



Waarschoot, 09 March 2018 - 07:30 a.m.

Consolidated annual results for 2017 **Ter Beke reaps first fruits of acquisitions**

Key figures and headlines

Ter Beke Group:

- Consolidated turnover increased by EUR 90 million to EUR 508.6 million (+21.5%).
- Pro forma sales increased to EUR 680.5 million (+62.6%) thanks to four strategic acquisitions in the second half of 2017 in both divisions:
 - On 30/06/2017, earlier than anticipated, the Group acquired full control over Stefano Toselli (France) and Pasta Food Company (Poland). As described in the half-year financial report, this resulted in EUR 6.7 million in non-recurring income. Thanks to this acquisition, the Group significantly strengthened its position as European market leader in fresh lasagne.
 - On 11/09/2017, the Group acquired 90% of the shares of KK Fine Foods PLC, reinforcing the Group's position in the ready meals market. Ter Beke now has a firm foothold in the UK, the largest market for ready meals in Europe.
 - On 01/12/2017, Ter Beke completed its acquisition of the Zwanenberg Food Group's 'Business Unit Fresh', which continued its activities under the name Offerman B.V. This acquisition ties in perfectly within the Ter Beke Group's plans to become market leader for processed meats in the Benelux.
 - This involved more than EUR 2.1 million in non-recurring due diligence costs.
 - The acquisitions were financed from bank debts.
- EBITDA of EUR 38.4 million in 2017 compared to EUR 37.7 million in 2016 (+1.8%).
- Pro forma EBITDA of EUR 50.2 million (+33%).
- EBIT of EUR 22 million (+21.0%) compared to EUR 18.2 million in 2016.
- Pro forma EBIT of EUR 23.7 million (+30.6%).
- Earnings after taxes increased by 36.4%, from EUR 12.6 million in 2016 to EUR 17.1 million.
- Pro forma profits after tax of EUR 14.2 million (+13.6%).
- Proposal to increase gross dividend to EUR 4.00 compared to EUR 3.50 in 2016 (+14.3%).

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Processed Meats Division:

- The turnover of this division increased by 6.4%.
- This is primarily down to successful ongoing implementation of the growth strategy in the Netherlands and Belgium.
- Key innovations in products and concepts.
- Multi-Layer Packaging increasingly successful.
- Margins came under pressure due to unexpected sharp increases in raw materials prices on one side and the pressure on prices due to the effects of market consolidation on the other side.
- Uninterrupted focus on increasing the profitability of the product range and continuous cost control.
- The pro-forma turnover of the division is about EUR 413 million.

Ready Meals Division:

- The turnover of this division increased by 58%. This increase was achieved in almost all countries and channels, resulting in an increased market share.
- Margins came under pressure due to unexpected sharp increases in raw materials prices. From the second half of the year, adjustments in sales prices partially compensated for the increases in raw materials prices.
- Successful investment in innovation, with an expansion of the product ranges of both private labels and own brands.
- Expansion of sales to new countries in Europe.
- Uninterrupted focus on increasing the profitability of the product range and continuous cost control.
- The pro-forma turnover of the division is EUR 267 million.

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Consolidated key figures for 2017

<u>Consolidated key figures in '000 EUR</u>	<u>2017</u>	<u>2016</u>	<u>Δ%</u>
Revenu (net turnover)	508 555	418 563	21,5%
EBITDA (1)	38 409	37 735	1,8%
Operating result (EBIT)	22 018	18 190	21,0%
Net financing costs	-1 444	-429	236,6%
Operating result after net financing costs (EBT)	20 574	17 761	15,8%
Taxes	-4 006	-5 258	-23,8%
Result after tax before share in the result of enterprises accounted for using the equity method	16 568	12 503	32,5%
Share in enterprises accounted for using the equity method	571	59	867,8%
Earnings after taxes (EAT)	17 139	12 562	36,4%
Total assets	399 736	249 651	60,1%
Equity	125 308	114 969	9,0%
Net financial debt (2)	126 925	17 547	623,3%
Equity/Total assets	31,3%	46,1%	
Gearing ratio (3)	101,3%	15,3%	
<u>In EUR per share</u>			
Number of shares	1 732 621	1 732 621	0,0%
Average number of shares	1 732 621	1 732 621	0,0%
Earnings after taxes	9,89	7,25	36,4%
EBITDA	22,17	21,78	1,8%

(1) EBITDA: earnings before taxes + depreciation + write-downs + changes in provisions.

(2) Net financial debts: interest-bearing liabilities – interest-bearing receivables, cash and cash equivalents.

