



PRESS RELEASE :

Credit rating of Société Africaine de Plantations d'Hévéas (SAPH)

WARA affirms SAPH's rating at 'BBB'; the outlook remains stable.

WARA affirms at 'BBB' the long-term rating of SAPH, Ivory Coast's leader in natural rubber.

Abidjan, 14/06/2017 - **West Africa Rating Agency** (WARA) has affirmed the ratings of Société Africaine de Plantations d'Hévéas (SAPH). On its regional rating scale, SAPH's long-term rating was affirmed at **"BBB"**, within the investment grade category, while its short-term rating remains **"w-4"**. These ratings reflect the rise in SICOM prices in 2016 and their upward trend so far, the average price improving from 808.61 FCFA/Kg in 2015 to 818.81 FCFA/Kg. as the ratings also incorporate SAPH's resilience during the bearish cycle the company went through as a result of the sharp drop in SICOM prices back in 2014-2015. During 2016, SAPH has also demonstrated stronger operational efficiency, its capacity to grow volumes and grasp economies of scale, improved quality, and its capacity to cut costs. The outlook remains **stable**.

On the international rating scale, SAPH's ratings also remained unchanged at **iB/Stable/iw-6**.

SAPH's ratings remain dependent on the macro-economic environment in Ivory Coast and its medium-term perspectives, as well as on rubber consumption trends at a global level, which has a direct impact on SICOM (the international market where natural rubber is priced) and thus on SAPH's revenues. Despite the growing competition in Ivory Coast, especially in purchasing latex, the raw material of rubber, WARA considers that the leading market position SAPH enjoys is unlikely to change in the medium to long terms. The structural factors underpinning SAPH's ratings include its competitive advantages and the accumulated expertise in the rubber business, its control over the value chain and robust

financial fundamentals, despite the challenging years of 2014 and 2015.

The stable outlook reflects WARA's expectations that SICOM prices should remain above SAPH's break-even point in the medium term, comforting the company's resilience.

SAPH's counterparty rating does not incorporate any uplift for external support, but takes into account the close relationship with its strategic partners and shareholders SIFCA and Michelin, providing either financial, managerial or technical assistance.

SAPH was incorporated in Abidjan in 1956, first as a government-related entity, before being privatized in 1992, and then sold to SIFCA in 1999. SAPH was dedicated exclusively to the production of natural rubber, but has engaged in recent years in palm tree plantations on parcels where growing hevea trees has become unprofitable, capitalizing on synergies with the palm oil subsidiaries of the SIFCA group.

SAPH owns 5 production plants specialized in manufacturing natural rubber in Ivory Coast, well spread across the domestic territory. SAPH increased its production by 26% in 2016 and sold 156,543 tons of natural rubber, for a turnover of 108,767 million CFA francs.

An upgrade in SAPH's ratings would depend on: i) a sustainable and structural increase in SICOM prices; ii) further cost optimization to lower the breakeven point; iii) further focus on quality; and iv) the company's capacity to increase volumes.

A downgrade in SAPH's ratings would be the result of: i) another political crisis in Ivory Coast; ii) a sharp decline in SICOM prices; iii) the contamination of hevea trees by germs, or their destruction by a massive natural disaster; or iv) unexpected delays in investment programs aiming at increase production capacity.

As a matter of reference, WARA considers that positive rating scenarios are as likely to occur as negative ones in the medium term, which means in other words that SAPH's current ratings carry as much upgrade potential as downgrade risks.

The methodology used by WARA for the rating of SAPH is the corporate rating methodology, published on the 15th of July 2012 (revised in September 2016), and available on WARA's Website (www.emergingmarketsratings.com).

The sources of information used by WARA for the rating of SAPH are primarily non-public information collected while interacting with SAPH's management, during the course of April 2017. Such information, together with sources available in the public domain, is considered by WARA as relevant and sufficient to carry out the rating process pertaining to SAPH.

Finally, WARA lays emphasis on the fact that SAPH's ratings are the result of a participating and solicited analytical process, meaning they are the result of a rating request from SAPH, and that the management team of the company has had active and transparent collaboration with WARA's analytical team.

SAPH's long-term rating of « **BBB** » is one notch above the minimum rating required by the CREPMF (i.e. the regional market regulator) to issue debt without a third-party guarantee.

The full rating report is available on request, by email at: infos@rating-africa.org

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