

TEXAF

Strong FY18 results and a first move to Texaf Digital

FINANCIAL SERVICES
BELGIUM

CURRENT PRICE € 27.90
TARGET PRICE € 36.00

Despite the difficult economic circumstances Texaf had to operate in, stable recurring results were delivered driven by the real estate activities and a continued cost improvements as well as higher sales of Carrigrès. Texaf proposed a € 0.68 net dividend per share, a 19% increase y/y.

News:

Texaf delivered a 2% increase in recurring earnings to € 7.1m y/y while two one-offs exceptionally drove up to € 12.9m versus € 4.6m in 2017. Rental activities are up 4% y/y while the quarry managed to deliver a 2% increase y/y. Strong cost cutting (mostly overhead) lead to a 2% increase in recurring earnings. The one offs concern a capital gain booked as a result of a first payment received by the Congolese state while a reduction of the Tax rate to 30% had a significant impact on a reversal of the deferred taxes. Regarding a plot of land that was sold to the Congolese state, a second instalment is expected to be received.

Real Estate:

Real estate activities have not been impacted by political tensions, while even the first phase of the *Bois Nobles* project has been delivered and fully taken up. Note that the delivery of the 36 apartments will mostly contribute over 2019 with ca. € 1.6m of rental income on an annualized basis. The second phase is expected to start over 2H19 with delivery foreseen end-2020 (33 apartments). The *Gardens of Kinsuka* project has been delayed due to the political situation but will continue over 2019.

Carrigrès:

The revenue from the quarry activities rose 2% to € 1.6m driven by a 30% increase in the sales volume and a significant cost savings program, tempered by a lower average sales price. Works are expected to scale-up as management argues that the current political stability could enable public and private investments.

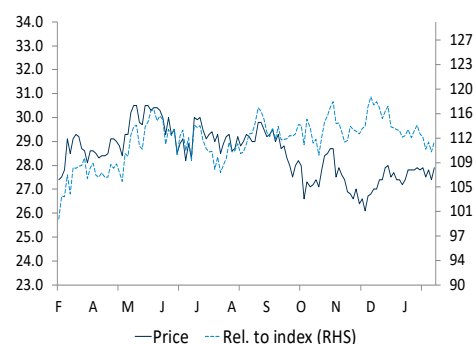
Texaf Digital:

As a result of management's believes in the importance of the digitalisation of the DRC, € 1m has been invested in a new venture capital fund Partech Africa.

Our View: Texaf delivered strong recurring results and therefore managed to keep its dividend policy stable with a 19% increase y/y. The real estate activities remain a key driver to stable results though we see a substantial upside in the *Gardens of Kinsuka* project, a development of up to 2000 homes for sale, which would speed up capital rotation significantly. With regards to the quarry, we are prudently optimistic on the average sales volume the coming quarters given the accumulating need future public infrastructure investments and a stabilization of the political situation, even though the later one is less certain of nature. Management sees positive signals from a political point of view, but also from an economic point of view (e.g. increased number of daily flights). The most noteworthy change in Texaf's business model is the investment in Partech Africa. Even though the investment is less capital intensive, this could grow up to a significant income driver on the long run. Not only does management has the ability to create a hub through their real estate activities, they also have the visibility and more importantly the transparency to partner up. Even though this project is still early stage, a sizeable platform could be set-up over time.

HOLD

RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	TEXF BB
Reuters	TEXB.BR
www.texaf.be	
Market Cap	€ 98.9m
Shares outst.	3.5m
Volume (daily)	€ 12,949
Free float	27.7%

Next corporate event

€ th	2018E	2019E	2019E
Sales	19,516	21,303	
REBITDA	7,731	12,227	
Net earnings	2,571	5,753	
Adj. EPS (€)	0.73	1.62	
P/E (x)	38.5	17.2	
EV/REBITDA	16.7	10.6	
FCF yield	-5.2%	-1.3%	
Dividend yield	3.5%	4.2%	

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