

Bekaert

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			2004	2005F	2006F
Recommendation	Hold	Sales (€m)	2.173,2	1.895,4	2.036,1
Price (€)	86,5	EBITDA (€m)	316,7	254,8	265,8
Target price (€)	85,00	Net attr. profit (€m)	167,6	185,2	135,9
Market cap (€m)	1.857	Adj. EPS (€)	7,93	6,11	6,33
Net debt '05F (€m)	196	Dividend (€)	2,00	2,00	2,14
EV '05F (€m)	2.053	Adj. PER	10,9	14,2	13,7
Gearing '05F	17%	EV/EBITDA	7,4	8,1	7,8
		Yield (%)	2,3%	2,3%	2,5%

Company data, ING estimates

Bekaert: 4Q05 sales fractionally ahead of ING estimates

Bekaert issued its 4Q05 trading update this morning (prior to market opening). Bekaert's FY05 sales grew 10% YoY up to €1,914m, 1% above our €1,895m estimate.

Bekaert : 4Q05 sales

	4Q05	YoY	4Q04	9m05	4Q05F	3Q05 (YoY)
Advanced Wire products	398	9,6%	363,0	9%	383	4%
Advanced Materials	43	38,7%	31,0	14%	40	9%
Advanced coatings	33	10,0%	30,0	3%	32	10%
Other	0	-100%	14,0	-100%	0	-100%
Total	474,4	8.2%	438,0	12.3%	455,4	8,2%

Source: Company data, ING estimates

As a result, 4Q05 sales progressed 8.2% YoY (mainly organic growth), a growth pace fully in line with the one recorded during 3Q05, driven by strong growth for steelcord products in China (+ app. 54% YoY in 4Q05), wire sales in Asia (+ c. 30% in 4Q05), recovering wire sales in the US (+c. 2% in 4Q05, after the c. -16% YoY in 3Q05). Performance in the advanced materials division (c. 7% of Group sales) posted ahead of expectations, advanced coatings' sales pursued its growth at the level recorded in 3Q05. Latin American sales growth appeared to have accelerated even (+c. 32% in 4Q05, compared to the already stunning +26% during the first nine months of 2005).

As expected, the slowdown in European sales materialised: in 4Q05, wire sales declined c. 14% YoY (after dropping c. 8% YoY in 3Q05). Steelcord activities (other than China) still grew at a c. 3% YoY pace during 4Q05, hereby further highlighting the slowing trend as YoY growth still posted at 24% in 1H05 and 9% in 3Q05.

Bekaert did not give any indication on profitability (but that was not expected either). Final results will be published on 16 March 2006.

Investment case

Bekaert's 4Q05 overall sales figures look good, but the announcement doesn't comprise a trigger, basically as no outlook or indication is provided on 2006. We will fine-tune our forecasts so as to integrate 4Q05 sales figures. We expect no major share price reaction on this morning's announcement.

Although earnings momentum, going forward, is likely to slow down (comparison basis becomes tougher), we consider Bekaert a long term investment opportunity, backed by its strategy to build up, ahead of its competitors, a worldwide platform in (growth) areas such as China, Latin America, Central Europe, India and Russia. Besides this first mover advantage, we believe that Bekaert will remain a leading worldwide player thanks to its other fundamental strengths: strong world wide market shares, leading technology, focus on quality, etc.

Bekaert's EV/EBITDA, adjusted for the sizeable contribution of the Latin American equity affiliates to group results (c.30%), points to some further upside. The adjusted EV/EBITDA on 06F and 07F lies at respectively 5.4x and 5.1x, this compares with 06F EV/EBITDA for Belgian small & Mid caps of 7.5x on average. In view of the weakening earnings momentum, we stick however to our Hold recommendation, but we raise our target price for Bekaert from €83 to €85, 5% below our adjusted DCF valuation.

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