

## Investment Research

### Accumulate

Recommendation unchanged

**Share price: EUR 76.40**

closing price as of 21/02/2011

**Target price: EUR 83.00**

Target Price unchanged

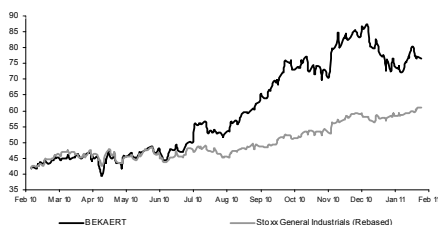
Reuters/Bloomberg

BEKB.BR/BEKB.BB

Daily avg. no. trad. sh. 12 mth	205,164
Daily avg. trad. vol. 12 mth (m)	12.19
Price high 12 mth (EUR)	87.43
Price low 12 mth (EUR)	36.32
Abs. perf. 1 mth	0.3%
Abs. perf. 3 mth	2.9%
Abs. perf. 12 mth	118.3%

Market capitalisation (EURm)	4,495
Current N° of shares (m)	59
Free float	61%

Key financials (EUR)	12/09	12/10e	12/11e
Sales (m)	2,437	3,193	3,449
EBITDA (m)	387	660	710
EBITDA margin	15.9%	20.7%	20.6%
EBIT (m)	232	500	548
EBIT margin	9.5%	15.6%	15.9%
Net Profit (adj.)(m)	170	377	404
ROCE	8.7%	15.7%	16.2%
Net debt/(cash) (m)	429	477	321
Net Debt Equity	0.3	0.3	0.2
Net Debt/EBITDA	1.1	0.7	0.5
Int. cover(EBITDA/Fin.int)	6.8	16.2	21.6
EV/Sales	1.0	1.7	1.4
EV/EBITDA	6.1	8.4	6.8
EV/EBITDA (adj.)	6.1	8.4	6.8
EV/EBIT	10.1	11.1	8.8
P/E (adj.)	12.6	13.4	11.1
P/BV	1.7	3.2	2.4
OpFCF yield	18.0%	3.9%	8.7%
Dividend yield	1.3%	2.2%	2.3%
EPS (adj.)	2.86	6.40	6.86
BVPS	21.59	26.79	31.54
DPS	0.98	1.65	1.73



Source: Factset

Shareholders: Bekaert Fam. & Rel. 39%;

For company description please see summary table footnote

## 2H/FY10 earnings preview

**The facts:** Bekaert will release its 2H/FY10 results on February 25<sup>th</sup> before market. An analysts meeting is scheduled the same day at 02:00pm CET.

**Our analysis:** We expect FY10 consolidated sales to increase 31% to EUR 3,193m, a growth supported by all regions, with the exception of Latin America, due to difficult market conditions combined with adverse translation effects in Venezuela.

We expect a doubling of the recurring EBIT (Rebit) at EUR 524.5m (margin to sales of 16.4%). This implies a 2H10 Rebit at EUR 262.5m (margin to sales of 15.8%), more or less unchanged versus 1H10. Around 50% of the Rebit growth is expected to come from Asia and the balance from the mature markets (EMEA and North America), which realised a solid turn around in FY10. Net result is expected to amount to EUR 358m (up 135%); EPS at EUR 6.08.

