TMC GROUP

Share Data

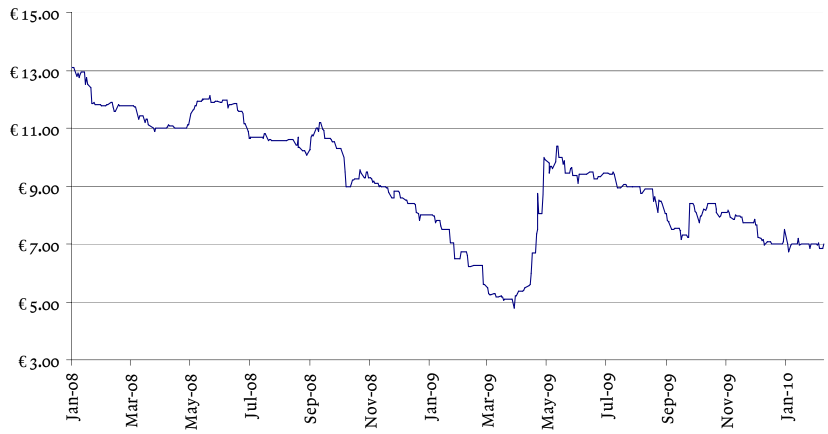
Price	€6.84
Market cap	€27.5m
Outstanding shares	3,937,766
Year low/high	€4.80/€10.39
Avg. daily volume	898 shares

Source: Bloomberg

Major Shareholders

Mobion Holding B.V.	23.56%
Thijs Manders Beheer B.V.	23.56%
Comnaar Investments B.V.	8.84%
TMC Group	6.35%
S.P.Y.N. Holding B.V.	5.36%

Source: AFM



Price Graph Source: Bloomberg

TMC Group €6.84	**Sales**	**EBITDA**	**EPS**	**DPS**	**P/E**
FY08a	42.3	6.2	1.04	0.40	6.7
FY09e	38.3	2.7	0.47	-	14.9
FY10e	36.0	1.5	0.23	0.10	30.2

*Source: AEK Research / TMC / Bloomberg, * adjusted for impairment and amortization*

TMC GROUP UPDATE

- Management expects the worst to be over and market conditions should improve, clients like ASML and Philips seem willing to invest again in highly educated personnel
- Appointment of Luud Engels as interim COO
- Adapté: no recovery yet seen in construction, civil engineering however more upbeat
- We expect a further impairment on goodwill of €3m related to the acquisition of Adapté (2007)
- Two members of the executive board, Roosen (COO) and Jeuken (CCO), left the company (December)
- TMC buys 250k shares back from leaving management at €8 per share, lock up cancelled for remaining shares (870k combined)
- Possible expansion of TMC's business model in Germany and/or Belgium
- We believe the company is ready to exit Alternext in the course of FY10
- We lower our estimates on sales and profit for 2H09 and for FY10
- Patience required: we reiterate our rating to **Marketperformer**

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Worst to be over

The management of TMC Group stated earlier last month that it expects the worst to be over. Thijs Manders, founder and CEO of TMC Group, signalled that clients like ASML and Philips show more activity towards investing in innovations. The company should directly benefit from this trend, more specifically with TMC Technology.

In October two members of the executive board, R. Roosen and L. Jeuken, where suspended due to a difference of opinion with regards to the company strategy. A month later TMC settled its conflict with the two suspended managers. They left the company as of December. As part of the settlement TMC bought back 250k shares at a price of €8 per share, reflecting a premium of 15% at the time. The two remained with 870k shares, for which no longer a lock up period is in place. In January the management has been expanded with the appointment of Luud Engels as interim COO.

In our update of the 18th of September it was clear that although TMC Group suffered from the deep recession with both revenue and margin under pressure, the unique formula of TMC's 'employeneurship' did show its value. Without the impairment charge of €6.2m related to the acquisition of Adapté (2007), TMC Group managed to operate profitable during one of the worst economic downturns since the Second World War, though in part thanks to extraordinary Dutch government measures.

Cutting costs

Still, that hasn't kept the company from cutting costs and rationalizing the business. Loss making business units like TMC Application Development and TMC Engineering & Construction (closed) and TMC Dynamics Professionals (divested), which bottom line should have a positive impact on the profit&loss of about €350k. Cost cutting measures should lead to savings in total of around €400k annually. TMC took a provision of €200k on its debtors. We estimate the EBIT margin (excluding impairment Adapté) to reach 5.7% for 2H09. As a result, the FY09 EBIT margin decreases to 5.9% (previous estimate: 6.4%).

