Bekaert

Belgium/ General Industrials

Company update

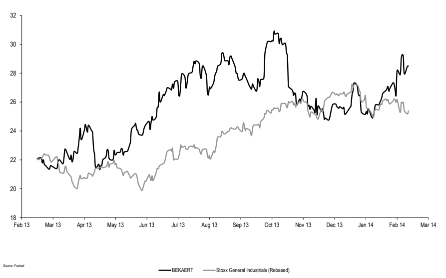
Investment Research *Reason: Company Results* *12 March 2014*

Hold

Recommendation unchanged

Share price: EUR	**28.49**
closing price as of 11/03/2014	
Target price: EUR	**29.00**
from Target Price: EUR	**28.00**
Reuters/Bloomberg	BEKB.BR/BEKB BB
Daily avg. no. trad. sh. 12 mth	77,216
Daily avg. trad. vol. 12 mth (m)	2,210.66
Price high 12 mth (EUR)	30.91
Price low 12 mth (EUR)	21.33
Abs. perf. 1 mth	9.8%
Abs. perf. 3 mth	8.5%
Abs. perf. 12 mth	30.9%
Market capitalisation (EURm)	1,711
Current N° of shares (m)	60
Free float	61%

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	3,186	3,397	3,756
EBITDA (m)	297	351	414
EBITDA margin	*9.3%*	*10.3%*	*11.0%*
EBIT (m)	137	172	219
EBIT margin	*4.3%*	*5.1%*	*5.8%*
Net Profit (adj.)(m)	45	76	120
ROCE	4.3%	4.7%	5.9%
Net debt/(cash) (m)	574	824	799
Net Debt Equity	*0.4*	*0.5*	*0.5*
Net Debt/EBITDA	1.9	2.4	1.9
Int. cover(EBITDA/Fin.int)	4.7	5.1	6.4
EV/Sales	0.7	0.8	0.7
EV/EBITDA	7.6	7.7	6.5
EV/EBITDA (adj.)	7.5	7.7	6.5
EV/EBIT	16.5	15.6	12.2
P/E (adj.)	34.0	22.5	14.3
P/BV	1.1	1.3	1.2
OpFCF yield	*12.6%*	*-11.4%*	*4.8%*
Dividend yield	*3.0%*	*3.0%*	*3.2%*
EPS (adj.)	0.76	1.27	1.99
BVPS	22.41	22.50	23.37
DPS	0.85	0.85	0.90



Shareholders: Bekaert Fam. & Rel. 39%;

For company description please see summary table footnote

The turnaround confirmed in competitive environments

FY13 results confirmed the turnaround of Bekaert in very competitive environments in most regions where the company is operating. Hence, the bulk of the improvement recorded in 2013 was driven by the cost savings program, which generated its positive effects as scheduled. This combined with a higher FCF was the good news of the FY13 reporting.

The FY13 results also highlighted the vulnerability of the group at the commodity part of its businesses to fierce Asian competition, both in Latin America and in North America. Hence, management has still a lot of things to do to improve durably the profitability of these regions. EMEA proved more resilient, being more involved in the higher added value segments. In Asia Pacific, Bekaert continued to diversify its offers (slightly less exposed towards the sole tire markets) and its geographical presence. The relatively weaker improvement compared to EMEA being mainly attributable to a commercial mistake made in early 2Q13. An issue management has already addressed for a significant part.

The acquisition of the tire cord activity of Pirelli combined with long-term supply contracts seems fair.

TP is lifted to EUR 29 from EUR 28, mainly on better than expected FCF generation in FY13. Hold rating is confirmed as the stock seems to already fully discount the earnings recovery that we anticipate in the coming years.

- ✓ Bekaert released a good set of results. Rebit stood at EUR 166m, which was slightly above our (EUR 157m) and consensus (EUR 163m) estimates. Cash generation was better than expected with net financial debt at EUR 574m, driven by strong efforts in the Net Working Capital management, particularly in China, but also to lower than assumed CapEx (EUR 97m vs. EUR 130m expected).
- ✓ Looking to the regional mix, we observe that sluggish performances recorded in North America and in Latin America were offset by more solid performance in EMEA and in Asia Pacific. In Asia Pacific, 2H13 Rebit was very closed to 1H13, meaning that Bekaert had quite a good 4Q13 and regained further market shares (volume up 11.6% in 4Q13). EMEA also performed above expectations, thanks to a revival of the tire cord activity. Latin America and North America badly performed due to fierce competition.
- ✓ We have modestly adjusted our scenario at constant perimeter and have included the acquisition of the Pirelli's tire cord assets from 4Q14 on, which explained the bulk or the earnings upward revisions.
- ✓ Geographically, our estimates for North America and EMEA were left unchanged (before the integration of Pirelli's assets in EMEA), while for Latin America they were significantly cut due to higher than anticipated margin pressure. For Asia Pacific, we have reviewed slightly downwards our Rebit margin estimates for FY14-16, as Bekaert will continue to fight in order to recover its tire cord market share in China that is likely to maintain a pressure on the sales prices in FY14.
- ✓ TP is slightly increased to EUR 29. Hold rating is confirmed as the stock seems to already fully discount the earnings recovery that we anticipate in the coming years.

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FY13 results slightly ahead of expectations with stronger FCF

Bekaert released a good set of results. Rebit stood at EUR 166m, which was slightly above our (EUR 157m) and consensus (EUR 163m) estimates. Cash generation was better than expected with net financial debt at EUR 574m, driven by strong efforts in the Net Working Capital management, particularly in China, and lower than assumed CapEx (EUR 97m vs. EUR 130m expected).

Bekaert also announced the acquisition of the tire cord activity of Pirelli for an EV of EUR 255m (EV/EBITDA multiple in the 5x to 6x range). This will add EUR 300m to the top line and about EUR 46m to the EBITDA.

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*	*16*	*44*	*-31.3%*	*55*	*-19.3%*	*49*
-Asia Pacific	*35*	*2*	*37*	*39*	*38*	*77*	*108.1%*	*72*	*6.5%*	*77*
-Corporate	*-36*	*-40*	*-76*	*-35*	*-27*	*-62*	*-18.6%*	*-68*	*-8.8%*	*-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)

2H13 operational performance came in slightly better than assumed. It should be noted that the one-offs were more or less in line. Indeed, if the provisions reversals came in EUR 5m ahead of expectations (EUR 7m), the FIFO impacts were also EUR 5m below estimates at EUR -15m vs. EUR -10m expected.

In Asia Pacific, 2H13 Rebit was very closed to 1H13, meaning that Bekaert had quite a good 4Q13 and regained further market shares (volume up 11.6% i4Q13). Although, the better than expected 2H13 Rebit is only due to the higher than anticipated provisions reversals. EMEA also performed above expectations, thanks to a revival of the tire cord activity. Latin America and North America badly performed due to fierce competition.

The cash generation was better than assumed, with net financial debt at EUR 574m (vs. EUR 693m expected by us and EUR 680m by the consensus), thanks to strong efforts in the NWC management, particularly in China and to lower than assumed CapEx (EUR 97m vs. EUR 130m expected).

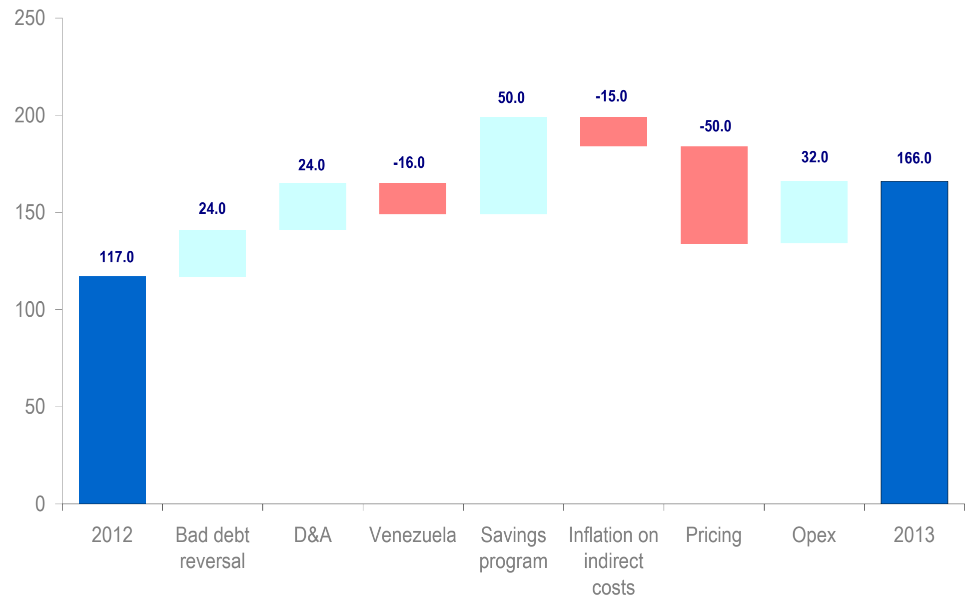
The BoD will propose a stable dividend of EUR 0.85 (gross).

