

Maintained

Hold**Bekaert**

Preview 2H06 results

Price (08/03/07) €94.13

Maintained

12m target price €96.00

12m forecast returns (%)

Share price 2.0

Dividend 2.4

12m fcst total return 4.4

Market cap €1,971.7m

Reuters BERTt.BR

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Forecasts and ratios

Yr to Dec (€m)	2005	2006F	2007F	2008F
Turnover	1,914.3	2,010.0	2,121.9	2,234.6
EBITDA	257.4	248.7	270.4	286.2
Net profit	189.9	136.6	144.4	146.0
Adj EPS (€)	6.32	6.52	6.90	6.97
Adj PER (x)	14.9	14.4	13.7	13.5
Dividend yield (%)	3.2	2.4	2.6	2.7
EV/EBITDA (x)	9.1	9.4	8.8	8.4
Price/NAV (x)	1.9	1.8	1.6	1.5
ROE (%)	13.6	12.4	12.4	11.6

Source: Company data, ING estimates

News

Bekaert will publish 2H06 results on Friday 16 March, before market opening. An analysts' meeting is scheduled the same day at 2PM CET.

Investment thesis

Bekaert already published FY06 sales on 16th of February, which posted overall in line with our forecasts and comprised increasing organic top line growth in 4Q06 (+4%), capitalising on a c. 85% YoY growth in Chinese steelcord sales (following further roll-out of capacity). Wire Europe also confirmed the strong rebound of 3Q06. US activities continued to be under pressure, not only in wire, but also in steelcord (due to the Goodyear strike).

We aligned our forecasts on Bekaert to incorporate the impact of buying back (and the cancelling of) 557,000 shares (2.6% of the outstanding shares) before the end of 2006, which results in a c. 1.7% increase of our EPS estimates.

Bekaert: Preview 2H06F results

	2H06F	YoY (%)	2H05	FY06F
Sales (€m)	1000.6	6.0%	943.7	2010.0
EBIT (€m)	59.6	16.9%	51.0	135.4
as % of sales	6.0%		5.4%	6.7%
Taxes (€m)	-13.7	58.0%	-8.6	-29.2
Net profit (€m)	61.3	3.0%	59.5	136.6
as % of sales	6.1%		6.3%	6.8%
Net EPS (€)	2.93	5.4%	2.78	6.52

Source: Company data, ING estimates

Table above summarises our 2H06 and FY06 forecasts for Bekaert. We expect the company to have posted a slightly YOY expanding gross margin in 2H06 (+20bp up to 19.2%), whilst incorporating only a modest -€2.5m IFRS revaluation on inventory. 2H06's number should also comprise some additional charges linked to the closing down of the Dyersburg plant in the US. The contribution of the Latin American activities is likely to decline YoY and Bekaert's taxation rate on 2H06 (ING est. 26%, up from 19.8% in 2H05) could prove to be a swing factor in the Bekaert's results.

Conclusion

We stick to our HOLD recommendation and our €96 TP (5% below our DCF value) on Bekaert, although we continue to believe in 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.