PRESS RELEASE
Regulated information

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Waarschoot, 1 March 2019 - 07:30 a.m.

Consolidated results for 2018
Integration of four companies acquired in 2017 has been completed

Key figures and headlines

Ter Beke Group:

This is the first time the results of the companies acquired in 2017 are included in the income statement for a full year. To recapitulate, these are the Dutch company Offerman for the Processed Meats Division and the French company Stefano Toselli, the Polish Pasta Food Company and the English company KK Fine Foods for the Ready Meals Division.

During the full year, these four companies contributed jointly and individually to the turnover and result according to plan.

The consolidated Group turnover increased by 36.8% to EUR 680.5 million, while the recurring business cash flow (REBITDA) increased from EUR 36.9 million to EUR 50.2 million (+36.2%). Ter Beke has herewith achieved its targeted result.

The new companies were quickly integrated in the Group and the acquisitions have brought Ter Beke a step further in its transformation into a diversified food group with sufficient scale. The Group now has more capacity to respond to the needs of consumers who are becoming increasingly aware of what they eat.

When comparing the results of 2017 and 2018, it is important to realise that the operating results for 2018 include EUR 6.8 million in non-recurring expenses, while in 2017 net non-recurring income of EUR 4.4 million was booked.

The non-recurring expenses of 2018 mostly comprise an amount of EUR 3.8 million for restructuring costs to adapt the overhead to the current market conditions, EUR 1.1 million for closing the factory in Zoetermeer, and the EUR 1.3 million costs of a strategic study conducted after the four acquisitions to analyse the potential of the new Group.

As a result of the above:
- REBITDA increased from EUR 36.9 million in 2017 to EUR 50.2 million in 2018(+36.2%)
- EBITDA increased from EUR 38.4 million in 2017 to EUR 44.0 million in 2018 (+14.7%)
- REBIT increased from EUR 17.6 million in 2017 to EUR 23.0 million in 2018 (+30.7%)
- EBIT fell from EUR 22.0 million in 2017 to EUR 16.2 million in 2018 (-26.3%)
- the result after taxes fell from EUR 17.1 million in 2018 to EUR 7.2 million in 2017

The net cash flow from operational activities increased from EUR 21.8 million to EUR 39.7 million.

Notwithstanding a key investment programme to expand the capacity of the factories in Veurne and Ridderkerk, we were able to reduce net financial debt from EUR 126.9 million to EUR 122.7 million.

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Processed Meats Division:

The division's turnover increased by EUR 109.5 million, from EUR 310.6 million to EUR 420.1 million. The company Offerman, acquired in 2017, performed according to plan. The factory in Zoetermeer was closed down and production was relocated to Borculo and Wommelgem. Offerman also switched over to the Group's standard ERP package.

In Belgium (Veurne) a 'slicing and packaging' project was started that covers much of the product range of one of our customers. Following an initially difficult start, progress was booked on all fronts (service level, efficiency, etc.) in the second half of the year.

Despite this progress, the division experienced a difficult year. The Processed Meats category is undergoing a major transformation and there is increasing competition from alternative products. At the same time, the consumption is falling somewhat, threatening to create overcapacity that will only augment competition.

However, Processed Meats remains an important category, with a market penetration of about 98.7% in the Benelux and a good gross margin for Ter Beke's customers. Ter Beke is cooperating intensively with these customers to further develop the category. The following key themes, among others, were targeted in 2018:

- more balanced product composition in terms of both quality and health by reducing salt or fat content, better meat quality and fewer E numbers
- sustainable packaging concepts based on the 3R principle: Reduce, Reuse, Recycle
- consultation with suppliers in relation to raw materials sourcing and respect for animal rights (e.g. the 'Beter Leven' label)
- active consultations with the government and supply chain partners in relation to food safety and chain assurance
- transparent communication with consumers via product labels, Nutriscore and QR codes for chain transparency

Ready Meals Division:

The division's turnover increased by EUR 73.5 million, from EUR 186.8 million to EUR 260.3 million. With this result, Ter Beke became a European leader in the Ready Meals market and has reinforced its position as number one supplier of chilled lasagne and pasta meals.

In 2018, the focus was on integrating the three acquisitions by implementing a uniform management reporting system, forging a single team and refining the Division's strategy.

