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Bekaert Full Year Results 2015

Matthew Taylor, CEO
Bruno Humblet, CFO

26 February 2016

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Matthew Taylor

Chief Executive Officer

Highlights

- Consolidated sales of € 3.7 billion (+14%) and combined sales of € 4.4 billion (+9%).
- Currency impact: € 270 million (+8.4%) on consolidated sales and € 149 million (+3.7%) on combined sales.
- Gross profit of € 598 million (16.3% margin) compared with € 486 million (15.1%) in 2014.
- REBIT of € 223 million (6.1% margin) compared with € 164 million (5.1%).
- Non-recurring items of € -3 million compared with € +7 million.
- EBIT of € 220 million compared with € 171 million or a margin on sales of 6.0% compared with 5.3%.
- EBITDA of € 441 million compared with € 342 million or a margin on sales of 12.0% versus 10.6%.
- Net debt/EBITDA of 1.9X (from 2.5X in 2014).
- EPS: € 1.83 compared with € 1.51.
- Dividend: € 0.90 per share, versus € 0.85 last year

Economic environment

- Slow overall growth rate caused pressure across most sectors.
- Overcapacity in the global steel market due to the slowdown in China, created competitive pressure in SEA and Latin America.
- Low commodity and oil prices negatively impact the economies in Latin America.
- Lower oil prices drove higher automotive spending.
- Increased volatility of currencies.

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EMEA:

- Stable markets at strong level, driven by automotive and construction
- Weakening Oil and Gas sector
- Successful integration of Pirelli tire cord plants
- Exit from stainless steel wire business and divestment of carding solutions
- Sustained focus on cost control and product portfolio optimization

North America:

- Strong demand in automotive but negative impact of Rome fire
- Industrial wire segment continues to suffer from overcapacity and related low prices
- Oil and Gas sector very weak

Business review (2)

Latin America:

- Improved performance in weakening economic environment
- Stable to increasing market share
- Improved price-mix while pricing pressure from Chinese imports remains
- Brazil: difficult economic climate - low real raises competitiveness against imports and integration former Pirelli plant strengthened our portfolio
- Venezuela shutdown since early 2016 due to lack of wire rod

Asia Pacific:

- Slower growth rate and continued overcapacity in China
- Regained market share in tire markets by innovation and total cost reduction
- Robust growth from increased demand in solar markets and better product mix in our sawing wire platform: differentiation through innovation and cost
- Turnaround of loss-making activities in South-East Asia and South Asia
- Divestment (carding solutions) or exit (stainless steel wire) from business platforms where a turnaround was not possible
- Solid cash generation: EBITDA margin above 18% in 2015

