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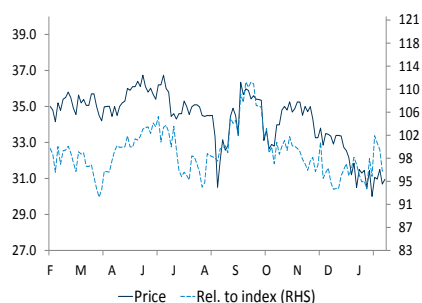
## TEXAF

### Accelerated real estate investments on low debt

FINANCIAL SERVICES  
BELGIUM

CURRENT PRICE € 30.95  
TARGET PRICE € 42.00

**BUY**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

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

Market Cap                    € 109.7m  
Shares outst.                 3.5m  
Volume (daily)               € 22,665  
Free float                     27.7%

Next corporate event

(€ th)	2015	2016E	2017E
Sales	19,648	20,400	22,366
REBITDA	8,989	10,609	11,668
Net earnings	5,450	5,364	5,827
Adj. EPS (€)	1.54	1.51	1.64
P/E (x)	22.4	20.4	18.8
EV/REBITDA	16.6	13.1	12.2
FCF Yield	-2.1%	-0.1%	-0.7%
Dividend yield	1.7%	2.2%	2.7%

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Last Friday, Texaf reported its FY results. The importance of the real estate division increased to 74% of turnover. Looking ahead, the contributions of the industrial activities (Carrigrès) are expected to dilute further, improving income visibility and thus the company's overall risk profile. We expect a small drop in EPS in FY16 from € 1.54 to € 1.51, before rising again to € 1.64 in FY17. We expect Texaf to continue its 20% annual growth in dividend per share.

In FY15, 20 new apartments were delivered and 1.2k sqm of offices for which the company found immediately new tenants. The portfolio's occupancy rate remained therefore at a staggering 100%. In FY16, Texaf will see an acceleration of its real estate activities with the delivery of its largest project ever i.e. 33 apartments. Depending on the market environment, the company will also kick-off construction of new office buildings. In order to facilitate these increased real estate activities, Texaf has reinforced its team in FY15. Furthermore, the first phase of a new residential project (total of 86 new apartments) will be started with expected delivery by mid FY17.

#### Model adjustments: NEW estimates:

Looking ahead, we lowered our FY16 revenue forecasts for Carrigrès from € 5.66m to € 4.79m, based on the challenging market update. We also better aligned our real estate revenue forecast in-line with management guidance. In FY16, the operating profit in the real estate division is expected to increase 30% y/y (in FY15 neg. one-off), while a slight drop in Carrigrès operating result is assumed. We don't expect a tax reversal, leaving us to expect a marginal drop in net result from € 5.45m to € 5.36m (€ 5.39m previously).

In FY17, we see the real estate portfolio expansion lifting real estate revenues 10% y/y to € 17.2m. We also bank on a slight improvement in volume production at Carrigrès, leading us to expect € 22.4m of total revenues (€ 23.4m previously). We furthermore bank on a slight improvement in operating margin y/y and an increase in financial result linked to a debt increase. Hence, we foresee a net result of € 5.83m (€ 6.06m before).

We therefore bank on a small drop in EPS in FY16 from € 1.54 to € 1.51 (due to lower volume at Carrigrès), before increasing again in FY17 to € 1.64. We therefore believe Texaf to continue its dividend strategy.

#### Conclusion:

Texaf's rental income evolution confirms our expectations. We are also glad to see the company continuing its growth strategy while maintaining a fully-occupied portfolio and almost no debt. The current political uncertainty and corresponding lack of infrastructure works, limits Carrigrès' volume. However, this is partly compensated by a higher output price.

Looking ahead, we believe that Texaf offers unique exposure to a high-quality real estate portfolio with strong growth and value appreciation potential ahead. Revenue from the sandstone quarry is more cyclical, but demand for concrete and roads is expected to persist. We reiterate our Buy rating and € 42 PT.