

Bekaert

BERT:BR / BEKB:BB

Engineering & Machinery
Belgium

Current price € 106.01
Target price € 110.00
Market cap € 2,221m
Free float 57%

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

Strong sales growth in 1Q07

Bekaert reported its 1Q07 trading update, confirming most of the expected trends. Consolidated sales increased by 6.9% to € 514m, € 6m short of our estimates but in-line with market expectations. The consolidated sales increase was 6% from organic growth and 4% from the net movement in acquisitions and divestments, while currency movements had a negative impact of 3%. Combined sales increased by 'only' 2% to € 811m, reflecting adverse impact on sales growth of currency movements at Wire Latin America. As expected, the **main swing factor y/y** was **Steel cord China** with an increase by 49% y/y. This reflects the increase in production capacity from 120k tonnes p.a. early 2006 to 200k tonnes p.a. by the start of 2007. On the other hand, the **activity level at Wire North America** was **substantially lower**, reflected in the 11% decline in sales y/y. Advanced wire products', Advanced materials' and Advanced coatings' sales increased by 8%, 8% and 1% to € 437m, € 47m and € 31m. Sales of advanced materials is € 5m higher than expected while advanced wire products' sales are € 8m short of our expectations. However, one should note that the stainless activities have been transferred from the wire Europe to advanced materials. Sales of combustion technologies were up 18% y/y but composites' sales tumbled by 34%. In advanced coatings, Bekaert recorded limited growth. Sales of industrial coatings made a strong start (+15% y/y), while specialised films had a difficult start (-8% y/y) impacted by the softer US\$. With regards to the outlook, Bekaert states it "remains confident for the first half of the year". As our DCF valuation suggest further upside, we decided to increase our target price to € 110 per share (€ 100).

Accumulate
Rating Unchanged

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wouter.vanderhaeghen@kbcsecurities.be

+32 2 429 37 30