

## TEXAF

Growing Yama Yama

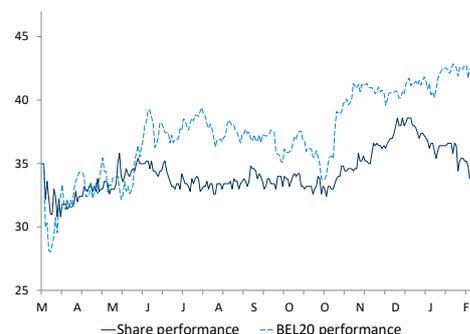
REAL ESTATE  
BELGIUM

CURRENT PRICE € 33.60  
TARGET PRICE € 44.00

**BUY**

RATING UPGRADED

FY/e 31.12	2019	2020	2021E	2022E
Sales (€ th)	21,691	21,868	23,957	24,735
REBITDA (€ th)	11,223	11,662	12,470	12,952
Net earnings (€ th)	10,792	4,580	6,672	6,942
Diluted adj. EPS (€)	3.05	1.28	1.83	1.87
Dividend (€)	1.16	1.29	1.43	1.58
P/E	10.80	26.25	18.33	17.95
EV/REBITDA	10.88	10.71	9.79	9.72
Free cash flow yield	2.9%	2.0%	6.1%	1.1%
Dividend yield	3.5%	3.8%	4.2%	4.7%



Source: Thomson Reuters Datastream

**We re-initiate Texaf shares with a €44 target price and a BUY rating. Co's business model is simple, offering unique exposure to high-end, high yielding real estate in Kinshasa (DR of Congo). Texaf owns several undeveloped landbanks which offers, till now, undiscovered/explored value accretive opportunities. Finding a suitable construction partner should unlock this value, but for now we largely do not value the main opportunity. Notwithstanding this, we see at least 30% upside.**

- Established value in Kinshasa.** The main asset is the guarded UTEXAFRICA 48 ha compound, in the city centre of Kinshassa with more than 300 residential units and 21,000sqm of office space for rent. Occupancy rate have historically been at high levels of c.98%. Available land is scarce in strongly growing Kinshassa, and the fact that a significant proportion of Co's land bank is indicated in the city's safe zone should enable future value appreciation.
- Undervalued landbanks.** Besides the UTEXAFRICA compound, Texaf has several, we believe, undervalued development options ahead. First there is the 15ha unbuild land plot on the UTEXAFRICA compound. Secondly, the 3.5ha of land on the important Avenue Colonel Mondjiba which will be used for the development of offices. But mainly, a development project on an 87ha plot of land to develop schools, clinics, commercial spaces, sport areas,..., called "Les Jardins de Kinsuka". Finally, Co will further invest in the digital future of DRC with Silikin Village, which corresponds to the demographic and technological evolutions in DRC.
- Hidden value.** Texaf offers unique unleveraged exposure to a high yielding and quality real estate portfolio in combination with huge undervalued development options. The main trigger to unlock this value is finding a finance and construction partnership to develop the large potential project "Les Jardins de Kinsuka". Based on a SOTP and a DCF we see at least 30% upside and rate the shares BUY.

Bloomberg TEXF BB  
Reuters TEXB.BR

www.texaf.be

Market Cap € 121m  
Shares outst. 3.6m  
Volume (Daily) € 0.02m  
Free float 28.93%  
12-m Hi/Lo € 38.60/30.80

Next corporate event

Results 1Q21: 7 May 2021

Performance	1M	3M	12M
Absolute	-8%	-6%	1%
Rel. BEL20	-8%	-10%	-17%

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## BUSINESS DESCRIPTION

TEXAF is a debt free real estate company mainly acting as an owner, developer and operator of a guarded high quality compound (UTEXAFRICA, 48ha) in the safe zone of the city centre of Kinshasa, the fast growing capital of the Democratic Republic of Congo (DRC). The UTEXAFRICA compound is enjoying high demand from national and international tenants. The current portfolio is almost fully (98%) occupied and generates a solid cash inflow. Texaf also owns and operates offices on c.a. 3.5ha of land in the city (COTEX). Next to that Co is holding a sizable undeveloped landbank in Kinshasa (on and off-side UTEXAFRICA) and a sandstone quarry. The sandstone quarry and crushing plant is the biggest in the region of Kinshasa. This quarry enables the production of resources (i.e. concrete,...) which is used for the construction of roads and buildings in the city. These activities operate at around break even levels. The Co has shown 20% DPS growth per annum (2015-19) and the balance sheets shows almost no debt. Leverage could accelerate growth. Although operational risk may seem low, all assets are located in the DCR, a country known for weak infrastructure being extremely dependent on commodity prices and questionable electoral processes. However, Co managed this risk remarkably well. Texaf shares are listed on EURONEXT Brussels and are for the majority held by the Fam. Croonenberghs (63%) and Fam. Cha (10%).

## SWOT

### Strengths

- Large valuable land bank in a secured zone of the city
- Steady income stream from real estate activities
- Unique exposure to 95-year experience in DRC
- Low debt
- Through the stock listing and its transparency, TEXAF is an accepted party for embassies and NGOs
- Rent collected in EUR or USD (low FX risk)

### Weaknesses

- Country risk of DRC (political, economic, legal,...)
- Less developed Congolese banks hinders funding
- Land bank is owned by state of DRC (system of renewable concessions)

### Opportunities

- Diversified projects in pipeline
- Need for new infrastructure and housing in DRC
- Hidden values in land bank

### Threats

- Capacity of local construction companies
  - Limited free float hinders liquidity
- Dispossession of land not renewed

## INVESTMENT CASE

Texaf offers unique unleveraged exposure to a high yielding and quality real estate portfolio in Kinshasa (DCR) in combination with undervalued potentially large development options. We value the shares by a DCF taking into account the yielding assets and the tangible development opportunities the company still can explore. Our DCF takes the DCR country risk into account through an elevated market risk premium. Next to that we explore a sum of the parts valuation of the standing yielding assets plus the not yet developed land banks. This is a similar exercise the management also shows in the annual report. Using the average of the three methods we come to a valuation of € 62.70 p.s. which would indicate a huge (c.a 90%) undervaluation. We however also need to take into consideration the low liquidity of the shares and the unstable political environment in which the company operates (although also considered in the DCF). We do this by setting a discount of 30%, incorporating a price target of € 44 p.s.

We acknowledge that such a discount is arbitrary as we have no knowledge of any comparable business cases. We sheerly want to give expression to the hidden value we see in the case. Finding a suitable finance and (mainly) construction partner for the potentially very large "Les Jardins de Kinsuka" project should be trigger to make the undervaluation more tangible.

## Enjoying their experience, minding their legacy

### TEXTILE IN THE OLD DAYS...

Texaf was founded in 1925 when it was granted a provisional 2-year lease over an approximately 48ha site situated between 4 geographical boundaries: the Gombé River, the Léo-1 and Léo-2 railway lines, the Basoko River and the Congo River. This site, UTEXAFRICA, is still the main asset of the company to date on which it operates its compound. In 1925 the ambition was to build Africa's biggest textile plant which was opened 3 years later. At its heydays, the group had more than 100,000 cotton planters in the interior of the country and employed 6,000 people at its Kinshasa plants, which produced more than 30 million meters of fabric, primarily for Africa prints. The plant buildings covered an area of 10ha. Operating in Congo always had its challenges but since the early 90s, the economy of Congo really started to decay. In 1997 the regime of Mobutu fell and Kabila took his place and wars followed. In 2002 BNP Paribas sold its main shareholding in the company to Philippe Croonenberghs, who currently is the chairman of the board and still holds 62.6% of the shares.

