

# Bekaert

13 March 2009

## Reporting solid FY08 results

Engineering & Machinery

Current price € 43.62

**Buy**

Belgium

Target price € 70.00

Rating Unchanged



Source: Thomson Financial Datastream

Bloomberg BEKB.BB

Reuters BEKB.BR

[www.bekaert.com](http://www.bekaert.com)

Market Cap € 857.9m

Shares outst. 19.7m

Volume (daily) € 3,460,494

Free float 61.4%

Next corporate event

General Assembly 08: 13 May 2009

| (€ m)          | 2008E   | 2009E   | 2010E   |
|----------------|---------|---------|---------|
| Sales          | 2,663.0 | 2,481.4 | 2,601.2 |
| REBITDA        | 456.3   | 371.5   | 373.3   |
| Net earnings   | 196.1   | 110.2   | 123.6   |
| Adj. EPS (€)   | 11.78   | 6.59    | 6.75    |
| P/E (x)        | 3.7     | 6.6     | 6.5     |
| EV/REBITDA     | 3.1     | 3.5     | 3.4     |
| FCF Yield      | -3.8%   | 18.4%   | 12.7%   |
| Dividend yield | 7.5%    | 7.5%    | 7.5%    |

Wouter Vanderhaeghen

+32 2 429 37 30

[wouter.vanderhaeghen@kbcsecurities.be](mailto:wouter.vanderhaeghen@kbcsecurities.be)

Bekaert this morning released solid FY08 results.

As already announced in the 4Q trading update, consolidated sales increased by 22.5% y/y to € 2,662.4m. Organic growth was 17.7%, largely driven by passed-on raw material price increases, and 5.8% from acquisitions (Vicson and Proalco). Fluctuations in exchange rates had a negative effect of 1.0%.

EBITDA firmed from € 298.6m to € 412.2m (€ 406.3m exp.). EBITDA of the advanced wire products increased from € 314m to € 448m, beating expectations (€ 435.9m). Contributions of advanced materials and advanced coatings disappointed somehow. EBITDA of advanced materials declined from € 26m to € 18m (€ 24.9m exp.) while contribution of advanced coatings was unchanged y/y at € 11m (€ 12.1m exp.).

Recurring EBIT increased from € 186.3m in 2007 to € 294.2m last year, matching expectations (€ 296.3m). This equates to a REBIT margin of 11.1% (vs. 8.6% in 2007), substantially above the normal range of 7% to 9%.

Non-recurring items amounted to € 83.7m (€ 50m exp.) and included provisions for the restructuring of the Belgian manufacturing operations of advanced wire products (€ 42.5m). The higher-than-forecasted non-recurring charges explain the result of operations of € 210.5m, which remained below expectations (€ 246.3m).

The contribution of joint-ventures and associates increased from € 47.1m to € 56.1m, slightly above our number (€ 55m). The net result, group share, increases from € 152.9m to € 174.1m (€ 196.1m exp.).

Net financial debt increases from € 448m to € 627m, a bit higher than forecasted (€ 589.6m) mainly on higher working capital requirements. Bekaert proposes a gross dividend of € 2.80. We were a bit more aggressive on the dividend (€ 3.25) but more importantly, regard this level of dividend as sustainable going forward.

### Conclusion:

If we adjust for the higher-than-forecasted non-recurring charges, results are perfectly in-line with our forecasts, beating consensus estimates. The forward looking statement issued at the Q4 trading update is repeated with Bekaert hinting towards limited short-term visibility while expecting the current activity slowdown not to last on a company-wide scale.

We regard Bekaert's results announcement as re-assuring and hence supportive. More info following today's analyst meeting (14:00 CET).