



19 February 2015

### **Bekaert (EUR 28.675 - Hold) - Deterioration in tire cord activities in China weighting on results**

#### **Facts – Difficult Q4 amid tensed market situation for tire cords in China**

- Bekaert issued a profit warning this morning, ahead of FY results next week.
- The market situation in tire cords deteriorated in China towards year end 2014 and seriously impacted the performance of Bekaert in Q4 2014, weighting on FY results.
- Due to that, the company communicated preliminary figures ahead of FY 14 results that will be published on February, 27.
- Total sales are announced at EUR 3,216m, EBITDA at EUR 342m and EBIT at EUR 171m. We estimate that this should represent a miss of ~7% vs. our estimates and ~10% vs. consensus.

#### **Our view and conclusion – Miss on EBIT line, forecasts to be reviewed downwards for 2015**

- We had anticipated the troubles on the Chinese tire cords and this was the reason why we put the stock in our underperformance list.
- Due to the persistent excess capacity in China, we expect the Q4 trend to persist in 2015. As such, we will review our forecasts further down for 2015 by and estimated ~10%.
- More details will be provided next week when the company announces its FY results.
- For now, we keep Bekaert in our underperformers list.