

## Investment Research

### Reduce

Recommendation unchanged

**Share price: EUR 26.85**

closing price as of 23/07/2013

**Target price: EUR 24.00**

from Target Price: EUR **20.00**

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Daily avg. no. trad. sh. 12 mth	1,167,880
Daily avg. trad. vol. 12 mth (m)	3,152.09
Price high 12 mth (EUR)	27.00
Price low 12 mth (EUR)	17.82
Abs. perf. 1 mth	12.8%
Abs. perf. 3 mth	17.4%
Abs. perf. 12 mth	32.6%

Market capitalisation (EURm)	1,611
Current N° of shares (m)	60
Free float	61%

Key financials (EUR)	12/12	12/13e	12/14e
Sales (m)	3,460	3,243	3,385
EBITDA (m)	275	294	356
EBITDA margin	7.9%	9.1%	10.5%
EBIT (m)	(49)	113	180
EBIT margin	nm	3.5%	5.3%
Net Profit (adj.)(m)	(73)	51	80
ROCE	0.7%	4.1%	5.2%
Net debt/(cash) (m)	700	697	651
Net Debt Equity	0.4	0.4	0.4
Net Debt/EBITDA	2.5	2.4	1.8
Int. cover(EBITDA/Fin.int)	3.5	4.6	5.6
EV/Sales	0.7	0.8	0.7
EV/EBITDA	8.2	8.7	7.1
EV/EBITDA (adj.)	6.5	7.9	7.1
EV/EBIT	nm	22.7	14.0
P/E (adj.)	nm	31.5	20.1
P/BV	0.9	1.2	1.1
OpFCF yield	22.3%	3.6%	6.4%
Dividend yield	3.2%	3.2%	3.2%
EPS (adj.)	(1.22)	0.85	1.34
BVPS	23.70	23.24	23.50
DPS	0.85	0.85	0.85



Shareholders: Bekaert Fam. & Rel. 39%;

For company description please see summary table footnote

## Some improvements expected in 2Q13, although market conditions remained rather weak in most regions

**The facts:** Bekaert will release its 1H13 results on July 25<sup>th</sup> before market. An analyst meeting is scheduled the same day at 02:00 pm CET.

**Our analysis:** We recall that Bekaert reported 1Q13 consolidated sales down 10.7% y-o-y, with organic sales down 8.2%, of which 2.8% were related to lower volumes; FX had a 3.2% negative impact that was fully attributable to the change in accounting method of the Venezuelan operations. Raw material (wire rod) had a negative impact of about 3.5% across the board. Low demand in mature markets and highly competitive environment in emerging markets led to strong price pressures. Nevertheless, Bekaert indicated that it observed some first signs of price stabilisation at the end of 1Q13.

**Recent data suggest that if 2Q13 market conditions remained globally weak, there are some sequential improvements in some market segments or regions.**

Performance was particularly weak in **North America**, where 1Q13 sales dropped 17% y-o-y on low demand in tire replacement markets (which was already observed in previous quarters); from investment delays in energy cable market (another key and historically profitable business for Bekaert) and from the intensified competition from low costs Asian materials. So far, there is no significant rebound in 2Q13 in markets where Bekaert operates.

North America (% chg y-o-y)	01/13	02/13	03/13	1Q13 YTD	04/13	05/13	06/13	1H13 YTD
<b>LDV</b>								
OE	7.0%	0.5%	-4.0%	1.0%	14.0%	6.0%	1.0%	4.0%
Replacement	3.5%	-8.5%	-8.5%	-4.5%	-3.5%	-2.0%	3.0%	0.0%
<b>HDV</b>								
OE	-8.0%	-13.0%	-12.5%	-12.0%	-10.0%	-11.5%	-14.0%	-13.0%
Replacement	-1.5%	-10.0%	1.5%	-4.0%	4.0%	11.0%	-6.0%	-2.0%

Sources: Michelin; Pirelli

As far as the tyre cord is concerned, aggregate figures from Michelin and Pirelli, suggest that the tire replacement markets remained weak in 2Q13 in the heavy duty vehicles segment (HDV). The trend is slightly more supportive for the light duty vehicles (LDV). Bead wire activity continued to be impacted by the strong price competition from Kiswire and by the slowdown in the energy cable reinforcement market.

In **EMEA**, the depressed automotive and construction markets drove demand down in all business platforms in 1Q13. Sales were down 10% y-o-y, of which 75% was due to a volume effect. The balance was attributable to the changes in the consolidation perimeter.

Figures disclosed by the tire manufacturers suggest that the European tire markets are bottoming out in 2Q13, driven by the trucks segment.

EMEA (% chg y-o-y)	01/13	02/13	03/13	1Q13 YTD	04/13	05/13	06/13	1H13 YTD
<b>LDV</b>								
OE	-9.5%	-12.0%	-13.0%	-10.0%	4.0%	-3.0%	2.0%	-3.0%
Replacement	-6.0%	-10.0%	-12.0%	-10.0%	6.5%	-0.5%	3.0%	-4.0%
<b>HDV</b>								
OE	2.0%	-5.0%	-6.0%	-4.5%	9.0%	0.0%	2.0%	0.0%
Replacement	7.5%	5.0%	0.0%	3.0%	14.0%	14.5%	5.0%	8.0%

Sources: Michelin; Pirelli

Other market segments are still weak, but overall, it seems there were no more decreases in sales in 2Q13 in EMEA.

