

Bekaert

Indy - Industrial, Diversified / Belgium

Target Price EUR 265.00

Expected performance (12 mth) 16.5%

BUY EUR 227.50 (Closing price 04-Nov-10)

[Preview on results](#)

Preview 3Q10 update – PT raised to EUR 265

5 November 2010

Analyst Maarten Bakker

ABN AMRO Bank N.V.

Tel: +31 20 34354 12

Email: maarten.bakker@nl.abnamro.com

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. 2011



Source: FactSet, ABN AMRO Equity Research

Market capitalisation (EUR m)	4,512.3
No. of shares (m)	19.8
Free float	62.0%
1/3/12 mth perf. (%)	18.5/36.6/157.0
High/low 52 weeks (EUR)	227.95/89.87
Next results due	10 November 2010
Price/book value (x)	2.8
Volatility (β) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB.BB
Website	www.bekaert.com

On Wednesday **10 November**, Bekaert is due to report a trading update for 3Q10, comprising sales numbers only. We expect the sales levels of 2Q10 (which were much stronger than in 1Q10) to have continued in 3Q10 (apart from modest summer slowness). The positive trends in the automotive sector (36% of sales) and the energy & utilities segment (21% of sales) have continued in 3Q10. We forecast a 32% y-o-y rise in **consolidated sales** to EUR 819m. This is seen driven by 28% organic growth (including a 7% wire rod pricing effect), 2% fx and 3% consolidation (Bridgestone plants). Continued strong sales growth is foreseen for EMEA (33%), North America (45%) and Asia Pacific (42%). The estimated 10% decline in revenue for the Latin America division reflects the currency translation impact of hyperinflation in Venezuela (which made Bekaert adjust its accounts by applying free market parallel exchange rates instead of the official rate). **Combined sales** (i.e., including 100% of sales from equity-accounted JVs and associates) is forecast to have increased 33% y-o-y to EUR 1,141m in 3Q10.

At the interim stage, Bekaert stated in the **outlook** being prudent for 2H10, as the volatility of markets, exchange rates, and raw materials prices continue to create uncertainty in the months ahead. The prudence in the outlook did not reflect company specific issues, but simply a lack of visibility on the macro economic front. We are keen to get an updated outlook, but we are afraid that it will remain vague.

Year to December	2008	2009	2010e	2011e	2012e
Sales (EUR m)	2,662.4	2,437.3	3,189.2	3,474.2	3,692.0
EBITDA (EUR m)	412.2	385.7	710.7	748.1	769.6
Net profit excl. extr. & amort. (EUR m)	209.9	165.4	385.1	405.3	423.3
Net profit (EUR m)	174.1	151.8	373.1	405.3	423.3
EBITDA margin (%)	15.5	15.8	22.3	21.5	20.8
ROCE (incl. goodwill) (%)	11.2	9.9	18.9	17.6	17.0
Net gearing (%)	59.5	36.9	30.7	16.2	3.7
EPS before extr. & amort. (EUR)	10.64	8.38	19.42	20.43	21.34
EPS (EUR)	8.83	7.69	18.81	20.43	21.34
DPS (EUR)	2.80	2.94	6.58	7.15	7.47
% change sales	22.5	(8.5)	30.8	8.9	6.3
% change EPS (excl. extr. & amort.)	36.7	(21.3)	131.7	5.2	4.5
EV/Sales	0.49	0.94	1.43	1.27	1.14
EV/EBITDA	3.2	6.0	6.4	5.9	5.5
P/E (excl. extr. & amort.)	8.3	9.0	11.7	11.1	10.7
P/E	10.0	9.8	12.1	11.1	10.7
PE/growth (excl. extr.)	0.5	22.9	0.3	0.2	1.6
Free cash flow yield (%)	(2.5)	18.4	4.8	6.2	7.2

