Bekaert

Indy - Industrial, Diversified / Belgium

Target Price EUR 46.00
Expected performance (12 mth) 21.0%
BUY EUR 38.03 (Closing price 23-Nov-16)

New entry-point created by 3Q16 misperceptions

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Convinced that the market has overreacted to Bekaert's 3Q16 sales trading update, we see this as an opportunity to push the company's attractive investment case again. For as far as the market could have been put off by negative insights related to slowing volumes for EMEA, a (temporary) drop in sawing wire and a reversal of the FX tailwind for Latin America, we believe that these negatives are cancelled out by a combination of product further mix improvements, an upcycle in Chinese tire cord, a promising outlook for North America and further self-help progress. We see our confidence supported by the 7.5-8% REBIT margin target for FY16. Our earnings forecasts have remained unchanged. Mainly reflecting time progression, we raised our DCF-based price target to EUR 46/share, from EUR 40.

Here is the investment opportunity we wish to highlight:

We see the Bekaert stock as a play on a well-executed transformation, which has a further leg to go, in our view. The company is still only two years advanced into a four-year programme, which thus far has outperformed. Having rolled out Manufacturing Excellence in 15 of roughly 85 plants, it has already delivered savings of EUR 66m in 2015 and EUR 33m in 1H16. And the Customer Excellence initiative has not even started yet. On a longer-term horizon, we expect that the integration benefits of the recent JV-deal with Bridon will act as a second booster of Bekaert's earnings. It leads us to expect that solid earnings momentum (2016-2019 CAGR of 21% for EPS) will continue to support the share price in the years to come. And we believe that an upgrade of the medium-term financial REBIT target could also act as a short-term catalyst. With the stock still trading at a 2017/2018 valuation of only 12.4/10.1x P/E, 9.2/9.5% FCF yield and 5.7/5.1x EV/EBITDA, we believe that the re-rating also has a further leg to go.

Year to December	2014	2015	2016e	2017e	2018e
Sales (EUR m)	3,215.7	3,671.1	3,732.5	3,937.9	4,118.2
EBITDA (EUR m)	341.9	449.1	481.4	516.5	552.5
Net profit excl. extr. & amort. (EUR m)	93.2	124.6	91.6	172.9	211.3
Net profit (EUR m)	87.2	111.3	91.6	172.9	211.3
EBITDA margin (%)	10.6	12.2	12.9	13.1	13.4
ROCE (incl. goodwill) (%)	4.3	6.7	5.8	7.3	8.5
Net gearing (%)	64.3	63.2	68.5	53.6	40.4
EPS before extr. & amort. (EUR)	1.62	2.23	1.63	3.07	3.76
EPS (EUR)	1.51	1.99	1.63	3.07	3.76
DPS (EUR)	0.85	0.90	0.90	1.11	1.23
% change sales	0.9	14.2	1.7	5.5	4.6
% change EPS (excl. extr. & amort.)	185.1	37.8	(26.8)	88.1	22.2
EV/Sales	0.78	0.70	0.86	0.78	0.71
EV/EBITDA	7.3	5.7	6.7	5.9	5.3
P/E (excl. extr. & amort.)	16.8	11.7	23.3	12.4	10.1
P/E	17.9	13.1	23.3	12.4	10.1
PE/growth (excl. extr.)	0.0	0.1	6.0	0.5	0.2
Free cash flow yield (%)	(0.3)	21.9	6.7	8.1	8.3

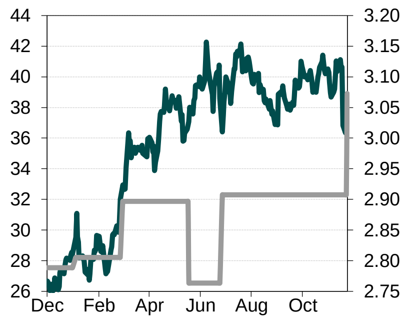
Source: Company, ABN AMRO Equity Research

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. 2017



Source: FactSet, ABN AMRO Equity Research

Market capitalisation (EUR m)	2,286.3
No. of shares (m)	60.1
Free float	63.8%
1/3/12 mth perf. (%)	(6.4)/(1.1)/45.3
High/low 52 weeks (EUR)	42.26/26.03
Next results due	
Price/book value (x)	1.6
Volatility (ß) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB BB
Website	www.bekaert.com

1. 3Q16 sales trading update

1.1. Take Bekaert's sales trading updates with a pinch of salt

We believe that the market initially showed an overreaction to Bekaert's sales trading update for 3Q16, with a share price drop of 9.4% on the day of the release. We always caution against firm conclusions based on Bekaert's sales trading updates at the Q1 and Q3 stage, as they generally provide limited insights in the development of profitability. We have noted on a number of occasions that these updates seem to have even caused more confusion than clarification.

The absolute divisional sales numbers disclosed by Bekaert are not straightforward to interpret. And also the drivers behind the sales should be considered with a degree of caution, in our view, as it is not always clear how their impact filters through to the bottom line. The sales drivers disclosed by Bekaert typically are:

- **Volumes.** These would seem to provide a relevant indication for the development of profitability. However, the volume change reported by Bekaert encompasses the total of a wide range of products/markets, which each can generate widely differing margins (per tonne). This can make it a rather misleading metric, even when it is considered in combination with the "price/mix" effect (see below).
- **Wire rod prices.** This reflects the impact of the pass-through onto customers of changes in the prices of Bekaert's main raw material. The fluctuations can be rather volatile, and thereby have a significant impact on Bekaert's sales. However, being passed through, this should not have an impact on Bekaert's profitability in absolute terms (while affecting reported margins). There can be an impact on profitability related to the timing (delay) of the pass-through, which often varies for the different end-markets, depending on the competitive landscape in that market. And, for as far as this can be the case, we note that it may be offset to a certain degree by FIFO gains or losses on inventories. The wire rod price effect is not always that straightforward to forecast either, due to a limited availability of relevant wire rod price data for the regions in which Bekaert is active. We have noted that the market did not always seem to realise that seeming pressure on Bekaert's sales was merely related to this wire rod price effect, as, we believe, was the case with the 1Q16 sales update (when it seemed to us that the market was put on the wrong foot by a -6% impact on sales coming from the pass-through of lower wire rod prices (sending the Bekaert stock 5% lower on the day of the release), while it turned out at the release of the 1H16 results a few months later that profitability had actually developed very strongly).
- **Price/mix.** While it seems that this is sometimes overlooked by the market, we believe that it can be a profound driver of profitability (with prices feeding straight into the pre-tax profit line), although the impact is not easy to estimate.
- **FX.** We estimate that Bekaert generates about 75% of sales in non-euro currencies (with notable exposure to US dollar, Chinese renminbi, Czech koruna, Brazilian real and Chilean peso). The translation impact on sales would seem to be straightforward. However, we note that it can also signal for some of Bekaert's operations an (opposite) 'transaction' impact on sales and profitability. For example, Bekaert's Latin America division has seen a significant weakening of local currencies since 2015. Yet, the negative translation impact seems to have been more than offset by the fact that it has strengthened the position of Bekaert's products vis-a-vis cheap imports from Asia.

Bekaert's qualitative comments are not always unambiguous either, in our view, as the company sometimes seems to be managing expectations on the conservative side. We believe that some of the remarks in the 3Q16 update, for example, were intended mostly to caution against an extrapolation of some very positive trends seen during 1H16. While we question whether this is truly needed, we believe that such cautionary remarks are easily taken by the market in an overly negative way.

