

Information record summary



Annual update 2012 Issuance of commercial paper

Issue program ceiling : 200 000 000 MAD
Per value : 100 000 MAD

Financial Advisor

BMCE CAPITAL 
CONSEIL

Placement Agent

BMCE BANK 

VISA OF CONSEIL DEONTOLOGIQUE DES VALEURS MOBILIERES (FINANCIAL AUTHORITY)

In accordance with the CDVM Circular taken pursuant to Article 18 of the Dahir No. 1-95-3 of September 21th 1995 relative to the Conseil Déontologique des Valeurs Mobilières (CDVM) and the information required by legal persons with public offering as amended and supplemented, the original of this present note has been Approved by the CDVM on 08/10/2013 under the reference number VI/EM/025/2013

WARNING

The Conseil Déontologique des Valeurs Mobilières (CDVM) referred on 08/10/2013 an Information Record related to the issuance of commercial paper by CAPEP. The Information Record approved by the CDVM is available at any time at the headquarters of CAPEP (Km 9 route de Médiouna Hay Inara, Casablanca, Maroc) and of its financial advisor. It is also available on the CDVM website (www.cdvm.gov.ma).

I. Introduction to Operation

I.1. Characteristics of transaction

Nature of securities	Marketable debt securities dematerialized by registration in the Central depository (Maroclear) and entered into an account among authorized affiliates
Form of securities	Commercial papers written out to bearer
Issue ceiling	MAD 200 000 000
Number of securities	2 000
Par value	100 000 MAD
Maturity	From 10 days to 12 months – To be determined for each issue
Entitlement date	Date of payment
Interest rate	Determined for each issue according to market conditions
Coupon payment	<i>In fine</i> . i.e. at due date of each commercial paper
Repayment of capital	<i>In fine</i> . i.e. at due date of each commercial paper
Negotiability of securities	No restriction is imposed by the terms of issue with regard to the marketability of the treasury bills issued. The securities are negotiable over the counter. Negotiability is guaranteed by BMCE Bank.
Guarantee	This issue carries no guarantees

I.2. Objectives

The Company wishes to undertake a commercial paper issuance program in order to :

- Optimize the cost of short term financing by substituting partially or integrally the existing bank debt and overdrafts by treasury bill projects ;
- Meet the individual cash requirements induced by working capital variations due to development of the activity ;
- Diversify funding sources in order to dispose of a leverage to negotiate with financial partners ;
- Consolidate its image among the institutional investors through a significant presence on the capital market.

I.3. Placement Agent and Financial Intermediaries

Financial Intermediaries	Name	Address
Advisor and coordinator	BMCE Capital Conseil	63, Bd Moulay Youssef, Casablanca
Placement Agent	BMCE Bank	140, Avenue Hassan II, Casablanca
Securities Account Manager	BMCE Bank	140, Avenue Hassan II, Casablanca
Central Custodian	Maroclear	Route 1077 par route d'El Jadida, 18 Cité Laia – 20200 Casablanca

