

BEKAERT

Read-through from Michelin tire market data

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 17.10
TARGET PRICE € 25.00

HOLD
RATING UNCHANGED

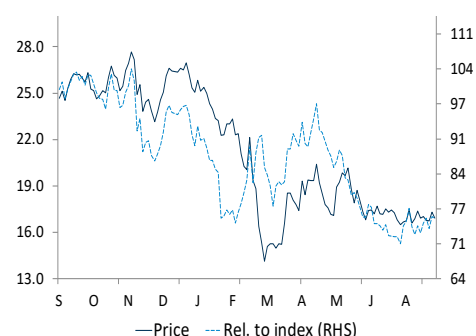
Michelin tire market data for the month of July show double digit growth in the Chinese passenger car and light truck market, with all other zones still in negative territory, albeit less negative than a few months ago. The data seems consistent with Bekaert's expectation of a gradual recovery of tire markets in the second half of the year. We stick to our Hold rating on Bekaert as overall visibility is low and Bekaert typically operates in very competitive markets.

Facts/our view: Michelin released tire market data for the month of July. In Passenger cars & light trucks, there was a decline in all zones except China or both Original Equipment and Replacement demand. OEM demand declined by -23% in Europe including CIS, by -1% in North America and by -47% in South America, while China reported 16% growth. In the Replacement market, demand declined by 7% in Europe including CIS, by -5% in North America and by -39% in South America, while China reported 12% growth. YTD demand is still down double digits in all zones and in all segments.

In the Truck & Bus segment, July demand was also still down in most zones and segments with only a slight growth in the Replacement market in North America (+2%). Replacement demand in the other zones was negative: Europe including CIS -9% and South America -25%. OEM demand declined by 16% in Europe including CIS, by -27% in North America and by -38% in South America. YTD demand is still down in all zones and in all segments. We remind that there is no availability of data on the Chinese market in the Truck & bus segment

We remind that Bekaert has not published a precise FY guidance at the time of the 1H results release, although the company did state to forecast a gradual recovery in tire markets in the remainder of the year. We believe Michelin's data is consistent with Bekaert's outlook comments.

Investment case: Despite the relatively low valuation multiples (P/E21E of 7.6x and EV/REBITDA21E of 4.8x), 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	
Market Cap	€ 1,033.0m
Shares outst.	60.4m
Volume (daily)	€ 1,385,302
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	12.4	7.6
EV/REBITDA	5.8	5.5	4.8
FCF yield	25.2%	19.0%	6.6%
Dividend yield	1.5%	2.0%	4.1%

Wim Hoste

+32 2 429 37 13

wim.hoste@kbcsecurities.be