

Bekaert							Hold		
<i>Metal technology</i>							<i>Target price : 24.00</i>		
Price	Mark.cap.(m)	eps 19e	eps 20e	Ratios	12/19e	12/20e	Glob. fig. (m)	12/19e	12/20e
EUR 21.56	1,296	2.27	3.23	P/E	9.5	6.7	Sales	4,339	4,505
RIC : BERTt.BR - Bloomberg : BEKB BB				Div. Yield	3.5%	3.9%	EBITA	238	305
				EV/EBITDA	5.4	4.2	Adj.Profit	131	186

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Bekaert: Additional restructuring actions as expected

Facts: Restructuring plan affecting 281 jobs

- Bekaert announces additional restructuring measures to rebuild its financial performance.
- Increased competitive pressure and a too high cost structure are affecting the company's margins.
- The actions taken include, among others, the restructuring of certain activities in Belgium and impact 281 FTE's.
- The actions include:
 1. the move to lower cost locations: i. The production-related standard test lab activities to production plants that have a global service role; ii. The spare parts activities to Slovakia, close to the main production plants in Central Europe; iii. Certain pilot line developments and the up-scaling of pilot developments to industrialization. These activities would be located in the relevant 'key learning plants' in order to speed up the development and bring-to-market process of product and process innovations.
 2. The EMEA market of steel fibers for concrete reinforcement has become much tougher with competitors having moved to, and sourcing fibers from, low cost countries. Bekaert's Dramix plant in Moen, Belgium, does not have the ability to remain competitive with the current pricing trends in EMEA and will be closed. The Dramix plant in Petrovice, Czech Republic, will be scaled-up.
 3. Reduce certain activities and align them better with the business needs and the new organizational structure of the Group. This would include a downsizing of administrative and other support roles by better leveraging the potential of standardization, centralization, outsourcing and relocation.
- The engineering, technology and functional departments in Belgium will be focusing much more on their respective, global expertise roles and act as strategic business partners.

Our View: Expected and necessary steps to improve margins to 7% target in medium term

In this press release Bekaert does not indicate the restructuring amount or the related economies. Everything else remaining equal, we estimate these measures to have a potential positive impact of some EUR 20m on the cost structure. We believe it is necessary for Bekaert to take additional measures and reading the press release, we believe additional actions will be taken outside Belgium.

In our estimates we anticipate the company's underlying EBIT to improve from EUR 210m in 2018 to EUR 238m in 2019 and EUR 305m (6.8% margin) in 2020. The measures announced today are implicitly already included in our estimates.

The restructuring on Dramix, also highlights one of Bekaert's core problems, being the commoditization of what are originally considered higher value added businesses. This translates into a structural problem of earning an acceptable ROCE over the longer term. We therefore also believe that Bekaert should continue to review its entire group product portfolio and strategic positioning in certain geographical and product areas.

Investment Conclusion: Hold rating - Target Price EUR 24.00

We stick to our Hold rating. Valuation, at 10.4x EV/EBIT 2019 and 7.2x 2020, takes into account the difficult market environment but Bekaert's business makes it difficult to earn an acceptable ROCE over the long term. We see no clear earnings momentum improvement today and stick to our Hold rating.