

# Fortis Bank Nederland

## Bekaert

Indy - Industrial, Diversified / Belgium

Company results

**Target Price EUR 165.00**

**Expected performance (12 mth) 26.3%**

**BUY EUR 130.60 (Closing price 11-May-10)**

## Blow out 1Q10 sales trading update

12 May 2010

**Analyst Maarten Bakker**

Fortis Bank (Nederland) N.V.

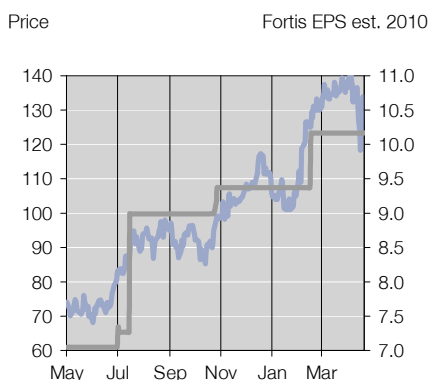
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### Opinion on qualitative criteria

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)	2,590.4
No. of shares (m)	19.8
Free float	62.0%
1/3/12 mth perf. (%)	(3.2)/25.3/77.0
High/low 52 weeks (EUR)	139.90/68.15
Next results due	30 July 2010
Price/book value (x)	1.8
Volatility (β) (5yrs)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB.BB
Website	www.bekaert.com

Bekaert reported much stronger 1Q10 sales than expected (EUR 953m vs EUR 820m expected), leading us to conclude that profitability must have developed strongly too. As usual, Bekaert refrained from a concrete outlook, but the company expressed confidence in a continued strong performance in 2Q10. We raised our EPS forecast by EUR 1.18 (12%) to EUR 11.35 for 2010 and by EUR 0.79 (7%) to EUR 12.46 for 2011. We see the 1Q10 trading update as a strong confirmation of the Bekaert stock as a play on the growth potential of emerging markets (where >70% of revenue is generated) and on a cyclical recovery of the earnings from its mature EMEA and North America divisions. Consistent with the earnings upgrade, we raised our target price from EUR 155 to EUR 166, which is the outcome of a returns based valuation (where EV/CE = ROCE/WACC) on our 2011 forecasts.

### Review 1Q10 sales trading update

Bekaert reported a very strong sales trading update for 1Q10, leading us to conclude that profitability must also have improved well (prompting us to upgrade our forecasts). Although Bekaert refrained as usual from a concrete outlook, it did express confidence that the strong performance continues in 2Q10. At the same time, the company noted being cautious market developments for 2H10. However, as there is no specific reason for this reserve, we do not read too much in the comment.

*Combined sales (including 100% JVs) increased by 20.9% (+21.2% organic and -0.3% currencies) to EUR 953m, which exceeded significantly our forecast of*

Year to December	2008	2009	2010e	2011e	2012e
Sales (EUR m)	2,662.4	2,437.3	2,784.3	2,986.4	3,169.9
EBITDA (EUR m)	412.2	385.7	494.1	521.3	534.5
Net profit excl. extr. & amort. (EUR m)	209.9	165.4	225.0	247.1	258.4
Net profit (EUR m)	174.1	151.8	225.0	247.1	258.4
EBITDA margin (%)	15.5	15.8	17.7	17.5	16.9
ROCE (incl. goodwill) (%)	11.2	9.9	12.5	12.2	11.8
Net gearing (%)	59.5	36.9	36.2	26.5	17.5
EPS before extr. & amort. (EUR)	10.64	8.38	11.35	12.46	13.03
EPS (EUR)	8.83	7.69	11.35	12.46	13.03
DPS (EUR)	2.80	2.94	3.97	4.36	4.56
% change sales	22.5	(8.5)	14.2	7.3	6.1
% change EPS (excl. extr. & amort.)	36.7	(21.3)	35.4	9.8	4.6
EV/Sales	0.49	0.93	0.96	0.87	0.79
EV/EBITDA	3.1	5.9	5.4	5.0	4.7
P/E (excl. extr. & amort.)	8.3	9.0	11.5	10.5	10.0
P/E	10.0	9.8	11.5	10.5	10.0
PE/growth (excl. extr.)	0.5	22.9	0.9	0.4	1.4
Free cash flow yield (%)	(2.5)	18.4	0.7	5.7	6.7

EUR 820m and the consensus of EUR 842m. All four divisions performed better than expected. Strong volumes must have had a positive impact on capacity utilisation and thus also on profitability.

