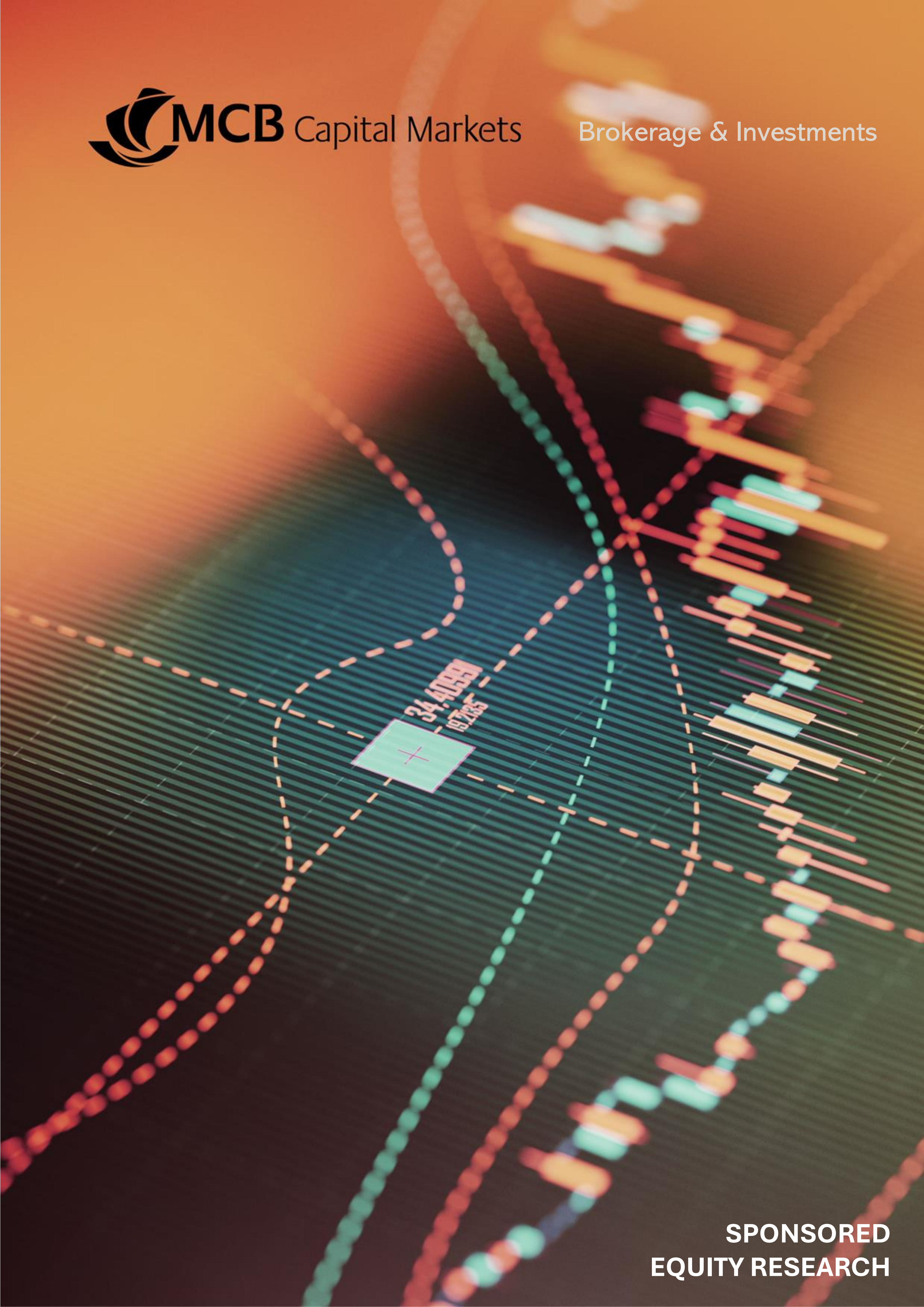
MCB Capital Markets

Brokerage & Investments



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CIEL Limited (Report Update):
Maintaining our **OVERWEIGHT** rating | TP: **MUR 11.17**

