

Welcome to the Analyst Meeting
Lievegem, March 14th, 2019

IMPROVE

INNOVATE



Agenda

- ◆ General comments
- ◆ Processed Meats Division
- ◆ Ready Meals Division
- ◆ Annexes
 - ◆ Financials

General comments

The year in a nutshell ...

- ◆ This is the first time the results of the companies acquired in 2017 are included in the income statement for a full year. Reminder : Dutch company Offerman for the Processed Meats Division and the French company Stefano Toselli, the Polish Pasta Food Company and the British company KK Fine Foods for the Ready Meals Division
- ◆ About these 4 companies:
 - ◆ During the full year, they contributed jointly and individually to the turnover and result according to plan
 - ◆ The integration is completed
- ◆ Key facts about the business in 2018:
 - ◆ The group achieved its targeted REBITDA
 - ◆ The Processed Meats Division had a tough year due to market *and* company specific issues
 - ◆ The Ready Meals Division performed well in total and individually
 - ◆ Food, in general, is a much discussed societal topic, representing challenges and opportunities for both Divisions

General comments

Market conditions (not company specific)

◆ Both

- ◆ Costs : 1) Raw material prices going in opposite directions, 2) inflation in energy and labour => overall cost increases and challenge to pass on

◆ Processed Meat

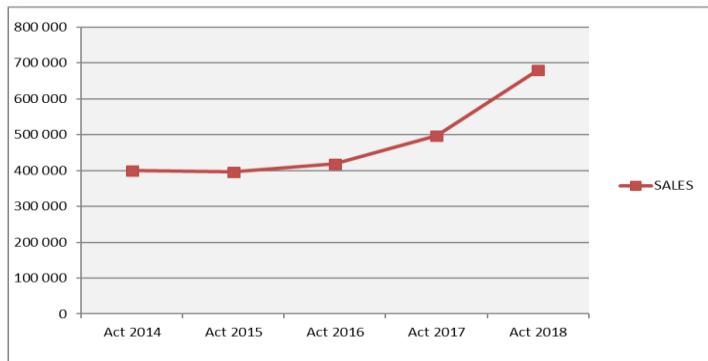
- ◆ Reminder : TB's business in Benelux + specialties in the UK and Germany
- ◆ As said after H1 : reduced consumption leads to idle capacity and strong competition
- ◆ Increased demands of retailers (food safety, packaging, ...) leads to opportunities for differentiation but requires adaption and investments (details in PM section)
- ◆ More shelf space for alternatives (veg., ...)

◆ Ready Meals

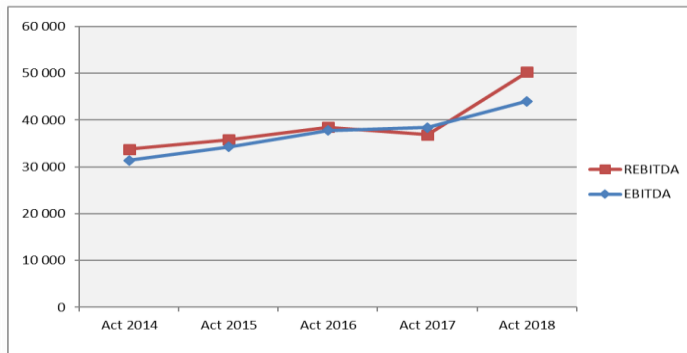
- ◆ Reminder TB : narrow product range but European-wide presence
- ◆ Growing market and increased shelf space also in discount
- ◆ Increased demands of retailers (health, clean labels, packaging, ...) leads to opportunities for differentiation but requires adaption and investments (details in RM section)
- ◆ More international contracts (challenge and opportunity)

EVOLUTION 2018

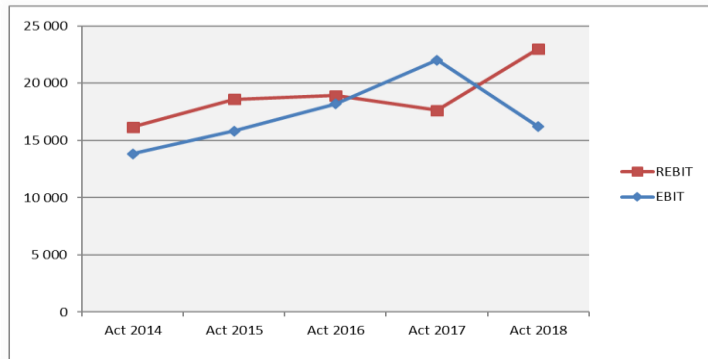
Sales Evolution (in 000 EUR)



