

8 May 2013
Bekaert (EUR 24.34 - Hold): Q1 preview
Preview

Period	Q1 2013 sales
Date/Time	Wednesday, May 8
Recommendation	Hold
Target Price	EUR 24.00

in EUR	2012 Q1	2013 Q1e	yoy
Combined sales (m)	1,135	1,038	-8.5%
Sales group (m)	895	845	-5.6%
EMEA	290	262	-9.5%
North America	176	161	-8.6%
Latin America	197	195	-1.2%
Asia Pacific	232	227	-2.3%

Key items

1. Against the backdrop of a difficult general economic environment in Europe and the US and an uncertain Chinese recovery, Bekaert is expected to release a difficult Q1 trading update.
2. The tire production numbers released by Goodyear and Michelin confirmed the geographical differences with, e.g. the important Chinese replacement truck tire volumes from Michelin even down by 5% in Q1 but South America up 5%.
3. We expect combined sales to be down by 8.5% on the back of the decline of the Brazilian Real versus the Euro. Consolidated sales are expected to decline by 5.6%. Consolidated sales face a significant yoy negative impact from price declines of wire rod in the main geographical areas as well as negative currency impact in Latam.

Conclusion

The Q1 sales estimate is a difficult exercise given the large yoy currency and wire rod price fluctuations. We expect volume evolution to be weak in EU and US, below par in China but still relatively strong in Latam. This early in the year, we expect a confirmation of the general cautious outlook by management. In recent weeks, Bekaert shares have performed relatively well. This is based on a general strong performance in recent weeks by quality industrials such as e.g. Michelin, in a market looking for an economic recovery. Also Xingda shares performed relatively well recently. On top of that, some hedge funds recently reversed their short positions. We rate the shares Hold.