

4 March 2014

BEKAERT

Lower debt level allows for value accretive deal

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 27.90
TARGET PRICE € 30.00

ACCUMULATE
RATING UPGRADED



Source: Thomson Reuters Datastream

Bloomberg BEKB.BB
Reuters BEKB.BR

www.bekaert.com

Market Cap € 1,670.8m
Shares outst. 60.1m
Volume (daily) € 3,100,085
Free float 62.0%

Next corporate event

Trading update 1Q14: 14 May 2014

(€ m)	2013	2014E	2015E
Sales	3,185.6	3,304.3	3,537.4
REBITDA	297.0	328.3	382.8
Net earnings	24.6	64.1	101.7
Adj. EPS (€)	0.78	1.23	1.88
P/E (x)	31.7	22.7	14.9
EV/REBITDA	7.5	8.2	7.0
FCF Yield	13.3%	1.8%	4.2%
Dividend yield	3.4%	3.6%	3.6%

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Following publication of FY13 results and agreement with Pirelli to acquire its steel cord activities, we see room to upgrade from Hold to Accumulate with new target price of € 30 per share (€ 26).

FY13 results:

Supported by its cost savings program, Bekaert last year managed to increase its recurring EBIT by 41.6% to € 165.9m (5.2% margin). We see further improvements in profitability in FY14 and FY15 driven by further cost savings benefits kicking-in as well as contribution from the Pirelli assets.

Significant reduction in net financial debt:

Bekaert positively surprised lowering its net financial debt from € 700.2m at year-start to € 574.1m at year-end. Working capital was reduced further by € 105m with Bekaert in particular working on accounts receivables.

Good progress with cost savings:

As from the current year, Bekaert will realise the full benefit of its cost savings program, estimated at around € 100m p.a. vs. € 70m realised in FY13 and € 20m in FY12. Parts of these benefits are offset by cost inflation estimated at € 15m p.a.

Value accretive acquisition:

We welcome the acquisition of the Pirelli steel cord activities as it is to lift Bekaert's annual global steel cord production capacity with 150kt to close to 1mt. Equally important, both parties have entered into a long-term supply agreement of steel cord to Pirelli. At 5 to 6x EV/EBITDA, we consider the deal attractively priced.