

# Bekaert

Indy - Industrial, Diversified / Belgium

**Target Price EUR 24.00**

**Expected performance (12 mth) -18.4%**

**REDUCE EUR 29.40 (Closing price 02-Feb-12)**

## Restructuring measures signal severe headwinds

3 February 2012

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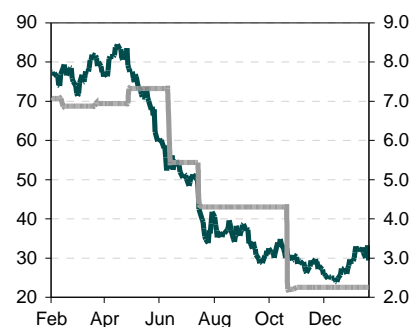
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### Opinion on qualitative criteria

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. 2012



Source: FactSet, ABN Amro Equity Research

Market capitalisation (EUR m)	1,760.6
No. of shares (m)	59.9
Free float	62.0%
1/3/12 mth perf. (%)	14.2/(2.1)/(59.4)
High/low 52 weeks (EUR)	84.49/23.95
Next results due	24 February 2012
Price/book value (x)	1.1
Volatility (β) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB BB
Website	www.bekaert.com

### Major restructuring programmes seen signal worse-than-feared conditions

Bekaert announced two major restructuring programmes in order to cope with the severe downturn of the sawing wire market and more general pressures for other activities. On the one hand, we consider it positive that Bekaert is taking swift action. We note that this management team has built a good track record during the last decade with regards to restructuring businesses. On the other hand, however, the measures are an indication that market conditions have become worse than was already feared (we would not be surprised if the sawing wire business has temporarily turned loss making even). It is a useful reminder that the risks are still skewed to the downside.

### EPS estimates 2011-2013 slashed by >20%

Mainly on account of further downgrades for the EMEA and Asia Pacific divisions, we further slashed our EPS forecasts by 19% to EUR 3.12 for FY11, by 32% to EUR 1.65 for FY12 and by 19% to EUR 2.49 for FY13 (note that these numbers are corrected for the after-tax impact of non-recurring items).

### REDUCE re-iterated, as risks still skewed to the downside

Bekaert trades at a P/E valuation of 17.8x on 2012 forecasts and 11.8x on 2013 forecasts. As the risk to our earnings forecasts is still seen to the downside, we do not regard this to be a compelling valuation. We see downside risk for the share price to the low EUR 20s. Hence, we re-iterate our REDUCE recommendation and target price of EUR 24 (unchanged). We do consider a low EUR 20s an attractive entry point to invest in Bekaert's longer-term potential.

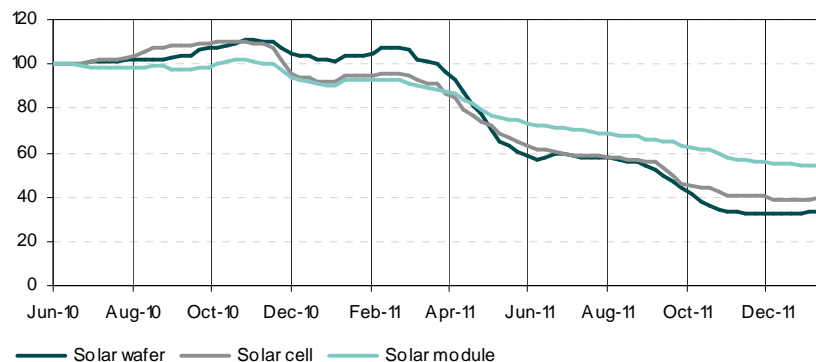
Year to December	2009	2010	2011e	2012e	2013e
Sales (EUR m)	2,437.3	3,262.5	3,265.9	2,905.2	3,080.4
EBITDA (EUR m)	385.7	725.3	531.3	328.8	441.4
Net profit excl. extr. & amort. (EUR m)	165.4	385.7	169.5	53.5	138.5
Net profit (EUR m)	151.8	367.6	169.5	13.5	138.5
EBITDA margin (%)	15.8	22.2	16.3	11.3	14.3
ROCE (incl. goodwill) (%)	9.9	18.6	8.6	2.9	6.8
Net gearing (%)	36.9	35.9	45.9	25.9	15.3
EPS before extr. & amort. (EUR)	2.79	6.51	2.83	0.89	2.31
EPS (EUR)	2.56	6.21	2.83	0.23	2.31
DPS (EUR)	0.98	1.67	1.00	0.80	0.81
% change sales	(8.5)	33.9	0.1	(11.0)	6.0
% change EPS (excl. extr. & amort.)	(21.3)	133.0	(56.5)	(68.4)	158.6
EV/Sales	0.98	1.69	0.61	0.66	0.58
EV/EBITDA	6.2	7.6	3.7	5.8	4.0
P/E (excl. extr. & amort.)	9.0	8.2	19.4	32.9	12.7
P/E	9.8	8.7	19.4	130.0	12.7
PE/growth (excl. extr.)	22.9	0.2	3.8	nmf	nmf
Free cash flow yield (%)	18.4	1.2	(4.5)	21.9	10.3

