

Bekaert					Add				
<i>Metal technology</i>					<i>Target price : 41.00</i>				
Price	Mark.cap.(m)	eps 18e	eps 19e	Ratios	12/18e	12/19e	Glob. fig. (m)	12/18e	12/19e
EUR 34.58	2,078	2.85	3.38	P/E	12.1	10.2	Sales	4,176	4,337
RIC : BERTt.BR - Bloomberg : BEKB BB				Div. Yield	3.2%	3.3%	EBITA	281	314
				EV/EBITDA	6.6	5.7	Adj.Profit	164	195
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Bekaert: Underwhelming with sales in line and outlook remains 'similar'

Facts: Q1 sales EUR 1,052m versus EUR 1,029 expected

- Bekaert released a Q1 sales update more or less in line with expectations with sales coming in at EUR 1,052m against EUR 1,029m expected.
- The company states that "it is confident to improve profitability progressively during the year and the outlook remains similar to the one outlined on February 28". However, the press release does not repeat literally that Bekaert is confident to achieve the same profitability level of 2017, as it was quoted on February 28.
- In EMEA, sales reached EUR 347m (+7%) against EUR 338m expected with in line volume growth of 2.5% and higher price impact. Automotive remained strong while construction markets dropped.
- North American sales reached EUR 144m versus EUR 134m expected thanks to 8% wire rod price and price-mix impact and +3% volume impact. Currencies erased 13% of growth. Given the current country exemptions (temporarily) the import duties did not disturb business so far.
- Latam remains difficult with price inflation supporting sales but volumes down 5%. Bekaert mentions depressed demand in various countries although it also witnesses slightly improving business climate.
- In Asia, volume growth reached +2% against a very strong Q1 2017, and prices increased by 3% bringing sales to EUR 283m versus EUR 305m expected. Currencies had a 7% negative impact. Price pressure continues in the tire market but volumes remained solid. In the second half of 2018, the new sawing wire technology will be launched.
- Finally, BBRG remained weak with sales down 5% on the back of +6.5% volume increase but negative price-mix. The recently announced minority buy-out and related integration should facilitate the turnaround.
- Net debt amounted to EUR 1,234m against EUR 1,151m at year end.

Our View: 'Similar' is not unchanged

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In our view, this likely indicates that it looks harder than before to reach the 2017 REBIT level of around EUR 300m.

In the press release Bekaert indicates that both in EMEA and Asia Pacific it remains difficult to pass on wire rod price increases. We believe tire cord volumes remain quite solid in the European and Asian markets, but the difficulty to pass on price increases likely signals a weak margin evolution the first half of the year.

Investment Conclusion: Add rating maintained / Target Price EUR 41.00 from EUR 46.00

The first half will remain difficult for Bekaert and there is quite some work in different areas. There should be sequential improvement in the course of the year, however, we will reduce our estimates and likely bring down our REBIT forecast from EUR 300m to around EUR 280m. With REBIT recovering in 2019 to a level of EUR 300m,

the shares trade at 10.5x 2019 EV/EBIT. The shares offer value at current levels, but H1 will remain difficult. We reduce our Target Price from EUR 46.00 to EUR 41.00.

Details

in EUR	2017Q1	2018Q1e	actual	vs. Exp
Combined sales (m)	1,223	1,204	1,251	3.9%
Sales group (m)	1,061	1,029	1,052	2.2%
EMEA	325	338	347	2.8%
North America	147	134	144	7.2%
Latin America	183	131	168	28.2%
Asia Pacific	290	305	283	-7.3%
BBRG	117	121	110	-9.2%