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Results H1 2020

Webcast 31 July 2020

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Highlights

Bekaert counters significant impact of Covid-19 through effective mitigating measures and performance improvements

The turnaround of SWS and BBRG and the effectiveness of implemented measures moderate the impact of Covid-19 on the Rubber Reinforcement business

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Covid-19 impact and response

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• Demand from **tire and automotive markets**

- Hit hard, first in China and quickly followed in the rest of the world
- Up to -30% drop in global car/truck production over the first half
- Global tire demand reduction: -40% on average in Q2 ; lowest point in April



Tire cord
Bead wire
Heat resistant textiles
Micro-cables
Window regulator cord



• **Construction and infrastructure markets**

- Held up relatively well in the first quarter of 2020
- Constrained by lockdowns in Q2: up to -20% (depending on the region)
- Stimulus programs start to boost infrastructure investment in China



Dramix® fibers
Masonry reinforcement
Construction strand & ropes
Welded mesh
Elevator hoisting cords
Burners & heat exchangers



• Demand from **agriculture, utility, and mining markets**

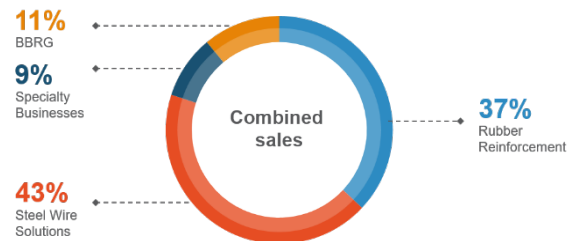
- Remained relatively solid throughout the first half (up to -10% impact)
- Currently less affected by the Covid-19 pandemic
- Considered 'essential industries'



Agri fencing solutions
Power cable armoring
Conductor strands
Mining ropes

2020 H1 Sales

Consolidated sales	2019	2020	Share	Variance	Organic	FX
Rubber Reinforcement	1 014	709	40%	-30%	-30%	-
Steel Wire Solutions	751	639	36%	-15%	-12%	-3%
Specialty Businesses	202	185	10%	-9%	-8%	-1%
BBRG	242	229	13%	-6%	-4%	-2%
Group	10	9	-	-8%	-3%	-5%
Total	2 218	1 770	100%	-20%	-19%	-1%
Combined third party sales	2 619	2 065	100%	-21%	-17%	-4%



Our response



Health & Safety

- Early, rigorous measures to limit infection risks
- Awareness among team members and their families
- Early promotion of smart working



Customer Centricity

- Close contact to understand current and future needs
- Ensure customers do not suffer from supply interruptions
- Reinforce digital tools and practices



Liquidity & Cost

- Strict control on working capital and cash collection risk
- Stringent capex and cost control + flexing of fixed cost
- Positive cash flows and strong liquidity



Profit Restoration

- Acceleration of the turnaround of SWS and BBRG
- Robust improvement in business mix and margins
- Impactful mitigating actions



Supply Chain Mgt

- Secured supplies of critical products to avoid interruptions
- Adequate sourcing activities aligned with sales evolution
- Global virtual supplier campaign



- Effective governance and coordination in aligning decisions and actions in managing this crisis
- Communication streams and channels across the business and the regions
- Focus on emerging stronger from the crisis and anticipating risk and opportunity in our markets and in our business

Financial Highlights

- Underlying EBIT margin of 5.2% (5.7% H1 2019) on a revenue decrease of -20%
- Robust performance improvement SWS and BBRG – SB remaining strong – RR significantly affected
- Proactive actions and mitigating response to Covid-19: reduction of cost and working capital
- Stronger business mix
- Very strong liquidity: € 834 million euro cash on hand, doubling 30 June 2019 levels
- Debt leverage at 2.5x underlying EBITDA, slightly below H1 2019 (2.6x)

Sales



-20%

uEBIT



5.2%

Measures



cost – capex
working capital

Business mix



stronger

Liquidity



x2

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Financial Results

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H1 2020 Financial Highlights

H1	2019	2020	Δ yoy	%
Sales	2 218	1 770	-448	-20%
EBITDA-underlying	239	194	-45	-19%
EBIT-underlying	126	92	-34	-27%
% EBITDA-underlying	10.8%	11.0%	+0.2pp	+2%
% EBIT-underlying	5.7%	5.2%	-0.5pp	-9%
Working Capital	956	720	-236	-25%
Net Financial Debt	1 253	955	-298	-24%
Net debt on EBITDA-underlying	2.6	2.5	-0.1pp	-4%

