

Bekaert

Indy - Industrial, Diversified / Belgium

Target Price EUR 30.00

Expected performance (12 mth) 9.3%

REDUCE EUR 27.44 (Closing price 29-Jul-13)

Company results

1H13 shows admirable self-help – upgrade to HOLD

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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. 2013



Source: FactSet, ABN Amro Equity Research

Market capitalisation (EUR m)	1,646.4
No. of shares (m)	60.0
Free float	61.7%
1/3/12 mth perf. (%)	12.3/14.1/27.6
High/low 52 weeks (EUR)	27.44/17.82
Next results due	14 2013
Price/book value (x)	1.2
Volatility (β) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB BB
Website	www.bekaert.com

Bekaert proves cost savings to be more sticky than thought ...

Bekaert turned in admirable 1H13 numbers, with a 7% y-o-y rise in EBITE to EUR 91m, beating our forecast and the consensus of EUR 72m. Thereby, the company has shown that it is able to offset challenging trading conditions with the cost savings implemented since 2012. The full effect of which was first seen in 1H13. It has made us more optimistic about the earnings recovery potential.

... making us a lot more optimistic about the earnings recovery potential ...

We have now pencilled in a recovery of the EBITE margin to 5.7% in 2013, 7.2% in 2014 (compared with the target of >7%, conditional on some recovery of markets) and 8.2% in 2015 (in line with long-term target of 7-9%). This boils down to a raise of our EPS forecast to EUR 0.87 for 2013 (only +3% due to higher tax rate), to EUR 2.20 (+30%) for 2014 and to EUR 2.87 (+36%) for 2015.

... but, as this seems largely priced in already, we only raise to HOLD

Yet, we feel that the envisaged earnings recovery is to a large degree already priced in at a 2014 valuation of 12.5x P/E and 8.1x EV/EBIT (in line with historic average). Consistent with our earnings upgrade, we raise our 12-month target price to EUR 30, which is the average of our DCF model of EUR 32 and the 2014 outcome of our returns-based valuation of EUR 27 (where EV/CE = ROCE/WACC). The latter approach indicates longer-term upside to EUR 36 based on a full return to normalised earnings in 2015. We drop our REDUCE rating, but the limited upside potential in the foreseeable future keeps our rating limited to HOLD. We remove the stock from our 'least favourites' list.

Year to December	2011	2012	2013e	2014e	2015e
Sales (EUR m)	3,340.0	3,460.0	3,385.3	3,583.9	3,769.1
EBITDA (EUR m)	475.7	279.0	331.1	408.0	455.1
Net profit excl. extr. & amort. (EUR m)	199.1	(103.7)	52.2	132.3	172.2
Net profit (EUR m)	192.6	(194.7)	52.2	132.3	172.2
EBITDA margin (%)	14.2	8.1	9.8	11.4	12.1
ROCE (incl. goodwill) (%)	7.9	2.5	3.0	6.8	8.2
Net gearing (%)	51.9	51.7	43.4	32.8	24.4
EPS before extr. & amort. (EUR)	3.38	(1.76)	0.87	2.20	2.87
EPS (EUR)	3.27	(3.30)	0.87	2.20	2.87
DPS (EUR)	1.17	0.85	0.30	0.77	1.00
% change sales	2.4	3.6	(2.2)	5.9	5.2
% change EPS (excl. extr. & amort.)	(48.1)	ns	ns	153.2	30.2
EV/Sales	0.66	0.59	0.65	0.58	0.53
EV/EBITDA	4.6	7.4	6.6	5.1	4.4
P/E (excl. extr. & amort.)	16.2	nmf	31.5	12.4	9.6
P/E	16.8	nmf	31.5	12.4	9.6
PE/growth (excl. extr.)	1.3	nmf	nmf	0.0	0.1
Free cash flow yield (%)	(6.5)	21.0	9.4	7.0	7.7

Admirable 1H13 results

At group level, *consolidated* sales declined organically by 5.7% y-o-y in 1H13. The company told us that this breaks down in -1.0% volumes, -3.7% raw materials (effect of passing through changes in wire rod price) and -1.0% pricing/mix. The latter is attributable in particular to a negative pricing/mix effect of 8.4% in the Asia Pacific division, where Bekaert chose to aggressively defend its market position in tyre cord.

