

## BEKAERT

### Preview 1H : turning the corner ?

GENERAL INDUSTRIES  
BELGIUM

CURRENT PRICE € 23.68  
TARGET PRICE € 23.00

**HOLD**  
RATING UNCHANGED

#### News:

Bekaert will release 1H results on 26 July before market. We remind that the company guided at the time of the 1Q trading update for stable sales volumes in 2019 with the underlying EBIT margin that is expected to rebuild to above 7% over the medium term (vs 4.9% in 2018).

We remind that Bekaert posted 4% sales growth in 1Q, with volumes -0.5%, price/mix +2.7%, FX +2.1% and M&A -0.4%. Bekaert also changed the segmentations : interesting was the solid sales trend in Rubber Reinforcement (+9% with organic growth of +7%), while Steel Wire Solutions' revenue was flat (-3% organic), Specialty Businesses reported a 4% revenue drop (-5% organically) and BBRG posted 6% top line growth (+4% organically).

For 1H19, we bank on a 3% sales growth to € 2222m (CSS +2.0% to € 2,199m). We forecast 18% underlying EBIT growth to € 131m (CSS € 124m), supported by lower start-up costs for recent capacity expansions, a sawing wire business that is now expected to run almost break-even (vs a loss of about € 10m on a full-year basis in 2018), progress with SKU rationalization and pricing in general. Furthermore, the solid top line performance at Rubber Reinforcement is expected to be beneficial for profitability as we expect this division is amongst the higher margin businesses within Bekaert. Below are our divisional forecasts for top line (underlying EBIT not available as historical data has not yet been provided).

**Rubber Reinforcement** : we expect sales to increase by 7.6% to € 1,020m (CSS € 1,014m)

**Steel Wire Solutions** : we expect sales to decline by 0.8% to € 756m (CSS € 757m)

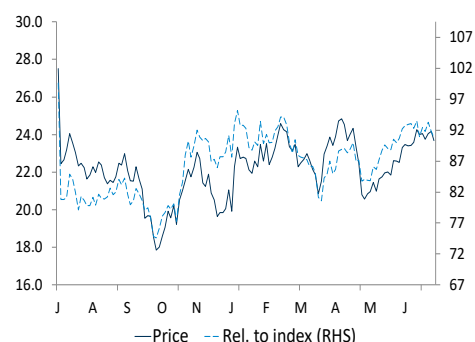
**Specialty Businesses** : we expect sales to decline by 2.9% to € 203m (CSS € 203m)

**BBRG** : we expect sales to increase by 4.1% to € 235m (CSS € 236m)

**Other** : sales expected at € 7m (CSS € 8m).

#### Conclusion:

We expect 1H19 underlying EBIT to increase significantly, from a low base though. We decided to stick to our Hold rating for now as we are still cautious on market conditions outside Rubber Reinforcement as well as possible new implications from evolving trade tensions between the US and China. We hope to get a strategic update on sawing wire (closing down or forming an alliance to strengthen positions ?). Hold and € 23 TP maintained.



Source: Thomson Reuters Datastream

Bloomberg	BEKB.BB
Reuters	BEKB.BR
<a href="http://www.bekaert.com">www.bekaert.com</a>	
Market Cap	€ 1,429.7m
Shares outst.	60.4m
Volume (daily)	€ 2,789,651
Free float	59.9%

Next corporate event

Results 1H19: 26 July 2019

€ m	2018	2019E	2020E
Sales	4,305.3	4,442.7	4,601.0
REBITDA	426.0	481.4	531.0
Net earnings	39.8	131.9	173.7
Adj. EPS (€)	1.27	2.20	2.62
P/E (x)	22.3	10.8	9.1
EV/REBITDA	7.2	5.9	5.3
FCF yield	-0.1%	9.3%	6.9%
Dividend yield	2.5%	3.4%	3.8%

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