

13 May 2015

## BEKAERT

## Chinese tire cord market bottoming out

 GENERAL INDUSTRIES  
 BELGIUM

 CURRENT PRICE € 25.99  
 TARGET PRICE € 30.00

 ACCUMULATE  
 RATING UNCHANGED


Source: Thomson Reuters Datastream

 Bloomberg BEKB.BB  
 Reuters BEKB.BR

www.bekaert.com

 Market Cap € 1,556.4m  
 Shares outst. 60.1m  
 Volume (daily) € 2,542,902  
 Free float 62.0%

Next corporate event

Results 1H15: 31 July 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	15.9	13.7
EV/REBITDA	7.9	7.6	7.4
FCF Yield	-1.5%	2.1%	6.8%
Dividend yield	3.1%	3.3%	3.8%

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Bekaert this morning released its 1Q15 trading update. The company will host its AGM later today at 10:30 in Kortrijk.

Bekaert reported consolidated sales of € 904m, up 16% y/y. We were looking for € 896m, company compiled consensus was looking for € 904m. Sales growth was driven by currency movements (+10%) and acquisitions (+10%), partially offset by a 4% organic sales decline. This organic sales decline is mainly a result of lower volumes with overall no significant impact from raw material prices or price mix.

Consolidated sales in EMEA, NA, LA and AP are reported at € 313m, € 153m, € 195m and € 243m vs. our forecast for € 321m, € 165m, € 175m and € 235m and company compiled consensus looking for € 321m, € 156m, € 175m and € 252m.

Organic sales in EMEA were stable across the region with strong demand from automotive and construction markets while slowing down in energy-related markets. Positive currency movements drove up sales in NA by 18% but about half of this was offset by the organic decline due to volume losses following the fire at the Rome plant. Organic sales in LA increased by about 3% with Bekaert anticipating modest organic growth in the second quarter as well. Sales declined by 11% organically in Asia Pacific, mainly as a result of the demand slowdown and price erosion in the Chinese tire cord market. However, Bekaert believes the market has bottomed out given that volumes picked-up from March onwards.

Net financial debt increased from € 853m at year-start to € 1,084m at the end of March, mainly reflecting acquisitions as well as some increase in working capital driven by seasonal effects as well as currencies.

Bekaert issued a generally favourable outlook statement expecting its business activities in automotive markets to remain strong in EMEA and improve in Asia, where volumes have picked up since March. The company projects continued subdued demand for steel ropes and other industrial wires serving the oil and gas industry. With the exception of Brazil, Bekaert expects a continued steady improvement in Latin America.

Bekaert expects further growth for the second quarter with full effect of the recent acquisitions on top of seasonal effects, favourable currency movements as well as positive impact from lower oil prices and QE in Europe.

**Conclusion:** Bekaert reported consolidated sales for the quarter in-line with expectations and boosted by acquisitions and favourable currency movements. While organic sales were flat to slightly positive in EMEA and LA, they were down sharply in NA and AP. Bekaert issued a generally favourable outlook statement and flagged a pick-up in volumes in the Chinese tire cord market as from March onwards.