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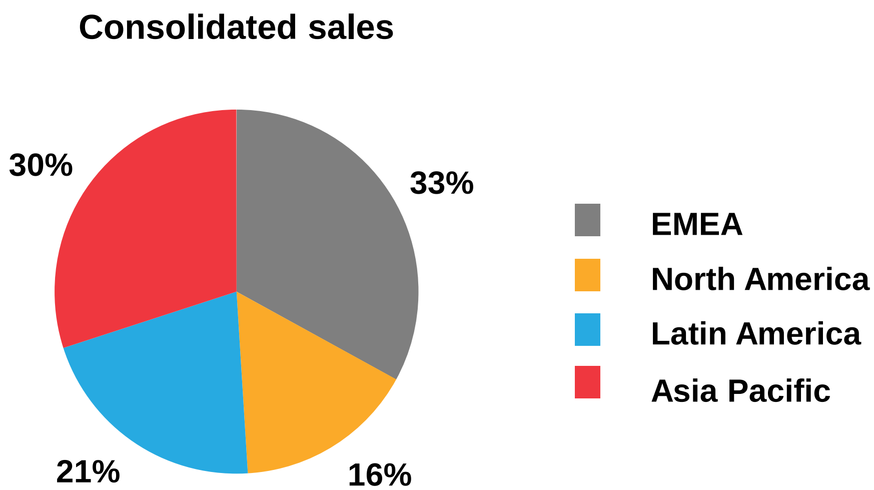
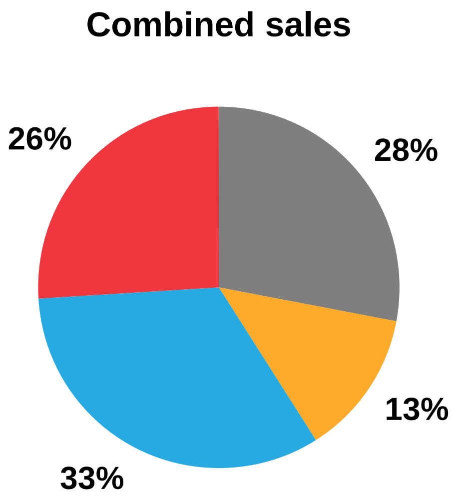
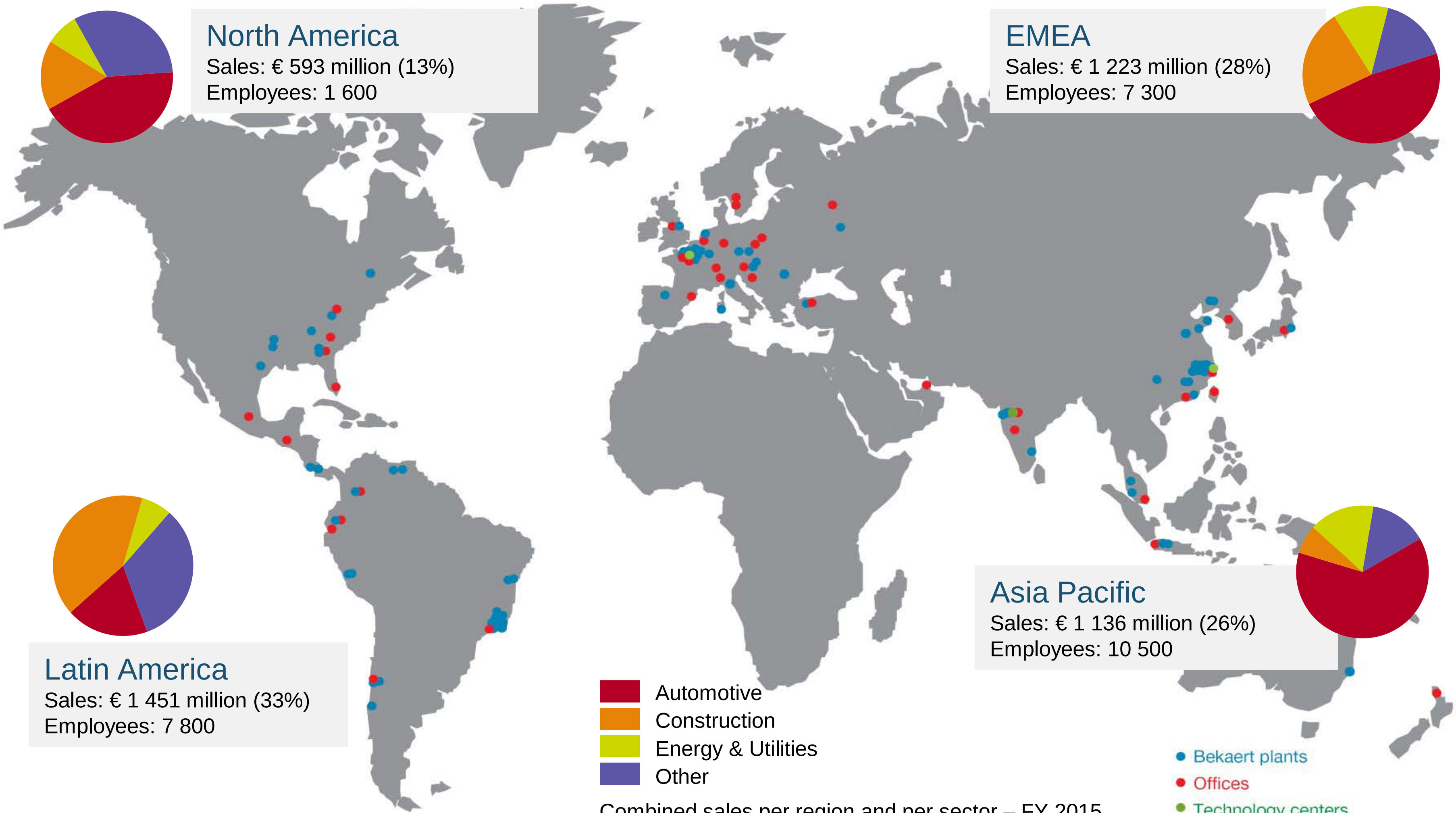
Sales by segment

2015	Consolidated sales		Combined sales	
	In mio €	Variance	In mio €	Variance
EMEA	1 227	+15%	1 223	+17%
North America	593	+7%	593	+7%
Latin America	764	+21%	1 451	+2%
Asia Pacific	1 086	+12%	1 136	+12%
Total	3 671	+14%	4 402	+9%





Bekaert global presence



Combined sales per region and per sector – FY 2015

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Bruno Humblet

Chief Financial Officer
EVP Regional Operations Latin America

Consolidated income statement: key figures

(In mio €)	2014	2015
Sales	3 216	3 671
Cost of sales	(2 730)	(3 073)
Gross profit	**486**	**598**
Gross profit margin	15.1%	16.3%

- Sales growth of 14% reflects:
  - Incremental sales from acquisitions/divestitures of 9%.
  - Positive impact of exchange rate movements for 8%.
  - 2% organic increase including 4% positive mix, partly offset by 1% volume decline and 1% price erosion.
  - Passed-on lower wire rod prices had 5% negative impact.
- Gross margin improvement due to good cost control offsetting price erosion and strong growth in higher value added businesses.

