

Pressure on sawing wire & tire cord

Downgrading to Sell on larger than expected pressure on sawing wire

We are downgrading Bekaert to Sell with a reduced €25.0 price target due to larger than expected volume and price pressure in sawing wire, resulting in a further 25% cut to FY12E EPS to €2.40 per share (after a 36% cut on October 17th). As a result, Bekaert is trading at 12.8x PE FY12E, implying a 72% premium to Xingda consensus.

Q3 sales broadly in line, but underlying trends worse than expected

Broadly in-line Q3 sales reflected a 24% drop in Asia Pacific. We understood pressure on sawing wire volume was larger than expected at over 60% due to high inventory levels in the supply chain, while prices decreased further in October and are now down >60% y/y, reflecting overcapacity, estimated at 100%. Furthermore, slowing tire cord sales in China resulted in increased competition and lower prices.

Further cutting EPS estimates on lowered sawing & tire cord assumptions

We have cut FY11E EPS by 5% to €3.56 and FY12E EPS by 25% to €2.40, factoring in larger than expected pressure on sawing wire volumes and prices. We estimate sawing wire will account for 2% of FY12E EBIT, compared to c45% in FY10. Furthermore, our estimates assume tire cord margins in Asia Pacific will come down to 12.5% in FY12E, compared to 25% in FY10. As a result, we estimate group EBIT margins will come down to the bottom-end of the former 7-9% long-term target range (10%+ currently), compared to over 17% in FY10.

Valuation: Downgrade to Sell with reduced €25.0 price target

Our reduced €25.0 PT (from €35.0) is based on a historic average one-year forward P/E multiple of 10.5x. Our DCF analysis points at a fair value of €30 per share.

Highlights (€m)	12/09	12/10	12/11E	12/12E	12/13E
Revenues	2,437.3	3,262.5	3,262.8	3,196.3	3,364.5
EBIT (UBS)	256.8	562.5	348.4	223.6	239.5
Net Income (UBS)	156.7	386.9	213.3	144.1	162.0
EPS (UBS, €)	2.65	6.53	3.56	2.40	2.70
Net DPS (UBS, €)	0.98	1.67	0.89	0.60	0.68

Profitability & Valuation	5-yr hist av.	12/10	12/11E	12/12E	12/13E
EBIT margin %	11.1	17.2	10.7	7.0	7.1
ROIC (EBIT) %	17.8	29.9	16.6	10.5	11.1
EV/EBITDA (core) x	6.1	5.0	3.9	4.6	4.1
PE (UBS) x	10.1	8.2	8.3	12.2	10.9
Net dividend yield %	3.2	3.1	3.0	2.0	2.3

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, (E): based on a share price of €29.37 on 09 Nov 2011 21:41 GMT

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Belgium

Industrial, Diversified

12-month rating **Sell**
Prior: Neutral

12m price target €25.00/US\$33.85
Prior: €35.00/US\$47.39

Price €29.37/US\$39.77

RIC: BEKB.BR BBG: BEKB BB

11 November 2011

Trading data (local/US\$)

52-wk range	€87.43-28.62/US\$125.09-38.20
Market cap.	€1.76bn/US\$2.38bn
Shares o/s	59.9m (ORD)
Free float	60%
Avg. daily volume ('000)	330
Avg. daily value (m)	€11.3

Balance sheet data 12/11E

Shareholders' equity	€1.74bn
P/BV (UBS)	1.0x
Net Cash (debt)	(€0.42bn)

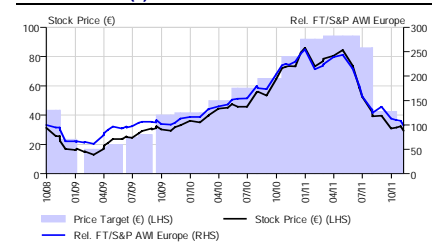
Forecast returns

Forecast price appreciation	-14.9%
Forecast dividend yield	2.0%
Forecast stock return	-12.9%
Market return assumption	8.1%
Forecast excess return	-21.0%

EPS (UBS, €)

	12/11E		12/10	12/10
	From	To	Cons.	Actual
H1	2.76	2.76	-	3.07
H2E	0.99	0.80	-	3.42
12/11E	3.75	3.56	3.57	
12/12E	3.22	2.40	3.34	

