

Investment Research

Reason: Company Newsflow

28 March 2013

Accumulate

from Hold

Share price: EUR 50.75

closing price as of 27/03/2013

Target price: EUR 58.00

from Target Price: EUR **53.00**

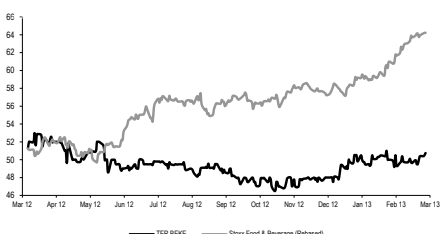
Reuters/Bloomberg

TERB.BR/TERB.BB

Daily avg. no. trad. sh. 12 mth	440
Daily avg. trad. vol. 12 mth (m)	0.02
Price high 12 mth (EUR)	53.00
Price low 12 mth (EUR)	46.50
Abs. perf. 1 mth	3.2%
Abs. perf. 3 mth	5.7%
Abs. perf. 12 mth	-3.5%

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

Key financials (EUR)	12/12	12/13e	12/14e
Sales (m)	421	420	432
EBITDA (m)	31	33	33
EBITDA margin	7.4%	7.7%	7.5%
EBIT (m)	14	15	15
EBIT margin	3.2%	3.5%	3.5%
Net Profit (adj.)(m)	8	9	10
ROCE	5.4%	5.8%	5.9%
Net debt/(cash) (m)	61	51	47
Net Debt Equity	0.6	0.5	0.4
Net Debt/EBITDA	2.0	1.6	1.4
Int. cover(EBITDA/Fin.int)	14.8	16.7	19.0
EV/Sales	0.3	0.3	0.3
EV/EBITDA	4.7	4.3	4.2
EV/EBITDA (adj.)	4.8	4.4	4.2
EV/EBIT	10.7	9.5	9.1
P/E (adj.)	10.1	10.3	8.9
P/BV	0.8	0.9	0.8
OpFCF yield	10.1%	16.4%	10.5%
Dividend yield	4.9%	4.9%	4.9%
EPS (adj.)	4.74	4.94	5.69
BVPS	56.58	59.02	62.21
DPS	2.50	2.50	2.50



Source: Factset

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

For company description please see summary table footnote

Headwinds not so bad after all

In this report we show our scenario update after Ter Beke's FY12 release and analyst meeting. We are taking into account the sudden drop in demand for fresh lasagne (negative impact on top-line, but less than anticipated earlier, which explains our upward revision) and continued harsh macro environment.

Our conservative DCF valuation model points to a fair value of EUR 58 (up from EUR 53 previously), which is our target price. Given the upside potential of 14%, we raise our recommendation from Hold to Accumulate.

✓ OK-ish FY12, ...

Ter Beke reported a FY12 top line of EUR 421.1m (+4.3%), in line with our expectations. REBITDA (EUR 33.1m) and REBIT (EUR 13.9m) have decreased due to raw material prices, which have continued their uptrend (and have peaked in 3Q12) and which can only be charged through with a certain delay. Also energy costs, wages and product mix had a negative impact. After net financing costs that came out better than anticipated and higher than expected taxes, the company posted a bottom line that was higher than anticipated of EUR 8.2m, only 9% lower, while we anticipated a drop of 17%.

✓ ... impacted by raw materials prices hikes

The strong increase of pork prices in 2H12 has severely hit Ter Beke's Processed Meats division, while also the Ready Meals division has experienced difficulties. The latter division's main product is lasagne, containing next to pork, of course also wheat, for which the price has run up strongly as well. The declining trend should provide room to post better margins again in FY13.

✓ Uncertainty about FY13 due to the Horsemeat scandal

In a forward looking statement that was accompanying the FY12 release, Ter Beke management was pointing to the horsemeat scandal in the frozen ready meals sector that is also having a negative impact on consumer demand for Ter Beke's chilled ready meals (predominantly lasagne). Therefore, management declined to provide any guidance as it stated that "it is impossible to assess the impact on 2013 results".

Sales of fresh lasagne, for which Ter Beke is market leader in Europe, have decreased dramatically since the start of the horsemeat scandal a couple of weeks ago. It appears that shoppers steer clear of products they fear might not be quite what they claim on the label. Although Ter Beke does not have problems with suppliers or traceability of raw materials, it has been experiencing a sudden drop of demand and it was obliged to reduce capacity temporarily in two production plants for ready meals.

✓ In search of a new CEO

In Jan-13, Ter Beke announced that CEO Marc Hofman has resigned as Managing Director and Chairman of Ter Beke's ExCo. He has accepted the CFO position at Colruyt Group. As a consequence, Ter Beke has appointed the Board member and seasoned entrepreneur Dirk Goeminne as interim CEO.

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Investment Case:

Ter Beke has been facing a perfect storm due to the combination of increasing production costs in 2H12 (chiefly raw materials, energy and wages), a sudden drop in demand for one of its main products due to the horse meat scandal in 1Q13 and a hesitating consumer that was increasingly buying cheaper products (in FY12)... No wonder the stock is cheaply valued at 8.9x FY14e earnings and an EV/EBITDA FY14e multiple of 4.2x.

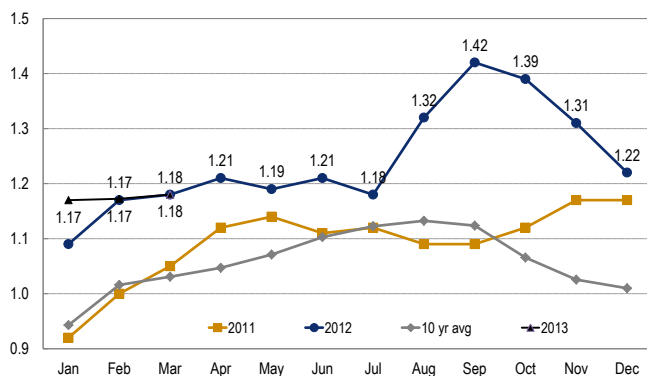
Focus 1 : Raw materials prices hike

■ Skyrocketing pork prices

Ter Beke typically experiences delays when passing on higher raw materials prices to customers. In 3Q12 the pork price evolution was dramatic with prices peaking to over EUR 1.40/kg in September. Given the sudden sharp increase of the purchase price of the company's most important raw material in combination with the steady increase of energy costs and wages, margins have been impacted negatively in 2H12 (see FY12 results discussion on page 12).

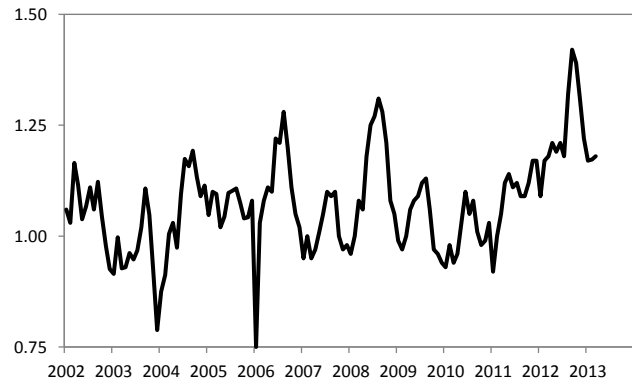
Also in 2013 Ter Beke is facing higher prices for its main commodity. Thus far in 1Q13 pork prices are on average some 2% above the average price of 1Q12. The difference in pricing with the average price in 1Q over the past 10 years amounts to no less than +15%, though.

EUR/kg pork (Belgium - YoY)



Source: Debaille/Danis, ESN – Bank Degroof Research

EUR/kg pork (Belgium – monthly average till present)



Source: Debaille/Danis, ESN – Bank Degroof Research

Focus 2 : Horsemeat scandal

■ Tumbling lasagne sales

Although initially Ter Beke management played down the potential impact of the horsemeat scandal when we got in touch at the start of the crisis, it has become clear in the meantime that sales in Ter Beke's ready meals division were hit and important clients in Germany and Belgium have been reducing orders. Particularly **sales of fresh lasagne, for which Ter Beke is market leader in Europe, have decreased dramatically since the start of the horsemeat scandal a couple of weeks ago.**

According to Belgian press it appears that shoppers steer clear of products they fear might not be quite what they claim on the label. Although Ter Beke does not have problems with suppliers or about the traceability of the raw materials it is purchasing, the company is experiencing a sudden drop of demand for lasagne and therefore it was obliged to reduce capacity temporarily in two Belgian production plants for ready meals (in Marche-en-Famennes and in Wanze).

At the analyst meeting in connection to the FY12 release Ter Beke management confirmed that in the meantime the situation is gradually improving, though. After all, sales of Come a casa branded

lasagne have held up rather well. It seems that particularly private label products experienced a sudden fall in demand, which is expected to be temporary.

According to the outcome from inquiry among 606 French households between March 1st and 5th, 2013 about their intention to buy beef containing ready meals in the future, about 30% responded that they will certainly not or probably not buy these products again.

