-585.9	-535.9	-556.3
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	292.1	257.6	93.4	140.3	194.8
Depreciation	-32.1	-31.3	-26.0	-27.2	-27.9
EBITA	260.0	226.3	67.5	113.1	166.9
Amortisation	-16.2	-92.9	-25.6	-25.6	-25.6
EBIT	243.8	133.4	41.9	87.5	141.3
Net financial result	-33.0	-41.2	-30.2	-22.4	-18.8
Other pre-tax items	0.0	-29.0	-29.0	0.0	0.0
EBT	210.8	63.3	-17.3	65.1	122.5
Income taxes	-70.3	-45.7	7.4	-26.3	-42.9
Minority interests	-0.5	-1.2	0.0	0.0	0.0
Other post-tax items/participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	4.0	0.0	0.0	0.0	0.0
Net income	144.0	16.4	-9.9	38.8	79.5
Adjustments, total	12.2	109.2	40.8	25.6	25.6
Net income recurring	156.2	125.6	30.9	64.4	105.1
PERSHARE ITEMS					
Shares outstanding avg. (mln)	63.4	65.0	65.1	65.3	65.5
Shares outstanding fully diluted (mln)	69.9	70.1	70.8	71.9	72.1
EPS reported	2.27	0.25	-0.15	0.59	1.21
EPS recurring	2.23	1.79	0.44	0.90	1.46
CPS	2.48	2.73	2.64	1.63	1.76
DPS	0.77	0.09	0.09	0.21	0.42
Fiscal year ends 12/2009					
% GROWTH					
Revenues		3.5	-25.1	2.3	8.3
EBITA		-12.9	-70.2	67.7	47.5
Net income recurring		-19.6	-75.4	108.8	63.1
% MARGINS					
Gross margin		24.7	22.5	21.9	22.5
EBITA margin		5.6	2.2	3.7	5.0
Net recurring margin		3.1	1.0	2.1	3.1

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	2,199.3	1,275.8	1,314.8	1,237.1	1,175.6
P/E recurring (x)	6.3	7.9	32.0	15.7	9.7
P/Sales (x)	0.2	0.2	0.3	0.3	0.3
P/FCF (x)	7.1	5.9	5.7	9.8	11.8
P/CF (x)	5.7	5.2	5.3	8.7	8.0
P/B (x)	1.4	1.4	1.4	1.4	1.3
Dividend yield (%)	5.5	0.6	0.6	1.5	3.0
EV/EBITDA (x)	7.5	5.0	14.1	8.8	6.0
EV/Sales (x)	0.6	0.3	0.4	0.4	0.4
EV/FCF (x)	17.4	8.3	8.2	13.2	15.1

<b>Cash Flow Statement ( EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	144.0	16.4	-9.9	38.8	79.5
Depreciation & Amortisation	48.3	124.2	51.6	52.8	53.5
Working Capital Change	-30.7	35.8	130.3	14.7	-17.6
Other Items	-4.5	1.2	0.0	0.0	0.0
Cash Flow from Operations	157.1	177.6	171.9	106.3	115.5
Net Capital Expenditure	-31.0	-23.0	-12.0	-12.3	-23.4
Goodwill from Acquisitions	-56.6	-150.0	0.0	0.0	0.0
Other Investments	20.0	20.0	0.0	0.0	0.0
Cash Flow from Investments	-67.6	-153.0	-12.0	-12.3	-23.4
Ordinary Dividends	-49.0	-5.7	-5.7	-13.6	-27.8
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	-12.5	-12.5	-12.5	-12.5	-12.5
Change in Bank Debt	-70.0	-60.0	-150.0	-50.0	0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-131.5	-78.2	-168.2	-76.1	-40.3
Change in Cash	-42.0	-53.6	-8.3	17.9	51.8
Free Cash Flow	126.1	154.6	160.0	94.0	78.1
Free Cash Flow Yield (%)	14.1	16.9	17.4	10.2	8.5

<b>Balance Sheet ( EUR mln)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	244.3	190.7	182.4	200.3	252.0
Other current assets	897.1	853.5	571.1	572.7	636.7
Net PP&E	54.7	46.4	32.4	17.5	13.0
Intangible assets	808.1	865.2	839.6	814.0	788.4
Other non-current assets	228.6	208.6	208.6	208.6	208.6
Total Assets	2,232.6	2,164.2	1,834.0	1,812.9	1,898.6
Short-term debt	433.2	433.2	333.2	283.2	283.2
Other current liabs	706.0	698.2	546.1	562.3	608.8
Long-term debt	381.0	308.5	246.0	233.5	221.0
Other non-current liabs	59.8	59.8	59.8	59.8	59.8
Minority interest	3.1	4.3	4.3	4.3	4.3
Total equity	649.4	660.1	644.4	669.7	721.4
Total liabs & equity	2,232.6	2,164.2	1,834.0	1,812.9	1,898.6
Net debt	570.0	551.1	396.9	316.5	252.3
ROIC (%)	33.2	25.0	17.9	14.2	20.5
Net gearing (%)	87.8	83.5	61.6	47.3	35.0
Working capital as % of sales	5.9	4.8	1.8	2.3	2.8
Inventory period days		0.0	0.0	0.0	0.0
Trade debtor days		79.1	86.0	67.4	65.9
Trade creditor days		60.2	71.3	62.0	60.5
Cash cycle		18.9	14.7	5.4	5.3



# Van Lanschot

## Main challenge is Kempen

### Key message

We believe that negative stories e.g. about the IT project, low interest margins and commission income are known and that positive developments in revenues are more likely due to higher client activity, higher prices, net interest margins gradually improve and efficiency improvements. Rebounding stock markets and a shift of AuM from cash to equities are positive for fee income. However, the main challenge in the short term is dealing with Kempen as in January the lock-up period expires for employees to sell their shares. We believe that the Delta Lloyd IPO (30% stake in Van Lanschot) may be a trigger for M&A activity in which Van Lanschot is involved.

	2008	2009E	2010E	2011E
Net income (EUR m)	20	-41	48	117
EPS Published	0.58	-1.16	1.35	3.31
P/E Published	16.1	N/A	25.3	11.3
P/Equity	1.6	1.8	1.7	1.6
Dividend Yield (%)	0.7	0.0	1.7	4.1

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 13 February Van Lanschot announced a plan to increase efficiency.
- On 4 August CFO Paul Loeven announced to leave. Van Lanschot is has not yet announced a new CFO.
- In August 2009, Van Lanschot received as collateral for a loan all shares in Robein Leven which will be kept separately and remain available for sale.
- On 11 August it reported the 09H1 results. The net loss was EUR 46.3m significantly higher than our EUR -23.5m estimated due to EUR 20m higher loan losses and EUR 13.5m IFRS impairments on the in-house funds. Net interest income declined 13% vs 08H2. In the private bank there was 8.7% net asset outflow in discretionary mandates.

### Valuation

We value Van Lanschot based on through-the-cycle earnings. We believe that it can make a minimum ROE of 12% in any normal year which is EUR 140m or EUR 3.8 per fully diluted share (PE of 10). The average 2010 PE is 15x for Van Lanschot's peers.

### Rating

**Hold**

**Price target:**

**EUR 34.0**

**Price 29 Sep 2009:**

**EUR 40.0**

**Up-/downside:**

**-15.0%**

### Banks

#### Market capitalisation:

EUR 819 m

#### Avg (12 month) daily volume:

4,359

#### Free float

9%

#### Reuters

VLAN.AS

#### Bloomberg code

VLB NA

### Share Price Performance %

	-1m	-3m	-12m
Van Lanschot	+9	+7	-19
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3	06 Nov 2009
Results 09FY	12 Mar 2010
AGM	06 May 2010
Results 10H1	10 Aug 2010

### Major shareholders

	%
Aviva	30.8
Vereniging Friesland Bank	24.6
ABP	12.1
LDDM Holding B.V.	11.3
SNS Reaal	7.4

### Listed Peers

None

### Ticker

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### Analysts

#### Georg Krijgh

+31 20 460 4860

#### Cor Kluis

+31 (0) 20 460 4870

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

**www.rabosecurities.com**

### Outlook

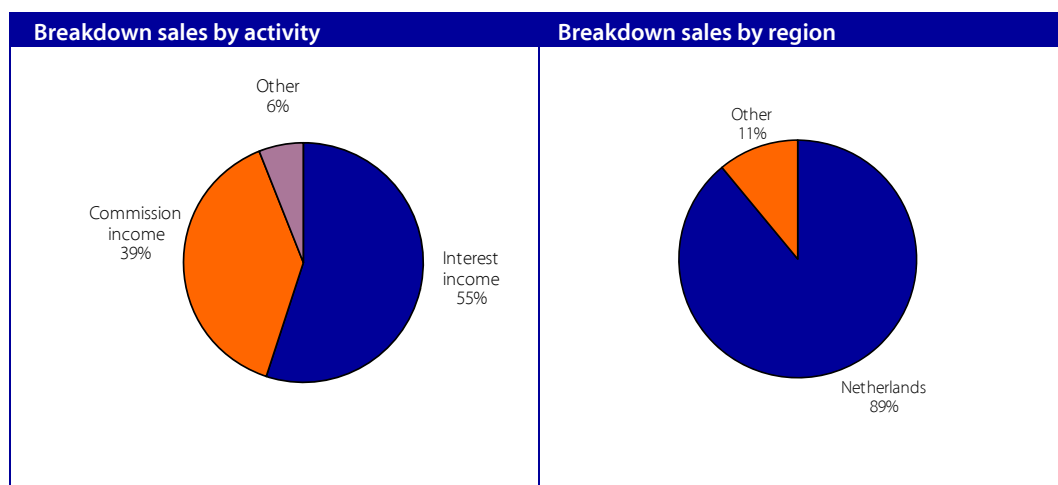
Van Lanschot is funding 84% of its assets with Dutch deposits so is relatively hurt more than other banks by these low margins. We expect net interest income gradually to improve. Loan loss provisions in 09H1 were EUR 50.6m (0.70% of RWA annualised) higher than our EUR 30m in 09H1 expected (EUR 70m for FY 2009) which was based on 0.5% of RWA. Van Lanschot said that a few larger provisions made in 09Q1 account for part of the increase and that provisions may be quite conservative. Despite this we increase our loan loss estimate for FY 2009 by EUR 15m to EUR 85m which is 0.58% of RWA. In January 2010 the lock-up period for Kempen employees to sell their shares expires. Van Lanschot likely has to deal with key people leaving or has to negotiate costly incentives for them to stay.

### Company profile

Van Lanschot is the largest independent private bank in the Netherlands and focuses on three target groups: private clients, medium-sized family businesses and institutional investors. Van Lanschot offers its private clients asset management, mortgages, current accounts, credit cards and bank services for the director-owner. Family businesses are offered treasury and risk management, merchant banking, share issues, and foreign transactions support. Institutional investors are offered asset management, brokerage, custody and treasury services.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong Benelux brand name and market position</li> <li>▪ Strong liquidity and sufficient solvency</li> <li>▪ Relatively low risk profile</li> </ul>	<ul style="list-style-type: none"> <li>▪ Relatively high proportion of commissions to total income</li> <li>▪ Stronger competition for savings and low net interest margins</li> <li>▪ Low growth AuM</li> <li>▪ Difficult to do an acquisition because raising capital at shareholders may not work as Delta Lloyd and Friesland bank have little incentive to allocate more capital to this investment</li> <li>▪ Low free float of around 11%</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Increase net asset inflow as Van Lanschot has attracted new private bankers</li> <li>▪ Possible merger with another private bank</li> <li>▪ Growth in foreign markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Main challenge is dealing with Kempen as there may be an outflow of Kempen employees in January 2010 after the 3 year lock-up has expired.</li> </ul>



Van Lanschot (EURm)	2007	2008	2009E	%	2010E	%	2011E
Net interest income	276.3	294.1	276.4	-6.0	327.4	18.5	354.4
Commission income	295.4	217.7	209.1	-3.9	237.1	13.4	274.4
Other income	76.3	-18.2	34.8		50.0		54.1
Income from securities and participating interest	27.5	-17.3	8.0		32.0		32.8
Result from financial transactions	48.8	-0.9	26.8		18.0		21.3
- of which bond gains	0.0	0.0	0.0		0.0		0.0
Total revenues	648.0	493.6	520.3	5.4	614.5	18.1	682.9
Salaries	248.5	224.9	222.8	-0.9	227.6	2.1	240.9
Other costs	129.8	162.3	168.7	3.9	173.2	2.7	180.4
Depreciation and amortization	36.4	55.4	69.1		38.5		39.8
of which amortisation intangible assets Kempen	13.6	10.9	10.9		10.9		10.9
Total costs	414.7	442.6	460.7	4.1	439.3	-4.6	461.1
Operational profit	233.3	51.0	59.7	17.0	175.2	193.6	221.9
Additions to bad debt reserves	0.1	-29.8	-85.6		-55.0		-27.0
Impairments			-13.6				
Pretax profit	233.4	21.2	-39.5		120.2		194.9
Taxes	43.8	-8.9	-9.8		21.6		35.1
Net profit of continuing operations	189.6	30.1	-29.7		98.6		159.8
Minorities	0.2	0.0	0.0		0.0		0.0
Income from discontinued activities	26.0	0.0	0.0		0.0		0.0
<b>(1) Net profit</b>	<b>215.4</b>	<b>30.1</b>	<b>-29.7</b>		<b>98.6</b>		<b>159.8</b>
After-tax interest payments on perpetual	10.7	9.8	10.8		10.3		11.3
<b>(2) Distr. Earnings</b>	<b>204.7</b>	<b>20.3</b>	<b>-40.5</b>		<b>88.3</b>		<b>148.5</b>
Amortisation acquired surplus	3.4	0.6	0.0		0.0		0.0
<b>(3) Earnings available for shareholders</b>	<b>208.0</b>	<b>20.9</b>	<b>-40.5</b>		<b>88.3</b>		<b>148.5</b>
After-tax extraordinary	-4.7	65.5	8.1		8.1		8.1
<b>(4) Net income excluding extraordinary</b>	<b>203.3</b>	<b>86.4</b>	<b>-32.3</b>		<b>96.4</b>		<b>156.7</b>
Average number of shares	34.47	34.77	34.95		35.16		35.37
(1) EPS	6.25	0.87	-0.85		2.80		4.52
(2) EPS	5.94	0.58	-1.16		2.51		4.20
(3) EPS excluding amortisation acquired surplus	6.03	0.60	-1.16		2.51		4.20
(4) EPS excluding extraordinary	5.90	2.48	-0.93		2.74		4.43
Dividend	3.00	0.28	0.00		1.26		2.10
Pay-out ratio	49.7%	46.5%	50.0%		50.0%		50.0%
Tax rate	18.8%	-42.0%	24.9%		18.0%		18.0%
Total assets	21.718	20.691	21.143		22.412		23.757
Risk Weighted Assets (Basel II in 2008)	13,600	14,003	14,544		13,482		12,498
average RWAs	12,650	13,802	14,274		14,013		12,990
Additions to bad debt reserves / RWAs	0.00%	0.22%	0.60%		0.39%		0.21%
Cost/income ratio	64.0%	89.7%	88.5%		71.5%		67.5%
Interest margin %	1.37	1.39	1.32		1.50		1.54
net profit margin	33%	6.1%	-5.7%		16%		23%
Van Lanschot definition ROE	15.8%	1.6%	-3.2%		6.7%		11.3%
FTEs ultimo	2,262	2,241	2,123		2,134		2,144

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# VastNed OI

## Stay 'Out of office'

### Key message

With a guidance of EUR 1.55 for 09FY, management expects a 13% decline in direct result in 09H2 compared to the EUR 0.83 reported in 09H1. Although based on the 09FY outlook VNOI's stock is seemingly attractive, we argue VNOI's results will suffer more in the 10-12 period as a result of a weak office market in combination with substantial rent roll expiries. Our DCF based price target points to EUR 10.0. Hence, our Reduce rating.

