

14 October 2010

## BEKAERT

## Upwards revision of scenario

GENERAL INDUSTRIES  
BELGIUMCURRENT PRICE € 209.55  
TARGET PRICE € 230.00BUY  
RATING UNCHANGED

Source: Thomson Financial Datastream

Bloomberg BEKB.BB  
Reuters BEKB.BR

www.bekaert.com

Market Cap € 4,121.8m  
Shares outst. 19.8m  
Volume (daily) € 11,311,537  
Free float 61.4%

Next corporate event

Payment dividend IN10: 15 October 2010

(€ m)	2009	2010E	2011E
Sales	2,437.3	3,009.0	3,289.4
REBITDA	410.1	656.2	688.6
Net earnings	151.8	312.3	321.9
Adj. EPS (€)	8.55	16.64	17.09
P/E (x)	8.8	12.6	12.3
EV/REBITDA	4.6	7.1	6.5
FCF Yield	24.4%	3.0%	6.1%
Dividend yield	3.9%	2.4%	2.5%

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We have revised upwards our EPS estimates for 2010, 2011 and 2012 by respectively 2.5%, 8.1% and 9.5% to € 16.64, € 17.09 and € 17.81.

Since publication of blow-out H1 results, Bekaert announced the acquisition of 75% of the shares of the spring wire and overhead conductor business of Xinyu Iron & Steel, through its 75/25 holding with Shougang Concord Century. More recently, Bekaert announced that its Chinese steel cord production capacity would reach approximately 450kt p.a. by year-end, which is an increase from previous expectations around 425-435kt p.a. (and original guidance at year-start for around 400kt p.a. by year-end). Also for the next couple of years, we would bank on Bekaert further increasing its steel cord capacity in-line with market demand.

For the period 2010-13, we now bank on CAGR in sales of 7%. This high single-digit growth is driven by continued growth in China but also new growth opportunities in India and Latin America. Over the same period, we have pencilled in a normalisation in REBIT margin from 15.8% expected for the current year towards 14.1% in 2013. Recall that Bekaert raised its medium term (three year) target EBIT margin to >10%, provided no exceptional circumstances. In addition, we also take into account a gradual increase in the corporate tax rate towards 28.5% (from 24.5% expected for the current year).

For the current year, we now bank on 23.5% growth in sales to € 3,009.0m, recurring EBIT of € 476.2m (15.8% margin) and net result, group share, of € 312.3m. For the next year, we see sales growth of 9.3% to € 3,289.4m, recurring EBIT of € 509.1m (15.3% margin) and net result, group share, of € 321.9m.

**Conclusion:**

Momentum for Bekaert is expected to remain firm with the company capturing solid growth, thanks to its emerging markets exposure. We believe news flow in the medium term could be supported by new growth initiatives. In the first place we then think about India, where Bekaert might announce a new CAPEX program as infrastructure investments might trigger increased radicalisation of the market and international tire manufacturers such as Michelin are investing in the country with new production facilities available already in 2012.

Based upon our increased number, we see room to increase our target price to € 230 per share. At our new target price, Bekaert would be trading at roughly 7.4x EV/EBITDA and 13.4x P/E 2011, still not excessive given the company's growth profile and emerging markets exposure.