



Accumulate

Recommendation unchanged

Share price: EUR 150.50

closing price as of 29/07/2010

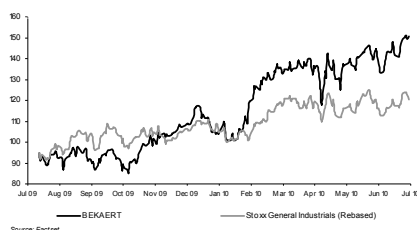
Target price: 175.00
vs Target Price: EUR **165.00**

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	2,994
Current N° of shares (m)	20
Free float	61%
Daily avg. no. trad. sh. 12 mth	57,286
Daily avg. trad. vol. 12 mth (m)	7
Price high 12 mth (EUR)	151.00
Price low 12 mth (EUR)	84.46
Abs. perf. 1 mth	6.66%
Abs. perf. 3 mth	10.18%
Abs. perf. 12 mth	80.93%

Key financials (EUR)	12/09	12/10e	12/11e
Sales (m)	2,437	2,754	2,964
EBITDA (m)	387	473	522
EBITDA margin	15.9%	17.2%	17.6%
EBIT (m)	232	331	379
EBIT margin	9.5%	12.0%	12.8%
Net Profit (adj.)(m)	170	237	274
ROCE	9.3%	11.8%	13.0%
Net debt/(cash) (m)	429	490	359
Net Debt/Equity	0.3	0.3	0.2
Debt/EBITDA	1.1	1.0	0.7
Int. cover(EBITDA/Fin. int)	6.8	11.4	14.9
EV/Sales	1.2	1.4	1.3
EV/EBITDA	7.8	8.3	7.3
EV/EBITDA (adj.)	7.8	8.3	7.3
EV/EBIT	13.0	11.9	10.1
P/E (adj.)	12.6	12.6	10.9
P/BV	1.7	2.1	1.8
OpFCF yield	18.0%	4.5%	9.8%
Dividend yield	2.0%	2.1%	2.1%
EPS (adj.)	8.58	11.93	13.75
BVPS	64.78	72.25	81.72
DPS	2.94	3.10	3.20



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Very strong 1H10 results

The facts: Bekaert reported very strong 1H10 sales and recurring EBIT (Rebit). **Our analysis:** 1H10 sales came in 9% above expectations. Sales are up 27.5%, driven by strong volume (+29%), acquisitions (1.3%), while currencies have a negative impact of 2.6% (Venezuela). 2Q10 sales are up 38% y-o-y and up 21% vs 1Q10. **Rebit** came in at EUR 262m (vs EUR 85m in 1H09 and EUR 171m in 2H09). All regions performed above expectations, with the exception of Latin America (currency effects due to Venezuela). Non-recurring came in slightly higher than assumed at EUR -18.5m vs EUR -12.5m forecasted. **Net profit** stood at EUR 181m vs EUR 116m expected by us (consensus at EUR 112m).

Bekaert : key figures (EUR m)	1H09	2H09	2009	1H10 A	% change	1H10e Degroof	% dif.	1H10e consensus
Consolidated sales	1,200.0	1,237.3	2,437.3	1,530.0	27.5%	1,392.00	9.9%	1,402.0
-EMEA ¹	410.0	417.0	827.0	523.0	27.6%	480.00	9.0%	487.0
-North America	263.0	211.0	474.0	310.0	17.9%	275.00	12.7%	281.0
-Latine America	160.0	167.0	327.0	144.0	-10.0%	132.00	9.1%	132.0
-Asia Pacific	367.0	442.3	809.3	553.0	50.7%	505.00	9.5%	502.0
Rebit	85.8	170.9	256.8	262.0	205.2%	192.50	36.1%	185.0
Margin	7.2%	13.8%	10.5%	17.1%		13.8%		13.2%
-EMEA ¹	-21.0	23.0	2.0	54.0		26.00	107.7%	
-North America	-5.0	0.0	-5.0	21.0		8.50	147.1%	
-Latine America	9.0	19.0	28.0	14.0		15.00	-6.7%	
-Asia Pacific	128.0	160.0	288.0	206.0		172.00	19.8%	
-Corporate	-25.2	-31.1	-56.2	-33.0		-29.00	13.7%	
Operating result	78.7	153.5	232.2	243.5	209.3%	180.00	35.3%	175.0
Margin	6.6%	12.4%	9.5%	15.9%		12.9%		12.5%
Financial result	-30.5	-35.1	-65.6	-15.6		-32.00		-31.0
Current result before tax	48.2	118.4	166.6	227.9	372.8%	148.00	54.0%	144.0
Income tax	-13.3	-20.6	-33.9	-51.3		-37.00		-38.0
Tax rate	27.5%	17.4%	20.4%	22.5%		26.0%		26.4%
Results of associates	17.4	20.3	37.8	18.8	7.7%	19.00		20.0
Discontinued operations	0.0	0.0	0.0	0.0		0.00		0.00
Consolidated profit	52.4	118.1	170.4	195.3	273.0%	130.00	50.3%	126.0
Minority interest	8.2	10.5	18.6	14.3		13.81		14.0
Group's share in net result	44.2	107.6	151.8	181.0	309.6%	116.19	55.8%	112.0
EPS (EUR)	2.23	5.42	7.65	9.10		5.84	55.8%	5.65

Sources : Bekaert / Bank Degroof estimates

¹ EMEA= Europe, the Middle East and Africa

Net financial debt increased to EUR 581m (gearing of 35%) from EUR 400m at year-start due to significant increase in NWC and a capex of EUR 78m.

Bekaert remains prudent for **2H10** as the volatility of markets, exchange rates, and raw materials prices continue to create uncertainty in the months ahead. However, Bekaert remains confident on its robust performance over the medium term (three years). To illustrate this, the company mentions that it can raise the target EBIT margin to $\geq 10\%$ for the next three years (we have 12% + in our forecast), provided there will be no exceptional circumstances in the markets in which they operate. On top of that the Board of Directors will propose the pay-out of an intermediate dividend of EUR 2. (payable on October 15, 2010). The Board of Directors will also propose a three-for-one share split (would come into effect on 10 November 2010).

Conclusion & Action: Bekaert realised a very strong performance 1H10 that should be welcome by the market.

Earnings forecasts are under review. Meanwhile, we increase our target price to EUR 175 per share (from EUR 165). At this 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.