

Bekaert

28 July 2008

Supportive results expected

Engineering & Machinery

Current price €92.77

Accumulate

Belgium

Target price €115.00

Rating Unchanged

Performance over	1m	3m	12m
Absolute	-10%	-2%	-13%
Rel. BEL20	6%	34%	37%
12m Hi/Lo	€109.37/76.54		
Reuters	BEKB.BR		
Bloomberg	BEKB BB		
Market Cap	€1,825m		
Next corporate event	Results 1H08: 1 August 2008		

FY/e 31.12	2007	2008E	2009E	2010E
Sales (€m)	2,173.6	2,364.5	2,482.5	2,601.9
REBITDA (€m)	310.3	333.0	345.4	360.4
Net earnings (€m)	152.9	152.5	155.8	161.3
Diluted adj. EPS (€)	8.05	8.27	8.42	8.68
Dividend (€)	2.76	3.00	3.00	3.25
P/E	12.2	11.2	11.0	10.7
EV/REBITDA	7.2	7.0	6.7	6.3
Free cash flow yield	2.7%	1.7%	4.4%	5.0%
Dividend yield	3.1%	3.2%	3.2%	3.5%

Source: KBC Securities

Wouter Vanderhaeghen
 Financial Analyst - Brussels
 KBC Securities NV
 +32 2 429 37 30
wouter.vanderhaeghen@kbcsecurities.be

Description: Bekaert is an international group with core expertise in metal transformation and coating technologies.

Investment arguments

- Bekaert impressed with its 1Q08 trading update, pointing to 15.3% y/y growth in consolidated sales
- Steel cord China remains the key growth driver, recording an impressive 75.7% y/y sales increase
- Bekaert is speeding up its capacity expansion in China and has announced an alliance with Ansteel
- At maintenance CAPEX, Bekaert continues to offer an attractive FCF yield

Friday, before market, Bekaert will report its 1H08 results. We expect a supportive announcement. We see strong sales growth in the 1H08, driven by the capacity expansion at steel cord China. As a reminder, Bekaert has accelerated the rate of capacity expansion. Bekaert's steel cord capacity in China had risen to 275k tonnes at the end of Q1 and we wouldn't be surprised to see the company reaching its FY guidance of 300k tonnes by the end of H1 already. Despite adverse currency movements, consolidated sales are expected to have increased by 9.1% y/y to €1,162.1m. Recurring EBIT is forecasted at a firm €106.0m, a margin of 9.1%. On top of that, results might be boosted by inventory revaluations, given the spike in wire rod prices. Contribution of the joint-ventures and associates is expected to decline y/y on the full consolidation of Vicson. Net result finally is forecasted at €78.5m, an increase by 8.5% y/y. Last year's share buybacks will further boost EPS growth. We especially look forward to some guidance on the outlook for the second half, given the more challenging economic conditions. However, Bekaert's improved geographic spread and product mix should soften the impact.

Bekaert: key figures (€m)

	1H07	2H07	FY07	1Q08	2Q08E	1H08E	2H08E	FY08E
Sales	1,065.0	1,108.6	2,173.6	567.0	595.1	1,162.1	1,202.4	2,364.5
Advanced wire products	897.0	947.0	1,844.0	489.0	504.9	993.9	1,034.5	2,028.4
Advanced materials	101.0	103.0	204.0	49.0	58.0	107.0	111.3	218.3
Advanced coatings	64.0	60.0	124.0	30.0	31.3	61.3	56.5	117.8
Others	3.0	-1.0	2.0	-1.0	1.0	0.0	0.0	0.0
REBIT	90.3	96.0	186.3			106.0	98.0	204.0
REBIT margin %	8.5%	8.7%	8.6%			9.1%	8.2%	8.6%
Result from operations	86.5	88.1	174.6			98.5	90.5	189.0
Interest income & expenses	-16.7	-24.3	-41.0			-21.0	-21.0	-41.9
Income taxes	-14.9	-4.2	-19.1			-16.3	-12.1	-28.4
Result from ordinary activities after taxes	55.0	59.5	114.5			61.2	57.5	118.7
Share in the result of joint ventures and associates	23.4	23.7	47.1			21.7	20.8	42.5
Minority interests	-5.8	-3.0	-8.7			-4.4	-4.3	-8.7
Consolidated net result of the group	72.6	80.2	152.9			78.5	74.0	152.5
Discontinued operations	0.0	0.0	0.0			0.0	0.0	0.0
Total consolidated net result	72.6	80.2	152.9			78.5	74.0	152.5

