

Bekaert

Outperform → | Target price : 56.0 € vs 43.0 € ↗

Price (19/05/2021) : 36.74 € | Upside : 52%

Revision	2021e	2022e
EPS	32.6%	32.4%

EBITu margins improving faster than expected

Publication date 20/05/2021 07:55

Writing date 20/05/2021 07:45



Sources : ODDO BHF Securities, SIX

Capital

BEKB BB BEKB.BR	
Market Cap (€m)	2 219
Enterprise value (€m)	2 858
Extrema 12 months (€)	16.48 - 38.82
Free Float (%)	62.8

Performance (%)	1m	3m	12m
Absolute	0.7	23.3	109.0
Perf. rel. Country Index	2.0	17.2	63.6
Perf. rel. BEL Mid	-2.8	15.9	71.2

P&L

	12/20	12/21e	12/22e
Sales (€m)	3 772	4 161	4 332
EBITDA (€m)	475	598	630
Current EBIT (€m)	257	388	410
Attr. net profit (€m)	135	230	247
Adjusted EPS (€)	2.38	4.07	4.37
Dividend (€)	1.00	1.10	1.25

P/E (x)	8.3	9.0	8.4
P/B (x)	0.8	1.3	1.2
Dividend Yield (%)	5.0	3.0	3.4
FCF yield (%)	31.8	11.1	9.0
EV/Sales (x)	0.53	0.69	0.63
EV/EBITDA (x)	4.2	4.8	4.3
EV/Current EBIT (x)	7.9	7.4	6.7
Gearing (%)	40	26	17
Net Debt/EBITDA (x)	1.3	0.7	0.5

Next Events

We significantly raise our 2021-2023 sales and underlying EBIT forecast. This also results in an updated price target of €56 versus €43 previously. The reason for the upgrade is the 1Q 2021 update in which Bekaert, based on our calculations, generated an astounding EBITu margin of c. 11.7%, and that is still without most of the effects of the restructurings announced late 2020 and early 2021. We assume some negative impact in 2021 from rising wire rod, other materials and certain cost buckets. But we think it is highly likely that Bekaert, which has its Capital Markets Day on May 28, will announce further profit optimisation measures, possibly divestments but certainly new targets for underlying EBIT margin (at least 9%, perhaps even a target of 10%) that may surprise the market. Given these catalysts, and despite the mixed changes to corporate governance, we reiterate our Outperform rating.

Incredibly strong but stealthy 1Q 2021 trading update

The organic growth Bekaert reported was very strong (19%), much better than implied consensus including both positive volume (+14%) and price/mix changes (+5%). As the company provided sufficient information about the change in net debt, capex, change in working capital and other cash flow items (factoring, proceeds from share sales, dividend from JVs), we were able to calculate the underlying EBIT margin in 1Q 2021 which came to an astounding 11.7%, an even better performance than in 2H 2020 (9.0%). And that is still without the effects of the restructuring of the engineering department (late 2020) and the restructuring effects of BBRG North America (early January 2021).

Raising our 2021-2022 estimates significantly...again

Given the positive outlook per division that Bekaert provided (continued strong sales growth at RR, SWS and to a lesser extent Specialties and BBRG) and the fact that the restructuring of Engineering/R&D plus the reorganisation of BBRG North America (total annualised cost savings of €10-15m of which a large portion is likely to materialise in 2H 2021) have not contributed yet, we are raising our 2021-2023 estimates again. We raise our 2021-2022 sales estimates by 3% and 5% respectively but given the operational leverage on higher volumes, the straight drop though of price/mix changes and the margin realised in 1Q2021, we raise our underlying EBIT estimates by 23% and 24% respectively, now pencilling in an EBITu margin of 9.3% (2021) and 9.5% (2022), higher than Bekaert realised in 2H 2020 (9.0%). We are now well ahead of Bloomberg consensus which is still assuming EBITu margins of 7.4% (2021) and 8.0% (2022) respectively.

Mixed changes to corporate governance

The reduction in the size of the board to 10 members of which only five represent the Bekaert family foundation with an independent chairman is positive. However, the decision to double voting rights of loyal shareholders (>two years holding period) effectively transfers control back firmly to the Bekaert family trust while they own only 34%. One step forward, two steps back.

Valuation remains very attractive, multiple catalysts from CMD

Although the corporate governance changes are not positive for Bekaert's ESG rating, the valuation of Bekaert remains attractive. Our DCF model suggests a price target of €56 per share while multiples based valuations also point to significant upside. As we assume multiple catalysts from the 28 May Capital Markets Day (further profit optimisation measures, possibly divestments and higher EBITu margin targets), we reiterate our Outperform rating.

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1Q 2021 UPDATE : SURPRISINGLY HIGH EBITU MARGINS

The 1Q 2021 trading update, albeit positive in terms of organic growth, lower net working capital and capex (and thus deleveraging) and the near term outlook, did not result in a positive share price reaction. In fact, the shares declined on the day itself and on subsequent days, which we assume is due to the changes the company announced in terms of corporate governance at the same time. But based on information provided in the press release and subsequently by Bekaert, we have been able to calculate that the underlying EBIT margin in 1Q 2021 was some 11.7%, an astounding margin.

More than solid 1Q 2021 trading update

Calculations show astounding EBITu margin

Key building blocks known

In the 1Q 2021 trading update, Bekaert provided several details including organic growth (volume, price/mix, FX), change in working capital (€117m negative), capex (€19m) and the net change in debt (€35m). From the press releases we know that in the quarter, Bekaert sold treasury shares for a value of €8m. We also learned from Bekaert in a separate call that the company did received cash dividends from JVs and that factoring increased from the year end level.

