Belgium | Metal technology | www.bekaert.com

BUY

Price (08/07/2019)	EUR 24.06
Target price	33.00
Risk	High
Reuters	BERTt.BR
Bloomberg	BEKB BB
Shares number (m)	60.10
Market cap. (m)	1,446
Net debt 12/19e (m)	976
Net debt/EBITDA 12/19e	2.17
1 year price perf.	-13.8%
Diff. with Euro Stoxx	-13.6%
Volume (sh./day)	131,668
H/L 1 year	27.84 - 17.57
Free Float	59.0%
Family shareholders	34.0%
Treasury shares	7.0%

Company description

Bekaert is a global technology and market leader in steelwire transformation and coating technologies, and the world's largest independent manufacturer of drawn steel wire products. Bekaert employs 30,000 people and serves customers in 120 countries.

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Bekaert

Starting from a low base

- Bekaert has had a dreadful two years with the stock declining from its peak level of EUR 49 in the spring of ‘17 to as low as EUR 17.50 in the autumn of ‘18.
- Bekaert suffered from the disappearance of profits from the Chinese sawing wire business, difficulties to pass on raw material prices, weakness in its Latam region and poor profitability at BBRG and its steel wire business.
- As a result, the company skipped the 10% REBIT target and adjusted EBIT ‘18 ended 30% below the ‘17 level of EUR 210m, i.e. a margin of 4.9%.

Rubber Reinforcement holding up well

- The main rubber reinforcement business witnessed lack of pricing power in China in the second half of ‘17 and the first half of ‘18 but all in all held up relatively well with and adjusted EBIT contribution of EUR 205m.
- Since the first quarter of 2019, Bekaert has started reporting on a new divisional breakdown but it has not published margin levels yet.
- We believe the Rubber Reinforcement business has by far the highest margin levels, followed by the Specialty Businesses, while Steel Wire and BBRG are probably only marginally positive at REBIT level.
- Volumes of Rubber Reinforcement grew by 5.2% in the first quarter. The replacement market represents 75% of rubber reinforcement sales and is much less impacted by the slowdown in automotive compared to new car sales.
- The strong replacement market and further radialization in big markets such as India should continue to drive volume growth in the coming years.

Upgrade to Buy and target price to EUR 33 from EUR 24

- Starting in ‘19, and ‘20 for a full year, Bekaert EBIT will face the positive impact from:
  i. non-recurrence EUR 15m BBRG impairment;
  ii. disappearance EUR 15m start-up losses;
  iii. EUR 10m restructuring benefit Costa Rica and Figline plant closures;
  iv. disappearance EUR 10m sawing wire losses;
  v. Belgian 255 FTE reduction with estimated savings of around EUR 20m.
- We believe that this year’s margin will arrive at 5.8% but with the 12 months impact of these measures next year, we could expect the group to be close to the 7% sooner than expected in 2020.
- With strict capex management, a focus on WC and improved profitability, we expect FCF yields in the mid-teens coming years. Hence, we upgrade our rating to BUY with a target price of EUR 33.00, implying a FCF yield of 10-12%.

EUR	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales	3,680	3,713	4,098	4,306	4,441	4,551	4,663
EBITDA	442.8	482.1	512.8	407.8	448.9	500.0	527.7
Adj. profit	102	106	159	38.7	138	180	207
EPS	1.77	1.83	2.77	0.67	2.39	3.12	3.59
Div.	0.90	1.10	1.10	0.70	0.75	0.85	0.85
EV/EBITDA	6.0	7.1	6.5	5.9	5.1	4.3	3.7
P/E	16.1	21.0	13.2	31.3	10.1	7.7	6.7
FCF Yield	10.6%	11.4%	2.6%	11.8%	17.0%	14.9%	15.8%
Div. Yield	3.2%	2.9%	3.0%	3.3%	3.1%	3.5%	3.5%

Degroof Petercam

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Bekaert

COMPANY PROFILE

Bekaert is a world leader in steel wire transformation and coating technologies. It draws steel wire in different strengths and diameters, even as thin as one micro ultra-fine fibres. It bundles the wires into cords, ropes and strands, profiles them into complex shapes, weaves or knits them into fabric, or processes them into an end product.

The company is global, serves customers in 120 countries and employs 30 000 people.

The group is structured around **4 main business units: t**ire cord Rubber Reinforcement, Steel wire solutions, Speciality business and BBRG. Products include: tire cord, barbed wire, Dramix® (concrete reinforcement), speciality ropes for the mining-, oil- and gas industry, wires for the automotive sctor etc.

Important clients are tire manufacturers and the automotive, construction and energy sector.

VALUATION

Bekaert trades at mid-single digit EV/EBITDA multiples and 7.5x EV/EBIT 2020. FCF yields are high at around 15% for the coming years. We value Bekaert at 10%-12% for the coming years, implying a target price of EUR 33.00.

Brazilian JV as peripheral asset at MV.

	2018	2019	2020	2021
Market cap	1,446	1,446	1,446	1,446
Minorities @ market value	119	60	60	60
Net financial debt	1,180	976	806	629
Provisions	70	70	70	70
Peripheral asssets @ mv	-249	-250	-250	-250
Enterprise value	2,567	2,303	2,133	1,956
EV/EBITDA	6.3	5.1	4.3	3.7
EV/EBIT	17.5	9.6	7.4	6.2
FCF yield market cap	10.8%	17.8%	15.5%	16.5%

INVESTMENT CASE

Bekaert has had some difficult years with raw material price inflation, the disappearance of its high margin sawing wire business, difficult Latam markets and a trade war.

