TMC Group

Netherlands/General Industrials

Company update

Investment Research

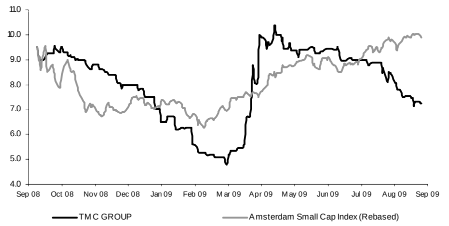
25 September 2009

Buy	
vs Hold	
Share price: EUR	*7.24*
closing price as of 24/09/2009	
Target price: EUR	*10.50*
vs Target Price: EUR	*9.50*
Reuters/Bloomberg	ALTMC.AS/ALTMC NA

Daily avg. no. trad. sh. 12 mth	558
Daily avg. trad. vol. 12 mth (m)	0.00
Price high 12 mth (EUR)	10.55
Price low 12 mth (EUR)	4.80
Abs. perf. 1 mth	-10.5%
Abs. perf. 3 mth	-22.3%
Abs. perf. 12 mth	-31.4%

Market capitalisation (EURm)	29
Current N° of shares (m)	4
Free float	7%

Key financials (EUR)	12/08	12/09e	12/10e
Sales (m)	42	40	41
EBITDA (m)	6	3	4
EBITDA margin	*14.6%*	*7.2%*	*10.0%*
EBIT (m)	6	(4)	4
EBIT margin	*13.3%*	*nm*	*8.5%*
Net Profit (adj.)(m)	4	2	3
ROCE	17.5%	-17.2%	15.0%
Net debt/(cash) (m)	1	0	(2)
Net Debt Equity	*0.0*	*0.0*	*-0.1*
Net Debt/EBITDA	0.1	0.1	-0.5
Int. cover(EBITDA/Fin.int)	38.6	23.9	91.3
EV/Sales	0.8	0.7	0.7
EV/EBITDA	5.3	10.4	6.6
EV/EBITDA (adj.)	5.3	10.4	6.6
EV/EBIT	5.9	nm	7.7
P/E (adj.)	7.4	15.4	10.1
P/BV	1.4	1.7	1.5
OpFCF yield	*4.9%*	*7.7%*	*8.9%*
Dividend yield	*5.5%*	*0.0%*	*2.7%*
EPS (adj.)	1.08	0.47	0.72
BVPS	5.80	4.27	4.91
DPS	0.40	0.00	0.19



Source: Factset

Shareholders: Mobion Holding 22%; Thijs Manders Beheer 22%; Cumano 14%; Bridge Career 14%; Former owners Adapté

For company description please see summary table footnote

Unrewarded performance (Upgrade to Buy)

We upgrade TMC Group to Buy from Hold. The company's underlying performance in 1H09 was relatively strong despite its high fixed cost base. As the market focused on the impairment, this was not rewarded in the share price which underperformed its peer companies. At the same time, we see the first positive signs of an early market recovery in technology (c. 60% of sales). TMC should benefit from this, as it has a very high operating leverage potential and it kept its capacity in place. We increase our EPS estimates substantially as we now expect a market recovery as of next year instead of 2011. We set a new PT of EUR 10.50 based on historical 10x EV/EBITDA FY10.

- ✓ TMC reported a net loss of EUR 5.6m (EUR 1.43 ps) in 1H09 due to EUR 6.2m impairment on Adapté. After the impairment, TMC still has EUR 11m intangible assets (of which EUR 9m is goodwill) related to this acquisition on the balance sheet. However, we believe that a new impairment is not likely, based on a NOPLAT of c. EUR of EUR 2.5m to EUR 3m under normal circumstances within the next 5 years, which already represents EUR 11m perpetual value.

- ✓ Underlying 1H09 results were in line with our estimates and were relatively strong compared to its peers. Sales (-4%) and gross margin (29.3%) were better than expected, but this was offset by higher SG&A costs which included EUR 0.4m on losses of stopped or divested activities and EUR 0.2m provisions for bad debts. EBIT amounted to EUR 0.9m (-72%) and net profit to EUR 0.6m (-73%).

- ✓ Although management remains cautious for the future, we see the first positive signals for market recovery. Several major tech clients indicated that it experienced some market recovery. TMC should be one of the first to benefit from this trend as c. 60% of its sales is from TMC Technology, it has a strong operating leverage and it has kept its capacity within this segment mostly in place.

- ✓ We raise our EPS estimates for FY10 and FY11 as we become more optimistic on market developments, forecasting earnings recovery next year instead of 2011. We expect sales at TMC Technology to accelerate in FY10 and beyond, while TMC ICT sales will recover next year. We do not expect Adapté to report a sales increase before 2011. The higher sales will trigger a strong operating leverage. We keep our Adjusted EPS estimate for FY09 unchanged while raising our estimate by 227% for FY10 and by 54% for FY11.

- ✓ TMC's strong underlying performance was not rewarded. Compared to its peers, TMC did relatively well considering its relatively high fixed cost base. However, this strong performance was not rewarded in the share price. Since the 1H09 report, TMC's share price dropped 15% while Brunel was up 18% and even after DPA's weak 1H09 report its shares increased by 8%.

- ✓ We consider TMC's current valuation highly attractive with a P/E FY10 of 10x and FY11 of 6x and an EV/EBITDA multiple FY10 of 6.5x and FY11 of 3.5x. The company trades at a large discount of 50% to 60% on an EV/EBITDA multiple. Although we consider a discount compared to Brunel justified, the current discount is just too large. We upgrade TMC to Buy from Hold. Our new PT is set at EUR 10,50, based on the historical average of 10x. The multiple reflects an EV/EBITDA multiple of 8x based on through cycle margins, despite its strong growth opportunities.

