

Investment Research

Accumulate

Recommendation unchanged

Share price: EUR 79.38

closing price as of 01/03/2011

Target price: EUR 90.00

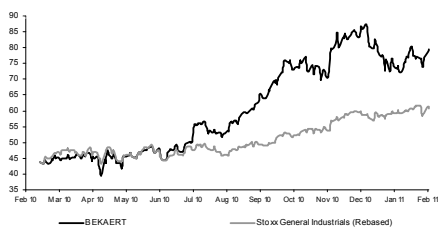
vs Target Price: EUR **83.00**

Reuters/Bloomberg BEKB.BR/BEKB BB

Daily avg. no. trad. sh. 12 mth	203,150
Daily avg. trad. vol. 12 mth (m)	12.25
Price high 12 mth (EUR)	87.43
Price low 12 mth (EUR)	39.43
Abs. perf. 1 mth	6.9%
Abs. perf. 3 mth	3.8%
Abs. perf. 12 mth	98.5%

Market capitalisation (EURm)	4,754
Current N° of shares (m)	60
Free float	61%

Key financials (EUR)	12/10	12/11e	12/12e
Sales (m)	3,263	3,643	3,929
EBITDA (m)	725	766	798
EBITDA margin	22.2%	21.0%	20.3%
EBIT (m)	534	603	638
EBIT margin	16.4%	16.6%	16.2%
Net Profit (adj.)(m)	389	421	447
ROCE	16.2%	16.5%	16.4%
Net debt/(cash) (m)	523	440	267
Net Debt Equity	0.3	0.2	0.1
Net Debt/EBITDA	0.7	0.6	0.3
Int. cover(EBITDA/Fin.int)	14.5	19.3	30.1
EV/Sales	1.7	1.4	1.2
EV/EBITDA	7.6	6.6	6.2
EV/EBITDA (adj.)	7.6	6.6	6.2
EV/EBIT	10.3	8.4	7.7
P/E (adj.)	13.2	11.3	10.6
P/BV	3.2	2.5	2.1
OpFCF yield	4.4%	7.4%	9.4%
Dividend yield	2.1%	2.2%	2.3%
EPS (adj.)	6.49	7.03	7.46
BVPS	26.90	31.88	37.22
DPS	1.66	1.73	1.83



Source: Factset

Shareholders: Bekaert Fam. & Rel. 39%;

For company description please see summary table footnote

Earnings & TP revisions post strong FY10 results

The facts: Earnings and TP revisions post strong FY10 results and positive guidance.

Our analysis: We have reviewed upwards our scenario (see details in the table below), following the stronger than expected FY10 results, the good start in 2011 and the confident outlook provided by Bekaert. Management anticipates “a sustained strong performance in 1H11” but admits a limited visibility beyond. This is the most bullish guidance of the last 10 years.

Capex will remain at a high level in the coming years. We bank on EUR 250m in FY11-13, with still the main part to be invested in emerging markets but with an increasing proportion in markets like Indonesia, India and Russia. Already last year the group has increased its tire cord capacity in India (+75%) and has acquired land to build a new steel cord production plant. In Russia development should be accelerated in the coming years. An agreement with a local steel producer will soon (we understand from 4Q11 on) allows Bekaert to obtain good quality wire rod locally. This will allow Bekaert to accelerate its development on this key market. Meanwhile, the Chinese market will remain the key driver for steel cord (mainly for trucks) and sawing wire (solar cells). Management blamed increasing competitions particularly in Asia. Hence we still bank on decreasing Rebit margins in the coming years, although margins in Asia Pacific are still on an upper trend, so far.

Bekaert: estimates review (in EUR m)	2010		2011		2012		2013	
	estimates	Actual	old	new	old	new	old	new
Sales	3,193	3,263	3,449	3,643	3,671	3,929	3,899	4,197
% change		2.2%		5.6%		7.0%		7.7%
Rebit	524.5	562.5	572.9	623.2	614.7	658.1	653.3	706.6
margin (%)	16.4%	17.2%	16.6%	17.1%	16.7%	16.7%	16.8%	16.8%
% change		7.2%		8.8%		7.1%		8.2%
-EMEA ¹	94.5	95.0	94.7	98.8	99.1	103.0	99.6	103.3
% change		0.5%		4.4%		3.9%		3.7%
-North America	40.2	34.0	41.4	37.5	41.4	40.5	43.7	42.0
% change		-15.5%		-9.4%		-2.2%		-4.0%
-Latin America	30.5	26.0	31.4	28.3	29.5	29.4	30.3	31.5
% change		-14.7%		-9.9%		-0.3%		4.0%
-Asia Pacific	421.3	471.0	468.6	523.3	509.2	551.3	545.5	597.3
% change		11.8%		11.7%		8.3%		9.5%
- Corporate	-62.0	-63.5	-63.2	-64.8	-64.5	-66.1	-65.8	-67.4
% change		2.4%		2.4%		2.4%		2.4%
EBIT	500	534	548	603	590	638	628	687
margin (%)	15.6%	16.4%	15.9%	16.6%	16.1%	16.2%	16.1%	16.4%
Financial results	-51	-32	-43	-46	-26	-31	-7	-15
Associates	41	36	44	38	48	43	52	47
Net result (group)	358	368	385	406	412	432	454	477
% change		2.7%		5.4%		4.7%		5.1%
Net current result (group)	377	389	404	421	431	447	473	492
% change		3.2%		4.2%		3.6%		4.1%
Adj. EPS (in EUR)	6.40	6.49	6.86	7.03	7.32	7.46	8.04	8.22
% change		1.4%		2.4%		1.8%		2.3%