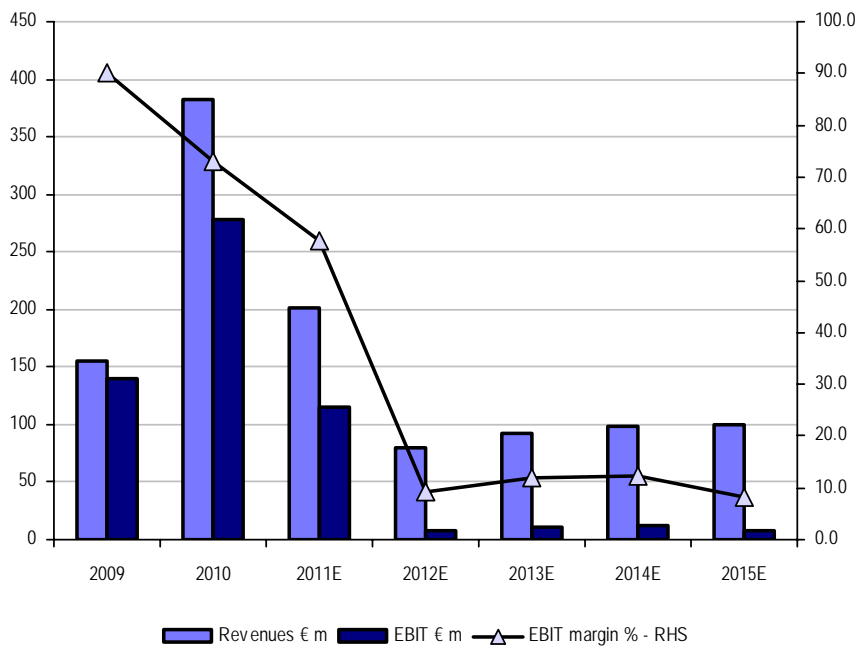
Performance (€)



Source: UBS

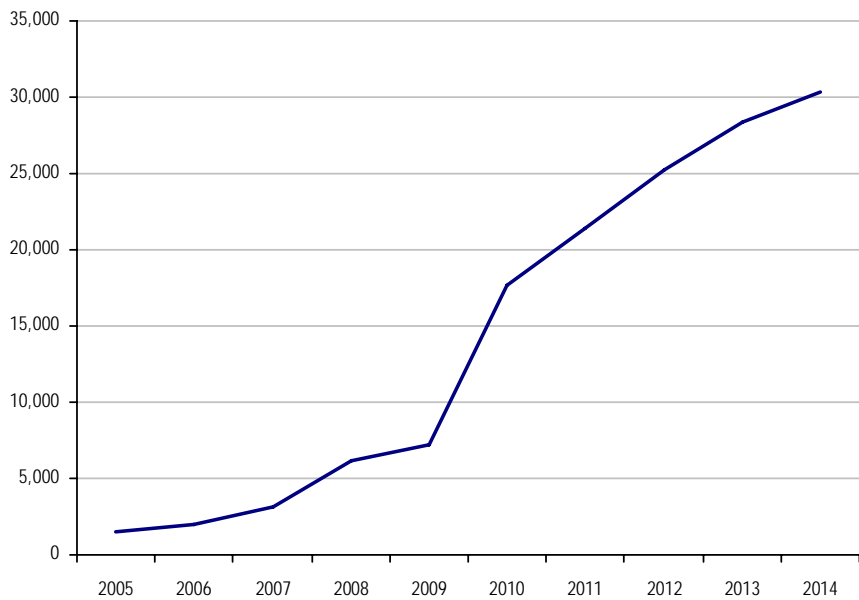
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Chart 1: Bekaert – sawing wire revenue, EBIT & margin development



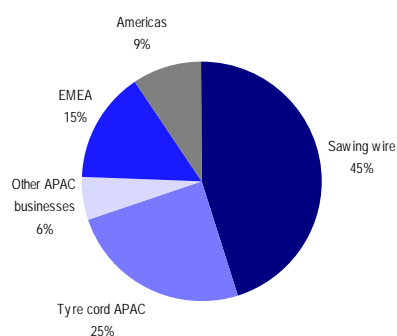
Source: UBS estimates

Chart 2: Global solar demand forecast (MW)



