

# RESEARCH REPORT

EQUITY

MARCH  
2025

## MAROC TELECOM : 2025, THE YEAR OF NORMALIZATION OF EPS AND DPS?

- 03 | Achievements in line with our forecasts..., a DPS not yet standardized
- 04 | A new era of development is emerging by 2028E
- 05 | Slight revision of the stock price target to MAD 122



Attijari  
Global Research

### HOLD

Initial Opinion	BUY
Release Date	09/24/2024
Initial Target Price	MAD 117

### MAROC TELECOM

Sector	TELECOMS
Reuters	IAM.CS
Bloomberg	IAM MC

### MAD 122

Current Price	MAD 113
Upside	+8%
Horizon	9 M

## EXECUTIVE SUMMARY

Since the release of our Recommendation on September 24<sup>th</sup> 2024 regarding Maroc Telecom, (*Cf. Maroc Telecom: Resilience always pays off*), the stock have followed an upward trend to reach our target price on February 26<sup>th</sup> 2025, rising from MAD 94 to MAD 117. This represents a performance of 25% in the space of 5 months for the 2<sup>nd</sup> largest capitalization of the Moroccan stock market.

A performance supported both by the resilience of the incumbent operator's earnings capacity as well as its ability to distribute an attractive dividend yield from 2025E within a context marked by a downward trend in bond rates in Morocco. **Based on a slightly revised target price of MAD 122 against to MAD 117 initially, we recommend to HOLD Maroc Telecom stock, mainly due to its dividend yield.**

Following the release of Maroc Telecom Group's 2024 annual results and on the sidelines of our conference call with the management, we highlight the following points:

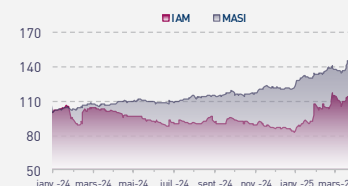
- Increased competition in Morocco is accentuated by a stricter regulatory framework for the incumbent operator, namely: **(1)** limited leeway in terms of "offers and promotions" related to unlimited mobile data, ADSL, and FTTH<sup>(1)</sup> equipment plans, **(2)** strict control of B2B offers, and **(3)** continued pricing asymmetry in favor of competitors;
- Revenues from Fixed-Line in Morocco and international activities demonstrate strong resilience, thanks to the continued expansion of FTTH infrastructure and the sustained growth of Mobile Data, Fixed-Line Internet and Mobile Money services in Africa. However, Mobile activities of African subsidiaries is slowed by the downward trend in Termination rates (TR) and increasing tax pressures (Côte d'Ivoire, Chad, Burkina Faso, Mauritania);
- The margin gap between Morocco and its international subsidiaries would persist due to sectoral royalties in the countries where it operates. These royalties would represent on average 13% to 15% of their subsidiaries. However, we believe in a gradual reduction of the EBTIDA gap between Morocco and Moov subsidiaries, falling from 14.6 points in 2024 to 11.0 points by 2028E;
- For the 1<sup>st</sup> time since 2019, Maroc Telecom would show a normalization of its earnings, with a NIGS of around MAD 6.0 Bn in 2025E. A situation that highlights the issue of the normative dividend. In our opinion, the operator's payout ratio should readjust towards 70%, compared to 100% historically;

This scenario is justified by the Group's intention to strengthen its self-financing capacity in anticipation of major projects, including infrastructure upgrades ahead of the CAN and World Cup, the deployment of 5G, the development of FTTH, and potential acquisitions in Africa. Under these conditions, the average DPS during the period 2025E-2028E stands at MAD 5.0, equivalent to an attractive D/Y of 4.4%.

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### STOCK EVOLUTION (BASIS 100)



### MARKET INDICATORS

Performances (%)	1 M	3 M	12 M
Maroc Telecom	10.8	32.6	11.7
MASI	4.6	19.7	35.8

ADV (MDH)	1 M	3 M	12 M
Maroc Telecom	49	41	19
MASI	496	502	319

Capitalization	As of 03/21/2025
In MAD Mn	99,338
In \$ Mn	10,333

Prices as of 03/21/2025

<sup>(1)</sup> Fiber To The Home

## ACHIEVEMENTS IN LINE WITH OUR FORECASTS..., A DPS NOT YET STANDARDIZED

In line with our forecasts published in September 2024 (*Cf. Maroc Telecom: Resilience Always Pays Off*), Maroc Telecom's 2024 results show slight declines. As such, the annual achievement rates for revenue, EBITDA, and adjusted NIGS are close to 100%.

