

RESEARCH REPORT

EQUITY

SEPTEMBER
2020

Q1

Q2 | MAROC | QUARTERLY Listed companies results

Q3

Q4

A LOCKDOWN EFFECT WIDELY CONSUMED

03 | Revenue sharply down in Q2-20, suffering from lockdown's effect

04 | Banks continue to support the recovery..., at the expense of risk

05 | Investors seem to look beyond the Covid-19 crisis



Attijari
Global Research

Report for institutional use

EXECUTIVE SUMMARY

The release of listed companies' operational achievements in the 2nd quarter of 2020 is a long-awaited deadline by investors. Two main reasons would justify this interest. On the one hand, to be able to assess the resilience level of the various listed sectors in a context where strict lockdown measures marked almost entirely this 2nd quarter (from March 20th to June 20th 2020). On the other hand, collect any comments from Top Management regarding their vision for the whole year 2020.

At the end of August 2020, 69 listed companies out of a total of 73 released their Q2-20 revenue, representing 99% in the total market capitalization.

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

- After showing an almost stagnation in Q1-20, the market's revenue fell by -10.5% during this 2nd quarter, penalized by a lockdown effect which lasted over 80 days. As expected, the Real Estate, Tourism, Distribution and Cement sectors are by far the most affected ;
- The listed banking sector is continuing its efforts to support the economic recovery, through a sustained increase in customer loans of 5.4% at the end of the first half of 2020. In light of the unprecedented health crisis context, this situation weighs significantly on banks' cost of risk which has more than doubled over the same period ;
- When analyzing the evolution of the stock market, we believe that investors are now looking beyond the health crisis. In fact, investors are making bets on the recovery in 2021 regarding many listed sectors. In this context, the MASI index erased nearly 60% of its correction induced by the Covid-19 crisis ;
- Our investment themes outlined in our strategic report published in April 2020 ([Cf. Covid-19 : glimmers of hope at the end of the tunnel](#)) now present attractive opportunities on the stock market. These include "*precious metals*", "*digitalization*", "*agribusiness*" and "*modern distribution*".

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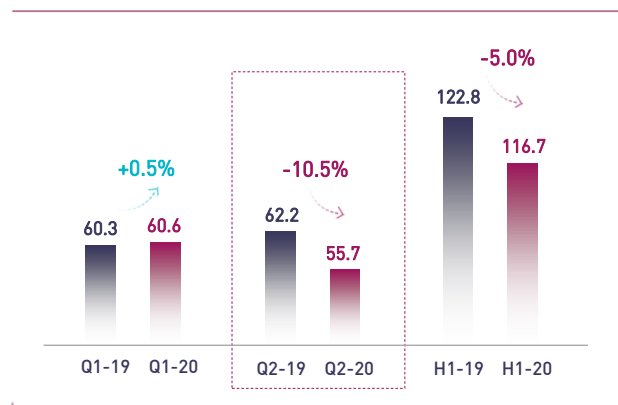
REVENUE SHARPLY DOWN IN Q2-20, SUFFERING FROM LOCKDOWN'S EFFECT

After a slight increase of 0.5% in Q1-20, the aggregate revenue of listed companies at the end of the 2nd quarter stood at MAD 55.7 Bn, down -10.5%. In more detail, 54 listed companies reported declining revenue in Q2-20 against 36 in the previous quarter. This under-performance is explained by the fact that this 2nd quarter was marked by a longer duration of the rigorous lockdown due the pandemic, going from March 20th to June 20th 2020.

