

# Texaf

## Unlocking Hidden Value In Congolese Real Estate, Mining & Technology

Diversified Financials | Belgium

**Ahead of Texaf's Q3 FY23 trading update (10<sup>th</sup> November, 2023), we performed a full review of our investment case and re-modelled Texaf as a holding company. After having completed the exercise, we are confident that despite a bleak economic outlook, Texaf will continue to perform strongly due to its dominant position in the high-quality residential and office rental market in Kinshasa, highly stable tenant-mix, very low debt and net debt ratio of just 8.9% and 6.0% respectively (as of H1 FY23), and strong/rising dividend and dividend yield. Texaf's revenues from its real estate activities is expected to keep rising steadily due to the rental of new developments and an increase in the number of rentable units. Over the medium to long-term, initiation of work on the 'Kinsuka Garden City' project will be a major catalyst for the stock should Texaf be able to partner up with large-scale developers either domestic or international. Added to this, the sandstone quarry should benefit from rising prices and the future infrastructural development to take place in the DRC. Finally, Texaf's investments in the Partech Africa Fund I & II have sown the seeds for a potential long-term relationship that Texaf could use to better understand the African VC space, gain access to the best-in-class investment ideas in the African continent, and co-invest alongside the GP in potential future African unicorns. We currently estimate NAVps and TEVps to be €60.1 and €49.8 thus implying a discount of 45.4% and 34.1% compared to the last close price. After having applied a 10.0% group-level discount to our TEVps, we reiterate our BUY rating and raise our TP from €44.0 to €45.0.**

### Valuation Methodology For Each Business Division:

- Real Estate Portfolio:** We apply a (heavy) cumulative discount of 41.9% to the reported fair value of the RE portfolio in order to stay conservative, incorporate the effect of higher interest rates, and reflect other risks and difficulties of doing business in the DRC – which might hinder growth of the RE portfolio.
- Industry (Carrigres) & Digital:** Due to the high level of unpredictability of these 2 divisions and due to their relatively small contribution to Texaf's overall portfolio, we make use of the last reported book value under both NAV and TEV.

**Investment Case:** Texaf's equity story currently hinges on the performance of its 'Real Estate' division (95.0%+ of total portfolio) which currently is engaged in renting residential/office spaces in DRC. Texaf's high-quality residential/office space rental offering in Kinshasa is among only a hand-few and will continue to be in high demand with the expat community, government institutions and corporates, and international organisations looking for secure, modern, and high-quality accommodations/offices with access to several amenities. Also, Texaf's rental income is highly stable (80.0%+ coming from local/international organisations and corporates) and occupancy has averaged 97.0%+ over the last 5-year period. The sandstone quarry should benefit from the steady development of the DRC and opportunistic exploitation of fluctuations in prices. Added to this, the 'Digital' division has immense growth potential over the LT as Texaf has partnered with Partech (PE and VC firm) by committing capital - this opens up opportunities to co-invest in potential future African unicorns.

Share Price: €33.0  
**Target Price:** €45.0  
Upside/Downside: 36.4%

**Recommendation:** Buy  
Previous Recommendation: Buy

### Analyst Details

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### Key Data

Bloomberg: TEXTF BB  
Reuters: TEXTB.BR  
URL: <https://www.texaf.be/>  
Market Cap. (m): €121.0  
Shares Out. (m): 3.7  
Volume (Daily): 407  
Free Float: 27.3%  
Price 12m Hi/Lo: 37.8 / 32.0

Performance	1m	3m	12m
Absolute (%)	-1.8	0.0	-5.2
Rel. BEL20	6.7	12.2	-0.3

### Next Corporate Event

Results - Q3 FY23: 10/11/2023

### Sponsored Research

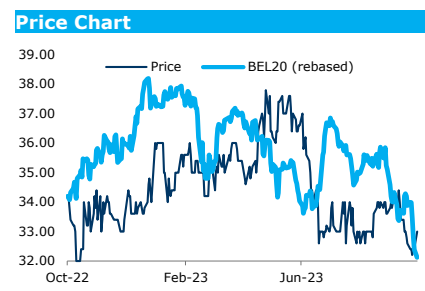
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Year To:	2019A	2020A	2021A	2022A
Sales & operating income	23.2	23.3	24.8	29.5
Profit/loss from operating activities	7.9	8.0	8.1	8.9
Net Profit (group share)	10.8	4.6	5.2	8.4
Diluted EPS	3.0	1.27	1.42	2.28
Dividend per share (€)	1.2	1.29	1.43	1.57
Dividend yield (%)	3.5	3.9	4.3	4.8
Net asset value per share (NAV)	52.39	60.77	62.82	61.23
Premium/(discount)	(29.0)	(37.5)	(48.4)	(45.1)
Cash & cash equivalents	8.8	7.0	5.9	5.5

Source: KBC Securities

<https://research.kbcsecurities.com>



Source: Refinitiv Datastream

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## 1.0. COMPANY PROFILE

### 1.1. ABOUT TEXAF & COMPANY HISTORY

Texaf is a multi-asset holding company that is headquartered in Brussels, Belgium and whose businesses operate in the Democratic Republic of Congo. The company has 3 business divisions namely 'Real Estate', 'Industry (sandstone quarry)', and 'Digital'. Texaf is unique in that it is the only company, listed since its formation on an international stock exchange, that has all its assets concentrated in the Democratic Republic of Congo.

*Texaf is unique as it is the only company listed on an international stock exchange that has all of its assets concentrated in the DRC.*

Texaf's origins date back to 1925 and for most of its existence, Texaf was involved in the production and sale of textile (cotton fabrics) through its primary subsidiary 'UTEXAFRICA'. At its peak, the textile business produced more than 30.0m meters of fabric annually and was involved in every step of cotton processing (cotton production to fabric manufacturing), employed 6,000 workers in Kinshasa, and supervised more than 100,000 small-holders in the cotton sector, spread over several provinces in central and eastern Congo.

*Texaf was created in 1925 and for a long time, engaged in the production and sale of cotton fabric.*

#### Texaf's History – From textiles to real estate, mining, and digital economy

Year	Description
1925	Creating of Texaf by the Lagache Group (95.0%) and Valère Lecluse (5.0%). Total capital = 20.0m Belgian Francs.
1928	Texaf's textile factory was opened by King Albert I of Belgium at its present location in the bay of Ngaliema, Kinshasa where milling, weaving, and dying were carried out. Also, Texaf acquired electricity power plants, oil processing facilities, and river vessels. Market capitalisation = 417.2m Belgian Francs. 9th largest company in Congo.
1929	Textile production reaches 927,000.0m meters.
1930	Texaf owned 32 cotton gin plants and production reached 7,500 metric tonnes.
1934	Texaf becomes a holding company - 50.0%+ held by Crédit Anversoï.
1936	Texaf opens printing shop and shifted focus towards producing printed fabrics.
1939	Crédit Anversoï is declared bankrupt. SOPABEL takes over Crédit Anversoï's shareholding.
1945	Despite complications introduced by WWII, Texaf acquires machinery for textile plant and satisfies military demand by ramping up production.
1957	Cotton production rose to 5.9m kg while weaving and fabric output rose to 32.6m meters and 11.5m meters during the period.
1960	Republic of Congo becomes an independent country. Texaf's fabric production rises to 32.0m meters.
1986	Texaf acquires SOLBENA (textile production and distribution) from the Benatar family.
1987	Cobepa becomes a majority shareholder in TEXAF, with a 82.0% stake
1988	Mergers within UTEXAFRICA of various textile entities of the group: Utexco (spinning, weaving, fabric dyeing), Zaireprint (printing), Otricot-Super Star (hosiery-clothing)
1989	Acquisition of ESTAGRICO, a cotton-producing firm owned by Unibra (Michel Relecom) with plantations situated in Uvira.
2001	UTEXAFRICA ordered by IFC to immediately reimburse €31.0m (linked to debt from 1988). A transaction (along with Cobepa) is agreed with IFC.
2002	Management buyout of Texaf organised by Mr. Philippe Croonenberghs.
2004	Texaf and Cha Group concluded a framework agreement. CONGOTEX (a new textile unit; 43.0% owned by Texaf), will bring together UTEXAFRICA's textile business and wax production. A new real estate company, IMMOTEX, held jointly by UTEXAFRICA and Cha Group, will bring together the textile manufacturing site as well as a site of over 100.0 ha contributed by Cha Group.

2007	Texaf acquired Anagest (70.0% shareholding in 3 apartments up for renovation) from Atenor. Liquidation of CONGOTEX is initiated - this marks the end of Texaf's textile business in DRC.
2009	Acquisition of remaining 50.0% of Carrigres for €5.75m implying total equity value of €11.0m.
2011	Sale of 70.0% stake in 3 apartment buildings for €2.4m.
2012	Texaf sold its 50.0% stake in MECELCO for €1.0m.
2013	Sale of 7.3m sqm of land for \$4.1m.
2014	Cha Group becomes a 10.0% shareholder in Texaf.
2015	Completion of 'Champ de Coton' project which includes 10 buildings and 52 apartments.
2016	Delivery of the 4 buildings (33 apartments) of 'Clos des Musiciens'.
2017	Start of the 'Bois Nobles' project which will include 82 housing units.
2018	Texaf has decided to invest in the digital economy of Congo and to build Kinshasa's biggest digital campus.
2022	Start of the 'Promenade des Artistes' project and phase III of Silikin Village Digital Hub (6000.0 sqm).
2023	Establishment of JV with the WIOCC group for building the first datacenter in DRC.

Source: Texaf, KBC Securities

**Placing of Foundation Stone of Texaf in 1925**



Source: Texaf

**Textile Manufacturing at UTEXAFRICA in 2002**



Source: Texaf

**Texaf Hub Campus (Silikin Village Phase I & II) in 2022**



Source: Texaf

*Texaf first launched the Silikin Village in 2019. Currently, Silikin Village Phase III is being constructed and is expected to be launched during Q1 FY24.*



## 1.2. GROUP STRUCTURE

Texaf is made up of 3 main business divisions namely 'Real Estate', 'Industry (sandstone quarry)', and 'Digital'. The operations of each company is listed below.

### Texaf's 'Real Estate' division is made up of 6 companies:

- **Immotex:** Holds residential real estate located in central Kinshasa and land located in Kinsuka.
- **Anagest:** Holds 100.0% of Cotex.
- **Cotex:** Holds office real estate located in the centre of Kinshasa – this is also where Silikin Village (phase I, II, and III) is located.
- **Utexafrika:** Holds residential real estate located in centre of Kinshasa.
- **La Cotonniere:** Dormant company which holds real estate located in central DRC.
- **Estagrigo:** Dormant company which holds real estate located in central DRC.

