

Bekaert – Strong FY15 results, dividend, net debt and outlook

Event: FY15/2H15 results

Impact: Positive

Conclusion:

We saw Bekaert delivering a strong confirmation of why we made the stock a conviction BUY since the start of this year, with better-than-expected FY15 results, EUR 125m lower-than-expected net debt (representing an EV of EUR 2.25/shr), higher-than-expected dividend and confident outlook statement. FY15 REBIT landed at EUR 223m (+36%), which, mainly owing to a strong performance of the Asia Pacific division (underscoring the success of recent restructuring efforts), was somewhat better than our forecast of EUR 215m and the company-collected consensus of EUR 211m (and net profit of EUR 102m vs consensus of EUR 96m). Although non-qualitative as ever, we saw Bekaert give a more specific outlook statement for once. On the one hand, the outlook statement notes that global overcapacity, low oil price and the external macro environment puts pressure on most sectors globally, except automotive (40% of sales). On the other hand, Bekaert struck a surprisingly confident tone of voice about how it expects to weather these external headwinds with again an outperformance of its markets this year, the self-help optimisation programmes, integration benefits from recent M&A (Pirelli) and recent low-margin disposals. It furthermore comments to expect a further improvement of its margin performance in FY16. More specifically, the company notes a continued strong performance in EMEA, improved profitability in North America and upside turnaround potential for Asia Pacific, whereas Latin America is said to further strengthen its market position in weakening economic circumstances. The outlook is more specific than we are used to from Bekaert, and strikes a more specific and confident tone of voice about its internal strengths than we remember for a long time. We also believe that this confidence is reflected by a DPS that has been raised for the first time in three years to EUR 0.90 (from a stable EUR 0.85 in the three years before), which also exceeded our forecast and the consensus of EUR 0.85. We expect the somewhat better-than-expected FY15 results, dividend, net debt and confident outlook to be received well by the market.

Details:

* The 14% growth of group revenue to EUR 3,617m (vs EUR 3,676m ABN AMRO and company-collected consensus), is broken down in -1% volume, +3% price/mix, -5% raw materials, +8% FX and +9% M&A - we consider it worth highlighting that the volume performance improved from -3% in 1H15 to +1% in 2H15, despite the generally weakening trend in the external macro environment.

* Breakdown 2H15 REBIT vs ABN AMRO and company-collected consensus:

- EMEA: +17% to EUR 59m vs EUR 64m ABN AMRO and EUR 64m cons.
- North America: +39% to EUR 8m vs EUR 10m ABN AMRO and EUR 9m cons.
- Latin America: +60% to EUR 24m vs EUR 21m ABN AMRO and EUR 20m cons.
- Asia Pacific: +158% to EUR 52m vs EUR 34m ABN AMRO and EUR 33m cons.
- Other: EUR (32)m vs EUR (27)m ABN AMRO and EUR (28)m cons.
- Group: +73% to EUR 111m vs EUR 102m ABN AMRO and EUR 99m cons.

* With a strong FCF and strict WC control offsetting EUR 209m M&A, Bekaert managed to reduce end-2015 net debt to EUR 832m (from EUR 853m end-2014 and EUR 1,032m end 2H15), which was better than our forecast of EUR 983m and the company-collected consensus of EUR 957m - the delta in net debt vs expectations represents an EV of EUR 2.25/shr

* Bekaert hosts an analyst meeting at 14h00 CET, which can be followed through a conference call (dial in numbers will be provided after registration on the company website)