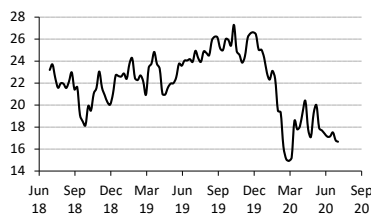


## HOLD

Price (30/07/2020)	EUR 16.67
Target price	20.00
Risk	High
Reuters	BERTt.BR
Bloomberg	BEKB BB
Shares number (m)	60.10
Market cap. (m)	1,002
Net debt 12/20e (m)	873
Net debt/EBITDA 12/20e	2.32
1 year price perf.	-34.0%
Diff. with Euro Stoxx	-27.7%
Volume (sh./day)	85,478
H/L 1 year	27.78 - 13.79
Free Float	59.0%
Family shareholders	34.0%
Treasury shares	7.0%

### Company description

Bekaert is a global market leader in steelwire transformation and coating technologies, and the world's largest independent manufacturer of drawn steel wire products. Bekaert employs >28K people and serves customers in 120 countries.



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## Bekaert

### Cost control pays off

*Despite higher top line pressure, the 20H1 REBIT exceeded expectations due to strong cost control measures. Still, the outlook for 20H2 remains highly uncertain. Although its valuation multiples do not appear to be demanding, earnings visibility is low. Hold, TP of EUR 20, based on our 2021E SOTP.*

### Facts: Solid margins in first half

- The 20H1 revenues decline was -20% vs our estimate of -16%. This was mainly due to lower volumes (-18% on volumes, -2% from FX and lower wired rod prices). The biggest miss was in rubber reinforcement which was severely hit by a COVID-driven collapse of the global tire market.
- The 20H1 REBIT came in at EUR 92m (5.2% REBIT margin, -27% yoy) vs our estimate of EUR 78m (4.0%) and consensus of EUR 76m (4.1%). Despite a miss at Rubber Reinforcement, the other divisions outperformed, in particular SWS and BBRG (see enclosed table).
- Net debt arrived at EUR 955m in line with our estimate of EUR 952m, but above consensus of EUR 908m.
- Outlook: Bekaert predicts a gradual recovery in the tire markets, but there is limited visibility for demand evolutions in other markets. Bekaert will continue with mitigating actions.

### Our view: No material changes in estimates anticipated

The results were actually not that bad on REBIT, given the tough environment. The decline is mitigated by additional cost cutting measures (e.g. furlough) and also a spill-over effect from plant closures and cost savings already implemented in 2019 (in particular at SWS and BBRG). Although the performance of Rubber Reinforcement should improve in 20H2 (June was already much better), for the other divisions Bekaert indicates that it will most likely not be the case. SWS and Specialty Business and BBRG will feel the impact of uncertainties in the Americas and lower seasonality in 20H2. All in all, we do not expect to materially change our FY20 REBIT of EUR 174m (consensus EUR 175m). We do have to pencil in the recently announced sale of the Hemiksen site in Belgium, which will result in a EUR 23m cash in for 20H2 (and EUR 36m one-off plus in total). The balance sheet is kept under control at a net debt to EBITDA of 2.5x. Liquidity is sufficient, only a EUR 380m convertible is coming up for redemption in June 2021.

EUR	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
<b>Sales</b>	3,713	4,098	4,306	4,323	3,865	4,106	4,271
<b>EBITDA</b>	479.1	512.8	386.8	403.2	375.9	418.4	460.7
<b>Adj. profit</b>	103	159	38.7	41.2	66.5	110	152
<b>EPS</b>	1.78	2.77	0.67	0.72	1.16	1.92	2.65
<b>Div.</b>	1.10	1.10	0.70	0.35	0.35	0.70	0.80
<b>EV/EBITDA</b>	7.2	6.5	6.2	6.0	5.1	4.5	3.9
<b>P/E</b>	21.6	13.2	31.2	36.9	14.4	8.7	6.3
<b>FCF Yield</b>	11.2%	2.6%	7.3%	19.6%	14.1%	8.4%	12.3%
<b>Div. Yield</b>	2.9%	3.0%	3.3%	1.3%	2.1%	4.2%	4.8%

