

# Bekaert

Indy - Industrial, Diversified / Belgium

**Target Price EUR 265.00**

**Expected performance (12 mth) 16.5%**

**BUY EUR 227.50 (Closing price 04-Nov-10)**

[Preview on results](#)

## Preview 3Q10 update – PT raised to EUR 265

5 November 2010

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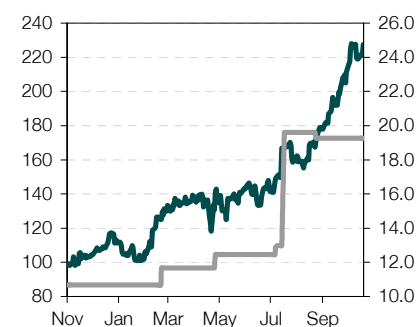
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### Opinion on qualitative criteria

Accounting	IFRS 01/01/2004
Quality of track record	High
Solvency	High
Currency risk	High
Risk of asset write-off	Neutral

### Share price performance/EPS revision (EUR)

Price ABN AMRO EPS est. 2011



Source: FactSet, ABN AMRO Equity Research

Market capitalisation (EUR m)	4,512.3
No. of shares (m)	19.8
Free float	62.0%
1/3/12 mth perf. (%)	18.5/36.6/157.0
High/low 52 weeks (EUR)	227.95/89.87
Next results due	10 November 2010
Price/book value (x)	2.8
Volatility (β) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB.BB
Website	www.bekaert.com

On Wednesday **10 November**, Bekaert is due to report a trading update for 3Q10, comprising sales numbers only. We expect the sales levels of 2Q10 (which were much stronger than in 1Q10) to have continued in 3Q10 (apart from modest summer slowness). The positive trends in the automotive sector (36% of sales) and the energy & utilities segment (21% of sales) have continued in 3Q10. We forecast a 32% y-o-y rise in **consolidated sales** to EUR 819m. This is seen driven by 28% organic growth (including a 7% wire rod pricing effect), 2% fx and 3% consolidation (Bridgestone plants). Continued strong sales growth is foreseen for EMEA (33%), North America (45%) and Asia Pacific (42%). The estimated 10% decline in revenue for the Latin America division reflects the currency translation impact of hyperinflation in Venezuela (which made Bekaert adjust its accounts by applying free market parallel exchange rates instead of the official rate). **Combined sales** (i.e., including 100% of sales from equity-accounted JVs and associates) is forecast to have increased 33% y-o-y to EUR 1,141m in 3Q10.

At the interim stage, Bekaert stated in the **outlook** being prudent for 2H10, as the volatility of markets, exchange rates, and raw materials prices continue to create uncertainty in the months ahead. The prudence in the outlook did not reflect company specific issues, but simply a lack of visibility on the macro economic front. We are keen to get an updated outlook, but we are afraid that it will remain vague.

Year to December	2008	2009	2010e	2011e	2012e
Sales (EUR m)	2,662.4	2,437.3	3,189.2	3,474.2	3,692.0
EBITDA (EUR m)	412.2	385.7	710.7	748.1	769.6
Net profit excl. extr. & amort. (EUR m)	209.9	165.4	385.1	405.3	423.3
Net profit (EUR m)	174.1	151.8	373.1	405.3	423.3
EBITDA margin (%)	15.5	15.8	22.3	21.5	20.8
ROCE (incl. goodwill) (%)	11.2	9.9	18.9	17.6	17.0
Net gearing (%)	59.5	36.9	30.7	16.2	3.7
EPS before extr. & amort. (EUR)	10.64	8.38	19.42	20.43	21.34
EPS (EUR)	8.83	7.69	18.81	20.43	21.34
DPS (EUR)	2.80	2.94	6.58	7.15	7.47
% change sales	22.5	(8.5)	30.8	8.9	6.3
% change EPS (excl. extr. & amort.)	36.7	(21.3)	131.7	5.2	4.5
EV/Sales	0.49	0.94	1.43	1.27	1.14
EV/EBITDA	3.2	6.0	6.4	5.9	5.5
P/E (excl. extr. & amort.)	8.3	9.0	11.7	11.1	10.7
P/E	10.0	9.8	12.1	11.1	10.7
PE/growth (excl. extr.)	0.5	22.9	0.3	0.2	1.6
Free cash flow yield (%)	(2.5)	18.4	4.8	6.2	7.2