Quarterly sales (EUR m)											
	1Q09	2Q09	3Q09	4Q09	FY2009	1Q10	2Q10	3Q10E	4Q10E	FY2010E	FY2011E
Consolidated sales:											
EMEA	210	200	198	219	827	244	282	263	280	1,070	1,120
North America	142	122	106	104	473	141	172	154	163	630	655
Latin America	81	79	87	80	327	67	77	78	75	298	316
Asia Pacific	159	207	228	215	809	242	310	324	316	1,192	1,383
Total	592	608	619	618	2,437	694	841	819	835	3,189	3,474
% chg.	-0.1%	-14.5%	-16.8%	0.6%	-8.5%	17.2%	38.4%	32.3%	35.0%	30.8%	8.9%
Organic	-14.3%	-25.9%	-23.6%	-0.9%	-16.9%	23.9%	34.4%	28.0%	29.7%	29.0%	6.8%
foreign exchange	7.7%	6.2%	1.4%	-5.5%	2.5%	-6.7%	1.4%	1.8%	1.7%	-0.4%	0.0%
consolidation	6.5%	5.2%	5.5%	6.6%	5.9%	0.0%	2.6%	2.5%	3.7%	2.2%	2.1%
EMEA % chg.	-27.6%	-37.9%	-34.5%	-13.4%	-29.2%	16.0%	41.2%	33.0%	27.9%	29.3%	4.7%
North America % chg.	5.8%	-21.5%	-38.5%	-27.6%	-21.7%	-0.6%	41.4%	45.0%	56.8%	33.0%	4.0%
Latin America % chg.	113.8%	71.3%	77.9%	84.0%	85.3%	-16.9%	-2.9%	-10.0%	-6.2%	-9.1%	6.0%
Asia Pacific % chg.	22.1%	10.5%	3.4%	23.2%	13.5%	51.9%	49.6%	42.0%	47.3%	47.3%	16.1%
Combined sales:											
EMEA	209	198	197	219	823	243	280	262	279	1,064	1,115
North America	139	120	105	105	469	139	171	152	162	624	649
Latin America	280	299	326	332	1,237	329	398	401	400	1,528	1,619
Asia Pacific	160	209	229	216	814	242	311	325	321	1,199	1,392
Total	788	826	857	871	3,343	953	1,160	1,141	1,161	4,415	4,774
EMEA % chg.	-27.5%	-38.1%	-34.1%	-12.3%	-28.8%	16.2%	41.5%	33.1%	27.4%	29.3%	4.7%
North America % chg.	4.2%	-21.9%	-38.6%	-26.3%	-21.9%	-0.1%	42.4%	44.9%	54.4%	33.0%	4.0%
Latin America % chg.	-19.5%	-25.7%	-28.0%	3.0%	-18.9%	17.5%	32.9%	23.0%	20.5%	23.5%	6.0%
Asia Pacific % chg.	20.4%	8.6%	1.5%	22.3%	11.9%	51.1%	48.9%	42.1%	48.4%	47.3%	16.1%
Total % chg.	-12.7%	-22.7%	-25.4%	-2.1%	-16.6%	20.9%	40.4%	33.1%	33.2%	32.1%	8.1%

Source: company data and ABN AMRO estimates

Earnings estimates upgraded

We have used this preview as an opportunity to tweak our estimates higher, as the assumed margin erosion for the Asia Pacific division seemed to be on the aggressive side (we now model an erosion from 37.3% in 1H10 to 34.5% in 2H10, 32.0% in FY11, 30.0% in FY11 and 26.0% in FY13). Our EPS forecasts have been raised by 24c to EUR 18.81 for FY10, 116c to EUR 20.43 for FY11 and 143c to EUR 21.33 for FY12 (besides the assumed margin decline for Asia Pacific, the limited EPS growth due to the assumed an increase in the tax rate). We refer to the table on the following page for the detail behind our forecasts.

Target price raised from EUR 250 to EUR 265 – BUY re-iterated

Consistent with the upgrade to our earnings forecasts, we raised our returns-based valuation (where EV/CE = ROCE/WACC) to EUR 265 (was EUR 250). It implies a valuation of 13.0x P/E and 6.7x EV/EBITDA on our 2011 earnings. We consider these to be realistic multiples in view of Bekaert's growth profile and value creation opportunities.

