

Bekaert

BERTL.BR / BEKB BB

Engineering
Belgium

Current price € 49.50
Target price € 50.00
Market cap € 1,104 m
Free float 60%

	EPS (€)	P/E
FY01	2.38	17.08
FY02E	3.47	14.25
FY03E	5.05	9.80

Restructuring of Merchant Products

Reduce
Downgraded

Bekaert announced a major restructuring of "Merchant Products Europe" (€ 377m - 21.5% of total consolidated sales). The aim is - off course - to enhance the profitability of the unit. Bekaert will set up a separate legal structure (makes it easy to find "partners"). The plan will result in the closure of 3 production units (France, Ireland). Restructurings are also scheduled in Germany and the UK. The plan includes a headcount reduction of 20% (- 455 people).

More important: the plan is to cost € 34m. We scheduled a current net profit of € 77m for this year. The plan should increase the free cash flow with € 15m p.a. afterwards.

The market will react negatively. The share price could drop. We published an optimistic report on Bekaert's outlook on 24 May 2002. We stick to our conclusions as for as general outlook is concerned and the fact that Bekaert is to benefit from the upturn. Our analysis obviously did not take into account the press release issued on Friday.

We therefore cut back our stance on the stock to (short term) Reduce (in our view the share could drop to € 44). The long-term trend remains more positive (economic upturn, advanced materials, solar energy...) but we nevertheless cut back our (12 month) price target to € 50 as the plan will keep on weighing on the group for another while (as is usually the case). A flash with more detailed calculations and comments will be sent out in the course of this morning.