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Consolidated income statement: key figures

(in mio €)

	Underlying		Reported	
	H1 2019	H1 2020	H1 2019	H1 2020
Sales	2 218	1 770	2 218	1 770
Cost of sales	(1 909)	(1 518)	(1 916)	(1 521)
Gross profit	309	252	302	249

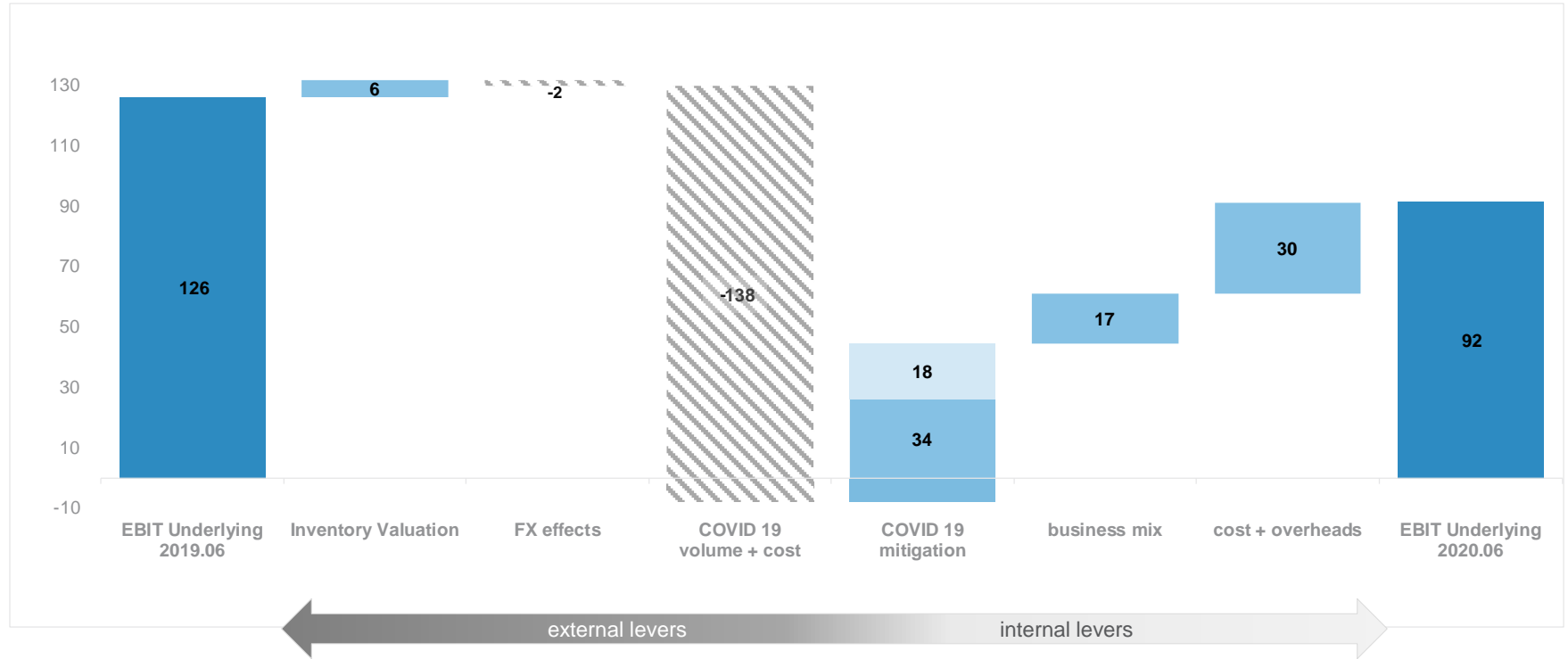
- Sales decreased by -20.2%:
 - -17.7% organic volume decline (-26.5% in Q2)
 - -1.1% passed-on wire rod price changes and other price-mix elements
 - -1.4% unfavorable impact of exchange rate movements
- Underlying **Gross profit** decreased by €-56.7 million (-18.3%) but increased as a margin on sales to 14.3% (13.9% in H1 last year):
 - adverse cost of sales and margin impact from a significant decrease in volumes
 - positive mix effects from growth in good margin businesses
 - robust progress in the profit restoration of BBRG and Steel Wire Solutions
 - mitigation actions in response to COVID-19 impact
 - unfavorable impact from currency movements

