

24 February 2014
Bekaert (EUR 27.33 - ADD) - What about China in 2014?
Preview

Period	2013 FY results
Date/Time	Friday, February 28
Recommendation	ADD
Target price	29.0

in EUR	2012	2013e	yoy
Combined sales (m)	4,387	4,158	-5.2%
Sales group (m)	3,461	3,214	-7.1%
EMEA	1,044	1,030	-1.3%
North America	659	539	-18.3%
Latin America	812	682	-16.0%
Asia Pacific	945	963	1.9%
EBITDA (m)	274.8	309.6	12.7%
REBIT (m)	117.8	169.6	44.0%
EMEA	63.0	85.7	36.0%
North America	30.0	22.4	-25.2%
Latin America	64.0	53.3	-16.7%
Asia Pacific	37.0	77.9	110.6%
Other	-76.0	-69.7	-8.3%
EBIT (m)	-49.2	139.6	-383.5%
Fin result (m)	-79.1	-63.7	-19.5%
Associates	10.4	26.1	151.6%
Net profit (m)	-195.0	23.7	-112.1%

Analyst Meeting 2pm

Key items

1. Bekaert's FY results will face a significant negative impact from negative currencies for especially Latam but also Asia and the US in H2. While most of the impact is translation, it is also an indication of global economic uncertainties and geographical competitive changes.
2. Sales will be hurt by declining volumes in the US and also Latam in H2, but mainly forex is the reason for the expected 7.1% sales decline. Overall, we expect group volumes to be more or less stable with a marked improvement of volumes in China in H2 (+9%) and H2 volume weakening in Latam. After a limited improvement, wire rod prices have trended downwards again in the last months of the year, so we expect continued negative price effect.
3. The volume decline in the US is lower margin business and should not hurt too much. For Europe and the US, we expect a traditionally weaker H2 margin but also for Asia H2 margin should be lower. This is mainly the result of increased price pressure in a market coping with over supply. Continued volume growth will be crucial in the next quarters. FY REBIT will recover thanks to the restructuring measures and the economic recovery in Europe, but underlying performance in H2 will be below H1.

Conclusion

On our 6.9% 2015e EBIT margin, which is close to the long term 7% target, the shares trade at 13.7x earnings 10.6x EV/EBIT. We maintain our ADD rating an EUR 29.00 target price.