

Investment Research

Hold

Recommendation unchanged

Share price: EUR 27.34

closing price as of 24/02/2014

Target price: EUR 28.00

Target Price unchanged

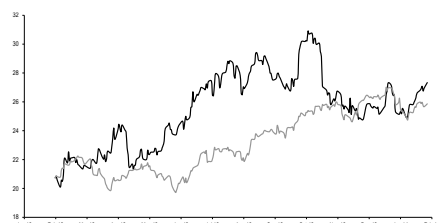
Reuters/Bloomberg

BEKB.BR/BEKB.BB

Daily avg. no. trad. sh. 12 mth	84,430
Daily avg. trad. vol. 12 mth (m)	2,285.24
Price high 12 mth (EUR)	30.91
Price low 12 mth (EUR)	20.09
Abs. perf. 1 mth	7.9%
Abs. perf. 3 mth	5.9%
Abs. perf. 12 mth	32.1%

Market capitalisation (EURm)	1,641
Current N° of shares (m)	60
Free float	61%

Key financials (EUR)	12/12	12/13e	12/14e
Sales (m)	3,460	3,148	3,332
EBITDA (m)	275	307	342
EBITDA margin	7.9%	9.8%	10.3%
EBIT (m)	(49)	137	172
EBIT margin	nm	4.4%	5.2%
Net Profit (adj.)(m)	(73)	34	74
ROCE	0.7%	4.3%	5.0%
Net debt/(cash) (m)	700	693	682
Net Debt Equity	0.4	0.4	0.4
Net Debt/EBITDA	2.5	2.3	2.0
Int. cover(EBITDA/Fin.int)	3.5	3.8	4.2
EV/Sales	0.6	0.8	0.8
EV/EBITDA	7.9	7.8	7.3
EV/EBITDA (adj.)	6.2	7.6	7.3
EV/EBIT	nm	17.5	14.6
P/E (adj.)	nm	45.5	22.2
P/BV	0.9	1.1	1.2
OpFCF yield	22.3%	4.0%	4.1%
Dividend yield	3.1%	3.1%	3.1%
EPS (adj.)	(1.22)	0.57	1.23
BVPS	23.70	22.86	22.91
DPS	0.85	0.85	0.85



Shareholders: Bekaert Fam. & Rel. 39%;

For company description please see summary table footnote

2H13 should confirm the turnaround in EMEA and in AP

The facts: Bekaert will release its 2H13/FY13 results on February 28, before market. An analysts meeting is scheduled the same day at 02:00pm CET.

Our analysis: 3Q13 trading update was mixed, with no improvement in North America and volume deterioration in Latin America. On the positive side, 3Q13 confirmed the turnaround in EMEA and in Asia Pacific, where Bekaert is recovering some market shares. Taking into account the seasonal pattern of the activities in EMEA and in North America, we anticipate FY13 consolidated sales down 9% at EUR 3,148m; EBITDA at EUR 307m (up 11.9%); Recurring EBIT at EUR 157m (up 34%) and net profit at EUR 19m versus a loss of EUR 189m in FY12.

Bekaert : key figures (EUR m)	1H12	2H12	2012	1H13	2H13e	2013e	% chg
Combined sales	2,255	2,180	4,387	2,139	1,973	4,112	-6.3%
Consolidated sales	1,783	1,677	3,460	1,649	1,499	3,148	-9.0%
EBITDA	161	114	275	172	135	307	11.9%
Margin	9.0%	6.8%	7.9%	10.4%	8.5%	9.8%	
Rebit	85	33	118	91	66	157	33.6%
Margin	4.8%	1.9%	3.4%	5.5%	4.4%	5.0%	
-EMEA	36	27	63	46	33	79	25.8%
-North America	21	9	30	13	6	19	-35.2%
-Latin America	29	35	64	28	27	55	-14.8%
-Asia Pacific	35	2	37	39	33	72	95.4%
-Corporate	-36	-40	-76	-35	-33	-68	-10.7%
Operating result	4	-53	-49	89	49	137	nr
Margin	0.2%	-3.2%	-1.4%	5.4%	3.3%	4.4%	
Financial result	-53	-29	-82	-41	-39	-80	
Result before tax	-49	-83	-131	48	10	57	nr
Income tax	-27	-40	-68	-30	-20	-50	
Tax rate	-56.5%	-48.7%	-51.6%	62.5%	nr	87.2%	
Results of associates	6	4	10	17	9	26	
Discontinued operations	0	0	0	0	0	0	
Consolidated profit	-70	-118	-189	35	-2	33	nr
Minority interest	8	-2	6	9	5	14	
Group's share in net result	-79	-116	-195	26	-7	19	nr
EPS (EUR)	-1.31	-1.94	-3.25	0.45	-0.13	0.32	nr

Sources : Bekaert / Bank Degroof estimates

Divisionally, we anticipate FY13 Rebit up mainly in EMEA and in Asia Pacific, driven by the cost savings program initiated in FY12 and by some market improvements in 2H13. For North America, the 35% drop in Rebit is due to the strong competitive pressures across the different activities that persisted until 4Q13. For Latin America, the 15% drop in Rebit is primarily due to a change in the consolidation of the Venezuelan operations that had a negative impact of EUR 12m at the Rebit level.