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Consolidated income statement: key figures

(In mio €)	2014	2015
Gross profit	**486**	**598**
Selling expenses	(138)	(156)
Administrative expenses	(127)	(150)
R&D expenses	(59)	(65)
Others	3	(5)
Operating result before non-recurring items (REBIT)	**164**	**223**

- SG&A remained flat at 10% of sales.
- Selling expenses increase of € 18 million mainly reflect FX impact € 11 million and incremental reserves for potential bad debt for € 5 million.
- Administrative expenses increased with € 23 million due to i) € 14 million related to M&A activities and external support for manufacturing excellence program, ii) € 4 million acquisitions and iii) € 5 million FX impact.
- R&D expenses increase due to the integration of the Pirelli tire cord R&D team.

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Consolidated income statement: key figures

(In mio €)	**2014**	**2015**
Operating result before non-recurring items (REBIT)	164	223
REBIT margin on sales	5.1%	6.1%
Non-recurring items	7	(3)
Operating result (EBIT)	171	220
EBIT margin on sales	5.3%	6.0%
EBITDA	342	441
EBITDA margin on sales	10.6%	12.0%

- REBIT increase of 36% driven by successful integration of acquisitions, cost control and better product mix partly offset by price erosion and one off cost for M&A activities and consultancy support.
- Non-recurring items include impairment of assets in Asia and costs to optimize the organizational structure, offset by the gain on the divestment of the carding business and the final proceeds from the Rome fire.
- Strong improvement in cash generation in the business.

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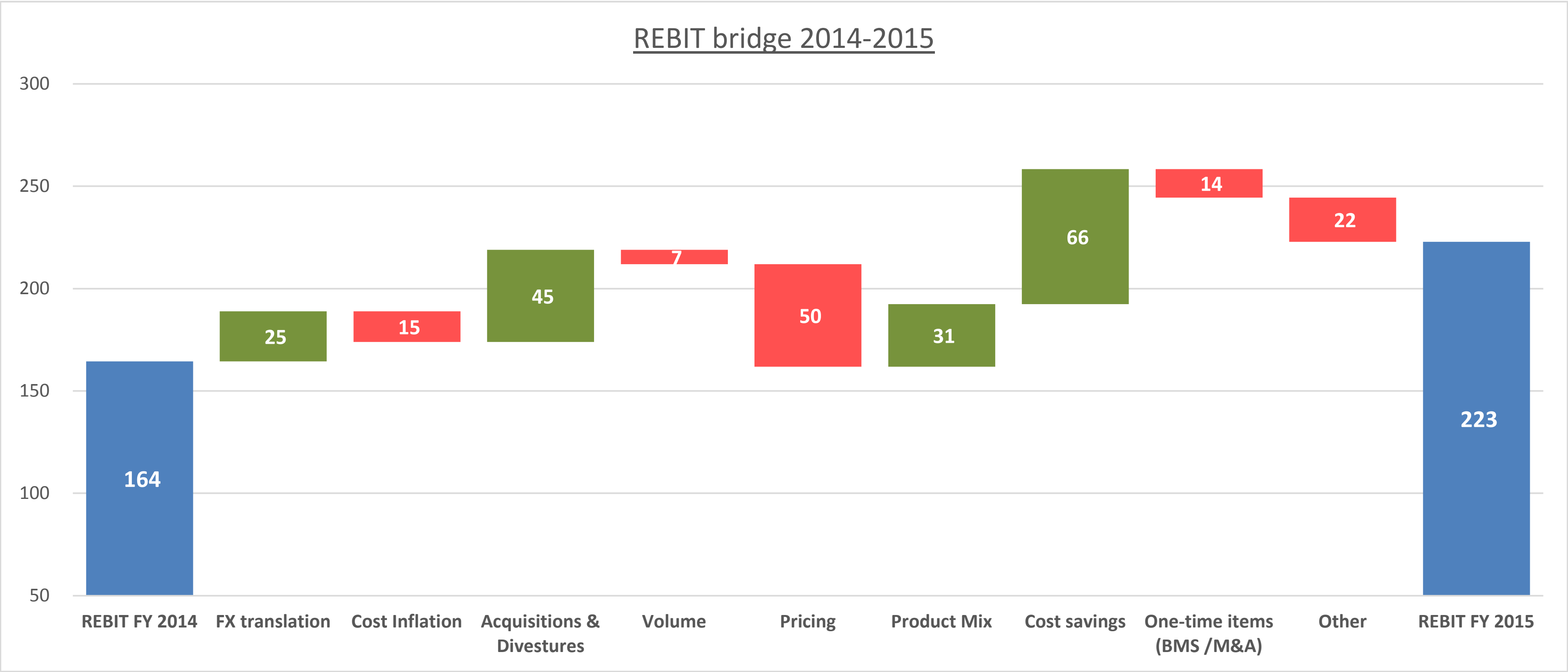
Rebit evolution



