

Bekaert

Indy - Industrial, Diversified / Belgium

Target Price EUR 28.00

Expected performance (12 mth) 17.6%

HOLD (upgraded from UNDER REVIEW) EUR 23.82 (Closing price 11-May-12)

Change in recommendation

Worst is over – upgrade to HOLD

14 May 2012

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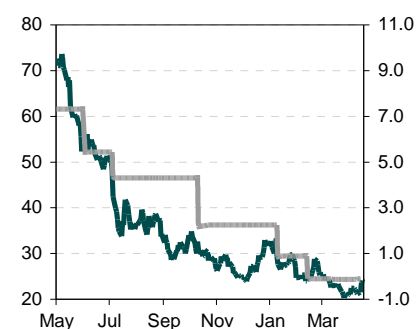
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Opinion on qualitative criteria

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)	1,428.3
No. of shares (m)	60.0
Free float	61.7%
1/3/12 mth perf. (%)	4.1/(12.8)/(69.9)
High/low 52 weeks (EUR)	78.38/20.31
Next results due	27 July 2012
Price/book value (x)	0.9
Volatility (β) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB BB
Website	www.bekaert.com

The trading update for 1Q12 released by Bekaert last week indicated that the worst is behind it. The Chinese sawing wire and tyre cord businesses seem to have stabilised and the recession has a less profound impact on the EMEA division than feared. The trends are positive for the North America and Latin America divisions. Bekaert kept its balance sheet in check and appears to be making progress with the implementation of cost savings measures. The update made us raise our EPS forecasts for 2012 through 2014 to EUR 0.79 (+22%), EUR 2.17 (+19%) and EUR 2.76 (18%), respectively.

Our REDUCE rating on the stock is no longer appropriate. With the short-term risks widely known and sufficiently discounted in the share price, we believe that investors' focus will gradually shift towards Bekaert's longer-term upside. There is indeed quite some potential for Bekaert's earnings to grow in the coming years on the back of a strong emerging markets footprint and a self-help driven recovery (restructuring initiatives). We see the upside reflected in a DCF valuation of EUR 36. However, we are sceptical whether upside will soon be priced in, as investors will need to look quite far ahead to see attractive valuation multiples (and this has become less likely with investors more wary after being not informed well by the company about the dependence on sawing wire in the bonanza years 2009 and 2010). Only when looking to normalised 2014 earnings does the P/E valuation look attractive at 8.6x P/E, but that is also true for the bulk of Benelux stocks. As such, we do not see room to upgrade our rating beyond just HOLD. We set our price target at EUR 28 (was EUR 24), which is the 2013 outcome of our returns-based valuation approach (EV/CE = ROCE/WACC).

Year to December	2010	2011	2012e	2013e	2014e
Sales (EUR m)	3,262.5	3,340.0	3,683.4	3,912.6	4,129.2
EBITDA (EUR m)	725.3	475.7	319.5	452.4	492.6
Net profit excl. extr. & amort. (EUR m)	385.6	199.1	1.2	119.2	154.7
Net profit (EUR m)	367.6	192.6	(38.8)	119.2	154.7
EBITDA margin (%)	22.2	14.2	8.7	11.6	11.9
ROCE (incl. goodwill) (%)	18.6	7.9	(30.7)	7.0	8.3
Net gearing (%)	35.9	51.9	58.2	43.7	32.8
EPS before extr. & amort. (EUR)	6.51	3.38	0.02	1.99	2.58
EPS (EUR)	6.21	3.27	(0.65)	1.99	2.58
DPS (EUR)	1.67	1.17	0.50	0.70	0.90
% change sales	33.9	2.4	10.3	6.2	5.5
% change EPS (excl. extr. & amort.)	133.0	(48.1)	(99.4)	9,831.9	29.8
EV/Sales	1.72	0.71	0.64	0.56	0.50
EV/EBITDA	7.7	5.0	7.4	4.8	4.2
P/E (excl. extr. & amort.)	8.2	16.2	nmf	12.0	9.2
P/E	8.7	16.8	nmf	12.0	9.2
PE/growth (excl. extr.)	0.2	1.3	nmf	nmf	0.0
Free cash flow yield (%)	1.2	(6.7)	2.6	15.2	12.7

Review 1Q12 sales trading update

We prefer to look at *combined* sales (which includes 100% of JVs), as it is not distorted by the fact that Bekaert has increased its shareholding in the JVs in Chile, Peru and Canada since the start of this year (as Bekaert becomes a 52% shareholder in the partnership, it will consolidate some EUR 345m sales based on FY11 numbers). During 1Q12, *combined* sales declined by 7.9% (-8.8% organic) to EUR 1,135m, which exceeded our forecast of EUR 1,078m.

