

Maintained

Buy**Bekaert**

Good 4Q07 trading update out this morning

Price (14/02/08) €87.66

Maintained

12m target price €108.00

12m forecast returns (%)

Share price 23.2

Dividend 3.1

12m fcst total return 26.3

Market cap €1,742.4m

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)	12.9	12.8	12.2	12.4
Dividend yield (%)	2.9	3.1	3.1	3.2
EV/EBITDA (x)	8.6	8.0	7.2	7.0
Price/NAV (x)	1.7	1.7	1.5	1.4
ROE (%)	13.2	12.8	13.1	11.9

Source: Company data, ING estimates

News

Bekaert published its 4Q07 trading update on Friday, prior to market opening.

Investment thesis

Bekaert's 4Q07 sales increased 16% up to €585m, driven by a strong c.11% organic growth, a 7.9% increase due to changes in consolidation parameter and held back by a c. 3% negative impact of currency exchange rates.

At (sub) divisional level, the 4Q07's sales evolution highlighted:

1) the decelerating YoY growth steel cord in China (+c. 25% YoY vs ING est. +20% YoY), which is logical as 4Q06 was a tough comparison basis.

2) accelerating growth at its Latin American JVs (c. 24% in 4Q07)

3) much better-than-expected sales at wire North America (c. +4%) and for building products (c. +12%)

Bekaert's outlook statement did not surprise us as it states that it expects 'continued growth of its activities in 2008' and that it will closely monitor the rising wire rod prices and the effects of any potential economic correction'. We consider this vague outlook statement – although differently phrased - as unchanged compared to the previous one.

Conclusion

We consider Bekaert's 4Q07 sales as good and are particularly positively surprised by the resilience in sales of its US activities and in building products.

We retain our BUY recommendation and our €108 TP (5% below our DCF value) on the company. Bekaert shares trade at a c.3% 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 from 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, whilst also continuously streamlining its operations in mature markets.