



CFA Institute

CFA Institute Research Challenge

hosted by

Investment Analysts Society of North Africa National School of Applied sciences AGADIR

The CFA Institute Research Challenge is a global competition that tests the equity research and valuation, investment report writing, and presentation skills of university students. The following report was prepared in compliance with the Official Rules of the CFA Institute Research Challenge, is submitted by a team of university students as part of this annual educational initiative and should not be considered a professional report.

Disclosures:

Ownership and material conflicts of interest

The author(s), or a member of their household, of this report does not hold a financial interest in the securities of this company. The author(s), or a member of their household, of this report does not know of the existence of any conflicts of interest that might bias the content or publication of this report.

Receipt of compensation

Compensation of the author(s) of this report is not based on investment banking revenue.

Position as an officer or a director

The author(s), or a member of their household, does not serve as an officer, director, or advisory board member of the subject company.

Market making

The author(s) does not act as a market maker in the subject company's securities.

Disclaimer

The information set forth herein has been obtained or derived from sources generally available to the public and believed by the author(s) to be reliable, but the author(s) does not make any representation or warranty, express or implied, as to its accuracy or completeness. The information is not intended to be used as the basis of any investment decisions by any person or entity. This information does not constitute investment advice, nor is it an offer or a solicitation of an offer to buy or sell any security. This report should not be considered to be a recommendation by any individual affiliated with Investment Analysts Society of North Africa, CFA Institute, or the CFA Institute Research Challenge with regard to this company's stock.



aradei

CAPITAL

Recommendation: BUY (15.27% Upside)

Date: January 10th, 2022

Current Price: 403,20 MAD (as of January 7th, 2022)

Target Price: 464,75 MAD

Market Cap: 4 292 379 705,60 MAD

Low : 375,05 MAD

High : 415MAD

Ticker: ARD

Exchange : Casablanca Stock Exchange

Activity sector: Real Estate Investment

	2022	2023	2024	2025	2026
EBITDA (MMAD)	261,7	277,2	283	293,1	314,1
FFO (MMAD)	144,1	162,1	170,5	181,3	202,6
LTV	41%	41%	42%	42%	43%
ROE	3,57%	3,97%	4,14%	4,37%	4,82%
Cost of Debt (MMAD)	528,4	424,2	357,6	302,2	203,9

Business Description

Aradei Capital is a real estate investment company headquartered in Casablanca-Morocco, with a business activity that mainly consists of the acquisition and development of real estate properties intended for rental. ([appendixe A.1](#))

The Company owns 29 assets portfolio of retail properties, office properties, industrial properties and bank's retail branches as well as greenfield sites across several cities in the Kingdom ([figure 1](#)), with a total GLA of 380.000 sqm, and an occupancy rate of 96%. Respecting for each city, a GLA that adapts to its characteristics including supply and demand. Lately, the company extended its investment strategy to private health sector. Its consolidated revenue ([figure 2](#)) has reached 271,077 MMAD in 2020 with more than 60% of it was generated by retail assets.

Company's Assets:

Aradei capital benefits from a diversified asset portfolio which makes it very unique and authentic ([figure 3 & 4](#)). Its assets are the following :

Commercial Assets: they represent 83% of assets total GLA of the company and have generated approximately 90% of the consolidated revenue during the last four years, amounting to 789.85 MAD for each m² of GLA.

Industrial Assets: The company opened up to the industry assets in 2019 after acquiring an industrial unit located in Meknes, fully leased to the Japanese automotive supplier Yazaki, with a GLA of 35.603 sqm and generated rental revenue of 14,90MMAD in 2020.

Offices: the company constructed its first office building PRISM, located in the business district Sidi-Mârouf in Casablanca, and expected to open at the end of 2021. It has a GLA of 7.000 sqm: 6.000 sqm concerns offices and 1.000 sqm for commerce.

Bank Branches: with the acquisition of 100% of CLEO PIERRE SPI-RFA OPCI shares in March 2021, composed of 103 bank branches entirely leased to the BMCI-BNP Paribas Group, with a GLA of 28.000 sqm and spread over 17 cities in the country. This operation allowed Aradei Capital to own professional rental properties indirectly and to benefit from instant income without waiting for a long-term investment, as well as from tax advantages. The company expected this OPCI to generate more than 50 MMAD in 2021, approximately 1785 MAD/sqm, which is higher than the income from commercial assets per sqm, representing an approximate return on investment of 8%. Note that in the first half of 2021, the OPCI generated revenue of 22,3 MMAD.

Greenfield lands: the company owns four greenfield lands for planned projects, with a total surface of nearly 194.380 sqm.

Figure 1: Operating Assets Geographical Distribution (in terms of GLA)

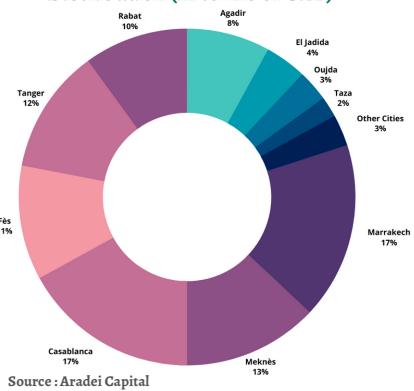


Figure 2: Revenues (in MMAD)

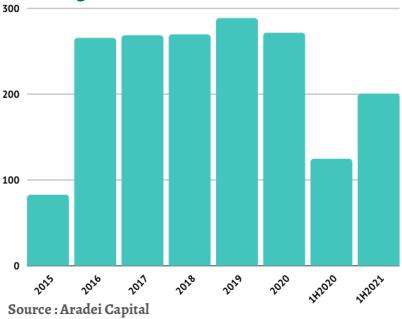
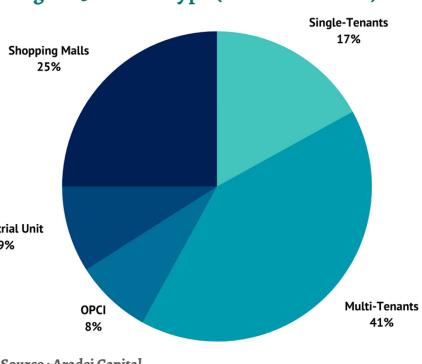


Figure 3: Assets Type (in terms of GLA)



Shareholders :

The company has an exceptional shareholder base. From Label Vie, the second largest retail company in Morocco in terms of market share, taking 43,8% of the company's shares, to the European Bank for Reconstruction and Developments (EBRD) with a stake of to 8,7%, and GEPF which entered to the company's capital in 2020 by taking 7% of total shares. ([appendix A.2](#))

Subsidiaries :

Aradei Capital owns a sum of 23 subsidiaries, which allows it to benefit from tax advantages, including 12 acquired after its merger-absorption with Petra in 2016. These subsidiaries have different purposes, such as property development, facility and property management provided by BREG, and animation in shopping centers and management of play areas carried out by Best Leisure. ([appendix A.3](#)) The company had officially added another subsidiary in January 2022 "Akddital Immo", with a stake of 51%.

Industry overview

Retail sector :

Aradei Capital is positioned in several types of Retail assets, in this case 3 shopping centers in Marrakech, Tangier and Fez, 14 retail parks and shopping malls in addition to single tenants in 7 Moroccan cities, thus making it possible to serve several types of CSP with rental levels adapted to each type of asset. The development of this mode of commerce is the fruit of the modernization of the commercial apparatus in Morocco. In fact, the number of hypermarkets has increased from 6 in 1997 to 26 today, with a franchise network exceeding 300 franchises as well as 2000 points of sale throughout the national territory. The retail space of supermarkets in Aradei capital has increased from 112 stores to 696 stores reflecting a significant evolution of this economic model among the large distribution brands: LabelVie Group with Carrefour Market supermarkets, Carrefour hypermarkets and Atacadao brands, the land of which is majority owned by Aradei Capital SA and its subsidiaries ([figure 5](#)).

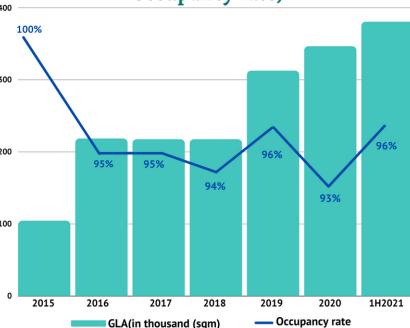
Industry sector :

Since the 2000s Morocco has started to get involved in the diversification of its economy to attract more direct investments abroad ([figure 6](#)). Today, the Moroccan automotive industry has become a lever of economic growth ([figure 7](#)) and implements renowned foreign groups such as RENAULT, SNOP, GMD, BAMESA, DELPHI, YAZAKI, SEWS, SAINT-GOBAIN and more recently PSA Peugeot Citroën. As to Aradei Capital, it acquired in 2019 an industrial unit in Meknes entirely leased to the equipment manufacturer Yazaki, it was the 3rd industrial unit of Yazaki in Morocco. Aradei have to consider that Yazaki may change the premises to more promising areas such as kenitra and tangier, since the automotive sector is well identified. Aradei must push its industrial units investement to where the national automotive ecosystem is more developed ([appendixe B.1](#)).

Banking sector :

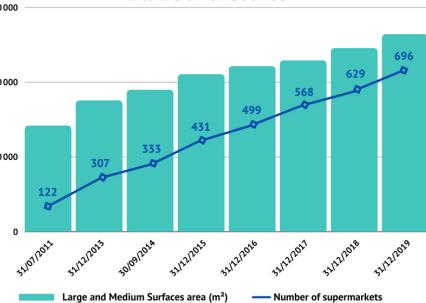
Aradei opened up to banking sector through its CLEO PIERRE SPI-RFA OPCI which is entirely leased to BMCI. The sector has experienced low interest rates, a slowdown in credit distribution, and an acceleration of delinquencies, all of which characterize the environment that Moroccan banks are currently facing. During the crisis, the banking system has shown great resilience and seems to be well equipped to face different challenges. Indeed, the prudential regulations of the last ten years, which have pushed banks to further strengthen their capital base, are bearing fruit. In view of this last note, the BMCI took the AAA note according to FITCH which expresses its financial solidity.

