

Bekaert

Indy - Industrial, Diversified / Belgium
HOLD, TP EUR 28.00

Market capitalisation (EUR m)	1,228.6
No. of shares (m)	60.0
Free float	61.7%
1/3/12 mth perf. (%)	15.8/(3.0)/(59.1)
High/low 52 weeks (EUR)	49.99/17.51
Next results due	
Price/book value (x)	0.8
Volatility (β) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB BB

Website www.bekaert.com

Year to December	2012e	2013e	2014e
Sales (EUR m)	3,683	3,913	4,129
EBITDA (EUR m)	320	452	493
EBITA (EUR m)	122	256	297
Net profit (EUR m)	(39)	119	155
EPS (EUR)	(0.65)	1.99	2.58
DPS (EUR)	0.50	0.70	0.90
P/E	nmf	10.3	7.9
EV/EBITDA	6.7	4.4	3.8
P/BV	0.8	0.7	0.7
ROE (%)	(2.4)	7.1	8.7

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Bekaert – 1H12 may trigger positive reaction in absence of negative news

Event: 1H12 results

Impact: Neutral

Conclusion:

Bekaert reported a 65% y-o-y drop in EBITE to EUR 85m for 1H12 (as usual, it did not provide a concrete outlook). While the result was merely in line with our forecast of EUR 87m and the consensus of EUR 82m, we would not rule out that it could still trigger a relief reaction in the share price due to an absence of negative news. The 1H12 results confirmed that the downward trend has been stopped by Bekaert (Asia Pacific division stabilised after the sawing wire collapse and the impact of the economic recession on the EMEA division is mitigated by cost measures). We already drew this conclusion from the 1Q12 trading update, when we upgraded the stock to HOLD. The share price appears to have found a bottom around EUR 20. Based on the potential of earnings to recover to more normalised levels (which we expect from 2014 onwards), it is not hard to see significant upside to the share price on a longer-term horizon. However, we do not expect the upside to be unlocked in the foreseeable future due to a lack of triggers. The market is likely to wait for evidence that the EUR 100m savings plan is effective (full impact will only be seen by 2014).

Details:

* 1H12 **group EBITE** fell 65% y-o-y to EUR 85m (margin -880bps y-o-y to 4.8%), which matched our forecast of EUR 87m and the consensus of EUR 82m
 - the mix differed, with a better result for EMEA offset by weaker Latin America
 - note that the comparison base still was rather challenging, as the sawing wire business experienced its last strong quarter in 1Q11
 - the result represented a notable improvement (+69%) compared to EBITE of EUR 39m in 2H11 (although this is always the weaker half of the year for Bekaert)

* Breakdown 1H12 EBITE (vs our forecast):

- EMEA: -33% to EUR 36m (vs EUR 28m expected)
 - North America: -25% to EUR 21m (vs EUR 19m expected)
 - Latin America: +81% to EUR 29m (vs EUR 36m expected)
 - Asia Pacific: -81% to EUR 35m (vs EUR 36m expected)
 - Other: -/-EUR 36m (vs -/-EUR 32m expected)

* Bekaert charged EUR 81m in 'non-recurring items', which reflects mainly the costs related to the restructuring in Belgium (we had pencilled in EUR 89m, but we did not know that there non-recurring gains of EUR 33m to partly compensate for EUR 114m charges)

* Owing to the aforementioned non-recurring items, Bekaert reported a **net loss** of EUR 79m, which failed our forecast of -/-EUR 47m and the consensus of -/-EUR 48m (mainly owing to higher-than-expected taxes)

* Bekaert refrained from paying an **interim dividend** (EUR 1.17/shr last year), which it had already indicated earlier (only final dividend will be paid)

* Following the sharp rise in **net debt** to EUR 824m by the end of 2011 (due to financing of Chinese customers), it had stabilised at EUR 866m at the end 1H12
 - this represents a hefty 4.3x net debt/EBITDA (LTM), but note that Bekaert is not subject to covenants (and note that the outcome is based on very depressed earnings)

* As usual, Bekaert did not provide a concrete **outlook**

- but the company does note that the downward trend of its end markets warrants a cautious outlook for the coming months

* Bekaert hosts an **analyst meeting** at 14h00 CET, which can be followed through a conference call (dial in numbers will be provided after registration on the company website)