# COMPANY NOTE

16 September 2015

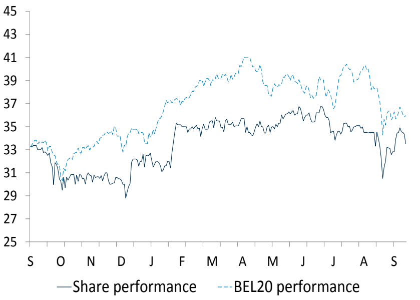
# TEXAF

## Hidden value in Congo

FINANCIAL SERVICES
BELGIUM

CURRENT PRICE € 33.50
TARGET PRICE € 42.00

**BUY**
RATING UNCHANGED



Source: Thomson Reuters Datastream

| FY/e 31.12 | 2014 | 2015E | 2016E | 2017E |
|---|---|---|---|---|
| Sales (€ th) | 18,927 | 19,466 | 21,664 | 23,441 |
| REBITDA (€ th) | 10,032 | 10,375 | 11,406 | 12,492 |
| Net earnings (€ th) | 4,685 | 4,942 | 5,385 | 6,059 |
| Diluted adj. EPS (€) | 1.43 | 1.39 | 1.52 | 1.71 |
| Dividend (€) | 0.48 | 0.58 | 0.70 | 0.84 |
| P/E | 24.14 | 24.02 | 22.05 | 19.59 |
| EV/REBITDA | 14.57 | 14.11 | 13.13 | 12.22 |
| Free cash flow yield | -0.3% | -1.9% | -1.0% | -0.4% |
| Dividend yield | 1.4% | 1.7% | 2.1% | 2.5% |

Source: KBC Securities

| | |
|---|---|
| Bloomberg | TEXF BB |
| Reuters | TEXB.BR |
| www.texaf.be | |
| Market Cap | € 119m |
| Shares outst. | 3.5m |
| Volume (Daily) | € 0.02m |
| Free float | 27.73% |

Next corporate event
Trading update 3Q15: 13 November 2015

| Performance | 1M | 3M | 12M |
|---|---|---|---|
| Absolute | -3% | -6% | 1% |
| Rel. BEL20 | 4% | -2% | -6% |

| | |
|---|---|
| 12-m Hi/Lo | € 36.74/28.80 |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**Texaf's land bank holds undiscovered value. Its business model is simple, offering unique exposure to high-end real estate in Kinshasa (DR of Congo) and a sandstone quarry supplying local infrastructure and concrete needs. We raise our TP from € 35 to € 42 and reiterate our Buy rating.**

- **Real Estate.** We see Texaf accelerating its real estate investments, generating 9% annual rental income growth over FY15-17 on the back of a targeted 50/50 offices/residential portfolio mix. We expect larger office projects driven by enhanced know-how and international demand. Available land is scarce in Kinshasa, and the fact that a significant proportion of Texaf's land bank is indicated as the city's safe zone should enable value appreciation ahead.

- **Quarry.** Current economic weakness is hampering infrastructure works, but demographic growth should alter this situation. We therefore feel comfortable forecasting a gradual recovery in demand at stable selling prices of € 17.7 per tonne in FY15-17. We also bank on an improvement in operating margin (from 27% to 29%), based on last year's investments.

- **Investment case.** Texaf offers unique exposure to a high-quality real estate portfolio with strong growth and value appreciation potential ahead. In the mid-term, lucrative build and sell activities could be added. Revenue from the sandstone quarry is more cyclical, but demand for concrete and roads is expected to persist. Our valuation is based on a SOTP model pointing to a theoretical fair value to which we apply a 20% country-risk discount. We therefore up our TP from € 35 to € 42 and maintain our Buy rating.

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# TEXAF – COMPANY PROFILE

## Company profile

Texaf is a **Belgian holding company** active in the Democratic Republic of Congo. Most of its revenues are generated by its real estate and sandstone quarry divisions, but it also has a limited presence in agriculture and a micro-finance start-up institution.

Real estate is the most important division, generating 72% of revenues. The portfolio includes **more than 150ha of land** in and around Kinshasa, including 53ha in the city's security zone. Over the years, Texaf has developed 35 villas and 185 apartments for the upper-class and 20k m² of offices. The company now **targets a 50/50 residential and office** portfolio. The current projects are c. 100% occupied and serve as investments, but Texaf plans to build and sell housing units for the middle-class in the future.

Additionally, it owns a sandstone quarry and crushing plant called **Carrigrès**, which still has c. 50 years of capacity. Its revenues are generated by mining raw materials for road construction and the production of concrete.

The **agriculture companies** only make a small contribution to earnings – a situation that is expected to last - but they represent a valuable land bank spread across the region. In 2H14, Texaf co-founded the micro-finance institution **i-Finance** via a 10% stake. The results of this company are not consolidated, but its business appears to be growing more quickly than anticipated.

## Investment case

Texaf is a unique organization holding a valuable landbank and sandstone quarry in and around Kinshasa (DR of Congo). Its revenue growth is reflected in a track record of 20% DPS growth per annum.

Its landbank offers more than 10 years of development potential in mid-& high-quality housing units and offices:

- Its UtexAfrica site is of outstanding quality, located in the safe zone of Kinshasa, enjoying high-demand from national and international tenants. Next to high-end residential units, Texaf intends to develop a new business district on this site. The current portfolio is fully occupied and generates a solid, euro-denominated cash inflow. We see further value appreciation ahead.
- The company owns a +100ha site 10km from the city centre where it plans to develop residential middle-class units in several phases. We strongly believe that its true market value is not yet reflected in the balance sheet.