Figure 4: Assets Type (in terms of GLA and occupancy rate)



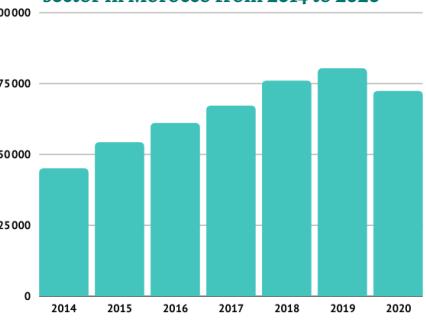
Source : Aradei Capital

Figure 5: Evolution of supermarkets and the number of stores



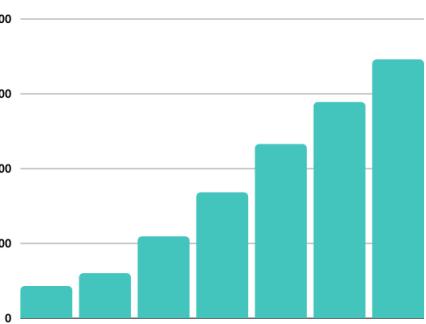
Source : Aradei Capital

Figure 6: Value of exports from the automotive sector in Morocco from 2014 to 2020



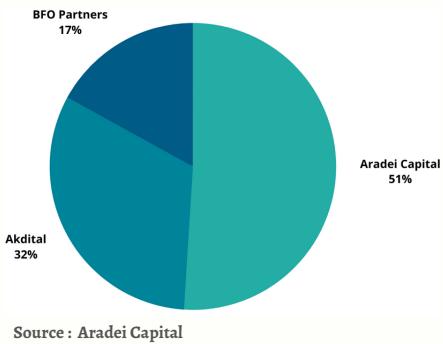
Source : Ministry of industry and trade

Figure 7: Vehicule production in thousands



Source : Ministry of industry and trade

Figure 8: Shareholding of AKDITAL IMMO



Private health sector : An optimistic horizon for private health

Real estate AKDITAL IMMO (figure 8) will certainly benefit from the growth of the private sector in morocco, which will imply an upward trend at ARADEI CAPITAL which is officially the majority shareholder in AKDITAL IMMO. The private health sector walks in firm steps in morocco especially in the coming years, thanks to different factors:

1) Morocco's development model for 2035: This new 2035 model (figure 9) has set its descriptions which are necessary for the installation of the new doctrine of balance between a strong state and a dynamic society which aims at a complementarity of intervention between the public sector, private sector, and to invest in a win-win approach with the territories, and the third sector which brings together the intersection between the public and the private sector who must become partners by using their expertise, in order to empower the reduction of administrative, legal or financial obstacles hindering any new requirements of professionalism and missions of general interest.

2) Private public partnership in health : Among the sectors where Public Private Partnerships (PPP) are eagerly awaited is Health . Aware of this need, the minister of health in June 2020 established a PPP during a webinar organized by the private clinic sector, another strategic PPP that was signed between the ministry of health and the national health federation in September 2020. In addition to another one from the moroccan pension fund which acquired 5 university hospital centers in 2019 to rent them to the state in order to put in place a strategy between the public and private sector. Talib Rochdi, president of the AKDITAL GROUP, quoted in this regard: "We had underlined in an interview that the group has already submitted 2 PPP projects to the ministry of health their objectives were to allow the entire population to benefit from the same healthcare offers thanks to a PPP".

3) Social / health coverage: The long road to a universal health coverage In twenty years, the moroccan health coverage system has profoundly evolved and integrated millions of moroccans, starting from 2005 with the establishment compulsory health insurance (AMO), which was followed by the Ramed for the needy moroccans (figure 10). Dr Rochdi Talib (Akdital): "60% of Moroccans and 95% of moroccans with health coverage seek treatment in the private sector". Today, Morocco is moving towards a consolidation of all social assistance programs in one. A historic social coverage program is launched to eventually cover 22 million people at the end of 2022.

4) Foreign investment: An avenue mentioned by the Government: To generalize its social protection system for the benefit of all Moroccans by 2025. Morocco has chosen to open up the health sector to foreign skills and foreign investment and to allow them to join the medical profession as well as stimulating the investment in the health sector (figure 11).

5) Possibility of opening clinics to non-doctors: In Morocco, only doctors could previously set up a clinic. Law 131-13 adopted in 2015 modified this. The law now authorizes the opening of the private clinics to non-medical investors.

Competitive positioning

Aradei capital was able to benefit from all its factors in order to become the only Moroccan real estate company that has been able to assemble all this kind of activities thanks to the crucial role of real estate companies in supporting economic operators. The real estate business in rental real estate is new in Morocco, and then Aradei Capital is considered the only real estate company in Morocco with such a business model in terms of: Size, composition of the asset portfolio which is very diverse, accounting standard for consolidating accounts. And also sectors of activity covered: Aradei capital has a purpose which relates to the real estate infrastructure necessary for its sectors. The group is also studying various opportunities in several sectors. Aradei Capital's vision is to be a strategic multi-sector vehicle and not to be limited to a single sector.

Figure 9: Morocco's development model for 2035



Source : Moroccan's Gouvernement

Figure 10: Morocco's strategy in social/health coverage



The creation of AMO and Ramed made it possible to cover nearly 70% of the Moroccan population at the end of 2019 with public and private health establishments.

Source : Morocco's ministry of health and social protection

Figure 11: Insertion of the foreign medical body in Morocco



This plan aims to increase the density of nursing staff to 4.5 doctors per 1,000 inhabitants in 2035 against less than 2 currently. this implies training an average annual flow of 3,600 doctors and 7,100 nurses between 2020 and 2035.

Source : Morocco's ministry of health and social protection

Environmental, social and governance

Aradei Capital's ESG approach and practices are seen as a continuous improvement of the company's long-term business processes and activities. Aradei Capital being an active and committed contributor has defined plenty of ESG sustainability principles that govern its property development agenda ([appendix C.1](#)).

Environmental

The company's strategy was very clear and firm about the ultimate importance of the environnement approach. And that appears clearly through the ESG practices that Aradei Capital is aiming for ([appendix C.2](#)). For this and more, Aradei Capital is supported by an international firm expert in ESG (Utopies) which endeavors to identify and prioritize the company's ESG issues through a participatory approach. And on this matter, Aradei capital is contributing to a more optimization and reduction of the environmental and ecological footprint linked to the operations of Aradei's own activities.

ESG / CSR approach & ambitions:

- Aradei Capital aspires to strengthen the sustainable footprint of its subsidiary companies on their environment, through the implementation of an ESG / CSR approach across a 5-year action plan (2020-2025) "Bricks for Impact", which completes on the similair intentions of its ESG principles.
- Aradei Capital obtains Edge Advanced energy efficiency certification for its first "Prism" office building. This first EDGE-certified investment is fully in line with the real estate company's CSR ambitions. This certification came to award aradei capital for the following achievements : 40% energy savings, 47% water savings and 21% less embodied energy in materials.

Social

The social impact tries to measure the consequences of the activity of an organization on its stakeholders and on its socio-economic fabric. As for Aradei Capital, it contributes in the national economic growth by investing in all the regions of Morocco, which will create more job offers and reduce territorial inequalities, Aradei Capital also supports cooperation and associations and opens up to universities through disseminating knowledge and offering internships.

Gouvernance

Aradei Capital delegated its management and investment decisions, as well as certain control power of its shareholders to an independent asset manager REIM Partners and 3 committees forming an independent executive management.

Aradei Capital created three committees independent of REIM Partners comprised of independent administrator in order to help board of directors ([appendixe C.3](#)) in their decisions as well as to work efficiently. Those committees are: ([appendixe C.4](#))

- **Investment committee:** it has the mission of evaluating and deciding investment and divestment opportunities that align with the investment policy adopted by the Board of Directors.
- **Conflict committee:** it consists of independent directors, their mission is to give, independently, opinions and recommendations to the Board of Directors on all transactions qualified as regulated agreements. As well as transactions that may lead to interests' conflict of shareholders. All people linked to REIM Partners or representing the interests of one of the Company's shareholders to sit on this Committee, according to its rules of composition.
- **Audit committee:** its mission is to evaluate the efficiency and quality of internal control procedures (including the financial aspect and risk management), and (ii) the integrity of the financial information relating to the Company.

Aradei relies on the expertise of REIM Partners in investment advice and supervision of rental management, in accordance with the terms of an investment and management advisory mandate real estate assets. The company has also three other committees that are related to REIM Partners: (appendix C.5)

- **Growth Council:** This committee pre-approves due diligence expenses and preapproves all projects that will be presented to the Investment Committee or the Board of Directors.
- **Audit & Finance Committee:** it examines the financial and audit side of the company, as well as all fundraising, debt raising, covenants and other cash flow matters, including rent collections.
- **Legal review committee:** it evaluates the legal relationship between the company and its tenants, subcontractors and any other part.

Financial Analysis

Figure 11: FFO

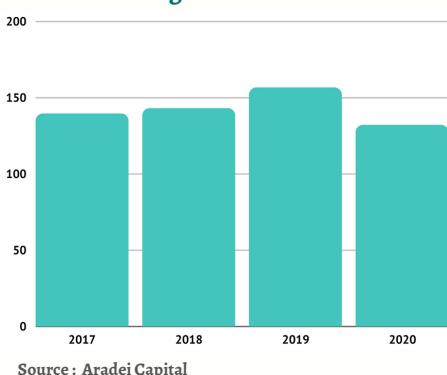


Figure 12: EBITDA

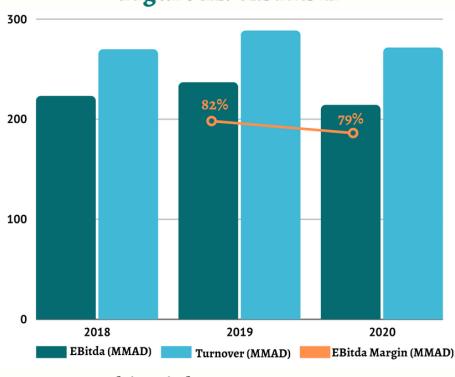
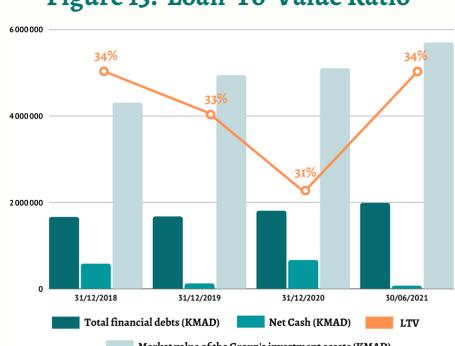


Figure 13: Loan-To-Value Ratio



FFO :

The FFO generated in 2019 stands at 156.3 MMAD compared to 142.8 MMAD in 2018. The variation of Aradei's net income was mainly impacted by the lower effect of the unrealized capital gain relating to the revaluation of the Investment Assets at market value. The Covid-19 health crisis has had the impact of closing non-food and luxury businesses within Aradei Capital's assets. With the exception of food stores, pharmacies, telecommunications, services and banks, which represented 60% of the group's total GLA. The FFO in 2020 is down 15.7% (-24.5 MMAD) compared to 2019 which is explained by the decline in turnover. The increase in financial expenses results from the ascertainment of financial interest as expenses following the delivery of new projects. (figure 11)

EBITDA :

The increase of EBITDA in 2019 is explained by the rise in rental income following the acquisitions made in 2019 and the opening of Sela Plaza Dar Bouazza in September 2019. The decrease in EBITDA margin in 2020 remains relatively stable compared to 2019, the variation of 3 points is explained by the shorten in turnover, and the slight growth in operating expenses, mainly due to the news openings. (figure 12)

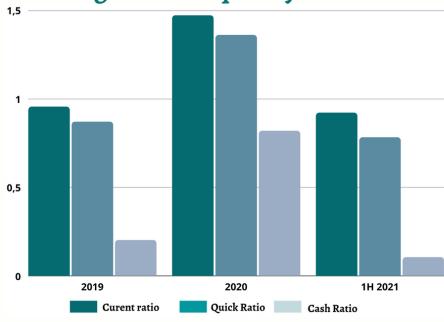
Loan-To-Value:

In 2018 the LTV was in 34% due mainly to the bond issue of about 600MDH with several bank loans to finance more projects like retail park Tmara, Atacadao Fes, Dar bouazza and Atacadao Oujda and in 2019 there were some bank loans to finance sela park El jadida and the extension of label galerie rabat with a variation of 1% between 2018/2019. Also in 2020 or the treasury knew an increase thanks to the increase of capital of about 770.5 MMAD a variation of the treasury of about 434% with two financial operations of leverage of about 1 Billion MAD, the thing that made the acquisition of the CLEO PIERRE SPI-RFA OPCI easier, in which aradei was able to take a bank loan in 2021 to finance a part of this operation. (figure 13)

Liquidity ratios :

The variation of **Current ratio**, **Quick ratio** and **Cash ratio**, was mainly impacted by the variation in Cash & Cash equivalents. At 2020, Cash & Cash equivalents increased by +540.2 MMAD following the raise in investments of 250 MMAD composed mainly of units of "UCITS". This caused these ratios to rise, coming out at, 1,47, 1,36 and 0,81 respectively.

