



## PRESS RELEASE :

### WARA reviews the ratings of CFAO Motors CI's bond issuance of 7.5 billion CFA Francs



### WARA has affirmed its "BBB+" rating on CFAO Motors CI's bond issuance of 7.5 billion CFA Francs

*CFAO Motors CI issued a bond for 7.5 billion CFA Francs in early 2014, with a 6-year maturity; this bond issuance is still rated BBB+ by WARA, on its regional scale. The outlook attached to this issuance rating has been revised to "stable" from "positive".*

Abidjan, le 22/06/16 — **West Africa Rating Agency** (WARA) has announced that its BBB+ rating on **CFAO Motors CI's 7.5 billion CFA Francs 2014, 6-year bond issuance remains unchanged**. This bond rating is equivalent to CFAO Motors CI's long-term issuer rating, as this bond issuance is viewed by WARA as **senior unsecured**, absent any form of subordination or, on the contrary, of collateralization. Indeed, as stated in the bond prospectus: « The bonds and their interest payments constitute direct, general, unconditional and unsubordinated commitments of the Issuer, standing *pari passu* with all the other debts and guarantees, current or future, of the Issuer ».

On WARA's regional scale, the rating of the bond issuance, with a maturity of 6 years, and amortizing after a grace period of 2 years, remains « **BBB+** », in the investment-grade category. This bond rating,

equivalent to CFAO Motors CI's long-term issuer rating, reflects the expertise of the company on its domestic market, as well as its healthy financial profile. The outlook has been revised to "stable" from "positive". WARA highlights the fact that CFAO Motors CI's net cash position is under pressure because of the company's growing need for working capital, a trend that is not mitigated by quick enough asset turnover. WARA however believes that the firm's new B to C strategy will certainly contribute to improve its asset turnover going forward; that said, the positive impact on the company's net cash position will probably need some time before it materializes.

For the same reasons pertaining to CFAO Motors CI's long-term issuer rating, that of its bond issuance (BBB+/stable) remains dependent on the company's ability to protect its market share, and on whether the much awaited political stability of the country and robust economic growth will remain durable. The rationale behind WARA's ratings and outlook on CFAO Motors CI and its bond issuance is that the company manages the distribution of a high-quality portfolio of car brands, which constitutes its main competitive advantage, on a complex and highly competitive market. In addition, CFAO Motors CI displays excellent operating and organizational strength, in terms of car sales, maintenance and repairs. CFAO Motors CI's human resources are made of qualified professionals, well adapted to the needs of such a specific market, with service quality as their main driver.

CFAO Motors CI issued these bonds in 2014, accessible only to qualified investors as defined by Instruction n°47/2011 of the 9<sup>th</sup> of September 2011 pertaining to the conditions under which

private placements of bonds can be registered on the regional financial market of WAEMU, with two objectives.

First, CFAO Motors CI refinanced some of its debt, then made of short-term credit lines, for 5 billion CFA Francs. Second, CFAO Motors CI lent 2.5 billion CFA Francs to its sister companies: i) LOXEA (for 1 billion CFA Francs) is a brand of the CFAO Group related to CFAO Equipment CI; as a matter of fact, LOXEA offers a large scope of leased cars for long and short lease periods, in eight countries : Cameroun, Congo, Ivory Coast, Gabon, Ghana, Madagascar, the Democratic Republic of Congo and Senegal; ii) MIPA (Manufacture Industrielle de Plastiques Africains, for 1.25 billion CFA Francs) is a company based in Ivory Coast; it is a subsidiary of the CFAO Group related to the CFAO Industries Division, and it stands as the leader of plastics manufacturing in Ivory Coast; and iii) the CFAO Automotive Division (for 250 million CFA Francs), which is represented by CFAO Motors Mali.

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