

Ter Beke

30 September 2008

Refocus on profitability starts to pay off

Food Producers & Processors

Current price €52.00

Accumulate

Belgium

Target price €60.00

Rating Unchanged

Performance over	1m	3m	12m
Absolute	3%	4%	-19%
Rel. BEL20	24%	27%	35%
12m Hi/Lo	€64.10/45.00		
Reuters	TERB.BR		
Bloomberg	TERB.BB		
Market Cap	€90m		
Next corporate event			
Trading update 3Q08: 12 November 2008			

FY/e 31.12	2007	2008E	2009E	2010E
Sales (€m)	366.7	388.5	398.8	409.5
REBITDA (€m)	29.3	32.0	33.7	36.1
Net earnings (€m)	6.1	6.4	7.3	8.9
Diluted adj. EPS (€)	3.55	3.70	4.20	5.11
Dividend (€)	2.10	2.10	2.20	2.30
P/E	18.2	14.0	12.4	10.2
EV/REBITDA	6.1	5.7	5.3	4.7
Free cash flow yield	11.1%	5.4%	8.3%	11.8%
Dividend yield	4.2%	4.0%	4.2%	4.4%

Source: KBC Securities

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Description: Ter Beke is specialized in chilled ready meals and processed meats. It is the European market leader in chilled lasagna. The group is also the second largest processed meat slicer and pre-packer in Europe.

Investment arguments

- 2008 is a transition year as the group takes drastic actions to restore profitability
- Management anticipates higher net profits in 2008 barring a significant deterioration in market conditions
- 1H08 sales were up 8.3% thanks to the Berkhout acquisition. The EBIT margin improved slightly
- Target price based on sum-of-the-parts: EV/EBITDA of 5.0 for processed meats and 6.0 for ready meals

Ter Beke reported contrasting results for 1H08. Whereas margins of Ready Meals improved significantly, Processed Meats' margins were down sharply as a result of rising raw material prices, the weak £ and lower bulk sales. Net profits rose by 6.25% to €2.72m (our forecast €2.60m).

Since the middle of 2007, the group's focus has shifted from top-line growth to profitability and shareholder value creation. This led to the streamlining of the organisation, drastic restructuring measures in France, the termination of unprofitable volume products and the optimisation of production allocation. The group's REBITDA margin improved by 40bps y/y in 1H08 as a result of these measures. We have nevertheless revised our 2008, 2009 and 2010 EPS forecasts downwards by respectively 10%, 9% and 1% to reflect the worsening macro-economic outlook. We've also lowered our sales forecasts by 3% and upped our financial charge assumptions. Management expects 2008 net profit to exceed last year's level. We are forecasting 6% growth.

Our target price has been lowered from €64 to €60. The new target price is based on our forecasts for 2008, an EV/EBITDA multiple of 5.0 for Processed Meats and of 6.0 for Ready Meals. No change to our Accumulate rating.

Business description

Ter Beke is a producer of chilled ready meals (FreshMeals n.v.) and processed meats (TerBeke-Pluma n.v.). The group is Europe's leading producer of fresh lasagne and the second largest processed meat slicing and pre-packer, after German player Kemper. Ter Beke's 11 factories are located in Belgium, the Netherlands and France. The processed meat products are mainly sold in the Benelux and the UK, while the ready meals are sold throughout Europe. The main consumer brands are Come a Casa (chilled ready meals) and l'Ardennaise (processed meats). Customers include supermarket and hypermarket chains, wholesalers and foodservice companies.

