

**Results Preview**

25 June 2013

**Hold** (maintained)

 Price (24/06/13)  
 €23.71

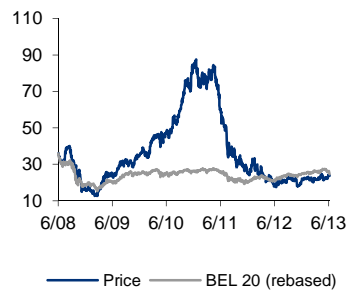
 Target price (12-mth)  
 €25.00 (previously €23.00)

 Forecast total return  
 9.0%

**Industrial Goods & Services**
**Belgium**
**Bloomberg: BEKB BB**
**Reuters: BEKB.BR**
**Share data**

|                           |         |
|---------------------------|---------|
| Avg daily volume (3-mth)  | 129,525 |
| Free float (%)            | 60.9    |
| Market cap (€m)           | 1,423.9 |
| Net debt (1F, €m)         | 720     |
| Enterprise value (1F, €m) | 2,328   |
| Dividend yield (1F, %)    | 3.5     |

Source: Company data, ING estimates

**Share price performance**


Source: ING

# Bekaert

## Recovery starting to take a grip

**Post a weak 1Q13, we see the first signs of improving volumes, which are key for a recovery in Bekaert's earnings. Also, market consensus seems to underestimate the YoY drop in D&A (and hence, upside to REBIT) post the complete write-down of the sawing wire activities. Ahead of the 1H13 results, we raise our TP from €23.0 to €25.0. With 9% upside potential, we maintain HOLD.**

**1Q13 sales fell more than anticipated, by 10.8% YoY.** Sales were impacted by weak volumes (-2.8%) in the mature markets, pricing pressure (-5.4%) in Asia Pac and forex (-2.6%) in Venezuela. Bekaert's management remains prudent for now, saying it does not see coherent signs of a volume recovery; however, we expect a trend improvement. We expect 1H13F sales to be down 7.7% and 2013F sales to be down 5.0% YoY, on: (1) easier comps; (2) the first signs of volume improvements after the publication of better tire volumes in April/May at Michelin and Pirelli, and comments from Xingda's management about working at full capacity in March/April; and (3) comments from Bekaert's management that prices are stabilising in Asia Pac.

**We believe consensus underestimates 2013F REBIT.** We expect 1H13F REBIT to be down 7.8% to €78.5m and 2013F to be up 34% YoY to €158.6m (a 4.8% margin). This seems to be at the high end of the €130-160m full-year consensus range. We believe it is well known that Bekaert should benefit from €50m in cost savings and the absence in Asia Pac of both €14m in bad debt reserves and €8m in start-up/integration costs of newly acquired businesses. Likewise, a €15m headwind from energy and wage inflation and a €49m (INGF) headwind from negative operating leverage (including the forex impact from Venezuela) also seem well flagged. We argue, however, that consensus partly overlooks the €38m YoY drop in 'recurring' D&A post the complete write-down of the sawing wire activities in 2012. For 2014-15F, we assume top-line growth in line with global GDP due to Bekaert's strong geographical and market position (with high entry barriers in tire cord) and R&D efforts. Via operating leverage and €30m cost savings in 2014F, we estimate a 2015F REBIT margin at 6.8%, just below the Bekaert target of 7.0%.

**Valuation and estimates.** We expect net debt to be relatively stable in 2013F. As such, net debt/REBITDA remains at 2.2x. As the company's debt consists mainly of retail bonds (without covenants), the financial situation remains under control.

ROACE should remain below the WACC until 2015F, although Bekaert trades at an attractive 11% equity FCF yield excluding expansion capex. At our TP, Bekaert would trade at a 10% equity FCF yield and 2014F EV/EBITDA of 6.1x (in line with the historical median). A sustainable dividend yield of 3.5% remains supportive.

**Forecasts and ratios**

| Year end Dec (€m)        | 2011  | 2012   | 2013F | 2014F | 2015F |
|--------------------------|-------|--------|-------|-------|-------|
| Revenues                 | 3,340 | 3,461  | 3,290 | 3,384 | 3,506 |
| Normalised EBITDA        | 482   | 331    | 334   | 378   | 414   |
| Normalised net profit    | 206   | (28)   | 44    | 84    | 117   |
| Normalised EPS (€)       | 3.49  | (0.47) | 0.75  | 1.43  | 1.98  |
| Normalised PER (x)       | 6.9   | n/a    | 32.1  | 16.9  | 12.2  |
| EV/normalised EBITDA (x) | 4.7   | 7.1    | 7.0   | 6.0   | 5.3   |
| FCF yield (%)            | n/a   | 13.2   | 6.3   | 7.1   | 8.4   |
| Dividend yield (%)       | 4.9   | 3.5    | 3.5   | 3.5   | 3.5   |
| Price/book (x)           | 0.85  | 1.0    | 1.0   | 1.0   | 0.96  |
| Normalised ROE (%)       | 12.4  | -1.8   | 3.2   | 6.0   | 8.1   |