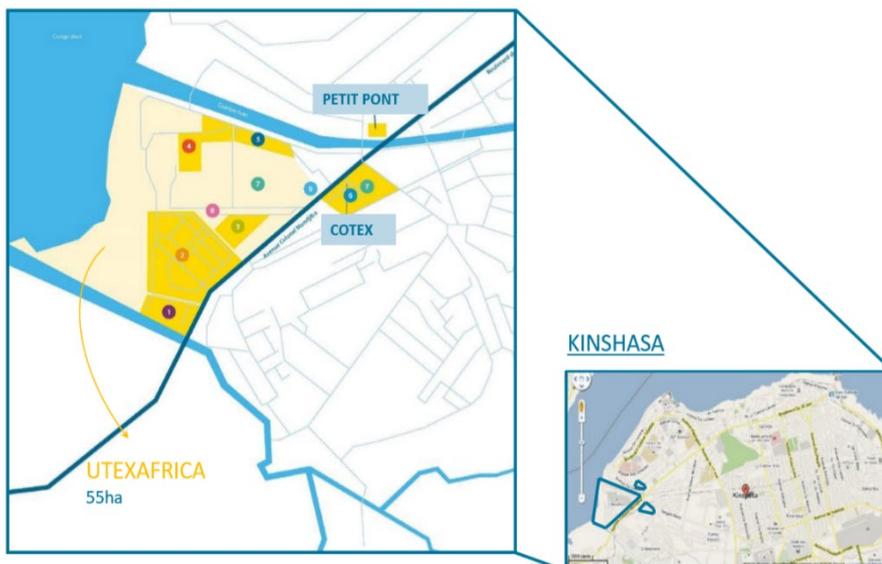
The UTEXAFRICA plant produced more than 30 million meters of fabric, until the textile business was closed in 2007

### ...REAL ESTATE TODAY...

In 2007, the textile business was closed and the company revamped itself to real estate development at the former plant sites in Kinshasa. Due to the decades of enormous growth of the city, the former plant sites are currently located in the heart of the city on the banks of the Congo river. Kinshasa is one of the larger cities in Africa (c.a. 16m inhabitants) and a city of sharp contrasts with chic residential areas, commercial areas, 2 universities and expanding slums side by side. Kinshasa is the industrial heart of the DRC and many of the countries national resources are processed here. The 48ha UTEXAFRICA concession is very favourably located right next to the Gombé district where many international head offices and embassies are located and where most of the tenants of UTEXAFRICA are employed.

The UTEXAFRICA site was transformed into a highly secured compound, currently housing nearly 1000 people.

### UTEXAFRICA & COTEX CONCESSION, TOTALLING 60HA IN THE CENTRE OF KINSHASA



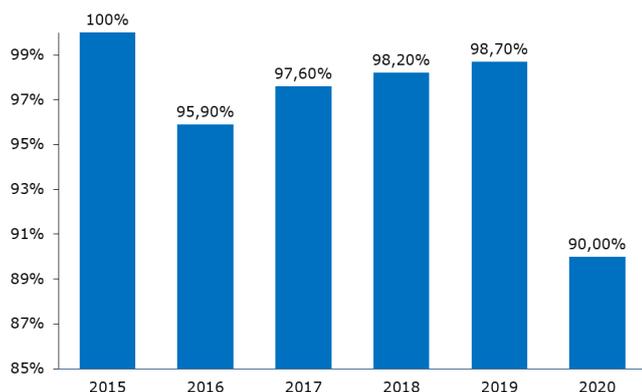
Source: Company Data

## HIGH DEMAND FOR SECURED HOUSING IN KINSHASA

Thanks to the superior location and the importance of Kinshasa as the economic and diplomatic centre of the Democratic Republic of Congo, the occupancy rate of the UTEXAFRICA residential properties (300 units) have always been on high levels. Being stock listed in Brussels and thereby audited and transparent makes it the partner of choice for many NGO's and embassies. The drop in 2016 was only temporary. The Clos des Musiciens project was delivered close to the end of the year, resulting in a low occupancy rate on December 31<sup>st</sup>. The drop in 2020 was mainly due to Covid-19 and the late delivery of Petit Pont (December 2020), resulting in a lower rate at end of the year. The Group also profits from the fact that their tenants are mainly linked to international bodies, Western embassies and cooperatives, supporting rent collection.

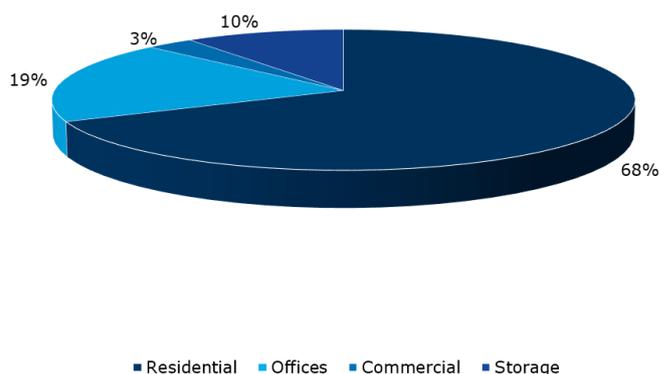
Occupancy rate & rate collection is highly stable

### OCCUPANCY RATE



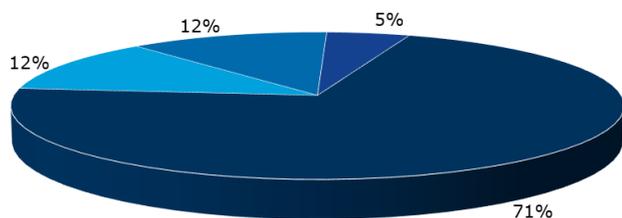
Source: Company Data, KBC Securities

### RENTAL INCOME BY ASSET TYPE (2019)



Source: Company Data, KBC Securities

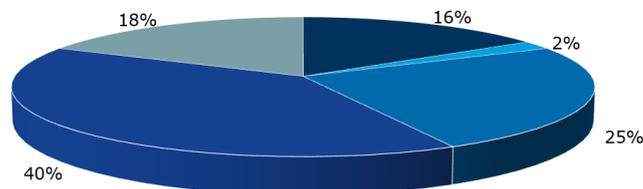
### RENTAL INCOME BY ASSET STATUS (2019)



■ New or renovated ■ To be renovated  
■ Old, but good condition ■ Old condition

Source: Company Data, KBC Securities

### RENTAL INCOME BY TENANT TYPE (2019)



■ Individuals ■ Congolese institutions  
■ Ambassadors & cooperatives ■ Companies  
■ International institutions

Source: Company Data, KBC Securities

## REAL ESTATE PORTFOLIO WITH HIGH POTENTIAL

UTEXAFRICA and the COTEX-concession, which constitutes the rental of offices, occupy 60ha of land in total. 21ha are occupied with new or renovated buildings; 9ha with construction land; 14ha with buildings that need to be demolished; and 16ha of land where no constructions (for roads and/or buildings) are allowed.

The UTEXAFRICA compound consists of more than 300 residences where almost 1,000 people of 35 nationalities are living together. Besides the residences, UTEXAFRICA also provides office spaces (21k sqm), hiking trails, sport fields, a swimming pool, a bar/lounge, a restaurant, two gyms, and a playground for children, all situated in green landscapes. The compound generates +/- 90% of total gross rental income (€19m in 2020).

23ha left to be developed or renovated

ca. 100 people of 35 nationalities are living on the UTEXAFRICA compound

## CURRENT PROJECTS IN THE UTEXAFRICA & COTEX CONCESSIONS



Source: Company Data

The Bois Nobles compound neighbourhood momentarily has 42 villas and apartments. However, 3 new buildings are being constructed as we speak with a total of 33 apartments. These apartments should be delivered in 2Q21 and, according to Texaf, can be fully occupied within the first 6 months. Furthermore, a new office building at the beginning of the Boulevard du 30 Juin, in the Petit Pont neighbourhood, is delivered recently in December 2020. According to Texaf, the potential annual rental income of the 3000sqm office building will be €1m as of 2021. Interesting to note is that Brussels Airlines is already one of the tenants. As of today, already 90% of the office space is rented.

Bois Nobles II and the office building in Petit Point are the most recent projects

## THE BOIS NOBLES NEIGHBOURHOOD



Source: Company Data

## OFFICE BUILDING IN PETIT PONT



Source: Company Data

In addition, Texaf has a land plot of 87ha which is an important part of their asset base. On this land plot, **Les Jardins de Kinsuka**, TEXAF contemplates a large project. In contrast with the other activities of Texaf's portfolio, which are intended for rent, Les Jardins de Kinsuka development will likely be a promotional mainly residential development project and will be destined for sale to the middle class of the DRC. The site is located at the edge of Kinshasa, with half of the perimeter attractively located next to the Congo-river.

Les Jardins de Kinsuka offering 87 ha development potential.

## LES JARDINS DE KINSUKA AT THE EDGE OF KINSHASA



Source: KBC Securities, Google Earth

The purpose of the potential Les Jardins de Kinsuka project is to develop a sustainable region with living and recreational facilities, with +/- 1,500 residencies, offices and a shopping mall. Texaf is planning to offer a wide range of additional services, e.g. schools, medical facilities, commercial spaces, sport- and recreational accommodations...). First research has already been done and will continue to be examined, with the help of an architectural firm (ORG2). Texaf believes that there will be a large demand for these houses, which Co is testing with four model-houses to get a better understanding of the potential demand and asking prices.

