

Bekaert

Indy - Industrial, Diversified / Belgium

Target Price EUR 39.00**Expected performance (12 mth) 19.4%****BUY EUR 32.67 (Closing price 03-Mar-16)**

FY15 results raise confidence in transformational track

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Opinion on qualitative criteria

Accounting	IFRS 01/01/2004
Quality of track record	Neutral
Solvency	High
Currency risk	High
Risk of asset write-off	Neutral

Share price performance/EPS revision (EUR)

Price ABN AMRO EPS est. 2016



Source: FactSet, ABN AMRO Equity Research

Market capitalisation (EUR m)	1,964.0
No. of shares (m)	60.1
Free float	61.9%
1/3/12 mth perf. (%)	14.2/24.1/20.2
High/low 52 weeks (EUR)	32.94/22.87
Next results due	
Price/book value (x)	1.3
Volatility (β) (5yrs)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB BB
Website	www.bekaert.com

Bekaert reported strong results and cash flow generation for 2H15, which confirmed the arguments that made us upgrade the stock to (conviction) BUY at the start of this year (see also our report “Seen coming in play in 2016”, dated 3 January). The company was successful at offsetting challenging market conditions with upgrades to product mix and cost savings. We stress that the 2015 results did not yet reflect a meaningful contribution from Bekaert’s programmes to optimise the manufacturing cost base and the business portfolio. A surprisingly confident outlook statement from Bekaert raised our comfort that these transformational programmes are gaining traction and can be expected to fuel solid earnings progress in 2016 and beyond, even under challenging market conditions. We keep our earnings forecasts unchanged, which imply a CAGR of 15% for EBITE and of 23% for EPS in 2016-2018. This growth is, in our view, not fully reflected in Bekaert’s compelling 2016/2017 valuation of 13.8/11.3x P/E, 10.8/10.5% FCF yield and 5.8/5.0x EV/EBITDA (EV including the estimated market value of Bekaert’s JVs and associates). To reflect the c.EUR 150m stronger-than-expected cut in end-2015 net debt, we increase our DCF-based TP to EUR 39/share (from EUR 37). We see solid earnings progress (further supported in 1H16 by an easy comparison base) as the main catalyst for the stock.

Impressively defying headwinds in Asia Pacific and Latin America

The FY15 results delivered clear evidence that Bekaert has started to gain strong traction with a broad array of internal improvement initiatives, which proved very effective in more than offsetting challenging external headwinds. We focus on the Asia Pacific and Latin America divisions to illustrate this.

Year to December	2014	2015	2016e	2017e	2018e
Sales (EUR m)	3,215.7	3,670.0	3,821.4	4,111.9	4,239.5
EBITDA (EUR m)	341.9	441.8	475.6	528.5	560.0
Net profit excl. extr. & amort. (EUR m)	93.2	102.0	133.0	161.9	190.3
Net profit (EUR m)	87.2	102.0	133.0	161.9	190.3
EBITDA margin (%)	10.6	12.0	12.4	12.9	13.2
ROCE (incl. goodwill) (%)	4.3	5.9	5.9	6.8	7.6
Net gearing (%)	64.3	63.2	64.8	51.4	38.4
EPS before extr. & amort. (EUR)	1.62	1.83	2.38	2.90	3.41
EPS (EUR)	1.51	1.83	2.38	2.90	3.41
DPS (EUR)	0.85	0.90	0.97	1.04	1.11
% change sales	0.9	14.1	4.1	7.6	3.1
% change EPS (excl. extr. & amort.)	185.1	12.8	30.4	21.7	17.6
EV/Sales	0.78	0.71	0.75	0.66	0.61
EV/EBITDA	7.4	5.9	6.0	5.1	4.6
P/E (excl. extr. & amort.)	16.8	14.3	13.7	11.3	9.6
P/E	17.9	14.3	13.7	11.3	9.6
PE/growth (excl. extr.)	0.0	0.1	0.5	0.4	0.5
Free cash flow yield (%)	(0.3)	22.0	11.1	9.2	9.8

Source: Company, ABN AMRO Equity Research

Performance of Asia Pacific division (EUR m)

	1H14	2H14	2014	1H15	2H15	2015
Sales	478	488	966	541	545	1,086
% chg.	2%	1%	1%	13%	12%	12%
of which volume	10%	2%	6%	-5%	-3%	-4%
of which wire rod	-3%	-5%	-4%	-5%	-4%	-5%
of which prices/mix	2%	1%	1%	1%	1%	1%
of which FX	-6%	4%	-1%	18%	11%	14%
of which M&A	-1%	-1%	-1%	5%	7%	6%
EBITDA (incl. non-recurring)	88	71	159	92	108	200
margin	18.4%	14.6%	16.5%	17.0%	19.8%	18.4%
REBIT	43	20	63	30	52	82
margin	9.0%	4.1%	6.5%	5.6%	9.5%	7.6%
% chg.	10%	-48%	-18%	-29%	158%	30%

Source: company data

While seeing challenging market conditions, the Asia Pacific division managed to deliver a strong improvement of the REBIT margin to 9.5% in 2H15, from 5.6% in 1H15 and 4.1% in 2H14 (the 158% y-o-y jump in 2H15 REBIT to EUR 52m clearly beat our forecast of EUR 34m and consensus of EUR 33m). Management said at the analyst meeting that the admirable turnaround which started in 2015 is expected to gain momentum in 2016.