In **Latin America**, the 10% decrease in 1Q13 sales was attributable to the change in accounting method of the Venezuelan operations. Excluding this accounting effect, sales in Latin American operations recorded solid double digit sales growth, driven by strong demand in most markets, including Peru, Ecuador and Venezuela. This trend continued in 2Q13 in Venezuela, Peru and Equator. It seems that Chile market was a bit more difficult, due to import of cheaper materials from China.

In **Asia Pacific**, 1Q13 sales dropped 7% y-o-y and 15% when we exclude the recently acquired activities in Malaysia. Volume was said stable, which was not bad if we take into consideration that the truck replacement market was down 7% to 9% in 1Q13. In comparison with 1Q12, price/mix had a negative impact of about 9%, of which half was due to the sawing wire activity and the balance to the tire cord.

- ✓ Given the still huge overcapacity no upturn is expected in sawing wire this year.
- ✓ In tire cord, the activity seems to have reached the inflection point during 2Q13, both on the volume and price sides. While 1Q13 average sales price was still down 5% sequentially, it stabilised since then. It is likely that Bekaert failed to pass on some price increases mainly because of the declining wire rod prices. Volumes were up in March/April and down in May before increasing again in June. Hence, on average volumes might be roughly stable. The comparison should be more favourable in the coming quarters.
- ✓ We also recall that Bekaert has reviewed downwards its growth expectations in this region to 4-5% per annum (i.e. below the nominal GDP) because the tire cord market is maturing in China.

Bekaert : key figures (EUR m)	1H12	2H12	2012	1H13e	% chg	2H13e	2013e
<b>Combined sales</b>	<b>2,255</b>	<b>2,132</b>	<b>4,387</b>	<b>2,107</b>	<b>-6.6%</b>	<b>2,122</b>	<b>4,228</b>
<b>Consolidated sales</b>	<b>1,783</b>	<b>1,678</b>	<b>3,461</b>	<b>1,625</b>	<b>-8.9%</b>	<b>1,618</b>	<b>3,243</b>
<b>Rebit</b>	<b>85</b>	<b>33</b>	<b>118</b>	<b>68</b>	<b>-19.8%</b>	<b>80</b>	<b>148</b>
<i>Margin</i>	4.8%	2.0%	3.4%	4.2%		5.0%	4.6%
-EMEA	36	27	63	26	-26.7%	28	54
-North America	21	9	30	9	-55.0%	10	20
-Latin America	29	35	64	27	-7.8%	32	58
-Asia Pacific	35	2	37	38	9.1%	43	81
-Corporate	-36	-40	-76	-33	-9.3%	-33	-65
<b>Operating result</b>	<b>4</b>	<b>-54</b>	<b>-49</b>	<b>48</b>	<b>nr</b>	<b>65</b>	<b>113</b>
<i>Margin</i>	0.2%	-3.2%	-1.4%	3.0%		4.0%	3.5%
Financial result	-53	-37	-89	-35		-34	<b>-69</b>
<b>Result before tax</b>	<b>-49</b>	<b>-90</b>	<b>-139</b>	<b>13</b>	<b>nr</b>	<b>31</b>	<b>44</b>
Income tax	-27	-11	-38	-6		-13	<b>-18</b>
<i>Tax rate</i>	56.5%	11.7%	27.4%	41.4%		42%	42.0%
Results of associates	6	7	13	6		4	<b>10</b>
Discontinued operations	0	0	0	0		0	0
<b>Consolidated profit</b>	<b>-70</b>	<b>-94</b>	<b>-164</b>	<b>14</b>	<b>nr</b>	<b>22</b>	<b>36</b>
Minority interest	8	8	16	6		6	<b>12</b>
<b>Group's share in net result</b>	<b>-79</b>	<b>-110</b>	<b>-189</b>	<b>8</b>	<b>nr</b>	<b>16</b>	<b>24</b>
EPS (EUR)	-1.31	-1.83	-3.14	0.13	nr	0.26	0.39

Sources : Bekaert / Bank Degroof estimates

All in all, we anticipate 1H13 **consolidated sales** down 8.9% at EUR 1,625m; Recurring EBIT at EUR 68m (margin to sales of 4.2%).

**Rebit** in Asia Pacific is expected to rebound dramatically on the very weak 2H12, which was strongly impacted by negative one-offs (bad debt in sawing wire for up to EUR 14m and start-up costs for EUR 10m). On top of that, since the sawing wire assets were fully impaired at the end of FY12, annual

depreciation will decrease by about 25m (EUR ~12.5m per half-year). Hence on a like for like basis, we bank on a stabilisation.