Figure 14: Liquidity ratios



Source : Aradei Capital, Team Analysis

Solvency ratios :

Debt asset ratio saw a slight decrease at 2020 and come out at 28%. This was caused by the raise in current assets amounted to 1,194.3 MMAD, up 606.5 MMAD compared to 2019, impacted by the rise by the increase in "Cash & Cash Equivalents" of +540.2 MMAD. At the end of the first half of 2021, the ratio came out at 30%, as financial liabilities increased due to the combined effect of debt drawdown to pertaining the acquisition of CLEO PIERRE SPI-RFA OPCI shares, the reimbursement of commercial paper credit lines as well as other reimbursement concerning operating assets debt.

Debt to equity also decreased at the end of 2020 to 44%, as total shareholder's equity increased by 17,2% to 4 015,7 MMAD. This is due to the entry into the capital of the South African fund GEPF for a sum of 67.6 MMAD, and the capital increase by IPO of 125.0 MMAD, as well as the increase of 495.1 MMAD in "Share premium" including 490.3 MMAD relating to the various capital increases. For the first half of 2021, the ratio raised to 40%, due to the increase in financial liabilities. (figure 15)

Profitability ratios :

Aradei Capital's consolidated **Return on Equity** stood at 6.2%, down 5.4 pts compared to 2018 mainly due to the withdrawal of consolidated net income of 43.8% to 213.7 MMAD against 380.3 in 2018 and the increase in consolidated shareholders' equity of 4.4% linked to the raise in reserves of 21.6% to 1,753.2 MMAD following the placing in reserves of retained earnings.

Concerning 2020, **ROE ratio** stood at 0.4%, down 5.8 points compared to 2019, mainly because of the decline in net income due to the impact of Covid-19 on Aradei Capital's activity following the partial closure of assets during the confinement period and the increase in equity following the IPO. In light of the decline in net income due to Covid-19 pandemic and the upward trend of 20,73% in the total consolidated assets of Aradei Capital, the **Return On Assets ratio** in 2020 stands at 0.27%, down 6.87 points compared to 7.14% in 2018. (figure 16)

Valuation

We estimate the intrinsic value of Aradei Capital's share using Two-Stage Dividends Discount Model (DDM). Our valuation arrives at a target price of 464,75DH.

- **Revenues :**

Aradei Capital Revenue consists of rental income (composed of a fixed part and a variable part), increased by net rental expenses, and other revenues from the leisure activity. For each operational real estate asset, we chose the revenues generated in 2020 as the fixed part. The variable income is assumed to represent 2% of the consolidated fixed rental income. We take into account a 5% three-year increase for tenants expect Atacadao Taza, Carrefour Panoramique, Carrefour Berkane, and Sela Park Temara (10%) and Yazaki (3%). The revision year is determined based on 2020 due to a lack of data. We assume CLEO PIERRE SPI-RFA OPCI to generate a constant revenue of 50MMAD over the forecast period. For Prism, we assume revenue of 700DH/sqm generated by offices (determined as the average of the rental prices in Sidi Mâarouf- Casablanca given on the "Mubawab" website), and 2700DH/sqm for the commerce part (depending on the company historical data).

The three-year increase amounts to 5%. The occupancy rate of the building is assumed to grow annually by 20%. For Akdital Immo investment, we assume an ROI of 8% as this investment is quite similar to that of CLEO-PIERRE OPCI, and that the company will construct two clinics each year. For Best Leisure revenue, we expected a 10% annual increase.

- **Operating Expenses:**

We expect "Other Expenses/external Expenses" to take 19% of total revenues, "Payroll Expenses" 6%, "Tax expenses" 2%, and "Other Operating Revenues and Expenses" 1%. We eliminate Amortization and Depreciation, Fair-change of investment properties, and Exceptional Revenues and Expenses in our forecasting.

- **Financial Expenses:**

We assumed Gross Financial Cost to be equal to interests paid. Cash Placements revenues and Other Financial Revenues and Expenses are eliminated over the forecasting period due to the complexity of their modeling.

- **Dividends:**

Dividends are expected to represent 85% of the FFO, based on data given by the company.

- **Cost of Equity :**

The cost of equity was determined by applying the CAPM. The following parameters were utilized: *Risk Free rate*: we used the 10-year Morocco Treasury bill rate on the secondary market as of November 3, 2021, estimated at 2,32%. *Market risk Premium*: which came out at 6,32% using the average risk premiums from CFG Research (5.2% published in October 2021), Attijari Intermédiation (5.6% published in May 2021) and BMCE Capital Research (7.9% published in October 2021). *Levered beta*: amounting to 0,52, using a central unlevered beta of 0,4, as Aradei has a diversified portfolio which made it less risky than Immorent Invest. (appendix E.1). This resulted in a cost of equity equal to 5.59%.

- **Terminal Value :**

Terminal value was calculated in the basis of Gordon-Shapiro method. The terminal growth rate chosen was 2%, which reflect Morocco estimates for inflation over this period.

- **Greenfield Sites :**

The value of total greenfield sites is amounted to 596MMAD based on the data of the company as of the year 2020. (appendix E.2)

Relative Valuation :

Immorent Invest is the only modern publicly-traded real estate investment company besides Aradei Capital. These two companies cannot be comparable, particularly in terms of size, the asset portfolio, and accounting standard for consolidating accounts. And seeing that on the international scale, real estate companies operate in a highly more developed economic, legal, accounting and tax framework. There is no company comparable to Aradei Capital and based on which we can carry out the valuation.

Investment Summary

We issue a **BUY** recommendation on Aradei Capital Group (ARD.), with a target price of 464.75 MAD, applying the Dividend Discounted Model method. This implies a 15.27% upside based on the company's closing price of 403.20 on January 7th, 2022.

A growing activity confirming the resilience of Aradei core business:

Aradei's business is resilient thanks to the quality of its clients. We estimate a continuous increase in consolidated turnover from 344,9MMAD in 2021 (continued growth supported in particular by changes in the scope of activity and revenues generated by the openings of the 4th and 5th Sela Park in Agadir and Temara in September and October 2020) to 424,4MMAD in 2026.

Taking into account the resumption of activity on the constant perimeter thanks to the commercial dynamics, the triennial review of the assets and the generated revenues from the latest investments and partnerships signed by the group including the Cleo Pierre Reits, Prism and Akdital Immo. Additionally, this raise in turnover will generate, according to our valuation, an increase in EBITDA as well as in the Net Income, which should reach respectively 314,1MMAD and 202,6MMAD in 2026. Thus, making an FFO of 202,6MMAD by 2026 (appendix E.4) which will represent an important generation of operational cash-flows based on the dividend payout ratio, and maximize shareholders returns under a very controlled LTV(appendix D.6).

Aradei Capital stands out in the Real Estate Investment sector in Morocco:

Aradei capital is working to build a multi-tenant portfolio to diversify its multi-tenant properties, a strategy that began in 2016 in which LBV (Label Vie) generates about 71% of the rent, compared to 55% in 2021.

The group aims to reinforce its presence in different markets through high potential investments in diversified activities of retail, industry, education, health and others. A thing which is already done such as shopping centers in Marrakech, Tangier and Fez, shopping malls in 7 major cities, an industrial asset Yazaki in Meknes and two major steps on its growth and diversification strategy in 2021, represented by the first transaction in the OPCI market followed by a joint venture operation with Akdital (Aradei is the majority shareholder at 51% of Akdital Immo group), a strategic partnership that focuses on the health sector and the development of private clinics in view of the last project of the King which is generalization of social protection to all Moroccans.

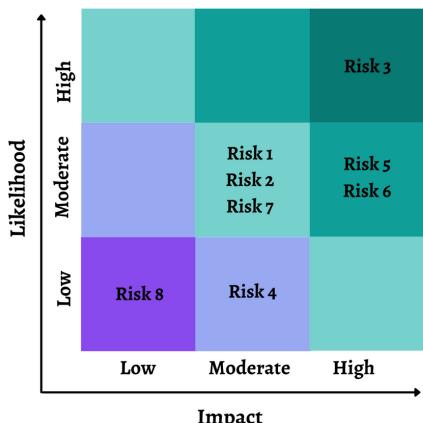
Concerning the development strategy of the company, it is generally based on 3 main axes:

- Development through the exploitation of existing land reserves in the real estate portfolio.
- Acquisition of operational real estate assets, similar to what was done with BRE (Best Real Estate).
- Development through the acquisition of Greenfield projects, to be developed in the short and medium term, such as the Prism office asset which has received EDGE certification.

Investement Risks

Internal risks of Aradei Capital

Figure 16: Internal risks matrix



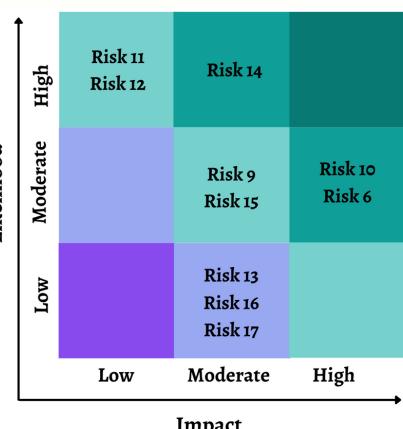
Source : Aradei Capital, Team Analysis

1. **Dependence to the LabelVie Group and to Best Financière:** Aradei Capital SA is a firm 43.8% owned by the LabelVie, which in turn is 51.3% owned by Retail Holding, belonging to the Best Financière group for 50.6%. The Best Financière Group, through its subsidiaries, represents 60% of the total commercial area of Aradei Capital.
2. **Dependence associated with the shareholder structure:** The Best Financière group held 51.7% of the capital and voting rights of Aradei Capital SA. Which has a significant influence on the general meetings of shareholders allowing it to adopt or reject the proposed resolutions.
3. **Dependence associated with key people:** The company is exposed to a risk of dependence on the Chairman and CEO Mr. Nawfal BENDEFA of the Company in the event of departure.
4. **Related to contract defects:** As part of its activity, the Company is bound to its partners and tenants by contracts that it must minimize their risks inherent in their legal documentation.
5. **Linked to the constitution of a business by the tenant:** Aradei capital is exposed to the risk of non-compliance with the constitution of a business (non-payment of rents, non-compliance with the terms of the lease contract, etc.). In this case, the lessor has a serious and legitimate reason against the lessee and that he is therefore not liable for this compensation.

