

9 December 2015

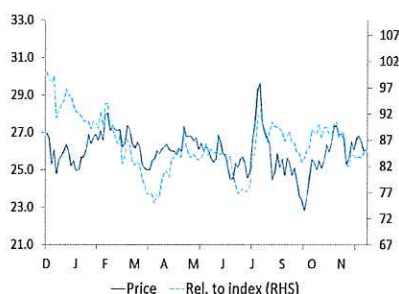
BEKAERT

Feedback conference call

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 26.04
TARGET PRICE € 30.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

| | |
|-----------------|-------------|
| Bloomberg | BEKB.BB |
| Reuters | BEKB.BR |
| www.bekaert.com | |
| Market Cap | € 1,559.4m |
| Shares outst. | 60.1m |
| Volume (daily) | € 2,999,067 |
| Free float | 62.0% |

Next corporate event

Results FY15: 26 February 2016

| (€ 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 | 15.6 | 13.0 |
| EV/REBITDA | 7.9 | 7.1 | 6.5 |
| FCF Yield | -1.5% | -1.7% | 8.9% |
| Dividend yield | 3.1% | 3.3% | 3.8% |

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Yesterday, Bekaert hosted a conference call with sell-side analysts to further discuss the creation of the Bridon Bekaert Ropes Group (BBRG).

Recall that the Transaction will unfold into two major steps. Bekaert first will first lift its stake in Bekaert Rope Group from 65% to 100%, acquiring the 35% interest held by Matco Cables SpA. Afterwards, Bekaert Rope Group is to merge with Bridon into BBRG with Bekaert holding 66.7% and Ontario Teacher's Pension Plan (OTPP) 33.3%.

The Transaction is expected to add € 370m to Bekaert's pro-forma debt. This includes € 85m paid by Bekaert to Matco Cables in return for its 35% stake in Bekaert Rope Group. BBRG (fully consolidated with 33.3% minorities) will have a net financial debt of about € 320m of which € 35m debt transferred from Bekaert and € 285m from OTPP. Recall that OTPP acquired Bridon in 2014 for about £ 365m. New debt raised at BBRG will be ring-fenced, non-recourse to Bekaert Group.

BBRG will have annual revenues of about € 600m with margins of about 7% and potential to expand given synergy potential as well as the fact that part of business exposed to oil & gas is at bottom of the cycle. Bridon brings in about € 350m of annual sales with current margins somewhat below 7%, given significant exposure to the oil and gas industry (about 1/3). Bekaert brings in about € 250m in annual revenues with current margins above 7%. Through the cycle, the ropes business is said to have margins above Group average.

Management stated it is too early to put a number on synergies. However, they target synergies on all fronts: cost, operational and commercial synergies. Synergies are expected to be realised over a 3 years period.

The transaction is expected to be EPS enhancing as from 2017. The reason for that is that transaction will only be concluded in the course of 2016 and there will also be some one-off costs.

Conclusion:

The conference call provided more insights into the metrics of the merger, i.e. net financial debt of BBRG and split between debt transferred from Bekaert and OTPP. We continue to welcome the transaction as it allows Bekaert to become a global leader in ropes as well as opens up for synergies.