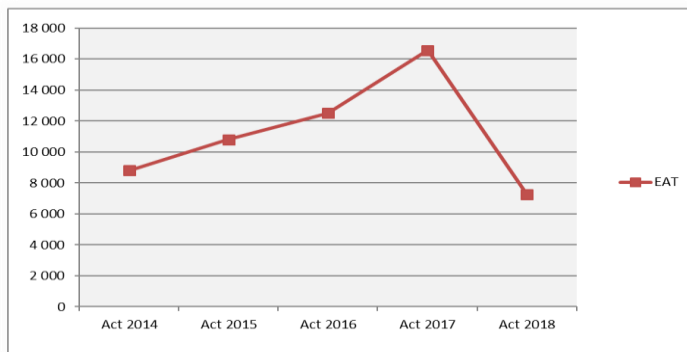
(R)EBITDA Evolution (in 000 EUR)



(R)EBIT Evolution (in 000 EUR)



EAT Evolution (in 000 EUR)

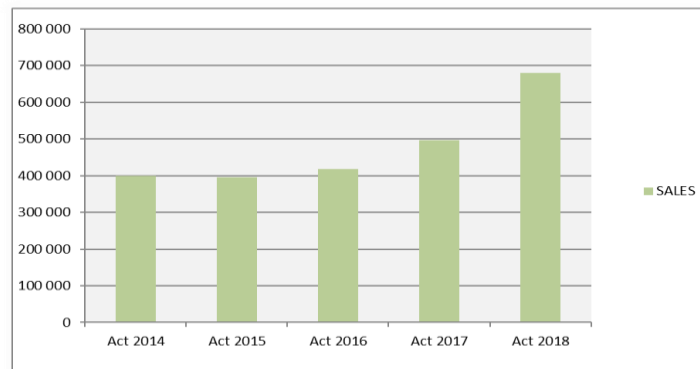


TER BEKE CONSOLIDATED

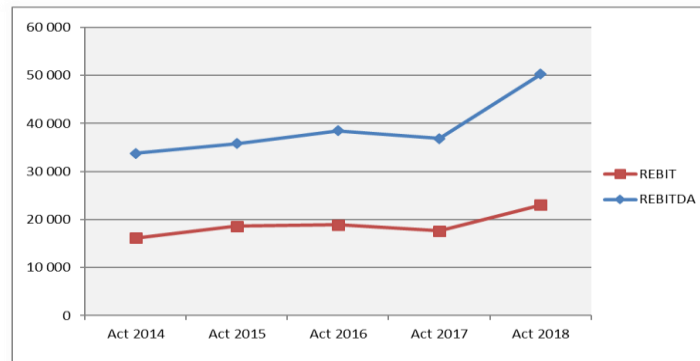
HEADLINES

- ◆ New acquisitions
 - ◆ Integration completed
 - ◆ Contribute to turnover and result as planned
- ◆ Ready Meals Division improve substantially
- ◆ Processed Meats Division has a difficult year - many projects will contribute in the future:
 - ◆ Price pressure in market with overcapacity
 - ◆ Difficult start-up of “Rainbow” project in Veurne
 - ◆ Zoetermeer closed
 - ◆ Offerman : launch of FairBeleg Food Service brand and successful implementation of INFOR / M3
- ◆ Major impact of non recurring items in both 2018 and 2017 => to take into account for comparison (see next slide)
- ◆ Net debt decrease, despite year with major investments (Veurne, Ridderkerk) (slide 9)
- ◆ Reminder : Long term financing agreement closed

Sales Evolution (in 000 EUR)



REBITDA and REBIT evolution (in 000 EUR)



NON RECURRING ITEMS (IN 000 EUROS)

All amounts in 000 EUR

	<u>31/12/2018</u>	<u>31/12/2017</u>
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	
Total non-recurring	-6,8	4,4

HEADLINES

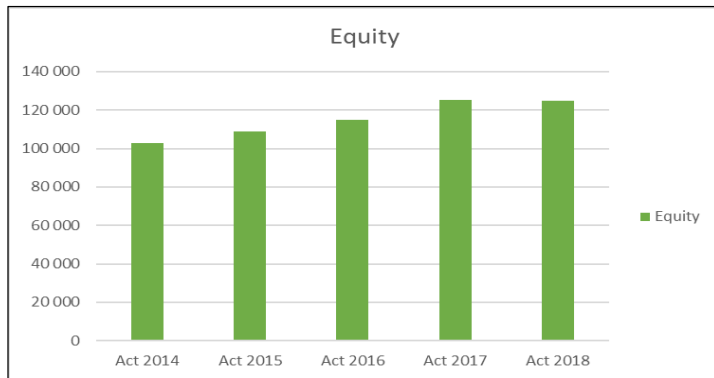
- ◆ Restructuring to calibrate overhead to current market conditions
- ◆ Restructuring costs due to closing of Zoetermeer facility
- ◆ Strategic study to assess company's potential after the 4 acquisitions

