

HOLD

Initial Opinion	SELL
Release Date	03/26/2020
Initial Target Price	MAD 1,060

CMT

Sector	MINES
Reuters	CMT.CS
Bloomberg	CMT MC

MAD 1,390

Current Price	MAD 1,335
Upside	+4%
Investment Horizon	12 Months

A NEW GROWTH SCENARIO FOR 2020E

An expected decline in activity, following the correction in Lead prices

During H1-20, CMT's revenue reported a decline of -24.4% at MAD 189.5 Mn. This largely expected evolution is explained by two factors. On the one hand, the 12.0% drop in Lead sales prices. On the other hand, the 8.0% decrease in production following disruptions induced by the Covid-19 pandemic ([Cf. Covid-19: Glimmers of hope at the end of the tunnel](#)).

The NIGS shows a sharp decrease of -54.4% at MAD 41.6 Mn over the same period. This results from the decline of the operating margin by -14.4 pts to 37.6% and the recognition of a non-recurrent expense of MAD 10 Mn related to the contribution to the Covid-19 fund.

A better than expected second-half..., thanks to Silver activity

While base metals were penalized by a weakening global industrial Demand following the Covid-19 crisis, Silver experienced a bullish trend. Taking profit from its status as a "safe haven", this metal posted a performance of 64.7% since April 2020, from 14.0 \$/Oz to 23.0 \$/Oz at the end of September 2020.

The sustainability of such a price level for Silver would enable a significant recovery in CMT's revenue during the second-half of the year. This is a price effect of 42.1% (i.e. an average price of 24.4 \$/Oz in H2-20 against 17.2 \$/Oz in H2-19). Recall that the contribution of the Silver activity to revenue would, according to our estimates, settle at 35.0% in 2020E.

An upward revision of our target price to MAD 1,390

Taking into account the strong recovery in the Silver price in H2-20 as well as the target contribution of this metal to CMT's revenue, we revised our growth forecasts for 2020 :

- The operator's consolidated revenue would amount to MAD 493 Mn against MAD 442 Mn originally expected, i.e. a decrease of -5.4% versus -13.4% previously ;
- The NIGS would show a decline of -19.4% against -32.0% initially forecasted thanks to a positive margin effect of Silver. i.e. MAD 169 Mn versus MAD 125 Mn previously.

By readjusting our growth assumptions and on the basis of a 9.1% discount rate, our target price comes out at MAD 1.390. In the end, we recommend **HOLDING** the stock CMT thanks to its ability to return to an attractive dividend yield of 6.0% by 2020.

CMT: H1-2020 ACHIEVEMENTS VS. AGR FORECASTS 2020E

IN MAD MN	H1-19	H1-20	CHANGE	2019	2020E	CHANGE
Initial Revenue	251	190	-24.4%	511	442	-13.4%
New Revenue	-	-	-	-	493	-5.4%
Initial EBITDA	131	71	-45.4%	267	194	-27.3%
New EBITDA	-	-	-	-	233	-12.6%
Initial EBITDA Margin	52.0%	37.6%	-14.4 pts	52.2%	43.7%	-8.5 pts
New EBITDA Margin	-	-	-	-	47.2%	-5.0 pts
Initial Net Income	91.2	41.6	-54.4%	184	125	-32.0%
New Net Income	-	-	-	-	149	-19.4%
DPS (MAD)	-	-	-	0.0	80.0	+80

Net Income 2020 includes the contribution of MAD 10 Mn to the Covid-19 fund

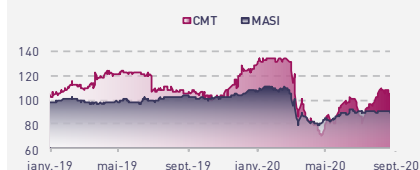
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STOCK EVOLUTION (BASIS 100)



MARKET INDICATORS

Performances (%)	1 M	3 M	12 M
CMT	-0.5	3.6	-0.7
MASI	-2.8	-2.8	-13.2

ADV (MAD Mn)	1 M	3 M	12 M
CMT	0.2	1.2	1.3
MASI	53	58	142

Capitalization	As at 09/25/2020
In MAD Mn	2,255
In \$ Mn	245

Prices at 09/25/2020

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