

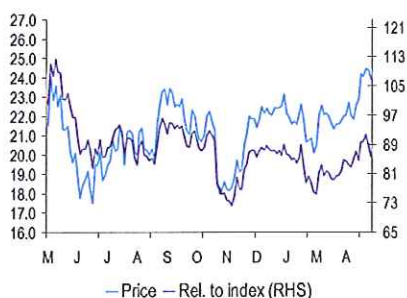
8 May 2013

## BEKAERT

## Continued weak market conditions

 GENERAL INDUSTRIES  
 BELGIUM

 CURRENT PRICE € 23.91  
 TARGET PRICE € 22.00

 HOLD  
 RATING UNCHANGED


Source: Thomson Reuters Datastream

 Bloomberg BEKB.BB  
 Reuters BEKB.BR

www.bekaert.com

 Market Cap € 1,439.0m  
 Shares outst. 59.9m  
 Volume (daily) € 3,512,755  
 Free float 62.0%

Next corporate event

Payment dividend FY12: 15 May 2013

(€ m)	2012	2013E	2014E
Sales	3,460.6	3,401.6	3,494.6
REBITDA	274.8	327.5	375.8
Net earnings	-194.9	10.9	69.2
Adj. EPS (€)	-1.17	0.59	1.28
P/E (x)		41.1	18.7
EV/REBITDA	8.3	7.0	5.9
FCF Yield	8.6%	8.4%	8.5%
Dividend yield	3.8%	3.5%	4.2%

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Bekaert this morning released its 1Q13 trading update. The company will hold its AGM later today at 10:30am CET.

Bekaert reported consolidated sales of € 799m, down 10.8% y/y and below our expectations (€ 857m). Consensus, compiled by Inquiry with 5 brokers participating, was looking for consolidated sales of € 870m (range € 845 to € 900m). Organic sales were down by 8.2%, of which 2.8% was from lower volumes. Unfavourable currency movements impacted sales by 3.2% and were fully attributable to Venezuela. The net effect of acquisitions and divestments was 0.6% positive.

Combined sales, including sales from joint ventures and associates, were down 8.7% y/y to € 1,036m. Combined sales declined 4.2% y/y organically, the effect of currency movements was -5.0% while the net effect from acquisitions and divestments was 0.5%.

Consolidated sales in EMEA, NA, LA and AP are reported at € 260m (-10%), € 146m (-17%), € 176m (-10%) and € 216m (-7%) respectively vs. our expectations for € 271m, € 168m, € 179m and € 239m.

Depressed automotive and other industrial markets across Europe drove demand down in all business platforms in EMEA. In NA, sales suffered from low demand in tire replacement markets, investment delays in energy markets and increased competition from Asian imports (in particular bead wire). Bekaert continued to report solid sales in Latin America, driven by strong demand i.e. in Peru and Ecuador. Excluding the currency impact from Venezuela, the segment would have recorded 4% sales growth. In AP, tire cord prices have been sliding in China due to weak demand and general overcapacity. Bekaert managed to keep its volumes stable and notes a prudent trend towards price stabilization.

Net financial debt increased from € 700m at year-start to € 746m as a result of the share buy-back program and increase in working capital in-line with seasonal effects. During the quarter, Bekaert purchased 712,977 shares (average price of € 21.42 per share) to cover the stock option plans.

As expected, Bekaert reconfirms its outlook statement of 27 February 2013. The Group is on track with the implementation of its cost reduction programs. "The continued weak environment, the lack of consistent indicators of a global recovery, overcapacity in most markets and the corresponding overall price pressure will however weigh on profitability."

**Conclusion:** Bekaert released a weak 1Q13 trading update with sales impacted by low demand in mature markets and a highly competitive environment driving strong price pressure in emerging markets. On the positive, while steel cord prices were down significantly y/y, Bekaert sees some first signs of price stabilisation (vs. 2012-end levels). We still believe it's too early to turn positive on the stock and stick to our Hold recommendation.