The sandstone quarry and crushing plant has enough inventories to cover more than 50 years of production, making it a strong asset in the current environment of high demographic growth and need for improved infrastructure.

The company has almost no debt and therefore a very low operational risk profile. Increased leverage could accelerate real estate growth.

## Valuation

**Target price:** We value Texaf on the basis of a SOTP model. Valuation multiples such as P/E and EV/EBITDA are irrelevant because they don't reflect the hidden value of the land bank that doesn't generate income.

Our valuation leads to a theoretical future fair value of € 53, to which we apply a 20% discount to incorporate the country and illiquidity risk. Our € 42 TP reflects 25% upside and a dividend yield of 1.4% in FY15E. We therefore reiterate our Buy rating.

## SWOT analysis

**Strengths**:
- Large valuable land bank in the security zone of the city
- Steady income stream from real estate (in euro)
- Unique exposure to 90-year experience in D.R. of Congo
- Low debt

**Weaknesses**:
- Country risk of D.R. of Congo (i.e. legal and tax risk)
- Low solvency buffer of Congolese banks hinders funding
- Growth dependent on strengthened human resources
- Unstable electricity provision

**Opportunities**:
- Clear need for new infrastructure and housing
- Hidden values in land bank
- Potential to build new business district at UtexAfrica

**Threats**:
- Currency (dollar) risk could weigh on income
- Capacity of local construction companies
- Limited free float hinders liquidity

## BUSINESS DESCRIPTION

**Holding company active in real estate 72% and industrial activities 28%**

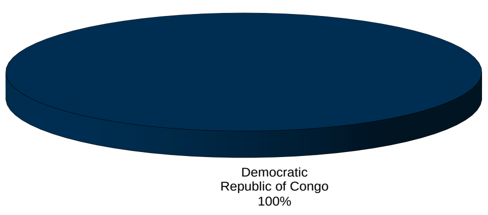
Texaf is a Belgian holding company solely active in the Democratic Republic of Congo (DRC). Though its roots are in the textile industry, its current business is mainly driven by two activities: 1) real estate development & investments, and 2) the industrial activities of its sandstone quarry and crushing plant (Carrigrès). The company also has a small presence in agriculture and micro-financing. Annual turnover amounted to roughly € 18.9m in FY14; 72% from real estate and 28% from Carrigrès. Looking ahead, Texaf would like to play an important role in the revival of the DRC. The company employs roughly 200 staff.

### INDUSTRIAL ACTIVITIES

**Still 50 years of capacity**

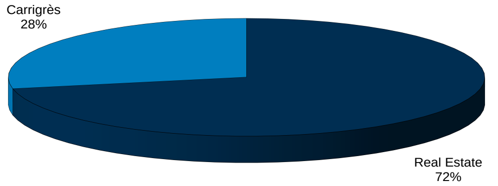
Carrigrès (located approx. 10km from Kinshasa centre) offers raw materials for road construction and the production of concrete. Its reserves are estimated at circa 25 million tonnes and are expected to last another 50 years. In FY14, Texaf embarked on drastic restructuring and renovations (replacement of a sifter, refurbishment of crunchers, etc.) in order to improve efficiency. Management is now guiding for increased profitability in the coming years.

**GEOGRAPHIC PRESENCE**




Source: Company data

**BUSINESS LINES (BASED ON FY14 REVENUES)**




Source: Company data

### REAL ESTATE

**Still 100ha of buildable area available**

Most of Texaf's revenue is generated by the real estate division. The company owns four sites: Utexafrica, Cotex, Petit Pont and CPA. The land is owned via easily-renewable 25-year concessions.

**Utexafrica**

The Utexafrica site is well-known for its high-quality residential buildings and benefits from its inclusion in the security zone of the city. In contrast to the city, this site is clean, green and breathes tranquillity. It covers 51ha (o.w. 14ha was occupied by the old textile factory), offering sufficient potential for new-build projects in the coming years.

Part of this land already houses 35 villas and 185 apartments. The location and quality attracts expats from international companies, embassies, non-government organizations, not to mention wealthy locals. Texaf furthermore offers retail, sport facilities and a restaurant. Amongst the tenants are a supermarket, baker, pharmacy, bank agencies, etc. The site's attractiveness results in c. 100% occupancy.

**Cotex**

Texaf also owns a 3.2ha complex in front of the Utexafrica site called Cotex. This site offers the potential for office developments. One part contains redeveloped logistics buildings, the other was rented until end-FY14 and is partly up for sale to finance the construction of other projects.

**Petit Pont**

This small, but extremely-well-located piece of land was acquired by Texaf in February 2008. It used to be illegally occupied, but the company has recovered its use in the meantime. However ongoing court cases prevent the construction of a prestigious project on it.

**CPA (Immotex)**

At approx. 10 km from the Kinshasa city centre (Kinsuka), Texaf has acquired full control of the CPA site of 104ha(!) along the Congo river. This piece of land (formerly used to house the Immotex factory) offers the opportunity for a huge urban development project of about 1,500 units. Texaf will develop this site in phases.

**PLAN OF LAND BANK (KINSHASA)**


Source: KBC Securities

## SMALL PRESENCE IN AGRICULTURE

**Cotonnière (94% stake)**

**Estagrico**

The company also owns two agriculture companies (Cotonnière and Estagrico) which have limited activity, but which still hold a land bank across the region (Kasaï Oriental, Maniema, Sud-Kivu and north of Katanga). In 2014, Texaf increased its stake in Cotonnière from 60% to 94%, (the remainder is in government hands), while Estagrico is fully-owned. The contributions of these companies to group earnings are negligible, but they still help to realize social responsibility and civic activities.