Very strong underlying EBIT margin

If we then make our own assumptions on the cash out for net interest expenses, the actual cash out for taxes and the cash outflow from provisions and build in some headroom from non-disclosed other operating cash flows and negative currency effects, we have all the building blocks in place to calculate the underlying EBIT margin that Bekaert generated in the first quarter. This leads to the conclusion that Bekaert generated an astounding EBITu margin of 11.7%.

Figure 1: Calculation of implied underlying EBIT margin 1Q 2021 (€m)

		Source	Other info
Sales	1,128	Bekaert	Reported
EBIT	132	ABN Oddo	Imputed
D&A	52	ABN Oddo	Based on annual forecast
Change WC	(117)	Bekaert	Reported
Change provision	(8)	ABN Oddo	Assumption
Capex	(19)	Bekaert	Reported
Interest	(10)	ABN Oddo	Based on annual forecast
Dividends received	22	ABN Oddo	Assumption
Other non-op cashflows	10	ABN Oddo	Assumption
Change in currencies	(5)	ABN Oddo	Assumption
Treasury share sales	8	Bekaert	Reported
Tax	(31)	Bekaert	Guidance Bekaert
change in net debt	35	ABN Oddo	Imputed
Change net debt	35	Bekaert	Reported
Implied underlying EBIT margin	11.7%		

Source : ABN AMRO Oddo BHF Research



Solid volume growth and price/mix effects

RR and SWS very strong, especially in terms of price/mix

Although the recovery started in 3Q2020 with further solid growth in 4Q2020, the 1Q2021 sales recovery is surprisingly strong with all four divisions reporting much better than expected sales. Growth was especially strong in Rubber Reinforcement with volume growth of 19% and 4% price/mix effects, driven by market share gains, probably mainly in India, China and Asia in general. And despite lock down effects and chip issues in the OEM space, Bekaert mentioned that sales were strong in EMEA, which was probably due to restocking.

But Specialty and BBRG also positive

SWS also reported strong organic growth of 22%, driven in equal measure by volume and (thus very strong) price mix effects, which both spells market share gains as well strong demand, partially due to stimulus programs according to Bekaert. In fact, SWS sales achieved a level higher than that of pre-Covid 19, underlining the market share gain statement. The Specialty Business did well with organic growth of 8%, mainly driven by construction (Building products) and automotive markets (Fiber). BBRG did surprisingly well given the rather negative/cautious statements at the FY2020 results presentation with organic growth 4%, mainly driven by Advanced Cords (elevator and automotive). As a result, total sales beat consensus by 10% and improved by 15% over 1Q 2020. Overall volume growth in 1Q 2021 was 14% while price/mix added 5% to growth.

Figure 2: Overview of 1Q 2021 sales vs consensus (€m)

	1Q2020	1Q2021C	1Q2021A	Act vs Con	YoY change
Rubber Reinforcement	417	458	497	9%	19%
Steel Wire Solutions	345	361	411	14%	19%
Specialty Businesses	98	100	103	3%	5%
BBRG	115	108	116	7%	1%
Other	2	2	1	-50%	-50%
Sales	977	1,029	1,128	10%	15%

Source : Bekaert

Good working capital management, capex low

WC as % sales down despite growth

Despite the recovery in sales volumes and higher wire rod prices, the net working capital as % of sales declined to 13.1% versus 18.4% in 1Q2020 and 16.4% on average for 2020. That is a solid performance although we do note that factoring increased by €26m relative to year end 2020.

Capex low, will increase given volume increase

Capex remained low at €19m (was €20m in 1Q2020) but that is likely to increase materially as the expansion in Vietnam in RR is probably restarting or accelerating given the strong growth in India and China. Previously Bekaert 'used' India capacity to satisfy demand in other Asian regions as local demand was low due to the severe lock downs but that does not appear to be a factor anymore given the statements of strong sales in India. That suggests that as volumes continue to improve, the case for the Vietnam plant strengthens.

Positive 2Q 2021 outlook

RR recovery continues...

Bekaert expects the second quarter for RR to be as strong as the first quarter and given the organic sales decline in 2Q 2020 of 42% and Bekaert's statements about market share gains (as the company was able to deliver product while competition apparently struggled), this does not come entirely as a surprise.

...same applies to SWS

Bekaert also stated that demand in the SWS unit is expected to remain at the same level as in 1Q 2021 and that, as in RR, the unit will benefit from the market share gains of previous quarters.

The company is slightly more cautious in terms of the outlook for the second quarter of 2021 for the Specialty Business. This is due to some postponed projects in Building products and the impact of chip shortages on the automotive activities in Fiber.



However, Bekaert still expects continued sales growth in 2Q2021 which is only logical as comps are relatively easy given the 15% sales decline reported in 2Q2020.

For BBRG Bekaert is also slightly more cautious in its wording despite upticks in the order book from Oil & Gas (ropes) and solid demand in fishing, marine and mining (ropes), which is probably due to the exposure to automotive in advanced cords. Bekaert does expect continued sales growth in the second quarter relative to 2Q 2020 when total sales declined by 9%.