Bekaert : key figures (EUR m)	1H09	2H09	2009	1H10	2H10e	2010e	% change
<b>Consolidated sales</b>	<b>1,200.0</b>	<b>1,237.3</b>	<b>2,437.3</b>	<b>1,535.0</b>	<b>1,657.6</b>	<b>3,192.6</b>	31.0%
-EMEA <sup>1</sup>	410.0	417.0	827.0	526.0	534.7	1,060.7	28.3%
-North America	263.0	211.0	474.0	313.0	326.4	639.4	34.9%
-Latin America	160.0	167.0	327.0	144.0	160.9	304.9	-6.8%
-Asia Pacific	367.0	442.3	809.3	552.0	635.5	1,187.5	46.7%
<b>Rebit</b>	<b>85.8</b>	<b>170.9</b>	<b>256.8</b>	<b>262.0</b>	<b>262.5</b>	<b>524.5</b>	104.3%
Margin	7.2%	13.8%	10.5%	17.1%	15.8%	16.4%	
-EMEA <sup>1</sup>	-21.0	23.0	2.0	54.0	40.5	94.5	nr
-North America	-5.0	0.0	-5.0	21.0	19.2	40.2	nr
-Latin America	9.0	19.0	28.0	14.0	16.5	30.5	8.9%
-Asia Pacific	128.0	160.0	288.0	206.0	215.3	421.3	46.3%
-Corporate	-25.2	-31.1	-56.2	-33.0	-29.0	-62.0	10.3%
<b>Operating result</b>	<b>78.7</b>	<b>153.5</b>	<b>232.2</b>	<b>243.5</b>	<b>256.0</b>	<b>499.5</b>	115.1%
Margin	6.6%	12.4%	9.5%	15.9%	16.7%	15.6%	
Financial result	-30.5	-35.1	-65.6	-15.6	-35.2	-50.8	
<b>Current result before tax</b>	<b>48.2</b>	<b>118.4</b>	<b>166.6</b>	<b>227.9</b>	<b>220.8</b>	<b>448.7</b>	169.4%
Income tax	-13.3	-20.6	-33.9	-51.3	-54.6	-105.9	
Tax rate	27.5%	17.4%	20.4%	22.5%	24.7%	23.6%	
Results of associates	17.4	20.3	37.8	18.8	22.4	41.2	9.1%
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Consolidated profit</b>	<b>52.4</b>	<b>118.1</b>	<b>170.4</b>	<b>195.3</b>	<b>188.7</b>	<b>384.0</b>	125.3%
Minority interest	8.2	10.5	18.6	14.3	11.7	26.0	
<b>Group's share in net result</b>	<b>44.2</b>	<b>107.6</b>	<b>151.8</b>	<b>181.0</b>	<b>177.0</b>	<b>358.0</b>	135.9%
EPS (EUR)	0.74	1.81	2.55	3.08	3.01	6.08	

Sources : Bekaert / Bank Degroof estimates

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

Net debt is expected at EUR 477m vs. EUR 429m in FY09, which means that despite the huge capex (EUR 200m used among others to increase the Chinese steel cord capacity by 100,000t to 450,000t), and share buy-back (for ~EUR 60m), the balance sheet remains solid. This gives Bekaert the means to take growth initiatives. We have also assumed an increase in the dividend at EUR 1.65, of which EUR 0.667 was already paid last October.

**Conclusion & Action:** Despite the impressive share price trend over the recent months we maintain our positive stance on the share and our target price at EUR 83. At this target Bekaert would be traded at a P/E11 multiple of 12.1x, which is not excessive given the positive momentum of key geographical markets where Bekaert operates like Asia and Latin America (which accounted for ca. 75% of 1H10 Rebit before overheads).

