



Investment Research

Buy

from Accumulate

Share price: EUR 50.99

closing price as of 14/03/2012

Target price: EUR 61.00

Target Price unchanged

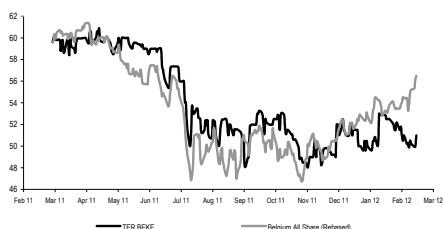
Reuters/Bloomberg

TERB.BR/TERB.BB

Daily avg. no. trad. sh. 12 mth	534
Daily avg. trad. vol. 12 mth (m)	0.03
Price high 12 mth (EUR)	60.88
Price low 12 mth (EUR)	48.02
Abs. perf. 1 mth	-2.9%
Abs. perf. 3 mth	5.1%
Abs. perf. 12 mth	-15.0%

Market capitalisation (EURm)	88
Current N° of shares (m)	2
Free float	25%

Key financials (EUR)	12/11	12/12e	12/13e
Sales (m)	404	414	424
EBITDA (m)	33	37	37
EBITDA margin	8.2%	8.8%	8.8%
EBIT (m)	15	17	18
EBIT margin	3.8%	4.1%	4.3%
Net Profit (adj.)(m)	9	10	11
ROCE	6.0%	6.6%	7.0%
Net debt/(cash) (m)	65	56	53
Net Debt Equity	0.7	0.6	0.5
Net Debt/EBITDA	1.9	1.5	1.4
Int. cover(EBITDA/Fin.int)	13.4	12.9	14.9
EV/Sales	0.4	0.4	0.3
EV/EBITDA	4.6	4.0	3.8
EV/EBITDA (adj.)	4.7	4.0	3.9
EV/EBIT	10.0	8.5	7.7
P/E (adj.)	9.8	9.0	7.8
P/BV	0.9	0.9	0.8
OpFCF yield	-8.4%	14.5%	8.7%
Dividend yield	4.9%	4.9%	5.3%
EPS (adj.)	5.20	5.68	6.52
BVPS	54.18	57.36	61.18
DPS	2.50	2.50	2.70



Shareholders: COOVAN 65%; SRIW 5%; Seneca/LDB 3%; M6 2%;

For company description please see summary table footnote

Predictability is an asset... ... 5% gross dividend yield! Someone?

Ter Beke has published a FY11 top-line, operating result and net result that was bang in line with expectations. The financial result was slightly better than anticipated, which was counterbalanced by somewhat higher taxes. Management expects an improvement of the profitability in both divisions, which should lead to “a higher result in 2012”, without more guidance.

Our conservative DCF valuation model points to target price of EUR 61, we raise our recommendation from Accumulate to Buy.

✓ Stable FY11 top line as expected

Ter Beke’s total turnover growth of 0.4% to EUR 403.7m, in line with expectations, was supported by a “strong” volume increase in ready meals sales (sales +3.9%), while in processed meats turnover decreased by 1.1% at stable volumes. Lower sales in the processed meats division was mainly due to consumer down-trading. Already in the 3Q11 interim statement, Ter Beke mentioned a changing product-mix, whereby sales volumes of cheaper products go up to the detriment of sales of more expensive products.

✓ Operating result as expected

EBITDA was down 11.4% to EUR 33.2m (only marginally below our EUR 34.6m estimate), and EBIT came out at EUR 15.3m (-13.9%, also in line with our expectations). This decrease of the operating result was mainly due to raw material prices, which have continued their uptrend since 2H10 and which can only be charged through with a certain delay.

✓ Net result down as expected

The financial result of EUR 2.7m has improved with EUR 0.8m, due to a positive impact of the GBP/EUR evolution and lower interest rates and bank costs. After taxes (EUR 3.4m), the FY11 net result came out at EUR 9.2m, very slightly ahead of our estimate of EUR 9.0m. The BoD will propose a gross dividend of EUR 2.50/share (stable, and as expected), which results in a handsome gross dividend yield of 5.0%.

✓ New brand name and product concept: Oligusto

Earlier this week at the Tavola International Trade Fair Ter Beke is launching a new concept in the category of fine processed meats under the Oligusto brand name. With this innovative product concept Ter Beke replaces 50% of total fat in the meat by olive oil. As a result of this replacement, the level of saturated fat is strongly reduced. On top of this, fat in pâté, salami and cooked ham sausage was also fundamentally reduced (up to 56% less fat).

✓ New joint-venture: The Pasta Food Company

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. The final environmental permit has been obtained and the company expects to end the construction works in Apr-13. In the summer of 2013 production is expected to ramp-up and we anticipate a first – small – positive contribution to net result as of FY15.

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Investment Case

In-line FY11 result: predictability is an asset

In FY11, the total group **turnover** increased by 0.4% from EUR 402.2m to EUR 403.7m, **in line** with expectations.

In the **ready meals** division, the turnover increased by EUR 4.8m to EUR 129.7m (+3.9%), which was mainly due to a **strong volume increase in lasagne and pasta meals**.

In the **processed meats** division, the turnover decreased by 1.1% or EUR 3.3m to EUR 274.0m with **stable total volumes**. The decrease is mainly due to a changed product-mix, whereby sales volumes of cheaper products go up to the detriment of sales volumes of more expensive products. The group's **market share has increased** in Belgium (from 15% to 17%), the UK and Germany.

EBITDA has decreased by EUR 4.3m (-11.4%) going from EUR 37.5m in FY10 to EUR 33.2m in FY11, due to raw material prices, which have been rising since 2H10. Because of the nature of the contracts the group enters into with its major retail customers, there is an inevitable delay in charging these price increases on in the sales prices. Total non-cash costs decreased to EUR 17.9m, which was primarily due to lower impairments on fixed assets compared to FY10 and which resulted in **EBIT** of EUR 15.3m compared to EUR 17.8m in 2FY10 (-13.9%).

EUR 0.3m of the EUR 0.8m improvement of the net financing costs is due to the positive difference in the exchange rate result on the GBP pursuant to the group's hedging policy, the remaining EUR 0.3m being caused by lower interest rates and bank costs. After taxes (EUR 3.4m, tax rate of 27.1%), the FY11 **net result came out at EUR 9.2m, slightly ahead of our estimate** of EUR 9.0m.

The BoD will propose the payment of a gross dividend of EUR 2.50/share (stable and as expected), which results in a handsome gross yield of 5.0%.

Doing what is necessary to increase profitability and growth in a mature market

- **Increase profitability of the processed meats BU**

Raw materials

In the past years, sensitivity to raw materials price volatility has decreased, which resulted in a more stable margin evolution. 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 (32% of FY11 sales, mainly pasta based) and service slicing and packaging of processed meats (our estimate: 23% of FY11 sales).

Going forward, management expects an improvement of the profitability in both divisions, which should lead to a higher result in 2012, without more guidance, however. It will do so by adjusting the product mix and branding in fine processed meats

New product concept: *Oligusto*

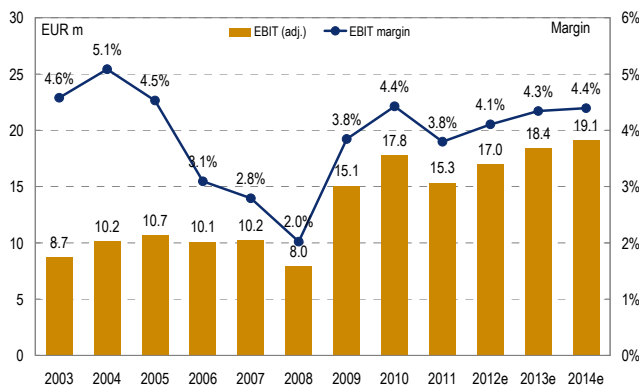
Historically the category of fine processed meats is characterized by poor market dynamics. Earlier this week at the Tavola fair¹, Ter Beke, being the market leader in Belgium, launched a new concept in the category of fine processed meats under the new brand name Oligusto. With this innovative product concept Ter Beke replaces 50% of total fat in the meats by olive oil which results in the strong reduction of saturated fat. On top of this, fat in pâté, salami and cooked ham sausage is also reduced (up to 56% less fat). Oligusto is not only innovative as a concept, it also establishes a new brand. A

¹ Full name: Tavola International Trade Fair for Fresh Food Products and Delicatessen

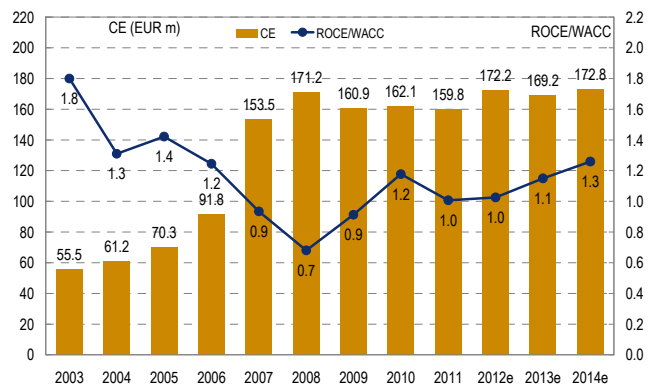
market and brand activation strategy has been prepared to convince the consumer to get to know Oligusto.

