

Maintained
Hold

Price (28/07/16) €41.28

Maintained
Target price (12m) €38.00
Forecast total return -5.6%

Market cap €2,482.0m
Bloomberg BEKB BB

Bekaert: Raises 2016 REBIT margin target to 7-8%

Event: 1H16 results

Outcome: Positive

Conclusion: REBIT came in 40% higher at €157m (4,7% above company compiled consensus of €150m), resulting in a rebit margin of 8.6%. Bekaert easily surpassed its own target of 7% for FY2016. Despite being cautious for 2H2016, Bekaert says it now will reach a REBIT margin between 7% and 8% for the full year. We expect FY consensus REBIT to be revised up.

Highlights:

1H16 Key Highlights (€m)

	1H15	1H16	% ch.	INGF	Cons.	vs. INGF (%)	vs. cons (%)
Sales	1,897	1,819	-4.1	1,832	1,847	-0.7	-1.5
EMEA	644	629	-2.3	631	638	-0.4	-1.4
North America	313	291	-7.0	297	306	-2.1	-4.9
Latam	400	352	-12.0	357	346	-1.5	1.7
Asia Pac	541	547	1.1	546	557	0.2	-1.8
REBIT	112	157	39.9	162	150	-3.0	4.7
EMEA	80	85	6.3	84	82	1.3	3.7
North America	12	14	16.7	14	16	1.0	-12.5
Latam	22	33	50.0	29	26	15.4	26.9
Asia Pac	30	67	123.3	66	57	2.3	17.5
Other	-32	-42	n/a	-30	-31	n/a	n/a
EBIT	110	144	31.3	154	142	-6.7	1.4
EPS (€)	0.94	0.59	-37.2	1.51	n/a	-60.9	n/a
Net debt	1,023	1,151	12.5	1,071	898	7.5	28.1

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

- Revenues: Bekaert has seen revenues decline to €1.819m, down 4.1% YoY and 1.5% below company compiled consensus. Sales were impacted by lower raw material prices (-4%), which Bekaert can pass through to its customers, adverse currencies (-3%) and price/mix (-3%). On the positive side volumes were strong (6%), albeit slowing in Q2 vs Q1. Demand from European markets remained solid, both in automotive and construction, while automotive, construction and industrial wire markets performed well in North America. In Asia Pacific Bekaert saw strong demand from automotive and solar markets offset by passed-on lower wire rod prices, price erosion and currency movements.
- 1H16 REBIT came in 40% higher at €157m, resulting in a REBIT margin of 8.6% due to continued efforts to save on costs. Bekaert easily surpasses its own margin target of 7% for 2016.
- Guidance: Besides normal seasonality Bekaert sees an increased impact from the low activity in global oil and gas markets, which will pull Bekaert's profit performance down in the second half of the year. The company is also concerned about the continued weak economic environment in Latin America and lack of confidence following Britain's choice to leave the EU. Despite being cautious for 2H2016, Bekaert says it now will reach a REBIT margin between 7% and 8% for the full year, where it previously aimed for 7%.
- Valuation: Shares are up 45.4% YTD. Bekaert currently trades at 15.2x P/E 2017F and 6.9 EV/EBITDA 2017F on Bloomberg consensus and in line with the sector. We expect a positive share price reaction as consensus will be revised up.

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