



15 July 2011

Investment Research

Accumulate

Recommendation unchanged

Share price: EUR 51.11

closing price as of 14/07/2011

Target price: EUR 69.00

from Target Price: EUR 80.00

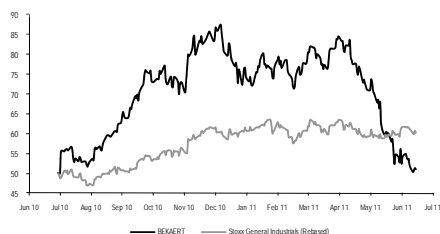
Reuters/Bloomberg

BEKB.BR/BEKB.BB

Daily avg. no. trad. sh. 12 mth	232,030
Daily avg. trad. vol. 12 mth (m)	16.25
Price high 12 mth (EUR)	87.43
Price low 12 mth (EUR)	47.00
Abs. perf. 1 mth	-14.9%
Abs. perf. 3 mth	-33.0%
Abs. perf. 12 mth	3.7%

Market capitalisation (EURm)	3,061
Current N° of shares (m)	60
Free float	61%

Key financials (EUR)	12/10	12/11e	12/12e
Sales (m)	3,263	3,520	3,665
EBITDA (m)	725	667	666
EBITDA margin	22.2%	18.9%	18.2%
EBIT (m)	534	504	506
EBIT margin	16.4%	14.3%	13.8%
Net Profit (adj.)(m)	389	348	353
ROCE	16.2%	14.0%	13.4%
Net debt/(cash) (m)	523	484	362
Net Debt Equity	0.3	0.2	0.2
Net Debt/EBITDA	0.7	0.7	0.5
Int. cover(EBITDA/Fin.int)	14.5	13.3	13.7
EV/Sales	1.7	1.0	0.9
EV/EBITDA	7.6	5.1	4.9
EV/EBITDA (adj.)	7.6	5.1	4.9
EV/EBIT	10.3	6.7	6.5
P/E (adj.)	13.2	8.8	8.7
P/BV	3.2	1.7	1.5
OpFCF yield	4.4%	10.1%	12.6%
Dividend yield	3.2%	3.4%	3.6%
EPS (adj.)	6.49	5.81	5.90
BVPS	26.90	30.67	34.44
DPS	1.66	1.73	1.83



Source: Factset
Shareholders: Bekaert Fam. & Rel. 39%;

For company description please see summary table footnote

1H11 earnings preview; scenario & TP updates

The facts: Bekaert will release its 1H11 earnings on July 29, before market. A conference call is scheduled the same day at 02:00 pm CET.

Our analysis: Mid-May Bekaert released a strong 1Q11 trading update with consolidated sales up 28% y-o-y. At that time management was rather confident on sustained strong performance in 1H11, but was more cautious for 2H11. Among other, Bekaert warned about increasing competitive capacities coming on stream in sawing wire. Meanwhile, the share price has dropped substantially due to negative news flow on the trend of the sawing wire price and on the deterioration of the photovoltaic market, which raised fear that the entire value chain will be hurt by the over capacity.

Management clearly indicated that Bekaert will try to defend its market share by reducing its prices, if necessary. The publication of the 1H11 will be the occasion for Bekaert to clarify its position and perhaps to provide some insight on the competitive landscape, the magnitude of the sales price drop and the short term margins trend to be expected.

Bekaert : key figures (EUR m)	1H10	2H10	2010	1H11e	% change
Consolidated sales	1,535.0	1,728.0	3,263.0	1,879.0	22.4%
-EMEA ¹	526.0	540.0	1,066.0	614.8	16.9%
-North America	313.0	325.0	638.0	360.2	15.1%
-Latin America	144.0	167.0	311.0	169.2	17.5%
-Asia Pacific	552.0	696.0	1,248.0	734.9	33.1%
Rebit Margin	262.0	300.5	562.5	292.2	11.5%
-EMEA ¹	54.0	41.0	95.0	55.1	2.0%
-North America	21.0	13.0	34.0	23.9	13.6%
-Latin America	14.0	12.0	26.0	15.0	7.0%
-Asia Pacific	206.0	265.0	471.0	231.2	12.3%
-Corporate	-33.0	-30.5	-63.5	-33.0	0.1%
Operating result Margin	243.5	290.8	534.3	282.2	15.9%
Financial result	-15.6	-16.8	-32.4	-28.0	
Current result before tax	227.9	274.0	501.9	254.2	11.5%
Income tax	-51.3	-88.1	-139.5	-71.2	
Tax rate	22.5%	32.2%	27.8%	28.0%	
Results of associates	18.8	17.3	36.1	20.0	6.5%
Discontinued operations	0.0	0.0	0.0	0.0	
Consolidated profit	195.3	203.2	398.5	203.0	3.9%
Minority interest	14.3	16.5	30.9	13.5	
Group's share in net result	181.0	186.6	367.7	189.5	4.7%
EPS (EUR)	3.02	3.12	6.14	3.16	