### Sawing wire prices down 70% and volumes down 50%

#### Bekaert paints contours of dramatic sawing wire downturn

During the conference call, Bekaert shed some light on the severity of the collapse of the sawing wire market in both China and Europe. The chart below shows that PV wafer producers have been confronted with ongoing pressure on the prices of their products in 2H11 (prices for solar panel components have dropped by c. 60%). Bekaert indicated about half of its customers in China have gone out of business as a result of this. At the same time, sawing wire competitors have brought on steam significant production capacity during the course of 2011. As a result, sawing wire production capacity in China was said to exceed demand by 200% to 250%. It could thus take many years for demand and supply to rebalance, which will likely keep margins low. Bekaert admits that it has lost market share. While the company still was the only producer of sawing wire in China until the end of 2010, it now aims to stabilise its market share at some 30% in the longer run. Bekaert indicated that it has seen its sawing wire prices drop by up to 70% and volumes by 50%. As a result, sawing wire revenue has currently dropped to only about 20% of the run rate still achieved in 1Q11 (which was the last strong quarter). We would not be surprised if Bekaert's sawing wire business has become temporarily loss making at the moment, although the company declined to confirm this (the business still achieved an estimated operating margin of >60% in 2010). The pressure on earnings of Bekaert's customers and the tight monetary policy in China also mean that there is upward pressure on Bekaert's working capital. However, Bekaert does not believe that it will have to add more to the bad debt reserve than the EUR 21m that was already provisioned for in 1H11.

Spot price development for solar wafers, cells and modules (23 June 2010 rebased to 100)



Source: PV Insights

### Also challenges for tyre cord in China and stainless steel wire in Europe

#### Pressure on other activities as well

Also challenges for tyre cord in China and stainless steel wire in Europe Bekaert is also experiencing (pricing) pressures on other businesses, most notably the tyre cord business in China and the stainless steel activities in Belgium. Following years of double digit growth for tyre cords in China, growth has come to a halt. The market dynamics have changed, with overcapacity and price pressure as a result. Bekaert's stainless steel wire activities in Belgium suffer from overcapacity in Europe and imports from Asia. More generally, Bekaert is feeling the impact of the economic downturn across the board.

#### Two realignment programmes started

Bekaert has embarked upon a major realignment programme "in order to restore its long-term profitability". This suggests to us that the group EBIT margin may have fallen below the long-term target of 7-9% at the moment, although Bekaert declined to confirm this. Our original forecasts anticipated the group EBIT margin to fall from 17.2% in FY10 and 13.6% in 1H11 to 8.4% in 2H11E and 7.7% in FY12E. We now believe our original forecasts have to be downgraded, which we discuss in a later section. Bekaert's realignment programme consists of the following two lines of action:

### EUR 100m savings target look quite ambitious

- The first line of action relates to the sawing wire business, which affects activities in both China and Belgium. In China, Bekaert already started a programme to rightsize the sawing wire manufacturing footprint in December of last year. This leads to reduction of 1,250 jobs (out of a total workforce of 10,224 for the entire Asia Pacific division as at the end of 2010). Most of the actions are behind us now. In Belgium, the measures still have to start. Bekaert intends to stop all sawing wire production of the plant in Aalter (and integrate the production of bead wires and half products in other entities in Europe). As sawing wire customers no longer show an interest in new technologies (such as diamond coated sawing wire) and due to the structurally reduced business, Bekaert will also downsize the resources and development priorities of the technology centre in Deerlijk and the Engineering plant in Ingelmunster. The first line of action also involves the intention to limit the stainless steel wire activities in Zwevegem to products with high added value. The aforementioned actions are expected to lead to 600 job cuts in Belgium (out of a total workforce of 5,763 for the entire EMEA division as at the end of 2010).
- The second line of action concerns a more general improvement of the global structure in order to optimise the efficiency and synergy potential within the entire organisation. Bekaert will start a study to identify measures to reduce the overall global cost structure by EUR 100m annually in the coming years. This looks quite ambitious in view of the c. EUR 400m of S,G&A costs estimated for FY11. On a positive note, we note that Bekaert management has over the last decade built quite a strong track record when it comes to restructuring businesses.

