

# **NV Bekaert SA (BEKSF) Q2 2024 Earnings Call Transcript**

Seeking Alpha - Earnings Call Transcripts

July 26, 2024 Friday

Copyright 2024 Seeking Alpha Provided by Syndigate Media Inc. All Rights Reserved

**Length:** 11249 words

**Byline:** SA Transcripts

**Body**

NV Bekaert SA (BEKSF)

Q2 2024 Results Conference Call

July 24, 2024 04:00 AM ET

Company Participants

Guy Marks - Investor Relations

Yves Kerstens - Chief Executive Officer

Taoufiq Boussaid - Chief Financial Officer

Conference Call Participants

Frank Claassen - Degroof Petercam

Martijn den Drijver - ABN Amro Oddo BHF

Wim Hoste - KBC Securities

Alexander Craeymeersch - Kepler Cheuvreux

Stijn Demeester - ING Financial Markets

Presentation

Guy Marks

Good morning, all, and welcome to Bekaert's H1 2024 Results and Trading Update. I'm delighted that you could all join us today.

As is usual, I will start with the safe harbor. And just to remind, this presentation may contain forward-looking statements. Such statements reflect the current views of the management regarding future events and involve known and unknown risks, uncertainties and other factors. This may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Bekaert is providing the information in this presentation as of its date and does not undertake any obligation to update any forward-looking statements contained in it in light of new information, future events or otherwise.

Bekaert disclaims any liability for statements made or published by third-parties and does not undertake any obligation to correct inaccurate data information, conclusions or opinions published by third-parties [indiscernible] to this or any other publication issued by Bekaert. It's also worth reminding that this call is being recorded.

So with that out the way, I'm delighted to hand over to Yves, please.

Yves Kerstens

Thanks, Guy, and good morning, everybody. So let me start with the introduction, and then Taoufiq will take us through the different segments and overall financial performance, and I will wrap up with some updates on strategic review and operational review.

So first half of '24, another half of progress on our strategic direction, while demonstrating financial resilience in the current market context. So from a strategic direction on the M&A side, happy to have done the acquisition of BEXCO, we'll talk a little bit later about that. And further, the business is improving margins across the board with three of the business units above 10% EBIT level and a nice improvement in the margins and portfolio of SWS performance.

On the other side, we have some challenges in the -- or facing some challenges in the growth business areas, a mixed picture, I would say. First of all, in construction, nice growth in terms of volume, and we continued that in -- during the second half. We see some contract delays in hydrogen. I will talk a little bit later about the market environment, the policy evolution and how we look at it and how we navigate with that opportunity.

And then last, more an internal challenge where we have operational performance challenges in our Steel Ropes businesses in the U.K. and in the U.S., which has impacted, let's say the performance of BBRG in the first half of the year both on the top line as well as on the profitability, and we have a turnaround plan that we will give you some highlights of.

In that context, proud to have a resilient financial performance, another proof point of stable performance with the profitability underlying around 10%, slight improvement versus the first half of '23 despite the lower sales volumes and top-line. Stable earnings per share and a stable free cash flow on a comparable base year-on-year and keeping a good healthy balance sheet.

On the sustainability side of our business, we report only on the full year results. But happy to announce or to share here that the Times Magazine together with [Statista] has, let's say, nominated Bekaert as one of the top five out of 5,000 companies on our stance and our progress towards sustainability.

Subscribe to Seeking Alpha for more content like this

If you look at the indicators from a financial point of view, so a top line of €2.1 billion in first half on -- in the revenue, a decline of 11%, a strong EBIT contribution of €204 million, with a margin around 9.9%, 10%. Stable EPS, good balance sheet, a reduction of the debt and a good stable leverage of our balance sheet.

Some highlights on H1. So we continue to drive some aspects in terms of innovation awards or also overall in specification and standards bodies in the industry. So let me start first on -- with the tire business, where with Goodyear we launched -- we developed 90% recycled sustainable tire with our recycled tire cord inside, but also on the right bottom side, setting the standards about how to report, how to get transparency on using recycled steel, let's say, across our businesses.

Then on the BBRG side, or on the [Rope] side, two aspects are the acquisition and a fully successful integration of Flintstone, the connector for the ropes as well as the acquisition of BEXCO. And then, in the construction and the energy transmission area, successful being nominated in the standards for tunneling in India, but also progress in China as well as in America for the overhead cables. So nice proof points of further product and solution innovation and influencing the standards of the industry.

So I hand over now to Taoufiq, who will zoom into the financial performance of the consolidated group, but also the different divisions.

Taoufiq Boussaid

Thank you very much, Yves and -- Hello, and good morning, everyone. So, just before going into the details, so I will, as usual, start with the sales. I'll focus primarily here on this first page on the total consolidated sales and then I will elaborate during the business segments for the other key information.

So I think that the key message is that we had a robust performance despite the fact that the markets have been quite challenging. So there is a mix of operational issues that we had to deal with BBRG and I will explain the reasons behind it, but also some of the market dynamics and the normalization versus last year is driving most of the variances that we will be discussing.

So the key information is the sales contraction. So as you can see, €2,060 million. So an 11% contraction compared to last year. And this decline is not something completely surprising to us. It's something that we have expected and that we have communicated when we provided the initial guidance for this decline. Continues somehow the trend we reported in 2023 as we continue to deal with subdued market conditions across some of our key segments.

So similar again to 2023, the primary driver for the top line contraction is related to the normalization of the passed-on cost inflation, including some of the energy price surcharges that we benefited from last year. So remember, and we explained it a couple of times, that this has contributed to the top line, albeit at a zero margin. So it was a pass-through and this pass-through is now normalizing. And this category or this explanation is explaining half of the total top line contraction versus last year, so roughly €120 million.

The balance of the reduction in organic volume decrease is related to the volume, so roughly 3.8%, where RR and SWS are the main contributors themselves. They are reporting a 4% contraction in volumes. That would probably there add the fact that the top line, the volumes have also contracted with BBRG, albeit on a smaller base.

When it comes to the price and mix, which is resulting in a 1.5% decrease, these were primarily due to the challenges in the tire cord volumes in China and Southeast Asia as well as the dynamic sales where we gained some significant momentum in terms of volume, albeit at a lower price and mix. But this is also a strategic decision that we have taken to accelerate the adoption in the decarbonized Construction segment.

Subscribe to Seeking Alpha for more content like this

So what we see more generally is that the price level are now normalizing compared to the previous period, which was characterized somehow by lower goods availability in the supply chain. So we see somehow this difficulties being easing and it's also adding out some pressure in terms of pricing. So that's for the overall Bekaert key indicators.