### Morocco: A highly regulated market weighing on revenue growth

At the end of 2024, Maroc Telecom shows a decline in its revenues in Morocco of -2.0% at MAD 19.1 Bn. This is due to a 5.5% decrease in Mobile revenue. As already noted, Morocco's mobile business is operating within an unfavorable context marked by the cannibalization of traditional voice services by data, increasing competitive pressure, and stricter regulations on the incumbent operator in terms of offers, promotions, and pricing asymmetry. At the same time, the good momentum of Fixed-Line Broadband (+9.2%) partially offsets the decline in revenues in Morocco, thanks in particular to the continued expansion of the FTTH (Fiber To The Home) fleet up +29% compared to 2023.

### Africa: A resilient despite regulatory constraints

Within a context marked by the intensification of regulatory and fiscal pressures in the Group's countries of presence, Maroc Telecom still manages to recorded a slight increase in revenue of +1.8% in 2024. This performance is mainly attributed to the sustained growth of the Mobile Data (+15.6%), Fixed Internet (+21.1%) and Mobile Money (+14.4%) segments, which offsets the underlying downward trend in Mobile Termination Rate in Côte d'Ivoire, Chad, Burkina Faso and Mauritania.

### Maintaining margins within a less favorable regulatory context

Despite a competitive environment marked by increased pricing pressure, Maroc Telecom has managed to maintain its historical profitability levels, with an EBITDA margin of around 52%. This proven ability to maintain high profitability levels is based on leeway which management still has to optimize operating expenses, both in Morocco and internationally.

### A DPS far from reflecting the normative level of the stock

Maroc Telecom's cash generation was impacted by the MAD 6.3 Bn fine paid in July 2024. In this context, the Group's earnings declined by nearly MAD 3.5 Bn, falling from MAD 5.3 Bn in 2023 to only MAD 1.8 Bn in 2024. Therefore, the DPS stood at MAD 1.43, compared to a target normative level of MAD 5.0 Bn for the period 2025E-2028E.

## MAROC TELECOM: 2024R CONSOLIDATED RESULTS VS. AGR INITIAL FORECASTS

IN MAD MN	2023R	2024R	VAR	AGR 24E	VAR 24E	AR 2024 <sup>(1)</sup>
Consolidated Revenue	36 786	36 699	-0.2%	37 035	+0.7%	99.1%
Moroccan Revenue	19 543	19 143	-2.0%	19 288	-1.3%	99.2%
Mobile	11 630	10 992	-5.5%			
Fixe & Internet	9 688	9 915	+2.3%			
Of which Data Fixe	4 296	4 691	+9.2%			
International Revenue	18 381	18 706	+1.8%	18 841	+2.5%	99.3%
Published EBITDA	19 369	19 197	-0.9%	19 280	-0.5%	99.6%
EBITDA margin	52.7%	52.3%	-0.4 pt	52.1%	-0.6 pt	
Adjusted EBIT	12 226 <sup>(2)</sup>	12 182 <sup>(3)</sup>	-0.4%	11 558	-5.5%	105.4%
EBIT margin	33.2%	33.2%	-	31.2%	-2.0 pts	
Adjusted NIGS	6 195	6 132	-1.0%	6 011	-3.0%	102.0%
Net margin	16.8%	16.7%	-0.1 pt	16.2%	-0.6 pt	
Published NIGS	5 283	1 801	-65.9%	1 956	-63.0%	92.1%
Net margin	14.4%	4.9%	-9.5 pts	17.6%	+3.2 pts	
DPS (MAD)	4.20	1.43	-66.0%	2.26	-46.3%	63.4%

