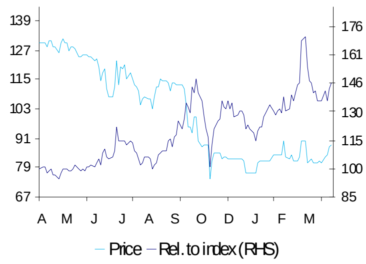
Texaf

9 April 2009

Value creating transaction

Investment Companies	**Current price**	€ 88.00	**Buy**
Belgium	**Target price**	€ 160.00	**Rating Upgraded**



Source: Thomson Financial Datastream

Bloomberg	TEXF BB
Reuters	TEXB.BR
www.texaf.be	
Market Cap	€ 28.1m
Shares outst.	0.3m
Volume (daily)	€ 3,220
Free float	20.0%

Next corporate event

General Assembly 08: 29 April 2009

(€ th)	2008E	2009E	2010E
Sales	7,550.0	9,637.0	12,784.0
REBITDA	2,723.0	3,910.7	5,391.9
Net earnings	3,855.6	2,886.2	3,561.6
Adj. EPS (€)	6.78	9.05	11.17
P/E (x)	13.0	9.7	7.9
EV/REBITDA	19.7	14.1	10.1
FCF Yield	2.4%	-5.3%	2.2%
Dividend yield	1.8%	2.2%	2.6%

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News:

Texaf announced that its stake in Carrigrés has been increased from 50% to 100%. Carrigrès owns a crushed sandstone quarry near the centre of Kinshasa.

Our View:

Eiffage sold its 50% stake in Carrigrés to Texaf for € 5.75m implying an equity value of € 11.5m for 100% and an EV of € 10m. Carrigrés' net cash position amounted to € 1.5m at the end of 2008.

Carrigrés generated EBITDA and free cash flow of respectively € 3.5m and € 1.5m in 2008. For this year, we are forecasting EBITDA and free cash flow of respectively € 4.6m and € 2.5m implying an EV/EBITDA multiple of 2.2x and a pay-back period of 4 years.

The price tag will be paid in three tranches: € 2.75m in 2009, € 2.70m in 2010 and € 0.30m in 2011. Texaf's net cash position (€ 4.76m at the end of 2008) and Carrigrés' cash flow is ample to cover price tag.

The deal is earnings enhancing because the average interest rate on the group's cash balance is negligible. If one assumes a 2% interest rate, the deal should enhance the group's EPS by € 3.3 this year.

Conclusion:

We are raising our rating from Accumulate to Buy and will revise our forecasts upwards to reflect the 100% consolidation of Carrigrés. Carrigrés will be fully consolidated from 1 January 2009. In prior years, Carrigrés was included via equity accounting.

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