

Fortis Bank Nederland

Bekaert

Indy - Industrial, Diversified / Belgium

Company results

Target Price EUR 127.00

Expected performance (12 mth) 29.5%

BUY EUR 98.04 (Closing price 16-Nov-09)

* Growth in high-margin regions bodes well

* Target price raised to EUR 127

17 November 2009

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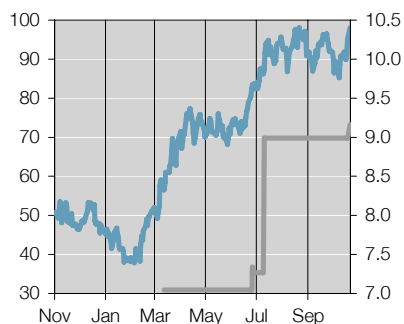
Email: maarten.bakker@nl.fortis.com

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 Fortis EPS est. 2010



Source: FactSet, Fortis Equity Research

Market capitalisation (EUR m)	1,939.6
No. of shares (m)	19.8
Free float	60.9%
1/3/12 mth perf. (%)	1.9/7.0/46.1
High/low 52 weeks (EUR)	98.04/37.88
Next results due	
Price/book value (x)	1.6
Volatility (β) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB BB
Website	www.bekaert.com

3Q09 sales trading update contains encouraging elements

Bekaert released an encouraging sales trading update for 3Q09, with volumes resuming on their path of y-o-y growth. As it was particularly driven by the high-margin emerging markets operations, this bodes well for the bottom line. The strong reduction of net debt (to EUR 500m at the end of 3Q09 from EUR 622m at the interim stage) is most likely another indication that profitability was strong in 3Q09 (not disclosed, however). Although Bekaert's outlook remained rather non-concrete, we noticed a more upbeat tone of voice. Whereas Bekaert previously commented that visibility was limited, the company now says that it expects to maintain high sales volumes in 4Q09 on the back of solid demand emerging markets, and it also noted a gradually improving trend in mature markets. The 3Q09 update comforted us about strong forward earnings momentum, as an ongoing robust performance in emerging markets will be accompanied by a recovery in Europe and North America. We raised our EPS estimates by 56c (9%) to EUR 7.12 for 2009 and by 38c (4%) to EUR 9.37 for 2010. As these forecasts are ahead of the consensus by 12% and 17%, respectively, we believe that momentum in the share price may be supported by earnings upgrades by other brokers.

BUY re-iterated and target price raised to EUR 127 (from EUR 112)

We re-iterate our BUY recommendation on the Bekaert stock, highlighting it as a play on emerging markets (>70% of turnover), in particular China. Consistent with our earnings upgrade, we raised our price target to the outcome of a returns-based valuation of EUR 127 on 2010 forecasts (our previous price target was EUR 112).

Year to December	2007	2008	2009e	2010e	2011e
Sales (EUR m)	2,173.6	2,662.4	2,438.7	2,616.5	2,803.6
EBITDA (EUR m)	298.6	412.2	352.1	409.0	441.1
Net profit excl. extr. & amort. (EUR m)	157.2	209.9	140.8	185.4	211.2
Net profit (EUR m)	152.9	174.1	140.8	185.4	211.2
EBITDA margin (%)	13.7	15.5	14.4	15.6	15.7
ROCE (incl. goodwill) (%)	9.5	11.2	8.6	10.6	11.1
Net gearing (%)	45.7	59.5	39.7	33.6	25.2
EPS before extr. & amort. (EUR)	7.84	10.64	7.12	9.37	10.68
EPS (EUR)	7.63	8.83	7.12	9.37	10.68
DPS (EUR)	2.76	2.80	2.85	3.75	4.27
% change sales	8.2	22.5	(8.4)	7.3	7.2
% change EPS (excl. extr. & amort.)	13.7	35.7	(33.1)	31.7	13.9
EV/Sales	0.86	0.50	0.84	0.78	0.71
EV/EBITDA	6.3	3.2	5.8	5.0	4.5
P/E (excl. extr. & amort.)	12.5	8.3	13.8	10.5	9.2
P/E	12.9	10.0	13.8	10.5	9.2
PE/growth (excl. extr.)	1.2	0.5	nmf	3.4	0.4
Free cash flow yield (%)	(0.5)	(2.5)	15.2	3.9	7.1

Review 3Q09 sales trading update

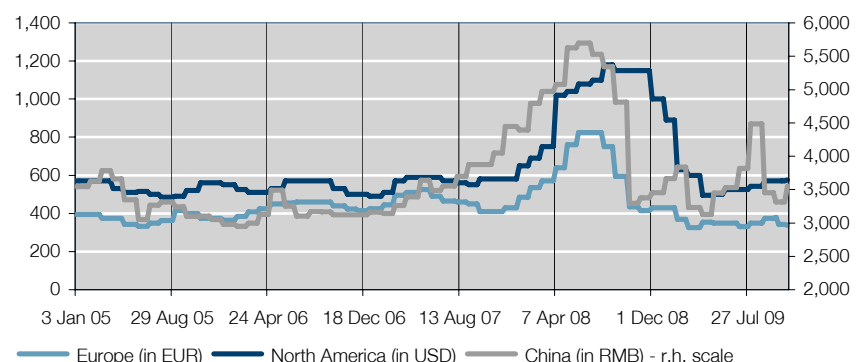
Quarterly consolidated sales (EUR m)