In the coming years the division will continue to seek synergies by combining and sharing the strengths of each of the acquired companies. As reported earlier, the strengths of these companies are as follows: KK Fine Foods excels in product development, frozen technology and knowledge of the food service segment; Stefano Toselli has developed efficient production lines for competitive markets such as Germany and France; and Pasta Food Company has built partnerships with most supermarkets in Eastern Europe.

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The market for Ready Meals in Europe offers great prospects for Ter Beke:

- the company is expanding its product range in the supermarket channel to be able to meet its customers in their search for convenient and tasty ready meal solutions
- Ter Beke is responding to new food trends in the food service channel by offering the highest possible quality combined with innovative technologies and sustainable solutions. The fresh lasagnes in wholesale packaging and the freshly frozen world cuisine meal solutions are driving further growth.

With this development and following the 2017 acquisitions, Ter Beke is now able to combine its expertise in both highly automated high-volume production and the development and production of tasty and varied fresh and freshly frozen meals, segments which require far-reaching expertise in product development and freezing techniques.

This expertise is increasingly sought in both the retail and food service channel to be able to offer the right products at the right price levels. More and more, Ter Beke is being recognised by customers in most European countries as the right partner for these segments. The retail channel (including discount) is increasing shelf space to meet the demand for convenience products and to respond to the competition from home-delivered meals. The food service channel's capacity to produce meals is diminishing and Ter Beke's products offer a solution.

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Consolidated key figures for 2018

Consolidated key figures in 000 EUR	2018	2017	Δ%
Revenu (net turnover)	680 460	497 386	36,8%
REBITDA (1)	50 219	36 858	36,2%
EBITDA (2)	44 036	38 409	14,7%
Recurring operating result (REBIT)	23 027	17 624	30,7%
Operating result (EBIT)	16 218	22 018	-26,3%
Net financing costs	-3 390	-1 444	
Operating result after net financing costs (EBT)	12 828	20 574	-37,6%
Taxes	-5 587	-4 006	
Result after tax before share in the result of enterprises accounted for using the equity method	7 241	16 568	-56,3%
Share in enterprises accounted for using the equity method	0	571	
Earnings after taxes (EAT)	7 241	17 139	-57,8%
Financial position in 000 EUR			
Total assets	424 978	399 736	6,3%
Equity	125 028	125 308	-0,2%
Net financial debt (3)	122 679	126 925	-3,3%
Equity/Total assets	29,4%	31,3%	-6,2%
Gearing ratio (4)	98,1%	101,3%	-3,2%
In EUR per share			
Number of shares	1 732 621	1 732 621	0,0%
Average number of shares	1 732 621	1 732 621	0,0%
Net cash flow	20,23	19,02	6,4%
Earnings after taxes	4,18	9,89	-57,7%
EBITDA	25,42	22,17	14,7%

(1) REBITDA: EBITDA from recurring operating activities
(2) EBITDA: earnings before taxes + depreciation + write-downs + changes in provisions.
(3) Net financial debts: interest-bearing liabilities – interest-bearing receivables, cash and cash equivalents.
(4) Gearing ratio: Net financial debt/Equity

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Notes to the consolidated key figures

The IFRS 15 standard (Revenue from contracts with customers) is applicable from 1 January 2018. Ter Beke has opted for the 'full retrospective' method for the first adoption of IFRS 15 for the financial year starting on 1 January 2018. To this end, EUR 11.2 million was deducted from the 2017 turnover and added to the services and miscellaneous goods category. The application of this standard has therefore had no impact on the 2017 results.
On a comparable basis, the turnover of 2018 increased with 1.9% compared to the pro forma turnover of 2017. In the pro forma figures, the effects of the four acquisitions in 2017 were simulated as if they would have been incorporated in the figures of Ter Beke as of 1st January 2017.

Turnover

This is the first time the results of the companies acquired in 2017 are included in the income statement for a full year. To recapitulate, these are the Dutch company Offerman for the Processed Meats Division and the French company Stefano Toselli, the Polish Pasta Food Company and the English company KK Fine Foods for the Ready Meals Division.

During the full year, these four companies contributed jointly and individually to the turnover and result according to plan.

As a result, the consolidated turnover increased by 36.8% to EUR 680.5 million.

The new companies were quickly integrated in the Group and the acquisitions have brought Ter Beke a step further in its transformation into a diversified food group with sufficient scale. The Group now has more capacity to respond to the needs of consumers who are becoming increasingly aware of what they eat.

The turnover of the Processed Meats Division increased by EUR 109.5 million (+35.3%). This is mainly due to the acquisition of Offerman.

