

BUY

Initial opinion	BUY
Release Date	01/25/2021
Initial Target Price	MAD 685

SNEP

Sector	CHEMISTRY
Reuters	SNP.CS
Bloomberg	SNP MC

MAD 685

Current Price	MAD 577
Upside	19%
Investment Horizon	12 Months

RECORD PROFITABILITY..., START-UP OF CAPACITY PROJECTS

A limited decline in activity in line with our forecasts

For the FY 2020, SNEP shows a limited decline in its revenue, i.e. -2.9% to MAD 917 Mn in line with our estimate of MAD 914 Mn ([Cf. Start the year 2021 under the cash-conversion perspective](#)). In the health crisis context, we are witnessing a sustained increase in Demand for bleach, resulting in an increase in sales volumes for the electrolysis activity of 11.4% in 2020. This performance has enabled to offset the drop in vinyl activity (PVC & CPVC) by -5.0% during the same period.

A record profitability, i.e. its highest level since IPO

In 2020, SNEP's operating income stood at nearly MAD 150 Mn, corresponding to an operating margin of 16.3%. This is its highest level since the operator's IPO. This performance is attributed to a positive price effect following the appreciation in the Ethylene price. This input's prices were supported by a visible mismatch between Supply and Demand due to the delay in restarting the main producers following the lockdown period.

The operator's net income shows a significant increase of 36.4% to MAD 96 Mn, slightly above our initial estimate of MAD 92 Mn.

Return to dividend, limited by strategic strengthening in DIMATIT

For 2020, SNEP announces a DPS worth MAD 12 slightly lower than our initial estimate of MAD 15. We believe that this decision takes into account the increase of SNEP's stake in the capital of its subsidiary DIMATIT through an investment of MAD 60 Mn.

With a payout of 30% in 2020, SNEP would have an attractive room to raise its dividend in order to return to normative payout levels above 60%.

Important increase of production capacities starting from H2-21

In its financial communication, SNEP's Management announces the increase in its production capacity by 29%, from 70 KT to 90 KT during H2-21. On a MT horizon, the target capacity is 120 KT. All of these elements confirm our recommendation **BUYING** the stock SNEP with a target price of MAD 685, representing an upside of 19%.

SNEP: PARENT COMPANY RESULTS 2020 VS. AGR INITIAL FORECASTS

IN MAD MN	2019R	2020R	VAR 19/20	AGR 20E	VAR 20E	TR 2020 ⁽¹⁾
Revenue	944	917	-2.9%	914	-3.2%	100%
EBIT	113	150	32.3%	152	34.4%	99%
EBIT margin	12.0%	16.3%	+4.3 pts	16.6%	+4.6 pts	-
Net income	70	96	36.4%	92	30.6%	104%
Net margin	7.4%	10.4%	+3.0 pts	10.0%	+2.6 pts	-
DPS (MAD)	0	12	-	15	-	80%

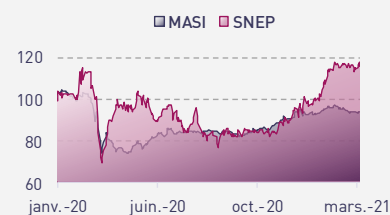
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STOCK EVOLUTION (BASIS 100)



MARKET INDICATORS

Performances (%)	1 M	3 M	12 M
SNEP	4.2	22.0	39.7
MASI	1.2	2.2	17.3

ADV (MAD Mn)	1 M	3 M	12 M
SNEP	1.3	1.6	0.8
MASI	106	119	108

Capitalization

	Au 03/26/2021
In MAD Mn	1,385
In \$ Mn	153

Prices at 03/26/2021

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

Sources : SNEP Press release, AGR Computations & Estimates

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