We expect this new product concept, which of course needs additional marketing spending going forward, to have a positive impact on the operating margin of Ter Beke's processed meats BU only as of 2H13. In order to have a sizeable impact on overall margins we reckon that Ter Beke eyes a considerable chunk of sales to be Oligusto branded within the next few years.

EBIT growth and EBIT margin evolution



ROCE/WACC



Sources: Company data – ESN – Bank Degroof Research

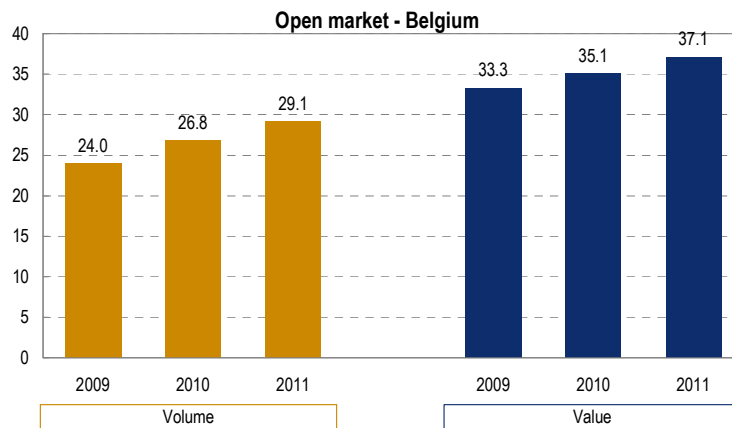
Sources: Company data – ESN – Bank Degroof Research

■ Quest for growth for the Fresh Ready Meals business unit

In Belgium

Ter Beke's flagship brand in ready meals, predominantly lasagna, but also other pasta meals, is Come a casa. Under the Come a casa brand sales are growing more quickly than the market, which is reflected in the gain of market share on the Belgian market.

Market share (%) Come a casa Lasagne + Pasta (volume & value)



Source: Ac Nielsen, MAT P13 for 2009, 2010 & 2011

Note 1: excluding Pizza

Note 2: Open market excludes the market share of hard discounters (viz. Lidl, Aldi...)

In Eastern Europe

Ter Beke and Stefano Toselli created a 50/50 JV named The Pasta Food Group for the production and commercialization of chilled lasagne and pasta meals in Central and Eastern Europe. This project is

very promising at mid term, as it could grow out to a major new growth engine of Ter Beke's ready meals BU. The business plan comprises the construction of an automated production plant in Opole-Poland, exclusively dedicated to the Central and Eastern European markets.

The creation of the JV implies an accelerated implementation of Ter Beke's geographical strategy for chilled lasagna, which we estimate to account for approx. 75% of the output volume of the Fresh Ready Meals BU. We expect only a positive contribution to the bottom line (not to EBIT, as this JV is to be equity consolidated) as of FY15.

Although it is very preliminary (the start of production in Opole is scheduled for the summer of 2013), we modelled the possible impact of the execution of this call option in 2018 as follows:

At present Ter Beke's ready meals divisions accounts for EUR 130m in sales (FY11 figure). A rough estimate of the possible output of the JV and the Stefano Tosseli operations in France could add c. EUR 140m to this figure (x2). Ter Beke has a call option on the part of the JV it does not own and on Stefano Tosseli. 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).

After exercise of the call option, on the EBIT level the ready meals division could even account for EUR 21m vs. EUR 10.5m in FY11 (CAGR of 10%). 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 61 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 61 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 multiples (averages of European small & mid cap food & beverage companies) and derived a fair value between EUR 47 and EUR 74/share (average of EUR 62), which confirms our DCF based TP. Given the attractive upside we upped our recommendation from Accumulate to Buy.

Multiples

at EUR 61 target price	2009	2010	2011	2012e	2013e
P/E	12.80	10.11	11.74	10.75	9.35
EV/EBIT	11.34	9.15	11.11	9.51	8.60
EV/EBITDA	4.87	4.34	5.12	4.43	4.25

Source: Company data, ESN – Bank Degroof Research

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

The consolidated DCF valuation points to a theoretical value of equity of EUR 105.8m or EUR 61/share. Free cash flows were discounted at an average WACC of 7.53%. The discount factor is based upon a cost of equity of 10.0% and a long term target gearing of 35%.

In a first period (2012-2019), we have used the below detailed free cash flow projections. For the last period, a residual value was calculated and subsequently discounted. The residual value was based on NOPLAT/WACC. As in the normative year the return of the incremental invested capital equals the cost of capital (ROCE = WACC), growth adds nothing to value.

CASH FLOW (EUR m)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Sales	392.4	402.2	403.7	414.5	424.2	434.8	445.8	457.0	468.4	478.6	483.4
% change	-0.2%	2.5%	0.4%	2.7%	2.3%	2.5%	2.5%	2.5%	2.5%	2.2%	1.0%
EBITDA	35.2	37.5	33.2	36.6	37.3	38.6	39.1	39.9	40.9	42.0	41.3
% margin	9.0%	9.3%	8.2%	8.8%	8.8%	8.9%	8.8%	8.7%	8.7%	8.8%	8.6%
% change	17.7%	6.7%	-11.4%	10.0%	2.1%	3.3%	1.5%	2.0%	2.6%	2.5%	-1.5%
Depreciation & oth. prov.	20.1	19.7	17.9	19.5	18.9	19.5	20.0	20.5	21.0	21.5	21.0
% sales	5.1%	4.9%	4.4%	4.7%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.3%
EBITA	15.1	17.8	15.3	17.0	18.4	19.1	19.1	19.4	19.9	20.5	20.3
% margin	3.8%	4.4%	3.8%	4.1%	4.3%	4.4%	4.3%	4.2%	4.3%	4.3%	4.2%
% change	89.7%	18.0%	-13.9%	11.0%	8.2%	3.7%	0.1%	1.4%	2.7%	2.7%	-0.7%
Taxes	-5.1	-4.8	-4.1	-4.8	-5.2	-5.3	-5.4	-5.5	-5.8	-6.0	-5.9
Actual tax rate	33.6%	26.8%	27.1%	28.0%	28.0%	28.0%	28.0%	28.5%	29.0%	29.5%	29.0%
NOPLAT	10.0	13.0	11.2	12.3	13.3	13.8	13.8	13.9	14.1	14.4	14.4
Depreciation & other provisions	20.1	19.7	17.9	19.5	18.9	19.5	20.0	20.5	21.0	21.5	21.0
% sales	5.1%	4.9%	4.4%	4.7%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.3%
Gross Operating Cash Flow	30.1	32.7	29.1	31.8	32.2	33.2	33.8	34.4	35.2	35.9	35.4
Capex	-17.4	-21.6	-20.9	-16.0	-22.0	-22.4	-22.9	-23.3	-23.8	-24.3	-21.0
% sales	4.4%	5.4%	5.2%	3.9%	5.2%	5.2%	5.1%	5.1%	5.1%	5.1%	4.3%
Change in NWC (-=incr.;+=decr.)	-5.3	5.3	-13.5	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6	-0.5	-0.2
Cash Flow to be discounted	7.4	16.4	-5.3	15.2	9.7	10.2	10.3	10.5	10.8	11.1	14.2
DCF EVALUATION											
WACC				7.53%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53%
Discount Rate factor				0.94	0.88	0.82	0.76	0.71	0.66	0.61	0.57
Discounted Cash Flow				14.4	8.5	8.4	7.8	7.4	7.1	6.8	8.1
Cumulated DCF				14.4	22.9	31.2	39.1	46.5	53.5	60.3	68.4

Sources :Company data, ESN – Bank Degroof Research

Our terminal value factor assumes an EBITDA margin of 8.6% and depreciation/sales & capex/sales of 4.3%. Other key parameters in our scenario are:

- A sales CAGR of 2.6% for the period 2011-2017, banking on a 0.5% volumes increase in processed meats and 1.5% in 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.

