

31 July 2015

BEKAERT

Continued strong performance in EMEA

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 25.04
TARGET PRICE € 30.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEKB BB
Reuters BEKB.BR
www.bekaert.com

Market Cap € 1,499.2m
Shares outst. 60.1m
Volume (daily) € 2,618,247
Free float 62.0%

Next corporate event

Trading update 3Q15: 13 November 2015

(€ m)	2014	2015E	2016E
Sales	3,215.7	3,619.4	3,718.3
REBITDA	341.9	370.9	376.7
Net earnings	87.2	100.4	113.6
Adj. EPS (€)	1.41	1.85	2.08
P/E (x)	19.2	13.5	12.1
EV/REBITDA	7.9	7.4	7.1
FCF Yield	-1.5%	-1.3%	7.7%
Dividend yield	3.1%	3.4%	4.0%

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Bekaert this morning released its 1H15 results. An analysts meeting is scheduled later today at 14:00 CET.

Consolidated sales were up 17.9% y/y at € 1,896.9m vs. our and consensus expectations for € 1,867m and € 1,894m. Sales growth was boosted by acquisitions (+10%) as well as favourable currency movements (11%). Organic sales decline of 3% reflected lower volumes (-3%), lower wire rod prices (-4%) and improved product and price-mix (+4%).

Recurring EBIT increased by 10.9% y/y to € 112.2m below our forecast for € 122.3m but ahead of consensus expectations looking for € 108m. REBIT margin declined from 6.2% in the same period last year to 5.9%. REBIT contribution from EMEA surprised positively at € 80m (KBC: € 73.3m), while NA came in-line at € 12m (KBC: 12.7m) and LA and AP came below expectations at € 22m and € 30m (KBC: € 29.1m and € 35.3m). Note that REBIT in AP is impacted by a bad debt reserve of about € 6m.

EBITDA was up by 13.9% y/y at € 216.7m (KBC: € 210.5m, CSS: € 198m). Non-recurring items amounted to € -2.5m and compare to € 16.6m in the same period last year, explaining a big delta on the bottom line. Result before taxes was € 65.8m vs. our forecast for € 87.0m. Net interest was in-line with expectations but the financial result was further impacted by € 13.9m other financial expenses (stamp duty and realised and unrealised exchange losses), which we did not pencil-in. Bottom line, Bekaert reported a net result of € 52.3m, down 33.3% and below our expectations but in-line with consensus estimates.

Net financial debt increased from € 853.0m at year start to € 1,023.0m at the end of June mainly reflecting the acquisitions concluded during H1 and dividend paid.

With regards to the outlook, Bekaert expects continued strong demand from automotive and construction markets in EMEA and NA for the balance of the year but perceives subdued demand in oil and gas worldwide. Bekaert expect the higher run rate in the Chinese tire markets of Q2 to continue but also anticipates further price erosion. The Company is more prudent on Latin America where the economic conditions are weakening. Bekaert expects more benefits from the recent acquisitions and investments to come into effect in H1, partially offsetting the normal seasonal impact.

Conclusion:

Bekaert reported results in-line with consensus but below our expectations. EMEA surprised positively while NA came in-line with expectations. REBIT contribution from LA was up sharply y/y but remained somewhat below our expectations while top-line growth in AP was ahead of expectations while profitability was lower than expected, reflecting build-up of bad debt reserves. Overall we do not expect major changes to our estimates for the FY.