



Investment Research

Reduce

Recommendation unchanged

Share price: EUR 21.46

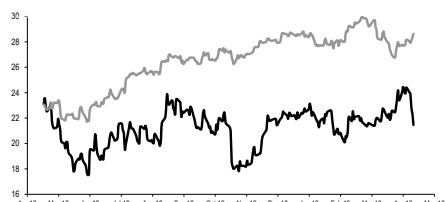
closing price as of 10/05/2013

Target price: EUR 20.00

Target Price unchanged

Reuters/Bloomberg	BEKB.BR/BEKB.BB
Daily avg. no. trad. sh. 12 mth	150,129
Daily avg. trad. vol. 12 mth (m)	3.19
Price high 12 mth (EUR)	24.45
Price low 12 mth (EUR)	17.51
Abs. perf. 1 mth	-5.6%
Abs. perf. 3 mth	-1.3%
Abs. perf. 12 mth	-10.8%
Market capitalisation (EURm)	1,288
Current N° of shares (m)	60
Free float	61%

Key financials (EUR)	12/12	12/13e	12/14e
Sales (m)	3,460	3,229	3,377
EBITDA (m)	275	280	346
EBITDA margin	7.9%	8.7%	10.3%
EBIT (m)	(49)	95	161
EBIT margin	nm	2.9%	4.8%
Net Profit (adj.)(m)	(73)	40	49
ROCE	0.7%	3.7%	4.9%
Net debt/(cash) (m)	700	639	567
Net Debt Equity	0.4	0.4	0.4
Net Debt/EBITDA	2.5	2.3	1.6
Int. cover(EBITDA/Fin.int)	3.5	4.4	5.5
EV/Sales	0.6	0.7	0.6
EV/EBITDA	8.2	7.7	6.1
EV/EBITDA (adj.)	6.4	7.0	6.1
EV/EBIT	nm	22.8	13.2
P/E (adj.)	nm	31.8	26.0
P/BV	0.9	0.9	0.9
OpFCF yield	22.3%	9.1%	9.9%
Dividend yield	4.0%	4.0%	4.2%
EPS (adj.)	(1.22)	0.67	0.82
BVPS	23.70	23.06	22.80
DPS	0.85	0.85	0.90



Source: Factset
Shareholders: Bekaert Fam. & Rel. 39%;

For company description please see summary table footnote

Earning revisions post 1Q13 trading update

The facts: We have reviewed our earnings models after the weak 1Q13 trading update. Our TP of EUR 20 and our reduce rating are confirmed.

Our analysis: We recall that Bekaert reported 1Q13 sales well below expectations (consolidated sales down 10.7% y-o-y vs. -3% expected by the consensus). Organic sales were down 8.2%, of which 2.8% are related to the lower volume; FX had a 3.2% negative impact that is fully attributable to the change in accounting method of the Venezuelan operations. Raw material (wire rod) had a negative impact of about 3.5% across the board.

Strong negative surprises came from the North American operations, with sales down 17% and from Asia with sales down 7% (-13% if we exclude the activities recently acquired in Malaysia). The performance realised by the EMEA operations was also below expectations (-10% y-o-y vs. -5.2% expected).

In **North America**, Bekaert suffered from low demand in tyre replacement markets (something that was already observed in previous quarters); from investment delays in energy cable market (another key and historically profitable business for Bekaert) and from the intensified competition from low costs Asian materials. It is our understanding that the bulk of the 17% drop in sales was a volume effect.

Management did not see any improvement in April and is rather prudent for the balance of the year. This led us to significantly cut our estimates for this market. FY13 sales estimates were cut by 10% to EUR 587m, while Rebit was cut by 17% to EUR 25m.

In **Asia**, sales dropped 7% and 13% when we exclude the recently acquired activities in Malaysia. Volume was said stable, which is not so bad if we take into consideration that the truck replacement market was down 7% to 9% in 1Q13. In comparison with 1Q12, price/mix had a negative impact of about 9%, of which half is due to the sawing wire activity and the balance to the tyre cord. The comparison should be less unfavourable in the coming quarters. There is also some good news. First, the tyre cord price seems to have stabilised and Bekaert is currently trying to pass on higher sales prices, but without big success, so far. Second, trucks tyre replacement demand is showing signs of recovery in March and April. We have cut our sales estimates for this market by 6% to EUR 937m and the Rebit by 19% to EUR 54m.