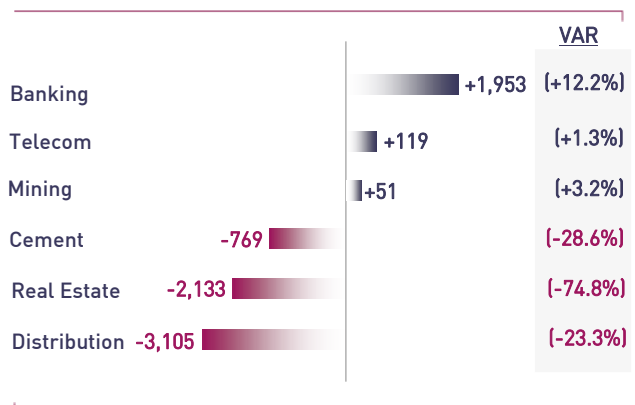
When analyzing the listed sectors' evolution activity in Q2-20, two main trends emerge :

- The Distribution, Real Estate and Cement sectors were strongly panelized by the lockdown's effects . To that end, their quarterly revenue fell by MAD -3,105 Mn, MAD -2,133 Mn and MAD -769 Mn respectively ;
- Conversely, the Banking, Telecoms and Mining sectors demonstrated resilience. The latter reported an increase in revenue of MAD +1.953 Mn, MAD +119 Mn and MAD +51 Mn respectively.

MARKET: REVENUE EVOLUTION (MAD BN)



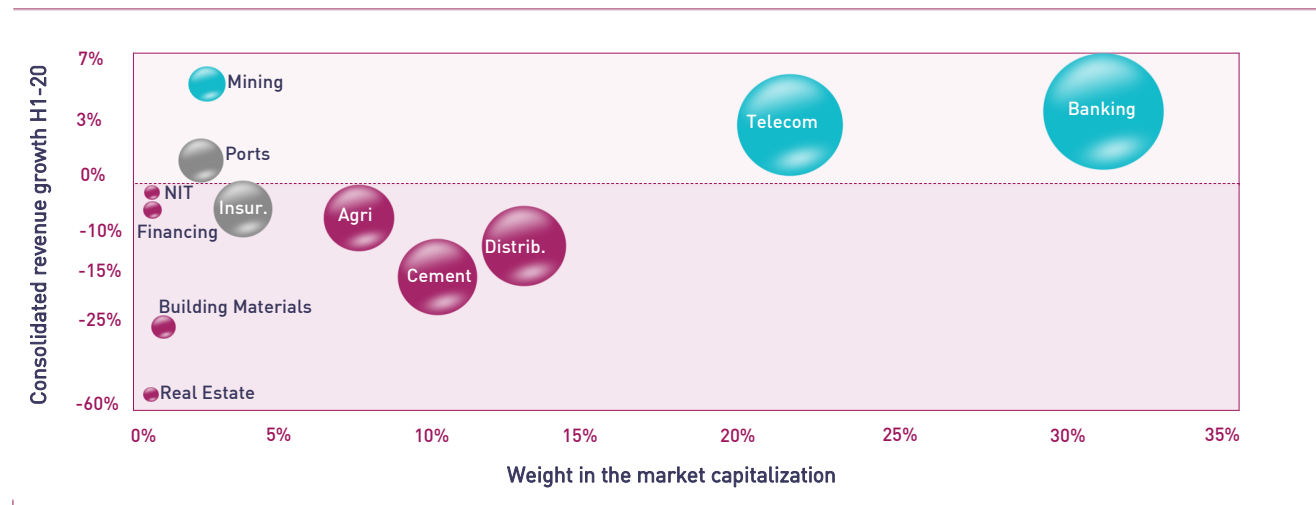
MARKET: CONTRIBUTION TO Q2 REVENUE EVOLUTION (MAD MN)



Under these conditions, the market's mid-term revenue shows a significant drop of -5.0% to MAD 116.7 Bn. Taking into account the market's capitalization of listed sectors, we note the following observations :

- 7 listed sectors, representing 32% of the market capitalization, reported significant revenue declines during H1-20. These are Real Estate (-57.7%), Building Materials (-24.5%), Cement (-17.2%), Distribution (-11.8%), Financing companies (-7.6%), Agribusiness (-1.0%) and NIT (-1.0%) ;
- 2 listed sectors, contributing up to 7% in the market capitalization, recorded almost-stable revenue, namely: Insurance (-0.2%) and the port sector (+ 0.5%) ;
- 3 listed sectors, representing 58% of the market capitalization, posted positive revenue growth. These include Banking, Mining and Telecom whose revenue increased by + 6.5%, + 6.1% and + 2.7% respectively.

