

RESEARCH REPORT

EQUITY

OCTOBER
2023

| MOROCCO | 2023 MID-TERM Listed companies' results

DIVERGENT SECTOR ACHIEVEMENTS FOR THE H1-23

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- 04 | Banking sector, the main driver of the market's earning power
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Attijari
Global Research

Report for institutional use

EXECUTIVE SUMMARY

The first half of 2023 was marked by a visible deceleration in the inflation level both internationally and nationally. In fact, the inflation rate in Morocco declined from a high of 10.1% in February to 5.5% in June 2023. At the same time, Bank Al-Maghrib marked a pause in its monetary policy by maintaining its key rate unchanged at 3.0%, after an increase of +50 BPS in March of the same year.

At the end of this first half, 71 listed companies published their operational and financial achievements. This represents a recurring profit growth of +2.4% (excluding allowance by Maroc Telecom for a fine of MAD 2.45 Bn in H1-22). A development in line with investors expectations, 62% of whom forecasted ordinary and/or mitigated results *[Cf. AGR Confidence Index Q2-23]*. This is evidenced by the correction of the MASI index by -3.4% since early August 2023, a scenario presented in our last edition of the AGR House View *[Cf. AGR House View August 23]*.

Analyzing the aggregate earning power of the Equity market during this first half, we emerge with the following conclusions:

- Excluding the banking sector, the market's recurring operating margin fell from 17.7% in H1-22 to 16.6% in H1-23, i.e. a decline of -1.1 pts. Upon the analysis of listed companies' press releases, we note several factors behind this decrease, namely: **(1)** The fall in sales prices of certain products, **(2)** The persistence of inflationary pressures on some inputs and finally **(3)** The proactive inventory reduction policy;
- The banking sector represents the first contributor to the evolution of the market's aggregated recurring profits, through an increase of MAD +1,478 Mn in its profits compared to an increase of only MAD +408 Mn for all listed companies. Excluding Banks, recurring profit growth is negative, i.e. a drop of -10.5%;
- The mining sector weighed heavily on the evolution of the market's recurring earning power. Indeed, the sector's profits fell by MAD -874 Mn given the achievements of Managem Group.

Maria IRAQI

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

Anass DRIF

Financial Analyst
+212 5 22 49 14 82
a.drif@attijari.ma

EXCLUDING BANKS, THE DECLINE IN MARGIN LEVELS CONTINUES IN H1-23

At the end of H1-23, listed companies recorded aggregate revenues of MAD 150 Bn, up +5.7% compared to +15.9% in H1-22. This deceleration takes into account a “price effect” following the international price correction (*Cf. Results of listed companies Q2-23*).

In terms of profitability, we note the following main findings:

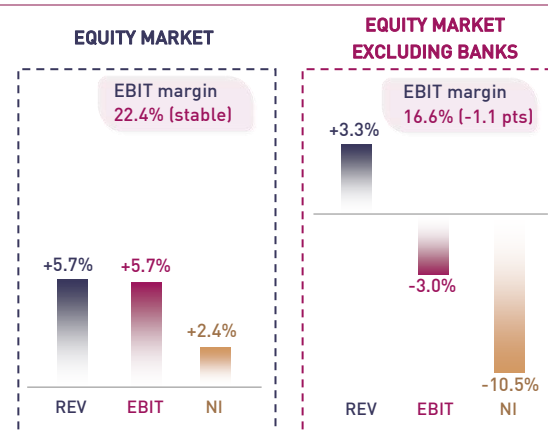
- Adjusted from the allowance by IAM of a penalty worth MAD 2.45 Bn, the recurring EBIT of the market recorded an increase almost similar to that of revenue, i.e. +5.7% to MAD 33.6 Bn. In this context, the operating margin remains stable at 22.4%;
- The market’s recurring earning power shows an increase of +2.4% to MAD 17.4 Bn. Including the allowance for the penalty imposed on Maroc Telecom Group, the reported profits of the Equity market jumped from MAD 14.6 Bn in H1-22 to MAD 17.4 Bn in H1-23, i.e. a significant increase of +19.3%;
- Excluding the banking sector, the recurring EBIT recorded a decline of -3.0% to MAD 18.3 Bn corresponding to an operating margin of 16.6% at the end of June 2023 compared to 17.7% at the end of June 2022. This is a drop of -1.1 points which is mainly explained by the decrease in sales prices during this first half of the year. Likewise, recurring profits excluding Banks fell by -10.5% during the same period.