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Segment reporting: EMEA

(In mio €)	2014	2015	1H 2015	2H 2015
Consolidated sales	1 064	1 227	644	583
Operating result before non-recurring items (REBIT)	114	139	80	59
REBIT margin on sales	10.8%	11.3%	12.4%	10.1%
Non-recurring items	2	6	7	(1)
Operating result (EBIT)	116	145	87	58
Depreciation, amortization and impairment losses	49	56	28	29
EBITDA	165	201	115	87
EBITDA margin on sales	15.5%	16.4%	17.8%	14.9%

- Sales growth of 15% reflects acquisitions +14% and organic volume increase by almost +5%, partly offset by impact of lower wire rod prices -3%.
- Normal seasonality and lower steel prices explain lower sales in H2.
- Record margin in 2015 due to positive product mix.

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Segment reporting: North America

(In mio €)	2014	2015	1H 2015	2H 2015
Consolidated sales	555	593	313	281
Operating result before non-recurring items (REBIT)	20	20	12	8
REBIT margin on sales	3.6%	3.3%	3.7%	2.9%
Non-recurring items	8	14	(5)	19
Operating result (EBIT)	28	33	7	27
Depreciation, amortization and impairment losses	10	13	5	8
EBITDA	38	46	12	34
EBITDA margin on sales	6.8%	7.8%	3.8%	12.2%

- Sales increase of 7% due to positive impact of exchange rate movements (+16%). Organic sales decreased with 9% mainly due to volume losses related to the Rome fire and weaknesses in agriculture and industrial sectors.
- Profitability remained below target due to low volume base in a very competitive market.
- Non-recurring reflect the final proceeds from the Rome fire.

Segment reporting: Latin America

(In mio €)	2014	2015	1H 2015	2H 2015
Consolidated sales	631	764	400	365
Operating result before non-recurring items (REBIT)	26	46	22	24
REBIT margin on sales	4.1%	6.0%	5.5%	6.6%
Non-recurring items	8	(1)	(1)	0
Operating result (EBIT)	34	45	21	24
Depreciation, amortization and impairment losses	6	27	14	13
EBITDA	40	72	35	37
EBITDA margin on sales	6.3%	9.4%	8.9%	10.0%

- Sales increase of 21% reflects the impact of acquisitions +15% and positive exchange rate movements +7%. Impact of lower wire rod prices (-4%) fully offset by price/mix.
- Strong profit improvement due to the impact of acquisitions, price/mix improvement and cost control.

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Steps taken to anticipate risk of Venezuela

Mio €	2010	2011	2012	2013	2014	2015
Sales	71	103	135	24	20	19
REBIT	13	18	22	5	2	4

1. 2010: 50% PP&E impairment at consolidated level
2. YE 2012: Introduction of Hyperinflation accounting & functional currency change, resulting in a significant reduction in the result contribution to the consolidated accounts
3. 2014: write-off of collateral provisions
4. 2015: set-up additional provision for off-balance guarantee

Remaining risks:

- Intercompany receivables of € 4 million
- CTA of € 53 million (non-cash) of which 20% to be allocated to JV partner
- Operating losses in case of no production are limited as actual exchange rate reduced the exposure to a very small amount

Segment reporting: Asia Pacific

(In mio €)	2014	2015	1H 2015	2H 2015
Consolidated sales	966	1 086	541	546
Operating result before non-recurring items (REBIT)	63	82	30	52
REBIT margin on sales	6.5%	7.6%	5.6%	9.5%
Non-recurring items	(9)	(11)	1	(12)
Operating result (EBIT)	54	71	31	40
Depreciation, amortization and impairment losses	106	129	61	68
EBITDA	159	200	92	108
EBITDA margin on sales	16.5%	18.4%	17.1%	19.7%

Sales increase of 12% due to FX movement +14% and acquisitions +6% offset by lower volumes in H1 -3% and impact of lower wire rod prices -5%. The impact of the price erosion has been fully offset by better product mix.

Margin improvement in H2 reflects stopping the losses in SEA, solid growth in sawing wire and cost control and mix improvement in tire cord China to offset impact of price erosion.

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Consolidated income statement: key figures

(In mio €)	2014	2015
Operating result (EBIT)	**171**	**220**
Interest income / expense	(63)	(62)
Other financial income & expenses	(4)	(34)
Result before taxes	105	124
Income taxes	(42)	(36)
Result after taxes (consolidated companies)	**62**	**88**

- Stable interest cost as gross debt remained stable in spite of the € 235 million cash out related to M&A activities.
- Other expenses include losses related to realized and unrealized exchange rate movements. It also reflects stamp duty for Australian acquisition and a reserve to cover for potential exchange issues in Venezuela.
- Income taxes positively by impacted deferred tax allowance on ropes set up.