RAISING ESTIMATES...YET AGAIN

The strong underlying EBIT margin in 1Q 2021, the provided outlook for 2Q 2021 and the fact that several restructuring measures have not yet contributed (restructuring R&D/Engineering, BBRG North America) bode well for the 2021 and 2022 earnings. However, we do assume that eventually Bekaert will move to higher priced wire rod from its inventory and that increasing wire rod prices as well as other raw material costs cannot be completely and immediately passed on to customers. We also assume that certain cost buckets (consulting, travel, marketing) will go up during 2021. However, the much higher margin in 1Q 2021 cannot be ignored and we do not think it is a fluke. As a result, we increase our estimates considerably.

Modest upticks sales, EBITu upped materially

Sales volume and price/mix driven

Main upgrades in RR and SWS

Given the statements regarding solid demand and the outlook, we have adjusted our estimates for volume and price/mix effects, as the table below shows. We are now more optimistic about RR and SWS (market share and pricing power) but have only modestly adjusted our numbers for the Specialty Business and BBRG.

Figure 3: overview of changes in volume and price mix

	1H2021a		2h2021e		2022e		2023e	
	Old	New	Old	New	Old	New	Old	New
RR								
- Volume	19.0%	22.5%	3.0%	6.0%	2.0%	4.0%	2.0%	2.0%
- Price/Mix	1.0%	3.6%	1.5%	2.0%	1.5%	1.5%	1.5%	0.5%
SWS								
- Volume	7.0%	10.2%	2.5%	3.5%	1.0%	2.0%	1.0%	2.0%
- Price/Mix	1.0%	7.6%	1.0%	2.5%	1.0%	1.0%	1.0%	1.0%
Specialty Business								
- Volume	3.1%	6.8%	2.3%	3.6%	1.4%	1.6%	1.6%	1.7%
- Price/Mix	0.0%	0.0%	0.0%	0.0%	9.0%	0.0%	0.0%	0.0%
BBRG								
- Volume	-4.0%	3.0%	-3.0%	2.0%	1.1%	1.1%	1.2%	1.2%
- Price/Mix	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source : Bekaert, ABN AMRO Oddo BHF Research



EBITu mix of cost savings and operational leverage

The higher volumes and price/mix changes as well as the higher starting point in 1Q 2021 obviously have a material impact on our estimates. We do, however, assume that in 2H 2021 Bekaert will have to start 'using' higher priced wire rod meaning that the tailwind from FIFO will diminish. Future price increases may also not be easy to pass on to customers while other raw materials like chemicals for coatings or specialty plastics are likely to lead to some margin erosion despite the solid pricing power of Bekaert in certain markets. In addition, certain cost buckets like marketing (Bekaert is announcing on its website that it will participate in multiple exhibitions in 'live' format), travel and consulting are likely to creep up. That will be offset by the savings from the R&D/Engineering restructuring and the effects of the closure of the BBRG Canada operating company.

All in all we assume that the underlying EBIT margin in 2021 is likely to come in at 9.3% versus our previous estimate 7.8%. Bekaert reported an underlying EBIT margin of 9.0% in 2H2020 so in that regard, given the higher volumes and effects of restructuring of 2020, the 9.3% estimate does not seem extreme at all. For 2022, given the full year effects of the 2021 restructuring and some additional recovery in certain markets that took longer to recover from Covid-19, we now pencil in an underlying EBIT margin of 9.5% versus 8.0% previously.

For a full overview of our detailed forecasts per division, see the chapter 'Detailed Forecast per division'.

Figure 4: overview of updated estimates (€m)

Overview forecast	FY2017	FY2018	FY2019	1H2020	2H2020	FY2020	1H21E	2H21E	FY2021e	FY2022e	FY2023e
Sales	4,098	4,305	4,322	1,770	2,002	3,772	2,059	2,101	4,161	4,332	4,439
CoGS	3,396	3,779	3,795	1,521	1,693	3,214	1,771	1,760	3,531	3,651	3,718
Gross margin	702	527	527	249	309	558	288	341	630	682	720
Gross margin (%)	17.1%	12.2%	12.2%	14.1%	15.4%	14.8%	14.0%	16.2%	15.1%	15.7%	16.2%
EBIT	318	147	155	87	170	256.6	187	201	388	410	425
EBIT margin (%)	7.8%	3.4%	3.6%	4.9%	8.5%	6.8%	9.1%	9.6%	9.3%	9.5%	9.6%
One-off items	-18	63	87	5	11	16	0	0	0	0	0
Underlying EBIT	300	210	242	92	181	272	187	201	388	410	425
Underlying EBIT margin (%)	7.3%	4.9%	5.6%	5.2%	9.0%	7.2%	9.1%	9.6%	9.3%	9.5%	9.6%
Net profit	156	-22	19	21	93	114	102	110	212	228	243
Result of associates	27	25	29	13	21	34	15	15	30	31	32
Result for the period	183	3	48	34	114	148	116	125	242	259	275
EPS											
Basic	3.26	0.70	0.73	0.60	2.02	2.38	1.95	2.11	4.07	4.37	4.65
Diluted	2.67	0.51	0.73	0.60	2.02	2.27	1.95	2.11	4.06	4.36	4.64
D&A underlying	197	216	226	103	115	218	105	105	210	220	220
Underlying EBITDA - reported	497	426	468	195	296	475	292	306	598	630	644
Underlying EBITDA margin (%)	12.1%	9.9%	10.8%	11.0%	14.8%	12.6%	14.2%	14.6%	14.4%	14.5%	14.5%

Source : Bekaert, ABN AMRO Oddo BHF Research



ABN Oddo estimates versus consensus

Because of the material estimate changes to both the top line and especially the underlying EBIT margin, we are now well ahead of consensus. Consensus, as is shown below, is still pencilling in an underlying EBIT margin in 2021 of 7.4% and that seems way too conservative given the 2H 2020 EBIT margin of 9.0% as well as Bekaert's EBITu margin of 12.7% in 1Q 2021. The same applies to 2022 where consensus implies an underlying EBIT margin of 8.0%.

