

19 February 2015

## BEKAERT

### Early release of numbers

GENERAL INDUSTRIES  
BELGIUM

CURRENT PRICE € 28.68  
TARGET PRICE € 30.00

**ACCUMULATE**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEKB BB  
Reuters BEKB.BR

www.bekaert.com

Market Cap € 1,717.2m  
Shares outst. 60.1m  
Volume (daily) € 2,338,700  
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)	18.3	13.8	12.7
EV/REBITDA	7.8	6.9	6.7
FCF Yield	6.4%	4.4%	7.4%
Dividend yield	3.0%	3.0%	3.5%

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Bekaert this morning released a couple of key financials, ahead of publication of FY14 results on 27 February.

The company reported consolidated sales of € 3,216m, EBITDA of € 342m, EBIT of € 171m and EPS of € 1.51. We were looking for sales, EBITDA, EBIT and EPS of € 3,167m, € 341m, € 191m and € 1.72. Bloomberg compiled consensus was looking for € 3,242m, € 336m, € 182.4m and € 1.72.

Bekaert mainly refers to the deterioration of its tire cord activities in China towards the end of the year. The Company already had warned for this in its third quarter trading update and this was further put to the attention by Shougang's profit warning (see our MN of 19 December) at the end of December.

#### Our view:

Shougang warned in December for a consolidated loss of HK\$ 105-115m, mainly due to "the significant decline in the selling price of steel cords, especially during the second half. This decline is attributable to the slowdown in economic growth as well as intensified competition."

While this announcement was in-line with Bekaert's outlook statement post 1H14 results and 3Q14 trading update, warning for accelerated price pressure, we noted that in recent months the situation has deteriorated further with a sharp drop in demand impacting occupancy rates and overall margins.

#### Conclusion:

The Bekaert share price has increased by approximately 15% since mid-January on apparently speculation by some that Bekaert might beat market expectations. While we will fine-tune our numbers ahead of publication of FY results Friday next week, the announcement is not to change our view on the company. We were and remain prudent on Bekaert's tire cord activities in China given excess capacity and continuous price pressure eroding margins. Obviously this will remain a key concern in 2015 as well.