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Produced by: SNS Securities

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Underlying results in line

TMC was forced to report a net loss in 1H09 due to an impairment of EUR 6.2m on the Adapté (secondment in buildings % construction) acquisition. Underlying results of -72% in EBIT were in line with our expectations. While Adapté and the ICT groups disappointed, Technology kept up relatively well.

A net loss due to impairment Adapté

TMC Group reported a net loss of EUR 5.6m or EUR 1.43 per share. The net loss was caused by the EUR 6.2m impairment on the Adapté acquisition. We already had indicated in previous reports that an impairment was becoming more likely as market circumstances deteriorated and management's earnings assumptions at the FY08 report were stretched. A strong outflow of professionals made these assumptions even more difficult to reach.

After the impairment, the company has still EUR 11.4m intangible assets on its balance sheet related to Adapté. The goodwill based on the future earnings amounts to EUR 9.1m. These assets are valued under management's new assumptions that:

- Slight decrease in sales for FY09 and FY10 (was FY09 unchanged; FY10 +15%) due to
    - Lower headcount
    - Lower efficiency of professionals
    - Lower tariffs
- Cash flow CAGR of 11.8% from 2011-2015 (was 15% for 2010-2015)
- Higher WACC of 13.9% (was 12.2%)

We consider these assumptions to be more realistic. A NOPLAT of EUR 2.5m to EUR 3m under normal market circumstances should be achievable within the next 5 years, which already represents a perpetual net value of EUR 10m to EUR 12m.

Underlying performance is relatively strong

If we adjust for the impairment, TMC reported underlying results that were relatively well considering the difficult market situation. Underlying earnings were in line with our estimates. Higher than anticipated sales and gross margin was offset by higher than expected SG&A costs.

Sales were down only 4% to EUR 19.7m on lower tariffs and increased idle time partly offset by 5% higher average number of professionals. Gross margin dropped 650bp to 29.3%, impacted by the increase in idle time and the increase of staff cost. Gross profit dropped 21% to EUR 5.8m, but was still ahead of our estimate of EUR 5.3m. SG&A costs, excluding EUR 6.2m impairment, were up by 16% to EUR 4.9m. The costs are driven by the increase of indirect staff, but also due to provisions for debtors and other additional costs of a total of EUR 0.2m.

Management stopped two loss making cells (TMC Engineering & Construction and TMC Application Development) and divested one cell (TMC Dynamics Professionals) in 1H09, which had a total negative impact on operating earnings of 0.4m (EUR 0.2m in gross and EUR 0.1 in SG&A), including severance payments.

Underlying EBITDA including the operating losses of the stopped and divested operations amounted to EUR 1.1m (-68%) and Underlying EBIT to EUR 0.8m (-74%), which compares to our estimates of EUR 1.3m and EUR 1.0m.

Net profit before the impairment dropped 73% to EUR 0.6m (SNSe EUR 0.7m).

Actual results vs. estimates

in EUR m (except for EPS)	1H08A	1H09A	*% change*	1H09E	*% change*
Sales	**20.5**	**19.7**	***-4%***	**18.9**	***-8%***
Direct staff costs	-13.2	-13.9		-13.6	
Gross profit	**7.3**	**5.8**	***-21%***	**5.3**	***-28%***
Gross margin	*35.7%*	*29.3%*		*28.0%*	
Indirect staff costs	-3.0	-3.2		-3.1	
Other costs	-1.3	-1.6		-1.2	
Impairment	0	-6.2		0	
Operating profit (EBIT)	**3.1**	**-5.3**	***n.a.***	**1.0**	***-67%***
Operating margin	*15.2%*	*-27.2%*		*5.4%*	
Financial results	-0.1	-0.1		-0.1	
Profit before tax	**3.0**	**-5.4**	***n.a.***	**1.0**	***-68%***
Taxes	-0.8	-0.2		-0.2	
Net profit	**2.3**	**-5.6**	***n.a.***	**0.7**	***-69%***
Adjusted EBITDA	**3.4**	**1.1**	***-67%***	**1.3**	***-61%***
Adjusted EBITA	**3.3**	**0.9**	***-72%***	**1.2**	***-64%***
Adjusted EBIT	**3.1**	**0.8**	***-74%***	**1.0**	***-68%***
Adjusted net profit	**2.4**	**0.6**	***-73%***	**0.7**	***-70%***
EPS					
Reported	0.56	-1.43	*n.a.*	0.18	*-68%*
Adjusted	0.56	0.16	*-71.5%*	0.18	*-68%*

Source: Company, SNS Securities Research

On a segmented base, trends continued. Developments at TMC ICT and Adapté disappointed, compensated by the strong results at TMC Technology. Sales at the groups TMC ICT (-26%) and Adapté (-8%) were under pressure, but TMC Technology surprised positively with 4% higher sales. Despite the higher sales, EBIT of TMC Technology dropped 35% to EUR 1.4m on increased idle-time and lower tariffs. TMC ICT became loss making with an EBIT of EUR -0.4m and EBIT of Adapté declined 80% to EUR 0.2m.

