# Bekaert

**Company results**

Indy - Industrial, Diversified / Belgium

**Target Price EUR 93.00**
**Expected performance (12 mth) 21.0%**
**BUY EUR 76.84 (Closing price 25-Feb-11)**

## High investments in growth stand out (PT up to EUR 93)

28 February 2011

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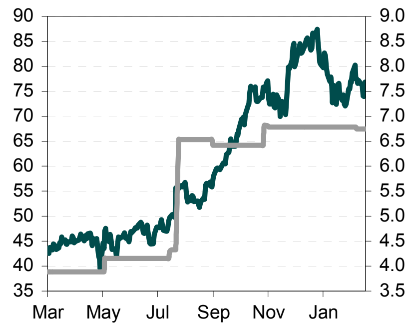
**Opinion on qualitative criteria**

| | |
|---|---|
| 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) | 4,572.2 |
| No. of shares (m) | 59.5 |
| Free float | 62.0% |
| 1/3/12 mth perf. (%) | 4.2/5.3/111.5 |
| High/low 52 weeks (EUR) | 87.43/39.43 |
| Next results due | 11 May 2011 |
| Price/book value (x) | 2.4 |
| Volatility (ß) (5yrs/) | |
| Reuters symbol | BEKB.BR |
| Bloomberg symbol | BEKB BB |
| Website | www.bekaert.com |

Bekaert reported a 119% jump in EBIT*E* to EUR 562m, which beat the consensus of EUR 524m. The beat was fully attributable to the Asia Pacific division, which even improved the operating margin to 38.1% in 2H10 (as increasing competitive pressure was compensated by positive product mix effects). EMEA, North America and Latin America were below expectations, owing predominantly to an underestimated seasonality effect in H2. While Bekaert aired confidence about a continued strong performance in 1H11, the outlook statement cautioned for a more moderate and irregular growth pattern in the medium term. Note, however, that the caution does not reflect company specific issues. The most noteworthy element of the FY10 results was the high investments in capacity expansion in emerging markets and R&D, which will increase further in 2011. We expect these investments to seed continued solid growth in the years ahead. It prompted us to raise our growth assumptions. The upgrade to our operating profit forecasts has for 2011 and 2012 offset by the inclusion of a higher tax rate in our model (due to ending tax holidays in China). As a result, our EPS estimates have changed by -46c (-7%) to EUR 6.28 for 2011, by -19c (-3%) to EUR 6.88 for 2012 and by +50c (+7%) to EUR 7.22 for 2013. Consistent with the upgrade to our operational profit forecasts, we have raised our price target from EUR 88 to EUR 93 (which is the outcome of a returns-based valuation approach on 2012 forecasts). We re-iterate our BUY recommendation. At a 2012 valuation of 11.2x P/E and 5.3x EV/EBITDA, 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 (0.5x net debt/EBITDA end 2011) and strong track record.

| Year to December | 2009 | 2010 | 2011e | 2012e | 2013e |
|---|---|---|---|---|---|
| Sales (EUR m) | 2,437.3 | 3,263.0 | 3,566.1 | 3,912.5 | 4,215.4 |
| EBITDA (EUR m) | 385.7 | 725.5 | 755.1 | 796.0 | 804.6 |
| Net profit excl. extr. & amort. (EUR m) | 165.4 | 379.9 | 373.9 | 409.3 | 429.6 |
| Net profit (EUR m) | 151.8 | 367.9 | 373.9 | 409.3 | 429.6 |
| EBITDA margin (%) | 15.8 | 22.2 | 21.2 | 20.3 | 19.1 |
| ROCE (incl. goodwill) (%) | 9.9 | 18.4 | 16.7 | 16.8 | 16.4 |
| Net gearing (%) | 36.9 | 35.9 | 22.6 | 8.1 | (1.3) |
| EPS before extr. & amort. (EUR) | 2.79 | 6.41 | 6.28 | 6.88 | 7.22 |
| EPS (EUR) | 2.56 | 6.21 | 6.28 | 6.88 | 7.22 |
| DPS (EUR) | 0.98 | 1.67 | 1.89 | 2.41 | 2.53 |
| % change sales | (8.5) | 33.9 | 9.3 | 9.7 | 7.7 |
| % change EPS (excl. extr. & amort.) | (21.3) | 129.5 | (2.0) | 9.4 | 5.0 |
| EV/Sales | 0.96 | 1.59 | 1.27 | 1.10 | 0.98 |
| EV/EBITDA | 6.0 | 7.2 | 6.0 | 5.4 | 5.1 |
| P/E (excl. extr. & amort.) | 9.0 | 8.4 | 12.2 | 11.2 | 10.6 |
| P/E | 9.8 | 8.6 | 12.2 | 11.2 | 10.6 |
| PE/growth (excl. extr.) | 22.9 | 0.2 | 0.2 | 2.1 | 1.5 |
| Free cash flow yield (%) | 18.4 | 1.2 | 4.8 | 7.2 | 6.9 |

**IMPORTANT: PLEASE READ DISCLOSURES AND DISCLAIMERS BEGINNING ON PAGE 11**

# Review FY10 results

Bekaert reported solid FY10 results. What stood out to us were the high investments in growth in emerging markets, which will continue in 2011. The Asia Pacific division also was a positive surprise, with margins that continued to improve. Ironically, the success also creates a risk of attracting more competition, which Bekaert sees indeed happening (keeping the debate about longer-term profitability very much alive). We make a critical note about a weaker-than-expected performance for the EMEA, North America and Latin America divisions, but this seems mostly attributable to a higher-than-expected seasonality impact in H2.

