

RESEARCH REPORT

EQUITY

NOVEMBER
2024

CIMENTS DU MAROC : EXTERNAL GROWTH **CREATING VALUE FOR** INVESTORS

- 03 | Mid-term achievements not reflecting the annual trend
- 04 | External growth generating three positive impacts for CIMAR
- 05 | Revision of the stock's new earnings capacity and target price



Attijari
Global Research

Report for institutional use

BUY

Initial opinion	HOLD
Release date	09/24/2021
Initial target price	MAD 1.800

CIMENTS DU MAROC

Sector	CEMENT
Reuters	CMA.CS
Bloomberg	CMA MC

MAD 2,220

Actual	MAD 1,830
Potential	+21%
Horizon	12 Months

EXECUTIVE SUMMARY

Our interest in CIMAR Group comes in an opportune sectoral context, marked by the favorable expected recovery of cement consumption in Morocco and the recent announcement related to the acquisition of the cement manufacturer Asment de Témara by the listed operator.

Taking into account the expected synergy effects of this transaction and based on our growth assumptions during the 2024E-2026E period, we have revised up CIMAR valuation. At the end of this exercise, we come out with a target price of MAD 2,220 offering an upside potential of +21% compared to the price as of November 12th 2024. Thus, we recommend **BUYING** CIMAR stock.

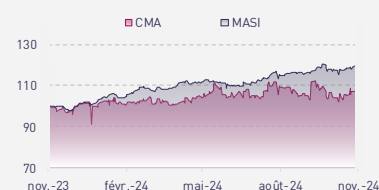
Our recommendation is based on 4 main points:

- During the period 2024E-2026E, we forecast a significant recovery in cement consumption in Morocco, through an AAGR of +7.0% against -1.7% observed over the last decade^[1]. Beyond the start of major infrastructure projects, our scenario is supported by the recovery in the self-construction segment after several years of sluggishness due to the succession of drought years;
- On the commercial level, the acquisition of Asment de Témara would allow CIMAR to gain market share points, despite the entry of the new operator Novacim. In addition to this, the Group should extend its presence to a region offering good prospects in terms of cement consumption, namely the *Rabat-Salé-Kénitra* axis;
- On the operational level, this acquisition offers CIMAR interesting opportunities in terms of cost optimization, particularly at the organizational, logistical and decarbonization strategy levels. Thus, we forecast a gain of at least +2 pts in the Group's EBITDA margin by 2026E;
- Historically, investors criticized CIMAR for its poorly optimized financial structure through a debt-free balance sheet and a relatively "expensive" financing cost which relies exclusively on Equity. According to our estimates, this transaction would allow CIMAR to increase the debt burden to 40% in its financial structure, leading to a decrease in its average WACC from 9.53% during the period 2021-2024 to 6.84% from 2025;
- CIMAR's profile corresponds to our investment logic which prioritizes the quality of the balance sheet, margin levels, cash generation and low volatility of LT growth. During the period 2024E-2026E, the operator displays a controllable WCR of 9% of revenue, an attractive EBITDA margin of 43.5%, a comfortable OCF^[2]/revenue ratio of 28% and a LT growth profile which outperformed GDP.

Maria IRAQI

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

STOCK EVOLUTION (BASIS 100)



MARKET INDICATORS

Performances (%)	1 M	3 M	12 M
Cimar	4.6	-0.3	9.1
MASI	4.2	6.5	23.0

ADV (MDH)	1 M	3 M	12 M
Cimar	7	6	6
MASI	260	247	229

Capitalization	As at 11/12/2024
In MAD Mn	26,418
In \$ Mn	2,675

Prices as at 11/12/2024

[1] AAGR calculated over the 2013-2023 period / [2] OCF: Operating Cash Flow

Sources: PR & CIMAR H1 24 Financial Statements, AGR Calculations & Estimates

MID-TERM ACHIEVEMENTS NOT REFLECTING THE ANNUAL TREND

In H1-24, CIMAR's achievements are below expectations with annual achievement rates below 45% for revenue, EBITDA and NIGS. However, we believe that these mid-term achievements do not reflect the underlying trend for the coming years. In fact, we expect a solid increase in domestic cement consumption starting H2-2024. This is evidenced by the recovery in cement sales of +8.2% at the end of October compared to +1.1% at the end of June 2024. A growth dynamic confirmed by Top Management during our latest discussions.

