

RESEARCH REPORT

EQUITY

APRIL
2024

MANAGEM CAPITAL INCREASE : ANALYSIS POINT

- 03 | A capital increase which reflects the Reference Shareholder's confidence
- 04 | A growth strategy allowing the crossing of new earning capacity levels
- 05 | Diversified financing between « Self-financing », « Equity » and « Debt »
- 05 | Debt to be put into perspective thanks to the cash generation capacity



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Managem Group, a leading mining player, is launching a new capital increase operation for a total amount of MAD 3.0 Bn. The main aim is to accelerate the deployment of its 2023-2025E investment program while ensuring the solidity of its balance sheet.

At the end of our analysis of Managem Group, the impact of its development strategy by 2025 and the international outlook of metals, we **recommend subscribing to this operation**.

Our argument revolves around the following points:

- This capital increase marks the strong involvement and firm commitment of the Reference Shareholder Al Mada in Managem's growth project through a 83% subscription to this operation. This constitutes a confidence signal both towards minority shareholders and stock market investors;
- Managem's new development strategy would allow it to overcome a major constraint. This is a portfolio of "fragmented" projects of relatively "small" size, not allowing to reach a new profitability level. From 2025E, we will witness the start of large-scale projects with very competitive "cash costs" and EBITDA margins +5 pts higher than historical projects;
- This change in dimension of Managem Group should take place on the ST and not on LT horizons. We forecast a doubling of EBITDA, going from an average of MAD 2.5 Bn over 2020-2023 to MAD 5.0 Bn from 2025E. At the same time, the recurring profit capacity would reach a new level, from MAD 0.8 Bn to MAD 1.5 Bn during the same period;
- The Group's net debt, which is expected to exceed MAD 10.0 Bn by 2025E, should be put into perspective for 3 reasons: (1) A target operating cash flow of MAD 4.2 Bn, i.e. a net debt recovery capacity of 2.3 years, (2) A target earning power of MAD 1.5 Bn allowing to further strengthen Equity through a Gearing which would settle at 70% from 2026E and finally, (3) Financial expenses which should be below 10% of EBITDA at the end of the same period.

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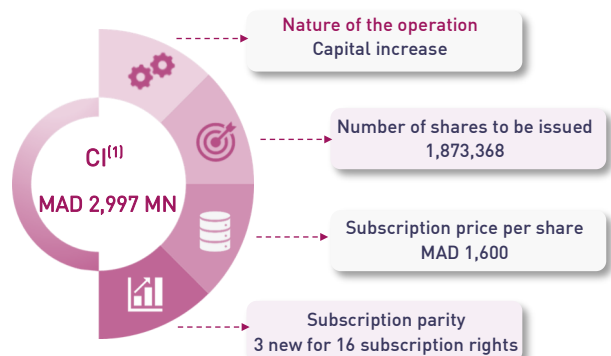
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A CAPITAL INCREASE WHICH REFLECTS THE MAIN SHAREHOLDER'S CONFIDENCE

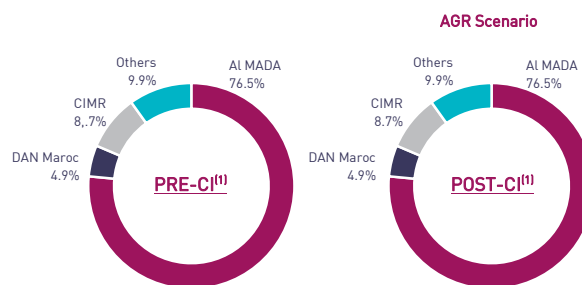
In order to support the new ambitious growth strategy, unveiled by Top-Management following the release of its annual achievements in 2023, Managem Group will carry out a capital increase for a total amount of MAD 2,997 Mn. This is the 2nd operation after that carried out in June 2017 for an amount of MAD 973 Mn.

This involves the issue of 1,873,368 new Shares, i.e. 18.7% of the total number of shares. The subscription price is set at MAD 1,600 per Share, offering a discount of 12% compared to the stock's average price over Q1-24. Based on this issue price, the subscription parity is 3 new Shares for 16 subscription rights. Alongside this operation, Al Mada, the Reference Shareholder, would preserve its unchanged stake in Managem, i.e. 76.5%. This constitutes a confidence signal towards both minority shareholders and investors.

