

10 November 2014

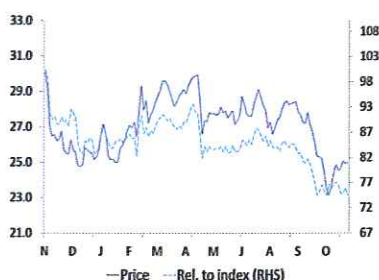
BEKAERT

Preview 3Q14 Trading Update

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 25.00
TARGET PRICE € 30.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	BEKB.BB
Reuters	BEKB.BR
www.bekaert.com	
Market Cap	€ 1,497.1m
Shares outst.	60.1m
Volume (daily)	€ 1,902,183
Free float	62.0%

Next corporate event

Trading update 3Q14: 14 November 2014

(€ m)	2013	2014E	2015E
Sales	3,185.6	3,167.2	3,391.1
REBITDA	297.0	340.9	380.1
Net earnings	24.6	100.4	113.7
Adj. EPS (€)	0.78	1.57	2.08
P/E (x)	31.7	15.9	12.0
EV/REBITDA	7.5	7.1	6.3
FCF Yield	13.3%	7.3%	5.1%
Dividend yield	3.4%	3.4%	3.4%

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Thursday, before market, Bekaert will release its 3Q14 trading update.

At publication of 1H14 results, Bekaert expected overall an unchanged business climate for the rest of the year. The Company remained cautious on the outlook though given accelerate price pressure in the Chinese steel cord market. Bekaert expected the market to have bottomed-out in Latin America while anticipating a moderate slowdown in the European tire cord markets, on top of the normal seasonal effects in the second half. The recovery in North America was considered as fragile with limited visibility on project business from public sector investments.

Michelin's 3Q14 trading update suggested the tire market slowdown observed since the second quarter to have continued into the third. Global demand for passenger car tires increased by 2% (OEM) and 3% (replacement) during the quarter. Growth in the European market slowed significantly in the third quarter to 0% (OEM) and 1% (replacement). The market collapsed by 18% (OEM) in Latin America. Strong demand growth was observed in North America both OEM (+7%) as well as replacement (+3%). Asian demand was up 3% both OEM and replacement. Global demand growth was flat for the OEM truck tire market and up 2% for the replacement market. We especially noted weak demand in Europe (down 10% OEM, and 3% replacement). Strong demand growth was recorded in North America (up 19% OEM and 7% replacement). Demand fell sharply in Latin America (down 27% OEM and down 5% replacement) while slowing in Asia (down 1% OEM and up 4% replacement).

In our scenario, we expect Bekaert to report consolidated sales of € 804m, up 4% y/y with consolidated sales in EMEA, North America, Latin America and Asia Pacific at respectively € 271m, € 139m, € 149m and € 245m. Company compiled consensus is looking for consolidated sales for the quarter of € 794m with a low and high of respectively € 770m and € 824m.

Conclusion:

Bekaert sprang a positive surprise in H1, mainly driven by a solid performance in EMEA on good volumes, improved mix as well as sustained effects of the cost savings while also North America and Asia Pacific outperformed on expectations. With regards to the third quarter revenues and outlook for the balance of the year, we expect Bekaert to reconfirm a slowdown in Europe, continued price pressure in the Chinese tire cord market, improving business environment in North America while Latin America has bottomed out on low levels. We further look out for an update on the acquisition of the Pirelli tire cord platform.