

### 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 1,010 |
| Upside             | -10%      |
| Investment Horizon | 12 Months |

## PRESERVATION OF EARNING POWER IN H1-21..., MAINTAINING OF OUR TARGET PRICE

### Despite a significant drop in revenue in H1-21 ...

As anticipated in the first quarter (*Cf. Research paper - Taqa Morocco Q1-21 results*), the half-year revenue of TAQA Morocco fell by -13.7% in H1-21 to MAD 3,465 Mn. In more detail, we note a -27.2% drop in the operator's revenue during Q2-21 after a recovery of +1.5% in Q1-21. At the origin of this half-year variation, the simultaneous decline in power costs and energy costs during the same period :

- Power costs show a decrease of -8.0%, from MAD 1,915 Mn in H1-20 to MAD 1,761 Mn in H1-21. This decline is mainly attributed to the decrease in the availability rate of Units 1 to 6, dropping from 97.3% to 89.4%. Indeed, we note a major overhaul of Unit 6 lasting 61 days during Q1-21;
- Energy costs fell by -21.9% over the semester to MAD 1,532 Mn, reflecting the change in the average purchase price of coal internationally.

### ...TAQA Morocco manages to defend its earning power

In terms of profitability, the Group's EBIT shows a less significant drop of -2.2% in H1-21 to MAD 1,077 Mn. This represents an EBIT margin of 31.1%, up +3.7 points compared to the same period of the previous year. This is mainly attributed to the acquisition of coal on the international market at an average cost lower than that of the API 2 benchmark. According to TAQA Morocco's half-year financial report, the average purchase price of coal stood at \$62/T in H1-21 versus \$78/T for the index.

Taking into account the MAD 23.7 Mn improvement in financial income to MAD -234 Mn, the NIGS shows an increase of +3.5% to MAD 444 Mn, equivalent to a net margin of 12.8%. An achievement in line with our initial scenario which anticipates a profit of MAD 893 Mn in 2021E, equivalent to an achievement rate of 50% for this first semester.

### Reassuring outlook for the sustainability of dividends

We remain confident in TAQA Morocco's ability to defend its future profitability and dividend. The Group has 3 main levers: (1) Completion of the major revision cycle for Units 1 to 6 by 2022, (2) The favorable evolution of coal prices on the international market observed in H2-21 and finally, (3) The development of the energy mix through renewable energy projects (Solar, Photovoltaic, etc.).

### TAQA MOROCCO : CONSOLIDATED RESULTS IN H1-21 VS. AGR INITIAL FORECASTS

| IN MAD MN   | H1 2020 | H1 2021 | VAR      | AGR 21E | AR 2021 <sup>(1)</sup> |
|-------------|---------|---------|----------|---------|------------------------|
| Revenue     | 4,016   | 3,465   | -13.7%   | 8,412   | 41%                    |
| EBIT        | 1,100   | 1,077   | -2.2%    | 2,419   | 45%                    |
| EBIT margin | 27.4%   | 31.1%   | +3.7 pts | 28.8%   | -                      |
| NIGS        | 428     | 444     | +3.5%    | 893     | 50%                    |
| Net margin  | 10.7%   | 12.8%   | +2.1 pts | 10.6%   | -                      |

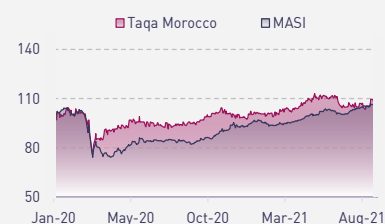
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### STOCK EVOLUTION (BASIS 100)



### MARKET INDICATORS

| Performances (%) | 1 M | 3 M  | 12 M |
|------------------|-----|------|------|
| TAQA MOROCCO     | 1.5 | -1.8 | 13.5 |
| MASI             | 2.0 | 3.6  | 28.2 |

| ADV (MAD Mn) | 1 M | 3 M | 12 M |
|--------------|-----|-----|------|
| TAQA MOROCCO | 0.8 | 1.3 | 3.0  |
| MASI         | 138 | 181 | 141  |

| Capitalization | As at 09/22/2021 |
|----------------|------------------|
| In MAD Mn      | 23,824           |
| In \$ Mn       | 2,650            |

Prices at 09/22/2021

[1] Achievement's rate, i.e. H1 2021 results/ AGR annual forecasts

Sources : TAQA Morocco PR, AGR Computations & Estimates

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