

Benelux First Call

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BEKAERT (BUY, TP €190.0): Further expansion of wire business in China

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- Bekaert, one of our Benelux top picks, announced this morning the expansion of its wire business in China via an acquisition and of 75% of Xinyu Steel's spring wire and overhead conductor business. The acquisition is subject to regulatory approvals and is expected to close by year-end 2010.
- This is not a large acquisition (for an amount of CNY161.2m or €18.3m), but it perfectly fits Bekaert's strategy to further invest in emerging markets (China) and fast growing industries (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 in China). In addition, the acquisition seems in line with Bekaert's ambition to broaden its product offer in Asia Pacific.
- We believe this news underpins our investment case for Bekaert. At our current estimates, Bekaert trades at 10.8x 2011F PER, which seems in line with the broader Benelux market. We argue that Bekaert deserves to trade with a premium, given the company's very large exposure to emerging markets (60% of sales), large exposure to higher growths markets (mainly in energy) and very solid balance sheet which allows for continued investments/higher shareholder remuneration. We reiterate our BUY rating.