Change in recommendation
6 April 2016

Bekaert

Risks to estimates and valuation more balanced

Hold (previously Buy)

Price (05/04/16)
€35.10

Target price (12-mth)
€38.00 (previously €34.00)

Forecast total return
11.0%

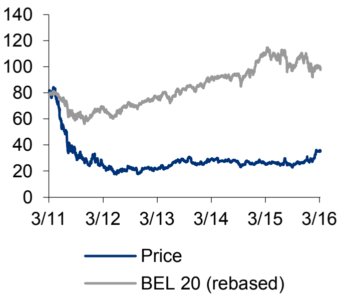
Industrial Goods & Services
Belgium
Bloomberg: BEKB BB
Reuters: BEKB.BR

Share data

Avg daily volume (3-mth)	172,790
Free float (%)	60.9
Market cap (€m)0	2,110.1
Net debt (1F, €m)	1,043
Enterprise value (1F, €m)	3,298
Dividend yield (1F, %)	2.7

Source: Company data, ING estimates

Share price performance



Source: ING

Filip De Pauw
Brussels +32 2 557 1692
filip.de.pauw@ing.be

Bekaert surprised positively in 2H15 on REBIT and cash generation, via impressive cost savings and mix improvements, which more than offset still severe price pressure, mainly in China tire cord. We continue to think that Bekaert will meet its target of 7% REBIT margin in 2017F, but this is now also consensus thinking. As such, up and downside risks to estimates have become more balanced. Combined with the fact that the shares have outperformed the Stoxx 600 Industrial Goods & Services index by 30% YTD, we downgrade Bekaert from Buy to HOLD and raise our TP from €34 to €38.

Impressive 2015. 2H15 REBIT rose by a stellar 73% YoY to €111m (6.2% margin). The increase was driven by all regions, but mostly by Asia Pac. FY15 REBIT was up 36% YoY to €223m (6.1% margin). As in 2014, cost savings (+€66m) overcompensated for price pressure (-€50m, mostly in China tire cord) but, in 2015, Bekaert added a second growth driver (product mix, +€31m) and even a third (acquisitions, +€45m). Reported net income went up 'only' 17% to €102m (EPS: €1.83), due to exceptionally high 'other financial expenses'. Net debt came in much lower than expected at €853m, driven by strong cash generation and strict working capital control. Hence, net debt/EBITDA declined to 1.9x. An increase of the DPS to €0.90 is proposed (2.5% yield).

Risks to 2016-17 consensus estimates more balanced now. Management guides for a significant step towards its 7% REBIT target in 2016, and continues to aim for 7% in 2017. We revise our 2016-17F REBIT upward by a low single-digit percentage and expect 15% growth pa to €257m and €294m (6.9% and 7.4% margin), respectively. As such, we continue to think Bekaert will meet its targets. Implicitly, we assume that cost savings and mix improvements will continue to overcompensate for price pressure via Bekaert's actions to drive value creation (portfolio improvements, manufacturing excellence and customer excellence programmes). Meeting the 7% REBIT margin is, however, also consensus thinking now, with the ING-compiled 2017 consensus REBIT margin at 7.1%. Bekaert could still over-deliver on cost savings, as the realised cost savings in the first two plants in which Bekaert rolled out its operational excellence programme bode well for the others. On the downside, we see risk of price pressure in tire cord being exported outside China. As such, risks to estimates seem more balanced now.

Still an upside on valuation, but less than 10%. On 2016F and 2017F, Bekaert trades at 14.0x and 11.8x PER, 6.0x and 6.8x EV/REBITDA and 12.9x and 10.8x EV/EBIT. On average, this offers 8% upside to historical multiples (excluding dividend yield

Forecasts and ratios

Year end Dec (€m)	2014	2015	2016F	2017F	2018F
Revenues	3,216	3,671	3,724	3,956	4,048
Normalised EBITDA	336	444	485	529	552
Normalised net profit	80	105	140	166	183
Normalised EPS (€)	1.39	1.88	2.50	2.97	3.27
Normalised PER (x)	25.2	18.7	14.0	11.8	10.7
EV/normalised EBITDA (x)	8.9	7.0	6.8	6.0	5.5
FCF yield (%)	0.36	12.8	6.7	7.6	8.3
Dividend yield (%)	2.4	2.6	2.7	2.8	3.0
Price/book (x)	1.5	1.5	1.4	1.3	1.2
Normalised ROE (%)	5.9	7.6	19.0	10.8	11.1

Source: Company data, ING estimates

Impressive 2015

Fig 1 Key numbers (€m)