### We assume EUR 120m restructuring costs in 2012

As the realignment programmes are still in an early phase, Bekaert could not yet be precise on the implementation costs involved. Yet, management indicated that non-recurring costs in 2012 are expected to be higher than ever before (the former high was EUR 84m incurred in 2008). Moreover, management expects some two-thirds of costs to be cash related and around one-third due to impairments. We have assumed EUR 120m of non-recurring costs in our model for 2012.

### Estimates downgraded again

At the 1H10 results, the company temporarily raised its ambition to an EBITE margin target of >10% in the medium term, provided that there will be no exceptional circumstances. It now seems that the former long-term EBITE margin of 7-9% has become more realistic again. We believe, though, that this level of profitability may not be achieved in 2H11 and FY12. Owing mainly to a more cautious stance towards the EMEA and Asia Pacific divisions, we have

again downgraded our earnings forecasts. Regarding the Asia Pacific division, we now expect the operating margin to fall from 37.4% in FY10 and 29.0% in 1H11 to 10.3% in 2H11 and to remain around that level in the years thereafter. The table below shows our assumptions with respect to the different product groups of the Asia Pacific division.

Forecasts Asia Pacific division (EUR m)							
	2009	2010	2011E	2012E	2013E	2014E	2015E
Sawing wire sales	226.6	449.3	242.9	144.9	173.4	201.9	230.8
% chg.		98.3%	-45.9%	-40.3%	19.7%	16.4%	14.3%
Sawing wire EBITE margin	145.3	282.3	78.9	8.1	17.3	23.9	27.7
% chg.	64.1%	62.8%	32.5%	5.6%	10.0%	11.9%	12.0%
		94.3%	-72.1%	-89.7%	114.3%	38.0%	15.6%
Automotive sales	501.7	624.0	581.8	517.8	543.7	581.8	610.9
% chg.		24.4%	-6.8%	-11.0%	5.0%	7.0%	5.0%
Automotive EBITE margin	130.4	162.2	116.4	57.0	59.8	58.2	61.1
% chg.	26.0%	26.0%	20.0%	11.0%	11.0%	10.0%	10.0%
		24.4%	-28.3%	-51.1%	5.0%	-2.7%	5.0%
Other sales	80.9	174.7	244.9	296.9	326.6	359.3	395.2
% chg.		115.9%	40.2%	21.2%	10.0%	10.0%	10.0%
Other EBITE margin	12.1	26.2	34.3	35.6	35.9	39.5	39.5
% chg.	15.0%	15.0%	14.0%	12.0%	11.0%	11.0%	10.0%
		115.9%	30.8%	3.9%	0.8%	10.0%	0.0%
<b>Total sales Asia Pacific</b>	<b>809.2</b>	<b>1,248.0</b>	<b>1,069.6</b>	<b>959.7</b>	<b>1,043.8</b>	<b>1,142.9</b>	<b>1,236.9</b>
% chg.	<b>13.5%</b>	<b>54.2%</b>	<b>-14.3%</b>	<b>-10.3%</b>	<b>8.8%</b>	<b>9.5%</b>	<b>8.2%</b>
<b>Total EBITE Asia Pacific margin</b>	<b>287.9</b>	<b>470.7</b>	<b>229.5</b>	<b>100.7</b>	<b>113.1</b>	<b>121.6</b>	<b>128.3</b>
% chg.	<b>35.6%</b>	<b>37.7%</b>	<b>21.5%</b>	<b>10.5%</b>	<b>10.8%</b>	<b>10.6%</b>	<b>10.4%</b>
	<b>15.6%</b>	<b>63.5%</b>	<b>-51.2%</b>	<b>-56.1%</b>	<b>12.3%</b>	<b>7.6%</b>	<b>5.5%</b>

Source: ABN AMRO

### EPS estimates 2011-2013 slashed by >20%

The table below shows the downgrade to our group forecasts for 2011 through 2013. We slashed our forecast of EPS (excluding the after-tax impact of non-recurring items) by 19% to EUR 3.12 for FY11, by 32% to EUR 1.65 for FY12 and by 19% to EUR 2.49 for FY13. We refer to the table on the following page for the detail behind our new forecasts.

