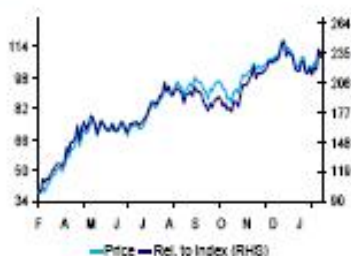


26 February 2010

BEKAERT

First signs of recovery in EMEA

ENGINEERING & MACHINERY
BELGIUMCURRENT PRICE € 109.00
TARGET PRICE € 135.00BUY
RATING UPGRADED

Source: Thomson Financial Datastream

Bloomberg BEKB.BB
Reuters BEKB.BR

www.bekaert.com

Market Cap € 2,156.4m
Shares outst. 19.8m
Volume (daily) € 7,160,605
Free float 61.4%

Next corporate event

Trading update 1Q10: 12 May 2010

(€ m)	2009E	2010E	2011E
Sales	2,420.3	2,537.1	2,657.0
REBITDA	356.1	379.1	399.4
Net earnings	117.5	136.3	150.0
Adj. EPS (€)	6.46	7.39	8.06
P/E (x)	16.9	14.8	13.5
EV/REBITDA	7.7	7.0	6.3
FCF Yield	10.4%	6.7%	7.6%
Dividend yield	2.6%	2.6%	2.6%

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Bekaert this morning announced fantastic FY09 numbers, beating our and consensus estimates by far. Consolidated sales are down by 8.5% y/y to € 2,437.3m (KBC: € 2,420.3m). Weak market demand, primarily during the 1H09, and lower raw material prices drove an organic sales decline of 16.9%. This was partially offset by the integration of Prodac (Peru) and Ideal Alambrec (Ecuador) in Latin America, which added 5.9%, and positive effect of currency movements adding 2.5%. Combined sales, including joint ventures and associates, decreased by 16.6% (organic decline by 17.5%, partially offset by currency movements adding 0.9%) to € 3,343m. Looking to the 4Q consolidated sales, North and Latin America performed roughly in-line with expectations (€ 104m and € 80m vs. € 105.9m and € 77.5m exp.), AP was slightly below (€ 215m vs. € 225.6m exp.) but EMEA was much stronger (€ 220m vs. € 192.1m).

Recurring EBIT was an impressive € 256.8m, blowing away our (€ 191.1m) and CSS (€ 211m) estimates. Recurring EBIT in the second half amounted to € 171m (margin of 13.8%), up from € 86m (margin of 7.2%) in the first half (negative impact on margins from sharp decline in raw material prices of approximately € 40m). EMEA, North America, Latin America and Asia Pacific contributed respectively € 2m (0.2% margin), € -5m (-1.1% margin), € 28m (8.4% margin) and € 288m (35.6% margin) to recurring EBIT. Note the recovery in EMEA (recurring EBIT from € -21m in 1H to € 22m in 2H).

Operating result, share in the result of joint ventures and associates and net result group share amounted to respectively € 232.2m, € 37.8m and € 151.8m vs. our estimates of € 176.1m, € 35.0m and € 117.5m. Bekaert proposes a 5% increase in the gross dividend to € 2.94 per share.

Net financial debt is reduced from € 627.5m at year-start to € 395.4m at year-end. CAPEX amounted to € 158m last year and is expected to increase this year. Capacity increases in China, India and Russia and the integration of the acquired Bridgestone plants will raise Bekaert's tire cord capacity from 625kt at present (of which 350kt in China) to an estimated 700kt by year-end (of which 400kt in China). Last year, Bekaert increased its capacity by an estimated 30 to 40kt).

On the outlook, Bekaert stated to remain confident of the opportunities in emerging markets and to meet continued strong demand with additional investments. A prudent approach is taken in mature markets while remaining poised for an upturn.

Conclusion:

Bekaert reported very strong results, outperforming on market expectations. The strong results are mainly driven by a continued strong performance at Asia Pacific but we should not overlook the first signs of recovery in EMEA and Latin America. While we still need to revise our scenario, we see room for an increase in our estimates by at least 15% for both 2010 and 2011. In a first reaction, we increase our rating from Accumulate to Buy with an increased price target of € 135 per share (€ 120).