Decline in activity in a context marked by increasing competition

At the end of June 2024, CIMAR's consolidated sales underperformed domestic cement consumption, down -7.4% versus +1.1% respectively. Two main factors are behind this decline:

- The effective entry into the market of the new operator NOVACIM. This latter has an installed production capacity of 1.6 MT in the Center region. According to our own estimates, this new entrant would have generated a -2 pts drop in CIMAR's market share;
- A significant decline in Clinker exports. According to the indicators of Office des Changes, Clinker exports from Morocco would have fallen by -63% in H1-24 due to abundant supply from Turkey and Egypt.

Relative improvement in margins thanks to lower energy costs

In H1-24, the Group's EBITDA stood at MAD 816 Mn, showing a less pronounced decline than that of revenue, i.e. -2.2%. To this end, the EBITDA margin improved by +2.2 pts to 40.8% compared to 38.6% a year earlier. This improvement is mainly due to the drop in international Petcoke prices by nearly -31%, from \$ 162/T in H1-23 to \$ 111/T in H1-24. It should be noted that Petcoke remains the main input used in the cement production process.

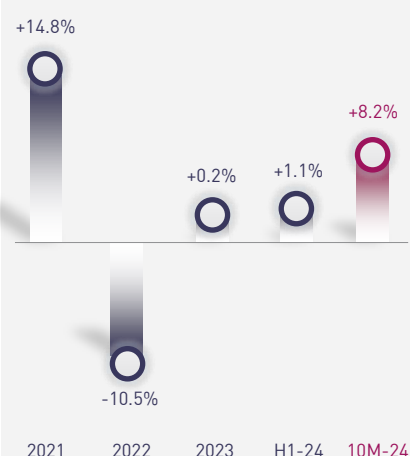
Almost stable profits, which should improve over the whole year

In H1-24, CIMAR posted an NIGS of MAD 433 Mn compared to MAD 438 Mn during the same period of the previous year. This slight decrease of -1.2% would be attributed to the increase in the tax burden from MAD 180 Mn in S1-23 to MAD 204 Mn in S1-24, i.e. an increase of +13.0%.

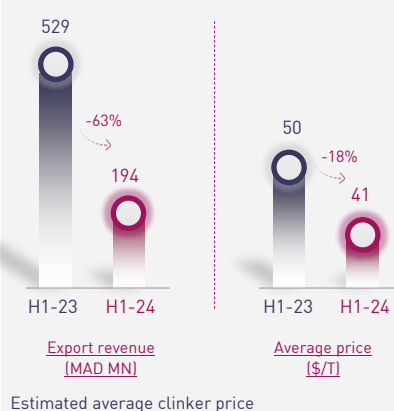
Furthermore, the Management outlook for the FY 2024 remains positive. This should be reflected in an increase in the operator's results. A scenario supported by two main reasons:

- The launch of several infrastructure projects in preparation for the organization of the 2025 AFCON and the 2030 World Cup;
- The revival of the real estate sector supported by the new housing assistance program and the prospects of a positive crop year thanks to the latest rainfall. These should boost the self-construction segment after several years of sluggishness due to the succession of years of drought.

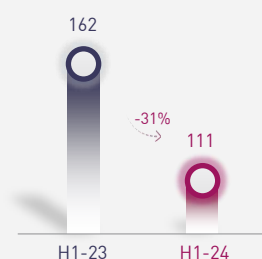
MOROCCO: CEMENT CONSUMPTION



MOROCCO: CLINKER EXPORTS



PETCOKE: PRICE EVOLUTION (\$/T)



CIMENTS DU MAROC: H1-24 CONSOLIDATED RESULTS VS. AGR 2024E FORECASTS

IN MAD MN	H1-23	H1-24	VAR	AGR 24E	VAR 24E	AR 2024E ⁽¹⁾
Consolidated revenue	2,159	1,999	-7.4%	4,552	+5.1%	44%
Adjusted EBITDA	834	816	-2.2%	1,906	+11.7%	43%
EBITDA Margin	38.6%	40.8%	+2.2 pts	41.9%	+2.5 pts	
EBIT	666	661	-0.7%	1,613	+13.0%	41%
Operating margin	30,8%	33,1%	+2.3 pts	35.4%	+2.5 pts	
NIGS	438	433	-1.2%	1,045	+7.7%	41%
Net margin	20.3%	21.7%	+1.4 pts	23.0%	+0.6 pt	

