

Small and mid cap

Bekaert		Luc Struelens			
			2005	2006F	2007F
Recommendation	Hold	Sales (€m)	1,914.3	2,051.6	2,239.7
Price (€)	98.2	EBITDA (€m)	257.4	262.1	285.5
Target price (€)	88.5	Net attr. profit (€m)	189.9	133.1	145.0
Market cap (€m)	2,107	Adj. EPS (€)	6.32	6.20	6.76
Net debt '05F (€m)	321	Dividend (€)	3.00	2.25	2.40
EV '05F (€m)	2,429	Adj. PER	15.5	15.8	14.5
Gearing '05F	28%	EV/EBITDA	9.4	9.3	8.6
		Yield (%)	3.1%	2.3%	2.4%

Company data, ING estimates

Bekaert: 1Q06 trading update, fractionally below consensus expectations

Bekaert issued its 1Q06 trading update this morning (prior to market opening) and is holding its AGM later today. 1Q06 sales increased 4%YoY up to €481m, slightly below the €492m Tijd-Nieuwslijn consensus estimate. 1Q06's YoY organic growth turned negative (-2% YoY), the impact of acquisitions and divestments added 200bp to Bekaert's sales evolution, whereas currency movements explain for the full 400bp YoY sales increase. The sales progression remained firm for Steel cord in China (+43% YoY, aided by the weak 1Q05 comparison basis) and for Wire in Latin America (+23% YoY, aided by stronger currencies). Demand recovered clearly for Wire in the US (+9%). Steelcord activities (outside China) and Wire activities in Europe declined respectively 4% and 6% YoY, but both divisions had a tough 1Q05 comparison basis.

Bekaert's outlook statement for 2006F remains nearly unchanged as compared to the one issued at FY05 results announcement, which came down to the following: 'Bekaert has started 2006 well, but is experiencing more intense competition around the world and higher costs for both raw materials and energy'. Today, management added to this that as a result of these elements, it remains prudent for its forecasts.

Investment case

Bekaert's 1Q06 sales figures are slightly weaker than expected. In view of the weakening earnings momentum (partly due to a more difficult competitive environment, partly as the result of the increasingly more difficult comparison basis), we stick to our **HOLD** recommendation on Bekaert. We will review our forecasts and DCF-based €88.50 TP after today's AGM and analysts' meeting.

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