

GUARANTCO LTD
Credit rating note
June 2016

Category of values	Rating scale	Currency	Current rating	Previous rating	Outlook
Long Term	Regional	CFA	AAA	AAA	Stable
Short Term	Regional	CFA	A1+	A1+	Stable

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Basic financial data

In thousand US\$	2014	2015
Total assets	276 145	260 727
Issued capital	277 218	281 218
Reserves	-32 210	-38 262
Financial assets available for sale	191 158	205 814
Liquidity	72 864	41 927
Income	4 555	6 692
Operating result	-3 201	-3 636
Financial result	4 961	6 635
Net result	-9 292	-6 051
Net total result	-11 551	-7 257

Presentation

GuarantCo is an international development institution established by the governments of the United Kingdom, Sweden, Holland and Switzerland (donors). It is a limited liability company (LLC) incorporated under the law of the Mauritius in 2005 with the primary objective of enabling long-term infrastructure financing by local banks in low income countries and to the introduction of new approaches to project risk assessment, by providing guarantees for loans and bonds in local currency.

GuarantCo's capital consisting of donor contributions amounted to USD 281 million at the end of 2015, while guarantees provided amounted to a total amount of USD 354 million.

Justification of the rating and outlooks

Long-term: Higher credit quality. Risk factors are negligible and are slightly above those of risk-free government bonds.

Short-term: Highest assurance for timely repayment. Short-term liquidity, including internal operating factors and/or access to alternative financing sources are assured and safety level is slightly below that of risk-free treasury bonds.

Key performance factors

The rating is based on the following positive factors:

- improved soundness of the WAEMU financial system;
- continuous but slow improvement of the guarantee capacity thanks to the increase in the equity;
- improving result driven by income from investment of financial assets;
- development of a flexible offer adapted to the specific needs of the areas of intervention;
- an anticipated decline in operating expenses;
- a promising strategy of penetration of French-speaking Sub-Saharan Africa;
- a decentralization strategy implemented to get better knowledge of the markets;
- expected synergies between GuarantCo and its new manager.

Main rating factors regarded as negative:

- structural deficit of the operations;
- a restricted business financing method;
- a costly counter-guarantee facility, which weighs on the operations and negatively impacts the cost of guarantee, thus preventing access to target markets;
- the complex or risky nature of guaranteed projects;
- weakness of the regulatory and legal framework in some countries of intervention;
- a business still not well known in the WAEMU and CEMAC zones.