RBS The Royal Bank of Scotland

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Bekaert

Strong 2H08 results

Buy

Target price
€75.00 (from €83.00)

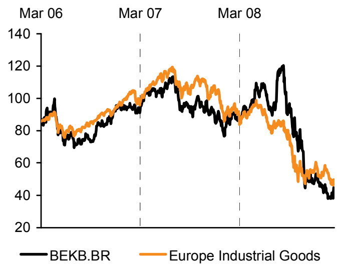
Price
€43.62

Short term (0-60 days)
n/a

Sector relative to market
Neutral

Price performance

	(1M)	(3M)	(12M)
Price (€)	41.83	48.47	89.34
Absolute (%)	4.3	-10.0	-51.2
Rel market (%)	18.5	7.1	-10.0
Rel sector (%)	16.4	-1.8	-9.7



Market capitalisation
€864.93m

Average (12M) daily turnover
€6.21m

RIC: BEKB.BR, BEKB BB
Priced at close of business 12 Mar 2009.
Source: Bloomberg

Bekaert's 2H08 results surprised on the upside. Margin pressure in Wire products was less severe than we feared. Consequently, we raise our 2009 EBIT margin forecast. We believe Bekaert is less dependent on the automotive industry than assumed. Reiterate Buy but lower our target price to €75 (from €83).

Key forecasts

	FY07A	FY08A	FY09F	FY10F	FY11F
Revenue (€m)	2,173	2,662	2,461	2,424	2,502
EBITDA (€m)	300.5	418.7	332.4 ▲	320.7 ▲	327.5
Reported net profit (€m)	152.9	174.1	144.0	126.1 ▲	127.4
Normalised net profit (€m)	152.9	174.1	144.0	126.1 ▲	127.4
Normalised EPS (€)	7.58	8.79	7.17	6.28 ▲	6.34
Dividend per share (€)	2.76	2.80	2.87 ▼	2.95 ▼	3.04
Dividend yield (%)	6.33	6.42	6.58	6.77	6.98
Normalised PE (x)	5.75	4.96	6.08	6.94	6.88
EV/EBITDA (x)	7.04	5.08	6.39	6.29	5.82
EV/invested capital (x)	0.75	0.76	0.72	0.68	0.65
ROIC - WACC (%)	6.09	10.40	4.53	3.23	3.60

Use of ▲ ▼ indicates that the line item has changed by at least 5%.
Accounting standard: IFRS
Source: Company data, ABN AMRO forecasts

year to Dec, fully diluted

Strong 2H08 results

Bekaert's 2H08 results were strong. Sales were pre-announced, but normalised 2H08 EBIT was €131m, yielding 9.7% margin, comfortably above management's 7-9% long-term EBIT margin target. Bekaert had €66m of non-recurring costs related to the closure of production in Hemiskem and goodwill impairments on smaller acquisitions. The tax burden was nil given the tax deductible capex programmes in China. Bekaert's important joint ventures' performance was slightly disappointing, with €20m net contribution, down from €36m in 1H. Finally, 2H group net profit was €48m, resulting in EPS of €8.79. Bekaert announced a 2008 cash dividend of €2.80, slightly higher yoy.

Outlook uncertain, as usual

Bekaert refrains from providing an outlook. Management stated that visibility is extremely limited, but it does not expect a companywide slowdown. We think the company is much more diversified than in the past and the largest end-market, automotive, accounts for only 21% of sales. Also, Bekaert is one of the best geographically diversified companies in our universe. We forecast a significant slowdown in 2009 and 2010, but acknowledge our assumptions could be too conservative.

Valuation and target price

We raise our 2009 EPS forecast to €7.17 (from €6.98), reflecting higher EBIT margins and a lower contribution from joint ventures. We like Bekaert for its diversified portfolio and strong market-leading positions. To value Bekaert, we have used a DCF for the consolidated business, while using a dividend discount model for its joint ventures. Buy; target price €75 (from €83).

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Strong 2H08 results

Bekaert again posted better-than-expected 2H08 results. Margin pressure in Wire products was less severe than we feared. Accordingly, we raise our 2009 margin forecasts and reiterate our Buy recommendation.

Sales weakening in 4Q

Bekaert had already released its 4Q sales numbers on 20 February. Combined sales (including joint ventures) were €900.4m, flat yoy and in line with management guidance after 3Q. Consolidated sales in 4Q were €613m (up 5%). The growth was related to the consolidation of joint ventures Vicson (Venezuela) and Proalco (Colombia). Organic growth was zero.

On a divisional level, Wire North America performed strongly with 21% sales growth. According to Bekaert, oil and gas activities as well as trading activities contributed to the growth. Growth in Steelcord China declined from 80% in 3Q to 28% in 4Q. Bekaert claims that it is still gaining market share in China, but is reconsidering capex plans beyond 2009. Pricing in China remains stable, which should give some comfort for 2009. Wire Latin America was weak, with a 10% decline in sales in 4Q related to significant destocking at Bekaert's clients.