Sources : Bekaert / Bank Degroof estimates

¹ EMEA= Europe, the Middle East and Africa

For 1H11, we still anticipate a good performance, with substantial top line growth (+22%) but with already some margin pressures versus the previous half-year.

Rebit and EBIT margins are expected to be close to 15%, a level still largely above the mid-term (10%) and the long term (in the 7% to 9% range) guidance.

On June 20, we already cut our estimates in order to discount the uncertainty related to the photovoltaic activities. Meanwhile, Shougang Concord Century Holdings issued a profit warning on its 1H11 results. One of the reasons behind this profit warning was the pressure on the gross profit of its steel cord activity due to lower sales prices and increasing raw materials costs. Though, this element should be shaded because Shougang is mainly exposed to the more commoditised segment of the market while Bekaert operates in the high end of the value segment. As a result, the ability of Bekaert to pass on higher feedstuff cost is higher than for Shougang. However, the price pressures in the commoditised part of the business can be a sign of some emerging overcapacity on the Chinese steel cord market as well. Another reason for the poor performance of Shougang in 1H11 was the higher R&D costs related to the development of new products, of which sawing wire and high-end steel cords. This illustrates that the increasing competition does not only concern the sawing wire but also all the high-end segments of the wire activity.

Hence, as a precaution and ahead to the 1H11 earnings release, we decided to further adjust our estimates downwards by a further cut our scenario for the Asian-Pacific segment of Bekaert. This time, the adjustment affected mainly the forecasts related to the tyre cord segment.

Bekaert: estimates review (in EUR m)	2011		2012		2013		2014	
	old	new	old	new	old	new	old	new
Sales	3,673	3,520	3,958	3,665	4,217	3,852	4,492	4,053
% change		-4.2%		-7.4%		-8.7%		-9.8%
Rebit	556.4	524.0	583.7	525.5	619.5	549.0	650.9	565.4
margin (%)	15.1%	14.9%	14.7%	14.3%	14.7%	14.3%	14.5%	14.0%
% change		-5.8%		-10.0%		-11.4%		-13.1%
-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	451.7	419.2	471.4	413.2	504.6	434.1	544.0	458.5
% change		-7.2%		-12.4%		-14.0%		-15.7%
- 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	536	504	564	506	600	529	631	545
margin (%)	14.6%	14.3%	14.2%	13.8%	14.2%	13.7%	14.0%	13.5%
Financial results	-56	-56	-53	-52	-50	-50	-49	-49
Associates	38	38	43	43	47	47	52	52
Net result (group)	354	333	376	338	403	357	424	369
% change		-6.0%		-10.1%		-11.4%		-13.0%
Net current result (group)	369	348	391	353	418	372	439	384
% change		-5.8%		-9.7%		-11.0%		-12.6%
Adj. EPS (in EUR)	6.17	5.81	6.53	5.90	6.98	6.22	7.32	6.40
% change		-5.8%		-9.7%		-11.0%		-12.6%

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 10% for the years 2011-2014. As a result, our target price is also reviewed from EUR 80 to EUR 69.

Conclusion & Action: Based on our new scenario, Bekaert is currently trading at 5.1x and 4.9x the 2011-2012 EBITDA, which is rather low but given the high uncertainty we see no real upside potential before market gets some clarification from Bekaert. For the mid and long term we keep our positive stance on the share, given its strong exposure towards the emerging markets (almost 80% of FY10 combined sales).

At our new TP, Bekaert would be traded at 6.6x the 2011-2012 EBITDA, in line with the average multiple of the European industrial companies.