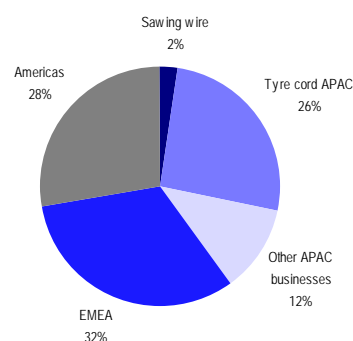
Source: UBS estimates

Chart 3: Bekaert EBIT breakdown 2010



Source: UBS estimates

Chart 4: Bekaert EBIT breakdown FY12E



Source: UBS estimates

Table 1: Bekaert DCF analysis (€ m)

	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	Terminal
Revenues	3,262.8	3,196.3	3,364.5	3,529.6	3,702.3	3,834.8	3,973.3	4,118.1	4,269.5	4,428.0	
EBIT margin (%)	10.7	7.0	7.1	7.1	6.9	6.8	6.9	6.9	7.0	7.0	
EBIT	348.4	223.6	239.5	251.9	254.3	261.6	273.2	285.3	298.0	311.4	
Working capital	-58.9	37.9	-32.2	-29.4	-29.7	-37.7	-39.4	-41.2	-43.1	-45.1	
Taxation	-69.4	-46.6	-53.6	-58.1	-59.6	-65.6	-69.9	-74.4	-79.1	-84.1	
Depreciation	199.4	215.0	229.7	243.9	259.0	275.0	292.0	310.1	329.2	349.6	
Capex	-260.0	-260.0	-229.7	-243.9	-259.0	-275.0	-292.0	-310.1	-329.2	-349.6	
Free cash flow	194.5	212.7	204.2	222.3	225.8	222.2	231.0	240.2	249.8	259.9	2,271.4
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	145.7	141.6	117.0	114.2	104.6	91.7	86.7	82.0	77.5	73.4	914.4
Sum NPV	1,948.9										
Net debt	-577.9										
Joint ventures	304.5										
Minorities	-261.0										
Equity value	1,494.5										
Nr of shares	59.9	12m									
Per share (€)	25.0	30.0									

Source: UBS estimates

Table 2: Bekaert forecasts (€ m)

	10H1	10H2	FY10	11H1	% chg	11H2E	% chg	FY11E	% chg	FY12E	% chg	FY13E	% chg
EMEA	526	540	1,066	614	17	580	7	1,194	12	1,230	3	1,254	2
North America	313	325	638	354	13	296	-9	650	2	580	-11	592	2
Latin America	144	167	311	173	20	185	11	358	15	393	10	423	8
Asia Pacific	552	696	1,248	639	16	422	-39	1,061	-15	993	-6	1,096	10
Total revenues	1,535	1,728	3,262	1,780	16	1,483	-14	3,263	0	3,196	-2	3,364	5
EMEA	54	41	95	54	0	42	1	96	1	98	3	100	2
margin %	10.3	7.6	8.9	8.8		7.2		8.0		8.0		8.0	
North America	21	13	34	28	33	18	35	46	34	46	2	47	2
margin %	6.7	4.0	5.3	7.9		5.9		7.0		8.0		8.0	
Latin America	14	12	26	16	14	16	35	32	24	39	22	47	18
margin %	9.7	7.2	8.4	9.2		8.8		9.0		10.0		11.0	
Asia Pacific	206	265	471	206	0	51	-81	257	-45	123	-52	131	6
margin %	37.3	38.1	37.7	32.2		12.1		24.2		12.4		11.9	
Other	-33	-31	-64	-41		-41		-82		-84		-85	
EBITAE	262	300	562	263	1	85	-72	348	-38	224	-36	239	7
margin %	17.1	17.4	17.2	14.8		5.7		10.7		7.0		7.1	
Exceptional items	-19	-10	-28	-32		-10		-42		-10		-10	
EBIT	243	291	534	232	-5	75	-74	307	-43	214	-30	229	7
Interest income	4	5	9	4		7		10		13		16	
Interest charges	-28	-32	-59	-35		-31		-66		-66		-66	
Other	8	10	18	-3		0		-3		0		0	
Net interest	-16	-17	-32	-35		-24		-59		-53		-51	
Result before tax	228	274	502	197		51		248		161		179	
Result before tax (norm)	246	284	530	229		61		289		171		189	
Tax	-51	-88	-139	-54		-16		-69		-47		-54	
tax rate &	22.5	32.2	27.8	27.2		31.3		28.0		29.0		30.0	
Non-consolidated income	19	17	36	14		21		35		43		51	
Minority items	-14	-17	-31	-13		-17		-30		-19		-21	
Net profit	181	187	368	144	-20	39	-79	183	-50	137	-26	155	14
Net profit (normalised)	182	205	387	165	-9	48	-77	213	-45	144	-33	162	13
net margin %	11.9	11.9	11.9	9.3		3.2		6.5		4.5		4.8	
EPS (€)	3.05	3.16	6.21	2.45	-20	0.65	-79	3.06	-51	2.28	-26	2.59	14
EPS (normalised) (€)	3.06	3.47	6.53	2.81	-8	0.80	-77	3.56	-45	2.40	-33	2.70	13
Average number of shares (m)	59.4	59.1	59.2	58.9		59.9		59.9		60.0		60.0	

