


Hold

Recommendation unchanged

Share price: EUR 27.94

closing price as of 31/07/2014

Target price: EUR 29.00

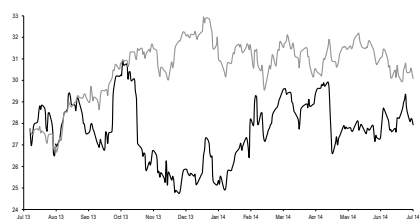
Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,678
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	97,340
Daily avg. trad. vol. 12 mth (m)	2,722
Price high 12 mth (EUR)	30.91
Price low 12 mth (EUR)	24.75
Abs. perf. 1 mth	2.38%
Abs. perf. 3 mth	-4.76%
Abs. perf. 12 mth	5.71%

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
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	0.7
EV/EBITDA	7.5	8.1	6.7
EV/EBITDA (adj.)	7.4	7.8	6.4
EV/EBIT	16.2	16.6	12.8
P/E (adj.)	34.0	29.7	15.3
P/BV	1.1	1.3	1.2
OpFCF yield	12.6%	-13.4%	4.9%
Dividend yield	3.0%	3.0%	3.2%
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%;

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1H14 REBIT 9% ahead of f'cast; cash generation in line

The facts: This morning Bekaert released 1H14 current results slightly ahead of expectations, with a Rebit at EUR 101m vs. EUR 93m expected by us and the consensus. Net profit was boosted by one-offs. The cash generation is broadly in line with our estimate, with net financial debt at EUR 673m as of 30/06/2014 vs. EUR 681m expected by us (no-consensus), with CapEx EUR 2m below forecast.

Our analysis: Current performance was particularly stronger in EMEA, with 1H14 Rebitda at EUR 64m, as **EMEA** enjoyed a strong market environment in tire cord but also in the other activities that supported higher organic growth (+7% y-o-y of which 6% for the volumes). In **Asia Pacific**, the performance was also slightly better than assumed with Rebit at EUR 43m (~7% ahead of expectations). Organic growth was 8.1% of which 10% for the volume. However, the positive effects of cost savings and product mix were largely whipped out by further price pressure.

Bekaert : key figures (EUR m)	1H13	2H13	2013	1H14 A	% chg	1H14e	% dif.	1H14e CSS
Consolidated sales	1,649	1,537	3,186	1,609	-2.4%	1,627	-1.1%	1,626
EBITDA	172	125	297	190	10.9%	174	9.5%	170
Margin	10.4%	8.2%	9.3%	11.8%		10.7%		10.5%
Rebit	91	75	166	101	11.0%	93	8.4%	93
Margin	5.5%	4.9%	5.2%	6.3%		5.7%		5.7%
-EMEA	46	42	88	64	39.1%	51	25.9%	53
-North America	13	6	19	14	7.7%	14	0.0%	13
-Latin America	28	16	44	11	-60.7%	21	-48.4%	19
-Asia Pacific	39	38	77	43	10.3%	41	4.9%	40
-Corporate	-35	-27	-62	-31	-11.5%	-34	-8.8%	-32
Operating result	89	49	137	118	32.8%	90	30.7%	85
Margin	5.4%	3.2%	4.3%	7.3%		5.5%		5.2%
Financial result	-41	-42	-84	-27		-39		-33
Result before tax	48	6	54	91	91.0%	51	77.4%	52
Income tax	-30	-18	-48	-23		-27		-20
Tax rate	62.5%	nr	89.2%	25.2%		52.8%		38.5%
Results of associates	17	13	30	12		9		13
Discontinued operations	0	0	0	0		0		0
Consolidated profit	35	1	36	80	130.0%	33	142.4%	45
Minority interest	9	3	11	2		9		7
Group's share in net result	26	-2	25	78	199.4%	24	224.4%	38
EPS (EUR)	0.44	-0.03	0.41	1.30	nr	0.40		
Net financial debt	770	574	574	673		681		na

Sources : Bekaert / Bank Degroof estimates / Consensus (CSS) : computed by Bekaert (7 participating brokers 28/07/2014)

North America came out with a performance in line with forecasts while **Rebit in Latin America** came out nearly two times lower than assumed, with a Rebit of EUR 11m, only (down 61% yoy). In difficult market environments, Bekaert succeeded to gain market shares (volumes are up 2.5%) but this was not enough to compensate for lower price/mix. On top of that the forced shutdown in Venezuela due to raw material shortages had a stronger than assumed negative impact (EUR -6m vs. -2 to -3m anticipated). **Below the Rebit** line figures were boosted by one-offs for a net impact of EUR +16.6m.

Bekaert remains cautious on the outlook. This is due to further price erosion in Chinese tire markets. Bekaert also anticipates a moderate slowdown in the European tire markets and an impact of the usual seasonal effects in 2H. Although, Bekaert estimates that its markets in LatAm have bottomed out.

Conclusion & Action: A mixed 1H14 performance. The 1H14 reporting confirms the positive momentum of the organic growth in most areas where the group is operating. It is likely that we will not dramatically adjust our (current) estimates after the analyst meeting of this afternoon. Meanwhile, we stick to our rating and TP.