Consolidated income statement: key figures

(In mio €)	2014	2015
Result after taxes (consolidated companies)	62	88
Share in the results of JV's and associates	25	18
Result for the period	88	106
Attributable to non-controlling interests	0	4
Attributable to the Group	87	102

- Result of Joint Ventures reflects the impact of the weak Brazilian economy and losses in Xinyu China.
- Results attributable to non-controlling interests reflects stopping the losses in SEA.
- Results for the Group increased with 17% versus last year.

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Cash flow: key figures

(In mio €)	**2014**	**2015**
Gross cash flows from operations	261	355
Cash flows from operations	187	584
Cash flows from investment activities	(225)	(363)
Cash flows from financing activities	88	(268)

- Cash from operations € 297 higher than last year due to higher cash generation in the business and improvement in working capital.
- Investment activities include impact from M&A (€ 235 million) and capital expenditure (PP&E € 171 million).

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Working capital: key figures

(In mio €)	**2014**	**2015**
Inventories	641	629
Accounts receivable	847	769
Accounts payable	(513)	(585)
Working capital	975	813

- Working capital reduction includes improvements in all areas.
- Average working capital on sales reduced from 27% to 25% on sales.

Consolidated balance sheet: key figures

(In mio €)	2014	2015
Non-current assets	1 851	1 921
Current assets	2 107	1 960
Assets	3 958	3 881
Equity	1 566	1 516
Non-current liabilities	1 205	1 078
Current liabilities	1 187	1 287
Equity and liabilities	3 958	3 881

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Balance sheet: key figures

(In mio €)	**2014**	**2015**
Net financial debt	853	832
Gearing (net debt to equity)	54.5%	54.9%
Net debt on EBITDA	2.5	1.9
Net debt on REBITDA	2.6	1.9

- Significant reduction of net debt/ EBITDA ratio below the long-term target of 2X
- Primarily driven by strong cash generation and strict working capital control
- Despite the significant impact of M&A (€ 235 million) and capital investments (€ 171 million) in 2015

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Ratios: key figures

(In mio €)	2014	2015
EBITDA margin on sales	10.6%	12.0%
REBIT margin on sales	5.1%	6.1%
EBIT margin on sales	5.3%	6.0%
Sales on capital employed (asset rotation)	1.4	1.4
Return on capital employed (ROCE)	7.7%	8.7%
Return on equity (ROE)	5.7%	6.9%

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Key figures per share

(In mio €)	**2014**	**2015**
Share price at 31 December	26.35	28.39
Number of existing shares at 31 December	60 111 405	60 125 525
Book value	22.74	23.03
Earnings per share (EPS)	1.51	1.83
Weighted average number of shares	57 599 873	55 841 843

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Matthew Taylor

Chief Executive Officer

Outlook

Bekaert projects the current prevailing economic environment and global overcapacity to cause pressure across most sectors.

Low oil prices affect many industrial sectors but are driving higher automotive spending. Bekaert anticipates continued strong demand in this sector which now represents more than 40% of the company’s sales.

Steel prices will have an impact of -5% on Bekaert’s top line in the first half of 2016, relative to the same period last year.

Margin performance, however, is projected to improve.

(...)

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Bekaert projects continued strong performance in EMEA, improved profitability in North America, and upside potential from the turnaround in our business performance in Asia Pacific. In Latin America, Bekaert continues to strengthen its market position in weakening economic circumstances.

Confident of the impact and potential of our underlying business improvement actions, and provided there will be no exceptional, unforeseeable circumstances, we believe:

- we have the ability to outperform the market environment again this year
- we will be making another significant step towards our REBIT target of 7%

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‘Field of Play’

Consistent with our better together aspiration,

we relentlessly pursue to be the preferred supplier for our steel wire products and solutions,

by continuously delivering superior value to our customers around the world.

1. Drive customer into the heart of the business
2. Value driven growth
3. Technology leadership and speed
4. Leverage our scale to greater effect – reduce complexity
5. Lowest total cost

How do we deliver on our Vision and Strategies?

Bekaert's actions to drive value creation have begun to show their effectiveness through strong profit and EBITDA growth in 2015. We are convinced we will see more benefits from this in the current and coming years:

1. Clear prioritization of where to grow and how to improve the **business portfolio**

- We have narrowed our focus on those parts of the business where we can leverage our strengths; cf our recent acquisitions (Pirelli steel cord, Arrium ropes) and the intended merger in the ropes industry.
- 2016 margins will be positively impacted by the full-year effect of the recent exits from loss-generating activities including carding solutions and stainless steel wire.
- We removed complexity that didn't add value by changing the ownership in a number of entities where partnerships had not led to efficient and successful forms of cooperation.

