



28 July 2015

Investment Research

Neutral

Recommendation unchanged

Share price: EUR 24.60

closing price as of 27/07/2015

Target price: EUR 28.00

Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Daily avg. no. trad. sh. 12 mth	88,919
Daily avg. trad. vol. 12 mth (m)	2,198.34
Price high 12 mth (EUR)	28.68
Price low 12 mth (EUR)	22.90
Abs. perf. 1 mth	-6.7%
Abs. perf. 3 mth	-8.4%
Abs. perf. 12 mth	-14.2%

Market capitalisation (EURm)	1,479
Current N° of shares (m)	60
Free float	59%

Key financials (EUR)	12/14	12/15e	12/16e
Sales (m)	3,216	3,756	4,014
EBITDA (m)	342	359	395
EBITDA margin	10.6%	9.6%	9.8%
EBIT (m)	171	174	210
EBIT margin	5.3%	4.6%	5.2%
Net Profit (adj.)(m)	75	76	109
ROCE	4.2%	4.4%	5.3%
Net debt/(cash) (m)	853	966	883
Net Debt Equity	0.5	0.6	0.5
Net Debt/EBITDA	2.5	2.7	2.2
Int. cover(EBITDA/Fin.int)	5.4	5.0	5.5
EV/Sales	0.8	0.7	0.6
EV/EBITDA	7.6	7.2	6.4
EV/EBITDA (adj.)	7.7	7.1	6.3
EV/EBIT	15.1	14.9	12.0
P/E (adj.)	21.2	19.4	13.6
P/BV	1.2	1.1	1.0
OpFCF yield	-10.4%	-3.9%	9.6%
Dividend yield	3.5%	3.7%	3.8%
EPS (adj.)	1.24	1.27	1.81
BVPS	22.74	23.02	23.78
DPS	0.85	0.90	0.95



Shareholders: Bekaert Fam. & Rel. 41%;

For company description please see summary table footnote

1H15 earnings preview

The facts: Bekaert will release its 1H15 results on July 31, before market. An analysts meeting is scheduled the same day at 02:00pm CET.

Our analysis: Remind that 1Q15 consolidated sales were up 16%, boosted by FX tailwinds and by acquisitions, which both added 10% to the sales. Organic sales declined by 4% due to weaker businesses in Asia Pacific (organic sales down 11%) and to the volume loss in North America as a result of the fire at the Rome's bead wire factory (Georgia). The Chinese tire cord markets was said to have bottomed out in March-April. Hence, in mid-May, Bekaert anticipated a modest consolidated organic sales growth for 2Q15.

We are somewhat more cautious than Bekaert and assume an organic sales decline of 1.4%, still driven by the North American (loss of volume due to the fire) and the Asia Pacific region due to wire rod price pressures (down 25% y-o-y and -10% sequentially). Nevertheless, for the 2Q15 sales we expect a 24% increase, again thanks to FX tailwinds (+~15%) and to acquisitions (+ ~11%).

Bekaert : key figures (EUR m)	1H14	2H14	2014	1H15e	% chg	1H15e CSS
Consolidated sales	1,609	1,607	3,216	1,935	20%	1,894
EBITDA	190	152	342	199	5%	198
Margin	11.8%	9.5%	10.6%	10.3%		10.5%
Rebit	101	63	164	106	4%	108
Margin	6.3%	3.9%	5.1%	5.5%		5.7%
-EMEA	64	50	114	74	15%	72
-North America	14	6	20	15	6%	13
-Latin America	11	15	26	21	95%	22
-Asia Pacific	43	20	63	25	-41%	31
-Corporate	-31	-28	-59	-30	-3%	-30
Operating result	118	53	171	103	-12%	104
Margin	7.3%	3.3%	5.3%	5.3%		5.5%
Group's share in net result	78	1	80	52	-33%	51
EPS (EUR)	1.30	0.02	1.32	0.87		0.85
Net financial debt	673	853	853	1,094		1,059

Sources : Bekaert / Bank Degroof estimates / Consensus (CSS) : computed by Bekaert (8 participating brokers 18/06/2015)

While the company continued to face price pressures in Asia Pacific during 2Q15, Bekaert is set to come with higher results in 1H15. This is due to the integration of the Pirelli assets, of the Cimaf steel ropes activity in Brazil and of the steel rope plant in Australia that had a positive impact on the mix. A general improvement in business activity was also expected in Latin America (ex Brazil), while the overall business outlook was still favourable in EMEA, driven by a strong demand of the automotive markets.

