

RESEARCH REPORT

EQUITY

DECEMBER
2022

T1

T2

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T4

| MOROCCO | QUARTERLY Listed companies' results

The **warning signs** of a **weakening Demand**

03 | Visible deceleration in revenue growth in Q3-22

04 | Listed banking sector: Return to pre-Covid 19 earning power



Attijari
Global Research

Report for institutional use

EXECUTIVE SUMMARY

On the macro-economic level, the 3rd quarter of 2022 was marked by the persistence of inflationary tensions in Morocco with an average level of 8.0%, the downward revision of GDP growth forecasts to 0.8% for the year 2022 and the raising by Bank Al-Maghrib of its Key Rate by 50 PBS to 2.0%. A general context that remains less favorable to Equities.

Since the release of our two reports in June (*Cf. The hidden risks of the sharp rise in activity in Q1-22*) and in October (*Cf. Deterioration of growth outlook for H2-2022*), the Equity market lost 13.0% of its valuation. At this point, a legitimate question arises: "Does the MASI index integrate most of the negative information related to the current context?".

The analysis of listed companies⁽¹⁾ achievements in Q3-22 reveals that the Equity market has not yet consumed most of its downside potential. In fact, the repercussions of the weakening Demand and the inflationary context would be more visible in the coming quarters. A scenario supported by the following points:

- The deceleration in the growth of the market's revenue, from an average of +15.3% over the first two quarters of the year to +11.4% at the end of Q3-22. At the same time, the number of companies showing a drop in their revenue rose sharply, from 12 in Q4-21 to 22 in Q3-22. In our opinion, this trend reflects the continued decline in companies' order books in a context where built up inventories remain at relatively high price levels;
- The main contributors to the change in the market's revenue in Q3 22 are the Energy and the Agri-business sectors, which still benefit from a positive price effect (i.e. MAD +5.5 Bn). Nevertheless, these developments in terms of revenue are far from reflecting the trend in margins, which should be under pressure during 2022;
- The banking sector presents a different growth profile from that of the market. Thanks to a significant provisioning effort made at the start of the pandemic in 2020, listed banks would still have a room to improve their profits in 2022. Thus, the continued normalization of the cost of risk remains the main driver of the sector's earnings growth.

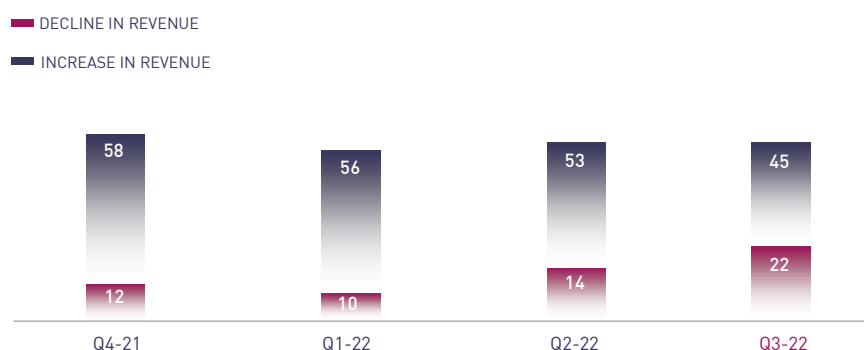
Maria IRAQI

Manager
+212 5 29 03 68 01
m.iraqui@attijari.ma

Walid KABBAJ

Associate
+212 5 22 49 14 82
w.kabbaj@attijari.ma

EVOLUTION OF THE NUMBER OF LISTED COMPANIES WITH A DROP IN THEIR REVENUE (QUARTERLY BASIS)



(1) 67 listed companies out of 73 published their activity indicators at the end of Q3-22, representing more than 99% of the market's capitalization.