MARKET: MAIN CONSOLIDATED INDICATORS (MAD MN)

In MAD MN	H1-22	H1-23	Var (%)
Aggregated revenue	141,803	149,908	+5.7%
Recurring EBIT	31,799	33,597	+5.7%
EBIT margin	22,4%	22,4%	-
Recurring profits ⁽¹⁾	17,035	17,443	+2.4%
Reported profits	14,583	17,393	+19.3%

(1) The indicators in H1-22 are mainly restated from the allowance recorded by IAM for an amount of MAD 2.45 Bn

MARKET: MAIN CONSOLIDATED INDICATORS (MAD MN)



Reading the achievements published in H1-23, we note that 39 listed companies recorded increased profits. These represent 75% of the market’s capitalization. Conversely, 32 issuers which account for 25% of the market’s capitalization showed a drop in their profits. Finally, 10 listed companies displayed a loss at the end of H1-23, representing only 1% of the overall market capitalization.

Furthermore, 6 listed companies whose weight in the total capitalization amounts to 4%, have published a profit warning on their half-year results. These are TotalEnergies Marketing Maroc, Lesieur Cristal, Auto Hall, Sonasid, SNEP and Balima.

DASHBOARD OF LISTED COMPANIES RESULTS IN H1-23

KEY INDICATORS	NUMBER OF COMPANIES	% OF CAPI	
Contribution to the increase in profits	39	75%	
Contribution to the decline in profits	32	25%	
Losses	10	1%	
Profit Warning	6	4%	

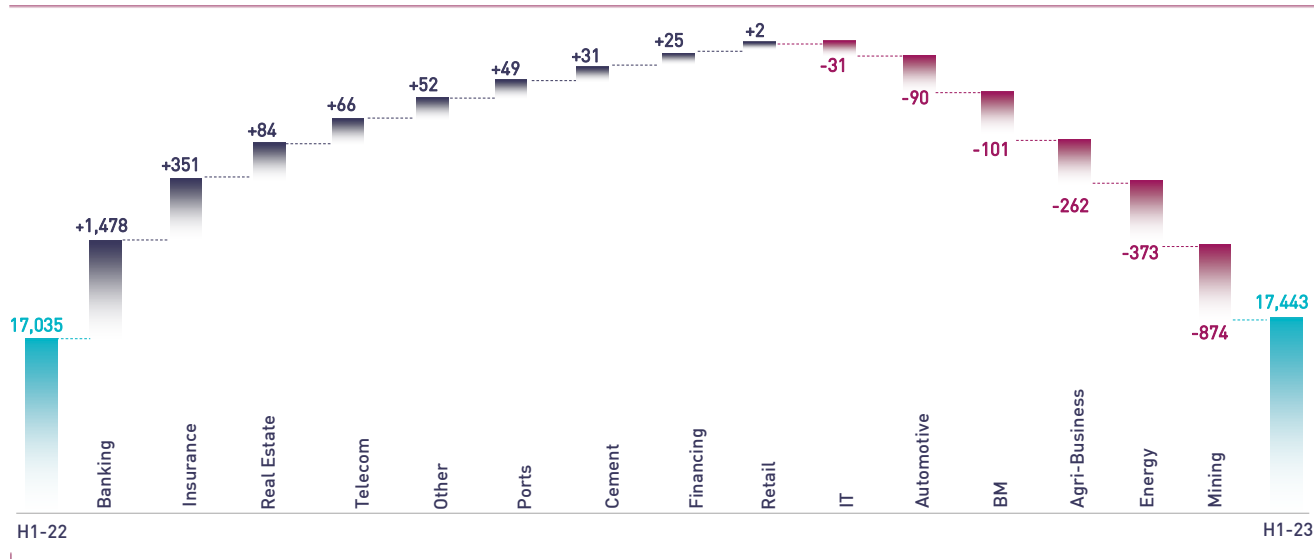
Sources: Financial Statements of listed companies, CSE, AGR Computations