	1H14	2H14	2014	1H15	2H15	2015	2016F	2017F	2018F
EMEA	555	509	1,064	644	583	1,227	1,258	1,331	1,351
N-America	281	274	555	313	280	593	667	735	758
Latam	295	336	631	400	364	764	704	721	735
Asia Pac	478	488	966	541	545	1,086	1,095	1,169	1,204
Consolidated sales	**1,609**	**1,607**	**3,216**	**1,898**	**1,772**	**3,671**	**3,724**	**3,956**	**4,048**
% change	*-2.4*	*4.5*	*0.9*	*18.0*	*10.3*	*14.2*	*1.4*	*6.2*	*2.3*
of which volumes (%)			*3*	*-3*	*1*	*-1*	*1*	*2*	*2*
of which price/mix (%)			*0*	*4*	*2*	*3*	*2*	*0*	*0*
of which wire rod (%)			*0*	*-4*	*-6*	*-5*	*-3*	*0*	*0*
of which forex (%)			*-2*	*11*	*5*	*8*	*-3*	*0*	*0*
of which scope (%)			*0*	*10*	*8*	*9*	*4*	*4*	*0*
REBIT EMEA	64	51	114	80	59	139	143	149	154
% change				*25.0*	*15.7*	*21.5*	*2.6*	*4.5*	*3.3*
% margin	*11.5*	*10.0*	*10.8*	*12.4*	*10.1*	*11.3*	*11.3*	*11.2*	*11.4*
REBIT N-America	14	6	20	12	8	19	28	37	43
% change				*-15.5*	*37.9*	*-5.0*	*50.0*	*28.1*	*17.8*
% margin	*5.1*	*2.1*	*3.6*	*3.8*	*2.9*	*3.2*	*4.3*	*5.0*	*5.7*
REBIT Latam	11	15	26	22	24	46	46	50	53
% change				*93.0*	*61.1*	*76.9*	*0.2*	*8.0*	*7.2*
% margin	*3.9*	*4.4*	*4.1*	*5.5*	*6.6*	*6.0*	*6.5*	*6.9*	*7.3*
REBIT Asia Pac	43	20	63	30	52	82	100	110	119
% change				*-29.7*	*156.2*	*30.2*	*21.6*	*10.4*	*8.0*
% margin	*8.9*	*4.2*	*6.5*	*5.5*	*9.5*	*7.6*	*9.1*	*9.4*	*9.9*
REBIT Other	(32)	(28)	(60)	(32)	(32)	(64)	(60)	(51)	(52)
REBIT	**100**	**64**	**164**	**112**	**111**	**223**	**257**	**294**	**317**
% change	*12.2*	*12.2*	*35.6*	*12.2*	*73.0*	*35.6*	*15.2*	*14.5*	*7.8*
% margin	*6.2*	*4.0*	*5.1*	*5.9*	*6.2*	*6.1*	*6.9*	*7.4*	*7.8*
Non-recurring	17	(11)	7	(3)	0	(3)	(15)	(15)	(15)
EBIT	**117**	**53**	**171**	**110**	**110**	**220**	**242**	**279**	**302**
% margin	*7.3*	*3.3*	*5.3*	*5.8*	*6.2*	*6.0*	*6.5*	*7.1*	*7.5*
Net financing charges	(27)	(40)	(67)	(44)	(52)	(96)	(69)	(73)	(71)
Taxes	(23)	(20)	(42)	(26)	(11)	(36)	(55)	(62)	(69)
Share in the JVs	12	13	25	13	6	18	14	14	15
Minorities	(2)	2	0	0	(3)	(4)	(7)	(8)	(9)
Net profit	78	9	87	52	50	102	125	151	168
Normalised net profit	**61**	**19**	**80**	**55**	**50**	**105**	**140**	**166**	**183**
Norm net profit growth (%)	*114.8*	*-22.5*	*50.8*	*-10.2*	*160.0*	*30.5*	*33.4*	*18.6*	*10.2*
Reported EPS (€)	1.33	0.15	1.51	0.94	0.89	1.83	2.23	2.70	3.00
Normalised EPS (€)	**1.05**	**0.33**	**1.39**	**0.98**	**0.89**	**1.88**	**2.50**	**2.97**	**3.27**
DPS (€)			**0.85**			**0.90**	**0.95**	**1.00**	**1.05**
Net debt (Bekaert def)	**673**	**853**	**853**	**1,023**	**832**	**832**	**1,043**	**912**	**772**

Source: Company data, ING estimates

Sales

Consolidated sales rose by 10% in 2H15 and by 14% in 2015. For the full year, this was mostly driven by acquisitions (+9%, mainly Pirelli) and forex (+8%). Organic sales growth was 2%. A positive mix effect (+4%) was offset by volumes (-1%) and price erosion (-1%). The positive mix effect was driven by the increased focus on creating the winning product portfolio and by the fact that the areas where the company is growing faster are also the ones with the higher value for the top (and bottom) line. It is also important to note that the volume decline in 2015 was mostly caused by the poor start in 1Q15 in Asia Pac (tire destocking) and the impact from the fire in the Rome (US) plant. Volumes in 2H15 actually started to growth slightly again (+1%). The price erosion remains mainly centred around China tire cord, where overcapacity remains significant. Finally, sales declined due to lower wire rod prices (-5%), but this is mostly a pass-on to clients, with limited or no impact on margins.

REBIT

REBIT in the seasonally weaker 2H rose by a stellar 73% YoY to €111m (6.2% margin). The increase was driven by all regions, but mostly by Asia Pac. For the full year, REBIT went up 36% YoY to €223m (6.1% margin).

Fig 2 REBIT bridge (€m)

	2014	2015	2016F	2017F	2018F
REBIT, previous year	**166**	**164**	**223**	**257**	**294**
forex	(4)	25	(6)	0	0
cost inflation	(27)	(15)	(20)	(21)	(21)
volumes	42	(7)	8	18	21
price	(35)	(50)	(45)	(40)	(35)
mix		31	31	32	27
cost savings	39	66	50	32	32
scope	(3)	45	8	8	0
one-offs	(10)	(14)	5	0	0
other	(4)	(22)	4	9	(1)
REBIT for the year	**164**	**223**	**257**	**294**	**317**

Source: Company data, ING estimates

In Figure 2 we provide an overview of the REBIT bridge in 2015. The first two lines are broadly out of management's control and came in more positive, as in 2014. The contribution from forex was +€25m and cost inflation 'only' amounted to -€15m, as wage inflation was offset by lower energy costs.

