RESEARCH REPORT

EQUITY

JUNE 2020

Q1

Q2

Q3

Q4

| MOROCCO | QUARTERLY

Listed companies results

THE **FIRST EFFECTS** OF THE **COVID-19**

Attijari Global Research

Report dedicated to informed investors on the MLT stock market investment horizon

EXECUTIVE SUMMARY

Maria IRAQI
Senior Associate
+212 529 03 68 01
m.iraqui@attijari.ma

Omar CHERKAOUI
Associate
+212 522 49 14 82
o.cherkaoui@attijari.ma

The Q1-20 was marked by the worldwide spread of the Covid-19 pandemic. An unprecedented health crisis which has led Morocco, as many countries, to opt for a strict lockdown of population and shutdown of several economic activities.

Despite the fact that lockdown started only by the end of the quarter, i.e. on March 20th 2020, its impacts were nevertheless visible on listed companies both activity and dividend policy.

Upon our analysis of the quarterly listed companies' press releases, we come out with four key messages :

- The stability of the market's aggregate revenues in the Q1-20 conceals a sectoral disparity. The first activities negatively impacted by the Covid-19 are those related to Building Materials and Cement. Conversely, lockdown particularly benefited to Telecoms and Insurance ;
- The market's debt level appears to be under control at the end of March. In fact, 32 companies announced a decrease in their net debt against only 13 which announced an increase ;
- Faced with a climate of uncertainty caused by the health crisis, several listed companies have reviewed their dividend for the FY 2019. As of June 5th 2020, 29 companies lowered or even waived their dividend. In the end, the 2019 dividend stood at MAD 13.6 Bn, down -37.6% compared to 2018 ;
- Local investors are particularly sensitive to the dividend yield offered by the stock market. Listed companies which maintained attractive D/Y levels reported high market performances. However, those which waived the dividend generally show under-performances.

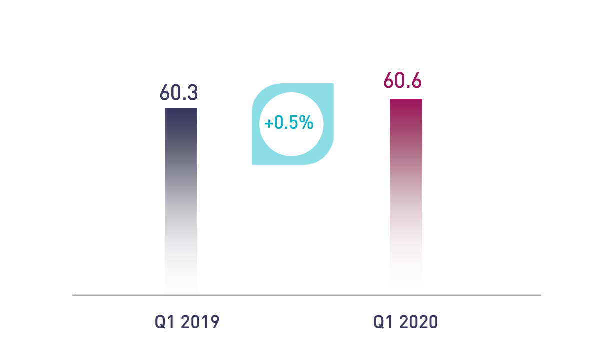
ALMOST-STABLE REVENUES PARTIALLY INTEGRATING COVID-19 EFFECTS

The first quarter was marked by the first effects of the Covid-19 on the Moroccan economy. This is the strict lockdown of the population and the shutdown of several business from March 20th 2020. In Q1-20, listed companies reported aggregated revenues of MAD 60.6 Bn, showing a slight increase of 0.5%.

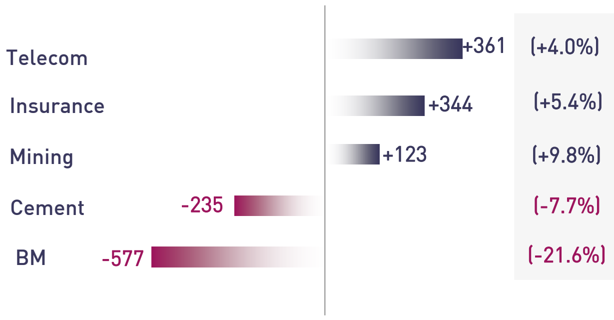
The analysis of these quarterly results reveals two disparate trends :

- Telecom, Insurance and Mining sectors are the main contributors to the increase in market's revenues through significant variations of MAD +361 Mn, MAD +344 Mn and MAD +123 Mn respectively ;
- Building Materials and Cement sectors contributed negatively to the evolution of market's revenues, posting significant declines of MAD -577 Mn and MAD -235 Mn respectively.