Quarterly sales (EUR m)											
	1Q11	2Q11	3Q11	4Q11	FY2011	1Q12	2Q12E	3Q12E	4Q12E	FY2012E	FY2013E
Consolidated sales:											
EMEA	307	307	293	262	1,169	290	296	290	269	1,145	1,191
North America	176	178	172	139	665	176	176	175	163	690	725
Latin America	82	91	97	102	372	197	199	202	210	808	856
Asia Pacific	353	286	254	241	1,134	232	259	267	282	1,040	1,140
Total	918	862	816	744	3,340	895	931	934	924	3,683	3,913
EMEA % chg.	25.8%	8.9%	8.1%	-2.6%	9.7%	-5.5%	-3.5%	-1.0%	2.7%	-2.0%	4.0%
North America % chg.	24.8%	3.5%	1.2%	-9.9%	4.4%	0.0%	-0.9%	2.0%	16.6%	3.7%	5.0%
Latin America % chg.	22.4%	18.2%	9.0%	30.3%	19.5%	140.2%	119.0%	108.0%	106.6%	117.4%	6.0%
Asia Pacific % chg.	45.9%	-7.7%	-24.4%	-33.0%	-9.1%	-34.3%	-9.5%	5.0%	17.1%	-8.3%	9.7%
Total % chg.	32.3%	2.5%	-5.8%	-13.6%	2.4%	-2.5%	8.0%	14.5%	24.2%	10.3%	6.2%
Combined sales:											
EMEA	305	303	289	259	1,156	290	290	286	267	1,133	1,178
North America	174	175	171	137	657	176	172	174	159	682	716
Latin America	401	413	422	409	1,645	423	428	435	426	1,711	1,813
Asia Pacific	353	288	256	244	1,141	247	245	269	286	1,046	1,147
Total	1,233	1,179	1,138	1,049	4,599	1,135	1,134	1,164	1,137	4,571	4,854
EMEA % chg.	25.5%	8.2%	7.4%	-2.3%	9.4%	-4.9%	-4.3%	-1.0%	3.0%	-2.0%	4.0%
North America % chg.	25.2%	2.3%	1.2%	-9.9%	4.1%	1.1%	-1.9%	2.0%	16.4%	3.7%	5.0%
Latin America % chg.	21.9%	3.8%	0.5%	7.3%	7.7%	5.5%	3.5%	3.0%	4.0%	4.0%	6.0%
Asia Pacific % chg.	45.9%	-7.4%	-24.0%	-33.0%	-9.0%	-30.0%	-15.0%	5.0%	17.0%	-8.3%	9.7%
Total % chg.	29.4%	1.6%	-4.8%	-9.7%	2.9%	-7.9%	-3.8%	2.3%	8.4%	-0.6%	6.2%

Source: company data and ABN AMRO estimates

For EMEA, the 5% decline in sales was almost completely blamed on the sawing wire business. As solar wafer production has almost completely shifted towards Asia, Bekaert is taking drastic measures to adjust its sawing wire business in Belgium (as of the end of May, the company will execute a restructuring that affects 609 jobs). According to Bekaert, all other activities¹ performed well with 12% sales growth compared to 4Q11 (although it must be said that this is a somewhat flawed comparison as Q4 always is relatively slow). The automotive sector was said to have slowed down in the OEM segment, but remained strong in the replacement market (the latter consists in particular of tyre cord, as typically three out of four tyres are destined for the replacement market). We have raised our forecasts, as the European recession seems to have a less profound impact on EMEA than we feared based on the 2H11 results (1Q12 sale of EUR 290m significantly beat our forecast of EUR 261m).

North America reported flat sales of EUR 176m (EUR 153m expected), as the disposal of the Specialty Films activity (with estimated quarterly sales of c. EUR 25m) was said to be compensated by a better performance in most activity platforms (compared to 4Q11 – which already excluded Specialty Films – sales increased by 36%, although this growth rate also reflects some seasonality).

Latin America was the best performer with 6% y-o-y growth in *combined* sales to a record high level of EUR 423m (a tad higher than our forecast of

¹ Sales breakdown EMEA by product group in 2011: 39% automotive, 20% energy & utilities, 19% construction, 22% other.

EUR 417m). This is consistent with the positive outlook that Bekaert gave for the region at the FY11 results.