We assume that once Bekaert provides the near term (9% EBITu margin for 2021) and medium term target (10% EBITu margin), consensus estimates will move up significantly.

Figure 5: New versus old estimates and comparison with consensus (€m)

ABN AMRO OddoBHF	FY21E			FY22E			FY23E		
	Old	New	Change	Old	New	Change	Old	New	Change
Sales	4,025	4,161	3.4%	4,142	4,332	4.6%	4,247	4,439	4.5%
EBITDA	525	598	13.9%	551	630	14.3%	564	644	14.2%
EBIT	315	388	23.1%	331	410	23.8%	344	425	23.4%
EPS	3.07	4.07	32.4%	3.30	4.37	32.4%	3.56	4.65	30.6%
Consensus									
Sales		4,103			4,249				
EBITDA		524			558				
EBIT		305			341				
EPS		3.06			3.43				

Source : Bloomberg, ABN AMRO Oddo BHF Research



CAPITAL MARKETS DAY TO BE A CATALYST

New strategy and targets to be revealed

Medium term EBIT margin target of 9%, long term 10%?

On 28 May, Bekaert will host a Capital Markets Day at which it will update the market on its strategy and is likely to reveal its new medium and longer term targets. Given the margin realized in 1Q 2021 and the positive outlook, we now expect that the company will announce a near term target for underlying EBIT of at least 9% and a medium term target (or perhaps an ambition level) of 10%. This in itself is not a change as the previous management also had a long term ambition level of 10% but with Bekaert now moving into the >9% EBIT margin area, that medium term target now seems within reach.

Additional optimisations and possibly divestments

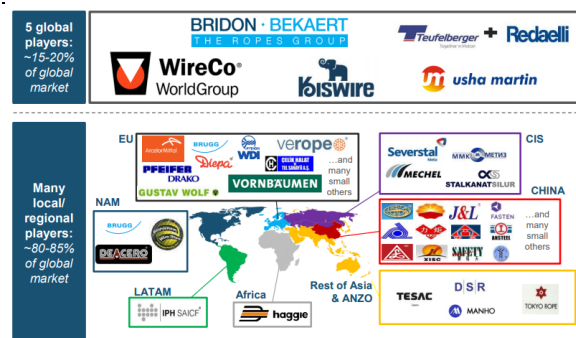
In the FY2020 results presentation there were already suggestions as to what Bekaert is likely to announce and further optimisation of the business and portfolio management will be key components, we expect. Bekaert also indicated in its FY20 results presentation that the ambition is to become leaders in core markets and that suggests that Combustion (where it is the challenger), multiple segments in SWS (automotive: wiperblades, energy: flexpipes) and the remaining sawing wire activities (integrated into Fiber Technology) could be designated non-core. Although Bekaert does not provide margins per activity within a division, based on certain assumptions, we believe it would be reasonable to expect proceeds of close to €140m, as we also outlined in our note of March 2021.

Figure 6: Proceeds divestments (€m)	Division	Sales	Divisional EBITDA margin	Assumed activity EBITDA margin	Imputed EBITDA	Multiple	Proceeds
Combustion	Specialty Business	80	15.9%	13.0%	10.4	8	83.2
Flexpipes	SWS	75	11.2%	8.00%	6.0	7	42.0
Sawing wire	Specialty Business	20	15.9%	9.00%	1.8	7	12.6
Total							137.8

Source: Bekaert, ABNAMRO OddoBHF

More radically, Bekaert could also opt to divest the Ropes division where Bekaert has a top 5 position in a really fragmented market with four other global players and a multitude of regional players with cost leadership as a strategy.

Figure 7: Picture Capital Markets Day 2019 BBRG Competitive environment



Source: Bekaert Capital Markets Day 2019



The Ropes division represents some 75% (was 80% at the time of the FY19 Capital Markets Day) of BBRG meaning sales of approximately €320m. The underlying EBITDA margin of BBRG was 14.6% in FY20 and we assume that the Ropes division is less profitable than the Advanced Cords activities. So if we assume an EBITDA margin of 12% and a EV/EBITDA multiple of 8x in a transaction with PE or a strategic buyer (as there are still cost savings to be realised, especially in production footprint as BBRG Ropes still has 12 production sites after the closure of the Canadian plant), proceeds could amount to c. €300m. Together with the other divestments, total proceeds could amount to €440m or close to €7.3 a share.

Regardless of whether such divestments may be part of the updated strategy, we assume that Bekaert will continue to streamline its production footprint, both in SWS (still room for improvement) and BBRG (still 12 production sites), reduce overheads in the regions (as it has done in Belgium) and move production to low wage countries (similar to investments in Vietnam and Slovakia in RR and the Czech Republic in Specialty Business Building products). Given the effects of the restructurings we have seen so far, such additional measures, which are hard to quantify without more details, should certainly lead to material savings, supporting Bekaert with regards to its medium and long term EBIT margin targets.



