

HOLD

Initial Opinion	HOLD
Release Date	05/28/2020
Initial Target Price	MAD 910

TAQA MOROCCO

Sector	ENERGY
Reuters	TQM.CS
Bloomberg	TQM MC

MAD 910

Current Price	MAD 875
Potential	+4%
Investment Horizon	12 Months

A CATCH-UP EFFECT OF RESULTS IN Q2-20

An expected recovery in activity after a Q1-20 below expectations

In our report released on May 28th 2020 [Cf. [TAQA Morocco - Q1 2020 results](#)], we forecasted an upturn in TAQA Morocco's activity starting from Q2-20 following the catch-up effect of the availability rate of Units 1 to 6. Indeed, the Group stabilized its revenue in Q2-20 at MAD 2,133 Mn, after an exceptional decline in activity of -20.7% in Q1-20. In this context, the operator's revenue show a limited drop of -11.0% in H1-20 to MAD 4,016 Mn.

In terms of profitability, the operator's NIGS stood at MAD 428 Mn, down -15,6%. This takes into account on the one hand the major revision of Unit 5 and on the other hand a stable financial income at MAD -258 Mn. Recall that the Group drew down a debt in order to finance the additional right of possession of MAD 1.5 Bn related to the extension of the Supply of Electrical Energy for Units 1 to 4 with ONEE. In addition, TAQA Morocco recently issued a bond loan of MAD 2.7 Bn through a private placement on the financial market.

Maintain of our growth forecasts for FY 2020

Following our analysis of TAQA Morocco's mid-term achievements, we maintained our forecasts unchanged for FY 2020:

- A -4.7% drop in revenue, lower than that observed in H1-20 ;
- A NIGS of MAD 929 Mn, down -11.8% compared to 2019 ;
- A stable payout in 2020, i.e. a DPS of MAD 32 reflecting the strength of the operator's business model during this period of health crisis.

A stock to HOLD despite the risk of a dividend decline

With a correction of -5.8% since the beginning of 2020 against -17.3% for the MASI index, TAQA Morocco confirms its status as a defensive stock. This quality of the stock lies in the nature of the "Take or Pay" contract which binds the Group to ONEE with visibility going until 2044.

In a sustainable context of low interest rates, TAQA Morocco offers a real investment alternative for risk averse investors. Despite the expected drop in DPS 20E of -11.1%, the stock's D/Y remains at 3.7%, offering a spread of 160 PBS compared to the 5-year TB.

TAQA MOROCCO: AGR FORECASTS FOR FY 2020

IN MAD MN	H1-19	H1-20	VAR	2020E	VAR 19-20E
Revenues	4,512	4,016	-11.0%	8,690	-4.7%
EBIT	1,243	1,100	-11.5%	2,375	-6.9%
EBIT margin	27.5%	27.4%	-0.1 pt	27.3%	-0.7 pt
NIGS	507	428	-15.6%	929	-11.8%
Net margin	11.2%	10.7%	-0.5 pt	10.7%	-0.9 pt
DPS (MAD)	-	-	-	32	-11.1%
D/Y	-	-	-	3.7%	-

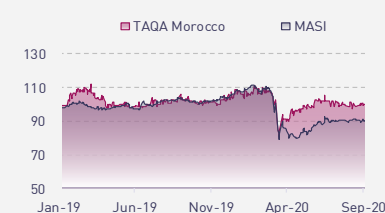
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STOCK EVOLUTION (BASIS 100)



MARKET INDICATORS

Performances (%)	1 M	3 M	12 M
TAQA MOROCCO	0.6	-4.9	-4.7
MASI	-2.0	0.2	13.1

ADV (MAD Mn)	1 M	3 M	12 M
TAQA MOROCCO	1.0	3.3	2.8
MASI	57	80	142

Capitalization	As of 09/17/2020
In MAD Mn	20.640
In \$ Mn	2.236

Prices as at 09/17/2020

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