**2H10 / FY2010 results (EUR m)**

| | 2H09 realised | 1H10 realised | 2H10 realised | Y-o-y chg. | 2H10E estimated | Realised vs estimated | 2009 realised | 2010 realised | Y-o-y chg. |
|---|---|---|---|---|---|---|---|---|---|
| EMEA | 417 | 526 | 540 | 29.4% | 526 | 2.7% | 827 | 1,066 | 28.9% |
| North America | 210 | 313 | 325 | 54.8% | 319 | 1.9% | 473 | 638 | 34.7% |
| Latin America | 167 | 144 | 167 | -0.3% | 164 | 2.1% | 327 | 311 | -5.0% |
| Asia Pacific | 443 | 552 | 696 | 57.2% | 627 | 11.0% | 809 | 1,248 | 54.2% |
| ***Consolidated* sales** | **1,237** | **1,535** | **1,728** | **39.6%** | **1,635** | **5.7%** | **2,437** | **3,263** | **33.9%** |
| *Combined* sales (incl. 100% JVs) | 1,728 | 2,113 | 2,357 | 36.4% | 2,273 | 3.7% | 3,343 | 4,470 | 33.7% |
| **EBITDA*E*** | **258** | **368** | **386** | **49.4%** | **367** | **5.0%** | **410** | **753** | **83.7%** |
| margin | 20.9% | 24.0% | 22.3% | | 22.5% | | 16.8% | 23.1% | |
| EBIT*E* EMEA | 22 | 54 | 41 | 84.4% | 49 | -16.4% | 2 | 95 | nmf |
| margin | 5.3% | 10.3% | 7.6% | | 9.3% | | 0.2% | 8.9% | |
| EBIT*E* North America | (0) | 21 | 13 | nmf | 21 | -37.3% | (5) | 34 | nmf |
| margin | -0.2% | 6.7% | 4.0% | | 6.5% | | -1.1% | 5.3% | |
| EBIT*E* Latin America | 19 | 14 | 12 | -37.3% | 20 | -39.5% | 28 | 26 | -5.6% |
| margin | 11.4% | 9.7% | 7.2% | | 12.1% | | 8.4% | 8.4% | |
| EBIT*E* Asia Pacific | 160 | 206 | 265 | 65.8% | 216 | 22.7% | 288 | 471 | 63.6% |
| margin | 36.1% | 37.3% | 38.1% | | 34.5% | | 35.6% | 37.7% | |
| Other | (30) | (33) | (31) | 2.3% | (36) | -15.4% | (55) | (64) | 14.8% |
| **Total EBITE** | **171** | **262** | **300** | **75.8%** | **270** | **11.5%** | **257** | **562** | **119.1%** |
| margin | 13.8% | 17.1% | 17.4% | | 16.5% | | 10.5% | 17.2% | |
| Non-recurring items | (17) | (19) | (9) | -45.9% | (10) | -9.6% | (25) | (28) | 13.9% |
| **EBIT** | **153** | **243** | **291** | 89.6% | **259** | 12.3% | **232** | **534** | 130.2% |
| Net financial charges | (35) | (16) | (17) | -52.2% | (26) | -34.4% | (66) | (32) | -50.7% |
| **EBT** | **118** | **228** | **274** | **131.7%** | **234** | **17.4%** | **167** | **502** | **201.5%** |
| Taxes | (21) | (51) | (88) | 327.1% | (62) | 42.8% | (34) | (139) | 311.4% |
| as % of EBT | 17.4% | 22.5% | 32.1% | | 26.4% | | 20.4% | 27.8% | |
| Share in results joint ventures | 20 | 19 | 17 | -15.0% | 23 | -23.5% | 38 | 36 | -4.5% |
| Result discontinued operations | 0 | 0 | 0 | nmf | 0 | nmf | 0 | 0 | nmf |
| Minority interests | (10) | (14) | (17) | 57.9% | (15) | 14.0% | (19) | (31) | 65.5% |
| **Net profit** | **108** | **181** | **187** | **73.7%** | **180** | **3.9%** | **152** | **368** | **142.4%** |
| **EPS basic (EUR)** | **1.82** | **9.15** | **3.15** | **73.6%** | **3.02** | **4.3%** | **2.56** | **6.21** | **142.2%** |

*Source: company data and ABN AMRO estimates*

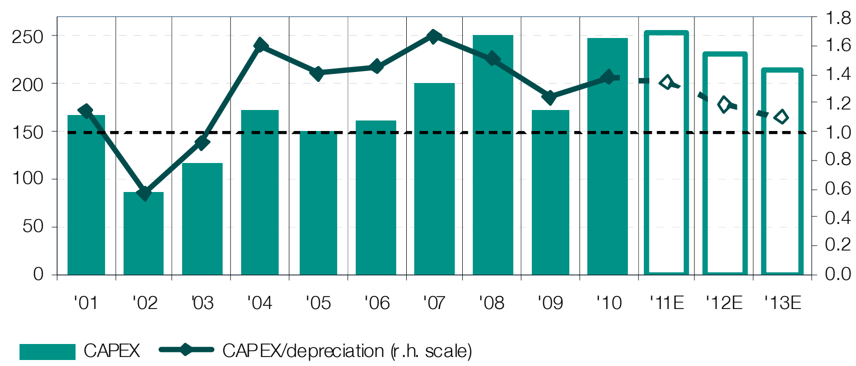
## High CAPEX and R&D investments secures solid growth ahead

To us, a notable element of the FY10 results was the high investments in CAPEX and R&D. It are the sound investments in growth markets and innovation in past years that seeded the strong results of 2010. Today's investments can expected to lay the foundation for solid growth and results in the years ahead.

In 2010, CAPEX of EUR 248m (ahead of the earlier guidance of EUR 200m) was allocated to capacity expansion projects mainly in emerging countries. Bekaert expects to spend at least a similar amount in 2011. The bulk of investments are done in Asia.

The centre of gravity continues to be China, where investments are made in further expansion of production capacity for tyre cord, sawing wire and the broadening of the product offering. Furthermore, Bekaert invests in India (doubling tyre cord production capacity), Indonesia, Russia (expansion tyre cord capacity at the Greenfield facility in Lipetsk) and Slovakia (upgrading of a facility in order to broaden the product scope). Note that we will pay a visit to this latter facility in Slovakia as part of a Capital Markets Day later this week. We regard Bekaert's capacity expansion investments as a key appeal of the investment case, the company has during the last decade built a strong track record of creating shareholder value this way.

**CAPEX clearly exceeded depreciation since 2004**




*Source: company data and ABN AMRO estimates*

**India is a strategically important growth market that should not be overlooked**

We are particularly enthusiastic about Bekaert's expansion in India. The country currently represents only an estimated 5% of sales for the Asia Pacific division. Bekaert is accelerating investments to double its tyre cord capacity in India. The capacity of the existing plant in Ranjangaon is being expanded by 75%. It furthermore purchased land to build a new tyre cord plant in Chennai, where also many tyre makers are based. This positions Bekaert well to capitalise on the strong growth envisaged for the automotive industry. Demand for transportation is getting a boost from heavy investments in road infrastructure by the Indian government. Car production in India is projected to triple by 2015. Tyre makers are preparing for this with large investments in capacity that are coming on steam in the coming years. We remind that Bekaert also set up a 50/50 joint venture with Indian steel company Mukand, which is investing in a new facility for the production of stainless steel wires (to be used globally in components for the automotive industry and other industrial applications). Phase one of this project was commissioned in 2009. Furthermore, the company is investing in the production of flat and shaped wires for the local automotive industry (spring wire, clutch and valves wires, wiper components and many more) and for the offshore industry (wire for flexible pipes supplied to the Technip Group). This facility is expected to be gradually built up by 2012.

Bekaert also invests strongly in R&D. The company spent EUR 79m (25% more than the year before) in 2010, which is guided to increase to EUR 100m in 2011. Bekaert strives to continuously expand its technological leadership through development of new materials, manufacturing processes and manufacturing equipment (Bekaert develops its machinery in-house). Extension and renewal of the product portfolio and market applications have contributed convincingly to profit growth in recent years. Often in cooperation with lead customers, Bekaert's innovation efforts focus on high-tech niche products with greater added value. R&D has enlarged Bekaert's exposure towards industries with robust long-term growth prospects, such as the oil & gas, mining, (solar) energy and telecommunication industries. Besides the technology centres in Belgium and China, Bekaert opened one in India last year.