NET DEBT AND EQUITY EVOLUTION

Net debt evolution (in 000 euro)



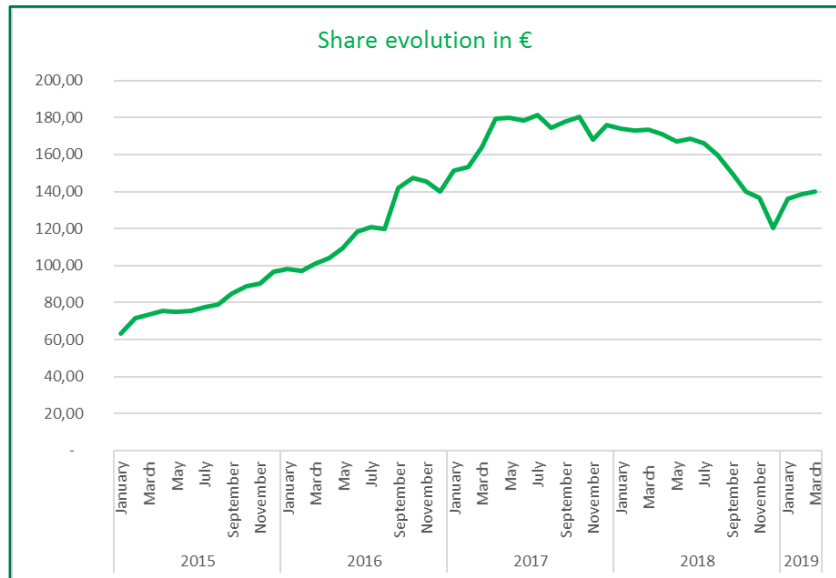
Equity evolution (in 000 euro)



HEADLINES

- ◆ Net debt decreased to EUR 122.9 million
 - ◆ After 27.9 million investments
 - ◆ After 6.8 million non-recurring costs
 - ◆ Thanks to strong net cashflow from operating activities
- ◆ Proposal to pay a gross dividend of 4,00 EUR per share over 2018

SHARE PRICE EVOLUTION



◆ In line with general stock market evolution:

- ◆ 2018: negative course
- ◆ 2019: parallel to stock market evolution
- ◆ Slightly positive reaction after publication of consolidated results



Division

Processed Meats

TRENDS IN THE PROCESSED MEATS CATEGORY

◆ The category is undergoing a major transformation:

- ◆ Less consumption and increasing competition from alternative products (e.g. vegan)
- ◆ Global food companies exit the category (e.g. Unilever sold plants to Zwanenberg, Nestlé plans to sell Herta,)
- ◆ Important themes (see below) now seriously investigated and rapid change demanded

◆ But it remains an important category:

- ◆ Benelux market : 320,000 tons; €2,6 billion @ wholesale level and €4,1 billion @ retail level
- ◆ Important for retail : profitable (40%+ margin) and factor of differentiation
- ◆ Traffic builder : market penetration of about 98.7% in the Benelux (def. : “bought at least once in last year”).

◆ Trends offer Ter Beke possibilities to cooperate intensively with customers on following themes :

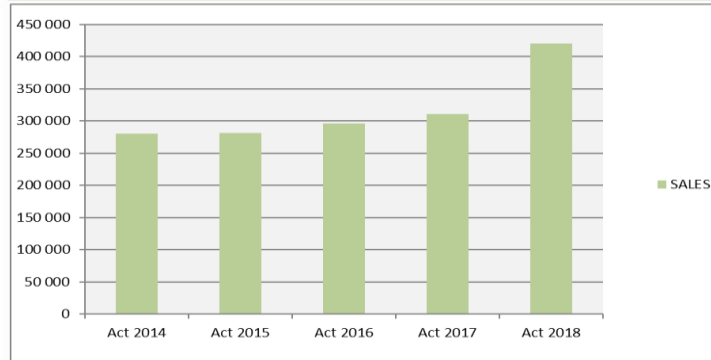
- ◆ more balanced **product composition** in terms of both quality and health by reducing salt or fat content, better meat quality and fewer E numbers
- ◆ **sustainable packaging** concepts based on the 3R principle: Reduce, Reuse, Recycle
- ◆ consultation with suppliers in relation to **raw materials 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