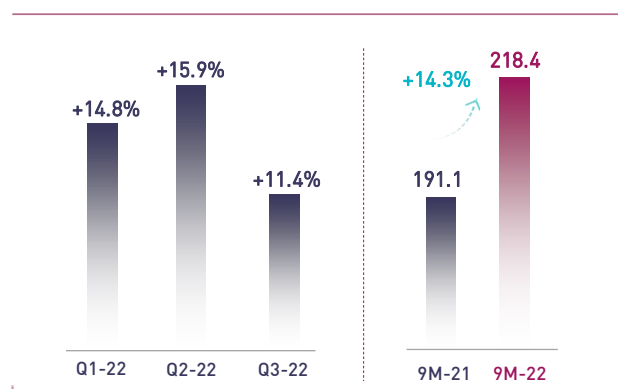
VISIBLE DECELERATION IN REVENUE GROWTH IN Q3-22

After two consecutive quarters of sustained growth, i.e. +14.8% in Q1-22 and +15.9% in Q2-22, the market's aggregate revenue recorded a visible deceleration in Q3-22. This is an increase of +11.4% to MAD 72.6 Bn. This results from the effects of the slowdown in local Demand which is beginning to impact operators' order books. In more detail, we identify 45 listed companies which recorded an increase in their quarterly revenue against 22 issuers whose revenue fell during the same period.

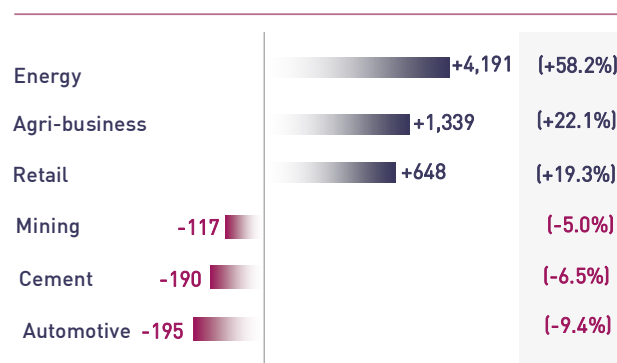
The main sector trends for this 3rd quarter of 2022 are as follows:

- The Energy and Agro-business sectors achieved a strong growth in their revenue driven by a positive price effect, i.e. MAD +4,191 Mn (+58.2%) and MAD +1,339 Mn (+22.1%) respectively. We believe that these developments would not reflect the trend in margins in 2022. For its part, the Retail sector recorded an increase in its revenue of MAD +648 Mn (+19.3%) thanks to the continuous development of its network;
- On the other hand, the Automotive and Cement sectors suffered from the drop in Demand, showing a decline in their revenue of MAD -195 Mn (-9.4%) and MAD -190 Mn (-6.5%) respectively. The Mining sector recorded a decline of MAD -117 Mn (-5.0%) in its revenue due to a double negative *price/volume* effect.

MARKET: EVOLUTION OF AGGREGATE REVENUE (MAD BN)



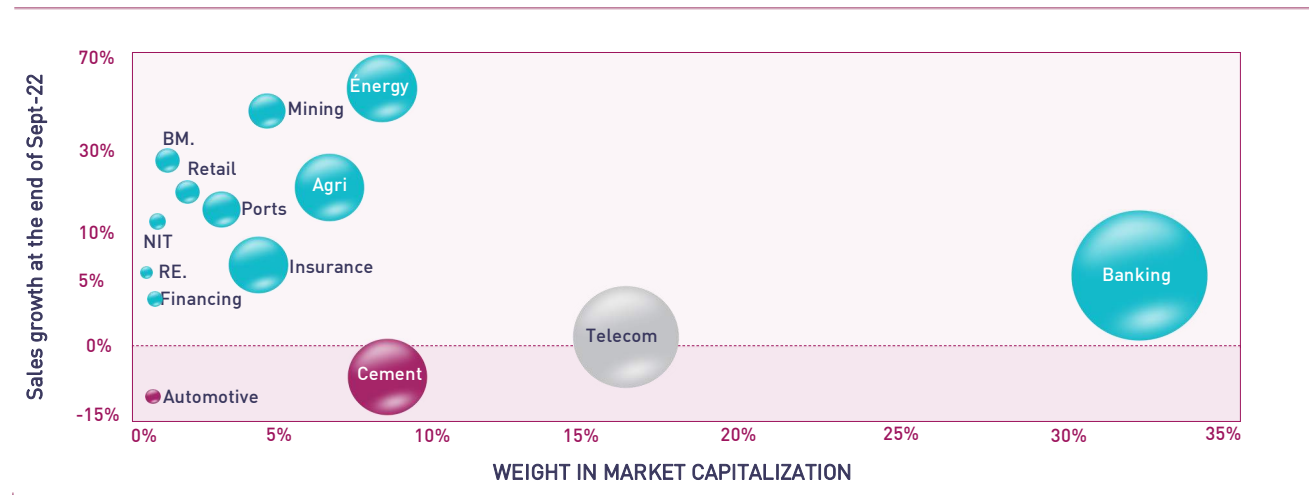
MARKET: QUARTERLY CONTRIBUTION TO REVENUE (MAD MN)



