

Bekaert							Add		
<i>Metal technology</i>							<i>Target price : 40.00</i>		
Price	Mark.cap.(m)	eps 16e	eps 17e	Ratios	12/16e	12/17e	Glob. fig. (m)	12/16e	12/17e
EUR 37.54	2,256	2.13	2.60	P/E	17.6	14.4	Sales	3,750	3,881
RIC : BERTt.BR - Bloomberg : BEKB BB				Div. Yield	2.4%	2.4%	EBITA	240	273
				EV/EBITDA	6.8	6.1	Adj.Profit	123	150

Bekaert: Strong volumes and positive guidance

Facts – Strong volumes and positive guidance

- Bekaert provides a great trading update with a very confident guidance.
- Volumes rose 5.5% organically thanks to solid performance in EMEA (+3%), North America (+7%) and Asia Pacific (+14%). Growth stems from the firm demand in automotive markets and increased market share in Chinese tire markets. EM benefitted from continued good demand for sawing wire. Demand from oil and gas was the only negative point.
- Mix contributed 3% to sales growth, while lower input costs had a 6% negative impact on sales.
- LATAM remains tough mainly due to FX and instability but also due to a shutdown.
- Net debt rose EUR 49m to EUR 881m, as a result of seasonal effects and strong volume growth. Bekaert is quick to point out it expects its net debt to remain below EUR 900m, despite the dividend payment of May 17, 2016.
- Also the guidance is comforting. Bekaert states to have the ability to outperform the market in 2016 and that it took a significant step towards its 7% margin target. Specifically, the company is confident to exceed its target in H1 which should provide a cushion in H2, should market conditions worsen.
- Merger with Bridon on track. Bekaert expects to get all the regulatory approvals in H1'16.

Our view – Sales development says nothing about profits

As laid out in our preview, sales were negatively impacted by the Y/Y impact from raw material prices. Then again, lower raw material prices have a negative impact on sales but not on the gross margin. As a results, we are of the view that investors should eyeball, mix and volumes. Which were good.

Investment conclusion – upside to our estimates – Add confirmed

Great performance with indeed very nice volumes in China, EU and US. The improved guidance provides room to increase our estimates, mainly on the margin front. We are currently banking on a 6.4% in 2016 and 7% by 2017. However, it seems that Bekaert might be close to its target already this year. Hence, we reiterate our positive stance and increase our TP to EUR 40.