We anticipate weak performances in Europe and in North America and decent results in Latin America, taking into account the change in accounting method of the Venezuelan operations (negative impact estimated at EUR 12m in FY13 at the Rebit level). The Rebit of EUR 68m includes EUR 20m of costs saving, which comes ahead of the EUR 20m realised in 2H12, and EUR -7.5m costs inflation in 1H13.

We have reviewed upwards our 2H13-FY13 estimates to EUR 80m and EUR 148m respectively vs EUR 65m and EUR 130.1 in our previous scenario, driven by market improvements in Asia Pacific and to a lesser extend in EMEA. Given the lacklustre US markets in 2Q13, we further trim down our short and mid-term estimates for this region.

Bekaert: estimates review (in EUR m)	2012	2013e		2014e		2015e		2016e	
		old	new	old	new	old	new	old	new
<b>Sales</b>	<b>3,460</b>	3,229	<b>3,243</b>	3,371	<b>3,385</b>	3,488	<b>3,496</b>	3,628	<b>3,628</b>
% change			0.4%		0.4%		0.2%		0.0%
<b>Rebit</b>	<b>117.8</b>	130.1	<b>148.4</b>	183.9	<b>195.4</b>	216.2	<b>228.9</b>	240.5	<b>253.3</b>
<b>margin (%)</b>	<b>3.4%</b>	4.0%	<b>4.6%</b>	5.5%	<b>5.8%</b>	6.2%	<b>6.5%</b>	6.6%	<b>7.0%</b>
% change			14.1%		6.2%		5.9%		5.3%
<b>-EMEA<sup>1</sup></b>	<b>63.0</b>	52.2	<b>53.9</b>	60.2	<b>61.6</b>	67.7	<b>69.5</b>	74.0	<b>74.0</b>
% change			3.4%		2.4%		2.7%		0.0%
<b>-North America</b>	<b>30.0</b>	25.1	<b>19.8</b>	28.0	<b>26.8</b>	33.5	<b>32.7</b>	35.7	<b>35.7</b>
% change			-21.1%		-4.1%		-2.4%		0.0%
<b>-Latin America</b>	<b>64.0</b>	58.5	<b>58.3</b>	64.0	<b>64.0</b>	67.5	<b>67.5</b>	70.1	<b>70.1</b>
% change			-0.3%		0.0%		0.0%		0.0%
<b>-Asia Pacific</b>	<b>37.0</b>	54.4	<b>81.5</b>	91.8	<b>103.0</b>	102.6	<b>114.3</b>	116.7	<b>129.5</b>
% change			49.8%		12.2%		11.4%		11.0%
<b>- Corporate</b>	<b>-76.2</b>	-60.0	<b>-65.0</b>	-60.0	<b>-60.0</b>	-55.0	<b>-55.0</b>	-56.1	<b>-56.1</b>
% change			8.3%		0.0%		0.0%		0.0%
<b>EBIT</b>	<b>-49</b>	95	<b>113</b>	169	<b>180</b>	201	<b>214</b>	225	<b>238</b>
margin (%)	-1.4%		3.5%	5.0%	5.3%	5.8%	6.1%	6.2%	6.57%
<b>Financial results</b>	<b>-82</b>	-69	<b>-69</b>	-68	<b>-69</b>	-65	<b>-66</b>	-61	<b>-62</b>
Associates	<b>10</b>	13	<b>10</b>	13	<b>12</b>	16	<b>14</b>	20	<b>18</b>
<b>Net result (group)</b>	<b>-195</b>	17	<b>26</b>	48	<b>69</b>	72	<b>104</b>	87	<b>124</b>
% change	nr		51.7%		45.2%		44.8%		43.4%
<b>Net current result (group)</b>	<b>-73</b>	42	<b>51</b>	59	<b>80</b>	83	<b>115</b>	98	<b>135</b>
% change	nr		20.6%		36.7%		38.9%		38.5%
<b>Adj. EPS (in EUR)</b>	<b>-1.22</b>	0.71	<b>0.85</b>	1.22	<b>1.34</b>	1.81	<b>1.92</b>	2.14	<b>2.25</b>
% change	nr		20.6%		9.8%		5.9%		5.1%

Sources : Bekaert / Bank Degroof estimates

<sup>1</sup> EMEA= Europe, the Middle East and Africa

All in all FY13 adj. EPS was lifted to EUR 0.85 from EUR 0.71. FY14-16 EPS were increased by 10%, 6% and 5%, respectively.

Note that our FY14 EBIT margin is significantly below Bekaert's mid & long term new goal of 7.0%. The company recognised that this target is unlikely to be achieved at current market conditions.

If we assume that Bekaert will reach the target margin in FY14, the 2014 EPS would be EUR 1.92 instead of EUR 1.34 currently.

## TP lifted to EUR 24

Based on our adjusted scenario, which is based on very progressive increase of the EBIT margin towards 2017 and a 2013-2030 sales CAGR of 3.4%, we obtain a new implicit 12 month target price of EUR 23.70 (from EUR 20.0 previously).

