

Bekaert (EUR 130.60 - BUY) - recovery all over

Facts: sales EUR 694m against EUR 590m expected

- Bekaert again released strong numbers, with consolidated sales of EUR 694m against EUR 590m expected and consensus of EUR 611m. The negative forex impact was in-line with our expectations (-6.7%) but organic growth reached 24% against 5.5% anticipated and this despite a negative price impact of about 5% to 10%. As such, volumes increased by over 30% at group level.
- Combined sales amounted to EUR 953m vs. EUR 848m expected and consensus of EUR 842m. At combined sales level the forex impact was neutral and volumes grew by 21%.
- The excellent performance was mainly thanks to Asia Pacific where sales reached EUR 242m against EUR 190m expected (consensus EUR 200m). Asia Pacific (China) had to be compared to a very weak Q1 2009 but nevertheless significantly outperformed. Capacity utilization was very low in Q1 2009 and was at maximum levels in Q1 2010 while also capacity was extended in the meantime. As such, volumes increased by 50% to 60 in China.
- Also EMEA was much stronger with sales of EUR 244m vs. EUR 210m anticipated. Volumes increased by more than 30%. EMEA was strong both in Western Europe and Central Europe.
- Latam consolidated sales declined as expected by 17% due to the use of the parallel currency for the Bolivian currency in accordance with IAS 21. At combined level, Latam (incl. Brazil) sales were in-line. Bekaert reduced selling prices to compensate for the strong Real but volumes were strong.
- Net financial debt amounted to EUR 484m against EUR 395m at year-end. Bekaert paid the first tranche of the two Bridgestone factory acquisitions (EUR 34m) and receivables increased on the back of strong sales.
- Bekaert also expects Q2 to remain a strong quarter but is prudent on H2.

Our View: No slowdown witnessed

Bekaert is very specific on a strong Q2. We expect the negative price impact from Q1 (yoy), to turn positive in Q2 and Q2 will still compare favourable to Q2 2009 in most regions. In the meantime, capacity will be further extended in China and the Bridgestone factories will be consolidated.

Thanks to these items, Q2 sales should be in excess of EUR 700m, while we had EUR 667m so far. The high capacity utilisation will also support margins.

Conclusion: BUY maintained and target price raised

Based on these results we will increase our FY estimates probably by between 5 to 10%. We maintain our BUY rating and upgrade our target price preliminary to EUR 160. On our old estimates Bekaert still trades at a single digit EV/EBIT of 9.2x 2010 and 5.9x EV/EBITDA.

Details

in EUR m	Q1 09	Q1 10e	Actual	vs. Exp
Consolidated sales	592	595	694	16.7%
EMEA	210	210	244	16.0%
North America	142	127	141	11.3%
Latin America	81	68	67	-0.8%
Asia Pacific	159	190	242	27.2%
Combined sales (incl ass.)	788	852	953	11.8%
EMEA	209	208	243	16.7%
North America	139	124	139	12.3%
Latin America	280	329	329	0.0%
Asia Pacific	160	191	242	26.6%