


Hold

Recommendation unchanged

Share price: EUR 29.67

closing price as of 13/05/2014

Target price: EUR 29.00

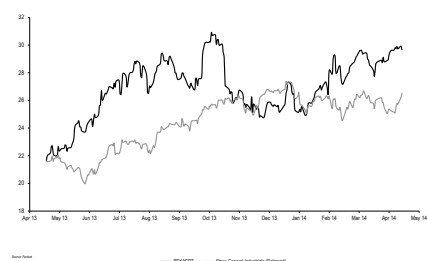
Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,782
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	56,185
Daily avg. trad. vol. 12 mth (m)	1,673
Price high 12 mth (EUR)	30.91
Price low 12 mth (EUR)	21.33
Abs. perf. 1 mth	4.12%
Abs. perf. 3 mth	12.79%
Abs. perf. 12 mth	36.71%

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
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	7.9	6.6
EV/EBITDA (adj.)	7.5	7.9	6.6
EV/EBIT	16.5	16.0	12.5
P/E (adj.)	34.0	23.4	14.9
P/BV	1.1	1.3	1.3
OpFCF yield	12.6%	-10.9%	4.6%
Dividend yield	2.9%	2.9%	3.0%
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%;

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1Q14 trading update without surprises

The facts: This morning, Bekaert released its 1Q14 trading update. The AGM will be held today at 10:30am CET.

Our analysis: There were no big surprises in the 1Q14 trading update. Consolidated sales are slightly down y-o-y (-2%) driven by negative FX (-5.9% impacts) that have more than compensated the 4.2% organic growth. The changes in the consolidated perimeter had a slightly negative impact of -0.4%.

Sales (EURm)	1Q13	2Q13	3Q13	4Q13	FY13	1Q14 A	1Q14e	Dif %	CSS
EMEA	260	272	259	249	1,040	275	269	2.2%	271
% change	-10.3%	1.9%	2.4%	6.3%	-0.4%	5.9%	3.6%		4.2%
North America	146	149	129	124	548	139	142	-2.2%	141
% change	-17.0%	-14.9%	-22.3%	-12.7%	-16.8%	-4.7%	-2.5%		-3.4%
Latin America	176	176	144	149	645	141	149	-5.6%	149
% change	-10.7%	-12.0%	-32.1%	-26.6%	-20.6%	-19.8%	-15.1%		-15.3%
Asia Pacific	216	254	241	242	953	226	229	-0.9%	227
% change	-6.9%	3.3%	3.0%	3.9%	0.8%	4.8%	5.8%		5.1%
Consolidated sales	798	851	773	764	3,186	782	790	-1.0%	788
% change	-10.8%	-4.2%	-10.6%	-6.0%	-7.9%	-2.0%	-1.1%		-1.3%
Combined sales	1,036	1,104	1,003	969	4,111	990	993	-0.3%	na
% change	-8.7%	-2.7%	-9.3%	-5.6%	-6.3%	-4.4%	-4.2%		

Sources : Bekaert / Bank Degroof estimates / CSS = consensus computed by Bekaert (08/05/2014)

In EMEA, Bekaert continued to benefit from the regain of activity observed already in 2H13, driven by automotive related products (tire cords and other wires). Other markets such as the oil and gas sector were also stronger. Sales were up by nearly 6% to EUR 275m, slightly above our and consensus (CSS) estimates. We recall that the comparison base was also favourable (volume down 7.6% in 1Q13).

In North America (NA), sales came out a bit weaker than assumed at EUR 139m (-4.7%) with most businesses remaining under pressure. Though, at constant USD/EUR sales are roughly stable. Bekaert has phased out its steel wire manufacturing activities in Canada and stopped all production at the end of the quarter.

In Latin America (LA), sales dropped strongly and somewhat more than anticipated at EUR 141m vs. EUR 149m expected by us and the CSS. On the top of the negative FX impacts, demand slowdown in line with the GDP trend in this region. Moreover, as mentioned in our preview, the Venezuelan operations (10% of the consolidated sales in LA) again suffered from weak availability of raw materials. This element will continue to impact the performance in 2Q14, as management indicated that it was forced to shut down its Venezuelan factories since the second half of April due to the shortage of raw materials.

In Asia Pacific (AP), 1Q14 sales stood at EUR 226m, roughly in line with expectations. Volumes were significantly up (+8%) as the steel cord demand remained strong and Bekaert further regained market shares. We however believe that tire cord prices were still under pressure, due to the pass on of lower wire rod prices but also because Bekaert is still fitting to regain the market share lost in 2Q & 3Q13. Bekaert also confirmed the demand of sawing wire is regaining some ground.

FY14 guidance: Bekaert expects good demand in EMEA and will continue to defend and grow its strong positions in China. It does not expect major changes in NA and anticipates a continued slowdown in LA. FX should still have a negative effects in 2Q14.

Conclusion & Action: 1Q14 confirmed the underlying improvement observed in 2H13 in EMEA & AP. As anticipated NA & LA will still be difficult this year. We will only fine tune our estimates after this reporting. No changes in our Hold recommendation or our EUR 29 TP.