In **EMEA**, the depressed automotive and construction markets drove demand down in all business platforms. Sales were down 10% y-o-y. About 75% of this is due to a volume effect. The balance is attributable to the changes in the consolidation perimeter. We decided to cut our FY13 sales forecast by 8% to EUR 975m. As far as the Rebit is concerned, it was cut by 16% to EUR 54m.

In **Latin America**, the 10% decrease in sales was attributable to the change in accounting method of the Venezuelan operations. Excluding this accounting effect, Latin American operations recorded solid sales growth (we understood that volume sold were up by above 10%), driven by strong demand in most markets, including Peru, Ecuador and Venezuela. We decided to keep our estimates unchanged for this region.

All in all, FY13 consolidated sales were cut by 6% to EUR 3,229m and recurring EBIT by 19% to EUR 130m (margin to sales of EUR 4.0%). As a result, we now expect Bekaert to be close to breakeven at the net profit level in 2013. More details are available on the tables on the back page.

Analyst(s): **Bernard Hanssens**

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Bekaert: estimates review (in EUR m)	2012	2013e		2014e		2015e	
		old	new	old	new	old	new
Sales	3,460	3,434	3,229	3,534	3,377	3,663	3,501
% change			-6.0%		-4.5%		-4.4%
Rebit	117.8	160.5	130.1	195.1	176.4	234.3	215.8
margin (%)	3.4%	4.7%	4.0%	5.5%	5.2%	6.4%	6.2%
% change			-19.0%		-9.6%		-7.9%
-EMEA¹	63.0	64.3	52.2	70.0	60.2	76.2	67.7
% change			-18.8%		-14.0%		-11.2%
-North America	30.0	30.4	25.1	32.7	30.0	37.9	34.9
% change			-17.4%		-8.1%		-8.1%
-Latin America	64.0	58.5	58.5	64.0	64.0	67.5	67.5
% change			0.0%		0.0%		0.0%
-Asia Pacific	37.0	67.4	54.4	83.5	77.2	104.7	97.9
% change			-19.4%		-7.5%		-6.5%
- Corporate	-76.2	-60.0	-60.0	-55.0	-55.0	-52.0	-52.0
% change			0.0%		0.0%		0.0%
EBIT	-49	126	95	180	161	219	201
margin (%)	-1.4%	3.7%	2.9%	5.1%	4.78%	6.0%	5.74%
Financial results	-82	-69	-69	-68	-68	-64	-64
Associates	10	13	13	13	13	16	16
Net result (group)	-195	32	15	59	39	90	62
% change	nr		-52.9%		-34.2%		-31.5%
Net current result (group)	-73	57	40	69	49	101	73
% change	nr		-29.2%		-28.8%		-28.1%
Adj. EPS (in EUR)	-1.22	0.95	0.67	1.16	0.82	1.69	1.21
% change	nr		-29.2%		-28.8%		-28.1%

Sources : Bekaert / Bank Degroof estimates

Conclusion & Action: *Very slow start of the year with big uncertainty persisting for the balance of the year. We have further adjusted downwards our estimates.*

2013 will be another tough year due to the persistence of unbalanced tyre cords markets in some key regions, leading to continued price pressures. Cost cutting measures (EUR 70m positive impact expected for FY13) and the absence of some one-off costs that negatively impacted the FY12 accounts are likely to bring earnings into positive territory.

We still believe it is too early to turn positive on this share. We leave our TP unchanged and confirm our Reduce rating.



