

TMC



Business model enables strong growth

TMC reported FY07 revenues of EUR 27.4m, in line with our estimate of EUR 27.5m. However, due to amortisation charges related to Adapté and investments in growth via 3 new business cells, EBIT of EUR 4.7m fell short of our EUR 5.4m estimate. Although the revenue growth outlook of 25% shows confidence, the declining margin feeds worries about the sustainability of the high-teens EBIT margin. Hold.

Forecast	2007	2008E	2009E	2010E
Sales (EUR m)	27	41	48	53
EBITDA (EUR m)	5.0	7.4	8.3	9.0
EBIT (EUR m)	4.9	7.1	8.1	8.7
Recurring net income (EUR m)	3.6	5.1	5.8	6.3
EPS Recurring New (EUR)	0.88	1.26	1.45	1.57
EPS Recurring Old (EUR)	1.15	1.67	1.85	1.97
P/E	13.3	9.3	8.1	7.5
EV/ EBITDA	9.9	5.5	4.6	3.6
FCF Yield (%)	3.8	7.1	6.7	11.9
Dividend Yield (%)	0	0	0	0

Source: Company data, Rabo Securities

Year to December, fully diluted

FY07 results slightly below our forecast

TMC reported FY07 revenues of EUR 27.4, in line with our EUR 27.5m. As the contribution of the acquisition Adapté of EUR 5.4m was lower than our EUR 5.9m, the organic revenue growth is stronger than expected. Although the number of external professionals increased by 32 vs our 40, the decline in the average bill rate was much less than expected. Organic revenue growth in 07H2 therefore amounted to 47%. The gross margin was also strong, improving 110bps organically to a solid 35.4%. Adapté achieved an impressive 43.5% gross margin. Despite all this, consolidated EBIT of EUR 4.9m fell short of our forecast of EUR 5.4m. Adapté contributed EUR 1.2m, in line with our forecast and resulting in a strong EBIT margin of 22.9%. However, the EBIT of TMC of EUR 3.6m fell clearly short of our forecast of EUR 4.1m. Amortisation of immaterials related to Adapté of EUR 146,000 was one accounting aspect, but investments in the growth of 3 new business cells and a further professionalisation of the overall business also depressed EBIT. Organic EBITA growth in H2 therefore amounted to 'only' 22%, and the margin 15.8%, down 330bps vs 06H2.

Revenue growth outlook of 25% is strong

TMC guides to an organic revenue growth of at least 25% on pro forma 2007 revenues (incl a full year of Adapté) of EUR 32.9m. The implied EUR 41m is slightly better than our (previous) estimate of EUR 40m, as TMC already hired another 38 external professionals in January and Adapté appears to grow quite fast. This shows the success of the business model, which enables TMC to hire new people despite the shortages on the labour market. Including Adapté, we now estimate revenue growth of 50% in 2008 and EBIT growth of 46%. Although these are impressive growth figures in itself, our main worry relates to the required investments in operating expenditures, both at TMC and at Adapté.

Premium versus peers warranted

On our new lower estimates, TMC trades at a P/E 2008 of 9.3x and an EV/EBITDA 2008 of 5.3x. The premium versus Dutch staffing and IT services peers is warranted given its strong growth profile. We stick to our Hold rating with a new PT of EUR 13.5.

Rating **Hold** =

Price target (12m) EUR 13.50 ▼
 Price 7-Mar-2008 EUR 11.72
 Up-/downside: +15.2%

Commercial Services & Supplies

Netherlands

Market capitalisation

EUR 42m

Avg (3month) daily volume

332

Reuters

ALTMCAS

Bloomberg

ALTMCA NA

Web site

www.tmc.nl

Share Price Performance %

	-1m	-3m	-12m
TMC	-0.7	-14.1	-16.6
MSCI Europe	-2.0	-16.8	-13.0
MSCI Netherlands	-0.5	-16.2	-10.7

