

New China tyre policy drives upgrades

■ Reiterating Buy rating with increased €240 price target

We reiterate our Buy rating on Bekaert with an increased €240 price target, after increasing EPS estimates by 15-25% on the back of the new China tyre policy, which will accelerate expected growth and support profitability in Bekaert's steel cord operations in China (estimated to account for >70% of EBIT).

■ New China tyre policy positive for incumbents and technical leaders

The Chinese government recently published guidelines to increase penetration of radial tyres to 85% for light trucks and to 90% for heavy trucks by 2015, compared to around 60% today. We estimate the Chinese truck tyre market will increase by 10-15% p.a. implying the radial tyre market will grow almost twice as fast at 20-25% p.a. driven by a rising penetration from 60% today to 90% by 2015.

■ Increasing EPS estimates by 15-25% on higher volume growth

We have increased Bekaert EPS estimates by 15% for FY10E, assuming 40% volume growth in Asia Pacific in H2 (in line with H1) and relatively more resilient profitability. We have increased FY11E EPS by 25% and FY12E EPS by 30%, assuming faster top-line growth in Asia Pacific of 15% (vs. 8-10% previously).

■ Valuation: Buy rating with €240 price target

Bekaert shares are attractively valued at 10.6x PE and 7.4x EBIT FY11E, implying a discount of 20% to the European engineering sector and 8% to its Chinese competitor Xingda. Our €240 DCF-based price target (previously €195) assumes a long-term EBIT margin of 10.5%, 9.5% WACC and 2.0% continuing growth. The next catalyst will be Q3 sales on 10 November (UBSe +32% to €15m).

Highlights (€m)	12/08	12/09	12/10E	12/11E	12/12E
Revenues	2,662	2,437	3,140	3,402	3,675
EBIT (UBS)	294	257	522	560	588
Net Income (UBS)	220	157	357	383	397
EPS (UBS, €)	11.17	7.94	18.00	19.30	20.00
Net DPS (UBS, €)	2.80	2.94	6.30	6.76	7.00

Profitability & Valuation	5-yr hist av.	12/09	12/10E	12/11E	12/12E
EBIT margin %	-	10.5	16.6	16.5	16.0
ROIC (EBIT) %	-	13.6	24.9	23.6	22.2
EV/EBITDA (core) x	-	4.8	6.2	5.4	4.8
PE (UBS) x	-	9.5	11.6	10.8	10.5
Net dividend yield %	-	3.9	3.0	3.2	3.3

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (€): based on a share price of €209.40 on 15 Oct 2010 13:09 EDT

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Industrial, Diversified

12-month rating **Buy**
Unchanged

12m price target €240.00/US\$337.78
Prior: €195.00/US\$274.44

Price €209.40/US\$294.71

RIC: BEKB.BR BBG: BEKB BB

18 October 2010

Trading data (local/US\$)

52-wk range	€209.55-85.22/US\$294.99-125.30
Market cap.	€4.15bn/US\$5.85bn
Shares o/s	19.8m (ORD)
Free float	60%
Avg. daily volume ('000)	54
Avg. daily value (m)	€9.4

Balance sheet data 12/10E

Shareholders' equity	€1.55bn
P/BV (UBS)	2.7x
Net Cash (debt)	(€0.75bn)

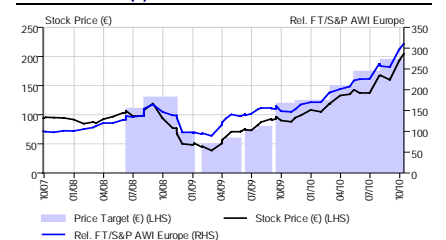
Forecast returns

Forecast price appreciation	+14.6%
Forecast dividend yield	3.2%
Forecast stock return	+17.8%
Market return assumption	6.1%
Forecast excess return	+11.7%

EPS (UBS, €)

	12/10E		12/09	
	From	To	Cons.	Actual
H1	9.17	9.17	-	2.48
H2E	6.05	8.34	-	5.41
12/10E	15.70	18.00	16.82	
12/11E	15.29	19.30	17.32	

Performance (€)



Source: UBS

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New China Tyre policy drives upgrades

China's Ministry of Industry and Information Technology (MITT) published new Tyre Industry Policy guidelines on 11/10/2010. The guidelines aim to increase penetration of radial tyres to 100% for passenger cars, to 85% for light trucks and to 90% for heavy trucks by 2015. The new Chinese guidelines forbid the creation of new capacity for non-radial tyres and phase-out production of existing facilities with capacity of less than 500,000 units. The policy is consistent with improvements in safety, fuel efficiency and CO2 emissions. Radial tyre penetration is already above 90% for passenger cars in China, but still relatively low at around 60% for the light and heavy truck segments (accounting for 60% of the market), which account for 75% of Bekaert's steel cord operations in China.

