

# Bekaert

Indy - Industrial, Diversified / Belgium

**Target Price EUR 173.00**

**Expected performance (12 mth) 16.0%**

**BUY EUR 149.20 (Closing price 23-Jul-10)**

**Preview on results**

## Preview: robust 1H10 to keep momentum going

26 July 2010

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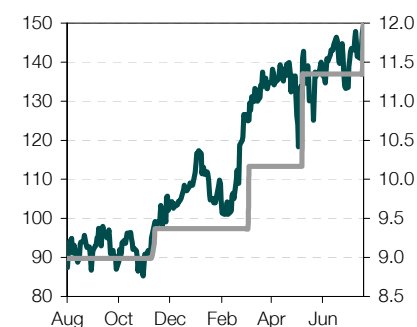
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### Opinion on qualitative criteria

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

### Share price performance/EPS revision (EUR)

Price ABN AMRO EPS est. 2010



Source: FactSet, ABN AMRO Equity Research

Market capitalisation (EUR m)	2,959.3
No. of shares (m)	19.8
Free float	62.0%
1/3/12 mth perf. (%)	3.9/7.0/81.2
High/low 52 weeks (EUR)	149.20/82.40
Next results due	30 July 2010
Price/book value (x)	2.0
Volatility (β) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB.BB
Website	www.bekaert.com

### All lights on green for strong 1H10 results (to be released on 30 July)

A promising 1Q10 sales trading update, favourable currency movements, a positive profit alert by peer Xingda ... all point to robust 1H10 results for Bekaert (to be released on 30 July). We forecast EBITDA of EUR 195m (+127% y-o-y) and EPS of EUR 5.73 (+156%). Being in a sweet spot (>70% of sales from emerging markets), the risk to our forecasts is believed to be on the upside, as proved also to be the case with previous releases. We expect the 1H10 results to keep the momentum in the Bekaert share price going.

### Earnings estimates and target price tweaked higher

We have taken this preview as an opportunity to fine tune our earnings estimates. Adjusting our model for the recent weakening of the euro, we raised our EPS estimates by 72/53/46c to EUR 12.07/12.89/13.49 for 2010/2011/2012. Consistent with the earnings upgrade, we raised our returns-based target price from EUR 166 to EUR 173.

### BUY recommendation re-iterated

We expect the 1H10 trading update to underscore the appeal of the Bekaert stock as a play on the growth potential of emerging markets (where >70% of revenue is generated) and on a cyclical recovery of the earnings from its mature EMEA and North America divisions. Trades at a 2011 valuation of 11.6x P/E and 5.4x EV/EBITDA (EV adjusted for the estimated value of JVs), we feel that the attractive growth profile is not fully discounted in the Bekaert stock.

Year to December	2008	2009	2010e	2011e	2012e
Sales (EUR m)	2,662.4	2,437.3	2,822.8	3,028.0	3,214.7
EBITDA (EUR m)	412.2	385.7	513.4	534.2	546.6
Net profit excl. extr. & amort. (EUR m)	209.9	165.4	239.3	257.5	267.5
Net profit (EUR m)	174.1	151.8	239.3	257.5	267.5
EBITDA margin (%)	15.5	15.8	18.2	17.6	17.0
ROCE (incl. goodwill) (%)	11.2	9.9	13.2	12.6	12.1
Net gearing (%)	59.5	36.9	35.5	25.6	16.5
EPS before extr. & amort. (EUR)	10.64	8.38	12.07	12.98	13.49
EPS (EUR)	8.83	7.69	12.07	12.98	13.49
DPS (EUR)	2.80	2.94	4.22	4.54	4.72
% change sales	22.5	(8.5)	15.8	7.3	6.2
% change EPS (excl. extr. & amort.)	35.7	(21.3)	44.0	7.6	3.9
EV/Sales	0.48	0.93	1.07	0.97	0.89
EV/EBITDA	3.1	5.9	5.9	5.5	5.2
P/E (excl. extr. & amort.)	8.3	9.0	12.4	11.5	11.1
P/E	10.0	9.8	12.4	11.5	11.1
PE/growth (excl. extr.)	0.5	22.9	0.7	0.4	1.9
Free cash flow yield (%)	(2.5)	18.4	0.8	5.3	6.1

