



10 September 2010

Investment Research

## Accumulate

Recommendation unchanged

**Share price: EUR 60.25**

*closing price as of 09/09/2010*

**Target price: EUR 66.00**

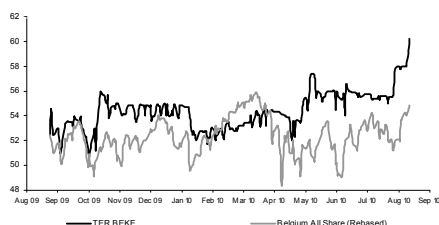
**vs Target Price: EUR 62.10**

Reuters/Bloomberg TERB.BR/TERB.BB

Daily avg. no. trad. sh. 12 mth	229
Daily avg. trad. vol. 12 mth (m)	0.01
Price high 12 mth (EUR)	60.25
Price low 12 mth (EUR)	47.45
Abs. perf. 1 mth	8.8%
Abs. perf. 3 mth	5.7%
Abs. perf. 12 mth	27.0%

Market capitalisation (EURm)	104
Current N° of shares (m)	2
Free float	22%

Key financials (EUR)	12/09	12/10e	12/11e
Sales (m)	392	404	416
EBITDA (m)	35	38	40
EBITDA margin	9.0%	9.3%	9.5%
EBIT (m)	15	19	20
EBIT margin	3.8%	4.6%	4.9%
Net Profit (adj.)(m)	8	11	11
ROCE	6.5%	8.3%	8.9%
Net debt/(cash) (m)	65	61	56
Net Debt Equity	0.8	0.7	0.6
Net Debt/EBITDA	1.9	1.6	1.4
Int. cover(EBITDA/Fin.int)	10.1	12.0	13.8
EV/Sales	0.4	0.4	0.4
EV/EBITDA	4.6	4.4	4.1
EV/EBITDA (adj.)	4.6	4.4	4.1
EV/EBIT	10.6	8.9	7.9
P/E (adj.)	11.3	9.8	9.1
P/BV	1.1	1.2	1.1
OpFCF yield	6.0%	9.0%	9.4%
Dividend yield	3.9%	4.3%	4.6%
EPS (adj.)	4.77	6.13	6.62
BVPS	47.79	51.34	55.18
DPS	2.35	2.59	2.78



Source: Factset

Shareholders: COOVAN 61%; Seneca (LDB) 6%; Bois Sauvage 5%; SRIW 5%; VDK 1.05%;

## Scenario review after excellent 1H10

Earlier this week Ter Beke management hosted an analyst meeting related to the 1H10 release, in which it provided some flavour on strategic issues and the main changes of key lines in the 30-Jun-10 balance sheet and P&L. Ter Beke released a surprisingly strong 1H10, mainly due to better than expected operating margins and notwithstanding a disappointing financial result and higher taxes. In this Flash note we elaborate on top line growth, the confirmation of the ongoing improving margins trend for both BUs and the stronger balance sheet.

In terms of FY10e EV/EBITDA, EV/EBIT and P/E, Ter Beke is traded at attractive multiples of 4.4x, 8.9x and 9.8x, respectively (vs. 5.4x, 10.6x and 11.7x for peers). We maintain our Accumulate rating and raise our TP from EUR 62.1 to EUR 66.

### ✓ Balance sheet

**Financial ratio's improving.** Net financial debt had decreased from EUR 65.5m (31-Dec-09) to EUR 57.5m (30-Jun-10), and consequently Ter Beke's gearing went down from 79.1% to 68.0%. Equity to Total Assets ratio remained quasi stable at 36.6% (36.0% previously).

**Capex of EUR 10.1m** (slightly ahead of expectations) regarded predominantly the accelerated execution of investments. Slicing capacity has been improved (at various plants), pâté production is being transferred from Marche-en-Famenne to Wommelgem, efficiency and capacity investments have been made at the Wommelgem and Marche-en-Fammene sites and in Bijsterhuizen Ter Beke made infrastructure adaptations to its logistics center. We reviewed our FY10e capex estimate upwards to EUR 20m (4.9% of sales).

### ✓ P&L

Main issues have already been tackled in our Analyser of 28-Aug-10. Below we elaborate on some other items and included our expectations for 2H10 and FY10.

**All in all 1H10 sales came out slightly ahead of our expectations** (EUR 197.4m vs. EUR 195.4m expected). Ter Beke has been working on recipes and has increased investments in quality and taste for its main products of both BUs, which as expected had a positive impact on volumes. Fresh ready meals turnover evolved in line with market growth, while in processed meats Ter Beke has increased its market share again (figure not disclosed).

The processed meats BU increased its sales with 4.0% to EUR 136.3m (ahead of our estimate of EUR 133.7m) in its 4 key markets, Belgium, the Netherlands, Germany and the UK, thanks to higher service slicing and growth in the traditional business. Volume growth exceeded sales growth due to changes in product mix.

In fresh ready meals BU the Come a casa marketing campaign in Belgium had a positive impact on sales (EUR 61.1m, +1.2%) and volumes increased in the key markets. However the French market remained challenging with continued pressure on prices, which, surprisingly, was not only initiated by retailers, but also by competitors (excess production capacity).

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For company description please see summary table footnote

For FY10e we expect continued sales growth thanks to higher volumes sold, further growth of the slicing activities (without a negative effect on sales of the move of slicing facilities to the Nijmegen region) and slightly higher prices. In processed meats we expect an increase of 3.0% to EUR 146.4m. In processed meats we expect EUR 60.5m (+2.9%).

