

## Bekaert

Belgium/General Industrials



Analysers

## Neutral

Recommendation unchanged

Share price: EUR 25.99

closing price as of 12/05/2015

Target price: EUR 28.00

from Target Price: EUR 26.00

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,562
Current N° of shares (m)	60
Free float	59%
Daily avg. no. trad. sh. 12 mth	100,298
Daily avg. trad. vol. 12 mth (m)	2,597
Price high 12 mth (EUR)	29.67
Price low 12 mth (EUR)	22.90
Abs. perf. 1 mth	1.54%
Abs. perf. 3 mth	-4.57%
Abs. perf. 12 mth	-13.15%

Key financials (EUR)	12/14	12/15e	12/16e
Sales (m)	3,216	3,698	3,934
EBITDA (m)	342	359	386
EBITDA margin	10.6%	9.7%	9.8%
EBIT (m)	171	174	201
EBIT margin	5.3%	4.7%	5.1%
Net Profit (adj.)(m)	75	76	104
ROCE	4.2%	4.5%	5.1%
Net debt/(cash) (m)	853	877	865
Net Debt/Equity	0.5	0.6	0.5
Debt/EBITDA	2.5	2.4	2.2
Int. cover(EBITDA/Fin. int)	5.4	5.1	5.4
EV/Sales	0.8	0.7	0.7
EV/EBITDA	7.6	7.2	6.7
EV/EBITDA (adj.)	7.7	7.1	6.6
EV/EBIT	15.1	14.9	12.9
P/E (adj.)	21.2	20.6	15.1
P/BV	1.2	1.1	1.1
OpFCF yield	-10.4%	2.0%	4.6%
Dividend yield	3.3%	3.5%	3.6%
EPS (adj.)	1.24	1.26	1.73
BVPS	22.74	23.01	23.69
DPS	0.85	0.90	0.95



Shareholders: Bekaert Fam. &amp; Rel. 41%;

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## 1Q15 sales are slightly ahead of expectations. More positive tone in the prospects TP lifted to 28

**The facts:** This morning Bekaert released its 1Q15 trading update. Sales came in at EUR 904m, slightly ahead of our (EUR 883m) and consensus CSS (EUR 896m) expectations. The main discrepancy versus estimates is due to Latin America, where the impact of the acquisitions of Cimaf ropes in Brazil and the wire business in Costa Rica acquired from Arcelor Mittal were under-estimated. This more than offsets the lower than expected sales progression in EMEA and in North America. Acquisitions and FX added each 10% the sales, organic sales declined 4% due to weaker business in China and the volume loss resulting from the November 2014 fire at the Rome plant in the US.

Sales (EURm)	1Q14	2Q14	3Q14	4Q14	FY14	1Q15 A	1Q15e	1Q15e CSS
<b>EMEA</b>	<b>275</b>	<b>280</b>	<b>264</b>	<b>245</b>	<b>1,064</b>	<b>313</b>	<b>321</b>	<b>322</b>
% change	5.8%	2.9%	1.9%	-1.6%	2.3%	13.8%	16.9%	17.1%
<b>North America</b>	<b>139</b>	<b>142</b>	<b>140</b>	<b>134</b>	<b>555</b>	<b>153</b>	<b>157</b>	<b>155</b>
% change	-4.8%	-4.7%	8.5%	8.1%	1.3%	10.1%	12.7%	11.5%
<b>Latin America</b>	<b>141</b>	<b>154</b>	<b>163</b>	<b>173</b>	<b>631</b>	<b>195</b>	<b>166</b>	<b>172</b>
% change	-19.9%	-12.5%	13.2%	16.1%	-2.2%	38.3%	18.0%	22.0%
<b>Asia Pacific</b>	<b>226</b>	<b>252</b>	<b>247</b>	<b>241</b>	<b>966</b>	<b>243</b>	<b>239</b>	<b>243</b>
% change	4.6%	-0.8%	2.5%	-0.4%	1.4%	7.5%	5.7%	7.5%
<b>Consolidated sales</b>	<b>781</b>	<b>828</b>	<b>814</b>	<b>793</b>	<b>3,216</b>	<b>904</b>	<b>883</b>	<b>896</b>
% change	-2.1%	-2.7%	5.3%	3.8%	0.9%	15.7%	13.1%	14.7%

Sources : Bekaert / Bank Degroof estimates / CSS = consensus computed by Bekaert (22/04/2015)

**Our analysis:** In **EMEA**, we had anticipated a 16.9% increase in sales in 1Q15 and it came out a bit lower, mainly due to lower volume on though comparables. Organic sales were nevertheless stable across the region. Demand from automotive and construction markets remained solid while demand for energy-related markets was down. Bekaert anticipates continued solid demand and performance in most European markets, especially those related to the automotive sector. In **North American** 1Q15 sales came out slightly short of estimates. To a large extent this is due to lower FX impact (+18% vs. +20.2% f'casted). Because of the fire that damaged part of the bead wire factory in Rome (Georgia), of the pass on of lower wire rod prices and of some import price pressures, the organic sales decrease was 8%, in line with our estimate (-7.3%). Bekaert perceives continued price pressure in industrial markets, especially when in competition with imports. Sales growth in **Latin America** was stronger than assumed. We have underestimated the impact of the other acquisitions than the Pirelli assets in Brazil. Acquisitive growth accounts for 24% of the y-o-y increase. FX add 12% (also ahead of our +9.5% forecast). Volumes were stable and the product mix added 3% to the organic sales. Hence, the import pressures seem to have been less pronounced than expected. Bekaert anticipates continued modest organic sales growth for its consolidated businesses in 2Q15. Bekaert has limited visibility for the remainder of the year and anticipates an impact on demand due to the overall weakening economic conditions in the country. In **Asia Pacific**, sales growth was 7.5%, boosted by FX tailwinds (+16%), while the organic sales declined by 11% on lower demand and price pressures. If Bekaert anticipates continued price pressure in Chinese tire markets in 2Q15; it believes that demand has bottomed out since March on.

**Conclusion & Action:** While price pressures are still on the agenda, mainly in China, the general tone seems more positive than a quarter ago. Hence, while we keep our neutral stance on the share, we increase our TP to EUR 28.