

RESEARCH REPORT

EQUITY

FEBRUARY
2025



CDM : 2024E ACHIEVEMENTS EXCEEDING EXPECTATIONS

- 03 | 2024E results should overcome market expectations
- 04 | An upward revision of our target price from MAD 1,100 to MAD 1,253
- 05 | Appendices



Attijari
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BUY

Initial Opinion	BUY
Release date	10/28/2024
Initial target price	1,100

CDM

Sector	BANKING
Reuters	CDM.CS
Bloomberg	CDM MC

MAD 1,253

Actual 01/27/2025	MAD 1,069
Potential	+17%
Horizon	12 MONTHS

INVESTMENT CASE

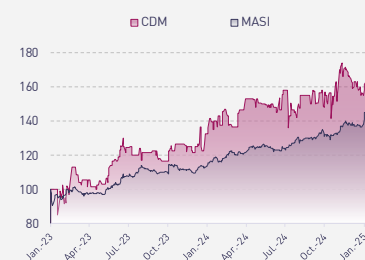
Following our analysis of CDM's achievements at the end of September 2024, we have revised upwards our forecasts for 2024E-2026E, compared to those communicated by Management in the SPO last November. The key takeaways are as follows:

- We believe that CDM's achievements for 2024E will surprise positively the market, both in terms of profit growth and dividend;
- Taking into account a faster-than-expected catch-up effect on loan activity combined with better cost control, the bank would be able to post a profit growth of +40.0% in 2024E compared to an initial forecast of +32.0%. In consequence, the DPS for 2024E would be better than expected;
- With sustainable earnings growth, i.e. a CAGR of +18.9% over 2023-2026E and a stable payout ratio of 70%, CDM stock will benefit from an attractive positioning in terms of the "P/E-D/Y" couple. In more detail, the P/E 26E⁽¹⁾ stands at 13.5x in comparison to a fundamental target of the banking sector of more than 14.0x. The stock average D/Y⁽¹⁾ over the 2024E-2026E period would amount to 4.7% compared to an average of 3.4% for the listed banks;
- At the end of our valuation exercise, we are revising upwards the target price of CDM stock to **MAD 1,253** compared to **MAD 1,100** initially. This represents a potential of **+17%** over the next 12 months compared to a market price of **MAD 1,069** as of 01/27/2025. Therefore, we recommend **BUYING** the stock.

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STOCK EVOLUTION (BASIS 100)



MARKET INDICATORS

Performances (%)	1 M	3 M	12 M
CDM	+9.4	+13.3	+25.0
MASI	+8.5	+12.3	+25.0

ADV (MAD MN)	1 M	3 M	12 M
CDM	10.6	12.2	3.9
MASI	518	350	247

Capitalization	As of 01/24/2025
In MAD Mn	11,425.3
In \$ Mn	1,143

Prices as of 01/24/2025

(1) Prices as of January 24th 2025

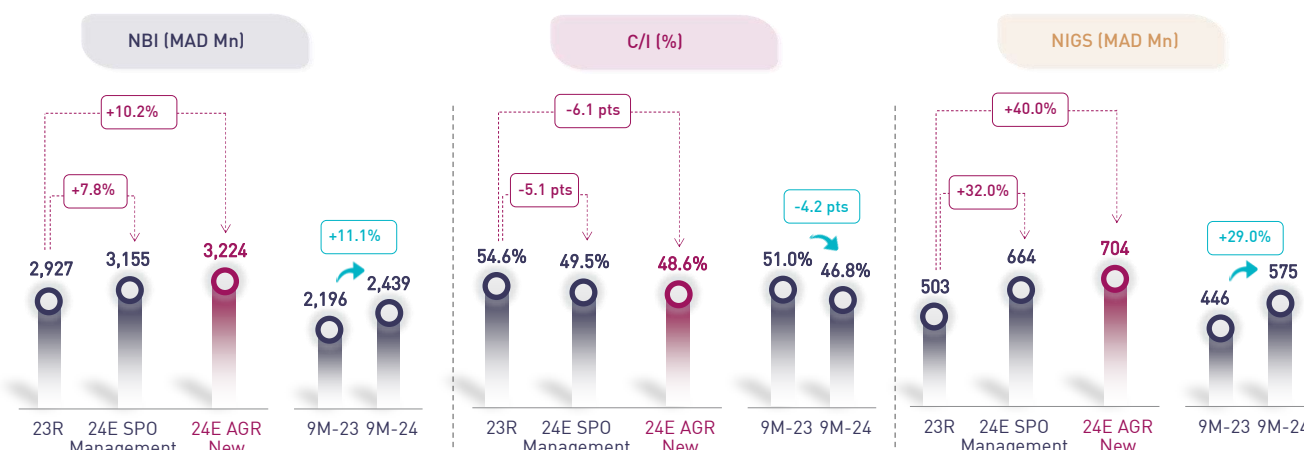
Sources: SPO Management Meeting, CDM Financial Statements, AGR Calculations & Estimates

