

6 September 2017

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TEXAF

Deteriorating political situation weighs on results

FINANCIAL SERVICES
BELGIUM

CURRENT PRICE € 31.00
TARGET PRICE € 40.00

ACCUMULATE
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	TEXF BB
Reuters	TEXB.BR
www.texaf.be	
Market Cap	€ 109.9m
Shares outst.	3.5m
Volume (daily)	€ 19,028
Free float	27.7%

Next corporate event

(€ th)	2016E	2017E	2018E
Sales	18,392	18,741	20,932
REBITDA	9,740	9,219	11,047
Net earnings	5,454	1,659	5,122
Adj. EPS (€)	1.54	0.47	1.45
P/E (x)	20.1	66.2	21.4
EV/REBITDA	14.0	15.6	12.9
FCF Yield	1.4%	-5.7%	-2.1%
Dividend yield	2.2%	2.6%	3.2%

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1H17 results:

- Real estate activity rose 8% y/y to € 8.9m
- Sandstone quarry turnover fell 47% y/y to € 0.96m
- Continued uncertainty has lead Texaf to take an impairment on its sandstone quarry of approx. € -3.36m (announced May 5th).
- All in all recurring operating results rose 4% y/y from € 3.5m to € 3.6M, (KBCS € 4.2m)

Management gives a cautious outlook, which is no surprise given this unseen political deterioration. Given the lack of visibility of the sandstone quarry, Texaf issued a profit warning in May 2017, in which it decided to take into account an exceptional depreciation on the quarry. The financial result was hit by a forex loss of approx. € -361k (EUR/DCF -34% since year-start). The rental vacancies referred to in February have been completely eliminated.

No change in DPS policy

Conclusion:

Despite the continued political uncertainty and further decline the DRC's economy, Texaf managed to expand its real estate activities. As a result of this ongoing situation, a lack of infrastructure investments in the city of Kinshasa are putting a pressure on the sandstone quarry activities of Texaf. However, Texaf projected this sales erosion and has issued a profit warning in May.

All in all, we anticipated the continued lack of public investments (road constructions/maintenance) as a result of the unstable situation in the DRC has lead us to update our model in May2017. Yet, most value of Texaf is still in its current real estate portfolio, which, despite the situation, increased 8% Y/Y.

Management guides towards equal results over the next half-year in 2017, which is in line with our projections. Despite the political uncertainty, the prudence of management has yet managed to eliminate all rental vacancies in the real estate portfolio. As a result, no change in dividend policy has been made.

We do not change our estimates and reiterate our hold and € 40 price target.