Bekaert: Summary tables

PROFIT & LOSS (EURm)	12/2007	12/2008	12/2009	12/2010	12/2011e	12/2012e
Sales	2,174	2,662	2,437	3,263	3,520	3,665
Cost of Sales & Operating Costs	-1,830	-2,250	-2,050	-2,538	-2,853	-3,000
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	344	412	387	725	667	666
EBITDA (adj.)*	344	412	387	725	667	666
Depreciation	-169	-202	-155	-190	-163	-160
EBITA	175	210	232	534	504	506
EBITA (adj)*	175	210	232	534	504	506
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	175	210	232	534	504	506
EBIT (adj.)*	175	210	232	534	504	506
Net Financial Interest	-32.5	-41.4	-56.7	-50.1	-50.2	-48.5
Other Financials	-8.5	-7.8	-8.9	17.7	-6.0	-4.0
Associates	47.1	56.1	37.8	36.1	38.5	42.7
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	181	217	204	538	486	496
Tax	-19.1	-25.5	-33.9	-139	-125	-129
<i>Tax rate</i>	<i>10.6%</i>	<i>11.7%</i>	<i>16.6%</i>	<i>25.9%</i>	<i>25.8%</i>	<i>26.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-8.7	-17.7	-18.6	-30.9	-28.0	-28.4
Net Profit (reported)	153	174	152	368	333	338
Net Profit (adj.)	161	237	170	389	348	353
CASH FLOW (EURm)	12/2007	12/2008	12/2009	12/2010	12/2011e	12/2012e
Cash Flow from Operations before change in NWC	338	384	283	593	516	518
Change in Net Working Capital	-41.9	-162	196	-277	-118	-41.6
Cash Flow from Operations	297	221	478	316	398	477
Capex	-200	-244	-164	-320	-250	-241
Net Financial Investments	3.7	20.0	0.0	0.0	0.0	0.0
Free Cash Flow	100	-2.3	314	-3.7	148	235
Dividends	-57.2	-59.3	-60.5	-63.7	-109	-113
Other (incl. Capital Increase & share buy backs)	-132	-118	0.5	-26.4	0.0	0.0
Change in Net Debt	-89	-179	254	-94	39	122
NOPLAT	122	147	163	374	353	354
BALANCE SHEET & OTHER ITEMS (EURm)	12/2007	12/2008	12/2009	12/2010	12/2011e	12/2012e
Net Tangible Assets	918	1,071	1,121	1,315	1,402	1,484
Net Intangible Assets (incl. Goodwill)	122	111	111	111	111	111
Net Financial Assets & Other	290	218	259	276	276	276
Total Fixed Assets	1,330	1,400	1,492	1,702	1,790	1,871
Net Working Capital	618	819	636	888	1,006	1,048
Net Capital Invested	1,948	2,219	2,128	2,590	2,796	2,919
Group Shareholders Equity	1,147	1,172	1,374	1,697	1,941	2,186
<i>o/w own Shareholders Equity</i>	<i>1,098</i>	<i>1,131</i>	<i>1,285</i>	<i>1,611</i>	<i>1,836</i>	<i>2,062</i>
Net Debt	504	684	429	523	484	362
Provisions	297	363	325	370	370	370
Other Net Liabilities or Assets	0	0	0	0	0	0
Net Capital Employed	1,948	2,219	2,128	2,590	2,796	2,919
GROWTH & MARGINS	12/2007	12/2008	12/2009	12/2010	12/2011e	12/2012e
<i>Sales growth</i>	<i>8.5%</i>	<i>22.5%</i>	<i>-8.5%</i>	<i>33.9%</i>	<i>7.9%</i>	<i>4.1%</i>
EBITDA (adj.)* growth	31.2%	19.9%	-6.2%	87.3%	-8.0%	-0.2%
<i>EBITA (adj.)* growth</i>	<i>19.6%</i>	<i>20.5%</i>	<i>10.3%</i>	<i>130.1%</i>	<i>-5.7%</i>	<i>0.3%</i>
<i>EBIT (adj)* growth</i>	<i>19.6%</i>	<i>20.5%</i>	<i>10.3%</i>	<i>130.1%</i>	<i>-5.7%</i>	<i>0.3%</i>
<i>Net Profit growth</i>	<i>1.4%</i>	<i>46.8%</i>	<i>-28.1%</i>	<i>128.4%</i>	<i>-10.5%</i>	<i>1.5%</i>
EPS adj. growth	8.0%	46.0%	-28.3%	127.0%	-10.5%	1.5%
<i>DPS adj. growth</i>	<i>10.4%</i>	<i>1.4%</i>	<i>5.0%</i>	<i>69.5%</i>	<i>4.4%</i>	<i>5.8%</i>
EBITDA margin	15.8%	15.5%	15.9%	22.2%	18.9%	18.2%
<i>EBITDA (adj)* margin</i>	<i>15.8%</i>	<i>15.5%</i>	<i>15.9%</i>	<i>22.2%</i>	<i>18.9%</i>	<i>18.2%</i>
<i>EBITA margin</i>	<i>8.0%</i>	<i>7.9%</i>	<i>9.5%</i>	<i>16.4%</i>	<i>14.3%</i>	<i>13.8%</i>
<i>EBITA (adj)* margin</i>	<i>8.0%</i>	<i>7.9%</i>	<i>9.5%</i>	<i>16.4%</i>	<i>14.3%</i>	<i>13.8%</i>
<i>EBIT margin</i>	<i>8.0%</i>	<i>7.9%</i>	<i>9.5%</i>	<i>16.4%</i>	<i>14.3%</i>	<i>13.8%</i>
<i>EBIT (adj)* margin</i>	<i>8.0%</i>	<i>7.9%</i>	<i>9.5%</i>	<i>16.4%</i>	<i>14.3%</i>	<i>13.8%</i>

