



Morocco Capital Markets Days

Charting Growth: The Crucial Role of the Stock Market in Morocco



Bourse de
Casablanca

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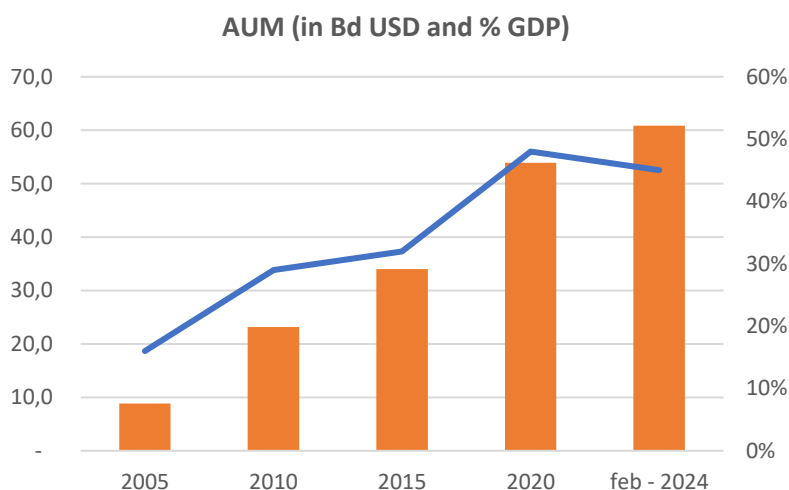
Growing capacity of local institutional investors buoying Morocco's stock market

Morocco's Asset Management Industry Soars: A Pillar of Growth

Morocco's asset management industry has witnessed a remarkable rise, evolving into a key driver of the nation's financial landscape.

A Flourishing Field:

- 19 asset management companies operate in Morocco, employing over 400 professionals (including more than 100 investment specialists) to manage 600 UCITS (Undertakings for Collective Investment in Transferable Securities).
- **Assets under management (AUM) have soared to USD 61 billion, a sixfold increase in two decades.**



Source: Assets' Managers Association ASFIM

Fuelling the Economy:

- This growth surge (CAGR 10%) has positioned asset management as a crucial pillar for Morocco's economic well-being.
- The industry mobilizes a considerable portion of national savings, accounting for a significant **45%** of bank deposits and a substantial **40%** of GDP.

Investment Powerhouse:

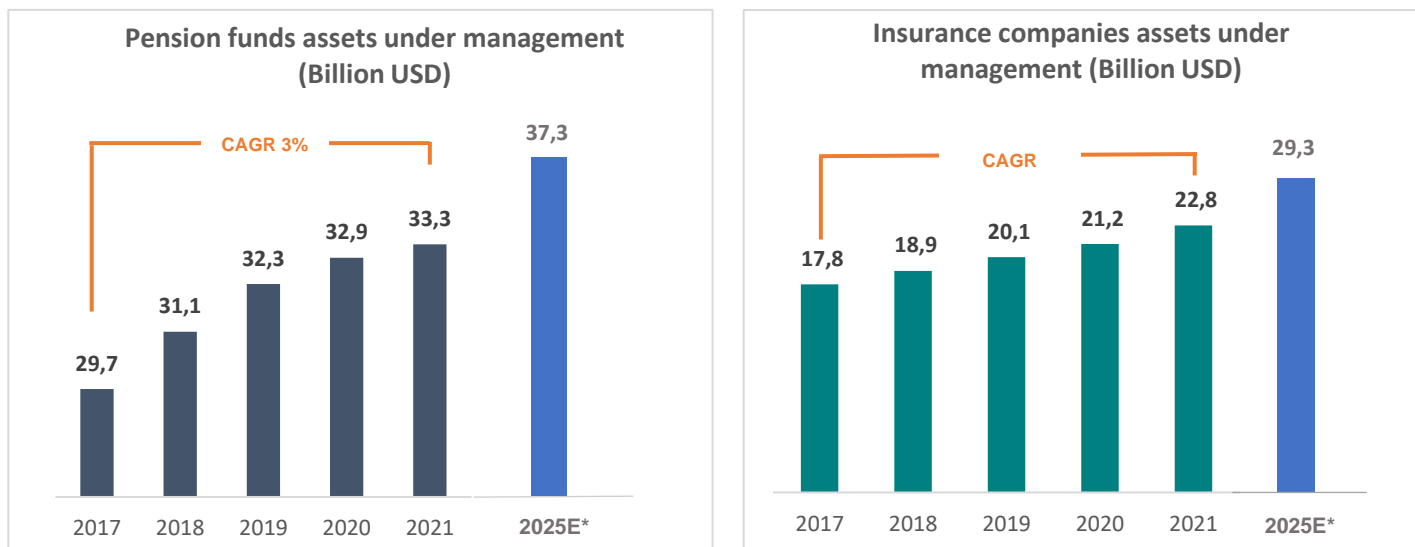
- Moroccan asset managers play a pivotal role in capital allocation, **holding nearly a third of the Casablanca Stock Exchange's free float capitalization.**
- Their influence extends further, encompassing **half of the nation's Treasury bonds and outstanding private debt.**
- Additionally, they actively **participate in initial public offerings, contributing an average of 40% of investment.**

