

26 February 2010

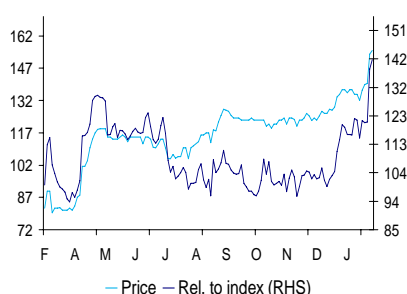
TEXAF

Guiding for higher operating result in 2010

INVESTMENT COMPANIES
BELGIUM

CURRENT PRICE €155.10
TARGET PRICE €160.00

ACCUMULATE
RATING DOWNGRADED



Source: Thomson Financial Datastream

Bloomberg TEXF BB
Reuters TEXTB.BR

www.texaf.be

Market Cap	€49.5m
Shares outst.	0.3m
Volume (daily)	€9,402
Free float	20.0%

Next corporate event

Payment dividend FY09: 26 May 2010

(€ th)	2009E	2010E	2011E
Sales	16,150	17,658	19,113
REBITDA	7,030	8,815	9,759
Net earnings	3,389	4,273	4,904
Adj. EPS (€)	10.63	13.40	15.37
P/E (x)	14.6	11.6	10.1
EV/REBITDA	11.3	9.2	7.7
FCF Yield	-0.1%	4.3%	13.0%
Dividend yield	1.1%	1.2%	1.4%

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News:

Net profits group share declined by 46% from €3.57m in 2008 to €1.92m in 2009. Revenues rose by 62% to €13.5m thanks to the 100% consolidation of Carrigrès. Note that in the past Carrigrès was included via proportional consolidation (50%). Texaf's stake was increased from 50% to 100%. REBIT rose by 73% to €3.84m but EBIT fell by 26% to €3.52m. Note that the 2008 results included a non-recurring gain of €2.8m.

The Congolese economy has been severely affected by the global economic crisis which resulted in lower raw material prices. Moreover, the Congolese franc weakened significantly versus the \$ leading to soaring inflation (53% in 2009). The group's industrial activities (Mécélco, Carrigrès) suffered last year under the economic crisis which led to a decline in mining activity.

Carrigrès' sales fell from €7.63m in 2008 to €4.92m in 2009. Local road builders got into difficulty following the arrival of Chinese competitors. This led to a decline in Carrigrès' sales volumes as Chinese road builders operate their own quarries. Competition is set to rise even more because the prospect of new public work projects has attracted new players and has led to the opening of new quarries.

Mécélco's posted a €0.18m net loss versus a €1.71m gain in 2008. The activities of the metal/mechanics workshop were negatively impacted by the slowdown in mining activity. The 2008 result was also boosted by the €2.9m gain related to the disposal of Mécélco's receivables related to Gécamines.

Real estate revenues rose from €6.53m in 2008 to €6.90m in 2009 but net profits (group share) declined from €1.18m in 2008 to €0.74m in 2009. The decline is due to a negative forex impact of €0.9m related to tax assets. This has no cash-flow impact however. Texaf continued to invest in real estate. Utefrica added 15 luxury apartments to its portfolio. All of them have been let. This year 6 apartments will be renovated.

The Board proposes a net DPS of €1.44 (+21%).

Management points out that visibility remains low for 2010. The real estate activities should see significant growth however thanks to investments in 2009 and 2010. The group's EBIT should therefore improve this year.

Conclusion:

We will revise our forecasts downwards for Carrigrès and Mécélco given the lack of visibility. We lower our rating from BUY to Accumulate following the strong share price performance during the last 12 months (+89%). We reiterate our €160 target.

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The company disclosures can be consulted on our website <http://www.kbcsecurities.be/disclosures>.

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