**EPS estimates tweaked higher by 72/53/46c to EUR 12.07/12.89/13.49 for 2010/2011/2012**

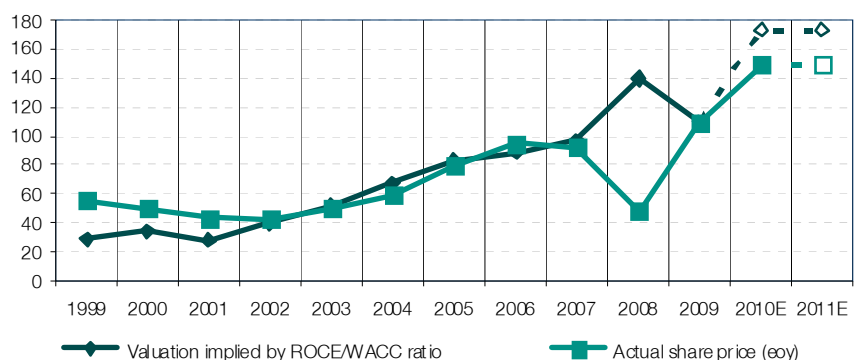
**Earnings estimates and price target tweaked higher**

We have taken this preview as an opportunity to fine tune our earnings estimates. The adjustments relate predominantly to currency exchange rates. Bekaert generates >80% of *consolidated* sales in non-euro currencies. The company is particularly exposed to the US dollar, Chinese renminbi, Czech koruna, Brazilian real and Chilean peso (the latter two currencies impact the share in results of joint ventures at the bottom of the P&L). As many currencies in Asia and Latin America are linked to the US dollar, Bekaert's results benefit from a positive translation effect related to the weakening of the euro in recent months. We tweaked our EPS higher by 72c to EUR 12.07 for 2010, by 53c to EUR 12.89 for 2011 and by 46c to EUR 13.49 for 2012. Compared to the Bloomberg consensus, our EPS forecasts are fraction higher for 2010 (Bloomberg: EUR 11.77) and slightly lower for 2011 and 2012 (Bloomberg: EUR 13.01 and EUR 14.42, respectively).

**Price target raised to EUR 173 from EUR 166**

Consistent with the earnings upgrade, we raised our target price from EUR 166 to EUR 173, which is the outcome of a returns based valuation (where  $EV/CE = ROCE/WACC$ ) on our 2011 forecasts. Back-testing validates the returns-based valuation methodology, as Bekaert's historical share price development has tracked the outcome closely (see the chart below).

Development Bekaert's valuation implied by ROCE/WACC ratio versus actual eoy share price (EUR)



Source: ABN AMRO

**Preview 1H10 results (due 30 July)**

Bekaert is due to release its 1H10 results on Friday 30 July. The 1Q10 sales trading update was in our view a forerunner of very robust 1H10 results, fuelled both by ongoing strong growth in emerging markets and a cyclical recovery for the mature EMEA and North America divisions. We estimate that volume growth amounted to 25-30% in 1Q10, which must have had a positive impact on capacity utilisation and thus also on profitability (not disclosed at the 1Q10 update). At the 1Q10 update, Bekaert commented in the outlook statement that it “expects a continued strong performance in 2Q10”. A confirmation of a strong 1H10 results –for as far as it concerns the tyre cord operations in China (representing c. 20% of Bekaert's revenue, while contributing much stronger to profitability) – was a positive profit alert given by tyre cord competitor Xingda on 16 July. For 1H10, Xingda expects revenue and net profit to have surged by >60% and >130%, respectively.

At Bekaert, the EMEA results showed a clear recovery in 2H09, which we expect to have continued in 1H10 (we anticipate an improvement of the divisional margin from -5.0% in 1H09 (note: c. 0% when adjusted for the FIFO hit) and +5.3% in 2H09 to +6.1% in 1H10. An uptrend should finally also become visible for the North America division (which we expect to report a margin improvement from -0.2% in 2H09 to +3.3% in 1H10). The Asia Pacific division is forecast to report a strong 36% increase in revenue, with an ...