Source: Company reports, UBS estimates

Table 3: Bekaert cash flow statement (€ m)

	2004	2005	2006	2007	2008	2009	2010	2011E	2012E	2013E
EBITAE	179	172	165	189	294	257	562	348	224	239
Depreciation & amortisation	108	107	110	120	118	139	179	199	215	230
Change in provisions	-8	-15	-10	-10	0	0	0	0	0	0
Taxes	-18	-30	-18	-19	-26	-34	-139	-69	-47	-54
Change in working capital	-113	-32	-32	-42	-162	196	-277	-59	38	-32
Dividends joint ventures	23	44	35	55	46	41	40	35	43	51
Operating cash flow	171	245	250	292	270	599	365	455	473	434
Investments in fixed assets	-166	-142	-153	-192	-239	-158	-230	-260	-260	-230
Free cash flow	5	103	97	100	32	440	135	195	213	204
Other capex	-17	62	-40	-14	-51	-10	-20	80	0	0
Dividends	-44	-65	-52	-55	-55	-58	-100	-53	-36	-41
Interest paid	-21	-15	-31	-41	-49	-66	-32	-59	-53	-51
Cash flow before financing	-53	129	9	45	-78	348	23	197	167	164
Equity financing	1	11	2	-111	-20	2	-58	0	0	0
Short term debt	77	-76	-82	59	40	-285	121	0	0	0
Long term debt	6	97	55	64	124	238	89	0	0	0
Other	-16	-35	6	13	16	0	0	0	0	0
Movement in cash	-8	82	-45	15	37	56	225	162	124	113

Source: Company reports, UBS estimates

Table 4: Bekaert balance sheet (€ m)

	2004	2005	2006	2007	2008	2009	2010	2011E	2012E	2013E
Fixed Assets	792	800	824	918	1,071	1,128	1,295	1,278	1,328	1,328
Intangible fixed assets	42	46	58	52	52	51	73	73	73	73
Goodwill	76	80	77	70	59	54	58	58	58	58
Associates	220	238	238	216	200	219	244	244	244	244
Other investments	93	68	91	75	18	41	32	32	32	32
Deferred tax assets	18	8	19	5	9	44	64	64	64	64
Inventories	419	348	369	385	511	358	508	536	517	535
Trade receivables	385	354	399	438	483	480	774	805	779	811
Other receivables	37	54	54	53	53	49	64	64	64	64
Other current assets	45	103	41	43	93	131	118	118	118	118
Cash	62	132	52	58	118	276	443	603	721	834
Total assets	2,189	2,232	2,220	2,313	2,667	2,830	3,673	3,875	3,998	4,161
Equity	910	1,079	1,060	1,098	1,131	1,285	1,611	1,741	1,842	1,956
Minority items	49	51	49	48	42	89	86	86	86	86
ST interest bearing debt	314	246	218	253	503	151	320	320	320	320
Trade creditors	251	187	228	232	254	247	342	342	335	352
Other ST debt	139	125	135	143	194	228	362	362	362	362
Long term debt	246	288	274	322	288	598	700	700	700	700
Provisions	216	45	40	158	206	174	200	200	200	200
Other long-term debt	64	210	215	57	50	58	51	123	152	183
Total liabilities	2,189	2,232	2,220	2,313	2,667	2,830	3,673	3,875	3,998	4,161
Net debt	499	402	440	517	673	474	578	418	299	186
<i>Gearing</i>	<i>55</i>	<i>37</i>	<i>42</i>	<i>47</i>	<i>60</i>	<i>37</i>	<i>36</i>	<i>24</i>	<i>16</i>	<i>10</i>
<i>Net debt /EBITDA</i>	<i>2.0</i>	<i>1.5</i>	<i>1.6</i>	<i>1.7</i>	<i>1.6</i>	<i>1.2</i>	<i>0.8</i>	<i>0.8</i>	<i>0.7</i>	<i>0.4</i>