Table 1 : Sales growth

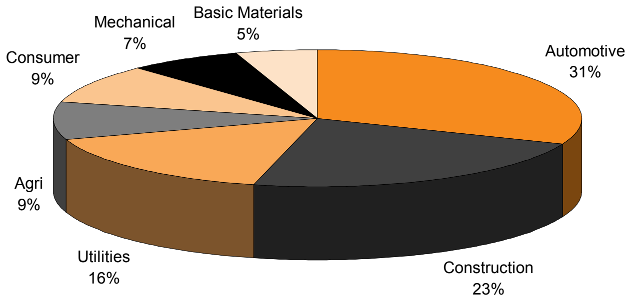
By activity (combined) growth	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
Advanced Wire products								
Wire Europe	22%	8%	6%	5%	6%	25%	13%	-14%
Wire North America	-11%	-4%	3%	7%	-1%	18%	42%	21%
US$	*-8%*	*-7%*	*-7%*	*-11%*	*-14%*	*-14%*	*-9%*	*-3%*
Sales growth in US$	-2%	3%	10%	18%	13%	32%	51%	5%
Wire Latin America	-1%	9%	15%	23%	18%	31%	43%	-10%
Brazilian Real	*-4%*	*2%*	*5%*	*7%*	*6%*	*3%*	*6%*	*3%*
Wire Asia	22%	16%	21%	0%	25%	94%	112%	52%
Building products	23%	5%	7%	12%	16%	20%	57%	-3%
Steel cord China	49%	56%	61%	34%	76%	84%	80%	28%
Steel cord others	-6%	-12%	-7%	0%	-7%	-2%	19%	-4%
Other advanced wire products	4%	2%	10%	2%	-22%	-21%	42%	9%
Advanced Materials								
Stainless	54%	54%	11%	-19%	-27%	-38%	-18%	48%
Fibre technologies	-1%	29%	5%	3%	12%	-4%	16%	-7%
Combustion technologies	18%	12%	11%	9%	-9%	17%	-8%	-19%
Composites	-34%	-4%	23%	11%	44%	35%	39%	54%
Advanced Coatings								
Industrial coatings	15%	-8%	-36%	8%	-20%	4%	35%	-30%
Specialised films	-8%	-14%	-12%	-8%	0%	-1%	-2%	4%

Source: Company data

Wire products' EBIT margin drops as expected

Bekaert's most important division, Advanced Wire Products, performed robustly in 2H. As discussed, Wire North America benefited from the start-up of trading activities, while steelcord for tyres lagged in Western Europe and the US. In steelcord, Bekaert depends in large part on tyre sales. Currently, demand for tyres is weakening and tyre manufacturers are closing factories. However, Bekaert has been actively changing its production locations to emerging markets for several years and the sales are well spread around the world. Also, the exposure to end markets has changed in recent years. In the analysts' presentation, Bekaert gave more insight into the presence in the different markets.

Chart 1 : End-markets exposure 2008



Source: Company data

As expected, 2H EBIT margin dropped significantly compared with 1H08. In 1H08, Bekaert benefited from positive inventory revaluations related to the price increase for wire rod. In 2H08, however, this trend was negative. According to the company, the effect was negative €10m in 2H, thereby partly reversing the positive effect from 1H. We can also expect a slightly negative inventory revaluation in 2009 given the current weakness in steel prices compared with 31 December.

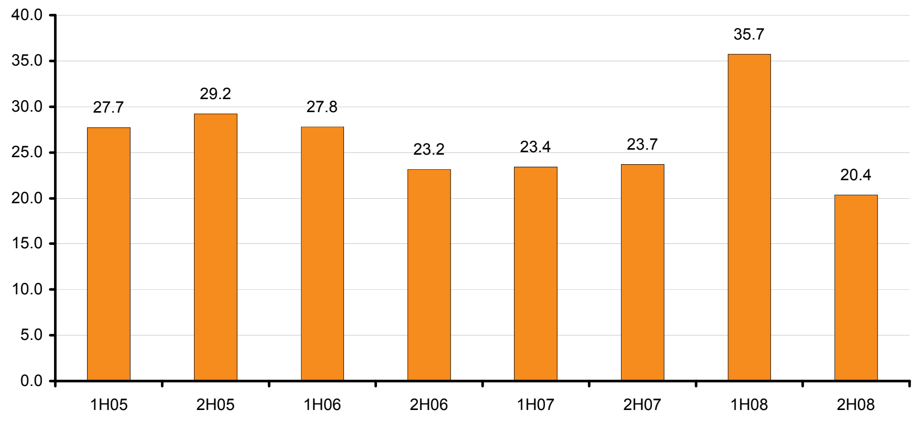
We consider the 2H08 EBIT margin of 10.1% a good indicator of profitability in this division for 2009 and 2010. In fact, we believe that our forecast sales decline of 8.% in 2009 and 1.4% in 2010 will eventually lead to 8.0% EBIT margin for these years. We emphasise that the average EBIT margin in this division since 2003 has been 11.4%, indicating that our margin assumptions are conservative. In 2H03, EBIT margin in Advanced Wires was 8.0%.