The UBS Autos Team estimates tyre growth in China will be in the range of 10-15% per annum for the next five years (Table 1). We estimate the radial tyre market in China will grow almost twice as fast by 20-25% on average per annum, driven by a rising radial tyre penetration from 60% today to 90% by 2015 on the back of the new Chinese tyre policy.

Table 1: Tyre market growth projections

	5 year CAGR 2010-2015		5 year CAGR 2010-2015	
	Light vehicles		Trucks	
	OE	Replacement	OE	Replacement
Europe	2.0%	3.0%	5.0%	6.0%
North America	5.0%	4.0%	8.0%	8.0%
China	10.0%	12.0%	12.0%	15.0%
Japan	0.0%	0.0%	1.0%	1.0%
LatAm	5.0%	7.0%	5.0%	7.0%
Russia	5.0%	7.0%	5.0%	7.0%

Source: UBS estimates

Bekaert's steel cord operations in China have been the company's main growth driver in recent years, with the Asia Pacific division (mainly comprising the steel cord operations in China) estimated to account for 38% of revenues and 72% of EBIT this year. The company's steel cord capacity is currently further expanded to 450,000 tonnes by the end of the year (accounting for around 1/3 of total industry capacity in China), compared to 60,000 tonnes in 2002, implying average growth of more than 25% per annum. Capacity is fully utilised and demand for steel cord is driven by a growing tyre market (by 22% on average per annum to 650m tyres in 2009) and by the replacement of traditional tyres with radial tyres.

We have increased FY10E EPS by 15% to €18.00 per share (7% ahead of consensus), assuming continued strong volume growth of 40% in Asia Pacific in H2, in line with H1 (previously 10%). We have increased FY11E EPS by 25% to €19.30 per share and FY12E EPS by 30% to €20.00 per share, assuming relatively faster top-line growth in Asia Pacific of 15% (vs. 8-10% previously). Our FY11E and FY12E EPS estimates are c12% ahead of consensus. We have left our long-term EBIT margin unchanged at 10.5% (versus company target of

New China Tyre policy aims to increase radial tyre penetration to improve safety, fuel efficiency and CO2 emissions...

...resulting in accelerating growth for radial tyres of 20-25% per annum...

...positively impacting Bekaert's Chinese tyre cord operations (>70% of EBIT)...

...resulting in EPS estimate upgrades of 15-25%

at least 10% for the next three years), assuming EBIT margins in Asia Pacific will gradually come down from 35% expected for FY10E to 15% over the next 10 years, while assuming EBIT margins in Europe and North America will remain relatively stable at around 8% (versus 7-9% target).

Valuation still attractive after outperformance

Bekaert shares have more than doubled over the last 12 months, outperforming the European market by 125%. The valuation remains attractive, with Bekaert shares trading at 10.6x PE FY11E and 7.4x EBIT FY11E, implying a discount of 20% to the European engineering sector and 8% to its Chinese competitor Xingda. We reiterate our Buy rating on Bekaert after increasing EPS estimates by 15-2%, resulting in an increased €240 DCF-based price target (previously €195), assuming a long-term EBIT margin of 10.5%, 9.5% WACC and 2.0% continuing growth.

The next catalyst will be a trading update on 10 November. We are projecting a 32% increase in Q3 sales to €815m, assuming continuing strong volume growth of 25%. Furthermore, Michelin (rated Neutral) recently announced to invest €700m in a new tyre plant in Shenyang by 2012, which would double its capacity in China. Bekaert could benefit if Michelin would decide to outsource its steel cord production in China. Note that Bridgestone sold its brand-new steel cord plant to Bekaert earlier this year. Michelin announced investments in India and Brazil as well, where Bekaert already has local operations and could potentially supply steel cord.

