



PRESS RELEASE :
FILTISAC SA's Ratings

WARA affirms Filtisac's long-term rating of A- for its third review

The leader of packaging in francophone Africa, headquartered in Abidjan, is rated A- by WARA. The outlook remains positive.

Abidjan, on 26/10/2015 — **West Africa Rating Agency (WARA)** announces today the publication of the third review of **Filtisac SA's** ratings. On WARA's regional rating scale, Filtisac's long-term rating is affirmed at «**A-**», an investment grade rating, while its short-term rating remains «**w-3**». Filtisac is the leader of packaging in francophone Africa. The outlook attached to these ratings remains **positive**.

Simultaneously, on its international scale, WARA affirms Filtisac's ratings at **iB+/Positive/iw-5**.

The ratings primarily reflect Filtisac's leading position on the market of bags and packaging in French-speaking Africa, despite intensifying competition. One of the industrial blue chips of Côte d'Ivoire, Filtisac continues to stand as the region's frontrunner in terms of bags and rigid packaging. Governance is healthy, and strategic choices are clear, built on differentiation by quality. The permanent assistance of its reference shareholder, IPS West Africa, and the expertise of its management team constitute its main assets. Demand for packaging products should continue to grow in the region. West Africa is essentially dependent on agriculture, which will continue, for quite some time, to be in need for jute and synthetic bags, for which there are no substitutes. In addition, an emerging middle class modifying its consumption habits and the region's increasing industrialization should feed the growing use of rigid packaging solutions. Filtisac enjoys satisfactory diversification, both in terms of its product mix and geographic coverage. Financially, Filtisac has a strong capital base, corollary to limited indebtedness. Since 2014, the company has been successfully laying stress on the spectacular compression of its working capital requirement, therefore strengthening its net cash position, which should be in positive territory by

yearend 2015. Expenses are better controlled, which contributes to strengthen margins. However, in a quite unstable regional environment, both economically and politically, Filtisac remains prudent when it comes to investments, and is cautious when making use of financial leverage. In the future however, WARA foresees that the level of debt will increase as the regional and domestic macroeconomic context improves, and as contracts for the supply of rigid packaging products are signed with industrial blue chip clients across the region. Shorter term, Filtisac can afford to reduce the excess retained earnings it carries as capital, via a generous dividend policy.

Filtisac's ratings do not incorporate any external support factors. However, the ratings explicitly include the continuous assistance Filtisac receives from its reference shareholder, IPS West Africa, an operating holding affiliated to the Aga Khan Group.

An upgrade of Filtisac's ratings would be the consequence of: i) a stronger macroeconomic environment in the region in general, and in Côte d'Ivoire in particular, as well as further developments in the agriculture sector of French-speaking Africa; ii) the company's improving net cash position, as a result of a sustainable reduction of its working capital requirements; and iii) the protection of the firm's price and non-price competitiveness, despite fiercer competition.

A downgrade of Filtisac's ratings would be the result of: i) another political or sanitary crisis impacting Côte d'Ivoire or the region; ii) a material loss of market shares on its domestic and/or regional market; iii) a significant increase in expenses, especially when buying raw materials, capable of consuming the benefits of the firm's investments in technology; or iv) actual demand for rigid packaging below medium-term expectations.

With a **positive** outlook, WARA signals that the probability of favorable scenarios is materially higher than that of unfavorable ones in the medium term, which means in other words that Filtisac's ratings carry more chances of upgrades than risks of downgrades, under the constraint of Côte d'Ivoire's national ceiling, which WARA currently keeps at 'A'.

With a positive outlook, WARA also signals that Filtisac's management has been quite successful in their endeavors, and should continue to protect the quality of their clear, consistent, and well executed strategy.

The methodology that WARA uses for the rating of Filtisac is that for industrial and commercial corporates, published for the first time on the 15th of July 2012, subsequently revised in August 2013, and available on WARA's website (www.rating-africa.org).

The sources of information used WARA for the rating of Filtisac are essentially non-public pieces of information obtained during a series of meetings with the management of Filtisac and IPS West Africa, during August and September 2015. This information, together with sources in the public domain, are considered by WARA as relevant and sufficient to carry on Filtisac's ratings.

Finally, WARA emphasizes that the ratings of Filtisac are solicited and participating, i.e. they are the result of a rating request from Filtisac, and that the management team of the company has had active and transparent collaboration with WARA's analytical team.

The third review leading to Filtisac's «**A-**» long-term rating is 3 notches beyond the minimum rating accepted by CREPMF for issuing debt without a third-party guarantee.

The full rating report is available on request via email:
infos@rating-africa.org

Contact

Lead Analyst
Anouar HASSOUNE
+33 6 3417-2502
Email : anouar.hassoune@rating-africa.org