Ter Beke

Belgium/ Food & Beverage

Flash note

Investment Research

9 September 2011

Accumulate

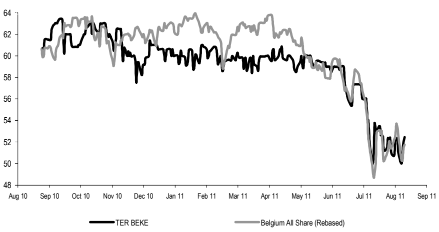
Recommendation unchanged

Share price: EUR	**52.45**
closing price as of 08/09/2011	
Target price: EUR	**61.00**
Target Price unchanged	
Reuters/Bloomberg	TERB.BR/TERB BB

Daily avg. no. trad. sh. 12 mth	412
Daily avg. trad. vol. 12 mth (m)	0.02
Price high 12 mth (EUR)	63.40
Price low 12 mth (EUR)	50.00
Abs. perf. 1 mth	4.9%
Abs. perf. 3 mth	-12.6%
Abs. perf. 12 mth	-11.5%

Market capitalisation (EURm)	91
Current N° of shares (m)	2
Free float	28%

Key financials (EUR)	12/10	12/11e	12/12e
Sales (m)	402	405	417
EBITDA (m)	38	35	38
EBITDA margin	*9.3%*	*8.6%*	*9.2%*
EBIT (m)	18	15	18
EBIT margin	*4.4%*	*3.8%*	*4.3%*
Net Profit (adj.)(m)	11	9	11
ROCE	7.9%	7.0%	8.5%
Net debt/(cash) (m)	57	50	40
Net Debt Equity	*0.6*	*0.5*	*0.4*
Net Debt/EBITDA	1.5	1.5	1.0
Int. cover(EBITDA/Fin.int)	13.1	13.7	17.3
EV/Sales	0.4	0.4	0.3
EV/EBITDA	4.3	4.1	3.4
EV/EBITDA (adj.)	4.4	4.1	3.4
EV/EBIT	9.1	9.3	7.3
P/E (adj.)	9.7	9.9	8.2
P/BV	1.2	1.0	0.9
OpFCF yield	*11.3%*	*12.1%*	*16.6%*
Dividend yield	*4.8%*	*4.8%*	*4.8%*
EPS (adj.)	6.15	5.29	6.43
BVPS	51.43	54.23	58.15
DPS	2.50	2.50	2.50



Shareholders: COOVAN 61%; SRIW 5%; Seneca/LDB 3%; M6 2%;

For company description please see summary table footnote

Feedback from analyst meeting – slight revision of scenario

Earlier this week Ter Beke management hosted an analyst meeting regarding the 1H11 release in which it provided some flavour on strategic issues and the main changes of key lines in the 30-Jun-11 balance sheet and P&L. Ter Beke posted a rather weak 1H11, with stable sales and margins under pressure due to increasing raw materials prices. In this Flash note we elaborate on the top line evolution, future margin evolution for both BUs and the stronger balance sheet.

At present Ter Beke is traded at an attractive FY11e EV/EBITDA multiple of 4.1x (vs. 5.5x for peers). Ter Beke's present FY11e EV/EBIT and P/E (adj.) multiples of 9.3x and 9.8x are more or less in line with those of peers (9.0x and 9.9, respectively). We maintain our Accumulate rating and EUR 61 TP.

✓ Balance sheet

Financial ratio's improving. Net financial debt had decreased from EUR 57.2m (31-Dec-10) to EUR 54.0m (30-Jun-11), and consequently Ter Beke's **gearing went down from 64.2% to 60.5%**. The Equity/Total Assets on 30-Jun-11 ratio remained quasi stable at 36.8%.

Capex of EUR 7.4m (slightly lower than anticipated and below the 1H10 level of EUR 10.1m) regarded predominantly the next phase of the automation investments in the pâté production in Wommelgem and the continuation of various efficiency and infrastructure investments in all other sites. We **have reviewed our FY11 capex estimate downwards** from EUR 21m to EUR 18m (EUR 13m + a cash out of EUR 5m for the 50/50 JV with Stefano Tosseli in Poland, named "The Pasta Food Company, to be in created in 2H11).

✓ P&L

Main issues have already been tackled in our Analyser of 26-Aug-11. Below we elaborate on some other items and included our expectations for 2H11 and FY11.

All in all 1H11 sales came out lower than expected (EUR 198.5m vs. EUR 202.6m expected). Although volumes have remained stable in processed meats, this business unit saw its top line decrease with 2.2% to EUR 133.3m (below our estimate of EUR 138.0m) in its key markets, because of changes in product mix (consumers **switched to cheaper products in processed meats**). In the fresh ready meals BU the Come a casa marketing campaign in Belgium had a positive impact on sales (EUR 65.2m, +6.7%). In general Ter Beke enjoyed a **strong volumes increase in lasagne** and other pasta meals.

For FY11e **we have reviewed downwards our sales estimate to EUR 404.9m (from EUR 414.2m)**, based on an unfavourable shift in product mix for processed meats in 1H11, which we expect to continue in 2H11. In ready meals we expect an increase of 5.1% to EUR 130.9m, predominantly thanks to higher volumes. All in all this implies that for 2H11 we expect a flat consolidated turnover of EUR 206.3m (compared to EUR 204.8m in 2H10).

