

# Dutch Top Picks 2015

Top 8 investment ideas in the Dutch market

ING 



 bam

 kpn

  
docdata

ASM 

Beter Bed Holding  
HARD AT WORK ON A  
GOOD NIGHT'S REST

temtom 



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## Introduction

The second half of 2014 was marked, from a macro-economic and political point of view, by the improving economy in the US, the escalating Ukraine-Russia issue (followed by boycotts of Russia by Western economies) and the rapid decline in the oil price. As in previous periods we continued to have occasional flare-ups in the Middle East and in the Euro-zone, Greece and France mainly. The Eurostoxx 600 returned, since the publication of our last Top Picks, a negative 3.7% while volatility was high with a low of 302 mid-October and a high of 351 early December.

The Dutch AEX index (excluding reinvested dividends) returned a negative 1.0% since the publication of our 2H 2014 Top Picks, doing substantially better than the Eurostoxx 600. This despite a very negative performance of oil & gas related stocks such as Fugro (-62% in the period!), SBM Offshore (-23%) and Royal Dutch Shell (-11%). This was offset by strong performance from heavyweights with high USD exposure, such as ASML (+23%), Reed Elsevier (+16%), Heineken and Ahold. The Dutch All Share index may be more appropriate to use as a bench mark given that our 2H14 Top Picks also included several small and midcap stocks. However, with a negative return of 2.1% this index only did marginally better than the AEX.

Our selection of 2H FY14 Top Picks, consisting of real mix of large, mid and small caps, generated a positive return of 3.6% (and 3.8% including dividend) outpacing the Eurostoxx 600 (3.7%), the AEX (-1.0%), the AMX (-4.0%) and the Amsterdam All Share Index (-2.1%) by a considerable margin. Our calls on BESI (+37.4%), Vopak (+16.5%) and Heineken (+8.8%) worked out well, partially offset by a 8.4% decline in KPN and a decline of 3.7% in Aalberts. Nevertheless, we once again generated pure Alfa (excluding reinvested dividend) of 5.7% versus the Amsterdam All Share index, 4.6% versus the AEX and 7.4% versus the Eurostoxx 600.

If we look at the macro-economic situation the picture for Europe is not that much different from the previous period. Germany remains the locomotive with its export driven economy, benefiting from high demand from high growth economies such as China and an improving US. As growth in exports immediately translates into higher demand for local suppliers and businesses, wages are set to increase. That will drive consumer spending, which is already developing in the right direction. Italy and France continue to be the weak brothers in the euro zone and there is no end in sight in terms of their situation. But overall, the Eurozone is warming up as leading indicators show and we expect further progress in coming quarters because (1) government austerity plans have little or no impact anymore, (2) the declining oil price, (3) a weaker euro and (4) additional monetary easing by the ECB. The Dutch economy is expected to accelerate growth to 1.25-1.50% in FY15 due to growth in exports, improving industrial output, slowly improving housing markets and an increase in income in real terms due to low inflation.

The US economy is doing well and we continue to assume that growth will remain healthy. Unemployment continues to decline, wages are going up (albeit slowly) and the American consumer is benefiting from low interest rates (lowering mortgage payments) and a decline in the oil price and thus gasoline. These positive trends are only partially offset by the rise of the dollar and a slowdown in investments (mainly related to lower oil & gas capex).

China remains a growth engine even if growth is expected to fall back to 6-7%. The cooling of the construction markets is an issue but the Chinese Central Bank appears to have reacted appropriately (by lowering interest rates) and other measures (new facilities, cash injections). As a result, outstanding credits are on the rise, which explains why we assume that the slowdown in growth will not have the same impact as earlier slowdowns.

We are cautiously optimistic about the outlook for equities, mainly European equities. Bonds are unattractive given the historically low interest rates although we do not expect material increases, not even in the US. Dividend yields, on the other hand, are higher than bond yields, meaning that the growth factor embedded in equities is actually provided for free.

The European economy may surprise, leading to higher than currently expected earnings and EPS growth. Especially as we assume that the lower energy prices and weaker euro have not been fully taken into account yet. Investors in European bonds outperformed equity investors but there are reasons to assume that the tables will be turned in the new year.

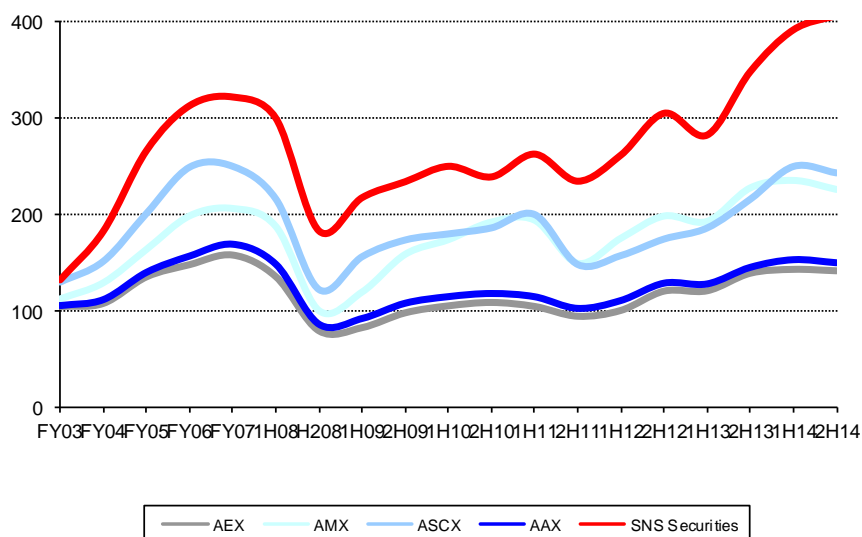
For 2015 we have chosen 8 Top Picks that are expected to do well.

Our Top Picks for 2015 are:

Arcadis:	Acquisition contribution underestimates, high exposure to US markets
ASM International:	Undeserved undervaluation, ASMP stake sale expected
BAM Group:	Unbeloved but about to change due to a recovering residential market
Beter Bed Holding:	High exposure to more generous German consumer
Docdata	Exposure to E-commerce, low valuation
ING:	Well run, attractive valuation and dividend (c. 5%)
KPN:	Undervalued versus peers despite high FCF generation and sweeping reforms
TomTom:	Gains in Automotive underestimated, high growth in Telematics

Our H2 2014 Top Picks selection generated pure Alfa of 5.7% versus the Amsterdam All Share index and 4.6% versus the AEX, a solid performance yet again. And we continue to be proud of our long-term performance as well. If you would have invested EUR 100 in the AEX index in 2002, it would be worth EUR 142. If you had invested the same EUR 100 in our Top Picks, the investment would have grown to EUR 407.

**Cumulative return performance of the Top Picks vs. benchmark  
2002 (=100)**



We hope that you enjoy reading our 2015 Top Picks and look forward to discussing our ideas with you.

On behalf of SNS Securities,

Martijn den Drijver, Head of Research

## Macro Outlook

The macro fundamentals of the economic recovery are intact. The world economy will keep its growth momentum led by an ongoing recovery in the US. The Chinese economy loses speed, but will remain an important growth engine for other regions. Europe recovers from its growth dip, supported by a weaker euro, more monetary stimuli and a lower oil price. Investors in European equities obtained only modest returns last year. There is reason, however, to be cautiously optimistic for the new year.

### US economy remains on track

The US economy retains its growth momentum, which comes convincingly to the fore in the rise in employment. Most jobs have been created at smaller companies and surveys of the National Federation of Independent Business indicate that these companies will continue to hire personnel. Wage growth is still moderate, but likely to accelerate. The fact that more people are leaving their company in order to accept a job elsewhere, indicates that employees' negotiation position becomes stronger. All this results in a robust growth of total labour income. Furthermore, consumer confidence is on the rise. The ongoing recovery of the house market lends further support to the consumer. Finally, the lower oil price is a bonus. In particular in the US the impact on gasoline prices is strong because of the lack of excise duties.

In the meantime, the recovery in residential investments proceeds. Building permits are still far below a level that is in accordance with a normal market, but are steadily on the rise. Not all is positive, however. Growth in overall capital spending has been respectable in recent years, which is not least because of the shale oil revolution. Because of the sharp drop in the oil price, however, shale oil investments can be expected to decline steeply. Furthermore, the rise in the dollar will adversely affect the contribution of net trade to the economic expansion. The appreciation is not that big on a trade weighted basis and therefore we don't expect a dramatic impact. More in general, the US economy will not be easily derailed by headwinds from abroad given the dynamic development of domestic demand.

### China remains growth engine

The growth of the Chinese economy is decelerating. Particularly, the construction industry is cooling down markedly. In the residential sector, sales are falling and prices are on the decline. This puts home builders and developers in a difficult position, in particular because many of them have already to cope with high debts. In connection to this, banks' non-performing loans are going up. At the same time, growth in consumer demand is rather stable and even tends to speed up lately. That is in accordance with the latest five year plan which includes the transformation of an expansion driven by capital spending to one that is largely driven by consumption. The slowdown of the economy has raised concerns at China's central bank. The PBoC is in the process of loosening the monetary reins by way of a.o. lowering interest rates. The witnessed acceleration in outstanding credits suggests that the central bank's policy is effective and that is an important reason why we think that the weakening of the expansion will remain contained. Because of the strongly grown size of the Chinese economy, the impact on the world economy from the current 6-7% growth rate is not that much lower than that from the much higher growth rate a number of years ago.

### **Eurozone has a tail wind**

Parts of the eurozone economy are slowly turning up, after a period of weakness last year. The convincing upswing of the eurozone and German ZEW indices, leading cyclical indicators, is very encouraging in this respect. We expect that the eurozone economy will make progress in the quarters to come helped by four supporting influences. Firstly, the budgetary policy of governments doesn't impede growth anymore since last year where, according to analysis of the IMF, tightening measures subtracted at least 1%-point of GDP-growth in the preceding years. Secondly, the decline in the oil price is beneficial to consumers' room to spend, although the impact is smothered by indirect taxes and excise duties. Thirdly, the ECB is likely to step up its policy of monetary easing and there are signs the impact will get stronger. Banks have loosened credit conditions slightly according to the latest loan survey and this change may take hold: since the end of last October banks know how they are assessed by the ECB (stress test and AQR), which makes it easier for them to make credit decisions on their own merits. Finally, the euro has weakened. The currency fell 5% on a trade weighted basis last year. The depreciation is conducive to exports and since approximately a quarter of the economic activities in the zone stems from sales to abroad, this is an important support for growth.

### **Germany is key**

The key role is for Germany. In particular its exports to countries with strongly growing economies (and appreciated currencies) like the US, China and the UK are on the rise and high order intake from countries outside the eurozone suggests this trend will continue. Mid-sized companies, the so-called 'Mittelstand', account for a large part of German exports. These companies often have German suppliers, which means that stronger sales to abroad quickly translate into domestic job growth. With the unemployment rate already at a low level, it is reasonable to assume the rise in wages will speed up. With consumer confidence at a high level, it is fairly sure that consumer demand will become an important driving force for the German economy.

The French economy stagnates. Data do not give any signal that a revival is nearby. In Italy the economy doesn't make any progress either. Both countries failed to improve their competitiveness in the past few years. The lower euro, lower energy prices and stronger demand from Germany are clear positives, but on balance it is very difficult to see what could break the stagnation of these economies decisively. The Spanish economy on the other hand has reached a sustainable growth path as it has become structurally more competitive due to reforms and wage reductions. Growth of exports and capital expenditure translates into job growth. Other peripheral economies like Portugal, Ireland and even Greece show indications of recovery. On balance, we expect that the eurozone economy will turn for the better and it may be even one of the positive surprises of 2015. Here we assume that the conflict with Russia does not escalate even further.

### **Dutch economy takes the corner decisively**

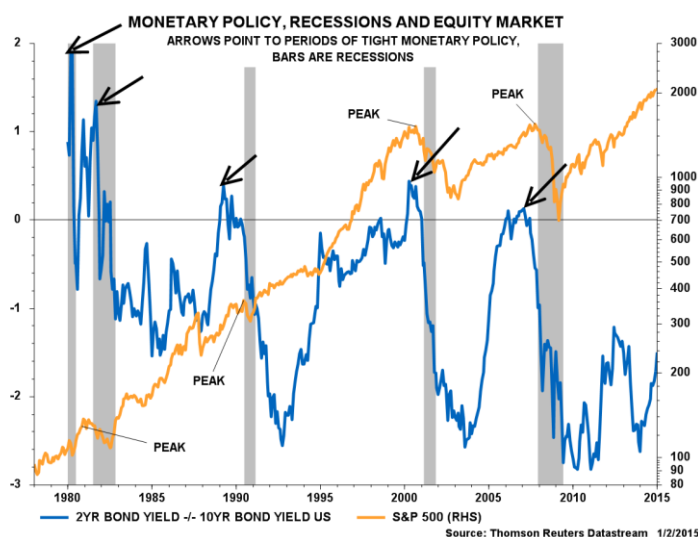
The Dutch economy regained some speed last year and growth is likely to pick up further in 2015. The expansion will also get a firmer footing because of the long awaited comeback of the consumer. The economic recovery is led by exports. With a cheaper euro and an improving world economy, the growth of foreign sales volumes is set to rise. By far the largest part of Dutch export remains within the euro area, but an important part consist of intermediate goods to companies with customers elsewhere. Following exports, prospects for capital spending are improving as well. Relevant here is that, according to surveys of Statistics Netherlands, the capacity utilization rate in manufacturing has risen and companies have become more positive about their order position. The deciding factor for the recovery is the consumer.

The Dutch reduced their spending volumes continuously since 2008, but this trend has come to an end and the odds are that consumer demand will clearly rise in the current year. It is encouraging that the fall in employment changed to a modest rise in the first part of last year and that leading employment indicators like job vacancies and hours worked for temp agencies move in the right direction. Wage growth will remain moderate as the decline in unemployment rate will be limited because of additional labour supply. Because of the drop in inflation, however, the wage rise will not be fully eroded anymore, which means that employees will be better off in real terms. Last but not least, developments in the housing market are supportive. Following the (strong) revival in transactions, house prices have risen slightly since mid 2013. Low and falling mortgage rates, stronger rent increases and the end of uncertainty about fiscal rules constitute the main pillars under an expected further recovery of the housing market. On balance we expect that the Dutch economy will grow by 1¼-1½% in 2015, after ¾% in 2014.

### Equity prospects: cautious optimism

2014 has not been that profitable for investors in European equities. The total return of investments in the MSCI Europe amounted to 7.4% in euro's. Most bond investors did better. An investment in 10-year bunds yielded a return of 16.7%. Not all equity investors underperformed, however, as the US S&P 500 returned 13.7% in local currencies and 29.5% in euro's.

There is some reason for optimism regarding equity prospects. Important here is that the macro fundamentals are basically positive. The world economy remains in a recovery phase led by the US. The biggest fear factor are the upcoming rate hikes in the US, but those fears are not justified. To be



sure, rate hikes usually lead to recessions in the end and nothing is more damaging for equity returns than the prospect of a recession. The point is that we are still far away from such a situation. US monetary policy will become only a little less loose in 2015, but it will remain accommodating. This can be shown by the difference between short and long term bond yields. With a really tight policy the yield curve will become inverted (10-year bond yields, for example, will be lower than 2-year bond yields). The low level of long term bond yield reflects low growth and inflation expectations. The chart shows that in the past each time the 2-year yield was above the 10-year yield, the peak of the equity markets was nearby and a fall back followed soon thereafter in anticipation of a recession. The chart makes clear however, that such a point is still far away as 2-year bond yields are still far below 10-year yields. On top of that the Fed has indicated it will be patient in raising rates. This means that there will be still room for growth.

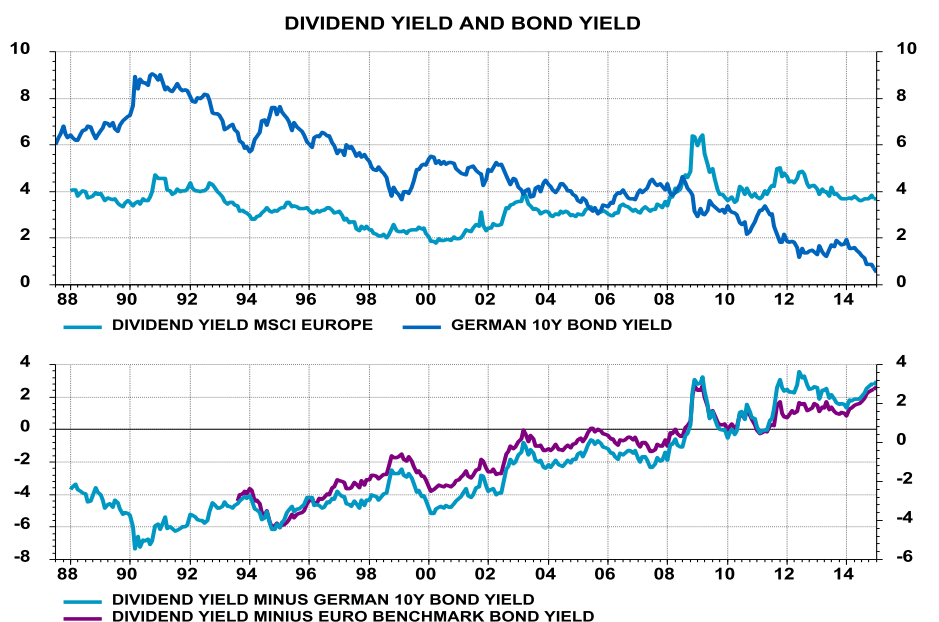


The eurozone economy slowly gathers some growth momentum, which is supportive for earnings. IBES data show that the downward trend in earnings per share of the MSCI Europe in 2011, 2012 and 2013 cautiously reversed in 2014. With favourable currency effects to be expected, a further rise can be foreseen. For the full fiscal year 2015 analysts expect a rise in earnings for the MSCI Europe of 9%. The usual pattern is that that expectations are adjusted downward during the year, but company analysts usually factor in the impact of a changed exchange rate (higher dollar) with a time lag so this time the downward adjustments may be smaller. We do not count on higher multiples. The MSCI Europe price-earnings ratio of 15 is close to a ten year high and on this measure the valuation cannot be considered as low anymore.

In conclusion, the macro fundamentals are basically positive for equities. The monetary policy by the major central banks, including the Fed, will remain loose in 2015 and in particular in Europe there is reason to believe that the rise in earnings growth will take hold. This could pave the way for returns on European equities that are a little higher than those ones of last year. To be certain we emphasize that the prospects for equity markets are exceptionally uncertain. Geo political factors can wreak havoc to foreseen developments on markets and for Europe in particular the consequences of a possible change of government in Greece is a big risk factor.

**Equities relatively cheap, bonds not very attractive**

Equities are cheap by any measure which includes the interest rate. The implicit equity return that is required on top of that on bond yields is rather high by historical standards. Dividend yields even top bond yields, which means that that the growth factor is for free. It should be borne in mind however, that this has been the case for a few years now, which means that this valuation measure is not very helpful in determining the right moment to step in.



Source: Thomson Reuters Datastream 1/2/2015

## Top Picks (enclosed)

Arcadis	11
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# Arcadis

## Accumulate

Recommendation unchanged

**Share price: EUR 24.45**

*closing price as of 07/01/2015*

**Target price: EUR 29.00**

Target Price unchanged

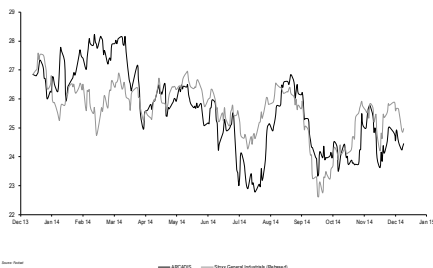
Reuters/Bloomberg

ARDS.AS/ARCAD.NA

Daily avg. no. trad. sh. 12 mth	83,012
Daily avg. trad. vol. 12 mth (m)	2,033.93
Price high 12 mth (EUR)	28.23
Price low 12 mth (EUR)	22.78
Abs. perf. 1 mth	-5.2%
Abs. perf. 3 mth	-1.4%
Abs. perf. 12 mth	-6.3%

Market capitalisation (EURm)	1,829
Current N° of shares (m)	75
Free float	57%

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	2,516	2,568	3,126
EBITDA (m)	197	213	283
EBITDA margin	7.8%	8.3%	9.1%
EBIT (m)	146	167	232
EBIT margin	5.8%	6.5%	7.4%
Net Profit (adj.)(m)	111	124	154
ROCE	10.7%	8.2%	12.3%
Net debt/(cash) (m)	218	580	412
Net Debt/Equity	0.4	0.9	0.6
Net Debt/EBITDA	1.1	2.7	1.5
Int. cover(EBITDA/Fin.int)	10.9	9.7	7.2
EV/Sales	0.8	0.9	0.7
EV/EBITDA	10.1	11.0	7.6
EV/EBITDA (adj.)	10.1	11.0	7.6
EV/EBIT	13.6	14.1	9.2
P/E (adj.)	17.2	15.0	11.8
P/BV	3.8	3.3	3.1
OpFCF yield	5.2%	2.4%	12.2%
Dividend yield	2.3%	2.3%	3.0%
EPS (adj.)	1.49	1.66	2.06
BVPS	6.68	7.49	7.99
DPS	0.57	0.57	0.74



Shareholders: St. Lovinklaan 21%; ASR Nederland 4%;

## Harvest time!

- ✓ After 4 consecutive quarters of revenue decreases, 3Q14 marked the beginnings of a turning point. Net revenues were stable again, albeit mostly driven by a positive currency impact, offset by an organic decrease of revenues of 1%. This was mainly due to a negative impact from the US activities. Outside the US organic growth was 4% which we believe is positive.
- ✓ In 2015 we expect a return to growth of Arcadis' revenues in the US, driven by economic growth in this region. We should see more budget availability for Infra, Water and Environmental projects. There was already some order intake for environmental projects and a large Infra project in New York.
- ✓ The acquisitions of Hyder, Callison and Franz improve Arcadis' profile in terms of geographical exposure (emerging markets, big urban clients) and the expansion of skills (rail/road/environmental/retail/design capabilities). With the addition of Australia and a much stronger position in India, Arcadis now has a truly global presence.
- ✓ As such, Arcadis has made very good progress in executing its strategy. The acquisitions have added over EUR 500m in annual turnover (or ~20% of Arcadis total). For 2015, we expect Arcadis to reap the benefits from recent acquisitions with annual pre-tax synergies of we >EUR 20m (majority from Hyder).
- ✓ Next to top line growth, we expect margin improvement to continue. In Europe, margins are on track to reach the 10% operating margin target in 2014 (which we will see with the FY14 results) and in the US, Arcadis has started a performance excellence program to capture growth and maintain margin performance. We expect to see an operational EBITA margin of 10% in 2015, which could be conservative.
- ✓ Arcadis will benefit from the weak Euro. In Q4, the USD dollar appreciated ~9% and for FY15, there is a positive effect of 11% at the current dollar price. Also other important currencies like the Chinese Renminbi and GBP have appreciated compared to the Euro. Arcadis does not hedge for currencies. As a result, there is a direct translation effect in sales and EBIT. We expect this effect to be roughly EUR 2m in Q4014 and at current FX rates, EUR 10m for 2015 for the USD alone and EUR 17m (7% of expected EBIT) if other currencies are also included.
- ✓ Valuation is undemanding. Looking at our 2015 estimates, EV/EBITA stands at 9.0 (consensus 10.2), some 10% below the historical average and compared to 9.7 for the peer group average. With a positive impact from FX, an expected turnaround in the largest end market (the US) and synergies from acquisitions there is upside in estimates and we believe that Arcadis should trade at a premium to peers as a result of its profile and track record in execution. Accumulate, price target EUR 29.

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**Strategy and targets**

Execution of Arcadis previous strategic programs has been strong. In december 2013, Arcadis launched its 2014-2016 strategy, CEO Neill McArthur's first. Arcadis set its revenue growth targets at >10%, of which >5% organic, while increasing its operational margin target from 10% in the previous plan to 11%.

Arcadis' market approach is to differentiate from other suppliers through getting involved in all phases of the asset life cycle (planning/creating/operating and redefining). These assets can be anything from buildings to roads and water works and seamlessly delivered around the world. Combined with sector expertise this should lead to better outcomes for clients and Arcadis itself. We believe that this really is a differentiating approach.

The focus in growth will be on seven priorities. Three markets: emerging markets, big urban clients and natural resources and four value propositions: environment and water for Industry, program management, business advisory and design. With 2/3 of the expected global market growth (Arcadis/Industry sources) coming from emerging markets (Asia, Middle East and Latin America) this is also the region in which Arcadis sees most growth.

Furthermore, there are financial efficiency targets like a ROCE of >13% and a cash conversion target of >100%. The last one is new and we believe it to be a valuable addition.

**Financial position**

Arcadis balance sheet has been affected by the acquisitions of Hyder and Callisson and as expected, Arcadis issued a sub 10 equity issue, raising EUR 180m. The proceeds will be used to refinance the bridge loan that was needed for the financing of the Hyder acquisition of STG 296m (EUR 378m). At Q3 net debt/EBITDA amounted to 1.5, which is not very demanding, but did not fully cover the acquisitions yet. We have a net debt/EBITDA ratio of 2.0 for year end 2014. Seasonally, net debt is lowest at year end, as working capital is lowest at that time.