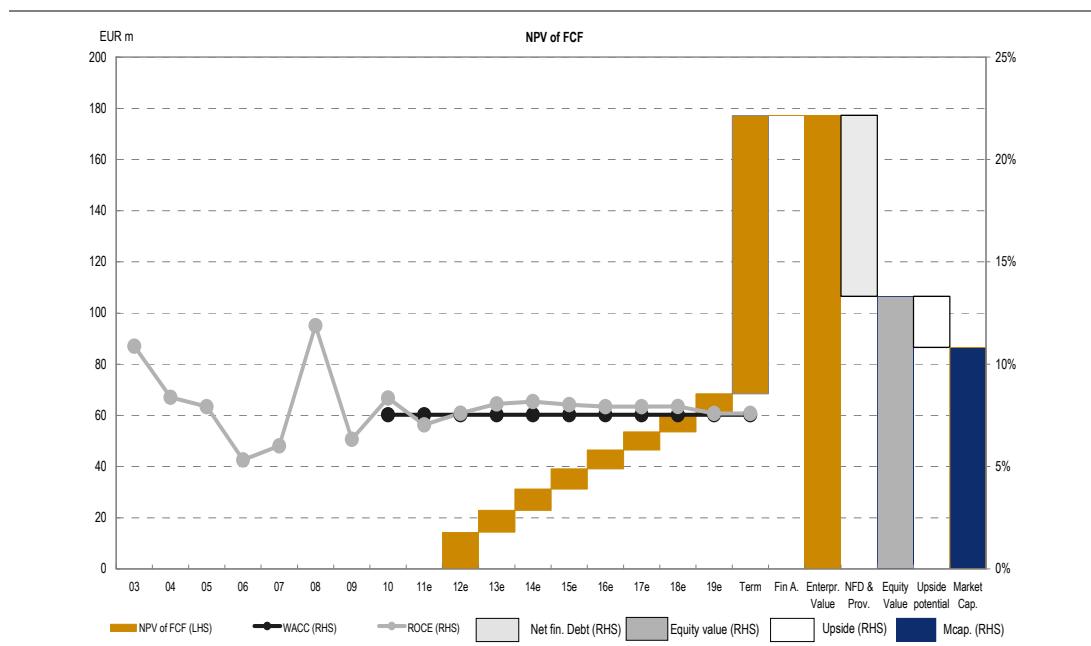
- A normalised EBITDA margin of 8.6% as of 2019. This compares to an average EBITDA margin obtained over 10 years (FY02 till FY11) of 9.1% and over the last five year (FY07 till FY11) of 8.4%. The average historical EBITDA margin over 1997-2010 (14 years) amounts to 8.8%. However, as slicing and packaging are ever becoming more important in Ter Beke-Pluma's product mix, we assume the lower margins should be applied in the future.
- An average capex to sales ratio of 4.9% from 2012 until 2019 (was 4.7% on average between FY07 and FY11). In this capex figure we also include the small acquisitions Ter Beke has done over recent years (and we reckon it will do going forward).
- A normative tax rate of 29%.
- Value estimation of the associates:
Given the ESN methodology, NOPLAT should be based on the operating result only and does not include the earnings contribution of the associates (The Pasta Food Company). Hence, the value of Ter Beke's stake in this JV, consolidated under the equity method, should be estimated separately. We applied the present P/BV Ter Beke is trading at (0.9x) on the investment value.

WACC & DCF analysis

Cost of Equity (Ke or COE)	10.02%	Cumulated DCF	68.4	- Net Financial Debt	-64.6
		Perpetual Growth Rate (g)	0.0%	- Minorities (estimated value)	0.0
Cost of Debt (gross)	4.1%	Normalised Annual CF	14.4	+ Associates	3.9
Debt tax rate	29%	Terminal Value @ 12/2019	191.6	- Pension underfunding & provisions	-10.0
Cost of Debt net (Kd)	2.89%	Disc. Rate of Terminal Val.	0.57	- Off-balance sheet commit.	(1.0)
		Discounted Terminal Val.	108.8	Equity Market Value (EUR m)	106.5
Target gearing (D/E) or % Kd	35.0%			Number of shares (m)	1.7
% Ke	65.0%	Financial assets	0.1	Fair Value per share (EUR)	61.50
Normative Tax Rate	29.0%	Enterprise Value (EUR m)	177.3	Price (EUR)	49.95
WACC	7.53%	DCF reliability rate	39%	Potential upside (downside)	23.1%

Sources: Company data, ESN - Bank Degroof Research

ROCE, WACC and NPV of FCF



Sources: 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 8.0% to 9.2%. The results of this analysis are displayed in the table below and result in a fair value range of EUR 49 and EUR 82/share.

	Avg	Tick		
EBITDA margin	8.55%	0.2%		
WACC	7.53%	0.2%		

WACC	Normalised EBITDA Margin						
	8.0%	8.2%	8.4%	8.6%	8.8%	9.0%	9.2%
8.13%	44.9	47.8	50.7	53.5	56.4	59.3	62.1
7.93%	47.1	50.1	53.1	56.1	59.0	62.0	65.0
7.73%	49.4	52.5	55.6	58.7	61.8	64.9	68.0
7.53%	51.8	55.1	58.3	61.5	64.7	67.9	71.1
7.33%	54.4	57.7	61.1	64.4	67.8	71.1	74.5
7.13%	57.1	60.6	64.1	67.5	71.0	74.5	78.0
6.93%	60.0	63.6	67.2	70.8	74.5	78.1	81.7

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: Fleury Michon, Greencore, LDC, HKScan, Atria, Campofrio and Bell. 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 2011	P/E 2012	Ev/EBITDA 2011	Ev/EBITDA 2012	Ev/EBIT 2011	Ev/EBIT 2012
Fleury-Michon S.A.	130	8.6 x	8.3 x	3.4 x	3.1 x	7.8 x	7.5 x
Greencore Group	247	5.2 x	5.1 x	5.2 x	5.0 x	7.0 x	7.9 x
L.D.C. S.A.	673	12.8 x	10.9 x	3.7 x	3.5 x	7.4 x	6.5 x
HKScan Oyj	308	30.1 x	13.3 x	6.8 x	5.7 x	19.3 x	12.1 x
Atria Oyj	172		13.9 x	9.7 x	6.9 x	61.4 x	17.3 x
Campofrio Food Group S.A.	663	21.5 x	17.5 x	7.4 x	6.7 x	12.0 x	10.6 x
Bell AG	627	12.9 x	9.4 x	4.7 x	4.7 x	8.6 x	7.8 x
Ter Beke (Factset estim.)	87	9.6 x	8.3 x	4.1 x	3.6 x	9.3 x	7.4 x
Ter Beke (Bank Degroof estim.)	87	9.8 x	8.8 x	4.6 x	3.9 x	10.0 x	8.4 x
Average	333	14.4 x	10.8 x	4.1 x	4.9 x	9.3 x	9.6 x
Median	278	12.8 x	10.1 x	4.1 x	4.8 x	9.3 x	7.8 x
Ter Beke vs peer group median		-23.3%	-13.3%	12.8%	-19.5%	8.0%	7.2%
Ter Beke vs peer group average		-31.8%	-18.7%	12.8%	-20.3%	8.0%	-12.8%

Sources: Factset, ESN - Bank Degroof Research

Trading largely below peer group multiples

If we apply the median EV/EBIT and PE multiples for FY11 and FY12e of a broad peer group of European Food & beverage mid & small caps covered by ESN Research, we arrive at an implied

average equity value of EUR 61.7/share, which is in line with our fair value per share based on a DCF valuation exercise and higher than Ter Beke's current share price. We applied an illiquidity discount of 15% for Ter Beke, given the company's size (Mcap < EUR 100m) and 25% free float.