Volumes had a negative impact of €7m. As mentioned above, this was due to destocking in China tires in 1Q15 and the impact from the fire in the Rome (US) plant. Volumes started to improve again in 2H15.

The negative impact from price pressure increased versus 2014, to -€50m. This mostly relates to price pressure in China tire cord (c.€45m), due to the ongoing overcapacity. We note that Bekaert and Xingda, who have a combined market share of 60-65% in China, are running at 80-90% capacity utilisation, whereas the sector in general is running at c.50% capacity utilisation.

The main positive in the 2015 REBIT bridge is that management was very successful in improving the mix (focus on winning portfolio, driving more value added products), as mix effects added €31m to REBIT. In addition, management stepped up its cost savings programme (+€66m impact). We understand that most cost savings were realised in Asia Pac (China tire cord).

Further, 2015 REBIT was impacted by c.€5m in bad debt reserves (mostly in 1H15 Asia Pac), and further impacted by c.€14m in consultancy fees, related to the manufacturing excellence programme and acquisitions.

EMEA

EMEA had another strong year with 15% sales growth, driven by acquisitions (+14%) and volumes (+5%) mainly in 2H15, offset by lower wire rod prices (-3%). 2H15 showed normal seasonality. The REBIT margin improved a further 50bp to a record of 11.3% for FY15, driven by positive mix effects.

North America

Sales were up 7% YoY, driven by forex (+16%). Volumes declined by 9%, mostly due to the fire at the Rome plant, but also due to weakness in wires (agriculture and industrial sectors). Due to the volume weakness, REBIT margins declined 40bp to a disappointing 3.2%.

Latam

Sales went up 21% YoY, mostly driven by the Pirelli acquisition (+15%). Also, forex helped (+7%), but this was mostly in 1H15. Wire rod prices had a negative impact of 4%, but this was entirely offset by a better mix. Upgrading the portfolio has been a focus for management in the regions for years, and it started to pay off in 2015. The acquisitions and mix improvement resulted in a 190bp increase in REBIT margin to 6.0%.

Asia Pac

Sales were up 12% YoY, mostly driven by forex (+14%) and the Pirelli & Arrium ropes acquisition (+6%). Growth was offset by lower volumes (-3%), entirely in 1H15. As in other regions, wire rod had a -5% impact. Asia Pac is also the region that suffers the most from pricing pressure (entirely due to the overcapacity in China tire cord), but this negative impact was entirely mitigated by better mix in the region. The REBIT margin improved dramatically from 5.5% in 1H15 to 9.5% in 2H15, via (1) management's ability to halt the losses in South East Asia after they took full control of the Malaysian activities and restructured them; (2) strong growth in the higher margin (c.20%) sawing wire activities, coupled with mix improvements (upgrade to second-generation sawing wire); and (3) strong cost savings in China tire cord, which accounts for c.50% of the activities in the region.

EBIT

Non-recurring items amounted to -€3m for the full year. They include impairments of assets in Asia and costs to optimise the organisational structure, offset by gains on the divestment of the carding business and the final proceeds stemming from the Rome fire. As such, 2015 EBIT came in at €220m (6.0% margin).

Net income

The net financial result was fairly stable YoY at -€62m. Other financial income & expenses (impossible to forecast) were quite negative (-€34m). About -€20m was related to realised and unrealised exchange rate losses. The remainder related to the stamp duty for the Arrium acquisition, and a reserve to cover for potential forex issues in Venezuela. Taxes were slightly lower YoY at -€36m, helped by the impact of deferred tax asset allowances. The results of the JVs were down to €18m (from €24m in 2014). The Brazilian business remained, however, very solid in an extremely difficult market, as the negative impact came from the Chinese JV. In terms of bottom line, reported net income went up 'only' 17% to €102m (EPS: €1.83).

Net debt

Net debt declined slightly YoY, in spite of €235m in acquisitions and €171m in capex, and came in much lower than expected at €832m, driven by strong cash generation and strict working capital control. The latter dropped to 25% of sales, from 27% the previous year. Hence, net debt/EBITDA declined to 1.9x (from 2.5x the previous year).

Dividend

An increase of the DPS to €0.90 is proposed (2.5% yield).

Outlook & estimates

In contrast to the past, Bekaert has provided more quantified and detailed guidance, which we applaud.

Economic environment

Bekaert projects the challenging 2015 economic environment to persist in 2016 and expects global overcapacity to exert pressure across most sectors. The negative impact from price pressure amounted to €35m and €50m in 2014 and 2015, respectively (See Figure 2). We expect the negative impact at €45m in 2016F and 40m in 2017F, again mainly in China tire cord. We assume the price pressure to abate slightly from the 2015 level, as we believe smaller Chinese competitors are already burning cash and, as such, should not have too much room to lower prices further.

Within the challenging economic environment, the lower oil price does help Bekaert, as it drives higher automotive spending. Bekaert anticipates continued strong demand in this sector, which now represents more than 40% of sales.

Input prices

Bekaert guides for steel prices to have an impact of -5% on the top line in 1H16. Given that Bekaert is simply passing on these lower steel prices to clients, this does not have a material impact on EBIT margins. Both elements are reflected in our estimates.

