

Bekaert

Belgium/General Industrials

Analysers

**Hold**

Recommendation unchanged

Share price: EUR 25.13

closing price as of 22/12/2011

Target price: EUR 30.00

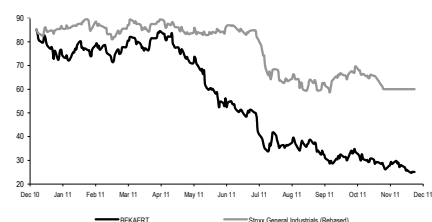
Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,507
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	276,646
Daily avg. trad. vol. 12 mth (m)	16
Price high 12 mth (EUR)	87.43
Price low 12 mth (EUR)	24.74
Abs. perf. 1 mth	-13.20%
Abs. perf. 3 mth	-25.53%
Abs. perf. 12 mth	-70.57%

Key financials (EUR)	12/10	12/11e	12/12e
Sales (m)	3,263	3,324	3,090
EBITDA (m)	725	494	390
EBITDA margin	22.2%	14.9%	12.6%
EBIT (m)	534	331	230
EBIT margin	16.4%	10.0%	7.4%
Net Profit (adj.) (m)	389	210	157
ROCE	15.8%	8.7%	6.2%
Net debt/(cash) (m)	523	718	620
Net Debt/Equity	0.3	0.4	0.3
Debt/EBITDA	0.7	1.5	1.6
Int. cover(EBITDA/Fin. int)	14.5	9.4	7.2
EV/Sales	1.7	0.6	0.7
EV/EBITDA	7.7	4.3	5.2
EV/EBITDA (adj.)	7.7	4.3	5.2
EV/EBIT	10.4	6.4	8.8
P/E (adj.)	13.2	7.2	9.6
P/BV	3.2	0.9	0.9
OpFCF yield	4.4%	1.0%	22.1%
Dividend yield	6.6%	6.6%	6.6%
EPS (adj.)	6.48	3.50	2.62
BVPS	26.86	28.51	29.09
DPS	1.66	1.66	1.66

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Bekaert to further consolidate its Latin American operations

The facts: Yesterday evening Bekaert announced it has signed with its Chilean partners and agreement to restructure the shareholding of their joint-venture operations in Chile, Peru and Canada. As a result, Bekaert becomes the principal shareholder in the partnership with a stake of 52% and will fully consolidate all the respective entities in its financial statement as from FY12 onwards.

Our analysis: This is a share agreement (not a cash transaction). It is also worth mentioning that the Brazilian operations, which account for ca. two-third of the profit from associates, are not part of the above mentioned shareholders agreement.

Following the agreement, the top line will increase by about EUR 300m (but of course there will be no changes in the so called "combined sales") and the EBIT by about EUR 20-25m. The profits from associates will be reduced by some EUR 10m and share of minorities will increase by the same amount. On balance the impact on Bekaert's share in the net profit will be immaterial.

Conclusion & Action: By having a majority stake in these assets, Bekaert expects increasing opportunities for synergies and future growth in its Latin American operations.

Hold rating is maintained for valuation reasons and given the big uncertainty in solar cell applications (there is a risk that overcapacity persists in FY12). We do not expect to see real upside potential for the share price before signs of stabilisation of the sawing wire markets become more obvious and sustainable.