

BEKAERT

Read-through Michelin market data & preview CMD

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 39.10
TARGET PRICE € 42.00

ACCUMULATE

RATING UNCHANGED

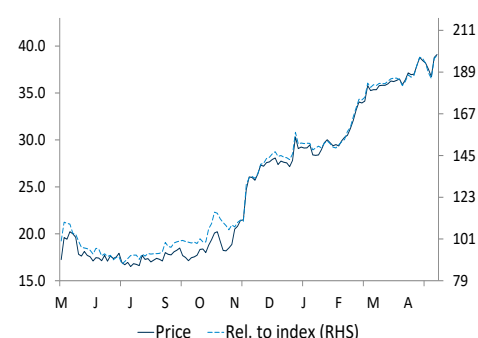
Michelin tire market data for the month of April confirmed a continuing strong momentum supported by a very easy comparison base. Bekaert will hold a CMD on Friday and we would expect to get both FY21 guidance and a new mid-term target, after the previous 7% underlying EBIT margin target was exceeded in 2020. 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 10.8x, EV/REBITDA22e 5.6x) we maintain our Accumulate rating with € 42 TP.

Read-through Michelin tire market data: Michelin released tire market data for the month of April. Bearing in mind the very easy comparable base given the fierce COVID-19 impact in April 2020, we note for the passenger car & light truck tire market a 68% increase in the Replacement segment (Western & Central Europe +56%, North America +135%, China -7%) and a 122% increase in the OEM segment (Western & Central Europe +1602%, North America +12381%, China +2%), despite the negative impact from supply chain disruptions in the latter. Michelin mentioned that demand in the Replacement segment in China in April suffered from the price increases announced at the start of the year (which have led at that point to some pre-buying).

In the Truck & Bus Tire market, global demand increased by 41% globally in the Replacement segment (Western & Central Europe +52%, North and Central America +52% and South America +86%) and by 7% in the OEM segment (Western & Central Europe +330%, North and Central America +268% and South America +283%). Michelin mentioned that overall demand is strong in both OEM and Replacement segments, driven by the strong demand for freight as a result of the upturn in economic activity.

Overall we Michelin data underpin the positive momentum that also Bekaert enjoyed in its Rubber Reinforcement division in 1Q21 (sales growth of 19%).

Preview CMD: We remind that Bekaert is organizing a CMD under the helm of its recently appointed new permanent CEO Oswald Schmid. After the group exceeded its previous mid-term underlying EBIT margin target of 7% already in 2020 (7.2%) and the group initially did forecast a 7.6-7.8% margin for 2021 (although not reiterated in the recent 1Q trading update as the company did want to keep the update for the upcoming CMD), we would expect not only to get an updated FY21 uEBIT guidance but probably also a new mid-term target. We remind that Bekaert started the year well, with 1Q group sales growth of 16%, driven mainly by Rubber Reinforcement and Steel Wire Solutions (both up 19%). We currently forecast a FY21 uEBIT margin of 7.6% (CSS 7.7%), growing to 8.2% by 2023 (CSS 8.7%) and kept fairly flattish in the years thereafter (no CSS available).



Source: Thomson Reuters Datastream

Bloomberg	BEKB.BB
Reuters	BEKB.BR
www.bekaert.com	
Market Cap	€ 2,362.0m
Shares outst.	60.4m
Volume (daily)	€ 2,614,590
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	12.2	10.8
EV/REBITDA	4.5	6.2	5.6
FCF yield	29.9%	6.0%	10.4%
Dividend yield	5.0%	2.6%	2.8%

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