In Advanced Materials, Bekaert was loss making. Sales in 2H declined 4% to €98m, resulting in a €6m EBIT loss. The company saw margin pressure from the fluctuations in nickel-based raw materials and fierce competition in most of its end markets. In Advanced Coatings, growth was completely wiped out by currency effects. 2H08 EBIT was €2m.

Joint ventures slightly disappointing

Bekaert generates a significant amount of net profit from its joint ventures in Latin America. In 2H08, the net profit contribution was €20m (down from €36m in 1H08). In 2H, the largest joint ventures with Arcelor Mittal in Brazil suffered from the economic slowdown. In 4Q, growth was negative by an estimated -10%. We believe the economic uncertainty in Bekaert’s most important countries Brazil and Chile will affect sales in 2009 and 2010. On the positive side, Bekaert strives to raise the payout ratio of the joint ventures by optimising the companies’ balance sheets.

Chart 2 : Joint venture contributions (€m)



Source: Company data, ABN AMRO forecasts

Non-recurring items were high

Bekaert usually has a €20m 'recurring' non-recurring post loss for streamlining its portfolio. In 2H08, Bekaert had a €66.2m loss related to:

- the closure of the plant in Hemiksem. Bekaert saw a shift from clients to Eastern Europe. The closure affected 264 employees;
- asset impairments related to carding solutions (€10m) and several activities within the advanced materials segments (€18.8m), applying mainly to stainless and combustion technologies; and
- Bekaert has taken a provision for bad debt reserves in China. Until now, Bekaert has never had a non-paying customer, but given the unprecedented economic situation in China, Bekaert prefers to be conservative.

On the positive side, Bekaert did not pay any taxes in 2H. According to the company, the tax rebate derived from China, where the high capex plans can be compensated for in the P&L. Also, in Belgium, Bekaert benefited from a notional interest deduction. Going forward, we should assume a 25% tax rate.

Bekaert will pay a dividend of €2.80 (ABN AMRO forecast €3.50), a 1% increase yoy. The dividend will be paid in cash.

Outlook

Bekaert refrains from issuing a quantitative outlook. The company indicates that short-term visibility is limited. On the positive side, Bekaert does not expect a companywide slowdown. We believe that Bekaert's portfolio depends less on the automotive sector than market observers assume. Bekaert currently has a 31% exposure to the automotive sector, which is gradually coming down.

In addition, we believe that Bekaert will succeed in introducing higher-margin products. In 2008, Bekaert invested €68m in R&D, which resulted in new products that carry above-average group margins. In 2009, the company expects to increase its R&D spending.

Finally, Bekaert will increase its production capacity in China from the current 300,000 tonnes capacity to 340,000 tonnes in 2009. Bekaert will start up the joint venture with Ansteel.

We reduce our 2009 sales forecasts by 9%, but increase our EBIT forecast by 17%. We believe the margin pressure for Advanced Wire Products will be less than we previously assumed. Finally, we raise our 2009 net profit forecast by 3%. The difference between our EBIT changes and net profit changes lies in the lower joint venture contributions.