### 1H10 figures vs. expectations

(EUR m)	1H09	2H09	FY09	1H10a	% Chg	1H10e	Δ est %
<b>Net sales</b>	<b>191.4</b>	<b>201.0</b>	<b>392.4</b>	<b>197.4</b>	<b>3.1%</b>	<b>195.4</b>	<b>1.0%</b>
Processed meats	131.0	142.1	273.2	136.3	4.0%	133.7	2.0%
Fresh ready meals	60.4	58.8	119.2	61.1	1.2%	61.7	-1.1%
<b>EBITDA</b>	<b>16.0</b>	<b>19.1</b>	<b>35.2</b>	<b>19.6</b>	<b>22.2%</b>	<b>16.5</b>	<b>18.6%</b>
EBITDA margin	8.4%	9.5%	9.0%	9.9%		8.4%	
Non-cash	9.3	10.8	20.1	8.9	-4.3%	8.9	0.0%
<b>EBIT</b>	<b>6.7</b>	<b>8.4</b>	<b>15.1</b>	<b>10.7</b>	<b>58.8%</b>	<b>7.6</b>	<b>40.3%</b>
EBIT margin	3.5%	4.2%	3.8%	5.4%		3.9%	
Financial result	-0.9	-1.7	-2.7	-2.1	128.3%	-1.8	
Result from ordin. act.	5.8	6.7	12.4	8.5	47.6%	6.2	38.3%
Taxes	-1.3	-2.8	-4.2	-2.8	107.1%	-1.6	
<b>Net result</b>	<b>4.4</b>	<b>3.8</b>	<b>8.3</b>	<b>5.7</b>	<b>29.5%</b>	<b>4.6</b>	<b>25.7%</b>
Net margin	2.3%	1.9%	2.1%	2.9%		2.3%	
<b>Adj. EPS (EUR)</b>	<b>2.55</b>	<b>1.60</b>	<b>4.77</b>	<b>3.31</b>	<b>3.0%</b>	<b>2.63</b>	<b>25.8%</b>

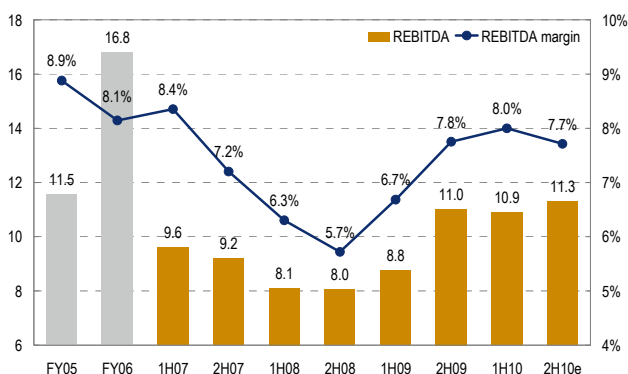
Source: Company data, ESN – Bank Degroof Research

### Operating margins:

On the operating level, Ter Beke strongly exceeded our estimates. EBITDA was up 22.2% from EUR 16.0m in 1H09 to EUR 19.6m in 1H10 supported by volume increases in both divisions (effect of scale) and the results from efficiency improvements and continued cost control (further automation of production and supply chain optimisation).

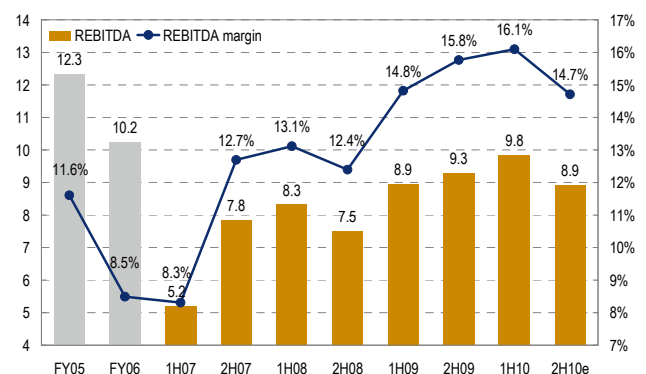
New investments in product quality did not affect margins (in contrast to what we expected) and extra support for the *Come a casa* brand have been taken into account. Non-cash costs declined EUR 0.4m, resulting in an EBIT of EUR 6.7 (+58.8%). EBITDA margin of 9.9% and EBIT margin of 5.4% attained the highest level in 5-years.

### REBITDA & margin evolution processed meats



Source: Company data, ESN – Bank Degroof Research  
Note: No half-year figures available for FY05 and FY06

### REBITDA & margin evolution fresh ready meals



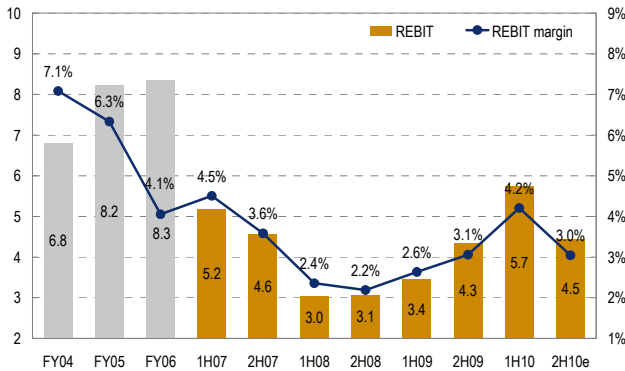
Source: Company data, ESN – Bank Degroof Research  
Note: No half-year figures available for FY05 and FY06

For 2H10, we expect margins to be slightly lower due to:

- ✓ higher investments in the *Come a casa* brand for fresh ready meals in the Belgian market and

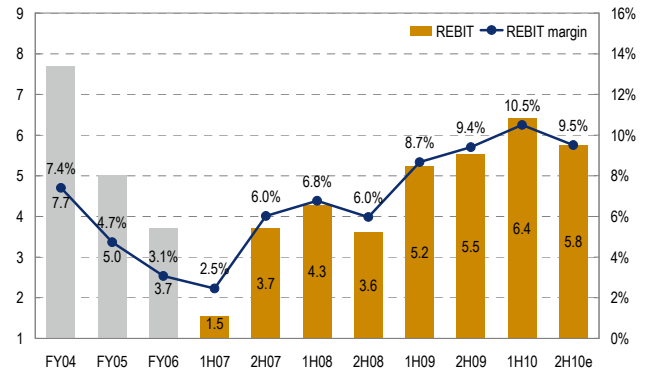
✓ costs related to the move of the Dutch slicing facilities to a new custom-built site in Nijmegen-Bijsterhuizen (NL). As this new plant will also comprise complete storage and distribution for all Dutch activities of the group (fresh ready meals and processed meats), we expect impact on 2H10e margins for both BUs.