Consolidated sales	CAGR	Sales 12	Weight	Sales 30	Weight
Eastern Europe	2.0%	555	16.0%	792.0	12.6%
Western Europe	1.0%	489	14.1%	587.8	9.3%
N America	1.5%	659	19.0%	866.7	13.8%
L America	3.6%	812	23.5%	1,543.9	24.5%
Asia Pacific	5.6%	945	27.3%	2,505.3	39.8%
	<b>3.4%</b>	<b>3,460</b>		<b>6,296</b>	
<b>Emerging market</b>	4.2%	66.8%		76.9%	
<b>Mature markets</b>	1.3%	33.2%		23.1%	
	<b>3.4%</b>				

Sources: Bank Degroof

CASH FLOW (EUR m)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	-	2030
Net Sales	2,437.0	3,263.0	3,340.2	3,460.0	3,243.1	3,385.3	3,496.0	3,627.6	3,775.7	3,937.9	4,116.8	4,304.9	-	6,295.6
% change	-8.5%	33.9%	2.4%	3.6%	-6.3%	4.4%	3.3%	3.8%	4.1%	4.3%	4.5%	4.6%	-	3.4%
EBITDA	387.0	725.7	476.8	274.8	294.4	356.4	387.4	409.3	433.8	449.3	464.9	482.5	-	598.1
% margin	15.9%	22.2%	14.3%	7.9%	9.1%	10.5%	11.1%	11.3%	11.5%	11.4%	11.3%	11.2%	-	9.5%
% change	-6.2%	87.5%	-34.3%	-42.4%	7.1%	21.1%	8.7%	5.6%	6.0%	3.6%	3.5%	3.8%	-	0.6%
Depreciation & other non-cash	154.8	191.4	208.4	324.1	181.0	176.0	173.5	171.0	170.0	167.0	163.0	161.0	-	155.0
% sales	6.4%	5.9%	6.2%	9.4%	5.6%	5.2%	5.0%	4.7%	4.5%	4.2%	4.0%	3.7%	-	2.5%
EBITA	232.2	534.3	268.4	-49.3	113.4	180.4	213.9	238.3	263.8	282.3	301.9	321.5	-	443.1
% margin	9.5%	16.4%	8.0%	-1.4%	3.5%	5.3%	6.1%	6.6%	7.0%	7.2%	7.3%	7.5%	-	7.0%
% change	10.3%	130.1%	-49.8%	-118.4%	-330.1%	59.1%	18.6%	11.4%	10.7%	7.0%	6.9%	6.5%	-	0.5%
Taxes	-62.7	-144.3	-72.5	13.3	-30.6	-48.7	-57.8	-64.3	-71.2	-76.2	-81.5	-86.8	-	-119.6
Normative tax rate	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	-	27.0%
NOPLAT	169.5	390.0	196.0	-36.0	82.8	131.7	156.2	174.0	192.6	206.1	220.4	234.7	-	323.4
Depreciation & other provisions	154.8	191.4	208.4	324.1	181.0	176.0	173.5	171.0	170.0	167.0	163.0	161.0	-	155.0
% sales	6.4%	5.9%	6.2%	9.4%	5.6%	5.2%	5.0%	4.7%	4.5%	4.2%	4.0%	3.7%	-	2.5%
Gross Operating Cash Flow	324.3	581.5	404.4	288.1	263.8	307.7	329.7	345.0	362.6	373.1	383.4	395.7	-	478.4
Capex	-155.3	-319.7	-276.0	-81.2	-140.3	-125.0	-127.5	-132.5	-140.0	-145.0	-155.0	-160.0	-	-155.0
% sales	6.4%	9.8%	8.3%	2.3%	4.3%	3.7%	3.6%	3.7%	3.7%	3.7%	3.8%	3.7%	-	2.5%
Change in Net Working Capital	195.6	-276.9	-175.3	117.9	-15.7	-27.5	-16.6	-12.6	-24.8	-47.0	-51.9	-54.5	-	-60.6
Cash Flow to be discounted	364.6	-15.1	-46.9	324.8	107.85	155.22	185.64	199.91	197.77	181.08	176.53	181.18	-	262.82

DCF EVALUATION (EUR m)														
WACC					10.42%	10.42%	10.42%	10.42%	10.42%	10.42%	10.42%	10.42%	-	10.42%
Discount Rate factor					0.96	0.87	0.78	0.71	0.64	0.58	0.53	0.48	-	0.18
Discounted Cash Flow					103.2	134.5	145.7	142.0	127.3	105.5	93.2	86.6	-	46.6
Cumulated DCF					103.2	237.7	383.4	525.5	652.7	758.3	851.4	938.0	-	1,548.0