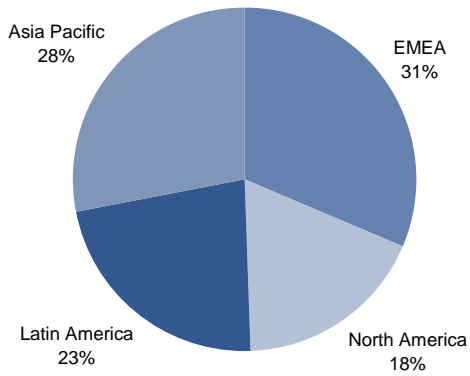
Source: Company data, ING estimates

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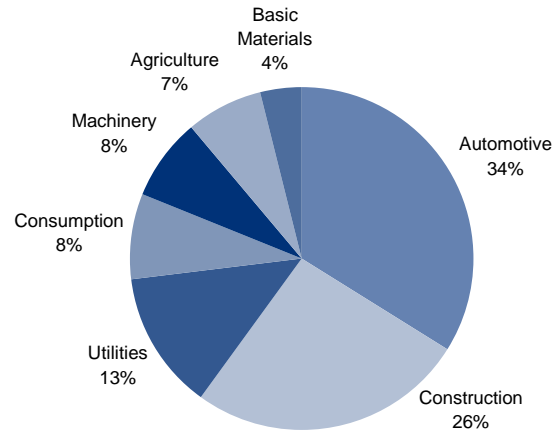
## Bekaert in graphs

Fig 1 Consolidated sales per region (2013F)



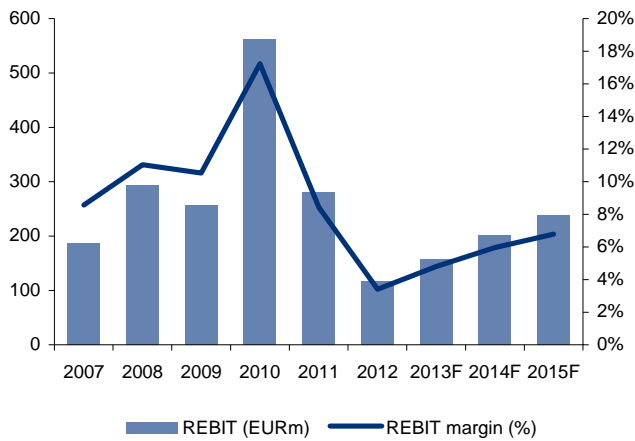
Source: ING estimates

Fig 2 Sales per end market (June 2013)



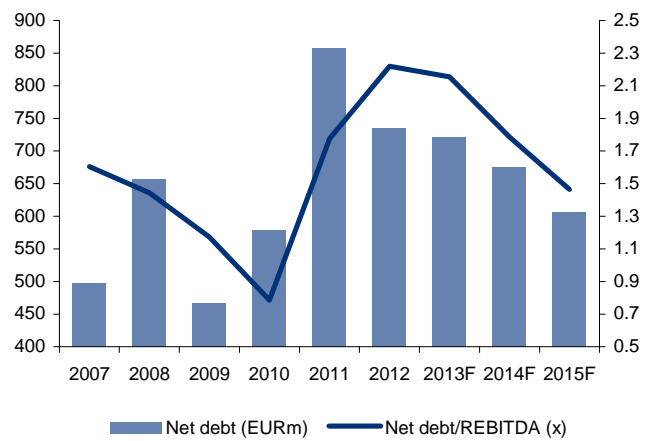
Source: Company data

Fig 3 REBIT (margin)



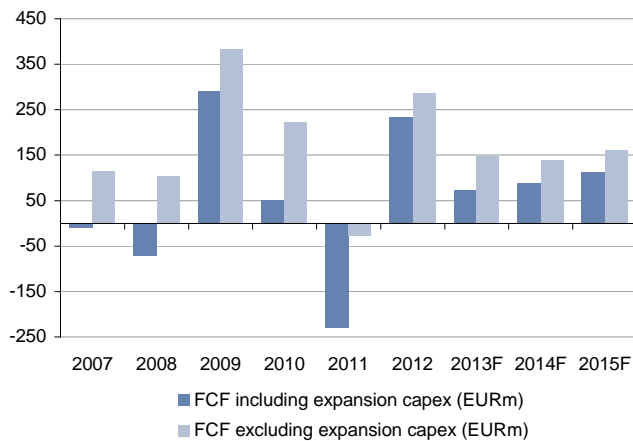
Source: Company data, ING estimates

Fig 4 Net debt/REBITDA



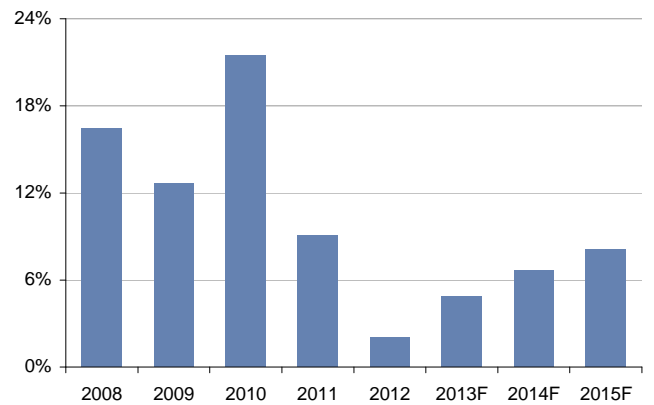
Source: Company data, ING estimates

Fig 5 FCF



Source: Company data, ING estimates

Fig 6 Post-tax ROACE



Source: Company data, ING estimates

# 1Q13 trading update

Fig 7 Bekaert consolidated sales (€m)

