

Bekaert

BERTLBR / BEKB BB

**Engineering & Machinery
Belgium**

Current price	€ 106.15
Target price	€ 100.00
Market cap	€ 2,220m
Free float	57%

	EPS (€)	P/E
FY06	7.22	11.4
FY07E	7.40	14.3
FY08E	7.66	13.8

Strong growth expected at Steel Cord China

Wednesday, before market, Bekaert will release its 1Q07 trading update. Although the trading update mainly concerns a qualitative update, Bekaert will publish its 1Q07 sales. Remember that Bekaert has increased its steel cord capacity in China over 2006 from approximately 120k to 200k p.a. and indicated that capacity utilisation at the end of the year was almost 100%. Bekaert already indicated it would continue to invest heavily in the BRIC countries, and China in particular. Hence, one should expect firm volume growth y/y in Steel Cord China. On top of that, we expect a positive pricing effect as current wire rod prices are substantially above the levels one year ago. Hence, Bekaert must have been able to price through (part of) these increased raw material costs. On the negative side is of course the softer US\$ exchange rate, which stood at \$ 1.31 last quarter and compares to \$ 1.20 in the 1Q06. Hence, we expect consolidated sales of € 520m, up 8.1% y/y, of which € 445m at Advanced Wire Products, € 42m at Advanced Materials and € 33m at Advanced Coatings. Sales growth in Q1 exceeds our forecast for the full year, which stands at 6.3% y/y.

Accumulate
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