

Press release

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Press - Investors

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First quarter trading update 2017

Bekaert makes strong start to 2017

Strong volume growth and M&A boost Q1 sales by 20%¹

Bekaert achieved a 20% increase in consolidated revenue, reaching €1 061 million for the first quarter of 2017. This sound growth was marked by more than 10% organic sales growth, 3% positive currency effects and 6.5% growth from M&A.

With organic volume growth exceeding 6%, the first quarter saw an acceleration compared to the same period last year. We continued to grow volumes in automotive, industrial steel wire and construction markets. The oil and gas markets remained weak and demand from solar markets was down in comparison with a very strong first quarter last year. We achieved solid organic growth in all segments except in Latin America, where stronger local currencies and subdued demand led to increased competitive pressure. The aggregate effect of wire rod price increases and price-mix added 4% to the organic top line growth.

Compared with the same period last year, most currencies' exchange rates increased versus the euro, leading to a total favorable currency effect of +3% in consolidated sales. The incremental impact of the Bridon integration within the Bridon-Bekaert Ropes Group² drove consolidated sales up by +6.5%.

Combined sales³ increased by 19% to €1 223 million as a result of organic growth (+6.6%) and the Bridon merger effects (+5.6%). Currency movements added +6.5% at the combined level and were particularly driven by a steep increase of the Brazilian real compared with the same period last year.

Outlook

Our outlook remains very similar to the one outlined at the beginning of March.

The automotive sector has been very strong in the first quarter, and we see the underlying strength remaining, although there may be some inventory adjustments by tire manufacturers (especially in China) during Q2. We perceive more uncertainty and competitive pressure from imports in Latin America, particularly as local currencies strengthen. We remain cautious about the effects of US trade policy and related tariff changes. We see no improvement in the near term in the oil and gas sector, and we do see a slowing of the solar sector as feed-in tariffs are changed in China.

We believe we will see more benefits from our transformation programs in the course of this year and reiterate our view that we will broadly repeat in 2017 our strong underlying EBIT level of 2016 and will be moving the trend towards a 10% margin over the next 5 years, provided there are no exceptional, unforeseeable circumstances.

¹ All comparisons are made relative to the first quarter of 2016.

² Bridon-Bekaert Ropes Group (BBRG) was established on 28 June 2016. The incremental impact of the Bridon integration within BBRG has been added to the consolidated statements of Bekaert from that day onwards.

³ Combined sales are sales of consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.

Consolidated and combined sales by segment

First quarter consolidated sales in millions of €

Consolidated sales	2016	2017	Share	Variance	Organic	FX	M&A
EMEA	295	325	31%	+10%	+10%	-	-
North America	133	147	14%	+10%	+7%	+4%	-
Latin America	162	183	17%	+13%	+2%	+11%	-
Asia Pacific	244	290	27%	+19%	+19%	-	-
BBRG	50	117	11%	+134%	+12%	+7%	+116%
Total	884	1 061	100%	+20%	+10%	+3%	+7%

First quarter combined sales in millions of €

Combined sales	2016	2017	Share	Variance	Organic	FX	M&A
EMEA	295	321	26%	+9%	+9%	-	-
North America	133	147	12%	+10%	+7%	+4%	-
Latin America	308	350	29%	+13%	-6%	+19%	-
Asia Pacific	244	290	24%	+19%	+19%	-	-
BBRG	50	117	10%	+134%	+12%	+7%	+116%
Total	1 030	1 223	100%	+19%	+7%	+7%	+6%

Sales by segment

EMEA: +10%

Bekaert's activities in EMEA achieved more than 7% organic volume growth, compared with the first quarter of 2016. Strong European automotive and other industrial markets boosted the volume growth while demand for profiled wires further declined as a result of lagging investment activity in the oil and gas sector.

Wire rod price increases and price-mix effects added 2% to the topline and the effect of currency movements was about neutral.

We anticipate continued good demand from most markets with the exception of oil and gas. We remain cautious about economic developments in Europe although we have not seen any adverse effects from the Brexit yet.

North America: +10%

Bekaert's activities in North America achieved 6.5% organic volume growth driven by strong demand from automotive and industrial steel wire markets and by actions implemented to grow our business in target markets.

Currency movements contributed 3.5% to the sales growth and the aggregate of wire rod price increases and other price-mix effects was neutral.

We project more impact from the transformation programs put in place in the region in the course of 2017, particularly in driving value creating growth. We anticipate growing demand for products 'made in America' while remaining cautious about the effects of US trade policy and related tariff changes.

Latin America: +13%

The translation effect of currency movements (+11%) drove consolidated sales 13% up in Latin America. This was particularly due to the revaluation of the Brazilian real (+22%) and the Colombian (+13%) and Chilean peso (+10%). Volumes⁴ were slightly higher (+1%) compared with the same period last year and the significant fluctuations of local currencies against the US\$ led to counterbalancing effects of increased wire rod prices and a negative price-mix from sales in local currency. The combined effect of these pricing elements was limited (+1%).