Old versus new forecasts (EUR m)									
	2011			2012			2013		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
Sales	3,332	<b>3,266</b>	-2%	3,119	<b>2,905</b>	-7%	3,341	<b>3,080</b>	-8%
EBITE margin	373	<b>326</b>	-13%	240	<b>180</b>	-25%	279	<b>231</b>	-17%
	11.2%	<b>10.0%</b>		7.7%	<b>6.2%</b>		8.3%	<b>7.5%</b>	
EPS excl. after-tax non-recurring (EUR)	3.83	<b>3.12</b>	-19%	2.43	<b>1.65</b>	-32%	3.06	<b>2.49</b>	-19%
EPS (EUR)	3.62	<b>2.83</b>	-22%	2.26	<b>0.23</b>	-90%	2.88	<b>2.31</b>	-20%

Source: ABN AMRO

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

	2009	1H10	2H10	2010	1H11	2H11E	2011E	2012E	2013E
EMEA	827	526	540	1,066	614	561	1,175	975	1,014
North America	473	313	325	638	354	313	667	605	635
Latin America	327	144	167	311	173	181	354	365	387
Asia Pacific	809	552	696	1,248	639	431	1,070	960	1,044
<b>Consolidated sales</b>	<b>2,437</b>	<b>1,535</b>	<b>1,727</b>	<b>3,262</b>	<b>1,780</b>	<b>1,486</b>	<b>3,266</b>	<b>2,905</b>	<b>3,080</b>
% chg.	-8.5%	27.9%	39.6%	33.9%	15.9%	-14.0%	0.1%	-11.0%	6.0%
organic	-16.9%	29.2%	33.7%	31.5%	7.0%	5.6%	6.2%	-6.2%	6.7%
fx	2.5%	-2.6%	4.5%	1.0%	-2.1%	-1.1%	-1.6%	0.0%	0.0%
consolidation	5.9%	1.3%	1.5%	1.4%	-0.4%	0.8%	0.2%	-1.4%	0.0%
<b>EBITDAE</b>	<b>410</b>	<b>368</b>	<b>386</b>	<b>754</b>	<b>353</b>	<b>202</b>	<b>555</b>	<b>449</b>	<b>456</b>
margin	16.8%	24.0%	22.3%	23.1%	19.8%	13.6%	17.0%	15.4%	14.8%
% chg.	-17.3%	141.8%	49.5%	83.7%	-4.0%	-47.6%	-26.3%	-19.2%	1.7%
EBITE EMEA	2	54	41	95	54	34	88	54	76
margin	0.2%	10.3%	7.7%	8.9%	8.8%	6.1%	7.5%	5.5%	7.5%
% chg	-97.6%	nmf	85.8%	5722.9%	0.0%	-17.4%	-7.6%	-39.1%	41.8%
EBITE North America	(5)	21	13	34	28	20	48	44	51
margin	-1.1%	6.7%	4.0%	5.3%	7.9%	6.4%	7.2%	7.2%	8.0%
% chg	-120.2%	nmf	nmf	nmf	33.3%	52.7%	40.8%	-9.2%	16.7%
EBITE Latin America	28	14	12	26	16	16	32	30	35
margin	8.4%	9.7%	7.1%	8.3%	9.2%	8.6%	8.9%	8.2%	9.0%
% chg	75.0%	66.7%	-37.7%	-5.9%	14.3%	30.5%	21.7%	-5.1%	16.3%
EBITE Asia Pacific	288	206	265	471	185	45	230	101	113
margin	35.6%	37.3%	38.0%	37.7%	29.0%	10.3%	21.5%	10.5%	10.8%
% chg	15.6%	60.9%	65.6%	63.5%	-10.2%	-83.2%	-51.2%	-56.1%	12.3%
Other	(55)	(33)	(31)	(64)	(41)	(31)	(71)	(48)	(44)
<b>Total EBITE</b>	<b>257</b>	<b>262</b>	<b>300</b>	<b>562</b>	<b>242</b>	<b>83</b>	<b>326</b>	<b>180</b>	<b>231</b>
margin	10.5%	17.1%	17.4%	17.2%	13.6%	5.6%	10.0%	6.2%	7.5%
% chg.	-12.7%	205.2%	75.8%	119.1%	-7.5%	-72.3%	-42.1%	-44.7%	28.3%
Non-recurring items	(25)	(19)	(10)	(28)	(11)	(13)	(24)	(120)	(15)
<b>EBIT</b>	<b>232</b>	<b>243</b>	<b>291</b>	<b>534</b>	<b>232</b>	<b>70</b>	<b>302</b>	<b>60</b>	<b>216</b>
Net financial charges	(66)	(16)	(17)	(32)	(35)	(36)	(70)	(62)	(45)
<b>EBT</b>	<b>167</b>	<b>228</b>	<b>274</b>	<b>502</b>	<b>197</b>	<b>34</b>	<b>231</b>	<b>(2)</b>	<b>171</b>
Taxes	(34)	(51)	(88)	(139)	(54)	(11)	(65)	1	(50)
as % of EBT	20.4%	22.5%	32.2%	27.8%	27.2%	32.9%	28.0%	29.0%	29.0%
Share in results joint ventures	38	19	17	36	14	14	28	28	34
Result discontinued operations	0	0	0	0	0	0	0	0	0
Minority interests	(19)	(14)	(17)	(31)	(13)	(12)	(25)	(14)	(17)
<b>Net profit continuing operations</b>	<b>152</b>	<b>181</b>	<b>187</b>	<b>368</b>	<b>144</b>	<b>25</b>	<b>169</b>	<b>14</b>	<b>138</b>
% chg.	-12.8%	309.6%	73.5%	142.2%	-20.3%	-86.5%	-53.9%	-92.0%	922.1%
<b>EPS basic (EUR)</b>	<b>2.56</b>	<b>3.05</b>	<b>3.15</b>	<b>6.21</b>	<b>2.45</b>	<b>0.42</b>	<b>2.83</b>	<b>0.23</b>	<b>2.31</b>
% chg.	-12.9%	308.3%	73.4%	142.1%	-19.7%	-86.7%	-54.4%	-92.0%	922.1%
<b>Net profit excl. non-recurring</b>	<b>171</b>	<b>195</b>	<b>193</b>	<b>388</b>	<b>152</b>	<b>34</b>	<b>187</b>	<b>99</b>	<b>149</b>
% chg.	-29.9%	295.5%	104.2%	126.4%	7.9%	-48.9%	-51.9%	-47.1%	51.0%
<b>EPS excl. non-recurring (EUR)</b>	<b>2.89</b>	<b>3.29</b>	<b>3.26</b>	<b>6.55</b>	<b>2.58</b>	<b>0.57</b>	<b>3.12</b>	<b>1.65</b>	<b>2.49</b>
% chg.	-30.0%	2151.8%	1799.7%	126.3%	1395.3%	1324.3%	-52.4%	-47.1%	51.0%
<b>DPS (EUR)</b>	<b>0.98</b>	<b>0.67</b>		<b>1.67</b>	<b>0.67</b>		<b>1.00</b>	<b>0.80</b>	<b>0.81</b>
pay out	38.4%	21.9%		27.2%	27.8%		35.2%	353.7%	35.0%

