

29 July 2016

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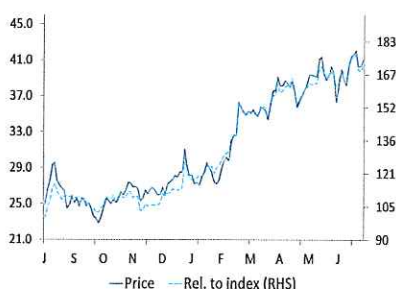
BEKAERT

FY REBIT margin guided at 7 to 8%

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 41.28
TARGET PRICE € 38.00

HOLD
RATING UNCHANGED



Source: Thomson Reuters Datastream

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

Market Cap € 2,472.1m
Shares outst. 60.1m
Volume (daily) € 5,512,166
Free float 62.0%

Next corporate event

Trading update 3Q16: 18 November 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	17.4	15.0
EV/REBITDA	6.0	8.1	7.2
FCF Yield	15.9%	5.5%	6.9%
Dividend yield	3.4%	2.4%	3.0%

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Bekaert this morning released 1H16 results. An analysts meeting is scheduled later today at 14:00 CET.

Consolidated sales are down 4.1% at € 1,819.1m below our (€ 1,851.0m) and (company compiled) consensus (€ 1,847m) expectations. Strong volume growth of 6% was offset by adverse currency effects (-3%), passed-on wire rod prices (-4%) and price erosion and mix effects (-3%).

Recurring EBIT increased by 40.2% y/y to € 157.3m (8.6% margin), in-line with our (€ 157.3m) and ahead of consensus (€ 150m) expectations. REBIT contribution from EMEA, NA, LA and AP is reported at € 85m, € 14m, € 33m and € 67m vs. our forecasts for € 89.1m, € 19.7m, € 22.3m and € 60.1m.

After non-recurring items, amounting to € -13.7m, EBIT is reported at € 143.7m (€ 150.8m expected). Net interest income and expenses of € -27.9m was in-line with expectations but other financial income and expenses of € -53.2m, mainly related to the issue and repurchase of convertible bonds which had a more negative impact than anticipated. Result before taxes, result after taxes and share in the result of JVs are reported at € 62.5m, € 29.8m and € 12.8m. The net result group share of € 33.1m came short of our (€ 69.4m) and consensus (€ 64m) expectations, mainly explained by higher than anticipated non-recurring items and especially other financial charges.

Net financial debt came in-line with expectations increasing to € 1,151m, including € 298m acquisition impact from the Bridon merger deal.

Bekaert projects continued strong demand from automotive, solar and construction markets in the second half. Challenging oil and gas markets are expected to pull results down, i.e. given consolidation of BBRG while concerns about Latin America's economic environment remain. For the full year, Bekaert expects to achieve a REBIT margin of 7 to 8%.

Conclusion:

Bekaert achieves strong REBIT growth reflecting its improved portfolio and positive impact from its transformation program. Latin America surprised positively, Europe and Asia Pacific came strong while performance in North America remained a bit below expectations though. While REBIT came in-line with our and ahead of consensus estimates, net result came significantly short due partly to higher than anticipated non-recurring items but especially significant other financial expenses mainly related to the convertible bond refinancing. Bekaert now guides for a REBIT margin for the full year in a range of 7 to 8%, which will trigger earnings upgrades.