The potentially large project is still in the planning phase...

Although the project offers beautiful prospects, the road to get there might be a bumpy ride (literally). According to Texaf, this will be a very complicated project with a development period of 7 to 8 years. Management hopes to start in 2022 with phase 1, but points to the very uncertain environment in which it operates. The main issue here (and with all projects of Texaf) is the absence of construction companies with enough capacity and capabilities to carry out these projects. Another matter to solve is accessibility. TEXAF is prepared to take on the costs for local roads within the district but relies on the government to provide initial access to the neighbourhood.

Development will be complex giving need for construction capacity, infrastructure and financing

## LES JARDINS DE KINSUKA AT THE EDGE OF KINSHASA



Source: Company data

## ...TECHNOLOGY IN THE FUTURE?

Texaf believes that the digital revolution is on the way to becoming a significant economic growth industry in Africa, because these technologies can help accelerate economic development. Management has therefore decided to invest in African tech businesses.

Texaf committed €1m (+/-1% of the net asset base) in investments in Partech Africa and already invested € 330k of this amount. Partech Africa is a new venture capital fund of €125m (financial institutions, companies and entrepreneurs) with a focus on technology in education, mobility, finance and energy in African countries. At this moment the portfolio of the funds consists of 9 companies situated in 6 countries and active in more than 30 African countries.

Texaf committed €1m to Partech Africa

Purpose of this investment in the fund is to act as co-investors in African, technology-focused scale-up companies. Texaf expects that the biggest part of their €1m committed capital will be invested within the first 3 years.

Acting as co-investors in African, technology-focused scale-up companies

The value of this investment is reported under financial assets on the balance sheet, amounting to a net asset value of €203k. This corresponds to the released part of the investment in the Partech Africa fund.

Besides the participation in the technology-focused venture capital fund, Texaf established the so-called Silikin Village at the beginning of the Boulevard du 30 Juin (in the COTEX-concession). The ambition is to create a digital hub here where students, local entrepreneurs and international companies will work together. Currently the Silikin Village is already being used by the Kinshasa Digital Academy and by 40 students.

Silikin Village: creating a digital hub where students, local entrepreneurs and international companies can meet.

## OTHER ACTIVITIES

### SANDSTONE QUARRY

The sandstone quarry of Carrigrès (100% TEXAF owned) is operational since the 1950s and is located in the direct suburbs of Kinshasa. However, due to the uncontrolled development of the city, exploitation is not straightforward.

Sandstone quarry operational since 1950

Carrigrès is the biggest quarry for gravel production in Kinshasa, with an annual installed capacity of 600k tons, estimated reserves of 25m tons and a primary crusher of 400 tons/hour. The uncontrolled development of the city, the highly competitive environment and the fact that the more informal sector 'wins the deals', exploitation is troublesome.

600 k tons annual capacity and 42y of production potential left

Nevertheless, according to Texaf, Carrigrès remains the most important supplier for infrastructure developments in Kinshasa. Of the production 30% to 40% is used for roads, while the rest is used for material to build residences. In the past, the quarry was a cash cow. Even though the cash flows from this quarry are a lot more volatile now than they used to be, we believe the quarry will remain operational. Texaf expects that this year Carrigrès will result in a slightly positive bottom-line.

### COTTON COMPANIES – NOT VALUED

Texaf is only active in the capital of DRC but stemming from the former activities also has assets in the provinces: East-Kasaï, Sankuru, Lomami, High-Lomami, Maniema, Tanganyika and South-Kivu. Thanks to the subsidiaries LA COTONNIERE and ESTAGRICO, Texaf owns assets that were used for the cotton cultivation for the textile factory in Kinshasa. These assets have the potential to be used for new agricultural activities. However, according to the management, these assets will not be used for the moment even though some of these lands have potential and are easily accessible. Main reason is that the inland political situation is too volatile for now.

Former assets in the provinces not valued at the moment.

### LA COTONNIERE AND ESTAGRICO IN THE EAST OF THE DRC



Source: Company Data

## Market View: DRC

### KINSHASA STABLE ECONOMIC DRIVER OF UNSTABLE DRC

Africa is characterized as a continent with unstable political and economic conditions. The Democratic Republic of Congo is no exception. It is noteworthy that Kinshasa, where Texaf's main income stems from, is different from the rather unstable situations of in-land DRC. Kinshasa is the economic driver and urban part of DRC; thus, it is in the best interest of DRC to maintain the economic stability in Kinshasa.

It is in the best interest of DRC to maintain the stability in Kinshasa

### ECONOMICS: AFRICAN CONTINENTAL FREE TRADE AREA AN IMPORTANT DRIVER

Furthermore, there are several initiatives in place for a more transparent, fruitful, and thriving Africa. One of the most important ones is the 'African Continental Free Trade Area' (AfCFTA) (founded in 2018). At this moment all African countries, except Eritrea, have signed this agreement. Furthermore, the number of instruments of ratification which is approved or deposited amounts to 30 countries of the 54 who signed. DRC is one of them. The treaty's purpose is to eliminate up to 90% of the tariffs to increase trade in the region by 15% to 25% in the medium term. In addition, further negotiations are in place for a common currency. For example, the adoption of the Eco (currency) has been agreed for the 15 member states of the Economic Community of West African States (ECOWAS). (The Africa Report, 2020). These monetary and economic adaptations can improve Africa's bargaining power with the developed countries and increase internal trade and efficiency of the markets.

Several initiatives to increase local trade

### POLITICS AND LANDOWNERSHIP POTENTIALLY A RISK

An elementary potential risk is the fact that all the land of the DRC is property of the state (which is more common in Africa). Which means that Texaf has a concession on all their property for 25 years. According to Texaf, it is not difficult to renew the concession and at very low costs. However, the political instability plays a major role in the story. Currently, there is a power struggle going on between Félix Tshisekedi, the newly chosen president, and Joseph Kabila, the former president. Even though president Tshisekedi is part of the minority government, he has international support, while Kabila is being charged with fraud. Consensus is that president Tshisekedi put the interest of the country first. In February 2020, Tshisekedi loosened himself from Kabila by establishing a new coalition in parliament without the FCC (Kabila-minded party). A daring step according to experts, to be continued... Nevertheless, according to Texaf, the entourage of president Tshisekedi and Texaf have the same view concerning the development of DRC. In order to create political goodwill, Texaf is offering assistance to the Congolese government in fighting COVID-19 by, for example, offering their Silikin Village to broadcast information about the evolution of the disease, the measures put in place by the government and to create more awareness among the population. This active management of the relation with the government reduces the potential land risk of Texaf, for now.

President Tshisekedi and Texaf have the same view concerning the development of DRC

### DEMOGRAPHIC DEVELOPMENTS; RESIDENTIAL FOR THE MIDDLE CLASS

The population in Africa continues to grow. More importantly, the middle class is expected to increase from 355m people in 2010 to 1.1bn people in 2050. In addition, the number of people living in the urban parts is predicted to rise to 60% in 2050 from the current 40%. (Knight Frank, The Africa report, 2020) These numbers suggest the future potential for Texaf, as Texaf's largest part of NRI (68%) stems from residential buildings for the middle class and 100% located in the urban regions of DRC (Kinshasa).

Further urbanisation and growth of the middle class in the benefit of TEXAF

Knight Frank estimates in their Africa Horizon 2019 publication that in the next 5 years there will be an increase of 21% in students. Furthermore, the young African populations, aged 15 to 24 years, will grow with 72m by 2028. The primary focus of many institutions is to grow their academic facilities. Texaf provides equipment and co-working spaces with the Silikin Village.

Silikin Village supportive to growth of academic facilities needs

## TECHNOLOGICAL & REAL ESTATE DEVELOPMENTS

With the Silikin Village and the participation in the Partech Africa fund, Texaf intends to answer the need for capital for tech start- and scale-up companies.

Texaf wants to support local tech start-ups

Technological development is impossible to disregard in the current market environments, Africa is no exception. The fact that technological development is important in Africa is an understatement. Because of the rising numbers of people living in urban areas, increase in annual income, higher portion of young population,... the social and economic needs of the population need to go hand-in-hand with affordable and acclimated technology (for example, the enormous boost of the use of mobile internet).

