Fortis Bank Nederland

Bekaert

Indy - Industrial, Diversified / Belgium

Company results

Target Price EUR 155.00

Expected performance (12 mth) 24.0%

BUY EUR 124.95 (Closing price 08-Mar-10)

In a sweet spot

9 March 2010

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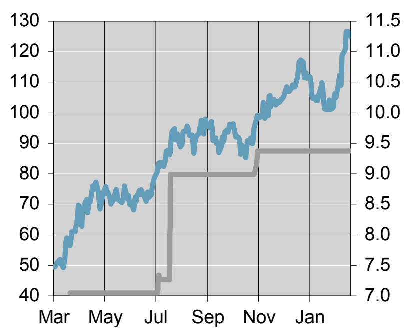
Opinion on qualitative criteria

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)



Source: FactSet, Fortis Equity Research

Market capitalisation (EUR m)	2,478.3
No. of shares (m)	19.8
Free float	62.0%
1/3/12 mth perf. (%)	23.7/21.4/220.3
High/low 52 weeks (EUR)	126.60/38.26
Next results due	12 May 2010
Price/book value (x)	1.7
Volatility (ß) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB BB
Website	www.bekaert.com

FY09 results clearly show Bekaert to be operating in a sweet spot

The FY09 results underscored both the appeal of growth in emerging markets and cyclical earnings recovery in mature markets. EBIT*E* of EUR 257m beat our forecast of EUR 229m and the consensus of EUR 211m, driven by ongoing profitable growth for Asia Pacific (which should ease investors' concerns about the high margin) and strong improvements of the margin for EMEA and Latin America in 2H09. The balance sheet deleveraged stronger than expected (1.0x net debt/EBITDA and 29% net debt/equity), giving Bekaert ample financial room for continued expansion in emerging markets. For 2010, capex is expected to increase to EUR 175-200m (up from EUR 158m in FY09), with about 80% destined to emerging markets. The company has proven that such investments yield very good returns for shareholders. We have raised our EPS estimates for 2010 through 2012 raised by 79/99/48c (8/9/4%) to EUR 10.17/11.66/11.95, respectively.

Price target raised to EUR 155 and BUY recommendation re-iterated

Consistent with the earnings upgrade, we have raised our price target (from EUR 134) to EUR 155 (24% upside), which is the outcome of a returns-based valuation (where EV/CE = ROCE/WACC) on our 2011 forecasts. We re-iterate our BUY recommendation, highlighting the Bekaert stock as a play on emerging markets (where >70% of revenue is generated). We also mind not to overlook the cyclical recovery potential of the mature EMEA and North America divisions. We feel that the attractive growth profile of earnings is not fully discounted in the share price, as it trades at a compelling 2010/2011 valuation of 12.3/10.7x P/E and 5.2/4.8x EV/EBITDA (EV adjusted for the estimated value of JVs).

Year to December	2008	2009	2010e	2011e	2012e
Sales (EUR m)	2,662.4	2,437.3	2,580.4	2,784.0	2,954.6
EBITDA (EUR m)	412.2	385.5	456.8	492.3	497.3
Net profit excl. extr. & amort. (EUR m)	209.9	164.8	201.6	231.3	237.0
Net profit (EUR m)	174.1	151.8	201.6	231.3	237.0
EBITDA margin (%)	15.5	15.8	17.7	17.7	16.8
ROCE (incl. goodwill) (%)	11.2	9.9	11.5	11.9	11.2
Net gearing (%)	59.5	36.9	31.5	23.2	15.5
EPS before extr. & amort. (EUR)	10.65	8.35	10.17	11.66	11.95
EPS (EUR)	8.83	7.69	10.17	11.66	11.95
DPS (EUR)	2.80	2.94	3.56	4.08	4.18
% change sales	22.5	(8.5)	5.9	7.9	6.1
% change EPS (excl. extr. & amort.)	35.7	(21.6)	21.8	14.7	2.4
EV/Sales	0.49	0.90	0.98	0.88	0.80
EV/EBITDA	3.2	5.7	5.5	5.0	4.8
P/E (excl. extr. & amort.)	8.3	9.0	12.3	10.7	10.5
P/E	10.0	9.8	12.3	10.7	10.5
PE/growth (excl. extr.)	0.5	23.0	1.7	0.5	1.2
Free cash flow yield (%)	(2.5)	18.9	4.1	5.5	6.4

Review FY09 results

2H09 / FY2009 results (EUR m)

	2H08 realised	1H09 realised	2H09 realised	Y-o-y chg.	2H09E estimated	Realised vs estimated	2008 realised	2009 realised	Y-o-y chg.
EMEA	556	410	417	-25.0%	403	3.5%	1,168	827	-29.2%
North America	316	264	210	-33.7%	227	-7.6%	605	473	-21.8%
Latin America	93	160	167	80.5%	170	-1.9%	177	327	85.2%
Asia Pacific	395	367	443	12.1%	439	0.8%	713	809	13.5%
Consolidated sales	**1,359**	**1,200**	**1,236**	**-9.1%**	**1,239**	**-0.2%**	**2,662**	**2,437**	**-8.5%**
EBITDA*E*	253	152	258	1.9%	215	20.0%	496	410	-17.3%
margin	18.6%	12.7%	20.9%		17.4%		18.6%	16.8%	
EBIT*E* EMEA	15	(21)	23	49.7%	8	168.8%	68	2	-97.1%
margin	2.7%	-5.0%	5.4%		2.1%		5.8%	0.2%	
EBIT*E* North America	4	(5)	(1)	-113.9%	8	-105.9%	25	(5)	-120.3%
margin	1.1%	-1.7%	-0.2%		3.7%		4.1%	-1.1%	
EBIT*E* Latin America	5	8	20	300.0%	13	53.9%	16	28	78.3%
margin	5.3%	5.3%	11.7%		7.5%		8.9%	8.6%	
EBIT*E* Asia Pacific	143	128	160	12.2%	144	10.9%	249	288	15.6%
margin	36.1%	34.9%	36.2%		32.9%		34.9%	35.6%	
Other	(35)	(25)	(31)	-11.7%	(31)	0.8%	(63)	(56)	-10.7%
Total EBITE	**131**	**86**	**171**	**30.1%**	**143**	**19.3%**	**294**	**257**	**-12.7%**
margin	9.7%	7.2%	13.8%		11.6%		11.1%	10.5%	
Non-recurring items	(66)	(8)	(7)	-88.7%	(7)	0.0%	(84)	(15)	-82.1%
EBIT	**65**	**79**	**153**	**135.6%**	**135**	**13.3%**	**211**	**232**	**10.3%**
Net financial charges	(27)	(31)	(35)	30.6%	(24)	49.3%	(49)	(66)	33.3%
EBT	**38**	**48**	**118**	**209.2%**	**112**	**5.8%**	**161**	**167**	**3.3%**
Taxes	(0)	(13)	(21)	nmf	(20)	1.4%	(26)	(34)	32.8%
as % of EBT	0.1%	27.5%	17.4%		18.2%		15.8%	20.4%	
Share in results joint ventures	20	17	20	-0.2%	20	2.9%	56	38	-32.7%
Result discontinued operations	0	0	0	nmf	0	nmf	0	0	nmf
Minority interests	(11)	(8)	(10)	-1.2%	(15)	-29.0%	(18)	(19)	5.2%
Net profit	**48**	**44**	**108**	**124.0%**	**97**	**11.4%**	**174**	**152**	**-12.8%**
EPS basic (EUR)	**2.44**	**2.24**	**5.45**	**123.8%**	**4.88**	**11.6%**	**8.83**	**7.69**	**-12.9%**