(1) AR: Achievement rate: Result H1-24R / AGR Annual forecast 2024E

Sources: RP & CIMAR h1 24 financial Statements, APC, Office des Changes, AGR Calculations & Estimates

EXTERNAL GROWTH GENERATING THREE POSITIVE SPIN-OFFS FOR CIMAR

On September 13th 2024, CIMAR announced the signing of a strategic agreement to acquire a 62.62% stake in the capital of Asment de Témara. In our opinion, this transaction should have a positive impact on the creation of financial and economic value for stock market investors. Our opinion is justified by three positive impacts generated by this transaction:

(1) Extension of national coverage..., allowing better defense of the MS

Asment de Témara is a cement manufacturer previously held by the Brazilian Group Votorantim Cimentos. The operator has a cement production capacity of 1.4 MT and operates mainly in Rabat-Salé-Kénitra region. Before the arrival of the new entrant Novacim, Asment de Témara held a MS of nearly 6.0%.

This strategic acquisition would allow CIMAR (present in the South and Oriental regions) to extend its presence to a very promising region on the MT. This is the Rabat-Casablanca axis. The latter concentrates a significant share both in terms of the real estate Offer and future infrastructure projects of the Kingdom.

It is clear that the entry of the new operator Novacim into the Moroccan market would be at the expense of the large cement groups with a target market share estimated at between 6 and 7%. Through this operation, CIMAR would largely offset the impact of the new entrant with a net positive variation in its market share, i.e. +2 pts, going from 24% to a target of 26% from 2025E.

(2) Better cost optimization and acceleration of the decarbonization strategy

In addition to gaining new market shares, the acquisition of Asment de Témara would allow CIMAR to explore new avenues in terms of cost control. In details:

- Better rationalization of the organizational structure, particularly in terms of payroll and head office costs. Indeed, operating expenses represent on average 7.4% of CIMAR's consolidated revenue over the period 2021-2023;
- A gain in terms of logistics costs through optimization of cement transport circuits. Thanks to this new plant based in Témara, CIMAR could deliver with more efficiency to Greater Casablanca, a region historically served from its Marrakech plant;
- An acceleration of CIMAR's decarbonization strategy thanks to the synergy effects generated by this acquisition. This is the selection of best practices between CIMAR production process and that of Asment de Témara, which has a high-performance industrial tool. It should be noted that Asment de Témara is in the process of finalizing a Joint Venture with the Véolia Group for waste treatment. The latter should serve as alternative fuels to Petcoke./

Thanks to the expected synergy effects of this transaction, the new entity should gain at least 2 points of EBITDA margin according to our estimates. At constant scope, the consolidated EBITDA margin would evolve from 42.5% in 2024E to 44.5% by 2026E.

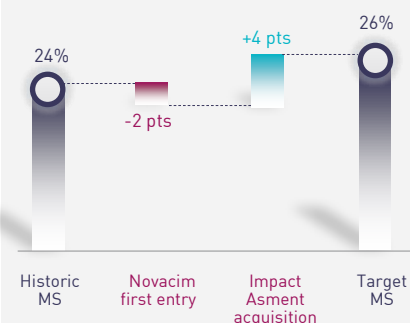
(3) Activation of financial leverage..., leading to an improvement in the cost of capital

For several years now, investors have criticized CIMAR for using a poorly optimized financial structure. This is a deleveraged balance sheet and a capital financing cost which relies exclusively on Equity.

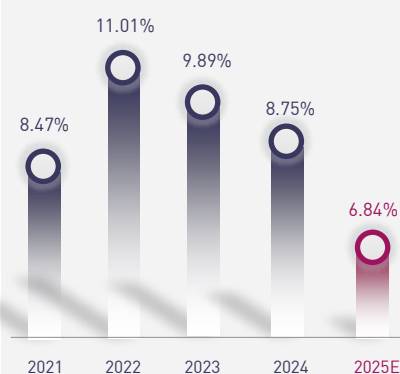
With available cash of MAD 1.0 Bn in H1-24 and taking into account the deal size, we believe that the activation of the Bank Debt is essential to finance such an acquisition. According to Management, the target debt level recommended by the majority shareholder (Heidelberg Cement) is equivalent to an ND/EBITDA ratio of 1.2x. Under these conditions, we assume a target weight of debt in the Group's financial structure of 40%. This is a LT financial debt of around MAD 3.0 Bn by 2025.