### Conclusion: Hold and TP of EUR 20 maintained

The 20H1 results were not that bad on margins, but the impact from COVID and the global economic slowdown will continue to hurt, in particular in the divisions which did well in 20H1. We value Bekaert broadly in line with its historical multiples of 5.0-5.5x EV/EBITDA (and 10x EV/EBIT). These multiples may not appear to be that demanding, but in our view this is because the steel wire industry is rather capital intensive, embeds a risk of commoditization and has fragmented competition. Although our 2021E SOTP of EUR 20 p/s gives some upside potential, in our view not enough for a Buy given the low visibility on this earnings recovery and the not that appealing characteristics of this industry.

#### Exhibit 1

in EUR	19H1 results	20H1 results	yoy	DGP estimate	% Consensus	%	
Rubber Reinforcement	1014	709	-30%	811		748	
Steel Wire Solutions	751	639	-15%	664		657	
Specialty Businesses	202	185	-8%	199		195	
BBRG	242	229	-5%	233		230	
Other	10	9	-10%	11		9	
<b>Consolidated sales</b>	<b>2218</b>	<b>1770</b>	<b>-20%</b>	<b>1917</b>	<b>-8%</b>	<b>1839</b>	<b>-4%</b>
Rubber Reinforcement	94	28		43			
Steel Wire Solutions	28	40		23			
Specialty Businesses	25	24		22			
BBRG	6	24		9			
Non-allocated	-27	-24		-20			
<b>Underlying EBIT (m)</b>	<b>126</b>	<b>92</b>	<b>-27%</b>	<b>77</b>	<b>19%</b>	<b>76</b>	<b>21%</b>
<b>EBIT reported (m)</b>	<b>115</b>	<b>87</b>	<b>-24%</b>	<b>67</b>	<b>29%</b>	<b>69</b>	<b>26%</b>
<b>EBITDA</b>	<b>226</b>	<b>194</b>	<b>-14%</b>	<b>178</b>	<b>9%</b>	<b>181</b>	<b>7%</b>
<b>Net profit (m)</b>	<b>58</b>	<b>34</b>	<b>-42%</b>	<b>27</b>	<b>27%</b>		
<b>Net debt</b>	<b>1253</b>	<b>955</b>	<b>-24%</b>	<b>952</b>	<b>0%</b>	<b>908</b>	<b>5%</b>