|                           | 1Q12       | 2Q12       | 3Q12       | 4Q12       | 1Q13       | % YoY        |
|---------------------------|------------|------------|------------|------------|------------|--------------|
| EMEA                      | 290        | 267        | 253        | 234        | 260        | -10.3        |
| North America             | 176        | 176        | 166        | 141        | 146        | -17.0        |
| Latam                     | 197        | 200        | 212        | 203        | 176        | -10.7        |
| Asia Pac                  | 232        | 246        | 234        | 233        | 216        | -6.9         |
| <b>Consolidated sales</b> | <b>895</b> | <b>889</b> | <b>865</b> | <b>811</b> | <b>798</b> | <b>-10.8</b> |

Source: Company data

1Q13 sales fell more than anticipated, by 10.8% YoY, impacted by weak volumes (-2.8%) in the mature markets, pricing pressure (-5.4%) in Asia Pac and forex (-2.6%) in Venezuela.

First quarter sales were most impacted by the 17% decline in US sales. As expected, sales fell due to weak demand in the truck tire replacement market, but also due to increased competition in its lower-margin activities (bead wire, trading). Sales in EMEA fell 10.3% YoY on difficult comps and depressed auto and other industrial sales. Sales in Asia Pac fell 6.9% YoY on flat volumes and lower prices in tire cord. The company noted, however, a prudent trend towards price stabilisation. Finally, sales in Latam fell 10.7% YoY due entirely to the devaluation of the Venezuelan bolivar. Excluding forex, growth amounted to 4% YoY.

# 1H13 preview

Bekaert's management remains prudent for now, saying it isn't seeing coherent signs of a volume recovery; however, we expect a trend improvement. We expect 1H13F sales to be down 7.7% and 2013F sales to be down 5.0% YoY, on: (1) easier comps; (2) the first signs of volume improvements after the publication of better tire volumes in April/May at Michelin and Pirelli, and comments from Xingda's management about working at full capacity in March/April; and (3) comments from Bekaert's management that prices are stabilising in Asia Pac.

Figure 8 demonstrates the positive trend in tire volumes post 1Q13 in the truck replacement market. We note that, in general, the tire market is 70-80% replacement and only 20-30% OEM. In addition, we assume that for Bekaert, some 70% of the volumes comprise truck tires, as these require relatively more tire cord than car tires.

While in January and February, volumes declined by double digits in N-America and Japan, and China showed a 39% drop in volumes in February for both Michelin and Pirelli, tire volumes grew by double digits in virtually all the geographies in April and May.

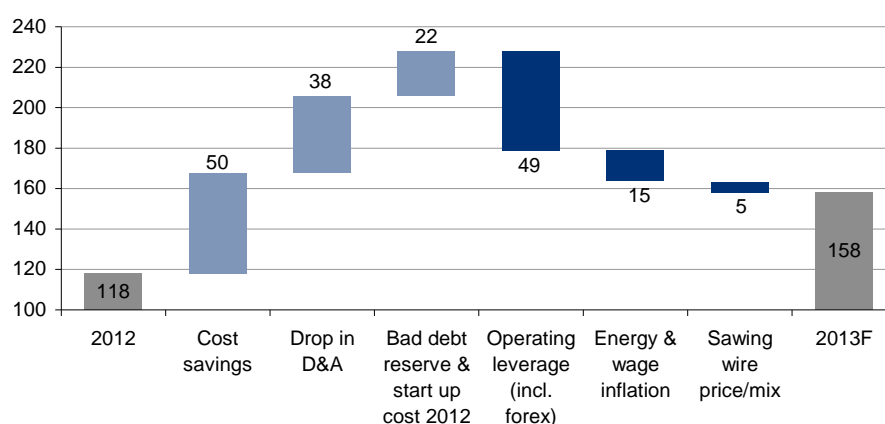
Fig 8 Tire volume evolution (% YoY)

|                  | Jan | Feb | Mar | Apr | May |
|------------------|-----|-----|-----|-----|-----|
| <b>Europe</b>    |     |     |     |     |     |
| Michelin         | 13  | 6   | 3   | 14  | 14  |
| Pirelli          | 2   | 4   | -3  | 14  | 15  |
| <b>N-America</b> |     |     |     |     |     |
| Michelin         | -15 | -7  | -1  | 1   | 15  |
| Pirelli          | -18 | -13 | 4   | 7   | 7   |
| <b>Latam</b>     |     |     |     |     |     |
| Michelin         | 12  | -2  | 2   | 10  | 11  |
| Pirelli          | 20  | 11  | 4   | 10  | 21  |
| <b>China</b>     |     |     |     |     |     |
| Pirelli          | 22  | -39 | 6   | 43  |     |
| <b>Japan</b>     |     |     |     |     |     |
| Pirelli          | -16 | -16 | 0   | 17  | 18  |