And we stress that Bekaert’s profitability can be influenced by other factors than the afore-mentioned sales drivers. We are seeing, for example, a strong earnings recovery since mid-2015 on the back of Bekaert’s self-help improvement programmes, which more than offset the top-line headwinds seen in certain regions (we note that the four-year programme is still only half-way). The sales trading updates, however, have provided only limited insights into the success of this, having caused the H1 and FY releases (which do provide full insights into earnings) to surprise on the upside lately. For more information about Bekaert’s self-help transformation programmes, we refer to our reports *Seen coming in play in 2016* (dated 3 January, 2016) and *FY15 results raise confidence in transformational track* (dated 4 March, 2016).

1.2. Positives and negatives of 3Q16 update cancel each other out

Bekaert’s quarterly sales updates have long tended to read like a mixed bag, with every time different plusses and minuses, typically making it hard to discern trends. We can imagine that it seemed as of the 3Q16 update contained some more minuses than in the quarters before. However, we believe that some of these seemingly new headwinds were in line with expectations (increased uncertainties for EMEA), and that there were also positive new developments being flagged (increasing growth North America into 2017, and Asia Pacific strength also seen continuing in 2017). On balance, we do not believe the insights provided by the 3Q16 update give rise to a meaningful change to earnings forecasts. We also see this conclusion strongly confirmed by the fact that Bekaert’s outlook statement reiterated the FY16 REBIT margin guidance, whereby the low end of the range was actually raised to 7.5% (from 7% previously) and the high end was maintained at 8% (this compares to our original forecast of 7.8% and the consensus of 7.6%).

1.2.1. EMEA: we believe that profitability held up well, despite lower volumes

While the EMEA division reported a weakened volume performance, we believe that profitability did not suffer due to an improved mix.

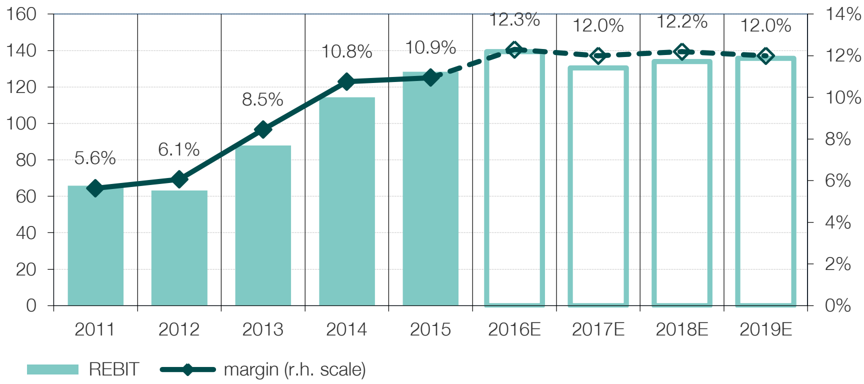
Volumes weakened from +6% in 1H16 to -4% in 3Q16 (compared to a strong prior-year quarter). The slump in the oil & gas market pressured demand for Bekaert’s profiled wires (these wires are supplied to Technip, which incorporates them in flexible steel pipe systems for oil and gas field developments). And the company noted that increased economic uncertainties in Europe (following the Brexit) weighed on its industrial steel wire activities, which it sees continuing in 4Q16 and 1Q17. On a positive note, the automotive market (c.50% of revenue for the EMEA division) remained strong, and this was also seen continuing in 4Q16.

We believe that a favourable development of the mix (more automotive) has enabled the EMEA division to maintain its high profitability. We were told that an improvement within the mix of industrial wires has also protected the profitability of this activity specifically.

Regarding the EMEA division’s exposure to the automotive sector (c.50% of divisional sales), we note that it is less susceptible to cyclical movements than often thought. We estimate that some three-quarters of its automotive-related sales consist of tire cord for reinforcing radial passenger car and truck tires (other products supplied to the automotive industry include fine cord for side-window systems, windshield wiper wire and valve spring and suspension spring wire). It is important to realise that three out of four tyres are destined for the replacement market, which reduces Bekaert’s vulnerability to cyclical movements in the (OEM) automotive market.

And we note that it should not come as a surprise to see some slowdown in momentum for the EMEA division next year. The division has delivered an impressive improvement of its profitability in recent years (see chart below). This mostly reflects an improvement of the product mix and the success of Bekaert's relocation/streamlining/portfolio efforts over the past decade. We also believe that the solid margins reflect generally high capacity utilisation, owing to robust volumes in recent years. This has to some degree also been supported by a weak euro (against the US dollar), as it limits competition from imported products (tire manufacturers, for example, typically have a policy to source part of their tire cord needs from second suppliers, which are often based outside Europe). In any case, Bekaert has made no secret lately that the EMEA performance looks peakish, and the company, in our view, rightly cautions to not extrapolate the uptrend of recent years. Already before the release of the 3Q16 update, we had pencilled in a modest volume and margin pull-back for 2017.

The EMEA's impressive REBIT uptrend seen coming to a halt in 2017 (EUR m)

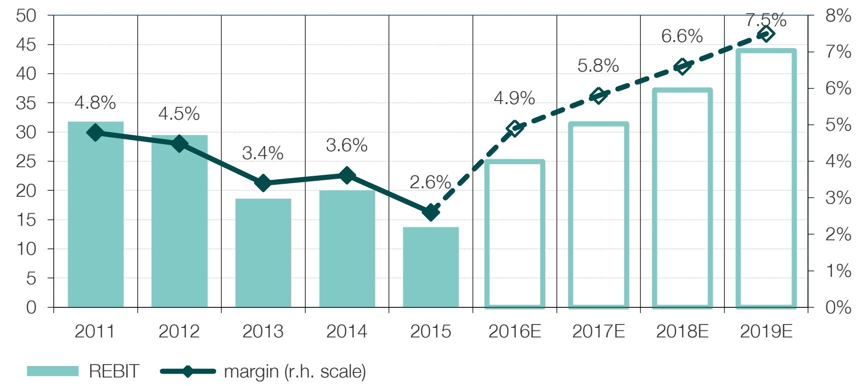


Source: company data and ABN AMRO forecasts

1.2.2. North America: momentum seen continuing into 2017

The North America division reported solid volume growth of +6% for 3Q16 (albeit lower than the +9% achieved during 1H16), which was driven mainly by the ramp-up of the reconstructed bead wire plant in Rome (following the fire damage in 2014). We note here that Bekaert highlighted in its outlook that it expects "more growth opportunities into 2017 as infrastructure spend and 'made in America' begin to impact". We also believe that the division will show progress on the back of the implementation of both self-help improvement initiatives and investments aimed at upgrading the product mix. We remember that Bekaert's management has said in the past that the North America performance is far below internal expectations, and it has hinted to structurally recover the divisional operating margins to some 7-8%. We have assumed ourselves that this will be achieved from 2019 (see chart below), but we would not be surprised to see a stronger recovery already in earlier years (considering the impressive margin improvements delivered by the Latin America and Asia Pacific divisions in 2016).