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1H11 figures vs. expectations

P&L (EUR m)	1H10	2H10	FY10	1H11a	% YoY	1H11e	Δ% exp.
Net sales	**197.4**	**204.8**	**402.2**	**198.5**	**0.6%**	**202.6**	**-2.0%**
Processed meats	136.3	141.0	277.4	133.3	-2.2%	138.0	-3.4%
Fresh ready meals	61.1	63.6	124.6	65.2	6.7%	64.6	0.9%
EBITDA	**19.6**	**17.9**	**37.5**	**16.4**	**-16.5%**	**17.9**	**-8.7%**
EBITDA margin	*9.9%*	*8.8%*	*9.3%*	*8.2%*		*8.8%*	
Non-cash costs	8.9	10.8	19.7	8.9	-0.1%	9.5	-6.3%
EBIT	**10.7**	**7.1**	**17.8**	**7.4**	**-30.2%**	**8.4**	**-11.4%**
EBIT margin	*5.4%*	*3.5%*	*4.4%*	*3.7%*		*4.1%*	
Financial result	-2.1	-1.2	-3.3	-1.4	-35.0%	-1.4	-4.0%
EBT	**8.5**	**6.0**	**14.5**	**6.0**	**-29.0%**	**7.2**	**-15.9%**
Taxes	-2.8	-1.0	-3.8	-1.5	-44.7%	-2.2	-28.4%
Net result	**5.7**	**4.9**	**10.7**	**4.5**	**-21.3%**	**5.0**	**-10.5%**
Net margin	*2.9%*	*2.4%*	*2.7%*	*2.3%*		*2.5%*	
Adj. EPS (EUR)	**3.31**	**2.84**	**6.15**	**2.60**	**-21.4%**	**2.91**	**-10.5%**

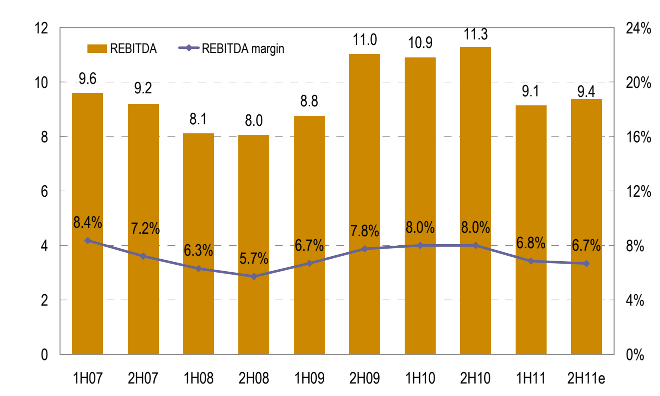
Source: Company data, ESN – Bank Degroof Research

Operating margins:

On the operating level Ter Beke performed below our expectations. EBITDA was down 16.5% to EUR 16.4m in 1H11 (we banked on a 9% decline), because it is facing **strong price increases for raw materials** (in fact already as of 2H10). Given that the group is working longer term contracts with its major retail customers, a **delay in charging raw materials price increases through is inevitable**. EBITDA margin of 8.2% and EBIT margin of 3.7% were down versus 1H10, but comparables were tough at this level (in 1H10 the company posted the highest operating margin in 5 years).

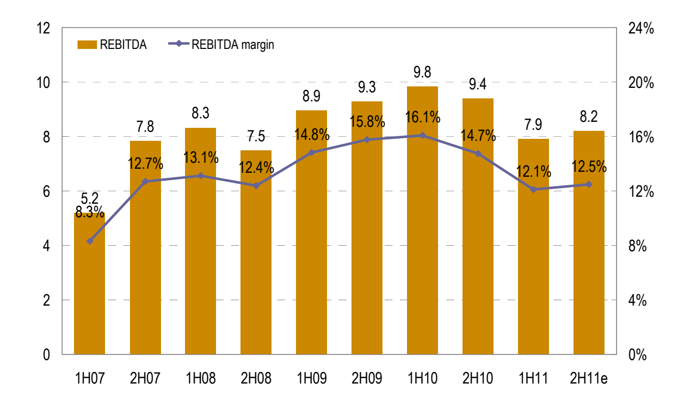
The 1H11 did not contain major surprises below the EBIT line.

REBITDA & margin evolution processed meats



Source: Company data, ESN – Bank Degroof Research

REBITDA & margin evolution fresh ready meals

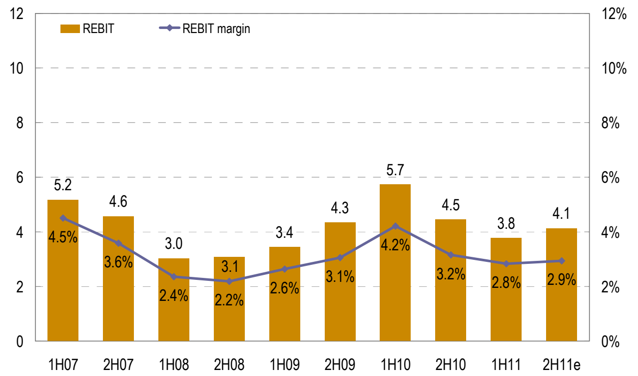


Source: Company data, ESN – Bank Degroof Research

This weaker 1H11 shows that Ter Beke has proven not to be immune for a weakening of consumer confidence and we do not expect the environment to turn positive in 2H11. We would rather bank on **stable operating margins vs. 1H11, but still negative YoY** due to a continued negative products mix evolution in processed meats. So, although volumes tend to stay stable, turnover decreases because of the general trade down of consumers. Raw materials prices evolution is not supportive as well. According to market sources, Ter Beke has reinforced its leading position on the Belgian market and even managed to show **double digit market share growth in processed meats** in 1H11.