The Asia Pacific division reported a 30% y-o-y drop in sales to EUR 247m (in line with our forecast of EUR 247m). Note that the drop reflects a challenging comparison base, as the troubles for sawing wire really started in May of last year (1Q11 was still exceptionally strong). On a positive note, sales were roughly in line with those of 4Q11 and 4Q12, suggesting that the decline in sawing wire is stabilising. However, price levels and margins will never come back as there is three times more sawing wire production capacity than is needed, which will take many years of growth to be absorbed. The other activities in China were said to have achieved a stable business performance, which downplays our concerns about overcapacity in the tyre cord market as well. Continued growth was realised in India and Indonesia.

Bekaert noted that the earlier-announced study to identify EUR 100m in cost savings (through a general improvement of the global structure in order to optimise the efficiency and synergy potential within the entire organisation). The impact on the results is now expected to come into effect from 2013 onwards (this is later than 2H12 hinted at previously). The measures should restore Bekaert's profitability to the former EBIT margin target of 7-9% (we expect this target to be reached again in 2014 with a margin of 7.5%, compared with forecasts of 6.9% for 2013 and 5.5% for 2012).

Bekaert also announced the acquisition (for an EV of EUR 47m) of a 55% stake in a newly established JV with Southern Steel Berhad (a leading Malaysian steel group). The transaction covers Southern Steel Berhad's interests in two platforms in Malaysia and Bekaert's galvanised wire business in Indonesia. The deal (expected to be closed in 3Q12) would add c. EUR 60m to Bekaert's consolidated sales based on 2011 numbers.

EPS estimates 2012 through 2014 raised by 22%, 19% and 18%

EPS estimates 2012 through 2014 raised by 22%, 19% and 18%. The 1Q12 update indicated that to us that Bekaert has turned the corner. It made us raise our forecasts of EPS (corrected for non-recurring charges) by 14c (22%) to EUR 0.79 for 2012, by 34c (19%) to EUR 2.17 for 2013 and by 42c (18%) to EUR 2.76 for 2014 (we refer to the table on page 5 for more detail behind our forecasts).

Old versus new forecasts (EUR m)

	2012			2013			2014		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
Sales	3,393	3,683	9%	3,560	3,913	10%	3,760.0	4,129	10%
EBITE margin	172 5.1%	202 5.5%	17%	239 6.7%	271 6.9%	13%	274 7.3%	312 7.5%	14%
EPS excl. after-tax non-recurring (EUR)	0.65	0.79	22%	1.82	2.17	19%	2.34	2.76	18%
EPS (EUR)	(0.77)	(0.65)	nmf	1.65	1.99	21%	2.16	2.58	20%

Source: ABN AMRO

Investment opinion

Recommendation upgraded from REDUCE TO HOLD

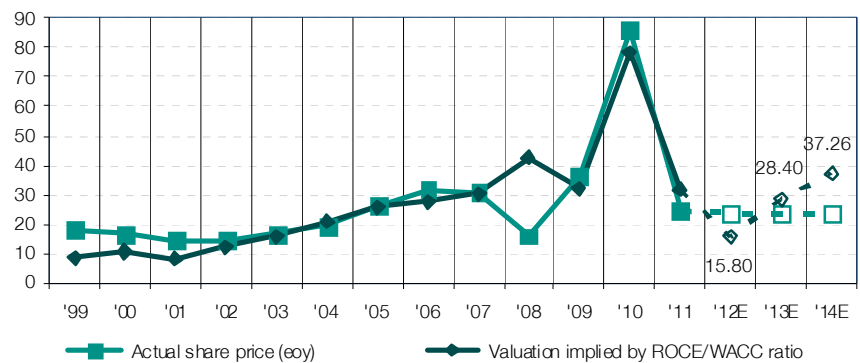
The 1Q12 update indicated that the worst is over and that our REDUCE rating on the stock is no longer appropriate. With the short-term risks widely known and sufficiently discounted in the share price, we believe that investors' focus will shift towards Bekaert's longer-term upside. There is indeed quite some potential for Bekaert's earnings to grow in the coming years on the back of a strong emerging markets footprint and a self-help driven recovery (restructuring

initiatives). We see the upside reflected in a DCF valuation of EUR 36. However, we are sceptical whether upside will soon be priced in, as investors will need to look quite far ahead to see attractive valuation multiples (and this has become less likely with investors more wary after feeling not informed well by Bekaert about the dependence on sawing wire in the bonanza years 2009 and 2010). The stock is expensive at a 2012 P/E multiple of 30.0x (corrected for restructuring charges), although it must be said that this is based on depressed earnings. The 2013 P/E valuation of 11.0x seems just fair (in line with the 10-year historic average of 10.3x). It is only on normalised earnings for 2014 that the valuation looks attractive at 8.6x P/E (but this is also true for the bulk of Benelux stocks). As such, we do not see room to upgrade our rating beyond just HOLD.