Consolidated income statement: key figures

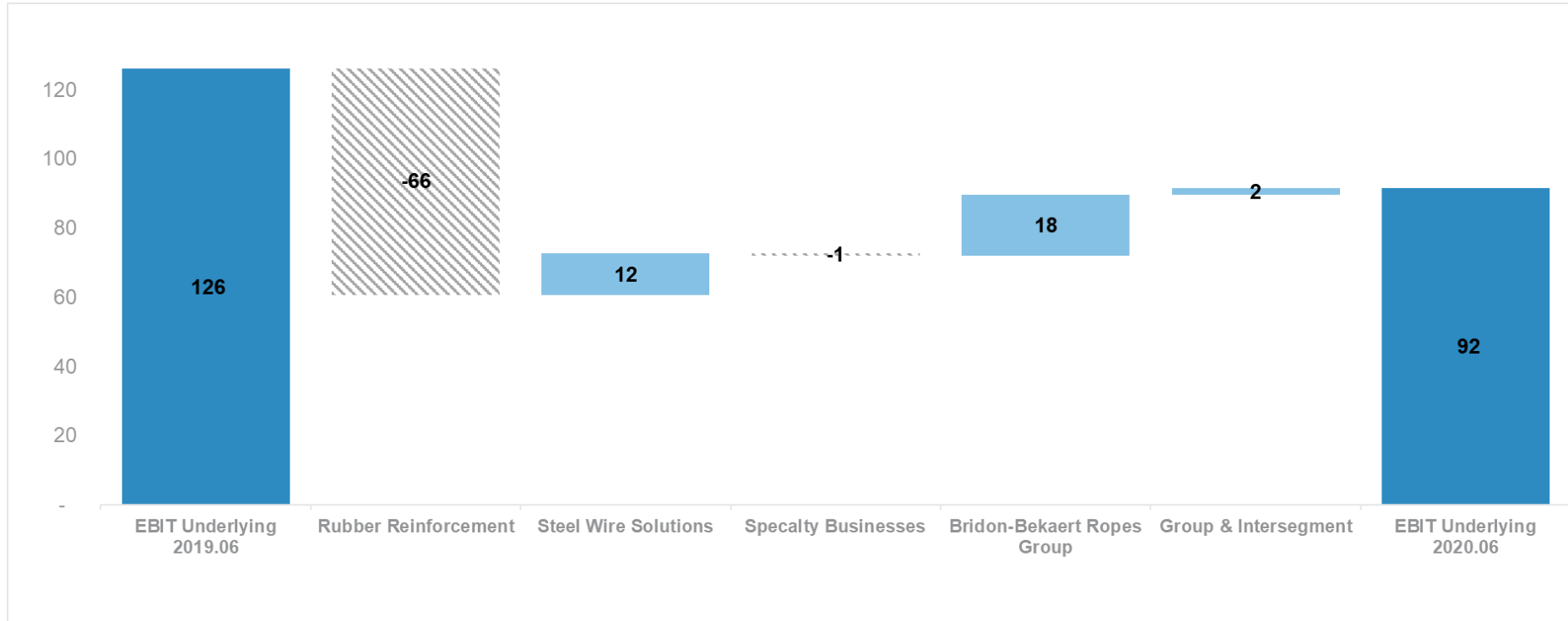
(in mio €)	Underlying		Reported	
	H1 2019	H1 2020	H1 2019	H1 2020
Gross profit	309	252	302	249
Selling expenses	(88)	(81)	(89)	(81)
Administrative expenses	(70)	(59)	(71)	(60)
R&D expenses	(33)	(25)	(33)	(26)
Other operating revenue and expenses	8	4	7	4
EBIT	126	92	115	87
EBIT margin	5.7%	5.2%	5.2%	4.9%
EBITDA	239	194	226	188
EBITDA margin	10.8%	11.0%	10.2%	10.6%

