



## Accumulate

Recommendation unchanged

**Share price: EUR 48.20**

closing price as of 28/07/2011

**Target price: EUR 69.00**

Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	2,886
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	237,097
Daily avg. trad. vol. 12 mth (m)	17
Price high 12 mth (EUR)	87.43
Price low 12 mth (EUR)	48.20
Abs. perf. 1 mth	-8.77%
Abs. perf. 3 mth	-42.47%
Abs. perf. 12 mth	-3.32%

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
Debt/EBITDA	0.7	0.7	0.5
Int. cover(EBITDA/Fin. int)	14.5	13.3	13.7
EV/Sales	1.7	0.9	0.8
EV/EBITDA	7.6	4.8	4.6
EV/EBITDA (adj.)	7.6	4.8	4.6
EV/EBIT	10.3	6.4	6.1
P/E (adj.)	13.2	8.3	8.2
P/BV	3.2	1.6	1.4
OpFCF yield	4.4%	10.7%	13.4%
Dividend yield	3.4%	3.6%	3.8%
EPS (adj.)	6.49	5.81	5.90
BVPS	26.90	30.67	34.44
DPS	1.66	1.73	1.83

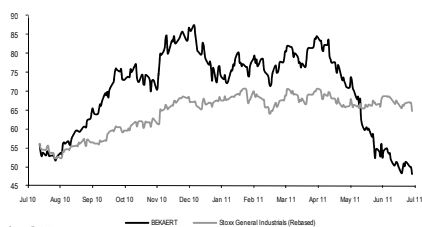
## 1H11 results came in strongly short of expectations

**The facts:** Bekaert came this morning with weaker than anticipated 1H11 results, with recurring EBIT (Rebit) at EUR 242m versus EUR 292m expected by us and the consensus (with a low estimate at EUR 268m and a high at EUR 323m). Main driver of this underperformance was Asia with Rebit at EUR 185m (margin to sales of 29% against 37.3% in 1H10 and 38.1% in 2H11).

**Our analysis:** While the performances in the other regions were in line, the big deception came from Asia, where 2Q11 sales came in at EUR 295m, i.e. EUR 100m below expectations, This highlights already strong competitive pressures in 2Q11, which was translated into significantly stronger than expected pressures on margin (we had anticipated Asian 1H11 Rebit margin at 31.5% and 29.8% in 2H11). Interesting to note is that the downturn not only affected the solar cell activity by also the truck tire cord market.

Bekaert : key figures (EUR m)	1H10	2H10	2010	1H11 A	% change	1H11e	1H11e
						Bk Degroof	consensus
<b>Consolidated sales</b>	<b>1,535</b>	<b>1,728</b>	<b>3,263</b>	<b>1,780</b>	<b>16.0%</b>	<b>1,879</b>	<b>1,851</b>
<b>Rebit</b>	<b>262</b>	<b>300</b>	<b>562</b>	<b>242</b>	<b>-7.6%</b>	<b>292</b>	<b>292</b>
Margin	17.1%	17.4%	17.2%	13.6%		15.5%	
-EMEA <sup>1</sup>	54	41	95	54	0.0%	55	
-North America	21	13	34	28	33.3%	24	
-Latin America	14	12	26	16	14.3%	15	
-Asia Pacific	206	265	471	185	-10.2%	231	
-Corporate	-33	-31	-64	-41	24.4%	-33	
<b>Operating result</b>	<b>243</b>	<b>291</b>	<b>534</b>	<b>232</b>	<b>-4.7%</b>	<b>282</b>	<b>282</b>
Margin	15.9%	16.8%	16.4%	13.0%		15.0%	
Financial result	-16	-17	-32	-35		-28	-26
<b>Current result before tax</b>	<b>228</b>	<b>274</b>	<b>502</b>	<b>197</b>	<b>-13.4%</b>	<b>254</b>	<b>256</b>
Income tax	-51	-88	-139	-54		-71	-71
Tax rate	22.5%	32.2%	27.8%	27.1%		28.0%	27.9%
Results of associates	19	17	36	14	0	20	20
Discontinued operations	0	0	0	0		0	0
<b>Consolidated profit</b>	<b>195</b>	<b>203</b>	<b>399</b>	<b>158</b>	<b>-19.2%</b>	<b>203</b>	<b>203</b>
Minority interest	14	17	31	14		14	14
<b>Group's share in net result</b>	<b>181</b>	<b>187</b>	<b>368</b>	<b>144</b>	<b>-20.5%</b>	<b>189</b>	<b>188</b>
EPS (EUR)	3.02	3.12	6.14	2.40		3.16	3.13

Sources : Bekaert / Bank Degroof estimates / Consensus computed by Bekaert (11 research reports)



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Guidance is not supportive: "Bekaert remains cautious on the outlook for the short to medium term. In response to growing competition, mainly in China, the company's measures to defend its market position will be continued" meaning that price erosion will continue in 2H11. The only positive element is that the group mentions early signs of slight demand pick-up in solar cells. Although this has to be confirmed, it could indicate that the solar market downturn might have bottomed out.

**Conclusion & Action:** The poorer than expected 1H11 results and unsupportive guidance will lead to further significant earning revisions that will not support the share price.

**Our scenario, rating and TP are under revision.**