New acquisitions will not be very high on the agenda any more as digesting recent acquisitions will be top priority.

**SWOT**

Strengths	Weaknesses
Track record growth and margin expansion Value adding acquisitions Strong global presence	A largely inflexible cost base Still low margins in Europe. Still sensitive to the construction cycle
Opportunities	Threats
Consolidator Further growth Emerging Markets Benefiting from global trends	Limited pricing power in a downturn Surprises in the restructuring process Dependency on FRX

Source: SNS Securities

### Recent developments and outlook

Arcadis has had a busy second half year as it acquired Hyder Consulting, Callison and Franz. With Hyder (4,600 staff), Arcadis gained increased exposure to Asia, a strong foothold in Australia and quality detailed engineering in low cost areas. Callison (1,000 staff) was a well known competitor of Arcadis' architectural RTKL unit and has a strong foothold in China and expertise in retail, which was attractive for Arcadis. The smaller Franz acquisition (~100 consultants) added environmental expertise in Canada.

In total, we expect that Arcadis has spent roughly EUR 500m on these acquisitions, adding roughly 20% of turnover. In order to finance this, Arcadis has issued a sub 10 equity issue in November, a share issue that was easily digested by the market.

In the outlook of an increase in net operational profit of over 10% and 5% net revenues growth for FY14, a strong Q4 is implied with margins over 10% (we expect 10.4%).

### Expected news flow and triggers

Currencies have always had a material impact on Arcadis' results because of the large exposure to especially the USD, but also other non euro currencies like the Chinese renmimbi, the Brazilian real and the GBP. With the weaker Euro this will have a significantly positive impact on FY15's results. Assuming, current FX rates, we expect this effect at roughly EUR 17m for 2015 (7% of expected EBIT).

Furthermore, 2015 will mark a return of growth for Arcadis in the US, as we expect that more budget will be available for Infra, Water and Environmental projects at the current economic growth rate. We already saw some order intake for environmental projects and a large Infra project in New York. Arcadis' Water (especially the former Malcolm Pirnie activities) should also turn the corner this year.

Organic growth has been limited at best in the last few quarters. With the US expected to turn positive again in terms of organic growth this should increase substantially.

### Valuation

Looking at our 2015 estimates, EV/EBITA stands at 9.0 (consensus 10.2), some 10% below the historical average and compared to 9.7 for the peer group average. Arcadis has mostly traded at a small discount to international peers in the past, but we believe that the changed profile (more consultancy, less detailed engineering), strong strategy execution and broad geographic exposure (strong presence in most continents) should actually warrant a premium. Furthermore, Arcadis is not involved in many oil & gas related projects, in contrast to several competitors.

We expect that the positive impact from FX, the expected turnaround in the largest end market (US) and synergies from acquisitions are not yet fully digested and therefore we expect there is upside in consensus estimates.

Our DCF model arrives at a fair value of EUR 30.60, taking into account a conservative perpetual EBIT margin of 9% and a WACC of 8.3%. We have an Accumulate rating and price target of EUR 29.

**Arcadis: Summary tables**

PROFIT & LOSS (EURm)	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
<b>Sales</b>	<b>2,017</b>	<b>2,545</b>	<b>2,516</b>	<b>2,568</b>	<b>3,126</b>	<b>3,303</b>
Cost of Sales & Operating Costs	-1,838	-2,345	-2,319	-2,355	-2,843	-2,979
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>179</b>	<b>199</b>	<b>197</b>	<b>213</b>	<b>283</b>	<b>325</b>
<b>EBITDA (adj.)*</b>	<b>179</b>	<b>199</b>	<b>197</b>	<b>213</b>	<b>283</b>	<b>325</b>
Depreciation	-27.7	-32.5	-34.5	-29.9	-34.7	-36.6
<b>EBITA</b>	<b>151</b>	<b>167</b>	<b>162</b>	<b>183</b>	<b>249</b>	<b>288</b>
<b>EBITA (adj.)*</b>	<b>151</b>	<b>167</b>	<b>162</b>	<b>183</b>	<b>249</b>	<b>288</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>146</b>	<b>152</b>	<b>146</b>	<b>167</b>	<b>232</b>	<b>271</b>
<b>EBIT (adj.)*</b>	<b>146</b>	<b>152</b>	<b>146</b>	<b>167</b>	<b>232</b>	<b>271</b>
Net Financial Interest	-23.4	-21.8	-18.1	-22.0	-39.3	-38.5
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.3	-3.0	5.5	-1.5	3.0	3.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>123</b>	<b>127</b>	<b>133</b>	<b>143</b>	<b>196</b>	<b>236</b>
Tax	-32.4	-36.4	-39.1	-41.7	-55.9	-68.0
<i>Tax rate</i>	<i>26.4%</i>	<i>28.7%</i>	<i>26.4%</i>	<i>28.7%</i>	<i>29.3%</i>	<i>29.1%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-4.0	-1.2	-2.8	-2.4	-1.0	-1.0
<b>Net Profit (reported)</b>	<b>86.4</b>	<b>89.1</b>	<b>91.4</b>	<b>99.3</b>	<b>139</b>	<b>167</b>
<b>Net Profit (adj.)</b>	<b>81.6</b>	<b>105</b>	<b>111</b>	<b>124</b>	<b>154</b>	<b>179</b>
<b>CASH FLOW (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Cash Flow from Operations before change in NWC	113	136	148	146	190	220
Change in Net Working Capital	0.0	-36.1	-13.4	-4.3	83.0	4.1
<b>Cash Flow from Operations</b>	<b>113</b>	<b>100</b>	<b>134</b>	<b>142</b>	<b>273</b>	<b>224</b>
Capex	-35.3	-34.8	-37.9	-97.1	-49.6	-52.2
Net Financial Investments	0.0	0.0	0.0	-379	0.0	0.0
<b>Free Cash Flow</b>	<b>77.3</b>	<b>65.6</b>	<b>96.4</b>	<b>-335</b>	<b>224</b>	<b>172</b>
Dividends	-32.2	-33.9	-41.1	-42.7	-55.5	-60.1
Other (incl. Capital Increase & share buy backs)	-64.7	-79.0	11.0	0.0	0.0	0.0
<b>Change in Net Debt</b>	<b>-19.6</b>	<b>-47.2</b>	<b>66.3</b>	<b>-378</b>	<b>168</b>	<b>112</b>
NOPLAT	107	108	107	119	171	193
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Tangible Assets	73.9	79.2	65.7	133	148	163
Net Intangible Assets (incl. Goodwill)	501	596	585	948	931	915
Net Financial Assets & Other	76.7	95.0	98.1	98.1	98.1	98.1
<b>Total Fixed Assets</b>	<b>652</b>	<b>770</b>	<b>749</b>	<b>1,179</b>	<b>1,177</b>	<b>1,176</b>
Inventories	0.9	0.7	0.4	2.0	2.5	2.6
Trade receivables	747	769	780	891	938	991
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
Cash (-)	-159	-231	-151	-126	-274	-366
<b>Total Current Assets</b>	<b>907</b>	<b>1,001</b>	<b>932</b>	<b>1,019</b>	<b>1,214</b>	<b>1,359</b>
<b>Total Assets</b>	<b>1,559</b>	<b>1,771</b>	<b>1,680</b>	<b>2,198</b>	<b>2,391</b>	<b>2,535</b>
Shareholders Equity	455	536	595	625	708	815
Minority	-0.1	1.1	2.9	2.9	2.9	2.9
Total Equity	455	537	598	628	711	818
Long term interest bearing debt	371	301	324	710	710	710
Provisions	51.8	59.5	57.6	100	100	100
Other long term liabilities	22.8	41.1	40.2	40.2	40.2	40.2
<b>Total Long Term Liabilities</b>	<b>446</b>	<b>401</b>	<b>422</b>	<b>851</b>	<b>851</b>	<b>851</b>
Short term interest bearing debt	24.9	215	45.3	-4.7	-24.7	-44.7
Trade payables	453	427	416	505	615	650
Other current liabilities	180	191	200	218	239	261
<b>Total Current Liabilities</b>	<b>658</b>	<b>833</b>	<b>661</b>	<b>719</b>	<b>829</b>	<b>867</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,559</b>	<b>1,771</b>	<b>1,680</b>	<b>2,198</b>	<b>2,391</b>	<b>2,535</b>
<b>Net Capital Employed</b>	<b>767</b>	<b>922</b>	<b>914</b>	<b>1,348</b>	<b>1,263</b>	<b>1,258</b>
<b>Net Working Capital</b>	<b>285</b>	<b>329</b>	<b>351</b>	<b>374</b>	<b>312</b>	<b>330</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
<i>Sales growth</i>	<i>0.7%</i>	<i>26.1%</i>	<i>-1.1%</i>	<i>2.1%</i>	<i>21.7%</i>	<i>5.7%</i>
<b>EBITDA (adj.)* growth</b>	<b>9.7%</b>	<b>11.2%</b>	<b>-1.0%</b>	<b>8.3%</b>	<b>32.7%</b>	<b>14.6%</b>
<i>EBITA (adj.)* growth</i>	<i>11.3%</i>	<i>10.1%</i>	<i>-2.4%</i>	<i>12.9%</i>	<i>35.4%</i>	<i>15.9%</i>
<i>EBIT (adj.)* growth</i>	<i>12.6%</i>	<i>3.9%</i>	<i>-3.8%</i>	<i>14.4%</i>	<i>39.0%</i>	<i>17.0%</i>

**Arcadis: Summary tables**

<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Profit growth	4.7%	28.6%	5.8%	12.0%	24.1%	15.6%
EPS adj. growth	3.5%	22.6%	1.7%	11.4%	24.1%	15.6%
DPS adj. growth	0.0%	1.0%	20.0%	0.1%	30.0%	8.2%
EBITDA (adj)* margin	8.9%	7.8%	7.8%	8.3%	9.1%	9.8%
EBITA (adj)* margin	7.5%	6.5%	6.5%	7.1%	7.9%	8.7%
EBIT (adj)* margin	7.2%	6.0%	5.8%	6.5%	7.4%	8.2%
<b>RATIOS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Debt/Equity	0.5	0.5	0.4	0.9	0.6	0.4
Net Debt/EBITDA	1.3	1.4	1.1	2.7	1.5	0.9
Interest cover (EBITDA/Fin.interest)	7.6	9.1	10.9	9.7	7.2	8.4
Capex/D&A	106.6%	73.4%	74.1%	208.7%	96.6%	98.2%
Capex/Sales	1.7%	1.4%	1.5%	3.8%	1.6%	1.6%
NWC/Sales	14.1%	12.9%	14.0%	14.6%	10.0%	10.0%
ROE (average)	19.2%	21.2%	19.7%	20.4%	23.2%	23.4%
ROCE (adj.)	12.5%	10.8%	10.7%	8.2%	12.3%	13.7%
WACC	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
ROCE (adj.)/WACC	1.7	1.4	1.4	1.1	1.6	1.8
<b>PER SHARE DATA (EUR)***</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Average diluted number of shares	68.2	71.5	74.4	74.8	74.8	74.8
EPS (reported)	1.27	1.25	1.23	1.33	1.85	2.23
EPS (adj.)	1.20	1.47	1.49	1.66	2.06	2.39
BVPS	6.68	7.49	6.68	7.49	7.99	8.35
DPS	0.47	0.47	0.57	0.57	0.74	0.80
<b>VALUATION</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
EV/Sales	0.5	0.6	0.8	0.9	0.7	0.6
EV/EBITDA	5.5	7.4	10.1	11.0	7.6	6.3
<b>EV/EBITDA (adj.)*</b>	<b>5.5</b>	<b>7.4</b>	<b>10.1</b>	<b>11.0</b>	<b>7.6</b>	<b>6.3</b>
EV/EBITA	6.5	8.8	12.2	12.8	8.6	7.1
<b>EV/EBITA (adj.)*</b>	<b>6.5</b>	<b>8.8</b>	<b>12.2</b>	<b>12.8</b>	<b>8.6</b>	<b>7.1</b>
EV/EBIT	6.8	9.7	13.6	14.1	9.2	7.5
<b>EV/EBIT (adj.)*</b>	<b>6.8</b>	<b>9.7</b>	<b>13.6</b>	<b>14.1</b>	<b>9.2</b>	<b>7.5</b>
<b>P/E (adj.)</b>	<b>10.1</b>	<b>12.2</b>	<b>17.2</b>	<b>15.0</b>	<b>11.8</b>	<b>10.2</b>
P/BV	1.8	2.4	3.8	3.3	3.1	2.9
Total Yield Ratio	4.1%	3.2%	2.4%	3.0%	3.3%	
EV/CE	1.2	1.5	2.0	1.6	1.5	1.4
OpFCF yield	9.3%	5.1%	5.2%	2.4%	12.2%	9.4%
OpFCF/EV	7.8%	4.5%	4.8%	1.9%	10.4%	8.5%
Payout ratio	37.1%	38.1%	46.4%	43.0%	40.0%	36.0%
Dividend yield (gross)	3.9%	2.7%	2.3%	2.3%	3.0%	3.3%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Price** (EUR)	12.10	17.89	25.62	24.93	24.45	24.45
Outstanding number of shares for main stock	68.5	71.3	72.2	74.8	74.8	74.8
<b>Total Market Cap</b>	<b>829</b>	<b>1,276</b>	<b>1,849</b>	<b>1,865</b>	<b>1,829</b>	<b>1,829</b>
<b>Net Debt</b>	<b>237</b>	<b>285</b>	<b>218</b>	<b>580</b>	<b>412</b>	<b>300</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>-159</i>	<i>-231</i>	<i>-151</i>	<i>-126</i>	<i>-274</i>	<i>-366</i>
<i>o/w Gross Debt (+)</i>	<i>396</i>	<i>515</i>	<i>370</i>	<i>706</i>	<i>686</i>	<i>666</i>
<b>Other EV components</b>	<b>-77</b>	<b>-95</b>	<b>-77</b>	<b>-95</b>	<b>-98</b>	<b>-98</b>
<b>Enterprise Value (EV adj.)</b>	<b>990</b>	<b>1,465</b>	<b>1,990</b>	<b>2,350</b>	<b>2,143</b>	<b>2,031</b>

Source: Company, SNS Securities estimates.

**Notes**

\* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: General Industrials/Support Services

Company Description: ARCADIS is an international engineering company and is divided in 3 divisions: Infrastructure, Environment and Facilities. For these segments ARCADIS delivers consulting, engineering and project management services. The company is active worldwide and is ranked in the top 3 engineering companies of Europe and top 10 of the world. The largest part of revenues is derived from the US (approximately 40%). The Netherlands account for approximately 25% of sales.

## ASM International

### Buy

Recommendation unchanged

**Share price: EUR 34.42**

closing price as of 07/01/2015

**Target price: EUR 40.00**

Target Price unchanged

Reuters/Bloomberg

ASMLAS/ASM NA

Daily avg. no. trad. sh. 12 mth	173,704
Daily avg. trad. vol. 12 mth (m)	5,986.97
Price high 12 mth (EUR)	35.10
Price low 12 mth (EUR)	24.08
Abs. perf. 1 mth	0.0%
Abs. perf. 3 mth	21.8%
Abs. perf. 12 mth	46.3%
<b>Market capitalisation (EURm)</b>	<b>2,076</b>
Current N° of shares (m)	60
<b>Free float</b>	<b>44%</b>

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	452	551	662
EBITDA (m)	45	118	151
EBITDA margin	9.9%	21.4%	22.8%
EBIT (m)	45	93	121
EBIT margin	9.9%	16.9%	18.3%
Net Profit (adj.)(m)	25	94	105
ROCE	21.2%	39.3%	44.7%
Net debt/(cash) (m)	(310)	(382)	(417)
Net Debt Equity	-0.2	-0.2	-0.3
Net Debt/EBITDA	-6.9	-3.2	-2.8
Int. cover(EBITDA/Fin.int)	4.2	(7.0)	(75.1)
EV/Sales	2.7	3.3	2.5
EV/EBITDA	27.1	15.4	11.0
EV/EBITDA (adj.)	27.1	15.4	11.0
EV/EBIT	27.1	19.5	13.7
P/E (adj.)	nm	23.4	19.8
P/BV	1.1	1.4	1.3
OpFCF yield	1.1%	6.0%	7.0%
Dividend yield	1.5%	1.6%	1.7%
EPS (adj.)	0.39	1.50	1.73
BVPS	22.79	24.60	26.60
DPS	0.50	0.55	0.60



Shareholders: Mr A. Del Prado 18%; Aberdeen 10%; JP Morgan Chase 8%; MFS 5%; Eminence Capital 5%; Den Norges Bank 5%; UBS

### Fast adoption ALD certainly in higher technology nodes

- ✓ Adoption of Atomic Layer Deposition (ALD) in the Front End part of the semiconductor equipment business is increasing more and more. Although competition is entering the market, we believe that in the areas that ASMI is targeting it is very dominant. In the transition of the industry to the next technology node (16/14 nano meter) that is planned in the next half year, ALD will be required for more deposition layers.
- ✓ In 2013 and 2014, ASMI increased its market share in the equipment market driven by the developments in ALD, which we expect now represents over half of ASMI's revenues. ASMI realized double digit revenue growth in 2013, in contrast to a decreasing overall equipment market and a higher than average growth in 2014. Also for 2015, we expect ASMI to outgrow the industry with ~20% turnover growth.
- ✓ ASMI is the dominant player in ALD for high k metal gates (mostly Logic chips) and Plasma Enhanced ALD for double patterning applications (mostly Memory chips). New applications for (PE) ALD, for instance by using new materials and improving 3D conformity are being developed, which adds to ASMI's growth potential.
- ✓ Consolidation is a theme in Front End equipment, certainly after the still probable combination of Applied Materials and Tokyo Electron. This will create a dominant player in Front End next to ASML and could trigger new deals, as LAM Research (specialized in etching and depositing) might be looking to reinforce as well.
- ✓ We expect that ASMI will further reduce its current 40% stake in Back End market leader ASMPT (which represents roughly 55% of ASMI's share price), after the sale of a 12% stake in 2013. Nevertheless, we do not expect a move in the short term. ASMPT's share price (listed in Hong Kong) has been under pressure, despite a strong operational performance. The strategic rationale for ASMI to keep a stake in ASMPT is that Front End and Back End are more and more moving towards each other. However, we believe that ASMI's ALD/Epitaxy and furnaces businesses are that essential at the cutting edge (like TSV) between the two industry segments and would welcome a further sale of the participation in ASMPT.
- ✓ ASMI shares had a strong performance in 2014 with an appreciation of almost 50%, compared to over 100% for Besi (Back End) and 30% for ASML (Front End). In terms of valuation, ASMI continues to be extremely good value for money. Adjusted for the value of the stake in ASMPT, ASMI's Front End trades at an EV/EBITDA of somewhat over 3X, which is very cheap, compared to competition that is trading at EV/EBITDA multiples of 10.9X on average. Our DCF model points at a share price of EUR 41. We have a Buy rating on ASMI and a price target of EUR 40.

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**Strategy and targets**

ASMI entirely focuses on the front-end part of the semiconductor equipment market, the part that captures most appealing technology shifts. ASMI’s strategy in this highly consolidated and cyclical ~USD 30bn market segment consists of four key elements: Competitive Edge, Global Reach, Technology Leadership and Innovation.

ASMI’s core strengths are especially in specific parts of the fast growing market segment for Atomic Layer Deposition (ALD) and Plasma Enhanced ALD (PEALD). These deposition technologies of very thin films are essential especially at smaller geometries and 3D structures. With over 50% of equipment spending in 2015 expected to be below the 22nm geometry, ASMI has strong growth prospects.

Where the strategy for (PE) ALD is to expand aggressively, ASMI wants to nurture its attractive (top 3) positions in several other mature niche markets. These are in Epitaxy (thick film), Plasma Enhanced Chemical Vapor Deposition (PECVD), Low Pressure Chemical Vapor Deposition (LPCVD) and vertical furnaces.

To maintain its strong position, ASMI targets to innovate continuously, for instance through improving processes (to increase productivity) or by extending the existing Low K film solution to higher technology nodes.

Although there are no formal targets, ASMI should be able to reach gross margins of 35-45% through the cycle (2013: 39%, 2014 higher). With relative stable SG&A and R&D slowly moving to mid teen %-of sales, we see room for operational margin improvement to ~18% in 2015 (9.9% in 2013), which is better than the original plans for the Front End division in 2008 (average of 13%).

**Financial position**

ASMI has a solid financial position. Working capital is the main operational component of ASMI’s balance sheet at ~25% of sales. We expect that there is room for a limited decrease to ~23% of sales, due to improvements in the supply chain, leading to lower inventories.

Annual PPE amounts to roughly EUR 50m and the net cash position is ~EUR 400m. From this cash position ~EUR 150m is needed for seasonal working capital needs and a cash buffer. Another ~EUR 150m can be used for extra R&D or M&A (strengthening long term position).

Excess cash can and will be returned to shareholders. We do not see large acquisitions by ASMI at this moment and would expect a target size of max. ~EUR 100m. When looking at acquisitions, we expect ASMI to look at targets that can add specific technology.

**SWOT**

Strengths	Weaknesses
Market leader in ALD Well exposed to Intel and TSMC ASMPT is market leader in back-end	Discount Front End ex ASMPT stake Limited number of products Still building track record
Opportunities	Threats
Consolidation trends industry New applications for (PE) ALD Expand in Memory and Foundry	Front-end competition is high High dependency on a few customers Highly cyclical nature chip industry

Source: SNS Securities

### Recent developments and outlook

Late November, ASMI announced a Share Buy Back program of up to EUR 100m within the 2014-2015 time frame, delivering on the promise to return excess cash to shareholders. We do not exclude further Share Buy backs in the future.

Capex plans from clients are the most important top line driver in the short term. In the longer term, trends like the internet of things/big data/cloud are leading. In the recent consumer electronics fair CES in Las Vegas, Samsung's keynote speech was on the Internet of Things. where it suggested that 100% of its products will be connected in 5 years time. We expect that this will be a trigger for both the Front End (more chips production), but especially the Back End of business (also sensor packages).

For 4Q14, ASMI expects a flat to single digit sales increase (at constant currencies), while new orders are expected to be in the EUR 130-150m range. This would bring new orders for the second half of the year at approximately the same level as for the first half of the year.

### Expected news flow and triggers

Most semiconductor equipment is still ordered for the 32nm node, but in the next years production will shift more and more to more to 20nm (as a kind of "in between" node) and further to 16/14nm nodes, where penetration of ASMI's key ALD equipment is much higher. At TSMC, ASMI's second largest client, 28nm production is increasing fast and is now the largest part of production. 20nm volume production has been ramped up in 2014 and 16nm finfet volume production is expected the next quarters. Intel will continue to invest in higher technology nodes as well. In these production nodes there will be much more ALD and PEALD applications. This should lead to increasing order intake for ASMI in the first quarters this year.

We do not expect a further reduction of the 40% participation in ASMPT this year, although we believe that this would unlock substantial value in ASMI's share price. If ASMI does decide to further reduce its stake, this will be hugely positive for the share price. The initial lock up on further divestments of the ASMPT stake expired already in November 2013.

In February, ASMI will report its 4Q14 results, which we expect to be strong. We have pencilled in 6% QoQ revenue growth and a gross margin of >42%. EBIT margin is expected to come in at 12.4%. We will especially focus on order intake.

### Valuation

In terms of valuation, ASMI continues to be extremely good value for money. Adjusted for the value of the stake in ASMPT, ASMI's Front End trades at an EV/EBITDA of somewhat over 3X, which is very cheap, compared to competition that is trading at EV/EBITDA multiples of ~11X on average.

Although ASMI's front end has always traded at a discount and even at negative values, we believe that with full focus on the now profitable front end and potential further divestments of the ASMPT stake, more investors will start to see the apparent under-valuation. We have a Buy rating on ASMI and price target of EUR 40.

Our DCF arrives at a value of EUR 40, with very conservative input. We have modelled in a perpetual EBIT margin of 13% (while we already expect a margin of 17% in 2014), as competition could increase in the next years. Furthermore, we have pencilled in growth of 4.5% on average in the 2017-2022 timeframe and perpetual growth of 1.5%. This could also prove to be conservative.