	1Q08	2Q08	3Q08	4Q08	FY2008	1Q09	2Q09	3Q09	4Q09E	FY2009E	FY2010E
Consolidated sales:											
EMEA	290	322	302	253	1,168	210	200	198	205	813	853
North America	134	155	172	144	605	142	122	106	121	490	522
Latin America	38	46	49	44	177	81	79	87	83	330	355
Asia Pacific	131	188	221	174	713	159	207	228	211	806	886
Total	593	711	744	615	2,662	592	608	619	620	2,439	2,617
% chg.	15.3%	28.9%	42.1%	5.2%	22.5%	-0.1%	-14.5%	-16.8%	0.8%	-8.4%	7.3%
organic	13.5%	26.1%	34.3%	-1.3%	17.7%	-14.3%	-25.9%	-23.6%	1.6%	-16.3%	7.3%
foreign exchange	-5.3%	-5.3%	-0.8%	6.6%	-1.0%	7.7%	6.2%	1.4%	-7.2%	2.1%	0.0%
consolidation	7.1%	8.1%	8.5%	0.1%	5.8%	6.5%	5.2%	5.5%	6.2%	5.8%	0.0%
EMEA % chg.						-27.6%	-37.9%	-34.5%	-19.2%	-30.4%	5.0%
North America % chg.						5.8%	-21.5%	-38.5%	-16.1%	-19.0%	6.5%
Latin America % chg.						113.8%	71.3%	77.9%	90.6%	87.0%	7.5%
Asia Pacific % chg.						22.1%	10.5%	3.4%	21.1%	13.0%	10.0%
Combined sales:											
EMEA	288	320	299	250	1,157	209	198	197	201	805	845
North America	134	154	171	142	600	139	120	105	119	483	515
Latin America	348	403	453	322	1,526	280	299	326	315	1,220	1,312
Asia Pacific	133	192	226	177	728	160	209	229	213	811	892
Total	903	1,068	1,149	890	4,010	788	826	857	848	3,320	3,564
EMEA % chg.						-27.5%	-38.1%	-34.1%	-19.5%	-30.4%	5.0%
North America % chg.						4.2%	-21.9%	-38.6%	-16.2%	-19.5%	6.5%
Latin America % chg.						-19.5%	-25.7%	-28.0%	-2.2%	-20.0%	7.5%
Asia Pacific % chg.						20.4%	8.6%	1.5%	20.8%	11.5%	10.0%
Total % chg.						-12.7%	-22.7%	-25.4%	-4.7%	-17.2%	7.4%

Source: company data and Fortis Bank Nederland estimates

3Q09 combined sales (i.e., including 100% of sales from equity-accounted JVs and associates) declined by 25.4% (-25.3% organic and +0.1% fx) to EUR 857m, which matched our forecast of EUR 860m and the consensus of EUR 849m. Note that the revenue decline is attributable to the pass through on to customers of the c 40% y-o-y decline in wire rod prices. The chart below shows that wire rod prices peaked in the third quarter of last year and fell sharply only at the end 2008. As such, there will again be a negative wire rod price effect in the y-o-y development of revenue in 4Q09. We stress, however, that such pass through effects should not have an effect on profitability. We consider it more interesting to highlight that the (sequential) development of wire rod prices is stable (confirmed by Bekaert), which means that there will not again be a hit to the results in 2H09 from FIFO value adjustments of inventories (remember that this made a EUR 40m dent to EBITE in 1H09, which effect fades out).

Development wire rod spot prices (in local currency per metric tonne)



Source: Steel BB

The positive y-o-y effect of currencies on *consolidate* sales eased from +7.7% in Q1 and +6.2% in Q2 to +1.4% in Q3, and Bekaert commented that the strong euro will start to have a negative impact from 4Q09. We estimate that Bekaert generates about 75-80% of *consolidated* sales in non-euro currencies. Note, however, that operating costs are mostly in the same currency as sales and that financing in local currency also provides a natural hedge. This being so, Bekaert's currency exposure is limited to transaction risk, which it does not hedge. The company is particularly exposed to the US dollar, Chinese renminbi, Slovak koruna, Czech koruna, Brazilian real and Chilean peso (the latter two currencies impact the share in results of joint ventures at the bottom of the P&L). As many currencies in Asia and Latin America are linked to the US dollar (although these links have been increasingly relaxed recently), Bekaert is most vulnerable to the EUR/USD exchange rate.

