

10 November 2010

## BEKAERT

### Strong Q3 sales

GENERAL INDUSTRIES  
BELGIUM

CURRENT PRICE € 77.12  
TARGET PRICE € 85.00

**BUY**  
RATING UNCHANGED



Source: Thomson Financial Datastream

Bloomberg BEKB.BB  
Reuters BEKB.BR

www.bekaert.com

Market Cap € 4,550.7m  
Shares outst. 59.5m  
Volume (daily) € 12,999,498  
Free float 61.4%

Next corporate event

Results FY10: 25 February 2011

(€ m)	2009	2010E	2011E
Sales	2,437.3	3,160.3	3,451.3
REBITDA	410.1	681.3	714.9
Net earnings	151.8	330.6	339.8
Adj. EPS (€)	2.85	5.86	6.00
P/E (x)	8.8	13.2	12.9
EV/REBITDA	4.6	7.5	6.9
FCF Yield	24.4%	2.2%	5.9%
Dividend yield	3.9%	2.3%	2.3%

Wouter Vanderhaeghen

+32 2 429 37 30

wouter.vanderhaeghen@kbcsecurities.be

Bekaert this morning released solid 3Q10/9M10 sales. Consolidated sales for the quarter are reported at € 866m, up by 3% on Q2 and 39.9% y/y. We were looking for consolidated sales at € 779.1m, consensus stood at € 802m. 9M10 consolidated sales are reported at € 2,401m, up 32.0% y/y with organic growth of 30.8%, 1.5% positive effect from acquisitions and negative currency impact of 0.3%. Combined 9M10 sales, including sales from joint ventures and associates, amounted to € 3,307m up by 33.8% y/y.

Digging into the sales number by region, we note solid sales growth in all regions with especially positive surprises from North America and Latin America. Consolidated Q3 sales for EMEA, NA, LA and AP amounted to € 271m (+36.9%), € 170m (+60.4%), € 89m (+2.3%) and € 336m (+47.4%), we were looking for respectively € 263.0m, € 135.6m, € 75.5m and € 304.8m.

Sustained demand and improved product mix resulted in increased sales numbers across all activity platforms in EMEA, with the exception of building products. In North America, the market rebound in the automotive sector was confirmed during the quarter while industrial and agricultural applications continued to perform well. Solid sales growth was recorded in Latin America, in particular in Ecuador, Colombia and Peru. Venezuela continues to have a strong negative impact on overall LA sales. Continued strong sales growth was recorded in Asia Pacific while growth numbers are expected to come down to more normal levels as from Q4 onwards.

Net financial debt decreased from € 583m at the end of June to € 463m, mainly due to a decrease of working capital as well as healthy cash flow.

Traditional seasonal effects such as year-end destocking by customers and holiday periods, as well as negative currency effects and measures towards more controlled growth in China are indicators for more tempered sales growth in the months ahead.

Bekaert expects fourth quarter consolidated sales in-line with the average quarterly sales of the 1H10. Hence the company is guiding for Q4 sales of around € 767m and consolidated sales for the full year around € 3,168m. We were looking for consolidated sales of € 3,009m and have adjusted our scenario accordingly. Hence our EPS estimates for both 2010 and 2011 have been increased from € 5.55 and € 5.70 to € 5.86 and € 6.00.

**Conclusion:**

Bekaert continues to report solid sales growth driven by strong volumes as well favourable product mix. We have adjusted our scenario upwards also allowing for a further increase in our target price towards € 85 per share (from € 76.67).