

Bekaert

Indy - Industrial, Diversified / Belgium

Target Price EUR 59.00

Expected performance (12 mth) 47.9%

HOLD EUR 39.88 (Closing price 01-Aug-11)

Company results

Doom and gloom fully discounted, but HOLD for now

2 August 2011

Analyst: Maarten Bakker

ABN AMRO Bank N.V.

Tel: +31 20 343 54 12

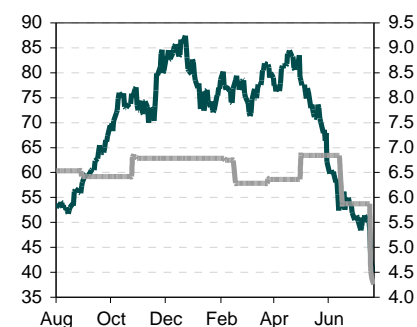
Email: maarten.bakker@nl.abnamro.com

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)	2,388.5
No. of shares (m)	59.9
Free float	62.0%
1/3/12 mth perf. (%)	(26.4)/(52.8)/(28.3)
High/low 52 weeks (EUR)	87.43/39.88
Next results due	10 November 2011
Price/book value (x)	1.4
Volatility (β) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB BB
Website	www.bekaert.com

Bekaert's 1H11 results were clearly short of expectations. While the non-China activities turned in a solid performance, it was in particular the impact of stronger-than-expected pressure on sawing wire prices that drove a 10% decline in Asia Pacific EBITE to EUR 185m (vs EUR 225m expected). As the pressure manifested itself particularly from the middle of 2Q11 onwards, the full impact of the correction in sawing wire prices will not be visible until 2H11. We further cut our Asia Pacific expectations, now looking for an erosion of the operational margin from 37.7% in FY10 to an estimated 26.8% in FY11 and 17.4% by 2015. It has resulted in an EPS cut by 28% to EUR 4.26 for FY11, by 21% to EUR 4.30 for FY12 and by 17% to EUR 4.95 for FY13 (in other words, we do not expect to see growth in earnings again until 2013). Based on our downgraded base case forecasts, we see from a fundamental perspective upside to a returns-based valuation of EUR 58 and a DCF outcome of EUR 60.

In order to see what the market is pricing in at a share price of EUR 39.89, we have run our valuation models based on a doom scenario in which the Asia Pacific margin erodes to the average of the other three divisions (9.1%) by 2013. Even this highly unlikely scenario gives a 2013 P/E valuation of 11.7x and returns-based outcome of EUR 45 and DCF of EUR 43. We thus conclude that the market is currently overly pessimistic about Bekaert's prospects. Nonetheless, we stick to a HOLD recommendation. Although we do not rule out a rebound from an oversold situation, we expect the Bekaert stock to be dead money for the time being, as ongoing uncertainty and further downgrades by brokers will likely mute share price momentum and sentiment.

Year to December	2009	2010	2011e	2012e	2013e
Sales (EUR m)	2,437.3	3,262.5	3,478.7	3,694.8	3,973.5
EBITDA (EUR m)	385.7	725.3	639.2	630.8	669.9
Net profit excl. extr. & amort. (EUR m)	165.4	385.7	254.9	257.8	296.7
Net profit (EUR m)	151.8	367.6	254.9	257.8	296.7
EBITDA margin (%)	15.8	22.2	18.4	17.1	16.9
ROCE (incl. goodwill) (%)	9.9	18.6	11.9	10.9	11.9
Net gearing (%)	36.9	35.9	34.1	21.9	9.9
EPS before extr. & amort. (EUR)	2.79	6.51	4.26	4.30	4.95
EPS (EUR)	2.56	6.21	4.26	4.30	4.95
DPS (EUR)	0.98	1.67	1.50	1.51	1.73
% change sales	(8.5)	33.9	6.6	6.2	7.5
% change EPS (excl. extr. & amort.)	(21.3)	133.0	(34.6)	1.1	15.1
EV/Sales	0.97	1.64	0.76	0.67	0.57
EV/EBITDA	6.1	7.4	4.1	3.9	3.4
P/E (excl. extr. & amort.)	9.0	8.2	9.4	9.3	8.0
P/E	9.8	8.7	9.4	9.3	8.0
PE/growth (excl. extr.)	22.9	0.2	0.3	nmf	1.0
Free cash flow yield (%)	18.4	1.2	2.5	10.0	11.3

Review 1H11 results

Bekaert's results (EUR m)						
	1H10 realised	2H10 realised	1H11 realised	Y-o-y chg.	1H11E estimated	Realised vs estimated
EMEA	526	540	614	16.7%	628	-2.3%
North America	313	325	354	13.1%	365	-2.9%
Latin America	144	167	173	20.1%	164	5.4%
Asia Pacific	552	696	639	15.8%	681	-6.2%
Consolidated sales	1,535	1,727	1,780	15.9%	1,838	-3.2%
Combined sales (incl. 100% JVs)	2,113	2,357	2,412	14.2%	2,522	-4.4%
EBITDAE	368	386	353	-4.0%	393	-10.3%
margin	24.0%	22.3%	19.8%		21.4%	
EBITE EMEA	54	41	54	0.0%	66	-18.2%
margin	10.3%	7.7%	8.8%		10.5%	
EBITE North America	21	13	28	33.3%	26	8.2%
margin	6.7%	4.0%	7.9%		7.1%	
EBITE Latin America	14	12	16	14.3%	16	-0.5%
margin	9.7%	7.1%	9.2%		9.8%	
EBITE Asia Pacific	206	265	185	-10.2%	225	-17.7%
margin	37.3%	38.0%	29.0%		33.0%	
Other	(33)	(31)	(41)	23.3%	(33)	22.7%
Total EBITE	262	300	242	-7.5%	300	-19.1%
margin	17.1%	17.4%	13.6%		16.3%	
Non-recurring items	(19)	(10)	(11)	-43.3%	(8)	40.2%
EBIT	243	291	232	-4.8%	292	-20.6%
Net financial charges	(16)	(17)	(35)	122.9%	(28)	25.1%
EBT	228	274	197	-13.5%	264	-25.4%
Taxes	(51)	(88)	(54)	4.3%	(74)	-27.7%
as % of EBT	22.5%	32.2%	27.2%		28.0%	
Share in results joint ventures	19	17	14	-24.7%	20	-29.0%
Result discontinued operations	0	0	0	#DIV/0!	0	#DIV/0!
Minority interests	(14)	(17)	(13)	-6.6%	(16)	-15.1%
Net profit continuing operations	181	187	144	-20.3%	194	-25.8%
EPS basic (EUR)	3.05	3.15	2.45	-19.7%	3.27	-25.0%

Source: company data and ABN AMRO estimates

1H11 consolidated revenue increased by 16% (+7% volumes, + 8% raw materials, +3% pricing/mix, -2% fx and -0.4% consolidation) to EUR 1,780m (somewhat light of our forecast of EUR 1,838). Yet, group EBITE declined by 8% to EUR 242m (representing a 350bps margin decline to 13.6%), which was clearly shy of our forecast of EUR 300m. On the one hand, EBITE benefited from windfall FIFO gains on inventories to the tune of EUR 21m (roughly the same as in1H10), of which EUR 15m for EMEA, EUR 4m for North America and EUR 2m for Asia Pacific. On the other hand, EBITE included a EUR 21m addition to the bad debt reserve in China. This resulted from Bekaert's strict policy to fully provision for any receivable that is more than 90 days overdue (while EUR 14m was added to the bad debt reserve two years ago, Bekaert stressed that it has never had to incur a credit loss in China so far).