VALUATION REMAINS ATTRACTIVE

DCF and SOTP point to substantial upside

DCF based target € 56 per share

Our DCF, using an unchanged WACC of 8.4% (beta of 1.4, perpetual growth 1.25%, tax rate 30%), results in a price target of €56 with a terminal value EBIT margin of 9.0% (previously 8.2%). This could be considered conservative given the 9.0% achieved in 2H2020, the implied 1Q 2021 EBIT margin of 12.7% and the additional restructuring effects. As always, we have adjusted for the underfunded pensions and restructuring related provisions and have not changed the valuation of the JVs even though both the Brazilian RR and SWS JVs did extremely well in 1Q2021 with organic growth of 30% and 46% respectively, in local currency.

Figure 8: DCF model (€m)

	2021E	2022E	2023E	2024E	2025E	2026E	Perp.
Sales	4,160.7	4,332.2	4,438.6	4,527.4	4,617.9	4,710.3	4,769.2
EBIT	387.9	409.8	424.5	424.5	441.7	450.5	429.2
EBIT margin (%)	9.3%	9.5%	9.6%	9.6%	9.6%	9.6%	9.0%
Tax on EBIT	-116.4	-123.0	-127.4	-127.4	-132.5	-135.2	-128.8
NOPLAT	271.5	286.9	297.2	297.2	309.2	315.4	300.5
Deprec./Amort (incl IFRS 16)	210.0	219.8	219.7	225.0	230.0	235.0	240.0
Change W/C	-68.7	-24.7	-15.2	-35.0	-35.0	-35.0	-30.0
Capex	-132.5	-247.5	-252.5	-240.0	-240.0	-240.0	-240.0
Acquisitions/Divestments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF	280.3	234.5	249.1	247.2	264.2	275.4	270.5
Present value of FCF	266.6	205.9	201.8	184.7	182.2	175.3	2,622
Enterprise value	3,839						
-/- Net debt (incl IFRS 16)	604.0						
-/- Delayed dividend FY19	0.0						
-/- Minorities (MV)	86.3						
-/- Underfunded pensions	109.8						
-/- Provisions ST	30.2						
-/- Provision LT	25.1						
+ Investments	191.8						
+ Other	0.0						
Equity value	3,175						
# of shares	60.41						
Fair value per share (EUR)	52.6						
Price target per share (EUR)	56.0						

Source : ABN AMRO Oddo BHF Research



SOTP points to even more upside

If we value Bekaert using sum of the parts approach using the current valuations of the relevant peer groups per division, we reach price targets significantly higher than the outcome of the DCF. And that is despite automotive tier 1 valuations still being low given the downturn in the automotive sector.

Figure 9: SOTP valuation (€m)

	FY21E			FY22E		
	Multiple	EBITDA	Valuation	Multiple	EBITDA	Valuation
Rubber Reinforcement	7	304	2,096	6	317	1,837
Steel Wire Solutions	7.2	170.7	1,221	6.3	175.8	1074.4
Specialty	8.9	68.2	608	8.1	68.9	551.1
BBRG	7.2	75.6	541	6.3	76.9	475.6
Group/Engineering/R&D	7.5	-31.8	-239	6.7	-30.0	-212.0
Enterprise value			4,227			3,726
-/- Net debt (incl IFRS 16)			604			604
-/- Delayed dividend FY19			0			0
-/- Minorities (MV)			86			86
-/- Underfunded pensions			110			110
-/- Provisions ST			30			30
-/- Provision LT			25			25
+ Investments			192			192
+ Other			0			0
Equity value			3,564			3,062
# of shares			60.4			60.4
Fair value per share (EUR)			59.0			50.7
Price target per share (EUR)			62.8			54.9

Source : ABN AMRO Oddo BHF Research



DETAILED FORECAST PER DIVISION

Figure 10: detailed forecast RR (€m)

Rubber Reinforcement	FY18A	FY2019	1H2020	2H2020	FY2020	1H2021E	2H2021E	FY2021E	FY2022E	FY2023E
Consolidated sales 3rd party	1,907	1,953	709	905	1,614	876	977	1,853	1,955	2,005
Consolidated sales	1,939	1,986	725	920	1,645	881	982	1,863	1,965	2,015
EBIT reported	152	155	27	109	136	92	108	200	213	221
EBIT reported margin	8.0%	7.9%	3.8%	12.0%	8.4%	10.5%	11.1%	10.8%	10.9%	11.0%
One-off costs/(gains)	25	17	1	7	8	0	0	0	0	0
EBIT underlying	177	172	28	116	144	92	108	200	213	221
EBIT underlying margin	9.3%	8.8%	3.9%	12.8%	8.9%	10.5%	11.1%	10.8%	10.9%	11.0%
D&A	127	122	53	52	105	52	52	104	104	104
EBITDA underlying	304	294	81	168	249	144	160	304	317	325
EBITDA margin	15.9%	15.1%	11.4%	18.6%	15.4%	16.4%	16.4%	16.4%	16.2%	16.2%
EBITDA reported	280	286	79	162	241	144	160	304	317	325
EBITDA margin	14.7%	14.6%	11.1%	17.9%	14.9%	16.4%	16.4%	16.4%	16.2%	16.2%
Organic growth		3.5%	-30.0%	-4.0%	-15.4%	26.0%	8.0%		5.5%	2.5%
Volume		2.7%	-25.0%	-0.9%	-11.5%	22.5%	6.0%		4.0%	2.0%
Metals (wire rod prices)		0.0%	-5.0%	-3.0%	-3.9%	0.0%	0.0%		0.0%	0.0%
Price/Mix		0.8%	0.0%	0.0%	0.0%	3.6%	2.0%		1.5%	0.5%
FX		1.4%	0.0%	-3.4%	-1.9%	-2.3%	0.0%		0.0%	0.0%
Total growth		4.9%	-35.0%	-3.6%	-17.4%	23.8%	8.0%		5.5%	2.5%