Morocco Unveils Revamped UCITS Act: A Boon for Investors and Managers:

Morocco's asset management industry has become a powerful force, channelling savings into productive investments and fostering economic growth. This trend is poised to extend, solidifying the industry's position as a cornerstone of the nation's financial future. The new UCITS law, which is expected to be adopted in Q4-2024, represents a transformative leap forward for both investors and asset managers. It **strengthens regulation, increases transparency, and provides a framework for managers to innovate.** The Act also introduces **new features such as ETFs, foreign currency UCITS, and UCITS for qualified investors.** These changes will make Morocco's asset management industry more attractive to both domestic and international investors and help to grow the country's capital markets with ultimately new flows towards the Casablanca Stock Exchange.

Pension Funds and Insurance Companies: additional pillars of growing domestic institutional investment

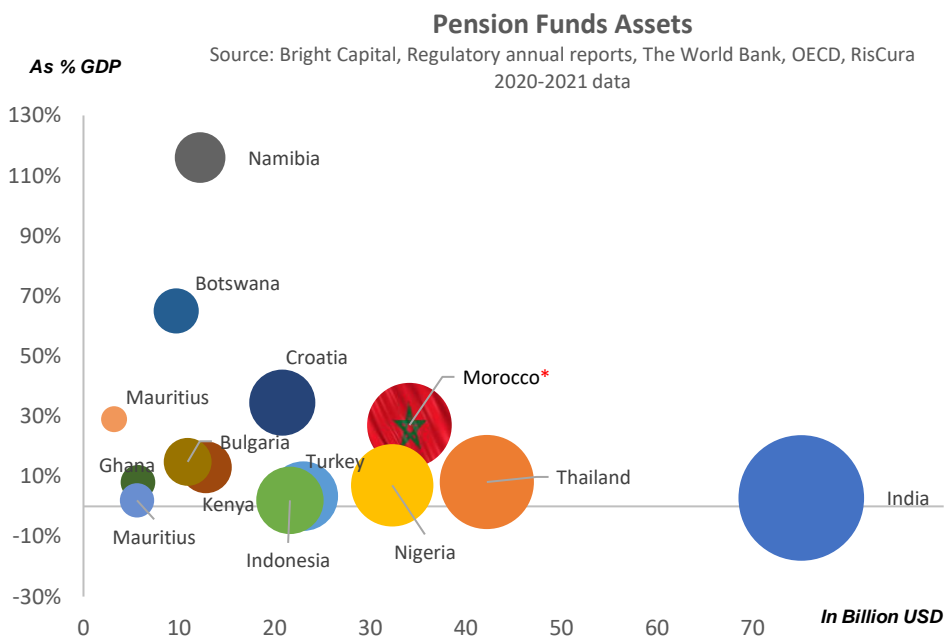
Beyond the burgeoning asset management industry, Morocco's capital markets are bolstered by two additional pillars: pension funds and insurance companies.



Source: Acaps' publications – * Calculations by the Casablanca Stock Exchange

Pension Funds: Anchoring Long-Term Investments

As with their peers in more mature economies, Moroccan pension funds are the cornerstone of long-term investments. They channel citizens' retirement savings into productive assets like equities and infrastructure projects, fuelling economic growth and market stability. With around **27% of the country's GDP held in pension assets under management (AUM)** and a substantial pool of long-term capital channelled effectively into the domestic market, Moroccan pension funds play a key role in propelling the nation's economic well-being.



Furthermore, the focus by pension funds on **equity exposure, at around 30%**, demonstrates a commitment to fostering a vibrant and dynamic domestic market.

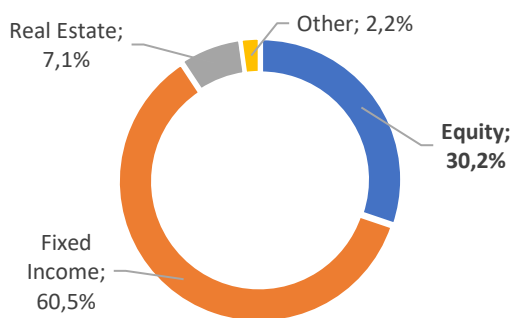
NB: Morocco's pension funds' assets to GDP ratio is calculated based on total deployed portfolio rather than accumulated reserves.

