

Bekaert (ADD) released Q3 sales below expectations. Sales came in at EUR 898m (+10%) against EUR 986m expected and consensus of EUR 943m. Acquisitions and forex accounted for 15% of the increase with the 5% organic decline being due to +1% volume and price/mic effect and -6% from lower wire rod prices.

Sales in **EMEA** came in at EUR 296m against EUR 310m expected with automotive remaining strong and energy markets weaker due to a oil and gas sector downturn. Q4 should solid.

North American sales reached EUR 146m (+4%) vs. EUR 164m anticipated (EUR 156m css) with the 15% forex impact large compensated by volume loss from the fire.

Latam was weak with sales of EUR 180m against EUR 204m expected (css EUR 191m).

Bekaert expects a continued difficult market environment. In **Asia**, sales were up 12% to EUR 277m against EUR 309m expected and consensus of EUR 283m. The 8% organic growth was wiped out by 8% decline in wire cord prices. Bekaert regained market share in tire cord and kept pace with growing demand in the solar sector.

In its outlook, Bekaert anticipates continued solid demand from automotive markets in the final quarter of 2015. Global oil and gas markets are projected to remain subdued and the difficult economic environment in Latin America is likely to persist.

We expect the strong performance of our recent acquisitions and investments to continue. As opposed to the final quarter of last year, we do not project a major sales decline in Chinese tire markets.

Bekaert is implementing a set of actions to drive value creation over time, including a program aimed at optimizing the company's manufacturing cost base and a product portfolio analysis. These actions are expected to continue driving improved margin performance in the second half of the year and going forward.

Conclusion:

Bekaert reports lower than expected Q3 sales but mainly due to the lower wire rod prices. This is not a negative item for margin and hides an underlying volume improvement versus previous quarters. Q3 reporting does not offer margin insight, which we expect to be supportive in H2 on the back of lower wire rod prices and solid cost management. ADD rating maintained with a target price of EUR 29.00. The shares trade at 11.9x EV/EBIT 2016.