Segmented actual results vs. estimates

in EUR m	1H08A	1H09A	*% change*	1H09E	*% change*
Sales					
TMC Technology	12.4	12.9		n.a.	
TMC Technology	3.0	2.2		n.a.	
TMC Technology & ICT	***15.4***	***15.0***	***-2%***	***14.3***	***-7%***
Adapte	***5.0***	***4.6***	***-8%***	***4.6***	***-8%***
Intercompany	0	0.0		0	
Total sales	**20.4**	**19.7**	***-4%***	**18.9**	***-7%***
EBIT					
TMC Technology	2.2	1.4		n.a.	
TMC Technology	0.3	-0.4		n.a.	
TMC Technology & ICT	***2.5***	***1.0***	***-60%***	***0.6***	***-77%***
Adapte	***1.0***	***0.2***	***-80%***	***0.8***	***-20%***
Holding	-0.4	-0.3		-0.3	
Impairment	0	-6.2		0	
Total EBIT	**3.1**	**-5.3**	***n.a.***	**1.0**	***-67%***

Source: Company, SNS Securities Research

Cash flowing in

TMC Group had a strong cash flow performance, reporting a total cash inflow of EUR 0.7m. The cash inflow was mainly driven by the release of working cap which had a positive impact of EUR 2.4m. The total operating cash flow amounted to EUR 3.1m (1H08 EUR 0.1m). The Free Cash Flow came in at EUR 3.0m, as the company did limited investments.

With the cash inflow, TMC returned to a net cash position of EUR 0.6m vs. a net debt of EUR 0.9m at the end of last year. Total outstanding debt amounts to EUR 2.3m in 1H09. However, the company pays its EUR 1.6m cash dividend in July which will push the company into a net debt position again.

Management indicated it will further streamline its invoice process to collect its cash.

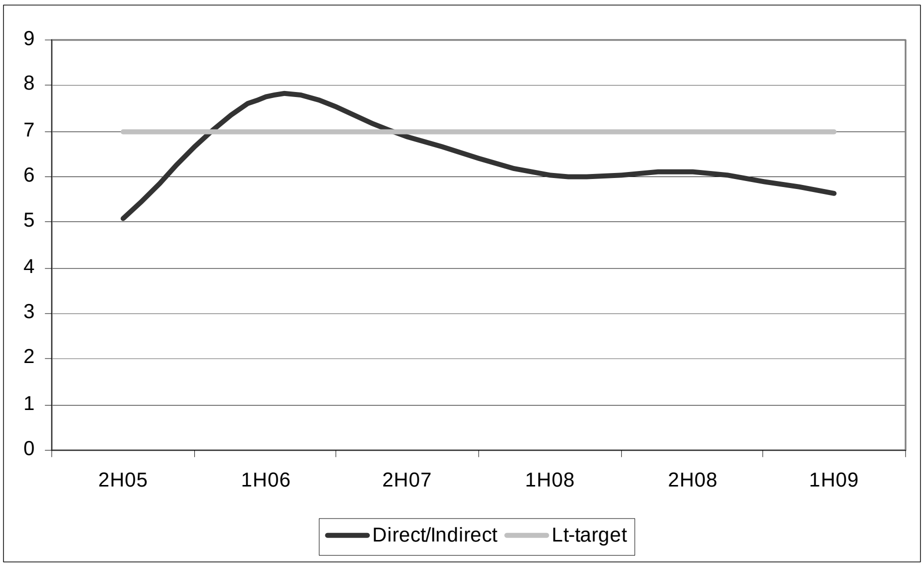
Technology on the brink of recovery

Although market conditions at TMC's groups Adapté and TMC ICT are expected to remain highly challenging, we see more positive developments for the Technology group which accounts for c. 60% of total sales. While cost saving measures are implemented for the first two groups, which should provide some downside protection for the lower demand, capacity at the Technology group has been kept mostly in place in order to benefit from accelerating demand.

Cost savings implemented

In 1H09, management took measures to reduce the company's cost base. Besides the earlier mentioned divestment and stop of three group cells (impact of EUR -0.4m), the headcount was reduced. The number of professionals was down from 460 at FY08 to 406 at 1H09, much lower than anticipated. The number of indirect staff was reduced by 4 to 72, which brings the ratio direct to indirect staff to 5.6. Although TMC desires to have surplus capacity to benefit from the upturn, we forecast an additional reduction to c. 70 as the current ratio is historically low.

Historical direct to indirect ratio



Source: Company, SNS Securities Research

We estimate that current measures in staff reduction will lower the total cost base by c. EUR 0.4m on an annual base. We see room for c. EUR 0.2m annual reductions in other costs. This will bring the total cost base down by EUR 0.6m or c. 7% of SG&A costs.

Cost savings are mainly made at the groups Adapté and TMC ICT, which sales were under heavily pressure. C. 65% of the professionals that left the company were related to the two pressured groups. Capacity at TMC Technology has been kept mostly in place.

Positive signals for market recovery

Management remained cautious in its statements regarding market developments at the 1H09 report. Developments at TMC Technology are expected to be stable in 2H09. Strategic measures taken at TMC ICT should lead to results in 2H09. Market developments for TMC SAP, the only remaining ICT cell group, are expected to remain very challenging. Sales at Adapté will decrease for FY09. Overall, management does not forecast any material market recovery for the group. As anticipated, it refrains from providing any FY09 guidance.

However, we believe that the first positive sounds can be heard for its Technology operations. TMC is highly exposed to the Eindhoven Technology region. HTSP, a technology platform in which several major TMC clients are organized, stated that it expects sales to recover by EUR 6bn to EUR 34bn in the period 2010-2014. A slow recovery is anticipated next year with acceleration in the years beyond. Not so much the amount of EUR 6bn which only represents a CAGR of 4%, but the statement that it expects sales to recover as of next year is positive in our view. Besides HTSP, ASML has upgraded its sales guidance after several semi manufacturing companies had indicated that demand was rising. ASML now forecast sales of at least EUR 500m for both 3Q09 and 4Q09. We believe that the increase in sales will result in increased demand for TMC Technology services.

