

## BEKAERT

Preview 3Q18E : revenue +3% but limited visibility

GENERAL INDUSTRIES  
BELGIUM

CURRENT PRICE € 19.22  
TARGET PRICE € 24.00

**HOLD**  
RATING UNCHANGED

### News:

Bekaert will publish its 3Q trading update on 15 November before market. We remind that the company posted a 3% increase in consolidated revenue in the first half of the year, with a 37% drop in underlying EBIT. At the time of the 1H results release, Bekaert guided for an increase in underlying EBIT in the second half of the year, supported a.o. by restructuring actions at underperforming entities, progressive pricing through the increased raw materials costs and the launch of the fixed abrasive sawing wire offering.

For 3Q, we forecast 3.3% growth in consolidated revenue to € 1,009m (CSS +4.2% to € 1018m), broken down as follows:

EMEA: revenue +6.5% to € 323m (CSS +3.3% to € 313m)

North America: revenue -3.0% to € 130m (CSS +3.0% to € 138m)

Latin America: revenue flat at € 151m (CSS +9% to 165m)

Asia Pacific: revenue +4% to € 292m (CSS +2.1% to € 287m)

BBRG: revenue +4.5% to € 113m (CSS € 114m).

For the full year, we bank on a 3.0% revenue growth (to € 4,222m, CSS € 4,235m) and an underlying EBIT of € 240m (CSS € 235m), implying a 2H18 figure of € 129m (CSS € 124m, 1H18: € 111m, 2H17: € 125m).

### Our View:

After the fierce pressure on the share price in the past months, Bekaert seems to be attractively valued on earnings multiples (P/E18E of 8.7x and EV/REBITDA of 5.5x). However, comfort in the earnings guidance is pretty low, given a.o. the uncertainty on the impact of US trade policies (which has led to a significant increase in wire rod costs for the automotive grades in the North American business as from August) and a softening momentum in the global tire market. With this respect, we make reference to Michelin's recent trading update in which it mentioned a slight decline of the global passenger car & light truck market and a 4% decline in the truck tire market in 3Q18. Michelin also warned it expects further weakness in the fourth quarter, notably in China. All in all, the high degree of uncertainty prompts us to reiterate our Hold rating for now.



Source: Thomson Reuters Datastream

Bloomberg	BEKB BB
Reuters	BEKB.BR
<a href="http://www.bekaert.com">www.bekaert.com</a>	
Market Cap	€ 1,160.4m
Shares outst.	60.4m
Volume (daily)	€ 3,103,214
Free float	59.9%

Next corporate event

Trading update 3Q18: 15 November 2018

€ m	2017	2018E	2019E
Sales	4,098.2	4,221.9	4,372.4
REBITDA	498.0	447.6	490.4
Net earnings	184.7	139.9	177.0
Adj. EPS (€)	2.60	2.21	2.66
P/E (x)	16.2	8.7	7.2
EV/REBITDA	7.8	5.5	5.0
FCF yield	-1.3%	9.5%	10.8%
Dividend yield	2.6%	5.7%	5.7%

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