

**Bekaert (EUR 83.76 - ADD) - A difficult quarter**

**Preview**

Period	H1 09
Date/Time	Friday, July 31, before market opening
Recommendation	ADD
Target price	85.0

in EUR	H1 08	H1 09	yoy	Consensus
Revenues (m)	1,303	1,215	-6.8%	1,254
EMEA	612	403	-34.1%	
North America	289	288	-0.2%	
Latin America	84	157	87.2%	
Asia Pacific	318	366	15.1%	
EBITDA (m)	225.2	133.6	-40.7%	143.0
EBIT (m)	145.3	68.6	-52.8%	77.0
Fin result (m)	-22.4	-26.0	16.2%	-24.0
Associates	35.7	20.0	-44.0%	19.0
Net profit (m)	126.0	43.5	-65.5%	51.0
EPS	6.91	2.65	-61.6%	2.6

Analyst Meeting 2pm in Brussels

**Key items**

1. While in Q1 Bekaert still witnessed almost stable sales thanks to the inclusion of the joint ventures in Peru and Ecuador, in Q2 we expect a sales drop of 13.2% (7.3% in H1). This is mainly the result of a worsening yoy comparison of price levels. This is better reflected at the combined sales level (incl. Brazilian joint venture) where we expect a sales drop of 24% in Q2 compared to 13% in Q1, bringing the H1 decline to 18.8%.
2. At combined level we anticipate an H1 volume drop of 5% and a price drop of 14%. This indeed implies a negative yoy price impact in Q2 of almost double the Q1 level as the comparison base with last year is much less favorable. In most regions, wire rod prices rose significantly in Q2 2008 and often they still declined in Q2 this year after they started their decline in H2 08.
3. As a result of these continuing price declines in the course of H1 and Q2 of this year, we expect Bekaert to face a negative FIFO impact of EUR 20m. In consequence, we expect the EBIT margin before non-recurring to come in below 7%, at 6.6%, and 5.6% after non-recurring items. We expect this to be compensated in H2 and still expect a FY EBIT margin slightly above 7%.
4. Regionally, EMEA and Brazil should have witnessed a very difficult H1, North America should be ok, while Asia Pacific should have benefited from excellent Chinese business. North America and China will also benefit from positive forex, while Brazil faces a negative impact. Latin American sales benefit from the consolidation of the Peru and Ecuador joint ventures.

**Conclusion**

All in all we expect a difficult H1 for Bekaert and a complex set of results. However, with China doing very well again and the worst behind in Brazil we believe H2 should be much better. Hence we keep our ADD rating unchanged and will review our price target after the results.