Insurance Companies: Mitigating Risk, Mobilizing Capital

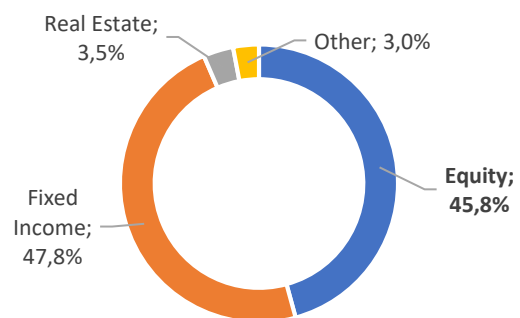
Insurance companies play a multifaceted role. They provide risk mitigation for individuals and businesses, while simultaneously mobilizing capital by collecting premiums that are then invested. This deepens capital markets and promotes financial stability.

Insurance companies in Morocco hold around **18% of the country's GDP in AUM** and are well positioned on the Casablanca Stock Exchange as they **allocate 46% of their portfolio to equity**. While this represents a significant pool of capital, there is potential for further growth. Following the path of emerging economies like South Korea and Taiwan, where insurance penetration rates are higher, Morocco's insurance sector is set to unlock still greater long-term capital for domestic investments.

Pension funds - Asset Allocation



Insurance Companies - Asset Allocation

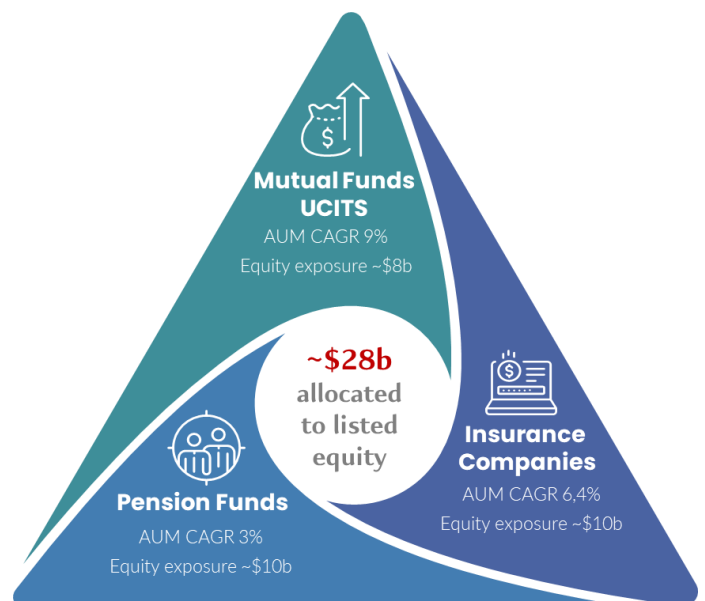


Source: Acaps' publications – Calculations by the Casablanca Stock Exchange

Synergy for Growth

A Virtuous Cycle: The interplay between pension funds, insurance companies, and asset managers creates a powerful synergy. Pension and insurance funds provide a steady stream of long-term capital, while asset managers offer expertise in deploying these funds into productive ventures. This fosters a vibrant capital market ecosystem, similar to what is observed in established financial centres.

Morocco's Promise: By nurturing these three pillars, Morocco is well-positioned to replicate the success of other nations. A robust financial system will attract foreign investment, bolster domestic enterprises, and ultimately propel the nation's economic development.



Impact on stock market dynamics

Active participation in the Primary Market

Pension funds, insurance companies and mutual funds play a pivotal role as institutional investors in the Moroccan primary markets, particularly during Initial Public Offerings (IPOs). With a mandate to diversify their portfolios and generate sustainable returns for their clients, these entities provide significant capital infusion into newly listed companies, fostering growth and liquidity in the market. Their long-term investment horizon and risk management strategies often align well with the objectives of IPO-bound firms, offering stability and confidence to potential investors. Moreover, their expertise in evaluating investment opportunities enhances market efficiency by ensuring that IPOs are thoroughly scrutinized for their viability and potential for value creation. As such, the active participation of local institutional investors contributes to the development and dynamism of the Moroccan primary markets, promoting economic growth and fostering investor confidence.

Company	Sector	Year	Funds raised (Million \$)	Subscriptions (Million \$)	Subscription Rate (x)
TAQA MOROCCO	Electricity	2013	100	669	x7
RES DAR SAADA	Real-Estate Promotion	2014	113	379	x3
TOTAL MAROC	Oil & gas	2015	72	482	x7
AFMA	Insurances	2015	18	126	x7
SODEP – Marsa Maroc	Transportation services	2016	198	1 208	x6
MUTANDIS	Food producers & processors	2018	40	100	x2,5
IMMORENTE	Real estate investment companies	2018	40	56	x1,4
ARADEI CAPITAL	Real estate investment companies	2020	60	260	x4,3
TGCC	Construction & building	2021	60	1 340	x22
DISTY TECHNOLOGIES	Software & Computer Services	2021	17	23	x1,34
AKDITAL	Health	2022	120	450	x4,3
CFG Bank	Banking	2023	60	210	x35

Source: Casablanca Stock

Pension funds, insurance companies and mutual funds, being significant local institutional investors, contribute to generating high IPO oversubscription ratios in several ways:

