

Investment Research

Accumulate

Recommendation unchanged

Share price: EUR 60.00

closing price as of 07/06/2011

Target price: EUR 71.00

Target Price unchanged

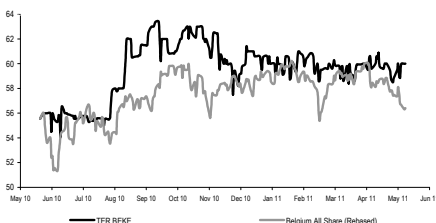
Reuters/Bloomberg

TERB.BR/TERB.BB

Daily avg. no. trad. sh. 12 mth	391
Daily avg. trad. vol. 12 mth (m)	0.02
Price high 12 mth (EUR)	63.40
Price low 12 mth (EUR)	54.06
Abs. perf. 1 mth	0.6%
Abs. perf. 3 mth	-1.4%
Abs. perf. 12 mth	4.6%

Market capitalisation (EURm)	104
Current N° of shares (m)	2
Free float	28%

Key financials (EUR)	12/10	12/11e	12/12e
Sales (m)	402	414	427
EBITDA (m)	38	37	39
EBITDA margin	9.3%	9.0%	9.2%
EBIT (m)	18	17	19
EBIT margin	4.4%	4.1%	4.4%
Net Profit (adj.)(m)	11	10	12
ROCE	7.9%	7.7%	8.4%
Net debt/(cash) (m)	57	51	48
Net Debt Equity	0.6	0.5	0.5
Net Debt/EBITDA	1.5	1.4	1.2
Int. cover(EBITDA/Fin.int)	13.1	15.2	17.7
EV/Sales	0.4	0.4	0.4
EV/EBITDA	4.3	4.2	3.9
EV/EBITDA (adj.)	4.4	4.2	3.9
EV/EBIT	9.1	9.3	8.1
P/E (adj.)	9.7	10.3	8.9
P/BV	1.2	1.1	1.0
OpFCF yield	11.3%	10.0%	7.8%
Dividend yield	4.2%	4.2%	4.4%
EPS (adj.)	6.15	5.81	6.73
BVPS	51.43	54.75	58.86
DPS	2.50	2.50	2.62



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

For company description please see summary table footnote

Reasonable Growth At A Very Reasonable Price

After Ter Beke's excellent FY10, slightly ahead of expectations, thanks to good performance at both the processed meats BU and at the ready meals BU, the company released a qualitative 1Q11 interim statement that was more prudent due to increasing raw materials prices.

The stock is traded at attractive valuation multiples: 10.3x EPS FY11e and EV/EBITDA FY11e of only 4.2x. At our EUR 71 TP, the stock would be traded at 12.2x FY11 earnings and EV/EBITDA of 4.7x.

✓ Growing in a mature market

FY10 total turnover growth of 2.5% was supported by considerable volume increase in both divisions. Ready meals sales were up 4.7%, thanks to continued investments in the Come a casa brand. 1.5% sales growth in processed meats was both due to continued growth of service slicing activities in the Netherlands and growth of traditional processed meats activities in its home markets. Over recent years Ter Beke was able to show continued, though moderate, growth and it was able to gain market share in a mature market. **CAGR over 5-years for EPS, DPS, CFPS and BVPS was 7.2%, 3.5%, 7.1% and 9.2%**, respectively. Over a 10 years period, EPS, CFPS and BVPS CAGR figures are 6.9%, 2.5% and 10.3%, respectively.

✓ Up-trend in margins continued

FY10 EBITDA was up 6.7% to EUR 37.5m (margin of 9.3%), and EBIT came out at EUR 19.0m (margin of 4.4%). The increase of the operating result of no less than 18% was mainly due to a combination of better volumes, efficiency improvements and cost control. Since the dip in profitability in 2008, the company was able to regain a "normalised" EBIT margin between 4 and 5%, which we see as sustainable over the long term. Over FY11 however we temporarily expect some pressure due to rising soft commodity prices.

✓ What to expect for FY11...? Consolidation...

Ter Beke describes the present market environment as "difficult" and added that it is witnessing a strong increase of raw materials prices. The transfer of all slicing activities in the Netherlands to one new site at the end of 2010 and the gradual move of all Dutch logistic activities to this site in 2011 will give rise to an increased efficiency. However, we fear that if the group would not succeed in timely charging on raw materials price increases in sales prices, this will affect the FY11e result.

✓ ... and beyond ? Growth !

Ter Beke agreed with the French Stefano Tosselli for the creation of a JV, which will commercialise lasagne and pasta meals throughout CEE. The business plan also regards the construction of a production site in Central Europe. We expect this new venture as a major vector of growth for the coming years.

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Investment Case

Outstanding FY10 result

Total turnover growth of 2.5% to EUR 402.2m was supported by a “**considerable**” **volume increase in both divisions**. Ready meals sales were up 4.7% thanks to continued investments in the Come a casa brand. 1.5% sales growth in processed meats was chiefly due to further growth of service slicing. Growth in both divisions was slowed down by the evolution of raw materials prices and overall price pressure in the market.

EBITDA was up 6.7% to EUR 37.5m, and EBIT came out at EUR 17.8m. The increase of the **operating result (EBIT), up no less than 18%**, was mainly due to better volumes, efficiency improvements and cost control. Notwithstanding a capex of EUR 24m, vs. our estimate of EUR 20m, **net fin. debt came out at EUR 57.2m (-13%)**, ahead of our estimate of EUR 61.1m.

We somewhat overestimated the impact of the GBP/EUR evolution and costs related to hedging contracts which resulted in lower than expected financial costs. Thanks to lower taxes the **FY10 net result came out at EUR 10.5m (+27%)**, slightly ahead of our estimate of EUR 9.9m.

The AGM has approved to pay on 15-Jun-11 of a gross dividend of EUR 2.50/share (up from EUR 2.35 in FY09 and as expected), which results in a fetching **gross dividend yield of 4.1%**.

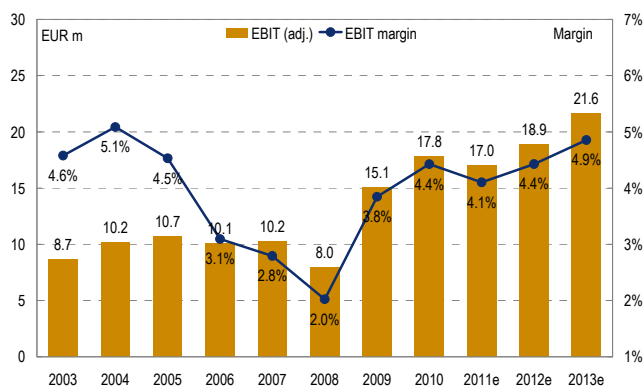
Structural increase of profitability

Sensitivity to raw materials price volatility has decreased

As of FY08, Ter Beke management decided to abandon low margin volume contracts and since the company has considerably increased its profitability.

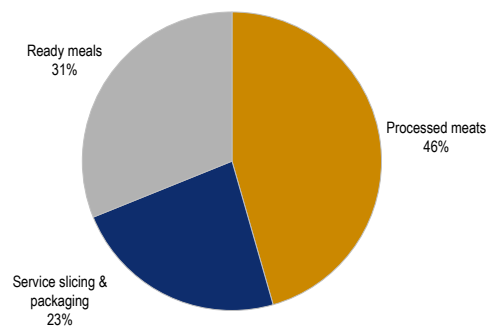
Moreover, Ter Beke’s net result has become less sensitive to changes in raw materials prices (predominantly pork) thanks to the diversification towards chilled ready meals (still limited sensibility to pork prices, though also sensible to wheat, cheese and tomato prices) and service slicing and packaging of processed meats (see charts below).