Bekaert still attractively valued after 120% outperformance over the last 12 months

Next catalysts include Q3 trading update on 10 November

Table 2: Bekaert DCF analysis (€ m)

	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	Terminal
Revenues	3,140.4	3,402.0	3,675.1	3,895.1	4,123.6	4,323.5	4,535.9	4,761.7	5,001.8	5,257.1	
EBIT margin (%)	16.7	16.4	16.0	15.4	14.7	13.3	12.4	11.4	10.4	10.5	
EBIT	524.1	556.8	587.7	598.3	604.3	576.8	562.7	543.3	517.9	551.5	
Working capital	-153.2	-43.4	-43.1	-28.4	-27.8	-43.0	-45.7	-48.5	-51.6	-54.9	
Taxation	-120.4	-137.2	-162.5	-168.0	-172.2	-169.3	-167.3	-163.6	-158.1	-170.4	
Depreciation	200.0	223.7	239.9	257.3	276.0	296.0	317.4	340.5	365.2	391.7	
Capex	-200.0	-223.7	-239.9	-257.3	-276.0	-296.0	-317.4	-340.5	-365.2	-391.7	
Free cash flow	280.6	408.3	415.8	437.6	441.9	404.2	391.6	375.3	354.7	375.4	4,989.3
Discount factor	1.1	1.2	1.3	1.4	1.6	1.7	1.9	2.1	2.3	2.5	2.5
NPV free cash flow	256.2	340.4	316.5	304.1	280.4	234.2	207.1	181.2	156.4	151.2	2,008.7
Sum NPV	4,436.3										
Net debt	-473.7										
Joint ventures	452.0										
Minorities	-342.2										
Equity value	4,072.4										
Nr of shares	19.8	12m									
Per share (€)	205	240									

Source: UBS estimates

Table 3: Bekaert forecasts (€ m)

	09H1	09H2	FY09	10H1	% chg	10H2	% chg	FY10E	% chg	FY11E	% chg	FY12E	% chg
EMEA	410	418	827	526	28	553	32	1,079	30	1,115	3	1,138	2
North America	264	210	474	313	19	256	22	569	20	580	2	592	2
Latin America	160	167	327	144	-10	161	-4	305	-7	335	10	369	10
Asia Pacific	367	443	809	552	51	636	44	1,188	47	1,371	15	1,577	15
Total revenues	1,200	1,238	2,437	1,535	28	1,605	30	3,140	29	3,402	8	3,675	8
EMEA	-21	23	2	54	-	44	96	98	-	100	2	91	-9
<i>margin %</i>	<i>-5.0</i>	<i>5.4</i>	<i>0.2</i>	<i>10.3</i>		<i>8.0</i>		<i>9.1</i>		<i>9.0</i>		<i>8.0</i>	
North America	-5	-1	-5	21	-	18	-	39	-	44	-	47	-
<i>margin %</i>	<i>-1.7</i>	<i>-0.2</i>	<i>-1.1</i>	<i>6.7</i>		<i>7.0</i>		<i>6.8</i>		<i>7.5</i>		<i>8.0</i>	
Latin America	8	20	28	14	67	16	-18	30	7	37	23	44	20
<i>margin %</i>	<i>5.3</i>	<i>11.7</i>	<i>8.6</i>	<i>9.7</i>		<i>10.0</i>		<i>9.9</i>		<i>11.0</i>		<i>12.0</i>	
Asia Pacific	128	160	288	206	61	214	34	420	46	446	6	473	6
<i>margin %</i>	<i>34.9</i>	<i>36.1</i>	<i>35.6</i>	<i>37.3</i>		<i>33.7</i>		<i>35.4</i>		<i>32.5</i>		<i>30.0</i>	
Other	-25	-31	-56	-33		-32		-65		-67		-68	
EBITAE	86	171	257	262	205	260	52	522	103	560	7	588	5
<i>margin %</i>	<i>7.2</i>	<i>13.8</i>	<i>10.5</i>	<i>17.1</i>		<i>16.2</i>		<i>16.6</i>		<i>16.5</i>		<i>16.0</i>	
Exceptional items	-7	-17	-25	-19		0		-19		-15		-10	
Amortisation of goodwill	0	0	0	0		0		0		0		0	
EBIT	79	153	232	243	209	260	69	503	117	545	8	578	6
Interest income	2	4	6	4		4		8		13		20	
Interest charges	-29	-34	-63	-28		-28		-56		-56		-56	
Other	-3	-6	-9	8		0		8		0		0	
Net interest	-31	-35	-66	-16		-24		-40		-43		-36	
Result before tax	48	118	167	228		236		464		502		542	
Result before tax (norm)	55	136	191	246		236		482		517		552	
Tax	-13	-21	-34	-51		-68		-120		-138		-163	
<i>tax rate</i>	<i>27.5</i>	<i>17.4</i>	<i>20.4</i>	<i>22.5</i>		<i>29.0</i>		<i>25.8</i>		<i>27.5</i>		<i>30.1</i>	
Non-consolidated income	17	20	38	19		21		40		43		45	
Minority items	-8	-10	-19	-14		-16		-30		-32		-34	
Net profit	44	108	152	181	309	173	61	354	133	374	6	390	4
Net profit (normalised)	49	108	157	182	270	175	63	357	128	383	7	397	4
<i>net margin %</i>	<i>4.1</i>	<i>8.7</i>	<i>6.4</i>	<i>11.9</i>		<i>10.9</i>		<i>11.4</i>		<i>11.3</i>		<i>10.8</i>	
EPS (€)	2.24	5.45	7.69	9.15	308	8.72	60	17.84	132	18.87	6	19.65	4
EPS (normalised) (€)	2.49	5.45	7.94	9.19	269	8.84	62	18.00	127	19.30	7	20.00	4
Average number of shares (m)	19.7	19.8	19.7	19.8		19.8		19.8		19.8		19.8	