**P&L Bekaert (EUR m)**

	2008	1H09	2H09	2009	1H10E	2H10E	2010E	2011E	2012E
EMEA	1,168	410	417	827	489	469	958	1,011	1,051
North America	605	264	210	473	286	278	563	592	621
Latin America	177	160	167	327	135	140	275	291	306
Asia Pacific	713	367	443	809	500	527	1,027	1,134	1,236
<b>Consolidated sales</b>	<b>2,662</b>	<b>1,200</b>	<b>1,237</b>	<b>2,437</b>	<b>1,409</b>	<b>1,414</b>	<b>2,823</b>	<b>3,028</b>	<b>3,215</b>
% chg.	22.5%	-7.9%	-9.0%	-8.5%	17.4%	14.2%	15.8%	7.3%	6.2%
organic	17.7%	-20.6%	-13.4%	-16.9%	22.9%	14.9%	18.8%	6.9%	6.2%
fx	-1.0%	6.9%	-1.7%	2.5%	-6.3%	-2.2%	-4.2%	0.0%	0.0%
consolidation	5.8%	5.8%	6.0%	5.9%	0.8%	1.6%	1.2%	0.4%	0.0%
<b>EBITDAE</b>	<b>496</b>	<b>152</b>	<b>258</b>	<b>410</b>	<b>269</b>	<b>269</b>	<b>538</b>	<b>549</b>	<b>562</b>
margin	18.6%	12.7%	20.9%	16.8%	19.1%	19.0%	19.1%	18.1%	17.5%
% chg.	59.8%	-37.4%	2.0%	-17.3%	77.2%	4.2%	31.2%	2.0%	2.3%
EBITE EMEA	68	(21)	22	2	30	28	57	65	74
margin	5.8%	-5.0%	5.3%	0.2%	6.1%	5.9%	6.0%	6.4%	7.0%
% chg	0.0%	-139.1%	47.4%	-97.6%	nmf	24.4%	3411.8%	12.6%	13.8%
EBITE North America	25	(5)	(0)	(5)	9	9	19	25	33
margin	4.1%	-1.7%	-0.2%	-1.1%	3.3%	3.3%	3.3%	4.2%	5.3%
% chg	0.0%	-121.4%	-113.3%	-120.2%	nmf	nmf	nmf	33.6%	32.5%
EBITE Latin America	16	8	19	28	16	17	32	35	37
margin	8.9%	5.3%	11.4%	8.4%	11.6%	12.0%	11.8%	12.0%	12.0%
% chg	0.0%	-22.2%	287.5%	75.0%	86.0%	-12.3%	17.7%	7.8%	5.0%
EBITE Asia Pacific	249	128	160	288	169	174	344	340	334
margin	34.9%	34.9%	36.1%	35.6%	33.9%	33.1%	33.5%	30.0%	27.0%
% chg	0.0%	20.2%	12.1%	15.6%	32.4%	9.1%	19.5%	-1.1%	-1.9%
Other	(63)	(25)	(30)	(55)	(29)	(34)	(63)	(67)	(69)
<b>Total EBITE</b>	<b>294</b>	<b>86</b>	<b>171</b>	<b>257</b>	<b>195</b>	<b>194</b>	<b>389</b>	<b>397</b>	<b>408</b>
margin	11.1%	7.2%	13.8%	10.5%	13.8%	13.7%	13.8%	13.1%	12.7%
% chg.	57.9%	-47.3%	30.1%	-12.7%	127.3%	13.4%	51.5%	2.1%	2.6%
Non-recurring items	(84)	(7)	(17)	(25)	(13)	(13)	(25)	(15)	(15)
<b>EBIT</b>	<b>210</b>	<b>79</b>	<b>153</b>	<b>232</b>	<b>183</b>	<b>181</b>	<b>364</b>	<b>382</b>	<b>393</b>
Net financial charges	(49)	(31)	(35)	(66)	(31)	(28)	(60)	(53)	(44)
<b>EBT</b>	<b>161</b>	<b>48</b>	<b>118</b>	<b>167</b>	<b>151</b>	<b>153</b>	<b>305</b>	<b>329</b>	<b>349</b>
Taxes	(26)	(13)	(21)	(34)	(42)	(37)	(79)	(89)	(101)
as % of EBT	15.8%	27.5%	17.4%	20.4%	28.0%	24.0%	26.0%	27.0%	29.0%
Share in results joint ventures	56	17	20	38	19	23	42	47	52
Result discontinued operations	0	0	0	0	0	0	0	0	0
Minority interests	(18)	(8)	(10)	(19)	(15)	(15)	(29)	(31)	(33)
<b>Net profit continuing operations</b>	<b>174</b>	<b>44</b>	<b>108</b>	<b>152</b>	<b>113</b>	<b>125</b>	<b>238</b>	<b>256</b>	<b>267</b>
% chg.	13.9%	-65.1%	124.0%	-12.8%	156.0%	15.9%	56.7%	7.5%	4.2%
<b>EPS basic (EUR)</b>	<b>8.83</b>	<b>2.24</b>	<b>5.45</b>	<b>7.69</b>	<b>5.72</b>	<b>6.29</b>	<b>11.99</b>	<b>12.89</b>	<b>13.44</b>
% chg.	15.7%	-65.2%	123.8%	-12.9%	155.2%	15.3%	55.9%	7.5%	4.2%
<b>DPS (EUR)</b>	<b>2.80</b>			<b>2.94</b>			<b>4.20</b>	<b>4.51</b>	<b>4.70</b>
pay out	31.8%			38.4%			35.0%	35.0%	35.0%