(3) Gearing ratio: Net financial debt/Equity

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Non-audited pro forma figures 2017

To more clearly explain the impact of the acquisitions of Stefano Toselli, Pasta Food Company, KK Fine Foods and Offerman B.V. on an annual basis, Ter Beke has simulated the effects of the pre-acquisition period as if it would have been incorporated in the figures of Ter Beke as of 1st January 2017.

All non-recurring income and expenses for 2017 were also corrected in the pro forma calculation.

These non-recurring elements are:

- Results of the phased acquisition of Stefano Toselli and Pasta Food Company: EUR -6.7 million.
- Costs of the various acquisitions: EUR 2.1 million.
- In 2017, the long-term incentive of the CEO was booked under EBITDA. These costs were being brought under recurring earnings in previous years. This is why this is considered a one-off cost, as is the reversal of the provision in 2017. As no additional payments were allocated in 2017, this means that there is no correction at the EBIT level in 2017.
- Other non-recurring elements mainly concerned the costs of severance payments and the income from the sale of a property.
- Pro forma taxes were calculated over all taxable costs.

Consolidated key figures in '000 EUR	2017	IFRS pre-acquisition	Correction acquisition	Correction CEO Incentive	Other non-recurring results	Non audited 2017 Pro-forma		2016	Δ%
Revenu (net turnover)	508 555	171 945				680 500	418 563	62,6%	
EBITDA	38 409	13 342	-4 616	2 843	222	50 200	37 735	33,0%	
Operating result (EBIT)	22 018	6 126	-4 616		222	23 750	18 190	30,6%	
Net financing costs	-1 444	-2 406				-3 850	-429	797,4%	
Operating result after net financing costs (EBT)	20 574	3 720	-4 616		0	19 900	17 761	12,0%	
Taxes	-4 006	-914	-705		-75	-5 700	-5 258	8,4%	
Result after tax before share in the result of enterprises accounted for using the equity method	16 568	2 806	-5 321	0	147	14 200	12 503	13,6%	
Share in enterprises accounted for using the equity method	571	-571				0	59		
Earnings after taxes (EAT)	17 139	2 235	-5 321	0	147	14 200	12 562	13,0%	

The prof forma net debt/EBITDA ratio is 2.5

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Notes to the consolidated key figures

Turnover and operating result

Total Group turnover increased by EUR 90 million, from EUR 418.6 million to EUR 508.6 million (+21.5%). Pro forma sales increased to EUR 680.5 million (+62.6%) thanks to four strategic acquisitions in the second half of 2017 in both divisions.

The turnover of the Ready Meals Division increased by EUR 71.2 million compared to 2016 (+58%). Of this amount, EUR 63.4 million was the result of the new acquisitions. This means this division's turnover increased by 6.4% without these acquisitions.

The turnover of the Processed Meats Division increased by EUR 18.8 million (+6.4%). Of this amount, EUR 8.3 million was the result of the acquisition of Offerman B.V. in December. This means that this division's turnover increased by 3.6% without this acquisition. This was primarily down to the growth strategy in the Netherlands and Belgium, which compensated for the loss of a major pâté contract in the UK market in mid-2016.

As reported in the first half of 2017, margins in both divisions came under pressure due to unexpected sharp increases in raw materials prices. Better results were achieved in the second half thanks to sales price adjustments to compensate these price increases. The effects of higher promotional activities and pressure on prices caused by the effects of market consolidation resulted in a further margin erosion in the Processed Meats Division.

The new acquisitions had a positive effect on the EBITDA of both divisions.

Net financing costs

In 2017, the net-financing costs were EUR 1.0 million higher than in 2016. This was mainly the result of the financing of the acquisitions.

Taxes

The tax rate in 2017 (19.5%) was significantly lower than in 2016 (29.5%), among others due to the effect of lower taxation in Belgium (as of 2019) and the fact that the profits from the phased acquisitions of Stefano Toselli and Pasta Food Company were tax-exempt.

Investments

The group invested EUR 13.5 million in non-current assets in 2017 as opposed to EUR 14.8 million in 2016. This primarily concerned the continuation of efficiency investments, infrastructure adjustments at the various sites and the further roll-out of the ERP package.

Balance sheet

The differences can primarily be accounted for by the acquisitions in 2017: the early acquisition of the remaining shares in Stefano Toselli and Pasta Food Company on 30 June 2017, the acquisition of KK Fine Foods on 11 September 2017 and the acquisition of Offerman B.V. on 1 December 2017.

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Goodwill increased by EUR 41.3 million. EUR 25.2 million was allocated to intangible non-current assets, predominantly in the customer portfolio. The acquisitions were responsible for the increase in tangible non-current assets of EUR 60.4 million.

