

Bekaert

FY12F

Price (€): 21.81 (20/02/13)

Results date: 27/2/13

Target price (€): 20

Hold

€m	FY11	FY12F	% change	Consensus
Sales	3,340.0	3,433.0	2.8	3,503.0
EMEA REBIT	66.4	60.2	-9.3	n/a
North America REBIT	31.7	35.2	11.0	n/a
Latam REBIT	35.1	56.4	60.7	n/a
Asia Pac REBIT	224.0	64.1	-71.4	n/a
Other REBIT	(76.3)	(70.0)	n/a	n/a
REBIT	280.9	145.9	-48.1	n/a
REBIT margin (%)	8.4	4.2	n/a	n/a
Non-recurring	(12.5)	(171.0)	n/a	n/a
EBIT	268.4	(25.1)	n/a	(29.9)
EPS (€)	3.27	(2.79)	n/a	(3.04)
Net debt	857.0	839.0	-2.1	891.0
DPS (€)	1.17	0.50	-57.3	0.50

Bekaert reports FY12 figures on 27 February at 0730hrs CET and will host an analyst meeting at 1400hrs CET. The shares have increased c.25% over the past three months, recovering completely from the weakness post the 3Q12 trading update. However, we think some caution is warranted going into FY12 reporting.

Low visibility on 2H12F REBIT. We expect 2H12F REBIT down 29% HoH to €60.7m (3.7% margin). As such, we have rather normal seasonality in the model: 58% in 1H12 and 42% in 2H12. Bekaert effectively guided for the usual volume seasonality in all regions. However, Bekaert also guided for: (1) sustained price pressure in most products in Asia; (2) a sustained negative mix effect in EMEA (slowdown in automotive and stainless steel); and (3) steel (wire rod) supply issues in Latam, after the nationalisation of the steel supplier in Venezuela (which accounts for c.30% of the region's REBIT). Thus, the big question is to what degree the start of the implementation of the €100m cost savings plan by 2014 will have compensated for the above negatives. As we believe, the cost savings plan only began to be implemented in 4Q12; therefore, the risk seems on the downside in our estimates, which seems in line with consensus. The above translates to FY12F REBIT of €145.8m (4.2% margin). We expect FY12F EBIT to come in at -€25.2m, as, on top of the €81m in non-recurring expenses reported in 1H12, we have pencilled in another €90m in bad debt provisions and non-recurring expenses in 2H12F. In turn, this translates to an FY12F EPS loss of €2.79.

The balance sheet should remain leveraged at 2.1x 2013F net debt/REBITDA. We expect net financial debt down 2% YoY to €839m. This seems below Bloomberg median consensus of €891m, yet the latter seems quite cautious, as Bekaert reported net debt of €790m at the end of 3Q12.

Dividend cut expected. In line with consensus, we expect annual DPS to drop from €1.17 to €0.50, reflecting the current difficult trading conditions and higher balance sheet leverage.

Low visibility in 2013F and 2014F. Bekaert typically does not provide quantified annual guidance. We believe, however, that Bekaert could point at: (1) limited visibility and geographical trends in 1H13F, broadly similar to 2H12 in general; (2) the devaluation of the Venezuelan currency in 1Q13 by 32%; and (3) a recovery in solar from a very low base, which should not have a meaningful impact on Bekaert's 2013F REBIT, in our view, due to material overcapacity in sawing wire. We also expect/hope Bekaert will provide more detail on its €100m cost savings plan, which is aimed to get EBIT margins back in the 7.0-9.0% range by 2014F. More precisely, we expect/hope: (1) to get a breakdown on what percentage of the cost savings was already visible in the 2012 numbers, and what is still to come; (2) a time breakdown of the expected cost savings between 2013 and 2014 (we assume the remaining cost savings will most likely be evenly split over 2013F and 2014F); and (3) a breakdown of the expected cost savings per region and per P&L line. Given that our 2013-14F REBIT estimates of €200m and €260m, respectively, still imply that the announced €100m in cost savings should not be passed on to customers, the risk still seems to the downside, in our view.

Valuation multiples seem fair/in line with historicals only as of 2014F: 0.6x EV/Sales, 5.0x EV/REBITDA and 8.5x EV/REBIT, while visibility on 2014F seems limited. Even an FCF yield to equity of 8-9% is not that attractive, given the limited visibility, in our view.

Source: Company data, consensus data: Bloomberg median, ING estimates

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