

14 November 2014

**Bekaert (EUR 24.89 - Hold) - Solid Q3 topline**
**Facts: Q3 sales EUR 814m against EUR 794m expected**

- Bekaert releases Q3 sales numbers 2.5% ahead of csa expectations.
- Sales for the quarter reached EUR 814m against EUR 794m expected.
- In EMEA, sales were slightly lower than expected at EUR 264m vs. EUR 270m anticipated. EMEA has seen a constant growth in volumes and sales in each quarter of the year, mainly from the tire cord sector and energy-related markets. In Q4, it expects a moderate slowdown in tire cord and the usual seasonal slowdown.
- North American sales were good, reaching EUR 140m against EUR 132m expected, driven by higher demand from automotive and construction markets compared with the same period last year. Q4 demand is expected to remain stable.
- Latam was very strong with sales of EUR 163m against EUR 143m anticipated. Excluding Venezuela, where market conditions have remained very difficult, Bekaert's consolidated activities in Latin America achieved an organic volume growth of 4% in the third quarter year-on-year. Bekaert successfully implemented selling price increases outperforming inflation, which significantly contributed to an organic sales growth of 9%. The full top line growth in the third quarter was 13%, including the net positive impact of the acquisitions in Costa Rica and Brazil and unfavourable currency movements. Bekaert anticipates a confirmation of the upward trend in its markets in Latin America in the last quarter of the year, with the exception of Brazil where subdued demand conditions are assumed to persist.
- In Asia Pacific, Bekaert achieved a volume growth of 9% in Asia in the third quarter of 2014 compared with the same period last year. This growth rate was mainly driven by strong sales volumes in highly competitive tire markets across Asia. Bekaert's sawing wire sales also grew, contributing to a positive product mix. Price pressure and passed-on lower wire rod prices tempered the top line growth rate to 3%. For the 4th quarter, Bekaert expects a slowdown and continued price erosion in Chinese tire.
- Group net debt reached EUR 717m vs. EUR 730m same period last year and EUR 574m end of June due to working capital increases and SBB's.
- In its outlook, Bekaert states to expect a weakening industrial demand and continued price erosion in tire markets in China. In Europe, it expects a moderate slowdown, while the Latam recovery is expected to persist.

**Our View: Solid quarter with Chinese price pressure still main question mark**

Bekaert releases a good Q3 trading update. While Europe is slowing down from previous quarter growth rates, the underlying performance remains strong. North America accelerated in the quarter as did Latam. The latter region, apart from Brazil, is expected to keep its momentum improvement in Q4. Our main concern remains price pressure in China, combined with a slowdown of volumes. Bekaert perceives continued price erosion in Q4.

**Conclusion: No major change to estimates - Hold rating maintained**

We will only marginally adjust our FY estimates and at 10x EV/EBIT 2015, maintain our Hold recommendation with a 12 months target price of EUR 29.00. With -3% ytd, the shares have underperformed. We expect a rebound from current levels.

in EUR m	2013 Q3	2014 Q3e	Actual	Diff
<b>Consolidated sales</b>	<b>773</b>	<b>791</b>	<b>814</b>	2.9%
EMEA	259	270	264	-2.1%



North America	129	132	140	6.5%
Latin America	144	143	163	13.9%
Asia Pacific	241	246	247	0.2%
<b>Combined sales (incl ass.)</b>	<b>1,012</b>	<b>1,023</b>	<b>990</b>	<b>-3.2%</b>
EMEA	256	267	259	-2.9%
North America	129	132	140	6.5%
Latin America	376	367	370	0.7%
Asia Pacific	251	257	260	1.0%