Source: Michelin, Pirelli

We believe consensus underestimates 2013 REBIT. We expect 1H13F REBIT to be down 7.8% to €78.5m and 2013F to be up 34% YoY to €158.6m (a 4.8% margin). This seems to be at the high end of the €130-160m full-year consensus range. We believe it is well known that Bekaert should benefit from €50m in cost savings and the absence in Asia Pac of both €14m in bad debt reserves and €8m in start-up/integration costs of newly acquired businesses. Likewise, a €15m headwind from energy and wage inflation and a €49m (INGF) headwind from negative operating leverage (including the forex impact from Venezuela) also seem well flagged. We argue, however, that consensus partly overlooks the €38m YoY drop in 'recurring' D&A post the complete write-down of the sawing wire activities in 2012.

Fig 9 2012-13F REBIT bridge (€m)



Source: Company data, ING estimates

Fig 10 Key estimates (€m)

|                              | 1H12         | 2H12          | 2012          | 1Q13         | 2Q13F       | 1H13F        | 3Q13F       | 4Q13F       | 2H13F        | 2013F        | 2014F        |
|------------------------------|--------------|---------------|---------------|--------------|-------------|--------------|-------------|-------------|--------------|--------------|--------------|
| EMEA                         | 557          | 487           | 1,044         | 260          | 269         | 529          | 257         | 242         | 499          | 1,028        | 1,044        |
| North America                | 351          | 308           | 659           | 146          | 156         | 302          | 152         | 145         | 297          | 599          | 611          |
| Latin America                | 397          | 415           | 812           | 176          | 185         | 361          | 190         | 190         | 379          | 741          | 770          |
| Asia Pacific                 | 478          | 467           | 945           | 216          | 238         | 454          | 234         | 234         | 468          | 922          | 958          |
| <b>Sales</b>                 | <b>1,784</b> | <b>1,677</b>  | <b>3,460</b>  | <b>798</b>   | <b>848</b>  | <b>1,646</b> | <b>832</b>  | <b>811</b>  | <b>1,643</b> | <b>3,290</b> | <b>3,384</b> |
| EMEA (%)                     | -9.3         | -12.3         | -10.7         | -10.3        | 0.8         | -5.0         | 1.6         | 3.5         | 2.5          | -1.5         | 1.5          |
| North America (%)            | -0.8         | -1.0          | -0.9          | -17.0        | -11.4       | -14.0        | -8.4        | 2.3         | -3.5         | -9.1         | 2.0          |
| Latin America (%)            | 129.5        | 108.5         | 118.3         | -10.7        | -7.4        | -9.0         | -10.5       | -6.6        | -8.6         | -8.8         | 4.0          |
| Asia Pacific (%)             | -25.2        | -5.7          | -16.7         | -6.9         | -3.2        | -5.0         | -0.1        | 0.3         | 0.1          | -2.5         | 4.0          |
| <b>Sales growth (%)</b>      | <b>0.2</b>   | <b>7.5</b>    | <b>3.6</b>    | <b>-10.8</b> | <b>-4.6</b> | <b>-7.7</b>  | <b>-3.8</b> | <b>-0.1</b> | <b>-2.0</b>  | <b>-4.9</b>  | <b>2.9</b>   |
| <b>REBITDA</b>               | 187.7        | 143.7         | 331.4         |              |             | 166.5        |             |             | 167.8        | 334.3        | 377.9        |
| <b>REBITDA growth (%)</b>    |              |               | -31.2         |              |             | -11.3        |             |             | 16.8         | 0.9          | 13.0         |
| <b>REBITDA margin (%)</b>    | <b>10.5</b>  | <b>8.6</b>    | <b>9.6</b>    |              |             | <b>10.1</b>  |             |             | <b>10.2</b>  | <b>10.2</b>  | <b>11.2</b>  |
| EMEA                         | 36.0         | 27.0          | 63.0          |              |             | 34.0         |             |             | 31.5         | 65.5         | 73.2         |
| North America                | 21.0         | 9.0           | 30.0          |              |             | 11.0         |             |             | 8.7          | 19.7         | 26.4         |
| Latin America                | 29.0         | 35.0          | 64.0          |              |             | 24.5         |             |             | 25.9         | 50.4         | 62.4         |
| Asia Pacific                 | 35.0         | 2.0           | 37.0          |              |             | 44.0         |             |             | 48.2         | 92.2         | 106.5        |
| Other                        | (36.0)       | (40.2)        | (76.2)        |              |             | (35.0)       |             |             | (34.2)       | (69.2)       | (66.2)       |
| <b>REBIT</b>                 | <b>85.1</b>  | <b>32.7</b>   | <b>117.8</b>  |              |             | <b>78.5</b>  |             |             | <b>80.1</b>  | <b>158.6</b> | <b>202.1</b> |
| EMEA (%)                     | 6.5          | 5.5           | 6.0           |              |             | 6.4          |             |             | 6.3          | 6.4          | 7.0          |
| North America (%)            | 6.0          | 2.9           | 4.6           |              |             | 3.6          |             |             | 2.9          | 3.3          | 4.3          |
| Latin America (%)            | 7.3          | 8.4           | 7.9           |              |             | 6.8          |             |             | 6.8          | 6.8          | 8.1          |
| Asia Pacific (%)             | 7.3          | 0.4           | 3.9           |              |             | 9.7          |             |             | 10.3         | 10.0         | 11.1         |
| <b>REBIT margin (%)</b>      | <b>4.8</b>   | <b>2.0</b>    | <b>3.4</b>    |              |             | <b>4.8</b>   |             |             | <b>4.9</b>   | <b>4.8</b>   | <b>6.0</b>   |
| Non-recurring                | (80.9)       | (86.2)        | (167.1)       |              |             | (20.0)       |             |             | (10.0)       | (30.0)       | (15.0)       |
| <b>EBIT</b>                  | <b>4.2</b>   | <b>(53.5)</b> | <b>(49.3)</b> |              |             | <b>58.5</b>  |             |             | <b>69.8</b>  | <b>128.3</b> | <b>186.9</b> |
| EBIT margin (%)              | 0.2          | -3.2          | -1.4          |              |             | 3.6          |             |             | 4.2          | 3.9          | 5.5          |
| Net financing charges        | (52.8)       | (29.1)        | (82.0)        |              |             | (36.5)       |             |             | (36.5)       | (73.0)       | (72.0)       |
| Taxes                        | (27.5)       | (40.2)        | (67.7)        |              |             | (22.5)       |             |             | (22.5)       | (45.0)       | (50.0)       |
| Share in the JV's            | 6.0          | 4.4           | 10.4          |              |             | 5.5          |             |             | 4.9          | 10.4         | 10.9         |
| Minorities                   | (8.4)        | 2.0           | (6.4)         |              |             | (3.2)        |             |             | (3.2)        | (6.4)        | (6.4)        |
| Net profit                   | (79)         | (116)         | (194.9)       |              |             | 1.8          |             |             | 12.5         | 14.3         | 69.4         |
| <b>Normalised net profit</b> | <b>2</b>     | <b>(30)</b>   | <b>(27.8)</b> |              |             | <b>21.8</b>  |             |             | <b>22.5</b>  | <b>44.3</b>  | <b>84.4</b>  |
| Reported EPS (€)             | (1.33)       |               | (3.30)        |              |             | 0.03         |             |             | 0.21         | 0.24         | 1.17         |
| <b>Normalised EPS (€)</b>    |              |               | <b>(0.47)</b> |              |             | <b>0.37</b>  |             |             | <b>0.38</b>  | <b>0.75</b>  | <b>1.43</b>  |
| DPS (€)                      |              |               | 0.85          |              |             |              |             |             |              | 0.85         | 0.85         |
| <b>Net debt</b>              |              |               | <b>735</b>    |              |             | <b>778</b>   |             |             | <b>720</b>   | <b>720</b>   | <b>675</b>   |
| Net debt/REBITDA (x)         |              |               | 2.2           |              |             |              |             |             |              | 2.2          | 1.8          |