So when we drill down and we look at the performance by business unit, and starting with Rubber Reinforcement, so some challenges, and some considerable actually challenges for RR during the first half of 2024. So a global sales decline. So [RR] business is reporting a 13.2% contraction in sales. So we're totaling €885 million. Some of the key drivers are related to the volume, mainly in China, which did see some drop, EMEA as well with a 4.5% decline versus first half of 2023.

We do see on the positive side a good momentum in Southeast Asia, which is reporting an increase of 2.3%. But again, I mean, this is comparing to the first half. If you compare it with the second half, we do see a positive momentum. So if you look some of the key regions like Europe and North America, we do see some significant increases in the top line, Europe increasing sales by 13% versus second half of '23. Same goes for North America with roughly 8% .

In terms of price and mix, a negative impact, again, from all these normalizations that I have referred to, which is mainly due to the reduced cost for wire rod and the utilities. And the price/mix effects did somehow further dragged down the sales value by 2%, roughly, limited 2%, mainly from price erosion across most of the region, with the exception of China, which is important to mention.

The second element driving the pricing was the fact that we do -- we did see a trend in the first half of 2024 with a lower proportion of truck tire cords versus passenger tire cords, and we also did some tactical business selection in China, which turned out to be the right thing to do, because we wanted to make sure that we have the plants at the right load and the right occupation, and this has been contributing overall in terms of fixed cost absorption.

So in terms of profitability, and I think this is the key positive news, so despite the sales decline, the EBIT margin is improving by 50 basis points, so it's reaching 10.7% in H1 2024. And this improvement is really highlighting the ability of the business to optimize cost and to enhance the operational efficiency.

So the margin improvements were driven by production, cost optimization, the high plant utilization, especially in Europe and Asia, the focus on higher margin, innovative type of constructions. So the combination of these actions have clearly bolstered the profitability.

As I mentioned, in Asia, the capacity utilization remained high at around 95%. So this is a very good, a very strong achievement for us directly and positively impacting the profitability metrics.

Other important information is that at the end of H1 '24, 50% of our sales now come from premium products. So we have a very strong focus on stronger tensile cords. We are also increasing the recycled content of our products. And all this comes at premium, which is contributing in the results that we are sharing today. And we're continuing from the operational side with the ramp-up in Vietnam and India. So we are homologating some important key accounts and the production capacity in India is expanding.

Moving to SWS, so there is where the complex landscape for SWS at least sales wise. We'll discuss that a bit later on. So overall, some decline in sales. The market conditions have been very variable. But again, despite these challenges, I mean very strong focus in cost management, operational improvement, and most importantly, the selective business targeting which has allowed us to offset some of the adverse sales trends and to enhance the profitability.

Subscribe to Seeking Alpha for more content like this

So overall, top line contracting by 9.5%. Volumes themselves are representing roughly half of the total contraction. It's partly due to the portfolio rationalization and you will see the outcome of this exercise in the improvement of the margin, so reducing some of the dilutive segments that we had. Some of these actions have primarily targeted Latin America, where we had the biggest drop and contraction of the top line, roughly 10%.

So there was also a combination of the market challenges -- local market challenges in Ecuador and also in Colombia, where we did go through a phase of shortages when it comes to wire rod availability.

On the price impact, so there is well a [3.7%] decrease, which is primarily related to the passed-on wire rod price reduction, so similar to what I have explained earlier in RR. We're going through a phase of normalization. But despite all that, I mean, this is not dramatically penalizing our margin, although we're suffering from a slight negative price decrease.

Positive news as well when it comes to the volumes. So again, similar to RR, if you compare the sales to the second half of 2023, we do see a rebound in Europe, a rebound in North America with double-digit growth versus the last period. So again, we still need to wait and see if this is crystallizing. But the momentum seems to be in the right direction, hopefully.

Profitability wise, so again, amazing performance by the business, 380 basis point improvement, reaching 11.4%. So it's a very strong performance for RR mainly on the back of the improvements that I have referred to in terms of cost management, operation, the efficiency, product segmentation and so on.

The team did really a very good job in terms of addressing some of these burdens that we did suffer from the past. But as well, we do see the results of the mix improvement. So currently, around 28% of our sales came from energy and utilities sector. This is driving a mix improvement towards higher margin application. And again -- once again, you see the results in the profitability reported by the business unit.

Moving to Specialty business, so €332 million, top-line, a contraction of 5%. So as you know, different segments -- we have different segments with different type of dynamics in Specialty business. And starting with building products, so top-line contraction roughly of 9.1%, primarily driven by price, which is accounting for a contraction of 12.2%. But on the flip side, this is leading to a volume increase. So volumes have increased by 4%, driven by some significant project wins around the world in some key segments like industrial flooring, port pavement, tunneling projects in India.

The -- we do see an increased market competitiveness and a normalization of the previously high margins, which is leading to a rebalancing of the margins and volume. So supply chains were constrained last year. This is not the case anymore. So this is contributing and through this normalization that we see in the pricing, although it remains at a very good level and the profitability still remains in construction at a very satisfactory level.

Moving to fiber technology. So including the ultra fine wire business, the sub-segment did report a sales increase of 5%. However, we did see some negative trend, which is primarily affected by slow polymer filtration and lower sales in most of our IFS segment.

Ultra fine wire has been disappointing as well during the first half, so it's more in size, but it's a good profitability business. So we did see a very strong demand in Q1, in particular, from the solar and the semiconductor market. But then there was a sudden collapse which did occur to -- some overstocking and also some disruption from competing materials, and it's something that we are currently tackling.

Subscribe to Seeking Alpha for more content like this

On hydrogen, so we do see and we do have an increase in volume. The ramp-up is continuing. We are facing some sector-related delays mainly triggered by some of the uncertainties in the incentive schemes and some rising capital cost, which is postponing some of the expected orders. However, and this is important, the customer engagement and the sector fundamentals remain strong. We are continuing our further long-term supply agreements in terms of negotiation. So some delays, but the fundamentals are not dramatically changing.

On the combustion technology, a contraction of 9.6%. So that is why we already commented on that. We still continue seeing some of the effects around the uncertainty of the transition from fossil fuels to electricity in some key markets in Europe and North America. However, the business have done a great job in variabilizing the cost and they have been able to offset most of the negative impact coming from the volume contraction.

So EBIT margin at 15.5%, coming down from 18.1%. So this is the result primarily of some of the price normalization that I have referred to in sustainable construction. But we're seeing a good momentum in terms of volume. So the volume will, at some point, hopefully, sooner than later allow us to offset these price reductions that we have decided to implement. You know that construction is a conversion play. It's a penetration discussion. So we want to accelerate these key levers to manage -- to grow this business as fast as possible.