II. Issuer information

I.4. Overview

Corporate name	Capep SA
Legal Headquarters	Km 9 route de Médiouna Hay Inara, Casablanca, Maroc
Phone	+ 212 5 22 21 63 95
Fax	+ 212 5 22 21 07 42
Website	www.capep.co.ma
Forme juridique	Limited company (Société Anonyme) with board of directors, governed by the law n°17/95 on Limited companies (Sociétés Anonymes) as amended and supplemented
Date of creation	1989
Life span	99 years
Trade register n°	55 365 – Casablanca
Fiscal year	From January 1 st to December 31 th
Registered capital:	MAD 60 000 000 split up into 37 500 shares of MAD 1 600 each
Corporate purpose	<p>According to article 2 of the by-laws the corporate purpose is :</p> <ul style="list-style-type: none"> ▪ The execution of all public and private works related to buildings ; ▪ Import, export of products, materials, tools for construction and transport vehicle ; ▪ The study and the achievement of all the projects, contracted with individual customers or the State, related to buildings and civil engineering, and all hydraulic systems and water pipes ; ▪ All operations related to plumbing repairs and sanitation ; ▪ The management, leasing, acquisition, sales of all goodwill, and all properties necessary to the achievement of the corporate purpose ; ▪ The direct or indirect acquisition of shares related to companies pursuing the same corporate purpose ; ▪ And more generally, all operations concerning real estate, industry, commercial or financial purpose that can be related to the purposes presented above or which may promote the company's development.
List of applicable laws and regulations	<p>By its legal form, the company is governed by the Dahir n° 1-96-124 of 14 Rabii II 1417 (August 30th 1996) promulgating the law n° 17-95 relative to limited companies as modified and completed by the Dahir n°1-08-18 of 17 Joumada I (May 23th 2008) promulgating the law n°20-05.</p> <p>By its activity, the company is governed by :</p> <ul style="list-style-type: none"> ▪ The Decree n° 2-06-388 of 16 moharrem 1428 (February 5th 2007) fixing the conditions and the procedures to award the governments contracts, and the rules of their management and control ; ▪ The CCAG-T : Decree n° 2-99-1087 of 29 moharrem 1421 (May 4th 2000) approving the General Conditions of Contract applicable to contracts executed for the government.

By the issue of commercial paper, object of this document, the company is subject to the the following legal and regulatory provisions :

- The Dahir n° 95-03 of January 26th 1995 promulgating the law n° 35-94 relative to some negotiable debt securities ;
- The Central Depository general regulations approved by the minister of Finances and Economy decree n°932- 98 of April 16th 1998 and amended by the decree n°1961-01 of October 30th 2001 ;
- The Dahir n° 1-93-212 of September 21th 1993 relative to the CDVM and the information required by legal persons with public offering as amended and supplemented by the laws n°23-01 26-05, 44-06 ;
- The general regulations of the CDVM as approved by the minister of Finances and Economy decree n°882-08 of April 14th 2008 ;
- The Dahir n° 1-96-246 of January 9th 1997 promulgating the law n° 35-96 relative to the creation of a Central Depository and the establishment of a general regulation system to the registration of certain values (Amended by the law n°43-02.

Consultation of legal documents	The by-laws, the minutes of general meetings, the annual report and the auditors report can be consulted at the headquarters of Capep
Competent jurisdiction	Commercial court of Casablanca
Tax system	The company is regulated by the commercial and social legislation. The income tax rate is 30%, and Capep's operations are subject to a 20% tax rate

