



Investment Research

Hold

Recommendation unchanged

Share price: EUR 29.35

closing price as of 24/07/2014

Target price: EUR 29.00

Target Price unchanged

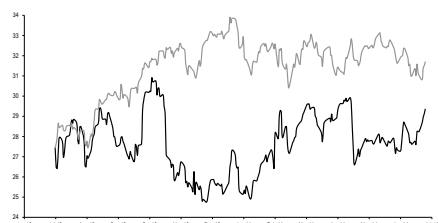
Reuters/Bloomberg

BEKB.BR/BEKB.BB

Daily avg. no. trad. sh. 12 mth	50,824
Daily avg. trad. vol. 12 mth (m)	1,489.14
Price high 12 mth (EUR)	30.91
Price low 12 mth (EUR)	24.75
Abs. perf. 1 mth	6.1%
Abs. perf. 3 mth	0.8%
Abs. perf. 12 mth	7.7%

Market capitalisation (EURm)	1,763
Current N° of shares (m)	60
Free float	61%

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	3,186	3,228	3,609
EBITDA (m)	297	330	396
EBITDA margin	9.3%	10.2%	11.0%
EBIT (m)	137	160	206
EBIT margin	4.3%	5.0%	5.7%
Net Profit (adj.)(m)	45	56	110
ROCE	4.3%	4.7%	5.9%
Net debt/(cash) (m)	574	855	828
Net Debt Equity	0.4	0.6	0.5
Net Debt/EBITDA	1.9	2.6	2.1
Int. cover(EBITDA/Fin.int)	4.7	4.8	6.2
EV/Sales	0.7	0.8	0.8
EV/EBITDA	7.5	8.3	6.9
EV/EBITDA (adj.)	7.4	8.0	6.6
EV/EBIT	16.2	17.2	13.2
P/E (adj.)	34.0	31.3	16.0
P/BV	1.1	1.3	1.3
OpFCF yield	12.6%	-12.8%	4.7%
Dividend yield	2.9%	2.9%	3.1%
EPS (adj.)	0.76	0.94	1.83
BVPS	22.41	22.21	22.94
DPS	0.85	0.85	0.90



Shareholders: Bekaert Fam. & Rel. 39%;

For company description please see summary table footnote

FX headwinds to put the top line growth in the shade, again

The facts: Bekaert will release its 1H14 results on Friday 1st of August, before market. An analysts meeting is scheduled the same day at 02:00pm CET.

Our analysis: 1Q14 trading update showed a good start in 2014 in spite of unfavourable currencies trends, mainly in Latin America (-16.6% impact on sales), in North America (-4.8%) and in Asia (-4.6%). The underlying trend confirmed the rebound observed in 2H13, with the overall organic growth up 4.2% in 1Q14, driven by the volumes (+3.3%). The organic growths were particularly strong in Asia Pacific (+9.9%) and in EMEA (+8.0%), but quite weak in Latin America (-3.3%), driven by volume (-8.8%).

As far as 2Q14 is concerned, we believe the trend should be roughly in line with 1Q14, apart for the North American operations where volume momentum seems to have improved somewhat. Like in 1Q14, FX effects are expected to be quite significant (negative impact of ca. 13% in Latin America, of around 4.8% in North America and of about 5-6% in Asia Pacific).

Sales (EURm)	1Q13	2Q13	3Q13	4Q13	FY13	1Q14	2Q14e	1H14e
EMEA	260	272	259	249	1,040	275	289	564
% change	-10.3%	1.9%	2.4%	6.3%	-0.4%	5.8%	6.1%	5.9%
North America	146	149	129	124	548	139	143	282
% change	-17.0%	-14.9%	-22.3%	-12.7%	-16.8%	-4.8%	-4.0%	-4.4%
Latin America	176	176	144	149	645	141	157	298
% change	-10.7%	-12.0%	-32.1%	-26.6%	-20.6%	-19.9%	-10.8%	-15.3%
Asia Pacific	216	254	241	242	953	226	258	484
% change	-6.9%	3.3%	3.0%	3.9%	0.8%	4.6%	1.5%	2.9%
Consolidated sales	798	851	773	764	3,186	781	846	1,627
% change	-10.8%	-4.2%	-10.6%	-6.0%	-7.9%	-2.1%	-0.6%	-1.3%

Sources : Bekaert / Bank Degroof estimates

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.

As mentioned above, volume momentum seems to have improved in 2Q14 in **North America**. The tyre cord confirmed the demand revival on the back of increasing volumes for trucks tyres. The rope activity also performed well. Regarding the other wire activities, for the first time since some quarters demand stopped to decline during 2Q14.

