

## **Bekaert (EUR 71 - ADD) - In line with expectations with strong China**

### **Facts: Consolidated sales EUR 592m against EUR 583m expected**

- Bekaert consolidated sales came in at EUR 592.1m against EUR 583m expected. The change in consolidation scope contributed 6.5% (+6%e) and currency movements added 7.7% (6%e).
- Organically sales declined by 14.3% with roughly an estimated 10% price impact and 4% volume impact. In general, volumes were higher than Q4 2008 (except for Brazil) but, of course, lower than in Q1 08.
- Combined sales, which are not impacted by changes in consolidation scope, came in at EUR 788.4m against EUR 794m expected (EUR 829m wrongly indicated in our preview). As expected Brazil (not consolidated), had a very difficult Q1 and as such combined sales declined organically somewhat more (-15%), than consolidated sales.
- All in all, the trends indicated at the analyst meeting are confirmed i.e. a weak Q1 in Brazil and Europe and improvements in China. Asia Pacific sales even increased by 22%, mainly thanks to China!
- Sales in EMEA declined by 28%, in North America +6% and in Latam +114% but this was due to the consolidation of Peru and Ecuador. At combined sales level, latam declined by 19% against -16% expected.
- Bekaert reiterates that visibility is limited but that it does not expect the slowdown to persist on a company-wide scale.
- Net debt increased from EUR 627m to EUR 697m but this was almost entirely due to the increase of the consolidation scope.

### **Our View: Remarkable Asian performance**

Q1 sales are at the high end of the EUR 575m - 600m bracket provided at the analyst meeting in April. The 22% sales growth in China is remarkable, while Latam was somewhat weaker than expected.

Bekaert's high exposure to the replacement market in automotive, its exposure to new products such as the energy related products and the Chinese stimulus package are clearly supporting the company's business.

### **Conclusion: ADD reiterated**

Bekaert posted in-line Q1 sales. China was performing strongly and Brazil seems to improve slightly in April. Although a global recovery is certainly not a given factor yet, at this point of the cycle, and at 7.9x EV/EBITA 2010, we reiterate our ADD rating on this quality industrial company. We raise our price target to EUR 80.