Do not overlook that non-China was solid

Needless to say, the 1H11 results were overshadowed by the shortfall of the Asia Pacific results due a faster and stronger than expected impact of competitive pressures on sawing wire prices. Before we continue on this matter, let's not forget that the other activities outside China performed well:

- EMEA was said to have benefited from strong markets (particularly automotive). Management indicated that the *EBITE* margin would actually have been at the same level of last year (instead of the reported 130bps decline to 8.9%), if it had not been for initiatives to upscale industrial activities and start-up costs for manufacturing expansions (in Belgium, Slovakia and Russia)
- North America achieved admirable organic growth in revenue of 21%, of which +11% due to volume and +5% thanks to pricing/mix (the remaining 6% relates to raw materials). The higher capacity utilisation and stronger mix rate drove a 110bps improvement of the margin to 7.8% (7.1% expected) and a 33% higher *EBITE*.
- Latin America performed in line with our expectations, with 7% volume growth and a stable margin of 9.3%. Because of the less innovative product segments (low R&D intensity), this division achieves a high ROCE of 20%. However, a sluggish performance was turned in by the joint ventures in Brazil and Chile, which suffered from competitive imports due to strong local currencies (the income from joint ventures had declined from EUR 18.8m in 1H10 to EUR 14.1m in 1H11, compared to our expectation of EUR 19.9m)
- Management said that revenue growth in India and Indonesia exceeded 50% in 1H11 (although revenue from these countries represented a fairly limited 14% of Asia Pacific sales in FY10).

Asia Pacific estimates slashed further

We now turn back to the shortfall of the Asia Pacific division. Revenue was up by 16% for 1H11 (+9% volume, +4% raw materials, +4% pricing/mix, -2% fx and +1% consolidation), but it fell from EUR 353m in 1Q11 to EUR 286m in 2Q11 (-19% q-o-q). This drop reflects mostly the pressure on sawing wire prices (management declined to quantify the pressure). As management indicated that the pricing pressure had manifested itself particularly from the middle of 2Q11, the impact must have been quite severe. Bekaert is adjusting its sawing wire prices in order to defend its market position against new entrants. However, management could not yet really tell how effective its measures were at doing so. Moreover, demand for sawing wire temporarily declined due reduced fiscal stimulus policies in Europe for solar energy and overcapacity in solar panel manufacturing. On a slightly positive note, management said that very early signs of a pick up were seen, with only a couple of weeks increasing demand for solar wafers. A clear slowdown of growth ("to a couple of percentage points") was also experienced by the truck tyre cord business (the truck tyre segment represents c. 70% of the tyre cord business), as the Chinese transport markets faced a reduced impact of previous stimulus packages and tighter financing conditions. In the tyre cord segment, however, pricing pressure was said to be at the usual levels. Management believes that the slack in truck tyre cord is temporary.

During the analyst meeting, a few words were spent on diamond-coated sawing wire. This is a new product that may enable producers of solar wafers to reduce costs by eliminating slurry and further increase the cut speed. Bekaert is ahead of its competitors with diamond-coated sawing wire technology, which could help it to mitigate the commoditisation of conventional straight wire technology. However, we found Bekaert's management rather reserved on diamond-coated sawing wire, saying that the technology still needs further development, that it still needs to prove itself and that not everyone is interested in it.

The sawing wire price cuts caused the divisional margin to decline by 630bps to 29.0% (33.0% expected) in 1H11, driving a 10% decline in *EBITE* to EUR 185m (below our forecast of EUR 225m). If we strip out one-offs

(inventory FIFO gains of EUR 5m in 1H10 and EUR 2m in 1H11 and the EUR 21m bad debt provision in 1H11), EBITE showed a stable y-o-y development from EUR 201m (36.4% margin) in 1H10 to EUR 204m (31.9% margin) in 1H11. However, we do not know the earnings split between 1Q11 and 2Q11. But, with 1Q11 still being very strong at the top-line level, we assume that there has been quite a strong erosion of earnings in 2Q11. We believe that this is the trend should be extrapolated to 2H11, and in our view also into 2012 (as there still seems to be substantial downside risk to sawing wire prices and margins). Visibility is limited at the moment and the 2H11 results should paint a clearer picture of the full impact of the correction in sawing wire prices.

We slashed our EBITE forecast for Asia Pacific for FY11 from EUR 400m (31.0% margin) to EUR 311m (26.8% margin). It implies for 2H11 a fall to EUR 126m (24.1% margin), compared with EUR 265m (38.0% margin) realised in 2H10 and EUR 185m (29.0% margin, including EUR 21m bad debt provision) in 1H11.

Forecasts Asia Pacific division (EUR m)

	2009	2010	2011E	2012E	2013E	2014E	2015E
Sawing wire sales	226.6	449.3	290.2	243.6	285.6	315.0	340.3
% chg.		98.3%	-35.4%	-16.1%	17.2%	10.3%	8.0%
Sawing wire EBITE	145.3	282.3	138.3	84.6	95.8	98.1	96.1
margin	64.1%	62.8%	47.7%	34.7%	33.5%	31.1%	28.2%
% chg.		94.3%	-51.0%	-38.8%	13.2%	2.4%	-2.1%
Automotive sales	501.7	624.0	631.7	676.0	730.0	788.4	827.9
% chg.		24.4%	1.2%	7.0%	8.0%	8.0%	5.0%
Automotive EBITE	130.4	162.2	139.0	135.2	131.4	126.2	124.2
margin	26.0%	26.0%	22.0%	20.0%	18.0%	16.0%	15.0%
% chg.		24.4%	-14.3%	-2.7%	-2.8%	-4.0%	-1.6%
Other sales	80.9	174.7	239.7	317.6	381.1	438.3	482.1
% chg.		115.9%	37.2%	32.5%	20.0%	15.0%	10.0%
Other EBITE	12.1	26.2	33.6	44.5	53.4	61.4	67.5
margin	15.0%	15.0%	14.0%	14.0%	14.0%	14.0%	14.0%
% chg.		115.9%	28.0%	32.5%	20.0%	15.0%	10.0%
Total sales Asia Pacific	809.2	1,248.0	1,161.6	1,237.2	1,396.7	1,541.7	1,650.3
% chg.	13.5%	54.2%	-6.9%	6.5%	12.9%	10.4%	7.0%
Total EBITE Asia Pacific	287.9	470.7	310.9	264.3	280.5	285.6	287.8
margin	35.6%	37.7%	26.8%	21.4%	20.1%	18.5%	17.4%
% chg.	15.6%	63.5%	-34.0%	-15.0%	6.1%	1.8%	0.8%
Old EBITE forecast			400.4	323.8	339.1	362.1	382.2
margin			31.0%	24.5%	23.2%	22.5%	22.0%
% downgrade			-22.4%	-18.4%	-17.3%	-21.1%	-24.7%