Price target raised from EUR 24 to EUR 28

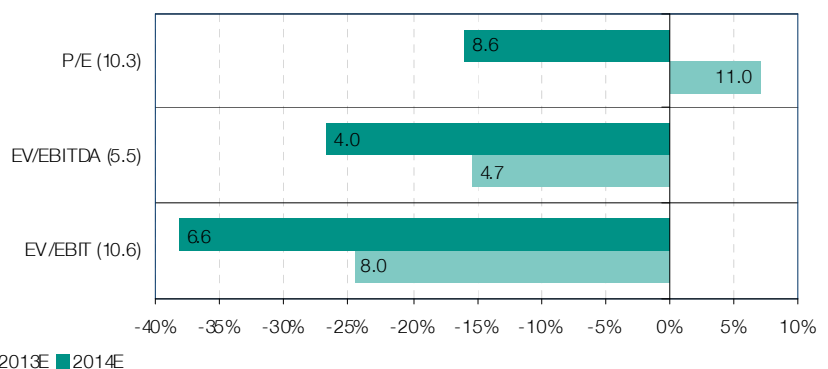
Our price target is as always based on a returns-based valuation approach (where $EV/CE = ROCE/WACC$). Owing to an upgrade of our earnings forecasts, the 2013 outcome has increased to EUR 28 (previously EUR 24). Back-testing validates this valuation methodology, as Bekaert's historical share price development 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

Forward valuation against average 2001-2011 valuation



Source: ABN AMRO

P&L Bekaert (EUR m)

	2010	1H11	2H11	2011	1H12E	2H12E	2012E	2013E	2014E
EMEA	1,066	614	555	1,169	586	559	1,145	1,191	1,239
North America	638	354	311	665	352	338	690	725	747
Latin America	311	173	199	372	396	412	808	856	891
Asia Pacific	1,248	639	495	1,134	491	549	1,040	1,140	1,253
Consolidated sales	3,262	1,780	1,560	3,340	1,826	1,858	3,683	3,913	4,129
% chg.	33.9%	15.9%	-9.7%	2.4%	2.6%	19.1%	10.3%	6.2%	5.5%
organic	31.5%	7.0%	5.4%	6.1%	-0.4%	2.7%	1.0%	5.7%	5.7%
fx	1.0%	-2.1%	-0.8%	-1.4%	1.5%	1.7%	1.6%	0.0%	0.0%
consolidation	1.4%	-0.4%	-1.4%	-0.9%	10.0%	14.1%	11.9%	1.3%	0.0%
EBITDAE	753	353	135	488	217	222	440	467	508
margin	23.1%	19.8%	8.7%	14.6%	11.9%	12.0%	11.9%	11.9%	12.3%
% chg.	83.7%	-4.0%	-65.0%	-35.2%	-38.4%	64.4%	-10.0%	6.3%	8.6%
EBITE EMEA	95	54	12	66	28	39	66	89	105
margin	8.9%	8.8%	2.1%	5.6%	4.7%	7.0%	5.8%	7.5%	8.5%
% chg	5722.9%	0.0%	-71.4%	-30.9%	-49.0%	228.5%	0.9%	34.5%	17.9%
EBITE North America	34	28	4	32	19	18	37	45	52
margin	5.3%	7.9%	1.2%	4.8%	5.5%	5.3%	5.4%	6.2%	7.0%
% chg	nmf	33.3%	-70.9%	-6.7%	-30.8%	369.1%	17.2%	20.6%	16.3%
EBITE Latin America	26	16	19	35	36	39	74	80	80
margin	8.3%	9.2%	9.6%	9.4%	9.0%	9.4%	9.2%	9.3%	9.0%
% chg	-5.9%	14.3%	59.4%	35.0%	122.9%	103.5%	112.4%	7.2%	0.6%
EBITE Asia Pacific	471	185	39	224	36	45	81	111	131
margin	37.7%	29.0%	7.9%	19.7%	7.3%	8.2%	7.8%	9.7%	10.5%
% chg	63.5%	-10.2%	-85.3%	-52.4%	-80.6%	15.7%	-63.9%	37.0%	18.3%
Other	(64)	(41)	(35)	(76)	(32)	(25)	(57)	(54)	(57)
Total EBITE	562	242	39	281	87	116	202	271	312
margin	17.2%	13.6%	2.5%	8.4%	4.7%	6.2%	5.5%	6.9%	7.5%
% chg.	119.1%	-7.5%	-87.2%	-50.1%	-64.3%	199.9%	-28.1%	34.3%	14.9%
Non-recurring items	(28)	(11)	(2)	(12)	(106)	(14)	(120)	(15)	(15)
EBIT	534	232	37	268	(19)	101	82	256	297
Net financial charges	(32)	(35)	16	(19)	(38)	(39)	(77)	(73)	(64)
EBT	502	197	53	250	(57)	62	5	183	233
Taxes as % of EBT	(139) 27.8%	(54) 27.2%	(15) 27.7%	(68) 27.3%	(6) -10.6%	(30) 48.6%	(36) 767.5%	(53) 29.0%	(67) 29.0%
Share in results joint ventures	36	14	11	25	6	7	13	14	16
Result discontinued operations	0	0	0	0	0	0	0	0	0
Minority interests	(31)	(13)	(1)	(15)	(9)	(11)	(20)	(25)	(26)
Net profit continuing operations	368	144	48	193	(67)	28	(39)	119	155
% chg.	142.2%	-20.3%	-74.1%	-47.6%	-146.1%	-42.5%	-120.1%	nmf	29.8%
EPS basic (EUR)	6.21	2.45	0.82	3.27	(1.12)	0.46	(0.65)	1.99	2.58
% chg.	142.1%	-19.7%	-74.0%	-47.3%	-145.7%	-43.5%	-119.8%	nmf	29.8%
Net profit excl. non-recurring	388	152	50	202	10	38	48	130	165
% chg.	126.4%	7.9%	-48.0%	-48.0%	-147.1%	27.0%	-76.4%	172.9%	27.3%
EPS excl. non-recurring (EUR)	6.55	2.58	0.84	3.42	0.16	0.63	0.79	2.17	2.76
% chg.	126.3%	1395.3%	1052.1%	-47.7%	433.0%	674.3%	-76.8%	172.9%	27.3%
DPS (EUR)	1.67			1.17			0.50	0.70	0.90
pay out	27.2%			36.4%			-77.3%	35.0%	35.0%