On hydrogen, so the production ramp-up is supported by the LTSAs we have currently on hand. There are some delays, but the strong long-term industry outlook remains despite some of the rephasing that we have referred to.

Then, on BBRG, so there as well, a top line contraction of roughly 14%. Most of it is somehow self-inflicted, not saying by that, that it's better or it's good, but more focusing on the fact that it's something where we clearly know the root cause and where we can leverage the actions and act more forcefully. So the root cause of the issue is mainly related to the commissioning of the equipment in the new plants in the U.S. after the closure of our plants in Canada and Germany.

So we have been suffering from issues to stabilize the production output. This is now being resolved. The plan is to reach the expected and the planned output at the end of Q3 and to come back hopefully to a normalized situation in Q4.

So as a result of that, so we did see volume decreases across the main segments within the BBRG, in oil and gas, in mining, in crane and industrials as well. Most of it driven by these operational issues, which has somehow been further exacerbated by the fact that we've been facing some challenges in securing the proper staffing, particularly in the U.S.

On the positive side, two key positive messages. So despite these volume challenges, we do see a positive price/mix impact in the business. So the business has conducted throughout 2022 and it's continuing in '24, a price-up series of action, which is yielding good results. We do see as well a favorable mix. And the other positive is that we still benefit from an order intake and order book, which is at a good level.

So obviously, part of it is coming from the delays in delivering some of the existing orders, but we are also feeding this order book with new orders or the dynamics and the fundamentals in the sectors where we are playing, are moving in the right direction.

So as a result of this issue, so you see that our EBIT margin is decreasing to 7.4%. Hopefully, this is just a contractual issue. So structurally, we do think that we should normalize the profitability at a higher level with the actions that are currently being taken and the focus from our teams.

Subscribe to Seeking Alpha for more content like this

Moving now to the next slide, which is our EBIT bridge, just to illustrate the evolution of the performance on a year-over-year basis. So you see that the key driver in absolute value degradation for the first half is related to the volumes, so minus €26 million.

We have been able to offset most of this impact in terms of operational deleveraging the conversion cash costs, so where we have a slight deviation of €2 million. So we have a very large, a lot -- a massive portion of our cost base in order that this further impacts us negatively.

Our overheads, we continue our journey, to further improve it, and we are generating some very nice saving which will continue for the balance of the year. The non-volume businesses, so this is mainly the contribution and the variance from the non-volume-related businesses, so primarily the fibers and the combustion business and the other is a mixed bag of different things related to the reversal of write-downs and also some small disposals of assets.

So in terms of -- if we move to the next slide, so some additional information on the income statement and probably starting with the interest income and expense. So we did see some positive trends on those two categories. The first one is a reduction in the net interest expense, which is decreasing by roughly €5 million compared to the previous period.

So it's primarily due to the repayment of the Schuldschein loans in the second quarter of 2023 and also some positive outcome coming from the interest income increase, which is higher -- which is driven by higher interest rates on some financial instruments and an increased cash balance which is increasing by €137 million compared to the first half of the previous year.

The other financial results, so it's rather small. So it's an expense of €8 million, primarily related to some bank charges and some factoring expenses and the result before tax, so at €174 million we have been able at the result before tax level to reduce the gap that we did see in terms of EBITDA and the gap versus last year has been limited to €10 million, €11 million exactly.

The result after tax, €130 million versus €140 million last year, so €10 million gap. So again, considering the issues that -- or the challenges that we have to deal with in terms of top line, some work to do. But we have mitigated a significant portion of the adverse impacts coming from the sets.

So moving to the working capital and the balance sheet. So we do see a good work in terms of working capital management. So we did see some of the questions coming up this morning and probably we will address that during the Q&A. But the first key indicator is that we have achieved a reduction in the total working capital by roughly €56 million compared to H1 2023. So the focus on working capital continues.

So there are some business-related specifics that needed to be addressed, which did prevent us somehow to do a bit more. But we're spending less in terms of building up the working capital. When you look at the ratio, I think it's important as well to remember that the ratio H1 '24 versus H1 '23 might be a bit distorted because we had some inflated sales in 2023 due to the higher raw materials and energy costs. So the [2] cost pass-throughs, which is driving a different type of ratios.

But I mean, we continue working on our overall balance sheet with some further evolutions to come for the second half of the year. And then when you look at the working capital by category, so the DIO is remaining stable, so at 80 days, so knowing the complexity and the variety of our footprint and some of the long lead times that we have to deal with. 80 days is a good level of inventory. We have the ambition to go even further.

Subscribe to Seeking Alpha for more content like this

So we need to have a stabilization of the overall macro to understand how this will evolve. But we have some actions in place where we have also -- a potential distortion is in the accounts receivables. So last year we had the DSO of roughly 73 days. It has increased by five days to 78 days in the first half of 2024. So there as well we have implemented a plan to accelerate the collection of our receivables and this should hopefully yield some positive results in terms of working capital for the second half and nothing really to mention in terms of payable as they remained flat, around 117 days.

So moving to the free cash flow and the cash generation. So we have generated €116 million in cash flow from operating activities in '24, so last year at €110 million and the €38 million after the removal of the cash coming from LatAm.

Now, this was viewed as a strong cash generation and a strong cash performance. We do think that we are at the same level in terms of cash performance. Obviously, the €43 million, the €116 million, are not reflective of the full year expectation in terms of cash because of the normal seasonality. But the -- Bekaert has a pattern where most of the cash is generated in the second half.

But we are starting from a very solid base, a more comfortable base even than last year. So overall, we're pretty happy with the cash performance that we have delivered.

CapEx plays a significant part in the overall cash performance. So for the full year 2024 we are going to adjust the level of anticipated cash spend, which will be lower than initially projected. And this is the pure reduction, which is due to some tactical postponements, due to some of the delays that we have. So again, coming back to the modularity of our investment and this reduction of CapEx will further strengthen the expected cash delivery for the balance of the year.

So with that, I'm done with this section, and I guess, back to you, Yves.

Yves Kerstens

So thanks, Taoufiq, for giving perspective on the different segments. So in the next section, we'd like to quickly touch base on how we are strategically progressing and how we as management see our performance versus this strategy.

So let me remind, on the left side, so we have a couple of priorities. It's moved to these market-oriented business units, basically focused on end markets that have -- are backed up by the future. Nice growth profiles, transforming our business portfolio, driving more innovation and building up these global brands, which have products but also solutions in that offering and then, of course, continue to strengthen the fundamentals.

