


Hold

Recommendation unchanged

Share price: EUR 26.87

closing price as of 26/02/2014

Target price: EUR 28.00

Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,613
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	62,217
Daily avg. trad. vol. 12 mth (m)	1,673
Price high 12 mth (EUR)	30.91
Price low 12 mth (EUR)	20.09
Abs. perf. 1 mth	6.04%
Abs. perf. 3 mth	3.11%
Abs. perf. 12 mth	29.37%

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
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	0.7
EV/EBITDA	7.9	7.8	7.2
EV/EBITDA (adj.)	6.2	7.6	7.2
EV/EBIT	nm	17.5	14.4
P/E (adj.)	nm	45.5	21.9
P/BV	0.9	1.1	1.2
OpFCF yield	22.3%	4.0%	4.2%
Dividend yield	3.2%	3.2%	3.2%
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%;

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FY13 results: Rebit ok; but higher than expected cash generation. Acquisition of Pirelli's steel cords operations

The facts: This morning Bekaert released a good set of results. Rebit stands at EUR 166m, slightly above our and consensus (CSS) estimates. Cash generation was better than assumed with net financial debt at EUR 574m, thanks to strong efforts in the NWC management, particularly in China and lower than assumed CapEx (EUR 95m vs. EUR 130m expected).

Bekaert also announced the acquisition of the steel cord activity of Pirelli for an EV of EUR 255m (EV/EBITDA multiple at about 5.5x). This will add EUR 300m to the top line and about EUR 45m to the EBITDA.

Our analysis: Operational performance is slightly better by assumed. Good news came from Asia Pacific, where 2H13 Rebit is very close to 1H13, meaning that Bekaert had a quite good 4Q13 and regained further market shares in a profitable way (i.e. without giving too much price rebates). It is our understanding that capacity utilisation rate was now at around 85%. EMEA also performed above expectation, thanks to a revival of the tire cord activity. Latin America also shows better than assumed results. Here, volume increased again in 4Q (+9% y-o-y) after having dropped by nearly 2% in 3Q13. There is only a small improvement in North America, we guess thanks to the closing of the operations in Canada.

Bekaert : key figures (EUR m)	1H12	2H12	2012	1H13	2H13 A	2013 A	% chg	2013e	% dif.	FY13e CSS
Combined sales	2,255	2,180	4,387	2,139	1,972	4,111	-6.3%	4,112	0.0%	na
Consolidated sales	1,783	1,677	3,460	1,649	1,537	3,186	-7.9%	3,148	1.2%	3,166
EBITDA	161	114	275	172	135	297	8.1%	307		307
Margin	9.0%	6.8%	7.9%	10.4%	8.5%	9.5%		9.8%		9.7%
Rebit	85	33	118	91	75	166	40.9%	157	5.4%	163
Margin	4.8%	1.9%	3.4%	5.5%	4.9%	5.2%		5.0%		5.1%
-EMEA	36	27	63	46	42	88	39.7%	79	11.1%	85
-North America	21	9	30	13	6	19	-36.7%	19	-2.2%	19
-Latin America	29	35	64	28	36	64	0.0%	55	17.4%	49
-Asia Pacific	35	2	37	39	38	77	108.1%	72	6.5%	77
-Corporate	-36	-40	-76	-35	-47	-82	7.6%	-68	20.6%	-68
Operating result	4	-53	-49	89	48	137	nr	137	-0.3%	138
Margin	0.2%	-3.2%	-1.4%	5.4%	3.1%	4.3%		4.4%		4.4%
Financial result	-53	-29	-82	-41	-42	-84		-80		-76
Result before tax	-49	-83	-131	48	6	53	nr	57	-6.8%	62
Income tax	-27	-40	-68	-30	-18	-48		-50		-47
Tax rate	-56.5%	-48.7%	-51.6%	62.5%	nr	89.8%		87.2%		87.2%
Results of associates	6	4	10	17	14	31		26		28
Discontinued operations	0	0	0	0	0	0		0		0
Consolidated profit	-70	-118	-189	35	1	36	nr	33	9.2%	42
Minority interest	8	-2	6	9	3	11		14		13
Group's share in net result	-79	-116	-195	26	-1	25	nr	19	28.9%	29
EPS (EUR)	-1.31	-1.94	-3.25	0.45	-0.04	0.41	nr	0.32		0.48

Sources : Bekaert / Bank Degroof estimates / Consensus (CSS) : computed by Bekaert (5 participating brokers 25/02/2014)

The BoD will propose a stable dividend at EUR 0.85 (gross) – in line.

Vague outlook, as customary, but the tone seems more positive than the recent quarters.

Conclusion & Action: Good set of data, although the solid drop of the net financial debt was a bit boosted by one-offs measures, we guess. The acquisition seems also fair. We believe the market will welcome this reporting.