Source: company data and ABN AMRO estimates

... operating margin that is expected to have held up well at 33.9% (compared with 34.9% in 1H09 and 36.1% in 2H09). The decline of the operating result anticipated for the Latin America division is related to the negative currency effect of switching to the parallel exchange rate for the Venezuelan Bolívar as of the start of this year. On balance, we expect to see an improvement of **group EBITE** from EUR 86m (note: hampered by EUR 40m FIFO hit) in 1H09 and

EUR 171m in 2H09 to **EUR 195m in 1H10**. Please refer to the table on the previous page for the detail behind our forecasts.

We expect the Joint Ventures line in the P&L to show an improvement from EUR 17.4m in 1H09 to EUR 19.1m, as solid progress in Brazil may have been partly cancelled out by the impact of the earthquake on the results in Chile.

Based on the aforementioned expectations, we expect 1H10 **net profit** to jump by 157% y-o-y to EUR 113.4m, representing **EPS** of EUR 5.73.

We would not expect Bekaert to give a concrete **outlook** for the remainder of the year (the company is always rather vague in this respect). At the 1Q10 sales trading update, Bekaert commented in the outlook statement that it “remains cautious about market developments for the second half of the year”. We expect Bekaert to repeat similar comments of cautiousness at the interim stage. Note, however, that such comments reflect the general lack of visibility on the macro environment rather than company specific issues.

## Investment opinion

We highlight the Bekaert stock as a play on the growth potential of emerging markets (where >70% of revenue is generated) and on a cyclical recovery of the earnings from its mature EMEA and North America divisions. The emerging market operations have proven very resilient during the economic downturn, and their growth potential continues to be a differentiating factor in the years to come. Bekaert continues to invest strongly in capacity expansion in emerging markets (80% of the EUR 175-200m CAPEX budget for 2010 is destined to emerging markets), which we expect to yield solid returns in the coming years. The Chinese automotive industry is structural growth market, benefiting Bekaert's tyre cord business. Moreover, growth is driven by the introduction of non-tyre cord products. A next success story will likely be Bekaert's foothold in India, which will prosper from the take off of the automotive industry. We mind not to ignore the mature EMEA and North America divisions, as they will contribute significantly to Bekaert's earnings with a cyclical recovery from 2010. We feel that the attractive growth profile is not fully discounted in the Bekaert stock, as it trades at a compelling 2011 valuation of 11.6x P/E and 5.4x EV/EBITDA (EV adjusted for the estimated value of JVs). We see upside to EUR 172 per share, which is the outcome of a returns-based valuation (where  $EV/CE = ROCE/WACC$ ) on our 2011 forecasts.