### EBIT & margin evolution processed meats



Source: Company data, ESN – Bank Degroof Research  
Note: No half-year figures available for FY04 till FY06

### EBIT & margin evolution fresh ready meals



Source: Company data, ESN – Bank Degroof Research  
Note: No half-year figures available for FY04 till FY06

### FY10 earnings forecasts

EUR m	1H08	2H08	FY08	1H09	2H09	FY09	1H10	2H10e	FY10e
<b>Sales</b>	<b>192.1</b>	<b>201.1</b>	<b>393.2</b>	<b>191.4</b>	<b>201.0</b>	<b>392.4</b>	<b>197.4</b>	<b>206.9</b>	<b>404.3</b>
Total sales growth %	8.3%	6.2%	7.2%	-0.4%	-0.1%	-0.2%	3.1%	3.0%	3.0%
Processed meats	128.7	140.7	269.4	131.0	142.1	273.2	136.3	146.4	282.7
Sales growth %	12.1%	10.2%	11.1%	1.8%	1.0%	1.4%	4.0%	3.0%	3.5%
Fresh ready meals	63.4	60.4	123.8	60.4	58.8	119.2	61.1	60.5	121.6
Sales growth %	1.4%	-2.1%	-0.3%	-4.7%	-2.6%	-3.7%	1.1%	2.9%	2.0%
<b>REBITDA</b>	<b>15.4</b>	<b>14.4</b>	<b>29.8</b>	<b>16.0</b>	<b>19.1</b>	<b>35.2</b>	<b>19.6</b>	<b>18.1</b>	<b>37.7</b>
Total REBITDA growth %	14.5%	-8.9%	1.8%	4.3%	32.4%	17.9%	22.2%	-5.3%	7.3%
REBITDA margin	8.0%	7.2%	7.6%	8.4%	9.5%	9.0%	9.9%	8.8%	9.3%
Processed meats	8.1	8.0	16.2	8.8	11.0	19.8	10.9	11.3	22.2
REBITDA growth %	-15.4%	-12.5%	-14.0%	7.9%	36.9%	22.4%	24.5%	2.5%	12.3%
REBITDA margin	6.3%	5.7%	6.0%	6.7%	7.8%	7.2%	8.0%	7.7%	7.9%
Fresh ready meals	8.3	7.5	15.8	8.9	9.3	18.2	9.8	8.9	18.7
REBITDA growth %	60.2%	-4.4%	21.3%	7.6%	23.9%	15.3%	9.9%	-4.0%	2.8%
REBITDA margin	13.1%	12.4%	12.8%	14.8%	15.8%	15.3%	16.1%	14.7%	15.4%
Non allocated	-1.1	-1.1	-2.2	-1.7	-1.2	-2.8	-1.2	-2.1	-3.2
Non-cash costs	-9.3	-9.1	-18.4	-9.3	-10.8	-20.1	-8.9	-10.2	-19.1
<b>REBIT</b>	<b>6.1</b>	<b>5.3</b>	<b>11.4</b>	<b>6.7</b>	<b>8.4</b>	<b>15.1</b>	<b>10.7</b>	<b>7.9</b>	<b>18.6</b>
Total EBIT growth %	15.8%	-23.5%	-6.7%	10.9%	57.3%	32.6%	58.8%	-5.5%	23.1%
REBIT margin	3.1%	2.6%	2.9%	3.5%	4.2%	3.8%	5.4%	3.8%	4.6%
Processed meats	3.0	3.1	6.1	3.4	4.3	7.8	5.7	4.5	10.2
REBIT growth %	-41.4%	-32.7%	-37.3%	13.7%	41.2%	27.5%	66.3%	2.5%	30.7%
REBIT margin	2.4%	2.2%	2.3%	2.6%	3.1%	2.9%	4.2%	3.0%	3.6%
Fresh ready meals	4.3	3.6	7.9	5.2	5.5	10.8	6.4	5.8	12.2
REBIT growth %	179.4%	-2.9%	50.4%	22.0%	53.5%	36.4%	22.4%	4.0%	12.9%
REBIT margin	6.8%	6.0%	6.4%	8.7%	9.4%	9.0%	10.5%	9.5%	10.0%

Source: Company data, ESN – Bank Degroof Research

With the excellent 1H10 figures, Ter Beke has proven that it has been able to increase in a sustainable way its operating margins for both of its BUs. We took into account improved efficiency in production and supply chain management and plugged in higher margins in our updated scenario.

In 1H10 net financing costs increased by EUR 1.2m due to a EUR 1.3m difference in exchange rate result on GBP caused by MtM valuation of existing open long term contracts (EUR -0.6m in 1H10 vs. EUR +0.7m in 1H09).

Taxes came out higher than expected, though in line with FY09 tax rate, leading to a net result of EUR 5.7m.

