

12 May 2010

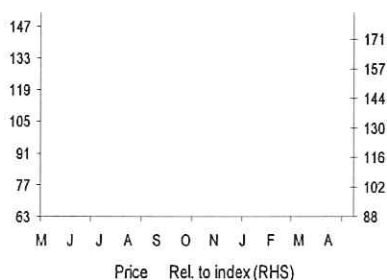
BEKAERT

Strong start to the year

ENGINEERING & MACHINERY
BELGIUM

CURRENT PRICE € 130.60
TARGET PRICE € 145.00

BUY
RATING UNCHANGED



Source: Thomson Financial Datastream

Bloomberg BEKB.BB
Reuters BEKB.BR

www.bekaert.com

Market Cap € 2,590.4m
Shares outst. 19.8m
Volume (daily) € 7,424,047
Free float 61.4%

Next corporate event

Payment dividend FY09: 19 May 2010

(€ m)	2009	2010E	2011E
Sales	2,437.3	2,502.7	2,612.9
REBITDA	410.1	449.1	468.5
Net earnings	151.8	171.0	184.0
Adj. EPS (€)	8.55	9.49	10.13
P/E (x)	8.8	13.8	12.9
EV/REBITDA	4.6	6.7	6.2
FCF Yield	24.4%	5.5%	6.7%
Dividend yield	3.9%	2.3%	2.3%

Wouter Vanderhaeghen

+32 2 429 37 30

wouter.vanderhaeghen@kbcsecurities.be

Bekaert this morning reported very strong sales numbers. Consolidated sales for the quarter increased by 17.2% y/y to € 694m beating our (high end of consensus) forecast for € 617.7m and consensus looking for € 611m. Strong volumes drove an organic consolidated sales growth of 23.9%, while unfavourable currency movements, particularly in Venezuela, had a negative effect of 6.7%. Combined sales, adding sales of joint ventures and associates, increased by 20.9% y/y to € 953m.

Consolidated sales in EMEA, North America, Latin America and Asia Pacific amounted to respectively € 244m (+16% y/y), € 141m (-1% y/y), € 67m (-17% y/y) and € 242m (+52%). We were looking for respectively € 219.2m, € 115.3m, € 64.8m and € 218.4m, consensus stood at respectively € 221m, € 123m, € 67m and € 200m.

Sustained recovery in EMEA resulted in solid sales growth with Bekaert operating at high capacity utilisation levels as a result of strong sales volumes. In North America, volumes increased but this was offset by lower selling prices and unfavourable currency movements. Combined sales in Latin America increased by 18% y/y on increased market demand in Brazil, Colombia and Peru. Consolidated sales were negatively impacted by Venezuela, as hyperinflation prompted Bekaert to start applying the market exchange rate instead of the official exchange rate. Compared to a very weak 1Q09, the 51% consolidated sales growth in Asia Pacific reflects the high utilization of increased capacities and solid demand.

Net financial debt increased from € 395m at year-start to € 484m, mainly due to higher working capital as well as the acquisition of the two Bridgestone steel cord plants (of which € 34m of the total EV of € 70m were paid at the end of March).

With regards to the outlook, Bekaert states to expect continued strong performance in the second quarter while remaining cautious about market developments for the second half. This year, Bekaert will further increase its steel cord capacity from 625kt p.a. (China: 350kt) at year-start to around 700kt p.a. (China: 400kt) by year-end.

Conclusion:

Bekaert reported a very solid first quarter, driven both by sustained recovery in EMEA as well as increased capacity and strong capacity utilisation at Asia Pacific. We see supportive earnings momentum for Bekaert on continued growth in emerging markets, combined with recovery potential in the mature markets. In a first reaction, we keep our rating unchanged at BUY but increase our target price to € 145 per share (€ 135).