Source: company data and ABN AMRO estimates

## Investment opinion

### **We re-iterate our REDUCE recommendation as risks continue to be skewed to the downside**

The news about Bekaert's restructuring plans underscored our cautious stance towards the stock. It shows that risks are still skewed to the downside and may still be underestimated. The challenges for Bekaert's sawing wire and tyre cord business in China are by now widely known. However, the full impact still needs to become visible in 2012, and therefore poses a negative surprise risk. Another risk of negative surprise could be the impact of a recession in Europe (this region represents 26% of *combined* revenue). Our EPS forecast for 2012 of EUR 1.65 (excluding after-tax impact non-recurring items) is based on the assumption that the EMEA division sees revenue decline by 17% and the operating margin erode by 200bps to 5.5%. This assumption risks being on the optimistic side when compared to the 29% drop in sales and 0.2% operating margin during the previous recession in 2009 (although there are reasons to believe that the impact of a next recession should be less profound).

Based on our forecasts of EPS (excluding after-tax impact non-recurring items) for 2012 (EUR 1.65) and 2013 (EUR 2.49), Bekaert trades at a P/E valuation of respectively 17.8x and 11.8x. We do not regard this as compelling when also the ongoing risks are taken into consideration. At a fair valuation of 10x, we believe that there is downside risk for the share price to the low EUR 20s. Hence, we re-iterate our REDUCE recommendation and target price of EUR 24 (unchanged). We do consider a share price level in the low EUR 20s an attractive entry point to invest in Bekaert's longer-term potential. We remain optimistic about Bekaert's longer-term growth potential in emerging markets, where the company generates c. 70% of sales.

