Ter Beke

Belgium/ Food & Beverage

Company update

Investment Research

20 March 2009

Hold

Recommendation unchanged

Share price: EUR	38.00

closing price as of 19/03/2009

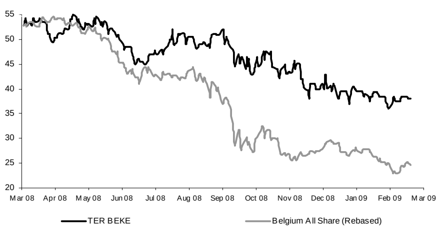
Target price: EUR	41.00

Target Price unchanged

Reuters/Bloomberg	TERB.BR/TERB BB
Daily avg. no. trad. sh. 12 mth	189
Daily avg. trad. vol. 12 mth (m)	0.01
Price high 12 mth (EUR)	55.00
Price low 12 mth (EUR)	36.00
Abs. perf. 1 mth	-1.3%
Abs. perf. 3 mth	-7.3%
Abs. perf. 12 mth	-29.6%

Market capitalisation (EURm)	66
Current N° of shares (m)	2
Free float	22%

Key financials (EUR)	12/08	12/09e	12/10e
Sales (m)	393	400	410
EBITDA (m)	30	31	32
EBITDA margin	*7.6%*	*7.8%*	*7.7%*
EBIT (m)	8	11	13
EBIT margin	*2.0%*	*2.7%*	*3.1%*
Net Profit (adj.)(m)	3	6	7
ROCE	2.9%	5.9%	6.8%
Net debt/(cash) (m)	71	62	58
Net Debt Equity	*0.9*	*0.8*	*0.7*
Net Debt/EBITDA	2.4	2.0	1.8
Int. cover(EBITDA/Fin.int)	6.2	7.9	8.9
EV/Sales	0.4	0.3	0.3
EV/EBITDA	4.9	4.1	3.9
EV/EBITDA (adj.)	5.3	4.0	3.8
EV/EBIT	18.5	11.8	9.8
P/E (adj.)	22.9	11.0	9.3
P/BV	1.0	0.8	0.8
OpFCF yield	*21.4%*	*19.7%*	*12.5%*
Dividend yield	*5.5%*	*5.5%*	*5.5%*
EPS (adj.)	1.87	3.44	4.07
BVPS	45.13	46.44	48.41
DPS	2.10	2.10	2.10



Source: Factset

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

For company description please see summary table footnote

FY08 results above expectations thanks to one-offs - limited visibility for FY09

Ter Beke's FY08 sales remained somewhat behind expectations, up 7.2% thanks to 11.1% sales growth in of processed meats and stable sales for the ready meals division. The operating result was weaker than expected, with REBIT at EUR 11.4m, down 6.7% from EUR 12.2m. Non-current items influenced the result for a total net amount of EUR -3.4m, but thanks to a non-recurring tax profit of EUR 4.9m, FY08 net result came out at EUR 7.6m (EPS of EUR 4.39), ahead of our estimate of EUR 6.4m (EPS of EUR 3.68).

We conclude that, although Ter Beke's net result was ahead of our expectations, the quality of the bottom-line figure was rather low, mainly due to pressure on operating margins. After the analyst meeting we updated our scenario and came to an unchanged target price of EUR 41, which implies a 7% upside. We therefore maintain our Hold rating.

- ✓ **FY08 top line increased by 7.2%**, hiding stable sales for the ready meals division (-0.4%, despite the termination of some French volume contracts) and 11.1% sales growth in of processed meats thanks to a change in the consolidation circle (acquisition of Berkhout Verssnijlijn as from 1 Sep. 2007). Ready meals sales took advantage of new Weight Watchers labelled products. The processed meats sales suffered from disappointing Christmas sales in the UK and a weak 4Q08 in Spain, the termination of substandard profitability volume contracts and the weak GBP. The ongoing trend from bulk to pre-packed processed meats was confirmed.
- ✓ **The operating result was disappointing.** EBITDA was up 2.1% to EUR 29.9m (vs EUR 31.6 expected) thanks to the increase in turnover, better product mix, cost reductions and improved efficiency in production & supply chain management. It negatively influenced raw materials price pressure. REBIT came out at EUR 11.4m, -6.7% from EUR 12.2m vs EUR 12.5m expected, after the net increase in operational depreciations by EUR 1.2m (vs EUR 1.3m expected). Higher depreciations are mainly due to consolidation changes (mainly Berkhout Verssnijlijn) and to the investment programme of FY06 and FY07. Non-current items influenced the results for a total net amount of EUR -3.4m (positive: insurance matter, negatives: the full impairment of goodwill in GBP resulting from the SDF Foods acquisition and the accelerated impairment of certain fixed assets, primarily with regard to the French production activities).
- ✓ **Net result was up 19%, much higher than expected.** Thanks to the result of the recurring effect of the positive outcome of the litigation on the Luxembourg captive reinsurance structure, Ter Beke enjoys a non-recurring tax profit of EUR 4.9m. This leads to a FY08 net result of EUR 7.6m (EPS of EUR 4.39), ahead of our estimate of EUR 6.4m (EPS of EUR 3.68).
- ✓ 4Q08 was rather weak, mainly in Spain and in the UK, while business in the Benelux and France proved to be resilient. Given the lack of visibility, Ter Beke declined to give explicit guidance. **We expect FY09 to be challenging and bank on a quasi stable top line at EUR 400m and a slight decline of the operating cash flow to EUR 28m.**

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Investment Case

- **FY08 results above expectations thanks to one-offs**

Ter Beke's FY08 sales remained somewhat behind expectations, up 7.2% thanks to 11.1% sales growth in of processed meats and stable sales for the ready meals division. The operating result was weaker than expected, with REBIT at EUR 11.4m, down 6.7% from EUR 12.2m.

Non-current items influenced the result for a total net amount of EUR -3.4m, but thanks to a non-recurring tax profit of EUR 4.9m, FY08 net result came out at EUR 7.6m (EPS of EUR 4.39), ahead of our estimate of EUR 6.4m (EPS of EUR 3.68).

- **FreshMeals has become the group's cash cow**

Ter Beke's ready meals division FreshMeals has become the group's cash cow for some years now. The ready meals REBITDA margin oscillated between 8.5% and 12.8% over 2005 till 2008, vs 7.7% on average for the processed meats division Ter Beke-Pluma.

All in all, Ter Beke proved to be a very stable generator of profits and cash flow, even in a downturn.

- **Ter Beke trades in line with European peers**

In our peer group of European food & beverage companies that are active in processed meats (and some of them also in ready meals), Ter Beke stands out with a comparatively high depreciation ratio of close to 5% to sales. High capex to sales is required to maintain the state-of-the-art production, slicing and packaging machinery.

In terms of EBITDA, Ter Beke trades far below peer group (EV/EBITDA multiple of 4.9x and 4.1x vs 5.6x and 5.0x for peer group based earnings estimates for FY08 and FY09). However, on an earnings base (operational level: EV/EBIT and on bottom line: P/E) Ter Beke seems to be more or less fully valued.

- **Fair value of EUR 41 is based on cautious estimates**

Investors should judge Ter Beke first and foremost as a relatively resilient stock in an economic downturn due to the relatively stable sales of both of its divisions.

Market sources bank on a volume growth of 1% in the European processed meats market through 2017. We derive our fair value price target of EUR 41 per share from our DCF model, which is based on reasonable, but not bullish growth and profitability assumptions.

We cross-checked the outcome on the basis of multiples and derived a fair value of EUR 40 per share, which implies an upside of only 4%. We therefore stick to our Hold recommendation.