*After the closing of its textile manufacturing plant in 2007, Texaf pivoted its operations from production and sale of cotton fabric to real estate and mining.*

### Texaf's 'Industry (sandstone quarry)' division is made up of 2 companies:

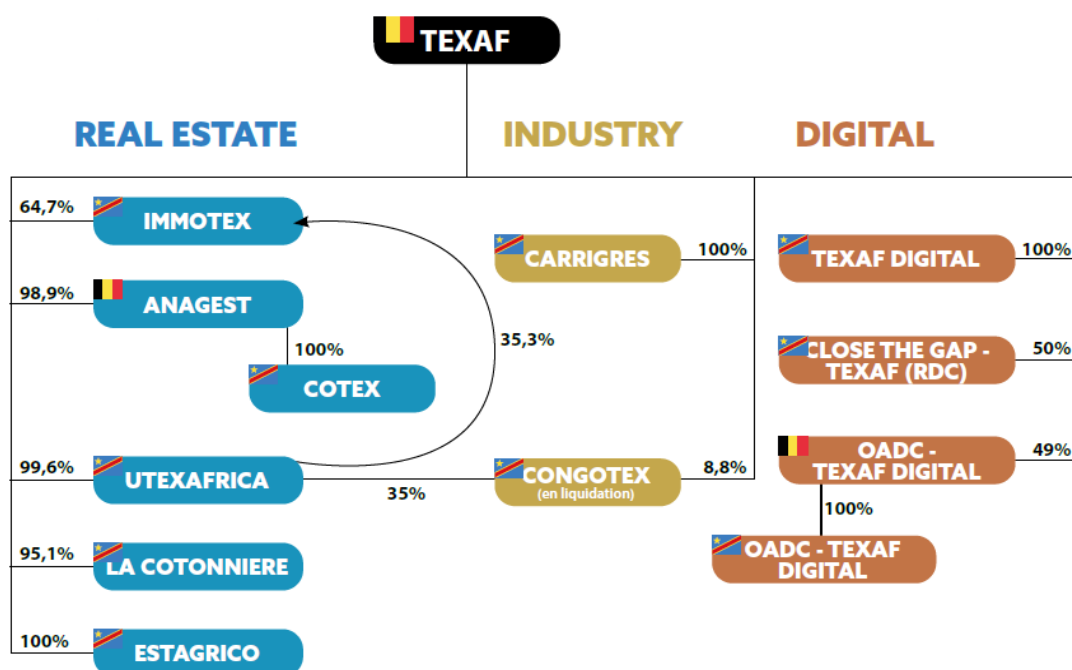
- **Carrigres:** This is the sandstone quarry located in Kinsuka, DRC.
- **Congotex:** This is the former textile factory that is currently being liquidated.

*Currently, Texaf's 3 main business divisions are 'Real Estate', 'Industry', and 'Digital'.*

### Texaf's 'Digital' division is made up of 4 companies:

- **Texaf Digital:** This includes all operations (excluding RE value & rents) of 'Silikin Village', branding, etc.
- **Close The Gap – Texaf (RDC):** This is a joint-venture (50.0% each) with CTG. The company aims to import & refurbish ICT equipment which will then be sold locally in the DRC.
- **OADC – Texaf Digital (Belgium-based):** This is a joint-venture (Texaf = 49.0%) with Open Access Data Centres Ltd.
- **OADC – Texaf Digital (Congo-based):** The company will operate datacentres in the DRC.

#### Group Structure - Texaf



Source: Texaf, KBC Securities

### **1.3. MANAGEMENT – MIX OF EXPERIENCE & YOUNG BLOOD**

#### **Jean-Philippe Waterschoot – CEO & Executive Director**

After graduating from ULB, Jean-Philippe Waterschoot began his career at Texaf in 1989. He held various positions at the UTEXAFRICA factory, and was its managing director up to when the textile branch merged with Congotex. He is also the director of the National Business Federation of Congo, director/permanent representative of the CBL-ACP Chamber of Commerce, vice-president of the Belgo-Congolese CCBCL Chamber of Commerce, director of several non-profit and business associations in DRC and Advisor in Economic Diplomacy with the Belgian Embassy in Kinshasa. His mandate expires in 2023.

#### **Christophe Evers – CFO & Executive Director**

After graduating from Solvay Brussels School, Christophe Evers began his career at Umicore. In 1989 he joined Cobepa, where he became CFO and joined the executive committee. In 2001 he joined the executive committee at bpost, with responsibility for business development, real estate and all non-mail and retail activities. From 2004 to 2010 he was a partner at Drakestar Partners, an investment bank specialized in technology. Christophe Evers is a professor at the Solvay Brussels School and author of several publications.

#### **Dominique Moorkens – Non-Executive Director; Chairman**

Dominique Moorkens began his career within the Alcoba family group as an automobile dealership manager. He took over as director in 1981 and in this role, he restructured the group. Added to this, he is the chairman of the board at Coprem and Mekong Plus while also serving as a board member at Carmeuse and Texaf. His mandate expires in 2024.

#### **Vincent Bribosia – Independent Director (Representative of Chanic S.A.)**

Vincent Bribosia has an MA in Law and a master's degree in management from ULB. He has also followed executive education programs at LSE and Harvard Business School. He joined TEXAF from the Suez-Société Générale de Belgique group where he held various positions, including chief of staff of the CEO. He was also on the staff of the minister for employment (1983-86). His mandate expires in 2023.

#### **Charlotte Croonenberghs – Non-Executive Director**

Charlotte Croonenberghs is Master of Law graduate. After various traineeships including four months in the political and economic section of the Belgian Embassy in Bangkok, she earned a master's degree in European business from ESCP Europe. She is currently the marketing & e-commerce director at Baobab Collection. She is the daughter of Philippe Croonenberghs. Her mandate expires in 2023.

#### **Gerald Croonenberghs – Executive Director**

Gerald Croonenberghs is the eldest son of the late Mr. Philippe Croonenberghs. Prior to joining Texaf, he spent 10 years as a co-pilot and then captain, flying Boeing aircraft for commercial airlines. Gerald holds a master's degree in business from HULT International Business School and is currently in charge of the development of TEXAF's digital business.

#### **Joseph Fattouch – Independent Director**

After having graduated from Solvay Business School, Joseph worked as a consultant at Roland Berger and then at McKinsey & Co.. After this, he worked as an advisor to 2 Belgian ministers (including the prime minister) – during this period, he directed Belgian digital, AI, and digital skills policy. Additionally, he founded AI4Belgium and he has chaired the Data Against Corona working group. Currently, Joseph works as an investment manager at Waterland Private Equity. His mandate expires in 2023.

#### **William Croonenberghs – Non-Executive Director**

William is a son of the late Mr. Philippe Croonenberghs. He holds a Master's degree in Management from the IE Business School and a Bachelor's degree in Management Engineering from the University of Antwerp. He started his career as a consultant at CBRE, where he worked in the field of commercial real estate for 2.5yrs. Currently, he supports Texaf in its real estate activities.

#### **Eline Pardaens – Independent Director**

Eline Pardaens holds a Master's degree in Business Engineering from ICHEC. She started her career at Texaf in 2008 after which she became the financial director of Korongo Airlines and George Forrest International. She is currently working for Connexafrica DRC as well as representative of the Hapag-Lloyd shipping line. She is in charge of finance and controlling at Texaf and provides financial support to the related companies.

#### **Nathalie Ulrich – Independent Director**

Nathalie Ulrich has a master's degree in Germanic Philology, Pedagogy, and SME Management from KU Leuven, UC Louvain, and Solvay respectively. She has gained extensive experience in human resources management at the local and international level (Befimmo, Proximus, Millicom), notably as Benelux Director of Human Resources and Communication at Heidelberg Cement and as a member of the Board of CBR SA. Add to this, she has helped in the creation of several start-ups active in the IT sector.

#### **Michel Gallez – Non-Executive Director**

Michel is a graduate from Ecole Pratique des Hautes Etudes Commerciales in Brussels. He has a vast experience in the textile industry in Africa. He was the financial manager of Tootal Textiles and, in 1994, he moved to the Cha group, for which he set up a distribution channel for textile products throughout Africa. He has held various posts as financial and general manager and has been on the board of several companies. He was the last general manager of Congotex and is currently the executive director of United Nigerian Textiles.

#### **Pascale Tytgat – Independent Director**

Pascal is a statutory auditor with a business engineering degree from Solvay Business School and an IFRS certificate from Université Catholique de Louvain. She is a founding managing partner of BST Réviseurs d'Entreprises, has sat on the qualification examination jury of the Institute of Statutory Auditors of Belgium since 2006, and was a member of its Quality Control Commission for 20 years (1995-2016). Pascale has also completed several financial assignments in Belgium & France.

#### **Herman De Croo – Honorary Director since 1<sup>st</sup> January 2019**

Herman De Croo served as a director of the Company between 1981 and 2019 (except during his terms as minister). In recognition of his contribution he has been appointed honorary director and continues to provide advice to Texaf.

**Board Of Directors – Texaf**



Source: Texaf

**Texaf's Operational/Management Team in the DRC**



Source: Texaf



#### 1.4. SWOT ANALYSIS, CATALYSTS, & RISKS

Strengths	Weaknesses
<p>1) Dominant player in the luxury apartment rental space in Kinshasa, Congo - thus enjoying strong demand for residential units.</p> <p>2) Tenant mix is mostly comprised of more stable clients such as corporates and government/international institutions.</p> <p>3) Texaf holds a sizable land bank that is well placed and that can be developed to unlock its hidden value.</p>	<p>1) Infrastructure in the Republic of Congo is weak and thus, can have an impact on Texaf's operations.</p> <p>2) Undeveloped land is of considerable in size/value but does not generate any cashflows while plans for development on the land are currently not in place.</p> <p>3) Undevelopable land is worth a considerable amount (€1.5m+) which can be otherwise deployed in cashflow generating businesses.</p>
Opportunities	Threats
<p>1) Expansion of the rental business could unlock the full potential value of undeveloped land that currently does not generate cashflows.</p> <p>2) Partnership with Partech could lead to Texaf getting several opportunities to co-invest in some of the best-in-class ideas across Africa.</p> <p>3) Further investment in Partech Africa funds could provide investors with an indirect exposure to pan-African PE and VC.</p>	<p>1) Regime change could lead to the cancelling of favourable regulations previously in place thus leading to the decrease in efficiency of Texaf's businesses.</p> <p>2) Land grabbing attempts by local politicians and elites could have an impact on Texaf's land bank and can lead to prolonged litigations.</p> <p>3) Robbery at rental properties could lead to loss of reputation and trust.</p>

#### Catalysts

- 1) Development of the remaining land in Kinshasa and Kinsuka will help realise the full potential value of those assets.
- 2) Upward revaluations to the real estate portfolio could lead to significant uplifts in net asset value.
- 3) Sale of the undevelopable land in Kinshasa will help raise capital that can be deployed in other cashflow generating businesses.
- 4) Sustained higher sandstone demand and prices will benefit the 'Materials & Resources' business division.
- 5) Collaboration with Partech could lead to co-investment opportunities which may lead to outsized returns.

#### Risks To Investment Thesis

- 1) Texaf's land bank has become the target of land grabbers (local politicians & elites) who might try to prevent development on the land.
- 2) Texaf might not be able to develop on its land bank due to not being able to find a suitable partner.
- 3) Downward revision of Texaf's real estate portfolio.
- 4) Texaf not being able to sell its undevelopable land or having to sell the land at a steep discount.