Table 2 : Reported figures and our new forecasts

€m	2004	2005	2006	2007	2008	2009F	2010F	2011F
Sales								
Advanced wire products	1,500.1	1,639.9	1,683.9	1,843.8	2,331.0	2,140.1	2,110.4	2,194.5
Advanced materials	116.5	141.1	196.1	203.5	199.3	193.0	188.1	184.9
Advanced coatings	127.0	132.4	136.3	124.2	120.3	117.4	114.5	111.8
Other	120.4	121.4	115.0	1.6	11.0	11.0	11.0	11.0
Total	**2,173.2**	**1,914.3**	**2,009.6**	**2,173.1**	**2,661.6**	**2,461.5**	**2,424.0**	**2,502.2**
Advanced wire products	20.9%	9.3%	2.7%	9.5%	26.4%	-8.2%	-1.4%	4.0%
Advanced materials	13.0%	21.1%	39.0%	3.8%	-2.1%	-3.2%	-2.5%	-1.7%
Advanced coatings	12.8%	4.2%	2.9%	-8.9%	-3.1%	-2.4%	-2.4%	-2.4%
Total	20.9%	-11.9%	5.0%	8.1%	22.5%	-7.5%	-1.5%	3.2%
Gross profit	490.8	392.1	394.9	433.9	601.8	490.8	465.4	480.4
Gross margin	*22.6%*	*20.5%*	*19.7%*	*20.0%*	*22.6%*	*19.9%*	*19.2%*	*19.2%*
Distribution & selling expenses	-111.7	-92.4	-96.7	-98.2	-121.8	-112.7	-110.9	-114.5
General & administrative expenses	-108.9	-100.4	-95.3	-96.6	-113.6	-105.1	-103.5	-106.8
Research & development expenses	-53.9	-45.0	-49.6	-56.7	-68.5	-63.4	-62.4	-64.4
Other revenues	19.6	29.4	23.3	14.6	10.8	10.0	9.9	10.2
Other expenses	-50.8	-47.5	-30.7	-22.4	-14.4	-13.3	-13.1	-13.5
Normalised EBIT	185.1	136.3	145.9	174.6	294.2	206.4	185.3	191.2
Non-operating income & expenses	-4.0	11.7	-6.6	0.0	-83.8	-20.0	-20.0	-20.0
Reported EBIT	**181.1**	**147.9**	**139.4**	**174.6**	**210.5**	**186.4**	**165.3**	**171.2**
Depreciation & amortisation	122.6	121.2	116.2	125.9	124.5	126.0	135.4	136.2
EBITDA	303.7	269.1	255.6	300.5	335.0	312.4	300.7	307.5
Interest income	3.2	5.9	3.7	2.5	4.9	4.0	4.0	4.0
Interest expense	-19.6	-32.8	-28.9	-35.0	-46.4	-46.9	-46.9	-46.9
Other financial results	-10.2			-8.5	-7.8	-5.0	-5.0	-5.0
Taxes	-28.1	-30.3	-18.1	-19.1	-25.5	-34.6	-29.3	-30.8
% of result	*-18.2%*	*-25.0%*	*-15.9%*	*-14.3%*	*-15.8%*	*-25.0%*	*-25.0%*	*-25.0%*
Joint ventures	56.8	56.9	51.0	47.1	56.1	48.4	45.1	42.3
Minority interest	-12.4	-12.0	-4.8	-8.7	-17.7	-8.3	-7.0	-7.4
Extraordinary result		54.2						
Consolidated net result	**167.6**	**189.9**	**142.3**	**152.9**	**174.1**	**144.0**	**126.1**	**127.4**

Source: Company data, ABN AMRO forecasts

We like Bekaert for its diversified portfolio and strong market-leading positions. To value Bekaert, we have used a DCF for the consolidated business, while using a dividend discount model for its joint ventures. In our WACC calculations, we use: 1) a risk-free rate of 4.03%; 2) an asset beta of 1.2; 3) a target gearing of 30%; and 4) an effective tax rate of 27%. Our WACC is 8.11%.

In our dividend discount model (included in “other assets” in the DCF analysis), we use a payout ratio of 90% from the reported contribution to net profit. In addition, we use a WACC of 10%, significantly above the group WACC because these JVs are almost debt free (only €40m-50m). All in all, we apply a value for the JVs of €19.80. The combination of DCF and the dividend discount model results in our new target price of €75.

Income statement

€m	FY07A	FY08A	FY09F	FY10F	FY11F
Revenue	2173	2662	2461	2424	2502
Cost of sales	-1613	-1935	-1845	-1823	-1886
Operating costs	-259.3	-307.5	-284.4	-280.1	-289.1
EBITDA	**300.5**	**418.7**	**332.4**	**320.7**	**327.5**
DDA & Impairment (ex gw)	-125.9	-124.5	-126.0	-135.4	-136.2
EBITA	**174.6**	**294.2**	**206.4**	**185.3**	**191.2**
Goodwill (amort/impaired)	n/a	n/a	n/a	n/a	n/a
EBIT	**174.6**	**294.2**	**206.4**	**185.3**	**191.2**
Net interest	-41.0	-49.2	-47.9	-47.9	-47.9
Associates (pre-tax)	n/a	n/a	n/a	n/a	n/a
Other pre-tax items	0.00	-83.8	-20.0	-20.0	-20.0
Reported PTP	**133.6**	**161.2**	**138.5**	**117.4**	**123.3**
Taxation	-19.1	-25.5	-34.6	-29.3	-30.8
Minority interests	-8.73	-17.7	-8.31	-7.04	-7.40
Other post-tax items	47.1	56.1	48.4	45.1	42.3
Reported net profit	**152.9**	**174.1**	**144.0**	**126.1**	**127.4**
Tot normalised items	0.00	0.00	0.00	0.00	0.00
Normalised EBITDA	300.5	418.7	332.4	320.7	327.5
Normalised PTP	133.6	161.2	138.5	117.4	123.3
Normalised net profit	**152.9**	**174.1**	**144.0**	**126.1**	**127.4**