Inquiry among French households about buying beef containing ready meals

Ready meals	Fresh	Frozen
Will certainly not buy again	15%	15%
Will probably not buy again	14%	24%
Don't know	27%	21%
Will probably buy again	24%	24%
Will certainly buy again	20%	16%

Source: Les Echos, Nielsen

After the outbreak of the horsemeat scandal we initially halved our output estimate for fresh ready meals for 2 months. This seems to be somewhat too drastic and in our updated FY13 scenario for the Ready Meals division, we reduced lasagne sales by 25% for 2 months. Recent Nielsen data suggest that particularly frozen ready meals sales in France are down c. -45% in the past four weeks, and that fresh pasta based ready meals have dropped about 20%. For the time being we only expect very limited or even no impact for the Processed Meats division.

We stress that the company itself does not have problems with suppliers and traceability of raw materials, but it solely experiences a drop in demand of one of its major products. In a first reaction Ter Beke has labelled the packaging of its Come a casa branded products which allowed it to weather the storm.

Focus 3 : Negative effects of the economic crisis

■ Trading down consumers

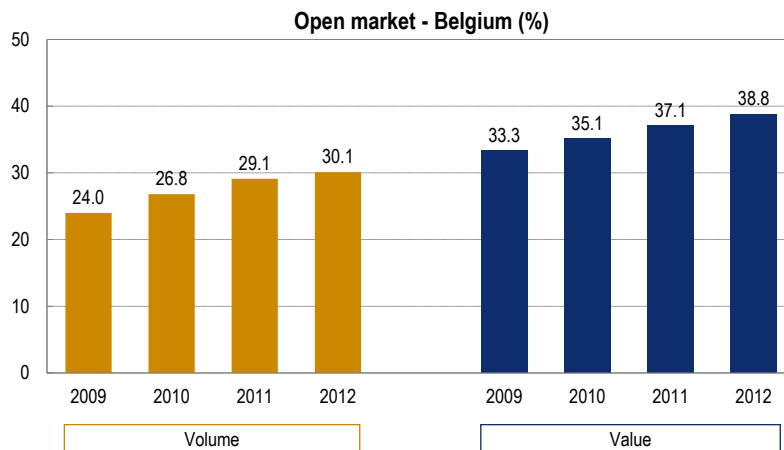
Historically the category of fine **processed meats products is characterised by poor market dynamics** with consumers that are little sensible to branding. At a previous occasion Ter Beke has announced that due to the weak general economic climate, consumers tend to buy cheaper products at the expense of more expensive products. This trend has started last year and has particularly curbed the margins of the Processed Meats division. Last year's **unfavourable shift in product mix seems to have stabilised in 1Q13, though.**

In order to buck the trend, Ter Beke last year has launched the brand name Oligusto. With this innovative product concept Ter Beke replaces 50% of total fat in the meats by olive oil which results in a strong reduction of saturated fat and at the same time it enriches the taste. In 2012 Ter Beke has invested heavily in brand activation and marketing to convince the consumer to get to know Oligusto. We had the impression that market acceptance has been somewhat slower than anticipated and expect Ter Beke to continue to invest in FY12 in this new product concept and brand name in order to protect margins of its processed meats division.



Traditionally, thanks to the brand investments, the **Ready Meals division is less exposed.** As illustrated in the chart on page 5, in that market Come a casa is increasingly fulfilling its leading position as engine of the fresh Mediterranean meals market.

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



Source: Ac Nielsen,
 Note 1: excluding Pizza
 Note 2: Open market excludes the market share of hard discounters (viz. Lidl, Aldi...)

Focus 4 : CEO leaves

■ **Interim CEO with perfect background**

Early Jan-13, Ter Beke announced that CEO Marc Hofman has accepted the CFO position at Colruyt Group and that, as a consequence, he resigned with immediate effect as Managing Director and Chairman of Ter Beke’s Executive Committee. Marc Hofman has a good track record at Ter Beke with several years of internal and external growth in a mature market industry.

At the same time it was made public that the BoD has appointed one of its members, Dirk Goeminne, as CEO ad interim. Dirk Goeminne (57) is a member of the Board since May 2011 and he became a member of the audit committee last year. He is a seasoned entrepreneur with plenty of financial experience, in Belgium and in some of Ter Beke’s core countries. He started his career as auditor at Price Waterhouse and as of 1979, he held the general manager position in several companies: he was CEO and Chairman of the Dutch retail chain Hema, Chairman of the Dutch retail chain Vroom&Dreesman and of the Dutch restaurant chain La Place. He also held directorships at several former subsidiaries of Mitiska. Today, he holds director mandates in Van de Velde Group, Wereldhave Belgium, Uitgeverij Lannoo, Stern Group and Beter Bed Holding.

With Dirk Goeminne, Ter Beke has appointed an interim CEO with a perfect background who was immediately available. We expect no negative impact on operations or performance and anticipate the appointment of a new CEO in the coming months.

Focus 5 : Attractively priced

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 58 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 a selection of European small & mid cap food & beverage companies that are active in meat processing and/or fresh ready meals) and derived a fair value of EUR 57, which confirms our DCF based TP. Given the attractive upside we upped our recommendation from Hold to Accumulate.

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 99.4m or EUR 57/share. Free cash flows were discounted at an average WACC of 6.95%. The discount factor is based upon a cost of equity of 9.41% and a long term target gearing of 35%.

In a first period (2012-2022), 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)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net Sales	420.4	432.0	439.9	448.0	456.3	464.7	470.5	475.2	480.0	484.8
% change	-0.2%	2.7%	1.8%	1.8%	1.8%	1.8%	1.3%	1.0%	1.0%	1.0%
EBITDA	32.6	32.6	33.8	35.2	34.8	35.3	35.1	35.4	34.8	35.6
% margin	7.7%	7.5%	7.7%	7.9%	7.6%	7.6%	7.4%	7.4%	7.2%	7.4%
% change	4.6%	0.2%	3.6%	4.2%	-1.1%	1.4%	-0.7%	1.0%	-1.8%	2.5%
Depreciation & oth. prov.	17.8	17.7	17.7	17.7	17.9	18.1	18.4	18.7	19.1	17.9
% sales	4.2%	4.1%	4.0%	4.0%	3.9%	3.9%	3.9%	3.9%	4.0%	3.7%
EBITA	14.8	15.0	16.1	17.5	16.9	17.2	16.7	16.7	15.7	17.8
% margin	3.5%	3.5%	3.7%	3.9%	3.7%	3.7%	3.5%	3.5%	3.3%	3.7%
% change	8.7%	1.4%	7.7%	8.5%	-3.0%	1.7%	-3.1%	0.1%	-6.0%	13.1%
Taxes	-4.0	-4.2	-4.5	-4.9	-4.7	-4.8	-4.8	-4.8	-4.6	-5.0
Normative tax rate	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%
Actual tax rate	27.3%	28.0%	28.0%	28.0%	28.0%	28.0%	28.5%	29.0%	29.5%	28.0%
NOPLAT	10.7	10.8	11.6	12.6	12.2	12.4	11.9	11.9	11.1	12.8
Depreciation & other provisions	17.8	17.7	17.7	17.7	17.9	18.1	18.4	18.7	19.1	17.9
% sales	4.2%	4.1%	4.0%	4.0%	3.9%	3.9%	3.9%	3.9%	4.0%	3.7%
Gross Operating Cash Flow	28.5	28.4	29.3	30.3	30.1	30.5	30.3	30.6	30.1	30.7
Capex	-12.0	-17.6	-17.9	-18.5	-19.0	-19.6	-20.2	-20.8	-21.3	-17.9
% sales	2.9%	4.1%	4.1%	4.1%	4.2%	4.2%	4.3%	4.4%	4.4%	3.7%
Change in NWC (-=incr.;+=decr.)	0.0	-0.7	-0.5	-0.5	-0.5	-0.5	-0.4	-0.3	-0.3	-0.4
Cash Flow to be discounted	16.6	10.1	10.9	11.3	10.5	10.4	9.7	9.5	8.5	12.5
DCF EVALUATION										
WACC	7.23%	7.23%	7.23%	7.23%	7.23%	7.23%	7.23%	7.23%	7.23%	7.23%
Discount Rate factor	0.95	0.88	0.82	0.77	0.72	0.67	0.62	0.58	0.54	0.51
Discounted Cash Flow	15.7	9.0	9.0	8.7	7.6	6.9	6.1	5.5	4.6	6.3
Cumulated DCF	15.7	24.7	33.6	42.3	49.9	56.8	62.9	68.4	73.0	79.3

Sources :Company data, ESN – Bank Degroof Research

Our terminal value factor assumes an EBITDA margin of 7.4% and depreciation/sales & capex/sales of 3.7%. Other key parameters in our scenario are:

- A sales CAGR of 2.2% for the period 2012-2022, including a drop in FY13e sales of EUR 4m (our estimate) for the Ready meals division due to the recent horsemeat scandal.
- A normalised EBITDA margin of 7.4% as of 2022. This compares to an average EBITDA margin obtained over the last five year (FY08 till FY12) of 8.3%. The average historical EBITDA margin over 1997-2012 (16 years) amounts to 8.7%. 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 4.1% from 2013 until 2022 (was 4.2% on average over the past five years). 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.

