

22 February 2012

BEKAERT

Preview FY11 results

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 28.83
TARGET PRICE € 27.00

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEKB.BB
Reuters BEKB.BR

www.bekaert.com

Market Cap € 1,726.5m
Shares outst. 59.9m
Volume (daily) € 8,167,482
Free float 62.0%

Next corporate event

Results FY11: 24 February 2012

(€ m)	2011E	2012E	2013E
Sales	3,277.5	3,324.8	3,450.8
REBITDA	511.1	363.3	444.8
Net earnings	171.5	29.3	97.2
Adj. EPS (€)	3.16	1.69	1.97
P/E (x)	9.1	17.0	14.6
EV/REBITDA	5.0	6.9	5.2
FCF Yield	-8.6%	5.0%	15.0%
Dividend yield	4.1%	2.6%	3.5%

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Friday, before market, Bekaert will report its FY11 results. An analysts meeting is scheduled later that day at 2:00pm CET.

We expect the company to report recurring EBIT of € 321.0m (-42.9% y/y, 9.8% margin) on consolidated sales of € 3,277.5m. The net result is seen down 53.3% y/y to € 171.5m.

While Bekaert made a relatively strong start to 2011, the sawing wire business deteriorated sharply from April/May, a trend that accelerated in 2H11. Revenues for the second half are seen at € 1,497.9m, down 15.8% sequentially. Recurring 2H11 EBIT is seen at € 78.7m (5.3% margin), down from € 242.4m (13.6% margin) in 1H11. The net result group share is expected at 'only' € 27.2m in 2H11, down from € 144.3m in 1H11 and € 186.6m in 2H10.

Bekaert's dividend policy aims at stable-to-growing dividends, with a long-term payout ratio target of about 40%. Given expectations for structurally lower profitability in the near future compared to 2009-11, we believe the dividend is at risk. We expect Bekaert to distribute a closing dividend of € 0.50 per share on top of the already distributed interim dividend of € 0.67 per share. Hence, we see a total dividend over 2011 of € 1.17 per share, which compares to € 1.667 per share distributed over 2010.

For more details, we refer to our Flash note of 6 February.

Conclusion:

Faced with significant excess capacity in the market and a severe drop in sawing wire prices, Bekaert has been hit hard in 2011. Bekaert reacted by rightsizing its global sawing wire operations. In order to restore profitability in the longer term, the company announced it will start looking at possible measures to further reduce global costs by € 100m p.a. in the coming years.

Bekaert is unlikely to provide much guidance for the current year. However, we hope the company could provide more details on the level of non-recurring charges and potential cost savings linked to the rightsizing of the global sawing wire operations.

We stick to our Hold rating ahead of the results announcement.