Source: company data and Fortis Bank Nederland estimates

Blowout FY09 results

Ongoing profitable growth Asia Pacific and recovery profitability EMEA propel FY09 results clearly beyond expectations

Bekaert reported blowout FY09 results, with EBIT*E* of EUR 257m (-13%) exceeding our forecast of EUR 229m (was the highest in the consensus) and the consensus of EUR 211m. It implied a strong improvement from EUR 86m (including EUR 40m FIFO hit to the value of inventories) in 1H09 to EUR 171m in 2H09 (which represented a record margin of 13.8%). The improvement was driven by ongoing profitable growth for the Asia Pacific division (with a modest improvement of the already high margin from 34.9% in 1H09 to 36.2% in 2H09) and a recovery of the profitability for the EMEA division (margin swung from -5.0% (c. 0% excluding FIFO impact) in 1H09 to 5.4% in 2H09) and to a lesser degree the Latin America division (margin from 5.3% in 1H09 to 11.7% in 2H09). We will discuss the divisional developments in later sections.

Strong balance sheet drives incremental upside to shareholders

Strong cash flow generation ...

Net debt came down from EUR 627m at the end of 2008 to EUR 395m[1] at end 2009, which was realised on the back of healthy operating profits and a strong build down of inventories (from EUR 511m end 2008 to EUR 358m end 2009). This represents 1.0x net debt/EBITDA and 29% net debt/equity.

... to be re-invested in ongoing expansion in emerging markets

Notwithstanding these healthy (if not even conservative) balance sheet ratio's, we would not expect share buybacks by Bekaert in the foreseeable future. The company's priority is to re-invest its cash flows in profitable expansion, and it can not be denied that a strong track record of value creation has been built this way. Bekaert guides for capex of EUR 175-200m for 2010 (up from EUR 158m in 2009). Over 80% of expansion capex is spent in emerging markets, including:

- **Expansion of steel cord plant in Chongqing (China) together with Ansteel.** The plant was opened in April of last year, when the first phase of 35K tonnes capacity was commissioned. There is potential to scale up the plant to 100K tonnes.
- **Broadening of product offering in Asia.**
- **Ongoing investments in India for several types of wire products** (we discuss this project in more detail later in this report).
- **Upgrading of facility in Slovakia to broaden the product scope.**
- **Ongoing investments in the Greenfield tyre cord plant in Lipetsk (Russia)**, which was opened in January of this year. In 2008, Bekaert drew up a plan to invest EUR 97m in phases until 2013. The first phase of 15,000 tonnes capacity is planned to be completed in 2010. In phase two, the production of semi-finished products is seen as starting from 2011 (imported in the meantime from its facility in the Czech Republic). Phase three is the doubling of capacity to 30-40,000 tonnes by 2013, provided that market circumstances justify doing so. Currently, the Russian tyre cord market has a size of only about 75,000 tonnes. But, the local automotive market holds promising potential, according to Bekaert (with the tyre radialisation rate in Russia still at only 70-80%). We note that Bekaert already has a sizeable customer base in Russia, which it has been supplying for many years from its plants in Eastern Europe.

Capacity increases in China, India and Russia, and the planned integration of the Bridgestone tire cord plants will raise Bekaert's total tire cord capacity from 625K tonnes at present (of which 350K in China) to an estimated 700K tonnes by the end of 2010 (of which 400K in China). This represents an expansion by 12% in 2010 (or 6% on average, when taking into account that the expansion takes place during the year). Based on an average selling price for tyre cord of EUR 1.50/kg, we estimate that the capacity expansion drives incremental revenue of EUR 113m (or EUR 56m on average in 2010), adding c. 4-5% to *consolidated* sales in 2009 (3-4% to *combined* sales).

Asia Pacific (24% of combined sales)

The Asia Pacific division was again the star performer, showing a sustained high operating margin of over 35% (34.9% in 1H09 and 36.2% in 2H09). 2009 started with a very slow first quarter, but volumes picked up to record high levels from April onwards, driving a close to 100% utilisation of capacity. Understandably, investors are a bit wary of the high margin, questioning the sustainability. Management does not believe that it will be sustainable in the long run, but it believes that it will be maintained at levels above 30% for the coming two years (based on the technological advantage the company enjoys over competitors) and that it will come down gradually in the years thereafter (also due to mix effects, as the company plans to introduce a wider range of products that can have lower margins).