6. **Risk of vacancy:** The risk of vacancy constitutes the loss of income resulting from the non-rental of the property between two tenants.
7. **Financial liquidity risk:** **1-Debt risk:** Aradei Capital's strategy aims to call on debt as part of the financing of its development program in order to finance part of its growth and improve the profitability of its capital. **2-Risk associated with access to debt:** Access to credit is a major restriction that could hamper the development of Aradei Capital. This access is conditional, for bank resources, on compliance with several financial ratios concerning, in particular, the balance sheet structure (LTV) and the activity's ability to cover the burden of its debt.
8. **Linked to compliance with the contractual obligations of the EBRD and GEPF:** Aradei Capital is required to respect the contractual obligations towards the EBRD and PIC concerning internal procedures, fraud and corruption and in matters of financial communication.

External risks of Aradei Capital

Figure 16: External risks matrix



Source : Aradei Capital, Team Analysis

In a world that tends more and more towards complexity and which changes rapidly, Aradei Capital faces the following risks (figure):

9. **The risk linked to the economic environment:** Aradei Capital is linked to the economic situation in Morocco and the returns of rented companies, hence the need to invest more in other sectors.
10. **Risk of fluctuation in the real estate market:** The valuation of assets in the real estate market depends on the economic conditions, the interest rate and the mechanism of supply and demand, the fact that these parameters are unpredictable may impact Aradei Capital.
11. **Competitive risk:** The professional real estate sector can attract other operators to join it, in fact the legislative framework is very encouraging.
11. **The risk associated with the increase in the cost of land:** Population growth is pushing urban areas to expand, suddenly the cost of land increases further, which prevents the seizing of good opportunities.
12. **Environmental risks:** Aradei Capital is fully committed to protecting the environment through various pacts and regulations. Failure to meet its obligations or deviate from environmental standards will surely affect its reputation and image.
13. **Legal and regulatory risk:** national tax policy and town planning regulations may change at any time, this will have an impact on the activity of Aradei Capital.
14. **Risk linked to the interest rate:** Aradei Capital uses debt to finance its investments, its debts are mainly based on the interest rate which is characterized by fluctuation, and the latter can impact Aradei's activity if ever it tends on the rise.
15. **Risk of fluctuating rents:** Assets held by Aradei risk remaining untapped after the expiration of existing properties due to tough competition and economic conditions.
16. **Risk related to the construction as owner:** Aradei is a real estate company, obviously it will need competent owners who verify the requirements of Aradei and who deliver the projects as soon as possible.