Source: company data and ABN AMRO estimates

P & L Statement (EUR m) Year to December	2005	2006	2007	2008	2009	2010	2011	2012e	2013e	2014e
Net sales	1,914.3	2,009.6	2,173.6	2,662.4	2,437.3	3,262.5	3,340.0	3,683.4	3,912.6	4,129.2
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personnel costs	(449.9)	(462.0)	(472.6)	(524.2)	(499.1)	(596.9)	(618.6)	(659.6)	(686.2)	(712.7)
Other operating costs										
EBITDA	257.4	262.2	298.6	412.2	385.7	725.3	475.7	319.5	452.4	492.6
Depreciation	(107.4)	(110.7)	(119.7)	(165.9)	(139.8)	(173.0)	(200.8)	(197.5)	(196.1)	(195.9)
EBITA	150.0	151.4	178.9	246.3	245.8	552.2	274.9	122.0	256.2	296.7
Reported provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	(13.7)	(5.5)	(4.3)	(35.8)	(13.6)	(18.0)	(6.5)	(40.0)	0.0	0.0
EBIT	136.3	145.9	174.6	210.5	232.2	534.3	268.4	82.0	256.2	296.7
Net financials	(15.3)	(31.0)	(41.0)	(49.2)	(65.6)	(32.4)	(18.5)	(77.3)	(73.2)	(64.0)
Profit Before Taxes (PBT)	121.0	114.9	133.6	161.2	166.6	501.9	249.9	4.7	183.0	232.7
Taxes	(30.3)	(18.4)	(19.1)	(25.5)	(33.9)	(139.5)	(68.1)	(36.2)	(53.1)	(67.5)
Income from associates	56.9	51.0	47.1	56.1	37.8	36.1	25.4	12.7	14.1	15.8
Minorities	(12.0)	(4.8)	(8.7)	(17.7)	(18.6)	(30.9)	(14.6)	(20.0)	(24.8)	(26.3)
Net profit before extraordinary	135.7	142.8	152.9	174.1	151.8	367.6	192.6	(38.8)	119.2	154.7
Extraordinary items	54.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net reported profit	189.9	142.8	152.9	174.1	151.8	367.6	192.6	(38.8)	119.2	154.7
% change in Sales	9.9	5.0	8.2	22.5	(8.5)	33.9	2.4	10.3	6.2	5.5
% change in EBITDA	0.7	1.8	13.9	38.0	(6.4)	88.1	(34.4)	(32.8)	41.6	8.9
% change in EBITA	1.3	1.0	18.1	37.7	(0.2)	124.7	(50.2)	(55.6)	110.0	15.8
% change in PBT	2.1	(5.0)	16.3	20.7	3.3	201.3	(50.2)	(98.1)	3,783.2	27.2
% change in Net profit before extraordinary	(3.9)	5.2	7.1	13.9	(12.8)	142.2	(47.6)	ns	ns	29.8