TER BEKE PROCESSED MEATS DIVISION

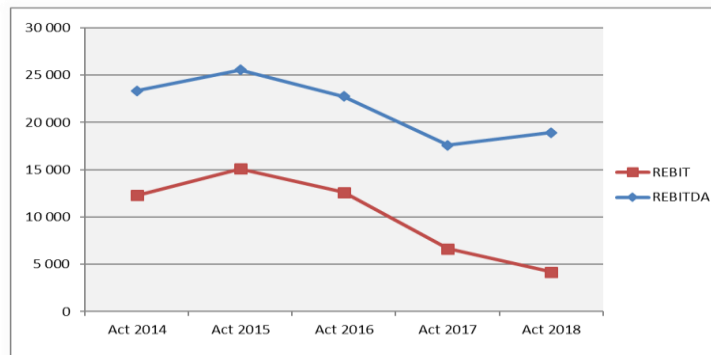
HEADLINES

- ◆ Reminder: Largest slicer and packager of processed meat products in the Benelux with six plants
- ◆ Offerman contributes positively to the bottom line
- ◆ Difficult market
 - ◆ Price pressure in market with overcapacity
 - ◆ Increasing competition of alternatives
- ◆ 2018 initiatives
 - ◆ Veurne : difficult start-up of Rainbow project (€8M investment)
 - ◆ Zoetermeer closure and production moved to Wommelgem and Borculo (total cost of €1M)
 - ◆ Ridderkerk : €2,5M investment for slicing & packaging of cooked ham products
 - ◆ Offerman : launch of “Fairbeleg” brand in Food Service & successful INFOR/M3 implementation

Sales Evolution (in 000 EUR)



REBITDA and REBIT evolution (in 000 EUR)



Division

Ready Meals

terbeke
driven by the zeal for your everyday meal
Analyst meeting

TRENDS IN THE READY MEALS CATEGORY

◆ Reminder : Ter Beke is present in two segments

- ◆ In all European markets : chilled (and frozen) Mediterranean pasta food meals
- ◆ In the UK : frozen qualitative ready meals for Food Service (e.g. pub chains, store restaurants, ...) and retail

◆ The category is growing in Europe:

- ◆ In line with trends : convenience, attraction for Mediterranean food, ...
- ◆ Retailers dedicate increasing shelf space to offer consumers a broader choice in convenience products and compete with home delivery (Deliveroo, Uber Eats, ...)
- ◆ Food Service channels (catering industry and companies supplying them) increasingly buy ready meals to make up for reduced cooking know-how and personnel

◆ Trends offer Ter Beke possibilities to cooperate with customers on following themes :

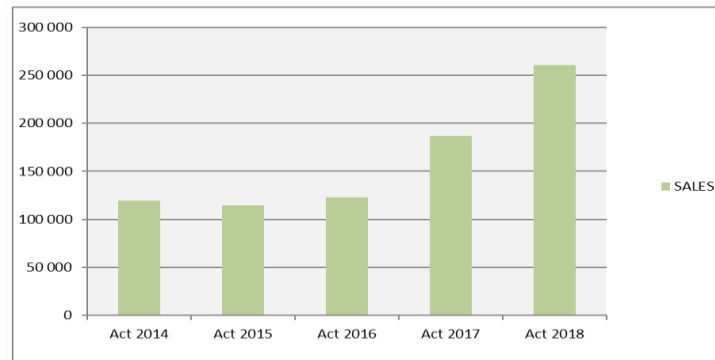
- ◆ more balanced **recipes** in terms of both quality and health by reducing salt or fat content, better meat quality and fewer E numbers ("clean label")
- ◆ **new packaging** concepts for health and sustainability (e.g. alternatives for aluminium trays, ...)
- ◆ Increased attention and transparency for **raw materials used** (e.g. lasagna with the 'Beter Leven' label)
- ◆ transparent **communication with consumers** via product labels, Nutriscore and QR codes for chain transparency

