

# Company comments

Maintained

Hold

**Price (14/10/13)** €26.77

Maintained

**Target price (12m)** €26.00

**Forecast total return** 0.28%

Market cap €1,569.9m

Bloomberg BEKB BB

## Bekaert: Michelin September tire numbers look mixed

Michelin reported a mixed bag of September tire sales yesterday after the market close. When looking for a read-across to Bekaert, we focus on the heavy truck replacement market. In that segment, we notice a 1% YoY decline in Brazil. This implies a material softening of the market, as sales are up 11% YTD. In North America, we are seeing confirmation that the market is recovering: sales are up 2% YoY in September, whereas YTD sales are down 2% YoY. We note, however, that Bekaert management said at our September conference that the company is not seeing a recovery in its overall North American operations, due to (1) higher imports from Asia, (2) capacity expansions by competitors and (3) investment delays in energy markets. The bright spot in the Michelin update seems to be Europe, where sales were up a strong 11% YTD in September, above the overall 9% increase YTD. Michelin does not provide trends for the Chinese truck tire markets (which are important for Bekaert), but does provide trends for the car replacement tire market. That trend was less positive in September: +6% YoY, vs. +9% YTD.

Overall, this news does not materially affect our HOLD investment case for Bekaert. We expect the company to report a solid 2H13F REBIT, underpinned by the ongoing cost savings, yet below the 1H13 numbers due to seasonality effects and increased price competition in Asia Pac. Also in 2014F we expect 26% REBIT growth YoY, mainly due to ongoing cost savings and a modest macro recovery. Still, we believe all of this is priced in, as the shares are trading at 14.8x PER, 6.2x EV/EBITDA and a FCF yield to EV of 6.8% for 2014F.

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