Source: company data, KBC Securities' estimates

Financial data

Income statement (€m)	2006	2007	2008E	2009E	2010E
Sales	2,009.6	2,173.6	2,364.5	2,482.5	2,601.9
Gross profit	394.9	433.9	458.4	479.0	502.4
EBIT	145.9	174.6	189.0	196.3	206.0
Pre-tax earnings	114.2	133.6	147.1	155.4	167.3
Net earnings	142.3	152.9	152.5	155.8	161.3
EBITDA	262.2	298.6	318.0	330.4	345.4
REBITDA	279.0	310.3	333.0	345.4	360.4
REBITA	162.7	186.3	204.0	211.3	221.0
Balance sheet (€m)	2006	2007	2008E	2009E	2010E
Intangible assets	134.5	122.0	122.0	122.0	122.0
Tangible assets	824.2	917.6	988.7	1,029.6	1,065.1
Financial assets	328.3	290.4	290.4	290.4	290.4
Net other assets & liabilities	-33.3	-21.6	-21.6	-21.6	-21.6
Net working capital	530.5	582.1	633.3	664.9	696.8
Net debt	411.2	502.2	525.1	503.4	471.1
Provisions	251.7	241.8	241.8	241.8	241.8
Minorities	48.9	48.4	48.4	48.4	48.4
Equity	1,072.5	1,098.2	1,190.6	1,295.1	1,387.6
Capital employed	1,428.6	1,566.7	1,688.9	1,761.4	1,829.0
TOTAL ASSETS	2,216.9	2,312.6	2,387.7	2,447.8	2,513.8
Cash flow statement (€m)	2006	2007	2008E	2009E	2010E
Cash flow from operations	143.9	240.1	231.8	255.7	266.3
Net capital expenditure	-152.8	-192.4	-200.0	-175.0	-175.0
Free cash-flow	-8.9	47.7	31.8	80.7	91.3
Acquisitions / disposals	-51.3	-17.9	0.0	0.0	0.0
Dividend payments	-74.1	-57.2	-54.7	-59.0	-59.0
Shares issues	-54.4	-110.0	0.0	0.0	0.0
New borrowings / reimbursements	-41.6	83.1	-50.0	-50.0	-50.0
Other	88.7	46.4	0.0	0.0	0.0
CHANGE IN CASH & EQUIVALENTS	-141.5	-7.9	-72.9	-28.3	-17.7
Performance criteria	2006	2007	2008E	2009E	2010E
Sales growth	5.0%	8.2%	8.8%	5.0%	4.8%
Gross margin	19.7%	20.0%	19.4%	19.3%	19.3%
REBITDA margin	13.9%	14.3%	14.1%	13.9%	13.9%
REBITA margin	8.1%	8.6%	8.6%	8.5%	8.5%
EBIT margin	7.3%	8.0%	8.0%	7.9%	7.9%
Net debt / Equity + Minorities	36.7%	43.8%	42.4%	37.5%	32.8%
Net debt / EBITDA	1.57	1.68	1.65	1.52	1.36
EBITDA / net interest	8.27	7.29	7.58	8.09	8.94
Pay-out ratio	36.8%	35.8%	38.7%	37.9%	39.6%
= Return on Equity (avg)	13.2%	14.1%	13.3%	12.5%	12.0%
Return on Capital Employed (avg)	8.8%	10.0%	9.6%	9.1%	8.9%
Per share data (€)	2006	2007	2008E	2009E	2010E
weighted average # shares, diluted	21,596,843	20,169,889	19,854,346	19,854,346	19,854,346
Basic EPS	6.62	7.63	7.74	7.92	8.20
Diluted EPS	6.59	7.58	7.68	7.85	8.12
Diluted, adjusted EPS	7.22	8.05	8.27	8.42	8.68
Net book value / share	51.20	55.38	60.53	65.84	70.54
Free cash flow / share	-0.41	2.38	1.62	4.10	4.64
Dividend (€)	2.50	2.76	3.00	3.00	3.25
Valuation data	2006	2007	2008E	2009E	2010E
Reference share price (€)	82.18	98.17	92.77	92.77	92.77
Reference market capitalisation (€)	1,721.4	1,946.8	1,824.8	1,824.8	1,824.8
Enterprise value (€m)	2,088.2	2,431.7	2,330.6	2,308.9	2,276.6
P/E	11.4	12.2	11.2	11.0	10.7
EV/sales	1.1	1.0	1.0	0.9	0.9
EV/EBITDA	8.5	7.5	7.3	7.0	6.6
EV/Capital employed	1.6	1.4	1.4	1.3	1.2
P/ NBV	1.7	1.6	1.5	1.4	1.3
Free cash flow yield	-0.5%	2.7%	1.7%	4.4%	5.0%
Dividend yield	2.8%	3.1%	3.2%	3.2%	3.5%

Source: KBC Securities

*Historic valuation data are based on historic prices

Disclosure & Disclaimers section

The company disclosures can also be consulted on our website <http://www.kbcsecurities.be/disclosures>.