The net financial debt decreased to EUR 730m on September 30, from EUR 770m on June 30 and was guided at around EUR 700m at the end of 2013. Our estimate is slightly below at EUR 693m.

Conclusion & Action: FY13 was still a difficult year due a strong competitive environment in North America. We expect 2H13 to confirm the turnaround in EMEA and in Asia Pacific, where Bekaert should have recovered some market shares in 2H13.

We stick to our EUR 28 TP and Hold rating ahead of the FY13 reporting.

Analyst(s): Bernard Hanssens

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Bekaert: Summary tables

PROFIT & LOSS (EURm)	12/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Sales	3,263	3,340	3,460	3,148	3,332	3,454
Cost of Sales & Operating Costs	-2,537	-2,863	-3,185	-2,841	-2,990	-3,093
Non Recurrent Expenses/Income	0.0	0.0	-73.1	-10.0	0.0	0.0
EBITDA	726	477	275	307	342	361
EBITDA (adj.)*	726	477	348	317	342	361
Depreciation	-191	-208	-230	-170	-170	-169
EBITA	534	268	44.7	137	172	192
EBITA (adj.)*	534	268	118	147	172	192
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	534	268	-49.3	137	172	192
EBIT (adj.)*	534	268	23.8	147	172	192
Net Financial Interest	-50.1	-65.8	-79.1	-80.1	-81.3	-81.2
Other Financials	17.7	47.3	-2.9	0.0	0.0	0.0
Associates	36.1	25.4	10.4	26.0	22.2	25.2
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	538	275	-121	83.3	113	136
Tax	-139	-68.1	-67.7	-50.0	-34.0	-33.4
<i>Tax rate</i>	<i>25.9%</i>	<i>24.7%</i>	<i>n.m.</i>	<i>60.0%</i>	<i>30.1%</i>	<i>24.4%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-30.9	-14.6	-6.4	-14.0	-16.0	-18.0
Net Profit (reported)	368	193	-195	19.3	62.8	85.1
Net Profit (adj.)	389	202	-73.0	33.9	73.8	96.0
CASH FLOW (EURm)	12/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Cash Flow from Operations before change in NWC	594	398	321	155	240	267
Change in Net Working Capital	-277	-175	118	37.6	-47.8	-45.4
Cash Flow from Operations	317	223	439	193	192	221
Capex	-320	-276	-146	-130	-125	-123
Net Financial Investments	0.0	0.0	64.8	0.0	0.0	0.0
Free Cash Flow	-2.7	-53.2	358	62.4	67.2	98.6
Dividends	-63.7	-109	-76.7	-55.7	-55.7	-55.7
Other (incl. Capital Increase & share buy backs)	-27.4	-175	-121	0.0	0.0	0.0
Change in Net Debt	-93.9	-337	160	6.7	11.5	42.9
NOPLAT	374	188	16.7	103	120	135
BALANCE SHEET & OTHER ITEMS (EURm)	12/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Net Tangible Assets	1,295	1,406	1,346	1,336	1,291	1,245
Net Intangible Assets (incl. Goodwill)	131	131	131	131	131	131
Net Financial Assets & Other	276	338	255	255	255	255
Total Fixed Assets	1,702	1,875	1,732	1,722	1,677	1,631
Inventories	508	578	568	519	550	570
Trade receivables	774	828	752	693	733	777
Other current assets	182	182	119	119	119	119
Cash (-)	-507	-706	-498	-505	-516	-559
Total Current Assets	1,971	2,294	1,936	1,835	1,918	2,025
Total Assets	3,673	4,169	3,668	3,557	3,594	3,655
Shareholders Equity	1,611	1,694	1,422	1,372	1,375	1,404
Minority	86.0	72.5	182	191	202	215
Total Equity	1,697	1,766	1,604	1,563	1,577	1,620
Long term interest bearing debt	710	918	856	856	856	856
Provisions	370	341	397	397	397	397
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Long Term Liabilities	1,080	1,259	1,252	1,252	1,252	1,252
Short term interest bearing debt	320	648	343	343	343	343
Trade payables	342	291	322	252	275	294
Other current liabilities	234	204	147	147	147	147
Total Current Liabilities	896	1,143	812	742	765	784
Total Liabilities and Shareholders' Equity	3,673	4,169	3,668	3,557	3,594	3,655
Net Capital Employed	2,590	2,968	2,701	2,653	2,656	2,655
Net Working Capital	940	1,116	998	960	1,008	1,053
GROWTH & MARGINS	12/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
<i>Sales growth</i>	<i>33.9%</i>	<i>2.4%</i>	<i>3.6%</i>	<i>-9.0%</i>	<i>5.8%</i>	<i>3.7%</i>
EBITDA (adj.)* growth	87.5%	-34.3%	-27.0%	-8.8%	7.7%	5.5%
<i>EBITA (adj.)* growth</i>	<i>130.1%</i>	<i>-49.8%</i>	<i>-56.1%</i>	<i>25.2%</i>	<i>16.6%</i>	<i>11.9%</i>
<i>EBIT (adj.)* growth</i>	<i>130.1%</i>	<i>-49.8%</i>	<i>-91.1%</i>	<i>519.1%</i>	<i>16.6%</i>	<i>11.9%</i>

