

Bekaert (EUR 69.30 - BUY) - Q3 very strong - Q4 prudent outlook

Facts: First 9 month sales numbers +29% but stable guidance for Q4

- Bekaert released a strong set of Q3 numbers with consolidated sales up 42% to EUR 744m against EUR 623m expected and combined sales up by 17% to EUR 987m.
- This brings growth for the first 9 months of consolidated revenues at EUR 2.05bn against EUR 1.93bn expected and combined sales at EUR 3.12bn against EUR 2.96bn expected.
- The 24.7% sales growth for the first 9 months was largely driven by the passed on raw material price rises and for 7.9% by changes in consolidation scope. Exchange rate movements reduced sales growth by 3.8%.
- Wire Europe continued to perform well, especially in Central Europe, with 9 months growth of 15%. Wire North America continued the growth acceleration of Q2, with 9m sales growth of 19%.
- In LatAm sales grew by 31% in the first 9 months against 25% in H1 and also in Wire Asia, sales growth accelerated versus H1 to 81%.
- Building products (+31%) benefited from strong sales growth in the Middle East and Steel cord China (+80%) continued to benefit from the increased production capacity.
- In its outlook, Bekaert expects 4th quarter consolidated sales to be comparable to last year. This mainly due to the decline of raw material prices, the weakening economy and no impact anymore from the acquisitions of Q4 2007.

Our View: Excellent sales numbers - Prudent guidance

Bekaert released another strong quarter. An important part of sales growth is linked to raw material linked price increases but also volumes and price/mix effect are still favorable. On a regional basis the Q2 trends were more or less confirmed.

The company offers more prudent guidance for Q4. Previously the company stated solid topline growth for the balance of the year, while it now indicates stable sales for Q4 (after another strong Q3). With the slowing economic growth and declining raw material prices this is not such a surprise either and Q4 2007 was a very strong quarter. We had already lowered our 2009 estimates and already expect stable combined sales in 2009. As for 2008, the more prudent Q4 guidance will be over compensated by the strong Q3 numbers, so all in all we might slightly increase our FY numbers. For 2009, there might be some downside to our numbers.

Conclusion: No change to rating

Based on these numbers we do not alter our BUY rating. The current share price already takes into account a more difficult 2009. The shares trade at 4.1x EV/EBITDA 2009 and 7.1x EV/EBITA. We might review our target price in the coming days.