

### Addoha announces Cash First 2020 Its new strategic plan

- Group Addoha announces Cash First 2020 its new strategic plan following the successful completion of the Cash Generation Plan
- The new plan is based on a realistic but ambitious vision “Build on achievements, develop new growth drivers and establish a regional leadership position”
- Thanks to 3 years of rigor, the Group today benefits from a financial strength enabling it to capture immediate benefits from market recovery when it comes

Douja Promotion Groupe Addoha's Board of Directors, chaired by Mr Anas Sefrioui, met on 22 December at which the new 2018-2020 strategic plan was approved.

“After 3 years of rigor, the Group Addoha now enters a new chapter in its development. We look to build on our recent achievements and supported by our strong foundations, we will launch a new ambitious, yet disciplined, development of the Group. We have named our new strategic plan Cash First 2020 which also sets our roadmap looking forward. Cash generation remains the Group's No1 priority, vital following recent experience. At the same time our ambition is to accelerate the development of our growth initiatives, the intermediate segment and Sub-Saharan Africa, the two strong drivers to build our future.”

MR ANAS SEFRIOUI, CHAIRMAN & CEO.

Cash First 2020, is launched against the backdrop of an economic environment unfavourable for growth. The decline in the housing market in 2016 & 2017 is expected to continue in 2018 due to the economic & sector context and despite the solid underlying fundamentals. This environment which has lasted several years, impacts mainly social housing segment resulting in a slowdown in building starts and production.

Nevertheless, signs of a recovery could be felt from 2019. The sector will benefit from the solid demand fundamentals :

- Demographic growth and the increase of the middle class
- Continuation of urbanization
- Structural shortage of housing in Morocco, notably in large cities

The Group has a potential of 201,000 housing units under construction or not yet started. This is against a record of having delivered 244,000 units.

The new strategic plan is based on a realistic but ambitious vision. In spite of the overall economic context, Addoha Management wishes to build for the future, however setting objectives that it can deliver.

The new vision, “Build on achievements, develop new growth drivers and establish a regional leadership position” has three main ambitions:



Addoha will consolidate its leadership position in the historic businesses, social housing and high end, but at the same time adapt operations in line with demand to avoid the vicious circle of excessive production and the negative impact on cash. In the context of weak demand any production aimed at generating topline turnover growth automatically results in an increase in the stock of finished units and hence working capital, the immediate result is a decline in cash.



In parallel, the Group will pursue a strategy to develop its growth initiatives with an acceleration of its intermediate housing activity in Morocco and the ramp up in the Sub-Saharan African projects.

In order to achieve its ambitions, the Groupe has set 8 major objectives:

#### Objective 1: Pursue a policy of high cashflow generation of 1.9bn MAD\* per year

The operational roll out of the new plan, Cash First 2020, will enable positive operational cashflows to be maintained totalling 5.6bn MAD\* over the period.

This cashflow generation will allow continuation of debt reduction, the acquisition of new land reserves and ensure the ability to distribute dividends.

	2018	2019	2020
Operating cashflows*	1.8bn MAD	1.9bn MAD	1.9bn MAD

\* Excluding land reserve investments

#### Objective 2: Maintain a gearing below 30% during the period

To achieve this objective, the Group will generate sufficient cashflows to pursue a debt reduction programme of 500m MAD per year.

	2018	2019	2020
Debt reduction	500m MAD	500m MAD	500m MAD

#### Objective

Gearing < 30%

#### Objective 3: Disciplined operating activity aligned to demand levels

For 2018, the Group's management expects the demand for housing to be at the same level as in 2017. Turnover is expected to be between 6.2m & 6.3m MAD including a contribution from growth initiatives of 200m & 300m MAD in 2018.

Turnover	2018	2019 - 2020
Normal run rate of activity (historical activities and Coralia prior to 2016)	6bn MAD	Ramp up in contribution Growth Initiatives
Growth Initiatives (New Coralia projects, Senegal, Ivory Coast, Conakry Guinea)	[ 200m MAD - 300m MAD ]	

#### Objective 4: Reinforce the operating margins to offset the negative impact of the economic situation on results

For 2018, Addoha expects a stable operation margin of 29%. From 2019, the Group expects enhanced operating margins supported by the ramp up the growth initiatives of between 30% & 32%.

#### Objective 5: Deliver 14% of turnover from the Intermediate housing segment in 2020

The Intermediate segment is a priority growth initiative in the plan Cash First 2020. This way the Group can benefit from the strong growth in the middle class in Morocco. The objective is for this segment to deliver 14% of the Group's turnover in 2020.

This ambition is supported by dedicated land reserves of 600 hectares positioned in the leading Moroccan cities. The aim is for a potential of 35,000 units which are either under construction or not started.



#### Objective 6: Deliver 7% of turnover from the operations in Sub-Saharan Africa in 2020

Sub-Saharan Africa suffers from a major shortfall in housing and thus represents major potential for the Group. Addoha anticipated this regional development and today these operations are a strong driver for the future with a target to achieve 7% of turnover in 2020.

To meet this ambition, the Group will accelerate the construction rate at housing developments in Locodjoro and Koumassi in the Ivory Coast, Cité de l'Emergence in Senegal, Cité Douane in Conakry Guinea, enabling first deliveries to start in Q1 2018 in the first two countries.



#### Objective 7: Acquire new land reserves within a budget envelope of between 400m-500m MAD per year

The Group will pursue an acquisition strategy of land reserves to ensure the momentum of growth initiatives and also ensure that the historical activities can meet future demand recovery. This strategy will be focused and disciplined with a budget not exceeding 500m MAD each year over the period.

#### Objective 8: Maintain Addoha as a return investment case

Thanks to the Cash Generation Plan, the Group was able to have a high rate of distribution which amounted to more than 2.1bn MAD during the plan. The objective of Cash First 2020 is to pursue the same distribution policy.