Bekaert: Summary tables

GROWTH & MARGINS	12/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Net Profit growth	128.4%	-48.1%	n.m.	n.m.	117.6%	30.1%
EPS adj. growth	126.6%	-48.1%	n.m.	n.m.	117.6%	30.1%
DPS adj. growth	69.5%	-29.6%	-27.4%	0.0%	0.0%	5.9%
EBITDA (adj)* margin	22.2%	14.3%	10.1%	10.1%	10.3%	10.4%
EBITA (adj)* margin	16.4%	8.0%	3.4%	4.7%	5.2%	5.6%
EBIT (adj)* margin	16.4%	8.0%	0.7%	4.7%	5.2%	5.6%
RATIOS	12/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Net Debt/Equity	0.3	0.5	0.4	0.4	0.4	0.4
Net Debt/EBITDA	0.7	1.8	2.5	2.3	2.0	1.8
Interest cover (EBITDA/Fin.interest)	14.5	7.2	3.5	3.8	4.2	4.4
Capex/D&A	167.0%	132.4%	45.0%	76.6%	73.5%	72.7%
Capex/Sales	9.8%	8.3%	4.2%	4.1%	3.8%	3.5%
NWC/Sales	28.8%	33.4%	28.8%	30.5%	30.3%	30.5%
ROE (average)	26.9%	12.2%	-4.7%	2.4%	5.4%	6.9%
ROCE (adj.)	15.8%	7.1%	0.7%	4.3%	5.0%	5.5%
WACC	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%
ROCE (adj.)/WACC	1.7	0.8	0.1	0.5	0.5	0.6
PER SHARE DATA (EUR)***	12/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Average diluted number of shares	60.0	60.0	60.0	60.0	60.0	60.0
EPS (reported)	6.13	3.21	-3.25	0.32	1.05	1.42
EPS (adj.)	6.48	3.36	-1.22	0.57	1.23	1.60
BVPS	26.86	28.24	23.70	22.86	22.91	23.40
DPS	1.66	1.17	0.85	0.85	0.85	0.90
VALUATION	12/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
EV/Sales	1.7	0.7	0.6	0.8	0.8	0.7
EV/EBITDA	7.9	5.0	7.9	7.8	7.3	6.9
EV/EBITDA (adj.)*	7.9	5.0	6.2	7.6	7.3	6.9
EV/EBITA	10.7	8.8	48.5	17.5	14.6	12.9
EV/EBITA (adj.)*	10.7	8.8	18.4	16.3	14.6	12.9
EV/EBIT	10.7	8.8	n.m.	17.5	14.6	12.9
EV/EBIT (adj.)*	10.7	8.8	91.1	16.3	14.6	12.9
P/E (adj.)	13.2	7.4	n.m.	45.5	22.2	17.1
P/BV	3.2	0.9	0.9	1.1	1.2	1.2
Total Yield Ratio	2.1%	5.2%	3.4%	3.4%	3.4%	
EV/CE	2.4	0.9	0.9	1.0	1.0	1.0
OpFCF yield	-0.1%	-3.6%	22.3%	4.0%	4.1%	6.0%
OpFCF/EV	0.0%	-2.2%	13.5%	2.6%	2.7%	4.0%
Payout ratio	27.1%	36.4%	-26.2%	n.m.	81.2%	63.5%
Dividend yield (gross)	1.9%	4.7%	3.1%	3.1%	3.1%	3.3%
EV AND MKT CAP (EURm)	12/2010	12/2011	12/2012	12/2013e	12/2014e	12/2015e
Price** (EUR)	85.90	24.79	21.88	25.72	27.34	27.34
Outstanding number of shares for main stock	60.0	60.0	60.0	60.0	60.0	60.0
Total Market Cap	5,152	1,487	1,313	1,544	1,641	1,641
Net Debt	523	860	700	693	682	639
<i>o/w Cash & Marketable Securities (-)</i>	<i>-507</i>	<i>-706</i>	<i>-498</i>	<i>-505</i>	<i>-516</i>	<i>-559</i>
<i>o/w Gross Debt (+)</i>	<i>1030</i>	<i>1,566</i>	<i>1,198</i>	<i>1,198</i>	<i>1,198</i>	<i>1,198</i>
Other EV components	35	17	156	172	183	193
Enterprise Value (EV adj.)	5,710	2,364	2,169	2,409	2,506	2,472

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 almost 80% 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**.

