

Maintained

**Buy**

## Bekaert

Preview of 4Q07 trading update due on Friday

Price (12/02/08) €86.08

Maintained

12m target price €108.00

12m forecast returns (%)

Share price 25.5

Dividend 3.1

12m fcast total return 28.6

Market cap €1,711.0m

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   | 140.7   |
| Adj EPS (€)        | 6.80    | 6.84    | 7.17    | 7.08    |
| Adj PER (x)        | 12.7    | 12.6    | 12.0    | 12.2    |
| Dividend yield (%) | 2.9     | 3.1     | 3.1     | 3.3     |
| EV/EBITDA (x)      | 8.5     | 7.9     | 7.1     | 6.9     |
| Price/NAV (x)      | 1.7     | 1.6     | 1.5     | 1.4     |
| ROE (%)            | 13.2    | 12.8    | 13.1    | 11.9    |

Source: Company data, ING estimates

**News**

Bekaert will publish its 4Q07 trading update on Friday, prior to the market opening.

**Investment thesis**

We expect Bekaert to report 4Q07F sales of €524m, rising 3.8% YoY and bringing FY07F sales to €2,126m (YoY +5.8%). JCF consensus for Bekaert's FY07 sales stands at €2.149m. As such, we expect slightly weaker YoY sales growth during 4Q07, which in our view should be due to: 1) the high comparison basis in Chinese steelcord sales during 4Q06 (rising YoY c.87% in 4Q06) and 2) the YoY weaker USD. We still bank on c.20% YoY growth in Bekaert's Chinese advanced wire products sales as the company continued to deploy capacity in this region. At a divisional level, our forecast the following sales for 4Q07F: Advanced wire products at €433m, Advanced Materials at €56m and Advanced Coatings of €35m.

The focus of most investors' attention on tomorrow's statement will be on Bekaert's outlook statement (which is traditionally cautious and therefore unlikely to be bullish) and on its expansion plans in terms of further capacity rollout (eg, in China and Russia as from 2009 on).

**Conclusion**

Bekaert's shares have weathered fairly well during the sell off since the beginning of 2008F. As a result, Bekaert trades now at a more limited discount (c.3%) to the median of Belgian small & mid-caps in terms of 2007-09F PER, adjusted EV/EBIT and adjusted EV/EBITDA (adjusted for the sizeable contribution of Latin American equity affiliates). A limited discount is understandable as Bekaert's business is to a certain extent cyclical, but its orientation to growth markets should be able to nearly offset this effect.

Ahead of Bekaert's 4Q07 trading update, we reiterate our BUY recommendation and our €108 TP (backed by our DCF valuation pointing to €112). We consider Bekaert a solid long-term investment, backed by its strategy to build, ahead of its competitors, a worldwide platform in (growth) areas such as China, Latin America, Central Europe, India and Russia. Besides this first-mover advantage, we believe Bekaert will remain a leading global player due to its other fundamental strengths: strong worldwide market shares, leading technology, focus on quality and a geographically well balanced manufacturing platform. Risks: Bekaert's business model is sensitive to economic cycles (at a global level), to US\$ weakness (compared with the euro) and could suffer from raw material (wire rod) price increases when the economic climate weakens, as this would lower its pricing power.