MARKET : QUARTERLY EVOLUTION OF REVENUES (MAD BN)



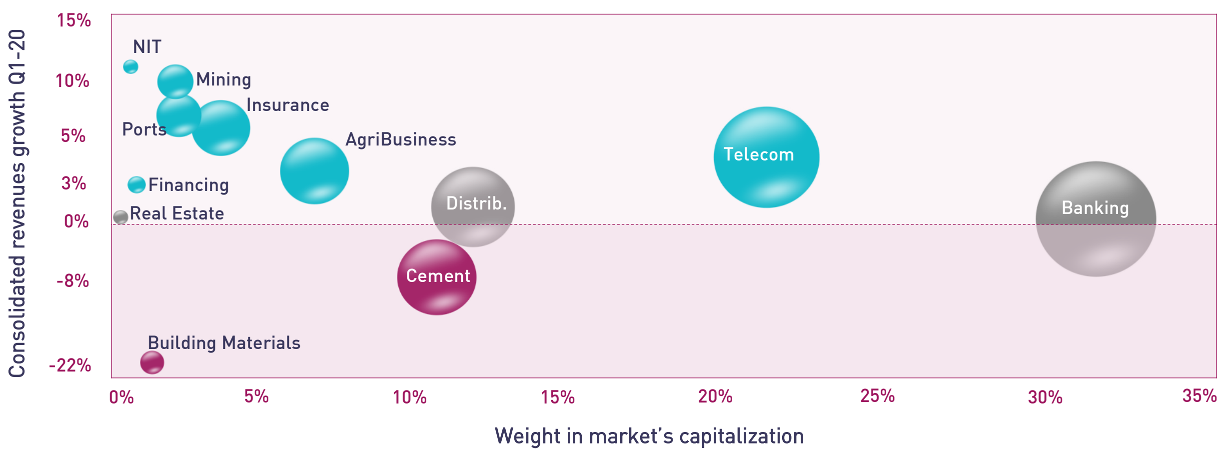
MARKET : CONTRIBUTION TO REVENUES GROWTH (MAD MN)



Taking into account the market's capitalization of listed sectors, we note the following observations:

- 7 listed sectors, representing 42% of the market's capitalization, reported positive revenues growth during Q1-20. These are the Telecom (+4.0%), Agribusiness (+2.7%), Insurance (+5.4%), Ports (+5.9%), Mining (+9.8%), Financing Companies (+2.5%) and NIT (+10.7%) ;
- 3 listed sectors, representing 45% of the market's capitalization, maintain an almost-stable revenues level compared to Q1-19. We note Banking (+0.0%), Distribution (+0.2%) and Real Estate (+0.5%) ;
- 2 listed sectors, representing 12% of the market's capitalization, experienced significant revenues declines. These are Building Materials and Cement, whose revenues fell by -21.6% and -7.7% respectively.

EQUITY MARKET : GROWTH IN MAJOR LISTED SECTORS (%) VS. WEIGHT IN MARKET'S CAPITALIZATION



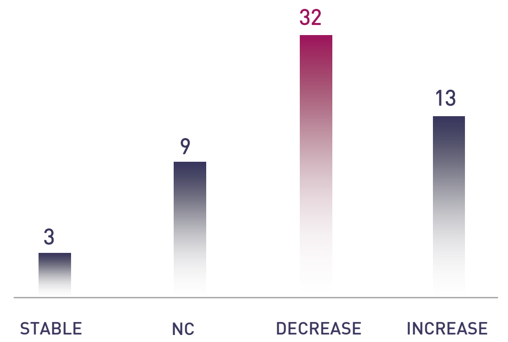
Sources : Press release of Listed Companies, Casablanca Stock Exchange, AGR Computations