Sources : Bekaert / Bank Degroof estimates

¹ EMEA= Europe, the Middle East and Africa

Conclusion & Action: Based on our revised scenario, we lift our target price to EUR 90 from EUR 83 and maintain our rating at Accumulate. At this target Bekaert would be traded at a P/E11 multiple of below 13x, which is not excessive given the positive momentum of key geographical markets where Bekaert operates.

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Bekaert: Summary tables

PROFIT & LOSS (EURm)	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Sales	2,662	2,437	3,263	3,643	3,929	4,197
Cost of Sales & Operating Costs	-2,250	-2,050	-2,538	-2,877	-3,131	-3,353
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	412	387	725	766	798	845
EBITDA (adj.)*	412	387	725	766	798	845
Depreciation	-202	-155	-190	-163	-160	-158
EBITA	210	232	534	603	638	687
EBITA (adj)*	210	232	534	603	638	687
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	210	232	534	603	638	687
EBIT (adj.)*	210	232	534	603	638	687
Net Financial Interest	-41.4	-56.7	-50.1	-39.8	-26.5	-10.9
Other Financials	-7.8	-8.9	17.7	-6.0	-4.0	-4.0
Associates	56.1	37.8	36.1	38.5	42.7	47.2
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	217	204	538	596	650	719
Tax	-25.5	-33.9	-139	-156	-182	-202
<i>Tax rate</i>	<i>11.7%</i>	<i>16.6%</i>	<i>25.9%</i>	<i>26.2%</i>	<i>28.0%</i>	<i>28.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-17.7	-18.6	-30.9	-34.1	-36.2	-40.1
Net Profit (reported)	174	152	368	406	432	477
Net Profit (adj.)	237	170	389	421	447	492
CASH FLOW (EURm)	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Cash Flow from Operations before change in NWC	384	283	593	595	619	666
Change in Net Working Capital	-162	196	-277	-153	-81.7	-97.6
Cash Flow from Operations	221	478	316	442	538	568
Capex	-244	-164	-320	-250	-250	-250
Net Financial Investments	20.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	-2.3	314	-3.7	192	287	318
Dividends	-59.3	-60.5	-63.7	-109	-113	-120
Other (incl. Capital Increase & share buy backs)	-118	0.4	-26.4	0.0	0.0	0.0
Change in Net Debt	-179	254	-94	83	174	198
NOPLAT	147	163	374	422	447	481
BALANCE SHEET & OTHER ITEMS (EURm)	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Net Tangible Assets	1,071	1,121	1,315	1,402	1,493	1,585
Net Intangible Assets (incl. Goodwill)	111	111	111	111	111	111
Net Financial Assets & Other	218	259	276	276	276	276
Total Fixed Assets	1,400	1,492	1,702	1,790	1,880	1,972
Net Working Capital	819	636	888	1,041	1,123	1,221
Net Capital Invested	2,219	2,128	2,590	2,831	3,003	3,193
Group Shareholders Equity	1,172	1,374	1,697	2,020	2,366	2,754
<i>o/w own Shareholders Equity</i>	<i>1,131</i>	<i>1,285</i>	<i>1,611</i>	<i>1,909</i>	<i>2,229</i>	<i>2,587</i>
Net Debt	684	429	523	440	267	68.2
Provisions	363	325	370	370	370	370
Other Net Liabilities or Assets	0	0	0	0	0	0
Net Capital Employed	2,219	2,128	2,590	2,831	3,003	3,193
GROWTH & MARGINS	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
<i>Sales growth</i>	<i>22.5%</i>	<i>-8.5%</i>	<i>33.9%</i>	<i>11.7%</i>	<i>7.8%</i>	<i>6.8%</i>
EBITDA (adj.)* growth	19.9%	-6.2%	87.3%	5.7%	4.2%	5.8%
<i>EBITA (adj.)* growth</i>	<i>20.5%</i>	<i>10.3%</i>	<i>130.1%</i>	<i>12.9%</i>	<i>5.8%</i>	<i>7.6%</i>
<i>EBIT (adj)*growth</i>	<i>20.5%</i>	<i>10.3%</i>	<i>130.1%</i>	<i>12.9%</i>	<i>5.8%</i>	<i>7.6%</i>
<i>Net Profit growth</i>	<i>46.8%</i>	<i>-28.1%</i>	<i>128.4%</i>	<i>8.2%</i>	<i>6.2%</i>	<i>10.2%</i>
EPS adj. growth	46.0%	-28.3%	127.0%	8.2%	6.2%	10.2%
<i>DPS adj. growth</i>	<i>1.4%</i>	<i>5.0%</i>	<i>69.5%</i>	<i>4.4%</i>	<i>5.8%</i>	<i>4.5%</i>
EBITDA margin	15.5%	15.9%	22.2%	21.0%	20.3%	20.1%
<i>EBITDA (adj)* margin</i>	<i>15.5%</i>	<i>15.9%</i>	<i>22.2%</i>	<i>21.0%</i>	<i>20.3%</i>	<i>20.1%</i>
<i>EBITA margin</i>	<i>7.9%</i>	<i>9.5%</i>	<i>16.4%</i>	<i>16.6%</i>	<i>16.2%</i>	<i>16.4%</i>
<i>EBITA (adj)* margin</i>	<i>7.9%</i>	<i>9.5%</i>	<i>16.4%</i>	<i>16.6%</i>	<i>16.2%</i>	<i>16.4%</i>
<i>EBIT margin</i>	<i>7.9%</i>	<i>9.5%</i>	<i>16.4%</i>	<i>16.6%</i>	<i>16.2%</i>	<i>16.4%</i>
<i>EBIT (adj)* margin</i>	<i>7.9%</i>	<i>9.5%</i>	<i>16.4%</i>	<i>16.6%</i>	<i>16.2%</i>	<i>16.4%</i>

