

Bekaert (Buy - EUR 105): Prepare for M&A in China

Partnership with Ansteel to secure position on Chinese growth market.

Facts

- Last weekend, Bekaert signed a memorandum of understanding with Chinese wire rod supplier Ansteel. The memorandum creates the framework for a close partnership between the two groups in the future.
- Both companies will explore strategic cooperation projects in order to capture the growing demand for advanced wire rod products on the Chinese market.
- The combination of a local Chinese upstream player and Bekaert's technological knowledge should ensure a strong platform for growth.

Our View

- This is clearly preparing the grounds for external growth for Bekaert. With a strong local partner that can assume the upstream, Bekaert is much stronger to assume the downstream part of an acquisition project.
- Both companies also share the same growth vision in China and as such their interests are aligned.

Conclusion

Following the strong growth numbers in China Q1 08, linked to the strong demand and the faster capacity expansion, Bekaert remains focused on this market. Thanks to this framework deal, the company seems ready to shift to a higher gear and add external growth to the equation in China.