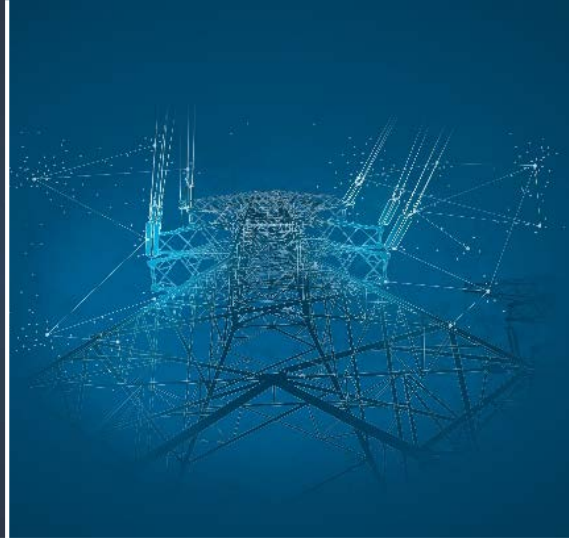
- **Overheads** decreased by € -25.9 million.
 - full impact of restructuring and structural savings actions implemented in the second half of 2019
 - mitigation actions taken in response to COVID-19 (€ -17.6 million)
- Underlying **EBIT** decreased by € -34.5 million to €91.5 million
- Underlying EBIT margin on sales was 5.2%, a relatively slight decrease on 20% lower sales.
- Underlying **EBITDA margin** improved to 11.0%.

EBIT-Underlying bridge



EBIT-Underlying bridge by Business Unit





Segment Reports



Rubber Reinforcement

(in mio €)

	Underlying		Reported	
	H1 2019	H1 2020	H1 2019	H1 2020
Consolidated third party sales	1 014	709	1 014	709
Consolidated sales	1 031	725	1 031	725
Gross profit	126	55	123	54
EBIT	94	28	91	27
EBIT margin	9.1%	3.9%	8.8%	3.7%
EBITDA	157	81	154	79
EBITDA margin	15.3%	11.1%	15.0%	10.9%
ROCE	13.6%	4.7%	13.2%	4.5%

- **Consolidated sales** contracted by -30% or €-300 million.
- **Volumes** decreased by -25% (-36% in Q2) and the impact of passed-on wire rod price changes and other price-mix effects was -5%.
- **Gross profit** was -56% below H1 last year.
- **Underlying EBIT** decreased by €-65.5 million, resulting in a margin on sales of 3.9%.
- **Underlying EBITDA margin** of 11.1%

Steel Wire Solutions

(in mio €)

	Underlying		Reported	
	H1 2019	H1 2020	H1 2019	H1 2020
Consolidated third party sales	751	639	751	639
Consolidated sales	778	655	778	655
Gross profit	82	93	82	93
EBIT	28	40	26	39
EBIT margin	3.5%	6.0%	3.4%	5.9%
EBITDA	55	67	53	64
EBITDA margin	7.1%	10.2%	6.9%	9.8%
ROCE	7.9%	13.7%	7.6%	13.4%

- Steel Wire Solutions reported -15% lower consolidated **sales**. This stemmed from a volume decline of -11%, passed-on wire rod price changes and other price-mix effects (-1%) and unfavorable currency movements (-3%).
- **Gross profit** increased by 12.6% to €93 million due to an improved business mix and footprint optimization, stringent cost control, and impactful Covid-19 mitigation actions.
- **Underlying EBIT** increased by +44% to reach a solid margin on sales of 6% and **underlying EBITDA** improved accordingly to a double-digit margin of more than 10%.

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Specialty Businesses

(in mio €)

	Underlying		Reported	
	H1 2019	H1 2020	H1 2019	H1 2020
Consolidated third party sales	202	185	202	185
Consolidated sales	208	188	208	188
Gross profit	60	57	54	56
EBIT	25	24	18	23
EBIT margin	12.0%	12.9%	8.6%	12.0%
EBITDA	33	31	27	30
EBITDA margin	15.7%	16.6%	13.2%	15.7%
ROCE	20.7%	20.1%	14.7%	18.7%

- Specialty Businesses reported a decrease of -8.5% in sales, driven by lower demand in the second quarter, both in Building Products (-10%) and Fiber Technologies (-10%). Combustion Technologies reported a moderate decrease and sales in Sawing Wire activities remained limited.
- Underlying EBIT was slightly below last year but the margin on sales improved to 12.9% and the underlying EBITDA margin increased to a robust 16.6%.

Bridon-Bekaert Ropes Group (BBRG)

(in mio €)

	Underlying		Reported	
	H1 2019	H1 2020	H1 2019	H1 2020
Consolidated third party sales	242	229	242	229
Consolidated sales	244	230	244	230
Gross profit	41	50	43	50
EBIT	6	24	8	24
EBIT margin	2.6%	10.3%	3.4%	10.3%
EBITDA	19	39	19	39
EBITDA margin	8.0%	17.2%	7.9%	17.2%
ROCE	2.6%	10.0%	3.4%	10.0%

- BBRG reported a **sales** decline of -5.6%, driven by lower volumes. Part of the volume decrease was a result of BBRG's strategy to reduce its presence in lower margin applications.
- The business unit delivered an **underlying EBIT** of €24 million, four times the result of the same period last year and reaching an underlying EBIT margin on sales of 10.3% (versus 2.6% in the same period last year). **Underlying EBITDA** reached an exceptionally strong margin of 17.2%.