## MICRO-FINANCE START-UP: I-FINANCE

**10% stake in i-Finance**

The micro-finance institution i-Finance kicked-off successfully in September FY14. At present, it has already recorded $ 10m of credits. Texaf holds a 10% stake and does not therefore consolidate the results. It currently looks as if i-Finance will reach break-even sooner than expected.

**UTEXAFRICA**

Source: Company website

**CARRIGRÈS**

Source: Company website

# MANAGEMENT AND SHAREHOLDERS

**Management buyout in 2002**
**CEO, Philippe Croonenberghs**
**CFO, Christophe Evers**

Texaf used to be part of the holding Cobepa, delisted in 2000 by BNP Paribas. In 2002, Philippe Croonenberghs completed a management buyout of the company. Since then, he has been the CEO of Texaf assisted by Albert Yuma end Jean-Philippe Waterschoot, two high-profiles in the DRC, and Christophe Evers, the CFO.

**Listed on Euronext**
**Mcap: +/- € 120m**
**Free float: 27%**

Texaf is listed on Euronext Brussels and has a market capitalization of roughly € 120m. The Société Financière Africaine (SFA) is majority shareholder with a 62.3% stake. This company is controlled by the company Chagawirald, which in turn is owned by the Texaf CEO Philippe Croonenberghs. Since 2014, Middle Way Ltd. is the second reference shareholder, holding a 10% stake acquired via a contribution in kind. Middle Way Ltd. is ultimately owned by the Cha family (real estate developer HKRI (listed) in Hong Kong). The Cha family has been active in Africa since 1964.

## IMBAKIN SEPARATE LISTING

**Separately listed receivable from the Congolese state**

Texaf executed a partial split of the fully-amortized outstanding receivable of € 51m from the Congolese state in FY14. Placing this receivable in a separate vehicle creates more flexibility with regard to a potential sale or reimbursement.

## PORTFOLIO UPDATE

**Acceleration RE investments:**
- **€ 26.7m in FY10-14**
- **+/- € 15m planned in FY15-16**

Over FY11-14, Texaf invested € 26.7m in real estate via the construction of 64 apartments and the reconversion of semi-industrial buildings into offices. So far in FY15, Texaf has already delivered 20 apartments, while it plans to finalize the development of 33 new apartments (which are 60% financed via debt) in FY16.

**50% residential / 50% professional RE**

The target real estate portfolio is composed 50/50 of high-quality residential units and professional real estate. This latter segment attracts a diversified tenant base of international organizations, public administrations, non-government companies and small & medium-sized enterprises. Texaf is effectively creating a new business district on its Utexafrica land bank. The occupancy rate of Texaf's portfolio is almost 100%.

**30-40% road construction / 60-70% concrete production**

The crushing activity generates revenue by delivering raw materials for road construction (30-40%) and the production of concrete (60-70%). In FY14, important road construction works were completed. Currently, there is little visibility on new projects, leading us to believe that a larger proportion of revenue will come from concrete production in the short run.

## MARKET VIEW: D.R. OF CONGO

**Strong demographic growth**

Africa offers plentiful investment opportunities because of demographic growth, the expanding middle class, urbanisation and plentiful natural resources. The African middle class is expected to grow from about 15m households in 2014 to more than 40m by 2030 (source: Standard Bank Research).

**Current social conditions are lagging…**

**… but a changed political climate could attract more public funding**

DRC's economic growth is largely driven by the mining sector. However, the evolution of social services (care & medical facilities, schools, etc.) seems to be lagging that of surrounding countries. We believe that more political stability and courage is needed to alter this situation. An improved political environment could attract more public funding to enable a catch-up with other countries. The decline in raw material prices is delaying investment decisions and the recent announcement by Glencore to temporarily close its Katanga mine will weigh heavily on tax receipts and business sentiment.

**MICRO-MARKETS IN DR CONGO**

Given the significant differences in asset and neighbourhood quality, there is no clear market as such. Prime rents in Kinshasa do however exceed those in Belgium. For offices, the prime rents are around $ 30/m²/month, for logistics $ 8/m²/month, for retail $ 30/m²/month and a 4-bedroom house costs $ 8,000 per month (source: Knight Frank).

Texaf's portfolio is exceptional, benefiting from its location in Kinshasa's security zone. Its 20k m² of offices are currently rented at € 22/m²/month, 5k m² of retail at € 10/m²/month and 33k m² of industrial buildings at € 90-100/m²/year. According to Texaf, a 3-bedroom apartment costs roughly € 4,200 (excl. VAT) per month.

## FINANCIAL OUTLOOK

### REAL ESTATE

**Land bank allows for considerable expansion in real estate**

Texaf's land bank allows for considerable expansion of its real estate portfolio with new apartments (20 in 1Q15 and 33 in 1H16E) and office buildings. This external growth will be combined with large-scale renovation of some existing apartments. Management also plans to start targeting the middle-class segment (currently its focus is exclusively high-end) and larger projects.

**Over FY15-17, we expect 9% average rental growth …**

We foresee on average 9% annual rental income growth to € 14.2m in FY15, € 16.0m in FY16 and € 17.6m in FY17. In order to realize this growth, we assume investments of around € 10m annually. FY15 income growth is expected to underperform linked to the departure of the UN troop building (€ 1.2-1.3m FY impact), which Texaf has decided to demolish in order to build new offices, rather than re-let. The company is currently also strengthening management in order to take up new challenges. This is necessary, but expected to weigh on the operating margin in the short term.