A slowdown of the growth rate in China is increasing pressures caused by overcapacity. The tire cord market shrank for the first time in long while in China in 2015 (this segment represents about 50% of sales for the Asia Pacific division). Bekaert, however, managed to grow its volumes, gaining back the market share it lost in 2014. More importantly, the company did this while also growing the share of high-value-adding products in the mix, which enabled it to offset the competitive pricing pressures seen in the market. Bekaert is also starting to reap the fruits of an optimisation of the manufacturing cost base of the seven tire cord production plants. In order to make better use of operational leverage benefits, it has taken measures to rationalise the number of SKUs, reconfigure the plants along increased specialisation, reduce complexity and optimise manufacturing excellence. These initiatives are expected to provide further offset in 2016.

The sawing wire business related to the solar energy market saw revenue grow by 30% in 2015 (this business represents >10% of Asia Pacific sales). Also, this business was successful in shifting the mix towards more protected high-value adding products.

The improvement in Asia Pacific profitability also reflects the first effects from Bekaert's portfolio rationalisation and transformation efforts. By buying out business partners, Bekaert has removed the complexity in the ownership structure of some businesses, which enabled it to start a turnaround process of the steel wire activities in Malaysia and Indonesia, for example. Bekaert divested the loss-making carding solutions business in China and India (May 2015) and it exited the stainless steel wire activities in India (October 2015). On 31 December 2015, Bekaert also deconsolidated the loss-making spring wire activities of Xinyu (reclassified to investments held for sale) due to ongoing negotiations to exit this business in China. These business portfolio optimisation steps were said to also have a positive impact on margins in 2016. Finally, we highlight the full-year impact of the synergy benefits related to the integration (since March 2015) of the former Pirelli plant in China and the former Arrium ropes plant in Australia.

Performance Latin America division (EUR m)

	1H14	2H14	2014	1H15	2H15	2015
Sales	295	336	631	400	364	764
% chg.	-16%	15%	-2%	36%	8%	21%
of which volume	-6%	5%	-1%	0%	-2%	-1%
of which wire rod	-3%	-1%	-2%	-4%	-4%	-4%
of which prices/mix	2%	8%	5%	7%	1%	4%
of which FX	-11%	-4%	-8%	13%	2%	7%
of which M&A	2%	6%	4%	20%	11%	15%
EBITDA (incl. non-recurring)	18	22	40	35	37	72
margin	6.1%	6.5%	6.3%	8.7%	10.2%	9.4%
REBIT	11	15	26	22	24	46
margin	3.7%	4.5%	4.1%	5.5%	6.6%	6.0%
% chg.	-61%	-6%	-41%	99%	60%	76%

Source: company data

Latin America was probably the toughest region for Bekaert from a macroeconomic perspective, as low oil and commodity prices are putting severe pressure on many market segments. Nevertheless, Bekaert managed to achieve an improvement of the REBIT margin to 6.6% in 2H15, from 5.5% in 1H15 and 4.1% in FY14 (the 60% y-o-y jump in 2H15 REBIT to EUR 24m beat our forecast of EUR 21m and consensus of EUR 20m).

The large scale and high market share of its operations in Latin America, and some tailwinds from weakening local currencies enabled Bekaert to fight off the competition from imported products out of Asia. The improvement in profitability also reflects the success of a focus on upgrading the product portfolio and cost savings. At the analyst meeting, management expressed confidence that the company's strong market positions in Latin America will enable it to continue to weather the challenging market conditions foreseen in 2016.

Solid 2015 results not yet reflecting Bekaert's transformation

We would note that the solid earnings progress of 2015 did not yet reflect a meaningful contribution from Bekaert's transformational programmes aimed at optimising the manufacturing cost base and the business portfolio, which are still in an early phase of the implementation process.