#### Quarterly sales (EUR m)

	1Q09	2Q09	3Q09	4Q09	FY2009	1Q10E	2Q10E	3Q10E	4Q10E	FY2010E	FY2011E
<b>Consolidated sales:</b>											
EMEA	210	200	198	219	827	244	245	228	242	958	1,011
North America	142	122	106	104	473	141	141	127	140	549	577
Latin America	81	79	87	80	327	67	68	72	68	275	291
Asia Pacific	159	207	228	215	809	242	250	260	250	1,002	1,107
<b>Total</b>	<b>592</b>	<b>608</b>	<b>619</b>	<b>618</b>	<b>2,437</b>	<b>694</b>	<b>704</b>	<b>687</b>	<b>699</b>	<b>2,784</b>	<b>2,986</b>
% chg.	-0.1%	-14.5%	-16.8%	0.6%	-8.5%	17.2%	15.8%	11.0%	13.1%	14.2%	7.3%
Organic	-14.3%	-25.9%	-23.6%	-0.9%	-16.9%	23.9%	20.0%	13.9%	15.5%	18.3%	6.9%
foreign exchange	7.7%	6.2%	1.4%	-5.5%	2.5%	-6.7%	-5.8%	-4.5%	-4.1%	-5.3%	0.0%
consolidation	6.5%	5.2%	5.5%	6.6%	5.9%	0.0%	1.6%	1.6%	1.7%	1.2%	0.4%
EMEA % chg.	-27.6%	-37.9%	-34.5%	-13.4%	-29.2%	16.0%	22.6%	15.0%	10.2%	15.8%	5.5%
North America % chg.	5.8%	-21.5%	-38.5%	-27.6%	-21.7%	-0.6%	15.9%	20.0%	34.7%	16.0%	5.0%
Latin America % chg.	113.8%	71.3%	77.9%	84.0%	85.3%	-16.9%	-14.6%	-17.0%	-15.7%	-16.1%	6.0%
Asia Pacific % chg.	22.1%	10.5%	3.4%	23.2%	13.5%	51.9%	20.9%	14.0%	16.4%	23.9%	10.5%
<b>Combined sales:</b>											
EMEA	209	198	197	219	823	243	242	227	242	953	1,006
North America	139	120	105	105	469	139	139	126	140	544	571
Latin America	280	299	326	332	1,237	329	333	333	332	1,326	1,406
Asia Pacific	160	209	229	216	814	242	253	261	251	1,008	1,114
<b>Total</b>	<b>788</b>	<b>826</b>	<b>857</b>	<b>871</b>	<b>3,343</b>	<b>953</b>	<b>967</b>	<b>946</b>	<b>965</b>	<b>3,831</b>	<b>4,097</b>
EMEA % chg.	-27.5%	-38.1%	-34.1%	-12.3%	-28.8%	16.2%	22.2%	15.1%	10.3%	15.8%	5.5%
North America % chg.	4.2%	-21.9%	-38.6%	-26.3%	-21.9%	-0.1%	15.5%	19.9%	34.1%	16.0%	5.0%
Latin America % chg.	-19.5%	-25.7%	-28.0%	3.0%	-18.9%	17.5%	11.1%	2.0%	0.1%	7.2%	6.0%
Asia Pacific % chg.	20.4%	8.6%	1.5%	22.3%	11.9%	51.1%	21.4%	14.1%	16.4%	23.9%	10.5%
Total % chg.	-12.7%	-22.7%	-25.4%	-2.1%	-16.6%	20.9%	17.0%	10.4%	10.8%	14.6%	6.9%

Source: company data and Fortis Bank Nederland estimates

The EMEA division reported 16% sales growth to EUR 243m (EUR 227m expected). Capacity utilisation was said to be at a high level. This comforts us that the strong improvement of profitability in 2H09 has continued. We raised our divisional EBITE forecast from EUR 50m to EUR 57m for FY2010.