Source: ABN AMRO

We also further reduced our longer-term forecasts for the Asia Pacific division. We believe that the correction in sawing wire could continue in 2012, as prices and margins are still at a relatively high level. We believe that average sawing wire prices still are about 7-8 times higher than average prices for tyre cord (for FY11, we estimate an ASP for sawing wire of RMB 90,000-95,000/tonne, compared with RMB 12,000-13,000/tonne for tyre cord). According to Xingda, tyre cords and sawing wires can share up to 80% of manufacturing equipment, although sawing wires are more costly to make owing to the additional processing, which requires even more stringent precision. It makes us feel that there still is further downside risk to sawing wire prices, although we do not wish to suggest that the pricing gap to tyre cord will be fully closed (as sawing wire is a higher value added product with higher production costs). Following an assumed 22% fall in the ASP for Bekaert's sawing wire in FY11, we pencilled

in another 18% decline in FY12 and 5% in FY13. Our longer-term forecasts for Asia Pacific assume a modest decline of absolute EBITE from EUR 311 in FY11 to EUR 288m in FY15, as solid top-line growth is offset by an estimated erosion of the margin from 26.8% in FY11 to 17.4% by FY15 (in our DCF valuation of Bekaert, we assume for Asia Pacific an exit margin of 15.4% in 2020). This is on an assumed erosion of the margin between FY11 and FY15 from 47.7% to 28.2% for sawing wire, from 22.0% to 15.0% for the Automotive segment (predominantly tyre cord, and a stable margin of 14% for the Other segment. The table below shows our forecasts for the Asia Pacific division (and the difference to our previous forecasts).

EPS estimates 2011/2012/2013 cut by 28/21/17%

Based on lowered forecasts for EMEA, (particularly) Asia Pacific and joint ventures, we cut our FY11 EPS forecast by EUR 1.62 (28%) to EUR 4.26 (see table below for the changes).

Sources of change in FY2011 estimates (EUR m)

	Previous estimates	New estimates	Change	Change per share (EUR)
EBITE EMEA	122	104	(18)	(0.30)
Margin	9.8%	8.4%		
EBITE North America	49	55	5	0.09
margin	6.8%	7.6%		
EBITE Latin America	31	32	2	0.03
margin	8.8%	9.0%		
EBITE Asia Pacific	400	311	(90)	(1.49)
margin	31.0%	26.8%		
Other	(66)	(75)	(9)	(0.15)
Total EBITE	536	427	(110)	(1.83)
margin	14.8%	12.3%		
Non-recurring items	(15)	(17)	(2)	(0.03)
Net financial charges	(54)	(64)	(11)	(0.18)
Taxes as % of EBT	(131) 28.0%	(97) 28.0%	34	0.57
Share in results joint ventures	44	30	(14)	(0.24)
Result discontinued operations	0	0	0	0.00
Minority interests	(29)	(24)	5	0.09
Net profit continuing operations	352	255	(97)	(1.62)
EPS basic (EUR)	5.87	4.26	(1.62)	

Source: ABN AMRO estimates

We reduced our EPS forecast by EUR 1.13 (21%) to EUR 4.30 for FY12 and by EUR 1.01 (17%) to EUR 4.95 for FY13 (see table below). It is thus not until 2013 that we expect to see clear growth in earnings again. The table on the following page shows the detail behind our new forecasts.

Old versus new forecasts (EUR m)

	2011			2012			2013		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
Sales	3,611	3,479	-4%	3,764	3,695	-2%	4,021	3,974	-1%
EBITE	536	427	-20%	484	415	-14%	508	454	-11%
margin	14.8%	12.3%		12.9%	11.2%		12.6%	11.4%	
EPS (EUR)	5.87	4.26	-28%	5.44	4.30	-21%	5.96	4.95	-17%

Source: ABN AMRO

P&L Bekaert (EUR m)

	2009	1H10	2H10	2010	1H11	2H11E	2011E	2012E	2013E
EMEA	827	526	540	1,066	614	625	1,239	1,326	1,392
North America	473	313	325	638	354	367	721	749	779
Latin America	327	144	167	311	173	185	358	383	406
Asia Pacific	809	552	696	1,248	639	523	1,162	1,237	1,397
Consolidated sales	2,437	1,535	1,727	3,262	1,780	1,699	3,479	3,695	3,974
% chg.	-8.5%	27.9%	39.6%	33.9%	15.9%	-1.7%	6.6%	6.2%	7.5%
organic	-16.9%	29.2%	33.7%	31.5%	7.0%	13.1%	10.2%	6.9%	7.9%
fx	2.5%	-2.6%	4.5%	1.0%	-2.1%	-1.1%	-1.6%	0.0%	0.0%
consolidation	5.9%	1.3%	1.5%	1.4%	-0.4%	2.2%	1.0%	0.9%	0.0%
EBITDAE	410	368	386	754	353	303	656	646	685
margin	16.8%	24.0%	22.3%	23.1%	19.8%	17.9%	18.9%	17.5%	17.2%
% chg.	-17.3%	141.8%	49.5%	83.7%	-4.0%	-21.4%	-12.9%	-1.6%	6.1%
EBITE EMEA	2	54	41	95	54	50	104	119	132
margin	0.2%	10.3%	7.7%	8.9%	8.8%	8.0%	8.4%	9.0%	9.5%
% chg	-97.6%	nmf	85.8%	5722.9%	0.0%	21.2%	9.2%	14.6%	10.8%
EBITE North America	(5)	21	13	34	28	27	55	60	62
margin	-1.1%	6.7%	4.0%	5.3%	7.9%	7.3%	7.6%	8.0%	8.0%
% chg	-120.2%	nmf	nmf	nmf	33.3%	104.1%	60.5%	9.5%	4.0%
EBITE Latin America	28	14	12	26	16	16	32	36	41
margin	8.4%	9.7%	7.1%	8.3%	9.2%	8.8%	9.0%	9.5%	10.0%
% chg	75.0%	66.7%	-37.7%	-5.9%	14.3%	35.8%	24.2%	12.9%	11.6%
EBITE Asia Pacific	288	206	265	471	185	126	311	264	281
margin	35.6%	37.3%	38.0%	37.7%	29.0%	24.1%	26.8%	21.4%	20.1%
% chg	15.6%	60.9%	65.6%	63.5%	-10.2%	-52.5%	-34.0%	-15.0%	6.1%
Other	(55)	(33)	(31)	(64)	(41)	(35)	(75)	(65)	(62)
Total EBITE	257	262	300	562	242	184	427	415	454
margin	10.5%	17.1%	17.4%	17.2%	13.6%	10.8%	12.3%	11.2%	11.4%
% chg.	-12.7%	205.2%	75.8%	119.1%	-7.5%	-38.7%	-24.2%	-2.7%	9.3%
Non-recurring items	(25)	(19)	(10)	(28)	(11)	(6)	(17)	(15)	(15)
EBIT	232	243	291	534	232	178	410	400	439
Net financial charges	(66)	(16)	(17)	(32)	(35)	(30)	(65)	(56)	(43)
EBT	167	228	274	502	197	148	345	344	396
Taxes	(34)	(51)	(88)	(139)	(54)	(43)	(97)	(100)	(115)
as % of EBT	20.4%	22.5%	32.2%	27.8%	27.2%	29.1%	28.0%	29.0%	29.0%
Share in results joint ventures	38	19	17	36	14	16	30	37	43
Result discontinued operations	0	0	0	0	0	0	0	0	0
Minority interests	(19)	(14)	(17)	(31)	(13)	(10)	(24)	(24)	(28)
Net profit continuing operations	152	181	187	368	144	111	255	258	297
% chg.	-12.8%	309.6%	73.5%	142.2%	-20.3%	-40.7%	-30.7%	1.1%	15.1%
EPS basic (EUR)	2.56	3.05	3.15	6.21	2.45	1.85	4.26	4.30	4.95
% chg.	-12.9%	308.3%	73.4%	142.1%	-19.7%	-41.4%	-31.4%	1.1%	15.1%
DPS (EUR)	0.98	0.67		1.67	0.67		1.50	1.51	1.73
pay out	38.4%	21.9%		27.2%	27.8%		35.2%	35.0%	35.0%

