

# Bekaert

Field trip

Indy - Industrial, Diversified / Belgium

**Target Price EUR 93.00****Expected performance (12 mth) 18.7%****BUY EUR 78.33 (Closing price 07-Mar-11)**

## Field trip Slovakia underscores appeal of CAPEX and R&D

8 March 2011

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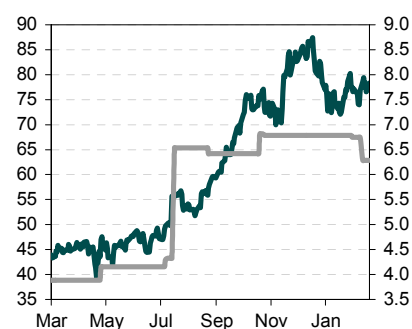
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### Opinion on qualitative criteria

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)	4,660.9
No. of shares (m)	59.5
Free float	62.0%
1/3/12 mth perf. (%)	3.8/(6.6)/85.6
High/low 52 weeks (EUR)	87.43/39.43
Next results due	11 May 2011
Price/book value (x)	2.5
Volatility (β) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB BB

Website www.bekaert.com

On 3 and 4 March, Bekaert hosted an analyst field trip to its production facilities in Slovakia. The takeaways from the event were not a reason for changes to our numbers. Yet, it was helpful in developing a better understanding of what is going on behind the numbers and what is driving them (such as technology, complexities, customer requirements, strategy implementation, challenges, etc.). The event mainly provided a deeper insight in:

- How CAPEX projects in Eastern Europe work in practice; and
- How R&D has upgraded the product mix and fuelled growth (with some more background provided on sawing wire).

We will give discuss in this note the highlights of the field trip. It comforted us that Bekaert's CAPEX and R&D strategy will continue to create shareholder value. It is therefore highlighted as a key attraction of the investment case. Our positive stance is furthermore based on the company's ongoing potential in emerging markets (74% of sales), solid balance sheet (0.5x net debt/EBITDA end 2011) and strong track record. Our target price of EUR 93 is the outcome of a returns-based valuation approach (where  $EV/CE = ROCE/WACC$ ) on 2012 forecasts. It 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 Bekaert's solid growth profile.

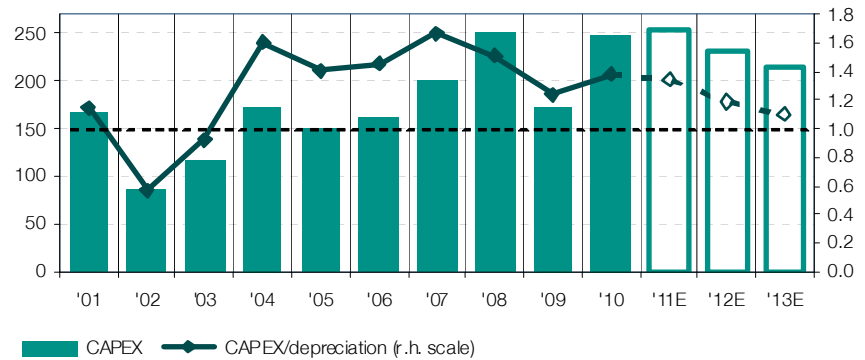
Year to December	2009	2010	2011e	2012e	2013e
Sales (EUR m)	2,437.3	3,263.0	3,566.1	3,912.5	4,215.4
EBITDA (EUR m)	385.7	725.5	755.1	796.0	804.6
Net profit excl. extr. & amort. (EUR m)	165.4	379.9	373.9	409.3	429.6
Net profit (EUR m)	151.8	367.9	373.9	409.3	429.6
EBITDA margin (%)	15.8	22.2	21.2	20.3	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	1.30	1.12	1.00
EV/EBITDA	6.0	7.2	6.1	5.5	5.2
P/E (excl. extr. & amort.)	9.0	8.4	12.5	11.4	10.8
P/E	9.8	8.6	12.5	11.4	10.8
PE/growth (excl. extr.)	22.9	0.2	0.2	2.2	1.5
Free cash flow yield (%)	18.4	1.2	4.7	7.0	6.8

**IMPORTANT: PLEASE READ DISCLOSURES AND DISCLAIMERS BEGINNING ON PAGE 10**

### 1.1. CAPEX has shifted EMEA towards emerging Europe

We have highlighted many times before the high investments in capacity expansion as one of the attractions of the Bekaert investment case, as the company built a strong track record of creating shareholder value this way during the last decade. The field trip to Slovakia provided an opportunity to see how such investments work out in practice.

