

Bekaert

Indy - Industrial, Diversified / Belgium

Target Price EUR 88.00

Expected performance (12 mth) +17%

BUY EUR 75.20 (10-Nov-10)

Company results

Growth only slowing down to still appreciable levels

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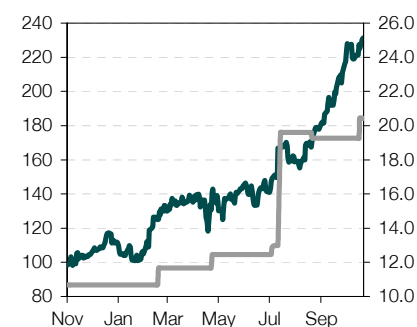
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Opinion on qualitative criteria

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. 2011



Source: FactSet, ABN AMRO Equity Research

Market capitalisation (EUR m)	13,766.1
No. of shares (m)	59.5
Free float	62.0%
1/3/12 mth perf. (%)	145/36.9/152.0
High/low 52 weeks (EUR)	231.35/89.87
Next results due	
Price/book value (x)	8.6
Volatility (β) (5yrs)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB.BB
Website	www.bekaert.com

Bekaert reported stronger than expected sales numbers for 3Q10 (EUR 866m vs EUR 802m consensus). This was, however, to some degree overshadowed by a seemingly sluggish sales guidance for 4Q10. We are not bothered by it, as we believe that the favourable product mix effects seen in 3Q10 can be interpreted as an indication of strong profitability. With the expected sales shortfall in 4Q10 largely offset by the beat of 3Q10, we have left our forecasts for 2010 and beyond practically unchanged. The 3Q10 trading update has downplayed the argument of earnings upgrades by brokers as one of the appeals of the investment case. This observation may lead to some short-term profit taking after the very strong run staged by the Bekaert stock during the last two years. However, we consider share price pressure to be a buying opportunity, as the compelling valuation of 11.1x P/E does not fully reflect Bekaert's growth profile and value creation opportunities (capitalising on product innovation, the secular growth of automotive markets in China and India, expansion in non-tyre cord products in China and the infrastructure boom in Brazil). Although slowing down from the exceptionally high level seen in 2010, growth is expected to remain robust in the coming years. We re-iterate our BUY recommendation and returns-based target price of EUR 88 (adjusted for the 3-1 share split).

Review 3Q10 sales trading update

In 3Q10, consolidated sales surged by 40% y-o-y to EUR 866m, which (again) beat our forecast of EUR 819m and the consensus of EUR 802m. The growth was said to be broken down in +10% volume, +25% pricing/mix, +4% currencies and +2% consolidation (the Bridgestone operations).

Year to December	2008	2009	2010e	2011e	2012e
Sales (EUR m)	2,662.4	2,437.3	3,170.3	3,461.3	3,678.4
EBITDA (EUR m)	412.2	385.7	706.1	745.6	767.1
Net profit excl. extr. & amort. (EUR m)	209.9	165.4	381.9	403.6	421.6
Net profit (EUR m)	174.1	151.8	369.9	403.6	421.6
EBITDA margin (%)	15.5	15.8	22.3	21.5	20.9
ROCE (incl. goodwill) (%)	11.2	9.9	18.7	17.5	17.0
Net gearing (%)	59.5	36.9	30.6	16.2	3.8
EPS before extr. & amort. (EUR)	3.55	2.79	6.42	6.78	7.09
EPS (EUR)	2.94	2.56	6.22	6.78	7.09
DPS (EUR)	0.93	0.98	2.18	2.37	2.48
% change sales	22.5	(8.5)	30.1	9.2	6.3
% change EPS (excl. extr. & amort.)	36.7	(21.3)	129.8	5.7	4.5
EV/Sales	1.21	2.71	4.36	3.95	3.66
EV/EBITDA	7.8	17.1	19.6	18.3	17.5
P/E (excl. extr. & amort.)	24.9	27.0	36.0	34.1	32.7
P/E	30.0	29.4	37.2	34.1	32.7
PE/growth (excl. extr.)	1.6	68.8	0.8	0.5	4.8
Free cash flow yield (%)	(0.8)	6.1	1.6	2.0	2.4

