

Bekaert

BERTL.BR / BEKB BB

Engineering & Machinery
Belgium

Current price € 83.20
Target price € 87.00
Market cap € 1,791m
Free float 57%

	EPS (€)	P/E
FY05	6.97	9.4
FY06E	6.46	12.9
FY07E	6.55	12.7

Rating revision

Following publication of 1H06 results, we decided to increase our rating from Accumulate to Buy. Rationale was that Bekaert performed rather well given market conditions and we believed the sharp correction to levels around € 70 per share was overdone and triggered an attractive buying opportunity. Given the recent rally in the shares we decided to revise our rating from Buy to Accumulate with target price of € 87 per share.

Given the current level of investments, mainly in China, CAPEX levels are well above maintenance levels. However, at maintenance CAPEX levels, Bekaert still offers an attractive FCF yield of about 7.5% for 06 and 8.0% for 07. We regard both the capacity hike in China as potential investments into the Russian market as sound reinvestments of the proceeds from the Fencing disposal.

Accumulate

Rating Downgraded