#### √ Valuation

CASH FLOW (EUR m)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Net Sales</b>	<b>404.3</b>	<b>416.4</b>	<b>428.9</b>	<b>439.7</b>	<b>446.3</b>	<b>453.0</b>	<b>457.5</b>	<b>462.1</b>	<b>466.7</b>	<b>471.3</b>
% change	3.0%	3.0%	3.0%	2.5%	1.5%	1.5%	1.0%	1.0%	1.0%	1.0%
<b>EBITDA</b>	<b>37.7</b>	<b>39.6</b>	<b>40.7</b>	<b>42.0</b>	<b>42.0</b>	<b>42.2</b>	<b>41.8</b>	<b>40.5</b>	<b>40.0</b>	<b>41.6</b>
% margin	9.3%	9.5%	9.5%	9.5%	9.4%	9.3%	9.1%	8.8%	8.6%	8.8%
% change	7.3%	4.9%	3.0%	3.0%	0.1%	0.5%	-1.0%	-3.2%	-1.1%	4.0%
Depreciation & other provisions	<b>19.1</b>	<b>19.3</b>	<b>19.6</b>	<b>19.9</b>	<b>20.2</b>	<b>20.6</b>	<b>21.0</b>	<b>21.5</b>	<b>22.1</b>	<b>21.5</b>
% sales	<b>4.7%</b>	<b>4.6%</b>	<b>4.6%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.6%</b>	<b>4.7%</b>	<b>4.7%</b>	<b>4.6%</b>
<b>EBITA</b>	<b>18.6</b>	<b>20.3</b>	<b>21.2</b>	<b>22.1</b>	<b>21.8</b>	<b>21.6</b>	<b>20.8</b>	<b>18.9</b>	<b>17.9</b>	<b>20.1</b>
% margin	4.6%	4.9%	4.9%	5.0%	4.9%	4.8%	4.5%	4.1%	3.8%	4.3%
% change	23.1%	9.2%	4.4%	4.4%	-1.3%	-0.8%	-4.0%	-8.9%	-5.2%	11.8%
Taxes	<b>-5.6</b>	<b>-5.9</b>	<b>-6.1</b>	<b>-6.4</b>	<b>-6.3</b>	<b>-6.3</b>	<b>-6.0</b>	<b>-5.5</b>	<b>-5.2</b>	<b>-5.8</b>
Normative tax rate	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%
Actual tax rate	30.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%
<b>NOPLAT</b>	<b>13.0</b>	<b>14.4</b>	<b>15.0</b>	<b>15.7</b>	<b>15.5</b>	<b>15.4</b>	<b>14.8</b>	<b>13.4</b>	<b>12.7</b>	<b>14.2</b>
Depreciation & other provisions	19.1	19.3	19.6	19.9	20.2	20.6	21.0	21.5	22.1	21.5
% sales	4.7%	4.6%	4.6%	4.5%	4.5%	4.5%	4.6%	4.7%	4.7%	4.6%
Gross Operating Cash Flow	<b>32.1</b>	<b>33.7</b>	<b>34.6</b>	<b>35.5</b>	<b>35.7</b>	<b>36.0</b>	<b>35.8</b>	<b>35.0</b>	<b>34.8</b>	<b>35.8</b>
Capex	-20.0	-20.6	-21.2	-21.9	-22.5	-23.2	-23.9	-24.6	-25.3	-21.5
% sales	4.9%	4.9%	4.9%	5.0%	5.0%	5.1%	5.2%	5.3%	5.4%	4.6%
Change in NWC (-=incr.;+=decr.)	-0.4	-0.4	-0.4	-0.3	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Cash Flow to be discounted	11.8	12.7	13.0	13.4	13.0	12.6	11.8	10.2	9.3	14.1
<b>DCF EVALUATION (EUR m)</b>										
WACC	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%
Discount Rate factor	0.98	0.91	0.84	0.78	0.72	0.67	0.62	0.58	0.53	0.49
Discounted Cash Flow	11.5	11.5	10.9	10.4	9.4	8.4	7.3	5.9	5.0	7.0
<b>Cumulated DCF</b>	<b>11.5</b>	<b>23.0</b>	<b>33.9</b>	<b>44.3</b>	<b>53.7</b>	<b>62.1</b>	<b>69.4</b>	<b>75.3</b>	<b>80.2</b>	<b>87.2</b>

Source: Company data, ESN – Bank Degroof Research

In order to value Ter Beke, we have discounted its free cash flows using a two-period model. In a first period (2010-2019), we have used the below detailed free cash flow projections. For the last period, as of 2019, a residual value was calculated and subsequently discounted. We discounted at a WACC of 7.86%.

A conservative long-term growth rate of 1.0% (from 2019 onwards) was applied in calculating Ter Bekes' discounted terminal value. The DCF valuation points to a theoretical value of equity of EUR 113.9m or EUR 65.8/share.

WACC & DCF Analysis

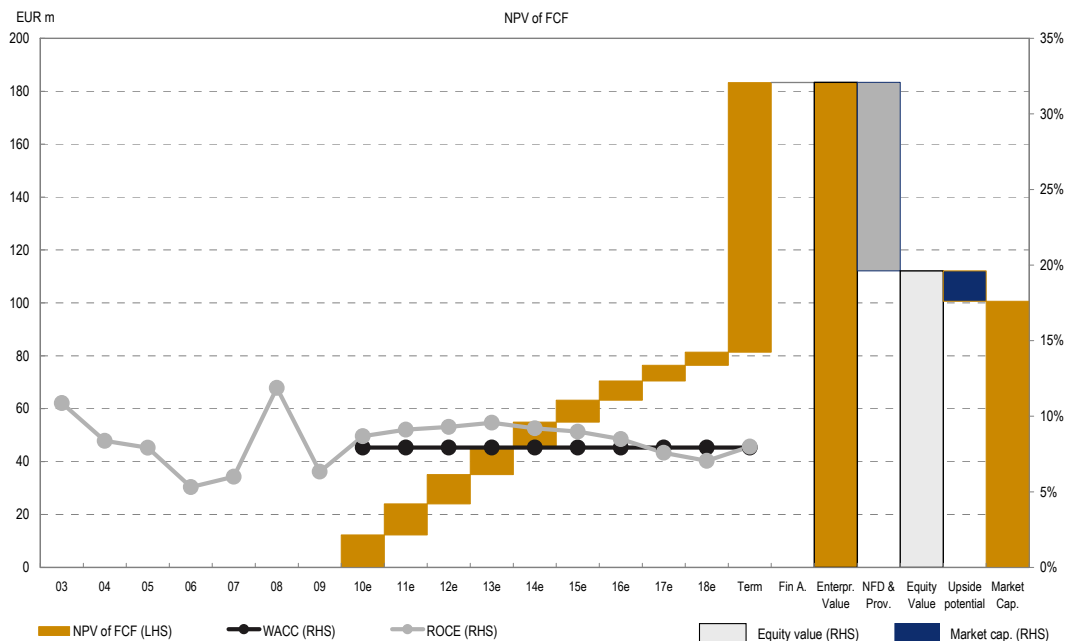
<b>Cost of Equity (Ke or COE)</b>	<b>10.11%</b>	<b>Cumulated DCF</b>	<b>87.2</b>	<b>- Net Financial Debt</b>	<b>(65.5)</b>
		<b>Perpetual Growth Rate (g)</b>	<b>1.0%</b>	- Minorities (estimated value)	0.0
Cost of Debt (gross)	5.2%	Normalised Annual CF	14.1	+ Associates	0.2
Debt tax rate	29%	Terminal Value @ Dec-2019	208.3	- Pension underfunding & provisions	(10.2)
<b>Cost of Debt net (Kd or COD)</b>	<b>3.67%</b>	Disc. Rate of Terminal Value	0.49	- Off-balance sheet commitments	(1.0)
		<b>Discounted Terminal Value</b>	<b>103.0</b>	<b>Equity Market Value (EUR m)</b>	<b>113.9</b>
Target gearing (D/E) or % Kd	35.0%			Number of shares (m)	1.7
% Ke	65.0%	Financial assets	0.2	<b>Fair Value per share (EUR)</b>	<b>65.75</b>
<b>Normative Tax Rate</b>	<b>29.0%</b>	<b>Enterprise Value (EUR m)</b>	<b>190.4</b>	Price dd. 09-Sep-10 ('EUR')	60.25
<b>WACC</b>	<b>7.86%</b>	<b>DCF reliability rate</b>	<b>46%</b>	<b>Potential upside (downside)</b>	<b>9.1%</b>

Source: Company data, ESN – Bank Degroof Research

Key parameters in our scenario are:

- A sales CAGR of 1.7% for the period 2010-2019.
- A normalised EBITDA margin of 8.8% as of 2019. This is slightly higher than previously assumed, and in line with the average EBITDA margin between FY04 and FY11e). Ter Beke's average historical EBITDA margin in our database FY97 till FY09 (13 years) amounts to 8.8%.
- An average capex to sales ratio of 4.6% from 2010 until 2018 and a normalised level of 4.6%.
- A normative tax rate of 29%.