The North America division reported flat sales growth to EUR 139m (EUR 114m expected), which is an admirable achievement in light of the challenging comparison base in the prior-year quarter. The increase in volumes was said to be offset by lower selling prices and adverse currency movements. We raised our divisional EBITE forecast from EUR 12m to EUR 17m for FY2010, which is still a far from normalised level.

The Latin America division turned in 18% growth in sales to EUR 329m (EUR 278m expected). The negative currency effect of switching to the parallel exchange rate for the Venezuelan Bolívar was offset by the strong Brazilian Real. Volume growth was said to be strong in Brazil, Colombia and Peru, and the earthquake was said to have only a limited impact on the Chilean operations. We left our divisional forecast for consolidated earnings unchanged, while we have upgraded our estimates for the participations line to reflect the strong performance of the Brazilian joint ventures.

The Asia Pacific division was again the star performer with 51% growth in sales to EUR 242m (EUR 200m expected), fuelled among others by the continuing boom in car sales in China. The growth rate in 1Q10 should not be extrapolated, however, as it was achieved on a weak prior-year quarter. We raised our divisional EBITE forecast from EUR 300m to EUR 331m for FY2010. This is based on the assumption that the high margin erodes from 35.6% in FY2009 to 33.0% in FY2010, which may prove conservative.

The table below shows the changes we have made to our 2010 forecasts. On balance, we raised our EPS forecast by EUR 1.18 (12%) to EUR 11.35 for 2010 and by EUR 0.79 (7%) to EUR 12.46 for 2011.

#### Sources of change in FY2010 estimates (EUR m)

	Previous estimates	New estimates	Change	Change per share (EUR)
EBITE EMEA margin	50 5.6%	57 6.0%	7	0.36
EBITE North America margin	12 2.4%	17 3.1%	5	0.26
EBITE Latin America margin	31 11.7%	32 11.8%	1	0.06
EBITE Asia Pacific margin	300 32.5%	331 33.0%	31	1.56
Other	(61)	(68)	(7)	(0.35)
<b>Total EBITE margin</b>	<b>332</b> 12.9%	<b>370</b> 13.3%	<b>38</b>	<b>1.89</b>
Non-recurring items	(25)	(25)	0	0.00
Net financial charges	(56)	(60)	(4)	(0.19)
Taxes as % of EBT	(64) 25.5%	(74) 26.0%	(10)	(0.51)
Share in results joint ventures	39	42	2	0.12
Result discontinued operations	0	0	0	0.00
Minority interests	(25)	(28)	(3)	(0.14)
<b>Net profit continuing operations EPS basic (EUR)</b>	<b>202</b> <b>10.17</b>	<b>225</b> <b>11.35</b>	<b>23</b> <b>1.18</b>	<b>1.18</b>

