



PRESS RELEASE :

Ratings on SERVAIR ABIDJAN
Affirmed

WARA affirms its ratings
on Servair Abidjan at
BBB+/Positive/w-3

WARA's ratings on the Ivorian leader in air catering, headquartered within the airport platform of Abidjan, is affirmed at BBB+. The outlook remains positive.

Abidjan, on the 23rd of May 2016 — **West Africa Rating Agency** (WARA) has affirmed the ratings on **Servair Abidjan**. On WARA's regional rating scale, the long-term rating of Servair Abidjan remains "**BBB+**", in the investment grade category, and its short-term rating is still "**w-3**". Servair Abidjan is the Ivorian leader in air catering. The outlook attached to these ratings remains **positive**.

Simultaneously, on its international rating scale, WARA has affirmed Servair Abidjan's ratings and outlook at **iB+/Positive/iw-5**.

The ratings primarily reflect the company's strong growth prospects, thanks to fast-improving economic and political conditions in Ivory Coast, which in turn constitutes a favorable environment for air traffic to take off. Servair Abidjan's financial position is sound: profitability has materially improved, asset turnover is high, and financial leverage is relatively low. The operating support provided by the company's parent, Servair Group, constitutes an undeniable advantage, materialized by both brand and services agreements. The company's development strategy in the non-air segment is clear, relevant, executable, and sustainable: such an approach should bring much needed operating diversification. Servair Abidjan explicitly differentiates itself through a high level of quality and hygiene, which by themselves are barriers to entry, and make it possible to win the loyalty of its highly demanding clients. That said, the increasing attractiveness of Ivory Coast's territory is teasing the appetite of competitors, forcing Servair Abidjan to divest its "cleaning" line of business, while trying to conquer new markets, which in turn means higher investment costs. The portfolio of its B2B clients is highly concentrated, as a limited number of

airlines actually resort to Servair Abidjan's services: today, two airline companies contribute half of its revenues. The company's financial performance proved quite volatile in the past, which suggests a high degree of correlation between Servair Abidjan's business model and Ivory Coast's macroeconomic conditions, still subject to shocks. The company's much awaited growth is generating increasing pressure on human resources and equipment, both ageing.

Servair Abidjan's ratings do not incorporate any external support factors. Nevertheless, the ratings explicitly account for the continuous assistance and the brand advantage brought to Servair Abidjan by its reference shareholder, Servair Group, the third largest air caterer globally.

An upgrade of Servair Abidjan's ratings would depend on: i) improvements in the macroeconomic environment of the region in general, and that of Ivory Coast in particular, meaning rising air traffic in the country; ii) the success of its diversification strategy into the non-air segment, capable of curbing concentration risks pertaining to its client portfolio; and iii) stronger margins, keeping in mind that prices can hardly be adjusted upwards.

A downgrade of Servair Abidjan's ratings would result from: i) another political, economic or health crisis affecting Ivory Coast; ii) a leverage policy deemed excessively aggressive, which WARA would consider inappropriate to lines of business so highly correlated to the domestic macroeconomic cycle; iii) a material drift in expenses, especially staff costs, which could wipe out the benefits extracted from its foray into non-air businesses; or iv) sharply intensifying competitive pressures, be they spontaneous or orchestrated by the public authorities.

The **positive** outlook signals that the Ivorian subsidiary of the Servair Group should likely remain the domestic leader of air catering, although competition will certainly increase going forward. Given its seasoned experience in the sector, its quality-driven differentiation strategy, and the positive medium-term outlook of the Ivorian economy, Servair Abidjan should be able to record stronger financial

performance in the future, expectations that are already factored into the company's ratings and outlook. Indeed, air traffic will likely continue to grow at a sustained pace in Ivory Coast, providing Servair Abidjan with more volumes, whilst the company's development strategy in non-air segments should help it unlock untapped potential in new markets and improve its operating diversification.

The methodology used by WARA to rate Servair Abidjan is the credit rating methodology for the industrial and commercial companies, which was published on 15 July 2012 and revised in August 2013, and is available on WARA's website (www.rating-africa.org).

Information sources used by WARA to perform credit ratings on Servair Abidjan are mainly private information collected during discussions with the company's management team in April 2016. This information, together with publicly available sources, is considered by WARA as relevant and sufficient for carrying out the credit ratings of Servair Abidjan.

Finally, WARA emphasizes that the credit ratings of Servair Abidjan was solicited and participating, meaning that it was performed upon a request by the company, and that Servair Abidjan's management actively participated in the discussions with WARA's analytical team.

Servair Abidjan's rating of "**BBB+**" is 2 notches above the credit rating accepted by the CREPMF to issue debt without a guarantee.

The comprehensive credit rating report is available upon request by e-mail at: infos@rating-africa.org

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