In 2015, Bekaert completed two manufacturing excellence pilot projects at factories in Belgium and China, which generated operational improvement ideas from debottlenecking, use of cheaper wire rod as raw material input, and machine and worker productivity. These exercises resulted in an action plan to optimise the manufacturing cost base, which is being rolled out across all of Bekaert's 85 factories in the coming three years. More recently, the company also launched a customer excellence programme to its support growth and margin performance. At the FY15 analyst meeting, management expressed confidence that these self-help programmes will be effective at offsetting competitive pricing pressures in markets, and maybe even more than that.

In 2015, Bekaert took quite a number of steps towards the transformation of its business portfolio. These are aimed at narrowing the company's focus and making the business less complex, so that efforts and resources can be focused on areas where the company can differentiate itself, has strength and generates better margins. On the one hand, this has led Bekaert to exit the loss-making businesses carding solutions (May 2015), stainless steel wire (October 2015) and Xingyu (end-2015). These exits will have a positive full-year impact on Bekaert's margins in 2016. On the other hand, Bekaert took considerable steps towards focusing on areas in which it enjoys better growth and differentiation opportunities with the takeovers of Pirelli's tire cord business (while consolidated from 2015, this business is expected to generate further integration

synergies in 2016), the Arrium ropes business in Australia and Bridon. The latter is a JV agreement (expected to close mid-2016) with Ontario Teachers' Pension Plan to merge two highly complementary ropes and advanced cords businesses from a geographic and product perspective, which is expected to unlock substantial integration benefits in the years ahead from enhanced scale, technology sharing and cross-selling (for more background on this deal, we refer to our note published on 3 January 2016, *Seen coming in play in 2016*).

Bekaert confirmed in its outlook statement that these “global transformational programmes ... are expected to come to their full potential over the coming years, as they gain impact in implementation scope and speed”.

Encouraging outlook on the back of self-help and M&A

Although it was as usual only qualitative in nature, the 2016 outlook provided, in our view, more concrete expectations and aired a bolder tone than we have heard from Bekaert for a long time.

With respect to external market conditions, the company anticipates ongoing overcapacity and competitive pressures in most sectors, although management added at the analyst meeting that this was seen as comparable to what was experienced in 2015. Yet, Bekaert feels confident that it will outperform the market again this year, and guides for a further improvement of the margin performance (“make another significant step towards our REBIT margin target of 7%”). More specifically, the company sees a continued strong performance from EMEA, improved profitability in North America (as self-help measures are starting to take effect and Bekaert expects to recoup a large part of the bead wire volumes that were lost during the rebuild of the fire-damaged plant in Rome) and further upside potential from the turnaround in Asia Pacific (full impact of the restructuring of the steel wire business in South East Asia and divestment of loss-making activities). And, despite weakening economic conditions in Latin America, Bekaert expects to be able to maintain the benefits of further cost savings and an improved business portfolio.

We point out that REBIT momentum may also see some support from a relatively easy comparable base in 1H16 (in particular for the Asia Pacific division) and the likely fading of a couple of items with a one-off character, such as the EUR 14m in consultancy fees (related to the manufacturing excellence programmes and M&A) and EUR 5m in bad debt provision for Chinese solar wire customers (predominantly in 1H15).

Unchanged forecasts imply a 2016-2018 CAGR of 23% for EPS

The table below shows that we have left our earnings estimates for 2016 and beyond largely unchanged (the reduction to the top line mostly reflects the impact of lower wire rod prices being passed through). Our forecasts assume consolidation of the merger with Bridon from mid-2016 (note that the proposed transaction still needs to close). Doing so, we forecast a solid 2016-2018 CAGR of 15% for EBITE and of 23% for EPS. We refer to the table on the following page for more detail regarding our P&L forecasts.

Old vs new forecasts (EUR m)

	2016E			2017E			2018E		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
Sales	4,001.2	3,821.4	-4%	4,295.9	4,111.9	-4%	4,429.6	4,239.5	-4%
EBITE margin	263.7 6.6%	262.2 6.9%	-1%	311.3 7.2%	306.2 7.4%	-2%	354.2 8.0%	340.4 8.0%	-4%
EPS (EUR)	2.30	2.37	3%	2.81	2.88	3%	3.37	3.39	1%

Source: ABN AMRO forecasts

P&L Bekaert (EUR m)

