

Maintained

Buy

Price (30/07/15) €25.04

Maintained

Target price (12m) €30.00

Forecast total return 23.4%

Market cap €1,442.0m

Bloomberg BEKB BB

Bekaert: 16% beat on underlying REBIT, outlook reassuring**Event:** 1H15 results**Outcome:** Positive

Conclusion: 2H14 REBIT came in 4% above company compiled consensus at €112m, up 12% YoY, mainly driven by excellent EMEA results. REBIT however included €7m in consulting fees and €6m build up in bad debt reserves (prudence on China solar clients). As such the underlying beat was 16%. Bekaert expects continued strong demand from automotive and construction markets in EMEA and North America for the rest of the year, but perceives subdued demand in oil & gas globally (hardly a surprise). The tire cord market in China is expected to remain stable at the 2Q level, which should alleviate market fears on the region and suggest a sequential improvement in margins after a very poor start of the year. Management did also flag that Latam market are weakening. Finally management added that it expects to see more benefits from recent acquisitions and investments in 2H15, partially offsetting the normal seasonality effect. We expect a positive shares price reaction based on a the very strong underlying results and China relief.

1H15 highlights (€m)

	1H14	1H15A	% ch.	1H15F	Cons.	vs. INGF (%)	vs. cons (%)
Sales	1,609	1,897	17.9	1,929	1,894	-1.7	0.2
EMEA	555	644	16.0	647	647	-0.5	-0.5
North America	281	313	11.4	312	314	0.2	-0.3
Latam	295	400	35.6	402	387	-0.5	3.4
Asia Pac	478	541	13.2	568	545	-4.7	-0.7
REBIT	100	112	12.2	111	108	1.0	3.9
EMEA	64	80	25.0	73	72	10.1	11.1
North America	14	12	-15.5	16	13	-23.2	-7.7
Latam	11	22	93.0	22	22	-0.3	0.0
Asia Pac	43	30	-29.7	32	31	-5.7	-3.2
Other	-31	-32	n/a	-31	-30	n/a	n/a
EBIT	118	110	-6.9	106	104	3.3	5.5
EPS (€)	1.34	0.94	-30.0	0.84	n/a	12.5	n/a
Net debt	673	1,023	52.0	1,016	1,059	0.7	-3.4

Source: Company data, ING estimates

Highlights:

- EMEA: In line with our expectations, sales came in at €644m in 1H15, up 16% YoY, while REBIT increased 25% YoY to €80m (INGF: €72.6m) primarily driven by higher volumes and a favourable product mix. The integration of steel cord plants acquired from Pirelli strengthened the segmental performance.
- North America: Sales increased 11% YoY to €313m in 1H15 in line with our expectations, driven by favourable currency impacts offset by a decline in organic sales. REBIT came in at €12m and was negatively impacted by tough conditions in industrial steel wire markets, volume losses from plant closures in Surrey, Canada and the fire damage at the Rome plant.
- Latin America: Results were broadly in-line with our estimates. The segment saw its sales improve by 36% to €400m on the back of contributions from new acquisitions, stable organic volumes and improved price mix. Acquisitions accounted for 20% of the YoY sales increase and include the former Pirelli tire cord plant in Sumaré, Brazil. REBIT improved to €22m in 1H15, nearly doubling from 1H14, due to the increased sales and margins in the Chilean and Ecuadorian entities, and the integration of the Sumaré plant.
- Asia Pacific: Sales came in at €541m in 1H15 (up 13% YoY) slightly below our estimates, as a result of favourable exchange rate movements (+18%), changes of scope (+5%), offset by lower organic growth (-10%). The organic growth decline was

due to the continuing weakness of the Chinese tire markets and the overall industrial slowdown in China. REBIT for 1H15 was €30m (INGF:€31m), down 30% YoY and was impacted by continued weak performance in South-East Asia as well as increase of bad debt reserves for solar customers.

Filip De Pauw, Brussels +32 2 557 16 92