Source: KBC Securities

## 2.0. OPERATIONAL PROFILE – REAL ESTATE

### 2.1. HIGH QUALITY RESIDENTIAL & OFFICE SPACES

After the closing of its textile in 2007, Texaf decided to focus on its real estate portfolio which, was until then, considered a secondary business. Doing so has helped Texaf capitalise on the attractive location of the UTEXAFRICA concession site, which is spread across 48 hectares and is located along the Congo river in downtown Kinshasa. To quickly ramp up its real estate operations, Texaf has been investing in the site year-after-year regard-less of the macroeconomic environment or external events – currently, there are 332 in total (279 apartments and 53 villas) in the site where more than 1,000 people from 35+ nationalities live together and in achieving this, the site has become Kinshasa's leading residential neighbourhood.

Currently, Texaf's real estate portfolio comprises a total residential rental surface area of 62,200 sqm, office space and commercial spaces of 26,300 sqm, and 30,000 sqm worth of warehousing space. The occupancy rate has averaged above 95.0% over the last 5 year period and was at a perfect 100.0% at the end of FY22.

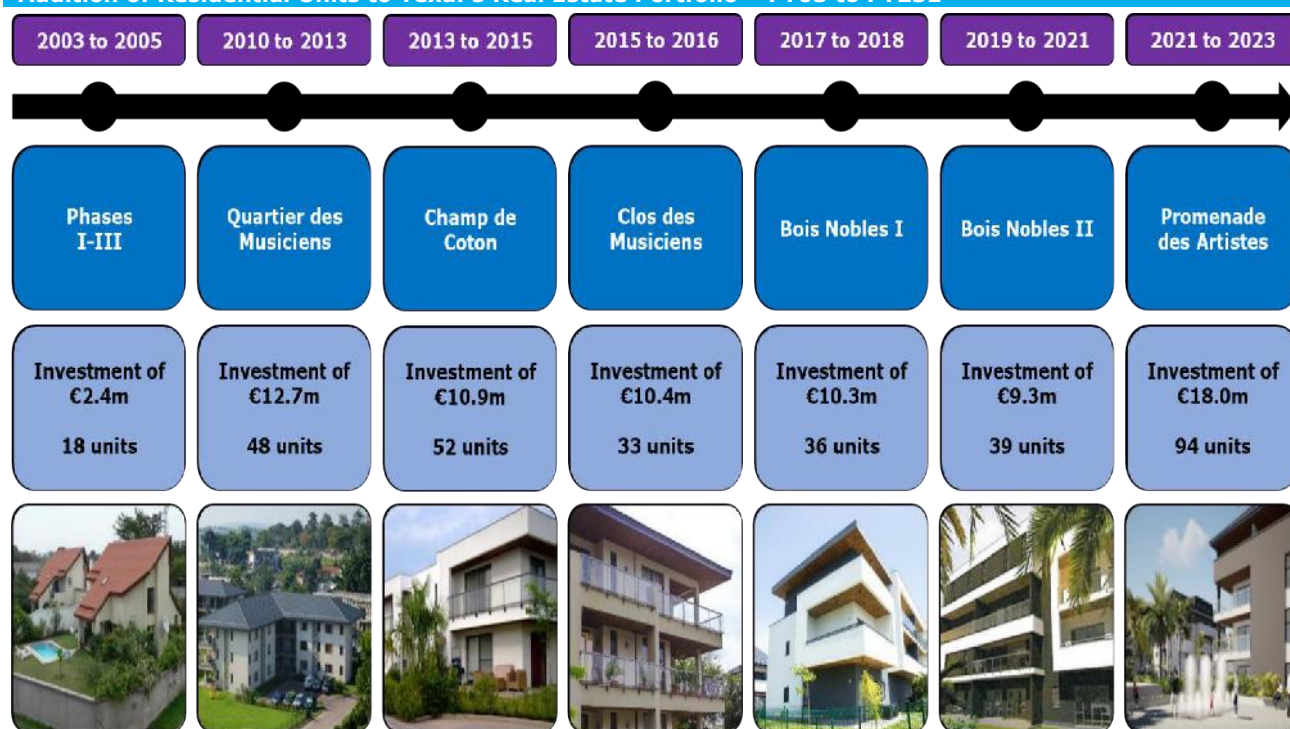
Texaf adds value to its tenants by offering several amenities and services that make its offering stand out from the little competition it has in Kinshasa. The value add offerings range from discrete security to technical maintenance and refuse collection. On the other hand, Texaf has ensured the inclusion of several green areas, various walking paths, sports grounds, a swimming pool, a bar/lounge, a restaurant, 2 gyms, sports halls, and a children's playground. Also, since 2022, padel, volleyball and multi-sports courts have also been added - all of these additional facilities makes Texaf's residential rental offering highly unique in Kinshasa. Added to this, the 'Texaf-Bilembo Cultural Centre', which opened on a preserved part of the former plant site in 2014, has become one of the leading venues for the exhibition and promotion of contemporary art.

*Texaf's 'Real Estate' business division makes up more than 95.0% of total portfolio value.*

*Occupancy at Texaf's properties have averaged above 95.0% over the last 5 years.*

*Texaf adds additional value to its tenants by providing several amenities that other player in Kinshasa do not provide.*

#### Addition of Residential Units to Texaf's Real Estate Portfolio – FY03 to FY23E



Source: Texaf; KBC Securities

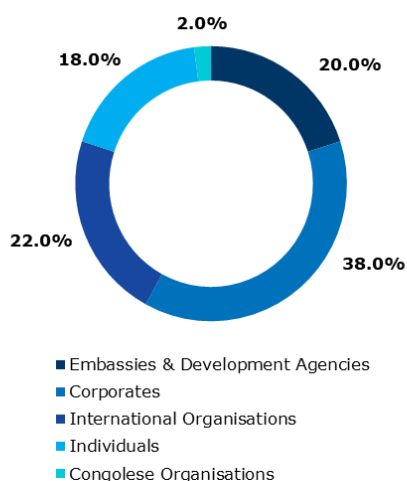
Texaf's high-quality residential units and office spaces are amongst a very few in Kinshasa and sufficiently differentiate themselves from the rest of the market by offering several other services and amenities. Added to this, the tenant-base of Texaf's real estate portfolio is highly stable and does not experience constant churn as most of the tenants are long-term in nature – approximately 80.0% of rents come from corporates, international organisations, and embassies/development agencies. Rental income earned from the real estate portfolio is diversified and is mainly driven by residential units (68.0%) followed by office spaces (23.0%) and warehouses (6.0%) while a small portion comes from retail activities (3.0%).

*Texaf's tenant mix is highly stable with approximately 80.0% of rental income coming from corporates, embassies and international organisations.*

Texaf's real estate portfolio is also fairly healthy with a majority of properties (83.0%) falling under the category of 'New Or Completely Renovated' and 'Old But In Good Condition' while the remaining 17.0% are either 'Due For Renovation' or 'Run Down'. The result of Texaf's diversified and healthy portfolio combined with its stable tenant-base has translated into very strong occupancy over the last 5 years with average occupancy above 97.0%.

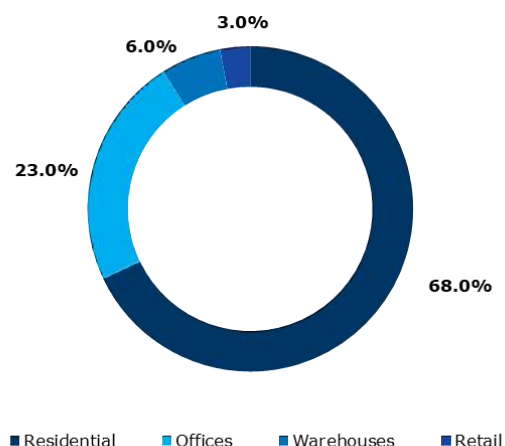
*Texaf's real estate portfolio is healthy as 83.0% of the portfolio is classified as 'New Or Completely Renovated' and 'Old But In Good Condition'.*

**Rental Income Split (By Client Type) – FY22**



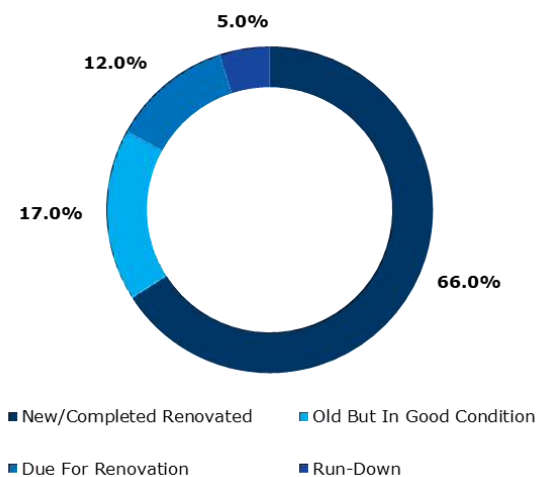
Source: Texaf

**Rental Income Split (By Property Type) – FY22**



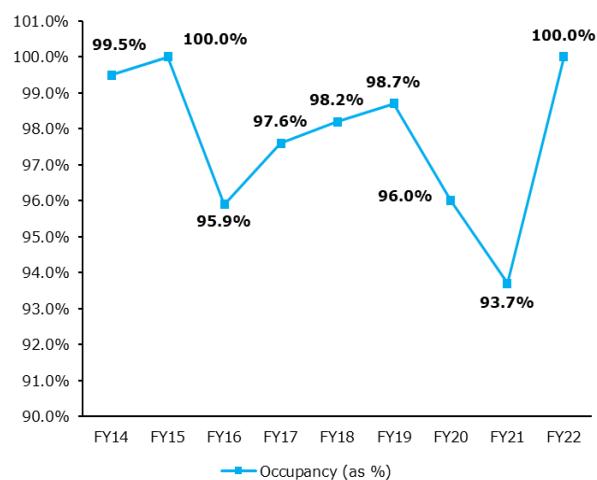
Source: Texaf

**Rental Income Split (By Property Condition) – FY22**



Source: Texaf

**Occupancy Rate (as %) – FY14 to FY22**



Source: Texaf

## 2.2. THE UTEXAFRICA COMPOUND

To be able to better understand Texaf's real estate operations, we need to (literally) take a helicopter view of the total land bank owned by Texaf – this helps better perceive the scale of current operations and future hidden potential that can be realised through development. Texaf's land bank in downtown Kinshasa is comprised of all the land that was owned as part of the former textile business (UTEXAFRICA) and thus, is referred to as the 'UTEXAFRICA Compound'.

**Texaf's Land Bank – UTEXAFRICA Compound**



Source: Texaf

- 1. Champ de Coton district:** A set of 10 buildings consisting of 52 apartments ranging from 1 to 4 bedrooms (54.0 to 168.0 sqm each). They have been rented out since FY13.
- 2. Historical Concession district:** The structures were built between 1920s and 1930s and are a set of 25 villas (6 new) and 81 apartments (46 renovated; 3 bedrooms & 113 sqm).
- 3. Bois Nobles district:** A collection of 18 villas (132.0 to 170.0 sqm) and 57 apartments (65.0 to 164.0 sqm) which have been rented out since FY18.
- 4. Les Musiciens district:** A total of 9 buildings consisting of 81 apartments (128.0 to 169.0 sqm) in total. They have been rented out since FY10.
- 5. New Concession district:** A collection of 9 villas and 9 loft duplex apartments which have been rented out since FY03.
- 6. Cotex site:** This is a 3.2 hectare site which has been partly developed as a 5,600 sqm office space and is also home to the Texaf Digital Hub. It has been rented out since FY05.
- 7. Quartier de bureaux:** The property comprises of 14,500.0 sqm of office spaces of which 5,600.0 sqm is loft office spaces built between 2011 and 2015.