**Deal with Xinyu delayed but not in danger**

In September of last year Bekaert announced an agreement to acquire a 75% stake in a partnership with Xinyu Iron & Steel for the production of spring wire and overhead conductor products. At the FY10 release, Bekaert noted that is complex transaction is taking more time to close than expected. Management reassure, however, that that deal is not in danger. Progress is expected during the course of 2011. The deal fits in Bekaert's strategy to broaden the product base in China. Its existing steel wire activities in China are too small. This acquisition catapults Bekaert to a top-3 position in spring wire and overhead transmission business. The participation with Xinyu was indicated to generate sales of about EUR 60m currently (adding 5% to 2010 sales for the Asia Pacific division). Previously, Bekaert indicated potential for the participation to grow revenue at a rate of 5-10% per annum in the years to come (which looks on the conservative side to us).

## Strong performance Asia Pacific … also not unnoticed by competition

The Asia Pacific division again turned in a better than expected performance both with respect to revenue growth and profitability.

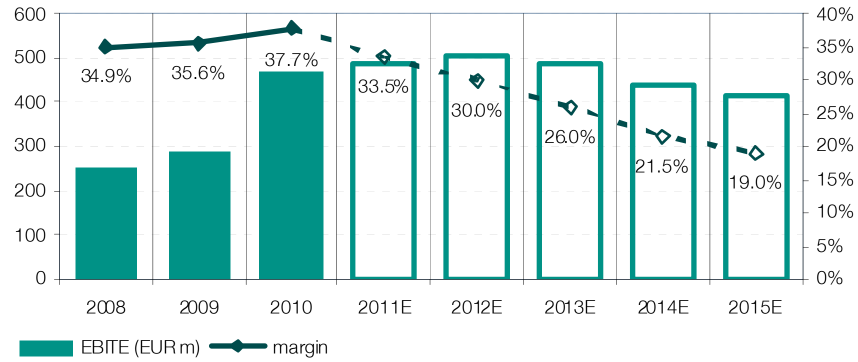
In FY10, revenue grew by 54% (including 9% related to currencies). The growth even accelerated from 51% in 1H10 and 47% in 3Q10 to 68% in 4Q10 (+7% q-o-q). This was in contrast to Bekaert's guidance (at the 3Q10 trading update) of more tempered growth due to government measures towards controlled growth in China.

**Bekaert's first-time comment about pressure from increasing competition on prices and margin should not come as a surprise**

Divisional EBIT*E* increased by +64% to EUR 471m in FY10, significantly beating our forecast of EUR 422m. It implied a further improvement of the operating margin from 37.3% in 1H10 to 38.1% 2H10 (whereas we had anticipated a deterioration to 34.5%). Analysts and investors are puzzled with the question how low such margins can be sustained, as Bekaert's success inevitably attracts more competition (such as the move by tyre cord maker Xingda into sawing wire, although its technology is not nearly as advanced as that of Bekaert). It was for the first time that we heard management indicate signs of this indeed happening, although this should not come as a surprise. Price erosion was said to be putting some pressure on margins towards the end of the year. The impact of lower prices was offset by a better product mix (i.e., high margin sawing wire and tyre cord with higher added value). Management stressed that its best defence against competition is to maintain a technological lead through an embedded commitment to R&D.

There is no doubt that margins will come down. It is hard to assess at what pace and to what degree they will do so. This depends on factors like competition, offset from upgrading the product mix, dilution from broadening the product offering, etcetera. We have assumed that the EBIT*E* margin erodes structurally around 400bps per annum, driving a decline in absolute EBIT*E* from 2013 onwards (see chart below). However, considering the healthy growth prospects and investments discussed earlier, we would not be surprised if our assumptions were proven too conservative.

**Profitability Asia Pacific division (EUR m)**




*Source: company data and ABN AMRO estimates*

## Underestimated seasonality EMEA and North America

**Profitability EMEA, North America and Latin America somewhat below expectations in 2H10 mainly due to underestimated seasonality**

The profitability for EMEA, North America and Latin America was short of expectations, with all three divisions reporting a somewhat lower operating margin in 2H10 than in 1H10. Part of the margin erosion can be explained by the windfall FIFO gain on inventories of EUR 20m in 1H10 (none in 2H10), of which EUR 10m for EMEA and EUR 2-3m in the North America and Latin America divisions. Another explanation is seasonality, as the second half of the year is impacted by the summer lull and inventory build downs at customers and holidays at the end of the year.

The EMEA division saw a strong recovery in all activity platforms (particularly automotive, which represents 30% of sales), with the exception of the construction segment (21% of sales, consisting mainly of Dramix fibres used in industrial flooring). High capacity utilisation levels and the restructuring measures implemented in recent years fuelled an improvement in EBIT*E* from EUR 2m in FY09 to EUR 95m (including FIFO gain of EUR 10m). This implied a modest margin contraction from 8.4% (corrected for FIFO gain) in 1H10 to 7.6% in 2H10, which was attributed to seasonality. We point out that part of the EMEA business has an emerging markets touch, as some 50% of sales is generated in Eastern Europe.

The North America division saw a strong recovery in the automotive sector (39% of sales). Better capacity utilisation fuelled an improvement in EBIT*E* from -/-EUR 5m in FY09 to EUR 34m in FY10 (the margin decline from a FIFO adjusted 5.9% in 1H10 to 4.0% in 2H10 was attributed predominantly to seasonality). Margins were under pressure from highly competitive market circumstances (imports of products from Asia and Latin America). Profitability was also negatively impacted by a weak performance of a composites vessels plant (for desalination of sea water) in California. The non-core activity was divested at the end of last year.

The 5% decline in sales for the Latin America division (with operations in Colombia Ecuador, Peru and Venezuela) was attributable to the shift to a more open market exchange rate in Venezuela (which had a negative impact of 28% on sales). The divisional operating margin was maintained at 8.4% in FY10, which is an acceptable level for a business that is strongly exposed to a lower-end (commoditised) product mix.

From the *combined* revenue number, we can see that the joint ventures (with ArcelorMittal) in Brazil and Chile achieved 34% growth in sales in FY10. Yet, their contribution to Bekaert's bottom line of EUR 36m in FY10 was slightly below the year before. This reflects a highly competitive environment, which is caused by the strong local currencies. This attracts competition from imported products, which Bekaert seeks to fend off through a policy of competitive pricing (as management believes that “when you let them in, you do not get out again”).

## Outlook conservative as usual

**Conservative outlook as usual, but comfort in strategy and continued high investments in capacity and R&D**

Bekaert is confident of a sustained strong performance in 1H11, but visibility beyond six months is said to be limited. Management furthermore cautions not to extrapolate the exceptional growth seen in 2010 (although that should not be a surprise). The company sees more moderate growth in the medium term due to measures for more controlled growth in China, policies to contain inflation in several countries and increased competitive capacities. The growth pattern is also said to become more irregular due to volatility of raw materials prices and the impact of potential changes in fiscal incentive programmes on growth in several sectors. We note that these are mostly not company-specific issues (except perhaps for increased competitive capacities). In the macroeconomic context described above, we feel comfortable that it are the Bekaert specific features (strong positioning in emerging markets, proven management and strategy and high investments in growth and R&D) that will continue to drive a strong performance in the years ahead.

