

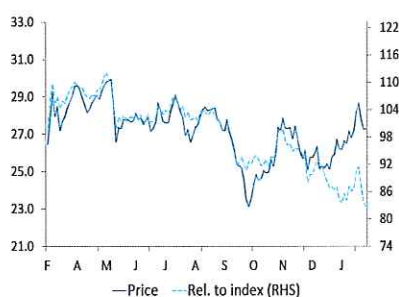
27 February 2015

BEKAERT

Cautiously optimistic about outlook

 GENERAL INDUSTRIES
 BELGIUM

 CURRENT PRICE € 27.28
 TARGET PRICE € 30.00

ACCUMULATE
 RATING UNCHANGED


Source: Thomson Reuters Datastream

 Bloomberg BEKB.BB
 Reuters BEKB.BR

www.bekaert.com

 Market Cap € 1,633.4m
 Shares outst. 60.1m
 Volume (daily) € 2,283,578
 Free float 62.0%

Next corporate event

Trading update 1Q15: 13 May 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)	17.0	14.3	13.9
EV/REBITDA	7.7	7.1	7.0
FCF Yield	0.9%	7.4%	6.2%
Dividend yield	3.1%	3.1%	3.7%

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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 CSSE (BBG: € 336m). EBIT came below our (€ 191m) and CSSE (BBG: € 182.4m).

Today Bekaert reports a REBIT of € 164m while we anticipated € 178.6m. From a regional perspective, EMEA sales are up 2.3% at € 1,064m (KBCSe € 1,082m) as demand was strong throughout 2014 across most sectors. Given the increased volumes and favourable mix evolution REBIT increased nearly 30% to € 114m (KBCSe € 116.3m). Bekaert expects continued solid demand in most European markets. With the integration of Pirelli, Europe will become an even more important contributor to the group. In North America, sales were in line (€ 555m vs. € 553m exp.). Bekaert reported an REBIT of € 20m (margin 3.6%) while we were anticipating € 22.6m (margin 4.1%). The segment continued to underperform due to underutilized production capacity and price pressure from imports. Additionally, Bekaert suffered from a fire at a production plant in Georgia. Bekaert foresees a slight improvement in most markets in 2015 but does not anticipate a major turnaround in profitability due to persistent pricing pressure and increased transportation expenses. Latam markets have become more competitive due to Asian imports as well as a downturn in mining and public infrastructure markets. Excluding acquisitions and the impact of Venezuela (volumes -40%), volumes were stable. Bekaert reported sales and REBIT of € 631m and € 26m while we were targeting € 616m and € 25.8m. Bekaert anticipates stable demand for 1Q15. Bekaert anticipates weakening business conditions in Brazil. Sales in Asia Pacific were in line with our expectations (€ 966m vs. € 965m exp.). The volume growth (+6%) was tempered by price erosion, FX movements and passed-on lower wire rode prices. Bekaert held on to stable prices in China during the weak 4Q14 and lost some market share in truck tires. Due to a rapid deterioration in 2H, profitability was significantly lower than expected with REBIT of € 66m while we were banking on € 74.6m. Bekaert projects difficult market conditions in China during 1Q15.

The company expects the low running rate of 4Q14 to continue into 1Q15. Nevertheless, Bekaert anticipates a positive impact from FX in 2015 and improving demand for the balance of the year. Bekaert is taking some measure to drive value creation and expects the recently acquired tire cord and ropes business to drive financial performance.

Net debt increased from € 574m to € 853m (KBCSe € 858.9m) as a result of capex and acquisitions (Pirelli € 207m) resulting in a 2.5x leverage.

Conclusion. The Asian market, China in particular, remains very challenging with stronger than expected margin pressure. The other segments are fairly in line with expectations. Nevertheless, the situation in North America is challenging due to pressure from price imports. The acquisition of Pirelli will progressively contribute to the numbers which should enable Bekaert to deleverage. Valuation remains attractive and the outlook statement is cautiously positive. As such, we reiterate our Accumulate and € 30 TP.