

## BEKAERT

Preview 1H20: underlying EBIT forecast of -33%

GENERAL INDUSTRIES  
BELGIUM

CURRENT PRICE € 16.48  
TARGET PRICE € 25.00

**HOLD**  
RATING UNCHANGED

**We forecast Bekaert's 1H sales to decline by 18.8% with underlying EBIT expected to decrease by 33%, with the biggest pressure in the Rubber Reinforcement business on very weak underlying automotive markets and the impact from the COVID-19 related lockdowns on miles driven (and hence the replacement segment). With visibility pretty low, we maintain our Hold rating on the stock.**

**Facts/our view:** Bekaert will release 1H results on 31 July before market. We remind that the company's 1Q consolidated sales dropped by 10.7% y/y, with Rubber Reinforcement taking the biggest hit (-17%). Steel Wire Solutions saw sales decline by 8%, while Specialty Businesses and BBRG were fairly resilient with respectively +1% and -2%.

We forecast 2Q consolidated sales to decline by 26.7% to € 823m, with 1H20 consolidated sales expected to decline by 18.8% to € 1,800m (CSS € 1840). We forecast 1H underlying EBIT to decline by 33% to € 84m (€ 76m), corresponding to a 4.7% underlying EBIT margin (1H19: 5.7%).

Divisional forecasts (1H20):

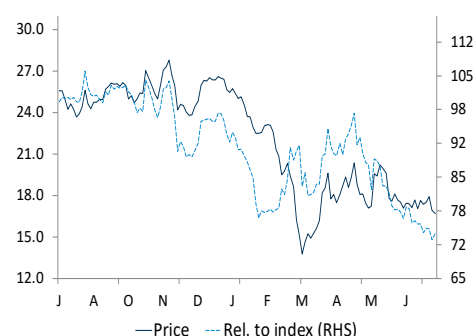
Rubber Reinforcement: sales are expected to drop by 27.6% to € 734m (CSS € 748m) with underlying EBIT expected to drop by 43% to € 53m.

Steel Wire Solutions: sales are expected to drop by 14.1% to € 645m (CSS € 657m) with underlying EBIT expected to drop by 4% to € 27m.

Specialty Businesses: sales are expected to drop by 5.2% to € 191m (CSS € 195m) with underlying EBIT expected to drop by 21% to € 20m.

BBRG: sales are expected to drop by 8.1% to € 223m (CSS € 230m) with underlying EBIT expected to increase from € 6m to € 10m.

**Investment case:** Despite the relatively low valuation multiples (P/E21e of 7.3x and EV/REBITDA21e of 4.7x), we stick to our Hold rating as overall visibility remains low and Bekaert is operating in very competitive markets.



Source: Thomson Reuters Datastream

Bloomberg BEKB BB  
Reuters BEKB.BR

[www.bekaert.com](http://www.bekaert.com)

Market Cap € 995.5m  
Shares outst. 60.4m  
Volume (daily) € 1,409,114  
Free float 58.8%

Next corporate event

Results 1H20: 31 July 2020

€ m	2019	2020E	2021E
Sales	4,322.5	3,629.8	4,059.8
REBITDA	468.0	395.6	454.6
Net earnings	41.3	80.9	144.3
Adj. EPS (€)	1.60	1.38	2.25
P/E (x)	15.0	11.9	7.3
EV/REBITDA	5.8	5.4	4.7
FCF yield	25.2%	19.7%	6.8%
Dividend yield	1.5%	2.1%	4.2%

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