Quarterly sales (EUR m)											
	1Q09	2Q09	3Q09	4Q09	FY2009	1Q10	2Q10	3Q10	4Q10E	FY2010E	FY2011E
Consolidated sales:											
EMEA	210	200	198	219	827	244	282	271	255	1,052	1,102
North America	142	122	106	104	473	141	172	170	149	632	657
Latin America	81	79	87	80	327	67	77	89	75	308	326
Asia Pacific	159	207	228	215	809	242	310	336	291	1,179	1,376
Total	592	608	619	618	2,437	694	841	866	769	3,170	3,461
% chg.	-0.1%	-14.5%	-16.8%	0.6%	-8.5%	17.2%	38.4%	39.9%	24.4%	30.1%	9.2%
Organic	-14.3%	-25.9%	-23.6%	-0.9%	-16.9%	23.9%	34.4%	33.9%	22.4%	28.7%	6.8%
foreign exchange	7.7%	6.2%	1.4%	-5.5%	2.5%	-6.7%	1.4%	4.2%	-0.7%	-0.4%	0.0%
consolidation	6.5%	5.2%	5.5%	6.6%	5.9%	0.0%	2.6%	1.9%	2.6%	1.8%	2.4%
EMEA % chg.	-27.6%	-37.9%	-34.5%	-13.4%	-29.2%	16.0%	41.2%	36.9%	16.2%	27.1%	4.7%
North America % chg.	5.8%	-21.5%	-38.5%	-27.6%	-21.7%	-0.6%	41.4%	60.4%	43.4%	33.5%	4.0%
Latin America % chg.	113.8%	71.3%	77.9%	84.0%	85.3%	-16.9%	-2.9%	2.3%	-7.3%	-6.1%	6.0%
Asia Pacific % chg.	22.1%	10.5%	3.4%	23.2%	13.5%	51.9%	49.6%	47.4%	35.5%	45.7%	16.7%
Combined sales:											
EMEA	209	198	197	219	823	243	280	269	254	1,046	1,096
North America	139	120	105	105	469	139	171	169	147	626	651
Latin America	280	299	326	332	1,237	329	398	420	381	1,528	1,619
Asia Pacific	160	209	229	216	814	242	311	337	296	1,186	1,384
Total	788	826	857	871	3,343	953	1,160	1,195	1,078	4,386	4,751
EMEA % chg.	-27.5%	-38.1%	-34.1%	-12.3%	-28.8%	16.2%	41.5%	36.5%	16.1%	27.1%	4.7%
North America % chg.	4.2%	-21.9%	-38.6%	-26.3%	-21.9%	-0.1%	42.4%	61.0%	40.5%	33.5%	4.0%
Latin America % chg.	-19.5%	-25.7%	-28.0%	3.0%	-18.9%	17.5%	32.9%	28.8%	14.8%	23.5%	6.0%
Asia Pacific % chg.	20.4%	8.6%	1.5%	22.3%	11.9%	51.1%	48.9%	47.2%	37.0%	45.7%	16.7%
Total % chg.	-12.7%	-22.7%	-25.4%	-2.1%	-16.6%	20.9%	40.4%	39.4%	23.7%	31.2%	8.3%

Source: company data and ABN AMRO estimates

Mix effect bodes well for profitability

...

The +25% pricing/mix effect was stronger than expected. It needs some clarification, as it may provide insight in profitability. The effect of passing through higher wire rod prices – which should be neutral to profitability – amounted to c. 9% in 3Q10 (note that the wire rod price effect is expected to be negative in 4Q10). This means that there was about a 16% positive impact from mix effects, which likely have a positive impact on profitability. For example, the mix has shifted towards more high-value sawing wire products with relatively high margins (although this mix shift has a negative impact on volumes, as relatively less volumes (kilos) are sold of sawing wire).

