

BEKAERT

Positive read-through from Michelin tire market data

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 29.16
TARGET PRICE € 32.00

ACCUMULATE

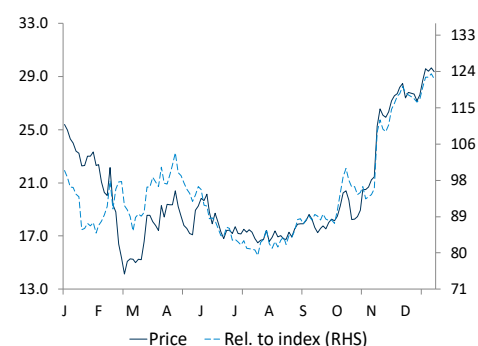
RATING UNCHANGED

Michelin's tire market data for the month of December show a fairly positive end of the year 2020, which should also support Bekaert's Rubber Reinforcement business. We remind that Bekaert already surprised positively in November with a FY20 guidance on underlying EBIT that should be close to the 2019 levels, which implies 2H20 underlying EBIT margins at or above the mid-term 7% target. As we consider valuation to be still attractive (P/E21e of 10.0x, EV/REBITDA21e of 5.5x) and we believe Bekaert has been locking in most of the recent margin progression on the back of its profit improvement initiatives, we decided to maintain our positive stance (Accumulate, € 32 TP).

Facts/our view: Michelin released tire market data for the month of December. In the passenger cars & light trucks OEM market, there was a reported growth in all regions: China +7%, Europe including CIS +3%, North America +5% and South America +30%. In the Replacement market, the picture was mixed: Demand was flat in China while being up 4% in Europe including CIS. Demand was down 1% in North America and down 18% in South America. Over the entire year 2020, demand was down in all zones and in all segments.

In the Truck & Bus segment, December trends were positive in all (reported) regions in both the OEM and Replacement segment. Europe including CIS reported 24% growth in the OEM segment and 6% in the Replacement segment, North America reported 13% growth in the OEM segment and 9% in the Replacement segment while South America reported 51% growth in the OEM segment and 1% in the Replacement segment. Over the entire year 2020, demand was down double digit in all regions in the OEM market, while Replacement saw a 3% drop in Europe including CIS, a 1% growth in North America and a 10% drop in South America.

Investment case: Michelin's tire market data for the month of December show a fairly positive end of the year 2020, which should also support Bekaert's Rubber Reinforcement business. We remind that Bekaert already surprised positively in November with a FY20 guidance on underlying EBIT that should be close to the 2019 levels. Bekaert is in our opinion seeing good traction with its profit improvement initiatives, while it has also successfully stepped up cash conversion through a capex discipline and working capital improvement, allowing to significantly strengthen the balance sheet. As we consider valuation to be still attractive and we believe Bekaert has been locking in most of the recent margin progression on the back of its profit improvement initiatives, we maintain our Accumulate rating.



Source: Thomson Reuters Datastream

Bloomberg BEKB.BB
Reuters BEKB.BR

www.bekaert.com

Market Cap € 1,761.5m
Shares outst. 60.4m
Volume (daily) € 2,117,556
Free float 58.8%

Next corporate event
Results FY20: 3 March 2021

€ m	2020E	2021E	2022E
Sales	3,718.3	4,102.0	4,259.3
REBITDA	449.7	504.3	526.8
Net earnings	126.6	179.4	201.9
Adj. EPS (€)	2.04	2.91	3.15
P/E (x)	14.3	10.0	9.2
EV/REBITDA	6.4	5.5	5.0
FCF yield	10.7%	8.3%	11.2%
Dividend yield	1.2%	2.4%	2.7%

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