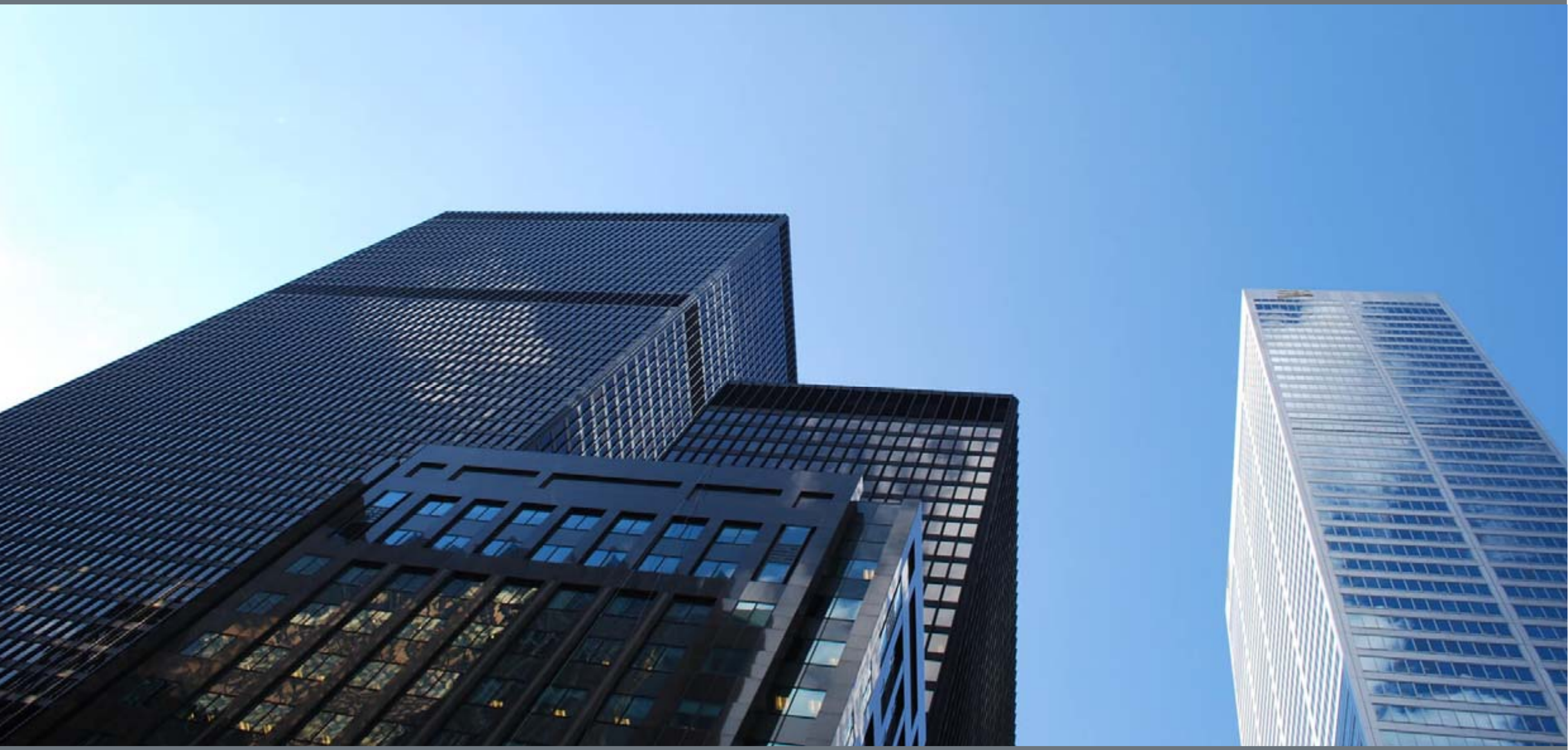
Intended for EVEREST Finance

Company Update
January 29th, 2021



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SOCIETE MULTINATIONALE DE BITUMES (SMB)

RECOMMENDATION: BUY

LE BITUME, C'EST NOUS

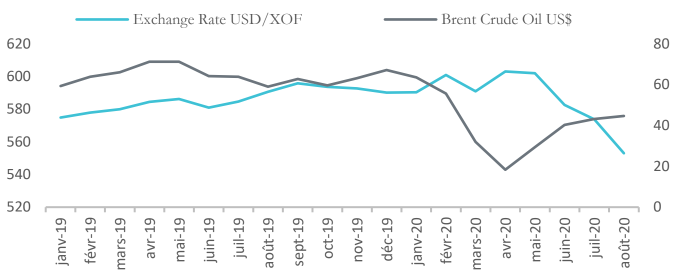
Investment Case

We recommend a Buy on the stock with a fair value of **XOF 5 500**. This presents **a potential upside of 44.74%** from the current share price of **XOF 3 800**. Hence, on the Regional Stock Market (BRVM), the shares of the company (**SMBC**) are currently **undervalued**.

After a survival year: SMB ended FY19 on a relatively poor note with an 83.24% retrogress in EBITDA driven essentially by a substantial drop in the company's activities. The international indicator margin decreased 6.1% in 2019 at 3.21 US$/bbl and the United States embargo on Venezuelan crudes has contributed to the surge in the price of crude oil used by SMB. The year 2020 presents a good potential year for the company. In fact, the company sales surged over the three first quarters of the year in spite of the difficulties in the business conditions due to the global pandemic (mostly towards export market) and the political context in Côte d'Ivoire.

- Crude Oil Prices reached an historical record low on 21st April 2020 at 9.12 US$/bbl., giving rise to a global depression in the petroleum & oil industry, as a result of a sharp decline in the global demand for oil due to covid-19 pandemic (border closure, lockdown, etc.).
- The political environment in Côte d'Ivoire is relatively stable, after the reelection of the president Alassane Ouattara. In fact, the decision of president Alassane Ouattara to run a third term have brought tensions among politicians and populations in some parts of the country including Abidjan and its suburbs and has caused injuries and deaths. However, following the end of presidential elections, new roads projects are expected to be launched throughout the country in 2021 on the back of the announcement by Alassane Ouattara regarding the asphalting project for 1 331 km of roads in this year. Local market is the major market of SMB.
- The region has a vast National Development Programs and more specifically, on road constructions plans going on in exports, other lands market. There is an increased demand in bitumen all over the surrounded countries as infrastructure challenges become prominent in most developing countries.
- By assuming the pandemic should be somewhat completely handled this year, we believe that SMB's fundamentals appear to be strong.

Exhibit 1 : Evolution of Brent and USD/XOF



Oil Refinery Sector

SMB - BRVM	January 29th, 2021
Closing Price (XOF)	3 800
Rating:	BUY
Target price (XOF)	5 500
Potential Upside:	44.74%
Beta	1.34
52-week range (XOF):	2 270 – 3 800
Market cap (XOF Mn):	24 126
Shares O/S:	7 795 200
Free Float:	28%
Avg. Daily Value (XOF 000):	1 353
Dividend (XOF):	0.00
Dividend yield:	0.00%

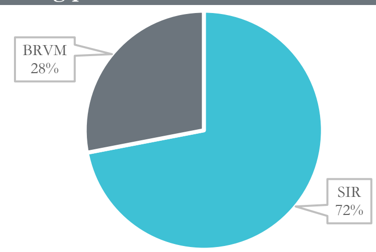
Key Financials

(XOF Mn)	2019A	2020E	2021E	2022E
Revenues:	116 253	120 001	141 545	141 824
EBITDA:	2 130	10 873	11 490	11 865
EBITDA margin (%):	1.83	9.06	8.12	8.37
Net Profit:	58	7 412	7 933	8 266
Net margin (%):	0.05	6.18	5.60	5.83
EPS (XOF):	7	951	1 018	1 060

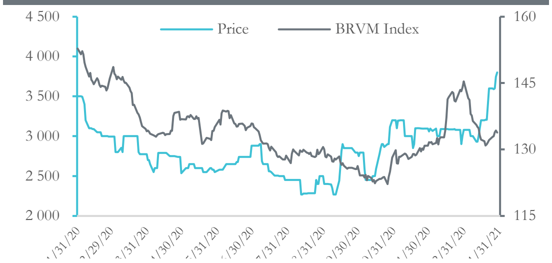
Valuation summary

	2019A	2020E	2021E	2022E
P/E (x):	510.72	4.00	3.73	3.58
P/B (x):	2.76	1.63	1.32	1.11
EV/Sales (x):	0.09	0.15	0.09	0.07
EV/EBITDA (x):	5.07	1.61	1.08	0.80
ROE (%):	0.64	40.82	35.44	30.98
ROCE (%):	(9.22)	112.50	138.21	114.43

Shareholding pattern



Historical Share Price



Valuation summary (XOF mn)	Market Cap.	Per share (XOF)	Upside	Weight
DCF target	79 872	10 200	168.4%	10%
P/E target	34 299	4 400	15.8%	50%
EV/EBITDA.	43 743	5 600	47.4%	40%
Weighted Average	**42 634**			
# of shares (m)	7.795			
Weighted average target value	**5 469**			
Current market price	3 800			
Upward (downward)	**44.74%**			
Expected dividend yield 2020	12.51%			
Total expected return	**57.25%**			

WACC calculation	
Debt to capital	36.81%
Equity to capital	63.19%
Beta	1.34
ERP	**4.00%**
RFR	5.95%
Cost of Equity	**11.31%**
Effective interest rate	8.82%
Effective tax rate	25.00%
Cost of debt after tax	6.62%
WACC	**9.58%**

DCF (XOF mn)	2020e	2021e	2022e
Revenues	120 001	141 545	141 824
EBITDA	10 873	11 490	11 865
EBIT	7 591	7 966	11 148
Tax on EBIT	9 680	10 196	10 473
Working capital change	14 470	(526)	1 823
Net capex	900	900	900
Free cash flow to the firm	**(7 183)**	**8 255**	**6 169**
Componding period	1	2	3
Discount factor	0.91	0.83	0.76
Discounted FCF	(6 556)	6 875	4 688
∑ PV of discounted FCF	(6 556	319	5008
PV of terminal value	67 595	65 047	61 007
Total EV	**61 039**	**65 367**	**66 015**
Net debt (cash)	**(18 834)**	**(18 834)**	**(18 834)**
+ Associate	-	-	-
- Minorities	-	-	-
DCF target market capitalization	**79 872**	**84 200**	**84 848**
Number of shares (m)	**7.79**	**7.79**	**7.79**
Fair value per share (XOF)	**10 200**	**10 800**	**10 900**

Multiple-based valuation (XOF bn)	2020e
Target EV/EBITDA	**2.95**
EBITDA	10 873
Target EV	32 042
Less net debt and other adjustments	(11 701)
Target market capitalization	43 743
Multiple-based valuation per share (XOF)	**5 600**
Target P/E	**4.65**
Earnings	7 412
Target market capitalization	34 299
Multiple-based valuation per share (XOF)	**4 400**

Country Overview

Côte d'Ivoire, once one of Africa's economic powerhouses, the country fell on hard times in the 1990s marked by a period of social and political instability. However, since the end of the 2010-2011 post-electoral crisis, the country has experienced relative stability in spite of demonstrations during the 2020 presidential electoral period. This situation intensified political uncertainty in the country which finally seems to have found a lull thanks to the meeting between the two major players Alassane Ouattara and Henry Konan Bédié in November 2020.

From an economic point of view, Côte d'Ivoire remains the center of the commercial activities in West Africa Economic and Monetary Union area. The country is ranked first producer of cocoa in the world with 40% of market share. Also, the country is on the front row for other agricultural export products such as cashew, rubber, cotton, coffee, palm oil, plantain, pineapple etc. The agricultural sector represents almost 28% of the GDP. Regarding the secondary sector, it represents about 25% of the GDP relates to petroleum refining, energy, food industry and construction. As for the tertiary sector, it weighs 47% of the GDP and mainly concerns telecommunications, transport (port and air), the distribution and financial activities.

The economy has expanded by an average rate of 8% per year since 2012, making Cote d'Ivoire one of the fastest growing economies in the world. However, the country's GDP growth has gradually declined from 10.1% in 2012 to 7.7% in 2017. The real GDP growth was 7.4% in 2018 and 2019. According to the Ivorian's government the economic growth is expected to decline to 1.8% from initial projections of 7.2% due to the impact of the Covid-19 pandemic. Indeed, several sectors of the Ivorian economy, including agriculture, construction, transport and tourism have been severely affected by the sanitary crisis. However, GDP growth should pick up in 2021 since the global economy is expected to recover from the pandemic.