Bekaert: Summary tables

PROFIT & LOSS (EURm)	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Sales	2,437	3,263	3,340	3,460	3,229	3,377
Cost of Sales & Operating Costs	-2,050	-2,537	-2,863	-3,185	-2,949	-3,030
Non Recurrent Expenses/Income	0.0	0.0	0.0	-73.1	-30.0	0.0
EBITDA	387	726	477	275	280	346
EBITDA (adj.)*	387	726	477	348	310	346
Depreciation	-155	-191	-208	-230	-185	-185
EBITA	232	534	268	44.7	95.1	161
EBITA (adj)*	232	534	268	118	125	161
Amortisations and Write Downs	0.0	0.0	0.0	-94.0	0.0	0.0
EBIT	232	534	268	-49.3	95.1	161
EBIT (adj.)*	232	534	268	23.8	125	161
Net Financial Interest	-56.7	-50.1	-65.8	-79.1	-64.0	-63.0
Other Financials	-8.9	17.7	47.3	-2.9	-5.0	-5.0
Associates	37.8	36.1	25.4	10.4	12.5	13.5
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	204	538	275	-121	38.6	107
Tax	-33.9	-139	-68.1	-67.7	-11.8	-37.4
<i>Tax rate</i>	<i>16.6%</i>	<i>25.9%</i>	<i>24.7%</i>	<i>nm</i>	<i>30.4%</i>	<i>35.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-18.6	-30.9	-14.6	-6.4	-12.0	-31.0
Net Profit (reported)	152	368	193	-195	14.9	38.5
Net Profit (adj.)	170	389	202	-73.0	40.4	49.5
CASH FLOW (EURm)	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Cash Flow from Operations before change in NWC	283	594	398	321	209	252
Change in Net Working Capital	196	-277	-175	118	13.0	-19.8
Cash Flow from Operations	478	317	223	439	222	232
Capex	-164	-320	-276	-146	-105	-105
Net Financial Investments	0.0	0.0	0.0	64.8	0.0	0.0
Free Cash Flow	314	-2.7	-53.2	358	117	127
Dividends	-60.5	-63.7	-109	-76.7	-55.7	-55.7
Other (incl. Capital Increase & share buy backs)	0.5	-27.4	-175	-121	0.0	0.0
Change in Net Debt	254	-93.9	-337	160	61.7	71.3
NOPLAT	163	374	188	16.7	87.6	113
BALANCE SHEET & OTHER ITEMS (EURm)	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Net Tangible Assets	1,128	1,295	1,406	1,346	1,266	1,186
Net Intangible Assets (incl. Goodwill)	105	131	131	131	131	131
Net Financial Assets & Other	259	276	338	255	255	255
Total Fixed Assets	1,492	1,702	1,875	1,732	1,652	1,572
Inventories	358	508	578	568	549	566
Trade receivables	480	774	828	752	726	743
Other current assets	174	182	182	119	119	119
Cash (-)	-325	-507	-706	-498	-560	-631
Total Current Assets	1,338	1,971	2,294	1,936	1,954	2,058
Total Assets	2,830	3,673	4,169	3,668	3,605	3,630
Shareholders Equity	1,285	1,611	1,694	1,422	1,383	1,368
Minority	88.7	86.0	72.5	182	189	215
Total Equity	1,374	1,697	1,766	1,604	1,572	1,583
Long term interest bearing debt	603	710	918	856	856	856
Provisions	325	370	341	397	397	397
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Long Term Liabilities	928	1,080	1,259	1,252	1,252	1,252
Short term interest bearing debt	151	320	648	343	343	343
Trade payables	247	342	291	322	291	304
Other current liabilities	129	234	204	147	147	147
Total Current Liabilities	528	896	1,143	812	781	794
Total Liabilities and Shareholders' Equity	2,830	3,673	4,169	3,668	3,605	3,630
Net Capital Employed	2,128	2,590	2,968	2,701	2,608	2,547
Net Working Capital	591	940	1,116	998	985	1,005
GROWTH & MARGINS	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
<i>Sales growth</i>	<i>-8.5%</i>	<i>33.9%</i>	<i>2.4%</i>	<i>3.6%</i>	<i>-6.7%</i>	<i>4.6%</i>
EBITDA (adj.)* growth	-6.2%	87.5%	-34.3%	-27.0%	-10.9%	11.7%
<i>EBITA (adj.)* growth</i>	<i>10.3%</i>	<i>130.1%</i>	<i>-49.8%</i>	<i>-56.1%</i>	<i>6.2%</i>	<i>29.0%</i>
<i>EBIT (adj.)* growth</i>	<i>10.3%</i>	<i>130.1%</i>	<i>-49.8%</i>	<i>-91.1%</i>	<i>425.1%</i>	<i>29.0%</i>