And if you see where we are on perform, transform, grow and in that types of priority in the journey for us, on the performance, a pretty strong financial performance despite some of the challenges. We see this margin improvement. We see three BUs above the 10%. And if, let's say, the operational issues in BBRG, we would have, let's say, worked out differently. We would have had four BUs over the 10% profitability and that would be a very nice performance.

On the transformation, we are progressing with the choices we make in the portfolio in all businesses, but also in the CapEx we are allocating to the necessary BUs. And thirdly, also on the inorganic with, of course, the BEXCO acquisition, further a pipeline of M&As on the adjacencies we are progressing there.

The more disappointing aspect is on the progressing on the growth, but in line with what we've communicated also in Capital Market Day that we expect the first two years a moderate evolution in our top line, because we are prioritizing the perform and the transform. And if -- so when positioned in these growth markets, we are expecting higher growth rates on the mid term.

Subscribe to Seeking Alpha for more content like this

Within that, let's say, there is a mix bag. There's the positive evolutions on the growth segments, like in Dramix with 4% growth. And on the long term, we're expecting the double-digit growth in some of these growth segments. And also for the remaining of the year, we are very positive about that.

Hydrogen, I will spend a little bit more time on that, how we look at that, the evolution, but still positive outlook, profitable business and for the future, nice potential for growth.

On the RR side, as mentioned by Taoufiq, expanding in India, expanding in Southeast Asia. And these are the two regions where the tire business is growing and we have strong positions there that will improve our competitiveness overall.

So if we move to the next slide, a quick update. Most of you, we spent already a couple of meetings and calls on -- ongoing to the segments we are focusing on. And let me update you on two things here. First, on that, we -- for the steel wire solutions, while we are, let's say, focusing on pruning the portfolio in SWS and focusing on improving the profitability, and you've seen the proof point in the first half of the year. SWS will be focusing as one of the sub-segments on what we call the transmission and performance wire.

What we see today already, but also in the future, a lot of investment and growth opportunities in strengthening the grid, both on the energy as well as on the data. Of course, different technologies and journeys in the different regions worldwide. We have already some solid business with our cord and our more wire products. And so, the SWS team is doubling down on these segments for future growth and for innovation.

Second update here is on sustainable construction with Eric Peeters coming in as a dedicated leader strengthening the sustainable construction team on that growth trajectory, both organically as well as inorganically.

So moving to some deep dives on two strategic topics. First, some words on hydrogen, and I'm sure all of you are monitoring how the hydrogen economy is playing out. So we -- some, let's say, data points to show how we look at it. And we want to share it with you on the graph how new technologies has been deploying in the past. And you see that, let's say, curves of solar, wind, ammonia or LNG took longer years to deploy.

If we translate, and this is done by the organization mentioned, Arena there -- If we translate the 1.5 degrees scenario, Paris agreement, you see the blue curve, which is the ramping up in 10 years' time of basically the needed hydrogen. And here we talk about low carbon, meaning blue and gray hydrogen of that industry. And that's pretty steep and of course, that -- gives a number of challenges, both from a policy making, incentive funding, industrializing, scaling up of these projects.

So we've been from the beginning monitoring very carefully. And so, while the OEMs had a capacity of 80 gigawatts for green electricity, so for the electrolyzers, 80 gigawatts installed capacity or yearly demand from 2030 onwards. We had a plan about 50 gigawatts. And what we see now is that this -- for 2030 we see a delay of between 1.5 to 2 years with this demand towards 2030. So still ramping up, still a nice business for us, but some delays driven by the whole ecosystem.

If you look on the other side, we all know that there is the demand, that is the gray hydrogen today that needed to be decarbonized. So that's why we continue to have good contract negotiations and growth sales in the different regions worldwide. We keep on doing modularity. So we have two plants, one in China and the one in Europe now fully operational by the second half, and with these two plants we will serve let's say, the demand for the upcoming one, two years.

Subscribe to Seeking Alpha for more content like this

Let's pivot to the next one on BEXCO acquisition. So I already communicated about that. Really happy to have the BEXCO family joining the Bekaert with a lot of experience in offshore energy, renewables -- both renewables and conventional, correcting the mooring solutions with a lot of commercial technical experience with operations in Belgium complementing our operations and footprint we have in Scotland.

And they also will, of course, strengthen our journey to provide a solution on the mooring in the future for floating offshore wind where we are not only working on synthetic growth, but on all the solutions and components for floating offshore wind in the long-term. So an acquisition which is strengthening us in the short term, while also positioning us as a leader on the long-term.

Moving then to some operational updates. First, let me give some more highlights on the evolution of building products with some key developments, as mentioned, 4% growth. Second half we expect slightly higher growth further. Some good news, new applications where we're focusing on, the high tensile fibers, but also the rafts and elevated slabs, higher building slabs, so expanding the potential TAM of this business.

Success in some priority regions for us, not really new, but priority regions. So in India with a win of a tunnel project and the inspecting, but also in Saudi Arabia as well as in China. And then the landmark projects which are, let's say very nice projects in main, mature markets like France, Switzerland and Australia, where we continue to deploy the Dramix solution.

[AXA], scaling up, Falconix as our engineering offices, which are helping contractors' EPCs on doing calculations on the capabilities and the potential -- the benefit, both on the TCO, but also on the sustainability aspect of fiber reinforcement. So we are scaling up that and expanding that to other regions in North America and into the Middle East.

Last point on operational review, a little bit more background on our challenge we have in BBRG division. The challenge operation is mainly -- is only in the Steel Ropes business in the U.S. and in the U.K. So it's not affecting, let's say, the other businesses like A-Cords and synthetic ropes in BBRG.

As you know, we've been rationalizing the plants in the U.S., move from Canada to the U.S. and from [indiscernible] into the U.K. These transitions have been done in terms of equipment. This move has been done. However, we've been having a wave of challenges with reliability on the process and some equipment combined with, of course, the challenges that we reported already in the past about finding and retaining the right staff, mainly in the U.S. in the new locations.

So issues have been completely identified, strong ownership by all the teams to get our capabilities and production back on track by end of Q3, stabilizing fully in H2 and recovering some of the sales volumes. And I want to repeat, no other plans are affected. And of course, this had impact in the first half and will have impact on the full year results, while we are expecting a recovery of the profitability levels in the second half and also the orders remain very strong and pricing remains very good and strong.