WACC & DCF ANALYSIS					
Cost of Equity (Ke or COE)	13.01%	Cumulated DCF	1,548.0	- Net Financial Debt	(700.2)
Cost of Debt (gross)	6.0%			+ Associates	201.3
Debt tax rate	27%	Perpetual Growth Rate (g)	0.0%	+ Financial assets	50.7
Cost of Debt net (Kd or COD)	4.38%	Normalised Annual CF	323.4	- Pension underfunding & other	(178.8)
		Terminal Value @ 12/2030	3,103.3	- Minorities (estimated value)	(210.7)
Target gearing (D/(D+E)) or % Kd	30%	Disc. Rate of Terminal Value	0.18		
% Ke	70%	Discounted Terminal Value	549.9	Equity Market Value (EUR m)	1,260.1
Normative Tax Rate	27.0%			Number of shares (m)	60.0
WACC	10.42%	Enterprise Value (EUR m)	2,097.9	Implies 12 mth TP	23.70

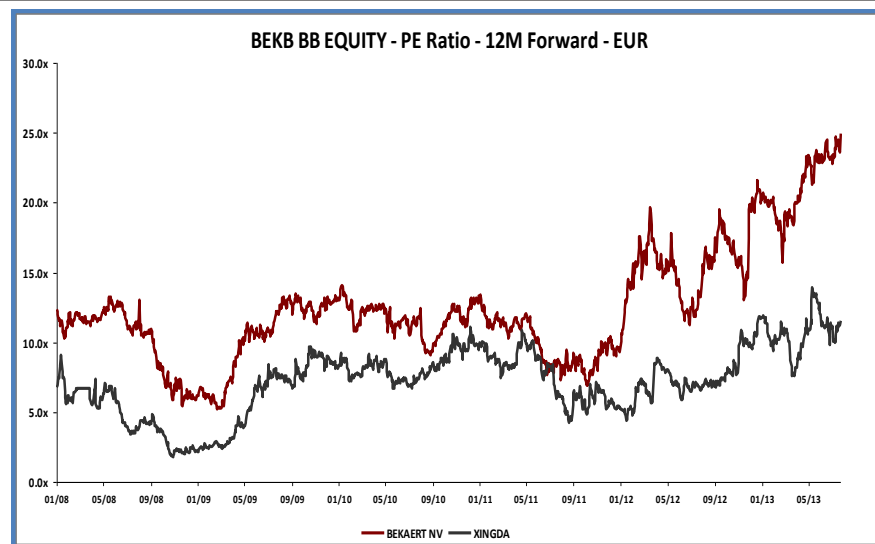
Source: Bank Degroof

**Conclusion & Action:** At a share price of EUR ~27, the market seems to have already fully discounted the successful turnaround of Bekaert, without any discount for the delivery risk. Even if we assume that Bekaert will hit its target EBIT margin of 7% in FY14, the share trades at a high forward P/E multiple of 14x. We recall that during the period 2003-2008, i.e. after the beginning of the massive investment program in China, but before the sawing wire bubble, the share traded at an average forward P/E of 11.3x.

It is also interesting to note that since year-start, but also after the share price correction following the 1Q13 trading update, Bekaert's share outperformed its main Chinese competitor Xingda (1899 HK) by about 40%. As a result, Bekaert currently trades with a significant premium versus Xingda (see graph below).

We lift our TP to EUR 24 (from EUR 20) but stick to our reduce rating.