	2008	2009E	2010E	2011E
Net rental income (EUR m)	77.2	71.0	62.9	60.1
EBITDA (EUR m)	71.3	64.6	56.5	53.6
Direct result (EUR m)	32.5	28.2	22.1	19.2
Indirect result (EUR m)	48.3-	127.1-	81.7-	17.2-
Recurring FFO p/s	1.59	1.50	1.17	1.02
Consensus recurr. FFO p/s	N/M	1.48	1.32	1.37
EPS	0.77-	5.26-	3.17-	0.10
NNAV p/s	23.17	16.02	11.38	10.41
P/NNAV-1	-47.8%	-24.5%	6.3%	16.2%
FFO multiple	7.6	8.1	10.3	11.9
Dividend Yield (%)	13.1	12.4	9.7	8.4

Source: Rabo Securities

Year to December, fully diluted


### Recent developments

- VNOI reported a better than expected 09Q2 direct result of EUR 8.4m (we: EUR 7.1m) and a roughly in-line indirect result of EUR -20.1m (we: EUR -28m). The direct result was spurred by 25% lower than expected interest costs. However, these are expected to increase in 09H2 due to step-up margins in the loan covenants. With a guidance of EUR 1.55 for 09FY, management expects a 13% decline in direct result in 09H2 compared to the EUR 0.83 reported in 09H1. We are currently at EUR 1.50, but are unlikely to change our 09H2 forecast, as 09Q2 already came in EUR 0.07 per share better than we anticipated.
- On 15 June 2009, VNOI announced to have reached on agreement to jointly purchase green energy. On its Belgian office portfolio VNOI expects 10% energy cost savings for its tenants. On top of that, VNOI plans to install solar panels on the roofs of three distribution centers. The expectations are that this will deliver around EUR 100k indexed rent.

### Valuation

We have revised our estimates given the poor fundamentals for the Dutch oversupplied office market in general and VNOI in particular. Our renewed estimates demonstrates this; from peak office market year 2007 where VNOI showed a EUR 1.71 FFOps, our estimates reflect a 40% FFO decline in the seven years thereafter (2014: EUR 1.02). Using a RoE of 10.2%, our DCF based price target points to EUR 10.0.

### Rating **Reduce**

<b>Price target:</b>	<b>EUR 10.0</b> 
<b>Price 29 Sep 2009:</b>	<b>EUR 12.0</b>
<b>Up-/downside:</b>	<b>-16.9%</b>

### Real Estate

#### Market capitalisation:

EUR 253 m

#### Avg (12 month) daily volume:

81,455

#### Free float

71%

#### Reuters

VWNN.AS

#### Bloomberg code

VNOI NA

### Share Price Performance %

	-1m	-3m	-12m
VastNed OI	-2	+15	-18
MSCI Europe	+1	+30	-18
MSCI Netherlands	+4	+30	-9

### Agenda

Results 09Q3	09 Nov 2009
Results 09FY	05 Mar 2010
AGM	21 Apr 2010
Results 10Q1	12 May 2010
Results 10Q2	06 Aug 2010

### Major shareholders

	%
Fortis Investment Management SA	5.6
ABP	5.5
Commonwealth Bank of Australia	5.1
Cohen & Steers Capital Management Corp	4.9
Sumitomo Mitsui AS Co Ltd	4.8

### Listed Peers

	Ticker
Nieuwe Steen Investments	NISTI NA
Befimmo	BEFB BB
DIC Asset	DAZ GR
alstria	AOX GR

### Analysts

#### Ruud van Maanen

+31 (0) 20 460 4831

#### Rick Tervoort

+31 (0) 20 460 4830

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

www.rabosecurities.com

### Outlook

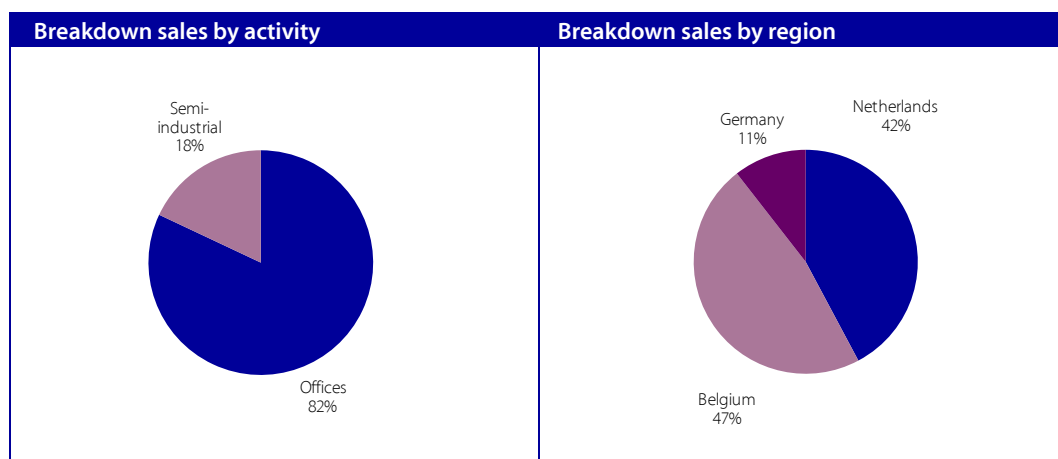
Although the economy is just starting to get a grip on the property leasing markets, the effects of the recession are already kicking in on VNOI's leasing activities. Office markets are normally lagging the economy, but effective rents have already been renegotiated downwardly by 15.5% in the Netherlands and 18.9% in Belgium in 09Q1. Examples given by the company even show effective rent declines of -28%! This is in spite of the Dutch portfolio only being over-rented by about 3%, according to management. In our view this illustrates the structural oversupply of the Dutch and Belgian office markets and headline rents are held up artificially by boosting incentives. We expect grim office market fundamentals of all VNOI's markets for the coming three years and have adjusted our top-line estimates accordingly. We estimate a 19% total top-line decline for the 08-11 period, based on a 7% drop in occupancy level and 25% rent decline for 50% expiring rental income in the coming three years.

### Company profile

VastNed Offices/Industrial is a closed-end listed property fund primarily invested in offices and semi-industrial properties in the Netherlands, Belgium and Germany. The portfolio consists of more than 180 properties with an average size of EUR 6.5m. The company was established in 1984 and has been listed at Euronext since 1989. VNOI is part of the Vastned Group and managed by the same team that is also in charge of VNR.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Benelux play on offices with limited development exposure</li> <li>▪ Asset sales have improved profile (albeit more is necessary)</li> <li>▪ Overall leverage level seems acceptable in Europe</li> </ul>	<ul style="list-style-type: none"> <li>▪ Some exposure to illiquid office markets left</li> <li>▪ Exposure to Germany is (too) small</li> <li>▪ Current leverage does not allow for good acquisitions</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Lease-up of vacancies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Recession-based downturn in market rents</li> <li>▪ Large leases up for renewal could lead to vacancy</li> </ul>



Income Statement (EURm)				
	2008	2009E	2010E	2011E
Gross rental income	89.0	83.2	75.2	71.8
Operating costs	-11.7	-12.2	-12.3	-11.7
Net rental income	77.2	71.0	62.9	60.1
Property development income	N/A	N/A	N/A	N/A
General expenses	-6.0	-6.4	-6.4	-6.5
Other income & expenses	0.0	0.0	0.0	0.0
EBITDA	71.3	64.6	56.5	53.6
Depreciation & Amortisation	0.0	0.0	0.0	0.0
EBIT	71.3	64.6	56.5	53.6
Net financial result	-25.8	-24.2	-23.7	-24.3
Other pre-tax items	0.0	0.0	0.0	0.0
EBT	45.4	40.4	32.7	29.3
Income taxes	0.0	0.0	0.0	0.0
Direct result of associates	0.0	0.0	0.0	0.0
Other post-tax items / minorities	-12.9	-12.3	-10.7	-10.2
Extraordinaries	0.0	0.0	0.0	0.0
Direct investment result	32.5	28.2	22.1	19.2
Revaluation	-55.4	-143.0	-110.8	-16.8
Taxes on revaluation	0.4	0.1	0.0	0.0
Net result of property sales	0.5	0.0	0.0	0.0
Indirect result of associates	0.0	0.0	0.0	0.0
Other post-tax items / minorities	6.1	15.8	29.1	-0.5
Indirect investment result	-48.3	-127.1	-81.7	-17.2
Net profit	-15.8	-98.9	-59.6	1.9
PERSHARE ITEMS				
Shares outstanding avg. (m)	18.7	18.8	18.8	18.8
Shares outstanding fully diluted (m)	18.7	18.8	18.8	18.8
EPS reported	-0.8	-5.3	-3.2	0.1
EPS recurring	1.59	1.50	1.17	1.02
NNAV	23.2	16.0	11.4	10.4
DPS	1.59	1.50	1.17	1.02
Payout ratio (%)	100.0	100.0	100.0	100.0
Fiscal year ends 12/2009				
% GROWTH				
Net rental income	0.8	-9.4	-11.5	-4.4
Lfl Net rental income	N/A	N/A	N/A	N/A
EBITA	2.9	-9.3	-12.6	-5.0
Net income recurring	-7.1	-13.4	-21.7	-13.1
% MARGINS				
Gross margin	86.8	85.4	83.6	83.7
EBITDA margin	80.1	77.7	75.1	74.7
Net recurring margin	36.6	33.9	29.4	26.7

<b>CashFlowStatement ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	-9.0	-102.5	-78.0	12.5
Minorities	-6.8	3.6	18.4	-10.6
Investment property disposal profit	-0.5	0.0	0.0	0.0
Net Valuation Movements	55.4	143.0	110.8	16.8
Direct Result of Associates	0.0	0.0	0.0	0.0
Indirect Result of Associates	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	-0.4	-0.1	0.0	0.0
Working Capital Change	-5.2	0.0	0.0	0.0
Other Items	4.7	-0.9	0.0	0.0
Cash Flow from Operations	38.2	43.2	51.2	18.7
Investment in properties	-28.2	-5.0	0.0	23.1
Investment in associates	-3.8	0.0	0.0	0.0
Investment in immaterial fixed assets	0.0	0.0	0.0	0.0
Investment in other property, plant &	0.1	0.0	0.0	0.0
Cash flow from investing	-31.9	-5.0	0.0	23.1
Increase in long term debt	-99.0	239.6	-3.0	-3.0
Increase in short term debt	159.1	-230.5	0.0	0.0
Dividends & other equity changes	-67.9	-34.3	-27.6	-20.1
Cash flow from financing	-7.8	-25.2	-30.6	-23.1
Change in cash	-1.5	12.9	20.6	18.7

<b>Balance Sheet ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Investment property	1,167.0	1,029.0	918.2	878.4
Financial non-current assets	0.0	0.0	0.0	0.0
Other non-current assets	1.1	1.1	1.1	1.1
Cash & Cash Equivalents	1.9	14.8	35.4	54.1
Other current assets	19.1	19.1	19.1	19.1
Total assets	1,189.1	1,064.0	973.8	952.6
Short-term debt	278.8	48.4	48.4	48.4
Other current liabs	28.3	28.3	28.3	28.3
Long-term debt	310.4	550.0	547.0	544.0
Other non-current liabs	3.1	2.1	2.1	2.1
Minority interest	134.3	134.3	134.3	134.3
Shareholders' equity	434.1	301.0	213.7	195.6
Total liabs & equity	1,189.1	1,064.0	973.8	952.6
Net debt	587.4	583.5	560.0	538.3
Total return on equity (%)	-2.8	-22.7	-17.1	0.6
Direct return on equity (%)	5.7	6.5	6.3	5.8
Indirect return on equity (%)	-8.5	-29.2	-23.5	-5.2
Net gearing (%)	135.3	193.9	262.0	275.3



# VastNed Retail

## Dipping a toe in murky waters

### Key message

2009 is likely to become the peak in FFO per share. The outlook for 09FY direct result is at least EUR 4.0 per share, which is in-line with our current estimate of EUR 4.02. This is however on the average number of shares, that only take into account part of the sub-10% equity issue. Next year, FFOps will not only see more of the dilutive impact, but we also expect an enhanced impact of its 25% Spain exposure. Our DCF based price target of EUR 48 is in-line with its average historical FFO multiple of around 13.7x.

	2008	2009E	2010E	2011E
Net rental income (EUR m)	116.9	116.4	108.1	109.8
EBITDA (EUR m)	106.6	108.4	100.6	102.3
Direct result (EUR m)	60.9	66.0	57.5	58.9
Indirect result (EUR m)	112.9-	178.6-	131.3-	15.2
Recurring FFO p/s	3.71	4.00	3.46	3.55
Consensus recurr. FFO p/s		3.79	3.50	3.54
EPS	3.17-	6.82-	4.45-	4.46
NNAV p/s	60.87	50.89	42.11	43.27
P/NNAV-1	-27.7%	-13.6%	4.5%	1.7%
FFO multiple	11.8	11.0	12.7	12.4
Dividend Yield (%)	8.7	9.0	7.8	8.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 11 Sept 2009, VNR announced to have placed 1,660,473 (9.99%) new shares at a price of EUR 45.50 done in an accelerated book building process. Proceeds will be used for balance sheet strengthening and for acquisition purposes. We understand Turkey and possibly Belgium have management's focus point of attention to do acquisitions.
- VastNed Retail announced on 22 June that it has changed several rental contracts with H&M in France to the ILC-index from previous ICC-index. The total rental income consists of EUR 4.8m and is 3.8% above the previous rent paid on average. A positive sign that retail real estate companies in France are not under much pressure from leading retail companies like H&M demanding a lower rent, which is the case currently in Spain.
- In June the company announced the sale of a EUR 32.2m non-core Dutch retail portfolio. The pricing was just above book value and the proceeds will be used to pay down debt. Based on the mentioned EUR 2.6m annual rental income the GIY on the transaction was 7.2% (est. NIY 6.6%). We see this step as positive, as it further reduces the debt covenant risk.

### Valuation

Our DCF model currently points to a fair value of EUR 48, which implies roughly a 14x 10E FFO or level to our anticipated trough (2010) NNAV per share. As we already take into account 15% I-f-I rent contraction in Spain for the 09-10 period and consider current valuation to be fully valued.

### Rating

**Price target:**  
**Price 29 Sep 2009:**  
**Up-/downside:**

**Hold**

**EUR 48.0**   
**EUR 44.4**  
**+8.2%**

### Real Estate

#### Market capitalisation:

EUR 823 m

#### Avg (12 month) daily volume:

73,368

#### Free float

72%

#### Reuters

VASN.AS

#### Bloomberg code

VASTN NA

### Share Price Performance %

	-1m	-3m	-12m
VastNed Retail	+5	+25	-11
MSCI Europe	+1	+30	-18
MSCI Netherlands	+4	+30	-9

### Agenda

Results 09Q3	09 Nov 2009
Results 09FY	05 Mar 2010
AGM	21 Apr 2010
Results 10Q1	12 May 2010
Results 10Q2	06 Aug 2010

### Major shareholders

	%
PFZW	6.7
Nomura Asset Management Co. Ltd	5.9
Commonwealth Bank of Australia	5.8
Fortis Investment Management SA	5.0
ABP	5.0

### Listed Peers

	Ticker
Eurocommercial Properties	ECMPA NA
Corio	CORA NA
Unibail Rodamco	UL FP

### Analysts

#### Ruud van Maanen

+31 (0) 20 460 4831

#### Rick Tervoort

+31 (0) 20 460 4830

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

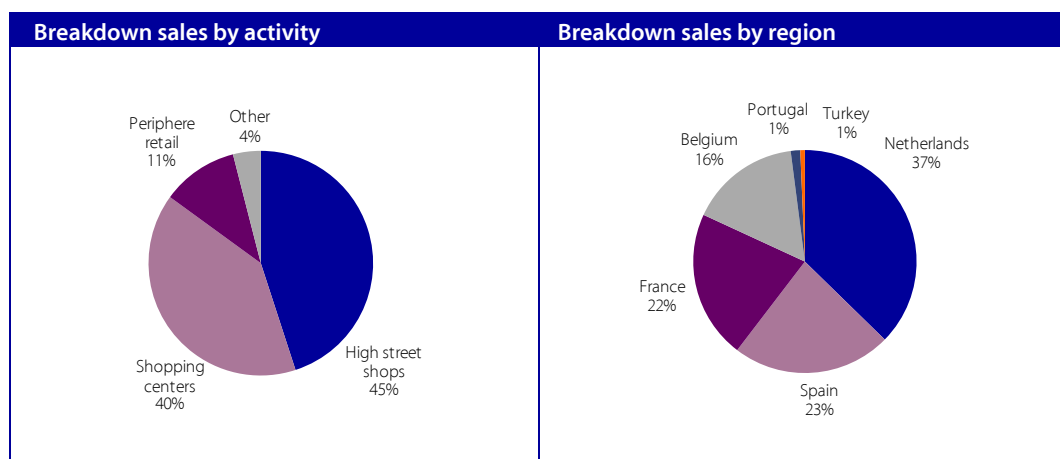
We expect a EUR 4.02 peak FFO per share in 2009, mainly as a result of 1) lower interest expenses as a result of the low interest environment and 2) limited impact from negative I-f-I rent reduction and 3) the dilutive effect of recent equity issue. But 2010 will then be impacted far more, as the interest impact runs out and we will see more impact from the rent reductions from Spain. We anticipate a 13% cut in FFO per share (10E: EUR 3.50) as a result of this.

