

## **Bekaert (Buy - EUR 97.8): Preview Q1 trading update**

### **Preview**

Period	Q1 revenues		
Date/Time	May 14 before market opening		
Recommendation	Buy		
<b>in EUR</b>	<b>Q1'07</b>	<b>Q1'08</b>	<b>yoy</b>
Revenues (m)	514	552	7.4%
Combined revenues (incl associates)	811	853	5.2%
Analyst Meeting/ conf call	AGM at 10.30 CE		

### **Key items**

1. We expect Bekaert to post Q1 revenues of EUR 552m up 7.4% yoy of which 5% organically, while currencies are expected to contribute 2.7% negatively. Bekaert started to consolidate Vicson in Venezuela in Q4, compared to equity consolidation previously. We expect a EUR 35m revenue contribution by Vicson in Q1.
2. China should remain the growth driver of the group helped by the capacity expansion. Based on a 260,000 tons capacity at the end of Q1, compared to 250,000 at YE '07, we expect 20% revenue growth in China.. We expect LatAm to post a 13% revenue growth, while Building Products are expected to grow by 5%. We forecast a flat revenue in Wire Europe, while Wire US is expected to decline by 11% due to forex.
3. Outlook: Traditionally Bekaert gives a non-quantitative guidance. We expect the group will reiterate its guidance of 'continuous growth, supported by strong capital investment programs of EUR 200m, mainly in China, India, Indonesia and Russia. Management will pay particular attention to the rising wire rod prices and procurement'

### **Conclusion**

We expect a good start of the year, with a likely growth acceleration from Q2 onwards driven by already announced price hikes. On our current forecasts, penciling in a slowdown in US and Europe, the group is trading at 5.8x EBITDA 2008 and offers a FCF Yield of 8.5%. Driven by its strategic and geographical positioning, we believe that Bekaert will continue to outperform the market. Buy reiterated with a TP of EUR 122.