At the end of September 2022, market's revenue stood at MAD 218 Bn, up 14.3% year-on-year. In more details:

- 11 listed sectors representing 69% of the market's capitalization recorded significant increases in their revenue, namely: Energy (+62.7%), Mining (+42.6%), Building Materials (+27.3%), Agri-business (+26.0%), Retail (+17.5%), Port (+11.9%), IT (+11.3%), Insurance (+7.1%), Real Estate (+5.2%), Banking (+4.0%) and Financing companies (+3.7%);
- The Telecoms sector, whose weight in capitalization is 16%, shows a stability of its revenue (+0.1%);
- Representing more than 10% in the market capitalization of the market, the Automotive and Cement sectors show a drop in their revenue at the end of September 2022, i.e. -11.6% and -1.1% respectively.

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



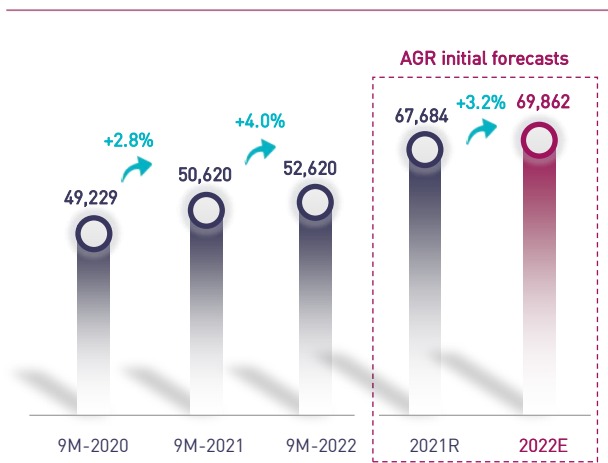
Sources: Listed companies press releases , CSE, AGR Computations

LISTED BANKING SECTOR: RETURN TO PRE-COVID 19 EARNING POWER

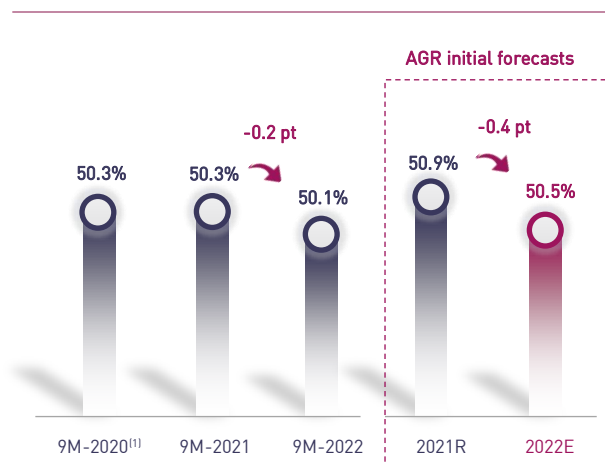
The release of listed banks' results at the end of September 2022 confirms our initial growth forecasts, communicated in July 2022 in our Banking Report (*Cf. Situation of Listed Banks in Morocco 2021*). Thus, our analysis of the financial statements at the end of the first 9 months of 2022 highlights the following points:

- Listed banks Net Banking Income increased by 4.0% to MAD 52.6 Bn, driven by the good momentum of the margin on commission (+10.0%) and the interest margin (+6.2%). This performance was however limited by the decline in market activities of MAD -1.9 Bn (-15.6%) in an unfavorable interest rate context;
- The banks' continuous efforts in terms of optimizing their operating expenses are positively reflected in the cost/income ratio. As expected, this ratio continues to improve, from 50.3% to 50.1%.

