

Bekaert**Hold**

Sector	Engineering & machinery	Price (€)	36.5
Reuters	BERTt.BR	12-month target (€)	40.0
Market cap (€m)	814	Performance since 1/1/01 (%)	-26.7
Number of shares (m)	22.3	Rel to BEL20 (%)	-16.1
Number of employees	10,000	High/Low 12 months (€)	50-30
Free float (%)	52	Management stake (%)	30
Daily t/o (m)	0.58	Adjusted velocity (%)	26.5

Company profile

Bekaert produces and markets a wide range of products based on metal-forming and coating technologies. The group's current activities are built around four business units – Steel Wire, Merchant Products Europe, Steel Cord and the fast-growing Bekaert Advanced Materials (BAM). Bekaert holds worldwide market leadership within several market segments. Among its most renowned products are steel cord (used in tyres), fibres, fences, champagne-cork wire as well as coated wire. The main determining factor in Bekaert's international expansion was the use of steel cord for rubber reinforcement (in radial tyres). Bekaert is now at a turning point; from a volume-driven cyclical activity, the company is gradually moving towards higher added-value markets with strong organic growth. The group employs some 10,000 people in over 80 production centres worldwide and has an extensive network of sales offices and agencies.

Recent news*Focus on renewal*

Bekaert strengthened its Advanced Materials division with the takeover of MSC/SFI (sales of \$58.3m and pre-tax profit of \$9.8m in 2000) in June 2001. MSC/SFI holds a 20% market share in window film activities and attained an EBIT margin of 15% in 2000 in a market which has grown historically by 15-20% pa and which is still in an early phase of development. MSC's products are applied to glass windows in cars as well as in residential and commercial buildings. The market potential of MSC/SFI's products, certainly in architectural applications (thanks to energy-saving features) as well as the fact that MSC/SFI was already a JV partner of Bekaert, makes us feel confident about this acquisition.

Outlook*Economic slowdown to hit short-term earnings*

As an early cyclical company and with about one-third of its turnover exposed to the US, we believe Bekaert's 2001F and 2002F earnings will be affected by the terrorist attacks in the US. The US (as well as the European) economy was already slowing down and order intake did not rise materially prior to these events. As the automotive sector is now being hit by a sharp decline in sales, Bekaert should also suffer (partly as a supplier of components and partly as steel cord provider). We therefore revise our EPS forecasts downwards, as overall economic recovery will probably take longer. Our EPS01F is only slightly lowered (as it already included an economic slowdown) and now stands at €2.78 (was: €2.97). Our EPS02F is slashed to €2.79, approximately the level of EPS01F. Our price target is also lowered from €41 to €40. FY01 will clearly be a transitional year for Bekaert, as the company pursues its strategy to focus more on higher value-added activities (ie, the Advanced Material division). The latter division appears to be resisting the current economic slowdown well. As Bekaert should gradually become less cyclical, we are convinced that the company shall eventually trade at higher multiples.

Data per share (€)

Year to 31 Dec	1999	2000	2001F	2002F	2003F
EPS	3.56	4.20	2.78	2.79	3.41
CFPS	9.59	10.16	9.01	9.21	10.01
Gross DPS	1.59	1.68	1.60	1.60	1.68

Ratios (x)

Year to 31 Dec	1999	2000	2001F	2002F	2003F
PER	10.3	8.7	13.1	13.1	10.7
P/CF	3.8	3.6	4.0	4.0	3.6
EV/EBITDA	3.6	2.9	3.6	3.7	3.2
EV/sales	0.5	0.4	0.5	0.5	0.4
Gross yield (%)	3.3	3.5	3.3	3.3	3.5
Net gearing (%)	24	21	38	36	31
ROE (%)	8.4	8.9	5.6	5.6	6.7

Attractive dividend yield

Sound balance sheet structure

Full-year figures (€m)

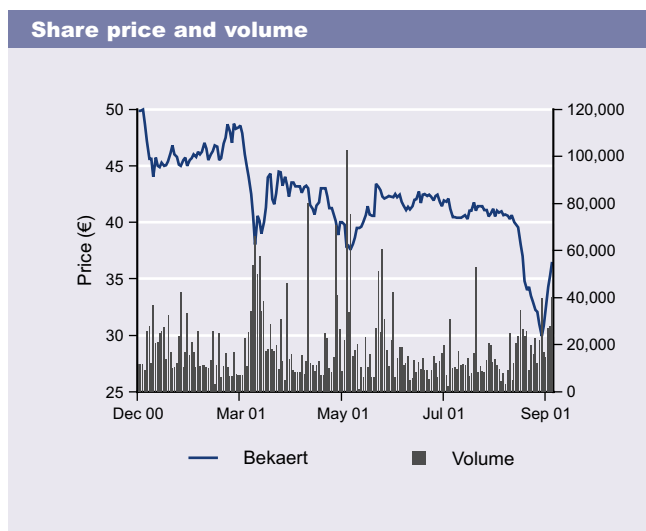
Year to 31 Dec	1999	2000	2001F	2002F	2003F
Sales	1,765	1,756	1,748	1,815	1,838
Cost of sales	1,436	1,414	1,430	1,479	1,479
Gross margin (%)	18.6	19.5	18.2	18.5	19.5
Operating cash flow	231.5	243.0	217.3	231.1	250.9
Operating result	100.7	113.6	82.3	92.0	107.7
Operating margin (%)	5.7	6.5	4.7	5.1	5.9
Net financial result	-17.1	-18.4	-21.3	-26.4	-24.9
Extraordinary items	1.2	-6.2	0.9	0.0	0.0
Consolid goodwill amort	6.2	7.5	10.5	13.7	13.7
Net result, group share	73.7	86.3	51.5	48.6	62.4
Net margin (%)	4.2	4.9	2.9	2.7	3.4
Net current result	79.9	93.8	62.0	62.3	76.1
Net debt	260	246	439	421	378

Economic slowdown in the US and Europe likely to inhibit earnings growth in 2002F

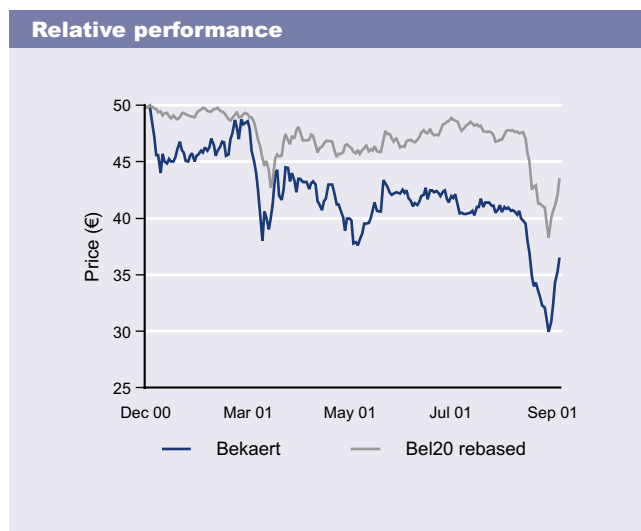
	CAGR 2000-2003F (%)	1999	2000	2001F	2002F	2003F
Sales	1.5	1.1	-0.5	-0.5	3.9	1.2
EBIT	-1.7	35.5	12.7	-27.5	11.8	17.0
EPS	-6.7	107.7	18.3	-33.8	0.4	22.2

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Source: Reuters



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