

29 July 2014

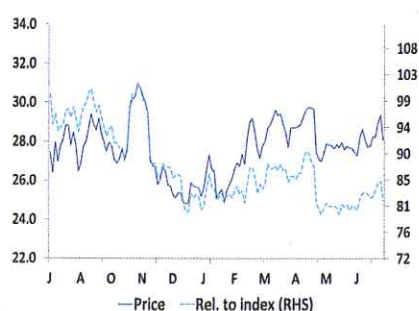
BEKAERT

REBIT anticipated in-line with same period last year

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 28.10
TARGET PRICE € 30.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEKB.BB
Reuters BEKB.BR

www.bekaert.com

Market Cap € 1,682.8m
Shares outst. 60.1m
Volume (daily) € 2,343,594
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	22.8	15.0
EV/REBITDA	7.5	8.2	7.0
FCF Yield	13.3%	1.7%	4.1%
Dividend yield	3.4%	3.6%	3.6%

Wouter Vanderhaeghen

+32 2 429 37 30

wouter.vanderhaeghen@kbcsecurities.be

Alan Vandenberghe

+32 2 429 18 06

alan.vandenberghe@kbcsecurities.be

Friday, before market, Bekaert will release 1H14 results. An analysts meeting is scheduled later that day at 14:00.

Consolidated sales were down 2.1% y/y in the first quarter with organic growth of 4.2% offset by adverse currency movements (-5.9%) and the net effect of acquisitions/divestments (-0.4%). With regards to the outlook, Bekaert expected sustained solid demand in Europe and indicated it will continue to defend and grow its market share in China. Currency movements were expected to also negatively impact 2Q14. At the Capital Markets day end of June, Bekaert proved more upbeat on North America compared to the 1Q14 trading update. Latin America remained the most challenging market with a slowdown in-line with GDP trend while Bekaert is maintaining market shares. In Asia Pacific, Bekaert was facing good volume growth in tire cord due to good market demand and increased market shares. However, price pressure continues and is estimated at about mid-single digit % annualised.

Michelin this morning released its 1H14 results. Global volumes in passenger car tires increased by 4% OEM and 5% replacement. In truck tires, volumes were up 1% OEM and 3% replacement. We note a weak market in Latin America with significant volume declines both in passenger car (OEM down 18%) and truck tire markets (down 9% OEM and 3% replacement) while North America came strong both in passenger (+3% OEM, 6% replacement) and truck tire (+10% OEM, +9% replacement) markets. Finally we note that volume growth slowed globally in Q2 and especially in Asia Pacific (Q2 Truck Tire market -5% OEM and 0% replacement).

In our scenario, we expect Bekaert to report consolidated sales of € 1,623.7m, down 1.5% y/y. Company compiled consensus (7 brokers participating) is looking for € 1,626m. Consolidated sales in EMEA, North America, Latin America and Asia Pacific are seen at respectively € 562.0m (+5.6%), € 283.5m (-3.9%), € 290.6m (-17.4%) and € 487.6m (+3.7%).

Recurring EBIT is seen at € 90.3m (5.6% margin), in-line with the € 91.0m recorded in the same period last year. Contribution from EMEA, North America, Latin America and Asia Pacific is seen at € 53.4m, € 9.9m, € 20.3m and € 40.5m. Consensus is looking for a REBIT at € 93m.

We expect Bekaert to report EBITDA, EBIT, result from joint ventures and net result, group share at respectively € 168.3m, € 84.3m, € 11.0m and € 33.2m.

Conclusion:

We expect Bekaert to release REBIT in-line with the same period last year. Good volume growth is expected in EMEA, while a pick-up in demand is expected in North America. Strong volume growth is expected in Asia Pacific but price pressure remains. Latin America remains the most challenging with both a decline in demand as well as adverse currencies.