LISTED BANKS: CONSOLIDATED NBI (MAD MN)

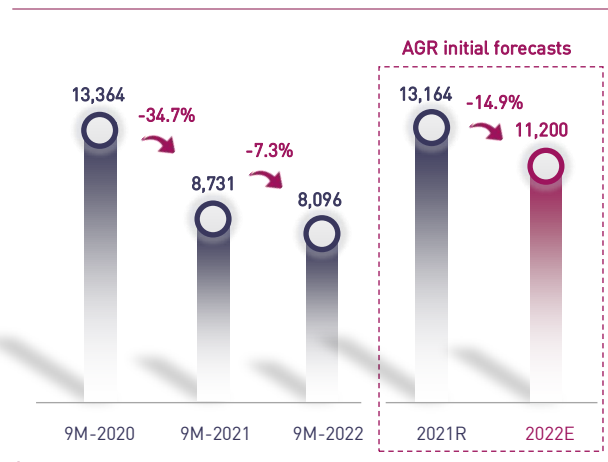


LISTED BANKS: COST/INCOME RATIO

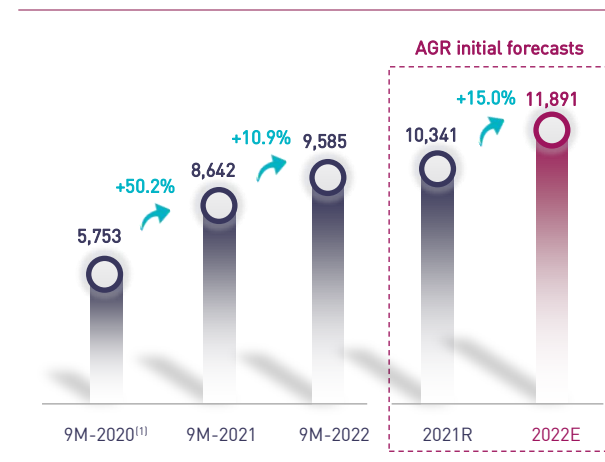


- The cost of risk continues to normalize through a drop of -7.3%, despite the deterioration of economic growth prospects both locally and internationally. This situation could be explained by a significant provisioning effort made at the start of the pandemic in 2020. To this end, we expect a pursue of the sector's cost of risk normalization during Q4-22;
- The normalization of the cost of risk remains the main driver of listed banks' earnings growth since 2021. At the end of September 2022, we are witnessing a continued recovery in the sector's profits by +10.9% to MAD 9.6 Bn. A higher level of 4.0% compared to the NIGS achieved during the pre-Covid period, i.e. MAD 9.2 Mn at the end of September 2019.

LISTED BANKS: CONSOLIDATED COST OF RISK (MAD MN)



LISTED BANKS: AGGREGATE NIGS (MAD MN)



