

8 November 2013
Bekaert (EUR 29.975 - ADD) - Pricing vs. volume
Preview

Period	2013 Q3 trading update
Date/Time	Thursday, November 14, before market
Recommendation	ADD
Target Price	29

in EUR m	Q3 2012	Q3 2013e	Yoy	
Consolidated sales	865	827	-4.4%	
EMEA	253	258	2.0%	
North America	166	142	-14.6%	
Latin America	212	189	-10.8%	
Asia Pacific	234	238	1.8%	
Combined sales (incl ass.)	1,105	1,066	-3.5%	
EMEA	252	255	1.2%	
North America	166	142	-14.6%	
Latin America	442	421	-4.7%	
Asia Pacific	245	248	1.4%	

Analyst Meeting No

Key items

1. After a supportive set of H1 results, we expect a more difficult Q3 trading update. End July, Bekaert indicated that an increasingly competitive environment was leading to more price pressure in Asia.
2. At the end of H1 wire rod prices were declining, with a pick-up in July but a renewed decline since. In this environment, increasing tire cord prices remains difficult. At the same time, Bekaert was also faced with increased forex volatility.
3. The US market might have shown some promising signs from a low base and Europe should have shown further recovery. While the pricing environment in Asia has remained difficult, volume growth should have been solid in view of accelerating truck and especially passenger car tire cord sales.

Conclusion

All in all, we expect a more pronounced negative forex impact versus Q2, negative price impact but positive consolidation scope effect and positive volume impact. At 11.1x EV/EBIT 2015, when we expect Bekaert to reach its 7% REBIT target, we believe the shares are close to fair value. We will review our rating/target price after the results.