

Bekaert						Add			
<i>Metal technology</i>						<i>Target price : 46.00</i>			
Price	Mark.cap.(m)	eps 16e	eps 17e	Ratios	12/16e	12/17e	Glob. fig. (m)	12/16e	12/17e
EUR 41.28	2,481	2.50	2.69	P/E	16.5	15.3	Sales	3,763	4,036
RIC : BERTt.BR - Bloomberg : BEKB BB				Div. Yield	2.2%	2.2%	EBITA	290	285
				EV/EBITDA	7.2	7.0	Adj.Profit	144	155
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Bekaert: Strong set of results with FY margin guidance 7%-8%

Facts: H1 REBIT EUR 157m in-line with expectations but consensus beat versus EUR 150m

- Bekaert releases a strong set of Q1 results with volume growth of 6% (ex-Venezuela).
- Sales were slightly below expectations at EUR 2,125 (-4%) against EUR 2,158 expected on negative forex and lower wire rod prices.
- The benchmark REBIT came in at EUR 157m, which is exactly in-line with our expectations and ahead of EUR 150m consensus. It implies a REBIT margin of 8.6% against 8.5% anticipated.
- Bekaert's overall stronger business portfolio and the growing impact of the various global transformation programs drove a significant profit improvement.
- Regionally EMEA sales came in at EUR 629m against 649m expected but margin was higher with REBIT reaching EUR 85m versus EUR 78m anticipated. Automotive and construction were particularly strong. Bekaert anticipates continued strong demand from most markets in the third quarter but perceives limited visibility on the seasonal effects for the last quarter of the year.
- North America was a bit lower than expected on both sales and REBIT but EBIT margin recovered from the low levels and more improvement is expected in H2.
- Latam was a bit better on both sales and REBIT on relatively low expectations. The region remains very uncertain and Bekaert perceives increased instability in the whole region, with a weakening business climate in Brazil and Ecuador.
- Asian sales came in at EUR 547m versus EUR 556m expected and REBIT amounted to EUR 67m, which was ahead of consensus of EUR 57m but in-line with our forecast. Bekaert improved its portfolio by decreasing the share of loss-making and low margin businesses while growing the share of high value added activities. Sawing wire sales, in particular, increased by 15% over the first half of 2015 (20% when excluding adverse currency effects) and accounted for 13% of sales in Asia Pacific. Bekaert's tire cord business recorded robust growth across the region.
- Net debt of EUR 1,151ml was in-line with expectations including the EUR 298m impact from the Briedon consolidation impact.
- Outlook: Bekaert expects further strong demand from automotive, solar and the construction markets but sounds cautious on global oil and gas markets, the Latam market and expects a slowdown in Europe, as already announced. For the FY it targets a REBIT margin between 7 to 8%. We are currently at 7.7%. However, for 2017 we are at only 7.1%.

Our View: Good results and upside to 2017 consensus estimates

Bekaert releases strong results and will beat its 7% margin target this year. We are 7.1% for 2017 and believe there is upside to this number. Tire maker comments indicate sustained strong business in China, which could offer a positive surprise.

Further benefits from the efficiency programs should also support margins.

Investment Conclusion: ADD maintained - Target price raised to EUR 46.00

Good results. We will not materially alter our FY estimates but will raise our 2017 estimates and beyond. On

preliminary new 2017 estimates, the shares trade at 11.5x EV/EBIT. We see room to raise our target price to EUR 46.00 and maintain our ADD rating.

Details

in EUR	2015 H1	2016 H1e	2015a	vs. Exp
Combined sales (m)	2,302	2,158	2,125	-1.5%
Sales group (m)	1,897	1,843	1,819	-1.3%
EMEA	644	649	629	-3.1%
North America	313	310	291	-6.1%
Latin America	400	327	352	7.5%
Asia Pacific	540	556	547	-1.7%
EBITDA (m)	217.0	262.5	242.0	-8%
REBIT (m)	112.0	157.0	157.0	0.0%
EMEA	80.0	77.9	85.0	9.1%
North America	12.0	18.6	14.0	-24.7%
Latin America	22.0	26.2	33.0	26.0%
Asia Pacific	30.2	66.8	52.0	-22.1%
Other	-32.3	-32.5	-27.0	-16.9%
EBIT (m)	109.0	149.5	144.0	-3.7%
Fin result (m)	-30.1	-51.0	-81.1	59.1%
Associates	12.6	7.0	12.8	82.9%
Net profit (m)	52.4	71.9	33.1	-54.0%