	1H14	2H14	2014	1H15	2H15	2015	2016E	2017E	2018E
EMEA	555	509	1,064	644	583	1,227	1,279	1,323	1,356
North America	281	274	555	313	280	593	684	778	801
Latin America	295	336	631	400	364	764	753	790	814
Asia Pacific	478	488	966	541	545	1,086	1,106	1,221	1,268
Consolidated sales	1,609	1,607	3,216	1,898	1,772	3,670	3,821	4,112	4,239
% chg.	-2.4%	4.6%	0.9%	18.0%	10.3%	14.1%	4.1%	7.6%	3.1%
volumes	4%	3%	4%	-3%	0%	-2%	2%	3%	3%
wire rod	-2%	0%	-2%	-3%	-4%	-4%	-3%	0%	0%
prices/mix	1%	0%	2%	4%	0%	2%	1%	0%	0%
fx	-5%	1%	-2%	11%	6%	8%	-1%	0%	0%
consolidation	0%	1%	0%	10%	9%	9%	5%	5%	0%
EBITDAE	173	162	335	219	225	445	496	549	580
margin	10.7%	10.1%	10.4%	11.5%	12.7%	12.1%	13.0%	13.3%	13.7%
% chg.	-0.9%	7.2%	2.9%	26.9%	38.8%	32.7%	11.5%	10.7%	5.7%
EBITE EMEA	64	50	114	80	59	139	139	147	156
margin	11.5%	9.9%	10.8%	12.4%	10.1%	11.3%	10.9%	11.1%	11.5%
% chg	39.1%	20.2%	30.1%	25.2%	16.7%	21.5%	0.3%	5.4%	6.2%
EBITE North America	14	6	20	12	8	20	33	46	56
margin	5.0%	2.2%	3.6%	3.7%	3.0%	3.4%	4.8%	5.9%	7.0%
% chg	7.7%	7.9%	7.8%	-17.1%	38.9%	-0.2%	64.3%	39.7%	22.2%
EBITE Latin America	11	15	26	22	24	46	50	57	65
margin	3.7%	4.5%	4.1%	5.5%	6.6%	6.0%	6.6%	7.2%	8.0%
% chg	-60.7%	-6.1%	-40.8%	99.0%	60.0%	76.5%	8.0%	14.5%	14.4%
EBITE Asia Pacific	43	20	63	30	52	82	100	118	128
margin	9.0%	4.1%	6.5%	5.6%	9.5%	7.6%	9.0%	9.7%	10.1%
% chg	10.3%	-47.8%	-18.5%	-29.2%	157.7%	30.1%	21.7%	18.7%	7.7%
Other	(32)	(27)	(59)	(32)	(32)	(64)	(60)	(62)	(64)
Total EBITE	100	64	164	112	111	223	262	306	340
margin	6.2%	4.0%	5.1%	5.9%	6.2%	6.1%	6.9%	7.4%	8.0%
% chg.	10.0%	-14.1%	-0.9%	12.2%	72.0%	35.6%	17.6%	16.8%	11.2%
Non-recurring items	17	(10)	7	(3)	(0)	(3)	(20)	(20)	(20)
EBIT	117	55	171	110	110	220	242	286	320
Net financial charges	(27)	(40)	(67)	(44)	(52)	(96)	(63)	(61)	(53)
EBT	90	15	105	66	58	124	179	225	267
Taxes	(23)	(20)	(42)	(26)	(11)	(36)	(61)	(76)	(91)
as % of EBT	25.1%	133.5%	40.5%	38.9%	18.5%	29.4%	34.0%	34.0%	34.0%
Share in results joint ventures	12	13	25	13	6	18	25	28	31
Result discontinued operations	0	0	0	0	0	0	0	0	0
Minority interests	(2)	2	(0)	(0)	(3)	(4)	(10)	(14)	(17)
Net profit continuing operations	78	9	87	52	50	102	133	162	190
% chg.	196.9%	nmf	254.7%	-32.7%	424.5%	17.0%	30.5%	21.7%	17.6%
EPS basic (EUR)	1.33	0.16	1.51	0.94	0.89	1.83	2.38	2.90	3.41
% chg.	198.3%	nmf	260.4%	-29.6%	441.0%	20.7%	30.4%	21.7%	17.6%
DPS (EUR)			0.85			0.90	0.97	1.04	1.11
payout			58.6%			53.1%	44.0%	38.5%	35.0%

Source: company data and ABN AMRO estimates

DCF-based target price raised to EUR 39

While our earnings forecasts remain unchanged, we raise our DCF-based price target to EUR 39 (from EUR 37/share), which reflects the c.EUR 150m stronger-than-expected reduction in end-2015 net debt. The DCF valuation shown in the table below assumes a gradual recovery of the EBITE margin to a peak of 8.4% in 2019, followed by a gradually fading to an exit level of 7.6% in 2025. The outcome is furthermore based on a WACC of 8.0% and terminal growth rate of 0%. We note that we have separately also included a dividend discount model (DDM) valuation for the joint ventures consolidated via the equity method of EUR 369m (which implies a realistic 2016/2017 P/E valuation of 14.8/13.3x P/E).

