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PRESS RELEASE:

WARA reviews the ratings of CFAO Motors CI

CFAO MOTORS CI

WARA affirms the rating of CFAO Motors CI for its sixth review

The long-term rating of the car distribution company CFAO Motors CI remains BBB+; the outlook remains stable.

Abidjan, 31/08/2018 — **West Africa Rating Agency** (WARA) has affirmed the ratings of **CFAO Motors Côte d'Ivoire (CI)**. On WARA's regional rating scale, the long-term rating of CFAO Motors CI remains "**BBB+**", in the investment grade category, and its short-term rating stays at "**w-3**". The ratings reflect the expertise of the company on its domestic market, as well as its healthy financial profile. The outlook remains "**stable**". WARA highlights the fact that in 2017 CFAO Motors CI materially compressed its working capital needs, which contributes to a stronger liquidity position. WARA emphasizes that this has allowed the company to strengthen its net cash position. In addition, the company's overall financial position is sound, thanks to a well-controlled and profitable business model. Finally, WARA believes that the firm's new B to C strategy will certainly contribute to improve its asset turnover going forward; that said, the positive impact on the company's net cash position will probably need some time before it materializes.

Simultaneously, on its international rating scale, WARA assigns to CFAO Motors CI the following ratings: iB+/Stable/iw-5.

The ratings on CFAO Motors CI remain dependent on the company's ability to protect its market share, and on whether the much awaited political stability of the country and robust economic growth will remain durable. The rationale behind WARA's ratings and outlook on CFAO Motors CI is that the company manages the distribution of a high-quality portfolio of car brands, which constitutes its main competitive advantage, on a complex and highly competitive market. In addition, CFAO Motors CI displays excellent operating and organizational strength, in terms of car sales, maintenance and repairs. CFAO Motors CI's human resources are made of qualified professionals, well adapted to the needs of such a specific market, with service quality and organizational efficiency as their main drivers. "*The ratings on CFAO Motors CI do not carry any uplift from external support factors*" says Oumar NDIAYE, WARA's lead analyst on CFAO Motors CI. "*However, WARA's opinion as to CFAO Motors CI's creditworthiness takes into consideration the operating support provided by the CFAO Group, its owner, as WARA includes a positive adjustment in the company's rating scorecard*" adds Mr. NDIAYE.

Established in Ivory Coast 44 years ago, CFAO Motors CI commands an important position in the market for new cars in the country. With a workforce of 472 professionals, its turnover stood at 89.6 billion CFA Francs in 2017, and a 38.7% market share. WARA emphasizes that despite declining market trends and the reduction of its volumes after the sale of its Heavyweights and Tires line of business in 2015, the company still displays sound financial metrics.

An upgrade of the ratings on CFAO Motors CI will depend on: i) the materialization of the expected partnership with Carrefour, through which CFAO Motors CI could have access to new points of sales and further increase volumes ; ii) the success of its new Toyota showroom, providing the Japanese brand with further impact and helping CFAO Motors CI grow its domestic market share; iii) the natural growth of the market for new cars in Ivory Coast ; iv) the inclusion, with the company's portfolio, of new strong car brands; v) the incremental growth of the proportion of used cars in the company's revenues; and vi) the improvement of the company's net cash position, certainly the result of decreasing working capital needs.

A downgrade of the ratings on CFAO Motors CI would be the consequence of: i) another political crisis in Ivory Coast, driving the market for new cars down once again; ii) a prolonged loss of CFAO Motors CI's market shares; iii) the loss of distribution agreements with leading brands; iv) a durable appreciation of the Yen, which weighs on CFAO Motors CI's margins as Toyota cars, the leading brand in Ivory Coast, are paid for in the Japanese currency; or v) a deterioration of the firm's net cash position.

The outlook is stable. WARA indeed considers that the probability of occurrence of the case scenarios is equivalent to that of worst case scenarios in the medium term.

The methodology used by WARA to rate the CFAO Motors CI Group is the credit rating methodology for the industrial and commercial companies, which was published on the 15th of July 2012 (revised in August 2018) and is available on WARA's website (www.mergingmarketsratings.com).

Information sources used by WARA to carry out the CFAO Motors CI's ratings are mainly private information obtained during discussions with CFAO Motors CI's management team and subsidiaries in April and May 8 This information, coupled with publicly available sources, is considered by WARA as satisfactory for conducting CFAO Motors CI's credit rating process.

Finally, WARA states that the credit rating process of CFAO Motors CI was requested and participating, meaning that it was performed upon a request by CFAO Motors CI, and that the company's management actively participated in the discussions with WARA's team of analysts.

CFAO Motors CI's rating of 'BBB+' is 2 notches above the credit rating accepted by the CREPMF to issue debt without a guarantee.

The comprehensive credit rating report is available on request, by e-mail. Contact: infos@rating-africa.org

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