

9 May 2016

BEKAERT

Getting closer towards REBIT target

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 38.70
TARGET PRICE € 38.00

HOLD
RATING DOWNGRADED



Source: Thomson Reuters Datastream

Bloomberg BEKB.BB
Reuters BEKB.BR

www.bekaert.com

Market Cap € 2,317.2m
Shares outst. 60.1m
Volume (daily) € 4,820,028
Free float 62.0%

Next corporate event

Trading update 1Q16: 11 May 2016

(€ m)	2015	2016E	2017E
Sales	3,671.1	3,941.3	4,219.3
REBITDA	441.4	465.7	508.8
Net earnings	102.2	130.3	152.4
Adj. EPS (€)	1.77	2.37	2.75
P/E (x)	14.8	16.4	14.1
EV/REBITDA	6.0	7.8	6.9
FCF Yield	15.9%	5.9%	7.3%
Dividend yield	3.4%	2.6%	3.2%

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Wednesday, before market, Bekaert is to release its 1Q16 trading update. The AGM is scheduled the same day at 10:30 CET. The Company will release (consolidated and combined) sales data with some qualitative comments.

Passed on lower raw material prices will continue to impact the top line, estimated at about 5% for 1H16. At publication of FY15 results, Bekaert however was guiding for margins to improve.

Despite challenging oil and gas market, Bekaert is expected to continue its strong performance in EMEA while its performance in North America should improve, also helped by resumed production at the Rome plant. While market conditions remain highly competitive, Asia Pacific is expected to show solid top line growth with improved profitability. Situation in Latin America remains challenging though.

There will some positive impact from the Pirelli tire cord transaction as the Turkish and Chinese plant only have been consolidated as from 1 February and 1 March last year. We also look out for an update regarding the upcoming merger of Bekaert Ropes with Bridon. In our scenario, we have assumed the transaction to be completed by mid-2016.

We expect Bekaert to report consolidated sales for the quarter of € 906m, flat vs. the same period last year. Company compiled consensus with 6 brokers participating is looking for sales of € 900m. We expect consolidated sales in EMEA, North America, Latin America and Asia Pacific for the quarter at € 312m (-0.3%), € 152m (-0.7%), € 174m (-10.8%) and € 268m (+10.3%).

Conclusion:

Bekaert this year is expected to make a significant step towards its goal of a 7% REBIT margin. In our scenario, this objective will be reached next year while this year Bekaert will see its REBIT margin improve from 6.1% to 6.5%.

Following recent share price performance we have decided to revise our rating from accumulate to hold while increasing our target price to € 38 (from € 35).