


09 May 2014
Bekaert (EUR 29.7 - ADD) - Maintaining momentum?
Preview

Period	2014 Q1 trading update
Date/Time	Wednesday, May 14
Recommendation	ADD
Target price	29

in EUR m	2013 Q1	2014Q1e	Yoy
Consolidated sales	798	801	0.3%
EMEA	260	276	6.0%
North America	146	144	-1.7%
Latin America	176	154	-12.5%
Asia Pacific	216	228	5.3%
Combined sales (incl ass.)	1,035	988	-4.5%
EMEA	259	273	5.6%
North America	146	144	-1.7%
Latin America	404	333	-17.6%
Asia Pacific	226	239	5.5%

Analyst Meeting	yes
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Key items

1. End of February, Bekaert released solid FY numbers but also issued a relatively positive outlook statement, indicating that the company's solid Q4 volume increases reflected the enhanced competitiveness of Bekaert's activities.
2. In Europe the upward trend for tire cord demand should have continued as highlighted by the volume numbers released by the most important tire manufacturers. At the same time, we should gradually see a positive impact from improved construction market conditions. For the US, no real signs of improvement are expected in Q1 and Latam is expected to remain subdued and also faces significant currency headwinds. In Asia, we expect continued strong volume growth, partially offset by lower pricing, with wire rod prices continuing their downwards trend in the quarter
3. All in all, we expect mid-single digit volume growth, some 3% negative forex and low single digit negative pricing. On combined sales, the Brazilian Real will have a major impact in the quarter.

Conclusion

Europe's leading indicators and tire cord volumes continue to be supportive for Bekaert. In Asia, tire cord volumes have accelerated while the overall Chinese economy has been slowing down but Chinese growth remains an issue. The shares trade at our target price. We will await the Q1 numbers to review our target price and at 10.8x EV/EBIT we stick to our ADD rating.