

**Bekaert**

BERTL.BR / BEKB BB

## Target price upped to EUR 78,-

**Outperform**  
Rating UnchangedEngineering & Machinery  
Belgium

Current price € 67.55  
Target price € 78.00  
Market cap € 1,454m  
Free float 57%

	EPS (€)	P/E
FY04	6.54	7.7
FY05E	5.85	11.5
FY06E	6.25	10.8

Today, Bekaert will host its annual investors' day. We have updated our scenario on Bekaert following the announcement of this week that Bekaert will increase its production capacity in China by at least 50%. As a reminder, Bekaert has invested around € 200m over 2003 to 2005 to bring its steel cord capacity in China to approximately 120k tonnes p.a. This new capacity is now on stream and already fully utilised. As such the decision of Bekaert in 2002 to move for aggressive growth in China was the right one at the right time and place. As such we highly welcome this weeks announcement for a number of reasons. We regard the investments into steel cord China an excellent reinvestment from the proceeds from the disposal of fencing systems Europe. While the balance sheet was underleveraged in the short-term, Bekaert is investing at a high level and will continue to do so in the next two to three years. In addition, Bekaert also made some share buybacks over the 1H05. We increased our CAPEX assumptions for 2006 to 2008, which also further optimised the balance sheet structure and average cost of capital. As a result, our DCF valuation now points on a theoretical fair price of € 78.52 per share vs. € 75.22 before. We increased our target price from € 74 to € 78 per share, which implies a PER 05 and 06 of 13.3x and 12.5x. Not excessive taking into account that Bekaert is currently investing over depreciations following the disposal of the fencing business.

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