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[1] Note that Bekaert's calculation of net debt also reduces "fair value adjustments as a result of hedge accounting" (EUR 10.2m in 2009) and commercial paper positions (included in "other current assets" – EUR 68.1m in 2009).

Attractive market structure and technological advantage explain high Asia Pacific's high operating margin

We will shed some light on the high margin. The Asia Pacific unit achieves 75-80% of its revenue in China, with the remainder coming from India and Indonesia. About 60-65% of revenue in China is realised from the production of tyre cord. The attractive market structure is part of the explanation for the healthy margins. It is fairly concentrated on the supply side, with Bekaert being the market leader with a ~34% market share followed by Xingda (listed on the Hong Kong exchange) with a ~30% market share. The demand side is very fragmented, with dozens of tyre manufacturers in China. Moreover, as these tyre manufacturers are fully focused on tyre production, they do not produce their own tyre cord. This is in sharp contrast to the western world, where tyre production is dominated by a handful of players that produce part of their tyre cord need in house. As such, Bekaert and the likes are much stronger positioned vis-à-vis the Chinese tyre producers. The product mix and the technological lead also help to explain Bekaert's high operating margin, and why it exceeds the level of close to 20% achieved by main rival Xingda. About 70% of Bekaert's tyre cord output is destined for the truck tyre segment, where higher demands allow for a better margin to be achieved (whereas Xingda's output is more exposed to the lower-margin passenger car segment). Moreover, Bekaert's commitment to R&D has given it a technological lead over Xingda. This enables it to produce a high grade product from a lower-quality wire rod as raw material, which it sources from steel makers in China. Xingda, on the other hand, needs to import a higher-quality (and more expensive) wire rod from steel makers in Japan.

Ongoing investments in capacity expansion in China to meet growth in demand for tyre cord and …

The automotive industry is a structural growth market in China. The strong growth in the number of vehicles drives in first instance demand for OEM tyres, and the growing installed base creates demand for replacement tyres (note that three out of four tyres are destined for the replacement market in the western world). To meet the growing demand for tyre cord, Bekaert and its competitors continue to invest in capacity expansion. Bekaert intends to increase its tyre cord capacity from 365K tonnes currently (including the 15K tonnes facility recently acquired from Bridgestone) to 400K tonnes by the end of 2010.

… introducing other products

Bekaert also aims to further expand outside the field of tyre cord by introducing other products in China. Although this may have a dilutive effect on the margin, it will grow the divisional EBIT in absolute terms.

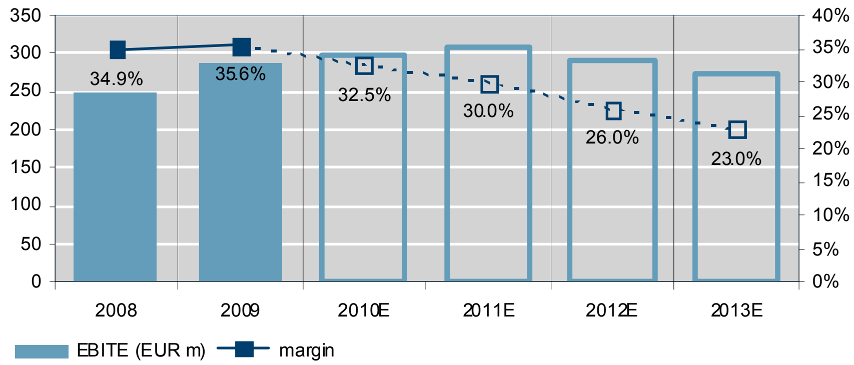
India is a strategically important growth market that should not be overlooked

We mind not to overlook Bekaert's operations in India, which we expect to become the next success story. While small at the moment, they hold promising potential. Bekaert has three plants in India. One facility houses manufacturing for tyre cord, hose reinforcement wire, and advanced filters. A carding wire plant supplies tops to the textile industry. The company also embarked upon two projects that will come on stream in the next few years. Firstly, it has set up a 50/50 joint venture with Indian steel company Mukand, which is investing in a new facility for the production of stainless steel wires (to be used globally in components for the automotive industry and other industrial applications). Phase one of this project was commissioned in early 2009. Secondly, Bekaert is investing EUR 15m in the production of flat and shaped wires for the local automotive industry (spring wire, clutch and valves wires, wiper components and many more) and for the offshore industry (wire for flexible pipes supplied to the Technip Group). This facility is expected to be gradually built up by 2012. Bekaert is positioned well to capitalise on the strong growth envisaged for India's automotive industry. The Indian government is investing heavily in road construction, which stimulating transportation. Car production in India is projected to triple by 2015. The Automotive Mission Plan 2006-2016 aims at doubling the contribution of the automotive sector in Indian GDP (from 5 to 10%) by taking turnover to USD 145bn in 2016. Tyre radialisation has been slow to develop in the truck and bus segment, but it is picking up fast (as it increased from 4% in 2005 to 16% now). Michelin recently announced to invest USD 870m in Greenfield capacity to produce truck tyres in India. Being currently the only producer of tyre cord in India, Bekaert stands a good chance of becoming a supplier to Michelin.

Pencilling in conservative longer-term forecasts, as we prefer to err on the downside

We believe that investors have grown too concerned over the high profits achieved by the Asia Pacific division. We expect that top-line growth will continue to be in the double digits in the next couple of years. In 2010, profitability should also improve on the back of the fading out of a slow first quarter in 2009 (when capacity utilisation was very low with revenue of only EUR 159m, compared to >EUR 200m revenue achieved during each of the following quarters). Preferring to err on the downside, we have assumed that the EBIT*E* margin erodes structurally by 3-4 percentage points per annum, driving a decline in absolute EBIT*E* from 2012 onwards (see chart below). However, considering the healthy growth prospects discussed earlier, we would not be surprised if we were proven too conservative by Bekaert.