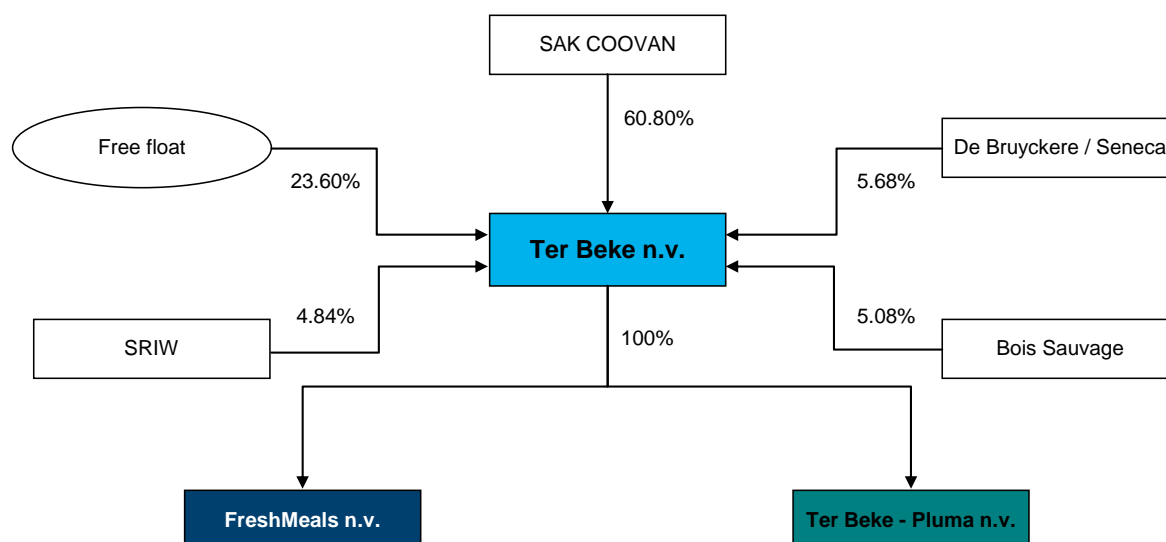
Ter Beke's two divisions

	FreshMeals	Ter Beke-Pluma
Products	Chilled ready meals (e.g. lasagna)	Processed meats and pâté. Slicing and packaging services.
Markets	Europe	Netherlands, Belgium, UK, Germany
Private label/brands	"Come a Casa" brand + private label products	Predominantly private-label products
Production sites	2 in Belgium, 1 in France	5 production sites in Belgium, 2 slicing centers in Belgium, 3 slicing centers in the Netherlands
Sales (2007)	€ 124m	€ 242m

Source: Ter Beke, KBC Securities

SAK Coovan detains the 60.80% stake of the founding families of Ter Beke and Pluma. Seneca and Luc De Bruyckere (Chairman) have a 5.68% stake. Other shareholders include SRIW (Wallonia Region) and Bois Sauvage (parent company of Bank Degroof).

Ter Beke's corporate and shareholder structure (30 May 2008)



Source: Ter Beke

Processed meats

This division has two activities: processed meat (e.g. cooked ham, salami) production and service activities consisting of slicing and pre-packaging. Processed meat consumption stagnates in the Benelux and the food retail groups continue to gain market share to the detriment of the 'over the counter' channel (mainly butchers). This explains the growing share of sliced and pre-packaged products. Ter Beke entered the slicing and pre-packaging segment in 1996 through the Heku acquisition. The group became the second largest processed meat slicer and pre-packer following the acquisition of Langeveld/Sleegers in 2005 and Berkhout Verssnijljin in 2007. Today, slicing and pre-packaging represents about 50% of divisional sales.

Langeveld/Sleegers and Berkhout are service providers with a pure focus on slicing and pre-packaging. They do not produce processed meats. The contracts with the food retailers specify where the processed meat needs to be sourced and how it must be sliced and pre-packaged. Since the slicers/pre-packers earn a fixed service fee, they are not affected by fluctuating raw material prices. It is a low gross margin business but it generates higher EBIT margins than processed meat production. This is a growth business as food retailers are increasingly outsourcing their slicing and packaging activities.

Ready meals

In the past, the group was focused on processed meats in the Benelux, but in 1993 the decision was made to diversify into chilled ready meals. Acquisitions (Vamos, Pronto, Di Pasto) followed and a retail brand, Come a Casa, was launched in 2002.

Until the end of 2006, Ter Beke's Ready Meals division pursued growth at the expense of profitability in France. This led to high marketing costs to promote Come a Casa and the signing of low-margin contracts. Last year, Ter Beke started to sharpen its focus on client and product portfolio optimisation in an effort to improve profitability. This led to the renegotiation and termination of several sizeable contracts in France and layoffs. The restructuring program was completed by the beginning of July 2008 and the cost base is now in line with sales.

Last month, a Dutch TV program ("Keuringsdienst") caused upheaval in the sector in a report showing that imitation cheese is used in pizzas, moussaka and lasagne products. Imitation cheese is made out of vegetable oils rather than milk. The product labels give the impression however that 100% real cheese is used. The negative publicity dampened demand for pasta meals and pizzas at the end of August. Note that Ter Beke uses 100% genuine cheese.

The group focuses on innovation. For example, earlier this year an agreement was reached with Weight Watchers® for the production of lasagnes and pizzas for the Belgian market.