We remain cautious for the construction and ICT services operations. The construction segment is still under pressure. Infrastructure related projects will develop favourably, but competition will increase. Moreover, it is uncertain if the company-specific issues are now solved with the appointment of new directors. The number of professionals has substantially decreased which should have a negative impact on sales in the next 12 months. For ICT, SAP licence sales appear to stabilize at a much lower level. This could indicate a slow market recovery next year from which TMC ICT could benefit in 2H10.

Estimates for period 2010-2011 raised

In our previous report, we anticipated markets not to recover before 2010. We now become more optimistic. In our estimates, we expect sales and earnings to recover as of next year particularly driven by the Technology group.

Although the number of professionals at the end of June was much lower than anticipated, we keep our EPS estimate for FY09 unchanged at EUR 0.47. We expect that the decrease in professionals is compensated by the lower than previously expected decrease in the sales per professional (on lower tariffs and idle time) and the positive impact from the cost measures.

Our Adjusted EPS estimates for FY10 and FY11 are raised by 227% and 54% respectively compared to our previous estimates. We raise our sales estimates for the period on the back of the recovery in the Technology segment and in the SAP segment as of 2H10. Adapté will recover as of 2011. The higher sales will trigger the strong operating leverage effect, accelerating the earnings growth.

With cash flowing in, we expect TMC to become net cash positive at the end of 2010. Consequently, we believe that the company will skip dividend for the fiscal year 2009, but restart dividend payments over 2010.

New estimates

in EUR m (except for per share data)	2008 A	2009 E	*% change*	2010 E	*% change*	2011 E	*% change*
Sales							
TMC Technology	26.437	27.401	*4%*	29.525	*8%*	34.618	*17%*
TMC ICT	5.859	4.062	*-31%*	4.285	*5%*	5.249	*23%*
Adapté	9.741	8.304	*-15%*	7.328	*-12%*	8.116	*11%*
Intercompany	0	0.010		0.098		0.068	
Total Sales	**42.037**	**39.777**	***-5%***	**41.236**	***4%***	**48.051**	***17%***
Gross margin	**33.8%**	**28.5%**		**31.0%**		**33.0%**	
EBIT							
TMC Technology	4.384	2.974	*-32%*	3.617	*22%*	5.885	*63%*
TMC ICT	0.394	-0.440	*n.a.*	0.171	*n.a.*	0.367	*114%*
Adapté	1.499	0.261	*-83%*	0.403	*55%*	0.706	*75%*
Holding	-0.665	-0.558	*-16%*	-0.671	*20%*	-0.845	*26%*
Impairment	0	-6.200		0		0	
Total EBIT	**5.612**	**-3.963**	***n.a.***	**3.521**	***n.a.***	**6.113**	***n.a.***
EBIT margin	*13.4%*	*-10.0%*		*8.5%*		*12.7%*	
Financial result	-0.160	-0.119		-0.045		0.062	
Pre-tax profit	**5.452**	**-4.083**	***n.a.***	**3.475**	***n.a.***	**6.176**	***n.a.***
Taxes	-1.412	-0.551		-0.904		-1.606	
Tax rate	*25.9%*	*-13.5%*		*26.0%*		*26.0%*	
Net profit	**4.040**	**-4.633**	***n.a.***	**2.572**	***n.a.***	**4.570**	***n.a.***
Adjusted numbers							
Adjusted EBITDA	6.176	2.848	*-54%*	4.143	*45%*	6.784	*64%*
Adjusted EBITA	5.907	2.562	*-57%*	3.846	*50%*	6.438	*67%*
Adjusted net profit	4.335	1.892	*-56%*	2.897	*53%*	4.895	*69%*
Per share data							
Reported earnings	1.01	-1.15	*n.a.*	0.64	*n.a.*	1.13	*n.a.*
Adjusted earnings	1.08	0.47	*-56%*	0.72	*53%*	1.21	*69%*
Dividend	0.40	0.00	*n.a.*	0.19	*n.a.*	0.34	*n.a.*

Source: Company, SNS Securities Research

Source: SNS Securities Research

Unjustified underperformance; Upgrade to Buy

We raise our recommendation to Buy from Hold. Despite relatively strong underlying operating performance, the company's share price underperformed its peers as the market has focused on the Adapté impairment. At the same time, the first positive signals are received on a recovery of the tech market which should fuel TMC's strong operating leverage. Consequently, current valuations are highly attractive. We set a new PT of EUR 10.50.

Relatively strong performance not rewarded

Compared to its Dutch peers Brunel and DPA, TMC Group performed relatively well. The sales decrease of 4% was the best amongst its peers (TMC -3.9% vs. Brunel Netherlands -4.4%). TMC loses ground compared to Brunel on a gross profit level. This is caused by the more flexible cost base of Brunel. Brunel reduced its idle time from 10% top in 1H09 to 6% at the end of 1H09. TMC's professionals have permanent contracts, as management has a stronger focus on mid-term growth, and therefore could not be substantially reduced. Brunel clearly outperformed on the EBIT (excluding the Adapté impairment for TMC) level with a decline of 40%. Although the underperformance can be partly explained by Brunel Netherlands' larger scale, we believe that TMC also reacted somewhat late in reducing its cost base. While SG&A at Brunel was up 10%, TMC's SG&A increased by 17%. DPA clearly underperformed its peers, which can partly be explained by its exposure to the administrative and ICT segments.