**… on the back of flat l-f-l rental growth**

**Euro-denominated contracts without currency hedge**

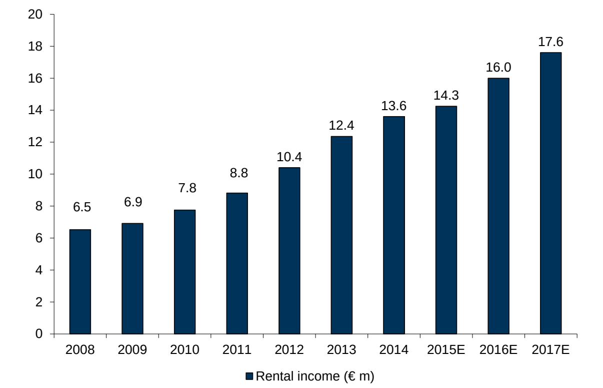
**Most operating charges are in Dollar**

We expect flat rental indexation as contracts are euro-denominated and European inflation is almost non-existent. Note that most rental contracts in the market are US-dollar denominated. Texaf therefore has a competitive advantage given the euro's current weakness, but this would change if the euro appreciates against the dollar. However, most operating charges are US-Dollar dependent, currently exerting pressure on the operating result. Texaf applies no currency swaps.

**CPA site developments**

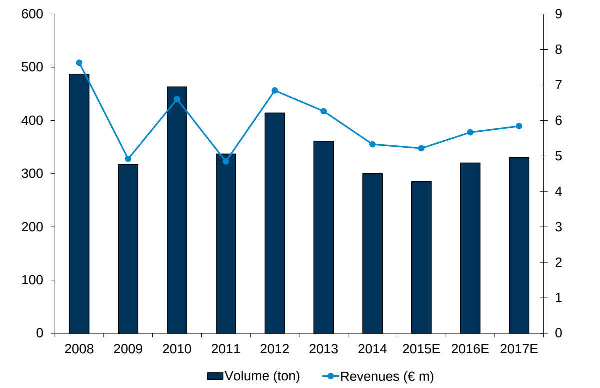
Additionally, we expect Texaf to start developing its CPA land bank in Kinsuka in the coming years. It looks like Texaf will pursue a different strategy for this potentially lucrative piece of land, namely the phased development and direct sale of houses for the middle class. This capital rotation will provide the company with the means to continue developing the 100ha land bank. Despite the mid-term ambition, we have not yet included any result from this project in our forecasts.

### REAL ESTATE REVENUES




Source: Company data, KBC Securities

### CARRIGRÈS REVENUES




Source: Company data, KBC Securities

## CARRIGRÈS

**Stable pricing**
**Gradual increase in sales volumes**

Carrigrès is expected to experience revenue pressure due to lower demand for road construction and the ending of an important contract in FY14. This drop will however be tempered by efficiency improvements, linked to the investments in FY14. We bank on a stable pricing per ton of € 17.7 and a gradual increase in volumes towards 400,000 tons. This should lift revenues from € 5.22m in FY15 to € 5.84m in FY17. Our price assumption could prove conservative as a higher price can be attained when providing materials for concrete production as opposed to road building.

## MANAGEMENT OUTLOOK

**REBIT guided to increase y/y**

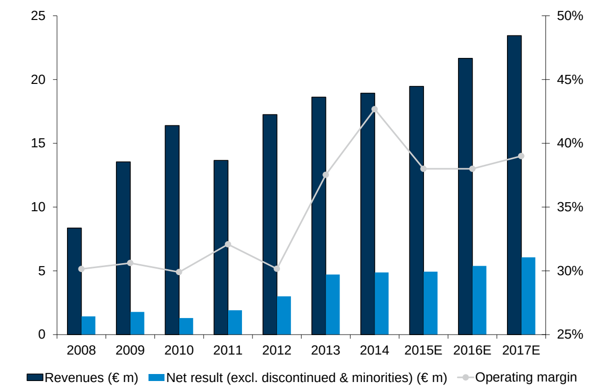
In FY15, Texaf expects a small increase in rental income from € 13.6m to € 14m, driven by the delivery of new apartments but tempered by the gradual decline in income from the UN troop building at UtexAfrica (partly from January 1st and the remainder from April 1st). Carrigrès revenues are guided to fall due to lower volumes. Overall guidance is for an increase in REBIT y/y.

### P&L ANALYSIS

| € m | 2011 | 2012 | 2013 | 2014 | 2015E | 2016E | 2017E | CAGR 11-17 |
|---|---|---|---|---|---|---|---|---|
| Revenues | 13.66 | 17.25 | 18.62 | 18.93 | 19.47 | 21.66 | 23.44 | 9% |
| Real Estate | 8.82 | 10.40 | 12.36 | 13.60 | 14.25 | 16.00 | 17.60 | 12% |
| Carrigrès | 4.85 | 6.84 | 6.26 | 5.33 | 5.22 | 5.66 | 5.84 | 3% |
| Operating profit | 3.77 | 4.70 | 9.17 | 6.67 | 6.83 | 7.67 | 8.56 | 15% |
| Real Estate | 2.83 | 3.14 | 4.64 | 5.80 | 5.42 | 6.08 | 6.86 | 16% |
| Carrigrès | 0.94 | 1.56 | 1.77 | 0.86 | 1.42 | 1.59 | 1.69 | 10% |
| Operating margin | 28% | 27% | 49% | 35% | 35% | 35% | 37% | n.r. |
| Real Estate | 32% | 30% | 38% | 43% | 38% | 38% | 39% | n.r. |
| Carrigrès | 19% | 23% | 28% | 16% | 27% | 28% | 29% | n.r. |
| Financial result | -0.14 | -0.12 | -0.18 | -0.21 | -0.44 | -0.70 | -0.72 | 31% |
| Net result | 1.83 | 6.52 | 6.48 | 4.69 | 4.94 | 5.38 | 6.06 | 22% |