... and explains part of slowdown volume growth

Y-o-y volume growth slowed down from 30% in 1Q10 to 18% in 2Q10 and 10% in 3Q10. This too needs some clarification. First of all, the comparison base was much easier in 1Q10 (and to a lesser degree 2Q10) than it was in 3Q10. Secondly, the picture is distorted by the aforementioned shift of the mix towards products with higher value yet relatively lower sales volume (kilos). Apart from sawing wire, another example is lower-weight (but same-strength) tyre cord.

All four divisions reported better than expected sales in 3Q10. EMEA saw higher activity levels for all platforms, except building products (Dramix). The market rebound in the automotive sector was confirmed by the North America division, while also the industrial and agricultural segments continued to perform well. The Latin America division reported strong growth in Ecuador, Colombia and Peru. The joint ventures in Brazil and Chile achieved volume growth (c. 10%), despite a highly competitive environment due to strong local currencies (which attracts competition from imported Asian products). The Asia Pacific division saw the strong trends in the automotive and renewable energy sectors continue. It is realistic for Bekaert to indicate that growth rates in China will come down to more normal levels going forward (as the 50% growth in 9M10 is not sustainable). Our model is based on a slowdown of organic sales growth for the Asia Pacific to 11% in FY11 and 9% in FY12 (somewhat ahead of GDP due to expansion in non-tyre cord products).

Seemingly soft sales guidance for 4Q10 ...

The better than expected 3Q10 sales numbers were to some degree overshadowed by a seemingly soft sales guidance for 4Q10. Bekaert expects 4Q10 consolidated sales to be in line with the quarterly average of 1H10, or around EUR 760m (below our original forecast of EUR 835m). 4Q10 sales is thus better than in 1Q10 (EUR 694m), but below 2Q10 (EUR 841m) and 3Q10 (EUR 866m). The company stated that the expectation of more tempered sales growth in the months ahead (still >20% in 4Q10, though) is due to seasonal effects (year-end destocking by customers and holiday periods), negative fx effects and measures towards controlled growth in China.

... but we rather highlight product mix effects as an indication of strong profitability

We do not pay much attention to the seemingly soft guidance. First of all, we note that Bekaert has reputation of giving cautious guidance. Secondly, the outlook says nothing about profitability. We rather highlight the product mix effects seen of 3Q10 (higher-margin volumes), which may be interpreted as an indication of strong profitability.

Earnings forecasts practically unchanged

With the expected sales shortfall in 4Q10 largely offset by the beat of 3Q10 and with profitability benefiting from favourable product mix effects, we have left our forecasts for 2010 and beyond practically unchanged (see table below). Please refer to the table on the following page for the detail behind our forecasts.

Old versus new forecasts (USD m)

	2010			2011			2012		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
Sales	3,189	3,170	-1%	3,474	3,461	0%	3,692	3,678	0%
EBITE margin	536 16.8%	532 16.8%	-1%	571 16.4%	568 16.4%	0%	591 16.0%	589 16.0%	0%
EPS (EUR)	6.27	6.22	-1%	6.81	6.78	0%	7.11	7.09	0%

Source: ABN AMRO

Investment opinion

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 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 expect Bekaert's potential in emerging markets will continue to drive robust growth and open up value creation opportunities. 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 Bekaert (EUR m)

