

BUY

Price (11/05/2021)	EUR 38.46
Target price	46.00
Risk	Medium
Reuters	BERTt.BR
Bloomberg	BEKB BB
Shares number (m)	56.60
Market cap. (m)	2,177
Net debt 12/20 (m)	604
Net debt/EBITDA 12/20	1.26
1 year price perf.	100%
Diff. with Euro Stoxx	63.1%
Volume (sh./day)	65,964
Free Float	59.0%
H/L 1 year	38.82 - 16.48

Company description

Bekaert is a global market leader in steelwire transformation and coating technologies, and the world's largest independent manufacturer of drawn steel wire products. Bekaert employs >28K people and serves customers in 120 countries.


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Bekaert
Record revenues in Q1

- The 21Q1 revenues growth was much stronger than anticipated (16% vs our 4-5%), driven by a broad rebound in demand (e.g. automotive).
- Bekaert will provide a new FY21 outlook and mid-term guidance at its upcoming CMD on 28 May. This will likely be another positive trigger.
- We see room to increase our REBIT estimates by mid-single digits and raise our TP from EUR 42 to EUR 46.

Facts: Record revenues in Q1

- Consolidated revenues grew by 16% (19% in CC) vs our estimate of 4-5% (consensus 5-6%). The beat was across all divisions (see exhibit 1) as there was a strong rebound in demand across the board (e.g. automotive, construction). There was strong momentum in Latin America and India.
- The 16% revenues growth was mainly driven by volumes (14% vs our estimate of 4%), passing on higher wire rod prices (5%), and some negative FX (-3%)
- Net debt was down EUR 35m vs year-end 2020 to EUR 569m (DPe EUR 630m), despite higher wire rod prices.
- Outlook: Bekaert does not repeat its FY21 outlook given with FY20 (e.g. 40-60 bps REBIT margin improvement), but instead indicates that it will come with a new FY21 outlook and medium-term targets at its upcoming CMD on 28 May.
- The board is supporting the proposal for double voting rights for shares that are in the share register for at least two years.

Our View: Room for upward revisions

These are impressive growth numbers and Bekaert is even above pre-crisis levels, which in our view is a sign that it has been gaining market share from smaller local competitors. Bekaert also continues to show discipline in passing on higher wire rod prices and keeping working capital under control. Given this very strong Q1 and the fact that Bekaert does not repeat its previously issued FY21 outlook (e.g. consolidated revenues >EUR 4bn, 40-60 bps REBIT margin improvement), bodes well. This will likely mean an upward revision at the upcoming CMD on 28 May. We see room to further upgrade our REBIT estimates by mid-single digits.

EUR	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Sales	4,098	4,306	4,323	3,772	4,084	4,243	4,382
EBITDA	512.8	386.3	402.2	479.2	521.9	543.0	566.6
Adj. profit	159	38.2	40.2	135	163	194	220
EPS	2.77	0.67	0.71	2.39	2.88	3.43	3.88
Div.	1.10	0.70	0.35	1.00	1.20	1.40	1.60
EV/EBITDA	6.5	6.2	5.9	4.9	5.7	5.3	4.9
P/E	13.2	31.6	37.2	11.4	13.4	11.2	9.9
FCF Yield	2.6%	7.3%	19.6%	23.0%	5.4%	6.8%	8.1%
Div. Yield	3.0%	3.3%	1.3%	3.7%	3.1%	3.6%	4.2%

Conclusion: Buy reiterated, TP raised from EUR 42 to EUR 46

The trading update confirms our positive stance, as highlighted in our report from January ('More margin, more upside'). Bekaert benefits from ongoing structural cost savings, mix improvements, and operational leverage from volume growth on the back of the improving global economy. In our view, this structural margin improvement is far from reflected in the valuation.

We see room to increase our TP from EUR 42 to EUR 46, based on an envisaged mid-single digit increase in our REBIT estimates and a target multiple of 9.0-9.5x EV/REBIT (the company's historical average). In our view there is room for a re-rating and hence more upside, if Bekaert is indeed able to deliver on the structural margin improvement. The upcoming CMD (28 May) could be another positive trigger, as we see room for an upgrade in its FY21 outlook and room for raise in its medium-term REBIT margin target from 7% to >8%. In addition, Bekaert will likely give more background on new growth fields around environment/ESG (e.g. mooring solutions for floating wind parks). Buy!

Exhibit 1 Q1 21 sales (EUR m)

Revenues in EUR	20Q1	Results Q1 21	yoy	DPe estimate Q1 21	Delta	Consensus Q1 21	Delta
Rubber Reinforcement	417	497	19%	463	7%	458	9%
Steel Wire Solutions	345	411	19%	352	17%	361	14%
Specialty Businesses	98	103	5%	100	3%	100	3%
BBRG	115	116	1%	100	16%	108	7%
Other	2	1	-53%	2		2	
Consolidated sales	977	1128	16%	1016	11%	1029	10%