Mixed 1H08 results

Ter Beke's net profits rose by 6.2% to €2.72m (our forecast €2.60m). External sales growth, a 20bps EBIT margin improvement and a slightly lower tax rate were partly offset by a 39% rise in net financial charges following the acquisition of Berkhout Verssnijlijn and a negative foreign exchange loss. Divisional results were mixed. Whereas Processed Meats' REBIT fell from €5.18m in 1H07 to €3.03m in 1H08, Ready Meals' REBIT improved sharply from €1.54m to €4.29m.

Ter Beke				
€m	1H07	1H08	% change	KBC Sec forecast
Sales	177.35	192.13	8.3%	197.35
REBITDA	13.41	15.36	14.5%	14.80
% of sales	7.6%	8.0%		7.5%
EBITDA	13.41	14.73	9.9%	14.80
% of sales	7.6%	7.7%		7.5%
EBIT	5.22	6.05	15.8%	5.63
% of sales	2.9%	3.1%		2.9%
Financial result	-1.70	-2.36	38.6%	-2.01
Pretax profit	3.52	3.69	4.8%	3.61
Taxes	-0.96	-0.97		-1.01
Tax rate	27.2%	26.3%		28.0%
Net profits	2.56	2.72	6.2%	2.60
Avg nb shares (m)	1.724	1.730	0.3%	1.730
EPS (€)	1.49	1.57	5.1%	1.50

Source: Ter Beke, KBC Securities

Group sales rose by €14.8m or 8.3% (our forecast 11.3%) to €192.13m. REBITDA rose by 14.5% and the REBITDA margin improved by 40bp thanks to higher productivity, an improved customer and product mix and lower fixed costs. However, rising raw material prices and the weaker £ had a negative impact of respectively €1.0m and €0.9m on the group's REBITDA. Note that in 2007, the UK represented 8% of sales in 2008. In 2007 the group set up a non-recurring provision of €1.1m for the restructuring of the French activities. About €0.6m of this was used in 1H08. (R)EBIT rose by 15.8% and the margin improved 20bps. The €0.66m rise in net financial charges is due to the Berkhout acquisition and a foreign exchange loss (€0.3m) on trade receivables expressed in £.

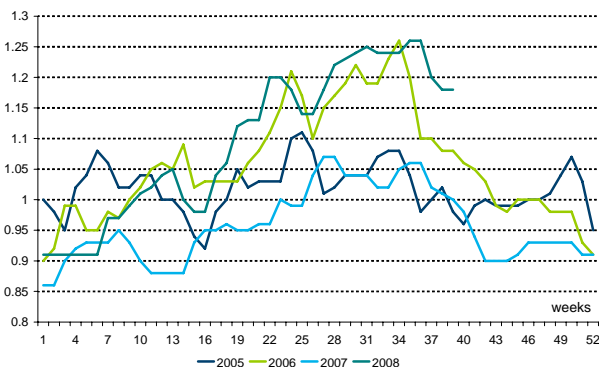
The Ready Meals division posted 1.4% sales growth despite the termination of unprofitable volume contracts in France. The last deliveries related to these contracts occurred on 30 June. Sales volumes would have been 4.7% higher if we exclude the negative impact from the discontinuation of these contracts. The divisional REBIT margin improved significantly from 2.46% in 1H07 to 6.77% in 1H08 thanks to the termination of unprofitable contracts, a lower headcount in France and improved production efficiency.

Turnover of Processed Meats was up €13.9m or 12.1% thanks to the inclusion of Berkhout from 1 September 2007. We estimate Berkhout's contribution to group sales at +/- €20m during 1H08, implying a 5% decline in organic sales. A number of volume contracts were terminated with Belgian and German discounters. Sales to wholesalers who supply the traditional over-the-counter segment (e.g. butchers) declined too. The REBIT margin collapsed from 4.52% in 1H07 to 2.36% in 1H08 on the back of rising raw material prices, the weaker £ and lower demand from the traditional over-the-counter segment. Higher raw material prices are being passed on but with a delay.