According to president Alassane Ouattara, domestic containment measures will have shredded incomes and derailed non-essential spending—boding poorly for private consumption—while elevated uncertainty likely constrained investment activity. Moreover, a weak international trading environment and disrupted supply chains are set to have squeezed key oil, cocoa and cotton exports. Turning to Q3 of 2020, the easing of restrictions should be providing some support.

Nevertheless, we observe that the Ivorian government has been able to contain the pandemic. The curfew has been progressively retracted and other activities such as bars, nights clubs, restaurants, previously stopped as a preventive measure, re-started to operate in Abidjan and other cities.

Political Context

Legislative election

March 2021

Economic Context

GDP in 2019 was 6.23%

First Coronavirus Case

11th April 2020

On 29th January 2021

Total Coronavirus Cases

27 934

Deaths

152

Active Cases

2 112

Recovering Rate

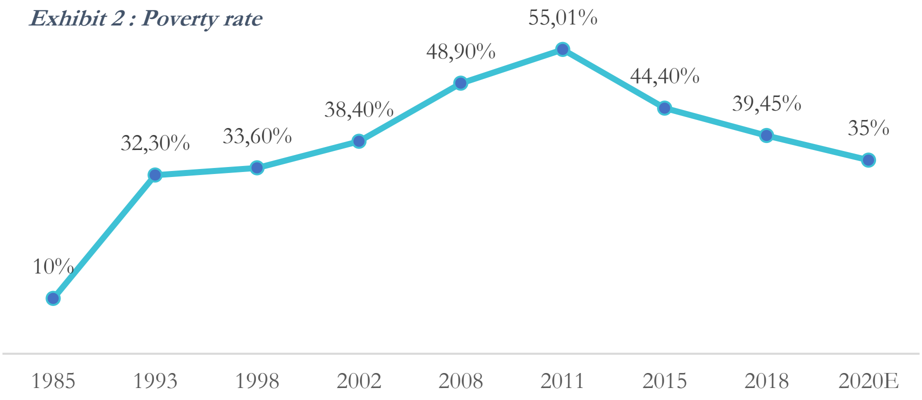
91.90%

Social Context

Real benefits of government policy for the populations include the increase in the minimum wage from XOF 36 607 to XOF 60 000; the unblocking of salaries after more than 25 years of stagnation; the 88.45% increase in Gross Domestic Product (GDP) per capita (average income per capita) from US$ 1 213 in 2010 to US$ 2 286 in 2019; the creation in 2019 of 73 489 job opportunities for young people, etc. Regarding Social Safety, quarterly transfer of XOF 36 000 to underprivileged families, the country went from 35 000 households in 2017 to 127 000 in June 2020, with a projection of 227 000 households in December 2020.

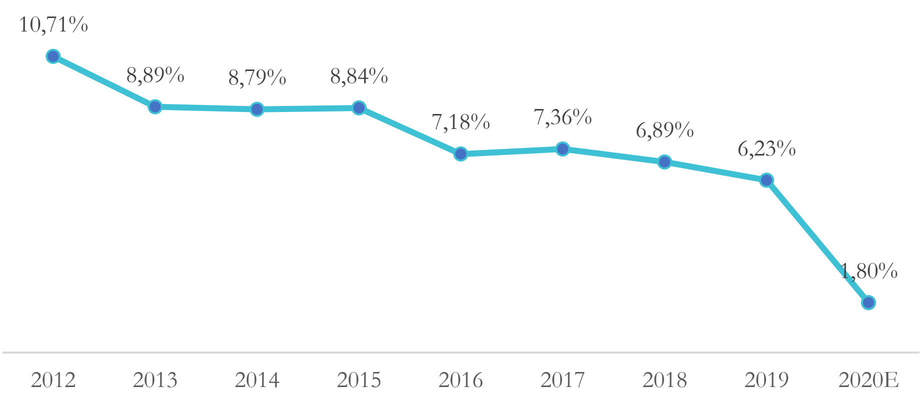
Two of biggest problems that faces Cote d'Ivoire are the social inclusion and poverty rate, which is still high in spite of the improving of social and economic conditions in recent years. Indeed, the poverty rate estimated at 55% came down to 39.4% in 2018 and is expected to notch 35% in 2020. Also, the population is complaining about the wealth distribution. Actually, the completion rate is at 35.5% for secondary education, there is a disparity in learning between boys and girls. The local force is lacking skills which are required for the production of highly modern goods and services, the youth unemployment remains high as well at 36% according to the World Bank. These are some of the main challenges to the development of Cote d'Ivoire.
The country should redistribute the wealth from its excellent economic performance, integrate more women into the economy and develop its human capital to improve the skills of labor forces.

Exhibit 2 : Poverty rate



Source : Ivorian Government

Exhibit 3 : GDP Growth



Source: World Bank

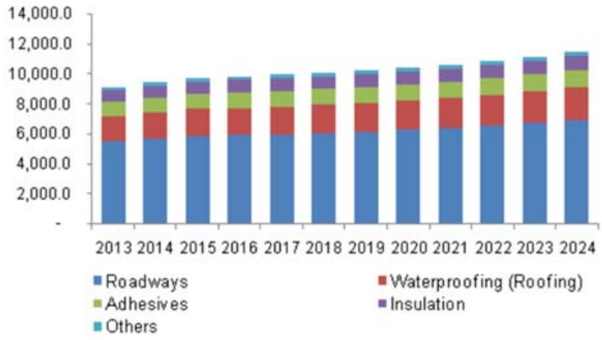
Bitumen industry in the world

Bitumen is produced by the partial distillation of crude petroleum oil, also known as mineral tar and is present in asphalt. It constitutes of 87% carbon, 1% hydrogen and 2% oxygen. Bitumen is a combination of hydro carbons and thermoplastic material having strong tarry odor while stiffness is dependent on temperature. The temperature vs. stiffness relationship of bitumen is pivot on the source of crude oil and the method of refining and available in bulk and packed in drums. Crumb Rubber Modified Bitumen (CRMB) is like bitumen with alteration in physical properties like addition of crumb rubber making it more resistant to temperature variations, weather and high traffic loads, reduced maintenance costs and excellent driving comfort.

Overall construction expenditure in the world was estimated at approximately US$ 9.46 trillion in 2017 and is anticipated to mark US$ 12.75 trillion by 2025 and is likely to increase the bitumen industry demand. In 2018, global bitumen market was valued US$ 87.79 billion and is poised to exceed US$ 110 billion by 2025.

In Africa, rapid urbanization in emerging markets has contributed to rising in infrastructure activities. This has resulted in increasing demand for the product. Bitumen market is mainly driven by increasing government policies towards roads and infrastructural development by using Public Private Partnership (PPP) models across developed as well as developing nations. Urbanization led by increase in GDP resulting into road construction and maintenance industry. Various asphalting and paving projects are further impelling growth to the bitumen market. Cement as an alternative to the bitumen and depleting crude oil reserve hamper the market growth.

Exhibit 4 : Bitumen Market by application



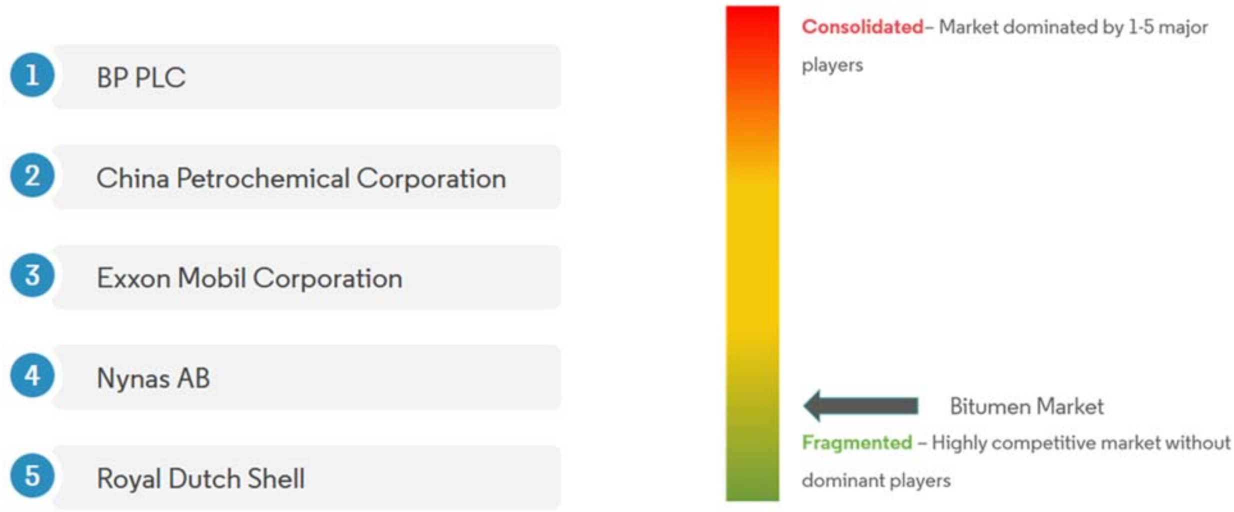
Source: Grand View Research

The **African bitumen market** is a fast-growing market. It is almost impossible to speak of development without the development of infrastructure, in particular road infrastructure, to improve trade and facilitate the movement of people and goods. Thus, we are facing an emerging market with great potential. In fact, the sector should take advantage from the launch of the Program for Infrastructure Development in Africa (PIDA), a project initiated by the secretariat of New Partnership for Africa's Development (NEPAD), the African Union Commission and the African Development Bank (AfDB) for infrastructure development to connect States, promote inter-State exchanges and even promote internal exchanges. Thus, States cover roughly US$ 185 billion for the next 5 years and the development of road infrastructure alone accounts for over US$ 40 billion of this amount.

The world competition

The bitumen market is fragmented with no major players having a dominant share in the market. Key players in the bitumen market include *BP PLC, China Petrochemical Corporation, Exxon Mobil Corporation, Nynas AB, Shell International BV, Marathon Oil Company, Indian Oil Corporation Ltd, and Marathon Oil* Company, *among others.*

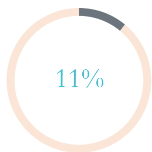
Exhibit 5 : Major Players



Source: Mordor Intelligence

Growing demand for infrastructure on account of growing the population, improving the standard of living is projected to bolster market growth over the world. Increasing awareness about climate changes, along with global warming will drive roofing requirements which in turn is supposed to drive product demand over the next three years. On the African continent, SMB remain the only refinery specializing in the production of bitumen in West Africa, and seems to be confident in the future.

Bitumen import market share of Africa in the global market is 11% for import value of US$ 853 million. Most importing countries are mainly Morocco (US$ 231 million), Algeria (US$ 197 million), Egypt (US$ 77.6 million), Tunisia (US$ 68.4 million) and Nigeria (US$ 54.8 million).

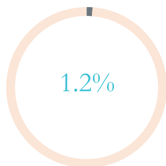


Bitumen IMPORT share of Africa in the Global Market

Source: Africanbitumen

As for bitumen export share of Africa in global market, it is estimated to 1.2% for 7 exporting countries namely Côte d'Ivoire (US$ 51.1 million), South Africa (US$ 22.4 million), Togo (US$ 16.8 million), Senegal (US$ 2.23 million) etc. The total export value is estimated at US$ 97 million.

According to Global Market Insight, bitumen market size was valued at US$ 86.79 billion in 2018 and is forecasted to notch US$ 116.27 billion in 2026, representing a growth rate of 3.8% CAGR from 2019 to 2026.



