



PRESS RELEASE:

FILTISAC's Long-Term
Credit Rating Upgraded



WARA upgrades Filtisac's long-term rating to A from A- following its fourth review

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

Abidjan, 23/08/2016 — **West Africa Rating Agency (WARA)** announces today that it has upgraded **Filtisac SA's** long-term credit rating, following its fourth review. On WARA's regional rating scale, Filtisac's long-term rating was raised to "A" from "A-", an investment grade rating, while its short-term rating remains "w-3". Filtisac is the leader of packaging in French-speaking Africa. The outlook was changed to **stable** from positive.

Simultaneously, on its international rating scale, WARA has upgraded Filtisac's ratings to iBB-/Stable/iw-5 from iB+/Positive/iw-5.

The ratings first reflect Filtisac's leadership in the business of packaging in French-speaking Africa. 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 underpinned by an ambitious investment program. 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 and low leverage. Since 2014, the company has successfully

lowered its working capital needs, thus strengthening its net cash position, which turned positive in 2015. Expenses are better controlled, which contributes to improve net margins. However, in a region unstable both politically and economically, Filtisac remains prudent in terms of its investments and is reluctant to action financial leverage. In the future however, WARA expects the level of debt to increase as the domestic and regional macroeconomic environment improves, and further contracts for rigid packaging are signed with regional blue chip clients. In the short term, Filtisac can afford to reduce the excessive amount of its retained earnings with a more generous dividend policy.

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 group of companies.

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, as well as on further developments in the agriculture sector in French-speaking Africa; ii) the stabilization of the company's net cash position at a high level, as a consequence of working capital needs remaining under strict control; and iii) the company's capacity to maintain its price and non-price competitiveness, despite the growing number of contenders.

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; or iv) actual demand for rigid packaging lower than medium-term expectations.

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 August 2016), and is available on WARA's website (www.rating-africa.org).

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 subsidiaries in June and July 2016. 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 fourth 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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