### Company profile

VastNed Retail is a self-administered and self-managed Dutch real estate investment trust. The investment portfolio is focused on small and medium sized retail properties diversified over four countries within the Eurozone and Turkey. The EUR 1.8bn portfolio is mainly geographically spread over the Netherlands, Spain, France, Belgium, Portugal and Turkey. The company enjoys a tax-efficient status in the Netherlands, Belgium and France. The strategy is focused on high street shops (45%), smaller (neighbourhood) shopping centres (40%) and peripheral retail.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ High street retail provides stable earnings growth</li> <li>▪ Low vacancy risk through very lettable properties</li> <li>▪ Liquid character of underlying properties</li> <li>▪ Diversified tenancy risk</li> </ul>	<ul style="list-style-type: none"> <li>▪ Significant exposure to Spanish and Turkish retail</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Declining interest rates</li> <li>▪ Development opportunities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tenancy risk due to deteriorating retail sales</li> <li>▪ Strong asset deflation could trigger LTV bank covenant</li> <li>▪ Acquisition risks in emerging countries</li> <li>▪ Interest hikes</li> </ul>



Income Statement ( EURm)				
	2008	2009E	2010E	2011E
Gross rental income	132.0	133.0	123.9	125.9
Operating costs	-15.2	-16.6	-15.9	-16.1
Net rental income	116.9	116.4	108.1	109.8
Property development income	N/A	N/A	N/A	N/A
General expenses	-10.2	-8.0	-7.4	-7.6
Other income & expenses	0.0	0.0	0.0	0.0
EBITDA	106.6	108.4	100.6	102.3
Depreciation & Amortisation	0.0	0.0	0.0	0.0
EBIT	106.6	108.4	100.6	102.3
Net financial result	-38.8	-34.3	-35.3	-35.4
Other pre-tax items	0.0	0.0	0.0	0.0
EBT	67.8	74.2	65.3	66.8
Income taxes	-1.7	-1.8	-1.6	-1.6
Direct result of associates	0.0	0.0	0.0	0.0
Other post-tax items / minorities	-5.2	-6.4	-6.3	-6.3
Extraordinaries	0.0	0.0	0.0	0.0
Direct investment result	60.9	66.0	57.5	58.9
Revaluation	-124.0	-200.5	-144.4	17.3
Taxes on revaluation	12.3	18.3	10.4	-2.1
Net result of property sales	0.9	0.0	0.0	0.0
Indirect result of associates	0.0	0.0	0.0	0.0
Other post-tax items / minorities	-2.1	3.6	2.7	0.0
Indirect investment result	-112.9	-178.6	-131.3	15.2
Net profit	-52.0	-112.6	-73.9	74.1
PER SHARE ITEMS				
Shares outstanding avg. (m)	16.4	16.6	16.6	16.6
Shares outstanding fully diluted (m)	16.4	16.6	16.6	16.6
EPS reported	-3.2	-6.8	-4.4	4.5
EPS recurring	3.7	4.0	3.5	3.5
NNAV	60.9	50.9	42.1	43.3
DPS	3.9	4.0	3.5	3.6
Payout ratio (%)	103.7	100.0	100.0	100.0
Fiscal year ends 12/2008				
% GROWTH				
Net rental income	10.2	-1.4	-6.6	1.6
Lfi Net rental income	8.8	-1.4	-3.5	1.0
EBITA	9.7	1.7	-7.2	1.6
Net income recurring	-5.4	8.4	-12.9	2.5
% MARGINS				
Gross margin	88.5	87.5	87.2	87.2
EBITDA margin	80.8	81.5	81.2	81.2
Net recurring margin	46.1	49.6	46.4	46.8

<b>Cash Flow Statement ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	-44.8	-109.8	-70.2	80.4
Minorities	-7.2	-2.8	-3.6	-6.3
Investment property disposal profit	-0.9	0.0	0.0	0.0
Net Valuation Movements	124.0	200.5	144.4	-17.3
Direct Result of Associates	0.0	0.0	0.0	0.0
Indirect Result of Associates	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	-12.3	-18.3	-10.4	2.1
Working Capital Change	9.6	0.0	0.0	0.0
Other Items	5.3	2.2	0.0	0.0
Cash Flow from Operations	73.7	71.8	60.1	58.9
Investment in properties	-45.2	-18.0	-22.0	0.0
Investment in associates	0.4	0.0	0.0	0.0
Investment in immaterial fixed assets	0.0	0.0	0.0	0.0
Investment in other property, plant &	0.3	0.0	0.0	0.0
Cash flow from investing	-44.5	-18.0	-22.0	0.0
Increase in long term debt	72.4	12.5	16.9	-10.9
Increase in short term debt	-43.7	-7.1	0.0	5.8
Dividends & other equity changes	-68.5	-55.9	-74.0	-55.6
Cash flow from financing	-3.9	-50.5	-57.1	-60.7
Change in cash	-10.7	3.2	-19.0	-1.8

<b>Balance Sheet ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Investment property	2,014.8	1,832.3	1,709.9	1,727.2
Financial non-current assets	0.0	0.0	0.0	0.0
Other non-current assets	2.3	2.3	2.3	2.3
Cash & Cash Equivalents	3.1	6.3	-12.7	-14.5
Other current assets	23.4	23.4	23.4	23.4
Total assets	2,043.6	1,864.2	1,722.9	1,738.4
Short-term debt	219.7	212.5	212.5	218.4
Other current liabs	59.6	59.6	59.6	59.6
Long-term debt	610.5	622.9	639.8	628.9
Other non-current liabs	59.4	43.3	32.9	34.9
Minority interest	96.2	85.7	78.8	78.0
Shareholders' equity	998.2	840.2	699.3	718.5
Total liabs & equity	2,043.6	1,864.2	1,722.9	1,738.4
Net debt	827.0	829.2	865.1	861.7
Total return on equity (%)	-4.8	-12.2	-9.5	9.3
Direct return on equity (%)	5.6	7.1	7.4	7.4
Indirect return on equity (%)	-10.3	-19.3	-16.9	1.9
Net gearing (%)	82.9	98.7	123.7	119.9

# Vopak

## The tank keeps on rolling

### Key message

Vopak continued to meet high expectations with sound 09H1 numbers and a strong 09FY outlook, thereby delivering on the targets set out in its strategic plan of 2006. The recessionary impact has been very limited, as CEMEA posted a strong sequential improvement in 09Q2; Vopak's exposure to non-rental income is more modest than we anticipated. Expansion via greenfield developments (e.g. LNG Rostock, Hainan, Pengerang) represents a long-term catalyst. Albeit valuation is not Vopak's main attraction, we argue that the good momentum will continue to benefit the stock.

	2008	2009E	2010E	2011E
Sales (EUR m)	923	1,006	1,038	1,075
EPS Recurring	3.51	3.74	3.90	4.19
P/E Recurring	12.8	12.0	11.5	10.7
P/FCFPS			18.3	15.8
EV/ EBITDA	7.4	7.8	7.3	6.8
Dividend Yield (%)	2.4	2.8	2.9	3.2

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- Looking at the breakdown of the underlying result in 09Q2 (operating profit of EUR 184m, +17% y-o-y was in line with guidance and our estimates), CEMEA (the division mostly hit by the recession in 09Q1) posted a significant sequential improvement with 4% y-o-y increase in operating profit compared to a 23% decline in 09Q1. In CEMEA, Vopak was able to transfer some storage capacity to new clients, thereby mitigating price pressure; this is only to be expected once occupancy rates start to drop.
- In the joint-venture line, Vopak EOS had a very significant contribution, supporting the OEMEA result. North America (smaller than anticipated contribution from Bahamas) and Latin America came somewhat below our estimates. The Asian operations performed well, in line with our estimates. In all, the high occupancy rate (95%) signals good demand for storage facilities, with limited direct impact from the global recession.
- Early September, Vopak announced a SGD 210m private placement with 11 Asian investors, for global funding purposes. The notes have a 5 year bullet maturity and a 5% fixed interest rate.

### Valuation

We acknowledge that Vopak is not the cheapest company in our Benelux universe, but we argue that with relatively solid cash flows, as demonstrated in past quarters, the stock should trade in line with its DCF value. Hence, we set our price target at EUR 50. Further upside for the stock could come from new project announcements.

### Rating

**Buy**

**Price target:** EUR 50.0   
**Price 29 Sep 2009:** EUR 44.9  
**Up-/downside:** +11.3%

### Transportation Infrastructure

#### Market capitalisation:

EUR 2,871 m

#### Avg (12 month) daily volume:

160,323

#### Free float

47%

#### Reuters

VOPAAS

#### Bloomberg code

VPK NA

### Share Price Performance %

	-1m	-3m	-12m
Vopak	-2	+26	+36
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update 09Q3	12 Nov 2009
Results 09FY	12 Mar 2010
Trading 10Q1	27 Apr 2010
AGM	27 Apr 2010
Ex Dividend	29 Apr 2010

### Major shareholders

	%
HAL Holding	47.7
ING Groep N.V.	5.5

### Listed Peers

	Ticker
Marquard & Bahls	MQBL GR

### Analysts

#### Ralf Jacobs

+31 (0) 20 460 4839

#### Fabian Smeets

+31 (0) 20 460 4864

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

www.rabosecurities.com

### Outlook

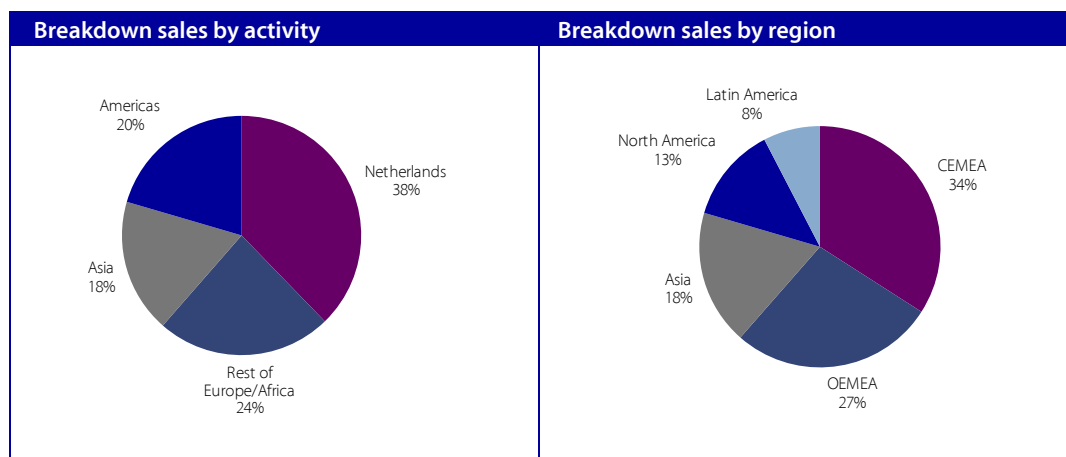
Although management considers it too early to call a recovery in CEMEA, at the 09Q2 results presentation it did issue guidance of around EUR 495m in EBITDA for 09FY, thereby meeting its strategic target set out in 2006 (EUR 475-550m in EBITDA within five years). We were looking for EBITDA of EUR 487m in 09FY and have upped our estimate to EUR 505m. For 10FY, based on smaller downside risk for CEMEA, we have also incorporated more pronounced growth. Longer-term, with EUR 400m in expansion capex and 10% of new capacity coming on stream, EBITDA growth seems secured. With eight investigations started, there is a fair chance that additional, potentially large (e.g. Pengerang, Hainan) new contracts will be announced as well.

### Company profile

Vopak is the global market leader in independent tank storage for the oil and chemical industries with a share of circa 12%. The company operates approximately 28 million cbm for the storage of oil and chemical products, part of which is operated in joint ventures through 80 terminals at strategic locations such as Rotterdam, Antwerp, Houston, and Singapore. Vopak's first LNG terminal (GATE, Rotterdam) is scheduled to become operational in the course of 2011.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Strong market positions in Europe and Asia</li> <li>▪ Seasoned management team</li> <li>▪ Strong and stable cash flows</li> <li>▪ Long term contracts provide good visibility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited exposure to North and Latin America</li> <li>▪ Large exposure to mature EMEA region</li> <li>▪ Expansion capex consumes large amounts of cash</li> <li>▪ Several positions only possible through JVs</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Industrial terminal projects in Asia</li> <li>▪ Outsourcing trend by industry</li> <li>▪ Growth in flows of LNG and bio-fuels</li> <li>▪ Mismatch between production and consumption</li> </ul>	<ul style="list-style-type: none"> <li>▪ Environmental and political risks</li> <li>▪ Currency exposure</li> <li>▪ Failing to become a partner in new chemical or oil storage projects</li> <li>▪ Limited availability of land for new projects in various markets</li> </ul>



Income Statement ( EURm)					
	2007	2008	2009E	2010E	2011E
Revenues	853.0	923.5	1,006.4	1,038.8	1,075.0
Cost of sales	N/A	N/A	N/A	N/A	N/A
Gross profit	N/A	N/A	N/A	N/A	N/A
Operating costs	-453.5	-491.4	-501.7	-500.1	-508.4
Extraordinaries	19.3	1.8	0.0	0.0	0.0
EBITDA	399.5	432.1	504.8	538.7	566.7
Depreciation	-88.6	-101.0	-126.0	-139.8	-146.0
EBITA	310.9	331.1	378.8	398.9	420.7
Amortisation	-18.7	-8.9	-8.9	-8.9	-8.9
EBIT	292.2	322.2	369.9	390.0	411.8
Net financial result	-42.9	-37.6	-47.6	-45.6	-43.6
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	249.3	284.6	322.3	344.4	368.2
Income taxes	-51.2	-54.9	-66.1	-70.6	-75.5
Minority interests	-15.2	-16.5	-25.0	-25.5	-25.5
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	19.3	1.8	0.0	0.0	0.0
Net income	182.9	213.2	231.2	248.3	267.2
Adjustments, total	-2.4	5.9	7.7	0.7	0.7
Net income recurring	180.5	219.1	238.9	249.0	267.9
PERSHARE ITEMS					
Shares outstanding avg. (mln)	62.4	62.3	63.1	63.7	63.7
Shares outstanding fully diluted (mln)	62.4	62.3	63.9	63.9	63.9
EPS reported	2.93	3.42	3.67	3.90	4.19
EPS recurring	2.89	3.51	3.74	3.90	4.19
CPS	5.36	5.08	5.96	6.39	6.78
DPS	0.95	1.10	1.28	1.32	1.42
Fiscal year ends 12/2007					
% GROWTH					
Revenues		8.3	9.0	3.2	3.5
EBITDA		6.5	14.4	5.3	5.5
Net income recurring		21.4	9.0	4.2	7.6
% MARGINS					
Gross margin	N/A	N/A	N/A	N/A	N/A
EBITDA margin	36.4	35.9	37.6	38.4	39.1
Net recurring margin	21.2	23.7	23.7	24.0	24.9
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	3,227.2	2,848.0	4,315.8	4,265.7	4,176.8
P/E recurring (x)	13.4	7.7	12.0	11.5	10.7
P/Sales (x)	2.8	1.8	2.8	2.8	2.7
P/FCF (x)	-31.5	-8.7	-73.2	20.1	17.1
P/CF (x)	7.2	5.3	7.5	7.0	6.6
P/B (x)	3.0	1.8	2.5	2.2	1.9
Dividend yield (%)	2.4	4.1	2.8	2.9	3.2
EV/EBITDA (x)	8.1	6.6	8.5	7.9	7.4
EV/Sales (x)	3.8	3.1	4.3	4.1	3.9
EV/FCF (x)	-42.0	-14.6	-111.6	30.0	25.0

