

## BEKAERT

1H underlying EBIT -27%

GENERAL INDUSTRIES  
BELGIUM

CURRENT PRICE € 16.67  
TARGET PRICE € 25.00

**HOLD**  
RATING UNCHANGED

**1H underlying EBIT was down 27%, which was somewhat better than expected by KBCS (-33%) and CSS (-40%). Unsurprisingly, the Rubber Reinforcement business suffered from 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:** 1H20 consolidated sales declined by 20% to € 1,770m (KBCS -18.8% to € 1,800m, CSS € 1,840m). 1H underlying EBIT declined by 27%, from € 126m in 1H19 to € 92m, which was better than our forecast of a 33% decline to € 84m and also the CSS of € 76m (or -40% y/y). the Underlying EBIT margin declined from 5.7% to 5.2%. Divisional figures (1H20):

**Rubber Reinforcement:** sales declined by 30% to € 709m (2Q -43%) which was slightly lower than our and CSS forecasts (KBCS -27.6% to € 734mn CSS € 748m). Underlying EBIT dropped from € 94m to € 28m which was below our forecast of € 53m.

**Steel Wire Solutions:** sales dropped by 15% to € 639m (2Q -22%) vs our forecast of a 14.1% decline to € 645m (CSS € 657m). Underlying EBIT increased from € 28m to € 40m (KBCS -4% to € 27m).

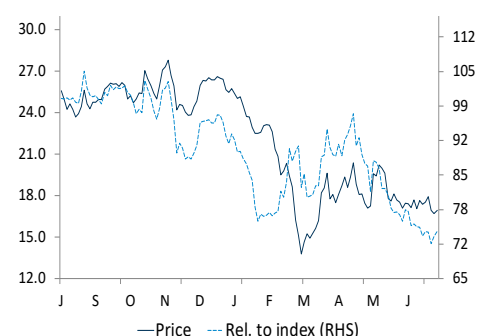
**Specialty Businesses:** sales dropped by 9% to € 185m (KBCS -5.2% to € 191m, CSS € 195m). with underlying EBIT down from € 25m to € 24m (KBCS € 20m).

**BBRG:** sales dropped by 6% to € 229m (KBCS -8.1% to € 223m, CSS € 230m). with underlying EBIT increasing from € 6m to € 24m (KBCS € 10m).

**Net debt** landed at € 955m, which represents a slight decrease from the 2019 close (€ -22m) and a net debt/underlying EBITDA of 2.5x.

**Outlook:** Bekaert does not offer a precise FY guidance. The company forecast a gradual recovery in tire markets in the remainder of the year. Steel Wire Solutions sales and margins are expected to trend lower (sequentially) in 2H, partly on usual seasonality effects (albeit y/y an increase is still expected). Specialty Businesses business conditions are expected to slow down in 2H (sequentially) on an usual seasonality effects & temporarily suspended orders for new infrastructure projects. BBRG is guided to see a significant improvement in results (y/y) in 2H.

**Investment case:** Despite the relatively low valuation multiples (P/E21e of 7.4x 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
<a href="http://www.bekaert.com">www.bekaert.com</a>	
Market Cap	€ 1,007.0m
Shares outst.	60.4m
Volume (daily)	€ 1,417,262
Free float	58.8%

Next corporate event

Trading update 3Q20: 13 November 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	12.0	7.4
EV/REBITDA	5.8	5.4	4.7
FCF yield	25.2%	19.4%	6.8%
Dividend yield	1.5%	2.1%	4.2%

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