

Bekaert

BERT.LBR / BEKB BB

Engineering
Belgium

Current price	€ 44.55
Target price	€ 48.00
Market cap	€ 994 m
Free float	60%

	EPS*(€)	P/E
FY02E	2.27	19.59
FY03E	4.51	9.88
FY04E	4.76	9.35

*Adjusted for goodwill and exceptionals

Expansion in Eastern Europe

Accumulate
Unchanged

Bekaert yesterday announced that it has acquired a steel cord (Drôtovna Kordy) and a steel wire producer (Drôtovna Dröty) in the Slovak Republic. The acquisition amounts were not disclosed which makes it hard to assess the investment. Sales of Drôtovna would amount to € 90m (vs. € 1,796m for Bekaert group in 2001).

The acquisitions adds about 60,000 ton or 10% to Bekaert's steel wire capacity - which is in our view substantial - and 5% to its steel cord capacity (9,000 ton of tire cord and 8,000 ton of bead wire). This means in our view that the expansion is in any case meaningful.

The investment in the Slovak Republic confirms:

- the strategy of Bekaert that it is not only Advanced Materials that will grow (in sharp contrast to the message communicated until a few months ago);
- that Bekaert is targeting two high growth markets to gain market position: Eastern Europe and China (expansion in steel cord planned).

We stick to the conclusion drawn beginning of December. There is a new wind blowing at Bekaert. It seems that the markets share that opinion looking at the stock price evolution over the past couple of weeks. Nevertheless, we feel the stock is reasonably priced as of today - surely if we take into account the weakening \$ - and stick to our Accumulate rating. Our price target of €48 which leaves an upside of about 5-10%.