Quarterly sales (EUR m)											
	1Q09	2Q09	3Q09	4Q09	FY2009	1Q10	2Q10	3Q10E	4Q10E	FY2010E	FY2011E
<b>Consolidated sales:</b>											
EMEA	210	200	198	219	827	244	282	263	280	1,070	1,120
North America	142	122	106	104	473	141	172	154	163	630	655
Latin America	81	79	87	80	327	67	77	78	75	298	316
Asia Pacific	159	207	228	215	809	242	310	324	316	1,192	1,383
<b>Total</b>	<b>592</b>	<b>608</b>	<b>619</b>	<b>618</b>	<b>2,437</b>	<b>694</b>	<b>841</b>	<b>819</b>	<b>835</b>	<b>3,189</b>	<b>3,474</b>
% chg.	-0.1%	-14.5%	-16.8%	0.6%	-8.5%	17.2%	38.4%	32.3%	35.0%	30.8%	8.9%
Organic	-14.3%	-25.9%	-23.6%	-0.9%	-16.9%	23.9%	34.4%	28.0%	29.7%	29.0%	6.8%
foreign exchange	7.7%	6.2%	1.4%	-5.5%	2.5%	-6.7%	1.4%	1.8%	1.7%	-0.4%	0.0%
consolidation	6.5%	5.2%	5.5%	6.6%	5.9%	0.0%	2.6%	2.5%	3.7%	2.2%	2.1%
EMEA % chg.	-27.6%	-37.9%	-34.5%	-13.4%	-29.2%	16.0%	41.2%	33.0%	27.9%	29.3%	4.7%
North America % chg.	5.8%	-21.5%	-38.5%	-27.6%	-21.7%	-0.6%	41.4%	45.0%	56.8%	33.0%	4.0%
Latin America % chg.	113.8%	71.3%	77.9%	84.0%	85.3%	-16.9%	-2.9%	-10.0%	-6.2%	-9.1%	6.0%
Asia Pacific % chg.	22.1%	10.5%	3.4%	23.2%	13.5%	51.9%	49.6%	42.0%	47.3%	47.3%	16.1%
<b>Combined sales:</b>											
EMEA	209	198	197	219	823	243	280	262	279	1,064	1,115
North America	139	120	105	105	469	139	171	152	162	624	649
Latin America	280	299	326	332	1,237	329	398	401	400	1,528	1,619
Asia Pacific	160	209	229	216	814	242	311	325	321	1,199	1,392
<b>Total</b>	<b>788</b>	<b>826</b>	<b>857</b>	<b>871</b>	<b>3,343</b>	<b>953</b>	<b>1,160</b>	<b>1,141</b>	<b>1,161</b>	<b>4,415</b>	<b>4,774</b>
EMEA % chg.	-27.5%	-38.1%	-34.1%	-12.3%	-28.8%	16.2%	41.5%	33.1%	27.4%	29.3%	4.7%
North America % chg.	4.2%	-21.9%	-38.6%	-26.3%	-21.9%	-0.1%	42.4%	44.9%	54.4%	33.0%	4.0%
Latin America % chg.	-19.5%	-25.7%	-28.0%	3.0%	-18.9%	17.5%	32.9%	23.0%	20.5%	23.5%	6.0%
Asia Pacific % chg.	20.4%	8.6%	1.5%	22.3%	11.9%	51.1%	48.9%	42.1%	48.4%	47.3%	16.1%
Total % chg.	-12.7%	-22.7%	-25.4%	-2.1%	-16.6%	20.9%	40.4%	33.1%	33.2%	32.1%	8.1%

Source: company data and ABN AMRO estimates

### Earnings estimates upgraded

We have used this preview as an opportunity to tweak our estimates higher, as the assumed margin erosion for the Asia Pacific division seemed to be on the aggressive side (we now model an erosion from 37.3% in 1H10 to 34.5% in 2H10, 32.0% in FY11, 30.0% in FY11 and 26.0% in FY13). Our EPS forecasts have been raised by 24c to EUR 18.81 for FY10, 116c to EUR 20.43 for FY11 and 143c to EUR 21.33 for FY12 (besides the assumed margin decline for Asia Pacific, the limited EPS growth due to the assumed an increase in the tax rate). We refer to the table on the following page for the detail behind our forecasts.