However, in 2019, and 2020 for a full year, Bekaert EBIT will face the positive impact from: i. non-recurrence EUR 15m BBRG impairment; ii. disappearance EUR 15m start-up losses; iii. EUR 10m restructuring benefit Costa Rica and Figline plant closures; iv. disappearance EUR 10m sawing wire losses, and; v. Belgian 255 FTE reduction with estimated savings of around EUR 20m.

With part of this impact for 12 months as from 2020, we believe that this year's margin will arrive at 5.8% but we could expect the group to be close to the 7% sooner than expected in 2020.

With peak capex behind us, a focus on WC and improved profitability we expect FCF yields in the mid-teens coming years.

The company has changed its operating model by reducing the matrix structure and improving P&L accountability. Together with significant management changes, we expect a more agile group with more profit focus.

Even if it operates in competitive markets, its worldwide leadership in rubber reinforcement together with a turnaround of the Steel Wire business should drive earnings recovery in the next years.

Hence, we rate the shares a BUY with a target price of EUR 35.00, implying a FCF yield of 10-12%.

SWOT ANALYSIS

Strengths

- Number 1 or 2 market share in most markets
- Strongly represented in fast growing economies
- Number 2 Chinese and number 1 worldwide tire cord manufacturer with technological advantage

Weaknesses

- Fragmented factory footprint
- Historically complex management structure
- Competitive businesses with little pricing power

Opportunities

- New business-unit management structure with full P&L responsibility
- Increasing tire radialization
- Growth of Chinese tire manufactures (in China and Globally)
- Margin recovery Steel Wire Solutions and BBRG

Threats

- Fierce competition in almost all markets, especially from integrated players in US and Chinese players
- Big fluctuations in raw material prices
- Trade war and global economy

Investment Case and valuation

Starting in 2019, and 2020 for a full year, Bekaert EBIT will face the positive impact from: i. non-recurrence EUR 15m BBRG impairment; ii. disappearance EUR 15m start-up losses; iii. EUR 10m restructuring benefit Costa Rica and Figline plant closures; iv. disappearance EUR 10m sawing wire losses, and; v. Belgian 255 FTE reduction with estimated savings of EUR 20m.

Annualized, this adds EUR 70m to the adjusted 2018 EBIT level of EUR 210m, i.e. a margin that would amount to 6.5% versus 4.9%.

With part of this impact for 12 months as from '20, we believe that the 2019 margin will arrive at 5.8% but we could expect the group to be close to the 7% sooner than expected in '20. Consensus moves beyond 7% in '21.

The EBIT improvement shown below is almost entirely due to self-help in 2019. The EBIT improvement of EUR 38m we anticipate in 2020 is for 22.5m due to the 12 months impact of restructuring efforts taken in the course of 2019, for EUR 5m thanks to margin improvement at the beleaguered BBRG business and EUR 10m business growth.

After the dreadful operating performance of recent years, we believe Bekaert management is well aware of the urgency to create shareholder value again in order to keep support from the family shareholder base. Cost scrutiny and new business initiatives should show there impact more than ever in the coming years. The significant governance and management changes that have taken place should spur the necessary operational changes.

The core Tire Reinforcement business continues to perform well. Bekaert is worldwide market leader and still has a leading technological profile thanks to its Ultra-Tensile tire cords. The market is still growing with, for example, the Indian market only at 60% radialization and the Chinese truck market not a high-end retreadable truck market yet.

Valuation is undemanding but if Bekaert wants to create sustainable long term shareholder value, further plant optimization has to be carried out (less fragmentation), a strategic US repositioning (currently too low value added businesses) has to be put in place and product rationalization in the Steel Wire Solutions is crucial. Today, still far too many SKU's are representing too little share of revenues. Further hard measures still need to be taken and we expect management to continue to do so.

With strict capex management, a focus on WC improvement and improved profitability we expect FCF yields in the mid-teens in the coming years. Hence, we upgrade our rating to BUY with a target price of EUR 33.00, at which FCF yields would average between 10%-12%.

Exhibit 1 Valuation

Valuation	**2018**	**2019**	**2020**	**2021**
EBITDA	408	449	500	528
Adjusted EBIT	210	265	303	331
EBIT	147	240	288	316
FCF	138	247	215	228
Market cap	1,446	1,446	1,446	1,446
Minorities @ market value	119	60	60	60
Net financial debt	1,180	976	806	629
Provisions	70	70	70	70
Peripheral asssets @ mv (mainly Brazilian AM JV)	-249	-250	-250	-250
Enterprise value	2,567	2,303	2,133	1,956
EV/EBITDA	6.3	5.1	4.3	3.7
EV/EBIT	17.5	9.6	7.4	6.2
FCF yield market cap	10.8%	17.8%	15.5%	16.5%

Source: Degroof Petercam estimates

Organizational changes

Scale importance

Bekaert is a complex company with a long history and legacy, a large product, market and regional diversification and still over 80 manufacturing plants globally. Even in China, Bekaert has 18 sites at 10 locations, of which 6 steelcord plants (Theoretical tire cord and bead wire production capacity of 650kt). Bekaert was an early mover in China when road infrastructure was far less optimal, justifying the many sites close to customers. Xingda came to the market later and has a much more concentrated production capacity with only 2 tire cord plants in China for 730kt. This is not an issue as such in a big market, but it is a fact that larger focused plants offer higher efficiency. This is also the reason Bekaert is planning a 75kt tire cord plant investment in Vietnam in the next 2 years of over EUR 100m, and scalable to 100kt+. Labour cost is also much lower in Vietnam compared to China and China is close to max. Capacity.