## Estimates changes

The tables below show the changes to our estimates, which are:

- **Higher revenue growth forecasts.** The earlier-discussed high investments in capacity expansion have made us pencil in higher revenue growth forecasts for the Asia Pacific and EMEA divisions in the years ahead.
- **Lower operating margin assumptions for EMEA, North America and Latin America.** The shortfall in 2H10 has prompted us to take a more cautious stance in this respect.
- **Increased tax rate in 2011 and 2012.** With tax holidays in China coming to an end, the tax rate in 2010 was higher than expected. This made us assume that the tax rate returns to a normalised levels of 28-29% already from 2011 onwards (which we previously assumed to happen from 2013 onwards).

As a result, our EPS estimates have changed by -46c (-7%) to EUR 6.28 for 2011, by -19c (-3%) to EUR 6.88 for 2012 and by +50c (+7%) to EUR 7.22 for 2013 (note that the cuts to 2011 and 2012 EPS are fully attributable to a higher tax rate, as the forecasts for operating profit have actually increased).

**Old versus new forecasts (USD m)**

| | 2011 | | | 2012 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Old | New | % chg. | Old | New | % chg. | Old | New | % chg. |
| Sales | 3,461 | **3,566** | 3% | 3,678 | **3,913** | 6% | 3,830 | **4,215** | 10% |
| EBIT*E* | 568 | **580** | 2% | 589 | **617** | 5% | 553 | **624** | 13% |
| margin | 16.4% | **16.3%** | | 16.0% | **15.8%** | | 14.4% | **14.8%** | |
| EPS (EUR) | 6.75 | **6.28** | -7% | 7.07 | **6.88** | -3% | 6.72 | **7.22** | 7% |

*Source: ABN AMRO*

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

| | 2008 | 1H09 | 2H09 | 2009 | 1H10 | 2H10 | 2010 | 2011E | 2012E |
|---|---|---|---|---|---|---|---|---|---|
| EMEA | 1,168 | 410 | 417 | 827 | 526 | 540 | 1,066 | 1,122 | 1,189 |
| North America | 605 | 264 | 210 | 473 | 313 | 325 | 638 | 667 | 693 |
| Latin America | 177 | 160 | 167 | 327 | 144 | 167 | 311 | 330 | 349 |
| Asia Pacific | 713 | 367 | 443 | 809 | 552 | 696 | 1,248 | 1,448 | 1,681 |
| ***Consolidated* sales** | **2,662** | **1,200** | **1,237** | **2,437** | **1,535** | **1,728** | **3,263** | **3,566** | **3,913** |
| % chg. | 22.5% | -7.9% | -9.0% | -8.5% | 27.9% | 39.6% | 33.9% | 9.3% | 9.7% |
| organic | 17.7% | -20.6% | -13.4% | -16.9% | 29.2% | 34.6% | 31.9% | 7.9% | 8.9% |
| fx | -1.0% | 6.9% | -1.7% | 2.5% | -2.6% | 4.3% | 0.9% | 0.0% | 0.0% |
| consolidation | 5.8% | 5.8% | 6.0% | 5.9% | 1.3% | 0.7% | 1.0% | 1.4% | 0.8% |
| | | | | | | | | | |
| **EBITDA*E*** | **496** | **152** | **258** | **410** | **368** | **386** | **753** | **770** | **811** |
| margin | 18.6% | 12.7% | 20.9% | 16.8% | 24.0% | 22.3% | 23.1% | 21.6% | 20.7% |
| % chg. | 59.8% | -37.4% | 2.0% | -17.3% | 141.8% | 49.4% | 83.7% | 2.2% | 5.3% |
| | | | | | | | | | |
| EBIT*E* EMEA | 68 | (21) | 22 | 2 | 54 | 41 | 95 | 99 | 113 |
| margin | 5.8% | -5.0% | 5.3% | 0.2% | 10.3% | 7.6% | 8.9% | 8.8% | 9.5% |
| % chg | 0.0% | -139.1% | 47.4% | -97.6% | nmf | 84.4% | 5703.3% | 3.9% | 14.4% |
| | | | | | | | | | |
| EBIT*E* North America | 25 | (5) | (0) | (5) | 21 | 13 | 34 | 40 | 45 |
| margin | 4.1% | -1.7% | -0.2% | -1.1% | 6.7% | 4.0% | 5.3% | 6.0% | 6.5% |
| % chg | 0.0% | -121.4% | -113.3% | -120.2% | nmf | nmf | nmf | 17.7% | 12.7% |
| | | | | | | | | | |
| EBIT*E* Latin America | 16 | 8 | 19 | 28 | 14 | 12 | 26 | 28 | 31 |
| margin | 8.9% | 5.3% | 11.4% | 8.4% | 9.7% | 7.2% | 8.4% | 8.5% | 9.0% |
| % chg | 0.0% | -22.2% | 287.5% | 75.0% | 66.7% | -37.3% | -5.6% | 7.8% | 12.2% |
| | | | | | | | | | |
| EBIT*E* Asia Pacific | 249 | 128 | 160 | 288 | 206 | 265 | 471 | 485 | 504 |
| margin | 34.9% | 34.9% | 36.1% | 35.6% | 37.3% | 38.1% | 37.7% | 33.5% | 30.0% |
| % chg | 0.0% | 20.2% | 12.1% | 15.6% | 60.9% | 65.8% | 63.6% | 3.0% | 3.9% |
| | | | | | | | | | |
| Other | (63) | (25) | (30) | (55) | (33) | (31) | (64) | (72) | (76) |
| | | | | | | | | | |
| **Total EBIT*E*** | **294** | **86** | **171** | **257** | **262** | **300** | **562** | **580** | **617** |
| margin | 11.1% | 7.2% | 13.8% | 10.5% | 17.1% | 17.4% | 17.2% | 16.3% | 15.8% |
| % chg. | 57.9% | -47.3% | 30.1% | -12.7% | 205.2% | 75.8% | 119.1% | 3.1% | 6.4% |
| | | | | | | | | | |
| Non-recurring items | (84) | (7) | (17) | (25) | (19) | (9) | (28) | (15) | (15) |
| | | | | | | | | | |
| **EBIT** | **210** | **79** | **153** | **232** | **243** | **291** | **534** | **565** | **602** |
| | | | | | | | | | |
| Net financial charges | (49) | (31) | (35) | (66) | (16) | (17) | (32) | (62) | (45) |
| | | | | | | | | | |
| **EBT** | **161** | **48** | **118** | **167** | **228** | **274** | **502** | **503** | **558** |
| | | | | | | | | | |
| Taxes | (26) | (13) | (21) | (34) | (51) | (88) | (139) | (141) | (162) |
| as % of EBT | 15.8% | 27.5% | 17.4% | 20.4% | 22.5% | 32.1% | 27.8% | 28.0% | 29.0% |
| | | | | | | | | | |
| Share in results joint ventures | 56 | 17 | 20 | 38 | 19 | 17 | 36 | 42 | 47 |
| Result discontinued operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Minority interests | (18) | (8) | (10) | (19) | (14) | (17) | (31) | (31) | (34) |
| | | | | | | | | | |
| **Net profit continuing operations** | **174** | **44** | **108** | **152** | **181** | **187** | **368** | **374** | **409** |
| % chg. | 13.9% | -65.1% | 124.0% | -12.8% | 309.6% | 73.7% | 142.4% | 1.6% | 9.4% |
| | | | | | | | | | |
| **EPS basic (EUR)** | **2.94** | **2.24** | **1.82** | **2.56** | **9.15** | **3.15** | **6.21** | **6.28** | **6.88** |
| % chg. | 15.7% | -65.2% | 123.8% | -12.9% | 308.3% | 73.6% | 142.2% | 1.2% | 9.4% |
| | | | | | | | | | |
| **DPS (EUR)** | **0.93** | | | **0.98** | **2.00** | | **1.67** | **1.89** | **2.41** |
| pay out | 31.8% | | | 38.4% | 21.9% | | 27.0% | 30.0% | 35.0% |

