

9 June 2016

BEKAERT

Well on track

GENERAL INDUSTRIES

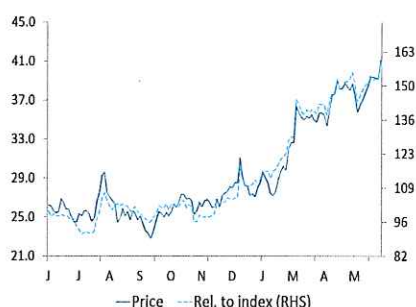
BELGIUM

CURRENT PRICE € 42.26

TARGET PRICE € 38.00

HOLD

RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEKB.BB
 Reuters BEKB.BR

www.bekaert.com

Market Cap € 2,530.7m

Shares outst. 60.1m

Volume (daily) € 5,518,717

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	17.9	15.4
EV/REBITDA	6.0	8.2	7.3
FCF Yield	15.9%	5.4%	6.7%
Dividend yield	3.4%	2.4%	3.0%

Wouter Vanderhaeghen

+32 2 429 37 30

wouter.vanderhaeghen@kbcsecurities.be

Bekaert hosted its Capital Markets Event on 6 and 7 June in Romania. The first day was focused on presentations by senior management, the second day consisted of site visits to the Slatina Industrial Park.

Confirmation technological leadership: The first presentation provided insights from a tire cord purchaser perspective (Continental) confirming total material cost is key whereby choice is not always made for the cheapest tire cost as well as Bekaert's strong technological product leadership.

Confirmation positive trend from 1Q16 trading update: The possible introduction of import duties on truck tire cord by the US is a factor of uncertainty though. Bekaert this year will make a significant step towards its REBIT margin target of 7% and will exceed this level in 1H16.

Strengthening global market leadership position in tire cord: Bekaert estimates its global market share in tire cord last year at 29% further expanding in 1Q16, getting close to its objective of one third of the market. Bekaert's five largest competitors together have a 43% market share.

Good momentum in sawing wire: Volumes now are back at about 80% of peak volumes recorded in 4Q10. Prices have remained stable now for some years at about 20-25% of peak prices. The mix is evolving to the extent that as of today, volumes in next generation product exceeds those of the old product. Profitability is driven by the new product.

Lowering the cost base: The BMS program is to take out 10% of the total cash conversion cost, which will however not fully flow back to the bottom line as to offset for price erosion. Bekaert is slightly ahead of schedule.

Still targeting to close Bridon deal before end 1H16: In the last 6 months, the ropes business of both Bekaert and Bridon has declined remaining below expectations. Oil & Gas accounts for about 25% of the combined business and is hit hard with the installation market almost fully dried-up. Mining accounted for about 25% as well and seems to be holding up well.

Good growth momentum in Romania: The Slatina plant currently has 45kt of tire cord capacity mainly supplying Pirelli and Continental, running at close to full capacity. The plant has room for further capacity additions.

Conclusion: Bekaert confirmed the main trends as described at the 1Q16 trading update. Good volume growth is recorded in tire cord China, with Bekaert gaining back market share as well as in sawing wire, boosting margins given that the sawing wire business has been close to fully impaired. Bekaert is well on track to achieve its 7% REBIT margin and very likely to exceed this level in 1H16. Going forward margins will receive a further boost as from 2018 when depreciations will take a dive in Asia Pacific.