

RESEARCH REPORT

EQUITY

JUNE
2022

Q1

Q2

Q3

Q4

| MOROCCO | QUARTERLY Results of listed companies

THE HIDDEN RISKS OF THE SHARP INCREASE IN ACTIVITY IN Q1-22

03 | High growth in activity, within an inflationary context...

04 | ... which hides potential risks for the second half of 2022



Attijari
Global Research

Rapport à usage institutionnel

EXECUTIVE SUMMARY

At the end of this 1st quarter of 2022, 66 listed companies representing more than 99% of the market capitalization published their quarterly indicators. These announcements come in an unprecedented inflationary context either at the international or the local levels.

After analyzing the quarterly press releases of listed companies and on the basis of our exchanges with the various economic operators within the market, we emerge with 5 key messages:

- At the end of Q1-22, the market's aggregate revenue recorded a sustained growth of 14.8% to MAD 71.4 Bn against MAD 62.2 Bn in Q1-21. This is the largest increase observed since the outbreak of the Covid-19 crisis. Originally, a very significant price effect following the repercussion of the increase in inputs in the final sale price. For example: energy, food products, raw materials, packaging and finally logistics;
- The Mining, Energy, Agri-business and Building Material sectors are the main contributors to the market's revenues' growth, i.e. a cumulative increase of MAD 7,309 Mn thus explaining nearly 80% of the variation in the quarterly market's revenue ;
- Faced with the acceleration of inflationary pressures since the month of May, listed companies would deal with two major risks during the 2nd half of 2022:
 - ⇒ On the one hand, more visible pressure on margin levels following the disposal of inventories built up in recent quarters. Starting in May, inventory renewal is expected to take place at spot prices well above the average levels observed in Q1-22;
 - ⇒ On the other hand, a possible slowdown in Demand justified by a more marked wait-and-see attitude of economic players in a context marked by an unprecedented increase in raw materials prices. The deceleration in the growth of cement sales since December 2021 clearly justifies this.
- We anticipate two disparate developments within the Equity market. From H2-22, exporting companies should benefit from a marked improvement in their profitability, while operators who rely mainly on local Demand should strive to defend their historical margin level;
- We believe that the recent correction of the MASI index reflects a change of investors perception towards the evolution of the listed companies' achievements in 2022E as well as towards the upward pressures on the Yield curve in Morocco. This sentiment is clearly reflected in the results of the AGR Confidence Index *[Cf. AGR Morocco Confidence Index]* and those of the AGR Risk Premium *[Cf. AGR Equity Risk Premium Morocco May-22]*.

NB: companies that were transferred to the alternative market in 2020, namely Microdata, Involys and Agma, are now exempt from publishing their quarterly indicators from 2022, due to the ease of regulatory constraints specific for this segment.

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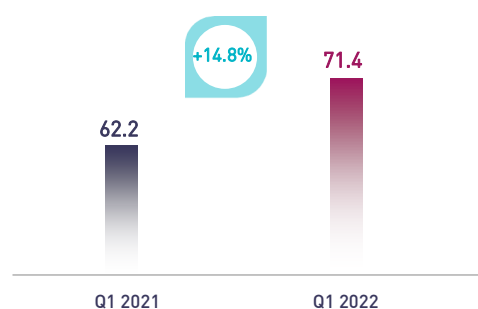
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HIGH GROWTH IN ACTIVITY, WITHIN AN INFLATIONARY CONTEXT...

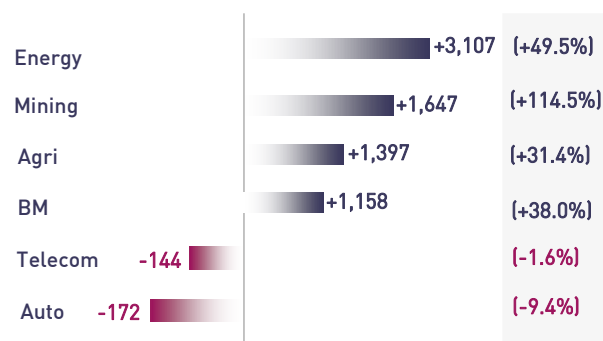
In an inflationary context both internationally and nationally, the aggregate revenues of the 66 listed companies which displayed their quarterly results settled at MAD 71.4 Bn in Q1-22. This is a y-o-y growth of +14.8%, the highest since the outbreak of the Covid-19 crisis. By sector, the evolution of the market's revenues highlights two major trends:

- The Energy, Mining, Agri-business and Building Material sectors recorded an increase in their revenue boosted by a positive price effect. Revenues from these sectors rose by +49.5%, +114.5%, +31.4% and +38.0% respectively;
- The Automotive and Telecom sectors show declines in their quarterly revenue. The latter fell by -9.4% and -1.6% respectively. For the Automotive sector, the decline in revenues is mainly attributed to strong pressure on vehicle inventory levels.