A PRUDENT DEBT POLICY WITHIN A CONTEXT OF UNCERTAINTY

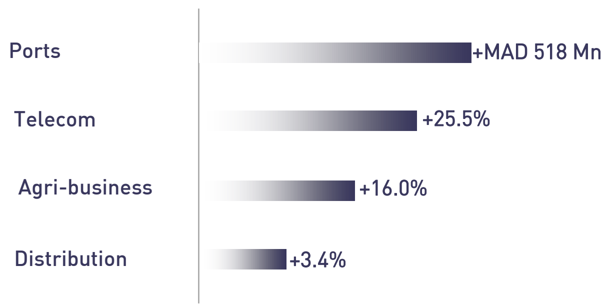
The communication of listed companies with regard to their debt policy reveals a certain prudence in a context marked by a lack of visibility. With the exception of Banking, Insurance and Financing Companies, the main trends of Q1-20 are as follows :

- Regarding the debt level evolution, 32 companies reported a "decrease", 13 companies announced an "increase" and 3 published a "stable" debt level. In addition, 9 issuers did not comment on their debt situation ;
- Regarding the most significant variations, we note the port sector represented by Marsa Maroc whose net debt increased from MAD -285 Mn in Q1-19 to MAD 233 Mn in Q1-20. At the same time, the Telecom and Agribusiness sectors displayed increases of +25.5% and +16.0% respectively during the same period.

DEBT : LISTED COMPANIES RELEASE IN Q1-20



NET DEBT : SECTORAL EVOLUTION IN Q1-20



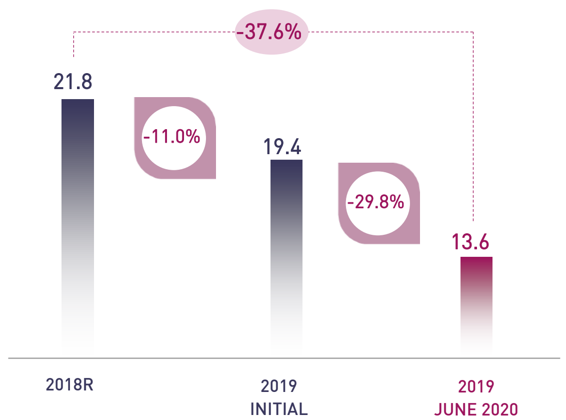
A RECONSIDERATION OF 2019 DIVIDEND

Faced with a climate of uncertainty due to the health crisis, several companies reviewed their 2019 dividend announced in in March 2020. Some companies waived dividends by allocating their profits to retained earnings or optional reserves. Others reduced their dividends. Note that CIMAR made the exception by offering an additional extraordinary dividend of MAD 15.

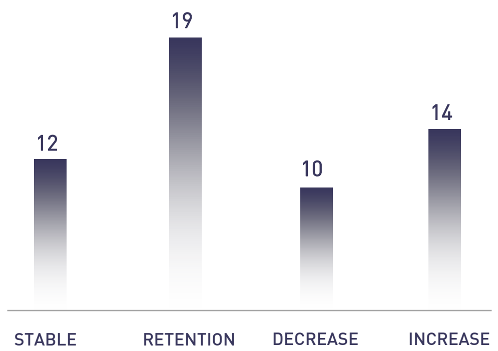
The cumulative amount of 2019 dividends "post-revision" amounted to MAD 13.6 Bn against MAD 19.4 Bn initially announced, i.e. a significant decrease of MAD 5.8 Bn. Compared to 2018, the stock market's dividends fell by -37.6% as of June 5th 2020.

Finally, the policy dividend adopted by listed companies appear to be disparate. In more details, 10 companies lowered their dividend, 12 companies maintained a stable DPS and 19 companies gave up all distribution. Conversely, 14 companies increased their 2019 dividends compared to the previous year.