EBIT margin break down

Sales break down (€)	FY08a	1H09a	2H09e	FY09e	FY10e
TMC Technology	26,437,000	12,869,000	12,555,000	25,424,000	23,738,986
EBIT	4,384,000	1,448,000	1,291,000	2,739,000	1,602,382
margin in % of sales	16.6%	11.3%	10.3%	10.8%	6.8%
TMC ICT	5,859,000	2,173,000	1,860,000	4,033,000	4,136,338
EBIT	394,000	(440,000)	(320,000)	(760,000)	(682,496)
margin in % of sales	6.7%	-20.2%	-17.2%	-18.8%	-16.5%
Adapté	9,725,000	4,616,000	4,185,000	8,801,000	8,092,836
EBIT	1,499,000	187,000	90,000	277,000	40,464
margin in % of sales	15.4%	4.1%	2.2%	3.2%	0.50%
total EBIT in % of sales	14.9%	6.1%	*5.7%*	*5.9%*	*2.7%*

Source: AEK Research / TMC

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TMC had a cash position of €2.8m at the end of 1H09. The company experienced an outflow at the end of 2009 of €2m as the company bought 250k shares at €8 per share. Nevertheless we emphasise the strong cash position of TMC. We expect the company to be virtually debt-free by the end of 2009. We estimate the cash position, after the buy back of the mentioned shares and including the cash flow for the period, to decrease to €1.5m - €1.7m by the end of 2009.

Outlook 2010

For 2010 we estimate an overall EBIT margin of 2.7% (previous: 7.8%). Cost cutting won't be enough to keep the margin at the FY09 level. The market for temporary staff has stabilized throughout the second half of FY09. In the US, one of the first Western markets expected to recover from the current economical downturn, companies like Randstad have reported a slight improvement in the final months of FY09. However, TMC only operates in the Netherlands (overall temp market: -/-23% in declarable hours, -/- 21% in sales) and depends heavily on the technical sector, which went belly up in 2009. The company was partly compensated for the turbulent times by emergency programs from the Dutch government, like the 'Bijzondere Regeling Werktijdverkorting.' It is very hard to determine how much TMC has benefited from the Dutch governments extraordinary measures.

We expect TMC to hold on to the 250k shares purchased, which could be used as payment for (possible) future acquisitions. We expect TMC to skip dividend over FY09, but, despite our previous estimates, assume the company will start paying dividend again over FY10 (estimated: €0.10 per share), this contrary to resume the pay out of dividend from FY11.

Summary

TMC Group performed well during a period of unprecedented economic turmoil. We are however less upbeat for our calculations with respect to FY10. Markets for temporarily employment should start to show improvement over the course of the year, although there is still much uncertainty about the strength of the recovery. For TMC, we expect FY11 will be the year in which both margins and sales will show a strong recovery.

We expect a second impairment on goodwill with regards to Adapté for an estimated €3m, which can be a negative for the share price in the short term. For the foreseeable future there is no recovery expected from the Dutch construction market.

On the upside we think TMC has proven its value by staying profitable, excluding one off charges, under extremely bad market conditions. Once the market for temporarily employment shows clear signs of recovery, all the pain from the purchase of Adapté has been taken, the share overhang of 870k is gone (preferably by enhancing the free float) and if the company will make an entrance to the regular Euronext market, we believe the stock has substantial upward potential. We reiterate the stock as **Marketperformer** and await clear signs of improved market conditions.

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Profit & Loss

	FY08	1H09*	2H09e	FY09e*	FY10e
Revenues	42,336,000	19,664,000	18,600,000	38,264,000	35,968,160
Direct staff expenses	(28,034,000)	(13,912,000)	(13,650,000)	(27,562,000)	(26,950,000)
Gross margin	14,302,000	5,752,000	4,950,000	10,702,000	9,018,160
% gross margin	33.8%	29.3%	26.6%	28.0%	25.1%
Indirect staffing costs	(6,080,000)	(3,247,000)	(2,900,000)	(6,147,000)	(5,800,000)
Other expenses	(2,046,000)	(1,121,000)	(710,000)	(1,831,000)	(1,700,000)
EBITDA	6,176,000	1,384,000	1,340,000	2,724,000	1,518,160
	14.6%	7.0%	7.2%	7.1%	4.2%
D&A	(564,000)	(279,000)	(279,000)	(558,000)	(558,000)
EBIT	5,612,000	1,105,000	1,061,000	2,166,000	960,160
	13.3%	5.6%	5.7%	5.7%	2.7%
Finance income	59,000	5,000	5,000	10,000	15,000
Finance expense	(219,000)	(78,000)	(78,000)	(156,000)	(140,000)
EBT	5,452,000	1,032,000	988,000	2,020,000	835,160
Tax on result	(1,412,000)	(211,000)	(256,880)	(467,880)	(217,142)
Net profit	4,040,000	821,000	731,120	1,552,120	618,018
EPS (€)				0.39	0.16
EPS adj. (€)				0.47	0.23

