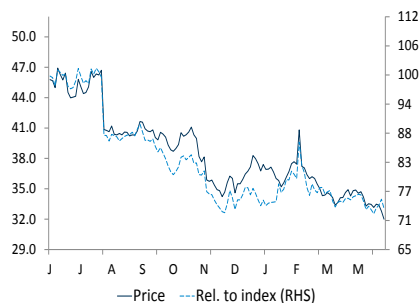


1 June 2018

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BEKAERT

US import duties on steel from EU, not from Brazil

GENERAL INDUSTRIES
BELGIUMCURRENT PRICE €32.00
TARGET PRICE €47.00ACCUMULATE
RATING UNCHANGED

Source: Thomson Reuters Datastream

Bloomberg	BEKB.BB
Reuters	BEKB.BR
www.bekaert.com	
Market Cap	€1,932.0m
Shares outst.	60.4m
Volume (daily)	€4,332,973
Free float	59.9%

Next corporate event

Results 1H18: 27 July 2018

(€m)	2017	2018E	2019E
Sales	4,098.2	4,211.4	4,361.1
REBITDA	498.0	495.7	542.8
Net earnings	184.7	177.7	210.2
Adj. EPS (€)	2.60	2.67	3.16
P/E (x)	16.2	12.0	10.1
EV/REBITDA	7.8	6.5	5.8
FCF Yield	-1.3%	5.8%	8.2%
Dividend yield	2.6%	3.5%	3.6%

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News:

The US government announced yesterday it would give no further import tariff exemption from steel products coming from the EU, Mexico and Canada. This means a 25% import tariff applies as of today on steel product imports from above mentioned countries/regions. Imports from Brazil have been granted another temporary (one month) exemption, while the situation on imports from Japan is still unclear.

We remind that Bekaert's North American business represented about 14% of consolidated revenue and 9% of consolidated EBIT in 2017. The debate on possible tariffs is especially relevant for the revenue generated in the automotive sector (49% of divisional total in 2017 ie about 7% of group revenue), as the wire rod quality that is needed for steel cord is not available in sufficient quantities on the domestic market. Bekaert, like its US competitors, currently imports most of the wire rod needed for US steel cord production. Bekaert thereby relies mostly on imports from Brazil (90%), as well as the UK and Japan. This means the impact of yesterday's announcement should be rather limited, although the tariff regime with regards to Brazil will need to be monitored in the future as the current exemption is only temporary (one month)

Today we publish a company note on Bekaert. Overall, we are cautious about 1H18 results momentum, and also flag the uncertainty on US trade policies, on which we however believe investor sentiment is too negative. We bank on a margin recovery as from 2H18 onwards, on the back of a better raw material price pass-through, progress with efficiency programs and contribution from diamond (fixed abrasive) sawing wire. All in all, we view valuation as attractive enough for maintaining our Accumulate rating, while we also keep our €47 price target