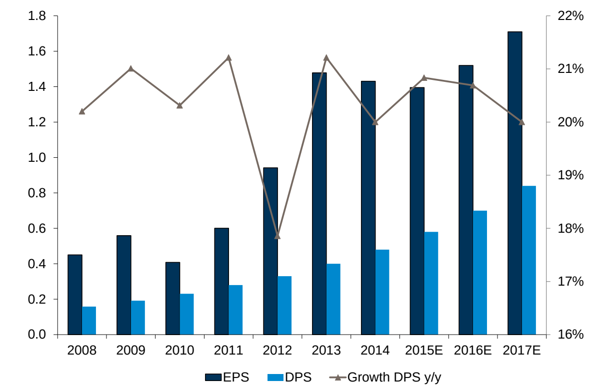
Source: KBC Securities

NET RESULT EVOLUTION




Source: Company data, KBC Securities

EPS – DPS EVOLUTION




Source: Company data, KBC Securities

## NET RESULT GROWTH – YEARLY 20% INCREASE IN DPS

**We expect the operating margin to recover in the years ahead**

**DPS policy of 20% annual growth**

In FY15, we expect the one-off personnel restructuring costs to weigh on the operating margin. In the coming years, however, we expect this margin to recover mainly driven by improved efficiency at the Carrigrès quarry. We foresee an increase in operating margin from 35% to 37% over FY15-17. From this we see the net result increasing 23% from € 4.9m to € 6.1m, which coincides with a small drop in EPS in FY15 (linked to the increased number of shares). We however strongly believe the company would continue its increase in DPS by 20% annually.

# BALANCE SHEET

**Negligible debt outstanding**

Texaf's balance sheet profile carries low risk. Net debt is small, making debt-to-EBITDA or equity ratios negligible. Given the low level of credit lines, renewal proves easy and the bilateral credit lines are increasingly revolving in nature.

**Congolese banks have little capacity to issue new loans**

However, Congolese banks have limited equity. We can therefore expect Texaf to start looking to raise debt in Belgium in order to support its acceleration in real estate development. Another problem with the Congolese banks is that they charge extremely high interest rates. The company's current cost of debt stands at 8.5% but this rate should decline in the future.

BALANCE SHEET RATIOS

| € m | 2011 | 2012 | 2013 | 2014 | 2015E | 2016E | 2017E |
|---|---|---|---|---|---|---|---|
| Shareholder equity | 46.1 | 51.7 | 57.3 | 70.6 | 74.2 | 77.4 | 80.9 |
| Net debt (net cash) | 1.0 | 0.1 | -2.7 | 0.2 | 4.1 | 7.4 | 10.3 |
| Net debt / Equity + minority | 0.02x | 0.00x | -0.04x | 0.00x | 0.06x | 0.10x | 0.13x |
| Net debt / EBITDA | 0.15x | 0.01x | -0.22x | 0.02x | 0.40x | 0.65x | 0.83x |

Source: KBC Securities

## VALUATION

**Target price: € 42**
**Rating: BUY**

We have applied the sum-of-the-parts method to value Texaf. Valuation multiples such as P/E and EV/EBITDA are irrelevant because they don't reflect the hidden value of the land bank that doesn't generate income. We've used an 11% yield to value to rental properties. We've assumed a value of € 436 per sqm for the bare land at the top location in Kinshasa and € 34 per sqm for the CPA site located 10km from Kinshasa. In 2013, Texaf sold 7,236 sqm for $ 4.1m next to the Utrexafrica site. This transaction implied a price of € 436 per sqm. Note that the Belgian state has recently sold a site that is close to the Utexafrica and Cotex sites for about € 800 per sqm.

We arrive at € 53.3/share or € 42.6/share after applying a 20% discount for the country risk and illiquidity of the stock. These estimates reflect the situation at the end of 2015. Hence, we set our target price at € 42, which reflects a 1.4% dividend yield in FY15E.

**SOTP VALUATION**

| € m | | |
|---|---|---|
| **Real Estate Value** | | |
| Rental income FY15E | 14.3 | |
| Value rental properties (1) | 129.5 | *11% yield* |
| Bare land (sqm) at the centre of Kinshasa | 160,000 | |
| Value of bare land at the centre of Kinshasa (2) | 69.8 | *€ 436 per sqm* |
| Bare land (sqm) at 10km from the centre | 728,552 | |
| Value of bare land at 10km from centre (3) | 24.8 | *€ 34 per sqm* |
| Market value real estate (1) + (2) + (3) | 224.1 | |
| Book value (FY14) | 81.6 | |
| Capital gains tax | 49.9 | *35%* |
| Market value real estate after tax | 174.2 | |
| | | |
| **Carrigrès Value** | | |
| EV/EBITDA of 6x for FY15E | 17.5 | |
| | | |
| **Corrections (FY14)** | | |
| Net debt | -0.2 | |
| Pensions | -0.1 | |
| Rental guarantees | -2.7 | |
| | | |
| **Equity value Texaf group** | **188.7** | |
| Number of shares | 3.5 | |
| 20% country risk and illiquidity discount | 20% | |
| Adjusted equity value | 151.0 | |
| Value per share (€) | 42.6 | |