### Target price raised from EUR 250 to EUR 265 – BUY re-iterated

Consistent with the upgrade to our earnings forecasts, we raised our returns-based valuation (where EV/CE = ROCE/WACC) to EUR 265 (was EUR 250). It implies a valuation of 13.0x P/E and 6.7x EV/EBITDA on our 2011 earnings. We consider these to be realistic multiples in view of Bekaert's growth profile and value creation opportunities.

The Bekaert stock is a play on emerging markets, where >70% of sales is generated. Yet, the appeal is not fully reflected in the valuation (11x P/E and 6x EV/EBITDA), because investors are (too) wary of the c. 35% operating margin of the Asia Pacific division. We agree that this is not a sustainable level. However, investors should not be concerned about EBIT in absolute terms, as strong growth in sales is expected to offset declining margins. We would rather highlight the potential of Bekaert's operations in BRIC, where the end game is not nearly in sight. The company continues to expand strongly in emerging markets (where 80% of the EUR 200m capex budget is spent in 2010). In China, the tyre cord business capitalises on secular growth of the automotive market. Expansion is furthermore realised by the introduction of non-tyre cord products in China. This strategy was recently accelerated by Bekaert's acquisition of a 75% stake in a partnership with Xinyu Iron & Steel for the production of spring wire and overhead conductor products (initially generating EUR 60m ...

**P&L Bekaert (EUR m)**

	2008	1H09	2H09	2009	1H10	2H10E	2010E	2011E	2012E
EMEA	1,168	410	417	827	526	544	1,070	1,120	1,165
North America	605	264	210	473	313	317	630	655	688
Latin America	177	160	167	327	144	154	298	316	331
Asia Pacific	713	367	443	809	552	640	1,192	1,383	1,508
<b>Consolidated sales</b>	<b>2,662</b>	<b>1,200</b>	<b>1,237</b>	<b>2,437</b>	<b>1,535</b>	<b>1,654</b>	<b>3,189</b>	<b>3,474</b>	<b>3,692</b>
% chg.	22.5%	-7.9%	-9.0%	-8.5%	27.9%	33.7%	30.8%	8.9%	6.3%
organic	17.7%	-20.6%	-13.4%	-16.9%	29.2%	28.9%	29.0%	6.8%	6.3%
fx	-1.0%	6.9%	-1.7%	2.5%	-2.6%	1.8%	-0.4%	0.0%	0.0%
consolidation	5.8%	5.8%	6.0%	5.9%	1.3%	3.1%	2.2%	2.1%	0.0%
<b>EBITDAE</b>	<b>496</b>	<b>152</b>	<b>258</b>	<b>410</b>	<b>368</b>	<b>372</b>	<b>740</b>	<b>763</b>	<b>785</b>
margin	18.6%	12.7%	20.9%	16.8%	24.0%	22.5%	23.2%	22.0%	21.3%
% chg.	59.8%	-37.4%	2.0%	-17.3%	141.8%	44.1%	80.3%	3.2%	2.8%
EBITE EMEA	68	(21)	22	2	54	51	105	115	121
margin	5.8%	-5.0%	5.3%	0.2%	10.3%	9.3%	9.8%	10.3%	10.4%
% chg	0.0%	-139.1%	47.4%	-97.6%	nmf	128.6%	6304.4%	10.1%	5.0%
EBITE North America	25	(5)	(0)	(5)	21	21	42	45	51
margin	4.1%	-1.7%	-0.2%	-1.1%	6.7%	6.5%	6.6%	6.9%	7.4%
% chg	0.0%	-121.4%	-113.3%	-120.2%	nmf	nmf	nmf	8.7%	12.6%
EBITE Latin America	16	8	19	28	14	19	33	38	40
margin	8.9%	5.3%	11.4%	8.4%	9.7%	12.2%	11.0%	12.0%	12.0%
% chg	0.0%	-22.2%	287.5%	75.0%	66.7%	-2.1%	18.9%	15.6%	5.0%
EBITE Asia Pacific	249	128	160	288	206	221	427	443	452
margin	34.9%	34.9%	36.1%	35.6%	37.3%	34.5%	35.8%	32.0%	30.0%
% chg	0.0%	20.2%	12.1%	15.6%	60.9%	38.1%	48.2%	3.7%	2.2%
Other	(63)	(25)	(30)	(55)	(33)	(37)	(70)	(71)	(73)
<b>Total EBITE</b>	<b>294</b>	<b>86</b>	<b>171</b>	<b>257</b>	<b>262</b>	<b>274</b>	<b>536</b>	<b>571</b>	<b>591</b>
margin	11.1%	7.2%	13.8%	10.5%	17.1%	16.6%	16.8%	16.4%	16.0%
% chg.	57.9%	-47.3%	30.1%	-12.7%	205.2%	60.4%	108.8%	6.4%	3.6%
Non-recurring items	(84)	(7)	(17)	(25)	(19)	(10)	(29)	(15)	(15)
<b>EBIT</b>	<b>210</b>	<b>79</b>	<b>153</b>	<b>232</b>	<b>243</b>	<b>264</b>	<b>507</b>	<b>556</b>	<b>576</b>
Net financial charges	(49)	(31)	(35)	(66)	(16)	(25)	(41)	(38)	(21)
<b>EBT</b>	<b>161</b>	<b>48</b>	<b>118</b>	<b>167</b>	<b>228</b>	<b>238</b>	<b>466</b>	<b>518</b>	<b>555</b>
Taxes	(26)	(13)	(21)	(34)	(51)	(56)	(107)	(129)	(150)
as % of EBT	15.8%	27.5%	17.4%	20.4%	22.5%	23.5%	23.0%	25.0%	27.0%
Share in results joint ventures	56	17	20	38	19	25	44	49	52
Result discontinued operations	0	0	0	0	0	0	0	0	0
Minority interests	(18)	(8)	(10)	(19)	(14)	(15)	(30)	(32)	(34)
<b>Net profit continuing operations</b>	<b>174</b>	<b>44</b>	<b>108</b>	<b>152</b>	<b>181</b>	<b>192</b>	<b>373</b>	<b>405</b>	<b>423</b>
% chg.	13.9%	-65.1%	124.0%	-12.8%	309.6%	78.6%	145.8%	8.6%	4.4%
<b>EPS basic (EUR)</b>	<b>8.83</b>	<b>2.24</b>	<b>5.45</b>	<b>7.69</b>	<b>9.15</b>	<b>9.69</b>	<b>18.81</b>	<b>20.43</b>	<b>21.33</b>
% chg.	15.7%	-65.2%	123.8%	-12.9%	308.3%	77.7%	144.7%	8.6%	4.4%
<b>DPS (EUR)</b>	<b>2.80</b>			<b>2.94</b>	<b>2.00</b>		<b>6.58</b>	<b>7.15</b>	<b>7.47</b>
pay out	31.8%			38.4%	21.9%		35.0%	35.0%	35.0%