So let me pivot before we open to the Q&A. So summarizing, let's say, first half continue and align with our expectation on our strategic road map, driving performance, unfortunately, with the BBRG underperformance, not achieving 10% above all, for all the BUs. Some delays due to market-drivenm but also internal reasons on some of the growth platforms, which makes us more prudent on the top line. But in that context confirming a good profit margin of -- profit margin for the last half, but also last year and continue that performance and a good financial stability.

So, Guy, having covered the presentation, I think it's time to -- Yes, perhaps on the full year, I think I mentioned it on the top line. So what we expect is an increasing EBITu margins, the [EBITu] absolutely in line with expectations and further, as commented by Taoufiq, a strong free cash flow.

Subscribe to Seeking Alpha for more content like this

Question-and-Answer Session

A - Guy Marks

Yves, thank you so much, even Taoufiq. Now, I'd like to open to questions. I think, Frank, you had your hand up first.

Frank Claassen

Yes, three questions, please. First of all, the logical question, I guess, on the FIFO and wire rod. Did that have any impact in the first half? And what is your working assumption for wire rod and FIFO for the full year?

Then, secondly, maybe also a logical question on the working capital. What can we expect for the full year? What is

your -- roughly your target to arrive at full year with working capital as a percentage of revenues?

And then, finally, on the BBRG issues, could you maybe quantify the impact of the issues? In other words, is it fair to assume that without the issues -- the operational issues, you would have had a double-digit margin, is that a fair assumption?

Taoufiq Boussaid

I will probably take the two first questions. Yves will also comment after you on the third one.

So as far as FIFO is concerned, so again, we're comparing first half '23 versus first half '24. So during the first half of last year we had a negative FIFO of roughly €32 million. This year, during the first half of '24, it's minor. It's a positive €5 million. So it's not moving dramatically, and this is in line -- and looking at this small positive inventory effect, it is in line with the assumption that we took where we considered that throughout 2024 we will not see massive movements in terms of wire rod price, and therefore, it will remain roughly flat.

So moving on the working capital. So you know that the working capital in Bekaert has a specific pattern where we have the first half, and especially the Q1, where we do some inventory buildup and we prepare for some of the high seasons in some of our segments. So typically in construction, the building season is the spring time and summer time, and it slows down somehow this in the second half during the winter.

So we usually and systematically have this pattern.

And this is also translated into the cash generation profile that we have with a rather, yes, small cash contribution and generation in the first half and then it picks up significantly in the second half. So the same thing will happen, and the same impact will be seen in the working capital evolution.

So the percentage that we're seeing now further crystallized with all the actions that we're taking in terms of receivables, collections, further inventory optimization will lead to a lower working capital percentage by year end and the percentage on sales will also evolve accordingly.

Subscribe to Seeking Alpha for more content like this

Frank Claassen

Sorry to interrupt, but could you quantify this, will it be lower than last year or similar or...?

Taoufiq Boussaid

Well, I mean, last year, again -- and I mentioned it during the presentation, the ratio was somehow skewed because of the distorted -- well, it was distorted because of the high sales coming from the contribution of the pass-through inflation and so on. So we will have a lower level of sales, which will impact as a denominator the overall ratio. But for the moment, I mean, we're still aiming at a level of inventories, working capital and so on, which hopefully will land in roughly the same level.

So what we'll try to mitigate all these adverse factors coming from the distortion of the ratio, and we will continue working on the inventory buildup. So you saw from the results that we publishing, that we're building our working capital at the much lower pace than what we did last year. So we have less cash outflow to build working capital, and we will continue being vigilant, especially in terms of inventories and receivables. And this should translate into a ratio which should hopefully be at the same level.

Frank Claassen

Okay. And on the BBRG quantification maybe...?

Taoufiq Boussaid

Yes, on the BBRG, yes, Frank can give you some perspective there. So it's correct. So the -- if we would not have the operational issue, that's a business that we project to be above 10% profitability. Last year it was very strong with the 12 point where we ended up, but the plan was certainly to go -- to be above the 10%. That's also the run rate we are targeting after recovering from the operational issues.

Guy Marks

Martijn, you're next.

Martijn den Drijver

I just want to come back, Taoufiq, to that working capital, and then specifically inventory. Supply chains have normalized. You just mentioned the run-up is usually normally because of the link with construction markets, but construction markets are down. I hate to re-ask the question, but isn't there more that you can do on -- specifically on the raw mat side within inventory? It seems, to be quite honest, not a very ambitious target that you've just set for inventory within working capital. That's question one.

And then my second question is for Yves. With regards to SWS, you mentioned the transformation continues, we continue to prune the portfolio. That implies that in fact, the incredible EBIT margin that you've achieved now in the first half is sustainable and could even go up. Is that the right interpretation?

Yves Kerstens

I will take the second question after you, Taoufiq.

Taoufiq Boussaid

Okay. So on the first question and inventory in particular, so first of all, just a small caveat to a statement you made. Construction is down, but not in our segments, not in the business we are in. We are in an adoption play. And what we're aiming at -- and this is also translated in the results that we are publishing. Our volumes are increasing, and this is something which will continue. We are winning and we continue to win some major projects.

We did see some delays in the construction, but it's a phasing issue. These projects are still expected in 2024. So because we will have to deliver on these projects, I mean, you also see some of the probably anticipated inventory, raw materials acquisition being stuck in the balance sheet because of these delays. So this might be a bit marginal, but it is however still there.

So construction, in our case, it's a growing market. We're not impacted by the generic construction slow down as one might think of it. So again, when you look at what has happened in the first half, so the first KPI is that there was €56 million less working capital compared to H1. So on top of that, we needed to add up the inventory coming from the acquisition of BEXCO in our balance sheet. And we did software as well, or we were impacted by the FX reevaluation.

So, when you look as well in the cash flow statement, our working capital cash outflow in '24 was roughly €83 million. Last year it was €125 million, so that's €42 million less buildup of inventory compared to last year.

Subscribe to Seeking Alpha for more content like this

Now, the other thing as well, if you look specifically at BBRG, if you look at construction, we are saying that we have a phasing, and some of the orders that were not delivered during the first half will be delivered during the second half. And this will also translate into an inventory reduction. So that's what the inventory. And the rest will be kept under control so that we make sure that it doesn't delegate.

I'm not sure to which extent the days of inventory is something relevant for you, but as a proportion of our sales, we're keeping it flat. We don't see a major deviation there. So it was at 81 days last year. We are at 80 days this year. So it's not as if we're building inventory in a disproportionate way compared to our business.

On top of that, I mean, we systematically carry out and we focus on inventory plan reductions for the year end. This is something that we will do as well. And all these actions plus this market dynamics will definitely lead to an improvement of the working capital ratio by the end of 2024. I don't know if I'm giving you a bit more clarity.

