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ANALYSING THE ANALYSTS

## FORECAST ACCURACY IMPROVES AMID MIXED PICTURE IN CHANGING BENELUX

### SNS SECURITIES HITS DOUBLE TOP FOR NETHERLANDS; TOP SCORES FOR BANK DEGROOF AND KBC IN BELGIUM

(Embargoed: 06.00 GMT Monday, 17 September, 2007)

London, 17 September, 2007 – AQ Research, the independent research analysis firm, today publishes its 5<sup>th</sup> annual review of the accuracy of recommendations in relation to major listed companies in Belgium and Netherlands. The analysis in AQ Research Benelux Research Yearbook 2007 evaluates the performance of Buy/Hold/Sell recommendations on absolute and relative bases between 1 July 2006 and 30 June 2007 (RQ scores). It also examines the accuracy of earnings per share forecasts in relation to reported figures (AQ scores). The report examines research on 205 Benelux companies from 59 research houses.

Highlights of the analysis are as follows:-

- Overall across the whole Benelux region, **SNS Securities** took first place on recommendations analysis amongst the absolute houses for the second year in succession; accompanied by successive top quartile showings in forecast accuracy, the specialist also took top place by average RQ in the Netherlands. **Petercam** headed the best relative houses for recommendations.
- Amongst the consensus beating analysts, the best individual analyst for forecast accuracy was **Steven Deproost** at **Dexia Belgium**.
- In **Belgium**, **Bank Degroof** achieved the best score for recommendations measured on an absolute basis. **KBC Securities** was highest placed for issuing the best earnings estimates in the market, helped by having the most comprehensive research coverage in the Belgian market. The most rewarding stock was **Mitiska** which **Bank de Groof** rated correctly as a buy.
- In the **Netherlands**, **ING Financial Markets** and **UBS** headed the charts on recommendation hit rate and forecast accuracy respectively, with **Rabo Securities** achieving excellent accuracy on the stocks under their coverage on the ‘average greater than average’ measure. The most rewarding stock was **Smit International**, which **Kempen & Co** rated correctly as a buy.

*“The Benelux investment research industry is experiencing many changes at the moment as it consolidates”* says AQ Research managing director William Russell-Smith. *“We have seen Delta Lloyd and FBS pull back from sellside research and F van Lanschot consolidate with Kempen & Co. But the quality of the remaining research has improved since the last Yearbook”*.

CONTACTS for detailed tables and copies of the Benelux Research Yearbook 2007:

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## **Notes to Editor:**

### **About AQ Research**

AQ Research ([www.aqresearch.com](http://www.aqresearch.com)) provides quantitative analysis of analysts' recommendations and eps forecasts, using data obtained from the broking houses involved. AQ has been analysing the accuracy of eps forecasts since 1998 and began publishing its RQ series of reports in 2003. Its analysis covers more than 10,000 companies and 230 brokers worldwide.

### **RQ Methodology**

AQ scores each research houses differently, depending on whether they have absolute or relative recommendations. The period over which we are examining recommendations in this report is the 12 months June 1 2006 to May 31 2007. Each recommendation made during this period is assessed over its "lifetime" (i.e. until it is changed).

Analysts are scored on the basis of the percentage share price movement (+ or -) during the lifetime of a particular recommendation. Those with absolute recommendations are measured on the basis of the percentage change in the share price during the lifetime of the recommendation, while those with relative recommendations are measured on the price movement relative to the price of the relevant index. This either an index (e.g. BEL20) for those houses which make recommendations on an index relative basis, or it is a sector index (the market sectors within the Dow Jones 600) for those which make sector relative recommendations.

Scores have been calculated as follows:

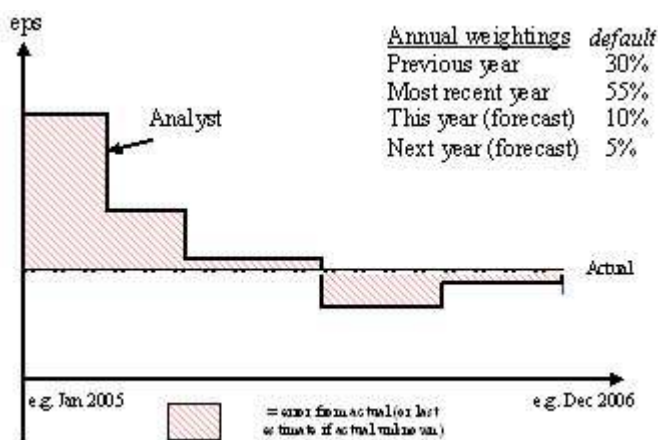
- **A Strong Buy recommendation receives the percentage share price movement x 1.25.**
- **A Buy recommendation receives the percentage share price movement times x 1.**
- **A Hold has no score.**
- **A Reduce recommendation receives the percentage share price movement x -1.**
- **A Sell recommendation receives the percentage share price movement x -1.25.**

(Where a share price has fallen (absolutely or relatively), this means that an analyst with a Sell or Reduce recommendation will score positively).

## AQ Methodology

The AQ measure is designed to measure the accuracy of an analyst's financial forecast. We use the eps as the benchmark measure because that is what is used by the investment research industry. Eps itself is an awkward figure, as there can be different opinions at what level to take the earnings, and how many shares to consider. To get around this problem, we take the so-called headline eps, the figure that by convention the company reports and the figure that is used in compiling the consensus.

The new AQ methodology for determining the accuracy of earnings estimates was launched at the beginning of 2007, following consultations with the industry. The significant change is that it looks at the "error" of the analyst, as expressed by the shaded area on the eps chart below to identify the best forecasting analysts.



The default values are used in the publications. When used in AQ Online, the customer can set their own values not only for the annual weightings but also for any estimate, e.g. to highlight analysts who have better early forecasting accuracy during any particular period.

AQ scores are in the range 0-100. They can be interpreted as follows:

- >60: Small deviations in actual eps vs. the spread of forecasts (generally below 5%) for the past 2 years
- 40-60: Forecasts falling into this range indicate either deviations of actual eps vs. forecasts up to 10% over past 2 years
- 20-40: Deviations of actual vs. forecast eps typically between 10% and 15%, possibly for one of past 2 years. Analysts who have initiated within past 2 years can also have low scores
- <20: AQ's are often not registered where deviations from actual eps numbers exceed 15%.

Note that individual analyst track records have only been building up since the start of 2007.