The Ready Meals Division achieved an increase in turnover of EUR 73.6 million (+39.4%). This increase is also mainly due to the acquisition made in 2017.

Result of operating activities

Result of operating activities

All amounts in 000 EUR	31/12/2018	31/12/2017
EBITDA	**44 036**	**38 409**
Depreciations costs and impairments	-27 126	-18 830
Impairments, write offs and provisions	-692	2 439
Result of operating activities (EBIT)	16 218	22 018

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Result of operating activities

All amounts in 000 EUR

	31/12/2018	31/12/2017
EBITDA	44 036	38 409
Severance payment (incl social costs)	3 822	793
Realised gains on sale land	0	-721
Costs of phased acquisition	242	2 073
Costs Spencer Stuart Mgt. Cons.		150
LT CEO incentive		2 843
Result of phased acquisition	0	-6 689
Strategic study	1 252	0
Start up costs project new packaging concept	356	0
Realised losses Zoetermeer	511	
REBITDA	**50 219**	**36 858**
Result of operating activities (EBIT)	16 218	22 018
Severance payment (incl social costs)	3 822	793
Realised gains on sale land	0	-721
Costs of phased acquisition	242	2 073
Costs Spencer Stuart Mgt. Cons.		150
Result of phased acquisition		-6 689
Strategic study	1 252	
Start up costs project new packaging concept	356	
Realised losses Zoetermeer	511	
Restructuring expenses Zoetermeer	240	
Impairment Zoetermeer	386	
Recurring operating result (REBIT)	**23 027**	**17 624**

REBITDA increased by EUR 13.3 million (+36.2%) from EUR 36.9 million in 2017 to EUR 50.2 million in 2018. This means that, despite a year of integration and consolidation, Ter Beke still managed to achieve its targets.

The Processed Meats Division’s recurring results were influenced by the continuing pressure on prices in a market that faces a threat of overcapacity. In addition, various costs were incurred in 2018 that are expected to have a positive influence on the results in subsequent years. In Belgium (Veurne) a ‘slicing and packaging’ project was started that covers much of the product range of one of our customers. The start-up costs reduced the initial profitability of the project, particularly in the first half of the year. In the Netherlands, the Fairbeleg® label was launched for the food service channel and the costs were booked to the income statement. Furthermore, Offerman switched over to the standard Ter Beke ERP package. It was also decided to close the Offerman site in Zoetermeer sooner than originally planned and to move production to Borculo and Wommelgem. All preparatory work at the two sites has been included in the costs. The fact that Offerman still managed to meet the targets is clearly an impressive achievement.

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The Ready Meals Division's results were positively influenced by turnover growth in almost all channels and markets. The Group continues to focus on innovation and product development and profit from the strengths of the various companies of the division in order to fully support the customer's needs.

The non-cash costs in 2018 (EUR 27.8 million) were EUR 11.4 million higher than in 2017. This increase can mainly be accounted to higher depreciation as a result of the acquisitions in 2017.

REBIT increased by EUR 5.4 million from EUR 17.6 million in 2017 to EUR 23.0 million in 2018.

A number of non-recurring results need to be considered in the comparison of 2017 and 2018.

- A total of EUR 6.8 million in non-recurring expenses was incurred in 2018. This concerns severance payments amounting to EUR 3.8 million and costs for the strategic study of EUR 1.3 million. The purpose of the study was twofold: firstly a valuation of the company following the acquisitions and an analysis of the ideal balance sheet structure; and secondly a market analysis of the core markets in which Ter Beke operates. In addition, EUR 0.4 million of exceptional costs were incurred for starting up the new slicing project in Veurne, EUR 0.2 million is related to acquisitions and EUR 1.1 million of restructuring costs due to the early closure of Zoetermeer.
- 2017 included EUR 0.8 million in non-recurring expenses and EUR 7.4 million in non-recurring income. The non-recurring expenses relate to severance payments and expenses for due diligence activities. Due to the earlier takeover of French-based Stefano Toselli and the Polish Pasta Food Company on 30 June 2017, it was possible for the Group to achieve EUR 6.7 million in non-recurring income. In addition, added value of EUR 0.7 million was achieved for the sale of a site.

