

14 May 2010

BEKAERT

Supportive TU triggers upward revision of numbers

ENGINEERING & MACHINERY
BELGIUM

CURRENT PRICE € 142.75
TARGET PRICE € 155.00

BUY
RATING UNCHANGED



Source: Thomson Financial Datastream

Bloomberg BEKB.BB
Reuters BEKB.BR

www.bekaert.com

Market Cap € 2,831.4m
Shares outst. 19.8m
Volume (daily) € 8,136,293
Free float 61.4%

Next corporate event

Payment dividend FY09: 19 May 2010

(€ m)	2009	2010E	2011E
Sales	2,437.3	2,642.3	2,749.5
REBITDA	410.1	475.0	492.0
Net earnings	151.8	191.2	201.9
Adj. EPS (€)	8.55	10.52	11.05
P/E (x)	8.8	13.6	12.9
EV/REBITDA	4.6	6.9	6.4
FCF Yield	24.4%	4.0%	7.3%
Dividend yield	3.9%	2.1%	2.2%

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Following the first quarter trading update, we have revised our scenario. Our sales forecast for the current year has been increased from € 2,502.7m previously to € 2,642.3m (+8.4% y/y). The increase in our sales forecast is especially driven by EMEA and Asia Pacific.

Note the anticipated decline in revenues for Latin America from € 327m to € 264m largely due to events in Venezuela, where hyperinflation has prompted Bekaert to start applying the market exchange rate instead of the official exchange rate.

EBITDA is forecasted to increase by 16.7% from € 385.5m (15.8% margin) last year to € 450.0m (17.0% margin). The increase is both driven by recovery in mature markets, and EMEA in particular, combined with strong volume growth in Asia Pacific, thanks to a surge in production capacity together with better capacity utilisation.

We further need to take into account a higher tax rate now that tax holidays are due to expire. In our scenario, we have assumed the tax rate to increase from 20.4% last year to 25%. All in all, we see an increase in recurring EBIT from € 256.8m to € 310.0m (margin of 11.7%) and a net result of € 191.2m. We previously were banking on a net result of € 171.0m.

Conclusion:

We have increased our EPS forecasts for 2010 and 2011 by 10.8% and 9.1% to € 10.52 and € 11.05 respectively. At our revised forecasts, Bekaert is trading at 13.6x P/E and 6.9x EV/EBITDA for 2010 and 12.9x P/E and 6.4x EV/EBITDA for 2011, which is not excessive given the strong earnings momentum.

Bekaert reported on a very solid first quarter, driven by both sustained recovery in EMEA as well as increased capacity and strong capacity utilisation at Asia Pacific. We maintain our BUY recommendation with revised target price of € 155 per share (€ 145). Looking forward, we see a supportive earnings momentum with a continued growth potential in emerging markets combined with recovery potential in mature markets.

As from today, Bekaert will trade ex-dividend (€ 2.94 per share, gross).