

### **Bekaert: 3Q12 sales in line, but outlook cautious**

Bekaert reported encouraging 3Q12 sales and net debt numbers. 3Q12 consolidated sales increased by 6% YoY to €865m. This looks to be in line with consensus estimates and implies a 2.5% beat on our forecast and entirely driven by Latam (currency effects and strong performance in Peru and Venezuela). Sales in the other regions were in line with our estimates. Net debt declined by €67m during 3Q12 to €790m, a solid performance driven by a reduction in working capital.

In spite of the encouraging 3Q12 numbers, the outlook appears to be very cautious. Somewhat surprisingly, Bekaert did not provide any further detail on its ambition to cut costs by €100m by 2014, as, we believe, investors had hoped for. The company guides for (1) macroeconomic uncertainty, declining activity in most industries and highly competitive market conditions, (2) currency related uncertainty in Venezuela (i.e. in Latam, the region that posted 3Q12 sales above our forecast) and the fact that a steady supply of raw materials cannot always be ensured, and (3) €100m in estimated bad debt provisions and non-recurring expenses in 1H12 related to solar (sawing wire).

**Conclusion:** 3Q12 seem in line with expectations but the outlook appears very cautious and the €100m in estimated bad debt and additional non-recurring expenses seems a negative surprise. We believe the shares should underperform the market today.

3Q12 sales (€m)

	3Q11	2Q12	3Q12F	3Q12A	% yoy
Sales EMEA	293	267	255	253	-13.7
Sales North America	172	176	168	166	-3.5
Sales Latam	97	200	187	212	118.6
Sales Asia Pac	254	246	233	234	-7.9
<b>Sales</b>	<b>816</b>	<b>889</b>	<b>843</b>	<b>865</b>	6.0
Net debt (Bekaert def.)	763	866		790	3.5

Source: Company data, ING estimates

**Price: €21.0. Last published: target price: €16.0; recommendation: SELL**

**Filip De Pauw, Brussels +32 2 547 60 97**