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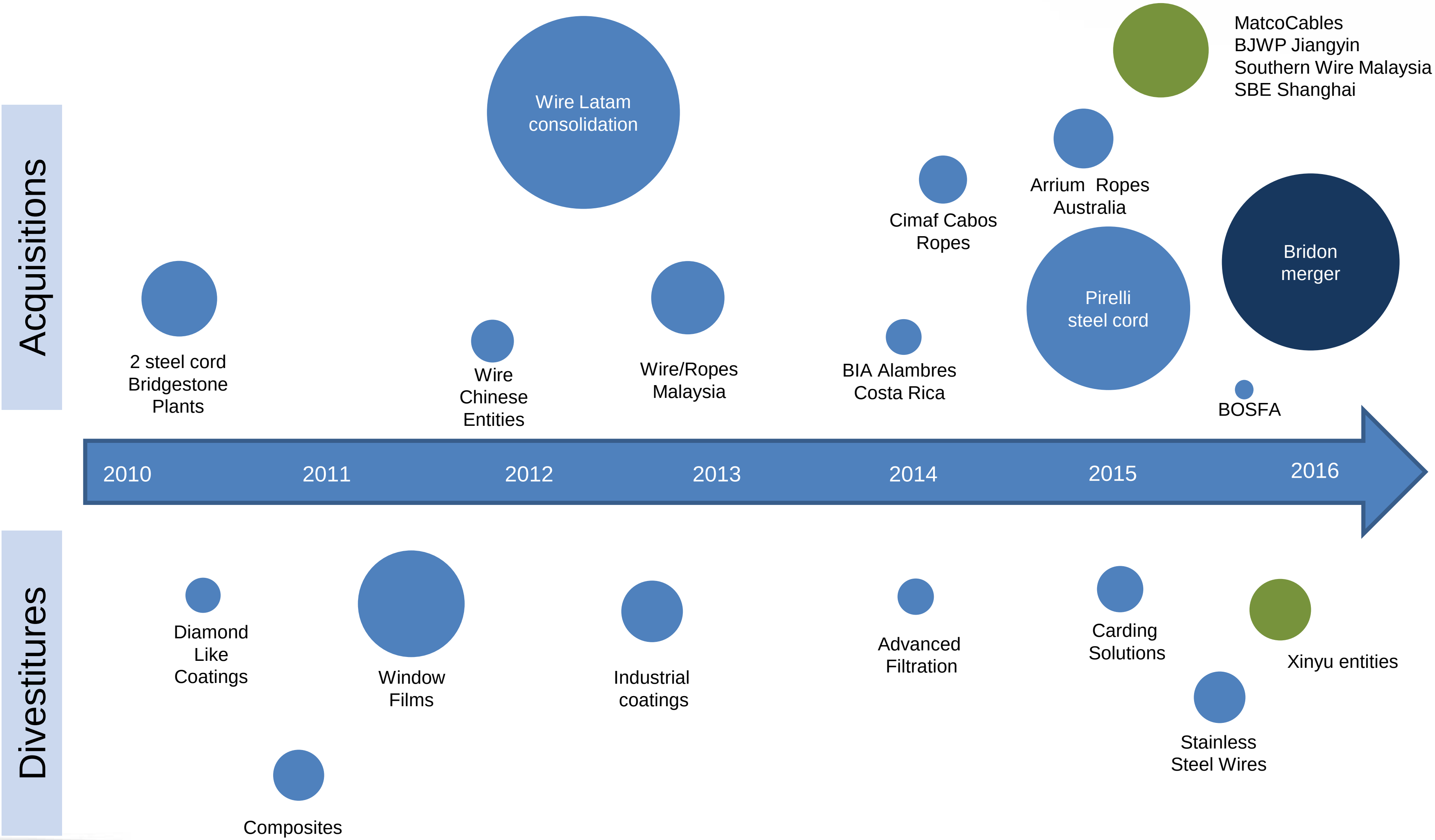
Portfolio Optimization Bekaert



How do we deliver on our Vision and Strategies?

2. the **global transformational programs** supporting the company's vision and strategies have begun to show their effectiveness. They and are expected to come to their full potential over the coming years:

- **Manufacturing excellence** program aimed at gaining competitiveness by optimizing the company's quality, safety, delivery performance and productivity.

- The recently launched **Customer excellence** program to drive growth and margin performance. It will help us deliver on four objectives:
  - to anchor a customer-centric mindset across Bekaert
  - to differentiate ourselves in the market
  - to drive sustainable profitable growth by providing superior customer value
  - and to build a best-in-class commercial organization.

- These actions are expected to underpin our move towards a sustainable higher level performance.