In **Latin America**, Bekaert continues to blame the general economic slowdown in this region, with applications for the construction market being the most affected by this trend. Price and volume pressures are only partially offset by lower wire rod prices. Note that the Venezuelan operations were put into "care and maintenance" since mid-April due to the shortage of raw materials in this country.

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, but here too overcapacities are still important.

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For important disclosure information, please refer to the disclaimer page of this report

Bekaert : key figures (EUR m)	1H13	2H13	2013	1H14e	% chg
Consolidated sales	1,649	1,537	3,186	1,627	-1.3%
-EMEA	532	508	1,040	564	5.9%
-North America	295	253	548	282	-4.4%
-Latine America	352	293	645	298	-15.3%
-Asia Pacific	470	483	953	484	2.9%
EBITDA	172	125	297	174	1.3%
Margin	10.4%	8.2%	9.3%	10.7%	
Rebit	91	75	166	93	2.4%
Margin	5.5%	4.9%	5.2%	5.7%	
-EMEA	46	42	88	51	10.5%
-North America	13	6	19	14	7.7%
-Latin America	28	16	44	21	-23.9%
-Asia Pacific	39	38	77	41	5.1%
-Corporate	-35	-27	-62	-34	-2.9%
Operating result	89	49	137	90	1.6%
Margin	5.4%	3.2%	4.3%	5.5%	
Financial result	-41	-42	-84	-39	
Result before tax	48	6	54	51	7.6%
Income tax	-30	-18	-48	-27	
Tax rate	62.5%	nr	89.2%	52.8%	
Results of associates	17	13	30	9	
Discontinued operations	0	0	0	0	
Consolidated profit	35	1	36	33	-5.1%
Minority interest	9	3	11	9	
Group's share in net result	26	-2	25	24	-7.7%
EPS (EUR)	0.44	-0.03	0.41	0.40	nr

Sources : Bekaert / Bank Degroof estimates

While we anticipate better performances in EMEA, in North America and in Asia Pacific, we do not expect a strong y-o-y improvement of the **1H14 consolidated Rebit**, given the poor economic and exchange rate context in Latin America. Beyond the weaker overall GDP growth in this region and the poor currencies trends, we have also to discount the (temporary ?) shut down of the Venezuelan factories. This alone might represent a loss of earnings of about EUR 2m to EUR 3m versus 1H13.

Results from associates (mainly the Brazilian operations) are expected to be significantly down y-o-y in 1H14, mainly driven by negative FX impacts (of about 15-16%). On top of that, we recall that in 1H13 Bekaert's operations in Brazil benefited from EUR 6m tax one-offs adjustments.

Assuming a capex of EUR 60m in 1H14 and taking into account the dividend payment and the seasonal NWC effect, we expect the net financial debt at EUR 681m as of 30/06/2014 from EUR 574m at YE13 and EUR 640m on 30/03/2014.

Conclusion & Action: We do not anticipate a strong y-o-y improvement of the 1H14 consolidated Rebit due to still some significant macro and FX headwinds. Nonetheless, the 1H14 reporting should confirm the positive momentum of the organic growth in most areas where Bekaert is operating.

Ahead of the 1H14, we stick to our Hold rating and EUR 29 TP.