Cost of Equity (Ke or COE)	9.46%	Cumulated DCF	79.3	- Net Financial Debt	-61.5
		Perpetual Growth Rate (g)	0.0%	- Minorities (estimated value)	0.0
Cost of Debt (gross)	4.3%	Normalised Annual CF	12.8	+ Associates	4.2
Debt tax rate	29%	Terminal Value @ 31-Dec-22	176.9	- Pension underfunding & provisions	-10.5
Cost of Debt net (Kd or COD)	3.08%	Disc. Rate of Terminal Value	0.51	- Off-balance sheet commitments	0.0
		Discounted Terminal Value	89.5	Equity Market Value (EUR m)	101.2
Target gearing (D/D+E) or % Kd	35.0%			Number of shares (m)	1.7
% Ke	65.0%	Financial assets	0.1	Fair Value per share (EUR)	58.4
Normative Tax Rate	29.0%	Enterprise Value (EUR m)	169.0	Price dd. 27-Mar-13 (EUR)	50.75
WACC	7.23%	DCF reliability rate	47%	Potential upside (downside)	15.0%

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 6.8% to 8.0%. The results of this analysis are displayed in the table below and result in a fair value range of EUR 41 and EUR 79/share.

		Avg	Tick					
Normalised EBITDA Margin		7.4%	0.20%					
WACC		7.2%	0.20%					
	WACC	Normalised EBITDA Margin						
	58.39	6.8%	7.0%	7.2%	7.4%	7.6%	7.8%	8.0%
	7.83%	42.8	45.5	48.1	50.8	53.5	56.1	58.8
	7.63%	44.9	47.6	50.4	53.2	56.0	58.7	61.5
	7.43%	47.0	49.9	52.8	55.7	58.6	61.5	64.4
	7.23%	49.3	52.3	55.4	58.4	61.4	64.4	67.5
	7.03%	51.7	54.9	58.0	61.2	64.4	67.5	70.7
	6.83%	54.3	57.6	60.9	64.2	67.5	70.8	74.1
	6.63%	57.0	60.5	63.9	67.4	70.8	74.3	77.8

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, HKScan, Prima Meat Packers, Marfrig Alimentos, Campofrio, Atria 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

Name	Country	Market Cap. (EUR / m)	P/E		EV/SALES		EV/EBIT		EV/EBITDA	
			2012	2013	2012	2013	2012	2013	2012	2013
Fleury-Michon S.A.	FRANCE	176	9.3x	7.8x	0.4	0.3	7.5	6.9	4.0	3.5
HKScan Oyj	FINLAND	216	24.5x	9.8x	0.3	0.2	16.0	11.3	5.2	5.0
Prima Meat Packers Ltd.	JAPAN	320								
Marfrig Alimentos S/A	BRAZIL	737	50.4x	17.1x	0.5	0.5	10.7	8.6	6.5	5.3
Campofrio Food Group S.A.	SPAIN	485	23.7x	13.3x	0.5	0.5	10.9	9.4	6.4	5.8
Atria Oyj	FINLAND	194	19.6x	9.5x	0.4	0.4	18.5	12.7	6.9	5.9
Bell AG	SWITZERLAND	579	10.4x	10.2x	0.4	0.4	11.2	9.5	6.0	5.4
Average		387	23.0x	11.3x	0.4	0.4	12.5	9.7	5.8	5.1
Median		320	21.7x	10.0x	0.4	0.4	11.1	9.4	6.2	5.3
Ter Beke N.V.		85	8.8x	8.1x	0.3	0.3	8.6	8.0	4.0	3.7
Premium (+) / Discount (-) vs. average peer group			-61.5%	-28.1%	-19.7%	-16.7%	-31.0%	-17.7%	-32.0%	-27.7%
Premium (+) / Discount (-) vs. median peer group			-59.1%	-18.8%	-20.0%	-19.4%	-22.2%	-15.2%	-36.0%	-30.4%

Trading largely below peer group multiples

Sources: Factset, ESN – Bank De groef Research

If we apply the median EV/EBITDA, EV/EBIT and PE multiples for FY12 and FY13e of this peer group of Food & beverage companies that are active in meat and related businesses, we arrive at an implied average equity value of EUR 58/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 10% for Ter Beke, given the company's size (Mcap < EUR 100m) and 25% free float.

Ter Beke	FY12	FY13e	FY12	FY13e	FY12	FY13e
EBITDA (EUR m)	31.1	32.6				
Median EV/EBITDA multiple peer group	6.2	5.3				
EBIT (EUR m)			13.6	14.8		
Median EV/EBIT multiple peer group			11.1	9.5		
Net result (EUR m)					8.2	8.6
Median P/E multiple peer group					21.7	10.4
Implied Enterprise Value (EUR m)	194.5	174.2	151.3	139.5		
Net debt (EUR m)	61.5	51.4	61.5	51.4		
Periph. ass. - off bal. - minor. - pens.	10.5	10.5	10.5	10.5		
Implied equity (EUR m)	122.6	112.3	79.3	77.6	178.5	89.3
Value per share (EUR)	63.67	58.32	41.19	40.33	92.72	46.41
Liquidity discount applied		10%				
Average value	57.1					
Upside potential	12.5%					

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

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 Verssnijlijn 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**.

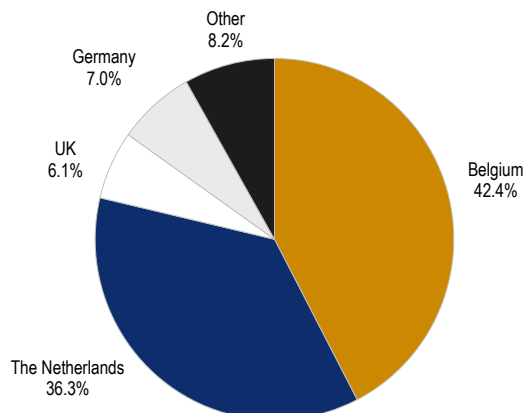
At end 2010, Ter Beke announced that it is teaming up with Stefano Toselli for the construction of an automated production plant in Central Europe and the **commercialisation of chilled lasagne and pasta meals in CEE**. The name of this new JV is The Pasta Food Company. It will start up production later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

Search for sales growth

Becoming less dependent from raw materials

Growth ambitions in CEE

FY11 sales geographical split



Sources: Company data, ESN – Bank Degroof Research
 Note: FY12 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 8 industrial plants in Belgium and the Netherlands, and employs approximately 1,750 staff.

Processed Meats Division (66% of total sales)



- 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), together employing about 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®. 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 (34% of total sales)



- This division produces **fresh pasta-based ready meals** for the European market.

- It is **market leader in chilled lasagne** in Europe.

- Ter Beke has established a **JV The Pasta Food Company** in Poland in 2011.

- The division operates **2 production sites** in Belgium (Wanze and Marche-en-Famenne), together employing approx. 650 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
Processed meats 66% of FY12 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)		Mainly private label	Clear market leader in slicing & packaging in Belgium and the Netherlands Holds the N° 2 position in Europe	Stegeman, Menken, Slippens Vleeswaren	Retailers, wholesalers
	3 production plants in Belgium and 4 centers for slicing & packaging of processed meats, 2 of which in Belgium and 2 in the Netherlands					
Fresh ready meals 34% of FY12 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 ; filed for bankruptcy), Fraisor (went for administration)	Retailers
	Mainly Mediterranean, pasta based dishes, but also pizza and moussaka 2 production plants in Belgium	Pronto (for pizza), Vamos (brand for the wholesale market) + other distribution brands				Wholesalers, food-service retailers
The Pasta Food Company (start-up)	50/50 JV with Stefano Toselli for the production and distribution of fresh lasagne 1 production plant in Poland (in construction phase) Mainly lasagne,	To be decided	Quasi non-existing	Green field to be started up, targets Central & Eastern Europe	Quasi non-existing	Retailers

Source: Company data, ESN – Bank Degroof Research



Financials

FY12 analysis

(EUR m)	2H11	FY11	2H12a	FY12a	% YoY	FY12e	Δ% est
Net sales	205.2	403.7	212.8	421.1	4.3%	414.5	1.6%
Processed meats	140.7	274.0	148.3	288.7	5.4%	279.3	
Fresh ready meals	64.5	129.7	64.5	132.4	2.1%	135.2	
EBITDA	16.9	33.2	16.7	31.1	-6.3%	30.8	1.2%
EBITDA margin	8.2%	8.2%	7.8%	7.4%		7.4%	
EBIT	7.9	15.3	8.1	13.6	-11.5%	12.9	5.2%
EBIT margin	3.8%	3.8%	3.8%	3.2%		3.1%	
Financial result	-1.3	-2.7	-1.0	-2.4	-10.7%	-2.9	
Taxes	-1.9	-3.4	-2.2	-3.1	-8.6%	-2.6	
Net result	4.5	9.0	5.1	8.2	-8.9%	7.4	10.5%
Adj. EPS (EUR)	2.60	5.20	2.94	4.74	-8.8%	4.29	10.6%
DPS (EUR)		2.50		2.50		2.50	

Source : Company data, ESN – Bank Degroof Research

▪ Sales

Ter Beke reported a FY12 top line of EUR 421.1m (+4.3%), in line with our expectations.