Bitumen EXPORT share of Africa in the Global Market

Source: Africanbitumen

Key Market trend

Increasing Demand Due to Increasing Road Construction Activities

- Most of the bitumen consumed is processed into asphalt for road construction. Asphalt is a mixture of rock aggregates and bitumen. Bitumen serves as a binding agent and thus, is responsible for the stability of asphalt.
- Depending on the type of bitumen or composition of the mixture used, asphalt roads can be made suitable for regions with different climatic conditions or various levels of operational demands. Asphalt is also used for airport runways, parking decks, and working areas in ports.
- Roadways is one of the key sectors that determines a country's economic growth. Roads, airport runways, and parking decks are essential services that drive the economic activity by channelizing trade and mobility. Massive investments are required that help in modernization and maintenance of these systems.
- Globally, the infrastructure sector is experiencing stable growth, as a result of increasing government spending to promote local infrastructure. In keeping pace with the growing economic activity and shifting demographic trends, spending on infrastructure activities is largely driven by developing economies in comparison to developed economies
- In developing economies in Asia-Pacific, infrastructure activities are expected to increase significantly, especially in the transportation sector, owing to increasing urbanization and shifting focus toward developing secondary sector in these countries. Furthermore, increasing economic prosperity is driving the infrastructure financing toward consumer sectors, including transportation and manufacturing, which provide and distribute raw materials for consumer goods.
- India's recent passed budget includes expenditure on development of National Highways, including projects relating to expressways, two-laning of highways, under the National Highways Development Project, six-laning of crowded stretches of the Golden Quadrilateral, a special program for the development of road connectivity in Naxal affected areas, development of Vijayawada—Ranchi road, and for providing last mile connectivity.
- China, on the other hand, is developing New Silk Road, for which the country has already built railway lines between Addis Ababa & Djibouti, Nairobi & Mombasa, and is likely to start projects in Uganda, Rwanda, and the Democratic Republic of Congo soon.
- As these sectors have potential to fetch larger investments in near future, the governments of developing economies (such as China and India, among others) are taking initiatives by floating tenders reflecting opportunities in building infrastructure, essential for the growth of a specific sector. Furthermore, the emergence of megacities in both, emerging and developed markets, which reflects the shifting economic and demographic trends, will create enormous need for new infrastructure.
- With such development projects, the demand for bitumen is expected to be the largest in the Asia-Pacific region, followed by Europe.

Asia-Pacific Region is Expected to Dominate the Market

- Asia-Pacific region dominated the global market share. In Asia-Pacific, China is the largest economy, the growth in the country remains high, but is gradually diminishing, as the population is aging and the economy is rebalancing from investment to consumption, manufacturing to services, and external to internal demand.
- China's 13th Five-year Plan (2016-2021) started in 2016, which was an important year for the country's engineering, procurement, and construction (EPC) industry as it ventured into new business models, domestically and internationally.
- While the residential sector is enjoying strong recovery, the results for the office, retail, and logistics sectors have been mixed. The office markets in Tier 1 cities (including Beijing, Shanghai, and Shenzhen) generally remain healthy and continue to enjoy strong demand for office space, driven by the information technology (IT) and finance sectors.

- Beside this, significant development of rail and road infrastructure by the Chinese government, to withstand the growing industrial and service sectors, has resulted in a significant growth of the Chinese construction industry in the recent years. As the construction industry is dominated by state-owned enterprises, the increased government spending is boosting the industry in the country.
- Moreover, in order to contain the growing greenhouse gas predicaments in the country's major cities, the country's national climate commitment calls for 50% of all new buildings constructed by 2020 to be certified as green buildings, while its 13th Five-year Plan prioritizes building efficiency. Following these commitments, the country's green building sector is expected to increase from 5% to 28% by 2030, representing a USD 12.9 trillion investment opportunity. This is expected to propel the market during the forecast period.
- Overall, the market is projected to grow at a high rate, owing to the rapid growth of the construction industry in the country.

Company Profile

Exhibit 6 : The ivorian bitumen

Société Multinationale de Bitumes (SMB), was created by PETROCI in 1976 with the implementation of a plant for the manufacturing of bitumen. SMB is a public refining company specialized in the treatment, production, storage and distribution of bitumen.

The original mission of the company was made with respect of the first president, Felix Houphouet-Boigny's strategy to reduce regional disparities through the execution of a major road program to open up regions away from development poles. Located in the "Société Ivoiriene de Raffinage" (SIR) refinery premises, the company ensures the national supply of bituminous products. It participates in the construction and maintenance of an important part of the road network in West Africa.

The company's main ambition is to be the leader of the distribution of bitumen in West and Central Africa. It is one of the reasons why the company bets on the quality offered to its customers. A quality approach has been implemented according to the ISO 9001 standard. SMB obtained the certification and confirmed its ISO 9001-2008 Quality Management certification following the renewal audit carried out by BUREAU VERITAS in 2012. As a result, SMB's ISO 9001 certification is maintained for its bitumen production, storage and marketing activities.

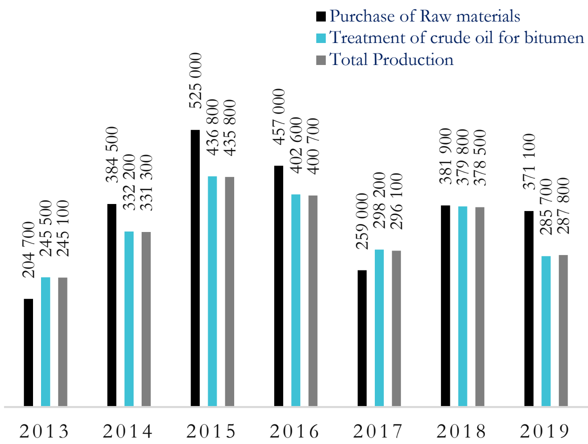
Production Tools

SMB has a set of units, consisting of atmospheric distillation and vacuum distillation. Located inside the SIR refinery, the plant has an annual processing capacity of 520 000 TM of crude oil and can produce around 300 000 TM of bitumen per year. The atmospheric distillation generates: Essence, Kerosene, Atmospheric light Diesel fuel and residual. The vacuum distillation generates: Light vacuum gas oil, heavy vacuum gas oil and bitumen. Treated crudes are heavy and originated from south America (mainly from *Venezuela* and *Columbia*).

Supplying in raw material

SMB sources its raw materials (crudes oil) from South American origin mainly from **Venezuela** (Bachaquéro, Hamaca) and **Colombia** (Castilla). However, since the American sanctions on Venezuela, the supplies are made up of crude Castilla Blend in from Colombia. In this context, the limitation of supply sources induce tension on the oil market leading to a price increase. In fact, in spite of a decline in crude oil price (-6.1%) over the international market, purchases of raw materials made in 2019 stood at 371.1 KT for a value of XOF 95.777 billion against 381.9 KT for XOF 97.984 billion in 2018, representing only 1% decrease in average purchasing prices.

Exhibit 7 : Volume in KT

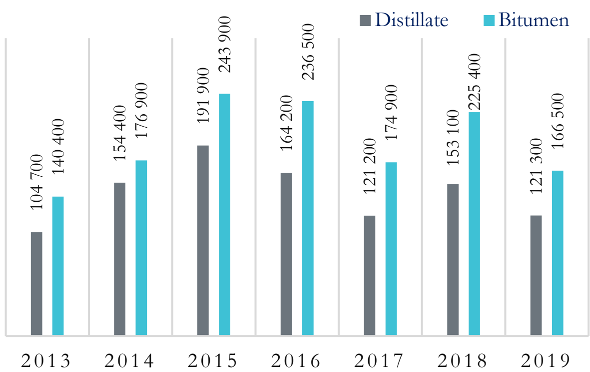


Production

All the products are manufactured according to international specification standards (ASTM / AFNOR). They are tested in COFRAC ISO 17025 accredited laboratories and recertified by an internationally renowned independent inspector.

The company products are obtained by direct distillation of a heavy crude of South American origin. In fact, the direct distillation process, unlike blowing, leads to the production of bitumen without modifying their chemical structures.

Exhibit 8 : Production répartition (MT)



Bitumen products are listed below:

- **Bitumen 35/50 (buffle) – Bitumen 40/50 (elephant)** are the hardest bitumen in SMB's range. "ELEPHANT" and "BUFFLE" are the most suitable bitumen for very dense traffic and heavy goods vehicles in hot countries. Their penetrability measured in 10th of a millimeter is between 40 and 50 for "ELEPHANT" bitumen and between 35 and 50 for "BUFFLE" bitumen.
- **Bitumen 50/70 (lion) – Bitumen 60/70 (belier)** are the most widely used bitumen and the most suitable for the climates of tropical countries. Their penetrability measured in 10th of a millimeter is between 50 and 70 for "LION" bitumen and between 60 and 70 for "BELIER" bitumen.
- **Bitumen 70/100 (girafe) – Bitumen 80/100 (gazelle)** are the least hard bitumen in SMB's range. They are used as a base for the constitution of cut-back or fluidized bitumen. Their penetrability measured in 10th of a millimeter is between 80 and 100 for "GAZELLE" bitumen and between 70 and 100 for bitumen "GIRAFFE".
- **Bitumen AC-10 & Bitumen AC-20** are a viscosity bitumen. They are part of the hardest bitumen in SMB's range. In the long term, these bitumen require more maintenance given the risk of ruts. Bitumen AC-10 and Bitumen AC-20 are of more energy savings, of more elasticity than other similar products, of good resistance to fatigue and pavement cracking, and are naturally emulsifiable.

Storage capacities and distribution

SMB has a set of logistical resources that allows to ensure not only the reception and storage of crude oil, but also and above all, the storage and delivery of bitumen. The company operates the following storage facilities:

- 18 000 M^3 for crude oil in the refinery;
- 21 600 M^3 for bitumen in the refinery;
- 15 000 M^3 for bitumen at the depot.

SMB can also deliver to its customers (at their request) through the GESTOCI depot which has a storage capacity of around 1 000 M^3 of bitumen.

Bitumen and Distillate are the two main products sold by SMB.
Distillates are resulting from the treatment of heavy bitumen crude and directly sold to the Société Ivoirienne de Raffinage (SIR). The delivery of distillates does not need transport since the two companies operate in the same area where they share facilities. In fact, SIR is the main shareholder (mother company) of SMB with around 72% of share capital.

Concerning the activities of bitumen, SMB has a Time charter vessel and a connection to all the jetties of the Vridi canal in order to increase its flexibility of delivery and better meet the demands of its customers (local and export). Also, the main activity of the depot is the storage and delivery of bitumen. It is located less than 500 m from the Vridi canal where bitumen ships dock at oil docks. The depot is composed of:

- Two tanks with a total capacity of 15 000 M^3;
- Two loading stations for trucks and bit containers;
- Two high flow shipping pumps (250 M^3/h);
- Two boilers for the thermal oil heating;

Thirty 20-foot bit containers with a unit capacity of 27 tons for on-site delivery to hinterland countries without bulk storage; A weighbridge for the weighing trucks.

The Main Markets

Local: Côte d'Ivoire's economy has been on an uptrend since the end of the political & military crisis over the period (2002 – 2011) which had left infrastructure in a downturn. The ambition of the president Alassane Ouattara to turn the country into an emerging country has been characterized by a vast development program. Infrastructure was one of the main pillars on which the country focused the development plan, especially, the construction of bridges and roads several roads construction. Bitumen market is in line with the country's strategy to multiply roads projects and bridges constructions.

