



PRESS RELEASE:

WARA downgrades SIFCA Group's ratings

WARA downgrades SIFCA's rating from 'A-' to 'BBB+'; outlook still negative

WARA downgrades by one notch the rating of the SIFCA Group, the largest private-sector employer of Cote d'Ivoire, to BBB+. The outlook remains 'negative'.

Abidjan, 29/12/16 - **West Africa Rating Agency** (WARA) has downgraded the long- and short-term ratings of the **SIFCA Group**. On WARA's regional scale, the long-term credit rating of the SIFCA Group is revised from "A-" to "BBB+", still in the investment-grade category rating, and the short-term credit rating falls from "w-3" to "w-4". This rating downgrade reflects: i) the strong fall in the international prices of both natural rubber and palm oil; ii) the deterioration of SIFCA's financial performance due to the several challenges the Group is facing; iii) especially in its palm oil business, where competition is increasing and where operating weaknesses severely weighed on its 2015 profits; and iv) the Group's development strategy will likely not enable it to escape from commodity price volatility in the medium term. The outlook remains **negative**.

Simultaneously, on its international scale, WARA continues to rate SIFCA iB+/Negative/iw-5.

The credit ratings of SIFCA remain dependent on the relative instability of the SICOM and CPO CIF Rotterdam prices, which stand as the indices determining the market price of natural rubber and palm oil. Indeed, the evolution of the world prices for these commodities directly affects SIFCA's revenues, in an exogenous way. SIFCA's ratings will remain volatile, just like commodities prices. Having said that, SIFCA's competitive advantages in its market, its management of the value chain for natural rubber, palm oil and sugar, as well as its healthy financial structure, despite the volatility of such sectors, are three key, structural rating factors. In WARA's opinion, the negative outlook is justified by the fact that the improving profitability of the

sugar line of business will not be sufficient to mitigate the risks pertaining to the other two activities.

The counterparty credit rating of SIFCA benefits from no external support factor. However, WARA's opinion with regards to SIFCA's creditworthiness takes into account the advantages that the Group extracts from the close relationships it has built with its strategic shareholders, i.e. Wilmar and Olam in the palm oil sector, and to a certain extent, with Michelin in the rubber sector and Terra in the sugar sector.

Established in 1964 in Abidjan, SIFCA holds a key position in the West-African agro-industrial spectrum. SIFCA is the first private sector employer in Cote d'Ivoire, with more than 29,000 employees (of whom 20,000 are in Cote d'Ivoire), while its revenues reached to FCFA429 billion in 2015. SIFCA produces 140,000 tons of natural rubber (among which 100,000 tons are produced in Cote d'Ivoire) and 300,000 tons of refined palm oil every year; this makes it the unchallenged key player for these sectors in the Ivorian market; this growing production capacity constitutes an important element for the ratings.

An upgrade of SIFCA's ratings will depend on: i) a material and prolonged increase of natural rubber and palm oil prices; ii) improved management processes to reduce costs; iii) the success of expansion plans in order to modernize and/or increase the current production capacities for the various subsidiaries; iv) the extension of land ownership for better profitability and quality of finished products, in Cote d'Ivoire as well as in other countries; and v) the development of palm oil-based finished products carried by one or several renowned brands in the regional market, to better crystallize margins for this business line.

A downgrade of SIFCA's ratings would be the consequence of: i) a new political crisis in Cote d'Ivoire; ii) the loss of market share on its domestic, regional and international markets; iii) a prolonged period of low SICOM and CPO CIF Rotterdam prices; or iv) detrimental delays regarding investments to modernize and/or increase production capacities.

As a matter of reference, WARA considers that the probability of occurrence of the best case scenarios is lower than that of the worst case scenarios in the medium term; in other words, SIFCA's current ratings carry more downward pressure than upward potential.

The methodology used by WARA to rate the SIFCA Group is the credit rating methodology for the industrial and commercial companies, which was published on the 15th of July 2012 (revised in September 2016) and is available on WARA's website (www.rating-africa.org).

Information sources used by WARA to carry out the SIFCA's ratings are mainly private information obtained during discussions with SIFCA's management team and subsidiaries in June 2016. This information, coupled with publicly available sources, is considered by WARA as satisfactory for conducting SIFCA's credit rating process.

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

SIFCA'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 upon request by e-mail. Contact: infos@rating-africa.org

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