**ASM International: Summary tables**

PROFIT & LOSS (EURm)	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
<b>Sales</b>	<b>1,634</b>	<b>1,418</b>	<b>452</b>	<b>551</b>	<b>662</b>	<b>662</b>
Cost of Sales & Operating Costs	-1,307	-1,277	-407	-433	-511	-519
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>327</b>	<b>141</b>	<b>44.7</b>	<b>118</b>	<b>151</b>	<b>143</b>
<b>EBITDA (adj.)*</b>	<b>327</b>	<b>141</b>	<b>44.7</b>	<b>118</b>	<b>151</b>	<b>143</b>
Depreciation	-50.6	-52.5	0.0	-24.8	-29.8	-29.8
<b>EBITA</b>	<b>277</b>	<b>88.5</b>	<b>44.7</b>	<b>93.5</b>	<b>121</b>	<b>113</b>
<b>EBITA (adj)*</b>	<b>277</b>	<b>88.5</b>	<b>44.7</b>	<b>93.5</b>	<b>121</b>	<b>113</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>277</b>	<b>88.5</b>	<b>44.7</b>	<b>93.5</b>	<b>121</b>	<b>113</b>
<b>EBIT (adj.)*</b>	<b>277</b>	<b>88.5</b>	<b>44.7</b>	<b>93.5</b>	<b>121</b>	<b>113</b>
Net Financial Interest	-8.6	-21.8	-10.7	17.0	2.0	2.0
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	980	60.8	69.2	76.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>268</b>	<b>66.7</b>	<b>1,014</b>	<b>171</b>	<b>192</b>	<b>191</b>
Tax	-44.5	-26.3	-9.5	-16.6	-18.5	-17.3
<i>Tax rate</i>	<i>16.6%</i>	<i>39.4%</i>	<i>0.9%</i>	<i>9.7%</i>	<i>9.6%</i>	<i>9.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-83.1	-33.3	0.0	0.0	0.0	0.0
<b>Net Profit (reported)</b>	<b>141</b>	<b>7.1</b>	<b>1,004</b>	<b>155</b>	<b>174</b>	<b>174</b>
<b>Net Profit (adj.)</b>	<b>141</b>	<b>7.1</b>	<b>24.5</b>	<b>93.9</b>	<b>105</b>	<b>97.9</b>
<b>CASH FLOW (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Cash Flow from Operations before change in NWC	274	50.0	45.4	179	204	204
Change in Net Working Capital	-57.6	-7.5	-12.0	-20.7	-24.9	0.0
<b>Cash Flow from Operations</b>	<b>217</b>	<b>42.5</b>	<b>33.4</b>	<b>159</b>	<b>179</b>	<b>204</b>
Capex	-93.4	-68.2	-17.1	-27.3	-32.8	-32.8
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>123</b>	<b>-25.7</b>	<b>16.3</b>	<b>131</b>	<b>146</b>	<b>171</b>
Dividends	-102	-54.5	-285	-34.5	-36.2	-36.2
Other (incl. Capital Increase & share buy backs)	68.9	68.0	382	-25.0	-75.0	0.0
<b>Change in Net Debt</b>	<b>90.3</b>	<b>-12.2</b>	<b>114</b>	<b>72.0</b>	<b>34.7</b>	<b>135</b>
NOPLAT	235	75.2	38.0	79.4	103	96.2
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Tangible Assets	260	275	56.5	59.0	62.0	65.0
Net Intangible Assets (incl. Goodwill)	52.1	51.9	18.9	18.9	18.9	18.9
Net Financial Assets & Other	60.8	57.8	958	958	958	958
<b>Total Fixed Assets</b>	<b>373</b>	<b>385</b>	<b>1,033</b>	<b>1,036</b>	<b>1,039</b>	<b>1,042</b>
Inventories	377	403	104	121	146	146
Trade receivables	331	305	84.2	100	119	119
Other current assets	91.3	122	16.3	19.9	23.8	23.8
Cash (-)	-410	-290	-312	-384	-419	-554
<b>Total Current Assets</b>	<b>1,209</b>	<b>1,120</b>	<b>517</b>	<b>626</b>	<b>708</b>	<b>842</b>
<b>Total Assets</b>	<b>1,582</b>	<b>1,506</b>	<b>1,551</b>	<b>1,662</b>	<b>1,746</b>	<b>1,884</b>
Shareholders Equity	653	742	1,447	1,542	1,604	1,742
Minority	298	308	0.0	0.0	0.0	0.0
Total Equity	951	1,050	1,447	1,542	1,604	1,742
Long term interest bearing debt	150	26.1	2.5	2.5	2.5	2.5
Provisions	10.8	43.9	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Long Term Liabilities</b>	<b>161</b>	<b>70.0</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
Short term interest bearing debt	51.3	68.0	0.0	0.0	0.0	0.0
Trade payables	158	152	91.4	110	132	132
Other current liabilities	261	166	10.1	7.0	7.0	7.0
<b>Total Current Liabilities</b>	<b>470</b>	<b>385</b>	<b>101</b>	<b>117</b>	<b>139</b>	<b>139</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,582</b>	<b>1,506</b>	<b>1,551</b>	<b>1,662</b>	<b>1,746</b>	<b>1,884</b>
<b>Net Capital Employed</b>	<b>754</b>	<b>898</b>	<b>1,137</b>	<b>1,160</b>	<b>1,188</b>	<b>1,191</b>
<b>Net Working Capital</b>	<b>380</b>	<b>512</b>	<b>104</b>	<b>124</b>	<b>149</b>	<b>149</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
<i>Sales growth</i>	<i>33.6%</i>	<i>-13.2%</i>	<i>-68.1%</i>	<i>22.0%</i>	<i>20.0%</i>	<i>0.0%</i>
<b>EBITDA (adj.)* growth</b>	<b>-13.0%</b>	<b>-56.9%</b>	<b>-68.3%</b>	<b>164.6%</b>	<b>27.6%</b>	<b>-5.3%</b>
<i>EBITA (adj.)* growth</i>	<i>-18.7%</i>	<i>-68.0%</i>	<i>-49.5%</i>	<i>109.1%</i>	<i>29.6%</i>	<i>-6.6%</i>
<i>EBIT (adj.)* growth</i>	<i>-18.7%</i>	<i>-68.0%</i>	<i>-49.5%</i>	<i>109.1%</i>	<i>29.6%</i>	<i>-6.6%</i>

**ASM International: Summary tables**

<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Profit growth	-22.0%	-94.9%	243.3%	283.2%	11.5%	-6.5%
EPS adj. growth	-25.1%	-94.9%	198.6%	288.0%	15.8%	-6.5%
DPS adj. growth	25.0%	0.0%	0.0%	10.0%	9.1%	0.0%
EBITDA (adj)* margin	20.0%	9.9%	9.9%	21.4%	22.8%	21.6%
EBITA (adj)* margin	16.9%	6.2%	9.9%	16.9%	18.3%	17.1%
EBIT (adj)* margin	16.9%	6.2%	9.9%	16.9%	18.3%	17.1%
<b>RATIOS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Debt/Equity	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3
Net Debt/EBITDA	-0.6	-1.4	-6.9	-3.2	-2.8	-3.9
Interest cover (EBITDA/Fin.interest)	38.1	6.5	4.2	n.m.	n.m.	n.m.
Capex/D&A	184.8%	129.7%	n.m.	110.0%	110.0%	110.0%
Capex/Sales	5.7%	4.8%	3.8%	5.0%	5.0%	5.0%
NWC/Sales	23.3%	36.1%	22.9%	22.5%	22.5%	22.5%
ROE (average)	26.4%	1.0%	2.2%	6.3%	6.7%	5.9%
ROCE (adj.)	33.9%	9.0%	21.2%	39.3%	44.7%	41.3%
WACC	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
ROCE (adj.)/WACC	3.1	0.8	1.9	3.6	4.1	3.8
<b>PER SHARE DATA (EUR)***</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Average diluted number of shares	55.5	55.2	63.5	62.7	60.3	60.3
EPS (reported)	2.53	0.13	15.82	2.47	2.88	2.88
EPS (adj.)	2.53	0.13	0.39	1.50	1.73	1.62
BVPS	11.77	13.44	22.79	24.60	26.60	28.88
DPS	0.50	0.50	0.50	0.55	0.60	0.60
<b>VALUATION</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
EV/Sales	1.7	2.1	2.7	3.3	2.5	2.3
EV/EBITDA	8.5	21.5	27.1	15.4	11.0	10.7
<b>EV/EBITDA (adj.)*</b>	<b>8.5</b>	<b>21.5</b>	<b>27.1</b>	<b>15.4</b>	<b>11.0</b>	<b>10.7</b>
EV/EBITA	10.1	34.2	27.1	19.5	13.7	13.5
<b>EV/EBITA (adj.)*</b>	<b>10.1</b>	<b>34.2</b>	<b>27.1</b>	<b>19.5</b>	<b>13.7</b>	<b>13.5</b>
EV/EBIT	10.1	34.2	27.1	19.5	13.7	13.5
<b>EV/EBIT (adj.)*</b>	<b>10.1</b>	<b>34.2</b>	<b>27.1</b>	<b>19.5</b>	<b>13.7</b>	<b>13.5</b>
<b>P/E (adj.)</b>	<b>9.0</b>	<b>n.m.</b>	<b>n.m.</b>	<b>23.4</b>	<b>19.8</b>	<b>21.2</b>
P/BV	1.9	2.0	1.1	1.4	1.3	1.2
Total Yield Ratio	4.3%	19.0%	1.6%	1.7%	1.7%	
EV/CE	4.0	3.6	6.8	9.0	7.2	6.5
OpFCF yield	9.7%	-1.7%	1.1%	6.0%	7.0%	8.2%
OpFCF/EV	4.4%	-0.8%	1.3%	7.2%	8.8%	11.2%
Payout ratio	19.8%	n.m.	3.2%	22.3%	20.8%	20.8%
Dividend yield (gross)	2.2%	1.8%	1.5%	1.6%	1.7%	1.7%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Price** (EUR)	22.76	27.16	23.95	35.10	34.42	34.42
Outstanding number of shares for main stock	55.5	55.2	63.5	62.7	60.3	60.3
<b>Total Market Cap</b>	<b>1,263</b>	<b>1,499</b>	<b>1,520</b>	<b>2,200</b>	<b>2,076</b>	<b>2,076</b>
<b>Net Debt</b>	<b>-209</b>	<b>-196</b>	<b>-310</b>	<b>-382</b>	<b>-417</b>	<b>-551</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>-410</i>	<i>-290</i>	<i>-312</i>	<i>-384</i>	<i>-419</i>	<i>-554</i>
<i>o/w Gross Debt (+)</i>	<i>202</i>	<i>94</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>
<b>Other EV components</b>	<b>1,725</b>	<b>1,725</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Enterprise Value (EV adj.)</b>	<b>2,780</b>	<b>3,028</b>	<b>1,210</b>	<b>1,818</b>	<b>1,659</b>	<b>1,525</b>

Source: Company, SNS Securities estimates.

**Notes**

\* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Technology Hardware &amp; Equipment/Semiconductors

Company Description: ASMI is a supplier of Front End semiconductor manufacturing equipment. ASMI targets the ALD and CVD deposition market where it competes with AMAT, Tokyo Electron and LAM Research. The growth driver is the new ALD technology. ASMI has a 40% stake in Hong Kong listed Back End equipment maker ASMPT (with a separate listing in Hong Kong) which is the market leader in back-end assembly equipment for both semi and LED applications.

# Royal BAM Group

**Buy** ✓

Recommendation unchanged

**Share price: EUR 4.22**

*closing price as of 07/01/2015*

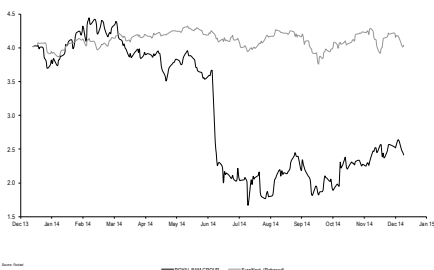
**Target price: EUR 4.20**

Target Price unchanged

Reuters/Bloomberg BAMN.AS/BAMNB.NA ✓

Daily avg. no. trad. sh. 12 mth	3,997,816
Daily avg. trad. vol. 12 mth (m)	10,059.77
Price high 12 mth (EUR)	4.45
Price low 12 mth (EUR)	1.67
Abs. perf. 1 mth	3.8%
Abs. perf. 3 mth	16.2%
Abs. perf. 12 mth	-36.6% ✓
<b>Market capitalisation (EURm)</b>	<b>654</b>
Current N° of shares (m)	271
<b>Free float</b>	<b>75%</b>

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	7,042	7,387	7,623
EBITDA (m)	172	143	273
EBITDA margin	2.4%	1.9%	3.6%
EBIT (m)	16	55	182
EBIT margin	0.2%	0.7%	2.4% ✓
Net Profit (adj.)(m)	101	25	94
ROCE	2.3%	-102.8%	20.8%
Net debt/(cash) (m)	373	190	(150)
Net Debt Equity	0.4	0.2	-0.1
Net Debt/EBITDA	2.2	1.3	-0.5
Int. cover(EBITDA/Fin.int)	(50.6)	(25.6)	(144.7)
EV/Sales	0.1	0.0	nm
EV/EBITDA	3.0	1.1	nm
EV/EBITDA (adj.)	3.0	1.1	nm
EV/EBIT	32.7	2.9	nm ✓
P/E (adj.)	9.1	27.4	7.0
P/BV	1.0	0.7	0.6
OpFCF yield	2.1%	2.9%	22.2%
Dividend yield	2.1%	1.6%	4.3%
EPS (adj.)	0.42	0.09	0.35
BVPS	3.86	3.49	3.81
DPS	0.05	0.04	0.10



Shareholders: A. van Herk 10%; ING 10%; Delta Lloyd Deelnemingen 5%; Zadig 3%;

## Recovering market, heavy restructuring and low valuation

The residential market in The Netherlands has recovered in 2014. Residential sales at BAM developed strongly with 1,424 new homes sold in the first 9 months of 2014, compared to 936 with the 1H results (somewhat more than the market which increased 46% to October). We see continued momentum in 2015 and expect that the non-residential and infra segments will develop stable (after a small decrease in 2014).

The period after the first positive signals in construction is always tricky. Main contractors like BAM are still in the process of executing projects that have been acquired under difficult market circumstances, while the prices charged by sub-contractors are already increasing. We see the profit warnings of BAM as a signal that this process has run its course. Although there is always a chance on new setbacks, we think that the risk is now fairly limited, as all companies have revised bidding procedures and provisioned losses where necessary.

At its recent Capital Market Day, BAM explained in much detail about its back in shape restructuring program that has to bring EUR 100m annual cost savings and working capital gains of EUR 300m at a cost of EUR 100m. What's different compared to previous restructuring, is that BAM has hired external advisors, has increased focus on the financial organization and also that it will completely shake up its operational structure. Certainly, this also means execution risk in an ageing/not very flexible organization like BAM, but we are pleased with the expeditious approach of new CEO Rob van Wingerden.

BAM reported a solid order intake in the last months: In December alone: the Uithof rail line in Utrecht for EUR 70m, a EUR 35m project for the Chemelot Campus in Zuid Limburg, a PPP rail project in Luik Belgium, a PPP road project in Ireland for EUR 217m, apartments and offices in Antwerp for EUR 20m and the house of the future in Berlin (also PPP) for EUR 58m. These projects are all acquired under BAM's new tender rules and should have favourable cash flow profiles and carry less risk.

Although BAM has a credibility issue, we expect this to fade quickly as soon as results start to recover. Especially last mid year's profit warning came as a bold surprise to investors, certainly after the disappointments in the years before and earlier statements of management regarding the status of the problem projects. With new top management, a repaired and strong balance sheet and more stable market environment, we are now at an interesting entry point for the share.

2015 will be another transformational year in which the changes at BAM will materialize, but results will be lagging. However, we believe that 2016 will mark a return to a more normalized market environment and profitability levels. Typically, valuation ratios increase also with improving market conditions. At our current estimates, 2016 PE is ~4. Assuming that 2016 PE levels go to 6 or 7 we already arrive at price targets of EUR 3.50-EUR 4. If earnings momentum increases, it could be even more. In a sum of the parts valuation we arrive at a share price target of EUR 5. We have a Buy rating and price target of EUR 4.20, being the middle of our multiple valuation and SOTP

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**Strategy and targets**

BAM wants to be a ‘10+ business’ by 2020: This means a top 10 European company, with over EUR 10bn turnover (FY14E: EUR 7.4bn), achieving a ROCE of >10% (SNS14E: -10%) . Where BAM used to have mostly revenue and margin targets, it now also has a return on invested capital target. We see this as a positive development, as capital intensity has increased a lot in the last 10 years. Also the anticipated growth path is not overly aggressive with a CAGR of 5%.

For the 2013-2015 strategic planning period, BAM has 4 objectives: performing ‘Best in class’, showing leadership in complex multidisciplinary projects (for instance PPP), expanding activities in the ‘built asset’ process chain (for instance more design) and occupying niche positions in selected growth markets (for instance BAM International’s hit and run projects).

**Financial position**

BAM’s financial position has improved significantly over the last years, not in the last place as a result of issuing fresh equity (EUR 250m rights issue in 2010 and a sub 10 issue of ~EUR 80m in 2013). On a recourse basis, excluding PPP and project borrowings that do not have a recourse on BAM Group, a net cash position remains at year end.

BAM wants to strengthen its financial position further. Having a financial buffer to absorb earnings volatility makes sense to us, certainly with profitability not on desired levels yet. A large working capital program with the help of external consultancy REL has been started. Trade working capital as a % of sales has to improve to +/- 11% of sales again from not even -/-7% at the moment, freeing up EUR 300m working capital by year end 2015. We have pencilled in roughly EUR 200m in working capital gains in the years to 2016.

Next to this, BAM targets to sell EUR 100m of property assets and divestments on an annual basis. This will further strengthen the financial position. BAM is far away from covenant levels and in safe territory.

**SWOT**

Strengths	Weaknesses
Market leader in The Netherlands/Belgium Well positioned in growth areas like PPP Growth outside Europe in BAM Int.	Sensitive to economic cycle More issues with regulators Not change minded culture
Opportunities	Threats
Large exposure to residential property More PPP with Budget balancing More Rail Infra structure in Europe	Still mixed signals recovery Europe Continued margin pressure, bad projects Finding skilled staff

Source: SNS Securities

### **Recent developments and outlook**

BAM reported better than expected 9m results in November. Infra results were in the green again in Q3, which was a positive signal, as this was the division with the largest problems. In construction, results continued to be negative (caused by The Netherlands). Property results were clearly better than expected due to turnover in commercial real estate. Residential sales develop strongly with 1,424 new homes sold in the first 9 months, compared to 936 with the 1H results, which suggests a continued strong momentum, despite the holiday season.

BAM reported a solid order intake in the last months: In Decembert alone: the Uithof rail line in Utrecht for EUR 70m, a EUR 35m project for the Chemelot Campus in Zuid Limburg, a PPP rail project in Luik Belgium, a PPP road project in Ireland for EUR 217m, apartments and offices in Antwerp for EUR 20m and the house of the future in Berlin (also PPP) for EUR 58m. These projects were all acquired under BAM's new tender rules and should have favourable cash flow profiles and carry less risk.

### **Expected news flow and triggers**

Further positive news flow on the Dutch residential market will certainly continue to be a trigger for BAM's share price. This could be news on transactions, prices, new build etcetera. What would really trigger the share price will be the moment that we see a meaningful recovery of margins in the property/residential construction divisions, driven by the market recovery and a structurally lower cost base.

The absence of bad news flow and the completion of problem projects would also be a trigger for the share price in our opinion. News like the settlement with the Belgium government on the NATO building and the expected completion in 2016 could provide more comfort to investors. Settlement or completion news on the German and UK problem projects could have similar effects.

BAM has a very strong track record with PPP projects and is well positioned to win several PPP contracts in the next period. The pipeline is well filled.

### **Valuation**

In the last years, PE's for BAM have been in the 4-10X range. We have always indicated 6-10X as a typical range for PE's for construction companies in the Netherlands. The fact that we have been below this range has to do with the especially lacklustre residential market in the last business cycle and weak results in the other divisions, leading to a weak balance sheet and equity issues. For 2016, our calculations indicate a PE level of ~4X and this is the year that could mark a return to a more normal market environment, with earnings momentum increasing. This marks an attractive entry level in our view.

In a sum of the parts valuation with the investment sectors (Property and PPP) valued on an asset basis with a premium for PPP and a discount for the property assets, combined with a multiple of 5X for the infra/ construction activities we arrive at an Enterprise value of EUR 1.8bn. If we deduct an adjusted net cash of EUR 385m, the pension deficit and restructuring costs of EUR 100m the share price target would be EUR 5 per share. All in all, we have a Buy rating and price target of EUR 4.20, being the middle of our multiple valuation and SOTP.

Although we see a limited dividend payment over 2014 (we estimate EUR 0.04 per share, compared to EUR 0.05 in 2013), we expect a meaningful improvement of dividends in the next few years to ~EUR 0.20 cents per share, driven by both result and free cash flow improvements.

**Royal BAM Group: Summary tables**

PROFIT & LOSS (EURm)	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
<b>Sales</b>	<b>7,920</b>	<b>7,225</b>	<b>7,042</b>	<b>7,387</b>	<b>7,623</b>	<b>7,995</b>
Cost of Sales & Operating Costs	-7,643	-7,029	-6,870	-7,244	-7,350	-7,714
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>277</b>	<b>196</b>	<b>172</b>	<b>143</b>	<b>273</b>	<b>281</b>
<b>EBITDA (adj.)*</b>	<b>277</b>	<b>196</b>	<b>172</b>	<b>143</b>	<b>273</b>	<b>281</b>
Depreciation	-106	-88.9	-156	-88.6	-91.5	-95.9
<b>EBITA</b>	<b>171</b>	<b>107</b>	<b>15.9</b>	<b>54.5</b>	<b>182</b>	<b>185</b>
<b>EBITA (adj)*</b>	<b>171</b>	<b>107</b>	<b>15.9</b>	<b>54.5</b>	<b>182</b>	<b>185</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>171</b>	<b>107</b>	<b>15.9</b>	<b>54.5</b>	<b>182</b>	<b>185</b>
<b>EBIT (adj.)*</b>	<b>171</b>	<b>107</b>	<b>15.9</b>	<b>54.5</b>	<b>182</b>	<b>185</b>
Net Financial Interest	-26.3	3.5	3.4	5.6	1.9	4.1
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	34.4	-1.4	25.1	10.6	10.6	10.6
Other Non Recurrent Items	20.0	-333	55.5	-35.0	-65.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>159</b>	<b>109</b>	<b>44.4</b>	<b>0.7</b>	<b>64.4</b>	<b>199</b>
Tax	-31.0	41.2	-5.8	-8.6	-31.1	-47.9
<i>Tax rate</i>	<i>19.5%</i>	<i>n.m.</i>	<i>13.1%</i>	<i>n.m.</i>	<i>48.2%</i>	<i>24.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-1.7	-0.7	-0.9	-0.8	-2.0	-2.0
<b>Net Profit (reported)</b>	<b>126</b>	<b>-184</b>	<b>37.7</b>	<b>-8.6</b>	<b>31.3</b>	<b>150</b>
<b>Net Profit (adj.)</b>	<b>124</b>	<b>149</b>	<b>101</b>	<b>25.5</b>	<b>94.1</b>	<b>147</b>
<b>CASH FLOW (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Cash Flow from Operations before change in NWC	214	239	203	80.1	123	245
Change in Net Working Capital	-436	128	-98.2	25.6	111	69.0
<b>Cash Flow from Operations</b>	<b>-223</b>	<b>367</b>	<b>105</b>	<b>106</b>	<b>234</b>	<b>314</b>
Capex	-85.1	-80.8	-83.2	-85.7	-88.3	-90.9
Net Financial Investments	179	210	0.0	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>-129</b>	<b>496</b>	<b>21.8</b>	<b>19.9</b>	<b>145</b>	<b>224</b>
Dividends	-7.0	-37.2	-23.7	-12.1	-10.3	-28.2
Other (incl. Capital Increase & share buy backs)	96.9	430	105	175	205	100
<b>Change in Net Debt</b>	<b>-38.7</b>	<b>889</b>	<b>103</b>	<b>183</b>	<b>340</b>	<b>295</b>
NOPLAT	137	147	13.8	-583	94.2	140
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Tangible Assets	374	377	356	353	350	345
Net Intangible Assets (incl. Goodwill)	735	406	403	403	403	403
Net Financial Assets & Other	1,121	911	872	732	592	492
<b>Total Fixed Assets</b>	<b>2,229</b>	<b>1,694</b>	<b>1,632</b>	<b>1,489</b>	<b>1,346</b>	<b>1,241</b>
Inventories	1,515	945	1,050	1,050	1,050	1,050
Trade receivables	2,159	1,916	1,944	2,017	2,058	2,143
Other current assets	303	199	143	143	143	143
Cash (-)	-1,012	-554	-548	-591	-785	-985
<b>Total Current Assets</b>	<b>4,988</b>	<b>3,614</b>	<b>3,685</b>	<b>3,800</b>	<b>4,036</b>	<b>4,320</b>
<b>Total Assets</b>	<b>7,218</b>	<b>5,308</b>	<b>5,317</b>	<b>5,289</b>	<b>5,382</b>	<b>5,560</b>
Shareholders Equity	1,162	735	932	946	1,032	1,154
Minority	0.7	0.7	0.7	0.7	0.7	0.7
Total Equity	1,163	736	933	947	1,033	1,154
Long term interest bearing debt	2,378	1,030	921	781	635	539
Provisions	137	220	163	163	163	163
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Long Term Liabilities</b>	<b>2,514</b>	<b>1,250</b>	<b>1,084</b>	<b>944</b>	<b>798</b>	<b>702</b>
Short term interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0
Trade payables	3,067	2,926	2,914	2,992	3,145	3,298
Other current liabilities	473	396	386	406	406	406
<b>Total Current Liabilities</b>	<b>3,541</b>	<b>3,322</b>	<b>3,300</b>	<b>3,398</b>	<b>3,551</b>	<b>3,704</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>7,218</b>	<b>5,308</b>	<b>5,317</b>	<b>5,289</b>	<b>5,382</b>	<b>5,560</b>
<b>Net Capital Employed</b>	<b>2,665</b>	<b>1,432</b>	<b>1,468</b>	<b>1,300</b>	<b>1,046</b>	<b>872</b>
<b>Net Working Capital</b>	<b>436</b>	<b>-262</b>	<b>-164</b>	<b>-189</b>	<b>-300</b>	<b>-369</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
<i>Sales growth</i>	<i>4.1%</i>	<i>-8.8%</i>	<i>-2.5%</i>	<i>4.9%</i>	<i>3.2%</i>	<i>4.9%</i>
<b>EBITDA (adj.)* growth</b>	<b>34.1%</b>	<b>-29.3%</b>	<b>-12.1%</b>	<b>-16.8%</b>	<b>90.9%</b>	<b>2.7%</b>
<i>EBITA (adj.)* growth</i>	<i>76.4%</i>	<i>-37.5%</i>	<i>-85.1%</i>	<i>243.0%</i>	<i>233.5%</i>	<i>1.6%</i>
<i>EBIT (adj.)* growth</i>	<i>n.m.</i>	<i>-37.5%</i>	<i>-85.1%</i>	<i>243.0%</i>	<i>233.5%</i>	<i>1.6%</i>