Profitability Asia Pacific division (EUR m)



Source: company data and Fortis Bank Nederland estimates

EMEA (25% of combined sales)

A stronger than expected recovery of profitability in 2H09 on the back of self-help initiatives

The EMEA division reported a strong recovery of profitability in 2H09 on the back of self-help initiatives. Divisional EBIT*E* fell from EUR 68m (5.8% margin) in FY08 to EUR 2m in FY09 (which exceeded our forecast of -/-EUR 12m). During 1H09, EBIT*E* amounted to -/-EUR 21m, or around break even when adjusted for the FIFO hit to the value of inventories caused by the decline in wire rod prices. The EBIT*E* of EUR 23m achieved in 2H09 implies a recovery of the margin to 5.4%. This was achieved by driving up volumes of basic (commodity) products in order to increase capacity utilisation. Furthermore, the restructuring measures announced in 2H08[2] were taking effect in 2H09 (with a further 25% of the eyed benefits expected to filter through in 2010). We feel that the operating margin of 5.4% in 2H09 can be extrapolated to FY10. Also the q-o-q increase of revenue by 11% in 4Q09 confirmed that a recovery has set in. For 2010, we raised our divisional EBIT*E* forecast from EUR 25m (2.9% margin) to EUR 50m (5.6% margin). We estimate the division's normalised potential to be an operating margin of 7-8%.

North America (14% of combined sales)

Short of expectations, but Bekaert is optimistic that the trough has been passed

The North America division saw EBIT*E* fall from EUR 25m (4.1% margin) in FY08 to -/-EUR 5 in FY09 (including EUR 5m FIFO hit to the value of inventories in 1H09), which lagged our forecast EUR 4m. Bekaert's actions to

[2] In December of 2008, Bekaert announced the closure of the plant in Hemiksen (the steel wire activities are now concentrated in Zwevegem). In June of last year, Bekaert also started the reorganisation of the steel cord activities through the closure of the plant in Lanklaar.

increase capacity utilisation by driving up volumes of basic products could not offset the impact of continued weakness in the fields of automotive (39% of sales) and construction (16% of sales). On a positive note, Bekaert sounded optimistic that the trough has been passed. We have, however, become a bit more cautious on the recovery of earnings in FY10, lowering our EBIT*E* forecast from EUR 23m to EUR 12m (2.4% margin). We estimate the division's normalised potential to be an operating margin of around 6%.

Latin America (37% of combined sales)

Profitability recovered back to normalised levels in 2H09

The consolidated perimeter of the Latin America division comprises of the operations in Peru, Ecuador, Colombia and Venezuela. The operating margin of the Latin America division recovered quicker than expected to normalised levels. It improved from 5.3% in 1H09 to 11.7% in 2H09 (7.5% expected), which is in line with the historic range of 10-14%. While we raised our margin forecast for 2010 (from 8.0% to 11.7%), this effect is largely cancelled out by the translation impact of hyperinflation in Venezuela (Bekaert indicates this to have a negative impact on sales of about EUR 60m).

We have become a bit more cautious on the JV results, as the operations in Chile are likely to see some earthquake effects

Bekaert's joint ventures in Brazil and Chile showed a recovery as the year progress. In the table below, we show the quarterly sales development of the joint ventures (which we isolated by deducting consolidated sales from combined sales). After a slow first quarter of 2009, the joint ventures in Brazil saw a gradual recovery. Note that the q-o-q increase in sales is also attributable to the appreciation of the Brazilian Real. On the other hand, the strong Brazilian attracts imports from Asia, which puts some pressure on the profitability. The decline of the "share in the results of joint ventures" from EUR 56m in FY08 to EUR 38m in FY09 (representing a contribution to Bekaert's net profit of 25%) is partly attributable to the integration of Ideal Alambrec (Ecuador) and Prodac (Peru) as of the start of 2009 (which transferred them to the consolidated perimeter). Note that the "share in the results of joint ventures" showed a sequential improvement from EUR 17m in 1H09 to EUR 20m in 2H09. For 2010, we have become a bit more cautious about growth of the "share in the results of joint ventures", as the operations in Chile will likely see some adverse effects of the recent earthquake.

Latin America sales (EUR m) of the consolidated perimeter and from JVs

	1Q09	2Q09	3Q09	4Q09
Consolidated sales	81	79	87	80
Combined sales	280	299	326	331
JV sales	**199**	**220**	**239**	**251**
Q-o-q chg.		11%	9%	5%

Source: company data

EPS estimates raised

EPS estimates 2010 through 2012 raised by 8/9/4% to EUR 10.17/11.66/11.95, respectively

The table below shows the changes we have made to our 2010 forecasts. Mainly owing to upgrades for EMEA and Asia Pacific, we raised our group EBIT*E* forecast by 17% to EUR 332m (12.9% margin). This is partly cancelled out by higher estimates for non-recurring items (in line with company guidance), interest costs (reflecting a shift from variable to fixed rates as well as a high cash level to ensure liquidity) and the tax rate (as tax holidays in China are gradually coming to an end by 2012). On balance, we raised our 2010 EPS forecast by 79c (8%) to EUR 10.17 (representing a new record high). For 2011/2012, we have raised our EPS forecasts by 99/48c (9/4%) to EUR 11.66/11.95. We refer to the table on page 8 for the detail behind our forecasts.

Sources of change in FY2010 estimates (EUR m)

	Previous estimates	New estimates	Change	Change per share (EUR)
EBITE EMEA	25	50	26	1.29
margin	2.9%	5.6%		
EBITE North America	23	12	(12)	(0.58)
margin	4.5%	2.4%		
EBITE Latin America	28	31	3	0.14
margin	8.0%	11.7%		
EBITE Asia Pacific	270	300	29	1.49
margin	30.5%	32.5%		
Other	(62)	(61)	1	0.07
Total EBITE	**284**	**332**	**48**	**2.41**
margin	10.9%	12.9%		
Non-recurring items	(15)	(25)	(10)	(0.50)
Net financial charges	(45)	(56)	(11)	(0.54)
Taxes	(49)	(64)	(15)	(0.74)
as % of EBT	22.0%	25.5%		
Share in results joint ventures	41	39	(2)	(0.08)
Result discontinued operations	0	0	0	0.00
Minority interests	(30)	(25)	5	0.27
Net profit continuing operations	**185**	**202**	**16**	**0.82**
EPS basic (EUR)	**9.37**	**10.17**	**0.79**	