Earnings performance 1H09 Dutch secondment companies

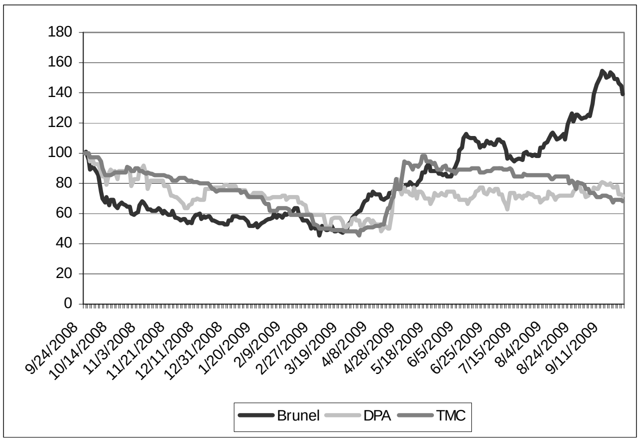
	Sales			Gross profit			EBIT *		
	1H08	**1H09**	***% change***	**1H08**	**1H09**	***% change***	**1H08**	**1H09**	***% change***
Brunel Netherlands	74.8	71.5	***-4%***	29.4	25.5	***-13%***	13.8	8.3	***-40%***
DPA	36.8	28.0	***-24%***	9.5	5.4	***-43%***	-1.3	-2.3	***-77%***
TMC	20.5	19.7	***-4%***	7.3	5.8	***-21%***	3.1	0.8	***-74%***

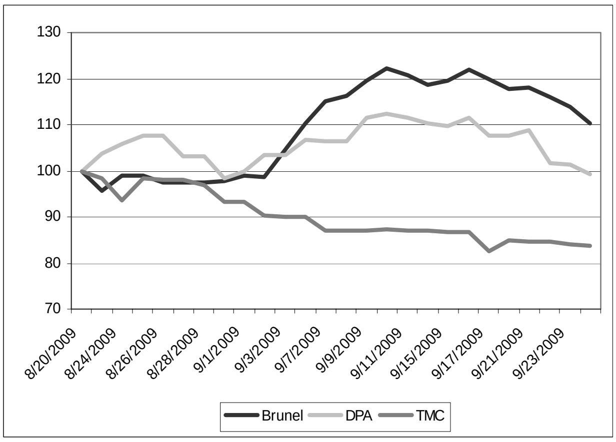
* Excluding impairments and including restructuring costs

Source: Bloomberg, SNS Securities Research

Despite the relatively strong underlying performance, TMC was not rewarded. Since the 1H09 report, Brunel and DPA shares are up 10% and unchanged respectively with high of +22% and +12%. TMC shares are down 16% with a low of 17%. We believe that investors' are too much focused on the impairment, which was not a really big surprise to us, and overlook the relatively strong underlying performance despite its high fixed cost base. Even on a one year share price performance, TMC underperformed its peers. We do not consider that justified, particularly compared to DPA, since its earnings track record and its financial position are stronger.

Share price performance Dutch secondment companies





Source: Bloomberg, SNS Securities Research

Attractive valuation

TMC's valuation becomes highly attractive when focusing on FY10 and FY11 multiples. The company's high operating leverage will start to kick in as of next year on the back of the increasing top-line and the reduced cost base, pushing down valuation multiples rapidly.

Within its major peer group Professional staffing & recruitment companies, TMC trades at a high discount on a P/E and EV/EBITDA base. This is due to the high multiples paid for DPA. However, when we compare TMC with Brunel, the company still trades at a substantial discount of 30% and 50% for FY10 and FY11. We consider a discount justified, due to the substantially lower market liquidity, the lower scale and the lower services diversification (Brunel's operations are more stable with the help of Energy), but we also believe that the discount is too large (TMC traded most of the time at a premium, but its history on the stock exchange is still short).

We prefer TMC to compare to the Professional staffing & recruitment peer group. However, TMC also trades at a discount compared to the other peer groups, based on FY10 and particularly FY11 P/E and EV/EBITDA multiples (due to TMC's high operating margin, EV/Sales multiples are above average).

Multiples valuation:

