

Maintained

Hold

Price (15/03/07) €2.28

Previously: €96

12m target price €100.00

12m forecast returns (%)

Share price 8.4

Dividend 2.4

12m f'cst total return 10.8

Market cap €1,933.0m

Reuters BERTt.BR

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Bekaert

Strong 2H06 results – target priced raised from €96 to €100

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)	14.6	14.1	13.4	13.2
Dividend yield (%)	3.3	2.4	2.6	2.7
EV/EBITDA (x)	8.9	9.3	8.6	8.2
Price/NAV (x)	1.8	1.7	1.6	1.5
ROE (%)	13.6	12.4	12.4	11.6

Source: Company data, ING estimates

News

Bekaert published strong 2H06 results this morning, before market opening. An analysts' meeting is scheduled later today (2PM CET).

Investment thesis

Bekaert already published FY06 sales on 16 February, which 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). Highlights in this morning's announcement:

Bekaert : 2H06 results

	2H06	YoY ch	2H05	2H06F	2H06 consensus
Sales (€m)	1000.2	6.0	943.7	1000.6	published
EBIT (€m)	70.2	37.6	51.00	59.63	59.5
Equity affiliates (net) (€m)	23.2	-20.8	29.2	24.5	
Taxes (€m)	-13.7	58.0	-8.6	-13.7	
Net profit (€m)	71.8	20.4	59.6	61.3	57.7
as % of sales	7.2		6.3	6.1	
Net EPS (€)	3.43	23.4	2.78	2.93	

Source: Company data, ING estimates, De Tijd consensus

Our first impressions on FY06 results:

As shown in the table above, Bekaert's 2H06 results exceeded ING and consensus estimates, thanks to a better-than-expected gross margin resilience and efficient cost control. Contribution from Latin American affiliates is YoY down (as expected due to higher competitive pressure). Bekaert will propose to increase (+25% YoY) its dividend to €2.50 gross.

As usual, Bekaert provided a very vague outlook statement: "Bekaert made a good start in 2007, but expects raw material prices to become more volatile again this year."

Conclusion

We expect a positive share price reaction on the back of the strong FY06 figures, which also led us to raise our target price on Bekaert from €96 to €100 (in line with its DCF value), the corresponding recommendation remains a HOLD. 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. We will fine-tune our forecasts