

### HOLD

Initial Opinion	HOLD
Release Date	09/20/2019
Initial Target Price	MAD 202

### COSUMAR

Sector	AGRIBUSINESS
Reuters	CSR.CS
Bloomberg	CSR MC

### MAD 202

Current Price	MAD 191
Upside	+6%
Investment Horizon	12 Months

## A POSITIVE SIGNAL TOWARDS THE SUSTAINABILITY OF THE DIVIDEND

### Reassuring achievements, in line with our initial scenario

In H1-20, Cosumar posted an increase in its consolidated revenue of +3.8% to MAD 4,260 Mn within a challenging economic context marked by the Covid-19 health crisis. However, the lockdown's repercussions on national sugar consumption during Q2-20 were neutralized by the ramp-up of export activity during the first-half of 2020.

EBITDA remained almost stable at MAD 912 Mn in H1-20. Beyond the "export" effect, this profitability's resilience can be explained by the smooth running of the sugar crops. Despite the unfavorable weather conditions, the operator would have benefited from improved yield levels in the various regions except Doukkala.

These achievements are consistent with our initial scenario [\[Cf. Covid-19: Glimmers of hope at the end of the tunnel\]](#). The latter anticipated a strong resilience of Cosumar's activity thanks to the "export" and "crop yield" components.

### The export activity..., a lever strengthening the resilience of FY 2020 results

Exports' volume of white sugar increased by 22.0%, from 257 KT in H1-19 to 313 KT in H1-20. Also, export selling price of white sugar jumped by more than 14.0% over the same period. In 2020, white sugar prices hit a 5-year high of 451 \$/T before falling back to 360 \$/T under the impact of the health crisis. The sugar market volatility was fuelled by Brazil's strategic shift in switching its cane harvest toward sugar at the expense of ethanol following the fall in oil prices.

### Solid fundamentals, justifying the sustainability of the dividend

In 2020, COSUMAR is positioned among the resilient stocks in the Equity market. The stock's high quality is based on the robustness of the Supply/Demand component, the low disruptions in the logistics chain and finally, the room for development of the export activity.

Pending the start-up of the new "Durrah" refinery in Saudi Arabia as well as additional communication from Management, we have kept our growth forecasts broadly stable for 2020E. This represents revenue growth of 3.0% combined with a slight increase in EBITDA of 0.3% and a decline in recurring NIGS of -5.1%. In addition, the Group would be able to preserve its payout policy through a target DPS of MAD 7.0 equivalent to a D/Y of 3.7% for the FY 2020.

### COSUMAR: H1-2020 ACHIEVEMENTS VS. AGR 2020E FORECASTS

EN MDH	H1-2019	H1-2020	CHANGE	2020E	CHANGE 19/20E
Consolidated Revenue	4.104	4.260	+3,8%	8.458	3,0%
EBITDA	927	912	-1,6%	1.886	0,3%
EBITDA Margin	22,6%	21,4%	-1,2 pts	22,3%	-0,6 pt
Recurring NIGS <sup>(1)</sup>	407	367	-9,8%	877	-5,1%
Net Margin	9,9%	8,6%	-1,3 pts	10,4%	-0,9 pt
DPS	-	-	-	7,0	-
D/Y	-	-	-	3,7%	-

\* Excluding the contribution of MAD 100 Mn to the Covid-19 fund

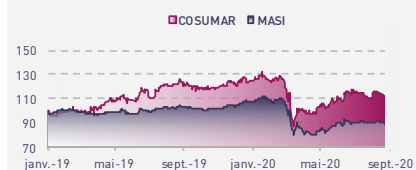
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### STOCK EVOLUTION (BASIS 100)



### MARKET INDICATORS

Performances (%)	1 M	3 M	12 M
COSUMAR	-3.9	1.0	-7.6
MASI	-2.0	0.2	13.1

ADV (MAD Mn)	1 M	3 M	12 M
COSUMAR	5.9	8.2	8.8
MASI	57	80	142

Capitalization	As at 09/17/2020
In MAD Mn	18,047
In \$ Mn	1,992

Prices at 09/17/2020

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