

BUY

Initial opinion	BUY
Release Date	01/25/2021
Initial Target Price	MAD 2,420

SMI

Sector	MINING
Reuters	SMI.CS
Bloomberg	SMI MC

MAD 2,420

Current Price	MAD 1,981
Upside	22%
Investment Horizon	12 Months

THE RETURN TO THE DIVIDEND FROM 2020 ..., POSITIVE OUTLOOK IN 2021

2020 achievements without surprises

The growth of SMI's activity in 2020 is in line with our initial forecasts (*C.f. Start 2021 under the cash-conversion perspective*). This is a slight increase in revenue of 0.5% to MAD 856 Mn against an estimate of MAD 865 Mn. In addition, EBITDA and NI are relatively lower-than-expected with respective annual achievement rates of 91% and 80%.

A profitable silver price, not yet reflected in profits

It is important to note that the SMI's financial performance during 2020 is far from reflecting the favorable mining context, for two main reasons :

- A -19% drop in silver production, from 170 T in 2019 to 138 T in 2020. This situation is linked to the business continuity plan put in place in dealing with the health crisis' context. As a reminder, recurring production of lmiter mine is around 180 T, i.e. 30% higher than the level recorded in 2020 ;
- An average silver selling price of \$ 20.5 Oz in 2020 showing a 23% discount in comparison of the average spot price in 2021 (i.e. \$ 26.5 Oz).

The return to the dividend, a positive signal for 2021

As expected, the SMI returns to the dividend in 2020, after two successive years of retention in 2018 and 2019. The mining company announced a DPA of MAD 50 compared to an initial estimate of MAD 60. This is equivalent to an 85% payout which would now be an indicator of the operator's future distribution policy.

Maintaining our target price at MAD 2,420 offering an upside of 22%

We believe that 2020 is not a basis year for SMI in terms of both earnings and dividend. The return to production of 170 T and the improvement in the average silver selling price by 25% in 2021 will have a cumulative impact on revenues for over 45%.

To this end, we are keeping our growth scenario unchanged, namely a doubling of the earning power going from MAD 97 Mn in 2020 to MAD 196 Mn in 2021. Consequently, the DPS would be around MAD 100 DH against an average level of MAD 143 over the period 2010-2017.

SMI : CONSOLIDATED RESULTS 2020 VS. AGR INITIAL FORECASTS

IN MAD MN	2019R	2020R	VAR 19/20	AGR 20E	VAR 20E	AR 2020 ⁽¹⁾
Revenue	852	856	0.5%	865	1.5%	99%
EBITDA	386	391	1.3%	432	11.9%	91%
EBITDA Margin	45.3%	45.7%	+0.4 pt	49.9%	+4.6 pts	-
Net Income	91	97	6.6%	121	33.0%	80%
Net Margin	10.7%	11.3%	+0.6 pt	14.0%	+3.3 pts	-
DPS (MAD)	-	50	-	60	-	83%

(1) SMI's achievement rate compared to AGR forecasts

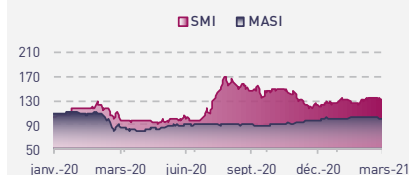
Lamyae Oudghiri

Manager
+212 529 03 68 18
l.oudghiri@attijari.ma

Taha Jaidi

Head of Strategy
+212 529 03 68 23
t.jaidi@attijari.ma

STOCK EVOLUTION (BASIS 100)



MARKET INDICATORS

Performances (%)	1 M	3 M	12 M
SMI	-3.3	8.8	10.7
MASI	-3.2	2.7	-1.2

ADV (MAD Mn)	1 M	3 M	12 M
SMI	1.7	1.3	0.8
MASI	70	136	117

Capitalization

Au 03/08/2021

In MAD Mn	3,259
In \$ Mn	362

Prices at 03/08/2021

ATTIJARI GLOBAL RESEARCH

HEAD OF STRATEGY

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

MANAGER

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

SENIOR 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

CHIEF ECONOMIST

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

MANAGER

Maria Iraqui
+212 5 29 03 68 01
m.iraqui@attijari.ma
Casablanca

ASSOCIATE

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

INVESTOR RELATIONS ANALYST

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

SENIOR ANALYST

Ines 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

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

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

CUSTODY - MOROCCO

Tarik Loudiyi
+212 5 22 54 42 98
t.loudiyi@attijariwafa.com

UEMOA - CÔTE D'IVOIRE

Mohamed Lemridi
+225 20 21 98 26
mohamed.lemridi@sib.ci

BROKERAGE - TUNISIA

Abdelkader Trad
+225 20 21 98 26
trad.abdelkader@attijaribank.com.tn

CEMAC - CAMEROUN

Sammy N.Ekambi
+237 678 43 87 19
s.ekambi@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 24
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

Mahmoud Bahaa
+202 27 97 04 80
mahmoud.bahaa@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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