#### CAPEX clearly exceeded depreciation since 2004



Source: company data and ABN AMRO estimates

Bekaert operates two large production plants in Slovakia. This country's geographic location is strategically interesting, as many car makers and tyre producers have shifted capacity to this lower-wage region (whether it is in Slovakia itself or in neighbouring countries that are only a few hours drive apart, like the Czech Republic, Poland, Hungary). On the first day, we visited the plant in Hlohovec. This was a Brownfield plant was acquired by Bekaert in 2003 (while its origins go back to 1960). Since then, Bekaert has invested strongly in capacity expansion and modernisation, making it is now by far the largest facility in Europe (200,000 tonnes capacity). Its activity platform is quite diverse, being involved in wire, steel cord, building products, a die shop. This is in contrast to the plant in Sládkovičovo visited on the second day, which concentrates on steel cord (tire cord and sawing wire). This was a Greenfield investment started in 2001, and as such looked more modern to us. It is not as big, though, with 40,000 tonnes capacity (although this capacity has higher added value). The table below shows how these two facilities have grown strongly through the investments done by Bekaert through the years.

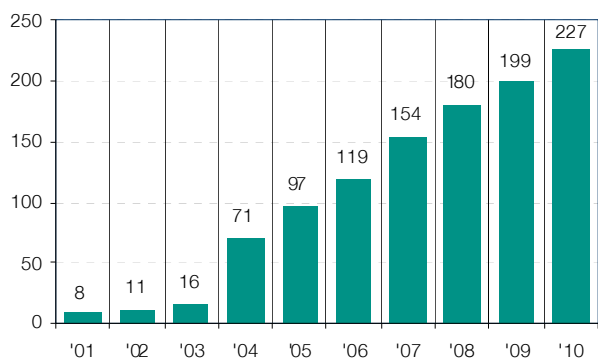
#### Growth at Bekaert's production facilities in Slovakia

	Hlohovec	Sládkovičovo
Background	Brownfield. 50 years old. Acquired in 2003.	Greenfield investment started in 2001.
Cumulative investments 2004-2010	> EUR 70m	almost EUR 80m
Personel from 2004 to 2010	from 905 to 1,488	from 147 to 510
Revenue 2004-2010	more than doubled	x5
Cash flow 2004-2010	almost tripled	x8
Tonnage capacity	c. 200,000	Quadrupled to more than 40,000

Source: company data and ABN AMRO

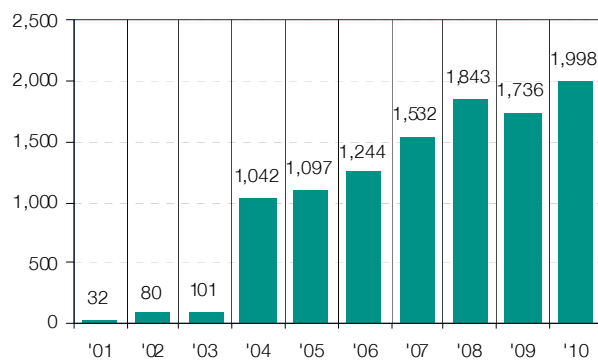
The left-hand chart below shows that Bekaert has made EUR 227m cumulative investments in Slovakia since 2001.