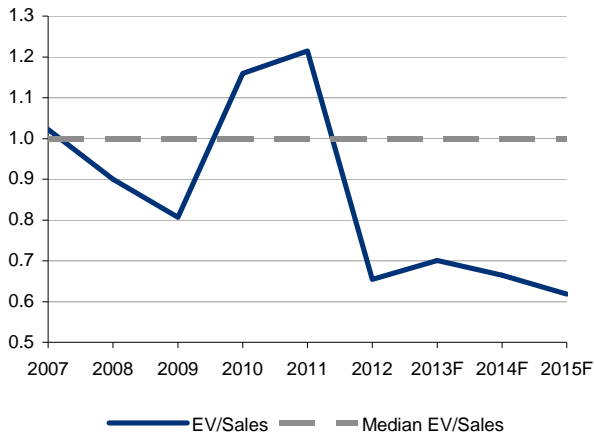
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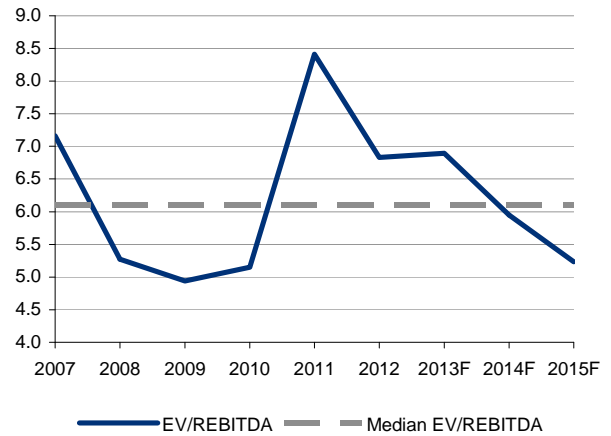
# Valuation

Fig 11 EV/Sales evolution (x)



Source: Company data, ING estimates

Fig 12 EV/REBITDA evolution (x)



Source: Company data, ING estimates

ROACE should remain below the WACC until 2015F, although Bekaert trades at an attractive 11% equity FCF yield excluding expansion capex. At our TP, Bekaert would trade at a 10% equity FCF yield and 2014F EV/EBITDA of 6.1x (in line with the historical median). A sustainable dividend yield of 3.5% remains supportive.