TECHNICAL CHARACTERISTICS OF THE OPERATION



SHAREHOLDING: PRE-OPERATION VS. POST-OPERATION



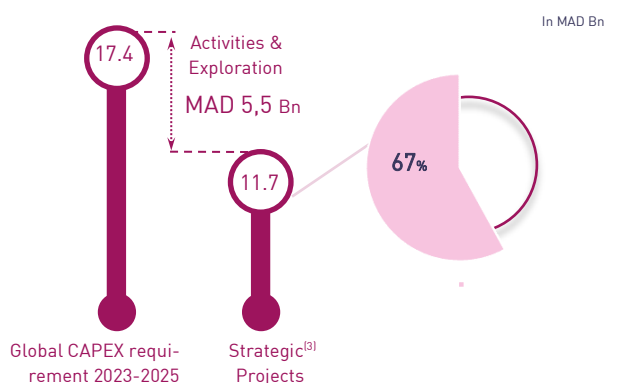
(1) Capital increase of MAD 3.0 Bn

This capital increase would ensure the partial financing of a major investment program over the period 2023-2025E, estimated at MAD 17.0 Bn. Beyond the development of operational mines, the Group intends to start two strategic projects from 2025E, namely: the Tizert Copper mine and the Boto Gold project in Senegal whose CAPEX amounts to MAD 4.7 Bn and MAD 7.0⁽²⁾ Bn respectively. It is reassuring to note the involvement and commitment of Al Mada Group in Managem's growth project through a 83% subscription to the operation, i.e. MAD 2.5 Bn.

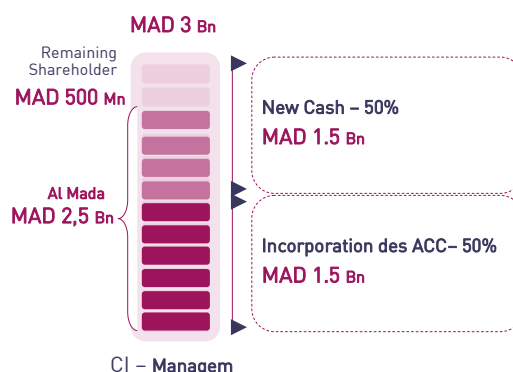
This capital increase is structured according to two financing methods, namely:

- (1) The incorporation of the associate current account held by Al Mada on Managem Group for a total amount of MAD 1.5 Bn. This is half the operation;
- (2) The injection of "New Cash" worth MAD 1.5 Bn. In more detail, a contribution from the Reference Shareholder of MAD 1.0 Bn and a remainder of MAD 500 Mn reserved for minority shareholders in order to avoid any dilution of their participation.

MANAGEM: AGGREGATE CAPEX OVER THE 23E-25E PERIOD



MANAGEM: BREAKDOWN OF THE CAPITAL INCREASE



(2) Including the acquisition price.

(3) Tizert mine, Boto project and the Guemassa site.

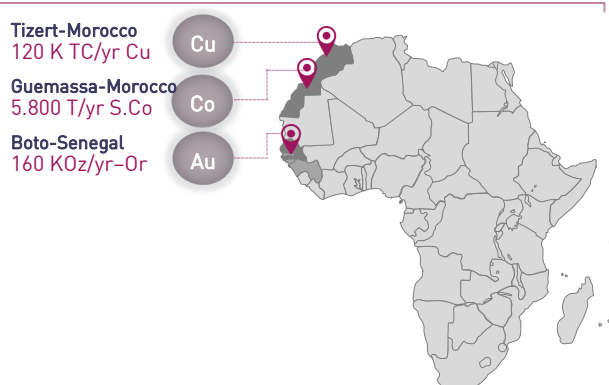
Sources: Presentation of Managem results, AGR Calculations