For upcoming years, the bitumen market will rely on two different Programs launched by the government namely "Road Development Plan 2016-2025" and "EMERGENCE 2020", consisting of constructing 1 000 km per year in the country and of road development programs with the objectives of improving and rehabilitating 3 916 km of long-distance paved roads, rural roads, trunk roads and highways, strengthening and extending urban roads in the city of Abidjan and large structures. The Government has also launched the construction of fourth bridge of 1.4 Km in Abidjan. This bridge will require the paving of 7.5 km of ramps and intersection road. Next to this, the construction of a fifth bridge is announced. For a total cost estimated to around XOF 272 billion, some approved government infrastructure projects in 2019 are listed in the table below:

Exhibit 9 : Roads construction and rehabilitation projects

Structure	Project description	Cost of project (XOF mn)	Approbation date	Duration (days)
FER	Development and asphalting work on the access road to Cité SIR. To take into account additional work	1 385.00	31/07/2019	120
FER	2x1 lane development of the Bouna-Doropo-Burkina border road in the country	7 526.00	06/08/2019	540
GOVERNMENT	Rehabilitation works of the Akoupé-Kotobi-Bougouanou road axis in RCI for additional works and extension of the execution period of the works	6 514.00	25/04/2019	37
DON IDA	Development of the primary collector district thirtheen-high school and doyagouine in the city of Man	766.00	22/05/2019	300
GOVERNMENT	Construction works on the three (03) points of Riviera 2	451.00	12/06/2019	60
	Rehabilitation works on the Grand Bassam-N'Zikro road	6 592.00	24/05/2019	180
BAD	Bridge construction works in Cocody	77 441.00	28/02/2019	720
BID	Development works of the Indenié crossroads	23 910.00		630
FER	Heavy reprofiling works and critical point treatment on the Sanaférédougou-Mannandoum road in the Kaniasso department	785.00	05/03/2019	180
FER	Rehabilitation works on the roads: N'Guessankro-Kayabo road of M'Batto and Fronobo-Ahougnienfoutou-Assie Koumassi crossroads in the department of Bongouanou	689.00	24/07/2019	180
FER	Rehabilitation works on roads: crossroads Djekanou-Tollakro-Bonikro-Kimoukro and Bonikro-N'Guessankro-Konankro in the department of Toumodi	486.00	02/08/2019	180
GOVERNMENT	Development and asphalting works: Kani-Fadiadougou	2 526.00	28/01/2019	180
FER	Rehabilitation works of the roads in Riviera Palmeraie	5 192.00	29/05/2019	240
FER	Development works at Assounvoué	895.00	09/07/2019	90
GOVERNMENT	Study, monitoring and control of execution of the road network	4 104.00	23/04/2019	1 260
GOVERNMENT	Monitoring, control and supervision of contruction work on the Yamoussoukro-Bouaké motorway: Tiebissou-Bouaké section 96 km	5 178.00	22/01/2019	1 140
GOVERNMENT	Convention between the MEER and AGEROUTE relating to the execution of the 2017 and 2018 road maintenance programs	2 201.00	11/07/2017	720
	Construction work on the Kelindjan bridge and Asphalting of streets in Samatiguila	6 480.00	17/06/2019	450
	Road maintenance works in the Agneby-Tiassa region	2 450.00	21/06/2019	150
	Road works and various networks from the SIR city to the Angré hospital and University Center (CHU) in 2x2 lanes in the district of Abidjan	9 587.00	06/08/2019	360
FER	Roadway repair works on the Grand-Lahou-San-Pedro and Dimbokro-Bocanda axes with hydrophobic, polymeric and similar products Lot 3: Dimbokro-Bocanda road (60 km)	4 439.00	16/08/2019	240
FER	Roadway repair works on the Grand-Lahou – San-Pedro and Dimbokro – Bocanda axes with hydrophobic, polymeric and similar products lot 01: Grand-Lahou – Fresco Sassandra road	4 823.00	16/08/2019	240
FER	Road maintenance works in the departments of Korhogo and Dianra: Lot 02	8 480.00	23/09/2019	300
FER	Road maintenance works in the departments of Korhogo and Dianra: Lot 01	20 081.00	23/09/2019	720
FER	Asphalting works on the main streets and boulevard in the town of Ouragahio and maintenance of dirt road in the town of Gbon	4 170.00	10/09/2019	240
FER	Rehabilitation work on the Grand-Lahou-Fresco road, Oumé-Djékanou crossroads and point-in-time work on the Agnibilekro-Tanda section	17 293.00	29/08/2019	360
FER	Rehabilitation works on the Toumodi-Oumé road	15 439.00	29/08/2019	360
FER	Repair and rehabilitation of coated surfaces: Gagnoa axis-Ahizabré bridge, Gagnoa-guiberoua axis and in the city of Dabou	3 820.00	02/09/2019	240
GOVERNMENT	Road works and construction of hydraulic structures in the district of Abidjan (LOT 01)	5 507.00	02/10/2019	360
FER	Rehabilitation works of boulevard Mittérand, rehabilitation and widening of the Abatta lane to take into account additional works	4 358.00	28/07/2019	150
FER	Rehabilitation works of the Akoupé – Kotobi Bougouanou road axis in RCI for additional works and extension of the execution period of the works	6 514.00	25/04/2019	37
FER	Mission of revising road diagrams, monitoring and control of heavy reprofiling works and treatement of critical points on roads in earth of the national road network	8 349.00	27/12/2018	180
FER	Emergency works on CI roads: rehabilitation of the Kotobi-Arrah-Bonahouin road, Rehabilitation of the earth road of Divo, Asphalting of 3.5 km of the roads in Agboville	1 820.00	29/05/2019	90

Although SMB remains the sole bitumen supplier in the country where it has an exclusivity for supplying the government projects, the company is one of the major bitumen suppliers in Africa countries. On the **export markets**, although there is no actual competition for the manufacturing of bitumen in the region, according to the management. However, the Nigeria's Dangote is expecting a refinery to be running early 2021. In fact, Nigeria currently lacks the refining capacity to meet local demand, and instead imports refined petroleum, placing a burden on the foreign reserves. Dangote's "oil and gas refinery" is expected to produce enough to meet local demand plus a surplus for export.

Initially expected to begin production in 2016, the refinery deadline was postponed to the end of 2019 after a change of location. Nigeria's inefficient ports in Lagos have been blamed for the slow progress of what will be Africa's largest refinery with executives citing problems in the importation of steel. Reuters reported in August 2019 that industry insiders don't expect fuel output before 2022.

The Angola government posted a public tender for the construction of an oil refinery in Soyo which is part of a program that also provides for the building of similar plants in Cabinda, with a processing capacity of 60 000 barrels per day, and Lobito (200 000 barrels per day), in addition to the restoration and modernization of the Luanda refinery, to quadruple its production capacity.

According to the Secretary of State for Oil, José Barroso, 31 proposals were received for the tender which was tender launched by the Ministry on 24 October 2019; of which nine were selected. The nine companies include: SDRC, Jiangsu Sinochem Construction, Quantem Consortium, CMEC, AIDA and VSF, Tobaka Investment Group, Atis Nebest – Angola, Satarem, Gemcorp Capital and CPP. The Angolan government had postponed the announcement of the winner of the public tende, due to the COVID-19 (Coronavirus) pandemic.

SMB Sales (Beakdown)

Exhibit 10 : Local market Sales (MT)

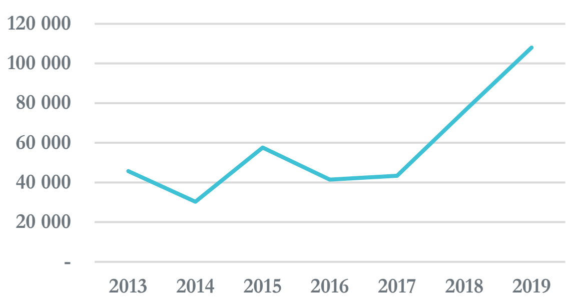


Exhibit 11 : Other lands market sales (MT)

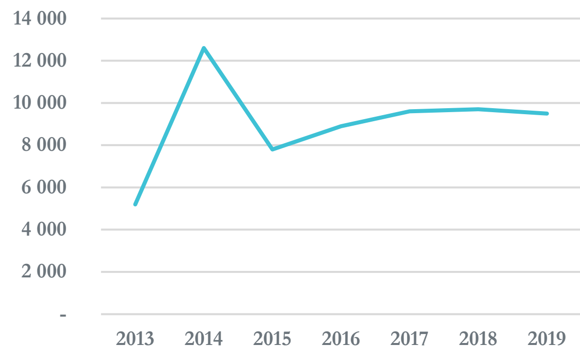


Exhibit 12 : Exports market sales (MT)

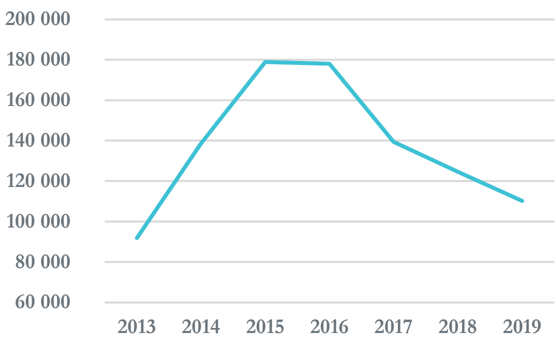
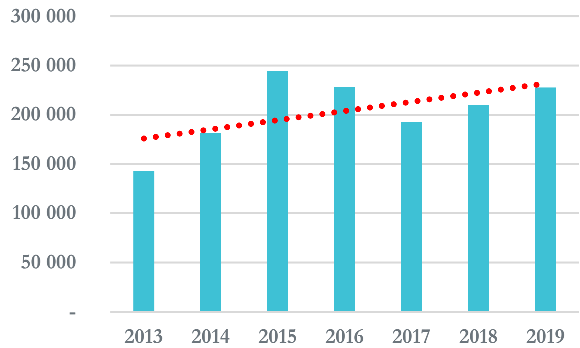


Exhibit 13 : Total bitumen sold (MT)



SMB Strategy

The management has taken all the necessary measures to maintain its place in the government's development strategy to revive the Ivorian economy, particularly with regard to the road sector. Thus, SMB has played an important role in the building of 22 bridges and around 1 000 kilometers of asphalted roads over the period 2011-2019. The domestic growing demand is expected to push up both the sales volume and the gross margin since economic margin is far better there than other markets.

Furthermore, the company is pursuing its investment program in order to fully benefit from the government's ongoing National Plan for development program focused on constructing and rehabilitating of 1 000 kilometers of roads per year over the period 2016-2020. Thus, SMB launched the project of renewal of distillation column; - installation of a second fire pump; - preventive maintenance of storage tanks in order to improve its industrial efficiency. The achievement of these projects is expected to improve the production while maintaining equipment in order to enjoy lesser work interruptions (98.9 days of work stopping in 2019 against 49.9 days in 2018).

Out of the Cote d'Ivoire, SMB's strategy is to remain the leader in export markets. International road construction is experiencing growth and the company keeps expanding its footprints. In this context, the company adopted a differentiation strategy focused on the quality of its production. Huge investments are expected to arise in order to put in place commercial and strategic partnerships with other countries in Africa such as: Ghana, Angola, Guinea etc...

Recently, SMB revealed a massive investments program of around €100 million by 2022 to double the production capacity (from 360 KT to 600 KT). In other ways, actions to consolidate commercial and logistic positions all over the Atlantic coast led to a joint venture project with the Ghana's Oil company GOIL, intending to build West Africa's biggest bitumen storage (8 000 tons for around US$ 35 million). Indeed, Ghana's market has a huge growth potential since the road network of over 63 000 km needs repair and modernization. That should lead to a rehabilitation program of $1.5 billion/year for the next ten years to get the roads up to a good standard. At end of March 2020, SMB engaged US$ 10 million for launching the project before that the onset of the Coronavirus pandemic Covid-19 which hampered the work by delaying construction sites. Thus, the commissioning of the storage tank, initially scheduled for April 2021, experienced a delay of at least two months.

The company also intends to increase its sales to 200 000 tons per year in Nigeria over the next few years since the country represents a huge potential in term of Bitumen (consuming 250 000 to 300 000 tons per year). Furthermore, the company is considering a strategic partnership project with SONANGOL in Angola as the country is a hub considering its strategic position in regard to number of countries which could be supplied such as Mozambique, Zambia and the south of the Democratic Republic of Congo. This strategic partnership is being set up around a multimodal logistics platform which should undoubtedly open up new commercial perspectives in that region. According to management, the company's portfolio holds other various strategic commercial and logistics partnership projects under discussion, particularly in Togo, Senegal and Guinea

SMB and the Regional Financial Market (BRVM)

SMB was previously listed in "Abidjan Stock Exchange", which was replaced by the regional stocks exchange namely BRVM on September 16th, 1998. The BRVM is at the same time an economic, political, institutional and technical success. It is the only stock exchange in the world shared by several countries, completely electronic and perfectly integrated.

On 12th June 2009, SMB proceeded to a capital increase from XOF 1 218 million to XOF 4 872 million with a nominal value of XOF 2 500 by issuing 1 461 600 new free shares. The capital increased was carried out by incorporating a sum of XOF 3 654 million from "unavailable reserves" accounts for XOF 2 749 million and "Free Reserves" for XOF 905 million. Shares allocation for each shareholder was as three (3) new shares for one (1) old share. The number of shares then became 1 948 800.

On 5th July 2018, during the shareholders' meeting, the board approved a stock split project in a ratio of 1 to 4. Since then, the nominal value increased to XOF 625 and the number of shares was multiplied by 4 rising to 7 795 200 shares.

The purpose of this split is to comply with the new regulations established by BRVM instruction 01-2017/BRVM/DG fixing the minimum volume of securities making up the free float of listed companies. Therefore, the free float is 2 193 392 shares representing 28% of the total shares. Société Ivoirienne de Raffinerie (SIR) remains the main shareholder holding 72% of the capital.

On a 2-year time period, the highest stock price of the shares of SMB were registered on May 7th 2019, at **XOF 6 020** while the lowest were registered on September 11th 2020, at **XOF 2 270**. The highest stock price on a 52-week basis were logged this year, on 29th January, at XOF 3 800, and we expect the stock price to keep going up until at least the first semester of the year 2021.

