


29 July 2014
Bekaert (EUR 28.21 - Hold) - Some slowdown coming?
Preview

Period	2014 H1 results
Date/Time	Friday, August 1
Recommendation	Hold
Target price	30.0

in EUR	2013 H1	2014H1e	yoy	Consensus
Combined sales (m)	2,140	2,039	-4.7%	
Sales group (m)	1,649	1,621	-1.7%	1,626
EMEA	532	560	5.2%	562
North America	294	281	-4.4%	283
Latin America	352	303	-13.9%	298
Asia Pacific	470	477	1.3%	483
EBITDA (m)	173.1	165.5	-4.4%	
REBIT (m)	91.1	86.0	-5.6%	93.0
EMEA	46.3	50.4	8.8%	53.0
North America	12.7	12.7	0.0%	13.0
Latin America	27.8	19.7	-29.2%	19.0
Asia Pacific	39.5	35.7	-9.5%	40.0
Other	-35.2	-32.5	-7.7%	-32.0
EBIT (m)	89.1	78.5	-11.9%	85.0
Fin result (m)	-32.8	-33.0	0.7%	-33.0
Associates	17.1	13.0	-24.0%	13.0
Net profit (m)	26.4	37.1	40.4%	38.0

Analyst Meeting 2pm

Key items

1. Bekaert's H1 results should show a similar trend as Q1 at topline level with Europe performing strongly, the US bottoming out, Latam weak and China showing close to double digit volume growth but with significant price pressure. Sequentially, we expect more price pressure in Q2 in China versus Q1, we expect Latam to remain at similar levels, the US to improve slightly and Europe to remain at healthy growth levels but with lower growth in Q2 vs. Q1. The numbers published by tire manufacturers indicate reduced yoy growth rates in the second quarter as opposed to Q1.
2. The second quarter will also be impacted by continued negative forex, which we estimate at -5%, price/mix estimated of -2%, volume growth estimated of +3.5% and the first time consolidation impact from the Latam acquisition (Costa Rica) with 2% impact.
3. Margin wise, we anticipate a margin decline in Latam and Asia and a limited improvement in the US and Europe.

Conclusion

We are the low end of analyst consensus and the FY estimates do seem ambitious. On our 6.9% 2015e EBIT margin (incl. Pirelli tire cord), the shares trade at 13.2x earnings 10.5x EV/EBIT. We rate the shares Hold with a target price of EUR 30.00.