Xingda’s biggest factory in China is at 625kt in Jiangsu, with the second plant in Shandong at 105k. It is also opening a new plant of 50kt in Thailand. It has been opening offices in the US and Europe recently. Xingda has got an estimated 30% domestic market share and about 18% international. Bekaert’s global market share is at 30% and Chinese market share around 25%.

The captive business from the tire manufacturers represents 11% international market share, held by Bridgestone and Michelin.

The third competitor is South Korean Kiswire with an estimated market share of around 7% and also a factory in the US, followed by several smaller players, mainly of Asian origin.

Given the fixed cost base, the tire cord manufacturing industry is marked by large scale factories, offering a disadvantage to Bekaert. However, being the largest producer worldwide and number 2 in China allows Bekaert to be competitive even if, from a blanc page, the production footprint would likely be designed otherwise.

The largest tire manufacturing investment announcements are currently made by Asian players such as Linglong and Triangle, and Korean and Indian tire maker. These players are also investing abroad with LingLong adding 30m tire unit capacity among which through a brand new plant in Serbia in Serbia. Triangle has announced 2 plants in the US and Apollo has been expanding in India and Europe. As such, it is clear that Bekaert’s global presence and leadership is a major advantage in an industry which increasingly also requires quality accreditation.

With its Super- and Ultra-Tensile steelcord, Bekaert has a technology and quality advantage, which is important as also the Chinese customers are increasingly quality oriented due to their increasing international presence.

Simplifying management structure with P&L responsibility

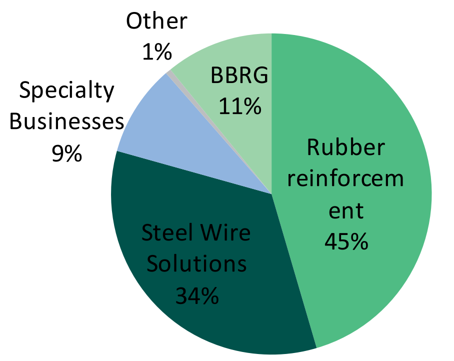
In recent years, CEO Matthew Taylor launched different programs to improve efficiency and customer centricity. The ‘BMS’ Manufacturing Excellence program has improved production workflow in recent years and the ‘BCE’ Customer Excellence program has been aiming to obtain sustainable profitable growth by superior customer value.

However, the long history of Bekaert has also brought along a complex structure. The company’s matrix structure, with historically a large authority for the plant managers, has reduced flexibility and accountability. The larger the plant volume, the more important the plant manager. Bekaert was operating in a combination of geographical reporting lines together with vertical business platforms and also group support functions. The vertical and geographical reporting lines often implied conflicting interests and the large centralized support and R&D was often not sufficiently aligned with the business.

Bekaert has now changed the geographical breakdown to a business vertical structure with full P&L accountability. As such, a large part of the R&D costs will be allocated to the BU's, which should improve responsibility and prioritization of resources. We believe this P&L responsibility is a crucial factor.

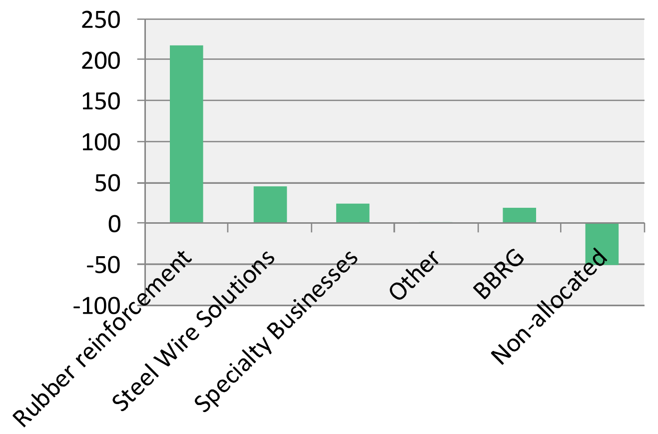
Production related standard test lab activities will move to the relevant production plants, the spare parts activity will move to Slovakia and certain pilot line developments will also move to the relevant plants. This all should improve R&D and business alignment.

Exhibit 2 **Vertical breakdown sales**



Source: Degroof Petercam estimates

Exhibit 3 **Vertical breakdown Adjusted EBIT**



Source: Degroof Petercam estimates

The exhibit above shows the estimated sales breakdown 2019 as well as the estimated EBIT breakdown. The latter is our judgement based on historical information. We expect less non-allocated costs, in-line with the above mentioned move to more P&L responsibility.

With low single digit estimated operating margins, it is also clear that the Steel Wire Solutions are the problem child today. This will be managed by Bekaert veteran Stijn Vanneste, who has been involved in difficult files in the past and was a driving force behind the Manufacturing Excellence programs.