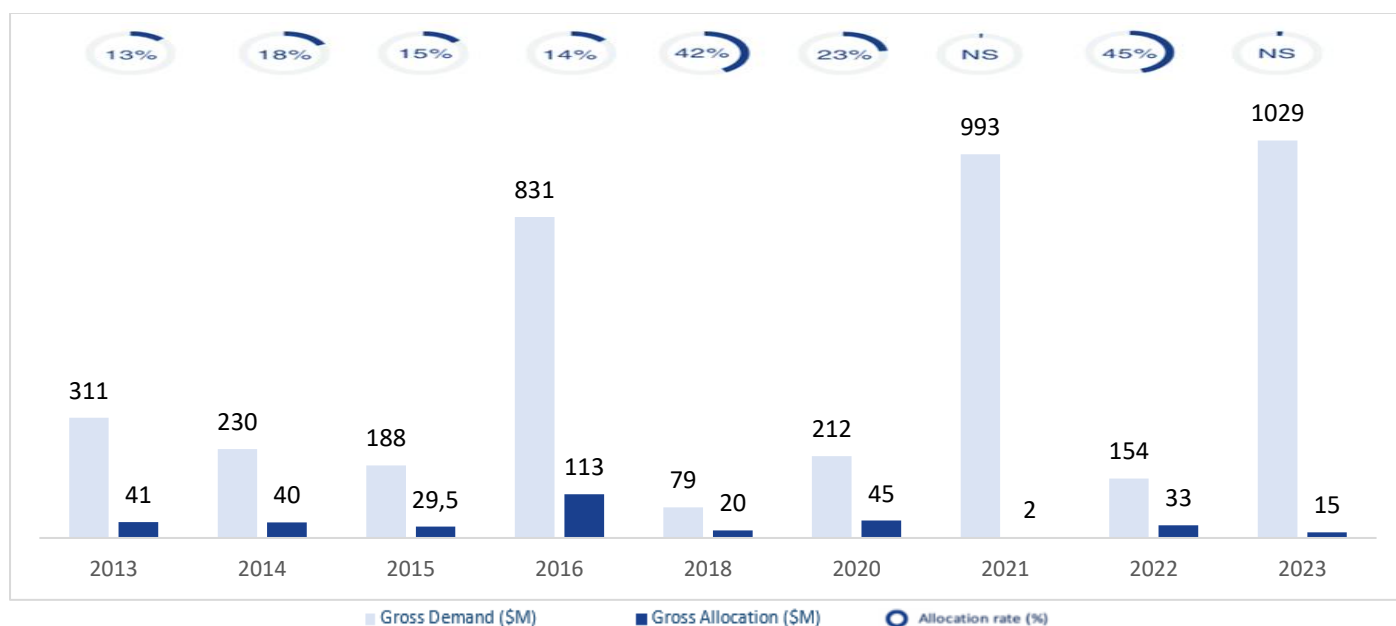
- 1. Long-term Investment Perspective:** Pension funds and insurance companies tend to have a long-term investment horizon. Their commitment to stable, long-term returns encourages them to participate heavily in IPOs of companies with promising growth prospects, thus driving up demand.
- 2. Risk Management Strategies & Diversification Mandate:** These institutional investors employ sophisticated risk management strategies to assess the potential of IPOs. Their thorough due diligence process helps identify companies with strong fundamentals and growth potential, leading to increased investor confidence and demand. They are also mandated to diversify their portfolios to mitigate risk. Investing in IPOs allows them to diversify their holdings across various sectors and asset classes, including equities. This diversification motive prompts them to participate actively in IPOs, contributing to a high oversubscription level.

3. Market Influence: As major players in the market, pension funds and insurance companies wield influence. Their participation in an IPO can signal confidence in the company's prospects, attracting other investors and driving up demand.

Morocco's IPO market has maintained a strong upward trajectory marked by institutional investors' confidence in its compelling growth prospects and profitability, with a cumulative value of \$920 million raised through a string of 12 IPO listed between 2013-2023 and a notable 36% average year-on-year (YoY) increase in proceeds. This growth is primarily attributed to institutional investors who have largely been driving the IPO momentum. Their retained appetite is demonstrated in their cumulative demand which stood at **4.5 billion USD**, roughly **5 times the total proceeds** in the same period. Cumulated IPO transactions were 10.5 times oversubscribed.

Despite the remarkable demand from institutional investors, the IPO allocation process is highly selective in nature and hinges on rigorous standards set by issuers. As such, only **\$424 million** worth of shares was allocated to institutional investors, which makes up **9.53%** of the cumulative demand from this investor category. This discerning allocation approach not only reflects the rigorous standards set by issuers but also signifies the immense interest and competition surrounding Moroccan IPOs.