Regions

EMEA (33% of sales, 49% of REBIT in 2015)

Bekaert projects continued strong performance in EMEA, again mainly driven by Automotive, which accounts for c.50% of sales in the region. The situation should remain more challenging in Energy & Utilities (c.15% of sales) as about a third of those sales arise from the oil & gas market. In view of the strong volume growth in the region in 2014-15 and the current record REBIT margins, we take a more cautious stance going forward and limit volume growth to 0% and 1% in 2016F and 2017F, respectively, and keep margins flat at 11.3% in our estimates.

North America (16% of sales, 7% of REBIT)

Management guides for improved profitability in North America, starting from a record low margin of 3.2% in 2015. We expect 5% volume growth in 2016F and 3% in 2017F, post the 9% volume drop in 2015, as we expect the company to regain volumes after rebuilding the Rome plant and ongoing solid demand from Automotive (45-50% of sales in the region). Bekaert could also start to see the first positive impact of the recently announced capacity expansion in tire cord in the region. We expect the REBIT margin to improve to 4.3% in 2016F and 5.0% in 2017F, driven by higher volumes and better capacity utilisation, together with the cost actions and operational improvements.

Latin America (21% of sales, 16% of REBIT)

Bekaert guides for a further strengthening of its market position in weakening economic circumstances. We expect volumes at -1% in 2016F and +2% in 2017F. We expect the REBIT margin to improve from 6.0% in 2015 (6.6% in 2H15) to 6.5% in 2016F and 6.9% in 2017F via cost savings and price/mix improvements.

Asia Pacific (30% of sales, 29% of REBIT)

Bekaert sees upside potential from the turnaround in its business performance in Asia Pacific (after margins improved from 5.5% in 1H15 to 9.5% in 2H15). We expect volumes to rise 2% in 2016F, based on very easy comps in 1H16F. We have a 9.1% REBIT margin in the model, just below the 2H15 margin, and implicitly assume further cost savings and mix improvements, offset by price pressure in tire cord.

Other

We expect 2016F REBIT to improve from -€64m to -€60m, as consultancy fees for acquisitions and the operational excellence programme were quite elevated in 2015.

Actions to drive value creation

Bekaert's actions to drive value creation have begun to show their effectiveness through strong profit and EBITDA growth in 2015. Management is convinced that it will see more benefits from these endeavours in the current and coming years:

Portfolio improvements

Bekaert has clearly prioritised the creation of a winning portfolio. Management has narrowed its focus on those parts of the business where it can differentiate itself and leverage on its strengths to generate better margins and cash. The recent acquisitions (Pirelli, Arrium) and the intended merger with Bridon are illustrations of this strategy. We expect Bridon to be consolidated as of mid-2016. We estimate sales of c.€300m pa and c.5.5% REBIT margin (See Figure 1).

Also, Bekaert's 2016F margins are likely to be positively impacted by the full-year effect of the recent exits from loss-generating activities, including carding solutions (divested in May 2015) and stainless steel wire (exited in October 2015).

Furthermore, Bekaert has removed complexity that did not add value, by changing the ownership in a number of entities where partnerships had not led to efficient and successful forms of cooperation: Bekaert deconsolidated Xinyu Metal Products Co and Xinyu New Materials Co with a view to exiting the business in China; Bekaert also bought out the 35% stake of its Chilean partner, Matco Cables, in its ropes activities and bought out the remaining 18% stake of the shares in Jiangyin Wire Products Co in China.

Transformational programmes

Management expects the global transformational programmes to reach their full potential over the coming years, as they gain traction in implementation scope and speed.

Manufacturing excellence programme

The manufacturing excellence programme is aimed at achieving competitiveness by optimising the company's quality, safety, delivery performance and productivity. In essence, the programme is about staying competitive in a world of tough price competition. We understand that Bekaert has rolled out the excellence programmes in two larger plants (out of the c.80 plants in the group) and generated c.€5-6m cost savings through this. In our model, we assume further cost savings of €50m in 2016F, €32m in 2017F and €32m in 2018F. This implies c.€1.5m in cost savings per remaining plant by 2018F (see Figure 2).

Customer excellence programme

The recently launched customer excellence programme is all about differentiation and is about the ability to grow the business and improve margins by offering the right solutions at the right price to customers. In 2015, Bekaert reported a €31m positive impact on REBIT from mix improvements. We assume that the company will maintain a similar level of improvement in the following years (see Figure 2).

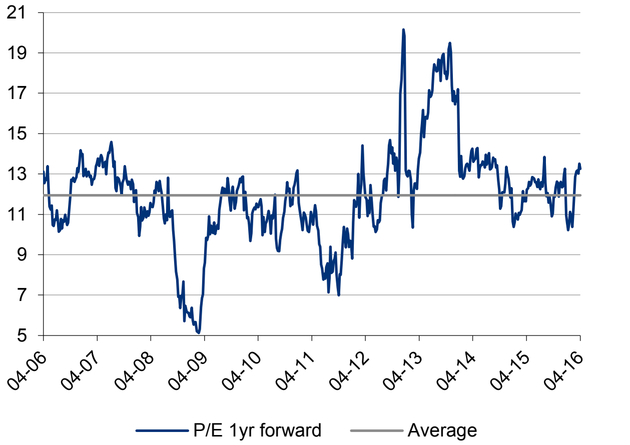
Guidance

Management guided that it has the ability to outperform the market again in 2016 and they guided for making another significant step towards the REBIT target of 7%. A full overview of our 2016-18F estimates is provided in Figure 1.

