



## Reduce

from Hold

**Share price: EUR 23.91**

closing price as of 07/05/2013

**Target price: EUR 20.00**

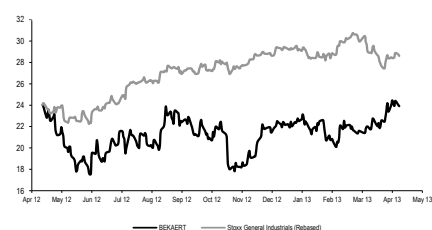
Target Price unchanged

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,435
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	153,406
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	8.68%
Abs. perf. 3 mth	12.39%
Abs. perf. 12 mth	11.52%

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	0.6
EV/EBITDA	8.2	7.5	6.2
EV/EBITDA (adj.)	6.4	6.8	6.2
EV/EBIT	nm	18.5	12.6
P/E (adj.)	nm	25.1	20.7
P/BV	0.9	1.0	1.0
OpFCF yield	22.3%	7.5%	9.0%
Dividend yield	3.6%	3.6%	3.8%
EPS (adj.)	(1.22)	0.95	1.16
BVPS	23.70	23.34	23.42
DPS	0.85	0.85	0.90



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

### Analyst(s):

Bernard Hanssens, Bank Degroof  
 bernard.hanssens@degroof.be  
 +32 (0) 2 287 9689

## Very weak 1Q13 trading update. Rating cut to Reduce

**The facts:** This morning Bekaert reported a very weak 1Q13 trading update.

**Our analysis:** 1Q13 consolidated sales dropped 10.8% y-o-y to EUR 799m, with organic growth down 8.2% (of which average price down 2.8%) and FX impact of -3.2%, exclusively due to the change in accounting method of the Venezuelan operations. This is to be compared with -2% expected by us and -3% by the consensus. Combined sales are down 9% to EUR 1,036m.

Sales (EURm)	1Q12	2Q12	3Q12	4Q12	FY12	1Q13 A	1Q13e	1Q13e CSS
<b>EMEA</b>	<b>290</b>	<b>267</b>	<b>253</b>	<b>234</b>	<b>1,044</b>	<b>260</b>	<b>275</b>	
% change	-5.5%	-13.0%	-13.7%	-10.7%	-10.7%	-10.3%	-5.2%	
<b>North America</b>	<b>176</b>	<b>175</b>	<b>166</b>	<b>142</b>	<b>659</b>	<b>146</b>	<b>179</b>	
% change	0.0%	-1.7%	-3.5%	2.1%	-0.9%	-17.0%	1.5%	
<b>Latin America</b>	<b>197</b>	<b>200</b>	<b>212</b>	<b>203</b>	<b>812</b>	<b>176</b>	<b>180</b>	
% change	140.2%	119.8%	118.6%	99.0%	118.3%	-10.7%	-8.6%	
<b>Asia</b>	<b>232</b>	<b>246</b>	<b>234</b>	<b>233</b>	<b>945</b>	<b>216</b>	<b>245</b>	
% change	-34.3%	-14.0%	-7.9%	-3.3%	-16.7%	-6.9%	5.6%	
<b>Consolidated sales</b>	<b>895</b>	<b>888</b>	<b>865</b>	<b>812</b>	<b>3,460</b>	<b>799</b>	<b>879</b>	<b>867</b>
% change	-2.5%	3.0%	6.0%	9.1%	3.6%	-10.7%	-1.8%	-3.1%
<b>EMEA</b>	<b>290</b>	<b>265</b>	<b>252</b>	<b>233</b>	<b>1,040</b>	<b>259</b>	<b>275</b>	
% change	-4.9%	-12.5%	-12.8%	-10.0%	-10.0%	-10.7%	-5.2%	
<b>North America</b>	<b>176</b>	<b>175</b>	<b>166</b>	<b>142</b>	<b>659</b>	<b>146</b>	<b>179</b>	
% change	1.1%	0.0%	-2.9%	3.6%	0.3%	-17.0%	1.5%	
<b>Latin America</b>	<b>423</b>	<b>420</b>	<b>442</b>	<b>405</b>	<b>1,690</b>	<b>404</b>	<b>410</b>	
% change	5.5%	1.7%	4.8%	-1.0%	2.7%	-4.5%	-3.1%	
<b>Asia</b>	<b>247</b>	<b>259</b>	<b>245</b>	<b>247</b>	<b>998</b>	<b>226</b>	<b>260</b>	
% change	-30.0%	-10.1%	-4.1%	1.0%	-12.5%	-8.5%	5.3%	
<b>Combined sales</b>	<b>1,135</b>	<b>1,119</b>	<b>1,106</b>	<b>1,026</b>	<b>4,387</b>	<b>1,036</b>	<b>1,124</b>	<b>1,124</b>
% change	-7.9%	-5.1%	-2.9%	-2.2%	-4.6%	-8.7%	-1.0%	-1.0%

Sources : Bekaert / Bank Degroof estimates / CSS= consensus computed by Inquiry Financial Europe

In **EMEA**, as anticipated, the depressed automotive & construction markets drove demand down in all business platforms, mainly due a volume effect.

In **North America**, the performance was particularly weak, with sales down 17% y-o-y. Bekaert blamed low demand in tyre replacement markets, investment delays in energy markets, and increased competition from Asian imports.

In **Latin America**, sales were down 11%, mainly attributable to the change in accounting method of the Venezuelan operations. Excluding this accounting effect, Latin America operations recorded solid sales driven by strong demand.

In **Asia**, sales are down 7%. Tyre cords prices were still under strong pressure. Volume seems to have stabilised on 1Q12. Bekaert notices a prudent trend toward price stabilisation (although at a low level). Sales were also positively impacted by the integration of the recently acquired activities in Malaysia.

**By end-markets**, Bekaert notices in Automotive a global downturn of truck sales, tyre replacement delays in most markets, and increased competition. In Energy, demand dropped in 1Q13 as a result of delayed projects and investments in both the oil and gas sector as well as in electric power grid infrastructure. In Construction, demand was weak in Europe and was growing in North & Latin America. As customary management did not provide any quantified guidance for FY13. They highlighted that the overcapacity in most markets and the corresponding overall price pressure will weigh on profitability. Net financial debt increased by EUR 46m since year-started, of with 1/3 was due to the share buyback program and the balance by the seasonal NWC effects.

**Conclusion & Action:** *Very low start of the year with big uncertainty persisting for the balance of the year. We will probably further adjust 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. That said 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, but cut our rating to Reduce.*