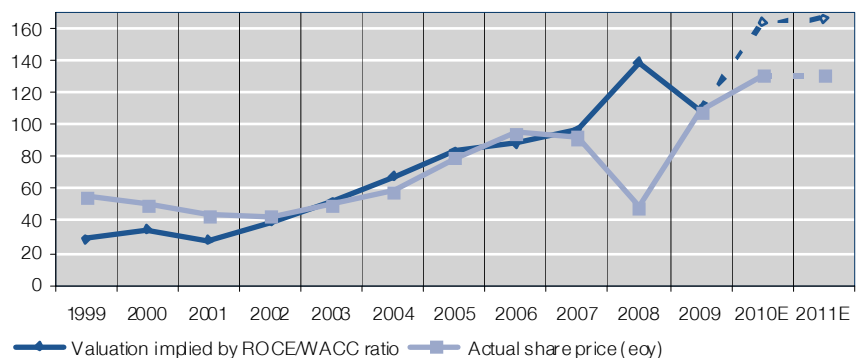
Source: Fortis Bank Nederland estimates

## Investment opinion

**Price target raised to EUR 165 from EUR 155**

Consistent with the earnings upgrade, we raised our target price from EUR 155 to EUR 166, which is the outcome of a returns based valuation (where EV/CE = ROCE/WACC) 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

Our price target implies a valuation of 13.2x P/E and 6.1x EV/EBITDA on 2011 earnings, which looks realistic in view of Bekaert's growth profile.

The 1Q10 trading update underscores the Bekaert stock as a play on the growth potential of emerging markets (where >70% of revenue is generated) and on a cyclical recovery of the earnings from its mature EMEA and North America divisions. 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 Bekaert stock, as it trades at a compelling 2010/2011 valuation of 11.5/10.5x P/E and 5.2/4.8x EV/EBITDA (EV adjusted for the estimated value of JVs).

<b>P &amp; L Statement (EUR m) Year to December</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Net sales	1,797.0	1,741.9	1,914.3	2,009.6	2,173.6	2,662.4	2,437.3	2,784.3	2,986.4	3,169.9
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)	(499.1)	(528.0)	(550.5)	(572.6)
Other operating costs										
<b>EBITDA</b>	<b>239.1</b>	<b>255.6</b>	<b>257.4</b>	<b>262.2</b>	<b>298.6</b>	<b>412.2</b>	<b>385.7</b>	<b>494.1</b>	<b>521.3</b>	<b>534.5</b>
Depreciation	(127.3)	(107.6)	(107.4)	(110.7)	(119.7)	(165.9)	(139.8)	(149.3)	(151.8)	(153.8)
<b>EBITA</b>	<b>111.8</b>	<b>148.0</b>	<b>150.0</b>	<b>151.4</b>	<b>178.9</b>	<b>246.3</b>	<b>245.8</b>	<b>344.8</b>	<b>369.4</b>	<b>380.7</b>
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)	(13.6)	0.0	0.0	0.0
EBIT	111.8	139.0	136.3	145.9	174.6	210.5	232.2	344.8	369.4	380.7
Net financials	(43.0)	(20.5)	(15.3)	(31.0)	(41.0)	(49.2)	(65.6)	(59.7)	(53.3)	(44.6)
<b>Profit Before Taxes (PBT)</b>	<b>68.8</b>	<b>118.5</b>	<b>121.0</b>	<b>114.9</b>	<b>133.6</b>	<b>161.2</b>	<b>166.6</b>	<b>285.2</b>	<b>316.2</b>	<b>336.1</b>
Taxes	(8.2)	(18.4)	(30.3)	(18.4)	(19.1)	(25.5)	(33.9)	(74.1)	(85.4)	(97.5)
Income from associates	33.5	53.5	56.9	51.0	47.1	56.1	37.8	41.7	46.6	51.5
Minorities	(7.9)	(12.3)	(12.0)	(4.8)	(8.7)	(17.7)	(18.6)	(27.6)	(30.3)	(31.7)
<b>Net profit before extraordinary</b>	<b>86.7</b>	<b>141.3</b>	<b>135.7</b>	<b>142.8</b>	<b>152.9</b>	<b>174.1</b>	<b>151.8</b>	<b>225.0</b>	<b>247.1</b>	<b>258.4</b>
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	225.0	247.1	258.4
% change in Sales	(3.6)	(3.1)	9.9	5.0	8.2	22.5	(8.5)	14.2	7.3	6.1
% change in EBITDA	5.9	6.9	0.7	1.8	13.9	38.0	(6.4)	28.1	5.5	2.5
% change in EBITA	46.5	32.4	1.3	1.0	18.1	37.7	(0.2)	40.3	7.1	3.1
% change in PBT	ns	72.1	2.1	(5.0)	16.3	20.7	3.3	71.2	10.9	6.3
% change in Net profit before extraordinary	ns	63.0	(3.9)	5.2	7.1	13.9	(12.8)	48.3	9.8	4.6