North America margin expected to show further improvements in coming years (EUR m)



Source: company data and ABN AMRO forecasts

1.2.3. Latin America: again surprisingly resilient, but FX tailwind levels off

While low oil and commodity prices are putting severe pressure on local economies, Bekaert's Latin America has shown a remarkably resilient performance lately. Volumes declined by a mere -1% in 3Q16 (-1% in 1H16). The large scale and high market share of its operations in Latin America have enabled Bekaert to fight off the competition from imported products out of Asia. This has also been supported by weak local currencies lately. Besides a successful upgrading of the product portfolio, this has contributed to Bekaert reporting a positive price/mix effect in sales of +5% for 3Q16 (+5% in 1H16). However, the table below shows that this FX tailwind has been reversing since 3Q16 (particularly with respect to the Brazilian real and Chilean peso).

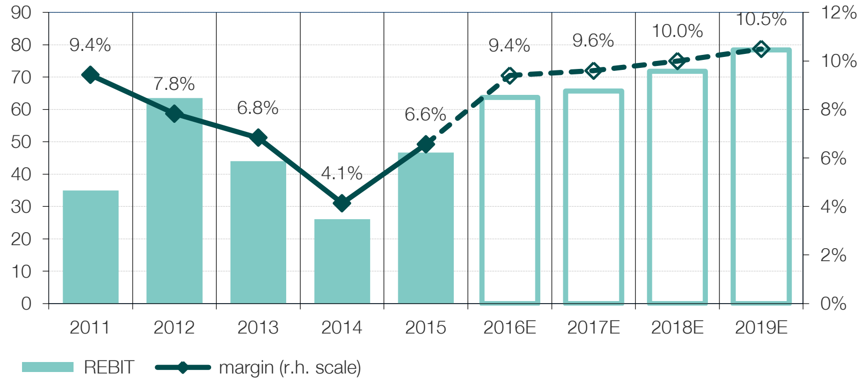
Bekaert's main currencies exposure (transaction and translation) in Latin America

	Share of LatAm sales	Transaction exposure (vs US dollar)				Translation exposure (vs euro)			
		1Q15	2Q15	3Q15	4Q15 (qtd)	1Q15	2Q15	3Q15	4Q15 (qtd)
Chilean peso avg.	40%	0.1427	0.1476	0.1511	0.1509	0.1293	0.1308	0.1354	0.1377
y-o-y chg.		-11%	-9%	2%	5%	-9%	-11%	2%	5%
Brazilian real avg.	14%	0.2572	0.2857	0.3082	0.3089	0.2329	0.2530	0.2761	0.2815
y-o-y chg.		-27%	-12%	8%	19%	-25%	-14%	8%	19%
Colombian peso avg.	6-7%	0.0308	0.0334	0.0339	0.0334	0.2792	0.2961	0.3041	0.3044
y-o-y chg.		-24%	-16%	0%	2%	-22%	-18%	-1%	2%
Costa Rican colon avg.	3%	0.1870	0.1860	0.1821	0.1810	1.6942	1.6472	1.6318	1.6517
y-o-y chg.		0%	0%	-2%	-4%	2%	-3%	-3%	-4%

Source: Bloomberg and ABN AMRO

It made Bekaert comment in its 3Q16 update that, while it expects to maintain the benefits of its strong market share, improved business portfolio and the implementation of the manufacturing excellence programme, the impact of cost and pricing actions will become more limited going forward. That is what we already assumed in our divisional forecasts. Following a y-o-y improvement of the margin by 440bps to 10.1% driving REBIT of EUR 33m in 1H16, we forecast for 2H16 an outcome of EUR 31m based on a y-o-y margin improvement by 130bps to 8.8%.

The Latin America division's progress forecast to slow after impressive jump in 2016 (EUR m)



Source: company data and ABN AMRO forecasts

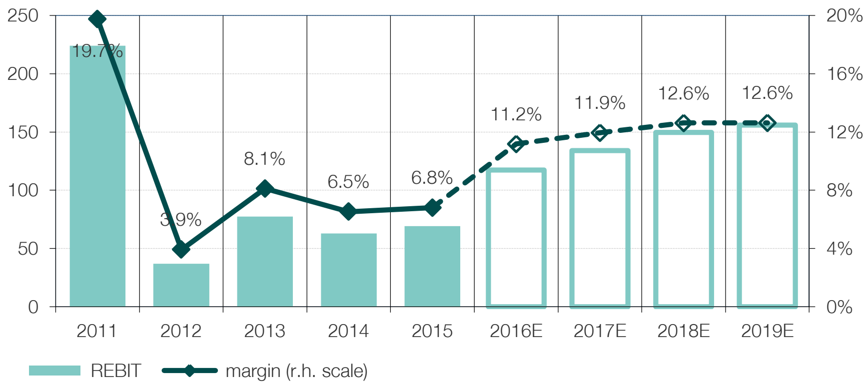
1.2.4. Asia Pacific: improving tire cord markets

The Asia Pacific division reported a slowdown in volume growth from +12% in 1H16 to +5% in 3Q16. This was attributable to a sudden volume drop (not quantified) for sawing wire (accounting for 13% of divisional sales in 1H16), which still achieved an impressive 20% growth in sales (in local currencies) during 1H16. Bekaert blames the slowdown on the impact of changes to feed-in tariffs in China in July 2016. On a positive note, the company expects the slump to be temporary, with improvements seen from November onwards. There seems no reason to doubt the bright long-term prospects for PV (solar) energy generation, which is the main driver for sawing wire.

We believe it is worth highlighting that the tire cord business (c.50% of divisional sales) is capitalising on improving market conditions. The market for tire cord started to deteriorate in 2H14, as the growth in demand for tires slowed (aggravated by import duties on Chinese *passenger* tires in the US), while the tire cord producers had continued their capacity spree in recent years. Market volumes started to stabilise in 2Q15 (while Bekaert grew its volume by gaining back market share it lost in 2014), while prices continued to be under pressure. While the biggest players, Xingda and Bekaert, continued to operate at high capacity utilisation rates of 80-90%, it was particularly the smaller players operating at far below 50% capacity utilisation that undermined the market. However, we have finally seen a positive turning point for tire cord pricing since 2Q16. Bekaert confirmed this in the 3Q16 update by stating that “tire cord sales increased as a result of strong demand and positive quarter-on-quarter pricing trends”. We also see this evidenced by an improvement in the reported pricing/mix effect on sales from -4% in 1H16 (still reflecting price erosion tire cord) to -2% in 3Q16 (while this decline is, we believe, attributable to the drop in higher-priced sawing wire). Bekaert airs an optimistic tone of voice in the outlook by stating that the high run-rate in tire cord markets is expected to continue in 4Q16. In hindsight, it is fair to say that the impact of the implementation of US import duties on truck tires has been absorbed well by the market (we remind that this was still reason for Bekaert to strike a cautious note for 2H16 at the 1Q16 update). We believe Bekaert’s optimism for the Asian tire cord business is also evidenced by the announced in the 3Q16 update that it “will add tire cord capacity in China, Indonesia and India to meet increased demand from automotive markets in the region”.