Source: company data and ABN AMRO estimates

... revenue, with promising growth potential in coming years). A next success story will likely be Bekaert's foothold in India (currently only 10-15% of Asia Pacific sales), which should prosper from the take off of the automotive industry (note that Bekaert is the only manufacturer of tyre cord in India). The company is also positioned well to benefit from the infrastructure boom in Brazil. We believe that Bekaert's potential in emerging markets will continue to surprise

investors, like it did during the last couple of years. With our EBIT forecasts for 2011 being 9% ahead of the consensus, we still expect earnings upgrades by other brokers to act as a positive trigger for the share price. At a 2011 valuation of 11.1 P/E and 5.8x EV/EBITDA, we believe that an overdone safety margin for downside risk to Asia Pacific profitability is discounted, while too little account is taken of the emerging markets potential, solid balance sheet (0.6x net debt/EBITDA) and strong track record.

<b>P &amp; L Statement (EUR m) Year to December</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Net sales	1,797.0	1,741.9	1,914.3	2,009.6	2,173.6	2,662.4	2,437.3	3,189.2	3,474.2	3,692.0
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personnel costs	(506.9)	(450.3)	(449.9)	(462.0)	(472.6)	(524.2)	(499.1)	(543.6)	(568.8)	(591.8)
Other operating costs										
<b>EBITDA</b>	<b>239.1</b>	<b>255.6</b>	<b>257.4</b>	<b>262.2</b>	<b>298.6</b>	<b>412.2</b>	<b>385.7</b>	<b>710.7</b>	<b>748.1</b>	<b>769.6</b>
Depreciation	(127.3)	(107.6)	(107.4)	(110.7)	(119.7)	(165.9)	(139.8)	(191.5)	(192.5)	(193.5)
<b>EBITA</b>	<b>111.8</b>	<b>148.0</b>	<b>150.0</b>	<b>151.4</b>	<b>178.9</b>	<b>246.3</b>	<b>245.8</b>	<b>519.2</b>	<b>555.6</b>	<b>576.1</b>
Reported provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	(9.0)	(13.7)	(5.5)	(4.3)	(35.8)	(13.6)	(12.0)	0.0	0.0
EBIT	111.8	139.0	136.3	145.9	174.6	210.5	232.2	507.2	555.6	576.1
Net financials	(43.0)	(20.5)	(15.3)	(31.0)	(41.0)	(49.2)	(65.6)	(40.8)	(37.7)	(20.7)
<b>Profit Before Taxes (PBT)</b>	<b>68.8</b>	<b>118.5</b>	<b>121.0</b>	<b>114.9</b>	<b>133.6</b>	<b>161.2</b>	<b>166.6</b>	<b>466.4</b>	<b>517.9</b>	<b>555.4</b>
Taxes	(8.2)	(18.4)	(30.3)	(18.4)	(19.1)	(25.5)	(33.9)	(107.3)	(129.5)	(150.0)
Income from associates	33.5	53.5	56.9	51.0	47.1	56.1	37.8	43.9	49.2	51.7