Still upside on valuation, but less than 10%

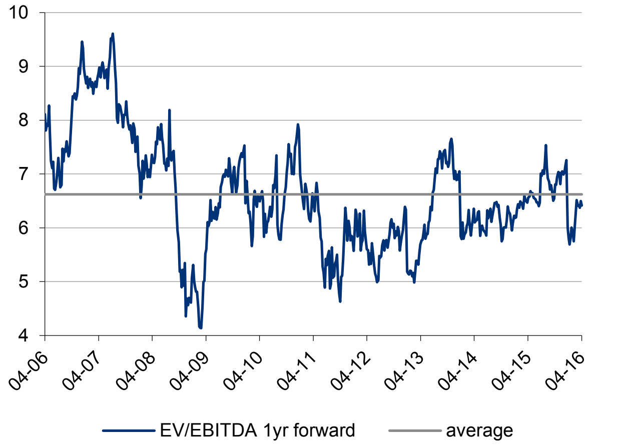
Bekaert trades at 14.0x and 11.8x PER for 2016F and 2017F, 6.8x and 6.0x EV/REBITDA and 12.9x and 10.8x EV/EBIT. On average, this offers 8% upside to historical multiples (excluding dividend yield). On Bloomberg consensus estimates, which are slightly below those of INGF, the share trade more in line with historical averages on 2017F. Our target price is derived from a blended multiples-based valuation approach.

Fig 3 Bekaert: 1yr forward PER (x)



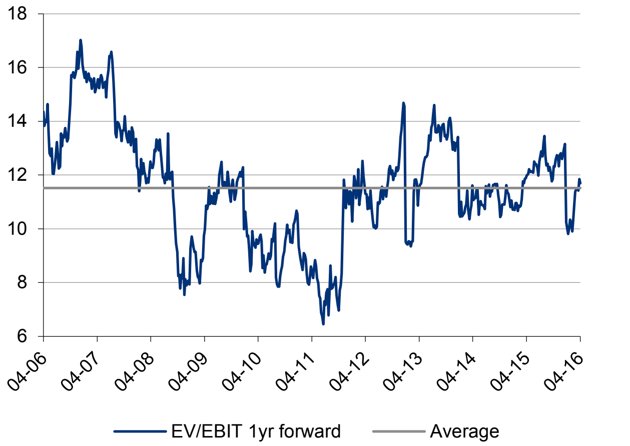
Source: Bloomberg

Fig 4 Bekaert: 1yr forward EV/EBITDA (x)



Source: Bloomberg

Fig 5 Bekaert: 1yr forward EV/EBIT (x)



Source: Bloomberg

Key risks to the upside are: (1) higher-than-expected benefits from the transformation plan and portfolio improvement; (2) improvement of the macro environment (mainly in automotive and construction); and (3) USD appreciation vs EUR.

Key risks to the downside are: (2) 'export' of price pressure in China tire cord to other regions/products; (2) weakening of the macro environment (mainly in automotive and construction); and (3) USD depreciation vs EUR.