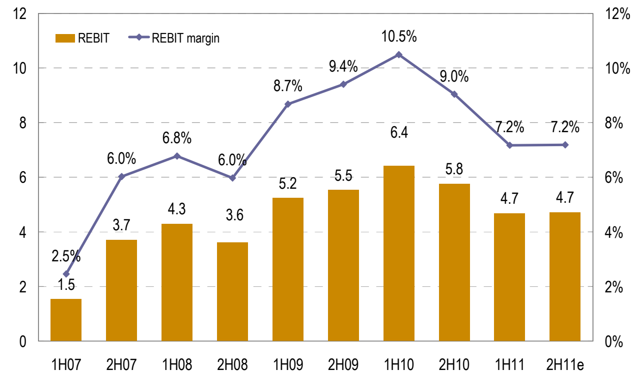
In ready meals raw materials prices have put margins under pressure. Thanks to **continued growth of Come a casa branded products in Belgium**, margins could be better defended in this difficult market (possibly to the detriment of turnover in 2H11, however). Up until now turnover in ready meal was strong as expected. According to Ac Nielsen figures, **Come a casa branded pasta dishes in Belgium (includes lasagne) have increased market share considerably** (since 2009: + 4% in volume, +3% in value).

EBIT & margin evolution processed meats



Source: Company data, ESN – Bank Degroof Research

EBIT & margin evolution fresh ready meals



Source: Company data, ESN – Bank Degroof Research

FY11 earnings forecasts

EUR m	1H09	2H09	FY09	1H10	2H10	FY10	1H11	2H11e	FY11e
Sales	**191.4**	**201.0**	**392.4**	**197.4**	**204.8**	**402.2**	**198.5**	**206.3**	**404.9**
Total sales growth %	*-0.4%*	*-0.1%*	*-0.2%*	*3.1%*	*1.9%*	*2.5%*	*0.6%*	*0.8%*	*0.7%*
Processed meats	131.0	142.1	273.2	136.3	141.1	277.4	133.3	140.6	273.9
Sales growth %	*1.8%*	*1.0%*	*1.4%*	*4.0%*	*-0.7%*	*1.5%*	*-2.2%*	*-0.3%*	*-1.2%*
Fresh ready meals	60.4	58.8	119.2	61.1	63.7	124.8	65.2	65.7	130.9
Sales growth %	*-4.7%*	*-2.6%*	*-3.7%*	*1.2%*	*8.2%*	*4.7%*	*6.7%*	*3.2%*	*4.9%*
REBITDA	**16.0**	**19.1**	**35.2**	**19.6**	**17.9**	**37.5**	**16.4**	**18.3**	**34.6**
Total REBITDA growth %	*4.3%*	*32.4%*	*17.9%*	*22.2%*	*-6.3%*	*6.7%*	*-16.5%*	*2.0%*	*-7.7%*
REBITDA margin	*8.4%*	*9.5%*	*9.0%*	*9.9%*	*8.8%*	*9.3%*	*8.2%*	*8.9%*	*8.6%*
Processed meats	8.8	11.0	19.8	10.9	11.3	22.2	9.1	9.4	18.5
REBITDA growth %	*7.9%*	*36.9%*	*22.4%*	*24.5%*	*2.5%*	*12.3%*	*-16.3%*	*-17.0%*	*-16.6%*
REBITDA margin	*6.7%*	*7.8%*	*7.2%*	*8.0%*	*8.0%*	*8.0%*	*6.8%*	*6.7%*	*6.8%*
Fresh ready meals	8.9	9.3	18.2	9.8	9.4	19.2	7.9	8.2	16.1
REBITDA growth %	*7.6%*	*23.9%*	*15.3%*	*9.9%*	*1.2%*	*5.5%*	*-19.6%*	*-12.7%*	*-16.2%*
REBITDA margin	*14.8%*	*15.8%*	*15.3%*	*16.1%*	*14.7%*	*15.4%*	*12.1%*	*12.5%*	*12.3%*
Non allocated	-1.7	-1.2	-2.8	-1.2	-2.8	-3.9	-0.7	0.7	0.0
Non-cash costs	-9.3	-10.8	-20.1	-8.9	-10.8	-19.7	-8.9	-10.5	-19.4
REBIT	**6.7**	**8.4**	**15.1**	**10.7**	**7.1**	**17.8**	**7.4**	**7.8**	**15.3**
Total EBIT growth %	*10.9%*	*57.3%*	*32.6%*	*58.8%*	*-14.7%*	*18.0%*	*-30.2%*	*9.3%*	*-14.3%*
REBIT margin	*3.5%*	*4.2%*	*3.8%*	*5.4%*	*3.5%*	*4.4%*	*3.7%*	*3.8%*	*3.8%*
Processed meats	3.4	4.3	7.8	5.7	4.5	10.1	3.8	4.1	7.9
REBIT growth %	*13.7%*	*41.2%*	*27.5%*	*66.3%*	*2.5%*	*29.3%*	*-34.3%*	*-7.2%*	*-21.6%*
REBIT margin	*2.6%*	*3.1%*	*2.9%*	*4.2%*	*3.2%*	*3.6%*	*2.8%*	*2.9%*	*2.9%*
Fresh ready meals	5.2	5.5	10.8	6.4	5.8	10.4	4.7	4.7	9.4
REBIT growth %	*22.0%*	*53.5%*	*36.4%*	*22.4%*	*4.0%*	*-3.4%*	*-27.0%*	*-18.0%*	*-9.7%*
REBIT margin	*8.7%*	*9.4%*	*9.0%*	*10.5%*	*9.0%*	*8.3%*	*7.2%*	*7.2%*	*7.2%*