As a result of the above:
- REBITDA increased from EUR 36.9 million in 2017 to EUR 50.2 million in 2018(+36.2%)
- EBITDA increased from EUR 38.4 million in 2017 to EUR 44.0 million in 2018 (+14.7%)
- REBIT increased from EUR 17.6 million in 2017 to EUR 23.0 million in 2018 (+30.7%)
- EBIT fell from EUR 22.0 million in 2017 to EUR 16.2 million in 2018 (-26.3%)
- the result after taxes fell from EUR 17.1 million in 2018 to EUR 7.2 million in 2017

Net financing costs

The net financing costs were EUR 2.0 million higher than in 2017. This was mainly due to the costs of debts arising from the four acquisitions at the end of 2017, the break cost of several loans for the club deal and the exchange rate differences.

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Balance sheet

The differences can be accounted for primarily by the effect of the long-term financing agreement that Ter Beke signed on 26 June 2018. On 26 June 2018 Ter Beke concluded a long-term financing agreement with a consortium of three banks in the form of a 'Revolving Credit Facility' (RCF). The RCF has been agreed for a period of five years, with two possible extensions, each for one year. This provides the Group with EUR 175 million in guaranteed credit lines that can be extended to EUR 250 million if required. The RCF conditions include maintaining a net financial debt to adjusted EBITDA ratio of 3.0. In the event of new acquisitions, a temporary ratio of 3.5 will be accepted.

The main differences in the balance are an increase in cash and cash equivalents of EUR 16.7 million, an increase in long-term interest-bearing liabilities of EUR 86.7 million and a decrease in short-term interest-bearing liabilities of EUR 74.2 million.

The equity difference is chiefly the result of the profit after tax minus the dividend that was allocated over the previous financial year.

Net financial debt decreased by EUR 4.2 million to EUR 122.7 million. This decrease can be explained primarily by the cash flow from operating activities of EUR 39.7 million, less EUR 27.0 million in paid investments (adjusted for revenue from disinvestments), as well as paid dividends and interests amounting to EUR 9.1 million.

Investments

The Group invested 27.9 million in non-current assets in 2018 as opposed to EUR 13.5 million in 2017 (excluding the acquisitions). These relate primarily to the continuation of efficiency investments, infrastructure adjustments at the various sites, the further roll-out of the ERP package and, most importantly, investments to expand the slicing capacity in Veurne.

Proposed dividend

Taking the evolution of the results into account, the Board of Directors will propose to the General Meeting of Shareholders to maintain the gross dividend at 4.00 EUR per share.

External control

The Statutory Auditor, DELOITTE Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Ms Charlotte Vanrobaeys, has confirmed that its auditing work on the consolidated annual accounts, which has been thorough and complete (with the exception of the review of the consolidated annual report and the IFRS notes), has brought no significant correction to light in the bookkeeping information included in this press release, which would have to be executed. The same policies for financial reporting and accounting principles were applied to the drafting of the financial report that were used for the consolidated financial overviews as of 31 December 2017, with the exception of modifications as a result of the application of IFRS 15, 'Revenue from contracts with customers'. As indicated in this report, the Group has opted to restate the corresponding results for 2017.

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Prospects for 2019

The Group is confident that, barring unforeseen market circumstances, the results for 2019 will surpass those of 2018.

Contact

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You can also consult this press release and send your questions to us via the Investor Relations module of our website (www.terbeke.com).

For more information on Ter Beke, visit www.terbeke.com.

Financial calendar

2018 Annual Report:	At the latest on 30 April 2019
2019 General Shareholders Meeting:	29 May 2019
2019 Half-yearly Results:	30 August 2019 before market opening

Ter Beke Group

as at 31 December 2018 and 2017
All amounts in 000 EUR

Consolidated income statement

as at 31 December 2018 and 2017

	2018	2017
Revenue	**680 460**	**497 386**
Trade goods, raw and auxiliary items	-399 416	-292 646
Services and miscellaneous goods	-116 286	-88 003
Employee expenses	-119 640	-87 079
Depreciation costs	-27 126	-18 830
Impairments, write-downs, and provisions	-692	2 439
Other operating income	3 159	3 983
Other operating expenses	-4 241	-1 921
Result of phased acquisition	0	6 689
Result of operating activities	**16 218**	**22 018**
Financial income	358	294
Financial expenses	-3 748	-1 738
Results of operating activities after net financing expenses	**12 828**	**20 574**
Taxes	-5 587	-4 006
Result for the financial year before result from businesses accounted for using the equity method	**7 241**	**16 568**
Share in the result of enterprises accounted for using the equity met	0	571
Profit in the financial year	**7 241**	**17 139**
Profit in the financial year: share third parties	56	32
Profit in the financial year: share group	7 185	17 107
Basic earnings per share	4,15	9,87
Diluted earnings per share	4,15	9,87

