

Bekaert

Belgium/General Industrials

Analysers

**Hold**

Recommendation unchanged

Share price: EUR 20.96

closing price as of 13/11/2012

Target price: EUR 24.00

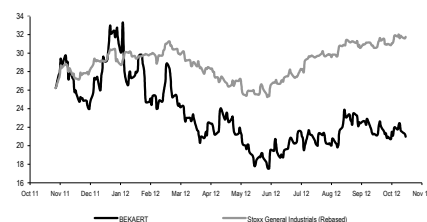
Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB BB

Market capitalisation (EURm)	1,257
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	218,163
Daily avg. trad. vol. 12 mth (m)	5
Price high 12 mth (EUR)	33.27
Price low 12 mth (EUR)	17.51
Abs. perf. 1 mth	-1.57%
Abs. perf. 3 mth	1.72%
Abs. perf. 12 mth	-31.98%

Key financials (EUR)	12/11	12/12e	12/13e
Sales (m)	3,340	3,457	3,639
EBITDA (m)	477	315	374
EBITDA margin	14.3%	9.1%	10.3%
EBIT (m)	268	50	161
EBIT margin	8.0%	1.5%	4.4%
Net Profit (adj.)(m)	202	(26)	67
ROCE	7.1%	2.7%	5.2%
Net debt/(cash) (m)	860	842	850
Net Debt/Equity	0.5	0.5	0.5
Debt/EBITDA	1.8	2.7	2.3
Int. cover(EBITDA/Fin. int)	7.2	3.2	4.2
EV/Sales	0.7	0.6	0.6
EV/EBITDA	5.1	7.0	6.0
EV/EBITDA (adj.)	5.1	6.1	5.6
EV/EBIT	9.1	44.1	13.9
P/E (adj.)	7.4	nm	18.7
P/BV	0.9	0.8	0.8
OpFCF yield	10.5%	14.1%	8.7%
Dividend yield	5.6%	2.2%	2.2%
EPS (adj.)	3.36	(0.44)	1.12
BVPS	28.24	25.26	25.31
DPS	1.17	0.47	0.47



Shareholders: Bekaert Fam. & Rel. 39%;

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A another weak trading update

The facts: This morning Bekaert released its 3Q12 trading update. Consolidated sales are up 6% to EUR 865m, roughly in line with our and consensus estimates of EUR 860m and EUR 869m, respectively. Combined sales (consolidated sales + sales of the associates) are down 3% to EUR 1,106m, also roughly in line.

The net financial debt remains under control at EUR 790m at the end of September, thanks to a good control of the NWC. This is the (only) good news of this reporting.

Less positive is the announcement of non-recurring expense for an amount of EUR 100m to be booked in 2H12. This amount can be split into bad debt provisions in sawing wire (SW) activity for about EUR 15m and in EUR 75m of impairment related to the remaining sawing wire activity. Note that this amount does not include the non-recurring charges related to the EUR 100m savings program that started to be implemented and will cost around EUR 50m (management guidance) to be split between 2H12 and 1H13.

For 4Q12, Bekaert expects sustained price pressure in Asia and a continued unfavorable product mix in EMEA. In Latin America, Bekaert anticipates volume growth in line with the GDP trend, but carefully watches the situation in Venezuela, given the currency-related uncertainties and the fact that a steady supply of raw materials cannot always be ensured.

Our analysis:

Sales (EURm)	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12A	3Q12e	Dif. %	CSS
EMEA	307	307	293	262	1,169	290	267	253	260	-2.7%	
% change	25.8%	8.9%	8.1%	-2.5%	9.7%	-5.5%	-13.0%	-13.7%	-11.3%		
North America	176	178	172	139	665	176	175	166	170	-2.4%	
% change	24.8%	3.5%	1.2%	-10.3%	4.2%	0.0%	-1.7%	-3.5%	-1.2%		
Latin America	82	91	97	102	372	197	200	212	205	3.4%	
% change	22.4%	18.2%	9.0%	30.8%	19.6%	140.2%	119.8%	118.6%	111.3%		
Asia	353	286	254	241	1,134	232	246	234	225	4.0%	
% change	45.9%	-7.7%	-24.4%	-33.1%	-9.1%	-34.3%	-14.0%	-7.9%	-11.4%		
Consolidated sales	918	862	816	744	3,340	895	888	865	860	0.6%	869
% change	32.3%	2.5%	-5.8%	-13.7%	2.4%	-2.5%	3.0%	6.0%	5.4%		
EMEA	305	303	289	259	1,156	290	265	252	256	-1.6%	
% change	25.5%	8.2%	7.4%	-2.3%	9.4%	-4.9%	-12.5%	-12.8%	-11.4%		
North America	174	175	171	137	657	176	175	166	169	-1.8%	
% change	25.2%	2.3%	1.2%	-9.9%	4.1%	1.1%	0.0%	-2.9%	-1.2%		
Latin America	401	413	422	409	1,645	423	420	442	455	-2.8%	
% change	21.9%	3.8%	0.5%	7.3%	7.7%	5.5%	1.7%	4.8%	7.8%		
Asia	353	288	256	244	1,141	247	259	245	236	4.0%	
% change	45.9%	-7.4%	-24.0%	-33.0%	-9.0%	-30.0%	-10.1%	-4.1%	-7.8%		
Combined sales	1,233	1,179	1,138	1,049	4,599	1,135	1,119	1,106	1,116	-0.9%	1,104
% change	29.4%	-1.3%	-4.8%	-9.7%	2.9%	-7.9%	-5.1%	-2.9%	-1.9%		

Sources : Bekaert / Bank Degroof estimates/ CSS= consensus computed by Inquiry fon 13/11/2012

The decision to impair the remaining SW machines is, in our view, an indication that Bekaert does not see the possibility to transfer these machines towards the tire activity, given the likely trend of the tire cord demand in China and India.

Conclusion & Action: Weak 3Q12 trading update and clear indications that Bekaert is still facing solid headwind.

We still do not see rapid improvement of the economic situation in Bekaert's main markets and do not anticipate a rapid improvement of margins. We still believe it is too early to turn positive on this share. Hence our HOLD rating