Source: Company reports, UBS estimates

Income statement (€m)	12/06	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Revenues	2,009.6	2,173.6	2,662.4	2,437.3	3,262.5	3,262.8	0.0	3,196.3	-2.0	3,364.5	5.3
Operating expenses (ex dephn)	(1,736.9)	(1,867.6)	(2,250.4)	(2,041.6)	(2,521.0)	(2,717.4)	7.8	(2,762.5)	1.7	(2,900.3)	5.0
EBITDA (UBS)	272.7	306.0	412.0	395.8	741.5	545.4	-26.4	433.8	-20.5	464.2	7.0
Depreciation	(110.0)	(119.7)	(118.0)	(139.0)	(179.0)	(197.0)	10.0	210.2	6.7	224.7	6.9
Operating income (EBIT, UBS)	162.7	186.3	294.0	256.8	562.5	348.4	-38.1	223.6	-35.8	239.5	7.1
Other income & associates	51.0	47.1	56.1	37.8	36.1	35.0	-3.0	42.8	22.2	50.6	18.2
Net interest	(31.0)	(41.0)	(49.2)	(65.6)	(32.4)	(59.1)	82.7	(53.1)	-10.1	(50.8)	-4.4
Abnormal items (pre-tax)	(16.8)	(11.7)	(83.8)	(25.6)	(28.2)	(41.5)	47.1	(10.0)	-75.9	(10.0)	0.0
Profit before tax	165.9	180.7	217.1	203.3	538.0	282.8	-47.4	203.3	-28.1	229.3	12.8
Tax	(18.4)	(19.1)	(25.5)	(33.9)	(139.5)	(69.4)	-50.3	(46.5)	-32.9	(53.6)	15.2
Profit after tax	147.6	161.6	191.6	169.4	398.5	213.4	-46.5	156.7	-26.6	175.7	12.1
Abnormal items (post-tax)	0.0	0.0	0.0	0.0	0.0	0.0	-	(0.5)	-	0.0	-
Minorities / pref dividends	(4.8)	(8.7)	(17.7)	(18.6)	(30.9)	(30.0)	-2.8	(19.3)	-35.8	(20.6)	7.1
Net income (local GAAP)	142.8	152.9	173.8	150.8	367.6	183.4	-50.7	137.0	-25.3	155.0	13.2
Net Income (UBS)	147.3	151.2	220.2	156.7	386.9	213.3	-44.9	144.1	-32.5	162.0	12.5
Tax rate (%)	11.1	10.6	11.8	16.7	25.9	24.5	-5.4	22.9	-6.7	23.4	2.1
Pre-abnormal tax rate (%)	23.2	22.4	25.7	28.0	28.0	28.0	0.0	29.3	4.6	30.0	2.4
Per share (€)	12/06	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
EPS (local GAAP)	2.20	2.54	2.94	2.55	6.21	3.06	-50.4	2.28	-25.4	2.59	13.2
EPS (UBS)	2.27	2.51	3.72	2.65	6.53	3.56	-45.5	2.40	-32.5	2.70	12.5
Net DPS	0.83	0.92	0.93	0.98	1.67	0.89	-46.6	0.60	-32.5	0.68	12.5
Cash EPS	3.96	4.51	5.72	4.99	9.55	6.85	-28.3	5.91	-13.7	6.45	9.2
BVPS	16.46	18.41	19.16	21.77	27.07	29.05	7.3	30.71	5.7	32.62	6.2
Balance sheet (€m)	12/06	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Net tangible fixed assets	824.4	917.7	1,070.7	1,127.7	1,295.1	1,278.1	-1.3	1,327.9	3.9	1,327.9	0.0
Net intangible fixed assets	134.5	122.0	111.5	105.0	131.1	131.1	0.0	131.1	0.0	131.1	0.0
Net working capital (incl. other assets)	608.1	624.2	719.1	627.5	856.1	915.0	6.9	877.1	-4.1	909.2	3.7
Other liabilities	(40.0)	(158.4)	(205.9)	(173.7)	(200.5)	(200.5)	0.0	(200.5)	0.0	(200.5)	0.0
Operating invested capital	1,527.0	1,505.6	1,695.3	1,686.5	2,081.9	2,123.7	2.0	2,135.7	0.6	2,167.8	1.5
