

# Morning Note

## Ter Beke

TERB.BR / TERB.BB

Food Producers &  
Processors  
Belgium

Current price € 66.00  
Target price € 80.00  
Market cap € 90m  
Free float 19%

	EPS (€)	P/E
FY04	4.97	11.5
FY05E	4.40	15.0
FY06E	4.60	14.3

## Company confirms prospects for 2005

In a trading update, the group stated that the 3Q05 results are in line with the expectations formulated at the beginning of September. Unless the market conditions deteriorate during 4Q05, the group aims to improve its results in 2005.

We are forecasting a 20% rise in sales to € 240m thanks to the Langeveld/Sleegers acquisition. Higher marketing costs should result in a lower operating margin (4.5% in FY05 versus 5.1% in FY04). The rise in net financial charges should be more than offset by a lower tax charge. Our estimates include net profits of € 6.0m in FY05 versus € 5.0m in FY04. Note: our forecasts are based on IFRS.

The FY05 results will be released on 24 February 2006.

**Outperform**  
Rating Unchanged

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FY06E	4.60	14.1

## Unchanged FY05 estimates

Last Friday, the company confirmed its expectations set for 2005. Following our company visit yesterday, we don't deem it necessary to adjust our forecasts for FY05. We anticipate that net profits will rise from € 5.0m in 2004 to € 6.0m in 2005 (see our Flash dated 23 September). August and September proved to be strong months for Ter Beke. Demand became somewhat however weaker in October. The Belgian food sector was also negatively impacted by two strikes in October. A potential outbreak of the avian flu in Western Europe might become a concern. Ter Beke sells processed poultry products such as sliced chicken. Note that demand for poultry products is seasonally strong during the Christmas period. Ter Beke's 4Q05 earnings would therefore be negatively impacted if demand for these products collapses or if raw material prices surge due to scarcity. In France, in-store promotion of the Come a Casa products proved to be successful. Moreover, Come a Casa obtained the "Saveur de l'année 2005" quality-award in France. We expect that next year Ter Beke will step up its marketing efforts in this promising market. The slicing activities also offer top line growth opportunities next year as major food retailers (e.g. Ahold) are outsourcing this activity. Ter Beke is ideally positioned to benefit from this trend following the acquisition of Sleegers/Langeveld. The competitive landscape is about to change for the processed meats business following Sara Lee's decision to sell this activity (€ 920m in sales valued at around € 600m according to "Le Figaro"). So far, Sara Lee has not been able to find an industrial acquirer for the entire division.

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