Valuation based on multiples

Ter Beke (EUR m)	FY11	FY12	FY11	FY12	FY11	FY12
EBIT	15.3	17.0				
EV/EBIT multiple	13.5	11.9				
EBITDA			33.2	36.6		
EV/EBITDA multiple			6.3	5.8		
Net result					9.0	9.8
P/E multiple					10.5	9.6
Implied EV	207.0	202.5	209.4	212.0		
Net debt	-64.6	-56.1	-64.6	-56.1		
Periph. ass. - off bal. - minor. - pens.	-6.0	-6.0	-6.0	-6.0		
Implied equity	125.7	136.4	140.4	138.7	149.9	94.6
Illiquidity discount	15%					
Value per share (EUR)	61.68					

Sources: Company data, ESN – Bank Degroof Research (Ter Beke)

Broad peer group multiples

Company	Country	Rec.	Price	Target Price	Market cap EUR (m)	P/E(adj.)		Div. Yield %		EV/EBITDA	
			13-May-11	Fair value		2011	2012	2011	2012	2011	2012
Acom	NL	Hold	EUR 11.05	11.50	259	10.7	10.4	5.0	5.4	7.6	7.3
Aryzta	IE	Buy	EUR 38.49	40.00	3,195	12.6	11.5	1.1	1.2	9.7	8.3
Avangard	UA	Buy	USD 19.00	19.00	854	6.4	5.6	0.0	0.0	4.5	3.3
Bonduelle	FR	Hold	EUR 68.94	75.00	552	14.6	9.6	2.3	2.3	7.6	5.7
Bongrain	FR	Hold	EUR 65.25	69.50	1,007	10.2	9.7	2.8	2.8	5.0	4.6
Campofrio	ES	Hold	EUR 9.23	9.23	943	14.9	13.1	0.8	0.8	6.9	6.1
Donegal Creameries	IE	Buy	EUR 4.15	6.00	42	5.5	5.1	3.9	3.9	4.6	3.8
Enervit	IT	Accumulate	EUR 1.35	1.55	24	12.9	9.6	2.2	2.2	5.9	4.8
Fleury Michon	FR	Hold	EUR 35.40	40.00	163	9.6	8.1	2.6	2.6	4.2	3.8
Fyffes	IE	Accumulate	EUR 0.41	0.48	141	7.1	7.4	4.7	4.9	3.4	3.2
Glanbia	IE	Buy	EUR 4.27	5.00	1,260	9.7	9.1	1.8	1.9	7.2	6.6
Greencore	IE	Hold	EUR 1.16	1.20	237	7.7	7.2	6.5	6.5	7.6	7.0
KTG Agrar	DE	Accumulate	EUR 15.90	16.00	90	14.9	14.7	0.0	0.0	10.1	9.1
LDC	FR	Hold	EUR 72.70	82.00	593	10.7	9.4	2.4	2.4	3.3	2.7
Lotus Bakeries	BE	Accumulate	EUR 405.75	460.00	313	13.3	12.8	2.3	2.4	6.8	6.4
Natra	ES	Sell	EUR 1.70	2.30	81	nm	nm	0.0	0.0	23.3	21.8
Origin Enterprises	IE	Accumulate	EUR 3.75	4.40	515	10.0	9.7	2.5	2.6	5.7	5.7
PinguinLutosa	BE	Accumulate	EUR 10.25	12.00	119	10.5	6.8	0.0	0.0	4.9	3.6
Sipef	BE	Hold	EUR 68.00	72.50	609	9.2	10.3	2.8	2.8	5.4	6.0
Ter Beke	BE	Accumulate	EUR 59.80	71.00	104	10.0	8.9	4.2	4.3	4.2	3.9
Total Produce	IE	Buy	EUR 0.43	0.55	141	5.7	5.6	4.3	4.4	3.1	2.7
Viscofan	ES	Hold	EUR 29.60	30.50	1,379	15.1	13.7	3.3	3.6	8.2	7.3
Wessanen	NL	Hold	EUR 3.06	3.00	229	20.4	19.5	2.3	2.9	7.9	7.6
Mkt cap total (EUR) & Weighted averages					12,850	11.1	10.1	2.0	2.1	6.8	6.0
Arithmetical Average						11.0	9.9	2.5	2.6	6.8	6.1
Median						10.5	9.6	2.4	2.5	6.3	5.8

Source: ESN estimates

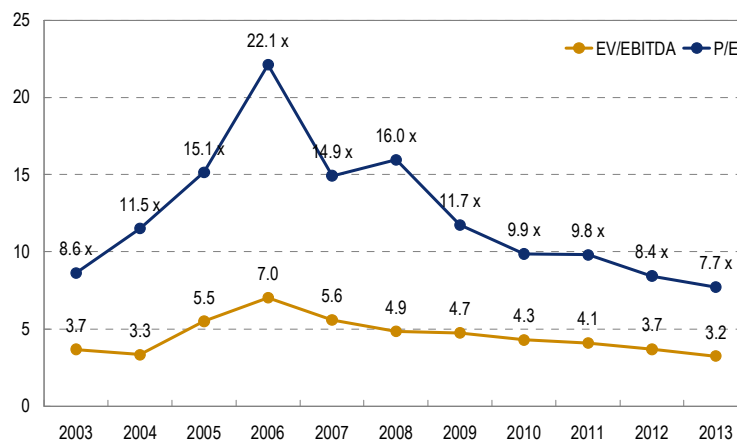
Ready for a re-rating.

Time has come for an important move in the Fresh Ready Meals business: international expansion towards Eastern and Central Europe.

In Processed Meats Ter Beke aims to expand its business to outside its traditional geographical scope, which thus far was chiefly Belgium, the Netherlands and France. At first sight Germany and the UK seem to be attractive markets that could come within scope.

Historically Ter Beke has been trading at a P/E multiple of 12.4x and an EV/EBITDA multiple of 4.5x. At present the average P/E and EV/EBITDA multiples for the European small & mid caps in the food & beverages industry are 10.5x and 6.3x, respectively. Although given the limited market cap Ter Beke does deserve to trade at a discount vs. its main peers, given the groups ambitious growth plans and improvement of profitability thanks to new product launches and branding, we think that multiples are too low and hence, that the stock is ready for a re-rating.

Historical EV/EBITDA and P/E multiples



Source: Factset

Company Profile

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 its processed meats division, both thanks to internal growth and 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-Sleegers 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**.

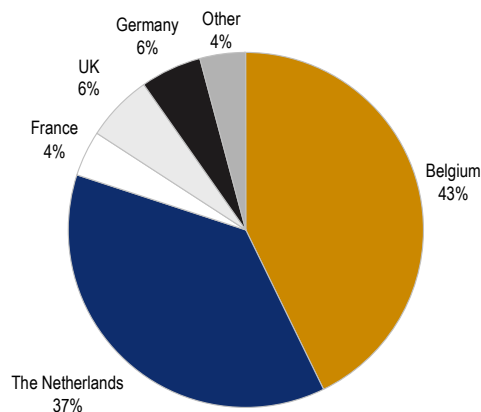
At end 2010, Ter Beke announced that it is teaming up with Stefano Toselli for the construction of an automated production plant in Central Europe and the **commercialisation of chilled lasagne and pasta meals in CEE**. The name of this new JV is The Pasta Food Company.

Search for sales growth

Becoming less dependent from raw materials

Growth ambitions in CEE

FY10 sales geographical split



Sources: Company data, ESN – Bank Degroof Research
 Note: FY11 geographical split has not been disclosed yet

Company description

Ter Beke is an innovating Belgian fresh food group that commercialises its range of products in 10 European countries. The group has 2 core activities: processed meats and fresh ready meals. It has 9 industrial plants in Belgium, the Netherlands and France and employs approx. 1,800 people.



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, the UK and Germany.



– This division operates **3 production sites** in Belgium (Wommelgem, Waarschoot, and Herstal) 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. 1,050 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®. In FY12, Ter Beke has launched a new product concept and brand name, Oligusto, for processed meats products in which it replaces 50% of total fat in the meat by olive oil.

