

11 May 2011

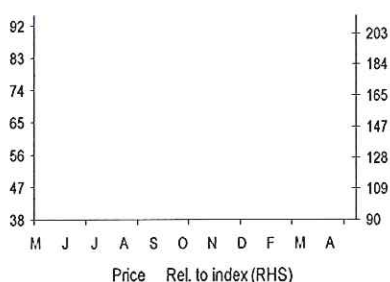
BEKAERT

Strong start to the year

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 83.54
TARGET PRICE € 90.00

BUY
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEKB.BB
Reuters BEKB.BR

www.bekaert.com

Market Cap € 5,002.8m
Shares outst. 59.9m
Volume (daily) € 17,053,048
Free float 62.0%

Next corporate event

Payment dividend FI10: 18 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	12.2	11.7
EV/REBITDA	5.2	7.0	6.4
FCF Yield	2.7%	5.9%	7.8%
Dividend yield	3.1%	2.2%	2.2%

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Bekaert released its 1Q11 trading update this morning.

Consolidated sales for the first quarter are reported at € 918m (+32.3%), beating our (€ 851m) and consensus (€ 846m) estimates. Strong demand in all segments and a positive product mix drove organic sales growth of 28.3% ("roughly 1/3 volumes, 1/3 raw materials and 1/3 other"). The net effect of acquisitions and divestments added 0.7% while currency movements added 3.3%. Combined sales (adding sales from joint ventures and associates) increased by 29.4% to € 1,233m.

Looking to the segments, consolidated sales in EMEA and North America surprised positively at respectively € 307m (+26%) and € 176m (+25%), significantly beating our expectations (€ 267m and € 157m). Sales in Latin America and Asia Pacific were respectively € 82m (+23%) and € 353m (+46%), hence closer to our expectations of respectively € 76m and € 351m.

The strong sales in EMEA and North America reflect strong demand and passed-on raw material prices. Capacity utilisation was high both in Western and Central Europe. Sales in North America still benefited from a favourable currency effect in the first quarter.

Sales growth in Latin America was driven by strong market demand in Brazil, Venezuela and Peru. Despite a slowdown in demand at the end of the first quarter in China and increasing difficulties in passing-on raw material price increases, Bekaert realised solid sales growth in Asia Pacific.

Looking to the main end markets, sales in the automotive sector remained strong but slowed down by the end of the quarter in China. Energy-related sectors continued to perform well on a global level while increased competitive capacities are coming on stream in solar (sawing wire). Construction markets picked-up after a long period of weak economic activity.

Bekaert sticks to the previous guidance of "a sustained strong performance in 1H11" but adds to that there are negative currency effects due to the appreciation of the euro as well as "adequate price adjustments to maintain its strong market position in China".

Conclusion:

Bekaert was again able to beat market expectations. While strong growth was recorded in Latin America and Asia Pacific, the positive surprise mainly came from the strong growth recorded in EMEA and North America.

Buy rating and € 90 price target reiterated. Trading at 6.7x EV/EBITDA 11, valuation remains attractive given the track record and emerging market exposure of the firm.