Source: Company data, ESN – Bank Degroof Research

✓ **Valuation**

CASH FLOW (EUR m)	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Sales	**404.9**	**417.1**	**429.7**	**443.5**	**457.7**	**472.3**	**484.2**	**493.2**	**498.1**
% change	*0.7%*	*3.0%*	*3.0%*	*3.2%*	*3.2%*	*3.2%*	*2.5%*	*1.8%*	*1.0%*
EBITDA	**34.6**	**38.2**	**39.1**	**40.1**	**40.9**	**42.2**	**42.4**	**42.2**	**42.1**
% margin	*8.6%*	*9.2%*	*9.1%*	*9.0%*	*8.9%*	*8.9%*	*8.8%*	*8.6%*	*8.5%*
% change	*-7.7%*	*10.2%*	*2.5%*	*2.6%*	*2.0%*	*3.1%*	*0.5%*	*-0.5%*	*-0.2%*
Depreciation & other provisions	19.4	20.2	19.4	19.9	20.4	21.0	21.5	22.0	21.5
% sales	*4.8%*	*4.8%*	*4.5%*	*4.5%*	*4.5%*	*4.4%*	*4.4%*	*4.5%*	*4.3%*
EBITA	**15.3**	**18.0**	**19.7**	**20.2**	**20.5**	**21.2**	**20.9**	**20.1**	**20.6**
% margin	*3.8%*	*4.3%*	*4.6%*	*4.6%*	*4.5%*	*4.5%*	*4.3%*	*4.1%*	*4.1%*
% change	*-14.3%*	*18.0%*	*9.4%*	*2.7%*	*1.2%*	*3.6%*	*-1.6%*	*-3.5%*	*2.2%*
Taxes	-4.0	-5.0	-5.5	-5.7	-5.7	-6.0	-6.0	-5.9	-6.0
Actual tax rate	*26.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.5%*	*29.0%*	*29.5%*	*29.0%*
NOPLAT	**11.3**	**13.0**	**14.2**	**14.6**	**14.7**	**15.2**	**14.8**	**14.2**	**14.6**
Depreciation & other provisions	19.4	20.2	19.4	19.9	20.4	21.0	21.5	22.0	21.5
% sales	*4.8%*	*4.8%*	*4.5%*	*4.5%*	*4.5%*	*4.4%*	*4.4%*	*4.5%*	*4.3%*
Gross Operating Cash Flow	30.7	33.1	33.6	34.5	35.2	36.1	36.3	36.2	36.1
Capex	-17.5	-16.0	-22.0	-23.0	-23.5	-23.9	-24.4	-24.9	-21.5
% sales	*4.3%*	*3.8%*	*5.1%*	*5.2%*	*5.1%*	*5.1%*	*5.0%*	*5.0%*	*4.3%*
Change in NWC (-=incr.;+=decr.)	0.0	-0.2	-0.2	-0.2	-0.2	-0.3	-0.2	-0.2	-0.1
Cash Flow to be discounted	13.1	16.9	11.4	11.2	11.5	12.0	11.7	11.2	14.6
DCF EVALUATION (EUR m)									
WACC	8.56%	8.56%	8.56%	8.56%	8.56%	8.56%	8.56%	8.56%	8.56%
Discount Rate factor	0.97	0.90	0.83	0.76	0.70	0.65	0.60	0.55	0.51
Discounted Cash Flow	12.8	15.2	9.2	8.5	8.1	7.7	7.0	6.1	7.4
Cumulated DCF	**12.8**	**28.0**	**37.1**	**45.7**	**53.7**	**61.5**	**68.5**	**74.6**	**81.9**

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. We used the following assumptions for the first period of the cash flow projections:

- Sales CAGR of 2010/2019 of 2.6%. Sales CAGR over the last 10 year was 10.3%. Over 2002/2010 sales CAGR of the ready meals BU amounted to 4.2%, including external growth thanks to the acquisition of Di Pasto. Over this period, sales CAGR for the processed meats BU amounted even to 15.2%, predominantly due to the integration of Pluma, besides the Langeveld-Slegers and Berkhout Verssnijlijn acquisitions, which both are specialised in service slicing and packaging. These acquisitions have proven to make Ter Beke less sensible to raw materials prices fluctuations.
- A Rebitda margin of on average 8.9% between 2011 and 2019, with a normalised level of 8.5% (a rather conservative assumption compared to the average level of 9.1% over the last ten years). For the long term, the EBIT margin is expected to attain a level at around 4.1%, in line with historical levels.
- The tax rate is maintained stable at 29%.
- This leads to a NOPLAT CAGR of 4.9% between 2010 and 2019.
- For the period 2011-2019, we maintained the capex (net of disposal) at a high level (approx. EUR 21m on average), This amount includes a maintenance capex and the cost of the expansion plans.