Recommendation
OVERWEIGHT

Closing Price (26 May 2025)
MUR 8.48

Target Price (1-Year)
MUR 11.17 (+31.7%)

Ticker
CIEL.N0000

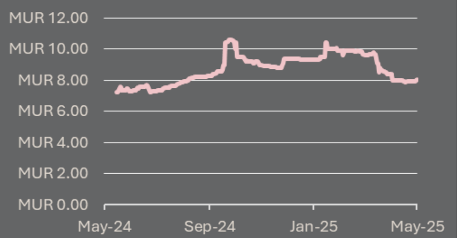
ISIN
MU0177I00025

52-Week Low - High
MUR 7.20 – 10.60

Annual Dividend FY24
MUR 0.32 (3.8% yield)

Market Capitalisation
MUR 14.4 bn

No of Shares in issue
1.694 bn



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CIEL Limited Report Update | Nine months ended 31 March 2025 ("9M FY25")

Earnings Update: Encouraging topline growth in volatile global landscape

- CIEL announced revenue of MUR 28.0bn for 9M FY25, a 7.2% year-on-year increase led by Healthcare, Finance and stronger export volumes from Indian operations in Textile. Despite topline growth, EBITDA and PAT attributable to shareholders declined by 9.5% (MUR 5.3bn) and 26.7% (MUR 1.6bn) year-on-year respectively.

- Both were weighed down by compressed margins from higher wage costs in Mauritius and operational disruptions – notably the temporary closure of Shangri-La Le Touessrok for renovations and wage hikes mandated by recent regulations, softer earnings from the Property cluster, and lower contribution from the Agro cluster. 9M FY25 earnings also declined because the Property cluster recorded one-time income of MUR 327m from land sales at Ferney in FY24 which has not so far been replicated in FY25.

- Overall, the Group's EBITDA margin was compressed to 18.9% (vs 22.4% in 9M FY24), while PAT margin narrowed to 10.3% (vs 14.5% in 9M FY24). We have updated our FY25 projections to reflect our revised expectations for FY25 and we expect performance to normalise in FY26 and FY27.

Valuation Implication

In our view, FY25 is shaping up as a transition year due to unprecedented employee costs and global tariff uncertainties. Nevertheless, we believe CIEL remains strongly-positioned to deliver value in the medium term as:
- The performance of the Hotels & Resorts cluster improves post-renovations
- The Healthcare and Finance clusters continue to deliver steady growth
- Sustainability and automation investment and India's relative tariff advantages compared to other countries deliver a competitive edge
- The Properties cluster's projects in development crystallise

We maintain our OVERWEIGHT rating with a revised TP of MUR 11.17 (vs MUR 12.15), which reflects our lower expectations for FY25 results, but maintain our assessment of CIEL's ability to deliver medium-to-long term value. We expect CIEL to achieve consolidated EBITDA margin of around 23% by FY27, and PAT margin near 14%.

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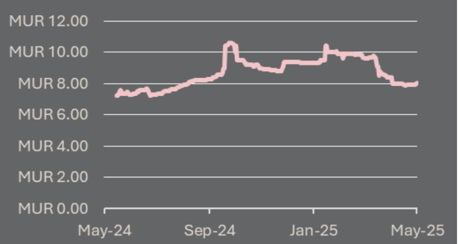

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Cluster Highlights

- **Textile**: Revenue rose 7.8% y/y to MUR 12.3bn, supported by improved export volumes from India. EBITDA improved 14.0% y/y to MUR 1.3bn, translating into a stable margin of 10.3%. In our view, the move by CIEL Textile to increase capacity in India may be increasingly critical amid rising trade policy uncertainty and trade tensions between the United States and China and increasing local demand in India. We expect this to offset pressure on the competitiveness of Madagascar due to uncertainty around the renewal the African Growth Opportunity Act (AGOA) with expiry due in September 2025. Asides the relatively lower tariffs on India compared to China, notably, more than 50% of CIEL Textile's Indian production caters to the domestic market, which should provide a natural hedge against external tariff volatility. We believe that the focus on capex initiatives to drive sustainability and automation may deliver a long-term competitive edge compared to less sustainability-focused players.