MARKET : EVOLUTION OF THE REPORTED DIVIDENDS (MAD BN)



LISTED COMPANIES : DECISION TAKEN REGARDING THE DPS



Sources : Press release of Listed Companies, AGR Computations

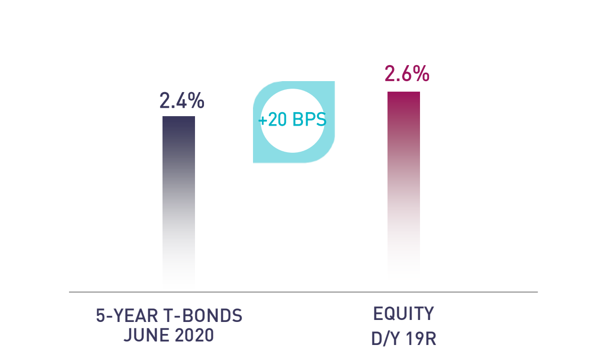
LOWER DIVIDEND YIELDS, BUT STILL HIGHER THAN THE 5 YEAR T-BONDS

Given the recent revision of listed companies' 2019 dividend, the stock market D/Y stands at 2.6% against an average of 4.0% observed during the last three years. Note that this return level is 20 BPS higher than that of 5-year T-Bonds which currently settles at 2.4%. The decrease in the D/Y stock market is partially justified by the waived dividend of Banking groups in accordance with the Central Bank of Morocco recommendation.

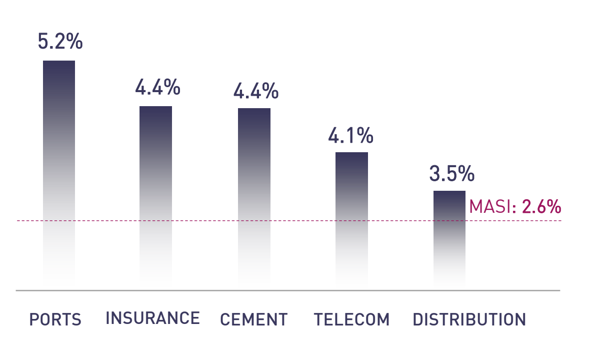
In addition, some sectors still offer attractive D/Y supported by the DPS raise and/or the correction of their stocks' prices:

- **Ports :** a D/Y of 5.2% following the 4.3 % increase of Marsa Maroc DPS to MAD 9.7 ;
- **Insurance :** an average D/Y of 4.4% given the sustainability of the sector's dividend levels ;
- **Cement :** an average D/Y of 4.4% supported by the increase in CIMAR's DPS by 17.6% ;
- **Telecom :** a D/Y of 4.1% despite the -18.9% decrease of Maroc Telecom's DPS to MAD 5.54.

RETURN COMPARISON : EQUITY VS. 5-YEAR T-BONDS



TOP 5 SECTORS OFFERING THE BEST D/Y (2019)



STRONG INVESTOR SENSITIVITY TO STOCKS' DIVIDEND YIELD

Following the Covid-19 shock, the MASI index underwent a correction of -26.2% to hit a low of 8,988 pts on March 18th, 2020. Since that date, we witnessed a recovery in the Equity market by +12.6%, bringing it to 10,124 pts on June 5th, 2020. According to our analysis, investors were particularly sensitive to stocks dividend yield and secondly, to the quality of the Q1-20 achievements.

The most significant stock market performances (based on volumes) were observed essentially on the side of stocks offering high D/Y, then thereafter at the level of companies which published positive results in Q1-20. Conversely, stocks which waived dividends have been penalized on the stock market, such as the financial companies.

MOROCCAN STOCK MARKET : TOP-5 PERFORMANCES

PERFORMANCE*		REV. Q1-20	D/Y 19R
+34.9%	Marsa Maroc	+5.9%	5.2%
+26.1%	Cosumar	+8.7%	0.0%
+24.0%	CIMAR	-9.8%	6.5%
+19.8%	Label Vie	+26.3%	1.9%
+19.6%	IAM	+4.0%	4.1%

*Performance calculated over the period from March 18th to June 05th 2020

MOROCCAN STOCK MARKET : TOP-5 UNDERPERFORMANCES

PERFORMANCE*		REV. Q1-20	D/Y 19R
-13.5%	Eqdom	+0.8%	0.0%
-8.0%	CDM	+3.7%	4.1%
-2.4%	BMCI	+0.5%	0.0%
-0.5%	ATW bank	+1.5%	0.0%
-0.1%	BOA	-6.6%	3.6%**

** Based on the General Meeting press release of May 22nd 2020

Sources : Press release of Listed Companies, Casablanca Stock Exchange, AGR Computations