According to The Africa Report (2020), the continent of Africa is currently undergoing a housing crisis due to growing population and urbanisation that will continue in the coming years. The total (affordable) housing-unit deficit is 56m at the moment in Africa, and more specific a +/- 4m housing-units in DRC, second largest deficit after Nigeria. This trend is expected to persist in the coming years. This offers a significant opportunity for Texaf, as Texaf can provide affordable residences by its future developments aimed at middle class income families.

Growing population and urbanisation caused a housing crisis with regards to affordable housing

## Financials & Forecasts

### OPERATING INCOME DRIVEN BY REAL ESTATE

Texaf's operating income is composed of income from real estate activities (c. 90%) and the sandstone quarry in Carrigrès. The income from the latter is minor (c. 10%) and is very volatile. Operating income from Carrigrès in 2020 was €2.56m, with the bottom-line ending at €-617k (incl. an impairment of €1.3m). We expect the company to be able to operate Carrigrès at around break-even levels at times of low demand. For our forecasts, we will mainly focus on the development of the rental income, as this represents the lion share of Texaf's activities and income.

Real estate activities generate +/- 90% of Texaf's revenues.

#### REAL ESTATE GENERATES 90% OF REVENUE



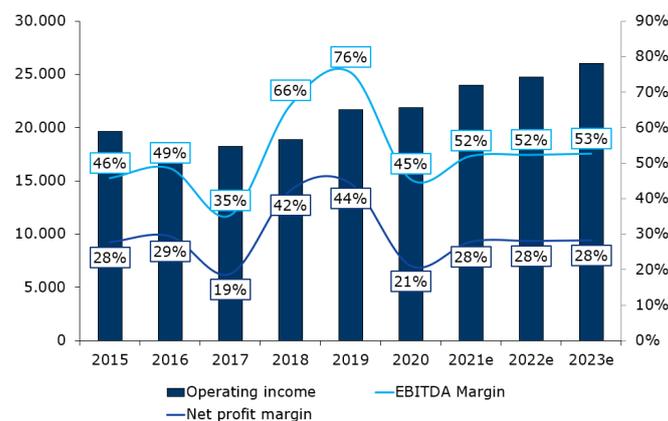
Source: KBC Securities

#### REVENUE FROM CARRIGRES IS VERY VOLATILE



Source: KBC Securities

#### EBITDA MARGIN SETTLING AROUND 52%



Source: KBC Securities

## EMPTY PIPELINE IN SHORT TERM, CATCH UP LATER

In order to forecast the rental income of Texaf, we keep track of the pipeline of future projects. We believe that Texaf has still quite some room to grow its real estate activities by deploying the potential of its landbank. Future growth can be achieved by:

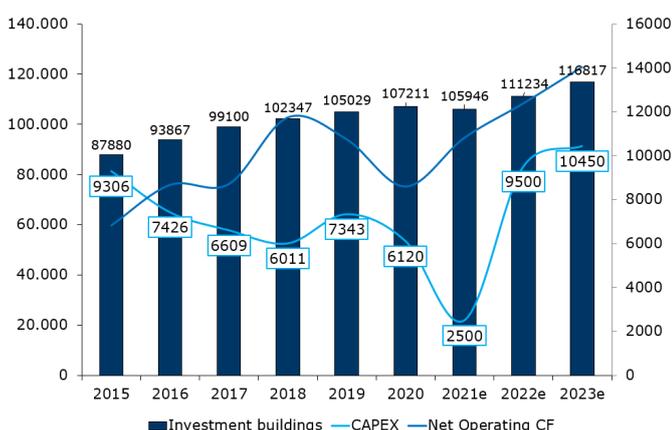
1. Construction and development of 15ha unbuild plots of land on the currently exploited UTEXAFRICA compound (the formal industrial site).
2. Further construction and development of offices and a shopping mall at the most important road of Kinshasa, Avenue Colonel Mondjiba (3.5ha of land).
3. Construction and promotional development of residential units on the 87ha site "Les Jardins de Kinsuka". A plot of land adjacent the Congo River shaped as an peninsula with a long coastline.

High potential in available landbank

In the shorter term, the upward potential in Texaf's rental income will come from the recent opening of the Petit Pont office building and current the Bois Nobles II project in development that is about to be fully delivered in 2Q21 (annual rental income € 1.2m or c.a 6.2% of FY20 annual group NRI).

Up until now, the company hasn't announced any specific plans for the upcoming years. However, management is guiding for an increase in capex over the coming 2-3 years. It guides for a growth of **10% in capex per annum**, mainly intended to invest in the further development of the available landbank.

## CAPEX GROWTH BEYOND 2021



Source: Company Data, KBC Securities

## STEADY INVESTMENT PACE



Source: Company Data

However, given the fact that Texaf hasn't announced any concrete future projects (only projects under study), we are not following the guidance in the short-term. Even if Co identifies new investment opportunities in the very near future, it will take time to eventually start construction, which will delay capital expenditures. Adding up the difficulties Texaf experiences with finding appropriate construction companies with sufficient capacity can put an extra delay on the realisation. Therefore, we expect for 2021 an overall expenditure for investments of €2.5m (€0.5m maintenance capex & €2m investment capex). Nevertheless, going beyond 2021, we believe that the catching-up of the

Texaf will not reach its intended investment expenditures in 2021

investments will eventually result in capex that will be higher than before. We model capital expenditures of €9.5m and €10.45 for 2022 and 2023, respectively.

We estimate that the annual gross rental income will increase with 10% to €21.3m in 2021 versus €19.3m 2020. Reflecting addition of rental income stemming from the Bois Noble II apartments deliveries in 2Q21 (at 100% occupancy c.a KBCSe € 1.2m annual rental income) and the start yielding of the delivered Petit Pont office building (KBCSe € 966k at 100% occupancy rate). Accordingly, the group REBIT will increase from €7.8m in 2020 to KBCSe €8.6m in 2021. We assess that group REBIT will improve over 2022 and will eventually reach KBCSe €9.5m in 2023, mainly thanks changes in scope. These figures are calculated based on the CAPEX expectations we discussed earlier and an estimated yield of 18% (in line with historical reported yields).

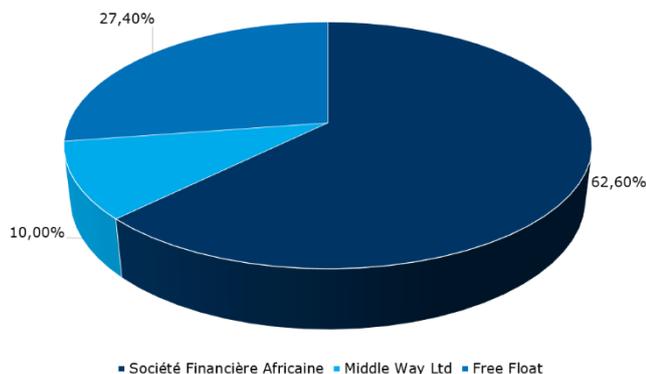
Further development of UTEXAFRICA & COTEX grounds will result in stable rental income growth

## DIVIDEND POLICY

For the financial year 2020, the company will pay out a gross dividend of €1.29 per share in May 2021, up almost 11% compared to 2019 (€1.16 p/s) versus 20% annual growth in the last 5y. The pay-out is tempered in order to build up cash reserves for future projects. Also (like last year) the board decided again to opt for a scrip dividend to be paid over FY20. In 2019 it retained €1.89m in capital by this (66% take up).

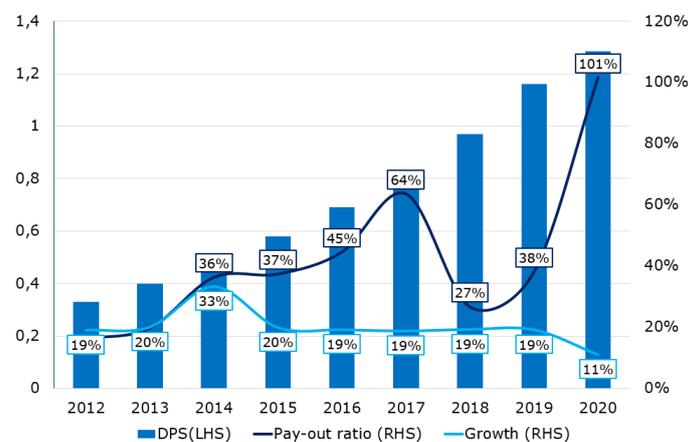
Over the last 5 years, Texaf increased its dividend with +/-20% per annum.