BANKING SECTOR, THE MAIN DRIVER OF THE MARKET'S EARNING POWER

Following the analysis of the contribution of the different listed sectors to the earning power evolution, we emerge with the following observations:

- The **Banking** sector represents the growth driver of the market's aggregate profits, through a cumulative increase in its profits of MAD +1,478 Mn. This sector continues to demonstrate strong resilience, thus providing better visibility regarding its future growth and dividends (Cf. *Banking sector report 2022*);
- In the opposite, the **Mining** sector showed the strongest underperformance, with aggregate profits down MAD -874 Mn. This is attributed to the significant drop in Managem's NIGS going from MAD 1,210 Mn in H1-22 to MAD 305 Mn in H1-23. This is mainly explained by the decline in international metal prices, the non-recurrence of FOREX gains achieved in H1-22 and to a lesser extent the impact of production disruptions in Sudan.

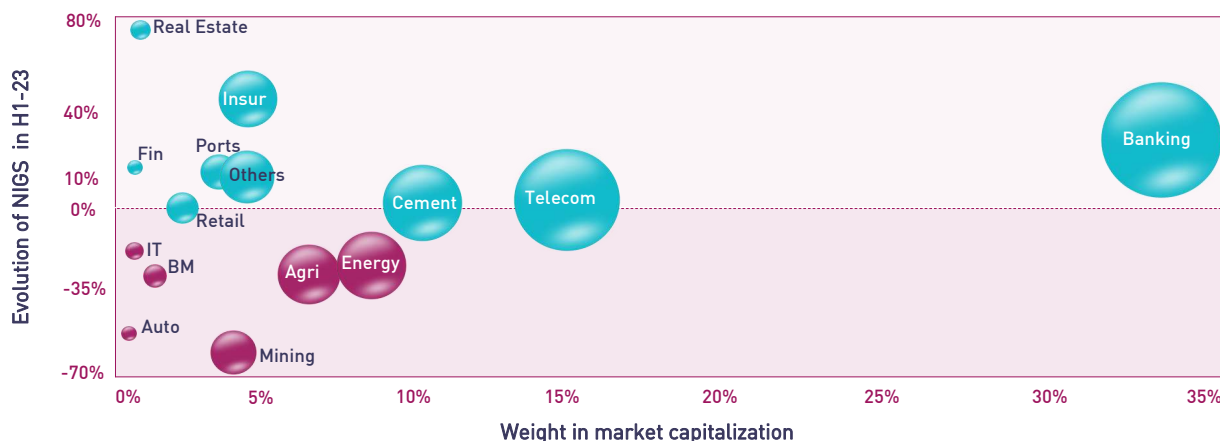
MARKET: CONTRIBUTION IN MAD MN TO THE RECURRING EARNING POWER IN H1-23



Taking into account their capital weight, the evolution of aggregate profits of the listed sectors is as follows:

- 9 listed sectors, representing 77% of market capitalization, experienced an increase in their profits in H1-23. These are the Real Estate (+76.3%), Insurance (+48.3%), Banking (+21.7%), Financing (+14.1%), Ports (+12.8%), Others (+11.8%), Cement (+2.5%), Telecom (+2.3%) and Retail (+1.0%);
- 6 listed sectors, whose weight in market capitalization stands at 23%, show a decline in their half-yearly net income. These are the Mining (-66.6%), Automotive (-55.2%), Agri-business(-32.6%), Building Materials (-29.3%), Energy (-29.2%) and IT (-19.5%).