Source: Bekaert, Degroof Petercam

Profit & Loss (EUR m)	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Revenues	4,098.0	4,306.0	4,323.1	3,772.2	4,084.1	4,243.1	4,382.4
Gross profit	657.2	527.4	527.8	558.3	628.9	661.9	692.4
EBITDA	512.8	386.3	402.2	479.2	521.9	543.0	566.6
EBITA	301.3	209.8	242.0	272.1	319.9	343.0	367.6
EBIT	314.8	146.3	154.2	257.1	294.9	325.0	351.6
Net Financial Result	-69.8	-85.0	-66.4	-56.6	-59.0	-56.0	-54.0
Exceptionals (gross)	-	-	-	-	-	-	-
Taxes	-66.7	-59.5	-51.3	-56.0	-79.1	-80.9	-85.0
Except./discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net declared earnings	159.3	38.2	40.2	135.3	162.9	194.1	219.6
Net adjusted earnings	159.3	38.2	40.2	135.3	162.9	194.1	219.6
Cash Flow (EUR m)	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
EBIT	314.8	146.3	154.2	257.1	294.9	325.0	351.6
Depreciation	198.0	240.0	248.0	216.0	202.0	200.0	199.0
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	57.0	0.0	0.0	0.0	0.0
Changes in provision	0.0	-36.4	-61.3	-60.0	-35.0	-30.0	-25.0
Changes in working capital	-57.8	19.5	167.1	189.1	-50.5	-33.6	-20.9
Others	-26.9	-14.6	-46.7	-35.0	-25.0	-15.0	-14.0
Operational Cash Flow	428.1	354.9	518.3	567.1	386.5	446.4	490.8
Tax expenses	-66.7	-69.0	-60.6	-56.0	-79.1	-80.9	-85.0
Dividends from associates	15.5	24.1	18.8	27.2	24.8	22.4	21.6
Net interest charges	-69.8	-60.8	-55.0	-56.6	-59.0	-56.0	-54.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from operating activities	307.1	249.2	421.5	481.7	273.2	331.9	373.4
CAPEX	-250.0	-185.0	-112.0	-104.5	-148.0	-175.0	-185.0
Acquisitions	0.0	2.8	0.0	0.0	0.0	0.0	0.0
Divestments	0.0	56.1	2.1	52.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from investing activities	-250.0	-126.1	-109.8	-52.5	-148.0	-175.0	-185.0
Dividend payment	-66.1	-66.1	-53.0	-26.0	-60.4	-72.5	-82.4
Minor. & pref. dividends	0.0	0.0	-13.0	-13.0	-15.0	-14.0	-12.0
Equity financing	0.0	-11.3	-10.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from financing activities	-66.1	-77.4	-76.0	-39.0	-75.4	-86.5	-94.4
Net debt/cash change	-9.0	45.7	235.6	390.2	49.8	70.4	93.9
Balance Sheet (EUR m)	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Tangible fixed assets	1,501.0	1,459.4	1,498.7	1,325.2	1,268.2	1,243.2	1,229.2
Goodwill	149.9	149.3	149.8	149.4	149.4	149.4	149.4
Other intang. assets	125.2	114.5	60.3	54.7	54.7	54.7	54.7
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Fixed assets	2,124.2	2,049.6	2,048.0	1,823.2	1,762.4	1,733.0	1,709.0
Working capital	951.2	926.1	775.6	602.7	653.2	686.8	707.7
Total Equity	1,583.0	1,516.0	1,531.5	1,535.2	1,602.7	1,687.3	1,789.5
Provisions & deferred taxes	241.3	208.5	182.6	194.4	194.4	194.4	194.4
Net financial debt	1,165.6	1,180.4	961.3	603.8	554.3	484.0	388.9
Total assets	4,444.7	4,449.5	4,304.7	4,288.2	3,926.0	3,906.4	3,910.0
Shares - per share data (EUR)	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Adjusted EPS	2.77	0.67	0.71	2.39	2.88	3.43	3.88
Dividend	1.10	0.70	0.35	1.00	1.20	1.40	1.60
No shares - average (m)	57.60	57.40	56.50	56.60	56.60	56.60	56.60
Ratios	12/17	12/18	12/19	12/20	12/21e	12/22e	12/23e
Valuation analysis							
Adjusted P/E	13.2	31.6	37.2	11.4	13.4	11.2	9.9
P/BV	1.4	0.9	1.0	1.1	1.4	1.4	1.3
EV/EBITDA	6.5	6.2	5.9	4.9	5.7	5.3	4.9
EV/EBIT	10.7	16.3	15.5	9.1	10.1	8.9	7.9
EV/FCF (1)	26.5	15.6	6.5	5.4	16.1	13.6	11.5
FCF yield (2)	2.6%	7.3%	19.6%	23.0%	5.4%	6.8%	8.1%
Dividend yield	3.0%	3.3%	1.3%	3.7%	3.1%	3.6%	4.2%
Financial ratios							
Net Debt/EBITDA	2.3	3.1	2.4	1.3	1.1	0.9	0.7
Net Debt/Equity	73.6%	77.9%	62.8%	39.3%	34.6%	28.7%	21.7%
ROCE post-tax	8.1%	-3.8%	1.8%	8.0%	8.9%	10.4%	11.4%
ROCE post-tax (grossed gdwll)	8.1%	-3.8%	1.8%	8.0%	8.9%	10.4%	11.4%
Margin analysis and tax rate							
Gross margin	16.0%	12.2%	12.2%	14.8%	15.4%	15.6%	15.8%
EBIT margin	7.7%	3.4%	3.6%	6.8%	7.2%	7.7%	8.0%
Tax rate	31.8%	165.8%	73.8%	32.9%	35.0%	31.0%	29.3%
Growth analysis							
Sales	10%	5%	0%	-13%	8%	4%	3%
Adjusted EPS	55%	-76%	7%	236%	20%	19%	13%

(1) Based on FCF to Enterprise - (2) Based on FCF to Equity

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	REDUCE	HOLD	BUY
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Medium 0.9 < Beta > 1.3	RP < -4%	-4% <= RP < +10%	RP >= 10%
Low Beta <= 0.9	RP < -2%	-2% <= RP < +6%	RP >= 6%

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RP : Relative Performance against Degroof Petercam coverage universe

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