Source: KBC Securities

## FINANCIAL DATA

| Income statement (€ th) | 2012 | 2013 | 2014 | 2015E | 2016E | 2017E |
|---|---|---|---|---|---|---|
| Sales | 17,248 | 18,619 | 18,927 | 19,466 | 21,664 | 23,441 |
| COGS | -2,514 | -2,246 | -1,657 | -1,800 | -2,200 | -2,500 |
| Gross profit | 14,734 | 16,373 | 17,270 | 17,666 | 19,464 | 20,941 |
| Operating costs | -9,825 | -9,921 | -12,124 | -10,447 | -11,798 | -12,383 |
| Other income & costs | -208 | 2,719 | 1,508 | -385 | 0 | 0 |
| EBIT | 4,701 | 9,171 | 6,654 | 6,834 | 7,666 | 8,558 |
| Net interest | -121 | -180 | -205 | -440 | -700 | -720 |
| Other non-operating | -22 | 21 | -369 | 0 | 0 | 0 |
| Pre-tax earnings | 4,558 | 9,012 | 6,080 | 6,394 | 6,966 | 7,838 |
| Taxes | 1,893 | -2,063 | -1,288 | -1,451 | -1,581 | -1,779 |
| Associates | 0 | 0 | 0 | 0 | 0 | 0 |
| Discontinued & other | 1,113 | 0 | 0 | 0 | 0 | 0 |
| Consolidated earnings | 7,564 | 6,949 | 4,792 | 4,942 | 5,385 | 6,059 |
| Minority interests | -1,048 | -470 | -107 | 0 | 0 | 0 |
| Net earnings | 6,516 | 6,479 | 4,685 | 4,942 | 5,385 | 6,059 |
| | | | | | | |
| Depreciation and amortisation | -2,733 | -2,983 | -3,080 | -3,541 | -3,740 | -3,934 |
| Amortisation other intangibles/ Impairments | -208 | -45 | -298 | 0 | 0 | 0 |
| Non recurring elements included in EBIT | 0 | 2,764 | 0 | 0 | 0 | 0 |
| | | | | | | |
| REBITDA | 7,642 | 9,435 | 10,032 | 10,375 | 11,406 | 12,492 |
| EBITDA | 7,642 | 12,199 | 10,032 | 10,375 | 11,406 | 12,492 |
| REBITA | 4,909 | 6,452 | 6,952 | 6,834 | 7,666 | 8,558 |
| EBITA | 4,909 | 9,216 | 6,952 | 6,834 | 7,666 | 8,558 |
| Net earnings from continued operations | 5,403 | 6,479 | 4,685 | 4,942 | 5,385 | 6,059 |
| Adjusted net earnings | 3,003 | 4,714 | 4,879 | 4,942 | 5,385 | 6,059 |

| Balance sheet (€ th) | 2012 | 2013 | 2014 | 2015E | 2016E | 2017E |
|---|---|---|---|---|---|---|
| Intangible assets | 53 | 42 | 33 | 33 | 33 | 33 |
| Tangible assets | 89,458 | 91,374 | 96,522 | 103,681 | 110,641 | 117,407 |
| Financial assets | 30 | 1,333 | 790 | 790 | 790 | 790 |
| Other assets | 1,223 | 676 | 2,162 | 2,162 | 2,162 | 2,162 |
| Inventories | 3,745 | 4,516 | 5,026 | 5,026 | 5,026 | 5,026 |
| Receivables | 2,389 | 2,805 | 1,957 | 2,933 | 3,264 | 3,531 |
| Cash & equivalents | 4,465 | 7,216 | 3,983 | 3,490 | 3,192 | 1,274 |
| TOTAL ASSETS | 101,363 | 107,962 | 110,473 | 118,114 | 125,108 | 130,223 |
| | | | | | | |
| Equity | 51,711 | 57,286 | 70,644 | 74,161 | 77,410 | 80,924 |
| Minorities | 8,970 | 9,442 | 320 | 320 | 320 | 320 |
| Provisions | 28,249 | 26,522 | 24,915 | 24,921 | 24,926 | 24,931 |
| LT financial debt | 1,481 | 1,753 | 3,587 | 7,000 | 10,000 | 11,000 |
| Other liabilities | 5,763 | 6,558 | 7,281 | 7,358 | 7,673 | 7,927 |
| Payables | 2,092 | 3,593 | 3,128 | 3,756 | 4,181 | 4,524 |
| ST financial debt | 3,097 | 2,808 | 598 | 598 | 598 | 598 |
| TOTAL LIABILITIES | 101,363 | 107,962 | 110,473 | 118,114 | 125,108 | 130,223 |
| | | | | | | |
| Net working capital | 4,042 | 3,728 | 3,855 | 4,202 | 4,109 | 4,034 |
| Capital employed | 89,013 | 89,262 | 94,448 | 101,877 | 108,429 | 114,866 |
| Net debt | 113 | -2,655 | 202 | 4,108 | 7,406 | 10,324 |
| Net debt, incl. off-balance items | 113 | -2,655 | 202 | 4,108 | 7,406 | 10,324 |