IPOs – Institutional Investors Demand vs Allocation since 2013



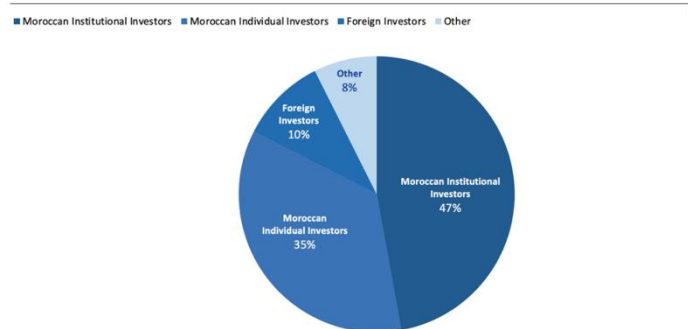
Source: Casablanca Stock

The substantial impact of institutional investors extends beyond **market liquidity & efficiency**. It **has ultimately led to improved market sentiment** and instilled trust and confidence in the Moroccan IPO market as an attractive arena in the region for global investors.

Generating trust in the market

Institutional investors' active and sustained participation through pension funds and insurance companies at 47% has driven increased optimism among diverse investor categories. Of particular note are individual investors looking to capitalise on post-IPO upside, with a 35% participation share, closely followed by foreign investors at 10%. It is also worth noting that despite subdued global economic backdrops, foreign investors' confidence in the Moroccan IPO market is at a record high with cumulative IPO transaction volumes oversubscribed 6 times.

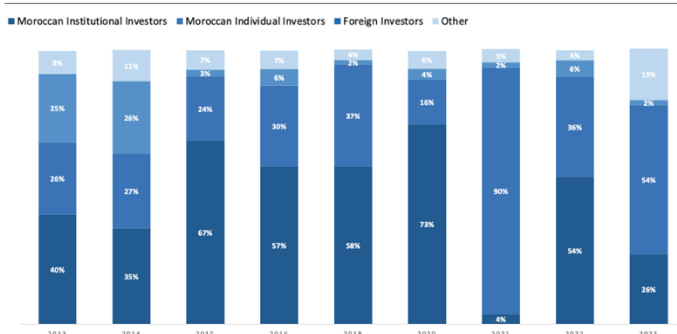
Cumulative Allocation by Investor Category



Analysis includes initial public offerings completed between Jan 1, 2013 and Dec 31, 2023, by Moroccan companies on the CSE

Source: Casablanca Stock Exchange

IPO Allocation by Investor Category since 2013



Analysis includes initial public offerings completed between Jan 1, 2013 and Dec 31, 2023, by Moroccan companies on the CSE.

Source: Casablanca Stock Exchange

The upswing in IPO activity has been met with a **steady increase in retail investor participation in IPOs over recent years**. Individual investors have been gaining ground post-2021 in key sectors: banking, health, construction, and building. CFG, AKTIDAL and TGCC are leading the IPO pipeline as they continue to attract retail investors' participation, with an allocation size of 54%; 42%; 90% respectively.

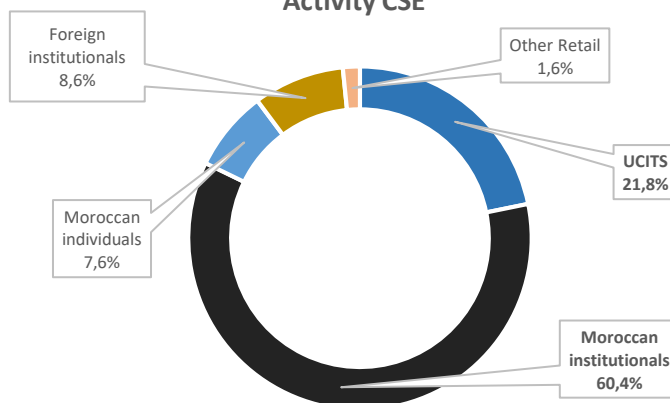
Local institutional investors are driving trading activity in the secondary markets

With more than **60%** of contributed trading activity, local institutional investors are emerging as a key pillar of stability for the Casablanca Stock Exchange (CSE). **Their long-term investment horizons, characterized by a buy-and-hold approach, help mitigate excessive volatility (annualized 12 M volatility for the main Moroccan Index 9.5%)**. This translates into a more predictable trading environment, **fostering investor confidence** and shaping a smoother trajectory for the Moroccan market.

Countries	12m Volatility
Argentina	61,80%
Kenya	32,50%
Egypt	30,40%
Turkey	28,70%
Indonesia	22,70%
South Africa	17,10%
Brazil	14,40%
Qatar	13,90%
Saudi Arabia	10,80%
Morocco	9,50%
Jordan	5,60%
Tunisia	5,20%