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	3,228	3,609
Cost of Sales & Operating Costs	-2,537	-2,863	-3,185	-2,889	-2,898	-3,213
Non Recurrent Expenses/Income	0.0	0.0	-73.1	-3.0	-12.0	-14.0
EBITDA	726	477	275	297	330	396
EBITDA (adj.)*	726	477	348	300	342	410
Depreciation	-191	-208	-230	-160	-170	-190
EBITA	534	268	44.7	137	160	206
EBITA (adj)*	534	268	118	140	172	220
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	534	268	-49.3	137	160	206
EBIT (adj.)*	534	268	23.8	140	172	220
Net Financial Interest	-50.1	-65.8	-79.1	-63.7	-68.4	-64.3
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	104	157
Tax	-139	-68.1	-67.7	-47.9	-40.0	-39.6
<i>Tax rate</i>	<i>25.9%</i>	<i>24.7%</i>	<i>n.m.</i>	<i>57.1%</i>	<i>38.6%</i>	<i>25.2%</i>
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	47.6	99.8
Net Profit (adj.)	389	202	-73.0	45.5	56.4	110
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	225	303
Change in Net Working Capital	-277	-175	118	78.5	-60.0	-77.5
Cash Flow from Operations	317	223	439	305	165	225
Capex	-320	-276	-146	-110	-390	-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	-225	82.7
Dividends	-63.7	-109	-76.7	-55.7	-55.8	-55.8
Other (incl. Capital Increase & share buy backs)	-27.4	-175	-121	-12.8	0.0	0.0
Change in Net Debt	-93.9	-337	160	126	-281	26.9
NOPLAT	374	188	16.7	98.2	120	154
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	1,415	1,368
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	1,792	1,744
Inventories	508	578	568	539	545	610
Trade receivables	774	828	752	777	758	812
Other current assets	182	182	119	53.3	53.3	53.3
Cash (-)	-507	-706	-498	-439	-158	-184
Total Current Assets	1,971	2,294	1,936	1,809	1,515	1,660
Total Assets	3,673	4,169	3,668	3,380	3,307	3,404
Shareholders Equity	1,611	1,694	1,422	1,346	1,334	1,378
Minority	86.0	72.5	182	158	169	182
Total Equity	1,697	1,766	1,604	1,504	1,503	1,560
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	266	307
Other current liabilities	234	204	147	166	166	166
Total Current Liabilities	896	1,143	812	827	754	794
Total Liabilities and Shareholders' Equity	3,673	4,169	3,668	3,380	3,307	3,404
Net Capital Employed	2,590	2,968	2,701	2,437	2,717	2,747
Net Working Capital	940	1,116	998	978	1,038	1,115
GROWTH & MARGINS	12/2010	12/2011	12/2012	12/2013	12/2014e	12/2015e
<i>Sales growth</i>	<i>33.9%</i>	<i>2.4%</i>	<i>3.6%</i>	<i>-7.9%</i>	<i>1.3%</i>	<i>11.8%</i>
EBITDA (adj.)* growth	87.5%	-34.3%	-27.0%	-13.8%	14.0%	20.0%
<i>EBITA (adj.)* growth</i>	<i>130.1%</i>	<i>-49.8%</i>	<i>-56.1%</i>	<i>19.1%</i>	<i>22.5%</i>	<i>28.3%</i>
<i>EBIT (adj.)* growth</i>	<i>130.1%</i>	<i>-49.8%</i>	<i>-91.1%</i>	<i>488.9%</i>	<i>22.5%</i>	<i>28.3%</i>

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.	24.0%	95.0%
EPS adj. growth	126.6%	-48.1%	n.m.	n.m.	24.0%	95.0%
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%	10.6%	11.4%
EBITA (adj)* margin	16.4%	8.0%	3.4%	4.4%	5.3%	6.1%
EBIT (adj)* margin	16.4%	8.0%	0.7%	4.4%	5.3%	6.1%
RATIOS	12/2010	12/2011	12/2012	12/2013	12/2014e	12/2015e
Net Debt/Equity	0.3	0.5	0.4	0.4	0.6	0.5
Net Debt/EBITDA	0.7	1.8	2.5	1.9	2.6	2.1
Interest cover (EBITDA/Fin.interest)	14.5	7.2	3.5	4.7	4.8	6.2
Capex/D&A	167.0%	132.4%	45.0%	69.0%	229.3%	75.0%
Capex/Sales	9.8%	8.3%	4.2%	3.5%	12.1%	3.9%
NWC/Sales	28.8%	33.4%	28.8%	30.7%	32.2%	30.9%
ROE (average)	26.9%	12.2%	-4.7%	3.3%	4.2%	8.1%
ROCE (adj.)	15.8%	7.1%	0.7%	4.3%	4.7%	5.9%
WACC	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%
ROCE (adj.)/WACC	1.8	0.8	0.1	0.5	0.5	0.7
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	0.79	1.66
EPS (adj.)	6.48	3.36	-1.22	0.76	0.94	1.83
BVPS	26.86	28.24	23.70	22.41	22.21	22.94
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	0.8
EV/EBITDA	7.8	4.9	7.8	7.5	8.3	6.9
EV/EBITDA (adj.)*	7.8	4.9	6.2	7.4	8.0	6.6
EV/EBITA	10.6	8.7	47.8	16.2	17.2	13.2
EV/EBITA (adj.)*	10.6	8.7	18.2	15.9	16.0	12.4
EV/EBIT	10.6	8.7	n.m.	16.2	17.2	13.2
EV/EBIT (adj.)*	10.6	8.7	89.8	15.9	16.0	12.4
P/E (adj.)	13.2	7.4	n.m.	34.0	31.3	16.0
P/BV	3.2	0.9	0.9	1.1	1.3	1.3
Total Yield Ratio	2.1%	5.2%	4.2%	3.2%	3.2%	3.4%
EV/CE	2.4	0.9	0.9	1.0	1.1	1.0
OpFCF yield	-0.1%	-3.6%	22.3%	12.6%	-12.8%	4.7%
OpFCF/EV	0.0%	-2.3%	13.7%	8.7%	-8.2%	3.0%
Payout ratio	27.1%	36.4%	-26.2%	n.m.	107%	54.2%
Dividend yield (gross)	1.9%	4.7%	3.9%	2.9%	2.9%	3.1%
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	29.35	29.35
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	1,763	1,763
Net Debt	523	860	700	574	855	828
<i>o/w Cash & Marketable Securities (-)</i>	<i>-507</i>	<i>-706</i>	<i>-498</i>	<i>-439</i>	<i>-158</i>	<i>-184</i>
<i>o/w Gross Debt (+)</i>	<i>1030</i>	<i>1,566</i>	<i>1,198</i>	<i>1,013</i>	<i>1,013</i>	<i>1,013</i>
Other EV components	1	-17	127	109	124	133
Enterprise Value (EV adj.)	5,676	2,330	2,140	2,228	2,742	2,724

