

**Sector**  
Staffing

**Price**  
EUR 13.73

**Ticker symbol**  
Bloomberg : ALTMC NA  
Reuters : ALTMC.AS

**Market cap**  
EUR 49.0 mln

**Major shareholders**  
TMC board of directors (78.5%)

**Free float**  
20 %

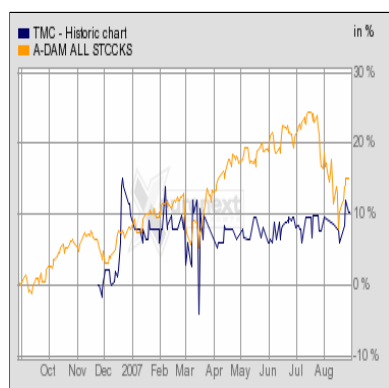
**Average daily turnover**  
521

**Relative price performance**  
1 month : 4.0 %  
3 months : 7.8 %  
12 months : 1.5 %

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EUR	2006	2007E*	2008E	2009E
Sales mln	14.1	27.2	38.9	45.5
Growth	130%	93.3%	43.2%	17.0%
EBITDA mln	2.9	6.0	9.0	10.8
Net Profit mln	1.9	4.5	6.7	8.0
Growth	200%	133%	50.3%	19.7%
EPS old	0.59	1.16	1.56	1.90
EPS new		1.26	1.70	2.04
P/E	23.8	10.9	8.1	6.7
DPS	0.00	0.00	0.00	0.00
DVD yield	0.00	0.00	0.00	0.00
EV/EBITDA	14.3	8.6	6.4	5.4

\* Includes Adapté's figures for 6 months



## HY2007 results: EPS target easily obtainable

TMC presented strong HY1 results, with sales up 67% yoy to EUR 10.4 mln and net profit up 66% yoy at EUR 1.5 mln (all organic). TMC will focus in HY2 on the integration of Adapté, its largest acquisition ever, and will be on the look-out for new ones as of next year. We believe this to be the right strategy. It also enables TMC to present strong FY results which makes it easier to issue shares for a large acquisition. We expect HY2 will show continued strong growth. TMC expects revenues to increase with at least 40% organically in 2007 and pro forma fully diluted EPS (incl. Adapté for the full year) to be in the range of EUR 1.10–1.20. **The shares are undervalued in our opinion. We raise our estimates and reiterate our BUY recommendation with a price target of EUR 17.**

### Strong HY1 results make EPS target easily obtainable

TMC's EBIT surged 47% yoy to EUR 2.0 mln. The EBIT margin was down from 21.3% to 18.8% due to an increase in indirect personnel costs. Excluding start-up costs, its margin came in at around 20%. The gross margin improved from an already high 34.5% to 35.0%. At the business cell level, growth rates were high and margin development was good.

EUR mln	Sales			EBIT			EBIT margin	
	HY07	HY06	change	HY07	HY06	change	HY07	HY06
<b>TMC-Embedded</b>	2,671	2,171	23.0%	544	232	134.5%	20.4%	10.7%
<b>TMC-ERP Professionals</b>	1,526	818	86.6%	160	79	134.5%	10.5%	9.7%
<b>TMC-Physics</b>	3,085	1,743	77.0%	995	615	102.5%	32.3%	35.3%
<b>TMC-Engineering Professionals</b>	2,072	1,571	31.9%	585	407	43.7%	28.2%	25.9%
<b>TMC-Mechatronics</b>	905	34	n.m.	52	1	61.8%	5.7%	2.9%
<b>Other</b>	169	-82		-376	0			
<b>Total</b>	10,428	6,255	66.7%	1,960	1,334	46.9%	18.8%	21.3%

Source: TMC

Besides these five cells, TMC added four new cells, namely Automotive, Chemical, Mechanical and Industrial Automation, the first three through its alliance with TNO, which gives it a strong foothold in these new markets. The workforce, or employeneurs as TMC calls them, increased from 175 to 209 in HY1 (17 at the new cells and some 25 at TNO).

### Strong margin contribution of Adapté

Through the acquisition of Adapté, TMC added two more markets, broadened its client base and enhanced risk diversification. If Adapté would have been consolidated as of January, the EBIT margin would have improved from 21.3% to 23.2% and the gross margin from 34.5% to 38.2%. This is mainly due to the fact that Adapté's employees do not get a percentage of the gross margin they generate as is the case at TMC. It is still to be decided whether or not a margin-related salary will be introduced. Besides commitment to results it also leads to a more stable workforce (now somewhat lower at Adapté).

07HY1	gross margin	EBIT margin	net margin
<b>TMC</b>	35.0%	18.8%	14.2%
<b>Adapté</b>	44.2%	31.4%	23.4%

Source: TMC

Adapté generated sales of EUR 5.5 mln (FY06: EUR 10 mln) and an EBIT of EUR 1.7 mln (FY06: EUR 2.8 mln). The pro forma HY1 EPS was EUR 0.69, which means EUR 0.41-0.51 needs to be realised in HY2 based on TMC's outlook. Given the fact that TMC has a seasonal pattern in its revenues (we estimate some 55% is generated in HY2), we believe guidance is very much on the safe side. Adapté's growth rate is lower (we estimate around 20%) than TMC's, but margins are higher. Its figures are consolidated as of July, but its cash flow is added as of January, which lowers net debt and makes the deal all the more attractive. Adapté's cash flow was EUR 0.6 mln (EUR 1.3 mln excl. dividends).

### Guidance on the conservative side, valuation too low

The expected EPS contribution of Adapté is roughly in accordance with the ratio of sales of Adapté (EUR 10 mln) to that of TMC (EUR 14 mln), which means some 40% has to come from Adapté. If we assume a similar contribution of Adapté in HY2, TMC must realise only EUR 0.17 in HY2 in addition to the EUR 0.40 in HY1 to arrive at EUR 1.15 per share. Given the 66% profit growth in HY1, this looks overly conservative. We arrive at an ordinary EPS of EUR 1.26 not corrected for dilution (some 10%), but with Adapté's figures included for only 6 months. Our DCF returns a fair value of EUR 19.10. We apply a liquidity discount of 10% to account for the low free float, which leaves an upside of 25%.