

**Buy**

Price: EUR 78.57  
(28/02/11)

Target price: 93.00

Risk: Medium

Reuters: BERTt.BR

Bloomberg: BEKB BB

Shares number (m): 59.81

Market cap. (m): 4,699

Net debt 12/10e (m): 406

Net debt/equity 12/10e: 25%

H/L 1 year: 87.43 - 39.43

1 year price perf.: 98.3%

Diff. with Euro Stoxx : 84.7%

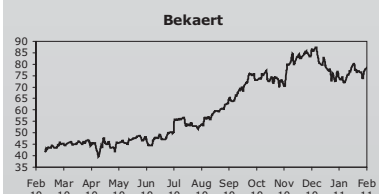
Volume (sh./day): 185,659

Free Float 87%

Family shareholders 13%

**Company description:**

Bekaert seeks sustainable profitable growth based on its two core competences : advanced metal transformation & advanced materials and coatings.



**Bekaert**

*Asia beats again*

Year end	Sales (m)	EBITDA (m)	Adj. profit (m)	EPS	Div.	EV/ EBITDA (*)	P/E (*)	FCF Yield (*)	Div. Yield (*)
12/07	2,174	299	153	2.29	0.92	7.8	13.4	7.7%	3.0%
12/08	2,662	411	209	3.50	0.93	3.6	4.6	11.6%	5.8%
12/09	2,438	385	151	2.53	0.98	6.3	14.3	14.3%	2.7%
12/10e	3,158	685	352	5.89	1.68	7.9	14.6	2.1%	2.0%
12/11e	3,384	701	366	6.11	1.72	6.6	12.9	8.3%	2.2%
12/12e	3,519	715	367	6.14	1.72	6.1	12.8	7.9%	2.2%
12/13e	3,660	725	377	6.31	1.77	5.7	12.5	7.4%	2.2%

(\* ) 2007-2010 figures of EV, P/E and Yield are based on end F.Y. price

**Investment case**

Bekaert 2010 results were better than expected as most regions did slightly better to in-line and the beat came from Asia Pacific again

**Strong 2010 results mainly due to Asia Pacific**

- Bekaert released a very strong set of results with sales coming in at €3.262bn against €3.158bn expected. EBITDA amounted to €725m vs. €685m anticipated. EBIT came in at €534m vs. €495m expected.
- Most regions did slightly better to in-line and the beat came from Asia Pacific again. In Asia Pacific the REBIT margin for the FY reached 37.7% against 36.1% expected. REBIT margin in H2 was therefore even slightly above the H1 level of 37.3% in Asia. Bekaert witnessed strong growth for most product groups but especially automotive and solar energy related sectors did well.
- In EMEA, sales were in-line but EBITDA was €5m ahead at €87m for the FY 2010. Capacity utilization was high, apart for the building sector.
- North American sales were strong at €638m (€603m expected) but profitability was somewhat shy with an EBIT of €32m, as expected. The joint ventures in Brazil and Chile reported increased sales in a difficult environment due to the strong currency. The equity results reached €36.1m versus €38m expected.
- The tax rate was higher than expected due to the expiration of tax holidays in China. Net earnings amounted to €367.6m vs. €352m anticipated.
- Net debt was higher than expected at €522m. Investments in China, Indonesia, Slovakia and Russia are in the course of implementation. In India, Bekaert is accelerating its expansion with a 75% tire cord capacity increase and the purchase of new land to build an additional plant.
- The FY gross dividend is set at €1.667, i.e. a 70% increase.
- In its outlook Bekaert is traditionally prudent mid-term: "Bekaert remains confident of sustained strong performance in the first half of 2011, but perceives limited visibility beyond six months as a general trend, due to uncertainty or volatility of global and local business developments."

**Our view: Excellent results and H1 should also be strong**

- While Bekaert is prudent mid-term it clearly indicates that it should witness a sustained strong performance in H1.
- The main earnings beat, again, came from China. On the one hand this offers further proof that high margins are sustainable in China as long as demand remains strong. On the other hand, the dependence on China increases. Bekaert is accelerating investments in India but China remains the biggest earnings driver for the time being.

**Conclusion: BUY reiterated - Target price increase to €93 from €88**

- Although, China has shown a more aggressive restrictive monetary policy in recent months, we believe that growth will remain high single digit. We believe consensus estimates do anticipate a mild slowdown in China and do anticipate a margin decline in China.
- We Reiterate our BUY on a stock that is trading at only 8.4x EV/EBIT on our old estimates. Our 2011 estimates will be revised upwards by 5%-10%. We increase our target price to €93.