

## BEKAERT

### Announces restructuring in Belgian operations

GENERAL INDUSTRIES  
BELGIUM

CURRENT PRICE € 21.56  
TARGET PRICE € 23.00

**HOLD**  
RATING UNCHANGED

#### News:

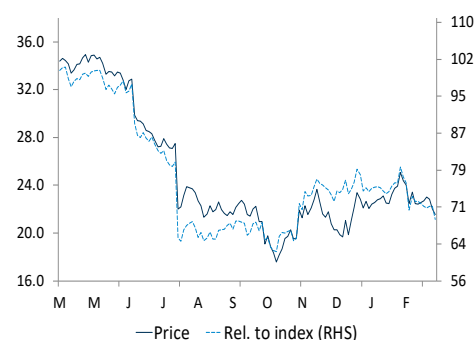
Bekaert this morning issued a press release about its intention to restructure certain activities in Belgium. The Belgian and European works councils are informed today by management about a possible 281 job cuts, with following intended actions :

- Intention to close the Dramix plant in Moen, Belgium, as the plant is no longer considered competitive. Bekaert intends to further upscale production capacity in its Czech plant in Petrovice.
- A number of activities will be moved closer to the operations, in lower cost locations. These concern the production-related standard test lab activities which will be moved to production plants that have a global service role; the spare parts activities that will be moved to Slovakia; pilot line developments and their upscaling that will be moved to relevant 'key learning plants'.
- A downsizing of the administrative and other support roles.

#### Our View:

The restructuring announcement is no real surprise. The company does not disclose a precise savings target as a result of above mentioned initiatives, which are still to be discussed with works councils.

We remind that Bekaert's underlying EBIT margin dropped from 7.3% in 2017 to 4.9% in 2018, with Bekaert having a lot of difficulties (ao) to pass on increased raw materials prices. Bekaert commented at the time of the FY18 results release that the business conditions have begun to trend somewhat lower as a result of tighter markets and postponed investments. Bekaert expected that the economic and political uncertainty would induce some growth moderation. Bekaert commented to see severe price erosion in sawing wire and commented not to expect a significant profit contribution in 2019. The company commented at the time to anticipate stable sales while it did not give a precise earnings guidance. The company commented furthermore to expect to rebuild the underlying EBIT margin to above 7% over the medium term. We currently bank on about 100bps improvement in the underlying EBIT margin to 5.9% for 2019, with Bekaert achieving the targeted 7% margin by 2022. The limited visibility prompts us to remain cautious on the underlying investment case, and we stick to our Hold rating and € 23 TP for now.



Source: Thomson Reuters Datastream

Bloomberg	BEKB BB
Reuters	BEKB.BR
<a href="http://www.bekaert.com">www.bekaert.com</a>	
Market Cap	€ 1,301.7m
Shares outst.	60.4m
Volume (daily)	€ 2,863,009
Free float	59.9%

Next corporate event  
General Assembly 18: 8 May 2019

€ m	2018	2019E	2020E
Sales	4,305.3	4,439.7	4,597.8
REBITDA	426.0	479.8	530.4
Net earnings	39.8	149.5	183.2
Adj. EPS (€)	1.27	2.25	2.76
P/E (x)	22.3	9.6	7.8
EV/REBITDA	7.2	5.4	4.7
FCF yield	-0.1%	13.5%	11.3%
Dividend yield	2.5%	3.7%	4.2%

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