

Produced by KBC Securities NV (Belgium)

Texaf

H1 FY23: Achieving Revenue Growth Despite Macroeconomic Uncertainty

During H1 FY23, rental income from Texaf's real estate activities rose by 4.6% to €11.5m – this was due to indexation built into rental contracts (+5.0%) and due to a strong occupancy rate of almost 100.0% at both offices and residential units. The two construction projects 'Promenade des Artistes' (total investment = €24.0m) and 'Silikin Village phase III' (total investment = €14.0m) are progressing well, but have been impacted by construction delays, mainly due to late deliveries of materials. Texaf's digital business currently consists of a €2.1m investment 'Partech Africa fund', 49% stake in the data centre currently under construction, and the operation of the 'Silikin Village' in Kinshasa. Revenues of Texaf's quarrying activities (Carrigres) rose by 24.1% to €2.7m driven by a strong increase in prices while volumes sold remained stable – the strong performance is expected to be sustained until the end of FY23. We continue to believe that Texaf is a well-managed business that is diversified across uncorrelated sectors and provides a unique exposure to Congo. Added to this, Texaf's digital business, while currently in a nascent stage, has the potential to grow exponentially over the long-term. We reiterate our BUY rating and €44.0 TP.

Highlights – Real Estate Division:

- Revenue came in at €11.5m, up 4.6% thanks to indexation (+5.0%) and strong occupancy achieved in both residential units and offices.
- Contribution to net result (group's share) was €3.5m.
- Rental income tax in Kinshasa has been reduced from 22.0% to 12.0%.
- The two construction projects 'Promenade des Artistes' (total investment = €24.0m) and 'Silikin Village phase III' (total investment = €14.0m) are progressing well, but have been impacted by construction delays, mainly due to late deliveries of materials.

Highlights – Quarry Business (Carrigres):

- Revenue came in at €2.7m, up 24.1% YoY mainly driven by a strong increase in the average price while volume sold remained flat (174,447 tonnes).
- The strong sales performance and the upward trend in prices should continue until the end of the year.

Highlights – Digital Business:

- Texaf's digital business currently consists of a €2.1m investment in the 'Partech Africa Fund' (estimated value), a 49.0% stake in the data centre currently under construction, and the operation of the 'Silikin Village' in Kinshasa.

Investment Case: Texaf offers a unique opportunity to not only gain exposure to the rapidly advancing Congolese economy but also to a high quality real estate business which is unlevered, high yielding, has a significant development potential, and which is coupled with a rapidly growing quarry business. The digital business line is still in the nascent stage and is beginning to show signs of its future potential. To unlock the development potential, we believe that Texaf will have found both a financial and construction partner to develop the 'Les Jardins de Kinsuka' project. Given the significant upside to our TP, we reiterate our BUY rating and €44.0 TP

Share Price: €32.8
Target Price: €44.0
 Upside/Downside: 34.1%

Recommendation: Buy
 Previous Recommendation: Buy

Analyst Details

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Key Data

Bloomberg: TEXTF BB
 Reuters: TEXTB.BR
 URL: <https://www.texaf.be/>

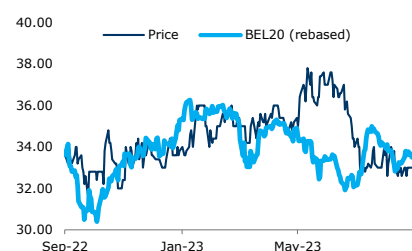
Market Cap. (m): €120.4
 Shares Out. (m): 3.7
 Volume (Daily): 100
 Free Float: 28.9%
 Price 12m Hi/Lo: 37.8 / 31.6

Performance	1m	3m	12m
Absolute (%)	-2.4	-11.4	-1.8
Rel. BEL20	-1.0	-11.5	-2.4

Next Corporate Event

Results - Q1 FY23: 05/05/2023

Price Chart



Source: Thomson Reuters Datastream