*Source: AEK Research / TMC; * excl. impairment € 6.2m*

Balance sheet

	FY05	FY06	FY07	FY08	1H09
Tangible assets	25,000	107,000	902,000	1,145,000	1,049,000
Intangible assets			18,056,000	17,761,000	11,444,000
Financial assets			823,000	970,000	997,000
Non-current assets	**25,000**	**107,000**	**19,781,000**	**19,876,000**	**13,490,000**
Trade receivables	1,420,000	3,469,000	5,779,000	8,396,000	5,935,000
Tax receivables	51,000	339,000			
Other current assent	521,000	1,108,000	2,939,000	2,498,000	2,972,000
Cash / cash equivalents	302,000	5,001,000	2,191,000	2,123,000	2,845,000
Current assets	**2,294,000**	**9,917,000**	**10,909,000**	**13,017,000**	**11,752,000**
Total assets	**2,319,000**	**10,024,000**	**30,690,000**	**32,893,000**	**25,242,000**
Equity	**490,000**	**6,804,000**	**19,511,000**	**23,378,000**	**16,178,000**
Long term liab.			2,896,000	1,661,000	939,000
Deferred tax liab.			712,000	637,000	600,000
Long term liab.			3,608,000	2,298,000	1,539,000
Current long term liab.			1,139,000	1,354,000	1,354,000
Tax on profit	366,000	978,000	702,000	263,000	189,000
Other tax and soc sec			1,551,000	2,099,000	1,784,000
Trade payables	124,000	1,210,000	805,000	791,000	348,000

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Other current liab.	360,000	818,000	3,374,000	2,710,000	3,850,000
Total current liab.	1,829,000	3,220,000	7,571,000	7,217,000	7,525,000
Total liabilities	**2,319,000**	**10,024,000**	**30,690,000**	**32,893,000**	**25,242,000**

Source: AEK Research / TMC

Cash Flow

cashflow	FY06A	FY07A	1H08A	FY08A	1H09A
Profit for the period	**1,913,000**	**3,561,000**	**2,255,000**	**4,040,000**	**(5,624,000)**
Adjustments for:					
Depreciation fixed assets	26,000	112,000	107,000	269,000	178,000
Amortization +impairment		147,000	147,000	295,000	6,267,000
Finance costs	111,000	86,000	78,000	160,000	73,000
Stock based compensation	15,000	159,000	48,000	(173,000)	0
Corporate (profit)taxes	803,000	1,230,000	778,000	1,412,000	211,000
	2,868,000	**5,295,000**	**3,413,000**	**6,003,000**	**1,105,000**
Trade/other receivables	(1,998,000)	(1,407,000)	(2,115,000)	(2,617,000)	2,461,000
Change in tax receivables	(272,000)	272,000			
Other current assets	(587,000)	(662,000)	(988,000)	441,000	(474,000)
Trade/other payables	202,000	315,000	61,000	(14,000)	(443,000)
Other taxes/soc. sec.	695,000	281,000	905,000	548,000	(315,000)
Other current liab.	458,000	919,000	(201,000)	(664,000)	1,140,000
	1,366,000	**5,013,000**	**1,075,000**	**3,697,000**	**3,475,000**
Interest	(130,000)	(202,000)	(95,000)	(219,000)	(78,000)
Taxes	(886,000)	(973,000)	(903,000)	(1,926,000)	(323,000)
Net cash flow operational act.	350,000	3,838,000	77,000	1,552,000	3,074,000
Net cash flow investing act.	(89,000)	(9,027,000)	(1,719,000)	(600,000)	(54,000)
Net cash flow financing act.	4,456,000	2,381,000	(534,000)	(1,020,000)	(2,298,000)
Cash flow for the period	**4,717,000**	**(2,808,000)**	**(2,176,000)**	**(68,000)**	**722,000**

Source: AEK Research / TMC

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DISCLAIMERS

History recommendation

Date	Previous Recommendation	New Recommendation
22-05-2008	Not Rated	Outperformer
26-08-2008	Outperformer	Outperformer
19-03-2009	Outperformer	Market performer
17-09-2009	Marketperformer	Market performer
16-02-2010	Marketperformer	Market performer

Supervisory authority
Amsterdams Effectenkantoor B.V. (AEK) is registered with AFM, the Netherlands Authority for the Financial Markets.

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Rating	Expected absolute share price performance	Time horizon
Outperformer	better absolute returns	12 months
Market performer	same absolute returns	12 months
Underperformer	less absolute returns	12 months

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