SWOT Analysis

Exhibit 14 : SWOT Analysis

STRENGTHS

- Leader in the production of bituenin West Africa
- Local market monopoly
- international quality standard products
- High barriers to entry the bitumen industry
- High liquidity position
- Whole distillate products directly sold to the mother company (SIR)
- High production capacity

WEAKNESSES

- More dependant on the local market
- Covid-19 hampering activities in export market and slowing down the companies' projects
- Limited Storage and Loading capacity.

OPPORTUNITIES

- Growing bitumen demand in Africa
- A portfolio rich of infrastructural projects in Côte d'Ivoire
- Strategic and commercial partnerships with various companies in Africa.
- Growing Programs for Infrastrural Development in Africa (PIDA)
- Higher need for bitumen products in Africa.

THREATS

- Sales of Distallate very dependant on SIR.
- Volatility in Oil and gas prices
- Government regulation risks outside the WAEMU zone
- Currency risks in export markets
- Recession in major markets
- Upcoming 6th March legislative elections in Côte d'Ivoire
- High competition from asian manufacturers of bitumen

Financial Analysis

Exhibit 15 : Income statement

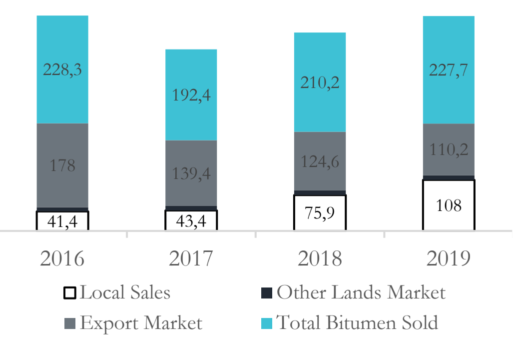
Amount (XOF mn)	2016	2017	2018	2019	2017-2019 CAGR
Sales	**92 255**	**90 262**	**134 198**	**116 253**	**+8.01%**
Cost of sales	66 440	60 298	106 993	92 985	+11.86%
Gross profit	**25 815**	**29 964**	**27 205**	**23 268**	**-3.4%**
Gross margin	*28.07%*	*30.92%*	*23.58%*	*17.17%*	*-15.11%*
EBITDA	**10 903**	**13 089**	**12 706**	**2 130**	**-41.98%**
EBITDA margin	*11.82%*	*14.50%*	*9.47%*	*1.83%*	*-46.29%*
Operating profit (EBIT)	**9 179**	**11 236**	**11 375**	**949**	**-53.07%**
EBIT margin	*9.95%*	*12.45%*	*8.48%*	*0.82%*	*-56.56*
Net Income after Tax	**6 858**	**7 507**	**7 877**	**58**	**-79.63%**
Net margin	*7.43%*	*8.32%*	*5.87%*	*0.05%*	*-81.36%*

Recent financial performance

Revenues increased by 8.01% CAGR over the period 2016-2019 with a pic of XOF 134.20 billion in 2018 mainly due to selling price effect. Other than price, Sales are also a function of bitumen demand and the level of infrastructural projects under view in the relevant markets (Local market, Other Lands market and Export Market). Distillates are entirely sold to SMB's mother company i.e. SIR. Total volume sold (Bitumen + Distillate) remained relatively stable over the period from 313.6KT 2017 to 349.0KT in 2019.

Local market is in records high in term of volume of bitumen sales repartition among the three distinct markets, jumping from 18.1% in 2016 to 47.4% in 2019. While local volume sold is on an upward movement over the period, its average selling prices increased by 11.6% per year on average favoring higher revenues (XOF 35.6 billion in 2019 vs XOF 9.8 billion in 2016). Indeed, the country has been experiencing an efficient development plan since 2012 such as roads and bridges constructions. Some of the most important projects motivating bitumen sales in the country are essentially the construction of the fourth bridge, the construction of the "Ebimpe Olympic Stadium" for the 2023 African Nation Cup. Also, the 2020 "emerging program" is expecting the construction of 1 000 km of asphalted road per year. These have been relevant drivers for bitumen volume sold in the local market over the period.

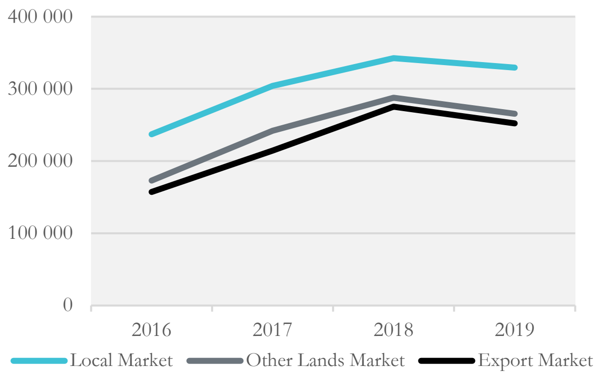
Exhibit 16 : Bitumen volume sold (KT)



Other Lands Market (Burkina Faso, Mali and Niger) represents the smallest portion of SMB's sales of bitumen (4.2% of total sales in 2019). In spite of the political and social instability in these three landlocked countries, they keep on expressing their ambitions to attain infrastructural development by putting in place development programs. Holding a local depot, they all purchase bitumen from SMB.
Other lands market's volume sold increased by 2.2% per year on average between 2017-2019 period and the average selling prices increased by 15.3% per year on average over the reviewed period resulting in a sharp growth in revenues (XOF 1.5 billion in 2016 against XOF 2.5 billion in 2019).

The **Export market** is ranked second in terms of bitumen sold, representing around 48.4% of total sales in 2019. Thus, in term of volume, the sales of bitumen stood at around 124.73 KT per year over the period 2017-2019 (of which Nigeria and Ghana hold 57.4% and 23.7% respectively). Moreover, the constant decrease of export market volume is explained by the drop of sales in Nigeria and Ghana due to an intensification of competition from other bitumen suppliers. Also, government constraints in Nigeria and delays in the construction of roads in Ghana over the period (2016 – 2019) have had negative effects on sales volume. Moreover, the export market is one with the lowest average selling price due to the price structure strongly influenced by the international prices. Export market sales increased by 10.7% per year on average over the period 2016-2018 before dropping by 19.1% at XOF 27.7 billion in 2019 against XOF 34.3 billion in 2018 since selling prices lost 8.5%.

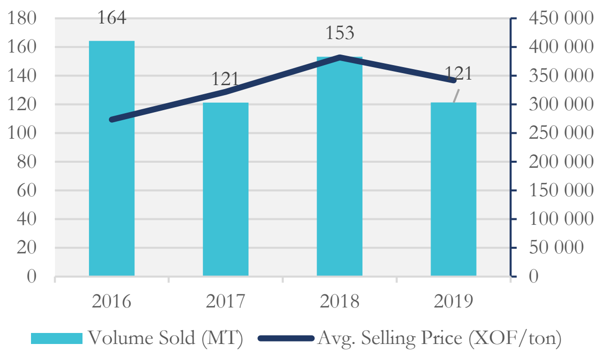
Exhibit 17 : Average Selling price



Thus, the constant increase of total bitumen sold is currently mostly pulled by the good momentum in the local market activities.

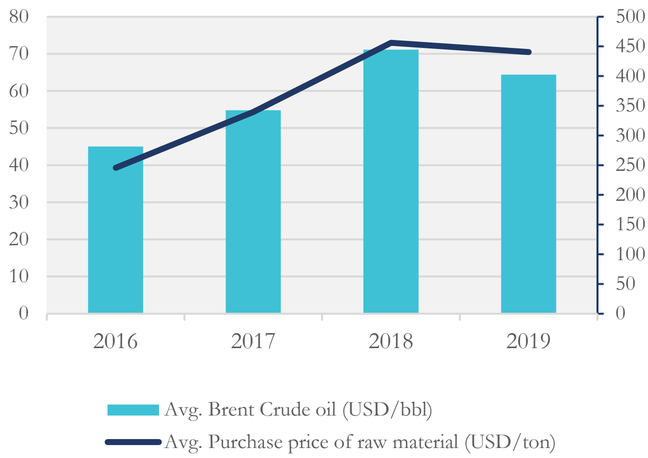
Distillate, a general classification for one of the petroleum fractions produced in conventional distillation operations. It includes diesel fuels and fuel oils. The distillate from SMB's process (42% of total heavy crude oil processed) is totally purchased by its mother company (SIR) to product diesel fuel. While distillate has not the core business, this product plays an important role in total revenues and operating results (thanks to the high selling price and margin). The amount of distillate sold maintained in upward trend as the volume sold over the period 2017-2019: 121.2 KT for XOF 39.0 billion in 2017, 153,1 KT for XOF 58.5 billion in 2018 and 121,3 KT for XOF 41.5 billion in 2019.

Exhibit 18 : Distillate volume sold & Selling price



According to the management, the local selling price is highly influenced by the evolution of Brent crude oil prices and the USD/XOF exchange rate. Volume purchased during the period 2016 – 2019 decreased by 6.7% each year on average staying on top of the volume produced except in 2017, where the company purchased less volume than the volume produced, as there was a positive stock variation. Average purchase price of raw material continuously increased over the reviewed period. On average, it rose by 20.6% per year. Thus, purchase price of raw materials rose over the same period by 12.5% per year on average. This is in line with the average brent crude oil price which rose 12.6% per year on average.

Exhibit 19 : Evolution of Avg. Brent crude oil & Avg. Purchase price of raw material

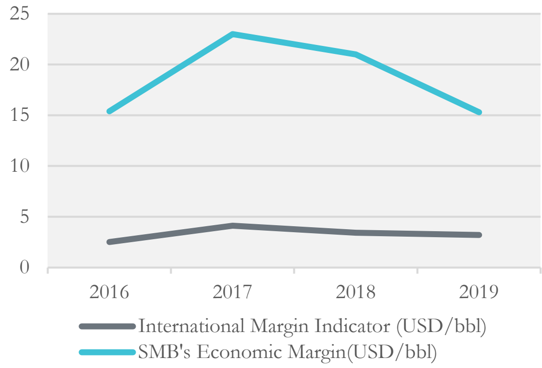


In fact, average brent crude oil price increased from US$ 45.0 per bbl in 2016 to US$ 54.8 per bbl in 2017 and US$ 71.1 per bbl in 2018 before decreasing in 2019 at US$ 64.4 per bbl. USD/XOF average exchange rate has followed the opposite trend over the same period (price decrease between 2016 – 2018 and 4.2% rise from 2018 to 2019.

SMB's economic margin is very volatile compared to the international margin indicator.

As for the gross margin, it remains affected by the difficulties of supplying crude oil following the sanctions imposed by the United States on the production of Venezuela. Thus, the increase in the cost of raw materials had a degraded effect on the gross margin which shows a downward trend over the period 2017-2019 (17.17% in 2019 against 23.58% in 2018 and 30.92% in 2017).

Exhibit 20 : Evolution of International margin indicator and SMB's Economic margin



In addition to the margin losses, operating expenses remained at significant levels despite the management efforts made by the company. Indeed, SMB has faced difficulties related to the availability of the industrial equipment due to technical failures which significantly impacted production. Thus, EBITDA recorded an average drop of 42% over the period (XOF 2.13 billion in 2019 vs. XOF 10.90 billion in 2016) while EBITDA margin decreased at 1.83% in 2019 vs. 9.47% in 2018 and 14.50% in 2017. These industrial difficulties pushed to maintain a fairly high level of investment over the period (XOF 1.52 billion per year). In view of the above, operating income deteriorated by 53.08% per year to stand at XOF 948 million in 2019 against XOF 9.18 billion in 2016, i.e. an operating margin of 0.82% compared to 9.95% in 2016.

In this rather difficult context, the company is suffering the weight of financial charges due to outstanding debts. In fact, the collection efforts resulting in an agreement with SIR regarding the payment of existing receivables led to a marked improvement in net banking and financial debt (XOF -18.46 billion in 2019 against XOF 40.78 billion in 2016). Hence the significant drop in financial charges in recent years.

Thus, the net income stood at only XOF 56 million at the end of 2019 against around XOF 7 billion over previous years, i.e. an average decline of 80% over the period 2016-2019. As for the net margin, it stood at 0.05% in 2019 against 5.87% in 2018 and 8.32% in 2017.

