



Q&A

Webcast

13 May 2020

Due to a technical failure no recording of the Q&A session is available. The session with analysts was led by **Oswald Schmid**, interim CEO and **Taufiq Bousaid**, CFO.

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Q1: Can you elaborate more on the elements of the Working Capital? Can these levels be maintained? Do you see changes in payment behavior of customers? You mentioned at a previous analyst conference that you considered a factoring level of 20% of A/R: does that target still stand?

A1: The efforts on inventory control show in the numbers, with very little change in inventory versus the low level at the close of 2019. This remains a key focus area in all of our businesses and for our purchasing and supply chain teams.

A/R are lower than the level of YE2019. This is a result of lower sales, strict cash collection, and factoring. With €134 million of factoring on €696 million of A/R we are factoring 19% of our receivables, which is in line with the target we mentioned. However, this is not a 'hard target' as such: we look at factoring in an 'opportunistic' way – meaning that we evaluate the opportunities (eg: extend to other regions) and cost. There is no immediate pressure to further extend from the point of view of our cash position.

Credit control is key and yes, we do look at changes in payment behavior with customers as well as at potential changes in insurance contract terms.

Q2: How do you intend to maintain a healthy B/S? What is your guidance on CAPEX? You have several financial instruments maturing in the near future (2020-2021). How do you intend to refinance those?

A2: B/S strength: the same way we have been doing in the past 6 months: strict control on cost, working capital and CAPEX.

CAPEX guidance for 2020: at this moment we consider to remain at the level of 2019 (around € 100 million) but we can further delay projects if this would be needed, and accelerate projects if possible. In any case we invest in projects that are business-critical or compliance-driven (eg safety-related investments).

Financing: we are looking at the opportunities and instruments that are currently possible, but seen the high liquidity level, we are not under tremendous pressure.

Q3: Markets and customers: can you give an update on the evolution of your order intake (within 2 months and beyond)? Pirelli guides for about -20% FY: do you see that in your tire markets overall? If 'mileage driven' is an indicator for replacement tire markets, how do you see this evolve post-COVID-19: will 'telework' affect future growth opportunities?

A3: Order intake: depends on our customer profiles: some are LT contracts where we have a longer-term view, others are spot-orders. It also depends on the markets: tire and automotive sector is hit hard: we work closely with our customers to see what their current urgencies are as well as their future perspectives. Order level has decreased in Rubber Reinforcement, in line with the current situation in that market. Other markets continue to be strong, especially agriculture, mining, construction, elevator markets.

Across the board, order intake in businesses with longer-term contracts: situation 2 months and beyond is around 15% lower. Shorter-term: April-May: lower due to the impact of tire & automotive: Q2 anticipated to be the worst quarter of the year, but no visibility yet on H2.

post-COVID-19 'new normal': yes, telework is projected to remain part of the new normal. However, there is also a trend of preference for private transportation <> less trust in safety measures public transportation. Truck tire demand may, overall, recover faster than passenger.

Q4: Does Bekaert count on incentives? How much did you receive so far? Are tax reliefs/postponements substantial in Q1 cash flow?

A4: We are indeed making use of the incentives we are entitled to – be it social security support in furlough periods or phased tax payments. This all differs per country where we are active. About € 6 million in April. Will decrease in May, with the gradual re-activation of operations. No substantial impact re tax payments in Q1.

Q5: What is the amount of cost savings you realized in Q1?

A5: This is a trading update, we won't specify the uEBIT elements. We do see cost savings from actions taken in 2019 flow through (restructurings, closures of loss generating plants). In addition, we halved the dividend (and postpone its payment to November), reduced the Board fees by 10% and the salary of executive and senior leaders by 10%, temporarily. There are no travel costs and consultancy is limited. SG&A indeed is lower than Q1 last year (ca -9%) and in previous periods.

Information from Q&A session with analysts

Q6: How do wire rod prices evolve this year?

A6: We see some decreases in certain alloys and regions, but the effect is not comparable to last year. The prices are already at a relatively low level.

Q7: What is the energy cost of Bekaert?

A7: 6% of our operating expenses.

Q8: What is the share of fixed vs variable costs at Bekaert?

A8: There are many different elements playing here. You can find a picture by cost nature in our annual report (page 112). Most important now is to 'variabilize' as much as possible the fixed costs.

Q9: How far are you in defining the future set-up of sawing wire? Still in search of partnerships?

A9: We continue to talk with potential partners. Options remain open and we aim to come to a conclusion by year-end.

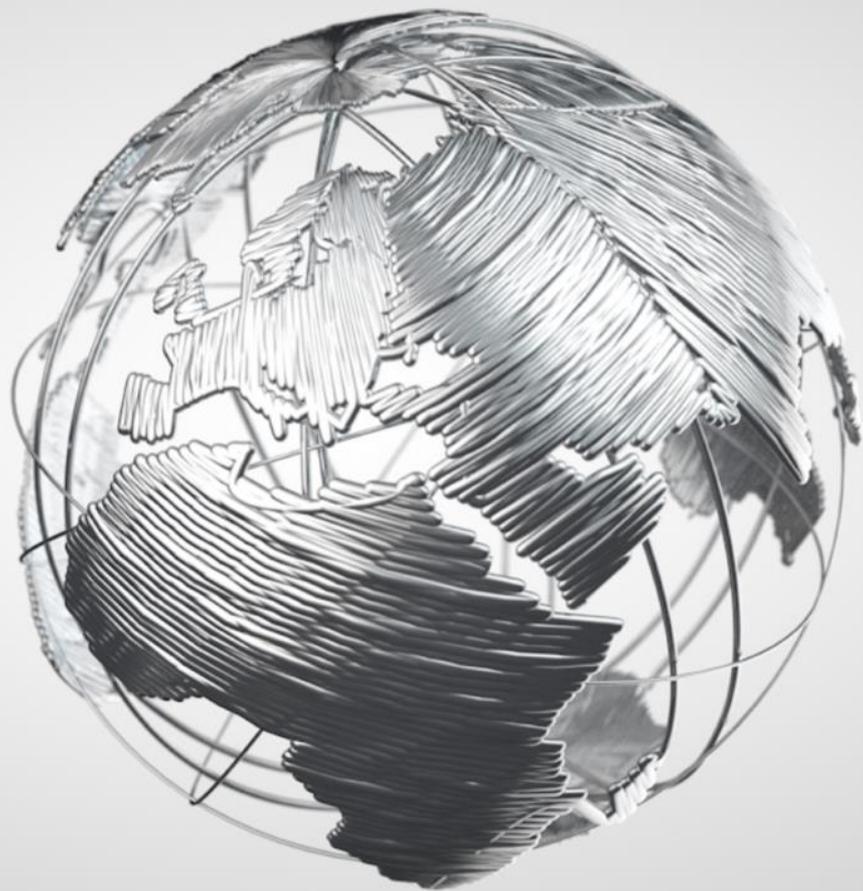
Q10a: Mr Schmid, you are interim CEO, how would you describe that position?

A10a: I am running the company like a CEO does – with the responsibilities and authority that come along with the CEO role. The position is temporary as a search has been started for a new, permanent, CEO.

Q10b: Mr Schmid, what is your view on Bekaert (6 months after you joined)?

A10b: Bekaert is a company with strong foundations and a very good position in its markets. I know the company from my previous executive roles with the Continental Group and the Schindler Group and from that customer side, Bekaert has always been a reference in terms of quality and innovation.

Personally, I see a very high level of competency and engagement within Bekaert, and that is an important measure of the company's potential.



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