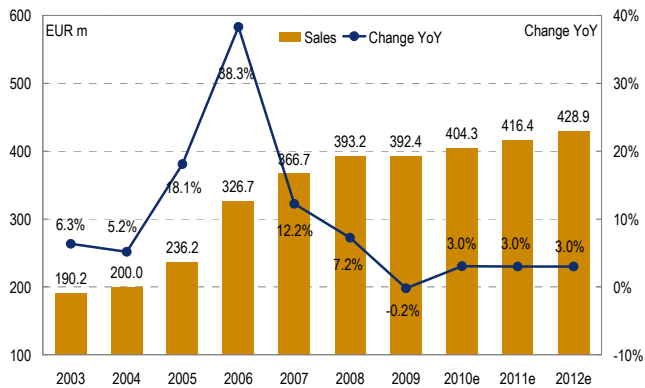
ROCE, WACC and NPV of FCF



Source: Company Data, ESN – Bank Degroof Research

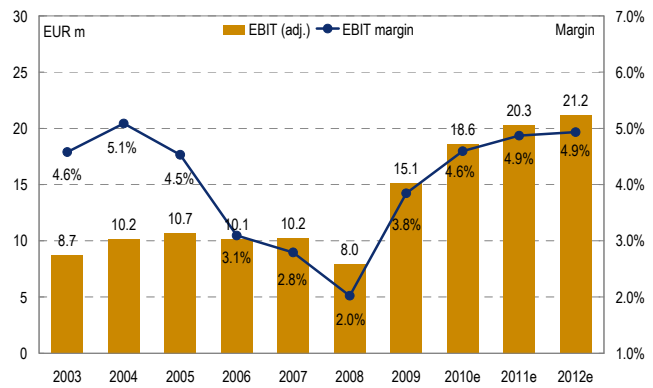
## Ter Beke: Key graphs

### Sales & growth



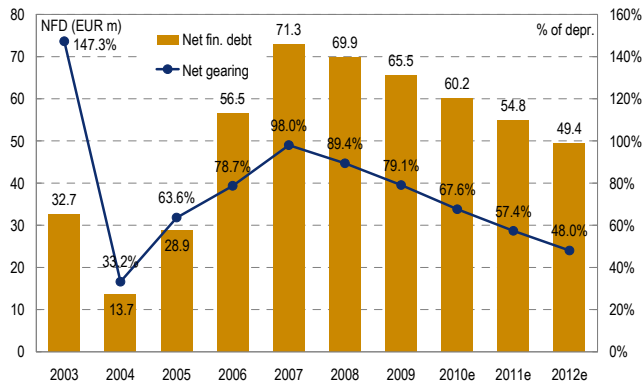
Source: Company data, ESN – Bank Degroof Research

### Adjusted EBIT & margin



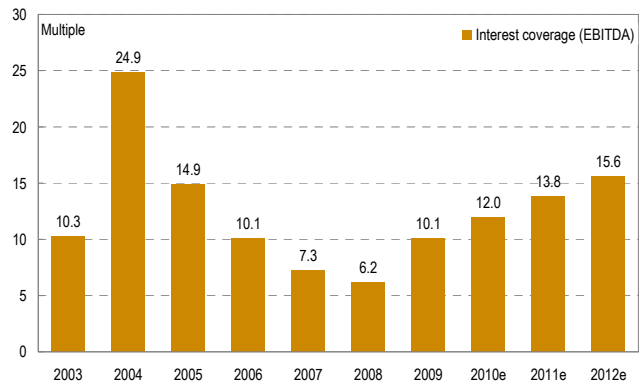
Source: Company data, ESN – Bank Degroof Research

### Net financial debt & gearing



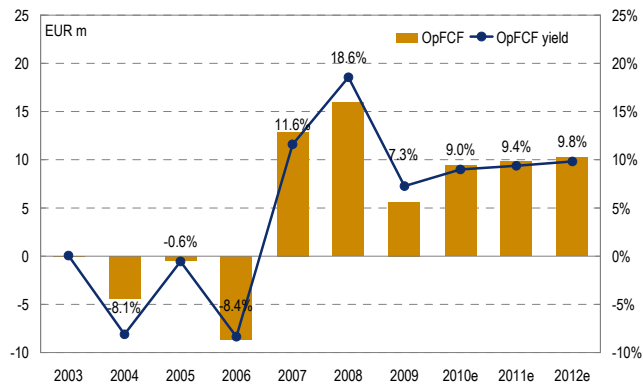
Source: Company data, ESN – Bank Degroof Research

### Interest coverage



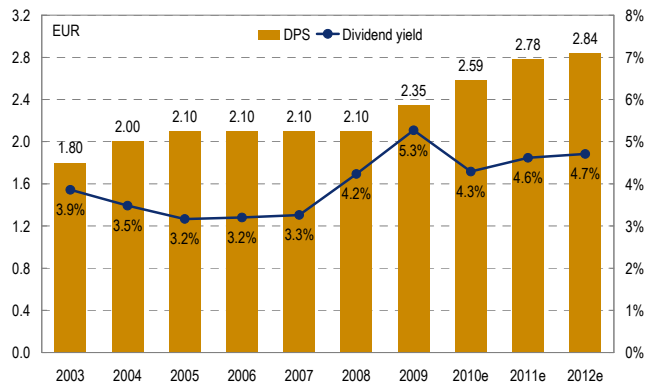
Source: Company data, ESN – Bank Degroof Research

