

# Benelux First Call

ING sales daily

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## BEKAERT (HOLD, TP €67.0): 1H09 preview

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- Bekaert reports 1H09 results on 31 July '09 before market opening.
- The company reported 1Q09 consolidated sales flat YoY, but with strong differences between regions. Weak market demand in EMEA and North America drove an organic sales decline of 14.3%. This was fully offset by the integration of Prodac (Peru) and Ideal Alambrec (Ecuador) in Latin America, which added 6.5%, and the positive impact of currency movements, which contributed 7.7%.
- We expect 1H09 consolidated sales down 7.9% to €1,200m, driven by a 16.3% organic sales decline, yet compensated by the Latin American integration (+4.8%) and currency movements (+3.6%).
- We expect REBIT to decline 48.4% to €84m (i.e. 550bp margin decline to 7.0%) impacted by the lower utilisation rate of the plants. Taking into account €7.5m in restructuring charges, EBIT should decline 47.3% to €76.5m (i.e. 6.4% margin, slightly below Bekaert's long-term 7% to 9% guidance range). Bottom line, we expect EPS to decline 62.7% for €6.40 to €2.39, impacted by more negative financial results (€-24.5m vs. -22.4m in 1H08) and a lower contribution from the joint ventures (€16.2m vs. €35.7m in 1H08).
- Guidance: Bekaert typically provides non quantitative guidance, and in the current market circumstances this is unlikely to change. At the 1Q09 trading update, Bekaert said: 'Visibility is limited. However, Bekaert does not expect the current activity slowdown to persist on a company-wide scale'. Any change in the wording of the 2H09 outlook will of course be carefully monitored.
- Valuation: we see Bekaert as a well managed company, with a strong long-term product, geographical and financial position. However, the shares trade at 13.7x 2009F and 12.6x 2010F Adj. EPS on our estimates, a 22% and 15% premium to Benelux Cyclical for 09F and 10F respectively. HOLD maintained.