

Bekaert

Belgium/General Industrials

Analysers



Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,729
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	281,343
Daily avg. trad. vol. 12 mth (m)	14
Price high 12 mth (EUR)	84.49
Price low 12 mth (EUR)	23.95
Abs. perf. 1 mth	-10.17%
Abs. perf. 3 mth	1.16%
Abs. perf. 12 mth	-62.26%

Key financials (EUR)	12/10	12/11e	12/12e
Sales (m)	3,263	3,313	3,379
EBITDA (m)	725	451	301
EBITDA margin	22.2%	13.6%	8.9%
EBIT (m)	534	288	141
EBIT margin	16.4%	8.7%	4.2%
Net Profit (adj.)(m)	389	190	130
ROCE	15.8%	7.4%	3.8%
Net debt/(cash) (m)	523	815	708
Net Debt/Equity	0.3	0.5	0.4
Debt/EBITDA	0.7	1.8	2.4
Int. cover(EBITDA/Fin. int)	14.5	8.4	5.4
EV/Sales	1.7	0.7	0.7
EV/EBITDA	7.8	5.1	8.1
EV/EBITDA (adj.)	7.8	5.1	8.1
EV/EBIT	10.6	8.0	17.2
P/E (adj.)	13.2	7.8	13.3
P/BV	3.2	0.9	1.0
OpFCF yield	4.9%	-1.0%	15.7%
Dividend yield	5.8%	3.8%	3.8%
EPS (adj.)	6.48	3.16	2.17
BVPS	26.86	28.01	28.05
DPS	1.66	1.10	1.10



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FY11 earnings preview

The facts: Bekaert will release its FY11 results next Friday, the 24th of February, before market. An analysts meeting is scheduled the same day at 02:00pm CET.

Our analysis: We expect Bekaert to report FY11 consolidated sales at EUR 3,313m (up 1.5% y-o-y), recurring EBIT (Rebit) at EUR 308m (down 45%) and net profit (group share) at EUR 175m (down 52% y-o-y). The consensus computed by Inquiry Estimates is closed to our forecast.

After a strong start in 1Q11, the situation deteriorated rapidly in the sawing wire business (mainly a Chinese activity), driven by a combination of overcapacities in both the main client market (the solar cells) and in sawing wire. As a result, the sales price collapsed by 70% and the volumes were cut by 50% from 1Q11. On top of that the Chinese truck market shows signs of weakness in FY11, which impacted negatively the capacity utilisation rate of the tyre cord, as well as the sales prices. As result, 2H11 EBIT is expected to show a solid set back, with margin well below the long term normalised level of 7-9%.

Bekaert : key figures (EUR m)	1H10	2H10	2010	1H11	2H11e	2011e	% change	FY11e CSS
Consolidated sales	1,535	1,728	3,263	1,780	1,533	3,313	1.5%	3,278
Rebit	262	300	562	242	66	308	-45.2%	309
Margin	17.1%	17.4%	17.2%	13.6%	4.3%	9.3%		9.4%
-EMEA	54	41	95	54	44	98		3.2%
-North America	21	13	34	28	16	44		28.4%
-Latin America	14	12	26	16	14	30		13.7%
-Asia Pacific	206	265	471	185	24	209		-55.6%
-Corporate	-33	-31	-64	-41	-31	-72		13.4%
Operating result	243	291	534	232	57	288	-46.0%	298
Margin	15.9%	16.8%	16.4%	13.0%	3.7%	8.7%		9.1%
Financial result	-16	-17	-32	-35	-29	-64		-67
Current result before tax	228	274	502	197	28	225		231
Income tax	-51	-88	-139	-54	-9	-63		
Tax rate	22.5%	32.2%	27.8%	27.2%	33.9%	28%		
Results of associates	19	17	36	14	15	29		
Discontinued operations	0	0	0	0	0	0		
Consolidated profit	195	203	399	158	33	191	-52.2%	
Minority interest	14	17	31	13	3	16		
Group's share in net result	181	187	368	144	30	175	-52.5%	172
EPS (EUR)	3.02	3.12	6.14	2.41	0.50	2.91		2.87

Sources : Bekaert / Bank Degroof estimates / Consensus (CSS) : Inquiry Estimates (8 participating brokers)

Since overcapacities in both sawing wire and Chinese tyre cord markets remain important at the end of FY11 (100-150% in sawing wire and 10-15% in tyre cord) Bekaert announced in early February a significant costs cutting program to cope with the challenging markets.

We hope that at the analyst meeting we could get more details on the costs associated to the restructuring program and on the view of the management on the sustainability of the tyre cord margin in China, given the recent changes in the competitive landscape in this country.

Conclusion & Action: We still estimate that there is too much uncertainty to turn positive on this share.