In the **ready meals** division, the turnover increased by EUR 2.7m to EUR 132.4m, mainly due to a sales increase in lasagne and notwithstanding the termination of a number of contracts in France due to the end of the industrial activities there.

In the **processed meats** division, the turnover increased by EUR 14.7m. The increase in turnover is partly due to an increase of the sales prices, which on a full year basis were still not enough to offset the rise in raw material prices. The increase is also caused by continued growth in the slicing and packaging activities.

EUR m	FY10	1H11	2H11	FY11	1H12	2H12	FY12
Sales	402.2	198.5	205.2	403.7	208.2	212.8	421.1
Total sales growth %	2.5%	0.6%	0.2%	0.4%	4.9%	3.7%	4.3%
Processed meats	277.3	133.3	140.7	274.0	140.4	148.3	288.7
Sales growth %	1.5%	-2.2%	-0.2%	-1.2%	5.3%	5.4%	5.4%
Fresh ready meals	124.9	65.2	64.5	129.7	67.8	64.5	132.4
Sales growth %	4.7%	6.7%	1.1%	3.9%	4.0%	0.1%	2.0%

Source : Company data, ESN – Bank Degroof Research

▪ Operating result

EBITDA

The increased volumes, the implemented price increases and a far-reaching cost control and reduction were not able to entirely offset increased production costs (chiefly raw materials, energy and wages) and the costs of market investments. EBITDA has decreased by EUR 2.1m (-6.3%) going from EUR 33.2m in FY11 to EUR 31.1m in FY12, due to raw material prices, which have been rising since 2H10 and attained a record level in 3Q12. 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.

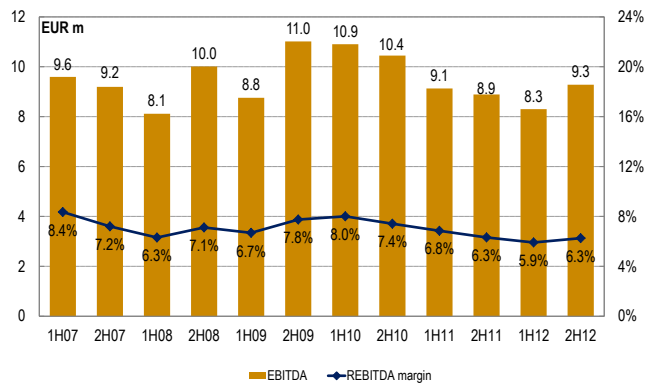
In the processed meats division, the changed product mix, with an increase in the sales of cheaper products at the expense of more expensive products caused by the general economic climate, curbed margin growth.

REBITDA has remained stable at EUR 33.1m (compares to EUR 33.2m in FY11) The closure of the Alby-sur-Chéran site and other dismissal costs (costs regarding this closure amounted to EUR 1.1m and other dismissal costs totalled of EUR 0.9m) explain the REBITDA-EBITDA bridge.

EUR m	FY10	1H11	2H11	FY11	1H12	2H12	FY12
Sales	402.2	198.5	205.2	403.7	208.2	212.8	421.1
EBITDA	37.5	16.4	16.9	33.2	15.8	15.3	31.1
Total REBITDA growth %	6.7%	-16.5%	-5.8%	-11.4%	-3.2%	-9.3%	-6.3%
REBITDA margin	9.3%	8.2%	8.2%	8.2%	7.6%	7.2%	7.4%
Processed meats	21.4	9.1	8.9	18.0	8.3	9.3	17.6
REBITDA growth %	8.0%	-16.3%	-14.9%	-15.6%	-9.1%	4.4%	-2.4%
REBITDA margin	7.7%	6.8%	6.3%	6.6%	5.9%	6.3%	6.1%
Fresh ready meals	18.2	7.9	8.9	16.8	7.2	8.5	15.7
REBITDA growth %	-0.3%	-19.6%	7.2%	-7.3%	-8.9%	-5.1%	-6.9%
REBITDA margin	14.5%	12.1%	13.9%	13.0%	10.6%	13.1%	11.8%

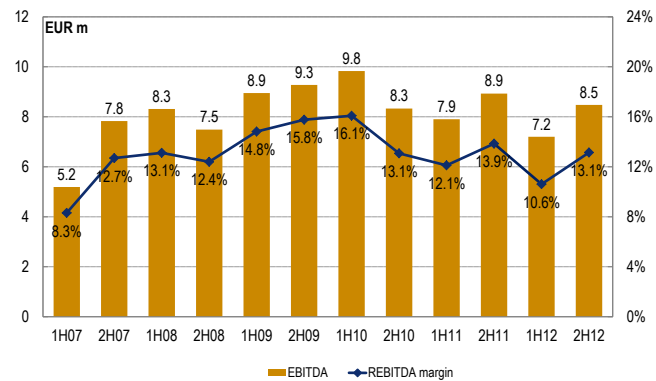
Source : Company data, ESN – Bank Degroof Research

Processed meats (EBITDA – EUR m)



Source: Company data, ESN – Bank Degroof Research

Ready meals (EBITDA – EUR m)



Source: Company data, ESN – Bank Degroof Research

EBIT

As the FY12 non-cash costs comprise a one-off reversal of impairments on the material fixed assets in Alby-sur-Chéran for a consideration of EUR 1.6m, the non-recurring operational result amounts to EUR -0.3m. Hence, the FY12 REBIT amounts to EUR 13.9m compared to EUR 15.3m in FY11 (down 9.0%).

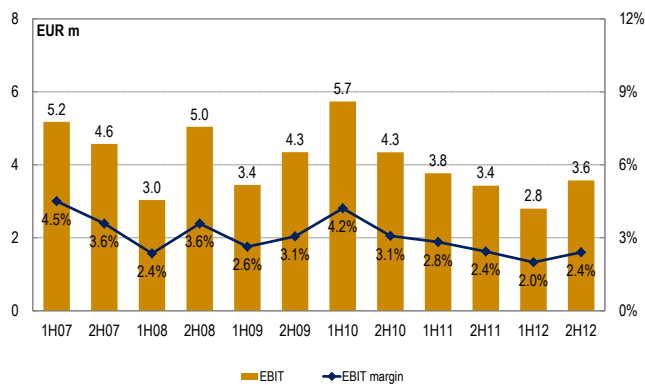


Ter Beke

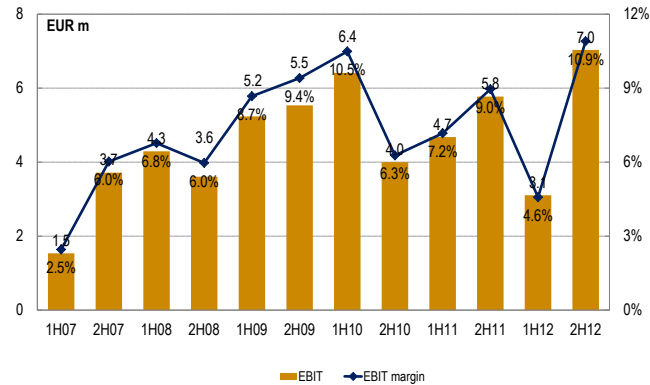
EUR m	FY10	1H11	2H11	FY11	1H12	2H12	FY12
Sales	402.2	198.5	205.2	403.7	208.2	212.8	421.1
EBITDA	37.5	16.4	16.9	33.2	15.8	15.3	31.1
EBIT	17.8	7.4	7.9	15.3	6.5	7.0	13.6
Total EBIT growth %	18.0%	-30.2%	10.5%	-13.9%	-12.2%	-10.9%	-11.5%
REBIT margin	4.4%	3.7%	3.8%	3.8%	3.1%	3.3%	3.2%
Processed meats	10.1	3.8	3.4	7.2	2.8	3.6	6.4
REBIT growth %	29.3%	-34.3%	-21.1%	-28.6%	-25.7%	4.2%	-11.5%
REBIT margin	3.6%	2.8%	2.4%	2.6%	2.0%	2.4%	2.2%
Fresh ready meals	10.4	4.7	5.8	10.5	3.1	7.0	10.1
REBIT growth %	-3.4%	-27.0%	44.3%	0.4%	-33.6%	21.8%	-3.0%
REBIT margin	8.3%	7.2%	9.0%	8.1%	4.6%	10.9%	7.7%

Source : Company data, ESN – Bank Degroof Research

Processed meats (EBIT – EUR m)



Ready meals (EBIT – EUR m)



Source: Company data, ESN – Bank Degroof Research

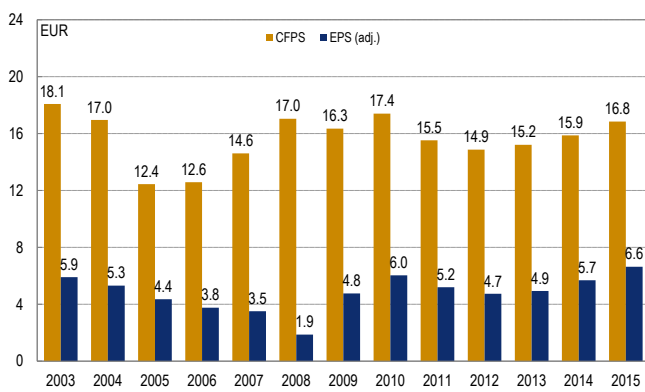
Source: Company data, ESN – Bank Degroof Research

Net result

After Net financing costs that came out better than anticipated and higher than expected taxes, Ter Beke posted a better bottom line than expected, only 9% lower, while we anticipated a drop of 17%.