Thanks to the activation of the financial leverage, CIMAR stock would benefit from a significant drop in its cost of capital. This should go down from an average of 9.53% during the 2021-2024E period to 6.84% in 2025E, i.e. a significant improvement of nearly 3.0 pts. In this context, the creation of economic value (ROCE-WACC) and the creation of financial value (ROE-Kcp) of the stock stand at very attractive levels for the case of the Moroccan Equity market, i.e. 14% and 18% respectively.

CIMAR: MARKET SHARE ESTIMATION

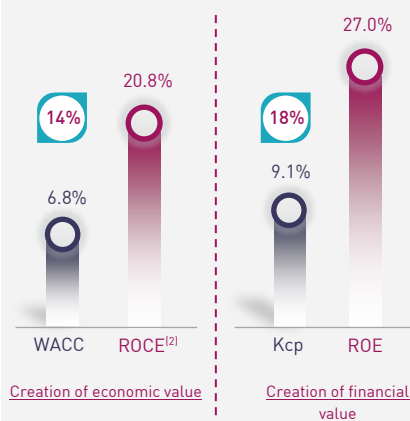


CIMAR: STOCK'S WACC⁽¹⁾ EVOLUTION



(1) Cost of capital displayed: transition from a debt-free structure to a leverage of 40% in 2025E

CIMAR: VALUE CREATION IN THE MARKET



(2) Economic profitability (EBITx (1-IS/NCA+WCR)

Sources: PR & CIMAR H1 24 Financial Statements, AGR Calculations & Estimates

REVISION OF THE STOCK'S NEW EARNINGS CAPACITY AND TARGET PRICE

Increase in recurring profit capacity by +12% from 2025E

In addition to the acquisition of Asment de Témara, we have updated our growth forecasts for CIMAR for 2024E-2026E⁽¹⁾. These are as follows:

- Cement consumption is expected to recover by +8.0% in 2024 compared to +1.1% in H1-24. Initially, a low base effect in Q4-23 following the postponement of several construction sites due to the Al-Haouz earthquake. Over the period 2025E-2026E, cement sales are expected to grow at an average rate of +7.0% per year, supported by the new investment dynamic;
- CIMAR's market share is expected to increase by +2.0 pts, from a historical level of around 24% to a target of 26% by 2026E. This takes into account both the arrival of Novacim and the acquisition of Asment de Témara;
- The Group's consolidated revenue should get close to the MAD 6.0 Bn threshold in 2026E against a historical average level of around MAD 4.3 Bn. This is an average annual increase of +11.3% over the period 2024E-2026E;
- Taking into account the identified synergy effects, the EBITDA margin should come out at 44.5% in 2026E, i.e. an additional gain of +2.0 pts compared to the expected level in 2024E;
- NIGS would stand at MAD 1,262 Mn at the end of the forecast period 2025E-2026E showing an average annual growth of +11.4%. This forecast takes into account the expected increase in the interest cost expense as well as the tax rate.

CIMAR: UPDATE OF AGR FORECASTS FOR THE PERIOD 2024E-2026E

IN MAD MN	2023	2024E	2025E	2026E
Consolidated revenue	4,333	4,383	5,474	5,912
Variation	+6.5%	+1.1%	+24.9%	+8.0%
Adjusted EBITDA	1,707	1,864	2,381	2,633
EBITDA Margin	39.4%	42.5%	43.5%	44.5%
EBIT	1,428	1,582	2,053	2,278
Operating margin	33.0%	36.1%	37.5%	38.5%
Financial income	-3	32	-157	-149
NIGS	970	1,017	1,139	1,262
Variation	+7.2%	+4.9%	+12.0%	+10.8%

A target price of MAD 2,220, i.e. an upside potential of +21% on the market

For the valuation of CIMAR stock, we have used the DCF method. Based on a WACC of 6.84%, we come out with an EV of MAD 31,077 Mn. The weight of the VT comes to 68% under the effect of a negative FCF estimated at MAD -1.6 Bn in 2025E (acquisition of Asment de Témara).