EBIT growth and EBIT margin evolution



Source: Company data – ESN – Bank Degroof Research

Sales spread FY10

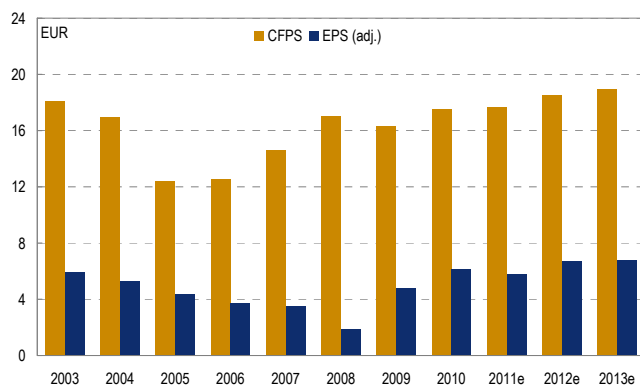


Source: Company data – ESN – Bank Degroof Research

Growth

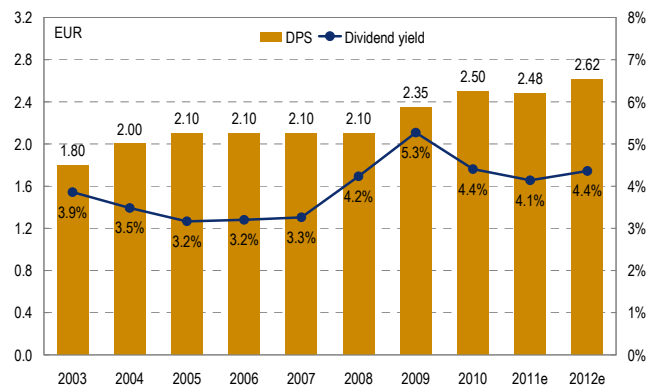
Ter Beke's EPS in FY05 was diluted due to the conversion of a maturing convertible bond that has been issued in 1999 in the aftermath of a dioxins crisis in Belgium. In 2006, dilution was created after the landmark deal with Pluma. Notwithstanding this dilution, Ter Beke managed to let increase its CFPS and BVPS figures considerably. CAGR over 5-years for EPS, DPS, CFPS and BVPS was 7.2%, 3.5%, 7.1% and 9.2%, respectively. Over a 10 years period, so including the dilution following the convertible bond conversion and the Pluma deal, EPS, CFPS and BVPS CAGR figures are 6.9%, 2.5% and 10.3%, respectively.

EPS and CFPS growth



Source: Company data – ESN – Bank Degroof Research

DPS



Source: Company data – ESN – Bank Degroof Research

Ter Beke is investing EUR 5m in a JV with Stefano Tosseli for expansion in Central-Europe (see page 14). Ter Beke has a call option on the part of the JV it does not own and on Stefano Tosseli.

Although it is very preliminary, we tried to model the possible impact of the execution of this call option:

At present Ter Beke's ready meals divisions accounts for EUR 125m in sales (FY10 figure). A rough estimate of the possible output of the JV and the Stefano Tosseli operations in France could add c. EUR 180m to this figure (x 2.5). After exercise of the call option, on the EBIT level the ready meals division could even account for EUR 21m vs. EUR 10.4m in FY10. Of course, this is NOT yet included in our present scenario, but it is clear that the execution of the call option could boost the ready meals BU's size dramatically.

EUR 71 TP is based on cautious estimates

Investors should judge Ter Beke first and foremost as a relatively resilient stock in a defensive sector with relatively stable sales of both of its divisions.

We derive our EUR 71 TP from our DCF model, which is based on reasonable, but not overly bullish growth and profitability assumptions.

We cross-checked the outcome on the basis of FY10 and FY11e multiples of a peer group of European small & mid cap food companies that are active in the same niche, and derived a fair value of EUR 71/share, which confirms our DCF based TP. Given the 19% upside potential, we are reiterating our Accumulate recommendation.

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 (2011-2019), we have used free cash flow projections as detailed below. For the last period, as of 2020, a residual value was calculated and subsequently discounted. Free cash flows are discounted at an average weighted cost of capital of 7.50%. The discount factor is based upon a cost of equity of 9.76% and a long-term target gearing of 35%.

For the last period, the residual value is based on NOPLAT/WACC formula, meaning that the return of the incremental invested capital equals the cost of capital. Hence, growth adds nothing to value.

After deducting net financial debts, pension provisions and minorities, we obtain an equity value of EUR 124m or EUR 71/share.

CASH FLOW (EUR m)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Sales	402.2	414.2	426.7	438.9	453.0	467.6	482.7	497.5	506.7	511.8
% change	2.5%	3.0%	3.0%	2.9%	3.2%	3.2%	3.2%	3.1%	1.9%	1.0%
EBITDA	37.5	37.3	39.3	39.7	40.7	41.8	43.1	44.3	44.1	43.5
% margin	9.3%	9.0%	9.2%	9.0%	9.0%	8.9%	8.9%	8.9%	8.7%	8.5%
% change	6.7%	-0.5%	5.3%	1.0%	2.6%	2.6%	3.2%	2.7%	-0.4%	-1.3%
Depreciation & other provisions	19.7	20.5	20.4	21.0	22.1	22.3	22.5	22.8	23.1	22.8
% sales	4.9%	5.0%	4.8%	4.8%	4.9%	4.8%	4.7%	4.6%	4.6%	4.4%
EBITA	17.8	16.8	18.9	18.7	18.6	19.5	20.6	21.5	21.0	20.7
% margin	4.4%	4.1%	4.4%	4.3%	4.1%	4.2%	4.3%	4.3%	4.1%	4.1%
% change	18.0%	-5.7%	12.4%	-1.1%	-0.5%	4.9%	5.7%	4.4%	-2.3%	-1.2%
Taxes	-4.7	-4.6	-5.3	-5.1	-5.2	-5.4	-5.8	-6.0	-6.0	-5.8
Actual tax rate	26.4%	27.5%	28.0%	27.5%	28.0%	28.0%	28.0%	28.0%	28.5%	28.0%
NOPLAT	13.1	12.2	13.6	13.5	13.4	14.0	14.8	15.5	15.0	14.9
Depreciation & other provisions	19.7	20.5	20.4	21.0	22.1	22.3	22.5	22.8	23.1	22.8
% sales	4.9%	5.0%	4.8%	4.8%	4.9%	4.8%	4.7%	4.6%	4.6%	4.4%
Gross Operating Cash Flow	32.8	32.7	34.0	34.5	35.5	36.3	37.3	38.2	38.1	37.7
Capex	-24.0	-20.0	-23.7	-27.3	-23.0	-23.5	-23.9	-24.4	-24.9	-22.8
% sales	6.0%	4.8%	5.6%	6.2%	5.1%	5.0%	5.0%	4.9%	4.9%	4.4%
Change in NWC (-=incr.;+=decr.)	5.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.2	-0.1
Cash Flow to be discounted	14.1	12.5	10.1	7.0	12.3	12.6	13.1	13.6	13.0	14.9
DCF EVALUATION (EUR m)										
WACC		7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Discount Rate factor		0.96	0.89	0.83	0.77	0.72	0.67	0.62	0.58	0.54
Discounted Cash Flow		12.0	9.0	5.9	9.5	9.1	8.8	8.4	7.5	8.0
Cumulated DCF		12.0	21.0	26.8	36.3	45.3	54.1	62.6	70.1	78.1

Source : ESN – Bank Degroof Research

Multiple comparison

Our terminal value factor assumes an EBITDA margin of 8.6% and depreciation/sales & capex/sales of 4.4%. Other key parameters in our scenario are:

- A sales CAGR of 2.3% for the period 2010-2019, 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 8.5% as of 2019. This is slightly below of the average EBITDA margin that has been obtained historically of 8.9% (our scenario goes back from FY97 till FY10). We rather apply the average historical EBITDA margin over 2005-2010 (since the acquisition of Langeveld Slegers and hence the integration of slicing and packaging activities into Ter Beke's product mix). Over that period the average EBITDA margin amounted to 8.4%.
- An average capex to sales ratio of 5.1% from 2010 until 2019 and a normalised level of 4.4% (was 5.1% on average since the Langeveld Slegers acquisition).
- For the time being we have included the Stefano Toselli JV into the "Financial assets" line.
- A normative tax rate of 29%.

WACC & DCF analysis

Cost of Equity (Ke or COE)	9.76%	Cumulated DCF	78.1	- 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	14.9	+ Associates	0.1
Debt tax rate	29%	Terminal Value @ Dec.2019	199.0	- Pension underfunding & prov.	(9.9)
Cost of Debt net (Kd)	3.32%	Disc. Rate of Terminal Val.	0.54	- Off-balance sheet commit.	0.0
		Discounted Terminal Val.	107.0	Equity Market Value (EUR m)	123.8
Target gearing (D/E) or % Kd	35.0%			Number of shares (m)	1.7
% Ke	65.0%	Financial assets	5.6	Fair Value per share (EUR)	71.43
Normative Tax Rate	29.0%	Enterprise Value (EUR m)	190.7	Price (EUR)	60.00
WACC	7.50%	DCF reliability rate	42%	Potential upside (downside)	19.0%

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 different normalised EBITDA margin levels ranging from 7.9% to 9.1% and a WACC ranging from 6.90% to 8.10%. The sensitivity analysis is displayed in the table below and shows a result in a fair value range of EUR 54 and EUR 92/share.