Cash Flow Statement (EUR m)	2005	2006	2007	2008	2009	2010	2011	2012e	2013e	2014e
EBITDA	257.4	262.2	298.6	412.2	385.7	725.3	475.7	319.5	452.4	492.6
Change in provisions excluding tax provisions	(15.4)	(12.3)	(8.9)	26.2	(44.5)	1.8	(22.7)	0.0	0.0	0.0
Change in net working capital	(32.3)	(31.9)	(41.9)	(162.4)	195.6	(276.9)	(199.8)	3.5	82.7	4.1
Gross operating cash flow	209.8	217.9	247.8	276.0	536.8	450.1	253.2	323.1	535.1	496.7
Taxes paid	(25.5)	(16.8)	(24.9)	(27.5)	(31.1)	(113.3)	(129.3)	(36.2)	(53.1)	(67.5)
Capex	(151.6)	(161.3)	(199.8)	(251.1)	(173.8)	(249.1)	(277.7)	(172.7)	(191.8)	(183.4)
Free cash flow	32.7	39.8	23.1	(2.6)	331.9	87.7	(153.7)	114.1	290.2	245.9
Net interest received	(14.8)	(22.0)	(30.8)	(31.5)	(39.2)	(43.5)	(59.0)	(77.3)	(73.2)	(64.0)
Other	96.6	(25.4)	42.1	24.2	172.3	16.6	283.4	36.9	4.2	5.3
Acquisitions	(21.2)	(42.7)	(14.7)	(44.2)	(3.4)	(29.9)	(17.9)	(47.0)	0.0	0.0
Divestments	86.5	0.0	4.2	0.7	(0.5)	12.6	101.3	0.0	0.0	0.0
Share issues/buybacks	(24.3)	(56.1)	(111.0)	(19.7)	(0.5)	(57.7)	0.7	0.0	0.0	0.0
Dividend (adj. stock dividend)	(52.2)	(74.1)	(57.2)	(62.2)	(50.6)	(118.5)	(163.1)	(70.2)	(30.0)	(41.7)
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	20.6	39.1	136.4	180.4	(252.5)	299.8	241.8	43.5	(191.2)	(145.4)
Change in cash & cash equivalents	123.8	(141.5)	(7.9)	45.1	157.5	167.1	233.5	0.0	0.0	0.0

Balance Sheet (EUR m)	2005	2006	2007	2008	2009	2010	2011	2012e	2013e	2014e
Net intangible fixed assets	125.4	134.5	122.0	111.5	105.0	131.1	103.5	124.4	127.3	130.9
Net tangible fixed assets	799.8	824.2	917.6	1,070.7	1,127.7	1,295.1	1,433.6	1,385.5	1,378.3	1,362.1
Financials fixed assets (FFA)	325.5	348.6	303.4	247.7	311.7	339.6	398.4	362.9	362.9	362.9
Inventories	348.3	368.8	385.4	510.5	358.4	507.7	577.9	597.0	602.0	635.3
Trade debtors	354.2	398.9	437.7	483.2	479.6	774.3	828.3	842.9	809.6	786.5
Other debtors	63.4	63.7	73.1	125.3	171.2	182.4	150.9	203.7	202.3	229.9
Cash & securities	222.7	81.2	73.2	118.3	275.8	442.9	676.5	676.5	676.5	676.5
Total Assets	2,239.3	2,219.8	2,312.6	2,667.2	2,829.5	3,673.1	4,169.1	4,192.8	4,158.8	4,184.1
Shareholder's equity	1,057.5	1,060.1	1,098.2	1,130.6	1,284.8	1,610.7	1,693.9	1,584.9	1,674.2	1,787.2
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	51.1	48.9	48.4	41.8	88.7	86.0	72.5	84.5	99.4	115.2
Provisions	357.5	331.4	298.8	373.4	329.9	379.9	351.6	351.6	351.6	351.6
Long-term interest bearing debt	288.3	274.4	322.5	288.1	598.1	700.5	907.6	951.0	759.8	614.4
Short-term interest bearing debt	245.6	218.0	253.0	503.1	151.4	320.3	648.5	648.5	648.5	648.5
Trade creditors	187.4	227.8	231.7	253.8	247.1	341.7	290.6	330.6	372.6	393.3
Other non-interest bearing liabilities	52.0	59.3	60.0	76.4	129.4	234.2	204.4	241.6	252.6	274.0
Total Liabilities & Capital	2,239.3	2,219.8	2,312.6	2,667.2	2,829.5	3,673.1	4,169.1	4,192.8	4,158.8	4,184.1
Enterprise Value (EV)	1,532.5	1,856.1	1,853.4	1,337.8	2,406.8	5,606.1	2,355.9	2,353.1	2,176.8	2,047.2
Net debt/(Net cash)	311.2	411.2	502.2	672.9	473.7	577.9	879.6	923.1	731.9	586.4
Capital Employed incl. goodwill (avg.)	1,515.7	1,517.1	1,610.5	1,850.3	1,969.4	2,148.5	2,522.5	2,652.7	2,595.8	2,545.9
Cumulative goodwill (as of 1991)	85.3	82.2	75.2	74.6	76.6	77.5	40.4	49.8	49.8	49.8
Capital Employed (avg.)	1,407.4	1,433.3	1,531.8	1,775.5	1,893.9	2,071.4	2,463.6	2,607.7	2,546.1	2,496.1
Net working capital	526.6	544.3	604.6	788.8	632.7	888.5	1,062.1	1,071.3	988.6	984.5
Discounted value of leases	36.6	32.2	28.6	28.9	28.9	43.9	35.7	37.7	39.7	41.5
Adjusted equity	1,142.9	1,142.3	1,173.3	1,205.2	1,361.4	1,688.2	1,734.2	1,634.7	1,723.9	1,836.9

