

TEXAF

1H18: Break-even for Carrigres

FINANCIAL SERVICES
BELGIUM

CURRENT PRICE € 29.00
TARGET PRICE € 36.00

HOLD
RATING UNCHANGED

Texaf released its 1H18 results, in-line with estimates (excl. a pos € +4m deferred tax). Due to strong cost-cutting, Texaf managed to end 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 out Hold rating unchanged. Nevertheless, the nation-wide tensions have already decreased nation-wide 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 managed to return break-even at € 45k, as opposed to € -458k in 1H17.
- All in all, recurring operating results rose 10% y/y from to € 3.9. Texaf received an additional payment of the plot sold to the Congolese state, generating an additional non-recurring result of € 1.4m. Besides, a change in IFRS lead 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:

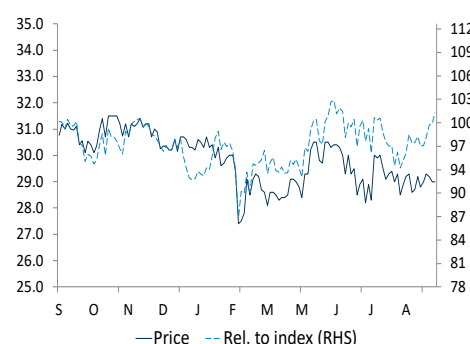
Management provides a cautious outlook, which is no surprise given the political and economic uncertainty to arise by end-18. Over the second half of 2018, 8 more units could be let out of 36 (Bois Nobles project). The amount outstanding to receive from the Congolese government amounts to \$ 3.7m. Despite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

Conclusion:

We reiterate our Hold rating and € 36 TP.



Source: Thomson Reuters Datastream

Bloomberg TEXF BB
Reuters TEXB.BR

www.texaf.be

Market Cap € 102.8m
Shares outst. 3.5m
Volume (daily) € 15,373
Free float 27.7%

Next corporate event

Results 3Q18: 9 November 2018

€ th	2017E	2018E	2019E
Sales	18,806	19,516	21,303
REBITDA	9,293	7,731	12,227
Net earnings	1,643	2,571	5,753
Adj. EPS (€)	0.46	0.73	1.62
P/E (x)	62.5	40.0	17.9
EV/REBITDA	14.2	17.2	10.9
FCF yield	-1.1%	-5.0%	-1.2%
Dividend yield	2.8%	3.4%	4.0%

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