	Normalised EBITDA Margin						
WACC	7.9%	8.1%	8.3%	8.5%	8.7%	8.9%	9.1%
8.1%	54.4	57.3	60.2	63.1	66.0	68.9	71.8
7.9%	56.7	59.7	62.7	65.7	68.8	71.8	74.8
7.7%	59.1	62.2	65.4	68.5	71.7	74.8	77.9
7.5%	61.6	64.9	68.1	71.4	74.7	78.0	81.3
7.3%	64.3	67.7	71.1	74.5	77.9	81.3	84.7
7.1%	67.1	70.6	74.2	77.8	81.3	84.9	88.4
6.9%	70.1	73.8	77.5	81.2	84.9	88.6	92.4

Source: ESN / Bank Degroof Research

Multiples valuation

We have retained 7 peers that are the best comparables based on their business mix and geographical scope: 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.

Peer group multiples

Company name	Market cap (EUR m)	P/E 2010	P/E 2011e	Ev/EBITDA 2010	Ev/EBITDA 2011e	Ev/EBIT 2010	Ev/EBIT 2011e
Fleury-Michon S.A.	163	9.5 x	9.3 x	3.8 x	3.9 x	8.0 x	8.8 x
Greencore Group PLC	243	7.0 x	7.6 x	5.9 x	5.7 x	8.1 x	7.8 x
Northern Foods PLC	410	12.5 x	10.9 x	5.7 x	6.0 x	9.5 x	9.8 x
L.D.C. S.A.	593	13.1 x	11.0 x	3.6 x	3.2 x	7.7 x	6.3 x
HKScan Oyj	357	13.5 x	14.4 x	7.6 x	6.4 x	17.4 x	15.2 x
Atria Oyj	224	33.1 x	29.5 x	9.1 x	8.4 x	31.5 x	25.6 x
Campofrio Food Group S.A.	943	23.6 x	16.8 x	6.8 x	7.2 x	10.4 x	10.6 x
Bell AG	663	12.7 x	10.3 x	4.2 x	5.0 x	7.5 x	8.3 x
Ter Beke (Factset estim.)	104	9.9 x	9.6 x	4.3 x	4.4 x	9.0 x	9.2 x
Ter Beke (ESN-Bank Degroof est.)	104	9.7 x	10.3 x	4.4 x	4.2 x	9.1 x	9.3 x
Average	380	15.6 x	13.7 x	5.8 x	5.7 x	12.5 x	11.5 x
Median	357	12.9 x	11.0 x	5.8 x	5.8 x	8.8 x	9.3 x
Ter Beke vs peer group median		-28.6%	-8.7%	-27.8%	-29.8%	-0.2%	-2.4%
Ter Beke vs peer group average		-41.1%	-27.1%	-28.0%	-28.5%	-29.7%	-21.2%

Source: Factset, ESN – Bank Degroof Research

Trading in line with FY11e multiples of peers
(median EV/EBIT) or at lower multiples
(FY11e EV/EBITDA and P/E)

If we apply the median EV/EBITDA, EV/EBIT and PE multiples for FY10 and FY11e of this peer group, we arrive at an implied average equity value of EUR 71.30/share, which is in line with our fair value per share based on a DCF valuation exercise and 19% above Ter Beke's current share price.

Valuation based on multiples

Ter Beke	FY10	FY11	FY10	FY11	FY10	FY11
EBITDA (EUR m)	37.5	37.3				
Median EV/EBITDA multiple peer group	5.8	5.8				
EBIT (EUR m)			17.8	16.8		
Median EV/EBIT multiple peer group			8.8	9.3		
Net result (EUR m)					10.7	10.1
Median P/E multiple peer group					12.9	11.0
Implied Enterprise Value (EUR m)	218.2	217.8	157.0	156.5		
Net debt (EUR m)	57.2	51.1	57.2	51.1		
Periph. ass. - off bal. - minor. - pens.	9.9	9.9	9.9	9.9		
Implied equity (EUR m)	151.1	156.8	89.9	95.5	137.4	110.3
Implied equity/share (EUR) – Average : EUR 71.30	87.22	90.48	51.88	55.10	79.28	63.68

Source: Company data, ESN – Bank Degroof Research, Factset

Triggers & Swot Analysis

Triggers & Drivers

Ambitious growth strategy in fresh ready meals

After a considerable improvement of the profitability by ceasing low margin contracts, time has come for a second important move: international expansion towards Eastern and Central Europe for the fresh ready meals business.

For processed meats Ter Beke aims to expand its business within its traditional geographical scope: Belgium, the Netherlands, Germany and the UK. It is doing so by growing its service slicing activities and further increasing product quality.

Ready for a re-rating.

Historically Ter Beke has been trading at a P/E multiple of 12.4x and an EV/EBITDA multiple of 4.6x. At our EUR 71 TP, the stock would be traded at 12.2x FY11e earnings and FY11e EV/EBITDA of 4.7x.

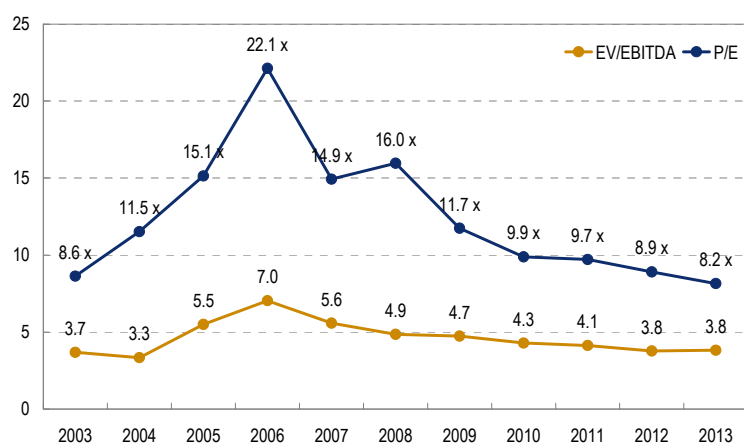
At present the average FY11e P/E and EV/EBITDA multiples for the European small & mid caps in the food & beverages industry are 11.0x and 5.8x, respectively.

We think that present multiples are too low

- versus peer group multiples and compared to Ter Beke's historical multiples (see chart below), and given:
- the groups ambitious growth plans in ready meals (for which EV/EBITDA transaction multiples typically are around 7x, vs. 5x for deals in processed meats), and
- the structural improvement of profitability.

Therefore the stock deserves a re-rating.

Ter Beke multiples



Source: Factset, ESN – Bank Degroof Research
 Note: Historical multiples based on year-end price level.

SWOT Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ Low liquidity and free float ▪ Limited scale versus European peers in processed meats ▪ Mature market industry ▪ Declining meat consumption ▪ Still sensitive to pork price evolution, though to a limited extent because of increasing importance of service slicing in total processed meats revenue ▪ Some GBP exposure
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ▪ Continued international sales expansion towards the UK, Germany and Central & Eastern Europe ▪ Product innovation in reaction to evolving consumer preferences (Weight-watchers label, Equilibre product line) ▪ Internal and external growth in the chilled ready meals segment (cfr. Stefano Tosseli JV) ▪ In response of the needs of major food retail chains: offering advanced services for slicing & packaging of processed meats, logistics and supply chain management services 	<ul style="list-style-type: none"> ▪ A major food crisis (hog fever, avian flu, BSE...) ▪ Price pressure and margin squeeze from major retailers (increasing price competition at Belgian food retailers, cfr. Delhaize) ▪ Private label competition ▪ Increasing competition of large food groups ▪ Rising raw materials prices

Upcoming Events Calendar

Date	Event	Comment
10-Jun-11	FY10 ex-dividend date	Cp. 23
15-Jun-11	FY10 dividend pay date	EUR 2.50 gross
26-Aug-11	1H11 results	@ 07:30 am CET
04-Nov-11	3Q11 interim statement	@ 07:30 am CET
31-Mar-12	FY11 results	At the latest

Source: Company data, ESN – Bank Degroof Research

Company Profile & Market Environment

Over the years, Ter Beke has evolved from a traditional processed meats company to a specialised fresh food group with strong focus on services and ambition to expand towards Eastern Europe.

Company overview

History

Ter Beke is a family-owned company which **started its activities in 1948 as a processed meats producer**. In 60 years, Ter Beke has grown from a small production unit for meat products into a leading international fresh food group.

Problems in the Belgian meat market, the zero growth in meat consumption in Western Europe and the growing importance of convenience food were the main drivers to review the strategic plans of Ter Beke at the time and **in the mid 90-ties it was decided to diversify into chilled ready meals and pasta dishes**. From that angle, a number of small ready meals producers have been acquired. Although the meat consumption started to stagnate in the nineties this sub-sector of the pre-sliced and pre-packaged sliced cold meat is still growing. To reinforce the processed meat division Ter Beke made in that period its first acquisition of a company specialised in **slicing of processed meats**.

