

1 August 2014

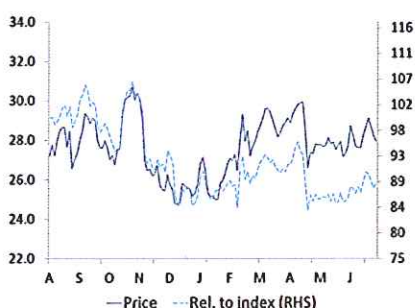
BEKAERT

Firm H1 results but prudence on steel cord China

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 27.94
TARGET PRICE € 30.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	BEKB.BB
Reuters	BEKB.BR
www.bekaert.com	
Market Cap	€ 1,672.9m
Shares outst.	60.1m
Volume (daily)	€ 2,279,829
Free float	62.0%

Next corporate event

Trading update 3Q14: 14 November 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%	1.7%	4.2%
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

Bekaert this morning released 1H14 results. An analysts meeting is scheduled later today at 14:00 CET.

Consolidated sales declined by 2.4% y/y to € 1,608.8m, vs. our and consensus forecasts of respectively € 1,623.7m and € 1,626m. Organic growth was 2.6% split into 3.9% volume growth, -2.9% impact from lower raw material prices and 1.7% positive price/mix.

In EMEA, Bekaert realised strong volume growth (7%) driven by solid demand from most sectors. Consolidated sales were up 4.3% with organic growth of 5.9%. Consolidated sales in North America declined by 4.7%, mainly as a result of unfavourable currency movements. Sales were flat y/y (+0.2%) on an organic basis with volumes up 1.9%. Consolidated sales in Latin America were down sharply (-16.2% y/y) with significant adverse currency impact (-10.5%). Sales declined 7.7% organically with volumes down 5.5%. Sales in Asia Pacific were up 1.7% with strong organic growth of 8.1% reflecting strong volume growth (10%).

Recurring EBIT increased from € 91.0m (5.5% margin) in the same period last year to € 101.2m (6.3% margin), a beat on both our (€ 90.3m) and consensus (€ 93.0m) estimates. REBIT contribution of EMEA, North America and Asia Pacific of € 64.0m, € 14.0m and € 43.0m exceeded expectations (KBC: € 53.4m, € 9.9m and € 40.5m) while Latin America came weaker at € 11.0m (€ 20.3m expected).

There was a € 16.6m positive impact from non-recurring items (vs. negative impact included in both our and consensus estimates), including € 7m capital gain on the sale of real estate, lifting the operating result to € 117.8m. EBITDA was € 190.5m. Contribution from joint ventures was € 12.5m, in-line with our (€ 11m) and consensus (€ 13m) forecasts. Bottom-line, Bekaert reports a net result, group share, of € 78.4m, up from € 26.2m in the same period last year.

Net financial debt increased from € 574m at year-start to € 673m, reflecting the dividend payment and share buybacks. Capital expenditure was € 61m and is expected to accelerate further in the coming months.

In its outlook statement, Bekaert assumes an unchanged overall business climate for the rest of the year while remaining cautious as it perceives an acceleration of price erosion in China and expects a dampening impact on further volume growth given recent US anti-dumping measures against passenger and light truck tires from China. In addition to the usual seasonal pattern, Bekaert expects a moderate slowdown in the European tire markets while it believes the markets in Latin America have bottomed out.

Conclusion: Bekaert clearly outperformed expectations, driven by good results in EMEA as well as better-than-expected results in North America and Asia Pacific. We expect a positive share price reaction although the warning