<b>P &amp; L Statement (EUR m) Year to December</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Net sales	1,797.0	1,741.9	1,914.3	2,009.6	2,173.6	2,662.4	2,437.3	2,822.8	3,028.0	3,214.7
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personnel costs	(506.9)	(450.3)	(449.9)	(462.0)	(472.6)	(524.2)	(499.1)	(529.6)	(552.2)	(574.4)
Other operating costs										
<b>EBITDA</b>	<b>239.1</b>	<b>255.6</b>	<b>257.4</b>	<b>262.2</b>	<b>298.6</b>	<b>412.2</b>	<b>385.7</b>	<b>513.4</b>	<b>534.2</b>	<b>546.6</b>
Depreciation	(127.3)	(107.6)	(107.4)	(110.7)	(119.7)	(165.9)	(139.8)	(149.3)	(151.8)	(153.8)
<b>EBITA</b>	<b>111.8</b>	<b>148.0</b>	<b>150.0</b>	<b>151.4</b>	<b>178.9</b>	<b>246.3</b>	<b>245.8</b>	<b>364.0</b>	<b>382.4</b>	<b>392.8</b>
Reported provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	(9.0)	(13.7)	(5.5)	(4.3)	(35.8)	(13.6)	0.0	0.0	0.0
EBIT	111.8	139.0	136.3	145.9	174.6	210.5	232.2	364.0	382.4	392.8
Net financials	(43.0)	(20.5)	(15.3)	(31.0)	(41.0)	(49.2)	(65.6)	(59.5)	(52.7)	(43.6)
<b>Profit Before Taxes (PBT)</b>	<b>68.8</b>	<b>118.5</b>	<b>121.0</b>	<b>114.9</b>	<b>133.6</b>	<b>161.2</b>	<b>166.6</b>	<b>304.6</b>	<b>329.6</b>	<b>349.2</b>
Taxes	(8.2)	(18.4)	(30.3)	(18.4)	(19.1)	(25.5)	(33.9)	(79.2)	(89.0)	(101.3)
Income from associates	33.5	53.5	56.9	51.0	47.1	56.1	37.8	43.4	48.5	52.5
Minorities	(7.9)	(12.3)	(12.0)	(4.8)	(8.7)	(17.7)	(18.6)	(29.4)	(31.6)	(32.9)
<b>Net profit before extraordinary</b>	<b>86.7</b>	<b>141.3</b>	<b>135.7</b>	<b>142.8</b>	<b>152.9</b>	<b>174.1</b>	<b>151.8</b>	<b>239.3</b>	<b>257.5</b>	<b>267.5</b>
Extraordinary items	0.0	26.3	54.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net reported profit	86.7	167.6	189.9	142.8	152.9	174.1	151.8	239.3	257.5	267.5
% change in Sales	(3.6)	(3.1)	9.9	5.0	8.2	22.5	(8.5)	15.8	7.3	6.2
% change in EBITDA	5.9	6.9	0.7	1.8	13.9	38.0	(6.4)	33.1	4.1	2.3
% change in EBITA	46.5	32.4	1.3	1.0	18.1	37.7	(0.2)	48.1	5.0	2.7
% change in PBT	ns	72.1	2.1	(5.0)	16.3	20.7	3.3	82.9	8.2	5.9
% change in Net profit before extraordinary	ns	63.0	(3.9)	5.2	7.1	13.9	(12.8)	57.7	7.6	3.9

