

Maintained

Buy

Bekaert

Feedback from investor day

Price (22/02/08) €91.00

Maintained

12m target price €108.00**12m forecast returns (%)**

Share price 18.7

Dividend 3.0

12m fcst total return 21.6

Market cap €1,808.8m

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	140.7
Adj EPS (€)	6.80	6.84	7.17	7.08
Adj PER (x)	13.4	13.3	12.7	12.9
Dividend yield (%)	2.7	3.0	3.0	3.1
EV/EBITDA (x)	8.9	8.2	7.4	7.2
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 organised an Investor's day last Friday, during which the company gave a strategic update and additional background information on company's operations.

Investment thesis

Bekaert has invested c. €200m in 2007. Capex for 2008F will be of the same order of magnitude. Future investments will be directed to China (increasing capacity from 250,000 tonnes to 300,000 tonnes by the end of 2008F (market grows by c. 100,000 tonnes a year, currently estimated at 600,000 tonnes), Indonesia (€22m capex in 2008F, in galvanizing and concrete reinforcing products), Russia (€97m to be spread over 5 years, tire cord and bead wire), Turkey (through Beksa), India (€33m, in wire products), this market is also a major long term opportunity in steel cord, but is developing slower than expected due to a lack of road infrastructure growth. Bekaert did not (as expected) provide further indications on company's profitability in FY07F, nor a more detailed guidance on FY08F. A key challenge for Bekaert will remain how the increasing steel (and wire rod) and energy prices can be recovered into its selling prices as there is uncertainty on the demand side in the current economic environment. Bekaert invests annually c. €60m in R&D so as to keep it technological leadership and to expand (and renew) its product portfolio. Several developments and projects were shown during our visit. Some examples : steel reinforced thermoplastic bumper beams (going into serial production in 2010) offering weight reduction, steel reinforced strips for the reinforcement of flexible high pressure pipes.

Conclusion

Last Friday's investor day convince us from Bekaert's sound long term focussed strategy. We consider Bekaert's investments as being well allocated, on a regional basis so as to sustain the growth thanks to the exposure to emerging markets, but also as fitting well with Bekaert's core expertise in metal transformation and coatings. We stick to our BUY recommendation and our €108 TP (5% below our DCF value) on the company. Bekaert shares trade at a c.1% 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 Bekaert's 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. 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 the company's pricing power.