Source: Refinitiv

A diversified investment base - Trading Activity CSE



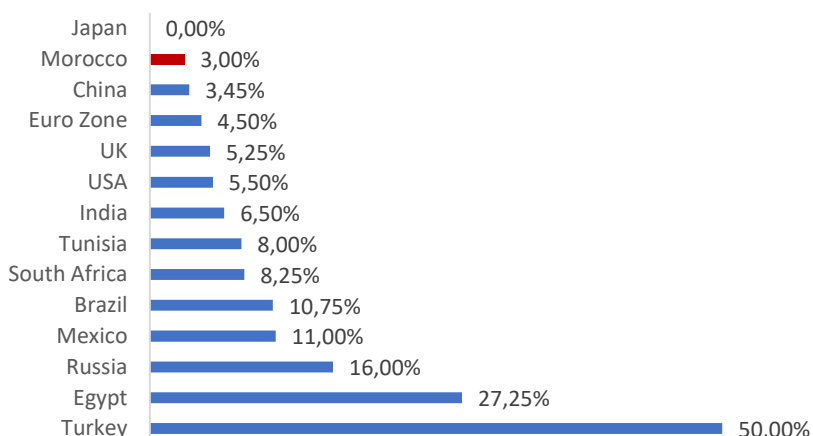
Source: Casablanca Stock Exchange - 2023

Significantly, these lower levels of volatility haven't been impacted by recent increases in trading volumes and liquidity ratios. The CSE has seen relatively dynamic trading activity since mid-2023, **driven by the pause in monetary policy tightening**. Since the successful bid by Morocco, Portugal and Spain to host the **2030 FIFA World Cup, with tremendous benefits for many listed companies, the bourse's trading activity has been even more dynamic. Average daily trading volume (ADTV) on the Central Order Book has increased to \$21.2 million year to date, compared to \$13.2 million and \$13.8 million on average for FY2022 and FY2023, respectively.**

Furthermore, institutional investors act as a **driver of valuations**. Their demand for domestic equities intensifies competition for a relatively limited pool of listed shares. This increased buying pressure can potentially push stock prices higher, ultimately impacting P/E ratios. While the projected **P/E ratio for 2024E of 17.7x** appears to be approaching normative levels compared to international benchmarks, Morocco's historical context presents a compelling counterpoint.

Morocco's key interest rates have historically been low. Due to inflationary pressure witnessed in most of the world's economies, Morocco's key interest rate has risen from a relatively low level after three rate hikes during the Sep' 2022 - Mar' 2023 period. The increase in rates incentivizes investors to seek higher returns in equity markets. With lower yields offered by fixed-income instruments, investors become more willing to pay a premium for potential capital appreciation in stocks, potentially inflating valuations further.

Key Interest Rates - March 2024

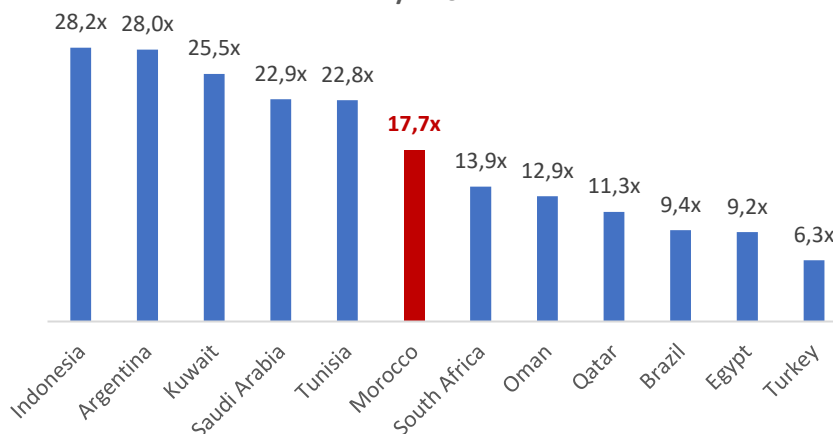


Source: World Bank

A Market in Equilibrium, or on the Verge of Growth?

The estimated P/E ratio of 17.7x, combined with expected dividend yields of around 3.4%¹ and, more broadly, Morocco's experience of low interest rates and the prospect of upcoming tapering suggest that the market still holds value. The case is further bolstered by the relatively strong and consistent growth in aggregate corporate earnings, with a 2018-2023 CAGR of approximately 3.3%² and a significant 10% annual growth since 2021. This combination of factors supports the "structural arbitrage" favouring equities as investors seek further capital appreciation and consistent income offered by equities.