After deducting the ND of MAD -965 Mn in H1-24, the Equity value comes to MAD 32,042 Mn. This corresponds to a target price of MAD 2,220, offering an upside of +21% compared to the price of MAD 1,830 observed as at November 12th 2024. Therefore, we recommend **BUYING** CIMAR stock.

Thanks to its strong capacity to generate cash through an OCF/Rev ratio of 31.5%, CIMAR is able to adopt a more attractive dividend policy in the future. As a precautionary measure, we retain a normative DPS of MAD 70 over the forecast period, i.e. an average D/Y of nearly 4.0%.

CIMAR: MAIN ASSUMPTIONS OF THE AGR BUSINESS PLAN 2024E-2029E

INDICATORS (MAD MN)	2023	2024E	2025E	2026E	MOY 27E-29E
REVENUE	4.333	4.383	5.474	5.912	6.690
Variation	+6.5%	+1.1%	+24.9%	+8.0%	+6.0%
EBITDA	1.707	1.864	2.381	2.633	2.911
EBITDA Margin	39.4%	42.5%	43.5%	44.5%	43.5%
CAPEX	161	150	3.337	207	201
%Rev	3.7%	3.4%	61.0%	3.5%	3.0%
WCR	436	438	424	458	518
% Rev	10.1%	10.0%	7.7%	7.7%	7.7%
CALCULATED ECONOMIC FCF	1.205	1.244	-1.569	1.672	1.888
FCF Margin	27.8%	28.4%	-28.7%	28.3%	28.2%

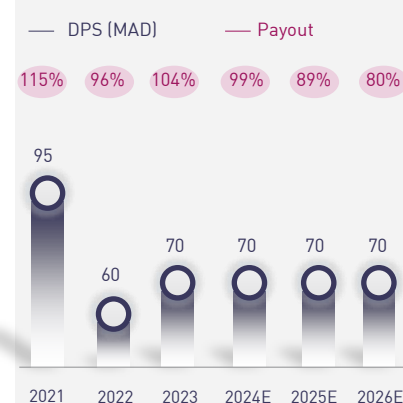
CIMAR : WACC BREAKDOWN

10y TB	3.24%
Beta	1.05
Equity RP	5.6%
Cost of Equity	9.12%
Weight debt	40%
Cost of Debt post tax	3.4%
WACC	6.84%

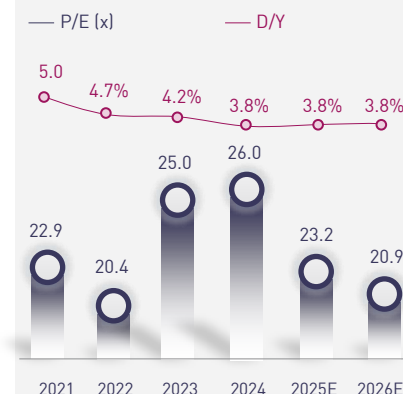
CIMAR: BREAKDOWN OF THE TARGET PRICE

	MAD Mn
Discounted 10-Y FCF	10,074
Terminal value	21,003
Enterprise Value	31,077
ND H1-24	-965
Equity value	32,042
Target Price (MAD)	2,220

CIMAR: PAYOUT VS. DPS (MAD)



CIMAR: EVOLUTION OF P/E(x) Vs. D/Y



ATTIJARI GLOBAL RESEARCH

HEAD OF STRATEGY

Taha Jaidi
+212 5 29 03 68 23
t.jaidi@attijari.ma
Casablanca

HEAD OF ECONOMY

Abdelaziz Lahlou
+212 5 29 03 68 37
ab.lahlou@attijari.ma
Casablanca

HEAD OF MARKET ACTIVITIES

Lamyae Oudghiri
+212 5 29 03 68 18
l.oudghiri@attijari.ma
Casablanca

SENIOR MANAGER

Maria Iraqi
+212 5 29 03 68 01
m.iraqui@attijari.ma
Casablanca

SENIOR ASSOCIATE

Mahat Zerhouni
+212 5 29 03 68 16
m.zerhouni@attijari.ma
Casablanca

SENIOR ASSOCIATE

Meryeme Hadi
+212 5 22 49 14 82
m.hadi@attijari.ma
Casablanca

SENIOR ASSOCIATE

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

Ulderic Djado
+237 681 77 89 40
u.djado@attijarisecurities.com
Douala

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 29 03 68 21
s.mohcine@attijari.ma

