

8 May 2018

THIS DOCUMENT HAS NOT BEEN PRODUCED BY KBC SECURITIES USA, INC.

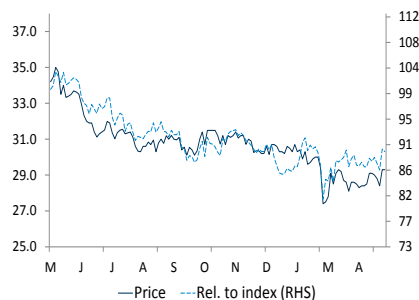
## TEXAF

### Disposal of 1ha of Utexafrica site to DRC

FINANCIAL SERVICES  
BELGIUM

CURRENT PRICE €29.30  
TARGET PRICE €36.00

**HOLD**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg                    TEXF BB  
Reuters                        TEXB.BR  
[www.texaf.be](http://www.texaf.be)

Market Cap                    €103.8m  
Shares outst.                 3.5m  
Volume (daily)               €14,276  
Free float                     27.7%

Next corporate event

Results 1Q18: 11 May 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)	63.2	40.4	18.0
EV/REBITDA	14.3	17.3	11.0
FCF Yield	-1.1%	-4.9%	-1.2%
Dividend yield	2.8%	3.3%	4.0%

#### Alexander Makar

+32 2 429 39 39  
[alexander.makar@kbcsecurities.be](mailto:alexander.makar@kbcsecurities.be)

#### Jan Opdecam

+32 2 429 60 32  
[jan.opdecam@kbcsecurities.be](mailto:jan.opdecam@kbcsecurities.be)

#### News:

Texaf announced that 10,637 sqm of land (partly unsuitable for construction) has been transferred to the DRC for public use. The DRC has committed to the payment of \$ 5.4m USD by year-end of which € 1m has been transferred.

#### Our View:

The 48ha site is known as UTEXAFRICA compound, which formerly held ca. 14ha of buildings, housing the textile factories and now consist of residential buildings and offices. The site is located next to the Gombe district, known for its embassies and international hotels. To date, the UTEXAFRICA compound includes tenants such as UN agencies and other NGOs. This deal relates to 1ha of unused land, which is located close to a river and is partly unsuitable for construction. Besides, the DRC will employ this land for a water purification station.

Texaf's rental income of the real estate activity rose 6% y/y to €4.2m, with an occupancy rate close to 100%, in line with expectations. Regarding the sandstone quarry, Carrigres, the recurring operating loss has been cut more than 50%, thanks to management's fierce cost reduction program, implemented in 2017. Sales have stabilised and we foresee an annual production capacity of 120k tons, compared to 102 tonnage in 2017.

#### Outlook:

Looking forward, the development project "Bois Nobles", which includes 36 residential units is moving forward is expected to be delivered by the summer of 2018.

#### Conclusion:

Despite out 22% upside to our €36 TP we reiterate our Hold rating given the political, financial and economic insecurity, which continue to lag on economic rejuvenation and security constraints. Consequently, prior to December 2018 (elections), we only expect continued lack of visibility.