Bekaert perceives a continued difficult business climate in Brazil and Venezuela. Extreme weather conditions in Peru have impacted the economy and the business climate in Chile has weakened. Moreover, the entire region perceives increased competitive pressure from Asian imports due to the stronger local currencies, making it more difficult to push raw material price increases onto the market.

On the combined level, sales increased by 13% in Latin America. The translation effect of currency movements was +19%, mainly driven by the steep climb of the Brazilian real. The organic decline (-6%) was due to a weaker product mix in Brazil and the unfavorable transaction effect from dollar-denominated pricing in several business areas.

While we expect to maintain the benefits of our strong market positions and the impact of the transformation programs, the impact of cost and pricing actions will become more limited, as currencies strengthen.

More information on the status of the agreement with ArcelorMittal regarding Bekaert Sumaré is included in the investment update below.

Asia Pacific: +19%

Organic sales surged 19% in Asia Pacific thanks to vigorous volume growth (+9%) and a favorable aggregate effect of passed-on wire rod price increases and price-mix (+10%). The impact of currency movements was about neutral.

Bekaert's activities achieved strong growth on the wave of increased demand from automotive markets across the region. Demand from solar markets was lower than in the same period last year. The volume growth for industrial steel wires in China offset the phase-out of the Shah Alam activities in Malaysia.

We expect the underlying run rate in our tire markets to continue, albeit with some short term inventory adjustments in China. We project volatile demand from solar markets in anticipation of new changes to feed-in tariffs in China.

Bridon-Bekaert Ropes Group: +134%

Bridon-Bekaert Ropes Group (BBRG) achieved 134% sales growth. The integration of the Bridon activities since 28 June 2016, accounted for an increase of 116%. The former Bekaert activities within BBRG delivered 12% organic growth stemming from double digit growth in the advanced cords business and a modest sales increase in ropes. Currency movements added almost 7% to consolidated sales.

We project continued difficult market circumstances in oil & gas markets in the near future. The management of Bridon-Bekaert Ropes Group is implementing actions to strengthen its market positions and to gradually leverage the benefits of its increased scale.

⁴ Including Vicson, Venezuela which accounted for +2%.

Investment update and other information

Net debt was € 1 170 million compared with € 1 068 million at year-end 2016. This was due to increased working capital as a result of strong volume growth, particularly in Asia, partly compensated by strong cash generation.

On 26 April 2017, Bekaert and ArcelorMittal have reached an agreement on the integration of Bekaert's currently wholly-owned subsidiary in Sumaré (Brazil) into the BMB Belgo Mineira Bekaert Artefatos de Arame Ltda partnership. In line with the shareholding structure of the BMB joint venture, ArcelorMittal will become the majority shareholder (55.5%) of the steel cord entity in Sumaré and Bekaert will hold the remaining shares (44.5%). The transaction is subject to customary closing conditions and is expected to be completed in the second quarter of 2017. Both partners aim at a smooth transition process to ensure continued excellent supply and service to the customers. Bekaert will, upon deal closing, no longer report the results of the Sumaré plant in its consolidated statements but represent its share in the result of joint ventures.

Following the agreement reached between Bekaert and Ansteel, Bekaert has completed on 28 April 2017 the acquisition of the 50% equity share formerly held by Ansteel in Bekaert Ansteel Tire Cord (Chongqing) Co. Ltd. The tire cord manufacturing entity is now a wholly-owned Bekaert subsidiary and has been renamed Bekaert (Chongqing) Steel Cord Co. Ltd.

Bekaert is investing in all continents to expand and upgrade the production capacity to the levels needed. Investments in property, plant and equipment amounted to € 42 million in the first quarter of 2017 and included expansion programs in, amongst others, Romania, Slovakia, the US, China, India, and Indonesia.

Since 1 January 2017, 52 719 own shares were purchased and 343 818 treasury shares were disposed of in connection with the exercise of stock options and the sale to members of the Bekaert Group Executive in the context of the company's personal shareholding plan. As a result, the company currently owns 3 594 347 treasury shares.

Financial calendar

General Meeting of Shareholders	10	May	2017
Dividend ex-date	11	May	2017
Dividend payable	15	May	2017
2017 half year results	28	July	2017
Third quarter trading update 2017	10	November	2017

Disclaimer

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Company Profile

Bekaert (www.bekaert.com) is a world market and technology leader in steel wire transformation and coating technologies. We pursue to be the preferred supplier for our steel wire products and solutions by continuously delivering superior value to our customers worldwide. Bekaert (Euronext Brussels: BEKB) is a global company with almost 30 000 employees worldwide, headquarters in Belgium and € 4.4 billion in annual revenue.