

Bekaert

BEKB.BR / BEKB.BB

Engineering & Machinery
Belgium

Current price € 77.51
Target price € 125.00
Market cap € 1,525m
Free float 61%

	EPS (€)	P/E
FY07	8.05	12.2
FY08E	11.82	6.6
FY09E	10.38	7.5

Establishing regional holding with partner

Buy

Rating Unchanged

Yesterday, after market, Bekaert announced to have signed a MoU with its partners in Ecuador to establish a holding company covering the business in the northern part of Latin America. Bekaert and its partners intend to merge their interest in Vicson (Venezuela, 100% Bekaert), Proalco (Colombia, 87.5% Bekaert), Ideal Alambrec (Ecuador, 50% Bekaert) and Prodac (Peru, currently a 39.9% investment held 50/50 by Bekaert and its partners). Bekaert will obtain an 80% stake in the holding company with the remaining 20% held by the partner. Until now, the Ideal Alambrec and Prodac joint ventures were consolidated by the equity method. As from 2009, these companies will be fully consolidated by Bekaert. The impact simulated on the 2007 results would be an increase of consolidated sales by € 140m, increase of the result for the period by € 3.5m, decrease of the share in the results of joint ventures and associates by € 2.9m and an increase of the minority interest by € 2.1m. As a consequence of the interest reduction in Vicson and Proalco to 80%, the minority interest for the period 2007 would increase by € 2.4m. Closing of the transaction is expected by early 2009. Unlike the previous transaction around Vicson and Proalco, the net result of this transaction is not an increase of Bekaert's exposure. However, given the full consolidation of the Ideal Alambrec and Prodac joint ventures, visibility will increase.