Source: company data and ABN AMRO estimates

Valuation

In this section, we compare Bekaert’s valuation on our base case assumptions and with that for a doom scenario (in which Asia Pacific margins fall back to the average of the other divisions by 2013).

Valuation on base case assumptions

Attractive valuation of 9.5x P/E 2012, but limited growth and high forecast risk

On our new base case forecasts for 2012, the Bekaert stock trades at an attractive valuation of 9.5x P/E and 3.9x EV/EBITDA (note: EV adjusted for estimated market value JVs). It must be said, though, that these multiples should be considered against the background of limited earnings growth in the coming two years and significant forecast risk.

Returns-based valuation of EUR 58 on 2012 numbers

Our preferred way to estimate a fair value for Bekaert is by means of a returns-based approach (which gives a per share valuation implied by $EV/CE = ROCE/WACC$). The table below shows that this approach yields an outcome of EUR 58 on (trough) 2012 forecasts (implying a 2012 valuation of 13.5x P/E and 5.5x EV/EBITDA). The 2013 outcome stands at EUR 67.

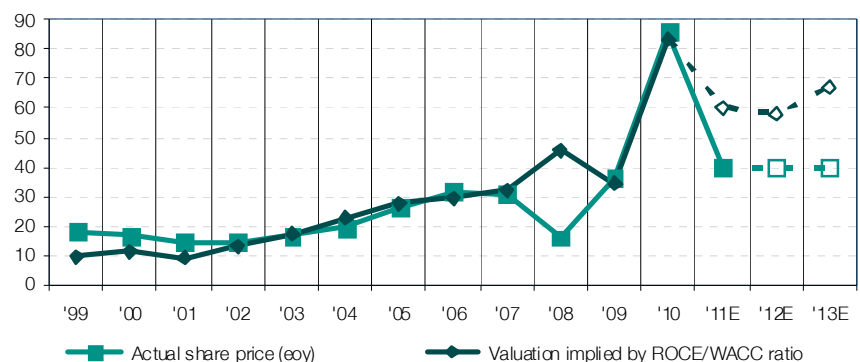
Returns-based valuation Bekaert (EUR m)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012E	2013E
EBITE	123.8	121.7	147.6	167.9	162.7	186.3	294.2	256.8	562.5	426.6	415.1	453.8
margin	6.6%	6.8%	8.5%	8.8%	8.1%	8.6%	11.1%	10.5%	17.2%	12.3%	11.2%	11.4%
ROCE (incl. cum. goodwill)	7.2%	7.9%	8.7%	8.4%	9.1%	10.0%	13.5%	10.5%	19.0%	12.4%	11.4%	12.4%
WACC	8.7%	8.7%	8.7%	7.9%	8.3%	8.8%	8.9%	8.9%	8.5%	8.4%	8.4%	8.3%
ROCE (incl. cum. goodwill)/WACC	0.8	0.9	1.0	1.1	1.1	1.1	1.5	1.2	2.2	1.5	1.4	1.5
Actual EV/Capital employed valuation	0.9	0.9	0.9	1.0	1.2	1.1	0.7	1.2	2.3	1.0	0.9	0.9
Valuation implied by ROCE/WACC (EUR)	13.23	17.20	22.57	27.68	29.54	32.22	45.55	34.43	83.37	60.23	58.06	67.21
Actual average share price (EUR)	14.38	16.83	19.58	26.32	31.57	30.67	16.11	36.17	85.90	39.89	39.89	39.89

Source: ABN AMRO

Back-testing validates the returns-based valuation methodology, as Bekaert’s historical share price development has tracked the outcome closely (see the chart below). At the moment, however, the share price seems to overshoot on the downside (like happened during the economic crisis in 2008).

Development Bekaert’s valuation implied by ROCE/WACC ratio versus actual eoy share price (EUR)



Source: ABN AMRO

DCF indicates fair value of EUR 60

The returns-based valuation is supported by the outcome of EUR 60 indicated by our DCF model (which is shown in the table on the following page). The outcome is based on a WACC of 8.5% and terminal growth rate of 0%. It is furthermore based on an exit group EBITE margin for 2020 of 10.0% (down from an estimated 12.3% for 2011), including 15.4% for Asia Pacific (down from an estimated 26.8% for 2011).