Exhibit 21 : Economic balance-sheet

Value (XOF mn)	2016	2017	2018	2019
Fixed asset	10 909	9 433	8 707	8 454
Working capital requirement	30 050	16 508	(5 918)	(16 178)
Capital employed	**40 960**	**25 942**	**2 790**	**(7 723)**
Equity	175	7 682	14 583	10 742
Net debt	40 785	18 260	(11 793)	(18 465)
Capital invested	**40 960**	**25 942**	**2 790**	**(7 723)**

SMB has focused its investment strategy on the preservation of its production equipment. Indeed, with the deterioration of its industrial equipment, SMB invested an average of 704 million per year over the period 2016-2019. These investments mainly concerned the partial replacement of one of the vacuum distillation, the acquisition of expedition pump, the installation of a new water pump and the preventive and regulatory maintenance of the tanks. All these investments are explained by a ratio of investment/amortization at 64% per year over the period. In light of the above, there is no significant investment anticipated in the coming years.

As for the working capital requirement, it has been improving over the reviewed period, mainly due to a combined effect of accounts payables and receivables. Account payables increased 46.3% on ACGR against a drop of 7.9% ACGR in account receivables. Inded, days of payables improved to 226 days in 2019 against 165 days in 2016, due to a good negotiation with suppliers in order to increase payment terms. Days of receivables also improved to 105 days in 2019 against 189 days in 2017 which is explained essentially by the commitment of SIR in order to reduce delay in the payment of distillates purchased from SMB. Thus, the days of Working Capital have been improving since 2017 and gained 26 days in 2019, 62 days in 2018 and 39 days in 2017.

While operational performance was impacted by the loss in margin, the agreement signed with SIR made it possible to generate operational cash flows of XOF 63.28 billion over the 2017-2019 period. Unsurprisingly, SMB fully financed its investment needs for a total amount of XOF 1.63 billion and generated an overall cash flow of XOF 61.65 billion over the same period. In view of this situation, the company adopted a generous remuneration policy towards its shareholders by paying an amount of XOF 4.87 billion in terms of dividend. In addition, SMB has launched the process of reducing the level of its net banking and financial debt, which stood at XOF -18.46 billion at the end of 2019 vs. XOF 40.78 billion in 2016.

However, the deterioration of the operating result in 2019 urge SMB to be cautious. Thus, the company decided non-distribution of dividend based on 2019 results. Two main reasons have been mentioned: the maintaining of the investment policy of SMB and the restrictive measures taken by different countries due to the Coronavirus pandemic which are impacting the SMB's activities in the export market. Management stated that surplus cash will be used to finance future investment as well. As for the long-term debt, we notice a huge drop (-56.9% AAGR) over the period 2016 – 2019 motivated by higher operating cashflow.

In term of profitability, the ROCE has been forging ahead from 32.48% in 2018 to -9,21% in 2019 propelled by a huge decline of the working capital requirement leading to drop in the level of net debts. As for the ROE, it has been declined due to the deterioration of net income (0,63% in 2019 against 53,55% in 2018 and 80,53% in 2017).

Third quarter 2020 results trend

The year 2020 is particularly marked by the resilience of SMB to the global pandemic Covid-19. In fact, on the local market, the country did not stop ongoing projects for which bitumen works had already started. Few other projects were to be started subsequently but have been shifted to a later period. The local bitumen, growth rate is estimated to 20%. As seen above, in the company's description analysis, the market portfolio of the company is rich in 2020.

On the other side, SMB faced more constraints in international markets as governments regulations imposed hampered the effective activities of the company. Initially, Ghana and Nigeria stipulated that any vessel entering their seas would have to wait 14 days before discharging. Then, SMB obtained relief on the constraints after negotiation in order to be able to unload the vessels in one day in Ghana and in 3 to 6 days in Nigeria. This situation greatly mitigated the impact of the Covid-19 on sales. Despite the impact of the deterioration in the oil prices and other fundamentals on the economy situation, Nigeria has maintained its development program for roads infrastructure.

At the September end, the company financials figures are shown in the table below:

Exhibit 22 : Q3/2020 figures

Particulars (XOF mn)	Sept 2019	Sept 2020	Var.	2019
Revenues	76 825.76	79 550.05	3.55%	**116 253**
Ordinary activities result	(667.78)	8 547.51	13.80x	**90**
Net income	(701.57)	5 958.51	9.49x	**56**

According to the management, SMB's activity at the end of September 2020 remains recognized by the adaptations required in the face of market changes resulting from the persistence of the global health crisis (COVID-19). On a comparable 2019/2020 scope, the company recorded a 12% increase in bitumen volumes sold in an international context of a 43% decline in the bitumen price index. As a result, revenues stood at XOF 79.55 billion vs. XOF 76.83 billion during the same period last year, representing a 3.55% increase.

In addition, the policy of optimization of operating costs and the consolidation of the Business Continuity plan, made it possible to achieve a positive result from ordinary activities of XOF 8.55 billion at the end of September 2020 against a negative result of XOF 667 million at the same periode in 2019. Thus, net income stood at 9.49 times the level of last year at XOF 5.96 billion.

Forecasting assumption 2020 to 2022

The start of 2020 is marked by the onset of the coronavirus pandemic (Covid-19) which has led to a global economic recession. Indeed, discovered in China in December 2019, the virus spread in one of its industrial provinces and created a psychosis that negatively affected the economy of this country during the first quarter of 2020. In addition , this virus has spread very quickly to other countries in the world, with an increasing number of infections and deaths. Faced with the magnitude of this health crisis, governments have adopted a series of measures to protect their populations and reduce the spread of the virus. These include, among other things, restrictions on access to countries, partial or total containment of populations, physical distancing and the closure of non-essential businesses. However, these control measures affect economic activities through the demand and supply for of goods and services. Thus, demand is suffering from the drop in income linked to an increase in unemployment, the limitation of travel and the decline in investment due to the increase in uncertainties. Regarding the supply, it is affected in particular by the interruption of certain economic activities and the slowdown in the pace of work due to confinement.

In this context, according to the economic outlook published in September 2020 by the International Monetary Fund (IMF), the world economy is expected to contract by 4.7% in 2020 after an increase of 2.8% in 2019, with a recession of 7.4% in advanced countries and 2.8% in emerging and developing countries. This contraction of the world economy would be linked in particular to (i) the sharp decrease in the production and consumption of services, (ii) the low mobility of people, (iii) the straining of the labor market, (iv) the contraction of world trade and (v) the fall in inflation. However, the global economy is expected to grow by 4.4% on average over the period 2021-2023 under the assumption that the pandemic is under control. This growth profile would result from an improvement in growth both in advanced countries (+3.3% on average against -7.4% in 2020) and in emerging and developing countries (+5.3% in average compared to -2.8% in 2020). Sub-Saharan Africa is expected to grow by 3.9% on average over the period.

At the national level, economic activity continues to benefit from the implementation of the National Development Plan (PND) 2016-2020. However, the spread of Covid-19, the first case of which was recorded on March 11th, 2020, has had negative consequences on economic activity. This situation is explained by the government taking barrier measures to reduce the spread of the pandemic. In order to face the health crisis linked to Covid-19 and limit its impact, the Government adopted a health response plan amounting to XOF 95.9 billion as well as an economic, social and humanitarian aid valued at XOF 1 701.0 billion. In this context, real GDP growth stood at 3.6% in 2020 against 7.2% initially expected and then to 6.7% on an annual average over the period 2021-2023.

In addition, the primary sector is expected to fall by 1.3% in 2020 and rise by 2.8% on average over the period 2021 - 2023 against 5.3% in 2019; the secondary sector should rise by 1.6% in 2020 and by 10.1% on average over the period 2021 – 2023 against 11.5% in 2019; as for the tertiary sector, it is expected to rise by 1.8% in 2020 and by 6.6% over the period 2021 – 2023 against 4.9% in 2019.

The forecasts for 2020 are based on the following points:

- control of the pandemic at the end of December 2020;
- care for all infected people;
- the continuation and gradual resumption of economic activities in the second half of the year;
- the end of disruptions to supply circuits and access to outlets at the end of June 2020, both internationally and internally;
- the harmonious implementation of the economic, social and humanitarian support plan as soon as possible.

Our main focus is on the secondary sector which includes construction and public works, essentially roads, bridges etc. In fact, the 1.6% surge of the secondary sector in 2020 would result from a 6.0% increase of contructions and 11.1% increase of energy despite the drop in petroleum products (-26.9%), mining (-4.8%), agrifood industries (-1.3%) and other manufacturing industries (-0.4%).

Despite their increase, construction activities would experience a deceleration linked to the various measures to fight the spread of Covid-19 leading to the slowing down of construction sites, in particular the 4th bridge in Abidjan, the Gribo popoli dam, roads and interchanges (flyovers) as part of the Abidjan urban transport project.

The decline in mining extraction would mainly result from the drop in crude oil production in connection with the drop in production on blocks CI-26 and CI-40 due to natural depletion and the effects of scheduled shutdowns and disturbances. The drop in petroleum products would result from the decline in refining activity, which is suffering from the drop in overall demand, in relation to that of domestic consumption and export sales following the reduction or even the cessation of transport activities.

In order to satisfy this huge demand, SMB revealed a massive investments program of around €100 million by 2022 to double the production capacity (from 360 KT to 600 KT).

Analysis of SMB key markets (Côte d'Ivoire, Nigeria, Ghana and Cameroun)

We focus our forecasting assumptions on 4 key markets of SMB e.i. Côte d'Ivoire (Local market), Nigeria, Ghana and Cameroun.

Ivorian market (Local Market)

Exhibit 23 : Local market sales

Particulars (XOF mn)	2019	2020e	2021e	2022e
Selling Volume (MT)	108 000	163 080	166 342	169 668
Avg. selling price (XOF/ton)	329 407	217 165	258 740	243 051
Total Sales (XOF mn)	**35 576**	**35 415**	**43 039**	**41 238**

Since FY18, sales of SMB are mostly concentrated in Côte d'ivoire and we estimate this is going to carry on for the subsequent years since the country is expecting massive infrastructural work and the demand for butimen will increase on the back various road construction or rehabilitation programs in the coming years.

We anticipated a 16.25% CAGR increase of volume sold from 108 KT in 2019 to 170KT in 2022. In fact, in 2020 emphasis was placed on the continued expansion and maintenance of the road network in cities and throughout the country. Thus, despite the sanitary restrictions, the country has taken steps to speed up and complete the construction work of several new paved roads, in particular the Tiébissou – Didiévi, Boundiali – Odiénné, Odienné – Gbelegban, Ferké – Kong, Agboville – Cechi, Bouna roads. – Doropo -Border of Burkina, Divo – Guitry – Côtière, and Danané – Border of Guinea. The year 2021 will see the intensification of activities on road infrastructure and interventions will relate to a minimum of 1 313 km of roads being paved and the continued construction of 33 bridges and flyovers. As for the year 2022, we believe that road constructions will keep going on the back of massives infrastructural and roads construction projects proppelled by the organization of the African Nation Cup (ANC) by Côte d'Ivoire.

The Ivorian road network consists of 81 996 kilometers of roads, representing 50% of the UEMOA network, including 6 514 kilometers of paved roads and 75 482 kilometers of dirt roads. Every year since 2012, the Roads Management Agency (AGEROUTE) has developed a maintenance program. The resources required for the efficient maintenance of this road heritage amount to around XOF 50 billion (US $ 94 million) per year, estimates the Agency.

Over the period 2019 – 2022 we anticipate a drop of 9.64% CAGR of average selling price in Côte d'Ivoire from XOF 329.4 thousand in 2019 to XOF 243.1 thousands in 2022. This should result from estimates of average purchasing price of raw materials. In fact, both USD/XOF exchange rate and the average brent crude oil are expected to decline by 1.47% CAGR and 6.25% CAGR respectively over the forecasting period. (Macrotrends & investing.com).

Thus, despite the drop of average selling price over the period, we expect total local sales to surge 5.05% CAGR from XOF 35 576 million in 2019 to XOF 41 238 in 2022 on the back of higher volume sold.

Export market

Exhibit 24 : Export market sales

Particulars (XOF mn)	2019	2020e	2021e	2022e
Selling Volume (MT)	110 200	126 083	129 287	132 650
Avg. selling price (XOF/ton)	252 060	168 476	202 852	198 472
Total Sales (XOF mn)	**27 777**	**21 242**	**26 226**	**26 330**

Overall, regarding the export market, we anticipate a drop 23.53% of total sales of bitumen in the export market in 2020 at XOF 21 242 million compared to previous year at XOF 27 777 million. From 2020 to 2022, we are projecting an 11.33% CAGR at XOF 26 330 million in 2022.

