

Bekaert (Hold) - Impairment at BBRG of EUR 15m (EUR 19.64 - TP EUR 24.00 from EUR26.00)**Facts: EUR 15m impairment BBRG and EUR 70m net restructuring charges**

- Bekaert confirms underlying performance during the second half of 2018 in line with the outlook provided, recognizing the impact of improvement actions taken across the business.
- The Bridon-Bekaert Ropes Group (BBRG) is showing improvement in underlying performance; however, Bekaert will be making a series of adjustments without cash impact (including pension plan adjustments and obsolete stock write-offs) totaling around EUR15m.
- These adjustments will bring the total Bekaert performance for the second half below that achieved in the first half, and therefore below guidance.
- Excluding these corrections, underlying EBIT for the Group in the second half would have been above that achieved in the first half, which is in-line with guidance.
- As previously reported, a variety of actions have taken place, or are in the course of implementation to turn around the profitability of weaker performing businesses or to cease certain operations.
- These measures include restructuring and impairment costs which will be classified as one-off elements in the reported EBIT of 2018. The total net amount of these measures will be around EUR 70m for the full year 2018. These will be EUR 40m cash cost and EUR 30m non-cash and include an estimated EUR 5m capital gains on the sale of property.

Our View: Crucial (re-) construction work in progress

These one-off measures and the impairment at BBRG allow for a cleaner sheet going forward. The write-off of inventories could be positive in case of eventual sales in the future. Most of the EUR 70m 'below the line' items were already announced but relate to quite material interventions in the existing production set-up of the group.

We believe the current CEO has a mission to take further drastic measures and to use this difficult period not to make just temporary adjustments. Bekaert has missed-out on the positive economic cycle in recent years and should be ready as a more leaner company for the next upturn. We believe this is a very important period for the long term future of this family owned company, in which no half measures can be taken. In terms of business, Bekaert does not see a deterioration. Europe tire cord benefits from import duties on Chinese tires and no backlash of this is seen in China. Industrial wires are facing some slowdown. All in all, the environment remains, of course, uncertain.

Investment Conclusion: Hold - Target Price EUR 24.00 from EUR 26.00

We see no reason to differentiate ourselves from company guidance. We slightly lower our 2018 and 2019 underlying REBIT estimates and stick to our Hold rating. The shares are not expensive, trading at around 8.5x EV/EBIT 2019 estimates.