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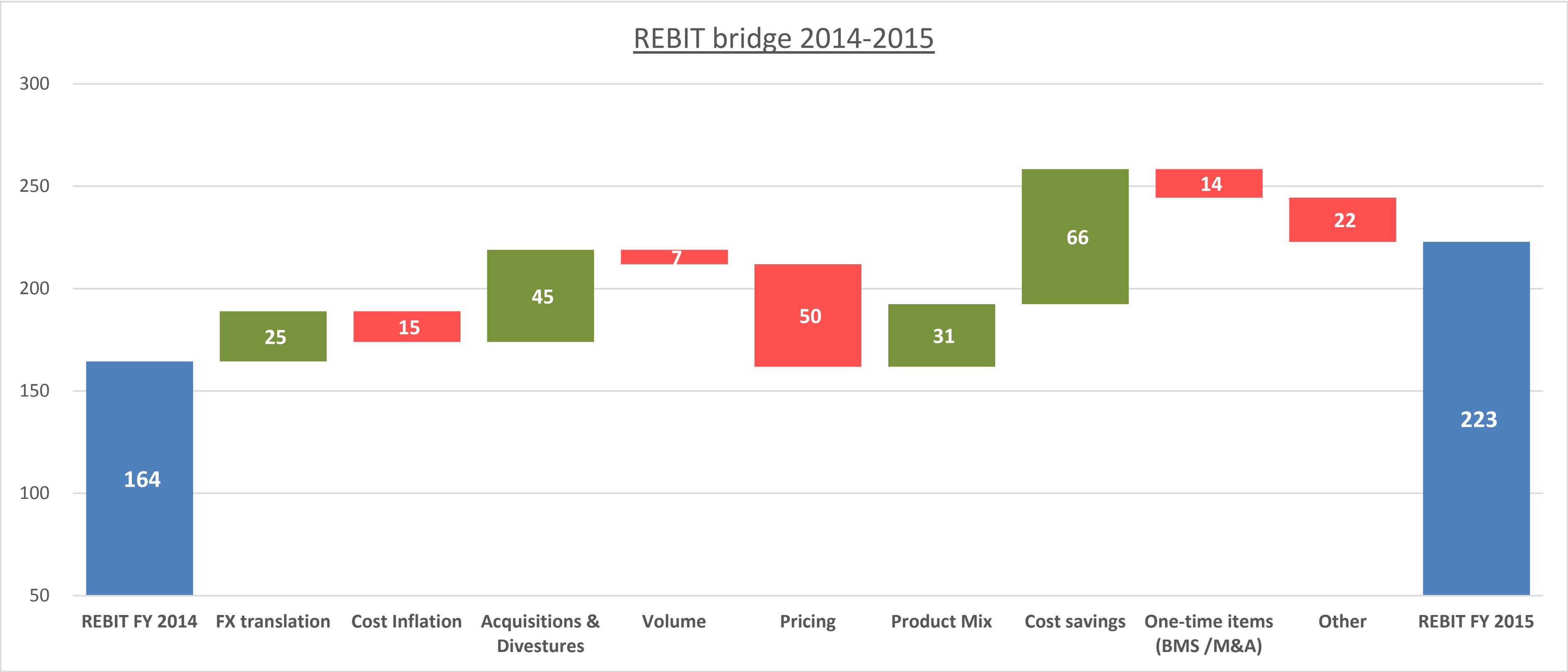
How will we compensate for continued price pressure?

We intend to increase the impact of cost savings and product mix, compared with what we achieved in 2015:



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Board Announcements

Announcements from the Board of Directors

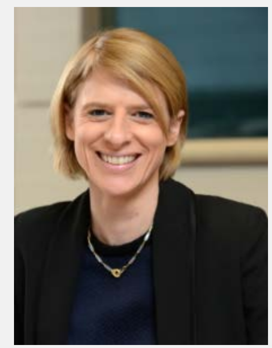
The Board of Directors is proud to announce the **nomination of six new Directors** for appointment by the Annual General Meeting of Shareholders of 11 May 2016.

Celia
Baxter

Christophe Jacobs
van Merlen

Pamela
Knapp

Martina
Merz



Emilie van de Walle
de Ghelcke

Henri Jean
Velge

Announcements by the Board of Directors

The nominees will add complementarity, independence, and diversity of professional experience on the Board and will significantly change its composition.