DCF valuation Bekaert, including DDM valuation JVs/associates (EUR m)

	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	Terminal value	CAGR '16 - '25
Revenue	3,821	4,112	4,239	4,360	4,483	4,611	4,733	4,859	4,987	5,120		3.4%
% chg.	4.1%	7.6%	3.1%	2.8%	2.8%	2.8%	2.7%	2.7%	2.7%	2.7%		
EBIT (recurring)	262	306	340	365	371	374	375	377	384	390		5.8%
margin	6.9%	7.4%	8.0%	8.4%	8.3%	8.1%	7.9%	7.8%	7.7%	7.6%		
% chg.	17.6%	16.8%	11.2%	7.1%	1.8%	0.6%	0.4%	0.7%	1.7%	1.7%		
Taxes	(89)	(104)	(116)	(124)	(126)	(127)	(127)	(128)	(130)	(133)		
effective tax rate	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%		
NOPAT	173	202	225	241	245	247	247	249	253	258		5.0%
% chg.	9.9%	16.8%	11.2%	7.1%	1.8%	0.6%	0.4%	0.7%	1.7%	1.7%		
Depreciation and amortisation	233	242	240	238	238	239	240	240	240	240		
Change in provisions	0	0	0	0	0	0	0	0	0	0		
Change in net working capital	2	(36)	(31)	(35)	(30)	(35)	(32)	(33)	(34)	(35)		
Net CAPEX	(161)	(175)	(193)	(230)	(257)	(258)	(235)	(235)	(235)	(235)		
Free cash flow / Terminal value	248	233	240	213	196	193	221	221	224	227	3,219	
% chg.	-38.1%	-6.0%	3.1%	-11.3%	-8.2%	-1.5%	14.5%	0.1%	1.6%	1.4%		
WACC	8.0%											
Terminal growth	0.0%											
Discount factor	96.2%	89.1%	82.5%	76.4%	70.7%	65.5%	60.6%	56.1%	52.0%	48.1%	48.1%	
Present value FCFs/Terminal value	238	207	198	163	138	126	134	124	117	109	1,550	
Sum PV FCFs	1,555											
PV Terminal value	1,550											
Value consolidated business	3,105											
DDM valuation JVs/associates	369											
Financial fixed assets	40											
Minority interests	(131)											
Pension deficit	(184)											
Net debt (end-2015)	(863)											
Equity value	2,336											
Number of shares ('000s)	60,126											
DCF value per share (EUR)	38.85											
Share price (EUR)	32.58											
Upside / downside	19.2%											

Source: ABN AMRO estimates

P & L Statement (EUR m) Year to December	2009	2010	2011	2012	2013	2014	2015	2016e	2017e	2018e
Net sales	2,437.3	3,262.5	3,340.0	3,460.6	3,185.6	3,215.7	3,670.0	3,821.4	4,111.9	4,239.5
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personnel costs	(499.1)	(596.9)	(618.6)	(712.4)	(603.6)	(610.1)	(645.3)	(668.1)	(697.1)	(720.0)
Other operating costs										
EBITDA	385.7	725.3	475.7	274.2	297.0	341.9	441.8	475.6	528.5	560.0
Depreciation	(139.8)	(173.0)	(200.8)	(229.1)	(151.1)	(164.6)	(221.7)	(233.4)	(242.3)	(239.5)
EBITA	245.8	552.2	274.9	45.1	145.9	177.3	220.1	242.2	286.2	320.4
Reported provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	(13.6)	(18.0)	(6.5)	(95.0)	(8.7)	(6.1)	0.0	0.0	0.0	0.0
EBIT	232.2	534.3	268.4	(49.9)	137.3	171.3	220.1	242.2	286.2	320.4
Net financials	(65.6)	(32.4)	(18.5)	(83.2)	(83.5)	(66.7)	(96.2)	(63.2)	(61.3)	(53.3)
Profit Before Taxes (PBT)	166.6	501.9	249.9	(133.2)	53.7	104.6	124.0	179.0	224.9	267.1
Taxes	(33.9)	(139.5)	(68.1)	(67.7)	(47.9)	(42.4)	(36.4)	(60.9)	(76.5)	(90.8)
Income from associates	37.8	36.1	25.4	10.4	30.2	25.3	18.3	24.9	27.8	31.1
Minorities	(18.6)	(30.9)	(14.6)	(6.4)	(11.5)	(0.4)	(3.9)	(10.0)	(14.3)	(17.0)
Net profit before extraordinary	151.8	367.6	192.6	(196.9)	24.6	87.2	102.0	133.0	161.9	190.3
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net reported profit	151.8	367.6	192.6	(196.9)	24.6	87.2	102.0	133.0	161.9	190.3
% change in Sales	(8.5)	33.9	2.4	3.6	(7.9)	0.9	14.1	4.1	7.6	3.1
% change in EBITDA	(6.4)	88.1	(34.4)	(42.4)	8.3	15.1	29.2	7.6	11.1	5.9
% change in EBITA	(0.2)	124.7	(50.2)	(83.6)	223.9	21.5	24.1	10.0	18.2	11.9
% change in PBT	3.3	201.3	(50.2)	ns	ns	94.6	18.5	44.4	25.7	18.8
% change in Net profit before extraordinary	(12.8)	142.2	(47.6)	ns	ns	254.7	17.0	30.5	21.7	17.6