The increase in working capital of EUR 21 million can also be fully attributed to the acquisitions.

Net debt increased by EUR 109.4 million to EUR 126.9 million. This increase was caused by both the costs of the acquisitions and the existing net debt of these companies.

The two most recent acquisitions were financed from short-term debts that will be changed into long-term financial debts in the first half of 2018.

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

Dividend proposal

The Board of Directors will propose to the General Meeting of Shareholders to increase the gross dividend to EUR 4.00 (EUR 3.50 in 2016). This increase reflects confidence in the future and will simultaneously allow to retain the necessary funds to continue to roll out the company's growth strategy.

External control

The commissioner, DELOITTE Auditors BV o.v.v.e. CVBA, represented by Ms Charlotte Vanrobaeys, has confirmed that her auditing work, which has been thorough and complete, apart for the review of the consolidated annual report and the IFRS explanations, has brought no significant correction to light in the bookkeeping information included in this press release, which would have to be executed.

Prospects for 2018

In 2018, the Group will work further on increasing its focus on the profitability and growth of the product range and on extensive cost control. The Group is also focussing its energy on creating synergies with the new acquisitions and will continue to invest in innovative concepts for their customers. The Group is increasingly better equipped to meet these challenges.

The Group is confident that, barring unforeseen market circumstances, the results for 2018 will surpass the pro-forma result of of 2017.

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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

Annual Report 2017

at the latest on 30 April 2018

General Meeting of Shareholders 2018

31 May 2018

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Attachments

Ter Beke Group		
as at 31 December 2017 and 2016 - in '000 EUR		
Consolidated income statement		
	<u>2017</u>	<u>2016</u>
Revenue	508 555	418 563
Trade goods, raw and auxiliary items	-292 646	-227 177
Services and miscellaneous goods	-99 172	-81 016
Employee expenses	-87 079	-73 577
Depreciation costs	-18 830	-17 428
Impairments, write-downs, and provisions	2 439	-2 117
Other operating income	3 983	2 266
Other operating expenses	-1 921	-1 324
Result of phased acquisition	6 689	
Result of operating activities	22 018	18 190
Financial income	294	841
Financial expenses	-1 738	-1 270
Results of operating activities after net financing expenses	20 574	17 761
Taxes	-4 006	-5 258
Result for the financial year before result from businesses accounted for using the equity method	16 568	12 503
Share in the result of enterprises accounted for using the equity method	571	59
Profit in the financial year	17 139	12 562
Profit in the financial year: share third parties	32	
Profit in the financial year: share group	17 107	12 562
Basic earnings per share	9,87	7,25
Diluted earnings per share	9,87	7,25

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Ter Beke Group

as at 31 December 2017 and 2016 - in '000 EUR

Consolidated balance sheet

	<u>2017</u>	<u>2016</u>
Assets		
Non-current assets	242 573	144 337
Goodwill	76 523	35 204
Intangible non-current assets	30 163	5 323
Tangible non-current assets	132 807	79 536
Participations using equity method	0	12 307
Loans to joint venture	0	1 870
Deferred tax assets	3 003	0
Other long-term receivables	77	97
Long-term interest-bearing receivables	0	10 000
Current assets	157 163	105 314
Inventories	34 788	22 256
Trade and other receivables	115 862	66 990
Cash and cash equivalents	6 513	16 068
Total assets	399 736	249 651
Liabilities		
Shareholders' equity	125 308	114 969
Capital and share premiums	53 191	53 191
Reserves	70 506	61 778
Non-controlling interest	1 611	0
Deferred tax liabilities	10 290	4 335
Long-term liabilities	52 164	38 112
Provisions	5 289	5 312
Long-term interest-bearing liabilities	43 306	32 800
Other long-term liabilities	3 569	0
Current liabilities	211 974	92 235
Current interest-bearing liabilities	90 132	10 815
Trade liabilities and other payables	101 379	66 779
Social liabilities	16 211	11 322
Tax liabilities	4 252	3 319
Total liabilities	399 736	249 651

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	<u>2017</u>	<u>2016</u>
Result of operating activities (=EBIT)	22 018	18 190
+ Depreciation costs	18 830	17 428
+ Impairments, write-downs, and provisions	-2 439	2 117
EBITDA	38 409	37 735

	<u>2017</u>	<u>2016</u>
Net financial debt		
+ Long-term interest-bearing liabilities	43 306	32 800
+ Current interest-bearing liabilities	90 132	10 815
- Long-term interest-bearing receivables	0	-10 000
- Cash and cash equivalents	-6 513	-16 068
	126 925	17 547

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