FY08 result

Key lines P&L (EUR m)	1H07	2H07	FY07	1H08	2H08	FY08	% Chg
Net sales	177.4	189.3	366.7	192.1	201.1	393.2	7.2%
EBITDA	13.4	15.9	29.3	14.7	15.1	29.9	2.0%
EBITDA margin	*7.6%*	*8.4%*	*8.0%*	*7.7%*	*7.5%*	*7.6%*	
EBIT	5.2	5.0	10.2	6.1	1.9	8.0	-22.3%
EBIT margin	*2.9%*	*2.7%*	*2.8%*	*3.1%*	*0.9%*	*2.0%*	
Financial result	-1.7	-2.2	-3.9	-2.4	-2.4	-4.7	20.9%
Result from ordin. act.	3.5	2.8	6.3	3.7	-0.4	3.2	NR
Taxes	-1.0	0.7	-0.3	-1.0	1.0	0.0	NR
Net result	2.6	3.5	6.1	2.7	4.9	7.6	25.3%
Net margin	*1.4%*	*1.9%*	*1.7%*	*1.4%*	*2.4%*	*1.9%*	
Adj. EPS (EUR)	1.49	2.0	3.51	1.57	2.8	4.39	25.0%

Source : Company data, ESN – Bank Degroof Research

Sales

FY08 total turnover increased by 7.2% from EUR 366.7 to EUR 393.2m.

EUR m	1H07	2H07	FY07	1H08	2H08	FY08
Sales	177.4	189.3	366.7	192.1	201.1	393.2
Total sales growth %	*18.8%*	*6.7%*	*12.2%*	*8.3%*	*6.2%*	*7.2%*
Processed meats	114.8	127.6	242.5	128.7	140.7	269.4
Sales growth %			*17.6%*	*12.1%*	*10.2%*	*11.1%*
Fresh ready meals	62.5	61.7	124.2	63.4	60.4	123.8
Sales growth %			*3.0%*	*1.4%*	*-2.1%*	*-0.3%*

Source : Company data, ESN – Bank Degroof Research

- **FreshMeals**

The turnover of *FreshMeals*, Ter Beke's ready meals BU remained almost equal compared to 2007 at EUR 123.8m (vs. EUR 124.2m in FY07), notwithstanding the termination (by FreshMeals) of a number of important high volume contracts, especially in France, at low margin. In the course of 1H08, an agreement was signed with *Weight Watchers®* on the launch of ready meals (lasagne, pizza and spaghetti) in Belgium. Sales of Weight Watchers labelled products are increasing very strong and could be a driver for volumes growth in FY09.

- **TerBeke-Pluma**

The turnover of the processed meats BU *Ter Beke-Pluma* increases by EUR 27.0m (+11.1%) to EUR 269.4m thanks to the full year consolidation of Berkhout Verssnijlijn, acquired in Sept. 2007. On a like for like basis however, the turnover decreases slightly because of:

– **Weak 4Q08 sales**, which were negatively influenced by the economic crisis, especially in the UK, where Christmas sales were disappointing and in Spain (weak 4Q08).

– **The weakening of the GBP vs the EUR** (we estimate that approx. 8% of sales are made in the UK).

- **Tough comparables**: in 2007 a number of low profitability volume contracts with Belgian and German discounters were terminated, the full effect of which influences the FY08 turnover.

In a positive way, the growth at all major European retailers, with new introduction both in bulk and in service slicing, amply compensated the sales decrease in the traditional channels in all countries. In the Netherlands, the pre-packed processed meats range was further extended and the distribution level was increased, which gave rise to further turnover growth.

Operating result

- **EBITDA**

The EBITDA increased 2.0% to EUR 29.9m (REBITDA of EUR 29.8m), primarily as a result of a better product mix, further improved efficiency in production and supply chain activities and an important reduction of the organisation cost throughout the group. In the end, the 2008 EBITDA only increases by EUR 0.6m (from EUR 29.3m in FY07) primarily because EUR 4.6m of raw material price increases could not be charged on in the sales prices.

Ter Beke-Pluma's EBITDA margin was also under pressure as a result of the decrease of the GBP, which negatively affected the results by EUR 1.1m in FY08 compared to FY07.

EUR m	1H07	2H07	FY07	1H08	2H08	FY08
REBITDA	13.4	15.9	29.3	15.4	14.4	29.8
Total REBITDA growth %			*22.1%*			*1.8%*
REBITDA margin	*7.6%*	*8.4%*	*8.0%*	*8.0%*	*7.2%*	*7.6%*
Processed meats	9.6	9.2	18.8	8.1	8.0	16.2
REBITDA growth %			*11.9%*	*-15.4%*	*-12.5%*	*-14.0%*
REBITDA margin	*8.4%*	*7.2%*	*7.7%*	*6.3%*	*5.7%*	*6.0%*
Fresh ready meals	5.2	7.8	13.0	8.3	7.5	15.8
REBITDA growth %			*27.2%*	*60.2%*	*-4.4%*	*21.3%*
REBITDA margin	*8.3%*	*12.7%*	*10.5%*	*13.1%*	*12.4%*	*12.8%*
Not attributed	-0.1	-0.2	-0.3	-0.2	-0.3	-0.5
Processed meats	-4.4	-4.6	-9.0	-5.1	-5.0	-10.0
Fresh ready meals	-3.7	-4.1	-7.8	-4.0	-3.9	-7.9

Source : Company data, ESN – Bank Degroof Research

- **REBIT**

At the level of the REBIT (EUR 11.4m, down 6.7% vs EUR 12.2m in FY07), the EBITDA increase is compensated by higher operational depreciations for EUR 1.2m. This rise is primarily the result of the acquisition of Berkhout Verssnijlijn, but also of the depreciations resulting from the 2007-2008 investment programs. In 2008, Ter Beke invested EUR 17.4m in tangible fixed assets. The most important investment projects were the transfer of the poultry processed meat production from the Ruiselede site to the Waarschoot site and the further modernisation and expansion of the slicing- and packaging infrastructure.

- **Non-recurring results**

Non-recurring items have a total net cost of EUR 3.4m in 2008.

Ter Beke decided to fully impair the goodwill in GBP (resulting from the SDF Foods acquisition in 2007) and to impair certain material fixed assets on an accelerated basis, primarily regarding the FreshMeals production activities in Alby-sur-Chéran. The restructuring of the French organisation, which led to a reduction of 60 employees, was fully executed early July 2008 within the provision which was set up in 2007.

In addition, some provisions for non-recurring operational costs were included in the 2008 results, relating to announced redundancy payments and one time cost increases. Ter Beke also obtained a one time positive result on an insurance matter, which caused the total non-recurring effects to amount to EUR 3.4m.

EUR m	FY04	FY05	FY06	FY07	FY08
REBIT	10.2	21.6	10.1	12.2	11.4
Total EBIT growth %		*112.7%*	*-53.3%*	*20.6%*	*-6.7%*
REBIT margin	*5.1%*	*9.2%*	*3.1%*	*3.3%*	*2.9%*
Processed meats	6.8	8.2	8.3	9.7	6.1
REBIT growth %			*1.4%*	*16.8%*	*-37.3%*
REBIT margin	*7.1%*	*6.3%*	*4.1%*	*4.0%*	*2.3%*
Fresh ready meals	7.7	5.0	3.7	5.3	7.9
REBIT growth %			*-26.3%*	*41.8%*	*50.4%*
REBIT margin	*7.4%*	*4.7%*	*3.1%*	*4.2%*	*6.4%*
Non current items			1.5	-2.0	0.0
Processed meats			1.5	-0.9	-0.1
Fresh ready meals			0.0	-1.1	-3.4
EBIT	10.2	21.6	11.6	10.2	11.4
Total EBIT margin	*5.1%*	*9.2%*	*3.6%*	*2.8%*	*2.9%*
Processed meats		8.2	9.8	8.9	6.1
EBIT margin		*6.3%*	*4.8%*	*3.7%*	*2.2%*
Fresh ready meals		5.0	3.7	4.2	4.5
EBIT margin		*3.9%*	*1.8%*	*1.7%*	*1.7%*
Not attributed result		8.4	-1.9	-2.8	-2.6

Source : Company data, ESN – Bank Degroof Research

- **Net financing costs**

Financial costs increased from EUR 4.2m in FY07 to EUR 5.0m in FY08. Financial revenues decreased slightly from EUR 273k to EUR 254k.

The increase in net financing costs by EUR 0.8m to EUR 4.7m (+20.9%) is primarily the result of the external financing of the Berkhout Verssnijlijn acquisition (impacted for EUR 0.6m) and a slight increase of exchange rate losses on trade receivables in GBP for EUR 0.2m.

Net result

The FY08 net result was not only negatively influenced for an amount of EUR 3.4m as a result of non-recurring items, but also by a one-off tax profit of EUR 4.9m.