Appendix Table

- **Business Description**

Appendix A.1 : History of Aradei Capital

Appendix A.2 : Aradei Capital's shareholders

Appendix A.3 : Aradei Capital's subsiadiries

- **Industry Overview**

Appendix B.1 : The distribution of the free zones and the industrial parks

Appendix B.2 : SWOT Analysis

Appendix B.3 : Porter's 5 Forces Analysis

- **Environmental, Social, and Governance**

Appendix C.1 : Aradei Capital's ESG issues

Appendix C.2 : The scheme of environmental solutions

Appendix C.3 : Aradei Capital's board of directors

Appendix C.4 : Committees independent of REIM Partners

Appendix C.5: Committees related to REIM Partners

- **Financial Analysis**

Appendix D.1 : Balance Sheet

Appendix D.2 : Cashflow Statement

Appendix D.3 : Consolidated Income Statement

Appendix D.4 : FFO Forecast

Appendix D.5 : EBITDA Forecast

Appendix D.6 : LTV Forecast

Appendix D.7 : ROE Forecast

- **Valuation**

Appendix E.1 : Cost of equity for different unlevered Betas

Appendix E.2 : Greenfield Sites Value

Appendix E.3 : Revenue Projections

Appendix E.4 : Income Statement Projection

Appendix E.5 : DDM method detailed

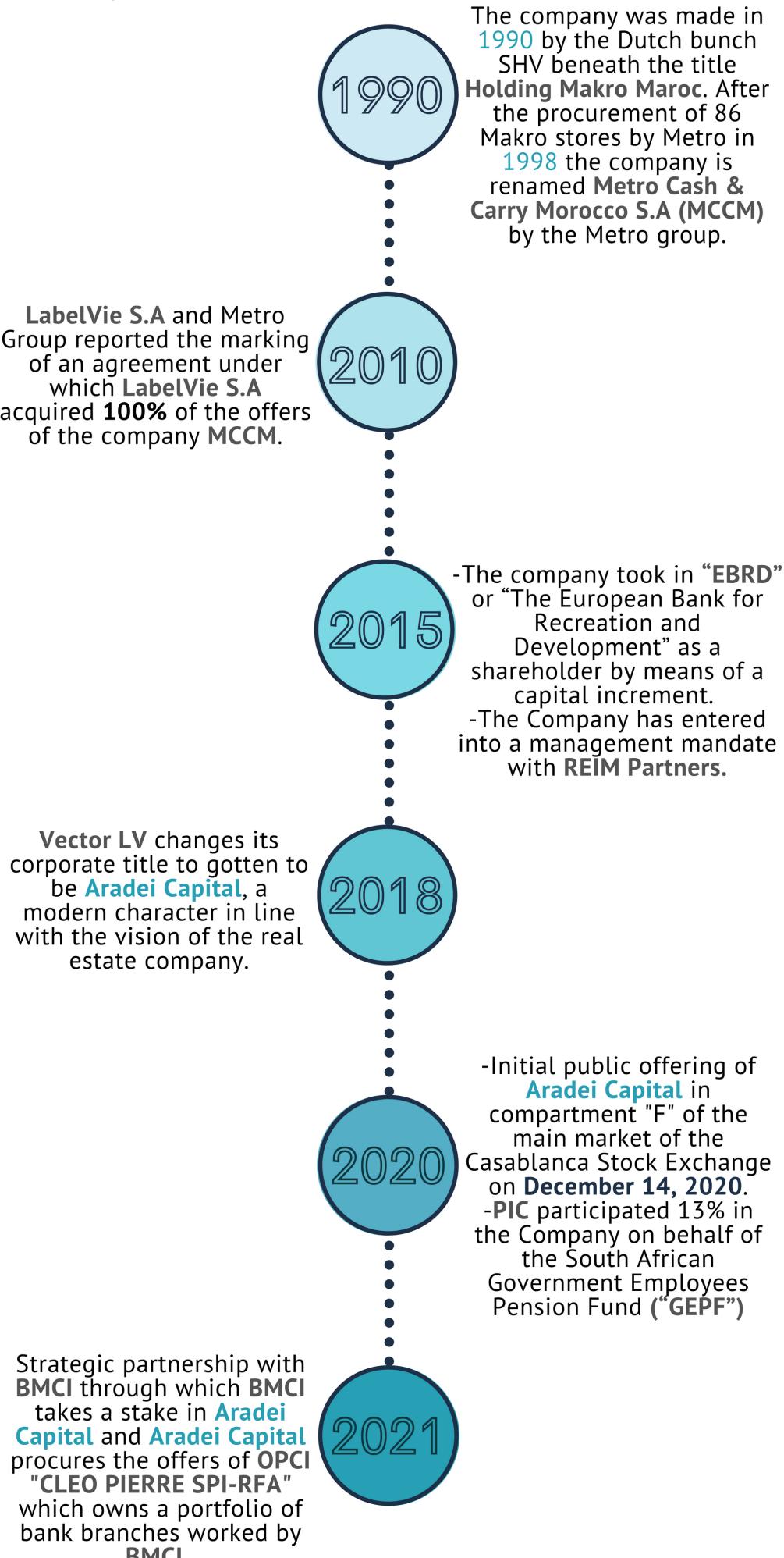
Appendix E.6 : Sensitivity Analysis



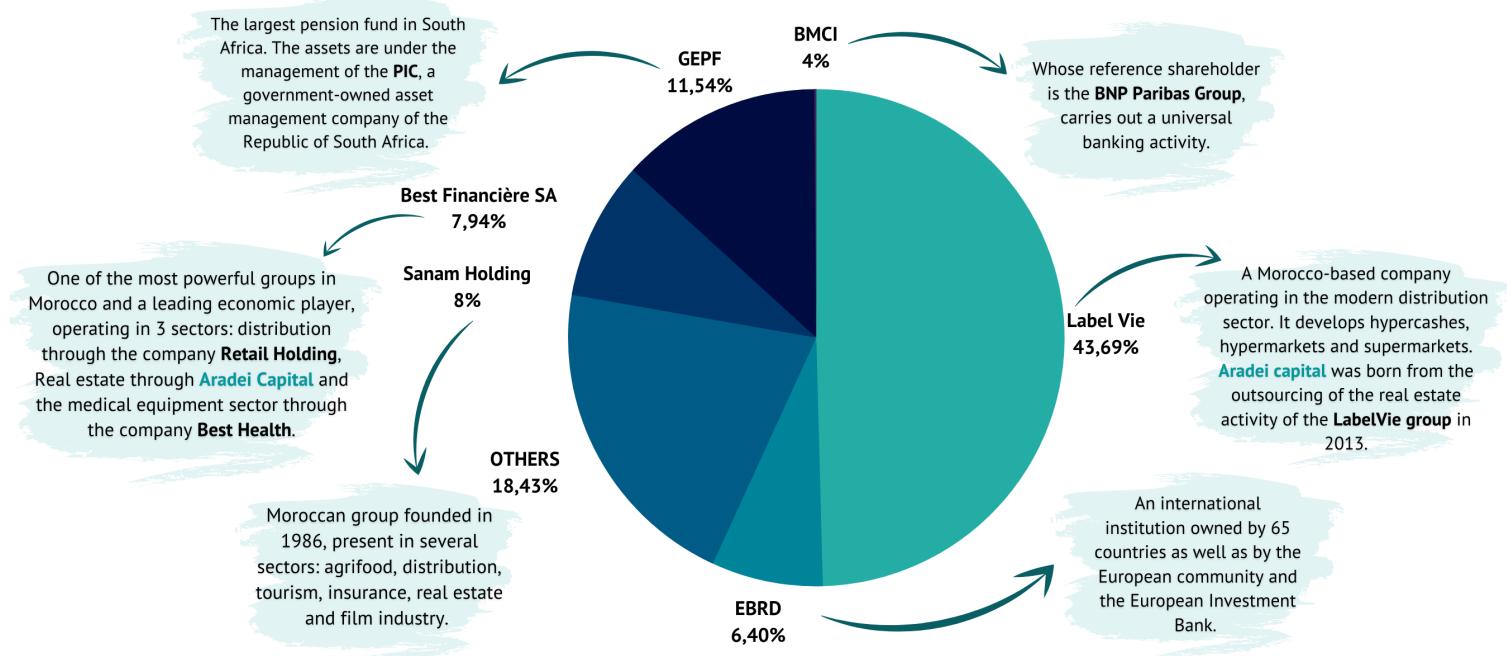
Business Description

CFA Institute Research Challenge

Appendix A.1 : History of Aradei Capital



Appendix A.2 : Aradei Capital's shareholders



Source : Aradei Capital

Appendix A.3 : Aradei Capital's subsidiaries



Source : Aradei Capital

Industry Overview

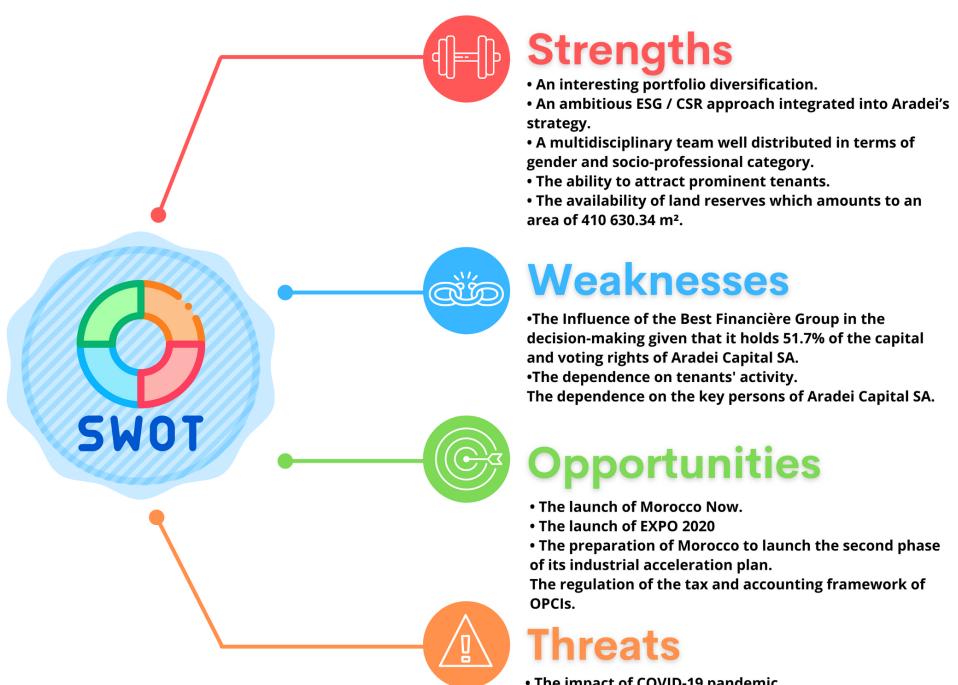
CFA Institute Research Challenge

Appendix B.1 : The distribution of the free zones and the industrial parks in Morocco



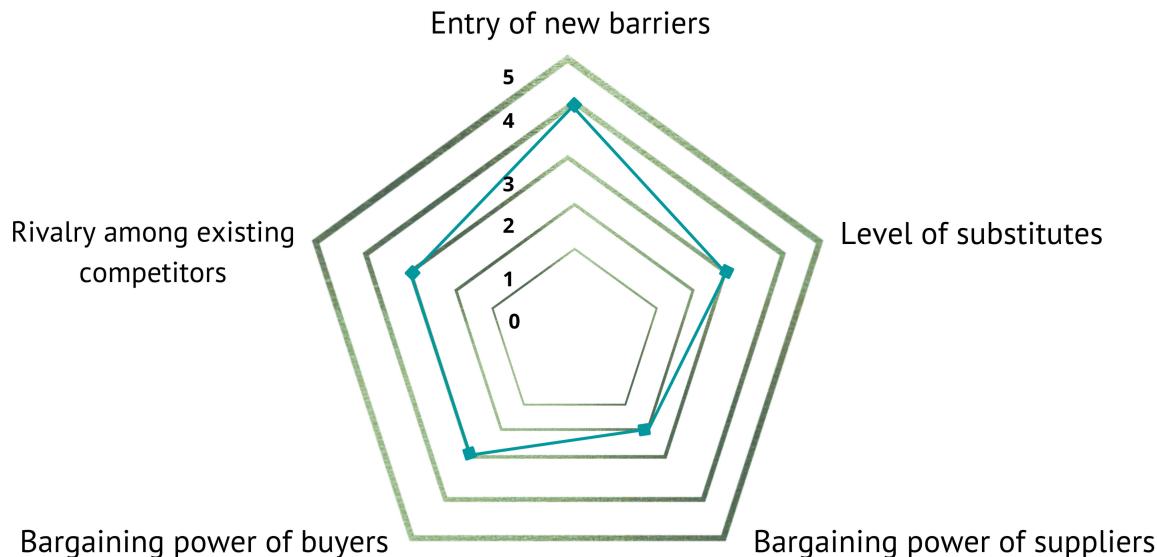
Source : Ministry of industry and trade

Appendix B.2 : SWOT Analysis



Source : Aradei Capital, Team Analysis

Appendix B.3 : Porter's 5 Forces Analysis



Source : Aradei Capital, Team Analysis

1-the Threat of new market players : the rental property market does not represent prohibitive barriers for new investors, as long as the market is promising, this has no impact on the activity of Aradei Capital SA.

2-The threat of substitute products : There are a lot of companies that compete directly with Aradei like Immorent Invest.

3- The power of customers : Aradei's clients are putting quite a lot of pressure, pressure increased by its notoriety, in fact Aradei's real estate assets are highly personalized to the needs of its clients so it requires its tenants a rent consisting of a fixed sum and a variable sum which is worth a negotiated percentage of the tenant's sales.

4-The power of suppliers : The main suppliers of Aradei are the subcontractors , in order to guarantee the receipt of projects in the best possible standards of the profession , Aradei Capital SA has woven a network of contractors with the adequate human and technical resources.

5-the competitive intensity and attractiveness of a market : The demographic growth, the urban expansion and the structural increase in the value of rental property assets makes the sector more and more attractive, as for the competitive intensity, Aradei Capital SA is at ease at least in the short and the medium term.

Appendix C.1 : Aradei Capital's ESG issues

1- Optimize the environmental impact



3- Ensure a continuous improvement of good governance practices



2- Promote responsible management of human resources

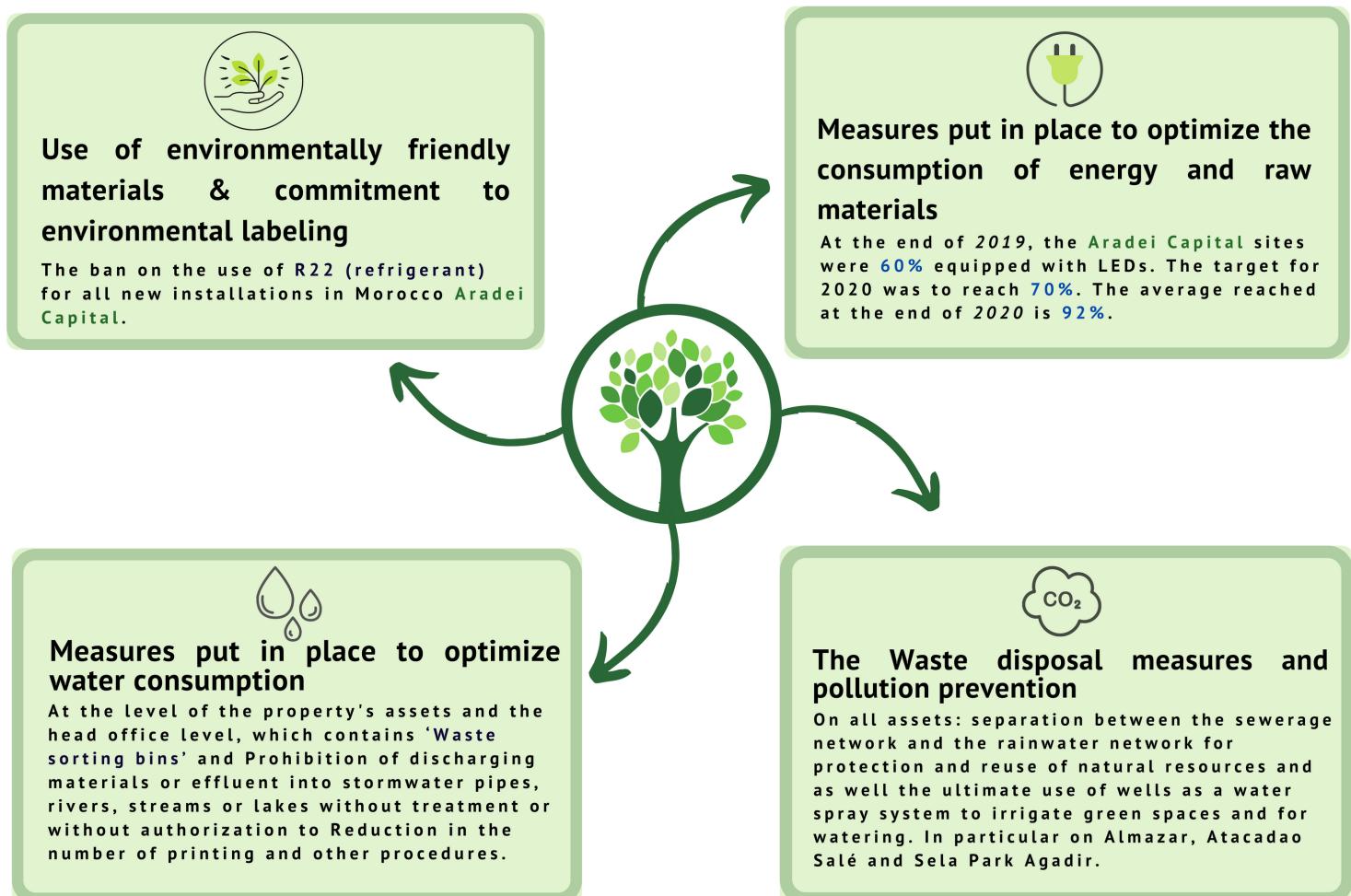


4- Develop social and responsible commitment



Source : Aradei Capital

Appendix C.2 : The scheme of environmental solutions



Source : Aradei Capital

Appendix C.3 : Aradei Capital's board of directors

Administrator	Appointment date	Term of office	Quality
Nawfal BENDEFA	GOA of 26/06/2018	GOA having to approve the accounts for the year ended 12/31/2023	Chairman of the Board of Directors
Zouhaïr BENNANI	CGM of 15/09/2015	GOA having to approve the accounts for the year ended 31/12/2021	Administrator
Rachid HADNI	CGM of 15/09/2015	GOA having to approve the accounts for the year ended 31/12/2021	Administrator
Riad LAISSAOUI	CGM of 15/09/2015	GOA having to approve the accounts for the year ended 31/12/2021	Administrator
Adil BENNANI	CGM of 15/09/2015	GOA having to approve the accounts for the year ended 31/12/2021	Administrator
Mehdi TAHIRI	GOA of 26/06/2018	GOA having to approve the accounts for the year ended 31/12/2023	Administrator
JOUTEÏ HASSANI			
Mehdi ALJ	GOA of 08/03/2018	GOA having to approve the accounts for the year ended 31/12/2023	Administrator
Emmanuel BLOUIN	CGM of 06/05/2021	GOA having to approve the accounts for the year ended 31/12/2022	Independent director
Dayae OUDGHIRI KAOUACH	GOA of 13/07/2020	GOA having to approve the accounts for the year ended 31/12/2022	Independent director
Natalie BRAGINSKY MOUNIER	GOA of 13/07/2020	GOA having to approve the accounts for the year ended 31/12/2022	Independent director