Financials

Year end Dec (€m)	2011	2012	2013	2014	2015	2016F	2017F	2018F
Income statement								
Revenues	3,340	3,461	3,186	3,216	3,671	3,724	3,956	4,048
Cost of goods sold	(2,689)	(2,982)	(2,703)	(2,730)	(3,073)	(3,117)	(3,307)	(3,380)
Gross profit	**651**	**479**	**482**	**485**	**598**	**607**	**649**	**668**
Operating costs	(154)	(205)	(185)	(142)	(157)	(137)	(135)	(131)
EBITDA	**497**	**274**	**297**	**343**	**441**	**470**	**514**	**537**
Depreciation & amortisation	(228)	(324)	(160)	(172)	(221)	(228)	(235)	(235)
Impairments	0	0	0	0	0	0	0	0
EBIT	**269**	**(50)**	**137**	**171**	**220**	**242**	**279**	**302**
Net interest	(19)	(83)	(84)	(67)	(96)	(69)	(73)	(71)
Associates	25	10	30	25	18	14	14	15
Other pre-tax items	0	0	0	0	0	0	0	0
Pre-tax profit	**276**	**(123)**	**84**	**130**	**142**	**187**	**221**	**246**
Tax	(68)	(68)	(48)	(42)	(36)	(55)	(62)	(69)
Minorities	(15)	(6)	(11)	(0.4)	(4)	(7)	(8)	(9)
Other post-tax items	0	0	0	0	0	0	0	0
Net profit	**193**	**(197)**	**25**	**87**	**102**	**125**	**151**	**168**
Normalised EBITDA	**482**	**331**	**326**	**336**	**444**	**485**	**529**	**552**
Normalised EBIT	**281**	**117**	**166**	**164**	**223**	**257**	**294**	**317**
Normalised net profit	**206**	**(30)**	**53**	**80**	**105**	**140**	**166**	**183**
Balance sheet								
Tangible fixed assets	1,692	1,545	1,395	1,589	1,605	1,856	1,825	1,800
Intangible fixed assets	104	99	87	117	145	145	145	145
Other non-current assets	105	102	126	147	171	171	171	171
Cash & equivalents	676	457	402	473	412	529	660	800
Other current assets	1,593	1,464	1,370	1,634	1,548	1,567	1,618	1,650
Total assets	**4,169**	**3,668**	**3,380**	**3,959**	**3,881**	**4,268**	**4,419**	**4,566**
Short-term debt	648	343	322	442	495	495	495	495
Other current liabilities	616	611	650	745	793	799	830	842
Long-term debt	908	850	688	910	792	1,077	1,077	1,077
Other long-term liabilities	230	260	217	302	286	286	286	286
Total liabilities	**2,403**	**2,064**	**1,877**	**2,399**	**2,365**	**2,657**	**2,688**	**2,699**
Total equity	1,766	1,604	1,504	1,560	1,516	1,611	1,731	1,867
Total liabilities & equity	**4,169**	**3,668**	**3,380**	**3,959**	**3,881**	**4,268**	**4,419**	**4,566**
Capital employed	3,322	2,796	2,514	2,912	2,803	3,183	3,303	3,439
Net working capital	1,204	1,082	867	1,064	958	970	989	1,010
Net debt (cash)	880	735	608	879	875	1,043	912	772
Cash flow								
Cash flow EBITDA	497	274	297	343	441	470	514	537
Change in working capital	(200)	227	78	(55)	212	(12)	(19)	(21)
Other non-cash items	(62)	(3)	(18)	(56)	(13)	0	0	0
Operating cash flow	**235**	**498**	**357**	**233**	**640**	**457**	**495**	**516**
Cash interest paid	(59)	(78)	(65)	(56)	(57)	(69)	(73)	(71)
Cash taxes paid	(129)	(59)	(52)	(46)	(57)	(55)	(62)	(69)
Net cash from operating activities	**47**	**361**	**240**	**131**	**527**	**333**	**360**	**376**
Capex	(278)	(127)	(97)	(176)	(182)	(180)	(190)	(195)
Net acquisitions	83	31	7	(110)	(239)	0	0	0
Other net investing cash flows	9	15	18	37	22	14	14	15
Cash from investing activities	**(185)**	**(81)**	**(72)**	**(250)**	**(400)**	**(166)**	**(176)**	**(180)**
Increase (decrease) in equity	0.7	0	(15)	0	0	0	0	0
Increase (decrease) in debt								
Dividends & minority distribution	(163)	(46)	(58)	(66)	(56)	(50)	(53)	(56)
Other financing cash flow	242	(148)	(53)	282	(156)	0	0	0
Cash from financing activities	**79**	**(194)**	**(127)**	**216**	**(212)**	**(50)**	**(53)**	**(56)**
Forex & discontinued operations	15	(27)	(2)					
Net change in cash & equivalents	**(44)**	**58**	**40**	**97**	**(85)**	**117**	**131**	**140**
FCF	(172)	312	209	11	401	222	243	252

Normalised earnings (eg, EBITDA, EBIT, net income and other sector-specific line items) are in the opinion of the analyst the best representation of a company's underlying and sustainable earnings derived from its regular operating activities.

Source: Company data, ING estimates

Valuation, ratios and metrics

Year end Dec	2011	2012	2013	2014	2015	2016F	2017F	2018F
Performance & returns								
Revenue growth (%)	2.4	3.6	-7.9	0.94	14.2	n/a	6.2	2.3
Normalised EBITDA growth (%)	-34.4	-31.2	-1.7	3.2	32.1	n/a	9.1	4.3
Normalised EBIT growth (%)	-50.0	-58.4	41.6	-0.93	35.6	n/a	14.5	7.8
Normalised EPS growth (%)	-47.8	n/a	n/a	53.3	34.6	n/a	18.6	10.2
Gross margin (%)	19.5	13.8	15.1	15.1	16.3	16.3	16.4	16.5
Normalised EBITDA margin (%)	14.4	9.6	10.2	10.5	12.1	13.0	13.4	13.6
Normalised EBIT margin (%)	8.4	3.4	5.2	5.1	6.1	6.9	7.4	7.8
Reported net margin (%)	5.8	-5.7	0.77	2.7	2.8	3.3	3.8	4.1
Reported ROE (%)	11.7	-12.6	1.8	6.4	7.4	16.9	9.9	10.2
Normalised ROA (%)	7.2	3.0	4.7	4.5	5.7	12.0	6.8	7.1
ROAIC (%)	4.3	-3.3	3.0	4.2	5.2	10.8	6.2	6.4
ROACE (%)	9.3	3.8	6.2	6.1	7.8	16.1	9.1	9.4
ROACE - WACC (%)	1.3	-4.2	-1.3	-1.4	0.30	8.6	1.6	1.9
Leverage & solvency								
Working capital as % of sales	36.0	31.3	27.2	33.1	26.1	26.0	25.0	25.0
Net debt (cash)/EBITDA (x)	1.8	2.7	2.0	2.6	2.0	2.2	1.8	1.4
Net debt (cash)/equity (%)	49.8	45.9	40.4	56.3	57.7	64.7	52.7	41.3
EBITDA net interest coverage (x)	26.8	3.3	3.6	5.1	4.6	6.8	7.0	7.6
Current ratio (x)	1.8	2.0	1.8	1.8	1.5	1.6	1.7	1.8
Dividend cover (cash flow) (x)	n/a	6.1	3.5	0.32	7.2	4.1	4.2	4.2
Valuation								
EV/revenue (x)	0.92	0.91	0.93	0.93	0.85	0.89	0.80	0.75
EV/normalised EBITDA (x)	6.4	9.5	9.1	8.9	7.0	6.8	6.0	5.5
EV/normalised EBIT (x)	10.9	27.0	17.9	18.2	14.0	12.8	10.8	9.6
EV/capital employed (x)	0.92	1.1	1.2	1.0	1.1	1.0	0.96	0.89
EV/invested capital (x)	0.86	1.0	1.1	0.93	1.0	0.95	0.88	0.82
Normalised PER (x)	10.1	n/a	38.6	25.2	18.7	14.0	11.8	10.7
Price/book (x)	1.2	1.5	1.6	1.5	1.5	1.4	1.3	1.2
Dividend yield (%)	3.3	2.4	2.4	2.4	2.6	2.7	2.8	3.0
FCF yield (%)	n/a	9.9	7.0	0.36	12.8	6.7	7.6	8.3
Per share data								
Reported EPS (€)	3.27	(3.33)	0.42	1.51	1.83	2.23	2.70	3.00
Normalised EPS (€)	3.49	(0.50)	0.91	1.39	1.88	2.50	2.97	3.27
Dividend per share (€)	1.17	0.85	0.85	0.85	0.90	0.95	1.00	1.05
Equity FCFPS (€)	(3.92)	3.96	2.45	(0.78)	6.16	2.75	3.04	3.24
BV/share (€)	28.24	23.70	22.41	22.68	23.03	24.50	26.36	28.47