EQUITY MARKET : GROWTH IN MAJOR LISTED SECTORS IN H1-20 (%) VS. WEIGHT IN MARKET CAPITALIZATION



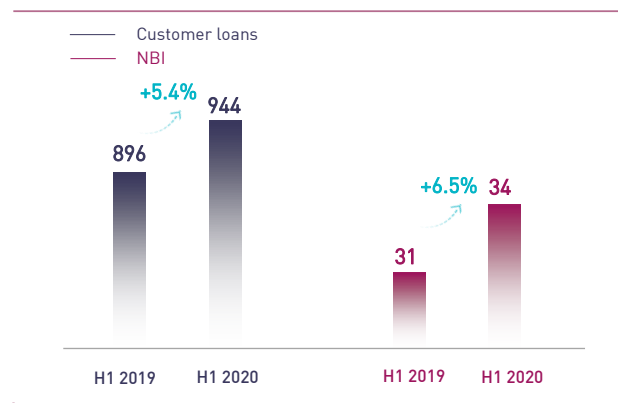
Sources : Press release of listed companies, Casablanca Stock Exchange, AGR Computations

BANKS CONTINUE TO SUPPORT THE RECOVERY..., AT THE EXPENSE OF RISK

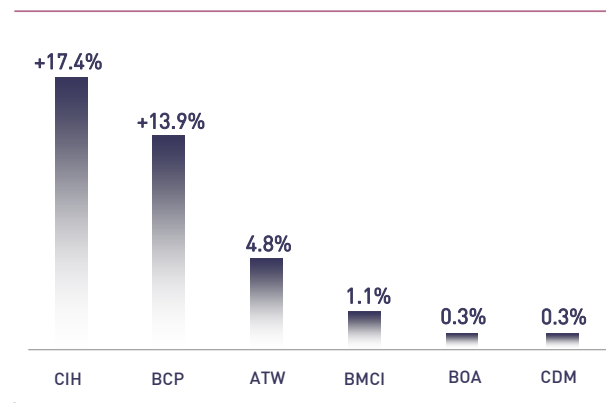
Faced with the heavy repercussions of the Covid-19 pandemic, it is comforting to note that the banking sector continues to play an active role in funding the Moroccan economy. According to listed banks' press releases related to Q2-20, we note a mid-term increase in customer loans of + 5.4%, driven by treasury and equipment loans. This a growth level of 170 BPS compared to the average observed during the period 2015-2019, i.e. 3.7%.

Furthermore, the mid-term evolution in listed banks' NBI was supported partially by the good performance of market-related activities. The latter benefited from the technical appreciation of the banks' bond portfolio as a result of the decrease in the central bank's key rate by 50 BPS to 1.5% in June 2020.

LISTED BANKS : CUSTOMER LOANS VS. NBI (MAD BN)