FY13 results were mainly supported by the costs saving

FY13 consolidated **sales** decreased by nearly 8%. Organic sales decline was 3.3% and reflects mainly the passed-on of lower wire rod prices and a less favourable mix that more than compensated the 1.1% increase in volume. Negative FX impacts (-3.2% for Venezuela and -2.4% for the other FX movements) explain the balance.

Rebit increased from EUR 117m to EUR 166m in FY13. The breakdown of the main components of this evolution shows that savings related to the program set up in FY12 contributed for up to EUR 50m in 2013. This is in line with the original planning (EUR 20m in FY12, EUR 50m in FY13 and EUR 30m anticipated for FY14). About EUR 30m of that amount was in SG&A and the balance was sitting in the costs of sales.

Rebit evolution



Source: Bekaert

Other important positive components were the bad debt reversal in China. These are related to the sawing wire activity. In 2H12, Bekaert booked EUR 12m of bad debt provisions due to the weak sawing wire markets. The sawing wire markets improved somewhat in FY13, leading to EUR 4m bad debt reversal in 1H13 and EUR 8m in 2H13. Hence, year-on-year this represents a EUR 24m improvement at the Rebit level.

There were also EUR 24m of lower depreciations, which reflected the impairments of fixed assets booked in the FY12 accounts and the lower capital expenditure in FY13.

The operational excellence measures taken at the direct costs level led to a EUR 32m costs reduction in FY13.

On the negative side, the changes in the accounting method of the Venezuelan operations (using the economic exchange rate instead of the official one) led to a reduction of EUR 110m of the sales and of EUR 16m of the Rebit in Euro. Note that the EUR 16m drop was somewhat higher than the figure guided early 2013 (EUR 12m).

The impact of inflation on the indirect costs is estimated at EUR -15m.

Last but not least, Bekaert had to reduce its sales prices in the tune of EUR 50m versus 2012 in order to maintain and /or to increase its competitiveness. Out of these EUR 50m, EUR 30m were related to the tire cords in China. There were also further price erosions in sawing wire.

Details per geographical Area

Looking to the regional mix, we observe that sluggish performances recorded in North America in in Latin America were offset by solid earnings improvement in EMEA and in Asia Pacific.

EMEA

FY13 sales were slightly down Y-o-Y to EUR 1,040m (-0.4%). The organic growth was + 0.9%, with volume up 0.9% and price/mix up 2.0%, partially offset by the passed-on of lower wire rod prices (-1.9% impact).

After a weak start (1Q13 sales down by about 10%, of which 75% was due to a volume effect), the activity regained some ground in 2Q13 (volume up ~2.3%). This positive trend accelerated during the second semester, with volumes up ~3% Y-o-Y; thanks to better demand for tire cords and from the construction driven by Germany.

2013 Rebit increased by 40% Y-o-Y. Since EMEA and Asia Pacific were the first regions to have been restructured by Bekaert in 2012, we believe that the bulk of the extra savings (EUR +50m) that were achieved in FY13 at the group level were realised in these two regions.

EMEA (EUR m)	2010	1H11	2H11	2011	1H12	2H12	2012	1H13	2H13	2013
Consolidated sales	**1,066**	**614**	**555**	**1,169**	**557**	**487**	**1,044**	**532**	**508**	**1,040**
% chg		*16.7%*	*2.8%*	*9.7%*	*-9.3%*	*-12.3%*	*-10.7%*	*-4.5%*	*4.2%*	*-0.4%*
EBITDA	**144**	**74**	**43**	**117**	**34**	**34**	**68**	**68**	**65**	**133**
margin (%)	*13.5%*	*12.1%*	*7.7%*	*10.0%*	*6.1%*	*7.0%*	*6.5%*	*12.8%*	*12.8%*	*12.8%*
REBIT	**95**	**54**	**12**	**66**	**36**	**27**	**63**	**46**	**42**	**88**
margin (%)	*8.9%*	*8.8%*	*2.2%*	*5.6%*	*6.5%*	*5.5%*	*6.0%*	*8.6%*	*8.3%*	*8.5%*
EBIT	**87**	**46**	**17**	**63**	**-14**	**2**	**-11**	**45**	**40**	**85**
margin (%)	*8.2%*	*7.5%*	*3.1%*	*5.4%*	*-2.4%*	*0.3%*	*-1.1%*	*8.5%*	*7.9%*	*8.2%*
RoCE (gross)	**14.6%**			**10.8%**			**-1.8%**			**14.6%**

Sources : Bekaert

Rebit margin rebounded to a pre-crisis level (8.5%) versus 6.0% in FY12. Gross RoCE also retrieved its pre-crisis level at 14.6% from -1.8% in FY12.

We estimate this positive momentum can be extrapolated to 2014. Note that Pirelli's tire cord activities are mainly present in Europe (60-65% of the sales according to Bekaert). Hence EMEA performance will be supported by the integration of these high margin assets. However, given the complexity of the deal (many countries involved) the approval of the different competition authorities might take time. We have assumed that the deal will be completed only early 4Q14. Hence, the bulk of the acquisition of Pirelli's tire cord activities will only fully play from FY15 onwards.

During the analysts meeting, management clearly pointed out the importance of EMEA in the geo-mix of the group, as an area of high margin products, with a strong focus on innovative products. In the future Bekaert intends to invest up to 20% of its total CapEx effort in this region.

North America

In North America, FY13 sales decreased by 16.8%. Organic sales were down 13.6% Y-o-Y, with volume down 13.8%, price/mix impact of +4.5% that was offset by the passed-on of the lower wire rod price (-4.3%).

This is in contradiction with the global GDP growth in this area. However, management clearly indicated that many of the local manufacturing companies that are clients of Bekaert have recorded lower performances in FY13. While part of the lack in demand is due to delays in investments, like in the US power grip infrastructure or in the construction segment, a part seems more structural. For instance, the local tire industry had to face strong competition from Asia. As a result, while the US tire market was up in FY13, the volume produced by the local tire industry was under pressure. In bead wire, Bekaert faced strong price competition from the Korean Kiswire on the US market.

The savings were not enough to compensate for the weak level of activity. As a result, the profitability deteriorated rapidly, with Rebit margin dropping to 3.5% in FY13 and the RoCE to 3.8% from 7.2% in FY12 and 18.1% in 2011.

North America (EUR m)	2010	1H11	2H11	2011	1H12	2H12	2012	1H13	2H13	2013
Consolidated sales	638	354	311	665	351	308	659	295	253	548
% chg		*13.1%*	*-4.3%*	*4.2%*	*-0.8%*	*-1.0%*	*-0.9%*	*-16.0%*	*-17.9%*	*-16.8%*
EBITDA	50	34	12	46	26	13	39	18	4	22
margin (%)	*7.8%*	*9.6%*	*3.9%*	*6.9%*	*7.4%*	*4.2%*	*5.9%*	*6.1%*	*1.6%*	*4.0%*
REBIT	34	28	4	32	21	9	30	13	6	19
margin (%)	*5.3%*	*7.9%*	*1.3%*	*4.8%*	*6.0%*	*2.9%*	*4.6%*	*4.4%*	*2.4%*	*3.5%*
EBIT	32	26	17	43	8	8	16	12	-4	8
margin (%)	*5.0%*	*7.3%*	*5.5%*	*6.5%*	*2.3%*	*2.6%*	*2.4%*	*4.1%*	*-1.6%*	*1.5%*
RoCE (gross)	13.4%			18.1%			7.2%			3.8%

Sources : Bekaert

Bekaert announced some actions to restore its profitability in this region. In November the group announced its intention to close its factory in Surrey (Canada) because of the structural downward trend in the steel wire in the northwest of North America. The plant will be closed in the coming months. Related provisions were made in 4Q13 accounts.

At the analysts meeting, management recognised that Bekaert had probably not sufficiently invested in the upgrading of its North American operations, which would have given it the ability to compete with the Asian imports.

Hence, management announced that it has launched an investment programme to optimise its cost base (of about EUR 20m in FY14-16). Among other it is the intention of Bekaert to invest in a more competitive bead wire manufacturing platform in order to better compete with Kiswire, which started last year a state of arts bead wire facility in the US. The group also want to be more focused on higher value added markets and serving new market opportunities. Recently, Bekaert acquired a Texas-based production facility for steel ropes serving customers in the oil sector. Development of a technical coating activity is also one of the potential developments on the US market.

