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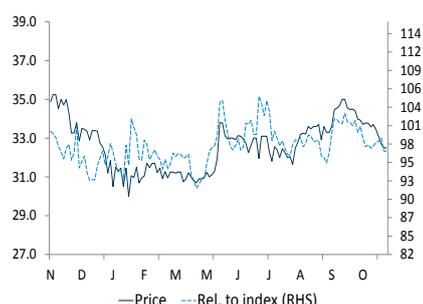
TEXAF

Lower economic activity resulted in rental vacancies

FINANCIAL SERVICES
BELGIUM

CURRENT PRICE € 32.46
TARGET PRICE € 45.00

BUY
RATING UNCHANGED



Source: Thomson Reuters Datastream

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

Market Cap € 115.0m
Shares outst. 3.5m
Volume (daily) € 19,676
Free float 27.7%

Next corporate event

(€ th)	2015	2016E	2017E
Sales	19,648	19,393	21,157
REBITDA	8,989	9,987	11,013
Net earnings	5,450	5,383	5,504
Adj. EPS (€)	1.54	1.52	1.55
P/E (x)	22.4	21.4	20.9
EV/REBITDA	16.6	14.5	13.5
FCF Yield	-2.1%	-0.6%	-1.3%
Dividend yield	1.7%	2.1%	2.6%

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3Q16 renting of residential property and office space in Kinshasa (Texaf's **Real-estate activities**) reached € 3.7m, +3% y/y as new surfaces (33 new apartments in the "Clos des Musiciens" project) have only been available for rental at the very end of 3Q16, being. Texaf indicated that the decrease in economic activity results in a certain level of rental vacancies. But Texaf stays confident in the medium-term prospects, as they are starting a new project, the first phase of 'Bois Nobles', which will include 36 residential units (villas and apartments) for delivery early 2018

As previously announced, the development study of a 104 ha plot of land called 'Les Jardins de Kinsuka' has started. This will be mostly intended for housing for sale to the emerging middle-class in Kinshasa.

Next to the Real-estate activities, Texaf owns a sandstone quarry and crushing plant called **Carrigrès**, which still has c. 50 years of capacity. Its revenues are generated by mining raw materials for road construction and the production of concrete. The sandstone quarry activities in Kinshasa reached 3Q16 revenues € 0.8m, a 45% decrease y/y and is in line with the modest revenues in 1H16. Texaf indicated that this is due to a lack of investment by the public sector and a marked slow-down of private investment. Net income and cash-flow remain positive though.

The agriculture companies only make a small contribution to earnings – a situation that is expected to last - but they represent a valuable land bank spread across the region. Recall that in 2H14, Texaf co-founded the micro-finance institution **i-Finance** via a 10% stake. These micro-finance institution begins to feel the effects of its reorganisation plan following the deterioration of its credit portfolio. Considering the delays in achieving the initial business plan, Texaf will look into a possible impairment of this holding.

Conclusion

Texaf is a Belgian holding company active in the Democratic Republic of Congo. Most of its revenues are generated by its real estate and sandstone quarry divisions, but it also has a limited presence in agriculture and a micro-finance start-up institution. Despite the decrease in economic activity resulted in a certain level of rental vacancies, Texaf is confident in the medium-term prospects, as they are starting a new project, the first phase of 'Bois Nobles', which will include 36 residential units (villas and apartments) for delivery early 2018. Carrigrès is impacted by the lack of investment by the public sector and a marked slow-down of private investment. Also a small negative is the possible impairment of the 10% stake in i-Finance. Nevertheless we reiterate our Buy rating and € 45 PT, which takes into account a 20% country risk discount. Our model takes into account a continued market uncertainty leading to lower turnover expectations for Carrigrès (as of 2017) and lower rental income growth.