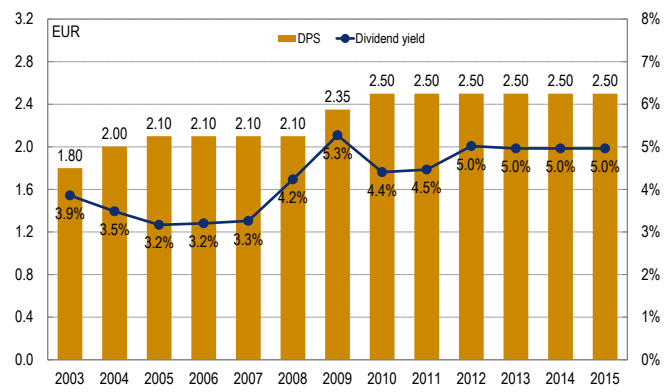
The BoD will propose a gross dividend of EUR 2.50/share (stable and as expected), which results in a handsome gross yield of 5.0%.

EPS evolution



Source: Company data, ESN – Bank Degroof Research

DPS evolution



Source: Company data, ESN – Bank Degroof Research

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, horsemeat scandal...) ▪ Price pressure and margin squeeze from major retailers (increasing price competition at Belgian food retailers) ▪ Private label competition ▪ Declining meat consumption and changing consumer preferences ▪ Increasing raw materials prices

Upcoming Corporate Events

Date	Event Type	Description	Period
03/05/13	Trading Update	Q1 2013 Business Update	2013Q1

Source: Precise



Ter Beke: Summary tables

PROFIT & LOSS (EURm)	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Sales	392	402	404	421	420	432
Cost of Sales & Operating Costs	-357	-365	-370	-390	-388	-399
Non Recurrent Expenses/Income	0.6	0.4	0.6	0.9	0.7	0.7
EBITDA	35.2	37.5	33.2	31.1	32.6	32.6
EBITDA (adj.)*	34.6	37.1	32.6	30.2	31.9	31.9
Depreciation	-19.4	-19.7	-18.0	-17.3	-17.8	-17.7
EBITA	15.7	17.8	15.2	13.8	14.8	15.0
EBITA (adj.)*	15.1	17.3	14.6	12.9	14.1	14.3
Amortisations and Write Downs	-0.6	0.0	0.1	-0.3	0.0	0.0
EBIT	15.1	17.8	15.3	13.6	14.8	15.0
EBIT (adj.)*	14.5	17.4	14.7	12.7	14.1	14.3
Net Financial Interest	-2.8	-2.5	-2.3	-2.1	-1.9	-1.7
Other Financials	0.1	-1.0	-0.5	-0.3	-0.5	-0.5
Associates	0.0	0.0	-0.2	0.2	-0.4	0.7
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	12.4	14.3	12.4	11.3	11.9	13.4
Tax	-4.2	-3.8	-3.4	-3.1	-3.4	-3.6
<i>Tax rate</i>	<i>33.6%</i>	<i>26.8%</i>	<i>27.5%</i>	<i>27.5%</i>	<i>28.2%</i>	<i>26.6%</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)	8.3	10.5	9.2	8.0	9.0	9.2
Net Profit (adj.)	8.3	10.5	9.0	8.2	8.6	9.9
CASH FLOW (EURm)	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Cash Flow from Operations before change in NWC	28.3	30.2	26.9	25.8	26.4	27.5
Change in Net Working Capital	-5.3	5.3	-13.5	-5.3	0.0	-0.7
Cash Flow from Operations	23.0	35.5	13.4	20.5	26.4	26.8
Capex	-17.4	-21.6	-20.9	-12.1	-12.0	-17.6
Net Financial Investments	-0.6	0.0	-4.5	0.0	0.0	0.0
Free Cash Flow	5.0	13.8	-12.0	8.4	14.4	9.2
Dividends	-3.6	-4.1	-4.3	-4.3	-4.3	-4.3
Other (incl. Capital Increase & share buy backs)	3.0	-1.4	8.9	-0.9	0.0	0.0
Change in Net Debt	4.4	8.4	-7.5	3.1	10.1	4.9
NOPLAT	10.3	12.3	10.5	9.0	10.0	10.1
BALANCE SHEET & OTHER ITEMS (EURm)	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Net Tangible Assets	109	112	106	102	96.0	96.0
Net Intangible Assets (incl. Goodwill)	37.3	37.2	37.3	37.5	37.5	37.5
Net Financial Assets & Other	0.2	0.1	9.5	15.0	5.0	5.0
Total Fixed Assets	146	149	153	154	139	139
Inventories	23.1	23.8	24.4	25.3	25.3	26.0
Trade receivables	57.9	64.7	69.6	65.5	75.4	77.5
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
Cash (-)	-2.7	-4.8	-5.7	-4.3	-14.6	-10.0
Total Current Assets	83.7	93.3	99.7	95.2	115	113
Total Assets	230	243	253	250	254	252
Shareholders Equity	82.8	89.1	93.9	98.0	102	108
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	82.8	89.1	93.9	98.0	102	108
Long term interest bearing debt	47.2	40.5	40.0	39.6	39.7	34.1
Provisions	10.2	9.9	10.0	10.5	10.5	10.5
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Long Term Liabilities	57.3	50.4	50.0	50.1	50.2	44.6
Short term interest bearing debt	21.0	21.5	30.4	26.2	26.3	22.5
Trade payables	51.7	65.5	62.9	62.9	62.8	64.5
Other current liabilities	17.2	16.1	15.8	12.4	12.3	12.7
Total Current Liabilities	89.9	103	109	101	101	99.7
Total Liabilities and Shareholders' Equity	230	243	253	250	254	252
Net Capital Employed	158	156	169	170	164	165
Net Working Capital	29.3	23.0	31.1	28.0	37.9	39.0
GROWTH & MARGINS	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
<i>Sales growth</i>	<i>-0.2%</i>	<i>2.5%</i>	<i>0.4%</i>	<i>4.3%</i>	<i>-0.2%</i>	<i>2.7%</i>
EBITDA (adj.)* growth	23.8%	7.2%	-11.9%	-7.4%	5.6%	0.1%
<i>EBITA (adj.)* growth</i>	<i>183.1%</i>	<i>14.4%</i>	<i>-15.7%</i>	<i>-11.5%</i>	<i>9.2%</i>	<i>1.4%</i>
<i>EBIT (adj.)* growth</i>	<i>141.8%</i>	<i>19.8%</i>	<i>-15.1%</i>	<i>-14.1%</i>	<i>11.4%</i>	<i>1.4%</i>