## SHAREHOLDER'S STRUCTURE



Source: Company Data, KBC Securities

## EVOLUTION OF GROSS DIVIDEND



Source: Company, Data, KBC Securities

## OPTIONAL DIVIDEND DECREASES NEED FOR ADD ON DEBT

Texaf's balance sheet solvency profile carries no solvency risk. Net debt entered negative territories, making debt-to-EBITDA or equity ratios negligible. Given the low level of credit lines, renewal should be easy. However, Congolese banks have too limited equity to provide sufficient credit lines if needed. Another problem with the Congolese banks is that they charge extremely high interest rates. The company's current cost of debt stands around 8.5%. We therefore expect Texaf to start looking for debt in Belgium. We expect that Texaf could lend money at Belgian banks at a rate of c.4%.

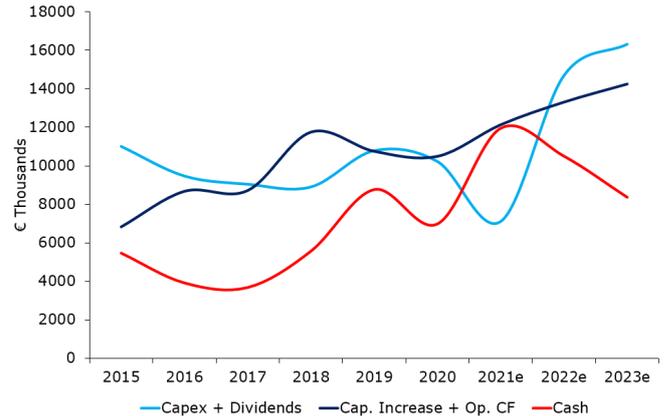
Likely very difficult to attract financing from EU banks

## NET DEBT ENTERED NEGATIVE TERRITORY



Source: KBC Securities

## SCRIP DIVIDEND GIVES A BIT MORE LEEWAY



Source: KBC Securities

Although access to bank lending is quite a challenge and until now also not needed for Texaf, the recent introduction of the optional dividend brings a bit more room to increase capex. We assume that Texaf will increase its dividend with 11% per annum over the coming years and that 66% of the net dividends will be re-invested. This latter is a reasonable assumption given the commitment of the two largest shareholders, i.e. Société Financière Africaine (62,6%) & Middle Way Ltd. (10%). In our model the cash position will peak in 2021 (low capex year of € 2.5m), after which it returns to normal levels by 2023 (due to net cash out). Therefore, there is no urgent need to attract additional financial debt.

Cash dvd and near term capex can be financed by operating CF and scrip dvd..

For larger projects, such as the development of Les Jardins de Kinsuka, Texaf hinted that they would be interested to attract a new (international) partner in order to develop the landbank. This will be necessary as the expected capex for this project will be significantly higher compared to previous projects. The annual capex needs will almost certainly outstrip the annual operating CF + capital from scrip dividend which we exp. at c.a € 14m annually by 2023. Due to the uncertain timing and the lack of detailed plans with regards to this potential project we do not take this into account in our current model.

Larger projects such as a redevelopment of the "Les Jardins de Kinsuka" plot will be needing additional financing ....

## Valuation

The valuation of TEXAF is not walk a in the park. The different (undeveloped) land banks on several locations, the instability of the Carrigres & the environment in the DRC in general and the absence of third-party real estate valuers makes it a sensitive undertaking. We performed a SOTP and a DCF valuation.

### SUM OF THE PARTS: LANDBANK CONTAINS UNDISCOVERED VALUE

In order to value Texaf, we used a sum-of-the-parts where we combined different sources for the valuation of the real estate activities and the sandstone quarry. We compared the NAV determined by IFRS (auditor: Deloitte), the guidance that the management gave at the end of 2019 and what we observed ourselves about the RE market in the DRC. We arrive at a value per share of **€32.9**, **€78.6** and **€78.2**, respectively.

### SUM OF THE PARTS: KBCS OBSERVATIONS VS MANAGEMENT

Value item	Management		KBCS Observations		Book value - IFRS		DCF
	€/sqm	Value	€/sqm	Value	€/sqm	Value	
<b>Developed land</b>							
Rental income FY2021e	9% yield	€21.343	12% yield	€ 21.343			
Value of rental properties		€229.600		€ 177.854			
<b>Undeveloped land</b>							
Bare land (sqm) – centre of Kinshasa		91.000		91.000			
Value of bare land – centre of Kinshasa	€715.4	€66.700	€ 850	€77.350			
Bare land (sqm) – Kinsuka		835.000		835.000			
Value of bare land – Kinsuka	€35	€29.225	€83	€69.305			
Bare land (sqm) – Provinces		3.059.000		3.059.000			
Value of bare land – Provinces	N.A.	€1.200	€ 0	€ 0			
<b>Total value of RE</b>		<b>€326.725</b>		<b>€324.509</b>		<b>€107.211</b>	
Book value (FY2020)		€107.211		€107.211		€107.211	
Capital gains tax	25%	€-54.879	25%	€-54.325	25%	-	
<b>MV of RE</b>		<b>€271.847</b>		<b>€270.185</b>		<b>€107.211</b>	
Carrigres (BV)		€4.500		€4.500		€4.500	
<b>Enterprise Value</b>		<b>€276.347</b>		<b>€274.685</b>		<b>€118.738</b>	<b>€213.607</b>
- Minorities		€ 384		€ 384		€ 384	€384
- Net financial debt		€ -6.979		€ -6.979		€ -6.979	€-6.979
+ Financial assets		€ 432		€ 432		€ 432	€432
<b>Equity Value</b>		<b>€283.374</b>		<b>€281.712</b>		<b>€118.738</b>	<b>€220.634</b>
/ Nr. Of Shares		3.605		3.605		3.605	3.605
<b>Value per share</b>		<b>€78.6</b>		<b>€78.2</b>		<b>€32.9</b>	<b>€61.2</b>

Source: Company Data, Knight Frank – Africa Report (2018), KBC Securities

In order to value the developed landbank, we use a 12% gross yield to value the rental properties. This rate is put forward in the Africa Report of the London-based real estate expert Knight Frank (January 2018). The rate compares as very conservative vs the valuation management puts forward in the annual accounts. The management of Texaf estimates the value of the land based on the state of the buildings (going from 'new' to 'to be renovated'). Overall, they arrive at a value of €229.6m, which implies a yield of 9% when considering the FY2021e rental income.

We value the properties in line with Knight Frank estimates a 12% yield for offices and residential RE in Kinshasa.

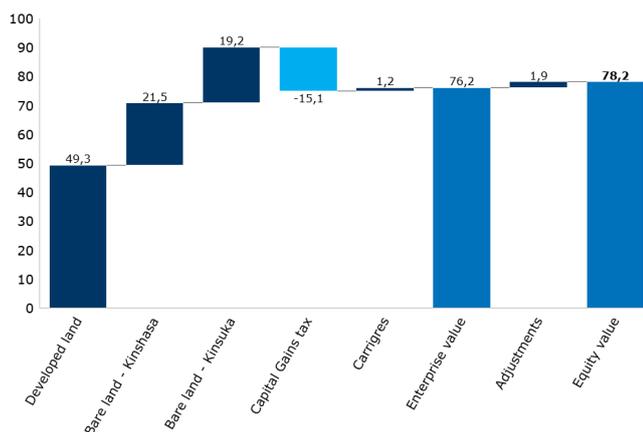
For the bare lands in the centre of Kinshasa, we use a value of €850/sqm. At the beginning of 2018, an independent local assessor valued the COTEX site at \$1.012/sqm. In 2017, a real estate operator made an offer for several thousand sqm close to UTEXAFRICA of more than \$1000 per sqm. Therefore, we believe that a value of €850/sqm for the grounds in the centre of Kinshasa is justified. Texaf is more conservative and values these lands at €66.7m (incl. 12.5ha undevelopable land), which implies a price of €715/sqm (based on 9.1ha developable grounds).

Lands in the centre of Kinshasa: €850/sqm

Texaf values the lands in Kinsuka at €35 per square meter, which they label as a "very conservative" value. In 2019, 17ha of this terrain was sold to Société Nationale d'Electricité at a net value that was "close to" the value that TEXAF uses (€35 per sqm). In our opinion, these grounds can be worth notably more when they are developed into a secured, residential neighbourhood. Taking into account the real estate boom in this part of Kinshasa, we estimate the value between \$100 and \$200 per sqm. For our valuation, we stay rather conservative and use a value of €83 per sqm, which equals the lower bound of our range at current EUR/USD spot rate.