**Bekaert and Xingda 12m forward P/E**



Source: Bloomberg

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## Bekaert: Summary tables

PROFIT & LOSS (EURm)	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
<b>Sales</b>	<b>2,437</b>	<b>3,263</b>	<b>3,340</b>	<b>3,460</b>	<b>3,243</b>	<b>3,385</b>
Cost of Sales & Operating Costs	-2,050	-2,537	-2,863	-3,185	-2,949	-3,029
Non Recurrent Expenses/Income	0.0	0.0	0.0	-73.1	-30.0	0.0
<b>EBITDA</b>	<b>387</b>	<b>726</b>	<b>477</b>	<b>275</b>	<b>294</b>	<b>356</b>
<b>EBITDA (adj.)*</b>	<b>387</b>	<b>726</b>	<b>477</b>	<b>348</b>	<b>324</b>	<b>356</b>
Depreciation	-155	-191	-208	-230	-181	-176
<b>EBITA</b>	<b>232</b>	<b>534</b>	<b>268</b>	<b>44.7</b>	<b>113</b>	<b>180</b>
<b>EBITA (adj)*</b>	<b>232</b>	<b>534</b>	<b>268</b>	<b>118</b>	<b>143</b>	<b>180</b>
Amortisations and Write Downs	0.0	0.0	0.0	-94.0	0.0	0.0
<b>EBIT</b>	<b>232</b>	<b>534</b>	<b>268</b>	<b>-49.3</b>	<b>113</b>	<b>180</b>
<b>EBIT (adj.)*</b>	<b>232</b>	<b>534</b>	<b>268</b>	<b>23.8</b>	<b>143</b>	<b>180</b>
Net Financial Interest	-56.7	-50.1	-65.8	-79.1	-64.4	-64.0
Other Financials	-8.9	17.7	47.3	-2.9	-5.0	-5.0
Associates	37.8	36.1	25.4	10.4	10.1	11.6
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>204</b>	<b>538</b>	<b>275</b>	<b>-121</b>	<b>54.1</b>	<b>123</b>
Tax	-33.9	-139	-68.1	-67.7	-18.5	-41.8
<i>Tax rate</i>	<i>16.6%</i>	<i>25.9%</i>	<i>24.7%</i>	<i>n.m.</i>	<i>34.2%</i>	<i>34.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-18.6	-30.9	-14.6	-6.4	-10.0	-12.0
<b>Net Profit (reported)</b>	<b>152</b>	<b>368</b>	<b>193</b>	<b>-195</b>	<b>25.6</b>	<b>69.2</b>
<b>Net Profit (adj.)</b>	<b>170</b>	<b>389</b>	<b>202</b>	<b>-73.0</b>	<b>51.2</b>	<b>80.1</b>
<b>CASH FLOW (EURm)</b>	<b>12/2009</b>	<b>12/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013e</b>	<b>12/2014e</b>
Cash Flow from Operations before change in NWC	283	594	398	321	215	255
Change in Net Working Capital	196	-277	-175	118	-15.7	-27.5
<b>Cash Flow from Operations</b>	<b>478</b>	<b>317</b>	<b>223</b>	<b>439</b>	<b>199</b>	<b>227</b>
Capex	-164	-320	-276	-146	-140	-125
Net Financial Investments	0.0	0.0	0.0	64.8	0.0	0.0
<b>Free Cash Flow</b>	<b>314</b>	<b>-2.7</b>	<b>-53.2</b>	<b>358</b>	<b>58.6</b>	<b>102</b>
Dividends	-60.5	-63.7	-109	-76.7	-55.7	-55.7
Other (incl. Capital Increase & share buy backs)	0.5	-27.4	-175	-121	0.0	0.0
<b>Change in Net Debt</b>	<b>254</b>	<b>-93.9</b>	<b>-337</b>	<b>160</b>	<b>2.9</b>	<b>46.6</b>
NOPLAT	163	374	188	16.7	100	126
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2009</b>	<b>12/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013e</b>	<b>12/2014e</b>
Net Tangible Assets	1,128	1,295	1,406	1,346	1,305	1,254
Net Intangible Assets (incl. Goodwill)	105	131	131	131	131	131
Net Financial Assets & Other	259	276	338	255	255	255
<b>Total Fixed Assets</b>	<b>1,492</b>	<b>1,702</b>	<b>1,875</b>	<b>1,732</b>	<b>1,691</b>	<b>1,640</b>
Inventories	358	508	578	568	551	567
Trade receivables	480	774	828	752	754	779
Other current assets	174	182	182	119	119	119
Cash (-)	-325	-507	-706	-498	-501	-547
<b>Total Current Assets</b>	<b>1,338</b>	<b>1,971</b>	<b>2,294</b>	<b>1,936</b>	<b>1,925</b>	<b>2,012</b>
<b>Total Assets</b>	<b>2,830</b>	<b>3,673</b>	<b>4,169</b>	<b>3,668</b>	<b>3,616</b>	<b>3,652</b>
Shareholders Equity	1,285	1,611	1,694	1,422	1,395	1,411
Minority	88.7	86.0	72.5	182	187	194
Total Equity	1,374	1,697	1,766	1,604	1,582	1,605
Long term interest bearing debt	603	710	918	856	856	856
Provisions	325	370	341	397	397	397
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Long Term Liabilities</b>	<b>928</b>	<b>1,080</b>	<b>1,259</b>	<b>1,252</b>	<b>1,252</b>	<b>1,252</b>
Short term interest bearing debt	151	320	648	343	343	343
Trade payables	247	342	291	322	292	305
Other current liabilities	129	234	204	147	147	147
<b>Total Current Liabilities</b>	<b>528</b>	<b>896</b>	<b>1,143</b>	<b>812</b>	<b>782</b>	<b>795</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,830</b>	<b>3,673</b>	<b>4,169</b>	<b>3,668</b>	<b>3,616</b>	<b>3,652</b>
<b>Net Capital Employed</b>	<b>2,128</b>	<b>2,590</b>	<b>2,968</b>	<b>2,701</b>	<b>2,676</b>	<b>2,652</b>
<b>Net Working Capital</b>	<b>591</b>	<b>940</b>	<b>1,116</b>	<b>998</b>	<b>1,013</b>	<b>1,041</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2009</b>	<b>12/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013e</b>	<b>12/2014e</b>
<i>Sales growth</i>	<i>-8.5%</i>	<i>33.9%</i>	<i>2.4%</i>	<i>3.6%</i>	<i>-6.3%</i>	<i>4.4%</i>
<b>EBITDA (adj.)* growth</b>	<b>-6.2%</b>	<b>87.5%</b>	<b>-34.3%</b>	<b>-27.0%</b>	<b>-6.8%</b>	<b>9.9%</b>
<i>EBITA (adj.)* growth</i>	<i>10.3%</i>	<i>130.1%</i>	<i>-49.8%</i>	<i>-56.1%</i>	<i>21.7%</i>	<i>25.8%</i>
<i>EBIT (adj.)* growth</i>	<i>10.3%</i>	<i>130.1%</i>	<i>-49.8%</i>	<i>-91.1%</i>	<i>502.1%</i>	<i>25.8%</i>