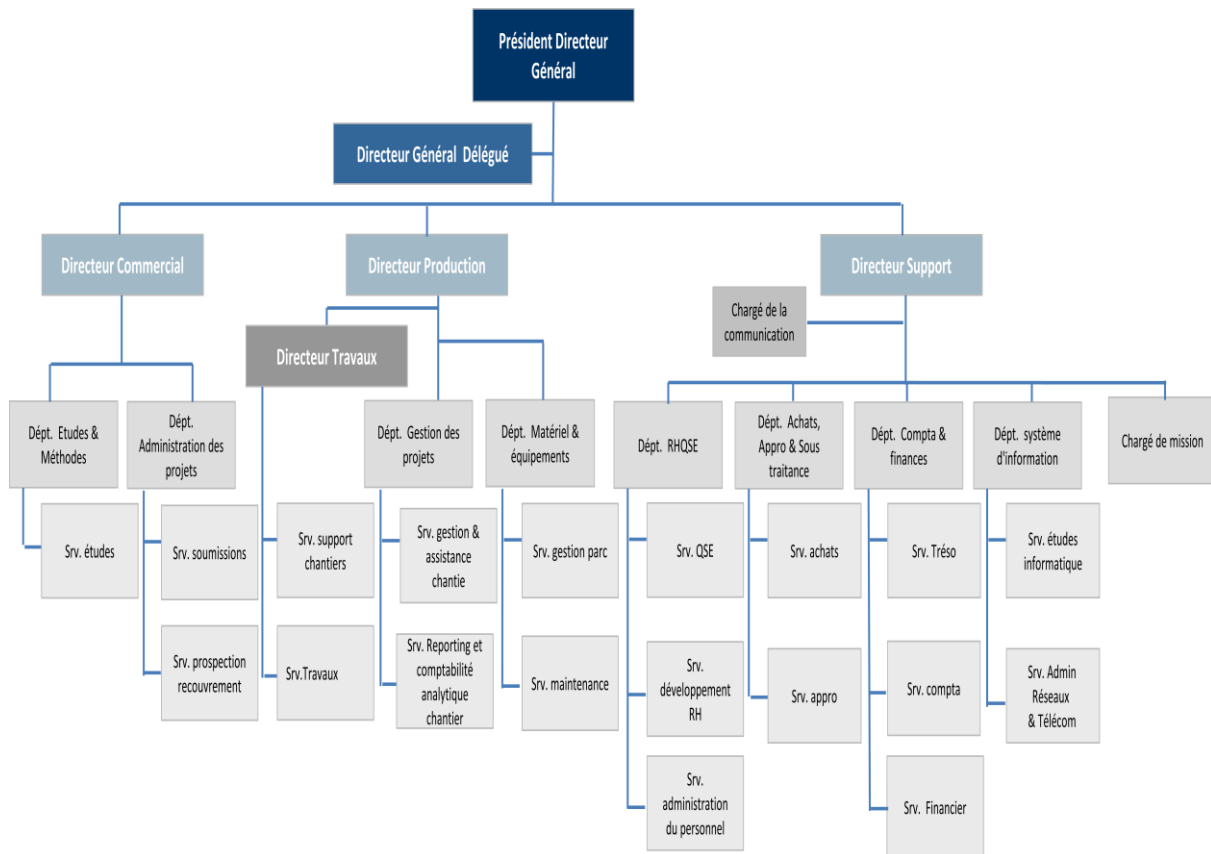
Source : CAPEP

1.5. Structure of shareholders

Shareholders	December 2011		April 2012		August 2013	
	Number of shares	% of equity and voting rights	Number of shares	% of equity and voting rights	Number of shares	% of equity and voting rights
Ibnou Zahir Mohamed	12 000	40,0%	11 997	39,99 %	11 997	31,99%
Al Kadima Promotion SARL					7 500	20,00%
Ibnou Zahir Youness	4 500	15,0%	4 500	15,00 %	4 500	12,00%
Ibnou Zahir Hassan	3 750	12,5%	3 749	12,50 %	3 749	10,00%
Héritiers Ibnou Zahir Ismail	3 750	12,5%	3 750	12,50 %	3 750	10,00%
Ibnou Zahir Samira	3 000	10,0%	2 998	9,99 %	2 998	7,99%
Ibnou Zahir Soumia	3 000	10,0%	3 000	10,00 %	3 000	8,00%
Jamal Lahbabi			1	0,003 %	1	0,003%
Zineb El Bayed			1	0,003 %	1	0,003%
Meriam SABRALLAH			1	0,003 %	1	0,003%
Ahmed Ibnou Zahir			1	0,003 %	1	0,003%
Idriss Ibnou Zahir			1	0,003 %	1	0,003%
Abderrahmane Ibnou Zahir			1	0,003 %	1	0,003%
Total	30 000	100,0 %	30 000	100,0 %	37 500	100,0 %

Source : CAPEP

I.6. Functional organization chart



Source : CAPEP

I.7. Presentation of Capep’s main sectors of activity :

I.7.1. Presentation of Capep’s business :

Historically present in all trades of construction and civil engineering related to water (water pipes, and sanitation), the Company’s activities are organized as follow :

