

# Benelux First Call

ING sales daily

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## BEKAERT (HOLD, TP €67.0): 1H09 results in line

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- Bekaert reported 1H09 results this morning before market opening and host an analyst meeting in Brussels at 2 pm CET.
- 1H09 consolidated sales came in down 7.9% to €1,200m (exactly in line with INGF, but recall we were at the low end of the consensus range; consensus amounted to €1,254m), driven by a 20.6% organic sales decline (INGF 16.3% organic sales decline), yet compensated by the Latin American integration (+5.8% vs. INGF +4.8%) and currency movements (+6.9% vs. INGF +3.6%). From a geographical perspective, the company reported a solid performance in emerging markets (combined sales +13% in Asia Pacific and -23% in Latin America), while experiencing volume and price pressure in mature markets (combined sales -33% in EMEA and -10% in North America).
- REBIT declined 47.2% to €85.8m implying a 7.2% margin (INGF €84m or 7.0% margin; consensus €85m) impacted by the lower utilisation rate of the plants and decreasing steel prices (€40m impact). Taking into account €7.1m in restructuring charges, EBIT declined to €78.7m (INGF €76.5m; consensus €77m).
- Bottom line, the result attributable to the Group came in at €44.2m (below INGF of €47.1m and consensus €51m), impacted by more negative financial results (€-30.5m vs. INGF of €-24.5m). The contribution from the joint ventures amounted to €17.4 (vs. INGF of €16.2m).
- On the positive side, Bekaert reported a very strong effort to reduce working capital. The latter improved €95m in 1H09, while we banked on an improvement at €40 for FY09.
- Guidance: Bekaert typically provides non quantitative guidance, and in the current market circumstances this has not changed. 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'. Now, the company reiterated that visibility remains limited, especially in the mature markets. As expected, the company sees raw material prices stabilising (hence no further negative impact on margins, but due to its cost-plus-model a continued impact on sales).
- Valuation: we see Bekaert as a well managed company, with a strong long-term product, geographical and financial position. However, the shares trade at 13.6x 2009F and 12.5x 2010F Adj. EPS on our estimates, an 18% premium to Benelux Cyclical for both 09F and 10F. HOLD maintained. After the strong performance of the shares lately, we would not be surprised to see some profit taking.