

24 August 2012

## BEKAERT

## Read-through from Xingda results

GENERAL INDUSTRIES  
BELGIUMCURRENT PRICE € 21.14  
TARGET PRICE € 25.00ACCUMULATE  
RATING UNCHANGED

Source: Thomson Reuters Datastream

Bloomberg BEKB.BB  
Reuters BEKB.BR

www.bekaert.com

Market Cap € 1,266.0m  
Shares outst. 59.9m  
Volume (daily) € 5,553,304  
Free float 62.0%

Next corporate event

Trading update 3Q12: 14 November 2012

(€ m)	2011	2012E	2013E
Sales	3,340.0	3,447.6	3,576.6
REBITDA	475.7	313.9	384.1
Net earnings	192.6	-87.6	66.5
Adj. EPS (€)	2.81	0.10	1.54
P/E (x)	19.5	212.7	13.7
EV/REBITDA	8.5	6.7	5.3
FCF Yield	-2.1%	-1.0%	6.7%
Dividend yield	2.1%	2.4%	3.5%

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Yesterday, after market, Xingda released its 1H12 results.

The company reported a 1.5% y/y decline in revenues to RMB 2,763.7m. Gross profit declined 25.1% to RMB 568.0m with margin declining from 27.0% to 20.6%. Net profit declined by 40.5% to RMB 149.3m. Revenues and gross profit increased by respectively 0.6% and 5.1% on the second half of last year with the gross profit margin increasing from 19.7%.

Total sales volumes increased by 7.1% y/y to 242.7k tonnes. Sequentially, volumes increased by 6.0%. Truck tire cord volumes increased by 4.9% y/y while passenger car tire cord volumes were up a strong 14.2% y/y. Radial tire cord prices declined by 7.8% y/y to RMB 11,925/tonne. Prices for truck tire cord declined by 8.8% y/y while passenger car tire cord prices were down by 5.0%. The price for sawing wire declined from RMB 65,500/t in 1H11 to 44,211/t in 2H11 and 28,135/t in 1H12.

Xingda has adjusted its expansion plans in response to changing market demand, focussing on utilisation. At the end of June, the company had production capacity for radial tire cord, sawing wire and bead wire of 500kt, 12kt and 100kt respectively. At publication of 1H11 results, Xingda was targeting its radial tire cord to exceed 600kt by 2012 and 700kt by 2013.

With regards to the outlook, Xingda is cautiously optimistic about a gradual rebound of economic activities in the future.

**Conclusion:**

Bekaert reported a 25.1% y/y decrease in consolidated sales for Asia Pacific and 60.5% decline in EBITDA with EBITDA margin declining from 40.1% in 1H11 to 18.2% in 2H11 and 21.1% in 1H12. Compared to Bekaert's numbers for Asia Pacific, which reflect the dramatic collapse of the sawing wire market, Xingda's numbers better reflect the market trends of the radial tire cord market. While Xingda reported significant y/y declines in both revenues, gross profit and gross profit margin, we note a slight recovery in gross profit margin vs. the second half of last year. We further welcome the rational behaviour at Xingda with a focus on capacity utilisation above absolute capacity expansion.