Cumulative investments Bekaert Slovakia (both plants)



Source: Bekaert

Cumulative investments Bekaert Slovakia (both plants)

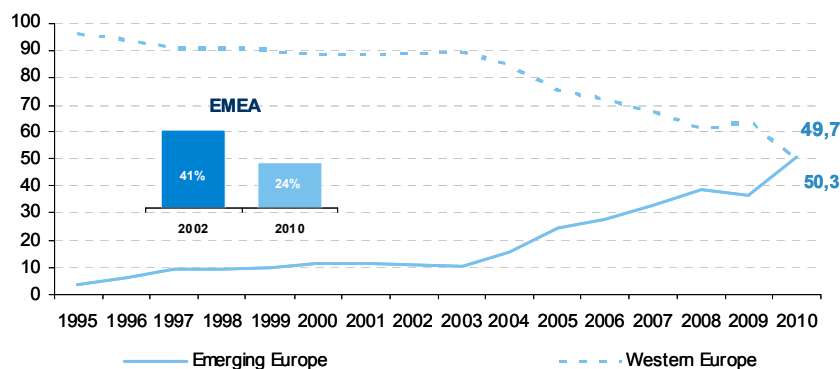


Source: Bekaert

The investments are still going on, which we were able to see with our own eyes. In the Hlohovec facility, preparations were being made for the installation of additional production lines. At the site in Sládkovičovo, we saw how a brand new production hall was being built, which doubles the facility’s capacity. While the construction works only started in August of 2010, the new capacity will already be commissioned in April of this year (only eight months later). The building leaves room to install an additional production line in the future should customer demand require Bekaert to do so. It was also impressive to see the machinery at work, which is being developed in house at Bekaert (which represents a competitive edge, in our view).

The investments in Slovakia have contributed to strong growth of Bekaert’s revenue from Eastern Europe (25% CAGR of revenue since 2004), which currently represents half of revenue of the EMEA division. Hence, this division is not as mature as it might seem. Eastern Europe is an emerging region, with still solid growth in motor registrations (vehicles per person clearly below Western Europe), increasing purchasing power and the construction sector benefiting from EU funds.

Emerging Europe supports Bekaerts presence in EMEA



Source: Bekaert

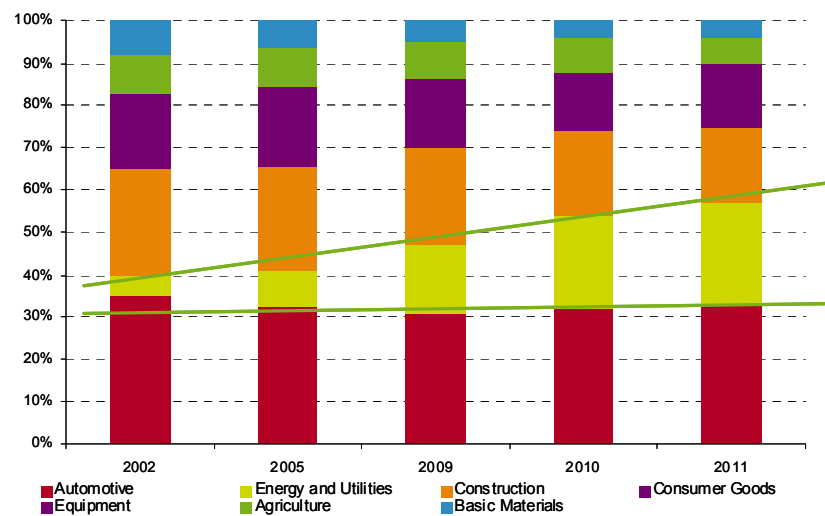
Bekaert is furthermore investing in Russia, where it sees strong growth potential of the local market with continuing investments in new automotive plants. In 2008, Bekaert drew up a plan to invest EUR 97m in a Greenfield tyre cord pant in Lipetsk (400km south of Moscow) in phases until 2013. The first phase of 15,000 tonnes capacity was opened at the beginning of 2010. In phase two, the production of semi-finished products is seen as starting from 2011 (imported in the meantime from its facility in the Czech Republic). Phase three is the doubling of capacity to 30-40,000 tonnes by 2013, provided that market

circumstances justify doing so. Currently, the Russian tyre cord market has a size of only about 75,000 tonnes. But, the local automotive market holds promising potential, according to Bekaert (with the tyre radialisation rate in Russia still at only 70-80%). We note that Bekaert already has a sizeable customer base in Russia, which it has been supplying for many years from its plants in Eastern Europe.

## 1.2. R&D created a portfolio of higher growth and margins

As highlighted in earlier research, Bekaert has an embedded focus on R&D. Even during the crisis years 2008 and 2009, R&D expenditures amounted to EUR 60-70m. EUR 79m was spent in 2010, which is expected to increase to EUR 100m in 2011. The R&D investments are aimed at continuously expanding Bekaert's 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. 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 Utility & Energy segment. This segment has increased as a percentage of revenue from 5% in 2002 to 24% in 2010 (see chart below).