It was particularly encouraging to see that Bekaert realised y-o-y growth again of volumes in 3Q09 (although it did not quantify it), following upon declines in 1Q09 and 2Q09 (note that the volume development is a far more important indicator of profitability than the aforementioned top-line effects related to wire rod prices and currencies). The press release mentioned that the growth in volume was particularly driven by the Asia Pacific division, which operates at full capacity utilisation. In China, demand for Bekaert's tyre cord is boosted by booming car sales (which in first instance drives high demand for OEM tyres, but, more importantly, it subsequently creates a large pool of vehicles that need replacement tyres). We point out that the Latin America division also did well, with a 9% sequential increase in *combined* sales in 3Q09.

Bekaert noted that it "expects to maintain high sales volumes in 4Q09, driven by solid market demand in emerging markets" (which account for over 70% of Bekaert's *combined* turnover). As Bekaert achieves above-average margins in emerging markets (even >30% for the Asia Pacific division), the growth should be positive to the bottom line. We also consider it positive that Bekaert noted in its outlook that the trend is gradually improving in mature markets. In Europe and North America, Bekaert is adding volumes of basic products in order to drive up capacity utilisation. These developments support our comfort about the recovery potential for the EMEA and North America divisions (note that these divisions were around break even in 1H09, when corrected for the negative FIFO impact).

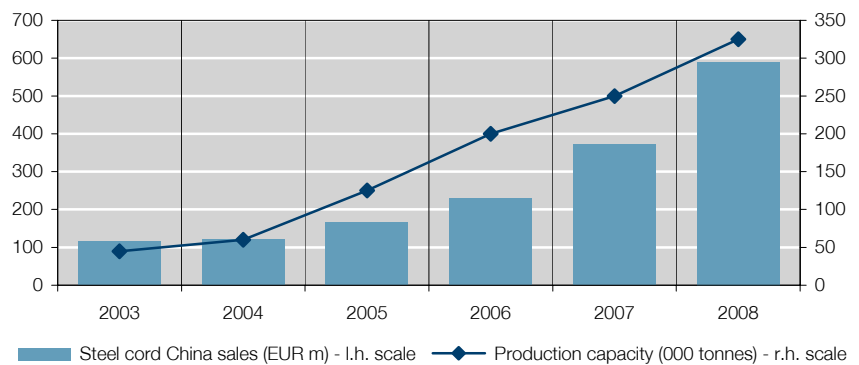
Admirable debt reduction in 3Q09

The 3Q09 update also mentioned a healthy cash flow generation, which reduced net debt from EUR 622m at the interim stage to EUR 500m at the end of 3Q09. While this is probably partly attributable to a reduction of working capital, we also believe that it is an indication of strong profitability. We lowered our forecast of end-2009 net debt from EUR 592m to EUR 483m.

No mention of capacity expansion plans in China ... yet(?)

Contrary to what we speculated about beforehand, Bekaert did not state anything about capacity expansion plans together with Ansteel in China. Our speculation was based on an article by Steel Business Briefing, which reported on 14 October (citing alleged Ansteel sources) that the two companies have signed a memorandum of understanding to co-invest in the longer run in an additional 500,000 tonnes of capacity to diversify into different downstream wire products (coming on top of the 100,000 tonnes capacity JV for the production of tyre cord in Chongqing, of which the first phase of 35,000 tonnes was commissioned in April of this year). Steel Business Briefing reported that the two companies will first set up a JV for the production of 100,000 tonnes of galvanized wire. A diversification by Bekaert into new products in China could very well fuel long-term growth. The chart below shows the phenomenal capacity expansion that Bekaert had achieved on its own in China until the end of 2008.

Development Bekaert's 'Steel cord China' revenue (EUR m) and production capacity



Source: company data and Fortis Bank Nederland

Bekaert confirmed to us that expansion plans are being discussed with Ansteel, but the company considers it more appropriate to communicate about it to the markets once more details are known. We would expect any announcement of expansion plans in China to be a positive driver of the Bekaert share price

EPS estimates 2009 and 2010 raised by 9% and 4%, respectively

We forecast a strong improvement of group EBITE from EUR 86m in 1H09 to EUR 143m in 2H09 (note that this has been raised from EUR 131m previously), driven by:

- Fading out of the EUR 40m FIFO hit in 1H09 from declined wire rod prices (which particularly weighed on Europe and North America profitability).
- Stronger offset in 2H09 from restructuring measures that were taken in Belgium at the end of last year.
- Fading out of de-stocking pressure (which started end-2008 and continued in 1H09).
- Improved momentum in Latin America from 2Q09.
- Continuation of strong momentum in Asia, with record volumes in 2H09.

We forecast group EBITE to improve from EUR 229m in FY2009 to EUR 284m in 2010 (trimmed higher from EUR 279m previously). The table on the following page shows the detail behind our forecasts. We raised our EPS estimates by 56c (9%) to EUR 7.12 for 2009 and by 38c (4%) to EUR 9.37 for 2010.

Our EBIT forecasts for 2009/2010 are 11/18% ahead of consensus

The table below shows that our forecast of group EBIT (including non-recurring items) is 11% ahead of the JCF consensus for FY2009 (implying that we are 18% ahead for 2H09) and 18% higher than the JCF consensus for 2010 (see table below). The gap is somewhat smaller when our forecasts of group EBIT are compared with the Bloomberg consensus (EUR 200.5m for FY2009 and EUR 236.5m for 2010). Anyway, it leads us to believe that momentum in the share price may be supported by earnings upgrades by other brokers.