	2008	1H09	2H09	2009	1H10	2H10E	2010E	2011E	2012E
EMEA	1,168	410	417	827	526	526	1,052	1,102	1,146
North America	605	264	210	473	313	319	632	657	690
Latin America	177	160	167	327	144	164	308	326	342
Asia Pacific	713	367	443	809	552	627	1,179	1,376	1,500
Consolidated sales	2,662	1,200	1,237	2,437	1,535	1,635	3,170	3,461	3,678
% chg.	22.5%	-7.9%	-9.0%	-8.5%	27.9%	32.2%	30.1%	9.2%	6.3%
organic	17.7%	-20.6%	-13.4%	-16.9%	29.2%	28.2%	28.7%	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%	2.3%	1.8%	2.4%	0.0%
EBITDAE	496	152	258	410	368	367	735	761	782
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%	42.3%	79.2%	3.5%	2.8%
EBITE EMEA	68	(21)	22	2	54	49	103	113	119
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	120.7%	6196.4%	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	20	34	39	41
margin	8.9%	5.3%	11.4%	8.4%	9.7%	12.1%	11.0%	12.0%	12.0%
% chg	0.0%	-22.2%	287.5%	75.0%	66.7%	3.6%	22.8%	15.6%	5.0%
EBITE Asia Pacific	249	128	160	288	206	216	422	440	450
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%	35.1%	46.6%	4.4%	2.2%
Other	(63)	(25)	(30)	(55)	(33)	(36)	(69)	(70)	(73)
Total EBITE	294	86	171	257	262	270	532	568	589
margin	11.1%	7.2%	13.8%	10.5%	17.1%	16.5%	16.8%	16.4%	16.0%
% chg.	57.9%	-47.3%	30.1%	-12.7%	205.2%	57.7%	107.0%	6.9%	3.6%
Non-recurring items	(84)	(7)	(17)	(25)	(19)	(10)	(29)	(15)	(15)
EBIT	210	79	153	232	243	259	503	553	574
Net financial charges	(49)	(31)	(35)	(66)	(16)	(25)	(41)	(38)	(21)
EBT	161	48	118	167	228	234	462	515	553
Taxes	(26)	(13)	(21)	(34)	(51)	(55)	(106)	(129)	(149)
as % of EBT	15.8%	27.5%	17.4%	20.4%	22.5%	23.5%	23.0%	25.0%	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	189	370	404	422
% chg.	13.9%	-65.1%	124.0%	-12.8%	309.6%	75.6%	143.7%	9.1%	4.5%
EPS basic (EUR)	2.94	2.24	1.82	2.56	9.15	3.17	6.22	6.78	7.09
% chg.	15.7%	-65.2%	123.8%	-12.9%	308.3%	74.7%	142.5%	9.1%	4.5%
DPS (EUR)	0.93			0.98	2.00		2.18	2.37	2.48
pay out	31.8%			38.4%	21.9%		35.0%	35.0%	35.0%