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Ter Beke Group

as at 31 December 2018 and 2017
All amounts in 000 EUR

Consolidated balance sheet

as at 31 December 2018 and 2017

	2018	2017
Assets		
Non-current assets	**243 591**	**242 573**
Goodwill	76 456	76 523
Intangible non-current assets	28 651	30 163
Tangible non-current assets	133 382	132 807
Participations using equity method	0	0
Loans to joint venture	0	0
Deferred tax assets	5 027	3 003
Other long-term receivables	75	77
Long-term interest-bearing receivables	0	0
Current assets	**181 387**	**157 163**
Inventories	36 304	34 788
Trade and other receivables	121 908	115 862
Cash and cash equivalents	23 175	6 513
Total assets	**424 978**	**399 736**
Liabilities		
Shareholders' equity	**125 028**	**125 308**
Capital and share premiums	53 191	53 191
Reserves	70 184	70 506
Non-controlling interest	1 653	1 611
Deferred tax liabilities	**9 340**	**10 290**
Long-term liabilities	**139 683**	**52 164**
Provisions	5 835	5 289
Long-term interest-bearing liabilities	130 042	43 306
Other long-term liabilities	3 806	3 569
Current liabilities	**150 927**	**211 974**
Current interest-bearing liabilities	15 812	90 132
Trade liabilities and other payables	115 423	101 379
Social liabilities	15 890	16 211
Tax liabilities	3 802	4 252
Total liabilities	**424 978**	**399 736**

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Ter Beke Group

as at 31 December 2018 and 2017
All amounts in 000 EUR

Consolidated cash flow statement

as at 31 December 2018 and 2017

	2018	2017
Operating activities		
Result before taxes	12 828	20 574
Interest	2 144	1 209
Depreciation	27 126	18 830
Write-downs (*)	495	352
Provisions	197	-2 840
Gains and losses on disposal of fixed assets	757	-795
Result of phased acquisition		-6 689
Cash flow from operating activities	43 547	30 641
Change in receivables more than 1 year	14	26
Change in inventory	-2 001	1 015
Change in receivables less than 1 year	-5 391	-11 736
Change in operational assets	-7 378	-10 695
Change in trade liabilities	12 716	9 438
Change in debts relating to remuneration	-561	1 276
Change in other liabilities, accruals and deferr	906	-1 389
Change in operational debts	13 061	9 325
(Change)/decrease in the operating capital	5 683	-1 369
Taxes paid	-9 526	-7 493
Net cash flow from operating activities	**39 704**	**21 779**

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Ter Beke Group

as at 31 December 2018 and 2017
All amounts in 000 EUR

Consolidated cash flow statement

as at 31 December 2018 and 2017

	2018	2017
Investment activities		
Acquisition of intangible and tangible non-curr	-27 435	-13 714
Acquisition of participating interest in associated compan		-66 726
Total increase in investments	-27 435	-80 440
Sale of tangible non-current assets	452	1 227
Total decrease in investments	452	1 227
Cash flow from investment activities	-26 983	-79 213
Financing activities		
Change in short-term financial debts	-59 575	53 753
Increase in long-term debts	120 000	14 555
Repayment of long-term debts	-47 401	-13 159
Interest paid interest (via income statement)	-2 144	-1 209
Dividend paid by parent company	-6 930	-6 064
Cash flow from financing activities	**3 950**	**47 876**
Net change in cash and cash equivalents	**16 671**	**-9 558**
Cash funds at the beginning of the financial year	6 513	16 068
Translation differences	-9	3
Cash funds at the end of the financial year	**23 175**	**6 513**

(*) Also includes adjustments that are part of the financial result.
This was EUR 000 in 2018; EUR 153 000 in 2017

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Key number by segment

	2018	2017
Processed meats		
Sales	420 146	310 614
REBIT	4 174	6 644
EBIT	1 227	6 839
REBITDA	18 935	17 593
EBITDA	16 614	17 788
Ready meals		
Sales	260 314	186 772
REBIT	25 581	16 917
EBIT	23 674	16 653
REBITDA	35 748	23 254
EBITDA	33 841	22 990
Non allocated results		
Sales		
REBIT	-6 728	-5 937
EBIT	-8 683	-1 474
REBITDA	-4 464	-3 990
EBITDA	-6 419	-2 370

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