PRESS RELEASE:

WARA reviews SIFCA Group's ratings

WARA affirms SIFCA's rating at 'BBB+'; outlook revised from 'negative' to 'stable'

WARA affirms at 'BBB+' the long-term rating of the SIFCA Group, the largest private-sector employer of Cote d'Ivoire. However, the outlook is revised from 'negative' to 'stable'.

Abidjan, 14/06/2017 - **West Africa Rating Agency** (WARA) has affirmed the long- and short-term ratings of the **SIFCA Group**. On WARA's regional scale, the long-term credit rating of the SIFCA Group remains **"BBB+"**, an investment grade credit rating, and the short-term credit rating stays **"w-4"**. These ratings reflect i) the rebound in the prices of natural rubber and palm oil; ii) SIFCA's resilience during the recent downturn as well as its capacity to undertake change to successfully adapt to changing market conditions ; iii) heavy investment in all its lines of business to modernize its equipment, increase production capacity, improve quality, and strengthen margins. The outlook attached to these ratings, however, is revised from negative to **stable**.

Simultaneously, has also affirmed SIFCA's ratings on its international scale, while revising the outlook from negative to stable. Therefore, the foreign-currency ratings and outlook of SIFCA become: **iB+/Stable/iw-5**.

The credit ratings of SIFCA remain dependent on its leading position in the market, and on the relative stability of the SICOM and the 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. WARA's rationale for SIFCA's credit rating as well as outlook is based on the difficulty for competitors to ruin SIFCA's leading position on its domestic market. Consequently, SIFCA's competitive advantages in its market, its management of the value chain for natural rubber, palm oil and sugar, as well as its financial strength, despite market volatility, are three key rating factors. These factors will likely serve as buffers for SIFCA to adapt to potential price volatility for natural rubber and palm oil, on which it remains heavily dependent. WARA justifies pertaining to these ratings by the upward trend of the international prices of natural rubber and palm oil, combined with sustained high demand for sugar in Ivory Coast.

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 within the West-African agro-industrial sector. SIFCA is the first private sector employer in Cote d'Ivoire, with more than 29,000 employees (of whom 20,000 are in Ivory Coast), while its revenues reached to FCFA455 billion in 2016 (+6.2% compared to FY2015). SIFCA produces 215,000 tons of natural rubber (among which 154,000 tons are produced in Ivory Coast) and 277,000 tons of refined palm oil every year, which is lower than in recent past years. This makes it the unchallenged key player for these sectors in the Ivorian market; this overall 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 saturation of its production plants with high-quality inputs; and v) the stronger development of commercial strategies by Sania and Sucrivoire to foster their regional growth.

A downgrade of SIFCA's ratings would be the consequence of: i) a new political crisis in Ivory Coast; 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 equivalent to that of the worst case scenarios in the medium term; in other words, SIFCA's current ratings carry as much downward pressure as 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: http://www.emergingmarketsratings.com/.

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 April 2017. 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 minimum 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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