Investments	237.7	215.6	199.9	218.6	243.8	243.8	0.0	243.8	0.0	243.8	0.0
Total capital employed	1,764.8	1,721.2	1,895.2	1,905.1	2,325.7	2,367.5	1.8	2,379.5	0.5	2,411.6	1.4
Shareholders' equity	1,060.4	1,098.3	1,130.6	1,284.8	1,610.7	1,740.7	8.1	1,841.7	5.8	1,956.2	6.2
Minority interests	48.9	48.4	41.8	88.7	86.0	86.0	0.0	86.0	0.0	86.0	0.0
Total equity	1,109.3	1,146.7	1,172.4	1,373.6	1,696.6	1,826.7	7.7	1,927.6	5.5	2,042.1	5.9
Net debt / (cash)	440.2	517.4	672.9	473.7	577.9	418.2	-27.6	299.4	-28.4	186.4	-37.7
Other debt-deemed items	215.3	57.1	50.0	57.8	51.2	122.7	139.8	152.4	24.3	183.1	20.1
Total capital employed	1,764.8	1,721.2	1,895.2	1,905.1	2,325.7	2,367.5	1.8	2,379.5	0.5	2,411.6	1.4
Cash flow (€m)	12/06	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Operating income (EBIT, UBS)	162.7	186.3	294.0	256.8	562.5	348.4	-38.1	223.6	-35.8	239.5	7.1
Depreciation	110.0	119.7	118.0	139.0	179.0	197.0	10.0	210.2	6.7	224.7	6.9
Net change in working capital	(31.9)	(41.9)	(162.4)	195.6	(276.9)	(58.9)	-78.7	37.9	-	(32.2)	-
Other (operating)	3.9	23.9	(55.4)	(3.2)	(18.7)	(36.5)	95.0	13.0	-	20.0	53.3
Operating cash flow (pre tax/interest)	244.7	288.0	194.2	588.3	445.9	450.0	0.9	484.7	7.7	452.0	-6.7
Net interest received / (paid)	(31.0)	(41.0)	(49.2)	(65.6)	(32.4)	(59.1)	82.7	(53.1)	-10.1	(50.8)	-4.4
Dividends paid	(52.4)	(54.7)	(55.4)	(58.3)	(99.8)	(53.4)	-46.55	(36.0)	-32.50	(40.5)	12.47
Tax paid	(18.4)	(19.1)	(25.5)	(33.9)	(139.5)	(69.4)	-50.3	(46.5)	-32.9	(53.6)	15.2
Capital expenditure	(161.3)	(199.8)	(251.0)	(166.5)	(247.6)	(260.0)	5.0	(260.0)	0.0	(224.7)	-13.6
Net (acquisitions) / disposals	(31.3)	(6.8)	(38.2)	(1.5)	(3.0)	80.0	-	0.0	-	0.0	-
Other	35.0	40.0	(29.7)	(212.7)	67.2	(36.5)	-	13.0	-	20.0	53.3
Share issues	2.2	(111.0)	(19.7)	1.8	(57.7)	0.0	-	0.0	-	0.0	-
Cash flow (inc)/dec in net debt	(41.9)	(131.0)	(229.3)	57.9	(43.9)	88.1	-	89.0	1.0	82.4	-7.5
FX / non cash items	3.4	53.8	73.7	141.3	(60.3)	71.5	-	29.8	-58.4	30.6	2.9
Balance sheet (inc)/dec in net debt	(38.6)	(77.2)	(155.5)	199.2	(104.2)	159.7	-	118.8	-25.6	113.0	-4.9
Core EBITDA	272.7	306.0	412.0	395.8	741.5	545.4	-26.4	433.8	-20.5	464.2	7.0
Maintenance capital expenditure	(192.6)	(206.6)	(289.2)	(168.0)	(250.6)	(180.0)	-28.2	(260.0)	44.4	(224.7)	-13.6
Maintenance net working capital	499.0	543.9	692.4	543.3	760.3	819.1	7.7	781.3	-4.6	813.4	4.1
Operating free cash flow, pre-tax	579.1	643.4	815.2	771.0	1,251.2	1,184.5	-5.3	955.1	-19.4	1,052.9	10.2

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.