Forecasts

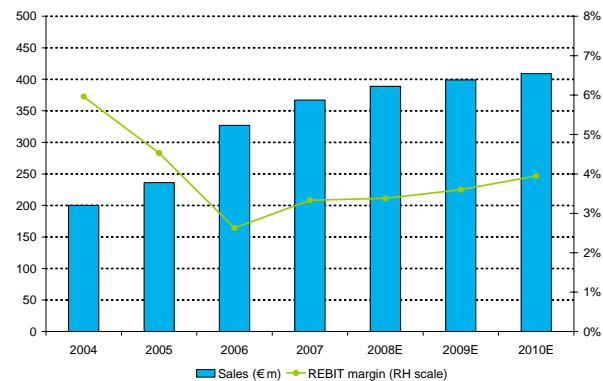
Barring a drastic deterioration of the market environment, management expects 2008 net profit to exceed last year's level. The termination of Ready Meals' unprofitable volume contracts in France will continue to have a dampening impact on sales until the end of June 2009 because the last delivery related to these contracts took place on 30 June 2008. A major advertising campaign will be launched on the Belgian TV to highlight the affordability of the Come a Casa products. This should lead to higher marketing costs in 2H08 compared to 2H07. The group has hedged its 2H08 results against a further decline in the £. Personnel costs fell from 20.2% of sales in 1H07 to 18.7% in 1H08. This ratio should decline further in 2H08 when the full impact of the layoffs in France will be felt. Belgian personnel salaries are set to rise by 5% this year as a result of automatic indexation. Processed Meats is still struggling with high pork prices. High energy and feed stock prices prompted breeders to slaughter pigs early, which has led to a temporary imbalance between demand and supply of pork.

Pork prices (€/kg) - Westvlees



Source: www.fierens.be

Ter Beke's sales and REBIT margin



Source: Ter Beke, KBC Securities

Ter Beke: forecasts

	2007	2008 Old	2008 New	2009 Old	2009 New	2010 Old	2010 New
Sales	366.67	401.91	388.55	412.51	398.85	423.42	409.46
% change	12.2%	9.6%	6.0%	2.6%	2.7%	2.6%	2.7%
REBITDA	29.27	32.32	31.98	33.62	33.74	34.98	36.10
REBITDA margin	8.0%	8.0%	8.2%	8.2%	8.5%	8.3%	8.8%
Recurring non-cash	-17.08	-18.35	-18.85	-18.60	-19.38	-18.86	-19.93
REBIT	12.19	13.97	13.14	15.02	14.36	16.12	16.17
REBIT margin	3.3%	3.5%	3.4%	3.6%	3.6%	3.8%	4.0%
Non-recurring	-1.95	-0.70	-	-	-	-	-
EBIT	10.24	13.27	13.14	15.02	14.36	16.12	16.17
EBIT margin	2.8%	3.3%	3.4%	3.6%	3.6%	3.8%	4.0%
Net financial result	-3.90	-4.03	-4.33	-3.93	-4.23	-3.73	-3.83
Pretax	6.35	9.24	8.81	11.10	10.13	12.40	12.34
Taxes	-0.28	-2.59	-2.38	-3.11	-2.84	-3.47	-3.46
Tax rate	4.4%	28.0%	-27.0%	28.0%	-28.0%	28.0%	-28.0%
Net profits	6.07	6.65	6.43	7.99	7.29	8.93	8.89
Current net profits	6.16	7.16	6.43	7.99	7.29	8.93	8.89
Avg number shares (m)	1.735	1.727	1.738	1.727	1.738	1.727	1.738
Current EPS (€)*	3.55	4.12	3.70	4.60	4.20	5.14	5.11
% change	28.0%	16.3%	4.4%	11.6%	13.4%	11.7%	21.8%

