

Morning Note

18 December 2003

Bekaert

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Divestment of Composite profiles for € 7m

Neutral

(Rating unchanged)

Belgium

Current price: € 48.70
 Target price: € 48.00
 Market cap: € 1,086m
 Free Float 60 %

	EPS* (€)	P/E
FY02	-1.55	-
FY03E	4.39	11.08
FY04E	4.98	9.79

* Adjusted for goodwill & exceptionals

Bekaert yesterday announced to **divest** the assets of its **composite profiles** activities (sub-unit of Bekaert composites) for **€ 7m** to Exel Oyj from Finland (Bloomberg: EXL1V FH). The transaction is still subject to regulatory and third party consent, but finalisation of the deal is expected soon. As a reminder: Bekaert Composites (BAM, Advanced Materials) designs, produces and markets glass fibre reinforced composite products (profiles and pressure vessels) focussed on 4 segments: transportation (refrigeration trucks, trailers, trains, busses, public transport infrastructure), industry (construction elements for corrosion sensitive applications), building (radar-transparent fences) and filtration (high pressure vessels for reverse osmosis, e.g. water desalination). The Bekaert Composites has two production processes: pultrusion and filament winding. **Bekaert** disposes the assets linked to the composite profiles (pultrusion) but **remains involved in the filament winding technique (filtration - reverse osmosis)**. **Sales on an annual basis** (profiles) might be expected **around € 13m**. The **rationale** behind the disposal might be explained by the modest size of the sub-unit and the fact that composite profiles don't fit the core business (metal transformation and coatings). Obviously the deal (equivalent to less than 1% of market cap) doesn't affect our investment recommendation on Bekaert. Momentum is in favour of Bekaert with potential to beat market consensus over 2003 and positive outlook for 2004. Our DCF model yields a theoretical fair price of € 51.5 per share.

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