We rely on a consolidated Rebit of EUR 106m, up 4% y-o-y (but +67% sequentially), supported by EMEA, LatAm (favourable comparable; FX headwinds; acquisitions), North America (FX headwinds; volume down). We remain somewhat more cautious than the consensus regarding the Asia Pacific region, due to the continued price pressures in the Chinese tire cord market in 2Q15.

Conclusion & Action: The confirmation of the turnaround in Latin America and potentially in North America (post the rebuilding of the bead wire of Rome) would be good news. The main uncertainty remains the timing of the turnaround in Asia Pacific. In that respect, the recent shares prices collapse of main competitors in China (Xingda and Shougang) and the 2Q15 sales in Asia disclosed by Michelin today are not encouraging. We stick to our neutral stance on the share ahead of the 1H15 reporting.

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For important disclosure information, please refer to the disclaimer page of this report

Bekaert: Summary tables

PROFIT & LOSS (EURm)	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Sales	3,460	3,186	3,216	3,756	4,014	4,232
Cost of Sales & Operating Costs	-3,185	-2,889	-2,874	-3,397	-3,619	-3,816
Non Recurrent Expenses/Income	-73.1	-3.0	6.8	-5.0	-5.0	-15.0
EBITDA	275	297	342	359	395	415
EBITDA (adj.)*	348	300	335	364	400	430
Depreciation	-230	-160	-171	-185	-186	-187
EBITA	44.7	137	171	174	210	229
EBITA (adj)*	118	140	164	179	215	244
Amortisations and Write Downs	-94.0	0.0	0.0	0.0	0.0	0.0
EBIT	-49.3	137	171	174	210	229
EBIT (adj.)*	23.8	140	164	179	215	244
Net Financial Interest	-79.1	-63.7	-62.9	-71.2	-71.3	-69.9
Other Financials	-2.9	-19.8	-3.7	-3.0	0.0	0.0
Associates	10.4	30.2	25.3	24.7	25.9	27.2
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	-121	84.0	130	125	164	186
Tax	-67.7	-47.9	-42.4	-40.0	-41.5	-47.7
<i>Tax rate</i>	<i>n.m.</i>	<i>57.1%</i>	<i>32.6%</i>	<i>32.1%</i>	<i>25.3%</i>	<i>25.6%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-6.4	-11.5	-8.0	-12.0	-17.4	-19.6
Net Profit (reported)	-195	24.6	79.6	72.7	105	119
Net Profit (adj.)	-73.0	45.5	74.6	76.4	109	130
CASH FLOW (EURm)	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Cash Flow from Operations before change in NWC	321	227	254	265	303	320
Change in Net Working Capital	118	78.5	-54.6	-57.7	-8.4	-67.5
Cash Flow from Operations	439	305	199	207	295	252
Capex	-146	-110	-364	-265	-153	-160
Net Financial Investments	64.8	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	358	195	-165	-57.4	142	92.1
Dividends	-76.7	-55.7	-55.8	-55.8	-59.1	-62.1
Other (incl. Capital Increase & share buy backs)	-121	-12.8	-58.2	0.0	0.0	0.0
Change in Net Debt	160	126	-279	-113	83.0	30.0
NOPLAT	16.7	98.2	115	126	150	171
BALANCE SHEET & OTHER ITEMS (EURm)	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Net Tangible Assets	1,346	1,195	1,418	1,498	1,465	1,438
Net Intangible Assets (incl. Goodwill)	131	131	131	131	131	131
Net Financial Assets & Other	255	245	267	267	267	267
Total Fixed Assets	1,732	1,572	1,816	1,896	1,863	1,836
Inventories	568	539	641	657	642	677
Trade receivables	752	777	928	917	963	1,016
Other current assets	119	53.3	65.1	65.1	65.1	65.1
Cash (-)	-498	-439	-507	-394	-477	-507
Total Current Assets	1,936	1,809	2,142	2,033	2,148	2,265
Total Assets	3,668	3,380	3,958	3,929	4,010	4,101
Shareholders Equity	1,422	1,346	1,367	1,383	1,430	1,486
Minority	182	158	199	207	219	233
Total Equity	1,604	1,504	1,566	1,590	1,649	1,720
Long term interest bearing debt	856	691	919	919	919	919
Provisions	397	359	428	428	428	428
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Long Term Liabilities	1,252	1,050	1,347	1,347	1,347	1,347
Short term interest bearing debt	343	322	442	442	442	442
Trade payables	322	339	391	338	361	381
Other current liabilities	147	166	212	212	212	212
Total Current Liabilities	812	827	1,044	992	1,015	1,034
Total Liabilities and Shareholders' Equity	3,668	3,380	3,958	3,929	4,010	4,101
Net Capital Employed	2,701	2,437	2,847	2,985	2,960	3,001
Net Working Capital	998	978	1,178	1,236	1,244	1,312
GROWTH & MARGINS	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
<i>Sales growth</i>	<i>3.6%</i>	<i>-7.9%</i>	<i>0.9%</i>	<i>16.8%</i>	<i>6.9%</i>	<i>5.4%</i>
EBITDA (adj.)* growth	-27.0%	-13.8%	11.7%	8.7%	9.8%	7.6%
<i>EBITA (adj.)* growth</i>	<i>-56.1%</i>	<i>19.1%</i>	<i>17.2%</i>	<i>9.1%</i>	<i>19.7%</i>	<i>13.6%</i>
<i>EBIT (adj.)* growth</i>	<i>-91.1%</i>	<i>488.9%</i>	<i>17.2%</i>	<i>9.1%</i>	<i>19.7%</i>	<i>13.6%</i>