Companies	Recommendation	Market cap in EUR m	Share price in EUR	P/E 2009E	P/E 2010E	P/E 2011E	EV/Sales 2009E	EV/Sales 2010E	EV/Sales 2011E	EV/EBITDA 2009E	EV/EBITDA 2010E	EV/EBITDA 2011E
Professional staffing & recruitment companies												
BRUNEL	Accumulate	508.6	22.2	15.8	15.3	11.9	0.61	0.59	0.53	9.2	8.6	6.5
DPA	Hold	33.0	2.60	15.0	13.8	10.3	0.56	0.54	0.46	31.8	18.8	10.6
Average				*15.4*	*14.6*	*11.1*	*0.58*	*0.57*	*0.49*	*20.5*	*13.7*	*8.5*
Median				*15.4*	*14.6*	*11.1*	*0.58*	*0.57*	*0.49*	*20.5*	*13.7*	*8.5*
TMC GROUP	**Hold**	**29.2**	**7.25**	**15.4**	**10.1**	**6.0**	**0.74**	**0.66**	**0.51**	**10.4**	**6.6**	**3.6**
Premium (+)/Discount (-)				*0%*	*-31%*	*-46%*	*27%*	*17%*	*3%*	*-49%*	*-52%*	*-58%*
Software services companies												
CTAC	Buy	32.0	2.65	22.1	15.8	7.6	0.46	0.46	0.42	7.0	6.2	4.3
ICT AUTOMATISERING	Hold	35.9	4.10	67.8	7.4	5.2	0.35	0.30	0.25	5.9	3.6	2.6
LOGICA	Reduce	2360.4	1.48	15.5	10.7	10.1	0.66	0.62	0.58	7.9	7.2	6.6
ORDINA	Hold	216.4	4.41	7.8	8.3	7.1	0.46	0.45	0.40	7.6	5.7	4.6
Average				*35.1*	*11.3*	*7.6*	*0.49*	*0.46*	*0.42*	*6.9*	*5.7*	*4.5*
Median				*22.1*	*10.7*	*7.6*	*0.46*	*0.46*	*0.42*	*7.0*	*6.2*	*4.3*
TMC GROUP	**Hold**	**29.2**	**7.3**	**15.4**	**10.1**	**6.0**	**0.74**	**0.66**	**0.51**	**10.4**	**6.6**	**3.6**
Premium (+)/Discount (-)				*-30%*	*-6%*	*-22%*	*62%*	*43%*	*20%*	*48%*	*6%*	*-17%*
Engineering construction companies												
ARCADIS	Buy	817.0	12.67	12.1	11.6	9.9	0.61	0.59	0.56	7.6	7.6	7.1
GRONTMIJ	Buy	339.5	19.11	11.2	13.1	10.7	0.49	0.50	0.47	5.8	6.4	5.6
Average				*11.7*	*12.3*	*10.3*	*0.55*	*0.55*	*0.52*	*6.7*	*7.0*	*6.3*
Median				*11.7*	*12.3*	*10.3*	*0.55*	*0.55*	*0.52*	*6.7*	*7.0*	*6.3*
TMC GROUP	**Hold**	**29.2**	**7.25**	**15.4**	**10.1**	**6.0**	**0.74**	**0.66**	**0.51**	**10.4**	**6.6**	**3.6**
Premium (+)/Discount (-)				*32%*	*-18%*	*-42%*	*35%*	*20%*	*-2%*	*55%*	*-7%*	*-43%*
Engineering services companies												
ALTEN	Buy	550.2	17.40	22.6	13.3	11.2	0.64	0.60	0.53	9.0	7.7	6.3
ALTRAN	Hold	536.1	3.74	-15.2	28.3	15.6	0.53	0.52	0.49	18.0	11.1	7.9
Average				*3.7*	*20.8*	*13.4*	*0.59*	*0.56*	*0.51*	*13.5*	*9.4*	*7.1*
Median				*3.7*	*20.8*	*13.4*	*0.59*	*0.56*	*0.51*	*13.5*	*9.4*	*7.1*
TMC GROUP	**Hold**	**29.2**	**7.25**	**15.4**	**10.1**	**6.0**	**0.74**	**0.66**	**0.51**	**10.4**	**6.6**	**3.6**
Premium (+)/Discount (-)				*314%*	*-51%*	*-56%*	*27%*	*17%*	*0%*	*-23%*	*-30%*	*-49%*

Source: Reuters Knowledge, SNS Securities Research

Upgrade to Buy

In our view, the negative news on the Adapté impairment took the overhand while underlying figures developed relatively well. Brunel performed better, but this was expected as its cost structure is more flexible. The relatively strong operating performance was not rewarded in the share price performance. The share price was down 15%, while even DPA's share price was up after the 1H09 report which was underlying very weak.

Moreover, the first positive signals from the technology sector are received. This will encourage companies to raise their R&D activity which is beneficial for TMC. C. 60% of its sales are coming from the TMC Technology cell group. An increase in top-line will fuel the company's high operating leverage. We now anticipate markets to recover next year instead of 2011.

The company's share price trades at a discount compared to its peers. Although the discount compared to Brunel is justified, we consider the discount too large. The company has a solid financial position with a limited net debt and a strong cash flow. We consider TMC's valuation with an EV/EBITDA of 6.5x for FY10 and 3.5x for FY11 highly attractive. We set a PT of EUR 10.50 based on an EV/EBITDA of (a historical) 10x FY10. Our PT is still not aggressive as it represents an EV/EBITDA multiple of 8x based a through the cycle average EBITDA margin, despite the high long-term growth opportunities because of the low penetration rates of professional staffing and the limited market share concentration.

TMC Group: Summary tables

PROFIT & LOSS (EURm)	2006	2007	2008	2009e	2010e	2011e
Sales	**14.1**	**27.4**	**42.3**	**39.8**	**41.2**	**48.1**
Cost of Sales & Operating Costs (excl. Pers. Expenses)	-11.2	-22.2	-36.2	-36.9	-37.1	-41.3
Personnel Expenses	0.0	0.0	0.0	0.0	0.0	0.0
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**2.9**	**5.1**	**6.2**	**2.8**	**4.1**	**6.8**
EBITDA (adj.)*	**2.9**	**5.1**	**6.2**	**2.8**	**4.1**	**6.8**
D & A	0.0	-0.3	-0.6	-6.8	-0.6	-0.7
EBIT	**2.8**	**4.9**	**5.6**	**-4.0**	**3.5**	**6.1**
EBIT (adj.)*	**2.8**	**4.9**	**5.6**	**-4.0**	**3.5**	**6.1**
Net Financial Interest	-0.1	-0.1	-0.2	-0.1	0.0	0.1
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	**2.7**	**4.8**	**5.5**	**-4.1**	**3.5**	**6.2**
Tax	-0.8	-1.2	-1.4	-0.6	-0.9	-1.6
Tax rate	*29.6%*	*25.7%*	*25.9%*	*nm*	*26.0%*	*26.0%*
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	**1.9**	**3.6**	**4.0**	**-4.6**	**2.6**	**4.6**
Net Profit (adj.)	**1.9**	**3.7**	**4.3**	**1.9**	**2.9**	**4.9**