**Royal BAM Group: Summary tables**

<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Profit growth	-10.7%	20.3%	-32.6%	-74.7%	269.8%	56.5%
EPS adj. growth	-10.7%	17.2%	-33.4%	-77.4%	269.8%	56.5%
DPS adj. growth	433.3%	-37.5%	-50.0%	-24.1%	174.6%	82.6%
EBITDA (adj)* margin	3.5%	2.7%	2.4%	1.9%	3.6%	3.5%
EBITA (adj)* margin	2.2%	1.5%	0.2%	0.7%	2.4%	2.3%
EBIT (adj)* margin	2.2%	1.5%	0.2%	0.7%	2.4%	2.3%
<b>RATIOS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Debt/Equity	1.2	0.6	0.4	0.2	-0.1	-0.4
Net Debt/EBITDA	4.9	2.4	2.2	1.3	-0.5	-1.6
Interest cover (EBITDA/Fin.interest)	10.5	n.m.	n.m.	n.m.	n.m.	n.m.
Capex/D&A	80.2%	90.9%	53.3%	96.7%	96.5%	94.8%
Capex/Sales	1.1%	1.1%	1.2%	1.2%	1.2%	1.1%
NWC/Sales	5.5%	-3.6%	-2.3%	-2.6%	-3.9%	-4.6%
ROE (average)	11.0%	15.7%	12.1%	2.7%	9.5%	13.5%
ROCE (adj.)	8.9%	28.2%	2.3%	-102.8%	20.8%	37.0%
WACC	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%
ROCE (adj.)/WACC	0.9	3.0	0.2	-10.9	2.2	3.9
<b>PER SHARE DATA (EUR)***</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Average diluted number of shares	232.4	237.2	241.5	271.0	271.0	271.0
EPS (reported)	0.54	-0.76	0.14	-0.03	0.12	0.55
EPS (adj.)	0.53	0.63	0.42	0.09	0.35	0.54
BVPS	5.00	3.10	3.86	3.49	3.81	4.26
DPS	0.16	0.10	0.05	0.04	0.10	0.19
<b>VALUATION</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
EV/Sales	0.1	0.0	0.1	0.0	n.m.	n.m.
EV/EBITDA	3.6	1.8	3.0	1.1	n.m.	n.m.
<b>EV/EBITDA (adj.)*</b>	<b>3.6</b>	<b>1.8</b>	<b>3.0</b>	<b>1.1</b>	<b>n.m.</b>	<b>n.m.</b>
EV/EBITA	5.9	3.2	32.7	2.9	-0.5	-1.5
<b>EV/EBITA (adj.)*</b>	<b>5.9</b>	<b>3.2</b>	<b>32.7</b>	<b>2.9</b>	<b>-0.5</b>	<b>-1.5</b>
EV/EBIT	5.9	3.2	32.7	2.9	n.m.	n.m.
<b>EV/EBIT (adj.)*</b>	<b>5.9</b>	<b>3.2</b>	<b>32.7</b>	<b>2.9</b>	<b>n.m.</b>	<b>n.m.</b>
<b>P/E (adj.)</b>	<b>6.1</b>	<b>5.2</b>	<b>9.1</b>	<b>27.4</b>	<b>7.0</b>	<b>4.4</b>
P/BV	0.7	1.0	1.0	0.7	0.6	0.6
Total Yield Ratio	4.9%	3.0%	1.9%	1.6%	4.3%	
EV/CE	0.6	0.7	0.9	0.3	n.m.	n.m.
OpFCF yield	-40.7%	36.7%	2.1%	2.9%	22.2%	34.2%
OpFCF/EV	-30.7%	83.0%	4.2%	12.8%	-166%	-78.9%
Payout ratio	29.5%	-13.1%	35.7%	-120%	90.1%	34.5%
Dividend yield (gross)	4.9%	3.1%	2.1%	1.6%	4.3%	7.9%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Price** (EUR)	3.26	3.23	3.78	2.58	2.42	2.42
Outstanding number of shares for main stock	232.1	241.5	269.4	271.0	271.0	271.0
<b>Total Market Cap</b>	<b>757</b>	<b>779</b>	<b>1,019</b>	<b>698</b>	<b>654</b>	<b>654</b>
<b>Net Debt</b>	<b>1,365</b>	<b>476</b>	<b>373</b>	<b>190</b>	<b>-150</b>	<b>-445</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>-1,012</i>	<i>-554</i>	<i>-548</i>	<i>-591</i>	<i>-785</i>	<i>-985</i>
<i>o/w Gross Debt (+)</i>	<i>2378</i>	<i>1,030</i>	<i>921</i>	<i>781</i>	<i>635</i>	<i>539</i>
<b>Other EV components</b>	<b>-1,121</b>	<b>-911</b>	<b>-872</b>	<b>-732</b>	<b>-592</b>	<b>-492</b>
<b>Enterprise Value (EV adj.)</b>	<b>1,001</b>	<b>344</b>	<b>520</b>	<b>156</b>	<b>-88</b>	<b>-283</b>

Source: Company, SNS Securities estimates.

**Notes**

\* Where EBITDA (adj.) or EBITA (adj.)= EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.)= EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Materials, Construction & Infrastructure/Construction

Company Description: BAM is the largest construction company in the Netherlands and a top-10 player in Europe with sales of approximately EUR 9bn. After the acquisition of the residential activities of project developer AM the combination is a market leader in residential development in The Netherlands as well. Furthermore, the company has strong positions in the UK, Belgium and Germany and has a sizeable stake in dredging firm Van Oord, which is the worldwide market leader.

# Beter Bed Holding

## Buy

Recommendation unchanged

Share price: EUR 15.91

closing price as of 07/01/2015

Target price: EUR 21.00

Target Price unchanged

Reuters/Bloomberg

BETRAS/BBED NA

Daily avg. no. trad. sh. 12 mth	1,956
Daily avg. trad. vol. 12 mth (m)	31.45
Price high 12 mth (EUR)	18.88
Price low 12 mth (EUR)	15.20
Abs. perf. 1 mth	2.1%
Abs. perf. 3 mth	-3.6%
Abs. perf. 12 mth	-8.8%

Market capitalisation (EURm)	347
Current N° of shares (m)	22
Free float	38%

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	357	361	385
EBITDA (m)	22	28	41
EBITDA margin	6.2%	7.9%	10.6%
EBIT (m)	12	20	33
EBIT margin	3.4%	5.6%	8.7%
Net Profit (adj.)(m)	8	15	25
ROCE	9.5%	16.5%	26.5%
Net debt/(cash) (m)	(5)	(13)	(26)
Net Debt Equity	-0.1	-0.2	-0.3
Net Debt/EBITDA	-0.2	-0.5	-0.6
Int. cover(EBITDA/Fin.int)	31.1	90.5	(158.5)
EV/Sales	1.0	1.0	0.8
EV/EBITDA	16.8	12.8	7.9
EV/EBITDA (adj.)	16.8	12.8	7.9
EV/EBIT	30.5	17.9	9.6
P/E (adj.)	46.3	25.3	14.1
P/BV	6.6	5.7	4.2
OpFCF yield	3.7%	3.8%	6.9%
Dividend yield	1.7%	3.4%	6.4%
EPS (adj.)	0.38	0.68	1.13
BVPS	2.69	3.04	3.75
DPS	0.27	0.54	1.01



Shareholders: DDF 12%; Breedinvest 9%; Polar 7%; ASR 7%; Kempen CM 6%; Delta Lloyd 6%; De Engh 5%; Todlin 5%;

## High operational leverage and high dividend/FCF yield

- ✓ Since 3Q14, Beter Bed Holding (BBH) is recovering after a period of eight quarters of declining sales. As a consequence of declining sales, BBH had to adjust its distribution network, close stores and re-think its logistics. In 3Q, like-for-like sales started to improve (+12.6%) again as consumers returned to purchase non-discretionary consumer products, related to a recovery in home sales.
- ✓ In this recovery, BBH should continue to benefit from extra volumes and mix improvement to more expensive products. With a gross margin >55% and operational expenses mitigated by the impact of distribution optimisation (including closing down of two retail formats), operational leverage starts to kick in strongly. In 1H15E, YoY comps in sales growth should be very easy.
- ✓ On top of this, BBH is planning steps to reduce net working capital. From the 6-8% level in 2012-2014E, BBH management targets to reduce this ratio to 0%, which is very ambitious. Management plans to shorten inbound and outbound logistic periods. If BBH would be able to reach this target in 2018E (our assumption), the improvement in NWC would be around EUR 30m, or EUR 1.43 per share.
- ✓ Mattress and bed sales are only slightly sensitive to online sales competition. BBH tries to temper this effect further by its own omni-channel approach. Next to its bricks-and-mortar approach (all stores have a short rent period), BBH has its own online business as well as cooperation with online retailers like bol.com and Wehkamp.nl in the Netherlands/Benelux and Amazon in Germany.
- ✓ BBH's valuation currently shows a discount versus 1) its DCF value, 2) its peer group and 3) the historical PER multiples 2005-2014E. A part of the explanation might be that the stock lacks liquidity with 62% of the shares in the hands of nine large investors. However, in view of the attractive FCF yield and dividend yield (see table), we believe the stock has upside potential.
- ✓ BBH should benefit from increasing consumer confidence and house sales in its relevant Western European markets. The first indication was seen in 3Q14. Following sales growth, BBH's EBIT will benefit from high operational leverage. On top of this, the focus on reduction of net working capital should further strengthen the net cash position, enabling the company to offer a high dividend pay-out ratio. The current valuation of BBH shows a discount of around 20% versus DCF, peer group and historical valuation multiples. With a pro-active approach through its omni-channel strategy, we think the stock has upside potential. We raise our TP to EUR 21 (was EUR 20).

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**Strategy and targets**

Beter Bed Holding (BBH) is active in the retail and wholesale market for beds and mattresses in Europe. Currently, all retail formulas have, to a greater or lesser degree, a 'value for money' positioning. BBH strives for market leadership in all countries in which it is active. The company has 1,138 stores with the majority in Germany. Of 2013 sales, 56% was generated in Germany, 32% in the Netherlands and 12% in other countries (Austria, Switzerland, Spain, Belgium, France).

BBH aims to expand its position in all the markets in which it operates by offering strong, competitively positioned retail formulas. BBH also strives to be active in a socially responsible manner.

The company targets "to grow its net profit, but in case of exceptional market conditions or low consumer confidence, net profit may decline temporarily." Concerning financial structure, BBH wants to have a solvency of at least 30% and a ratio net debt/EBITDA below 2X. BBH aims to reduce the Net Working Capital-to-sales ratio from the current level of 6-7% to 0% in three years' time.

BBH aims to achieve its objectives through formula management, expansion, cost control, leading information technology/logistics, and team/people development:

- In formula management, BBH's key drivers are like-for-like growth, developing own marketing and product concepts, strategic partnerships with suppliers, reduction of waste, and the development of own web-shops and strategic partnerships with platforms like Wehkamp.nl, bol.com and amazon.de.
- Expansion occurs through 1) flexible leasing of store locations, 2) omni-channel approach, and 3) entering new geographies. Currently, BBH is entering the French market in the Lyon area.
- In team/people development, BBH aims for at least 30% of management positions to be held by women in 2016.

**Financial position**

BBH has a strong financial position. Currently it has a net cash position (EUR 13m end 2014). As indicated above, net debt/EVBITDA is targeted to be <2X (2014E: -0.5X) and solvency >30% (2014E: 61%). The current financial position enables BBH to raise its dividend pay-out ratio from 71% in 2013 to 90% in 2015E.

**SWOT**

Strengths	Weaknesses
Excellent cost containment Solid balance sheet Market leader Netherlands and in Germany Strong negotiating position vs suppliers	Difficult to create brand loyalty Seasonality in the business
Opportunities	Threats
Operational leverage in EBIT Store expansion in existing markets + mix Online sales + omni-channel approach Working capital reduction	Prolonged economic downturn Aggressive expansion from competitors. ...including IKEA, online niche players

Source: SNS Securities

## Recent developments and outlook

In 1H14, BBH's sales and earnings still showed a negative development. However, in 3Q14 net sales and net profits started to recover versus the year earlier period.

In 3Q14, BBH showed 11% higher net sales (to EUR 96m), with like-for-like growth of 12.6%. Gross profit margin decreased 30bps to 56%, and expenses were up by 5.3% to EUR 47.4m. EBIT increased by 67% to EUR 6.1m.

3Q14 Top-line growth was stronger than expected. After very easy YoY comps in the first part of the quarter, also the second part remained positive. In Germany, sales increased by 14% in 3Q, in the Netherlands growth was 4.5%, with LFL +8% (in the Netherlands, two retail formulas and their stores have been closed). Austria, Spain and Belgium showed LFL sales growth rates of 32%, 14% and 128% respectively.

3Q14 Gross margin showed weakness while 1H gross margin was still up. 3Q weakness was due to three factors. The main factor was that more discounts were given. A second factor was the bankruptcy of a supplier so that a new one had to be found which led initially to higher costs. Finally, there were some mix changes.

In 3Q, the operational expenses were up more than we anticipated. This was due to more bonuses paid to sales people, related to the higher than expected sales in 3Q. As a consequence, the EUR 6.1m EBIT was slightly behind our estimates, but nevertheless showed a healthy improving trend in the run up to the traditional strong fourth quarter.

## Expected news flow and triggers

On 23 January 2015, BBH will release its trading update for 4Q/2014, and on 13 March the company will release the full-year results and balance sheet. We expect that the trading update will confirm the continuation of sales recovery, albeit at a lower level than in 3Q14.

Other news-flow might come from house sales and interior sales in Western Europe, and in particular in BBHs crucial markets Germany and the Netherlands. We expect growth rates to remain positive and also consumer confidence should continue to support sales.

## Valuation

We value BBH through three methodologies: DCF, peer group and high/low PER 2005-2014E.

- ✓ Based on DCF with an after tax WACC of 8.7%, perpetual sales growth of 1.5% and assuming a 9% EBIT margin long-term, the outcome would be EUR 19.4.
- ✓ Based on a peer group comparison based on PER 2014E and 2015E, and EV/EBITDA 2014E and 2015E, we calculate an average discount for BBH of 19%. If BBH would be valued in line with the peer group, its implicit share price would be on average EUR 21.1.
- ✓ Based on historical PER's, BBH would be valued EUR 25.4 per share if we would use an average of annual highest PER multiples in 2005-2014. The average of the 10 highs in PER would calculate to 25.6X. Based on the average of the 10 lowest PERs in the last 10 years (16.8X), the value of BBH would amount to EUR 16.8.

These data indicate that BBH is valued at the low end of the range (EUR 16.8 - EUR 25.4) created by these valuation techniques. Based on an average, BBH could be valued at EUR 21.

The reason for the current relatively low valuation could be the liquidity of the shares. Around 62% of the shares are now controlled by nine leading shareholders. This means that only EUR 100m (market value) of the shares is free float.

With a FCF yield of 4% in 2014E and 7% in 2015E, we rate BBH a BUY. TP EUR 21.

**Beter Bed Holding: Summary tables**

PROFIT & LOSS (EURm)	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
<b>Sales</b>	<b>397</b>	<b>397</b>	<b>357</b>	<b>361</b>	<b>385</b>	<b>399</b>
Cost of Sales & Operating Costs	-350	-359	-335	-332	-344	-355
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>46.8</b>	<b>38.1</b>	<b>22.3</b>	<b>28.4</b>	<b>40.7</b>	<b>44.4</b>
<b>EBITDA (adj.)*</b>	<b>46.8</b>	<b>38.1</b>	<b>22.3</b>	<b>28.4</b>	<b>40.7</b>	<b>44.4</b>
Depreciation	-8.5	-14.4	-10.0	-8.1	-7.3	-7.4
<b>EBITA</b>	<b>38.3</b>	<b>23.7</b>	<b>12.3</b>	<b>20.3</b>	<b>33.4</b>	<b>37.0</b>
<b>EBITA (adj)*</b>	<b>38.3</b>	<b>23.7</b>	<b>12.3</b>	<b>20.3</b>	<b>33.4</b>	<b>37.0</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>38.3</b>	<b>23.7</b>	<b>12.3</b>	<b>20.3</b>	<b>33.4</b>	<b>37.0</b>
<b>EBIT (adj.)*</b>	<b>38.3</b>	<b>23.7</b>	<b>12.3</b>	<b>20.3</b>	<b>33.4</b>	<b>37.0</b>
Net Financial Interest	-0.4	-0.4	-0.7	-0.3	0.3	0.5
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>37.9</b>	<b>23.3</b>	<b>11.6</b>	<b>20.0</b>	<b>33.7</b>	<b>37.5</b>
Tax	-9.8	-8.9	-3.4	-5.0	-9.1	-10.1
<i>Tax rate</i>	<i>26.0%</i>	<i>38.2%</i>	<i>29.1%</i>	<i>25.2%</i>	<i>27.0%</i>	<i>27.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Profit (reported)</b>	<b>28.0</b>	<b>14.4</b>	<b>8.2</b>	<b>15.0</b>	<b>24.6</b>	<b>27.4</b>
<b>Net Profit (adj.)</b>	<b>28.0</b>	<b>14.4</b>	<b>8.2</b>	<b>15.0</b>	<b>24.6</b>	<b>27.4</b>
<b>CASH FLOW (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Cash Flow from Operations before change in NWC	36.7	31.5	12.9	20.0	31.9	34.8
Change in Net Working Capital	-6.9	-6.4	6.6	4.6	4.0	7.0
<b>Cash Flow from Operations</b>	<b>29.8</b>	<b>25.1</b>	<b>19.5</b>	<b>24.7</b>	<b>35.9</b>	<b>41.8</b>
Capex	-13.3	-10.9	-5.4	-10.5	-12.0	-10.0
Net Financial Investments	0.1	0.7	1.1	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>16.6</b>	<b>14.9</b>	<b>15.1</b>	<b>14.2</b>	<b>23.9</b>	<b>31.8</b>
Dividends	-28.2	-21.2	-7.0	-8.1	-10.9	-22.0
Other (incl. Capital Increase & share buy backs)	0.5	0.5	3.5	2.1	0.0	1.5
<b>Change in Net Debt</b>	<b>-11.0</b>	<b>-5.9</b>	<b>11.7</b>	<b>8.3</b>	<b>13.0</b>	<b>11.3</b>
NOPLAT	28.3	14.7	8.7	15.2	24.4	27.0
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Tangible Assets	34.0	30.9	25.6	28.0	32.7	35.3
Net Intangible Assets (incl. Goodwill)	3.8	2.9	2.8	2.8	2.8	2.8
Net Financial Assets & Other	1.9	1.0	0.8	0.8	0.8	0.8
<b>Total Fixed Assets</b>	<b>39.7</b>	<b>34.8</b>	<b>29.3</b>	<b>31.6</b>	<b>36.4</b>	<b>39.0</b>
Inventories	59.5	60.7	55.5	55.1	50.1	43.1
Trade receivables	8.3	10.2	8.1	6.4	6.4	6.4
Other current assets	0.0	0.0	0.0	0.6	0.6	0.6
Cash (-)	-7.1	-5.2	-9.6	-16.8	-29.8	-41.0
<b>Total Current Assets</b>	<b>74.8</b>	<b>76.1</b>	<b>73.2</b>	<b>78.8</b>	<b>86.8</b>	<b>91.1</b>
<b>Total Assets</b>	<b>115</b>	<b>111</b>	<b>102</b>	<b>110</b>	<b>123</b>	<b>130</b>
Shareholders Equity	62.0	55.8	58.0	66.6	81.8	88.7
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	62.0	55.8	58.0	66.6	81.8	88.7
Long term interest bearing debt	3.0	1.0	0.0	0.0	0.0	0.0
Provisions	2.0	2.4	2.4	1.8	1.8	1.8
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Long Term Liabilities</b>	<b>5.0</b>	<b>3.4</b>	<b>2.4</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>
Short term interest bearing debt	5.3	11.3	5.0	4.0	4.0	4.0
Trade payables	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	42.2	40.3	37.1	38.1	35.6	35.6
<b>Total Current Liabilities</b>	<b>47.6</b>	<b>51.6</b>	<b>42.1</b>	<b>42.1</b>	<b>39.6</b>	<b>39.6</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>115</b>	<b>111</b>	<b>102</b>	<b>110</b>	<b>123</b>	<b>130</b>
<b>Net Capital Employed</b>	<b>65.3</b>	<b>65.3</b>	<b>55.8</b>	<b>55.6</b>	<b>57.8</b>	<b>53.4</b>
<b>Net Working Capital</b>	<b>67.8</b>	<b>70.9</b>	<b>63.7</b>	<b>61.5</b>	<b>56.5</b>	<b>49.5</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
<i>Sales growth</i>	<i>6.0%</i>	<i>0.1%</i>	<i>-10.0%</i>	<i>1.0%</i>	<i>6.6%</i>	<i>3.8%</i>
<b>EBITDA (adj.)* growth</b>	<b>3.3%</b>	<b>-18.5%</b>	<b>-41.6%</b>	<b>27.6%</b>	<b>43.2%</b>	<b>9.1%</b>
<i>EBITA (adj.)* growth</i>	<i>2.2%</i>	<i>-38.1%</i>	<i>-48.2%</i>	<i>65.6%</i>	<i>64.3%</i>	<i>10.7%</i>
<i>EBIT (adj.)* growth</i>	<i>2.2%</i>	<i>-38.1%</i>	<i>-48.2%</i>	<i>65.6%</i>	<i>64.3%</i>	<i>10.7%</i>

**Beter Bed Holding: Summary tables**

<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Profit growth	0.3%	-48.6%	-43.1%	82.8%	64.0%	11.4%
EPS adj. growth	-0.8%	-48.1%	-43.3%	79.1%	65.6%	11.9%
DPS adj. growth	-15.4%	-57.3%	-42.6%	101.7%	86.3%	11.9%
EBITDA (adj)* margin	11.8%	9.6%	6.2%	7.9%	10.6%	11.1%
EBITA (adj)* margin	9.6%	6.0%	3.4%	5.6%	8.7%	9.3%
EBIT (adj)* margin	9.6%	6.0%	3.4%	5.6%	8.7%	9.3%
<b>RATIOS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Debt/Equity	0.0	0.1	-0.1	-0.2	-0.3	-0.4
Net Debt/EBITDA	0.0	0.2	-0.2	-0.5	-0.6	-0.8
Interest cover (EBITDA/Fin.interest)	n.m.	94.9	31.1	90.5	n.m.	n.m.
Capex/D&A	156.7%	75.6%	54.5%	129.7%	164.7%	135.2%
Capex/Sales	3.4%	2.7%	1.5%	2.9%	3.1%	2.5%
NWC/Sales	17.1%	17.8%	17.8%	17.0%	14.7%	12.4%
ROE (average)	45.6%	24.5%	14.4%	24.0%	33.1%	32.1%
ROCE (adj.)	26.9%	14.0%	9.5%	16.5%	26.5%	30.8%
WACC	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%
ROCE (adj.)/WACC	3.1	1.6	1.1	1.9	3.0	3.5
<b>PER SHARE DATA (EUR)***</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Average diluted number of shares	21.7	21.5	21.6	21.9	21.8	21.7
EPS (reported)	1.29	0.67	0.38	0.68	1.13	1.26
EPS (adj.)	1.29	0.67	0.38	0.68	1.13	1.26
BVPS	2.85	2.59	2.69	3.04	3.75	4.09
DPS	1.10	0.47	0.27	0.54	1.01	1.14
<b>VALUATION</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
EV/Sales	0.8	0.7	1.0	1.0	0.8	0.8
EV/EBITDA	6.5	7.6	16.8	12.8	7.9	6.9
<b>EV/EBITDA (adj.)*</b>	<b>6.5</b>	<b>7.6</b>	<b>16.8</b>	<b>12.8</b>	<b>7.9</b>	<b>6.9</b>
EV/EBITA	8.0	12.3	30.5	17.9	9.6	8.3
<b>EV/EBITA (adj.)*</b>	<b>8.0</b>	<b>12.3</b>	<b>30.5</b>	<b>17.9</b>	<b>9.6</b>	<b>8.3</b>
EV/EBIT	8.0	12.3	30.5	17.9	9.6	8.3
<b>EV/EBIT (adj.)*</b>	<b>8.0</b>	<b>12.3</b>	<b>30.5</b>	<b>17.9</b>	<b>9.6</b>	<b>8.3</b>
<b>P/E (adj.)</b>	<b>10.8</b>	<b>19.7</b>	<b>46.3</b>	<b>25.3</b>	<b>14.1</b>	<b>12.6</b>
P/BV	4.9	5.1	6.6	5.7	4.2	3.9
Total Yield Ratio	7.0%	2.4%	2.4%	3.1%	6.3%	
EV/CE	2.9	2.8	4.1	3.9	3.5	3.5
OpFCF yield	5.4%	5.0%	3.7%	3.8%	6.9%	9.2%
OpFCF/EV	5.4%	4.9%	3.7%	3.9%	7.4%	10.3%
Payout ratio	85.3%	70.1%	71.1%	80.0%	90.0%	90.0%
Dividend yield (gross)	7.9%	3.6%	1.7%	3.4%	6.4%	7.1%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Price** (EUR)	13.99	13.20	17.61	17.20	15.91	15.91
Outstanding number of shares for main stock	21.7	21.5	21.6	21.9	21.8	21.7
<b>Total Market Cap</b>	<b>304</b>	<b>284</b>	<b>380</b>	<b>377</b>	<b>347</b>	<b>345</b>
<b>Net Debt</b>	<b>1</b>	<b>7</b>	<b>-5</b>	<b>-13</b>	<b>-26</b>	<b>-37</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	-7	-5	-10	-17	-30	-41
<i>o/w Gross Debt (+)</i>	8	12	5	4	4	4
<b>Other EV components</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Enterprise Value (EV adj.)</b>	<b>305</b>	<b>291</b>	<b>375</b>	<b>364</b>	<b>321</b>	<b>308</b>

Source: Company, SNS Securities estimates.

