



PRESS RELEASE:

FILTISAC's Long-Term
Credit Rating Affirmed



**WARA affirms Filtisac's
long-term rating at A
following its fifth review**

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

Abidjan, 2/10/2017 — **West Africa Rating Agency** (WARA) announces today that it has affirmed **Filtisac SA's** long-term credit rating, following its fifth review. 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 and low leverage. Since 2014, the company has successfully lowered its working capital needs. The company's equipment is well maintained and has been modernized; its expertise is widely recognized; its product mix has been enlarged and its level of quality has further improved: all these features are key assets to

meet the increasingly specific needs of more demanding West African clients. 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 competition further intensifies. The rigid packaging division is not stabilized yet, as it has not yet reach breakeven, while that of synthetic packaging suffers from a high degree of unfair, if not illegal competition.

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, as well as on further developments in the agriculture sector in French-speaking Africa; 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; 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 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 subsidiaries in June and July 2017. 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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