



Bekaert

Wire & Cable Products / Belgium

Slightly more cautious view on its automotive exposure

Profit restoration programme to the rescue...just in time - 19/08/2020

Change in Target Price

€ 25.0 vs 25.0	-0.08%
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We have trimmed our revenue estimates (from €3.86bn to €3.8bn, slightly increasing the contraction in its automotive exposure) which has been offset by the company's improved business mix and footprint optimisation (decreased exposure to lower margin business activities), i.e. segment profitability has not been impacted by the marginal revenue adjustment. Also, we have reduced our EBITDA out-years growth from 1.75% to 1.3% to maintain our expectations that the EBITDA margin converges to 12% in the long term. The SOTP has been negatively impacted by an increased intercompany loss (from €360m to €405m), which translates into a €-0.79 per share change.



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Buy	Upside : 44.1%
Target Price (6 months)	€ 25.0
Share Price	€ 17.4
Market Cap. €M	1,048
Price Momentum	UNFAVORABLE
Extremes 12Months	13.5 ▶ 27.3
Fundamental Strength	0 /10
Bloomberg	BEKB BB Equity
Reuters	BEKB.BR


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PERF	1w	1m	3m	12m
Bekaert	2.72%	-0.97%	-4.30%	-26.1%
Capital Goods	-0.66%	3.44%	22.8%	33.7%
SXXR Index	-0.89%	-1.32%	8.11%	1.52%

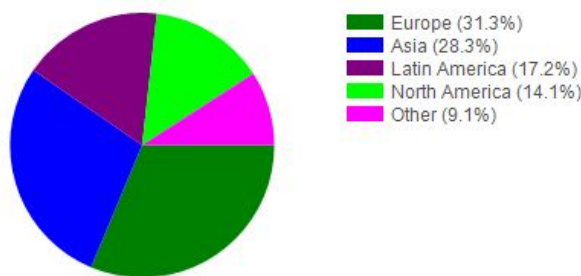
Sector Opinion	Underweight
Strongest upside	Quadiant
Worst potential	Kone

[Complete Sector Analysis](#)

Last updated: 19/08/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	32.2	14.6	7.45	6.43
Dividend yield (%)	1.50	4.03	6.78	7.08
EV/EBITDA(R) (x)	5.50	5.28	5.02	4.36
Adjusted EPS (€)	0.72	1.18	2.33	2.70
Growth in EPS (%)	-32.3	63.4	96.6	15.9
Dividend (€)	0.35	0.70	1.18	1.23
Sales (€M)	4,322	3,804	4,075	4,306
EBIT margin (%)	5.60	4.97	5.94	6.23
Attributable net profit (€M)	41.3	67.7	133	154
ROE (after tax) (%)	2.92	4.64	9.07	10.5
Gearing (%)	75.7	64.4	66.9	61.1

[Company Valuation](#) - [Company Financials](#)

Sales by Geography



Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€M	4,322	3,804	4,075
Change in sales	%	0.41	-12.0	7.12
Change in staff costs	%	4.97	-7.45	5.83
EBITDA	€M	480	419	472
EBITDA(R) margin	%	11.1	11.0	11.6
Depreciation	€M	-198	-190	-190
Underlying operating profit	€M	242	189	242
Operating profit (EBIT)	€M	155	184	242
Net financial expense	€M	-84.7	-92.4	-77.0
of which related to pensions	€M		11.1	10.1
Exceptional items & other	€M			
Corporate tax	€M	-51.1	-45.0	-50.0
Equity associates	€M	29.0	28.0	28.0
Minority interests	€M	-6.87	-7.00	-10.0
Adjusted attributable net profit	€M	41.3	67.7	133
NOPAT	€M	198	153	190

Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€M	480	419	472
Change in WCR	€M	169	-17.9	-150
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-60.6	-45.0	-50.0
Exceptional items	€M			
Other operating cash flows	€M	-63.9	-47.0	-80.0
Total operating cash flows	€M	524	309	192
Capital expenditure	€M	-111	-110	-175
Total investment flows	€M	-91.1	-110	-175
Net interest expense	€M	-84.7	-92.4	-77.0
Dividends (parent company)	€M	-53.4	-19.8	-39.6
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	-9.46		
Total financial flows	€M	-269	1,035	-1,125
Change in cash position	€M	167	1,234	-1,108
Free cash flow (pre div.)	€M	329	107	-60.3

Per Share Data

		12/19A	12/20E	12/21E
No. of shares net of treas. stock (year...	Mio	56.5	56.5	56.5
Number of diluted shares (average)	Mio	57.0	57.2	57.2
Benchmark EPS	€	0.72	1.18	2.33
Restated NAV per share	€			
Net dividend per share	€	0.35	0.70	1.18

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 21.2	35%	■ Faurecia
NAV/SOTP per share	€ 25.1	20%	● Salzgitter
EV/Ebitda	€ 24.9	20%	● Outokumpu
P/E	€ 33.4	10%	■ Prysmian
Dividend Yield	€ 32.0	10%	■ Nexans
P/Book	€ 20.6	5%	■ SSAB
TARGET PRICE	€ 25.0	100%	● Danielli & Co

NAV/SOTP Calculation

Balance Sheet

		12/19A	12/20E	12/21E
Goodwill	€M	150	150	150
Total intangible	€M	210	210	210
Tangible fixed assets	€M	1,350	1,270	1,255
Financial fixed assets	€M	161	170	170
WCR	€M	797	815	965
Other assets	€M	219	230	210
Total assets (net of short term liab.)	€M	2,886	2,845	2,960
Ordinary shareholders' equity	€M	1,435	1,483	1,453
Quasi Equity & Preferred	€M			
Minority interests	€M	96.4	89.4	79.4
Provisions for pensions	€M	272	286	313
Other provisions for risks and liabilities	€M	55.2	30.0	50.0
Total provisions for risks and liabilities	€M	327	316	363
Tax liabilities	€M	34.2	40.0	38.0
Other liabilities	€M	0.27	0.27	0.27
Net debt (cash)	€M	992	916	1,026
Total liab. and shareholders' equity	€M	2,886	2,845	2,960

Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	€M	2,517	2,464	2,600

Profits & Risks Ratios

		12/19A	12/20E	12/21E
ROE (after tax)	%	2.92	4.64	9.07
ROCE	%	7.88	6.19	7.32
Gearing (at book value)	%	75.7	64.4	66.9
Adj. Net debt/EBITDA(R)	x	2.07	2.19	2.17
Interest cover (x)	x	2.86	1.83	2.78

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	32.2	14.6	7.45
Free cash flow yield	%	24.9	10.9	-6.15
P/Book	x	0.92	0.66	0.68
Dividend yield	%	1.50	4.03	6.78

EV Calculation

		12/19A	12/20E	12/21E
Market cap	€M	1,320	981	981
+ Provisions	€M	327	316	363
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	992	916	1,026
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M			
+ Minority interests (fair value)	€M	0.00	0.00	0.00
= EV	€M	2,640	2,213	2,371
EV/EBITDA(R)	x	5.50	5.28	5.02
EV/Sales	x	0.61	0.58	0.58

Analyst : David Chaucayanqui, Changes to Forecasts : 19/08/2020.