Free cash flows were discounted at an average WACC of 8.56%. The discount factor is based upon a cost of equity of 11.38% and a long term target gearing of 35%.

In a first period (2011-2019), we have used the below detailed free cash flow projections. For the last period, a residual value was calculated and subsequently discounted. The residual value was based on NOPLAT/WACC. That means the return of the incremental invested capital equals the cost of capital hence, growth adds nothing to value.

Given the ESN methodology, NOPLAT should be based on the operating result only and does not include the earnings contribution of the associates. Hence, the value of Ter Bekes stake in the 50/50 JV with Stefano Toselli in Opole Walbrzych (Poland), "The" Pasta Food Company, is valued separately. We value it for the time being at the amount that is planned to be invested in the course of 2H11 in the JV (EUR 5m). The plant for lasagne production is to be operational by 2Q13.

After deducting net financial debts, pension provisions and minorities, and adding the equity of associated companies at book value, we obtain an equity value of EUR 106.3m, which is translated into a 12 month TP of EUR 61.

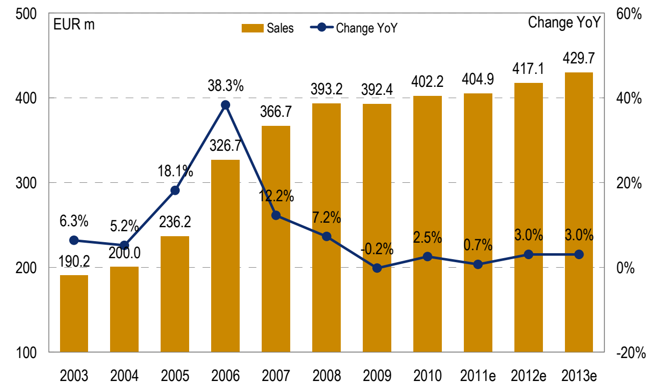
WACC & DCF Analysis

Cost of Equity (Ke or COE)	**11.38%**	**Cumulated DCF**	**81.9**	**- Net Financial Debt**	**-57.2**
		Perpetual Growth Rate (g)	**0.0%**	- Minorities (estimated value)	0.0
Cost of Debt (gross)	4.7%	Normalised Annual CF	14.6	+ Associates	5.1
Debt tax rate	29%	Terminal Value @ Dec-2019	170.6	- Pension underfunding & provisions	-9.9
Cost of Debt net (Kd or COD)	**3.32%**	Disc. Rate of Terminal Value	0.51	- Off-balance sheet commitments	0
		Discounted Terminal Value	**86.2**	**Equity Market Value (EUR m)**	**106.3**
Target gearing (D/E) or % Kd	35.0%			Number of shares (m)	1.7
% Ke	65.0%	Financial assets	0.1	**Target price/share (EUR)**	**61.40**
Normative Tax Rate	**29.0%**	**Enterprise Value (EUR m)**	**168.2**	Price dd. 08-Sep-11 ('EUR')	52.45
WACC	**8.56%**	**DCF reliability rate**	**49%**	**Potential upside (downside)**	**17.1%**

Source: Company data, ESN – Bank Degroof Research

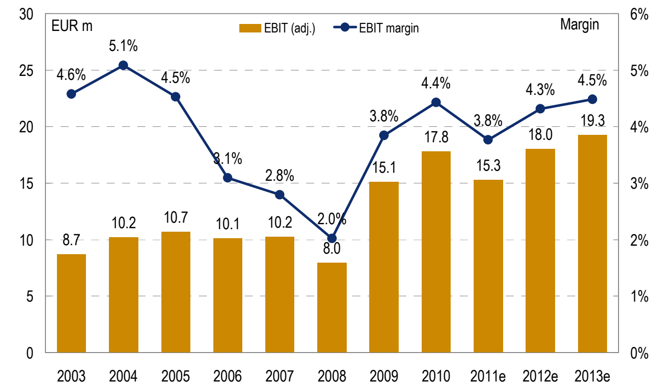
Ter Beke: Key graphs

Sales & growth



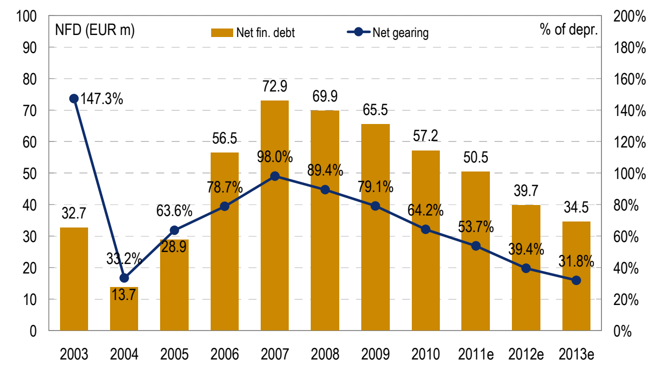
Source: Company data, ESN – Bank Degroof Research