Bekaert also announced the start of the phasing-out of the operations in Shah Alam (Malaysia), with final closure scheduled by July 2017. It is a small activity (we estimate some EUR 9m sales), but loss-making. The closure is in line with the strategy to transform the business portfolio, which aims to narrow Bekaert’s focus and make 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 (such as tire cord and ropes). This has already resulted in the Asia Pacific division exiting the loss-making carding solutions businesses in China and India (May 2015), and the spring wire activities of Xingyu (end-2015). We note that this portfolio transformation has been one of the drivers behind the impressive margin improvement for the Asia Pacific division in 2016 (see chart on the following page). This was furthermore driven by the optimisation of the manufacturing cost base of the seven tire cord production plants in China (in order to make better use of operational leverage benefits, the company is rationalising the number of SKUs, reconfigures the plants along increased specialisation, reduces complexity and optimises manufacturing excellence). We expect the upturn in tire cord and further progress with self-help initiatives (the Customer Excellence wave has only just started with a pilot in a Chinese plant) to fuel further margin uplift for the Asia Pacific division in the coming years.

Asia Pacific division is seen unlocking further margin progress in coming years (EUR m)



Source: company data and ABN AMRO forecasts

1.2.5. BBRG: significant cyclical recovery potential longer-term

Since the consolidation of Bridon's ropes business in July of 2016, the Bridon-Bekaert Ropes Group JV (for 67% owned by Bekaert) is accounted for as separate line in the segmentation. While the Bridon contribution to sales was reported as an acquisitive impact, the Bekaert part saw a drop in volumes by 10% in 3Q16. This reflects the downturn in the oil & gas markets (with July and August being particularly challenging months), which was mitigated by continued strong business in the advanced cords markets. Bekaert foresees ongoing difficult market conditions in the oil & gas markets in the near future, which was said to keep the sales and profit performance low.

Yet, we believe that the integration benefits of the BBRG division will become a meaningful driver of Bekaert's earnings once the oil & gas markets show a recovery. The businesses of Bekaert and Bridon fit together very well from a strategic perspective, in our view. The merger created a leader in its field and is expected to generate operational scale benefits with respect to procurement, technology/product development, brand/marketing, customer service and sales. As the merger is complementary from a geographic and product perspective, we expect that it will also generate commercial synergies at the top line (synergy benefits have not been quantified by Bekaert, though). As some 30-40% of sales are generated from the sluggish oil & gas and mining sectors, the JV is currently going through a rough period. It has already prompted Bridon to implement restructuring measures at its UK business during 1H16, and the 3Q16 update mentioned that it had started talks with trade unions about the future of a manufacturing plant in Norway. At the CMD in June, Bekaert's management indicated that the Bridon business was expected to start its contribution to the JV with a break-even result in 2H16, while the Bekaert part was indicated to be performing at an operating margin of c.7% currently (compared with 12.3% still achieved in 2015).

We believe that the BBRG division provides considerable cyclical recovery potential. The table on the following page shows the results of Bridon as they were reported under the "Lifting" heading in the 2013 and 2014 annual reports of Melrose, which was Bridon's owner before it was sold for an EV of GBP 365m to Ontario Teachers' Pension Plan in November 2014 (the results from 2012 and earlier are derived from information in variuous presentations). It can be seen that Bridon consistently achieved an EBIT margin in the low teens during the period 2009-2013, and that it seems to have started to come under some pressure in 2014 (but still a healthy 10.9%). While we do not have numbers available for 2015, Bekaert has indicated in the past that Bridon's margin had dropped to slightly below 7% in that year.

Bridon's historical sales and EBIT (GBP m)

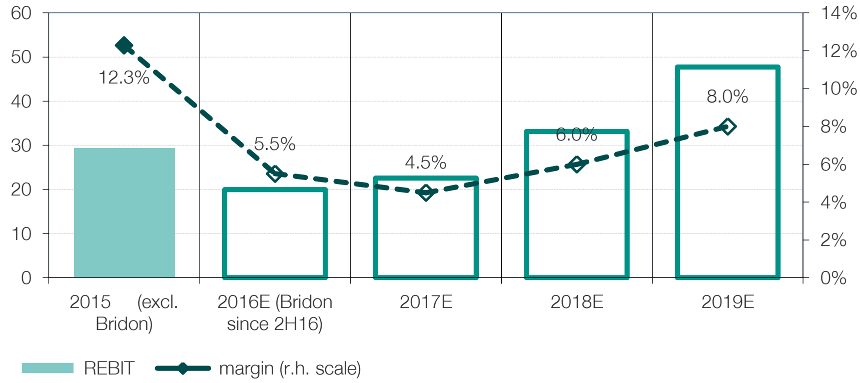
	2008	2009	2010	2011	2012	2013	2014[1]
Sales	238.0	246.0	237.0	259.0	268.4	266.4	208.0
% chg.		3.4%	-3.7%	9.3%	3.6%	-0.7%	nmf
EBIT	24.8	33.5	28.5	30.4	34.1	35.8	22.6
margin	10.4%	13.6%	12.0%	11.8%	12.7%	13.4%	10.9%

[1] 2014 results until 12 November (reported as discontinued operations).

Source: 2013 and 2014 annual reports Melrose (results 2008-2012 from Melrose presentations)

At the CMD in June, Bekaert's management seemed confident that there have been no fundamental changes to the business to expect that the BBRG should not return to +10% operating margins under normalised conditions. That said, we believe that we have pencilled in conservative assumptions for the BBRG division, as is shown in the chart below.

The BBRG division holds considerable cyclical earnings recovery potential (EUR m)



Source: company data and ABN AMRO forecasts

1.3. Unchanged forecasts imply a 2016-2018 CAGR of 17% for EPS

The table below shows that we have left our earnings estimates for 2016 and beyond unchanged following the 3Q16 sales trading update. We thus continue to forecast a solid 2016-2018 CAGR of 15% for EBITE and of 17% for EPS. We refer to the table on the page 10 for more detail behind our P&L forecasts.

Old vs new forecasts (EUR m)

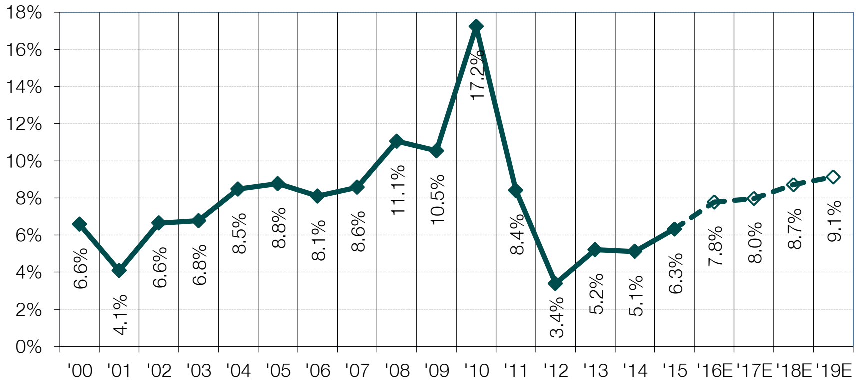
	2016E			2017E			2018E		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
Sales	3,695.5	**3,732.5**	1%	3,944.5	**3,937.9**	0%	4,113.4	**4,118.2**	0%
EBIT*E*	289.8	**290.4**	0%	317.4	**313.9**	-1%	359.0	**358.9**	0%
margin	7.8%	**7.8%**		8.0%	**8.0%**		8.7%	**8.7%**	
EPS (EUR)	1.63	**1.63**	0%	3.11	**3.07**	-1%	3.73	**3.76**	1%

Source: ABN AMRO forecasts

We believe that Bekaert could introduce a new medium-term REBIT margin target at the release of the FY16 results. Owing to a strong execution on the self-help transformation programmes, Bekaert already achieved in 2016 the former >7% margin target set for 2017. At the 1H16 results, the margin target was set at 7-8% for 2016, which was sharpened further to 7.5-8.0% at the 3Q16 trading update. We would not be surprised to see Bekaert introduce a new medium-term

REBIT margin target of 8-9%. We believe that this could raise investors' confidence in the sustainability of the impressive improvements seen lately.