Per Share Data (EUR)	2005	2006	2007	2008	2009	2010	2011	2012e	2013e	2014e
Avg. no. of shares (m)	64.9	64.5	60.1	59.2	59.2	59.2	58.9	60.0	60.0	60.0
Eoy. no. of shares (m)	64.6	62.8	59.5	59.4	59.5	59.9	60.0	60.0	60.0	60.0
Avg. no. of shares fully diluted (m)	65.1	64.8	60.5	59.4	59.4	59.6	59.3	60.4	60.4	60.4
Enterprise Value (EV)	23.73	29.54	31.15	22.54	40.45	93.62	39.28	39.23	36.29	34.13
Net debt less FFA plus minorities	0.57	1.77	4.16	7.87	4.21	5.41	9.23	10.75	7.81	5.65
Sales	29.50	31.17	36.16	45.01	41.16	55.06	56.67	61.41	65.24	68.85
EBITDA	3.97	4.07	4.97	6.97	6.51	12.24	8.07	5.33	7.54	8.21
EBITA	2.31	2.35	2.98	4.16	4.15	9.32	4.66	2.03	4.27	4.95
EBIT	2.10	2.26	2.90	3.56	3.92	9.02	4.55	1.37	4.27	4.95
Net profit before extr. & amort. (EUR)	2.30	2.30	2.61	3.55	2.79	6.51	3.38	0.02	1.99	2.58
Net profit before extraordinary (EUR)	2.09	2.21	2.54	2.94	2.56	6.21	3.27	(0.65)	1.99	2.58
Cash Flow (EUR)	3.96	4.02	4.61	6.35	5.15	9.43	6.79	3.31	5.26	5.85
Gross Dividend (EUR)	1.00	0.83	0.92	0.93	0.98	1.67	1.17	0.50	0.70	0.90
Book value (EUR)	16.37	16.87	18.46	19.05	21.59	26.90	28.24	26.43	27.91	29.80
Adjusted equity	17.69	18.18	19.72	20.31	22.88	28.19	28.92	27.26	28.74	30.63
Free Cash Flow	0.50	0.62	0.38	(0.04)	5.60	1.48	(2.61)	1.90	4.84	4.10
% change in EPS before extr. & amort.	0.76	(0.11)	13.68	35.68	(21.26)	133.02	(48.09)	(99.41)	9,831.93	29.76

Valuation	2005	2006	2007	2008	2009	2010	2011	2012e	2013e	2014e
P/E (excl. extr. & amort.)	9.4	11.9	12.5	8.3	9.0	8.2	16.2	nmf	12.0	9.2
P/CF (x)	5.5	6.8	7.1	4.6	4.9	5.7	8.1	7.2	4.5	4.1
P/Book (x)	1.6	1.9	1.7	0.8	1.7	3.2	0.9	0.9	0.9	0.8
Dividend yield (%)	4.6	3.0	2.8	3.2	3.9	3.1	2.1	2.1	2.9	3.8
Free cash flow yield (%)	0.4	0.9	(0.5)	(2.5)	18.4	1.2	(6.7)	2.6	15.2	12.7
EV/Sales (x)	0.8	0.9	0.9	0.5	1.0	1.7	0.7	0.6	0.6	0.5
EV/EBITDA (x)	6.0	7.1	6.2	3.2	6.2	7.7	5.0	7.4	4.8	4.2
EV/EBITA (x)	10.2	12.3	10.4	5.4	9.8	10.2	8.6	19.3	8.5	6.9
EV/EBIT (x)	11.2	12.7	10.6	6.4	10.4	10.5	8.8	28.7	8.5	6.9
EV/Capital Employed (x)	1.1	1.3	1.2	0.8	1.3	2.7	1.0	0.9	0.9	0.8
EV/CE (incl. goodwill) (x)	1.0	1.2	1.2	0.7	1.2	2.6	0.9	0.9	0.8	0.8
Share price : High (EUR)	26.32	33.20	37.80	40.11	36.35	86.69	87.43	33.27		
Share price : Low (EUR)	18.47	23.12	28.15	14.82	12.62	33.67	23.95	20.31		
Share price : Average (EUR)	21.72	27.39	32.73	29.42	25.11	53.68	54.78	23.82	23.82	23.82
Share price : Year end (EUR)	26.32	31.57	30.67	16.11	36.17	85.90	24.79	23.82	23.82	23.82