As our forecasts are ahead of consensus, we see earnings upgrades by other brokers as a possible trigger for the share price

Fortis Bank Nederland forecasts versus consensus

	Sales (EUR m)			Sales growth			EBIT (EUR m)			EBIT margin			EPS (EUR)		
	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E
Fortis Bank Nederland	2,439	2,617	2,804	-8.4%	7.3%	7.2%	214	269	299	8.8%	10.3%	10.7%	7.12	9.37	10.68
Relative to consensus	0%	2%	2%				11%	18%	15%				12%	17%	13%
Consensus (JCF):	2,450	2,576	2,756	-8.0%	5.2%	7.0%	193	229	259	7.9%	8.9%	9.4%	6.36	8.03	9.48

Source: Fortis Bank Nederland estimates and JCF consensus data

P&L Bekaert (EUR m)

	2007	1H08	2H08	2008	1H09	2H09E	2009E	2010E	2011E
EMEA		612	556	1,168	410	403	813	853	905
North America		289	316	605	264	227	490	522	553
Latin America		84	93	177	160	170	330	355	380
Asia Pacific		318	395	713	367	439	806	886	966
Consolidated sales	2,174	1,303	1,359	2,662	1,200	1,239	2,439	2,617	2,804
% chg.	8.2%	22.3%	22.6%	22.5%	-7.9%	-8.9%	-8.4%	7.3%	7.2%
organic	8.0%	20.0%	15.5%	17.7%	-20.6%	-12.2%	-16.3%	7.3%	7.2%
fx	-2.3%	-5.3%	3.1%	-1.0%	6.9%	-2.5%	2.1%	0.0%	0.0%
consolidation	2.5%	7.6%	4.1%	5.8%	5.8%	5.8%	5.8%	0.0%	0.0%
EBITDAE	310	243	253	496	152	215	367	424	456
margin	14.3%	18.6%	18.6%	18.6%	12.7%	17.4%	15.1%	16.2%	16.3%
% chg.	11.2%	63.3%	56.6%	59.8%	-37.4%	-15.0%	-26.0%	15.5%	7.6%
EBITE EMEA		53	15	68	(21)	8	(12)	25	51
margin		8.6%	2.7%	5.8%	-5.0%	2.1%	-1.5%	2.9%	5.7%
% chg.			0.0%	0.0%	-139.1%	-44.3%	-118.0%	nmf	106.5%
EBITE North America		21	4	25	(5)	8	4	23	33
margin		7.3%	1.1%	4.1%	-1.7%	3.7%	0.8%	4.5%	6.0%
% chg.			0.0%	0.0%	-121.4%	133.9%	-84.1%	495.1%	42.3%
EBITE Latin America		11	5	16	8	13	21	28	38
margin		12.9%	5.3%	8.9%	5.3%	7.5%	6.4%	8.0%	10.0%
% chg.			0.0%	0.0%	-22.2%	159.8%	34.6%	34.4%	33.8%
EBITE Asia Pacific		107	143	249	128	144	272	270	261
margin		33.5%	36.1%	34.9%	34.9%	32.9%	33.8%	30.5%	27.0%
% chg.			0.0%	0.0%	20.2%	1.2%	9.3%	-0.7%	-3.5%
Other		(28)	(35)	(63)	(25)	(31)	(56)	(62)	(69)
Total EBITE	186	163	131	294	86	143	229	284	314
margin	8.6%	12.5%	9.7%	11.1%	7.2%	11.6%	9.4%	10.9%	11.2%
% chg.	14.5%	80.3%	36.8%	57.9%	-47.3%	9.1%	-22.1%	24.1%	10.5%
Non-recurring items	(12)	(18)	(66)	(84)	(8)	(7)	(15)	(12)	(12)
EBIT	175	146	65	210	79	135	214	269	299
Net financial charges	(41)	(22)	(27)	(49)	(31)	(24)	(54)	(45)	(41)
EBT	134	124	38	161	48	112	160	224	258
Taxes	(19)	(26)	(0)	(26)	(13)	(20)	(34)	(49)	(59)
as % of EBT	14.3%	20.6%	0.1%	15.8%	27.5%	18.2%	21.0%	22.0%	23.0%
Share in results joint ventures	47	36	20	56	17	20	37	41	47
Result discontinued operations	0	0	0	0	0	0	0	0	0
Minority interests	(9)	(7)	(11)	(18)	(8)	(15)	(23)	(30)	(34)
Net profit continuing operations	153	127	48	174	44	97	141	185	211
% chg.	7.1%	73.9%	-40.0%	13.9%	-65.1%	101.1%	-19.1%	31.7%	13.9%
EPS basic (EUR)	7.63	6.44	2.44	8.83	2.24	4.88	7.12	9.37	10.68
% chg.	14.8%	78.4%	-39.0%	15.7%	-65.2%	100.4%	-19.4%	31.7%	13.9%
EPS fully diluted (EUR)	7.58	6.38	2.43	8.79	2.24	4.88	7.11	9.36	10.67
% chg.	14.6%	78.2%	-38.8%	16.0%	-64.9%	101.0%	-19.2%	31.7%	13.9%
DPS	2.76			2.80			2.85	3.75	4.27
pay out	35.8%			31.8%			40.0%	40.0%	40.0%

