

9 May 2011

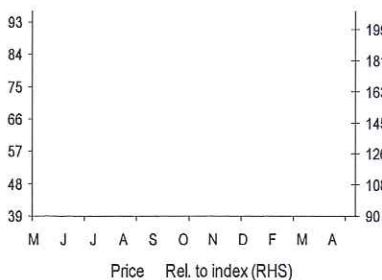
## BEKAERT

### Preview 1Q11 sales

GENERAL INDUSTRIES  
BELGIUM

CURRENT PRICE € 82.14  
TARGET PRICE € 90.00

**BUY**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEKB.BB  
Reuters BEKB.BR

www.bekaert.com

Market Cap € 4,919.0m  
Shares outst. 59.9m  
Volume (daily) € 16,909,038  
Free float 62.0%

Next corporate event

General Assembly 10: 11 May 2011

(€ m)	2010	2011E	2012E
Sales	3,262.5	3,568.7	3,806.5
REBITDA	724.7	778.3	799.4
Net earnings	367.6	395.0	414.6
Adj. EPS (€)	6.49	6.84	7.16
P/E (x)	8.3	12.0	11.5
EV/REBITDA	5.2	6.9	6.3
FCF Yield	2.7%	6.0%	7.9%
Dividend yield	3.1%	2.2%	2.3%

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Wednesday 11 May, before market, Bekaert will publish its 1Q11 trading update.

At publication of FY10 results, Bekaert stated to remain confident of "a sustained strong performance in 1H11", but sees limited visibility beyond six months as a general trend, due to uncertainty or volatility of global and local business developments.

We expect Bekaert to report consolidated sales of € 851m, up by 22.6% on the same period last year, and slightly down on an exceptionally strong 4Q10 (€ 862m). Sales in EMEA, North America, Latin America and Asia-Pacific are seen at respectively € 267m (+9.4% y/y), € 157m (+11.3% y/y), € 76m (+13.4% y/y) and € 351m (+45.0% y/y).

For the full year, we currently bank on sales of € 3,569m (+9.4% y/y), recurring EBIT of € 608.1m (+8.1% y/y) and net result of € 395m (+7.4% y/y).

LDK, the world's largest manufacturer of solar wafers, recently guided for 1Q11 wafer shipments of 625 to 635 megawatts (vs. 627 megawatts in 4Q10). Based upon this information, we would expect relatively stable sales in sawing wire compared to the (exceptionally strong) fourth quarter of last year.

Bekaert last year boosted its steel cord capacity from about 625kt to over 0.7mt, of which approximately 450kt in China. Hence, y/y comparison will be helped by the higher installed capacity. For the 1Q11, Michelin reported a 21.2% increase in passenger car and light truck tires and 32.5% increase for truck tires. The Chinese market for passenger car and light truck tires expanded by respectively 9% (OEM) and 26% (replacement). Chinese demand for truck tires contracted 19% (OEM) while the replacement market slowed down to "a more modest 12%".

The USD only had a marginal impact as averaging in the quarter at \$ 1,3686/€, little different from \$ 1,3847/€ in the same period last year.

Bekaert will continue to invest heavily this year, guiding for capital expenditure of at least last year's level (€ 247.6m). Compared to previous years, a higher portion of capital expenditure will be outside China (e.g. India).

#### Conclusion:

We have a buy rating on Bekaert with € 90 per share price target. Trading at 6.7x EV/EBITDA 11, valuation remains attractive given the track record and emerging market exposure of the firm.