Also a new Rubber Reinforcement manager has been appointed since June. Arnaud Lesschaeve is ex-Valeo, KPMG, AT Kearney, GKN Driveline, Faurecia, etc. and has extensive international experience.

Together with a new BBRG CEO (Q4 '18), Juan Carlos Alonso in the new role of CSO (July '19), the upcoming new group CFO and a new President of the Board, it is clear that a lot of governance changes have been implemented which should rejuvenate the operational execution.

The acquisition of BBRG had also complicated group structure but the full takeover should enhance turnaround actions and facilitate integration and improve sourcing, financing, etc.

Production optimization

It is clear that Bekaert's business needs scale and optimal production size, not only in tire cord as we highlighted above, but also for other products. Dramix (40% market share), for example, was produced at multiple sites by add-on production lines from existing infrastructure. However, the worldwide pricing environment is such that a sub-optimal production allocation is not possible anymore. Bekaert has decided to close the Costa Rican and Belgian Dramix plants and to centralize production to a large extent in India and the Czech republic.

Bekaert also continues to review its US operations outside of tire cord. The group lacks size in a number of segments. Announcements on exits and partnerships can be expected.

In tire cord, the Italian Figline plant was closed. Expansion capex is allocated to the new plant in Vietnam, with production starting end of '19.

Trade war impact manageable

Bekaert's stock price has had a strong correlation with the trade war newsflow in the recent period due to the fear of direct impact on its US business mainly and the fear of the negative impact on worldwide economic growth and car sales.

Bekaert has focused on importing finished goods (tire cord) as they did not face impactful duties until May. As from May, 25% duties are charged on tired cord coming out of China and Bekaert can only produce 60% of its requirements locally in the US. Alternatively, it also sources from Indonesia to fill part of the import needs.

All in all, with competitors also facing issues and with tire cord rubber reinforcement representing only 10% of the raw materials purchase cost of a tire, we believe this situation is manageable. There could even be a small tailwind this year.

The trade war impact on a slowdown of the automotive business in general has to be put in perspective also with 75% of tire cord sales going into replacement.

Sawing wire business

Bekaert's sawing wire business recorded a EUR 10m negative contribution in 2018. Bekaert has been too slow in adopting the fixed abrasive diamond sawing wire. This caused a significant loss in market share and when launching the new technology the largest Chinese player, Metron, with a market share of 60%, reduced prices by 75%. Bekaert has not taken a final decision on the future of this business but the equipment has been impaired and a repeated EUR 10m loss is not to be expected in 2019.

Debt and cost of financing

After the acquisition of BBRG and heavy capex programs in recent years, net debt has increased to EUR 1.153bn at the end of 2018 and EUR 1.346bn at the end of March. Working Capital requirements increased in Q1 and IFRS 16 had a EUR 82m impact on net debt. At the end of 2018, ND/EBITDA peaked at 2.7x (pre-IFRS 16). Bekaert has no covenants but with this high leverage it has very limited financial flexibility. Reducing net debt is a priority. Capex will be reduced from EUR 200m in 2018 to around EUR 140m in 2019 (EUR 21m only in Q1) and working capital improvement measures are initiated. The latter is, however, impacted by the growth of Chinese tire cord business with much longer payment terms. In 2020, capex should rise back again due to the investment in the new Vietnam tire cord plant (estimated >EUR 100m). Factoring was relatively stable in Q1 2019 compared with EUR 75m in 2018.

Despite the recent increase in net debt, interest charges should reduce significantly thanks to the refinancing of the BBRG debt via a Schulschein issue of EUR 320.5m at 1.5% interest. This will save the company an estimated EUR 15m in annual interest charges.

Given the high free cash flow yields we anticipate for the next 3 years (see below) we anticipate further net interest charge reductions in the coming years.

Exhibit 4 **FCF table**

CF statement	2018	2019	2020	2021
EBITA	**210**	**265**	**303**	**331**
EBIT	147	240	288	316
DA	261	209	212	212
WC delta	19	28	8	-1
Other	-110	-8	-7	-7
Dividend from associates	24	20	20	20
net interest charges	-61	-55	-43	-38
Taxes	-69	-46	-62	-73
Cash flow from operations	276	387	415	428
Capex	-185	-140	-200	-200
other	59	0	0	0
Cash flow from investments	-126	-140	-200	-200
dividends	-66	-42	-45	-51
other	-11	0	0	0
Cash flow from financing	-77	-42	-45	-51
FCF after dividend	72	204	170	177
Net debt	1,180	976	806	629
Net debt EBITDA	**2.89**	**2.17**	**1.61**	**1.19**

