Bekaert

Indy - Industrial, Diversified / Belgium

BUY, TP EUR 40.00

Market capitalisation (EUR m)	2,476.9
No. of shares (m)	60.1
Free float	63.8%
1/3/12 mth perf. (%)	6.7/7.9/63.7
High/low 52 weeks (EUR)	42.26/22.87
Next results due	
Price/book value (x)	1.7
Volatility (ß) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB BB
Website	www.bekaert.com

Year to December	2016e	2017e	2018e
Sales (EUR m)	3,814	4,091	4,234
EBITDA (EUR m)	480	521	550
EBITA (EUR m)	248	282	314
Net profit (EUR m)	118	163	190
EPS (EUR)	2.11	2.91	3.38
DPS (EUR)	0.86	1.04	1.10
P/E	19.5	14.2	12.2
EV/EBITDA	7.1	6.2	5.7
P/BV	1.7	1.6	1.5
ROE (%)	8.2	10.5	11.2

Analyst: Maarten Bakker
Tel: +31 20 343 54 12
Email: maarten.bakker@nl.abnamro.com

Bekaert – 1H16 still exceeded expectations

Event: 1H16 results
Impact: Positive

Conclusion:

While the 1Q16 (sales) trading update and the CMD (beginning June) had already hinted at strong earnings momentum in 1H16 (and led to positive earnings revisions in recent months), we were a bit concerned about a possible 'buy the rumour, sell the fact' phenomenon. But the impressive beat of Bekaert's bumper 1H16 results and the seemingly improved outlook make us see continued support for the share price. REBIT surged by 40% to EUR 157m, which represents a 270bps improvement of the margin to 8.6% (thus clearly exceeding the target of 7% set for 2017). This exceeded our forecast of EUR 145m (9% beat) and the company-collected consensus of EUR 150m (5% beat). Bekaert's outlook statement is as usual a bit vague and non-concrete and always asks for careful interpretation (to avoid misinterpretations like at the 1Q16 update). After having had contact with the company about it, our impression is that the outlook has on balance improved a bit. Bekaert seems more optimistic about continued strong demand from the automotive, solar and construction segments in 2H16. The company told us that the uncertainties about the impact of possible US import duties on US truck tires from China has eased, as a decision by the US government on this matter has been delayed from September to December. Moreover, the pricing environment for Chinese tire cord is improving, as the company mentioned to us an impact of -10% for 1H16, which includes close to 0% for 2Q16 and a price increase in June. The remark about concerns regarding the continued weak economic environment in Latin America appears to be in line with earlier comments (and we stress to see how Bekaert has offset this with self-help initiatives). We would see a comment about Brexit-related uncertainties across Europe in the light of Bekaert's usual deservedness. On the other hand, the downturn in oil & gas looks to make for a more profound impact on the start of the Bridon JV, as the company let us know that it will likely see only a breakeven result in 2H16. Overall, Bekaert now expects to achieve a REBIT margin of 7-8% for FY16 (we note that seasonality always makes of H2 the slower half)), which still looks to be on the conservative side after the 1H16 results (we note that our current forecast and the consensus were looking for is 7.8% and 8.1%, respectively).

Details:

* **Breakdown 1H16 REBIT vs expectation ABN AMRO:**
- EMEA: 6% to EUR 85m (margin +120bps to 13.6%) vs EUR 81mE
- North America: 17% to EUR 14m (margin +110bps to 4.8%) vs EUR 16mE
- Latin America: 50% to EUR 33m (margin +380bps to 9.3%) vs EUR 25mE
- **Asia Pacific: 123% to EUR 67m (margin +660bps to 12.2%) vs EUR 53mE**
- **Other: EUR (41)m vs EUR (30)m ABN AMRO**
- Group: 40% to EUR 157m (margin +270bps to 8.6%) vs EUR 145mE