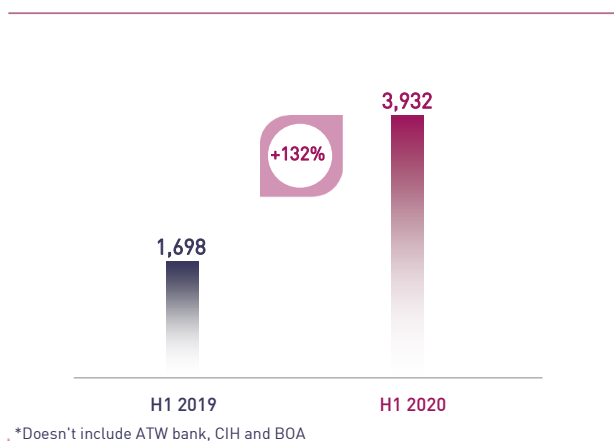
LISTED BANKS : NBI GROWTH IN H1-20



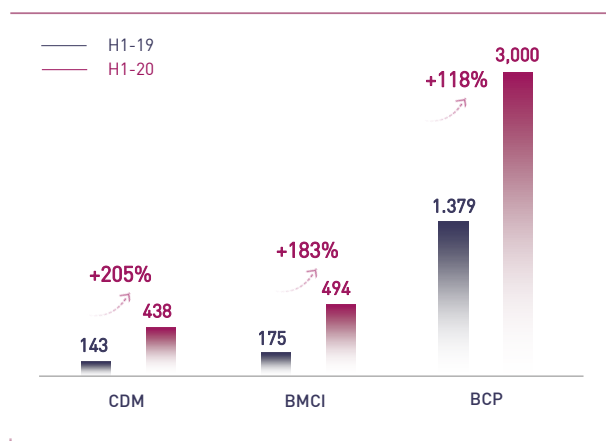
The continuous growth of the loan activity within an unprecedented health crisis context is significantly reflected in the risk expectations related to loans. Taking into account the listed banks which released the cost of risk in Q2-2020, we note an increase of 132% in H1-20.

This significant increase in the cost of risk during 2020 is justified by the lack of visibility regarding the resumption process of the various sectors, in a context where banks' Management opt for conservative provisioning rules.

GROWTH OF THE OVERALL COST OF RISK * (MAD MN)



LISTED BANKS : COST OF RISK (MAD MN) H1-20 VS. H1-19



Sources : Press release of listed companies, AGR Computations

INVESTORS SEEM TO LOOK BEYOND THE COVID-19 CRISIS

Our analysis of the stock market since the beginning of 2020, leads us to conclude that investors are now projecting themselves post-health crisis, after the Covid-19 effect has been largely consumed :

- **January-February** : during the first two months of 2020, the MASI index remained above 12,000 pts, mainly benefiting from a lasting context of low rates in Morocco ;
- **March-April** : during this period, the market experienced the strongest correction in its history, equivalent to -26.7% in only 12 trading sessions ([Cf. A global panic..., an inflated decline of Equities in Morocco](#)). At the origin of this sharp drop : (1) the lack of visibility as to the scope of the health crisis repercussions on the Moroccan economy, (2) the constitution of significant capital gains among investors favoring a movement of profit taking and finally, (3) the waiver of dividends from sectors impacted by this crisis ;
- **May-August** : during this phase, the MASI index recovered nearly 60% of its correction recorded during the previous period. It bounces back above 10,400 pts compared to a low of 8,988 pts. Investors' expectations for the gradual recovery of several listed sectors from 2021 supported this catch-up effect.

MASI INDEX EVOLUTION SINCE THE BEGINNING OF 2020 (PTS)



Not surprisingly, companies operating within the Real Estate, Tourism and Cement sectors suffered tremendously from the impact of the rigorous lockdown on their businesses. Their stocks have undergone significant corrections in line with the deterioration in their achievements.

Conversely, we note an evident investor interest in sectors showing better resilience of their activities, namely Precious Metals, Digitalization, Agribusiness and Modern Distribution. These correspond to our investment themes illustrated in our strategic report released in April 2020 ([Cf. Covid-19 : glimmers of hope at the end of the tunnel](#)).