Source: Fortis Bank Nederland estimates

Investment opinion

Price target raised to EUR 155 (from EUR 134) and BUY re-iterated

We re-iterate our BUY recommendation. The FY09 results underscored the appeal of the Bekaert stock as a play on emerging markets, where >70% of revenue is generated. The emerging market operations have proven very resilient during the economic downturn, and their growth potential continues to be a differentiating factor in the years to come. Bekaert continues to invest strongly in capacity expansion in emerging markets, which we expect to yield solid returns in the coming years. The Chinese automotive industry is structural growth market, benefiting Bekaert's tyre cord business. Moreover, growth is driven by expansion in other industries. A next success story will likely be Bekaert's foothold in India, which will prosper from the take off of the automotive industry. We mind not to ignore the mature EMEA and North America divisions, as they will contribute significantly to Bekaert's earnings with a cyclical recovery from 2010. We feel that the attractive growth profile is not fully discounted in the share price, as it trades at a compelling 2010/2011 valuation of 12.3/10.7x P/E and 5.2/4.8x EV/EBITDA (EV adjusted for the estimated value of JVs). Consistent with our earnings upgrade, we have raised our price target (from EUR 134) to EUR 155 (24% upside), which is the outcome of a returns-based valuation (where EV/CE = ROCE/WACC) on our 2011 forecasts (our previous price target was based on the average of the outcomes for 2010 and 2011). Our price target implies a realistic valuation of 13.3x P/E and 6.0x EV/EBITDA on 2011 earnings.

P&L Bekaert (EUR m)

	2008	1H09	2H09	2009	1H10E	2H10E	2010E	2011E	2012E
EMEA	1,168	410	417	827	444	456	900	954	992
North America	605	264	210	473	237	255	492	521	548
Latin America	177	160	167	327	129	137	266	285	299
Asia Pacific	713	367	443	809	440	482	922	1,024	1,116
***Consolidated* sales**	**2,662**	**1,200**	**1,236**	**2,437**	**1,251**	**1,330**	**2,580**	**2,784**	**2,955**
% chg.	22.5%	-7.9%	-9.1%	-8.5%	4.2%	7.6%	5.9%	7.9%	6.1%
organic	17.7%	-20.6%	-13.4%	-16.9%	0.0%	15.4%	7.8%	7.9%	6.1%
fx	-1.0%	6.9%	-1.7%	2.5%	0.0%	-7.0%	-3.6%	0.0%	0.0%
consolidation	5.8%	5.8%	6.0%	5.9%	0.0%	3.2%	1.6%	0.0%	0.0%
EBITDA*E*	**496**	**152**	**258**	**410**	**227**	**255**	**482**	**507**	**512**
margin	18.6%	12.7%	20.9%	16.8%	18.1%	19.2%	18.7%	18.2%	17.3%
% chg.	59.8%	-37.4%	1.9%	-17.3%	49.1%	-1.1%	17.5%	5.3%	1.0%
EBIT*E* EMEA	68	(21)	23	2	24	26	50	61	69
margin	5.8%	-5.0%	5.4%	0.2%	5.4%	5.8%	5.6%	6.4%	7.0%
% chg	0.0%	-139.1%	49.7%	-97.1%	nmf	16.9%	2420.2%	21.1%	13.8%
EBIT*E* North America	25	(5)	(1)	(5)	5	7	12	18	29
margin	4.1%	-1.7%	-0.2%	-1.1%	1.9%	2.9%	2.4%	3.5%	5.3%
% chg	0.0%	-121.4%	-113.9%	-120.3%	nmf	nmf	nmf	54.6%	59.0%
EBIT*E* Latin America	16	8	20	28	15	16	31	34	36
margin	8.9%	5.3%	11.7%	8.6%	11.4%	12.0%	11.7%	12.0%	12.0%
% chg	0.0%	-22.2%	300.0%	78.3%	75.6%	-16.4%	11.2%	9.7%	5.0%
EBIT*E* Asia Pacific	249	128	160	288	139	160	300	307	290
margin	34.9%	34.9%	36.2%	35.6%	31.7%	33.2%	32.5%	30.0%	26.0%
% chg	0.0%	20.2%	12.2%	15.6%	8.9%	0.2%	4.1%	2.5%	-5.5%
Other	(63)	(25)	(31)	(56)	(30)	(30)	(61)	(65)	(66)
Total EBIT*E*	**294**	**86**	**171**	**257**	**152**	**180**	**332**	**355**	**359**
margin	11.1%	7.2%	13.8%	10.5%	12.2%	13.5%	12.9%	12.8%	12.1%
% chg.	57.9%	-47.3%	30.1%	-12.7%	77.3%	5.3%	29.4%	7.0%	0.9%
Non-recurring items	(84)	(7)	(17)	(25)	(13)	(13)	(25)	(15)	(15)
EBIT	**211**	**79**	**153**	**232**	**140**	**167**	**307**	**340**	**344**
Net financial charges	(49)	(31)	(35)	(66)	(29)	(27)	(56)	(47)	(40)
EBT	**161**	**48**	**118**	**167**	**110**	**141**	**251**	**294**	**304**
Taxes	(26)	(13)	(21)	(34)	(31)	(33)	(64)	(79)	(88)
as % of EBT	15.8%	27.5%	17.4%	20.4%	28.0%	23.5%	25.5%	27.0%	29.0%
Share in results joint ventures	56	17	20	38	16	23	39	45	50
Result discontinued operations	0	0	0	0	0	0	0	0	0
Minority interests	(18)	(8)	(10)	(19)	(11)	(13)	(25)	(28)	(29)
Net profit continuing operations	**174**	**44**	**108**	**152**	**84**	**118**	**202**	**231**	**237**
% chg.	13.9%	-65.1%	124.0%	-12.8%	90.4%	9.2%	32.8%	14.7%	2.4%
EPS basic (EUR)	**8.83**	**2.24**	**5.45**	**7.69**	**4.25**	**5.92**	**10.17**	**11.66**	**11.95**
% chg.	15.8%	-65.2%	123.8%	-12.9%	89.8%	8.7%	32.2%	14.7%	2.4%
DPS (EUR)	**2.80**			**2.94**			**3.56**	**4.08**	**4.18**
pay out	31.8%			38.4%			35.0%	35.0%	35.0%