MARKET: EVOLUTION OF AGGREGATE REVENUES (MAD BN)



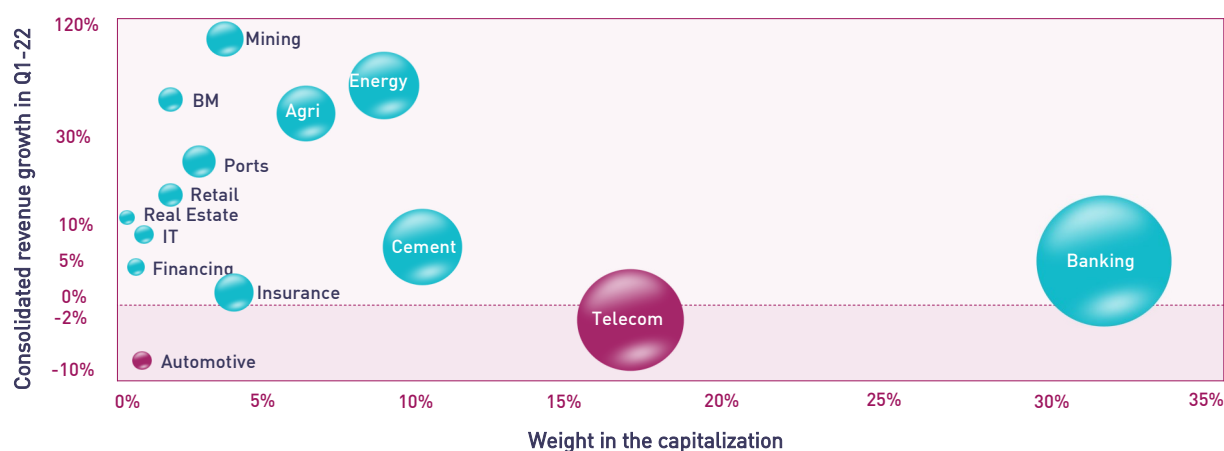
MARKET: CONTRIBUTION TO REVENUE GROWTH (MAD MN)



Based on the capitalization weight of the various listed sectors, we note the following points:

- 12 listed sectors, contributing by 77% to the overall market capitalization, recorded positive revenue growth at the end of March 2022. In more detail, these are the following : Mining (MAD +1,647 Mn; +114.5%), Energy (MAD +3,107 Mn; +49.5%), Building Material (MAD +1,158 Mn; +38.0%), Agri-business (MAD +1,397 Mn; +31.4%), Ports (MAD +147 Mn; + 18.0%), Retail (MAD + 394 Mn; +15.2%), Real Estate (MAD +111 Mn; +12.1%), IT (MAD +65 Mn; +9.0%), Cement (MAD +248 Mn; +8.9%), Banking (MAD + 854 Mn; +5.2%), Financing (MAD + 55 Mn; +4.6%) and finally Insurance (MAD +123 Mn; +1.7%);
- Meanwhile, the Automotive and Telecom sectors, which together represent nearly 18% of the market capitalization, recorded a drop in their revenues in Q1-22, i.e. -9.4% (MAD -172 Mn) and -1.6% (MAD -144 Mn) respectively.

EQUITY MARKET: GROWTH OF MAIN LISTED SECTORS (%) VS. WEIGHT IN MARKET CAPITALIZATION



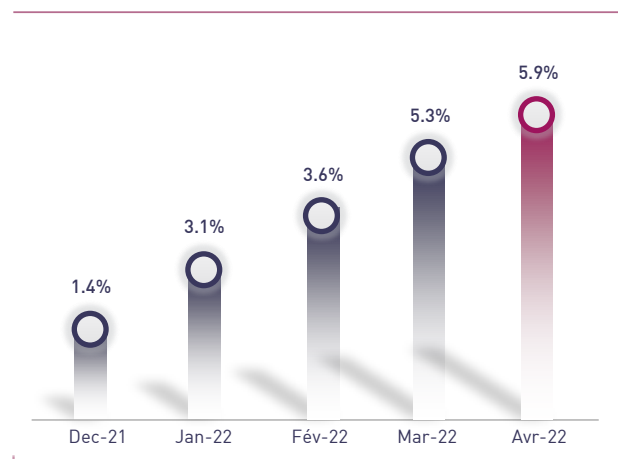
Sources: Press releases from listed companies, CSE, AGR Computations