*Currently, the 'UTEXAFRICA' compound has 10 functioning properties with the remainder of the land within the 'UTEXAFRICA' compound) available for future developments.*



8. **Leisure area:** The leisure area is common for all residents across the compound and consists of a restaurant/bar, 3 tennis courts, 25.0m swimming pool, a fitness room and a yoga room.
9. **Texaf-Bilembo cultural centre:** This is an exhibition hall/cultural centre which is spread across 1,000.0 sqm (2 floors). It has regularly been hosting cultural shows, exhibitions, and training courses.
10. **Petit-Pont site:** The site is spread across 3,500.0 sqm of which 3,000.0 sqm is dedicated to building office spaces and has been available since FY20. It is Kinshasa's first environmentally friendly building.

*The 'Texaf-Bilembo' cultural centre has become a popular venue for cultural shows, exhibitions, and trainings.*

**Texaf-Bilembo Cultural Center**



Source: Texaf

**Quartier De Bureaux Office Space**



Source: Texaf

**Overview of Texaf's Land Bank**

Texaf's Total Land Bank In hectares	FY17 31 Dec 2017	FY18 31 Dec 2018	FY19 31 Dec 2019	FY20 31 Dec 2020	FY21 31 Dec 2021	FY22 31 Dec 2022
Undeveloped land - Kinshasa	22.8	21.4	21.6	21.2	21.2	21.2
Undeveloped land - Kinsuka	100.1	100.1	83.4	83.4	83.4	83.4
Undeveloped land - the province	301.7	305.9	305.9	305.9	305.9	305.9
<b>Undeveloped Land - Total</b>	<b>424.6</b>	<b>427.4</b>	<b>410.9</b>	<b>410.5</b>	<b>410.5</b>	<b>410.5</b>
<b>Roads - Total</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>
Category 1 dev.: Land with new or totally renovated buildings	16.7	16.8	16.9	17.4	17.7	9.6
Category 2 dev.: Land with old buildings in good state	4.2	4.1	4.1	4.1	4.3	12.4
Category 3 dev.: Land with buildings that require renovation	10.5	10.6	10.6	10.7	10.4	11.4
Category 4 dev.: Land with buildings in poor state	7.3	7.1	6.1	5.9	5.7	4.8
<b>Developed Land - Total</b>	<b>38.7</b>	<b>38.6</b>	<b>37.7</b>	<b>38.1</b>	<b>38.1</b>	<b>38.2</b>
<b>Total Land Bank</b>	<b>467.6</b>	<b>470.3</b>	<b>452.9</b>	<b>452.9</b>	<b>452.9</b>	<b>453.0</b>

Source: Texaf

### 2.3. KINSUKA GARDEN CITY – A MAJOR CATALYST

Kinsuka is a suburb in western Kinshasa where Texaf owns a plot of land spread across approximately 83.4 hectares on which Texaf plans to build a whole new district which will include the construction of 1,800 homes and all necessary infrastructure and facilities such as roads, water supply systems, schools, shops, hospitals, sports, and leisure spaces. The project is expected to take several years to complete (currently, construction is estimated to span across FY24 to FY30) and the properties in this project are mainly intended for sale to Congo's burgeoning middle class whose focus will mainly be on the construction quality and durability. During the planning of the project, Texaf placed a high level of emphasis on the environment, with plenty of green spaces, environmentally friendly buildings, and low energy consumption. To achieve the set out objectives, Texaf has partnered with ORG, a leading architectural firm (offices in New York, Brussels, and Antwerp) to help incorporate all requirements of the project. To be able to serve the widest possible audience, the project will offer potential buyers with several options all the way from plots equipped with foundational developments (completed water supply system, electricity grid, and roads) to fully developed properties for those buyers seeking a turnkey solution.

*The 'Kinsuka Garden City' project is the most ambitious project that Texaf has undertaken.*

*The 'Kinsuka Garden City' project will include several options for potential buyers – from full built homes to plots with foundational developments such as water, electricity, etc.*

Architectural Rendering of Kinsuka Garden City on ORG's website



Source: Texaf

The 'Kinsuka Garden City' project is much bigger than any other project that Texaf has taken on and thus, Texaf will most likely team up with either a local or international real estate developer to be able to complete the project. Also, Texaf plans to sell land with foundational developments which not only gives more choice/flexibility to customers but also could potentially reduce the development burden on Texaf.

*Given the size of the project, Texaf might have to partner with a large-scale developer either domestic or international.*



## 2.4. UNLOCKING OTHER DEVELOPMENT POTENTIAL

Texaf's real estate development activities are currently concentrated in 2 areas namely Kinshasa and Kinsuka. The ultimate goal is to roll out projects of much larger size than currently – to facilitate this goal, Texaf is open to establishing partnerships. At the moment, there are 2 projects under construction: 'Promenade des Artistes', 'Silikin Village III', and 'OADC-Texaf Datacentre'.

*Currently, Texaf has 3 projects under development – all of them are slated to be launched during Q1 FY24.*

**Promenade des Artistes:** This is a residential complex comprising a total of 94 apartments which will be largely pedestrianized and will include underground parking lots. The apartments will have either 1 or 2 bedrooms and will be suitable for individuals living alone or with a small family. Apartment rentals are expected to start during Q1 FY24.

**Silikin Village Phase III:** This will be a complex of furnished offices, co-working spaces, and meeting rooms spanning across 6,000 sqm and will be located on the Cotex site (3.2 hectares). This structure will be the largest amongst its type in Africa and Texaf intends to mainly attract technology companies to become tenants. The property will be equipped with a range of services (food-court, auditorium, connectivity, shared reception, etc.) that will allow an agile and immediately available work style that start-ups desire. The project is to be launched during Q1 FY24.

*Silikin Village Phase III will help Texaf build relationships with fast growing technology companies in Africa.*

**OADC-Texaf Datacentre:** Texaf's Silikin Village currently houses a 2MW capable 550+ rack data centre which will be operational from Q1 FY24 – this is the 1<sup>st</sup> phase of the overall project. The project will bring in additional revenue over the long-term.

Architectural Render of Promenade des Artistes



Source: Texaf

Architectural Render of Silikin Village Phase III



Source: Texaf

Architectural Render of OADC-Texaf Datacentre



Source: Texaf

### 3.0. OPERATIONAL PROFILE - INDUSTRY

#### 3.1. THE CARRIGRES SANDSTONE QUARRY

Carrigres is an open-air sandstone quarry that has been functional since the early 1950s and is located in the suburb of Kinshasa. Carrigres is the biggest gravel production unit in Kinshasa of all grades of Inkisi red sandstone (with an Los Angeles abrasion score of 29) and has an installed capacity of 600,000 tonnes while all products are monitored and inspected on a monthly basis by the Laboratoire National des Travaux Publics in due compliance with the various standards imposed by the inspection bodies. The sandstone deposit is estimated to be 25.0m tonnes and the site is equipped with a sandstone crusher that can get through 400.0 tonnes per hour. The final material is used in the production of concrete and asphalt for roads and civil engineering projects.

The company operates in a highly competitive environment dominated by the informal sector. It distinguishes itself from its competitors by the quality of its products and the strict control of the quantities delivered. CARRIGRES employs about forty people, working under an operations manager and a commercial manager who rely on the services of TEXAF's real estate business for all other aspects of business (finance, legal, administration, human resources, security, etc.).

*The remaining 50.0% of Carrigres was acquired in FY09 for €5.75m implying total equity value of €11.0m.*

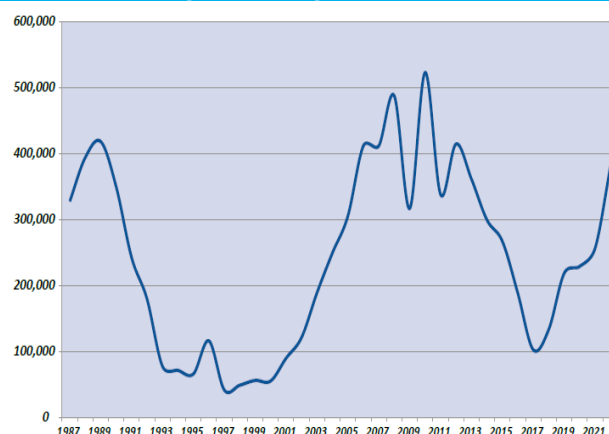
*Carrigres produces all grades of Inkisi red sandstone (with an Los Angeles abrasion score of 29) and has an installed capacity of 600,000 tonnes.*

**Carrigres Sandstone Quarry**



Source: Texaf

**Volumes Sold (In Tonnes)– FY87 to FY21**



Source: Texaf

#### Financials – Carrigres

Amounts as Cm Reporting Period	FY18 31 Dec 2018	FY19 31 Dec 2019	FY20 31 Dec 2020	FY21 31 Dec 2021	FY22 31 Dec 2022
Revenue - ordinary activities (as €m)	1.6	2.5	2.6	2.9	5.3
Growth (as %)	1.8%	52.6%	3.9%	13.3%	84.6%
Operationing result - recurring (as €m)	(0.3)	(0.1)	(0.0)	0.2	0.7
Margin (as %)	-16.2%	-2.9%	-1.5%	8.1%	12.5%
Operationing result (as €m)	(0.1)	(0.1)	(1.3)	0.2	0.7
Margin (as %)	-6.8%	-2.8%	-52.4%	8.1%	12.5%
Result before deferred taxes (as €m)	0.2	0.2	(1.0)	0.4	0.6
Margin (as %)	15.4%	7.8%	-40.3%	13.2%	12.0%
Net result - share of group (as €m)	0.3	0.2	(0.6)	0.5	0.6
Margin (as %)	20.8%	10.1%	-24.1%	15.6%	12.0%
Texaf's stake (as %)	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Texaf



## 4.0. OPERATIONAL PROFILE - DIGITAL

Through its 'Digital' business division, Texaf aims to tap into the technological development taking place in DRC and all across the African continent. The 'Digital' business division currently consists of 4 parallels:

- Silikin Village Campuses:** First launched in FY19, the Silikin Village campus is currently made up of 2 operational buildings (Silikin Village Phase I & II) which are rented out to start-up companies and include an start-up incubator. Together with the upcoming Phase III, Silikin Village is poised to become Central Africa's premier digital hub by early 2024.
- Empowering Local Start-ups:** Through collaborative partnerships, Texaf Digital offers training programs to young entrepreneurs and local start-ups eager to enhance their business acumen and skills.
- Engaging International Companies:** Texaf Digital's "Scaling Up in DRC" initiative is designed to attract international firms looking to establish a presence in the DRC. Texaf offers comprehensive support, including legal and HR advice, business development assistance, and financial backing. Notable collaborations include joint ventures with Close the Gap (refurbished ICT devices) and OADC (Datacentre).
- Investments (and future commitments) in Partech Africa Fund I & II:** Currently, Texaf has committed €2.0m to Partech Africa Fund I & II – of this, €0.8m has been called down and as of FY22-end the fair value of the investment is €2.4m. By partnering with Partech, Texaf's management hopes to develop a deep understanding of the private equity and venture capital domain in Africa which would then be leveraged upon to either co-invest (with Partech) or make direct investments in companies with interesting business ideas.