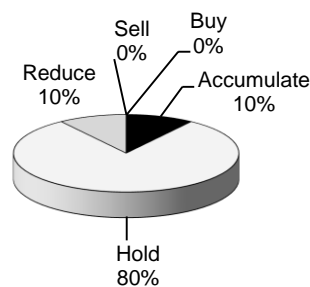
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

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.

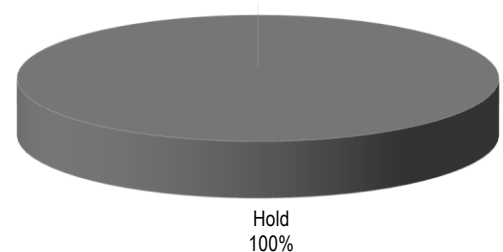
Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to 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 or to a change of analyst covering the stock
- **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

Bank Degroof Ratings Breakdown



Bank Degroof Ratings Breakdown for companies with conflicts of interest

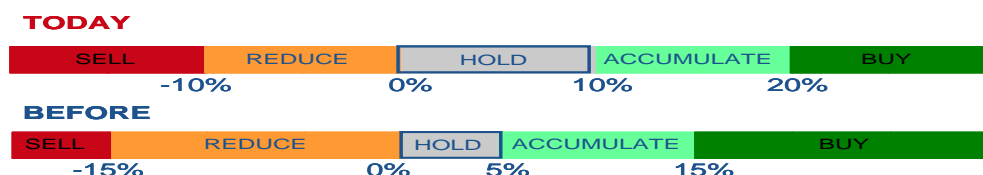


History of ESN Recommendation System

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.

Since 4 August 2008, the ESN Rec. System has been amended as follow.

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




Institutional & corporate equity desk

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Bart Beullens	+32 2 287 91 80
Laurent Goethals	+32 2 287 91 85
Pascal Magis	+32 2 287 97 81
Fabian De Smet	+32 2 287 99 16

Institutional & corporate bond desk

Peter Deknopper	+32 2 287 91 22
Gauthier de Ghellinck	+32 2 287 68 74
Fabrice Faccenda	+32 2 287 91 81

Structured products

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Quentin De Decker	+32 2 287 92 87
Tim Vercammen	+32 2 287 91 83
Jerome Verhaegen	+32 2 287 92 56
Stéphane Everaerts	+32 2 287 97 75

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Thomas Palmblad	+32 2 287 93 27
Oliver Gigounon	+32 2 287 91 84
Fabio Ghezzi Morgalanti	+32 2 287 92 72
Frederic Collett	+32 2 287 93 06

Real estate

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Preben Bruggeman, CFA	+32 2 287 95 71
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Olivier-Pierre Morrot	+32 2 287 96 18

Treasury desk

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Jeroen De Keer	+32 2 287 97 71

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Hans D'Haese	+32 2 287 92 23
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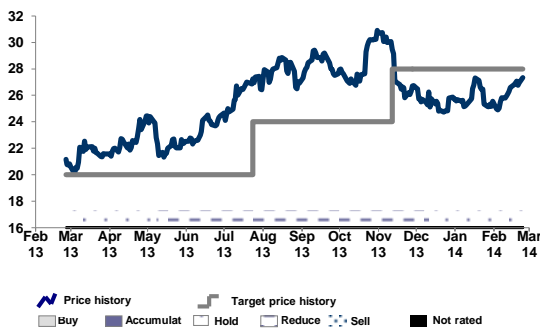
Mail: firstname.lastname@degroof.be

Recommendation history for BEKAERT

Date	Recommendation	Target price	Price at change date
25-Feb-14	Hold	28.00	27.34
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	Hold	20.00	24.03
14-Nov-12	Hold	24.00	18.56
20-Jul-12	Hold	25.00	20.85
03-Feb-12	Hold	28.00	27.64
15-Dec-11	Hold	30.00	25.98
04-Nov-11	Accumulate	36.00	30.74

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, BSB International, Connect Group, D'Ieteren, Eckert-Ziegler, Elia, Floridienne, 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, Atenor Group, Barco, Brederode, Cofinimmo, D'Ieteren, Elia, Floridienne, Sapec, Sipef, Ter Beke, Tessenderlo and Zetes.

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