KBC Securities uses an absolute rating system including terms such as Buy, Accumulate, Hold, Reduce and Sell (see definitions below).

Stock rating	Definition
BUY	Expected total return (including dividends) of 10% or more over a 6-month period
ACCUMULATE	Expected total return (including dividends) between 0% and 15% over a 6-month period
HOLD	Expected total return (including dividends) between -5% and 5% over a 6-month period
REDUCE	Expected total return (including dividends) between -15% and 0% over a 6-month period
SELL	Expected total return (including dividends) of -10% or worse over a 6-month period

Due to external factors and in exceptional cases, KBC Securities allows the use of ratings such as Accept the Offer, Black Out, No Recommendation or Suspended.

Our analysts assign one of those ratings based on their investment outlook and valuation for the concerned stock. The valuation can be based on different methodologies such as DCF (discounted cash flow), absolute multiples, peer group multiples, sum-of-parts or NAV (Net Asset Value). The valuation is reflected in a 6-month target price. Occasionally, the expected total return may fall outside of these ranges because of price movement and/or volatility. Such deviations will be permitted but will be closely monitored. Investors should carefully read the definitions of all ratings used in each research report. In addition, since the report contains more complete information concerning the analyst's view, investors should carefully read the entire report and not infer its contents from the rating alone. KBC Securities discloses the recommendations of its reports to the issuers before their dissemination. In case the recommendation has been amended following this disclosure, such amendments will be indicated in the concerned report.

Stock rating	% of covered universe	% of covered universe with investment banking relationship during last year
BUY	48.00%	0.00%
ACCUMULATE	38.40%	0.00%
HOLD	8.80%	0.00%
REDUCE	4.00%	0.00%
SELL	0.80%	0.00%

Bekaert is an international group with core expertise in metal transformation and coating technologies.

The price target for Bekaert is based on following parameters: Discounted Cash Flow (DCF), Absolute Multiples, Peer Group Multiples

The risks which may impede the achievement of our price target are: Evolution on the raw materials markets, currencies, global economic outlook, capacity additions

Any reference made to a DCF valuation for Bekaert is based on the following parameters: a forecast period from 2007 until 2016, a perpetual growth rate of 1.5% and a calculated WACC of 8.5%.

Below is an overview of the stock ratings and target price history in the last 12 months for the stock described in this report.

Date	Rating	Target price
19-MAY-08	Accumulate	€ 115.00

KBC Securities will provide periodic updates on companies/industries based on company-specific developments or announcements, market conditions or any other publicly available information.

KBC Securities policy prohibits its analysts and members of their households from owning securities of any company in the analyst's area of coverage.

KBC Securities NV
Havenlaan 12
Avenue du Port
1080 Brussels
Belgium
+32 2 417 44 04
Regulated by CBFA

KBC Securities French Branch
Le Centorial
18, rue du Quatre Septembre
75002 Paris
France
+33 1 53 05 35 55
Regulated by AMF

KBC Financial Products UK Ltd
111 Old Broad Street
London EC2N 1FP
UK
+44 20 7614 6000
Regulated by FSA

KBC Financial Products
140 East 45th Street
2 Grand Central Tower
42nd Floor
NY 10017-3144 New York
US
+1 212 845 22 89
+1 866 917 88 88 (toll free)
Regulated by NASD

KBC Securities NV Polish Branch
ul. Chmielna 85/87
00-805 Warsaw
Poland
+48 22 581 08 00
Regulated by PFSA

KBC Securities NV Hungarian Branch
7/8 Roosevelt square
1051 Budapest
Hungary
+361 483 4005
Regulated by PSZAF

KBC Securities Romania
11-15 Tipografilor Street
S-Park A2 Building
Bucharest-1
Romania
+40 21 40 84 200
Regulated by CNVM

Patria Finance as
Jungmannova 24
110 00 Praha 1
Czech Republic
+420 221 424 111
Regulated by CNB

