

BUY

Initial opinion	BUY
Release date	01/25/2021
Initial Target Price	MAD 1,850

CMT

Sector	MINING
Reuters	CMT.CS
Bloomberg	CMT MC

MAD 1,850

Current Price	MAD 1,655
Upside	+12%
Investment horizon	12 Months

A SIGNIFICANT IMPROVEMENT IN PROFITABILITY..., A POSITIVE SIGNAL FOR DIVIDEND

A catch-up effect confirmed within a favorable mining context

After a drop in its revenue of -28% during Q1-21 following the decline in Lead production, CMT managed to recover its activity by +25% in Q2-21. Under these conditions, we note a slight increase in revenue, i.e. +0.6% during H1-21 to MAD 191 Mn.

This catch-up effect is attributed to the improvement of the mine's social climate combined with the solid recovery of Lead prices. This metal is driven by the positive outlook regarding the recovery of the automotive sector, which consumes nearly 80% of the Lead mining Supply.

The average price of Lead, which contribution to CMT's revenue exceed 60%, jumped by +17.3%, from an average of 1,763 \$/T in H1-20 to 2,069 \$/T in H1-21.

A visible recovery in profitability levels during H1-21

The operator's EBITDA shows a more significant increase of +13.2% in H1-21 to MAD 81 Mn, given the good control its of cash costs. This represents an EBITDA margin of 42.3%, up 4.7 points over the same period.

The improvement of the financial income enabled the NIGS to record an increase of +30.9%, i.e. a net margin of 28.5%, up 6.6 points over the same period.

Towards an improvement in profitability during H2-21

Thanks to the re-establishment of the social climate reflected in a return to normal production and a more attractive average Lead price of 2,364 \$/T during Q3-21, we expect an acceleration in the improvement of CMT's profitability indicators during H2-21. In this context, we believe that the low achievement rates observed during H1-21, i.e. around 35%, appear globally consistent.

Positive signals regarding the dividend sustainability

The continued catch-up effect of CMT's results during the second half of 2021 and the positive outlook for 2022 due to a favorable base effect, reassure us in the operator's ability to keep its DPS above MAD 100. This is an attractive D/Y of around 6.0% during the period 2021E-2022E.

Pending the revision of our business plan following the new consensus forecast for international metal prices, we maintain our **BUY** recommendation for CMT stock with an unchanged target price of MAD 1,850.

CMT: H1-21 CONSOLIDATED RESULTS VS. AGR INITIAL FORECASTS 2021E

IN MAD MN	H1-2019	H1-2020	H1-2021	VAR	2021E	TR ⁽¹⁾ 2021E
Revenue	251	190	191	+0.6%	500	38%
EBITDA	131	71	81	+13.2%	249	32%
EBITDA Margin	52.0%	37.6%	42.3%	+4.7 pts	49.8%	-
NIGS	91	42	54	+30.9%	161	34%
Net Margin	36.3%	21.9%	28.5%	+6.6 pts	32.3%	-

(1) AR: Achievement rate, i.e. H1-21R results / AGR Annual forecast

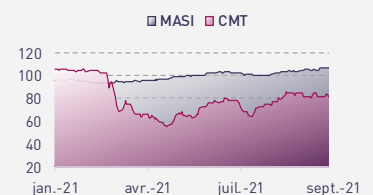
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STOCK EVOLUTION (BASIS 100)



MARKET INDICATORS

Performances (%)	1 M	3 M	12 M
CMT	0.9	-0.1	19.9
MASI	3.0	7.4	28.6

VMQ (MDH)	1 M	3 M	12 M
CMT	1.6	1.1	1.3
MASI	175	119	146

Capitalisation	As at 10/06/2021
In MAD Mn	2,782
In \$ MAD	309

Prices at 10/06/2021

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