

Texaf

3Q FY24: Rental Income Up 16.0% YoY

Diversified Financials | Belgium

During 3Q FY24, Texaf's rental income (residential + commercial) came in at €6.7m, up 16.0% on a YoY basis – the increase in rental income was mainly driven by the renting our 2 major projects 'Promenade des Artistes' and Phase 3 of Silikin Village which became available during July'24. We note that during Oct'24, Texaf announced that it had sold 49.0% of Petit-Pont for total proceed of €5.4m of which €2.7m was capital gains which will not show on the consolidated financials of Texaf due to Texaf still holding 51.0% of the property. Due to sluggish construction activity, Carrigres' revenue dropped 40.0% YoY to €1.2m while Texaf digital acquires a stake in startup 'Afrewise', which offers an AI-driven legal information platform for the African and Middle Eastern markets. We reiterate our BUY rating and €45.0 TP.

Highlights – 3Q FY24:

- **Rental Income** from both residential and commercial properties came in at €6.7m, up 16.0% on a YoY basis. The higher rental income was mainly due to the commercialisation of 2 major projects namely 'Promenade des Artistes' and Phase 3 of Silikin Village which became available during July'24.
- **Carrigres'** revenues dropped 40.0% due to sluggish construction across Kinshasa with both quantities and pricing being lower.
- The President of the Democratic Republic of Congo has inaugurated the Phase 3 of **Silikin Village**, which triples Texaf's capacity and of which, 90% of the offices are already rented.
- **Texaf Digital** has acquired a stake in start-up 'Afrewise', which offers an AI-driven legal information platform for the African and Middle Eastern markets.

Investment Case: Texaf's equity story currently hinges on the performance of its 'Real Estate' division (95.0%+ of total portfolio) which currently is engaged in renting residential/office spaces in DRC. Texaf's high-quality residential/office space rental offering in Kinshasa is among only a hand-few and will continue to be in high demand with the expat community, government institutions and corporates, and international organisations looking for secure, modern, and high-quality accommodations/offices with access to several amenities. Also, Texaf's rental income is highly stable (80.0%+ coming from local/international organisations and corporates) and occupancy has averaged 97.0%+ over the last 5-year period. The sandstone quarry should benefit from the steady development of the DRC and opportunistic exploitation of fluctuations in prices. Added to this, the 'Digital' division has immense growth potential over the LT as Texaf has partnered with Partech (PE and VC firm) by committing capital - this opens up opportunities to co-invest in potential future African unicorns.

Year To:	2020A	2021A	2022A	2023A
Sales & operating income	23.3	24.8	29.5	31.3
Profit/loss from operating activities	8.0	8.1	8.9	9.9
Net Profit (group share)	4.6	5.2	8.4	11.6
Diluted EPS	1.27	1.42	2.28	3.18
Dividend per share (€)	1.29	1.43	1.57	1.64
Dividend yield (%)	3.5	3.9	4.3	4.5
Net asset value per share (NAV)	60.77	62.82	61.23	59.01
P / NAV (%)	(37.47)	(48.42)	(45.13)	(44.08)
Cash & cash equivalents	7.0	5.9	5.5	8.6

Source: KBC Securities

<https://research.kbcsecurities.com>

KBC Securities NV is regulated by FSMA

Share Price: €36.6
Target Price: €45.0
 Upside/Downside: 23.0%

Recommendation: Buy
 Previous Recommendation: Buy

Analyst Details

Sharad Kumar Surendran Palani
 Financial Analyst
 +32 2 429 37 11
 sharadkumar.surendranpalani@kbcsecurities.