The operational tax rate over 2008 (8.7%) decreases compared to the tax rate over FY07 (25.8%). This is primarily the result of the recurring effect of the positive outcome of the litigation on the Luxembourg captive reinsurance structure.[1] Ter Beke won the litigation against the Belgian tax authorities on the Luxembourg captive reinsurance structure in appeals on 6 May 2008. The tax authorities waived their right to an appeal before the Supreme Court. As a result, Ter Beke can incorporate the entire deferred tax liability on the equity of Ter Beke Luxembourg per 31 Dec. 2007 in the FY08 result (EUR +12.8m, after taxes) on the condition that, at the same time, it expenses the deferred tax assets of which the realisation in the near future is not fully guaranteed (EUR -7.9m).

The total net earnings after taxes amount to EUR 7.6m vs EUR 6.1m in FY07. Without the non-recurring elements, the FY08 net earnings after taxes amount to EUR 6.1m, which is in line with the earnings after taxes in the previous year.

[1] Ter Beke has been insuring itself by a "captive technique" since 1992 against financial losses caused by rarity of raw materials and/or abnormal increases in the price of raw materials; the financial damage caused by product recalls; and the credit risk on its commercial receivables. In 2000, Ter Beke received a tax adjustment for its FY98 in which the captive insurance structure was deemed a 'sham' by the tax authorities, arguing that reinsurance with a group company is not compatible with genuine insurance contracts, and that Ter Beke actually constituted an "off-balance provision".

The Special Tax Inspection deduced from this that Ter Beke has a claim (which is not included in its accounts) against the Luxembourg reinsurance company that could be taxed as an "underestimation of assets". On this basis, the taxable profit of Ter Beke for FY98 was increased by EUR 7.7m, i.e. the amount of the reserves constituted by the reinsurance company, resulting in an additional tax assessment of EUR 4m. The tax authorities also increased the taxable basis of Ter Beke for the following tax years, each time there was an increase in the reserves of the Luxembourg reinsurance company. Ter Beke filed an administrative appeal against all the additional tax assessments and, as the amount of the additional tax assessments continued to grow every year, Ter Beke started legal proceedings against the tax authorities in 2005, with respect to FY98.

In a judgment of 4 May 2007, the additional taxation imposed on Ter Beke with regard to the captive reinsurance structure was cancelled. The tax administration lodged an appeal against this judgement and the Court of Appeals confirmed that Ter Beke indeed made proper use of the reinsurance structure: only real business risks are insured, the premiums conform to market rates, and there have been significant damages payouts (which were indeed taxed at the level of Ter Beke).

Market environment

- **Recession hit shoppers are more choosy in the meat and fresh meals department**

The delicate economic climate in Europe and reduced spending power of some consumers has led money saving measures like coupons and switching from branded products to private labels. Market sources observed in recent months that shoppers have changed their meat purchasing habits as they seek to get the best value deals. European shoppers are said to be less brand-sensitive when buying processed meats.

For Ter Beke-Pluma, which has no B2C brand for processed meats, this trend does not change anything. However, we fear that the ready meals division's *Come a casa* labelled products – mainly pasta based fresh ready meals – could be hit be by consumers' down-trading. As we lack details for Ter Beke group and for both of its main divisions about the share of branded products sold vs private label, it is impossible to assess the impact on the P&L.

- **Continued trend from bulk to sliced & packaged processed meats in a very mature market**

The largest processed meat markets of the EU have shown steady and respectable growth of around 1.5% per annum (2001-2007), but within this market, the segment of pre-sliced and pre-packaged products continues to grow.

We notice a continued and fast-growing trend of supermarkets switching from own slicing and packaging at their point-of-sale to sourcing from specialist companies. In 2005, the majority of "fresh pack" was still sliced on the point of sale, while it is expected that in the near future, the majority will be "industrial" slicing. This evolution is driven by changes in food safety legislation, cost pressure at the retailer and technological developments. This trend will be in the coming years a source of top line growth for processed meats producers like the Ter Beke group in a very mature market segment (the latest volumes estimates for 2009 show a flat processed meat market overall in 2009 vs 2008).

Through the acquisition of two Dutch service specialists without own meat production (Langeveld/Sleegers in FY05 and Berkhout Verssnijlijn in FY07), Ter Beke confirmed its strategic choice for sliced & packaged processed meats. Ter Beke's now strengthens its position in this growth segment of the processed meats market by spending the bulk of its capex budget (EUR 13m in FY09) in its slicing and packaging business, thus further reducing its relative dependence on raw materials prices. We estimate that service slicing currently accounts for about 35% of Ter Beke-Pluma sales.

The EU processed meat markets is expected to continue growing, but at a somewhat lower level (around 1% per year) through 2017 (vs 1.5% in 2001-2007). Consumption volumes should grow at a reasonable 1% per year. The highest growth is expected in perceived health and convenience (snacking in particular). In the health segment, Ter Beke has recorded very strong growth figures in Weight Watchers labelled products and poultry products.

- **Recession could bite in Ter Beke's ready meals sales**

Although the Western-European market of ready meals grows at around 7% per annum, for FY09 we only bank on 1.5% sales growth due to deteriorating economic climate that has led more consumers to cooking more meals from scratch. We still expect however slightly higher sales as there are signs that consumers are switching from out-of-home dining in restaurants to preparing fresh ready meals at home .

Valuation

Two methods have been used for the valuation of Ter Beke:

- A valuation based on the discounted free cash flows and
- A peer group comparison

DCF valuation

In order to value Ter Beke, we have discounted its free cash flows using a two-period model. In a first period (2009-2017), we have used the below detailed free cash flow projections. For the last period, a residual value was calculated and subsequently discounted. We discounted at a WACC of 9.80% (beta of 0.95, a risk free rate of 4.63% and a market risk premium of 8.9%). Furthermore, we used a 9-year explicit forecast period. A conservative long-term growth rate of 1.5% (from 2017 onwards) was applied to the NOPLAT in calculating Ter Bekes' discounted terminal value.

The DCF valuation points to a theoretical value of equity of EUR 70.8m or EUR 41 per share.

CASH FLOW (EUR m)	2009	2010	2011	2012	2013	2014	2015	2016	2017	Norm. yr
Net Sales	399.8	410.1	421.1	433.5	448.2	462.3	474.8	486.3	496.0	503.4
% change	*1.7%*	*2.6%*	*2.7%*	*3.0%*	*3.4%*	*3.1%*	*2.7%*	*2.4%*	*2.0%*	*1.5%*
EBITDA	31.1	31.5	32.1	33.0	34.4	35.6	36.8	37.6	38.8	38.1
% margin	*7.8%*	*7.7%*	*7.6%*	*7.6%*	*7.7%*	*7.7%*	*7.7%*	*7.7%*	*7.8%*	*7.6%*
% change	*4.1%*	*1.5%*	*1.9%*	*2.8%*	*4.2%*	*3.4%*	*3.1%*	*2.2%*	*3.3%*	*-1.9%*
Depreciation & other provisions	20.1	18.9	18.6	18.5	18.4	18.5	18.6	18.8	19.0	19.0
% sales	*5.0%*	*4.6%*	*4.4%*	*4.3%*	*4.1%*	*4.0%*	*3.9%*	*3.9%*	*3.8%*	*3.8%*
EBITA	11.0	12.7	13.5	14.5	16.0	17.1	18.2	18.8	19.8	19.1
% margin	*2.7%*	*3.1%*	*3.2%*	*3.4%*	*3.6%*	*3.7%*	*3.8%*	*3.9%*	*4.0%*	*3.8%*
% change	*37.8%*	*15.6%*	*6.6%*	*7.8%*	*10.0%*	*7.2%*	*5.9%*	*3.5%*	*5.4%*	*-3.7%*
Taxes	-2.7	-3.2	-3.4	-3.6	-4.0	-4.3	-4.5	-4.7	-4.9	-4.8
Normative tax rate	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*
NOPLAT	8.2	9.5	10.1	10.9	12.0	12.9	13.6	14.1	14.8	14.3
Depreciation & other provisions	20.1	18.9	18.6	18.5	18.4	18.5	18.6	18.8	19.0	19.0
% sales	*5.0%*	*4.6%*	*4.4%*	*4.3%*	*4.1%*	*4.0%*	*3.9%*	*3.9%*	*3.8%*	*3.8%*
Gross Operating Cash Flow	28.3	28.4	28.8	29.4	30.4	31.3	32.2	32.9	33.8	33.3
Capex	-13.0	-17.5	-17.9	-18.2	-18.7	-19.1	-19.6	-20.1	-19.0	-19.0
% sales	*3.3%*	*4.3%*	*4.2%*	*4.2%*	*4.2%*	*4.1%*	*4.1%*	*4.1%*	*3.8%*	*3.8%*
Change in NWC (-=incr.;+=decr.)	-0.1	-0.2	-0.2	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	
Cash Flow to be discounted	15.2	10.7	10.7	11.0	11.5	12.0	12.4	12.6	14.7	14.3
DCF EVALUATION (EUR m)										
WACC	9.80%	9.80%	9.80%	9.80%	9.80%	9.80%	9.80%	9.80%	9.80%	9.80%
Discount Rate factor	0.93	0.85	0.77	0.70	0.64	0.58	0.53	0.48	0.44	0.40
Discounted Cash Flow	14.2	9.1	8.3	7.7	7.4	7.0	6.6	6.1	6.5	5.7
Cumulated DCF	14.2	23.2	31.5	39.2	46.5	53.5	60.1	66.1	72.6	78.3

