

Bekaert

BEKB.BR / BEKB.BB

Engineering & Machinery
Belgium

Current price € 89.46
Target price € 110.00
Market cap € 1,778m
Free float 63%

	EPS (€)	P/E
FY07E	7.46	12.0
FY08E	7.26	12.3
FY09E	7.49	11.9

Solid FY07 results

Bekaert this morning reported solid FY07 results. The company already published its sales figures at the fourth quarter trading update on 15 February. Consolidated and combined sales increased by respectively 8.2% and 7.0% to € 2,174m and € 3,419m. Bekaert posted a recurring EBIT of € 186.3m, up from € 162.7m last year (margin from 8.1% to 8.6%) and slightly beating our forecast for € 182.1m. The improvements are driven by the strong sales growth, particularly in China, and rising sales of products with high added value such as reinforcing wire for cables and flat and profiled wire for flexible pipes, wires for hoisting cables, sawing wire and steel cord for off-road heavy equipment. Recurring EBIT contribution of the advanced wire products, advanced materials and advanced coatings amounted to respectively € 215m, € 17m and € -1m, compared to € 189m, € 16m and € 1m in 2006. The contribution of joint ventures and associates remained solid at € 47.1m (€ 51.0m in 2006). In addition, the dividends received from joint ventures and associates increased sharply from € 35.2m to € 54.7m. The consolidated net result of the group amounted to € 152.9m, by far exceeding our estimate of € 141.5m. Rationale was much lower than forecasted taxes of € 19.1m (€ 31.3m expected). It seems that also for 2008 we should take into account a lower than normal tax rate. Net financial debt increased to € 448m, mainly due to the share buy-back program and heavy CAPEX. For 2008, Bekaert is guiding for CAPEX around € 200m. Bekaert will propose a gross dividend of € 2.76 per share (up from € 2.50) payable as from 21 May. We would rather expect a positive reaction on this supportive results announcement.

Accumulate
Rating Unchanged

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