Adjusted EBIT & margin



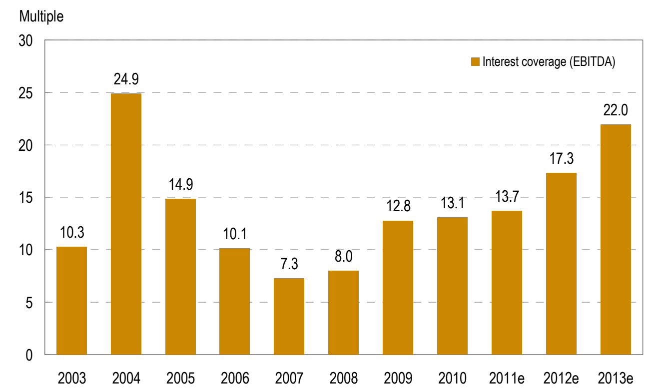
Source: Company data, ESN – Bank Degroof Research

Net financial debt & gearing



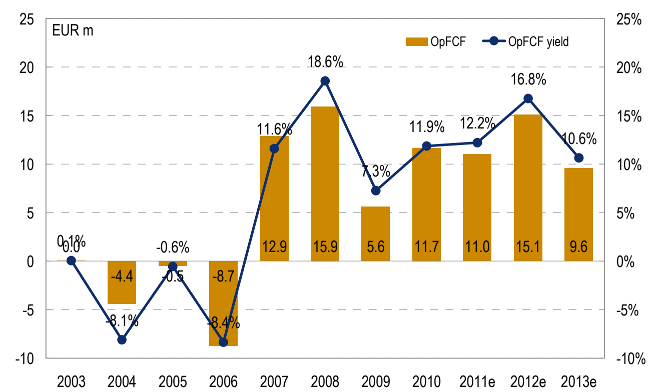
Source: Company data, ESN – Bank Degroof Research

Interest coverage



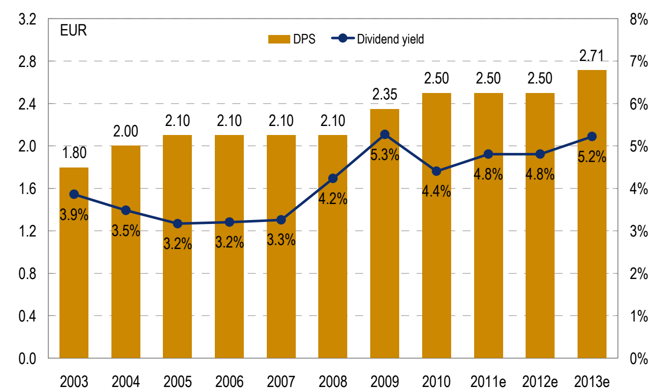
Source: Company data, ESN – Bank Degroof Research

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)	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Sales	**393**	**392**	**402**	**405**	**417**	**430**
Cost of Sales & Operating Costs	-363	-357	-365	-370	-379	-391
Non Recurrent Expenses/Income	2.0	0.6	0.4	0.0	0.0	0.0
EBITDA	**29.9**	**35.2**	**37.5**	**34.6**	**38.2**	**38.7**
EBITDA (adj.)*	**27.9**	**34.6**	**37.1**	**34.6**	**38.2**	**38.7**
Depreciation	-22.6	-19.4	-19.7	-19.4	-20.2	-19.4
EBITA	**7.3**	**15.7**	**17.8**	**15.3**	**18.0**	**19.3**
EBITA (adj)*	**5.3**	**15.1**	**17.3**	**15.3**	**18.0**	**19.3**
Amortisations and Write Downs	0.7	-0.6	0.0	0.0	0.0	0.0
EBIT	**8.0**	**15.1**	**17.8**	**15.3**	**18.0**	**19.3**
EBIT (adj.)*	**6.0**	**14.5**	**17.4**	**15.3**	**18.0**	**19.3**
Net Financial Interest	-3.7	-2.8	-2.9	-2.5	-2.2	-1.8
Other Financials	-1.0	0.1	-0.4	-0.3	-0.3	-0.3
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
Earnings Before Tax (EBT)	**3.2**	**12.4**	**14.5**	**12.4**	**15.5**	**17.2**
Tax	4.4	-4.2	-3.8	-3.2	-4.3	-4.8
Tax rate	*nm*	*33.6%*	*26.4%*	*26.0%*	*28.0%*	*28.0%*
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
Net Profit (reported)	**8**	**8**	**11**	**9**	**11**	**12**
Net Profit (adj.)	**3**	**8**	**11**	**9**	**11**	**12**