### Free cash flow & FCF yield



Source: Company data, ESN – Bank Degroof Research

### Dividend per share & dividend yield



Source: Company data, ESN – Bank Degroof Research

## Ter Beke: Summary tables

PROFIT & LOSS (EURm)	12/2007	12/2008	12/2009	12/2010e	12/2011e	12/2012e
<b>Sales</b>	<b>367</b>	<b>393</b>	<b>392</b>	<b>404</b>	<b>416</b>	<b>429</b>
Cost of Sales & Operating Costs	336	365	358	367	377	388
Non Recurrent Expenses/Income	-1.0	2.0	0.6	0.0	0.0	0.0
<b>EBITDA</b>	<b>29.3</b>	<b>29.9</b>	<b>35.2</b>	<b>37.7</b>	<b>39.6</b>	<b>40.7</b>
<b>EBITDA (adj.)*</b>	<b>30.3</b>	<b>27.9</b>	<b>34.6</b>	<b>37.7</b>	<b>39.6</b>	<b>40.7</b>
Depreciation	-18.0	-22.6	-19.4	-19.1	-19.3	-19.6
<b>EBITA</b>	<b>11.3</b>	<b>7.3</b>	<b>15.7</b>	<b>18.6</b>	<b>20.3</b>	<b>21.2</b>
<b>EBITA (adj)*</b>	<b>12.3</b>	<b>5.3</b>	<b>15.1</b>	<b>18.6</b>	<b>20.3</b>	<b>21.2</b>
Amortisations and Write Downs	-1.1	0.7	-0.6	0.0	0.0	0.0
<b>EBIT</b>	<b>10.2</b>	<b>8.0</b>	<b>15.1</b>	<b>18.6</b>	<b>20.3</b>	<b>21.2</b>
<b>EBIT (adj.)*</b>	<b>11.3</b>	<b>6.0</b>	<b>14.5</b>	<b>18.6</b>	<b>20.3</b>	<b>21.2</b>
Net Financial Interest	-4.0	-4.8	-3.5	-3.1	-2.9	-2.6
Other Financials	0.1	0.1	0.8	-0.3	-1.3	-1.3
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>6.3</b>	<b>3.2</b>	<b>12.4</b>	<b>15.2</b>	<b>16.2</b>	<b>17.3</b>
Tax	-0.3	4.4	-4.2	-4.6	-4.7	-5.0
<i>Tax rate</i>	<i>4.4%</i>	<i>nm</i>	<i>33.6%</i>	<i>30.0%</i>	<i>29.0%</i>	<i>29.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Profit (reported)</b>	<b>6</b>	<b>8</b>	<b>8</b>	<b>11</b>	<b>11</b>	<b>12</b>
<b>Net Profit (adj.)</b>	<b>6</b>	<b>3</b>	<b>8</b>	<b>11</b>	<b>11</b>	<b>12</b>
<b>CASH FLOW (EURm)</b>	<b>12/2007</b>	<b>12/2008</b>	<b>12/2009</b>	<b>12/2010e</b>	<b>12/2011e</b>	<b>12/2012e</b>
Cash Flow from Operations before change in NWC	25.2	29.5	28.3	29.8	30.8	31.9
Change in Net Working Capital	7.7	3.9	-5.3	-0.4	-0.4	-0.4
<b>Cash Flow from Operations</b>	<b>33.0</b>	<b>33.4</b>	<b>23.0</b>	<b>29.4</b>	<b>30.4</b>	<b>31.5</b>
Capex	-20.1	-17.4	-17.4	-20.0	-20.6	-21.2
Net Financial Investments	-12.0	0.9	-0.6	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>0.9</b>	<b>16.8</b>	<b>5.0</b>	<b>9.4</b>	<b>9.8</b>	<b>10.2</b>
Dividends	-3.6	-3.6	-3.6	-4.1	-4.5	-4.8
Other (incl. Capital Increase & share buy backs)	-13.7	-10.1	3.0	0.0	0.0	0.0
<b>Change in Net Debt</b>	<b>-16</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>
NOPLAT	8	4	10	13	14	15
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2007</b>	<b>12/2008</b>	<b>12/2009</b>	<b>12/2010e</b>	<b>12/2011e</b>	<b>12/2012e</b>
Net Tangible Assets	116	112	109	110	111	113
Net Intangible Assets (incl. Goodwill)	40.7	37.8	37.3	37.3	37.3	37.3
Net Financial Assets & Other	4.5	0.2	0.2	0.2	0.2	0.2
<b>Total Fixed Assets</b>	<b>161</b>	<b>150</b>	<b>146</b>	<b>147</b>	<b>148</b>	<b>150</b>
Net Working Capital	6.4	6.8	12.2	12.5	12.9	13.3
<b>Net Capital Invested</b>	<b>168</b>	<b>157</b>	<b>158</b>	<b>160</b>	<b>161</b>	<b>163</b>
<b>Group Shareholders Equity</b>	<b>74.4</b>	<b>78.1</b>	<b>82.8</b>	<b>89.0</b>	<b>95.6</b>	<b>103</b>
<i>o/w own Shareholders Equity</i>	<i>74.4</i>	<i>78.1</i>	<i>82.8</i>	<i>89.0</i>	<i>95.6</i>	<i>103</i>
<b>Net Debt</b>	<b>72.9</b>	<b>69.9</b>	<b>65.5</b>	<b>60.6</b>	<b>55.6</b>	<b>50.3</b>
Provisions	20	9	10	10	10	10
Other Net Liabilities or Assets	0	0	0	0	0	0
<b>Net Capital Employed</b>	<b>168</b>	<b>157</b>	<b>158</b>	<b>160</b>	<b>161</b>	<b>163</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2007</b>	<b>12/2008</b>	<b>12/2009</b>	<b>12/2010e</b>	<b>12/2011e</b>	<b>12/2012e</b>
<i>Sales growth</i>	<i>12.2%</i>	<i>7.2%</i>	<i>-0.2%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>
<b>EBITDA (adj.)* growth</b>	<b>23.9%</b>	<b>-7.9%</b>	<b>23.8%</b>	<b>9.1%</b>	<b>4.9%</b>	<b>3.0%</b>
<i>EBITA (adj.)* growth</i>	<i>32.6%</i>	<i>-56.7%</i>	<i>183.1%</i>	<i>22.8%</i>	<i>9.2%</i>	<i>4.4%</i>
<i>EBIT (adj.)* growth</i>	<i>6.4%</i>	<i>-46.8%</i>	<i>141.8%</i>	<i>28.2%</i>	<i>9.2%</i>	<i>4.4%</i>
<i>Net Profit growth</i>	<i>1.6%</i>	<i>-46.6%</i>	<i>154.7%</i>	<i>28.7%</i>	<i>8.0%</i>	<i>7.1%</i>
<b>EPS adj. growth</b>	<b>-6.6%</b>	<b>-46.7%</b>	<b>154.6%</b>	<b>28.7%</b>	<b>8.0%</b>	<b>7.1%</b>
<i>DPS adj. growth</i>	<i>0.0%</i>	<i>0.0%</i>	<i>11.9%</i>	<i>10.0%</i>	<i>7.6%</i>	<i>2.0%</i>
<b>EBITDA margin</b>	<b>8.0%</b>	<b>7.6%</b>	<b>9.0%</b>	<b>9.3%</b>	<b>9.5%</b>	<b>9.5%</b>
<i>EBITDA (adj.)* margin</i>	<i>8.3%</i>	<i>7.1%</i>	<i>8.8%</i>	<i>9.3%</i>	<i>9.5%</i>	<i>9.5%</i>
<i>EBITA margin</i>	<i>3.1%</i>	<i>1.9%</i>	<i>4.0%</i>	<i>4.6%</i>	<i>4.9%</i>	<i>4.9%</i>
<i>EBITA (adj.)* margin</i>	<i>3.4%</i>	<i>1.4%</i>	<i>3.9%</i>	<i>4.6%</i>	<i>4.9%</i>	<i>4.9%</i>
<i>EBIT margin</i>	<i>2.8%</i>	<i>2.0%</i>	<i>3.8%</i>	<i>4.6%</i>	<i>4.9%</i>	<i>4.9%</i>
<i>EBIT (adj.)* margin</i>	<i>3.1%</i>	<i>1.5%</i>	<i>3.7%</i>	<i>4.6%</i>	<i>4.9%</i>	<i>4.9%</i>