2024E RESULTS SHOULD OVERCOME MARKET EXPECTATIONS

At the end of the first 9 months of 2024, CDM has achieved solid performances. To this end, we believe that the bank should positively surprise the market through 2024 achievements which overcome the forecasts posted by Management during the SPO in November. Our exercise shows the following conclusions:

- (1) Upward revision of NBI growth, from +7.8% initially to +10.2%. Originally, a faster than expected catch-up of market share gains at the level of the "Loan" activity combined with an accelerated development of market activities whose weight in NBI stands at 12.0% at the end of September 2024 compared to 9.0% in 2023;
- (2) Better than expected control of costs justifying a downward revision of the Cost-to-Income ratio (C/I) by -6.1 pts to 48.6% in 2024E against an initial conservative forecast of 49.5%. Note that the FY23 was marked by non-recurring expenses: empowerment costs after the change of the Shareholder of Reference, the donation to the Special Earthquake Fund and the tax audit;
- (3) Upward revision of the **earning power** to MAD 704 Mn in 2024E, i.e. a sharp increase of +40.0% against +32.0% initially.

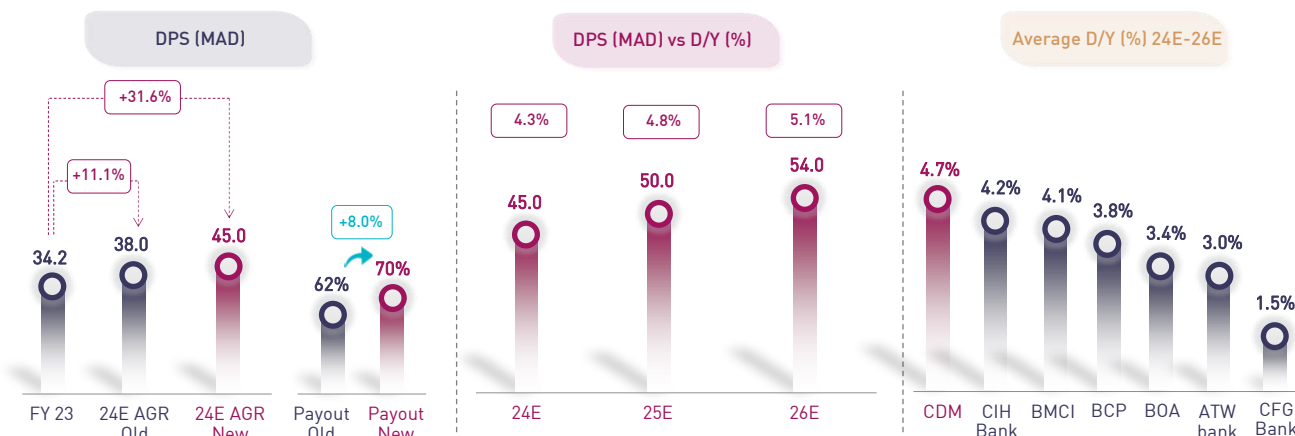
CDM: REVISION OF GROWTH FORECASTS IN 2024E



A STOCK THAT HAS THE ABILITY TO OFFER THE BEST DIVIDEND YIELD IN THE BANKING SECTOR

We believe that CDM will be able to significantly increase its DPS 24E to MAD 45 against an initial estimate of MAD 38. This is an increase of more than +30%. This scenario is supported by two factors. On the one hand, a target Payout of 70% in line with Management's policy. On the other hand, a Reference Shareholder who would adopt, in our opinion, a more generous dividend policy during the first years after the acquisition of CDM. Let us recall that the Payout went from an average of 41% during the period 2016-2021 to 70% over 2022-2023. Under these conditions, CDM stock would offer, according to our projections, the best dividend yield in the banking sector over the period 2024E-2026E, i.e. an average D/Y⁽¹⁾ of 4.7%.