... WHICH HIDES POTENTIAL RISKS FOR THE SECOND HALF OF 2022

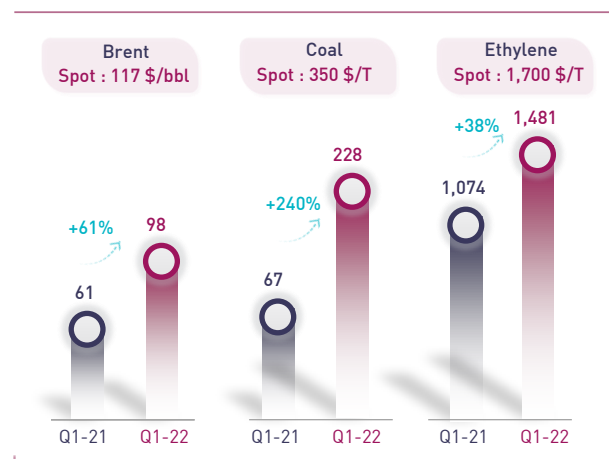
Since the end of 2021, we have been witnessing an acceleration of inflation in Morocco under the effect of soaring international commodity prices and a weak crop at the domestic level. Inflation in Morocco reached a peak of 5.9% in April 2022 against a historic level below 2.0%. Three factors support the price increase during 2022, namely: (1) the lack of visibility on the outcome of the Russo-Ukrainian conflict, (2) the disruption of maritime supply chains and (3) the reopening of the Chinese economy whose impact would be visible on global Demand.

In this context, the average prices of the main energy inputs imported by listed companies posted significant increases between Q1-21 and Q1-22. These are Brent, Coal and Ethylene whose average prices surged by 61%, 240% and 38% respectively over the period studied.

MOROCCO: YEAR-ON-YEAR INFLATION EVOLUTION



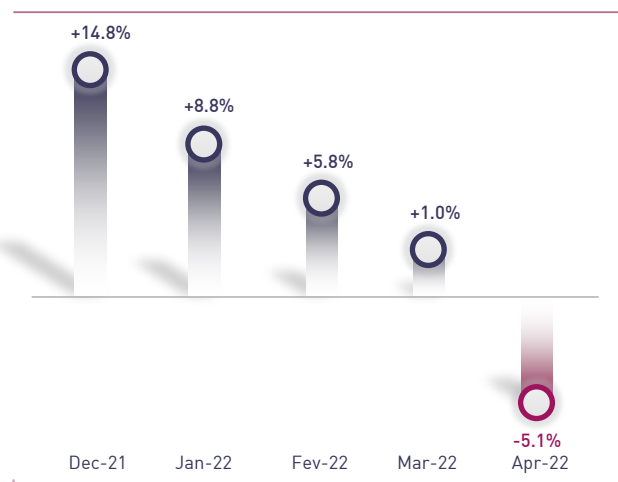
WORLD: AVERAGE PRICES OF ENERGY INPUTS



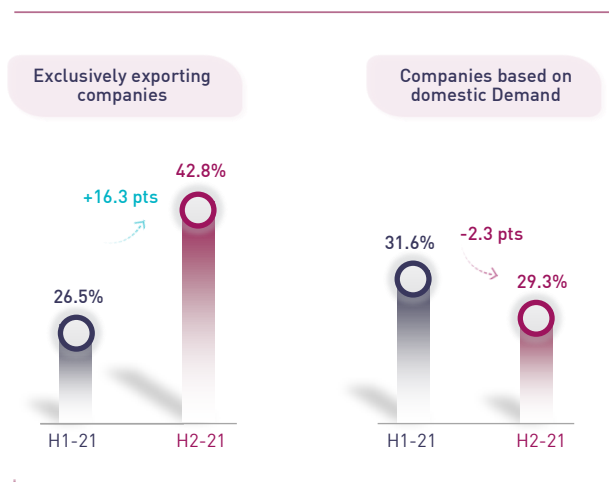
Taking into account the spot prices observed at the beginning of June and the additional costs induced by the logistics chain, we expect stronger pressures on input prices. Under these conditions, listed companies would face two major risks from the second half of 2022 :

