


**Hold**

Recommendation unchanged

**Share price: EUR 24.90**

closing price as of 13/11/2014

**Target price: EUR 29.00**

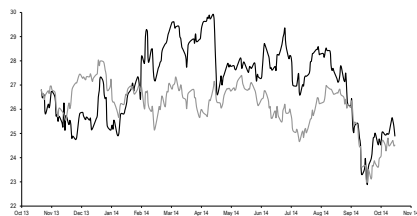
Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB BB

Market capitalisation (EURm)	1,495
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	67,893
Daily avg. trad. vol. 12 mth (m)	1,709
Price high 12 mth (EUR)	29.93
Price low 12 mth (EUR)	22.90
Abs. perf. 1 mth	5.85%
Abs. perf. 3 mth	-8.84%
Abs. perf. 12 mth	-14.58%

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%;

**Analyst(s):**

 Bernard Hanssens, Bank Degroof  
 bernard.hanssens@degroof.be

+32 (0) 2 287 9689

**3Q14 trading update: more solid rebound in LatAm**
**The facts:** This morning Bekaert reported its 3Q14 trading update.

**Our analysis:** 3Q14 consolidated sales stand at EUR 814m, above our (EUR 775m) and consensus (EUR 794m) estimates. Europe and Asia regions recorded sales growth in line with expectations. Hence, the better sales came from the Americas. The organic growth was 4% in 3Q14 vs. 2.6% in 1H14.

Sales (EURm)	1Q13	2Q13	3Q13	4Q13	FY13	1Q14	2Q14	3Q14 A	3Q14e	CSS
<b>EMEA</b>	260	272	259	249	1,040	275	280	264	265	268
% change	-10.3%	1.9%	2.4%	6.3%	-0.4%	5.8%	2.9%	1.9%	2.3%	3.5%
<b>North America</b>	146	149	129	124	548	139	142	140	131	135
% change	-17.0%	-14.9%	-22.3%	-12.7%	-16.8%	-4.8%	-4.7%	8.5%	1.6%	4.7%
<b>Latin America</b>	176	176	144	149	645	141	154	163	134	146
% change	-10.7%	-12.0%	-32.1%	-26.6%	-20.6%	-19.9%	-12.5%	13.2%	-6.9%	1.4%
<b>Asia Pacific</b>	216	254	241	242	953	226	252	247	245	245
% change	-6.9%	3.3%	3.0%	3.9%	0.8%	4.6%	-0.8%	2.5%	1.7%	1.7%
<b>Consolidated sales</b>	798	851	773	764	3,186	781	828	814	775	794
% change	-10.8%	-4.2%	-10.6%	-6.0%	-7.9%	-2.1%	-2.7%	5.3%	0.3%	2.7%
<b>Combined sales</b>	1,036	1,104	1,003	969	4,111	989	1,044	1,029	1,010	na
% change	-8.7%	-2.7%	-9.3%	-5.6%	-6.3%	-4.5%	0.8%	2.6%	0.7%	

Sources : Bekaert / Bank Degroof estimates / CSS = consensus computed by Bekaert (07/11/2014)

As anticipated **EMEA** remained in a growing mode in 3Q14, although at a slower pace than in previous quarters due to lower demand from the automotive and the construction industries. Management confirms that at the end of the quarter the order books showed some signs of weakness. In **North America**, 3Q14 consolidated sales are back to growth, thanks to lower FX headwinds, while the organic growth continued to regain some ground. Although the rebound was expected it came out largely above expectations with sales up 8.5% y-o-y. The drivers were then automotive and the construction markets. In **Latin America**, while the FX impact was still strong in 3Q14 (impact of -6.9%) the organic growth was impressive (+9%), as Bekaert succeeded to pass on higher selling prices, which was unexpected. So far, the main good news of this reporting. In **Asia Pacific**, sales are up 2.5% y-o-y supported by good volume growth (+9%) and by less penalising FX impacts. Prices are under pressure, but, as indicated in our preview, the pressure was less pronounced than anticipated by the management in July. In tire cords, the competition remains strong and sale prices decrease more rapidly than the wire rod price.

Update on **Pirelli's** tire cords acquisition: Bekaert received the green light from the EC and Brazil. The company is still waiting for the approval of the Turkish authorities. Bekaert announced that Turkey started a phase two of the merger control procedure, meaning that it becomes highly likely that the deal will not be closed by year-end.

The **net financial debt** stood at EUR 717m as of 30/09/2014, from EUR 673m at the end of 1H14. The sequential increase was due to higher inventory needs, as an important wire rod supplier had a prolonged maintenance shutdown. On top of that Bekaert acquired new shares for EUR 22m during the period. These inventories should be brought down by year-end.

**Outlook:** In China, Bekaert perceives a weakening industrial demand and continued price erosion in tire markets. It anticipates a moderate slowdown in the European tire markets and an impact of the usual seasonal effects at year-end, especially in Europe and North America. Bekaert expects the turnaround in Latin American markets to remain for the coming months and anticipates a mitigation of adverse FX effects on a year-to-date basis.

**Conclusion & Action:** The confirmation of the turnaround in Latin and North America is the good news of this reporting. The bad news was the delay in the Pirelli deal approval, although, which does not change fundamentally the picture, however.