Source : Aradei Capital

Appendix C.4 : Committees independent of REIM Partners

Committees	Date of creation	Meeting frequency	Members
Investment Committee (IC)	February 08, 2016	The committee is convened with a deadline of 7 days as often as necessary	Mr. Matthew EVRARD
			Mr. Mohamed OUANAYA
			Mr. Thomas McCALLUM
			Mr. Nawfal BENDEFA
Conflict Committee (CC)	February 08, 2016	The committee is convened with a deadline of 5 days as often as necessary	Mr. Matthew EVRARD
			Mr. Mohamed OUANAYA
			Mr. Thomas McCALLUM
Audit Committee (AC)	March 03, 2020	As often as requested by the Board of Directors.	Mrs. Dayae OUDGHIRI KAOUACH
			Mr. Emmanuel BLOUIN
			Mr. Riad LAISSAOUI

Source : Aradei Capital

Appendix C.5: Committees related to REIM Partners

Committees	Meeting frequency	Members
Growth Council (GC)	If needed	Chairman and CEO Executive Director Chief Operating Officer Director of REIM Partners Development Director (BREG) Chief Financial Officer (BREG) Director of Operations (BREG) Director of Investments FP&A Director Asset Management Director Transaction Legal Director
Audit & Finance Committee (AFC)	The Committee meets when convened by the Secretary. The Committee may also be convened at any time at the initiative of one of the Members or a person from Asset Management in the event that operational and / or financial matters so require.	Chairman and CEO Executive Director Chief Operating Officer Chief Financial Officer (BREG) FP&A Director Property & Facility Management Director (BREG) Investment Director Transaction Legal Director Asset Management Director
Legal Review Committee (LRC)	The Committee will meet when convened by the Legal Director or any other member of the Committee in consultation with the Legal Director. The Committee may also be convened at any time at the initiative of one of the Members or a person from Asset Management in the event that operational and / or financial matters so require.	Chairman and CEO Executive Director Chief Operating Officer Development Director (BREG) Chief Financial Officer (BREG) Investment Director FP&A Director Legal Director - ARES (BREG) Transaction Legal Director

Source : Aradei Capital

Appendix D.1: Balance Sheet

Balance Sheet (In KMAD)	1H2019	2H2019	1H2020	2H2020	1H2021	FY2019	FY2020
ASSETS							
Other Intangible Assets	871	7 684	7 556	7 580	7 430	7 684	7 580
Investment Properties	4 622 681	5 064 865	5 152 269	5 200 322	5 860 946	5 064 865	5 200 322
Other Fixed Assets	25 698	22 651	20 864	19 437	17 791	22 651	19 437
Other Financial Assets	5 802	5 682	5 682	5 942	5 652	5 682	5 942
Deferred Tax- Assets	4 507	4 397	4 173	4 545	4 428	4 397	4 545
Total Non-Current Assets	4 659 559	5 105 279	5 190 543	5 237 826	5 896 248	5 105 279	5 237 826
Inventory	49 722	52 182	52 182	90 061	96 361	52 182	90 061
Accounts Receivable	158 382	142 383	161 670	132 771	131 496	142 383	132 771
Tax Receivables	17 716	7 367	10 640	14 644	16 407	7 367	14 644
Other Current Assets	219 435	261 317	291 399	292 107	319 607	261 317	292 107
Cash & Cash Equivalents	303 078	124 536	522 890	664 722	72 579	124 536	664 722
Total Current Assets	748 332	587 785	1 038 782	1 194 304	636 449	587 785	1 194 304
Total Assets	5 407 891	5 693 065	6 229 325	6 432 130	6 532 697	5 693 065	6 432 130
SHAREHOLDER'S EQUITY							
Issued Capital	811 274	811 274	939 578	1 064 578	1 064 578	811 274	1 064 578
Share Premium	541 111	541 111	661 191	1 036 191	836 191	541 111	1 036 191
Reserves	1 685 053	1 753 163	1 908 668	1 897 292	1 977 252	1 753 163	1 897 292
Special Reserve Account	104 803	104 803	0	0	0	104 803	0
Net Profit	58 458	213 690	23 409	17 596	61 355	213 690	17 596
Owner's Equity	3 200 698	3 424 041	3 532 846	4 015 657	3 939 376	3 424 041	4 015 657
Non-Controlling interests	0	0	0	0	0	0	0
Total Shareholders Equity	3 200 698	3 424 041	3 532 846	4 015 657	3 939 376	3 424 041	4 015 657
LIABILITIES							
Long Term Debt	1 417 312	1 487 429	1 544 353	1 409 360	1 686 715	1 487 429	1 409 360
Provisions	2 614	2 614	2 614	2 614	2 614	2 614	2 614
Other Non-Current Liabilities	59 969	82 606	83 666	88 394	90 893	82 606	88 394
Deferred Tax - Liabilities	63 498	80 587	94 939	104 409	121 875	80 587	104 409
Total Non-Current Liabilities	1 543 393	1 653 236	1 725 573	1 604 778	1 902 098	1 653 236	1 604 778
Current Portion of Long Term Debt	335 795	184 614	370 085	393 580	298 222	184 614	393 580
Income Tax Payable	15 661	3 149	5 033	1 194	15 366	3 149	1 194
Accounts Payable	134 800	240 188	189 371	199 533	171 551	240 188	199 533
Provisions	21 095	19 803	20 522	19 718	25 442	19 803	19 718
Other Liabilities	156 448	168 035	385 896	197 672	180 641	168 035	197 672
Total Current Liabilities	663 800	615 788	970 906	811 696	691 223	615 788	811 696
Total Liabilities	2 207 193	2 269 025	2 696 479	2 416 474	2 593 321	2 269 025	2 416 474
Total Liabilities & Equity	5 407 891	5 693 065	6 229 325	6 432 130	6 532 697	5 693 065	6 432 130

Source : Aradei Capital, Refinitiv

Appendix D.2: Cash Flow Statement

Cash Flow Statement (in KMAD)	1H2019	2H2019	1H2020	2H2020	1H2021	FY2019	FY2020
Net Income	58 458	155 232	23 409	-5 813,0	61 355	213 690	17 596
Amortization and Provision Expense	-740,0	-3 948	13 160	343,0	11 596	-4 688,0	13 503
Income Tax	30 489	32 907	23 419	26 636	32 421	63 396	50 055
Net Borrowing cost Restating in Financing	34 388	43 825	37 625	48 294	36 037	78 213	85 919
Asset Sale - Gain/Loss	0	0	0	-24,00	0	0	-24,00
Investment Property - Revaluation	-2 932,0	-96 514	-3 754,0	59 782	-12 753	-99 446	56 028
Movements in Working Capital	-46 706	-105 535	-17 669	-39 357	-103 929	-152 241	-57 026
Paid Taxes	-30 324	-1 730	-9 620,0	-38 903	-7 219,0	-32 054	-48 523
Net Cash Flow from Operating Activities	42 633	24 238	66 569	50 959	17 509	66 871	117 528
Acquisition of fixed assets (net from debt variations)	-1 765,0	2 253	7,00	2,00	17,00	488,0	9,00
Investment Property - Purchased	-136 255	-236 614	-126 460	-91 826	-636 966	-372 869	-218 286
Disposals of Intangibles and Tangibles	0	0	0	24,00		0	24,00
Revenues of Other Financial Assets	6,00	0	0	0	34,00	6,00	0
Loans & Advances Granted	0	0	0	-260,0		0	-260,0
Interest Received	5 667,0	2 097	1 820,0	4 066,0	8 474,0	7 764,0	5 886,0
Impact of acquired entities during the period	-300,0	0	0	0	476,0	-300,0	0
Net Cash Flow from Investing Activities	-132 647	-232 263	-124 634	-87 993	-627 965	-364 910	-212 627
Stock - Common - Issued/Sold	0	0	243 581	478 980	0	0	722 561
Dividends Received - Minorities	0	0	14,00	0	0	0	14,00
Debt Issued - Long-Term & Short-Term	3 255,0	344 189	137 249	107 363	384 316	347 444	244 612
Debt Payment	-39 070	-260 276	-54 407	-210 293	-83 609	-299 346	-264 700
Net Change in bank Overdrafts	0	0	150 000	-20 000	-100 000		130 000
Interest Paid	-17 930	-55 251	-19 140	-52 758	-23 810	-73 181	-71 898
Dividends Paid	-124 384	1	0	-151 639	-131 476	-124 383	-151 639
Net Cash Flow from Financing Activities	-178 129	28 662	457 297	151 652	45 423	-149 467	608 949
Net Change in Cash	-268 142	-179 364	399 232	114 618	-565 034	-447 506	513 850

Source : Aradei Capital, Refinitiv

Appendix D.3: Consolidated Income Statement

Consolidated Income Statement (In KMAD)	1H2019	2H2019	1H2020	2H2020	1H2021	FY2019	FY2020
Rental Revenues	131 199	138 141	120 060	143 573	195 178	269 340	263 633
Other Revenues	8 759	9 471	3 915	3 529	5 258	18 230	7 444
Revenues	139 958	147 612	123 976	147 101	200 436	287 570	271 077
Operating Expenses	-25 698	-25 488	-22 571	-34 680	-47 961	-51 186	-57 251
Other Expenses/ External Expenses	-13 108	-18 753	-11 888	-28 006	-39 745	-31 861	-39 894
Payroll Expenses	-11 404	-6 242	-9 031	-10 187	-9 342	-17 646	-19 218
Tax Expenses	-857	-1 100	-1 438	-1 312	-4 229	-1957	-2 750
Other Operating Revenues and Expenses	-330	608	-214	4 825	5 354	278	4 611
EBITDA	114 260	122 124	101 404	112 422	152 475	236 384	213 826
Depreciation Expenses	-2 120	-2 293	-2 429	-2 229	-2 122	-4 413	-4 658
Provisions for Risks and Charges	2 860	6 241	-10 731	1 886	-9 475	9 101	-8 845
Other non-Operating Revenues and Expenses	-467	-11 429	-4 873	-6 951	-1 175	-11 896	-11 824
Fair-Value Changes of Investment Properties	-2 932	102 396	-3 754	-52 274	-12 753	99 464	-56 028
Asset Sale	0	0	0	24	0	0	24
Operating Income	111 601	217 020	79 618	52 876	126 951	328 621	132 494
Gross Financing Cost	-40 055	-45 923	-39 444	-52 361	-44 511	-85 978	-91 805
Cash Placements Revenues	5 667	2 097	1 820	4 066	8 474	7 764	5 886
Other Financial Revenues and Expenses	11 733	14 945	4 835	16 222	1 992	26 678	21 057
Net Financing Cost	-34 388	-17 147	-37 625	-27 219	-36 037	-51 535	-64 844
Current Income Before Tax	88 946	188 140	46 828	20 823	92 906	277 086	67 651
Income Tax (Includ. Deffered Tax)	-30 489	-32 907	-23 419	-26 635	-31 551	-63 396	-50 054
Global Net Profit	58 458	155 232	23 409	-5 813	61 355	213 690	17 596