It is our understanding that this process will take time, as management want to be sure that it has the right technology, which will provide Bekaert with the right costs effectiveness to address the requests of the higher added value product segments, and/or to complete its product portfolio in order to achieve this goal.

Since there are no real structural improvements on the demand side of this market so far, the upside potential should remain rather limited, although the closing of the loss-making Canadian factory will have an immediate impact on the profitability.

We should also add that the weakening of the North American competitive landscape was already in place in 1Q13, without further deterioration in the following quarters. As a result, the comparison base should be less penalising in FY14.

Latin America

The Business Unit reported a 21% drop in sales and a 31% decrease in Rebit in FY13.

This is mainly due to Bekaert's decision to apply the economic exchange rate to its Venezuelan operations from 01/01/2013 on. According to Bekaert this decision had a negative impact of EUR 110m on the sales of the cluster and EUR 16m on the Rebit. Adjusted for these elements the sales and the Rebit are down 7.0% and 6.3%, respectively.

The organic sales declined by 3% and consisted of a 5% volume increase that was more than offset by the 8% sales price decline (lower steel price passed-through) and less favourable product mix (lower demand from the mining sector that delayed the investments in infrastructures/construction). Besides this, currencies trend was 4% negative, on average.

Latin America (EUR m)	2010	1H11	2H11	2011	1H12	2H12	2012	1H13	2H13	2013
Consolidated sales	**311**	**173**	**199**	**372**	**397**	**415**	**812**	**352**	**293**	**645**
% chg		*20.1%*	*19.2%*	*19.6%*	*129.5%*	*108.5%*	*118.3%*	*-11.3%*	*-29.4%*	*-20.6%*
EBITDA	**39**	**22**	**26**	**48**	**57**	**43**	**100**	**39**	**25**	**64**
margin (%)	*12.5%*	*12.7%*	*12.9%*	*12.8%*	*14.4%*	*10.4%*	*12.3%*	*11.1%*	*8.5%*	*9.9%*
REBIT	**26**	**16**	**19**	**35**	**29**	**35**	**64**	**28**	**16**	**44**
margin (%)	*8.4%*	*9.2%*	*9.5%*	*9.4%*	*7.3%*	*8.4%*	*7.9%*	*8.0%*	*5.5%*	*6.8%*
EBIT	**14**	**16**	**19**	**35**	**47**	**32**	**79**	**28**	**16**	**44**
margin (%)	*4.5%*	*9.2%*	*9.5%*	*9.4%*	*11.8%*	*7.7%*	*9.7%*	*8.0%*	*5.5%*	*6.8%*
RoCE (gross)	**9.0%**			**21.5%**			**28.5%**			**12.3%**

Sources : Bekaert

Note that if the drop in sales price was impressive (-8%) it is because in order to compete with cheap Asian imports, Bekaert adjusted its sourcing policy and imported more than half of its raw material needs from Asia. The benefit of this has been passed on to customers. This quick reaction allowed Bekaert to protect its market share.

We welcome the quick reaction of Bekaert to defend its position and margins in Latin America by adjusting its sourcing policy. But this event highlighted the vulnerability of the group in this region, as it is mainly involved in commodity products for the construction and the agriculture-related markets. In that respect we appreciate the decision to build a second Dramix plant in Costa Rica, which was announced in December 2013.

Asia Pacific

Although FY13 sales increased by 0.8% Y-o-Y, the organic sales declined by 0.6%, which is quite weak with regard to the underlying markets growth. Volume growth was quite strong (+7.9%) though, but it was offset by a negative price mix of -6.3% and by the pass-through of lower wire rode prices (-2.3%).

Hence, the 0.8% sales growth recorded in FY13 was due to a net acquisition (+4.2% contribution), partially compensated by adverse currency movements (for -2.7%).

Asia Pacific (EUR m)	2010	1H11	2H11	2011	1H12	2H12	2012	1H13	2H13	2013
Consolidated sales	**1,248**	**639**	**495**	**1,134**	**478**	**467**	**945**	**470**	**483**	**953**
% chg		*15.8%*	*-28.9%*	*-9.1%*	*-25.2%*	*-5.7%*	*-16.7%*	*-1.7%*	*3.4%*	*0.8%*
EBITDA	**560**	**256**	**90**	**346**	**101**	**71**	**172**	**84**	**69**	**153**
margin (%)	*44.9%*	*40.1%*	*18.3%*	*30.5%*	*21.1%*	*15.2%*	*18.2%*	*17.9%*	*14.3%*	*16.1%*
REBIT	**471**	**185**	**39**	**224**	**35**	**2**	**37**	**39**	**38**	**77**
margin (%)	*37.7%*	*29.0%*	*7.9%*	*19.8%*	*7.3%*	*0.4%*	*3.9%*	*8.3%*	*7.9%*	*8.1%*
EBIT	**14**	**16**	**19**	**35**	**18**	**-50**	**-33**	**39**	**34**	**73**
margin (%)	*1.1%*	*2.5%*	*3.8%*	*3.1%*	*3.8%*	*-10.7%*	*-3.5%*	*8.3%*	*7.0%*	*7.7%*
RoCE (gross)	**44.5%**			**15.9%**			**-2.5%**			**6.4%**

Sources : Bekaert

Rebit saw strong improvement in FY13, but a significant part was due to one-offs. Indeed, in 4Q12 Bekaert booked bad debt provisions related to its sawing wire activity for an amount of EUR 12m. In FY13, with the revival of the sawing wire market, Bekaert reversed the integrally of the bad debt (EUR 4m in 1H13 and EUR 8m in 2H13), where we had only assumed EUR 8m. Adjusted for these one-offs, the Rebit improvement is 41% and the underlying margin stands at 6.8% vs. 5.2% in FY12.

Like in EMEA, the rebound of the underlying Rebit (i.e. excluding the bad debt) is due to a large part to the positive impact of the restructuring measures, while the recently acquired assets still weighted on profitability. Hence, the performance was rather mixed in 2013 and this was mainly the consequence of a strong competitive environment on the Chinese market.

On top of that, during the second and the third quarters, Bekaert lost some market share in tire cord. At the beginning of 2Q13, the company tried to stabilise the sales price just before a new downtrend for the wire rode price. Competitors did not follow Bekaert and captured significant volumes. As a result, Bekaert's capacity utilisation rate in tire cord felt to 70% in mid-2013, from about 79-80% in 2H12, while in the same time Xingda (the main competitor in China) has seen its capacity utilisation rate to increase from 79.6% in 2H12 to 89.1% on June 30. During the second semester Bekaert has been fighting back to recover part of the volume lost and claimed to have increase its capacity utilisation rate to the mid-80's at the end of FY13. However, this was not painless for its margins, which dropped from 7.4% in 1H13 (excluding the bad debt reversal) to 6.2% in 2H13 (excluding the bad debt reversal). Part of the drop was directly linked to the price rebate, but one should also keep in mind that the capacity utilisation was on average lower in 2H13, sequentially (negative operating leverage).

In our view there is still market share that should be recovered in the coming quarters if Bekaert want to remain close to its main competitor.

Comments on other P&L items

EBIT

While Rebit came out slightly above expectations, EBIT was in line due to higher than assumed non-recurring charges of EUR 29m. One-third is related to the restructuring in Canada; another third to environmental provisions and the balance is impairment on a stainless steel facility in India.

Associates

The contribution of the associates was much better than anticipated at EUR 31m. It should be noted that EUR 6m are one-off tax adjustments in Brazil booked in 1H13. Even before the one-off the performance in Brazil remains very sound, supported by strong markets and positive impact of the devaluation of the Real and by the positive impact of the restructuration made in FY12.

Acquisition of Pirelli's tire cord assets.

Together with the publication of the FY13 results, Bekaert also announced the acquisition of the steel cord activity of Pirelli. As part of the transaction, Bekaert entered into long-term supply contracts with Pirelli.

The transaction includes Pirelli's tire cord facilities in Turkey, Brazil, Roumania, Italy and in China. The first three facilities are also the most important in term of size, but details were not disclosed.

The company just indicated that the total capacity is 150kt for a turnover of about EUR 300m (9.4% of Bekaert's FY13 consolidated sales), of which EMEA represents the lion share (~62.5%), followed by Brazil (~27.5%) and Asia (~10%). About 70% of these capacities are currently used by Pirelli (hence the importance of the long term supply contacts), which is vertically integrated for over 90%. The balance is used to feed tire competitors; most of them are already clients of Bekaert. Plants are running at high rates and while some facilities are quite old (the Italian plant was built in 1962 and the Brazilian one in 1983), Bekaert indicated that there are no significant CapEx to be anticipated for the coming years. Also important, the profitability of those plants is guided to be at least in-line with Bekaert's current production platforms.