Source: UBS estimates

Income statement (€m)	12/05	12/06	12/07	12/08	12/09	12/10E	% ch	12/11E	% ch	12/12E	% ch
Revenues	1,914	2,010	2,174	2,662	2,437	3,140	28.8	3,402	8.3	3,675	8.0
Operating expenses (ex depn)	(1,639)	(1,737)	(1,868)	(2,250)	(2,052)	(2,419)	17.9	(2,619)	8.3	(2,848)	8.7
EBITDA (UBS)	275	273	306	412	386	722	87.1	783	8.5	828	5.6
Depreciation	(107)	(110)	(120)	(118)	(129)	(200)	55.0	(224)	11.8	(240)	7.3
Operating income (EBIT, UBS)	168	163	186	294	257	522	103.2	560	7.3	588	5.0
Other income & associates	57	51	47	56	38	40	6.3	43	7.3	45	5.0
Net interest	(15)	(31)	(41)	(49)	(66)	(40)	-39.7	(43)	8.9	(36)	-16.5
Abnormal items (pre-tax)	(32)	(17)	(12)	(84)	(26)	(19)	-27.4	(15)	-19.2	(10)	-33.3
Profit before tax	178	166	181	217	203	504	147.8	545	8.1	587	7.7
Tax	(30)	(18)	(19)	(26)	(34)	(120)	253.1	(138)	15.2	(163)	18.2
Profit after tax	148	148	162	192	169	384	126.7	407	5.9	424	4.2
Abnormal items (post-tax)	54	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	(12)	(5)	(9)	(18)	(19)	(30)	62.2	(32)	7.3	(34)	5.0
Net income (local GAAP)	190	143	153	174	151	354	134.7	374	5.8	390	4.1
Net Income (UBS)	148	147	151	220	157	357	127.8	383	7.2	397	3.6
Tax rate (%)	17	11	11	12	17	24	42.5	25	6.6	28	9.7
Pre-abnormal tax rate (%)	32	23	22	26	28	28	0.0	28	-0.2	30	7.7
Per share (€)	12/05	12/06	12/07	12/08	12/09	12/10E	% ch	12/11E	% ch	12/12E	% ch
EPS (local GAAP)	8.78	6.60	7.63	8.82	7.64	17.84	134.1	18.87	5.8	19.65	4.1
EPS (UBS)	6.86	6.81	7.54	11.17	7.94	18.00	126.7	19.30	7.2	20.00	3.6
Net DPS	3.00	2.50	2.76	2.80	2.94	6.30	114.3	6.76	7.2	7.00	3.6
Cash EPS	11.82	11.89	13.52	17.15	14.48	28.09	94.0	30.58	8.9	32.10	5.0
BVPS	50.28	49.39	55.25	57.48	65.32	78.27	19.8	92.24	17.8	106.54	15.5
Balance sheet (€m)	12/05	12/06	12/07	12/08	12/09	12/10E	% ch	12/11E	% ch	12/12E	% ch
Net tangible fixed assets	800	824	918	1,071	1,128	1,174	4.1	1,174	0.0	1,174	0.0
Net intangible fixed assets	125	134	122	111	105	128	22.2	128	0.0	128	0.0
Net working capital (incl. other assets)	755	660	682	837	903	1,101	21.9	1,378	25.2	1,662	20.6
Other liabilities	(45)	(40)	(158)	(206)	(174)	(174)	0.0	(174)	0.0	(174)	0.0
Operating invested capital	1,636	1,579	1,564	1,814	1,962	2,230	13.6	2,507	12.4	2,791	11.3
Investments	238	238	216	200	219	219	0.0	219	0.0	219	0.0
Total capital employed	1,875	1,817	1,779	2,014	2,181	2,449	12.3	2,726	11.3	3,009	10.4
Shareholders' equity	1,080	1,060	1,098	1,131	1,285	1,552	20.8	1,829	17.8	2,113	15.5
Minority interests	51	49	48	42	89	89	0.0	89	0.0	89	0.0