A SGROWTH STRATEGY ALLOWING THE CROSSING OF NEW EARNING CAPACITY LEVELS

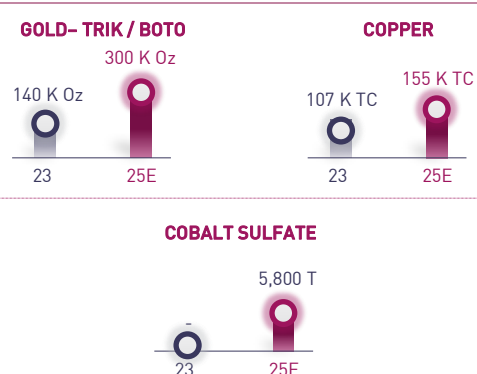
Managem Group's development strategy is structured around 4 strategic projects of "significant" size. The latter would be able to move the operator towards a new level of profitability by 2025E. This concerns :

- **Tizert Copper Project - Morocco** : A large deposit in the Taroudant region whose start-up is planned for H2-25E. With a target production of more than 100 KTC, this project would double the Group's Copper production from 2026E. Managem's total target production in 2025E should amount to 155 KT, including 60 KT from Tizert;
- **BOTO Gold project - Senegal** : A new acquisition which should strengthen the weight of the "Gold" Activity in Managem's metals portfolio. This is a target production of around 160 KOz from 2025E. Taking into account a target production of Trik in Guinea of 140 KOz, global Gold production should amount to around 300 KOz in 2025E;
- **Cobalt Sulfate Project - Morocco**: Construction of a new factory at the Guemassa site from H2-25 for the production of 5,800 MT/year of Cobalt Sulfate intended for electric batteries. In partnership with Renault, this project would allow Managem Group to position itself on the Battery value chain and more generally on "critical metals" as part of the new global energy transition.

MANAGEM: POSITIONING OF NEW PROJECTS



MANAGEM: TARGET PRODUCTION BY ACTIVITY 2023-2025E

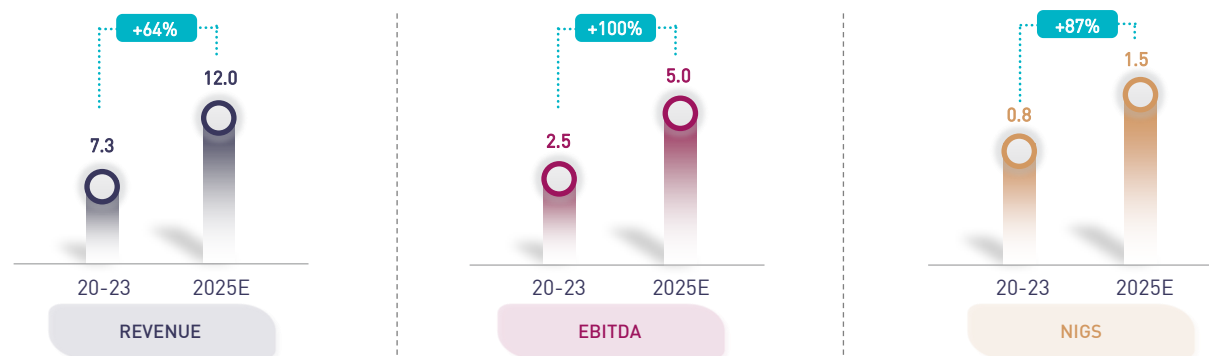


The deployment of Managem's strategy is taking place within a favorable mining context, fueled by a series of factors: (1) the new accommodative monetary cycle from the major central banks, (2) the positive outlook for "critical metals" and (3) the needs generated by the energy transition on a global scale.

Based on our own scenario, Managem should reach a new milestone in terms of profitability, compared to its average achievements during the 2020-2023 reference period:

- (1) **Revenues** : With the increase in Gold production (~x2.0) and Copper (~x2.0) at MT, the target revenue would cross the threshold of MAD 12.0 Bn against an average of MAD 7.3 Bn over the period 2020-2023, i.e. an increase of 60%;
- (2) **EBITDA** : The entry into production of large mining projects combined with competitive cash costs would allow a significant improvement in the operating margin and EBITDA. This indicator should double, going from an average of MAD 2.5 Bn over the period 2020-2023 to MAD 5.0 Bn from 2025E;
- (3) **NIGS**: Taking into account the weight of depreciations and the financial structure post-capital increase, the Group's recurring earning power would settle at nearly MAD 1.5 Bn from 2025E compared to an average normative level of MAD 800 Mn.