The acquisition will be done at a price consideration of EUR 255m (Enterprise Value). The EBITDA multiple paid was guided to be in the 5-6x range, implying an EBITDA in the EUR 50-60m and an EBIT in the EUR 35-45m range.

At a multiple of 5.5x, Pirelli's assets seems fairly priced, using the WACC of the company of about 8.5% and excluding any growth, synergies or cross selling opportunities. Of course, versus a green-field, which would represent roughly the same amount of CapEx, the advantage is obvious: the immediate access to the cash flow and a long-term supply agreement of up to 70% of the capacity.

Outlook

As customary, Bekaert did not provide a concrete outlook for this year. Management only indicated that is determined to maintain its leading market position in various sectors and regions. It is precisely what it did in Latin America and in Asia Pacific, after the mistake made in pricing early 2Q13. For the rest management indicated that with a regained financial and business power to invest in future growth, and with the actions in place to adjust the performance of the North American activity platform, Bekaert is ready to seize the opportunities that will support the long-term strength of its core businesses. Hence, versus the previous statements, the tone is globally more positive.

At the analyst meeting it provided more colour on the main focus points for FY14 per regions.

In **EMEA**, Bekaert will have to at least maintain the growth momentum with the focus on high-value added products.

In **North America**, Bekaert has to do a turnaround of the business momentum to capture the growth in a difficult market. That can only be done if Bekaert realised the investments programme to optimise its cost base.

In **Latin America**, Bekaert will continue to defend and if possible to grow its strong market shares by remaining competitive versus the Asian imports. In December, Bekaert has taken over the activities from ArcelorMittal in Costa Rica, and is building a new plant of Dramix and fibers.

In **Asia-Pacific**, the volume momentum of the rubber reinforcement market in China is picking up again. Bekaert should take advantage of this.

Earnings revisions

We have modestly adjusted our scenario at constant perimeter and have included the acquisition of the Pirelli's tire cord assets from 4Q14 on, which explains the bulk of the earnings upward revisions.

Geographically, our estimates for North America and EMEA were left unchanged (before the integration of Pirelli's assets in EMEA), while for Latin America they were significantly cut due to more than anticipated margin pressures. These revisions had as consequence to nearly fully offset the positive impact of the integration of Pirreli's assets in this region. For Asia Pacific, we have reviewed slightly downwards our Rebit margin estimates for FY14-16, as Bekaert will continue to fight in order to recover its 28-30% market share in China (was more or less at 25% at the end of FY13 coming from 29-30% in early 2013). This is likely to maintain pressure on the sales prices in FY14.

Bekaert: estimates review	**2013**		**2014e**		**2015e**		**2016e**	
(in EUR m)	f'casted	**Actual**	old	**new**	old	**new**	old	**new**
Sales	3,148	**3,186**	3,332	**3,397**	3,454	**3,756**	3,583	**3,895**
% change		*1.2%*		*1.9%*		*8.7%*		*8.7%*
EBITDA	307.5	**297.0**	342.0	**350.6**	360.9	**413.9**	382.9	**445.7**
		-3.4%		*2.5%*		*14.7%*		*16.4%*
Rebit	157.5	**165.9**	187.0	**187.5**	207.4	**233.9**	230.9	**265.7**
margin (%)	5.0%	**5.2%**	5.6%	**5.5%**	6.0%	**6.2%**	6.4%	**6.8%**
% change		*5.4%*		*0.3%*		*12.8%*		*15.0%*
-EMEA[1]	79.2	**88.0**	79.9	**94.0**	82.0	**109.3**	83.4	**111.6**
% change		*11.0%*		*17.7%*		*33.2%*		*33.8%*
-North America (NA)	19.4	**19.0**	22.5	**22.6**	26.8	**26.9**	30.6	**30.8**
% change		*-2.2%*		*0.6%*		*0.5%*		*0.8%*
-Latin America (LA)	54.5	**44.0**	59.1	**53.1**	63.3	**65.7**	65.9	**73.8**
% change		*-19.3%*		*-10.0%*		*3.8%*		*12.1%*
-Asia Pacific (AP)	72.3	**77.0**	91.5	**83.7**	101.2	**98.0**	117.0	**115.4**
% change		*6.5%*		*-8.6%*		*-3.2%*		*-1.4%*
- Corporate	-68.0	**-62.1**	-66.0	**-66.0**	-66.0	**-66.0**	-66.0	**-66.0**
% change		*-8.7%*		*0.0%*		*0.0%*		*0.0%*
EBIT	137	**137**	172	**172**	192	**219**	216	**251**
margin (%)	4.4%	4.3%	5.2%	5.1%	5.6%	5.8%	6.0%	6.44%
Financial results	-80	**-84**	-81	**-78**	-81	**-74**	-61	**-59**
Associates	26	**30**	22	**22**	25	**25**	29	**29**
Net result (group)	19	**25**	63	**65**	85	**109**	113	**140**
% change		*27.3%*		*3.6%*		*27.7%*		*24.0%*
Net current result (group)	34	**45**	74	**76**	96	**120**	124	**151**
% change		*34.1%*		*3.0%*		*24.5%*		*21.8%*
Adj. EPS (in EUR)	*0.57*	**0.76**	*1.23*	**1.27**	*1.60*	**1.99**	*2.06*	**2.51**
% change		*34.0%*		*3.0%*		*24.4%*		*21.7%*

Sources : Bekaert / Bank Degroof estimates

[1] EMEA= Europe, the Middle East and Africa

All in all, and including the integration of the tire cord assets of Pirelli, FY14-16 Rebit have been lifted by 13% and 15%, respectively, while our FY13 consolidated Rebit estimate was left roughly unchanged.

Valuation

CASH FLOW (EUR m)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	-	2030	CAGR
Net Sales	**2,437.0**	**3,263.0**	**3,340.2**	**3,460.0**	**3,185.6**	**3,396.9**	**3,755.9**	**3,894.7**	**4,043.7**	**4,211.7**	**4,396.4**	**4,590.2**	**-**	**6,715.1**	**3.8%**
% change	*-8.5%*	*33.9%*	*2.4%*	*3.6%*	*-7.9%*	*6.6%*	*10.6%*	*3.7%*	*3.8%*	*4.2%*	*4.4%*	*4.4%*		*3.6%*	
EBITDA	**387.0**	**725.7**	**476.8**	**274.8**	**297.0**	**350.6**	**413.9**	**445.7**	**465.9**	**475.6**	**491.4**	**505.4**	**-**	**636.1**	**1.5%**
% margin	*15.9%*	*22.2%*	*14.3%*	*7.9%*	*9.3%*	*10.3%*	*11.0%*	*11.4%*	*11.5%*	*11.3%*	*11.2%*	*11.0%*		*9.5%*	
% change	*-6.2%*	*87.5%*	*-34.3%*	*-42.4%*	*8.1%*	*18.0%*	*18.0%*	*7.7%*	*4.5%*	*2.1%*	*3.3%*	*2.8%*		*2.4%*	
Depreciation & other non-cash	**154.8**	**191.4**	**208.4**	**324.1**	**159.7**	**178.1**	**195.0**	**195.0**	**191.0**	**189.0**	**185.0**	**182.0**	**-**	**175.0**	
% sales	*6.4%*	*5.9%*	*6.2%*	*9.4%*	*5.0%*	*5.2%*	*5.2%*	*5.0%*	*4.7%*	*4.5%*	*4.2%*	*4.0%*		*2.6%*	
EBITA	**232.2**	**534.3**	**268.4**	**-49.3**	**137.3**	**172.5**	**218.9**	**250.7**	**274.9**	**286.6**	**306.4**	**323.4**	**-**	**461.1**	**2.9%**
% margin	*9.5%*	*16.4%*	*8.0%*	*-1.4%*	*4.3%*	*5.1%*	*5.8%*	*6.4%*	*6.8%*	*6.8%*	*7.0%*	*7.0%*		*6.9%*	
% change	*10.3%*	*130.1%*	*-49.8%*	*nr*	*nr*	*25.6%*	*26.9%*	*14.5%*	*9.7%*	*4.3%*	*6.9%*	*5.5%*		*2.7%*	
Taxes	**-62.7**	**-144.3**	**-72.5**	**13.3**	**-37.1**	**-46.6**	**-59.1**	**-67.7**	**-74.2**	**-77.4**	**-82.7**	**-87.3**	**-**	**-124.5**	
Normative tax rate	*27.0%*	*27.0%*	*27.0%*	*27.0%*	*27.0%*	*27.0%*	*27.0%*	*27.0%*	*27.0%*	*27.0%*	*27.0%*	*27.0%*		*27.0%*	
NOPLAT	**169.5**	**390.0**	**196.0**	**-36.0**	**100.2**	**125.9**	**159.8**	**183.0**	**200.6**	**209.2**	**223.7**	**236.1**	**-**	**336.6**	**2.9%**
Depreciation & other provisions	154.8	191.4	208.4	324.1	159.7	178.1	195.0	195.0	191.0	189.0	185.0	182.0	-	175.0	
% sales	*6.4%*	*5.9%*	*6.2%*	*9.4%*	*5.0%*	*5.2%*	*5.2%*	*5.0%*	*4.7%*	*4.5%*	*4.2%*	*4.0%*		*2.6%*	
Gross Operating Cash Flow	**324.3**	**581.5**	**404.4**	**288.1**	**259.9**	**304.0**	**354.8**	**378.0**	**391.6**	**398.2**	**408.7**	**418.1**	**-**	**511.6**	
Capex	**-155.3**	**-319.7**	**-276.0**	**-81.2**	**-110.3**	**-369.5**	**-142.5**	**-152.5**	**-160.0**	**-160.0**	**-170.0**	**-175.0**	**-**	**-175.0**	
% sales	*6.4%*	*9.8%*	*8.3%*	*2.3%*	*3.5%*	*10.9%*	*3.8%*	*3.9%*	*4.0%*	*3.8%*	*3.9%*	*3.8%*		*2.6%*	
Change in Net Working Capital	195.6	-276.9	-175.3	117.9	78.5	-75.4	-92.5	-13.1	-14.0	-48.7	-53.5	-56.2	-	-67.7	
Cash Flow to be discounted	**364.6**	**-15.1**	**-46.9**	**324.8**	**228.18**	**-140.79**	**119.80**	**212.37**	**217.69**	**189.50**	**185.17**	**186.90**	**-**	**268.90**	

