

14 November 2014

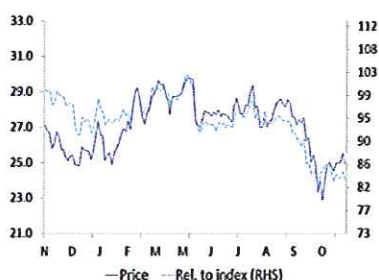
BEKAERT

Strong trading update supported by Latam

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 24.90
TARGET PRICE € 30.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	BEKB.BB
Reuters	BEKB.BR
www.bekaert.com	
Market Cap	€ 1,490.8m
Shares outst.	60.1m
Volume (daily)	€ 1,854,046
Free float	62.0%

Next corporate event

Results FY14: 27 February 2015

(€ 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%	7.4%	5.1%
Dividend yield	3.4%	3.4%	3.4%

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Bekaert this morning released its 3Q14 trading update. The company reported consolidated 3Q14 sales of € 814m, up 5% (+5.6% organic, +0.8% M&A and -1.2% FX) y/y and ahead of our (€ 804m) and consensus (€ 794m) expectations. Organic growth can be split into 3.6% volumes, -2.5% wire rod prices and 4.4% price mix.

Consolidated sales increased by 2% y/y in EMEA to € 264m (KBC: € 271m). Organic growth was 3.5% (4.3% volumes, -0.9% wire rod prices and 0.2% pricing). The segment has seen an uplift in volumes and revenues driven by strong demand from the automotive sector, energy markets and other industrial sectors. Bekaert expects a moderate slowdown in demand from the tire industry in 4Q, on top of normal seasonal effects.

Strong growth was recorded in North America with consolidated sales for the quarter up 8% to € 140m, in-line with expectations (KBC: € 139m). Organic growth was 7.7% (9.6% volumes, -2.1% wire rod prices and 0.1% pricing). Growth was driven by higher demand from automotive and construction markets. The company projects 4Q demand to remain stable, while taking into account seasonal effects.

Latin America surprised positively with consolidated sales up 13% at € 163m (KBC: € 149m). Organic growth for the quarter was 9.3% with volume decline of 6.9%. Additionally, Bekaert successfully implemented selling price increases, outperforming inflation. For 4Q Bekaert anticipates a confirmation of the upward trend with the exception of Brazil, where subdued demand conditions are assumed to persist.

Consolidated sales for the quarter in Asia Pacific were up by 3% y/y at € 247m, in-line with expectations (KBC: € 245m). Organic growth was 4.4% (8.8% volumes, -2.9% wire rod prices and -1.5% pricing). Note that sawing wire sales grew strongly. Bekaert perceives continued price erosion in Chinese tire markets for 4Q, and anticipates an overall slowdown in its key industrial markets.

Despite a rapid approval process by the respective merger control authorities in Europe and Brazil, Bekaert does not anticipate the acquisition of Pirelli's steel cord activities closing in 2014 due to an extension of merger control procedure in Turkey. Note that we have Pirelli in our scenario as of 1Q15.

At the end of September net debt was € 717m, down versus last year (€ 730m) while up compared to € 574m at end-2013 due to an increase in working capital and the share buy-back program.

Conclusion:

Top-line was slightly better than expected, supported by a solid performance in Latin-America where an inflexion point has apparently been reached. For the other regions, as expected the outlook calls for more prudence. In China, sawing wire seems to be gaining momentum again.