Bekaert: 2014 REBIT margin target cut

FY12 sales rose 3.6% YoY to €3.461m, coming in just above consensus. FY12 REBIT, however, declined by 58% YoY to €118m (with 3.4% margin) and came in c.20% below consensus. We understandd that the number already includes c.€20m in cost savings (of the €100m in cost savings by 2014), suggesting that the underlying results were even further below expectations.

2012F key figures (€m)

	FY11	FY12F	FY12A	% ch.	Cons.
Sales	3,340	3,433	3,461	3.6%	3,439
EMEA REBIT	66.4	60.2	63.0	-5.1%	n/a
North America REBIT	31.7	35.2	30.0	-5.4%	n/a
Latam REBIT	35.1	56.4	64.0	82.3%	n/a
Asia Pac REBIT	224.0	64.0	37.0	-83.5%	n/a
Other REBIT	-76.3	-70.0	-76.0	-0.4%	n/a
REBIT	**280.9**	**145.8**	**118.0**	-58.0%	**148.5**
REBIT margin (%)	**8.4%**	**4.2%**	**3.4%**	n/a	**4.3%**
Non-recurring	-12.5	-171.0	-167.0	n/a	n/a
EBIT	268.4	-25.2	-49.0	n/a	n/a
EPS (€)	3.27	-2.79	-3.30	n/a	n/a
Net debt	857	839	700	-18.3%	852
DPS (€)	1.17	0.50	0.85	-27.4%	0.50

Source: Company data, ING estimates

Regionally, the shortfall on our estimates was mainly driven by Asia Pacific, where the company reported a 0.4% REBIT margin in 2H12 (vs. 7.4% in 1H12 and INGF 2H12 of 6.3%). Also North America was below expectations, while EMEA and Latam surprised positively.

FY12 non-recurring elements came in at -€167m, in line with our -€171m forecast. This translated into a reported EPS of -€3.30, below our -€2.79 forecast.

Net debt came in c.18% below our forecast, at €700m, down from €859m at the end of 2011, mainly driven by a €227m working capital inflow. We understand that accounts receivable in China improved significantly in 2H12.

DPS is proposed at €0.85 (down 27% YoY), but above the €0.50 consensus forecast.

Bekaert no longer reiterated its 7% REBIT margin target by 2014, and said that while cost savings are on track (we understand €70m in 2013F and €10m in 2014F), the lack of economic recovery and overcapacity in most markets (hence price pressure) should weigh on profitability. Additionally, Bekaert guided for a negative €12m REBIT impact from the Venezuelan currency in 2013.

We believe the shares could underperform the market today, but note the shares have already fallen 8% in the last month. The higher than expected dividend could offer some support, and the lower net debt could support valuation to the tune of c.€2.0 per share. Consensus 2013-14F REBIT, however, could be revised down by 15-20%, which could negatively impact valuation by c.€3-4 per share, in our view.

An analyst meeting is scheduled today at 2pm CET.

Price: €20.8. Last published: target price: €20.0; recommendation: HOLD

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