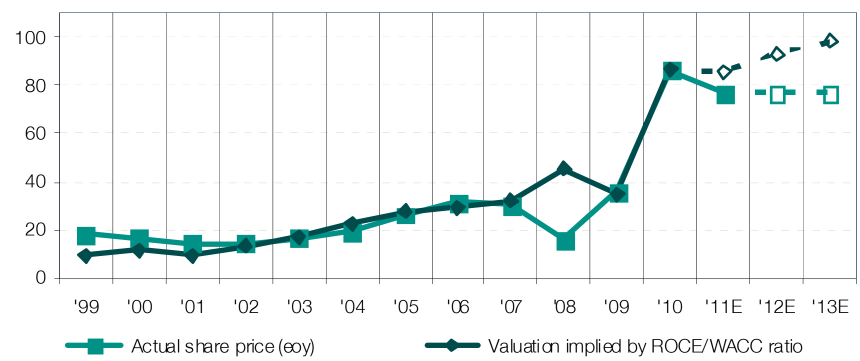
*Source: company data and ABN AMRO estimates*

# Investment opinion

**Target price raised from EUR 88 to EUR 93**

Consistent with the upgrade to our operational profit forecasts, we have raised our price target from EUR 88 to EUR 93. This is the outcome of a returns-based valuation approach (where EV/CE = ROCE/WACC) on 2012 forecasts. Back-testing validates this 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*

**New target price of EUR 93 implies realistic 13.5x P/E**

Our price target of EUR 93 implies a valuation of 13.5x P/E, 6.5x EV/EBITDA and 8.5x EV/EBIT on 2012 earnings (note, EV multiples adjusted for the estimated market value of the joint ventures). We consider these to be realistic multiples in view of Bekaerts solid growth profile.

**Current valuation does not fully reflect growth profile – BUY**

We re-iterate our BUY recommendation on the Bekaert stock, highlighting as a key appeal its growth potential due to a strong exposure to emerging markets (>70% of sales) and high investments in capacity expansion and R&D. This is in our view not fully discounted in the share price (only 11.2x P/E 2012) due to a too strong focus on the high Asia Pacific margin. It should be a surprise that they will come down, which is already taken into account by us with conservative assumptions. We would rather highlight the potential of Bekaert's operations in BRIC, where the end game is not in sight yet. The company continues to expand strongly in emerging markets (where the bulk of the >EUR 250m capex budget for 2011 is spent). In China, the tyre cord business capitalises on secular growth of the automotive market. Growth is furthermore driven by expansion in non-tyre cord products in China. This strategy will be accelerated by Bekaert's intended acquisition of a 75% stake in a partnership with Xinyu Iron & Steel for the production of spring wire and overhead conductor products (expected to be finalised in 2011). A next success story will likely be Bekaert's foothold in India, 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 that Bekaert's emerging markets footprint will continue to show robust growth and open up value creation opportunities. At a 2012 valuation of 11.2x P/E and 5.3x EV/EBITDA, 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 (0.5x net debt/EBITDA end 2011) and strong track record.

| P & L Statement (EUR m) Year to December | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011e | 2012e | 2013e |
|---|---|---|---|---|---|---|---|---|---|---|
| Net sales | 1,741.9 | 1,914.3 | 2,009.6 | 2,173.6 | 2,662.4 | 2,437.3 | 3,263.0 | 3,566.1 | 3,912.5 | 4,215.4 |
| Other income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Personnel costs | (450.3) | (449.9) | (462.0) | (472.6) | (524.2) | (499.1) | (546.1) | (571.9) | (599.5) | (625.7) |
| Other operating costs | | | | | | | | | | |
| **EBITDA** | **255.6** | **257.4** | **262.2** | **298.6** | **412.2** | **385.7** | **725.5** | **755.1** | **796.0** | **804.6** |
| Depreciation | (107.6) | (107.4) | (110.7) | (119.7) | (165.9) | (139.8) | (179.0) | (189.9) | (193.6) | (195.6) |
| **EBITA** | **148.0** | **150.0** | **151.4** | **178.9** | **246.3** | **245.8** | **546.5** | **565.1** | **602.4** | **609.0** |
| Reported provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation | (9.0) | (13.7) | (5.5) | (4.3) | (35.8) | (13.6) | (12.0) | 0.0 | 0.0 | 0.0 |
| EBIT | 139.0 | 136.3 | 145.9 | 174.6 | 210.5 | 232.2 | 534.5 | 565.1 | 602.4 | 609.0 |
| Net financials | (20.5) | (15.3) | (31.0) | (41.0) | (49.2) | (65.6) | (32.4) | (61.7) | (44.8) | (25.6) |
| **Profit Before Taxes (PBT)** | **118.5** | **121.0** | **114.9** | **133.6** | **161.2** | **166.6** | **502.1** | **503.4** | **557.6** | **583.4** |
| Taxes | (18.4) | (30.3) | (18.4) | (19.1) | (25.5) | (33.9) | (139.5) | (141.0) | (161.7) | (169.2) |
| Income from associates | 53.5 | 56.9 | 51.0 | 47.1 | 56.1 | 37.8 | 36.1 | 42.2 | 47.0 | 50.7 |
| Minorities | (12.3) | (12.0) | (4.8) | (8.7) | (17.7) | (18.6) | (30.9) | (30.8) | (33.7) | (35.3) |
| **Net profit before extraordinaries** | **141.3** | **135.7** | **142.8** | **152.9** | **174.1** | **151.8** | **367.9** | **373.9** | **409.3** | **429.6** |
| Extraordinary items | 26.3 | 54.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net reported profit | 167.6 | 189.9 | 142.8 | 152.9 | 174.1 | 151.8 | 367.9 | 373.9 | 409.3 | 429.6 |
| % change in Sales | (3.1) | 9.9 | 5.0 | 8.2 | 22.5 | (8.5) | 33.9 | 9.3 | 9.7 | 7.7 |
| % change in EBITDA | 6.9 | 0.7 | 1.8 | 13.9 | 38.0 | (6.4) | 88.1 | 4.1 | 5.4 | 1.1 |
| % change in EBITA | 32.4 | 1.3 | 1.0 | 18.1 | 37.7 | (0.2) | 122.3 | 3.4 | 6.6 | 1.1 |
| % change in PBT | 72.1 | 2.1 | (5.0) | 16.3 | 20.7 | 3.3 | 201.5 | 0.3 | 10.8 | 4.6 |
| % change in Net profit before extraordinaries | 63.0 | (3.9) | 5.2 | 7.1 | 13.9 | (12.8) | 142.4 | 1.6 | 9.4 | 5.0 |