**Notes**

\* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: General Retailers/Home Improvement Retailers

Company Description: Beter Bed consists of a group of companies specialized in selling bedroom furniture in Europe. The retailer has more than 1,150 stores under different labels in different markets. Its most important markets are the Netherlands and Germany, where it is market leader. Other countries in which they are active are Austria, Belgium, Spain, Switzerland and Poland.

Docdata

Unique exposure to E-commerce and growth at a reasonable price

Buy

Recommendation unchanged

Share price: EUR 19.20

closing price as of 07/01/2015

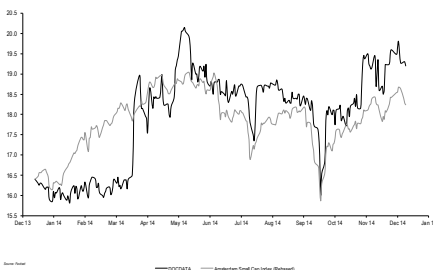
Target price: EUR 25.00

Target Price unchanged

Reuters/Bloomberg	DOCD.AS/DOCD.NA
Daily avg. no. trad. sh. 12 mth	606
Daily avg. trad. vol. 12 mth (m)	11.66
Price high 12 mth (EUR)	20.15
Price low 12 mth (EUR)	15.82
Abs. perf. 1 mth	0.2%
Abs. perf. 3 mth	4.7%
Abs. perf. 12 mth	14.9%

Market capitalisation (EURm)	131
Current N° of shares (m)	7
Free float	36%

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	167	158	166
EBITDA (m)	17	17	19
EBITDA margin	10.4%	10.7%	11.7%
EBIT (m)	11	11	12
EBIT margin	6.7%	6.7%	7.2%
Net Profit (adj.)(m)	8	8	9
ROCE	37.4%	28.8%	29.1%
Net debt/(cash) (m)	(9)	(8)	(9)
Net Debt Equity	-0.3	-0.2	-0.2
Net Debt/EBITDA	-0.5	-0.5	-0.5
Int. cover(EBITDA/Fin.int)	(86.5)	(67.9)	(64.5)
EV/Sales	0.6	0.8	0.7
EV/EBITDA	5.8	7.4	6.2
EV/EBITDA (adj.)	5.8	7.4	6.2
EV/EBIT	9.0	11.9	10.1
P/E (adj.)	13.1	17.0	14.6
P/BV	3.6	3.9	3.3
OpFCF yield	1.5%	2.4%	4.4%
Dividend yield	3.6%	3.6%	4.1%
EPS (adj.)	1.24	1.16	1.32
BVPS	4.52	5.14	5.75
DPS	0.70	0.70	0.79



Shareholders: Kempen Oranje Participaties 18%; Cross Options 14%; Lindenberg 11%;

Docdata is the largest independent e-fulfilment and e-commerce player in North Western Europe. Its key service is to provide fine-meshed fulfilment (outbound and inbound) to online retailers, traditional retailers with omni-channel strategies and specialist webshops. It is the market leader in the Netherlands and Belgium with top 3 positions in Germany and Poland and growing activities in Switzerland, Italy, France, Spain and the UK.

Due to its proprietary warehouse management systems and experience in handling various types of products, from small sized consumer electronics to voluminous toys and from fashion to garden equipment, Docdata has been able to grow its client base substantially. Due to the strength of its offering, which also includes webshop management, online marketing, payment services and related IT services, the company has been able to gain the trust of companies like Bol.com (the Amazon of the Benelux, owned by retail giant Ahold), the Bijenkorf (the Dutch Selfridges or El Corte Ingles), HP, Tele2, V&D (the Dutch Debenhams), the UK fashion specialist ASOS UK, ToysrUS Europe, the House of Fraser and Zalando, the European fashion powerhouse.

Because of the growth of online sales at the level of its clients, Docdata has been able to grow its e-commerce activities from EUR 47m in FY09 to close to EUR 140m in FY14. And growth rates will continue to be high due to the relatively recent new client wins of ASOS UK (for which Docdata does the fulfilment for key markets like Germany and France) and ToysrUS Europe. Total growth will also continue to be high because of continued high growth from existing clients, especially at Bol.com, which has a target of EUR 1bn in sales, up from EUR 680m in FY14. But all other clients of Docdata show above market growth.

Docdata still has ample possibilities to grow and we forecast the top line to increase with a CAGR of 9% up until FY18, despite the impact of insourcing at the Zalando level. Because of the inherent operational leverage of the company, EBIT is set to increase from the expected 6.7% in FY14 (6.6% in 1H14) to over 8% in FY18.

Yet despite having these very positive growth rates and improving EBIT margins, the valuation of Docdata is undemanding. It is currently trading at an FY15 EV/EBITDA of 6 whereas the other logistics providers that operate in similar segments (but without the growth outlook) trade at 11x EV/EBITDA.

That is partially due to the fact that Docdata also owns a unit called IAI Industrial integrators, which focuses on the design, manufacturing and assembly of industrial equipment using proprietary laser-based solutions. It is a market leader in high-end systems for security documents and high-end ID cards but also operates in the bank note segment. This unit is going through a transformational phase, going from a regional player to a global technology provider. Despite the fact that FY14 will be a record year for IAI, the unit does appear to add a conglomerate discount to Docdata as a whole

A SOTP, using logistical peers for E-commerce and Technology providers like Gemalto, Zetes and Muhlbauer for IAI, results in a fair value per share of EUR 26.70 while a DCF model (using a high beta of 1.1), combining both businesses, results in a price target of EUR 25 per share. That means an upside of 29%.

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**Strategy and targets**

Docdata’s E-commerce division’s strategy is to maintain leadership in the fulfilment market by continuously focusing on the value-add of its services to its clients. Docdata continuously invests in new equipment, training of personnel, updates of its warehouse management application and other measures that allow for faster and more accurate delivery times and speedier returns processes. The availability of a flexible roster of contractors also allows Docdata to handle extreme peak volumes in holiday periods, even in a fast growing market.

Consumers demand that they can order until midnight and still have the package delivered the next day and on a location and in a time slot that they have chosen. And when they return a product, it has to be picked up and inspected rapidly so the customer receives the credit note fast as well. For a company to be able to do that on its own is extremely costly, whereas Docdata can spread those costs over various customers. This also explains why we are not afraid of other clients insourcing like Zalando. The cost of logistics and fulfilment is only expected to go up because of the increased flexibility demanded by the consumer and Docdata has a huge scale advantage.

Docdata is also focused on expanding its presence in (relatively) new countries like Switzerland, Spain and France and will also look into the possibilities, we assume, of expanding into the Nordics (despite the differences per country in that region) given that the Nordics is a developed e-commerce market. In order to attract the Zalando’s of the future, Docdata will also offer smaller companies additional services to facilitate growth (SEO, SEM, webshop management), which may eventually result in another substantial high growth client.

The company does not have quantitative financial targets in terms of revenues and margins although the company does want to maintain high levels of solvency.

**Financial position**

The management board (the CEO is the former CFO while the current CFO is a former accountant) has always been very careful to maintain a very strong balance sheet. During the whole transformation process, from a CD/DVD manufacturer to an E-commerce fulfilment specialist, the company has remained in net cash position with very high levels of solvency (>40%). At year end FY14, we forecast a net cash position of EUR 20m (despite high investment levels) due to very strong OCF in the 4<sup>th</sup> quarter (deliveries of IAI equipment plus regular seasonal impact). There is still a modest amount of goodwill on the balance sheet (EUR 5m at year end FY14) but we see little risk given that the at-risk acquisitions have been written down already (mainly UK related). The company has an undrawn credit facility available of EUR 20m so there is plenty of liquidity available.

**SWOT**

Strengths	Weaknesses
Independent market leader in fulfilment Blue chip clients Solid balance sheet (net cash, little goodwill) Positive track record management Operating in high growth environment	Spotty track record in M&A Cautious approach to business development
Opportunities	Threats
Make bolt-on acquisitions in new regions Expand operations in existing geographies Expand service offering to increase stickiness Divest IAI and reinvest proceeds in E-commerce Improve dividend yield further	Insourcing by clients Higher levels of competition Technology disruption (IAI only) Long sales cycles (IAI and E-commerce)

Source: SNS Securities



### Recent developments and outlook

FY14 has been a turbulent year for Docdata's E-commerce division. Zalando's decision to insource the outbound volumes after the construction of 2 new warehouses in Germany has impacted volumes and thus revenues. The decline in revenue in 1H14 of 9% was, however, much more modest than expected as other clients showed very strong organic growth. For 2H14 we initially took into account an even stronger decline but at the 3Q14 trading update, Docdata stated that revenue in the 3<sup>rd</sup> quarter actually increased. This suggests that growth from existing clients remained high and that the contribution of the ASOS contract (won in April of 2014 with work commencing early in 2H14) was also material. In other words, where we initially assumed a steep decline in revenue for FY14, we now take into account a much more modest impact. At the EBIT level we saw a similar development. We initially assumed a steep decline in FY14 EBIT (>30%) but based on Docdata's statements, the positive outlook for online holiday sales and because the company still helps out Zalando in peak periods and handles returns we now take into account a low double digit decline in EBIT, which may still be conservative.

The outlook for FY15 is very bright for Docdata E-commerce. Revenue will grow again (+9%) due to continued high growth at Bol.com, Bijenkorf, V&D and full year contributions from ASOS (which itself has high growth rates) and ToysrUS. The unit has lost 3 minor clients in Germany, which is hampering overall growth. As Docdata has rationalized its warehouses to reflect the Zalando departure, EBIT margins are expected to rebound strongly. In the periods thereafter we forecast high single digit revenue growth (all organic) and 20-40 bp improvements in EBIT margins due to the operational leverage.

IAI will have a record year in FY14. Order intake in FY13 and early FY14 has been very strong, resulting in record revenue of c. EUR 20m for the full year. The EBIT margin will be below average (at c.10% versus 20% and upwards in previous periods) as the company has been making substantial opex investments in the professionalisation of the organisation (sales, marketing procurement, logistics and R&D). This will bear fruit down the line but as order intake has been relatively weak in 2H14, FY15 appears to be a year with relatively low revenue unless a solid pipeline is converted into orders in 1H15. The long term outlook is positive due to the expansion of the product range and a more modular approach, making it easier for clients to opt for Docdata's high-end technology.

### Expected news flow and triggers

For Docdata's E-commerce unit we assume that the 4<sup>th</sup> quarter will have been very strong, possibly stronger than we have taken into account now. Judging by the early signs of sector organisations focused on online sales, holiday sales have been exceptionally strong. Add to that a full quarter impact of ASOS and ToysrUS and results may surprise. Other than the 4Q14 results we assume that Docdata will continue to win contracts as retailers realize that the cost of the logistical side of the equation just continues to go up. We also expect Docdata to continue to expand geographically. More speculative is that the company could make smaller bolt-on acquisitions to accelerate its expansion plan.

In the medium term we also expect Docdata, once IAI has gained solid footing in new markets and sales stabilize (now still lumpy from year to year), to divest IAI and reinvest the proceeds into the E-commerce activities. But this is even more speculative as management has never indicated that it is considering such a divestment seriously.

### Valuation

Docdata is currently trading at an FY15 P/E of 14.7 and an FY16 P/E of 13.0, which is well below the blended average of the peer group consisting of logistical specialists (Clipper Logistics, Kuehne & nagel, UPS) and security document technology providers (Gemalto, Muehlbauer, Safran, Zetes). The discount on EV/EBITDA ranges from 36% to 41%. So even if we adjust for the size of Docdata (using an arbitrary 20% discount), a substantial undervaluation persists.

An SOTP valuation, using the FY15 estimates and multiples of the peer group results in a fair value of EUR 26.70. A DCF model, using a WACC of 8.1% (beta of 1.1, which is really really high) and perpetual growth of 1.5%, suggests a fair value of EUR 23.60, which explains our price target of EUR 25.

## Docdata: Summary tables

PROFIT & LOSS (EURm)	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
<b>Sales</b>	<b>131</b>	<b>153</b>	<b>167</b>	<b>158</b>	<b>166</b>	<b>182</b>
Cost of Sales & Operating Costs	-117	-137	-150	-141	-147	-159
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>13.8</b>	<b>16.0</b>	<b>17.3</b>	<b>17.0</b>	<b>19.3</b>	<b>22.5</b>
<b>EBITDA (adj.)*</b>	<b>13.8</b>	<b>16.0</b>	<b>17.3</b>	<b>17.0</b>	<b>19.3</b>	<b>22.5</b>
Depreciation	-3.7	-4.6	-5.7	-6.0	-7.0	-8.5
<b>EBITA</b>	<b>10.1</b>	<b>11.4</b>	<b>11.6</b>	<b>11.0</b>	<b>12.3</b>	<b>14.0</b>
<b>EBITA (adj)*</b>	<b>10.1</b>	<b>11.4</b>	<b>11.6</b>	<b>11.0</b>	<b>12.3</b>	<b>14.0</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>9.1</b>	<b>11.0</b>	<b>11.2</b>	<b>10.6</b>	<b>11.9</b>	<b>13.6</b>
<b>EBIT (adj.)*</b>	<b>9.1</b>	<b>11.0</b>	<b>11.2</b>	<b>10.6</b>	<b>11.9</b>	<b>13.6</b>
Net Financial Interest	0.0	0.0	0.2	0.3	0.3	0.4
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>9.1</b>	<b>11.0</b>	<b>11.4</b>	<b>10.8</b>	<b>12.2</b>	<b>14.0</b>
Tax	-2.4	-3.4	-2.8	-2.8	-3.2	-3.8
<i>Tax rate</i>	<i>26.0%</i>	<i>30.8%</i>	<i>25.0%</i>	<i>26.0%</i>	<i>26.0%</i>	<i>27.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
<b>Net Profit (reported)</b>	<b>6.8</b>	<b>7.5</b>	<b>8.5</b>	<b>7.9</b>	<b>9.0</b>	<b>10.1</b>
<b>Net Profit (adj.)</b>	<b>6.8</b>	<b>7.5</b>	<b>8.5</b>	<b>7.9</b>	<b>9.0</b>	<b>10.1</b>
<b>CASH FLOW (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Cash Flow from Operations before change in NWC	15.1	15.1	17.6	14.2	16.4	19.1
Change in Net Working Capital	1.1	1.1	-7.7	-1.6	-1.2	-1.3
<b>Cash Flow from Operations</b>	<b>16.2</b>	<b>16.2</b>	<b>9.9</b>	<b>12.7</b>	<b>15.3</b>	<b>17.9</b>
Capex	-10.4	-10.4	-8.3	-9.5	-9.5	-9.5
Net Financial Investments	-1.1	-1.1	0.0	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>4.7</b>	<b>4.7</b>	<b>1.7</b>	<b>3.2</b>	<b>5.8</b>	<b>8.4</b>
Dividends	-3.5	-3.5	-3.9	-3.8	-4.8	-4.8
Other (incl. Capital Increase & share buy backs)	1.1	0.2	2.2	0.0	0.0	0.0
<b>Change in Net Debt</b>	<b>2.3</b>	<b>1.4</b>	<b>0.0</b>	<b>-0.6</b>	<b>1.0</b>	<b>3.6</b>
NOPLAT	6.7	7.6	8.4	7.8	8.8	9.9
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Tangible Assets	14.1	19.6	22.0	25.5	28.0	29.0
Net Intangible Assets (incl. Goodwill)	9.4	8.9	5.9	5.5	5.1	4.7
Net Financial Assets & Other	1.1	0.6	1.2	1.2	1.2	1.2
<b>Total Fixed Assets</b>	<b>24.6</b>	<b>29.1</b>	<b>29.1</b>	<b>32.2</b>	<b>34.3</b>	<b>34.9</b>
Inventories	4.1	6.2	7.1	7.1	7.8	9.0
Trade receivables	20.7	25.7	29.1	28.1	30.1	33.6
Other current assets	1.1	1.5	2.8	2.6	2.8	3.0
Cash (-)	-7.8	-8.8	-8.6	-8.1	-9.0	-12.7
<b>Total Current Assets</b>	<b>33.7</b>	<b>42.1</b>	<b>47.6</b>	<b>45.9</b>	<b>49.7</b>	<b>58.3</b>
<b>Total Assets</b>	<b>58.3</b>	<b>71.2</b>	<b>76.7</b>	<b>78.1</b>	<b>84.0</b>	<b>93.1</b>
Shareholders Equity	33.8	25.5	30.9	35.0	39.2	44.6
Minority	0.3	0.0	0.0	0.0	0.0	0.0
Total Equity	34.2	25.5	30.9	35.0	39.2	44.6
Long term interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	1.0	1.5	1.4	1.3	1.4	1.5
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Long Term Liabilities</b>	<b>1.0</b>	<b>1.5</b>	<b>1.4</b>	<b>1.3</b>	<b>1.4</b>	<b>1.5</b>
Short term interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0
Trade payables	22.1	41.5	40.7	38.2	39.7	43.0
Other current liabilities	1.1	2.7	3.7	3.5	3.7	4.0
<b>Total Current Liabilities</b>	<b>23.2</b>	<b>44.2</b>	<b>44.4</b>	<b>41.7</b>	<b>43.4</b>	<b>47.0</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>58.3</b>	<b>71.2</b>	<b>76.7</b>	<b>78.1</b>	<b>84.0</b>	<b>93.1</b>
<b>Net Capital Employed</b>	<b>27.3</b>	<b>18.2</b>	<b>23.6</b>	<b>28.3</b>	<b>31.6</b>	<b>33.4</b>
<b>Net Working Capital</b>	<b>2.8</b>	<b>-10.8</b>	<b>-5.4</b>	<b>-3.9</b>	<b>-2.7</b>	<b>-1.4</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
<i>Sales growth</i>	<i>25.7%</i>	<i>16.9%</i>	<i>9.3%</i>	<i>-5.3%</i>	<i>4.9%</i>	<i>9.4%</i>
<b>EBITDA (adj.)* growth</b>	<b>60.7%</b>	<b>15.5%</b>	<b>8.3%</b>	<b>-1.9%</b>	<b>14.0%</b>	<b>16.4%</b>
<i>EBITA (adj.)* growth</i>	<i>63.2%</i>	<i>12.3%</i>	<i>2.0%</i>	<i>-5.4%</i>	<i>12.5%</i>	<i>13.6%</i>
<i>EBIT (adj.)* growth</i>	<i>82.4%</i>	<i>20.2%</i>	<i>2.1%</i>	<i>-5.6%</i>	<i>13.0%</i>	<i>14.0%</i>

**Docdata: Summary tables**

<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Profit growth	77.1%	10.4%	12.7%	-6.4%	13.3%	12.7%
EPS adj. growth	71.7%	10.4%	12.7%	-6.4%	13.3%	12.7%
DPS adj. growth	42.9%	10.1%	27.2%	-0.5%	13.3%	12.7%
EBITDA (adj)* margin	10.6%	10.4%	10.4%	10.7%	11.7%	12.4%
EBITA (adj)* margin	7.7%	7.4%	6.9%	6.9%	7.4%	7.7%
EBIT (adj)* margin	7.0%	7.2%	6.7%	6.7%	7.2%	7.5%
<b>RATIOS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Debt/Equity	-0.2	-0.3	-0.3	-0.2	-0.2	-0.3
Net Debt/EBITDA	-0.6	-0.5	-0.5	-0.5	-0.5	-0.6
Interest cover (EBITDA/Fin.interest)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Capex/D&A	221.3%	208.0%	135.3%	148.4%	128.4%	106.7%
Capex/Sales	8.0%	6.8%	4.9%	6.0%	5.7%	5.2%
NWC/Sales	2.1%	-7.1%	-3.2%	-2.4%	-1.6%	-0.8%
ROE (average)	23.9%	25.3%	30.0%	24.0%	24.2%	24.1%
ROCE (adj.)	25.7%	42.9%	37.4%	28.8%	29.1%	30.8%
WACC	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
ROCE (adj.)/WACC	3.2	5.3	4.6	3.6	3.6	3.8
<b>PER SHARE DATA (EUR)***</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Average diluted number of shares	6.8	6.8	6.8	6.8	6.8	6.8
EPS (reported)	1.00	1.10	1.24	1.16	1.32	1.48
EPS (adj.)	1.00	1.10	1.24	1.16	1.32	1.48
BVPS	4.96	3.74	4.52	5.14	5.75	6.54
DPS	0.50	0.55	0.70	0.70	0.79	0.89
<b>VALUATION</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
EV/Sales	0.7	0.5	0.6	0.8	0.7	0.7
EV/EBITDA	6.5	5.0	5.8	7.4	6.2	5.2
<b>EV/EBITDA (adj.)*</b>	<b>6.5</b>	<b>5.0</b>	<b>5.8</b>	<b>7.4</b>	<b>6.2</b>	<b>5.2</b>
EV/EBITA	8.9	7.1	8.7	11.5	9.8	8.4
<b>EV/EBITA (adj.)*</b>	<b>8.9</b>	<b>7.1</b>	<b>8.7</b>	<b>11.5</b>	<b>9.8</b>	<b>8.4</b>
EV/EBIT	9.9	7.3	9.0	11.9	10.1	8.7
<b>EV/EBIT (adj.)*</b>	<b>9.9</b>	<b>7.3</b>	<b>9.0</b>	<b>11.9</b>	<b>10.1</b>	<b>8.7</b>
<b>P/E (adj.)</b>	<b>14.5</b>	<b>11.9</b>	<b>13.1</b>	<b>17.0</b>	<b>14.6</b>	<b>12.9</b>
P/BV	2.9	3.5	3.6	3.9	3.3	2.9
Total Yield Ratio	3.5%	4.3%	2.9%	3.6%	3.6%	
EV/CE	3.4	4.5	4.5	4.6	4.0	3.7
OpFCF yield	5.9%	6.5%	1.5%	2.4%	4.4%	6.4%
OpFCF/EV	6.5%	7.3%	1.6%	2.5%	4.8%	7.1%
Payout ratio	50.1%	50.0%	56.4%	60.0%	60.0%	60.0%
Dividend yield (gross)	3.4%	4.2%	3.6%	3.6%	4.1%	4.6%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Price** (EUR)	14.50	13.12	16.25	19.80	19.20	19.20
Outstanding number of shares for main stock	6.8	6.8	6.8	6.8	6.8	6.8
<b>Total Market Cap</b>	<b>99</b>	<b>89</b>	<b>111</b>	<b>135</b>	<b>131</b>	<b>131</b>
<b>Net Debt</b>	<b>-8</b>	<b>-9</b>	<b>-9</b>	<b>-8</b>	<b>-9</b>	<b>-13</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>-8</i>	<i>-9</i>	<i>-9</i>	<i>-8</i>	<i>-9</i>	<i>-13</i>
<i>o/w Gross Debt (+)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Other EV components</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>0</b>
<b>Enterprise Value (EV adj.)</b>	<b>90</b>	<b>80</b>	<b>101</b>	<b>126</b>	<b>121</b>	<b>118</b>

Source: Company, SNS Securities estimates.

**Notes**

\* Where EBITDA (adj.) or EBITA (adj.)= EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.)= EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Software &amp; Computer Services/Computer Services

Company Description: Docdata is one of Europe's largest E-commerce fulfilment companies active in 8 European countries. The second division, IAI, designs and builds production systems for high security printers based on patented laser technology.

