

Bekaert: 2.5% REBIT margin in 2H11, underlying EPS close to zero

Consolidated sales in 2H11 came in down 10% YoY to €1,560m, 4% above consensus and in line with our forecast.

2H REBIT amounted to €39m (2.5% margin), significantly below consensus (€72.1m) and our forecast (€54m). The disappointment in 2H11 REBITDA mainly came from EMEA (€12m vs €39.9m INGF) and North America (€4m vs €12m INGF). Asia Pac (€39m vs €31.7m INGF) and Latam (€19m vs INGF €12.7m) came in above expectations.

Surprisingly, 2H11 reported net profit came in above REBIT at €48.7m, yet this included c. €50m in capital gains on the divestment of Specialty Films and exchange rate gains on dividends from China. Excluding the latter, underlying EPS was close to zero (reported €0.83).

A gross dividend of €0.5 will be proposed, bringing the total gross dividend on 2011 earnings to €1.17. (cons. €1.27, INGF €1.0).

Net debt came in at €860m, above consensus (€772m) and our forecast (€762m). This implies a net debt/EBITDA of 1.8x.

Guidance: Bekaert expects continued uncertainty and price pressure in most markets, and perceives persistent competitive pressure in mature markets and China, but is convinced of continued solid growth via its strong positions in emerging markets. The realignment program, announced on 2 February, should restore profitability by 2014 (we interpret this as a REBIT margin between 7%-9%).

Conclusion: 2H11 underlying profitability seems worse than feared. Most likely, the Bloomberg 2012F EPS of €1.68 will be revised down. We expect the shares to react negatively today, and add the shares to our Benelux least preferred list.

Price: €27.07. **Last published:** target price: €23.0; **recommendation:** SELL

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