CASH FLOW (EURm)	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Cash Flow from Operations before change in NWC	29.5	28.3	30.4	28.5	31.3	31.8
Change in Net Working Capital	3.9	-5.3	5.3	0.0	-0.2	-0.2
Cash Flow from Operations	**33.4**	**23.0**	**35.7**	**28.5**	**31.1**	**31.6**
Capex	-17.4	-17.4	-24.0	-17.5	-16.0	-22.0
Net Financial Investments	0.9	-0.6	0.0	0.0	0.0	0.0
Free Cash Flow	**16.8**	**5.0**	**11.7**	**11.0**	**15.1**	**9.6**
Dividends	-3.6	-3.6	-4.1	-4.3	-4.3	-4.3
Other (incl. Capital Increase & share buy backs)	-10.1	3.0	0.7	0.0	0.0	0.0
Change in Net Debt	**3**	**4**	**8**	**7**	**11**	**5**
NOPLAT	4	10	12	11	13	14

BALANCE SHEET & OTHER ITEMS (EURm)	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Net Tangible Assets	112	109	112	110	106	108
Net Intangible Assets (incl.Goodwill)	37.8	37.3	37.2	37.2	37.2	37.2
Net Financial Assets & Other	0.2	0.2	0.1	0.1	0.1	0.1
Total Fixed Assets	**150**	**146**	**149**	**147**	**143**	**146**
Net Working Capital	6.8	12.2	6.9	6.9	7.1	7.3
Net Capital Invested	**157**	**158**	**156**	**154**	**150**	**153**
Group Shareholders Equity	**78.1**	**82.8**	**89.1**	**94.0**	**101**	**108**
o/w own Shareholders Equity	*78.1*	*82.8*	*89.1*	*94.0*	*101*	*108*
Net Debt	**69.9**	**65.5**	**57.2**	**50.5**	**39.7**	**34.8**
Provisions	9	10	10	10	10	10
Other Net Liabilities or Assets	0	0	0	0	0	0
Net Capital Employed	**157**	**158**	**156**	**154**	**150**	**153**

GROWTH & MARGINS	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Sales growth	*7.2%*	*-0.2%*	*2.5%*	*0.7%*	*3.0%*	*3.0%*
EBITDA (adj.)* growth	***-7.9%***	***23.8%***	***7.2%***	***-6.5%***	***10.2%***	***1.3%***
EBITA (adj.) growth*	*-56.7%*	*183.1%*	*14.4%*	*-11.9%*	*18.0%*	*7.0%*
*EBIT (adj)*growth*	*-46.8%*	*141.8%*	*19.8%*	*-12.1%*	*18.0%*	*7.0%*
Net Profit growth	*-46.6%*	*154.7%*	*29.1%*	*-14.0%*	*21.4%*	*11.1%*
EPS adj. growth	***-46.7%***	***154.6%***	***29.1%***	***-14.0%***	***21.4%***	***11.1%***
DPS adj. growth	*0.0%*	*11.9%*	*6.4%*	*0.0%*	*0.0%*	*8.5%*
EBITDA margin	***7.6%***	***9.0%***	***9.3%***	***8.6%***	***9.2%***	***9.0%***
EBITDA (adj) margin*	*7.1%*	*8.8%*	*9.2%*	*8.6%*	*9.2%*	*9.0%*
EBITA margin	*1.9%*	*4.0%*	*4.4%*	*3.8%*	*4.3%*	*4.5%*
EBITA (adj) margin*	*1.4%*	*3.9%*	*4.3%*	*3.8%*	*4.3%*	*4.5%*
EBIT margin	*2.0%*	*3.8%*	*4.4%*	*3.8%*	*4.3%*	*4.5%*
EBIT (adj) margin*	*1.5%*	*3.7%*	*4.3%*	*3.8%*	*4.3%*	*4.5%*

Ter Beke: Summary tables

RATIOS	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Net Debt/Equity	0.9	0.8	0.6	0.5	0.4	0.3
Net Debt/EBITDA	2.3	1.9	1.5	1.5	1.0	0.9
Interest cover (EBITDA/Fin.interest)	8.0	12.8	13.1	13.7	17.3	22.0
Capex/D&A	79.6%	86.7%	121.8%	90.3%	79.3%	113.2%
Capex/Sales	4.4%	4.4%	6.0%	4.3%	3.8%	5.1%
NWC/Sales	1.7%	3.1%	1.7%	1.7%	1.7%	1.7%
ROE (average)	4.2%	10.3%	12.4%	10.0%	11.4%	11.8%
ROCE (adj.)	2.7%	6.5%	7.9%	7.0%	8.5%	8.9%
WACC	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
ROCE (adj.)/WACC	0.3	0.8	0.9	0.8	1.0	1.0

PER SHARE DATA (EUR)***	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Average diluted number of shares	1.7	1.7	1.7	1.7	1.7	1.7
EPS (reported)	4.39	4.77	6.15	5.29	6.43	7.13
EPS (adj.)	1.87	4.77	6.15	5.29	6.43	7.14
BVPS	45.13	47.79	51.43	54.23	58.15	62.58
DPS	2.10	2.35	2.50	2.50	2.50	2.71

