

<b>Bekaert</b>							<b>Hold</b>		
<i>Metal technology</i>							<i>Target price : 26.00</i>		
Price	Mark.cap.(m)	eps 18e	eps 19e	Ratios	12/18e	12/19e	Glob. fig. (m)	12/18e	12/19e
EUR 20.52	1,233	2.29	2.91	P/E	9.0	7.0	Sales	4,178	4,339
RIC : BERTt.BR - Bloomberg : BEKB BB				Div. Yield	5.4%	5.5%	EBITA	237	276
				EV/EBITDA	5.3	4.5	Adj.Profit	132	168
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## Bekaert: Q3 slightly better but slowing down

### Facts: Sales EUR 1,070m versus EUR 1,032m expected

- Bekaert released third quarter sales 3.6% above expectations. Sales came in at EUR 1,070m for the quarter versus EUR 1,032m expected.
- Third quarter organic volume growth slowed down, however, and reached 1.4% versus +3% in the first 9 months.
- In its outlook, Bekaert maintains its guidance of an underlying EBIT for H2 above the level of H1 but does not refer to the second half of last year when REBIT reached EUR 125m. We currently have EUR 124.6m REBIT for H2 versus EUR 111m in H1. Our number looks too high in view of the slowdown in volume witnessed in Q3.
- Net debt reached EUR 1,303m, which is higher than expected and Bekaert does not repeat its year-end guidance of a level around 2.5x EBITDA.
- Bekaert also announces the departure of the CFO in “mutual agreement”. Frank Vromant, Executive Vice-President Bekaert Americas, has been appointed Chief Financial Officer ad interim, with immediate effect. Frank Vromant has been with Bekaert since 1979. He held several Financial and IT Management positions in Belgium and the US before he became a member of the Bekaert Group Executive in 2013.
- In general, demand for automotive and construction remained strong, while some industrial steel wire markets faced negative impact from the rising trade tensions.
- European sales were in-line with expectations at EUR 317m (+4%) with continued volume growth in tired cord but low demand for profiled wires in the oil and gas sector.
- North American sales were strong at EUR 160m (+19%) versus EUR 145m anticipated thanks to good volumes (+6%) but also a high impact from passed-on wire rod prices.
- Latam sales amounted to EUR 175m against EUR 156m expected but largely thanks to passed-on wire rod prices with volumes down 3% in the first 9 months and in Q3.
- Asia Pacific sales were in-line in at EUR 304m with tire cord volumes remaining strong but a negative impact from the drought in Australia on agricultural products. Sawing wire is still meaningless in overall business.
- Finally Bridon-Bekaert Ropes sales reached EUR 115m versus EUR 112m expected, and with better volumes (+4%) in the 4<sup>th</sup> quarter.

### Our View: Business remains difficult

While 4<sup>th</sup> quarter sales are a touch better than expected, Bekaert still faces many challenges. Despite the slight beat, the third quarter indicates a growth slowdown and management is prudent on FY REBIT guidance. Net debt is also higher than expected.

With the CFO leaving and many restructuring plans put in place, the CEO is taking action and cash generation is a key priority

**Investment Conclusion: Hold –Target Price EUR 26.00**

We will slightly reduce our FY estimates. At 10x 2018 EV/EBIT, valuation is undemanding.