

10 November 2011

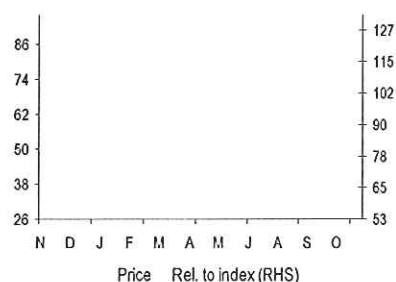
## BEKAERT

## Q3 sales more resilient than feared

GENERAL INDUSTRIES  
BELGIUM

CURRENT PRICE € 29.37  
TARGET PRICE € 35.00

**HOLD**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEKB.BB  
Reuters BEKB.BR

www.bekaert.com

Market Cap € 1,758.8m  
Shares outst. 59.9m  
Volume (daily) € 8,592,819  
Free float 62.0%

Next corporate event

Results FY11: 24 February 2012

(€ m)	2010	2011E	2012E
Sales	3,262.5	3,255.7	3,221.1
REBITDA	724.7	521.1	469.8
Net earnings	367.6	179.4	143.2
Adj. EPS (€)	6.52	3.23	2.62
P/E (x)	4.5	9.1	11.2
EV/REBITDA	3.2	4.8	5.0
FCF Yield	0.0%	-2.9%	14.2%
Dividend yield	5.7%	5.7%	5.7%

Wouter Vanderhaeghen

+32 2 429 37 30

wouter.vanderhaeghen@kbcsecurities.be

Bekaert this morning released its 9M11 trading update.

Consolidated sales for the quarter are reported at € 816m, ahead of our (€ 758m) and consensus expectations (€ 767/769m). Sales declined by 5.8% y/y, which splits into 2.8% and 3.7% positive effect from increased volumes and pricing through of increased raw material prices and 7.5%, 4.8% and 0.8% negative impact from pricing, currency movements and divestments.

Sales in EMEA, North America and Latin America increased by 8%, 1% and 10% y/y to € 293m, € 172m and € 97m respectively, exceeding expectations (KBC: € 285m, € 167m and € 86m). As expected, sales from Asia Pacific are down sharply (-24% y/y to € 254m) but less than anticipated (-34.4% to € 220m). During the quarter, Bekaert was able to keep its volumes stable in Asia Pacific, while prices declined on average by 22 to 23%. This trend is in-line with Bekaert's goal to defend its market position.

Net financial debt declined from € 815.9m at the end of June to € 763m at the end of September. However, the decline is entirely due to the sale of BSF (impact of about € 80m).

Bekaert clearly turned more bearish in its outlook statement, expecting a growing impact from the global financial crisis and uncertain economic outlook in most markets.

"Increased competition, stringent credit restrictions and cost increases will continue to create challenging conditions in China in the next quarter."

In sawing wire, "substantial manufacturing overcapacity and persistent low demand drove prices down by more than 50% toward the end of Q3". Bekaert expects a further deterioration in the months ahead.

**Conclusion:**

Given the deterioration of the solar market during the quarter and global economic environment, Q3 sales (5.3% sequential decline) exceeded expectations. While we might slightly up our top-line numbers for the full year, we are unlikely to make major changes to our Q4 and FY12 scenario. While the third quarter sales exceeded expectations, market enthusiasm is likely to be tempered by Bekaert's bearish outlook statement.