From 2000 onwards Ter Beke **focused mainly on the geographical expansion** of its fresh ready meal division and for the processed meats division, both thanks to internal growth and to various acquisitions. The take-over of the Alby-sur-Chéran based (FR) producer of chilled pasta meals DiPasto made the group **market leader in chilled lasagne in Europe**. Later on Ter Beke proceeded its expansion in the Netherlands with the acquisition of Langeveld-Slegers in 2005 and Berkhout Verssnijljin in 2007, and thus the company has become the **2nd largest processed meats slicer and prepacker in Europe**. In 2006, the merger with Pluma created **Belgium's largest processed meats group**.

At end 2010, Ter Beke announced that its intends to set up a JV with Stefano Toselli for the construction of an automated production plant in Central Europe and the **commercialisation of chilled lasagne and pasta meals in CEE** (see page 14).

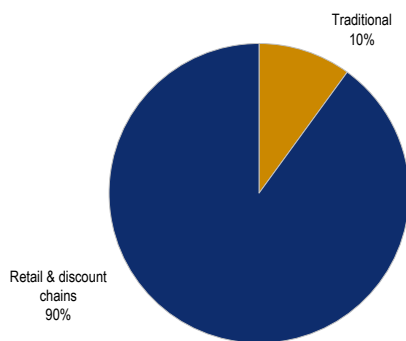
Search for sales growth

Becoming less dependent from raw materials

Volume growth has depressed margins

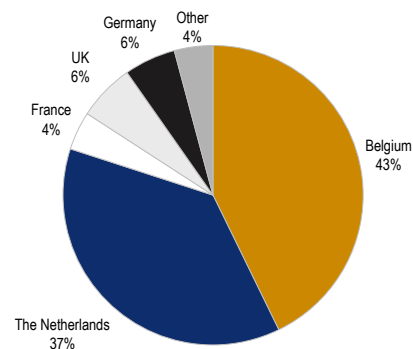
Growth ambitions in CEE

FY10 sales, split by distribution channel (estimate)



Source: Company data, ESN – Bank Degroof Research

FY10 sales geographical split



Source: Company data, ESN – Bank Degroof Research

Company description

Ter Beke is an innovating Belgian fresh food group that commercialises its assortment in 10 European countries. The group has 2 core activities: processed meats and fresh ready meals. It has 9 plants in Belgium, the Netherlands and France and employs approximately 1,850 persons. In FY10 Ter Beke realised a turnover of EUR 402m and a net result of EUR 10.5xm. Ter Beke is listed on NYSE Euronext Brussels.

Processed Meats Division: Ter Beke-Pluma



- Ter Beke's processed meats division is active as a **producer and slicer of processed meats** for the Benelux area, the UK and Germany.
- This division operates **3 production sites** in Belgium (Wommelgem, Waarschoot and Marche-en-Famenne) and **4 centres for slicing and packaging of processed meats**, of which 2 in Belgium (Wommelgem and Veurne) and 2 in the Netherlands (Wijchen and Ridderkerk), all together employing approx. 1,100 employees.
- The main strength and growth driver of this division is that it is particularly **innovating in the pre-packed processed meats segment**.
- Products are marketed by the use of both **distribution brands and by its own brand names** L'Ardennaise[®], Pluma[®] and Daniël Coopman[®].
- Volume sold in FY10: **250-300m consumer units**, of which a very important volume service slicing and the remainder in order of importance: pâté, salami, cooked ham, poultry products, cooked meat (other than ham) and other products.

Ready Meals Division: FreshMeals



- This division produces **fresh pasta-based ready meals** for the European market.
- It is **market leader in chilled lasagne** in Europe.
- The division operates **3 production sites**, of which 2 in Belgium (Wanze and Marche-en-Famenne) and 1 in France (Alby-sur-Chéran), together employing approx. 750 employees.
- Products are marketed by the **brand names Come a casa[®] and Vamos[®]**, in addition to distribution brands.
- Volume sold in FY10: **c. 100m consumer units**, of which the bulk is lasagne.

Main strategic lines



Ter Beke wishes to be a **leading European supplier** for a number of selected retailers and specialist wholesalers.

In its priority product groups, **fresh ready meals and processed meats, it aims to gain or maintain leadership** position in selected markets. A key element to obtain this goal is the achievement of a high standard of service in consultation with its customers. Furthermore, the company wishes to grow through **product development and packaging innovation**, via partnerships with key accounts, strategic cooperation and alliances.

In its international markets Ter Beke has opted mainly for a retail-oriented approach, which accounts for c. 90% of volume, while only 10% is sold to the "traditional" channel (butchers). In its domestic markets Ter Beke is opting for a **differentiated, multi-channel approach based on consumer brands** such as:

- Come a casa[®] for Fresh Mediterranean ready meals in Belgium, l'Ardennaise[®] for processed meats in Belgium, and
- Vamos[®] (fresh ready meals) and Daniël Coopman[®] (processed meats) as main distribution brands for professionals and butchers.

Company description

Segment	Description of the business	Main (distribution) brands	Market structure	Market position	Main competitors	Customers
Ter Beke-Pluma 69% of FY11e sales	Producer of fine processed meats for the Benelux, the UK (mainly pâté), Germany and Denmark	Predominantly private label, L'Ardennaise, Daniël Coopman (meat products for butchers) Pluma (cooked ham, pâté, cured processed meats)	2 large players, mainly private label	N° 1 in Belgium for processed meats	Campofrio Food Group, Detry, Stegeman, Compaxo, Zwanenberg Food Group	Retailers, wholesalers
	Slicing and packaging services		Private label	Clear market leader in slicing & packaging in Belgium and the Netherlands Holds the N° 2 position in Europe	Stegeman, Slissen Menken, Slippens Vleeswaren	Retailers, wholesalers
4 production plants in Belgium and 4 centers for slicing & packaging of processed meats, 2 of which in Belgium and 2 in the Netherlands						
	Description of the business	Main (distribution) brands	Market structure	Market position	Main competitors	Customers
FreshMeals 31% of FY11e sales	Producer of fresh ready meals for the European market	Come a casa (in Belgium) + private label	Dispersed market structure	Market leader in fresh lasagna in Europe	Rana, Fleury Michon, Stefano Toselli, Allis (= former-NPC),	Retailers
	Mainly Mediterranean, pasta based dishes, but also pizza and moussaka 3 production plants, 2 of which in Belgium and 1 in France	Pronto (for pizza), Vamos (brand for the wholesale market) + other distribution brands				
	Pending creation of JV with Stefano Toselli + call option to obtain the other 50% of the JV in 2018	Stefano Toselli ? + retail brands	Quasi non-existing	Green field to be started up, targets Central & Eastern Europe	Quasi non-existing	Retailers
	Call option on Stefano Toselli to be executed in 2018 Mainly lasagne, also canelloni	Stefano Toselli + other distribution brands	Dispersed market structure	Across Europe, mainly in France, Germany & Portugal	Ter Beke, Giovanni Rana, Fleury Michon, Allis	Retailers

Source: Company data, ESN – Bank Degroof Research

Stefano Toselli JV

Ter Beke and Stefano Toselli have signed an agreement for the creation of a JV to commercialise chilled lasagne and pasta meals in CEE. The announced project could grow out to a major new growth engine of Ter Beke's ready meals BU. The venture, between the latter and YHS Holdings (YHS), the holding company in control of Stefano Toselli, comprises the construction of an **automated production plant in Central Europe** exclusively dedicated to the CEE markets.

Ter Beke obtained a **call option both on YHS's share in the JV and on the Stefano Toselli shares**. The valuation formulas of the call options, which are scheduled to be exercised in 2018, are based on cash flow and generally applied market multiples (for European chilled ready meal businesses, we tend to apply at present an EV/EBITDA multiple of 4.0x-4.5x).

The forthcoming creation of the JV means an **accelerated implementation of FreshMeal's geographical strategy** for two of its core products: chilled lasagne and pasta meals. For a decade Ter Beke's management has been following the evolution in these emerging markets and it now believes the time is right to move on. The study and clearance of all preceding conditions (a.o. regulatory approval from several competition authorities) has been finalised in 2Q11.

Stefano Toselli for long is an important player in the Western European chilled lasagne markets. Previously the company was a subsidiary from The Schwan Food Company, spun out by an MBO in December 2009. This transaction will allow an accelerated development of the company.

