

Bekaert

Belgium/General Industrials

Analyser



Reduce

Recommendation unchanged

Share price: EUR 26.95

closing price as of 25/07/2013

Target price: EUR 24.00

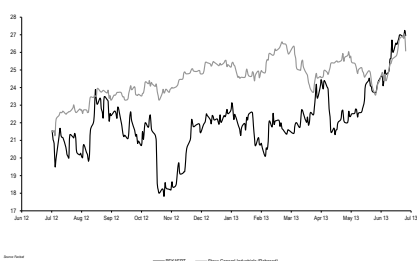
Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,618
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	2,235,360
Daily avg. trad. vol. 12 mth (m)	6,102
Price high 12 mth (EUR)	27.25
Price low 12 mth (EUR)	17.82
Abs. perf. 1 mth	13.40%
Abs. perf. 3 mth	11.41%
Abs. perf. 12 mth	32.86%

Key financials (EUR)	12/12	12/13e	12/14e
Sales (m)	3,460	3,243	3,385
EBITDA (m)	275	294	356
EBITDA margin	7.9%	9.1%	10.5%
EBIT (m)	(49)	113	180
EBIT margin	nm	3.5%	5.3%
Net Profit (adj.)(m)	(73)	51	80
ROCE	0.7%	4.1%	5.2%
Net debt/(cash) (m)	700	697	651
Net Debt/Equity	0.4	0.4	0.4
Debt/EBITDA	2.5	2.4	1.8
Int. cover(EBITDA/Fin. int)	3.5	4.6	5.6
EV/Sales	0.7	0.8	0.7
EV/EBITDA	8.2	8.8	7.1
EV/EBITDA (adj.)	6.5	7.9	7.1
EV/EBIT	nm	22.7	14.1
P/E (adj.)	nm	31.6	20.2
P/BV	0.9	1.2	1.1
OpFCF yield	22.3%	3.6%	6.3%
Dividend yield	3.2%	3.2%	3.2%
EPS (adj.)	(1.22)	0.85	1.34
BVPS	23.70	23.24	23.50
DPS	0.85	0.85	0.85



Shareholders: Bekaert Fam. & Rel. 39%;

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Better than expected 1H13 results, but lower CF generation.

The facts: Bekaert came with stronger than anticipated 1H13 results, with a Rebit of EUR 91m against about EUR 70m expected. Guidance is rather cautious for 2H13, because competitive pressures have increased in Asia

Our analysis: It should be noted that the Rebit of EUR 91m was not only supported by better than assumed improvements in EMEA, but also by some reversals of provisions for EUR 3m in Asia Pacific. The Rebit of EUR 91m includes EUR 25m extra savings compared to end 2012, as anticipated.

As mentioned above, EMEA performance was significantly better than assumed, with a Rebit of EUR 46m against EUR 26-28m expected. In our preview note we mentioned the bottoming out of some market segments in EMEA in 2Q13. This is clearly confirmed in the 1H13 figures. North America performed a bit better than assumed, though remains a difficult market. Latin America and Asia Pacific performed in line with expectations.

Bekaert : key figures (EUR m)	1H12	2H12	2012	1H13 A	% chg	1H13e Degroof	1H13e CSS	2H13e	2013e	FY13e CSS
Combined sales	2,255	2,132	4,387	2,139	-5.1%	2,107	2,122	2,122	4,228	
Consolidated sales	1,783	1,678	3,461	1,649	-7.5%	1,625	1,656	1,618	3,243	3,333
EBITDA	161	155	316	172	6.8%	139	136	156	294	299
Margin	9.0%	9.3%	9.2%	10.4%		8.5%	8.2%	9.6%	9.1%	9.0%
Rebit	85	33	118	91	6.9%	68	73	80	148	154
Margin	4.8%	2.0%	3.4%	5.5%		4.2%	4.4%	5.0%	4.6%	4.6%
-EMEA	36	27	63	46	27.8%	26	na	28	54	
-North America	21	9	30	13	-38.1%	9	na	10	20	
-Latin America	29	35	64	28	-3.4%	27	na	32	58	
-Asia Pacific	35	2	37	39	11.4%	38	na	43	81	
-Corporate	-36	-40	-76	-35	-2.4%	-33	na	-33	-65	
Operating result	4	-54	-49	89	nr	48	53	65	113	121
Margin	0.2%	-3.2%	-1.4%	5.4%		3.0%	3.2%	4.0%	3.5%	3.6%
Financial result	-53	-37	-89	-41		-35	-34	-34	-69	-65
Result before tax	-49	-90	-139	48	nr	13	19	31	44	56
Income tax	-27	-11	-38	-30		-6		-13	-18	
Tax rate	56.5%	11.7%	27.4%	62.5%		41%		42%	42.0%	
Results of associates	6	7	13	17		6		4	10	
Discontinued operations	0	0	0	0		0		0	0	
Consolidated profit	-70	-94	-164	35	nr	14		22	36	
Minority interest	8	8	16	9		6		6	12	
Group's share in net result	-79	-110	-189	26	nr	8	8	16	24	23
EPS (EUR)	-1.31	-1.83	-3.14	0.45	nr	0.13	0.13	0.26	0.39	0.38

Sources : Bekaert / Bank Degroof estimates / Consensus (CSS) : Inquiry Finacial Europe (5 participating brokers 25/07/2013)

Performance of the associates (Mainly Brazil assets) was particularly strong.

Net cash generation was below our assumption with net financial debt at EUR 770m, while we had assumed EUR 750m. Note that the capex was particularly low in 1H13 (EUR 32m vs. EUR 65m expected and a capex budget in the EUR 120-130m range).

Management provided a cautious outlook for 2H13: beyond the seasonal pattern of Bekaert's activities, management highlighted the risk associated to an increasing competitive environment in Asia. We understood that there is a significant risk of price pressure in tire cord in China. This might of course significantly affect the performance of the key region in 2H13.

Conclusion & Action: Good set of 1H13 results, above expectations, also CF generation was weaker than assumed. Cautious guidance for 2H13, due to the increasing risk of price pressure in tire cord in China. We will slightly increase our FY13 Rebit after these results. We maintain our view on this share: at a price of EUR ~27, the market seems to have already fully discounted the successful turnaround of Bekaert, without any discount for the delivery risk.