Mr	Bert De Graeve, Chairman
Mr	Matthew Taylor, CEO
Ms	Celia Baxter (1) (2)
Mr	Alan Begg (2)
Mr	Leon Bekaert
Mr	Grégory Dalle
Mr	Charles de Liedekerke
Mr	Christophe Jacobs van Merlen (1)
Mr	Hubert Jacobs van Merlen
Mr	Maxime Jadot
Ms	Pamela Knapp (1) (2)
Ms	Martina Merz (1) (2)
Ms	Emilie van de Walle de Ghelcke (1)
Mr	Henri Jean Velge (1)
Ms	Mei Ye (2)

(1) upon appointment by the General Meeting of Shareholders
(2) Independent Directors

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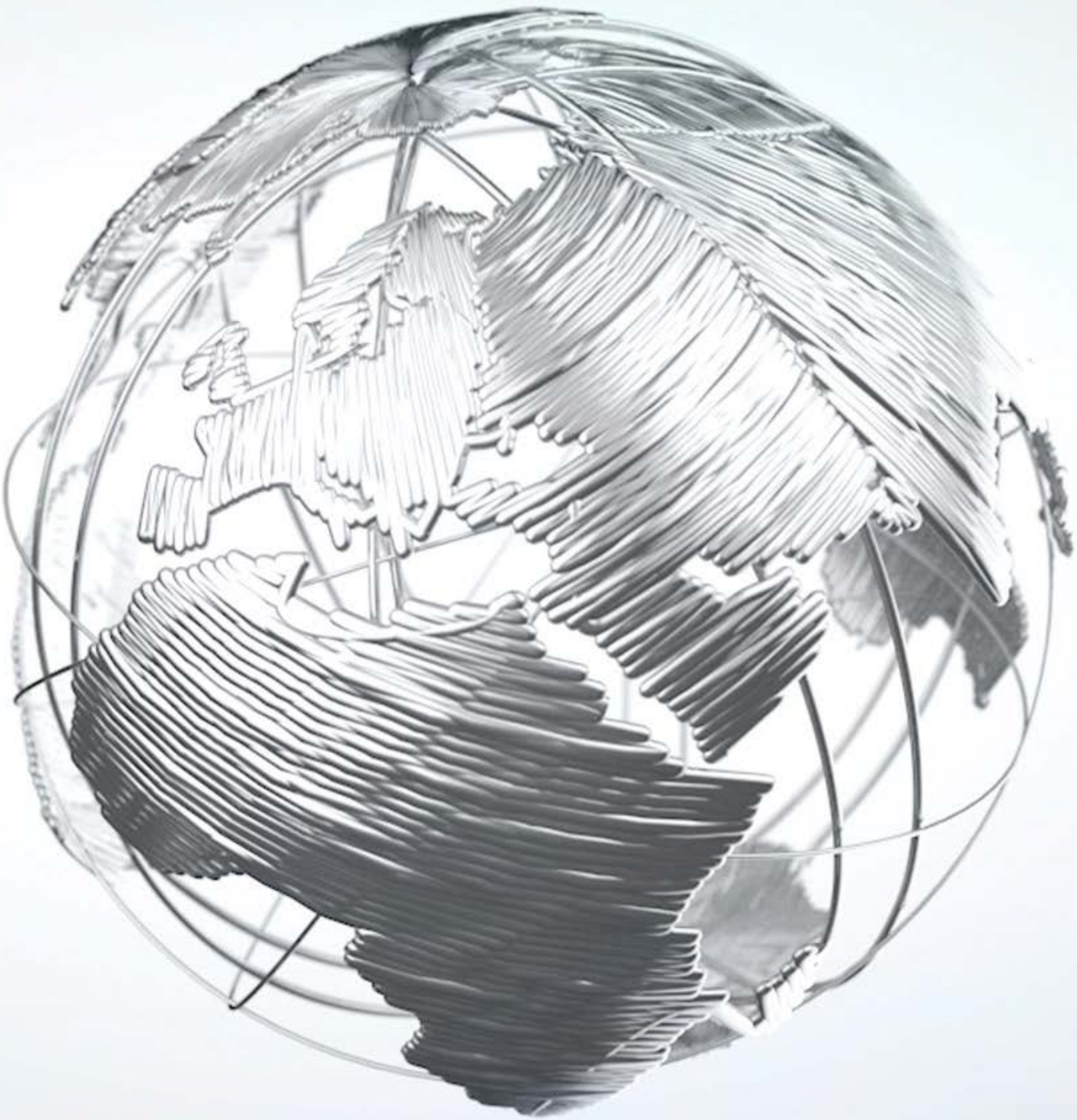
Announcements from the Board of Directors

The Board of Directors confirms its confidence in the strategy and future perspectives of the company and will propose to the Annual General Meeting of Shareholders a **gross dividend of € 0.90 per share**, compared with € 0.85 last year.

Disclaimer

This press release may contain forward-looking statements. Such statements reflect the current views of management regarding future events, and involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Bekaert is providing the information in this press release as of this date and does not undertake any obligation to update any forward-looking statements contained in this press release in light of new information, future events or otherwise. Bekaert disclaims any liability for statements made or published by third parties and does not undertake any obligation to correct inaccurate data, information, conclusions or opinions published by third parties in relation to this or any other press release issued by Bekaert.



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