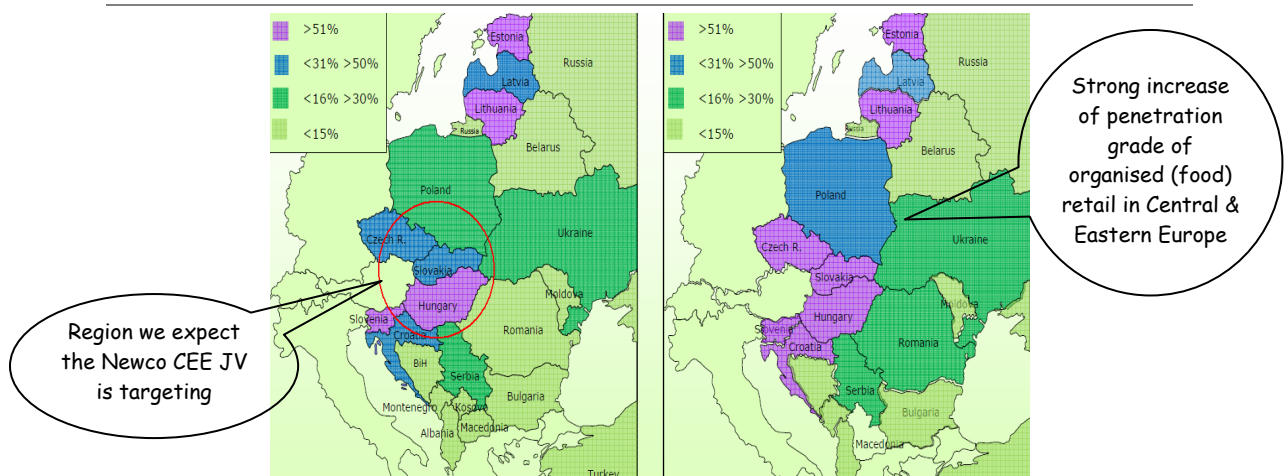
Stefano Toselli is based in Mezidon-Canon (Normandy-France) and was purchased by MBO from Schwan Food in Dec-09 by its 3 directors: Andrew Young (CFO-US), Douglas Hamer (President and Operations director - US) and Gilbert Schmit (Commercial director – Luxembourg). The company is mainly servicing retail clients across Europe, with a **focus on France, Germany and Portugal**.

At end FY10 the company had 226 employees and made a **net turnover of EUR 77m**. If we suppose that Stefano Toselli has the same profitability as Ter Beke's ready meals BU FreshMeals, which is a major competitor, the company should have made an **EBITDA of around EUR 11m**. The company is **one of the market leaders in chilled lasagna**, with 2 highly automated chilled and frozen lasagna/pasta production lines, developed to produce high volume production runs. Stefano Toselli has considerable experience in low cost/high efficiency. The company markets its products **under retailer brands (Carrefour, Intermarché and Système U) and under its own Stefano Toselli brand**, which is sold across Europe. Stefano Toselli is currently exporting to 25 countries in Europe. The company's customer portfolio is complementary to Ter Beke's.

Why expand into CEE markets ?

Organised food retail in CEE: Situation in 2006

Situation in 2009



Source: Company data, IGD Research, ESN – Bank Degroof Research

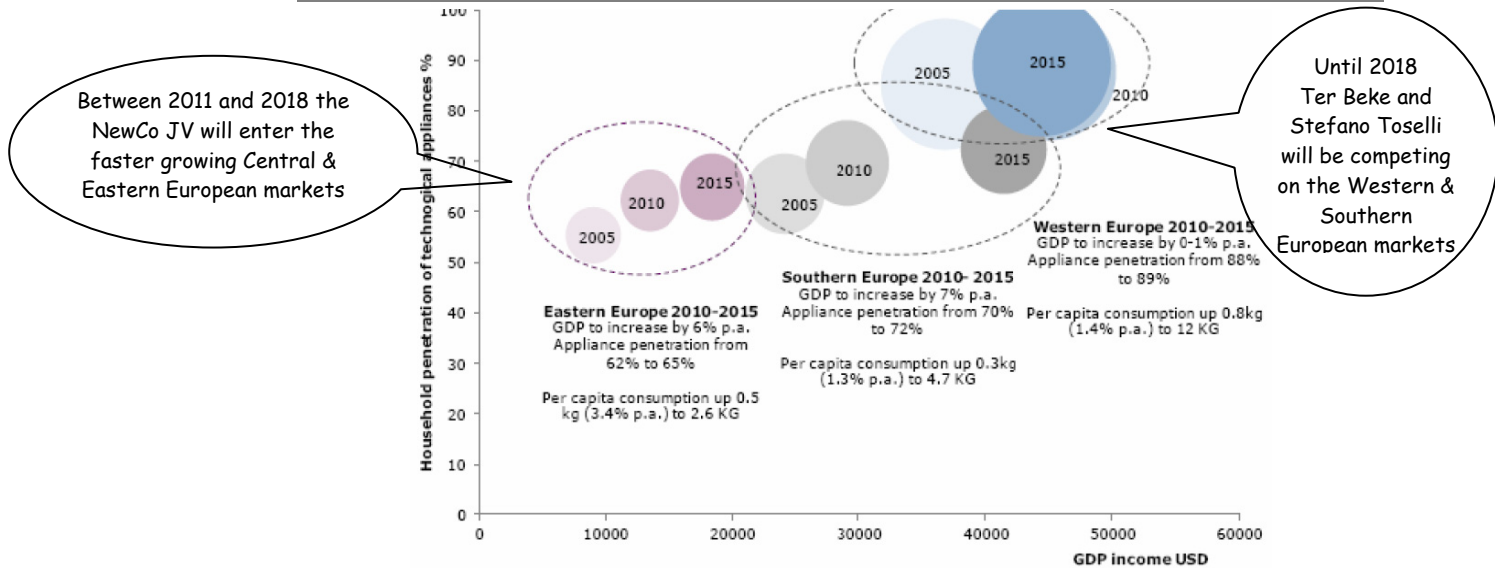
According to IGD Research, 4 years ago only 4 countries (Estonia, Lithuania, Hungary and Slovenia) had a penetration of >51% and only 3 countries (Latvia, the Czech Republic, Slovakia and Croatia) between 31% and 50%. At present, 7 countries have an organised (food) retail penetration grade of >51% and 2 between 31% and 50%. Chilled ready meals' shelf life is short and hence it is important to implement a performing logistics chain.

The presence of sizeable organised food retailers servicing an important chunk of total food sales in a country is a prerequisite for the roll out of chilled ready meals sales.

Social demographics fuel ready meal demand

The above average macro economic growth in CEE (+6% per annum vs. +0-1% p.a. in Western Europe), in combination with increasing household penetration of technological appliances (62% increasing to 65%) will trigger increasing demand of chilled ready meals consumption, which at present is still in infancy stage. Ter Beke therefore expects ready meal consumption in CEE is to take off.

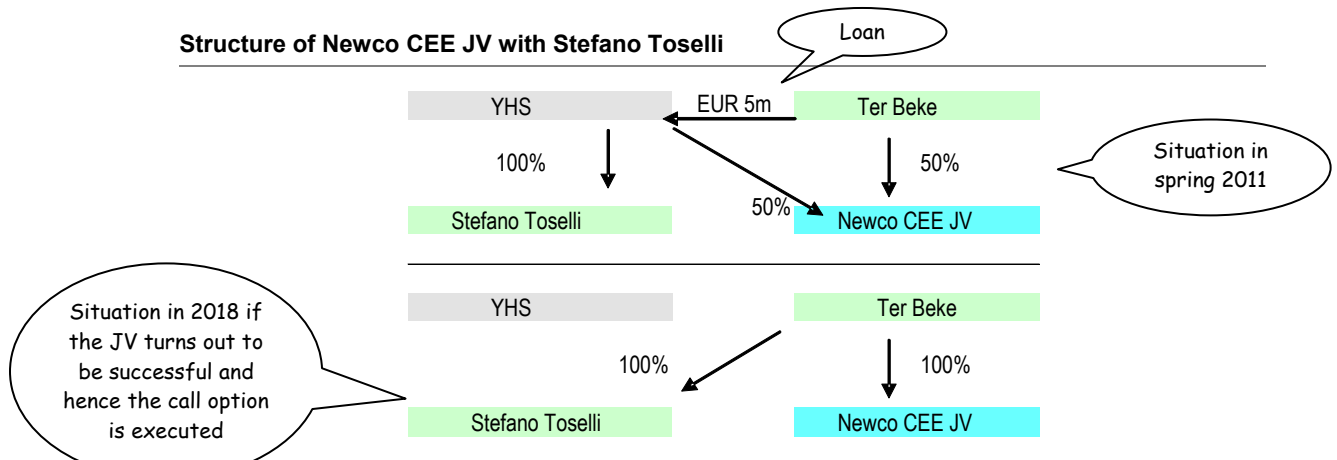
Forecast 2015 income, appliance penetration and ready meal consumption



Source: Company data, Euromonitor, Eurostat, IMF, Rabobank 2010, ESN – Bank Degroof Research

Partnership with Stefano Toselli allows to speed up the process considerably, while both parties' industrial, product and marketing competencies are joined. It limits overcapacity risk from day 1. Furthermore up front investment risk is split up.

