


**Bekaert (EUR 21.2 - Hold): Q3 trading update preview**
**Preview**

Period	Q1 2012 trading update
Date/Time	Wednesday 14 November, before market
Recommendation	Hold
Target price	25

in EUR m	Q3 2011	Q2 2012	Q3 2012e	Yoy
<b>Consolidated sales</b>	<b>816</b>	<b>888</b>	<b>861</b>	5.5%
EMEA	293	267	263	-10.3%
North America	172	175	185	7.4%
Latin America	97	200	180	85.3%
Asia Pacific	254	246	234	-8.0%
<b>Combined sales (incl ass.)</b>	<b>1,140</b>	<b>1,120</b>	<b>1,086</b>	<b>-4.7%</b>
EMEA	290	265	260	-10.4%
North America	169	175	182	7.5%
Latin America	426	421	410	-3.8%
Asia Pacific	255	259	235	-8.0%

**Key items**

1. On Wednesday 14 November 2012 before market Bekaert will release its Q3 trading update. We expect revenues to increase of 5.5% year on year. On a comparable basis (excl. the change in the consolidation scope), we expect top line to be down 3.7%.
2. On the back of very challenging market conditions in the construction and the automotive market, EMEA is expected to suffer most with revenues falling by 10.3% compared to last year and 1.5% sequentially in Q3. North America will fully benefit from a strengthening of the USD and post decent growth. At constant FX, sales are expected to decline by 5.5%, less dramatic as in Europe with the automotive market remaining fairly strong. As we move ahead the effects of the collapse in the sawing market are becoming less important for the comparison. However, we expect Asia-Pacific to show a yoy decline of 7% due to slowing demand from the tire industry. The numbers released last week by the China Association of Automobile Manufacturers seem to point towards a bottoming out of the vehicle market. Latin-America will show a strong growth (+85.3%) compared to last year as it benefited from the change in the consolidation scope (Chile, Peru). The like-for-like performance is also expected to show positive growth.
3. We would appreciate comments on the additional restructuring measures that will be implemented to reach the EUR 100m cost savings planned. For H2 2012 we expect one-off charges related to this restructuring of EUR 30m. Furthermore, we do not expect any contribution from these measures before 2013.
4. Related companies which have reported so far have shown a rapid sequential deterioration in Q3. Bekaert's diversified business model (products and geographies) should help compensate to some extent. Comments from the industry indicate a generalized lack of visibility. For the time being, we expect a further deterioration of revenues in Q4, also because it is seasonally a weaker quarter.

**Conclusion**

There is still considerable uncertainty surrounding the case. Even allowing for a progressive improvement in the markets and a timely implementation of the announced cost saving initiatives, the medium term objective to reach 7% EBIT margins by 2014 (4.8% in H1 2012) will not be straightforward to reach. In the absence of short term triggers and with a valuation offering limited upside (trading at EV/EBITDA 2013 5.9x), we keep a wait and see attitude on the stock. Hold confirmed and TP EUR 25.0.