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**Bekaert: Summary tables**

<b>PROFIT &amp; LOSS (EURm)</b>	<b>12/2007</b>	<b>12/2008</b>	<b>12/2009</b>	<b>12/2010e</b>	<b>12/2011e</b>	<b>12/2012e</b>
<b>Sales</b>	<b>2,174</b>	<b>2,662</b>	<b>2,437</b>	<b>3,193</b>	<b>3,449</b>	<b>3,671</b>
Cost of Sales & Operating Costs	-1,830	-2,250	-2,050	-2,533	-2,739	-2,921
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>344</b>	<b>412</b>	<b>387</b>	<b>660</b>	<b>710</b>	<b>750</b>
<b>EBITDA (adj.)*</b>	<b>344</b>	<b>412</b>	<b>387</b>	<b>660</b>	<b>710</b>	<b>750</b>
Depreciation	-169	-202	-155	-160	-162	-160
<b>EBITA</b>	<b>175</b>	<b>210</b>	<b>232</b>	<b>500</b>	<b>548</b>	<b>590</b>
<b>EBITA (adj)*</b>	<b>175</b>	<b>210</b>	<b>232</b>	<b>500</b>	<b>548</b>	<b>590</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>175</b>	<b>210</b>	<b>232</b>	<b>500</b>	<b>548</b>	<b>590</b>
<b>EBIT (adj.)*</b>	<b>175</b>	<b>210</b>	<b>232</b>	<b>500</b>	<b>548</b>	<b>590</b>
Net Financial Interest	-32.5	-41.4	-56.7	-40.8	-32.9	-16.4
Other Financials	-8.5	-7.8	-8.9	-10.0	-10.0	-10.0
Associates	47.1	56.1	37.8	41.2	44.5	47.9
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>181</b>	<b>217</b>	<b>204</b>	<b>490</b>	<b>549</b>	<b>611</b>
Tax	-19.1	-25.5	-33.9	-106	-136	-169
<i>Tax rate</i>	<i>10.6%</i>	<i>11.7%</i>	<i>16.6%</i>	<i>21.6%</i>	<i>24.8%</i>	<i>27.7%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-8.7	-17.7	-18.6	-26.0	-28.0	-29.9
<b>Net Profit (reported)</b>	<b>153</b>	<b>174</b>	<b>152</b>	<b>358</b>	<b>385</b>	<b>412</b>
<b>Net Profit (adj.)</b>	<b>161</b>	<b>237</b>	<b>170</b>	<b>377</b>	<b>404</b>	<b>431</b>
<b>CASH FLOW (EURm)</b>	<b>12/2007</b>	<b>12/2008</b>	<b>12/2009</b>	<b>12/2010e</b>	<b>12/2011e</b>	<b>12/2012e</b>
Cash Flow from Operations before change in NWC	338	384	283	536	566	593
Change in Net Working Capital	-41.9	-162	196	-249	-82.9	-43.8
<b>Cash Flow from Operations</b>	<b>297</b>	<b>221</b>	<b>478</b>	<b>287</b>	<b>483</b>	<b>549</b>
Capex	-200	-244	-164	-271	-221	-233
Net Financial Investments	3.7	20.0	0.0	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>100</b>	<b>-2.3</b>	<b>314</b>	<b>16.1</b>	<b>262</b>	<b>316</b>
Dividends	-57.2	-59.3	-60.5	-63.7	-106	-111
Other (incl. Capital Increase & share buy backs)	-132	-118	0.4	0.0	0.0	0.0
<b>Change in Net Debt</b>	<b>-89</b>	<b>-179</b>	<b>254</b>	<b>-48</b>	<b>157</b>	<b>205</b>
NOPLAT	122	147	163	350	384	413
