

9 April 2010

## BEKAERT

### Xingda upping the ante

ENGINEERING & MACHINERY  
BELGIUM

CURRENT PRICE € 134.15  
TARGET PRICE € 135.00

**BUY**  
RATING UNCHANGED



Source: Thomson Financial Datastream

Bloomberg BEKB.BB  
Reuters BEKB.BR

[www.bekaert.com](http://www.bekaert.com)

Market Cap € 2,660.8m  
Shares outst. 19.8m  
Volume (daily) € 8,098,776  
Free float 61.4%

Next corporate event

Trading update 1Q10: 12 May 2010

(€ m)	2009	2010E	2011E
Sales	2,437.3	2,502.7	2,612.9
REBITDA	410.1	449.1	468.5
Net earnings	151.8	171.0	184.0
Adj. EPS (€)	8.55	9.49	10.13
P/E (x)	8.8	14.1	13.2
EV/REBITDA	4.6	6.9	6.3
FCF Yield	24.4%	5.3%	6.6%
Dividend yield	3.9%	2.2%	2.2%

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Xingda this morning announced its FY09 results. Revenues increased by 10.7% to RMB 3,489m. Total sales volumes increased by 21% to 304.9k tonnes. Volumes of radial tire cords were up by 22% to 261.1kt while sales volumes of bead wires rose by 12% to 43.8kt. EBITDA increased by 26.4% y/y to RMB 1,177m, EBITDA margin increased from 26.7% in 2008 to 30.5% last year.

Last year, Xingda increased its production capacity of radial tire cords by 22% to 345kt. Xingda announced it has started the construction of a new factory with a capacity of 150k up to 180k tonnes. The expansion plan will be carried out in several phases adding a capacity of about 50kt per year. Hence, Xingda is targeting a total capacity for radial tire cord exceeding 500kt in 2012.

Bekaert last year increased its revenues in Asia Pacific by 13.5% to € 809m and realised EBITDA in AP of € 349m (+9.4% y/y), corresponding to a margin of 43.2%. Bekaert announced it is increasing its total tire cord capacity from 625kt at present (of which 350kt in China) to an estimated 700kt by the end of 2010 (of which 400kt in China).

#### Conclusion:

Both Xingda and Bekaert are realising dramatic growth in China (last year volume growth of over 20%) and continue their rat race increasing capacity at roughly the same pace.