Source: Ter Beke, KBC Securities

* fully diluted

Forecasts per division

€m	2005	2006	2007	2008E	2009E	2010E
Sales						
Processed meats	130.06	206.11	242.48	261.87	267.11	272.45
Ready meals	106.18	120.60	124.19	126.67	131.74	137.01
Total	236.24	326.72	366.67	388.55	398.85	409.46
Sales growth %						
Processed meats	35.7%	58.5%	17.6%	8.0%	2.0%	2.0%
Ready meals	1.9%	13.6%	3.0%	2.0%	4.0%	4.0%
Total	18.1%	38.3%	12.2%	6.0%	2.7%	2.7%
REBITDA						
Processed meats	11.55	16.79	18.79	17.55	18.70	20.43
Ready meals	12.33	10.24	13.02	16.72	17.39	18.09
Non-allocated costs	-2.24	-3.05	-2.54	-2.28	-2.35	-2.42
Total	21.63	23.98	29.27	31.98	33.74	36.10
REBITDA margin						
Processed meats	8.9%	8.1%	7.7%	6.7%	7.0%	7.5%
Ready meals	11.6%	8.5%	10.5%	13.2%	13.2%	13.2%
Total	9.2%	7.3%	8.0%	8.2%	8.5%	8.8%
REBIT						
Processed meats	8.24	8.35	9.75	7.33	8.28	9.81
Ready meals	5.02	3.70	5.25	8.49	8.83	9.18
Non-allocated costs	-2.56	-3.45	-2.81	-2.68	-2.75	-2.82
Total	10.70	8.61	12.19	13.14	14.36	16.17
REBIT margin						
Processed meats	6.33%	4.05%	4.02%	2.80%	3.10%	3.60%
Ready meals	4.73%	3.07%	4.23%	6.70%	6.70%	6.70%
Total	4.53%	2.63%	3.33%	3.38%	3.60%	3.95%
Non-recurring						
Processed meats	-	1.50	-0.85	-	-	-
Ready meals	-	-	-1.10	-	-	-
Non-allocated costs	-	-	-	-	-	-
Total	-	1.50	-1.95	-	-	-
EBIT						
Processed meats	8.24	9.85	8.90	7.33	8.28	9.81
Ready meals	5.02	3.70	4.15	8.49	8.83	9.18
Unallocated costs	-2.56	-3.44	-2.81	2.68	2.75	2.82
Total	10.70	10.11	10.24	13.14	14.36	16.17
EBIT margin						
Processed meats	6.33%	4.78%	3.67%	2.80%	3.10%	3.60%
Ready meals	4.73%	3.07%	3.34%	6.70%	6.70%	6.70%
Total	4.53%	3.09%	2.79%	3.38%	3.60%	3.95%

Source: Ter Beke, KBC Securities

Forecasts per division

€m	1H07	2H07	FY07	1H08	2H08E	2008E
Sales						
Processed meats	114.49	127.99	242.48	128.76	133.11	261.87
Ready meals	62.51	61.68	124.19	63.37	63.30	126.67
Total	176.99	189.68	366.67	192.13	196.42	388.55
Sales growth %						
Processed meats			17.6%	12.5%	4.0%	8.0%
Ready meals			3.0%	1.4%	2.6%	2.0%
Total			12.2%	8.6%	3.6%	6.0%
REBITDA						
Processed meats	9.59	9.19	18.79	8.11	9.43	17.55
Ready meals	5.19	7.83	13.02	8.32	8.41	16.72
Non-allocated costs	-1.37	-1.16	-2.54	-1.07	-1.21	-2.28
Total	13.41	15.86	29.27	15.36	16.62	31.98
REBITDA margin						
Processed meats	8.38%	7.18%	7.75%	6.30%	7.09%	6.70%
Ready meals	8.31%	12.69%	10.49%	13.12%	13.28%	13.20%
Total	7.58%	8.36%	7.98%	8.00%	8.46%	8.26%
REBIT						
Processed meats	5.18	4.57	9.75	3.03	4.30	7.33
Ready meals	1.54	3.72	5.25	4.29	4.20	8.49
Non-allocated costs	-1.49	-1.32	-2.81	-1.28	-1.41	-2.68
Total	5.22	6.97	12.19	6.05	7.09	13.14
REBIT margin						
Processed meats	4.52%	3.57%	4.02%	2.36%	3.23%	2.80%
Ready meals	2.46%	6.02%	4.23%	6.77%	6.63%	6.70%
Total	2.95%	3.67%	3.33%	3.15%	3.61%	3.38%
Non-recurring						
Processed meats	-	-0.85	-0.85	-	-	-
Ready meals	-	-1.1	-1.10	-	-	-
Non-allocated costs	-	-	-	-	-	-
Total	-	-1.95	-1.95	-	-	-
EBIT						
Processed meats	5.18	3.72	8.90	3.03	4.30	7.33
Ready meals	1.54	2.62	4.15	4.29	4.20	8.49
Unallocated costs	-1.49	-1.32	-2.81	-1.28	-1.41	2.68
Total	5.22	5.02	10.24	6.05	7.09	13.14
EBIT margin						
Processed meats	4.52%	2.91%	3.67%	2.36%	3.23%	2.80%
Ready meals	2.46%	4.24%	3.34%	6.77%	6.63%	6.70%
Total	2.95%	2.65%	2.79%	3.15%	3.61%	3.38%

Source: Ter Beke, KBC Securities

Valuation and comparison with Fleury Michon

Fleury Michon is a French producer of processed meats and chilled ready meals. Comparable sales rose 2.9% during 1H08, but REBIT collapsed from €11.2m in 1H07 to €3.6m in 1H08 as a result of higher costs, weaker consumer spending in France and difficulties related to the start-up of ready meals activities in Canada. Fleury Michon's management indicated that the 2008 sales and operating targets are no longer achievable. The 2H08 results are expected to show some improvement versus 1H08, but for the entire year management anticipates a 50% decline in net profits.