DCF EVALUATION (EUR m)	2014	2015	2016	2017	2018	2019	2020	-	2030
WACC	9.23%	9.23%	9.23%	9.23%	9.23%	9.23%	9.23%	-	9.23%
Discount Rate factor	0.93	0.85	0.78	0.71	0.65	0.60	0.55	-	0.23
Discounted Cash Flow	-131.1	102.1	165.7	155.5	123.9	110.9	102.4	-	60.9
Cumulated DCF	**-131.1**	**-29.0**	**136.8**	**292.3**	**416.2**	**527.1**	**629.5**	**-**	**1,399.7**

WACC & DCF ANALYSIS					
Cost of Equity (Ke or COE)	**10.85%**	**Cumulated DCF**	**1,399.7**	**- Net Financial Debt**	**(574.0)**
Cost of Debt (gross)	6.0%			+ Associates	318.0
Debt tax rate	27%	**Perpetual Growth Rate (g)**	**0.0%**	+ Financial assets	53.2
Cost of Debt net (Kd or COD)	**4.38%**	Normalised Annual CF	336.6	- Pension underfunding & other	(178.8)
		Terminal Value @ 12/2030	3,646.1	- Minorities (estimated value)	(220.8)
Target gearing (D/(D+E)) or % Kd	25%	Disc. Rate of Terminal Value	0.23		
% Ke	75%	**Discounted Terminal Value**	**825.9**	**Equity Market Value (EUR m)**	**1,623.1**
Normative Tax Rate	**27.0%**			Number of shares (m)	60.0
WACC	**9.23%**	**Enterprise Value (EUR m)**	**2,225.7**	**Target price**	**29.99**

Source: Bank Degroof

Given the fierce competition in Latin and North America as well as in Asia Pacific, we continue to believe that it will take time for Bekaert to retrieve a consolidated EBIT margin of about 7.0%. In our model, we have assumed that Bekaert will achieve this target only from FY19 onwards. The impact of the revised scenario on our DCF Target Price is about EUR 2.0 per share to about EUR 30, from EUR 28 previously.

The lower net financial debt explains EUR 1.80 per share in the value improvement (net financial debt of EUR 574m vs. EUR 682m expected by us). The higher margins in EMEA explained the balance. Note that we have assumed that Bekaert will pay Pirelli tire cord operations at a multiple of 5.5x. Using the WACC of 9.23%, we estimate that the acquisition has a slight negative impact on the value of about EUR 0.42 ps. We estimate that this is a rather conservative valuation.

EBIT margin (%)	**6.00%**	**6.50%**	**7.00%**	**7.50%**	**8.00%**
EPS 2015 (EUR)	**2.07**	**2.28**	**2.50**	**2.72**	**2.94**
P/E15 (at the end of 2014)	**11.3x**	**11.3x**	**11.3x**	**11.3x**	**11.3x**
12 mth target price (EUR)	**23.39**	**25.76**	**28.25**	**30.74**	**33.22**

Sources: Bank Degroof estimates

A mid-cycle valuation based on the average forward P/E of the 2003-2007 years (i.e. the multiples paid before the sawing wire bubble), gives a 12 mth TP 28.25.

We adjust our 12 mth TP to EUR 29 (in the middle of the two valuation methods).

Bekaert: Summary tables

PROFIT & LOSS (EURm)	12/2010	12/2011	12/2012	12/2013	12/2014e	12/2015e
Sales	**3,263**	**3,340**	**3,460**	**3,186**	**3,397**	**3,756**
Cost of Sales & Operating Costs	-2,537	-2,863	-3,185	-2,889	-3,046	-3,342
Non Recurrent Expenses/Income	0.0	0.0	-73.1	-3.0	0.0	0.0
EBITDA	**726**	**477**	**275**	**297**	**351**	**414**
EBITDA (adj.)*	**726**	**477**	**348**	**300**	**351**	**414**
Depreciation	-191	-208	-230	-160	-178	-195
EBITA	**534**	**268**	**44.7**	**137**	**172**	**219**
EBITA (adj)*	**534**	**268**	**118**	**140**	**172**	**219**
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**534**	**268**	**-49.3**	**137**	**172**	**219**
EBIT (adj.)*	**534**	**268**	**23.8**	**140**	**172**	**219**
Net Financial Interest	-50.1	-65.8	-79.1	-63.7	-68.4	-64.2
Other Financials	17.7	47.3	-2.9	-19.8	-10.0	-10.0
Associates	36.1	25.4	10.4	30.2	22.3	25.4
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	**538**	**275**	**-121**	**84.0**	**116**	**170**
Tax	-139	-68.1	-67.7	-47.9	-35.3	-43.4
Tax rate	*25.9%*	*24.7%*	*n.m.*	*57.1%*	*30.3%*	*25.5%*
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-30.9	-14.6	-6.4	-11.5	-16.0	-18.0
Net Profit (reported)	**368**	**193**	**-195**	**24.6**	**65.1**	**109**
Net Profit (adj.)	**389**	**202**	**-73.0**	**45.5**	**76.0**	**120**

CASH FLOW (EURm)	12/2010	12/2011	12/2012	12/2013	12/2014e	12/2015e
Cash Flow from Operations before change in NWC	594	398	321	227	250	317
Change in Net Working Capital	-277	-175	118	78.5	-75.4	-92.5
Cash Flow from Operations	**317**	**223**	**439**	**306**	**175**	**224**
Capex	-320	-276	-146	-110	-370	-143
Net Financial Investments	0.0	0.0	64.8	0.0	0.0	0.0
Free Cash Flow	**-2.7**	**-53.2**	**358**	**195**	**-195**	**81.5**
Dividends	-63.7	-109	-76.7	-55.7	-55.8	-55.8
Other (incl. Capital Increase & share buy backs)	-27.4	-175	-121	-13.3	0.0	0.0
Change in Net Debt	**-93.9**	**-337**	**160**	**126**	**-250**	**25.7**
NOPLAT	374	188	16.7	98.2	121	153

BALANCE SHEET & OTHER ITEMS (EURm)	12/2010	12/2011	12/2012	12/2013	12/2014e	12/2015e
Net Tangible Assets	1,295	1,406	1,346	1,195	1,387	1,334
Net Intangible Assets (incl.Goodwill)	131	131	131	131	131	131
Net Financial Assets & Other	276	338	255	245	245	245
Total Fixed Assets	**1,702**	**1,875**	**1,732**	**1,572**	**1,763**	**1,711**
Inventories	508	578	568	539	560	620
Trade receivables	774	828	752	777	773	845
Other current assets	182	182	119	53.3	53.3	53.3
Cash (-)	-507	-706	-498	-439	-188	-214
Total Current Assets	**1,971**	**2,294**	**1,936**	**1,809**	**1,575**	**1,732**
Total Assets	**3,673**	**4,169**	**3,668**	**3,380**	**3,338**	**3,443**
Shareholders Equity	1,611	1,694	1,422	1,346	1,351	1,404
Minority	86.0	72.5	182	158	169	182
Total Equity	1,697	1,766	1,604	1,504	1,520	1,586
Long term interest bearing debt	710	918	856	691	691	691
Provisions	370	341	397	359	359	359
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**	**1,050**	**1,050**	**1,050**
Short term interest bearing debt	320	648	343	322	322	322
Trade payables	342	291	322	339	280	319
Other current liabilities	234	204	147	166	166	166
Total Current Liabilities	**896**	**1,143**	**812**	**827**	**768**	**807**
Total Liabilities and Shareholders' Equity	**3,673**	**4,169**	**3,668**	**3,380**	**3,338**	**3,443**
Net Capital Employed	**2,590**	**2,968**	**2,701**	**2,437**	**2,704**	**2,744**
Net Working Capital	**940**	**1,116**	**998**	**978**	**1,053**	**1,146**

