

Ter Beke

Belgium/Food & Beverage

Analysers



Hold

Recommendation unchanged

Share price*: EUR 50.50

Fair value: EUR 57.00

unchanged

Reuters/Bloomberg TERB.BR/TERB.BB

Accounting Standard/Since IFRS/2005

Market capitalisation (EURm) 87.0

No. of shares (m) 1.7

Free float 22.5%

Daily avg. no. trad. sh. 12mth

Daily avg. trad. vol. 12mth (m)

Price high 12mth (EUR) 64.10

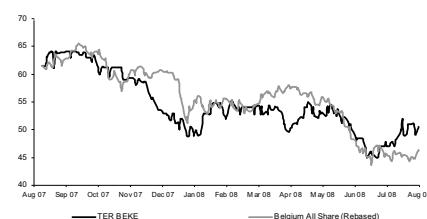
Price low 12mth (EUR) 45.00

Abs. perf. 1 mth 5.7%

Abs. perf. 3 mth -4.7%

Abs. perf. 12mth -19.8%

(EUR)	12/07	12/08e	12/09e
Sales (m)	367	404	415
EBITDA (m)	29	32	33
EBITDA margin	8.0%	7.9%	8.0%
EBIT (m)	10	13	14
EBIT margin	2.8%	3.1%	3.3%
Net Profit (adj.)(m)	6	7	8
ROCE	4.8%	5.5%	6.0%
Net debt/(cash) (m)	75	74	71
Debt Equity	101.2%	95.4%	88.2%
Debt/EBITDA	2.6	2.3	2.2
Int. cover (EBITDA/Fin. int)	7.0	8.6	9.1
EV/Sales	0.5	0.4	0.4
EV/EBITDA	6.4	5.1	4.9
EV/EBITDA (adj.)	6.2	5.0	4.7
EV/EBIT	18.4	13.0	11.8
P/E (adj.)	18.3	12.8	11.5
P/BV	1.5	1.1	1.1
FCF yield	10.8%	5.8%	7.6%
Dividend yield	4.2%	4.3%	4.8%
EPS (adj.)	3.51	3.95	4.38
BVPS	43.09	44.82	46.79
DPS	2.10	2.15	2.41



*closing price as of 29/08/2008

Analyst(s):

Hans D'Haese, Bank Degroof

hans.dhaese@degroof.be

+32 (0) 2 287 9223

1H08 operating result in line with expectations, net result slightly below

The facts: Friday after market close, Ter Beke released resilient 1H08, with sales up 8.3% to EUR 192m and an operating result up 15.8% to EUR 6.1m, both in line with expectations. Bottom line of EUR 2.7m (vs. EUR 2.6m in 1H07) however, was somewhat lagging, mainly because of a worse than expected financial result.

Our analysis: Ter Beke's processed meats division TerBeke-Pluma increased its turnover by 12%, mainly thanks to the results of Berkhout Verssnijljin, which was acquired in September 2007. This was somewhat below our estimate, mainly because of the termination of contracts with discounters in France and Germany at substandard profitability. The fresh ready meals division FreshMeals performed better than expected.

Excluding a one-off reorganisation cost of EUR 0.6m with regards to the French activities, EBITDA came out in line with expectations: REBITDA amounted to 15.3m. EBIT was expected, with margins unsurprisingly under pressure due to higher raw materials prices. Ter Beke seemed unable to pass through an extra cost of EUR 1m to its customers. Moreover, the processed meats division suffered from forex losses (EUR/GBP) of EUR 0.9m. These negative effects (raw materials and forex) were compensated by improved efficiency, product mix and reduced structural costs with the Dutch slicing activity Berkhout Verssnijljin.

The increase of the net financing costs by EUR 0.7m is mainly the result of the external financing of the Berkhout transaction and EUR 0.3m exchange rate losses.

Key lines P&L (EUR m)	1H07	2H07	FY07	1H08e	1H08a	% Chng YoY	% vs. Estim.
Net sales	177.4	189.3	366.7	192.9	192.1	8.3%	-0.4%
Processed meats	113.4	115.7	229.1	131.9	127.3	12.3%	-3.5%
Fresh ready meals	64.0	60.2	124.2	61.1	64.8	1.4%	6.1%
EBITDA	13.4	15.9	29.3	15.2	14.7	9.9%	-3.3%
EBITDA margin	7.6%	8.4%	8.0%	7.9%	7.7%		
EBIT	5.2	5.0	10.2	6.0	6.1	15.8%	1.2%
EBIT margin	2.9%	2.7%	2.8%	3.1%	3.1%		
Financial result	-1.7	-2.2	-3.9	-1.8	-2.4	38.6%	30.0%
Result from ordin. act.	3.5	2.8	6.3	4.2	3.7	4.8%	-11.3%
Taxes	-1.0	0.7	-0.3	-0.9	-1.0	1.0%	5.4%
Net result	2.6	3.5	6.1	3.2	2.7	6.2%	-16.1%
Net margin	1.4%	1.9%	1.7%	1.7%	1.4%		
Adj. EPS (EUR)	1.49	2.0	3.51	2.28	1.57	5.4%	-31.3%

Conclusion & Action: All in all Ter Beke published a resilient set of results in a difficult market environment of rising raw materials prices. It's positive that for 2H08, higher output prices are to be expected. Barring unforeseen circumstances, the company is on track to attain a higher net result for FY08 (vs. FY07).

We reiterate our Hold rating and will - if necessary - review our scenario, FY08 estimates and recommendation after next weeks analysts' meeting, scheduled on Thursday 4 September.