P/E 2024E

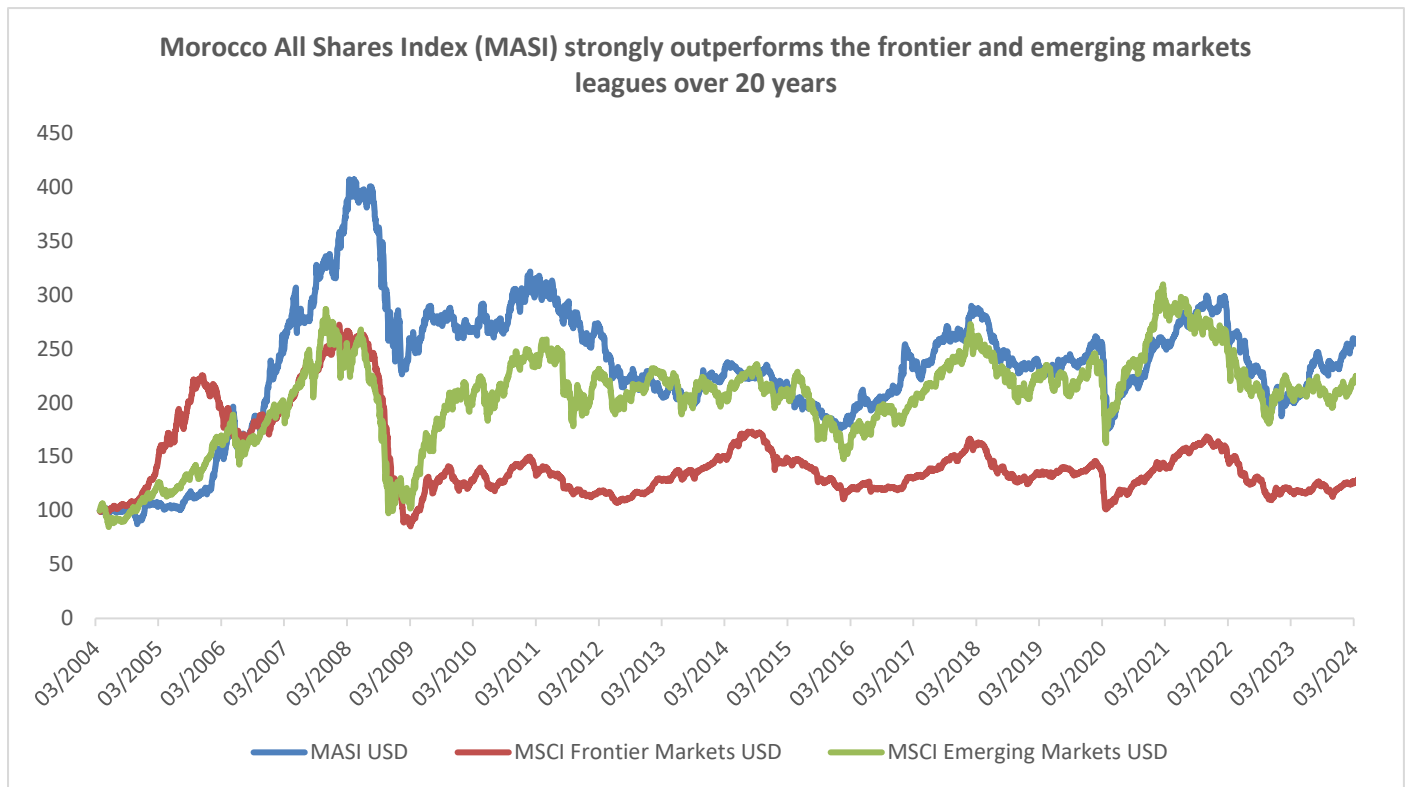


Source: Refinitiv

¹ BMCE Capital Global Research - March 2024

² CFG Research paper – March 2024

This optimistic outlook is further corroborated by the **strong performance of the Casablanca Stock Exchange's (CSE) main index**. Over the past two decades, the index has more than doubled, achieving a remarkable 2.5-fold increase, **outperforming the frontier and emerging markets leagues**. This impressive track record is poised to be sustained by a **confluence of positive macroeconomic drivers and strategic government initiatives**.



Morocco's Bourse: A Rising Star in Africa?

The Casablanca Stock Exchange (CSE) is on the cusp of a significant ascent, fuelled by a confluence of reforms and strategic initiatives. These efforts position Morocco not only as a haven of stability in North Africa (with a GDP exceeding \$147 billion USD in 2023³) but also as a strategic gateway to Africa's booming \$4 trillion USD economy.

Stability Breeds Confidence

In contrast to several African and other regional political conflicts, Morocco's long-standing monarchy and peaceful transitions of power foster a predictable business environment. This stability, coupled with sound economic policies, has provided a recognized resilience in the face of major local and global headwinds, with GDP growth projected at 3.3% in 2025 in line with 3.2% for the global economy (IMF⁴). This stable foundation attracts long-term investments and underpins market confidence.

Geostrategic Powerhouse

Morocco's prime location, bordering Europe and boasting established trade links with Africa, presents immense opportunities. The several **Free Trade Agreements** (FTAs) giving access to more than 50 countries and a wide market of over **1.3 billion people**, open doors for Moroccan companies to expand their reach. This strategic positioning also makes Morocco a reliable partner for foreign firms seeking entry into Africa.

Infrastructure Edge

Morocco boasts a sophisticated network of telecommunications (International bandwidth per internet user in kbit/s 80.7 vs 64.4 in Africa)⁵, highways (1 800 Km), high-speed trains (1st in Africa), ports (1st transshipment platform in the mediterranean and Africa and 19th/500 worldwide), and airports (19 international airports). This robust infrastructure, with over \$20 billion USD invested in the past decade, facilitates efficient movement of goods and people, making Morocco an attractive business location.