Total equity	1,131	1,109	1,147	1,172	1,374	1,641	19.5	1,918	16.9	2,202	14.8
Net debt / (cash)	534	492	575	791	750	750	0.0	750	0.0	750	0.0
Other debt-deemed items	210	215	57	50	58	58	0.0	58	0.0	58	0.0
Total capital employed	1,875	1,817	1,779	2,014	2,181	2,449	12.3	2,726	11.3	3,009	10.4
Cash flow (€m)	12/05	12/06	12/07	12/08	12/09	12/10E	% ch	12/11E	% ch	12/12E	% ch
Operating income (EBIT, UBS)	168	163	186	294	257	522	103.2	560	7.3	588	5.0
Depreciation	107	110	120	118	129	200	55.0	224	11.8	240	7.3
Net change in working capital	(32)	(32)	(42)	(162)	196	(153)	-	(43)	-71.7	(43)	-0.6
Other (operating)	39	4	24	(55)	(3)	(19)	493.8	(15)	-19.0	(10)	-32.9
Operating cash flow (pre tax/interest)	282	245	288	194	578	550	-4.9	725	31.8	774	6.8
Net interest received / (paid)	(15)	(31)	(41)	(49)	(66)	(40)	-39.7	(43)	8.9	(36)	-16.5
Dividends paid	(65)	(52)	(55)	(55)	(58)	(125)	114.3	(134)	7.2	(139)	3.6
Tax paid	(30)	(18)	(19)	(26)	(34)	(120)	253.1	(138)	15.2	(163)	18.2
Capital expenditure	(152)	(161)	(200)	(251)	(167)	(200)	20.1	(224)	11.8	(240)	7.3
Net (acquisitions) / disposals	72	(31)	(7)	(38)	2	(70)	-	0	-	0	-
Other	-	35	40	(30)	(213)	(9)	-95.9	(4)	-49.3	1	-
Share issues	11	2	(111)	(20)	2	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	68	(42)	(131)	(229)	51	(4)	-	186	-	197	5.6
FX / non cash items	-	83	48	13	(9)	4	-	(186)	-	(197)	5.6
Balance sheet (inc)/dec in net debt	-	42	(83)	(216)	42	0	-	0	-	0	-
Core EBITDA	275	273	306	412	386	722	87.1	783	8.5	828	5.6
Maintenance capital expenditure	(80)	(193)	(207)	(289)	(165)	(270)	63.9	(224)	-17.2	(240)	7.3
Maintenance net working capital	680	551	602	811	819	1,017	24.1	1,294	27.2	1,577	21.9
Operating free cash flow, pre-tax	875	631	701	933	1,040	1,469	41.2	1,853	26.2	2,165	16.8

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating

Buy

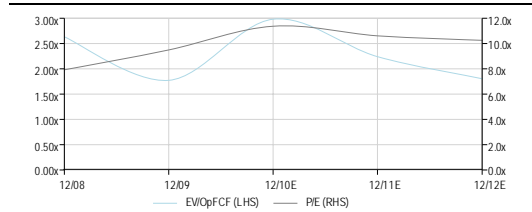
12m price target

€240.00

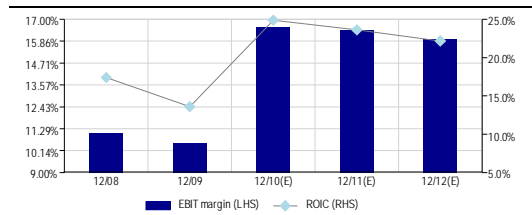
Company profile

Bekaert is an engineering company, built on two core competences: metal transformation and advanced coatings. Its main products are made from wire rod, which is used to reinforce tyres, among other uses. Bekaert realises more than two-thirds of its revenues from three main market sectors: automotive (31% of revenues), construction (23%) and utilities (16%). Geographically, it realises 34% of its revenues in Europe, 19% in North America, 13% in Latin America and 33% in Asia Pacific (25%, 15%, 35%, and 25%, respectively, on a combined sales basis). In 2009, it achieved revenues of 12.4bn with a 10.5% EBIT margin.