Bekaert: Summary tables

GROWTH & MARGINS	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Net Profit growth	n.m.	n.m.	63.9%	2.4%	42.7%	19.1%
EPS adj. growth	n.m.	n.m.	63.8%	2.4%	42.7%	19.1%
DPS adj. growth	-27.4%	0.0%	0.0%	5.9%	5.0%	5.0%
EBITDA (adj)* margin	10.1%	9.4%	10.4%	9.7%	10.0%	10.2%
EBITA (adj)* margin	3.4%	4.4%	5.1%	4.8%	5.3%	5.8%
EBIT (adj)* margin	0.7%	4.4%	5.1%	4.8%	5.3%	5.8%
RATIOS	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Net Debt/Equity	0.4	0.4	0.5	0.6	0.5	0.5
Net Debt/EBITDA	2.5	1.9	2.5	2.7	2.2	2.1
Interest cover (EBITDA/Fin.interest)	3.5	4.7	5.4	5.0	5.5	5.9
Capex/D&A	45.0%	69.0%	213.4%	143.0%	82.2%	85.8%
Capex/Sales	4.2%	3.5%	11.3%	7.0%	3.8%	3.8%
NWC/Sales	28.8%	30.7%	36.6%	32.9%	31.0%	31.0%
ROE (average)	-4.7%	3.3%	5.5%	5.6%	7.7%	8.9%
ROCE (adj.)	0.7%	4.3%	4.2%	4.4%	5.3%	5.9%
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
ROCE (adj.)/WACC	0.1	0.5	0.5	0.5	0.6	0.7
PER SHARE DATA (EUR)***	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Average diluted number of shares	60.0	60.1	60.1	60.1	60.1	60.1
EPS (reported)	-3.25	0.41	1.32	1.21	1.75	1.98
EPS (adj.)	-1.22	0.76	1.24	1.27	1.81	2.16
BVPS	23.70	22.41	22.74	23.02	23.78	24.72
DPS	0.85	0.85	0.85	0.90	0.95	0.99
VALUATION	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
EV/Sales	0.6	0.7	0.8	0.7	0.6	0.6
EV/EBITDA	7.8	7.5	7.6	7.2	6.4	6.0
EV/EBITDA (adj.)*	6.1	7.4	7.7	7.1	6.3	5.8
EV/EBITA	47.7	16.2	15.1	14.9	12.0	10.9
EV/EBITA (adj.)*	18.1	15.8	15.7	14.5	11.7	10.2
EV/EBIT	n.m.	16.2	15.1	14.9	12.0	10.9
EV/EBIT (adj.)*	89.5	15.8	15.7	14.5	11.7	10.2
P/E (adj.)	n.m.	34.0	21.2	19.4	13.6	11.4
P/BV	0.9	1.1	1.2	1.1	1.0	1.0
Total Yield Ratio	4.2%	3.6%	3.8%	4.0%	4.2%	
EV/CE	0.9	1.0	0.9	0.9	0.9	0.9
OpFCF yield	22.3%	12.6%	-10.4%	-3.9%	9.6%	6.2%
OpFCF/EV	13.7%	8.8%	-6.4%	-2.2%	5.6%	3.7%
Payout ratio	-26.2%	n.m.	64.2%	74.4%	53.9%	50.2%
Dividend yield (gross)	3.9%	3.3%	3.5%	3.7%	3.8%	4.0%
EV AND MKT CAP (EURm)	12/2012	12/2013	12/2014	12/2015e	12/2016e	12/2017e
Price** (EUR)	21.88	25.72	26.35	24.60	24.60	24.60
Outstanding number of shares for main stock	60.0	60.1	60.1	60.1	60.1	60.1
Total Market Cap	1,313	1,545	1,584	1,479	1,479	1,479
Net Debt	700	574	853	966	883	853
<i>o/w Cash & Marketable Securities (-)</i>	<i>-498</i>	<i>-439</i>	<i>-507</i>	<i>-394</i>	<i>-477</i>	<i>-507</i>
<i>o/w Gross Debt (+)</i>	<i>1198</i>	<i>1,013</i>	<i>1,360</i>	<i>1,360</i>	<i>1,360</i>	<i>1,360</i>
Other EV components	118	101	148	153	158	163
Enterprise Value (EV adj.)	2,131	2,220	2,585	2,598	2,520	2,495

