

**Bekaert (EUR 91.87 - ADD) - It's the sequential improvement that counts**
**Preview**

Period	Q3 trading update
Date/Time	Friday, November 13, before opening
Recommendation	ADD
Target price	104

in EUR	Q3 08	Q3 09	yoy	9m 08	9m 09
<b>Consolidated sales (m)</b>	<b>751</b>	<b>606</b>	<b>-19.3%</b>	<b>2,054</b>	<b>1,806</b>
EMEA	302	192	-36.5%	915	602
North America	172	120	-30.3%	461	383
Latin America	49	81	66.1%	133	241
Asia Pacific	221	213	-3.6%	539	580
<b>Combined sales (incl ass.)</b>	<b>1,149</b>	<b>825</b>	<b>-28.2%</b>	<b>3,120</b>	<b>2,440</b>
EMEA	299	189	-36.8%	907	596
North America	171	117	-31.5%	458	376
Latin America	453	305	-32.6%	1,203	885
Asia Pacific	226	214	-5.3%	551	583

Analyst Meeting No

**Key items**

1. The third quarter of 2009 will be one of the toughest quarters for Bekaert in terms of comparison base in the company's history. In Q3 of last year wire rod prices reached historically high and historically inflated levels, even above the levels of Q2 of last year. We estimate that average wire rod prices were down by 45% in Q3 yoy compared to 42% in Q2. With roughly 50% of the company's COGS being wire rod and the company being a cost-plus operator, this will result in a very negative topline evolution in Q3.
2. We expect Q3 consolidated sales to be down 19% and combined sales, including the Latin American associates, to be down 28%. On consolidated sales we expect an organic decline of 26% (22% price / 4% volumes), partially compensated by the integration of the former Peruvian and Ecuadorian joint ventures for an estimated 5% and positive forex of 2%. In terms of combined sales we expect an organic decline of 28.2% as forex should be neutral.
3. We do not expect a specific guidance but assume that China continues to be strong on the back of strong car sales, that Europe remains very difficult and that Latin America is recovering.

**Conclusion:**

The sharp sales drop will not have a corresponding impact on profits as sequentially raw material prices are stable to slightly increasing. The EUR 40m FIFO related charge from H1 will thus not re-occur. We do not alter our estimates ahead of the trading update. At 5.8x 2010 EV/EBITDA and 9.6x EV/EBIT we reiterate our BUY rating. We expect further sequential business improvement.