KBC Securities Ukraine
Illinskaya 8
04070 Kiev
Ukraine
+38 044 495 49 00
Regulated by USSMS

BDD KBC Securities a.d.
Cincar Jankova 3
11000 Belgrade
Serbia
+381 11 21 80 856
Regulated by SSEC

Analyst certification: The analysts identified in this report each certify, with respect to the companies or securities that the individual analyses that (i) the views expressed in this publication reflect his or her personal views about the subject companies and securities, and (ii) he or she receives compensation that is based upon various factors, including his or her employer's total revenues, a portion of which are generated by his or her employer's investment banking activities, but not in exchange for expressing the specific recommendation(s) in this report.

This publication has been prepared by KBC Securities NV which is regulated by CBFA (Banking, Finance and Insurance Commission) or one of its European subsidiaries (together "KBC Securities"). This publication is provided for informational purposes only and is not intended to be an offer, or the solicitation of any offer, to buy or sell the securities referred to herein. No part of this publication may be reproduced in any manner without the prior written consent of KBC Securities.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but neither KBC Securities nor its affiliates represent that it is accurate or complete, and it should not be relied upon as such. All opinions, forecasts, and estimates herein reflect our judgement on the date of this publication and are subject to change without notice.

From time to time, KBC Securities, its principals or employees may have a position in the securities referred to herein or hold options, warrants or rights with respect thereto or other securities of such issuers and may make a market or otherwise act as principal in transactions in any of these securities. Any such persons may have purchased securities referred to herein for their own account in advance of the release of this publication. KBC Securities and principals or employees of KBC Securities may from time to time provide investment banking or consulting services to, or serve as a director of a company being reported on herein.

This publication is provided solely for the information and use of professional investors who are expected to make their own investment decisions without undue reliance on this publication. Investors must make their own determination of the appropriateness of an investment in any securities referred to herein based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. Past performance is no guarantee for future results. By virtue of this publication, none of KBC Securities or any of its employees shall be responsible for any investment decision.

KBC Securities has implemented certain in-house procedures known as Chinese walls that aim to prevent the inappropriate dissemination of inside information. E.g. a Chinese wall surrounds the corporate finance department within KBC Securities. Further measures have been taken with regard to the separation of certain activities that could lead to conflicts of interest with other activities within KBC Securities.

In the United States this publication is being distributed to U.S. Persons by KBC Financial Products USA, Inc., which accepts responsibility for its contents. Orders in any securities referred to herein by any U.S. investor should be placed with KBC Financial Products USA, Inc. and not with any of its foreign affiliates. KBC FP USA Inc. and/or its affiliates may own 1% or more of the subject company's common equity securities. KBCFP USA Inc. or its affiliates may have managed or co-managed a public offering of the subject company's securities in the past 12 months, or received compensation for investment banking services from the subject company in the past 12 months, or expect to receive or intend to seek compensation for investment banking services from the subject company in the next three months. Any U.S. recipient of this report that is not a bank or broker-dealer and that wishes to receive further information regarding, or to effect any transaction in, any security discussed in this report, should contact and place orders with KBC Financial Products USA Inc. This report is being distributed in the United States solely to investors that are (i) "major U.S. institutional investors" (within the meaning of SEC Rule 15a-6 and applicable interpretations relating thereto) that are also "qualified institutional buyers" (QIBs) within the meaning of SEC Rule 144A promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or (ii) investors that are not "U.S. Persons" within the meaning of Regulation S under the Securities Act and applicable interpretations relating thereto. The offer or sale of certain securities in the United States may be made to QIBs in reliance on Rule 144A. Such securities may include those offered and sold outside the United States in transactions intended to be exempt from registration pursuant to Regulation S. This report does not constitute in any way an offer or a solicitation of interest in any securities to be offered or sold pursuant to Regulation S. Any such securities may not be offered or sold to U.S. Persons at this time and may be resold to U.S. Persons only if such securities are registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from registration. The products sold by KBC Financial Products USA, Inc or any affiliate thereof, including KBC Securities or KBC Financial Products UK Limited, are not insured by the FDIC, are not obligations of or guaranteed by KBC Bank NV or its affiliates, and are subject to investment risks, including possible loss of the entire amount invested.

This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made thereunder or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and insurance companies.

The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions. In particular this publication may not be sent into or distributed, directly or indirectly, in Japan or to any resident thereof.

Copyright © 2008 KBC Securities