

Bekaert

Metals & Mining/Belgium

Strong margins and WC, cautious outlook

31 July 2020

HOLD

Target Price (12m):	EUR 19.00
Price (30-July-20):	EUR 16.67
Exp. Performance:	+14.0%
Exp. Dividend Yield:	+2.8%
Exp. Total Return:	+16.8%

Analysts

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Conclusion:

Bekaert's 1H20 results positively surprised on the EBIT side (EUR 92m vs consensus of EUR 76m or a margin of 5.2% vs consensus of 4.1%) with better resilience in the BBRG and Specialty Businesses division coupled with slightly higher than expected effects from savings and restructurings (EUR 30m vs our estimate of c. EUR 25m), offset by a worse than expected result for Rubber Reinforcement (EBIT of EUR 28m vs ABNe of EUR 41m). Working capital came in lower than expected (EUR 720m vs consensus EUR 753m) despite lower factoring (EUR 32m). Bekaert is cautious with regards to the outlook for SWS, Specialty Businesses and BBRG seeing sales and margins trending lower (although 2H20 for SWS and BBRG will be better than 2H19) and sees a gradual improvement in market conditions for Ruber Reinforcement. An understandably cautious outlook. No news on the recruitment of a new CEO or the refinancing of the EUR 380m convertible due FY21. Webcast at 14h CET.

Details:

- Rubber Reinforcement sales declined by 30% in 2H20 and 43% in 2Q20, which was more than expected. The higher decline in 2Q20 also resulted in more negative operational leverage with EBIT coming in well below our expectations (see table below). SWS and BBRG did better than expected, which is partly due to more resilience than expected but also somewhat higher effects from restructuring. Specialty Businesses came in more or less in line with our estimates.
- Net debt came in at EUR 955m (ABNe EUR 956m), which is a EUR 300m improvement over 1H19 (FY19 net debt EUR 977m) but well higher than consensus (EUR 908m), despite better EBIT, better NWC and in line capex. Net debt/EBITDA now stands at 2.5x vs 1.9x FY19 and 2.6x at 1H19. Although Bekaert has no covenants this metric does play a role in the refinancing of the EUR 380m convertible which is due in FY21.

	1H19A	1H20E Cons	1H20E ABN	1H20 Actual	Actual vs Cons
Sales	2,219	1,839	1,880	1,770	-4%
EBITe	126	76	75	92	21%
EBIT underlying margin	5.7%	4.1%	4.0%	5.2%	
EBITDA underlying	239	189	184	194	3%
Capex	48	48	55	50	4%
Working capital	956	753		720	-4%
Net debt	1253	908	956	955	5%

Fundamentals	
Market Cap (EURm)	1,007
Average Daily Volume (EURm)	1.9
Number of Shares (m)	60.4
Free Float (%)	0.7
52 Week High (EUR)	27.8
52 Week Low (EUR)	13.8
3 Month Performance (%)	(13.9)
6 Month Performance (%)	(28.7)
12 Month Performance (%)	(34.0)
Reuters Symbol	BEKB.BR
Bloomberg Symbol	BEKB BB
Website	www.bekaert.com

Source: Factset, ABN AMRO Equity Research

Year To December	2018A	2019A	2020E	2021E	2022E
Sales (EURm)	4,305	4,322	3,898	4,094	4,200
EBITDA (EURm)	365	384	385	450	487
EBIT (EURm)	147	155	175	237	264
EPS (fully diluted EUR)	0.66	0.68	1.07	2.31	2.62
DPS (EUR)	0.70	0.35	0.47	0.97	1.09
EV / EBITDA (x)	6.9	6.3	5.4	4.6	4.2
EV / EBIT (x)	13.9	12.1	12.2	8.7	7.7
P/E (fully diluted, x)	41.3	36.3	15.6	7.2	6.4
Equity FCF Yield (%)	(1.6%)	21.0%	18.4%	(0.0%)	4.7%
ROCE (%)	6.1%	7.2%	4.8%	7.0%	8.1%
Net Debt / EBITDA (x)	2.8	2.1	2.1	1.9	1.8

Source: Factset, ABN AMRO Equity Research