Source : ESN – Bank Degroof Research

Our terminal value factor assumes an EBITDA margin of 7.6% and depreciation/sales & capex/sales of 3.8%. Other key parameters in our scenario are:

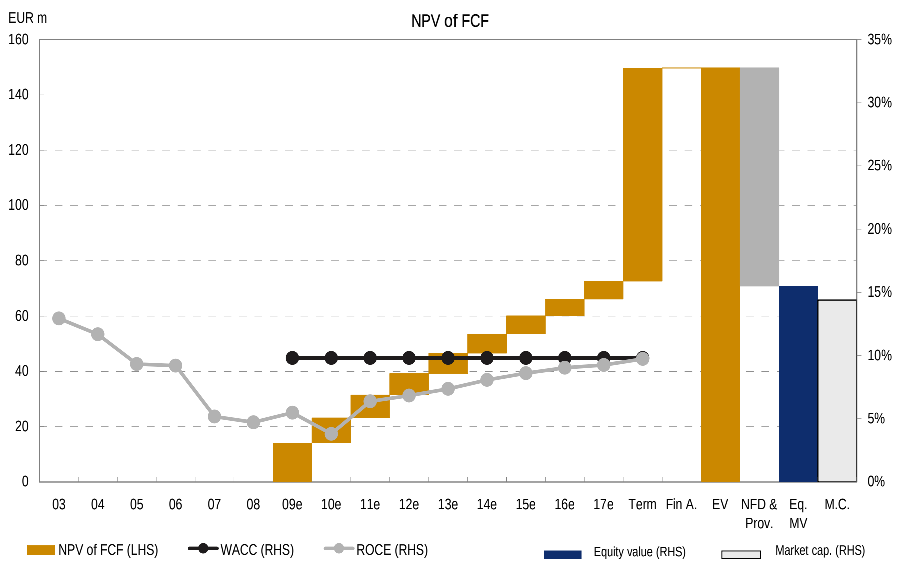
- A CAGR of sales of 2.6% for the period 2008-2017, banking on a 1% volumes increase in both processed meats and fresh ready meals. Turnover growth has been reviewed upwards due to increased exposure to slicing and packaging of processed meats, which are activities that are expected to show a higher growth rate within the foreseeable future.
- A normalised EBITDA margin of 7.6% over the same period, reviewed downwards due to assumed lower operating margins in slicing/packaging, an activity which has become more important in Ter Beke-Pluma's product mix and which we believe will continue to grow at a higher pace. We also bank on continued pricing pressure from large retailers on the competitive market segment of fresh ready meals. For the explicit 10-year forecast period, we applied an average EBITDA margin of 7.7%, to be compared to an average historical EBITDA margin of 8.0% over 2005-2008.
- An average capex to sales ratio of 4% from 2009 until 2017.
- A normative tax rate of 25%.

WACC & DCF analysis

Cost of Equity (Ke or COE)	**13.06%**	**Cumulated DCF**	**72.6**	**- Net Financial Debt**	**(71.5)**
		Perpetual Growth Rate (g)	**1.5%**	- Minorities (estimated value)	0.0
Cost of Debt (gross)	6.6%	Normalised Annual CF	14.3	+ Associates	0.2
Debt tax rate	25%	Terminal Value @ 12/2018	175.2	- Pension underfunding & provisions	(7.6)
Cost of Debt net (Kd or COD)	**4.92%**	Disc. Rate of Terminal Value	0.44	- Off-balance sheet commitments	0.0
		Discounted Terminal Value	**77.0**	**Equity Market Value (EUR m)**	**70.8**
Target gearing (D/E) or % Kd	40.0%			Number of shares (m)	1.7
% Ke	60.0%	Financial assets	0.2	**Fair Value per share (EUR)**	**40.94**
Normative Tax Rate	**25.0%**	**Enterprise Value (EUR m)**	**149.8**	Price (EUR) *19/03/2009*	38.00
WACC	**9.80%**	***DCF reliability rate***	***49%***	***Potential upside (downside)***	***7.7%***

Source: Company data, ESN / Bank Degroof Research

ROCE, WACC and NPV of FCF



Source: Company Data, ESN – Bank Degroof Research

Sensitivity analysis of the DCF valuation

We have carried out a sensitivity analysis on our DCF valuation of Ter Beke applying a WACC in a range of 9.50% to 10.10%.

We modelled several perpetual growth rate levels ranging from 0.90% to 2.10% and applying different normalised EBITDA margin levels ranging from 7.3% to 7.9%.

WACC				Perpetual growth rate (g)			
	0.90%	1.10%	1.30%	1.50%	1.70%	1.90%	2.10%
10.10%	34.9	35.9	36.9	37.9	39.0	40.1	41.3
10.00%	35.8	36.8	37.8	38.9	40.0	41.2	42.4
9.90%	36.8	37.8	38.8	39.9	41.1	42.3	43.5
9.80%	37.7	38.7	39.8	40.9	42.1	43.4	44.7
9.70%	38.7	39.7	40.8	42.0	43.2	44.5	45.9
9.60%	39.7	40.7	41.9	43.1	44.4	45.7	47.1
9.50%	40.7	41.8	43.0	44.2	45.5	46.9	48.4

Source ESN – Bank Degroof Research

WACC				Normalised EBITDA Margin			
	7.3%	7.4%	7.5%	7.6%	7.7%	7.8%	7.9%
10.10%	34.6	35.7	36.8	37.9	39.0	40.1	41.2
10.00%	35.5	36.6	37.8	38.9	40.0	41.1	42.3
9.90%	36.5	37.6	38.8	39.9	41.1	42.2	43.4
9.80%	37.4	38.6	39.8	40.9	42.1	43.3	44.5
9.70%	38.4	39.6	40.8	42.0	43.2	44.4	45.6
9.60%	39.4	40.7	41.9	43.1	44.3	45.5	46.8
9.50%	40.5	41.7	43.0	44.2	45.5	46.7	48.0

Source : ESN – Bank Degroof Research

Multiple comparison

We have retained 7 peers that are the best comparables based on their business mix: Atria, Fleury Michon, Northern Foods, Uniq, Greencore, HKScan and Campofrio. Fleury Michon is a perfect peer because, like Ter Beke, the company used to be a processed meat producer which entered into the chilled ready meals sector in pursuit of growth, and it is also mainly exposed to Continental Europe.