Martijn den Drijver

That's some useful clarification there, Taoufiq. Yves?

Yves Kerstens

Martin, let me take on. So SWS,, so of course, I think all satisfied with the performance of that business and evolution of the team. There are some seasonal effects, but fundamentally the business how we manage it is improving. And let me give you some highlights. So first of all, it's in line with what our strategy is pruning the portfolio. That means sometimes smaller segments, that we focus less on other more, but also strengthening our pricing power. That's certainly one.

Secondly, on the operational improvement in the plans, and so we continue the journey of driving improvement. This is not only valid for SWS, you've seen that also for the other BUs on to deleverage, let's say the volumes.

And then there's some growth pockets in SWS. So everything which is related to what we call energy transmission, reinforcing the grid in the U.S. but also in some other regions. But a little bit project business, correct? That means timing of these orders. I'm not always a 100% sure, on the other end growing trend, well-positioned, also some innovation there. So we expect not the same margin for the second half, but certainly further improved margins on the trajectory we are -- right, we are in. So that's the perspective.

Martijn den Drijver

And just a follow up. Yves, I know that this strategic period runs further than this year and next year, but if you talk about that transformation, how far do you think you are if you were to put a number on it in turn between 0% and a 100%?

Yves Kerstens

On the whole -- you mean at the [indiscernible] of overall Bekaert?

Martijn den Drijver

No, for SWS specifically.

Yves Kerstens

So both organic, inorganic, because what I mean by inorganic is that both on the divestment, but also on the investment side. So with the right positioning of SWS in the future businesses, we are also looking at more M&A targets there. Correct? So that's evolving. But I would say -- I don't know, you asked between 0% and a 100%. I would say 50%, 60%. Not at 80%, 90%.

Martijn den Drijver

And I actually had a third question and that's my final one. And that relates to BBRG. So the working assumption is improving profitability, but still in negative territory in the second half, and then perhaps even at the start of 2025, still in negative territory, but positive for the first half. Is that the way we should be thinking about specifically the ropes business within BBRG?

Taoufiq Boussaid

I think it's a bit too pessimistic, Martijn, because I think we stated it. So the actions that we're working on currently, we have set a target to bring the output by the end of Q3 and to recover during Q4. So this recovery will not allow us -- that we will see in the second half, will not allow us to offset the gaps that we have been generated in Q1, in H1. But it will reset the clocks and it will allow us to start 2025 on the right base, on the right level.

Subscribe to Seeking Alpha for more content like this

Because here it's really a question about the output because commercially, the fundamentals are good. And I refer to our order book. I mean, we have the orders. Oil and gas is still seeing very good momentum and very good level of orders. Same goes for crane and industrials. So the investment cycle is still there. So I mean, we don't have major issues in terms of capturing the orders. The order element as well is that we are not yet seeing the wall in front of us when it comes to the price up actions that we have initiated last year.

And this has been a very strong and positive element in the overall results contribution. Without this price up that is still there, despite these issues that we've been dealing with, we would not have been able -- although they're disappointing, we would not have been able to reach the results.

So the fundamentals are good. Now we need to address this self-inflicted issue, which is not new. It's complex, but not complex because it's related to machine outputs, to stabilizing this output. It's complex machinery with lot of knock on impacts ranging from maintenance down to having the right operator in a labor market in the U.S. which is complicated, but we are mobilized. We have the teams, we know what are the issues and it's something that we have done in the past.

Martijn den Drijver

Just one follow up. You said fundamentally everything is fine. But I also wonder, there was question 1B, actually here. There have been operational leverage now for two quarters, there's going to be a situation whereby it improves, but it still won't be there where you need it to be. Are customers not getting -- opting for alternatives? It doesn't impact your current order book. Well, it could actually impact your order book, but have you lost any clients? What are your clients telling you about this?

Taoufiq Boussaid

Well, you're speaking about BBRG in particular?

Martijn den Drijver

Yes.

Taoufiq Boussaid

Okay. So I mean, let's be fair. We had some ad-hoc sales which did indeed go to the competition because the lead times that we gave them were not something that they could cope with.

Martijn den Drijver

Agree.

Taoufiq Boussaid

So having said that, when you look at the nature of what we manufacture in BBRG, these are highly engineered products. So you cannot switch from one supplier to the other that easily. Yes, you can, you can, to be fair, but you cannot do it as easily because you need to agree on spec, you need to agree on the terms and conditions. I mean, it's long-term projects. Most of it is long-term project. It's not ad-hoc.

So there's these circumstances and this context around the nature of the business which allows to keep some of the key customers more captive than other of the businesses that we have.

Having said that, it is something that we can still leverage, that we're leveraging successfully. Because -- I mean, despite these issues, we are maintaining the good price, but we cannot count on the fact that our customers will be patient forever. And that's why we are very adamant to finish the stabilization of the output in Q3 and stabilizing Q4. Otherwise, then it will be a tricky game.

Guy Marks

Wim, you're next.

Wim Hoste

A couple of questions on rubber reinforcements, if I may, and then a general one. So on rubber reinforcements, can you provide a bit more clarity on the situation in China? How's the pricing environments, how much is the filler business making up out of the total business you have in that region? And will that filler business also be there in H2? So a bit more clarity on the Chinese context?

And then also what is the profits performance within rubber enforcement profit margin in China versus the rest? I can assume that China has made a good progress given the plant closure you executed. But if you can just give a bit more clarity, that would also be helpful.

Subscribe to Seeking Alpha for more content like this

And then the more general question I have is, yes, on the M&A ambitions you have, you've done amongst others BEXCO, yes, how filled is the M&A pipeline for H2, and yes, what are the key priorities in this search? Any change versus the commentary of the capital market there, or any update that would also be helpful. So those were the questions.

Taoufiq Boussaid

Yves, do you want me to take the first one?

Yves Kerstens

Yes, I will take the second, and then you can take the other, yes.

Taoufiq Boussaid

Okay. So starting with China, some overall indication first of all, so in terms of macro. So first of all, what we're seeing is that the PMI index has moved in 2023. We're expecting a GDP at 4.7%, so likely down versus the 5.2%, that was expected in terms of -- in 2023. So it's still a significant growth.

So now when you look at the markets on automotive, the export for the new passenger vehicles is slowing down because of the trade barriers that have been implemented around the globe, mainly in the U.S. and Europe. But the domestic market is still growing.

On trucks, both the new vehicles and the tire replacement markets are impacted by a weaker real estate and the impacts also that we see in the infrastructure industry.