Breakdown organic change in sales (in volume, wire rod and pricing/mix)

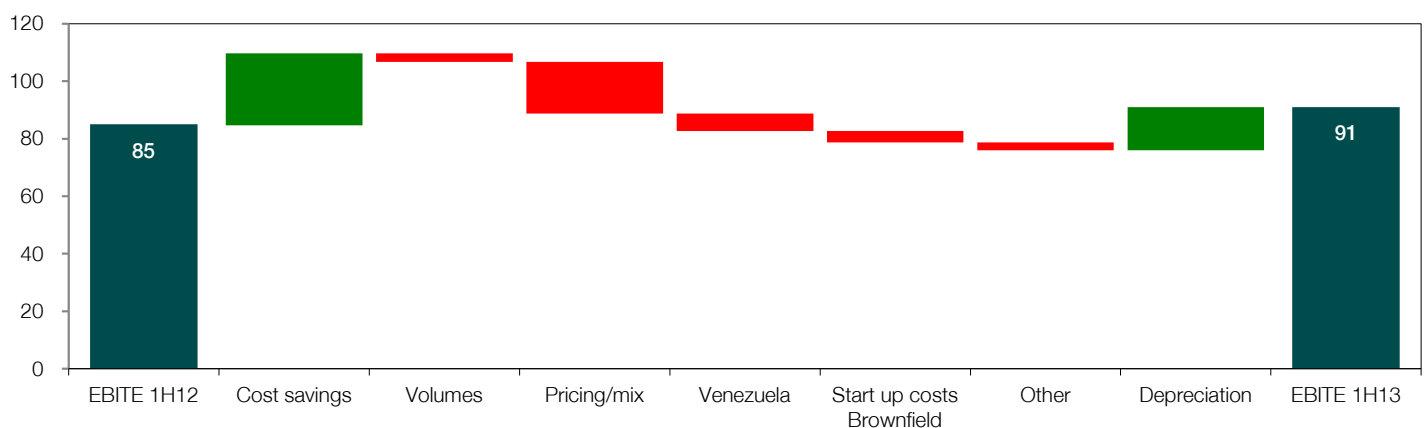
	Organic	volumes	wire rod	pricing/mix
EMEA	2.8%	-2.8%	-2.0%	2.0%
North America	-14.7%	-14.1%	-5.0%	4.4%
Latin America	0.2%	6.6%	-5.3%	-1.1%
Asia Pacific	-7.3%	4.5%	-3.4%	-8.4%
Group	-5.7%	-1.0%	-3.7%	-1.0%

Source: ABN AMRO

It was encouraging to see that Bekaert managed to keep the gross margin stable at 15.1% in 1H13, as the impact of lower pricing/mix has been offset by the restructuring measures implemented since last year. This also lowered S,G&A costs as percentage of sales from 10.4% in 1H12 to 9.9% in 1H13.

As a result, group EBITE increased by 7% y-o-y to EUR 91m (beating our forecast and the consensus of EUR 72m), which represents an improvement of the margin by 70bps to 5.5%. We note that this improvement has been achieved without the help from noticeable volume leverage. The chart below shows the bridge of the y-o-y drivers of 1H13 EBITE as estimated by us: cost savings (EUR 25m) and lower depreciation/amortisation charges (EUR 15m) more than offset the negative effect of volumes (EUR 4m), pricing/mix (EUR 18m) and Venezuela (EUR 6m).

Drivers of y-o-y change in 1H13 EBITE (EUR m)



Source: ABN AMRO

The 1H13 results showed for the first time the full effect of the cost savings measures implemented since 2012. We remind that Bekaert took a vast array of measures to save in total EUR 100m costs by 2014 (to be partly offset by indicated cost inflation of EUR 15m). After EUR 20m was realised in 2012, it delivered EUR 25m in 1H13. The company expects to deliver another EUR 25m in 2H13 and EUR 30m in 2014 (most in 1H12).

The **EMEA** division was the start performer in 1H13. It saw a positive volume trend from -7.6% in 1Q13 to +2.3% in 2Q13. Despite 4% lower sales, cost savings helped to lift divisional EBITE by 28% to EUR 46m. This represents a recovery of the operating margin from 6.5% in 1H12 and 5.5% in 2H12 to a solid 8.6% in 1H13. The company cautions, however, for the impact of

seasonality in the second half of the year (lower capacity utilisation due to summer lull and holiday season at the end of the year). We have assumed that this seasonality effect will be less strong this year, given the positive volume trend and the contribution of additional cost savings. For 2H13, we have pencilled in that 8% revenue growth and an operating margin of 8.4% drives a 63% jump in EBITE to EUR 44m.

The **North America** division turned in a rather disappointing performance. Volumes declined by 14% (-15% in 1Q13 and -13% in 2Q13) due to weak demand in most industrial segments, delayed projects and investments in energy markets (both oil & gas and electricity power grid infrastructure), increased Asian imports and a competitor with a new bead wire plant aggressively taking market share. That said, it can actually be considered to be an admirable performance that the EBITE margin was maintained at a reasonable 6.2% in 1H13 (-110bps y-o-y). But management acknowledged that North American profitability is below par and needs to improve in the coming years. For 2H13, we have assumed a similar EBITE performance as in 1H13 (we thus assume a limited seasonal impact in H2 to be offset by a modest recovery).

