

Maintained

Buy

Price (12/05/08) €98.33

Previously : €108

12m target price €114.00**12m forecast returns (%)**

Share price 16.0

Dividend 2.8

12m fcst total return 18.8

Market cap €1,934.2m

Reuters BEKB.BR

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Bekaert

Another strong trading update. TP raised to €114 (from €108)

Forecasts and ratios

Yr to Dec (€m)	2007F	2008F	2009F	2010F
Turnover	2,173.6	2,303.3	2,416.8	2,540.7
EBITDA	298.6	315.6	330.2	346.0
Net profit	152.9	146.2	151.7	157.9
Adj EPS	7.71	7.43	7.71	8.03
Adj PER (x)	12.8	13.2	12.7	12.3
Dividend yield (%)	2.8	2.8	2.8	3.1
EV/EBITDA (x)	8.2	8.0	7.6	7.2
Price/NAV (x)	1.8	1.6	1.5	1.4
ROE (%)	14.1	12.9	12.4	11.9

Source: Company data, ING estimates

News

Bekaert published a strong 1Q08 trading update today (prior to market opening) and is holding its AGM later today.

Investment thesis

Bekaert 1Q08 sales increased 15.3% up to €593m, hereby significantly exceeding ING (€552m) and consensus estimate (€562m). The excess performance is fully linked to Bekaert's steel cord and wire activities (€517m, +18.4% YoY). The performance of Bekaert's two other (smaller) divisions, Advanced materials (€47m, -0.2% YoY) and Advanced coatings (€28m, -9.3% YoY), was in line with our expectations.

1Q08 sales comprised a 13.5% organic sales growth, a +7.1% was due to the broadening of the consolidation scope (mainly Vicson), whereas adverse currency exchange fluctuations wiped out 5.3% of Bekaert's top line. Bekaert's sales performance was in our view particularly strong in Building products (+16% YoY) and Steel cord China (+76%, driven by a quicker than expected ramp up of steel cord capacity (at 275,000 tonnes at the end of 1Q08).

Bekaert's outlook statement became more bullish as it now calls for strong sales growth in the first half of the year (previously 'continuous growth in FY08'). We will fine-tune our forecasts.

Conclusion

Bekaert's 1Q08 trading statement clearly lived up to expectations. This should in our view result in a positive share price reaction in the coming trading sessions.

We stick to our BUY recommendation and raise our TP to €114 (from €108), in line with our current DCF value on the company. Bekaert shares trade in line with the median for Belgian Small & Mid caps in terms of PER, adj. EV/EBIT and adj. EV/EBITDA 2008-09F (adjusted for the sizeable contribution of the Latin American equity affiliates). Bekaert's business is cyclical in nature, but on the other hand, and in a longer term perspective, we believe Bekaert's shares hold strong 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.