– Volume sold in FY10: 48,100 tonnes (**250-300m consumer units**)

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**, 2 of which 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: 40,000 tonnes (**c. 100m consumer units**)

Company description

Segment	Description of the business	Main distribution brands	Market structure	Market position	Main competitors	Customers
Ter Beke-Pluma 68% of FY11 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) Oligusto (refined with olive oil)	2 large players	N° 1 in Belgium for processed meats	Campofrio Food Group, Detry, Stegeman, Compaxo, Zwanenberg Food Group	Retailers, wholesalers
	Slicing and packaging services (50% of divisional sales) 3 production plants in Belgium and 4 centers for slicing & packaging of processed meats, 2 of which in Belgium and 2 in the Netherlands			Mainly 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
FreshMeals 32% of FY11 sales	Producer of fresh ready meals for the European market	Come a casa (in Belgium)	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				
The Pasta Food Company (start-up)	<i>50/50 JV with Stefano Toselli for the production and distribution of fresh lasagne</i> <i>1 production plant in Poland (still to be constructed)</i> <i>Mainly lasagne, also canelloni</i>	<i>To be decided</i>	<i>Quasi non-existing</i>	<i>Green field to be started up, targets Central & Eastern Europe</i>	<i>Quasi non-existing</i>	<i>Retailers</i>

Source: Company data, ESN – Bank Degroof Research

Financials

FY11 analysis

(EUR m)	1H10	2H10	FY10	1H11	2H11	FY11a	% YoY	FY11e	Δ% exp
Net sales	197.4	204.8	402.2	198.5	205.2	403.7	0.4%	404.9	-0.3%
Processed meats	136.3	141.1	277.4	133.3	140.8	274.1	-1.2%	273.9	0.1%
Fresh ready meals	61.1	63.8	124.9	65.2	64.4	129.7	3.8%	130.9	-1.0%
EBITDA	19.6	17.9	37.5	16.4	16.9	33.2	-11.4%	34.6	-4.0%
<i>EBITDA margin</i>	9.9%	8.8%	9.3%	8.2%	8.2%	8.2%		8.6%	
Non-cash costs	8.9	10.8	19.7	8.9	9.0	17.9	-9.1%	19.4	-7.6%
EBIT	10.7	7.1	17.8	7.4	7.9	15.3	-13.9%	15.3	0.5%
<i>EBIT margin</i>	5.4%	3.5%	4.4%	3.7%	3.8%	3.8%		3.8%	
Financial result	-2.1	-1.4	-3.5	-1.4	-1.3	-2.7	-22.7%	-3.1	-11.4%
EBT	8.5	5.8	14.3	6.0	6.6	12.6	-11.7%	12.2	3.5%
Taxes	-2.8	-1.0	-3.8	-1.5	-1.9	-3.4	-10.9%	-3.2	7.7%
Net result	5.7	4.7	10.5	4.5	4.7	9.2	-12.0%	9.0	2.0%
<i>Net margin</i>	2.9%	2.3%	2.6%	2.3%	2.3%	2.3%		2.2%	
Adj. EPS (EUR)	3.31	2.73	6.04	2.60	2.60	5.20	-13.8%	5.21	-0.1%

Source : Company data, ESN – Bank Degroof Research

▪ Sales

In FY11, the total group **turnover** increased by 0.4% from EUR 402.2m to EUR 403.7m, **in line** with expectations.

In the **ready meals** division, the turnover increased by EUR 4.8m to EUR EUR 129.7m (+3.9%), which was mainly due to a **strong volume increase in lasagne and pasta meals**.

In the **processed meats** division, the turnover decreased by 1.1% or EUR 3.3m to EUR 274.0m with **stable total volumes**. The decrease is mainly due to a changed product-mix, whereby sales volumes of cheaper products go up to the detriment of sales volumes of more expensive products. The group's **market share has increased** in Belgium (from 15% to 17%), the UK and Germany.

EUR m	1H10	2H10	FY10	1H11	2H11	FY11
Sales	197.4	204.8	402.2	198.5	205.2	403.7
<i>Total sales growth %</i>	3.1%	1.9%	2.5%	0.6%	0.2%	0.4%
Processed meats	136.3	141.0	277.3	133.3	140.7	274.0
<i>Sales growth %</i>	4.0%	-0.8%	1.5%	-2.2%	-0.2%	-1.2%
Fresh ready meals	61.1	63.8	124.9	65.2	64.5	129.7
<i>Sales growth %</i>	1.2%	8.3%	4.7%	6.7%	1.1%	3.9%

Source : Company data, ESN – Bank Degroof Research

▪ Operating result

EBITDA

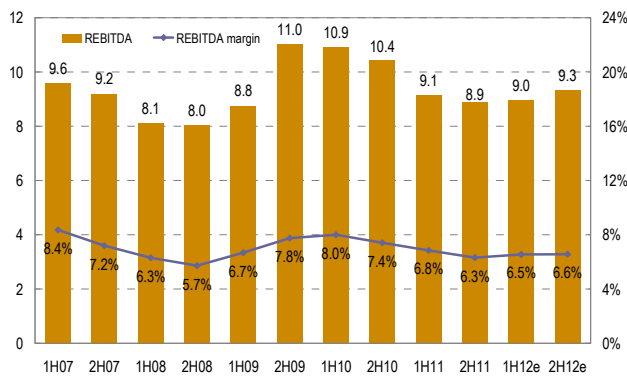
EBITDA has decreased by EUR 4.3m (**-11.4%**) going from EUR 37.5m in FY10 to EUR 33.2m in FY11, due to raw material prices, which have been rising since 2H10. Because of the nature of the contracts the group enters into with its major retail customers, there is an inevitable delay in charging these price increases through to customers.

EUR m	1H10	2H10	FY10	1H11	2H11	FY11
REBITDA	19.6	17.9	37.5	16.4	16.9	33.2
Total REBITDA growth %	22.2%	-6.3%	6.7%	-16.5%	-5.8%	-11.4%
REBITDA margin	9.9%	8.8%	9.3%	8.2%	8.2%	8.2%
Processed meats	10.9	10.4	21.4	9.1	8.9	18.0
REBITDA growth %	24.5%	-5.1%	8.0%	-16.3%	-14.9%	-15.6%
REBITDA margin	8.0%	7.4%	7.7%	6.8%	6.3%	6.6%
Fresh ready meals	9.8	8.3	18.2	7.9	8.9	16.8
REBITDA growth %	9.9%	-10.2%	-0.3%	-19.6%	7.2%	-7.3%
REBITDA margin	16.1%	13.1%	14.5%	12.1%	13.9%	13.0%

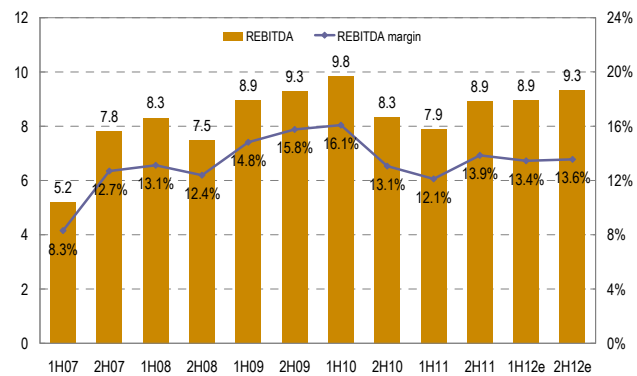
Source : Company data, ESN – Bank Degroof Research

Processed meats (EBITDA – EUR m)

Ready meals (EBITDA – EUR m)



Source: Company data, ESN – Bank Degroof Research



Source: Company data, ESN – Bank Degroof Research

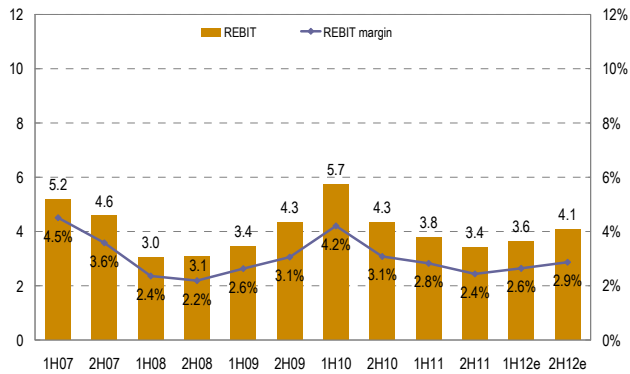
EBIT

EUR m	FY06	FY07	FY08	FY09	FY10	1H11	2H11	FY11
REBIT	10.1	12.2	11.4	15.1	17.8	7.4	7.9	15.3
Total EBIT growth %	-53.3%	20.6%	-6.7%	32.6%	18.0%	-30.2%	10.5%	-13.9%
REBIT margin	3.1%	3.3%	2.9%	3.8%	4.4%	3.7%	3.8%	3.8%
Processed meats	8.3	9.7	6.1	7.8	10.1	3.8	3.4	7.2
REBIT growth %	1.4%	16.8%	-37.3%	27.5%	29.3%	-34.3%	-21.1%	-28.6%
REBIT margin	4.1%	4.0%	2.3%	2.9%	3.6%	2.8%	2.4%	2.6%
Fresh ready meals	3.7	5.3	7.9	10.8	10.4	4.7	5.8	10.5
REBIT growth %	-26.3%	41.8%	50.4%	36.4%	-3.4%	-27.0%	44.3%	0.4%
REBIT margin	3.1%	4.2%	6.4%	9.0%	8.3%	7.2%	9.0%	8.1%

Source : Company data, ESN – Bank Degroof Research

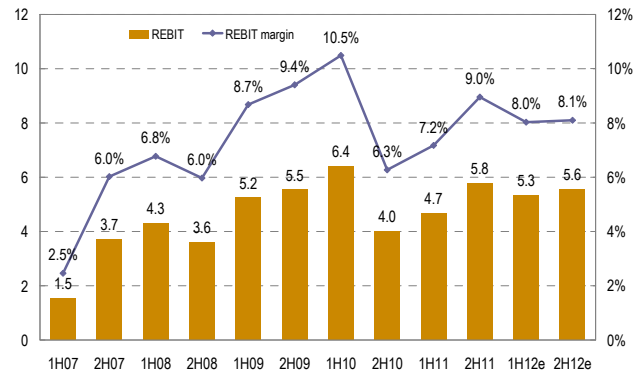
Total non-cash costs decreased to EUR 17.9m, which was primarily due to lower impairments on fixed assets compared to FY10 and which resulted in EBIT of EUR 15.3m compared to EUR 17.8m in FY10 (-13.9%).