| Cash flow statement (€ th) | 2012 | 2013 | 2014 | 2015E | 2016E | 2017E |
|---|---|---|---|---|---|---|
| Consolidated earnings | 7,564 | 6,949 | 4,792 | 4,942 | 5,385 | 6,059 |
| Depreciation, amortisation & impairment | 2,941 | 3,028 | 3,378 | 3,541 | 3,740 | 3,934 |
| Other cash flow from operations | -4,218 | -4,007 | -1,941 | 83 | 319 | 259 |
| Change in working capital | -331 | 1,129 | 14 | -72 | 13 | 11 |
| CASH FLOW FROM OPERATIONS | 5,956 | 7,099 | 6,243 | 8,495 | 9,457 | 10,263 |
| | | | | | | |
| Net capital expenditure | -5,237 | -5,065 | -6,661 | -10,700 | -10,700 | -10,700 |
| Acquisitions / disposals | 1,039 | 3,097 | 10 | 0 | 0 | 0 |
| Other cash flow from investments | 14 | -1,307 | -675 | 0 | 0 | 0 |
| CASH FLOW FROM INVESTMENTS | -4,184 | -3,275 | -7,326 | -10,700 | -10,700 | -10,700 |
| | | | | | | |
| Dividend payments | -893 | -1,063 | -1,276 | -1,701 | -2,055 | -2,481 |
| Shares issues | 0 | 0 | 0 | 0 | 0 | 0 |
| New borrowings / reimbursements | 12 | -18 | 2,433 | 3,413 | 3,000 | 1,000 |
| Other cash flow from financing | 0 | 0 | -2,807 | 0 | 0 | 0 |
| CASH FLOW FROM FINANCING | -881 | -1,081 | -1,650 | 1,712 | 945 | -1,481 |
| | | | | | | |
| Fx and changes to consolidation scope | 1 | 8 | 0 | 0 | 0 | 0 |
| CHANGE IN CASH & EQUIVALENTS | 892 | 2,751 | -3,233 | -493 | -298 | -1,918 |
| | | | | | | |
| Free cash-flow | 719 | 2,034 | -418 | -2,205 | -1,243 | -437 |
| Change in net debt | -874 | -2,768 | 2,857 | 3,906 | 3,298 | 2,918 |

| Performance criteria | 2012 | 2013 | 2014 | 2015E | 2016E | 2017E |
|---|---|---|---|---|---|---|
| Sales growth | 26.2% | 7.9% | 1.7% | 2.8% | 11.3% | 8.2% |
| Gross profit growth | 23.7% | 11.1% | 5.5% | 2.3% | 10.2% | 7.6% |
| REBITDA growth | 21.1% | 23.5% | 6.3% | 3.4% | 9.9% | 9.5% |
| EBITDA growth | 18.2% | 59.6% | -17.8% | 3.4% | 9.9% | 9.5% |
| REBITA growth | 32.4% | 31.4% | 7.8% | -1.7% | 12.2% | 11.6% |
| EBIT growth | 24.7% | 95.1% | -27.4% | 2.7% | 12.2% | 11.6% |
| Pe-tax earnings growth | 30.6% | 97.7% | -32.5% | 5.2% | 9.0% | 12.5% |
| Net earnings growth | 255.9% | -0.6% | -27.7% | 5.5% | 9.0% | 12.5% |
| Earnings growth from continued operations | 123.5% | 19.9% | -27.7% | 5.5% | 9.0% | 12.5% |
| Adjusted earnings growth | 56.7% | 57.0% | 3.5% | 1.3% | 9.0% | 12.5% |
| Gross margin | 85.4% | 87.9% | 91.2% | 90.8% | 89.8% | 89.3% |
| REBITDA margin | 44.3% | 50.7% | 53.0% | 53.3% | 52.7% | 53.3% |
| EBITDA margin | 44.3% | 65.5% | 53.0% | 53.3% | 52.7% | 53.3% |
| REBITA margin | 28.5% | 34.7% | 36.7% | 35.1% | 35.4% | 36.5% |
| EBIT margin | 27.3% | 49.3% | 35.2% | 35.1% | 35.4% | 36.5% |
| Net working capital / sales | 23.4% | 20.0% | 20.4% | 21.6% | 19.0% | 17.2% |
| CAPEX/ Sales | 30.4% | 27.2% | 35.2% | 55.0% | 49.4% | 45.6% |
| FCF / Sales | 4.2% | 10.9% | -2.2% | -11.3% | -5.7% | -1.9% |
| Depreciation / Capital Expenditure | 52.2% | 58.9% | 46.2% | 33.1% | 35.0% | 36.8% |
| Capital expenditure / EBITDA | 68.5% | 41.5% | 66.4% | 103.1% | 93.8% | 85.7% |
| Net debt / Equity + Minorities | 0.2% | -4.0% | 0.3% | 5.5% | 9.5% | 12.7% |
| Net debt / EBITDA | 0.0 | -0.2 | 0.0 | 0.4 | 0.6 | 0.8 |
| EBITDA / net interest | 63.2 | 67.8 | 48.9 | 23.6 | 16.3 | 17.3 |
| Pay-out ratio | 16.2% | 19.7% | 36.3% | 41.6% | 46.1% | 49.1% |
| Net earnings margin | 37.8% | 34.8% | 24.8% | 25.4% | 24.9% | 25.8% |
| x CE turnover (Sales / avg. CE) | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| x Leverage (avg. CE / avg. equity) | 1.8 | 1.6 | 1.4 | 1.4 | 1.4 | 1.4 |
| = Return on Equity (avg) | 13.3% | 11.9% | 7.3% | 6.8% | 7.1% | 7.7% |
| Return on Equity - adjusted | 6.1% | 8.6% | 7.6% | 6.8% | 7.1% | 7.7% |
| Return on Capital Employed | 7.6% | 7.9% | 5.7% | 5.4% | 5.6% | 5.9% |
| Return on Capital Employed - adjusted | 7.6% | 5.5% | 5.7% | 5.4% | 5.6% | 5.9% |

