

**Bekaert**

Belgium/General Industrials

Analysers

**Hold**

Recommendation unchanged

**Share price: EUR 24.94**

closing price as of 04/11/2014

**Target price: EUR 29.00**

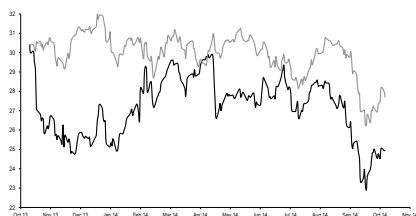
Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,498
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	54,582
Daily avg. trad. vol. 12 mth (m)	1,367
Price high 12 mth (EUR)	30.40
Price low 12 mth (EUR)	22.90
Abs. perf. 1 mth	-1.46%
Abs. perf. 3 mth	-7.48%
Abs. perf. 12 mth	-18.87%

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	3,186	3,137	3,582
EBITDA (m)	297	328	401
EBITDA margin	9.3%	10.5%	11.2%
EBIT (m)	137	180	214
EBIT margin	4.3%	5.7%	6.0%
Net Profit (adj.)(m)	45	84	120
ROCE	4.3%	4.5%	5.6%
Net debt/(cash) (m)	574	946	917
Net Debt/Equity	0.4	0.6	0.6
Debt/EBITDA	1.9	2.9	2.3
Int. cover(EBITDA/Fin. int)	4.7	6.1	7.3
EV/Sales	0.7	0.8	0.7
EV/EBITDA	7.6	7.8	6.4
EV/EBITDA (adj.)	7.5	8.0	6.3
EV/EBIT	16.4	14.3	11.9
P/E (adj.)	34.0	17.8	12.5
P/BV	1.1	1.1	1.0
OpFCF yield	12.6%	-21.1%	5.7%
Dividend yield	3.4%	3.4%	3.6%
EPS (adj.)	0.76	1.40	2.00
BVPS	22.41	22.88	23.86
DPS	0.85	0.85	0.90



Shareholders: Bekaert Fam. &amp; Rel. 39%;

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**3Q14 preview: lower FX headwinds but more price pressures****The facts:** Bekaert will release its 3Q14 trading update on November 13<sup>th</sup>, before market.**Our analysis:** As customary, Bekaert will mainly provide the sales figures per region for both the consolidated and the combined sales (consolidated sales + sales of associated companies), as well as some qualitative comments. We expect Bekaert to report 3Q14 consolidated sales of EUR 775m, up 0.3% y-o-y and down 6.4% sequentially, due to the seasonality in Europe and North America.

Sales (EURm)	1Q13	2Q13	3Q13	4Q13	FY13	1Q14	2Q14	3Q14e
<b>EMEA</b>	<b>260</b>	<b>272</b>	<b>259</b>	<b>249</b>	<b>1,040</b>	<b>275</b>	<b>280</b>	<b>265</b>
% change	-10.3%	1.9%	2.4%	6.3%	-0.4%	5.8%	2.9%	2.3%
<b>North America</b>	<b>146</b>	<b>149</b>	<b>129</b>	<b>124</b>	<b>548</b>	<b>139</b>	<b>142</b>	<b>131</b>
% change	-17.0%	-14.9%	-22.3%	-12.7%	-16.8%	-4.8%	-4.7%	1.6%
<b>Latin America</b>	<b>176</b>	<b>176</b>	<b>144</b>	<b>149</b>	<b>645</b>	<b>141</b>	<b>154</b>	<b>134</b>
% change	-10.7%	-12.0%	-32.1%	-26.6%	-20.6%	-19.9%	-12.5%	-6.9%
<b>Asia Pacific</b>	<b>216</b>	<b>254</b>	<b>241</b>	<b>242</b>	<b>953</b>	<b>226</b>	<b>252</b>	<b>245</b>
% change	-6.9%	3.3%	3.0%	3.9%	0.8%	4.6%	-0.8%	1.7%
<b>Consolidated sales</b>	<b>798</b>	<b>851</b>	<b>773</b>	<b>764</b>	<b>3,186</b>	<b>781</b>	<b>828</b>	<b>775</b>
% change	-10.8%	-4.2%	-10.6%	-6.0%	-7.9%	-2.1%	-2.7%	0.3%
<b>Combined sales</b>	<b>1,036</b>	<b>1,104</b>	<b>1,003</b>	<b>969</b>	<b>4,111</b>	<b>989</b>	<b>1,044</b>	<b>1,010</b>
% change	-8.7%	-2.7%	-9.3%	-5.6%	-6.3%	-4.5%	0.8%	0.7%

Sources : Bekaert / Bank Degroof estimates

In **EMEA**, we expect 3Q14 consolidated sales to be up 2.3% y-o-y (down 5.4% on 2Q14 due to the seasonality). We anticipate the region remained in the growing mode, although at a slower pace than in previous quarters. Indeed, there was a moderate slowdown in the demand from the automotive and the construction industries. It is our understanding that at the end of the quarter the order books showed some signs of weakness (remind that Germany is the main market of Bekaert in EMEA).

We expect **North American** 3Q14 consolidated sales to go back to growth, thanks to lower FX headwinds (impact of -0.4% in 3Q14 against -5.4% in 1H14), while the organic growth continued to regain some ground. It is our understanding that the tires activity is running close to full capacity and that demand for ropes remained strong. The utilities-related products remained under pressure.

For **Latin America**, FX impact was still strong in 3Q14 (we estimate at -7.4%) while volumes sold have remained under pressure, particularly in Chile (~40-45% of the sales in this region).

In **Asia Pacific**, we anticipate sales to be up 1.7% y-o-y supported by good volume growth (although at a slower pace than in 1H) and by less penalising FX impacts. Prices are under pressure, but the pressure seems less pronounced than anticipated by the management in July. In tires cords, the competition remains strong. As a result, the sale prices decrease more rapidly than the wire rod price. In October 9, The US Department of Commerce (DOC) has postponed the preliminary determination of the antidumping duty investigation to January 20, 2015 instead of December 1, 2014, because of the "extraordinary complexity of the case".

Bekaert received the green light from the EC and the Brazil for the acquisition of the Pirelli steel cord activity. The decision of the Turkish authorities is still awaited.

**Conclusion & Action:** Another mixed quarter for the top line with less FX but more price pressure headwinds. 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 FY17 onwards.