

Bekaert (EUR 38.93 - ADD) - Still 5% consolidated sales growth in Q4

Facts: Combined sales of EUR 4.01bn against EUR 3.97bn expected

- Bekaert released a relatively resilient set of Q4 and FY sales with consolidated sales up 22.5% to EUR 2.66bn and including associates EUR 4.01bn, up 17.3%.
- For the FY, organic growth amounted to 17.7%, down from 24.7% in the first 9 months.
- Over the full year, Asian volumes were up at the expense of Steel cord others, i.e. Western Europe and North-America.
- Q4 sales amounted to EUR 610m, an increase by 5%, while combined sales amounted to EUR 890m, or down 1%.
- For the quarter, the 5% growth was mainly thanks to currencies, with a slightly negative to stable impact from volumes and a slightly positive impact from price/mix.
- On a geographical level, no surprises were witnessed.
- In its outlook, the company states that short-term visibility on market developments is extremely limited but that it does not expect the current activity slowdown to last on a company-wide scale. The company also is confident in its flexibility to optimally manage production capacity and capital spending in line with demand and to limit working capital and cost levels accordingly.

Our View: Volumes relatively resilient in Q4

Bekaert's Q4 sales numbers showed a relatively good resilience in the current economic environment. We believe that Q4 volumes only showed a very moderate decline.

Q1 2009 will probably be more difficult but big governmental spending programs, e.g. China, should be beneficial in H2.

Bekaert has taken further cost measures in recent months, which combined with a continuing positive mix effect from product innovations, should offer more margin resilience.

Conclusion: ADD rating maintained

We keep our ADD rating and EUR 70 price target unchanged. The FY results will be published on March 13. On our current estimates, Bekaert trades at only 5.9x EV/EBITA 2009 and 3.3x EV/EBITDA.