Talent Pool and Green Ambitions

A skilled and competitive workforce, with a growing graduate pool, caters to diverse industries. This readily available and cost-effective labour force positions Morocco as a prime location for companies seeking skilled personnel. Additionally, Morocco is actively pursuing a path towards sustainability, with significant investments in solar, wind, and hydrogen power. This focus aligns with the growing global focus on environmental responsibility.

Unlocking Market Potential

³ HCP Morocco

⁴ IMF projections 16/04/2024

⁵ 2020 Global ICT Regulatory Outlook benchmark across 193 countries worldwide

Morocco's "*New Development Model*" outlines a comprehensive strategy to modernise the economy and promote financial inclusion. The new *Investment Pact*, embedding significant incentives, and the launch of the *Mohamed VI Investment Fund*, with up to \$15 billion of investable funds in infrastructure projects, plus a large spectrum of Moroccan corporates – all of this creates a framework for attracting significant domestic and foreign capital inflows and injecting growth into various sectors of the economy. Furthermore, the establishment of a *National Agency for the management of strategic public shareholdings* is a significant factor in the growth of the national stock exchange. There are numerous avenues for exits, including IPOs, equity and debt fundraising, restructuring operations such as carve-outs or spin-offs, and more.

Market Infrastructure Enhancement

The Casablanca Stock Exchange (CSE) is undergoing a significant transformation, evolving into a more vertically integrated financial group. This momentum is set to accelerate with the **launch of key market infrastructure additions before year-end.**

Derivatives and CCP Drive Efficiency:

The introduction in Q4 2024 of a derivatives market alongside a Central Counterparty Clearinghouse (CCP) is a game-changer for the CSE. This powerful duo will enhance market efficiency by facilitating risk management and fostering greater participation.

ETFs and REITs: Diversification and Liquidity Boost:

Investors will soon (likely in the first half of 2025) benefit from a broader range of investment options with the introduction of Exchange-Traded Funds (ETFs) and exchange-traded Real Estate Investment Trusts (REITs). This diversification will deepen market liquidity and attract new players seeking tailored investment vehicles.

A Commitment to Recognition, an Upgrade Aspiration and Mega-Events:

These ongoing reforms and strategic initiatives underscore the unwavering commitment of the entire ecosystem surrounding the CSE. Their focus is clear: building a robust and internationally recognized financial system that can compete on the global stage.

The reforms hold promise for an upgrade of the CSE's classification to the MSCI Emerging Markets index within the next 3-5 years. This, coupled with hosting major sporting events like the **2025 Africa Cup of Nations (CAN)** and the 2030 FIFA World Cup (FWC), is expected to attract significant foreign investment and boost tourism, further propelling economic growth.

Bourse de Casablanca - The Casablanca Stock Exchange (CSE) - Overview

An established and trusted trading centre since 1929, achieving operational excellence through world class technology, best in class processes within a safe and regulated capital market.

Bourse de Casablanca (CSE) is the second largest exchange in Africa with a market capitalization of more than 62 billion USD. And the total outstanding debt of listed corporate bonds is 315 million USD as of the end of 2023.

International investors hold 30.3% of the market capitalization and are major participants on the market.

Thanks to its robust business, operational, technical and risk management frameworks, the exchange ensures fair, orderly, and transparent market.

The Moroccan market operates at the highest standards of regulation and operation, ensuring comfort for foreign investors. It offers unrestricted capital flows, allowing international investors to repatriate profits and dividends from listed companies without constraints.

CSE operates the stock exchange, under well-defined terms of reference and complies with rules defined in a set of guidelines known as General Rules. These regulations align with international standards, overseen by an independent regulator, ensuring investor protection and a fair, orderly, and transparent market. The bourse is regulated by the Moroccan Capital Market Authority (AMMC).

CSE is a regulated market trading publicly equity and corporate bonds. The exchange is working on the introduction of Exchange traded funds (ETFs) and a derivatives market.

CSE is member of the WFE (World Federation of Exchanges) since October 2010, ASEA (African Securities Exchanges Association), Arab Federation of Capital Markets (AFCM) as well as many other influent organizations (UN Sustainable Stock Exchanges, etc.)

Technology and business continuity

CSE trades electronically since 1997 and operates world-class technology powered by LSEG (London Stock Exchange Group) Technology. The exchange operates a multi-asset solution for listing, trading and surveillance and offers business functionalities with the best industry standards, in terms of trade, post trade and market data capabilities.

The exchange runs a hot synchronous distant alternate site, which takes over in case of an outage at the primary data centre. Critical systems are redundant both at the primary and secondary data centre. Business recovery mechanisms, failover and disaster recovery are tested regularly internally and with clients.

CSE has also implemented a solid business continuity framework using a scalable and resilient technical infrastructure, tested regularly with clients.

Certifications: ISO9001 (Quality management Systems) ISO 27001 (Information security management) ISO 22301 (Business continuity management systems)

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