

8 November 2012

**Bekaert:**
**3Q12F**

 Price (€): 22.43 (7/11/12)  
 Target price (€): 16

 Results date: 14/11/12  
 Sell

€m	3Q11	3Q12F	% change	Consensus
Sales EMEA	293	255	-13.0	n/a
Sales North America	172	168	-2.3	n/a
Sales Latam	97	187	92.8	n/a
Sales Asia Pac	254	233	-8.3	n/a
Sales	816	843	3.3	n/a

- We expect a 3.3% 3Q12 YoY consolidated sales growth, in line with the 2Q12 trend. Recall that the increase in 2Q was driven by consolidation (+8%) and forex (+3%), while organic sales declined c.11%. 3Q12 sales consensus numbers are not yet available, but we seem 2.5% below FY Bloomberg consensus (ie, 5% below 2H12 sales consensus).

- Bekaert published only a trading update, hence no numbers below top line. We reiterate that 2012 consensus REBIT (€186m; ING €157m) seems ambitious. Consensus expects REBIT margins to improve from 4.8% in 1H12 to 5.8% in 2H12. We believe the 2H12 REBIT margin will decline some 55bp HoH to 4.3%, implying an FY12 REBIT of €157m (consensus €186m). Our estimate that the 2H12 margin will decline is based on: (1) the impact of seasonality: margins were historically 50-100bp lower in 2H (INGF 30bp); and (2) price competition in the Chinese tyre cord market (85bp; see below). These two elements should partially be offset by additional cost savings from Bekaert. We assume that 40% of the €100m restructuring will be announced and accounted for in early 4Q12, meaning a 2H12 saving of €10m (60bp).

Source: Company data, ING estimates

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