## Key risks

The key upside risk to our recommendation, in our view, is a faster-than-anticipated volume recovery, mainly in the automotive (tire) and (industrial) construction sector. Downside risks include a hard economic landing of China and a decision from key peers such as Xingda to opt for capacity expansion/volumes over margin.

## Financials

| Year end Dec (€m)                           | 2008         | 2009         | 2010         | 2011         | 2012         | 2013F        | 2014F        | 2015F        |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Income statement</b>                     |              |              |              |              |              |              |              |              |
| Revenues                                    | 2,663        | 2,438        | 3,262        | 3,340        | 3,461        | 3,290        | 3,384        | 3,506        |
| Cost of goods sold                          | (2,061)      | (1,904)      | (2,358)      | (2,689)      | (2,982)      | (2,796)      | (2,876)      | (2,980)      |
| <b>Gross profit</b>                         | <b>602</b>   | <b>534</b>   | <b>904</b>   | <b>651</b>   | <b>479</b>   | <b>493</b>   | <b>508</b>   | <b>526</b>   |
| Operating costs                             | (189)        | (149)        | (179)        | (154)        | (204)        | (189)        | (145)        | (127)        |
| <b>EBITDA</b>                               | <b>412</b>   | <b>385</b>   | <b>725</b>   | <b>497</b>   | <b>275</b>   | <b>304</b>   | <b>363</b>   | <b>399</b>   |
| Depreciation & amortisation                 | (202)        | (153)        | (191)        | (228)        | (324)        | (176)        | (176)        | (176)        |
| Impairments                                 | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| <b>EBIT</b>                                 | <b>210</b>   | <b>232</b>   | <b>534</b>   | <b>269</b>   | <b>(49)</b>  | <b>128</b>   | <b>187</b>   | <b>223</b>   |
| Net interest                                | (49)         | (66)         | (32)         | (19)         | (82)         | (73)         | (72)         | (71)         |
| Associates                                  | 56           | 38           | 36           | 25           | 10           | 10           | 11           | 11           |
| Other pre-tax items                         | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| <b>Pre-tax profit</b>                       | <b>217</b>   | <b>204</b>   | <b>538</b>   | <b>276</b>   | <b>(121)</b> | <b>66</b>    | <b>126</b>   | <b>164</b>   |
| Tax   | (26)         | (34)         | (140)        | (68)         | (68)         | (45)         | (50)         | (55)         |
| Minorities                                  | (18)         | (19)         | (31)         | (15)         | (6)          | (6)          | (6)          | (6)          |
| Other post-tax items                        | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| <b>Net profit</b>                           | <b>174</b>   | <b>152</b>   | <b>368</b>   | <b>193</b>   | <b>(195)</b> | <b>14</b>    | <b>69</b>    | <b>102</b>   |
| <b>Normalised EBITDA</b>                    | <b>455</b>   | <b>398</b>   | <b>735</b>   | <b>482</b>   | <b>331</b>   | <b>334</b>   | <b>378</b>   | <b>414</b>   |
| <b>Normalised EBIT</b>                      | <b>294</b>   | <b>257</b>   | <b>562</b>   | <b>281</b>   | <b>118</b>   | <b>158</b>   | <b>202</b>   | <b>238</b>   |
| <b>Normalised net profit</b>                | <b>258</b>   | <b>176</b>   | <b>396</b>   | <b>206</b>   | <b>(28)</b>  | <b>44</b>    | <b>84</b>    | <b>117</b>   |
| <b>Balance sheet</b>                        |              |              |              |              |              |              |              |              |
| Tangible fixed assets                       | 1,271        | 1,346        | 1,539        | 1,692        | 1,545        | 1,530        | 1,489        | 1,450        |
| Intangible fixed assets                     | 111          | 105          | 131          | 104          | 99           | 99           | 99           | 99           |
| Other non-current assets                    | 27           | 84           | 96           | 105          | 102          | 102          | 102          | 102          |
| Cash & equivalents                          | 118          | 276          | 443          | 676          | 457          | 472          | 517          | 586          |
| Other current assets                        | 1,140        | 1,018        | 1,464        | 1,593        | 1,464        | 1,411        | 1,447        | 1,494        |
| <b>Total assets</b>                         | <b>2,667</b> | <b>2,830</b> | <b>3,673</b> | <b>4,169</b> | <b>3,668</b> | <b>3,614</b> | <b>3,655</b> | <b>3,732</b> |
