

BEKAERT

Preview 1Q – no major trigger expected

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 23.30
TARGET PRICE € 23.00

HOLD
RATING UNCHANGED

Bekaert will release its 1Q trading update on 8 May before market. We remind that the company does not issue precise quarterly guidance but guided at the time of the FY18 results release for stable sales this year, with an underlying EBIT margin that is expected to be rebuilt to above 7% over the medium term (vs the 4.9% underlying EBIT margin achieved in 2018).

We forecast consolidated sales to increase by 3.7% to € 1,091.3m, supported by an expected slight FX tailwind and benefiting still from raw materials pass through. Our figure compares to the € 1,059m consensus figure (+0.7% y/y).

We remind that Bekaert announced at the time of the FY18 results release it would change the organizational structure and move away from regional divisions into a new structure that includes the following business units: Rubber Reinforcement, Steel Wire Solutions, Specialty businesses and Bridon Bekaert Ropes Group (BBRG). At the time, the new structure was said to become effective immediately. As Bekaert has not provided past quarterly data on this new divisional structure, we shy away from forecasting divisional numbers at this stage.

Our View:

Given the rather cautious outlook comments given at the time of the FY results release and rather weak automotive market data since then, we would not expect the 1Q trading update to be a major share price trigger. With limited visibility overall on the possible pace of margin improvement, we remain cautious on the underlying investment case and stick to our Hold rating on Bekaert.



Source: Thomson Reuters Datastream

Bloomberg	BEKB.BB
Reuters	BEKB.BR
www.bekaert.com	
Market Cap	€ 1,406.7m
Shares outst.	60.4m
Volume (daily)	€ 3,116,400
Free float	59.9%

Next corporate event

Trading update 1Q19: 8 May 2019

€ m	2018	2019E	2020E
Sales	4,305.3	4,440.0	4,598.1
REBITDA	426.0	480.8	530.4
Net earnings	39.8	136.0	183.3
Adj. EPS (€)	1.27	2.26	2.76
P/E (x)	22.3	10.3	8.4
EV/REBITDA	7.2	5.5	4.9
FCF yield	-0.1%	12.9%	11.1%
Dividend yield	2.5%	3.4%	3.9%

Wim Hoste

+32 2 429 37 13

wim.hoste@kbcsecurities.be