ATTIJARI GLOBAL RESEARCH

HEAD OF STRATEGY
Taha Jaidi
+212 5 29 03 68 23
t.jaidi@attijari.ma
Casablanca

SENIOR ASSOCIATE
Lamyae Oudghiri
+212 5 29 03 68 18
l.oudghiri@attijari.ma
Casablanca

ASSOCIATE
Mahat Zerhouni
+212 5 29 03 68 16
m.zerhouni@attijari.ma
Casablanca

ASSOCIATE
Omar Cherkaoui
+212 5 22 49 14 82
o.cherkaoui@attijari.ma
Casablanca

INVESTOR RELATIONS ANALYST
Nisrine Jamali
+212 5 22 49 14 82
n.jamali@attijari.ma
Casablanca

CHIEF ECONOMIST
Abdelaziz Lahlou
+212 5 29 03 68 37
ab.lahlou@attijari.ma
Casablanca

SENIOR ASSOCIATE
Maria Iraqi
+212 5 29 03 68 01
m.iraqi@attijari.ma
Casablanca

ASSOCIATE
Meryeme Hadi
+212 5 22 49 14 82
m.hadi@attijari.ma
Casablanca

FINACIAL ANALYST
Asmae Lamich
+212 5 29 03 68 19
a.lamich@attijari.ma
Casablanca

SENIOR ANALYST
Inès Khouaja
+216 31 34 13 10
khouaja.ines@attijaribourse.com.tn
Tunis

FINANCIAL ANALYST
Josiane Ouakam
+237 233 43 14 46
j.ouakam@attijarisecurities.com
Douala

FINANCIAL ANALYST
Jean-Jacques Birba
+225 20 21 98 26
jean-jacques.birba@sib.ci
Abidjan

Equity

BROKERAGE - MOROCCO

Abdellah Alaoui
+212 5 29 03 68 27
a.alaoui@attijari.ma

Rachid Zakaria
+212 5 29 03 68 48
r.zakaria@attijari.ma

Anis Hares
+212 5 29 03 68 34
a.hares@attijari.ma

Kaoutar Sbiyaa
+212 5 29 03 68 21
k.sbiyaa@attijari.ma

Alae Yahya
+212 5 29 03 68 15
a.yahya@attijari.ma

ONLINE TRADING - MOROCCO

Nawfal Drari
+212 5 22 49 59 57
n.drari@wafabourse.com

Sofia Mohcine
+212 5 22 49 59 52
s.mohcine@wafabourse.com

WAEMU - CÔTE D'IVOIRE

Mohamed Lemridi
+225 07 80 68 68
mohamed.lemridi@sib.ci

BROKERAGE - TUNISIA

Abdelkader Trad
+216 71 10 89 00
trad.@attijaribank.com.tn

CEMAC - CAMEROUN

Yves Ntchoumou
+237 2 33 43 14 46
n.ntchoumou@attijarisecurities.com

Bonds / Forex / Commodities

MOROCCO

Mehdi Mabkhout
+212 5 22 42 87 22
m.mabkhout@attijariwafa.com

Mohammed Hassoun Filali
+212 5 22 42 87 09
m.hassounfilali@attijariwafa.com

Btissam Dakkouni
+212 5 22 42 87 74
b.dakkouni@attijariwafa.com

Dalal Tahoune
+212 5 22 42 87 07
d.tahoune@attijariwafa.com

EGYPT

Ahmed Darwich
+202 27 97 04 80
ahmed.darwich@barclays.com

TUNISIA

Abdelkader Trad
+216 71 80 29 22
trad.abdelkader@attijaribank.com.tn

MIDDLE EAST - DUBAÏ

Serge Bahaderian
+971 0 43 77 03 00
sbahaderian@attijari-me.com

WAEMU - CÔTE D'IVOIRE

Abid Halim
+225 20 20 01 55
abid.halim@sib.ci

CEMAC - GABON

Youssef Hansali
+241 01 77 72 42
youssef.hansali@ugb-banque.com

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Attijari
Global Research