

**Bekaert**  
BERTL.BR / BEKB BB

Engineering & Machinery  
Belgium

Current price € 60.30  
Target price € 65.00  
Market cap € 1,331m  
Free float 60%

	EPS (€)	P/E
FY04E	6.11	9.9
FY05E	5.34	11.3
FY06E	6.24	9.7

## Disposal Bekaert Fencing to Gilde

**Outperform**  
Rating Unchanged

Bekaert and Gilde yesterday signed an agreement regarding the sale of Bekaert Fencing. The total enterprise value of € 281.5m is based upon € 118m in debt, € 54m pension fund liabilities and the balance in cash. The total enterprise value is higher than market expectations with reports in the press of prices around € 200m. We were looking for € 275m and with that also the most aggressive in the market.

We definitely welcome this deal as it is to raise Bekaert's growth profile, which should result in a revaluation (higher multiples) on the stock market. In addition, we believe Bekaert has negotiated a good price. Bekaert Fencing was the business line with the lowest growth potential and we believe Bekaert will move into top gear with its expansion of the Advanced Wire Products division. This can result in Bekaert consolidating its world leadership position as well as getting into new markets (such as Russia). Taking into account the € 118m debt of Bekaert Fencing that will disappear from the balance sheet, the cash proceeds of close to € 110m and increase of equity by € 56m, gearing will drop dramatically. Even taking into account Bekaert to use most of the proceeds for further growth (mainly in Advanced Wire Products), we would not exclude Bekaert to slightly re-leverage in 2005. As such we have assumed a dividend of € 4 per share (ordinary and extraordinary dividend of € 2 per share, each) into our scenario. Despite yesterday's short-term "sell on the news" effect, we believe this deal further improves Bekaert's growth profile and is to result into a revaluation. Target price has been revised to € 65 per share (58). Publication of FY results might trigger the shares higher.

[Back to contents](#)

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