The Bekaert stock is a play on emerging markets, where >70% of sales is generated. Yet, the appeal is not fully reflected in the valuation (11x P/E and 6x EV/EBITDA), because investors are (too) wary of the c. 35% operating margin of the Asia Pacific division. We agree that this is not a sustainable level. However, investors should not be concerned about EBIT in absolute terms, as strong growth in sales is expected to offset declining margins. We would rather highlight the potential of Bekaert's operations in BRIC, where the end game is not nearly in sight. The company continues to expand strongly in emerging markets (where 80% of the EUR 200m capex budget is spent in 2010). In China, the tyre cord business capitalises on secular growth of the automotive market. Expansion is furthermore realised by the introduction of non-tyre cord products in China. This strategy was recently accelerated by Bekaert's acquisition of a 75% stake in a partnership with Xinyu Iron & Steel for the production of spring wire and overhead conductor products (initially generating EUR 60m ...

P&L Bekaert (EUR m)

	2008	1H09	2H09	2009	1H10	2H10E	2010E	2011E	2012E
EMEA	1,168	410	417	827	526	544	1,070	1,120	1,165
North America	605	264	210	473	313	317	630	655	688
Latin America	177	160	167	327	144	154	298	316	331
Asia Pacific	713	367	443	809	552	640	1,192	1,383	1,508
Consolidated sales	2,662	1,200	1,237	2,437	1,535	1,654	3,189	3,474	3,692
% chg.	22.5%	-7.9%	-9.0%	-8.5%	27.9%	33.7%	30.8%	8.9%	6.3%
organic	17.7%	-20.6%	-13.4%	-16.9%	29.2%	28.9%	29.0%	6.8%	6.3%
fx	-1.0%	6.9%	-1.7%	2.5%	-2.6%	1.8%	-0.4%	0.0%	0.0%
consolidation	5.8%	5.8%	6.0%	5.9%	1.3%	3.1%	2.2%	2.1%	0.0%
EBITDAE	496	152	258	410	368	372	740	763	785
margin	18.6%	12.7%	20.9%	16.8%	24.0%	22.5%	23.2%	22.0%	21.3%
% chg.	59.8%	-37.4%	2.0%	-17.3%	141.8%	44.1%	80.3%	3.2%	2.8%
EBITE EMEA	68	(21)	22	2	54	51	105	115	121
margin	5.8%	-5.0%	5.3%	0.2%	10.3%	9.3%	9.8%	10.3%	10.4%
% chg	0.0%	-139.1%	47.4%	-97.6%	nmf	128.6%	6304.4%	10.1%	5.0%
EBITE North America	25	(5)	(0)	(5)	21	21	42	45	51
margin	4.1%	-1.7%	-0.2%	-1.1%	6.7%	6.5%	6.6%	6.9%	7.4%
% chg	0.0%	-121.4%	-113.3%	-120.2%	nmf	nmf	nmf	8.7%	12.6%
EBITE Latin America	16	8	19	28	14	19	33	38	40
margin	8.9%	5.3%	11.4%	8.4%	9.7%	12.2%	11.0%	12.0%	12.0%
% chg	0.0%	-22.2%	287.5%	75.0%	66.7%	-2.1%	18.9%	15.6%	5.0%
EBITE Asia Pacific	249	128	160	288	206	221	427	443	452
margin	34.9%	34.9%	36.1%	35.6%	37.3%	34.5%	35.8%	32.0%	30.0%
% chg	0.0%	20.2%	12.1%	15.6%	60.9%	38.1%	48.2%	3.7%	2.2%
Other	(63)	(25)	(30)	(55)	(33)	(37)	(70)	(71)	(73)
Total EBITE	294	86	171	257	262	274	536	571	591
margin	11.1%	7.2%	13.8%	10.5%	17.1%	16.6%	16.8%	16.4%	16.0%
% chg.	57.9%	-47.3%	30.1%	-12.7%	205.2%	60.4%	108.8%	6.4%	3.6%
Non-recurring items	(84)	(7)	(17)	(25)	(19)	(10)	(29)	(15)	(15)
EBIT	210	79	153	232	243	264	507	556	576
Net financial charges	(49)	(31)	(35)	(66)	(16)	(25)	(41)	(38)	(21)
EBT	161	48	118	167	228	238	466	518	555
Taxes as % of EBT	(26) 15.8%	(13) 27.5%	(21) 17.4%	(34) 20.4%	(51) 22.5%	(56) 23.5%	(107) 23.0%	(129) 25.0%	(150) 27.0%
Share in results joint ventures	56	17	20	38	19	25	44	49	52
Result discontinued operations	0	0	0	0	0	0	0	0	0
Minority interests	(18)	(8)	(10)	(19)	(14)	(15)	(30)	(32)	(34)
Net profit continuing operations	174	44	108	152	181	192	373	405	423
% chg.	13.9%	-65.1%	124.0%	-12.8%	309.6%	78.6%	145.8%	8.6%	4.4%
EPS basic (EUR)	8.83	2.24	5.45	7.69	9.15	9.69	18.81	20.43	21.33
% chg.	15.7%	-65.2%	123.8%	-12.9%	308.3%	77.7%	144.7%	8.6%	4.4%
DPS (EUR)	2.80			2.94	2.00		6.58	7.15	7.47
pay out	31.8%			38.4%	21.9%		35.0%	35.0%	35.0%