Name	Description
Atria (ESN Research rating: Reduce)	(Atria Yhtyma Oyj) is a Finnish meat processing company. The company develops, manufactures and markets meat, meat products and other foods .It also provides related services. Atria's product line includes fresh and prepared beef, pork, chicken, turkey, cold cuts, sausages, pizzas, bakery products, and per-made meals. The company is mainly active in Finland and Sweden.
L.D.C. (ESN Research rating: Hold)	processes and sells a wide range of specialty poultry products ranging from fresh prepackaged chicken to more elaborate prepared dishes. Those products are sold under brand names including "Loue," "Bresse," "Landes" and "Le Gaulois."
Northern Foods (Not rated)	is a manufacturer of fresh food products. The company's business is divided into two sectors: convenience foods and grocery. The company's products include dairy items, cakes and puddings, pizzas, specialty breads, salads, sushi, seafood, hot and cold eating pies, sausages, biscuits, flour, as well as canned and frozen foods.
Fleury Michon (ESN Research rating: Sell)	is a France-based company with two core businesses: pork and poultry cuts, and fresh-prepared meals such as Joel Robuchon recipes, vacuum-prepared meals, individual-prepared meals and Sur le Pouce recipes. Other products include ready-to-eat cooked pork meats, salads, specialties and surimi. The group holds 10 production units (7 in France and 3 abroad) and 1 logistics site.
Uniq (Not rated)	provides an assortment of food services. The group's subsidiaries distribute a variety of chilled and frozen convenience foods, including sandwiches, deli products, poultry, fish meals, salads and sauces, dairy and low fat spreads, and yogurts and desserts. Uniq manufactures and supplies their products in the UK and throughout Europe.
Greencore Group (ESN Research rating: Hold)	manufactures and distributes a diverse range of primary foods and related products, food ingredients and prepared foods to the consumer and industrial sectors. The group produces sugar and sugar products, including ready-to-spread icing, as well as malt, flour, dried soups, sauces and ready- made meals. Agricultural products include animal feeds and fertilizers.
HKScan (ESN Research rating: Accumulate)	(formerly HK Ruokatalo) is a leading Nordic meat processing company with operations in Sweden, Finland, Poland and the Baltic states. HKScan produces and markets meat, processed meat products and convenience foods in all of its operating regions. HKScan is the clear market leader in Sweden and the Baltics, and holds a strong #2 position in Finland and Poland.
Campofrio Food Group (ESN Research rating: Buy)	(formerly Campofrio Alimentacion), is a Spain-based company engaged in the food industry. The company specializes in the processing, commercialization and distribution of gourmet pork and beef products, such as cooked ham, dry ham, dry sausages, frankfurters, pates and ready meals. After its merger with Smithfield, it is the European leader in processed meat products, 3x larger than its closest European rival (Herta).

Sources: Google Finance, Bloomberg, ESN Research

We applied an illiquidity discount of 10% for Ter Beke as the company's market cap currently hovers around EUR 66m with a free float of 22%, to be compared to the median market cap of the peer group of EUR 309m.

If we then apply the median EV/EBITDA, EV/Sales and PE multiples of the peer group for FY09e, we arrive at an implied average equity value of EUR 40.5 per share, which is in line with our fair value per share based on a DCF valuation exercise and slightly higher than Ter Beke's current share price.

Valuation based on multiples

Ter Beke	FY08	FY09e	FY08	FY09e	FY08	FY09e	FY08	FY09e
Sales (EUR m)	393.2	399.8						
EV/Sales multiple peer group	0.4	0.4						
EBITDA (EUR m)			29.9	31.1				
Median EV/EBITDA multiple peer group			5.1	5.2				
EBIT (EUR m)					8.0	11.0		
Median EV/EBIT multiple peer group					13.1	10.4		
Net result (EUR m)							7.6	6.0
Median P/E multiple peer group							15.0	10.8
Implied Enterprise Value (EUR m)	148.6	164.0	152.6	160.4	104.3	113.9		
Net debt (EUR m)	71.5	62.1	71.5	62.1	71.5	62.1		
Periph. ass. - off bal. - minor. - pens.	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3		
Implied equity (EUR m)	77.4	102.1	81.4	98.6	33.1	52.0	114.2	64.7
Avg number of shares								
Liquidity discount applied 10%								
Value per share (EUR) 40.5								

Source: Company data, ESN – Bank Degroof Research (Ter Beke), Factset (others)

We have cross-checked our valuation on the basis of the multiples Ter Beke is currently trading at compared with those of the peer group used in the table above (listed producers of processed meats and/or ready meals).

Multiples comparison

	Market cap (EUR m)	Ev/Sales 2008	Ev/Sales 2009	Ev/EBITDA 2008	Ev/EBITDA 2009	Ev/EBIT 2008	Ev/EBIT 2009	P/E 2008	P/E 2009
Fleury Michon SA	131.9	0.38	0.41	4.98	5.16	16.49	16.74	28.99	23.07
Greencore Group	148.4	0.36	0.33	4.50	4.14	6.12	5.96	3.15	4.01
Northern Foods	219.7	0.49	0.42	5.11	4.29	high	7.57	high	5.91
LDC SA	489.1	0.19	0.17	3.16	2.61	6.05	5.01	12.19	10.84
HKScan Oyj	182.9	0.28	0.27	6.90	5.59	16.83	11.94	32.25	8.80
Atria Oyj	197.9	0.54	0.42	8.59	6.64	19.24	16.37	15.73	20.00
Campofrio Food Gro	790.2	0.61	0.56	6.25	6.49	9.74	10.39	14.31	12.47
Average	308.6	0.41	0.37	5.64	4.99	12.41	10.57	17.77	12.16
Median	197.9	0.38	0.41	5.11	5.16	13.11	10.39	15.02	10.84
Ter Beke (own est.)	65.8	0.35	0.32	4.63	4.15	17.41	11.79	20.57	11.18
Premium (+) / discount (-) vs. average		-14%	-13%	-18%	-17%	40%	12%	16%	-8%
Premium (+) / discount (-) vs. median		-7%	-22%	-9%	-20%	33%	13%	37%	3%

Source: ESN – Bank Degroof Research (Ter Beke), Factset (others)

This comparison shows that Ter Beke, after the lacklustre performance of the share price in recent month, trades at multiples in line with or below peer group averages for EV/Sales and EV/EBITDA. However, on an earnings base (operational level: EV/EBIT and on bottom line: P/E) Ter Beke seems to be more or less fully valued.

Also in comparison with a broad sample of small & mid caps in European food and beverage sector covered by ESN Research, we see that on an earnings base, Ter Beke is fully valued.

Ter Beke's dividend yield of 5.5% for FY08 and FY09e however is far more attractive than that of peers (on average 3.4% and 4.4% respectively).

Peer Group Valuation

Company	Country	Rec.	Price	Target Price	Market	P/E(adj.)		Div. Yield %		EV/EBITDA	
			19-Mar-09	*Fair value*	cap EUR (m)	2009	2010	2009	2010	2009	2010
Aryzta	IE	Buy	EUR 16.50	25.00	1,305	7.5	7.0	0.0	1.8	5.5	5.1
Atria	FI	Reduce	EUR 7.00	9.00	133	22.4	6.7	2.9	8.6	6.0	4.6
Bonduelle	FR	Buy	EUR 50.49	101.00	404	8.4	6.2	3.3	3.5	5.7	4.9
Bongrain	FR	Hold	EUR 36.00	60.00	556	6.2	5.1	5.0	5.1	3.6	3.0
Cermaq	NO	Accumulate	NOK 28.60	30.00	305	8.4	3.3	5.2	12.2	6.5	3.9
Danisco	DK	Hold	DKK 162.50	165.00	1,036	10.7	8.6	5.2	5.5	6.9	6.2
EAC	DK	Sell	DKK 164.50	130.00	304	5.6	4.7	3.1	6.2	3.4	3.1
Fleury Michon	FR	Sell	EUR 25.50	15.00	117	20.9	14.1	3.1	3.1	4.8	4.3
Fyffes	IE	Hold	EUR 0.19	0.25	68	5.1	4.9	8.7	9.1	nm	nm
Glanbia	IE	Buy	EUR 2.50	3.75	736	6.7	6.5	2.7	2.9	5.9	5.3
Greencore	IE	Hold	EUR 0.72	1.26	145	4.0	4.1	11.8	11.8	3.5	3.4
HKScan	FI	Accumulate	EUR 3.86	5.50	152	8.6	4.7	6.2	7.0	5.2	4.6
KTG Agrar	DE	Buy	EUR 12.01	17.00	57	7.3	8.9	0.0	0.0	5.4	5.8
LDC	FR	Hold	EUR 59.45	63.00	485	10.7	10.1	2.5	2.7	2.5	1.9
Lotus Bakeries	BE	Buy	EUR 245.00	300.00	197	9.9	9.6	2.8	3.0	5.4	5.0
Natra	ES	Buy	EUR 4.20	7.56	135	9.5	7.5	2.1	3.3	9.9	8.8
Origin Enterprises	IE	Buy	EUR 1.45	2.80	200	4.1	3.9	0.0	0.0	4.1	3.9
PinguinLutosa	BE	Accumulate	EUR 10.02	*n/a*	107	13.7	12.7	0.0	0.0	7.6	7.3
Sipef	BE	Accumulate	EUR 24.10	25.00	216	11.7	12.6	3.1	3.1	5.9	6.2
Ter Beke	BE	Hold	EUR 38.00	41.00	66	11.0	9.3	5.5	5.5	4.1	3.9
Total Produce	IE	Buy	EUR 0.28	0.50	99	4.3	4.2	6.3	6.7	2.3	2.0
Viscofan	ES	Buy	EUR 13.93	20.00	638	10.7	9.6	4.2	4.7	6.1	5.3
Wessanen	NL	Hold	EUR 2.72	4.00	189	6.2	5.4	7.4	7.4	5.0	4.4
Mkt cap total (EUR) & Weighted averages					7,649	7.9	6.5	3.4	4.4	5.1	4.5
Arithmetical Average						9.2	7.3	3.9	4.9	5.2	4.7
Median						8.4	6.6	3.2	4.5	5.4	4.6