Source: Company data, ABN AMRO forecasts year to Dec

Balance sheet

€m	FY07A	FY08A	FY09F	FY10F	FY11F
Cash & market secs (1)	58.1	104.8	255.7	325.7	366.8
Other current assets	919.0	1154	1079	1065	1094
Tangible fixed assets	917.6	1071	1145	1149	1153
Intang assets (incl gw)	122.0	111.5	111.5	111.5	111.5
Oth non-curr assets	295.9	226.6	257.2	261.7	265.9
Total assets	**2313**	**2667**	**2848**	**2913**	**2991**
Short term debt (2)	253.0	503.1	503.1	503.1	503.1
Trade & oth current liab	387.5	478.0	507.3	503.0	511.9
Long term debt (3)	322.5	288.1	350.0	350.0	350.0
Oth non-current liab	203.0	225.6	225.6	225.6	225.6
Total liabilities	**1166**	**1495**	**1586**	**1582**	**1591**
Total equity (incl min)	1147	1172	1262	1331	1401
Total liab & sh equity	**2313**	**2667**	**2848**	**2913**	**2991**
Net debt (2+3-1)	517.4	686.5	597.5	527.4	486.3

Source: Company data, ABN AMRO forecasts year ended Dec

Cash flow statement

€m	FY07A	FY08A	FY09F	FY10F	FY11F
EBITDA	300.5	335.0	312.4	300.7	307.5
Change in working capital	-45.9	-144.2	104.0	9.67	-20.2
Net interest (pd) / rec	-41.0	-49.2	-47.9	-47.9	-47.9
Taxes paid	-14.5	-44.5	-34.6	-29.3	-30.8
Other oper cash items	98.7	90.9	17.6	40.6	38.0
Cash flow from ops (1)	**297.8**	**187.9**	**351.4**	**273.8**	**246.6**
Capex (2)	-219.3	-277.5	-200.0	-140.0	-140.0
Disposals/(acquisitions)	0.00	0.00	0.00	0.00	0.00
Other investing cash flow	0.00	0.00	0.00	0.00	0.00
Cash flow from invest (3)	**-219.3**	**-277.5**	**-200.0**	**-140.0**	**-140.0**
Incr / (decr) in equity	-106.1	-7.70	0.00	0.00	0.00
Incr / (decr) in debt	83.1	215.8	61.9	0.00	0.00
Ordinary dividend paid	-56.6	-62.4	-62.4	-63.7	-65.4
Preferred dividends (4)	0.00	0.00	0.00	0.00	0.00
Other financing cash flow	26.3	-4.96	0.00	0.00	0.00
Cash flow from fin (5)	**-53.3**	**140.7**	**-0.49**	**-63.7**	**-65.4**
Forex & disc ops (6)	0.00	0.00	0.00	0.00	0.00
Inc/(decr) cash (1+3+5+6)	**25.2**	**51.1**	**150.9**	**70.0**	**41.2**
Equity FCF (1+2+4)	78.5	-89.6	151.4	133.8	106.6

Lines in bold can be derived from the immediately preceding lines. year to Dec
Source: Company data, ABN AMRO forecasts

Standard ratios

Performance	Bekaert FY07A	Bekaert FY08A	Bekaert FY09F	Bekaert FY10F	Bekaert FY11F	Imtech FY09F	Imtech FY10F	Imtech FY11F	Umicore FY09F	Umicore FY10F	Umicore FY11F
Sales growth (%)	8.14	22.5	-7.52	-1.52	3.22	7.40	-6.23	-2.00	-5.87	-3.41	n/a
EBITDA growth (%)	14.6	39.4	-20.6	-3.52	2.10	-0.36	-10.0	-5.67	-11.6	-5.73	n/a
EBIT growth (%)	19.6	68.5	-29.8	-10.2	3.20	-1.50	-13.2	-8.61	-16.2	-8.63	n/a
Normalised EPS growth (%)	15.0	16.0	-18.5	-12.4	0.96	-7.29	-14.4	-11.0	-15.6	-9.30	n/a
EBITDA margin (%)	13.8	15.7	13.5	13.2	13.1	5.43	5.21	5.02	19.7	19.2	n/a
EBIT margin (%)	8.03	11.1	8.39	7.65	7.64	4.68	4.33	4.04	14.5	13.7	n/a
Net profit margin (%)	7.04	6.54	5.85	5.20	5.09	2.82	2.58	2.34	9.71	9.12	n/a
Return on avg assets (%)	9.20	9.99	7.70	6.70	6.59	5.60	4.76	4.39	6.56	5.93	n/a
Return on avg equity (%)	14.1	15.6	12.3	10.1	9.62	27.3	20.8	17.3	12.0	10.4	n/a
ROIC (%)	14.2	18.5	12.6	11.3	11.7	12.8	11.6	11.0	8.60	7.92	n/a
ROIC - WACC (%)	6.09	10.4	4.53	3.23	3.60	3.84	2.68	2.05	1.22	0.54	n/a
					year to Dec			year to Dec			year to Dec

