

13 May 2016

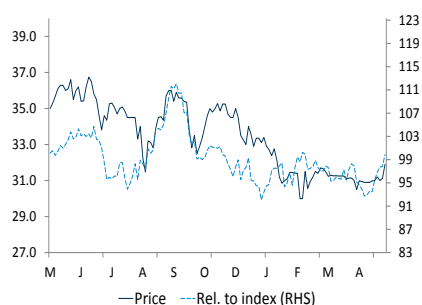
## TEXAF

### Good Q1 results. Stock remains undervalued.

FINANCIAL SERVICES  
BELGIUM

CURRENT PRICE € 31.95  
TARGET PRICE € 45.00

**BUY**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg                    TEXF BB  
Reuters                        TEXB.BR  
www.texaf.be

Market Cap                    € 113.2m  
Shares outst.                 3.5m  
Volume (daily)               € 22,930  
Free float                     27.7%

Next corporate event

(€ th)	2015	2016E	2017E
Sales	19,648	20,400	22,366
REBITDA	8,989	10,609	11,668
Net earnings	5,450	5,364	5,827
Adj. EPS (€)	1.54	1.51	1.64
P/E (x)	22.4	21.1	19.4
EV/REBITDA	16.6	13.4	12.5
FCF Yield	-2.1%	-0.1%	-0.7%
Dividend yield	1.7%	2.2%	2.6%

**Koen Overlaet-Michiels**

+32 2 429 37 21

koen.overlaet-michiels@kbcsecurities.be

#### Real estate drives Q1 results, Turnover Carrigrès under pressure:

Real estate income increased 15.6% y/y from € 3.2m to € 3.7m linked to the delivery of the 20 new apartments in FY15 and the embassy leased to Japan. The 33 apartments under construction will be available as of Q3 as expected.

Turnover of Carrigrès was under pressure, as expected, dropping y/y from € 1.1m to € 0.9m.

Texaf records a rise in recurring EBIT y/y, in-line with our estimates.

#### Outlook:

Texaf guides for cautiousness on the back of lower economic activity in the CR of Congo, which will weigh on the turnover of Carrigrès.

#### Our View:

Texaf realized strong progress in 1Q16, landing ahead of our estimates. However, the remainder of 2016 is guided to be difficult. Normally, the DR of Congo should organize elections within 6 months, but the current president seems to neglect this, as he has attained his maximum number of terms and is no longer re-electable. This political uncertainty leaves investors reluctant to invest, both foreign public organizations as local ones. A situation which is expected to weigh on the turnover from Carrigrès and this despite the clear need for new infrastructure.

The triggers for the company should therefore come from its significantly more important real estate division, which is recording a predictable cash inflow and responds to the needs for housing and commercial real estate. In 2016, we expect the delivery of an additional 33 apartments and approx. 43 housing units in 2017. Potential office projects come on top of this growth pace.

Next to the cash contributing real estate portfolio (valued at c. € 130m KBCS), Texaf also holds a very large (c. 150ha) land bank in and around Kinshasa. Applying a conservative valuation leads to € 110m (KBCS). After deduction of capital gain taxes, we attain a net real estate value of approx. € 188m.

We value Carrigrès at 7x EV/EBITDA16 (c. € 19m KBCS), which seems fair to us for a single asset, while listed peer companies quote at 8x to 12x.

After correcting our valuation for net debt and other small corrections, we attain an equity value of € 200m or € 56.5 p.s.

#### Conclusion:

We therefore increase our target price from € 42 to € 45, applying still a 20% country risk. We strongly reiterate our Buy rating.