

2 March 2015

BEKAERT

Feedback analysts meeting

 GENERAL INDUSTRIES
 BELGIUM

 CURRENT PRICE € 27.11
 TARGET PRICE € 30.00

ACCUMULATE
 RATING UNCHANGED


Source: Thomson Reuters Datastream

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

 Market Cap € 1,623.5m
 Shares outst. 60.1m
 Volume (daily) € 2,242,143
 Free float 62.0%

Next corporate event

Trading update 1Q15: 13 May 2015

(€ m)	2014	2015E	2016E
Sales	3,215.7	3,441.7	3,535.3
REBITDA	341.9	359.3	365.5
Net earnings	87.2	88.0	103.5
Adj. EPS (€)	1.41	1.64	1.90
P/E (x)	19.2	16.6	14.3
EV/REBITDA	7.9	7.8	7.5
FCF Yield	-1.5%	2.0%	6.5%
Dividend yield	3.1%	3.1%	3.7%

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Friday afternoon Bekaert held its analysts meeting post FY14 results.

In Asia Pacific, Bekaert is suffering from lower demand and price erosion putting pressure on margins. As the tire cord business weakened significantly during the final quarter, this will continue to impact Bekaert in 2015. Price pressure is still guided at high single digit on an annual basis. Capacity utilisation at Bekaert is said to have dropped from above 90% to mid-70's. Bekaert estimates Xingda to have higher capacity utilisation (still above 90%) while sector is said to be below 70% with capacity utilisation at some players at extremely low levels. Going forward, Bekaert is most likely to focus on taking out further costs as efforts to increase prices are most likely to result into loss of marketshare. Bekaert is not considering to move excess capacity from China to other regions as it prefers to have its buffer capacity in China for exports. Sawing wire currently stands for approximately 10% of revenues in Asia Pacific with EBITDA margin of about 15% and REBIT margin not much different from that, given significant impairments in the past.

Bekaert is targeting REBIT margin of 7% over a 3 years horizon. However, the company is balancing this absolute margin target with ROIC and growth criteria. In the short term, Bekaert will see growth and margin enhancement from its recent investments and M&A activities, i.e. integration of the Pirelli activities. On the medium term, the Company has identified 5 core strategies: customer centricity, value driven growth, technological leadership and speed, leverage scale by reducing complexity and finally continuous focus on costs. With regards to the reaching the 7% margin objective, it is clear that restoring profitability in Asia Pacific is key. While there is always room to do better, further upside from EMEA is more limited.

Conclusion:

The outlook for AP will remain challenging with significant excess capacity in the market and continuous price erosion putting pressure on prices. At the other hand, Bekaert this year will benefit from the integration of the Pirelli plants (about € 300m in sales with REBIT of about € 28m). Business in EMEA is expected to remain firm while business activities in North America but especially Latin America are expected to pick up. On the longer term, Bekaert remains committed to restore its EBIT margin to 7%.