*Texaf's 'Digital' business division could potentially become a significant contributor to Texaf's revenues over the long-term.*

*Through its investments in the Partech Africa Fund I & II, Texaf hopes to better understand the African VC space and potentially make direct investments or co-invest in fast growing technology companies.*

### Deal Count and Investment Volume in African Technology Venture Capital During FY22



Source: Partech Africa

Snapshot of African Technology Venture Capital During FY22

## 2022 DEALS & VOLUMES

### EQUITY FUNDING

**\$4.9<sub>B</sub>**

-6% YoY

**693 DEALS**

+2% YoY

**7 MEGADEALS**

-50% YoY

### TOTAL FUNDING

**\$6.5<sub>B</sub>**

+8% YoY

**764 DEALS**

+6% YoY

### DEBT FUNDING

**\$1.5<sub>B</sub>**

+102% YoY

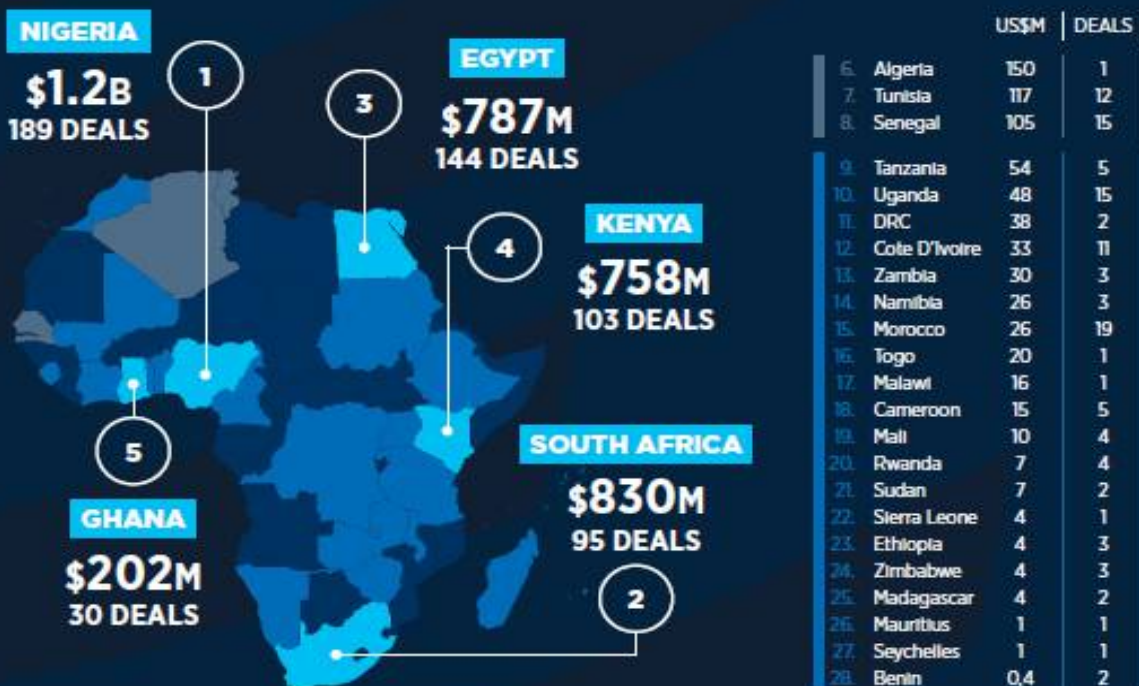
**71 DEALS**

+65% YoY

**4 MEGADEALS**

x4 YoY

## EQUITY BY COUNTRIES



Source: Partech Africa

## 5.0. SNAPSHOT – DRC ECONOMY & RESIDENTIAL REAL ESTATE SECTOR

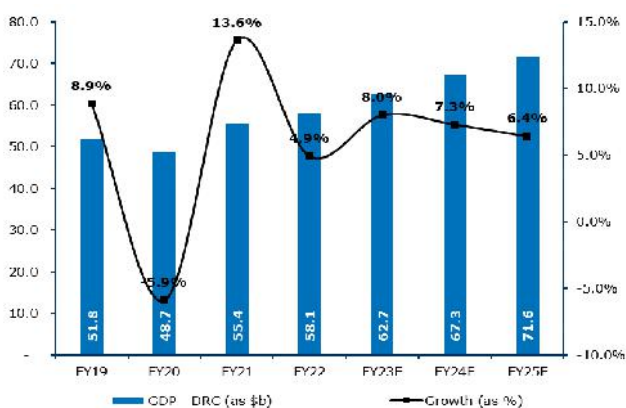
Due to the expected population growth and economic development to be witnessed in the next couple of decades, the Congolese economy looks very promising at the moment. Major international organisations are present in the country and have implemented several programs to help prop up the economy and alleviate the standard of living in Congo. Added to this, DRC's middle class is expected to significantly expand and make up a greater % of total population which coupled with rural to urban migration will give rise to a massive demand for affordable and quality housing which will be a major growth driver for the very few established/dominant players like Texaf.

*The DRC's middle class is expected to significantly expand thereby creating a significant demand for quality/affordable housing.*

As of FY22, residential housing demand significantly outstrips supply in DRC with a yearly housing deficit of 240,000 homes. High value projects are usually awarded to foreign construction companies and the entire permitting process takes approximately 122 days (12 procedures). Added to this, the real estate sector in DR Congo is characterised by a shortage of developers, a lack of institutions specialising in the financing of real estate, and a mismatch between urban development and related services thus putting Texaf in a highly favourable position if the financing/permitting of projects in the pipeline can be obtained in a timely fashion.

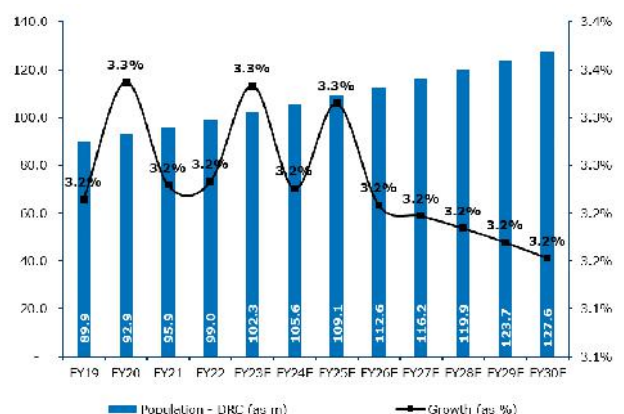
*Currently, housing demand in the DRC outstrips supply with yearly housing deficit of 240,000 homes.*

**DRC's GDP – FY19 to FY25E**



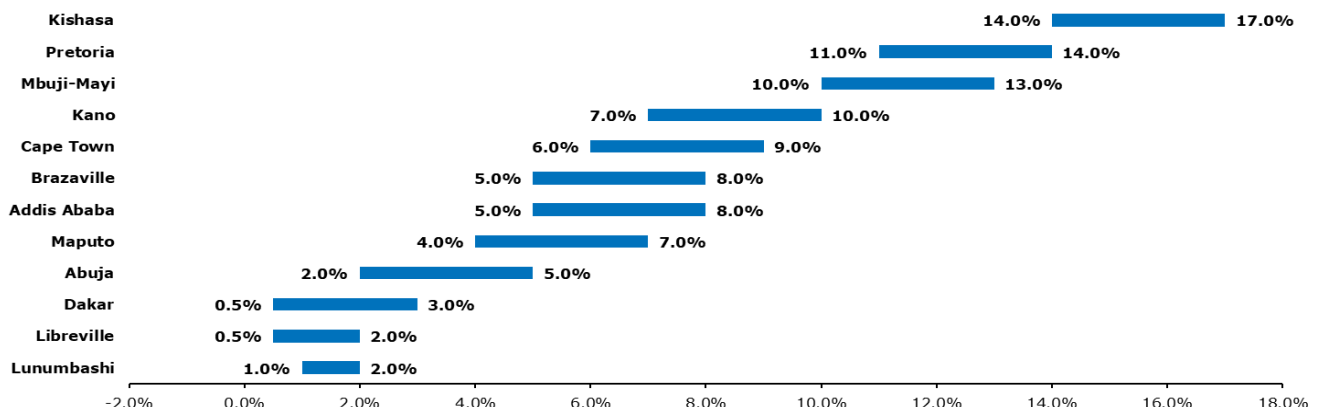
Source: World Bank, Trading Economics

**DRC Population – FY19 to FY30E**



Source: worldpopulationreview.com

### Kinshasa Has The Highest Rental Yield Range Amongst Major African Cities – As of Sept'23



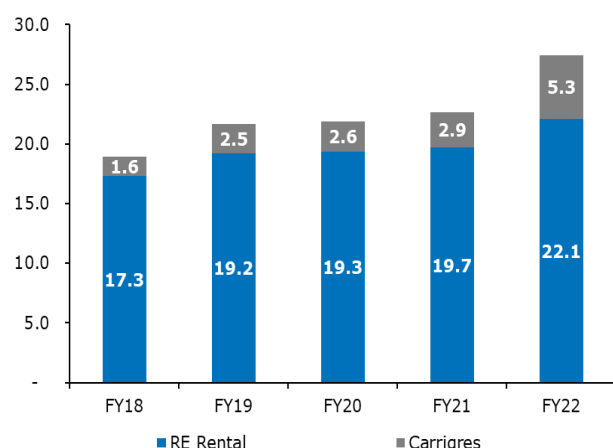
Source: theafricaninvestor.com

## 6.0. FINANCIALS & VALUATION

### 6.1. STEADY TOP LINE GROWTH, LOW DEBT RATION & HIGH DIVIDEND YIELD

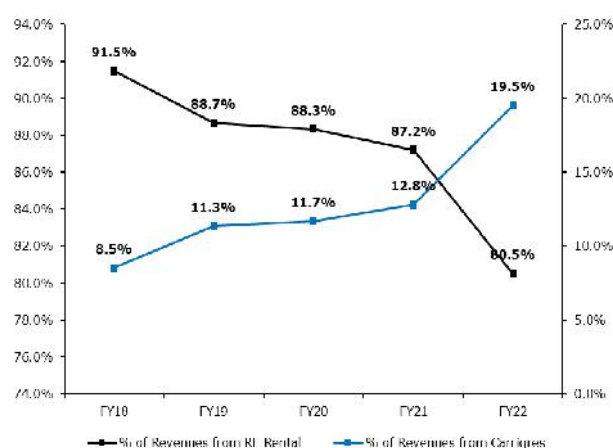
Texaf's top line is mainly driven by the RE rental business which, as of FY22-end, brought in more than 80.0% of revenues while it should be noted that the sandstone quarry's contribution to revenues should remain stable or even steadily increase with a high correlation to infrastructural progress made in the DRC. As Texaf's development pipeline comes into fruition, the sale or renting of additional units will contribute to the steady growth of the top line.