We expect Bekaert to introduce a new medium-term REBIT margin target of 8-9%



Source: company data and ABN AMRO forecasts

The table below summarises how our earnings estimates translate into our forecasts for both free cash flow generation and the capital structure. We note that our cash flow forecasts return an attractive yield of around 9% in the coming years. The increase in end-2016 net debt reflects the consolidation of EUR 285m in incremental net debt related to the JV with Bridon (note that the total debt of EUR 320m related to the JV is ring-fenced from Bekaert). We remind here that Bekaert's debt is not subject to financial covenants (the company has an internal target of net debt/EBITDA <2.0x and gearing of around 50%).

Cash flow generation and capital structure (EUR m)

	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E
EBIT (*including* non-recurring items)	268	(50)	137	171	229	256	289	335	370
Depreciation and amortisation	207	324	160	171	220	225	228	218	208
Other operational cash flow	(41)	(3)	(18)	(55)	(12)	0	0	0	0
Dividends received	8	7	14	21	18	23	25	28	29
Taxes paid	(129)	(59)	(52)	(46)	(57)	(53)	(67)	(82)	(94)
Working capital	(200)	227	78	(55)	212	(54)	(14)	(43)	(49)
Net capex	(176)	(105)	(90)	(151)	(146)	(162)	(193)	(186)	(209)
Net interest	(59)	(78)	(65)	(56)	(57)	(60)	(59)	(52)	(45)
Geared free cash flow	**(122)**	**263**	**164**	**1**	**409**	**176**	**209**	**218**	**209**
as yield on market cap.	-8%	20%	11%	0%	24%	8%	9%	10%	9%
Net debt as at 1/1	522	860	700	574	853	832	965	816	671
Geared free cash flow	122	(263)	(164)	(1)	(409)	(176)	(209)	(218)	(209)
Dividends paid	163	46	58	66	56	54	54	67	74
Share buybacks	(1)	0	15	72	(1)	0	0	0	0
Other	54	57	(36)	141	333	254	6	7	8
Net debt as at 31/12	**860**	**700**	**574**	**853**	**832**	**965**	**816**	**671**	**544**
Net debt / EBITDA*E*	1.8	1.6	1.8	2.5	1.8	1.9	1.5	1.2	0.9
Gearing	51%	49%	43%	62%	60%	68%	53%	40%	29%
Shareholders' equity / total assets	41%	39%	40%	35%	36%	35%	38%	41%	44%
Interest cover (based on EBITDA)	6.7	5.0	4.6	4.9	6.4	7.7	8.3	9.9	11.7

Source: company data and ABN AMRO estimates

P&L Bekaert (EUR m)

	1H15	2H15	2015	1H16	2H16E	2016E	2017E	2018E	2019E
EMEA	615	559	1,174	608	525	1,133	1,088	1,099	1,132
North America	278	250	528	264	245	509	542	564	586
Latin America	371	341	712	328	349	677	684	718	747
Asia Pacific	509	510	1,019	517	532	1,049	1,122	1,185	1,235
BBRG	123	116	239	102	262	364	502	552	596
***Consolidated* sales**	**1,896**	**1,775**	**3,671**	**1,819**	**1,913**	**3,732**	**3,938**	**4,118**	**4,296**
% chg.	17.8%	10.5%	14.2%	-4.1%	7.8%	1.7%	5.5%	4.6%	4.3%
volumes				6%	0%	3%	2%	5%	4%
wire rod				-4%	0%	-2%	0%	0%	0%
prices/mix				-2%	0%	-1%	0%	0%	0%
fx				-3%	-1%	-2%	0%	0%	0%
consolidation				0%	8%	4%	4%	0%	0%
EBITDA*E*	**219**	**233**	**452**	**256**	**260**	**515**	**541**	**576**	**600**
margin	11.6%	13.1%	12.3%	14.1%	13.6%	13.8%	13.8%	14.0%	14.0%
% chg.	26.9%	43.3%	34.9%	16.7%	11.6%	14.1%	5.1%	6.5%	4.1%
EBIT*E* EMEA	73	55	128	81	58	139	131	134	136
margin	11.9%	9.9%	10.9%	13.3%	11.1%	12.3%	12.0%	12.2%	12.0%
% chg	14.1%	10.0%	12.3%	11.0%	5.3%	8.5%	-6.3%	2.7%	1.3%
EBIT*E* North America	9	5	14	13	12	25	31	37	44
margin	3.2%	1.9%	2.6%	4.9%	4.9%	4.9%	5.8%	6.6%	7.5%
% chg	-35.7%	-22.1%	-31.6%	44.4%	153.5%	81.9%	26.1%	18.3%	18.2%
EBIT*E* Latin America	21	26	47	33	31	64	66	72	78
margin	5.7%	7.5%	6.6%	10.1%	8.8%	9.4%	9.6%	10.0%	10.5%
% chg	90.9%	70.5%	79.1%	57.1%	19.4%	36.4%	3.1%	9.4%	9.2%
EBIT*E* Asia Pacific	25	44	69	58	59	117	134	150	156
margin	4.9%	8.7%	6.8%	11.2%	11.1%	11.2%	11.9%	12.6%	12.6%
% chg	-41.9%	121.1%	9.9%	132.0%	34.1%	69.4%	14.3%	11.6%	4.3%
EBIT*E* BBRG	15	14	29	10	10	20	23	33	48
margin	12.2%	12.4%	12.3%	9.8%	3.8%	5.5%	4.5%	6.0%	8.0%
% chg				-33.3%	-30.3%	-31.8%	12.9%	46.7%	44.0%
Other	(31)	(24)	(55)	(38)	(37)	(75)	(70)	(67)	(70)
Total EBIT*E*	**112**	**120**	**232**	**157**	**133**	**290**	**314**	**359**	**392**
margin	5.9%	6.8%	6.3%	8.6%	7.0%	7.8%	8.0%	8.7%	9.1%
% chg.	12.2%	86.5%	41.2%	40.2%	10.9%	25.1%	8.1%	14.3%	9.3%
Non-recurring items	(3)	(0)	(3)	(7)	(10)	(17)	(19)	(19)	(19)
EBIT	**110**	**120**	**229**	**144**	**113**	**256**	**289**	**335**	**370**
Net financial charges	(44)	(52)	(96)	(81)	(39)	(120)	(59)	(52)	(45)
EBT	**66**	**68**	**133**	**63**	**74**	**136**	**230**	**283**	**326**
Taxes	(26)	(11)	(36)	(33)	(20)	(53)	(67)	(82)	(94)
as % of EBT	38.9%	16.0%	27.3%	52.3%	27.7%	39.0%	29.0%	29.0%	29.0%
Share in results joint ventures	13	6	18	13	11	23	25	28	29
Result discontinued operations	0	0	0	0	0	0	0	0	0
Minority interests	(0)	(3)	(4)	(10)	(5)	(15)	(15)	(18)	(21)
Net profit continuing operations	**52**	**59**	**111**	**33**	**58**	**92**	**173**	**211**	**239**
% chg.	-32.7%	522.9%	27.7%	-36.7%	-0.9%	-17.7%	88.8%	22.2%	13.1%
EPS basic (EUR)	**0.94**	**1.06**	**1.99**	**0.59**	**1.04**	**1.63**	**3.07**	**3.76**	**4.25**
% chg.	-29.6%	542.6%	31.7%	-36.8%	-1.3%	-18.0%	88.1%	22.2%	13.1%
DPS (EUR)			**0.90**			**0.90**	**1.11**	**1.23**	**1.39**
payout			48.6%			59.1%	38.5%	35.0%	35.0%