Cash Flow Statement ( EUR mln )					
	2007	2008	2009E	2010E	2011E
Net Income Reported	182.9	213.2	231.2	248.3	267.2
Depreciation & Amortisation	107.3	109.9	134.9	148.7	154.9
Working Capital Change	23.5	10.0	10.0	10.0	10.0
Other Items	20.8	-16.4	0.0	0.0	0.0
Cash Flow from Operations	334.5	316.7	376.1	407.0	432.1
Net Capital Expenditure	-395.4	-496.4	-400.0	-250.0	-250.0
Acquisitions	-35.5	-186.9	0.0	0.0	0.0
Other Investments	61.9	0.9	-15.0	-15.0	-15.0
Cash Flow from Investments	-369.0	-68.2	-415.0	-265.0	-265.0
Ordinary Dividends	-46.7	-59.2	-68.6	-80.5	-84.0
Preferred Dividend	-16.0	-14.8	-14.8	-14.8	-14.8
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.8	-2.4	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	0.0	0.0	0.0	0.0	0.0
Change in Minorities	0.0	0.0	0.0	0.0	0.0
Cash Flow from Financing	-61.9	-76.4	-83.4	-95.3	-98.8
Change in Cash	-96.4	-442.1	-122.3	46.7	68.3
Free Cash Flow	-76.9	-194.5	-38.7	142.2	167.3
Free Cash Flow Yield (%)	-3.2	-11.6	-1.4	5.0	5.8

Balance Sheet ( EUR mln )					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	136.4	49.3	49.3	49.3	49.3
Other current assets	216.1	306.5	348.3	360.9	369.4
Net PP&E	1,385.0	1,693.0	1,967.0	2,077.3	2,181.3
Intangible assets	62.6	38.8	29.9	21.0	12.1
Other non-current assets	333.0	546.8	546.8	546.8	611.8
Total Assets	2,133.1	2,634.4	2,941.3	3,055.3	3,223.9
Short-term debt	73.7	123.9	246.2	199.5	131.2
Other current liabs	333.3	360.5	331.4	340.7	351.3
Long-term debt	624.6	922.1	922.1	922.1	922.1
Other non-current liabs	221.6	218.8	218.8	218.8	218.8
Minority interest	70.2	76.0	76.0	76.0	76.0
Total equity	809.7	933.0	1,146.9	1,298.1	1,524.5
Total liabs & equity	2,133.1	2,634.3	2,941.3	3,055.3	3,223.9
Net debt	561.9	996.7	1,119.0	1,072.3	1,004.0
ROIC (%)	18.1	14.7	13.4	12.9	12.9
Net gearing (%)	69.4	106.8	97.6	82.6	65.9
Working capital as % of sales	-13.7	-5.8	1.7	1.9	1.7
Inventory period days	0.0	0.0	0.0	0.0	0.0
Trade debtor days	80.9	79.6	68.8	81.3	82.9
Trade creditor days	111.0	124.9	116.4	102.6	102.3
Cash cycle	-30.1	-45.3	-47.6	-21.2	-19.4



# Wavin

## Growth engine starting up again

### Key message

As Wavin's balance sheet has successfully been restructured in July, we believe taking a longer term view on the company is warranted. Construction markets seem to have stabilized and it is clear EBITDA is at or near the trough. Although the company has already seen a significant re-rating since the equity raising, historically the market has valued the company at 8x forward EV/EBITDA and we therefore believe there is still significant room for a re-rating left.

	2008	2009E	2010E	2011E
Sales (EUR m)	1,581	1,141	1,124	1,170
EPS Recurring	0.67	0.02	0.05	0.10
P/E Recurring	2.2	72.6	29.0	14.5
P/FCFPS	1.3		13.2	10.4
EV/ EBITDA	4.0	8.8	7.7	6.0
Dividend Yield (%)	13.1	2.8	0.0	0.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- In August, Wavin reported a 31.4% fall in revenues in 09H1, but still managed to post a strong set of results. Despite the fact that the company had already reported results for May and June, the company still managed to report EBITDA of EUR 45.5m, significantly ahead of our expected EUR 40.1m and cons. EUR 40.9m. Wavin posted a net loss of EUR 7.2m, which was smaller than expected due to slightly lower than expected restructuring costs and lower interest payments.
- In June, Wavin announced a fully underwritten EUR 225m rights issue, combined with an EUR 475m forward start credit facility which matures in 2013. The company completed the rights issue in July, which resulted in much stronger balance sheet, thereby significantly reducing risks for the shareholders.
- In 09Q1 Wavin announced disappointing 09Q1 results showing a 34.6% revenue decline and EBITDA of EUR 7.1m resulting in an EBITDA margin of 2.8%. The company expects no recovery in European building markets in 2009, although the relative comparison base would likely improve during the year. With government policies supporting financial markets and trough investment in infrastructure, construction markets will likely improve, although it is uncertain when these investments will revive construction activity.

### Valuation

As Wavin's balance sheet is repaired, we believe that taking a longer term view on the company's potential is warranted. In the short term, earnings momentum is positive due to stronger than expected cost savings, while government stimulus efforts and a potential restocking effect could act as a nice upside kicker. Based on average EV/EBITDA multiples of 8x, which we have seen over the past few years and our new 2010/2011 EBITDA estimates, we have a price target to EUR 1.80.

### Rating

**Buy**

**Price target:**

**EUR 1.8**

**Price 29 Sep 2009:**

**EUR 1.5**

**Up/downside:**

**+24.1%**

### Building Products

**Market capitalisation:**

EUR 589 m

**Avg (12 month) daily volume:**

4,687,753

**Free float**

52%

**Reuters**

WAVIN.AS

**Bloomberg code**

WAVIN NA

### Share Price Performance %

	-1m	-3m	-12m
Wavin	-7	+25	-12
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update	05 Nov 2009
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### Major shareholders

	%
Stichting Management Wavin	6.6
Julius Baer	5.8
Fortis Verzekeringen Nederland N.V.	5.4
Navitas	5.2
FIL Limited	5.1

### Listed Peers

	Ticker
Uponor	UNR1V.FH

### Analysts

**Fabian Smeets**

+31 (0) 20 460 4864

**Ralf Jacobs**

+31 (0) 20 460 4839

### Rabo Securities Amsterdam

**Equity Sales** + 31 20 460 4707

**Equity Sales Trading** + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

**Outlook**

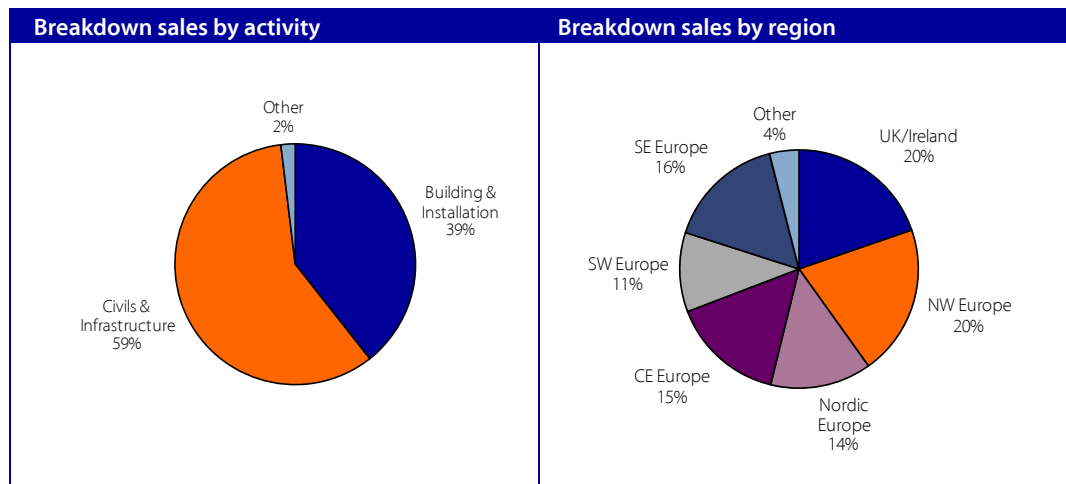
At the 09H1 figures, Wavin reported that the company saw signs of demand stabilization in recent months. Although the company expects no significant improvement in construction activity levels in 2009, restructuring programs are currently being implemented. The company expects to deliver annualized savings exceeding EUR 40m in 2009, which should result in 09H2 EBITDA being better than 09H1. Rabo expects 09H2 EBITDA of EUR 54.3m vs EUR 45.5mm in 09H1.

**Company profile**

Wavin is the European market leader in plastic pipe systems and solutions. It provides integrated above- and below ground solutions for water supply, sewer, drainage, infiltration, surface heating and cooling, soil and waste and last mile telecom. Circa 39% of sales is in buildings, circa 60% in infrastructure, and 1% in other (machinery, raw materials). Wavin operates in 28 European countries, with around 40 manufacturing sites. Wavin was listed on the Amsterdam stock exchange in October 2006.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ European market leader</li> <li>▪ Strong positions in Central &amp; Eastern Europe</li> <li>▪ Broad product portfolio</li> <li>▪ Focus on innovation</li> </ul>	<ul style="list-style-type: none"> <li>▪ A few white spots in the product/country matrix</li> <li>▪ A part of the business is commodity-type</li> <li>▪ Limited visibility (no backlog)</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Strengthen market position in Germany</li> <li>▪ Acquisitions to broaden the portfolio</li> <li>▪ Rationalization of production sites</li> </ul>	<ul style="list-style-type: none"> <li>▪ Economic uncertainty re credit crisis</li> <li>▪ Volatility in input prices</li> <li>▪ Competition from low cost countries</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	1,618.5	1,581.2	1,141.6	1,124.3	1,170.3
Cost of sales	-1,171.0	-1,192.7	-850.5	-837.6	-871.9
Gross profit	447.5	388.5	291.1	286.7	298.4
Operating costs	-232.0	-218.7	-174.3	-178.0	-168.2
Extraordinaries	-3.4	-8.8	-17.0	0.0	0.0
EBITDA	212.1	161.0	99.8	108.7	130.3
Depreciation	-51.6	-54.2	-57.0	-57.0	-57.0
EBITA	160.5	106.8	42.8	51.7	73.3
Amortisation	-7.3	-14.7	-5.6	-5.6	-5.6
EBIT	153.2	92.1	37.2	46.1	67.7
Net financial result	-35.0	-45.8	-29.2	-23.4	-21.9
Other pre-tax items	4.7	5.2	3.0	4.0	4.0
EBT	122.9	51.5	11.0	26.7	49.8
Income taxes	-28.0	-10.6	-0.0	-2.8	-6.2
Minority interests	1.5	0.0	-1.6	-1.6	-1.6
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	-8.8	-17.0	0.0	0.0
Net income	96.4	32.1	-7.6	22.2	42.0
Adjustments, total	0.9	21.5	17.0	0.0	0.0
Net income recurring	97.3	53.6	9.4	22.2	42.0
PERSHARE ITEMS					
Shares outstanding avg. (mln)	80.8	80.5	406.3	406.3	406.3
Shares outstanding fully diluted (mln)	100.0	100.0	410.0	410.0	410.0
EPS reported	1.15	0.40	-0.02	0.05	0.10
EPS recurring	1.20	0.67	0.02	0.05	0.10
CPS	1.72	2.11	0.11	0.22	0.26
DPS	0.34	0.19	0.04	0.00	0.00
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-2.3	-27.8	-1.5	4.1
EBITDA		-33.5	-59.9	20.7	41.7
Net income recurring		-44.9	-82.5	136.8	89.2
% MARGINS					
Gross margin		24.6	25.5	25.5	25.5
EBITDA margin		6.8	3.8	4.6	6.3
Net recurring margin		3.4	0.8	2.0	3.6
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	1,023.8	650.9	875.5	833.4	776.3
P/E recurring (x)	1.2	2.2	72.5	29.0	14.5
P/Sales (x)	0.1	0.1	0.5	0.5	0.5
P/FCF (x)	1.4	0.9	N/A	13.5	10.0
P/CF (x)	0.8	0.7	13.2	6.6	5.6
P/B (x)	0.3	0.4	1.2	1.1	1.0
Dividend yield (%)	23.4	13.1	2.8	0.0	0.0
EV/EBITDA (x)	4.8	4.0	8.8	7.7	6.0
EV/Sales (x)	0.6	0.4	0.8	0.7	0.7
EV/FCF (x)	12.2	5.1	N/A	19.1	13.2

## Wavin

Cash Flow Statement ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	93.0	32.1	-7.6	22.2	42.0
Depreciation & Amortisation	58.1	60.2	62.6	62.6	62.6
Working Capital Change	3.1	90.1	-11.4	2.3	-1.9
Other Items	-15.4	-11.7	-0.5	1.6	2.9
Cash Flow from Operations	138.8	170.7	43.0	88.7	105.7
Net Capital Expenditure	-55.0	-42.7	-44.5	-45.0	-46.8
Goodwill from Acquisitions	-0.7	18.4	0.0	0.0	0.0
Other Investments	-6.1	2.7	-0.9	0.0	-0.1
Cash Flow from Investments	-61.8	-21.6	-45.4	-44.9	-46.9
Ordinary Dividends	-27.5	-15.2	-16.3	0.0	0.0
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	-1.6	-3.3	200.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-52.9	-52.0	-0.8	0.5	0.5
Change in Minorities	3.6	-1.4	-6.8	-1.6	-1.6
Cash Flow from Financing	-78.4	-71.9	176.2	-1.2	-1.1
Change in Cash	-1.4	77.2	173.8	42.6	57.6
Free Cash Flow	83.8	128.0	-1.5	43.7	58.8
Free Cash Flow Yield (%)	71.5	109.7	N/M	7.4	10.0

Balance Sheet ( EUR mln)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	19.5	48.9	222.7	265.3	322.9
Other current assets	553.7	447.2	3 500.0	3 411.3	3 511.8
Net PP&E	3 78.5	3 670.0	3 545.0	3 425.0	3 323.0
Intangible assets	505.1	480.7	475.1	469.5	463.9
Other non-current assets	34.7	32.0	32.9	32.9	33.0
Total Assets	1,491.5	1,375.8	1,435.2	1,451.4	1,503.8
Short-term debt	46.1	8.7	9.1	9.6	10.1
Other current liabs	3 97.7	3 813.0	272.7	266.3	274.8
Long-term debt	515.8	501.2	500.0	500.0	500.0
Other non-current liabs	162.1	150.4	148.3	148.2	149.5
Minority interest	6.6	5.2	0.0	0.0	0.0
Total equity	3 63.2	3 290.0	505.1	527.3	569.4
Total liabs & equity	1,491.5	1,375.8	1,435.2	1,451.4	1,503.8
Net debt	542.4	461.0	286.5	244.3	187.2
ROIC (%)	10.7	5.6	2.3	5.0	7.2
Net gearing (%)	149.3	140.1	56.7	46.3	32.9
Working capital as % of sales	10.3	4.8	7.4	7.3	7.2
Inventory period days		44.6	49.4	44.0	42.4
Trade debtor days		70.0	77.3	67.7	65.1
Trade creditor days		87.7	101.6	85.0	81.9
Cash cycle		26.8	25.2	26.7	25.6

# Wereldhave

## As bad as it gets

### Key message

Wereldhave's 30% LTV balance sheet is positioned to seize deal opportunities in a debt-financed manner. We understand property and portfolio acquisitions are targeted mainly at the UK and Spain, but more information could come from a strategy-update in the course of 09H2. Current trading of Wereldhave is already slightly ahead of its mid-cycle price target (EUR 65). However, this does not yet incorporate the future accretive acquisitions management is currently eyeing. Also, as the 2009 numbers already include the rent loss of two top-10 tenants, chances are this will be the trough-year in FFO per share.