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**.

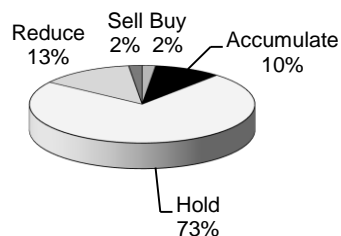
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

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.

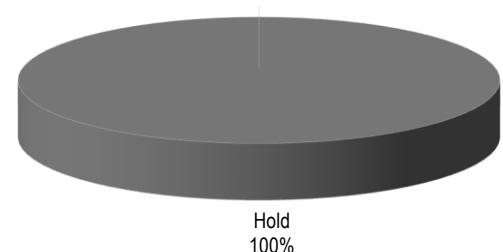
Meaning of each recommendation or rating:

- **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

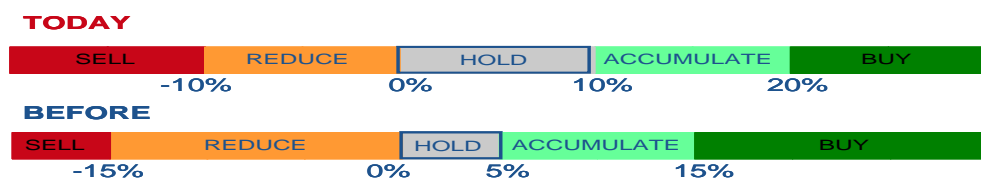


History of ESN Recommendation System

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:




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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

Edouard Nouvellon	+32 2 287 93 23
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

Fund services

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

Jean-Baptiste Van Ex	+32 2 287 91 27
Preben Bruggeman, CFA	+32 2 287 95 71
Antoni Slawecki	+32 2 287 93 35

Equity brokerage

John Paladino	+32 2 287 96 40
Tanguy del Marmol	+32 2 287 96 13
Frederic Lebrun	+32 2 287 96 84
Robin Podevyn	+32 2 287 91 82
Christian Saint-Jean	+32 2 287 97 80

Equity derivatives sales trading

Mohamed Abalhossain	+32 2 287 95 10
Olivier-Pierre Morrot	+32 2 287 96 18

Treasury desk

Alain Strapart	+32 2 287 95 16
Jeroen De Keer	+32 2 287 97 71

Equity research

Jean-Marie Caucheteux	+32 2 287 99 20
Hans D'Haese	+32 2 287 92 23
Bernard Hanssens	+32 2 287 96 89
Bart Jooris, CFA	+32 2 287 92 79
Dirk Peeters	+32 2 287 97 16

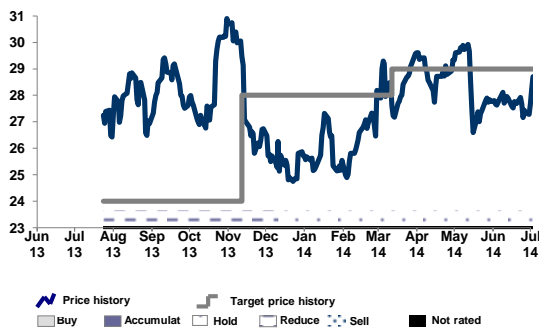
Mail: firstname.lastname@degroof.be

Recommendation history for BEKAERT

Date	Recommendation	Target price	Price at change date
12-Mar-14	Hold	29.00	27.60
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, Connect Group, D'Ieteren, Eckert-Ziegler, Elia, 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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