Source: company data and ABN AMRO estimates

... revenue, with promising growth potential in coming years). A next success story will likely be Bekaert's foothold in India (currently only 10-15% of Asia Pacific sales), which should prosper from the take off of the automotive industry (note that Bekaert is the only manufacturer of tyre cord in India). The company is also positioned well to benefit from the infrastructure boom in Brazil. We believe that Bekaert's potential in emerging markets will continue to surprise

investors, like it did during the last couple of years. With our EBIT forecasts for 2011 being 9% ahead of the consensus, we still expect earnings upgrades by other brokers to act as a positive trigger for the share price. At a 2011 valuation of 11.1 P/E and 5.8x EV/EBITDA, we believe that an overdone safety margin for downside risk to Asia Pacific profitability is discounted, while too little account is taken of the emerging markets potential, solid balance sheet (0.6x net debt/EBITDA) and strong track record.

P & L Statement (EUR m) Year to December	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Net sales	1,797.0	1,741.9	1,914.3	2,009.6	2,173.6	2,662.4	2,437.3	3,189.2	3,474.2	3,692.0
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)	(543.6)	(568.8)	(591.8)
Other operating costs										
EBITDA	239.1	255.6	257.4	262.2	298.6	412.2	385.7	710.7	748.1	769.6
Depreciation	(127.3)	(107.6)	(107.4)	(110.7)	(119.7)	(165.9)	(139.8)	(191.5)	(192.5)	(193.5)
EBITA	111.8	148.0	150.0	151.4	178.9	246.3	245.8	519.2	555.6	576.1
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)	(12.0)	0.0	0.0
EBIT	111.8	139.0	136.3	145.9	174.6	210.5	232.2	507.2	555.6	576.1
Net financials	(43.0)	(20.5)	(15.3)	(31.0)	(41.0)	(49.2)	(65.6)	(40.8)	(37.7)	(20.7)
Profit Before Taxes (PBT)	68.8	118.5	121.0	114.9	133.6	161.2	166.6	466.4	517.9	555.4
Taxes	(8.2)	(18.4)	(30.3)	(18.4)	(19.1)	(25.5)	(33.9)	(107.3)	(129.5)	(150.0)
Income from associates	33.5	53.5	56.9	51.0	47.1	56.1	37.8	43.9	49.2	51.7
Minorities	(7.5)	(12.3)	(12.0)	(4.8)	(8.7)	(17.7)	(18.6)	(29.8)	(32.4)	(33.8)
Net profit before extraordinary	86.7	141.3	135.7	142.8	152.9	174.1	151.8	373.1	405.3	423.3
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	373.1	405.3	423.3
% change in Sales	(3.6)	(3.1)	9.9	5.0	8.2	22.5	(8.5)	30.8	8.9	6.3
% change in EBITDA	5.9	6.9	0.7	1.8	13.9	38.0	(6.4)	84.3	5.3	2.9
% change in EBITA	46.5	32.4	1.3	1.0	18.1	37.7	(0.2)	111.2	7.0	3.7
% change in PBT	ns	72.1	2.1	(5.0)	16.3	20.7	3.3	180.0	11.0	7.3
% change in Net profit before extraordinary	ns	63.0	(3.9)	5.2	7.1	13.9	(12.8)	145.8	8.6	4.5