Source: Degroof Petercam estimates

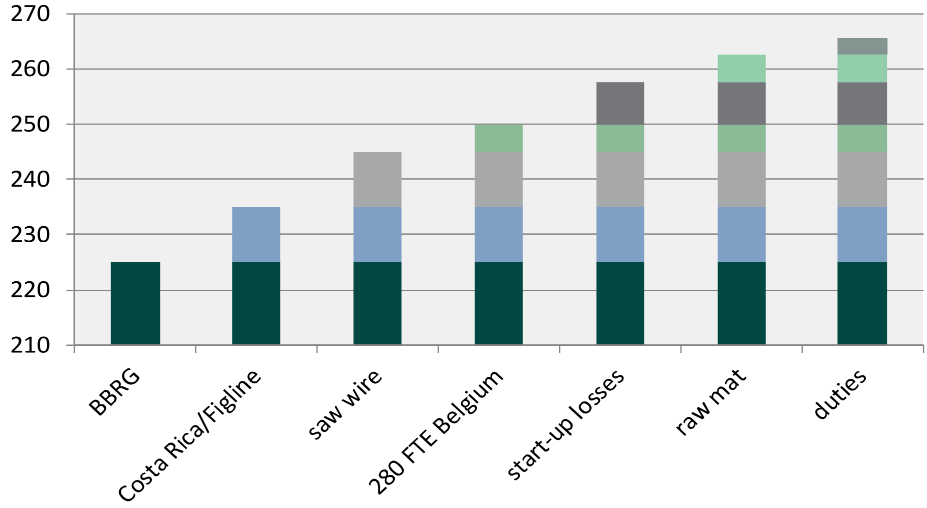
Consensus adjusted EBIT too low

Starting in 2019, and 2020 for a full year, Bekaert EBIT will face the positive impact from: i. non-recurrence EUR 15m BBRG impairment; ii. disappearance EUR 15m start-up losses; iii. EUR 10m restructuring benefit Costa Rica and Figline plant closures; iv. disappearance EUR 10m sawing wire losses, and, v. Belgian 255 FTE reduction with estimated savings of around EUR 20m.

Annualized, this adds EUR 70m to the adjusted 2018 EBIT level of EUR 210m, i.e. a margin that would amount to 6.5% versus 4.9%. We also believe that management is well aware that on top of these improvements, continued cost and margin management has to take place in order to provide a structural ROCE improvement.

For 2019, we have taken 25% from the expected savings of the Belgian restructuring and 50% from the disappearance of the start-up losses in the Slovakian and Rumanian plants. This brings us to a mathematical underlying EBIT improvement of EUR 55m.

Exhibit 5 **Adjusted EBIT bridge 2019**



Source: Degroof Petercam estimates

For 2020, we add EUR 10m of additional business volume improvement and EUR 5m additional margin improvement at BBRG. This is prudent in our view as we believe that after the recent difficult years it is more urgent than ever for management to increase profitability and ROCE to be able to satisfy family shareholder's required rate of return hurdle rate. On our assumptions, Bekaert should create positive EVA again in 2020 with and expected ROCE of 8.7%.

Valuation

With little or no direct peers available, we mainly value Bekaert on free cash flow yield. As shown in exhibit 4, we expect some working capital improvement, all be it relatively limited given the increasing importance of Chinese rubber reinforcement sales where traditionally much longer payment terms are custom.

We expect capex of around EUR 140m this year versus EUR 180m in 2018 and EUR 273m in 2017. Capex in '20 and '21 will be around EUR 200m and will be impacted by the construction of the Taiwanese tire cord plant for around EUR 100m. Despite this, but on the back of improving margins, FCF yields should be in the mid-teens. We believe a level between 10-12% is justified and hence we increase our target price from EUR 24.00 to EUR 35.00.

Coming years, we believe, if Bekaert wants to create sustainable long term shareholder value, further plant optimization has to be carried out (less fragmentation), a strategic US repositioning (currently too low value added businesses) has to be put in place and product rationalization in the Steel Wire Solutions is crucial. Today, still far too many SKU's are produced representing too little share of revenues. Further hard measures still need to be taken.

Exhibit 6 **Valuation**

Valuation	**2018**	**2019**	**2020**	**2021**
EBITDA	408	449	500	528
Adjusted EBIT	210	265	303	331
EBIT	147	240	288	316
FCF	138	247	215	228
Market cap	1,446	1,446	1,446	1,446
Minorities @ market value	119	60	60	60
Net financial debt	1,180	976	806	629
Provisions	70	70	70	70
Peripheral asssets @ mv (mainly Brazilian AM JV)	-249	-250	-250	-250
Enterprise value	2,567	2,303	2,133	1,956
EV/EBITDA	6.3	5.1	4.3	3.7
EV/EBIT	17.5	9.6	7.4	6.2
FCF yield market cap	10.8%	17.8%	15.5%	16.5%

Source: Degroof Petercam estimates

Preview 1H19 results

For the first half results we are slightly above market consensus. We have tried to make an underlying EBIT breakdown but this is without historical data and for reference purpose only. It does, however, show the margin difference between rubber reinforcement and the Steel Wire business and why higher growth in rubber reinforcement should rive group margin.

For the full year, we do not expect a hard quantified guidance but anticipate qualitative statements that should provide more comfort on current FY adjusted EBIT consensus of EUR 252m. We anticipate EUR 265m.

More importantly, we believe FY consensus is too low and for 2020, consensus expects and underlying EBIT of around EUR 280 while we expect EUR 303m, i.e. an operating margin of 6.7%.

