



Accumulate

from Neutral

Share price: EUR 27.72

closing price as of 05/08/2015

Target price: EUR 31.00

from Target Price: EUR **28.00**

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,666
Current N° of shares (m)	60
Free float	59%
Daily avg. no. trad. sh. 12 mth	247,768
Daily avg. trad. vol. 12 mth (m)	6,858
Price high 12 mth (EUR)	28.68
Price low 12 mth (EUR)	22.90
Abs. perf. 1 mth	10.18%
Abs. perf. 3 mth	7.07%
Abs. perf. 12 mth	2.74%

Key financials (EUR)	12/14	12/15e	12/16e
Sales (m)	3,216	3,885	4,046
EBITDA (m)	342	405	420
EBITDA margin	10.6%	10.4%	10.4%
EBIT (m)	171	210	230
EBIT margin	5.3%	5.4%	5.7%
Net Profit (adj.)(m)	75	102	123
ROCE	4.2%	5.0%	5.7%
Net debt/(cash) (m)	853	1,048	934
Net Debt/Equity	0.5	0.7	0.6
Debt/EBITDA	2.5	2.6	2.2
Int. cover.(EBITDA/Fin. int)	5.4	6.5	6.1
EV/Sales	0.8	0.7	0.7
EV/EBITDA	7.7	7.1	6.6
EV/EBITDA (adj.)	7.8	7.1	6.5
EV/EBIT	15.3	13.8	12.1
P/E (adj.)	21.2	16.4	13.5
P/BV	1.2	1.2	1.1
OpFCF yield	-10.4%	-8.3%	10.2%
Dividend yield	3.1%	3.1%	3.2%
EPS (adj.)	1.24	1.69	2.05
BVPS	22.74	23.45	24.44
DPS	0.85	0.85	0.90



Shareholders: Bekaert Fam. & Rel. 41%;

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Reassuring start and encouraging outlook

The facts: We have reviewed upward our short term scenario and raise our rating to Accumulate, with a new target price of EUR 31.

Our analysis: Bekaert reported 1H15 results slightly ahead of our and consensus estimates, supported by a very strong performance in EMEA. Other regions still suffered from headwinds that continued to weight on their organic performances. The FX tailwinds, the net acquisitions and the impact of the excellence programs also helped to achieve this performance.

The guidance for the coming quarters remains prudent, but our feeling is that management is becoming more confident than some month ago. Bekaert's tire cord activity in China has bottomed-out and is now running at a more normal rate, which is encouraging for the balance of the year. Nevertheless, management still anticipates price pressures for the coming months. Activity in EMEA remains strong but is still uncertain in Latin America. In North America demand is generally supportive, with the exception of the demand from the oil & gas industry and for some industrial wires. The bead wire factory in Rome should produce again from 4Q15 onwards. Last but not least, management flagged that it expects to see more benefits from recent acquisitions and investments in 2H15. Although this will be partially offset by the usual earnings seasonality.

On the back of the 1H15 results and based on the comments made by the management at the analyst meeting, we have adjusted upwards our estimates mainly for FY15 and FY16 (REBIT lifted by ca. 5.9% and 4.7%, respectively) and more marginally for FY17 (Rebit up 2%). We are now slightly above the consensus for these years (Rebit FY15-17 at EUR 201m; EUR 232m and EUR 259m, respectively). However, those estimates are pre-reporting and therefore they should also be amended upwards.

We continue to believe that it will be difficult for Bekaert to achieve its target for the consolidated EBIT margin of 7.0%, given the increasing commoditisation of the tire cord in Asia Pacific. To achieve this target Bekaert should significantly reduce its exposure towards the commodity part of the business that has substantially increased over the recent years. Management is fully aware of this and is working on the track to improve its offers both internally and through acquisitions. However, this is a process that will take time.

A company update will be released today morning.

Conclusion & Action: Bekaert's 1H15 results were reassuring given the very weak start due to the strong destocking movement on the Chinese tire cord market. Bekaert's Chinese tire cord activity retrieved a more normal run rate in 2Q15, but price pressures are still there. Hence, costs optimisation and the excellence program remain on the agenda. Acquisitions and FX tailwinds were also helpful as well as strong demand and margins in EMEA. The management is becoming more confident for the balance of the year and sees room for profit improvement.

We have reviewed upward our short term scenario and raise our rating to Accumulate, with a new target price of EUR 31. This target corresponds to an EV/EBITDA16 of 7.0x. This multiple is in line with Bekaert's last 10 years average 12 months forwards EV/EBITDA multiple.