

27 August 2015

## BEKAERT

### Read-through Xingda numbers

GENERAL INDUSTRIES  
BELGIUM

CURRENT PRICE € 24.94  
TARGET PRICE € 30.00

**ACCUMULATE**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEKB.BB  
Reuters BEKB.BR

[www.bekaert.com](http://www.bekaert.com)

Market Cap € 1,493.2m  
Shares outst. 60.1m  
Volume (daily) € 2,823,764  
Free float 62.0%

Next corporate event

Trading update 3Q15: 13 November 2015

(€ m)	2014	2015E	2016E
Sales	3,215.7	3,674.8	3,776.5
REBITDA	341.9	397.7	417.7
Net earnings	87.2	92.1	109.5
Adj. EPS (€)	1.41	1.67	2.00
P/E (x)	19.2	14.9	12.5
EV/REBITDA	7.9	6.9	6.3
FCF Yield	-1.5%	-1.8%	9.3%
Dividend yield	3.1%	3.4%	4.0%

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Yesterday, after market, Xingda released its 1H15 results.

Sales volumes increased by 0.9% y/y to 292,600 tonnes, with radial tire cord volumes steady (-0.1%) at 251,100 tonnes. Radial tire cord volumes for passenger cars were up sharply 15.2% y/y at 98,000 tonnes while radial tire cord volumes for truck tires declined by 7.9% to 153,100 tonnes. Bead wire volumes were up 8.8% at 40,600 tonnes while sawing wire volumes declined by 52.6% at 900 tonnes.

During the second quarter, the new Shandong plant has commenced operations with annual production capacity of 50,000 tonnes. Total production capacity of radial tire cord amounts to 610,000 tonnes, of which 560,000 tonnes at the Jiangsu and 50,000 at the Shandong facility.

Revenues declined by 13.4% to RMB 2,440.9m, reflecting lower average selling prices. Based upon Xingda reported revenues and production numbers by category we calculate a decline by 13.5% in the ASP for radial tire cord to RMB 8,873.8/tonne with 14.2% decline for truck tire cord and 11.3% decline for passenger car tire cord.

Gross profit and EBITDA declined by 28.8% and 17.8% to RMB 473.0m (gross profit margin from 23.6% to 19.4%) and RMB 486.6m. Underlying profit for the period is down by 67.2% to RMB 95.5m.

#### Conclusion:

Bekaert sales in Asia Pacific declined by 10% organically in H1, reflecting positive product mix offset by lower volumes, lower wire rod prices and price erosion. As such the revenue decline at Xingda is relatively in-line with Bekaert's.

With regards to the outlook, Xingda expects an industry shakeout in which "the efficient and advanced players will survive and the weaker ones are on the brink of closure".