Figure 1. CAPEP’s activities by the end of 2012

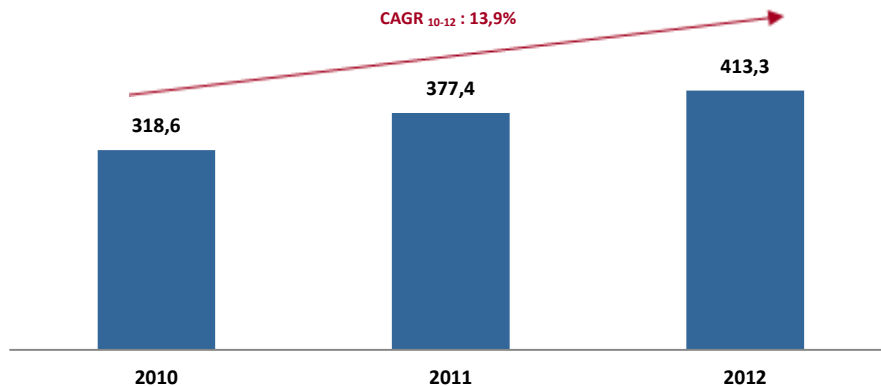


Source : Capep

I.7.2. Sales evolution

Capep's sales evolution during the last three years is presented as follow :

Figure 2. Sales evolution between 2010 and 2012 (in MAD Millions)



Source : Capep

By the end of 2012, the sales of Capep reach MMAD 413,3, increasing by a CAGR of 13,9% between 2010 and 2012. The improvement of the activity comes as a result of obtaining multiple important contracts. Therefore, the execution of these contracts led to an increase of its revenue. The company bills its services as their realization is achieved and the delivery of different parts of the contract is done.

Thus, the turnover's growth results from two factors : (i) Continuation (or delivery) of projects initiated the previous year, and (ii) Obtaining new contracts through market framework (particularly with public services delegation) and tendering for a public or private contract. The market framework are global markets which the company try to held. Those markets define the bill for each service that could be realized by the company.

I.7.3. Capep's main customers

During the period 2010 – 2012 , the company's main customers appears as follow :

Tableau 1 Capep's main cutomers between 2010 and 2012

Customer	Contract type	2010		2011		2012	
		Amount (MMAD)	%	Amount (MMAD)		Amount (MMAD)	
LYDEC	Private	32,29	10,10%	53,99	14,30%	106,95	25,88%
SEMI MAROC	Private					42,88	10,38%
Autoroute du Maroc	Public			10,15	2,69%	39,17	9,48%
SDS	Private					37,97	9,19%
Agence Pour le Progrès	Public			13,34	3,53%	35,10	8,49%
AL OMRANE	Public	4,46	1,40%	12,21	3,23%	34,00	8,23%
MASEN	Public					27,2	6,58%
Agence urbaine d Casablanca	Public			13,89	3,68%	26,32	6,37%
SAZ	Public					15,42	3,73%
Direction des aménagements hydrauliques	Public			75,05	19,88%	11,93	2,89%
APDN	Public					8,37	2,03%
AMENDIS	Private	14,64	4,60%	11,16	2,96%	5,61	1,36%
Agence pour l'Urbanisation et le Développement d'Anfa	Public			5,32	1,41%	5,17	1,25%
RADEEF	Public			12,46	3,30%	4,07	0,98%
ONEP	Public	91,94	28,80%	80,75	21,39%	1,46	0,35%
REDAL	Private	7,47	2,30%	14,82	3,93%	1,30	0,31%
RADEMA	Public			7,01	1,86%	0,81	0,20%
SIEMENS	Private					0,72	0,17%
Secrétariat d'Etat en Environnement	Public			23,43	6,21%	0,57	0,14%
ORMVAG	Public			17,13	4,54%	0,25	0,06%
RADEEO	Public	56,66	17,80%	2,49	0,66%	0,14	0,03%
RADEET	Public	13,57	4,30%	9,66	2,56%	-	0,00%
RAK	Public	70,71	22,20%	7,07	1,87%	-	0,00%
Others	-	26,88	8,40%	7,52	1,99%	7,93	1,92%
Total		318,62	100,00%	377,45	100,00%	413,34	100,00%