Valuation	Bekaert FY07A	Bekaert FY08A	Bekaert FY09F	Bekaert FY10F	Bekaert FY11F	Imtech FY09F	Imtech FY10F	Imtech FY11F	Umicore FY09F	Umicore FY10F	Umicore FY11F
EV/sales (x)	0.64	0.58	0.59	0.57	0.54	0.27	0.27	0.26	0.90	0.89	n/a
EV/EBITDA (x)	7.04	5.08	6.39	6.29	5.82	5.05	5.25	5.25	4.59	4.65	n/a
EV/EBITDA @ tgt price (x)	10.2	7.11	9.11	9.10	8.51	6.05	6.36	6.43	5.68	5.81	n/a
EV/EBIT (x)	7.92	5.27	7.08	7.51	7.07	5.87	6.32	6.53	6.23	6.51	n/a
EV/invested capital (x)	0.75	0.76	0.72	0.68	0.65	1.12	1.09	1.06	0.83	0.80	n/a
Price/book value (x)	0.80	0.76	0.72	0.68	0.64	1.72	1.59	1.50	0.92	0.89	n/a
Equity FCF yield (%)	8.92	-10.4	17.3	15.3	12.2	19.1	15.2	13.5	14.2	12.8	n/a
Normalised PE (x)	5.75	4.96	6.08	6.94	6.88	6.79	7.93	8.91	7.87	8.67	n/a
Norm PE @ tgt price (x)	9.89	8.53	10.5	11.9	11.8	8.72	10.2	11.4	10.1	11.1	n/a
Dividend yield (%)	6.33	6.42	6.58	6.77	6.98	5.92	5.92	5.92	6.80	7.55	n/a
					year to Dec			year to Dec			year to Dec

Per share data	FY07A	FY08A	FY09F	FY10F	FY11F
Tot adj dil sh, ave (m)	20.2	19.8	20.1	20.1	20.1
Reported EPS (EUR)	7.58	8.79	7.17	6.28	6.34
Normalised EPS (EUR)	7.58	8.79	7.17	6.28	6.34
Dividend per share (EUR)	2.76	2.80	2.87	2.95	3.04
Equity FCF per share (EUR)	3.89	-4.53	7.54	6.66	5.31
Book value per sh (EUR)	54.4	57.1	60.8	64.2	67.7
					year to Dec

Solvency	FY07A	FY08A	FY09F	FY10F	FY11F
Net debt to equity (%)	45.1	58.6	47.3	39.6	34.7
Net debt to tot ass (%)	22.4	25.7	21.0	18.1	16.3
Net debt to EBITDA	1.72	1.64	1.80	1.64	1.48
Current ratio (x)	1.53	1.28	1.32	1.38	1.44
Operating CF int cov (x)	8.62	5.72	9.06	7.33	6.79
Dividend cover (x)	2.70	2.79	2.31	1.98	1.95
					year to Dec

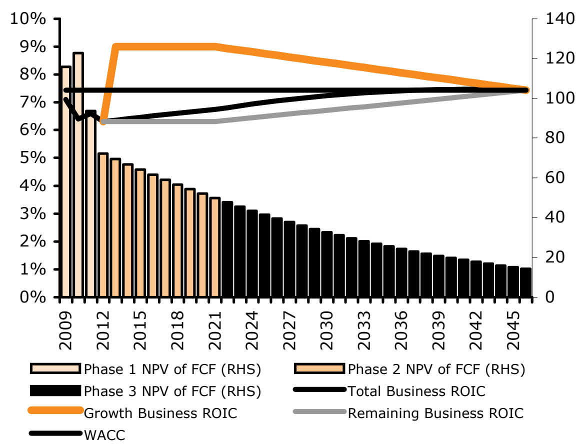
Priced as follows: BEKB.BR - €43.62; IMUN.AS - €10.13; UMI.BR - €13.24
Source: Company data, ABN AMRO forecasts

Valuation methodology

Economic Profit Valuation	EURm	%
Adjusted Opening Invested Capital	2177.2	110
NPV of Economic Profit During Explicit Period	-40.6	-2
NPV of Econ Profit of Remaining Business (1, 2)	-211.4	-11
NPV of Econ Profit of Net Inv (Grth Business) (1, 3)	53.1	3
Enterprise Value	1978.3	100
Plus: Other Assets	392.4	20
Less: Minorities	41.8	2
Less: Net Debt / Leases (as at 13 Mar 2009)	686.5	35
Equity Value	1642.5	83
No. Shares (millions)	19.8	
Per Share Equity Value	**83.02**	
Current Share Price	43.62	