DCF valuation Bekaert, including DDM valuation JVs/associates (EUR m)

	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	Terminal value	CAGR '11 - '20
Revenue	3,479	3,695	3,974	4,214	4,220	4,374	4,569	4,743	4,906	5,074		4.5%
% chg.	6.6%	6.2%	7.5%	6.0%	0.1%	3.7%	4.5%	3.8%	3.4%	3.4%		
EBIT (recurring)	427	415	454	460	390	432	469	489	496	509		-1.0%
margin	12.3%	11.2%	11.4%	10.9%	9.2%	9.9%	10.3%	10.3%	10.1%	10.0%		
% chg.	-24.2%	-2.7%	9.3%	1.3%	-15.1%	10.6%	8.7%	4.3%	1.4%	2.7%		
Taxes	(119)	(120)	(132)	(133)	(113)	(125)	(136)	(142)	(144)	(148)		
effective tax rate	28.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%		
NOPAT	307	295	322	326	277	306	333	347	352	362		-1.2%
% chg.	-24.4%	-4.0%	9.3%	1.3%	-15.1%	10.6%	8.7%	4.3%	1.4%	2.7%		
Depreciation and amortisation	230	231	231	231	230	228	231	233	234	234		
Change in provisions	21	0	0	0	0	0	0	0	0	0		
Change in net working capital	(195)	3	(17)	(23)	18	(39)	(53)	(47)	(44)	(46)		
Net CAPEX	(248)	(238)	(224)	(215)	(202)	(270)	(268)	(247)	(234)	(234)		
Free cash flow / Terminal value	114	290	312	319	324	226	243	286	308	316	4,260	
% chg.	31.1%	154.0%	7.6%	2.1%	1.6%	-30.3%	7.6%	17.8%	7.8%	2.5%		
WACC	8.5%											
Terminal growth	0.0%											
Discount factor	96.0%	88.5%	81.6%	75.2%	69.3%	63.9%	58.9%	54.3%	50.0%	46.1%	46.1%	
Present value FCFs/Terminal value	110	257	255	239	224	144	143	155	154	146	1,964	
Sum PV FCFs	1,826											
PV Terminal value	1,964											
Value consolidated business	3,790											
DDM valuation JVs/associates	512											
Financial fixed assets	32											
Minority interests	(86)											
Pension deficit	(142)											
Net cash/(interest-bearing debt)	(522)											
Equity value	3,585											
Number of shares ('000s)	59,885											
DCF value per share (EUR)	59.86											
Share price (EUR)	39.89											
Upside / downside	50.1%											

Source: ABN AMRO

Sensitivity analysis DCF valuation per share (EUR)

WACC	Terminal growth rate		
	0.0%	1.0%	2.0%
8.1%	64.14	69.35	76.29
8.6%	59.86	64.24	69.96
9.1%	56.07	59.78	64.55

Source: Fortis estimates

Valuation multiples implied by DCF outcome

	2011E	2012E	2013E
P/E	14.1	13.9	12.1
P/B (excl. goodw.)	2.1	1.9	1.7
EV/Sales	1.1	1.0	1.0
EV/EBITDA	5.8	5.9	5.5
EV/EBIT	8.9	9.1	8.4

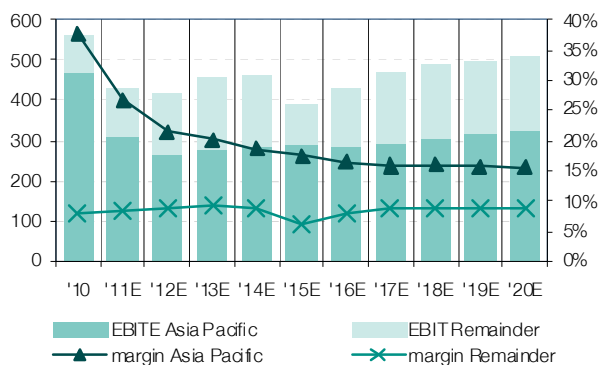
Source: Fortis estimates

Valuing a doom scenario in which Asia Pacific margins fall back to the average of the other divisions by 2013

Valuation on doom scenario Asia Pacific

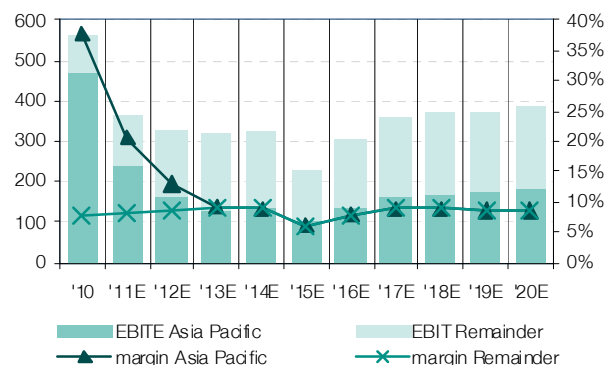
On our base case assumptions, we see upside to a fair value of around EUR 59. The market currently seems to be discounting a much worse scenario. In this section, we run our valuation models based on a doom scenario for the Asia Pacific division to put the current share price in perspective. Our doom scenario assumes that the operating margins of the Asia Pacific division erode within three years back to the average margin of the other three divisions (which we forecast to be 9.1% in 2013). We stress that this is a highly unlikely scenario, given Bekaert enjoys in China a more attractive tyre cord market (35% market share and a fragmented customer base) and a stronger exposure to the high-added value sawing wire product (about one-third of sales). The charts below illustrate the difference in EBITE between our base case forecasts (left-hand chart) and the doom scenario for Asia Pacific.

Base case EBITE forecasts (EUR m)



Source: ABN AMRO estimates

Doom scenario EBITE forecasts for Asia Pacific



Source: ABN AMRO estimates

P/E valuation in doom scenario of 11.7x P/E 2013

The table below shows that Bekaert’s 2013 valuation based on our doom scenario assumptions amounts to 11.7x P/E (8.0x for base case) and 4.4x EV/EBITDA (3.3x for base case). Even these multiples look fairly attractive.

Valuation doom scenario compared to base case (EUR m)

	2011E	2012E	2013E	2014E
EBITE doom scenario	365.6	325.3	319.1	328.4
EBITE base case scenario	426.6	415.1	453.8	459.6
EPS doom scenario	3.57	3.28	3.40	3.65
EPS base case	4.26	4.30	4.95	5.23
P/E doom scenario	11.2	12.2	11.7	10.9
P/E base case	9.4	9.3	8.0	7.6
EV/EBITDA doom scenario	4.5	4.6	4.4	4.1
EV/EBITDA base case	4.0	3.8	3.3	3.0

Source: ABN AMRO

Returns-based valuation in doom scenario of EUR 45

The table on the following page shows that the earlier-described returns based valuation approach applied to doom scenario forecasts yields an outcome of EUR 45 for 2012 and EUR 47 for 2013 (compared with EUR 58 and EUR 67, respectively, for our base case forecasts)

Returns-based valuation based on doom scenario Asia Pacific division (EUR m)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012E	2013E
EBITE	123.8	121.7	147.6	167.9	162.7	186.3	294.2	256.8	562.5	365.6	325.3	319.1
margin	6.6%	6.8%	8.5%	8.8%	8.1%	8.6%	11.1%	10.5%	17.2%	10.5%	8.8%	8.0%
ROCE (incl. cum. goodwill)	7.2%	7.9%	8.7%	8.4%	9.1%	10.0%	13.5%	10.5%	19.0%	10.7%	9.0%	8.8%
WACC	8.7%	8.7%	8.7%	7.9%	8.3%	8.8%	8.9%	8.8%	8.4%	8.3%	8.2%	8.1%
ROCE (incl. cum. goodwill)/WACC	0.8	0.9	1.0	1.1	1.1	1.1	1.5	1.2	2.3	1.3	1.1	1.1
Actual EV/Capital employed valuation	0.9	0.9	0.9	1.0	1.2	1.1	0.7	1.2	2.3	1.0	1.0	0.9
Valuation implied by ROCE/WACC (EUR)	13.23	17.20	22.57	27.68	29.54	32.22	45.55	34.50	83.83	51.27	44.72	46.50
Actual average share price (EUR)	14.38	16.83	19.58	26.32	31.57	30.67	16.11	36.17	85.90	39.89	39.89	39.89

Source: ABN AMRO

DCF in doom scenario of EUR 43 And a DCF valuation of our doom scenario indicates a fair value of EUR 43 (see table below).

