

Maintained

**Hold****Bekaert**

## Expansion in Russia close to materialising

Price (18/12/06) €95.60

Previously: €90

12m target price €96.00

**12m forecast returns (%)**

Share price 0.4

Dividend 2.4

12m fcst total return 2.8

Market cap €2,052.5m

Reuters BERTt.BR

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**Forecasts and ratios**

Yr to Dec (€m)	2005	2006F	2007F	2008F
Turnover	1,914.3	2,008.9	2,148.9	2,262.8
EBITDA	257.4	247.7	268.3	284.0
Net profit	189.9	139.6	145.6	146.9
Adj EPS	6.32	6.50	6.78	6.84
Adj PER (x)	15.1	14.7	14.1	14.0
Dividend yield (%)	3.1	2.4	2.5	2.6
EV/EBITDA (x)	9.2	9.6	9.0	8.6
Price/NAV (x)	1.9	1.8	1.6	1.5
ROE (%)	13.6	12.4	12.0	11.2

Source: Company data, ING estimates

**News**

Bekaert announced it signed a declaration of intent to acquire the Russian company Uralkord at an EV of €47m.

**Investment thesis**

Bekaert was already in exclusive talks with Uralkord as from February 2006 on, as a part of Bekaert's goal to better cover the Russian market via a local partner and a local production facility. The negotiations with Uralkord took somewhat more time than expected and other scenarios apart from a take-over were also considered.

Uralkord holds a c.25% ms on the Russian steel cord products for tire reinforcement, which is Bekaert's main core business product. The current Russian market for steelcord products is still small (estimated at c.60,000 tonnes) and is according to management expected to grow at high single digit growth rates moving forward.

**Conclusion**

The announcement is not a surprise and as Uralkord is moreover a small take-over compared to the Bekaert group (c. 1% of sales), we believe the impact on Bekaert's share price (and business model) to be positive, albeit limited.

However, we consider this intended deal as the consistent roll out of Bekaert's strategy to focus its geographical expansion in growth areas, which we believe the right option for Bekaert.

We raise our TP on Bekaert from €90 to €96 (in line with our DCF valuation) and stick to the corresponding **HOLD** recommendation, although we continue to like Bekaert's sound long-term strategy of building up, ahead of its competitors, a worldwide platform in (growth) areas such as China, Latin America, Central Europe, India and Russia. Besides this first mover advantage, we believe that Bekaert will remain a leading worldwide player thanks to its other fundamental strengths: strong world wide market shares, leading technology, focus on quality, etc.