

Bekaert							Hold		
<i>Metal technology</i>							<i>Target price : 24.00</i>		
Price	Mark.cap.(m)	eps 18e	eps 19e	Ratios	12/18e	12/19e	Glob. fig. (m)	12/18e	12/19e
EUR 23.36	1,404	0.81	2.79	P/E	26.0	8.4	Sales	4,251	4,378
RIC : BERTt.BR - Bloomberg : BEKB BB				Div. Yield	5.2%	4.8%	EBITA	211	280
				EV/EBITDA	6.0	5.0	Adj.Profit	46.6	161

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Bekaert: In-line with pre-announcement with underwhelming outlook

Facts: Underlying EBIT EUR 210m versus EUR 212m consensus

- Bekaert releases final results in-line with the December 21 pre-announcement.
- The company states that business conditions have begun to trade somewhat lower as a result of tighter markets and postponed investments.
- The outlook is underwhelming, with the company targeting an underlying EBIT margin above 7% over the medium term. We target 7% for 2020.
- Net debt was in-line at EUR 1,153m but was also supported by receivables factoring for EUR 73m. Net debt / EBITDA reached 2.7x at the end of the year. The company targets capex of EUR 130-150m versus EUR 200m in 2018.
- The dividend will be reduced from EUR 1.10 to EUR 0.70.
- FY revenues came in at EUR 4,305m, versus EUR 4,300m consensus. Volume growth reached 2.2% for the FY but still stood at 3% for the first 9 months, implying a growth deceleration in Q4.
- Adjusted EBIT came in at EUR 210m versus EUR 211m consensus.
- Net earnings amounted to EUR 40m versus EUR 59m consensus.
- Regionally, EMEA sales were in-line at EUR 1,335m for the year but REBIT of EUR 114m was below EUR 128m consensus due to start-up costs from expansion programs and price pressure from integrated players.
- North American REBIT was in-line and Latam REBIT below expectations due to one-off positives in the 2017 accounts apparently.
- In Asia Pacific, sales were a little below expectations and REBIT was in-line at EUR 86m (7.2%) with the loss in the sawing wire business only partially compensated by solid tire reinforcement activity.
- Apart from the weakening macro outlook, Bekaert has to resolve start-up issues in various expansion programs, due to severe price erosion there will be no significant contribution from sawing wire in 2019 and Bekaert has impaired the sawing wire assets.
- Given the market environment and the weak 2018 results, Bekaert will look closely at improvement actions that will help reduce cost structure and improve performance.

Our View: Business conditions trending lower and underwhelming outlook

The final results confirm the weak 2018 performance with a further volume slowdown in Q4 and further deteriorating business conditions. The dividend cut to EUR 0.70 is quite severe but reflects the weak results performance.

The outlook of an underlying EBIT margin above 7% medium term is in line with our estimate of 7% in 2020 and a further improvement in 2021 but we would have expected a more ambitious target post 2020. The 10% has already been set aside for some time.

Bekaert also announced some organizational changes, with Business Units aligned to different business activities. Bert De Graeve will not seek re-election as Chairman of the Board.

Investment Conclusion: Hold maintained – Target Price EUR 24.00

We keep our Hold rating and EUR 24.00 target price unchanged. We will slightly reduce our 2019 estimates but likely keep our 2020 7% REBIT margin unchanged. Valuation at high single digit EV/EBIT is undemanding but financial performance is lackluster.