Now, Bekaert specifically, so we mentioned it, roughly a full occupation or near full occupation in H1 '24, primarily on the back of the footprint optimization and the closures that we have announced on the back of last year segment. And mix wise, we do see positive momentum and continuation of the trend that we saw and that we discussed when it comes to the ST and UT volumes, it's increasing. It's now over 50% of our total mix.

But there's a flip side. There's a negative mix effect coming from the fact that the truck business is going down and the truck business comes at higher -- slightly higher margin than the passenger.

So in that context, and also in the overall competitive market, where we see most of the competition, not the direct competition like [Shinda] but more competition like Zenith and so on, they have put a lot of capacity online. They're struggling to fill it up through export. They're dealing with some of the dynamics of the market -- the local market. So what they're doing is that they're going into a price competition.

We're resisting very well to that. And I will translate that into a margin indicator. We're resisting very much to that with the fact that our portfolio is very strong, the focus that we have on the premium solutions, which is also significantly crystallizing the level of profitability.

So all in all, as it stands now for 2024 H1 and subject to future evolutions, the situation considering again is rather positive. And the way we see it, and this is answering your last question, it's mainly through the translation of the margin that we delivering in China, which is above 10%. Does it answer your question, Wim?

Wim Hoste

Yes. And then just a general, I think M&A question.

Yves Kerstens

Will take that one, Taoufiq. So basically in line with our strategic focus. So the M&A inorganic play buttons remains a priority for us. If you look at the cords, the growth segments, correct, which is the third priority was of course in the area of BBRG synthetic ropes. And then we'll focus now on the successful indication of the acquisitions.

Subscribe to Seeking Alpha for more content like this

Other priorities are construction and energy transition. In construction, you need to think about how we can become a reinforcement player, correct, also beyond steel. We touched based on that strategic direction in the past. So that's where we are looking. And also in the energy transition, is it in the hydrogen play? Is it in the balance of plant? Is it in the whole ecosystem or energy transition? So that's where the pipeline is.

And of course, you know how this process goes. We have a nice pipeline, good discussions and we will continue to work hard, correct to do at the right moment, at the right price, the right deal to strengthen these platforms. And as mentioned, some new segment areas where we want to position us as well. So gradually we will also look at filling a pipeline with these areas.

Guy Marks

Alexander, you're next.

Alexander Craeymeersch

A couple of topics from my side. So the first one would be on capital expenditure. You already mentioned that CapEx for the full year will be a bit less. But I thought you were originally aiming for €220 million to €250 million this year. Of course, we saw that coming down in H1 with the majority being spent on rubber reinforcement. So, the question would be there -- may be just the maintenance question first. So that rubber reinforcement CapEx, probably Vietnam and India plant. Could you maybe remind us of how much of the global capacity you're adding there?

And then the second question on the CapEx would be, if -- you see that you have a positive momentum in these growth areas with Dramix, Bezinox and then actually BBRG, where you're losing the ad-hoc orders, so your capacity utilization rate must be good. So I just wonder if -- why you're not building additional capacity in these areas already and why you're not planning that? And then of course, as you're expecting growth in these areas, like, okay, how can we square the lower CapEx to the clear expectations of growth in these areas? So that would be the first topic. And then I have another topic that I would like to discuss, but I'll maybe let you answer these first.

Taoufiq Boussaid

I can start, Yves, and you compliment.

Yves Kerstens

Yes, please. Yes.

Taoufiq Boussaid

So first of all, Alex -- and thank you for the questions. I mean, the fact that we're driving the CapEx spend along the business evolution doesn't mean that we're compromising our growth or anything like that. I mean, what we have always said is that we are very careful on making sure that we modularize and we variabilize on our CapEx spend.

So not doing it doesn't mean that, I mean, we will be missing the growth, because most of the capacity that we will be adding up, and we can take the example of Vietnam. It's not about building up a new plant which will take years to implement and years before you can start seeing the output coming from growth. It's about implementing a new line. It's about increasing the speed of a line. It's about activities related to CapEx, which have a much shorter lead time and therefore, does not penalize our growth prospects.

But we want to be in a position to match the returns of this investment as closely as possible with the top line growth that we're expecting from them. So that's the philosophy and how we're approaching the CapEx investment.

So as far as the capacity that we are adding up, I mean, to answer straightforward your question, we're adding up capacity in Vietnam. So we are moving from 10 kilo tons to 25 kilo tons this year. And there's a business which is sustaining these increased capacities. So we have contracts, negotiations currently ongoing with Indian time makers. The business is doing well and the momentum is quite positive.

So that -- on Dramix and Bezinox, and to speak specifically on Dramix, because this is probably a more relevant one. So Dramix for the moment, we do think that with the capacity that we have does allow us to absorb the growth that we're seeing in the next 6 to 12 months. Beyond that, we will need additional footprint. This is something which is part of the plan that we will be conducting, that we will be launching, but for the moment, we will not be missing growth opportunities from Dramix because we have any constraints in terms of footprint and capacity. Mid term, it's something else and this is something which is included in the plan. Same goes somehow to Bezinox. It's the same kind, same line of thinking.

So if we're reducing the CapEx this year versus what we initially expected, it's mainly to translate some of the delays that we have referred to. The CapEx is still in the plan. If you do it on accumulated three years, it will be in line with what we have guided. The phasing will be different because, I mean, we're very mindful of the timing where we're spending this cash and the free cash flow implication that it has.

Subscribe to Seeking Alpha for more content like this

Yves Kerstens

I would like to add, Alex, some perspective. So the [€200 million] that we are projecting now is a plus and a minus. Correct? So you're right on the BBRG, and we are looking there into how to invest, let's say in upgrading equipment for stability for the future. So you're right there.

On the downside, the play for hydrogen where we are on one hand time phasing the new factory. So the full factory in Belgium is operational for second half in line with the plan. What you need to take into account, we also double down on operational improvement, so both in hydrogen as well as in Dramix to the way we work and operational efficiency, process efficiency, but also people efficiency. We've been upgrading the capacity output of the existing facilities. Correct? And that's of course priority number one. So that plays also in the plus and the minuses.

Alexander Craeymeersch

So the second topic would be just on steel wire solutions. So we saw North America, Europe having strong growth in this half of the year. And you mentioned that 28% is related to utilities, so -- yes, is it fair enough to say that Bezinox is the main drive there and -- because I mean, we've been hearing noise from [indiscernible], TKH, that of course these are also exposed to fixed offshore. If you look at what Bezinox gives is basically armoring for this fixed offshore. So I'm assuming that they probably have the same drivers. Is that a fair assumption?