Cash Flow Statement (EUR m)	2009	2010	2011	2012	2013	2014	2015	2016e	2017e	2018e
EBITDA	385.7	725.3	475.7	274.2	297.0	341.9	441.8	475.6	528.5	560.0
Change in provisions excluding tax provisions	(44.5)	1.8	(22.7)	(10.1)	(11.7)	(35.3)	(29.8)	0.0	0.0	0.0
Change in net working capital	195.6	(276.9)	(199.8)	226.8	78.5	(54.6)	212.3	28.3	(35.6)	(30.2)
Gross operating cash flow	536.8	450.1	253.2	490.8	363.8	252.0	624.3	503.9	492.9	529.8
Taxes paid	(31.1)	(113.3)	(129.3)	(59.2)	(51.5)	(45.8)	(56.7)	(60.9)	(76.5)	(90.8)
Capex	(173.8)	(249.1)	(277.7)	(127.3)	(96.8)	(154.5)	(164.8)	(160.9)	(175.2)	(193.2)
Free cash flow	331.9	87.7	(153.7)	304.3	215.5	51.6	402.8	282.1	241.3	245.8
Net interest received	(39.2)	(43.5)	(59.0)	(77.8)	(65.3)	(55.7)	(57.0)	(63.2)	(61.3)	(53.3)
Other	172.3	16.6	283.4	(282.6)	(84.8)	38.5	12.9	(239.1)	22.0	24.3
Acquisitions	(3.4)	(29.9)	(17.9)	8.1	0.0	(110.5)	(239.4)	0.0	0.0	0.0
Divestments	(0.5)	12.6	101.3	22.8	6.7	3.1	30.8	0.0	0.0	0.0
Share issues/buybacks	(0.5)	(57.7)	0.7	0.0	(15.3)	(72.1)	1.2	0.0	0.0	0.0
Dividend (adj. stock dividend)	(60.6)	(118.5)	(163.1)	(46.1)	(58.3)	(66.4)	(55.6)	(54.1)	(58.5)	(62.3)
Extraordinary items (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in interest-bearing debt	(252.5)	299.8	241.8	(148.1)	(53.5)	282.2	(156.5)	74.3	(143.4)	(154.4)
Change in cash & cash equivalents	157.5	167.1	233.5	(219.4)	(55.1)	70.7	(60.7)	0.0	0.0	0.0

Balance Sheet (EUR m)	2009	2010	2011	2012	2013	2014	2015	2016e	2017e	2018e
Net intangible fixed assets	105.0	131.1	103.5	99.2	87.4	116.6	145.1	255.9	269.7	283.6
Net tangible fixed assets	1,127.7	1,295.1	1,433.6	1,377.5	1,239.1	1,432.8	1,490.5	1,502.3	1,421.4	1,361.1
Financials fixed assets (FFA)	311.7	339.6	398.4	269.9	284.3	301.5	285.1	290.1	290.1	290.1
Inventories	358.4	507.7	577.9	567.7	539.3	640.8	628.7	684.7	704.4	726.3
Trade debtors	479.6	774.3	828.3	751.8	693.4	821.7	754.4	821.5	845.2	871.4
Other debtors	171.2	182.4	150.9	144.5	135.0	171.7	165.3	191.8	205.7	217.9
Cash & securities	275.8	442.9	676.5	457.1	402.0	472.7	412.0	412.0	412.0	412.0
Total Assets	2,829.5	3,673.1	4,169.1	3,667.7	3,380.5	3,957.7	3,881.1	4,158.2	4,148.5	4,162.3
Shareholder's equity	1,284.8	1,610.7	1,693.9	1,422.0	1,346.3	1,366.8	1,384.7	1,463.6	1,566.9	1,695.0
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	88.7	86.0	72.5	181.6	157.6	199.4	131.2	177.2	185.8	196.0
Provisions	329.9	379.9	351.6	402.3	361.8	436.9	444.0	444.0	444.0	444.0
Long-term interest bearing debt	598.1	700.5	907.6	850.1	688.2	910.1	792.1	866.4	723.0	568.5
Short-term interest bearing debt	151.4	320.3	648.5	342.5	321.9	441.6	494.7	494.7	494.7	494.7
Trade creditors	247.1	341.7	290.6	321.8	338.9	390.9	456.8	497.4	511.8	527.7
Other non-interest bearing liabilities	129.4	234.2	204.4	147.4	165.8	212.0	177.6	214.8	222.2	236.4
Total Liabilities & Capital	2,829.5	3,673.1	4,169.1	3,667.7	3,380.5	3,957.7	3,881.1	4,158.2	4,148.5	4,162.3
Enterprise Value (EV)	2,473.6	5,644.2	2,246.5	2,122.3	2,115.5	2,518.6	2,612.2	2,853.1	2,718.3	2,574.1
Net debt/(Net cash)	473.7	577.9	879.6	735.5	608.1	878.9	874.8	949.1	805.7	651.3
Capital Employed incl. goodwill (avg.)	1,969.4	2,148.5	2,522.5	2,599.0	2,389.0	2,443.7	2,626.3	2,710.3	2,793.5	2,771.2
Cumulative goodwill (as of 1991)	76.6	77.5	40.4	41.6	41.1	43.2	60.4	60.4	60.4	60.4
Capital Employed (avg.)	1,893.9	2,071.4	2,463.6	2,558.0	2,347.6	2,401.6	2,574.5	2,649.9	2,733.1	2,710.8
Net working capital	632.7	888.5	1,062.1	994.8	863.0	1,031.2	914.1	985.7	1,021.3	1,051.5
Discounted value of leases	28.9	43.9	35.7	34.7	32.9	35.1	37.7	40.0	41.4	43.0
Adjusted equity	1,361.4	1,688.2	1,734.2	1,463.6	1,387.4	1,410.0	1,445.1	1,524.0	1,627.4	1,755.4