III. Issuer financial data :

I.8. Balance Sheet

I.8.1. Assets – 2010, 2011 et 2012

Over the past three fiscal years the balance sheet of CAPEP is presented as follow :

Assets - KMAD	2010	2011	2012
Intangible fixed assets	75	50	25
% of total balance sheet	0,0%	0,0%	0,0%
Preliminary start up fees	75	50	25
Tangible fixed assets			257
% of total balance sheet	8,2%	8,1%	8,0%
Machinery	17 291	18 576	19 172
Transport equipment	340	663	560
Office materials	4 399	5 234	6 057
Fixed assets	22 106	24 523	26 070
% of total balance sheet	8,2%	8,1%	8,1%
Stocks	25 158	26 647	28 722
% of total balance sheet	9,3%	8,8%	8,9%
Consumables	11 469	13 179	11 177
Goods in process	13 689	13 468	17 546
Receivables	222 371	246 487	254 715
% of total balance sheet	82,3%	81,7%	78,9%
Trade payables, advances and downpayments		1 298	168
Customers	203 356	222 716	224 711
Advances to employees	191	170	192
Payable tax - assets	18 273	21 446	27 749
Current account			0
Other debtors	397		144
Adjustment account assets	155	857	1 751
Translation difference - Asset			23
Current assets	247 529	273 134	283 460
% of total balance sheet	91,6%	90,5%	87,8%
Cash assets	452	4 064	13 336
% of total balance sheet	0,2%	1,3%	4,1%
Cheques and bills	-	1	1
Cash at bank	367	3 929	13 305
Cash account, Imprest account	86	133	30
Total Assets	270 088	301 722	322 866

Source : Capep

I.8.2. Liabilities – 2010, 2011 et 2012

Liabilities and equity - KMAD	2010	2011	2012
Equity	43 097	48 684	56 872
<i>% of total balance sheet</i>	<i>16,0%</i>	<i>16,1%</i>	<i>17,6%</i>
Equity capital	30 000	30 000	48 000
Legal reserves	1 338	1 566	684
Other reserve	2 004	2 004	
Retained Earnings Account	5 208	9 527	
Net Income	4 546	5 587	8 188
Non current liabilities	84	0,0	0,0
<i>% of total balance sheet</i>	<i>0,0%</i>	<i>0,0%</i>	<i>0,0%</i>
Other financing debt			
Permanent capital	43 181	48 684	56 872
<i>% of total balance sheet</i>	<i>16,0%</i>	<i>16,1%</i>	<i>17,6%</i>
Current liabilities	119 342	137 975	206 324
<i>% of total balance sheet</i>	<i>44,2%</i>	<i>45,6%</i>	<i>63,9%</i>
Suppliers and associated accounts	74 611	91 375	137 855
Receipt in advance	6 140	6 827	7 565
Employees	1 821	2 529	8 519
Social security bodies	1 731	2 134	2 447
Liabilities tax payable	33 162	32 627	48 297
Current account	-	-	0
Other debts	595	769	563
Adjustment accounts Liabilities	1 282	1 714	1 078
Other provisions			233
Short term debt	119 342	137 975	206 557
<i>% of total balance sheet</i>	<i>44,2%</i>	<i>45,7%</i>	<i>64,0%</i>
Cash - Liability	107 565	115 062	59 437
<i>% of total balance sheet</i>	<i>39,8%</i>	<i>38,1%</i>	<i>18,4%</i>
Discount credit	1 858	0	0
Cash advance	76 403	98 748	52 108
Regularization Bank	29 305	16 315	7 329
Total liabilities	270 088	301 722	322 866