Source : ABN AMRO Oddo BHF Research

Figure 11: detailed forecast SWS (€m)

SWS	FY18A	FY2019	1H2020	2H2020	FY2020	1H2021E	2H2021E	FY2021E	FY2022E	FY2023E
Consolidated sales 3rd party	1,497	1,448	639	694	1,333	739	710	1,449	1,492	1,537
Consolidated sales	1,554	1,491	655	708	1,363	769	740	1,509	1,552	1,597
EBIT (reported)	59	25	39	49	88	63	59	122	127	132
EBIT margin	3.9%	1.7%	6.1%	7.1%	6.6%	8.5%	8.3%	8.4%	8.5%	8.6%
One-off costs/(gains)	-2	26	1	7	8	0	0	0	0	0
EBIT (underlying)	57	51	40	56	96	63	59	122	127	132
EBIT (underlying) margin	3.8%	3.5%	6.3%	8.1%	7.2%	8.5%	8.3%	8.4%	8.5%	8.6%
D&A	46	55	27	25	52	25	24	49	49	49
EBITDA (reported)	103	106	64	76	140	88	83	171	176	181
EBITDA (reported) margin	6.9%	7.3%	10.0%	11.0%	10.5%	11.9%	11.7%	11.8%	11.8%	11.8%
EBITDA (underlying)	108	93	67	82	149	88	83	171	176	181
EBITDA (underlying) margin	7.2%	6.4%	10.5%	11.8%	11.2%	11.9%	11.7%	11.8%	11.8%	11.8%
Organic growth		-4.1%	-11.9%	3.5%	-3.0%	17.9%	6.0%		3.0%	3.0%
Volume		-5.2%	-10.9%	3.5%	-3.4%	10.2%	3.5%		2.0%	2.0%
Materials		-2.6%	-1.0%		0.4%	0.0%	0.0%		0.0%	0.0%
Price/Mix		3.7%	0.0%		0.0%	7.6%	2.5%		1.0%	1.0%
FX		0.8%	-3.0%		-4.9%	-2.0%	0.0%		0.0%	0.0%
Total growth		-0.2%	-15.9%	3.5%	-7.9%	15.9%	6.0%	8.7%	3.0%	3.0%

Source : ABN AMRO Oddo BHF Research



Figure 12: detailed forecast Specialty Business (€m)

Specialties	2018a	2019a	1H2020a	2H2020a	2020a	1H2021e	2H2021e	2021e	2022e	2023e
Consolidated sales 3rd party	411	414	185	205	390	198	212	410	417	424
Consolidated sales	425	426	188	208	396	201	215	417	423	430
EBIT (reported)	-33	34	23	13	36	26	26	52	53	54
EBIT margin	(7.8%)	8.0%	12.2%	6.3%	9.1%	12.9%	12.2%	12.5%	12.5%	12.5%
One-off costs/(gains)	59	18	1	8	9	0	0	0	0	0
EBIT (underlying)	26	52	24	21	45	26	26	52	53	54
EBIT (underlying) margin	6.3%	12.6%	13.0%	10.2%	11.5%	13.1%	12.4%	12.7%	12.7%	12.7%
D&A	21	15	7	10	17	6	10	16	16	16
Impairment	55	2	0	0	0	0	0	0	0	0
EBITDA (reported)	43	51	30	24	54	32	36	68	69	70
EBITDA (reported) margin	10.5%	12.3%	16.2%	11.7%	13.8%	16.1%	17.1%	16.6%	16.5%	16.5%
EBITDA (underlying)	48	67	31	31	62	32	36	68	69	70
EBITDA (underlying) margin	11.7%	16.2%	16.8%	15.1%	15.9%	16.1%	17.1%	16.6%	16.5%	16.5%
Organic growth		0.2%	-8.0%	-7.0%	-7.5%	6.8%	3.6%	5.2%	1.6%	1.7%
Volume		0.2%	-8.0%	-7.0%	-7.5%	6.8%	3.6%	5.2%	1.6%	1.7%
Price/Mix		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FX		0.0%	-1.0%	0.0%	-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
M&A		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total growth (yoy)		0.2%	-9.0%	-7.0%	-5.8%	6.8%	3.6%	5.2%	1.6%	1.7%

Source : ABN AMRO Oddo BHF Research

Figure 13: detailed forecast BBRG (€m)