Ter Beke: Summary tables

GROWTH & MARGINS	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Net Profit growth	154.7%	26.7%	-13.9%	-8.9%	4.2%	15.3%
EPS adj. growth	154.6%	26.7%	-13.9%	-8.9%	4.2%	15.3%
DPS adj. growth	11.9%	6.4%	0.0%	0.0%	0.0%	0.0%
EBITDA (adj)* margin	8.8%	9.2%	8.1%	7.2%	7.6%	7.4%
EBITA (adj)* margin	3.9%	4.3%	3.6%	3.1%	3.4%	3.3%
EBIT (adj)* margin	3.7%	4.3%	3.6%	3.0%	3.4%	3.3%
RATIOS	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Net Debt/Equity	0.8	0.6	0.7	0.6	0.5	0.4
Net Debt/EBITDA	1.9	1.5	1.9	2.0	1.6	1.4
Interest cover (EBITDA/Fin.interest)	12.8	15.1	14.7	14.8	16.7	19.0
Capex/D&A	86.7%	109.6%	116.6%	68.9%	67.4%	99.7%
Capex/Sales	4.4%	5.4%	5.2%	2.9%	2.9%	4.1%
NWC/Sales	7.5%	5.7%	7.7%	6.6%	9.0%	9.0%
ROE (average)	10.3%	12.2%	9.8%	8.6%	8.5%	9.4%
ROCE (adj.)	5.9%	7.2%	6.0%	5.4%	5.8%	5.9%
WACC	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
ROCE (adj.)/WACC	0.8	1.0	0.8	0.7	0.8	0.8
PER SHARE DATA (EUR)***	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Average diluted number of shares	1.7	1.7	1.7	1.7	1.7	1.7
EPS (reported)	4.77	6.04	5.31	4.63	5.17	5.30
EPS (adj.)	4.77	6.04	5.20	4.74	4.94	5.69
BVPS	47.79	51.43	54.18	56.58	59.02	62.21
DPS	2.35	2.50	2.50	2.50	2.50	2.50
VALUATION	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
EV/Sales	0.4	0.4	0.4	0.3	0.3	0.3
EV/EBITDA	4.6	4.3	4.6	4.7	4.3	4.2
EV/EBITDA (adj.)*	4.6	4.4	4.7	4.8	4.4	4.2
EV/EBITA	10.2	9.1	10.1	10.5	9.5	9.1
EV/EBITA (adj.)*	10.6	9.3	10.6	11.3	10.0	9.5
EV/EBIT	10.6	9.1	10.0	10.7	9.5	9.1
EV/EBIT (adj.)*	11.0	9.3	10.5	11.5	10.0	9.5
P/E (adj.)	11.3	9.9	9.8	10.1	10.3	8.9
P/BV	1.1	1.2	0.9	0.8	0.9	0.8
Total Yield Ratio	4.4%	4.1%	4.9%	4.9%	4.9%	4.9%
EV/CE	0.9	0.9	0.9	0.9	0.8	0.8
OpFCF yield	6.0%	13.4%	-8.4%	10.1%	16.4%	10.5%
OpFCF/EV	3.5%	8.6%	-4.8%	5.8%	10.3%	6.8%
Payout ratio	49.3%	41.4%	47.1%	54.0%	48.4%	47.2%
Dividend yield (gross)	4.4%	4.2%	4.9%	4.9%	4.9%	4.9%
EV AND MKT CAP (EURm)	12/2009	12/2010	12/2011	12/2012	12/2013e	12/2014e
Price** (EUR)	53.99	59.80	51.00	48.00	50.75	50.75
Outstanding number of shares for main stock	1.7	1.7	1.7	1.7	1.7	1.7
Total Market Cap	94	104	88	83	88	88
Net Debt	65	57	65	61	51	47
<i>o/w Cash & Marketable Securities (-)</i>	<i>-3</i>	<i>-5</i>	<i>-6</i>	<i>-4</i>	<i>-15</i>	<i>-10</i>
<i>o/w Gross Debt (+)</i>	<i>68</i>	<i>62</i>	<i>70</i>	<i>66</i>	<i>66</i>	<i>57</i>
Other EV components	1	1	1	1	1	1
Enterprise Value (EV adj.)	160	162	154	146	140	136

Source: Company, Bank Degroof estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

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 8 industrial sites in Belgium, the Netherlands and France and employs about 1,750 people. The Processed Meats division 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 division produces fresh ready meals for the European market. It is European market leader in chilled lasagne. Its flagship brand name is Come a Casa, alongside Vamos and various distribution brands.

European Coverage of the Members of ESN

Aerospace & Defense	Mem(*)	Banesto	BBO Thyssenkrupp	EQB Hochtief	EQB Bb Biotech	EQB
Aviation Latecoere	CIC	Bank Of Cyprus	IBG Tubacex	BBO Holcim Ltd	CIC Binckbank	SNS
Bae Systems Plc	CIC	Bankinter	BBO Upm-Kymmene	POH Imerys	CIC Bois Sauvage	BDG
Dassault Aviation	CIC	Bbva	BBO Biotechnology	Mem(*) Impregilo	BAK Bolsas Y Mercados Espanoles	BBO
Eads	CIC	Bcp	CBI 4Sc Ag	EQB Italcementi	BAK Capman	POH
Finmeccanica	BAK	Bes	CBI Bioalliance Pharma	CIC Lafarge	CIC Cir	BAK
Lisi	CIC	BNP Paribas	CIC Epigenomics Ag	EQB Lemminkäinen	POH Comdirect	EQB
Mtu	EQB	Boursorama	CIC Metabolic Explorer	CIC Maire Tecnimont	BAK Corp. Financiera Alba	BBO
Rheinmetall	EQB	Bper	BAK Neovacs	CIC Mota Engil	CBI Dab Bank	EQB
Rolls Royce	CIC	Bpi	CBI Transgene	CIC Obrascón Huarte Lain	BBO Deutsche Boerse	EQB
Safran	CIC	Commerzbank	EQB Wilex	EQB Ramirent	POH Deutsche Forfait	EQB
Thales	CIC	Credem	BAK Zeltia	BBO Royal Bam Group	SNS Financiere De Tubize	BDG
Zodiac	CIC	Credit Agricole Sa	CIC Chemicals	Mem(*) Sacyr Vallehermoso	BBO Gbl	BDG
Airlines	Mem(*)	Creval	BAK Air Liquide	CIC Saint Gobain	CIC Gimv	BDG
Air France Klm	CIC	Deutsche Bank	EQB Akzo Nobel	SNS Sonae Industria	CBI Grenkeleasing Ag	EQB
Finnair	POH	Dexia	BDG Basf	EQB Srv	POH Hellenic Exchanges	IBG
Lufthansa	EQB	Efg Eurobank Ergasias	IBG Dsm	SNS Thermador Groupe	CIC Hypoport Ag	EQB
Automobiles & Parts	Mem(*)	Garanti Bank	IBG Floridienne	BDG Titan Cement	IBG Kbc Ancora	BDG
Autoliv	CIC	Halkbank	IBG Fuchs Petrolub	EQB Trevi	BAK Luxempart	BDG
Bmw	EQB	Ing Group	SNS Henkel	EQB Uponor	POH Mlp	EQB
Brembo	BAK	Intesa Sanpaolo	BAK Holland Colours	SNS Uzin Utz	EQB	
Continental	EQB	Kbc Group	BDG K+S Ag	EQB Vbh Holding	EQB	
Daimler Ag	EQB	Mediobanca	BAK Kemira	POH Vicat	CIC	
Eiringsklingler	EQB	National Bank Of Greece	IBG Lanxess	EQB Vinci	CIC	
Faurecia	CIC	Natixis	CIC Linde	EQB Yit	POH	
Fiat	BAK	Nordea	POH Nanogate Ag	EQB Electronic & Electrical Eq	Mem(*)	
Landi Renzo	BAK	Piraeus Bank	IBG Recticel	BDG Agfa-Gevaert	BDG	
Leoni	EQB	Postbank	EQB Solvay	BDG Alstom	CIC	
Michelin	CIC	Societe Generale	CIC Symrise Ag	EQB Areva	CIC	
Nokian Tyres	POH	Ubi Banca	BAK Tessenderlo	BDG Augusta Technologie	EQB	
Piaggio	BAK	Unicredit	BAK Tiikkurila	POH Barco	BDG	
Pirelli & C.	BAK	Yapi Kredi Bank	IBG Umicore	BDG Euromicron Ag	EQB	
Plastic Omnium	CIC	Basic Resources	Mem(*) Wacker Chemie	EQB Evs	BDG	
Plastivaloire	CIC	Acerinox	BBO Construction & Materials	Mem(*) Gemalto	CIC	
Porsche	EQB	Altri	CBI Acs	BBO Ingenico	CIC	
Psa Peugeot Citroen	CIC	Arcelormittal	BBO Astaldi	BAK Kontron	EQB	
Renault	CIC	Crown Van Gelder	SNS Ballast Nedam	SNS Lacie	CIC	
Sogefi	BAK	Dnick Holding Plc	EQB Bilfinger Se	EQB Legrand	CIC	
Stern Groep	SNS	Ence	BBO Boskalis Westminster	SNS Mobotix Ag	EQB	
Valeo	CIC	Europac	BBO Buzzi Unicem	BAK Neways Electronics	SNS	
Volkswagen	EQB	Inapa	CBI Cfe	BDG Nexans	CIC	
Banks	Mem(*)	Metka	IBG Ciments Français	CIC Pkc Group	POH	
Aareal Bank	EQB	Metsä Board	POH Cramo	POH Rexel	CIC	
Akbank	IBG	Mytilineos	IBG Deceuninck	BDG Schneider Electric Sa	CIC	
Aktia	POH	Nyrstar	BDG Eiffage	CIC Vacon	POH	
Alpha Bank	IBG	Outokumpu	POH Ellaktor	IBG Vaisala	POH	
Banca Carige	BAK	Portucel	CBI Fcc	BBO Xeikon Nv	SNS	
Banca Mps	BAK	Rautaruukki	POH Ferrovia	BBO Financial Services	Mem(*)	
Banco Popolare	BAK	Salzgitter	EQB Gek Terna	IBG Ackermans & Van Haaren	BDG	
Banco Popular	BBO	Semapa	CBI Grontmij	SNS Azimut	BAK	
Banco Sabadell	BBO	Stora Enso	POH Grupo San Jose	BBO Banca Generali	BAK	
Banco Santander	BBO	Talvivaara Mining Co Plc	POH Heijmans	SNS Banca Ifis	BAK	

