

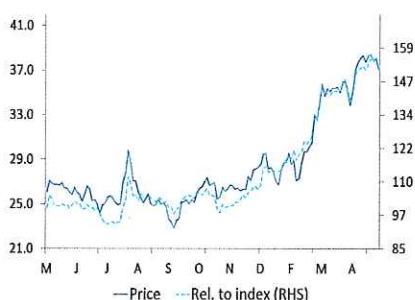
11 May 2016

BEKAERT

Well on track for 7% REBIT target

 GENERAL INDUSTRIES
 BELGIUM

 CURRENT PRICE € 37.54
 TARGET PRICE € 38.00

 HOLD
 RATING UNCHANGED


Source: Thomson Reuters Datastream

 Bloomberg BEKB.BB
 Reuters BEKB.BR

www.bekaert.com

 Market Cap € 2,220.8m
 Shares outst. 60.1m
 Volume (daily) € 4,646,579
 Free float 62.0%

Next corporate event

Results 1H16: 29 July 2016

(€ m)	2015	2016E	2017E
Sales	3,671.1	3,941.3	4,219.3
REBITDA	441.4	465.7	508.8
Net earnings	102.2	130.3	152.4
Adj. EPS (€)	1.77	2.37	2.75
P/E (x)	14.8	15.7	13.5
EV/REBITDA	6.0	7.6	6.7
FCF Yield	15.9%	6.1%	7.6%
Dividend yield	3.4%	2.7%	3.4%

Wouter Vanderhaeghen

+32 2 429 37 30

wouter.vanderhaeghen@kbcsecurities.be

Bekaert this morning released its 1Q16 trading update.

The Company reported consolidated sales of € 884m, down 2.2% vs. the same period last year. We were looking for consolidated sales of € 906m, company-compiled consensus (6 brokers participating) was at € 900m. Organic growth was flat with 5.5% volume growth offset by lower wire rod prices (-6%). Mix improvements (+3%) were offset by a continued price erosion in tire markets (-2%). The net effect of acquisitions/divestments was neutral while the impact from adverse currency movements was about -2%.

Consolidated sales for the first quarter at EMEA, North America, Latin America and Asia Pacific are reported at € 307m (-2%), € 146m (-4%), € 173m (-12%) and € 258m (+6%) vs. our forecast for respectively € 312m, € 152m, € 174m and € 268m.

Strong volume growth of 14% was recorded in Asia Pacific reflecting strong demand from automotive and solar markets. Sales of sawing wire increased by 18% y/y and accounted for 14% of sales in AP. Sales in Latin America decreased sharply reflecting both lower volumes (-11%) as well as adverse currency movements (-9%). Volume growth amounted to 3% in Europe reflecting strong demand from automotive and other industrial and construction markets. Organic volume growth in North America of 7% was mainly driven by the restart of production at the Rome plant.

Net financial debt increased from € 832m at year-start to € 881m at the end of March due to increased working capital as a result of seasonal effects and strong volume growth. The Company expects to remain below € 900m even after dividend payment. The intended merger of the ropes activities of Bekaert and Bridon is expected to be completed before end 1H16.

With regards to the outlook, Bekaert is relatively upbeat on 2Q16/1H16 while being more cautious on 2H16 as there is a risk that the tire market might slow down. In addition, Latin America remains challenging as are oil and gas markets. Solar markets are expected to remain strong. Although wire rod prices have picked up recently, Bekaert is still expecting a negative impact of about 5% for H1. Bekaert reiterated it expects to make a significant step towards its 7% REBIT target in 2016. The Company expects to exceed this target in 1H16 which will provide for a cushion to compensate for worsening market conditions and normal seasonality in 2H16.

Conclusion: Bekaert reported 1Q16 sales in-line to slightly below expectations. The Company is very upbeat on 1H16 but perceives more uncertainties for 2H16. The Company however reiterated that it will take a significant step towards its 7% REBIT target this year. We consider current valuation as correct, hence our Hold recommendation.