

22 October 2009

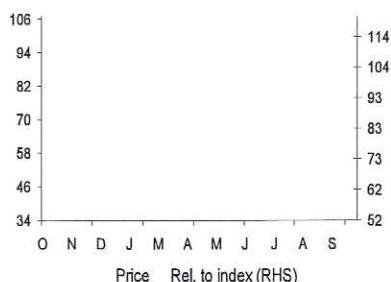
BEKAERT

Strengthening joint venture with Ansteel?

ENGINEERING & MACHINERY
BELGIUM

CURRENT PRICE € 93.82
TARGET PRICE € 90.00

HOLD
RATING UNCHANGED



Source: Thomson Financial Datastream

Bloomberg BEKB.BB
Reuters BEKB.BR
www.bekaert.com
Market Cap € 1,856.1m
Shares outst. 19.8m
Volume (daily) € 7,478,593
Free float 61.4%

Next corporate event

Trading update 3Q09: 13 November 2009

(€ m)	2008	2009E	2010E
Sales	2,662.4	2,506.8	2,627.9
REBITDA	495.9	342.9	372.2
Net earnings	174.1	102.7	124.9
Adj. EPS (€)	12.02	5.70	6.81
P/E (x)	7.3	16.5	13.8
EV/REBITDA	5.0	7.2	6.4
FCF Yield	-1.0%	10.1%	7.2%
Dividend yield	3.2%	3.0%	3.0%

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Last week (15 October), Steel Business Briefing (SBB) reported that Anshan Iron and Steel Corporation (Ansteel) and Bekaert are to further speed up capacity expansions.

As a reminder, Ansteel and Bekaert last year decided to invest a total € 150m for the construction of a new steel cord plant in Chongqing. The investment takes place in stages. The plant officially opened in April this year with an initial capacity of 30kt p.a. Confronted with firm demand, both parties decided to accelerate the further expansion of the plant.

SBB reported that both parties are to diversify into production of other steel wire products besides steel cord. The joint venture is said to be targeting 600kt p.a. in capacity for different downstream wire products. The long term capacity target includes steel cord from the Chongqing plant, which would further expand to 100kt p.a. In a next stage, both companies would invest into another joint venture to produce 100kt p.a. of galvanized wire. The location for which has yet to be decided.

Conclusion:

In the current stage, we prefer to treat the long term capacity targets mentioned in the press article with a healthy dose of prudence. However, it is clear that the new steel cord plant in Chongqing is faced with strong demand and both parties are determined to rapidly increase production capacity.