TEXAF
1H18: Break-even for Carrigres

Texaf released its 1H18 results, in line with estimates (excl. a positive tax adjustment). Due to strong cost-cutting, Texaf managed to end the year break-even for Carrigres. The occupancy rate remained very strong at almost 100%. Given the economic and political uncertainty that remains and could worsen (expected election in December) we keep our Hold rating unchanged. Nevertheless, the nation-wide tensions have already decreased nationwide while the mining activities further accommodate the Congolese franc.

1H18 results:
- **Real estate activity**: increased 4% y/y to €8.5m on a LFL basis
- **Sandstone Quarry**: Ongoing cost improvements enabled Texaf to return break-even at €45k, as opposed to €-458k in 1H17.
- All in all, recurring operating results rose 10% y/y from €3.9m to €4.4m. Besides, a change in IFRS led Texaf to write-back €3.5m of deferred taxes (purely latent).

As a result the total net result rose from €0.3m in 1H17 to €7.4m by 1H18.

Outlook:
Management provides a cautious outlook, which is no surprise given the political and economic uncertainty to arise by end-18. Over the second half of 2018, 8 more units could be let out of 36 (Bois Nobles project). The amount outstanding to receive from the Congolese government amounts to $3.7m. Despite the break-even state of Carrigres, some capex costs could arise over the second half of 2018.

Our View:
Texaf managed to keep its real estate activities at a very strong level, while halting cost leakage at Carrigres lead to a ca. 10% in recurring EBITDA, despite the persisting uncertainty in the DRC. Above all, we are glad Texaf to have received a second payment for the sale to the Congolese state. We expect Texaf to receive an additional payment ($1.7m of $5.4m received), which will only be recognised were it be effectively received. The economic activity in the region of Kinshasa remains low, while some international groups closed their Congolese subsidiaries. Nevertheless, the strong and strategic performance of the mining activities (Kobalt 50% of world supply) support the Congolese franc.

Conclusion:
We reiterate our Hold rating and €36 TP.