

Bekaert (Add - EUR 91.8): 2006 preview

Preview

Period	FY 2006
Date/Time	Friday, March 16 before market opening
Recommendation	Add
Target price	99.0

in EUR	2005	2006
Revenues (m)	1,914	2,010
EBITDA (m)	257.4	249.3
EBIT (m)	136.3	136.4
Fin result (m)	-26.9	-27.1
Associates	56.9	55.4
Net declared result (m)	189.9	134.2
Net adjusted result (m)	149.4	134.2

Analyst Meeting 2pm in Brussels

Key items

1. Revenues were already pre-announced. H1 results will suffer from a tough comparison base. Key focus will be the evolution of the profitability and the impact of the ongoing raw material prices increases and more expensive energy costs. We expect some pressure on margins compared to a strong 2005. All in all, our EBIT forecast stands at EUR 136.4m, stable yoy and helped by lower restructuring and impairment costs (EUR 31m in '05). Rising interest rates and forex evolution should lead to an increase of financial charges, while we expect also some pressure on profitability of the associates, leading to a 3% lower net profit contribution. This leads to a net adjusted profit of EUR 134m, down 10% yoy..
2. FCF: In 2005, Bekaert received EUR 45m dividend from associates. In 2006, we expect EUR 36m. However given the change in ownership in Bekaert's JV partner Arcelor, we would not be surprised if more cash is paid out to the JV partners. At the end of 2006, Bekaert started a share buy back program and cancelled 557,000 shares at the end of 2006 or 2.5% of the outstanding capital. Bekaert indicates that the group will continue to optimize its balance sheet in 2007.
3. Traditionally Bekaert gives a prudent and non quantitative guidance. We do not expect any change in the group's habit. We hope to receive more information on the potential further capacity expansions in China as well as the evolution of the final negotiations in Russia with UralKord.

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