

6 July 2010

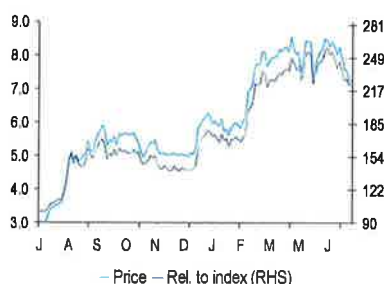
RECTICEL

Sale of slat base subsidiary LeBed

GENERAL INDUSTRIES
BELGIUM

CURRENT PRICE € 7.25
TARGET PRICE € 10.00

BUY
RATING UNCHANGED



Source: Thomson Financial Datastream

Bloomberg	REC BB
Reuters	RECT.BR
www.recticel.com	
Market Cap	€ 207.6m
Shares outst.	28.9m
Volume (daily)	€ 502,847
Free float	42.0%

Next corporate event

Results 1H10: 31 August 2010

(€ m)	2009	2010E	2011E
Sales	1,276.7	1,282.7	1,356.4
REBITDA	106.9	105.1	112.5
Net earnings	20.7	27.4	33.7
Adj. EPS (€)	0.83	0.94	1.15
P/E (x)	4.9	7.7	6.3
EV/REBITDA	3.0	3.7	3.1
FCF Yield	39.7%	17.5%	19.9%
Dividend yield	6.1%	4.1%	4.7%

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Recticel announced yesterday evening to have sold its French-based slat base producing subsidiary LeBed to Alsace Meubles SASU. LeBed realised a turnover of € 10.3m in 2009 and was said to be loss making. The transaction price was not disclosed (but is probably quite small given the limited revenue and loss-making situation).

The closing of the transaction took place on 1 July 2010 and will lead to an (undisclosed) capital loss on the 2010 results of Recticel.

Our View:

LeBed is/was mainly a captive supplier for Recticel's French bedding JV COFEL, in which Recticel sold its stake in 2009. Given the withdrawal of Recticel from the French mattress market, also a sale of this slat base subsidiary makes sense.

Conclusion:

The sale of LeBed is small news and the impact on our forecasts is limited. We stick to our BUY rating and € 10 target price, mainly based on the low valuation, with a P/E10E multiple of 7.7x and a EV/REBITDA10E multiple of only 3.7x. We remind that Recticel significantly reduced gearing levels in 2009 while executing a significant restructuring of which results were clearly visible in the 2009 figures. The guidance of a flat operating result in 2010 continues to look achievable given increased volumes (+11.3% comparable sales growth in 1Q10).