

10 November 2009

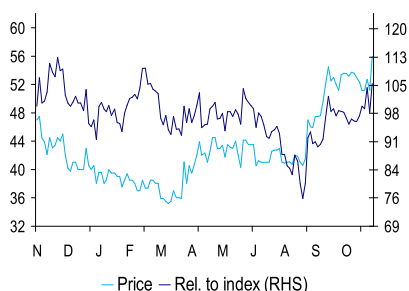
TER BEKE

Raised target price and forecasts

FOOD PRODUCERS & PROCESSORS
BELGIUM

CURRENT PRICE € 56.00
TARGET PRICE € 60.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Financial Datastream

Bloomberg TERB.BB
Reuters TERB.BR
www.terbeke.com

Market Cap € 97.0m
Shares outst. 1.7m
Volume (daily) € 11,581
Free float 22.4%

Next corporate event

Results FY09: 26 February 2010

(€ m)	2008	2009E	2010E
Sales	393.2	393.6	405.3
REBITDA	29.8	31.9	33.4
Net earnings	7.6	7.7	8.7
Adj. EPS (€)	3.51	4.43	5.00
P/E (x)	14.1	12.6	11.2
EV/REBITDA	5.5	5.2	4.7
FCF Yield	5.4%	13.9%	12.5%
Dividend yield	4.2%	3.8%	3.9%

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News:

We are revising our EPS forecasts for 2009, 2010 and 2011 upwards by respectively 7%, 5% and 7% following the comforting 3Q09 trading update. Management anticipates that barring unexpected market circumstances, this year's net result should at least match last year's (€ 7.6m). Note however that last year's net profits were positively impacted by a non-recurring tax income following the positive outcome of a litigation with the Belgian tax authorities. Ter Beke's adjusted net profits amounted to € 6.1m in 2008. We are forecasting € 7.7m (old: € 7.2m) for 2009 implying 26.5% growth.

The processed meat division reported stable sales for the first nine months of 2009. Higher sales from the Dutch service slicing activities and growth at the traditional processed meat activities in Ter Beke's home markets were offset by the weaker £ and lower selling prices. We've upped our REBITDA margin estimates for this division as cost cutting and optimization measures throughout the supply chain are bearing fruit. We are now counting on 6.55% (old 6.3%) for 2009, 6.7% (old 6.5%) in 2010 and 7.0% (old 6.7%).

Our sales and margin forecasts for ready meals division remain unchanged.

Our View:

For the past two years, Ter Beke has been focusing on improving ROCE and debt reduction. The streamlining of the supply chain, optimisation of production allocation and cost reduction resulted in a 27bp REBIT margin improvement in 1H09. We anticipate that this positive trend will continue during the coming quarters. For example, the three processed meat slicing sites and the three distribution centres in the Netherlands are being integrated into two sites (Ridderkerk, Nijmegen).

Conclusion:

We are raising our target price from € 55 to € 60 and maintain our Accumulate rating. A sum-of-the-parts method based on EV/EBITDA multiples of 4.5x for processed meats and 6.0x for ready meals generates a value of € 62/share for 2009 and € 71/share for 2010.