

24 February 2015

## BEKAERT

## Focus on margin evolution per region

GENERAL INDUSTRIES  
BELGIUM

CURRENT PRICE € 27.41  
TARGET PRICE € 30.00

**ACCUMULATE**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEKB.BB  
Reuters BEKB.BR

www.bekaert.com

Market Cap € 1,641.4m  
Shares outst. 60.1m  
Volume (daily) € 2,289,842  
Free float 62.0%

Next corporate event

Results FY14: 27 February 2015

(€ m)	2014E	2015E	2016E
Sales	3,216.0	3,442.7	3,535.8
REBITDA	341.6	374.4	372.2
Net earnings	88.7	103.6	107.1
Adj. EPS (€)	1.61	1.91	1.97
P/E (x)	17.1	14.4	13.9
EV/REBITDA	7.7	7.1	7.0
FCF Yield	0.9%	7.3%	6.1%
Dividend yield	3.1%	3.1%	3.6%

Wouter Vanderhaeghen

+32 2 429 37 30

wouter.vanderhaeghen@kbcsecurities.be

Alan Vandenberghe

+32 2 429 18 06

alan.vandenberghe@kbcsecurities.be

Friday, before market, Bekaert will release its FY14 results. An analysts meeting is scheduled the same day at 14:00 CET.

Last week, Bekaert already released some key financials. Sales, EBITDA, EBIT and earnings per share amounted to € 3,216m, € 342m, € 171m and € 1.51 per share. EBITDA was in-line with our (€ 341m) and ahead of consensus expectations (Bloomberg: € 336m). EBIT came below our (€ 191m) and consensus (Bloomberg: € 182.4m) expectations but difficult to read as we have no indication at all on non-recurring items.

Given that Bekaert has pre-released some key figures, our focus will be on the performance per region as well as quality of the numbers (i.e. non-recurring items). Consolidated sales in EMEA, NA, LAM and AP are seen at € 1,082m (+4.0%), € 553m (+1.0%), € 616m (-4.5%) and € 965m (+1.3%).

While Bekaert warned for some moderate slowdown in demand from the tire industry in Q4, EMEA is expected to have had an overall solid year with good margins. North America performed well, driven by automotive and construction sectors. Business in Latin America picked-up during the second half with good volumes and improving margins. The tire cord activities in China deteriorated towards the end of the year as indicated in Bekaert's third quarter trading update published in November and further highlighted by Shougang's profit warning issued in December. Capacity utilisation declined sharply towards the end of the year with volumes down, mainly in the high-end of the market. As such focus will be on the margin evolution in H2.

EBITDA contribution from EMEA, NA, LAM and AP for the full year is expected at € 167.7m (15.5% margin), € 36.0m (6.5% margin), € 43.1m (7.0% margin) and € 159.2m (16.5% margin). EBITDA margin in Latin America is expected to have picked-up from 6.1% in H1 to 7.8% in H2 while expected to have declined in Asia Pacific from 18.4% in H1 to 14.6% in H2. Recurring EBIT for the full year is seen at € 178.6m or 5.6% margin with contribution from EMEA, NA, LAM and AP for the full year of € 116.3m (10.7% margin), € 22.6m (4.1% margin), € 25.8m (4.2% margin) and € 74.6m (7.7% margin).

Net financial debt is expected at € 858.9m, significantly up vs. year-start. Note that Bekaert partially closed the Pirelli acquisition by the end of the year (three plants, EV of approximately € 150m) with closing of the remaining two plants (EV of approximately € 105m) in 1Q15.

**Conclusion:** As Bekaert already pre-released some key figures, focus will be on the quality of the earnings as well as performance of the regions with key trends and outlook. Outlook for AP will remain challenging with continued pressure on prices and margins for tire cord but at the other hand Bekaert will benefit from the initial consolidation of the Pirelli plants (about € 300m of annual sales with Recurring EBIT of about € 28m), activities in EMEA and NA are expected to remain strong while LA might turnaround (exception of Brazil).