

**Bekaert**

BEKB.BR / BEKB.BB

Engineering & Machinery  
Belgium

Current price € 105.22  
Target price € 110.00  
Market cap € 2,146m  
Free float 52%

	EPS (€)	P/E
FY06	7.22	11.4
FY07E	7.54	14.0
FY08E	7.79	13.5

**Bekaert reports on a solid 1H07**

**Accumulate**  
Rating Unchanged

Bekaert this morning released solid results, slightly short of our and consensus estimates though. Consolidated sales increased by 5.5% to € 1,065.1m vs. € 1,078.2m expected. The consolidated sales growth was 6% from organic growth, 2% from the net movement in acquisitions and divestments while currency movements had a negative impact of 2%. Advanced wire products' and advanced materials' sales increased by 5% and 15% while advanced coatings' sales were down by 6%. As expected, Bekaert recorded a strong increase in its REBIT from € 80.0m to € 90.3m. This is slightly below expectations but one should also take into account the strong increase in R&D expenses (from € 25.5m to € 30.6m). Advanced wire products' (from € 94m to € 108m) and advanced materials' (from € 6m to € 10m) REBIT was firm, while advanced coatings disappointed with an operating loss of € 1m. EBIT increased from € 76.0m to € 86.5m, slightly exceeding expectations (€ 84.2m) on lower non-recurring items (€ -3.8m). The contribution from joint ventures and associates decreased from € 27.8m to € 23.4m (€ 25.8m) as the Latin American activities suffered from increased competition from Asian imports. The net result, group share, decreased from € 75.5m in 1H06 to € 72.6m, short of our estimate (€ 76.6m) and consensus estimates (around € 75.5m) on the back of higher minority interests (increased from € 0.5m to € 5.8m). Bekaert further announced it has cancelled # 563,881 shares on 4 July, bringing the new number of outstanding shares at # 19,876,626. Although the results came out slightly below expectations, we still regard Bekaert's performance in 1H07 as solid. Hence, major changes to our scenario are unlikely.

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