Exhibit 7 **Preview**

Preview

Period	2019 H1 results
Date/Time	Friday, July 26
Recommendation	BUY
Target price	33.0

in EUR	**2018H1**	**2019H1**	**yoy**	**Consensus**
Combined sales (m)	**2,537**	**2,642**	**4.1%**	**2,454**
Sales group (m)	**2,156**	**2,235**	**3.7%**	**2,119**
Rubber Reinforcement	948	1,021	7.7%	1,014
Steel Wire Solutions	762	764	0.3%	757
Specialty Businesses	209	206	-1.3%	203
Other	11	7		8
BBRG	226	238	5.1%	236
EBITDA (m)	**204.0**	**222.9**	**9.3%**	**220.0**
Underlying EBIT (m)	**111.0**	**126.4**	**13.9%**	**124.0**
Rubber Reinforcement		112.3		
Steel Wire Solutions		19.1		
Specialty Businesses		12.4		
Other		0.6		
BBRG		7.1		
Non-allocated		-25.0		
EBIT (m)	**101.0**	**118.9**	**17.8%**	**117.0**
Fin result (m)	-45.0	-39.0	-13.3%	-41.0
Income taxes	-23.0	-22.4	-2.7%	-25.0
Associates	12.0	12.5	4.2%	13.0
Net profit (m)	**45.0**	**67.1**	**49.0%**	**64.0**

Analyst Meeting	2pm

Source: Degroof Petercam estimates

Profit & Loss (EUR m)	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Revenues	**3,680.4**	**3,713.1**	**4,098.0**	**4,306.0**	**4,440.6**	**4,551.2**	**4,662.7**
(Y/Y - %)	*14%*	*1%*	*10%*	*5%*	*3%*	*2%*	*2%*
Gross profit	607.7	687.9	657.2	690.5	799.3	819.2	839.3
Selling expenses	-156.1	-175.3	-149.8	-149.8	-149.8	-149.8	-149.8
R & D expenses	-64.6	-63.6	-77.0	-77.0	-77.0	-77.0	-77.0
General & administ. expenses	-150.0	-139.6	-150.0	-150.0	-150.0	-150.0	-150.0
Other expenses	-7.3	-91.9	21.3	-2.2	-7.2	-7.2	-7.2
EBITDA	**442.8**	**482.1**	**512.8**	**407.8**	**448.9**	**500.0**	**527.7**
EBITA	223.2	305.1	301.3	210.3	264.9	303.0	330.7
(Ebita margin - %)	*6.1%*	*8.2%*	*7.4%*	*4.9%*	*6.0%*	*6.7%*	*7.1%*
Amortization	-0.9	-5.0	-10.0	0.0	-20.0	-10.0	-10.0
Impairment	-	-	-	-	-	-	-
EBIT	219.8	260.1	314.8	146.8	239.9	288.0	315.7
Net Financial Result	-62.3	-73.0	-69.8	-85.0	-74.9	-64.9	-54.9
(of which Net interest charges)	-62.3	-73.0	-69.8	-85.0	-74.9	-64.9	-54.9
(of which Other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax result	123.8	149.7	209.7	36.4	165.0	223.1	260.8
Taxes	-36.5	-62.1	-66.7	-59.5	-46.2	-62.5	-73.0
Except. / Discont. operations	-	-	-	-	-	-	-
Associates	18.3	25.4	19.4	24.9	25.0	25.0	25.0
Minorities	-3.9	-7.3	-3.0	37.0	-6.0	-6.0	-6.0
Net declared earnings	101.7	105.6	159.3	38.7	137.8	179.6	206.8
Net adjusted earnings	**101.7**	**105.6**	**159.3**	**38.7**	**137.8**	**179.6**	**206.8**

Cash Flow (EUR m)	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
EBIT	219.8	260.1	314.8	146.8	239.9	288.0	315.7
Depreciation	223.0	222.0	198.0	261.0	209.0	212.0	212.0
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in provision	-40.8	-44.9	0.0	-36.4	0.0	0.0	0.0
Changes in working capital	212.6	16.3	-57.8	19.5	28.2	8.3	-0.8
Others	15.2	24.2	-26.9	-14.6	-9.4	-7.7	-7.8
Operational Cash Flow	**629.8**	**477.8**	**428.1**	**376.4**	**467.7**	**500.6**	**519.0**
Tax expenses	-56.6	-96.4	-66.7	-69.0	-46.2	-62.5	-73.0
Dividends from associates	18.4	22.4	15.5	24.1	20.0	20.0	20.0
Net interest charges	-57.0	-56.1	-69.8	-60.8	-55.0	-43.0	-38.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from operating activities	**534.6**	**347.8**	**307.1**	**270.7**	**386.5**	**415.1**	**428.0**
CAPEX	-176.6	-164.5	-250.0	-185.0	-140.0	-200.0	-200.0
Investments in intangibles	-	-	-	-	-	-	-
Acquisitions	-129.8	0.0	0.0	2.8	0.0	0.0	0.0
Divestments	30.8	0.0	0.0	56.1	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from investing activities	**-275.6**	**-164.5**	**-250.0**	**-126.1**	**-140.0**	**-200.0**	**-200.0**
Dividend payment	-55.6	-63.4	-66.1	-66.1	-42.1	-45.1	-51.1
Minor. & pref. dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity financing	0.0	0.0	0.0	-11.3	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from financing activities	**-55.6**	**-63.4**	**-66.1**	**-77.4**	**-42.1**	**-45.1**	**-51.1**
Changes in consolidation scope	-	-	-	-	-	-	-
Exchange rate impact	0.0	20.0	0.0	0.0	0.0	0.0	0.0
Net debt/cash change	**203.5**	**119.9**	**-9.0**	**67.2**	**204.5**	**170.0**	**176.9**
FCF to Enterprise	294.5	415.4	193.6	279.5	347.7	320.6	339.0
FCF to Equity	180.9	262.9	57.1	149.7	246.5	215.1	228.0