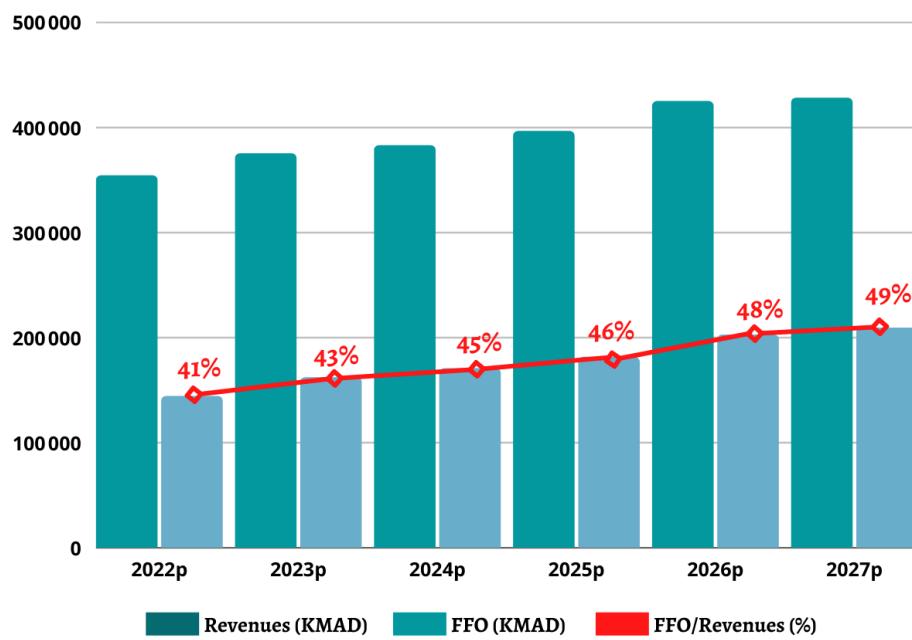
Source : Aradei Capital, Refinitiv

Appendix D.4 : FFO Forecast

The FFO projection shows investors the degree to which they will benefit from the FFO growth based on the dividend payout ratio, a linear growth justified by the revenue assumptions. As well as the decrease in gross financing costs and financial expenses related mainly to interest paid without including depreciation and amortization and the change in fair value of investment properties, and the extraordinary income and expenses in our forecasts.

(KMAD)	2022p	2023p	2024p	2025p	2026p	2027p
Revenue	353749,76	374657,3	382381,5	396003,17	424411,2	427596,3
FFO	144161,58	162028,8	170565,5	181347,42	202633,9	209189,5
FFO/Revenue	41%	43%	45%	46%	48%	49%

Source : Aradei Capital, Team Analysis



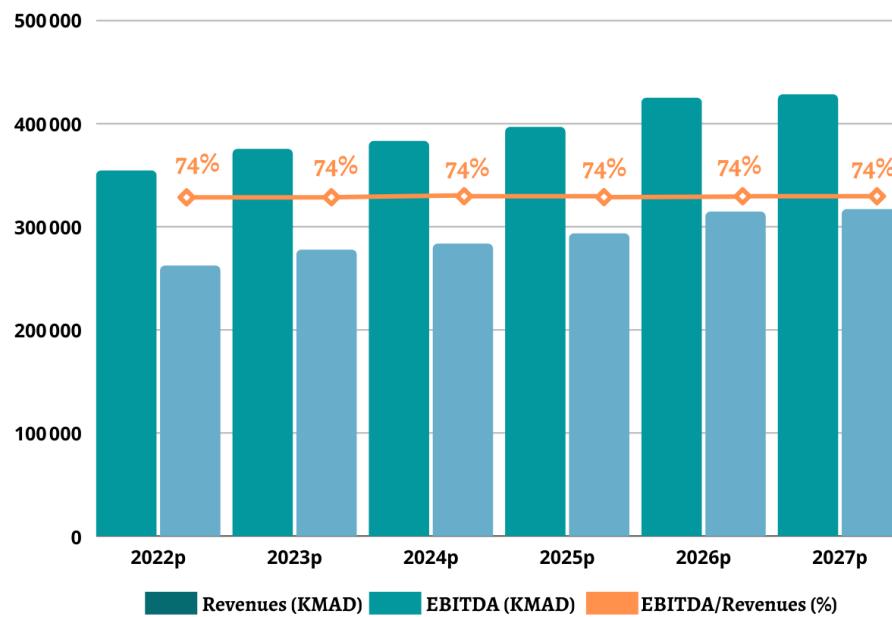
Source : Aradei Capital, Team Analysis

Appendix D.5 : EBITDA Forecast

The EBITDA forecasts give us a clear vision on how the company will be in terms of profitability in the future a growth mainly due to the growth of the turnover impacted by the triennial increase of the rental incomes of minimum 3% and maximum 10% with the rate of 2% as variable part for commercial activities also introduction of new projects that will start to bear fruit in 2022, such as Prism, with an increase in annual occupancy rate of 20%, and Akdital Immo, with a return on investment of 8%, similar to that of Cléo Pierre, under the assumption that the construction of two clinics per year will be completed and all operating expenses are correlated with revenue growth.

(KMAD)	2022p	2023p	2024p	2025p	2026p	2027p
Revenue	353749,8	374657,3	382381,5	396003,2	424411,2	427596,3
EBITDA	261774,8	277246,4	282962,3	293042,4	314064,3	316421,2
EBITDA/Revenue	74%	74%	74%	74%	74%	74%

Source : Aradei Capital, Team Analysis



Source : Aradei Capital, Team Analysis

Appendix D.6: LTV Forecast

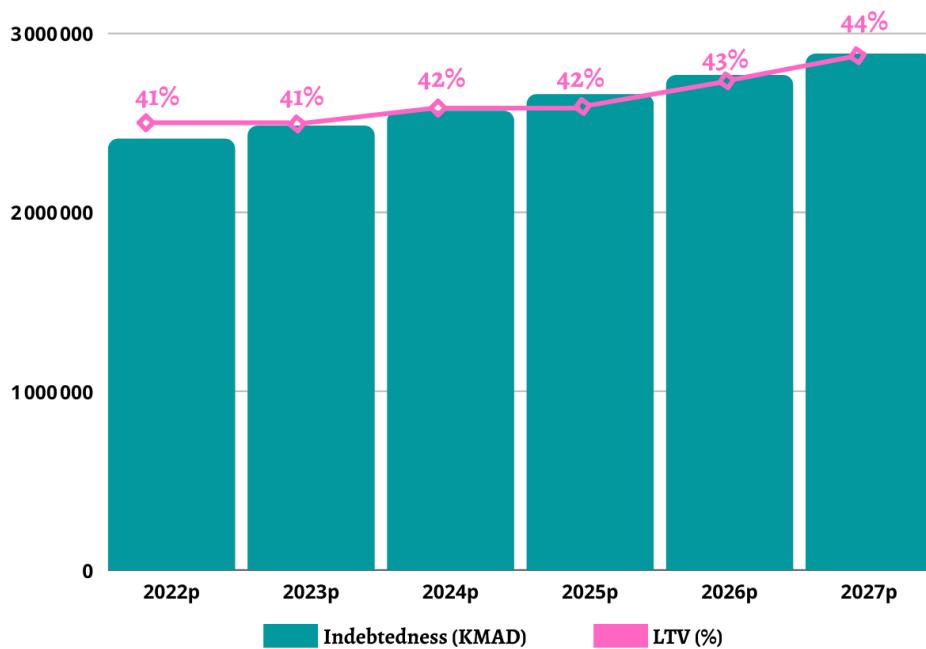
The LTV projection shows Aradei's debt capacity for the next 5 years, under the assumption that no capital increase will be made as long as the LTV does not exceed 45%. This limits Aradei to call for debts and therefore less investment to be made in the future. In this case, saying that Aradei behaves as a growth stock is not at all reliable since it is forced to respect the range of 40%-45%. For this, Aradei can account on its negotiation strength a way that will let the LTV well controlled, because the fact of making an acquisition with an amount less than its real value, opens the door to arbitrate well in the LTV ratio. So that Aradei can take a debt to finance the operation and announce it with a market value more than the one of the operation, a strategy that will let Aradei to be a real growth value.

The projection has been made taking 6% as variation of debt based on the average of the last 3 years, also on the power of negotiation that counts on the strategy of arbitration that we have quoted before. We estimate such a favor discount in around 20%. In other words, a margin of 20% between the debt and the value of the registered asset, then we took 2% as variation of value of the assets correlate with the rate of inflation because the market value of the assets during the last 3 years it is impacted mainly by the acquisition of the new projects afterwards the estimation of net cash taking 10% of FFO based on the projection made in the valuation part.

To sum up Aradei has only a margin of 522.25 MMAD of maximum debt before reaching 45% in its LTV.

(KMAD)	2022p	2023p	2024p	2025p	2026p	2027p
Debt cost	52845	42422	35766	30220	20392	13248
Indebtedness	2406838.25	2479944.48	2563215.82	2656030.18	2763127.63	2882509.75
Asset value	5806044	5922164.88	6040608.178	6161420.341	6284648.748	6410341.723
FFO	144161.58	162028.84	170565.46	181347.42	202633.86	209189.53
Net cash	86416.758	102619.642	119676.188	137810.93	158074.316	178993.269
LTV	41%	41%	42%	42%	43%	44%

Source : Aradei Capital, Team Analysis



Source : Aradei Capital, Team Analysis

Appendix D.7 : ROE Forecast

Concerning the forecasted ROE, we consider that there will be no capital increase over the forecast period. And the share premium is kept constant with an increasing Net Income estimated in the valuation part. The reserves will take 15% of the Net Profit (the 85% remaining will be distributed as dividends). By following the Net Income trend, the ROE will follow an upward trend too, and can go up to 4.82 by 2026.

