

**Bekaert**

BEKB.BR / BEKB.BB

Engineering & Machinery  
Belgium

Current price € 80.72  
Target price € 105.00  
Market cap € 1,588m  
Free float 61%

	EPS (€)	P/E
FY07	8.05	12.2
FY08E	11.82	6.8
FY09E	9.10	8.9

Continued firm performance exp. for 3Q08

**Buy**  
Rating Unchanged

Friday, before market, Bekaert will report its third quarter trading update. We expect solid sales growth with consolidated sales for the quarter up by 22.9% to € 644.1m. Especially strong sales growth is forecasted at the advanced wire products with sales of € 566.4m (+27% y/y). Sales of advanced materials and advanced coatings is forecasted at respectively € 50.0m (+2% y/y) and € 28.7m (-1% y/y). This results into 9M08 consolidated sales of € 1,947m, up by 22.5% y/y.

Although we fully recognise Bekaert's improved product mix and geographical spread, the rapidly deteriorating economic environment and volatility in raw material prices (wire rod) warrants caution for 4Q08 and especially 2009. Bekaert reported impressive results over 1H08, in which they proved very successful in passing on increased raw material prices without any delay. Wire rod prices remained firm in 3Q08 but have started to decline in 4Q. Following a revision of our scenario, we have cut our earnings estimates by approximately 10% for next year (EPS 09 of € 9.10) and lowered our target price from € 125 to € 105.

The company's target to achieve steel cord production capacity in China of around 300k tonnes p.a. by the end of this year was already achieved at the end of 1H and the company now targets production capacity of 325k tonnes p.a. by the end of the year. We especially look forward to an update on this capacity increase and whether or not Bekaert will slow down further capacity increases in the near future.

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