Food & Beverage	Mem(*)	Rallye	CIC	Cegedim	CIC	Aixtron	EQB	Caf	BBO
Acom	SNS	Sligro	SNS	Celesio	EQB	Ansaldo Sts	BAK	Deutsche Post	EQB
Anheuser-Busch Inbev	BDG	Sonae	CBI	Diasorin	BAK	Bauer Ag	EQB	Dockwise	SNS
Atria	POH	General Industrials	Mem(*)	Drägerwerk	EQB	Biesse	BAK	Fraport	EQB
Baron De Ley	BBO	Aalberts	SNS	Faes Farma	BBO	Cargotec Corp	POH	Gemina	BAK
Baywa	EQB	Accell Group	SNS	Fresenius	EQB	Cfao	CIC	Hes Beheer	SNS
Berentzen	EQB	Advanced Vision Technology	EQB	Fresenius Medical Care	EQB	Danieli	BAK	Hhla	EQB
Bonduelle	CIC	Ahlstrom	POH	Gerresheimer Ag	EQB	Datalogic	BAK	Logwin	EQB
Campari	BAK	Analytik Jena	EQB	Grifols Sa	BBO	Delclima	BAK	Norbert Dentressangle	CIC
Campofrio	BBO	Arcadis	SNS	Korian	CIC	Duro Felguera	BBO	Postnl	SNS
Coca Cola Hellenic	IBG	Aspo	POH	Laboratorios Rovi	BBO	Emak	BAK	Sias	BAK
Csm	SNS	Azkoyen	BBO	Medica	CIC	Exel Composites	POH	Tnt Express	SNS
Danone	CIC	Bekaert	BDG	Mediq	SNS	Exel Industries	CIC	Insurance	Mem(*)
De Master Blenders 1753	SNS	Evolis	CIC	Merck	EQB	Faiveley	CIC	Aegon	SNS
Ebro Foods	BBO	Frigoglass	IBG	Natraceutical Sa	BBO	Fiat Industrial	BAK	Ageas	BDG
Enervit	BAK	Huhtamäki	POH	Novartis	CIC	Gea Group	EQB	Allianz	EQB
Fleury Michon	CIC	Kendrion	SNS	Oriola-Kd	POH	Gesco	EQB	Axa	CIC
Forfarmers	SNS	Martifer Sggs Sa	CBI	Orion	POH	Gildemeister	EQB	Delta Lloyd	SNS
Heineken	SNS	Mifa	EQB	Orpea	CIC	Haulotte Group	CIC	Fondiaría Sai	BAK
Hkscan	POH	Nedap	SNS	Recordati	BAK	Heidelberger Druck	EQB	Generali	BAK
Ktg Agrar	EQB	Neopost	CIC	Rhoen-Klinikum	EQB	Ima	BAK	Hannover Re	EQB
Lanson-Bcc	CIC	Pöyry	POH	Roche	CIC	Interpump	BAK	Mapfre Sa	BBO
Laurent Perrier	CIC	Prelios	BAK	Sanofi	CIC	Khd Humboldt Wedag Internatio	EQB	Mediolanum	BAK
Ldc	CIC	Resilux	BDG	Sorin	BAK	Kone	POH	Milano Assicurazioni	BAK
Lotus Bakeries	BDG	Saf-Holland	EQB	Stallergènes	CIC	Konecranes	POH	Munich Re	EQB
Natra	BBO	Saft	CIC	Ucb	BDG	Krones Ag	EQB	Sampo	POH
Naturex	CIC	Skw Stahl	EQB	Hotels, Travel & Tourism Mem(*)	Kuka		EQB	Talanx Group	EQB
Nestle	SNS	Tessi	CIC	Accor	CIC	Man	EQB	Unipol	BAK
Nutreco	SNS	Tkh Group	SNS	Autogrill	BAK	Manitou	CIC	Zurich Financial Services	BAK
Olvi	POH	Vidrala	BBO	Beneteau	CIC	Max Automation Ag	EQB		
Parmalat	BAK	Wendel	CIC	Compagnie Des Alpes	CIC	Metso	POH		
Pernod-Ricard	CIC	General Retailers	Mem(*)	Groupe Partouche	CIC	Outotec	POH		
Pinguin	BDG	Beter Bed Holding	SNS	I Grandi Viaggi	BAK	Pfeiffer Vacuum	EQB		
Raisio	POH	D'leteren	BDG	Ibersol	CBI	Ponsse	POH		
Remy Cointreau	CIC	Douglas Holding	EQB	Intralot	IBG	Prima Industrie	BAK		
Sipef	BDG	Fielmann	EQB	Lottomatica	BAK	Prysmian	BAK		
Ter Beke	BDG	Folli Follie Group	IBG	Melia Hotels International	BBO	Reesink	SNS		
Unilever	SNS	Fourlis Holdings	IBG	Nh Hoteles	BBO	Sabaf	BAK		
Vilmorin	CIC	Inditex	BBO	Opap	IBG	Schuler Ag	EQB		
Viscofan	BBO	Jacquet Metal Service	CIC	Sodexo	CIC	Singulus Technologies	EQB		
Vranken Pommery Monopole	CIC	Jumbo	IBG	Sonae Capital	CBI	Smt Scharf Ag	EQB		
Wessanen	SNS	Macintosh	SNS	Trigano	CIC	Ten Cate	SNS		
Food & Drug Retailers	Mem(*)	Rapala	POH	Tui	EQB	Trilogiq	CIC		
Ahold	SNS	Stockmann	POH	Household Goods	Mem(*)	Vossloh	EQB		
Bim	IBG	Healthcare	Mem(*)	De Longhi	BAK	Wärtsilä	POH		
Carrefour	CIC	Ab-Biotics	BBO	Elica	BAK	Zardoya Otis	BBO		
Casino Guichard-Perrachon	CIC	Almirall	BBO	Indesit	BAK	Industrial Transportation Mem(*)			
Colruyt	BDG	Amplifon	BAK	Seb Sa	CIC	Abertis	BBO		
Delhaize	BDG	Arseus	BDG	U10	CIC	Adp	CIC		
Dia	BBO	Bayer	EQB	Industrial Engineering	Mem(*)	Atlantia	BAK		
Kesko	POH	Biomerieux	CIC	Accsys Technologies	SNS	Bollore	CIC		
Marr	BAK	Biotest	EQB	Agta Record	CIC	Brisa	CBI		