Structure of Newco CEE JV with Stefano Toselli



Source: Company data, ESN – Bank Degroof Research

Market environment

Ready meals:

- **Market leader in a strongly growing niche market**

Within the ready meals division Ter Beke Group made the clear strategic choice to grow to a major European player in the fresh lasagne and pasta meals segment. At present **Ter Beke is European market leader for fresh lasagne.**

According to Research & Markets, the **Western-European market of ready meals grows at around 7% per annum** (+7.7% YoY historically since 10 years). Euromonitor International research forecasts that the Belgian, French, German, Dutch and UK markets for chilled ready meals (retail values, fixed exchange rates) should show a 2010-2013 CAGR of 6%, 8%, 18%, 6% and 7%, respectively. Estimates for the lasagne market segment in particular are not available, but we estimate it to be in line with the market of chilled ready meals in general.

While the lasagne market seems to have developed favourably during last years, competition of low-priced private-label lasagne remains an important issue. The only way to differentiate is by branding and offering superior quality and taste. We expect the fresh pizza market to be very competitive as multinational groups occupy dominant market positions for pizza, though mainly for frozen products.

- **Ter Beke's present product, market & industrial strategy for ready meals**

In order to gain further market share, Ter Beke is launching new concepts in "fresh" pasta meals, "home made style", or with richer ingredients. Its industrial strategy consists in building a new volume / price balance (earn more at not-increasing/stable margin per kg. This is being done by targeting profitable efficient large lasagne production runs, and at the same time by keeping quality high.

In Belgium Ter Beke is continuing to invest heavily in its flagship brand Come a casa for the fresh ready meals. The company has managed to obtain a strong market position in Belgium.

Internationally, Ter Beke markets its products as private label or labelled with distribution brands.

- **M&A**

The **EU fresh ready meals markets is expected to show continued growth**, with convenience being a major driver.

Given the present over-capacity in the sector in Western-Europe, we expect Ter Beke **not to play an active role of importance within the consolidation trend**, but to focus on its expansion in Central-Europe by its JV with Stefano Toselli (see page 14). For quantum leap projects (cfr. the Stefano Toselli deal) mergers are an option (see the call option Ter Beke will be able to execute in 2018 if the JV turns out to be successful).

We expect small acquisitions only feasible for seed money projects in some niche markets within this segment.

Processed meats

- **Historical growth & market share**

The total West European processed meats market was worth EUR 114bn in 2009. More than 800 companies are involved in this market across Europe, with the top-10 West European companies supplying EUR 33bn (29%) of this market¹. The largest processed meat markets have shown steady and **respectable growth of around 1.5% per annum**.

We are unable to compute a market share for Ter Beke as no data are provided (split between processed meats and ready meals within the geographical spread, expressed in euro). Compared to major players as Campofrio Foods with a market share of 5%, followed by Nestlé (4%) and Danish Crown (4%), **the size of Ter Beke is negligible on a European scale**. The company however is **market leader in Belgium**, which is a **concentrated** market with 2 large players (Ter Beke and Campofrio) and a number of rather small players.

- **Continued trend from bulk to sliced & packaged processed meats**

We notice a continued and quickly evolving trend of supermarkets switching from own slicing and packaging at their point-of-sale to sourcing from specialist companies. Only 7 years ago (start of our coverage of Ter Beke in 2004), the majority of “fresh pack” was still sliced on the point of sale, while at present the majority is “industrial” slicing. This evolution has been driven by changes in food safety legislation, cost pressure at the retailer and technological developments. This trend has been a **source of top line growth** for processed meats producers like the Ter Beke group in this very mature market segment.

- **Ter Beke’s present product, market & industrial strategy for processed meats**

In order to maintain market leadership, Ter Beke has broadened its offer in order to be able to provide a **qualitative full range** to its customers. The company was also able to grow its market share thanks to its **slicing & packaging** offering. Further growth will be obtained thanks to the introduction of new **packaging and health innovations** (re-sealable packaging, *Equilibre* offer...). Furthermore Ter Beke’s is differentiating itself thanks to **advanced outbound logistics services**, which has become a competitive advantage. The company aims to further increase its market share in pâté-products.

Within this market it is key to have **preferential relations with retailers per country** and to be able to deliver **full service slicing** (offering also slicing & packaging services for products from competitors) and logistics.

- **Future growth of this very mature market**

The **EU processed meat markets is expected to continue growing**, but at a somewhat lower level of c. 1% per annum through 2017. Raw materials price inflation (pork prices are on the up right now) and population growth are the main drivers. 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**.

At the short term operating margins could come under pressure due to higher pork prices. Last month, the price of Ter Beke’s main soft commodity, pork, has increased dramatically and the present price is up 20% vs. the 4Q10 average. Given that a certain time lag is inevitable, we expect a negative impact on 1H11 margins for all processed meats companies.

We expect Ter Beke **not to play an active role of importance within the consolidation trend** in this market in Western-Europe.

¹ Source: Research & Markets

Financials

The outstanding FY10 release showed a continued trend of improving profitability at both of Ter Beke's business units (YoY) and further strengthening of its balance sheet.

P&L Analysis FY10 results

P & L - (EUR m)	1H09	2H09	FY09	1H10	2H10	FY10	% Chg
Net sales	191.4	201.0	392.4	197.4	204.8	402.2	2.5%
Proces. meats	131.0	142.1	273.2	136.3	141.0	277.4	1.5%
Ready meals	60.4	58.8	119.2	61.1	63.6	124.6	4.5%
EBITDA	16.0	19.1	35.2	19.6	17.9	37.5	6.7%
<i>EBITDA margin</i>	8.4%	9.5%	9.0%	9.9%	8.8%	9.3%	
Non-cash	9.3	10.8	20.1	8.9	10.8	19.7	-1.8%
EBIT	6.7	8.4	15.1	10.7	7.1	17.8	18.0%
<i>EBIT margin</i>	3.5%	4.2%	3.8%	5.4%	3.5%	4.4%	
Financial result	-0.9	-1.7	-2.7	-2.1	-1.4	-3.5	32.0%
EBT	5.8	6.7	12.4	8.5	5.8	14.3	15.0%
Taxes	-1.3	-2.8	-4.2	-2.8	-1.0	-3.8	-8.1%
Net result	4.4	3.8	8.3	5.7	4.7	10.5	26.7%
<i>Net margin</i>	2.3%	1.9%	2.1%	2.9%	2.3%	2.6%	
Adj. EPS (EUR)	2.55	2.21	4.77	3.31	2.73	6.04	26.7%

Source : Company data, ESN – Bank Degroof Research

▪ Sales

FY10 total turnover was slightly up (+2.5%) at EUR 402.2m (vs. EUR 392.4 in FY09). The turnover growth in both divisions was slowed down by the evolution of raw material prices and the overall price pressure in the market.

EUR m	1H09	2H09	FY09	1H10	2H10	FY10
Sales	191.4	201.0	392.4	197.4	204.8	402.2
<i>Total sales growth %</i>	-0.4%	-0.1%	-0.2%	3.1%	1.9%	2.5%
Processed meats	131.0	142.1	273.2	136.3	141.0	277.4
<i>Sales growth %</i>	1.8%	1.0%	1.4%	4.0%	-0.8%	1.5%
Fresh ready meals	60.4	58.8	119.2	61.1	63.7	124.8
<i>Sales growth %</i>	-4.7%	-2.6%	-3.7%	1.1%	8.3%	4.7%

Source : Company data, ESN – Bank Degroof Research

The turnover of the processed meats division increased by EUR 4.2m (+1.5%) thanks to growth of the service slicing activities in The Netherlands and of the processed meats production activities in its home markets (Benelux, The Netherlands). The turnover growth is slowed down by decreasing raw material prices that were passed on in the sales prices. Volumes increased by 3% in a stable market environment.

The turnover in fresh ready meals was up 4.7%, particularly thanks to 8% volume growth. Ter Beke repeated its Come a casa[®] publicity and promotion campaign in Belgium, which supports the launch of a renewed range of pasta meals.

In its 1Q11 interim statement Ter Beke announced that turnover was in line with 1Q10, in “a difficult market environment”. Traditionally 1H sales are slightly below 2H. However, flat 1Q sales (YoY) is somewhat disappointing. Ter Beke last year reported 3% growth in 1Q10 and we were now banking on 1.5% volume growth over FY11.

