

Bekaert

BERTI.BR / BEKB BB

Engineering & Machinery
Belgium

Current price € 64.85
Target price € 66.00
Market cap € 1,419m
Free float 59%

	EPS (€)	P/E
FY04	6.54	7.7
FY05E	5.59	11.6
FY06E	6.15	10.5

Strong first-half results

Bekaert just released its 1H05 results, exceeding expectations. Consolidated sales increased by 12.9% to € 970.6m. Organic growth is reported at 14%. Sales growth is mainly driven by pricing, reflecting the sharp increase in raw materials' prices over 2004. Combined sales (including associates) firmed by 16% to a reported € 1,514m. Result from operations amounted to € 85.3m vs. € 72.1m expected. Non-recurring elements had a negative impact of € 9m. This translates into a record margin of 8.8% and 9.7%, adjusted for non-recurring elements. Associates added € 27.7m, slightly below expectations. Combined sales Latin America, mainly related to the associates, increased by 22%. The net result from continuing operations increased from € 63.7m to € 76.2m. The total net result, including capital gain on the disposal of the fencing business, amounted to € 130.3m vs. € 123.1m expected. Over the 1H05, Bekaert purchased 550,000 shares at an average price of € 60.68. 541,910 shares, corresponding to 2.5%, will be cancelled early august. Taking into account the strong balance sheet, we highly welcome this share buyback programme. Net financial debt at the end of June amounted to € 357m. Bekaert remains prudent stating "the slowdown in incoming orders due to the weakening of the economic environment and the uncertainty in raw materials' markets present challenges for the second half". Although Bekaert is traditionally quite conservative in its guidance, we believe comparison for 2H05 to 2H04 might be challenging. Despite the prudent message with regards to the 2H05, we expect a positive reaction on the excellent half-year and share buyback. More information following today's analysts' meeting.

Outperform
Rating Unchanged

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