Cash Flow Statement (EUR m)	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
EBITDA	239.1	255.6	257.4	262.2	298.6	412.2	385.7	710.7	748.1	769.6
Change in provisions excluding tax provisions	(31.2)	(0.6)	(15.4)	(12.3)	(8.9)	26.2	(44.5)	61.2	0.0	0.0
Change in net working capital	(18.6)	(112.6)	(32.3)	(31.9)	(41.9)	(162.4)	195.6	(190.3)	(88.6)	(59.8)
Gross operating cash flow	189.3	142.4	209.8	217.9	247.8	276.0	536.8	581.6	659.5	709.8
Taxes paid	(18.5)	(32.9)	(25.5)	(16.8)	(24.9)	(27.5)	(31.1)	(107.3)	(129.5)	(150.0)
Capex	(118.1)	(172.9)	(151.6)	(161.3)	(199.8)	(251.1)	(173.8)	(209.1)	(210.4)	(212.8)
Free cash flow	52.7	(63.3)	32.7	39.8	23.1	(26)	331.9	265.2	319.7	347.0
Net interest received	(18.2)	(16.0)	(14.8)	(22.0)	(30.8)	(31.5)	(39.2)	(48.8)	(37.7)	(20.7)
Other	17.2	75.5	96.6	(25.4)	42.1	24.2	172.3	(94.4)	36.3	38.2
Acquisitions	(33.9)	(16.9)	(21.2)	(42.7)	(14.7)	(44.2)	(3.4)	(80.4)	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)	(130.6)	(141.8)
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)	(159.0)	(187.6)	(222.6)
Change in cash & cash equivalents	8.8	2.7	123.8	(141.5)	(7.9)	45.1	157.5	(175.8)	0.0	0.0

Balance Sheet (EUR m)	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Net intangible fixed assets	119.5	118.4	125.4	134.5	122.0	111.5	105.0	133.4	132.8	132.8
Net tangible fixed assets	757.6	791.6	799.8	824.2	917.6	1,070.7	1,127.7	1,305.0	1,323.4	1,342.8
Financials fixed assets (FFA)	303.7	331.1	325.5	348.6	303.4	247.7	311.7	354.2	354.2	354.2
Inventories	322.6	419.3	348.3	368.8	385.4	510.5	358.4	477.7	520.4	553.0
Trade debtors	307.7	385.2	354.2	398.9	437.7	483.2	479.6	627.6	683.7	726.5
Other debtors	45.5	44.9	63.4	63.7	73.1	125.3	171.2	195.0	230.2	258.8
Cash & securities	81.1	98.9	222.7	81.2	73.2	118.3	275.8	100.0	100.0	100.0
Total Assets	1,937.6	2,189.3	2,239.3	2,219.8	2,312.6	2,667.2	2,829.5	3,192.8	3,344.7	3,468.1
Shareholder's equity	790.8	909.7	1,057.5	1,060.1	1,098.2	1,130.6	1,284.8	1,599.7	1,874.3	2,155.8
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	136.6	156.1	176.4
Provisions	361.5	373.0	357.5	331.4	298.8	373.4	329.9	391.1	391.1	391.1
Long-term interest bearing debt	312.3	242.3	288.3	274.4	322.5	288.1	598.1	439.1	251.5	28.8
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	332.1	361.8	384.5
Other non-interest bearing liabilities	61.6	52.7	52.0	59.3	60.0	76.4	129.4	142.9	158.6	180.2
Total Liabilities & Capital	1,937.6	2,189.3	2,239.3	2,219.8	2,312.6	2,667.2	2,829.5	3,192.8	3,344.7	3,468.1
Enterprise Value (EV)	1,220.3	1,330.5	1,503.0	1,827.0	1,829.4	1,301.6	2,299.5	4,569.7	4,401.5	4,199.2
Net debt/(Net cash)	407.9	455.4	311.2	411.2	502.2	672.9	473.7	490.5	302.8	80.2
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	2,119.0	2,373.5	2,468.6
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	1,332.4	1,407.4	1,433.3	1,531.8	1,775.5	1,893.9	2,025.5	2,277.0	2,372.0
Net working capital	422.9	545.9	526.6	544.3	604.6	788.8	632.7	825.3	913.9	973.7
Discounted value of leases	29.6	26.3	36.6	32.2	28.6	28.9	28.9	33.3	35.5	37.8
Adjusted equity	911.9	1,041.0	1,142.9	1,142.3	1,173.3	1,205.2	1,361.4	1,686.2	1,970.9	2,252.4

