

24 February 2010

BEKAERT

Earnings momentum expected to pick-up

ENGINEERING & MACHINERY
BELGIUM

CURRENT PRICE € 112.30
TARGET PRICE € 120.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Financial Datastream

Bloomberg	BEKB.BB
Reuters	BEKB.BR
www.bekaert.com	
Market Cap	€ 2,221.7m
Shares outst.	19.8m
Volume (daily)	€ 7,376,968
Free float	61.4%

Next corporate event

Results FY09: 26 February 2010

(€ m)	2009E	2010E	2011E
Sales	2,420.3	2,537.1	2,657.0
REBITDA	356.1	379.1	399.4
Net earnings	117.5	136.3	150.0
Adj. EPS (€)	6.46	7.39	8.06
P/E (x)	17.4	15.2	13.9
EV/REBITDA	7.8	7.1	6.5
FCF Yield	10.1%	6.5%	7.4%
Dividend yield	2.5%	2.5%	2.5%

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Friday, before market, Bekaert will report its FY09 results.

Consolidated 9M09 sales decreased by 11.2%. Organically sales decreased by 21.7% on especially weak market demand in EMEA and North America. This was partially offset by the integration of the former joint ventures in Peru and Ecuador, adding 5.7%, as well as favourable currency movements adding 4.9%. At the publication of its Q3 trading update, Bekaert expected to maintain high sales volumes in Q4, especially driven by solid market demand in emerging markets.

In our scenario, we bank on fourth quarter consolidated sales of € 601.2m (down by 2.2% y/y). For the full year, we bank on revenues of € 2,420m, down by 9.1% y/y, with EMEA, North America, Latin America and Asia Pacific contributing respectively € 799.9m (-31.5%), € 475.0m (-21.5%), € 324.9m (+84%) and € 820.4m (+15.1%).

Revenues and profit were dented by the sharp and rapid drop in steel-based raw material prices. Bekaert estimates the negative impact in H1 at around € 40m. With raw material prices stabilising, a similar negative impact of lower raw material prices on margins in H2 is highly unlikely. We expect the company to realise a recurring EBIT of € 105.3m in H2 (margin of 8.6%), up from € 85.8m in H1 (margin of 7.2%). This brings us to our estimate for the full year of € 191.1m, which corresponds to a recurring EBIT margin of 7.9% in-line with the company's long-term guidance for margins in a range of 7 to 9%.

After taxes of € 24.4m, contribution of joint ventures and associates of € 35.0m and minority interest (€ 17.5m), the net result is seen at € 117.5m. Net result in H1 was € 44.3m and expected to recover to € 73.2m in H2.

Conclusion:

While trading environment in EMEA and North America was extremely challenging last year, Bekaert was saved by its activities in emerging markets and China in particular. Going forward, earnings momentum for the company is expected to pick-up on continued strong performance in emerging markets with recovery potential in EMEA and North America. Hence, looking to our numbers, we see the risks more on the upside.