

ADD

Price (27/02/2018)	EUR 37.22
Target price	48.00
Risk	High
Reuters	BERTt.BR
Bloomberg	BEKB BB
Shares number (m)	60.10
Market cap. (m)	2,237
Net debt 12/17e (m)	1,088
Net debt/EBITDA 12/17e	2.09
1 year price perf.	-11.3%
Diff. with Euro Stoxx	-19.6%
Volume (sh./day)	131,767
Free Float	57.5%
H/L 1 year	48.84 - 34.20

Company description

Bekaert is a technological market leader in advanced solutions based on metal transformation and coatings, and the world's largest independent manufacturer of drawn steel wire products. Bekaert employs 30,000 people and serves customers in 120 countries.



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Bekaert

Facts: FY REBIT EUR 301m versus EUR 304m expected and EUR 297m consensus

- Bekaert released FY results in line with expectations, with sales growing 9% to EUR 4,098m against EUR 4,009m expected and consensus of EUR 4,019m.
- Organic growth contributed 3.4% and price increases together with improved price-mix added 5.5%.
- REBIT came in at EUR 301m (-1.3%) versus EUR 304m expected and consensus of EUR 297m.
- The outlook is slightly below expectations with Bekaert stating: "...we are confident we will improve our profitability progressively during the year to achieve the same profitability level of 2017." We expect an increase to EUR 317m.
- Bekaert repeats some challenging items for 2018 and adds an additional caution related to fiscal and trade policies in the US. Bekaert expects continued margin recovery in wire rod and also announces that it has made a breakthrough in the development of fixed abrasive saving wire. All key customers have tested an approved the samples and Bekaert should start first deliveries in in H2 2018.
- Dividend is kept stable at EUR 1.10.
- Net debt was in-line at EUR 1,151m.
- Divisionally, sales in EMEA were 2% higher than expected while REBIT was a little shy. The latter suffered from higher raw material prices in the construction markets higher expansion costs related to Central and Eastern Europe.
- North American sales were 2% above estimates but REBIT also fell a little short at the end of the year. For the FY, Bekaert is satisfied with the improved margin performance nevertheless and the transformation program.
- The final REBIT for Latam was better versus low expectations but volumes were down 5.6% in the region for the FY REBIT decreased by 18%.
- In Asia Pacific, REBIT remained below expectations in H2, due to reduced earnings from sawing wire and the inability to transfer raw material prices to customers. The tire cord business remain strong and price increases are taking place while, actually, wire rod prices are declining. Sawing wire should start contributing again as from H2.

Our View: Guidance slightly below expectations but earnings momentum should improve H2/H1

The weak end of 2017 was already known in the meantime, with the inability to transfer raw material prices to customers in China in H2 of '17 and with the sawing wire profits having evaporated in H2. We also knew already that H1 2018

EUR	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Sales	3,186	3,216	3,680	3,713	4,009	3,973	4,099
EBITDA	298.4	341.7	442.8	482.1	519.7	509.5	567.3
Adj. profit	44.8	86.7	102	106	161	190	237
EPS	0.76	1.46	1.77	1.83	2.80	3.30	4.12
Div.	0.85	0.85	0.90	1.10	1.10	1.10	1.13
EV/EBITDA	7.3	7.6	6.0	7.1	6.5	6.3	5.3
P/E	34.0	18.0	16.1	21.0	13.0	11.3	9.0
FCF Yield	14.4%	-3.0%	10.6%	11.4%	3.0%	9.6%	11.9%
Div. Yield	3.3%	3.2%	3.2%	2.9%	3.0%	3.0%	3.0%

would have no new contribution yet from sawing wire but were uncertain for the group's position in this market segment. Today's announcement of client acceptance of the new technology and a renewed contribution as from H2 2018 is a positive and the group also confirms that as from Q4 they have been able again to pass on raw material price increases in China again.

The guidance of stable REBIT for 2018 implies three sequential years of stable REBIT, while the overall economic environment improved, apart for Latam in recent years. However, the company keeps its medium term 10% REBIT guidance thanks to the impact of the global transformation programs and a gradual recovery at Brido-Bekaert Ropes.

Investment Conclusion: ADD rating maintained / Target Price EUR 46.00 from EUR 48.00

Bekaert's FY '17 results are in-line with reduced expectations after Q3. The guidance for stable profitability for the FY is some 4% below our forecast. The group continues to believe that it will move toward 10% underlying EBIT over the medium term. Earnings momentum will be weak in the first half yoy, but the second half of the year should witness a much better comparison base. We slightly lower our FY '18 estimates and hence target price from EUR 48.00 to EUR 46.00. At around 10.7x EV/EBIT, we maintain our ADD rating.

Exhibit 1	Actual versus consensus			
in EUR	2016 FY	2017 FYe	actual	vs. Exp
Combined sales (m)	4,353	4,720	4,808	1.9%
Sales group (m)	3,713	4,009	4,098	2.2%
EMEA	1,148	1,245	1,273	2.3%
North America	512	540	552	2.3%
Latin America	681	648	673	3.9%
Asia Pacific	1,050	1,123	1,145	1.9%
BBRG	320	453	455	0.4%
EBITDA (m)	482.1	519.7	497.0	-4.4%
REBIT (m)	305.1	304.2	301.0	-1.0%
EMEA	141.1	152.0	141.0	-7.2%
North America	25.8	37.1	33.0	-11.0%
Latin America	67.3	48.7	55.0	12.8%
Asia Pacific	118.9	116.3	107.0	-8.0%
BBRG		17.6	15.0	-14.7%
Other	-64.0	-67.5	-50.0	-25.9%
EBIT (m)	260.1	317.7	318.0	0.1%
Fin result (m)	-73.0	-69.8	-93.1	33.5%
Associates	25.4	19.4	26.9	38.4%
Net profit (m)	105.6	161.4	184.7	14.4%

Source: Degroof Petercam estimates

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	SELL	REDUCE	HOLD	ADD	BUY
High Beta \geq 1.3	RP < -15%	-15% \leq RP < -6%	-6% \leq RP < +6%	+6% \leq RP < +15%	RP \geq 15%
Medium 0.9 < Beta < 1.3	RP < -10%	-10% \leq RP < -4%	-4% \leq RP < +4%	+4% \leq RP < +10%	RP \geq 10%
Low Beta \leq 0.9	RP < -6%	-6% \leq RP < -2%	-2% \leq RP < +2%	+2% \leq RP < +6%	RP \geq 6%

RP : Relative Performance against Degroof Petercam coverage universe

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