Per Share Data (EUR)	2009	2010	2011	2012	2013	2014	2015	2016e	2017e	2018e
Avg. no. of shares (m)	59.2	59.2	58.9	59.1	58.5	57.6	55.8	55.9	55.9	55.9
Eoy. no. of shares (m)	59.5	59.9	60.0	60.0	60.1	60.1	60.1	60.1	60.1	60.1
Avg. no. of shares fully diluted (m)	59.4	59.6	59.3	59.2	58.7	58.9	56.1	56.1	56.1	56.1
Enterprise Value (EV)	41.57	94.25	37.46	35.37	35.22	41.90	43.45	47.45	45.21	42.81
Net debt less FFA plus minorities	4.21	5.41	9.23	10.79	8.02	12.92	11.99	13.91	11.67	9.27
Sales	41.16	55.06	56.67	58.60	54.44	55.83	65.72	68.39	73.59	75.87
EBITDA	6.51	12.24	8.07	4.64	5.08	5.94	7.91	8.51	9.46	10.02
EBITA	4.15	9.32	4.66	0.76	2.49	3.08	3.94	4.33	5.12	5.73
EBIT	3.92	9.02	4.55	(0.85)	2.35	2.97	3.94	4.33	5.12	5.73
Net profit before extr. & amort. (EUR)	2.79	6.51	3.38	(1.73)	0.57	1.62	1.83	2.38	2.90	3.41
Net profit before extraordinaries (EUR)	2.56	6.21	3.27	(3.33)	0.42	1.51	1.83	2.38	2.90	3.41
Cash Flow (EUR)	5.15	9.43	6.79	2.15	3.15	4.48	5.80	6.56	7.23	7.69
Gross Dividend (EUR)	0.98	1.67	1.17	0.85	0.85	0.85	0.90	0.97	1.04	1.11
Book value (EUR)	21.59	26.90	28.24	23.70	22.41	22.74	23.03	24.34	26.06	28.19
Adjusted equity	22.88	28.19	28.92	24.39	23.10	23.46	24.03	25.35	27.07	29.20
Free Cash Flow	5.60	1.48	(2.61)	5.15	3.68	0.90	7.21	5.05	4.32	4.40
% change in EPS before extr. & amort.	(21.26)	133.02	(48.09)	ns	ns	185.13	12.80	30.40	21.65	17.59
Valuation	2009	2010	2011	2012	2013	2014	2015	2016e	2017e	2018e
P/E (excl. extr. & amort.)	9.0	8.2	16.2	nmf	43.8	16.8	14.3	13.7	11.3	9.6
P/CF (x)	4.9	5.7	8.1	10.5	7.9	6.1	4.5	5.0	4.5	4.2
P/Book (x)	1.7	3.2	0.9	0.9	1.1	1.2	1.2	1.3	1.3	1.2
Dividend yield (%)	3.9	3.1	2.1	3.8	3.4	3.1	3.4	3.0	3.2	3.4
Free cash flow yield (%)	19.6	1.4	(6.5)	16.7	10.0	(0.3)	22.0	11.1	9.2	9.8
EV/Sales (x)	1.0	1.7	0.7	0.6	0.7	0.8	0.7	0.7	0.7	0.6
EV/EBITDA (x)	6.4	7.8	4.7	7.7	7.1	7.4	5.9	6.0	5.1	4.6
EV/EBITA (x)	10.1	10.2	8.2	47.1	14.5	14.2	11.9	11.8	9.5	8.0
EV/EBIT (x)	10.7	10.6	8.4	nmf	15.4	14.7	11.9	11.8	9.5	8.0
EV/Capital Employed (x)	1.3	2.7	0.9	0.8	0.9	1.0	1.0	1.1	1.0	0.9
EV/CE (incl. goodwill) (x)	1.3	2.6	0.9	0.8	0.9	1.0	1.0	1.1	1.0	0.9
Share price : High (EUR)	36.35	86.69	87.43	33.27	30.91	29.93	29.83	32.94		
Share price : Low (EUR)	12.62	33.67	23.95	17.51	20.09	22.90	22.87	26.73		
Share price : Average (EUR)	25.11	53.68	54.78	22.59	24.89	27.16	26.12	32.67	32.67	32.67