The **Latin America** division turned in a solid performance. Volumes increased by 6.6%, partly offset by a negative impact from pricing/mix (pressure from Asian imports) of 1.1%. EBITE remained stable at EUR 28m which represents a y-o-y improvement of the margin by 70bps to 7.9%. This is a solid performance, as Bekaert thus offset the impact of applying inflation accounting for the business in Venezuela (which had an impact on EBITE of EUR 6m). For 2H13 (usually the stronger half), we have modelled an improvement of EBITE to EUR 35m (margin +40bps y-o-y to 8.8%).

The **Asia Pacific** division turned in a somewhat ambiguous performance. Partly driven by 4% volume growth and restructuring measures, the operating margin improved by 100bps y-o-y to 8.3% (driving EBITE up 11% to EUR 39m). However, this margin is to a certain degree inflated by a decline in wire rod prices when Bekaert kept its selling prices for tyre cord constant. In fact, Bekaert had announced price increases for tyre cord in 2Q13. The timing of this announcement was unfortunate, as wire rod prices came off shortly thereafter, which competitors (mainly Xingda) used as an opportunity to lower the selling prices for tyre cord. While Bekaert benefited from a healthy margin, it did suffer a loss in market share to other tyre cord makers. Management made it very clear that Bekaert is determined to aggressively gain back the lost market share by lowering its selling prices in 2H13. This was the main reason for the company to be cautious in the outlook statement for the coming months. On the other hand, there could be some positive effects from the fading out of start-up costs for Brownfield operations acquired in Malaysia.

Significant raise estimates

EBITE margin target of >7% for 2014 still made dependent on some recovery of markets

Bekaert maintained a cautious tone of voice in the outlook statement for the remainder of the year, highlighting a lack of consistent economic indicators, usual seasonal effects in H2 and possibly renewed pricing pressure in Asia. However, the 1H13 results have given us more comfort about the offset provided by Bekaert's cost savings measures. At the analyst meeting, management was asked whether it now considered the original >7% EBITE margin target for 2014 as feasible. It replied that this would still require some recovery of end markets. It thereby re-iterated its stance given at the release of the FY12 results. Pencilling in some recovery, we have become more optimistic that the target will be reached, having raised our EBITE margin forecast for 2014 from 5.9% to 7.2%.

The table below shows that we have strongly increased our earnings forecasts for 2013 and beyond. We refer to the table on the following page for the detail behind our forecasts.

Old versus new forecasts (EUR m)

	2013			2014			2015		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
Sales	3,526	3,385	-4%	3,716.7	3,584	-4%	3,872.9	3,769	-3%
EBITE margin	167 4.7%	193 5.7%	16%	221 5.9%	260 7.2%	18%	252 6.5%	309 8.2%	23%
EPS excl. after-tax non-recurring (EUR)	1.19	1.10	-7%	1.87	2.37	27%	2.29	3.04	33%
EPS (EUR)	0.85	0.87	3%	1.70	2.20	30%	2.11	2.87	36%

Source: ABN AMRO

**FY13 EPS forecast +3% to EUR 0.87
(based on EBITE margin of 5.7%)**

For FY13, we raised our EBITE forecast from EUR 167m (4.7% margin) to EUR 193m (5.7% margin). This implies an improvement in EBITE from EUR 91m (5.5% margin) in 1H13 to EUR 102m (5.9% margin) in 2H13, as we assume that additional savings and a general improvement of end markets (particularly in Europe) will defy seasonal effects and possibly increased pricing pressure for Chinese tyre cord. Note that the raise to our FY13 EBITE forecast has partly been cancelled out by raised tax estimates (ETR of 62% in 1H13).

**FY14 EPS forecast +30% to EUR 2.20
(based on EBITE margin of 7.2%)**

Assuming some economic tailwind in 2014, we now do see Bekaert achieving the >7% EBITE margin target in 2014. We have raised our EBITE forecast by 18% from EUR 221m (5.9% margin) to EUR 260m (7.2% margin), leading to a raise in our EPS forecast by 30% to EUR 2.20.

**FY15 EPS forecast +36% to EUR 2.87
(based on EBITE margin of 8.2%)**

For FY15, our new EBITE margin forecast of 8.2% is in the middle the longer-term target of 7% to 9%. Our EPS forecast has been raised by 36% to EUR 2.87.

P&L Bekaert (EUR m)