Source: company data and ABN AMRO estimates

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	3,170.3	3,461.3	3,678.4
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)	(542.9)	(568.4)	(591.4)
Other operating costs										
EBITDA	239.1	255.6	257.4	262.2	298.6	412.2	385.7	706.1	745.6	767.1
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	514.6	553.2	573.6
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	502.6	553.2	573.6
Net financials	(43.0)	(20.5)	(15.3)	(31.0)	(41.0)	(49.2)	(65.6)	(40.8)	(37.7)	(20.8)
Profit Before Taxes (PBT)	68.8	118.5	121.0	114.9	133.6	161.2	166.6	461.8	515.5	552.9
Taxes	(8.2)	(18.4)	(30.3)	(18.4)	(19.1)	(25.5)	(33.9)	(106.2)	(128.9)	(149.3)
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)	(29.6)	(32.3)	(33.7)
Net profit before extraordinary	86.7	141.3	135.7	142.8	152.9	174.1	151.8	369.9	403.6	421.6
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	369.9	403.6	421.6
% change in Sales	(3.6)	(3.1)	9.9	5.0	8.2	22.5	(8.5)	30.1	9.2	6.3
% change in EBITDA	5.9	6.9	0.7	1.8	13.9	38.0	(6.4)	83.1	5.6	2.9
% change in EBITA	46.5	32.4	1.3	1.0	18.1	37.7	(0.2)	109.3	7.5	3.7
% change in PBT	ns	72.1	2.1	(5.0)	16.3	20.7	3.3	177.3	11.6	7.2
% change in Net profit before extraordinary	ns	63.0	(3.9)	5.2	7.1	13.9	(12.8)	143.7	9.1	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	706.1	745.6	767.1
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	(185.1)	(90.2)	(59.4)
Gross operating cash flow	189.3	142.4	209.8	217.9	247.8	276.0	536.8	582.1	655.5	707.7
Taxes paid	(18.5)	(32.9)	(25.5)	(16.8)	(24.9)	(27.5)	(31.1)	(106.2)	(128.9)	(149.3)
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	266.8	316.2	345.6
Net interest received	(18.2)	(16.0)	(14.8)	(22.0)	(30.8)	(31.5)	(39.2)	(48.7)	(37.7)	(20.8)
Other	17.2	75.5	96.6	(25.4)	42.1	24.2	172.3	(94.3)	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)	(129.5)	(141.3)
Extraordinary items (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in interest-bearing debt	32.5	77.4	20.6	39.1	136.4	180.4	(252.5)	(160.8)	(185.5)	(221.8)
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	133.3	132.6	132.6
Net tangible fixed assets	757.6	791.6	799.8	824.2	917.6	1,070.7	1,127.7	1,305.1	1,323.6	1,343.0
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	474.9	518.5	551.0
Trade debtors	307.7	385.2	354.2	398.9	437.7	483.2	479.6	623.9	681.1	723.9
Other debtors	45.5	44.9	63.4	63.7	73.1	125.3	171.2	193.9	229.2	257.4
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	3,185.1	3,339.2	3,462.0
Shareholder's equity	790.8	909.7	1,057.5	1,060.1	1,098.2	1,130.6	1,284.8	1,586.4	1,870.6	2,150.9
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	136.5	155.8	176.0
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	437.3	251.8	30.0
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	330.1	360.4	383.0
Other non-interest bearing liabilities	61.6	52.7	52.0	59.3	60.0	76.4	129.4	142.3	158.1	179.5
Total Liabilities & Capital	1,937.6	2,189.3	2,239.3	2,219.8	2,312.6	2,667.2	2,829.5	3,185.1	3,339.2	3,462.0
Enterprise Value (EV)	3,449.4	3,900.6	4,902.7	5,794.3	5,478.3	3,213.5	6,603.6	13,821.5	13,655.4	13,453.9
Net debt/(Net cash)	407.9	455.4	311.2	411.2	502.2	672.9	473.7	488.7	303.2	81.4
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	2,116.4	2,369.1	2,464.8
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	1,327.4	1,430.4	1,434.9	1,535.3	1,775.7	1,892.8	2,019.8	2,272.6	2,368.2
Net working capital	422.9	545.9	526.6	544.3	604.6	788.8	632.7	820.1	910.3	969.7
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	1,693.0	1,967.1	2,247.5