CDM: EVOLUTION OF THE MAIN DIVIDEND ASSUMPTIONS OVER THE PERIOD 2024E-2026E⁽¹⁾



(1) Prices as of January 24th 2025

AN UPWARD REVISION OF OUR TARGET PRICE FROM 1,100 MAD TO 1,253 MAD

Main valuation assumptions

- An NBI AAGR of +9.4% over the period 2023-2026E. Beyond that, the target rate is +6.1%. A scenario supported by a gradual catch-up effect of the market share regarding segments where CDM was historically less present (SMEs & VSEs);
- Continuous improvement of the C/I in line with the sector trend. This ratio should decrease from 54.6% in 2023 to 46.1% by 2026E to reach a LT target of 47.0%;
- A Cost of Risk (CoR) AAGR of +4.6% over 2023-2026E, equivalent to an average CoR rate of 67 BPS. Beyond this period, the target CoR rate stands at 77 BPS, in line with the Management target. This level takes into account the diversification of CDM portfolio with less exposure on riskier segments;
- The evolution of the **distributable income** would follow that of the NIGS through an AAGR of +18.9% over the period 2023-2026E. Beyond that, the target AAGR stands at +6.4%;
- The **cost of Equity (Ke)** settles at 8.51%. This takes into account an Equity Risk Premium (ERP) of 6.4%, a beta of 0.83 and a 10-year Treasury Bond (TB) yield of 3.2%. In the end, we retain a Terminal growth of 3.0%.

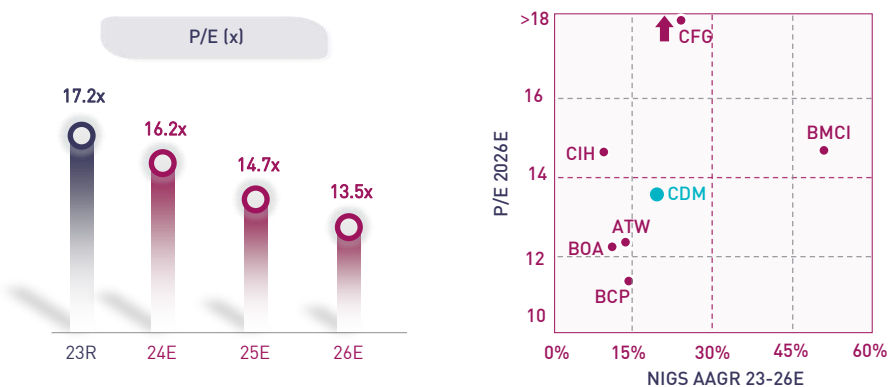
The fundamental value of CDM's Equity reached MAD 13,630 Mn. This is equivalent to a stock price of MAD 1,253 against a market price of MAD 1,069 on 01/27/2025. Therefore, the stock offers a potential increase of +17% over the next 12 months.

CDM: FORECAST BUSINESS PLAN FOR THE 2023-2033E PERIOD

IN MAD MN	FY 2023	2024E	2025E	2026E	27E-33E ⁽¹⁾
NBI	2,927	3,224	3,520	3,832	4,936
Growth	+13.9%	+10.2%	+9.2%	+8.8%	+6.1%
Net Interest Income weight	76.0%	74.6%	74.9%	75.6%	76.5%
Net Fees Income weight	14.9%	14.5%	14.1%	13.8%	13.0%
C/I	54.6%	48.6%	47.0%	46.1%	46.8%
Variation	-3.8 pts	-6.1 pts	-1.5 pts	-1.0 pt	+0.1 pt
CoR	445	396	449	510	750
CoR rate (BPS)	81	65	67	70	76
Corporate Tax	380	554	632	707	771
Distributable ⁽²⁾ Income	453	634	702	761	987
Growth	+24.4%	+40.0%	+10.7%	+8.5%	+6.4%
Cost of Equity	-	8.51%	8.51%	8.51%	8.51%

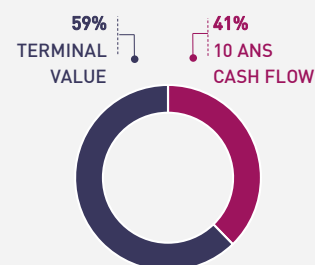
(1) Simple average over the 2027E-2033E period / (2) Represents on average 90% of the NIGS

Thanks to its growth profile, CDM would be able to significantly improve its valuation levels through a P/E 26E⁽³⁾ of 13.5x against a fundamental P/E⁽⁴⁾ target for the banking sector between 14x and 15x. Therefore, the stock has a very attractive sector positioning at the level of the "P/E - Earnings AAGR" couple over the period 2023-2026E.