	2011	1H12	2H12	2012	1H13	2H13E	2013E	2014E	2015E
EMEA	1,169	557	487	1,044	532	528	1,060	1,102	1,146
North America	665	351	308	659	295	295	590	619	644
Latin America	372	397	415	812	352	396	748	778	809
Asia Pacific	1,134	478	467	945	470	518	988	1,085	1,170
Consolidated sales	3,340	1,783	1,677	3,460	1,649	1,736	3,385	3,584	3,769
% chg.	2.4%	0.2%	7.5%	3.6%	-7.5%	3.5%	-2.2%	5.9%	5.2%
organic	6.1%	-12.4%	2.1%	-5.6%	-1.0%	1.8%	0.4%	5.9%	5.2%
fx	-1.4%	4.7%	-2.0%	1.6%	-3.1%	-2.4%	-2.7%	0.0%	0.0%
consolidation	-0.9%	7.9%	16.4%	11.9%	1.3%	1.4%	1.4%	0.0%	0.0%
EBITDAE	488	242	204	446	174	187	361	423	470
margin	14.6%	13.6%	12.2%	12.9%	10.6%	10.8%	10.7%	11.8%	12.5%
% chg.	-35.2%	-31.5%	51.1%	-8.6%	-27.9%	-8.4%	-19.0%	17.1%	11.1%
EBITE EMEA	66	36	27	63	46	44	90	105	120
margin	5.6%	6.5%	5.5%	6.0%	8.6%	8.4%	8.5%	9.5%	10.5%
% chg	-30.9%	-33.3%	128.2%	-4.3%	27.8%	63.2%	43.0%	16.2%	14.9%
EBITE North America	32	21	9	30	13	13	26	37	45
margin	4.8%	6.0%	2.9%	4.6%	4.4%	4.4%	4.4%	6.0%	7.0%
% chg	-6.7%	-25.0%	135.9%	-5.7%	-38.1%	43.9%	-13.5%	43.2%	21.3%
EBITE Latin America	35	29	35	64	28	35	63	72	79
margin	9.4%	7.3%	8.4%	7.9%	8.0%	8.8%	8.4%	9.2%	9.8%
% chg	35.0%	81.3%	84.2%	82.9%	-3.4%	-0.5%	-1.8%	13.9%	10.8%
EBITE Asia Pacific	224	35	2	37	39	43	82	111	132
margin	19.7%	7.3%	0.4%	3.9%	8.3%	8.4%	8.3%	10.2%	11.3%
% chg	-52.4%	-81.1%	-94.9%	-83.5%	11.4%	2067.6%	122.6%	34.9%	18.8%
Other	(76)	(36)	(40)	(76)	(35)	(33)	(68)	(65)	(68)
Total EBITE	281	85	33	118	91	102	193	260	309
margin	8.4%	4.8%	2.0%	3.4%	5.5%	5.9%	5.7%	7.2%	8.2%
% chg.	-50.1%	-65.0%	-13.6%	-58.0%	7.4%	207.6%	63.8%	34.3%	19.0%
Non-recurring items	(12)	(81)	(86)	(167)	(2)	(28)	(30)	(15)	(15)
EBIT	268	4	(53)	(49)	89	74	163	245	294
Net financial charges	(19)	(53)	(29)	(82)	(41)	(32)	(74)	(58)	(51)
EBT	250	(49)	(82)	(131)	48	42	89	187	243
Taxes	(68)	(27)	(40)	(68)	(30)	(20)	(49)	(60)	(75)
as % of EBT	27.3%	-56.1%	-49.1%	-51.7%	62.5%	46.5%	55.0%	32.0%	31.0%
Share in results joint ventures	25	6	4	10	17	13	30	26	27
Result discontinued operations	0	0	0	0	0	0	0	0	0
Minority interests	(15)	(8)	2	(6)	(9)	(9)	(18)	(20)	(22)
Net profit continuing operations	193	(79)	(116)	(195)	26	26	52	132	172
% chg.	-47.6%	-154.7%	-339.6%	-201.0%	nmf	nmf	nmf	153.1%	30.2%
EPS basic (EUR)	3.27	(1.34)	(1.96)	(3.30)	0.45	0.43	0.87	2.20	2.87
% chg.	-47.3%	-154.6%	-339.1%	-200.8%	nmf	nmf	nmf	153.1%	30.2%
Net profit excl. non-recurring	202	(21)	(54)	(74)	27	41	66	142	182
% chg.	-48.0%	-113.6%	-208.2%	-136.9%	nmf	nmf	nmf	116.2%	28.2%
EPS excl. non-recurring (EUR)	3.42	(0.35)	(0.91)	(1.26)	0.46	0.68	1.10	2.37	3.04
% chg.	-47.7%	-113.6%	-208.0%	-136.8%	nmf	nmf	nmf	116.2%	28.2%
DPS (EUR)	1.17			0.85			0.30	0.77	1.00
pay out	36.4%			nmf			35.0%	35.0%	35.0%

Source: company data and ABN AMRO estimates

Valuation and investment opinion

1H13 has raised comfort about earnings recovery potential

The 1H13 results have eased a key concern of ours with respect to the stickiness of cost savings, making us far more optimistic about the recovery potential of Bekaert's earnings. However, we believe that this is already to a large degree being priced following a 22% jump in the share price to EUR 27.44. Based on our 2014 forecasts, the Bekaert stock trades at 12.5x P/E and 8.1x EV/EBIT. This is only in line with the 2004-2011 average of 11.1x and 8.9, respectively.

