

Maintained

Hold

Price (27/02/14) 26.47

Maintained

Target price (12m) 26.00

Forecast total return 1.4%

Market cap 1,552.3m

Bloomberg BEKB BB

Bekaert: 9% beat on 2H13 REBIT, strong CF, deal with Pirelli

Bekaert announced a strong set of 2H13 numbers this morning. 2H13 consolidated sales declined 8% YoY to 1,537m, but came in 2% above our forecast. The beat was driven by a 6.7% volumes increase YoY in 4Q13, as volumes fell 0.5% in 3Q13. Bekaert noted strong volumes in Asia in 4Q13, due to market share gains. Also volumes in Latam improved in 4Q13, whereas they disappointed in 3Q13. Finally, EMEA showed good 4Q13 volumes, due to good tire cord sales.

2H13 highlights (m)

| | 2H12 | 1H13 | 2H13F | 2H13A | %chg | Consensus |
|-------------------|---------------|--------------|--------------|--------------|---------------|--------------|
| Sales | 1,677 | 1,649 | 1,513 | 1,537 | -8.3 | 1,513 |
| EMEA | 487 | 532 | 499 | 532 | 9.2 | |
| North America | 308 | 295 | 239 | 253 | -17.9 | |
| Latam | 415 | 352 | 280 | 293 | -29.4 | |
| Asia Pac | 467 | 470 | 494 | 483 | 3.4 | |
| REBIT | 32.7 | 91.0 | 65.2 | 75.0 | 129.2 | 69.0 |
| EMEA | 27.0 | 46.0 | 37.6 | 46.0 | 70.4 | |
| North America | 9.0 | 13.0 | 4.3 | 6.0 | -33.3 | |
| Latam | 35.0 | 28.0 | 15.1 | 16.0 | -54.3 | |
| Asia Pac | 2.0 | 39.0 | 43.1 | 38.0 | 1,800.0 | |
| Other | -40.2 | -35.0 | -35.0 | -31.0 | n/a | |
| REBIT margin (%) | 2.0% | 5.5% | 4.3% | 4.9% | 150.1 | 4.6% |
| Non-recurring | -86.2 | -2.3 | -27.7 | -27.0 | n/a | |
| EBIT | -53.1 | 88.7 | 37.4 | 48.0 | -190.4 | |
| Net profit | -115.4 | 26.2 | -2.4 | -1.6 | n/a | 3.8 |

Source: Company data, ING estimates, company-compiled consensus

2H13 REBIT came in at 75m (4.9% margin). This implied a 15% beat on our forecast (65m), and a 9% beat on the company compiled median forecast (69m). The beat was mainly driven by EMEA, as 2H13 REBIT was flat HoH, whereas normal seasonality suggests a lower 2H. Also Other (overhead costs) were lower than expected.

Cash flow was stronger than anticipated, due to working capital improvement and lower capex. This translated into a lower than expect net debt of 574m (Bekaert definition) or 608m (INGF definition, vs. INGF at 660m). Net debt/EBITDA now stands at 1.9x.

As expected, guidance was not quantified.

In a separate press release, the company announced the acquisition of the Pirelli steel cord activities, coupled to a long-term supply agreement with Pirelli. The transaction should add c. 300m to sales and had an EV of c. 255m. We estimate Bekaert paid 5-6x EBITDA, and see the announcement as a clear positive.

Conclusion: a strong volume recovery in 4Q13, a 9-15% beat on 2H13 REBIT, strong FCF resulting in lower than expected net debt, improved ROIC due to lower working capital and a deal with Pirelli. We expect the shares to be up more than 5%.

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