**Revenues – FY18 to FY22**



Source: Texaf

**Revenue Split – FY18 to FY22**



Source: Texaf

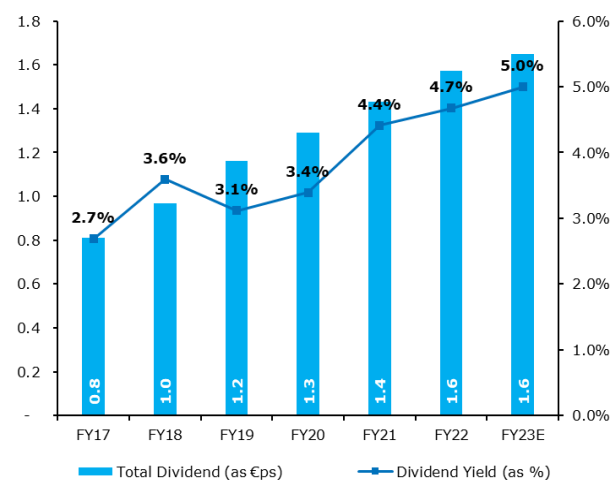
Despite having to fund larger real estate projects such as 'Promenade des Artistes' and 'Silikin Village III', Texaf has been able to maintain a gross debt ratio well below 10.0% and a net debt ratio below 5.0%. This is because Texaf funds majority of its development activities through recurring cashflows rather than by taking on massive amounts of additional debt. While this strategy has helped maintain low debt ratios, it has also helped Texaf increase its dividend every year over the last 14+ years.

**Gross Debt & Net Debt Ratio – FY18 to FY22**



Source: Texaf

**Total Dividend & Dividend Yield – FY17 to FY23E**



Source: Texaf; Data as of 31<sup>st</sup> October 2023



## 6.2. VALUATION – REAL ESTATE

To value Texaf's real estate portfolio, we start with the reported FV of Texaf's undeveloped land and developed land. To these reported values, we apply different discounts to arrive at the final FV of Texaf's entire portfolio.

**50.0% discount on undeveloped land:** We apply a 50.0% discount to the reported value of undeveloped land as it does not generate cashflows and will only do so should cashflow generating buildings be developed on the land.

**35.0% discount on rental activity:** We apply a 35.0% discount on Texaf's residential and office rental activity to account for impact of higher interest rates on property valuations. While European REITs currently trade at a discount of 40.0%+ compared to their FV, we believe a slightly lower discount of 35.0% is justified due to Texaf's highly stable rental business and strong tenant-base.

**50.0% discount on developed land:** We apply a 50.0% discount on the land value of buildings that either need renovation or are run down to account for the renovation/re-construction cost and opportunity cost of not being able to rent.

**Expected value of RE portfolio:** To find out the current expected value of Texaf's RE portfolio, we make use of the 'Refinitiv Africa-60 Real Estate' and 'Refinitiv South Africa Real Estate' indices as proxies to track the evolution of Texaf's RE portfolio value during the course of the year.

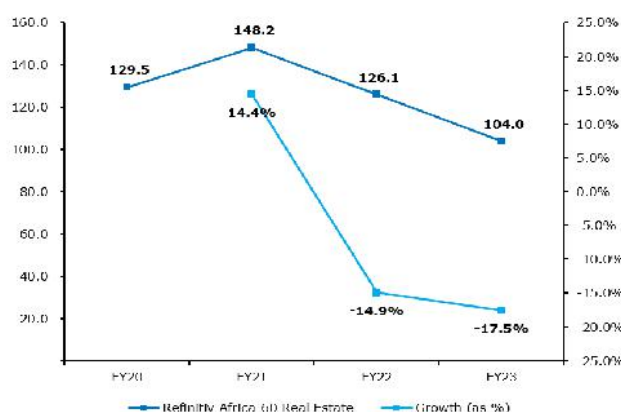
*To stay conservative and incorporate the effects of higher discount rates, we apply a cumulative discount of 41.9% to the last reported FV of the real estate portfolio.*

**Valuation Table of Texaf's RE Portfolio – FY17 to FY23E**

Fair Value of RE Portfolio Amounts as €m	FY17 31 Dec 2017	FY18 31 Dec 2018	FY19 31 Dec 2019	FY20 31 Dec 2020	FY21 31 Dec 2021	FY22 31 Dec 2022	FY23E 31 Dec 2023
<b>Undeveloped Land</b>							
Undeveloped land in downtown Kinshasa	67.1	64.1	65.1	62.7	62.7	62.7	52.5
Undevelopable land in downtown Kinshasa	1.6	1.6	1.6	1.6	1.6	1.6	1.3
Undeveloped land in Kinsuka	35.0	35.0	29.2	29.2	29.2	29.2	24.5
Undeveloped land in the province	1.2	1.2	1.2	1.2	1.2	1.2	1.0
<b>Gross FV of Undeveloped Land</b>	<b>104.9</b>	<b>101.9</b>	<b>97.1</b>	<b>94.7</b>	<b>94.7</b>	<b>94.7</b>	<b>79.3</b>
<b>Discount on Undeveloped Land (as %)</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>
<b>Net Fair Value of Undeveloped Land</b>	<b>52.5</b>	<b>51.0</b>	<b>48.6</b>	<b>47.4</b>	<b>47.4</b>	<b>47.4</b>	<b>39.7</b>
<b>Developed Land</b>							
<b>Type 1 Development: Land With New/Totally Renovated Buildings</b>	<b>97.1</b>	<b>111.0</b>	<b>118.0</b>	<b>166.1</b>	<b>187.0</b>	<b>140.7</b>	<b>117.9</b>
Annual Rent	11.7	13.3	14.2	15.3	17.1	12.9	
Yield	12.0%	12.0%	12.0%	9.2%	9.1%	9.2%	
<b>Type 2 Development: Land With Old Buildings In Good State</b>	<b>17.3</b>	<b>17.3</b>	<b>19.2</b>	<b>25.0</b>	<b>25.9</b>	<b>75.8</b>	<b>63.5</b>
Annual Rent	2.1	2.1	2.3	2.3	2.4	6.9	
Yield	12.1%	12.1%	12.0%	9.2%	9.3%	9.1%	
<b>Gross Yield-Based Value of Properties</b>	<b>114.4</b>	<b>128.3</b>	<b>137.2</b>	<b>191.1</b>	<b>212.9</b>	<b>216.5</b>	<b>181.4</b>
<b>Discount on Rental Activity</b>	<b>35.0%</b>	<b>35.0%</b>	<b>35.0%</b>	<b>35.0%</b>	<b>35.0%</b>	<b>35.0%</b>	<b>35.0%</b>
<b>Net Yield Value of Properties</b>	<b>74.4</b>	<b>83.4</b>	<b>89.2</b>	<b>124.2</b>	<b>138.4</b>	<b>140.7</b>	<b>117.9</b>
<b>Type 3 Development: Land With Buildings Needing Renovation</b>	<b>67.2</b>	<b>68.1</b>	<b>68.4</b>	<b>68.8</b>	<b>67.1</b>	<b>73.6</b>	<b>61.7</b>
Annual Rent	2.0	2.0	2.3	2.3	2.3	2.8	
Land Value	67.2	68.1	68.4	68.8	67.1	73.6	
<b>Type 4 Development: Land With Buildings In Poor State</b>	<b>26.6</b>	<b>26.2</b>	<b>24.0</b>	<b>23.0</b>	<b>21.6</b>	<b>15.8</b>	<b>13.2</b>
Annual Rent	1.0	1.0	1.0	1.0	0.9	0.9	
Land Value	26.6	26.2	24.0	23.0	21.6	15.8	
<b>Gross Land Value Of Properties</b>	<b>93.8</b>	<b>94.3</b>	<b>92.4</b>	<b>91.8</b>	<b>88.7</b>	<b>89.4</b>	<b>74.9</b>
<b>Discount on Land Value of Properties (as %)</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>
<b>Net Land Value Of Properties</b>	<b>46.9</b>	<b>47.2</b>	<b>46.2</b>	<b>45.9</b>	<b>44.4</b>	<b>44.7</b>	<b>37.5</b>
<b>Net Value Of Real Estate Portfolio</b>	<b>173.7</b>	<b>181.5</b>	<b>183.9</b>	<b>217.5</b>	<b>230.1</b>	<b>232.8</b>	<b>195.0</b>

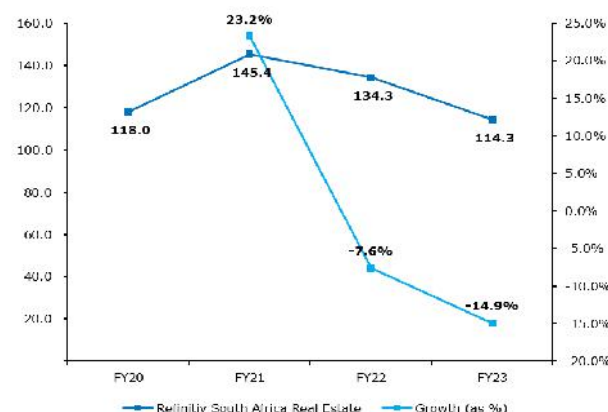
Source: Texaf; KBC Securities; Data as of 31<sup>st</sup> October 2023

### Revenues – Refinitiv Africa-60 RE Index



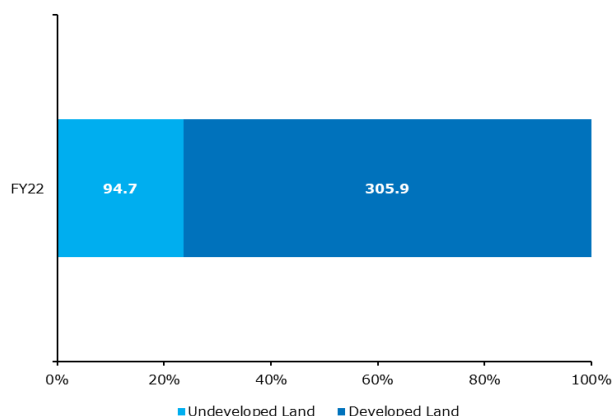
Source: Refinitiv Eikon; Data as of 31<sup>st</sup> October 2023

### Performance – Refinitiv South Africa RE Index



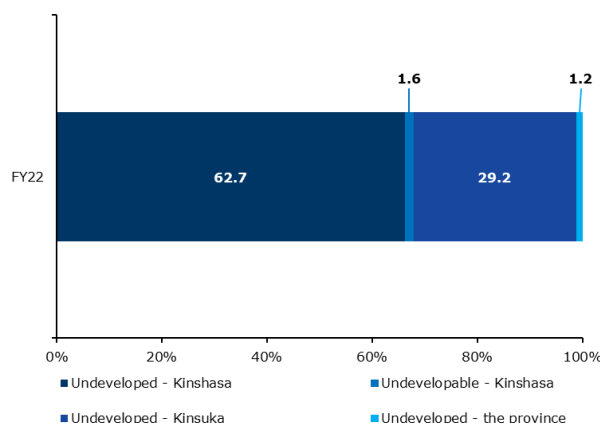
Source: Refinitiv Eikon; Data as of 31<sup>st</sup> October 2023