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2007</b>	<b>12/2008</b>	<b>12/2009</b>	<b>12/2010e</b>	<b>12/2011e</b>	<b>12/2012e</b>
Net Tangible Assets	918	1,071	1,121	1,232	1,291	1,364
Net Intangible Assets (incl. Goodwill)	122	111	111	111	111	111
Net Financial Assets & Other	290	218	259	259	259	259
<b>Total Fixed Assets</b>	<b>1,330</b>	<b>1,400</b>	<b>1,492</b>	<b>1,603</b>	<b>1,662</b>	<b>1,735</b>
Net Working Capital	618	819	636	885	968	1,011
<b>Net Capital Invested</b>	<b>1,948</b>	<b>2,219</b>	<b>2,128</b>	<b>2,488</b>	<b>2,629</b>	<b>2,746</b>
<b>Group Shareholders Equity</b>	<b>1,147</b>	<b>1,172</b>	<b>1,374</b>	<b>1,686</b>	<b>1,984</b>	<b>2,305</b>
<i>o/w own Shareholders Equity</i>	<i>1,098</i>	<i>1,131</i>	<i>1,285</i>	<i>1,576</i>	<i>1,856</i>	<i>2,156</i>
<b>Net Debt</b>	<b>504</b>	<b>684</b>	<b>429</b>	<b>477</b>	<b>321</b>	<b>116</b>
Provisions	297	363	325	325	325	325
Other Net Liabilities or Assets	0	0	0	0	0	0
<b>Net Capital Employed</b>	<b>1,948</b>	<b>2,219</b>	<b>2,128</b>	<b>2,488</b>	<b>2,629</b>	<b>2,746</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2007</b>	<b>12/2008</b>	<b>12/2009</b>	<b>12/2010e</b>	<b>12/2011e</b>	<b>12/2012e</b>
<i>Sales growth</i>	<i>8.5%</i>	<i>22.5%</i>	<i>-8.5%</i>	<i>31.0%</i>	<i>8.0%</i>	<i>6.4%</i>
<b>EBITDA (adj.)* growth</b>	<b>31.2%</b>	<b>19.9%</b>	<b>-6.2%</b>	<b>70.4%</b>	<b>7.6%</b>	<b>5.6%</b>
<i>EBITA (adj.)* growth</i>	<i>19.6%</i>	<i>20.5%</i>	<i>10.3%</i>	<i>115.1%</i>	<i>9.7%</i>	<i>7.6%</i>
<i>EBIT (adj)*growth</i>	<i>19.6%</i>	<i>20.5%</i>	<i>10.3%</i>	<i>115.1%</i>	<i>9.7%</i>	<i>7.6%</i>
<i>Net Profit growth</i>	<i>1.4%</i>	<i>46.8%</i>	<i>-28.1%</i>	<i>121.3%</i>	<i>7.2%</i>	<i>6.7%</i>
<b>EPS adj. growth</b>	<b>8.0%</b>	<b>46.0%</b>	<b>-28.3%</b>	<b>123.8%</b>	<b>7.2%</b>	<b>6.7%</b>
<i>DPS adj. growth</i>	<i>10.4%</i>	<i>1.4%</i>	<i>5.0%</i>	<i>68.0%</i>	<i>5.3%</i>	<i>5.8%</i>
<b>EBITDA margin</b>	<b>15.8%</b>	<b>15.5%</b>	<b>15.9%</b>	<b>20.7%</b>	<b>20.6%</b>	<b>20.4%</b>
<i>EBITDA (adj)* margin</i>	<i>15.8%</i>	<i>15.5%</i>	<i>15.9%</i>	<i>20.7%</i>	<i>20.6%</i>	<i>20.4%</i>
<i>EBITA margin</i>	<i>8.0%</i>	<i>7.9%</i>	<i>9.5%</i>	<i>15.6%</i>	<i>15.9%</i>	<i>16.1%</i>
<i>EBITA (adj)* margin</i>	<i>8.0%</i>	<i>7.9%</i>	<i>9.5%</i>	<i>15.6%</i>	<i>15.9%</i>	<i>16.1%</i>
<i>EBIT margin</i>	<i>8.0%</i>	<i>7.9%</i>	<i>9.5%</i>	<i>15.6%</i>	<i>15.9%</i>	<i>16.1%</i>
<i>EBIT (adj)* margin</i>	<i>8.0%</i>	<i>7.9%</i>	<i>9.5%</i>	<i>15.6%</i>	<i>15.9%</i>	<i>16.1%</i>