Minorities	(7.5)	(12.3)	(12.0)	(4.8)	(8.7)	(17.7)	(18.6)	(29.8)	(32.4)	(33.8)
<b>Net profit before extraordinary</b>	<b>86.7</b>	<b>141.3</b>	<b>135.7</b>	<b>142.8</b>	<b>152.9</b>	<b>174.1</b>	<b>151.8</b>	<b>373.1</b>	<b>405.3</b>	<b>423.3</b>
Extraordinary items	0.0	26.3	54.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net reported profit	86.7	167.6	189.9	142.8	152.9	174.1	151.8	373.1	405.3	423.3
% change in Sales	(3.6)	(3.1)	9.9	5.0	8.2	22.5	(8.5)	30.8	8.9	6.3
% change in EBITDA	5.9	6.9	0.7	1.8	13.9	38.0	(6.4)	84.3	5.3	2.9
% change in EBITA	46.5	32.4	1.3	1.0	18.1	37.7	(0.2)	111.2	7.0	3.7
% change in PBT	ns	72.1	2.1	(5.0)	16.3	20.7	3.3	180.0	11.0	7.3
% change in Net profit before extraordinary	ns	63.0	(3.9)	5.2	7.1	13.9	(12.8)	145.8	8.6	4.5

<b>Cash Flow Statement (EUR m)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
<b>EBITDA</b>	<b>239.1</b>	<b>255.6</b>	<b>257.4</b>	<b>262.2</b>	<b>298.6</b>	<b>412.2</b>	<b>385.7</b>	<b>710.7</b>	<b>748.1</b>	<b>769.6</b>
Change in provisions excluding tax provisions	(31.2)	(0.6)	(15.4)	(12.3)	(8.9)	26.2	(44.5)	61.2	0.0	0.0
Change in net working capital	(18.6)	(112.6)	(32.3)	(31.9)	(41.9)	(162.4)	195.6	(190.3)	(88.6)	(59.8)
Gross operating cash flow	189.3	142.4	209.8	217.9	247.8	276.0	536.8	581.6	659.5	709.8
Taxes paid	(18.5)	(32.9)	(25.5)	(16.8)	(24.9)	(27.5)	(31.1)	(107.3)	(129.5)	(150.0)
Capex	(118.1)	(172.9)	(151.6)	(161.3)	(199.8)	(251.1)	(173.8)	(209.1)	(210.4)	(212.8)
<b>Free cash flow</b>	<b>52.7</b>	<b>(63.3)</b>	<b>32.7</b>	<b>39.8</b>	<b>23.1</b>	<b>(26)</b>	<b>331.9</b>	<b>265.2</b>	<b>319.7</b>	<b>347.0</b>
Net interest received	(18.2)	(16.0)	(14.8)	(22.0)	(30.8)	(31.5)	(39.2)	(48.8)	(37.7)	(20.7)
Other	17.2	75.5	96.6	(25.4)	42.1	24.2	172.3	(94.4)	36.3	38.2
Acquisitions	(33.9)	(16.9)	(21.2)	(42.7)	(14.7)	(44.2)	(3.4)	(80.4)	0.0	0.0
Divestments	5.7	0.1	86.5	0.0	4.2	0.7	(0.5)	0.0	0.0	0.0
Share issues/buybacks	(2.2)	(8.8)	(24.3)	(56.1)	(111.0)	(19.7)	(0.5)	0.0	0.0	0.0
Dividend (adj. stock dividend)	(44.9)	(45.3)	(52.2)	(74.1)	(57.2)	(62.2)	(50.6)	(58.3)	(130.6)	(141.8)
Extraordinary items (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in interest-bearing debt	32.5	77.4	20.6	39.1	136.4	180.4	(252.5)	(159.0)	(187.6)	(222.6)
<b>Change in cash &amp; cash equivalents</b>	<b>8.8</b>	<b>2.7</b>	<b>123.8</b>	<b>(141.5)</b>	<b>(7.9)</b>	<b>45.1</b>	<b>157.5</b>	<b>(175.8)</b>	<b>0.0</b>	<b>0.0</b>