Source: company data and ABN AMRO estimates

2. Investment opinion

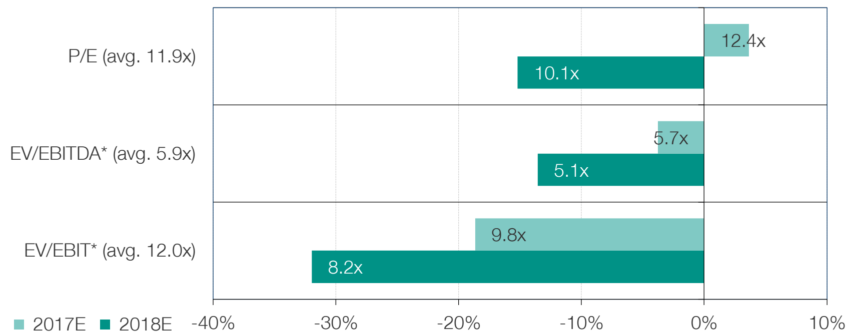
We reiterate our BUY rating on Bekaert, highlighting the stock as a play on a well-executed transformation to value creation, with a further leg to go. The company is still only two years advanced into a four-year self-help optimisation programme, which thus far has outperformed. Having rolled out the Manufacturing Excellence programme in 15 of roughly 85 plants, it has already delivered savings of EUR 66m in 2015 and EUR 33m in 1H16 (at the 3Q16 stage, the implementation had reached 20 plants). And the Customer Excellence initiative (aimed at supporting organic growth and margin performance) is still only in the pilot phase. On a longer-term horizon, and with a little help from a recovery of oil & gas markets, we expect that the integration benefits of the recent JV-deal with Bridon will act as a second booster of Bekaert's earnings. It leads us to expect that solid earnings momentum will continue to support the share price in the years to come (we forecast a CAGR for EPS of 21% during 2016-2019). And we also believe that a likely upgrade of the medium-term financial REBIT target at the FY16 results will act as a short-term catalyst to support the market's confidence. With the Bekaert stock still trading at a 2017/2018 valuation of only 12.4/10.1x P/E, 9.2/9.5% FCF yield and 5.7/5.1x EV/EBITDA (corrected for estimated market value JVs), we believe that the re-rating also has a further leg to go.

Reflecting time progression (and, admittedly, an overdue revision), we raise our price target for Bekaert to EUR 46/share from EUR 40, which is supported by the valuation tools discussed in the coming sections.

2.1. Bekaert trades at compelling valuation multiples

Notwithstanding the solid share price performance of 31% year-to-date, the Bekaert stock trades still trades at an attractive 2017/2018 valuation of 12.4/10.1x P/E, 9.2/9.5% FCF yield and 5.7/5.1x EV/EBITDA (we note that our calculation of EV includes the estimated market value of Bekaert's JVs and associates). And we note that the 2017/2018 dividend yield of 2.9/3.2% looks fairly certain in light of the 38% family stake. The chart below shows that the multiples stand at a discount to the average during the period 1999-2015. The Bekaert stock also trades at a discount to the average 2017 valuation of the Stoxx 600 index of 14.1x P/E and 8.2x EV/EBITDA. We do not believe that there is a suitable peer group to compare Bekaert's valuation against.

Forward valuation multiples against average 1999-2015 valuation



* EV multiples include estimated market value JVs

Source: ABN AMRO

2.2. DCF-based target price raised of EUR 46/sh

Our DCF valuation of EUR 46/share (see table on the following page) assumes a gradual recovery of the EBITE margin from 7.8% in 2016 to a peak of 9.4% in 2021, and an exit level of 8.5% in 2026. The outcome is furthermore based on a WACC of 7.8% 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 354m (which implies a realistic 2017/2018 P/E valuation of 14.3/12.7x P/E).

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

	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	Terminal value	CAGR '17 - '26
Revenue	**3,732**	**3,938**	**4,118**	**4,296**	**4,438**	**4,573**	**4,699**	**4,823**	**4,951**	**5,082**		**3.4%**
% chg.	1.7%	5.5%	4.6%	4.3%	3.3%	3.0%	2.8%	2.6%	2.6%	2.6%		
EBIT (recurring)	**290**	**314**	**359**	**392**	**418**	**418**	**428**	**431**	**426**	**430**		**4.2%**
margin	7.8%	8.0%	8.7%	9.1%	9.4%	9.1%	9.1%	8.9%	8.6%	8.5%		
% chg.	25.1%	8.1%	14.3%	9.3%	6.6%	0.0%	2.4%	0.8%	-1.3%	0.9%		
Taxes	(113)	(91)	(104)	(114)	(121)	(121)	(124)	(125)	(124)	(125)		
effective tax rate	39.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%		
NOPAT	**177**	**223**	**255**	**279**	**297**	**297**	**304**	**306**	**302**	**305**		**5.8%**
% chg.	0.0%	25.8%	14.3%	9.3%	6.6%	0.0%	2.4%	0.8%	-1.3%	0.9%		
Depreciation and amortisation	225	228	218	208	208	209	210	210	210	210		
Change in provisions	0	0	0	0	0	0	0	0	0	0		
Change in net working capital	(54)	(14)	(43)	(49)	(35)	(36)	(32)	(32)	(33)	(34)		
Net CAPEX	(162)	(193)	(186)	(209)	(227)	(227)	(206)	(206)	(206)	(206)		
Free cash flow / Terminal value	**186**	**244**	**244**	**228**	**242**	**243**	**275**	**278**	**273**	**275**	**3,994**	
% chg.	0.0%	31.1%	0.0%	-6.6%	6.4%	0.3%	13.3%	0.8%	-1.6%	0.6%		
WACC	7.8%											
Terminal growth	0.0%											
Discount factor	96.3%	89.3%	82.9%	76.9%	71.3%	66.1%	61.4%	56.9%	52.8%	49.0%	49.0%	
Present value FCFs/Terminal value	**235**	**218**	**189**	**186**	**173**	**182**	**170**	**155**	**145**	**137**	**1,956**	
Sum PV FCFs	1,792											
PV Terminal value	1,956											
Value consolidated business	**3,748**											
DDM valuation JVs/associates	**354**											
Financial fixed assets	40											
Minority interests	(180)											
Pension deficit	(174)											
Net debt (end-2015)	(965)											
Equity value	**2,823**											
Number of shares ('000s)	60,126											
DCF value per share (EUR)	**46.95**											

Source: ABN AMRO estimates

The left-hand table below shows the sensitivity of the outcome of our DCF model to changes in the WACC and the terminal growth rate. The right-hand table below shows that our DCF outcome of EUR 46.95/share implies a 2017/2018 valuation of 16.3/13.4x P/E and 6.9/6.5x EV/EBITDA, which we consider realistic in light of Bekaert's solid earnings growth .

