

21 September 2010

BEKAERT

Strengthening wire business in China

GENERAL INDUSTRIES
BELGIUMCURRENT PRICE € 181.40
TARGET PRICE € 180.00BUY
RATING UNCHANGED

Source: Thomson Financial Datastream

Bloomberg BEKB.BB
Reuters BEKB.BR

www.bekaert.com

Market Cap € 3,568.1m
Shares outst. 19.8m
Volume (daily) € 9,996,364
Free float 61.4%

Next corporate event

Payment dividend IN10: 15 October 2010

(€ m)	2009	2010E	2011E
Sales	2,437.3	2,979.8	3,145.6
REBITDA	410.1	645.7	650.3
Net earnings	151.8	304.3	297.0
Adj. EPS (€)	8.55	16.24	15.81
P/E (x)	8.8	11.2	11.5
EV/REBITDA	4.6	6.3	5.9
FCF Yield	24.4%	3.5%	8.3%
Dividend yield	3.9%	2.8%	2.8%

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Bekaert this morning announced to have reached an agreement for the acquisition of 75% of the shares of the spring wire and overhead conductor business of Xinyu Iron & Steel in Xinyu, China (Jiangxi Province).

The acquired spring wire activities encompass two production plants (630 FTEs) in Xinyu. The product portfolio includes spring wires for the automotive, motorcycle and engineering sectors and complements Bekaert's existing product range manufactured at its wire plant in Jiangyin. A new manufacturing site will be built in Xinyu where the acquired activities will be concentrated to increase capacity and capabilities. The overhead conductor business serves the utilities sector, which shows strong growth potential driven by the high number of investments in energy transmission and data communication networks. Manufacturing is concentrated in one production plant in Xinyu, employing 240 people.

The acquired activities have an annual production capacity of approximately 60k tons p.a., generating annual revenues in the region >€ 50m. Growth of the business should be estimated in-line with GDP growth.

Bekaert will purchase, through its 75/25 holding with Shougang Concord Century, 75% of the shares of the legal entity covering the acquired activities, which will be renamed Bekaert (Xinyu) Metal Products Company Ltd. The transaction price amounts to CNY 161.2m (approximately € 18.35m) and is expected to close by the end of this year.

Conclusion:

Interesting transaction, not only strengthening Bekaert's wire business in China but also further building (Xinyu Steel) and strengthening (Shougang) local partnerships.

Our scenario, rating and target price for Bekaert are under revision.