- **Healthcare**: Revenue rose 21.4% y/y to MUR 4.2bn in 9M FY25, led by growth momentum in Uganda and Mauritius. C-Care benefitted from the addition of more hospital beds in Uganda and Mauritius, and an improved service mix driven by its expansion into oncology and dental care. The EBITDA margin remained stable at 19.9% (vs 19.3% 9M FY24) driven by efficiency improvements. PAT grew 42.2% y/y to MUR 330m, supported by CIEL Healthcare's increased stake in C-Care International. The cluster is on track to exceed our full-year expectations. We expect the cluster's expanding regional footprint to unlock long-term synergies and continue to see C-Care as a key growth driver for the Group.

- **Finance**: Posted revenue of MUR 4.6bn (+10.5% y/y), and marginally lower EBITDA of MUR 1.5bn (-3.6% y/y) in 9M FY25 due to tighter net interest margins and higher funding costs. BNI Madagascar remains the key earnings driver with a strong loan book growth. However, FX volatility and its thin capital adequacy buffer may limit dividend upstreaming in the near term. We continue to see low banking penetration in Madagascar as a structural positive, but new capital requirements could temper loan book growth through FY26. On Bank One, its leadership transition remains in early stages, and we expect the operational impact to begin to filter through to performance by FY26. Overall, the cluster's full-year EBITDA is tracking slightly (-6.7%) below our MUR 2.1bn projection but it may catch up if loan book growth ramps up in the last quarter.

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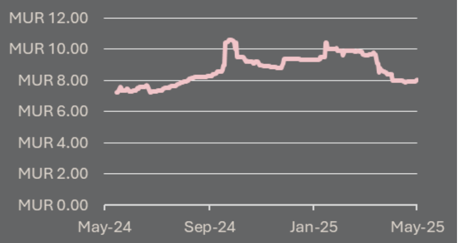

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Cluster Highlights

- **Hotels and Resorts**: Revenue declined 3.9% y/y to MUR 6.6bn, with EBITDA down 21.8% to MUR 1.7bn as renovation disruptions and higher wage costs weighed on margins (26.1% vs 32.1% in 9M FY24). SUN outperformed RevPAR (MUR 9,673 for 9M FY25 vs MUR 9,049 for 9M FY24), but RIVEO lagged due to the temporary shutdown at Shangri-La Le Touessrok and reduced occupancy rates at Four Seasons ahead of its closure for renovation. We expect a recovery in FY26 as the renovated hotel reopen which should drive higher ADR and occupancy rates.

- **Properties**: Revenue from the Properties cluster was MUR 234m (+36.0% y/y) driven by higher rental income from Evolis. The cluster EBITDA dropped to MUR 59m (vs MUR 380m in 9M FY24), with no major one-off land sales in 9M FY25. The MUR 26m loss after tax reflects development-stage costs at Ferney's Tropical Agrihood, in line with the project plan. In our view, while the property cluster's cashflow generation remains irregular, both Ferney Smart City and upcoming Evolis phases continue to progress and we view this cluster as a medium-term growth driver, with value to be realised as projects crystallise.

- **Agribusiness**: PAT contribution from the cluster fell 46.8% y/y to MUR 184m, weighed by lower sugar prices. For MIWA, production was suppressed by lower cane availability in Kenya (Transmara) and lower prices in Tanzania from an influx of government-licensed sugar imports (TPC). Property gains at Alteo partially offset the lower contribution from its agribusiness arising from a reduced cane harvest. Overall, 9M FY25 performance is tracking below our full-year expectations, but in our view land monetisation opportunities at ALTEO could support performance in the short-to-medium term.

