


**Hold**

Recommendation unchanged

**Share price: EUR 26.17**

closing price as of 18/12/2014

**Target price: EUR 27.50**

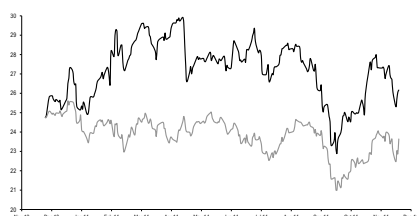
from Target Price: EUR 29.00

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,572
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	131,659
Daily avg. trad. vol. 12 mth (m)	3,483
Price high 12 mth (EUR)	29.93
Price low 12 mth (EUR)	22.90
Abs. perf. 1 mth	-4.42%
Abs. perf. 3 mth	-4.59%
Abs. perf. 12 mth	3.09%

Key financials (EUR)	12/13	12/14e	12/15e
Sales (m)	3,186	3,192	3,623
EBITDA (m)	297	324	395
EBITDA margin	9.3%	10.1%	10.9%
EBIT (m)	137	175	208
EBIT margin	4.3%	5.5%	5.7%
Net Profit (adj.)(m)	45	78	114
ROCE	4.3%	4.6%	5.4%
Net debt/(cash) (m)	574	850	957
Net Debt/Equity	0.4	0.6	0.6
Debt/EBITDA	1.9	2.6	2.4
Int. cover(EBITDA/Fin. int)	4.7	6.1	7.2
EV/Sales	0.7	0.8	0.7
EV/EBITDA	7.6	7.9	6.7
EV/EBITDA (adj.)	7.5	8.0	6.6
EV/EBIT	16.4	14.5	12.8
P/E (adj.)	34.0	20.1	13.8
P/BV	1.1	1.1	1.1
OpFCF yield	12.6%	-14.0%	-3.2%
Dividend yield	3.2%	3.2%	3.4%
EPS (adj.)	0.76	1.30	1.89
BVPS	22.41	22.79	23.69
DPS	0.85	0.85	0.90



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

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**Completion of the purchase of 3 Pirelli tire cord plants; Profit warning of Shougang Concord Century.**

**The facts:** Yesterday evening Bekaert and Pirelli announced that they have successfully closed the acquisition by Bekaert of the Pirelli steel cord plants in Figline (Italy), Slatina (Romania), and Sumaré (Brazil). We recall that as a part of this transaction, a long-term supply agreement will come into effect for the delivery of Bekaert tire cord products to Pirelli.

As far as the assets in Turkey and China are concerned, the closing of the acquisition of these two plants will occur when regulatory approvals will be obtained in the respective countries. Bekaert expects the closing to take place in 1Q15.

**Our analysis:** We have assumed that the deal will be concluded in early 2015, hence this is good news. The Enterprise Value related to the acquisition of the European and Brazilian factories amounted to EUR 150m. This will be booked in the FY14 account. We have adjusted our FY14 net financial debt accordingly.

Based on the top line and Rebit communicated by Bekaert, the EV multiples stand at 0.83x the sales and 7.9x the Rebit.

Bekaert confirmed that after the completion of the acquisition of the Turkish and Chinese plants, the total transaction cost will not exceed the EUR 255m announced on February 28, 2014.

**Update on the different markets**

Bekaert provided some details on the Chinese tire cord market in 4Q14, following the profit warning disclosed by Shougang (103 HK) yesterday. It confirmed that there is a **strong setback of tire cord demand in China since early November**, driven by both the domestic demand and the export markets. The company also mentioned that this trend mainly affected the trucks segment, which is the most important segment for Bekaert. Hence, the 4Q14 performance of the Asia Pacific segment might be in trouble again and we guess 1Q15 might also be weak. We recall that the US authorities are contemplating anti-dumping measures against the Chinese car and light duty tires. A preliminary decision should be disclosed on January 20, 2015. This might further increase the pressure on the Chinese tire market and by extension on the tire cord market.

The tone was more positive for Latin America. Bekaert confirmed the strengthening of the demand and of the profits in this region (ex Brazil). EMEA continued to perform well in 4Q14. North America seems more mixed; with some one-off costs to be booked in the 4Q14 results (fire at the bead wire plants ...).

Based on the above mentioned elements, we have adjusted our estimates, and have integrated the EV of EUR 150m in the FY14 account leading to a net financial debt of EUR 850m at the end of FY14. We also adjusted downwards our FY14-16 estimates for Asia Pacific to discount the more challenging tire cord markets in Asia. We slightly adjusted downwards our estimates for North America and kept unchanged the estimates for the other regions.

Based on these new assumptions, our TP now stands at EUR 27.5, from EUR 29.0 previously.

**Conclusion & Action:** *The pragmatic decision of Pirelli and Bekaert will allow Bekaert to faster integrate some of the plants that are part of the deal announced in February. This is good news. The strong deterioration of the Chinese tire cord since early November is clearly bad news that led us to further trim down our FY14-16 estimates for this region. As a result, our TP was cut by EUR 1.5 to EUR 27.5. HOLD*