(1) AR: Achievement rate: 2024R result / 2024E annual forecast

(2) Adjusted by a provision of MAD 500 Mn relating to the MAD 6.358 Mn fine

(3) Adjusted by an amount of MAD 6.039 Mn relating to the fine relating to the dispute with Wana



## A NEW ERA OF DEVELOPMENT IS EMERGING BY 2028E

### A change in Top management ushers in a new era of development

The appointment of Mr. Mohamed Benchâaboun as Chairman of the Executive Board of Maroc Telecom Group represents a major event in the history of the incumbent operator. In fact, the new CEO succeeds Mr. Abdeslam Ahizoune, who has played a decisive role in the Group's development both locally and in Africa over the past 27 years.

Referring to the official press release on March 1<sup>st</sup> 2025: "This appointment will play a decisive role in the overall strategic development of Maroc Telecom Group's activities."

This change in top management would provide the market with greater visibility regarding Maroc Telecom's new development model, within a more restrictive regulatory environment both in the local market and in its African markets. The opening of this new perspective appears to be well received by stock market investors. This is evidenced by the stock's performance during the day following this announcement, with an appreciation of nearly +6.0% in a significant volume of MAD 360 Mn.

### Bullish guidance for 2025E..., a first since 2011

For the first time since 2011, Maroc Telecom's management is providing upward guidance, marking a clear break from past forecasts, which generally anticipated stable or even declining revenue over the 2011-2024 period.

During its recent financial communication, the Group now expects a slight increase in revenue for 2025E. This represents a new signal that could be interpreted positively by the market.

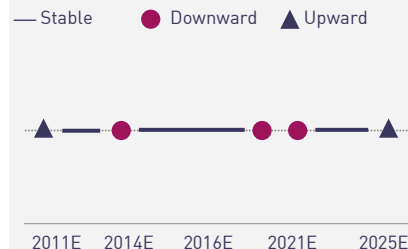
### A visible profitability growth potential for African subsidiaries

The profitability gap between Moroccan and African subsidiaries activities remains significant, with 2024 EBITDA margins of 58.0% and 43.0%, respectively. Morocco Over the medium term, Morocco is expected to maintain its profitability advantage due to sector-specific royalties applied in its African markets, which on average account for 13% to 15% of the subsidiaries' revenue. These relatively high levels weigh on the profitability of telecom operations in Africa. Additionally, the ongoing tightening of the regulatory framework and increasing tax pressure in African economies further impact profitability.

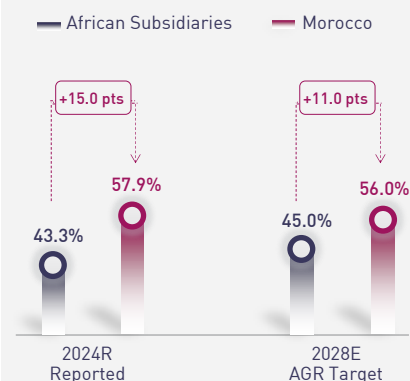
However, we anticipate a gradual reduction of this profitability gap between Morocco and its African subsidiaries by 2028. This gap is expected to narrow from the current 15.0 percentage points to 11.0 percentage points by the end of the forecast period, with a target EBITDA margin of 56.0% for Morocco and 45.0% for the African subsidiaries.

Our scenario is supported by continued operational cost optimization, improved investment efficiency, and a positive product mix effect driven by the expansion of high-value-added activities such as Mobile Data, Fixed Internet, and Mobile Money.

### MT : GUIDANCE OF REVENUES



### MT: EVOLUTION OF THE EBITDA MARGIN





## SLIGHT REVISION OF THE STOCK PRICE TARGET TO MAD 122

### Following earnings normalization... The focus shifts to the normative level of DPS

In the absence of exceptional factors impacting its performance, Maroc Telecom is expected to initiate a normalization of its earnings in 2025, for the first time since 2019. With a recurring net income of around MAD 6.0 Bn, the question of dividends becomes crucial, especially since Maroc Telecom remains a prime yield stock.