We are maintaining our FY11 sales forecast in anticipation of output price increases later this year, due to higher raw materials prices (hog prices for the processed meats BU, next to higher wheat, cheese and tomato prices for the fresh ready meals BU).

▪ **Operating result**

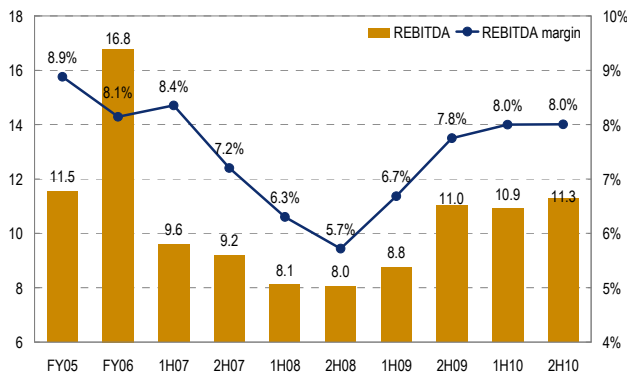
EBITDA

EBITDA was up 6.7% to EUR 37.5m, and EBIT came out at EUR 19.0m. The increase of the operating result, up no less than 18%, was mainly due to better volumes, efficiency improvements and cost control. The evolution of the REBITDA figures of the two segments shows a positive evolution since the dip in 2H08 for the processed meats BU (pressure on margins due to raw materials price increases) and dip in 1H07 for the fresh ready meals BU. As of 2H07, management has renegotiated or terminated contracts at substandard profitability in the fresh ready meals division, which resulted in a remarkable improvement of the EBITDA margins afterwards.

EUR m	1H09	2H09	FY09	1H10	2H10	FY10
REBITDA	16.0	19.1	35.2	19.6	17.9	37.5
Total REBITDA growth %	4.3%	32.4%	17.9%	22.2%	-6.3%	6.7%
REBITDA margin	8.4%	9.5%	9.0%	9.9%	8.8%	9.3%
Processed meats	8.8	11.0	19.8	10.9	11.3	22.2
REBITDA growth %	7.9%	36.9%	22.4%	24.5%	2.5%	12.3%
REBITDA margin	6.7%	7.8%	7.2%	8.0%	8.0%	8.0%
Fresh ready meals	8.9	9.3	18.2	9.8	9.4	19.2
REBITDA growth %	7.6%	23.9%	15.3%	9.9%	1.2%	5.5%
REBITDA margin	14.8%	15.8%	15.3%	16.1%	14.7%	15.4%

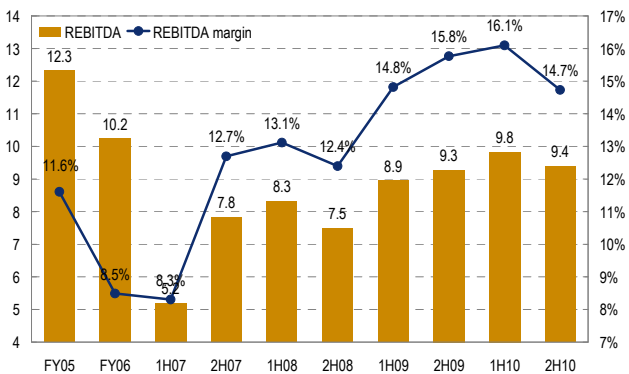
Source : Company data, ESN – Bank Degroof Research

Processed meats (EBITDA – EUR m)



Source: Company data, ESN – Bank Degroof Research
Note: No separate figures available for 1H05 till 2H06

Ready meals (EBITDA – EUR m)



Source: Company data, ESN – Bank Degroof Research
Note: No separate figures available for 1H05 till 2H06

EBIT

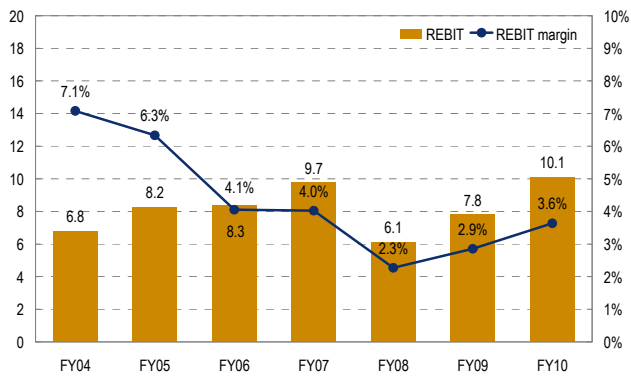
The non-cash costs (depreciations and amortisations) are maintained at the same level in 2010 as in 2009 and amount to approx. EUR 20m.

Processed meats	FY04	FY05	FY06	FY07	FY08	FY09	FY10
REBIT	6.8	8.2	8.3	9.7	6.1	7.8	10.1
REBIT margin	7.1%	6.3%	4.1%	4.0%	2.3%	2.9%	3.6%

Fresh ready meals	FY04	FY05	FY06	FY07	FY08	FY09	FY10
REBIT	7.7	5.0	3.7	5.3	7.9	10.8	10.4
REBIT margin	7.4%	4.7%	3.1%	4.2%	6.4%	9.0%	8.3%

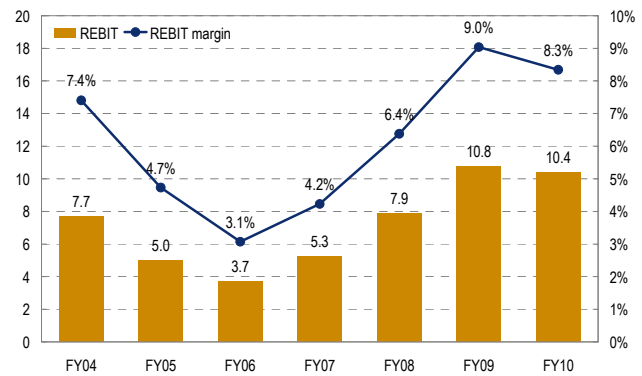
Source : Company data, ESN – Bank Degroof Research

Processed meats (EBIT – EUR m)



Source: Company data, ESN – Bank Degroof Research

Ready meals (EBIT – EUR m)



Source: Company data, ESN – Bank Degroof Research

Net result

We somewhat overestimated the impact of the GBP/EUR evolution and costs related to hedging contracts which resulted in lower than expected financial costs. Thanks to lower taxes the FY10 net result came out at EUR 10.5m (EPS of EUR 6.04), slightly ahead of our estimate of EUR 9.9m (EPS of EUR 5.69) and consensus expectations (EUR 10.2m and EUR 5.79, respectively).

The AGM has agreed to pay a gross dividend of EUR 2.50/share (up from EUR 2.35 in FY09), which results in a gross dividend yield of 4.50%.