Group Financial Statements

(continued)

Consolidated income statement: key figures

(in mio €)	H1 2019	H1 2020
EBIT	115	87
Interest income / expense	(33)	(28)
Other financial income and expenses	(1)	(15)
Result before taxes	81	44
Income taxes	(32)	(23)
Result after taxes (consolidated companies)	48	21

- **Net interest expenses** decreased because of the lower net debt position and lower interest charges from recent refinancing.
- **Other financial result** was €-15 million.
- **Income tax expense** was €-9 million below H1 2019 but the Effective Tax Rate (ETR) was high (53%) due to COVID-19 impacts on the Profit Before Tax in many entities and some one-time effects following changes in legislation.

Consolidated income statement: key figures

(in mio €)	H1 2019	H1 2020
Result after taxes (consolidated companies)	48	21
Share in the results of joint ventures and associates	13	13
Result for the period	62	34
Attributable to non-controlling interests	4	0
Attributable to equity holders of Bekaert	58	33

Consolidated cash flow: key figures

(in mio €)	H1 2019	H1 2020
Gross cash flows from operating activities	189	149
Cash flows from operating activities	134	111
Cash flows from investment activities	(56)	(47)
Cash flows from financing activities	(60)	213
Net increase or decrease (-) in cash and cash equivalents	18	277
Cash and cash equivalents at the beginning of the period	398	566
FX effects	2	(9)
Cash and cash equivalents at the end of the period	419	834

Working capital: key figures

(in mio €)	H1 2019	Year-end 2019	H1 2020
Inventories	914	783	757
Accounts receivable	850	721	626
Accounts payable	(808)	(805)	(663)
Working capital	956	699	720

Consolidated balance sheet: key figures

(in mio €)	Year-end 2019	H1 2020
Non-current assets	2 048	1 939
Current assets	2 257	2 409
Total assets	4 305	4 348
Equity	1 532	1 448
Non-current liabilities	1 367	991
Current liabilities	1 406	1 908
Total equity and liabilities	4 305	4 348

Ratios: key figures

	Underlying		Reported	
	H1 2019	H1 2020	H1 2019	H1 2020
Gross profit margin	13.9%	14.3%	13.6%	14.1%
EBITDA margin	10.8%	11.0%	10.2%	10.6%
EBIT margin	5.7%	5.2%	5.2%	4.9%
Sales on capital employed (asset rotation)	1.6	1.5	1.6	1.5
Return on capital employed (ROCE)	9.3%	7.7%	8.5%	7.3%
Return on equity (ROE)			8.1%	4.5%

(in mio €)	H1 2019	Year-end 2019	H1 2020
Net financial debt	1 253	977	955
Gearing (net debt to equity)	81.0%	63.8%	65.9%
Net debt on EBITDA (underlying)	2.6	2.1	2.5
Net debt on EBITDA (reported)	2.8	2.4	2.5

Key figures per share

(in €)	H1 2019	H1 2020
Share price	23.58	17.45
Number of existing shares	60 408 441	60 408 441
Book value	23.56	22.61
Earnings per share (EPS)	1.03	0.59
Weighted average number of shares	56 508 707	56 543 997



Other information

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Other information

- CAPEX in PP&E: €37 million, €-11 million below the level in H1 last year
- In July 2020, Bekaert reached final agreements with buyers on the sale of properties in Belgium:
 - Hemiksem land: net cash impact of € +23 million and income statement impact of € +36 million in Q4
 - Moen plant and small factory building in Zwevegem: net cash impact of € +10 million in Q4



Outlook

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- We project a gradual recovery in tire markets in the remainder of the year
- Demand evolutions in other markets are more difficult to project in the current economic environment
- We will continue to implement mitigating actions and other improvement measures
- We expect continued impact from the progress made in strengthening our resilience



The current evolutions and potential second wave risk of the Covid-19 pandemic continue to create a high level of uncertainty.

In this context, we have limited visibility on the full-year impact in our markets and our business.



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