Source: company data and Fortis Bank Nederland estimates

P & L Statement (EUR m) Year to December	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Net sales	1,797.0	1,741.9	1,914.3	2,009.6	2,173.6	2,662.4	2,437.3	2,580.4	2,784.0	2,954.6
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personnel costs	(506.9)	(450.3)	(449.9)	(462.0)	(472.6)	(524.2)	(499.0)	(518.7)	(541.5)	(563.2)
Other operating costs										
EBITDA	239.1	255.6	257.4	262.2	298.6	412.2	385.5	456.8	492.3	497.3
Depreciation	(127.3)	(107.6)	(107.4)	(110.7)	(119.7)	(165.9)	(140.3)	(149.7)	(151.9)	(153.7)
EBITA	111.8	148.0	150.0	151.4	178.9	246.3	245.2	307.2	340.4	343.7
Reported provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	(9.0)	(13.7)	(5.5)	(4.3)	(35.8)	(13.0)	0.0	0.0	0.0
EBIT	111.8	139.0	136.3	145.9	174.6	210.5	232.2	307.2	340.4	343.7
Net financials	(43.0)	(20.5)	(15.3)	(31.0)	(41.0)	(49.2)	(65.6)	(56.0)	(46.7)	(39.5)
Profit Before Taxes (PBT)	68.8	118.5	121.0	114.9	133.6	161.3	166.6	251.2	293.7	304.2
Taxes	(8.2)	(18.4)	(30.3)	(18.4)	(19.1)	(25.5)	(33.9)	(64.1)	(79.3)	(88.2)
Income from associates	33.5	53.5	56.9	51.0	47.1	56.1	37.8	39.3	45.3	50.1
Minorities	(7.5)	(12.3)	(12.0)	(4.8)	(8.7)	(17.7)	(18.6)	(24.8)	(28.4)	(29.1)
Net profit before extraordinaries	86.7	141.3	135.7	142.8	152.9	174.1	151.8	201.6	231.3	237.0
Extraordinary items	0.0	26.3	54.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net reported profit	86.7	167.6	189.9	142.8	152.9	174.1	151.8	201.6	231.3	237.0
% change in Sales	(3.6)	(3.1)	9.9	5.0	8.2	22.5	(8.5)	5.9	7.9	6.1
% change in EBITDA	5.9	6.9	0.7	1.8	13.9	38.1	(6.5)	18.5	7.8	1.0
% change in EBITA	46.5	32.4	1.3	1.0	18.1	37.7	(0.5)	25.3	10.8	1.0
% change in PBT	ns	72.1	2.1	(5.0)	16.3	20.7	3.3	50.8	16.9	3.6
% change in Net profit before extraordinaries	ns	63.0	(3.9)	5.2	7.1	13.9	(12.8)	32.8	14.7	2.4

Cash Flow Statement (EUR m)	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
EBITDA	239.1	255.6	257.4	262.2	298.6	412.2	385.5	456.8	492.3	497.3
Change in provisions excluding tax provisions	(31.2)	(0.6)	(15.4)	(12.3)	(8.9)	26.2	(44.4)	0.0	0.0	0.0
Change in net working capital	(18.6)	(112.6)	(32.3)	(31.9)	(41.9)	(162.4)	195.6	(48.3)	(52.1)	(43.5)
Gross operating cash flow	189.3	142.4	209.8	217.9	247.8	276.1	536.8	408.5	440.3	453.8
Taxes paid	(18.5)	(32.9)	(25.5)	(16.8)	(24.9)	(27.5)	(31.1)	(64.1)	(79.3)	(88.2)
Capex	(118.1)	(172.9)	(151.6)	(161.3)	(199.8)	(251.1)	(166.5)	(195.1)	(186.7)	(175.9)
Free cash flow	52.7	(63.3)	32.7	39.8	23.1	(2.5)	339.1	149.3	174.2	189.7
Net interest received	(18.2)	(16.0)	(14.8)	(22.0)	(30.8)	(31.5)	(39.2)	(47.0)	(37.8)	(30.6)
Other	17.2	75.5	96.6	(25.4)	42.1	24.2	162.9	49.2	16.0	19.5
Acquisitions	(33.9)	(16.9)	(21.2)	(42.7)	(14.7)	(44.2)	(3.4)	(70.0)	0.0	0.0
Divestments	5.7	0.1	86.5	0.0	4.2	0.7	(0.5)	0.0	0.0	0.0
Share issues/buybacks	(2.2)	(8.8)	(24.3)	(56.1)	(111.0)	(19.7)	1.8	0.0	0.0	0.0
Dividend (adj. stock dividend)	(44.9)	(45.3)	(52.2)	(74.1)	(57.2)	(62.2)	(50.6)	(58.3)	(70.6)	(81.0)
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	32.5	77.4	20.6	39.1	136.4	180.4	(252.5)	(199.0)	(81.9)	(97.7)
Change in cash & cash equivalents	8.8	2.7	123.8	(141.5)	(7.9)	45.1	157.5	(175.8)	0.0	0.0