Ter Beke: Summary tables

PROFIT & LOSS (EURm)	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Sales	393	392	402	414	427	439
Cost of Sales & Operating Costs	-363	-357	-365	-377	-387	-399
Non Recurrent Expenses/Income	2.0	0.6	0.4	0.0	0.0	0.0
EBITDA	29.9	35.2	37.5	37.3	39.3	39.7
EBITDA (adj.)*	27.9	34.6	37.1	37.3	39.3	39.7
Depreciation	-22.6	-19.4	-19.7	-20.5	-20.4	-21.0
EBITA	7.3	15.7	17.8	16.8	18.9	18.7
EBITA (adj)*	5.3	15.1	17.3	16.8	18.9	18.7
Amortisations and Write Downs	0.7	-0.6	0.0	0.0	0.0	0.0
EBIT	8.0	15.1	17.8	16.8	18.9	18.7
EBIT (adj.)*	6.0	14.5	17.4	16.8	18.9	18.7
Net Financial Interest	-3.7	-2.8	-2.9	-2.5	-2.2	-2.1
Other Financials	-1.0	0.1	-0.4	-0.4	-0.4	-0.4
Associates	0.0	0.0	0.0	0.0	0.0	0.1
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	13.9	16.2	16.2
Tax	4.4	-4.2	-3.8	-3.8	-4.5	-4.4
<i>Tax rate</i>	<i>nm</i>	33.6%	26.4%	27.5%	28.0%	27.3%
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	10	12	12
Net Profit (adj.)	3	8	11	10	12	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	30.6	32.1	32.8
Change in Net Working Capital	3.9	-5.3	5.3	-0.2	-0.2	-0.2
Cash Flow from Operations	33.4	23.0	35.7	30.4	31.9	32.6
Capex	-17.4	-17.4	-24.0	-20.0	-23.7	-27.3
Net Financial Investments	0.9	-0.6	0.0	0.0	0.0	0.0
Free Cash Flow	16.8	5.0	11.7	10.4	8.1	5.3
Dividends	-3.6	-3.6	-4.1	-4.3	-4.3	-4.5
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	6	4	1
NOPLAT	4	10	12	12	13	13
BALANCE SHEET & OTHER ITEMS (EURm)	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
Net Tangible Assets	112	109	112	111	115	121
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	149	152	158
Net Working Capital	6.8	12.2	6.9	7.1	7.3	7.5
Net Capital Invested	157	158	156	156	159	166
Group Shareholders Equity	78.1	82.8	89.1	94.9	102	109
<i>o/w own Shareholders Equity</i>	<i>78.1</i>	<i>82.8</i>	<i>89.1</i>	<i>94.9</i>	<i>102</i>	<i>109</i>
Net Debt	69.9	65.5	57.2	51.1	47.5	46.7
Provisions	9	10	10	10	10	10
Other Net Liabilities or Assets	0	0	0	0	0	0
Net Capital Employed	157	158	156	156	159	166
GROWTH & MARGINS	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
<i>Sales growth</i>	<i>7.2%</i>	<i>-0.2%</i>	<i>2.5%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>2.9%</i>
EBITDA (adj.)* growth	-7.9%	23.8%	7.2%	0.7%	5.3%	1.0%
<i>EBITA (adj.)* growth</i>	<i>-56.7%</i>	<i>183.1%</i>	<i>14.4%</i>	<i>-3.0%</i>	<i>12.4%</i>	<i>-1.1%</i>
<i>EBIT (adj)*growth</i>	<i>-46.8%</i>	<i>141.8%</i>	<i>19.8%</i>	<i>-3.3%</i>	<i>12.4%</i>	<i>-1.1%</i>
<i>Net Profit growth</i>	<i>-46.6%</i>	<i>154.7%</i>	<i>29.1%</i>	<i>-5.5%</i>	<i>15.9%</i>	<i>1.1%</i>
EPS adj. growth	-46.7%	154.6%	29.1%	-5.5%	15.9%	1.1%
<i>DPS adj. growth</i>	<i>0.0%</i>	<i>11.9%</i>	<i>6.4%</i>	<i>0.0%</i>	<i>4.8%</i>	<i>0.0%</i>
EBITDA margin	7.6%	9.0%	9.3%	9.0%	9.2%	9.0%
<i>EBITDA (adj)* margin</i>	<i>7.1%</i>	<i>8.8%</i>	<i>9.2%</i>	<i>9.0%</i>	<i>9.2%</i>	<i>9.0%</i>
<i>EBITA margin</i>	<i>1.9%</i>	<i>4.0%</i>	<i>4.4%</i>	<i>4.1%</i>	<i>4.4%</i>	<i>4.3%</i>
<i>EBITA (adj)* margin</i>	<i>1.4%</i>	<i>3.9%</i>	<i>4.3%</i>	<i>4.1%</i>	<i>4.4%</i>	<i>4.3%</i>
<i>EBIT margin</i>	<i>2.0%</i>	<i>3.8%</i>	<i>4.4%</i>	<i>4.1%</i>	<i>4.4%</i>	<i>4.3%</i>
<i>EBIT (adj)* margin</i>	<i>1.5%</i>	<i>3.7%</i>	<i>4.3%</i>	<i>4.1%</i>	<i>4.4%</i>	<i>4.3%</i>

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	0.5	0.4
Net Debt/EBITDA	2.3	1.9	1.5	1.4	1.2	1.2
Interest cover (EBITDA/Fin.interest)	8.0	12.8	13.1	15.2	17.7	19.1
Capex/D&A	79.6%	86.7%	121.8%	97.5%	116.2%	129.8%
Capex/Sales	4.4%	4.4%	6.0%	4.8%	5.6%	6.2%
NWC/Sales	1.7%	3.1%	1.7%	1.7%	1.7%	1.7%
ROE (average)	4.2%	10.3%	12.4%	10.9%	11.9%	11.2%
ROCE (adj.)	2.7%	6.5%	7.9%	7.7%	8.4%	8.0%
WACC	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
ROCE (adj.)/WACC	0.4	0.9	1.1	1.0	1.1	1.1
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	5.81	6.73	6.75
EPS (adj.)	1.87	4.77	6.15	5.81	6.73	6.81
BVPS	45.13	47.79	51.43	54.75	58.86	63.05
DPS	2.10	2.35	2.50	2.50	2.62	2.62
VALUATION	12/2008	12/2009	12/2010	12/2011e	12/2012e	12/2013e
EV/Sales	0.4	0.4	0.4	0.4	0.4	0.3
EV/EBITDA	4.9	4.6	4.3	4.2	3.9	3.8
EV/EBITDA (adj.)*	5.2	4.6	4.4	4.2	3.9	3.8
EV/EBITA	19.9	10.2	9.1	9.3	8.1	8.1
EV/EBITA (adj.)*	27.2	10.6	9.3	9.3	8.1	8.1
EV/EBIT	18.3	10.6	9.1	9.3	8.1	8.1
EV/EBIT (adj.)*	24.2	11.0	9.3	9.3	8.1	8.1
P/E (adj.)	22.9	11.3	9.7	10.3	8.9	8.8
P/BV	1.0	1.1	1.2	1.1	1.0	1.0
Total Yield Ratio	4.9%	4.4%	4.2%	4.2%	4.4%	4.4%
EV/CE	0.9	1.0	1.0	1.0	1.0	0.9
OpFCF yield	21.4%	6.0%	11.3%	10.0%	7.8%	5.1%
OpFCF/EV	11.0%	3.5%	7.2%	6.7%	5.3%	3.5%
Payout ratio	47.8%	49.3%	40.6%	43.0%	38.9%	38.8%
Dividend yield (gross)	4.9%	4.4%	4.2%	4.2%	4.4%	4.4%
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	60.0	60.0	60.0
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	104	104	104
Net Debt	69.9	65.5	57.2	51.1	47.5	46.7
<i>o/w Cash & Marketable Securities (-)</i>	<i>-5.6</i>	<i>-2.7</i>	<i>-4.8</i>	<i>-4.9</i>	<i>2.5</i>	<i>10.7</i>
<i>o/w Gross Debt (+)</i>	<i>75.4</i>	<i>68.1</i>	<i>62.0</i>	<i>56.0</i>	<i>45.0</i>	<i>36.0</i>
Other EV components	1	1	1	1	1	1
Enterprise Value (EV adj.)	145	160	162	156	152	152

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**.

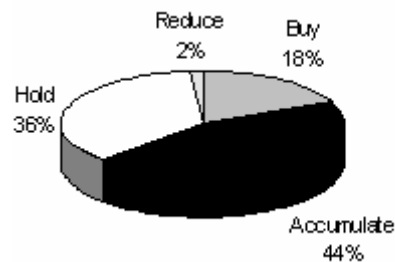
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

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

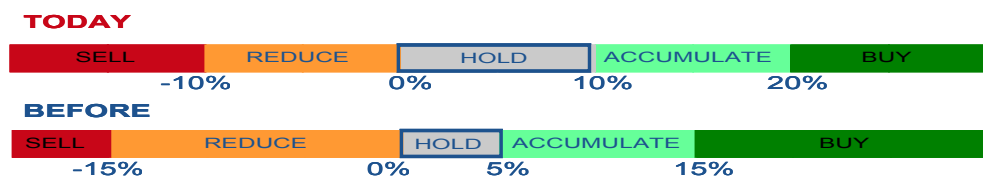


History of ESN Recommendation System

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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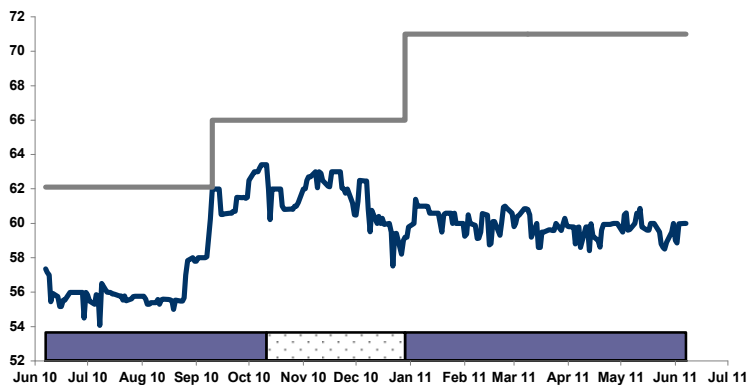
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Recommendation history for TER BEKE

Date	Recommendation	Target price	Price at change date
08-Jun-11	Accumulate	71.00	60.00
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
12-Feb-09	Hold	41.00	38.50
13-Nov-08	Hold		44.49

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

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



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