MARKET: RECURRING EARNING GROWTH IN LISTED SECTORS VS. WEIGHT IN STOCK CAPITALIZATION



Sources: Financial Statements of listed companies, CSE, AGR Computations



RECURRING RESULTS H1-23

	IN MAD MN	Revenue/NBI			EBIT			Operating margin			NIGS			Net margin	
		H1 2023	H1 2022	Var	H1 2023	H1 2022	Var	H1 2023	H1 2022	H1 2023	H1 2022	Var	H1 2023	H1 2022	
Tel	Maroc Telecom	18 399	17 568	4,7%	6 052	5 740	5,4%	32,9%	32,7%	2 935	2 869	2,3%	16,0%	16,3%	
	Cosumar	4 958	5 076	-2,3%	658	641	2,6%	13,3%	12,6%	369	401	-8,0%	7,4%	7,9%	
Agri-Business	Lesieur Cristal	3 039	3 598	-15,5%	89	401	-77,8%	2,9%	11,1%	23	223	-89,7%	0,8%	6,2%	
	SBM	1 208	1 106	9,2%	188	179	4,9%	16,2%	16,2%	110	110	1,5%	9,3%	10,0%	
	Mutandis	1 100	1 020	7,8%	90	70	29,5%	8,2%	6,8%	47	37	28,6%	4,3%	3,6%	
	Dari Couspate	428	371	15,4%	22	20	11,0%	5,2%	5,4%	16	20	-21,8%	3,6%	5,4%	
	Unimer	623	574	8,5%	-9	22	-31 MDH	NS	3,9%	-45	-14	-31 MDH	NS	NS	
	Oulmès	1 165	984	18,4%	62	56	11,8%	5,3%	5,6%	21	27	-23,9%	1,8%	2,8%	
	Attijariwafa bank	14 605	12 793	14,2%	6 661	5 704	16,8%	45,6%	44,6%	3 614	3 036	19,0%	24,7%	23,7%	
Banks	BCP	11 742	10 462	12,2%	4 169	3 605	15,7%	35,5%	34,5%	2 346	1 805	30,0%	20,0%	17,3%	
	BOA	8 377	7 754	8,0%	2 799	2 408	16,2%	33,4%	31,1%	1 414	1 268	11,5%	16,9%	16,4%	
	BMCI	1 695	1 520	11,5%	364	152	139,3%	21,5%	10,0%	217	79	174,1%	12,8%	5,2%	
	CIH Bank	2 219	1 624	36,6%	788	503	56,8%	35,5%	31,0%	413	299	38,1%	18,6%	18,4%	
	Crédit du Maroc	1 426	1 285	11,0%	534	581	-8,0%	37,5%	45,2%	286	325	-12,0%	20,0%	25,3%	
Insurance	Wafa Assurance	6 533	5 894	10,8%	606	647	-6,3%	9,3%	11,0%	550	554	-0,6%	8,4%	9,4%	
	Sanlam Maroc	3 493	3 367	3,8%	234	-233	+467 MDH	6,7%	NS	208	-123	+331 MDH	6,0%	NS	
	AtlantaSanad	3 085	3 143	-1,8%	302	286	5,6%	9,8%	9,1%	245	229	7,0%	7,9%	7,3%	
	AFMA	144	134	6,9%	66	60	10,2%	46,1%	44,7%	41	37	10,3%	28,2%	27,3%	
Building Materials	AGMA	84	81	3,2%	48	46	5,4%	57,2%	56,0%	34	30	12,6%	40,5%	37,1%	
	Sonasis	2 543	2 452	3,7%	56	112	-49,5%	2,2%	4,6%	19	60	-68,8%	0,7%	2,4%	
	TGCC	2 860	2 240	27,7%	213	147	44,6%	7,5%	6,6%	122	94	29,6%	4,3%	4,2%	
Real Estate	Delta Holding	1 323	1 268	4,4%	1 256	1 308	-4,0%	94,9%	103,1%	79	70	12,3%	5,9%	5,5%	
	SNEP	478	624	-23,3%	5	128	-96,4%	1,0%	20,5%	-21	62	-82 MDH	NS	9,9%	