TER BEKE READY MEALS DIVISION

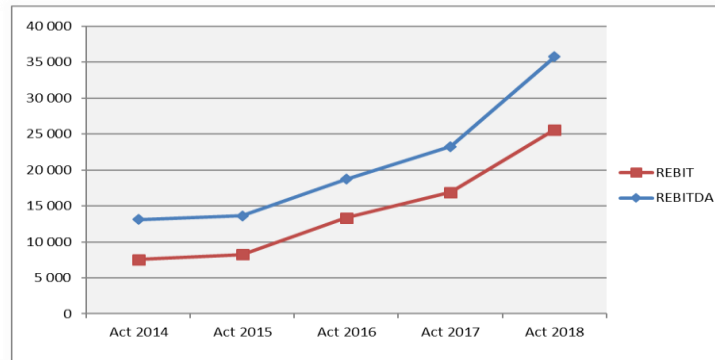
HEADLINES

- ◆ Reminder: N° 1 European supplier of chilled lasagna and pasta meals
- ◆ New acquisitions perform as planned
- ◆ Integration completed
 - ◆ One Team, one strategy
 - ◆ Synergies identified will be rolled out
- ◆ Expanding product range to meet customer requirements
- ◆ 2018 initiatives
 - ◆ Fresh Meals : launch of “DIPPA” food sharing concept
 - ◆ PFC : entry into the “one portion” 400 gram segment
 - ◆ FM, PFC & ST : pan-European cooperation to service first int’l contracts with large Discounters
 - ◆ KK Fine Foods : entry into high-end retail (Waitrose)

Sales Evolution (in 000 EUR)



REBITDA and REBIT evolution (in 000 EUR)



Annexes



CONSOLIDATED INCOME STATEMENT 2018

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 method	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

HEADLINES

- ◆ 4 acquisitions explain major recurring variances due to
 - ◆ Full year in 2018 P&L vs
 - ◆ Stefano Toselli & Pasta Food Company 6 months, KK Fine Foods 4 months and Offerman 1 month in 2017 P&L
- ◆ 11.2 million EUR difference in non recurring elements explain other variances
- ◆ Sales increase of 1.9% on like for like basis vs proforma sales 2017

IMPACT IFRS-15

in '000 EUR	<u>31/12/2018</u>	<u>Adjustments</u>	<u>reclassi- fications</u>	<u>31/12/2018</u> IFRS 15	<u>31/12/2017</u>	<u>Adjustments</u>	<u>reclassi- fications</u>	<u>31/12/2017</u> IFRS 15
Revenu	693 344	0	-12 884	680 460	508 555	0	-11 169	497 386
Trade goods, raw and auxiliary materials	-399 416			-399 416	-292 646			-292 646
Services and miscellaneous goods	-129 170		12 884	-116 286	-99 172		11 169	-88 003
Wages and salaries	-119 640			-119 640	-87 079			-87 079
Depreciation costs	-27 126			-27 126	-18 830			-18 830
Impairments, write-offs and provisions	-692			-692	2 439			2 439
Other operating income	3 159			3 159	3 983			3 983
Other operating expenses	-4 241			-4 241	-1 921			-1 921
Result of phased acquisition	0			0	6 689			6 689
Result of operating activities	16 218	0	0	16 218	22 018	0	0	22 018

in '000 EUR	<u>31/12/2018</u>	<u>Adjustments</u>	<u>reclassi- fications</u>	<u>31/12/2018</u> IFRS 15	<u>31/12/2017</u>	<u>Adjustments</u>	<u>reclassi- fications</u>	<u>31/12/2017</u>
Revenu	693 344	0	-12 884	680 460	508 555	0	-11 169	497 386
Processed Meats	423 938	0	-3 792	420 146	314 630	0	-4 016	310 614
Ready Meals	269 406	0	-9 092	260 314	193 925	0	-7 153	186 772

CONSOLIDATED BALANCE SHEET 2018 (1/2)

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

	<u>2018</u>	<u>2017</u>
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

HEADLINES

1. 2018 and 2017 contain full balance of 4 acquisitions
2. Major variances are:
 - a) Strengthening of balance sheet due to RCF Financing
 - More long term debt
 - More cash
 - Lower short term debt
 - b) Improved working capital (+ 4.7 million EUR)

CONSOLIDATED BALANCE SHEET 2018 (2/2)

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

CONSOLIDATED CASHFLOW (1/2)

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

	<u>2018</u>	<u>2017</u>
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

HEADLINES

◆ Lower net Financial debt

- ◆ Strong cashflow generation from operating activities
 - ◆ Thanks to cashflow from operating activities
 - ◆ Thanks to working capital improvement
- ◆ 27 million EUR net investment payments
- ◆ 9 million EUR interest and dividend payment

CONSOLIDATED CASHFLOW (2/2)

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

	<u>2018</u>	<u>2017</u>
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

EVOLUTION EXTERNAL SEGMENT REPORTING 2018

Key number by segment		
	<u>2018</u>	<u>2017</u>
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

HEADLINES

- ◆ Non recurring costs in all segments
- ◆ REBITDA in Processed meat
 - ◆ Positive evolution despite
 - ◆ Difficult market
 - ◆ Start up Rainbow project
 - ◆ Launch of “FairBeleg” brand
- ◆ Ready Meals very promising evolution
- ◆ Non allocated REBITDA decreases as a % of sales