### Energy & Utilities is a fast growing sector



Source: Bekaert

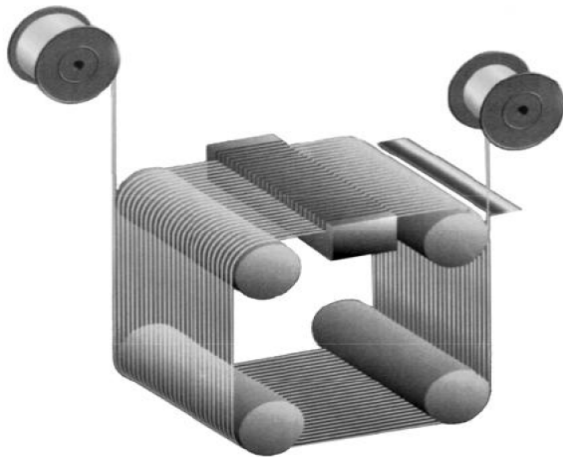
The Utility & Energy segment includes profiled wires to reinforce flexible pipes (through which oil and gas are brought to the surface from offshore oil fields), galvanised armouring wire for submarine cables (for telecommunications and energy transmission), overhead conductor products for electricity transmission grids and sawing wire for manufacture of photovoltaic cells. A presentation by CEO Bert de Grave gave the opportunity to shed some more light on the sawing wire product (he furthermore talked about overhead conductor products). The sawing wire product is attracting increasing attention of analysts and investors, as it is becoming more known that Bekaert has a very strong position in this product group and makes strong margins on it.

### 1.2.1. A closer look at sawing wire

Sawing wire is used to cut silicon ingots into wafers, used mainly in the photovoltaic and semiconductor industries. The illustrations below show the principles of the wire sawing process. Silicon pillars are sliced into wafers of a

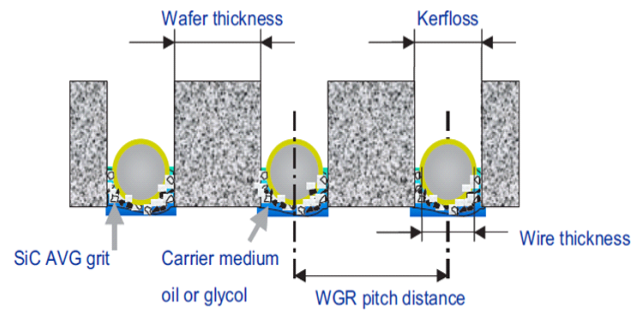
thickness somewhere between 180 and 280  $\mu\text{m}$  on a wire saw. A single wire with typical diameter of 140 to 160  $\mu\text{m}$  and a length of 600-800km is fed from a supply spool through a wire tensioning system to four wire guide rollers. By winding the wire over these rollers a wire web is formed. On the output end, a take-up spool collects the used wire. An abrasive slurry, supplied through a system of nozzles onto the wire web, is carried with the moving wire into the sawing channel where it performs the cut-grinding process (it is thus not the wire that does the cutting). The slurry consists of hard grinding particles, generally Silicon Carbide (SiC) with a diameter in the range of 10 to 15  $\mu\text{m}$  which are suspended in glycol or oil. By pushing the silicon ingot against the wire web they are sliced into thousands of wafers in one single run.