Bekaert: Summary tables

RATIOS	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Net Debt/Equity	0.6	0.3	0.3	0.2	0.1	0.0
Net Debt/EBITDA	1.7	1.1	0.7	0.6	0.3	0.1
Interest cover (EBITDA/Fin.interest)	10.0	6.8	14.5	19.3	30.1	77.6
Capex/D&A	120.7%	106.1%	167.9%	153.6%	156.5%	158.2%
Capex/Sales	9.1%	6.7%	9.8%	6.9%	6.4%	6.0%
NWC/Sales	30.8%	26.1%	27.2%	28.6%	28.6%	29.1%
ROE (average)	21.3%	14.1%	26.9%	23.9%	21.6%	20.4%
ROCE (adj.)	7.4%	8.7%	16.2%	16.5%	16.4%	16.5%
WACC	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%
ROCE (adj.)/WACC	0.8	1.0	1.8	1.9	1.9	1.9
PER SHARE DATA (EUR)***	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Average diluted number of shares	59.4	59.5	59.9	59.9	59.9	59.9
EPS (reported)	2.93	2.55	6.14	6.78	7.21	7.97
EPS (adj.)	3.99	2.86	6.49	7.03	7.46	8.22
BVPS	19.05	21.59	26.90	31.88	37.22	43.19
DPS	0.93	0.98	1.66	1.73	1.83	1.92
VALUATION	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
EV/Sales	0.5	1.0	1.7	1.4	1.2	1.1
EV/EBITDA	3.4	6.1	7.6	6.6	6.2	5.6
EV/EBITDA (adj.)*	3.4	6.1	7.6	6.6	6.2	5.6
EV/EBITA	6.7	10.1	10.3	8.4	7.7	6.9
EV/EBITA (adj.)*	6.7	10.1	10.3	8.4	7.7	6.9
EV/EBIT	6.7	10.1	10.3	8.4	7.7	6.9
EV/EBIT (adj.)*	6.7	10.1	10.3	8.4	7.7	6.9
P/E (adj.)	4.0	12.6	13.2	11.3	10.6	9.7
P/BV	0.8	1.7	3.2	2.5	2.1	1.8
Total Yield Ratio	8.4%	3.0%	2.3%	2.4%	2.5%	2.6%
EV/CE	0.7	1.3	2.4	2.0	1.8	1.6
OpFCF yield	13.7%	18.0%	4.4%	7.4%	9.4%	10.1%
OpFCF/EV	9.3%	16.6%	4.1%	6.9%	9.1%	10.1%
Payout ratio	31.8%	38.4%	27.1%	25.6%	25.4%	24.0%
Dividend yield (gross)	5.8%	2.7%	2.1%	2.2%	2.3%	2.4%
EV AND MKT CAP (EURm)	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Price** (EUR)	16.1	36.2	85.9	79.4	79.4	79.4
Outstanding number of shares for main stock	59.4	59.5	59.9	59.9	59.9	59.9
Total Market Cap	956	2,152	5,144	4,754	4,754	4,754
Net Debt	684	429	523	440	267	68.2
<i>o/w Cash & Marketable Securities (-)</i>	<i>-118</i>	<i>-325</i>	<i>-507</i>	<i>-534</i>	<i>-596</i>	<i>-677</i>
<i>o/w Gross Debt (+)</i>	<i>802</i>	<i>755</i>	<i>1,030</i>	<i>975</i>	<i>862</i>	<i>745</i>
Other EV components	-225	-236	-151	-127	-109	-93
Enterprise Value (EV adj.)	1,415	2,346	5,517	5,067	4,912	4,729