12-month target price raised from EUR 19 to EUR 30

Consistent with the upgrade to our earnings forecast, we have raised our 12-month target price from EUR 19 to EUR 30. This is the average of our DCF model (EUR 32) and the 2014 outcome (EUR 27) of our returns-based valuation approach (where $EV/CE = ROCE/WACC$). The table below shows that this latter approach indicates longer-term upside potential to EUR 35-36 when based on a full return to normalised earnings in 2015.

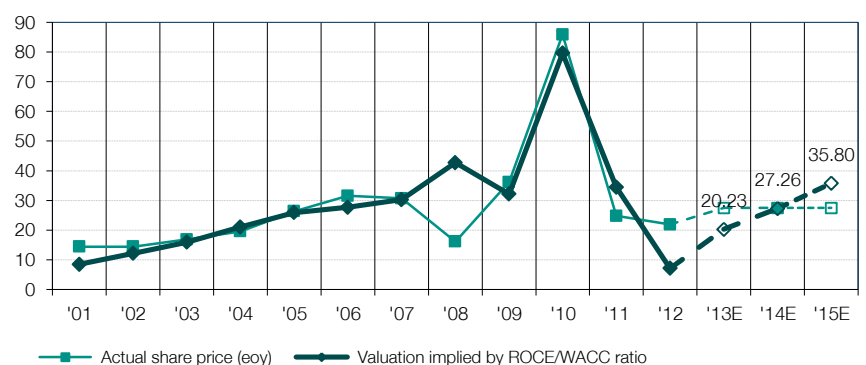
Returns-based valuation Bekaert (EUR m)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
EBITE	147.6	167.9	162.7	186.3	294.2	256.8	562.5	280.9	118.0	193.3	259.6	308.9
margin	8.5%	8.8%	8.1%	8.6%	11.1%	10.5%	17.2%	8.4%	3.4%	5.7%	7.2%	8.2%
ROCE (incl. cum. goodwill)	8.7%	8.4%	9.1%	10.0%	13.5%	10.5%	19.0%	8.2%	3.3%	5.7%	7.3%	8.7%
ROCE/WACC	0.9	1.0	1.0	1.1	1.4	1.1	2.2	1.0	0.4	0.7	0.9	1.0
Actual EV/Capital employed valuation	0.9	1.0	1.2	1.1	0.7	1.3	2.4	0.8	0.8	0.9	0.9	0.8
Valuation implied by ROCE/WACC (EUR)	21.00	25.92	27.70	30.25	42.73	32.11	79.62	34.26	5.64	20.23	27.26	35.80
Actual average share price (EUR)	19.58	26.32	31.57	30.67	16.11	36.17	85.90	24.79	21.88	27.44	27.44	27.44

Source: ABN AMRO

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

Rating raised from REDUCE to HOLD

We no longer see reason to maintain our REDUCE rating for Bekaert. But, the limited upside potential for the foreseeable future, keeps us at HOLD. We could see further upside based on a full return to normalised earnings from 2015 onwards, but we do not expect that the market will already price this in during the coming 6-12 months.

P & L Statement (EUR m) Year to December	2006	2007	2008	2009	2010	2011	2012	2013e	2014e	2015e
Net sales	2,009.6	2,173.6	2,662.4	2,437.3	3,262.5	3,340.0	3,460.0	3,385.3	3,583.9	3,769.1
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personnel costs	(462.0)	(472.6)	(524.2)	(499.1)	(596.9)	(618.6)	(619.6)	(631.6)	(656.5)	(681.3)
Other operating costs										
EBITDA	262.2	298.6	412.2	385.7	725.3	475.7	279.0	331.1	408.0	455.1
Depreciation	(110.7)	(119.7)	(165.9)	(139.8)	(173.0)	(200.8)	(237.0)	(168.1)	(163.4)	(161.2)
EBITA	151.4	178.9	246.3	245.8	552.2	274.9	42.0	163.0	244.6	293.9
Reported provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	(5.5)	(4.3)	(35.8)	(13.6)	(18.0)	(6.5)	(91.0)	0.0	0.0	0.0
EBIT	145.9	174.6	210.5	232.2	534.3	268.4	(49.0)	163.0	244.6	293.9
Net financials	(31.0)	(41.0)	(49.2)	(65.6)	(32.4)	(18.5)	(82.0)	(73.4)	(57.7)	(51.0)
Profit Before Taxes (PBT)	114.9	133.6	161.2	166.6	501.9	249.9	(131.0)	89.6	186.9	242.8
Taxes	(18.4)	(19.1)	(25.5)	(33.9)	(139.5)	(68.1)	(67.7)	(49.3)	(59.8)	(75.3)
Income from associates	51.0	47.1	56.1	37.8	36.1	25.4	10.4	29.9	25.6	26.7
Minorities	(4.8)	(8.7)	(17.7)	(18.6)	(30.9)	(14.6)	(6.4)	(18.0)	(20.5)	(22.0)
Net profit before extraordinary	142.8	152.9	174.1	151.8	367.6	192.6	(194.7)	52.2	132.3	172.2
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net reported profit	142.8	152.9	174.1	151.8	367.6	192.6	(194.7)	52.2	132.3	172.2
% change in Sales	5.0	8.2	22.5	(8.5)	33.9	2.4	3.6	(2.2)	5.9	5.2
% change in EBITDA	1.8	13.9	38.0	(6.4)	88.1	(34.4)	(41.4)	18.7	23.2	11.5
% change in EBITA	1.0	18.1	37.7	(0.2)	124.7	(50.2)	(84.7)	288.1	50.1	20.1
% change in PBT	(5.0)	16.3	20.7	3.3	201.3	(50.2)	ns	ns	108.7	29.9
% change in Net profit before extraordinary	5.2	7.1	13.9	(12.8)	142.2	(47.6)	ns	ns	153.2	30.2

