

Maintained

Hold**Bekaert**

3Q07 trading update in line with ING estimates

Price (08/11/07) €92.11

Maintained

12m target price €108.00

12m forecast returns (%)

Share price 17.3

Dividend 2.9

12m fcst total return 20.2

Market cap €1,830.8m

Reuters BEKB.BR

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Forecasts and ratios

Yr to Dec (€m)	2006	2007F	2008F	2009F
Turnover	2,009.6	2,125.5	2,423.1	2,501.1
EBITDA	262.2	286.1	322.0	325.5
Net profit	142.3	135.9	142.6	140.6
Adj EPS (€)	6.80	6.84	7.17	7.07
Adj PER (x)	13.6	13.5	12.8	13.0
Dividend yield (%)	2.7	2.9	2.9	3.0
EV/EBITDA (x)	8.9	8.3	7.5	7.3
Price/NAV (x)	1.8	1.7	1.6	1.5
ROE (%)	13.2	12.8	13.1	11.9

Source: Company data, ING estimates

News

Bekaert published its 3Q07 trading update this morning, before market opening.

Investment thesis

Bekaert's 3Q07 sales increased 5.7% to €524m, fully in line with ING's estimate. 3Q07's YoY organic growth attained c.7%, currency movements wiped out 2% of the overall YoY sales growth. At (sub) divisional level, the 3Q07 sales evolution highlighted: (1) the strong growth for steel cord in China (+c.60% YoY vs ING est. +47% YoY), driven by the further roll-out of capacity, solid growth at its Latam JVs (apart from Chile) (2) a better than expected performance in building products (+c. 6% YoY) as well as for Wire North America (+1% YoY), despite the weak USD; (3) Steelcord sales in Europe and the US continued to decline YoY in 3Q07 (est. -3%), albeit at a slightly lower pace than during 2Q07. 4/Advanced coating sales disappointed (-22% YoY), due to continued weakness in sales in specialised films and also in industrial coatings (which is project linked business and had difficult comps).

Bekaert: 3Q07 consolidated sales

€m	3Q07	YoY	3Q06	3Q07F
Advanced Wire products	446.0	6.2%	420.0	434.0
Advanced Materials	49.0	25.6%	39.0	52.7
Advanced coatings	29.0	-21.6%	37.0	36.4
Total	524.0	5.7%	495.6	523.1

Source: Company data, ING estimates

Bekaert stated that it expects 'to maintain its revenue growth in 2007', which appears to mean that the current YTD growth of 5.6% is to persist in 4Q07.

Conclusion

3Q07 sales and outlook statement were in line with our expectations and are in our view reassuring. As such, we expect a moderate positive share price reaction on the back of this 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.7% 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 also continuously streamlining its operations in mature markets.