CASH FLOW (EURm)	2006	2007	2008	2009e	2010e	2011e
Cash Flow from Operations before change in NWC	1.9	4.1	3.9	2.2	3.2	5.2
Change in Net Working Capital	-1.6	-0.3	-2.3	0.1	-0.6	-1.2
Cash Flow from Operations	**0.4**	**3.8**	**1.6**	**2.2**	**2.6**	**4.1**
Capex	-0.1	-0.8	-0.5	-0.1	-0.3	-0.5
Net Financial Investments	0.0	-8.3	-0.1	0.0	0.0	0.0
Free Cash Flow	**0.3**	**-5.2**	**1.0**	**2.1**	**2.3**	**3.6**
Dividends	0.0	0.0	0.0	-1.6	0.0	-0.8
Other (incl. Capital Increase & share buy backs)	5.2	3.2	0.0	0.0	0.0	0.0
Change in Net Debt	**5.5**	**-2.0**	**1.0**	**0.6**	**2.3**	**2.8**
NOPLAT		3.6	4.2	-3.0	2.6	4.6

BALANCE SHEET & OTHER ITEMS (EURm)	2006	2007	2008	2009e	2010e	2011e
Net Tangible Assets	0.1	0.9	1.1	1.0	1.0	1.1
Net Intangible Assets (incl.Goodwill)	0.0	18.1	17.8	11.2	10.9	10.6
Net Financial Assets & Other	0.0	0.8	1.0	1.0	1.0	1.0
Total Fixed Assets	**0.1**	**19.8**	**19.9**	**13.2**	**12.9**	**12.7**
Net Working Capital	1.9	2.3	5.0	5.0	5.6	6.7
Shareholders Equity	**6.8**	**19.5**	**23.4**	**17.2**	**19.8**	**23.6**
Minorities Equity	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt	**-4.8**	**1.8**	**0.9**	**0.3**	**-2.0**	**-4.8**
Provisions	0.0	0.7	0.6	0.6	0.6	0.6
Other Net Liabilities or Assets	0.0	0.0	0.0	0.0	0.0	0.0
Net Capital Employed/Invested	**2.0**	**22.1**	**24.9**	**18.2**	**18.4**	**19.4**

GROWTH & MARGINS	2006	2007	2008	2009e	2010e	2011e
Sales growth	*130.3%*	*94.7%*	*54.8%*	*-6.0%*	*3.7%*	*16.5%*
EBITDA growth	*192.0%*	*80.0%*	*20.2%*	*-53.9%*	*45.4%*	*63.8%*
EBITDA (adj.) growth*	*192.0%*	*80.0%*	*20.2%*	*-53.9%*	*45.4%*	*63.8%*
EBIT growth	*191.4%*	*72.5%*	*15.1%*	*-chg*	*+chg*	*73.6%*
*EBIT (adj)*growth*	*191.4%*	*72.5%*	*15.1%*	*-chg*	*+chg*	*73.6%*
Net Profit growth	*200.3%*	*93.8%*	*16.9%*	*-56.4%*	*53.1%*	*69.0%*
EPS adj. growth		*69.4%*	*8.4%*	*-56.7%*	*53.1%*	*69.0%*
DPS adj. growth			*+chg*	*-chg*	*+chg*	*75.1%*
EBITDA margin	*20.3%*	*18.8%*	*14.6%*	*7.2%*	*10.0%*	*14.1%*
EBITDA (adj) margin*	*20.3%*	*18.8%*	*14.6%*	*7.2%*	*10.0%*	*14.1%*
EBIT margin	*20.1%*	*17.8%*	*13.3%*	*nm*	*8.5%*	*12.7%*
EBIT (adj) margin*	*20.1%*	*17.8%*	*13.3%*	*nm*	*8.5%*	*12.7%*

TMC Group: Summary tables

RATIOS	2006	2007	2008	2009e	2010e	2011e
Net Debt/Equity	-0.7	0.1	0.0	0.0	-0.1	-0.2
Net Debt/EBITDA	-1.7	0.4	0.1	0.1	-0.5	-0.7
Interest cover (EBITDA/Fin.interest)	25.7	59.7	38.6	23.9	91.3	nm
Capex/D&A	415.4%	295.4%	90.8%	1.8%	49.7%	71.6%
Capex/Sales	0.8%	2.8%	1.2%	0.3%	0.8%	1.0%
NWC/Sales	13.6%	8.4%	11.9%	12.5%	13.5%	14.0%
ROE (average)	52.5%	28.2%	20.2%	9.3%	15.7%	22.6%
ROCE (adj.)		17.1%	17.5%	-17.2%	15.0%	24.7%
WACC		10.6%	10.6%	10.6%	10.6%	10.6%
ROCE (adj.)/WACC		1.6	1.6	-1.6	1.4	2.3

PER SHARE DATA (EUR)***	2006	2007	2008	2009e	2010e	2011e
Diluted number of shares	3.3	3.9	4.0	4.0	4.0	4.0
EPS (reported)	0.59	0.96	1.01	-1.15	0.64	1.13
EPS (adj.)	0.59	1.00	1.08	0.47	0.72	1.21
BVPS	2.09	5.03	5.80	4.27	4.91	5.85
DPS	0.00	0.00	0.40	0.00	0.19	0.34