<b>Balance Sheet (EUR m)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Net intangible fixed assets	119.5	118.4	125.4	134.5	122.0	111.5	105.0	133.4	132.8	132.8
Net tangible fixed assets	757.6	791.6	799.8	824.2	917.6	1,070.7	1,127.7	1,305.0	1,323.4	1,342.8
Financials fixed assets (FFA)	303.7	331.1	325.5	348.6	303.4	247.7	311.7	354.2	354.2	354.2
Inventories	322.6	419.3	348.3	368.8	385.4	510.5	358.4	477.7	520.4	553.0
Trade debtors	307.7	385.2	354.2	398.9	437.7	483.2	479.6	627.6	683.7	726.5
Other debtors	45.5	44.9	63.4	63.7	73.1	125.3	171.2	195.0	230.2	258.8
Cash & securities	81.1	98.9	222.7	81.2	73.2	118.3	275.8	100.0	100.0	100.0
<b>Total Assets</b>	<b>1,937.6</b>	<b>2,189.3</b>	<b>2,239.3</b>	<b>2,219.8</b>	<b>2,312.6</b>	<b>2,667.2</b>	<b>2,829.5</b>	<b>3,192.8</b>	<b>3,344.7</b>	<b>3,468.1</b>
Shareholder's equity	790.8	909.7	1,057.5	1,060.1	1,098.2	1,130.6	1,284.8	1,599.7	1,874.3	2,155.8
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	43.3	48.8	51.1	48.9	48.4	41.8	88.7	136.6	156.1	176.4
Provisions	361.5	373.0	357.5	331.4	298.8	373.4	329.9	391.1	391.1	391.1
Long-term interest bearing debt	312.3	242.3	288.3	274.4	322.5	288.1	598.1	439.1	251.5	28.8
Short-term interest bearing debt	176.6	312.0	245.6	218.0	253.0	503.1	151.4	151.4	151.4	151.4
Trade creditors	191.4	250.8	187.4	227.8	231.7	253.8	247.1	332.1	361.8	384.5
Other non-interest bearing liabilities	61.6	52.7	52.0	59.3	60.0	76.4	129.4	142.9	158.6	180.2
<b>Total Liabilities &amp; Capital</b>	<b>1,937.6</b>	<b>2,189.3</b>	<b>2,239.3</b>	<b>2,219.8</b>	<b>2,312.6</b>	<b>2,667.2</b>	<b>2,829.5</b>	<b>3,192.8</b>	<b>3,344.7</b>	<b>3,468.1</b>
Enterprise Value (EV)	1,220.3	1,330.5	1,503.0	1,827.0	1,829.4	1,301.6	2,299.5	4,569.7	4,401.5	4,199.2
Net debt/(Net cash)	407.9	455.4	311.2	411.2	502.2	672.9	473.7	490.5	302.8	80.2
Capital Employed incl. goodwill (avg.)	1,383.0	1,458.6	1,515.7	1,517.1	1,610.5	1,850.3	1,969.4	2,119.0	2,373.5	2,468.6
Cumulative goodwill (as of 1991)	121.1	131.3	85.3	82.2	75.2	74.6	76.6	96.6	96.6	96.6
Capital Employed (avg.)	1,266.0	1,332.4	1,407.4	1,433.3	1,531.8	1,775.5	1,893.9	2,032.5	2,277.0	2,372.0
Net working capital	422.9	545.9	526.6	544.3	604.6	788.8	632.7	825.3	913.9	973.7
Discounted value of leases	29.6	26.3	36.6	32.2	28.6	28.9	28.9	33.3	35.5	37.8
Adjusted equity	911.9	1,041.0	1,142.9	1,142.3	1,173.3	1,205.2	1,361.4	1,686.2	1,970.9	2,252.4