## Bekaert: Summary tables

RATIOS	12/2007	12/2008	12/2009	12/2010e	12/2011e	12/2012e
Net Debt/Equity	0.4	0.6	0.3	0.3	0.2	0.1
Net Debt/EBITDA	1.5	1.7	1.1	0.7	0.5	0.2
Interest cover (EBITDA/Fin.interest)	10.6	10.0	6.8	16.2	21.6	45.8
Capex/D&A	118.1%	120.7%	106.1%	169.4%	136.3%	145.5%
Capex/Sales	9.2%	9.1%	6.7%	8.5%	6.4%	6.3%
NWC/Sales	28.4%	30.8%	26.1%	27.7%	28.1%	27.6%
ROE (average)	14.9%	21.3%	14.1%	26.3%	23.5%	21.5%
ROCE (adj.)	7.4%	7.4%	8.7%	15.7%	16.2%	16.6%
WACC	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%
ROCE (adj.)/WACC	0.8	0.8	1.0	1.8	1.9	1.9
PER SHARE DATA (EUR)***	12/2007	12/2008	12/2009	12/2010e	12/2011e	12/2012e
Average diluted number of shares	59.0	59.4	59.5	58.8	58.8	58.8
EPS (reported)	2.59	2.93	2.55	6.08	6.54	7.01
EPS (adj.)	2.73	3.99	2.86	6.40	6.86	7.32
BVPS	18.61	19.05	21.59	26.79	31.54	36.65
DPS	0.92	0.93	0.98	1.65	1.73	1.83
VALUATION	12/2007	12/2008	12/2009	12/2010e	12/2011e	12/2012e
EV/Sales	0.9	0.5	1.0	1.7	1.4	1.3
EV/EBITDA	5.8	3.4	6.1	8.4	6.8	6.1
<b>EV/EBITDA (adj.)*</b>	<b>5.8</b>	<b>3.4</b>	<b>6.1</b>	<b>8.4</b>	<b>6.8</b>	<b>6.1</b>
EV/EBITA	11.4	6.7	10.1	11.1	8.8	7.8
<b>EV/EBITA (adj.)*</b>	<b>11.4</b>	<b>6.7</b>	<b>10.1</b>	<b>11.1</b>	<b>8.8</b>	<b>7.8</b>
EV/EBIT	11.4	6.7	10.1	11.1	8.8	7.8
<b>EV/EBIT (adj.)*</b>	<b>11.4</b>	<b>6.7</b>	<b>10.1</b>	<b>11.1</b>	<b>8.8</b>	<b>7.8</b>
<b>P/E (adj.)</b>	<b>11.2</b>	<b>4.0</b>	<b>12.6</b>	<b>13.4</b>	<b>11.1</b>	<b>10.4</b>
P/BV	1.6	0.8	1.7	3.2	2.4	2.1
Total Yield Ratio	9.4%	8.4%	1.4%	2.4%	2.5%	2.6%
EV/CE	1.2	0.7	1.3	2.5	2.0	1.9
OpFCF yield	11.7%	13.7%	18.0%	3.9%	8.7%	10.2%
OpFCF/EV	10.6%	9.3%	16.6%	3.6%	8.2%	10.0%
Payout ratio	35.5%	31.8%	38.4%	27.1%	26.5%	26.2%
Dividend yield (gross)	3.0%	5.8%	1.3%	2.2%	2.3%	2.4%
EV AND MKT CAP (EURm)	12/2007	12/2008	12/2009	12/2010e	12/2011e	12/2012e
Price** (EUR)	30.7	16.1	36.2	85.9	76.4	76.4
Outstanding number of shares for main stock	59.0	59.4	59.5	58.8	58.8	58.8
<b>Total Market Cap</b>	<b>1,810</b>	<b>956</b>	<b>2,152</b>	<b>5,054</b>	<b>4,495</b>	<b>4,495</b>
<b>Net Debt</b>	<b>504</b>	<b>684</b>	<b>429</b>	<b>477</b>	<b>321</b>	<b>116</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>-73.2</i>	<i>-118</i>	<i>-325</i>	<i>-311</i>	<i>-355</i>	<i>-426</i>
<i>o/w Gross Debt (+)</i>	<i>578</i>	<i>802</i>	<i>755</i>	<i>788</i>	<i>676</i>	<i>541</i>
<b>Other EV components</b>	<b>-319</b>	<b>-226</b>	<b>-237</b>	<b>-3</b>	<b>-6</b>	<b>-7</b>
Enterprise Value (EV adj.)	<b>1,995</b>	<b>1,413</b>	<b>2,344</b>	<b>5,528</b>	<b>4,810</b>	<b>4,604</b>

Source: Company, Bank Degroof estimates.

### Notes

\* Where EBITDA (adj.) or EBITA (adj.) or EBIT (adj.) = EBITDA (or EBITA or EBIT) +/- Non Recurrent Expenses/Income

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

\*\*\*EPS (adj.) diluted = Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: General Industrials/Diversified Industrials

Company Description: Bekaert is a company built on two core competences: "advanced metal transformation" and "advanced materials & coatings". Bekaert strives to be a market and technological leader in its niches markets in which it is seeking substantial profitable growth. Bekaert is strongly exposed to BRIC countries and other growing markets, which together represent 70% of the sales.

## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

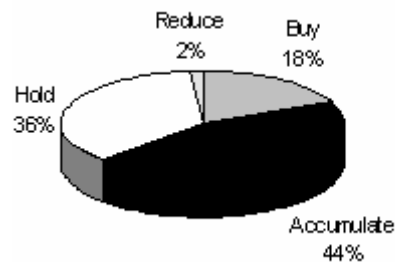
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved or to a change of analyst covering the stock
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

### Bank Degroof Ratings Breakdown

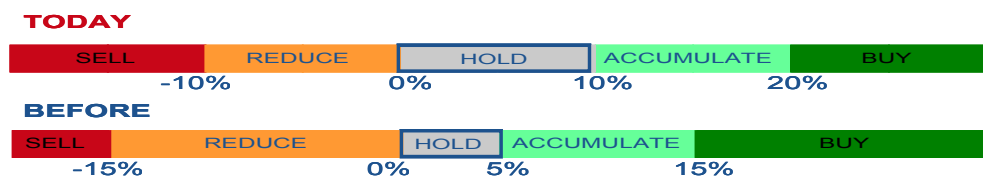


### History of ESN Recommendation System

Since **18 October 2004**, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.

Since **4 August 2008**, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:



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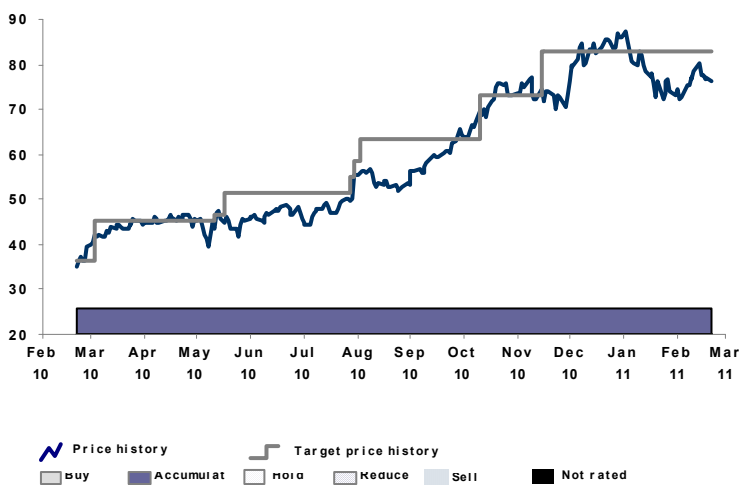
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## Recommendation history for BEKAERT

Date	Recommendation	Target price	Price at change date
15-Nov-10	Accumulate	83.00	74.38
11-Oct-10	Accumulate	73.33	69.45
03-Aug-10	Accumulate	63.33	55.93
30-Jul-10	Accumulate	58.33	55.63
28-Jul-10	Accumulate	55.00	49.85
17-May-10	Accumulate	51.67	44.87
11-May-10	Accumulate	46.67	43.53
28-Apr-10	Accumulate	45.33	44.12
23-Feb-10	Accumulate	36.33	37.43
13-Nov-09	Accumulate	34.00	31.68

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Bank Degroof continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Bernard Hanssens (since 05/02/1997)



### Bank Degroof acts as liquidity provider for:

Aedifica, Atenor, Banimmo, Bois Sauvage, BSB International, D'leteren, Duvel, Elia, Floridienne, GIMV, IBt, Interinvest Retail, IPTE, I.R.I.S., Kinopolis, Leasinvest, Luxempart, Montea, PinguinLutosa, Realco, Resilux, Roularta, Sapec, Ter Beke and Van de Velde.

### Bank Degroof holds a significant stake in:

Aedifica, Fountain and Proximedia.

### Bank Degroof board members and employees hold mandates in the following listed companies:

Aedifica, Atenor, Barco, Bois Sauvage, Brederode, Cofinimmo, Deceuninck, D'leteren, Elia, Emakina, Floridienne, FuturaGene, Lotus Bakeries, PinguinLutosa, Proximedia, Recticel, Sapec, Sipef, Ter Beke, Tessenderlo, UCB and Zetes

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