Cash Flow Statement (EUR m)	2006	2007	2008	2009	2010	2011	2012	2013e	2014e	2015e
EBITDA	262.2	298.6	412.2	385.7	725.3	475.7	279.0	331.1	408.0	455.1
Change in provisions excluding tax provisions	(12.3)	(8.9)	26.2	(44.5)	1.8	(22.7)	50.6	0.0	0.0	0.0
Change in net working capital	(31.9)	(41.9)	(162.4)	195.6	(276.9)	(199.8)	226.8	20.7	(51.0)	(29.7)
Gross operating cash flow	217.9	247.8	276.0	536.8	450.1	253.2	556.4	351.8	356.9	425.4
Taxes paid	(16.8)	(24.9)	(27.5)	(31.1)	(113.3)	(129.3)	(59.2)	(49.3)	(59.8)	(75.3)
Capex	(161.3)	(199.8)	(251.1)	(173.8)	(249.1)	(277.7)	(134.3)	(83.2)	(124.3)	(172.2)
Free cash flow	39.8	23.1	(2.6)	331.9	87.7	(153.7)	363.0	219.3	172.8	177.8
Net interest received	(22.0)	(30.8)	(31.5)	(39.2)	(43.5)	(59.0)	(77.8)	(65.0)	(57.7)	(51.0)
Other	(25.4)	42.1	24.2	172.3	16.6	283.4	(341.3)	14.3	17.5	17.9
Acquisitions	(42.7)	(14.7)	(44.2)	(3.4)	(29.9)	(17.9)	8.1	0.0	0.0	0.0
Divestments	0.0	4.2	0.7	(0.5)	12.6	101.3	22.8	0.0	0.0	0.0
Share issues/buybacks	(56.1)	(111.0)	(19.7)	(0.5)	(57.7)	0.7	0.0	0.0	0.0	0.0
Dividend (adj. stock dividend)	(74.1)	(57.2)	(62.2)	(50.6)	(118.5)	(163.1)	(46.1)	(51.0)	(18.3)	(46.3)
Extraordinary items (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in interest-bearing debt	39.1	136.4	180.4	(252.5)	299.8	241.8	(148.1)	(117.6)	(114.2)	(98.4)
Change in cash & cash equivalents	(141.5)	(7.9)	45.1	157.5	167.1	233.5	(219.4)	0.0	0.0	0.0