<b>Cash Flow Statement (EUR m)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
<b>EBITDA</b>	<b>239.1</b>	<b>255.6</b>	<b>257.4</b>	<b>262.2</b>	<b>298.6</b>	<b>412.2</b>	<b>385.7</b>	<b>494.1</b>	<b>521.3</b>	<b>534.5</b>
Change in provisions excluding tax provisions	(31.2)	(0.6)	(15.4)	(12.3)	(8.9)	26.2	(44.5)	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	(155.7)	(56.7)	(52.4)
Gross operating cash flow	189.3	142.4	209.8	217.9	247.8	276.0	536.8	338.4	464.6	482.1
Taxes paid	(18.5)	(32.9)	(25.5)	(16.8)	(24.9)	(27.5)	(31.1)	(74.1)	(85.4)	(97.5)
Capex	(118.1)	(172.9)	(151.6)	(161.3)	(199.8)	(251.1)	(173.8)	(194.6)	(186.6)	(176.1)
<b>Free cash flow</b>	<b>52.7</b>	<b>(63.3)</b>	<b>32.7</b>	<b>39.8</b>	<b>23.1</b>	<b>(26)</b>	<b>331.9</b>	<b>69.6</b>	<b>192.6</b>	<b>208.5</b>
Net interest received	(18.2)	(16.0)	(14.8)	(22.0)	(30.8)	(31.5)	(39.2)	(50.7)	(44.3)	(35.7)
Other	17.2	75.5	96.6	(25.4)	42.1	24.2	172.3	58.3	25.5	29.9
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)	(0.5)	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)	(78.8)	(86.5)
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)	(124.7)	(95.0)	(116.3)
<b>Change in cash &amp; cash equivalents</b>	<b>8.8</b>	<b>2.7</b>	<b>123.8</b>	<b>(141.5)</b>	<b>(7.9)</b>	<b>45.1</b>	<b>157.5</b>	<b>(175.8)</b>	<b>0.0</b>	<b>0.0</b>

