



Accumulate

Recommendation unchanged

Share price: EUR 60.13

closing price as of 17/06/2011

Target price: EUR 80.00

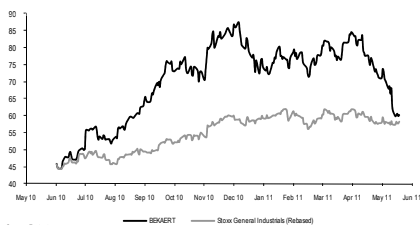
vs Target Price: EUR **90.00**

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	3,601
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	213,603
Daily avg. trad. vol. 12 mth (m)	15
Price high 12 mth (EUR)	87.43
Price low 12 mth (EUR)	44.42
Abs. perf. 1 mth	-20.86%
Abs. perf. 3 mth	-16.44%
Abs. perf. 12 mth	26.15%

Key financials (EUR)	12/10	12/11e	12/12e
Sales (m)	3,263	3,673	3,958
EBITDA (m)	725	699	724
EBITDA margin	22.2%	19.0%	18.3%
EBIT (m)	534	536	564
EBIT margin	16.4%	14.6%	14.2%
Net Profit (adj.)(m)	389	369	391
ROCE	16.2%	14.6%	14.4%
Net debt/(cash) (m)	523	505	391
Net Debt/Equity	0.3	0.3	0.2
Debt/EBITDA	0.7	0.7	0.5
Int. cover(EBITDA/Fin. int)	14.5	13.9	14.8
EV/Sales	1.7	1.1	1.0
EV/EBITDA	7.5	5.6	5.2
EV/EBITDA (adj.)	7.5	5.6	5.2
EV/EBIT	10.2	7.3	6.7
P/E (adj.)	13.2	9.7	9.2
P/BV	3.2	1.9	1.7
OpFCF yield	4.4%	8.0%	10.8%
Dividend yield	2.8%	2.9%	3.0%
EPS (adj.)	6.49	6.17	6.53
BVPS	26.90	31.02	35.43
DPS	1.66	1.73	1.83



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Estimates cuts driven by uncertainty on sawing wire

The facts: We decided to review our estimates on Bekaert due to the uncertainties surrounding the pricing for sawing wire in China since this market experiences increasing competition from new entrants (Xingda, Henan Hengxing,...). Based on these changes our DCF model indicated a New TP at 80 from EUR 90.

Our analysis: Although the decline of margins in sawing wire was anticipated (so far we assumed Bekaert's Rebit in Asia to decline by 5% in FY11), the recent news flow regarding the price trend led us to be more cautious in our estimates. Hence we decided to accelerate in our model the decline in sales and margins in sawing wire in Asia. Sawing wire sales were cut by 12% on average and recurring EBIT (Rebit) by 23% for the period 2011-2014. Hence, on average, the margin in sawing wire in Asia were cut by 13% from 65%(e) in FY10 to 33% in FY14 (was 38% in our previous scenario).

Bekaert: estimates review (in EUR m)	2011		2012		2013		2014	
	old	new	old	new	old	new	old	new
Sales	3,695	3,673	3,986	3,958	4,269	4,217	4,567	4,492
% change		-0.6%		-0.7%		-1.2%		-1.7%
Rebit	628.1	556.4	663.6	583.7	712.2	619.5	768.2	650.9
margin (%)	17.0%	15.1%	16.6%	14.7%	16.7%	14.7%	16.8%	14.5%
% change		-11.4%		-12.0%		-12.0%		-15.3%
-EMEA ¹	100.2	100.2	104.3	104.3	104.6	104.6	96.8	96.8
% change		0.0%		0.0%		0.0%		0.0%
-North America	39.4	39.4	42.9	42.9	44.5	44.5	43.9	43.9
% change		0.0%		0.0%		0.0%		0.0%
-Latin America	29.9	29.9	31.1	31.1	33.3	33.3	35.0	35.0
% change		0.0%		0.0%		0.0%		0.0%
-Asia Pacific	523.3	451.7	551.3	471.4	597.3	504.6	661.3	544.0
% change		-13.7%		-14.5%		-15.5%		-17.7%
-Corporate	-64.8	-64.8	-66.1	-66.1	-67.4	-67.4	-68.7	-68.7
% change		0.0%		0.0%		0.0%		0.0%
EBIT	603	536	638	564	687	600	743	631
margin (%)	16.3%	14.6%	16.0%	14.2%	16.1%	14.2%	16.3%	14.0%
Financial results	-46	-56	-31	-53	-15	-50	-3	-49
Associates	38	38	43	43	47	47	52	52
Net result (group)	406	354	432	376	477	403	526	424
% change		-12.7%		-12.8%		-15.5%		-19.4%
Net current result (group)	421	369	447	391	492	418	541	439
% change		-12.2%		-12.4%		-15.1%		-18.9%
Adj. EPS (in EUR)	7.03	6.17	7.46	6.53	8.22	6.98	9.03	7.32
% change		-12.2%		-12.4%		-15.1%		-18.9%

Sources : Bekaert / Bank Degroof estimates

¹ EMEA= Europe, the Middle East and Africa

The impact of these changes on the consolidated figures is shown in the table above. On Average adjusted EPS were revised down by about 15% for the 2011-2014.

Conclusion & Action: Following the price adjustment since early May we estimate that the share price already discounts a bearish scenario for Bekaert (we estimate that current share price implies a Rebit margin of 27% in 2012-2014 in Asia from 37.7% in FY10). Although we must admit that uncertainty is rather high and that we will have to wait until end July and the publication of the 1H11 results to get some clarifications. Meanwhile, we keep our positive stance on the share. The growth pattern of the BRIC countries will stay high in the foreseeable future. Therefore, we still estimate that Bekaert's strong exposure towards emerging markets (80% of 1H10 combined sales) remains favourable for future value creation.