Diagram wire saw to cut silicon



Source: ABN AMRO

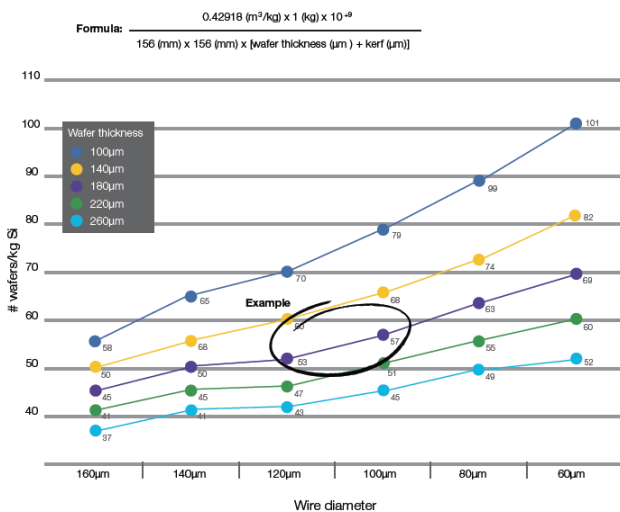
Geometrical parameters cutting zone



Source: ABN AMRO

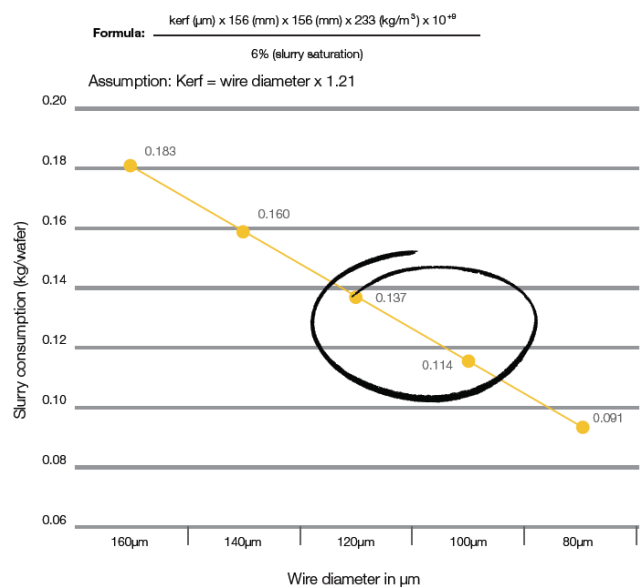
The process requires a high grade wire that needs to be thin and very strong (as a break of the wire during the process would render the silicon ingot worthless). There has been a trend towards reduced diameter of the sawing wire, as this increases the yield in number of wafers / kg of silicon and reduces the cost per wafer (see left hand chart below).

Number of wafers per kg Si



Source: Bekaert

Calculated slurry consumption per 156 x 156 wafer

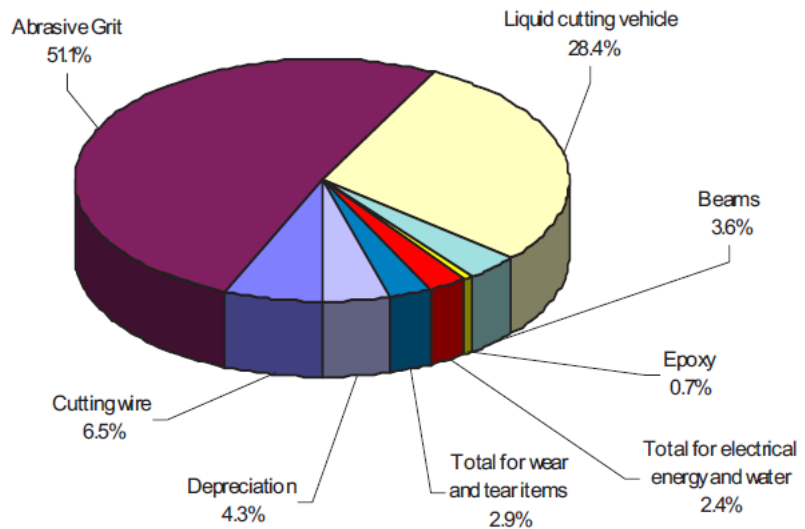


Source: Bekaert

A further advantage of a reduced diameter is a reduction in slurry consumption (see right-hand chart above). This is a dominant cost factor due to the high cost

of the abrasive grit (>50%) in the total cost of ownership of a wire saw (see chart below). The chart below shows the cost of the sawing wire to be quite limited (6-7%).

