

## BEKAERT

### Write-offs at BBRG to impact performance in 2H

GENERAL INDUSTRIES  
BELGIUM

CURRENT PRICE € 19.64  
TARGET PRICE € 23.00

**HOLD**  
RATING UNCHANGED

#### News:

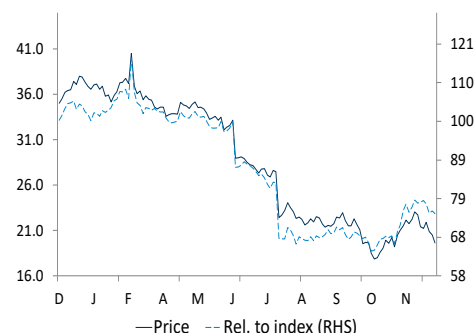
Bekaert issued a press release this morning to announce it will make a series of non-cash adjustments at BBRG (including pension plan adjustments and stock write-offs) for in total € 15m. As these adjustments will be included in the underlying EBIT figure, Bekaert will no longer reach its earlier guidance of a higher sequential underlying EBIT figure in 2H (vs the 1H18 figure of € 111m). Bekaert commented that excluding above mentioned adjustments, it would still achieve its guidance. Note that prior to today's release, we banked on a € 116m underlying EBIT figure for 2H18.

Apart from the adjustments, Bekaert commented that the underlying performance at BBRG is showing improvement. For the other businesses, we remind that Bekaert was fairly optimistic on demand from the automotive industry (tire cord) at the time of the 3Q trading update, and we understood this has not yet changed (which seems somewhat in contradiction to the cautious message and weak market updates that Michelin has been issuing in recent months). On the positive side, there has been some slide in Chinese wire rod prices in the past few weeks, although it remains to be seen whether Bekaert can keep some of that theoretical benefit.

Bekaert also commented it will book about € 70m negative incidentals in FY18 results (of which already € 10m was impacting 1H18), coming from a series of restructurings and plant closures (ao plant closings in Figline Valdarno, the Dramix plant in Costa Rica, restructuring measures in Bekaert Bradford, UK).

#### Conclusion:

We will adjust our earnings model in line with this new information. The reduction of guidance is no good news, although related partly to temporary elements. We will become a bit more cautious on the year-end net debt/EBITDA multiple (currently estimated at 2.8x), as part of the additional € 60m incidentals will have a negative cash impact. All in all, we are still worried that the cautious message of Michelin on tire markets might as well filter through to Bekaert. Despite the optical cheap valuation, we see no reason to change our conservative stance (Hold), and we decided to lower our target price from € 24 to € 23 following today's announcement.



Source: Thomson Reuters Datastream

Bloomberg	BEKB.BB
Reuters	BEKB.BR
<a href="http://www.bekaert.com">www.bekaert.com</a>	
Market Cap	€ 1,185.7m
Shares outst.	60.4m
Volume (daily)	€ 2,948,401
Free float	59.9%

Next corporate event  
Results FY18: 1 March 2019

€ m	2017	2018E	2019E
Sales	4,098.2	4,326.5	4,467.1
REBITDA	498.0	437.3	486.4
Net earnings	184.7	130.6	172.1
Adj. EPS (€)	2.60	2.07	2.59
P/E (x)	16.2	9.5	7.6
EV/REBITDA	7.8	5.8	5.1
FCF yield	-1.3%	4.3%	11.8%
Dividend yield	2.6%	5.6%	5.6%

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