	2008	2009E	2010E	2011E
Net rental income (EUR m)	148.6	147.6	147.9	151.2
EBITDA (EUR m)	135.8	133.5	135.4	138.4
Direct result (EUR m)	102.3	107.7	105.6	101.5
Indirect result (EUR m)	-101.8	-42.6	-29.2	94.7
Recurring FFO p/s	4.9	5.1	5.0	4.8
Consensus recurr. FFO p/s		4.8	4.7	4.2
EPS	0.0	3.1	3.6	9.2
NNAV p/s	83.74	80.79	79.63	84.05
P/NNAV-1	-25%	-23%	-22%	-26%
FFO multiple	12.8	12.3	12.6	13.1
Dividend Yield (%)	6.9	7.0	7.1	7.1

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- On 13 August 2009, Wereldhave has issued a EUR 230m 5-year convertible bond. The coupon is 4.375% with a conversion price at EUR 72.184, a premium of roughly 15% to its volume weighted trading. The company states that the proceeds will be used for general purposes. We understand this includes acquisitions, mainly focused on the UK first, but potentially also in other regions. Acquisitions at Wereldhave should be accretive to shareholders from day 1. Taking full conversion into account, Wereldhave eyes acquisitions with a minimum NIY of 6.5%.
- Wereldhave published better than expected 09Q2 results but refrained from giving guidance on 09FY direct result. The direct result came in at EUR 28.7m, which after adjusting for a one-off tax gain, beat our estimate by 6%. The indirect result was EUR -41.6m, better than our expected EUR -60.5m (roughly in-line with consensus). The company did not issue a guidance on direct result for 09FY. All-in-all: a good set of results already, while letting activity might increase in due time.

### Valuation

We arrive at a DCF based price target of EUR 75 using a 7.8% required ROE. This implies a multiple of 15x 2010 FFO and a discount to our 09E NNAV of 8%. This leaves limited upside to current pricing. As our 2010 estimates do not yet reflect a lease-up of Washington and Paris, this would be an upside case to our estimates.

### Rating

**Buy**

**Price target:** EUR 75.0   
**Price 29 Sep 2009:** EUR 67.3  
**Up-/downside:** +11.4%

### Real Estate

#### Market capitalisation:

EUR 1,432 m

#### Avg (12 month) daily volume:

115,141

#### Free float

88%

#### Reuters

WEHA.AS

#### Bloomberg code

WEHA NA

### Share Price Performance %

	-1m	-3m	-12m
Wereldhave	-2	+27	-2
MSCI Europe	+1	+30	-18
MSCI Netherlands	+4	+30	-9

### Agenda

Results 09Q3 10 Nov 2009

### Major shareholders

	%
ABP	7.0
Barclays Global Investors	4.7

### Listed Peers

None

### Ticker

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### Analysts

#### Ruud van Maanen

+31 (0) 20 460 4831

#### Rick Tervoort

+31 (0) 20 460 4830

#### Michiel de Jonge

+31 (0) 20 460 4841

### Rabo Securities Amsterdam

**Equity Sales** +31 20 460 4707  
**Equity Sales Trading** +31 20 460 4723  
[www.rabosecurities.com](http://www.rabosecurities.com)

### Outlook

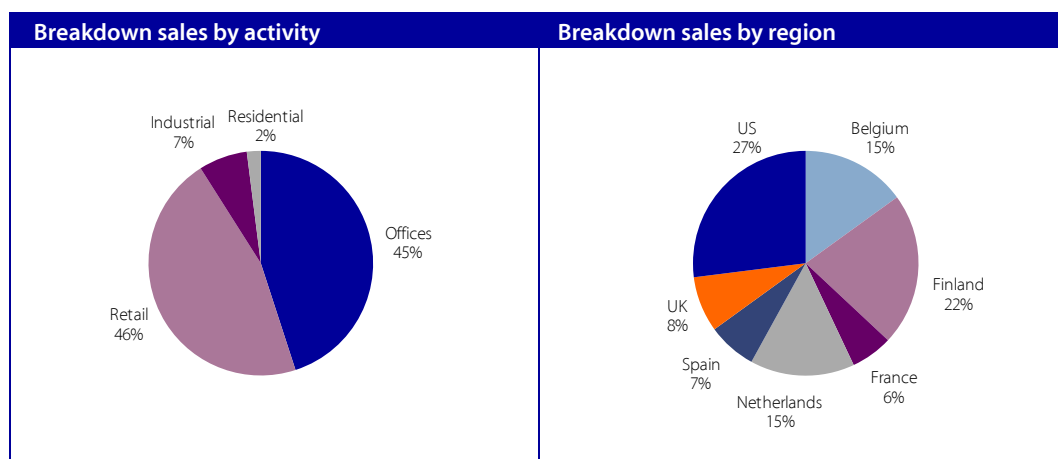
For the coming years we see good potential for FFO growth for Wereldhave, despite the fact that the interest rate paid of 2.2% in the previous quarter is unlikely to become much better. Firstly, there is good lease up potential for the coming twelve months in its Washington and Paris properties, where the company has lost two of its top-10 tenants last year, could in total increase FFO by around EUR 8m. This is about 8% of our 09E FFO. Secondly, Wereldhave could increase its FFO by doing accretive acquisitions, for which the UK and Spanish areas are earmarked. A minimum of NIY 6.5% would apply in order to make up for the dilutive effect that occurs at conversion of the latest convertible bond. Thirdly, the development pipeline, especially the San Antonio property, is expected to run in the numbers from 2011 onwards. While letting results are not there yet, we are positive on the project given the relatively strong economic base Texas.

### Company profile

Wereldhave is a self administered and self managed real estate investment company, with a portfolio that is spread across geographies and sectors. The strategy of the company is based on portfolio renewal by internal property development and market timing. Main investments are in retail and office properties (89%), but also in industrial and residential real estate. The EUR 2.6bn portfolio is geographically spread to mainland Europe (65%), UK (8%) and the US (27%).

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Low leveraged balance sheet</li> <li>▪ Diversified portfolio on sector and geography</li> <li>▪ Limited committed development exposure</li> <li>▪ Cash available for acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Unfocused strategy</li> <li>▪ Limited disclosure</li> <li>▪ Small scale in every country</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Use balance sheet for attractive acquisitions</li> <li>▪ Unfolding ambitions of a new CEO</li> <li>▪ Extending existing properties</li> <li>▪ Lease-up of vacancies (Washington &amp; Paris)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Outcome of court case in Belgium with a EUR 51m claim</li> <li>▪ Development of both the US and UK economy &amp; currencies</li> </ul>



Income Statement ( EURm)				
	2008	2009E	2010E	2011E
Gross rental income	168.3	165.8	167.0	171.6
Operating costs	-19.8	-18.2	-19.1	-20.4
Net rental income	148.6	147.6	147.9	151.2
Property development income	N/A	N/A	N/A	N/A
General expenses	-14.5	-15.8	-14.2	-14.6
Other income & expenses	1.7	1.7	1.7	1.8
EBITDA	135.8	133.5	135.4	138.4
Depreciation & Amortisation	0.0	0.0	0.0	0.0
EBIT	135.8	133.5	135.4	138.4
Net financial result	-23.6	-14.0	-18.9	-25.8
Other pre-tax items	0.0	0.0	0.0	0.0
EBT	112.2	119.5	116.6	112.6
Income taxes	-2.8	-4.4	-3.8	-3.9
Direct result of associates	0.0	0.0	0.0	0.0
Other post-tax items / minorities	-7.1	-7.4	-7.1	-7.2
Extraordinaries	0.0	0.0	0.0	0.0
Direct investment result	102.3	107.7	105.6	101.5
Revaluation	-108.0	-134.7	-20.8	111.4
Taxes on revaluation	10.0	93.0	-15.5	-13.1
Net result of property sales	4.3	0.0	0.0	0.0
Indirect result of associates	0.0	0.0	0.0	0.0
Other post-tax items / minorities	-8.2	-0.9	7.0	-3.6
Indirect investment result	-101.8	-42.6	-29.2	94.7
Net profit	0.5	65.1	76.4	196.2
PER SHARE ITEMS				
Shares outstanding avg. (m)	20.8	21.3	21.3	21.3
Shares outstanding fully diluted (m)	22.8	22.8	22.8	22.8
EPS reported	0.0	3.1	3.6	9.2
EPS recurring	4.9	5.06	5.0	4.8
NNAV	83.7	80.8	79.6	84.1
DPS	4.7	4.7	4.8	4.8
Payout ratio (%)	94.4	92.9	95.7	100.6
Fiscal year ends 12/2009				
% GROWTH				
Net rental income	0.7	-0.7	0.2	2.2
Lfi Net rental income	-2.9	-3.8	-0.9	4.6
EBITA	-1.1	-1.7	1.4	2.2
Net income recurring	1.0	5.2	-1.9	-3.9
% MARGINS				
Gross margin	88.3	89.0	88.6	88.1
EBITDA margin	80.7	80.5	81.1	80.7
Net recurring margin	60.8	64.9	63.2	59.2

<b>Cash Flow Statement ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	8.8	73.4	76.5	207.1
Minorities	-8.3	-8.3	-0.1	-10.8
Investment property disposal profit	-4.3	0.0	0.0	0.0
Net Valuation Movements	108.0	134.7	20.8	-111.4
Direct Result of Associates	0.0	0.0	0.0	0.0
Indirect Result of Associates	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	-10.0	-93.0	15.5	13.1
Working Capital Change	6.7	0.0	0.0	0.0
Other Items	-32.8	1.4	0.0	0.0
Cash Flow from Operations	68.0	108.2	112.6	97.9
Investment in properties	-93.2	11.0	-101.4	0.0
Investment in associates	0.0	0.0	0.0	0.0
Investment in immaterial fixed assets	-0.3	0.0	0.0	0.0
Investment in other property, plant & €	-0.6	0.0	0.0	0.0
Cash flow from investing	-94.1	11.0	-101.4	0.0
Increase in long term debt	179.7	0.0	107.1	0.0
Increase in short term debt	-32.7	0.0	0.0	0.0
Dividends & other equity changes	-112.9	-86.4	-101.1	-102.1
Cash flow from financing	34.1	-86.4	6.1	-102.1
Change in cash	7.9	32.8	17.3	-4.2

<b>Balance Sheet ( EURm)</b>				
	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Investment property	2,698.0	2,552.3	2,632.9	2,744.3
Financial non-current assets	50.8	50.8	50.8	50.8
Other non-current assets	32.9	32.9	32.9	32.9
Cash & Cash Equivalents	24.7	57.5	74.8	70.6
Other current assets	16.8	16.8	16.8	16.8
Total assets	2,823.2	2,710.3	2,808.2	2,915.3
Short-term debt	24.0	24.0	24.0	24.0
Other current liabs	50.3	50.3	50.3	50.3
Long-term debt	715.6	715.6	822.7	822.7
Other non-current liabs	173.1	81.5	97.0	110.0
Minority interest	119.9	119.9	119.9	119.9
Shareholders' equity	1,740.3	1,719.0	1,694.3	1,788.4
Total liabs & equity	2,823.2	2,710.3	2,808.2	2,915.3
Net debt	714.8	682.1	771.9	776.1
Total return on equity (%)	0.0	3.5	4.2	10.3
Direct return on equity (%)	5.5	5.9	5.8	5.3
Indirect return on equity (%)	-5.5	-2.3	-1.6	5.0
Net gearing (%)	41.1	39.7	45.6	43.4



# Wessanen

## Viva Las Vegas

### Key message

This year has been very turbulent for Wessanen, with the sacking of CEO Veenhof, disposal of US assets (59% of sales), fraud at ABC and the breaching of the bank covenants. We have a Reduce given the many risks we perceive for shareholders at this stage, while valuation is not that appealing unless one assumes bullish proceeds for the US assets. We believe it will take 6-12 months before the financial future and visibility on earnings becomes more clear. Until then we see little reasons for outperformance. Our PT at EUR 2.7 implies a 10FY PER of 10x.

	2008	2009E	2010E	2011E
Sales (EUR m)	1,602	1,472	571	511
EPS Recurring	0.51	0.22	0.27	0.33
P/E Recurring	7.1	16.5	13.4	11.0
P/FCFPS	4.5		1.4	8.4
EV/ EBITDA	9.1	12.7	5.9	5.6
Dividend Yield (%)	5.5	2.2	2.8	3.0

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- In 09H1 CEO Veenhof was forced to step down. Wessanen and Veenhof will meet each other in court in due time as they have a difference of opinion on his severance package, since the company more or less claims mismanagement.
- Wessanen has negotiated a waiver with the banks since it (almost) breached the bank covenants. The company has the obligation to repay EUR 150m before June 2010 to the banks, or earlier in case the sale of their US assets.
- The ABC unit in the US has been impacted by fraud of former managers. The profits of this unit, in the past highest in the group, have been restated by EUR 15m in the past 3 years. At this stage the company, which is up for sale, is running at a break-even level and executing a cost cutting programme.
- The large 09Q2 net loss of EUR 86m included several financial one-offs and other negative elements, being: i) a EUR 15m lower equity following accounting issues at ABC, instead of the EUR 10m expected, ii) a EUR 81m write down on tax assets, iii) ABC ex items being at a roughly breakeven level versus the 08Q2 restated profit of EUR 1.7m and iv) some EUR 3.4m additional non-cash charges in the interest line. The operational trends of the units ex ABC were neither strong, or weak and the EBIT ex US Branded was in line with expectations

### Valuation

The valuation of Wessanen fully depends on one's assumptions on the proceeds of the US assets which are up for sale. Our base case SOTP arrives at EUR 2.7, in which we expect proceeds of EUR 140m for US Distribution. This implies a 09FY sales multiple of 17% and EBITA multiple of 17x 2009. For US Branded we expect subdueed proceeds of EUR 50m given the fraud at ABC. Our price target implies a 2010 PER of 10x, which we regard fair. The current share price implies a 2010 PER of 14x and 6x EBITDA.

### Rating **Reduce** ==

<b>Price target:</b>	<b>EUR 2.7</b> ==
<b>Price 29 Sep 2009:</b>	<b>EUR 3.6</b>
<b>Up-/downside:</b>	<b>-25.6%</b>

### Food Products

#### Market capitalisation:

EUR 248 m

#### Avg (12 month) daily volume:

555,020

#### Free float

74%

#### Reuters

BSWSc.AS

#### Bloomberg code

WES NA

### Share Price Performance %

	-1m	-3m	-12m
Wessanen	-7	+33	-42
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Results 09Q3	28 Oct 2009
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### Major shareholders

	%
Sparinvest Holding A/S	5.4
Aviva Plc	5.3
Prudential Plc	5.0
Fidelity European Fund	4.9
Fidelity International Ltd	4.9

### Listed Peers

	Ticker
United Natural Foods	UNFI US

### Analysts

#### Karel Zoete

+31 (0) 20 460 4827

#### Patrick Roquas

+31 (0) 20 460 4826

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

[www.rabosecurities.com](http://www.rabosecurities.com)

**Outlook**

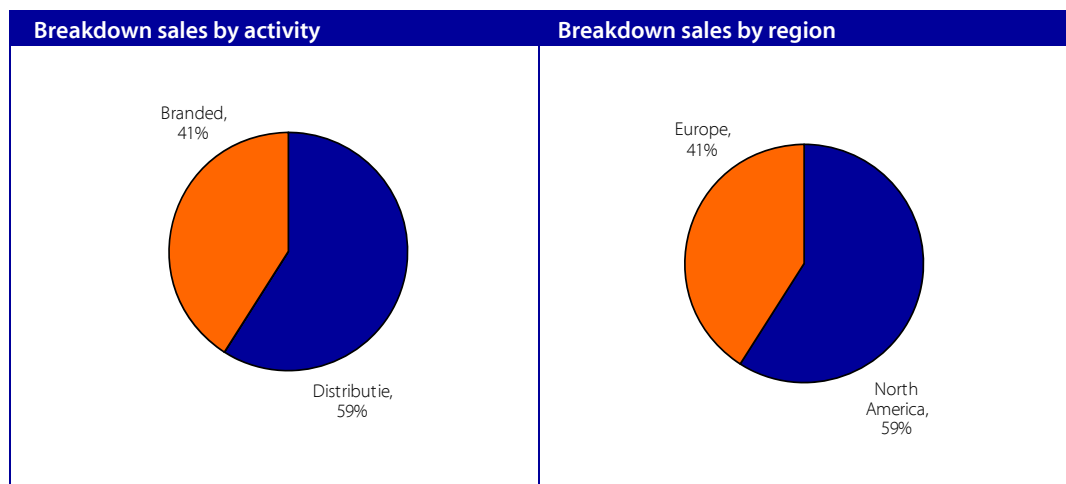
As expected, the company did not provide an outlook for 09FY. For the US Branded operations a restructuring has been initiated in order to improve the EBIT at ABC towards a profitable level. The restated EBIT margin in 08FY is 3.9% versus a previous level of 9.3% and the business generated an underlying EBIT loss of around EUR 3.5m in 09H1. At the European business, 09H2 EBIT is negatively impacted by restructuring costs of around EUR 2m and higher marketing costs.

