

29 August 2014

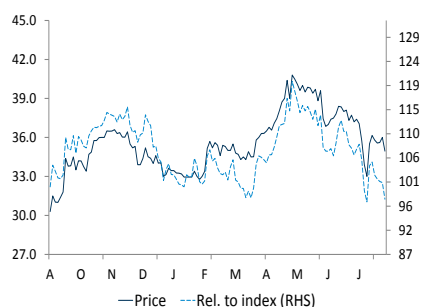
## TEXAF

### Disappointing 1H14 results at Carrigrès

FINANCIAL SERVICES  
BELGIUM

CURRENT PRICE €34.95  
TARGET PRICE €35.00

**HOLD**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	TEXF BB
Reuters	TEXB.BR
www.texaf.be	
Market Cap	€123.9m
Shares outst.	3.5m
Volume (daily)	€21,978
Free float	27.7%

Next corporate event

Trading update 3Q14: 14 November 2014

(€ th)	2013	2014E	2015E
Sales	18,619	18,300	18,900
REBITDA	9,435	9,809	10,875
Net earnings	6,479	4,593	5,114
Adj. EPS (€)	1.48	1.36	1.44
P/E (x)	20.5	25.7	24.2
EV/REBITDA	13.6	15.6	14.3
FCF Yield	2.1%	-4.3%	-0.8%
Dividend yield	1.3%	1.4%	1.7%

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#### 1H14 highlights:

- Revenues reached €9.08m (-0.2%) with 8% growth at the Real Estate division offset by a 17% decline at Carrigrès (sandstone quarry).
- REBIT rose by €0.27m or by 9% to €3.28m with the €0.50m improvement at Real Estate partially offset by the €0.23m drop at Carrigrès
- Net profits group share rose by 3% to €2.27m.
- EPS is stable (€0.69). Note that the number of share increased by 11% y/y because of Cha group's entry.

#### Major tenant partially withdraws:

Rental income rose by 8% to €6.57m thanks to 24 new apartments at the Champ de Coton site and new office space. EBIT rose by 22% to €2.80m. The group continues to invest in the construction of rental properties. In August, 8 more apartments were ready and immediately let. Twenty additional units will be ready in 1H15 and 5,500 sq.m. office space will become available in 2015. One of the main tenants (an international organisation) has decided to move a large part of its teams to the Eastern part of the country at the beginning of 2015. The dampening impact on annual rental income amounts to €1.28m. It should be offset however by income from new projects as demand for residential projects is still very strong. Moreover, management sees it as an opportunity to redevelop the site. Note also that the rent per sq.m. paid by the international organisation is low because it mainly relates to old warehouses.

#### Lower sales at Carrigrès:

Carrigrès' revenues declined by 17% to €2.51m in 1H14 following the completion of a major road building project in April and a slowdown in the construction sector. Production volumes decreased by 4% to 201,000 tonnes. Production was halted during several weeks for refurbishments. EBIT declined by 23% to €0.58m. Management reacted by restructuring the business and cutting costs.

#### Entry of group Cha and spin-off of Imbakin:

Group Cha obtained 10% of Texaf's outstanding shares through a capital increase in May. Group Cha contributed its 49.9% stake in Immotex, the company that owns a 14 ha site of a former textile factory at a prime location of Kinshasa and a 104 ha site 10km from the centre. The spin-off of Imbakin was approved by the AGM but suspended by a Brussels Court. Texaf is appealing the Court's decision.

#### Conclusion:

We lower our sales and EBIT estimates to reflect the lower revenues at Carrigrès and the decision by a major tenant to partially withdraw. Our EPS estimates for 2014, 2015 and 2016 are lowered by respectively 9%, 13% and 14%. We stick to our Hold rating and lower the target price (6-month horizon) from €40 to €35.