

Maintained

Hold

Price (10/05/16) €37.53

Maintained

Target price (12m) €38.00

Forecast total return 3.8%

Market cap €2,256.8m

Bloomberg BEKB BB

**Bekaert: Strong start to the year, but caution on 2H16****Event:** 1Q16 trading update**Outcome:** Neutral

**Conclusion:** 1Q16 sales declined 2.3% to €884m and came in 1.8% below company compiled consensus, and 1.1% below ING forecasts. Volumes were however stronger than expected (+5.5% vs INGF +2.2%), driven by tire cord and other automotive steel wire products. Management expects these strong volumes to continue in 2Q16 and sounds confident to exceed its (margin) targets in 1H16. However, management perceives more uncertainty for 2H16, as they see risk that tire markets will then slow. Management also project a significant impact from continued economic and political instability in Latam and from postponed investments and low activity in global oil & gas markets, partially offset by solar markets remaining strong. As such, management 'just' reiterates its view that it will take a very significant step towards its 7% REBIT target in 2016F, which seems in line with consensus thinking. We do not expect material changes to consensus 2016 estimates.

Bekaert 1Q16 Key Highlights (€m)

	1Q15	1Q16	chg (%)	INGF	Cons.	vs. INGF (%)	vs. cons (%)
<b>Sales</b>	<b>904</b>	<b>884</b>	<b>-2.3</b>	<b>894</b>	<b>900</b>	<b>-1.1</b>	<b>-1.8</b>
- EMEA	313	307	-1.9	300	312	2.2	-1.6
- North America	153	146	-4.5	166	156	-12.1	-6.4
- Latin America	195	173	-11.5	168	177	3.0	-2.3
- Asia Pacific	243	258	6.1	259	255	-0.4	1.2

Source: Company data, ING estimates, company-compiled consensus

**Highlights:**

- 1Q16 consolidated sales came in at €884m. Volume growth was +5.5%, but was, as forecasted, fully offset by significantly lower wire rod prices (-6%) which were passed on to customers. Mix improvements (+3%) more than compensated for a continued price erosion in tire markets (-2%). The net effect of acquisitions (+2%) and divestments (-2%) was neutral, but unfavourable forex drove sales down 2%.
- Combined sales fell 7% to €1,030m due to forex effects (-6%), mainly driven by the drastic devaluation of the Brazilian real. The net effect of acquisitions and divestments was negative (-1%) due to a transfer of control in a Chinese partnership. The organic growth was, also on the combined level, entirely offset by lower raw material prices.
- In 1Q16, Bekaert achieved strong volume growth in tire cord and other automotive steel wire products, stemming from firm demand in automotive markets and increased market share in Chinese tire markets. But, Bekaert is highlighting that the tire industry in China has been boosted in anticipation of new US import duties and increasing raw material prices and believes this effect will not be repeated in 2H16.
- EMEA: Consolidated sales fell 2% YoY to €307m, 2% below consensus. Volumes improved more than 3% due to higher demand from European automotive and other industrial and construction markets, partially offset by volumes lost through the exit from stainless steel wire activities and the divestment of the carding solutions business. Passed through lower wire rod prices had a negative impact of 5% on segment sales.
- North America: Sales missed consensus by 6% and fell 4% YoY to €146m, as lower wire rod prices and an unfavourable mix entirely offset strong organic volume growth of 7% and positive currency impacts of 2%. The segment reported strong performance in the Automotive and Industrial wire markets, while sales of ropes and profiles wires declined on weak demand from the oil and gas sector. The reconstructed Rome plant provided a significant volume increase during the quarter.

- Latin America: Consolidated sales fell 12% YoY to €173m, and came in 2% below consensus. Sales were negatively impacted by lower volumes (-11%, mainly due to the shutdown of Venezuela operations), negative exchange rate movements (-9%), and lower wire rod prices (-11%) offsetting positive price-mix effects from sales in local currencies (+12%). Segment performance was affected by increased instability in the entire region, with a weakening business climate in Brazil, Peru and Ecuador.
- Asia Pacific: Broadly in line with INGF, 1Q16 consolidated sales improved 6% YoY to €258m, supported by higher organic volumes (+14%), scope effects (+2%), and a better product mix (+2%), partially offset by price erosion (-4%), 6% lower wire rod prices and negative currency effects (-3%). The segment reported an improved portfolio from achieving a higher share of value added activities (notably 18% YoY growth in Sawing wire sales) and reducing loss making and low margin businesses.
- Net debt was €381m vs. €332m at year-end 2015, due to a seasonal increase in working capital and strong volume growth. Bekaert expects to keep its net debt below €900m, despite the fact that the company will pay dividends as from 17 May 2016

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Maintained

Buy

Price (10/05/16) €37.67

Maintained

Target price (12m) €42.00

Forecast total return 14.7%

Market cap €2,636.9m

Bloomberg ENX FP

## Euronext: Free to make acquisitions due to new prudential requirements

**Event:** Press release

**Outcome:** Neutral

**Conclusion:** Euronext and the Dutch Ministry of Finance have reached agreement on Euronext's prudential requirements. The requirements seems rather complex and we had hoped for a more simple solution, possibly by restricting €10m cash at the Holding for Resolution purposes.

### Highlights:

- The agreement removes uncertainty around the financial structure and provides Euronext with flexibility to pursue its strategic objectives.
- The new prudential requirements consists of two elements:
- Long-term positive tangible equity requirement mitigated by:
  - Goodwill arising from acquisitions can be deducted in annual arrears of 10 years or more ('grow-in-period') taking into account the dividend policy and the actual acquisition multiples paid
- Euronext is able to define its own dividend policy provided that it does not endanger the long-term financial stability of the Company
  - Gross debt to EBITDA ratio does not exceed 3.5x
- The new prudential requirements will be integrated in a new license in a way to ensure a stable capital structure
- As a result of the agreement, the Dutch Ministry of Finance has decided to withdraw its appeal against the ruling of the District Court of Rotterdam of 17 December 2015.
- Next event 1Q16 results on May 12 and capital markets day on May 13.

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