Bekaert: Summary tables

RATIOS	12/2007	12/2008	12/2009	12/2010	12/2011e	12/2012e
Net Debt/Equity	0.4	0.6	0.3	0.3	0.2	0.2
Net Debt/EBITDA	1.5	1.7	1.1	0.7	0.7	0.5
Interest cover (EBITDA/Fin.interest)	10.6	10.0	6.8	14.5	13.3	13.7
Capex/D&A	118.1%	120.7%	106.1%	167.9%	153.6%	150.9%
Capex/Sales	9.2%	9.1%	6.7%	9.8%	7.1%	6.6%
NWC/Sales	28.4%	30.8%	26.1%	27.2%	28.6%	28.6%
ROE (average)	14.9%	21.3%	14.1%	26.9%	20.2%	18.1%
ROCE (adj.)	7.4%	7.4%	8.7%	16.2%	14.0%	13.4%
WACC	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%
ROCE (adj.)/WACC	0.8	0.8	1.0	1.8	1.6	1.5
PER SHARE DATA (EUR)***	12/2007	12/2008	12/2009	12/2010	12/2011e	12/2012e
Average diluted number of shares	59.0	59.4	59.5	59.9	59.9	59.9
EPS (reported)	2.59	2.93	2.55	6.14	5.56	5.65
EPS (adj.)	2.73	3.99	2.86	6.49	5.81	5.90
BVPS	18.61	19.05	21.59	26.90	30.67	34.44
DPS	0.92	0.93	0.98	1.66	1.73	1.83
VALUATION	12/2007	12/2008	12/2009	12/2010	12/2011e	12/2012e
EV/Sales	0.9	0.5	1.0	1.7	1.0	0.9
EV/EBITDA	5.9	3.5	6.2	7.6	5.1	4.9
EV/EBITDA (adj.)*	5.9	3.5	6.2	7.6	5.1	4.9
EV/EBITA	11.6	6.9	10.3	10.3	6.7	6.5
EV/EBITA (adj.)*	11.6	6.9	10.3	10.3	6.7	6.5
EV/EBIT	11.6	6.9	10.3	10.3	6.7	6.5
EV/EBIT (adj.)*	11.6	6.9	10.3	10.3	6.7	6.5
P/E (adj.)	11.2	4.0	12.6	13.2	8.8	8.7
P/BV	1.6	0.8	1.7	3.2	1.7	1.5
Total Yield Ratio	9.4%	8.4%	3.0%	3.6%	3.7%	3.9%
EV/CE	1.2	0.7	1.3	2.4	1.3	1.2
OpFCF yield	11.7%	13.7%	18.0%	4.4%	10.1%	12.6%
OpFCF/EV	10.4%	9.1%	16.3%	4.1%	9.1%	11.8%
Payout ratio	35.5%	31.8%	38.4%	27.1%	31.2%	32.5%
Dividend yield (gross)	3.0%	5.8%	2.7%	3.2%	3.4%	3.6%
EV AND MKT CAP (EURm)	12/2007	12/2008	12/2009	12/2010	12/2011e	12/2012e
Price** (EUR)	30.7	16.1	36.2	85.9	51.1	51.1
Outstanding number of shares for main stock	59.0	59.4	59.5	59.9	59.9	59.9
Total Market Cap	1,810	956	2,152	5,144	3,061	3,061
Net Debt	504	684	429	523	484	362
<i>o/w Cash & Marketable Securities (-)</i>	<i>-73.2</i>	<i>-118</i>	<i>-325</i>	<i>-507</i>	<i>-546</i>	<i>-668</i>
<i>o/w Gross Debt (+)</i>	<i>578</i>	<i>802</i>	<i>755</i>	<i>1,030</i>	<i>1,030</i>	<i>1,030</i>
Other EV components	-282	-189	-200	-183	-169	-158
Enterprise Value (EV adj.)	2,031	1,450	2,381	5,485	3,376	3,265