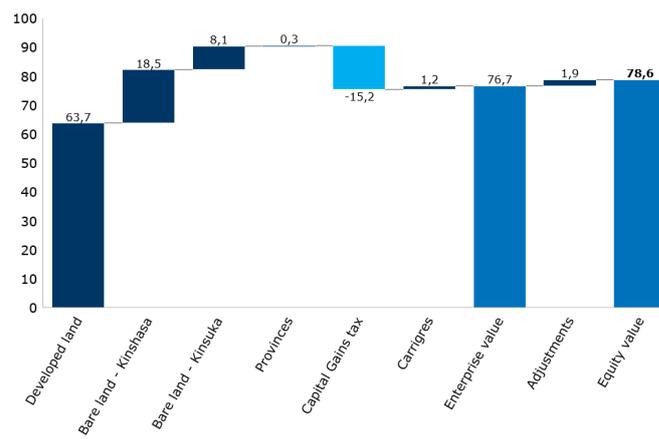
Les Jardins de Kinsuka: €83/sqm

## SOTP – KBCS OBSERVATIONS



Source: KBC Securities

## SOTP – TEXAF MANAGEMENT\*



Source: , Company Data, KBC Securities

## DISCOUNTED CASH FLOW

Next to the SOTP, we performed a DCF analysis. Our DCF yields a fair value of €61.2 per share. Our main assumptions include:

DCF: €61.2/share

- Sales CAGR of 5.6% over the estimated period
- REBIT margin remains stable around 36%
- Terminal growth rate of 1.5%
- Cost of Equity of 7.22%, implying an (observed) unlevered beta of 0.49, a DCR market risk premium of 12% and a risk-free rate of 0.5%.
- Cost of debt of 8.42%
- WACC of 7.28%

## DCF VALUATION

DCF	2020	2021	2022	2023	2024	2025
Sales	21.868	23.957	24.735	26.040	27.342	28.709
Change (%)	0,82%	9,55%	3,25%	5,28%	5,00%	5,00%
REBIT	7.863	8.604	8.950	9.485	9.959	10.457
Change (%)	0,28%	9,43%	4,01%	5,98%	5,00%	5,00%
Margin (%)	35,96%	35,92%	36,18%	36,43%	36,43%	36,43%
Tax	(1.502)	(1.882)	(1.958)	(2.076)	(2.191)	(2.301)
NOPAT	6.361	6.722	6.992	7.409	7.768	8.157
Change (%)	36,56%	5,68%	4,01%	5,97%	4,84%	5,00%
D&A	(3.801)	(3.865)	(4.002)	(4.241)	(3.984)	(4.183)
WC changes	(618)	(540)	(47)	(78)	(199)	(209)
Capex	(6.120)	(2.500)	(9.500)	(10.450)	(8.963)	(1.046)
FCFF	3.424	7.548	1.447	1.122	2.589	11.085
<b>Discounted FCFF</b>		<b>7.035</b>	<b>1.257</b>	<b>909</b>	<b>1.955</b>	<b>7.801</b>
Period 1-5 years	18.957					
Terminal value	194.650					
<b>Enterprise value</b>	<b>213.607</b>					
- Minorities	384					
- Net financial debt	(6.979)					
+ Financial assets	432					
<b>Equity value</b>	<b>220.634</b>					
/ No. of shares	3.605					
= Value per share	<b>61,2</b>					
				<b>CoD</b>		<b>8.42%</b>
				Tax rate		25%
				B(u)		0.49
				B(l)		0.56
				MRP		12%
				R(f)		0.5%
				<b>CoE</b>		<b>7.22%</b>
				<b>WACC</b>		<b>7.28%</b>

Source: KBC Securities

## SENSITIVITY TABLE DCF

WACC	Terminal Growth Rate						
	61.2	0,0%	0,5%	1,0%	1,5%	2,0%	2,5%
6,3%	56,33	60,84	66,19	72,67	80,65	90,75	
6,8%	52,64	56,50	61,02	66,40	72,91	80,93	
7,3%	49,45	52,79	56,67	61,21	66,62	73,15	
7,8%	46,66	49,59	52,94	56,84	61,40	66,83	
8,3%	44,20	46,78	49,72	53,10	57,01	61,59	
8,8%	42,01	44,31	46,91	49,86	53,25	57,18	

Source: KBC Securities

This DCF valuation doesn't incorporate the value of undeveloped landbanks that TEXAF possesses. If we assume that the cash flows incorporated in the DCF will be generated (and increased) by exploiting & further developing the UTEXAFRICA & COTEX grounds and Carrigres, we pass-over / ignore the value of Les Jardins de Kinsuka.

DCF does not include the value of Les Jardins de Kinsuka

## UNLOCKING THE HIDDEN VALUE REMAINS A CHALLENGE

Combining all the different sources of information and opinions, we arrive at an average NAV estimate for Texaf of €62.7. This represents an upside of roughly 87% compared to the current share price. However, there are some circumstances that we have to take into account when valuing Texaf. Due to the illiquidity of the stock and the unstable business environment where Texaf operates, we believe that a discount on this value is justified. Going forward, we believe that there is certainly undiscovered value in the Texaf stock, but we lack triggers in the short term to unlock that upside.

Unstable DRC puts pressure on stock price

A possible trigger that we identify is a breakthrough in the development of Les Jardins de Kinsuka. Because of the size of the project, Texaf needs to find an (international) partner in order to develop those grounds. Preferably, this partner has experience in construction (building contractor) of these kind of projects. Optionally, that partner could bring in some equity to finance the development of Les Jardins de Kinsuka, but that is not a necessary condition according to Texaf's management.

Finding a partner for the construction of Les Jardins de Kinsuka could be a trigger

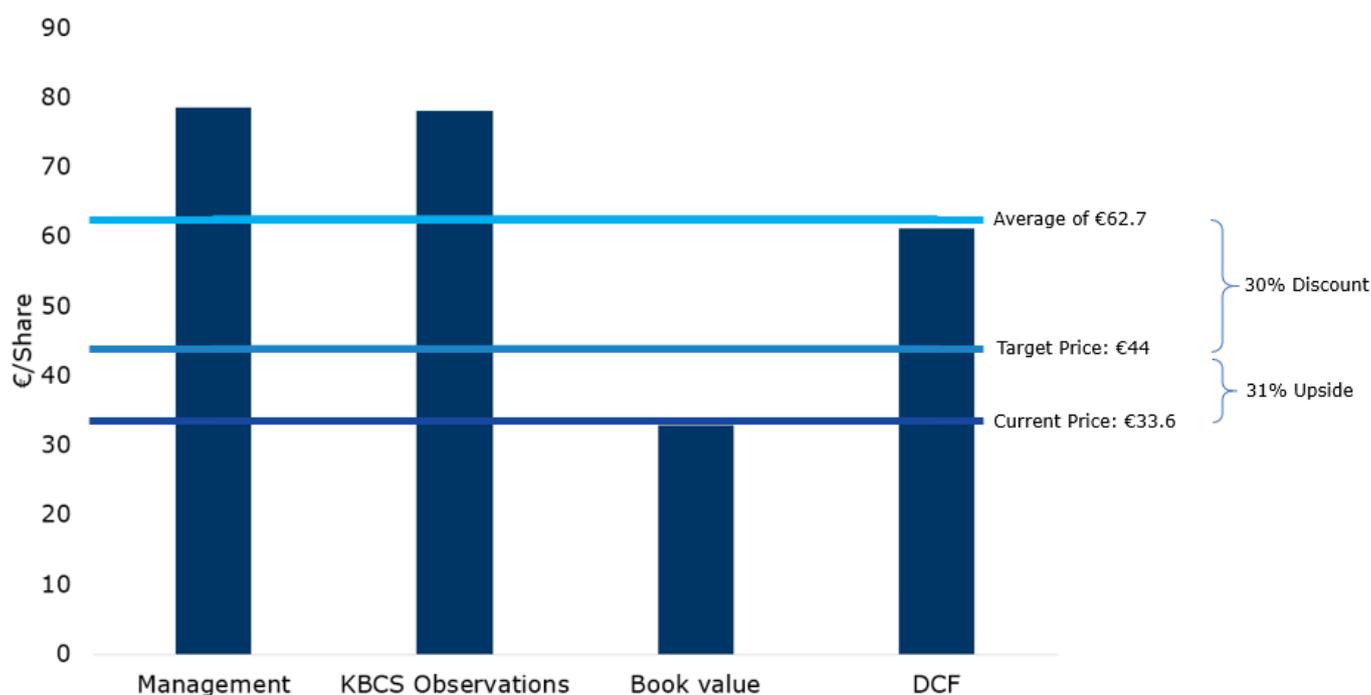
Another issue that keeps the Texaf stock from rising materially is the shareholder structure. The Société Financière Africaine (SFA), controlled by Philippe Croonenberghs, is majority shareholder with a 62.6% stake since 2002. In addition, c. 10% of the shares is owned by Middle Way Ltd. This results in a free float of a little bit less than 30%. We don't expect this shareholder structure to change significantly going forward, holding the liquidity down.