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 74% of the "combined" 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**.

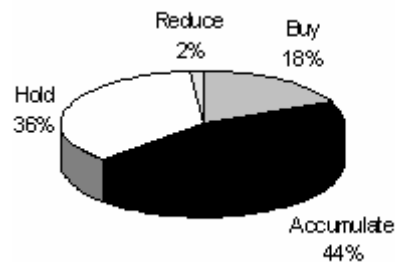
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

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

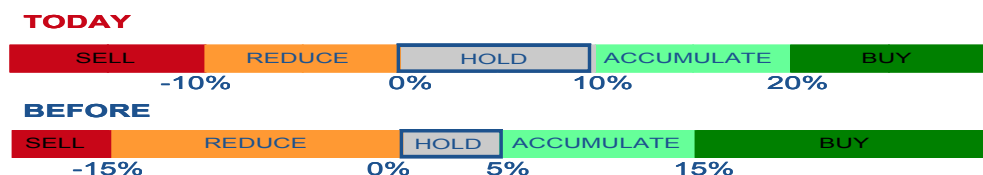


History of ESN Recommendation System

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:



Institutional & corporate equity desk

Damien Crispiels	+32 2 287 96 97
Bart Beullens	+32 2 287 91 80
Laurent Goethals	+32 2 287 91 85
Pascal Magis	+32 2 287 97 81
Peter Rysselaere	+32 2 287 97 46

Institutional & corporate bond desk

Peter Deknopper	+32 2 287 91 22
Gauthier de Ghellinck	+32 2 287 68 74
Fabrice Faccenda	+32 2 287 91 81
Charles Feiner*	+32 2 287 91 83

Institutional & Structured products

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Sebastian Fraboni	+32 2 287 92 56
Mathieu Neirinck	+32 2 287 92 87

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Equity research

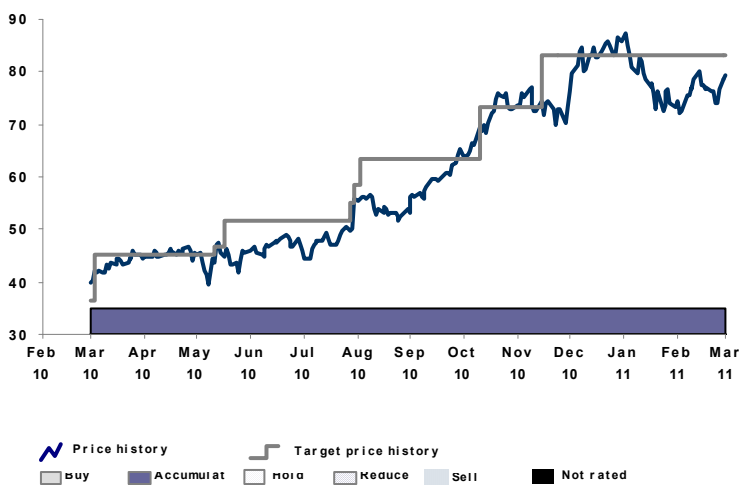
Jean-Marie Caucheteux	+32 2 287 99 20
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Recommendation history for BEKAERT

Date	Recommendation	Target price	Price at change date
02-Mar-11	Accumulate	90.00	79.38
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

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, Banimm, Bois Sauvage, BSB International, D'leteren, Duvel, Elia, Floridienne, GIMV, IBt, Intervest 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:

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