## Ter Beke: Summary tables

RATIOS	12/2007	12/2008	12/2009	12/2010e	12/2011e	12/2012e
Net Debt/Equity	1.0	0.9	0.8	0.7	0.6	0.5
Net Debt/EBITDA	2.5	2.3	1.9	1.6	1.4	1.2
Interest cover (EBITDA/Fin.interest)	7.3	6.2	10.1	12.0	13.8	15.6
Capex/D&A	105.4%	79.6%	86.7%	104.5%	106.8%	108.4%
Capex/Sales	5.5%	4.4%	4.4%	4.9%	4.9%	4.9%
NWC/Sales	1.7%	1.7%	3.1%	3.1%	3.1%	3.1%
ROE (average)	8.3%	4.2%	10.3%	12.4%	12.4%	12.4%
ROCE (adj.)	4.9%	2.7%	6.5%	8.3%	8.9%	9.2%
WACC	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
ROCE (adj.)/WACC	0.6	0.3	0.8	1.1	1.1	1.2
PER SHARE DATA (EUR)***	12/2007	12/2008	12/2009	12/2010e	12/2011e	12/2012e
Average diluted number of shares	1.7	1.7	1.7	1.7	1.7	1.7
EPS (reported)	3.51	4.39	4.77	6.13	6.62	7.09
EPS (adj.)	3.51	1.87	4.77	6.13	6.62	7.09
BVPS	43.09	45.13	47.79	51.34	55.18	59.44
DPS	2.10	2.10	2.35	2.59	2.78	2.84
VALUATION	12/2007	12/2008	12/2009	12/2010e	12/2011e	12/2012e
EV/Sales	0.5	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	5.7	4.9	4.6	4.4	4.1	3.8
<b>EV/EBITDA (adj.)*</b>	<b>5.5</b>	<b>5.2</b>	<b>4.6</b>	<b>4.4</b>	<b>4.1</b>	<b>3.8</b>
EV/EBITA	14.7	19.9	10.2	8.9	7.9	7.4
<b>EV/EBITA (adj.)*</b>	<b>13.5</b>	<b>27.2</b>	<b>10.6</b>	<b>8.9</b>	<b>7.9</b>	<b>7.4</b>
EV/EBIT	16.3	18.3	10.6	8.9	7.9	7.4
<b>EV/EBIT (adj.)*</b>	<b>14.8</b>	<b>24.2</b>	<b>11.0</b>	<b>8.9</b>	<b>7.9</b>	<b>7.4</b>
<b>P/E (adj.)</b>	<b>15.1</b>	<b>22.9</b>	<b>11.3</b>	<b>9.8</b>	<b>9.1</b>	<b>8.5</b>
P/BV	1.2	1.0	1.1	1.2	1.1	1.0
Total Yield Ratio	4.0%	4.9%	3.9%	4.3%	4.6%	
EV/CE	1.0	0.9	1.0	1.0	1.0	1.0
OpFCF yield	14.1%	21.4%	6.0%	9.0%	9.4%	9.8%
OpFCF/EV	7.7%	11.0%	3.5%	5.7%	6.1%	6.6%
Payout ratio	59.8%	47.8%	49.3%	42.2%	42.0%	40.0%
Dividend yield (gross)	4.0%	4.9%	3.9%	4.3%	4.6%	4.7%
EV AND MKT CAP (EURm)	12/2007	12/2008	12/2009	12/2010e	12/2011e	12/2012e
Price** (EUR)	53.0	43.0	54.0	60.3	60.3	60.3
Outstanding number of shares for main stock	1.7	1.7	1.7	1.7	1.7	1.7
<b>Total Market Cap</b>	<b>91.7</b>	<b>74.4</b>	<b>93.5</b>	<b>104</b>	<b>104</b>	<b>104</b>
<b>Net Debt</b>	<b>72.9</b>	<b>69.9</b>	<b>65.5</b>	<b>60.6</b>	<b>55.6</b>	<b>50.3</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>-7.3</i>	<i>-5.6</i>	<i>-2.7</i>	<i>3.2</i>	<i>4.8</i>	<i>9.4</i>
<i>o/w Gross Debt (+)</i>	<i>80.3</i>	<i>75.4</i>	<i>68.1</i>	<i>57.4</i>	<i>50.7</i>	<i>40.8</i>
<b>Other EV components</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Enterprise Value (EV adj.)	<b>167</b>	<b>145</b>	<b>160</b>	<b>166</b>	<b>161</b>	<b>156</b>

Source: Company, Bank Degroof estimates.