Sensitivity analysis DCF valuation per share (EUR)

	Terminal growth rate		
WACC	**0.0%**	1.0%	2.0%
7.3%	51.39	57.15	65.08
7.8%	**46.95**	51.73	58.16
8.3%	43.06	47.06	52.34

Source: ABN AMRO estimates

Valuation multiples implied by DCF outcome

	2017E	2018E	2019E
P/E	16.3	13.4	11.8
EV/Sales	1.0	0.9	0.9
EV/EBITDA	6.9	6.5	6.2
EV/EBIT	11.9	10.4	9.6

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	3,671.1	3,732.5	3,937.9	4,118.2
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)	(742.9)	(764.6)	(794.0)	(822.9)
Other operating costs										
EBITDA	**385.7**	**725.3**	**475.7**	**274.2**	**297.0**	**341.9**	**449.1**	**481.4**	**516.5**	**552.5**
Depreciation	(139.8)	(173.0)	(200.8)	(229.1)	(151.1)	(164.6)	(206.4)	(225.0)	(227.6)	(217.6)
EBITA	**245.8**	**552.2**	**274.9**	**45.1**	**145.9**	**177.3**	**242.7**	**256.4**	**288.9**	**334.9**
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)	(13.3)	0.0	0.0	0.0
EBIT	232.2	534.3	268.4	(49.9)	137.3	171.3	229.4	256.4	288.9	334.9
Net financials	(65.6)	(32.4)	(18.5)	(83.2)	(83.5)	(66.7)	(96.2)	(120.1)	(58.9)	(51.5)
Profit Before Taxes (PBT)	**166.6**	**501.9**	**249.9**	**(133.2)**	**53.7**	**104.6**	**133.3**	**136.3**	**230.0**	**283.4**
Taxes	(33.9)	(139.5)	(68.1)	(67.7)	(47.9)	(42.4)	(36.4)	(53.2)	(66.7)	(82.2)
Income from associates	37.8	36.1	25.4	10.4	30.2	25.3	18.3	23.4	24.8	27.8
Minorities	(18.6)	(30.9)	(14.6)	(6.4)	(11.5)	(0.4)	(3.9)	(15.0)	(15.3)	(17.8)
Net profit before extraordinaries	**151.8**	**367.6**	**192.6**	**(196.9)**	**24.6**	**87.2**	**111.3**	**91.6**	**172.9**	**211.3**
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	111.3	91.6	172.9	211.3
% change in Sales	(8.5)	33.9	2.4	3.6	(7.9)	0.9	14.2	1.7	5.5	4.6
% change in EBITDA	(6.4)	88.1	(34.4)	(42.4)	8.3	15.1	31.3	7.2	7.3	7.0
% change in EBITA	(0.2)	124.7	(50.2)	(83.6)	223.9	21.5	36.9	5.6	12.7	15.9
% change in PBT	3.3	201.3	(50.2)	ns	ns	94.6	27.4	2.3	68.8	23.2
% change in Net profit before extraordinaries	(12.8)	142.2	(47.6)	ns	ns	254.7	27.7	(17.7)	88.8	22.2

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**	**449.1**	**481.4**	**516.5**	**552.5**
Change in provisions excluding tax provisions	(44.5)	1.8	(22.7)	(10.1)	(11.7)	(35.3)	(27.8)	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	(54.3)	(14.0)	(42.5)
Gross operating cash flow	536.8	450.1	253.2	490.8	363.8	252.0	633.6	427.1	502.5	510.0
Taxes paid	(31.1)	(113.3)	(129.3)	(59.2)	(51.5)	(45.8)	(56.7)	(53.2)	(66.7)	(82.2)
Capex	(173.8)	(249.1)	(277.7)	(127.3)	(96.8)	(154.5)	(176.6)	(161.7)	(192.5)	(185.9)
Free cash flow	**331.9**	**87.7**	**(153.7)**	**304.3**	**215.5**	**51.6**	**400.4**	**212.2**	**243.3**	**241.8**
Net interest received	(39.2)	(43.5)	(59.0)	(77.8)	(65.3)	(55.7)	(57.0)	(60.1)	(58.9)	(51.5)
Other	172.3	16.6	283.4	(282.6)	(84.8)	38.5	15.4	(197.6)	18.7	20.7
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)	(50.6)	(118.5)	(163.1)	(46.1)	(58.3)	(66.4)	(55.6)	(54.1)	(54.1)	(66.6)
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)	99.6	(149.0)	(144.5)
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	235.9	229.9	224.5
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	1,531.4	1,502.4	1,476.2
Financials fixed assets (FFA)	311.7	339.6	398.4	269.9	284.3	301.5	285.1	285.1	285.1	285.1
Inventories	358.4	507.7	577.9	567.7	539.3	640.8	628.7	656.6	652.7	682.6
Trade debtors	479.6	774.3	828.3	751.8	693.4	821.7	754.4	811.2	819.9	857.5
Other debtors	171.2	182.4	150.9	144.5	135.0	171.7	165.3	187.3	196.2	208.9
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**	**4,119.6**	**4,098.1**	**4,146.7**
Shareholder's equity	1,284.8	1,610.7	1,693.9	1,422.0	1,346.3	1,366.8	1,384.7	1,422.2	1,540.9	1,685.6
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	180.2	189.4	200.0
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	891.7	742.7	598.2
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	477.1	474.2	495.9
Other non-interest bearing liabilities	129.4	234.2	204.4	147.4	165.8	212.0	177.6	209.8	212.3	228.2
Total Liabilities & Capital	**2,829.5**	**3,673.1**	**4,169.1**	**3,667.7**	**3,380.5**	**3,957.7**	**3,881.1**	**4,119.6**	**4,098.1**	**4,146.7**
Enterprise Value (EV)	2,459.1	5,632.0	2,231.7	2,110.9	2,102.4	2,507.2	2,568.2	3,211.5	3,071.6	2,937.8
Net debt/(Net cash)	473.7	577.9	879.6	735.5	608.1	878.9	874.8	974.4	825.4	680.9
Capital Employed incl. goodwill (avg.)	1,969.4	2,148.5	2,522.5	2,599.0	2,389.0	2,443.7	2,628.3	2,710.4	2,795.2	2,792.1
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	2,576.5	2,650.0	2,734.8	2,731.6
Net working capital	632.7	888.5	1,062.1	994.8	863.0	1,031.2	914.1	968.4	982.3	1,024.8
Discounted value of leases	28.9	43.9	35.7	34.7	32.9	35.1	41.7	44.4	46.4	48.2
Adjusted equity	1,361.4	1,688.2	1,734.2	1,463.6	1,387.4	1,410.0	1,445.1	1,482.6	1,601.3	1,746.0

