Bekaert *Metal technology*								**Add** *Target price : 40.00 / under review*	
Price	Mark.cap.(m)	eps 16e	eps 17e	Ratios	12/16e	12/17e	Glob. fig. (m)	12/16e	12/17e
EUR 39.75	2,389	2.12	2.58	P/E	18.7	15.4	Sales	3,735	3,867
				Div. Yield	2.3%	2.3%	EBITA	239	271
RIC : BERTt.BR - Bloomberg : BEKB BB				EV/EBITDA	7.1	6.4	Adj.Profit	122	149

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Bekaert: Key takeaways from the Capital Markets

Confirmation of the positive tone of the Q1 press release during the CMD. Add reco maintained, but TP under review.

Key takeaways

We expect Bekaert to easily achieve its 7% REBIT target in already in H1 and in the medium term, on the back of:

1. 3-4% organic growth in tire cord
2. growth in solar where D&A will slow as from '17 (note that the delta between REBITDA and REBIT in APAC is currently c.11% while in the other regions this is around 3-5%)
3. focus in most profitable businesses and reduced complexity. Management confirmed that they see both divestment and acquisition opportunities. The optimisation opportunities are very well demonstrated by the fact that 7-21% of the best SKU's generate 80% of sales, while 56-79% of the worst performing SKU's generate only 5% of sales.
4. further roll out of the Bekaert Manufacturing excellence program. Currently ongoing in 13 of the +80 plants. In 2016, another 7 plants will be tackled. Hard targets are not really laid out as Bekaert wants to change the culture. It does not end when a financial target is reached. Focus most be on 4 key items 1/ safety, 2/ quality, 3/ delivery and 4/productivity. Nevertheless, we feel that 10% of sticky cost savings should be achievable. Note that this will not flow entirely to the bottom-line as part of the savings will be reinvested in growing the business and to stay competitive.

- Indeed, these reinvestments into R&D remain key. Dr. Wahl, purchasing manager from Continental, outlined Bekaert's excellent focus on innovation. Tire manufactures continuously aim to lower the total cost of ownership (TCO). Short term, Dr. Wahl expects significant growth in rubber reinforcements in nearly all regions, particularly in ultra-high performance (UHP). While in the long run, growth will come from 1/ truck radiation, from 80% today to 90% by 2025 and 2/ continuous trend that people will and want to own a car. According to Continental surveys, 83-96% of the people want to own a car.

Current trading:

1. EMEA: continued solid demand and performance in most EU markets but flagging demand from Oil & Gas (only 5% of sales)
2. NAM: Good demand from automotive, while demand from other industries is a bit mixed. On balance, growth is expected in '16 on the back of a recuperation of the lost volumes after the fire in the bead wire facility in Rome and the roll out of BMS.
3. LATAM: Remains a tough area to operate. Brazil is in recession and no end in sight. Also Chile, Peru, Ecuador, Colombia, Venezuela and CAM have weaker economies than before with limited government and infrastructure spending.
4. APAC seems to be evolving well. 1/ In tire cord China (50% of APAC sales), focus is on reducing TCO for the clients. This should allow to increase both market share and margins. 2/ sawing wire (12% of APAC

sales) market and share are growing. However continuous investments in innovation required to keep pricing under control. 3/ other regions (SEA and India) see the benefits from a GDP acceleration.

- Bridon will be consolidated upon closing, which could take slightly longer than H1. A quick closing could prove to be important as current trading remains difficult, certainly at the Bridon side. Bridon is particularly exposed to oil and gas, while Bekaert has more exposure to mining. In summary, market conditions are difficult given the cut back in oil and gas investments, while miners focus on cost reduction.

Investment Conclusion - Add rating maintained - TP under review.

Confirmation of the positive tone of the Q1 press release. Indeed market conditions remain very competitive with continuous cost focus downstream (e.g. Michelin stated during yesterday's CMD that it wants to reduce raw material costs in its product). Nevertheless, measures have been taken (sell/close bleeders) and are being taken (BMS) to cope with these trends and to assure margin expansion.

The stock is currently trading at 14.6x EV/EBIT ‘16 and 12.7x EV/EBIT ’17. We are reiterating our Add recommendation and will review our EUR 40.0 TP upwards.