GROWTH & MARGINS	12/2010	12/2011	12/2012	12/2013	12/2014e	12/2015e
Sales growth	*33.9%*	*2.4%*	*3.6%*	*-7.9%*	*6.6%*	*10.6%*
EBITDA (adj.)* growth	***87.5%***	***-34.3%***	***-27.0%***	***-13.8%***	***16.9%***	***18.0%***
EBITA (adj.) growth*	*130.1%*	*-49.8%*	*-56.1%*	*19.1%*	*22.9%*	*26.9%*
*EBIT (adj)*growth*	*130.1%*	*-49.8%*	*-91.1%*	*488.9%*	*22.9%*	*26.9%*

Bekaert: Summary tables

GROWTH & MARGINS	12/2010	12/2011	12/2012	12/2013	12/2014e	12/2015e
Net Profit growth	*128.4%*	*-48.1%*	*n.m.*	*n.m.*	*67.2%*	*57.2%*
EPS adj. growth	*126.6%*	*-48.1%*	*n.m.*	*n.m.*	*67.2%*	*57.2%*
DPS adj. growth	*69.5%*	*-29.6%*	*-27.4%*	*0.0%*	*0.0%*	*5.9%*
EBITDA (adj) margin*	*22.2%*	*14.3%*	*10.1%*	*9.4%*	*10.3%*	*11.0%*
EBITA (adj) margin*	*16.4%*	*8.0%*	*3.4%*	*4.4%*	*5.1%*	*5.8%*
EBIT (adj) margin*	*16.4%*	*8.0%*	*0.7%*	*4.4%*	*5.1%*	*5.8%*

RATIOS	12/2010	12/2011	12/2012	12/2013	12/2014e	12/2015e
Net Debt/Equity	0.3	0.5	0.4	0.4	0.5	0.5
Net Debt/EBITDA	0.7	1.8	2.5	1.9	2.4	1.9
Interest cover (EBITDA/Fin.interest)	14.5	7.2	3.5	4.7	5.1	6.4
Capex/D&A	167.0%	132.4%	45.0%	69.0%	207.4%	73.1%
Capex/Sales	9.8%	8.3%	4.2%	3.5%	10.9%	3.8%
NWC/Sales	28.8%	33.4%	28.8%	30.7%	31.0%	30.5%
ROE (average)	26.9%	12.2%	-4.7%	3.3%	5.6%	8.7%
ROCE (adj.)	15.8%	7.1%	0.7%	4.3%	4.7%	5.9%
WACC	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%
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	12/2013	12/2014e	12/2015e
Average diluted number of shares	60.0	60.0	60.0	60.1	60.1	60.1
EPS (reported)	6.13	3.21	-3.25	0.41	1.08	1.81
EPS (adj.)	6.48	3.36	-1.22	0.76	1.27	1.99
BVPS	26.86	28.24	23.70	22.41	22.50	23.37
DPS	1.66	1.17	0.85	0.85	0.85	0.90

VALUATION	12/2010	12/2011	12/2012	12/2013	12/2014e	12/2015e
EV/Sales	1.7	0.7	0.6	0.7	0.8	0.7
EV/EBITDA	7.9	4.9	7.9	7.6	7.7	6.5
EV/EBITDA (adj.)*	**7.9**	**4.9**	**6.2**	**7.5**	**7.7**	**6.5**
EV/EBITA	10.7	8.8	48.6	16.5	15.6	12.2
EV/EBITA (adj.)*	**10.7**	**8.8**	**18.4**	**16.1**	**15.6**	**12.2**
EV/EBIT	10.7	8.8	n.m.	16.5	15.6	12.2
EV/EBIT (adj.)*	**10.7**	**8.8**	**91.2**	**16.1**	**15.6**	**12.2**
P/E (adj.)	**13.2**	**7.4**	**n.m.**	**34.0**	**22.5**	**14.3**
P/BV	3.2	0.9	0.9	1.1	1.3	1.2
Total Yield Ratio	2.1%	5.2%	4.2%	3.3%	3.3%	3.5%
EV/CE	2.4	0.9	0.9	1.0	1.0	1.0
OpFCF yield	-0.1%	-3.6%	22.3%	12.6%	-11.4%	4.8%
OpFCF/EV	0.0%	-2.3%	13.5%	8.6%	-7.2%	3.1%
Payout ratio	27.1%	36.4%	-26.2%	n.m.	78.4%	49.8%
Dividend yield (gross)	1.9%	4.7%	3.9%	3.0%	3.0%	3.2%

EV AND MKT CAP (EURm)	12/2010	12/2011	12/2012	12/2013	12/2014e	12/2015e
Price** (EUR)	85.90	24.79	21.88	25.72	28.49	28.49
Outstanding number of shares for main stock	60.0	60.0	60.0	60.1	60.1	60.1
Total Market Cap	**5,152**	**1,487**	**1,313**	**1,545**	**1,711**	**1,711**
Net Debt	**523**	**860**	**700**	**574**	**824**	**799**
o/w Cash & Marketable Securities (-)	*-507*	*-706*	*-498*	*-439*	*-188*	*-214*
o/w Gross Debt (+)	*1030*	*1,566*	*1,198*	*1,013*	*1,013*	*1,013*
Other EV components	**25**	**6**	**159**	**140**	**153**	**161**
Enterprise Value (EV adj.)	**5,700**	**2,353**	**2,172**	**2,259**	**2,688**	**2,670**

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.