| Short-term debt                             | 503          | 151          | 320          | 648          | 343          | 343          | 343          | 343          |
| Other current liabilities                   | 478          | 484          | 719          | 616          | 611          | 595          | 604          | 616          |
| Long-term debt                              | 288          | 598          | 700          | 908          | 850          | 850          | 850          | 850          |
| Other long-term liabilities                 | 226          | 223          | 236          | 230          | 260          | 260          | 260          | 260          |
| <b>Total liabilities</b>                    | <b>1,495</b> | <b>1,456</b> | <b>1,977</b> | <b>2,403</b> | <b>2,064</b> | <b>2,048</b> | <b>2,057</b> | <b>2,068</b> |
| Total equity                                | 1,172        | 1,374        | 1,697        | 1,766        | 1,604        | 1,566        | 1,599        | 1,664        |
| <b>Total liabilities &amp; equity</b>       | <b>2,667</b> | <b>2,830</b> | <b>3,673</b> | <b>4,169</b> | <b>3,668</b> | <b>3,614</b> | <b>3,655</b> | <b>3,732</b> |
| Capital employed                            | 1,964        | 2,123        | 2,717        | 3,322        | 2,796        | 2,759        | 2,791        | 2,856        |
| Net working capital                         | 793          | 640          | 1,004        | 1,204        | 1,082        | 1,045        | 1,072        | 1,108        |
| Net debt (cash)                             | 673          | 474          | 578          | 880          | 735          | 720          | 675          | 606          |
| <b>Cash flow</b>                            |              |              |              |              |              |              |              |              |
| Cash flow EBITDA                            | 412          | 385          | 725          | 497          | 275          | 304          | 363          | 399          |
| Change in working capital                   | (159)        | 196          | (277)        | (200)        | 227          | 37           | (27)         | (36)         |
| Other non-cash items                        | (16)         | (52)         | 7            | (62)         | (3)          | 0            | 0            | 0            |
| <b>Operating cash flow</b>                  | <b>238</b>   | <b>529</b>   | <b>456</b>   | <b>235</b>   | <b>498</b>   | <b>341</b>   | <b>335</b>   | <b>363</b>   |
| Cash interest paid                          | (32)         | (39)         | (43)         | (59)         | (78)         | (73)         | (72)         | (71)         |
| Cash taxes paid                             | (28)         | (31)         | (113)        | (129)        | (59)         | (45)         | (50)         | (55)         |
| <b>Net cash from operating activities</b>   | <b>178</b>   | <b>458</b>   | <b>299</b>   | <b>47</b>    | <b>361</b>   | <b>223</b>   | <b>213</b>   | <b>237</b>   |
| Capex                                       | (251)        | (167)        | (248)        | (278)        | (127)        | (150)        | (125)        | (125)        |
| Net acquisitions                            | (44)         | (4)          | (17)         | 83           | 31           | 0            | 0            | 0            |
| Other net investing cash flows              | 51           | 43           | 54           | 9            | 15           | 7            | 7            | 7            |
| <b>Cash from investing activities</b>       | <b>(243)</b> | <b>(127)</b> | <b>(211)</b> | <b>(185)</b> | <b>(81)</b>  | <b>(143)</b> | <b>(118)</b> | <b>(118)</b> |
| Increase (decrease) in equity               | (20)         | 2            | (58)         | 0.7          | 0            | (15)         | 0            | 0            |
| Increase (decrease) in debt                 |              |              |              |              |              |              |              |              |
| Dividends & minority distribution           | (62)         | (51)         | (119)        | (163)        | (46)         | (50)         | (50)         | (50)         |
| Other financing cash flow                   | 192          | (253)        | 300          | 242          | (148)        | 0            | 0            | 0            |
| <b>Cash from financing activities</b>       | <b>111</b>   | <b>(302)</b> | <b>123</b>   | <b>79</b>    | <b>(194)</b> | <b>(65)</b>  | <b>(50)</b>  | <b>(50)</b>  |
| Forex & discontinued operations             | 0.8          | (13)         | 5            | 15           | (27)         |              |              |              |
| <b>Net change in cash &amp; equivalents</b> | <b>47</b>    | <b>16</b>    | <b>217</b>   | <b>(44)</b>  | <b>58</b>    | <b>15</b>    | <b>45</b>    | <b>69</b>    |
| FCF   | (41)         | 331          | 95           | (172)        | 312          | 146          | 160          | 183          |