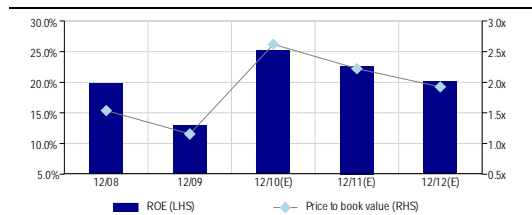
Value (EV/OpFCF & P/E)



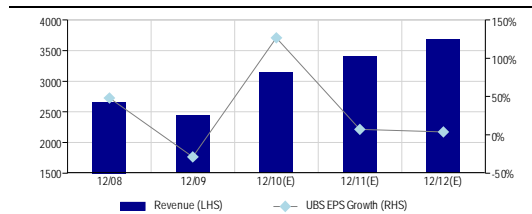
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
P/E (local GAAP)	-	10.1	9.9	11.7	11.1	10.7
P/E (UBS)	-	7.9	9.5	11.6	10.8	10.5
P/CEPS	-	5.2	5.2	7.5	6.8	6.5
Net dividend yield (%)	-	3.2	3.9	3.0	3.2	3.3
P/BV	-	1.5	1.2	2.7	2.3	2.0
EV/revenue (core)	-	0.9	0.8	1.4	1.2	1.1
EV/EBITDA (core)	-	6.0	4.8	6.2	5.4	4.8
EV/EBIT (core)	-	8.4	7.2	8.6	7.6	6.8
EV/OpFCF (core)	-	2.6	1.8	3.0	2.3	1.8
EV/op. invested capital	-	1.5	1.0	2.1	1.8	1.5

Enterprise value (€m)	12/08	12/09	12/10E	12/11E	12/12E
Average market cap	1,742	1,483	4,153	4,153	4,153
+ minority interests	42	344	344	344	344
+ average net debt (cash)	673	474	429	196	(45)
+ pension obligations and other	0	0	0	0	0
- non-core asset value	0	(456)	(456)	(456)	(456)
Core enterprise value	2,457	1,844	4,470	4,237	3,996

Growth (%)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
Revenue	-	22.5	-8.5	28.8	8.3	8.0
EBITDA (UBS)	-	34.6	-6.4	87.1	8.5	5.6
EBIT (UBS)	-	57.8	-12.7	103.2	7.3	5.0
EPS (UBS)	-	48.0	-28.9	126.7	7.2	3.6
Cash EPS	-	26.9	-15.6	94.0	8.9	5.0
Net DPS	-	1.4	5.0	114.3	7.2	3.6
BVPS	-	4.0	13.6	19.8	17.8	15.5

Margins (%)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
EBITDA / revenue	-	15.5	15.8	23.0	23.0	22.5
EBIT / revenue	-	11.0	10.5	16.6	16.5	16.0
Net profit (UBS) / revenue	-	8.3	6.4	11.4	11.3	10.8

Return on capital (%)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
EBIT ROIC (UBS)	-	17.4	13.6	24.9	23.6	22.2
ROIC post tax	-	12.9	9.8	17.9	17.0	15.5
Net ROE	-	19.8	13.0	25.2	22.6	20.1

Coverage ratios (x)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
EBIT / net interest	-	7.1	4.5	14.2	14.0	17.6
Dividend cover (UBS EPS)	-	4.0	2.7	2.9	2.9	2.9
Div. payout ratio (%), UBS EPS	-	25.1	37.0	35.0	35.0	35.0
Net debt / EBITDA	-	1.9	1.9	1.0	1.0	0.9

Efficiency ratios (x)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
Revenue / op. invested capital	-	1.6	1.3	1.5	1.4	1.4
Revenue / fixed assets	-	2.4	2.0	2.5	2.6	2.8
Revenue / net working capital	-	3.8	3.0	3.4	2.9	2.6

Investment ratios (x)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
OpFCF / EBIT	-	3.2	4.1	2.8	3.3	3.7
Capex / revenue (%)	-	9.4	6.8	6.4	6.6	6.5
Capex / depreciation	-	2.1	1.3	1.0	1.0	1.0

Capital structure (%)	5Yr Avg	12/08	12/09	12/10E	12/11E	12/12E
Net debt / total equity	-	70.0	58.3	48.3	41.0	35.5
Net debt / (net debt + equity)	-	41.2	36.8	32.6	29.1	26.2
Net debt (core) / EV	-	27.4	25.7	9.6	4.6	(1.1)

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items.

