

17 July 2009

Produced and issued by: ABN AMRO Bank NV*

Bekaert

Preview 1H09F results

Buy

Target price
€75.00

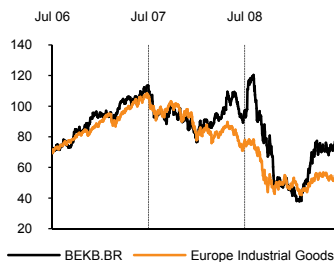
Price
€77.62

Short term (0-60 days)
n/a

Sector relative to market
Overweight

Price performance

	(1M)	(3M)	(12M)
Price (€)	72.90	66.58	90.79
Absolute (%)	6.5	16.6	-14.5
Rel market (%)	5.9	7.9	10.1
Rel sector (%)	6.8	9.0	13.5



Market capitalisation
€1.54bn

Average (12M) daily turnover
€6.04m

RIC: BEKB.BR, BEKB BB
Priced at close of business 16 Jul 2009.
Source: Bloomberg

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Bekaert will publish 1H09 results on 31 July, before market opening. Bekaert will show geographical margin for the first time. We expect an EBIT decline of 52%, related to lower utilisation rates and inventory writedowns. However, 1H09F is not a good representation of the remainder of the year.

Key forecasts

	FY07A	FY08A	FY09F	FY10F	FY11F
Revenue (€m)	2173	2662	2461	2424	2502
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 (%)	3.56	3.61	3.70	3.80	3.92
Normalised PE (x)	10.2	8.83	10.8	12.4	12.2
EV/EBITDA (x)	10.5	7.28	9.34	9.33	8.73
EV/invested capital (x)	1.12	1.09	1.05	1.01	0.98
ROIC - WACC (%)	6.09	10.4	4.53	3.23	3.60

Accounting standard: IFRS
Source: Company data, ABN AMRO forecasts

year to Dec, fully diluted

Preview 1H09F results

Bekaert will publish its 1H09 results on Friday, 31 July, before market opening. Bekaert did not expect a slowdown on company side scale and indicated after 1Q that March was already significantly better than January and February. We expect 2Q09 consolidated sales (1Q09 sales is already disclosed) of €612m (-14% yoy), driven by a 7.2% positive currency effect, 5.3% growth from the consolidation of Prodac and Ideal Alambreac and a 26% organic decline. The organic decline is predominantly related to the pass on of the lower input prices for wire rod in 2Q. We believe the high fixed cost base in combination with lower utilisation rates to result in significantly lower EBIT. In addition, we expect a negative inventory revaluation of some €30m. EBIT for 1H09F should arrive at €78.3m, yielding 6.5% margin, below bottom of the 7-9% target. Finally, net profit should come in at €56.6m.

Items to watch

The company will report per region rather than per product, for the first time. We expect Asia-Pacific to show the highest margins of the group. In China, Bekaert's peer Xingda generated an EBITDA margin of 26.7% in 2008, which compares to Bekaert's group EBITDA margin of 15.7%. This supports our view that Bekaert China (22% of consolidated sales), was Bekaert's profit driver in recent years. We refer to the Benelux eye-opener: 'Bekaert - Chinese fireworks'.

1H09F is not a good representation of the remainder of the year

Bekaert has been affected by the lower steel price in 1H09, which resulted in an inventory writedown and de-stocking at Bekaert's clients in anticipation of lower prices. However, with a more stable steel environment, we expect de-stocking to have come to an end. We expect a significantly higher profitability in 2H09F.

Important disclosures can be found in the Disclosures Appendix.

*ABN AMRO group companies are subsidiary undertakings of The Royal Bank of Scotland Group plc.

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/impaird)	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.
Source: Company data, ABN AMRO forecasts

year to Dec

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 17 Jul 2009)

	Global total (IB%)	Europe total (IB%)
Buy	489 (6)	169 (17)
Add	0 (0)	0 (0)
Hold	398 (3)	169 (5)
Reduce	1 (0)	1 (0)
Sell	184 (0)	68 (0)
Total (IB%)	1072 (4)	407 (9)

Source: ABN AMRO

Trading recommendations (as at 17 Jul 2009)

	Global total (IB%)	Europe total (IB%)
Trading Buy	5 (0)	0 (0)
Trading Sell	3 (0)	0 (0)
Total (IB%)	8 (0)	0 (0)

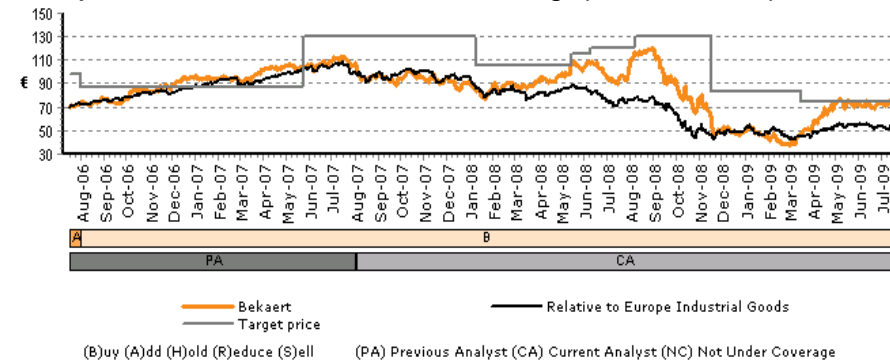
Source: ABN AMRO

Valuation and risks to target price

Bekaert (RIC: BEKB.BR, Rec: Buy, CP: €77.62, 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 17 Jul 2009)



Trading recommendation history

Date	Rec	Analyst
n/a	n/a	n/a

Source: ABN AMRO

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

Regulatory disclosures

None

Global disclaimer

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