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Benelux Equity Morning Note

Benelux Equities

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Recommendation	Buy
Target price	€175.00
RIC	BEKB.BR

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Bekaert – Positive statement competitor Xingda

Xingda profit alert. Xingda has some 24% market share in steelcord China, which compares to BEKB's 33%. Xingda expect 1H sales to have increased by 60%. Net profit should have increased by 130%. The main drivers behind the strong performance are a significant increase in volumes, increased gross margin and the a one-off disposal. Xingda's official 1H result release will be in August. This is positive read-through for BEKB. BEKB showed 57% sales growth in 1Q in Asia-Pacific, but from a low comparable base. We expect 22% sales growth in 2Q, which looks conservative given Xingda's statements. Asia generates some 35% EBIT margin. A positive sales surprise in China will therefore drive 1H10F results. We expect BEKB to show a very strong 1H10F, to be published on 30 July. Please refer to our note "Strong 1H10 results ahead" as published on 2 July. Reiterate Buy. TP €175

Important disclosures can be found in the Disclosures Appendix.