


Hold

from Accumulate

Share price: EUR 29.37

closing price as of 09/11/2011

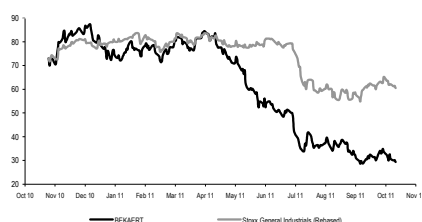
Target price: EUR 30.00
from Target Price: EUR **36.00**

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,761
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	290,314
Daily avg. trad. vol. 12 mth (m)	18
Price high 12 mth (EUR)	87.43
Price low 12 mth (EUR)	28.62
Abs. perf. 1 mth	2.17%
Abs. perf. 3 mth	-20.81%
Abs. perf. 12 mth	-61.91%

Key financials (EUR)	12/10	12/11e	12/12e
Sales (m)	3,263	3,218	3,087
EBITDA (m)	725	490	390
EBITDA margin	22.2%	15.2%	12.6%
EBIT (m)	534	327	230
EBIT margin	16.4%	10.2%	7.4%
Net Profit (adj.)(m)	389	208	158
ROCE	16.2%	8.8%	6.3%
Net debt/(cash) (m)	523	695	606
Net Debt/Equity	0.3	0.4	0.3
Debt/EBITDA	0.7	1.4	1.6
Int. cover.(EBITDA/Fin. int)	14.5	9.3	7.3
EV/Sales	1.7	0.7	0.7
EV/EBITDA	7.5	4.5	5.5
EV/EBITDA (adj.)	7.5	4.5	5.5
EV/EBIT	10.2	6.8	9.3
P/E (adj.)	13.2	8.5	11.2
P/BV	3.2	1.0	1.0
OpFCF yield	4.4%	2.1%	18.4%
Dividend yield	5.7%	5.7%	5.7%
EPS (adj.)	6.48	3.46	2.63
BVPS	26.86	28.48	29.06
DPS	1.66	1.66	1.66



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Weak 3Q11 trading update

The facts: This morning Bekaert released a poor 3Q11 trading update, although sales in Asia Pacific came in above our and consensus estimates.

Short term prospects remain challenging in sawing wire with persistence of low demand, which drove prices down by more than 50% towards the end of 3Q11. On top of that Bekaert expects further deterioration of price levels in the months to come. This lead us to further trim down our estimates but mainly for 2012-15.

Our analysis: Sales in EMEA and in Latin America came in slightly above our and consensus estimates thanks to a good demand from the automotive market in Europe and strong performances in Peru and Venezuela that more than compensated competitive pressures in both the Brazilian and the Chilean markets due to strong local currencies. Sales in North America came in slightly short of expectations at EUR 97m due to unfavourable FX.

The good news was the higher than expected 3Q11 sales in Asia Pacific at EUR 254m, down 24.4% y-o-y while we and the consensus banked on 30%+ sales drop in 3Q11. However, this is due to some delay in the price erosion in sawing wire (later in the quarter), but now prices are down by more than 50% y-o-y at the end of the quarter.

Sales (EURm)	1Q10	2Q10	3Q10	4Q10	FY10	1Q11	2Q11	3Q11A	3Q11e	Consensus
EMEA ¹	244	282	271	269	1,066	307	307	293	285	288.0
% change	16.0%	41.2%	36.9%	22.8%	28.9%	25.8%	8.9%	8.1%	5.2%	6.3%
North America	141	172	170	155	638	176	178	172	175	170.0
% change	-0.6%	42.0%	60.4%	47.6%	34.6%	24.8%	3.5%	1.2%	2.9%	0.0%
Latin America	67	77	89	78	311	82	91	97	93	94.0
% change	-16.9%	-3.0%	2.3%	-2.5%	-4.9%	22.4%	18.2%	9.0%	4.5%	5.6%
Asia	242	310	336	360	1,248	353	286	254	215	233.0
% change	51.9%	49.3%	47.4%	68.2%	54.3%	45.9%	-7.7%	-24.4%	-36.0%	-30.7%
Consolidated sales	694	841	866	862	3,263	918	862	816	768	785.0
% change	17.2%	38.3%	39.9%	39.5%	33.9%	32.3%	2.5%	-5.8%	-11.3%	-9.4%
EMEA ¹	243	280	269	265	1,057	305	303	289	298	287.0
% change	16.3%	41.4%	36.5%	21.0%	28.4%	25.5%	8.2%	7.4%	10.8%	6.7%
North America	139	171	169	152	631	174	175	171	179	169.0
% change	0.0%	42.5%	61.0%	44.8%	34.5%	25.2%	2.3%	1.2%	5.9%	0.0%
Latin America	329	398	420	381	1,528	401	413	422	450	419.0
% change	17.5%	33.1%	28.8%	14.8%	23.5%	21.9%	3.8%	0.5%	7.1%	-0.2%
Asia	242	311	337	364	1,254	353	288	256	219	234.0
% change	51.3%	48.8%	47.2%	68.5%	54.1%	45.9%	-7.4%	-24.0%	-35.0%	-30.6%
Combined sales	953	1,160	1,195	1,162	4,470	1,233	1,179	1,138	1,146	1,109.0
% change	20.9%	40.4%	39.4%	33.3%	33.7%	29.4%	-1.3%	-4.8%	-4.1%	-7.2%

Sources : Bekaert / Bank Degroof estimates

¹ EMEA= Europe, the Middle East and Africa

Cautious guidance for 4Q as Bekaert expects a further deterioration of sawing wire price levels in the months to come. Moreover, Bekaert anticipates growing uncertainty and margin pressure, in line with global GDP expectations in most regions. Working capital is also expected to remain high in the difficult financial and business environment, and the volatility of raw materials prices and exchange rates adds uncertainty to business performance perspectives.

Conclusion & Action: The poor 3Q11 trading update and guidance for future price pressures in sawing wire for the coming quarters led us to further cut our estimates, mainly for 2012-2015.

We fixed the new TP at EUR 30 (from EUR 36) in line with the new fair value given by our DCF model and cut our rating to "Hold" because of the big uncertainty in sawing wire.