**Company profile**

The core activities of Wessanen comprise of operations in the distribution of natural, organic and speciality food, as well as the production of soft drinks, biological and functional products. Distribution in North America accounts for c. 50% of sales, Branded Europe for c. 30%. The US operations are up for sale in order to deleverage the balance sheet and focus more on the core of the company; the European brands.

**Swot**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Exposure to high growth segments in food</li> <li>▪ Nation-wide distribution capacity in the US</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financial position very fragile</li> <li>▪ Weak earnings and acquisition track record</li> <li>▪ The portfolio consists of relatively small brands</li> <li>▪ No synergies between business units</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Find a new CEO</li> <li>▪ Implement a new strategy for Wessanen Europe</li> </ul>	<ul style="list-style-type: none"> <li>▪ Main clients terminating contracts with Distribution NA</li> <li>▪ Growth of the expensive natural / organic category</li> <li>▪ Relatively opportunistic premium taste strategy</li> <li>▪ Future acquisitions in Premium Taste could involve expensive deals</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	1,579.8	1,602.8	1,472.5	571.5	511.6
Cost of sales	-963.7	-977.7	-898.3	-348.6	-312.1
Gross profit	616.1	625.1	574.3	222.9	199.5
Operating costs	-534.7	-546.9	-538.5	-178.8	-156.1
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	81.4	78.2	35.8	44.1	43.4
Depreciation	-18.3	-19.4	-15.0	-10.5	-11.0
EBITA	63.1	58.8	20.8	33.6	32.4
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	63.1	58.8	20.8	33.6	32.4
Net financial result	-9.9	-13.3	-20.5	-6.0	0.5
Other pre-tax items	0.0	0.0	-19.2	0.0	0.0
EBT	53.2	45.5	-18.9	27.6	32.9
Income taxes	-10.5	-11.0	-0.1	-7.5	-8.9
Minority interests	0.0	-0.1	-1.7	-1.8	-1.8
Other post-tax items / participation	0.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0	0.0
Net income	42.7	34.4	-20.7	18.4	22.2
Adjustments, total	0.1	0.0	35.6	0.0	0.0
Net income recurring	42.8	34.4	14.9	18.4	22.2
PER SHARE ITEMS					
Shares outstanding avg. (mln)	69.7	67.6	67.6	67.6	67.6
Shares outstanding fully diluted (mln)	70.7	68.6	68.6	68.6	68.6
EPS reported	0.82	0.51	-0.02	0.27	0.33
EPS recurring	0.61	0.51	0.22	0.27	0.33
CPS	1.09	0.80	0.20	0.43	0.49
DPS	0.65	0.20	0.08	0.10	0.11
Fiscal year ends 12/2009					
% GROWTH					
Revenues		1.5	-8.1	-61.2	-10.5
EBITA		-6.8	-64.6	61.6	-3.6
Net income recurring		-19.6	-56.6	23.0	20.8
% MARGINS					
Gross margin		39.0	39.0	39.0	39.0
EBITA margin		3.7	1.4	5.9	6.3
Net recurring margin		2.1	1.0	3.2	4.3
Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	932.8	716.4	420.4	228.4	208.4
P/E recurring (x)	4.9	5.9	13.7	11.1	9.1
P/Sales (x)	0.1	0.1	0.1	0.4	0.4
P/FCF (x)	2.2	3.7	N/A	1.1	6.9
P/CF (x)	2.8	3.8	15.1	7.0	6.1
P/B (x)	0.5	0.6	0.6	0.6	0.5
Dividend yield (%)	21.6	6.6	2.7	3.3	3.7
EV/EBITDA (x)	11.5	9.2	11.7	5.2	4.8
EV/Sales (x)	0.6	0.4	0.3	0.4	0.4
EV/FCF (x)	9.7	13.0	N/A	1.3	7.0

<b>CashFlowStatement ( EURm)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Net Income Reported	42.7	34.4	-20.7	18.4	22.2
Depreciation & Amortisation	18.3	19.4	15.0	10.5	11.0
Working Capital Change	55.3	18.3	7.2	117.1	7.6
Other Items	-0.2	2.2	1.4	26.7	1.8
Cash Flow from Operations	116.1	74.3	2.9	172.6	42.6
Net Capital Expenditure	-20.1	-19.2	-10.0	7.5	-13.0
Goodwill from Acquisitions	-22.8	-12.2	0.0	20.0	0.0
Other Investments	2.0	-14.1	0.0	0.0	0.0
Cash Flow from Investments	-40.9	-45.5	-10.0	27.5	-13.0
Ordinary Dividends	-33.6	-13.5	-13.5	-6.4	-7.8
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	54.9	39.3	-45.0	-150.0	0.0
Change in Minorities	9.7	-12.3	-1.7	-1.8	-1.8
Cash Flow from Financing	31.0	13.5	-60.2	-158.2	-9.6
Change in Cash	106.2	42.3	-67.3	41.9	20.0
Free Cash Flow	96.0	55.1	-7.1	180.1	29.6
Free Cash Flow Yield (%)	45.8	27.1	N/M	88.5	14.5

<b>Balance Sheet ( EURm)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>
Cash & Cash equivalents	69.3	44.8	5.3	47.2	67.2
Other current assets	446.3	443.4	428.2	219.1	205.9
Net PP&E	126.5	126.3	121.3	103.3	105.3
Intangible assets	175.5	187.7	187.7	167.7	167.7
Other non-current assets	95.2	109.3	109.3	109.3	109.3
Total Assets	912.8	911.5	851.8	646.6	655.4
Short-term debt	31.4	32.3	7.3	7.3	7.3
Other current liabs	229.4	244.8	236.8	144.8	139.2
Long-term debt	188.7	227.1	207.1	57.1	57.1
Other non-current liabs	33.6	35.7	35.4	60.3	60.3
Minority interest	20.0	7.8	7.8	7.8	7.8
Total equity	409.7	363.8	357.4	369.3	383.7
Total liabs & equity	912.8	911.5	851.8	646.6	655.4
Net debt	150.8	214.6	209.1	17.2	-2.8
ROIC (%)	11.4	12.2	3.2	7.2	16.7
Net gearing (%)	36.8	59.0	58.5	4.7	-0.7
Working capital as % of sales	15.7	14.4	15.0	15.0	15.0
Inventory period days		48.7	52.8	96.8	64.3
Trade debtor days		42.0	43.0	78.3	52.0
Trade creditor days		32.7	35.4	68.9	49.2
Cash cycle		57.9	60.3	106.2	67.0

# Wolters Kluwer

## Healthy upside

### Key message

We have become slightly more positive on underlying fundamentals. We remain confident WK will meet its 2009 targets due to: i) room for over-delivery on cost savings; ii) positive impact of high-margin acquisitions; iii) a strong turnaround for WK Health; iv) bottoming out of cyclical revenues, v) lower interest charges; 5) a lower tax rate. We see two clear triggers: 1) CFS topline recovery in 2010 and 2) Strong margin recovery for WK Health in 2009 and 2010.

	2008	2009E	2010E	2011E
Sales (EUR m)	3,374	3,503	3,557	3,661
EPS Recurring	1.47	1.51	1.62	1.74
P/E Recurring	10.0	9.7	9.0	8.4
P/FCFPS	10.5	11.6	9.4	7.7
EV/ EBITDA	9.4	7.9	7.1	6.5
Dividend Yield (%)	4.4	4.8	5.3	5.5

Source: Rabo Securities

Year to December, fully diluted

### Recent developments

- WK reported 09H1 EBITA of EUR 320m in line with our EUR 323m. The EBITA-margin rose 70bps to 18.6% ahead of our 18.2% driven by cost savings and the high-margin acquisitions. Organic sales declined 3% vs our +/- 1.9%. Underlying subscription and non-cyclical sales (73% of sales) were down 1%. New subscription sales were under pressure as sales cycles lengthened. This mainly impacted TAL and LTRE. EPS of EUR 0.70 was 13% ahead of our EPS of EUR 0.62 due to a lower interest line (EUR 57m vs our EUR 70m estimate) and an effective tax rate of only 8%. FCF was strong: EUR 146m vs our EUR 119m. Cash conversion was up from 68% to 88% due to favorable WC trends.
- WK Health delivered EBITA of EUR 41m well ahead of our EUR 29m as the margin jumped 650bps. The UpToDate acquisition, restocking of medical textbooks and restructuring were positive margin drivers. The medical textbook business grew 6% due to earlier ordering from wholesalers and increased online volumes with Amazon. Medical Research and Clinical Solutions also posted good growth. Farma advertising was down 9% and shows signs of stabilization as Q2 ad sales were in line with Q1. The farma analytics business remained under pressure due to price pressure on the traditional sales targeting and compensation business. The acquired UpToDate business delivered double-digit growth.

### Valuation

WK now trades at a very modest PER 2009E: 9.7x and EV/EBITDA 2009E multiple of 7.94x. This is a 30% discount versus the 2000-2008 historical average (= 10.6x). The 2009E FCF yield amounts to 9.6%. The 2009E dividend yield 2009E amounts to 5.2%.

### Rating

**Buy**

<b>Price target:</b>	<b>EUR 16.5</b>
<b>Price 29 Sep 2009:</b>	<b>EUR 14.6</b>
<b>Up-/downside:</b>	<b>+12.8%</b>

### Media

#### Market capitalisation:

EUR 4,284 m

#### Avg (12 month) daily volume:

1,090,170

#### Free float

89%

#### Reuters

WLSNCAS

#### Bloomberg code

WLSNC NA

### Share Price Performance %

	-1m	-3m	-12m
Wolters Kluwer	+6	+18	+3
MSCI Europe	+4	+20	-1
MSCI Netherlands	+5	+25	-2

### Agenda

Trading Update	04 Nov 2009
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### Major shareholders

	%
Silchester International	6.0
ING Groep N.V.	4.9

### Listed Peers

	Ticker
Reed Elsevier	REN NA
Thomson Reuters	TRI CN
Pearson	PSON LN
McGraw-Hill	MHP US
Informa	INF LN

### Analysts

#### Hans Slob

+31 (0) 20 460 4866

#### Philip Scholte

+31 (0) 20 460 4823

### Rabo Securities Amsterdam

Equity Sales + 31 20 460 4707

Equity Sales Trading + 31 20 460 4723

www.rabosecurities.com

### Outlook

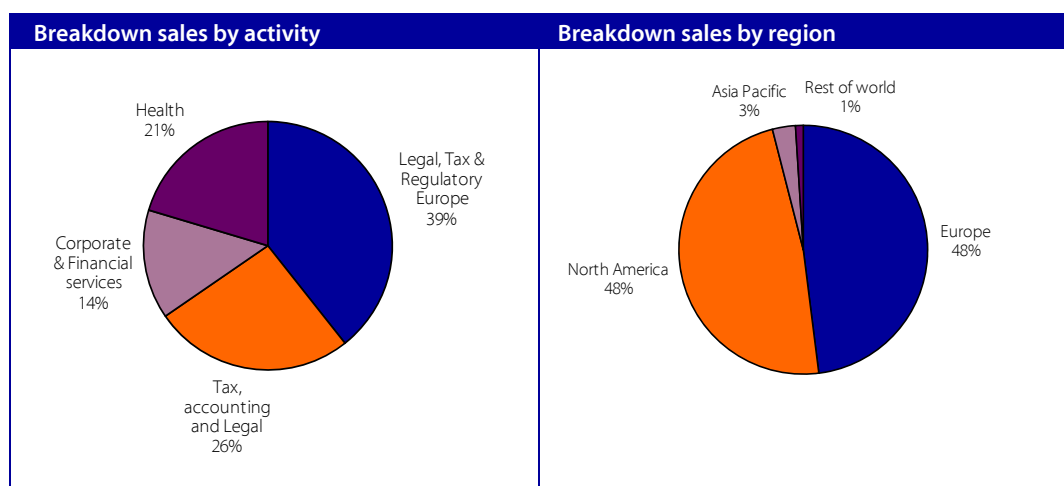
WK is better positioned to weather the downturn than in 2003. E-sales increased from 31% of sales in 2003 to 50% in 2008. In 2003, WK had a weak product pipeline after having under-invested in new solutions. As retention rates on e-products (90-95%+) are clearly higher than on print products (80-85%), we expect a limited organic sales decline of 2.2% for 2009E. After the weak performance for WK Health in 2007/2008, prospects for 2009 are clearly improving. At LTRE and TAL new product sales are under pressure as sales cycles have lengthened. We believe it is an encouraging sign that within the Financial Services part of the business (34% of CFS), the mortgage related business (30% of FS) has stabilised. However, the IPO and M&A related businesses within CLS (66% of CFS) remains under pressure.

### Company profile

Wolters Kluwer is a professional publisher with operations in Europe, North America and Asia Pacific focusing on solutions in the field of Health, Tax, Accounting, Corporate Services, Financial Services, Legal and Regulatory.

### Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Number 1 legal publisher in Europe</li> <li>▪ Number 1 for US tax content</li> <li>▪ Market leading Healthcare Publisher</li> </ul>	<ul style="list-style-type: none"> <li>▪ Loss of market share in Health publishing</li> <li>▪ Limited market share in US Legal</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Building out the market leading Health cluster</li> <li>▪ Re-igniting growth for the European Legal activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Thomson is aggressively competing with its tax products on the US market</li> <li>▪ Reed Elsevier is winning market share in the Healthcare publishing market</li> <li>▪ Thomson and Reed Elsevier are ahead with the development of global product platforms</li> </ul>



Income Statement ( EURmln)					
	2007	2008	2009E	2010E	2011E
Revenues	3,413.0	3,374.0	3,503.3	3,557.4	3,661.0
Operating costs	-2,666.0	-2,616.0	-2,697.2	-2,708.1	-2,764.1
Extraordinaries	0.0	0.0	0.0	0.0	0.0
EBITDA	747.0	758.0	806.1	849.2	896.9
Depreciation	-80.0	-80.0	-88.4	-94.5	-98.0
EBITA	667.0	678.0	717.7	754.7	798.9
Amortisation	-121.0	-124.0	-180.0	-180.0	-180.0
EBIT	546.0	554.0	537.7	574.7	618.9
Net financial result	-102.0	-119.0	-119.5	-109.5	-107.7
Other pre-tax items	0.0	0.0	0.0	0.0	0.0
EBT	444.0	435.0	418.2	465.2	511.2
Income taxes	-100.0	-71.0	-83.7	-94.5	-100.4
Minority interests	1.0	-1.0	-1.0	-1.0	-1.0
Other post-tax items /participation	-17.0	0.0	0.0	0.0	0.0
Extraordinaries	0.0	-34.0	-41.8	-38.0	-26.6
Net income	328.0	329.0	291.6	331.7	383.2
Adjustments, total	93.0	94.0	149.8	146.0	134.6
Net income recurring	421.0	423.0	441.4	477.7	517.8
PER SHARE ITEMS					
Shares outstanding avg. (mln)	300.5	300.5	290.2	286.2	295.5
Shares outstanding fully diluted (mln)	304.7	288.3	292.0	294.0	296.9
EPS reported	1.10	1.10	1.01	1.16	1.30
EPS recurring	1.38	1.47	1.51	1.62	1.74
CPS	0.66	1.80	1.74	2.10	2.40
DPS	0.64	0.65	0.70	0.77	0.81
Fiscal year ends 12/2009					
% GROWTH					
Revenues		-1.1	3.8	1.5	2.9
EBITA		1.6	5.9	5.2	5.8
Net income recurring		0.5	4.4	8.2	8.4
% MARGINS					
EBITA margin		20.1	20.5	21.2	21.8
Net recurring margin		12.5	12.6	13.4	14.1

Valuation					
	2007	2008	2009E	2010E	2011E
Enterprise Value (mln)	8,457.6	7,125.8	6,336.4	6,044.1	5,860.6
P/E recurring (x)	10.6	10.0	9.7	9.0	8.4
P/Sales (x)	1.3	1.3	1.2	1.2	1.2
P/FCF (x)	60.2	11.1	11.5	9.1	7.7
P/CF (x)	22.2	8.1	8.4	7.0	6.1
P/B (x)	3.7	3.1	2.8	2.6	2.5
Dividend yield (%)	4.4	4.4	4.8	5.3	5.5
EV/EBITDA (x)	11.3	9.4	7.9	7.1	6.5
EV/Sales (x)	2.5	2.1	1.8	1.7	1.6
EV/FCF (x)	115.9	18.0	17.2	13.2	10.4

Cash Flow Statement ( EURm)					
	2007	2008	2009E	2010E	2011E
Net Income Reported	329.0	313.0	291.6	331.7	383.2
Depreciation & Amortisation	201.0	204.0	268.4	274.5	278.0
Working Capital Change	-176.0	-78.0	-15.6	34.4	41.0
Other Items	-156.0	96.0	-40.1	-40.3	6.7
Cash Flow from Operations	198.0	535.0	504.4	600.4	709.0
Net Capital Expenditure	-125.0	-140.0	-135.4	-142.3	-146.4
Goodwill from Acquisitions	-284.0	409.0	0.0	0.0	0.0
Other Investments	207.0	-42.0	0.0	0.0	0.0
Cash Flow from Investments	-202.0	227.0	-135.4	-142.3	-146.4
Ordinary Dividends	-135.1	-136.5	-162.8	-176.2	-191.0
Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Change in Preferred Stock	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	0.0	0.0
Change in Subordinated Debt	0.0	0.0	0.0	0.0	0.0
Change in Bank Debt	-221.0	643.0	0.0	0.0	0.0
Change in Minorities	35.0	-4.0	-4.0	-4.0	-4.0
Cash Flow from Financing	-321.1	502.5	-166.8	-180.2	-195.0
Change in Cash	-325.1	1,264.5	202.2	277.9	367.6
Free Cash Flow	73.0	395.0	369.0	458.1	562.5
Free Cash Flow Yield (%)	1.7	9.0	8.7	10.9	13.0

Balance Sheet ( EURm)					
	2007	2008	2009E	2010E	2011E
Cash & Cash equivalents	152.0	345.0	505.5	739.3	1,059.1
Other current assets	1,129.0	1,170.0	1,162.0	1,256.8	1,275.1
Net PP&E	140.0	146.0	193.0	240.8	289.2
Intangible assets	3,770.0	4,600.0	4,420.0	4,240.0	4,060.0
Other non-current assets	85.0	127.0	127.0	127.0	127.0
Total Assets	5,276.0	6,388.0	6,407.5	6,603.9	6,810.5
Short-term debt	968.0	683.0	683.0	683.0	683.0
Other current liabs	1,834.0	1,931.0	1,907.4	2,036.6	2,096.0
Long-term debt	986.0	1,914.0	1,914.0	1,914.0	1,914.0
Other non-current liabs	274.0	412.0	370.9	329.7	335.4
Minority interest	36.0	33.0	30.0	27.0	24.0
Total equity	1,178.0	1,414.0	1,502.1	1,613.6	1,758.2
Total liabs & equity	5,276.0	6,387.0	6,407.5	6,603.9	6,810.5
Net debt	1,802.0	2,252.0	2,091.5	1,857.7	1,537.9
ROIC (%)	10.8	11.6	12.2	12.5	13.1
Net gearing (%)	153.0	159.3	139.2	115.1	87.5
Working capital as % of sales	-20.7	-22.6	-21.3	-21.9	-22.4
Inventory period days		8.9	8.4	7.8	7.9
Trade debtor days		110.9	107.4	110.5	112.4
Trade creditor days		39.3	37.2	37.6	38.0
Cash cycle		80.4	78.6	80.7	82.4



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## Appendices

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Appendix 1: P/E overview	402
Appendix 2: EV/EBITDA overview	403
Appendix 3: Dividend yield rank overview	404
Appendix 4: P/NAV overview	405
Appendix 5: P/FCFPS overview	406
Appendix 6: Ratings and Upside potential	407
Rabo Securities' Equity Research Team	408

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## Appendix 1: P/E overview: Ranked on 2009E

Company	2008	2009E	2010E	2011E
Dockwise	3.8	3.8	4.1	3.0
ICT	4.6	6.9	7.3	
Dexia	3.7	7.4	7.3	6.3
SNS Reaal		53.9	7.7	5.4
Unit 4 Agresso	10.8	10.5	7.9	7.1
KAS Bank	10.3	9.0	8.1	7.5
BAM	4.1	8.6	8.2	6.8
Binck Bank	14.5	11.4	8.9	8.1
Wolters Kluwer	10.0	9.7	9.0	8.4
Ahold	9.3	10.7	9.1	7.8
Ordina	8.5	11.5	9.1	7.1
Reed Elsevier	8.9	9.4	9.3	8.8
Arseus	11.4	9.8	9.3	8.6
Nutreco	11.0	12.6	9.3	8.3
KBC			9.4	9.7
Prologis European Properties	6.0	7.1	9.5	10.3
Draka Holding	5.4	12.5	9.5	7.6
Grontmij	8.8	9.7	9.6	9.3
Delhaize	10.1	9.8	9.6	8.4
Omega Pharma	10.8	11.0	9.6	8.6
CFE	6.9	7.3	9.7	
Mediq	12.1	10.2	9.8	9.4
Macintosh	8.8	11.5	9.8	7.4
TenCate	5.7	12.7	9.9	7.4
Accell	10.4	10.2	10.0	9.5
Sligro	11.1	11.2	10.0	9.2
Nieuwe Steen Investments	9.2	9.7	10.2	11.6
VastNed OI	7.6	8.0	10.3	11.8
Imtech	10.5	9.5	10.3	9.5
Logica	10.6	11.3	10.5	8.9
CSM	9.2	12.9	10.5	8.1
Ackermans & van Haaren	12.1	13.9	10.5	9.3
ING			10.7	7.2
KPN	14.7	12.7	10.9	10.0
Belgacom	10.9	10.3	11.0	11.4
Smit Internationale	8.3	9.7	11.3	10.6
Mobistar	10.5	11.3	11.5	11.2
Vopak	12.8	12.0	11.5	10.7
TNT	9.5	14.4	11.5	9.5
Exact	11.6	11.8	11.7	10.9
Arcadis	10.9	11.6	12.1	10.7
Heijmans		19.6	12.1	7.1
Heineken	15.3	14.5	12.2	10.6
Boskalis	8.4	10.2	12.4	13.9
VastNed Retail	12.0	11.1	12.8	12.5
Fugro	10.3	11.5	12.9	12.0
Aalberts Industries	9.0	21.0	13.0	12.0
TomTom	6.2	16.2	13.2	10.9
TKH	6.8	20.9	13.4	10.7
Colruyt	16.7	15.3	13.5	
Unilever	14.3	16.8	13.5	12.6
Wereldhave	13.7	13.3	13.6	14.1
UCB	19.9	20.2	13.9	21.2
Brunel	12.1	15.8	14.6	10.9
EVS	14.8	21.5	14.6	16.7
Cofinimmo	10.7	14.4	14.7	15.3
Eurocommercial Properties	15.7	15.1	14.9	14.7
SBM Offshore	15.5	17.5	14.9	13.5
ABInBev	20.6	16.9	15.0	13.5
ArcelorMittal	5.6		15.4	9.9
Unibail Rodamco	16.8	15.7	15.5	15.3
Befimmo	14.7	16.7	15.5	16.3
Super de Boer	16.1	24.6	15.5	13.1
Ballast Nedam	6.3	13.5	15.7	10.2
USG People	7.9	32.0	15.7	9.7
Corio	15.3	17.2	16.3	16.1
Randstad	9.3	24.8	16.3	11.5
Fortis		7.0	16.6	11.7
Telenet	112.5	18.2	16.8	13.4
Solvay	10.2	16.0	17.1	12.5
Beter Bed	12.8	19.0	17.4	12.4
Oce	13.6	149.2	17.9	10.9
Telegraaf Media Groep		23.2	18.3	15.7
Kendrion	12.5	54.2	19.5	12.8
Philips	13.1	20.7	20.0	13.7
Nedap	7.3	208.8	20.6	15.0
Crucell	78.5	26.6	23.8	22.1
Van Lanschot	16.1		25.3	11.3
ASML	24.2		27.5	17.5
Wavin	2.2	72.6	29.0	14.5
ASM International	58.5		29.2	13.3
DSM	7.7	27.4	30.7	17.4
Akzo Nobel	10.9	17.5	40.5	19.2
DPA Flex Group	24.4		40.7	
Stern Group	24.5	147.0	44.4	
Tessenderlo	4.6		50.0	13.8
AMG	7.6		61.1	18.0
Aegon			114.8	19.1
Besi				87.7
Gamma Holding	2.4			24.8

## Appendix 2: EV/EBITDA overview: ranked on 2009E

Company	2008	2009E	2010E	2011E
ICT	5.7	3.7	3.4	
CFE	4.7	3.5	3.7	
Stern Group	5.7	4.5	4.1	
Ahold	6.2	5.0	4.4	3.8
Dockwise	7.7	4.9	4.5	3.8
Delhaize	5.2	4.8	4.7	4.3
Ordina	8.6	6.2	5.2	4.1
KPN	6.0	5.8	5.4	5.2
Macintosh	5.7	6.3	5.4	4.3
Oce	7.1	7.4	5.4	4.8
Belgacom	5.9	5.6	5.5	5.5
Draka Holding	8.0	8.6	5.5	4.7
Nutreco	7.3	7.0	5.5	4.8
Sligro	8.1	6.7	5.6	4.9
Unit 4 Agresso	7.7	6.8	5.7	4.7
Mobistar	5.9	5.6	5.7	5.6
TenCate	6.5	7.8	6.1	4.8
Fugro	6.9	6.1	6.1	5.6
ASM International	6.7		6.1	3.9
Ballast Nedam	4.5	5.9	6.2	5.1
CSM	8.6	7.2	6.2	5.1
Telenet	7.6	6.8	6.3	5.7
Solvay	5.9	6.3	6.3	5.2
Grontmij	6.6	6.2	6.3	5.8
Boskalis	6.0	5.5	6.4	6.5
Arcadis	5.9	7.0	6.4	5.6
Mediq	8.8	6.9	6.4	5.9
Kendrion	7.1	9.5	6.4	5.4
Smit Internationale	6.4	6.1	6.4	5.8
Gamma Holding	7.3	8.4	6.4	5.1
TNT	6.7	7.2	6.5	5.4
Exact	7.6	6.7	6.7	6.2
Imtech	7.1	6.5	6.7	6.1
Logica	8.1	7.6	6.7	5.5
Omega Pharma	7.9	7.5	6.8	6.1
BAM	6.8	7.1	6.8	5.9
Heineken	9.1	8.1	6.9	6.0
Arseus	8.3	7.6	7.0	6.4
ArcelorMittal	4.7	12.8	7.0	5.5
Aalberts Industries	7.4	9.4	7.0	6.7
Accell	5.8	7.4	7.0	6.7
AMG	8.6	10.2	7.1	5.2
Wolters Kluwer	9.4	7.9	7.1	6.5
Vopak	7.4	7.8	7.3	6.8
Colruyt	9.3	8.2	7.3	
DSM	5.2	7.2	7.3	6.1
Super de Boer	9.2	9.2	7.3	6.3
TKH	7.1	13.8	7.6	6.5
Wavin	4.0	8.8	7.7	6.0
Tessenderlo	2.9	11.0	7.8	5.7
Heijmans	21.6	9.6	7.9	5.6
Reed Elsevier	11.1	8.0	7.9	7.3
Crucell	16.1	8.5	8.0	7.5
Unilever	9.4	8.6	8.1	7.6
Philips	9.0	9.6	8.2	6.2
UCB	9.6	10.4	8.3	9.9
Brunel	4.2	9.5	8.4	6.1
Nedap	6.8	10.3	8.4	7.2
ABInBev	10.2	9.3	8.5	7.9
Akzo Nobel	6.5	7.0	8.6	7.4
Telegraaf Media Groep	9.8	9.9	8.6	7.5
USG People	4.9	14.1	8.8	6.0
TomTom	9.8	9.0	8.9	7.4
EVS	10.2	13.5	9.1	9.5
Beter Bed	6.9	9.9	9.1	7.0
SBM Offshore	9.7	8.1	9.3	8.7
Randstad	5.8	14.8	10.6	7.5
Prologis European Properties	13.8	10.4	10.7	10.6
VastNed OI	12.9	12.5	13.9	14.3
Nieuwe Steen Investments	16.4	14.3	15.0	15.5
ASML	15.4		15.1	9.4
VastNed Retail	16.0	14.4	15.9	15.6
Wereldhave	16.2	15.9	16.3	16.0
Unibail Rodamco	18.4	16.8	16.5	16.2
DPA Flex Group	21.0		17.9	
Eurocommercial Properties	22.5	17.9	18.0	17.9
Corio	18.2	19.6	19.3	19.0
Coffinimmo	19.0	19.0	20.1	20.0
Befimmo	19.2	20.0	20.3	20.2

## Appendix 3: Dividend Yield ranked on 2009E

Company	2009E	2010E	2011E
Nieuwe Steen Investments	10.3	9.8	8.6
VastNed OI	12.5	9.7	8.5
Mobistar	9.6	8.7	8.9
Exact	8.5	8.5	7.8
Belgacom	8.1	8.1	8.1
VastNed Retail	9.0	7.8	8.0
KAS Bank	6.2	7.4	8.0
Wereldhave	7.0	7.1	7.1
KPN	6.1	7.0	7.4
Eurocommercial Properties	6.5	6.6	6.7
Befimmo	7.0	6.5	6.1
Cofinimmo	6.6	6.5	6.2
Unibail Rodamco	5.7	5.8	5.9
Binck Bank	4.3	5.6	6.2
ICT	2.5	5.6	0.0
Wolters Kluwer	4.8	5.3	5.5
Corio	4.9	5.2	5.3
CSM	5.2	5.2	5.2
Reed Elsevier	4.9	5.0	5.3
Accell	4.6	4.8	5.0
Tessenderlo	4.8	4.8	4.8
Unilever	4.1	4.6	5.1
EVS	3.2	4.6	5.1
Nutreco	3.4	4.6	5.2
Grontmij	4.9	4.5	4.7
Arseus	4.1	4.5	4.9
DSM	4.3	4.3	4.3
Akzo Nobel	4.3	4.3	4.3
Macintosh	3.1	4.2	5.6
Smit Internationale	4.9	4.2	4.4
Philips	4.1	4.1	4.1
Boskalis	5.1	4.1	3.6
Solvay	4.0	4.0	4.0
Aegon	0.0	3.8	3.8
Delhaize	3.7	3.7	4.2
Arcadis	3.5	3.7	4.2
Sligro	3.2	3.7	4.0
Ahold	2.5	3.4	4.0
Nedap	0.0	3.4	4.7
TenCate	3.3	3.3	4.0
TNT	2.6	3.3	4.1
SBM Offshore	3.4	3.3	3.7
Mediq	3.0	3.2	3.4
Imtech	3.7	3.2	3.7
BAM	3.2	3.2	6.3
Fugro	3.5	3.1	3.4
UCB	3.1	3.1	3.1
Colruyt	2.7	3.0	0.0
TKH	2.2	3.0	3.9
Vopak	2.8	2.9	3.2
Ballast Nedam	3.4	2.9	4.6
Beter Bed	2.7	2.9	6.6
Ackermans & van Haaren	2.7	2.9	3.2
Fortis	0.0	2.9	3.8
Telegraaf Media Groep	2.6	2.8	3.0
Telenet	2.8	2.7	2.7
Brunel	2.5	2.7	3.7
CFE	3.4	2.5	0.0
Logica	2.3	2.5	2.7
Heineken	2.1	2.5	3.0
Omega Pharma	1.9	2.2	2.5
ArcelorMittal	2.0	2.0	2.0
ABInBev	1.5	1.7	1.9
Van Lanschot	0.0	1.7	4.1
Aalberts Industries	0.9	1.6	1.8
Kendrion	9.9	1.5	2.4
USG People	0.6	1.5	3.0
ASML	1.0	1.0	1.0
Stern Group	0.3	0.8	0.0
Ordina	0.0	0.7	1.4
Prologis European Properties	0.0	0.0	0.0
Randstad	0.0	0.0	4.2
Oce	0.0	0.0	2.9
KBC	0.0	0.0	2.9
Besi	0.0	0.0	0.0
Dockwise	0.0	0.0	0.0
DPA Flex Group	0.0	0.0	0.0
TomTom	0.0	0.0	0.0
Unit 4 Agresso	0.0	0.0	0.0
Wavin	2.8	0.0	0.0
Super de Boer	0.0	0.0	0.0
ASM International	0.0	0.0	0.0
AMG	0.0	0.0	0.0
Dexia	0.0	0.0	6.9
Draka Holding	0.0	0.0	3.7
Crucell	0.0	0.0	0.0
SNS Reaal	0.0	0.0	6.1
Pharming	0.0	0.0	0.0
ING	0.0	0.0	6.3
Heijmans	0.0	0.0	0.0
Gamma Holding	0.0	0.0	0.4