Agenda

None

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Financial Information

Income Statement (EUR mln)				
	2007	2008E	2009E	2010E
Revenues	27.36	41.01	47.72	52.49
Cost of sales	-18	-27	-31	-34
Gross profit	9.4	14.1	16.4	18.0
Operating costs	-32.6	-48.7	-56.3	-61.8
Extraordinaries	0	0	0	0
EBITDA	5.3	7.7	8.6	9.3
Depreciation	-0.1	-0.2	-0.2	-0.3
EBITA	5.2	7.4	8.4	9.0
Amortisation	-0.3	-0.3	-0.3	-0.3
EBIT	4.9	7.1	8.1	8.7
Net financial result	-0.1	-0.3	-0.2	-0.2
Other pre-tax items	0.0	0.0	0.0	0.0
EBT	4.8	6.8	7.9	8.5
Income taxes	-1.2	-1.7	-2.0	-2.2
Minority interests	0.0	0.0	0.0	0.0
Other post-tax items / participation	0.0	0.0	0.0	0.0
Extraordinaries	0.0	0.0	0.0	0.0
Net income	3.6	5.1	5.8	6.3
Adjustments, total	0.0	0.0	0.0	0.0
Net income recurring	3.6	5.1	5.8	6.3
PER SHARE ITEMS				
Shares outstanding avg. (mln)	3.4	3.6	3.6	3.6
Shares outstanding fully diluted (mln)	4.0	4.0	4.0	4.0
EPS reported	1.05	1.43	1.64	1.78
EPS recurring	0.88	1.26	1.45	1.57
CPS	0.78	0.74	0.93	1.61
DPS	0.00	0.00	0.00	0.00
Fiscal year ends 12/2008				
% GROWTH				
Revenues	94.4	49.9	16.3	10.0
EBITA	83.1	43.6	12.8	7.2
Net income recurring	86.1	43.0	14.8	8.3
% MARGINS				
Gross margin	N/A	N/A	N/A	N/A
EBITA margin	18.9	18.1	17.6	17.1
Net recurring margin	13.0	12.4	12.3	12.1

Valuation				
	2007	2008E	2009E	2010E
Enterprise Value (mln)	49.8	40.6	37.4	31.8
P/E recurring (x)	13.3	9.3	8.1	7.5
P/Sales (x)	1.5	1.0	0.9	0.8
P/FCF (x)	22.1	12.8	13.2	7.5
P/CF (x)	15.0	15.8	12.6	7.3
P/B (x)	2.0	1.6	1.3	1.1
Dividend yield (%)	0.0	0.0	0.0	0.0
EV/EBITDA (x)	9.4	5.3	4.3	3.4
EV/Sales (x)	1.8	1.0	0.8	0.6
EV/FCF (x)	27.7	12.3	11.7	5.7

Cash Flow Statement (EUR mln)				
	2007	2008E	2009E	2010E
Net Income Reported	4	5	6	6
Depreciation & Amortisation	0	1	1	1
Working Capital Change	-3	-3	-3	-1
Other Items	2	0	0	0
Cash Flow from Operations	3	3	3	6
Net Capital Expenditure	-1	1	-0	-0
Goodwill from Acquisitions	-18	0	0	0
Other Investments	-1	0	0	0
Cash Flow from Investments	-20	1	-0	-0
Ordinary Dividends	0	0	0	0
Preferred Dividend	0	0	0	0
Change in Preferred Stock	0	0	0	0
Change in Equity	9	0	0	0
Change in Subordinated Debt	0	0	0	0
Change in Bank Debt	5	0	0	0
Change in Minorities	0	0	0	0
Cash Flow from Financing	14	0	0	0
Change in Cash	-3	3	3	6
Free Cash Flow	2	3	3	6
Free Cash Flow Yield (%)	4.5	7.8	7.6	13.3

Balance Sheet (EUR mln)				
	2007	2008E	2009E	2010E
Cash & Cash equivalents	2	7	10	15
Other current assets	9	13	18	20
Net PP&E	1	0	-0	-0
Intangible assets	18	18	17	17
Other non-current assets	1	1	1	1
Total Assets	31	39	46	53
Short-term debt	3	3	3	3
Other current liabs	3	4	6	7
Long-term debt	3	3	3	3
Other non-current liabs	3	3	3	3
Minority interest	0	0	0	0
Total equity	20	26	32	38
Total liabs & equity	31	39	46	53
Net debt	3	-1	-4	-10
ROIC (%)	76	22	21	20
Net gearing (%)	16.8	-4.6	-13.9	-26.3
Working capital as % of sales	29.8	30.4	35.2	35.2
Inventory period days	0.0	0.0	0.0	0.0
Trade debtor days	61.7	64.1	77.4	84.8
Trade creditor days	13.4	9.4	11.7	12.8
Cash cycle	48.3	54.7	65.8	72.0

Disclaimer Appendix

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