Cost of ownership for a wire saw



Source: ABN AMRO

**Thinner sawing wire reduces drastically the cost per watt of the PV industry and provides Bekaert a competitive advantage**

The trend towards thinner wavers is key in bringing down the cost per watt of solar energy (closing the gap to grid parity). Bekaert has been at the forefront of the trend towards ever thinner wires by investing heavily in very high-tensile wire technology and capacity (note that the company already started R&D on sawing wire in 1985). In 2006, 90% of demand was for diameters of 150  $\mu\text{m}$ . Management said that the market today is dominated by 120 to 100  $\mu\text{m}$  (going from a wire of 120  $\mu\text{m}$  to 100  $\mu\text{m}$  increases the number of wafers per kg Si from 53 to 57, or 8%). The company indicates that it is already able to produce wires in the range of only 60-80  $\mu\text{m}$  thick. The ability to make wires this thin clearly reflects Bekaert's technological lead over competitors (and it creates high barriers to entry).

We learned at the analyst meeting that Bekaert does not only differentiate itself with the quality of its sawing wire (thickness, length and strength). It also locks in customers (photovoltaic cell producers like LDK, Q-cells, Trina Solar, Konca Solar) with its ability to support them in their growth. Bekaert has proven to be a partner that they can rely on. It has the financial means to size capacity to face the growth in the photovoltaic industry (note that more drawing capacity is required to very thin sawing wire than is the case for tire cord for example). Expansion projects are furthermore supported by Bekaert's own engineering department. Moreover, Bekaert's production facilities are deployed at the place of demand (it has seven production units on three continents), which limits the distance between production- and delivery-site and enables it to serve clients in a flexible and reactive way. The short supply chain enables Bekaert to respond quickly to changes in customer requirements (wire length, wire diameter, spool type).

**We believe that Bekaert has a 70-80% market share in sawing wire ...**

The photovoltaic industry is dominated by China, where about 80% of production takes place. Management indicated to us that the company's global market share in sawing wire clearly exceeds 50% (we estimate around 70-80%).

**... from which it generated revenue of EUR 350m in 2010 ...**

Bekaert's Asia Pacific division saw the share of the Energy & Utilities segment in sales increase from 28% in 2009 to 36% in 2010 (see table below). It implies growth in revenue of 98% to EUR 449m in 2010. We estimate that 75% of sales

from the Energy & Utility segment of the Asia Pacific division is achieved from sawing wire. We thus estimate that Bekaert generated around EUR 350m from sawing wire in 2010.

**Breakdown consolidated sales Asia Pacific by sector (EUR m)**

	2009		2010		% chg.
	EUR m	share	EUR m	share	
Automotive	502	62%	624	50%	24%
<b>Energy &amp; Utilities</b>	<b>227</b>	<b>28%</b>	<b>449</b>	<b>36%</b>	<b>98%</b>
Construction	24	3%	50	4%	106%
Other	57	7%	125	10%	120%
Total	809	100%	1,248	100%	54%

Source: company data and ABN AMRO estimates

**... and yielding an estimated EBIT margin of >60%**

We believe that the sawing wire product explains to a large degree the high EBITE margin of the Asia Pacific division, which increased from 35.6% in 2009 to 37.7% in 2010. Assuming that the margin is 28% for the Automotive segment (above the c. 20% margin of Xingda) and 15% for the other segments, we calculate that the Energy & Utility segment fetches a margin of 60% (as sawing wire comprises c. 75% of sales, its margin should thus be even higher than 60%). We believe that Bekaert has a technological lead over competitors of a number of years, which should enable it to maintain high margins on sawing wire.

**Long-term growth fuelled by government ambitions to increase share of electricity generated by solar energy**

Management feels confident about demand for sawing wire in 1H11, based on its order books. It notes, however, that it has no visibility on demand in the six months thereafter, as this may be influenced factors like subsidies. They referred to the divergent views of industry researchers on growth in solar panel production in the short term, with some predicting a slowdown while others anticipate ongoing growth. On a longer-term view, all agree that the PV market is a strong growth industry, driven by ambitious plans of governments to generate a substantial share of electricity from solar energy (long-term forecasts from industry researchers vary widely, but they all point to strong growth during the coming decade).