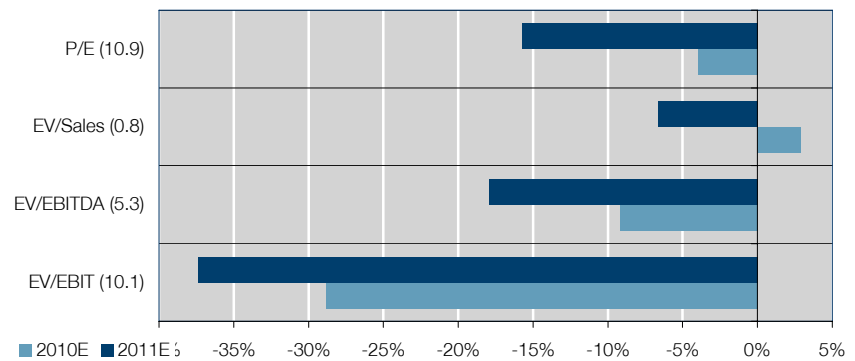
Source: company data and Fortis Bank Nederland estimates

Investment opinion

Trading at a discount to historic valuation, while the structurally improved earnings profile warrants a premium

We re-iterate our BUY recommendation on the Bekaert stock. As the key attraction of the investment case, we highlight the Bekaert stock as a play on emerging markets (>70% of turnover), in particular China. We expect momentum in the share price to be supported by a strong earnings recovery in 2H09 and 2010, which will likely trigger earnings upgrades by other brokers. As other attractions of the investment case, we highlight Bekaert's solid balance sheet (1.3x net debt/EBITDA end-2009), which enables it to continue to invest in growth through the downturn. We furthermore mention the company's strong management and good track record. We consider these attractions undervalued at 2010 multiples of 10.5x P/E, 4.8x EV/Sales¹ and 7.2x EV/EBIT. The chart below shows that Bekaert's valuation multiples stand at a discount to the average valuation during the 1999-2008 period. Bekaert deserves to trade at a premium, however, given that its growth profile and profitability have structurally improved on the back the enhanced emerging markets exposure and increased focus on products with more value added.

Discount to average 1999-2008 valuation

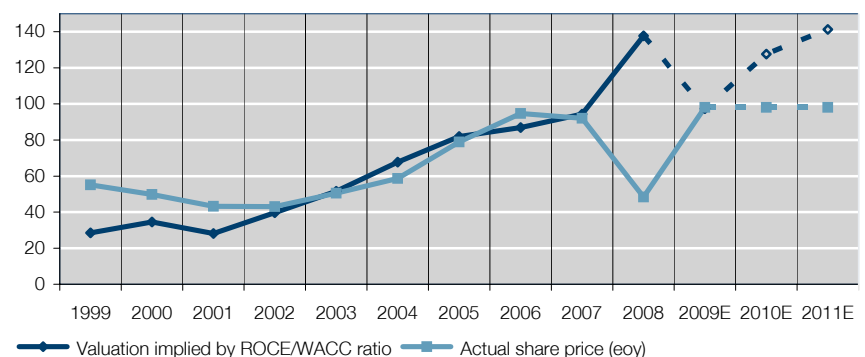


Source: Fortis Bank Nederland

Target price raised to EUR 127, which is the outcome of a returns-based valuation on 2010 numbers

We raise our price target to the outcome of a returns-based valuation (where the EV/CE valuation is consistent with ROCE/WACC²) of EUR 127 on 2010 forecasts (we point out that this methodology yields an outcome of EUR 141 on our 2011 forecasts). Back-testing validates the returns-based 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: Fortis Bank Nederland

¹ Our calculation of EV includes the market value of Bekaert's JVs and associates as estimated by us.

² - ROCE/WACC * Capital Employed = Enterprise Value
 - Enterprise Value +/- net debt +/- pension deficit +/- minority interests + financial fixed assets + market value JVs & associates = Equity Value