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	3,262.5	3,265.9	2,905.2	3,080.4
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)	(596.9)	(612.0)	(608.4)	(632.6)
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>725.3</b>	<b>531.3</b>	<b>328.8</b>	<b>441.4</b>
Depreciation	(107.6)	(107.4)	(110.7)	(119.7)	(165.9)	(139.8)	(173.0)	(229.6)	(228.8)	(225.6)
<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>552.3</b>	<b>301.7</b>	<b>100.0</b>	<b>215.8</b>
Reported provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	(9.0)	(13.7)	(5.5)	(4.3)	(35.8)	(13.6)	(18.0)	0.0	(40.0)	0.0
EBIT	139.0	136.3	145.9	174.6	210.5	232.2	534.3	301.7	60.0	215.8
Net financials	(20.5)	(15.3)	(31.0)	(41.0)	(49.2)	(65.6)	(32.4)	(70.4)	(61.9)	(44.6)
<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>501.9</b>	<b>231.3</b>	<b>(1.9)</b>	<b>171.2</b>
Taxes	(18.4)	(30.3)	(18.4)	(19.1)	(25.5)	(33.9)	(139.5)	(64.8)	0.6	(49.7)
Income from associates	53.5	56.9	51.0	47.1	56.1	37.8	36.1	28.2	28.4	34.0
Minorities	(12.3)	(12.0)	(4.8)	(8.7)	(17.7)	(18.6)	(30.9)	(25.3)	(13.5)	(17.1)
<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>367.6</b>	<b>169.5</b>	<b>13.5</b>	<b>138.5</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	367.6	169.5	13.5	138.5
% change in Sales	(3.1)	9.9	5.0	8.2	22.5	(8.5)	33.9	0.1	(11.0)	6.0
% change in EBITDA	6.9	0.7	1.8	13.9	38.0	(6.4)	88.1	(26.8)	(38.1)	34.3
% change in EBITA	32.4	1.3	1.0	18.1	37.7	(0.2)	124.7	(45.4)	(66.9)	115.9
% change in PBT	72.1	2.1	(5.0)	16.3	20.7	3.3	201.3	(53.9)	ns	ns
% change in Net profit before extraordinary	63.0	(3.9)	5.2	7.1	13.9	(12.8)	142.2	(53.9)	(92.0)	922.1

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>725.3</b>	<b>531.3</b>	<b>328.8</b>	<b>441.4</b>
Change in provisions excluding tax provisions	(0.6)	(15.4)	(12.3)	(8.9)	26.2	(44.5)	1.7	21.0	0.0	0.0
Change in net working capital	(112.6)	(32.3)	(31.9)	(41.9)	(162.4)	195.6	(276.9)	(352.6)	293.3	52.0
Gross operating cash flow	142.4	209.8	217.9	247.8	276.0	536.8	450.1	199.7	622.1	493.4
Taxes paid	(32.9)	(25.5)	(16.8)	(24.9)	(27.5)	(31.1)	(113.3)	(64.8)	0.6	(49.7)
Capex	(172.9)	(151.6)	(161.3)	(199.8)	(251.1)	(173.8)	(249.1)	(216.7)	(175.9)	(218.7)
<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>87.7</b>	<b>(81.8)</b>	<b>446.8</b>	<b>225.1</b>
Net interest received	(16.0)	(14.8)	(22.0)	(30.8)	(31.5)	(39.2)	(43.5)	(67.1)	(61.9)	(44.6)
Other	75.5	96.6	(25.4)	42.1	24.2	172.3	16.6	22.9	23.0	27.2
Acquisitions	(16.9)	(21.2)	(42.7)	(14.7)	(44.2)	(3.4)	(29.9)	(48.0)	0.0	0.0
Divestments	0.1	86.5	0.0	4.2	0.7	(0.5)	12.6	80.0	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)	(99.8)	(59.6)	(47.9)
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	193.9	(348.3)	(159.7)
<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	123.5	124.3	125.8
Net tangible fixed assets	791.6	799.8	824.2	917.6	1,070.7	1,127.7	1,295.1	1,249.9	1,156.1	1,147.7
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	626.3	509.4	506.4
Trade debtors	385.2	354.2	398.9	437.7	483.2	479.6	774.3	846.7	689.5	663.6
Other debtors	44.9	63.4	63.7	73.1	125.3	171.2	182.4	260.0	215.0	232.7
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>3,888.9</b>	<b>3,476.9</b>	<b>3,458.6</b>
Shareholder's equity	909.7	1,057.5	1,060.1	1,098.2	1,130.6	1,284.8	1,610.7	1,680.3	1,634.2	1,724.7
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	101.2	109.3	119.5
Provisions	373.0	357.5	331.4	298.8	373.4	329.9	379.9	400.9	400.9	400.9
Long-term interest bearing debt	242.3	288.3	274.4	322.5	288.1	598.1	700.5	894.3	546.1	386.3
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	279.4	264.4	297.3
Other non-interest bearing liabilities	52.7	52.0	59.3	60.0	76.4	129.4	234.2	212.6	201.7	209.5
<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>3,888.9</b>	<b>3,476.9</b>	<b>3,458.6</b>
Enterprise Value (EV)	1,330.5	1,503.0	1,827.0	1,829.4	1,317.4	2,377.1	5,516.2	1,986.1	1,922.3	1,772.8
Net debt/(Net cash)	455.4	311.2	411.2	502.2	672.9	473.7	577.9	771.7	423.5	263.7
Capital Employed incl. goodwill (avg.)	1,458.6	1,515.7	1,517.1	1,610.5	1,850.3	1,969.4	2,148.5	2,529.2	2,488.4	2,268.6
Cumulative goodwill (as of 1991)	131.3	85.3	82.2	75.2	74.6	76.6	77.5	67.5	67.5	67.5
Capital Employed (avg.)	1,332.4	1,407.4	1,433.3	1,531.8	1,775.5	1,893.9	2,071.4	2,456.7	2,420.9	2,201.1
Net working capital	545.9	526.6	544.3	604.6	788.8	632.7	888.5	1,241.1	947.8	895.8
Discounted value of leases	26.3	36.6	32.2	28.6	28.9	28.9	43.9	46.5	48.9	52.0
Adjusted equity	1,041.0	1,142.9	1,142.3	1,173.3	1,205.2	1,361.4	1,688.2	1,747.8	1,701.7	1,792.2