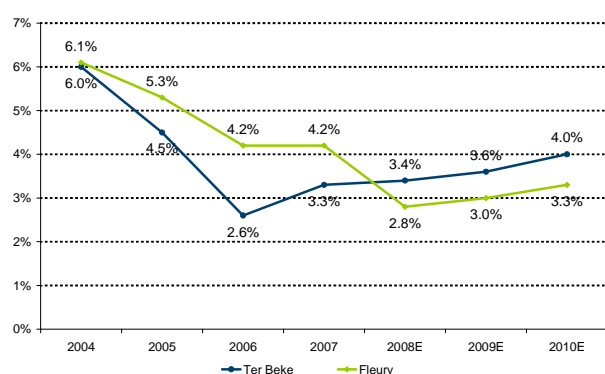
Ter Beke versus Fleury Michon

€m	Ter Beke	Fleury Michon
Market cap	90	132
Sales 2008E	389	506
Sales growth 2005-2008E CAGR	18%	6%
EBITDA margin 2008E	8.1%	8.1%
EBIT margin 2008E	3.4%	2.8%
Net profit growth 2005-2008E CAGR	3%	-25%
EPS growth 2005-2008E CAGR	-4.4%*	-26%
Gearing level 2008E	92%	35%

Source: Companies, JCF, Bloomberg

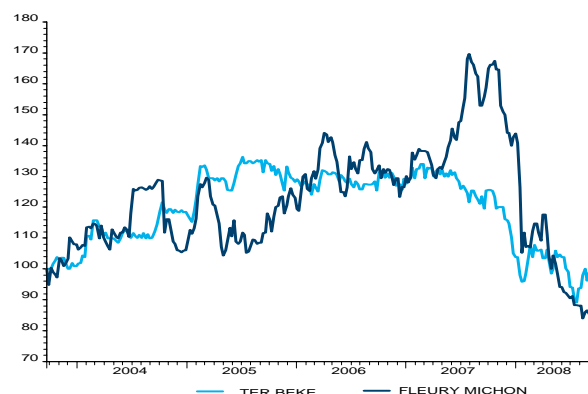
* Based on recurring EPS

Ter Beke versus Fleury Michon: REBIT margin



Source: Companies, JCF, Bloomberg

Ter Beke versus Fleury Michon: share price



Source: Thomson Financial Datastream

Fleury Michon

€m	2006	2007	2008E	2009E	2010E
Sales	452.5	492.3	505.5	525.0	549.0
REBITDA	42.1	45.9	41.0	44.6	48.7
REBITDA margin	9.3%	9.3%	8.1%	8.5%	8.9%
EPS (€)	2.49	2.72	1.10	1.48	1.99
EPS growth	-15.3%	9.2%	-59%	35%	34%

Source: JCF, Fleury Michon, Bloomberg

The table below shows that Ter Beke's EV/EBITDA multiples are in line with Fleury Michon's, whose P/Es are significantly higher however as a result of a negative contribution from associates (equity accounting) and a sharp rise in net financial charges.

Valuation: Ter Beke versus Fleury Michon			
€m	2008E	2009E	2010E
EV/EBITDA			
Ter Beke	5.7	5.3	4.7
Fleury Michon	5.6	5.1	4.7
P/E			
Ter Beke	14.0	12.4	10.2
Fleury Michon	23.6	17.6	13.1