## ING GROUP

### Buy

Recommendation unchanged

**Share price: EUR 10.43**

closing price as of 07/01/2015

**Target price: EUR 14.00**

Target Price unchanged

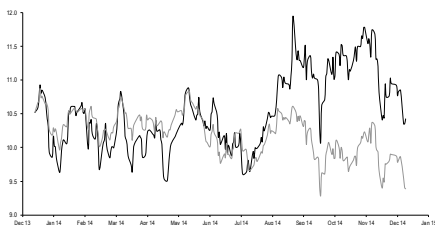
Reuters/Bloomberg

ING.AS/INGA.NA

Daily avg. no. trad. sh. 12 mth	23,700,750
Daily avg. trad. vol. 12 mth (m)	248,520.16
Price high 12 mth (EUR)	11.95
Price low 12 mth (EUR)	9.50
Abs. perf. 1 mth	-11.2%
Abs. perf. 3 mth	-6.4%
Abs. perf. 12 mth	0.9%

Market capitalisation (EURm)	40,220
Current N° of shares (m)	3,858
Free float	89%

Key financials (EUR)	12/13	12/14e	12/15e
Total Revenue (m)	14,987	15,835	16,083
Pre-Provision Profit (PPP) (m)	6,292	7,435	7,466
Operating profit (OP)	4,004	5,772	5,930
Earnings Before Tax (m)	4,323	6,596	6,455
Net Profit (adj.) (m)	3,155	4,873	4,767
Shareholders Equity (m)	45,776	47,000	45,233
Tangible BV (m)	44,639	47,000	44,096
RWA (m)	28,250	29,700	29,900
ROE (adj.)	7.1%	10.4%	10.8%
Total Capital Ratio (B3)	10.7%	11.1%	10.8%
Cost/Income	58.0%	53.0%	53.6%
Price/Pre-Prov Prof	6.1	5.6	5.4
P/E (adj.)	12.1	8.6	8.4
P/BV	0.8	0.7	0.8
P/TBV	0.9	0.7	0.8
Dividend Yield	0.0%	0.0%	4.7%
Pre-Prov Prof per share	1.66	1.93	1.94
EPS (adj.)	0.83	1.26	1.24
BVPS	12.09	14.50	13.02
TBVPS	11.79	14.56	12.73
DPS	0.00	0.00	0.49



Shareholders: Blackrock 5%; State Street 3%; Franklin Resources 3%;

### Operational optimization is key and the best is yet to come!

- ✓ ING will enter a new phase now that its restructuring program is almost completed, state aid has been repaid and the banking test has been passed with flying colours.
- ✓ With regards to revenues we expect that ING's top line will continue to grow at a rate of 3% on the back of (1) Netherland's gradual recovery from a longer than average lasting recession, (2) lower unemployment, (3) accelerated loan growth and (4) increased margins. We are optimistic about ING's revenue profile given that it will become more stable on the back of its Retail Banking activities.
- ✓ ING aims to reach a C/I ratio of 50-53% in 2016 versus 55.5% in the first nine months of FY14. Given ING's ambition to further roll-out its cost efficient business model of ING DiBa across continental Europe we expect that the cost savings benefits are yet to come. ING's branch density is one of the lowest in the Netherlands and given its advanced online business model we believe that the company can further reduce the number of FTE per branch which will translate into significant cost reductions per branch.
- ✓ We believe that ING's non-EU assets are being cleaned up and prepared for a divestment as it makes no financial or strategic sense to hold on to these assets. We therefore assume the sale of such assets in FY15 of which the most significant asset is ING Direct Australia, which is expected to generate EUR 4-6bn in proceeds. All other non-European assets are in fact non-core and could be divested.
- ✓ ING is expected to be the key beneficiary of the ECB stimulus program which we expect to be put in place in 2015. In particular, the impact of the introduction of the TLTRO (Targeted Long Term Refinancing Operation) is expected to have a material positive impact on the growth in lending within the SME segment in which ING has a material market share in Europe. Given its relatively large corporate lending book, low funding costs and solid capital position we expect that the company is well positioned to re-lever its balance sheet versus Dutch and EU peers and thus increase revenue and profits.
- ✓ ING's valuation remains compelling given that the company is well positioned to benefit from the ECB stimulus program, improved revenues, reduced costs and additional divestments. Based on a 1 year forward multiple, ING is trading at a P/E of 8x versus 11x for its peers and a P/B of 0.8x versus 1.1x for its peers. This discount is undeserved and we therefore rate the stock a Buy with a Target Price of EUR 14.00.

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### Strategy and targets

Throughout the crisis ING has built an excellent track record with regards to achieving its targets ahead of plan. At the end of 3Q14 the company met almost all of the 2017 targets, except for the C/I ratio and dividend pay-out. Given that the company is ahead of its 2017 targets, we expect that the company will update its ambitions at the beginning of 2016.

We see ample room for the company to improve its profitability towards the higher end of the range of a ROE of 10-13% (11.40% in 3Q14) in 2015. At the same time, ING will continue to keep its core Tier 1 ratio above the 10% threshold which is the minimum internal capital level.

The Cost to Income ratio target is currently one of the few metrics which ING has not achieved but we believe that this target will be surpassed in 2015 on the back of increased revenues and additional cost initiatives. As earlier pointed out, we expect that ING will introduce additional cost savings initiatives now that it has almost finalized its restructuring program. The bank will in particular reduce costs in its Retail banking activities which we expect to occur on the back of the roll out of ING DiBa model across continental Europe.

### Financial position

ING's financial position is solid with a CET 1 ratio of 11.1% in 3Q14 which is above its internal minimum target level of 10%. Moreover, we can derive from its leverage ratio of 4% that it is fully Basel 3 compliant and meeting its internal 2017 target of 4%. Return on Equity (RoE under IFRS Equity) was 11.40% in 3Q14 which was in line with its 2017 target of 10-13%.

### SWOT

Strengths	Weaknesses
Strong retail brand name in Europe Strong group solvency ratio CT1 Improving profitability Efficient banking model in retail banking (ING Diba)	Asset quality in structured finance and lending Exposure to peripheral EU zone Dutch mortgage market is facing house price pressure
Opportunities	Threats
Increase market share in European Emerging Markets Higher divestment proceeds Recovery Dutch mortgage market Identifying additional non-core assets for divestment Improve efficiency for profitability	Regulatory (e.g. TLAC) and legislative changes Deterioration of financial markets Additional capital requirements for SIFI

Source: SNS Securities

### Expected news flow and triggers

In the course of the first 9M14 ING has grown its loan book by almost 4% which was above our previous expectations. The strongest growth is expected to occur within its Commercial Banking with a major focus on Structured Finance and General Lending. Lending in Structured Finance realized significant growth of 22% in 2014 compared to the previous year, mainly on the back of Energy, Transport and Infrastructure sectors (ETI). We expect that loan growth in Commercial Bank will continue to remain steady in 2015 and given that most of the ETI assets are longer term assets we believe that profitability of its Commercial Bank will be boosted.

Given that the company has repaid the state aid, the focus of management is reverting back to internal efficiencies. As a result, we expect that the company will address strategic and financial synergies in various countries. Thus, ING is one of the key beneficiaries of the creation of a single European supervisor in EU. We believe that the creation of a unified supervisor will result in favourable developments for funding and growth in Europe. The fungibility of the deposits/funding will enable ING to remove current funding inefficiencies and grow its peripheral loans. ING has substantial excess deposits in Germany (EUR 43bn) and if the banking union allows banks to use deposits interchangeably across countries, we believe that ING will significantly benefit from this. In such a scenario, ING is expected to deploy its excess deposits in Germany for growth in peripheral regions which will translate into higher profitability.

Asset quality has always been a key focus area for ING and we expect that this will continue to play a key role for the company in 2015. Although ING's loan loss provisions (LLP) halved in one year time, from 89bps in 3Q13 of RWA to 44bps in 3Q14, we still assume that the company has additional room to reduce LLP further. We estimate that the LLP can be further reduced to c. 40bps which is at the lower end of the range of 40-45bps through the cycle.

The Dutch retail banking market is one of the most attractive retail banking markets in the entire Eurozone with an average RoE of 20% versus 17% as a EU average. Considering its respective economic cycle in relation to loan loss charges, the Netherlands has more room for RoE improvement compared to most of the retail banks in the core EU countries. At a pre-provision level we see that the Netherlands is the second most profitable retail banking country in Europe, with UK being number one. Thus, the normalisation of loan losses in combination with higher volumes will make retail banking attractive in the short term and as such strengthen the profitability of ING in the oligopolistic retail banking market.

### Recent developments and outlook

ING's EC requirements were mainly focused on the disentanglement and disposal of its insurance activities. In 2015, we expect that ING will make inroads in divesting its remaining insurance stakes in the US (Voya, remaining stake of 18.5%) and Europe/Japan (NN, 68%). Part of the proceeds of the divestments will be used to redeem the double leverage in the holding company and the remainder will be used to improve its capital position. Now that the state aid has been repaid, the bank is expected to resume dividends over FY2015 and we expect a EUR 0.49, which is equivalent to a dividend yield of c. 5%.

### Valuation

We slightly upped our 2015 and 2016 estimates on the back of increased revenues, slightly lower costs and additional proceeds from new divestments. Based on a 2015 P/E of 8x versus 11x for its peers and 2015 P/B of 0.8x versus 1.1x for its peers the company is trading at a 33% discount. We believe that this discount is unjustified considering its strong financial position, its ability to further improve profitability and reduced risk profile. Based on these factors we rate the stock a Buy with a Target Price of EUR 14.00.

**ING GROUP: Summary tables**

<b>PROFIT &amp; LOSS (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
<b>Net Interest Income</b>	<b>11,975</b>	<b>11,712</b>	<b>11,804</b>	<b>12,480</b>	<b>12,450</b>	<b>13,181</b>
Commissions	2,230	2,162	2,244	2,322	2,470	2,499 <sup>1</sup>
Trading income	321	1,121	542	918	963	1,012 <sup>1</sup>
Dividends	0.0	0.0	0.0	0.0	0.0	0.0 <sup>1</sup>
Other Operating Income	<b>270</b>	<b>-1,337</b>	<b>396</b>	<b>116</b>	<b>200</b>	<b>100</b> <sup>1</sup>
<b>Non-Interest Income</b>	<b>2,821</b>	<b>1,945</b>	<b>3,182</b>	<b>3,355</b>	<b>3,634</b>	<b>3,610</b>
<b>Total Income from Banking Business</b>	<b>14,796</b>	<b>13,657</b>	<b>14,987</b>	<b>15,835</b>	<b>16,083</b>	<b>16,791</b> <sup>1</sup>
<b>Revenues from Insurance Business</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b> <sup>1</sup>
<b>Total Revenue</b>	<b>14,796</b>	<b>13,657</b>	<b>14,987</b>	<b>15,835</b>	<b>16,083</b>	<b>16,791</b>
Operating Costs	<b>-8,824</b>	<b>-8,900</b>	<b>-8,694</b>	<b>-8,400</b>	<b>-8,618</b>	<b>-8,697</b> <sup>1</sup>
-of which Personnel Expenses	-5,101	-5,069	-4,863	-4,750	-4,430	-4,454 <sup>1</sup>
Other Operating Provisions	0.0	0.0	0.0	0.0	0.0	0.0 <sup>1</sup>
<b>Pre-Provision Profit (PPP)</b>	<b>5,972</b>	<b>4,756</b>	<b>6,292</b>	<b>7,435</b>	<b>7,466</b>	<b>8,094</b>
Loan Impairment Charge (LIC)	-1,336	-2,122	-2,288	-1,663	-1,536	-1,380 <sup>1</sup>
<b>Operating profit (OP)</b>	<b>4,636</b>	<b>2,634</b>	<b>4,004</b>	<b>5,772</b>	<b>5,930</b>	<b>6,714</b>
Associates	0.0	0.0	0.0	0.0	100	100 <sup>1</sup>
Other Income/Loss(Exceptional)	0.0	0.0	0.0	0.0	0.0	0.0 <sup>1</sup>
Results from Financial Investments	-507	584	319	824	525	723 <sup>1</sup>
<b>Earnings Before Tax (EBT)</b>	<b>4,128</b>	<b>3,219</b>	<b>4,323</b>	<b>6,596</b>	<b>6,455</b>	<b>7,437</b> <sup>1</sup>
Tax	-1,073	-981	-1,078	-1,649	-1,614	-1,859 <sup>1</sup>
<i>Tax rate</i>	<i>26.0%</i>	<i>30.5%</i>	<i>24.9%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i> <sup>1</sup>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0 <sup>1</sup>
Minorities	-78.7	-90.7	-90.4	-73.6	-73.6	-73.6 <sup>1</sup>
Preference Dividends	0.0	0.0	0.0	0.0	0.0	0.0 <sup>1</sup>
<b>Net Profit (Reported)</b>	<b>2,977</b>	<b>2,147</b>	<b>3,155</b>	<b>4,873</b>	<b>4,767</b>	<b>5,504</b>
Earnings Before Tax (Adj.) (1)	4,128	3,219	4,323	6,596	6,455	7,437
Net Profit (Adj.)	2,977	2,147	3,155	4,873	4,767	5,504

<b>BALANCE SHEET (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Due from Banks	45,323	39,053	42,996	35,595	30,255	30,255 <sup>1</sup>
Customer Loans	602,525	563,404	531,655	537,414	542,541	545,946
Securities	480,129	432,500	306,167	231,088	260,420	262,054 <sup>1</sup>
<b>Interest Earning Assets (IEA)</b>	<b>1,127,977</b>	<b>1,034,957</b>	<b>880,818</b>	<b>804,097</b>	<b>833,216</b>	<b>838,256</b>
Unit Linked Investments	0.0	0.0	0.0	0.0	0.0	0.0 <sup>1</sup>
Goodwill	1,304	1,304	1,137	0.0	1,137	1,137
Other Assets	149,947	132,372	199,362	183,472	23,417	32,232 <sup>1</sup>
<b>Total Assets</b>	<b>1,279,228</b>	<b>1,168,633</b>	<b>1,081,317</b>	<b>987,570</b>	<b>857,770</b>	<b>871,625</b>
Due to Banks	72,233	38,704	27,200	30,412	30,412	30,412 <sup>1</sup>
Customer Deposits	467,547	455,003	474,312	495,396	501,942	511,699
Bonds & Debt Capital	447,236	398,895	260,091	152,778	152,778	152,778
Technical Provisions Insurance (Life and Non-Life)	0.0	0.0	0.0	0.0	0.0	0.0 <sup>1</sup>
Other Liabilities	244,772	220,592	268,025	254,677	117,097	119,049 <sup>1</sup>
<b>Shareholders Equity</b>	<b>46,663</b>	<b>54,357</b>	<b>45,776</b>	<b>47,000</b>	<b>45,233</b>	<b>50,380</b>
Minorities Equity	777	1,081	5,913	7,307	7,307	7,307 <sup>1</sup>
<b>Total Liabilities</b>	<b>1,279,228</b>	<b>1,168,633</b>	<b>1,081,317</b>	<b>987,570</b>	<b>857,770</b>	<b>871,625</b> <sup>1</sup>
Tangible Book Value (2)	<b>45,359</b>	<b>53,053</b>	<b>44,639</b>	<b>47,000</b>	<b>44,096</b>	<b>49,243</b>

**ING GROUP: Summary tables**

<b>GROWTH RATES %</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Revenue Growth	-12.9%	-7.7%	9.7%	5.7%	1.6%	4.4%
Operating Cost Growth	-8.9%	0.9%	-2.3%	-3.4%	2.6%	0.9%
Interest Income Growth	-11.0%	-2.2%	0.8%	5.7%	-0.2%	5.9%
Non Interest Income Growth	-20.3%	-31.0%	63.6%	5.4%	8.3%	-0.6%
<b>Pre-Provision Profit Growth</b>	<b>-18.2%</b>	<b>-20.4%</b>	<b>32.3%</b>	<b>18.2%</b>	<b>0.4%</b>	<b>8.4%</b>
Customer Loan Growth	-1.7%	-6.5%	-5.6%	1.1%	1.0%	0.6%
Deposits Growth	-8.6%	-2.7%	4.2%	4.4%	1.3%	1.9%
Change in NPLs	-10.6%	29.0%	6.2%	-0.3%	-0.2%	1.7%

<b>KEY RATIOS %</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Interest Income/Avg. IEA	1.0%	1.1%	1.2%	1.5%	1.5%	1.6%
Interest Income/Avg. RWA	38.9%	40.9%	42.0%	43.1%	41.8%	43.9%
Total Revenue/Avg. RWA	48.1%	47.7%	53.4%	54.7%	54.0%	56.0%
<b>Cost/Income ratio (4)</b>	<b>59.6%</b>	<b>65.2%</b>	<b>58.0%</b>	<b>53.0%</b>	<b>53.6%</b>	<b>51.8%</b>
LIC/Avg. Customer Loans	0.22%	0.36%	0.42%	0.31%	0.28%	0.25%
LIC/Avg.RWA	4.35%	7.41%	8.15%	5.74%	5.15%	4.60%
Loan Loss Provisions (Balance Sheet)/Loans	0.2%	0.4%	0.4%	0.3%	0.3%	0.3%
NPL Ratio (gross)	2.3%	2.3%	2.8%	2.8%	2.7%	2.7%
NPL Coverage	40.0%	40.0%	38.0%	41.0%	41.0%	41.0%
Loans/Deposits Ratio	128.9%	123.8%	112.1%	108.5%	108.1%	106.7%
ROE	6.7%	4.3%	6.3%	10.5%	10.3%	11.5%
ROTE or ROE (adj.) (5)	6.6%	4.0%	7.1%	10.4%	10.8%	11.2%
Payout Ratio	0.0%	0.0%	0.0%	0.0%	40.0%	40.0%
Dividend Yield (gross)	0.0%	0.0%	0.0%	0.0%	4.7%	5.5%

<b>VALUATION (x)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
P/Pre-Provision Profit per Share	3.5	5.6	6.1	5.6	5.4	5.0
P/E (reported)	7.1	12.4	8.9	8.6	8.4	7.3
<b>P/E (adj.)</b>	<b>7.1</b>	<b>12.4</b>	<b>12.1</b>	<b>8.6</b>	<b>8.4</b>	<b>7.3</b>
P/BV	0.5	0.5	0.8	0.7	0.8	0.7
P/TBV	0.5	0.5	0.9	0.7	0.8	0.7

<b>PER SHARE DATA (EUR)(6)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Average diluted number of shares	3783.0	3784.0	3785.0	3858.0	3858.0	3858.0
Pre-Provision Profit per Share	1.58	1.26	1.66	1.93	1.94	2.10
EPS (reported)	0.79	0.57	1.13	1.26	1.24	1.43
<b>EPS (adj.)</b>	<b>0.79</b>	<b>0.57</b>	<b>0.83</b>	<b>1.26</b>	<b>1.24</b>	<b>1.43</b>
BVPS	12.33	14.36	12.09	14.50	13.02	14.36
TBVPS (2)	11.99	14.02	11.79	14.56	12.73	14.06
DPS	0.00	0.00	0.00	0.00	0.49	0.57

<b>PRICE &amp; SHARES &amp; MKT CAP (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Price** (EUR) (7)	5.6	7.1	10.1	10.8	10.4	10.4
Outstanding number of ordinary shares (m)	3,783	3,784	3,785	3,858	3,858	3,858
<b>Total Market Cap (8)</b>	<b>21,033</b>	<b>26,719</b>	<b>38,229</b>	<b>41,782</b>	<b>40,220</b>	<b>40,220</b>
Assets Under Management (bn)	54.8	56.5	66.1	66.1	68.7	71.5

Source: Company, SNS Securities estimates.

Notes

(1) Earnings Before Tax (adj.) = EBT +/- Exceptional Items

(2) Tangible Book Value = Shareholders Equity less Goodwill

(3) Core Tier1 Ratio (ESN adj.) = Tier1 capital less Tier1 Hybrid capital and less preference capital divided by risk weighted assets

(4) Cost/Income = Operating Costs divided by Banking Revenues

(5) ROTE or ROE (adj.) = Net Profit (adj.) divided by the two-years (according to fiscal year end) average of Shareholders Equity excluding Goodwill

(6) EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.

(7) Price (in local currency): Historical Price for Historical Years and Current Price for current and forecast years

(8) Total Market Cap includes also other categories of shares (preferred and/or savings)

Sector: Banks/Banks

Company Description: ING is a global financial services company, providing banking and investments services in over 50 countries, employing 107,000 employees. They serve more than 75 million customers in Europe, the United States, Canada, Latin America, Asia and Australia. In the Netherlands, ING is one of the larger retail banks. ING Direct is a direct bank with over 20 million customers in nine large countries.



## KPN Telecom

### Buy

Recommendation unchanged

**Share price: EUR 2.53**

closing price as of 07/01/2015

**Target price: EUR 3.25**

Target Price unchanged

Reuters/Bloomberg

KPN.AS/KPN.NA

Daily avg. no. trad. sh. 12 mth	10,042,470
Daily avg. trad. vol. 12 mth (m)	25,496.94
Price high 12 mth (EUR)	2.81
Price low 12 mth (EUR)	2.18
Abs. perf. 1 mth	-4.8%
Abs. perf. 3 mth	2.3%
Abs. perf. 12 mth	1.9%
<b>Market capitalisation (EURm)</b>	<b>10,795</b>
Current N° of shares (m)	4,270
Free float	63%

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	8,472	7,853	7,474
EBITDA (m)	2,883	2,569	2,624
EBITDA margin	34.0%	32.7%	35.1%
EBIT (m)	1,026	774	854
EBIT margin	12.1%	9.9%	11.4%
Net Profit (adj.)(m)	286	91	438
ROCE	16.6%	9.6%	11.6%
Net debt/(cash) (m)	9,718	6,969	6,546
Net Debt Equity	1.8	1.1	0.9
Net Debt/EBITDA	3.4	2.7	2.5
Int. cover(EBITDA/Fin.int)	3.8	3.9	7.3
EV/Sales	1.8	1.9	1.9
EV/EBITDA	5.1	5.8	5.3
EV/EBITDA (adj.)	5.1	5.8	5.3
EV/EBIT	14.5	19.1	16.3
P/E (adj.)	29.8	nm	24.6
P/BV	1.6	1.8	1.5
OpFCF yield	3.6%	1.3%	6.7%
Dividend yield	0.0%	2.8%	4.0%
EPS (adj.)	0.08	0.02	0.10
BVPS	1.44	1.47	1.65
DPS	0.00	0.07	0.10



Shareholders: America Moviles 20%; Paulson 4%; Franklin Mutual 4%; Norges Bank 3%; Blackrock 3%;

### Making all the right moves yet little recognition

- ✓ In the last 4 months, KPN has announced multiple measures that will have a positive impact on its risk profile, FCF and earnings. In terms of the risk profile, KPN has finalized an agreement with its Dutch staff and management, resulting in a CDC pension plan that removes all pension risk in exchange for a FY14 payment of EUR 230m. The company has also completed its management team, hiring the former minister of Economic affairs as CFO and a former board member of British Airways as its chief commercial officer.
- ✓ In terms of margins, KPN has been making headway with its Simplification program, which targets EUR 300m in capex and opex savings in FY16, of which EUR 100m will be achieved in FY14. More recently, KPN announced additional measures for the Business division, which will reduce FTEs by 580 (alongside other measures), targeting EUR 45m in savings as of FY16. However, the measures are being taken now, meaning that at least a partial effect will become visible in FY15.
- ✓ Using the proceeds from the E-Plus transaction (EUR 5bn), KPN has also renegotiated contracts with an (undisclosed) number of suppliers whereby KPN will pay earlier in exchange for discounts. The total cost of materials and contracted work amounts to EUR 3.8bn of which we assume that 40% is covered by the suppliers with which KPN has come to new terms. That suggests, using a discount of 3% (conservative), that opex will decline by EUR 45m in FY15 and beyond.
- ✓ Below EBIT KPN will benefit from lower interest (EUR 2bn bond repurchase programs) while FCF will be positively impacted by lower capex and low cash tax. The announced measures and the lower interest and tax explains why FCF in our forecast jumps from EUR 140m in FY14 to EUR 580m in FY15 and to EUR 830m in FY16. This substantial improvement sets KPN apart from its peers.
- ✓ We also think that the risk of Tele2's launch is somewhat exaggerated. The Tele2 brand is not strong in mobile, the 4G coverage is initially weak (network not complete until FY16 and VoLTE is still shaky technology wise), Tele2 also has no retail shop network (which is necessary to achieve a material market share) while 4G/VoLTE enabled handsets are scarce and expensive.
- ✓ Yet despite all these sweeping reforms (de-risking, aggressive restructuring, simplifying the business), KPN remains undervalued versus peer who have not made these changes and who have not completed their 4G network.
- ✓ Our updated model, which values the TFDE stake at EUR 3.1bn and takes into account the tax effect of the sale of E-Plus (which has resulted in tax loss carry forwards) results in a target of EUR 3.25, up from EUR 3.20. Because the FY15-FY17 results will show the effects of all the measures, we expect KPN to outperform its peers, hence the reiteration of our Buy rating.