Capital Efficiency/Solvability	2005	2006	2007	2008	2009	2010	2011	2012e	2013e	2014e
Sales/CE (incl. goodwill)	1.3	1.3	1.3	1.4	1.2	1.5	1.3	1.4	1.5	1.6
Sales/Fixed assets (x)	2.4	2.4	2.4	2.5	2.2	2.5	2.3	2.7	2.8	3.0
Sales/Net working capital (x)	3.6	3.7	3.6	3.4	3.9	3.7	3.1	3.4	4.0	4.2
Inventories/Sales (days)	66.4	67.0	64.7	70.0	53.7	56.8	63.2	59.2	56.2	56.2
Trade debtors/Sales (days)	67.5	72.5	73.5	66.2	71.8	86.6	90.5	83.5	75.5	69.5
Trade creditors/Sales (days)	35.7	41.4	38.9	34.8	37.0	38.2	31.8	32.8	34.8	34.8
CAPEX/Depreciation (%)	141.1	145.7	166.9	151.3	124.3	144.0	138.3	87.5	97.8	93.6
Equity/Total assets (%)	47.2	47.8	47.5	42.4	45.4	43.8	40.6	37.8	40.3	42.7
Net debt/Equity (%)	29.4	38.8	45.7	59.5	36.9	35.9	51.9	58.2	43.7	32.8
Interest cover (x)	4.8	5.5	5.2	5.4	4.0	9.5	3.9	1.5	3.2	4.2
Dividend payout (%)	43.2	35.3	34.8	26.4	35.3	25.9	35.2	2,497.8	35.0	35.0
ROCE (average) (%)	8.0	8.9	10.0	11.7	10.3	19.3	8.1	(31.2)	7.1	8.4
ROCE (incl. goodwill) (average) (%)	7.4	8.4	9.5	11.2	9.9	18.6	7.9	(30.7)	7.0	8.3

Operating Efficiency & Profitability ratios	2005	2006	2007	2008	2009	2010	2011	2012e	2013e	2014e
Sales per FTE employee ('000s)	178.9	169.2	155.4	165.3	139.0	163.2	150.8	159.9	167.3	174.3
Wage costs per FTE employee ('000s)	42.0	38.9	33.8	32.5	28.5	29.9	27.9	28.6	29.3	30.1
EBIT per FTE employee ('000s)	12.7	12.3	12.5	13.1	13.2	26.7	12.1	3.6	11.0	12.5
Gross margin (%)										
EBITDA margin (%)	13.4	13.0	13.7	15.5	15.8	22.2	14.2	8.7	11.6	11.9
Operating margin (%)	7.1	7.3	8.0	7.9	9.5	16.4	8.0	2.2	6.5	7.2
Net margin (%)	5.5	5.1	5.5	6.4	6.0	11.7	5.6	0.2	3.3	4.0
Tax rate (%)	25.0	16.0	14.3	15.8	20.4	27.8	27.3	767.5	29.0	29.0

Important disclosures

Issuer	Ticker	Price (EUR)
Bekaert	BEKB.BR	23.82

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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	1%	0%

14 May 2012

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Historical equity recommendations and target price for Bekaert (EUR)



History of Target Prices

Date	Recommendation	Target Price
5/11/2012	HOLD	EUR 28.00
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

History of Recommendations

Date	Recommendation	Target Price
5/11/2012	HOLD	EUR 28.00
5/9/2012	UNDER REVIEW	EUR 24.00
2/2/2012	REDUCE	EUR 24.00
6/27/2011	HOLD	EUR 60.00
8/5/2009	BUY	EUR 37.33

Source: ABN AMRO Bank Equity Research, FactSet

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