	Jet Contractors	991	1 038	-4,6%	60	68	-11,3%	6,1%	6,5%	24	11	120,8%	2,5%	1,1%	
	Aluminium du Maroc	671	810	-17,1%	44	94	-53,5%	6,5%	11,6%	5	33	-86,0%	0,7%	4,1%	
	Colorado	297	290	2,3%	29	26	11,9%	9,9%	9,0%	16	15	6,6%	5,5%	5,3%	
Cement	LafargeHolcim Maroc	4 130	4 004	3,1%	1 468	1 464	0,3%	35,6%	36,5%	826	759	8,8%	20,0%	18,9%	
	Ciments du Maroc	2 159	2 024	6,7%	666	700	-4,9%	30,8%	34,6%	438	474	-7,6%	20,3%	23,4%	
Real Estate	Addoha	1 406	816	72,2%	148	159	-7,3%	10,5%	19,5%	95	52	84,5%	6,8%	6,3%	
	Alliances	1 003	826	21,4%	230	170	35,7%	23,0%	20,6%	106	75	40,4%	10,6%	9,1%	
Energie	RDS	254	294	-13,5%	14	5	182,6%	5,5%	1,7%	-8	-17	+10 MDH	NS	NS	
	TotalEnergies Marketing Maroc	8 263	9 508	-13,1%	175	499	-64,9%	2,1%	5,2%	97	327	-70,4%	1,2%	3,4%	
	Taqa Morocco	7 448	5 906	26,1%	1 379	1 470	-6,2%	18,5%	24,9%	458	605	-24,3%	6,1%	10,2%	
Auto	Afriguia Gaz	4 433	5 226	-15,2%	548	554	-1,0%	12,4%	10,6%	349	344	1,4%	7,9%	6,6%	
	Label Vie	7 533	6 201	21,5%	302	276	9,2%	4,0%	4,5%	221	219	1,0%	2,9%	3,5%	
Port	Auto Hall	2 197	2 464	-10,8%	57	161	-64,6%	2,6%	6,5%	-12	87	-99 MDH	NS	3,5%	
	Auto Nejma	1 088	964	12,8%	135	117	14,8%	12,4%	12,2%	85	76	12,1%	7,8%	7,8%	
Mining	Marsa Maroc	2 119	1 993	6,3%	769	689	11,5%	36,3%	34,6%	433	384	12,8%	20,4%	19,3%	
	Managem	4 182	5 466	-23,5%	643	1 292	-50,2%	15,4%	23,6%	305	1 210	-74,8%	7,3%	22,1%	
	CMT	275	213	29,2%	139	106	31,1%	50,5%	49,8%	91	74	21,5%	32,9%	35,0%	
IT	SMI	532	419	26,8%	66	28	140,8%	12,5%	6,6%	44	29	49,4%	8,2%	7,0%	
	HPS	507	468	8,5%	93	85	9,5%	18,4%	18,2%	46	68	-32,8%	9,0%	14,5%	
	Disway	924	973	-5,0%	58	75	-22,3%	6,3%	7,7%	39	49	-21,4%	4,2%	5,1%	
	Disty	291	256	13,9%	16	19	-18,3%	5,4%	7,6%	12	7	74,3%	4,0%	2,6%	
	Microdata	550	444	24,0%	78	87	-10,3%	14,1%	19,5%	53	47	12,3%	9,6%	10,6%	
	S2M	130	128	1,7%	12	6	104,5%	9,1%	4,5%	5	6	-9,0%	4,0%	4,4%	
	M2M Group	33	29	11,8%	-15	-29	+14 MDH	NS	NS	-21	-19	-2 MDH	NS	NS	
Financing	Involys	14	20	-29,4%	-3	3	-7 MDH	NS	16,4%	-4	2	-6 MDH	NS	11,9%	
	Eqdom	287	301	-4,6%	90	80	12,5%	31,3%	26,5%	56	46	21,5%	19,5%	15,3%	
	Salafin	192	195	-1,6%	68	78	-12,9%	35,1%	39,7%	39	48	-17,9%	20,3%	24,4%	
	Maghrebail	165	230	-28,2%	107	109	-1,5%	65,0%	47,4%	63	57	10,7%	38,0%	24,6%	
	Maroc Leasing	180	176	1,7%	83	58	44,3%	46,5%	32,8%	46	28	62,6%	25,6%	16,0%	