<b>Cash Flow Statement (EUR m)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
<b>EBITDA</b>	<b>239.1</b>	<b>255.6</b>	<b>257.4</b>	<b>262.2</b>	<b>298.6</b>	<b>412.2</b>	<b>385.7</b>	<b>513.4</b>	<b>534.2</b>	<b>546.6</b>
Change in provisions excluding tax provisions	(31.2)	(0.6)	(15.4)	(12.3)	(8.9)	26.2	(44.5)	0.0	0.0	0.0
Change in net working capital	(18.6)	(112.6)	(32.3)	(31.9)	(41.9)	(162.4)	195.6	(166.6)	(57.8)	(53.7)
Gross operating cash flow	189.3	142.4	209.8	217.9	247.8	276.0	536.8	346.7	476.4	492.9
Taxes paid	(18.5)	(32.9)	(25.5)	(16.8)	(24.9)	(27.5)	(31.1)	(79.2)	(89.0)	(101.3)
Capex	(118.1)	(172.9)	(151.6)	(161.3)	(199.8)	(251.1)	(173.8)	(194.6)	(186.6)	(176.1)
<b>Free cash flow</b>	<b>52.7</b>	<b>(63.3)</b>	<b>32.7</b>	<b>39.8</b>	<b>23.1</b>	<b>(26)</b>	<b>331.9</b>	<b>72.9</b>	<b>200.7</b>	<b>215.6</b>
Net interest received	(18.2)	(16.0)	(14.8)	(22.0)	(30.8)	(31.5)	(39.2)	(50.5)	(43.8)	(34.7)
Other	17.2	75.5	96.6	(25.4)	42.1	24.2	172.3	59.3	26.9	30.4
Acquisitions	(33.9)	(16.9)	(21.2)	(42.7)	(14.7)	(44.2)	(3.4)	(70.0)	0.0	0.0
Divestments	5.7	0.1	86.5	0.0	4.2	0.7	(0.5)	0.0	0.0	0.0
Share issues/buybacks	(2.2)	(8.8)	(24.3)	(56.1)	(111.0)	(19.7)	(0.5)	0.0	0.0	0.0
Dividend (adj. stock dividend)	(44.9)	(45.3)	(52.2)	(74.1)	(57.2)	(62.2)	(50.6)	(58.3)	(83.8)	(90.1)
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	32.5	77.4	20.6	39.1	136.4	180.4	(252.5)	(129.2)	(100.1)	(121.1)
<b>Change in cash &amp; cash equivalents</b>	<b>8.8</b>	<b>2.7</b>	<b>123.8</b>	<b>(141.5)</b>	<b>(7.9)</b>	<b>45.1</b>	<b>157.5</b>	<b>(175.8)</b>	<b>0.0</b>	<b>0.0</b>