### RE Portfolio Split (By Land Type) – FY22



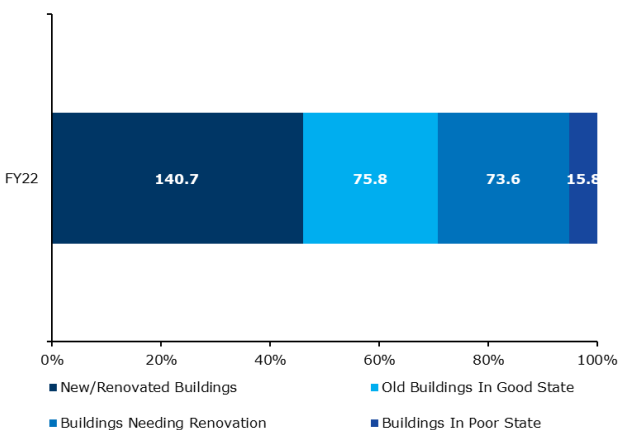
Source: Texaf

### Undeveloped Land Split – FY22



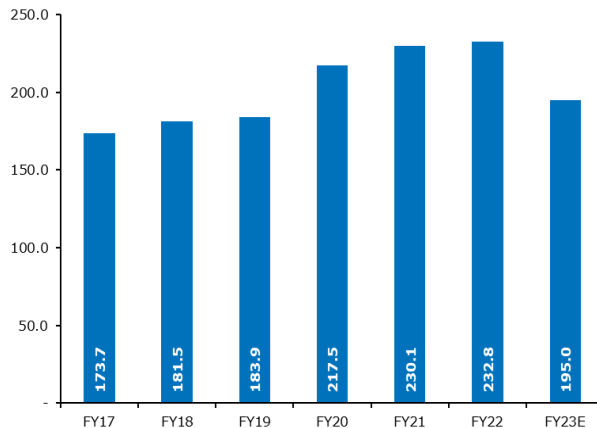
Source: Texaf

### Developed Land Split – FY22



Source: Texaf

### Evolution Of Texaf's RE Portfolio (Post Discount)



Source: Texaf; Data as of 31<sup>st</sup> October 2023

### 6.3. VALUATION – CARRIGRES & DIGITAL

**Carrigres:** To put a value on the sandstone quarry (Carrigres), we make use of the latest reported book value for our NAV and TEV calculations as it includes the value of land and buildings (net of depreciation). When 100.0% of Carrigres was acquired in FY09, the reserves were estimated at 20.0m tonnes and in FY13, they were estimated to be 25.0m tonnes. Given that 2.24m tonnes have been extracted during the period FY14 to FY22, the reserves are currently worth approximately 22.8m tonnes.

**Valuation Table of Carrigres – FY17 to FY23E**

Fair Value - Carrigres	FY17	FY18	FY19	FY20	FY21	FY22	FY23E
Amounts as €m	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022	31 Dec 2023
Book Value - Limestone Quarry (Net Of Depreciation)	9.4	5.9	5.9	4.5	4.4	4.3	4.3
Growth (as %)	0.0%	-36.9%	-0.8%	-23.6%	-1.9%	-2.8%	0.0%

Source: Texaf; KBC Securities; Data as of 31<sup>st</sup> October 2023

**Digital:** The value of Texaf's 'Digital' business division currently made up of the investment in the funds 'Partech Africa I' and 'Partech Africa II'. While the Silikin Village campuses are also part of the 'Digital' business division, the value of those building are already included in the real estate portfolio – for this reason, we don't count them again under 'Digital'. On a yearly basis, Texaf reports the value of its 'Digital' investments which we use for our NAV and TEV calculation.

**Valuation Table of Digital – FY19 to FY23E**

Fair Value - Digital Activity	FY19	FY20	FY21	FY22	FY23E
Amounts as €m	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022	31 Dec 2023
Market value	0.3	0.4	1.3	2.4	2.4

Source: Texaf; KBC Securities; Data as of 31<sup>st</sup> October 2023

## 6.4. VALUATION – GROUP LEVEL

After having added up the value of all 3 business divisions, net debt, and dividing by the total shares outstanding (net of treasury shares), we arrive at a NAVps and TEVps of €60.1 and €49.8 respectively - thereby implying a discount of 45.4% and 34.1% to the last close price of €32.8 as of 30<sup>th</sup> October 2023. To our TEVps, we apply a 10.0% group level discount to account for the general risks of doing business in DRC.

**We reiterate our BUY rating and raise our target price from €44.0 to €45.0.**

### Calculation of Net Asset Value & Target Equity Value

Calculation - Net Asset Value (NAV) & Target Equity Value (TEV)	Description	Stake (%)	NAV (as €m)	% of NAV	TEV (as €m) <sup>(1)</sup>	% of TEV
Real Estate	Residential RE rental	100.0%	232.8	105.7%	195.0	106.9%
Industry (Sandtone Quarry)	Sandstone quarry	100.0%	4.3	2.0%	4.3	2.4%
Digital	IT Hub rental	0.0%	2.4	1.1%	2.4	1.3%
<b>Gross Asset Value (GAV)</b>			<b>239.5</b>	<b>108.7%</b>	<b>201.7</b>	<b>110.5%</b>
Net cash/(net debt) at holding level			(19.3)	-8.7%	(19.3)	-10.5%
<b>Net Asset Value (NAV) &amp; Target Equity Value (TEV)</b>			<b>220.2</b>	<b>100.0%</b>	<b>182.5</b>	<b>100.0%</b>
No. of shares outstanding (as m)			3.7		3.7	
No. of treasury shares (for remuneration, resale, collateral, etc.; as m)			-		-	
No. of treasury shares (available for cancellation; as m)			-		-	
No. of shares outstanding (net of treasury shares; as m)			3.7		3.7	
<b>Net Asset Value (NAV) &amp; Target Equity Value (TEV) - Per Share</b>			<b>60.1</b>		<b>49.8</b>	
Last close price (as €ps)			32.8		32.8	
Implied discount or (premium) - NAVps or TEVps (vs) last close price			45.4%		34.1%	
2-year average discount or (premium)			44.7%		44.7%	
5-year average discount or (premium)			38.9%		38.9%	
<b>Target Price</b>					<b>45.0</b>	
<b>Recommendation</b>					<b>Buy</b>	
Implied premium or (discount) - target price (vs) NAVps & TEVps			(36.5%)		(13.1%)	
Implied upside or (downside) potential - last close price (vs) target price			34.1%		34.1%	
Listed portion of total portfolio (as %)			0.0%		0.0%	

Source: Texaf, KBC Securities

Data updated as of 31 Oct 2023

Source: Texaf; KBC Securities; Data as of 31<sup>st</sup> October 2023

**Net Asset Value Per Share (NAVps):** We add up the adjusted book values of each business division to arrive at the 'Gross Asset Value' from which we deduct 'net debt' to arrive at the 'Net Asset Value'. We then divide the 'Net Asset Value' by the total number of outstanding shares net of treasury shares to arrive at the 'Net Asset Value Per Share' (NAVps).

**Target Equity Value Per Share (TEVps):** Same procedure as NAVps with the significant negative difference coming from the negative returns of benchmark indices ('Refinitiv Africa-60 Real Estate' and 'Refinitiv South Africa Real Estate') used to track the value of Texaf's RE portfolio.

**10.0% Group-Level Discount:** Despite having sufficiently discounted (where applicable) Texaf's assets during the valuation stage of each individual business division, we apply an additional 10.0% discount on the NAVps of the group to account for the general risks of doing business in the Democratic Republic of Congo (DRC), weak infrastructure that may hinder Texaf's operations, etc.



## 6.5. SENSITIVITY ANALYSIS

### Sensitivity Analysis – NAV Per Share

#### Sensitivity Analysis - NAVps (vs) Variation in Real Estate vs. Materials & Resources

Variation (% & In €m) - Materials & Resources	Variation (% & In €m) - Real Estate										
	+/- 5.0%	NAVps	20.0%	15.0%	10.0%	5.0%	0.0%	-5.0%	-10.0%	-15.0%	-20.0%
		60.1	279.3	267.7	256.1	244.4	232.8	221.1	209.5	197.9	186.2
	20.0%	5.2	73.0	69.8	66.7	63.5	60.3	57.1	54.0	50.8	47.6
	15.0%	4.9	72.9	69.8	66.6	63.4	60.2	57.1	53.9	50.7	47.5
	10.0%	4.7	72.9	69.7	66.5	63.4	60.2	57.0	53.8	50.7	47.5
	5.0%	4.5	72.8	69.7	66.5	63.3	60.1	57.0	53.8	50.6	47.4
	0.0%	4.3	72.8	69.6	66.4	63.2	60.1	56.9	53.7	50.5	47.4
	-5.0%	4.1	72.7	69.5	66.4	63.2	60.0	56.8	53.7	50.5	47.3
	-10.0%	3.9	72.6	69.5	66.3	63.1	60.0	56.8	53.6	50.4	47.3
	-15.0%	3.7	72.6	69.4	66.2	63.1	59.9	56.7	53.5	50.4	47.2
	-20.0%	3.4	72.5	69.4	66.2	63.0	59.8	56.7	53.5	50.3	47.1

#### Sensitivity Analysis - NAVps (vs) Variation in Real Estate & Digital

Variation (% & In €m) - Digital	Variation (% & In €m) - Real Estate										
	+/- 5.0%	NAVps	20.0%	15.0%	10.0%	5.0%	0.0%	-5.0%	-10.0%	-15.0%	-20.0%
		60.1	279.3	267.7	256.1	244.4	232.8	221.1	209.5	197.9	186.2
	20.0%	2.9	72.9	69.7	66.5	63.4	60.2	57.0	53.9	50.7	47.5
	15.0%	2.8	72.9	69.7	66.5	63.3	60.2	57.0	53.8	50.6	47.5
	10.0%	2.7	72.8	69.7	66.5	63.3	60.1	57.0	53.8	50.6	47.4
	5.0%	2.5	72.8	69.6	66.5	63.3	60.1	56.9	53.8	50.6	47.4
	0.0%	2.4	72.8	69.6	66.4	63.2	60.1	56.9	53.7	50.5	47.4
	-5.0%	2.3	72.7	69.6	66.4	63.2	60.0	56.9	53.7	50.5	47.3
	-10.0%	2.2	72.7	69.5	66.4	63.2	60.0	56.8	53.7	50.5	47.3
	-15.0%	2.1	72.7	69.5	66.3	63.1	60.0	56.8	53.6	50.4	47.3
	-20.0%	1.9	72.6	69.5	66.3	63.1	59.9	56.8	53.6	50.4	47.2

#### Sensitivity Analysis - NAVps (vs) Variation in Materials & Resources vs. Digital

Variation (% & In €m) - Digital	Variation (% & In €m) - Materials & Resources										
	+/- 5.0%	NAVps	20.0%	15.0%	10.0%	5.0%	0.0%	-5.0%	-10.0%	-15.0%	-20.0%
		60.1	5.2	4.9	4.7	4.5	4.3	4.1	3.9	3.7	3.4
	20.0%	2.9	60.4	60.4	60.3	60.3	60.2	60.1	60.1	60.0	60.0
	15.0%	2.8	60.4	60.3	60.3	60.2	60.2	60.1	60.1	60.0	59.9
	10.0%	2.7	60.4	60.3	60.3	60.2	60.1	60.1	60.0	60.0	59.9
	5.0%	2.5	60.3	60.3	60.2	60.2	60.1	60.0	60.0	59.9	59.9
	0.0%	2.4	60.3	60.2	60.2	60.1	60.1	60.0	60.0	59.9	59.8
	-5.0%	2.3	60.3	60.2	60.2	60.1	60.0	60.0	59.9	59.9	59.8
	-10.0%	2.2	60.2	60.2	60.1	60.1	60.0	59.9	59.9	59.8	59.8
	-15.0%	2.1	60.2	60.1	60.1	60.0	60.0	59.9	59.9	59.8	59.7
	-20.0%	1.9	60.2	60.1	60.1	60.0	59.9	59.9	59.8	59.8	59.7