Mehdi Benckekroun
+212 5 29 03 68 14
m.benckekroun@attijari.ma

AIS - MOROCCO

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

WAEMU - CÔTE D'IVOIRE

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

EUROPE

Youssef HANSALI
+33 1 81 69 79 45
y.hansali@attijariwafa.net

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

Atef GABSİ (Gabon)
+241 60 18 60 02
atef.gabsi@ugb-banque.com
Elvira NOMO (Cameroun)
+237 67 27 34 367
e.nomo@attijarisecurities.com

DISCLAIMER

RISKS

Investment in Securities is a risky operation. This document is intended for informed investors. The value and yield of an investment can be influenced by several factors both economic and technical. Previous performances of the different assets classes do not constitute a guarantee for subsequent achievements. Furthermore, forecast of future achievements may be based on assumptions that could not be realized.

LIABILITY LIMITS

The investor acknowledges that these opinions constitute an element of decision support. He assumes full responsibility for his investment choices. Attijari Global Research can't be considered responsible for his investment choices. This document can under no circumstances be considered as an official confirmation of a transaction addressed to a person or entity and no guarantee can be made that this transaction will be concluded on the basis of the terms and conditions contained in this document or on the basis of other conditions. Attijari Global Research has neither verified nor conducted an independent analysis of the information contained in this document. Therefore, Attijari Global Research doesn't make any statement or guarantee and makes no commitment to this document's readers, in any way whatsoever regarding the relevance, accuracy or completeness of the information contained therein. In any case, readers should collect the internal and external opinions they deem necessary, including from lawyers, tax specialists, accountants, financial advisers, or any other experts, to verify the adequacy of the transactions which are presented to them. The final decision is the sole responsibility of the investor. Attijari Global Research can not be held responsible for financial losses or any decision made on the basis of the information contained in its presentations.

INFORMATION SOURCE

Our publications are based on public information. Attijari Global Research strives for the reliability of the information provided. However, it is unable to guarantee its veracity or completeness. The opinions provided are expressed only by the analysts writers. This document and all attachments are based on public information and may in no circumstances be used or considered as a commitment from Attijari Global Research.

CHANGE OF OPINION

The expressed recommendations reflect an opinion consisting of available and public elements during the preparation period of the said note. The views, opinions and other information expressed in this document are indicative and may be modified or removed at any time without prior notice.

INDEPENDENCE OF OPINION

Attijari Global Research preserves full independence regarding the opinions and recommendations issued. As a result, the investment decisions of Attijariwafa bank Group subsidiaries may conflict with the recommendations and / or strategies published in the Research notes.

REMUNERATION AND BUSINESS STREAM

Financial analysts responsible for the preparation of this report receive remunerations based on various factors, among which the quality of the research and the relevance of the topics discussed. Attijariwafa bank Group maintains a business stream with the companies covered in the publications of Attijari Global Research.

ADEQUACY OF OBJECTIVES

The various publications of Attijari Global Research are prepared excluding the individual financial circumstances and objectives of persons who receive them. The instruments and discussed strategies may not be appropriate for the different investor profiles. For this reason, making an investment decision solely on these opinions may not lead to the intended objectives.

OWNERSHIP AND DIFFUSION

This document is the property of Attijari Global Research. It may not be duplicated or copied partially or fully without the written consent of the management of Attijari Global Research. This document can be distributed only by Attijari Global Research or one of Attijariwafa bank Group's subsidiaries.

SUPERVISORY AUTHORITIES

Attijari Global Research is subject to the supervision of the regulatory authorities for the various countries of presence. These include AMMC in Morocco, CMF in Tunisia, CREPMF in WAEMU, COSUMAF in CEMAC and CMA in Egypt. Any person accepting to receive this document is bound by the terms above.