Per Share Data (EUR)	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Avg. no. of shares (m)	66.3	65.8	64.9	64.5	60.1	59.2	59.2	59.5	59.5	59.5
Eoy. no. of shares (m)	66.2	65.6	64.6	62.8	59.5	59.4	59.5	59.5	59.5	59.5
Avg. no. of shares fully diluted (m)	66.3	65.9	65.1	64.8	60.5	59.4	59.4	59.6	59.6	59.6
Enterprise Value (EV)	52.10	59.44	75.90	92.21	92.08	54.14	110.98	232.28	229.49	226.10
Net debt less FFA plus minorities	2.23	2.64	0.57	1.77	4.16	7.87	4.21	4.55	1.76	(1.63)
Sales	27.09	26.49	29.50	31.17	36.16	45.01	41.16	53.28	58.17	61.82
EBITDA	3.60	3.89	3.97	4.07	4.97	6.97	6.51	11.87	12.53	12.89
EBITA	1.69	2.25	2.31	2.35	2.98	4.16	4.15	8.65	9.30	9.64
EBIT	1.69	2.11	2.10	2.26	2.90	3.56	3.92	8.45	9.30	9.64
Net profit before extr. & amort. (EUR)	1.31	2.29	2.30	2.30	2.61	3.55	2.79	6.42	6.78	7.09
Net profit before extraordinary (EUR)	1.31	2.15	2.09	2.21	2.54	2.94	2.56	6.22	6.78	7.09
Cash Flow (EUR)	3.23	3.92	3.96	4.02	4.61	6.35	5.15	9.64	10.02	10.34
Gross Dividend (EUR)	0.58	0.67	1.00	0.83	0.92	0.93	0.98	2.18	2.37	2.48
Book value (EUR)	11.94	13.86	16.37	16.87	18.46	19.05	21.59	26.83	31.44	36.15
Adjusted equity	13.77	15.86	17.69	18.18	19.72	20.31	22.88	28.45	33.06	37.77
Free Cash Flow	0.79	(0.96)	0.50	0.62	0.38	(0.04)	5.60	4.48	5.31	5.81
% change in EPS before extr. & amort.	ns	74.88	0.76	(0.11)	13.68	35.68	(21.26)	129.79	5.68	4.46

Valuation	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
P/E (excl. extr. & amort.)	31.7	21.9	28.3	35.7	37.6	24.9	27.0	36.0	34.1	32.7
P/CF (x)	12.8	12.8	16.5	20.5	21.3	13.9	14.6	24.0	23.1	22.4
P/Book (x)	4.2	4.2	4.8	5.6	5.0	2.5	5.0	8.6	7.4	6.4
Dividend yield (%)	1.4	1.3	1.5	1.0	0.9	1.1	1.3	0.9	1.0	1.1
Free cash flow yield (%)	0.7	(2.4)	0.1	0.3	(0.2)	(0.8)	6.1	1.6	2.0	2.4
EV/Sales (x)	1.9	2.2	2.6	2.9	2.5	1.2	2.7	4.4	3.9	3.7
EV/EBITDA (x)	14.4	15.3	19.0	22.1	18.3	7.8	17.1	19.6	18.3	17.5
EV/EBITA (x)	30.9	26.4	32.7	38.3	30.6	13.0	26.9	26.9	24.7	23.5
EV/EBIT (x)	30.9	28.1	36.0	39.7	31.4	15.3	28.4	27.5	24.7	23.5
EV/Capital Employed (x)	2.7	2.9	3.5	4.0	3.6	1.8	3.5	6.8	6.0	5.7
EV/CE (incl. goodwill) (x)	2.5	2.7	3.2	3.8	3.4	1.7	3.4	6.5	5.8	5.5
Share price : High (EUR)	50.70	59.75	78.95	99.60	113.40	120.32	109.05	231.35		
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	231.35	231.35	231.35
Share price : Year end (EUR)	50.50	58.75	78.95	94.70	92.00	48.32	108.50	231.35	231.35	231.35

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	62.1
Net debt/Equity (%)	51.6	50.1	29.4	38.8	45.7	59.5	36.9	30.6	16.2	3.8
Interest cover (x)	3.2	6.3	4.8	5.5	5.2	5.4	4.0	9.3	13.5	23.8
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	19.5	18.3	17.7
ROCE (incl. goodwill) (average) (%)	7.1	8.6	7.4	8.4	9.5	11.2	9.9	18.7	17.5	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	170.3	182.1	190.6
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	27.0	29.1	29.7
Gross margin (%)										
EBITDA margin (%)	13.3	14.7	13.4	13.0	13.7	15.5	15.8	22.3	21.5	20.9
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	231.35

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Maarten Bakker - Equity Research Analyst

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10 November 2010 ABN AMRO Bank N.V. Primary Equity Research Coverage: 104

Historical equity recommendations and target price for Bekaert (EUR)



History of Target Prices

Date	Recommendation	Target Price
11/5/2010	BUY	EUR 265.00
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

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