Source: Texaf; KBC Securities; Data as of 31<sup>st</sup> October 2023

## Sensitivity Analysis – TEV Per Share

### Sensitivity Analysis - TEVps (vs) Variation in Real Estate vs. Materials & Resources

Variation (% & In €m) - Materials & Resources	Variation (% & In €m) - Real Estate										
	+/- 5.0%	TEVps	20.0%	15.0%	10.0%	5.0%	0.0%	-5.0%	-10.0%	-15.0%	-20.0%
		49.8	234.0	224.3	214.5	204.8	195.0	185.3	175.5	165.8	156.0
	20.0%	5.2	60.6	58.0	55.3	52.7	50.0	47.3	44.7	42.0	39.4
	15.0%	4.9	60.6	57.9	55.3	52.6	49.9	47.3	44.6	42.0	39.3
	10.0%	4.7	60.5	57.9	55.2	52.5	49.9	47.2	44.6	41.9	39.3
	5.0%	4.5	60.5	57.8	55.2	52.5	49.8	47.2	44.5	41.9	39.2
	0.0%	4.3	60.4	57.8	55.1	52.4	49.8	47.1	44.5	41.8	39.1
	-5.0%	4.1	60.4	57.7	55.0	52.4	49.7	47.1	44.4	41.7	39.1
	-10.0%	3.9	60.3	57.6	55.0	52.3	49.7	47.0	44.3	41.7	39.0
	-15.0%	3.7	60.2	57.6	54.9	52.3	49.6	46.9	44.3	41.6	39.0
	-20.0%	3.4	60.2	57.5	54.9	52.2	49.5	46.9	44.2	41.6	38.9

### Sensitivity Analysis - TEVps (vs) Variation in Real Estate & Digital

Variation (% & In €m) - Digital	Variation (% & In €m) - Real Estate										
	+/- 5.0%	TEVps	20.0%	15.0%	10.0%	5.0%	0.0%	-5.0%	-10.0%	-15.0%	-20.0%
		49.8	234.0	224.3	214.5	204.8	195.0	185.3	175.5	165.8	156.0
	20.0%	2.9	60.5	57.9	55.2	52.6	49.9	47.2	44.6	41.9	39.3
	15.0%	2.8	60.5	57.9	55.2	52.5	49.9	47.2	44.6	41.9	39.2
	10.0%	2.7	60.5	57.8	55.2	52.5	49.8	47.2	44.5	41.9	39.2
	5.0%	2.5	60.4	57.8	55.1	52.5	49.8	47.1	44.5	41.8	39.2
	0.0%	2.4	60.4	57.8	55.1	52.4	49.8	47.1	44.5	41.8	39.1
	-5.0%	2.3	60.4	57.7	55.1	52.4	49.7	47.1	44.4	41.8	39.1
	-10.0%	2.2	60.3	57.7	55.0	52.4	49.7	47.0	44.4	41.7	39.1
	-15.0%	2.1	60.3	57.7	55.0	52.3	49.7	47.0	44.4	41.7	39.0
	-20.0%	1.9	60.3	57.6	55.0	52.3	49.6	47.0	44.3	41.7	39.0

### Sensitivity Analysis - TEVps (vs) Variation in Materials & Resources vs. Digital

Variation (% & In €m) - Digital	Variation (% & In €m) - Materials & Resources										
	+/- 5.0%	TEVps	20.0%	15.0%	10.0%	5.0%	0.0%	-5.0%	-10.0%	-15.0%	-20.0%
		49.8	5.2	4.9	4.7	4.5	4.3	4.1	3.9	3.7	3.4
	20.0%	2.9	50.1	50.1	50.0	50.0	49.9	49.8	49.8	49.7	49.7
	15.0%	2.8	50.1	50.0	50.0	49.9	49.9	49.8	49.8	49.7	49.6
	10.0%	2.7	50.1	50.0	50.0	49.9	49.8	49.8	49.7	49.7	49.6
	5.0%	2.5	50.0	50.0	49.9	49.9	49.8	49.7	49.7	49.6	49.6
	0.0%	2.4	50.0	49.9	49.9	49.8	49.8	49.7	49.7	49.6	49.5
	-5.0%	2.3	50.0	49.9	49.9	49.8	49.7	49.7	49.6	49.6	49.5
	-10.0%	2.2	49.9	49.9	49.8	49.8	49.7	49.6	49.6	49.5	49.5
	-15.0%	2.1	49.9	49.8	49.8	49.7	49.7	49.6	49.6	49.5	49.4
	-20.0%	1.9	49.9	49.8	49.8	49.7	49.6	49.6	49.5	49.5	49.4

Source: Texaf; KBC Securities; Data as of 31<sup>st</sup> October 2023

## 7.0. FINANCIAL DATA

Income Statement (€)	2019A	2020A	2021A	2022A
Sales & operating income	23.2	23.3	24.8	29.5
Profit/loss from operating activities	7.9	8.0	8.1	8.9
Profit/loss before tax	12.8	6.1	7.9	8.6
Net Profit (group share)	10.8	4.6	5.2	8.4

Source: KBC Securities

Balance Sheet (€)	2019A	2020A	2021A	2022A
Cash & equivalents	8.8	7.0	5.9	5.5
Total assets	131.2	128.9	135.2	148.9
Equity attributable to holders of the parent	97.2	99.5	102.6	106.3
Financial debt	4.3	2.0	2.8	11.8
Total liabilities	131.2	128.9	135.2	148.9

Source: KBC Securities

Cash Flow Statement (€)	2019A	2020A	2021A	2022A
Cash flow from operating activities	10.7	8.6	9.6	13.2
Cash flow from investments	(1.0)	(5.8)	(8.9)	(17.4)
Cash flow from financing	(6.5)	(4.6)	(1.8)	3.7
Change in cash & equivalents	3.2	(1.8)	(1.0)	(0.5)

Source: KBC Securities

Per Share Data (€)	2019A	2020A	2021A	2022A
Outstanding shares	3.5	3.6	3.7	3.7
Outstanding shares - diluted	3.5	3.6	3.7	3.7
Basic EPS	3.05	1.27	1.42	2.28
Diluted EPS	3.05	1.27	1.42	2.28
Dividend per share	1.16	1.29	1.43	1.57

Source: KBC Securities

Valuation Data	2019A	2020A	2021A	2022A
Market capitalisation (€m)	131.8	136.9	118.8	123.2
Dividend yield (%)	3.5	3.9	4.3	4.8

Source: KBC Securities

## 8.0. DISCLAIMER & DISCLOSURES

The company disclosures can also be consulted on our website

<https://research.kbcsecurities.com/portal/portal.html#!/disclosures>

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This publication has been finalised and published on Oct 24 2023 before market opening.

KBC Securities uses an absolute rating system including terms such as Buy, Accumulate, Hold, Reduce and Sell (see definitions below).

Stock Rating	Definition	% Of Cov Universe	% IB Client in Last Year
Buy	Expected total return (including dividends) of 10% or more over a 6-month period	47.2	14.8
Accumulate	Expected total return (including dividends) between 0% and 15% over a 6-month period	37.0	8.1
Hold	Expected total return (including dividends) between -5% and 5% over a 6-month period	13.9	7.2
Reduce	Expected total return (including dividends) between -15% and 0% over a 6-month period	0.9	0.0
Sell	Expected total return (including dividends) of -10% or worse over a 6-month period	0.9	111.1

Due to external factors and in exceptional cases, KBC Securities allows the use of ratings such as Accept the Offer, Black Out, No Recommendation or Suspended.

Our analysts assign one of those ratings based on their investment outlook and valuation for the concerned stock. The valuation can be based on different methodologies such as DCF (discounted cash flow), absolute multiples, peer group multiples, sum-of-parts or NAV (Net Asset Value). The valuation is reflected in a 6-month target price. Occasionally, the expected total return may fall outside of these ranges because of price movement and/or volatility. Such deviations will be permitted but will be closely monitored. Investors should carefully read the definitions of all ratings used in each research report. In addition, since the report contains more complete information concerning the analyst's view, investors should carefully read the entire report and not infer its contents from the rating alone. KBC Securities may disclose the drafts of its reports to the issuers before their dissemination for the purpose of verifying the accuracy of factual statements, except when the draft includes a rating or a target price. In case the draft has been amended following this disclosure, such amendments will be indicated in the concerned report.

### Business Description for: Texaf

Texaf is holding company headquartered in Brussels, Belgium - however, all of the company's businesses operate in Congo. Texaf has 3 business divisions namely 'Real Estate', 'Industry', and 'Digital'. The 'Real Estate' division is mainly engaged in developing and renting out residential units and business spaces, the 'Industry' division comprises a sandstone quarry, and the 'Digital' division is currently comprised of investments in Partech Africa Fund I and II.

### Company Specific Disclosures

- A. KBC Group NV holds more than 0.5% in this company
- B. This company owns more than 5.0% of its own shares



- C. Within the last 12 months, KBC Securities NV has been lead manager or co-lead manager of any publicly disclosed offer of financial instruments of this company
- D. Within the last 12 months, KBC Securities NV has provided or is providing investment banking services and/or received compensation or has the promise to get commission for investment banking services for this company
- E. KBC Securities NV makes a market and/or is liquidity provider for this company

Subject Company	Relevant disclosure(s) if any
Texaf	E

**The price target for Texaf is based on the following parameters:**

Texaf's equity story currently hinges on the performance of its 'Real Estate' division (95.0%+ of total portfolio) which currently is engaged in renting residential/office spaces in DRC. Texaf's high-quality residential/office space rental offering in Kinshasa is among only a hand-few and will continue to be in high demand with the expat community, government institutions and corporates, and international organisations looking for secure, modern, and high-quality accommodations/offices with access to several amenities. Also, Texaf's rental income is highly stable (80.0%+ coming from local/international organisations and corporates) and occupancy has averaged 97.0%+ over the last 5-year period. The sandstone quarry should benefit from the steady development of the DRC and opportunistic exploitation of fluctuations in prices. Added to this, the 'Digital' division has immense growth potential over the LT as Texaf has partnered with Partech (PE and VC firm) by committing capital - this opens up opportunities to co-invest in potential future African unicorns.

**The risks which may impede the achievement of our price target for Texaf are:**

- 1) Texaf's land bank has become the target of land grabbers (local politicians & elites) who might try to prevent development on the land.
- 2) Texaf might not be able to develop on its land bank due to not being able to find a suitable partner.
- 3) Downward revision of Texaf's real estate portfolio.
- 4) Texaf not being able to sell its undevelopable land or having to sell the land at a steep discount.

Below is an overview of the stock ratings and target price history in the last 12 months for the stock(s) described in this report.

Company	Date	Rating	Target Price
Texaf	Oct 31 2023	Buy	45.00

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The company disclosures can be consulted on our website <http://www.kbcsecurities.com/disclosures>

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