Share price : Year end (EUR)	36.17	85.90	24.79	21.88	25.72	26.35	28.39	32.67	32.67	32.67
Capital Efficiency/Solvability	2009	2010	2011	2012	2013	2014	2015	2016e	2017e	2018e
Sales/CE (incl. goodwill)	1.2	1.5	1.3	1.3	1.3	1.3	1.4	1.4	1.5	1.5
Sales/Fixed assets (x)	2.2	2.5	2.3	2.5	2.6	2.2	2.5	2.5	2.9	3.1
Sales/Net working capital (x)	3.9	3.7	3.1	3.5	3.7	3.1	4.0	3.9	4.0	4.0
Inventories/Sales (days)	53.7	56.8	63.2	59.9	61.8	72.7	62.5	65.4	62.5	62.5
Trade debtors/Sales (days)	71.8	86.6	90.5	79.3	79.5	93.3	75.0	78.5	75.0	75.0
Trade creditors/Sales (days)	37.0	38.2	31.8	33.9	38.8	44.4	45.4	47.5	45.4	45.4
CAPEX/Depreciation (%)	124.3	144.0	138.3	55.6	64.1	93.9	74.4	69.0	72.3	80.6
Equity/Total assets (%)	45.4	43.8	40.6	38.8	39.8	34.5	35.7	35.2	37.8	40.7
Net debt/Equity (%)	36.9	35.9	51.9	51.7	45.2	64.3	63.2	64.8	51.4	38.4
Interest cover (x)	4.0	9.5	3.9	0.6	2.2	2.7	3.2	3.5	4.2	5.4
Dividend payout (%)	35.3	25.9	35.2	(50.1)	153.7	54.8	53.1	44.0	38.5	35.0
ROCE (average) (%)	10.3	19.3	8.1	2.7	0.7	4.4	6.0	6.0	6.9	7.8
ROCE (incl. goodwill) (average) (%)	9.9	18.6	7.9	2.6	0.7	4.3	5.9	5.9	6.8	7.6
Operating Efficiency & Profitability ratios	2009	2010	2011	2012	2013	2014	2015	2016e	2017e	2018e
Sales per FTE employee ('000s)	139.0	163.2	150.8	153.9	143.7	140.1	154.9	159.7	168.8	172.7
Wage costs per FTE employee ('000s)	28.5	29.9	27.9	31.7	27.2	26.6	27.2	27.9	28.6	29.3
EBIT per FTE employee ('000s)	13.2	26.7	12.1	(2.2)	6.2	7.5	9.3	10.1	11.8	13.1
Gross margin (%)										
EBITDA margin (%)	15.8	22.2	14.2	7.9	9.3	10.6	12.0	12.4	12.9	13.2
Operating margin (%)	9.5	16.4	8.0	(1.4)	4.3	5.3	6.0	6.3	7.0	7.6
Net margin (%)	6.0	11.7	5.6	(3.1)	0.5	2.1	2.4	3.1	3.6	4.2
Tax rate (%)	20.4	27.8	27.3	(50.8)	89.2	40.5	29.4	34.0	34.0	34.0

Source: Company data, ABN AMRO Equity Research

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Historical equity recommendations and target price for Bekaert (EUR)



History of Target Prices

Date	Recommendation	Target Price
28/02/2016	BUY	EUR 39.00
02/01/2016	BUY	EUR 37.00
29/07/2013	REDUCE	EUR 30.00

History of Recommendations

Date	Recommendation	Target Price
02/01/2016	BUY	EUR 37.00
30/07/2013	HOLD	EUR 30.00

Source: ABN AMRO Bank Equity Research, FactSet

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