Bekaert: Summary tables

GROWTH & MARGINS	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Net Profit growth	-28.1%	128.4%	-48.1%	-chg	+chg	22.3%
EPS adj. growth	-28.3%	126.6%	-48.1%	-chg	+chg	22.3%
DPS adj. growth	5.0%	69.5%	-29.6%	-27.4%	0.0%	5.9%
EBITDA (adj)* margin	15.9%	22.2%	14.3%	10.1%	9.6%	10.3%
EBITA (adj)* margin	9.5%	16.4%	8.0%	3.4%	3.9%	4.8%
EBIT (adj)* margin	9.5%	16.4%	8.0%	0.7%	3.9%	4.8%
RATIOS	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Net Debt/Equity	0.3	0.3	0.5	0.4	0.4	0.4
Net Debt/EBITDA	1.1	0.7	1.8	2.5	2.3	1.6
Interest cover (EBITDA/Fin.interest)	6.8	14.5	7.2	3.5	4.4	5.5
Capex/D&A	106.1%	167.0%	132.4%	45.0%	56.8%	56.8%
Capex/Sales	6.7%	9.8%	8.3%	4.2%	3.3%	3.1%
NWC/Sales	24.2%	28.8%	33.4%	28.8%	30.5%	29.8%
ROE (average)	14.1%	26.9%	12.2%	-4.7%	2.9%	3.6%
ROCE (adj.)	8.9%	15.8%	7.1%	0.7%	3.7%	4.9%
WACC	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
ROCE (adj.)/WACC	0.8	1.5	0.7	0.1	0.3	0.4
PER SHARE DATA (EUR)***	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Average diluted number of shares	59.5	60.0	60.0	60.0	60.0	60.0
EPS (reported)	2.55	6.13	3.21	-3.25	0.25	0.64
EPS (adj.)	2.86	6.48	3.36	-1.22	0.67	0.82
BVPS	21.59	26.86	28.24	23.70	23.06	22.80
DPS	0.98	1.66	1.17	0.85	0.85	0.90
VALUATION	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
EV/Sales	1.1	1.8	0.7	0.6	0.7	0.6
EV/EBITDA	7.0	8.0	5.2	8.2	7.7	6.1
EV/EBITDA (adj.)*	7.0	8.0	5.2	6.4	7.0	6.1
EV/EBITA	11.7	10.9	9.1	50.2	22.8	13.2
EV/EBITA (adj.)*	11.7	10.9	9.1	19.0	17.3	13.2
EV/EBIT	11.7	10.9	9.1	nm	22.8	13.2
EV/EBIT (adj.)*	11.7	10.9	9.1	94.2	17.3	13.2
P/E (adj.)	12.6	13.2	7.4	nm	31.8	26.0
P/BV	1.7	3.2	0.9	0.9	0.9	0.9
Total Yield Ratio	3.0%	2.1%	5.2%	4.3%	4.3%	
EV/CE	1.5	2.5	0.9	0.9	0.9	0.9
OpFCF yield	14.6%	-0.1%	-3.6%	22.3%	9.1%	9.9%
OpFCF/EV	11.6%	0.0%	-2.2%	13.1%	5.4%	6.0%
Payout ratio	38.4%	27.1%	36.4%	-26.2%	nm	140%
Dividend yield (gross)	2.7%	1.9%	4.7%	4.0%	4.0%	4.2%
EV AND MKT CAP (EURm)	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Price** (EUR)	36.17	85.90	24.79	21.88	21.46	21.46
Outstanding number of shares for main stock	59.5	60.0	60.0	60.0	60.0	60.0
Total Market Cap	2,152	5,152	1,487	1,313	1,288	1,288
Net Debt	429	523	860	700	639	567
<i>o/w Cash & Marketable Securities (-)</i>	<i>-325</i>	<i>-507</i>	<i>-706</i>	<i>-498</i>	<i>-560</i>	<i>-631</i>
<i>o/w Gross Debt (+)</i>	<i>755</i>	<i>1,030</i>	<i>1,566</i>	<i>1,198</i>	<i>1,198</i>	<i>1,198</i>
Other EV components	133	124	109	231	243	273
Enterprise Value (EV adj.)	2,714	5,799	2,456	2,244	2,170	2,128

