

Maintained

Buy

Price (13/03/08) €89.46

Maintained

12m target price €108.00

12m forecast returns (%)

Share price 20.7

Dividend 3.0

12m fcst total return 23.7

Market cap €1,759.7m

Reuters BEKB.BR

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Bekaert

Good 2H07 results out this morning, in line with expectations

Forecasts and ratios

| Yr to Dec (€m) | 2006 | 2007F | 2008F | 2009F |
|--------------------|---------|---------|---------|---------|
| Turnover | 2,009.6 | 2,174.0 | 2,339.6 | 2,460.6 |
| EBITDA | 262.2 | 293.9 | 317.8 | 332.5 |
| Net profit | 142.3 | 139.7 | 141.6 | 148.6 |
| Adj EPS (€) | 6.80 | 7.04 | 7.20 | 7.55 |
| Adj PER (x) | 13.2 | 12.7 | 12.4 | 11.8 |
| Dividend yield (%) | 2.8 | 3.0 | 3.0 | 3.1 |
| EV/EBITDA (x) | 8.7 | 8.0 | 7.5 | 7.1 |
| Price/NAV (x) | 1.7 | 1.7 | 1.6 | 1.4 |
| ROE (%) | 13.2 | 13.2 | 13.0 | 12.7 |

Source: Company data, ING estimates

News

Bekaert published 2H07 results today, prior to market opening. The company is hosting an analysts' meeting this afternoon, starting at 2PM CET.

Investment thesis

Bekaert's 4Q07 sales were already reported on the 15 February and unveiled a strong overall c.11% organic growth, persisting (but decelerating) YoY growth steel cord in China (+c. 25% YoY), accelerating growth at its Latin American JVs (c.24% in 4Q07) and much better than expected resilience in sales in the US and in building products.

Bekaert : 2H07 results

| | 2H07 | YoY ev. | 2H06 | 2H07F |
|------------------------------|--------|---------|--------|--------|
| Sales (€m) | 1108.5 | 10.8% | 1000.2 | 1108.9 |
| REBIT (€m) | 88.1 | 33.4% | 65.99 | 87.35 |
| as % of sales | 7.9% | | 6.6% | 7.9% |
| Equity affiliates (net) (€m) | 23.7 | 2.3% | 23.2 | 21.9 |
| Taxes (€m) | -1.9 | -28% | -2.6 | -17.2 |
| Net profit (€m) | 94.6 | 41.4% | 66.9 | 67.1 |
| as % of sales | 8.5% | | 6.7% | 6.0% |
| Net EPS (€) | 4.77 | 49.4% | 3.19 | 3.38 |

Source: Company data, ING estimates

Bekaert's 2H07 EBIT posted fully in line with ING estimates, driven by the higher volumes in China and the improved product mix (despite pressure on margins coming from rising energy and raw material cost). A higher contribution from Latin American JVs and mainly the much lower taxation on 2H07, brought Bekaert's net result above ING and consensus estimates. Bekaert expects continuous growth in its activities in 2008, supported by strong capex program (€200m), mainly in China, India, Indonesia and Russia.

Conclusion

Bekaert's 2H07 results lived up to expectations. We stick to our BUY recommendation and our €108 TP (5% below our DCF value) on the company. Bekaert shares trade at a c.4% 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. Risks :Its 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.