

24 June 2014

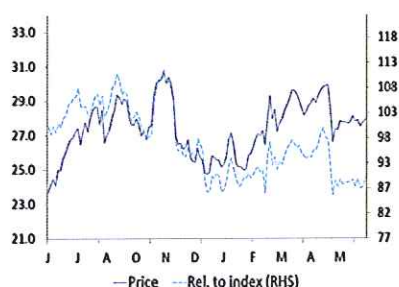
BEKAERT

Turning organisation more customer oriented

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 27.92
TARGET PRICE € 30.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

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

Market Cap € 1,672.0m
Shares outst. 60.1m
Volume (daily) € 2,500,440
Free float 62.0%

Next corporate event

Results 1H14: 1 August 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%

Wouter Vanderhaeghen

+32 2 429 37 30

wouter.vanderhaeghen@kbcsecurities.be

Alan Vandenbergh

+32 2 429 18 06

alan.vandenbergh@kbcsecurities.be

Yesterday, Bekaert held its Capital Markets Day in Zwevegem, Belgium. Presentations were given by Chairman Bert De Graeve, CEO Matthew Taylor, CFO Bruno Humblet and Lieven Larmuseau, EVP of the Ruber Reinforcement platform.

Improvements in NA: Bekaert confirmed the positive trends seen in EMEA while its sees some improvement in North America, i.e. in demand for tire cord. Business in Latin America is facing a slowdown, in line with the GDP trend. Market shares remain intact though. In China, Bekaert sees significant volume growth in steel cord. However, price pressure continues and was guided at about "mid-single digit % on an annual basis". Sawing wire is growing again but won't make a significant contribution to results.

View of new CEO: Based upon his experiences over the first couple of months at Bekaert, Mr. Taylor wants to shift the organization from strong focus on operations towards the customer. Focus in commercialising will shift from selling products towards offering solutions to market segments. A further opportunity lies in reducing overall complexity in the organization in order to better manage costs. More focus will be given to gaining enough scale in order to drive down costs and create more value. With regards to metrics/targets, the CEO prefers a broader dashboard (though the 7% margin objective remains in place) with more focus on return on capital employed.

E.g. was value creation via "filler products", which are lower margin but can create value for the company as less capital intense. The Industrial Steel Wires business platform, and more in particular the case of the Czech and Slovakian plant as well as Bekaert Southern Wire in South-East Asia, was used as an example of how value could be created with "filler capacity". Growth in a new region was initiated through lower value added products, after which the business mix is gradually moved up towards more strategic segments and complemented with trading. In the end a product mix is achieved whereby "filler products" account for a minimum of 15% up to a maximum of 30 to 35%, depending upon the cycle.

Continued growth in tire cord: With regards to tire cord for rubber reinforcement, Bekaert expects the market to grow by about 4% p.a. Growth in the short term at Bekaert however is expected to exceed this level. Interesting to note is that global tire manufacturers (Big5) are planning significant capital expenditure in mature markets. This might result into Bekaert investing into additional production capacity in the Americas. Further growth opportunity for Bekaert is in increasing its market share with strong Asian tire manufacturers, which are building up capacity outside of Asia.

Conclusion: While the CMD did not provide major scoops, we note improved market conditions in North America. The new CEO seems determined to make the organization more customer oriented (from current operational focus). Growth opportunities are seen in a wider range of products (including base products) as long as it creates value. Rating and target price confirmed.