BBRG	FY18A	FY19A	1H20A	2H20A	FY20A	1H21E	2H21E	FY21E	FY22E	FY23E
Consolidated sales	464	489	229	196	425	238	200	438	443	448
Consolidated sales	466	491	230	197	427	240	202	442	447	452
EBIT reported	-20	9	24	0	24	24	22	46	47	47
EBIT margin (%)	-4.3%	1.8%	10.5%	0.0%	5.6%	10.1%	10.9%	10.4%	10.6%	10.6%
One-offs	13	3	0	10	0	0	0	0	0	0
EBIT underlying	-7	12	24	10	34	24	22	46	47	47
EBIT margin (%)	-1.5%	2.4%	10.5%	5.1%	8.0%	10.0%	10.9%	10.4%	10.6%	10.6%
D&A	29	32	16	15	31	15	15	30	30	30
EBITDA underlying	22	44	39	25	64	39	37	76	77	77
EBITDA margin	4.7%	9.0%	17.0%	12.8%	15.1%	16.3%	18.4%	17.2%	17.4%	17.3%
EBITDA reported	16	40	39	23	62	39	37	76	77	77
EBITDA margin (%)	3.4%	8.2%	17.0%	11.7%	14.6%	16.4%	18.4%	17.2%	17.4%	17.3%
Organic growth		4.2%	-6.0%		-13.1%	4.0%	2.0%	3.1%	1.1%	1.2%
Volume		1.0%	-6.0%		-13.1%	3.0%	2.0%	2.5%	1.1%	1.2%
Price/Mix		3.2%	0.0%		0.0%	1.0%	0.0%	0.5%	0.0%	0.0%
FX		1.3%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total growth		5.5%	-6.0%	-20.6%	-13.1%	4.0%	2.0%	3.1%	1.1%	1.2%

Source : ABN AMRO Oddo BHF Research


BEKB.BR | BEKB BB
Metals & Mining | Belgium
Outperform

Upside 52.42%

Price 36.74 €

TP 56.0 €

PER SHARE DATA (€)	12/15	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e
Adjusted EPS	1.88	2.67	2.94	1.83	2.27	2.38	4.07	4.37
Reported EPS	1.83	1.86	3.24	0.70	0.73	2.38	4.07	4.37
Growth in adjusted EPS	35.0%	42.0%	10.1%	-37.9%	24.3%	5.0%	70.6%	7.5%
Net dividend per share	0.90	1.10	1.10	0.70	0.35	1.00	1.10	1.25
FCF to equity per share	6.27	3.87	-1.72	1.72	7.69	6.33	4.08	3.29
Book value per share	24.80	26.08	26.22	24.74	25.39	25.62	28.62	31.81
Number of shares market cap (m)	60.13	60.35	60.37	60.41	60.41	60.41	60.41	60.41
Number of diluted shares (m)	55.84	56.26	56.74	56.45	56.51	56.51	56.51	56.51
VALUATION (€m)	12/15	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e
12m highest price (€)	29.83	42.26	48.84	40.82	27.78	28.48	38.82	
12m lowest price (€)	22.87	26.73	34.20	17.57	19.88	13.79	27.62	
(*) Reference price (€)	26.12	37.09	42.08	28.21	23.99	19.88	36.74	36.74
Capitalization	1 570	2 239	2 541	1 704	1 449	1 201	2 219	2 219
Restated Net debt	875	1 088	1 166	1 180	992	619	443	315
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	286	343	268	220	183	196	196	196
Enterprise Value	2 731	3 670	3 975	3 105	2 624	2 016	2 858	2 731
P/E (x)	13.9	13.9	14.3	15.5	10.6	8.3	9.0	8.4
P/CF (x)	4.2	5.2	7.2	5.5	3.1	3.3	4.8	4.5
Net Yield	3.4%	3.0%	2.6%	2.5%	1.5%	5.0%	3.0%	3.4%
FCF yield	24.0%	10.4%	ns	6.1%	32.1%	31.8%	11.1%	9.0%
P/B incl. GW (x)	1.05	1.42	1.61	1.14	0.94	0.78	1.28	1.15
P/B excl. GW (x)	1.05	1.42	1.61	1.14	0.94	0.78	1.28	1.15
EV/Sales (x)	0.74	0.99	0.97	0.72	0.61	0.53	0.69	0.63
EV/EBITDA (x)	6.3	7.2	8.0	7.3	5.6	4.2	4.8	4.3
EV/Current EBIT (x)	12.2	12.0	13.2	14.8	10.8	7.9	7.4	6.7
(*) historical average price								
PROFIT AND LOSS (€m)	12/15	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e
Sales	3 671	3 715	4 098	4 305	4 322	3 772	4 161	4 332
EBITDA	436	513	497	426	468	475	598	630
Depreciations	-212.9	-208.3	-196.9	-215.9	-226.1	-218.4	-210.0	-219.8
Current EBIT	223	305	300	210	242	257	388	410
Published EBIT	220	259	317	147	155	257	388	410
Net financial income	-96.2	-110.6	-93.1	-110.5	-84.7	-86.3	-70.4	-71.3
Corporate Tax	-36.4	-62.1	-69.3	-58.5	-51.1	-56.5	-105.5	-110.4
Net income of equity-accounted companies	18.3	25.4	26.9	24.9	29.0	34.4	29.8	30.7
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-3.9	-7.3	2.2	37.0	-6.9	-13.4	-12.0	-12.0
Attributable net profit	102	105	184	39.7	41.4	135	230	247
Adjusted attributable net profit	105	150	167	103	128	135	230	247
BALANCE SHEET (€m)	12/15	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e
Goodwill	35.7	152	150	149	150	149	149	149
Other intangible assets	109	140	125	115	60.3	54.7	53.0	52.1
Tangible fixed assets	1 490	1 515	1 501	1 459	1 499	1 324	1 259	1 297
WCR	756	893	893	867	659	527	596	621
Financial assets	285	329	348	326	339	294	298	301
Ordinary shareholders equity	1 385	1 467	1 488	1 397	1 435	1 448	1 617	1 798
Minority interests	131	131	119	95.4	96.4	87.2	99.2	111
Shareholders equity	1 516	1 598	1 583	1 516	1 532	1 535	1 716	1 909
Non-current provisions	286	343	268	220	183	196	196	196
Net debt	875	1 088	1 166	1 180	992	619	443	315
CASH FLOW STATEMENT (€m)	12/15	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e
EBITDA	436.0	513.0	497.0	426.0	468.0	475.0	597.9	629.7
Change in WCR	171.5	-28.5	-159.6	-65.3	107.3	73.7	-68.6	-24.6
Interests & taxes	-113.6	-152.4	-143.8	-129.8	-107.8	-96.3	-165.9	-171.6
Others	27.0	43.1	-19.8	-8.5	74.4	-39.2	0.0	0.0
Operating Cash flow	520.8	375.1	173.7	222.4	541.9	413.1	363.4	433.4
CAPEX	-170.6	-157.5	-271.3	-125.2	-107.0	-55.6	-132.5	-247.5
Free cash-flow	350.2	217.6	-97.5	97.2	434.8	357.6	230.9	185.9
Acquisitions / disposals	-208.6	40.9	20.2	2.4	0.8	-1.0	0.0	0.0
Dividends	-48.0	-50.5	-62.4	-62.2	-39.6	-25.7	-60.4	-66.4
Net capital increase	1.2	7.5	4.0	-11.3	0.0	-7.9	0.0	0.0
Others	19.1	22.2	-31.8	0.5	-0.7	21.0	6.1	7.9
Change in net cash	104.4	204.1	-179.4	22.1	398.9	327.3	176.6	127.3
GROWTH MARGINS PRODUCTIVITY	12/15	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e
Sales growth	14.2%	1.2%	10.3%	5.1%	0.4%	-12.7%	10.3%	4.1%
Lfi sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current EBIT growth	35.8%	36.5%	-1.5%	-30.0%	15.1%	6.0%	51.2%	5.7%
Growth in adjusted EPS	35.0%	42.0%	10.1%	-37.9%	24.3%	5.0%	70.6%	7.5%
Net margin	2.9%	4.0%	4.1%	2.4%	3.0%	3.6%	5.5%	5.7%
EBITDA margin	11.9%	13.8%	12.1%	9.9%	10.8%	12.6%	14.4%	14.5%
Current EBIT margin	6.1%	8.2%	7.3%	4.9%	5.6%	6.8%	9.3%	9.5%
CAPEX / Sales	-4.6%	-4.3%	-6.7%	-4.2%	-2.5%	-2.9%	-3.2%	-5.7%
WCR / Sales	20.6%	24.0%	21.8%	20.1%	15.2%	14.0%	14.3%	14.3%
Tax Rate	29.3%	41.7%	30.9%	ns	72.6%	33.2%	33.2%	32.6%
Normative tax rate	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Asset Turnover	1.5	1.5	1.5	1.6	1.7	1.7	2.0	2.1
ROCE post-tax (normative tax rate)	7.3%	9.5%	8.8%	6.3%	7.7%	9.2%	14.9%	15.5%
ROCE post-tax hors GW (normative tax rate)	7.4%	9.8%	9.4%	6.7%	8.2%	9.8%	16.1%	16.7%
ROE	7.6%	10.5%	11.3%	7.1%	9.1%	9.3%	15.0%	14.5%
DEBT RATIOS	12/15	12/16	12/17	12/18	12/19	12/20	12/21e	12/22e
Gearing	58%	68%	74%	78%	65%	40%	26%	17%
Net Debt / Market Cap	0.56	0.49	0.46	0.69	0.68	0.52	0.20	0.14
Net debt / EBITDA	2.01	2.12	2.35	2.77	2.12	1.30	0.74	0.50
EBITDA / net financial charges	7.0	7.0	5.7	5.0	7.1	8.5	9.9	10.3