## Appendix 4: P/NAV overview: ranked on 2008E

Company	2009E	201E	2011E
Dockwise	0.45	0.40	0.37
Besi	0.47	0.48	0.48
Gamma Holding	0.50	0.54	0.53
KKR Private Equity Investors	0.52	0.49	0.47
SNS Reaal	0.56	0.52	0.49
Heijmans	0.61	0.58	0.54
Oce	0.67	0.65	0.63
Prologis European Properties	0.68	0.65	0.61
Ballast Nedam	0.69	0.69	0.68
ICT	0.73	0.69	
VastNed OI	0.75	1.06	1.16
Aegon	0.76	0.73	0.69
Dexia	0.76	0.83	0.82
Stern Group	0.79	0.78	
Wereldhave	0.83	0.85	0.80
VastNed Retail	0.87	1.05	1.03
Nieuwe Steen Investments	0.95	1.11	1.27
Eurocommercial Properties	0.96	1.02	0.99
Cofinimmo	0.97	1.00	0.97
TenCate	0.98	0.93	0.87
Omega Pharma	0.98	0.90	0.83
DSM	0.99	1.00	0.98
Logica	0.99	1.00	0.97
ArcelorMittal	1.02	0.97	0.90
Tessenderlo	1.03	1.12	1.15
Philips	1.04	1.06	1.04
KAS Bank	1.05	1.00	0.95
Ordina	1.05	1.12	1.08
ING	1.06	0.97	0.90
Delhaize	1.07	0.99	0.92
Corio	1.08	1.09	1.09
Fortis	1.09	1.02	0.97
CSM	1.09	1.05	0.98
Ackermans & van Haaren	1.10	1.00	0.90
Befimmo	1.14	1.43	1.40
Wavin	1.17	1.12	1.04
Unibail Rodamco	1.17	1.18	1.11
BAM	1.18	1.07	0.95
CFE	1.19	1.09	
Arseus	1.21	1.12	1.04
UCB	1.23	1.20	1.21
Kendrion	1.25	1.19	1.12
Draka Holding	1.31	1.15	1.04
KBC	1.32	1.15	1.06
Akzo Nobel	1.32	1.38	1.40
Solvay	1.34	1.30	1.23
TKH	1.34	1.29	1.23
Macintosh	1.39	1.30	1.18
USG People	1.42	1.37	1.28
Crucell	1.43	1.48	1.39
Mediq	1.51	1.39	1.27
Smit Internationale	1.60	1.55	1.49
Nutreco	1.60	1.44	1.29
Aalberts Industries	1.63	1.55	1.45
Telegraaf Media Groep	1.67	1.71	1.73
Grontmij	1.73	1.62	1.52
Van Lanschot	1.75	1.71	1.61
AMG	1.76	1.71	1.56
Binck Bank	1.78	1.66	1.58
Ahold	1.81	1.58	1.38
Sligro	1.89	1.72	1.57
Randstad	1.97	1.85	1.79
Nedap	2.09	2.02	1.94
TomTom	2.23	2.35	2.07
Accell	2.23	2.03	1.86
Boskalis	2.28	2.17	2.07
SBM Offshore	2.28	2.08	1.89
Vopak	2.47	2.20	1.88
Arcadis	2.48	2.38	2.16
Pharming	2.57	5.99	6.74
Fugro	2.73	2.42	2.16
Wolters Kluwer	2.82	2.59	2.46
Imtech	2.87	2.54	2.26
ABInBev	2.91	2.64	2.40
Exact	2.98	2.98	2.86
Heineken	3.01	2.60	2.26
Brunel	3.10	2.76	2.41
Unit 4 Agresso	3.20	2.57	2.07
TNT	3.39	2.89	2.44
Belgacom	3.98	3.83	3.74
Reed Elsevier	4.16	4.37	4.39
ASM International	4.58	4.22	3.09
Colruyt	4.74	4.31	
Super de Boer	4.87	3.71	2.87
Unilever	4.88	4.28	3.78
ASML	4.99	4.39	3.63
Beter Bed	6.08	5.16	4.74
KPN	6.25	7.48	6.29
Mobistar	6.61	6.63	6.64
EVS	9.22	8.05	7.06
Telenet	9.52	7.29	5.45

## Appendix 5: P/FCFPS overview: Ranked on 2009E

Company	2009E	2010E	2011E
ABInBev	5.3	4.3	7.0
Heijmans		5.4	7.5
ICT		5.8	
Macintosh	5.5	5.9	7.5
Oce	13.6	7.1	6.6
Draka Holding	5.1	7.8	7.3
TenCate	4.1	8.4	10.3
Sligro	8.6	8.7	8.7
KPN	10.8	8.8	8.0
Heineken	20.6	9.0	8.0
Wolters Kluwer	11.6	9.4	7.7
Prologis European Properties	7.1	9.5	10.3
Grontmij	7.5	9.6	9.3
Omega Pharma	10.9	9.8	8.8
Telenet	11.5	9.8	8.7
Reed Elsevier	11.0	9.8	9.0
Unit 4 Agresso	6.9	10.0	7.8
CSM	10.2	10.1	10.0
Arcadis	9.1	10.1	10.2
Belgacom	10.2	10.2	10.1
Nieuwe Steen Investments	9.7	10.2	11.6
VastNed Oil	8.0	10.3	11.8
USG People	6.2	10.8	11.0
Mobistar	10.9	11.1	10.4
Aalberts Industries	5.5	11.2	11.1
Ahold	10.6	11.4	8.8
Exact	10.9	11.6	10.5
Mediq	15.9	12.0	10.4
Imtech	10.2	12.1	15.5
Arselus	40.7	12.1	10.9
Kendrion	12.3	12.2	15.7
ArcelorMittal	6.2	12.3	11.0
Unilever	16.1	12.5	11.9
Nutreco	20.3	12.7	9.8
TomTom	13.2	12.8	10.8
VastNed Retail	11.1	12.8	12.5
Fugro	31.3	12.9	11.9
Wavin		13.2	10.4
Smit Internationale	11.7	13.4	10.5
Wereldhave	13.3	13.6	14.1
Accell	17.2	13.7	13.1
Randstad	21.4	13.8	7.3
Ordina	22.5	13.8	9.7
TNT	8.9	14.3	10.3
Dockwise	14.1	14.6	16.5
Cofinimmo	14.4	14.7	15.3
UCB	9.7	14.8	20.2
Telegraaf Media Groep	23.2	14.8	14.8
Eurocommercial Properties	15.1	14.9	14.7
Solvay	31.3	15.0	10.3
Befimmo	16.7	15.5	16.3
Unibail Rodamco	15.7	15.5	15.3
TKH	5.0	15.6	13.7
DSM	7.0	16.1	14.5
Corio	17.2	16.3	16.1
ASM International		16.4	6.4
Super de Boer	12.0	16.8	13.5
Delhaize	9.8	16.9	13.3
Philips		17.7	10.7
EVS	23.9	17.8	15.1
Vopak		18.3	15.8
Beter Bed	24.8	19.0	13.4
Tessenderlo	29.1	19.3	18.4
Brunel	23.5	19.9	13.1
Nedap	29.3	20.4	15.8
Crucell	24.5	24.5	29.1
Ballast Nedam		34.5	9.1
DPA Flex Group		40.7	
BAM		46.4	12.7
Akzo Nobel	14.2	56.2	26.5
Boskalis	2318.0	56.5	13.0
ASML		60.9	17.8
CFE	740.0	115.6	
AMG		130.9	15.4
Gamma Holding			8.6
SBM Offshore			11.2
Pharming			18.0
Aegon			
Colruyt	16.4		
Dexia			
SNS Reaal			
Stern Group			
ING			
KAS Bank			
Van Lanschot			
Fortis			
Ackermans & van Haaren			
Binck Bank			
Besi			
KBC			
KKR Private Equity Investors			

## Appendix 6: Ratings and Upside potential: Ranked on potential

Company	Rating	Price	Price Target	Potential (%)
KKR Private Equity Investors	B	9.20	14.00	52%
Binck Bank	B	12.01	17.00	42%
Stern Group	B	19.11	27.00	41%
Ordina	B	4.27	6.00	41%
Unit 4 Agresso	B	14.29	20.00	40%
Ahold	B	8.24	11.00	33%
Dockwise	B	7.60	10.00	32%
TNT	B	18.40	24.00	30%
SNS Reaal	B	5.39	7.00	30%
Reed Elsevier	B	7.78	10.00	29%
TenCate	B	14.93	19.00	27%
BAM	B	7.88	10.00	27%
ING	B	11.83	15.00	27%
KAS Bank	H	12.84	16.00	25%
Ackermans & van Haaren	B	50.69	63.00	24%
Wavin	B	1.45	1.80	24%
Omega Pharma	B	29.91	37.00	24%
DPA Flex Group	H	2.44	3.00	23%
Arseus	B	7.73	9.50	23%
Draka Holding	B	12.23	15.00	23%
ICT	H	4.08	5.00	23%
KPN	B	11.44	14.00	22%
Unilever	B	19.68	23.50	19%
Heineken	B	31.65	37.00	17%
Telenet	B	18.00	21.00	17%
TomTom	B	12.01	14.00	17%
Colruyt	B	159.90	185.00	16%
Logica	B	1.43	1.65	16%
Sligro	B	20.02	23.00	15%
Brunel	B	23.74	27.00	14%
Telegraaf Media Groep	B	13.20	15.00	14%
CFE	B	37.00	42.00	14%
USG People	B	14.10	16.00	13%
Prologis European Properties	B	4.10	4.65	13%
Wolters Kluwer	B	14.63	16.50	13%
Boskalis	B	23.18	26.00	12%
Exact	B	17.90	20.00	12%
Nutreco	B	33.11	37.00	12%
Fugro	B	39.40	44.00	12%
Wereldhave	B	67.30	75.00	11%
Vopak	B	44.92	50.00	11%
Besi	H	2.63	2.90	10%
Solvay	B	72.67	80.00	10%
Nieuwe Steen Investments	H	12.90	14.00	8%
Aalberts Industries	B	9.22	10.00	8%
VastNed Retail	H	44.35	48.00	8%
Mobistar	B	47.49	51.00	7%
Delhaize	H	47.61	51.00	7%
Mediq	H	11.27	12.00	7%
ASM International	H	12.28	13.00	6%
Eurocommercial Properties	H	27.54	29.00	5%
Unibail Rodamco	H	142.80	150.00	5%
Belgacom	H	26.82	28.00	4%
Randstad	H	29.70	31.00	4%
Dexia	H	6.26	6.50	4%
EVS	B	51.25	53.00	3%
KBC	B	34.61	35.50	3%
Kendrion	H	9.75	10.00	3%
SBM Offshore	H	14.63	15.00	3%
Heijmans	H	1.57	1.60	2%
Imtech	H	17.25	17.50	1%
Beter Bed	H	12.90	13.00	1%
UCB	H	29.83	30.00	1%
Super de Boer	H	4.19	4.20	0%
Aegon	H	5.74	5.75	0%
Accell	H	33.00	33.00	0%
TKH	H	11.10	11.00	-1%
Crucell	H	15.69	15.50	-1%
Arcadis	H	12.56	12.00	-4%
AMG	H	10.48	10.00	-5%
Fortis	H	3.15	3.00	-5%
ASML	H	20.10	19.00	-5%
Cofinimmo	H	96.00	90.00	-6%
CSM	B	17.08	16.00	-6%
Corio	H	47.00	44.00	-6%
Smit Internationale	H	53.74	50.00	-7%
Grontmij	H	18.32	17.00	-7%
ABInBev	H	31.10	28.00	-10%
Macintosh	H	13.97	12.50	-11%
Befimmo	R	62.70	56.00	-11%
ArcelorMittal	R	25.99	23.00	-11%
Ballast Nedam	H	15.85	14.00	-12%
Van Lanschot	H	40.00	34.00	-15%
VastNed Oil	R	12.03	10.00	-17%
Akzo Nobel	H	42.13	34.00	-19%
Oce	R	4.48	3.50	-22%
DSM	H	28.21	21.00	-26%
Nedap	R	16.70	12.00	-28%
Pharming	R	0.54	0.35	-35%
Philips	R	17.00	11.00	-35%
Tessenderlo	R	26.49	15.00	-43%
Gamma Holding	R	6.70	2.50	-63%



## Rabo Securities' Equity Research Team

Sector	Analyst	E-mail	Telephone
<b>Business Services</b>	David Tailleir Head of Research	david.tailleur@rabobank.com	+31 20 460 4852
<b>Food &amp; Beverage</b>	Patrick Roquas	patrick.roquas@rabobank.com	+31 20 460 4826
	Karel Zoete	karel.zoete@rabobank.com	+31 20 460 4827
<b>Financials</b>	Cor Kluis	cor.kluis@rabobank.com	+31 20 460 4870
	Georg Krijgh	georg.krijgh@rabobank.com	+31 20 460 4860
<b>Media &amp; IT</b>	Hans Slob	hans.slob@rabobank.com	+31 20 460 4866
<b>Chemicals/Biotech</b>	Fabian Smeets	fabian.smeets@rabobank.com	+31 20 460 4864
<b>Semiconductors/Engineering</b>	Philip Scholte	Michiel.dejonge@rabobank.com	+31 20 460 4841
	Michiel de Jonge	philip.scholte@rabobank.com	+ 31 20 460 4823
<b>Real Estate</b>	Rick Tervoort	rick.tervoort@rabobank.com	+31 20 460 4831
	Ruud van Maanen	ruud.van.maanen@rabobank.com	+31 20 460 4830
<b>Telecom/Industrial</b>	Frank Claassen	frank.claassen@rabobank.com	+ 31 20 460 4868
<b>Construction/Oil Services</b>	Ralf Jacobs	ralf.jacobs@rabobank.com	+31 20 460 4839

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Our recommendation system is based on the absolute upside/downside of a stock versus its price target. A Buy requires at least 10% upside; a Hold requires between 5% downside and 15% upside; a Reduce requires at least 1% downside. Given the volatility of share prices and our predisposition not to change recommendations too frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 6 to 12 months.

The price target is the level the stock should currently trade at if the market supported the analyst's view of the stock, provided that the necessary catalysts are in place to effects this change in perception, within the performance horizon. In this way, therefore, the price target abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value the price target will differ from 'fair' value. Price targets are based on a combination of several valuation approaches: the discounted cash flow methodology, a peer group comparison on relevant multiples and, when appropriate, a sum-of-the-parts analysis.

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