

Bekaert

Metals & Mining/Belgium

Preview 3Q20 trading update

11 November 2020

HOLD

Target Price (12m):	EUR 19.00
Price (10-November-20):	EUR 20.50
Exp. Performance:	-7.3%
Exp. Dividend Yield:	+2.6%
Exp. Total Return:	-4.7%

Analysts

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Conclusion:

Bekaert will publish a mainly qualitative trading update on 20 November. The recovery at Rubber Reinforcement is expected to continue, driven by both China (OEM and replacement) and to a lesser extent Europe, with Asia and the Americas lagging. The recovery at SWS, Specialty and BBRG is also expected to have continued, but at a less pronounced rate. Outlook wise we expect the company to remain cautious due to the effect of new lockdowns. Perhaps a CMD will be announced where Bekaert will update its strategy and present its new CEO (search ongoing since 1Q20).

Details:

- Recovery in Rubber Reinforcement to continue - Given the results reported so far by tyre OEMs, the recovery at RR (already visible in May/June numbers) looks set to continue. We forecast a volume decline of 10% in 3Q20, which is a significant improvement over 2Q20 (volume down 36%) due to solid growth in China (OE and replacement) and a recovery in Europe (mainly restocking and demand growth in the replacement segment with more modest improvements in OE), partially offset by still weak markets in the Americas (although the Goodyear numbers were encouraging) and Asia ex China (India is still in lockdown).
- Recovery at other divisions less pronounced - Although we expect a recovery in all three other divisions, as clients restart operations and rebuild inventory cautiously, lower order intake in 1H20 is likely to hamper that recovery for SWS and BBRG, but less so for Specialty due to the reasonably good demand from construction markets in Europe and the US (but less in Latin America and parts of Asia excluding China).
- Cautious outlook statements expected - At the 1H20 results presentation Bekaert already indicated that cost savings in 2H20 would be less and that there would be normal seasonality (2H<1H at EBITe level) except for RR, where the company guided for an improvement in EBITe. Now, with new lock downs underway in Europe, we think it is perhaps prudent to assume Bekaert will also remain cautious.

	9M19A	9M20 ABNe	9M20 Cons	3Q19A	3Q20 ABNe	3Q20 Cons	3Q20A
Sales							
Rubber Reinforcement	1,494	1,127	1,128	480	418	419	-709
Steel Wire Solutions	1108	946	958	357	307	319	-639
Specialty Businesses	311	291	285	109	106	100	-185
BBRG	365	344	340	123	115	111	-229
Other	15	14	14	6	6	6	-8
Sales	3,293	2,722	2,725	1,075	952	955	-1,770

Fundamentals

Market Cap (EURm)	1,238
Average Daily Volume (EURm)	1.5
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 (%)	23.4
6 Month Performance (%)	0.6
12 Month Performance (%)	(24.9)
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	3,686	3,915	4,017
EBITDA (EURm)	365	384	397	446	490
EBIT (EURm)	147	155	188	234	269
EPS (fully diluted EUR)	0.66	0.68	1.24	2.27	2.68
DPS (EUR)	0.70	0.35	0.54	0.95	1.12
EV / EBITDA (x)	6.9	6.3	5.7	5.0	4.4
EV / EBIT (x)	13.9	12.2	12.2	9.5	8.0
P/E (fully diluted, x)	41.3	36.3	16.6	9.0	7.6
Equity FCF Yield (%)	(1.6%)	21.0%	18.6%	3.5%	4.2%
ROCE (%)	6.1%	7.2%	5.2%	6.6%	7.3%
Net Debt / EBITDA (x)	2.8	2.1	1.9	1.6	1.5

Source: Factset, ABN AMRO Equity Research