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# Benelux Equity Morning Note

## Benelux Equities

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<b>Recommendation</b>	<b>Buy</b>
<b>Target price</b>	<b>€10.00</b>
<b>RIC</b>	<b>BEKB.BR</b>

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## Bekaert . Comment on 3Q10 results

3Q consolidated sales were €866m (consensus €802m), which is a 3% growth qoq while 3Q is seasonally weaker. Combined sales were €1,195m (consensus €1,120m). Quarter on quarter consolidated sales growth in Latin America was 16% (particularly driven by Ecuador, Colombia and Peru) and in 8% in Asia, while EMEA and North America were slightly lower qoq, given seasonality. Net debt was €463m (from €583m at 1H), which indicates that cash flow generation in 3Q has continued. BEKB expect 4Q consolidated sales in line with the average sales in 1H (€768m). This implies a FY 2010 outlook of €3,169m sales (RBS: €3,205m). Seasonal effects and controlled economic growth in China will bring the growth rate down to more normal levels from 4Q. Also, BEKB traditionally sees year-end destocking and holidays, and negative currency effects. We unlikely change our forecasts after the 3Q update. Recent share price performance can be attributed to multiple expansion. BEKB deserves a higher multiple given the emerging market exposure and growth opportunities. We believe that given the low debt position, a share buy-back program will become more likely. Today, stock will be split 3:1 and BEKB will be included today in MSCI Europe which should driven demand at 10x ADV..