Nigerian market

Exhibit 25 : Nigerian market sales

Particulars (XOF mn)	2019	2020e	2021e	2022e
Selling Volume (MT)	64 211	62 927	63 556	64 192
Avg. selling price (XOF/ton)	252 060	168 476	202 852	198 472
Avg. total Sales (XOF mn)	**16 185**	**10 602**	**12 893**	**12 742**

Volume sold in Nigeria should slightly drop 0.01% CAGR over the period 2019 – 2022 from 64.21 KT in 2019 to 64.19 KT in 2022. This slight decline is mainly due to growing competition on the bitumen nigerian market and unavailability of currency. In 2020, according to the President of the Federal Governement of Nigeria, the Nigerian administration implemented several priority projects and much of them was realized. This include the second Niger Bridge which is at 46% completion and this project is expected to be commissioned before the end of tenure in 2023. The Nigerian economy is currently facing serious challenges, with the macroeconomic environment being significantly disrupted by the Coronavirus Pandemic. Real Gross Domestic Product ('GDP') growth declined by 6.1% in the second quarter of 2020. This ended the 3-year trend of positive, but modest, real GDP growth recorded since the second quarter of 2017.

However, in to 2021 the country projected the construction and rehabilitation of over 780 km of roads and bridges, nationwide. Ongoing projects under this scheme include Construction and Rehabilitation of Lokoja-Obajana-Kabba-Ilorin Road Section II (Obajana-Kabba) in Kogi and Kwara States; Construction of Apapa-Oworonshoki-Ojota Express way in Lagos State ; and Construction of Bodo-Bonny road with a Bridge across the Opobo Channel in Rivers State. Moreover, the Federal Government awarded several contracts to rehabilitate, reconstruct and construct major arterial roads, in order to reduce the hardship to commuters and increase economic activity. The 2021 Appropriation has, therefore, been themed the 'Budget of Economic Recovery and Resilience'. It is expected to accelerate the pace of Nigeria's economic recovery, promote economic diversification, enhance competitiveness and ensure social inclusion.

Average selling price of SMB on the export market (specifically in Nigeria) is expected to fall 7.66% CAGR from XOF 252 060 per ton in 2019 to XOF 198 472 per ton in 2022. However, it should surge 8.54% CAGR from 2020 to 2022. The 33.16% drop of selling price in 2020 compared to 2019 is mainly due to important tumbling of oil price benchmark caused by Covid-19 which inspired disruption of global economic activities. Over the period 2020 – 2022, the rise of selling price should result from the recovery of oil prices and rise in demand.

Thus, sales should drop 34.50% from 2019 to 2020 and subsequently surge 9.63% CAGR from XOF 10 602 million in 2020 to XOF 12 742 million in 2022.

Ghanaian market

Exhibit 26 : Ghanaian market sales

Particulars (XOF mn)	2019	2020e	2021e	2022e
Selling Volume (MT)	27 317	31 415	32 985	34 635
Avg. selling price (XOF/ton)	252 060	168 476	202 852	198 472
Avg. total Sales (XOF mn)	**6 886**	**5 293**	**6 691**	**6 875**

We anticipate 8.23% CAGR in the selling volume from 27.32 KT in 2019 to 34.64 KT in 2022. This should be mainly related to growing demand of bitumen in Ghana. In fact, in late 2019, the president of Ghana, Nana Addo Akufo-Addod tagged the year 2020 as "the year of roads" and planned to embark his government on an aggressive road development across Ghana in 2020. On June 2020, Amoako-Atta, the minister for roads revealed at Cape Coast during his tour to the region to inspect some of the on-going road projects that 28 out of the 109 road projects are being implemented under the Ghana Highway Authority (GHA), 55 under the Department of Feeder Roads, and 26 under the Department of Urban Roads. Funded by the national government through loans and grants, the roads under construction in Ghana include the Cape Coast inner-city project, Cape Coast-Kakum road, Swedru town roads, Twifo Praso Bridge, Assin Fosu town roads, Supredo Bridge at Mfantseman Mankesim to Abeadze road, Bawjiase road Gomoa Dawurampong road among others.

The minister also revealed that a total of 89 more roads have been identified and some already advertised and would soon begin construction. Mr. Amoako-Atta pointed out that the Central Region's road network is approximately 5 695 kilometers, 1 156 of which is under the Ghana Highway Authority (GHA), while 3 150 and 1 390 are under the Department of Urban Roads and Feeder Roads respectively. He further explained 33% of the entire network is so far paved or has bitumen surface, 41% is at the gravel stage, and 26% at the earth stage. "Generally, the road network in this region is at fair and poor state but the government under the leadership President Akufo-Addo is committed to improving the situation which is why we declared this year as the "Year of Roads"," affirmed the minister of roads. He also mentioned plans for the construction of interchanges such as the Tamale, Pokuase and Obetsebi-Lamptey interchanges. *(Contruction review online)*

Despite the outbreak of the COVID-19 pandemic, substantial progress has been made. Major road infrastructure undertaken by this government includes: Tema Motorway Roundabout, a 3 –tier interchange which is completed and commissioned; Pokuase Interchange under the Accra Urban Transport Project. This involves the construction of a 4-tier interchange. Progress currently stands at 74 percent; Obetsebi Lamptey Circle Interchange and ancillary works (Phase 1) currently at 45 percent completion; Tamale Interchange Project which is 40% complete; Kumasi-Lake Roads and Drainage Extension project, at 55 percent completion as at end June, 2020. Residents of all urban centres, especially Accra, Ho, Kumasi and Takoradi, are seeing continuing improvements in inner-city roads in their metropolis. In addition, construction of critical inter-regional road projects and bridges, including the Eastern Corridor Road Phase I, are all at various stages of completion.

Moreover, the government of Ghana established a Program Based Budget (PBB) estimates for the medium term 2020 – 2023. Hence, total fund allocation to the Ministry of Roads and Highways is projected at GHS 2 275 million in 2020 and GHS 2 169 million for 2021, 2022 and 2023. *(mofep.gov.gh)*

Overall, Ghana's market has a huge growth potential since the road network of over 63 000 km needs repair and modernization. That should lead to a rehabilitation program of US $ 1.5 billion per year for the next ten years to get the roads up to a good standard.

Average selling price of SMB on the export market (specifically in Ghana) is expected to fall 7.66% CAGR from XOF 252 060 per ton in 2019 to XOF 198 472 per ton in 2022. However, it should surge 8.54% CAGR from 2020 to 2022. The 33.16% drop of selling price in 2020 compared to 2019 is mainly due to important tumbling of oil price benchmark caused by Covid-19 which inspired disruption of global economic activities. Over the period 2020 – 2022, the rise of selling price should result from the recovery of oil prices and rise in demand.

Thus, sales should drop 23.13% from 2019 to 2020 because of fall in selling prices and subsequently surge 13.97% CAGR from XOF 5 293 million in 2020 to XOF 6 875 million in 2022 on back of combined effects of rises of volume and selling prices.

Cameroonian market

Exhibit 27 : Cameroonian market sales

Particulars (XOF mn)	2019	2020e	2021e	2022e
Selling Volume (MT)	15 939	28 290	29 264	29 849
Avg. selling price (XOF/ton)	252 060	168 476	202 852	198 472
Avg. total Sales (XOF mn)	**4 018**	**4 834**	**5 936**	**5 925**

Selling volume is expected to surge 23.26% CAGR from 15.94 KT in 2019 to 29.85 KT in 2022 driven by growing infrusctructural projects over the period. The cameroonian government has launched its National Strategy for Development (SND) 2020 – 2030. Regarding infrastructural development, the country plans to make infrastructural development to ensure the opening up of industrial basins, the supply of factories with raw materials (particularly of mining origin), the flow of production to internal and external markets, as well as the transport of goods. people. Concretely, this will involve asphalting at least 6 000 km of roads (with a priority for the 4 800 km of national roads still in the ground), densifying, with the support of private partners, to 5 500 km the length of the rail network in by 2030 and the construction of specialized terminals in the port of Kribi, to build a new terminal at Douala international airport with a new airstrip and to upgrade Garoua international airport.
Regarding the national road network, which constitutes nearly 85% of the transport infrastructure, the Government set itself the objective of increasing the density of the asphalt network from 0.27 km/1000 inhabitants in 2010 to 0.34 km/1 000 inhabitants in 2020. This objective consisted concretely in the construction of 3 500 km of paved roads and the rehabilitation of 2 000 km of existing asphalt roads, in order to maintain the consolidated capital. At the end of the implementation of the DSCE (Document de Stratégie pour la croissance et l'Emploi), the asphalt road network is 7 174 km, attesting to the construction in the period under review of 2 274 km, ie a gap of 1 226 km compared to the objective. Likewise, 88 km of motorways have been built (out of the 480 km planned), but they are not yet in operation.
As part of the National Development Strategy 2020-2030, the Government intends to increase the density of the asphalt network from 0.32 to 0.48 km per 1 000 inhabitants. Concretely, this will involve asphalting at least 6 000 km of roads in the period under review (with a priority for the 4 800 km of national roads still in the ground), by para-overlapping current projects (like the construction of the Mengong - Sangmelima, Boucle duDja (phase 2), Nkolessong-Nding and Nding-Mbgaba, Mbama-Messamena, Batchenga - Ntui - Yoko –Lena - Tibati, Sangmélima - Ouesso, Maroua - Moraet Mora - Dabanga - roads Kousseri, the PLA-NUT projects, the Yaoundé-Douala phase 1 motorway; the construction of metal bridges, etc.); but also by launching a new generation of third-party motorway projects in Public-Private Partnerships and roads (national, regional and municipal roads) in support of agropastoral, industrial and service development priorities.

Average selling price of SMB on the export market (specifically in Cameroon) is expected to fall 7.66% CAGR from XOF 252 060 per ton in 2019 to XOF 198 472 per ton in 2022. However, it should surge 8.54% CAGR from 2020 to 2022. The 33.16% drop of selling price in 2020 compared to 2019 is mainly due to important tumbling of oil price benchmark caused by Covid-19 which inspired disruption of global economic activities. Over the period 2020 – 2022, the rise of selling price should result from the recovery of oil prices and rise in demand.

Thus, sales should rise 13.82% CAGR from XOF 4 018 million in 2019 to XOF 5 925 million in 2022 because of the combined effects of rises of volume and selling prices.

Other Lands market

Exhibit 28 : Nigerian market sales

Particulars (XOF mn)	2019	2020e	2021e	2022e
Selling Volume (MT)	9 500	10 296	10 846	11 702
Avg. selling price (XOF/ton)	265 474	202 171	227 691	222 797
Total Sales (XOF mn)	**2 252**	**2 081**	**2 470**	**2 607**

Other Lands market includes sales in Burkina Faso, Mali and Niger. We anticipate a 7.20% CAGR of volume sold from 9.50 KT in 2019 to 11.70 KT in 2022, mainly related to growing infrastructural projects, and more specifically on roads construction and rehabilitations. Nevertheless, average selling price on other lands market is expected to fall by 5.67% CAGR from XOF 265 474 in 2019 to XOF 222 797 in 2022.
These facts should pull up the total sales of this market by 1.11% CAGR from XOF 2 252 million in 2019 to XOF 2 607 million in 2022. Sales should remain relatively stable due to the political crisis and terrorist assaults undergone by these countries. However, these countries intend to continue their infrastructural projects.

Distillate Sales

Exhibit 29 : Distillate sales

Particulars (XOF mn)	2019	2020e	2021e	2022e
Selling Volume (MT)	121 300	217 336	222 469	227 935
Avg. selling price (XOF/ton)	341 805	242 605	276 335	277 483
Total Sales (XOF mn)	**41 461**	**52 734**	**61 473**	**63 248**

Out of the treatment of crude oil for bitumen manufacturing, around 42.1% becomes distillate products and the entire volume of the latter is sold to SIR (Société Ivoirienne de Raffinage).

We therefore anticipate a 23.40% CAGR of distillate selling volume from 121.3 KT in 2019 to 227.94 KT in 2022.

Average selling price of Distillate is expected to follow the same trend as the average purchase price of raw materials. We projected a -29.02% drop in the average selling price in 2020 as compared to 2019, then a 6.95% CAGR from XOF 242 605 in 2020 to XOF 277 483 in 2022.