Source: Degroof Petercam estimates

<b>Profit &amp; Loss (EUR m)</b>	<b>12/16</b>	<b>12/17</b>	<b>12/18</b>	<b>12/19</b>	<b>12/20e</b>	<b>12/21e</b>	<b>12/22e</b>
<b>Revenues</b>	<b>3,713.1</b>	<b>4,098.0</b>	<b>4,306.0</b>	<b>4,323.1</b>	<b>3,865.1</b>	<b>4,105.6</b>	<b>4,270.9</b>
(Y/Y - %)	1%	10%	5%	0%	-11%	6%	4%
Gross profit	687.9	657.2	527.4	527.8	479.3	533.7	606.5
Selling expenses	-175.3	-149.8	-179.7	-188.6	-157.0	-165.0	-170.0
R & D expenses	-63.6	-77.0	-65.4	-70.7	-73.0	-77.0	-80.0
General & administ. expenses	-139.6	-150.0	-167.3	-127.7	-110.0	-118.0	-120.0
Other expenses	-91.9	21.3	32.6	-63.6	-17.2	16.8	0.8
<b>EBITDA</b>	<b>479.1</b>	<b>512.8</b>	<b>386.8</b>	<b>403.2</b>	<b>375.9</b>	<b>418.4</b>	<b>460.7</b>
EBITA	302.1	301.3	210.3	243.0	173.9	220.4	268.7
(Ebita margin - %)	8.1%	7.4%	4.9%	5.6%	4.5%	5.4%	6.3%
Amortization	-5.0	-10.0	0.0	-9.3	0.0	0.0	0.0
Impairment	-	-	-	-	-	-	-
EBIT	257.1	314.8	146.8	155.2	153.9	204.4	254.7
Net Financial Result	-73.0	-69.8	-85.0	-66.4	-62.0	-59.0	-56.0
(of which Net interest charges)	-73.0	-69.8	-85.0	-66.4	-62.0	-59.0	-56.0
(of which Other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax result	146.7	209.7	36.4	70.4	85.9	140.4	194.7
Taxes	-62.1	-66.7	-59.5	-51.3	-34.4	-49.1	-60.4
Except. / Discont. operations	-	-	-	-	-	-	-
Associates	25.4	19.4	24.9	29.0	17.0	23.0	24.0
Minorities	-7.3	-3.0	37.0	-7.0	-2.0	-4.0	-6.0
Net declared earnings	102.6	159.3	38.7	41.2	66.5	110.3	152.3
<b>Net adjusted earnings</b>	<b>102.6</b>	<b>159.3</b>	<b>38.7</b>	<b>41.2</b>	<b>66.5</b>	<b>110.3</b>	<b>152.3</b>
<b>Cash Flow (EUR m)</b>	<b>12/16</b>	<b>12/17</b>	<b>12/18</b>	<b>12/19</b>	<b>12/20e</b>	<b>12/21e</b>	<b>12/22e</b>
EBIT	257.1	314.8	146.8	155.2	153.9	204.4	254.7
Depreciation	222.0	198.0	240.0	248.0	222.0	214.0	206.0
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment	0.0	0.0	0.0	57.0	0.0	0.0	0.0
Changes in provision	-44.9	0.0	-36.4	-61.3	-60.0	-35.0	-30.0
Changes in working capital	16.3	-57.8	19.5	167.1	33.5	-31.0	-20.0
Others	24.2	-26.9	-14.6	-46.7	-20.0	-15.0	-10.0
<b>Operational Cash Flow</b>	<b>474.8</b>	<b>428.1</b>	<b>355.4</b>	<b>519.3</b>	<b>329.4</b>	<b>337.4</b>	<b>400.7</b>
Tax expenses	-96.4	-66.7	-69.0	-60.6	-34.4	-49.1	-60.4
Dividends from associates	22.4	15.5	24.1	18.8	13.6	18.4	19.2
Net interest charges	-56.1	-69.8	-60.8	-55.0	-62.0	-59.0	-56.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CF from operating activities</b>	<b>344.8</b>	<b>307.1</b>	<b>249.7</b>	<b>422.5</b>	<b>246.6</b>	<b>247.7</b>	<b>303.5</b>
CAPEX	-164.5	-250.0	-185.0	-112.0	-105.0	-163.0	-180.0
Investments in intangibles	-	-	-	-	-	-	-
Acquisitions	0.0	0.0	2.8	0.0	0.0	0.0	0.0
Divestments	0.0	0.0	56.1	2.1	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CF from investing activities</b>	<b>-164.5</b>	<b>-250.0</b>	<b>-126.1</b>	<b>-109.8</b>	<b>-105.0</b>	<b>-163.0</b>	<b>-180.0</b>
Dividend payment	-63.4	-66.1	-66.1	-53.0	-21.0	-21.0	-42.1
Minor. & pref. dividends	0.0	0.0	0.0	-13.0	-2.0	-4.0	-6.0
Equity financing	0.0	0.0	-11.3	-10.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>CF from financing activities</b>	<b>-63.4</b>	<b>-66.1</b>	<b>-77.4</b>	<b>-76.0</b>	<b>-23.0</b>	<b>-25.0</b>	<b>-48.1</b>
Changes in consolidation scope	-	-	-	-	-	-	-
Exchange rate impact	20.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net debt/cash change</b>	<b>116.9</b>	<b>-9.0</b>	<b>46.2</b>	<b>236.6</b>	<b>118.6</b>	<b>59.6</b>	<b>75.4</b>
FCF to Enterprise	412.4	193.6	222.1	428.3	206.6	145.7	181.5
FCF to Equity	259.9	57.1	92.4	312.6	141.6	84.7	123.5
<b>Notes</b>	-	-	-	-	-	-	-