Source: JCF, Fleury Michon, Bloomberg

Positives

- In the middle of 2007, Ter Beke began a process of self-examination. This triggered a shift of focus from top-line growth to profitability, which in turn led to drastic restructuring of the French operations, a simplification of the corporate structure (1 management committee instead of 3) and the termination of unprofitable volume contracts. This focus on profitability and quality products should continue to bear fruit.
- The balance sheet started to strengthen. Net debt fell from €71.7m at the end of 2007 to €70.0m at the end of June 2008 and gearing declined from 96.3% to 95.2%. Ter Beke's management aims to reduce net debt further.
- About 50% of Processed Meat's turnover is relatively insensitive to fluctuating raw material prices thanks to the growing importance of the service activities (slicing and pre-packaging for third parties). Ter Beke's expertise in packaging of processed meat could be used in other products, which could create new business opportunities for the group.
- On 6 May 2008, Ter Beke won the legal case in the Court of Appeal related to a dispute with the Belgian tax authorities over the deductibility of insurance premiums that Ter Beke has been paying since 1992 to a Belgian insurance company to cover certain risks (e.g. product recalls, credit risk, abnormal increases in raw material prices). These risks are partly reinsured with a Luxembourg company (Ter Beke Luxembourg SA) that is owned by the group. The tax authorities will not appeal the decision before the Supreme Court. The positive outcome of the case should not have an impact on EBITDA but it might affect deferred taxes.

Negatives

- Ter Beke remains an illiquid stock with a relatively small free float.
- Demand for processed meats is stagnant at best in the Benelux. Demand for pre-packaged products is still growing but bulk product sales are declining. This has led to a shift in the customer base from wholesalers who supply the butchers to food retail chains, whose purchasing power is significantly higher than that of wholesalers.
- Competition is tough on the chilled pasta market as a result of overcapacity in the low-end (discount products). Small private label players such as Normandie Plats Cuisinés are experiencing financial difficulties and have been undercutting selling prices in order to improve their capacity utilisation. Hot Cuisine, a supplier of food retailers such as Delhaize and Albert Heijn, has added lasagne to its product range. This could also result in increased competition for Ter Beke. Note that Ter Beke is increasingly focused on quality products in an effort to differentiate itself and to safeguard its margins.
- The group is facing higher raw material prices (e.g. pork) which can only be passed on with a delay because of the food retailers' strong purchasing power and weakening consumer confidence.
- Belgium's trade unions have become more vocal this year as the cost of living spirals upwards, so the next round of wage negotiations is expected to be tough. Salaries are expected to rise by 5% this year. Strikes in the food retail (6 October?), transport or food processing sectors could also have a negative impact on Ter Beke's results.