P & L Statement (EUR m) Year to December	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
Net sales	1,863.5	1,797.0	1,741.9	1,914.3	2,009.6	2,173.6	2,662.4	2,438.7	2,616.5	2,803.6
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personnel costs	(548.7)	(506.9)	(450.3)	(449.9)	(462.0)	(472.6)	(524.2)	(525.3)	(547.7)	(570.9)
Other operating costs										
EBITDA	225.8	239.1	255.6	257.4	262.2	298.6	412.2	352.1	409.0	441.1
Depreciation	(149.4)	(127.3)	(107.6)	(107.4)	(110.7)	(119.7)	(165.9)	(138.0)	(139.7)	(142.0)
EBITA	76.3	111.8	148.0	150.0	151.4	178.9	246.3	214.1	269.3	299.1
Reported provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	(12.1)	0.0	(9.0)	(13.7)	(5.5)	(4.3)	(35.8)	0.0	0.0	0.0
EBIT	64.2	111.8	139.0	136.3	145.9	174.6	210.5	214.1	269.3	299.1
Net financials	(130.1)	(43.0)	(20.5)	(15.3)	(31.0)	(41.0)	(49.2)	(54.0)	(45.3)	(41.2)
Profit Before Taxes (PBT)	(65.9)	68.8	118.5	121.0	114.9	133.6	161.2	160.1	224.1	257.9
Taxes	7.2	(8.2)	(18.4)	(30.3)	(18.4)	(19.1)	(25.5)	(33.6)	(49.3)	(59.3)
Income from associates	19.1	33.5	53.5	56.9	51.0	47.1	56.1	37.2	40.8	47.0
Minorities	(6.7)	(7.5)	(12.3)	(12.0)	(4.8)	(8.7)	(17.7)	(22.9)	(30.2)	(34.4)
Net profit before extraordinary	(46.3)	86.7	141.3	135.7	142.8	152.9	174.1	140.8	185.4	211.2
Extraordinary items	0.0	0.0	26.3	54.2	0.0	0.0	0.0	0.0	0.0	0.0
Net reported profit	(46.3)	86.7	167.6	189.9	142.8	152.9	174.1	140.8	185.4	211.2
% change in Sales	3.8	(3.6)	(3.1)	9.9	5.0	8.2	22.5	(8.4)	7.3	7.2
% change in EBITDA	8.8	5.9	6.9	0.7	1.8	13.9	38.0	(14.6)	16.2	7.8
% change in EBITA	22.5	46.5	32.4	1.3	1.0	18.1	37.7	(13.0)	25.8	11.1
% change in PBT	ns	ns	72.1	2.1	(5.0)	16.3	20.7	(0.7)	39.9	15.1
% change in Net profit before extraordinary	ns	ns	63.0	(3.9)	5.2	7.1	13.9	(19.1)	31.7	13.9

Cash Flow Statement (EUR m)	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
EBITDA	225.8	239.1	255.6	257.4	262.2	298.6	412.2	352.1	409.0	441.1
Change in provisions excluding tax provisions	5.3	(31.2)	(0.6)	(15.4)	(12.3)	(8.9)	26.2	(1.4)	0.0	0.0
Change in net working capital	39.5	(18.6)	(112.6)	(32.3)	(31.9)	(41.9)	(162.4)	195.4	(61.8)	(40.2)
Gross operating cash flow	270.5	189.3	142.4	209.8	217.9	247.8	276.0	546.2	347.3	400.9
Taxes paid	(13.1)	(18.5)	(32.9)	(25.5)	(16.8)	(24.9)	(27.5)	(33.6)	(49.3)	(59.3)
Capex	(84.9)	(118.1)	(172.9)	(151.6)	(161.3)	(199.8)	(251.1)	(172.2)	(185.5)	(171.2)
Free cash flow	172.5	52.7	(63.3)	32.7	39.8	23.1	(2.6)	340.4	112.5	170.4
Net interest received	(26.7)	(18.2)	(16.0)	(14.8)	(22.0)	(30.8)	(31.5)	(46.2)	(37.4)	(33.4)
Other	19.7	17.2	75.5	96.6	(25.4)	42.1	24.2	(49.1)	12.7	16.0
Acquisitions	(5.5)	(33.9)	(16.9)	(21.2)	(42.7)	(14.7)	(44.2)	0.0	0.0	0.0
Divestments	3.1	5.7	0.1	86.5	0.0	4.2	0.7	0.0	0.0	0.0
Share issues/buybacks	0.0	(2.2)	(8.8)	(24.3)	(56.1)	(111.0)	(19.7)	0.0	0.0	0.0
Dividend (adj. stock dividend)	(43.1)	(44.9)	(45.3)	(52.2)	(74.1)	(57.2)	(62.2)	(55.4)	(56.3)	(74.2)
Extraordinary items (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in interest-bearing debt	(120.9)	32.5	77.4	20.6	39.1	136.4	180.4	(189.7)	(31.5)	(78.8)
Change in cash & cash equivalents	(0.9)	8.8	2.7	123.8	(141.5)	(7.9)	45.1	0.0	0.0	0.0