<b>Balance Sheet (EUR m)</b>	<b>12/16</b>	<b>12/17</b>	<b>12/18</b>	<b>12/19</b>	<b>12/20e</b>	<b>12/21e</b>	<b>12/22e</b>
<b>Fixed assets</b>	<b>2,136.5</b>	<b>2,124.2</b>	<b>2,049.6</b>	<b>2,048.0</b>	<b>1,924.4</b>	<b>1,868.0</b>	<b>1,836.8</b>
Tangible fixed assets	1,514.7	1,501.0	1,459.4	1,498.7	1,381.7	1,330.7	1,304.7
Goodwill	152.3	149.9	149.3	149.8	149.8	149.8	149.8
Other intang. assets	140.4	125.2	114.5	60.3	60.3	60.3	60.3
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	-	-	-	-	-	-	-
<b>Current assets</b>	<b>2,167.8</b>	<b>2,320.5</b>	<b>2,399.9</b>	<b>2,256.6</b>	<b>2,099.3</b>	<b>2,072.0</b>	<b>2,083.4</b>
Inventories	724.5	779.6	931.8	783.0	732.8	763.3	783.1
Trade receivables	739.1	836.8	772.7	644.9	593.7	626.3	642.5
Other current assets	220.9	226.8	246.5	212.0	212.0	212.0	212.0
Cash & Equivalents	370.9	469.2	448.3	616.2	560.7	470.4	445.8
Discontinued assets	112.4	8.1	0.5	0.5	0.0	0.0	0.0
<b>Total assets</b>	<b>4,304.3</b>	<b>4,444.7</b>	<b>4,449.5</b>	<b>4,304.7</b>	<b>4,023.7</b>	<b>3,940.0</b>	<b>3,920.3</b>
<b>Total Equity</b>	<b>1,597.9</b>	<b>1,583.0</b>	<b>1,516.0</b>	<b>1,531.5</b>	<b>1,513.0</b>	<b>1,567.3</b>	<b>1,651.5</b>
Equity	1,467.1	1,487.7	1,396.9	1,435.1	1,416.6	1,470.8	1,555.1
Minorities & preferred	130.8	95.4	119.1	96.4	96.4	96.4	96.4
Provisions	298.3	241.3	208.5	182.6	182.6	182.6	182.6
Provisions for pensions	182.6	150.8	141.6	123.4	123.4	123.4	123.4
Deferred taxes	52.6	44.4	37.9	34.2	34.2	34.2	34.2
Other provisions	63.1	46.1	29.0	25.0	25.0	25.0	25.0
Other LT liabilities	44.9	27.1	11.4	0.3	0.3	0.3	0.3
LT interest bearing debt	1,161.3	1,180.3	686.7	1,184.3	1,084.0	984.0	884.0
<b>Current liabilities</b>	<b>1,201.9</b>	<b>1,413.0</b>	<b>2,026.9</b>	<b>1,406.0</b>	<b>1,243.8</b>	<b>1,205.9</b>	<b>1,201.9</b>
ST interest bearing debt	297.9	454.4	942.0	424.2	350.0	300.0	300.0
Accounts payables	556.4	665.2	778.4	652.4	584.4	616.5	632.5
