

Company comments

Maintained

Hold

Price (25/11/13) 26.21

Maintained

Target price (12m) 26.00

Forecast total return 2.5%

Market cap 1,537.0m

Bloomberg BEKB BB

Bekaert: Bid for Pirelli steelcord operations should be win-win

According to Italian daily *Milano Finanza*, Bekaert has made a bid for Pirelli's steelcord division. The article suggests that the bid price is below 250m, while the activities generate a turnover of 300m and an EBITDA margin of 10%.

First thoughts:

- 1) We would see a deal as an incremental positive for Bekaert and believe this is likely a win-win for both companies. In our view, Pirelli is likely to source cheaper and higher quality steel cord going forward simply due to Bekaert's scale & scope and years of focus and R&D on steelcord. For Bekaert this represents a unique growth opportunity, which could entail a longer-term supply agreement with Pirelli.
- 2) Pricing seems in line: Assuming a bid price in the 200- 250m range, this would imply a bid multiple of 6.6x to 8.3x EBITDA, while Bekaert currently trades a c.7.2x EV/EBITDA 2013F.
- 3) We understand from the article that the bid price is less than Pirelli's asking price. Hence, Pirelli is likely to take time to decide on the transaction. The report said that Pirelli could even opt for an industrial partnership rather than a sale. The daily had said earlier that South Korean-based Hyosung, One Equity Partners and Unitas Capital are believed to have been admitted to the data room in September.

Filip De Pauw, Brussels +32 2 557 1692