| Cash Flow Statement (EUR m) | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011e | 2012e | 2013e |
|---|---|---|---|---|---|---|---|---|---|---|
| **EBITDA** | **255.6** | **257.4** | **262.2** | **298.6** | **412.2** | **385.7** | **725.5** | **755.1** | **796.0** | **804.6** |
| Change in provisions excluding tax provisions | (0.6) | (15.4) | (12.3) | (8.9) | 26.2 | (44.5) | 1.8 | 0.0 | 0.0 | 0.0 |
| Change in net working capital | (112.6) | (32.3) | (31.9) | (41.9) | (162.4) | 195.6 | (276.9) | (76.4) | (30.5) | (79.2) |
| Gross operating cash flow | 142.4 | 209.8 | 217.9 | 247.8 | 276.0 | 536.8 | 450.4 | 678.6 | 765.4 | 725.4 |
| Taxes paid | (32.9) | (25.5) | (16.8) | (24.9) | (27.5) | (31.1) | (113.3) | (141.0) | (161.7) | (169.2) |
| Capex | (172.9) | (151.6) | (161.3) | (199.8) | (251.1) | (173.8) | (247.6) | (255.3) | (230.5) | (215.2) |
| **Free cash flow** | **(63.3)** | **32.7** | **39.8** | **23.1** | **(2.6)** | **331.9** | **89.4** | **282.3** | **373.3** | **341.0** |
| Net interest received | (16.0) | (14.8) | (22.0) | (30.8) | (31.5) | (39.2) | (43.7) | (61.7) | (44.8) | (25.6) |
| Other | 75.5 | 96.6 | (25.4) | 42.1 | 24.2 | 172.3 | 15.2 | 47.9 | 33.6 | 36.6 |
| Acquisitions | (16.9) | (21.2) | (42.7) | (14.7) | (44.2) | (3.4) | (29.9) | (18.0) | 0.0 | 0.0 |
| Divestments | 0.1 | 86.5 | 0.0 | 4.2 | 0.7 | (0.5) | 12.6 | 0.0 | 0.0 | 0.0 |
| Share issues/buybacks | (8.8) | (24.3) | (56.1) | (111.0) | (19.7) | (0.5) | (57.7) | 0.0 | 0.0 | 0.0 |
| Dividend (adj. stock dividend) | (45.3) | (52.2) | (74.1) | (57.2) | (62.2) | (50.6) | (118.5) | (99.2) | (112.2) | (143.2) |
| 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 | 77.4 | 20.6 | 39.1 | 136.4 | 180.4 | (252.5) | 299.8 | (151.4) | (249.8) | (208.8) |
| **Change in cash & cash equivalents** | **2.7** | **123.8** | **(141.5)** | **(7.9)** | **45.1** | **157.5** | **167.1** | **0.0** | **0.0** | **0.0** |

| Balance Sheet (EUR m) | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011e | 2012e | 2013e |
|---|---|---|---|---|---|---|---|---|---|---|
| Net intangible fixed assets | 118.4 | 125.4 | 134.5 | 122.0 | 111.5 | 105.0 | 131.1 | 130.8 | 131.5 | 133.1 |
| Net tangible fixed assets | 791.6 | 799.8 | 824.2 | 917.6 | 1,070.7 | 1,127.7 | 1,295.1 | 1,360.9 | 1,397.1 | 1,415.1 |
| Financials fixed assets (FFA) | 331.1 | 325.5 | 348.6 | 303.4 | 247.7 | 311.7 | 339.6 | 339.6 | 339.6 | 339.6 |
| Inventories | 419.3 | 348.3 | 368.8 | 385.4 | 510.5 | 358.4 | 507.7 | 545.0 | 587.3 | 632.7 |
| Trade debtors | 385.2 | 354.2 | 398.9 | 437.7 | 483.2 | 479.6 | 774.3 | 797.4 | 832.0 | 896.4 |
| Other debtors | 44.9 | 63.4 | 63.7 | 73.1 | 125.3 | 171.2 | 182.4 | 226.2 | 258.7 | 285.4 |
| Cash & securities | 98.9 | 222.7 | 81.2 | 73.2 | 118.3 | 275.8 | 442.9 | 442.9 | 442.9 | 442.9 |
| **Total Assets** | **2,189.3** | **2,239.3** | **2,219.8** | **2,312.6** | **2,667.2** | **2,829.5** | **3,673.1** | **3,842.8** | **3,989.1** | **4,145.2** |
| Shareholder's equity | 909.7 | 1,057.5 | 1,060.1 | 1,098.2 | 1,130.6 | 1,284.8 | 1,610.7 | 1,885.4 | 2,182.5 | 2,468.8 |
| Other equity | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minorities | 48.8 | 51.1 | 48.9 | 48.4 | 41.8 | 88.7 | 86.0 | 104.4 | 124.6 | 145.8 |
| Provisions | 373.0 | 357.5 | 331.4 | 298.8 | 373.4 | 329.9 | 379.9 | 379.9 | 379.9 | 379.9 |
| Long-term interest bearing debt | 242.3 | 288.3 | 274.4 | 322.5 | 288.1 | 598.1 | 700.5 | 549.1 | 299.3 | 90.5 |
| Short-term interest bearing debt | 312.0 | 245.6 | 218.0 | 253.0 | 503.1 | 151.4 | 320.3 | 320.3 | 320.3 | 320.3 |
| Trade creditors | 250.8 | 187.4 | 227.8 | 231.7 | 253.8 | 247.1 | 341.7 | 373.4 | 409.7 | 441.4 |
| Other non-interest bearing liabilities | 52.7 | 52.0 | 59.3 | 60.0 | 76.4 | 129.4 | 234.2 | 230.2 | 272.9 | 298.5 |
| **Total Liabilities & Capital** | **2,189.3** | **2,239.3** | **2,219.8** | **2,312.6** | **2,667.2** | **2,829.5** | **3,673.1** | **3,842.8** | **3,989.1** | **4,145.2** |
| Enterprise Value (EV) | 1,330.5 | 1,503.0 | 1,827.0 | 1,829.4 | 1,317.4 | 2,330.9 | 5,202.3 | 4,530.3 | 4,300.6 | 4,113.0 |
| Net debt/(Net cash) | 455.4 | 311.2 | 411.2 | 502.2 | 672.9 | 473.7 | 577.9 | 426.5 | 176.6 | (32.2) |
| Capital Employed incl. goodwill (avg.) | 1,458.6 | 1,515.7 | 1,517.1 | 1,610.5 | 1,850.3 | 1,969.4 | 2,144.5 | 2,442.3 | 2,549.6 | 2,635.0 |
| Cumulative goodwill (as of 1991) | 131.3 | 85.3 | 82.2 | 75.2 | 74.6 | 76.6 | 80.4 | 80.4 | 80.4 | 80.4 |
| Capital Employed (avg.) | 1,332.4 | 1,407.4 | 1,433.3 | 1,531.8 | 1,775.5 | 1,893.9 | 2,066.0 | 2,362.0 | 2,469.2 | 2,554.7 |
| Net working capital | 545.9 | 526.6 | 544.3 | 604.6 | 788.8 | 632.7 | 888.5 | 964.9 | 995.4 | 1,074.6 |
| Discounted value of leases | 26.3 | 36.6 | 32.2 | 28.6 | 28.9 | 28.9 | 33.0 | 35.8 | 38.3 | 40.5 |
| Adjusted equity | 1,041.0 | 1,142.9 | 1,142.3 | 1,173.3 | 1,205.2 | 1,361.4 | 1,691.0 | 1,965.8 | 2,262.8 | 2,549.2 |

