

Bekaert

BERTLBR / BEKB BB

Engineering & Machinery
Belgium

Current price € 99.60
Target price € 90.00
Market cap € 2,144m
Free float 57%

	EPS (€)	P/E
FY05	6.97	9.4
FY06E	6.64	15.0
FY07E	6.82	14.6

First quarter trading update

Bekaert this morning released its 1Q06 trading update pointing towards a strong start to 2006. Consolidated and combined sales increased by 4% and 9% to € 481m and € 795m. While organic growth in consolidated sales decreased by 2%, the net changes as a result of acquisitions and divestments contributed to a 2% sales increase and currency movements had a positive impact of 4%. Bekaert remains prudent in its forecast referring to growing competition around the world and further increasing raw materials prices. Bekaert did not comment on the order book.

Combined sales growth of the advanced wire products, advanced materials and advanced coatings divisions were 10%, 14% and 5%. Most striking was the 6% sales decline at wire Europe and the 4% decline of steel cord others. Steel cord China increased by 43% on the increased capacity. Wire Latin America increased by 23% on strong local currencies. In advanced materials, there was strong growth for Fibre Technologies (45%) and Composites (34%), while combustion technologies' sales declined by 19%. Advanced coatings recorded moderate growth of 5% with sales of industrials coatings down by 9% and specialized films up by 17%.

Scenario, rating and target price are currently under revision. However, after the recent spike in the share price, it could be time for a break. Main elements today are the rising wire rod prices and softening US\$ rate. Negative surprise in the trading update was the 4% decline in combined sales of the important steel cord others division.

Accumulate

Rating Unchanged

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