


Hold

Recommendation unchanged

Share price: EUR 27.92

closing price as of 23/06/2014

Target price: EUR 29.00

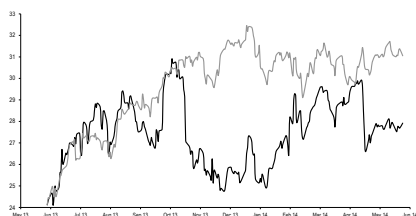
Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,677
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	74,791
Daily avg. trad. vol. 12 mth (m)	2,083
Price high 12 mth (EUR)	30.91
Price low 12 mth (EUR)	23.71
Abs. perf. 1 mth	1.84%
Abs. perf. 3 mth	-1.76%
Abs. perf. 12 mth	17.36%

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	3,186	3,250	3,648
EBITDA (m)	297	339	405
EBITDA margin	9.3%	10.4%	11.1%
EBIT (m)	137	161	210
EBIT margin	4.3%	4.9%	5.8%
Net Profit (adj.)(m)	45	69	113
ROCE	4.3%	4.5%	5.7%
Net debt/(cash) (m)	574	786	779
Net Debt/Equity	0.4	0.5	0.5
Debt/EBITDA	1.9	2.3	1.9
Int. cover(EBITDA/Fin. int)	4.7	5.0	6.3
EV/Sales	0.7	0.8	0.7
EV/EBITDA	7.6	7.7	6.4
EV/EBITDA (adj.)	7.5	7.7	6.4
EV/EBIT	16.4	16.2	12.4
P/E (adj.)	34.0	24.4	14.8
P/BV	1.1	1.2	1.2
OpFCF yield	12.6%	-9.3%	3.7%
Dividend yield	3.0%	3.0%	3.2%
EPS (adj.)	0.76	1.15	1.89
BVPS	22.41	22.38	23.15
DPS	0.85	0.85	0.90



Shareholders: Bekaert Fam. & Rel. 39%;

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Feedback from yesterday's Capital Market Day (CMD)

The facts: Yesterday Bekaert held its Capital Market Day at its Visitors' centre in Zwevegem (Belgium). During this CMD, management provided some regional updates; discussed on the long-term driver for growth and provided updates on the business platforms, on the tyre cord and on the industrial steel wires.

Below are the key takeaways.

Our analysis: first, the **regional updates**. The trend for 2Q14 seems in line with the previous quarter. In **EMEA**, Bekaert still enjoyed strong demand in automotive applications (tyre cords and other wires) as well as in applications for the oil and gas end market (flexible pipes). Being strongly involved in infrastructure applications, the wire for the construction market showed a stable performance. Bekaert also enjoyed good demand in other industrial wire markets. The Russian operations (2% of the sales in EMEA) seem not affected by the Ukrainian crisis, so far. In **North America**, beyond the negative FX impact, the tyre cord confirmed the demand revival on the back of increasing volumes for trucks tyres. The rope activity also performed well. Other wire activities remained weak (it seems that industrial demand does not really pick up yet). Hence, no real changes versus 1Q14. In **Latin America**, Bekaert still blamed the general economic slowdown in this region, with applications for the construction market being the most affected by the slowdown. Price and volume pressures are only partially compensated by lower wire rod prices. On top of that FX will still have a significant negative impact in 2Q14. In **Asia Pacific**, there was a significant volume growth in tyre cord supported by a strong market demand and Bekaert continued to regain market share. However, there are still overcapacities in this market hence, prices pressures are strong as well (mid-single digit). Management is strongly focusing on cost reduction in tyre cord. 2Q14 also confirmed the pick-up in sawing wire though, here too overcapacities are still important.

Mid and long term developments: Bekaert will remain focused on the core activity (tyre cords and wires) in which Bekaert estimates that there is room for consolidation in the areas where the group operates. Bekaert is ready to accelerate its growth organically or through acquisitions (if they make sense). Bekaert's very large geographical footprint and technological advantages are key elements in the growth strategy. Management also estimates that Bekaert must be more close to clients in order to better understand what is creating value for them. This might create new opportunities for the group (win-win relationships). It is something the group already did in tyre cord or in products for the mining activity with great successes. The group has adjusted its organisation accordingly.

Conclusion & Action: Clearly no significant improvements are to be expected in North America and Latin America versus 1Q14, while EMEA and Asia Pacific seems to confirm the upturn recorded since the beginning of 2H13. We see little reasons to adjust our scenario at this stage.

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 FY20 onwards. In our view, the share price already discounts to a large extent this scenario. Hence, we see limited upside from this point unless a more rapid margins revival occurs. We stick to our Hold rating and EUR 29 TP.