Source: Company, Bank Degroof estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: General Industrials/Diversified Industrials

Company Description: Bekaert is a company built on two core competences: "advanced metal transformation" and "advanced materials & coatings". Bekaert strives to be a market and technological leader in its niches markets in which it is seeking substantial profitable growth. Bekaert is strongly exposed to BRIC countries and other growing markets, which together represent almost 80% of the "combined" sales.

ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

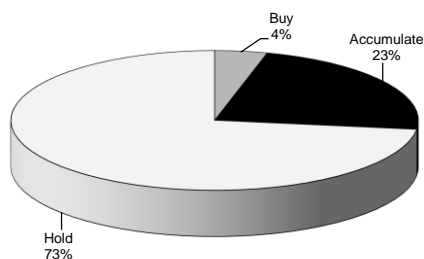
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

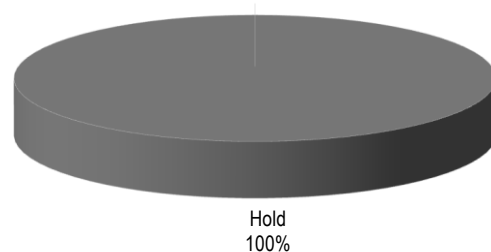
Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved or to a change of analyst covering the stock
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Bank Degroof Ratings Breakdown



Bank Degroof Ratings Breakdown for companies with conflicts of interest

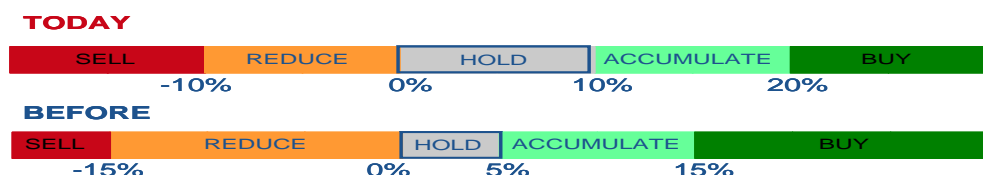


History of ESN Recommendation System

Since 18 October 2004, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.

Since 4 August 2008, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:




Institutional & corporate equity desk

Damien Crispiels	+32 2 287 96 97
Bart Beullens	+32 2 287 91 80
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Pascal Magis	+32 2 287 97 81
Peter Rysseleere	+32 2 287 97 46

Institutional & corporate bond desk

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Recommendation history for BEKAERT

Date	Recommendation	Target price	Price at change date
12-May-13	Reduce	20.00	21.46
06-May-13	Hold	20.00	24.03
14-Nov-12	Hold	24.00	18.56
20-Jul-12	Hold	25.00	20.85
03-Feb-12	Hold	28.00	27.64
15-Dec-11	Hold	30.00	25.98
04-Nov-11	Accumulate	36.00	30.74
01-Aug-11	Accumulate	50.00	39.88
15-Jul-11	Accumulate	69.00	50.23
20-Jun-11	Accumulate	80.00	58.04

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Bank Degroof continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Bernard Hanssens (since 05/02/1997)



Bank Degroof acts as liquidity provider for:

Aedifica, Atenor, Banimmo, Bois Sauvage, BSB International, Connect Group, D'Ieteren, Eckert-Ziegler, Elia, Floridienne, GIMV, Home Invest Belgium, Intervest Retail, I.R.I.S., Kinopolis, Leasinvest, Luxempart, Montea, PinguinLutosa, Realco, Resilux, Roularta, Sapec, Ter Beke, Van de Velde.

Bank Degroof holds a significant stake in:

Fountain and Proximedia.

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