Taoufiq Boussaid

It's wider. When we talk about the, let's say energy transmission segments, we look at grid and we look at the data. And so for both we have solutions. So in the U.S. for example, the growth is more of overhead cables, correct, which is the cord strands for the strands -- for the aluminum strands we deliver. There also we're driving some innovation.

So it's basically in a couple of product segments where we see a good pull from the market, a good demand. And it's not only short-term, we're also looking at how for example, in U.S. with the Department of Energy on the projects on the innovation, what is needed to reinforce the grid in the U.S. And we see a good demand and good pool in the first half of the year, but that was also partly expected.

Alexander Craeymeersch

Okay. And then maybe last topic, just on BBRG, of course, there are now steep targets to climb towards 2026. I'm just wondering, one needs to go right to arrive in that EBIT margins of 15%, which is 20% when you're, if I can hear it correctly, almost working at full capacity?

Taoufiq Boussaid

Yes. So the BBRG in total, both the steel ropes, you have the synthetic ropes in there, you have the Armofor offering in there, and you have of course the growth in the advanced cords, elevator belts and so on. So even the BBRG, when we set a target of growth platforms and 15% profitability target on the midterm is driven by the combination of all these segments. So some growth in steel ropes, of course, then the growth that is ramping up on synthetic ropes, Armofor, and then also in the new advanced cords and in the strategic direction we go there.

So we have to see that growth trajectory and that profit improvement as a mix of portfolio of this business, and not only steel ropes. On top in steel ropes, the focus is there on -- let's say more on also extending the lives of the ropes, providing servicing, monitoring, extend lifecycle of the ropes also in the context of sustainability. So you have to see that strategic direction. Of course, the -- let's say this year, operational challenges is a small setback for us. And so as mentioned, recovering for second half of the year and then reconnecting with growth for all the different segments in BBRG.

Guy Marks

Stijn, you're next.

Stijn Demeester

I have two clarification, if I may. The first one is on FIFO and Frank's question. You mentioned some numbers, I think €5 million this year, minus €30 million last year. Are those absolute numbers that you provided, Taoufiq?

Taoufiq Boussaid

Yes, they are.

Stijn Demeester

Okay, because in the bridge of last year, I had minus €86 million. So can you then help me to the absolute number for the second half of last year to have a better understanding of the comparable?

Subscribe to Seeking Alpha for more content like this

Taoufiq Boussaid

Yes, I need to look up at this. We will send it to you, but what we're saying in the bridge is that accumulated, there is a minus €37 million -- plus €37 million, sorry, variance in FIFO year-over-year, broken down between last year, the minus €32 million and the plus €5 million this year. So this is what's driving the variance. We will look at the figure for the second half of the year end and get back to you.

Stijn Demeester

And anticipating that response for the second half of this year, in terms of absolute number, would that be roughly similar to the €5 million?

Taoufiq Boussaid

Yes. Roughly flat and we are not anticipating major variances in €5 million for the balance of the year.

Stijn Demeester

Okay. And the second question I had is on SWS and on that margin that we see there of 11.4%, can you absolutely confirm there are no one-offs or phasing effects in that number? And if not, can we extend it -- these margins to the second half and beyond, or has there been some, yes, timing issues or...?

Taoufiq Boussaid

Well, you will have one timing issue there which is related to the FIFO that was positive. €6 million out of memory in H1 will be -- which will be passed back through pricing in the second half of the year. I mean, that's basically the timing related to the inventory consumption of roughly 80 days. Other than that there is no exceptional items.

So moving from there, should we expect exactly the same level of profitability for the balance of the year? I will probably take some doses of cautiousness related to some of the seasonality impacts that we might have in the business for the balance of the year. So achieving 11.4%, which is very strong in SWS despite the fact that €28 million of the business is related to transmission which is good margin recurring business and so on, I think that we need to think to take a pinch of salt and, yes, reduce it a little bit for the balance of the year.

Yves Kerstens

And some plants also in that business have in the second half more the normal shutdowns than in the first half.

Stijn Demeester

Yes, indeed.

Yves Kerstens

That's also the seasonal effect that will play.

Stijn Demeester

Okay. One final, if I may squeeze that in. When you guide for modest sales decline, what sort of quantum should we look at? Because organically first half is minus €10 million. So yes, a bit -- trying to square that minus €10 million with a modest sales decline over the second half, noting that seasonality is working against you? So yes, any help here would be appreciated.

Taoufiq Boussaid

Yes, so seasonality will need to be offset by some of the phasing that we had in H1. So we refer to these phasings in Dramix with some of the key project which will come in the second half. Same goes with the BBRG, where we're expecting to stabilize the output, plus the fact that we will have some businesses where we will still see the growth coming up. So hydrogen, I also already mentioned construction. The rest will be impacted by seasonality. So if we were to give a percentage, it will be 3% to 4% deviation, basically.

Stijn Demeester

Okay. And related to that, when we talked here during the Q1 call, you still were guiding for a much stronger Q2 relative to Q1, and you were saying that the Q2 would be the biggest quarter of the year, but that has not, yes, came into effect. So what has changed versus that outlook that you provided during Q1 outside of BBRG? What do you think has changed in the market?

Subscribe to Seeking Alpha for more content like this

Taoufiq Boussaid

In terms of top line?

Stijn Demeester

Yes.

Taoufiq Boussaid

Okay. So it's mainly the delays in construction and BBRG. There's nothing else major impacting this. So that's why we're still confident that -- the fact that the H2 was not as strong as it has been historically in Bekaert is primarily due to the phasing of the projects. And we are not seeing for the time being any structural delays beyond the ones that we usually know with seasonality, plant closure and so on.

Guy Marks

Chase, we might have to leave your question for afterwards, indeed. Thank you for your message.

So that wraps up. That was the last -- Chase, you're back. I see the hand's gone back up, one last attempt.

I think we may have to leave it there and we'll follow up with you afterwards. So Yves, do you have any closing marks?

Yves Kerstens

Yes. First of all, thanks for joining this call. Hope we could, and I think we could give some perspective on how we look at the first half results and the full year. And I think again, I want to repeat that from priority and the performance stability and the resilience, happy with what we demonstrated and fully aware about, of course the growth plans we have and the portfolio evolution. And we'll keep on working on that part to strengthen the Bekaert company.

So having said that, we want to thank also -- I don't know if some of you still had -- deserve some holidays or had already some holidays, but if you have them in front of you, enjoy them and let's connect later back.

Taoufiq Boussaid

Thank you very much.

Yves Kerstens

Thank you.

**Load-Date:** July 26, 2024

**End of Document**