Balance Sheet (EUR m)	2006	2007	2008	2009	2010	2011	2012	2013e	2014e	2015e
Net intangible fixed assets	134.5	122.0	111.5	105.0	131.1	103.5	99.2	93.6	88.7	84.3
Net tangible fixed assets	824.2	917.6	1,070.7	1,127.7	1,295.1	1,433.6	1,377.5	1,298.3	1,264.2	1,279.7
Financials fixed assets (FFA)	348.6	303.4	247.7	311.7	339.6	398.4	269.9	269.9	269.9	269.9
Inventories	368.8	385.4	510.5	358.4	507.7	577.9	567.7	555.4	588.0	618.4
Trade debtors	398.9	437.7	483.2	479.6	774.3	828.3	751.8	772.7	798.4	819.0
Other debtors	63.7	73.1	125.3	171.2	182.4	150.9	144.5	149.0	154.9	164.8
Cash & securities	81.2	73.2	118.3	275.8	442.9	676.5	457.1	457.1	457.1	457.1
Total Assets	2,219.8	2,312.6	2,667.2	2,829.5	3,673.1	4,169.1	3,667.7	3,596.0	3,621.2	3,693.0
Shareholder's equity	1,060.1	1,098.2	1,130.6	1,284.8	1,610.7	1,693.9	1,422.1	1,423.3	1,537.3	1,663.2
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	48.9	48.4	41.8	88.7	86.0	72.5	181.6	192.4	204.7	217.9
Provisions	331.4	298.8	373.4	329.9	379.9	351.6	402.2	402.2	402.2	402.2
Long-term interest bearing debt	274.4	322.5	288.1	598.1	700.5	907.6	850.1	732.4	618.2	519.8
Short-term interest bearing debt	218.0	253.0	503.1	151.4	320.3	648.5	342.5	342.5	342.5	342.5
Trade creditors	227.8	231.7	253.8	247.1	341.7	290.6	321.8	324.1	343.1	360.8
Other non-interest bearing liabilities	59.3	60.0	76.4	129.4	234.2	204.4	147.4	179.0	173.1	186.5
Total Liabilities & Capital	2,219.8	2,312.6	2,667.2	2,829.5	3,673.1	4,169.1	3,667.7	3,596.0	3,621.2	3,693.0
Enterprise Value (EV)	1,856.1	1,853.4	1,337.8	2,406.8	5,594.9	2,210.3	2,055.0	2,195.5	2,093.5	2,008.4
Net debt/(Net cash)	411.2	502.2	672.9	473.7	577.9	879.6	735.5	617.9	503.6	405.3
Capital Employed incl. goodwill (avg.)	1,517.1	1,610.5	1,850.3	1,969.4	2,148.5	2,522.5	2,598.3	2,477.2	2,431.6	2,459.6
Cumulative goodwill (as of 1991)	82.2	75.2	74.6	76.6	77.5	40.4	36.4	36.4	36.4	36.4
Capital Employed (avg.)	1,433.3	1,531.8	1,775.5	1,893.9	2,071.4	2,463.6	2,560.0	2,440.9	2,395.2	2,423.2
Net working capital	544.3	604.6	788.8	632.7	888.5	1,062.1	994.8	974.1	1,025.1	1,054.8
Discounted value of leases	32.2	28.6	28.9	28.9	43.9	35.7	38.6	39.5	40.8	42.7
Adjusted equity	1,142.3	1,173.3	1,205.2	1,361.4	1,688.2	1,734.2	1,458.5	1,459.7	1,573.7	1,699.6

Per Share Data (EUR)	2006	2007	2008	2009	2010	2011	2012	2013e	2014e	2015e
Avg. no. of shares (m)	64.5	60.1	59.2	59.2	59.2	58.9	59.1	60.0	60.0	60.0
Eoy. no. of shares (m)	62.8	59.5	59.4	59.5	59.9	60.0	60.0	60.0	60.0	60.0
Avg. no. of shares fully diluted (m)	64.8	60.5	59.4	59.4	59.6	59.3	59.2	60.1	60.1	60.1
Enterprise Value (EV)	29.54	31.15	22.54	40.45	93.43	36.85	34.25	36.59	34.89	33.47
Net debt less FFA plus minorities	1.77	4.16	7.87	4.21	5.41	9.23	10.79	9.01	7.31	5.89
Sales	31.17	36.16	45.01	41.16	55.06	56.67	58.59	56.42	59.73	62.82
EBITDA	4.07	4.97	6.97	6.51	12.24	8.07	4.72	5.52	6.80	7.58
EBITA	2.35	2.98	4.16	4.15	9.32	4.66	0.71	2.72	4.08	4.90
EBIT	2.26	2.90	3.56	3.92	9.02	4.55	(0.83)	2.72	4.08	4.90
Net profit before extr. & amort. (EUR)	2.30	2.61	3.55	2.79	6.51	3.38	(1.76)	0.87	2.20	2.87
Net profit before extraordinary (EUR)	2.21	2.54	2.94	2.56	6.21	3.27	(3.30)	0.87	2.20	2.87
Cash Flow (EUR)	4.02	4.61	6.35	5.15	9.43	6.79	2.26	3.67	4.93	5.56
Gross Dividend (EUR)	0.83	0.92	0.93	0.98	1.67	1.17	0.85	0.30	0.77	1.00
Book value (EUR)	16.87	18.46	19.05	21.59	26.90	28.24	23.70	23.72	25.62	27.72
Adjusted equity	18.18	19.72	20.31	22.88	28.19	28.92	24.31	24.33	26.23	28.33
Free Cash Flow	0.62	0.38	(0.04)	5.60	1.48	(2.61)	6.15	3.65	2.88	2.96
% change in EPS before extr. & amort.	(0.11)	13.68	35.68	(21.26)	133.02	(48.09)	ns	ns	153.16	30.20

