



Sacyr Profit Triples on Construction, Repsol Stake (Update2)

By Brian McGee

Sept. 3 (Bloomberg) -- Sacyr Vallehermoso SA, the Spanish builder seeking control of French rival Eiffage SA, said first-half profit more than tripled as it won more road-building work and gained from its holding in oil producer Repsol YPF SA.

Net income climbed to 603 million euros (\$823 million) from 160 million euros a year earlier, the Madrid-based company said in a regulatory filing today. Revenue increased 18 percent to 2.58 billion euros.

Sacyr, Spain's fifth-biggest construction company, gained more orders as the government invests 249 billion euros in transport infrastructure through 2020. Chairman Luis del Rivero is making a hostile bid for Eiffage and has spent 6.5 billion euros to become the largest shareholder in oil producer Repsol, with a 20 percent stake.

"These results indicate that our strategy for earnings growth and diversification was on the mark," Sacyr said. "The high level of orders in construction guarantees significant growth in the future." The order backlog for building work swelled 10 percent to 6.21 billion euros.

Sacyr has fallen 35 percent in Madrid trading this year, compared with a 2.7 percent gain in the IBEX 35 Index. That gives the builder a market value of 8.28 billion euros. The stock was little changed at 29.22 euros as of 1:22 p.m. in the Spanish capital.

Analysts expected profit of 444 million euros on sales of 2.57 billion euros, according to a survey by Bloomberg.

Diversification

By buying a stake in Repsol, Del Rivero is following larger Spanish builders Actividades de Construccion & Servicios SA and Acciona SA into the energy industry. ACS and Acciona rank among the biggest shareholders in Spanish utilities Iberdrola SA, Union Fenosa SA and Endesa SA.

Sacyr is the last of its peers to report earnings. All have diversified and construction now contributes less than half of annual revenue. ACS, Spain's biggest builder, said first-half profit more than doubled, boosted by asset sales and its investment in power producer Fenosa.

About 13 percent of working Spaniards are employed in construction and Spain ranks as Europe's biggest cement market, consuming one-fifth of total output. Construction has helped drive growth in the Spanish economy, which has expanded faster than the European Union as a whole for the past decade.

Housing Slowdown

Spanish house prices have surged since the 1990s, fueled by a drop in interest rates, increasing incomes and a boom in vacation home purchases by Germans, Britons and other Northern Europeans. Sacyr's Web site has English and German versions containing details of its properties coming onto the market.

Still, the market is slowing. About 700,000 new housing units will go on sale across Spain this year, 300,000 more than projected demand, according to Fernando Rodriguez de Acuna, president of R. R. de Acuna & Asociados, a real estate research firm in Madrid.

Sacyr's residential developments include apartments in the southern coastal city of Valencia with communal swimming pools and gardens and condominium apartments in the Spanish capital.

Eiffage suspended voting rights of 89 Spanish investors at its annual meeting on April 18, alleging they'd acted in concert to help Sacyr place candidates on the board. Foiled in its attempt to win management control, the Spanish company offered the next day to buy the two-thirds of shares it didn't yet own in an all-stock bid valued at 6.5 billion euros at the time.

` No Confidence'

In a separate ruling on June 26, France's stock market regulator Autorite des Marches Financiers said that Sacyr illegally colluded with at least six other Spanish investors. A Paris court will resume hearings on Sept. 6 into suits filed by Eiffage and other Spanish shareholders regarding the French company's April 18 annual meeting. A final legal decision is unlikely before the end of the year.

Under French market rules, Sacyr could be forced to make a fresh takeover offer based on the highest price paid for the stock in the past 12 months, the AMF noted in its ruling.

``We're waiting on the judges' decision on the AMF ruling. We have absolute confidence in them," said Ana de Pro, Sacyr's managing director for corporate development.

To contact the reporter on this story: Brian McGee in Madrid at bmcgee3@bloomberg.net

Last Updated: September 3, 2007 07:32 EDT

