

25 February 2011

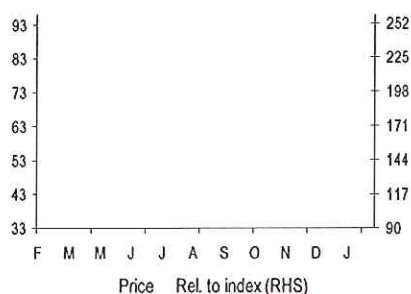
BEKAERT

Beating market expectations (again)

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 73.93
TARGET PRICE € 85.00

BUY
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEKB.BB
Reuters BEKB.BR

www.bekaert.com

Market Cap € 4,362.6m
Shares outst. 59.5m
Volume (daily) € 15,314,878
Free float 61.4%

Next corporate event

General Assembly 10: 11 May 2011

(€ m)	2010E	2011E	2012E
Sales	3,160.3	3,451.3	3,677.7
REBITDA	681.3	714.9	728.3
Net earnings	330.6	339.8	354.7
Adj. EPS (€)	5.86	6.00	6.25
P/E (x)	12.6	12.3	11.8
EV/REBITDA	7.2	6.6	6.2
FCF Yield	2.3%	6.1%	7.0%
Dividend yield	2.4%	2.4%	2.5%

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Bekaert this morning released excellent FY10 results, beating market expectations. The company reported a 33.9% y/y increase in consolidated sales to € 3,262.5m (KBC: € 3,160.3m, CSS: € 3,174.0m). Organic sales growth was 31.5%, while the net movement in acquisitions and divestments and currency effects added respectively 1.4% and 1.0%. With the exception of Latin America (-5% to € 311m) all regions showed strong y/y growth (EMEA: +29% to € 1,066m, North America: +35% to € 638m and Asia Pacific: +54% to € 1,248m). Consolidated sales in the final quarter came at € 861.5m, beating Bekaert's own guidance for Q4 sales in-line with the quarterly average in H1 (€ 767m). We especially note the strong Q4 sales number in Asia Pacific (€ 360m).

Combined sales, including joint-ventures and associates, increased by 34% to € 4,469m. Organic growth was 26.4% with 1.0% from the net movement in acquisitions and divestments and a larger currency effect (+6.3%) due to a strong Brazilian Real and Chilean Peso.

EBITDA increased from € 386m in 2009 to € 725m (KBC: € 656.3m, CSS: € 688.0m), corresponding to a margin of 22.2%. EBITDA in H2 amounted to € 376m (21.8% margin). Recurring EBIT more than doubled from € 257m to € 562m (17.2% margin vs. 22.7% in H1), beating expectations (KBC: € 501.3m, CSS: € 524.0m). Recurring EBIT in H2 amounted to € 300m (17.4% margin vs. 17.1% in H1). Non-recurring expenses amounted to € 28.2m, mainly related to a partial impairment of Vicson in Venezuela (€ 12.4m) and provisions for the reconversion projects of closed down factories and environmental liabilities (€ 10.9m). Including non-recurring items, EBIT was € 534.3m. Joint-ventures and associates contributed € 36.1m, down from € 37.8m in 2009. The net result, group share, amounted to € 367.6m (KBC: € 330.6m, CSS: € 354.0m) vs. € 151.8m in 2009.

Net financial debt increased from € 395.4m at year-start to € 521.9m at year-end but decreased in H2 vs. the end-of-June level (€ 582.1m). Capital expenditure amounted to € 247.6m in 2010 and is expected to attain at least the same level in 2011. The complex transaction process of the intended shareholding of 75% in the spring wire and overhead conductor business of Xinyu Iron & Steel, via 75/25 holding with Shougang Concord Century, is taking more time than anticipated.

Bekaert remains confident of sustained strong performance in 1H11, but perceives limited visibility beyond six months. Globally, the company anticipates "moderate growth perspectives in the coming years". In the short term, the company refers to "measures for more controlled growth in China and policies to contain inflation in several countries as growth tempering factors". The company also notices "increased competitive capacities". Moreover, "both the volatility of raw material prices and changes in fiscal incentive programs in several relevant business sectors are indicators for a more irregular future growth pattern".

Bekaert proposes a closing dividend of € 1.0 per share, bringing the full dividend to € 1.67 per share if we include the interim dividend already paid.

Conclusion:

Bekaert reported fantastic FY10 results, again beating market expectations. Despite flagging medium term uncertainties and concerns, the company remains upbeat for the foreseeable future.