<b>Balance Sheet (EUR m)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Net intangible fixed assets	119.5	118.4	125.4	134.5	122.0	111.5	105.0	123.1	121.9	121.3
Net tangible fixed assets	757.6	791.6	799.8	824.2	917.6	1,070.7	1,127.7	1,195.0	1,230.9	1,253.8
Financials fixed assets (FFA)	303.7	331.1	325.5	348.6	303.4	247.7	311.7	302.8	302.8	302.8
Inventories	322.6	419.3	348.3	368.8	385.4	510.5	358.4	447.6	480.1	509.6
Trade debtors	307.7	385.2	354.2	398.9	437.7	483.2	479.6	555.5	595.9	632.5
Other debtors	45.5	44.9	63.4	63.7	73.1	125.3	171.2	170.3	194.0	211.0
Cash & securities	81.1	98.9	222.7	81.2	73.2	118.3	275.8	100.0	100.0	100.0
<b>Total Assets</b>	<b>1,937.6</b>	<b>2,189.3</b>	<b>2,239.3</b>	<b>2,219.8</b>	<b>2,312.6</b>	<b>2,667.2</b>	<b>2,829.5</b>	<b>2,894.2</b>	<b>3,025.6</b>	<b>3,131.0</b>
Shareholder's equity	790.8	909.7	1,057.5	1,060.1	1,098.2	1,130.6	1,284.8	1,451.6	1,619.9	1,791.8
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	105.3	123.5	142.6
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	473.4	378.4	262.1
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	274.7	294.6	312.7
Other non-interest bearing liabilities	61.6	52.7	52.0	59.3	60.0	76.4	129.4	108.0	127.9	140.5
<b>Total Liabilities &amp; Capital</b>	<b>1,937.6</b>	<b>2,189.3</b>	<b>2,239.3</b>	<b>2,219.8</b>	<b>2,312.6</b>	<b>2,667.2</b>	<b>2,829.5</b>	<b>2,894.2</b>	<b>3,025.6</b>	<b>3,131.0</b>
Enterprise Value (EV)	1,220.3	1,330.5	1,503.0	1,827.0	1,829.4	1,292.4	2,276.1	2,676.1	2,599.3	2,502.1
Net debt/(Net cash)	407.9	455.4	311.2	411.2	502.2	672.9	473.7	524.8	429.7	313.5
Capital Employed incl. goodwill (avg.)	1,383.0	1,458.6	1,515.7	1,517.1	1,610.5	1,850.3	1,969.4	2,040.6	2,209.0	2,294.0
Cumulative goodwill (as of 1991)	121.1	131.3	85.3	82.2	75.2	74.6	76.6	96.6	96.6	96.6
Capital Employed (avg.)	1,266.0	1,327.4	1,430.4	1,434.9	1,535.3	1,775.7	1,892.8	1,944.0	2,112.4	2,197.5
Net working capital	422.9	545.9	526.6	544.3	604.6	788.8	632.7	790.7	847.4	899.8
Discounted value of leases	29.6	26.3	36.6	32.2	28.6	28.9	28.9	31.2	33.2	35.1
Adjusted equity	911.9	1,041.0	1,142.9	1,142.3	1,173.3	1,205.2	1,361.4	1,548.1	1,716.4	1,888.4

<b>Per Share Data (EUR)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
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	65.33	114.76	134.92	131.05	126.15
Net debt less FFA plus minorities	6.68	7.92	1.71	5.32	12.47	23.60	12.64	16.50	12.63	7.73
Sales	81.27	79.46	88.49	93.51	108.47	135.02	123.47	140.38	150.57	159.82
EBITDA	10.81	11.66	11.90	12.20	14.90	20.90	19.54	24.91	26.28	26.95
EBITA	5.06	6.75	6.93	7.05	8.93	12.49	12.45	17.39	18.63	19.20
EBIT	5.06	6.34	6.30	6.79	8.71	10.67	11.76	17.39	18.63	19.20
Net profit before extr. & amort. (EUR)	3.92	6.86	6.91	6.90	7.84	10.64	8.38	11.35	12.46	13.03
Net profit before extraordinary (EUR)	3.92	6.44	6.27	6.64	7.63	8.83	7.69	11.35	12.46	13.03
Cash Flow (EUR)	9.68	11.76	11.87	12.05	13.82	19.06	15.46	18.87	20.11	20.78
Gross Dividend (EUR)	1.75	2.00	3.00	2.50	2.76	2.80	2.94	3.97	4.36	4.56
Book value (EUR)	35.83	41.59	49.12	50.61	55.38	57.15	64.78	73.18	81.67	90.34
Adjusted equity	41.32	47.59	53.08	54.54	59.17	60.92	68.64	78.05	86.54	95.21
Free Cash Flow	2.38	(2.89)	1.51	1.85	1.15	(0.13)	16.81	3.51	9.71	10.51
% change in EPS before extr. & amort.	ns	74.88	0.76	(0.11)	13.68	35.68	(21.26)	35.41	9.78	4.60