## Bekaert: Summary tables

<b>GROWTH &amp; MARGINS</b>	<b>12/2009</b>	<b>12/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013e</b>	<b>12/2014e</b>
Net Profit growth	-28.1%	128.4%	-48.1%	n.m.	n.m.	56.6%
EPS adj. growth	-28.3%	126.6%	-48.1%	n.m.	n.m.	56.6%
DPS adj. growth	5.0%	69.5%	-29.6%	-27.4%	0.0%	0.0%
EBITDA (adj)* margin	15.9%	22.2%	14.3%	10.1%	10.0%	10.5%
EBITA (adj)* margin	9.5%	16.4%	8.0%	3.4%	4.4%	5.3%
EBIT (adj)* margin	9.5%	16.4%	8.0%	0.7%	4.4%	5.3%
<b>RATIOS</b>	<b>12/2009</b>	<b>12/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013e</b>	<b>12/2014e</b>
Net Debt/Equity	0.3	0.3	0.5	0.4	0.4	0.4
Net Debt/EBITDA	1.1	0.7	1.8	2.5	2.4	1.8
Interest cover (EBITDA/Fin.interest)	6.8	14.5	7.2	3.5	4.6	5.6
Capex/D&A	106.1%	167.0%	132.4%	45.0%	77.5%	71.0%
Capex/Sales	6.7%	9.8%	8.3%	4.2%	4.3%	3.7%
NWC/Sales	24.2%	28.8%	33.4%	28.8%	31.3%	30.7%
ROE (average)	14.1%	26.9%	12.2%	-4.7%	3.6%	5.7%
ROCE (adj.)	8.9%	15.8%	7.1%	0.7%	4.1%	5.2%
WACC	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%
ROCE (adj.)/WACC	0.9	1.5	0.7	0.1	0.4	0.5
<b>PER SHARE DATA (EUR)***</b>	<b>12/2009</b>	<b>12/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013e</b>	<b>12/2014e</b>
Average diluted number of shares	59.5	60.0	60.0	60.0	60.0	60.0
EPS (reported)	2.55	6.13	3.21	-3.25	0.43	1.15
EPS (adj.)	2.86	6.48	3.36	-1.22	0.85	1.34
BVPS	21.59	26.86	28.24	23.70	23.24	23.50
DPS	0.98	1.66	1.17	0.85	0.85	0.85
<b>VALUATION</b>	<b>12/2009</b>	<b>12/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013e</b>	<b>12/2014e</b>
EV/Sales	1.1	1.8	0.7	0.7	0.8	0.7
EV/EBITDA	7.0	8.0	5.2	8.2	8.7	7.1
<b>EV/EBITDA (adj.)*</b>	<b>7.0</b>	<b>8.0</b>	<b>5.2</b>	<b>6.5</b>	<b>7.9</b>	<b>7.1</b>
EV/EBITA	11.7	10.9	9.2	50.7	22.7	14.0
<b>EV/EBITA (adj.)*</b>	<b>11.7</b>	<b>10.9</b>	<b>9.2</b>	<b>19.2</b>	<b>17.9</b>	<b>14.0</b>
EV/EBIT	11.7	10.9	9.2	n.m.	22.7	14.0
<b>EV/EBIT (adj.)*</b>	<b>11.7</b>	<b>10.9</b>	<b>9.2</b>	<b>95.1</b>	<b>17.9</b>	<b>14.0</b>
<b>P/E (adj.)</b>	<b>12.6</b>	<b>13.2</b>	<b>7.4</b>	<b>n.m.</b>	<b>31.5</b>	<b>20.1</b>
P/BV	1.7	3.2	0.9	0.9	1.2	1.1
Total Yield Ratio	3.0%	2.1%	5.2%	3.5%	3.5%	3.5%
EV/CE	1.5	2.5	0.9	0.9	1.0	1.0
OpFCF yield	14.6%	-0.1%	-3.6%	22.3%	3.6%	6.4%
OpFCF/EV	11.6%	0.0%	-2.2%	12.9%	2.3%	4.0%
Payout ratio	38.4%	27.1%	36.4%	-26.2%	199%	73.7%
Dividend yield (gross)	2.7%	1.9%	4.7%	3.2%	3.2%	3.2%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2009</b>	<b>12/2010</b>	<b>12/2011</b>	<b>12/2012</b>	<b>12/2013e</b>	<b>12/2014e</b>
Price** (EUR)	36.17	85.90	24.79	21.88	26.85	26.85
Outstanding number of shares for main stock	59.5	60.0	60.0	60.0	60.0	60.0
<b>Total Market Cap</b>	<b>2,152</b>	<b>5,152</b>	<b>1,487</b>	<b>1,313</b>	<b>1,611</b>	<b>1,611</b>
<b>Net Debt</b>	<b>429</b>	<b>523</b>	<b>860</b>	<b>700</b>	<b>697</b>	<b>651</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>-325</i>	<i>-507</i>	<i>-706</i>	<i>-498</i>	<i>-501</i>	<i>-547</i>
<i>o/w Gross Debt (+)</i>	<i>755</i>	<i>1,030</i>	<i>1,566</i>	<i>1,198</i>	<i>1,198</i>	<i>1,198</i>
<b>Other EV components</b>	<b>131</b>	<b>132</b>	<b>115</b>	<b>252</b>	<b>262</b>	<b>268</b>
<b>Enterprise Value (EV adj.)</b>	<b>2,713</b>	<b>5,807</b>	<b>2,462</b>	<b>2,265</b>	<b>2,571</b>	<b>2,530</b>

Source: Company, Bank Degroof estimates.