Notes -

Balance Sheet (EUR m)	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Fixed assets	**1,920.7**	**2,136.5**	**2,124.2**	**2,049.6**	**2,032.9**	**2,013.5**	**1,999.1**
Tangible fixed assets	1,490.5	1,514.7	1,501.0	1,459.4	1,438.6	1,414.2	1,394.9
Goodwill	35.7	152.3	149.9	149.3	149.3	149.3	149.3
Other intang. assets	109.4	140.4	125.2	114.5	114.5	114.5	114.5
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	-	-	-	-	-	-	-
Current assets	**1,960.4**	**2,167.8**	**2,320.5**	**2,399.9**	**2,575.3**	**2,757.8**	**2,956.7**
Inventories	628.7	724.5	779.6	931.8	897.9	889.5	890.4
Trade receivables	686.4	739.1	836.8	772.7	748.2	766.9	785.6
Other current assets	233.3	220.9	226.8	246.5	276.9	279.1	281.4
Cash & Equivalents	412.0	370.9	469.2	448.3	652.3	822.3	999.3
Discontinued assets	0.0	112.4	8.1	0.5	0.0	0.0	0.0
Total assets	**3,881.1**	**4,304.3**	**4,444.7**	**4,449.5**	**4,608.2**	**4,771.3**	**4,955.8**
Total Equity	**1,515.9**	**1,597.9**	**1,583.0**	**1,516.0**	**1,611.7**	**1,746.3**	**1,902.0**
Equity	1,384.7	1,467.1	1,487.7	1,396.9	1,492.7	1,627.2	1,782.9
Minorities & preferred	131.2	130.8	95.4	119.1	119.1	119.1	119.1
Provisions	270.5	298.3	241.3	208.5	208.5	208.5	208.5
Provisions for pensions	167.1	182.6	150.8	141.6	141.6	141.6	141.6
Deferred taxes	53.2	52.6	44.4	37.9	37.9	37.9	37.9
Other provisions	50.2	63.1	46.1	29.0	29.0	29.0	29.0
Other LT liabilities	15.2	44.9	27.1	11.4	11.4	11.4	11.4
LT interest bearing debt	792.1	1,161.3	1,180.3	686.7	686.7	686.7	686.7
Current liabilities	**1,287.3**	**1,201.9**	**1,413.0**	**2,026.9**	**2,089.9**	**2,118.5**	**2,147.3**
ST interest bearing debt	494.7	297.9	454.4	942.0	942.0	942.0	942.0
Accounts payables	456.8	556.4	665.2	778.4	748.2	766.9	785.6
Other ST liabilities	335.8	314.2	293.4	306.4	399.7	409.6	419.6
Discontinued liabilities	0.0	33.5	0.0	0.1	0.0	0.0	0.0
Total liabilities	**3,881.1**	**4,304.3**	**4,444.7**	**4,449.5**	**4,608.2**	**4,771.3**	**4,955.8**

EV and CE details (EUR m)	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Market cap.	**1,706.3**	**2,313.4**	**2,190.8**	**1,265.9**	**1,446.3**	**1,446.3**	**1,446.3**
+ Net financial debt	874.8	1,088.3	1,165.6	1,180.4	976.4	806.4	629.4
(of which LT debt)	792.1	1,161.3	1,180.3	686.7	686.7	686.7	686.7
(of which ST debt)	494.7	297.9	454.4	942.0	942.0	942.0	942.0
(of which Cash position)	412.0	370.9	469.2	448.3	652.3	822.3	999.3
+ Provisions (pension)	139.3	147.9	100.5	70.1	70.1	70.1	70.1
+ Minorities (MV)	131.2	130.8	95.4	119.1	60.0	60.0	60.0
- Peripheral assets (MV)	-183.0	-254.2	-194.0	-248.6	-250.0	-250.0	-250.0
+ Others	-	-	-	-	-	-	-
Enterprise Value	**2,668.6**	**3,426.3**	**3,358.3**	**2,386.9**	**2,302.7**	**2,132.7**	**1,955.7**
Equity (group share)	**1,384.7**	**1,467.1**	**1,487.7**	**1,396.9**	**1,492.7**	**1,627.2**	**1,782.9**
+ Net financial debt	874.8	1,088.3	1,165.6	1,180.4	976.4	806.4	629.4
+ Provisions (pension)	167.1	182.6	150.8	141.6	141.6	141.6	141.6
+ Minorities	131.2	130.8	95.4	119.1	119.1	119.1	119.1
- Peripheral assets	-183.0	-254.2	-194.0	-248.6	-250.0	-250.0	-250.0
+ Others	-	-	-	-	-	-	-
Capital employed (for ROCE)	**2,374.8**	**2,614.7**	**2,705.4**	**2,589.4**	**2,479.7**	**2,444.2**	**2,422.9**
+ Accumulated goodwill amortiz.	-35.7	-152.3	-149.9	-149.3	-149.3	-149.3	-149.3
CE (for ROCE grossed gdwll)	**2,339.1**	**2,462.4**	**2,555.5**	**2,440.1**	**2,330.4**	**2,295.0**	**2,273.7**

