

**Bekaert**

Belgium/General Industrials

Analysers

**Accumulate**

Recommendation unchanged

**Share price: EUR 137.15**

closing price as of 14/05/2010

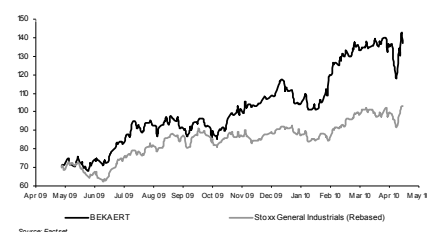
**Target price: EUR 155.00**vs Target Price: EUR **140.00**

Reuters/Bloomberg

BEKB.BR/BEKB.BB

<b>Market capitalisation (EURm)</b>	2,720
Current N° of shares (m)	20
<b>Free float</b>	61%
Daily avg. no. trad. sh. 12 mth	56,879
Daily avg. trad. vol. 12 mth (m)	6
Price high 12 mth (EUR)	142.75
Price low 12 mth (EUR)	68.15
Abs. perf. 1 mth	0.00%
Abs. perf. 3 mth	35.79%
Abs. perf. 12 mth	96.31%

Key financials (EUR)	12/09	12/10e	12/11e
Sales (m)	2,437	2,688	2,892
EBITDA (m)	387	457	504
EBITDA margin	15.9%	17.0%	17.4%
EBIT (m)	232	315	362
EBIT margin	9.5%	11.7%	12.5%
Net Profit (adj.)(m)	170	230	264
ROCE	9.3%	11.5%	12.7%
Net debt/(cash) (m)	429	457	333
Net Debt/Equity	0.3	0.3	0.2
Debt/EBITDA	1.1	1.0	0.7
Int. cover(EBITDA/Fin. int)	6.8	12.9	17.0
EV/Sales	1.2	1.4	1.2
EV/EBITDA	7.8	8.0	7.0
EV/EBITDA (adj.)	7.8	8.0	7.0
EV/EBIT	13.0	11.6	9.8
P/E (adj.)	12.6	11.8	10.3
P/BV	1.7	1.9	1.7
OpFCF yield	18.0%	5.4%	10.5%
Dividend yield	2.1%	2.2%	2.3%
EPS (adj.)	8.58	11.60	13.33
BVPS	64.78	72.10	81.19
DPS	2.94	3.05	3.15



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**Earnings & TP revisions post very solid 1Q10**

**The facts:** We have reviewed our estimates on Bekaert following the strong 1Q10 trading update and the positive guidance for 2Q10.

**Our analysis:** Last week, Bekaert released very strong 1Q10 consolidated sales at EUR 649m (up 17% y-o-y and 12% q-o-q), while the combined sales were up 21% y-o-y and up 9.3% q-o-q) at EUR 953m. These impressive growth rates were mainly due to volume effects (+23.9% for the consolidated sales and +21.2% for the combined sales on a y-o-y basis), leading to strong capacity utilisation in all regions. This bodes well for Bekaert's margins in 1Q10. On top of that, although management recognised there were some restocking effects in EMEA and North America in 1Q10, it expects continued strong performance in the 2Q10.

We have increased our EPS forecasts for the coming three years by 9%, 6% and 4% to EUR 11.60, EUR 13.33 and EUR 14.69, respectively. See details on the table below.

Bekaert: estimates review (in EUR m)	2009		2010		2011		2012	
			old	new	old	new	old	new
Sales	2,437	2,511	2,688	2,677	2,892	2,843	3,096	
% change			7.0%		8.0%		8.9%	
Rebit	256.8	299.3	340.0	340.4	381.9	365.2	402.5	
margin (%)	10.5%	11.9%	12.7%	12.7%	13.2%	12.8%	13.0%	
% change			13.6%		12.2%		10.2%	
-EMEA <sup>1</sup>	2.0	34.5	36.8	44.0	47.2	51.1	55.5	
% change			6.9%		7.3%		8.4%	
-North America	-5.0	13.3	14.9	21.7	21.8	24.6	25.3	
% change			12.6%		0.6%		2.6%	
-Latin America	28.0	18.5	20.2	22.5	22.9	25.3	25.8	
% change			9.1%		1.9%		1.9%	
-Asia Pacific	288.0	291.1	326.0	310.3	348.0	323.5	355.5	
% change			12.0%		12.1%		9.9%	
- Corporate	-56.2	-58.0	-58.0	-58.0	-58.0	-59.5	-59.5	
% change			0.0%		0.0%		0.0%	
EBIT	232	274	315	320	362	345	383	
margin (%)	9.5%	10.9%	11.7%	12.0%	12.5%	12.1%	12.4%	
Financial results	-66	-45	-50	-36	-45	-24	-32	
Associates	38	36	39	41	42	47	47	
Net result (group)	152	192	211	235	249	265	276	
% change			10.2%		6.0%		4.3%	
Net current result (group)	170	210	230	250	264	280	291	
% change			9.3%		5.6%		4.0%	
Adj. EPS (in EUR)	8.58	10.61	11.60	12.62	13.33	14.12	14.69	
% change			9.3%		5.6%		4.0%	

Sources : Bekaert / Bank Degroof estimates

<sup>1</sup> EMEA= Europe, the Middle East and Africa

These revisions were driven by both faster than anticipated recovery in mature markets (albeit we still assumed that for these regions we will have to wait until 2013 to recover the sales levels of 2008) combined with strong volume in Asia and Latin America.

**Conclusion & Action:** Bekaert came in with 1Q10 sales well above expectations, driven by still strong Asia & Latin America and by a clear upturn in EMEA and in North America. Based on this and on the positive guidance for 2Q10, we have reviewed our estimates. Consistent with the earnings upgrade, we raised our target price to EUR 155. At our revised TP, Bekaert would trade at not excessive 2010-2011 multiples given the strong earnings momentum, which is driven by strong growth in emerging markets combined with a recovery in mature markets. Our rating is maintained at Accumulate.