Financial data

Income statement (€m)	2005	2006	2007	2008E	2009E	2010E
Sales	236.2	326.7	366.7	388.5	398.8	409.5
Gross profit	122.2	166.6	180.8	185.3	191.4	197.4
EBIT	10.7	10.1	10.2	13.1	14.4	16.2
Pre-tax earnings	9.3	7.7	6.3	8.8	10.1	12.3
Net earnings	5.9	6.0	6.1	6.4	7.3	8.9
EBITDA	21.6	24.0	29.3	31.5	33.7	36.1
REBITDA	21.6	24.0	29.3	32.0	33.7	36.1
REBITA	10.7	8.6	12.2	13.1	14.4	16.2
Balance sheet (€m)	2005	2006	2007	2008E	2009E	2010E
Intangible assets	20.1	28.2	40.7	40.1	39.5	38.9
Tangible assets	61.5	103.2	116.0	117.7	118.0	116.7
Financial assets	0.1	0.1	0.1	0.1	0.1	0.1
Net other assets & liabilities	2.1	3.1	3.1	3.7	4.4	4.4
Net working capital	4.4	15.4	6.4	6.7	6.9	7.1
Net debt	28.9	56.5	71.7	71.0	67.8	61.0
Provisions	14.0	21.7	20.2	20.2	20.2	20.2
Minorities	-	-	-	-	-	-
Equity	45.4	71.7	74.4	77.2	80.9	86.0
Capital employed	88.1	149.7	166.1	168.3	168.7	167.0
TOTAL ASSETS	134.4	208.2	247.8	250.3	252.1	252.5
Cash flow statement (€m)	2005	2006	2007	2008E	2009E	2010E
Cash flow from operations	12.1	11.9	29.7	24.9	26.5	28.6
Net capital expenditure	-12.9	-18.1	-20.1	-20.0	-19.0	-18.0
Free cash-flow	-0.8	-6.2	9.6	4.9	7.5	10.6
Acquisitions / disposals	-11.6	-5.0	-12.0	-0.6	-0.6	0.0
Dividend payments	-1.8	-2.9	-3.6	-3.6	-3.6	-3.8
Shares issues	0.2	0.5	0.3	0.0	0.0	0.0
New borrowings / reimbursements	13.8	13.7	10.3	-4.0	-3.2	-6.8
Other	-0.1	0.0	0.0	0.0	0.0	0.0
CHANGE IN CASH & EQUIVALENTS	-0.3	0.1	4.5	-3.4	0.0	0.0
Performance criteria	2005	2006	2007	2008E	2009E	2010E
Sales growth	18.1%	38.3%	12.2%	6.0%	2.7%	2.7%
Gross margin	51.7%	51.0%	49.3%	47.7%	48.0%	48.2%
REBITDA margin	9.2%	7.3%	8.0%	8.2%	8.5%	8.8%
REBITA margin	4.5%	2.6%	3.3%	3.4%	3.6%	3.9%
EBIT margin	4.5%	3.1%	2.8%	3.4%	3.6%	3.9%
Net debt / Equity + Minorities	63.6%	78.7%	96.3%	92.0%	83.8%	70.9%
Net debt / EBITDA	1.33	2.35	2.45	2.26	2.01	1.69
EBITDA / net interest	15.82	10.12	7.51	7.27	7.98	9.43
Pay-out ratio	48.3%	60.6%	59.9%	56.5%	52.2%	44.8%
= Return on Equity (avg)	13.8%	10.2%	8.3%	8.5%	9.2%	10.7%
Return on Capital Employed (avg)	8.8%	6.6%	6.2%	5.7%	6.1%	6.9%
Per share data (€)	2005	2006	2007	2008E	2009E	2010E
weighted average # shares, diluted	1,401,840	1,615,210	1,735,918	1,737,557	1,737,557	1,737,557
Basic EPS	4.35	3.76	3.51	3.72	4.22	5.14
Diluted EPS	4.24	3.70	3.50	3.70	4.20	5.11
Diluted, adjusted EPS	4.24	2.77	3.55	3.70	4.20	5.11
Net book value / share	33.16	41.65	43.04	44.65	46.77	49.70
Free cash flow / share	-0.58	-3.91	5.55	2.84	4.34	6.16
Dividend (€)	2.10	2.10	2.10	2.10	2.20	2.30
Valuation data	2005	2006	2007	2008E	2009E	2010E
Reference share price (€)	66.30	65.59	64.37	52.00	52.00	52.00
Reference market capitalisation (€)	90.8	113.0	111.4	90.0	90.0	90.0
Enterprise value (€m)	133.0	190.5	202.6	180.8	177.6	170.8
P/E	15.6	23.7	18.2	14.0	12.4	10.2
EV/sales	0.5	0.5	0.5	0.5	0.4	0.4
EV/EBITDA	5.1	6.8	6.1	5.7	5.3	4.7
EV/Capital employed	1.3	1.1	1.1	1.1	1.1	1.0
P/ NBV	1.5	1.2	1.2	1.2	1.1	1.0
Free cash flow yield	-1.1%	-7.2%	11.1%	5.4%	8.3%	11.8%
Dividend yield	4.2%	4.2%	4.2%	4.0%	4.2%	4.4%

Source: KBC Securities

*Historic valuation data are based on historic prices

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Stock rating	Definition
BUY	Expected total return (including dividends) of 10% or more over a 6-month period
ACCUMULATE	Expected total return (including dividends) between 0% and 15% over a 6-month period
HOLD	Expected total return (including dividends) between -5% and 5% over a 6-month period
REDUCE	Expected total return (including dividends) between -15% and 0% over a 6-month period
SELL	Expected total return (including dividends) of -10% or worse over a 6-month period

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Stock rating	% of covered universe	% of covered universe with investment banking relationship during last year
BUY	46.70%	0.00%
ACCUMULATE	36.40%	0.00%
HOLD	10.30%	0.00%
REDUCE	5.60%	0.00%
SELL	0.90%	0.00%

Ter Beke is specialized in chilled ready meals and processed meats. It is the European market leader in chilled lasagna. The group is also the second largest processed meat slicer and pre-packer in Europe.

The price target for Ter Beke is based on following parameters: Peer Group Multiples, Sum of Parts

The risks which may impede the achievement of our price target are: Food scares. Increasingly stringent health regulation. Price pressure from retailers. Margin squeeze on the back of soaring raw material prices.

Below is an overview of the stock ratings and target price history in the last 12 months for the stock described in this report.

Date	Rating	Target price
29-SEP-08	Accumulate	€ 60.00
23-APR-08	Accumulate	€ 64.00

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