Per Share Data (EUR)	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
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	65.79	115.93	230.39	221.91	211.71
Net debt less FFA plus minorities	6.68	7.92	1.71	5.32	12.47	23.60	12.64	13.76	5.28	(4.92)
Sales	81.27	79.46	88.49	93.51	108.47	135.02	123.47	160.79	175.16	186.14
EBITDA	10.81	11.66	11.90	12.20	14.90	20.90	19.54	35.83	37.72	38.80
EBITA	5.06	6.75	6.93	7.05	8.93	12.49	12.45	26.18	28.01	29.05
EBIT	5.06	6.34	6.30	6.79	8.71	10.67	11.76	25.57	28.01	29.05
Net profit before extr. & amort. (EUR)	3.92	6.86	6.91	6.90	7.84	10.64	8.38	19.42	20.43	21.34
Net profit before extraordinary (EUR)	3.92	6.44	6.27	6.64	7.63	8.83	7.69	18.81	20.43	21.34
Cash Flow (EUR)	9.68	11.76	11.87	12.05	13.82	19.06	15.46	29.07	30.14	31.10
Gross Dividend (EUR)	1.75	2.00	3.00	2.50	2.76	2.80	2.94	6.58	7.15	7.47
Book value (EUR)	35.83	41.59	49.12	50.61	55.38	57.15	64.78	80.65	94.50	108.69
Adjusted equity	41.32	47.59	53.08	54.54	59.17	60.92	68.64	85.52	99.37	113.56
Free Cash Flow	2.38	(2.89)	1.51	1.85	1.15	(0.13)	16.81	13.37	16.12	17.50
% change in EPS before extr. & amort.	ns	74.88	0.76	(0.11)	13.68	35.68	(21.26)	131.74	5.22	4.46

Valuation	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
P/E (excl. extr. & amort.)	10.6	7.3	9.4	11.9	12.5	8.3	9.0	11.7	11.1	10.7
P/CF (x)	4.3	4.3	5.5	6.8	7.1	4.6	4.9	7.8	7.5	7.3
P/Book (x)	1.4	1.4	1.6	1.9	1.7	0.8	1.7	2.8	2.4	2.1
Dividend yield (%)	4.2	4.0	4.6	3.0	2.8	3.2	3.9	2.9	3.1	3.3
Free cash flow yield (%)	2.2	(7.2)	0.4	0.9	(0.5)	(2.5)	18.4	4.8	6.2	7.2
EV/Sales (x)	0.7	0.8	0.8	0.9	0.8	0.5	0.9	1.4	1.3	1.1
EV/EBITDA (x)	5.1	5.2	5.8	7.0	6.1	3.2	6.0	6.4	5.9	5.5
EV/EBITA (x)	10.9	9.0	10.0	12.1	10.2	5.3	9.4	8.8	7.9	7.3
EV/EBIT (x)	10.9	9.6	11.0	12.5	10.5	6.2	9.9	9.0	7.9	7.3
EV/Capital Employed (x)	1.0	1.0	1.1	1.3	1.2	0.7	1.2	2.2	1.9	1.8
EV/CE (incl. goodwill) (x)	0.9	0.9	1.0	1.2	1.1	0.7	1.2	2.2	1.9	1.7
Share price : High (EUR)	50.70	59.75	78.95	99.60	113.40	120.32	109.05	227.95		
Share price : Low (EUR)	31.00	43.50	55.40	69.35	84.46	44.47	37.88	101.00		
Share price : Average (EUR)	41.40	50.13	65.17	82.18	98.18	88.25	75.32	227.50	227.50	227.50
Share price : Year end (EUR)	50.50	58.75	78.95	94.70	92.00	48.32	108.50	227.50	227.50	227.50