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										
<b>EBITDA</b>	<b>255.6</b>	<b>257.4</b>	<b>262.2</b>	<b>298.6</b>	<b>412.2</b>	<b>385.7</b>	<b>725.5</b>	<b>755.1</b>	<b>796.0</b>	<b>804.6</b>
Depreciation	(107.6)	(107.4)	(110.7)	(119.7)	(165.9)	(139.8)	(179.0)	(189.9)	(193.6)	(195.6)
<b>EBITA</b>	<b>148.0</b>	<b>150.0</b>	<b>151.4</b>	<b>178.9</b>	<b>246.3</b>	<b>245.8</b>	<b>546.5</b>	<b>565.1</b>	<b>602.4</b>	<b>609.0</b>
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)
<b>Profit Before Taxes (PBT)</b>	<b>118.5</b>	<b>121.0</b>	<b>114.9</b>	<b>133.6</b>	<b>161.2</b>	<b>166.6</b>	<b>502.1</b>	<b>503.4</b>	<b>557.6</b>	<b>583.4</b>
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)
<b>Net profit before extraordinary</b>	<b>141.3</b>	<b>135.7</b>	<b>142.8</b>	<b>152.9</b>	<b>174.1</b>	<b>151.8</b>	<b>367.9</b>	<b>373.9</b>	<b>409.3</b>	<b>429.6</b>
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 extraordinary	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
<b>EBITDA</b>	<b>255.6</b>	<b>257.4</b>	<b>262.2</b>	<b>298.6</b>	<b>412.2</b>	<b>385.7</b>	<b>725.5</b>	<b>755.1</b>	<b>796.0</b>	<b>804.6</b>
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)
<b>Free cash flow</b>	<b>(63.3)</b>	<b>32.7</b>	<b>39.8</b>	<b>23.1</b>	<b>(2.6)</b>	<b>331.9</b>	<b>89.4</b>	<b>282.3</b>	<b>373.3</b>	<b>341.0</b>
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)
<b>Change in cash &amp; cash equivalents</b>	<b>2.7</b>	<b>123.8</b>	<b>(141.5)</b>	<b>(7.9)</b>	<b>45.1</b>	<b>157.5</b>	<b>167.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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
<b>Total Assets</b>	<b>2,189.3</b>	<b>2,239.3</b>	<b>2,219.8</b>	<b>2,312.6</b>	<b>2,667.2</b>	<b>2,829.5</b>	<b>3,673.1</b>	<b>3,842.8</b>	<b>3,989.1</b>	<b>4,145.2</b>
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
<b>Total Liabilities &amp; Capital</b>	<b>2,189.3</b>	<b>2,239.3</b>	<b>2,219.8</b>	<b>2,312.6</b>	<b>2,667.2</b>	<b>2,829.5</b>	<b>3,673.1</b>	<b>3,842.8</b>	<b>3,989.1</b>	<b>4,145.2</b>
Enterprise Value (EV)	1,330.5	1,503.0	1,827.0	1,829.4	1,317.4	2,330.9	5,202.3	4,618.9	4,389.3	4,201.7
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	77.62	73.77	70.61
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 extraordinary (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	12.5	11.4	10.8
P/CF (x)	4.3	5.5	6.8	7.1	4.6	4.9	5.7	8.3	7.7	7.5
P/Book (x)	1.4	1.6	1.9	1.7	0.8	1.7	3.2	2.5	2.1	1.9
Dividend yield (%)	4.0	4.6	3.0	2.8	3.2	3.9	3.1	2.4	3.1	3.2
Free cash flow yield (%)	(7.2)	0.4	0.9	(0.5)	(2.5)	18.4	1.2	4.7	7.0	6.8
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	6.1	5.5	5.2
EV/EBITA (x)	9.0	10.0	12.1	10.2	5.3	9.5	9.5	8.2	7.3	6.9
EV/EBIT (x)	9.6	11.0	12.5	10.5	6.3	10.0	9.7	8.2	7.3	6.9
EV/Capital Employed (x)	1.0	1.1	1.3	1.2	0.7	1.2	2.5	2.0	1.8	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	78.33	78.33	78.33
Share price : Year end (EUR)	19.58	26.32	31.57	30.67	16.11	36.17	85.90	78.33	78.33	78.33

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

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<b>Issuer</b>	<b>Ticker</b>	<b>Price (EUR)</b>
Bekaert	BEKB.BR	78.33

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Maarten Bakker - Equity Research Analyst

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8 March 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
2/28/2011	BUY	EUR 93.00
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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