



PRESS RELEASE:

FILTISAC's Long-Term Credit Rating Affirmed

WARA once again affirms Filtisac's long-term rating at **A**

The leader of packaging in French-speaking Africa, based in Abidjan, remains rated A by WARA. The outlook is stable.

Abidjan, 23/07/2018 — **West Africa Rating Agency (WARA)** announces today that it has affirmed **Filtisac SA's** long-term credit rating. On WARA's regional rating scale, Filtisac's long-term rating remains "**A**", an investment grade rating, while its short-term rating still stands at "**w-3**". Filtisac is the leader of packaging in French-speaking Africa. The outlook remains **stable**.

Simultaneously, on its international rating scale, WARA has affirmed Filtisac's ratings at **iBB-/Stable/iw-5**.

The ratings first reflect Filtisac's leadership in the business of packaging in French-speaking Africa, despite growing competition. One of Ivory Coast's industrial blue-chips, Filtisac continues to stand as a key player in the region for bags and rigid packaging. Governance is sound, and strategic choices are clear, based on differentiation by quality. The ongoing assistance of its reference shareholder, IPS West Africa, and the expertise of its management team constitute major assets. Demand for packaging products should continue to grow in the region. West Africa's economy is indeed based on agriculture, and will continue to be in need for bags, which do not have substitutes so far. In addition, an emerging middle class with evolving consumption habits and the region's increasing industrialization should be the underlying factors of a spectacular growth of rigid packaging products. Filtisac enjoys a good level of diversification, be it in terms of its product mix and geography. Financially, Filtisac displays strong liquidity, satisfactory profitability and moderate –but increasing– leverage. Its equity base is high, which will allow the company to easily finance its future investments eventually, all the more so as the firm will make more aggressive use of financial leverage.

However, the region remains unstable both politically and economically, despite strong growth potential. In addition, competition is intensifying. Smaller local contenders and many importers more aggressive on

price for lower-quality products have put obvious pressure on Filtisac's market shares, forcing the company to strengthen its quality differentiation and enhance its technological advantage. In each of the three lines of business, stakes and key factors of success are different: for jute and synthetic bags, the objective is to compress production costs by modifying the nature of inputs and reducing fixed expenses; for rigid packaging, the objective is to saturate production capacity with higher sales volumes. Finally, manufacturing bagging is a mature business, where margins are thin, and where dependence on commodities prices remains high.

Filtisac's ratings do not include any uplift for external support. However, the rating explicitly incorporates the permanent assistance provided to Filtisac by its reference shareholder, IPS West Africa, an operating holding related to the Aga Khan Fund for Economic Development (AKFED).

An upgrade of Filtisac's ratings would depend on:

i) an improvement of the macroeconomic environment in the region in general and in Ivory Coast in particular, which would lead to an increase of the country ceiling (standing at "A" in Ivory Coast according to WARA); ii) the improvement of the company's net cash position at a high level, as a consequence of working capital needs remaining under strict control, with no volatility; and iii) the company's capacity to maintain its price and non-price competitiveness, despite the growing number of contenders, especially by improving production processes and the optimization of inputs, started a few years ago, and capable of lowering the breakeven point.

A downgrade of Filtisac's ratings would be the consequence of:

i) a new political crisis in Ivory Coast; ii) further loss of market shares domestically and/or regionally; iii) a significant increase in expenses, especially for raw material, capable of consuming the benefits derived from investments in technology and its efforts to curb fixed expenses; iv) actual demand for rigid packaging lower than medium-term expectations; or v) a usage of financial leverage that WARA would consider either excessive or unsustainable in the long run.

WARA's **stable** outlook on Filtisac's ratings suggests that the probability of an upgrade is equivalent to that

of a downgrade in the medium term, given the constraints pertaining to Ivory Coast's country ceiling. WARA's country ceiling in Ivory Coast today stands at 'A'.

The methodology used by WARA to rate Filtisac is the credit rating methodology for industrial and commercial companies, which was published on July 15th, 2012 (updated in September 2016), and is available on WARA's website:

www.emergingmarketsratings.com

Information sources used by WARA to carry out Filtisac's ratings are mainly private information obtained during discussions with the company's management team and IPS West Africa in May 2018. This information, coupled with publicly available sources, is considered by WARA as satisfactory for conducting Filtisac's credit rating process.

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

Following WARA's fifth review of the company's ratings, Filtisac's long-term, regional-scale rating of "A" is 4 notches above the credit rating accepted by the CREPMF to issue debt without a guarantee.

The complete credit rating report is available upon request by e-mail at: infos@rating-africa.org

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