<b>Per Share Data (EUR)</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011e</b>	<b>2012e</b>	<b>2013e</b>
Avg. no. of shares (m)	65.8	64.9	64.5	60.1	59.2	59.2	59.2	59.9	59.9	59.9
Eoy. no. of shares (m)	65.6	64.6	62.8	59.5	59.4	59.5	59.9	59.9	59.9	59.9
Avg. no. of shares fully diluted (m)	65.9	65.1	64.8	60.5	59.4	59.4	59.6	60.2	60.2	60.2
Enterprise Value (EV)	20.28	23.27	29.07	30.75	22.20	39.95	92.11	33.16	32.10	29.60
Net debt less FFA plus minorities	2.64	0.57	1.77	4.16	7.87	4.21	5.41	8.90	3.22	0.73
Sales	26.49	29.50	31.17	36.16	45.01	41.16	55.06	54.54	48.51	51.44
EBITDA	3.89	3.97	4.07	4.97	6.97	6.51	12.24	8.87	5.49	7.37
EBITA	2.25	2.31	2.35	2.98	4.16	4.15	9.32	5.04	1.67	3.60
EBIT	2.11	2.10	2.26	2.90	3.56	3.92	9.02	5.04	1.00	3.60
Net profit before extr. & amort. (EUR)	2.29	2.30	2.30	2.61	3.55	2.79	6.51	2.83	0.89	2.31
Net profit before extraordinary (EUR)	2.15	2.09	2.21	2.54	2.94	2.56	6.21	2.83	0.23	2.31
Cash Flow (EUR)	3.92	3.96	4.02	4.61	6.35	5.15	9.43	6.66	4.71	6.08
Gross Dividend (EUR)	0.67	1.00	0.83	0.92	0.93	0.98	1.67	1.00	0.80	0.81
Book value (EUR)	13.86	16.37	16.87	18.46	19.05	21.59	26.90	28.06	27.29	28.80
Adjusted equity	15.86	17.69	18.18	19.72	20.31	22.88	28.19	29.19	28.42	29.93
Free Cash Flow	(0.96)	0.50	0.62	0.38	(0.04)	5.60	1.48	(1.37)	7.46	3.76
% change in EPS before extr. & amort.	74.88	0.76	(0.11)	13.68	35.68	(21.26)	133.05	(56.53)	(68.40)	158.57