Illiquidity of the stock requires discount

Taking all this together, we deem a discount of 30% for Texaf as more than enough. We acknowledge that such a discount is arbitrary as we have no knowledge of any comparable business cases. We sheerly want to give expression to the hidden value we see in the case. Finding a suitable finance and (mainly) construction partner for the potentially very large "Les Jardins de Kinsuka" project should be a trigger to make the undervaluation more tangible. Therefore, we set our **Target Price at €44** and re-initiate with a **BUY**-rating.

Target price of €44, Buy

### TARGET PRICE OF €45 OFFERS 31% UPSIDE COMPARED TO CURRENT SHARE PRICE



Source: Company Data, KBC Securities

## Annex: Board of Directors, Management Team & Shareholders

### **PHILIPPE CROONENBERGHS – CHAIRMAN, NON-EXECUTIVE**

Philippe Croonenberghs has a degree in applied economics and started at Texaf in 1985. In 2002, Philippe organised the MBO of Texaf and restructured and reorganised the business model of Texaf, namely from a loss-making textile company to viable real estate activities and the most recent digital developments in DCR. He is managing director for 20 years and chairman since 2017.

### **DOMINIQUE MOORKENS – VICE-CHAIRMAN, NON-EXECUTIVE**

Dominique Moorkens started his career at three automobile concession Alcopa, where he was for many years the director and chairman of the board. In addition, he is director of Carmeuse and chairman of the board of Coprem and Mékong Plus. Finally, he is honorary consul of the Republic of Korea.

### **VINCENT BRIBOSIA – INDEPENDENT**

Vincent Bribosia has a degree in law and a Master in Management. He started at Suez-Generale Maatschappij in Belgium, where he occupied several functions. He was secretary and member of the management committee and exercised several directorships (Finoutremer, Chanic nv and several non-public listed companies). Finally, he is also a member of the board of AMADE in Monaco.

### **CHARLOTTE CROONENBERGHS – NON-EXECUTIVE**

Charlotte Croonenberghs has a law degree and a master in International & European Business. Currently, she is brand business leader at l'Oréal and member of the management committee at her division. She is the daughter of Philippe Croonenberghs.

### **CHRISTOPHE EVERS – CFO, EXECUTIVE**

Christophe Evers is commercial engineer and started his career at Umicore. He was CFO and member of the management committee at Cobepa and became member of the management committee at BPost in 2001. He was a partner from 2004 to 2010 at Drakestar Partners and is professor at Solvay Brussels School.

### **MICHEL GALLEZ – REPRESENTATIVE OF CHANIC NV (FAM CHA)**

Michel Gallez has experience in the textile industry in Africa. He was CFO of CPA Zaire and exercised several functions as member of financial and management committees. He was the last CEO of Congotex and is executive director of United Nigerian Textiles, the largest group of textile factories in Nigeria.

### **DANIELLE KNOTT – INDEPENDENT**

Danielle Knott is born in Kinshasa and has a degree in law and an MBA. She is the head of HR of Carmeuse and became head of the new business unit of Carmeuse.

## PASCALE TYTGAT – INDEPENDENT

Pascale Tytgat is a commercial engineer and holder of the IFRS-certificate from the KU Leuven. She is founding partner of BST Réviseurs d'Entreprises and was a member of the Commissie voor Kwaliteitscontrole for 20 years. She has experience as financial expert in Belgium and France.

## JEAN-PHILIPPE WATERSCHOOT – CEO, EXECUTIVE

Jean-Philippe Waterschoot is a civil engineer and started his career at Texaf in 1989 in Lubumbashi. He exercised several operational functions at the textile factory UTEXAFRICA, of which he was CEO until it became part of Congotex. He is director of Fédération Nationale des Entreprises du Congo, director and permanent representative of CBL-ACP Kamer voor Koophandel, director of several charity and economic organisations in DRC and advisor in Economic Diplomacy at the Belgium Embassy in Kinshasa. He is an Officer of the Leopoldsorde.

## ALBERT YUMA MULIMBI – NON-EXECUTIVE

Albert Yuma has a degree in applied economics and was CEO of UTEXAFRICA until 2015 together with Jean-Philippe Waterschoot. He is chairman of the Fédération Patronale du Congo, director and chairman of the audit committee of the central bank of Congo and chairman of Gécamines. He is member of the board of directors of the International Employment Office in Genève. Lastly, he is vice-chairman of the Internationale Werkgeversorganisatie, director of Belgian-Congolese Chamber of Commerce and Commander of the Kroonorde.

## SHAREHOLDER'S STRUCTURE

Texaf used to be part of the holding Cobepa (independent, privately held investment company) which was delisted in 2000 by BNP Paribas. In 2002, Philippe Croonenberghs completed a management buyout of Texaf. The Société Financière Africaine (SFA) is majority shareholder with a 62.6% stake. This company is controlled by the company Chagawirald, which is in turn owned by Philippe Croonenberghs. Since 2014, Middle Way Ltd. is the second reference shareholder, holding a 10% stake, and is ultimately owned by the Cha family (real estate developer KHRI (listed) in Hong Kong). The Cha family has been active in Africa since 1964. They entered a JV with TEXAF in 2005, bringing together UTEXAFRICA's textile business and the textile manufacturing site from CHA TEXTILES. The JV was liquidated in 2007, after which the Cha group became a 10% shareholder in 2014.

Philippe Croonenberghs & Cha family hold 62.6% and 10% of the shares respectively

## FINANCIAL DATA

Income statement (€ th)	2019	2020	2021E	2022E	2023E
Sales	21,691	21,868	23,957	24,735	26,040
COGS	-	-	-	-	-
Gross profit	21,691	21,868	23,957	24,735	26,040
Operating costs	-15,389	-15,432	-17,042	-17,530	-18,392
Other income & costs	1,539	1,425	1,690	1,744	1,837
EBIT	7,841	7,861	8,604	8,950	9,485
Net interest	-223	-38	-50	-50	-50
Other non-operating	5,181	-1,716	0	0	0
Pre-tax earnings	12,799	6,107	8,554	8,900	9,435
Taxes	-3,183	-1,502	-1,882	-1,958	-2,076
Associates	-	-	-	-	-
Discontinued & other	1,176	-25	0	0	0
Consolidated earnings	10,792	4,580	6,672	6,942	7,359
Minority interests	-	-	-	-	-
Net earnings	10,792	4,580	6,672	6,942	7,359
Depreciation and amortisation	-3,382	-3,801	-3,865	-4,002	-4,241
Amortisation other intangibles/ Impairments	-	-	-	-	-
Non recurring elements included in EBIT	-	-	-	-	-
REBITDA	11,223	11,662	12,470	12,952	13,727
EBITDA	11,223	11,662	12,470	12,952	13,727
REBITA	7,841	7,861	8,604	8,950	9,485
EBITA	7,841	7,861	8,604	8,950	9,485
Net earnings from continued operations	10,792	4,580	6,672	6,942	7,359
Adjusted net earnings	10,792	4,580	6,672	6,942	7,359

Balance sheet (€ th)	2019	2020	2021E	2022E	2023E
Intangible assets	9	6	6	6	6
Tangible assets	114,940	115,520	114,155	119,653	125,861
Financial assets	304	432	432	432	432
Other assets	239	145	145	145	145
Inventories	4,633	4,346	4,346	4,346	4,346
Receivables	2,356	1,455	1,995	2,042	2,120
Cash & equivalents	8,767	6,979	11,951	10,503	8,364
TOTAL ASSETS	131,248	128,883	133,030	137,127	141,275
Equity	97,150	99,452	103,649	107,796	111,994
Minorities	366	384	384	384	384
Provisions	-	-	-	-	-
LT financial debt	1,966	0	0	0	0
Other liabilities	22,782	23,682	23,632	23,582	23,532
Payables	6,685	5,365	5,365	5,365	5,365
ST financial debt	2,299	0	0	0	0
TOTAL LIABILITIES	131,248	128,883	133,030	137,127	141,275
Net working capital	304	436	976	1,023	1,101
Capital employed	102,687	103,301	102,476	108,021	114,308
Net debt	-4,502	-6,979	-11,951	-10,503	-8,364
Net debt, incl. off-balance items	-4,502	-6,979	-11,951	-10,503	-8,364

