

24 July 2013
Bekaert (EUR 27.02 - ADD) - Early signs of recovery?
Preview

Period	H1 2013 results
Date/Time	Friday, July 26
Recommendation	ADD
Target price	27.0

in EUR	2012 H1	2013 H1e	yoy
Combined sales (m)	2,255	2,099	-6.9%
Sales group (m)	1,783	1,631	-8.5%
EMEA	557	507	-9.0%
North America	351	305	-13.2%
Latin America	397	357	-10.1%
Asia Pacific	478	463	-3.2%
EBITDA (m)	161.1	138.8	-13.9%
REBIT (m)	85.0	64.8	-23.8%
EMEA	36.0	25.3	-29.6%
North America	21.0	8.8	-57.9%
Latin America	29.0	28.5	-1.6%
Asia Pacific	35.0	37.0	5.8%
Other	-36.0	-35.0	-2.8%
EBIT (m)	4.1	44.8	
Fin result (m)	-52.8	-29.0	-45.1%
Associates	6.0	7.0	16.9%
Net profit (m)	-78.6	10.2	

Analyst Meeting 2pm

Key items

1. After a weak Q1 trading update (sales down 10.8%), we expect a subdued H1 earnings release all be it with a clear improvement in yoy trend. We anticipate H1 sales of EUR 1.63bn, i.e. a decline of 8.5%. There will be a negative price/mix impact still in Q2 but we expect volumes to turn positive gradually.
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3. We hope to get some update on the cost savings, which should offer some EUR 70m gross this year. In recent weeks, we also witnessed some improvements in Chinese wire rod prices, all be it from low levels.

Conclusion

Since our upgrade early June, Bekaert shares performed very well although newsflow, in particular Chinese macro newsflow, has not been one directionally positive. At 12x 2014 earnings and 10x EV/EBIT the shares have certainly anticipated part of the recovery. We will review our rating and/or target price of EUR 27.00 after the results and hope to see confirmation of the early signs of recovery