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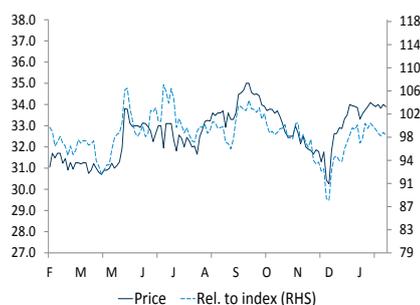
## TEXAF

### Resilient results & good outlook in a difficult market

FINANCIAL SERVICES  
BELGIUM

CURRENT PRICE € 33.65  
TARGET PRICE € 45.00

**BUY**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg                      TEXF BB  
Reuters                         TEXB.BR  
[www.texaf.be](http://www.texaf.be)

Market Cap                    € 119.2m  
Shares outst.                 3.5m  
Volume (daily)               € 22,080  
Free float                     27.7%

Next corporate event

(€ th)	2016E	2017E	2018E
Sales	18,591	20,605	23,505
REBITDA	9,138	10,442	12,188
Net earnings	4,881	5,121	5,854
Adj. EPS (€)	1.38	1.45	1.65
P/E (x)	24.4	23.3	20.4
EV/REBITDA	16.4	14.8	13.0
FCF Yield	-1.5%	-1.6%	-0.5%
Dividend yield	2.1%	2.5%	3.0%

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#### 7% growth in recurring EBIT and flat EPS of € 1.54:

**Real Estate:** Turnover rose 5% y/y to € 15.3m (€ 15.4m KBCS) linked to external portfolio expansion (33 additional apartments of which 13 still vacant today). The recurring operating result increased a staggering 35% y/y to € 6.8m (€ 6.5m) thanks to improved cost control and a decrease in depreciation. However, a negative one-off of € -0.8m hit the P&L (full impairment of 10%-stake in i-finance micro-finance). As a result, the net result increased 24% y/y to € 4.84m.

**Carrigrès:** Turnover tumbled 36% y/y to € 3.3m (€ 3.2m) due to lower demand for crushed sandstone (sales volume of only 188k tonnes vs 180k KBCS). Hence, the recurring operating result decreased 63% y/y to € 0.5m (€ 0.4m), which was also supported by lower depreciation. All in all, the net result fell 60% y/y to € 0.61m.

**Consolidated:** The recurring operating result increased 7% y/y to € 7.0m (€ 6.4m) thanks to growth in and tight cost control of the real estate segment. But the company also executed a one-off full write-down of the stake in i-finance (€ -0.8m), resulting in a flat net result y/y of € 5.45m (€ 4.88m), which outperformed expectations on a higher operating result and absence of taxes.

**Balance sheet:** Net financial debt increased marginally from € 4.5m to € 5.0m.

**Outlook:** Texaf guides for rental revenue growth to above € 16m (€ 16.6m KBCS) in FY17. Given the lack of road projects and sluggishness in investments, Carrigrès anticipates a turnover and net result in-line with FY16 (while we anticipated a slight improvement). Overall, however, the group expects a growth in recurring operating result, which is in-line with our model. Despite the political uncertainty and poor economic outlook, Texaf confirms its investment and dividend policy since it is confident in the mid-term outlook. The company announces for this year again a 20% increase in DPS.

#### Change in CEO: Mr. Croonenberghs steps down after 20 years:

At the General Meeting of 9 May, the Board will appoint Jean-Philippe Waterschoot – current COO – as new CEO to a proposal of current CEO Philippe Croonenberghs (>60% of Texaf shares), who will become Chairman. The current Chairman Dominique Moorkens will become Vice-Chairman.

**Our View:** The increase in recurring EBIT was stronger than anticipated and the flat net result clearly better than expected, despite the marked unfavourable market conditions. Next to the operational performance, these good results were supported by a pos. tax result. We take note of the departure of the CEO and look forward to the appointment of Mr. Waterschoot, who knows the company very well (works already 28 years at Texaf and lives in DR of Congo).

**Conclusion:** The cautious outlook is no surprise given the political uncertainty. Buy rating and € 45 PT reiterated. Despite lower momentum (which we correct for in our valuation by applying a 20% country risk discount), we believe that the stock still offers nice upside potential. Furthermore, the balance sheet holds almost no leverage.