

Bekaert

BEKB.BR / BEKB.BB

Engineering & Machinery
Belgium

Current price € 107.65
Target price € 125.00
Market cap € 2,117m
Free float 61%

	EPS (€)	P/E
FY07	8.05	12.2
FY08E	11.82	9.1
FY09E	10.38	10.4

Increased EPS estimates

Bekaert reported impressive first-half results, blowing away market expectations. In an environment of rising wire rod and energy prices, Bekaert proved very successful in passing on price increases without delay. In addition, the company is reaping the benefits of its improved geographic spread and product mix.

Consolidated sales increased by a stunning 22.3%, of which 20.0% was organic growth. Recurring EBIT increased by 80.3% to € 162.9m. This corresponds to a margin of 12.5%, up from 8.5% in the same period last year. Although this margin is a result of strength, demonstrated by Bekaert's ability to pass on price increases without delay, it is obvious that the performance is not sustainable. However, some of the improvements are structural and related to the strategy followed over the last couple of years. Following a revision of our scenario, we have increased our EPS forecasts for 2008 and 2009 from € 8.27 and € 8.42 to € 11.82 and € 10.38.

Buy

Rating Unchanged