European Coverage of the Members of ESN

Aerospace & Defense	**Mem(*)**
Airbus Group	CIC
Aviation Latecoere	CIC
Bae Systems Plc	CIC
Dassault Aviation	CIC
Finmeccanica	BAK
Lisi	CIC
Mtu	EQB
Rheinmetall	EQB
Rolls Royce	CIC
Safran	CIC
Thales	CIC
Zodiac	CIC
Airlines	**Mem(*)**
Air France Klm	CIC
Finnair	POH
Lufthansa	EQB
Automobiles & Parts	**Mem(*)**
Autoliv	CIC
Bmw	EQB
Brembo	BAK
Continental	EQB
Daimler Ag	EQB
Elringklinger	EQB
Faurecia	CIC
Fiat	BAK
Landi Renzo	BAK
Leoni	EQB
Michelin	CIC
Nokian Tyres	POH
Piaggio	BAK
Pirelli & C.	BAK
Plastic Omnium	CIC
Plastivaloire	CIC
Porsche	EQB
Psa Peugeot Citroen	CIC
Renault	CIC
Sogefi	BAK
Stern Groep	SNS
Valeo	CIC
Volkswagen	EQB
Banks	**Mem(*)**
Aareal Bank	EQB
Akbank	IBG
Aktia	POH
Alpha Bank	IBG
Banca Carige	BAK
Banca Mps	BAK
Banco Popolare	BAK
Banco Popular	BKF
Banco Sabadell	BKF
Banco Santander	BKF
Bank Of Cyprus	IBG
Bankinter	BKF
Bbva	BKF
Bcp	CBI
Bes	CBI
Bnp Paribas	CIC
Boursorama	CIC
Bper	BAK
Bpi	CBI
Commerzbank	EQB
Credem	BAK
Credit Agricole Sa	CIC
Creval	BAK
Deutsche Bank	EQB
Efg Eurobank Ergasias	IBG
Garanti Bank	IBG
Halkbank	IBG
Ing Group	SNS
Intesa Sanpaolo	BAK
Kbc Group	BDG
Mediobanca	BAK
National Bank Of Greece	IBG
Natixis	CIC
Nordea	POH
Piraeus Bank	IBG
Postbank	EQB
Societe Generale	CIC
Ubi Banca	BAK
Unicredit	BAK
Yapi Kredi Bank	IBG
Basic Resources	**Mem(*)**
Acerinox	BKF
Altri	CBI
Arcelormittal	BKF
Crown Van Gelder	SNS
Ence	BKF
Europac	BKF
Inapa	CBI
Metka	IBG
Metsä Board	POH
Mytilineos	IBG
Nyrstar	BDG
Outokumpu	POH
Portucel	CBI
Rautaruukki	POH
Salzgitter	EQB
Semapa	CBI
Stora Enso	POH
Surteco	EQB
Talvivaara Mining Co Plc	POH
Thyssenkrupp	EQB
Tubacex	BKF
Upm-Kymmene	POH
Biotechnology	**Mem(*)**
4Sc	EQB
Bioalliance Pharma	CIC
Epigenomics Ag	EQB
Metabolic Explorer	CIC
Neovacs	CIC
Transgene	CIC
Wilex	EQB
Zeltia	BKF
Chemicals	**Mem(*)**
Air Liquide	CIC
Akzo Nobel	SNS
Basf	EQB
Dsm	SNS
Fuchs Petrolub	EQB
Henkel	EQB
Holland Colours	SNS
K+S Ag	EQB
Kemira	POH
Lanxess	EQB
Linde	EQB
Nanogate Ag	EQB
Recticel	BDG
Solvay	BDG
Symrise Ag	EQB
Tessenderlo	BDG
Tikkurila	POH
Umicore	BDG
Wacker Chemie	EQB
Electronic & Electrical Equi	**Mem(*)**
Alstom	CIC
Areva	CIC
Barco	BDG
Euromicron Ag	EQB
Evs	BDG
Gemalto	CIC
Ingenico	CIC
Kontron	EQB
Legrand	CIC
Mobotix Ag	EQB
Neways Electronics	SNS
Nexans	CIC
Pkc Group	POH
Rexel	CIC
Schneider Electric Sa	CIC
Vacon	POH
Vaisala	POH
Financial Services	**Mem(*)**
Ackermans & Van Haaren	BDG
Azimut	BAK
Banca Generali	BAK
Banca Ifis	BAK
Bb Biotech	EQB
Binckbank	SNS
Bois Sauvage	BDG
Bolsas Y Mercados Espanoles	BKF
Capman	POH
Cir	BAK
Comdirect	EQB
Corp. Financiera Alba	BKF
Dab Bank	EQB
Deutsche Boerse	EQB
Deutsche Forfait	EQB
Financiere De Tubize	BDG
Gbl	BDG
Gimv	BDG
Grenkeleasing Ag	EQB
Hellenic Exchanges	IBG
Kbc Ancora	BDG
Luxempart	BDG
Mlp	EQB
Patrizia Ag	EQB
Food & Beverage	**Mem(*)**
Agrarius Ag	EQB
Anheuser-Busch Inbev	BDG
Atria	POH
Baywa	EQB
Berentzen	EQB
Bonduelle	CIC
Campari	BAK
Coca Cola Hbc Ag	IBG
Danone	CIC
Ebro Foods	BKF
Enervit	BAK
Fleury Michon	CIC
Greenyard Foods	BDG
Hkscan	POH
Ktg Agrar	EQB
Lanson-Bcc	CIC
Laurent Perrier	CIC
Ldc	CIC
Lotus Bakeries	BDG
Naturex	CIC
Olvi	POH
Parmalat	BAK
Pernod-Ricard	CIC
Raisio	POH
Remy Cointreau	CIC
Sipef	BDG
Ter Beke	BDG
Vidrala	BKF
Vilmorin	CIC
Viscofan	BKF
Vranken Pommery Monopole	CIC
Food & Drug Retailers	**Mem(*)**
Bim	IBG
Carrefour	CIC
Casino Guichard-Perrachon	CIC
Colruyt	BDG
Delhaize	BDG
Dia	BKF
Jeronimo Martins	CBI
Kesko	POH
Marr	BAK
Metro	CIC
Rallye	CIC
Sonae	CBI
General Industrials	**Mem(*)**
2G Energy	EQB
Aalberts	SNS
Accell Group	SNS
Ahlstrom	POH
Analytik Jena	EQB
Arcadis	SNS
Aspo	POH
Bekaert	BDG
Evolis	CIC
Frigoglass	IBG
Huhtamäki	POH
Kendrion	SNS
Mifa	EQB
Nedap	SNS
Neopost	CIC
Pöyry	POH
Prelios	BAK
Resilux	BDG
Saf-Holland	EQB
Saft	CIC
Siegfried Holding Ag	EQB
Skw Stahl	EQB
Tkh Group	SNS
Wendel	CIC

General Retailers	Mem(*)
D'Ieteren	BDG
Fielmann	EQB
Folli Follie Group	IBG
Fourlis Holdings	IBG
Inditex	BKF
Jumbo	IBG
Rapala	POH
Stockmann	POH

Healthcare	Mem(*)
Ab-Biotics	BKF
Almirall	BKF
Amplifon	BAK
Arseus	BDG
Bayer	EQB
Biomerieux	CIC
Biotest	EQB
Celesio	EQB
Diasorin	BAK
Dragerwerk	EQB
Faes Farma	BKF
Fresenius	EQB
Fresenius Medical Care	EQB
Gerresheimer Ag	EQB
Grifols Sa	BKF
Korian	CIC
Laboratorios Rovi	BKF
Medica	CIC
Merck	EQB
Novartis	CIC
Oriola-Kd	POH
Orion	POH
Orpea	CIC
Recordati	BAK
Rhoen-Klinikum	EQB
Roche	CIC
Sanofi	CIC
Sorin	BAK
Stallergènes	CIC
Ucb	BDG

Hotels, Travel & Tourism	Mem(*)
Accor	CIC
Autogrill	BAK
Beneteau	CIC
Compagnie Des Alpes	CIC
Gtech	BAK
I Grandi Viaggi	BAK
Ibersol	CBI
Intralot	IBG
Melia Hotels International	BKF
Nh Hoteles	BKF
Opap	IBG
Sonae Capital	CBI
Trigano	CIC
Tui	EQB
Wdf	BAK

Household Goods	Mem(*)
Bic	CIC
De Longhi	BAK
Elica	BAK
Indesit	BAK
Seb Sa	CIC

Industrial Engineering	Mem(*)
Accsys Technologies	SNS
Aixtron	EQB
Ansaldo Sts	BAK
Bauer Ag	EQB
Biesse	BAK
Cargotec Corp	POH
Cnh Industrial	BAK
Danieli	BAK
Datalogic	BAK
Delclima	BAK
Deutz Ag	EQB
Dmg Mori Seiki Ag	EQB
Duro Felguera	BKF
Emak	BAK
Exel Composites	POH
Faiveley	CIC
Gea Group	EQB
Gesco	EQB
Haulotte Group	CIC
Heidelberger Druck	EQB
Ima	BAK
Interpump	BAK
Kone	POH
Konecranes	POH
Krones Ag	EQB
Kuka	EQB
Man	EQB
Manitou	CIC
Max Automation Ag	EQB
Metso	POH
Outotec	POH
Pfeiffer Vacuum	EQB
Ponsse	POH
Prima Industrie	BAK
Prysmian	BAK
Reesink	SNS
Sabaf	BAK
Singulus Technologies	EQB
Smt Scharf Ag	EQB
Ten Cate	SNS
Valmet	POH
Vossloh	EQB
Wärtsilä	POH
Zardoya Otis	BKF

Industrial Transportation	Mem(*)
Bollore	CIC
Bpost	BDG
Caf	BKF
Deutsche Post	EQB
Hes Beheer	SNS
Hhla	EQB
Logwin	EQB
Postnl	SNS
Tnt Express	SNS

Insurance	Mem(*)
Aegon	SNS
Ageas	BDG
Allianz	EQB
Axa	CIC
Delta Lloyd	SNS
Generali	BAK
Hannover Re	EQB
Mapfre Sa	BKF
Mediolanum	BAK
Munich Re	EQB
Sampo	POH
Talanx Group	EQB
Unipol	BAK
Unipolsai	BAK
Zurich Financial Services	BAK

Materials, Construction &	Mem(*)
Abertis	BKF
Acs	BKF
Adp	CIC
Astaldi	BAK
Atlantia	BAK
Ballast Nedam	SNS
Bilfinger Se	EQB
Boskalis Westminster	SNS
Buzzi Unicem	BAK
Caverion	POH
Cfe	BDG
Ciments Français	CIC
Cramo	POH
Deceuninck	BDG
Eiffage	CIC
Ellaktor	IBG
Fcc	BKF
Ferrovial	BKF
Fraport	EQB
Gek Terna	IBG
Grontmij	SNS
Grupo San Jose	BKF
Heijmans	SNS
Hochtief	EQB
Holcim Ltd	CIC
Imerys	CIC
Italcementi	BAK
Joyou Ag	EQB
Lafarge	CIC
Lemminkäinen	POH
Maire Tecnimont	BAK
Mota Engil	CBI
Obrascon Huarte Lain	BKF
Ramirent	POH
Royal Bam Group	SNS
Sacyr	BKF
Saint Gobain	CIC
Salini Impregilo	BAK
Sias	BAK
Sonae Industria	CBI
Srv	POH
Thermador Groupe	CIC
Titan Cement	IBG
Trevi	BAK
Uponor	POH
Uzin Utz	EQB
Vbh Holding	EQB
Vicat	CIC
Vinci	CIC
Yit	POH