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

EUR 0.3m of the EUR 0.8m improvement of the net financing costs is due to the positive difference in the exchange rate result on the GBP pursuant to the group's hedging policy, the remaining EUR 0.3m being caused by lower interest rates and bank costs. After taxes (EUR 3.4m, tax rate of 27.1%), the FY11 net result came out at EUR 9.2m, slightly ahead of our estimate of EUR 9.0m.

The BoD will propose the payment of a gross dividend of EUR 2.50/share (stable and as expected), which results in a handsome gross yield of 5.0%.

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 ▪ 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, Oligusto concept...) ▪ Internal and external growth in the chilled ready meals segment ▪ 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 ▪ Declining meat consumption ▪ Increasing raw materials prices

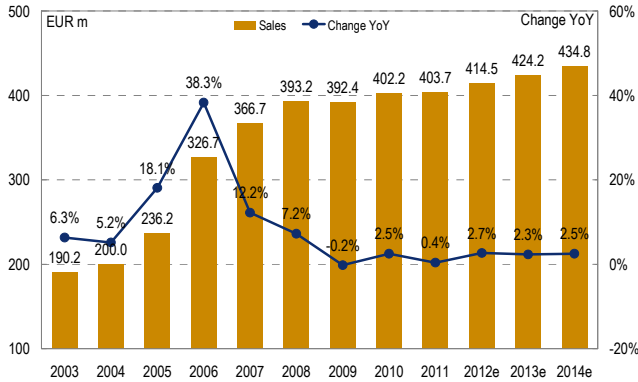
Upcoming Events Calendar

Date	Event	Comment
30-Apr-12	Annual report publication	At the latest
11-May-12	1Q12 interim statement	Before market
31-May-12	AGM 2012	@ 11:00 am CET
31-Aug-12	1H12 results	Before market
9-Nov-12	3Q12 interim statement	Before market

Source: Company data, ESN – Bank Degroof Research

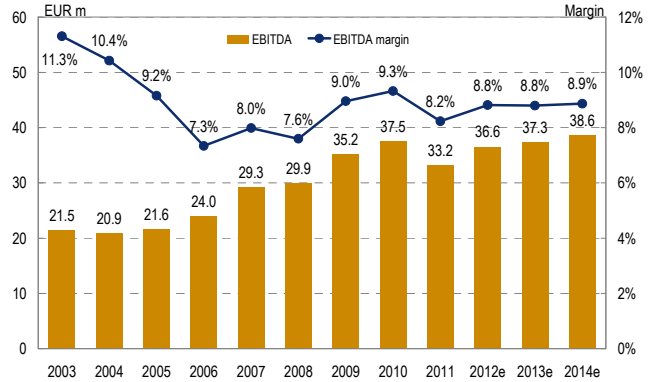
Ter Beke: Key graphs financials

Sales & growth



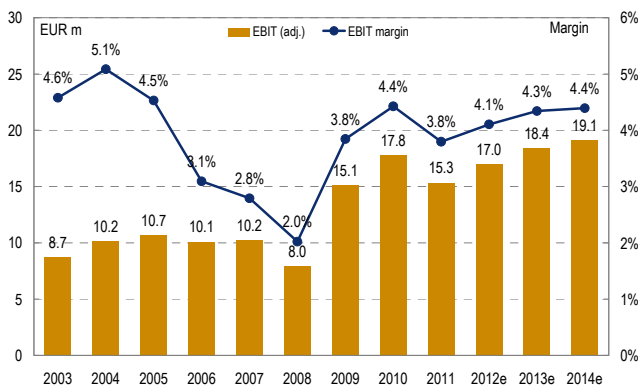
Source: Company data, ESN – Bank Degroof Research

Adjusted EBITDA & margin



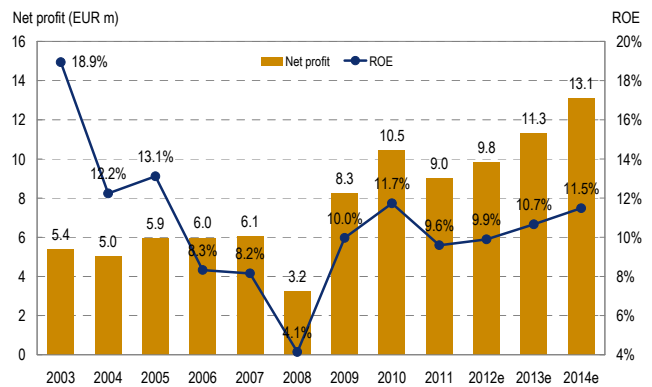
Source: Company data, ESN – Bank Degroof Research

Adjusted EBIT & margin



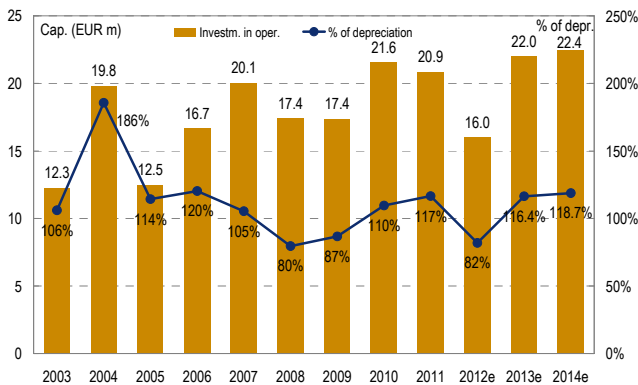
Source: Company data, ESN – Bank Degroof Research

Net results & return on equity



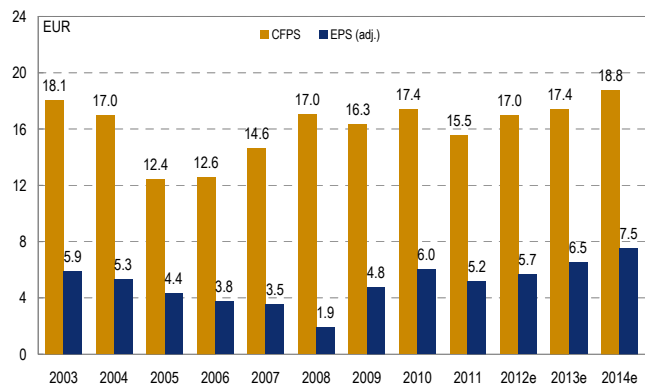
Source: Company data, ESN – Bank Degroof Research

Investments in operations



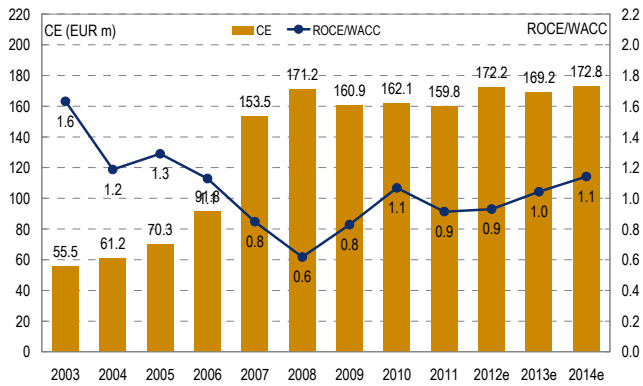
Source: Company data, ESN – Bank Degroof Research