MANAGEM: AGR GROWTH SCENARIO BY 2025E (MAD BN)



(1) For the Tizert and Boto projects, the year 2025E is not a full production year

Sources: Presentation of Managem results, AGR Calculations & Estimates

DIVERSIFIED FINANCING BETWEEN «SELF-FINANCING», «EQUITY» AND «DEBT»

The deployment of Managem Group's investment plan, whose overall envelope amounts to MAD 17.4 Bn over the period 2023-2025E, should be financed according to our estimates up to 1/3 via self-financing. This share reflects the operator's strong cash generation capacity thanks to the entry into production of large projects, offering better margins.

Beyond this capital increase, the Debt should cover almost half of the financing needs generated by this investment plan. Ultimately, the Group's LT financing policy seems balanced between debt on the one hand and self-financing and equity on the other.

MANAGEM: ESTIMATED BREAKDOWN OF THE INVESTMENT PLAN FINANCING OVER THE 23-25E PERIOD



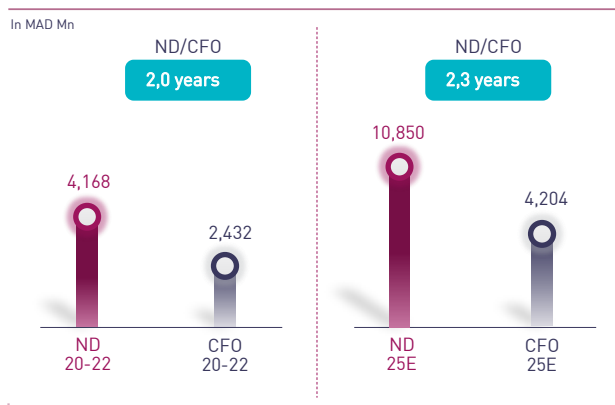
A DEBT LEVEL TO BE PUT INTO PERSPECTIVE THANKS TO THE GENERATION CASH CAPACITY

As part of the Group's financing policy, we are witnessing a sharp increase in net debt, going from an average of MAD 4.2 Bn during the period 2020-2022 to more than MAD 10.0 Bn by 2025E. At the same time, this capital increase combined with a target recurring profit of MAD 1.5 Bn would allow to contain Gearing below 90% in 2025E before stabilizing it around 70% from 2026E. A level consistent with the average observed over the 2020-2022 period.

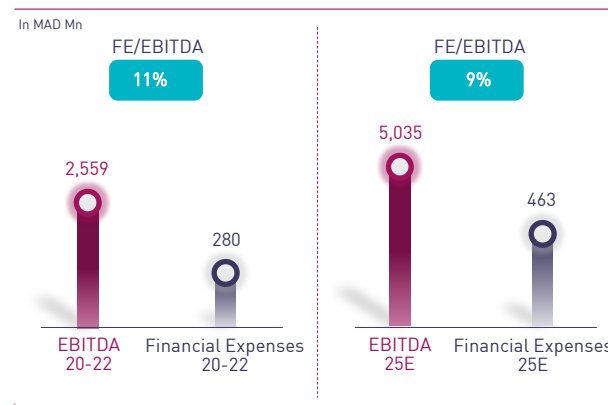
The start of large-scale projects, offering EBITDA margins +5 points higher than the average profitability of historic mines, would allow Managem Group to preserve its capacity to repay its debt of more than MAD 10 Bn in 2025E :

- On the one hand, the coverage rate of net debt by operating cash flows should consolidate around 2.3 years from 2025E;
- On the other hand, the share of financial costs in EBITDA should remain at relatively low levels, around 10% from 2025E.

MANAGEM: DEBT COVERAGE BY CFO



MANAGEM: WEIGHT OF FINANCIAL COSTS IN THE EBITDA



Sources: Presentation of Managem results, AGR Calculations & Estimates

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