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 almost 80% 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**.

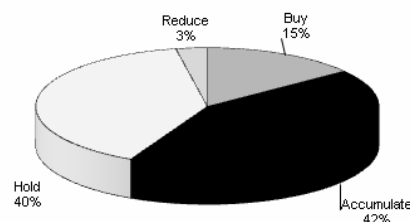
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

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

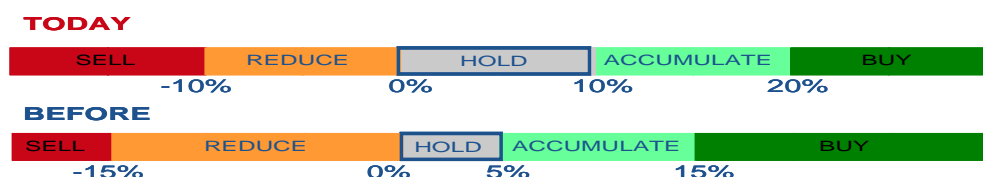


History of ESN Recommendation System

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 Rysseleere	+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

Edouard Nouvellon	+32 2 287 93 23
Gaëtan De Vlieghe	+32 2 287 91 88
Sebastian Fraboni	+32 2 287 92 56
Mathieu Neirinck	+32 2 287 92 87

Fund Services

Thomas Palmblad	+32 2 287 93 27
Oliver Gigounon	+32 2 287 91 84
Fabio Ghezzi Morgalanti	+32 2 287 92 72
Frederic Collett	+32 2 287 93 06

Real Estate coordinator

Jean-Baptiste Van Ex	+32 2 287 91 27
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Equity brokerage

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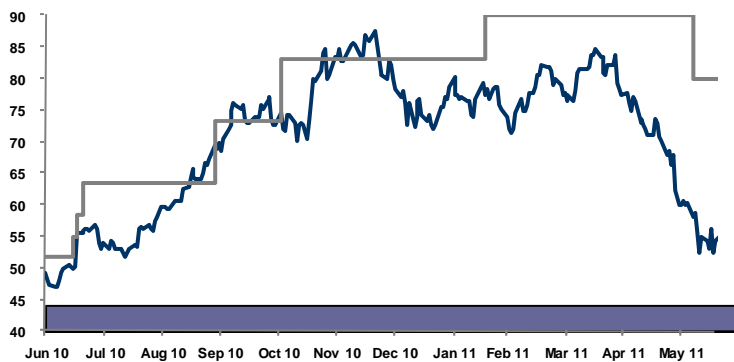
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Recommendation history for BEKAERT

Date	Recommendation	Target price	Price at change date
15-Jul-11	Accumulate	69.00	51.11
20-Jun-11	Accumulate	80.00	58.04
10-May-11	Accumulate	90.00	83.54
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

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

This chart shows Bank Degroef 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 Degroef acts as liquidity provider for:

Aedifica, Atenor, Banimmo, Bois Sauvage, BSB International, D'Ieteren, 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 Degroef holds a significant stake in:

Aedifica, Fountain and Proximedia.

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

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

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