Discounted Cash Flow Valuation	EURm	%
Value of Phase 1: Explicit (2009 to 2011)	332.3	17
Value of Phase 2: Value Driver (2012 to 2021)	605.8	31
Value of Phase 3: Fade (2022 to 2046)	708.2	36
Terminal Value	332.7	17
Enterprise Value	1979.0	100
FCF Grth Rate at end of Phs 1 implied by DCF Valuation		1.7
FCF Grth Rate at end of Phs 1 implied by Current Price		-2.6

Returns, WACC and NPV of Free Cash Flow



Sensitivity Table		No of Years in Fade Period				
		15	18	20	23	25
WACC	6.0%	101.55	102.31	102.81	103.56	104.04
	7.0%	88.40	88.50	88.57	88.70	88.80
	8.0%	77.27	76.93	76.73	76.48	76.33
	9.0%	67.81	67.19	66.82	66.34	66.05
	10.0%	59.73	58.94	58.48	57.87	57.50

Performance Summary	2009	2010	2011	Phase 2 Avg (2012 - 2021)
Invested Capital Growth (%)	0.0	0.0	1.3	2.0
Operating Margin (%)	8.1	7.4	7.4	7.0
Capital Turnover (x)	1.2	1.2	1.2	1.2

Source: ABN AMRO

1. In periods following the Explicit Period i.e. Phase 2 and Phase 3
2. Remaining Business is defined as Capital as at the end of Phase 1 and capex = depreciation thereafter
3. Net Investment is defined as capex over and above depreciation after Phase 1

Company description

Buy

Bekaert, established in 1880, is active worldwide in select applications of its two core competencies: 'advanced metal transformation' and 'advanced materials and coatings'. Bekaert strives to be a market and technological leader in its niche markets. Management is strong, in our view, with a focus on creating shareholder value. Bekaert should be able to maintain its market position and profitability via small add-on acquisitions.

Price relative to sector

Strategic analysis

Average SWOT company score: 4

Strengths — 4

Worldwide positions in almost every niche market in which it is active. Well-positioned focus on its two core competencies. Management is strong, in our view. All in all, a limited-risk company.

Weaknesses — 3

Sensitivity to the GDP rate. When GDP declines, Bekaert's sold volume will normally decline and therefore profitability will decline.

Opportunities — 4

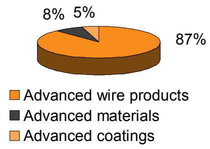
Strategic acquisitions could reinforce its leading positions and generate synergy advantages. Due to difficult market circumstances, we believe some of Bekaert's rivals will leave the market.

Threats — 3

A further depreciation of the US dollar would threaten net profit as half the sales are generated in US dollars or currencies tied to the US dollar. Another possible threat is the delisting on the BEL-20, which would reduce daily volumes.

Scoring range is 1-5 (high score is good)

Sales breakdown 2008



Source: Company data

Market data

Headquarters
President Kennedypark 18 Kortrijk

Website
www.bekaert.be

Shares in issue
19.8m

Freefloat
60%

Majority shareholders
Stichting Administratiekantoor Bekaert (38%), Common attorney, Mr Oberson (11%)

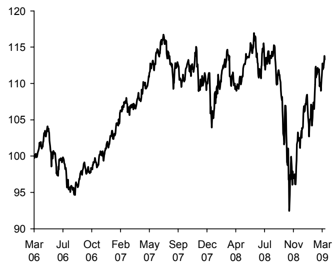
Sector view

Neutral

Although a diverse sector, we consider this to be another late-cycle play. With growth still weakening, we believe it will be a while before the newsflow turns in this sector's favour. Overseas revenues remain an important driver of returns, a characteristic that we find attractive. Industrials are also FX winners, though their relatively expensive valuations suggest this is more than reflected in share prices. There are also some intra-sector themes worth exploring, for example the secular energy infrastructure aspect.

The sector view is set in consultation with the relevant company analyst but is the ultimate responsibility of the Strategy Team.

Sector rel to Europe



Industry competitive position

Average competitive score: 4+

Supplier power — 5+

Because of its market leadership, Bekaert is able to directly increase its selling prices and protect its gross profits in the advanced wire division.

Barriers to entry — 4+

Since FY04, Bekaert has increased its research and development expenses to slightly more than €50m, resulting in more than 1,400 patents owned.

Customer power — 3+

High in some niches such as the tyre industry. Few clients account for a high share of sales, making Bekaert dependent upon them. Low in other markets where Bekaert is unique.