[1] Excluding Covid donation paid in 2020

Sources: Consolidated accounts, AGR Computations & Estimates


QUARTERLY RESULTS

In MAD Mn	Revenue/NBI			Revenue/NBI			Revenue/NBI			Revenue/NBI		
	T1-22	T1-21	Var	Q2-22	Q2-21	Var	Q3-22	Q3-21	Var	Sept-22	Sept-21	Var
Tel												
Maroc Telecom	8 770	8 914	-1,6%	8 798	8 866	-0,8%	9 240	9 006	2,6%	26 808	26 786	0,1%
Agri-Business												
Cosumar	2 484	1 974	25,9%	2 590	2 408	7,6%	2 823	2 456	14,9%	7 899	4 838	15,5%
Lesieur Cristal	1 644	1 009	62,9%	1 954	1 356	44,1%	1 641	1 286	27,6%	5 239	3 652	43,5%
SBM	496	483	2,7%	602	531	13,4%	995	894	11,3%	2 093	1 901	10,1%
Dulmès	402	325	23,6%	566	395	43,4%	698	576	21,3%	1 666	1 295	28,6%
Mutandis	422	300	40,7%	599	389	54,0%	708	467	51,6%	1 729	1 156	49,6%
Dari Couspate	193	183	5,9%	178	162	9,3%	185	161	14,6%	556	506	9,8%
Unimer	201	173	16,2%	366	217	68,7%	360	231	55,8%	934	621	50,4%
Banks												
Attijariwafa bank	6 601	6 173	6,9%	6 466	6 296	2,7%	6 662	5 939	12,2%	19 735	18 408	7,2%
BCP	4 902	4 807	2,0%	5 560	5 351	3,9%	4 370	4 880	-10,4%	14 832	15 037	-1,4%
BOA	3 630	3 464	4,8%	4 126	3 831	7,7%	3 600	3 554	1,3%	11 355	10 849	4,7%
BMCI	759	731	3,8%	761	784	-2,8%	745	729	2,1%	2 265	2 243	1,0%
CIH Bank	812	714	13,8%	812	787	3,2%	885	766	15,6%	2 510	2 266	10,7%
Crédit du Maroc	648	610	6,3%	637	597	6,6%	640	609	5,0%	1 925	1 816	6,0%
Wafa Assurance	3 117	3 204	-2,8%	2 776	2 268	22,4%	2 560	2 068	23,8%	8 454	7 542	12,1%
Insurance												
AtlantaSanad	2 001	1 952	2,5%	1 142	1 116	2,3%	1 063	1 189	-10,6%	4 206	4 257	-1,2%
Saham Assurance	2 045	1 891	8,1%	1 321	1 218	8,5%	1 263	1 244	1,5%	4 629	4 353	6,3%
AFMA	74	66	13,6%	60	52	16,5%	46	35	32,5%	180	152	18,9%
Agma	NC	NC	-	NC	NC	-	NC	NC	-	NC	NC	-
Building Materials												
Sonacid	1 345	1 024	31,3%	1 107	1 048	5,6%	1 196	1 066	12,2%	3 648	3 111	17,3%
TGCC	1 128	663	70,1%	1 122	778	44,2%	1 111	863	28,7%	3 437	2 035	68,9%
Delta Holding	598	483	23,8%	670	639	4,9%	625	661	-5,4%	1 893	1 783	6,2%
Jet Contractors	343	290	18,3%	527	459	14,9%	285	312	-8,8%	1 323	1 061	24,7%
GENEP	311	263	18,3%	313	254	23,1%	221	250	-11,3%	845	767	10,2%
Aluminium du Maroc	366	213	71,8%	361	236	53,0%	242	239	1,0%	968	700	38,4%
Colorado	116	114	2,1%	174	154	12,8%	178	162	10,0%	468	430	8,9%
Cement												
LafargeHolcim Maroc	2 077	1 922	8,1%	1 927	2 078	-7,3%	1 898	2 032	-6,6%	5 903	6 032	-2,1%
Ciments du Maroc	955	862	10,8%	852	854	-0,2%	848	904	-6,2%	2 656	2 619	1,4%
Addoha	509	390	30,5%	301	287	4,9%	327	420	-22,1%	1 143	1 097	4,2%
Real Estate												
Alliances	471	432	9,0%	355	304	16,8%	405	345	17,4%	1 231	1 081	13,9%
RDS	45	92	-51,1%	242	233	3,9%	107	134	-20,1%	401	461	-13,0%
Energy												
Total Maroc	4 474	2 662	68,2%	5 032	2 901	73,5%	5 305	3 421	55,1%	14 813	8 983	64,9%
Taqva Morocco	2 658	1 912	39,0%	3 249	1 553	109,2%	3 839	2 013	90,7%	9 745	5 478	77,9%
Afrique Gaz	2 250	1 704	32,0%	2 977	1 755	69,6%	2 245	1 764	27,3%	7 472	5 223	43,1%
Retail												
Label Vie	2 988	2 594	15,2%	3 213	2 731	17,6%	4 016	3 368	19,3%	10 217	8 694	17,5%
Auto												
Auto Hall	1 156	1 288	-10,2%	1 306	1 540	-15,2%	1 203	1 332	-9,7%	3 664	4 157	-11,9%
Auto Nejma	494	534	-7,5%	471	566	-16,8%	671	737	-9,0%	1 636	1 837	-10,9%
Port												
Marsa Maroc	962	815	18,0%	1 031	927	11,2%	971	908	6,9%	2 965	2 650	11,9%
Mining												
Managem	2 791	1 256	122,2%	2 475	1 755	52,4%	1 910	2 086	-8,4%	7 376	5 097	44,7%
GMI	217	118	83,9%	202	178	13,5%	136	183	-25,7%	555	479	15,9%
CMT	77	64	20,3%	136	127	7,1%	66	66	160,6%	385	256	50,4%
IT												
Disway	492	478	2,9%	481	446	7,8%	397	385	3,1%	1 370	1 309	4,7%
HPS	221	172	28,7%	259	221	17,2%	253	185	36,8%	734	578	27,0%
Disty	NC	NC	-	NC	NC	-	NC	NC	-	NC	NC	-
Microdata	NC	NC	-	NC	NC	-	NC	NC	-	NC	NC	-
S2M	59	53	12,4%	70	58	21,8%	58	57	2,1%	187	176	6,2%
M2M Group	15	20	-25,0%	13	7	85,7%	13	5	160,0%	41	32	28,1%
Involys	NC	NC	-	NC	NC	-	NC	NC	-	NC	NC	-
Financing												
Eqdom	142	126	12,7%	144	158	-3,8%	135	140	-3,6%	441	424	4,0%
Maghrebaill	923	903	2,2%	931	884	5,3%	948	899	5,5%	2 802	2 686	4,3%
Maroc Leasing	95	72	31,9%	81	86	-5,5%	64	80	-20,1%	240	238	0,9%
Salafin	94	98	-3,9%	101	95	6,2%	95	97	-2,2%	290	290	0,0%
Lydec	1 696	1 644	3,2%	1 914	1 812	5,6%	1 895	1 878	0,9%	5 506	5 325	3,4%
Ennaki Automobiles	306	377	-18,9%	432	474	-9,9%	362	399	-9,2%	1 126	1 331	-15,4%
Risma	150	94	59,6%	276	104	165,4%	296	164	80,5%	723	367	97,0%
Sothema	581	497	16,9%	581	497	16,9%	523	540	-3,1%	1 673	1 513	10,6%
Promopharm	166	145	15,0%	156	131	18,7%	161	156	3,6%	501	455	10,1%
CTM	127	128	-0,8%	144	115	25,2%	202	161	25,5%	472	404	16,8%
Timar	159	131	21,6%	169	134	25,9%	166	127	30,7%	494	392	26,0%
Aradei	118	96	22,5%	113	104	7,8%	121	103	17,1%	351	304	15,6%
Immoyente Invest	15	15	1,3%	19	17	11,4%	17	19	-13,6%	50	51	-1,0%
Maghreb Oxygène	74	67	9,5%	78	62	25,5%	71	79	-9,2%	223	208	7,3%
Fenie Brossette	136	119	14,3%	146	150	-2,7%	148	121	22,3%	430	390	10,3%
Others												
Stokvis Nord Afrique	51	75	-32,0%	60	108	-44,4%	36	62	-41,9%	144	246	-41,5%
SRM	46	39	16,4%	101	66	53,7%	65	50	30,3%	212	155	36,7%
DLM	NC	NC	-	26	30	-	NC	NC	-	NC	NC	-
Med Paper	29	16	87,3%	35	17	101,8%	35	20	73,6%	99	53	86,9%
Afric Industries	12	12	3,6%	9	14	-35,9%	10	10	1,2%	32	36	-12,8%
IB Maroc.com	NC	NC	-	NC	NC	-	NC	NC	-	NC	NC	-
Sitroc	16	10	62,0%	23	18	-	17	11	51,8%	56	39	43,8%
Balima	12	11	3,6%	12	12	-3,9%	12	11	3,5%	35	35	1,0%
Zellidja	136	120	13,3%	146	151	-3,3%	148	124	19,4%	430	395	8,9%
Rebab Company	0,01	0,01	0,0%	0,01	0,01	0,0%	0,01	0,01	-27,3%	0,02	0,03	-35,3%