VALUATION	2006	2007	2008	2009e	2010e	2011e
EV/Sales	2.9	1.8	0.8	0.7	0.7	0.5
EV/EBITDA	14.2	9.8	5.3	10.4	6.6	3.6
EV/EBITDA (adj.)*	**14.2**	**9.8**	**5.3**	**10.4**	**6.6**	**3.6**
EV/EBIT	14.4	10.3	5.9	nm	7.7	4.0
EV/EBIT (adj.)*	**14.4**	**10.3**	**5.9**	**nm**	**7.7**	**4.0**
P/E (adj.)	**23.7**	**13.1**	**7.4**	**15.4**	**10.1**	**6.0**
P/BV	6.7	2.6	1.4	1.7	1.5	1.2
Total Yield Ratio	0.0%	0.0%	5.4%	0.0%	2.6%	
EV/CE	nm	2.4	1.4	1.7	1.6	1.3
OpFCF yield	0.8%	7.9%	4.9%	7.7%	8.9%	14.0%
OpFCF/EV	0.9%	7.6%	4.7%	7.6%	9.6%	16.7%
Payout ratio	0.0%	0.0%	39.6%	0.0%	30.3%	29.8%
Dividend yield (gross)	0.0%	0.0%	5.5%	0.0%	2.7%	4.7%

EV AND MKT CAP (EURm)	2006	2007	2008	2009e	2010e	2011e
Price** (EUR)	14.0	13.1	8.0	7.2	7.2	7.2
Outstanding number of shares for main stock	3.2	3.7	4.0	4.0	4.0	4.0
Total Market Cap	**45.4**	**48.6**	**32.0**	**29.2**	**29.2**	**29.2**
Net Debt	**-4.8**	**1.8**	**0.9**	**0.3**	**-2.0**	**-4.8**
o/w Cash & Marketable Securities	5.0	2.2	2.1	1.2	2.3	4.8
o/w Short Term Debt	0.2	1.1	1.4	0.9	0.2	0.0
o/w Long Term Debt	0.0	2.9	1.7	0.6	0.1	0.0
Other EV components	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Enterprise Value (EV adj.)	**41**	**50**	**33**	**29**	**27**	**24**

Source: Company, SNS Securities estimates.

Notes

** Where EBITDA (adj.) or EBIT (adj.)= EBITDA (or EBIT) +/- Non Recurrent Expenses/Income*

***Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years*

****EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.*

Company Description:

TMC Group is a Dutch mid-sized professional technical secondment company. It provides highly educated professionals ranging from Higher Vocational Education to Ph D in the fields of technology, ICT, construction and civil engineering.

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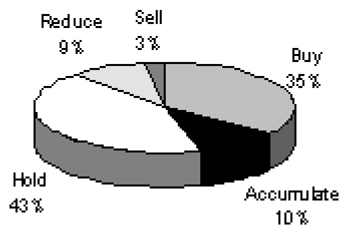

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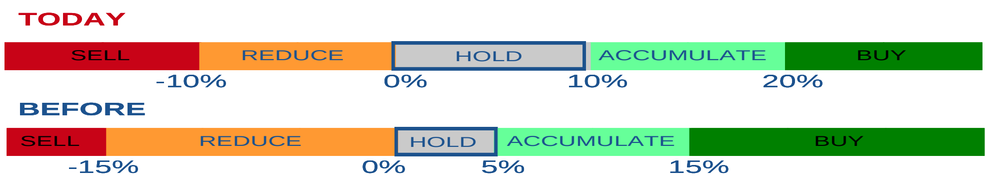
- Recommendations Total Return Range changed as below:



This report has been prepared by Frank van Wijk

This report has been submitted to the company to check for inaccuracies.

Changes in Recommendation

Date	Previous Recommendation	New Recommendation
25-09-2009	Hold	Buy

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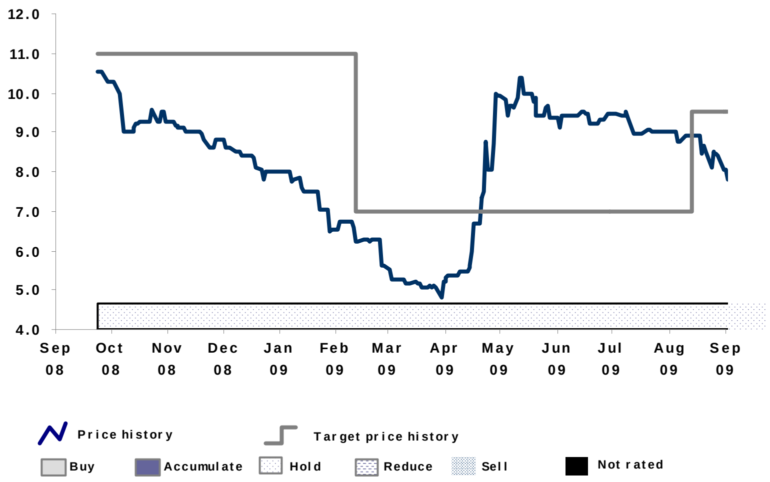
Recommendation history for TMC GROUP

Date	Recommendation	Target price	Price at change date
25-Sep-09	Buy	10.50	7.24
14-Aug-09	Hold	9.50	8.89
11-Feb-09	Hold	7.00	6.21
18-Dec-08	Hold	11.00	8.34
11-Mar-08	Hold	12.00	11.43
10-Mar-08	Not rated		11.32

Source: Factset & ESN, price data adjusted for stock splits.
This chart shows SNS Securities continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
Current analyst: Frank van Wijk (since 13/11/2007)



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