Normalised earnings (eg, EBITDA, EBIT, net income and other sector-specific line items) are in the opinion of the analyst the best representation of a company's underlying and sustainable earnings derived from its regular operating activities.

Source: Company data, ING estimates



## Valuation, ratios and metrics

| Year end Dec                     | 2008   | 2009  | 2010  | 2011   | 2012   | 2013F | 2014F | 2015F |
|----------------------------------|--------|-------|-------|--------|--------|-------|-------|-------|
| <b>Performance &amp; returns</b> |        |       |       |        |        |       |       |       |
| Revenue growth (%)               | 22.5   | -8.5  | 33.8  | 2.4    | 3.6    | -5.0  | 2.9   | 3.6   |
| Normalised EBITDA growth (%)     | 46.5   | -12.4 | 84.5  | -34.4  | -31.2  | 0.87  | 13.0  | 9.6   |
| Normalised EBIT growth (%)       | 57.9   | -12.7 | 118.9 | -50.0  | -58.1  | 34.4  | 27.5  | 17.9  |
| Normalised EPS growth (%)        | 59.2   | -31.6 | 124.0 | -47.8  | n/a    | n/a   | 90.4  | 38.8  |
| Gross margin (%)                 | 22.6   | 21.9  | 27.7  | 19.5   | 13.8   | 15.0  | 15.0  | 15.0  |
| Normalised EBITDA margin (%)     | 17.1   | 16.3  | 22.5  | 14.4   | 9.6    | 10.2  | 11.2  | 11.8  |
| Normalised EBIT margin (%)       | 11.0   | 10.5  | 17.2  | 8.4    | 3.4    | 4.8   | 6.0   | 6.8   |
| Reported net margin (%)          | 6.5    | 6.2   | 11.3  | 5.8    | -5.6   | 0.44  | 2.1   | 2.9   |
| Reported ROE (%)                 | 15.6   | 12.6  | 25.4  | 11.7   | -12.5  | 1.0   | 5.0   | 7.0   |
| Normalised ROA (%)               | 11.8   | 9.3   | 17.3  | 7.2    | 3.0    | 4.3   | 5.6   | 6.4   |
| ROAIC (%)                        | 8.9    | 8.9   | 15.9  | 4.3    | -3.3   | 2.7   | 4.5   | 5.5   |
| ROACE (%)                        | 16.0   | 12.6  | 23.2  | 9.3    | 3.9    | 5.7   | 7.3   | 8.4   |
| ROACE - WACC (%)                 | 8.0    | 4.6   | 15.2  | 1.3    | -4.1   | -2.3  | -0.73 | 0.43  |
| <b>Leverage &amp; solvency</b>   |        |       |       |        |        |       |       |       |
| Working capital as % of sales    | 29.8   | 26.3  | 30.8  | 36.0   | 31.3   | 31.8  | 31.7  | 31.6  |
| Net debt (cash)/EBITDA (x)       | 1.6    | 1.2   | 0.80  | 1.8    | 2.7    | 2.4   | 1.9   | 1.5   |
| Net debt (cash)/equity (%)       | 57.4   | 34.5  | 34.1  | 49.8   | 45.9   | 46.0  | 42.2  | 36.4  |
| EBITDA net interest coverage (x) | 8.4    | 5.9   | 22.4  | 26.8   | 3.4    | 4.2   | 5.0   | 5.6   |
| Current ratio (x)                | 1.3    | 2.0   | 1.8   | 1.8    | 2.0    | 2.0   | 2.1   | 2.2   |
| Dividend cover (cash flow) (x)   | n/a    | 6.8   | 1.4   | n/a    | 6.1    | 2.5   | 2.8   | 3.2   |
| <b>Valuation</b>                 |        |       |       |        |        |       |       |       |
| EV/revenue (x)                   | 0.78   | 0.78  | 0.61  | 0.68   | 0.68   | 0.71  | 0.67  | 0.63  |
| EV/normalised EBITDA (x)         | 4.6    | 4.8   | 2.7   | 4.7    | 7.1    | 7.0   | 6.0   | 5.3   |
| EV/normalised EBIT (x)           | 7.1    | 7.4   | 3.5   | 8.1    | 20.0   | 14.7  | 11.3  | 9.2   |
| EV/capital employed (x)          | 1.1    | 0.90  | 0.73  | 0.69   | 0.84   | 0.84  | 0.81  | 0.77  |
| EV/invested capital (x)          | 0.95   | 0.81  | 0.68  | 0.64   | 0.77   | 0.77  | 0.74  | 0.70  |
| Normalised PER (x)               | 5.5    | 8.1   | 3.6   | 6.9    | n/a    | 32.1  | 16.9  | 12.2  |
| Price/book (x)                   | 1.3    | 1.1   | 0.90  | 0.85   | 1.0    | 1.0   | 1.0   | 0.96  |
| Dividend yield (%)               | 3.9    | 4.1   | 6.9   | 4.9    | 3.5    | 3.5   | 3.5   | 3.5   |
| FCF yield (%)                    | n/a    | 17.4  | 4.8   | n/a    | 13.2   | 6.3   | 7.1   | 8.4   |
| <b>Per share data</b>            |        |       |       |        |        |       |       |       |
| Reported EPS (€)                 | 2.94   | 2.56  | 6.20  | 3.27   | (3.30) | 0.24  | 1.17  | 1.73  |
| Normalised EPS (€)               | 4.36   | 2.98  | 6.68  | 3.49   | (0.47) | 0.75  | 1.43  | 1.98  |
| Dividend per share (€)           | 0.93   | 0.98  | 1.67  | 1.17   | 0.85   | 0.85  | 0.85  | 0.85  |
| Equity FCFPS (€)                 | (1.23) | 4.93  | 0.87  | (3.92) | 3.96   | 1.24  | 1.50  | 1.90  |
| BV/share (€)                     | 19.05  | 21.59 | 26.90 | 28.24  | 24.08  | 23.44 | 23.99 | 25.10 |

Source: Company data, ING estimates

## Company profile

Bekaert is the market leader in advanced solutions based on metal transformation and coatings, and the world's largest independent manufacturer of drawn steel wire products. The company operates in four main geographic segments, with EMEA contributing the most to EBIT in 2011 (35%), while Asia Pacific contributed 34%, North America 20% and Latin America 11%.

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