As a precautionary measure, we are retaining a target payout of 70% compared to a historical level of 100%. This assumption is supported by the Group's intention to strengthen its financial reserves in preparation for large-scale projects, including the necessary infrastructure upgrades for the 2030 World Cup, the deployment of 5G, the expansion of the FTTH (Fiber To The Home) network, and new acquisition opportunities in Africa.

Based on our scenario, the average DPS would be MAD 5.0 over the period 2025E-2028E, equivalent to the stock's average D/Y of 4.4%. This would represent the highest yield among the major capitalizations in the Moroccan equity market.

### MAROC TELECOM: CONSOLIDATED FORECAST RESULTS 2024R-2028E

IN MAD MN	2024R	2025E	2026E	2027E	2028E
Revenue	36 699	37 203	37 889	38 593	39 431
Growth	-0.2%	1.4%	1.8%	1.9%	2.2%
Recurring EBITDA	19 197	19 314	19 678	19 998	20 375
Growth	-0.3%	0.6%	1.9%	1.6%	1.9%
EBITDA margin	52.3%	51.9%	51.9%	51.8%	51.7%
Recurring NIGS	6 132	6 038	6 149	6 175	6 309
Growth	-1.0%	-1.5%	1.8%	0.4%	2.2%
Net margin	16.7%	16.2%	16.2%	16.0%	16.0%
Reported NIGS	1 801	6 038	6 149	6 175	6 309
Growth	-65.9%	235.3%	1.8%	0.4%	2.2%
Net margin	4.9%	16.2%	16.2%	16.0%	16.0%

### Slight revision of our target price from 117 to MAD 122

With the anticipated drop in long-term bond yields following Bank Al-Maghrib's 25 bps rate cut, we have made a technical adjustment to the discount rate used in valuing Maroc Telecom's operations in Morocco. Therefore, the stock's WACC settled at 6.83% under the combined effect of: (1) An increase in the equity risk premium from 5.6% to 6.4% (Cf. *Risk Premium-November 2024*), (2) A decline in the 10-year government bond yield on the secondary market to 3.0% from 3.3%, and (3) The beta remaining unchanged at 1.04.

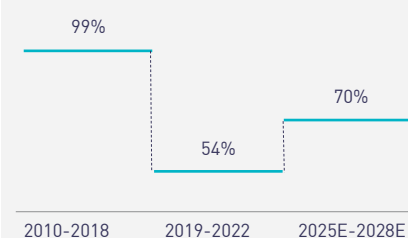
Given that Maroc Telecom is primarily a yield-driven stock, its valuation is expected to be very sensitive to lower government bond yields, especially for long-term maturities (5Y and 10Y). Therefore, we recommend **HOLDING** Maroc Telecom stock due to an 8.0%<sup>(1)</sup> upside potential in the price, combined with an average D/Y of 4.4% over the 2025E-2028E period.

In terms of valuation multiples, the stock Maroc Telecom is trading at a "P/E-D/Y" ratio of 15.7x and 4.6% respectively, by 2028E, a level we consider reasonable.

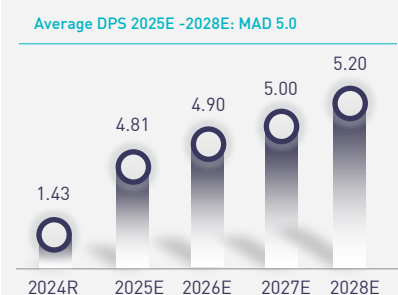
### MAROC TELECOM: CONSOLIDATED MULTIPLE FORECASTS 2024R-2028E

MULTIPLES	2024R	2025E	2026E	2027E	2028E
Recurring EPS	6.98	6.87	7.00	7.02	7.18
Recurring P/E	11.8x	16.5x	16.2x	16.1x	15.7x
DPS	1.43	4.81	4.90	5.00	5.20
D/Y	1.7%	4.3%	4.3%	4.4%	4.6%

### MT: AVERAGE PAYOUT SCENARIO (%)



### MT: DIVIDEND SCENARIO (DPS)



[1] Calculated on the basis of the price observed on 03/21/2025

Sources: Maroc Telecom 2024 Press Release, AGR Computations & Estimates



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