### Notes

\* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: General Industrials/Diversified Industrials

Company Description: Bekaert is a company built on two core competences: "advanced metal transformation" and "advanced materials & coatings". Bekaert strives to be a market and technological leader in its niches markets in which it is seeking substantial profitable growth. Bekaert is strongly exposed to BRIC countries and other growing markets, which together represent almost 80% of the "combined" sales.

## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

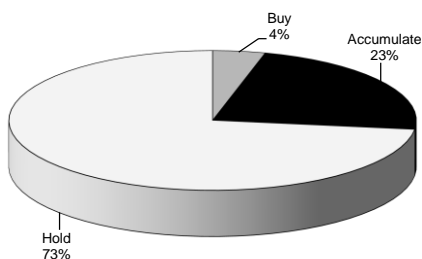
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

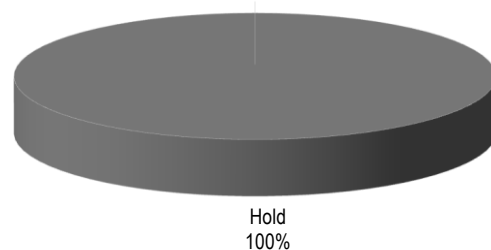
### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved or to a change of analyst covering the stock
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Bank Degroof Ratings Breakdown



Bank Degroof Ratings Breakdown for companies with conflicts of interest

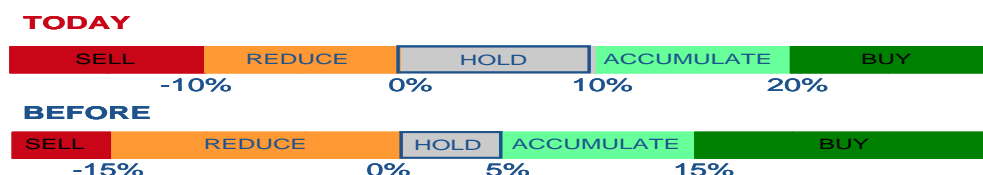


### History of ESN Recommendation System

**Since 18 October 2004**, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.

**Since 4 August 2008**, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:






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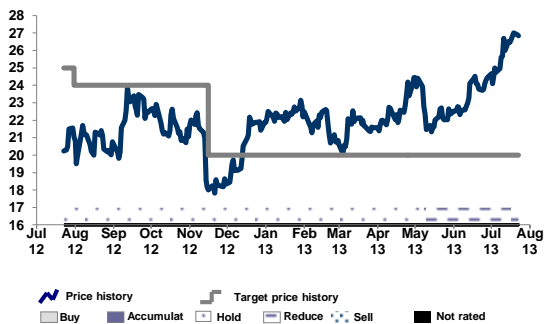
**Mail:** [firstname.lastname@degroof.be](mailto:firstname.lastname@degroof.be)

## Recommendation history for BEKAERT

Date	Recommendation	Target price	Price at change date
24-Jul-13	Reduce	24.00	26.85
11-Jun-13	Reduce	20.00	22.80
06-May-13	Hold	20.00	24.03
14-Nov-12	Hold	24.00	18.56
20-Jul-12	Hold	25.00	20.85
03-Feb-12	Hold	28.00	27.64
15-Dec-11	Hold	30.00	25.98
04-Nov-11	Accumulate	36.00	30.74
01-Aug-11	Accumulate	50.00	39.88
15-Jul-11	Accumulate	69.00	50.23

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Bank Degroof continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Bernard Hanssens (since 05/02/1997)



### Bank Degroof acts as liquidity provider for:

Aedifica, Atenor, Banimmo, Bois Sauvage, BSB International, Connect Group, D'Ieteren, Eckert-Ziegler, Elia, Floridienne, Gimv, Home Invest Belgium, Vastned Retail Belgium, Kinopolis, Leasinvest, Luxempart, Montea, Pinguin, Realco, Resilux, Roularta, Sapec, Ter Beke, Van de Velde.

### Bank Degroof holds a significant stake in:

Fountain

### Bank Degroof board members and employees hold mandates in the following listed companies:

Aedifica, Atenor, Barco, Brederode, Cofinimmo, D'Ieteren, Elia, Floridienne, Proximedia, Sapec, Sipef, Ter Beke, Tessengerlo and Zetes.

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