| Per Share Data (EUR) | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011e | 2012e | 2013e |
|---|---|---|---|---|---|---|---|---|---|---|
| Avg. no. of shares (m) | 65.8 | 64.9 | 64.5 | 60.1 | 59.2 | 59.2 | 59.2 | 59.5 | 59.5 | 59.5 |
| Eoy. no. of shares (m) | 65.6 | 64.6 | 62.8 | 59.5 | 59.4 | 59.5 | 59.5 | 59.5 | 59.5 | 59.5 |
| Avg. no. of shares fully diluted (m) | 65.9 | 65.1 | 64.8 | 60.5 | 59.4 | 59.4 | 59.6 | 59.8 | 59.8 | 59.8 |
| Enterprise Value (EV) | 20.28 | 23.27 | 29.07 | 30.75 | 22.20 | 39.17 | 87.43 | 76.13 | 72.28 | 69.12 |
| Net debt less FFA plus minorities | 2.64 | 0.57 | 1.77 | 4.16 | 7.87 | 4.21 | 5.45 | 3.21 | (0.64) | (3.80) |
| Sales | 26.49 | 29.50 | 31.17 | 36.16 | 45.01 | 41.16 | 55.07 | 59.93 | 65.75 | 70.84 |
| EBITDA | 3.89 | 3.97 | 4.07 | 4.97 | 6.97 | 6.51 | 12.24 | 12.69 | 13.38 | 13.52 |
| EBITA | 2.25 | 2.31 | 2.35 | 2.98 | 4.16 | 4.15 | 9.22 | 9.50 | 10.12 | 10.23 |
| EBIT | 2.11 | 2.10 | 2.26 | 2.90 | 3.56 | 3.92 | 9.02 | 9.50 | 10.12 | 10.23 |
| Net profit before extr. & amort. (EUR) | 2.29 | 2.30 | 2.30 | 2.61 | 3.55 | 2.79 | 6.41 | 6.28 | 6.88 | 7.22 |
| Net profit before extraordinaries (EUR) | 2.15 | 2.09 | 2.21 | 2.54 | 2.94 | 2.56 | 6.21 | 6.28 | 6.88 | 7.22 |
| Cash Flow (EUR) | 3.92 | 3.96 | 4.02 | 4.61 | 6.35 | 5.15 | 9.43 | 9.48 | 10.13 | 10.51 |
| Gross Dividend (EUR) | 0.67 | 1.00 | 0.83 | 0.92 | 0.93 | 0.98 | 1.67 | 1.89 | 2.41 | 2.53 |
| Book value (EUR) | 13.86 | 16.37 | 16.87 | 18.46 | 19.05 | 21.59 | 27.07 | 31.69 | 36.68 | 41.49 |
| Adjusted equity | 15.86 | 17.69 | 18.18 | 19.72 | 20.31 | 22.88 | 28.42 | 33.04 | 38.03 | 42.84 |
| Free Cash Flow | (0.96) | 0.50 | 0.62 | 0.38 | (0.04) | 5.60 | 1.51 | 4.74 | 6.27 | 5.73 |
| % change in EPS before extr. & amort. | 74.88 | 0.76 | (0.11) | 13.68 | 35.68 | (21.26) | 129.54 | (1.98) | 9.44 | 4.97 |

| Valuation | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011e | 2012e | 2013e |
|---|---|---|---|---|---|---|---|---|---|---|
| P/E (excl. extr. & amort.) | 7.3 | 9.4 | 11.9 | 12.5 | 8.3 | 9.0 | 8.4 | 12.2 | 11.2 | 10.6 |
| P/CF (x) | 4.3 | 5.5 | 6.8 | 7.1 | 4.6 | 4.9 | 5.7 | 8.1 | 7.6 | 7.3 |
| P/Book (x) | 1.4 | 1.6 | 1.9 | 1.7 | 0.8 | 1.7 | 3.2 | 2.4 | 2.1 | 1.9 |
| Dividend yield (%) | 4.0 | 4.6 | 3.0 | 2.8 | 3.2 | 3.9 | 3.1 | 2.5 | 3.1 | 3.3 |
| Free cash flow yield (%) | (7.2) | 0.4 | 0.9 | (0.5) | (2.5) | 18.4 | 1.2 | 4.8 | 7.2 | 6.9 |
| EV/Sales (x) | 0.8 | 0.8 | 0.9 | 0.8 | 0.5 | 1.0 | 1.6 | 1.3 | 1.1 | 1.0 |
| EV/EBITDA (x) | 5.2 | 5.8 | 7.0 | 6.1 | 3.2 | 6.0 | 7.2 | 6.0 | 5.4 | 5.1 |
| EV/EBITA (x) | 9.0 | 10.0 | 12.1 | 10.2 | 5.3 | 9.5 | 9.5 | 8.0 | 7.1 | 6.8 |
| EV/EBIT (x) | 9.6 | 11.0 | 12.5 | 10.5 | 6.3 | 10.0 | 9.7 | 8.0 | 7.1 | 6.8 |
| EV/Capital Employed (x) | 1.0 | 1.1 | 1.3 | 1.2 | 0.7 | 1.2 | 2.5 | 1.9 | 1.7 | 1.6 |
| EV/CE (incl. goodwill) (x) | 0.9 | 1.0 | 1.2 | 1.1 | 0.7 | 1.2 | 2.4 | 1.9 | 1.7 | 1.6 |
| Share price : High (EUR) | 19.92 | 26.32 | 33.20 | 37.80 | 40.11 | 36.35 | 86.69 | 87.43 | | |
| Share price : Low (EUR) | 14.50 | 18.47 | 23.12 | 28.15 | 14.82 | 12.62 | 33.67 | 72.10 | | |
| Share price : Average (EUR) | 16.71 | 21.72 | 27.39 | 32.73 | 29.42 | 25.11 | 53.68 | 76.84 | 76.84 | 76.84 |
| Share price : Year end (EUR) | 19.58 | 26.32 | 31.57 | 30.67 | 16.11 | 36.17 | 85.90 | 76.84 | 76.84 | 76.84 |