Balance Sheet (EUR m)	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Net intangible fixed assets	119.5	118.4	125.4	134.5	122.0	111.5	105.0	121.7	119.2	117.5
Net tangible fixed assets	757.6	791.6	799.8	824.2	917.6	1,070.7	1,127.7	1,196.5	1,233.8	1,257.8
Financials fixed assets (FFA)	303.7	331.1	325.5	348.6	303.4	247.7	311.7	310.6	319.7	329.7
Inventories	322.6	419.3	348.3	368.8	385.4	510.5	358.4	393.6	424.6	450.7
Trade debtors	307.7	385.2	354.2	398.9	437.7	483.2	479.6	500.7	540.2	573.3
Other debtors	45.5	44.9	63.4	63.7	73.1	125.3	171.2	157.8	178.9	191.3
Cash & securities	81.1	98.9	222.7	81.2	73.2	118.3	275.8	100.0	100.0	100.0
Total Assets	1,937.6	2,189.3	2,239.3	2,219.8	2,312.6	2,667.2	2,829.5	2,781.0	2,916.5	3,020.3
Shareholder's equity	790.8	909.7	1,057.5	1,060.1	1,098.2	1,130.6	1,284.8	1,428.2	1,588.9	1,744.9
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	43.3	48.8	51.1	48.9	48.4	41.8	88.7	103.6	120.7	138.1
Provisions	361.5	373.0	357.5	331.4	298.8	373.4	329.9	329.9	329.9	329.9
Long-term interest bearing debt	312.3	242.3	288.3	274.4	322.5	288.1	598.1	399.2	317.3	219.7
Short-term interest bearing debt	176.6	312.0	245.6	218.0	253.0	503.1	151.4	151.4	151.4	151.4
Trade creditors	191.4	250.8	187.4	227.8	231.7	253.8	247.1	268.7	289.9	307.7
Other non-interest bearing liabilities	61.6	52.7	52.0	59.3	60.0	76.4	129.4	100.1	118.5	128.7
Total Liabilities & Capital	1,937.6	2,189.3	2,239.3	2,219.8	2,312.6	2,667.2	2,829.5	2,781.0	2,916.5	3,020.3
Enterprise Value (EV)	1,220.3	1,330.5	1,503.0	1,827.0	1,829.4	1,304.7	2,200.4	2,518.4	2,453.6	2,373.4
Net debt/(Net cash)	407.9	455.4	311.2	411.2	502.2	672.9	473.7	450.5	368.7	271.0
Capital Employed incl. goodwill (avg.)	1,383.0	1,458.6	1,515.7	1,517.1	1,610.5	1,850.3	1,967.2	1,982.6	2,095.2	2,173.6
Cumulative goodwill (as of 1991)	121.1	131.3	85.3	82.2	75.2	74.6	69.8	89.8	89.8	89.8
Capital Employed (avg.)	1,266.0	1,332.4	1,407.4	1,433.3	1,531.8	1,775.5	1,895.1	1,902.8	2,005.4	2,083.8
Net working capital	422.9	545.9	526.6	544.3	604.6	788.8	632.7	683.3	735.4	778.9
Discounted value of leases	29.6	26.3	36.6	32.2	28.6	28.9	31.3	33.7	35.8	37.8
Adjusted equity	911.9	1,041.0	1,142.9	1,142.3	1,173.3	1,205.2	1,354.6	1,517.9	1,678.7	1,834.7

Per Share Data (EUR)	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Avg. no. of shares (m)	22.1	21.9	21.6	21.5	20.0	19.7	19.7	19.8	19.8	19.8
Eoy. no. of shares (m)	22.1	21.9	21.5	20.9	19.8	19.8	19.8	19.8	19.8	19.8
Avg. no. of shares fully diluted (m)	22.1	22.0	21.7	21.6	20.2	19.8	19.8	19.9	19.9	19.9
Enterprise Value (EV)	55.29	60.83	69.81	87.22	92.25	65.95	110.94	126.97	123.70	119.66
Net debt less FFA plus minorities	6.68	7.92	1.71	5.32	12.47	23.60	12.64	12.28	8.55	4.00
Sales	81.27	79.46	88.49	93.51	108.47	135.02	123.47	130.10	140.36	148.96
EBITDA	10.81	11.66	11.90	12.20	14.90	20.91	19.53	23.03	24.82	25.07
EBITA	5.06	6.75	6.93	7.05	8.93	12.49	12.42	15.49	17.16	17.33
EBIT	5.06	6.34	6.30	6.79	8.71	10.68	11.76	15.49	17.16	17.33
Net profit before extr. & amort. (EUR)	3.92	6.86	6.91	6.90	7.84	10.65	8.35	10.17	11.66	11.95
Net profit before extraordinaries (EUR)	3.92	6.44	6.27	6.64	7.63	8.83	7.69	10.17	11.66	11.95
Cash Flow (EUR)	9.68	11.76	11.87	12.05	13.82	19.06	15.46	17.71	19.32	19.69
Gross Dividend (EUR)	1.75	2.00	3.00	2.50	2.76	2.80	2.94	3.56	4.08	4.18
Book value (EUR)	35.83	41.59	49.12	50.61	55.38	57.15	64.78	72.00	80.11	87.97
Adjusted equity	41.32	47.59	53.08	54.54	59.17	60.92	68.30	76.53	84.63	92.50
Free Cash Flow	2.38	(2.89)	1.51	1.85	1.15	(0.13)	17.18	7.53	8.78	9.56
% change in EPS before extr. & amort.	ns	74.88	0.76	(0.11)	13.68	35.73	(21.59)	21.77	14.73	2.43

Valuation	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
P/E (excl. extr. & amort.)	10.6	7.3	9.4	11.9	12.5	8.3	9.0	12.3	10.7	10.5
P/CF (x)	4.3	4.3	5.5	6.8	7.1	4.6	4.9	7.1	6.5	6.3
P/Book (x)	1.4	1.4	1.6	1.9	1.7	0.8	1.7	1.7	1.6	1.4
Dividend yield (%)	4.2	4.0	4.6	3.0	2.8	3.2	3.9	2.8	3.3	3.3
Free cash flow yield (%)	2.2	(7.2)	0.4	0.9	(0.5)	(2.5)	18.9	4.1	5.5	6.4
EV/Sales (x)	0.7	0.8	0.8	0.9	0.8	0.5	0.9	1.0	0.9	0.8
EV/EBITDA (x)	5.1	5.2	5.8	7.0	6.1	3.2	5.7	5.5	5.0	4.8
EV/EBITA (x)	10.9	9.0	10.0	12.1	10.2	5.3	9.0	8.2	7.2	6.9
EV/EBIT (x)	10.9	9.6	11.0	12.5	10.5	6.2	9.5	8.2	7.2	6.9
EV/Capital Employed (x)	1.0	1.0	1.1	1.3	1.2	0.7	1.2	1.3	1.2	1.1
EV/CE (incl. goodwill) (x)	0.9	0.9	1.0	1.2	1.1	0.7	1.1	1.3	1.2	1.1
Share price : High (EUR)	50.70	59.75	78.95	99.60	113.40	120.32	109.05	126.60		
Share price : Low (EUR)	31.00	43.50	55.40	69.35	84.46	44.47	37.88	101.00		
Share price : Average (EUR)	41.40	50.13	65.17	82.18	98.18	88.25	75.32	124.95	124.95	124.95
Share price : Year end (EUR)	50.50	58.75	78.95	94.70	92.00	48.32	108.50	124.95	124.95	124.95

