

**Bekaert (EUR 96.2 - add): Expansion in China considered!**

**Facts:**

- SBB reported this morning that Bekaert and China's Angang steel are considering expanding their capacity and diversifying into production of other steel wire and cords besides tyre cord.
- According to the report, the two companies will co-invest in a venture which is targeting a long term capacity of 600k tonnes/year for different downstream wire products.
- Bekaert and Angang currently have a JV in operation where capacity is being ramped-up from 10k t/y to a target of 40k t/y of tire cord. Regarding this activity, the two companies have already announced that an expansion to 100,000 t/y was being considered.
- The article reports that the two companies now plan to set up another JV to produce 100,000 t/y of galvanized wire. The Angang source says the location has yet to be decided, and probably will not be based in Chongqing. Other details including further capacity expansions or the timeline were not made available.

**Our View:**

- There is currently no press release from Bekaert, as no formal agreements have been signed. The company nevertheless confirms that a 100k t/y expansion in galvanized wire is being considered. No formal decision has however been taken yet.
- The 600k t/y must be seen as a LT target and would include the 100k t/y of tyre cord and 100k t/y of galvanized wire and some additional future projects. Nevertheless, nothing is formalized yet.

**Conclusion:**

We view the potential expansion positively. This highlights once again Bekaert's Chinese growth potential, its leading position as well as its strong relations with a Key Chinese player. We reiterate our Add rating. Trading at '10 EV/EBITDA of 5.9x, valuation remains undemanding given the strong growth profile.