Source: ESN Research estimates

Upcoming Events Calendar

Date	Event Type	Description	Period
30 April 2009 at the latest	Publication	Annual report	FY08
8 May 2009	Business update	Business update	1Q09
28 May 2009	AGM	AGM	
28 August 2009	Publication	Results	1H08

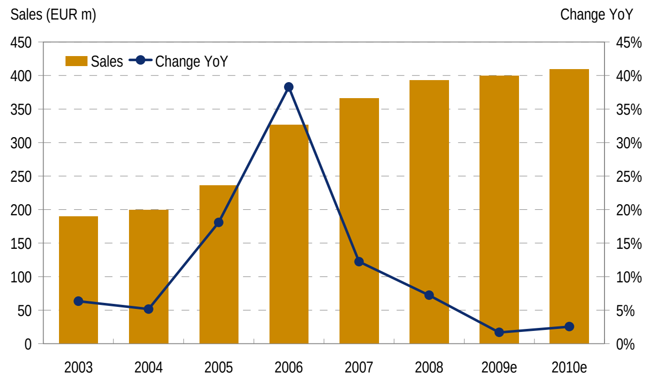
Source: Company data, ESN – Bank Degroof Research

SWOT - Analysis

Strengths	Weaknesses
• Strong brand names and performing logistics (traceability, quality standards) constitute major entry barriers • European market leader in fresh lasagne • Management is committed and financially involved • Very limited currency exchange exposure	• Low liquidity and free float • Limited scale versus European peers in processed meats • Mature market industry • Declining meat consumption • Negative image of food industry due to earlier food crises
Opportunities	**Threats**
• Continued international sales expansion • Product innovation in reaction to evolving consumer preferences • Internal and external growth in the ready meals segment and processed meats	• A major food crisis (hog fever, avian flu, BSE…) • Price pressure and margin squeeze from major retailers • Private label competition • Increasing competition of large food groups • Consumer down trading

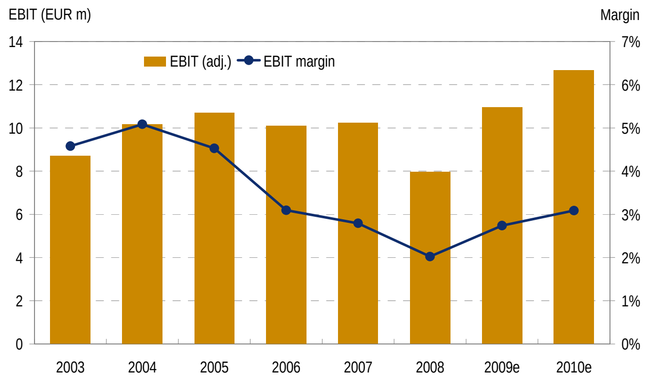
Ter Beke: Key graphs

Sales & growth



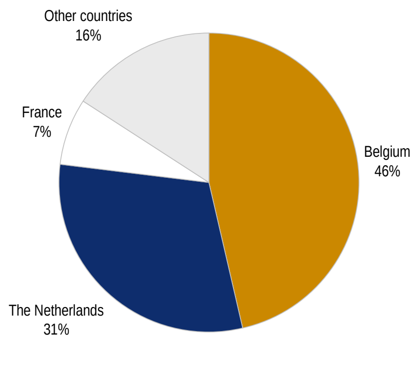
Source: Company data, ESN – Bank Degroof Research

Adjusted EBIT & margin



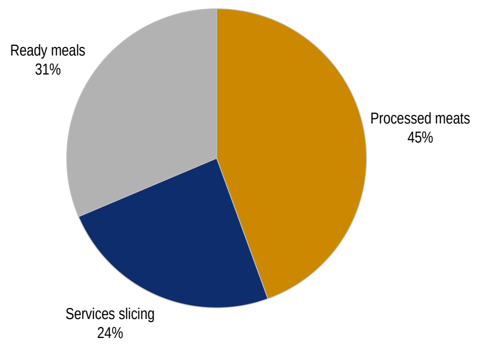
Source: Company data, ESN – Bank Degroof Research

FY08 Sales geographical spread (est.)



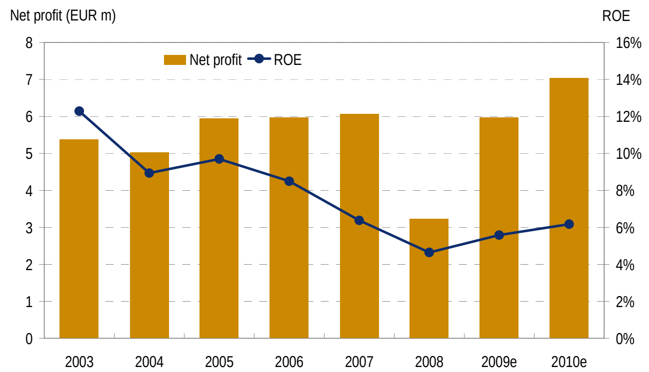
Source: Company data, ESN – Bank Degroof Research

FY08 Sales spread



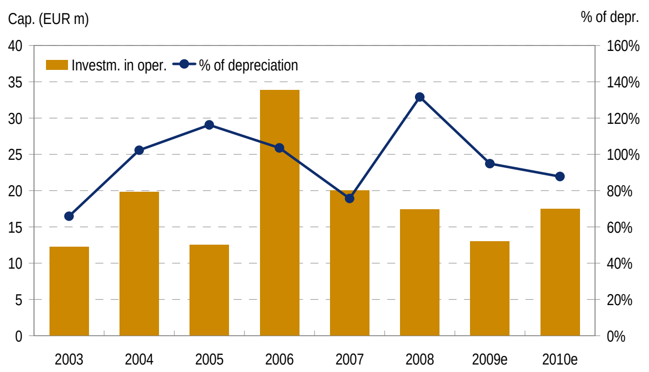
Source: Company data, ESN – Bank Degroof Research

Net results & return on equity



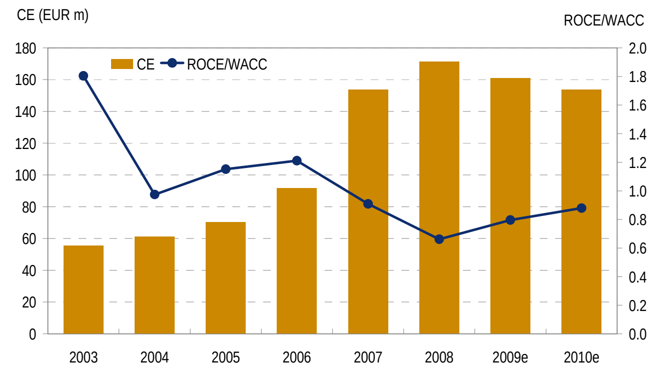
Source: Company data, ESN – Bank Degroof Research