Capital Efficiency/Solvability	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Sales/CE (incl. goodwill)	1.3	1.2	1.3	1.3	1.3	1.4	1.2	1.5	1.5	1.5
Sales/Fixed assets (x)	2.4	2.2	2.4	2.4	2.4	2.5	2.2	2.4	2.6	2.7
Sales/Net working capital (x)	4.2	3.2	3.6	3.7	3.6	3.4	3.9	3.9	3.8	3.8
Inventories/Sales (days)	65.5	87.9	66.4	67.0	64.7	70.0	53.7	54.7	54.7	54.7
Trade debtors/Sales (days)	62.5	80.7	67.5	72.5	73.5	66.2	71.8	71.8	71.8	71.8
Trade creditors/Sales (days)	38.9	52.6	35.7	41.4	38.9	34.8	37.0	38.0	38.0	38.0
CAPEX/Depreciation (%)	92.8	160.7	141.1	145.7	166.9	151.3	124.3	109.2	109.3	110.0
Equity/Total assets (%)	40.8	41.6	47.2	47.8	47.5	42.4	45.4	50.1	56.0	62.2
Net debt/Equity (%)	51.6	50.1	29.4	38.8	45.7	59.5	36.9	30.7	16.2	3.7
Interest cover (x)	3.2	6.3	4.8	5.5	5.2	5.4	4.0	9.4	13.6	24.0
Dividend payout (%)	44.6	29.1	43.2	35.3	34.8	26.4	35.3	33.9	35.0	35.0
ROCE (average) (%)	7.8	9.4	8.0	8.9	10.0	11.7	10.3	19.7	18.3	17.7
ROCE (incl. goodwill) (average) (%)	7.1	8.6	7.4	8.4	9.5	11.2	9.9	18.9	17.6	17.0

Operating Efficiency & Profitability ratios	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Sales per FTE employee ('000s)	168.9	161.4	178.9	169.2	155.4	165.3	139.0	171.1	182.6	191.2
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	27.2	29.2	29.8
Gross margin (%)										
EBITDA margin (%)	13.3	14.7	13.4	13.0	13.7	15.5	15.8	22.3	21.5	20.8
Operating margin (%)	6.2	8.0	7.1	7.3	8.0	7.9	9.5	15.9	16.0	15.6
Net margin (%)	3.4	6.3	5.5	5.1	5.5	6.4	6.0	11.6	11.2	11.0
Tax rate (%)	11.9	15.5	25.0	16.0	14.3	15.8	20.4	23.0	25.0	27.0

Important disclosures

Issuer	Ticker	Price (EUR)
Bekaert	BEKB.BR	227.50

ABN AMRO Bank N.V. adopted a Research Policy for the purpose of ensuring that research produced by its analysts is impartial, independent, fair, clear and not misleading. In particular the Policy identifies policies intended to promote the integrity of research including those designed to ensure the identification and avoidance, management or disclosure of conflicts of interest in connection with the production of research, including information barriers.

Analyst certification

The persons named as the authors of this research report certify that:

1. all of the views expressed in the research report accurately reflect the personal views of the authors about the subject financial instruments and issuers; and
2. no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report.

Maarten Bakker - Equity Research Analyst

Analysts' compensation is determined based upon activities and services intended to benefit the clients of ABNAMRO Bank N.V. and its affiliates. Like all ABN AMRO and affiliate employees, analysts receive compensation that is impacted by overall ABN AMRO Bank N.V. profitability, which includes revenues from other business units.

ABN AMRO Bank N.V. and affiliates equity research ratings distribution (primary covered stocks)

Category	ABN AMRO Rating	Definition	% companies under coverage with this rating	% companies for which ABN AMRO has provided Investment Banking services
BUY	BUY	The stock belongs to the favourites of the local ABNAMRO Bank N.V. universe. Expected performance: > +15%	53%	71%
HOLD	HOLD	The stock does not belong to the current favourites. The investment case is not appealing for the time being. However, it's worth to keep the stock. Expected performance: > +5%, < +20%	37%	29%
	REDUCE	The stock belongs to the less attractive ones within the ABN AMRO Bank N.V. local universe. While the outlook is uncertain, the stock does not deserve an outright Sell. Expected performance: > -5%, < +10%	7%	0%
SELL	SELL	The investment case is definitively negative. Investors should sell the stock at any conditions. Expected performance: negative	3%	0%