Balance Sheet (EUR m)	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
Net intangible fixed assets	127.1	119.5	118.4	125.4	134.5	122.0	111.5	101.7	92.9	85.0
Net tangible fixed assets	777.6	757.6	791.6	799.8	824.2	917.6	1,070.7	1,174.6	1,229.2	1,266.3
Financials fixed assets (FFA)	269.9	303.7	331.1	325.5	348.6	303.4	247.7	252.3	260.5	269.9
Inventories	311.8	322.6	419.3	348.3	368.8	385.4	510.5	387.5	422.9	453.2
Trade debtors	311.4	307.7	385.2	354.2	398.9	437.7	483.2	427.6	466.0	499.3
Other debtors	52.1	45.5	44.9	63.4	63.7	73.1	125.3	106.0	124.8	125.8
Cash & securities	72.2	81.1	98.9	222.7	81.2	73.2	118.3	118.3	118.3	118.3
Total Assets	1,922.1	1,937.6	2,189.3	2,239.3	2,219.8	2,312.6	2,667.2	2,568.1	2,714.6	2,817.8
Shareholder's equity	758.4	790.8	909.7	1,057.5	1,060.1	1,098.2	1,130.6	1,216.0	1,345.1	1,482.1
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	44.3	43.3	48.8	51.1	48.9	48.4	41.8	55.5	73.6	94.2
Provisions	413.9	361.5	373.0	357.5	331.4	298.8	373.4	372.1	372.1	372.1
Long-term interest bearing debt	324.3	312.3	242.3	288.3	274.4	322.5	288.1	186.6	155.1	76.3
Short-term interest bearing debt	146.7	176.6	312.0	245.6	218.0	253.0	503.1	415.0	415.0	415.0
Trade creditors	184.9	191.4	250.8	187.4	227.8	231.7	253.8	253.9	279.6	299.6
Other non-interest bearing liabilities	49.5	61.6	52.7	52.0	59.3	60.0	76.4	69.1	74.2	78.5
Total Liabilities & Capital	1,922.1	1,937.6	2,189.3	2,239.3	2,219.8	2,312.6	2,667.2	2,568.1	2,714.6	2,817.8
Enterprise Value (EV)	1,225.1	1,220.3	1,330.5	1,525.9	1,863.3	1,875.6	1,333.8	2,058.9	2,045.5	1,987.3
Net debt/(Net cash)	398.8	407.9	455.4	311.2	411.2	502.2	672.9	483.2	451.8	372.9
Capital Employed incl. goodwill (avg.)	1,529.7	1,383.0	1,458.6	1,515.7	1,517.1	1,610.5	1,850.3	1,970.8	1,976.4	2,067.0
Cumulative goodwill (as of 1991)	113.0	121.1	131.3	85.3	82.2	75.2	74.6	74.6	74.6	74.6
Capital Employed (avg.)	1,410.5	1,266.0	1,332.4	1,407.4	1,433.3	1,531.8	1,775.5	1,896.2	1,901.8	1,992.4
Net working capital	440.9	422.9	545.9	526.6	544.3	604.6	788.8	598.1	659.9	700.1
Discounted value of leases		29.6	26.3	36.6	32.2	28.6	28.9	31.6	33.8	35.8
Adjusted equity	871.4	911.9	1,041.0	1,142.9	1,142.3	1,173.3	1,205.2	1,290.6	1,419.6	1,556.7

Per Share Data (EUR)	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
Avg. no. of shares (m)	22.1	22.1	21.9	21.6	21.5	20.0	19.7	19.8	19.8	19.8
Eoy. no. of shares (m)	22.1	22.1	21.9	21.5	20.9	19.8	19.8	19.8	19.8	19.8
Avg. no. of shares fully diluted (m)	22.2	22.1	22.0	21.7	21.6	20.2	19.8	19.8	19.8	19.8
Enterprise Value (EV)	55.38	55.29	60.83	70.87	88.95	94.58	67.42	104.07	103.40	100.45
Net debt less FFA plus minorities	7.83	6.68	7.92	1.71	5.32	12.47	23.60	14.48	13.39	9.97
Sales	84.13	81.27	79.46	88.49	93.51	108.47	135.02	123.27	132.26	141.71
EBITDA	10.19	10.81	11.66	11.90	12.20	14.90	20.90	17.80	20.68	22.30
EBITA	3.45	5.06	6.75	6.93	7.05	8.93	12.49	10.82	13.61	15.12
EBIT	2.90	5.06	6.34	6.30	6.79	8.71	10.67	10.82	13.61	15.12
Net profit before extr. & amort. (EUR)	(1.54)	3.92	6.86	6.91	6.90	7.84	10.64	7.12	9.37	10.68
Net profit before extraordinary (EUR)	(2.09)	3.92	6.44	6.27	6.64	7.63	8.83	7.12	9.37	10.68
Cash Flow (EUR)	5.20	9.68	11.76	11.87	12.05	13.82	19.06	14.09	16.43	17.85
Gross Dividend (EUR)	1.68	1.75	2.00	3.00	2.50	2.76	2.80	2.85	3.75	4.27
Book value (EUR)	34.28	35.83	41.59	49.12	50.61	55.38	57.15	61.46	67.99	74.92
Adjusted equity	39.39	41.32	47.59	53.08	54.54	59.17	60.92	65.23	71.76	78.69
Free Cash Flow	7.79	2.38	(2.89)	1.51	1.85	1.15	(0.13)	17.20	5.68	8.61
% change in EPS before extr. & amort.	ns	ns	74.88	0.76	(0.11)	13.68	35.68	(33.14)	31.70	13.92

