



## Hold

Recommendation unchanged

**Share price: EUR 24.40**

closing price as of 03/05/2013

**Target price: EUR 20.00**

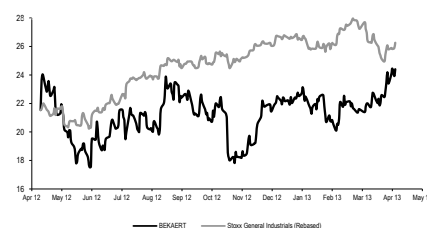
Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,464
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	154,138
Daily avg. trad. vol. 12 mth (m)	3
Price high 12 mth (EUR)	24.45
Price low 12 mth (EUR)	17.51
Abs. perf. 1 mth	12.03%
Abs. perf. 3 mth	8.54%
Abs. perf. 12 mth	13.54%

Key financials (EUR)	12/12	12/13e	12/14e
Sales (m)	3,460	3,434	3,534
EBITDA (m)	275	311	365
EBITDA margin	7.9%	9.0%	10.3%
EBIT (m)	(49)	126	180
EBIT margin	nm	3.7%	5.1%
Net Profit (adj.)(m)	(73)	57	69
ROCE	0.7%	4.5%	5.3%
Net debt/(cash) (m)	700	648	576
Net Debt/Equity	0.4	0.4	0.4
Debt/EBITDA	2.5	2.1	1.6
Int. cover.(EBITDA/Fin. int)	3.5	4.8	5.8
EV/Sales	0.6	0.7	0.7
EV/EBITDA	8.2	7.6	6.3
EV/EBITDA (adj.)	6.5	6.9	6.3
EV/EBIT	nm	18.8	12.8
P/E (adj.)	nm	25.6	21.1
P/BV	0.9	1.0	1.0
OpFCF yield	22.3%	7.4%	8.8%
Dividend yield	3.5%	3.5%	3.7%
EPS (adj.)	(1.22)	0.95	1.16
BVPS	23.70	23.34	23.42
DPS	0.85	0.85	0.90



Shareholders: Bekaert Fam. & Rel. 39%;

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## Preview on the 1Q13 trading update

**The facts:** Bekaert will release its 1Q13 trading update on Wednesday 8<sup>th</sup> of May, before market. The AGM will be held the same day at 10:30am CET.

**Our analysis:** As customary, Bekaert will mainly provide the sales figures per region for both the consolidated and the combined sales (consolidated sales + sales of associated companies), as well as some qualitative comments. For the margins, we will have to wait until July 27<sup>th</sup>.

Sales (EURm)	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13e
<b>EMEA</b>	<b>1,169</b>	<b>290</b>	<b>267</b>	<b>253</b>	<b>234</b>	<b>1,044</b>	<b>275</b>
% change	9.7%	-5.5%	-13.0%	-13.7%	-10.7%	-10.7%	-5.2%
<b>North America</b>	<b>665</b>	<b>176</b>	<b>175</b>	<b>166</b>	<b>142</b>	<b>659</b>	<b>179</b>
% change	4.2%	0.0%	-1.7%	-3.5%	2.1%	-0.9%	1.5%
<b>Latin America</b>	<b>372</b>	<b>197</b>	<b>200</b>	<b>212</b>	<b>203</b>	<b>812</b>	<b>180</b>
% change	19.6%	140.2%	119.8%	118.6%	99.0%	118.3%	-8.6%
<b>Asia</b>	<b>1,134</b>	<b>232</b>	<b>246</b>	<b>234</b>	<b>233</b>	<b>945</b>	<b>245</b>
% change	-9.1%	-34.3%	-14.0%	-7.9%	-3.3%	-16.7%	5.6%
<b>Consolidated sales</b>	<b>3,340</b>	<b>895</b>	<b>888</b>	<b>865</b>	<b>812</b>	<b>3,460</b>	<b>879</b>
% change	2.4%	-2.5%	3.0%	6.0%	9.1%	3.6%	-1.8%
<b>EMEA</b>	<b>1,156</b>	<b>290</b>	<b>265</b>	<b>252</b>	<b>233</b>	<b>1,040</b>	<b>275</b>
% change	9.4%	-4.9%	-12.5%	-12.8%	-10.0%	-10.0%	-5.2%
<b>North America</b>	<b>657</b>	<b>176</b>	<b>175</b>	<b>166</b>	<b>142</b>	<b>659</b>	<b>179</b>
% change	4.1%	1.1%	0.0%	-2.9%	3.6%	0.3%	1.5%
<b>Latin America</b>	<b>1,645</b>	<b>423</b>	<b>420</b>	<b>442</b>	<b>405</b>	<b>1,690</b>	<b>410</b>
% change	7.7%	5.5%	1.7%	4.8%	-1.0%	2.7%	-3.1%
<b>Asia</b>	<b>1,141</b>	<b>247</b>	<b>259</b>	<b>245</b>	<b>247</b>	<b>998</b>	<b>260</b>
% change	-9.0%	-30.0%	-10.1%	-4.1%	1.0%	-12.5%	5.3%
<b>Combined sales</b>	<b>4,599</b>	<b>1,135</b>	<b>1,119</b>	<b>1,106</b>	<b>1,026</b>	<b>4,387</b>	<b>1,124</b>
% change	2.9%	-7.9%	-5.1%	-2.9%	-2.2%	-4.6%	-1.0%

Sources : Bekaert / Bank Degroof estimates

In **EMEA**, 1Q13 demand was weak, with automotive production down 9% y-o-y and very weak construction markets in Europe. Together, they represent 63% of Bekaert's end markets in Europe.

In **North America** it seems that there was no activity upturn in the business where Bekaert is present. We recall that in FY12 the replacement market for trucks was down 5%. On top of that the tyre market was impacted by cheap imports from China. The only activity that performed was the wire activity for the wind farms.

In **Latin America** we anticipate a good demand level. We recall that some changes in the accounting of the Venezuelan operations will negatively impact the sales by EUR 100m and the Rebit by EUR 12m, on a full year basis.

In **Asia**, after having dropped by 9.6% y-o-y last year, the tyre cord price remained under pressure in 1Q13 as the market was facing significant over supply. Bekaert claims that measures taken last year helped to stabilise the margin in tyre cord, but they also recognised that the possibility to further improve the profitability are now limited.

**Conclusion & Action:** We still believe that 2013 will be another tough year for Bekaert due to the persistence of unbalanced tyre cords markets in some key regions, like in Europe (over capacity of ~20% in Europe) and in China (over capacity between 20% -30%), leading to continued price pressures. That said, cost cutting measures (EUR 70m positive impact expected for this year) and the absence of some one-off costs that negatively impacted the FY12 accounts are likely to bring earnings into positive territory. However, we expect 2013 EBIT margin to land far from management's LT target of 7%. We still believe it is too early to turn positive on this share.