

Maintained

Hold**Bekaert**

Preview 1H07 results due on Tuesday

Price (25/07/07) €106.10

Maintained

12m target price €108.00

12m forecast returns (%)

Share price 1.8

Dividend 2.5

12m fcast total return 4.3

Market cap €2,104.6m

Reuters BEKB.BR

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Forecasts and ratios

Yr to Dec (€m)	2005	2006	2007F	2008F
Turnover	1,914.3	2,009.6	2,115.9	2,226.0
EBITDA	257.4	262.2	278.4	290.1
Net profit	189.9	142.3	140.8	145.7
Adj EPS	6.32	6.80	7.10	7.34
Adj PER (x)	16.8	15.6	15.0	14.4
Dividend yield (%)	2.8	2.4	2.5	2.5
EV/EBITDA (x)	10.1	10.1	9.5	9.2
Price/NAV (x)	2.1	2.1	2.0	1.8
ROE (%)	13.6	13.2	13.2	13.3

Source: Company data, ING estimates

News

1H07 results are due 31 July, before market opening. An analysts' meeting is scheduled the same day at 2pm CET.

Investment thesis

1H07F sales are expected to rise 6.8%YoY up to €1,077.6m, hereby marking a fractionally lower YoY growth in 2Q07F as compared to 1Q07 (+6.9% YoY). Bekaert's top line should mainly be driven by persisting growth in Chinese steelcord sales (ING est. +46% YoY) following further capacity roll-out. Negative currency impacts should have wiped out c.2% of Bekaert's 1H07's sales growth, but we judge this element will be more than compensated by the YoY change in consolidation parameter.

Preview 1H07F results

	1H07F	YoY (%)	1H06
Sales (€m)	1077.6	6.8%	1009.4
EBIT (€m)	83.3	4.2%	79.9
as % of sales	7.7%		7.9%
Equity affiliates (net) (€m)	26.2	-5.8%	27.8
Taxes (€m)	-17.0	9.1%	-15.5
Net profit (group share)	76.1	0.8%	75.5
Net EPS (€)	3.83	9.4%	3.51

Source: Company data, ING estimates

For the LatAm activities (associates), we expect YoY decrease in profit contribution, mainly as the competition has increased in these markets. A fractionally YoY higher taxation rate brings our 1H07F net profit at €76.1m, slightly up YoY. However, driven by the share buyback since 2H06, Bekaert's net EPS should rise 9.4% YoY.

Conclusion

We expect no major trigger in the results announcement and stick to our **HOLD** recommendation and our €108 TP (5% below our DCF value) on the company. Bekaert shares trade at a c.5% discount to the median for Belgian Small & Mid caps in terms of PER, adj. EV/EBIT and adj. EV/EBITDA 2007-09F (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 in a longer term perspective, we believe Bekaert's shares hold potential in view of its 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, while continuously streamlining its operations in mature markets.