

Bekaert					Under review				
Metal technology					Target price : UR				
Price	Mark.cap.(m)	eps 19	eps 20e	Ratios	12/19	12/20e	Glob. fig. (m)	12/19	12/20e
EUR 15.26	917.1	0.82	2.61	P/E	32.1	5.8	Sales	4,323	4,324
RIC : BERTt.BR - Bloomberg : BEKB BB				Div. Yield	2.6%	4.6%	EBITA	243	260
				EV/EBITDA	5.8	3.5	Adj.Profit	47.5	151
Analyst: Stefaan Genoe - E-mail: s.genoe@degroofpetercam.com - Phone: +32 2 662 8299									

Bekaert - Global and local measures and liquidity focus

Facts:

- Given the current impact of the corona pandemic on populations and economies worldwide, Bekaert has implemented global and local measures and is continuously evaluating the need for additional actions in order to: 1- Safeguard the health and safety of all employees and their families, and of contractors and visitors on its sites 2- Rigorously comply with the regulations deployed in all countries hosting Bekaert activities 3- Closely communicate with customers and suppliers so that our supply chain actions are aligned 4- Mitigate the consequences of the crisis on the profitability and liquidity of the Group.
- Government-mandated lockdowns, customer shutdowns, and preventative actions implemented by Bekaert have now led to a number of temporary plant shutdowns. Bekaert has also taken the decision to temporarily reduce the working hours of teams around the world.
- Bekaert will continue to rigorously control its working capital levels, capital expenditure, and cost, so it can mitigate as far as possible the impact of the pandemic on its liquidity and bottom-line result.
- Outlook: Today's situation does not provide the possibility to assess a quantified impact of the crisis on our 2020 financial performance but demand evolutions and plant shutdowns will significantly affect our results of the first half of the year. Bekaert will update its outlook when releasing the first quarter trading update, which is scheduled on 13 May 2020.

Our View: Like many industrial companies – What about China recovery?

Unsurprisingly, like many industrial companies, Bekaert warns for the negative impact of the Corona crisis. The automotive OEM sector is hit hard and the construction and offshore sectors will also suffer heavily. These are important sectors for Bekaert. Being an industrial company with a high fixed cost basis, this will hit the 2020 numbers heavily.

However, on the positive side, the largest part of Bekaert's automotive business is replacement business, which should suffer less, and the Chinese market seems to be starting up again. In 2019, Bekaert significantly reduced its leverage with a net debt / Ebitda at 2.1x. Important is that Bekaert does not have any debt covenants.

Investment Conclusion: Rating and target price under review

We will try to remodel our estimates preliminary, which is a difficult task for 2020. However, companies should not be valued based on 2020 estimates. At current stock price levels, Bekaert trades at 20%+ FCF yields based on more normalized earnings levels. For now we put our rating and target price under review but believe a lot is discounted in current share price levels.