Investments in operations



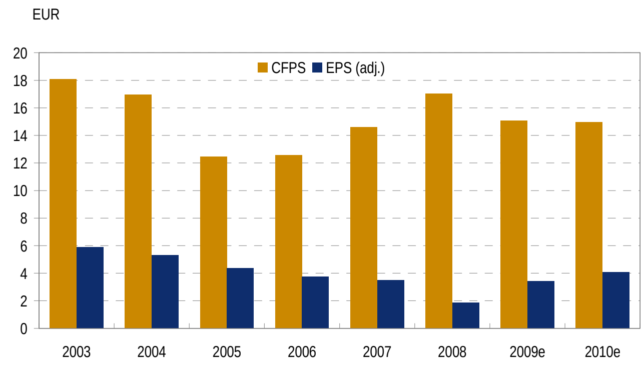
Source: Company data, ESN – Bank Degroof Research

Capital employed & ROCE/WACC



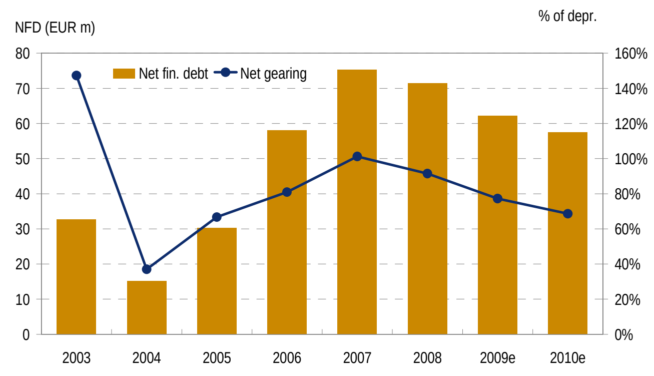
Source: Company data, ESN – Bank Degroof Research

EPS (adjusted) & CFPS



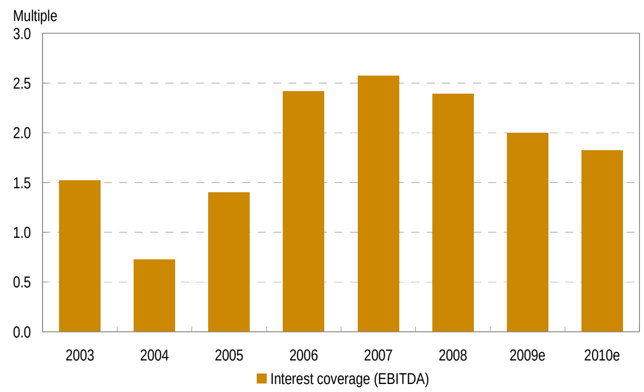
Source: Company data, ESN – Bank Degroof Research

Net financial debt & gearing



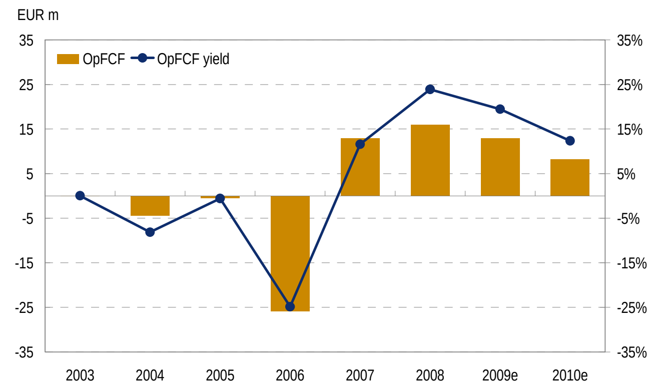
Source: Company data, ESN – Bank Degroof Research

Interest coverage



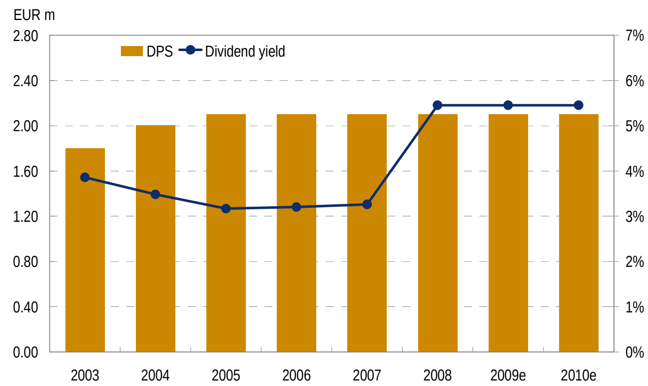
Source: Company data, ESN – Bank Degroof Research

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)	2006	2007	2008	2009e	2010e	2011e
Sales	**327**	**367**	**393**	**400**	**410**	**421**
Cost of Sales & Operating Costs (excl. Pers. Expenses)	-241	-265	-293	-296	-304	-312
Personnel Expenses	-61.6	-72.1	-70.5	-72.6	-74.8	-77.1
Non Recurrent Expenses/Income	-0.5	-1.0	2.0	-0.8	-0.9	-0.9
EBITDA	**24.0**	**29.3**	**29.9**	**31.1**	**31.5**	**32.1**
EBITDA (adj.)*	**24.5**	**30.3**	**27.9**	**31.9**	**32.4**	**33.0**
D & A	-13.9	-19.0	-21.9	-20.1	-18.9	-18.6
EBIT	**10.1**	**10.2**	**8.0**	**11.0**	**12.7**	**13.5**
EBIT (adj.)*	**10.6**	**11.3**	**6.0**	**11.8**	**13.5**	**14.4**
Net Financial Interest	-2.4	-4.0	-4.8	-4.0	-3.5	-3.3
Other Financials	0.0	0.1	0.1	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)	**7.7**	**6.3**	**3.2**	**7.3**	**9.4**	**10.5**
Tax	-1.8	-0.3	4.4	-1.3	-2.3	-2.6
Tax rate	*22.8%*	*4.4%*	*nm*	*18.0%*	*25.0%*	*25.0%*
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)	**6.0**	**6.1**	**7.6**	**6.0**	**7.0**	**7.9**
Net Profit (adj.)	**6.0**	**6.1**	**3.2**	**6.0**	**7.0**	**7.9**

CASH FLOW (EURm)	2006	2007	2008	2009e	2010e	2011e
Cash Flow from Operations before change in NWC	20.0	25.2	29.5	26.1	25.9	26.5
Change in Net Working Capital	-12.0	7.7	3.9	-0.1	-0.2	-0.2
Cash Flow from Operations	**8.0**	**33.0**	**33.4**	**26.0**	**25.7**	**26.3**
Capex	-33.9	-20.1	-17.4	-13.0	-17.5	-17.9
Net Financial Investments	-5.5	-12.0	0.9	0.0	0.0	0.0
Free Cash Flow	**-31.4**	**0.9**	**16.8**	**13.0**	**8.2**	**8.5**
Dividends	-2.9	-3.6	-3.6	-3.6	-3.6	-3.6
Other (incl. Capital Increase & share buy backs)	6.5	-14.5	-9.4	0.0	0.0	0.0
Change in Net Debt	**-27.8**	**-17.3**	**3.8**	**9.3**	**4.6**	**4.8**
NOPLAT	7.9	8.5	4.5	8.8	10.1	10.8

BALANCE SHEET & OTHER ITEMS (EURm)	2006	2007	2008	2009e	2010e	2011e
Net Tangible Assets	103	116	112	105	104	103
Net Intangible Assets (incl.Goodwill)	28.2	40.7	37.8	37.8	37.8	37.8
Net Financial Assets & Other	3.2	4.5	0.2	0.2	0.2	0.2
Total Fixed Assets	**135**	**161**	**150**	**143**	**142**	**141**
Net Working Capital	15.4	6.4	6.8	7.0	7.1	7.3
Shareholders Equity	**71.7**	**74.4**	**78.1**	**80.5**	**83.9**	**88.1**
Minorities Equity	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt	**58.0**	**75.3**	**71.5**	**62.1**	**57.5**	**52.7**
Provisions	20.1	17.8	7.6	7.6	7.6	7.6
Other Net Liabilities or Assets	0.0	0.0	0.0	0.0	0.0	0.0
Net Capital Employed/Invested	**150**	**168**	**157**	**150**	**149**	**148**

