

BEKAERT

Read-through from Michelin results

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 22.48
TARGET PRICE € 23.00

HOLD
RATING UNCHANGED

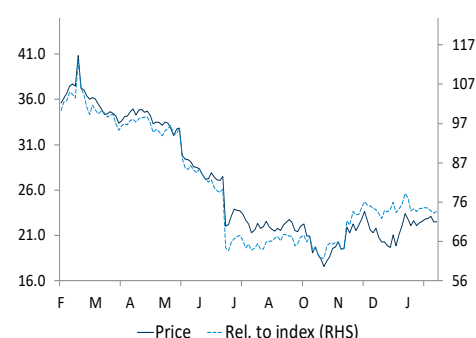
Michelin published its FY18 results yesterday evening after market. Michelin reported 0.9% volume growth, sales growth of 4.1% at constant exchange rates and an 11% increase (at constant FX) in segment operating income. The release offers also some insight in the global tire markets' performance in 2018 and Michelin's take on the outlook.

The global passenger car & light truck tire market decreased by 2% in the OEM segment with a 7% decline in 4Q18. The Replacement segment grew by 1% in FY18 with a 2% growth in 4Q18. The OEM segment of the truck tire market grew by 1% in 2018, with a 3% growth in 4Q. The Replacement segment of the truck tire market declined by 2% in 2018, with a 4% decline in 4Q.

For 2019 Michelin expects Passenger car and Light truck tire markets to be mixed, with modest growth in the Replacement segment and a contraction in the OEM segment. Truck tire markets are expected to be stable overall, with a decline in demand in China that is offset by growth in Mining, Aircraft and the two-wheel tire market.

Our View:

We remind that Bekaert already issued a detailed guidance update in December, when it announced it would 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 commented at the time it would 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. Michelin's outlook suggest no or very limited tire market growth overall in 2019, which seems in line with other comments from automotive-related companies and hence is probably no real surprise. We do expect limited top line growth at Bekaert overall in 2019, with however some margin recovery (from 4.9% in 2018E to 5.9%). The limited visibility overall prompt us to maintain our fairly cautious Hold rating on the stock.



Source: Thomson Reuters Datastream

Bloomberg BEKB BB
Reuters BEKB.BR

www.bekaert.com

Market Cap € 1,357.2m
Shares outst. 60.4m
Volume (daily) € 3,178,829
Free float 59.9%

Next corporate event

Results FY18: 1 March 2019

€ m	2018E	2019E	2020E
Sales	4,326.5	4,467.1	4,626.6
REBITDA	422.3	480.1	525.5
Net earnings	66.9	167.6	197.9
Adj. EPS (€)	1.75	2.52	2.98
P/E (x)	12.9	8.9	7.5
EV/REBITDA	6.5	5.7	5.1
FCF yield	1.6%	9.4%	10.0%
Dividend yield	4.9%	4.9%	5.1%

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