Sources: Listed companies press releases, AGR Computations

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

Walid Kabbaj
+212 5 22 49 14 82
w.kabbaj@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

SENIOR ANALYST

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

FINANCIAL ANALYST

Ulderic Djadjo
+237 681 77 89 40
u.djadjo@attijarisecurities.com
Douala

FINANCIAL ANALYST

Yves André Angaman
+225 07 49 24 60 35
yves.angaman@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 - MOROCCO

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

Hichem Ben Romdhane
+225 29 318 965
h.benromdhane@attijaribank.com.tns

CEMAC - CAMEROUN

Felix Dikosso
+237 651 23 51 15
f.dikosso@attijarisecurities.com

Bonds /Forex /Commodities

MOROCCO

Mohammed Hassoun Filali
+212 5 22 42 87 24
m.hassounfilali@attijariwafa.com

Amine Elhajli
+212 5 22 42 87 09
a.elhajli@attijariwafa.com

Loubaba Alaoui Mdaghri
+212 6 47 47 48 34
l.alaouim@attijariwafa.com

Dalal Tahoune
+212 5 22 42 87 07
d.tahoune@attijariwafa.com

EGYPT

Ahmed Darwish
+20 127 755 90 13
ahmed.darwish@attijariwafa.com.eg

TUNISIA

Atef Gabsi
+216 71 80 29 22
gabsi.atef@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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