DCF valuation for doom scenario Asia Pacific (EUR m)

	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	Terminal value	CAGR '11 - '20
Revenue	3,479	3,695	3,974	4,214	4,220	4,374	4,569	4,743	4,906	5,074		4.5%
% chg.	6.6%	6.2%	7.5%	6.0%	0.1%	3.7%	4.5%	3.8%	3.4%	3.4%		
EBIT (recurring)	366	325	319	328	225	303	356	370	371	384		-3.8%
margin	10.5%	8.8%	8.0%	7.8%	5.3%	6.9%	7.8%	7.8%	7.6%	7.6%		
% chg.	-35.0%	-11.0%	-1.9%	2.9%	-31.5%	34.5%	17.8%	3.8%	0.3%	3.4%		
Taxes	(102)	(94)	(93)	(95)	(65)	(88)	(103)	(107)	(108)	(111)		
effective tax rate	28.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%		
NOPAT	263	231	227	233	160	215	253	263	263	272		-3.9%
% chg.	-35.2%	-12.3%	-1.9%	2.9%	-31.5%	34.5%	17.8%	3.8%	0.3%	3.4%		
Depreciation and amortisation	230	231	231	231	230	228	231	233	234	234		
Change in provisions	21	0	0	0	0	0	0	0	0	0		
Change in net working capital	(195)	3	(17)	(23)	18	(39)	(53)	(47)	(44)	(46)		
Net CAPEX	(248)	(238)	(224)	(215)	(202)	(270)	(268)	(247)	(234)	(234)		
Free cash flow / Terminal value	70	226	216	225	206	134	163	201	219	227	3,224	
% chg.	-19.3%	221.9%	-4.4%	4.2%	-8.5%	-35.0%	21.3%	23.7%	9.2%	3.3%		
WACC	8.4%											
Terminal growth	0.0%											
Discount factor	96.0%	88.5%	81.6%	75.3%	69.4%	64.0%	59.0%	54.4%	50.2%	46.3%	46.3%	
Present value FCFs/Terminal value	67	200	177	170	143	86	96	109	110	105	1,492	
Sum PV FCFs	1,263											
PV Terminal value	1,492											
Value consolidated business	2,755											
DDM valuation JVs/associates	512											
Financial fixed assets	32											
Minority interests	(86)											
Pension deficit	(142)											
Net cash/(interest-bearing debt)	(522)											
Equity value	2,550											
Number of shares ('000s)	59,885											
DCF value per share (EUR)	42.57											
Share price (EUR)	39.89											
Upside / downside	6.7%											

Source: ABN AMRO

The market is overly pessimistic on Bekaert at EUR 39.89

The exercise of pencilling in a highly unlikely doom scenario in our valuation models leads us to conclude that the market is overly pessimistic at a share price of EUR 39.89 for Bekaert.

P & L Statement (EUR m) Year to December	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Net sales	1,741.9	1,914.3	2,009.6	2,173.6	2,662.4	2,437.3	3,262.5	3,478.7	3,694.8	3,973.5
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personnel costs	(450.3)	(449.9)	(462.0)	(472.6)	(524.2)	(499.1)	(596.9)	(621.5)	(646.5)	(674.5)
Other operating costs										
EBITDA	255.6	257.4	262.2	298.6	412.2	385.7	725.3	639.2	630.8	669.9
Depreciation	(107.6)	(107.4)	(110.7)	(119.7)	(165.9)	(139.8)	(173.0)	(229.6)	(230.7)	(231.2)
EBITA	148.0	150.0	151.4	178.9	246.3	245.8	552.3	409.6	400.1	438.8
Reported provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	(9.0)	(13.7)	(5.5)	(4.3)	(35.8)	(13.6)	(18.0)	0.0	0.0	0.0
EBIT	139.0	136.3	145.9	174.6	210.5	232.2	534.3	409.6	400.1	438.8
Net financials	(20.5)	(15.3)	(31.0)	(41.0)	(49.2)	(65.6)	(32.4)	(64.6)	(56.1)	(42.8)
Profit Before Taxes (PBT)	118.5	121.0	114.9	133.6	161.2	166.6	501.9	345.0	344.0	395.9
Taxes	(18.4)	(30.3)	(18.4)	(19.1)	(25.5)	(33.9)	(139.5)	(96.6)	(99.8)	(114.8)
Income from associates	53.5	56.9	51.0	47.1	56.1	37.8	36.1	30.2	37.5	43.2
Minorities	(12.3)	(12.0)	(4.8)	(8.7)	(17.7)	(18.6)	(30.9)	(23.7)	(23.9)	(27.6)
Net profit before extraordinary	141.3	135.7	142.8	152.9	174.1	151.8	367.6	254.9	257.8	296.7
Extraordinary items	26.3	54.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net reported profit	167.6	189.9	142.8	152.9	174.1	151.8	367.6	254.9	257.8	296.7
% change in Sales	(3.1)	9.9	5.0	8.2	22.5	(8.5)	33.9	6.6	6.2	7.5
% change in EBITDA	6.9	0.7	1.8	13.9	38.0	(6.4)	88.1	(11.9)	(1.3)	6.2
% change in EBITA	32.4	1.3	1.0	18.1	37.7	(0.2)	124.7	(25.8)	(2.3)	9.7
% change in PBT	72.1	2.1	(5.0)	16.3	20.7	3.3	201.3	(31.3)	(0.3)	15.1
% change in Net profit before extraordinary	63.0	(3.9)	5.2	7.1	13.9	(12.8)	142.2	(30.7)	1.1	15.1