Other ST liabilities	314.2	293.4	306.4	329.4	309.4	289.4	269.4
Discontinued liabilities	33.5	0.0	0.1	0.0	0.0	0.0	0.0
<b>Total liabilities</b>	<b>4,304.3</b>	<b>4,444.7</b>	<b>4,449.5</b>	<b>4,304.7</b>	<b>4,023.7</b>	<b>3,940.0</b>	<b>3,920.3</b>
<b>EV and CE details (EUR m)</b>	<b>12/16</b>	<b>12/17</b>	<b>12/18</b>	<b>12/19</b>	<b>12/20e</b>	<b>12/21e</b>	<b>12/22e</b>
<b>Market cap.</b>	<b>2,313.4</b>	<b>2,190.8</b>	<b>1,265.9</b>	<b>1,593.0</b>	<b>1,002.1</b>	<b>1,002.1</b>	<b>1,002.1</b>
+ Net financial debt	1,088.3	1,165.6	1,180.4	992.3	873.3	813.6	738.2
(of which LT debt)	1,161.3	1,180.3	686.7	1,184.3	1,084.0	984.0	884.0
(of which ST debt)	297.9	454.4	942.0	424.2	350.0	300.0	300.0
(of which Cash position)	370.9	469.2	448.3	616.2	560.7	470.4	445.8
+ Provisions (pension)	147.9	100.5	70.1	40.3	123.4	123.4	123.4
+ Minorities (MV)	130.8	95.4	119.1	70.0	96.4	96.4	96.4
- Peripheral assets (MV)	-254.2	-194.0	-248.6	-290.4	-164.1	-168.7	-173.5
+ Others	-	-	-	-	-	-	-
<b>Enterprise Value</b>	<b>3,426.3</b>	<b>3,358.3</b>	<b>2,386.9</b>	<b>2,405.1</b>	<b>1,931.1</b>	<b>1,866.9</b>	<b>1,786.6</b>
<b>Equity (group share)</b>	<b>1,467.1</b>	<b>1,487.7</b>	<b>1,396.9</b>	<b>1,435.1</b>	<b>1,416.6</b>	<b>1,470.8</b>	<b>1,555.1</b>
+ Net financial debt	1,088.3	1,165.6	1,180.4	992.3	873.3	813.6	738.2
+ Provisions (pension)	182.6	150.8	141.6	123.4	123.4	123.4	123.4
+ Minorities	130.8	95.4	119.1	96.4	96.4	96.4	96.4
- Peripheral assets	-254.2	-194.0	-248.6	-290.4	-164.1	-168.7	-173.5
+ Others	-	-	-	-	-	-	-
<b>Capital employed (for ROCE)</b>	<b>2,614.7</b>	<b>2,705.4</b>	<b>2,589.4</b>	<b>2,356.8</b>	<b>2,345.6</b>	<b>2,335.6</b>	<b>2,339.7</b>
+ Accumulated goodwill amortiz.	-152.3	-149.9	-149.3	-149.8	-149.8	-149.8	-149.8
<b>CE (for ROCE grossed gdwll)</b>	<b>2,462.4</b>	<b>2,555.5</b>	<b>2,440.1</b>	<b>2,207.1</b>	<b>2,195.9</b>	<b>2,185.8</b>	<b>2,189.9</b>
<b>Notes</b>	-	-	-	-	-	-	-