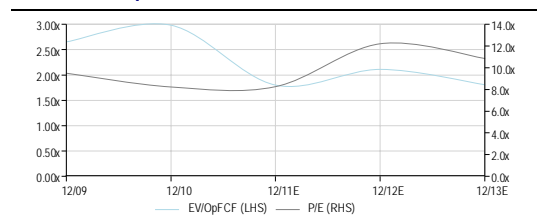
12-month rating **Sell**

12m price target **€25.00**

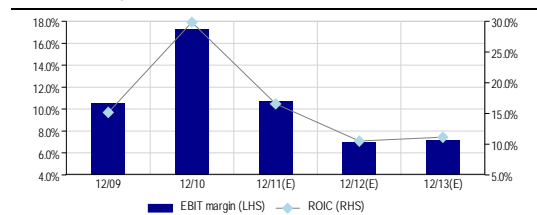
Company profile

Bekaert is a global technological leader in two core competences: advanced metal transformation and advanced materials and coatings, and a market leader in drawn wire products and applications. Bekaert pursues sustainable profitable growth and generated combined sales of €4.5bn in 2010. Bekaert realises more than two-thirds of its revenues from three market sectors: automotive (33% of sales), energy and utilities (24%), and construction (18%). Geographically, it realises 33% of sales in Europe, 19% in North America, 10% in Latin America, and 38% in Asia Pacific (24%, 14%, 34% and 28% on a combined sales basis).

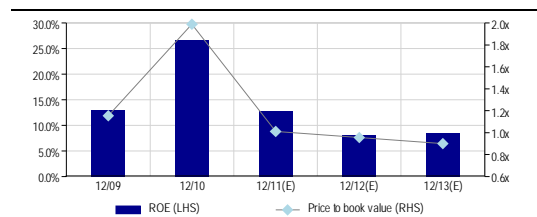
Value (EV/OpFCF & P/E)



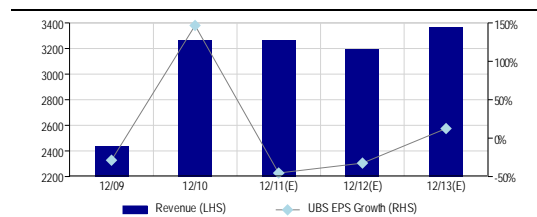
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
P/E (local GAAP)	10.8	9.9	8.7	9.6	12.9	11.4
P/E (UBS)	10.1	9.5	8.2	8.3	12.2	10.9
P/CEPS	6.0	5.0	5.6	4.3	5.0	4.6
Net dividend yield (%)	3.2	3.9	3.1	3.0	2.0	2.3
P/BV	1.6	1.2	2.0	1.0	1.0	0.9
EV/revenue (core)	1.0	0.8	1.1	0.7	0.6	0.6
EV/EBITDA (core)	6.1	5.2	5.0	3.9	4.6	4.1
EV/EBIT (core)	8.9	8.0	6.6	6.1	9.0	7.9
EV/OpFCF (core)	3.2	2.7	3.0	1.8	2.1	1.8
EV/op. invested capital	1.6	1.2	2.0	1.0	0.9	0.9

Enterprise value (€m)	12/09	12/10	12/11E	12/12E	12/13E
Average market cap	1,483.0	3,196.8	1,758.8	1,758.8	1,758.8
+ minority interests	88.7	261.0	261.0	261.0	261.0
+ average net debt (cash)	473.7	577.9	418.2	299.4	186.4
+ pension obligations and other	0.1	0.1	0.1	0.1	0.1
- non-core asset value	(0.1)	(304.5)	(304.5)	(304.5)	(304.5)
Core enterprise value	2,045.4	3,731.3	2,133.6	2,014.8	1,901.9

Growth (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Revenue	12.9	-8.5	33.9	0.0	-2.0	5.3
EBITDA (UBS)	28.4	-3.9	87.4	-26.4	-20.5	7.0
EBIT (UBS)	36.4	-12.7	119.1	-38.1	-35.8	7.1
EPS (UBS)	30.2	-28.9	146.7	-45.5	-32.5	12.5
Cash EPS	24.6	-12.6	91.2	-28.3	-13.7	9.2
Net DPS	18.9	5.0	70.1	-46.6	-32.5	12.5
BVPS	13.2	13.6	24.3	7.3	5.7	6.2

Margins (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBITDA / revenue	16.4	16.2	22.7	16.7	13.6	13.8
EBIT / revenue	11.1	10.5	17.2	10.7	7.0	7.1
Net profit (UBS) / revenue	8.2	6.4	11.9	6.5	4.5	4.8

