

Bekaert

BERTLBR / BEKB BB

Engineering & Machinery
Belgium

Current price € 85.85
Target price € 90.00
Market cap € 1,848m
Free float 57%

	EPS (€)	P/E
FY05E	5.98	14.4
FY06E	6.43	13.3
FY07E	6.56	13.1

FY05 results on Thursday

Outperform

Rating Unchanged

Bekaert is reporting its FY05 results on Thursday 16 March before market. The recent trading update already revealed that consolidated sales increased by 10% to € 1,914m while combined sales rose 14% to € 3,085m. The growth in consolidated sales broke down as 8% organic growth, 1% from the net movement in acquisitions and divestments and 1% from currency movements.

Last year's divestment of the Fencing business distorts the comparison with 2004. We expect a REBIT of € 160.6m and result from operations of € 145.6m. Associates, mainly related to the advanced wire products business in Latin America, are expected to add € 56.2m to the bottom line. The consolidated net result is expected at € 132.9m, or € 187.0m if we include discontinued operations (mainly the capital gain on the fencing business sale). To compare, the restated 2004 figures are estimated at € 141.0m, or € 167.6m including discontinued operations.

We confirm our Outperform rating with a target price of € 90 per share. Bekaert has increased its steel cord capacity in China to 120k tonnes p.a. and announced a further hike in production capacity of about 50%. In addition, management has announced it wants to strengthen the group's presence in Russia with local production plants, and has started exclusive talks with potential local partners. We fully welcome both developments as a sensible way to reinvest the proceeds of the fencing disposal.

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