Key Data

Bloomberg: TEXTF BB
 Reuters: TEXTB.BR
 URL: <https://www.texaf.be/>
 Market Cap. (m): €134.2
 Shares Out. (m): 3.7
 Volume (Daily): 449
 Free Float: 27.3%
 Price 12m Hi/Lo: 38.2 / 31.2

Performance	1m	3m	12m
Absolute (%)	-0.5	5.2	9.6
Rel. BEL20	-1.6	-1.5	-14.0

Next Corporate Event

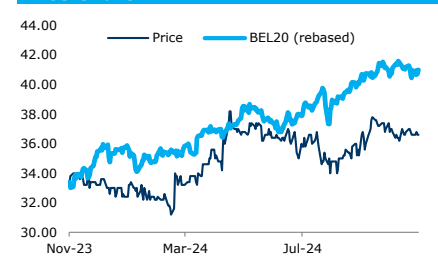
Results 3Q24 (PM): 14/11/2024

Sponsored Research

KBC Securities has been remunerated by the company for the provision of sponsored research. This material is considered by KBC Securities to qualify as an acceptable minor non-monetary benefit according to the EU MIFID II directive.

KBC Securities NV has an agreement with the company for the preparation of research reports and is compensated for this service. The Research Department of KBC Securities NV prepares sponsored research without the company's right to give instructions. However, sponsored research is commissioned and paid for by the company, and KBC Securities NV considers such content to qualify as a minor non-monetary benefit under the EU MIFIDII Directive.

Price Chart



Source: Refinitiv Datastream

FINANCIAL DATA

Income Statement (€)	2019A	2020A	2021A	2022A	2023A
Sales & operating income	23.2	23.3	24.8	29.5	31.3
Profit/loss from operating activities	7.9	8.0	8.1	8.9	9.9
Profit/loss before tax	12.8	6.1	7.9	8.6	15.5
Net Profit (group share)	10.8	4.6	5.2	8.4	11.6

Source: KBC Securities

Balance Sheet (€)	2019A	2020A	2021A	2022A	2023A
Cash & equivalents	8.8	7.0	5.9	5.5	8.6
Total assets	131.2	128.9	135.2	148.9	166.7
Equity attributable to holders of the parent	97.2	99.5	102.6	106.3	111.8
Financial debt	4.3	2.0	2.8	11.8	19.3
Total liabilities	131.2	128.9	135.2	148.9	166.7

Source: KBC Securities

Cash Flow Statement (€)	2019A	2020A	2021A	2022A	2023A
Cash flow from operating activities	10.7	8.6	9.6	13.2	9.7
Cash flow from investments	(1.0)	(5.8)	(8.9)	(17.4)	(8.6)
Cash flow from financing	(6.5)	(4.6)	(1.8)	3.7	2.2
Change in cash & equivalents	3.2	(1.8)	(1.0)	(0.5)	3.3

Source: KBC Securities

Per Share Data (€)	2019A	2020A	2021A	2022A	2023A
Outstanding shares	3.5	3.6	3.7	3.7	3.7
Outstanding shares - diluted	3.5	3.6	3.7	3.7	3.7
Basic EPS	3.05	1.27	1.42	2.28	3.18
Diluted EPS	3.05	1.27	1.42	2.28	3.18
Dividend per share	1.16	1.29	1.43	1.57	1.64

Source: KBC Securities

Valuation Data	2019A	2020A	2021A	2022A	2023A
Market capitalisation (€m)	131.8	136.9	118.8	123.2	121.0
Dividend yield (%)	3.2	3.5	3.9	4.3	4.5

Source: KBC Securities

DISCLAIMER & DISCLOSURES

The company disclosures can also be consulted on our website

<https://research.kbcsecurities.com/portal/portal.html#!/disclosures>

This publication has been prepared by KBC Securities which is regulated by FSMA (Financial Services and Markets Authority) and by NBB (National Bank of Belgium).

This publication has been finalised on Nov 8 2024 before market opening.

KBC Securities uses an absolute rating system including terms such as Buy, Accumulate, Hold, Reduce and Sell (see definitions below).

Stock Rating	Definition	% Of Cov Universe	% IB Client in Last Year
Buy	Expected total return (including dividends) of 10% or more over a 6-month period	48.3	33.9
Accumulate	Expected total return (including dividends) between 0% and 15% over a 6-month period	37.1	25.6
Hold	Expected total return (including dividends) between -5% and 5% over a 6-month period	12.9	26.7
Reduce	Expected total return (including dividends) between -15% and 0% over a 6-month period	1.7	0.0
Sell	Expected total return (including dividends) of -10% or worse over a 6-month period	0.0	0.0

Due to external factors and in exceptional cases, KBC Securities allows the use of ratings such as Accept the Offer, Black Out, No Recommendation or Suspended.

