
Company comments

Maintained

Hold

Price (2/09/13) **27.33**

Maintained

Target price (12m) **26.00**

Forecast total return **-1.7%**

Market cap 1,602.7m
Bloomberg BEKB BB

Bekaert: Strong July tyre market trends for Michelin

Michelin reported quite strong and improving July tyre market trends yesterday after market close.

The most important numbers for Bekaert are the heavy truck replacements tyre trends. The July trend was +12% in Europe (vs +5% in June and +8% YTD), +2% in North America (vs -6% in June and -1% YTD) and +23% in Brazil (vs +5% in June and +12% YTD).

Unfortunately, Michelin doesn't provide trends for the Chinese truck tyre markets (which is important for Bekaert), but does provide trends for the car replacement tyre market. Also that trend was positive in July: +11%, vs +4% in June and +9% YTD.

Overall, this bodes well for Bekaert's volumes in 3Q13, as automotive accounts for c.34% of group sales. Combined with improving global PMI data reported yesterday and recovering steel prices (which supports pricing and could offer room for positive inventory effects), risks shift to the upside on 2H13 results, in our view. At the same time, we reiterate that valuation is not cheap on our current estimates (and we assume we are above consensus on 2013F estimates and expect 13% REBITDA growth in 2014F): 6.2x EV/EBITDA and 15.1x PER 2014F.

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