GROWTH & MARGINS	2006	2007	2008	2009e	2010e	2011e
Sales growth	*38.3%*	*12.2%*	*7.2%*	*1.7%*	*2.6%*	*2.7%*
EBITDA growth	*10.9%*	*22.1%*	*2.0%*	*4.1%*	*1.5%*	*1.9%*
EBITDA (adj.) growth*	*5.1%*	*23.9%*	*-7.9%*	*14.4%*	*1.5%*	*1.9%*
EBIT growth	*-5.6%*	*1.3%*	*-22.3%*	*37.8%*	*15.6%*	*6.6%*
*EBIT (adj)*growth*	*-14.2%*	*6.4%*	*-46.8%*	*96.9%*	*14.6%*	*6.3%*
Net Profit growth	*0.4%*	*1.6%*	*-46.6%*	*84.1%*	*18.1%*	*11.7%*
EPS adj. growth	*-13.6%*	*-6.6%*	*-46.7%*	*83.9%*	*18.1%*	*11.7%*
DPS adj. growth	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
EBITDA margin	*7.3%*	*8.0%*	*7.6%*	*7.8%*	*7.7%*	*7.6%*
EBITDA (adj) margin*	*7.5%*	*8.3%*	*7.1%*	*8.0%*	*7.9%*	*7.8%*
EBIT margin	*3.1%*	*2.8%*	*2.0%*	*2.7%*	*3.1%*	*3.2%*
EBIT (adj) margin*	*3.2%*	*3.1%*	*1.5%*	*3.0%*	*3.3%*	*3.4%*

Ter Beke: Summary tables

RATIOS	2006	2007	2008	2009e	2010e	2011e
Net Debt/Equity	0.8	1.0	0.9	0.8	0.7	0.6
Net Debt/EBITDA	2.4	2.6	2.4	2.0	1.8	1.6
Interest cover (EBITDA/Fin.interest)	10.1	7.3	6.2	7.9	8.9	9.8
Capex/D&A	244.1%	105.4%	79.6%	64.6%	92.7%	95.8%
Capex/Sales	10.4%	5.5%	4.4%	3.3%	4.3%	4.2%
NWC/Sales	4.7%	1.7%	1.7%	1.7%	1.7%	1.7%
ROE (average)	10.2%	8.3%	4.2%	7.5%	8.6%	9.2%
ROCE (adj.)	5.4%	5.2%	2.9%	5.9%	6.8%	7.3%
WACC	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%
ROCE (adj.)/WACC	0.6	0.5	0.3	0.6	0.7	0.7

PER SHARE DATA (EUR)	2006	2007	2008	2009e	2010e	2011e
EPS (reported)	3.76	3.51	4.39	3.44	4.07	4.54
EPS (adj.)	3.76	3.51	1.87	3.44	4.07	4.54
BVPS	45.16	43.09	45.13	46.44	48.41	50.85
DPS	2.10	2.10	2.10	2.10	2.10	2.10

VALUATION	2006	2007	2008	2009e	2010e	2011e
EV/Sales	0.5	0.5	0.4	0.3	0.3	0.3
EV/EBITDA	7.2	5.8	4.9	4.1	3.9	3.7
EV/EBITDA (adj.)*	**7.1**	**5.6**	**5.3**	**4.0**	**3.8**	**3.6**
EV/EBIT	17.1	16.5	18.5	11.8	9.8	8.8
EV/EBIT (adj.)*	**16.3**	**15.0**	**24.5**	**10.9**	**9.2**	**8.3**
P/E (adj.)	**17.4**	**15.1**	**22.9**	**11.0**	**9.3**	**8.4**
P/BV	1.4	1.2	1.0	0.8	0.8	0.7
Total Yield Ratio	3.2%	4.0%	5.5%	5.5%	5.5%	
EV/CE	1.2	1.0	0.9	0.9	0.8	0.8
OpFCF yield	-23.0%	14.1%	21.4%	19.7%	12.5%	12.9%
OpFCF/EV	-15.0%	7.6%	10.9%	10.1%	6.6%	7.1%
Payout ratio	55.8%	59.8%	47.8%	61.0%	51.7%	46.2%
Dividend yield (gross)	3.2%	4.0%	5.5%	5.5%	5.5%	5.5%

EV AND MKT CAP (EURm)	2006	2007	2008	2009e	2010e	2011e
Price** (EUR)	65.4	53.0	43.0	38.0	38.0	38.0
Outstanding number of shares for main stock	1.7	1.7	1.7	1.7	1.7	1.7
Total Market Cap	**113**	**91.7**	**74.4**	**65.8**	**65.8**	**65.8**
Net Debt	**58.0**	**75.3**	**71.5**	**62.1**	**57.5**	**52.7**
o/w Cash & Marketable Securities	-2.8	-7.3	-5.6	-0.9	3.5	6.4
o/w Short Term Debt	28.4	16.7	18.9	15.4	13.2	11.3
o/w Long Term Debt	32.4	65.9	58.2	47.6	40.8	34.9
Other EV components	**2.2**	**2.0**	**0.8**	**0.8**	**0.8**	**0.8**
Enterprise Value (EV adj.)	**173**	**169**	**147**	**129**	**124**	**119**

Source: Company, Bank Degroof estimates.

Notes

** Where EBITDA (adj.) or EBIT (adj.)= EBITDA (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*

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. It's 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**.

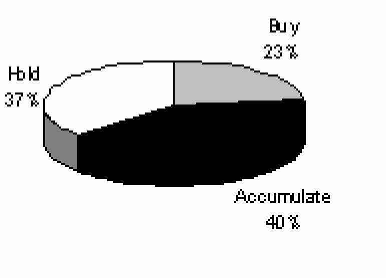
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

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

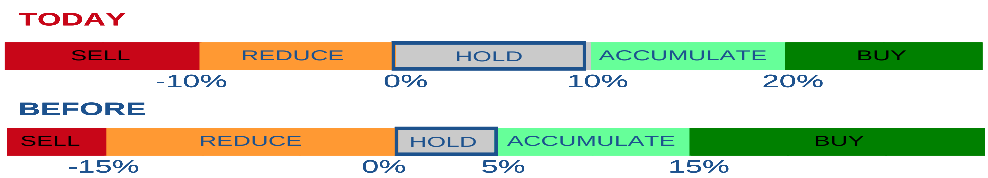


History of ESN Recommendation System

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:



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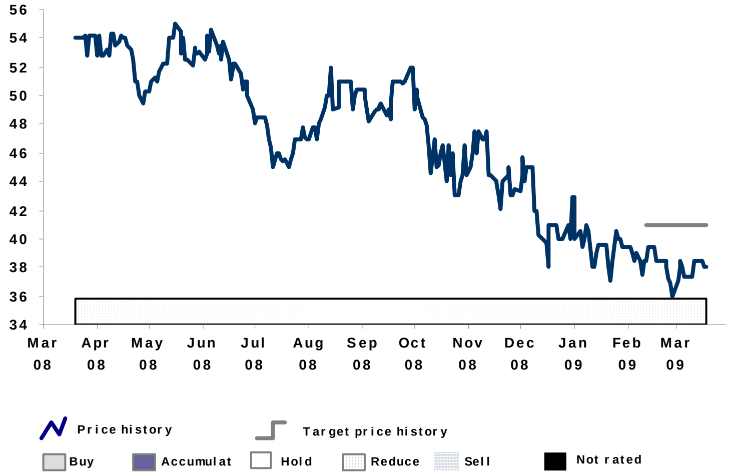
Recommendation history for TER BEKE

Date	Recommendation	Target price	Price at change date
12-Feb-09	Hold	41.00	38.50
08-May-08	Hold	55.00	51.70
08-Mar-07	Hold	68.60	67.99
17-Mar-06	Accumulate	74.76	65.40
12-Sep-05	Hold	66.00	69.05
21-Jan-05	Accumulate	67.90	58.85
05-May-04	Accumulate	60.51	56.00
08-Sep-03	Accumulate	61.00	50.00

Source: ESN – Bank Degroof Research, 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 28/01/20054)



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