- Stronger pressure on margins following the disposal of inventories built up in recent quarters. Companies whose revenue is generated mainly in Morocco would be the most vulnerable. These already show a deterioration of -2.3 pts in their EBITDA margin between the first and second half of 2021. Meanwhile, exclusively exporting companies seem to be taking advantage of this context through an improvement in their EBITDA margin of +16.3 pts over the same period;
- A weakening of local Demand which should be felt more from June 2022. Cement consumption, the main barometer of the economy, confirms this argument. Indeed, year-on-year growth in cement sales posted a sharp deceleration, falling from 14.8% at the end of December 2021 to -5.1% at the end of April 2022.

MOROCCO: CEMENT CONSUMPTION (Y-O-Y)



AGR-30: H1-21 EBITDA MARGIN VS. H2-21



Sources: HCP, Bloomberg, Ministry of Housing, AGR Computations



QUARTERLY RESULTS

	In MAD Mn	Revenue/NBI		
		Q1-22	Q1-21	Change
Tel				
Maroc Telecom	8 770	8 914	-1,6%	
Agrusiness				
SBM	496	483	2,7%	
Cosumar	2 486	1 974	25,9%	
Lesieur Cristal	1 644	1 009	62,9%	
Oulmès	402	325	23,6%	
Mutandis	422	300	40,7%	
Dari Couspate	193	183	5,9%	
Unimer	201	173	16,2%	
Banks				
Attijariwafa bank	6 601	6 173	6,9%	
BCP	4 902	4 807	2,0%	
BOA	3 630	3 464	4,8%	
BMCI	759	731	3,8%	
CIH Bank	812	714	13,8%	
Crédit du Maroc	648	610	6,3%	
Insurance				
Wafa Assurance	3 117	3 206	-2,8%	
AtlantaSanad	2 001	1 952	2,5%	
Saham Assurance	2 045	1 891	8,1%	
AFMA	74	66	13,6%	
Building Materials				
Sonasid	1 345	1 024	31,3%	
TGCC	1 128	663	70,1%	
Delta Holding	598	483	23,8%	
SNEP	311	263	18,3%	
Jet Contractors	343	290	18,3%	
Aluminium du Maroc	366	213	71,8%	
Colorado	116	114	2,1%	
LafargeHolcim Maroc	2 077	1 922	8,1%	
CM				
Ciments du Maroc	955	862	10,8%	
Real Estate				
Addoha	509	390	30,5%	
Alliances	471	432	9,0%	
RDS	45	92	-51,1%	
Energy				
Total Maroc	4 476	2 662	68,2%	
Taq Morocco	2 658	1 912	39,0%	
Afrika Gaz	2 250	1 704	32,0%	
Rel				
Label Vie	2 988	2 594	15,2%	
Auto				
Auto Hall	1 156	1 288	-10,2%	
Auto Nejma	494	534	-7,5%	
Port				
Marsa Maroc	962	815	18,0%	
Managem				
Managem	2 791	1 256	122,2%	
Mining				
CMT	77	64	20,3%	
SMI	217	118	83,9%	
HPS	221	172	28,7%	
Disway				
Disway	492	478	2,9%	
NIT				
M2M Group	15	20	-25,0%	
S2M	59	53	12,4%	
Financing				
Eqdom	142	126	12,7%	
Maghrebail	923	903	2,2%	
Maroc Leasing	95	72	31,9%	
Salafin	94	98	-3,9%	
Others				
Lydec	1 696	1 644	3,2%	
Ennaki Automobiles	306	377	-18,9%	
Sothema	581	497	16,9%	
Promopharm	166	145	15,0%	
CTM	127	128	-0,8%	
Timar	159	131	21,6%	
Aradei Capital	118	96	22,5%	
Immoyente Invest	15	15	1,3%	
Fenie Brossette	136	119	14,3%	
Risma	150	94	59,6%	
Maghreb Oxygène	74	67	9,5%	
Afric Industries	12	12	3,6%	
Med Paper	29	16	87,3%	
DLM	NC	NC	-	
IB Maroc.com	NC	NC	-	
SRM	46	39	16,4%	
Stokvis Nord Afrique	51	75	-32,0%	
Stroc Industrie	NC	NC	-	
Balima	12	11	3,6%	
Zellidja	136	120	13,3%	
Rebab Company	0,01	0,01	0,0%	

Sources: Press releases from listed companies, AGR Computations

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