Media	Mem(*) Oil Services	Mem(*) Sponda	POH Groupe Open	CIC Freenet	EQB
Ad Pepper	EQB Bourbon	CIC Technopolis	POH Guillemot Corporation	CIC Gowex	BBO
Alma Media	POH Cgg	CIC Unibail-Rodamco	BDG I.R.I.S.	BDG Iliad	CIC
Antena 3TV	BBO Fugro	SNS Vastned Retail	BDG IFao Ag	EQB Jazztel	BBO
Brill	SNS Saipem	BAK Vib Vermoegen	EQB Ict Automatisering	SNS Kpn Telecom	SNS
Cofina	CBI Technip	CIC Wdp	BDG Indra Sistemas	BBO Mobistar	BDG
Editoriale L'Espresso	BAK Tecnicas Reunidas	BBO Renewable Energy	Mem(*) Itelligence	EQB Ote	IBG
GI Events	CIC Tenaris	BAK Abengoa	BBO Neuronas	CIC Portugal Telecom	CBI
Havas	CIC Vallourec	CIC Biopetro Industries	EQB Novabase Sggs	CBI Ses	CIC
Hi-Media	CIC Vopak	SNS Daldrup & Soehne	EQB Ordina	SNS Sonaecom	CBI
Impresa	CBI Personal Goods	Mem(*) Deutsche Biogas	EQB Psi	EQB Telecom Italia	BAK
Ipsos	CIC Adidas	EQB Enel Green Power	BAK Qurius	SNS Telefonica	BBO
Jcdecoux	CIC Adler Modemaerkte	EQB Gamesa	BBO Realdolmen	BDG Telenet Group	BDG
Kinepolis	BDG Amer Sports	POH Phoenix Solar	EQB Reply	BAK Teliaso nera	POH
Lagardere	CIC Basic Net	BAK Sma Solar Technology	EQB Rib Software	EQB Tiscali	BAK
Lbi International Nv	SNS Beiersdorf	EQB Solar-Fabrik	EQB Seven Principles Ag	EQB Turkcell	IBG
M6-Metropole Television	CIC Geox	BAK Solarworld	EQB Sii	CIC United Internet	EQB
Mediaset	BAK Gerry Weber	EQB Solutronic	EQB Sopra Group	CIC Vodafone	BAK
Mediaset Espana	BBO Hugo Boss	EQB Sunways	EQB Steria	CIC Ziggo	SNS
Meetic	CIC Loewe	EQB Semiconductors	Mem(*) Tieto	POH Zon Multimedia	CBI
Nextradiotv	CIC Luxottica	BAK Asm International	SNS Tomtom	SNS Utilities	Mem(*)
Nostrum	BBO Marcolin	BAK Asml	SNS Transics	BDG A2A	BAK
Nrij Group	CIC Marimekko	POH Besi	SNS Unit4	SNS Acciona	BBO
Pages Jaunes	CIC Medion	EQB Melexis	BDG Wincor Nixdorf	EQB Acea	BAK
Prisa	BBO Ppr	CIC Okmetic	POH Support Services	Mem(*) E.On	EQB
Publicis	CIC Puma	EQB Roodmicrotec	SNS Batenburg	SNS Edp	CBI
Rcs Mediagroup	BAK Safilo	BAK Stmicroelectronics	BAK Brunel	SNS Edp Renováveis	CBI
Reed Elsevier N.V.	SNS Salvatore Ferragamo	BAK Suess Microtec	EQB Bureau Veritas S.A.	CIC Elia	BDG
Roularta	BDG Sarantis	IBG Software & Computer Ser	Mem(*) Dpa	SNS Enagas	BBO
Rtl Group	BDG Tod'S	BAK Affecto	POH Edenred	CIC Endesa	BBO
Sanoma	POH Van De Velde	BDG Akka Technologies	CIC Etowers	BAK Enel	BAK
Spir Communication	CIC Zucchi	BAK Alten	CIC Fiera Milano	BAK Fluxys	BDG
Talentum	POH Real Estate	Mem(*) Altran	CIC Imtech	SNS Fortum	POH
Telegraaf Media Groep	SNS Aedifica	BDG Amadeus	BBO Lassila & Tikanoja	POH Gas Natural Fenosa	BBO
Teleperformance	CIC Ascencio	BDG Atos	CIC Prosegur	BBO Gdf Suez	CIC
Tf1	CIC Atenor	BDG Basware	POH Randstad	SNS Hera	BAK
Ti Media	BAK Banimmo	BDG Beta Systems Software	EQB Tmc Group	SNS Iberdrola	BBO
Ubisoft	CIC Befimmo	BDG Bull	CIC Usg People	SNS Iren	BAK
Vivendi	CIC Beni Stabili	BAK Caggemini	CIC Telecom Equipment	Mem(*) Public Power Corp	IBG
Wolters Kluwer	SNS Citycon	POH Cegid	CIC Alcatel-Lucent	CIC Red Electrica De Espana	BBO
Oil & Gas Producers	Mem(*) Cofinimmo	BDG Cenit	EQB Ericsson	POH Ren	CBI
Eni	BAK Corio	BDG Comptel	POH Gigaset	EQB Rwe	EQB
Galp Energia	CBI Deutsche Euroshop	EQB Ctac	SNS Nokia	POH Sechilienne Sidec	CIC
Gas Plus	BAK Home Invest Belgium	BDG Dassault Systemes	CIC Teleste	POH Snam	BAK
Hellenic Petroleum	IBG Igd	BAK Digia	POH Telecommunications	Mem(*) Suez Environnement	CIC
Maurel Et Prom	CIC Intervest Offices & Warehouses	BDG Docdata	SNS Acotel	BAK Tema	BAK
Motor Oil	IBG Intervest Retail	BDG Engineering	BAK Belgacom	BDG Veolia Environnement	CIC
Neste Oil	POH Ivg Immobilien Ag	EQB Esi Group	CIC Bouygues	CIC	
Repsol	BBO Leasinvest Real Estate	BDG Exact Holding Nv	SNS Deutsche Telekom	EQB	
Total	CIC Montea	BDG F-Secure	POH Elisa	POH	
Tupras	IBG Realia	BBO Gameloft	CIC Eutelsat Communications Sa	CIC	
	Retail Estates	BDG Gft Technologies	EQB France Telecom	CIC	

LEGEND: BAK: Banca Akros; BDG: Bank Degroof; BBO: Bankia Bolsa; CIC: CM CIC Securities; CBI: Caixa-Banca de Investimento; EQB: Equinet bank; IBG: Investment Bank of Greece, POH: Pohjola Bank; SNS: SNS Securities

as of 4th March 2013

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(**) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts

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**.

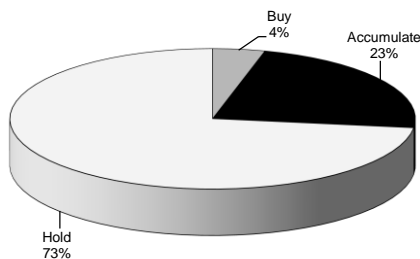
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

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.

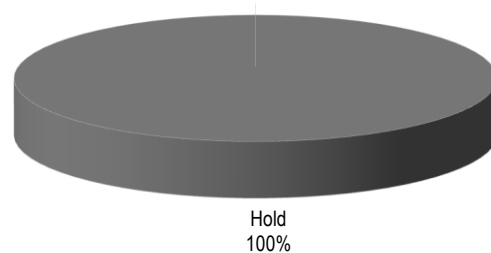
Meaning of each recommendation or rating:

- **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
- **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 Degroef Ratings Breakdown



Bank Degroef Ratings Breakdown for companies with conflicts of interest

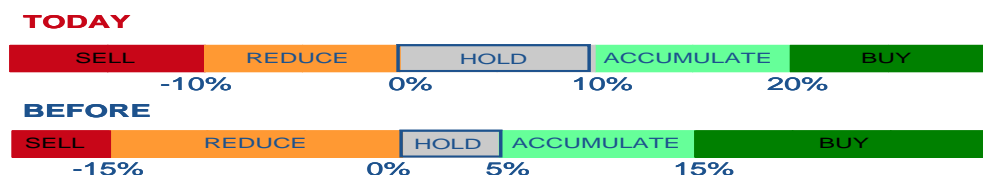


History of ESN Recommendation System

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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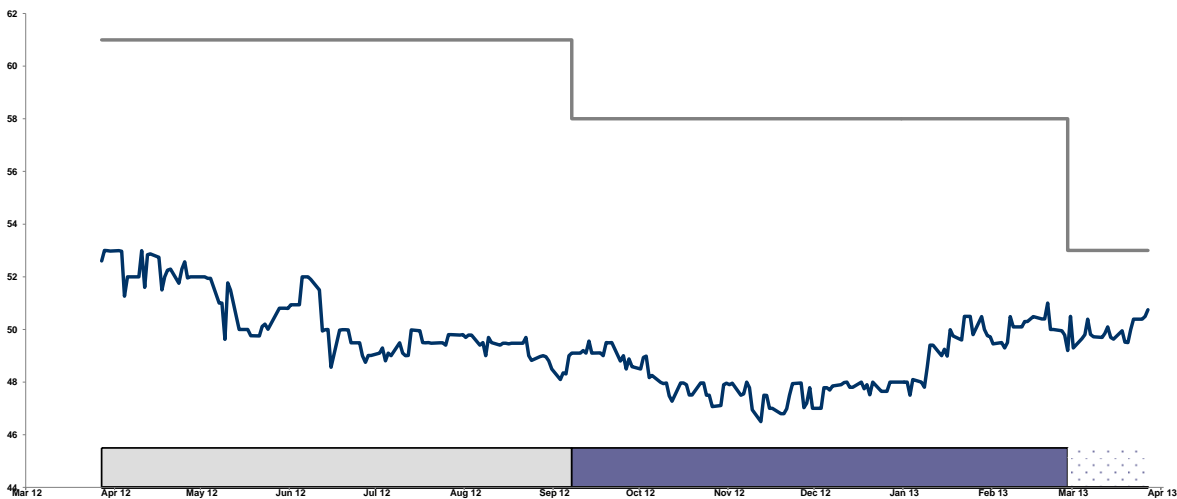


Ter Beke

Recommendation history for TER BEKE

Date	Recommendation	Target price	Price at change date
28-Mar-13	Accumulate	58.00	50.75
27-Feb-13	Hold	53.00	49.20
07-Sep-12	Accumulate	58.00	49.10
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

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)



Bank Degroof acts as liquidity provider for:

Aedifica, Atenor, Banimmo, Bois Sauvage, BSB International, Connect Group, D'Ieteren, Eckert-Ziegler, Elia, Floridienne, GIMV, Home Invest Belgium, Interinvest Retail, I.R.I.S., Kinopolis, Leasinvest, Luxempart, Montea, PinguinLutosa, Realco, Resilux, Roularta, Sapec, Ter Beke, Van de Velde.

Bank Degroof holds a significant stake in:

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