Cash flow statement (€ th)	2019	2020	2021E	2022E	2023E
Consolidated earnings	10,792	4,580	6,672	6,942	7,359
Depreciation, amortisation & impairment	3,382	3,801	3,865	4,002	4,241
Other cash flow from operations	-2,724	-1,185	-559	101	170
Change in working capital	-706	1,395	18	-148	-248
CASH FLOW FROM OPERATIONS	10,744	8,591	9,998	10,897	11,522
Net capital expenditure	-7,343	-6,120	-2,500	-9,500	-10,450
Acquisitions / disposals	6,428	298	0	0	0
Other cash flow from investments	-125	0	0	0	0
CASH FLOW FROM INVESTMENTS	-1,040	-5,822	-2,500	-9,500	-10,450
Dividend payments	-3,442	-4,101	-4,601	-5,196	-5,876
Shares issues	0	1,890	2,126	2,400	2,715
New borrowings / reimbursements	-3,059	-2,346	-50	-50	-50
Other cash flow from financing	0	0	0	0	0
CASH FLOW FROM FINANCING	-6,501	-4,557	-2,525	-2,845	-3,211
Fx and changes to consolidation scope	0	0	0	0	0
CHANGE IN CASH & EQUIVALENTS	3,203	-1,788	4,972	-1,448	-2,139
Free cash-flow	3,401	2,471	7,498	1,397	1,072
Change in net debt	-6,215	-2,477	-4,972	1,448	2,139

# Company Note

09 03 2021



Securities

Produced by KBC Securities NV (Belgium)

Performance criteria	2019	2020	2021E	2022E	2023E
Sales growth	15.0%	0.8%	9.6%	3.3%	5.3%
Gross profit growth	15.0%	0.8%	9.6%	3.3%	5.3%
REBITDA growth	11.0%	3.9%	6.9%	3.9%	6.0%
EBITDA growth	11.0%	3.9%	6.9%	3.9%	6.0%
REBITA growth	9.4%	0.3%	9.5%	4.0%	6.0%
EBIT growth	9.4%	0.3%	9.5%	4.0%	6.0%
Pre-tax earnings growth	54.9%	-52.3%	40.1%	4.0%	6.0%
Net earnings growth	-16.5%	-57.6%	45.7%	4.0%	6.0%
Earnings growth from continued operations	-16.5%	-57.6%	45.7%	4.0%	6.0%
Adjusted earnings growth	-16.5%	-57.6%	45.7%	4.0%	6.0%
Gross margin	100.0%	100.0%	100.0%	100.0%	100.0%
REBITDA margin	51.7%	53.3%	52.1%	52.4%	52.7%
EBITDA margin	51.7%	53.3%	52.1%	52.4%	52.7%
REBITA margin	36.1%	35.9%	35.9%	36.2%	36.4%
EBIT margin	36.1%	35.9%	35.9%	36.2%	36.4%
Net working capital / sales	1.4%	2.0%	4.1%	4.1%	4.2%
CAPEX/ Sales	33.9%	28.0%	10.4%	38.4%	40.1%
FCF / Sales	11.7%	11.3%	31.3%	5.6%	4.1%
Depreciation / Capital Expenditure	46.1%	62.1%	154.6%	42.1%	40.6%
Capital expenditure / EBITDA	65.4%	52.5%	20.0%	73.4%	76.1%
Net debt / Equity + Minorities	-4.6%	-7.0%	-11.5%	-9.7%	-7.4%
Net debt / EBITDA	-0.4	-0.6	-1.0	-0.8	-0.6
EBITDA / net interest	50.3	306.9	249.4	259.0	274.5
Pay-out ratio	-38.0%	-100.5%	-77.9%	-84.6%	-90.5%
Net earnings margin	49.8%	20.9%	27.9%	28.1%	28.3%
x CE turnover (Sales / avg. CE)	0.2	0.2	0.2	0.2	0.2
x Leverage (avg. CE / avg. equity)	1.1	1.0	1.0	1.0	1.0
= Return on Equity (avg)	11.5%	4.7%	6.6%	6.6%	6.7%
Return on Equity - adjusted	11.5%	4.7%	6.6%	6.6%	6.7%
Return on Capital Employed	9.6%	9.5%	10.2%	10.4%	10.4%
Return on Capital Employed - adjusted	9.6%	9.5%	10.2%	10.4%	10.4%
Per share data (€)	2019	2020	2021E	2022E	2023E
weighted average # shares (th)	3,544	3,579	3,641	3,709	3,786
weighted average # shares, diluted (th)	3,544	3,579	3,641	3,709	3,786
Basic EPS	3.05	1.28	1.83	1.87	1.94
Adjusted EPS	3.05	1.28	1.83	1.87	1.94
Diluted EPS	3.05	1.28	1.83	1.87	1.94
Diluted, adjusted EPS	3.05	1.28	1.83	1.87	1.94
Diluted EPS: y/y growth	-16.5%	-58.0%	43.2%	2.1%	3.8%
Diluted EPS: CAGR 3Y	-20.5%	-15.0%	14.9%	-100.0%	-100.0%
Adjusted, diluted EPS: y/y growth	-16.5%	-58.0%	43.2%	2.1%	3.8%
Adjusted, diluted EPS: CAGR 3Y	-20.5%	-15.0%	14.9%	-100.0%	-100.0%
REBITDA / share	3.17	3.26	3.43	3.49	3.63
EBITDA / share	3.17	3.26	3.43	3.49	3.63
REBITA/share	2.21	2.20	2.36	2.41	2.51
EBIT/ share	2.21	2.20	2.36	2.41	2.51
Net book value / share	27.41	27.60	28.26	28.83	29.32
Free cash flow / share	0.96	0.69	2.06	0.38	0.28
Dividend (€)	1.16	1.29	1.43	1.58	1.76
Valuation data	2019	2020	2021E	2022E	2023E
Reference share price (€)	32.88	33.60	33.60	33.60	33.60
Reference market capitalisation	116,520	121,079	123,217	125,632	128,363
Enterprise value (€ th)	122,057	124,928	122,044	125,857	130,677
P/E	10.8	26.3	18.3	18.0	17.3
EV/sales	5.6	5.7	5.1	5.1	5.0
EV/REBITDA	10.9	10.7	9.8	9.7	9.5
EV/EBITDA	10.9	10.7	9.8	9.7	9.5
EV/REBITA	15.6	15.9	14.2	14.1	13.8
EV/EBIT	15.6	15.9	14.2	14.1	13.8
EV/Capital employed	1.2	1.2	1.2	1.2	1.1
P/ NBV	1.2	1.2	1.2	1.2	1.1
Free cash flow yield	2.9%	2.0%	6.1%	1.1%	0.8%
Dividend yield	3.5%	3.8%	4.2%	4.7%	5.2%
Source: KBC Securities					
					*Historic valuation data are based on historic prices

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Stock rating	Definition	% of covered universe	% of covered universe with investment banking relationship during last year
BUY	Expected total return (including dividends) of 10% or more over a 6-month period	44.20%	72.73%
ACCUMULATE	Expected total return (including dividends) between 0% and 15% over a 6-month period	22.50%	9.09%
HOLD	Expected total return (including dividends) between -5% and 5% over a 6-month period	30.80%	18.18%
REDUCE	Expected total return (including dividends) between -15% and 0% over a 6-month period	2.50%	0.00%
SELL	Expected total return (including dividends) of -10% or worse over a 6-month period	0.00%	0.00%

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 The price target for Texaf is based on following parameters: Sum of Parts

The risks which may impede the achievement of our price target are: High country risk related to the Democratic Republic of Congo including civil wars, social and political unrest, lack of a fiscal and administrative framework and nationalizations.

Below is an overview of the stock ratings and target price history in the last 12 months for the stock described in this report.

Date	Rating	Target price
2021-03-09	Buy	€ 44.00
2020-05-13	Under Review	€ -

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