

## BEKAERT

Preview: 3Q revenue forecast to decline 11%

GENERAL INDUSTRIES  
BELGIUM

CURRENT PRICE € 21.42  
TARGET PRICE € 25.00

**HOLD**  
RATING UNCHANGED

**We forecast 3Q revenue to decline by about 11% y/y (roughly in line with CSS), a clear improvement from the 2Q trend of -29% y/y, supported by an improving tire market. We acknowledge that valuation is fairly low (P/E21e of 8.9x and EV/REBITDA21e of 5.1x), but decided to maintain our rather conservative Hold rating for now on the still overall low visibility and taking also into consideration the structurally competitive market segments Bekaert is operating in.**

**News/our view:** Bekaert will publish a 3Q trading update on 20 November before market. We remind that Bekaert saw 1H revenue decline by 20% y/y, with 2Q20 revenue down as much as -29%. Rubber Reinforcement was the hardest hit, down 43% in 2Q20. At the time of the 1H results release, Bekaert commented to expect a gradual recovery in tire markets in the remainder of the year (which has been confirmed so far by the recent monthly tire market data from Michelin), while demand evolutions in the other markets were said to be more difficult to project.

We forecast 3Q consolidated sales to decline by 10.8% y/y to € 959m (CSS -11.3% y/y to € 954m), broken down as follows:

Rubber Reinforcement: 3Q revenue expected to decline by 13% to € 418m (CSS -12.7% to € 419m). This would represent a significant improvement from the 2Q trend (-43% y/y), which we believe is demonstrated by the recent tire market updates from Michelin

Steel Wire Solutions: 3Q revenue is expected to decline by 10.0% to € 321m (CSS -10.6% to € 319m)

Specialty Businesses: 3Q revenue is expected to decline by 8% to € 100m (in line with CSS)

BBRG: 3Q revenue is expected to decline by 6% to € 116m (CSS -10% to € 111m)

Other: € 4m (CSS € 5m)

We hope to also get an update on the ongoing search for a new CEO. Finally it will also be interesting to see to what extent Bekaert has realized to keep its working capital under control (working capital was down € 236m y/y in 1H20) as this is an important driver for net debt evolution (net debt/EBITDA was 2.5x at the end of June).

**Investment case:** We acknowledge that valuation is fairly low (P/E21e of 8.9x and EV/REBITDA21e of 5.1x), but decided to maintain our rather conservative Hold rating for now on the still overall low visibility and taking also into consideration the structurally competitive market segments Bekaert is mainly operating in.



Source: Thomson Reuters Datastream

Bloomberg	BEKB BB
Reuters	BEKB.BR
<a href="http://www.bekaert.com">www.bekaert.com</a>	
Market Cap	€ 1,293.9m
Shares outst.	60.4m
Volume (daily)	€ 1,488,357
Free float	58.8%

Next corporate event

Trading update 3Q20: 20 November 2020

€ m	2019	2020E	2021E
Sales	4,322.5	3,681.4	4,081.6
REBITDA	468.0	402.8	461.0
Net earnings	41.3	93.1	154.2
Adj. EPS (€)	1.60	1.51	2.41
P/E (x)	15.0	14.2	8.9
EV/REBITDA	5.8	6.1	5.1
FCF yield	25.2%	10.1%	11.5%
Dividend yield	1.5%	1.6%	3.3%

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