<b>Valuation</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011e</b>	<b>2012e</b>	<b>2013e</b>
P/E (excl. extr. & amort.)	7.3	9.4	11.9	12.5	8.3	9.0	8.2	19.4	32.9	12.7
P/CF (x)	4.3	5.5	6.8	7.1	4.6	4.9	5.7	8.2	6.2	4.8
P/Book (x)	1.4	1.6	1.9	1.7	0.8	1.7	3.2	0.9	1.1	1.0
Dividend yield (%)	4.0	4.6	3.0	2.8	3.2	3.9	3.1	1.8	2.7	2.8
Free cash flow yield (%)	(7.2)	0.4	0.9	(0.5)	(2.5)	18.4	1.2	(4.5)	21.9	10.3
EV/Sales (x)	0.8	0.8	0.9	0.8	0.5	1.0	1.7	0.6	0.7	0.6
EV/EBITDA (x)	5.2	5.8	7.0	6.1	3.2	6.2	7.6	3.7	5.8	4.0
EV/EBITA (x)	9.0	10.0	12.1	10.2	5.3	9.7	10.0	6.6	19.2	8.2
EV/EBIT (x)	9.6	11.0	12.5	10.5	6.3	10.2	10.3	6.6	32.0	8.2
EV/Capital Employed (x)	1.0	1.1	1.3	1.2	0.7	1.3	2.7	0.8	0.8	0.8
EV/CE (incl. goodwill) (x)	0.9	1.0	1.2	1.1	0.7	1.2	2.6	0.8	0.8	0.8
Share price : High (EUR)	19.92	26.32	33.20	37.80	40.11	36.35	86.69	87.43	33.27	
Share price : Low (EUR)	14.50	18.47	23.12	28.15	14.82	12.62	33.67	23.95	25.75	
Share price : Average (EUR)	16.71	21.72	27.39	32.73	29.42	25.11	53.68	54.78	29.40	29.40
Share price : Year end (EUR)	19.58	26.32	31.57	30.67	16.11	36.17	85.90	24.79	29.40	29.40

<b>Capital Efficiency/Solvability</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011e</b>	<b>2012e</b>	<b>2013e</b>
Sales/CE (incl. goodwill)	1.2	1.3	1.3	1.3	1.4	1.2	1.5	1.3	1.2	1.4
Sales/Fixed assets (x)	2.2	2.4	2.4	2.4	2.5	2.2	2.5	2.6	2.5	2.7
Sales/Net working capital (x)	3.2	3.6	3.7	3.6	3.4	3.9	3.7	2.6	3.1	3.4
Inventories/Sales (days)	87.9	66.4	67.0	64.7	70.0	53.7	56.8	70.0	64.0	60.0
Trade debtors/Sales (days)	80.7	67.5	72.5	73.5	66.2	71.8	86.6	94.6	86.6	78.6
Trade creditors/Sales (days)	52.6	35.7	41.4	38.9	34.8	37.0	38.2	31.2	33.2	35.2
CAPEX/Depreciation (%)	160.7	141.1	145.7	166.9	151.3	124.3	144.0	94.4	76.9	96.9
Equity/Total assets (%)	41.6	47.2	47.8	47.5	42.4	45.4	43.8	43.2	47.0	49.9
Net debt/Equity (%)	50.1	29.4	38.8	45.7	59.5	36.9	35.9	45.9	25.9	15.3
Interest cover (x)	6.3	4.8	5.5	5.2	5.4	4.0	9.5	4.1	1.5	4.2
Dividend payout (%)	29.1	43.2	35.3	34.8	26.4	35.3	25.9	35.2	89.5	35.0
ROCE (average) (%)	9.4	8.0	8.9	10.0	11.7	10.3	19.3	8.8	2.9	7.0
ROCE (incl. goodwill) (average) (%)	8.6	7.4	8.4	9.5	11.2	9.9	18.6	8.6	2.9	6.8

<b>Operating Efficiency &amp; Profitability ratios</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011e</b>	<b>2012e</b>	<b>2013e</b>
Sales per FTE employee ('000s)	161.4	178.9	169.2	155.4	165.3	139.0	163.2	163.3	149.8	156.6
Wage costs per FTE employee ('000s)	41.7	42.0	38.9	33.8	32.5	28.5	29.9	30.6	31.4	32.2
EBIT per FTE employee ('000s)	12.9	12.7	12.3	12.5	13.1	13.2	26.7	15.1	3.1	11.0
Gross margin (%)										
EBITDA margin (%)	14.7	13.4	13.0	13.7	15.5	15.8	22.2	16.3	11.3	14.3
Operating margin (%)	8.0	7.1	7.3	8.0	7.9	9.5	16.4	9.2	2.1	7.0
Net margin (%)	6.3	5.5	5.1	5.5	6.4	6.0	11.7	5.1	1.3	3.9
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	29.40

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Maarten Bakker - Equity Research Analyst

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SELL	SELL	The investment case is definitively negative. Investors should sell the stock at any conditions. Expected performance: negative	2%	0%

3 February 2012

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



## History of Target Prices

Date	Recommendation	Target Price
1/4/2012	HOLD	EUR 24.00
11/14/2011	HOLD	EUR 30.00
11/4/2011	HOLD	EUR 28.00
7/29/2011	HOLD	EUR 59.00
6/27/2011	HOLD	EUR 60.00
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
2/2/2012	REDUCE	EUR 24.00
6/27/2011	HOLD	EUR 60.00
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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