<b>Valuation</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
P/E (excl. extr. & amort.)	10.6	7.3	9.4	11.9	12.5	8.3	9.0	11.5	10.5	10.0
P/CF (x)	4.3	4.3	5.5	6.8	7.1	4.6	4.9	6.9	6.5	6.3
P/Book (x)	1.4	1.4	1.6	1.9	1.7	0.8	1.7	1.8	1.6	1.4
Dividend yield (%)	4.2	4.0	4.6	3.0	2.8	3.2	3.9	3.0	3.3	3.5
Free cash flow yield (%)	2.2	(7.2)	0.4	0.9	(0.5)	(2.5)	18.4	0.7	5.7	6.7
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	3.1	5.9	5.4	5.0	4.7
EV/EBITA (x)	10.9	9.0	10.0	12.1	10.2	5.2	9.3	7.8	7.0	6.6
EV/EBIT (x)	10.9	9.6	11.0	12.5	10.5	6.1	9.8	7.8	7.0	6.6
EV/Capital Employed (x)	1.0	1.0	1.1	1.3	1.2	0.7	1.2	1.4	1.2	1.1
EV/CE (incl. goodwill) (x)	0.9	0.9	1.0	1.2	1.1	0.7	1.2	1.3	1.2	1.1
Share price : High (EUR)	50.70	59.75	78.95	99.60	113.40	120.32	109.05	139.90		
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	130.60	130.60	130.60
Share price : Year end (EUR)	50.50	58.75	78.95	94.70	92.00	48.32	108.50	130.60	130.60	130.60

<b>Capital Efficiency/Solvability</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Sales/CE (incl. goodwill)	1.3	1.2	1.3	1.3	1.3	1.4	1.2	1.4	1.4	1.4
Sales/Fixed assets (x)	2.4	2.2	2.4	2.4	2.4	2.5	2.2	2.3	2.4	2.5
Sales/Net working capital (x)	4.2	3.2	3.6	3.7	3.6	3.4	3.9	3.5	3.5	3.5
Inventories/Sales (days)	65.5	87.9	66.4	67.0	64.7	70.0	53.7	58.7	58.7	58.7
Trade debtors/Sales (days)	62.5	80.7	67.5	72.5	73.5	66.2	71.8	72.8	72.8	72.8
Trade creditors/Sales (days)	38.9	52.6	35.7	41.4	38.9	34.8	37.0	36.0	36.0	36.0
CAPEX/Depreciation (%)	92.8	160.7	141.1	145.7	166.9	151.3	124.3	130.4	122.9	114.5
Equity/Total assets (%)	40.8	41.6	47.2	47.8	47.5	42.4	45.4	50.2	53.5	57.2
Net debt/Equity (%)	51.6	50.1	29.4	38.8	45.7	59.5	36.9	36.2	26.5	17.5
Interest cover (x)	3.2	6.3	4.8	5.5	5.2	5.4	4.0	6.2	7.9	9.9
Dividend payout (%)	44.6	29.1	43.2	35.3	34.8	26.4	35.3	35.0	35.0	35.0
ROCE (average) (%)	7.8	9.4	8.0	8.9	10.0	11.7	10.3	13.1	12.8	12.3
ROCE (incl. goodwill) (average) (%)	7.1	8.6	7.4	8.4	9.5	11.2	9.9	12.5	12.2	11.8

<b>Operating Efficiency &amp; Profitability ratios</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>
Sales per FTE employee ('000s)	168.9	161.4	178.9	169.2	155.4	165.3	139.0	153.8	162.2	169.7
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	19.1	20.1	20.4
Gross margin (%)										
EBITDA margin (%)	13.3	14.7	13.4	13.0	13.7	15.5	15.8	17.7	17.5	16.9
Operating margin (%)	6.2	8.0	7.1	7.3	8.0	7.9	9.5	12.4	12.4	12.0
Net margin (%)	3.4	6.3	5.5	5.1	5.5	6.4	6.0	7.6	7.7	7.5
Tax rate (%)	11.9	15.5	25.0	16.0	14.3	15.8	20.4	26.0	27.0	29.0

**Important disclosures**

Issuer	Ticker	Price (EUR)
Bekaert	BEKB.BR	130.60

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Maarten Bakker - Equity Research Analyst

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12 May 2010

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**Historical equity recommendations and target price for Bekaert (EUR)****History of Target Prices**

Date	Recommendation	Target Price
3/9/2010	BUY	EUR 155.00
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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