Source : Capep

I.9. Income statement 2010, 2011, 2012

Over the past three fiscal year the income statement is as follow :

KMAD	2010	2011	2012
I Operating revenue			
Sales of merchandise			
Sales of goods and services produced	318 620	377 455	413 328
Sales	318 620	377 455	413 328
Variation in product inventory	-362	-221	4 078
TOTAL I	318 258	377 233	417 406
II Operating expenses			
Consumed operating supplies	193 528	233 921	251 712
Other external expenses	45 918	49 943	62 806
Taxes	437	380	542
Employees expenses	62 657	71 231	78 209
Other operating expenses			
Operating allowances for amortization	3 888	4 498	5 107
TOTAL II	306 428	359 973	398 376
III Operating income (I - II)	11 830	17 261	19 029
IV Financial revenues			
V Financial expenses			
Interest expense	5 547	6 787	5 920,6
Exchange losses	-1,3	31,3	13,8
Financial allowances			23,0
TOTAL V	5 545	6 818	5 957
VI Financial income (IV - V)	-5 545	-6 818	-5 957
VII Current income (VI + III)	6 284	10 442	13 072
VIII Non current revenues			
Proceeds of disposals of fixed assets	45	384	4 721
Other non current income	181	477	79
Non current elements			2 000
TOTAL VIII	226	860,5	6 800
IX Non current expenses			
Net book value of disposed assets	1	197	488
Other non current expenses	3	19,9	5 743
Non current depreciation, amortization and provision expenses		2 100	110
TOTAL IX	4	2 317	6 340
X Non current income(VIII - IX)	222	-1 457	460
XI Income before taxes (VII + X)	6 506	8 985	13 532
XII Income tax	1 961	3 398	5 344
XIII Net income (XI – XII)	4 546	5 587	8 188
XIV Total revenues (I + IV + VIII)	318 483	378 094	424 206
XV Total expenses (II + V + IX + XII)	313 938	372 506	416 018
XVI Net income (XIV – XV)	4 546	5 587	8 188

IV. Risk factors

I.9.1. Competition risk

At a national level, the real estate development and major infrastructure projects launched by the Moroccan State (construction of highways, water infrastructure, etc.), the absence of barriers to entry and the positive perspectives surrounding the sector, are all factors contributing to attract new operators who seek to win contracts and gain new references, by bidding for markets with low added value and reduced financial offers.

Having over 20 years of experience, Capep disposes of a solid expertise in all its area of activities, and references allowing the company to be differentiated from the competition. Actually, the company is working on projects with high value added and more profitable. These worksites, generally challenging, require a qualified workforce whose available among Capep's human resources.

Currently, foreign players are gaining more tenders in civil engineering than in the past, which represents a competition for domestic players.

I.9.2. Operating risk at worksite level

By the nature of its activity, the company is surrounded by major risks relative to the realization of the work assigned (construction of tunnels, etc.). These risks may affect the work progression (delay on the delivery which can lead to financial penalties against the company), and may also affect the working force (in case of injuries, etc.).

These risks are mastered by the Company. Indeed, Capep guarantees the security of its workforce through the institution of a strict security policy among its permanent experienced staff.

In addition, the supervision of worksites is permanent and extremely detailed in order to avoid delays in the delivery deadline. The Production Direction and the General Direction are the actors responsible of the supervision.

Finally, the company may also experience a delay in the delivery deadline because of the weather conditions. However, during the winter period, the Company secures at best its facilities and protects its worksites from these climatic changes.

I.9.3. Risk of dependency on individual customers

As a commercial company, Capep could be exposed to counterparty risk, due to its customer portfolio. In fact, the primary customer represents a significant proportion of the company's global revenue.

It appears that in 2012, Lydec contributes by 26% to the global revenue. Moreover, Capep's activity is concentrated around a restricted number of customers (public and private). The five first customers held 63,4% of the global revenue by the end 2012.