| Capital Efficiency/Solvability | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011e | 2012e | 2013e |
|---|---|---|---|---|---|---|---|---|---|---|
| Sales/CE (incl.goodwill) | 1.2 | 1.3 | 1.3 | 1.3 | 1.4 | 1.2 | 1.5 | 1.5 | 1.5 | 1.6 |
| Sales/Fixed assets (x) | 2.2 | 2.4 | 2.4 | 2.4 | 2.5 | 2.2 | 2.5 | 2.6 | 2.8 | 3.0 |
| Sales/Net working capital (x) | 3.2 | 3.6 | 3.7 | 3.6 | 3.4 | 3.9 | 3.7 | 3.7 | 3.9 | 3.9 |
| Inventories/Sales (days) | 87.9 | 66.4 | 67.0 | 64.7 | 70.0 | 53.7 | 56.8 | 55.8 | 54.8 | 54.8 |
| Trade debtors/Sales (days) | 80.7 | 67.5 | 72.5 | 73.5 | 66.2 | 71.8 | 86.6 | 81.6 | 77.6 | 77.6 |
| Trade creditors/Sales (days) | 52.6 | 35.7 | 41.4 | 38.9 | 34.8 | 37.0 | 38.2 | 38.2 | 38.2 | 38.2 |
| CAPEX/Depreciation (%) | 160.7 | 141.1 | 145.7 | 166.9 | 151.3 | 124.3 | 138.3 | 134.4 | 119.1 | 110.0 |
| Equity/Total assets (%) | 41.6 | 47.2 | 47.8 | 47.5 | 42.4 | 45.4 | 43.8 | 49.1 | 54.7 | 59.6 |
| Net debt/Equity (%) | 50.1 | 29.4 | 38.8 | 45.7 | 59.5 | 36.9 | 35.9 | 22.6 | 8.1 | (1.3) |
| Interest cover (x) | 6.3 | 4.8 | 5.5 | 5.2 | 5.4 | 4.0 | 9.4 | 7.3 | 9.9 | 14.5 |
| Dividend payout (%) | 29.1 | 43.2 | 35.3 | 34.8 | 26.4 | 35.3 | 26.1 | 30.0 | 35.0 | 35.0 |
| ROCE (average) (%) | 9.4 | 8.0 | 8.9 | 10.0 | 11.7 | 10.3 | 19.1 | 17.2 | 17.3 | 16.9 |
| ROCE (incl. goodwill) (average) (%) | 8.6 | 7.4 | 8.4 | 9.5 | 11.2 | 9.9 | 18.4 | 16.7 | 16.8 | 16.4 |

| Operating Efficiency & Profitability ratios | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011e | 2012e | 2013e |
|---|---|---|---|---|---|---|---|---|---|---|
| Sales per FTE employee ('000s) | 161.4 | 178.9 | 169.2 | 155.4 | 165.3 | 139.0 | 174.3 | 186.4 | 200.0 | 211.6 |
| Wage costs per FTE employee ('000s) | 41.7 | 42.0 | 38.9 | 33.8 | 32.5 | 28.5 | 29.2 | 29.9 | 30.6 | 31.4 |
| EBIT per FTE employee ('000s) | 12.9 | 12.7 | 12.3 | 12.5 | 13.1 | 13.2 | 28.5 | 29.5 | 30.8 | 30.6 |
| Gross margin (%) | | | | | | | | | | |
| EBITDA margin (%) | 14.7 | 13.4 | 13.0 | 13.7 | 15.5 | 15.8 | 22.2 | 21.2 | 20.3 | 19.1 |
| Operating margin (%) | 8.0 | 7.1 | 7.3 | 8.0 | 7.9 | 9.5 | 16.4 | 15.8 | 15.4 | 14.4 |
| Net margin (%) | 6.3 | 5.5 | 5.1 | 5.5 | 6.4 | 6.0 | 11.5 | 10.2 | 10.1 | 9.8 |
| Tax rate (%) | 15.5 | 25.0 | 16.0 | 14.3 | 15.8 | 20.4 | 27.8 | 28.0 | 29.0 | 29.0 |

## Important disclosures

| Issuer | Ticker | Price (EUR) |
|---|---|---|
| Bekaert | BEKB.BR | 76.84 |

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## Analyst certification

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Maarten Bakker - Equity Research Analyst

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|---|---|---|---|---|
| BUY | BUY | The stock belongs to the favourites of the local ABN AMRO Bank N.V. universe. Expected performance: > +15% | 49% | 57% |
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| | REDUCE | The stock belongs to the less attractive ones within the ABN AMRO Bank N.V. loca universe. While the outlook is uncertain, the stock does not deserve an outright Sell. Expected performance: > -5%, < +10% | 11% | 14% |
| SELL | SELL | The investment case is definitively negative. Investors should sell the stock at any conditions. Expected performance: negative | 2% | 0% |

**28 February 2011** **ABN AMRO Bank N.V. Primary Equity Research Coverage: 97**

### Historical equity recommendations and target price for Bekaert (EUR)


**History of Target Prices**

| Date | Recommendation | Target Price |
|---|---|---|
| 11/10/2010 | BUY | EUR 88.00 |
| 11/5/2010 | BUY | EUR 88.33 |
| 8/2/2010 | BUY | EUR 83.33 |
| 7/26/2010 | BUY | EUR 57.67 |
| 7/23/2010 | BUY | EUR 57.33 |
| 6/2/2010 | BUY | EUR 55.33 |
| 5/12/2010 | BUY | EUR 55.00 |
| 3/9/2010 | BUY | EUR 51.67 |
| 1/7/2010 | BUY | EUR 44.67 |
| 11/17/2009 | BUY | EUR 42.33 |
| 11/16/2009 | BUY | EUR 41.67 |
| 8/5/2009 | BUY | EUR 37.33 |
| 4/7/2009 | BUY | EUR 25.00 |

**History of Recommendations**

| Date | Recommendation | Target Price |
|---|---|---|
| 8/5/2009 | BUY | EUR 37.33 |
| 5/8/2009 | HOLD | EUR 25.00 |
| 4/7/2009 | BUY | EUR 25.00 |

*Source: ABN AMRO Bank Equity Research, FactSet*

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