Source: Company, Bank Degroof estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: General Industrials/Diversified Industrials

Company Description: Bekaert is a company built on two core competences: "advanced metal transformation" and "advanced materials & coatings". Bekaert strives to be a market and technological leader in its niches markets in which it is seeking substantial profitable growth. Bekaert is strongly exposed to BRIC countries and other growing markets, which together represent 73% of the "combined" sales.

ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

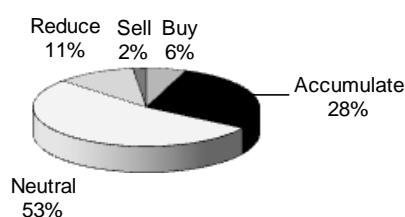
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Bank Degroof Ratings Breakdown



History of ESN Recommendation System

Since 1 April 2015, the ESN Rec. System has been amended as follows:

- The term "Hold" has been replaced by the term "Neutral"
- Recommendations Total Return Range changed as showed in the picture at the start of the page

Since 4 August 2008 until 30 March 2015, the previous ESN Rec. System was amended as follow.

- Time horizon changed to 12 months (previously it was 6 months)
- Recommendations Total Return Range changed (see below):



Since 18 October 2004, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.




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Recommendation history for BEKAERT

Date	Recommendation	Target price	Price at change date
13-May-15	Neutral	28.00	27.09
26-Mar-15	Neutral	26.00	25.71
19-Dec-14	Neutral	27.50	24.81
12-Mar-14	Neutral	29.00	27.60
25-Feb-14	Neutral	28.00	27.26
12-Nov-13	Reduce	28.00	29.47
31-Jul-13	Reduce	24.00	26.43
11-Jun-13	Reduce	20.00	22.80
06-May-13	Neutral	20.00	24.03
14-Nov-12	Neutral	24.00	18.56

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Bank Degroof continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Bernard Hanssens (since 05/02/1997)



Bank Degroof acts as liquidity provider for:

Aedifica, Atenor, Banimmo, Bois Sauvage, Bone Therapeutics, Connect Group, Eckert-Ziegler, Elia, Gimv, Greenyard Foods, Home Invest Belgium, Kinopolis, Leasinvest Real Estate, Luxempart, Montea, Realco, Resilux, Roularta, Sapec, Ter Beke, Van de Velde and Vastned Retail Belgium.

Bank Degroof holds a significant stake in:

Fountain.

Bank Degroof board members and employees hold mandates in the following listed companies:

Aedifica, Cofinimmo, Elia, Floridienne, Sapec, Sipef and Zetes.

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