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## Bekaert - Company visit, reiterate Buy

**Recommendation** Buy  
**Target price** €38.00  
**RIC** BEKB.BR

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### Analyst details

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Company visit. (1) 2012 will be very tough, especially driven by global economic fears. BEKB expects strong Latin America, but uncertainty in EMEA and North-America. In Asia, despite good GDP headline in China (still 85% of Asia-Pacific sales) the important end-markets construction, infrastructure, truck tyres and solar are under fierce pressure. The company expects EBIT margin to fall to the 10-12% target (RBS: 11.1%) from Latin America. BEKB is willing to close factories in China to lower the cost base. (2) The dividend of €1.67 per share seems secure and yields 6.0% currently. Assuming €3.5bn sales with a low-end scenario of 7% EBIT margin, EBIT will be €245m at least in the long term. For 2012, we forecast EBIT of €190m (with EBIT margin of 6.2%). We believe therefore that the €1.67 dividend per share will still be paid in 2012 at a total expense of €100m. Remember the Bekaert family still owns some 40% of the shares. BEKB cut dividend once 25 years ago when a large restructuring program was ongoing. (3) In 2012, capex will fall from €250m this year, to €180m next year and will be more or less in line with depreciation. BEKB indicates maintenance capex will be around €75. In China, the capex will be focussed on wire products, rather than steelcord. (4) We forecast the bookvalue per share of around €29, which is above the current share price. We believe this is unjustified. BEKB has a very conservative book-keeping, no goodwill, no R&D capitalization. We also believe that in the longer term, BEKB should be able to generate return above the WACC, which is internally stated at 9-10%. We continue to rate BEKB a Buy and the stock should be considered at deep value at these levels.