Source: Company data, ING estimates

Company profile

Bekaert is the market leader in advanced solutions based on metal transformation and coatings, and the world's largest independent manufacturer of drawn steel wire products. The company operates in four main geographic segments, with EMEA contributing the most to REBIT in 2014 (51%), while Asia Pacific contributed 28%, Latin America 12% and North America 9%.

Disclosures Appendix

ANALYST CERTIFICATION

The analyst(s) who prepared this report hereby certifies that the views expressed in this report accurately reflect his/her personal views about the subject securities or issuers and no part of his/her compensation was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this report.

IMPORTANT DISCLOSURES

For disclosures on companies other than the subject companies of this report visit our disclosures page at http://research.ing.com or write to The Compliance Department, ING Financial Markets LLC, 1325 Avenue of the Americas, New York, USA, 10019.

US regulatory disclosures

- The following subject company/ies of this report are or have been a client of ING Financial Markets LLC or an affiliate within the last 12 months and have received investment banking services: Bekaert SA

Valuation & risks: For details of the methodologies used to determine our price targets and risks related to the achievement of these targets refer to main body of report and/or the most recent equity company report at http://research.ing.com.

Research analyst(s): The research analyst(s) for this report may not be registered/qualified as a research analyst with the NYSE and/or NASD. The research analyst(s) for this report may not be an associated person of ING Financial Markets LLC and therefore may not be subject to Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by the research analyst's account.

European regulatory disclosures

- The following subject company/ies of this report are or have been party to an investment banking agreement with one or more members of ING Group over the last 12 months: Bekaert SA

The *remuneration of research analysts* is not tied to specific investment banking transactions performed by ING Group although it is based in part on overall revenues, to which investment banking contribute.

Financial interests: One of more members of ING Group may hold financial interests in the companies covered in this report other than those disclosed above.

Securities prices: Prices are taken as of the previous day's close on the home market unless otherwise stated.

Job titles. The functional job title of the person/s responsible for the recommendations contained in this report is equity research analyst unless otherwise stated. Corporate titles may differ from functional job titles.

Conflicts of interest policy. ING manages conflicts of interest arising as a result of the preparation and publication of research through its use of internal databases, notifications by the relevant employees and Chinese walls as monitored by ING Compliance. For further details see our research policies page at http://research.ing.com.

Other disclosures

Target prices, where included, are based on reasonable assumptions supported by objective data. Unless otherwise stated, neither historic share price performance data nor ING projections on potential share price performance reflect the impact of commissions, fees and charges. Past performance is not indicative of future results. Forecasts are not a reliable indicator of future performance.

FOREIGN AFFILIATES DISCLOSURES

Each ING legal entity which produces research is a subsidiary, branch or affiliate of ING Bank N.V. See back page for the addresses and primary securities regulator for each of these entities.

RATING DISTRIBUTION (as of end 4Q15)

	Equity coverage	Investment Banking clients*
Buy	51%	57%
Hold	44%	61%
Sell	5%	50%
	100%	

* Percentage of companies in each rating category that are Investment Banking clients of ING Financial Markets LLC or an affiliate.

RATING DEFINITIONS

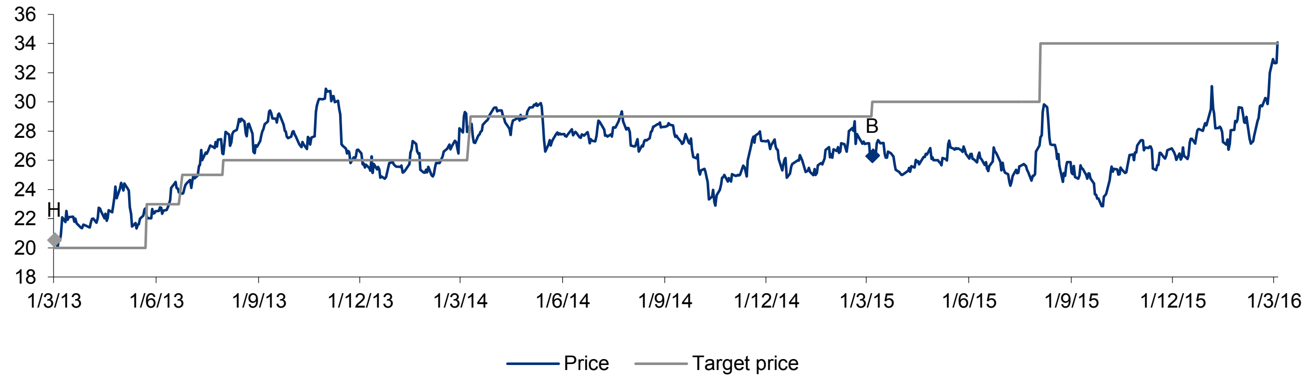
Buy: Forecast 12-mth absolute total return greater than +15%