	Risma	594	428	38,8%	135	62	118,9%	22,7%	14,4%	82	30	172,3%	13,8%	7,1%	
	Sothema	1 184	1 150	3,0%	216	260	-17,0%	18,2%	22,6%	152	158	-3,9%	12,8%	13,8%	
	Promopharm	383	340	12,7%	43	61	-30,3%	11,2%	18,0%	25	35	-27,3%	6,6%	10,3%	
	CTM	293	271	8,3%	11	-7	+18 MDH	3,6%	NS	19	7	156,0%	6,5%	2,7%	
	Timar	335	329	1,8%	27	23	15,6%	8,0%	7,0%	16	11	52,5%	4,9%	3,3%	
Others	Maghreb Oxygène	145	151	-4,5%	5	12	-61,6%	3,1%	7,8%	9	9	-3,9%	6,2%	6,2%	
	Immortene Invest	34	34	0,8%	22	24	-7,1%	65,3%	70,8%	17	14	21,5%	50,7%	42,1%	
	Afric Industries	19	22	-13,5%	3	6	-58,7%	13,9%	29,2%	2	4	-61,9%	9,0%	20,5%	
	Akdital	828	450	83,7%	126	52	140,9%	15,3%	11,7%	67	26	160,2%	8,1%	5,7%	
	Aradei	295	230	28,3%	185	154	19,9%	62,5%	66,9%	74	69	6,7%	24,9%	30,0%	
	Med Paper	56	64	-13,8%	6	7	-14,1%	10,3%	10,3%	3	4	-21,2%	5,7%	6,2%	
	Fenie Brossette	307	282	9,0%	10	13	-24,4%	3,2%	4,6%	7	19	-64,3%	2,3%	6,9%	
	Stokvis Nord Afrique	83	111	-25,3%	-9	-6	-3 MDH	NS	NS	-33	-26	-7 MDH	NS	NS	
	Stroc	49	39	25,2%	-5	1	-6 MDH	NS	3,7%	-11	-7	-4 MDH	NS	NS	
	SRM	126	147	-14,4%	-6	1	-6 MDH	NS	0,4%	-9	-2	-7 MDH	NS	NS	
	Balima	27	24	13,1%	4	5	-14,1%	16,0%	21,1%	2	14	-87,4%	6,2%	55,6%	
	Zellidja	307	282	9,0%	8	11	-28,4%	2,5%	3,8%	2	9	-80,9%	0,6%	3,2%	
	Rebab Company	0,015	0,023	-33,3%	-0,17	-0,22	+0 MDH	NS	NS	-0,09	-0,25	+0 MDH	NS	NS	
Ennaki Automobiles	1 064	826	28,8%	106	94	12,8%	10,0%	11,4%	71	67	4,8%	6,6%	8,1%		

Sources: Financial Statements of listed companies, 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

FINANCIAL ANALYST

Anass Drif
+212 5 22 49 14 82
a.drif@attijari.ma
Casablanca

SENIOR ANALYST

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

FINANCIAL ANALYST

Ulдерic Djado
+237 681 77 89 40
u.djado@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

Mohamed Lemridi
+225 07 80 68 68
mohamed.lemridi@sib.ci

BROKERAGE - TUNISIA

Hichem Ben Romdhane
+216 71 10 89 00
h.benromdhane@attijaribank.com.tn

CEMAC - CAMEROUN

Ernest Pouhe
+237 67 41 19 567
e.pouhe@attijarisecurities.com

Bonds /Forex /Commodities

MOROCCO

Mohammed Hassoun Filali
+212 5 22 42 87 09
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@barclays.com

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
+33 6 19 92 44 09
youssef.hansali@ugb-banque.com

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