

6 February 2015

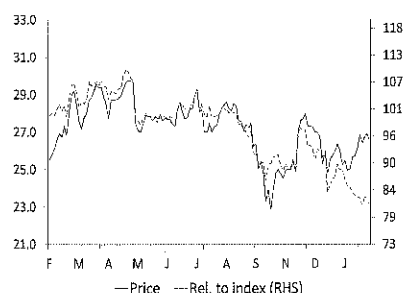
BEKAERT

Acquisition of Wire Ropes business of Arrium

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 26.60
TARGET PRICE € 30.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEKB.BB
Reuters BEKB.BR
www.bekaert.com

Market Cap € 1,592.9m
Shares outst. 60.1m
Volume (daily) € 2,114,127
Free float 62.0%

Next corporate event

Results FY14: 27 February 2015

(€ m)	2014E	2015E	2016E
Sales	3,167.2	3,391.1	3,482.2
REBITDA	340.9	380.1	379.3
Net earnings	100.4	113.7	124.0
Adj. EPS (€)	1.57	2.08	2.26
P/E (x)	17.0	12.8	11.8
EV/REBITDA	7.4	6.6	6.4
FCF Yield	6.9%	4.8%	8.0%
Dividend yield	3.2%	3.2%	3.8%

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Acquisition of Arrium's Wire Rope business:

Yesterday, after market, Bekaert announced it has reached an agreement with Arrium Limited for the acquisition of its Wire Ropes business in Newcastle, Australia.

The transaction is expected to add approximately € 40m in sales and has an Enterprise Value of about € 60m. Closing of the deal is expected to take place in 1Q15. The Australian ropes activities will be integrated in the newly established Bekaert Rope Group, a 65%/35% JV with Bekaert's Chilean partners.

Our view:

While no additional details have been disclosed, we expect the business to be highly profitable with margins significantly above Group average. This is also suggested by the EV/Sales multiple of 1.5x. Note that the business will be fully consolidated with 35% minority interest. Via the acquisition, Bekaert strengthens its market position in Wire Ropes and Wire Ropes for the mining industry in particular.

Acquisition of Pirelli's Turkish tire cord plant completed:

Bekaert this morning announced to have closed the acquisition of Pirelli's steel cord plant in Izmit, Turkey. The activities will be included in the numbers as from 1 February 2015. The closing follows upon ownership transferral of Pirelli's tire cord plants in Italy, Romania and Brazil as announced on 18 December 2014.

Our view:

Bekaert last year reached an agreement with Pirelli to acquire its steel cord activities. Both companies also agreed to enter into a long-term supply agreement. The transaction will add approximately € 300m in annual sales, € 28m in recurring EBIT and has an EV of approximately € 255m.

Bekaert has now closed the acquisition of Pirelli's steel cord plants in Italy, Romania, Brazil and Turkey. Closing of the acquisition of the fifth and final plant (China) is expected to occur soon, following obtaining of regulatory approvals.

We clearly welcome the acquisition of the Pirelli steel cord activities as it is to lift Bekaert's annual global steel cord production capacity with 150kt (all five plants) to close to 1mt. Even more important, both parties have entered into a long-term supply agreement of steel cord. At an estimated 5 to 6x EV/EBITDA, we consider the deal attractively priced.