Hold: Forecast 12-mth absolute total return of +15% to -5%

Sell: Forecast 12-mth absolute total return less than -5%

Total return: forecast share price appreciation to target price plus forecast annual dividend. Price volatility and our preference for not changing recommendations too frequently means forecast returns may fall outside of the above ranges at times.

PRICE & RATINGS HISTORY TO 04/03/16: BEKAERT (BEKB.BR)



B = Buy; H = Hold; S = Sell; NR = Not Rated; R = Restricted

Chart shows ING coverage: current analyst may or may not have covered the stock for the entire period shown
Where ING coverage is longer than three years, chart shows recommendation current at start of the share price history

Source: ING

ING

AMSTERDAM	**BRUSSELS**	**LONDON**	**NEW YORK**	**SINGAPORE**
Tel: 31 20 563 8758	Tel: 32 2 547 7534	Tel: 44 20 7767 1000	Tel: 1 646 424 6000	Tel: 65 6535 3688
Bratislava	**Frankfurt**	**Madrid**	**Paris**	**Sofia**
Tel: 421 2 5934 6111	Tel: 49 69 75936 519	Tel: 34 91 789 8880	Tel: 33 1 56 39 32 84	Tel: 359 2 917 6400
Bucharest	**Geneva**	**Manila**	**Prague**	**Taipei**
Tel: 40 21 222 1600	Tel: 41 22 592 3079	Tel: 63 2 479 8888	Tel: 420 257 474 111	Tel: 886 2 8729 7600
Budapest	**Hong Kong**	**Mexico City**	**Sao Paulo**	**Tokyo**
Tel: 36 1 235 8800	Tel: 852 2848 8488	Tel: 52 55 5258 2000	Tel: 55 11 4504 6000	Tel: 81 3 3217 0301
Buenos Aires	**Istanbul**	**Milan**	**Seoul**	**Warsaw**
Tel: 54 11 4310 4700	Tel: 90 212 335 1000	Tel: 39 02 55226 2468	Tel: 82 2 317 1800	Tel: 48 22 820 5018
Dublin	**Kiev**	**Moscow**	**Shanghai**	
Tel: 353 1 638 4000	Tel: 380 44 230 3030	Tel: 7 495 755 5400	Tel: 86 21 2020 2000	

Research offices: legal entity/address/*primary securities regulator*

Amsterdam	ING Bank NV, Foppingadreef 7, Amsterdam, Netherlands, 1102BD. *Netherlands Authority for the Financial Markets*
Brussels	ING Belgium SA/NV, Avenue Marnix 24, Brussels, Belgium, B-1000. *Financial Services and Market Authority (FSMA)*
Bucharest	ING Bank NV Amsterdam - Bucharest Branch, 48 Iancu de Hunedoara Bd, 011745, Bucharest 1, Romania. *Financial Supervisory Authority, Romanian National Bank*
Budapest	ING Bank NV Hungary Branch, Dozsa Gyorgy ut 84\B, H - 1068 Budapest, Hungary. *National Bank of Hungary*
Frankfurt	ING-DiBa AG, Theodor-Heuss-Allee 2, 60486 Frankfurt, Germany. *Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)*
Istanbul	ING Bank AS, ING Bank Headquarters, Resitpasa Mahallesi Eski Buyukdere Cad. No.8, 34467 Sariyer, Istanbul, Turkey. *Capital Markets Board*
London	ING Bank NV London Branch, 60 London Wall, London EC2M 5TQ, United Kingdom. *Financial Conduct Authority*
Manila	ING Bank NV Manila Branch, 20/F Tower One, Ayala Triangle, Ayala Avenue, 1226 Makati City, Philippines. *Philippine Securities and Exchange Commission*
Milan	ING Bank NV Milano, Via Arbe, 49, Milano, Italy, 20125. *Commissione Nazionale per le Società e la Borsa*
Moscow	ING Bank (Eurasia) JSC, 36, Krasnoproletarskaya ulitsa, 127473, Moscow, Russia. *The Central Bank of Russia*
New York	ING Financial Markets LLC, 1325 Avenue of the Americas, New York, United States,10019. *Securities and Exchange Commission*
Prague	ING Bank NV, Prague Branch, Českomoravská 2420/15, Prague 9, Czech Republic. *Czech National Bank*
Singapore	ING Bank NV Singapore Branch, 19/F Republic Plaza, 9 Raffles Place, #19-02, Singapore, 048619. *Monetary Authority of Singapore*
Warsaw	ING Securities SA, Ul. Pulawska 2, Warsaw, Poland, 02-566. *Polish Financial Supervision Authority*

Disclaimer