<b>Balance Sheet (EUR m)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Net intangible fixed assets	119.5	118.4	125.4	134.5	122.0	111.5	105.0	123.2	122.1	121.6
Net tangible fixed assets	757.6	791.6	799.8	824.2	917.6	1,070.7	1,127.7	1,194.9	1,230.8	1,253.5
Financials fixed assets (FFA)	303.7	331.1	325.5	348.6	303.4	247.7	311.7	302.8	302.8	302.8
Inventories	322.6	419.3	348.3	368.8	385.4	510.5	358.4	453.8	486.8	516.8
Trade debtors	307.7	385.2	354.2	398.9	437.7	483.2	479.6	563.2	604.2	641.4
Other debtors	45.5	44.9	63.4	63.7	73.1	125.3	171.2	172.6	197.1	215.1
Cash & securities	81.1	98.9	222.7	81.2	73.2	118.3	275.8	100.0	100.0	100.0
<b>Total Assets</b>	<b>1,937.6</b>	<b>2,189.3</b>	<b>2,239.3</b>	<b>2,219.8</b>	<b>2,312.6</b>	<b>2,667.2</b>	<b>2,829.5</b>	<b>2,910.4</b>	<b>3,043.7</b>	<b>3,151.2</b>
Shareholder's equity	790.8	909.7	1,057.5	1,060.1	1,098.2	1,130.6	1,284.8	1,465.9	1,639.6	1,817.0
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	43.3	48.8	51.1	48.9	48.4	41.8	88.7	106.4	125.4	145.1
Provisions	361.5	373.0	357.5	331.4	298.8	373.4	329.9	329.9	329.9	329.9
Long-term interest bearing debt	312.3	242.3	288.3	274.4	322.5	288.1	598.1	469.0	368.9	247.8
Short-term interest bearing debt	176.6	312.0	245.6	218.0	253.0	503.1	151.4	151.4	151.4	151.4
Trade creditors	191.4	250.8	187.4	227.8	231.7	253.8	247.1	278.5	298.7	317.1
Other non-interest bearing liabilities	61.6	52.7	52.0	59.3	60.0	76.4	129.4	109.5	129.8	142.9
<b>Total Liabilities &amp; Capital</b>	<b>1,937.6</b>	<b>2,189.3</b>	<b>2,239.3</b>	<b>2,219.8</b>	<b>2,312.6</b>	<b>2,667.2</b>	<b>2,829.5</b>	<b>2,910.4</b>	<b>3,043.7</b>	<b>3,151.2</b>
Enterprise Value (EV)	1,220.3	1,330.5	1,503.0	1,827.0	1,829.4	1,286.8	2,263.4	3,080.1	2,949.0	2,847.6
Net debt/(Net cash)	407.9	455.4	311.2	411.2	502.2	672.9	473.7	520.3	420.3	299.2
Capital Employed incl. goodwill (avg.)	1,383.0	1,458.6	1,515.7	1,517.1	1,610.5	1,850.3	1,969.4	2,046.0	2,220.5	2,306.7
Cumulative goodwill (as of 1991)	121.1	131.3	85.3	82.2	75.2	74.6	76.6	96.6	96.6	96.6
Capital Employed (avg.)	1,266.0	1,327.3	1,430.4	1,433.3	1,535.8	1,775.5	1,893.0	1,950.5	2,123.9	2,210.2
Net working capital	422.9	545.9	526.6	544.3	604.6	788.8	632.7	801.6	859.5	913.2
Discounted value of leases	29.6	26.3	36.6	32.2	28.6	28.9	28.9	31.2	33.2	35.1
Adjusted equity	911.9	1,041.0	1,142.9	1,142.3	1,173.3	1,205.2	1,361.4	1,562.4	1,736.1	1,913.5

<b>Per Share Data (EUR)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Avg. no. of shares (m)	22.1	21.9	21.6	21.5	20.0	19.7	19.7	19.8	19.8	19.8
Eoy. no. of shares (m)	22.1	21.9	21.5	20.9	19.8	19.8	19.8	19.8	19.8	19.8
Avg. no. of shares fully diluted (m)	22.1	22.0	21.7	21.6	20.2	19.8	19.8	19.9	19.9	19.9
Enterprise Value (EV)	55.29	60.83	69.81	87.22	92.25	65.04	114.12	152.77	148.68	143.57
Net debt less FFA plus minorities	6.68	7.92	1.71	5.32	12.47	23.60	12.64	16.33	12.24	7.13
Sales	81.27	79.46	88.49	93.51	108.47	135.02	123.47	142.32	152.66	162.07
EBITDA	10.81	11.66	11.90	12.20	14.90	20.90	19.54	25.88	26.93	27.56
EBITA	5.06	6.75	6.93	7.05	8.93	12.49	12.45	18.35	19.28	19.81
EBIT	5.06	6.34	6.30	6.79	8.71	10.67	11.76	18.35	19.28	19.81
Net profit before extr. & amort. (EUR)	3.92	6.86	6.91	6.90	7.84	10.64	8.38	12.07	12.98	13.49
Net profit before extraordinary (EUR)	3.92	6.44	6.27	6.64	7.63	8.83	7.69	12.07	12.98	13.49
Cash Flow (EUR)	9.68	11.76	11.87	12.05	13.82	19.06	15.46	19.60	20.64	21.24
Gross Dividend (EUR)	1.75	2.00	3.00	2.50	2.76	2.80	2.94	4.22	4.54	4.72
Book value (EUR)	35.83	41.59	49.12	50.61	55.38	57.15	64.78	73.91	82.66	91.61
Adjusted equity	41.32	47.59	53.08	54.54	59.17	60.92	68.64	78.77	87.53	96.48
Free Cash Flow	2.38	(2.89)	1.51	1.85	1.15	(0.13)	16.81	3.67	10.12	10.87
% change in EPS before extr. & amort.	ns	74.88	0.76	(0.11)	13.68	35.68	(21.26)	44.01	7.58	3.90