Media	Mem(*)
Ad Pepper	EQB
Alma Media	POH
Brill	SNS
Cofina	CBI
Editoriale L'Espresso	BAK
Gl Events	CIC
Havas	CIC
Impresa	CBI
Ipsos	CIC
Jcdecaux	CIC
Kinepolis	BDG
Lagardere	CIC
M6-Metropole Television	CIC
Mediaset	BAK
Ibg	CIC
Nrj Group	CIC
Publicis	CIC
Rcs Mediagroup	BAK
Reed Elsevier N.V.	SNS
Roularta	BDG
Rtl Group	BDG
Sanoma	POH
Solocal Group	CIC
Spir Communication	CIC
Syzygy Ag	EQB
Talentum	POH
Telegraaf Media Groep	SNS
Teleperformance	CIC
Tf1	CIC
Ti Media	BAK
Ubisoft	CIC
Vivendi	CIC
Wolters Kluwer	SNS

Oil & Gas Producers	Mem(*)
Eni	BAK
Galp Energia	CBI
Gas Plus	BAK
Hellenic Petroleum	IBG
Maurel Et Prom	CIC
Motor Oil	IBG
Neste Oil	POH
Petrobras	CBI
Qgep	CBI
Repsol	BKF
Total	CIC
Tupras	IBG

Oil Services	Mem(*)
Bourbon	CIC
Cgg	CIC
Fugro	SNS
Saipem	BAK
Technip	CIC
Tecnicas Reunidas	BKF
Tenaris	BAK
Vallourec	CIC
Vopak	SNS

	Mem(*)
Personal Goods	**Mem(*)**
Adidas	EQB
Adler Modemaerkte	EQB
Amer Sports	POH
Basic Net	BAK
Beiersdorf	EQB
Geox	BAK
Gerry Weber	EQB
Hugo Boss	EQB
Kering	CIC
Loewe	EQB
Luxottica	BAK
Marimekko	POH
Puma	EQB
Safilo	BAK
Salvatore Ferragamo	BAK
Sarantis	IBG
Tod'S	BAK
Van De Velde	BDG
Zucchi	BAK
Real Estate	**Mem(*)**
Aedifica	BDG
Ascencio	BDG
Atenor	BDG
Banimmo	BDG
Befimmo	BDG
Beni Stabili	BAK
Citycon	POH
Cofinimmo	BDG
Corio	BDG
Deutsche Euroshop	EQB
Home Invest Belgium	BDG
Igd	BAK
Intervest Offices & Warehouses	BDG
Ivg Immobilien Ag	EQB
Leasinvest Real Estate	BDG
Montea	BDG
Realia	BKF
Retail Estates	BDG
Sponda	POH
Technopolis	POH
Unibail-Rodamco	BDG
Vastned Retail	BDG
Vastned Retail Belgium	BDG
Vib Vermoegen	EQB
Wdp	BDG
Renewable Energy	**Mem(*)**
Daldrup & Soehne	EQB
Deutsche Biogas	EQB
Enel Green Power	BAK
Gamesa	BKF
Phoenix Solar	EQB
Sma Solar Technology	EQB
Solarworld	EQB
Solutronic	EQB
Semiconductors	**Mem(*)**
Asm International	SNS
Asml	SNS
Besi	SNS
Okmetic	POH
Roodmicrotec	SNS
Stmicroelectronics	BAK
Suess Microtec	EQB
Software & Computer Ser	**Mem(*)**
Affecto	POH
Akka Technologies	CIC
Alten	CIC
Altran	CIC
Amadeus	BKF
Atos	CIC
Basware	POH
Bull	CIC
Cenit	EQB
Comptel	POH
Digia	POH
Docdata	SNS
Ekinops	CIC
Engineering	BAK
Esi Group	CIC
Exact Holding Nv	SNS
Exprivia	BAK
F-Secure	POH
Gameloft	CIC
Gft Technologies	EQB
Guillemot Corporation	CIC
I:Fao Ag	EQB
Ict Automatisering	SNS
Indra Sistemas	BKF
Novabase	CBI
Ordina	SNS
Psi	EQB
Realdolmen	BDG
Reply	BAK
Rib Software	EQB
Seven Principles Ag	EQB
Tie Kinetix	SNS
Tieto	POH
Tomtom	SNS
Wincor Nixdorf	EQB
Support Services	**Mem(*)**
Batenburg	SNS
Brunel	SNS
Bureau Veritas S.A.	CIC
Dpa	SNS
Edenred	CIC
Ei Towers	BAK
Fiera Milano	BAK
Imtech	SNS
Lassila & Tikanoja	POH
Randstad	SNS
Usg People	SNS
Telecom Equipment	**Mem(*)**
Alcatel-Lucent	CIC
Ericsson	POH
Gigaset	EQB
Nokia	POH
Teleste	POH
Telecommunications	**Mem(*)**
Acotel	BAK
Belgacom	BDG
Bouygues	CIC
Deutsche Telekom	EQB
Drillisch	EQB
Elisa	POH
Eutelsat Communications Sa	CIC
Freenet	EQB
Gowex	BKF
Iliad	CIC
Jazztel	BKF
Kpn Telecom	SNS
Mobistar	BDG
Numericable	CIC
Orange	CIC
Ote	IBG
Ses	CIC
Telecom Italia	BAK
Telefonica	BKF
Telenet Group	BDG
Teliasonera	POH
Tiscali	BAK
Turkcell	IBG
United Internet	EQB
Vodafone	BAK
Utilities	**Mem(*)**
A2A	BAK
Acciona	BKF
Acea	BAK
Albioma	CIC
E.On	EQB
Edp	CBI
Edp Renováveis	CBI
Elia	BDG
Enagas	BKF
Endesa	BKF
Enel	BAK
Falck Renewables	BAK
Fluxys	BDG
Fortum	POH
Gas Natural Fenosa	BKF
Hera	BAK
Iberdrola	BKF
Iren	BAK
Public Power Corp	IBG
Red Electrica De Espana	BKF
Ren	CBI
Rwe	EQB
Snam	BAK
Terna	BAK

LEGEND: BAK: Banca Akros; BDG: Bank Degroof; BKF: Beka Finance; CIC: CM CIC Securities; CBI: Caixa-Banca de Investimento; EQB: Equinet bank; IBG: Investment Bank of Greece, POH: Pohjola Bank; SNS: SNS Securities as of 5th February 2014

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(**) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts

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**.

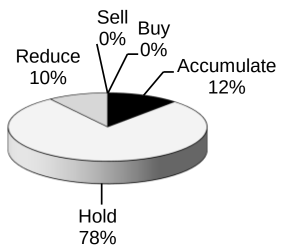
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

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.

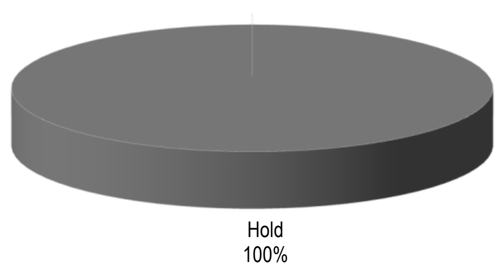
Meaning of each recommendation or rating:

- **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
-
- **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

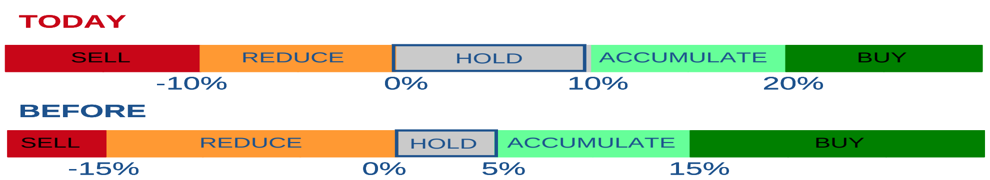


History of ESN Recommendation System

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:



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Recommendation history for BEKAERT

Date	Recommendation	Target price	Price at change date
12-Mar-14	Hold	29.00	28.49
25-Feb-14	Hold	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	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

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, Gimv, Greenyard Foods, Home Invest Belgium, Kinepolis, 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.

Disclaimer:

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