10 November 2015

Bekaert (EUR 26.94 - ADD) - Q3 preview

Period	2015 Q3 trading update
Date/Time	Friday, November 13
Recommendation	ADD
Target price	29

in EUR m	2014 Q3	2015 Q3e	Yoy	css
Consolidated sales	**814**	**986**	**21.2%**	**943**
EMEA	264	310	17.3%	313
North America	140	164	16.9%	156
Latin America	163	204	25.3%	191
Asia Pacific	247	309	25.0%	283
Combined sales (incl. ass.)	**1,046**	**1,193**	**14.0%**	
EMEA	261	307	17.5%	
North America	140	164	16.9%	
Latin America	387	396	2.2%	
Asia Pacific	258	327	26.6%	

Analyst Meeting No

Key items

1. After solid H1 results, we expect another strong third quarter. Bekaert indicated that it expects to see more benefits from recent acquisitions and investments come into effect in the second half of 2015. These benefits should partially offset the normal seasonality impact. We expect Q3 sales at similar levels as Q2, implying 21% yoy growth versus 20% in Q2.
2. 2. We expect a more positive volume impact thanks to an improvement in China, with a somewhat less favourable forex and acquisition impact versus H1.
3. After a summer uptick, wire rod prices continue to decline. On Q3, Bekaert does not publish full earnings. In H2, we expect a positive impact from additional cost management, an elimination of significant consulting costs and a higher margin contribution from the Pirelli business.

Conclusion

While financial markets are focused on the Chinese exposure, we believe Bekaert has had the worst impact in H1 already, and volumes should be better in H2. Also Europe and the US should remain solid, and over compensate a slower Latam. We reiterate our ADD rating with target price of EUR 29.00.

Analyst: Stefaan Genoe, E-mail: stefaan.genoe@petercam.be, Phone: +32 2 229 6466
Sales Contact: Stefaan Genoe, E-mail: stefaan.genoe@petercam.be, Phone: +32 2 229 6466