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	56.1	56.3	56.3
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	56.3	56.5	56.5
Enterprise Value (EV)	41.33	94.05	37.21	35.18	35.00	41.71	42.71	53.41	51.09	48.86
Net debt less FFA plus minorities	4.21	5.41	9.23	10.79	8.02	12.92	11.99	14.46	12.14	9.91
Sales	41.16	55.06	56.67	58.60	54.44	55.83	65.74	66.57	69.99	73.20
EBITDA	6.51	12.24	8.07	4.64	5.08	5.94	8.04	8.59	9.18	9.82
EBITA	4.15	9.32	4.66	0.76	2.49	3.08	4.35	4.57	5.14	5.95
EBIT	3.92	9.02	4.55	(0.85)	2.35	2.97	4.11	4.57	5.14	5.95
Net profit before extr. & amort. (EUR)	2.79	6.51	3.38	(1.73)	0.57	1.62	2.23	1.63	3.07	3.76
Net profit before extraordinaries (EUR)	2.56	6.21	3.27	(3.33)	0.42	1.51	1.99	1.63	3.07	3.76
Cash Flow (EUR)	5.15	9.43	6.79	2.15	3.15	4.48	5.93	5.65	7.12	7.62
Gross Dividend (EUR)	0.98	1.67	1.17	0.85	0.85	0.85	0.90	0.90	1.11	1.23
Book value (EUR)	21.59	26.90	28.24	23.70	22.41	22.74	23.03	23.65	25.63	28.04
Adjusted equity	22.88	28.19	28.92	24.39	23.10	23.46	24.03	24.66	26.63	29.04
Free Cash Flow	5.60	1.48	(2.61)	5.15	3.68	0.90	7.17	3.78	4.32	4.30
% change in EPS before extr. & amort.	(21.26)	133.02	(48.09)	ns	ns	185.13	37.79	(26.78)	88.13	22.21

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	11.7	23.3	12.4	10.1
P/CF (x)	4.9	5.7	8.1	10.5	7.9	6.1	4.4	6.7	5.3	5.0
P/Book (x)	1.7	3.2	0.9	0.9	1.1	1.2	1.2	1.6	1.5	1.4
Dividend yield (%)	3.9	3.1	2.1	3.8	3.4	3.1	3.4	2.4	2.9	3.2
Free cash flow yield (%)	19.6	1.4	(6.5)	16.7	10.0	(0.3)	21.9	6.7	8.1	8.3
EV/Sales (x)	1.0	1.7	0.7	0.6	0.7	0.8	0.7	0.9	0.8	0.7
EV/EBITDA (x)	6.4	7.8	4.7	7.7	7.1	7.3	5.7	6.7	5.9	5.3
EV/EBITA (x)	10.0	10.2	8.1	46.9	14.4	14.1	10.6	12.5	10.6	8.8
EV/EBIT (x)	10.6	10.5	8.3	nmf	15.3	14.6	11.2	12.5	10.6	8.8
EV/Capital Employed (x)	1.3	2.7	0.9	0.8	0.9	1.0	1.0	1.2	1.1	1.1
EV/CE (incl. goodwill) (x)	1.2	2.6	0.9	0.8	0.9	1.0	1.0	1.2	1.1	1.1
Share price : High (EUR)	36.35	86.69	87.43	33.27	30.91	29.93	29.83	42.26		
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	38.03	38.03	38.03
Share price : Year end (EUR)	36.17	85.90	24.79	21.88	25.72	26.35	28.39	38.03	38.03	38.03

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	1.4	1.5
Sales/Fixed assets (x)	2.2	2.5	2.3	2.5	2.6	2.2	2.5	2.4	2.6	2.8
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	64.2	60.5	60.5
Trade debtors/Sales (days)	71.8	86.6	90.5	79.3	79.5	93.3	75.0	79.3	76.0	76.0
Trade creditors/Sales (days)	37.0	38.2	31.8	33.9	38.8	44.4	45.4	46.7	44.0	44.0
CAPEX/Depreciation (%)	124.3	144.0	138.3	55.6	64.1	93.9	85.5	71.9	84.6	85.5
Equity/Total assets (%)	45.4	43.8	40.6	38.8	39.8	34.5	35.7	34.5	37.6	40.7
Net debt/Equity (%)	36.9	35.9	51.9	51.7	45.2	64.3	63.2	68.5	53.6	40.4
Interest cover (x)	4.0	9.5	3.9	0.6	2.2	2.7	3.5	3.9	4.5	5.9
Dividend payout (%)	35.3	25.9	35.2	(50.1)	153.7	54.8	43.4	59.1	38.5	35.0
ROCE (average) (%)	10.3	19.3	8.1	2.7	0.7	4.4	6.8	5.9	7.5	8.7
ROCE (incl. goodwill) (average) (%)	9.9	18.6	7.9	2.6	0.7	4.3	6.7	5.8	7.3	8.5

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	153.6	155.6	162.0	167.5
Wage costs per FTE employee ('000s)	28.5	29.9	27.9	31.7	27.2	26.6	31.1	31.9	32.7	33.5
EBIT per FTE employee ('000s)	13.2	26.7	12.1	(2.2)	6.2	7.5	9.6	10.7	11.9	13.6
Gross margin (%)										
EBITDA margin (%)	15.8	22.2	14.2	7.9	9.3	10.6	12.2	12.9	13.1	13.4
Operating margin (%)	9.5	16.4	8.0	(1.4)	4.3	5.3	6.3	6.9	7.3	8.1
Net margin (%)	6.0	11.7	5.6	(3.1)	0.5	2.1	3.0	2.2	4.1	4.9
Tax rate (%)	20.4	27.8	27.3	(50.8)	89.2	40.5	27.3	39.0	29.0	29.0

Source: Company, ABN AMRO Equity Research

Important disclosures

Issuer	Ticker	Price (EUR)
Bekaert	BEKB.BR	38.03

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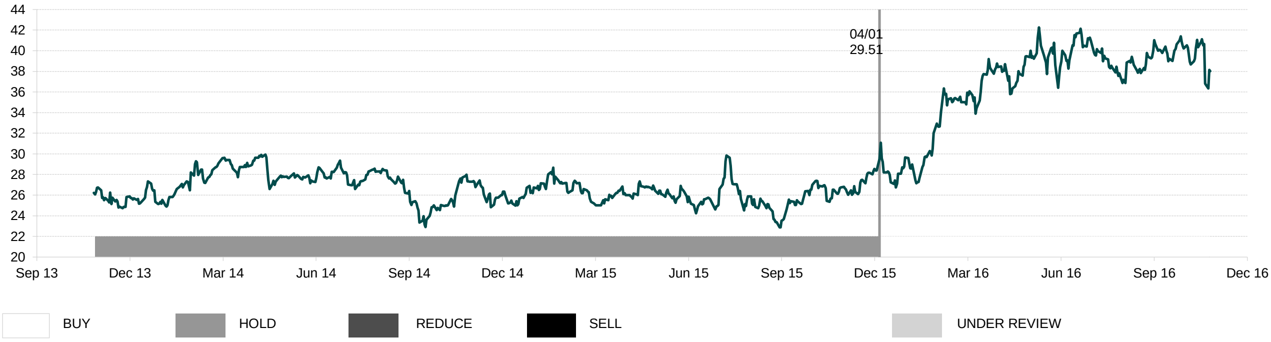
Prior to 1-10-2014 ABN AMRO applied 4 ratings (Buy/Hold/Reduce/Sell)

Historical equity recommendations and target price for Bekaert (EUR)



History of Target Prices

Date	Recommendation	Target Price
11/23/2016	BUY	EUR 46.00
6/27/2016	BUY	EUR 40.00
2/28/2016	BUY	EUR 39.00
1/2/2016	BUY	EUR 37.00

History of Recommendations

Date	Recommendation	Target Price
1/2/2016	BUY	EUR 37.00

Source: ABN AMRO Bank Equity Research, FactSet

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