

Facts

- Bekaert issued its Q1 trading update. Revenues increased by 7% to EUR 514m or 4% ahead of our forecast of EUR 490m. Organically revenues were up by 6% vs +3.1% expected. Key driver for this outperformance was once more China which posted a revenue growth of 49% vs +30% expected.
- Advanced Wire: revenues were up by 8% to EUR 437m compared to our forecast of EUR 426m. Besides on the ongoing strong performance in China, Building products surprised with a revenue increase of 23% vs +5% expected, while the Wire division in Europe confirmed its turnaround with a 22% revenue growth vs +7.5% forecasted. As expected, the US based Wire business remained weak and witnessed a 11% revenue drop (-16.5% exp). Revenues of Steelcord outside China posted revenues down by 6% (-4% exp). Revenues in Latin America were down by 1%, which sales growth offset by the negative impact of currencies. Wire products in Asia were up by a strong 22%.
- Advanced materials: Revenues were up by 8% to EUR 47m compared to our EUR 36m forecast and includes now the stainless business which was previously reported within the Wire Europe division. Advanced Coatings recorded a revenues grew by 1% to EUR 31m vs EUR 30m expected
- Outlook: 'Bekaert remains confident for the first half of the year

Our View

Revenues in Q1 are slightly better than expected thanks to the ongoing impressive growth in China and strong performance in Europe and in Building Products. Bekaert is further increasing capacity in China which will drive future revenue growth. Overall, the picture does not change with Wire markets in US in trouble, Europe picking up and strong underlying growth in emerging countries.

Conclusion

The group's strategy is simple and clear: investing in steel cord, in which it is worldwide leader, in areas where the underlying market is growing. As a result, Bekaert is becoming more and more a player on the emerging markets. It seems that the group has added a second leg in its investing strategy: buying back its own share and optimizing its balance sheet, a strategy we applaud.

We updated our model after reading the annual report and included the share buy-backs. We reiterate our Add rating and lift our target price to EUR 118.

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