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Bekaert : read-through from Michelin tire market update

Michelin's tire market update confirmed a major decline in tire sales in China in February (OEM-78%, Replacement -60%), with on average around mid single digit declines elsewhere. The data are negative for sentiment around Bekaert, which posts almost half of revenue from tire cord & bead wire that go into automotive & truck tires. We are increasingly worried that the COVID-19 virus outbreak and weakening macro and automotive/truck markets will make the short term challenging outside China. Given the very limited visibility, we maintain our conservative Hold rating for now.

Michelin issued its tire market update for the month of February, which showed a huge drop in China (OEM -78%, Replacement -60%). The OEM drop is in line with the decline in Chinese car sales that were already reported recently.

- Elsewhere, declines were more modest : Europe including Russia and CIS showed a drop of 9% for OEM and a decline of 4% for Replacement tires, while North America showed a 1% increase in OEM and a 9% drop in Replacement. South America showed a 21% drop in OEM tires and a 4% growth in Replacement

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