

11 November 2009

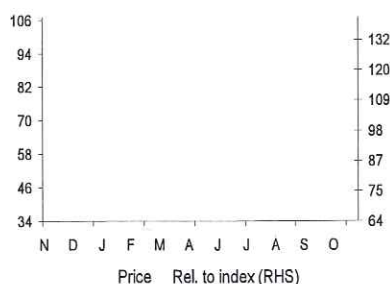
BEKAERT

Steep drop in sales on lower raw material prices

ENGINEERING & MACHINERY
BELGIUM

CURRENT PRICE € 90.38
TARGET PRICE € 90.00

HOLD
RATING UNCHANGED



Source: Thomson Financial Datastream

Bloomberg	BEKB.BB
Reuters	BEKB.BR
www.bekaert.com	
Market Cap	€ 1,788.0m
Shares outst.	19.8m
Volume (daily)	€ 6,918,514
Free float	61.4%

Next corporate event

Trading update 3Q09: 13 November 2009

(€ m)	2008	2009E	2010E
Sales	2,662.4	2,408.0	2,524.1
REBITDA	495.9	337.4	366.0
Net earnings	174.1	101.7	123.7
Adj. EPS (€)	12.02	5.65	6.75
P/E (x)	7.3	16.0	13.4
EV/REBITDA	5.0	7.0	6.2
FCF Yield	-1.0%	11.9%	7.5%
Dividend yield	3.2%	3.1%	3.1%

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Friday, before market, Bekaert will report its 3Q09 trading update. Sales are expected to show a substantial negative impact from the y/y decline in raw material prices. However, we don't expect Bekaert to suffer from a similar negative margin effect in H2 as it did in H1.

We see Q3 consolidated sales of € 616.3m, down 17.2% y/y. Sales in EMEA and North America are expected to have remained extremely weak at respectively € 196.6m (-35% y/y) and € 136.2m (-21% y/y). As was the case in H1, Bekaert should be saved by its activities in emerging markets. We see sales in Latin America at € 74.0m, up by 51.3% y/y due to the consolidation of the former joint ventures in Peru and Ecuador. Sales in Asia-Pacific are seen at € 209.6m (-5% y/y).

For the second half, we see recurring EBIT at € 86.6m, in-line with the first half performance. Net profit is forecast at € 57.4m, up from € 44.3m in H1. This brings us to a recurring EBIT for the full year of € 172.4m (7.2% REBIT margin) and net profit of € 101.7m.

Conclusion:

Looking forward, we see supportive earnings momentum for Bekaert with continued growth potential in emerging markets combined with recovery potential in mature markets.