

Maintained

**Hold****Price (07/05/07) €106.15**

Previously: €100

**12m target price €108.00****12m forecast returns (%)**

Share price 1.7

Dividend 2.5

**12m fcst total return 4.2**

Market cap €2,165.5m

Reuters BERTt.BR

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## Bekaert

1Q07 trading update out this morning: in line with expectations; TP raised to €108 (from €100)

### Forecasts and ratios

Yr to Dec (€m)	2005	2006	2007F	2008F
Turnover	1,914.3	2,009.6	2,144.3	2,273.3
EBITDA	257.4	262.2	277.4	288.1
Net profit	189.9	142.3	143.6	143.9
Adj EPS	6.32	6.80	7.04	7.05
Adj PER (x)	16.8	15.6	15.1	15.0
Dividend yield (%)	2.8	2.4	2.5	2.5
EV/EBITDA (x)	10.1	10.1	9.2	8.9
Price/NAV (x)	2.1	2.1	1.8	1.7
ROE (%)	13.6	13.2	12.6	11.5

Source: Company data, ING estimates

### News

Bekaert published its 1Q07 trading update this morning and is hosting its AGM later today.

### Investment thesis

Bekaert's 1Q07 sales increased 6.9% up to €514m, in line with ING (€510.6m) and Tijd-Nieuwslijn consensus estimate (€516.2m). 1Q07's YoY organic growth reached 6%, the change in consolidation parameter added 4% YoY, currency movements wiped out 3% of the overall YoY sales growth. These trends are also in line with our expectations.

At the (sub)divisional level, the 1Q07 sales evolution confirmed: (1) the strong growth for steel cord in China (+49% YoY, ING est. +40% YoY), driven by the further roll-out of capacity; (2) the persisting momentum for building products (+23% YoY) and for wire products in Europe (+22% YoY). As expected, performance of Wire in the US remained subdued (-11% YoY), thereby however marking a slightly smaller YoY sales decline compared with 4Q06. Advanced coatings' sales (+1% YoY) fell short on our expectations, as specialised films sales (-8% YoY) continued at the weak pace of 4Q06.

Bekaert's outlook statement became the following: 'Bekaert remains confident for the first half of the year', which is in our view a more bullish statement than the previous one, which called for an overall good start in 2007, but indicated that the company expects higher volatility in raw material prices in 2007 (which makes an appropriate monitoring of its gross margin more difficult).

### Conclusion

1Q07 sales lived up to expectations and the outlook statement appears to us as a – for Bekaert – relatively bullish statement. As such, we expect a positive share price reaction on the back of this morning's announcement.

We stick to our HOLD recommendation but increase our TP from €100 to €108, thereby bringing our TP fully in line with our DCF value for Bekaert. Bekaert shares trade at a c.3% discount to the median for Belgian Small & Mid caps in terms of PER, adjusted EV/EBIT and adjusted 2007-09F EV/EBITDA (adjusted for the sizeable contribution of the Latin American equity affiliates), which is understandable in view of the cyclical nature of its business. On the other hand, and on a longer term perspective, we believe Bekaert's shares hold potential in view of 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 and its continuous streamlining of its operations in mature markets.