However, the company benefits from historical relationship with a certain number of customers such as ONEP, limiting the potential of a conflict or abuse of dominant position, and facilitating the different daily exchange (claims processing, etc.). In addition, some Capep's major customers presents a limited solvency risk profile since they can be assimilated to a sovereign risk (with a low risk of default).

Finally, despite a relative dependence to a restricted number of customers, this concentration is not reflected in the number of Capep's projects. Indeed, the revenue realized by Capep through ONEP is diluted among different projects assigned, thereby limiting the risk of dependence on a single project.

Aware that the present situation is disadvantageous, Capep seeks to diversify its customer portfolio by increasing its submission to tenders.

1.9.4. Risk linked to the nature of customers

Given the nature of its activity, Capep regularly collaborates with public and para-public companies. Thus, through ONEP and different “régies autonomes”, the public sector contributes on average by 73,6% on the global revenue during the last three years. This preponderance of the public sector comes as a result to the investment made to realize different worksites (construction of tunnels, construction of sewage wastewater, etc.) more frequently by the public offices than by the private companies.

However, since the economic context in Morocco is relatively difficult, some operators may differ their investment, leading to a market loss for Capep. Despite the economic uncertainty and the strategic nature of investments (drinking water, sanitation, etc.) and their daily impact on Moroccans life, it is difficult to conceive a report (or cancellation) of the projects that the company is actually working on.

1.9.5. Risk of dependency on individual supplier

Suppliers of iron, concrete and aggregates represents in 2012, 31,5% of the company’s total purchases. This preponderance can be explained by the use of these materials to achieve the different projects.

By the end of 2012, the top ten suppliers represents 47,2% of the company’s global purchases, showing a relative concentration. In 2011, it concentrates 51,4% of the company’s total purchases.

The company seeks to diversify its suppliers database by systematizing the recruitment of suppliers (local and regional) facilitating the supplying process at the remote sites. Indeed, each worksite’s provision is provided by a regional supplier, limiting the risk of supply disruption.

1.9.6. Risk related to the increase of raw materials prices

These last years show an increase in the raw materials prices (iron, concrete, aggregates, cement, etc.), forcing the company to increase its financial offer relative to the submission to tenders. However, since some markets can last over 12 months and the price of services is fixed at the beginning of the project, a sudden and significant rise in input prices could negatively impact the profitability of the Company. Indeed, the working price being determined on the basis of a reference to input prices, any increase could reduce the margin of the Company.

However, concerning the contracts signed with public operators, in the case of a significant increase in raw materials prices the terms of tariff revision are planned by the General Conditions of Contract. Thus, if such a situation happens, a reevaluation of the service cost can be made by Capep.

1.9.7. Risk related to an unavailability of competent human resources

Given the nature of its business, the company needs competent human resources. However, the Moroccan market knows a decrease in the number of engineers and executives. Thereby, Capep is facing the risk of deterioration of its operational staff since its recruitment process may be altered by the unavailability of competent workforce in adequacy with its needs. To manage this risk, the company have been taking several measures, including :

- Adopting a structured approach to assure a transfer of skills between existent employees and new recruits ;
- Anticipation and optimization of recruitment.

Moreover, the Ministry of Education, through different measures, seeks to double the number of engineers trained each year.

Finally, in order to illustrate the company’s working environment where the employees evolve, the workforce is characterized by an important level of expertise and seniority. Indeed, nearly 72,2% of the permanent workforce has more than 2 years of service in-house. This positive rate comes as a result of the social policy and the working environment established by the management, promoting the stability of workforce.

1.9.8. Risk of social conflict

Since its creation, the company hasn't experienced any social conflict or a strike.

The company respects the Moroccan labor law, and offers attractive remuneration conditions. These factors limit the probability of such a risk to occur.

WARNING

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