

26 February 2016

## BEKAERT

## Solid results, strong cash generation

GENERAL INDUSTRIES  
BELGIUMCURRENT PRICE € 30.48  
TARGET PRICE € 35.00ACCUMULATE  
RATING UNCHANGED

Source: Thomson Reuters Datastream

Bloomberg	BEKB.BB
Reuters	BEKB.BR
www.bekaert.com	

Market Cap	€ 1,825.3m
Shares outst.	60.1m
Volume (daily)	€ 3,601,822
Free float	62.0%

Next corporate event

Trading update 1Q16: 11 May 2016

(€ m)	2015E	2016E	2017E
Sales	3,657.0	3,927.7	4,205.1
REBITDA	397.9	443.9	494.4
Net earnings	88.7	112.8	147.8
Adj. EPS (€)	1.62	2.06	2.67
P/E (x)	18.9	14.8	11.4
EV/REBITDA	7.5	7.3	6.3
FCF Yield	8.0%	5.5%	7.9%
Dividend yield	2.8%	3.3%	4.1%

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Bekaert this morning released FY15 results. An analysts meeting is scheduled later today at 14:00 CET.

Consolidated sales increased by 14.2% y/y at € 3,671.1m, in-line with our and consensus expectations of € 3,657.0m and € 3,676m. The net impact from acquisitions and currently movements was 9% and 8% respectively leaving organic sales growth of -3%, mainly driven by passing-through of lower raw material prices (-5%).

Recurring EBIT increased by 35% y/y to € 222.9m (6.1% margin), beating both our and consensus expectations for € 202.9m and € 211m. REBIT contribution from EMEA, North America, Latin America and Asia Pacific was € 139m, € 20m, € 46m and € 82m vs. our expectations for € 139.3m, € 17.8m, € 38.5m and € 65.3m. Most striking was the very solid performance at Asia Pacific in H2.

EBITDA increased by 29.2% to € 441.4m. Operating result and share in the result of joint ventures amounted to € 220.1m and € 18.3m with non-recurring items of € -2.8m. Net result group share amounted to € 102.0m, beating our and consensus expectations of € 88.7m and € 96m.

Net financial debt was a positive surprise with Bekaert managing a reduction from € 853.0m at year-start to € 832.0m at year-end vs. € 971.3m expected. The Company proposes to increase its dividend from € 0.85 to € 0.90 per share.

Bekaert provided a bullish outlook statement expecting to outperform the market this year making another significant step towards its REBIT margin target of 7%. The Company expects a further negative top line impact of 5% from lower raw material prices in H1, margins however are expected to improve as a result of the business improvement actions. The Company is projecting continued strong performance in EMEA, improved profitability in NA and upside potential from its business turnaround in Asia Pacific. In Latin America, Bekaert will strengthen its market position in difficult conditions.

**Conclusion:**

Bekaert released number beating expectations reflecting ongoing efforts to improve profitability. Despite challenging market conditions, the Company also remains upbeat on the outlook expecting these efforts to result into further margin improvements. The Company generated strong cash flows, enabling a reduction in its net financial debt despite acquisitions. Accumulate rating reiterated while our target price has been upped to € 35 (from € 30).