

Maintained

Hold**Bekaert**

1H07 results fractionally below expectations

Price (30/07/07) €105.22

Maintained

12m target price €108.00

12m forecast returns (%)

Share price 2.6

Dividend 2.6

12m fcst total return 5.2

Market cap €2,087.2m

Reuters BEKB.BR

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Forecasts and ratios

Yr to Dec (€m)	2006	2007F	2008F	2009F
Turnover	2,009.6	2,115.9	2,226.0	2,295.4
EBITDA	262.2	278.4	290.1	297.5
Net profit	142.3	140.8	145.7	149.0
Adj EPS	6.80	7.10	7.34	7.51
Adj PER (x)	15.5	14.8	14.3	14.0
Dividend yield (%)	2.4	2.6	2.6	2.7
EV/EBITDA (x)	10.0	9.4	9.1	8.8
Price/NAV (x)	2.1	2.0	1.8	1.7
ROE (%)	13.2	13.2	13.3	12.5

Source: Company data, ING estimates

News

Bekaert published 1H07 results this morning, before market opening. An analysts' meeting is scheduled today (2pm CET).

Bekaert : 1H07 results

	1H07	YoY ev.	1H06	1H07F
Sales (€m)	1065.1	5.5%	1009.4	1077.6
REBIT (€m)	90.3	13.0%	79.95	83.32
Equity affiliates (net) (€m)	23.4	-15.9%	27.8	26.2
Taxes (€m)	-14.9	-4.3%	-15.5	-17.0
Net profit (€m)	72.6	-3.8%	75.5	76.1
Net EPS (€)	3.60	2.7%	3.51	3.83

Source: Company data, ING estimates

Investment thesis

1H07's turnover increased 5.5% YoY (ING estimate +6.8%), driven by a organic growth of c. 6%, mainly thanks to continued steep YoY rise in Chinese steelcord sales (+ 53% YoY, ING est +46% YoY). The change in the consolidation parameter (adding 2% YoY) offset the 2% negative effect of currency movements. Steelcord sales in the US and Europe declined 9% YoY. 1H07's Gross margin progressed up to 20.1%, bringing company's recurrent EBIT above our estimate. The profit contribution from Bekaert's Latin American equity affiliates declined YoY (more than expected) due to the intensified pricing competition.

Management did not provide any guidance on FY07, but stated that market conditions remain difficult in the US and that Latin-American activities require extra efforts to maintain its leadership position

Conclusion

We expect no material share price reaction on the back of this morning's announcement. We 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. 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 also streamlining its operations in mature markets.