

Maintained

Hold**Bekaert**

3Q06 trading update out this morning

Price (09/11/06) €83.70

Maintained

12m target price €88.50

12m forecast returns (%)

Share price 5.7

Dividend 2.7

12m fcst total return 8.4

Market cap €1,797.0m

Reuters BERTt.BR

Luc Struelens

Brussels +32 2 547 3678

Forecasts and ratios

Yr to Dec (€m)	2005	2006F	2007F	2008F
Turnover	1,914.3	2,051.6	2,239.7	2,353.3
EBITDA	257.4	262.1	285.5	298.8
Net profit	189.9	133.1	145.0	139.4
Adj EPS	6.32	6.20	6.76	6.50
Adj PER (x)	13.2	13.5	12.4	12.9
Dividend yield (%)	3.6	2.7	2.9	3.0
EV/EBITDA (x)	8.2	8.1	7.5	7.2
Price/NAV (x)	1.7	1.5	1.4	1.3
ROE (%)	13.6	11.9	12.0	10.7

Source: Company data, ING estimates

News

Bekaert published its 3Q06 trading update this morning (prior to market opening).

Investment thesis

Our first impressions on Bekaert's statement: Bekaert's 3Q06 sales progressed 5.6% YoY up to €495.6m, ahead of c. 2% ahead of consensus and ING estimates, mainly driven by the further rollout of steelcord capacity in China (sales +c. 53% YoY in 3Q06). 3Q06 sales were held back by steel cord sales (-c.7% YoY in 3Q06) in Europe and the US and by wire sales in the US (-c.11% YoY in 3Q06). Industrial coatings (+c.20% in 3Q06) unveiled a nice recovery in 3Q06 after the disappointing 1H06 sales.

Overall 3Q06 sales marked a return to limited organic sales growth as the 5.6% growth was held back by a negative impact from currencies, but it was aided by the impact of the change in consolidation parameter.

Bekaert: 3Q06 consolidated sales (€m)

	3Q06	YoY (%)	3Q05	3Q06F
Advanced Wire products	420.0	4.6	401.4	412.4
Advanced Materials	39.0	11.4	35.0	36.0
Advanced coatings	37.0	12.1	33.0	35.0
Other	-0.4		0.0	2.6
Total	495.6	5.6	469.4	486.0

Source: Company data, ING estimates

Outlook: Management indicated they expect sales growth for 2006, despite continued weakening on its European and US markets. Considering the 4% YoY growth realised after nine months and with only one quarter ahead, this guidance is extremely vague. We believe however that a 4Q06 YoY sales growth should be on the cards.

Conclusion

All in all, Bekaert's 3Q06 sales posted slightly ahead of expectations. We will fine-tune our forecasts to incorporate the elements of the 3Q06 trading update. We maintain our €88.50 target price (5% below our DCF valuation) on Bekaert and the corresponding **HOLD** recommendation (anticipated return on Bekaert shares is estimated at 8.4%, including a 2.7% dividend yield) although we continue to like Bekaert's sound long-term strategy of building 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.