| Per share data (€) | 2012 | 2013 | 2014 | 2015E | 2016E | 2017E |
|---|---|---|---|---|---|---|
| weighted average # shares (th) | 3,189 | 3,189 | 3,544 | 3,544 | 3,544 | 3,544 |
| weighted average # shares, diluted (th) | 3,189 | 3,189 | 3,411 | 3,544 | 3,544 | 3,544 |
| Basic EPS | 2.04 | 2.03 | 1.37 | 1.39 | 1.52 | 1.71 |
| Adjusted EPS | 0.94 | 1.48 | 1.38 | 1.39 | 1.52 | 1.71 |
| Diluted EPS | 2.04 | 2.03 | 1.37 | 1.39 | 1.52 | 1.71 |
| Diluted, adjusted EPS | 0.94 | 1.48 | 1.43 | 1.39 | 1.52 | 1.71 |
| Diluted EPS: y/y growth | 255.3% | -0.5% | -32.3% | 1.5% | 9.0% | 12.5% |
| Diluted EPS: CAGR 3Y | 33.7% | -11.9% | -9.2% | 7.6% | -100.0% | -100.0% |
| Adjusted, diluted EPS: y/y growth | 56.7% | 57.0% | -3.2% | -2.5% | 9.0% | 12.5% |
| Adjusted, diluted EPS: CAGR 3Y | 33.5% | 14.0% | 0.9% | 6.1% | -100.0% | -100.0% |
| REBITDA / share | 2.40 | 2.96 | 2.94 | 2.93 | 3.22 | 3.53 |
| EBITDA / share | 2.40 | 3.82 | 2.94 | 2.93 | 3.22 | 3.53 |
| REBITA/share | 1.54 | 2.02 | 2.04 | 1.93 | 2.16 | 2.41 |
| EBIT/ share | 1.47 | 2.88 | 1.95 | 1.93 | 2.16 | 2.41 |
| Net book value / share | 16.21 | 17.96 | 19.94 | 20.93 | 21.84 | 22.84 |
| Free cash flow / share | 0.23 | 0.64 | -0.12 | -0.62 | -0.35 | -0.12 |
| Dividend (€) | 0.33 | 0.40 | 0.48 | 0.58 | 0.70 | 0.84 |

| Valuation data | 2012 | 2013 | 2014 | 2015E | 2016E | 2017E |
|---|---|---|---|---|---|---|
| Max share price (€) | 22.99 | 36.60 | 42.00 | 36.74 | - | - |
| Min share price (€) | 16.80 | 21.40 | 28.80 | 30.51 | - | - |
| Reference share price (€) | 19.40 | 30.32 | 34.53 | 33.50 | 33.50 | 33.50 |
| Reference market capitalisation | 61,870 | 96,688 | 122,371 | 118,714 | 118,714 | 118,714 |
| Enterprise value (€ th) | 99,172 | 128,664 | 146,175 | 146,430 | 149,733 | 152,656 |
| P/E | 20.6 | 20.5 | 24.1 | 24.0 | 22.0 | 19.6 |
| EV/sales | 5.7 | 6.9 | 7.7 | 7.5 | 6.9 | 6.5 |
| EV/REBITDA | 13.0 | 13.6 | 14.6 | 14.1 | 13.1 | 12.2 |
| EV/EBITDA | 13.0 | 10.5 | 14.6 | 14.1 | 13.1 | 12.2 |
| EV/REBITA | 20.2 | 19.9 | 21.0 | 21.4 | 19.5 | 17.8 |
| EV/EBIT | 21.1 | 14.0 | 22.0 | 21.4 | 19.5 | 17.8 |
| EV/Capital employed | 1.1 | 1.4 | 1.5 | 1.4 | 1.4 | 1.3 |
| P/ NBV | 1.2 | 1.7 | 1.7 | 1.6 | 1.5 | 1.5 |
| Free cash flow yield | 1.2% | 2.1% | -0.3% | -1.9% | -1.0% | -0.4% |
| Dividend yield | 1.7% | 1.3% | 1.4% | 1.7% | 2.1% | 2.5% |

Source: KBC Securities

*Historic valuation data are based on historic prices

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

| | Definition |
|---|---|
| BUY | Expected total return (including dividends) of 10% or more over a 6-month period |
| ACCUMULATE | Expected total return (including dividends) between 0% and 15% over a 6-month period |
| HOLD | Expected total return (including dividends) between -5% and 5% over a 6-month period |
| REDUCE | Expected total return (including dividends) between –15% and 0% over a 6-month period |
| SELL | Expected total return (including dividends) of -10% or worse over a 6-month period |

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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.

| Stock rating | % of covered universe | % of covered universe with investment banking relationship during last year |
|---|---|---|
| BUY | 34.20% | 0.00% |
| ACCUMULATE | 32.50% | 0.00% |
| HOLD | 29.10% | 0.00% |
| REDUCE | 2.60% | 0.00% |
| SELL | 1.70% | 0.00% |

Texaf, a former subsidiary of Cobepa, is a Belgian investment company with real estate, industrial and financial interests in the Democratic Republic of Congo (DRC), whose revival the group is playing an active role in.
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 |
|---|---|---|
| 2015-09-16 | Buy | € 42.00 |
| 2014-12-22 | Buy | € 35.00 |

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KBC Securities makes a market and/or is liquidity provider for Texaf.

16 September 2015

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16 September 2015

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