Cash Flow Statement (EUR m)	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
EBITDA	255.6	257.4	262.2	298.6	412.2	385.7	725.3	639.2	630.8	669.9
Change in provisions excluding tax provisions	(0.6)	(15.4)	(12.3)	(8.9)	26.2	(44.5)	1.7	21.0	0.0	0.0
Change in net working capital	(112.6)	(32.3)	(31.9)	(41.9)	(162.4)	195.6	(276.9)	(195.4)	2.7	(17.2)
Gross operating cash flow	142.4	209.8	217.9	247.8	276.0	536.8	450.1	464.8	633.5	652.7
Taxes paid	(32.9)	(25.5)	(16.8)	(24.9)	(27.5)	(31.1)	(113.3)	(96.6)	(99.8)	(114.8)
Capex	(172.9)	(151.6)	(161.3)	(199.8)	(251.1)	(173.8)	(249.1)	(248.2)	(238.1)	(224.1)
Free cash flow	(63.3)	32.7	39.8	23.1	(2.6)	331.9	87.7	120.0	295.6	313.8
Net interest received	(16.0)	(14.8)	(22.0)	(30.8)	(31.5)	(39.2)	(43.5)	(61.4)	(56.1)	(42.8)
Other	75.5	96.6	(25.4)	42.1	24.2	172.3	16.6	65.5	27.9	32.1
Acquisitions	(16.9)	(21.2)	(42.7)	(14.7)	(44.2)	(3.4)	(29.9)	(48.0)	0.0	0.0
Divestments	0.1	86.5	0.0	4.2	0.7	(0.5)	12.6	0.0	0.0	0.0
Share issues/buybacks	(8.8)	(24.3)	(56.1)	(111.0)	(19.7)	(0.5)	(57.7)	0.0	0.0	0.0
Dividend (adj. stock dividend)	(45.3)	(52.2)	(74.1)	(57.2)	(62.2)	(50.6)	(118.5)	(99.8)	(89.7)	(90.2)
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	77.4	20.6	39.1	136.4	180.4	(252.5)	299.8	23.7	(177.7)	(212.9)
Change in cash & cash equivalents	2.7	123.8	(141.5)	(7.9)	45.1	157.5	167.1	0.0	0.0	0.0

Balance Sheet (EUR m)	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Net intangible fixed assets	118.4	125.4	134.5	122.0	111.5	105.0	131.1	134.3	138.2	143.2
Net tangible fixed assets	791.6	799.8	824.2	917.6	1,070.7	1,127.7	1,295.1	1,310.5	1,314.0	1,301.9
Financials fixed assets (FFA)	331.1	325.5	348.6	303.4	247.7	311.7	339.6	339.6	339.6	339.6
Inventories	419.3	348.3	368.8	385.4	510.5	358.4	507.7	598.5	605.3	629.2
Trade debtors	385.2	354.2	398.9	437.7	483.2	479.6	774.3	844.7	856.7	877.7
Other debtors	44.9	63.4	63.7	73.1	125.3	171.2	182.4	220.6	243.3	265.0
Cash & securities	98.9	222.7	81.2	73.2	118.3	275.8	442.9	442.9	442.9	442.9
Total Assets	2,189.3	2,239.3	2,219.8	2,312.6	2,667.2	2,829.5	3,673.1	3,891.2	3,940.1	3,999.6
Shareholder's equity	909.7	1,057.5	1,060.1	1,098.2	1,130.6	1,284.8	1,610.7	1,765.8	1,933.8	2,140.3
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	48.8	51.1	48.9	48.4	41.8	88.7	86.0	100.2	114.5	131.1
Provisions	373.0	357.5	331.4	298.8	373.4	329.9	379.9	400.9	400.9	400.9
Long-term interest bearing debt	242.3	288.3	274.4	322.5	288.1	598.1	700.5	724.2	546.5	333.6
Short-term interest bearing debt	312.0	245.6	218.0	253.0	503.1	151.4	320.3	320.3	320.3	320.3
Trade creditors	250.8	187.4	227.8	231.7	253.8	247.1	341.7	354.8	366.7	394.4
Other non-interest bearing liabilities	52.7	52.0	59.3	60.0	76.4	129.4	234.2	225.1	257.4	279.1
Total Liabilities & Capital	2,189.3	2,239.3	2,219.8	2,312.6	2,667.2	2,829.5	3,673.1	3,891.2	3,940.1	3,999.6
Enterprise Value (EV)	1,330.5	1,503.0	1,827.0	1,829.4	1,317.4	2,370.5	5,350.0	2,632.2	2,468.9	2,272.6
Net debt/(Net cash)	455.4	311.2	411.2	502.2	672.9	473.7	577.9	601.5	423.8	211.0
Capital Employed incl. goodwill (avg.)	1,458.6	1,515.7	1,517.1	1,610.5	1,850.3	1,969.4	2,148.5	2,486.8	2,599.6	2,610.2
Cumulative goodwill (as of 1991)	131.3	85.3	82.2	75.2	74.6	76.6	77.5	77.5	77.5	77.5
Capital Employed (avg.)	1,332.4	1,407.4	1,433.3	1,531.8	1,775.5	1,893.9	2,071.4	2,409.3	2,522.1	2,532.7
Net working capital	545.9	526.6	544.3	604.6	788.8	632.7	888.5	1,083.9	1,081.2	1,098.5
Discounted value of leases	26.3	36.6	32.2	28.6	28.9	28.9	43.9	47.4	50.7	53.9
Adjusted equity	1,041.0	1,142.9	1,142.3	1,173.3	1,205.2	1,361.4	1,688.2	1,843.3	2,011.3	2,217.8

Per Share Data (EUR)	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Avg. no. of shares (m)	65.8	64.9	64.5	60.1	59.2	59.2	59.2	59.9	59.9	59.9
Eoy. no. of shares (m)	65.6	64.6	62.8	59.5	59.4	59.5	59.9	59.9	59.9	59.9
Avg. no. of shares fully diluted (m)	65.9	65.1	64.8	60.5	59.4	59.4	59.6	60.2	60.2	60.2
Enterprise Value (EV)	20.28	23.27	29.07	30.75	22.20	39.84	89.34	43.95	41.23	37.95
Net debt less FFA plus minorities	2.64	0.57	1.77	4.16	7.87	4.21	5.41	6.05	3.32	0.04
Sales	26.49	29.50	31.17	36.16	45.01	41.16	55.06	58.09	61.70	66.35
EBITDA	3.89	3.97	4.07	4.97	6.97	6.51	12.24	10.67	10.53	11.19
EBITA	2.25	2.31	2.35	2.98	4.16	4.15	9.32	6.84	6.68	7.33
EBIT	2.11	2.10	2.26	2.90	3.56	3.92	9.02	6.84	6.68	7.33
Net profit before extr. & amort. (EUR)	2.29	2.30	2.30	2.61	3.55	2.79	6.51	4.26	4.30	4.95
Net profit before extraordinary (EUR)	2.15	2.09	2.21	2.54	2.94	2.56	6.21	4.26	4.30	4.95
Cash Flow (EUR)	3.92	3.96	4.02	4.61	6.35	5.15	9.43	8.09	8.16	8.81
Gross Dividend (EUR)	0.67	1.00	0.83	0.92	0.93	0.98	1.67	1.50	1.51	1.73
Book value (EUR)	13.86	16.37	16.87	18.46	19.05	21.59	26.90	29.49	32.29	35.74
Adjusted equity	15.86	17.69	18.18	19.72	20.31	22.88	28.19	30.78	33.59	37.03
Free Cash Flow	(0.96)	0.50	0.62	0.38	(0.04)	5.60	1.48	2.00	4.94	5.24
% change in EPS before extr. & amort.	74.88	0.76	(0.11)	13.68	35.68	(21.26)	133.05	(34.60)	1.11	15.11