Per Common Share (EUR)	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
<b>Adjusted EPS (*)</b>	<b>1.78</b>	<b>2.77</b>	<b>0.67</b>	<b>0.72</b>	<b>1.16</b>	<b>1.92</b>	<b>2.65</b>
Adjusted EPS (fully diluted)	1.78	2.77	0.67	0.72	1.16	1.92	2.65
Declared EPS	-	-	-	-	-	-	-
CFS	5.64	6.20	4.86	5.04	5.03	5.65	6.24
FCF (to Equity)	4.51	0.99	1.61	5.45	2.47	1.48	2.15
Dividend	1.10	1.10	0.70	0.35	0.35	0.70	0.80
Book Value	25.47	25.83	24.34	25.00	24.68	25.62	27.09
<b>Shares (m)</b>							
At the end of F.Y.	60.111	60.111	60.111	60.111	60.111	60.111	60.111
Average number	57.600	57.600	57.400	57.400	57.400	57.400	57.400
Fully diluted Average number	58.876	58.876	58.876	58.876	58.876	58.876	58.876

(\*) Adjusted EPS : pre-goodwill amortisation earnings, adjusted for post-tax non-recurrent items

Ratios	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
<b>Valuation analysis</b>							
P/E	21.6	13.2	31.2	36.9	14.4	8.7	6.3
P/CF	6.8	5.9	4.3	5.3	3.3	3.0	2.7
P/BV	1.5	1.4	0.9	1.1	0.7	0.7	0.6
EV/Sales	0.9	0.8	0.6	0.6	0.5	0.5	0.4
EV/EBITDA	7.2	6.5	6.2	6.0	5.1	4.5	3.9
EV/EBITA	11.3	11.1	11.3	9.9	11.1	8.5	6.6
EV/EBIT	13.3	10.7	16.3	15.5	12.5	9.1	7.0
EV/CE	1.3	1.2	0.9	1.0	0.8	0.8	0.8
EV/CE (grossed goodwill)	1.4	1.3	1.0	1.1	0.9	0.9	0.8
EV/FCF (1)	8.3	17.3	10.7	5.6	9.3	12.8	9.8
FCF yield (2)	11.2%	2.6%	7.3%	19.6%	14.1%	8.4%	12.3%
Dividend yield	2.9%	3.0%	3.3%	1.3%	2.1%	4.2%	4.8%
<b>Financial ratios</b>							
Interest cover	3.5	4.5	1.7	2.3	2.5	3.5	4.5
Net Debt/EBITDA	2.3	2.3	3.1	2.5	2.3	1.9	1.6
Net Debt/Equity	68.1%	73.6%	77.9%	64.8%	57.7%	51.9%	44.7%
Net Debt/FCF (2)	4.2	20.4	12.8	3.2	6.2	9.6	6.0
Capital turnover	1.4	1.5	1.7	1.8	1.6	1.8	1.8
ROCE pre-tax	10.0%	11.9%	5.8%	6.8%	6.6%	8.8%	10.9%
ROCE post-tax	5.7%	8.1%	-3.7%	1.9%	3.9%	5.7%	7.5%
ROCE pre-tax (grossed goodwill)	5.7%	8.1%	-3.7%	1.9%	3.9%	5.7%	7.5%
ROCE post-tax (grossed gdwill)	5.7%	8.1%	-3.7%	1.9%	3.9%	5.7%	7.5%
ROE	7.0%	10.7%	2.8%	2.9%	4.7%	7.5%	9.8%
Working capital (in % of sales)	24.4%	23.2%	21.5%	17.9%	19.2%	18.8%	18.6%
Payout	61.7%	39.8%	103.7%	48.7%	30.2%	36.4%	30.1%
<b>Margin analysis and tax rate</b>							
Gross margin	18.5%	16.0%	12.2%	12.2%	12.4%	13.0%	14.2%
EBITDA margin	12.9%	12.5%	9.0%	9.3%	9.7%	10.2%	10.8%
EBITA margin	8.1%	7.4%	4.9%	5.6%	4.5%	5.4%	6.3%
Adjusted profit margin	2.8%	3.9%	0.9%	1.0%	1.7%	2.7%	3.6%
Tax rate	42.4%	31.8%	163.6%	72.8%	40.0%	35.0%	31.0%
<b>Growth analysis</b>							
Sales	1%	10%	5%	0%	-11%	6%	4%
EBITDA	8%	7%	-25%	4%	-7%	11%	10%
EBITA	35%	0%	-30%	16%	-28%	27%	22%
Adjusted profit	1%	55%	-76%	6%	61%	66%	38%
Adjusted EPS	1%	55%	-76%	6%	61%	66%	38%
Dividend	22%	0%	-36%	-50%	0%	100%	14%

(1) Based on FCF to Enterprise - (2) Based on FCF to Equity

Notes -

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	SELL	REDUCE	HOLD	ADD	BUY
<b>High</b> Beta >= 1.3	RP < -15%	-15% <= RP < -6%	-6% <= RP < +6%	+6% <= RP < +15%	RP >= 15%
<b>Medium</b> 0.9 < Beta > 1.3	RP < -10%	-10% <= RP < -4%	-4% <= RP < +4%	+4% <= RP < +10%	RP >= 10%
<b>Low</b> Beta <= 0.9	RP < -6%	-6% <= RP < -2%	-2% <= RP < +2%	+2% <= RP < +6%	RP >= 6%

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RP : Relative Performance against Degroof Petercam coverage universe

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