<b>Per Share Data (EUR)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Avg. no. of shares (m)	22.1	21.9	21.6	21.5	20.0	19.7	19.7	19.8	19.8	19.8
Eoy. no. of shares (m)	22.1	21.9	21.5	20.9	19.8	19.8	19.8	19.8	19.8	19.8
Avg. no. of shares fully diluted (m)	22.1	22.0	21.7	21.6	20.2	19.8	19.8	19.9	19.9	19.9
Enterprise Value (EV)	55.29	60.83	69.81	87.22	92.25	65.79	115.93	230.39	221.91	211.71
Net debt less FFA plus minorities	6.68	7.92	1.71	5.32	12.47	23.60	12.64	13.76	5.28	(4.92)
Sales	81.27	79.46	88.49	93.51	108.47	135.02	123.47	160.79	175.16	186.14
EBITDA	10.81	11.66	11.90	12.20	14.90	20.90	19.54	35.83	37.72	38.80
EBITA	5.06	6.75	6.93	7.05	8.93	12.49	12.45	26.18	28.01	29.05
EBIT	5.06	6.34	6.30	6.79	8.71	10.67	11.76	25.57	28.01	29.05
Net profit before extr. & amort. (EUR)	3.92	6.86	6.91	6.90	7.84	10.64	8.38	19.42	20.43	21.34
Net profit before extraordinary (EUR)	3.92	6.44	6.27	6.64	7.63	8.83	7.69	18.81	20.43	21.34
Cash Flow (EUR)	9.68	11.76	11.87	12.05	13.82	19.06	15.46	29.07	30.14	31.10
Gross Dividend (EUR)	1.75	2.00	3.00	2.50	2.76	2.80	2.94	6.58	7.15	7.47
Book value (EUR)	35.83	41.59	49.12	50.61	55.38	57.15	64.78	80.65	94.50	108.69
Adjusted equity	41.32	47.59	53.08	54.54	59.17	60.92	68.64	85.52	99.37	113.56
Free Cash Flow	2.38	(2.89)	1.51	1.85	1.15	(0.13)	16.81	13.37	16.12	17.50
% change in EPS before extr. & amort.	ns	74.88	0.76	(0.11)	13.68	35.68	(21.26)	131.74	5.22	4.46

<b>Valuation</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
P/E (excl. extr. & amort.)	10.6	7.3	9.4	11.9	12.5	8.3	9.0	11.7	11.1	10.7
P/CF (x)	4.3	4.3	5.5	6.8	7.1	4.6	4.9	7.8	7.5	7.3
P/Book (x)	1.4	1.4	1.6	1.9	1.7	0.8	1.7	2.8	2.4	2.1
Dividend yield (%)	4.2	4.0	4.6	3.0	2.8	3.2	3.9	2.9	3.1	3.3
Free cash flow yield (%)	2.2	(7.2)	0.4	0.9	(0.5)	(2.5)	18.4	4.8	6.2	7.2
EV/Sales (x)	0.7	0.8	0.8	0.9	0.8	0.5	0.9	1.4	1.3	1.1
EV/EBITDA (x)	5.1	5.2	5.8	7.0	6.1	3.2	6.0	6.4	5.9	5.5
EV/EBITA (x)	10.9	9.0	10.0	12.1	10.2	5.3	9.4	8.8	7.9	7.3
EV/EBIT (x)	10.9	9.6	11.0	12.5	10.5	6.2	9.9	9.0	7.9	7.3
EV/Capital Employed (x)	1.0	1.0	1.1	1.3	1.2	0.7	1.2	2.2	1.9	1.8
EV/CE (incl. goodwill) (x)	0.9	0.9	1.0	1.2	1.1	0.7	1.2	2.2	1.9	1.7
Share price : High (EUR)	50.70	59.75	78.95	99.60	113.40	120.32	109.05	227.95		
Share price : Low (EUR)	31.00	43.50	55.40	69.35	84.46	44.47	37.88	101.00		
Share price : Average (EUR)	41.40	50.13	65.17	82.18	98.18	88.25	75.32	227.50	227.50	227.50
Share price : Year end (EUR)	50.50	58.75	78.95	94.70	92.00	48.32	108.50	227.50	227.50	227.50

