

BEKAERT

Strong start of the year, 19% organic sales growth

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 38.46
TARGET PRICE € 42.00

ACCUMULATE

RATING UNCHANGED

Bekaert reported a solid 1Q top line performance with 16% sales growth (+19% organically), well above our 8% sales growth forecast (consensus +5% y/y). A precise FY21 outlook and fresh mid-term guidance will be given at a CMD at the end of this month. We remain convinced that, under the helm of the renewed management team, Bekaert is making significant progress with efficiency improvement & portfolio upgrading efforts, and in light of the still attractive valuation (P/E22e of 10.6x, EV/REBITDA21e 5.5) we maintain our Accumulate rating with TP upped from € 40 to € 42.

Bekaert reported 16% growth (+19% organ.) in consolidated sales to reach a record level of € 1,128m (KBCS +7.8% to € 1,053m, CSS +5.3% to € 1,029m). **Rubber Reinforcement** consol. sales increased by +19% (+23% organ.) to € 497m (KBCS+14% to € 475m, CSS +9.8% to € 458m). Volumes grew by 19% while price/mix added 4%. Sales were strong in EMEA and across Asia. Bekaert's success in ensuring supply continuity is resulting in stronger client partnerships. Demand is expected to remain at the same high level in 2Q21.

Steel Wire Solutions consol. sales +19% (+22% organ.) to € 411m (KBCS +6.0% to € 366m, CSS +4.6% to € 361m). Organic sales growth was equally driven by volumes and price mix effects, and revenue was particularly strong in LATAM on increased market shares and economic stimulus programs. Demand is expected to remain strong in 2Q, particularly in agriculture, energy and utility markets in EMEA & North America, construction markets in LATAM with automotive markets expected to recover.

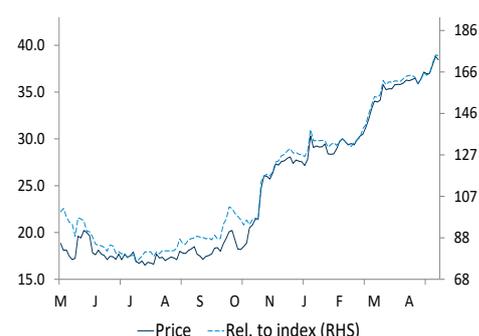
Specialty Businesses consolidated sales +6% (+8% organ.) to € 103m (KBCS +6.5% to € 104m, CSS +2.0% to € 100m). Building Products reported low single digit growth with a strong start of the peak season as from March. Combustion Technologies reported mid-single digit growth and Fiber Technologies high single digit growth. Bekaert expects continued sales growth in 2Q, despite some delay in some underground infrastructure projects and some effect from semiconductor shortage on Filtration products.

BBRG consolidated sales increased by 1% (+4% organically) to € 116m (KBCS -8% to € 106m, CSS -6.1% to € 108m), recall 1Q20 -2.1% to € 115m).

Demand from mining, crate and industrial, fishing and marine rope markets was said to have been strong, while oil & gas related order books are projected to improve as from 2Q onwards. Advanced cords was strong in elevator and automotive markets, with the timing belt market still a bit subdued. Bekaert expects overall continued sales growth for the BU in 2Q21.

Net debt declined by € 35m vs year-end 2020 (to € 569m), despite an expected increase in working capital (+€ 117m to € 652m).

Outlook : Bekaert commented that the strong performance it is delivering and the determination to stimulate value creation by enhancing the business portfolio and seizing value growth increase the confidence in the future potential of the group. The company did not publish a precise guidance at this stage (recall previously given guidance called for a FY21 consolidated sales level of at least € 4bn (+6% y/y) and an underlying EBIT margin up 40-60bps (to 7.6-7.8%)) but commented it will disclose a FY21 guidance as well as new mid term guidance at the occasion of its upcoming CMD (28 May). We forecast FY21 sales of € 4235m (+12.3% - CSS € 4073m) with underlying EBIT margin up 50bps to 7.7% (CSS 7.8%).



Source: Thomson Reuters Datastream

Bloomberg	BEKB BB
Reuters	BEKB.BR
www.bekaert.com	
Market Cap	€ 2,323.3m
Shares outst.	60.4m
Volume (daily)	€ 2,534,900
Free float	58.8%

Next corporate event

Capital Markets Day 21: 28 May 2021

€ m	2020	2021E	2022E
Sales	3,772.4	4,235.3	4,381.3
REBITDA	479.0	528.6	556.9
Net earnings	134.7	183.5	232.5
Adj. EPS (€)	2.28	3.21	3.63
P/E (x)	8.8	12.0	10.6
EV/REBITDA	4.5	6.1	5.5
FCF yield	29.9%	6.1%	10.6%
Dividend yield	5.0%	2.6%	2.9%

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