Notes -

Per Common Share (EUR)	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Adjusted EPS (*)	**1.77**	**1.83**	**2.77**	**0.67**	**2.39**	**3.12**	**3.59**
Adjusted EPS (fully diluted)	1.77	1.83	2.77	0.67	2.39	3.12	3.59
Declared EPS	-	-	-	-	-	-	-
CFS	5.64	5.69	6.20	5.20	6.02	6.80	7.27
FCF (to Equity)	3.14	4.56	0.99	2.60	4.28	3.73	3.96
Dividend	0.90	1.10	1.10	0.70	0.75	0.85	0.85
Book Value	24.04	25.47	25.83	24.25	25.91	28.25	30.95
Shares (m)							
At the end of F.Y.	60.111	60.111	60.111	60.111	60.111	60.111	60.111
Average number	57.600	57.600	57.600	57.600	57.600	57.600	57.600
Fully diluted Average number	58.876	58.876	58.876	58.876	58.876	58.876	58.876

(*) Adjusted EPS : pre-goodwill amortisation earnings, adjusted for post-tax non-recurrent items

Ratios	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Valuation analysis							
P/E	16.1	21.0	13.2	31.3	10.1	7.7	6.7
P/CF	5.0	6.8	5.9	4.0	4.0	3.5	3.3
P/BV	1.2	1.5	1.4	0.9	0.9	0.9	0.8
EV/Sales	0.7	0.9	0.8	0.6	0.5	0.5	0.4
EV/EBITDA	6.0	7.1	6.5	5.9	5.1	4.3	3.7
EV/EBITA	12.0	11.2	11.1	11.3	8.7	7.0	5.9
EV/EBIT	12.1	13.2	10.7	16.3	9.6	7.4	6.2
EV/CE	1.1	1.3	1.2	0.9	0.9	0.9	0.8
EV/CE (grossed goodwill)	1.1	1.4	1.3	1.0	1.0	0.9	0.9
EV/FCF (1)	9.1	8.2	17.3	8.5	6.6	6.7	5.8
FCF yield (2)	10.6%	11.4%	2.6%	11.8%	17.0%	14.9%	15.8%
Dividend yield	3.2%	2.9%	3.0%	3.3%	3.1%	3.5%	3.5%
Financial ratios							
Interest cover	3.5	3.6	4.5	1.7	3.2	4.4	5.8
Net Debt/EBITDA	2.0	2.3	2.3	2.9	2.2	1.6	1.2
Net Debt/Equity	57.7%	68.1%	73.6%	77.9%	60.6%	46.2%	33.1%
Net Debt/FCF (2)	4.8	4.1	20.4	7.9	4.0	3.7	2.8
Capital turnover	1.5	1.4	1.5	1.7	1.8	1.9	1.9
ROCE pre-tax	9.4%	10.1%	11.9%	5.8%	10.0%	12.1%	13.4%
ROCE post-tax	6.6%	5.9%	8.1%	-3.7%	7.2%	8.7%	9.7%
ROCE pre-tax (grossed goodwill)	6.6%	5.9%	8.1%	-3.7%	7.2%	8.7%	9.7%
ROCE post-tax (grossed gdwll)	6.6%	5.9%	8.1%	-3.7%	7.2%	8.7%	9.7%
ROE	7.3%	7.2%	10.7%	2.8%	9.2%	11.0%	11.6%
Working capital (in % of sales)	23.3%	24.4%	23.2%	21.5%	20.2%	19.5%	19.1%
Payout	51.0%	60.0%	39.8%	104.1%	31.3%	27.3%	23.7%
Margin analysis and tax rate							
Gross margin	16.5%	18.5%	16.0%	16.0%	18.0%	18.0%	18.0%
EBITDA margin	12.0%	13.0%	12.5%	9.5%	10.1%	11.0%	11.3%
EBITA margin	6.1%	8.2%	7.4%	4.9%	6.0%	6.7%	7.1%
Adjusted profit margin	2.8%	2.8%	3.9%	0.9%	3.1%	3.9%	4.4%
Tax rate	29.5%	41.5%	31.8%	163.6%	28.0%	28.0%	28.0%
Growth analysis							
Sales	14%	1%	10%	5%	3%	2%	2%
EBITDA	30%	9%	6%	-20%	10%	11%	6%
EBITA	36%	37%	-1%	-30%	26%	14%	9%
Adjusted profit	17%	4%	51%	-76%	256%	30%	15%
Adjusted EPS	21%	4%	51%	-76%	256%	30%	15%
Dividend	6%	22%	0%	-36%	7%	13%	0%

(1) Based on FCF to Enterprise - (2) Based on FCF to Equity

Notes -

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	SELL	REDUCE	HOLD	ADD	BUY
High Beta >= 1.3	RP<-15%	-15%<=RP<-6%	-6%<=RP<+6%	+6%<=RP<+15%	RP>=15%
Medium 0.9 < Beta > 1.3	RP<-10%	-10%<=RP<-4%	-4%<=RP<+4%	+4%<=RP<+10%	RP>=10%
Low Beta <= 0.9	RP<-6%	-6%<=RP<-2%	-2%<=RP<+2%	+2%<=RP<+6%	RP>=6%

RP : Relative Performance against Degroof Petercam coverage universe

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