<b>Capital Efficiency/Solvability</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Sales/CE (incl. goodwill)	1.3	1.2	1.3	1.3	1.3	1.4	1.2	1.4	1.4	1.4
Sales/Fixed assets (x)	2.4	2.2	2.4	2.4	2.4	2.5	2.2	2.4	2.5	2.6
Sales/Net working capital (x)	4.2	3.2	3.6	3.7	3.6	3.4	3.9	3.5	3.5	3.5
Inventories/Sales (days)	65.5	87.9	66.4	67.0	64.7	70.0	53.7	58.7	58.7	58.7
Trade debtors/Sales (days)	62.5	80.7	67.5	72.5	73.5	66.2	71.8	72.8	72.8	72.8
Trade creditors/Sales (days)	38.9	52.6	35.7	41.4	38.9	34.8	37.0	36.0	36.0	36.0
CAPEX/Depreciation (%)	92.8	160.7	141.1	145.7	166.9	151.3	124.3	130.4	122.9	114.5
Equity/Total assets (%)	40.8	41.6	47.2	47.8	47.5	42.4	45.4	50.4	53.9	57.7
Net debt/Equity (%)	51.6	50.1	29.4	38.8	45.7	59.5	36.9	35.5	25.6	16.5
Interest cover (x)	3.2	6.3	4.8	5.5	5.2	5.4	4.0	6.6	8.2	10.5
Dividend payout (%)	44.6	29.1	43.2	35.3	34.8	26.4	35.3	35.0	35.0	35.0
ROCE (average) (%)	7.8	9.4	8.0	8.9	10.0	11.7	10.3	13.7	13.1	12.6
ROCE (incl. goodwill) (average) (%)	7.1	8.6	7.4	8.4	9.5	11.2	9.9	13.2	12.6	12.1

<b>Operating Efficiency &amp; Profitability ratios</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Sales per FTE employee ('000s)	168.9	161.4	178.9	169.2	155.4	165.3	139.0	155.5	163.9	171.5
Wage costs per FTE employee ('000s)	47.6	41.7	42.0	38.9	33.8	32.5	28.5	29.2	29.9	30.6
EBIT per FTE employee ('000s)	10.5	12.9	12.7	12.3	12.5	13.1	13.2	20.1	20.7	21.0
Gross margin (%)										
EBITDA margin (%)	13.3	14.7	13.4	13.0	13.7	15.5	15.8	18.2	17.6	17.0
Operating margin (%)	6.2	8.0	7.1	7.3	8.0	7.9	9.5	12.9	12.6	12.2
Net margin (%)	3.4	6.3	5.5	5.1	5.5	6.4	6.0	8.0	7.9	7.7
Tax rate (%)	11.9	15.5	25.0	16.0	14.3	15.8	20.4	26.0	27.0	29.0

**Important disclosures**

Issuer	Ticker	Price (EUR)
Bekaert	BEKB.BR	149.20

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Maarten Bakker - Equity Research Analyst

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SELL	SELL	The investment case is definitively negative. Investors should sell the stock at any conditions. Expected performance: negative	2%	6%

26 July 2010

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Historical equity recommendations and target price for \$COMPANYNAME\$ (\$CURRENCY\$)



History of Target Prices

Date	Recommendation	Target Price
7/23/2010	BUY	EUR 172.00
6/2/2010	BUY	EUR 166.00
5/12/2010	BUY	EUR 165.00
3/9/2010	BUY	EUR 155.00
1/7/2010	BUY	EUR 134.00
11/17/2009	BUY	EUR 127.00
11/16/2009	BUY	EUR 125.00
8/5/2009	BUY	EUR 112.00
4/7/2009	BUY	EUR 75.00

History of Recommendations

Date	Recommendation	Target Price
8/5/2009	BUY	EUR 112.00
5/8/2009	HOLD	EUR 75.00
4/7/2009	BUY	EUR 75.00

Source: ABN AMRO Equity Research, FactSet



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