

# Bekaert

29 July 2004

## 1H04's on Monday

Engineering &amp; Machinery

Current price € 49.33

**Outperform**

Belgium

Target price € 52.00

Rating unchanged

Performance over	1m	3m	12m
Absolute	5%	2%	11%
Rel. BEL20	6%	3%	-9%
Rel. sector	4%	0%	-9%
12m Hi/Lo	€ 51.95/40.05		
Reuters	BERTt.BR		
Bloomberg	BEKB BB		
Market Cap	€ 1,088.7m		
Next corporate event	Results 1H FY04 on 2 August 2004		

FY/e 31.12	2003	2004E	2005E	2006E
Sales (€ m)	1,797	1,899	1,970	2,033
EBITDA (€ m)	265	268	297	315
Pre-Tax* (€ m)	86	92	120	141
Adj EPS* (€)	4.80	4.42	5.27	5.69
EPS (€)	3.85	3.97	4.82	5.24
DPS (€)	1.75	1.75	1.85	2.00
P/E* (x)	10.3	11.2	9.4	8.7
Yield (%)	3.5	3.5	3.8	4.1
EV/EBITDA (x)	5.8	5.9	5.2	4.8

Source: KBC Securities

\*Adjusted for goodwill and exceptionals

Monday, before market opens, Bekaert will release its 1H04 results also hosting an analyst meeting at 03.00 pm. We count on an impressive 10% top-line growth, a 4.9% increase in the operating result in absolute numbers and a net result, group share, at € 53.3m or € 2.42 per share. However, consensus range is quite broad as the market is undecided about the impact of higher raw material prices on the margin evolution. With our estimates at the high-end of consensus estimates, we count on a positive earnings surprise on Monday. Our DCF valuation currently points to a theoretical fair price of € 54.24 per share.

### Key figures

	2002	1H03	2003	1H04E	2004E
Sales	1,863	933	1,797	1,026	1,899
Growth	+3.8%	-5.4%	-3.6%	+10.0%	+5.7%
Comparable op. result	123.8	72.7	121.7	75.9	123.7
Margin	6.6%	7.8%	6.8%	7.4%	6.5%
Operating result	64.2	68.3	111.8	71.6	116.2
Financial result	-32.9	-18.3	-32.3	-18.4	-30.6
Other	-100.6	-9.5	-10.7		
Taxes	7.4	-9.3	-8.16	-11.6	-18.6
Equity consolidated	19.1	18.0	32.0	15.3	27.2
Net profit group share	-49.5	43.7	85.2	53.3	87.6
EPS – reported	-2.24	1.98	3.85	2.42	3.97
EPS*	-1.37	2.17	4.32	2.65	4.42
EPS**	-1.55	2.60	4.80	2.65	4.42

Source: Bekaert, KBC Securities

\* before goodwill amortisation \*\* before goodwill amortisation and exceptionals

Bekaert made an impressive start to 2004 with consolidated sales up 14% y-o-y in the 1Q04. However, one should note that due to price increases in various product lines (discounting increased raw materials prices), customers were shifting orders forward before those increases. Obviously, sales growth in the 2Q04 is unlikely to match the 14%. Nevertheless, we believe Bekaert will post an impressive sales growth by 10% to € 1,025.5m over the 1H04.

However, at publication of the 1Q04 trading update, Bekaert did not quantify the impact of increased raw materials prices nor gave an indication about margin evolution. Our estimate for the result from operations stands at € 71.64m, up 4.9% in absolute terms. The comparable margin (taking the operating result, before optimisation charges), is expected to soften from 7.8% to 7.4%.

Current earnings, before taxes, are expected up 6.6% to € 53.3m while our estimate for the net result, group share, stands at € 53.3m (up 22.1%). The rationale for the big jump in the bottom line result is that 1H03 earnings were burdened by for a net amount of € 9.5m pension fund provisions and several non-operating charges (such as impairment on handling division).

Adjusted for goodwill and exceptionals, the recurring result is expected up 6.6% to € 63.3m (at the high end of consensus estimates). The "reported" EPS is anticipated at € 2.42. For the full year, we count on a net result, group share, at € 87.6m, up from € 85.2m in 2003.

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