VALUATION	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
EV/Sales	0.4	0.4	0.4	0.4	0.3	0.3
EV/EBITDA	4.9	4.6	4.3	4.1	3.4	3.3
EV/EBITDA (adj.)*	**5.2**	**4.6**	**4.4**	**4.1**	**3.4**	**3.3**
EV/EBITA	19.9	10.2	9.1	9.3	7.3	6.6
EV/EBITA (adj.)*	**27.2**	**10.6**	**9.3**	**9.3**	**7.3**	**6.6**
EV/EBIT	18.3	10.6	9.1	9.3	7.3	6.6
EV/EBIT (adj.)*	**24.2**	**11.0**	**9.3**	**9.3**	**7.3**	**6.6**
P/E (adj.)	**22.9**	**11.3**	**9.7**	**9.9**	**8.2**	**7.3**
P/BV	1.0	1.1	1.2	1.0	0.9	0.8
Total Yield Ratio	4.9%	4.4%	4.8%	4.8%	4.8%	5.2%
EV/CE	0.9	1.0	1.0	0.9	0.9	0.8
OpFCF yield	21.4%	6.0%	11.3%	12.1%	16.6%	10.5%
OpFCF/EV	11.0%	3.5%	7.2%	7.7%	11.5%	7.6%
Payout ratio	47.8%	49.3%	40.6%	47.2%	38.9%	38.0%
Dividend yield (gross)	4.9%	4.4%	4.8%	4.8%	4.8%	5.2%

EV AND MKT CAP (EURm)	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Price** (EUR)	43.0	54.0	59.8	52.5	52.5	52.5
Outstanding number of shares for main stock	1.7	1.7	1.7	1.7	1.7	1.7
Total Market Cap	**74.4**	**93.5**	**104**	**90.9**	**90.9**	**90.9**
Net Debt	**69.9**	**65.5**	**57.2**	**50.5**	**39.7**	**34.8**
o/w Cash & Marketable Securities (-)	*-5.6*	*-2.7*	*-4.8*	*-3.5*	*-3.5*	*-0.1*
o/w Gross Debt (+)	*75.4*	*68.1*	*62.0*	*54.0*	*43.2*	*34.9*
Other EV components	**1**	**1**	**1**	**1**	**1**	**1**
Enterprise Value (EV adj.)	**145**	**160**	**162**	**142**	**132**	**127**

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 9 industrial sites in Belgium, the Netherlands and France and employs about 1,850 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-packaged processed meats. It markets its products under distribution brands and own brand names (L´Ardennaise, Pluma and Daniël Coopman). The Ready Meals BU FreshMeals produces fresh ready meals for the European market. It is European market leader in fresh lasagne. Ter Beke's flagship brand name is Come a Casa, alongside 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)**.

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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
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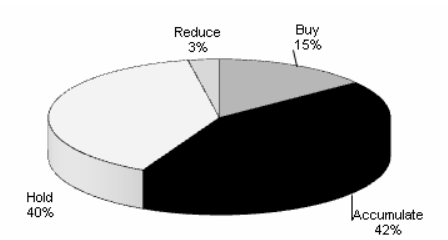
Bank Degroof Ratings Breakdown

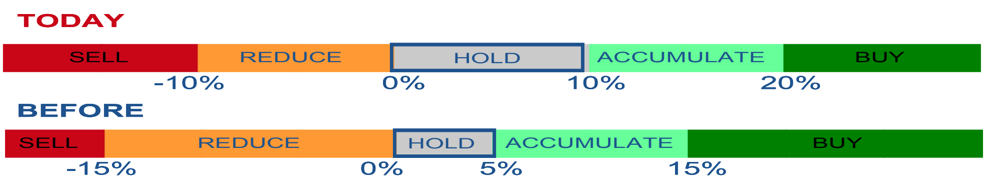


History of ESN Recommendation System

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:



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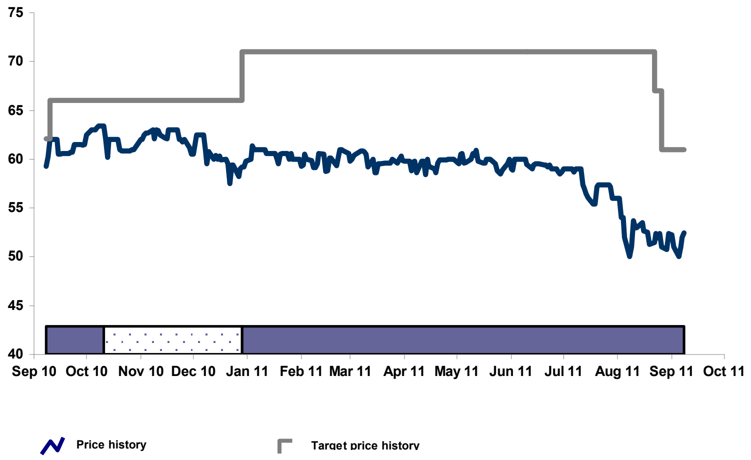
Recommendation history for TER BEKE

Date	Recommendation	Target price	Price at change date
08-Sep-11	Accumulate	61.00	52.45
22-Aug-11	Accumulate	67.00	51.50
29-Dec-10	Accumulate	71.00	59.20
11-Oct-10	Hold	66.00	63.40
10-Sep-10	Accumulate	66.00	62.00
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

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)



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