

# Ter Beke

Belgium/Food &amp; Beverage

Analysers



## Accumulate

Recommendation unchanged

**Share price: EUR 52.80**

closing price as of 06/11/2009

**Target price: EUR 56.60**

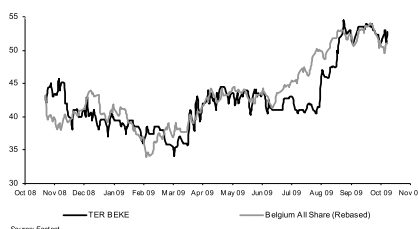
vs Target Price: EUR 54.00

Reuters/Bloomberg

TERB.BR/TERB.BB

Market capitalisation (EURm)	91
Current N° of shares (m)	2
Free float	22%
Daily avg. no. trad. sh. 12 mth	199
Daily avg. trad. vol. 12 mth (m)	0
Price high 12 mth (EUR)	54.45
Price low 12 mth (EUR)	34.10
Abs. perf. 1 mth	-1.03%
Abs. perf. 3 mth	30.37%
Abs. perf. 12 mth	14.93%

Key financials (EUR)	12/08	12/09e	12/10e
Sales (m)	393	394	402
EBITDA (m)	30	32	31
EBITDA margin	7.6%	8.2%	7.7%
EBIT (m)	8	13	12
EBIT margin	2.0%	3.4%	3.0%
Net Profit (adj.)(m)	3	8	7
ROCE	2.7%	6.2%	5.8%
Net debt/(cash) (m)	70	62	56
Net Debt/Equity	0.9	0.8	0.7
Debt/EBITDA	2.3	1.9	1.8
Int. cover(EBITDA/Fin. int)	6.2	8.1	8.8
EV/Sales	0.4	0.4	0.4
EV/EBITDA	4.9	4.8	4.8
EV/EBITDA (adj.)	5.2	4.8	4.8
EV/EBIT	18.3	11.6	12.2
P/E (adj.)	22.9	11.9	13.5
P/BV	1.0	1.1	1.1
OpFCF yield	21.4%	12.7%	11.2%
Dividend yield	4.0%	4.3%	4.2%
EPS (adj.)	1.87	4.43	3.91
BVPS	45.13	47.29	48.95
DPS	2.10	2.24	2.24



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## 3Q09 trading update: positive FY09e guidance and slightly upwards revised FY09e EPS estimate.

**The facts:** Due to the net effect of an increase of the turnover in processed meats and a slight decrease of the turnover in ready meals, Ter Beke's 9m09 turnover is in line with 9m08.

**Our analysis:** As expected and as we saw in the 1H09 reporting, the decrease of the turnover in ready meals was mainly due to the termination of non-profitable volume contracts in France in 1H08. However, it seems that in 3Q09 Ter Beke suffered from continuing pressure on the sales prices, which was not compensated by higher volumes.

The increase of the turnover in processed meats in 3Q09 remains the result of the growth of service slicing in the Netherlands, as well as of growth of the traditional processed meats activities in its home markets. The increase was however negatively impacted by the decrease of the prices of raw materials that, also in 3Q09 have been passed on in sales prices and by the lower GBP vs the EUR.

Ter Beke invested EUR 12.5m in 9m09, primarily in additional slicing capacity and the optimisation of the supply chain. These investments and the planned new logistics and slicing centre at Nijmegen (NL) fit into Ter Beke's focus on continued cost control to be able to cope with the ongoing pressure on margins.

We already upgraded Ter Beke following the release of a comforting 1H09, but it seems that the improvement continued in 3Q09. This is mainly due to the continuous efforts on cost control and cost reduction in the whole supply chain throughout the entire group. We anticipated a positive effect from the integration of the slicing activities of the sites in Hendrik-Ildo-Ambacht (NL) on the Ridderkerk site in the beginning of July.

Ter Beke expects that the improvement on the 9m09 operating result will continue throughout 4Q09. Barring unexpected market circumstances, Ter Beke expects that FY09 net result will at least equal FY08. For FY08 the net recurring result amounted to EUR 6.1m and the reported net result (including non-recurring profits) amounted to EUR 7.6m. We slightly adjusted our FY09e scenario for Ter Beke upwards and anticipate a FY09 net result of EUR 7.7m (EPS FY09e of EUR 4.43, up from EUR 3.96 previously).

**Conclusion & Action:** With this rather qualitative 3Q09 trading update Ter Beke confirmed its steadily improving trend in results, mainly stemming from its slicing & packaging activities in processed meats. Most important: Ter Beke confirmed that FY09e net result will at least equal FY08.

We adjusted our valuation model, raised the target price from EUR 54.0 to EUR 56.6 and confirm our "Accumulate"-advice.