EPS (adjusted) & CFPS



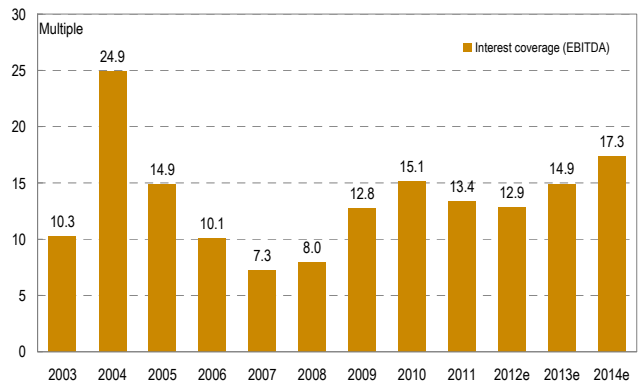
Source: Company data, ESN – Bank Degroof Research

Capital employed & ROCE/WACC



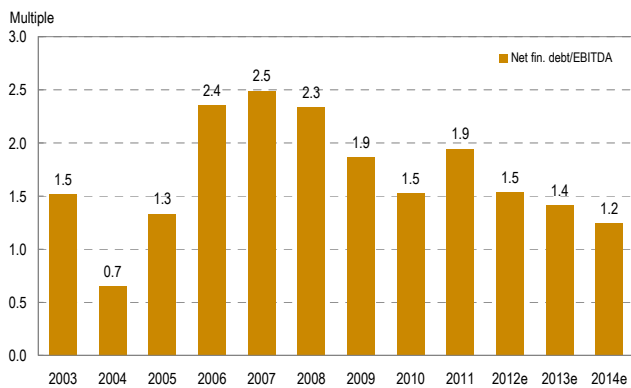
Source: Company data, ESN – Bank Degroof Research

Interest coverage



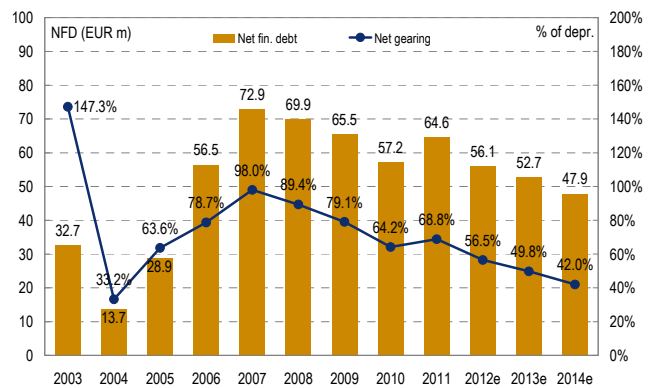
Source: Company data, ESN – Bank Degroof Research

Net financial debt to EBITDA



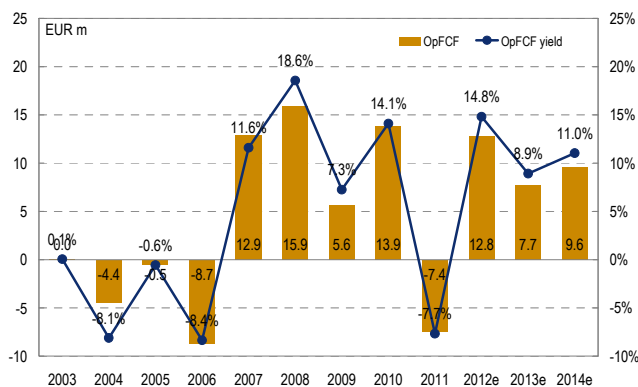
Source: Company data, ESN – Bank Degroof Research

Net financial debt & gearing



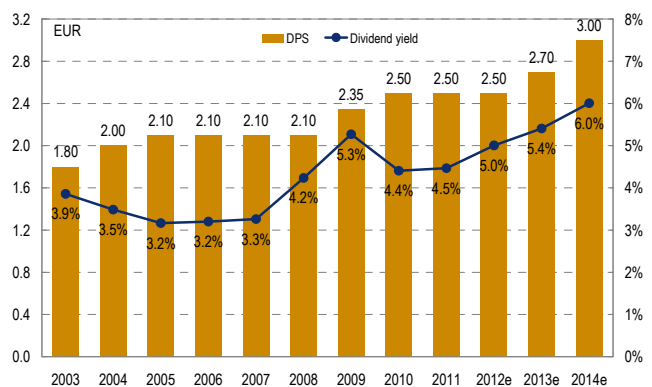
Source: Company data, ESN – Bank Degroof Research

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)	12/2008	12/2009	12/2010	12/2011	12/2012e	12/2013e
Sales	393	392	402	404	414	424
Cost of Sales & Operating Costs	-363	-357	-365	-370	-378	-387
Non Recurrent Expenses/Income	2.0	0.6	0.4	0.6	0.6	0.6
EBITDA	29.9	35.2	37.5	33.2	36.6	37.3
EBITDA (adj.)*	27.9	34.6	37.1	32.6	35.9	36.7
Depreciation	-22.6	-19.4	-19.7	-18.0	-19.5	-18.9
EBITA	7.3	15.7	17.8	15.2	17.0	18.4
EBITA (adj.)*	5.3	15.1	17.3	14.6	16.4	17.8
Amortisations and Write Downs	0.7	-0.6	0.0	0.1	0.0	0.0
EBIT	8.0	15.1	17.8	15.3	17.0	18.4
EBIT (adj.)*	6.0	14.5	17.4	14.7	16.4	17.8
Net Financial Interest	-3.7	-2.8	-2.5	-2.5	-2.8	-2.5
Other Financials	-1.0	0.1	-1.0	-0.2	-0.2	-0.2
Associates	0.0	0.0	0.0	-0.2	-0.2	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	3.2	12.4	14.3	12.4	13.7	15.7
Tax	4.4	-4.2	-3.8	-3.4	-3.9	-4.4
<i>Tax rate</i>	<i>nm</i>	<i>33.6%</i>	<i>26.8%</i>	<i>27.5%</i>	<i>28.4%</i>	<i>28.0%</i>
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	10	9	10	11
Net Profit (adj.)	3	8	10	9	10	11
CASH FLOW (EURm)	12/2008	12/2009	12/2010	12/2011	12/2012e	12/2013e
Cash Flow from Operations before change in NWC	29.5	28.3	30.2	26.9	29.4	30.2
Change in Net Working Capital	3.9	-5.3	5.3	-13.5	-0.5	-0.5
Cash Flow from Operations	33.4	23.0	35.5	13.4	28.8	29.7
Capex	-17.4	-17.4	-21.6	-20.9	-16.0	-22.0
Net Financial Investments	0.9	-0.6	0.0	-4.5	0.0	0.0
Free Cash Flow	16.8	5.0	13.8	-12.0	12.8	7.7
Dividends	-3.6	-3.6	-4.1	-4.3	-4.3	-4.3
Other (incl. Capital Increase & share buy backs)	-10.1	3.0	-1.5	8.9	0.0	0.0
Change in Net Debt	3	4	8	-7	8	3
NOPLAT	4	10	12	10	12	13
BALANCE SHEET & OTHER ITEMS (EURm)	12/2008	12/2009	12/2010	12/2011	12/2012e	12/2013e
Net Tangible Assets	112	109	112	106	103	106
Net Intangible Assets (incl. Goodwill)	37.8	37.3	37.2	37.3	37.3	37.3
Net Financial Assets & Other	0.2	0.2	0.1	9.5	4.5	4.5
Total Fixed Assets	150	146	149	153	145	148
Inventories	24.4	23.1	23.8	24.4	25.1	25.6
Trade receivables	59.1	57.9	64.7	69.6	76.6	78.4
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
Cash (-)	-5.6	-2.7	-4.8	-5.7	-0.2	7.7
Total Current Assets	89.1	83.7	93.3	99.7	102	96.3
Total Assets	239.4	230.0	242.6	252.9	246.5	244.1
Shareholders Equity	78.1	82.8	89.1	93.9	99.4	106.0
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	78.1	82.8	89.1	93.9	99.4	106.0
Long term interest bearing debt	56.6	47.2	40.5	40.0	32.0	25.9
Provisions	9.2	10.2	9.9	10.0	10.0	10.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Long Term Liabilities	65.8	57.3	50.4	50.0	42.0	36.0
Short term interest bearing debt	18.9	21.0	21.5	30.4	24.3	19.4
Trade payables	61.1	51.7	65.5	62.9	64.6	66.1
Other current liabilities	15.5	17.2	16.1	15.8	16.2	16.6
Total Current Liabilities	95.5	89.9	103.1	109.0	105.0	102.1
Total Liabilities and Shareholders' Equity	239.4	230.0	242.6	252.9	246.5	244.1
Net Capital Employed	157.2	158.4	156.2	168.5	165.5	169.1
Net Working Capital	22.4	29.3	23.0	31.1	37.1	38.0
GROWTH & MARGINS	12/2008	12/2009	12/2010	12/2011	12/2012e	12/2013e
<i>Sales growth</i>	<i>7.2%</i>	<i>-0.2%</i>	<i>2.5%</i>	<i>0.4%</i>	<i>2.7%</i>	<i>2.3%</i>
EBITDA (adj.)* growth	-7.9%	23.8%	7.2%	-11.9%	10.1%	2.1%
<i>EBITA (adj.)* growth</i>	<i>-56.7%</i>	<i>183.1%</i>	<i>14.4%</i>	<i>-15.7%</i>	<i>12.5%</i>	<i>8.5%</i>
<i>EBIT (adj.)* growth</i>	<i>-46.8%</i>	<i>141.8%</i>	<i>19.8%</i>	<i>-15.1%</i>	<i>11.3%</i>	<i>8.5%</i>
<i>Net Profit growth</i>	<i>-46.6%</i>	<i>154.7%</i>	<i>26.7%</i>	<i>-13.9%</i>	<i>9.2%</i>	<i>14.9%</i>

