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Benelux Equity Morning Note

Benelux Equities

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Recommendation	Buy
Target price	€87.00
RIC	BEKB.BR

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Bekaert . Key highlights Benelux conference NY

(1) There is uncertainty about the removal of subsidies for passenger car sales in China. However, this is not new and flagged by BEKB previously. Direct OEM car exposure is relatively limited, but the total Chinese car park is obviously important for replacement tyres and steelcord. Main driver remains the truck market. Also, we have emphasized in our note of last week the potential of sawing wire, for cutting silicon. This market already accounts for 25% of EBIT in Asia and would grow by 50%.

(2) Main priority for the high cash flow is investments in emerging markets. Capex will probably exceed EUR 200m in 2011. With a ROIC of over 18pct, this looks more attractive than a large share buy-back.

Conclusion: we continue to emphasize the importance of the niche markets with high margin. We are not concerned about the potential subsidies uncertainty and see the share price drop as an excellent buying opportunity.