

**Bekaert**

Belgium/General Industrials

Analyser

**Hold**

Recommendation unchanged

**Share price: EUR 21.44**

closing price as of 07/05/2012

**Target price: EUR 25.00**

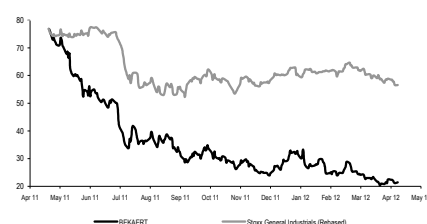
Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB BB

Market capitalisation (EURm)	1,286
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	315,687
Daily avg. trad. vol. 12 mth (m)	12
Price high 12 mth (EUR)	83.54
Price low 12 mth (EUR)	20.31
Abs. perf. 1 mth	-6.78%
Abs. perf. 3 mth	-22.04%
Abs. perf. 12 mth	-73.90%

Key financials (EUR)	12/11	12/12e	12/13e
Sales (m)	3,340	3,367	3,527
EBITDA (m)	477	242	392
EBITDA margin	14.3%	7.2%	11.1%
EBIT (m)	268	37	191
EBIT margin	8.0%	1.1%	5.4%
Net Profit (adj.)(m)	202	86	111
ROCE	7.1%	4.6%	5.0%
Net debt/(cash) (m)	860	935	965
Net Debt/Equity	0.5	0.6	0.6
Debt/EBITDA	1.8	3.9	2.5
Int. cover(EBITDA/Fin. int)	7.2	3.0	4.9
EV/Sales	0.7	0.7	0.6
EV/EBITDA	4.9	9.2	5.7
EV/EBITDA (adj.)	4.9	5.9	5.7
EV/EBIT	8.7	60.6	11.7
P/E (adj.)	7.4	14.9	11.6
P/BV	0.9	0.8	0.8
OpFCF yield	10.5%	8.5%	12.2%
Dividend yield	5.5%	5.5%	5.6%
EPS (adj.)	3.36	1.44	1.85
BVPS	28.24	26.71	27.03
DPS	1.17	1.17	1.20



Shareholders: Bekaert Fam. &amp; Rel. 39%;

## Analyst(s):

Bernard Hanssens, Bank Degroof

bernard.hanssens@degroof.be

+32 (0) 2 287 9689

**Reassuring 1Q12 trading update****The facts:** This morning, Bekaert released a reassuring 1Q12 trading update**Our analysis:** Consolidated and combined sales came in above our and consensus estimates at EUR 985m and EUR 1,135m, respectively. This is significantly above the very weak performance of 4Q11.

For the consolidated sales, the collapse in demand and price in the sawing wire market drove organic sales drop of 13.7% y-o-y. The net effect of acquisitions/ divestments contributed to 8.3% (mainly in Latin America). Currency movements had a positive effect of 2.9%.