Ter Beke: Summary tables

GROWTH & MARGINS	12/2008	12/2009	12/2010	12/2011	12/2012e	12/2013e
<i>EPS adj. growth</i>	-46.7%	154.6%	26.7%	-13.9%	9.2%	14.9%
<i>DPS adj. growth</i>	0.0%	11.9%	6.4%	0.0%	0.0%	8.0%
<i>EBITDA margin</i>	7.6%	9.0%	9.3%	8.2%	8.8%	8.8%
<i>EBITDA (adj)* margin</i>	7.1%	8.8%	9.2%	8.1%	8.7%	8.6%
<i>EBITA (adj)* margin</i>	1.4%	3.9%	4.3%	3.6%	4.0%	4.2%
<i>EBIT (adj)* margin</i>	1.5%	3.7%	4.3%	3.6%	4.0%	4.2%
RATIOS	12/2008	12/2009	12/2010	12/2011	12/2012e	12/2013e
Net Debt/Equity	0.9	0.8	0.6	0.7	0.6	0.5
Net Debt/EBITDA	2.3	1.9	1.5	1.9	1.5	1.4
Interest cover (EBITDA/Fin.interest)	8.0	12.8	15.1	13.4	12.9	14.9
Capex/D&A	79.6%	86.7%	109.6%	116.6%	81.9%	116.4%
Capex/Sales	4.4%	4.4%	5.4%	5.2%	3.9%	5.2%
NWC/Sales	5.7%	7.5%	5.7%	7.7%	8.9%	8.9%
ROE (average)	4.2%	10.3%	12.2%	9.8%	10.2%	11.0%
ROCE (adj.)	2.5%	5.9%	7.2%	6.0%	6.6%	7.0%
WACC	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
ROCE (adj.)/WACC	0.3	0.8	1.0	0.8	0.9	0.9
PER SHARE DATA (EUR)***	12/2008	12/2009	12/2010	12/2011	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	6.04	5.31	5.79	6.52
EPS (adj.)	1.87	4.77	6.04	5.20	5.68	6.52
BVPS	45.13	47.79	51.43	54.18	57.36	61.18
DPS	2.10	2.35	2.50	2.50	2.50	2.70
VALUATION	12/2008	12/2009	12/2010	12/2011	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	4.6	4.0	3.8
EV/EBITDA (adj.)*	5.2	4.6	4.4	4.7	4.0	3.9
EV/EBITA	19.9	10.2	9.1	10.1	8.5	7.7
EV/EBITA (adj.)*	27.2	10.6	9.3	10.6	8.9	8.0
EV/EBIT	18.3	10.6	9.1	10.0	8.5	7.7
EV/EBIT (adj.)*	24.2	11.0	9.3	10.5	8.9	8.0
P/E (adj.)	22.9	11.3	9.9	9.8	9.0	7.8
P/BV	1.0	1.1	1.2	0.9	0.9	0.8
Total Yield Ratio	4.9%	4.4%	4.2%	4.9%	4.9%	5.3%
EV/CE	0.8	0.9	0.9	0.9	0.8	0.8
OpFCF yield	21.4%	6.0%	13.4%	-8.4%	14.5%	8.7%
OpFCF/EV	11.0%	3.5%	8.6%	-4.8%	8.8%	5.4%
Payout ratio	47.8%	49.3%	41.4%	47.1%	43.1%	41.4%
Dividend yield (gross)	4.9%	4.4%	4.2%	4.9%	4.9%	5.3%
EV AND MKT CAP (EURm)	12/2008	12/2009	12/2010	12/2011	12/2012e	12/2013e
Price** (EUR)	42.95	53.99	59.80	51.00	50.99	50.99
Outstanding number of shares for main stock	1.7	1.7	1.7	1.7	1.7	1.7
Total Market Cap	74	94	104	88	88	88
Net Debt	70	65	57	65	56	53
<i>o/w Cash & Marketable Securities (-)</i>	-6	-3	-5	-6	0	8
<i>o/w Gross Debt (+)</i>	75	68	62	70	56	45
Other EV components	1	1	1	1	1	1
Enterprise Value (EV adj.)	145	160	162	154	145	142

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 activities: processed meats and fresh ready meals. It has 9 industrial sites in Belgium, the Netherlands and France and employs about 1,800 people. The Processed Meats BU 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 (Oligusto, L'Ardennaise, Pluma, Daniël Coopman). The Ready Meals BU FreshMeals produces fresh ready meals for the European market. It is European market leader in fresh lasagne. Its 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**.

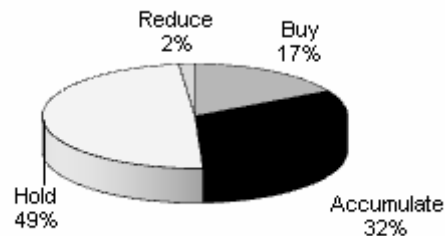
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

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.

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- **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

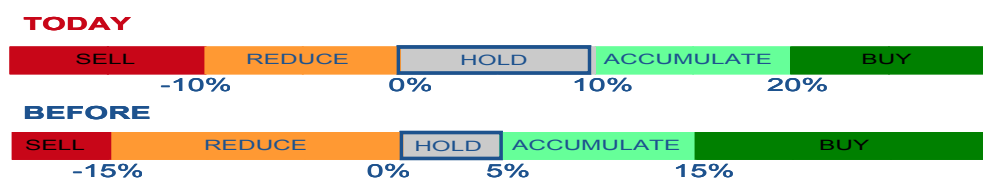


History of ESN Recommendation System

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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* *authorised agent*

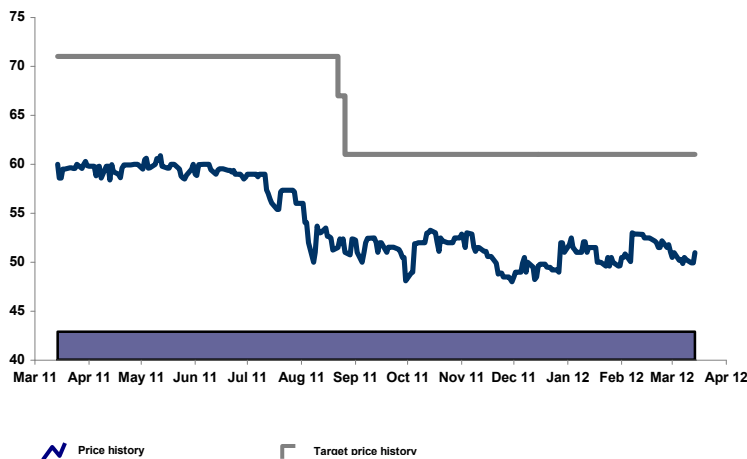
Mail: firstname.lastname@degroof.be

Recommendation history for TER BEKE

Date	Recommendation	Target price	Price at change date
15-Mar-12	Buy	61.00	50.99
26-Aug-11	Accumulate	61.00	51.00
22-Aug-11	Accumulate	67.00	51.50
29-Dec-10	Accumulate	71.00	59.20
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

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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