

Bekaert (EUR 43.62 - ADD) - Strong underlying results

Facts: EBIT before non-recurring EUR 294m against EUR 278m expected

- With sales already known, Bekaert now also released a strong set of underlying FY results.
- EBIT before non-recurring items amounted to EUR 294m against EUR 278m anticipated.
- Non-recurring items were, however, much higher at EUR 84m against EUR 48m anticipated but included EUR 35m non-cash impairment charges.
- As a result, EBIT including non-recurring items reached EUR 210m against EUR 230m expected. EBITDA reached EUR 412m against EUR 386m anticipated.
- Net earnings were in-line with our expectations at EUR 192m because of lower than expected net financial charges, lower than expected taxes of EUR 25m (EUR 40m exp) thanks to the favourable Chinese tax regime and slightly lower than expected result from associates of EUR 56m (EUR 59m est.).
- Adjusting for the impairment charges, and supposing they are non-tax deductible, underlying net earnings amount to EUR 227m against EUR 192m expected.
- The dividend will be raised to EUR 2.80 against EUR 2.85 expected.
- Net debt is somewhat higher than expected at EUR 627m against EUR 594m foreseen. The company purchased treasury shares for EUR 20m against EUR 11m in our expectations. Dividends from associates amounted to EUR 46m against EUR 48m expected.
- In its outlook, Bekaert remains traditionally general: "Short term visibility on market developments is extremely limited. However, Bekaert does not expect the current activity slowdown to last on a company-wide scale".

Our View: Showing resilience

Bekaert recorded a very solid set of 2008 FY results. The non-recurring items include EUR 35m impairment charges, which it probably was going to take one day or another anyway. Adjusting for the impairment charges, and supposing they are non-tax deductible, underlying net earnings amount to EUR 227m against EUR 192m expected.

Although Bekaert indicates that raw material prices are still declining, which will still result in some inventory write-offs in H1, management also indicates that some areas such as the off-shore business and photo voltaics remain strong and that some signs of improvement in certain areas might appear at the Horizon.

Conclusion: ADD reiterated

We reiterate our ADD rating. At 6.2x EV/EBITA 2009 and with a dividend yield of 6.5%, valuation is undemanding. The company remains in an excellent position and should be able to strengthen its competitive position even further in this downturn. H1 will be difficult, however, but that's the case for almost any company.