Valuation	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
P/E (excl. extr. & amort.)	7.3	9.4	11.9	12.5	8.3	9.0	8.2	9.4	9.3	8.0
P/CF (x)	4.3	5.5	6.8	7.1	4.6	4.9	5.7	4.9	4.9	4.5
P/Book (x)	1.4	1.6	1.9	1.7	0.8	1.7	3.2	1.4	1.2	1.1
Dividend yield (%)	4.0	4.6	3.0	2.8	3.2	3.9	3.1	3.8	3.8	4.3
Free cash flow yield (%)	(7.2)	0.4	0.9	(0.5)	(2.5)	18.4	1.2	2.5	10.0	11.3
EV/Sales (x)	0.8	0.8	0.9	0.8	0.5	1.0	1.6	0.8	0.7	0.6
EV/EBITDA (x)	5.2	5.8	7.0	6.1	3.2	6.1	7.4	4.1	3.9	3.4
EV/EBITA (x)	9.0	10.0	12.1	10.2	5.3	9.6	9.7	6.4	6.2	5.2
EV/EBIT (x)	9.6	11.0	12.5	10.5	6.3	10.2	10.0	6.4	6.2	5.2
EV/Capital Employed (x)	1.0	1.1	1.3	1.2	0.7	1.3	2.6	1.1	1.0	0.9
EV/CE (incl. goodwill) (x)	0.9	1.0	1.2	1.1	0.7	1.2	2.5	1.1	0.9	0.9
Share price : High (EUR)	19.92	26.32	33.20	37.80	40.11	36.35	86.69	87.43		
Share price : Low (EUR)	14.50	18.47	23.12	28.15	14.82	12.62	33.67	39.88		
Share price : Average (EUR)	16.71	21.72	27.39	32.73	29.42	25.11	53.68	39.88	39.88	39.88
Share price : Year end (EUR)	19.58	26.32	31.57	30.67	16.11	36.17	85.90	39.88	39.88	39.88

Capital Efficiency/Solvability	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Sales/CE (incl. goodwill)	1.2	1.3	1.3	1.3	1.4	1.2	1.5	1.4	1.4	1.5
Sales/Fixed assets (x)	2.2	2.4	2.4	2.4	2.5	2.2	2.5	2.7	2.8	3.1
Sales/Net working capital (x)	3.2	3.6	3.7	3.6	3.4	3.9	3.7	3.2	3.4	3.6
Inventories/Sales (days)	87.9	66.4	67.0	64.7	70.0	53.7	56.8	62.8	59.8	57.8
Trade debtors/Sales (days)	80.7	67.5	72.5	73.5	66.2	71.8	86.6	88.6	84.6	80.6
Trade creditors/Sales (days)	52.6	35.7	41.4	38.9	34.8	37.0	38.2	37.2	36.2	36.2
CAPEX/Depreciation (%)	160.7	141.1	145.7	166.9	151.3	124.3	144.0	108.1	103.2	96.9
Equity/Total assets (%)	41.6	47.2	47.8	47.5	42.4	45.4	43.8	45.4	49.1	53.5
Net debt/Equity (%)	50.1	29.4	38.8	45.7	59.5	36.9	35.9	34.1	21.9	9.9
Interest cover (x)	6.3	4.8	5.5	5.2	5.4	4.0	9.5	6.0	6.3	8.7
Dividend payout (%)	29.1	43.2	35.3	34.8	26.4	35.3	25.9	35.2	35.0	35.0
ROCE (average) (%)	9.4	8.0	8.9	10.0	11.7	10.3	19.3	12.2	11.3	12.3
ROCE (incl. goodwill) (average) (%)	8.6	7.4	8.4	9.5	11.2	9.9	18.6	11.9	10.9	11.9

Operating Efficiency & Profitability ratios	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Sales per FTE employee ('000s)	161.4	178.9	169.2	155.4	165.3	139.0	163.2	171.3	179.3	189.4
Wage costs per FTE employee ('000s)	41.7	42.0	38.9	33.8	32.5	28.5	29.9	30.6	31.4	32.2
EBIT per FTE employee ('000s)	12.9	12.7	12.3	12.5	13.1	13.2	26.7	20.2	19.4	20.9
Gross margin (%)										
EBITDA margin (%)	14.7	13.4	13.0	13.7	15.5	15.8	22.2	18.4	17.1	16.9
Operating margin (%)	8.0	7.1	7.3	8.0	7.9	9.5	16.4	11.8	10.8	11.0
Net margin (%)	6.3	5.5	5.1	5.5	6.4	6.0	11.7	7.1	6.6	7.1
Tax rate (%)	15.5	25.0	16.0	14.3	15.8	20.4	27.8	28.0	29.0	29.0

Important disclosures

Issuer	Ticker	Price (EUR)
Bekaert	BEKB.BR	39.88

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Maarten Bakker - Equity Research Analyst

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2 August 2011

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Historical equity recommendations and target price for Bekaert (EUR)



History of Target Prices

Date	Recommendation	Target Price
7/29/2011	HOLD	EUR 59.00
6/27/2011	HOLD	EUR 60.00
2/28/2011	BUY	EUR 93.00
11/10/2010	BUY	EUR 88.00
11/5/2010	BUY	EUR 88.33
8/2/2010	BUY	EUR 83.33
7/26/2010	BUY	EUR 57.67
7/23/2010	BUY	EUR 57.33
6/2/2010	BUY	EUR 55.33
5/12/2010	BUY	EUR 55.00
3/9/2010	BUY	EUR 51.67
1/7/2010	BUY	EUR 44.67
11/17/2009	BUY	EUR 42.33
11/16/2009	BUY	EUR 41.67
8/5/2009	BUY	EUR 37.33
4/7/2009	BUY	EUR 25.00

History of Recommendations

Date	Recommendation	Target Price
6/27/2011	HOLD	EUR 60.00
8/5/2009	BUY	EUR 37.33
5/8/2009	HOLD	EUR 25.00
4/7/2009	BUY	EUR 25.00

Source: ABN AMRO Bank Equity Research, FactSet

ABN AMRO Bank

Gustav Mahlerlaan 10 (visiting address)
P.O. Box 283
1000 EA Amsterdam
The Netherlands
Tel: +31 20 628 9393

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