

Bekaert

BEKB.BR / BEKB.BB

Engineering & Machinery
Belgium

Current price € 97.65
Target price € 110.00
Market cap € 1,921m
Free float 63%

	EPS (€)	P/E
FY07	8.05	12.2
FY08E	8.03	12.2
FY09E	7.85	12.4

Strong sales growth in 1Q08

Bekaert this morning released a **supportive trading update**. Consolidated and combined sales for the quarter amounted to € 593m and € 903m, an increase y/y by 15.3% and 11.4% respectively. The consolidated sales' increase was 13.5% from organic growth, 7.1% from the net movement in acquisitions and divestments while adverse currency movements had a negative effect of 5.3%. As a reminder, we were looking for a 10.3% increase y/y in consolidated sales. The strong performance was fully driven by the **advanced wire products**, which saw combined sales growth of 12.9%. Sales of steel cord China increased by 75.7% while steel cord others' sales declined by 7.4%. Bekaert indicates it already has increased its steel cord capacity in China to approximately 275k tonnes p.a. As a reminder, Bekaert guided for an increase in its Chinese steel cord production capacity from approximately 250k tonnes to 300k tonnes by the end of this year. Combined sales of wire North America declined by 1% but would have increased by 13.2% at constant currencies.

Revenues from the **advanced materials** were stable (-0.2%). Compared to a strong 1Q07, revenues of the stainless activities were down by 26.6%. On the other hand, revenues of the fiber technologies were up by 12.1%, driven by strong demand for metal fibers for diesel particulate filters. Combined sales of **advanced coatings** were down by 9.3%, partially explained by adverse currency movements.

With regards to the outlook, Bekaert expects "to achieve strong sales growth in the first half of the year". We expect a positive market reaction on this supportive trading update.

Accumulate

Rating Unchanged

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