

12 November 2014

Bekaert (EUR 25.375 - Hold) - More positive trend convergence needed
Preview

Period	2014 Q3 trading update
Date/Time	Friday, November 14
Recommendation	Hold
Target price	30

in EUR m	2013 Q3	2014 Q3e	Yoycss
Consolidated sales	773	791	2.2%794
EMEA	259	270	4.0%268
North America	129	132	1.9%135
Latin America	144	143	-0.6%146
Asia Pacific	241	246	2.2%245
Combined sales (incl ass.)	1,012	1,023	1.1%
EMEA	256	267	4.0%
North America	129	132	1.9%
Latin America	376	367	-2.3%
Asia Pacific	251	257	2.5%

Analyst Meeting No

Key items

1. Bekaert's stock price evolution is reflecting the uncertain worldwide macro economic climate. In the third quarter, we expect the US performance to show a moderate sequential improvement while we expect the strong European performance from previous quarters to persist, all be it at a slightly more moderate pace.
2. In Asia, Bekaert warned for margin erosion in Chinese tire cord after H1. We believe this price pressure has remained within acceptable levels after all, but we anticipate lower volume growth versus the close to 10% recorded in previous quarters. Wire rod prices have continued their descent, with a slight uptick in recent weeks. In Latam, we expect business to have stabilized all be it at relatively low levels with Brazil and Venezuela remaining difficult and Chily developing well.
3. All in all, we anticipate a volume increase at group level of 3%, a consolidation scope impact of 2%, a negative price impact of -2% and reduced negative forex impact of -2.3%. Net debt has likely increased due to anticipation of supplier closures.

Conclusion

Unless we get signs of a more convergent positive trend across all regions, we stick to our Hold rating. The shares trade at 10x EV/EBIT 2015. For 2015, we expect a REBIT margin of 6.7%, including the Pirelli business.