



Reduce

Recommendation unchanged

Share price: EUR 30.06

closing price as of 11/11/2013

Target price: EUR 28.00

from Target Price: EUR **24.00**

Reuters/Bloomberg

BEKB.BR/BEKB.BB

Market capitalisation (EURm)	1,804
Current N° of shares (m)	60
Free float	61%
Daily avg. no. trad. sh. 12 mth	57,420
Daily avg. trad. vol. 12 mth (m)	1,721
Price high 12 mth (EUR)	30.91
Price low 12 mth (EUR)	17.82
Abs. perf. 1 mth	11.00%
Abs. perf. 3 mth	7.43%
Abs. perf. 12 mth	39.72%

Key financials (EUR)	12/12	12/13e	12/14e
Sales (m)	3,460	3,247	3,408
EBITDA (m)	275	300	357
EBITDA margin	7.9%	9.2%	10.5%
EBIT (m)	(49)	135	191
EBIT margin	nm	4.2%	5.6%
Net Profit (adj.) (m)	(73)	61	90
ROCE	0.7%	4.4%	5.4%
Net debt/(cash) (m)	700	700	657
Net Debt/Equity	0.4	0.4	0.4
Debt/EBITDA	2.5	2.3	1.8
Int. cover(EBITDA/Fin. int)	3.5	4.7	5.6
EV/Sales	0.6	0.8	0.8
EV/EBITDA	8.0	9.0	7.4
EV/EBITDA (adj.)	6.3	8.4	7.4
EV/EBIT	nm	19.9	13.9
PIE (adj.)	nm	29.7	20.1
P/BV	0.9	1.3	1.3
OpFCF yield	22.3%	3.1%	5.5%
Dividend yield	2.8%	2.8%	2.8%
EPS (adj.)	(1.22)	1.01	1.49
BVPS	23.70	23.42	23.82
DPS	0.85	0.85	0.85



Shareholders: Bekaert Fam. & Rel. 39%;

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3Q13 trading update preview

The facts: Bekaert will release its 3Q13 trading update on November 14th, before market.

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 February 28th.

Sales (EURm)	1Q12	2Q12	1H12	3Q12	4Q12	FY12	1Q13	2Q13	1H13	3Q13e
EMEA	290.0	267.0	557.0	253.0	234.0	1,044.0	260.0	272.0	532.0	256.0
% change	-5.5%	-13.0%	-9.3%	-13.7%	-10.7%	-10.7%	-10.3%	1.9%	-4.5%	1.2%
North America	176.0	175.0	351.0	166.0	142.0	659.0	146.0	149.0	295.0	144.0
% change	0.0%	-1.7%	-0.8%	-3.5%	2.1%	-0.9%	-17.0%	-14.9%	-16.0%	-13.3%
Latin America	197.0	200.0	397.0	212.0	203.0	812.0	176.0	176.0	352.0	180.0
% change	140.2%	119.8%	129.5%	118.6%	99.0%	118.3%	-10.7%	-12.0%	-11.3%	-15.1%
Asia	232.0	246.0	478.0	234.0	233.0	945.0	216.0	254.0	470.0	242.0
% change	-34.3%	-14.0%	-25.2%	-7.9%	-3.3%	-16.7%	-6.9%	3.3%	-1.7%	3.4%
Consolidated sales	895.0	888.0	1,783.0	865.0	812.0	3,460.0	798.0	851.0	1,649.0	822.0
% change	-2.5%	3.0%	0.2%	6.0%	9.1%	3.6%	-10.8%	-4.2%	-7.5%	-5.0%
Combined sales	1,135.0	1,119.0	2,255.0	1,105.5	1,026.5	4,387.0	1,035.0	1,104.0	2,139.0	1,081.5
% change	-7.9%	-5.1%	-6.5%	-2.9%	-2.2%	-4.6%	-8.8%	-2.7%	-5.1%	-2.2%

Sources : Bekaert / Bank Degroof estimates

We expect Bekaert to report 3Q13 consolidated sales of EUR 822m, down 5% y-o-y and down 3.4% sequentially, due to the seasonality in Europe and North America.

In **EMEA**, we anticipate 3Q13 consolidated sales to be up 1.2% y-o-y (down 5.9% due to the seasonality). The European tyre market for both the cars and the trucks segments have bottomed-out in 2Q13 and the data reported by Michelin and Pirelli for 3Q13 confirm the improvement.

We expect **North American** 3Q13 consolidated sales to be still very weak (down 13% y-o-y), although here too the tyre replacement markets seems to have bottomed out in 3Q. This is expected to have been offset by the strong price competition made by Kiswire in bead wire and by the slowdown in the energy cable reinforcement market.

For **Latin America**, while volume sold are expected to be up (single high digit), 3Q13 consolidated sales are expected to be down by 15% y-o-y due to the negative impact of the change in the accounting method of the Venezuelan operations.

In **Asia Pacific**, we anticipate sales up 3.3% y-o-y supported by the dynamic volume recovery in tyre cord, compensated by some price pressures. First of all, the wire rod price decreased by 3% during the quarter. This drop was probably passed on to the tyre cord prices. On top of that, we recall that Bekaert lost market shares in 1H13 and that the company is determinates to regain these volumes ASAP. This might already have a negative impact on prices.

Conclusion & Action: While the risk of price pressures on the Chinese tire cord should not be underestimated, market data suggest that tyre volumes are bottoming out in the different regions where Bekaert operates, not only in the OEM but also in the replacement markets for both cars and trucks. The improvement in the operational run rate should help Bekaert to compensate somewhat the price pressures.

In our view, the valuation remains demanding, without discount for the delivery risk. We increase our TP to EUR 28 to integrate the impact of the lower risk premiums over the last three months.