Sources: ODDO BHF Securities, SIX



- **Valuation method**

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on ODDO BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

- **Sensitivity of the result of the analysis/ risk classification:**

The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

- **Our stock market recommendations**

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.
 Outperform: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).
 Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).
 Underperform: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

- **The prices of the financial instruments used and mentioned in this document are the closing prices.**

- **All publications by ODDO BHF concerning the companies covered and mentioned in this document are available on the research site:**
www.securities.oddo-bhf.com www.securities.oddo-bhf.com

Recommendation and target price changes history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
09/03/21	Outperform	43.00	34.76	Martijn Den Drijver
08/12/20	Neutral	30.00	27.20	Martijn Den Drijver
02/07/20	Neutral	19.00	17.19	Martijn Den Drijver

In accordance with Article 20 of European Regulation No. 596/2014 (Market Abuse Regulation), a list of all recommendations on any financial instrument or issuer that have been disseminated over the past twelve months is available by clicking on the following link www.securities.oddo-bhf.com www.securities.oddo-bhf.com

Recommendation split

		Outperform	Neutral	Underperform
Our whole coverage	(517)	55%	33%	12%
Liquidity providers coverage	(94)	59%	37%	4%
Research service coverage	(43)	63%	33%	5%
Investment banking services	(25)	76%	16%	8%

Risk of conflict of interest:
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Does the subject company beneficially own 5% or more of any class of common equity of ABN AMRO - ODDO BHF B.V. or one of its parent companies? No

Disclosure to Company

Has a copy of this report ; with the target price and/or rating removed, been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements ? Yes

Have the conclusions of this report been amended following disclosure to the company/ies and prior its distribution? No

Additional material conflicts



Is ABN AMRO - ODDO BHF B.V. or one of its parent companies, aware of any additional material conflict of interest? No

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Have those responsible for the drafting of the present document acquired securities from the issuer concerned by the present financial analysis? No

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