Return on capital (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBIT ROIC (UBS)	17.8	15.2	29.9	16.6	10.5	11.1
ROIC post tax	-	10.9	21.5	11.9	7.4	7.8
Net ROE	17.4	13.0	26.7	12.7	8.0	8.5

Coverage ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBIT / net interest	8.5	4.5	18.5	6.5	5.0	5.7
Dividend cover (UBS EPS)	3.2	2.7	3.9	4.0	4.0	4.0
Div. payout ratio (% UBS EPS)	32.2	37.0	25.5	25.0	25.0	25.0
Net debt / EBITDA	1.3	1.2	0.8	0.8	0.7	0.4

Efficiency ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Revenue / op. invested capital	1.5	1.4	1.7	1.6	1.5	1.6
Revenue / fixed assets	2.2	2.0	2.5	2.3	2.2	2.3
Revenue / net working capital	4.3	3.9	5.0	4.1	4.0	4.2

Investment ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
OpFCF / EBIT	2.8	3.0	2.2	3.4	4.3	4.4
Capex / revenue (%)	8.2	6.8	7.6	8.0	8.1	6.7
Capex / depreciation	1.5	1.2	1.4	1.3	1.2	1.0

Capital structure (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Net debt / total equity	43.4	36.9	35.9	24.0	16.3	9.5
Net debt / (net debt + equity)	30.2	26.9	26.4	19.4	14.0	8.7
Net debt (core) / EV	20.5	23.2	15.5	19.6	14.9	9.8

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of €29.37 on 09 Nov 2011 21:41 GMT Market cap(E) may include forecast share issues/buybacks.

David Kerstens

Analyst
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■ Bekaert

Bekaert is a global technological leader in two core competences: advanced metal transformation and advanced materials and coatings, and a market leader in drawn wire products and applications. Bekaert pursues sustainable profitable growth and generated combined sales of € 4.5bn in 2010. Bekaert realises more than two-thirds of its revenues from three market sectors: automotive (33% of sales), energy and utilities (24%), and construction (18%). Geographically, it realises 33% of sales in Europe, 19% in North America, 10% in Latin America, and 38% in Asia Pacific (24%, 14%, 34% and 28% on a combined sales basis).

■ 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.

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UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	59%	35%
Neutral	Hold/Neutral	35%	33%
Sell	Sell	6%	14%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	0%
Sell	Sell	less than 1%	20%

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 2011.

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).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

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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UBS Limited: David Kerstens.

Company Disclosures

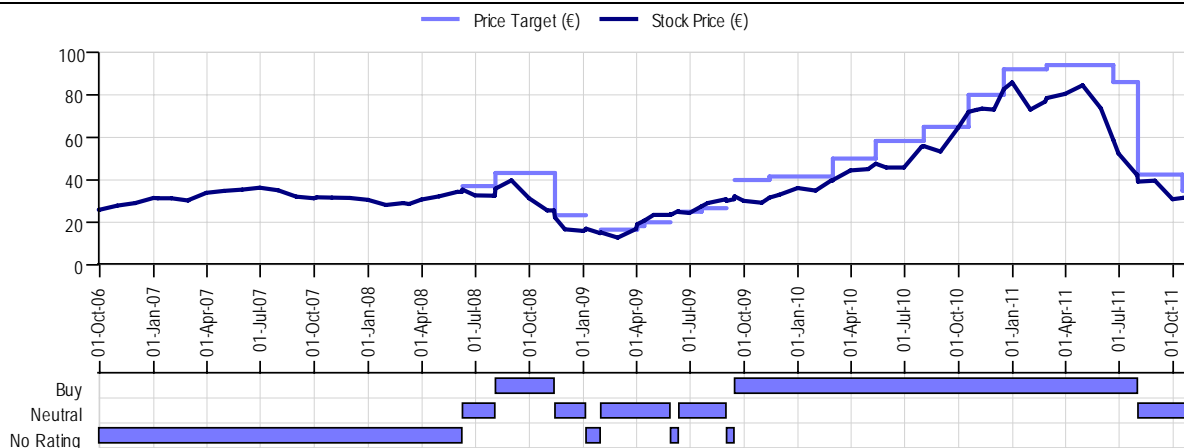
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Bekaert	BEKB.BR	Neutral	N/A	€29.37	09 Nov 2011

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 09 Nov 2011

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