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### Strategy and targets

KPN's strategy focuses on various elements. In Consumer residential the strategy is to focus on growing the Triple play and Quadruple play installed base, using very competitive download speeds (FttH or VDSL based) and content enhancements (Spotify, HBO). In Consumer Mobile, the strategy is also to grow the Quadruple play installed base (even if it means higher upfront SACs) but also maintain a solid position in the lower end of the market segments using brands such as Hi, Telfort and Simyo. In the Business segment the strategy is to maintain profitability despite adverse volume trends by eliminating legacy issues and systems, enabling KPN to lower costs. A focus on costs is a key part of the strategy as KPN has demonstrated by the FY11-13 restructuring (4,500 FTE reduction), project Simplification (EUR 300m in capex/opex savings for FY16) and the recently announced restructuring of the Business division (c. 600 FTEs). KPN's overall strategy is to maximize FCF and pay a generous dividend to its shareholders. That suggests, and rightfully so, that KPN's longer term strategy should be one that results in a defensive, high FCF yield and dividend generating company.

KPN has not provided financial targets for FY14 and FY15 other than for capex (<EUR 1.4bn for FY14, < EUR 1.5bn including Reggefiber). It has also indicated that it wants to grow dividend (EUR 0.07 for FY14) and that FCF growth is expected in FY15. The recently announced restructuring of the Business division should result in annualized savings of EUR 45m, which we think is very conservative. Additional excess cash (possibly coming from the sale of BASE, the sale of the 20,5% stake in Telefonica Deutschland (TFDE) and/or dividend from TFDE, will be used for further deleveraging, small bolt-on acquisitions and shareholder remuneration.

### Financial position

Due to the sale of E-Plus, KPN has received EUR 5bn in cash. The EUR 5bn in cash has been used to repay debt of the now wholly owned Reggefiber unit (c. EUR 500m) as well as the repurchase of EUR 2bn in bonds. Proceeds have also been used to repay amounts drawn on the existing credit facility and to pay for the 49% stake that KPN did not own in Reggefiber. At year-end FY14, taking all of the above into account, KPN will have a net debt/EBITDA ratio of 2.6, well within covenants and in line with the target of the company to remain investment grade.

The stake in TFDE will be accounted for as asset held for sale with the valuation depending on the value of the listed TFDE. KPN's lock up will end in May 2015 after which it may decide to divest its stake, in parts or in whole. That will obviously result in further deleveraging and increased financial flexibility. We do not, given the current valuation of TFDE, assume that KPN will do so (as TFDE has only recently started announcing actual measures to benefit from the acquisition) but it remains a possibility. Adding all of the above means that KPN's financial position is very strong. Especially now that the pension risk has all but disappeared.

### SWOT

Strengths	Weaknesses
Complete fixed, FttH and mobile network Strong brand name Solid balance sheet Completed 4G network Pension risk eliminated	Track record management board Legacy systems and staff
Opportunities	Threats
Expand aggressively in 4G Expand equally aggressive in Quad-play Monetize TFDE position Monetize BASE position Improve dividend yield further	Threat of Tele2 and UPC/Ziggo Increasing regulation Changing consumer behavior Lack of growth opportunities

Source: SNS Securities

### Recent developments and outlook

KPN's results in the last 3 quarters have been a mixed bag. The company performed well in the Consumer Residential segment, building upon the strength of its offering (pricing of broadband and content) while Consumer Mobile and Business felt the impact of changing consumer behavior, downsizing at the corporate level (Business) and high levels of competition (Mobile). As a result, revenues declined year over year in all 3 quarters, as did EBITDA although EBITDA was better than consensus estimates in the last 2 quarters.

In October of 2014, KPN acquired an additional 9% stake in Reggefiber for EUR 161m, giving it effective control. After the sale of E-Plus was completed (also in October, resulting in EUR 5bn in cash proceeds and a 20.5% stake in the TFDE), KPN also acquired the remaining 40% (for EUR 610m) in November of 2014. This gives KPN access to the FCF of Reggefiber but also makes it easier to manage capex. The proceeds of the sale of E-Plus were also used to repurchase EUR 2bn in bonds, a transaction that was completed in November as well, resulting in interest expense declining by EUR 90m on an annualized basis.

Early December, KPN agreed to a deal with its senior management about a change in the pension fund, a deal similar to what KPN agreed to earlier in the year with 'regular' staff. In total KPN paid EUR 220m to change the pension plan from a defined benefit plan to a defined contribution plan, removing all pension risk in the Netherlands.

In mid December, KPN announced a deal with suppliers whereby higher discounts will be given to KPN in exchange for significantly improved payment terms. This deal was followed by the announcement of a restructuring of the Business division, targeting a reduction in FTEs of c. 600 staff and annualized savings of EUR 45m.

The outlook for KPN is one whereby competition levels in Mobile, Consumer Residential and Consumer Mobile remain high, pressuring revenues and EBITDA margins, which will be offset by all the measures KPN has taken during FY14. This results in roughly stable EBITDA. However, because of the substantially lower tax bill (tax losses created by the sale of E-Plus), the lower interest expense (due to the repurchase of EUR 2bn in bonds) and the dividend income from TFDE (EUR 140m in FY15, recognized as financial income), EPS will improve substantially, as will FCF.

### Expected news flow and triggers

For KPN the key is to continue to execute its strategy of focusing on sticky services (Triple and Quadruple play), reduce the cost base (Simplification and the Business restructuring) and manage capex (FttH versus VDSL). The KPN brands allow it to effectively compete in all segments of the market but simpler products and pricing plus enhanced content remain key in the retail segment. The key triggers are therefore the quarterly results, which will show consistent EPS growth as well as strongly improving FCF.

More speculative elements in 1H15 will be a possible sale of the stake in TFDE (the lock-up ends in May 2015) or even the sale of BASE. There have been rumours that Altice could be interested in BASE and a sale could raise approximately EUR 1.1-1.2bn. If both transactions take place, net debt at year-end FY15 could be as low as EUR 2.5bn or an implied net debt/EBITDA of c. 1.0. That would complete the transformation to a very stable and defensive high dividend play (>4%).

### Valuation

KPN is currently trading at a FY15 P/E of 16, which is some 20% below the average of the peer group. This discount also exists in FY16 albeit a little lower (13%). The same picture emerges when we look at EV/EBITDA. KPN's FY15 EV/EBITDA multiple stands at 5.4, which is 26% below the peer group while the FY16 multiple is some 24% below the average. Given that KPN has made sweeping reforms (pensions, simplifying product line ups, restructuring), an undervaluation does not seem justified.

An APV model, which is required given the huge tax loss carry forwards that KPN has available, suggests a fair value of EUR 3.25 with a 12 month horizon, using a beta of 0.9 and perpetual growth of 1.25%. The model also assumes an EBIT margin of 13.5% in the terminal value, which is well below that of the long term average (FY02-FY13) of 18.9%. The alternative scenario, which assumes substantially higher market share gains by Tele2 (impacting Consumer Mobile) and UPC/Ziggo (impacting Consumer Residential), still results in a target of EUR 2.90.

**KPN Telecom: Summary tables**

<b>PROFIT &amp; LOSS (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
<b>Sales</b>	<b>13,163</b>	<b>12,708</b>	<b>8,472</b>	<b>7,853</b>	<b>7,474</b>	<b>7,219</b>
Cost of Sales & Operating Costs	-8,025	-8,180	-5,589	-5,284	-4,850	-4,625
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>5,138</b>	<b>4,528</b>	<b>2,883</b>	<b>2,569</b>	<b>2,624</b>	<b>2,594</b>
<b>EBITDA (adj.)*</b>	<b>5,138</b>	<b>4,528</b>	<b>2,883</b>	<b>2,569</b>	<b>2,624</b>	<b>2,594</b>
Depreciation	-1,540	-1,519	-1,258	-1,230	-1,220	-1,210
<b>EBITA</b>	<b>3,598</b>	<b>3,009</b>	<b>1,625</b>	<b>1,339</b>	<b>1,404</b>	<b>1,384</b>
<b>EBITA (adj)*</b>	<b>3,598</b>	<b>3,009</b>	<b>1,625</b>	<b>1,339</b>	<b>1,404</b>	<b>1,384</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>2,549</b>	<b>1,820</b>	<b>1,026</b>	<b>774</b>	<b>854</b>	<b>851</b>
<b>EBIT (adj.)*</b>	<b>2,549</b>	<b>1,820</b>	<b>1,026</b>	<b>774</b>	<b>854</b>	<b>851</b>
Net Financial Interest	-658	-693	-757	-655	-362	-247
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	-24.0	-13.0	-7.0	-7.0	-12.3	-12.3
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>1,867</b>	<b>1,114</b>	<b>262</b>	<b>112</b>	<b>480</b>	<b>591</b>
Tax	-222	-270	31.0	-14.3	-34.9	-44.6
<i>Tax rate</i>	<i>11.9%</i>	<i>24.2%</i>	<i>n.m.</i>	<i>12.7%</i>	<i>7.3%</i>	<i>7.5%</i>
Discontinued Operations	0.0	0.0	-508	434	0.0	0.0
Minorities	0.0	-2.0	-7.0	-7.0	-7.0	-7.0
<b>Net Profit (reported)</b>	<b>1,645</b>	<b>842</b>	<b>-222</b>	<b>525</b>	<b>438</b>	<b>540</b>
<b>Net Profit (adj.)</b>	<b>1,645</b>	<b>842</b>	<b>286</b>	<b>90.9</b>	<b>438</b>	<b>540</b>
<b>CASH FLOW (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Cash Flow from Operations before change in NWC	4,062	3,014	1,764	1,910	2,271	2,410
Change in Net Working Capital	93.0	-7.0	162	-353	-33.8	-29.0
<b>Cash Flow from Operations</b>	<b>4,155</b>	<b>3,007</b>	<b>1,926</b>	<b>1,557</b>	<b>2,237</b>	<b>2,381</b>
Capex	-2,074	-1,734	-1,616	-1,415	-1,515	-1,395
Net Financial Investments	-25.0	-315	-228	4,230	0.0	0.0
<b>Free Cash Flow</b>	<b>2,056</b>	<b>958</b>	<b>82.0</b>	<b>4,372</b>	<b>722</b>	<b>986</b>
Dividends	-1,200	-979	-6.0	-85.4	-299	-427
Other (incl. Capital Increase & share buy backs)	-1,251	-480	2,939	-3,076	0.0	0.0
<b>Change in Net Debt</b>	<b>-395</b>	<b>-501</b>	<b>3,015</b>	<b>1,211</b>	<b>423</b>	<b>559</b>
NOPLAT	2,246	1,379	1,147	675	792	787
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Tangible Assets	7,533	7,895	5,340	5,450	5,670	5,780
Net Intangible Assets (incl. Goodwill)	9,212	8,458	3,643	3,313	2,838	2,380
Net Financial Assets & Other	2,697	2,934	11,668	8,278	8,278	8,278
<b>Total Fixed Assets</b>	<b>19,442</b>	<b>19,287</b>	<b>20,651</b>	<b>17,041</b>	<b>16,786</b>	<b>16,438</b>
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	1,607	1,696	1,214	1,125	1,071	1,034
Other current assets	348	144	61.0	58.0	56.0	55.7
Cash (-)	-990	-1,286	-3,946	-695	-1,118	-1,327
<b>Total Current Assets</b>	<b>2,945</b>	<b>3,126</b>	<b>5,221</b>	<b>1,878</b>	<b>2,245</b>	<b>2,418</b>
<b>Total Assets</b>	<b>22,387</b>	<b>22,413</b>	<b>25,872</b>	<b>18,919</b>	<b>19,031</b>	<b>18,855</b>
Shareholders Equity	2,930	2,410	5,250	6,269	7,052	7,341
Minority	0.0	51.0	53.0	53.0	53.0	53.0
Total Equity	2,930	2,461	5,303	6,322	7,105	7,394
Long term interest bearing debt	11,641	12,369	11,656	6,156	6,156	5,806
Provisions	2,015	1,721	3,559	2,031	1,451	1,401
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Long Term Liabilities</b>	<b>13,656</b>	<b>14,090</b>	<b>15,215</b>	<b>8,187</b>	<b>7,607</b>	<b>7,207</b>
Short term interest bearing debt	1,458	1,527	2,008	1,508	1,508	1,508
Trade payables	3,804	3,857	2,927	2,513	2,442	2,389
Other current liabilities	539	478	419	388	370	357
<b>Total Current Liabilities</b>	<b>5,801</b>	<b>5,862</b>	<b>5,354</b>	<b>4,410</b>	<b>4,320</b>	<b>4,254</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>22,387</b>	<b>22,413</b>	<b>25,872</b>	<b>18,919</b>	<b>19,031</b>	<b>18,855</b>
<b>Net Capital Employed</b>	<b>17,054</b>	<b>16,792</b>	<b>18,580</b>	<b>15,323</b>	<b>15,101</b>	<b>14,782</b>
<b>Net Working Capital</b>	<b>-2,388</b>	<b>-2,495</b>	<b>-2,071</b>	<b>-1,718</b>	<b>-1,685</b>	<b>-1,655</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
<i>Sales growth</i>	<i>-1.8%</i>	<i>-3.5%</i>	<i>-33.3%</i>	<i>-7.3%</i>	<i>-4.8%</i>	<i>-3.4%</i>
<b>EBITDA (adj.)* growth</b>	<b>-6.2%</b>	<b>-11.9%</b>	<b>-36.3%</b>	<b>-10.9%</b>	<b>2.1%</b>	<b>-1.1%</b>
<i>EBITA (adj.)* growth</i>	<i>-11.5%</i>	<i>-16.4%</i>	<i>-46.0%</i>	<i>-17.6%</i>	<i>4.8%</i>	<i>-1.4%</i>
<i>EBIT (adj.)* growth</i>	<i>-21.6%</i>	<i>-28.6%</i>	<i>-43.6%</i>	<i>-24.5%</i>	<i>10.3%</i>	<i>-0.4%</i>

**KPN Telecom: Summary tables**

<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Profit growth	-11.9%	-48.8%	-66.0%	-68.2%	382.3%	23.1%
EPS adj. growth	-5.6%	-46.9%	-86.7%	-72.9%	382.3%	23.1%
DPS adj. growth	6.3%	-85.9%	n.m.	n.m.	42.9%	26.4%
EBITDA (adj)* margin	39.0%	35.6%	34.0%	32.7%	35.1%	35.9%
EBITA (adj)* margin	27.3%	23.7%	19.2%	17.1%	18.8%	19.2%
EBIT (adj)* margin	19.4%	14.3%	12.1%	9.9%	11.4%	11.8%
<b>RATIOS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Debt/Equity	4.1	n.m.	1.8	1.1	0.9	0.8
Net Debt/EBITDA	2.4	2.8	3.4	2.7	2.5	2.3
Interest cover (EBITDA/Fin.interest)	7.8	6.5	3.8	3.9	7.3	10.5
Capex/D&A	80.1%	64.0%	87.0%	78.8%	85.6%	80.0%
Capex/Sales	15.8%	13.6%	19.1%	18.0%	20.3%	19.3%
NWC/Sales	-18.1%	-19.6%	-24.4%	-21.9%	-22.5%	-22.9%
ROE (average)	51.2%	31.5%	7.5%	1.6%	6.6%	7.5%
ROCE (adj.)	15.6%	10.0%	16.6%	9.6%	11.6%	12.1%
WACC	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%
ROCE (adj.)/WACC	2.3	1.4	2.4	1.4	1.7	1.7
<b>PER SHARE DATA (EUR)***</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Average diluted number of shares	1473.2	1420.0	3636.3	4270.0	4270.0	4270.0
EPS (reported)	1.12	0.59	-0.06	0.12	0.10	0.13
EPS (adj.)	1.12	0.59	0.08	0.02	0.10	0.13
BVPS	1.99	1.70	1.44	1.47	1.65	1.72
DPS	0.85	0.12	0.00	0.07	0.10	0.13
<b>VALUATION</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
EV/Sales	1.3	1.0	1.8	1.9	1.9	1.9
EV/EBITDA	3.3	2.7	5.1	5.8	5.3	5.2
<b>EV/EBITDA (adj.)*</b>	<b>3.3</b>	<b>2.7</b>	<b>5.1</b>	<b>5.8</b>	<b>5.3</b>	<b>5.2</b>
EV/EBITA	4.7	4.1	9.1	11.0	9.9	9.7
<b>EV/EBITA (adj.)*</b>	<b>4.7</b>	<b>4.1</b>	<b>9.1</b>	<b>11.0</b>	<b>9.9</b>	<b>9.7</b>
EV/EBIT	6.7	6.8	14.5	19.1	16.3	15.7
<b>EV/EBIT (adj.)*</b>	<b>6.7</b>	<b>6.8</b>	<b>14.5</b>	<b>19.1</b>	<b>16.3</b>	<b>15.7</b>
<b>P/E (adj.)</b>	<b>5.0</b>	<b>3.8</b>	<b>29.8</b>	<b>n.m.</b>	<b>24.6</b>	<b>20.0</b>
P/BV	2.8	1.3	1.6	1.8	1.5	1.5
Total Yield Ratio	12.4%	3.2%	0.9%	17.0%	4.0%	
EV/CE	1.2	0.9	2.1	2.1	2.0	2.1
OpFCF yield	25.2%	39.8%	3.6%	1.3%	6.7%	9.1%
OpFCF/EV	12.3%	10.3%	2.1%	1.0%	5.2%	7.4%
Payout ratio	76.1%	20.2%	0.0%	56.9%	97.5%	100%
Dividend yield (gross)	15.2%	5.3%	0.0%	2.8%	4.0%	5.0%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Price** (EUR)	5.61	2.25	2.34	2.63	2.53	2.53
Outstanding number of shares for main stock	1473.2	1420.0	3636.3	4270.0	4270.0	4270.0
<b>Total Market Cap</b>	<b>8,257</b>	<b>3,199</b>	<b>8,520</b>	<b>11,222</b>	<b>10,795</b>	<b>10,795</b>
<b>Net Debt</b>	<b>12,109</b>	<b>12,610</b>	<b>9,718</b>	<b>6,969</b>	<b>6,546</b>	<b>5,987</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>-990</i>	<i>-1286</i>	<i>-3946</i>	<i>-695</i>	<i>-1118</i>	<i>-1327</i>
<i>o/w Gross Debt (+)</i>	<i>13099</i>	<i>13,896</i>	<i>13,664</i>	<i>7,664</i>	<i>7,664</i>	<i>7,314</i>
<b>Other EV components</b>	<b>-3,401</b>	<b>-3,401</b>	<b>-3,401</b>	<b>-3,401</b>	<b>-3,401</b>	<b>-3,401</b>
<b>Enterprise Value (EV adj.)</b>	<b>16,966</b>	<b>12,409</b>	<b>14,837</b>	<b>14,790</b>	<b>13,940</b>	<b>13,381</b>

Source: Company, SNS Securities estimates.

**Notes**

\* Where EBITDA (adj.) or EBITA (adj.)= EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.)= EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Telecommunications/Fixed Line

Company Description: KPN's main units are the Dutch Telco business and Mobile International. As the incumbent operator in the Netherlands, KPN commands a leading position in the fixed voice, mobile and broadband markets, and also in the IT services sector. The company holds a 41% stake in Reggefiber which is the leading FttH network operator in the NL. In both Germany and Belgium KPN is the number 3 mobile operator.

## TomTom

### Buy

Recommendation unchanged

**Share price: EUR 5.85**

closing price as of 07/01/2015

**Target price: EUR 8.60**

from Target Price: EUR **8.20**

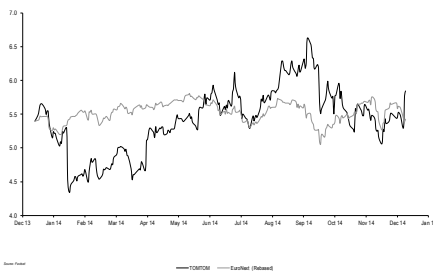
Reuters/Bloomberg

TOM2.AS/TOM2.NA

Daily avg. no. trad. sh. 12 mth	3,104,316
Daily avg. trad. vol. 12 mth (m)	18,506.23
Price high 12 mth (EUR)	6.62
Price low 12 mth (EUR)	4.34
Abs. perf. 1 mth	6.6%
Abs. perf. 3 mth	-10.0%
Abs. perf. 12 mth	7.1%

Market capitalisation (EURm)	1,301
Current N° of shares (m)	223
Free float	53%

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	962	962	937
EBITDA (m)	147	147	170
EBITDA margin	15.3%	15.3%	18.1%
EBIT (m)	29	34	55
EBIT margin	3.1%	3.6%	5.8%
Net Profit (adj.)(m)	70	70	86
ROCE	2.5%	2.4%	3.8%
Net debt/(cash) (m)	(84)	(114)	(229)
Net Debt Equity	-0.1	-0.1	-0.2
Net Debt/EBITDA	-0.6	-0.8	-1.4
Int. cover(EBITDA/Fin.int)	49.8	73.4	high
EV/Sales	1.1	1.2	1.2
EV/EBITDA	7.3	7.7	6.4
EV/EBITDA (adj.)	7.3	7.7	6.4
EV/EBIT	36.5	32.8	19.8
P/E (adj.)	16.4	17.5	15.1
P/BV	1.3	1.4	1.4
OpFCF yield	15.6%	4.4%	8.8%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	0.31	0.32	0.39
BVPS	3.84	3.99	4.20
DPS	0.00	0.00	0.00



Shareholders: P.Geelen 12%; P.F. Pauwels 12%;  
C.Goddijn 12%; H.Goddijn 12%;

### EPS growth is strong but FCF growth is stellar

- ✓ TomTom is still going through a transformational phase whereby a focus on hardware sales is replaced by a focus on services and content, often distributed in a SaaS model. This requires high levels of R&D to develop new products (Golf and Fitness extensions), processes (fresher and accurate map updates) and content (weather, POI and parking info) that will lead to revenue generation down the line, offsetting the decline in the traditional product lines such as PND and map licensing to websites, mobile players and other PND manufacturers.
- ✓ However, Telematics will continue to grow with high organic growth rates (>15%) with the top-line also fuelled by acquisitions (2 in FY14, adding close to 30k subscribers, more to follow). Margins are expected to remain high (>30%), in line with other more mature SaaS software and content providers. Automotive will have to deal with certain contracts fading out (hardware contracts Renault, Mazda and FIAT) while new contracts (PSA and VW mainly) only ramp-up slowly and revenue in all new map and traffic contracts (SMART, Toyota, Mercedes, VW, Audi) being impacted by the IFRS dictated deferral component.
- ✓ FY15 will be a year in which revenue will decline modestly (Consumer and Automotive declines outpacing increases at Telematics), offset by higher gross margins (56% versus 55%) and lower opex (-5%). With lower financial expenses (TomTom is net cash) and steady tax rates, adjusted EPS is, however, set to increase significantly (+28%) in FY15, followed by +20% growth rates thereafter.
- ✓ But that is only part of the picture. As TomTom's revenues in Automotive increasingly come from map sales with life time map updates and life time traffic, a majority of the revenue from those contracts is deferred according to the life time of the model (usually 4 years) even if the cash is received immediately (TomTom receives the cash from the manufacturer at the moment the car leaves the factory). As a result, the FCF generation in FY15 will almost double versus FY14, followed by more than robust increases in the period thereafter. Until FY18, due to high growth in high margin Telematics and the success of TomTom in Automotive, FCF will increase with a CAGR of 31%!
- ✓ From a distance it may seem as if TomTom is overly expensive, just looking at FY15 P/E while the overall top line does not budge much. We do not think that is the whole picture. EPS growth is strong and FCF is stellar, even with TomTom continuing to invest roughly EUR 100m per year (total capex). FCF yields will quickly move above 10% and will continue to stay at a high level as TomTom transforms itself almost completely into a SaaS and services and content firm.

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**Strategy and targets**

TomTom's strategy consists of several different elements. In Consumer, TomTom's strategy is to generate as much cash flow from the PND business, which is clearly maturing (stable sales in Europe, still in decline in North America), which can be used to invest in other businesses and the product expansion in the Fitness line-up. As the PND innovation cycle has halted and marketing is no longer required, FCF is already strong and will continue to be strong.

In Telematics, TomTom aims to become the dominant player in Europe (it is roughly of the same size as its closest competitor Masternaut) by making select bolt-on acquisitions and continuing to strengthen its partner network. This also applies to other continents although there TomTom will continue to rely more on partners, supported by a stronger TomTom organisation in countries where such an investment makes sense.

In Automotive, TomTom continues to invest heavily in the map making process, allowing it to provide fresh updates to its customers. TomTom already can deliver map updates faster than Nokia and we expect this lead to be extended with eventually TomTom being able to deliver daily map updates. This element, coupled with its superior Traffic service, will ensure that in an Automotive market that is moving towards assisted driving, semi-autonomous driving and ultimately highly automated driving, TomTom will gain market share from the current leader Nokia Here. As there is a genuine need for highly accurate and extremely fresh maps, there will be pricing power, which previously did not exist.

In Licensing, TomTom will continue to try to monetize its superior map, delivery process and Traffic but it will be difficult to achieve success given that in the Mobile and Internet space, navigation and LBS are provided for free with even freemium models not gaining any traction.

The overall strategy of TomTom is to transform itself from a hardware B2C company into a software and content B2B company, with correspondingly higher margins with more recurring revenue.