Substitute products — 5-

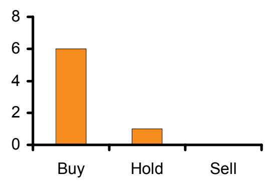
Not relevant

Rivalry — 5-

Bekaert's combination of core competencies makes the company unique. Most rivals are privately owned companies with less supplier power.

Scoring range 1-5 (high score is good) Plus = getting better Minus = getting worse

Broker recommendations



Source: Reuters

Recommendation structure

Absolute performance, short term (trading) recommendation: A Trading Buy recommendation implies upside of 5% or more and a Trading Sell indicates downside of 5% or more. The trading recommendation time horizon is 0-60 days. For Australian coverage, a Trading Buy recommendation implies upside of 5% or more from the suggested entry price range, and a Trading Sell recommendation implies downside of 5% or more from the suggested entry price range. The trading recommendation time horizon is 0-60 days.

Absolute performance, long term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%. For UK Small/Mid-Cap Analysis a Buy/Sell implies upside/downside of 10% or more, an Add/Reduce 5-10% and a Hold less than 5%. For UK-based Investment Funds research the recommendation structure is not based on upside/downside to the target price. Rather it is the subjective view of the analyst based on an assessment of the resources and track record of the fund management company. For listed property trusts (LPT) or real estate investment trusts (REIT) the recommendation is based upon the target price plus the dividend yield, ie total return.

Performance parameters and horizon: Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months. Sector relative to market: The sector view relative to the market is the responsibility of the strategy team. Overweight/Underweight implies upside/downside of 10% or more and Neutral implies less than 10% upside/downside. Target price: The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the target price abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value, the target price will differ from 'fair' value.

Distribution of recommendations

The tables below show the distribution of ABN AMRO's recommendations (both long term and trading). The first column displays the distribution of recommendations globally and the second column shows the distribution for the region. Numbers in brackets show the percentage for each category where ABN AMRO has an investment banking relationship.

Long Term recommendations (as at 13 Mar 2009)

	Global total (IB%)	Europe total (IB%)
Buy	455 (5)	164 (13)
Add	0 (0)	0 (0)
Hold	394 (1)	147 (2)
Reduce	0 (0)	0 (0)
Sell	160 (1)	61 (2)
Total (IB%)	1009 (3)	372 (7)

Source: ABN AMRO

Trading recommendations (as at 13 Mar 2009)

	Global total (IB%)	Europe total (IB%)
Trading Buy	2 (0)	0 (0)
Trading Sell	2 (0)	0 (0)
Total (IB%)	4 (0)	0 (0)

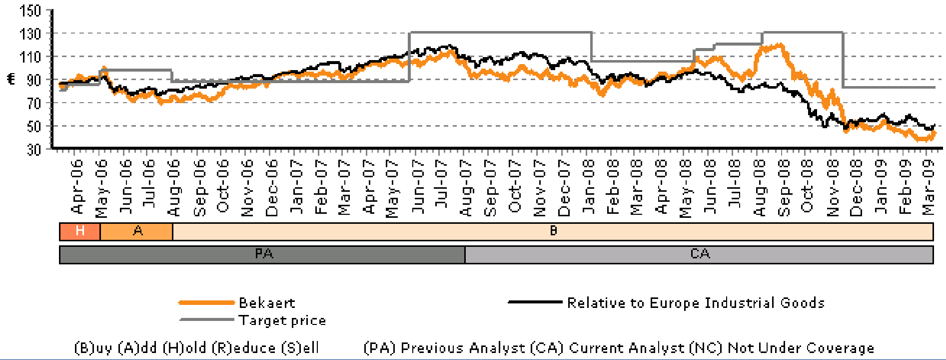
Source: ABN AMRO

Valuation and risks to target price

Bekaert (RIC: BEKB.BR, Rec: Buy, CP: €43.62, TP: €75.00): A key risk to our DCF- and DDM-based valuation and target price would be a shortage of raw materials. A sudden drop in the price of wire rods could squeeze margins, although an increase in the price would be beneficial. In addition, deterioration of the global tyre market could impose a risk.

Bekaert coverage data

Stock performance, recommendations and coverage (as at 13 Mar 2009)



ABN AMRO changed the recommendation structure for this stock from one based on absolute performance to sector relative performance on 12 Jul 05
Pieter Zwinkels started covering this stock on 2 Aug 07
Moved to new recommendation structure between 1 November 2005 and 31 January 2006
Source: ABN AMRO

Trading recommendation history (as at 13 Mar 2009)

Date	Rec	Analyst
	n/a	

Source: ABN AMRO

Regulatory disclosures

Subject companies: **BEKB.BR**

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