Valuation	2006	2007	2008	2009	2010	2011	2012	2013e	2014e	2015e
P/E (excl. extr. & amort.)	11.9	12.5	8.3	9.0	8.2	16.2	nmf	31.5	12.4	9.6
P/CF (x)	6.8	7.1	4.6	4.9	5.7	8.1	10.0	7.5	5.6	4.9
P/Book (x)	1.9	1.7	0.8	1.7	3.2	0.9	0.9	1.2	1.1	1.0
Dividend yield (%)	3.0	2.8	3.2	3.9	3.1	2.1	3.8	1.1	2.8	3.7
Free cash flow yield (%)	1.0	(0.4)	(2.0)	19.6	1.4	(6.5)	21.0	9.4	7.0	7.7
EV/Sales (x)	0.9	0.9	0.5	1.0	1.7	0.7	0.6	0.6	0.6	0.5
EV/EBITDA (x)	7.1	6.2	3.2	6.2	7.7	4.6	7.4	6.6	5.1	4.4
EV/EBITA (x)	12.3	10.4	5.4	9.8	10.1	8.0	48.9	13.5	8.6	6.8
EV/EBIT (x)	12.7	10.6	6.4	10.4	10.5	8.2	nmf	13.5	8.6	6.8
EV/Capital Employed (x)	1.3	1.2	0.8	1.3	2.7	0.9	0.8	0.9	0.9	0.8
EV/CE (incl. goodwill) (x)	1.2	1.2	0.7	1.2	2.6	0.9	0.8	0.9	0.9	0.8
Share price : High (EUR)	33.20	37.80	40.11	36.35	86.69	87.43	33.27	27.44		
Share price : Low (EUR)	23.12	28.15	14.82	12.62	33.67	23.95	17.51	20.09		
Share price : Average (EUR)	27.39	32.73	29.42	25.11	53.68	54.78	22.59	27.44	27.44	27.44
Share price : Year end (EUR)	31.57	30.67	16.11	36.17	85.90	24.79	21.88	27.44	27.44	27.44

Capital Efficiency/Solvability	2006	2007	2008	2009	2010	2011	2012	2013e	2014e	2015e
Sales/CE (incl. goodwill)	1.3	1.3	1.4	1.2	1.5	1.3	1.3	1.4	1.5	1.5
Sales/Fixed assets (x)	2.4	2.4	2.5	2.2	2.5	2.3	2.5	2.6	2.8	2.9
Sales/Net working capital (x)	3.7	3.6	3.4	3.9	3.7	3.1	3.5	3.5	3.5	3.6
Inventories/Sales (days)	67.0	64.7	70.0	53.7	56.8	63.2	59.9	59.9	59.9	59.9
Trade debtors/Sales (days)	72.5	73.5	66.2	71.8	86.6	90.5	79.3	83.3	81.3	79.3
Trade creditors/Sales (days)	41.4	38.9	34.8	37.0	38.2	31.8	33.9	34.9	34.9	34.9
CAPEX/Depreciation (%)	145.7	166.9	151.3	124.3	144.0	138.3	56.7	49.5	76.1	106.8
Equity/Total assets (%)	47.8	47.5	42.4	45.4	43.8	40.6	38.8	39.6	42.5	45.0
Net debt/Equity (%)	38.8	45.7	59.5	36.9	35.9	51.9	51.7	43.4	32.8	24.4
Interest cover (x)	5.5	5.2	5.4	4.0	9.5	3.9	0.6	2.4	3.9	5.2
Dividend payout (%)	35.3	34.8	26.4	35.3	25.9	35.2	(49.2)	35.0	35.0	35.0
ROCE (average) (%)	8.9	10.0	11.7	10.3	19.3	8.1	2.5	3.0	6.9	8.4
ROCE (incl. goodwill) (average) (%)	8.4	9.5	11.2	9.9	18.6	7.9	2.5	3.0	6.8	8.2

Operating Efficiency & Profitability ratios	2006	2007	2008	2009	2010	2011	2012	2013e	2014e	2015e
Sales per FTE employee ('000s)	169.2	155.4	165.3	139.0	163.2	150.8	159.9	157.3	164.2	170.6
Wage costs per FTE employee ('000s)	38.9	33.8	32.5	28.5	29.9	27.9	28.6	29.3	30.1	30.8
EBIT per FTE employee ('000s)	12.3	12.5	13.1	13.2	26.7	12.1	(2.3)	7.6	11.2	13.3
Gross margin (%)										
EBITDA margin (%)	13.0	13.7	15.5	15.8	22.2	14.2	8.1	9.8	11.4	12.1
Operating margin (%)	7.3	8.0	7.9	9.5	16.4	8.0	(1.4)	4.8	6.8	7.8
Net margin (%)	5.1	5.5	6.4	6.0	11.7	5.6	(3.1)	1.2	3.5	4.4
Tax rate (%)	16.0	14.3	15.8	20.4	27.8	27.3	(51.7)	55.0	32.0	31.0

Important disclosures

Issuer	Ticker	Price (EUR)
Bekaert	BEKB.BR	27.44

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Historical equity recommendations and target price for Bekaert (EUR)



History of Target Prices

Date	Recommendation	Target Price
7/29/2013	REDUCE	EUR 30.00
11/14/2012	REDUCE	EUR 19.00
11/10/2012	HOLD	EUR 25.00
11/9/2012	HOLD	EUR 24.00
7/30/2012	HOLD	EUR 25.00
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

History of Recommendations

Date	Recommendation	Target Price
11/14/2012	REDUCE	EUR 19.00
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

Source: ABN AMRO Bank Equity Research, FactSet

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