### Notes

\* Where EBITDA (adj.) or EBITA (adj) or EBIT (adj.)= EBITDA (or EBITA or EBIT) +/- Non Recurrent Expenses/Income

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

\*\*\*EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: Food & Beverage/Food small caps

Company Description: Ter Beke is a Belgian fresh food group which markets its range of products in 10 European countries. The group has 2 core businesses: processed meats and fresh ready meals, possesses 11 plants in Belgium, the Netherlands and France and counts about 1,800 people. The Processed Meats BU TerBeke-Pluma produces processed meats for the Benelux, Germany and the UK, and it is innovative in the segment of sliced and pre-packed processed meats. It markets its products under distribution brands and own brand names (L'Ardennaise and Daniël Coopman). The Ready Meals BU FreshMeals produces fresh ready meals for the European market. It is European market leader in fresh lasagne. Its flagship brand name is Come a Casa, alongside Pronto, Vamos and various distribution brands.

## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

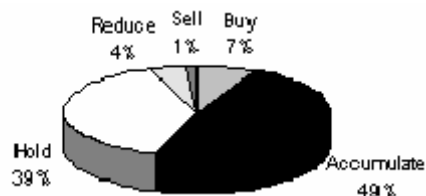
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved or to a change of analyst covering the stock
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

### Bank Degroof Ratings Breakdown

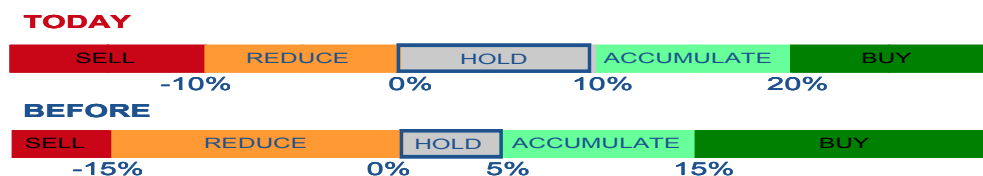


### History of ESN Recommendation System

Since **18 October 2004**, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.

Since **4 August 2008**, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:



**Institutional & corporate equity desk**

Damien Crispiels	+32 2 287 96 97
Bart Beullens	+32 2 287 91 80
Laurent Goethals	+32 2 287 91 85
Pascal Magis	+32 2 287 97 81
Peter Rysseleere	+32 2 287 97 46

**Real Estate coordinator**

Jean-Baptiste Van Ex	+32 2 287 91 27
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**Institutional & corporate bond desk**

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Fabrice Faccenda	+32 2 287 91 81
Charles Feiner*	+32 2 287 91 83

**Structured products**

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Sebastian Fraboni	+32 2 287 92 56
Edouard Nouvellon	+32 2 287 93 23

**Fund Services**

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Thomas Palmblad	+32 2 287 93 27
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**Equity brokerage**

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Robin Podevyn	+32 2 287 91 82
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Bernard Hanssens	+32 2 287 96 89
Siddy Jobe	+32 2 287 92 79
Ivan Lathouders, CFA	+32 2 287 91 76
Marc Leemans, CFA	+32 2 287 93 61
Thibaud Rutsaert, CFA	+32 2 287 94 28

\* *authorised agent*

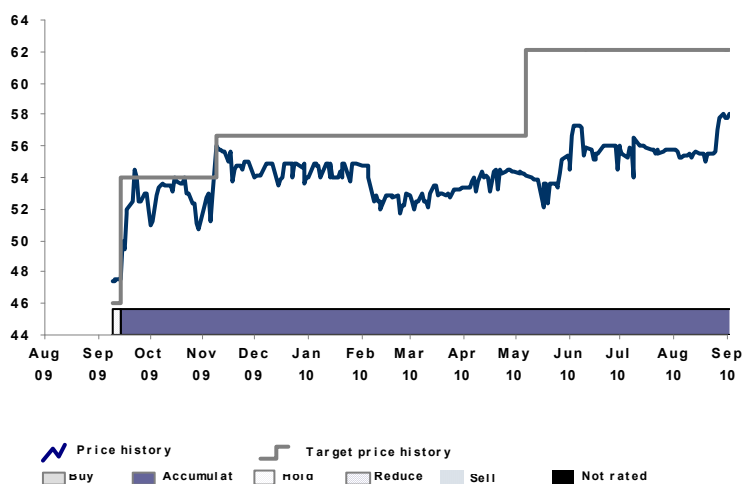
**Mail: [firstname.lastname@degroof.be](mailto:firstname.lastname@degroof.be)**

## Recommendation history for TER BEKE

Date	Recommendation	Target price	Price at change date
10-Sep-10	Accumulate	66.00	60.25
07-May-10	Accumulate	62.10	54.08
09-Nov-09	Accumulate	56.60	56.00
14-Sep-09	Accumulate	54.00	47.60
10-Jun-09	Hold	46.00	43.00
11-May-09	Hold	42.00	42.33
12-Feb-09	Hold	41.00	38.50
13-Nov-08	Hold		44.49

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Bank Degroof continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Hans D'Haese (since 28/01/2005)



### Bank Degroof acts as liquidity provider for:

Aedifica, Atenor, Banimmo, Bois Sauvage, BSB International, D'Ieteren, Duvel, Elia, Floridienne, GIMV, IBt, Intervest Retail, IPTE, I.R.I.S., Kinopolis, Leasinvest, Luxempart, Montea, PinguinLutosa, Realco, Resilux, Sapec, Ter Beke and Van de Velde.

### Bank Degroof holds a significant stake in:

Aedifica, Fountain and Proximedia.

### Bois Sauvage holds a significant stake in Bank Degroof

### Bank Degroof board members and employees hold mandates in the following listed companies:

Aedifica, Atenor, Barco, Bois Sauvage, Brederode, Cofinimmo, Deceuninck, D'Ieteren, Emakina, Floridienne, FuturaGene, Lotus Bakeries, PinguinLutosa, Proximedia, Recticel, Sipef, Ter Beke, Tessenderlo and UCB.

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