**Financial position**

At the end of the 3<sup>rd</sup> quarter of FY14, TomTom was in a net cash position of EUR 104m and we expect that to increase to roughly EUR 150m at year-end. TomTom still has gross debt of EUR 175m, which it has drawn on a EUR 250m credit facility. This facility has recently been updated (22 Dec 2014), including an expanded range of banks, with the maturity now set for March 2018, which TomTom can extend by 2 years if it so desires. TomTom does still have a significant amount of goodwill on the balance sheet (EUR 380m) but given the outlook in Telematics and Automotive, we do not see a material risk there.

**SWOT**

Strengths	Weaknesses
Strong brand in B2C and B2B Quality of map, software and content Strong position in high growth Telematics Expanding market share in Automotive Strong balance sheet (net cash)	Sometimes late to react to developments Founders control company Convolutd management accounting
Opportunities	Threats
Become dominant in Telematics in EU Gain market share in Automotive globally Expand product line up in Fitness Monetize position in Mobile Automated driving in general	Commoditization of map Increased competition Google Automotive Nokia Here defending market position

Source: SNS Securities

### Recent developments and outlook

In the last 2 quarters, TomTom has positively surprised the market, in each case beating consensus estimates at the EBIT and EPS line while also reporting better than expected top-line. This was due to solid results in Consumer (stabilising PND sales in Europe with higher ASPs coupled with growth in Fitness) and continued high growth in high margin Telematics.

For the 4<sup>th</sup> quarter we remain somewhat cautious as we are unsure about Automotive contributions (Mazda and FIAT contracts fading out, possibly offset by better vehicle sales in Europe in general and the impact of relatively new contracts such as Audi China and SMART). For Consumer we expect a fast growing Fitness (albeit from a small base) but assume a steeper than normal decline in North America in PND as other products (wearables) take the limelight. Telematics will be strong while Licensing will be stable.

More important than the next quarterly earnings is what TomTom is doing beneath the bonnet. TomTom has been investing quite heavily in the so-called content production platform, the process that effectively manages the map data gathering process, the compilation of that data from all the different sources and the actual update of the map database. All in an automated, fast, efficient and less costly manner. Due to a complete new re-design (which is almost up and running and will be completed early in 2015), TomTom will eventually be able to deliver fresh updates on a daily basis. On top of that, TomTom is investing in more accurate data (slope, height, weather conditions, road conditions, traffic signs, speeds signs and 3D imaging of buildings and surroundings), which will eventually be required for ADAS, semi-autonomous driving and ultimately autonomous driving. This is required as basic turn by turn maps have been commoditized by Google and OpenStreetMap.

TomTom assumes, and we agree, that a highly accurate and fresh map and highly accurate Traffic (where TomTom already leads the market) will give it an edge versus other suppliers, also leading to pricing power and thus better margins. ADAS systems are more and more common in cars (lane guidance, assisted braking, distance control, automated parking) and we assume that semi-autonomous cars will become more common around 2020. As such, the recent partnerships with Volkswagen R&D (to develop the next generation of maps for autonomous driving) and Bosch SoftTec (to co-developed ADAS systems) are of key importance as they show that TomTom, building on its lead in map updating, is a key player in this space.

FY15 will be a year in which revenue will decline modestly (Consumer and Automotive declines outpacing increases at Telematics), offset by higher gross margins (56% versus 55% due to more software/content) and lower opex (-5%). With lower financial expenses (TomTom is net cash) and steady tax, adjusted EPS is, however, set to increase significantly (+28%) in FY15, followed by +20% growth rates thereafter. FCF generation in FY15 will, however, almost double versus FY14, followed by more than robust increases in the period thereafter. Until FY18, due to high growth in high margin Telematics and the success of TomTom in Automotive, FCF will increase with a CAGR of 31%.

### Expected news flow and triggers

In the coming months, TomTom will continue to announce deals with Automotive players made in earlier periods based on the company's statements that its Automotive order book per 1H14 has a value of EUR 170m (excluding the VW deal). We also expect new deals as, despite Nokia's statements, TomTom has a clear lead in the map update process and has the best Traffic solution in the market. We also expect Telematics to continue to make small bolt-on acquisitions in various regions with new partnerships also expected. In Consumer, we expect TomTom to continue to expand the product line-up in Fitness and related segments.

Although we see tremendous value in an equity carve-out of Telematics (could raise EUR 730m if IPO-ed on Nasdaq at 80% of valuation of Fleetmatics), we do not assume any corporate action from TomTom as the founders appear unwilling to consider such an option.

### Valuation

TomTom is currently trading at an FY15 P/E of 15, well below that of peers (17 average) while at the FY15 EV/EBITDA level, TomTom trades at 6 versus an average of 9. We forecast rapidly improving FCF due to success in Telematics and Automotive and continued growth in software and services. Using a beta of 1.0 and perpetual growth of 1.25% and a WACC of 8%, this results in a price target of EUR 8.60, leaving an upside of close to 50%.



## TomTom: Summary tables

PROFIT & LOSS (EURm)	12/2011	12/2012	12/2013	12/2014e	12/2015e	12/2016e
<b>Sales</b>	<b>1,273</b>	<b>1,057</b>	<b>962</b>	<b>962</b>	<b>937</b>	<b>947</b>
Cost of Sales & Operating Costs	1,067	876	815	815	767	747
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>206</b>	<b>181</b>	<b>147</b>	<b>147</b>	<b>170</b>	<b>200</b>
<b>EBITDA (adj.)*</b>	<b>206</b>	<b>181</b>	<b>147</b>	<b>147</b>	<b>170</b>	<b>200</b>
Depreciation	-20.6	-15.0	-17.4	-15.0	-15.0	-15.0
<b>EBITA</b>	<b>185</b>	<b>166</b>	<b>129</b>	<b>132</b>	<b>155</b>	<b>185</b>
<b>EBITA (adj)*</b>	<b>185</b>	<b>166</b>	<b>129</b>	<b>132</b>	<b>155</b>	<b>185</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>86.8</b>	<b>70.2</b>	<b>29.4</b>	<b>34.4</b>	<b>54.8</b>	<b>82.5</b>
<b>EBIT (adj.)*</b>	<b>86.8</b>	<b>70.2</b>	<b>29.4</b>	<b>34.4</b>	<b>54.8</b>	<b>82.5</b>
Net Financial Interest	-21.9	-12.0	-2.9	-2.0	0.0	2.8
Other Financials	6.1	1.6	-1.6	0.0	0.0	0.0
Associates	-0.4	0.7	3.1	1.0	1.0	1.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>70.6</b>	<b>60.5</b>	<b>27.9</b>	<b>33.4</b>	<b>55.8</b>	<b>86.3</b>
Tax	1.9	68.7	-4.0	-9.1	-15.3	-23.9
<i>Tax rate</i>	<i>n.m.</i>	<i>n.m.</i>	14.4%	27.2%	27.5%	27.7%
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-1.1	-0.3	-0.5	-0.5	-0.5	-0.5
<b>Net Profit (reported)</b>	<b>71.4</b>	<b>129</b>	<b>23.4</b>	<b>23.8</b>	<b>39.9</b>	<b>61.9</b>
<b>Net Profit (adj.)</b>	<b>122</b>	<b>175</b>	<b>69.9</b>	<b>70.3</b>	<b>86.4</b>	<b>108</b>
<b>CASH FLOW (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Cash Flow from Operations before change in NWC	189	157	210	74.5	141	171
Change in Net Working Capital	-13.5	10.3	53.7	0.0	-6.8	1.9
<b>Cash Flow from Operations</b>	<b>176</b>	<b>167</b>	<b>263</b>	<b>74.4</b>	<b>134</b>	<b>173</b>
Capex	-76.4	-52.3	-84.6	-20.0	-20.0	-20.0
Net Financial Investments	0.0	0.0	-6.9	-25.0	0.0	0.0
<b>Free Cash Flow</b>	<b>99.3</b>	<b>115</b>	<b>172</b>	<b>29.4</b>	<b>114</b>	<b>153</b>
Dividends	0.0	0.0	-0.4	0.0	0.0	-38.7
Other (incl. Capital Increase & share buy backs)	-7.5	-7.1	2.0	0.5	0.5	0.5
<b>Change in Net Debt</b>	<b>91.8</b>	<b>108</b>	<b>173</b>	<b>29.9</b>	<b>115</b>	<b>115</b>
NOPLAT	89.2	150	25.1	25.1	39.7	59.7
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Tangible Assets	32.6	26.8	25.8	30.8	35.8	40.8
Net Intangible Assets (incl. Goodwill)	1,253	1,203	1,185	1,193	1,178	1,160
Net Financial Assets & Other	14.9	17.5	12.5	12.5	12.5	12.5
<b>Total Fixed Assets</b>	<b>1,301</b>	<b>1,247</b>	<b>1,224</b>	<b>1,236</b>	<b>1,226</b>	<b>1,214</b>
Inventories	65.5	44.4	42.3	42.2	41.2	41.6
Trade receivables	185	150	115	115	112	114
Other current assets	54.0	119	38.5	38.5	39.5	39.9
Cash (-)	-194	-164	-258	-213	-234	-344
<b>Total Current Assets</b>	<b>498</b>	<b>477</b>	<b>454</b>	<b>409</b>	<b>427</b>	<b>539</b>
<b>Total Assets</b>	<b>1,799</b>	<b>1,724</b>	<b>1,678</b>	<b>1,645</b>	<b>1,653</b>	<b>1,753</b>
Shareholders Equity	706	836	852	886	936	969
Minority	2.5	2.6	2.1	2.1	2.1	2.1
Total Equity	708	838	854	888	938	971
Long term interest bearing debt	0.0	173	99.3	24.3	0.9	0.0
Provisions	232	237	266	275	336	404
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Long Term Liabilities</b>	<b>232</b>	<b>411</b>	<b>365</b>	<b>299</b>	<b>337</b>	<b>404</b>
Short term interest bearing debt	384	73.7	74.1	74.1	4.1	0.0
Trade payables	117	84.2	82.3	82.3	80.2	81.1
Other current liabilities	357	317	302	302	294	297
<b>Total Current Liabilities</b>	<b>858</b>	<b>475</b>	<b>458</b>	<b>458</b>	<b>378</b>	<b>378</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,799</b>	<b>1,724</b>	<b>1,678</b>	<b>1,645</b>	<b>1,653</b>	<b>1,753</b>
<b>Net Capital Employed</b>	<b>1,131</b>	<b>1,158</b>	<b>1,036</b>	<b>1,048</b>	<b>1,045</b>	<b>1,031</b>
<b>Net Working Capital</b>	<b>-170</b>	<b>-88.7</b>	<b>-188</b>	<b>-188</b>	<b>-181</b>	<b>-183</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
<i>Sales growth</i>	<i>-10.7%</i>	<i>-17.0%</i>	<i>-9.0%</i>	<i>0.0%</i>	<i>-2.6%</i>	<i>1.1%</i>
<b>EBITDA (adj.)* growth</b>	<b>-12.8%</b>	<b>-12.1%</b>	<b>-18.9%</b>	<b>0.1%</b>	<b>15.6%</b>	<b>17.8%</b>
<i>EBITA (adj.)* growth</i>	<i>-16.1%</i>	<i>-10.5%</i>	<i>-22.0%</i>	<i>2.0%</i>	<i>17.3%</i>	<i>19.5%</i>
<i>EBIT (adj)* growth</i>	<i>-31.9%</i>	<i>-19.1%</i>	<i>-58.2%</i>	<i>17.1%</i>	<i>59.2%</i>	<i>50.6%</i>

**TomTom: Summary tables**

<b>GROWTH &amp; MARGINS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Profit growth	-21.9%	44.1%	-60.2%	0.6%	22.9%	25.4%
EPS adj. growth	-22.0%	44.4%	-60.2%	0.5%	22.7%	25.2%
DPS adj. growth			n.m.	n.m.		n.m.
EBITDA (adj)* margin	16.2%	17.1%	15.3%	15.3%	18.1%	21.1%
EBITA (adj)* margin	14.6%	15.7%	13.4%	13.7%	16.5%	19.5%
EBIT (adj)* margin	6.8%	6.6%	3.1%	3.6%	5.8%	8.7%
<b>RATIOS</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Net Debt/Equity	0.3	0.1	-0.1	-0.1	-0.2	-0.4
Net Debt/EBITDA	0.9	0.5	-0.6	-0.8	-1.4	-1.7
Interest cover (EBITDA/Fin.interest)	9.4	15.1	49.8	73.4	high	n.m.
Capex/D&A	64.2%	47.3%	72.1%	17.8%	17.4%	17.0%
Capex/Sales	6.0%	4.9%	8.8%	2.1%	2.1%	2.1%
NWC/Sales	-13.3%	-8.4%	-19.5%	-19.5%	-19.3%	-19.3%
ROE (average)	13.2%	22.8%	8.3%	8.1%	9.5%	11.4%
ROCE (adj.)	8.0%	13.1%	2.5%	2.4%	3.8%	5.9%
WACC	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
ROCE (adj.)/WACC	1.0	1.7	0.3	0.3	0.5	0.8
<b>PER SHARE DATA (EUR)***</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Average diluted number of shares	222.4	221.9	221.9	222.2	222.6	222.9
EPS (reported)	0.32	0.58	0.11	0.11	0.18	0.28
EPS (adj.)	0.55	0.79	0.31	0.32	0.39	0.49
BVPS	3.17	3.77	3.84	3.99	4.20	4.35
DPS	0.00	0.00	0.00	0.00	0.00	0.17
<b>VALUATION</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
EV/Sales	0.7	0.9	1.1	1.2	1.2	1.0
EV/EBITDA	4.3	5.2	7.3	7.7	6.4	4.9
<b>EV/EBITDA (adj.)*</b>	<b>4.3</b>	<b>5.2</b>	<b>7.3</b>	<b>7.7</b>	<b>6.4</b>	<b>4.9</b>
EV/EBITA	4.8	5.7	8.3	8.6	7.0	5.3
<b>EV/EBITA (adj.)*</b>	<b>4.8</b>	<b>5.7</b>	<b>8.3</b>	<b>8.6</b>	<b>7.0</b>	<b>5.3</b>
EV/EBIT	10.2	13.4	36.5	32.8	19.8	11.8
<b>EV/EBIT (adj.)*</b>	<b>10.2</b>	<b>13.4</b>	<b>36.5</b>	<b>32.8</b>	<b>19.8</b>	<b>11.8</b>
<b>P/E (adj.)</b>	<b>5.6</b>	<b>4.8</b>	<b>16.4</b>	<b>17.5</b>	<b>15.1</b>	<b>12.0</b>
P/BV	1.0	1.0	1.3	1.4	1.4	1.3
Total Yield Ratio	0.3%	-0.1%	0.0%	0.0%	2.9%	
EV/CE	0.8	0.8	1.0	1.1	1.1	1.0
OpFCF yield	14.6%	13.6%	15.6%	4.4%	8.8%	11.7%
OpFCF/EV	11.2%	12.2%	16.7%	4.8%	10.5%	15.7%
Payout ratio	0.0%	0.0%	1.6%	0.0%	0.0%	62.6%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013</b>	<b>12/2014e</b>	<b>12/2015e</b>	<b>12/2016e</b>
Price** (EUR)	3.05	3.80	5.15	5.53	5.85	5.85
Outstanding number of shares for main stock	222.4	221.9	221.9	222.2	222.6	222.9
<b>Total Market Cap</b>	<b>679</b>	<b>843</b>	<b>1,143</b>	<b>1,229</b>	<b>1,301</b>	<b>1,303</b>
<b>Net Debt</b>	<b>190</b>	<b>83</b>	<b>-84</b>	<b>-114</b>	<b>-229</b>	<b>-344</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>-194</i>	<i>-164</i>	<i>-258</i>	<i>-213</i>	<i>-234</i>	<i>-344</i>
<i>o/w Gross Debt (+)</i>	<i>384</i>	<i>247</i>	<i>173</i>	<i>98</i>	<i>5</i>	<i>0</i>
<b>Other EV components</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>
<b>Enterprise Value (EV adj.)</b>	<b>883</b>	<b>939</b>	<b>1,072</b>	<b>1,128</b>	<b>1,085</b>	<b>972</b>

Source: Company, SNS Securities estimates.

## Notes

\* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Software & Computer Services/Software

Company Description: TomTom is a provider of personal navigation products and services to consumer, automotive and industrial markets. Its main products are the personal navigation devices, the factory fitted solutions for Renault and Mazda and its mpas that are used by Apple, Samsung and RIM. It is a market leader in Europe and has the number two position in North America.

## **Appendices**

### *Historic Performance Overview of SNS Top Picks*

### Performance SNS Securities Top picks 2003-2014

	AEX	AMX	ASCX	Performance SNS Securities Top Picks	Out performance VS AEX	AMX	ASCX
<b>Top Picks 2003</b>	+4.6%	+12.5%	+29.9%	+32.2%	+26.4%	+17.5%	+1.8%
<b>Top Picks 2004</b>	+3.1%	+14.9%	+16.6%	+38.2%	+34.0%	+20.3%	+18.5%
<b>Top Picks 2005</b>	+25.5%	+26.8%	+32.9%	+45.7%	+16.1%	+15.0%	+9.7%
<b>Top Picks 1H2006</b>	+0.8%	+12.7%	+14.9%	+12.6%	+11.7%	-0.1%	-2.0%
<b>Top Picks 2H2006</b>	+8.5%	+7.6%	+7.8%	+4.3%	-3.9%	-3.0%	-3.2%
<b>Top Picks 1H2007</b>	+14.0%	+18.7%	+27.0%	+26.4%	+10.8%	+6.5%	-0.5%
<b>Top Picks 2H2007</b>	-6.4%	-12.5%	-21.0%	-18.6%	-13.0%	-7.0%	+3.0%
<b>Top Picks 1H2008</b>	-14.2%	-9.0%	-13.5%	-6.8%	+8.6%	+2.4%	+7.7%
<b>Top Picks 2H2008</b>	-41.4%	-46.5%	-43.5%	-39.0%	+4.3%	+14.1%	+8.0%
<b>Top Picks 1H2009</b>	+4.2%	+19.3%	+27.9%	+18.8%	+14.0%	-0.4%	-7.1%
<b>Top Picks 2H2009</b>	+18.5%	+32.7%	+11.1%	+7.6%	-9.2%	-18.9%	-3.1%
<b>Top Picks 1H2010</b>	+7.4%	+9.5%	+3.6%	+4.1%	-3.1%	-5.0%	+0.4%
<b>Top Picks 2H2010</b>	+3.3%	+10.5%	+3.5%	-4.5%	-7.6%	-13.6%	-7.7%
<b>Top Picks 1H2011</b>	-3.8%	+1.0%	+7.4%	+7.3%	+11.5%	+6.2%	-0.2%
<b>Top Picks 2H2011</b>	-17.6%	-30.4%	-30.3%	-20.9%	-4.0%	+13.7%	+13.5%
<b>Top Picks 1H2012</b>	+6.8%	+17.6%	+6.5%	+8.0%	+1.2%	-8.1%	+1.4%
<b>Top Picks 2H2012</b>	+19.9%	+13.1%	+10.9%	+16.6%	-2.8%	+3.1%	+5.1%
<b>Top Picks 1H2013</b>	+0.3%	-2.8%	+6.6%	-7.4%	-7.7%	-4.7%	-13.1%
<b>Top Picks 2H2013</b>	+15.0%	+18.0%	+16.0%	+23.3%	+7.2%	+4.5%	+6.3%
<b>Top Picks 1H2014</b>	+2.9%	+3.4%	+15.7%	+12.4%	+9.2%	+8.7%	-2.9%
<b>Top Picks 2H2014</b>	-1.0%	-4.0%	-2.7%	+3.8%	+4.9%	+8.1%	+6.6%
<b>Compound annual average</b>	<b>+2.6%</b>	<b>+7.5%</b>	<b>+8.5%</b>	<b>+10.6%</b>	<b>+8.0%</b>	<b>+3.6%</b>	<b>+2.7%</b>
	<b>+131.1%</b>	<b>+213.2%</b>	<b>+235.6%</b>	<b>+319.2%</b>	<b>+243.5%</b>	<b>+149.7%</b>	<b>+135.4%</b>

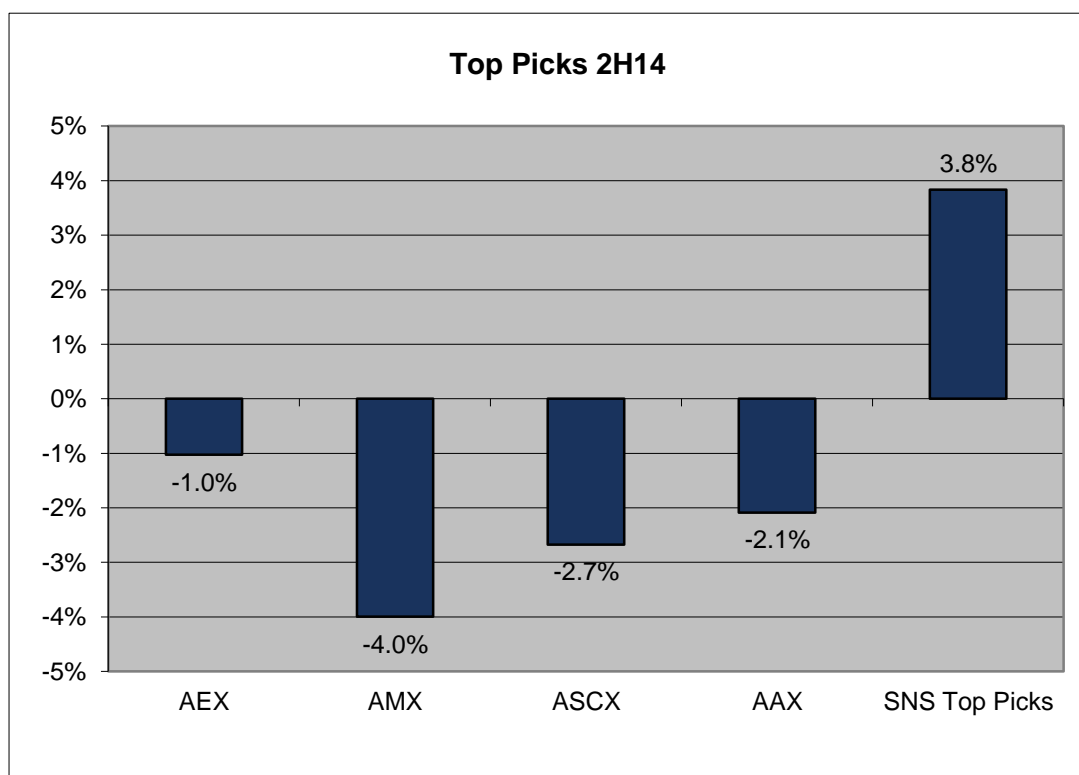
## Performance SNS Securities Top picks 2014 (Jun 2014-Jan 2015)

	18 juni 2014	7-Jan-15	Return	Dividend	Div. return	Total Return
Aalberts	€24.55	€23.65	-3.7%	€0.00	0.0%	-3.7%
Accsys	€1.10	€0.76	-30.9%	€0.00	0.0%	-30.9%
Akzo Nobel	€55.20	€57.38	3.9%	€0.33	0.6%	4.5%
Besi	€12.54	€17.24	37.4%	€0.00	0.0%	37.4%
ForFarmers	€3.33	€3.74	12.3%	€0.00	0.0%	12.3%
Heineken	€52.80	€57.47	8.8%	€0.36	0.7%	9.5%
KPN Telecom	€2.76	€2.53	-8.4%	€0.02	0.7%	-7.7%
Reesink	€77.10	€74.40	-3.5%	€0.00	0.0%	-3.5%
Vopak	€37.45	€43.62	16.5%	€0.00	0.0%	16.5%

<b>TOTAL PERFORMANCE</b>		<b>3.61%</b>	<b>0.22%</b>	<b>3.84%</b>
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<b>AEX</b>	415.5	411.2	<b>-1.03%</b>
<b>AMX</b>	655.1	628.9	<b>-3.99%</b>
<b>ASCX</b>	599.9	583.9	<b>-2.67%</b>
<b>AAX</b>	641.7	628.3	<b>-2.09%</b>

Source: Bloomberg, SNS Securities Research



## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

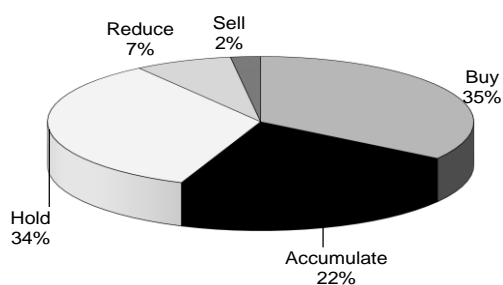
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
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- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

ESN Ratings Breakdown

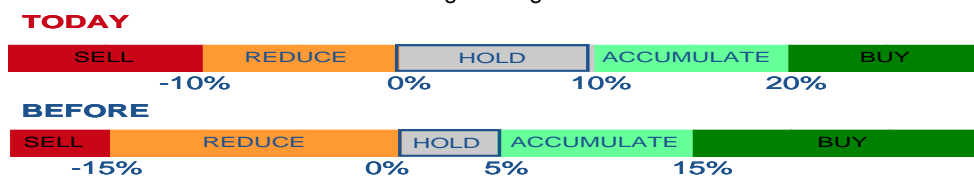


### History of ESN Recommendation System

Since **18 October 2004**, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.

Since **4 August 2008**, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:



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