Valuation	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
P/E (excl. extr. & amort.)	nmf	10.6	7.3	9.4	11.9	12.5	8.3	13.8	10.5	9.2
P/CF (x)	8.5	4.3	4.3	5.5	6.8	7.1	4.6	7.0	6.0	5.5
P/Book (x)	1.3	1.4	1.4	1.6	1.9	1.7	0.8	1.6	1.4	1.3
Dividend yield (%)	3.8	4.2	4.0	4.6	3.0	2.8	3.2	2.9	3.8	4.4
Free cash flow yield (%)	14.6	2.2	(7.2)	0.4	0.9	(0.5)	(2.5)	15.2	3.9	7.1
EV/Sales (x)	0.7	0.7	0.8	0.8	0.9	0.9	0.5	0.8	0.8	0.7
EV/EBITDA (x)	5.4	5.1	5.2	5.9	7.1	6.3	3.2	5.8	5.0	4.5
EV/EBITA (x)	16.0	10.9	9.0	10.2	12.3	10.5	5.4	9.6	7.6	6.6
EV/EBIT (x)	19.1	10.9	9.6	11.2	12.8	10.7	6.3	9.6	7.6	6.6
EV/Capital Employed (x)	0.9	1.0	1.0	1.1	1.3	1.2	0.8	1.1	1.1	1.0
EV/CE (incl. goodwill) (x)	0.8	0.9	0.9	1.0	1.2	1.2	0.7	1.0	1.0	1.0
Share price : High (EUR)	50.90	50.70	59.75	78.95	99.60	113.40	120.32	98.04		
Share price : Low (EUR)	35.76	31.00	43.50	55.40	69.35	84.46	44.47	37.88		
Share price : Average (EUR)	44.32	41.40	50.13	65.17	82.18	98.18	88.25	98.04	98.04	98.04
Share price : Year end (EUR)	43.15	50.50	58.75	78.95	94.70	92.00	48.32	98.04	98.04	98.04

Capital Efficiency/Solvability	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
Sales/CE (incl. goodwill)	1.2	1.3	1.2	1.3	1.3	1.3	1.4	1.2	1.3	1.4
Sales/Fixed assets (x)	2.4	2.4	2.2	2.4	2.4	2.4	2.5	2.1	2.1	2.2
Sales/Net working capital (x)	4.2	4.2	3.2	3.6	3.7	3.6	3.4	4.1	4.0	4.0
Inventories/Sales (days)	61.1	65.5	87.9	66.4	67.0	64.7	70.0	58.0	59.0	59.0
Trade debtors/Sales (days)	61.0	62.5	80.7	67.5	72.5	73.5	66.2	64.0	65.0	65.0
Trade creditors/Sales (days)	36.2	38.9	52.6	35.7	41.4	38.9	34.8	38.0	39.0	39.0
CAPEX/Depreciation (%)	56.8	92.8	160.7	141.1	145.7	166.9	151.3	124.8	132.8	120.6
Equity/Total assets (%)	39.5	40.8	41.6	47.2	47.8	47.5	42.4	47.3	49.5	52.6
Net debt/Equity (%)	52.6	51.6	50.1	29.4	38.8	45.7	59.5	39.7	33.6	25.2
Interest cover (x)	2.4	3.2	6.3	4.8	5.5	5.2	5.4	4.3	6.4	7.9
Dividend payout (%)	(108.8)	44.6	29.1	43.2	35.3	34.8	26.4	40.0	40.0	40.0
ROCE (average) (%)	4.8	7.8	9.4	8.0	8.9	10.0	11.7	8.9	11.0	11.6
ROCE (incl. goodwill) (average) (%)	4.4	7.1	8.6	7.4	8.4	9.5	11.2	8.6	10.6	11.1

Operating Efficiency & Profitability ratios	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
Sales per FTE employee ('000s)	181.7	168.9	161.4	178.9	169.2	155.4	165.3	154.9	163.4	172.1
Wage costs per FTE employee ('000s)	53.5	47.6	41.7	42.0	38.9	33.8	32.5	33.4	34.2	35.0
EBIT per FTE employee ('000s)	6.3	10.5	12.9	12.7	12.3	12.5	13.1	13.6	16.8	18.4
Gross margin (%)										
EBITDA margin (%)	12.1	13.3	14.7	13.4	13.0	13.7	15.5	14.4	15.6	15.7
Operating margin (%)	3.4	6.2	8.0	7.1	7.3	8.0	7.9	8.8	10.3	10.7
Net margin (%)	(2.5)	3.4	6.3	5.5	5.1	5.5	6.4	5.2	6.7	7.1
Tax rate (%)	11.0	11.9	15.5	25.0	16.0	14.3	15.8	21.0	22.0	23.0

Important disclosures

Issuer	Ticker	Price (EUR)
Bekaert	BEKB.BR	98.04

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Historical equity recommendations and target price for Bekaert (EUR)



History of Target Prices

Date	Recommendation	Target Price
16/11/2009	BUY	EUR 125.00
5/8/2009	BUY	EUR 112.00
7/4/2009	BUY	EUR 75.00

History of Recommendations

Date	Recommendation	Target Price
5/8/2009	BUY	EUR 112.00
8/5/2009	HOLD	EUR 75.00
7/4/2009	BUY	EUR 75.00

Source: Fortis Equity Research, FactSet

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