



## Accumulate

Recommendation unchanged

Share price: EUR 230.35

closing price as of 08/11/2010

Target price: EUR 220.00

Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	4,583
Current N° of shares (m)	20
Free float	61%
Daily avg. no. trad. sh. 12 mth	56,476
Daily avg. trad. vol. 12 mth (m)	8
Price high 12 mth (EUR)	230.35
Price low 12 mth (EUR)	89.87
Abs. perf. 1 mth	13.98%
Abs. perf. 3 mth	37.48%
Abs. perf. 12 mth	154.98%

Key financials (EUR)	12/09	12/10e	12/11e
Sales (m)	2,437	2,947	3,320
EBITDA (m)	387	615	655
EBITDA margin	15.9%	20.9%	19.7%
EBIT (m)	232	455	493
EBIT margin	9.5%	15.4%	14.9%
Net Profit (adj.)(m)	170	342	356
ROCE	8.7%	14.7%	15.0%
Net debt/(cash) (m)	429	444	330
Net Debt/Equity	0.3	0.3	0.2
Debt/EBITDA	1.1	0.7	0.5
Int. cover(EBITDA/Fin. int)	6.8	15.6	20.5
EV/Sales	1.0	1.7	1.5
EV/EBITDA	6.4	8.0	7.4
EV/EBITDA (adj.)	6.4	8.0	7.4
EV/EBIT	10.7	10.9	9.8
P/E (adj.)	12.6	13.4	12.9
P/BV	1.7	3.0	2.6
OpFCF yield	18.0%	4.4%	7.5%
Dividend yield	1.3%	2.1%	2.3%
EPS (adj.)	8.58	17.18	17.88
BVPS	64.78	77.49	89.04
DPS	2.94	4.94	5.20

## 3Q10 trading update preview

**The facts:** On Wednesday 10<sup>th</sup> of November, Bekaert will release its 3Q10 trading update. At this occasion the company will only disclose qualitative comments on 3Q10 as well as the sales per region.

**Our analysis:** We expect another strong y-o-y growth in 3Q10 supported by still positive trends in some key end markets like the automotives (36% of the outlet) and the energy and utilities (21% of the outlet), while in the construction (19% of the outlet) markets remained under pressure, particularly in Europe. On top of that currencies were also highly volatile in 3Q10. As far as the most important currencies are concerned and versus the Euro, the USD was up 10.7% y-o-y, the BRL was up 18% and the CNY 11.7%.

For the consolidated sales, we expect a global increase of 27.6% y-o-y, of which +31% in EMEA; 32% in North America; 36% in Asia and -8% in Latin America. The latter region, which at a consolidated basis has limited presence in Brazil (the most important Brazilian assets are consolidated under the equity method), is still expected to suffer from a negative currency translation impact of hyperinflation in Venezuela that forced Bekaert to adjust its accounts by applying free market Fx instead of the official rate. When we include the sales of the associates, we obtain global combined sales of EUR 1,089m (up 27% y-o-y).

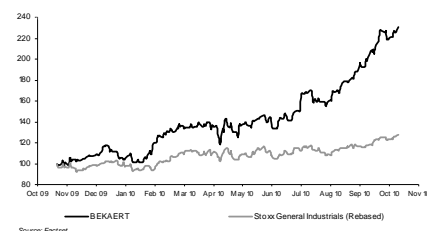
Sales (EURm)	1Q09	2Q09	3Q09	4Q09	FY09	1Q10	2Q10	3Q10e	consensus
EMEA <sup>1</sup>	210.3	199.7	198.0	219.0	827.0	244.0	282.0	260.0	255.0
% change	-27.6%	-37.9%	-34.5%	-13.5%	-29.2%	16.0%	41.2%	31.3%	28.8%
North America	141.9	121.1	106.0	105.0	474.0	141.0	172.0	140.0	147.0
% change	5.8%	-21.8%	-38.5%	-27.0%	-21.7%	-0.6%	42.0%	32.1%	38.7%
Latin America	80.6	79.4	87.0	80.0	327.0	67.0	77.0	80.0	79.0
% change	113.8%	71.5%	77.9%	83.1%	85.2%	-16.9%	-3.0%	-8.0%	-9.2%
Asia	159.3	207.7	228.0	214.3	809.3	242.0	310.0	310.0	321.0
% change	22.1%	10.8%	3.4%	23.0%	13.5%	51.9%	49.3%	36.0%	40.8%
Consolidated sales	592.1	607.9	619.0	618.3	2,437.3	694.0	841.0	790.0	802.0
% change	-0.1%	-14.4%	-16.8%	0.5%	-8.5%	17.2%	38.3%	27.6%	29.6%
EMEA <sup>1</sup>	209.0	198.0	197.0	219.0	823.0	243.0	280.0	259.0	255.0
% change	-27.5%	-38.0%	-34.1%	-12.3%	-28.8%	16.3%	41.4%	31.5%	29.4%
North America	139.0	120.0	105.0	105.0	469.0	139.0	171.0	139.0	149.0
% change	4.0%	-21.9%	-38.6%	-26.1%	-21.9%	0.0%	42.5%	32.4%	41.9%
Latin America	280.0	299.0	326.0	332.0	1,237.0	329.0	398.0	380.0	395.0
% change	-19.4%	-25.8%	-28.0%	3.1%	-18.9%	17.5%	33.1%	16.6%	21.2%
Asia	160.0	209.0	229.0	216.3	814.3	242.0	311.0	311.0	321.0
% change	20.2%	8.7%	1.5%	22.4%	11.9%	51.3%	48.8%	35.8%	40.2%
Combined sales	788.0	826.0	857.0	872.3	3,343.3	953.0	1,160.0	1,089.0	1,120.0
% change	-12.7%	-22.7%	-25.4%	-2.1%	-16.6%	20.9%	40.4%	27.1%	30.7%

Sources : Bekaert / Bank Degroof estimates

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

At the time of the 1H10 releases, Bekaert was relatively prudent for 2H10 due to the high volatility of the markets, the uncertain trend of the currencies and of the raw material costs. The latter increased by approximately 6-7% during 3Q10, which is in our view not a source of concern. This cautious message led us to assume margin erosion in 2H10 that could prove too pessimistic, particularly in Asia where we computed 2H10 Rebit margin at 31% versus 37.3% in 1H10 and 36.2% in 2H09. We will await the trading update to see if a revision is needed.

**Conclusion & Action:** We expect a strong 3Q10 trading update and despite the impressive share price trend over the recent months we maintain our positive stance on the share ahead of the publication of next Wednesday. Momentum remains positive for key geographical markets like Asia and Latin America (75% of 1H10 Rebit, before overheads).



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