Our analysts assign one of those ratings based on their investment outlook and valuation for the concerned stock. The valuation can be based on different methodologies such as DCF (discounted cash flow), absolute multiples, peer group multiples, sum-of-parts or NAV (Net Asset Value). The valuation is reflected in a 6-month target price. Occasionally, the expected total return may fall outside of these ranges because of price movement and/or volatility. Such deviations will be permitted but will be closely monitored. Investors should carefully read the definitions of all ratings used in each research report. In addition, since the report contains more complete information concerning the analyst's view, investors should carefully read the entire report and not infer its contents from the rating alone. KBC Securities may disclose the drafts of its reports to the issuers before their dissemination for the purpose of verifying the accuracy of factual statements, except when the draft includes a rating or a target price. In case the draft has been amended following this disclosure, such amendments will be indicated in the concerned report.

Business Description for: Texaf

Texaf is holding company headquartered in Brussels, Belgium - however, all of the company's businesses operate in Congo. Texaf has 3 business divisions namely 'Real Estate', 'Industry', and 'Digital'. The 'Real Estate' division is mainly engaged in developing and renting out residential units and business spaces, the 'Industry' division comprises a sandstone quarry, and the 'Digital' division is currently comprised of investments in Partech Africa Fund I and II.

Company Specific Disclosures

- A. KBC Group NV holds more than 0.5% in this company
- B. This company owns more than 5.0% of its own shares

- C. Within the last 12 months, KBC Securities NV has been lead manager or co-lead manager of any publicly disclosed offer of financial instruments of this company
- D. Within the last 12 months, KBC Securities NV has provided or is providing investment banking services and/or received compensation or has the promise to get commission for investment banking services for this company
- E. KBC Securities NV makes a market and/or is liquidity provider for this company

Subject Company	Relevant disclosure(s) if any
Texaf	D,E

The price target for Texaf is based on the following parameters:

Texaf's equity story currently hinges on the performance of its 'Real Estate' division (95.0%+ of total portfolio) which currently is engaged in renting residential/office spaces in DRC. Texaf's high-quality residential/office space rental offering in Kinshasa is among only a hand-few and will continue to be in high demand with the expat community, government institutions and corporates, and international organisations looking for secure, modern, and high-quality accommodations/offices with access to several amenities. Also, Texaf's rental income is highly stable (80.0%+ coming from local/international organisations and corporates) and occupancy has averaged 97.0%+ over the last 5-year period. The sandstone quarry should benefit from the steady development of the DRC and opportunistic exploitation of fluctuations in prices. Added to this, the 'Digital' division has immense growth potential over the LT as Texaf has partnered with Partech (PE and VC firm) by committing capital - this opens up opportunities to co-invest in potential future African unicorns.

The risks which may impede the achievement of our price target for Texaf are:

- 1) Texaf's land bank has become the target of land grabbers (local politicians & elites) who might try to prevent development on the land.
- 2) Texaf might not be able to develop on its land bank due to not being able to find a suitable partner.
- 3) Downward revision of Texaf's real estate portfolio.
- 4) Texaf not being able to sell its undevelopable land or having to sell the land at a steep discount.

Below is an overview of the stock ratings and target price history in the last 12 months for the stock(s) described in this report. Rating and price history is delayed by 1 month.

Company	Date	Rating	Target Price
Texaf	Nov 2 2023	Buy	45.00

KBC Securities will provide periodic updates on companies/industries based on company-specific developments or announcements, market conditions or any other publicly available information.

Only that part of the research note is made available to the issuer (who is the subject of this analysis) which is necessary to properly reconcile the facts. Should this result in real changes a reference is made in the research note.

KBC Securities policy prohibits its analysts and members of their households from owning securities of any company in the analyst's area of coverage.

....