

UNDER VALUATION

| | |
|----------------------|------------|
| Initial Opinion | BUY |
| Release Date | 01/25/2021 |
| Initial Target Price | MAD 685 |

SNEP

| | |
|-----------|-----------|
| Sector | CHEMISTRY |
| Reuters | SNP.CS |
| Bloomberg | SNP MC |

UNDER VALUATION

| | |
|--------------------|-----------|
| Current Price | MAD 768.9 |
| Upside | - |
| Investment Horizon | - |

ACHIEVEMENTS ABOVE EXPECTATIONS ..., IMPLYING A REVISION OF FORECASTS

A double "Price/Volume" effect raising revenue's growth to +28%

At the end of the first two quarters of 2021, SNEP posted revenues up +19.3% and +38.6% respectively. Thus, the half-year turnover settled at MAD 517 Mn, i.e. an increase of +28.0%. This is an achievement rate higher than our initial forecasts, i.e. 55%.

This activity's dynamic results from a double Price/Volume effect. On the one hand, we note an unprecedented surge in international PVC prices, with an average contribution of 62% to revenue. Indeed, the average PVC price more than doubled from 758 \$/T in H1-20 to 1,581 \$/ T in H1-21. On the other hand, we note the recovery of Demand during the first half of the year against a net decline during H1-20.

A profitable gross margin of 39%, up +8.8 points

Driven by the surge in international PVC prices, the gross margin reached a high level of 38.7% in H1-21 against 29.9% in H1-20. This is an increase of 8.8 points. In this context, the EBIT shows a more sustained increase than that of the activity, i.e. +53.4% to MAD 88 Mn. However, we note a doubling of other external expenses from MAD 29 Mn to MAD 59 Mn over the studied period. An evolution justified by a non-recurring increase in maintenance costs. To this end, the increase in the operating margin was relatively limited, i.e. +2.8 pts to 17.0%.

In the end, the net income jumped by +57.9%, from MAD 35 Mn in H1-20 to MAD 55 Mn in H1-21. An achievement above our initial forecasts which anticipated an annual profit of MAD 90 Mn, i.e. a high achievement rate of 61%.

Toward a revision of our growth forecasts over the period 2021-2023

On August 24th 2021, SNEP announced the suspension of its sales of vinyl products, chlorine and hydrochloric acid, due to the decision of the competent authorities to direct all oxygen production to the Kingdom hospitals. Today, we believe that the improvement in the sanitary situation in recent weeks has allowed the operator to return to its normative pace of production.

The sustainability of PVC average prices above 1,550 \$/T during the second half of 2021, combined with the entry into production of the new investment project during Q2-22, require a revision of our growth scenario for SNEP.

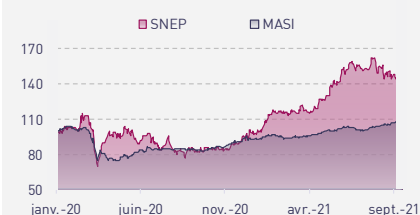
SNEP : PARENT COMPANY RESULTS IN H1-21 VS. AGR INITIAL FORECASTS 2021

| IN MAD MN | H1 2020 | H1 2021 | VAR | AGR 21E | AR 2021 ⁽¹⁾ |
|-------------|---------|---------|----------|---------|------------------------|
| Revenue | 404 | 517 | +28.0% | 947 | 55% |
| EBIT | 57 | 88 | +53.4% | 144 | 61% |
| EBIT margin | 14.2% | 17.0% | +2.8 pts | 15.2% | - |
| Net income | 35 | 55 | +57.9% | 90 | 61% |
| Net margin | 8.6% | 10.6% | +2.0 pts | 9.5% | - |

Maria Iraqi

Manager
+212 529 03 68 01
m.iraqui@attijari.ma

STOCK EVOLUTION (BASIS 100)



MARKET INDICATORS

| Performances (%) | 1 M | 3 M | 12 M |
|------------------|------|-----|------|
| SNEP | 11.4 | 3.9 | 89.9 |
| MASI | 2.0 | 7.4 | 28.8 |

| ADV (MAD Mn) | 1 M | 3 M | 12 M |
|--------------|-----|-----|------|
| SNEP | 2.9 | 2.0 | 1.8 |
| MASI | 160 | 117 | 145 |

| Capitalization | As at 10/11/2021 |
|----------------|------------------|
| In MAD Mn | 1,845 |
| In \$ Mn | 203 |

Prices at 10/11/2021

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

Sources : SNEP PR, Refinitiv, Management call, AGR Computations & Estimates



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
Casablanca

SENIOR ANALYST

Ines Khouaja
+216 31 34 13 10
khouaja.ines@attijaribourse.com.tn
Tunis

FINANCIAL ANALYST

Felix Dikosso
+237 233 43 14 46
f.dikosso@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 - MAROC

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

WAEMU - 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 2 33 43 14 46
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 09
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 - DUBAI

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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