


11 May 2015
**Bekaert (EUR 26.135 - Hold) - Q1 preview
Preview**

Period	2015 Q1 trading update
Date/Time	Wednesday, May 13
Recommendation	Hold
Target price	26

in EUR m	2014Q1	2015 Q1e	Yoy	css
Consolidated sales	781	962	23.1%	904
EMEA	275	322	17.0%	321
North America	139	169	21.5%	156
Latin America	141	201	41.9%	175
Asia Pacific	226	270	19.9%	252
Combined sales (incl. ass.)	969	1,146	18.3%	
EMEA	273	320	17.2%	
North America	139	169	21.5%	
Latin America	320	375	17.0%	
Asia Pacific	237	282	19.4%	
Analyst Meeting AGM				

Key items

1. Since the start of the year, Bekaert's stock price is almost unchanged, implying a significant underperformance to European stock markets. This is mainly the result from the strong pricing pressure in the Chinese market, and a weaker H2 2014 performance in the Americas. At the same time, there are some fears about growth momentum on the European market, which ran close to optimal production levels in 2014.
2. Bekaert also stated that it expected the low running rate of the 4th quarter in Asia to continue in Q1 '15. It looks like January-February have indeed been weak but probably March showed improvement. Hopefully, we can get some feedback whether this improvement continued in April. Chinese wire rod prices have recovered somewhat from their lows but this might be sentiment driven based on the Chinese government initiatives. One swallow does not make the summer and we will be looking for more fundamental support
3. However, Bekaert will benefit strongly from the forex tailwind in many of its markets. We clearly assume a more positive forex impact compared to general consensus. This impact is mainly translation, with little margin impact. Most of the Pirelli tire cord business will be consolidated but inventories will have to be valued at market value at first consolidation, which will have a negative margin impact initially. Overall, we expect almost stable group volumes yoy.

Conclusion

The forex volatility makes Q1 sales estimates a more difficult task. Our focus will be on Chinese tire cord demand, to potentially review our Investment Case. Currently, Bekaert is still part of our Underperformance List.