Capital Efficiency/Solvability	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Sales/CE (incl goodwill)	1.3	1.2	1.3	1.3	1.3	1.4	1.2	1.3	1.3	1.4
Sales/Fixed assets (x)	2.4	2.2	2.4	2.4	2.4	2.5	2.2	2.2	2.3	2.3
Sales/Net working capital (x)	4.2	3.2	3.6	3.7	3.6	3.4	3.9	3.8	3.8	3.8
Inventories/Sales (days)	65.5	87.9	66.4	67.0	64.7	70.0	53.7	55.7	55.7	55.7
Trade debtors/Sales (days)	62.5	80.7	67.5	72.5	73.5	66.2	71.8	70.8	70.8	70.8
Trade creditors/Sales (days)	38.9	52.6	35.7	41.4	38.9	34.8	37.0	38.0	38.0	38.0
CAPEX/Depreciation (%)	92.8	160.7	141.1	145.7	166.9	151.3	118.7	130.4	122.9	114.5
Equity/Total assets (%)	40.8	41.6	47.2	47.8	47.5	42.4	45.4	51.4	54.5	57.8
Net debt/Equity (%)	51.6	50.1	29.4	38.8	45.7	59.5	36.9	31.5	23.2	15.5
Interest cover (x)	3.2	6.3	4.8	5.5	5.2	5.4	4.0	5.9	8.4	10.3
Dividend payout (%)	44.6	29.1	43.2	35.3	34.8	26.4	35.4	35.0	35.0	35.0
ROCE (average) (%)	7.8	9.4	8.0	8.9	10.0	11.7	10.3	12.0	12.4	11.7
ROCE (incl. goodwill) (average) (%)	7.1	8.6	7.4	8.4	9.5	11.2	9.9	11.5	11.9	11.2

Operating Efficiency & Profitability ratios	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Sales per FTE employee ('000s)	168.9	161.4	178.9	169.2	155.4	165.3	139.0	145.1	153.7	160.8
Wage costs per FTE employee ('000s)	47.6	41.7	42.0	38.9	33.8	32.5	28.5	29.2	29.9	30.6
EBIT per FTE employee ('000s)	10.5	12.9	12.7	12.3	12.5	13.1	13.2	17.3	18.8	18.7
Gross margin (%)										
EBITDA margin (%)	13.3	14.7	13.4	13.0	13.7	15.5	15.8	17.7	17.7	16.8
Operating margin (%)	6.2	8.0	7.1	7.3	8.0	7.9	9.5	11.9	12.2	11.6
Net margin (%)	3.4	6.3	5.5	5.1	5.5	6.4	6.0	7.3	7.7	7.3
Tax rate (%)	11.9	15.5	25.0	16.0	14.3	15.8	20.4	25.5	27.0	29.0

Important disclosures

Issuer	Ticker	Price (EUR)
Bekaert	BEKB.BR	124.95

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Maarten Bakker - Equity Research Analyst

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HOLD	HOLD	The stock does not belong to the current favourites. The investment case is not appealing for the time being. However, it's worth to keep the stock. Expected performance: > +5%, < +20%	44%	46%
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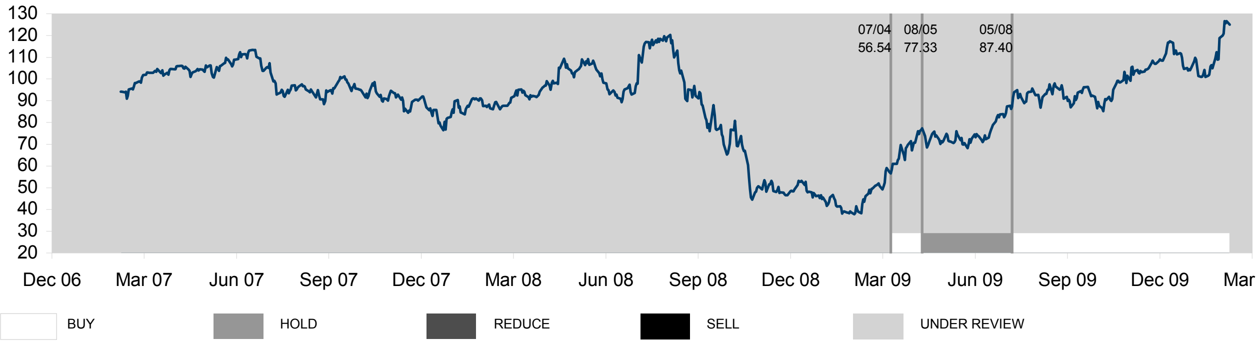
SELL	SELL	The investment case is definitively negative. Investors should sell the stock at any conditions. Expected performance: negative	2%	8%

9 March 2010 Fortis Bank (Nederland) N.V. Primary Equity Research Coverage: 90

Historical equity recommendations and target price for Bekaert (EUR)



History of Target Prices

Date	Recommendation	Target Price
1/7/2010	BUY	EUR 134.00
11/17/2009	BUY	EUR 127.00
11/16/2009	BUY	EUR 125.00
8/5/2009	BUY	EUR 112.00
4/7/2009	BUY	EUR 75.00

History of Recommendations

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

Source: Fortis Equity Research, FactSet

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