(KMAD)	2021	2022	2023	2024	2025	2026
Issued Capital	1 064 578,00	1 064 578,00	1 064 578,00	1 064 578,00	1 064 578,00	1 064 578,00
Share Premium	836 191,00	836 191,00	836 191,00	836 191,00	836 191,00	836 191,00
Reserves	1 977 252,00	1 998 200,97	2 019 825,21	2 044 129,54	2 069 714,36	2 096 916,47
Special Reserve Account	-	-	-	-	-	-
Net Profit	139 659,82	144 161,58	162 028,84	170 565,46	181 347,42	202 633,86
Owner's Equity	4 017 680,82	4 043 131,55	4 082 623,05	4 115 464,00	4 151 830,78	4 200 319,33
Non-Controlling interests	-	-	-	-	-	-
Total Shareholders Equity	4 017 680,82	4 043 131,55	4 082 623,05	4 115 464,00	4 151 830,78	4 200 319,33
ROE (%)	3,48	3,57	3,97	4,14	4,37	4,82

Source : Aradei Capital, Team Analysis

Appendix E.1 : Cost of equity for different unlevered Betas

	Statistical	Central	Immorienté
Unlevered Beta	0,15	0,4	0,5
Levered Beta	0,2	0,52	0,66
Cost of Equity	3,54%	5,59%	6,40%

Source : Team Analysis

We calculated the levered beta using a tax rate of 31%, and a Debt-to-equity of 0.45, determined with the market value of the company.

Appendix E.2 : Greenfield Sites Value

Almazar	6500
Atacado Ain Sbaâ	31170
Atacadao Salé	74920
Carrefour Sidi Maârouf	221071
Atacadao Oujda	22470
Atacadao Fès	37720
Atacadao Marrakech	35678
Atacadao Meknès	23870
Atacadao Tanger	24660
Founty	107800
Kenitra	10170
Total	596029

Source : Team Analysis

Appendix E.3 : Revenue Projections

Revenue Estimates	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Single Tenants Assets								
Atacadao Tanger	8969,00	9011,00	9011,00	9011,00	9461,55	9461,55	9461,55	9934,63
Atacadao Oujda	8489,00	8152,00	8152,00	8152,00	8559,60	8559,60	8559,60	8987,58
Atacadao Fès	8444,00	8271,00	8271,00	8271,00	8684,55	8684,55	8684,55	9118,78
Atacadao Marrakech	8735,00	8735,00	8735,00	8735,00	9171,75	9171,75	9171,75	9630,34
Atacadao Meknès	5060,00	5601,00	5601,00	5601,00	5881,05	5881,05	5881,05	6175,10
Atacadao Taza	3432,00	3321,00	3321,00	3321,00	3653,10	3653,10	3653,10	4018,41
Carrefour Panoramique	3297,00	3372,00	3372,00	3372,00	3709,20	3709,20	3709,20	4080,12
Total	46426,00	46463,00	46463,00	46463,00	49120,80	49120,80	49120,80	51944,96
Shopping centers								
Almazar	27919,00	19306,00	19306,00	19306,00	20271,30	20271,30	20271,30	21284,87
Socco Alto	34574,00	30923,00	30923,00	30923,00	32469,15	32469,15	32469,15	34092,61
Borj Fez	45081,00	33341,00	33341,00	33341,00	35008,05	35008,05	35008,05	36758,45
Total	107574,00	83570,00	83570,00	83570,00	87748,50	87748,50	87748,50	92135,93
Commercial Galleries								
Sela Park Agadir	9904	7310	7310	7310	7675,5	7675,5	7675,5	8059,275
Atacadao Ain Sbaâ	20961,00	18323,00	18323,00	18323,00	19239,15	19239,15	19239,15	20201,11
Atacadao Salé	10144,00	9849,00	9849,00	9849,00	10341,45	10341,45	10341,45	10858,52
Carrefour Bouskoura	14276,00	15642,00	15642,00	15642,00	16424,10	16424,10	16424,10	17245,31
Carrefour Berkane	4210,00	4225,00	4225,00	4225,00	4647,50	4647,50	4647,50	5112,25
Label'Gallery El Jadida	7733,00	6922,00	6922,00	6922,00	7268,10	7268,10	7268,10	7631,51
Label'Gallery Meknès	5814,00	5557,00	5557,00	5557,00	5834,85	5834,85	5834,85	6126,59
Sela Plaza Targa	9101,00	10008,00	10008,00	10008,00	10508,40	10508,40	10508,40	11033,82
Label'Gallery Safi	2643,00	6817,00	6817,00	6817,00	7157,85	7157,85	7157,85	7515,74
Label'Gallery rabat	8291,00	11159,00	11159,00	11159,00	11716,95	11716,95	11716,95	12302,80
Sela Park El Jadida	2323,00	1064,00	1064,00	1064,00	1117,20	1117,20	1117,20	1173,06
Sela Plaza Dar Bouazza	2505,00	10190,00	10190,00	10190,00	10699,50	10699,50	10699,50	11234,48
Atacadao Inezgane	90,00	5200,00	5200,00	5200,00	5460,00	5460,00	5460,00	5733,00
Sela Park Temara	--	5314,00	5314,00	5314,00	5845,40	5845,40	5845,40	6429,94
Total	97995,00	117580,00	117580,00	117580,00	123935,95	123935,95	123935,95	130657,39
Industrial Unit								
Yazaki	14640,00	14997,00	14997,00	15446,91	15446,91	15446,91	15910,32	15910,32
Total	14640,00	14997,00	14997,00	15446,91	15446,91	15446,91	15910,32	15910,32
Assets fixed rental revenue	--	--	262610,00	263059,91	276252,16	276252,16	276715,57	290648,59
Assets variable rental revenue	--	--	5252,20	5261,20	5525,04	5525,04	5534,31	5812,97
Assets total revenue	266635,00	262610,00	267862,20	268321,11	281777,20	281777,20	282249,88	296461,56
CLEO PIERRE SPI-RFA OPCI	0,00	0,00	50000,00	50000,00	50000,00	50000,00	50000,00	50000,00
Prism	0,00	0,00	0,00	1380,00	1656,00	1987,20	2503,87	3004,65
Akdital Immo	0,00	0,00	5000,00	10000,00	15000,00	20000,00	30000,00	40800,00
Gaz Stations and CFAO Offices	2807,00	2103,00	2145,06	2145,06	2145,06	2145,06	2145,06	2145,06
Best Leisure	17979,00	6216,00	19776,90	21754,59	23930,05	26323,05	28955,36	31850,90
SCCCB	149,00	149,00	149,00	149,00	149,00	149,00	149,00	149,00
Total Revenues	287570,00	271077,00	344933,16	353749,76	374657,31	382381,52	396003,17	424411,16

Source : Team Analysis, Aradei Capital

Appendix E.4 : Income Statement Projection

	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Revenues	287570,00	271077,00	344933,16	353749,76	374657,31	382381,52	396003,17	424411,16
Other Expenses / External Expenses	-31861,00	-39894,00	-65537,30	-67212,45	-71184,89	-72652,49	-75240,60	-80638,12
Payroll Expenses	-17646,00	-19218,00	-20695,99	-21224,99	-22479,44	-22942,89	-23760,19	-25464,67
Tax Expenses	-1957,00	-2750,00	-6898,66	-7075,00	-7493,15	-7647,63	-7920,06	-8488,22
Other Operating Revenues and Expenses	278,00	4611,00	3449,33	3537,50	3746,57	3823,82	3960,03	4244,11
Operating Expenses	-51186,00	-57251,00	-89682,62	-91974,94	-97410,90	-99419,19	-102960,82	-110346,90
EBITDA	236384,00	213826,00	255250,54	261774,82	277246,41	282962,32	293042,35	314064,26
Depreciation Expenses	-4413,00	-4658,00	0,00	0,00	0,00	0,00	0,00	0,00
Provisions for Risks and Charges	9101,00	-8845,00	0,00	0,00	0,00	0,00	0,00	0,00
Other non-Operating Revenues and Expenses	-11896,00	-11824,00	0,00	0,00	0,00	0,00	0,00	0,00
Fair-Value Changes of Investment Properties	99446,00	-56028,00	0,00	0,00	0,00	0,00	0,00	0,00
Asset Sale	0,00	24,00	0,00	0,00	0,00	0,00	0,00	0,00
Operating Income	328621,00	132494,00	255250,54	261774,82	277246,41	282962,32	293042,35	314064,26
Gross Financing Cost	-85978,00	-91805,00	-52845,00	-52845,00	-42422,00	-35766,00	-30220,00	-20392,00
Cash Placements Revenues	7764,00	5886,00	0,00	0,00	0,00	0,00	0,00	0,00
Other Financial Revenues and Expenses	26678,00	21057,00	0,00	0,00	0,00	0,00	0,00	0,00
Net Financing Cost	-51535,00	-64844,00	-52845,00	-52845,00	-42422,00	-35766,00	-30220,00	-20392,00
Current Income Before Tax	277086,00	67651,00	202405,54	208929,82	234824,41	247196,32	262822,35	293672,26
Income tax	-63396,00	-50054,00	-62745,72	-64768,24	-72795,57	-76630,86	-81474,93	-91038,40
Net Income	213690,00	17597,00	139659,82	144161,58	162028,84	170565,46	181347,42	202633,86
Depreciation	4413,00	4658,00	0	0	0	0	0	0
Provisions (net)	-9101,00	8845,00	0	0	0	0	0	0
Other non cash items	-99446,00	56028,00	0	0	0	0	0	0
Non recurring income	11896,00	11824,00	0	0	0	0	0	0
Deferred Tax	34864	32831	0	0	0	0	0	0
FFO	156316,00	131783,00	139659,82	144161,58	162028,84	170565,46	181347,42	202633,86
Dividends paid to shareholders	124383	151639	118710,85	122537,34	137724,52	144980,64	154145,31	172238,78

Source : Team Analysis, Aradei Capital

Appendix E.5 : DDM method detailed

	2022	2023	2024	2025	2026
Dividends paid	122537,34	137724,52	144980,64	154145,31	172238,78
Discount Factor	0,95	0,90	0,85	0,80	0,76
Discounted dividends paid	116054,79	123537,98	123166,87	124024,88	131251,44
Terminal Value					4899470,76
Sum of discounted dividends paid	618035,96				
Discounted Terminal Value	3733552,78				
Land Reserves	596029,00				
Equity Value	4947617,73				
Number of Shares	10645783,00				
Share Price in MAD	464,75				

Source : Team Analysis, Aradei Capital

Appendix E.6 : Sensitivity Analysis

Growth Rate	Cost of Equity				
	5,30%	5,40%	5,59%	6,20%	6,40%
1,50%	424,98	423,34	420,25	410,55	407,44
1,75%	446,03	444,29	441,02	430,72	427,42
2,00%	470,02	468,16	464,67	453,71	450,19
2,25%	497,60	495,61	491,87	480,14	476,38
2,50%	529,64	527,51	523,46	510,85	506,8

Source : Team Analysis, Aradei Capital