

Ter Beke

Price on 21/02/2006

Hold

EUR 63.30

(unchanged)

Reuters: TERB.BR, Bloomberg: TERB BB

Food & Beverage



Source: Datastream

Share price (EUR)	63.30
Fair value (EUR)	64.00
Market capitalisation (EURm)	87.0
No. of shares (m)	1.4
Free float	20.4%

(EUR)	12/05e	12/06e	12/07e
Sales (m)	237	247	254
EBITDA (m)	22	22	22
EBITDA margin	9.4%	8.8%	8.8%
EBIT (m)	10	10	10
EBIT margin	4.4%	4.1%	4.1%
Net Profit (adj.)(m)	6	6	6
ROCE	10.2%	8.8%	9.1%
Debt/Equity	47.9%	39.3%	30.5%
EV/Sales	0.5	0.4	0.4
EV/EBITDA	5.0	4.8	4.6
P/E (adj.)	15.4	14.7	13.8
P/BV	2.0	1.8	1.7
OFCE yield	6.8%	6.2%	6.7%
Dividend yield	3.2%	3.1%	3.2%
EPS (adj.)	4.30	4.30	4.60
BVPS	32.42	34.73	37.31
DPS	2.03	1.99	2.02

Shareholders: Famcoo Invest 36% (35.5%); Mercator 10% (9.6%); Seneca 7% (7.1%); Bois Sauvage 6% (6.4%); SRW 6% (6.1%);

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The facts: Ter Beke will release its FY05 results on Friday February 24, after market close

Our analysis: At the occasion of the publication of its 3Q05 business update early November, Ter Beke's management confirmed its expectations which were given at the time of the publication of the 1H05 results.

- We expect Ter Beke to have increased its FY05 turnover by 18.7% to EUR 237.5m. This growth hides an expected increase of EUR 33.0m thanks to the acquisition of Langeveld Slegers in January 2005 and a 2.2% increase of existing processed meats and chilled ready meals businesses.
- At the operating level we pencilled in an EBITDA of EUR 22.2m with an EBITDA margin down from 10.4% in FY04 to 9.4% in FY05, in particular due to increased commercial costs (Ter Beke invested in an important 'Come a Casa' advertising campaign) and rising energy and packaging costs. EBIT is expected to increase by 1.6% from EUR 10.2m to EUR 10.3m.
- Due to the acquisition of Langeveld Slegers we expect Ter Beke's financial debt to have risen to EUR 21m at the end of the year, thus leading to a 25% increase of financial costs to EUR 1.0m.
- We expect the net result share of the group to amount to EUR 5.9m, up 16.6% vs. EUR 5.0m last year, helped by a lower consolidated tax rate of 37%.

Key lines P&L (EUR m)	1H04	2H04	FY04	1H05a	2H05	FY05e	% y-o-y
Net sales	100.0	97.4	200.1	115.5	121.9	237.5	18.7%
EBITDA	9.9	10.9	20.9	9.3	12.9	22.2	6.5%
EBITDA margin	9.9%	11.2%	10.4%	8.0%	10.6%	9.4%	
EBIT	4.7	4.8	10.2	3.9	6.4	10.3	1.6%
EBIT margin	4.7%	4.9%	5.1%	3.4%	5.3%	4.4%	
Financial result	-0.4	0.9	-0.8	-0.6	-0.4	-1.0	25.7%
Result from ordin. act.	4.3	5.7	9.4	3.3	6.0	9.3	-0.5%
Taxes	1.9	3.0	4.3	1.2	2.2	3.4	-20.3%
Net result	2.4	2.7	5.0	2.1	3.8	5.9	16.6%
Adj. Net result	3.0	2.0	5.0	5.6	0.2	5.9	16.6%
Adj. EPS	3.3	2.2	5.5	2.3	2.0	4.3	-22.1%
Adj. CFPS	8.2	9.4	17.6	19.1	-6.1	13.0	-26.0%

Source : Company data, Degroof Research

Our conclusion: We are forecasting relatively soft FY05 results with some pressure on operating margins, in particular due to sluggish demand requiring higher commercial spending. Fears for avian flu could have undermined customers trust in 4Q05, leading to lower sales of poultry products at the end of the year. We believe that Ter Beke's numbers, due next Friday, will be closely watched with special attention to statements about avian flu concerns and the impact on processed meats consumption. These awaited comments could be the real share price drivers next week. Our rating remains unchanged awaiting the release of the FY05 results.

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