RETURN OF AGR INVESTMENT THEMATICS

RETURN ⁽¹⁾	REV. Q2-20	REV. H1-20
+55.7%	+4.4%	+3.8%
+35.6%	-0.4%	+3.8%
+29.6%	+1.3%	+2.7%
+25.9%	+4.0%	+14.9%
+10.7%	+16.6%	+6.4%

[1] Computed since the Covid-19 crisis, from Sept 2nd to March 18th [Perf.+DPS]

EQUITY : TOP-5 SIGNIFICANT UNDERPERFORMANCES

CUMUL PERF ⁽²⁾	REV. Q2-20	REV. H1-20
-55.3%	-24.6%	-23.7%
-48.8%	-87.4%	-53.5%
-48.2%	-62.7%	-36.6%
-44.4%	-94.0%	-79.2%
-24.3%	-31.3%	-18.2%

[2] Cumulative performance computed since the beginning of 2020

Sources : Press release of listed companies, Casablanca Stock Exchange, AGR Computations



QUARTERLY RESULTS

	In MAD Mn	Revenue/NBI			Revenue/NBI			Revenue/NBI		
		Q1-20	Q1-19	Change	Q2-20	Q2-19	Change	H1-20	H1-19	Change
Agri-business	Maroc Telecom	9 309	8 948	4,0%	9 014	8 895	1,3%	18 323	17 844	2,7%
	SBM	568	580	-2,1%	310	402	-22,9%	877	981	-10,6%
	Cosumar	2 052	1 888	8,7%	2 208	2 216	-0,4%	4 260	4 104	3,8%
	Lesieur Cristal	977	1 009	-3,2%	1 089	934	16,6%	2 067	1 943	6,4%
	Oulmes	358	339	5,8%	258	424	-39,3%	616	763	-19,2%
	Unimer	227	290	-21,7%	280	374	-25,1%	507	664	-23,7%
Banks	Dari Couspate	177	141	25,6%	152	145	4,9%	329	286	15,1%
	Attijariwafa bank	6 041	5 952	1,5%	6 300	5 825	8,2%	12 341	11 777	4,8%
	BOA	3 122	3 342	-6,6%	3 800	3 637	4,5%	7 000	6 979	0,3%
	BMCI	782	778	0,5%	772	758	1,8%	1 554	1 536	1,1%
	BCP	4 252	4 221	0,7%	5 755	4 565	26,1%	10 007	8 786	13,9%
	Crédit du Maroc	623	600	3,7%	576	595	-3,2%	1 199	1 196	0,3%
Insurance	CIH Bank	666	588	13,3%	737	607	21,4%	1 403	1 195	17,4%
	Wafa Assurance	2 970	2 685	10,6%	1 727	1 973	-12,5%	4 697	4 658	0,8%
	Atlanta	1 857	1 669	11,3%	1 031	1 073	-3,9%	2 888	2 741	5,4%
	AFMA	62	61	3,0%	52	51	1,2%	114	112	2,2%
	Agma	26	31	-16,8%	43	39	8,7%	68	70	-2,4%
	Saham Assurance	1 755	1 881	-6,7%	1 115	1 192	-6,5%	2 870	3 073	-6,6%
Building Materials	Sonasid	632	955	-33,8%	572	859	-33,4%	1 204	1 814	-33,6%
	Delta Holding	535	624	-14,3%	599	728	-17,7%	1 134	1 352	-16,1%
	SNEP	220	249	-11,3%	183	226	-18,9%	404	475	-15,0%
	Jet Contractors	230	322	-28,5%	434	500	-13,3%	664	822	-19,2%
	Aluminium du Maroc	174	212	-17,7%	130	226	-42,3%	304	437	-30,4%
	Colorado	82	92	-11,3%	94	154	-39,0%	176	246	-28,6%
Cement	Ciments du Maroc	869	963	-9,8%	671	870	-22,9%	1 746	2 059	-15,2%
	Lafarge Holcim Maroc	1 933	2 074	-6,8%	1 252	1 822	-31,3%	3 185	3 896	-18,2%
	Adhoha	318	304	4,6%	102	1 713	-94,0%	420	2 017	-79,2%
RE	Alliances	431	419	2,9%	237	635	-62,7%	668	1 054	-36,6%