Valuations: based on an average share price that year, (E): based on a share price of €209.40 on 15 Oct 2010 13:09 EDT Market cap(E) may include forecast share issues/buybacks.

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Analyst

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■ Bekaert

Bekaert is an engineering company, built on two core competences: metal transformation and advanced coatings. Its main products are made from wire rod, which is used to reinforce tyres, among other uses. Bekaert realises more than two-thirds of its revenues from three main market sectors: automotive (31% of revenues), construction (23%) and utilities (16%). Geographically, it realises 34% of its revenues in Europe, 19% in North America, 13% in Latin America and 33% in Asia Pacific (25%, 15%, 35%, and 25%, respectively, on a combined sales basis). In 2009, it achieved revenues of € 2.4bn with a 10.5% EBIT margin.

■ Statement of Risk

Bekaert's operations are not immune to the economic cycle as its products are used in the construction sector and automotive sector (although 75% replacement market). Bekaert has suppliers and customers with quite some pricing power. Bekaert's main raw material is wire rod and as such it is exposed to movements in the steel price. The market for tire steel cord in China, an important market for Bekaert, is very competitive. As a truly global company Bekaert is exposed to movements in foreign currencies, notably the \$, renminbi and Slovakian koruna although most of the effect is translational. Finally, Bekaert faces the risk of insourcing by customers, notably in the tyre industry.

■ Analyst Certification

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UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	51%	37%
Neutral	Hold/Neutral	40%	33%
Sell	Sell	9%	22%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	20%
Sell	Sell	less than 1%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 September 2010.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

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Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

Equity Price Targets have an investment horizon of 12 months.

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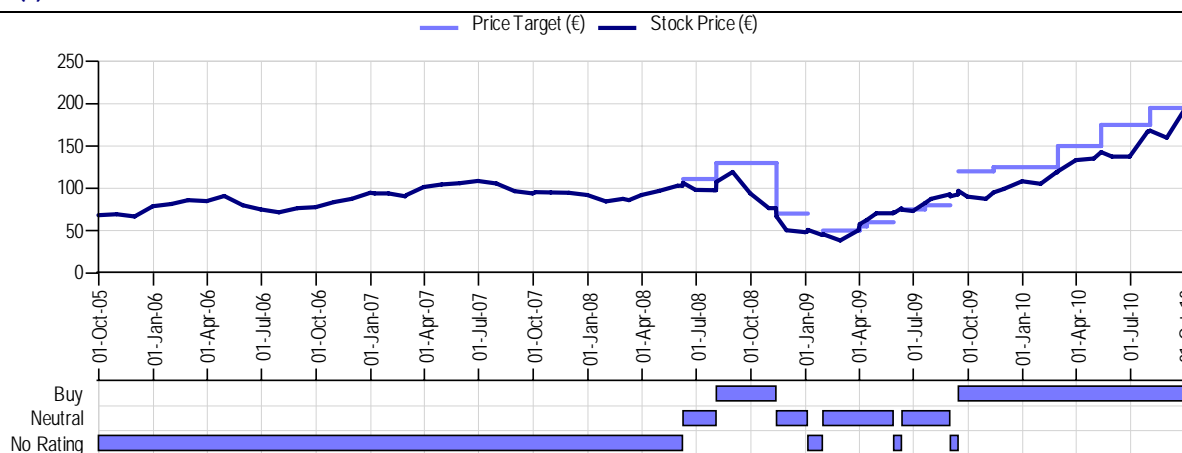
Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Bekaert	BEKB.BR	Buy	N/A	€205.00	14 Oct 2010

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Bekaert (€)

Source: UBS; as of 14 Oct 2010

Additional Prices: Compagnie Gendes Etablissements Michelin, €58.10 (14 Oct 2010); Source: UBS. All prices as of local market close.

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