<b>Capital Efficiency/Solvability</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Sales/CE (incl. goodwill)	1.3	1.2	1.3	1.3	1.3	1.4	1.2	1.5	1.5	1.5
Sales/Fixed assets (x)	2.4	2.2	2.4	2.4	2.4	2.5	2.2	2.4	2.6	2.7
Sales/Net working capital (x)	4.2	3.2	3.6	3.7	3.6	3.4	3.9	3.9	3.8	3.8
Inventories/Sales (days)	65.5	87.9	66.4	67.0	64.7	70.0	53.7	54.7	54.7	54.7
Trade debtors/Sales (days)	62.5	80.7	67.5	72.5	73.5	66.2	71.8	71.8	71.8	71.8
Trade creditors/Sales (days)	38.9	52.6	35.7	41.4	38.9	34.8	37.0	38.0	38.0	38.0
CAPEX/Depreciation (%)	92.8	160.7	141.1	145.7	166.9	151.3	124.3	109.2	109.3	110.0
Equity/Total assets (%)	40.8	41.6	47.2	47.8	47.5	42.4	45.4	50.1	56.0	62.2
Net debt/Equity (%)	51.6	50.1	29.4	38.8	45.7	59.5	36.9	30.7	16.2	3.7
Interest cover (x)	3.2	6.3	4.8	5.5	5.2	5.4	4.0	9.4	13.6	24.0
Dividend payout (%)	44.6	29.1	43.2	35.3	34.8	26.4	35.3	33.9	35.0	35.0
ROCE (average) (%)	7.8	9.4	8.0	8.9	10.0	11.7	10.3	19.7	18.3	17.7
ROCE (incl. goodwill) (average) (%)	7.1	8.6	7.4	8.4	9.5	11.2	9.9	18.9	17.6	17.0

<b>Operating Efficiency &amp; Profitability ratios</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Sales per FTE employee ('000s)	168.9	161.4	178.9	169.2	155.4	165.3	139.0	171.1	182.6	191.2
Wage costs per FTE employee ('000s)	47.6	41.7	42.0	38.9	33.8	32.5	28.5	29.2	29.9	30.6
EBIT per FTE employee ('000s)	10.5	12.9	12.7	12.3	12.5	13.1	13.2	27.2	29.2	29.8
Gross margin (%)										
EBITDA margin (%)	13.3	14.7	13.4	13.0	13.7	15.5	15.8	22.3	21.5	20.8
Operating margin (%)	6.2	8.0	7.1	7.3	8.0	7.9	9.5	15.9	16.0	15.6
Net margin (%)	3.4	6.3	5.5	5.1	5.5	6.4	6.0	11.6	11.2	11.0
Tax rate (%)	11.9	15.5	25.0	16.0	14.3	15.8	20.4	23.0	25.0	27.0

**Important disclosures**

Issuer	Ticker	Price (EUR)
Bekaert	BEKB.BR	227.50

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Maarten Bakker - Equity Research Analyst

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5 November 2010                      ABN AMRO Bank N.V. Primary Equity Research Coverage: 102

**Historical equity recommendations and target price for Bekaert (EUR)**



**History of Target Prices**

Date	Recommendation	Target Price
8/2/2010	BUY	EUR 250.00
7/26/2010	BUY	EUR 173.00
7/23/2010	BUY	EUR 172.00
6/2/2010	BUY	EUR 166.00
5/12/2010	BUY	EUR 165.00
3/9/2010	BUY	EUR 155.00
1/7/2010	BUY	EUR 134.00
11/17/2009	BUY	EUR 127.00
11/16/2009	BUY	EUR 125.00
8/5/2009	BUY	EUR 112.00
4/7/2009	BUY	EUR 75.00

**History of Recommendations**

Date	Recommendation	Target Price
8/5/2009	BUY	EUR 112.00
5/8/2009	HOLD	EUR 75.00
4/7/2009	BUY	EUR 75.00

Source: ABN AMRO Equity Research, FactSet

**ABN AMRO Bank**

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