Total distillate sold should therefore surge 15.12% CAGR from XOF 41 461 million in 2019 to XOF 63 248 million in 2022.

Projected financials figures

Exhibit 30 : Income statement projection

Amount (XOF mn)	2019	2020e	2021e	2022e	2019-2022e CAGR
Turnover	**116 253**	**120 001**	**141 545**	**141 824**	6.85%
Cost of sales	107 148	92 204	112 657	112 400	1.61%
Gross profit	**19 963**	**27 797**	**28 889**	**29 424**	13.80%
Gross margin	*17.17%*	*23.16%*	*20.41%*	*20.75%*	
EBITDA	**2 130**	**10 873**	**11 490**	**11 865**	77.27%
EBITDA margin	*1.83%*	*9.06%*	*8.12%*	*8.37%*	
Operating profit (EBIT)	**949**	**9 680**	**10 196**	**10 473**	122.64%
EBIT margin	*0.82%*	*8.07%*	*7.20%*	*7.38%*	
Net Income after Tax	**58**	**7 412**	**7 933**	**8 266**	422.35%
Net margin	*0.05%*	*6.18%*	*5.60%*	*5.83%*	

Aggregate of local market sales, exports market sales, other lands market sales and distillate sales allows us to find a total turnover of XOF 120 001 million in 2020, XOF 141 545 million in 2021 and XOF 141 824 million in 2022, which represent a CAGR of 6.85% from 2019 to 2022.

Cost of sales should decline in 2020 at XOF 92 204 million (-13.95% YoY) in spite of 39.13% increase in purchase of crude oil, since average purchasing price is expected to fall by 34.74% that year, compared to 2019. Subsequently cost of sales should rise 10.41% CAGR from 2020 to 2022, on the back of higher volume purchased (+2.40% CAGR) and higher purchasing price from 2020 to 2022 (+9.69% CAGR).

Gross profit is therefore expected to rise 13.80% CAGR over the period while gross margin should improve at 23.16% in 2020 against 17.17% in 2019. Then, it should decline to 20.41% in 2021 and 20.75% in 2022.

We anticipate a 77.27% CAGR surge of EBITDA from XOF 2 130 million in 2019 to XOF 11 865 million in 2022. EBITDA margin should improve at 9.06% in 2020 agaisnt 1.83% the previous year, and come down to 8.12% and 8.37% in 2021 and 2022 respectively. This is mainly due to a 6.40% YoY decline of external charges.

Depreciation is expected to rise 5.62% CAGR over the period due to increase in recent investments. So, EBIT should surge 122.64% CAGR from XOF 949 million in 2019 to XOF 10 473 million in 2022.

Interest payments are expected to fall 32.81% CAGR from 2019 to 2022, as we anticipate a reduction in loans and bank over draft from XOF 2 794 million in 2019 to XOF 544 million in 2022. As for the income taxes provisions, we have maintained a 25% rate over the period.

Thus, the net income should forge ahead by 422.35% from XOF 58 million in 2019 to XOF 8 266 million in 2022.

Valuation Analysis

We recommend a **Buy action** on the shares of SMB with a 12-month target price of **XOF 5 400** based on aggregate of three methods. We value the company on relative multiples among our international peers in Oil refinery sector. Our relative EV/EBITDA and Price to Earnings (P/E) multiples of respectively **2.95x** and **4.65**x. In addition to relative multiple valuation methods, we have also used the discounted cashflow method as we anticipate positive cashflows over the forecast period. We have found the most relevant method to be the P/E multiples, as many investors and analysts use it as a market proxy.
In our view, **SMB's shares are currently undervalued** as its fundamentals appear to be less considered in a relatively inefficient financial market.

Price/Earnings valuation

In line with international trading comparable, we apply a 4.65x multiple to our FY20E EPS for SMB to reach a fair value of **XOF 4 400**, based on this method.

Exhibit 31 : P/E Valuation

P/E Method		2020 E
Average P/E	4.65x	
Earning (MXOF)		7 412
Number		7 795 200
Value (XOF)		**4 400**

EV/EBITDA valuation

In line with international trading and transaction comparable, we apply a 2.95x multiple to our FY20E EBITDA for SMB to reach a fair value of **XOF 5 600**.

Exhibit 32 : EV/Ebitda Valuation

EV/EBITDA Method		2020 E
Average EV/Ebitda	2.95x	
Ebitda (MXOF)		10 873
Net debt (MXOF)		-11 701
Number of shares		7 795 200
Value (XOF)		**5 600**

DCF valuation

Based on our growth assumptions and valuable information obtained from the management and detailed researches, we believe we have faithfully estimated future cash flows of SMB. Our DCF valuation summary indicates a value per share of **XOF 9 300 in 2020**.

Since our DCF method considers a 3-year forecast period, there are of course certain risks and uncertainties related to such forecast. We have therefore also included a sensitivity analysis of the main input parameters to examine how variances in those parameters would affect and alter the DCF value.

Our DCF valuation can be summarized as follow:

Exhibit 33 : DCF Valuation

DCF method	2020 E	2021 F	2022 F
Cashflows	-7 184	8 255	6 169
PV (cashflow & residual value)	67 595	65 047	61 007
Debts (MXOF)	10 897	10 897	10 897
Cash (MXOF)	29 730	29 730	29 730
Shareholders value (MXOF)	79 873	84 200	84 848
Number of shares	7 795 200	7 795 200	7 795 200
Value (XOF)	**10 200**	**10 800**	**10 900**

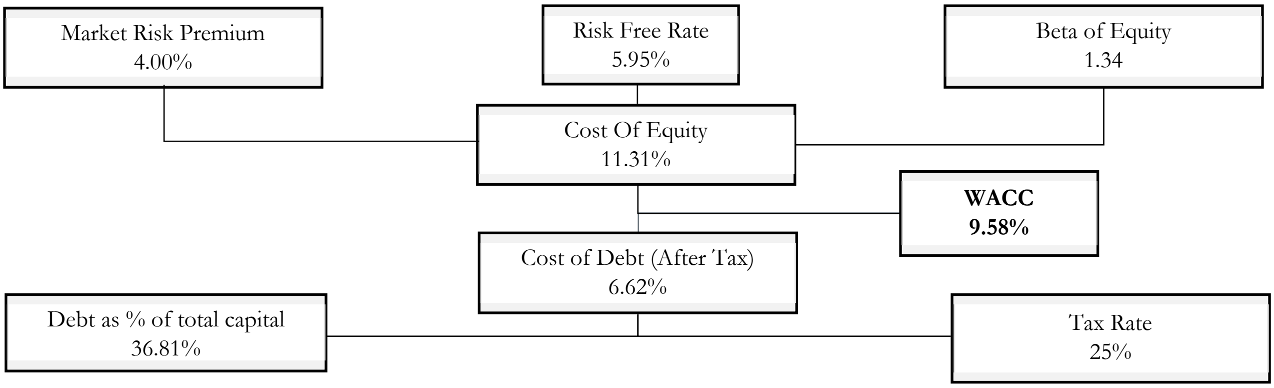
We provide a sensitivity analysis as follow:

Exhibit 34 : Sensitivity analysis

Shareholder value per share		XOF 10 200
Changing	By	Changed value by
Volume manufactured	5%	29,92%
Bitumen sold	5%	56,76%
Distillate sold	5%	26,84%
Turnover	5%	58,02%
Purchase of Raw material	5%	-45,85%

WACC Inputs and Outputs

Exhibit 35 : WACC calculation



Valuation summary (our target price)

We have looked at various valuation matrices to assess a fair value and set a target price for SMB. Our valuation analysis includes EV/EBITDA and PER multiples based on an international peer group providing oil refinery and asphalt services and DCF method with a sensitivity analysis on main parameters.

Exhibit 36 : Target price

Valuation methods	Weight Factors	2020 E
EV/Ebitda	40%	5 600
P/E	50%	4 400
DCF	10%	10 200
Weighted Average Value (XOF)	**100%**	**5 500**

Therefore, SMB stock is expected to trade between **XOF 4 400** and **XOF 9 300** based on anticipated 2020 results. Our target price is XOF **5 500**, a potential upside of **44.74%** from the current share price of XOF 3 800.

Peer Group

Table below is a list of comparable of publicly listed international companies operating in oil and refinery and manufacturing of asphalt for road constructions. This provide a benchmark according to which SMB could be valued. We found the averages PER of 13.30x and EV/EBITDA of 8.42x which are not consistent with SMB valuation position, observing a very low market cap for the SMB related to average peers. So, we applied a 65% discount on both PER and EV/EBITDA to obtain revised peers of **4.65x** for PER and **2.95x** for EV/EVITDA.

We further give a brief description of each of the companies in our peer group.

Exhibit 37 : Peers comparable

Companies	Ticker	Country	Market Cap. (US $ M)	P/E	EV/EBITDA
Ghana Oil Company Limited	GOIL.GH	Ghana	3 443.25	5.61x	3.58x
Viva Energy Group Ltd	VEA.AX	Australia	3 674.28	25.6x	8.33x
Hubei Guochuang Co., Ltd	002377.SZ	China	449.41	9.47x	5.74x
TIPCO ASPHALT PLC	TASCO.BK	Thailand	1 047.67	10.05x	10.87x
KEC International Ltd	KECL.NS	India	1 265.74	16.35x	10.36x
Thai Oil PCL	TOPn.BK	Thailand	3 708.49	17.69x	15.98x
SK Gas Ltd.	018670.KS	Korea	799.57	8.31x	7.43x
SMB	SMBC	Côte d'Ivoire	54.61	*510.72x	5.07x
Average ratio (65% discounted)				**4.65x**	**2.95x**

*: SMB's P/E e.i. 510.72x has not been taken into account in the average peer calculation as it does not seem to be significant.

Year-end	2018	2019	2020e	2021e	2022e
Income statement (XOF mn)					
Revenues	**134 198**	**116 253**	**120 001**	**141 545**	**141 824**
Cost of sales	106 993	92 985	92 204	112 657	112 400
Gross profit	27 205	23 268	27 797	28 889	29 424
Operating charges	20 539	18 062	17 153	17 627	17 788
EBITDA	**12 706**	**2 130**	**10 873**	**11 490**	**11 865**
EBITDA margin	*9.47%*	*1.83%*	*9.06%*	*8.12%*	*8.37%*
Depretiations & Amortiz.	1 331	1 181	1 193	1 294	1 392
EBIT	**11 375**	**949**	**9 680**	**10 196**	**10 473**
EBIT margin	*8.48%*	*0.82%*	*8.07%*	*7.20%*	*7.38%*
Net interest income (expense)	(962)	(858)	202	381	549
Profit before tax	**10 414**	**92**	**9 882**	**10 577**	**11 022**
Taxes	2 536	35	2 471	2 644	2 755
Net profit	**7 878**	**56**	**7 412**	**7 933**	**8 266**
Net margin	*5.87%*	*0.05%*	*6.18%*	*5.60%*	*5.83%*

Year-end	2018	2019	2020e	2021e	2022e
Balance sheet (XOF mn)					
Cash and equivalents	47 225	29 730	21 216	24 364	25 833
Receivables	32 365	34 694	33 334	35 386	35 456
Inventories	11 520	24 445	25 234	29 764	29 822
Tangible fixed assets	8 604	8 340	8 047	7 653	7 161
Other assets	103	114	114	114	114
Total assets	**99 817**	**97 323**	**88 054**	**97 391**	**98 496**
Payables	49 802	75 315	60 385	67 494	65 800
Provisions for risks	565	368	368	368	368
Bank overdrafts	22 107	8 103	7 103	6 103	5 103
Long term debts	12 760	2 794	2 044	1 044	544
Total liabilities	**85 234**	**86 580**	**69 900**	**75 009**	**71 815**
Shareholders equity	14 583	10 743	18 155	22 382	26 682
Total liabilities & equity	**99 817**	**97 323**	**88 054**	**97 391**	**98 496**

Year-end	2018	2019	2020e	2021e	2022e
Cash flow (XOF mn)					
Change in working capital	(22 424)	(10 259)	14 470	(526)	1 823
Cashflow from operations	9 637	1 898	8 403	8 846	9 109
Net capex	(140)	907	900	900	900
Free cash flow	**30 870**	**10 069**	**(6 967)**	**8 472**	**6 386**
Equity raised/(bought back)	-	-	-	-	-
Dividends paid	**974**	**3 898**	**-**	**3 706**	**3 967**
Net cash flow	28 934	5 315	(6 764)	5 148	2 969

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