CDM: EVOLUTION OF THE MAIN STOCK MARKET RATIOS OF THE STOCK⁽³⁾

(3) Prices as of January 24th 2025 / (4) Based on our fundamental valuation of the listed banking sector

CDM : TARGET EQUITY



CDM : COST OF EQUITY CALCULATION

JANUARY 2025	Levels
10 Year T-Bond	3.2%
Beta 2Y	0.83
Equity Risk Premium	6.4%
Cost of Equity	8,51%

Sources: SPO Management Meeting, CDM Financial Statements, AGR Calculations & Estimates

CDM | MOROCCO |

BLOOMBERG: CDM MC

Balance Sheet (MAD Mn)	2020 ⁽¹⁾	2021	2022	2023	2024E	2025E	2026E
Equity Group share	5,665	6,246	6,309	7,034	7,366	7,656	7,958
Customer Deposits	44,525	46,239	48,582	51,755	55,896	59,250	62,805
Customer Loans	43,897	46,079	48,497	51,062	56,678	62,346	67,957
Total Assets	57,913	59,346	62,863	67,265	75,622	84,163	92,719
Growth (%)	2020 ⁽¹⁾	2021	2022	2023	2024E	2025E	2026E
Net Banking Income (NBI)	2,381	2,460	2,569	2,927	3,224	3,520	3,832
Management fees	1,235	1,335	1,500	1,599	1,566	1,655	1,765
Gross Operating Income	1,146	1,125	1,069	1,328	1,658	1,865	2,067
Cost of Risk	722	64	310	445	396	449	510
Taxes	175	426	345	380	554	632	707
Net Income Group Share (NIGS)	247	627	404	503	704	780	846
Croissance (%)	2020 ⁽¹⁾	2021	2022	2023	2024E	2025E	2026E
NBI	-0.9%	3.3%	4.4%	13.9%	10.2%	9.2%	8.8%
Gross Operating Income	3.2%	-1.9%	-5.0%	24.3%	24.9%	12.5%	10.8%
Cost of Risk	124.7%	-91.2%	388.0%	43.7%	-11.1%	13.4%	13.6%
NIGS	-51.4%	153.6%	-35.6%	24.4%	40.0%	10.7%	8.5%
DPS	-75.7%	469.2%	4.2%	26.7%	31.6%	11.1%	8.0%
Customer Deposits	1.6%	3.9%	5.1%	6.5%	8.0%	6.0%	6.0%
Customer Loans	-0.7%	5.0%	5.2%	5.3%	11.0%	10.0%	9.0%
Profitability	2020 ⁽¹⁾	2021	2022	2023	2024E	2025E	2026E
Cost/Income ratio (%)	51.9%	54.3%	58.4%	54.6%	48.6%	47.0%	46.1%
Cost of Risk rate (BPS)	151	13	60	81	65	67	70
Effective Tax Rate (Income statement)	41.3%	40.3%	46.4%	43.3%	44.0%	44.8%	45.5%
Net Margin	10.4%	25.5%	15.7%	17.2%	21.8%	22.1%	22.1%
ROA	0.43%	1.08%	0.65%	0.77%	0.99%	0.98%	0.96%
ROE	4.4%	10.5%	6.4%	7.5%	9.8%	10.4%	10.8%
Payout (Parent company accounts)	50%	41%	70%	70%	70%	70%	69%
Data per share (MAD)	2020 ⁽¹⁾	2021	2022	2023	2024E	2025E	2026E
Price End of Period ⁽²⁾	459	600	600	797	1,050	1,050	1,050
Earning per Share (EPS)	22.7	57.7	37.2	46.2	64.7	71.7	77.8
Dividend per Share (DPS)	4.6	25.9	27.0	34.2	45.0	50.0	54.0
Book Value per Share (BVPS)	521	574	580	646	677	704	731
Multiples (end of period) ⁽²⁾	2020 ⁽¹⁾	2021	2022	2023	2024E	2025E	2026E
P/E (x)	20.2	10.4	16.1	17.2	16.2	14.7	13.5
D/Y (%)	1.0%	4.3%	4.5%	4.3%	4.3%	4.8%	5.1%
P/B (x)	0.88	1.05	1.03	1.23	1.55	1.49	1.44
Market Capitalization (MAD Mn)	4,993	6,529	6,529	8,672	11,425	11,425	11,425

(1) Excluding Covid donation paid in 2020 / (2) Prices as of January 24th 2025

Sources: CDM Financial Statements, AGR Calculations & Estimates



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