APPENDIX 1: CONSOLIDATED PROJECTIONS (CIEL)

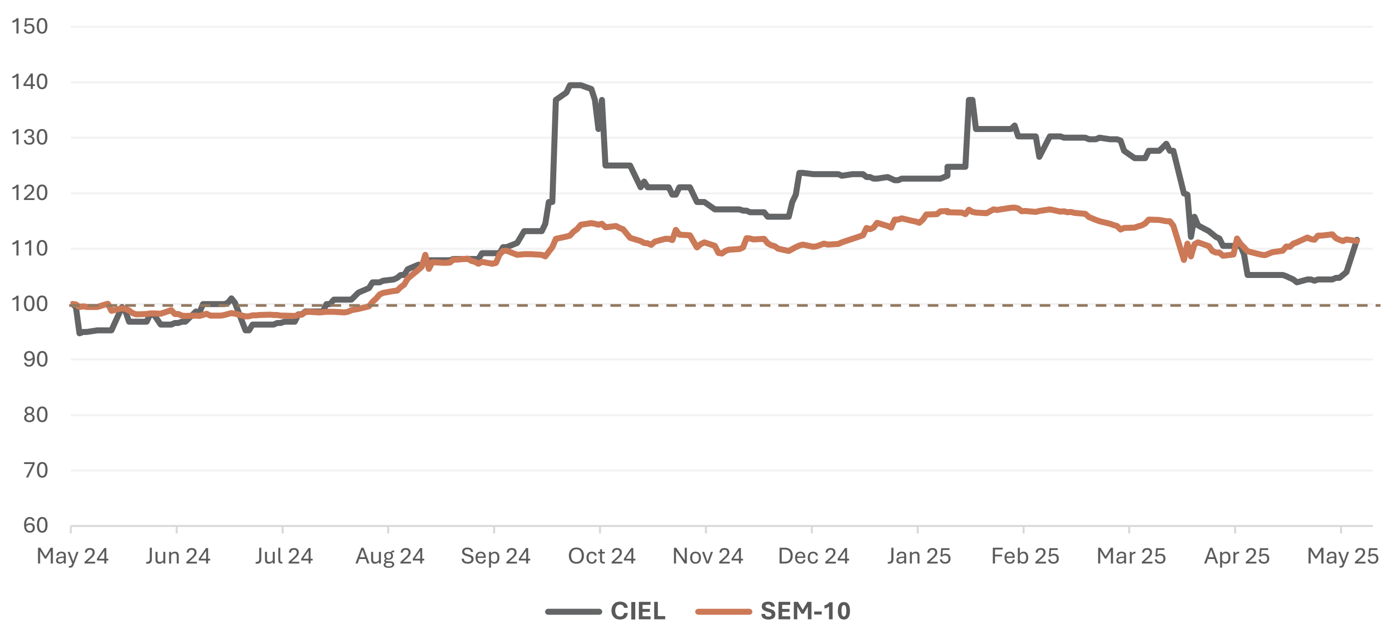
Consolidated Projections - CIEL

In MUR m	2022A	2023A	2024A	2025F	2026F	2027F	H. CAGR	P. CAGR
Revenue	28,524.6	35,408.6	35,175.7	37,720.3	38,458.6	41,922.9	11.0%	5.4%
EBITDA	5,269.2	7,084.2	7,480.0	6,766.2	8,621.0	9,625.1	19.1%	19.3%
EBITDA Margin (%)	*18.5%*	*20.0%*	*21.3%*	*17.9%*	*22.4%*	*23.0%*		
PAT	2,154.0	4,302.0	5,038.0	3,828.9	5,638.7	6,468.2	52.9%	30.0%
PAT Margin (%)	*7.6%*	*12.1%*	*14.3%*	*10.2%*	*14.7%*	*15.4%*		
PAT Attributable	1,300.1	2,653.3	2,807.4	2,059.0	3,270.9	3,715.6	46.9%	34.3%

Note: PAT And PAT Attributable includes projected Eliminations & Unallocated costs, Ciel company & Others

Source: MCBSL Analysis

APPENDIX 2: Share Price of CIEL vs SEM10 (Rebased 100)



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