Sales (EURm)	1Q11	2Q11	3Q11	4Q11	FY11	1Q12A	1Q12e	Dif. %	Consensus
<b>EMEA</b>	<b>307</b>	<b>307</b>	<b>293</b>	<b>262</b>	<b>1,169</b>	<b>290</b>	<b>275</b>	<b>5.5%</b>	
% change	25.8%	8.9%	8.1%	-2.5%	9.7%	-5.5%	-10.4%		
<b>North America</b>	<b>176</b>	<b>178</b>	<b>172</b>	<b>139</b>	<b>665</b>	<b>176</b>	<b>150</b>	<b>17.3%</b>	
% change	24.8%	3.5%	1.2%	-10.3%	4.2%	0.0%	-14.8%		
<b>Latin America</b>	<b>82</b>	<b>91</b>	<b>97</b>	<b>102</b>	<b>372</b>	<b>197</b>	<b>162</b>	<b>21.6%</b>	
% change	22.4%	18.2%	9.0%	30.8%	19.6%	140.2%	97.6%		
<b>Asia</b>	<b>353</b>	<b>286</b>	<b>254</b>	<b>241</b>	<b>1,134</b>	<b>232</b>	<b>220</b>	<b>5.5%</b>	
% change	45.9%	-7.7%	-24.4%	-33.0%	-9.1%	-34.3%	-37.7%		
<b>Consolidated sales</b>	<b>918</b>	<b>862</b>	<b>816</b>	<b>744</b>	<b>3,340</b>	<b>895</b>	<b>807</b>	<b>10.9%</b>	<b>833.0</b>
% change	32.3%	2.5%	-5.8%	-13.7%	2.4%	-2.5%	-12.1%		-9.3%
<b>EMEA</b>	<b>305</b>	<b>303</b>	<b>289</b>	<b>259</b>	<b>1,156</b>	<b>290</b>	<b>272</b>	<b>6.6%</b>	
% change	25.5%	8.2%	7.4%	-2.3%	9.4%	-4.9%	-10.8%		
<b>North America</b>	<b>174</b>	<b>175</b>	<b>171</b>	<b>137</b>	<b>657</b>	<b>176</b>	<b>148</b>	<b>18.9%</b>	
% change	25.2%	2.3%	1.2%	-9.9%	4.1%	1.1%	-14.9%		
<b>Latin America</b>	<b>401</b>	<b>413</b>	<b>422</b>	<b>409</b>	<b>1,645</b>	<b>423</b>	<b>418</b>	<b>1.2%</b>	
% change	21.9%	3.8%	0.5%	7.3%	7.7%	5.5%	4.2%		
<b>Asia</b>	<b>353</b>	<b>288</b>	<b>256</b>	<b>244</b>	<b>1,141</b>	<b>247</b>	<b>220</b>	<b>12.3%</b>	
% change	45.9%	-7.4%	-24.0%	-33.0%	-9.0%	-30.0%	-37.7%		
<b>Combined sales</b>	<b>1,233</b>	<b>1,179</b>	<b>1,138</b>	<b>1,049</b>	<b>4,599</b>	<b>1,135</b>	<b>1,058</b>	<b>7.3%</b>	<b>1,108.0</b>
% change	29.4%	-1.3%	-4.8%	-9.7%	2.9%	-7.9%	-14.2%		-10.1%

Sources : Bekaert / Bank Degroof estimates/ Inquiry for the consensus

The drop in sales in EMEA is nearly entirely due to sawing wire. In USA, the acquisition of Canadian rope activity has nearly fully compensated the disposal of the Speciality Films. In Asia Pacific, sales are more or less stable vs. 4Q12. Y-o-y, Bekaert's activities in China other than sawing wire are stable sales versus 1Q11. Sales in India and Indonesia are up.

On 27 April 2012, Bekaert reached an agreement on a social plan for the restructuring in Belgium that affects 609 jobs. This plan will be executed as from the end of May 2012. In China, the rightsizing of the sawing wire manufacturing footprint has led to a reduction of 1,250 jobs. Bekaert still expects first positive impact of the restructuring measure in 2H12. Bekaert has started a detailed study to identify measures to reduce its overall global cost structure by EUR 100m annually. This identification study is in process on a global scale. No guidance, Net financial debt stabilised at the level of end 2011.

Bekaert also announced a new 55/45 joint venture with Southern Steel Berhad, in which the two companies will combine their production and sales platform in wire and ropes activities in South-East Asia. The JV will focus on serving the ASEAN growth market. The deal should be completed in 3Q12, represents an EV of EUR 47m and would add EUR 60m to the consolidated sales (on full year basis). This is in line with the new strategy post the collapse of the sawing wire activity to intensify the development of Bekaert in Asia (ex China).

**Conclusion & Action:** Reassuring 1Q12 trading update. We still do not see rapid improvement of the economic situation in Bekaert's main markets and do not anticipate a real improvement in margin before next year. We still believe it is too early to turn positive on this share, but this trading update provides some relief that could support the share price. Hence our TP stays at EUR 25 and rating at HOLD.