	RDS	90	112	-19,6%	380	504	-24,6%	470	616	-23,7%
	Total Maroc	2 949	2 807	5,1%	1 484	3 227	-54,0%	4 433	6 033	-26,5%
Distribution	Taqa Morocco	1 883	2 375	-20,7%	2 133	2 137	-0,2%	4 016	4 512	-11,0%
	Label Vie	2 890	2 288	26,3%	2 491	2 395	4,0%	5 381	4 683	14,9%
	Afriquia Gaz	1 739	1 597	8,9%	1 219	1 850	-34,1%	2 959	3 447	-14,2%
	Auto Hall	777	1 020	-23,8%	468	1 096	-57,3%	1 245	2 116	-41,2%
	Mutandis	333	315	5,7%	350	368	-4,9%	683	684	-0,1%
	Lydec	1 684	1 739	-3,2%	1 697	1 854	-8,5%	3 382	3 592	-5,8%
	Auto Nejma	461	550	-16,2%	380	400	-5,0%	841	950	-11,5%
	Marsa Maroc	772	729	5,9%	682	718	-5,0%	1 454	1 447	0,5%
	Managem	1 107	959	15,4%	1 271	1 201	5,8%	2 378	2 160	10,1%
	CMT	88	118	-25,4%	102	132	-22,7%	190	251	-24,3%
NIT	SMI	179	174	2,9%	261	250	4,4%	440	424	3,8%
	HPS	153	131	16,9%	201	219	-8,1%	354	350	1,3%
	Disway	470	431	9,0%	355	370	-4,1%	826	799	3,4%
	Microdata	219	177	23,8%	200	235	-14,7%	419	411	1,8%
	M2M Group	28	45	-37,8%	6	44	-86,4%	34	89	-61,8%
	S2M	49	46	6,3%	58	63	-8,1%	107	109	-1,9%
Financing	Involys	6	5	21,2%	13	13	-2,3%	19	18	4,4%
	Eqdom	129	128	0,8%	127	150	-15,3%	256	278	-7,9%
	Maghrebail	942	905	4,2%	754	887	-15,0%	1 695	1 791	-5,4%
	Maroc Leasing	66	70	-6,1%	57	81	-29,5%	123	151	-18,7%
	Salafin	100	105	-4,0%	83	117	-29,4%	183	221	-17,4%
	Risma	283	354	-20,1%	42	333	-87,4%	326	701	-53,5%
	Sothema	506	409	23,7%	334	432	-22,6%	840	841	-0,1%
	Promopharm	140	112	24,9%	103	123	-16,6%	243	235	3,2%
	CTM	138	146	-5,5%	36	153	-76,5%	174	299	-41,8%
	Timar	122	124	-1,8%	80	133	-39,7%	202	256	-21,1%
Others	Maghreb Oxygene	62	60	3,9%	49	60	-18,4%	111	119	-7,3%
	Nexans Maroc	499	504	-1,0%	388	456	-14,9%	886	960	-7,6%
	Immorent Invest	16	8	95,2%	13	10	36,7%	30	18	64,4%
	Ennaki Automobilies	242	260	-7,1%	232	377	-38,4%	474	637	-25,6%
	Afric Industries	10	12	-15,1%	7	10	-33,9%	17	22	-23,6%
	Med Paper	16	18	-11,4%	7	20	-65,2%	23	38	-40,1%
	Fenie Brossette	114	140	-18,6%	66	146	-54,8%	180	286	-37,1%
	DLM	102	72	41,7%	10	107	-90,2%	113	179	-37,1%
	IB Maroc.com	3	3	-8,1%	3	14	-77,6%	6	17	-63,9%
	Stokvis Nord Afrique	55	77	-28,7%	52	103	-49,5%	107	180	-40,6%
Balima	11	12	-2,6%	12	12	-1,1%	23	23	-1,4%	
Zellidja	0,03	0,07	-66,0%	0,03	0,10	-75,2%	0,05	0,17	-71,3%	
Rebab Company	0,01	0,02	-52,2%	0,01	0,02	-47,8%	0,02	0,05	-48,9%	

Sources : Press release of listed companies, AGR Computations

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