5 November 2010 ABN AMRO Bank N.V. Primary Equity Research Coverage: 102

Historical equity recommendations and target price for Bekaert (EUR)



History of Target Prices

Date	Recommendation	Target Price
8/2/2010	BUY	EUR 250.00
7/26/2010	BUY	EUR 173.00
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

ABN AMRO Bank

Gustav Mahlerlaan 10 (visiting address)
P.O. Box 283
1000 EA Amsterdam
The Netherlands
Tel: +31 20 628 9393

Each research analyst primarily responsible for the content of this research report certifies that with respect to each security or issuer that the analyst covered in this report: 1) all of the expressed views accurately reflect his or her personal views about those securities or issuers, and 2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views contained in this report.

Production of the document

ABN AMRO Bank N.V., with registered office at Gustav Mahlerlaan 10, 1082 PP Amsterdam, Netherlands ("**ABN AMRO**"), is responsible for the production and the dissemination of this document, which has been prepared by the individual(s) working for ABN AMRO or any of its affiliates and whose respective identity is disclosed in this document (the "**persons involved**") (together the "**producers of the document**"). This document can be distributed by an affiliate of ABN AMRO Bank N.V. that is not registered as a U.S. broker-dealer to major U.S. institutional investors only.

No public offer or financial promotion

This document does not constitute an offer or solicitation for the sale, purchase or subscription of any financial instrument in any jurisdiction. It is not directed to, or intended for distribution to, any person or entity who is a citizen or resident of or incorporated or located in any jurisdiction where such distribution would be contrary to local law or regulation and/or where ABN AMRO would infringe any registration or licensing requirement within such jurisdiction. This document has been provided to you for your personal use only and should not be communicated to any other person without the prior written consent of ABN AMRO. Should you have received this document by mistake, please delete or destroy it, and notify the sender immediately.

Sources and disclosure

ABN AMRO believes that the information and/or the interpretations, estimates and/or opinions regarding the financial instrument(s) and/or issuer(s) to which this document relates (respectively, the "**financial instrument(s) concerned**" and/or the "**issuer(s) concerned**") are based on reliable sources. ABN AMRO makes no representations as to the accuracy or completeness of those sources and, in any case, the recipients of this document should not exclusively rely on it before making an investment decision. The interpretations, estimates and/or opinions reflect the judgement of ABN AMRO on the date of this document and are subject to changes without notice. This document has not been disclosed to the issuer(s) concerned prior to its dissemination by ABN AMRO.

No investment advice

The information contained herein does not constitute investment advice nor any other advice of whatever nature (including advice on the tax consequences that might result from making any particular investment decision). Investments in the financial instrument(s) to which this document relates may involve significant risks, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any financial instrument(s) concerned may fluctuate and/or be affected by external factors such as exchange rates fluctuations. Past performance is not indicative of future results. This document is intended for general circulation and does not take into account the recipient's particular financial knowledge and experience, investment objectives and financial situation or needs, and is not intended as a personal recommendation to invest in the financial instrument(s) concerned. Before making an investment decision on the basis of this document, an investor should consider whether such investment is suitable in light of, amongst others, its particular financial knowledge and experience, investment objectives and financial situation and, if necessary, should seek appropriate professional advice. Neither ABN AMRO nor any of its group companies (including any subsidiary, affiliate or holding company), directors, officers and employees shall in any way be liable or responsible (whether directly or indirectly) for any costs, claims, damages, liabilities and other expenses, including any consequential loss, arising from any use of this document, except in the event of wilful misconduct or gross negligence on their part.

Supervision

ABN AMRO Bank N.V. has a full banking license from the Dutch National Bank (DNB) and is overseen, as all Dutch banks, by the Autoriteit Financiële Markten (Authority Financial Markets, AFM) and DNB.

Copyright

This document contains information, text, images, logos, and/or other material that is protected by copyrights, database rights, trademarks, or other proprietary rights. It may not be reproduced, distributed, published or used in any way by any person for any purpose without the prior written consent of ABN AMRO or in the case of third party materials, the owner of that content.

To check the occurrence of possible (conflicts of) interests please send an email to: equities.nl@nl.abnamro.com