

13 November 2015

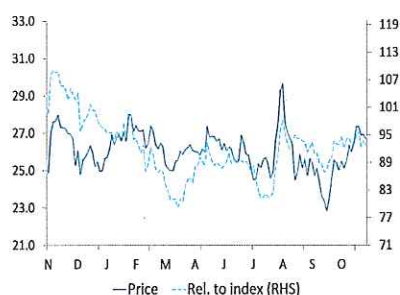
BEKAERT

Strong reduction in net financial debt

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 26.70
TARGET PRICE € 30.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEKB BB
Reuters BEKB.BR

www.bekaert.com

Market Cap € 1,598.6m
Shares outst. 60.1m
Volume (daily) € 3,102,175
Free float 62.0%

Next corporate event

(€ m)	2014	2015E	2016E
Sales	3,215.7	3,674.8	3,776.5
REBITDA	341.9	397.7	417.7
Net earnings	87.2	92.1	109.5
Adj. EPS (€)	1.41	1.67	2.00
P/E (x)	19.2	15.9	13.4
EV/REBITDA	7.9	7.2	6.6
FCF Yield	-1.5%	-1.6%	8.7%
Dividend yield	3.1%	3.2%	3.7%

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Bekaert this morning released its 9M15 trading update.

The Company reported consolidated sales for the quarter of € 899m, up 10.4% y/y. Acquisitions and currency movements accounted for over 15%. Sales declined by 5% organically as a result of positive price-mix and volume effects (+1%) offset by passing through of lower wire rod prices (-6%). We were looking for consolidated sales of € 919m, company compiled consensus (8 brokers participating) was at € 943m.

Consolidated sales for the quarter from EMEA, NA, LA and AP were at € 296m, € 146m, € 180m and € 277m up 12.1%, 4.3%, 10.4% and 12.1% respectively. Sales from AP were ahead of expectations while sales in the other regions were below, mainly to be explained by passing trough of lower wire rod prices.

Bekaert achieved flat organic growth in EMEA driven by higher volumes being offset by the adverse impact of passed-on lower raw material prices. Consolidated sales in North America were up 4% with the favourable currency impact (+15%) offsetting the organic sales decline, driven mainly by the volume loss due to the fire at the Rome plant. On 7 October, the bead wire production plant in Rome was officially reopened. Sales in Latin America were up by 10% driven by acquisitions, organic volume growth and improved price-mix while the impact of currency movements was almost neutral. Bekaert achieved 12% sales growth in Asia Pacific driven by acquisitions (+7%) and currency effects (+13%) being offset mainly by passed-on lower wire rod prices.

Net financial debt declined by € 117m vs. end of June to € 906m at the end of September. The decline is driven by a decrease in working capital as well as healthy cash generation. Net financial debt by the end of the year is guided at around € 900m, better than expected.

Bekaert gave a relatively upbeat outlook statement. The company anticipates continued strong demand from automotive markets while oil and gas markets are projected to remain subdued and the difficult economic environment in Latin America is likely to persist. The Company expects a strong contribution from recent acquisitions and investments. Bekaert does not project a major sales decline in Chinese tire markets. Currency movements in the final quarter are expected to be neutral but top line will be impacted by lower wire rod prices, similar as in the third quarter (-6%). Bekaert is implementing a program aimed at optimising the Company's manufacturing cost base and product portfolio analysis and expects these acquisitions to drive improved margins in the second half and going forward.

Conclusion: Despite the miss on the top line, which is mainly to be explained by passing-on of lower wire rod prices, we consider the trading update as fairly positive. Company is guiding for improved margins while its net financial debt evolves favourably.