SONATEL

AA-/Stable/w-2

ANALYSIS

October 2019

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RATINGS

Scale	Regional	International
Methodology	Corporate	Corporate
Long-term rating	**AA-**	**iBB**
Outlook	Stable	Stable
Short-term rating	w-2	iw-5
Watch	No	No

EVOLUTION OF THE LONG-TERM RATING

SUMMARY

- **WARA assigned its first-time ratings to Sonatel in October 2019**
- **These ratings and outlook are AA-/Stable/w-2 on WARA's regional scale**

WARA assigns Sonatel the regional currency, long-term rating of 'AA-'. Sonatel is a multinational company headquartered in Dakar (Senegal), with operations in five West African countries. The rating is therefore subject to no country ceiling. Sonatel's short-term rating stands at '**w-2**', and the outlook attached to these ratings is **stable**. As a matter of reference, the international scale ratings that WARA assigns to Sonatel are: iBB/Stable/iw-5.

Sonatel's standalone credit rating, independently from any external support factors, is also 'AA-' according to WARA, which in turn reflects a total weighted score of 1.86/6.00, including a favorable adjustment of -5%. WARA incorporates such a favorable adjustment in order to account for the strong recognition of the Orange brand in Africa, and for Sonatel's high degree of integration within the Orange Group, which provides its subsidiary with i) daily operating support ; ii) obvious bargaining power, as part of procurements are directly managed by the Orange Group, and iii) the financial backing of a robust shareholder aligned with Sonatel's strategy.

Sonatel's regional currency, long-term counterparty rating (AA-) does not incorporate any external support factors. Although Sonatel is undoubtedly a precious asset for Orange in Africa, WARA does not consider that Sonatel is a strategically important subsidiary for the Orange Group. Contributing only 4% of the Orange Group's total revenues for the first half of 2019, Sonatel does not share the same brand identity as its Group. As a matter of consequence, in our view, Sonatel's counterparty rating should be equivalent to its standalone rating, without any notching up for external support.

Sonatel's standalone rating (**AA-**) is mainly built on the following key rating drivers:

Credit strengths

- **Sonatel Group's major position in the telecommunications sector in West Africa:** Sonatel is a leader in 4 of the 5 countries in which the Group operates. The Group can rely on: (i) a world-class brand, Orange; (ii) a comprehensive range of solutions; and (iii) an efficient distribution network.
- **Successful geographic diversification** that has enabled the Group to: (i) capture growth outside its home market; (ii) reduce its exposure to country risk; and (iii) achieve economies of scale.
- **A strong capacity for anticipation, innovation and investment,** thanks to which Sonatel has managed the mutation of its business model, and find new growth avenues (data, e-payments) to offset the expected incremental decline of traditional segments (voice, international and SMS).
- **The level and quality of its network infrastructures,** thanks to a large amount of investment allowing to benefit from advanced technologies, catch inflexion points and build key comparative advantages, which in turn become barriers to entry discouraging potential contenders.
- **Sound governance, reinforced by quality human resources, corporate culture and risk management processes, certified by best international standards;** in addition, being part of the Orange Group definitely allows Sonatel to benefit from the expertise and operating support of one of the world's leading telecommunications giants.
- **A very healthy financial performance, characterized by excellent profitability, abundant liquidity and moderate debt levels.** However, the evolution of the revenue mix results in a compression of marginal profitability, since the new growth drivers are not yet as profitable as the traditional segments.

Credit challenges

- **The telecom sector is highly competitive and capital intensive.** The acceleration of technological developments therefore leaves little time for the players to turn investments into profits while, simultaneously, competition intensifies with the entry of new operators, the rise of OTTs ("Over The Top") and the emergence of new types of licenses, such as those for "Internet Service Providers" or virtual mobile network operators (MVNOs).
- **An unstable operating environment,** itself the consequence of the political and/or security uncertainties that characterize several countries where the Group is present. However, this risk is partially mitigated by the Group's geographic diversification, which tends to dilute the average level of country risk.
- **High tax and regulatory risk,** as illustrated by the recent rise in the tax burden in Senegal and Mali, and the volatility of tax and/or regulatory regimes applicable to the industry in the region.
- **What the Group is gaining on the ground of size, it could lose it in terms of agility.** Sonatel has a pronounced taste for processes; in a sector so technologically dependent and therefore made of short cycles, this feature can potentially turn into a disincentive towards agility.

SCORECARD

RATING FACTORS FOR CORPORATES			Weight	Score	Weighted Score
ENVIRONMENT FACTORS			**25%**	**3,08**	**0,77**
FNI.C1	**Macroeconomic environment**	**ME**	**10%**	**3,00**	**0,30**
	Maturity		*3%*	*3,00*	*0,09*
	Volatility		*2%*	*3,00*	*0,06*
	Diversity		*2%*	*3,00*	*0,06*
	Sustainability		*3%*	*3,00*	*0,09*
FNI.C2	**Operating environment**	**OE**	**7%**	**3,29**	**0,23**
	Systemic governance		*3%*	*3,00*	*0,09*
	Infrastructure		*2%*	*3,00*	*0,06*
	Information		*2%*	*4,00*	*0,08*
FNI.C3	**Sectoral environment**	**SE**	**8%**	**3,00**	**0,24**
	Competitive pressure		*4%*	*3,00*	*0,12*
	Degree of sector maturity		*4%*	*3,00*	*0,12*
QUALITATIVE FACTORS			**40%**	**1,73**	**0,69**
FNI.C4	**Products - Distribution - Brand**	**PB**	**15%**	**1,67**	**0,25**
	Product diversification - Range		*5%*	*2,00*	*0,10*
	Distribution and market share		*5%*	*2,00*	*0,10*
	Brand recognition		*5%*	*1,00*	*0,05*
FNI.C5	**Governance and management**	**GM**	**15%**	**1,67**	**0,25**
	Idiosyncratique governance		*5%*	*2,00*	*0,10*
	Quality of strategic management		*5%*	*1,00*	*0,05*
	Quality of operational execution		*5%*	*2,00*	*0,10*
FNI.C6	**Competitive position**	**PC**	**10%**	**1,90**	**0,19**
	Price competitiveness		*3%*	*3,00*	*0,09*
	Non-price competitiveness		*3%*	*2,00*	*0,06*
	Development - Technology - Innovation		*4%*	*1,00*	*0,04*
FINANCIAL FACTORS			**35%**	**1,43**	**0,50**
FNI.C7	**Profitability**	**RE**	**10%**	**2,00**	**0,20**
	Profit margin		*4%*	*2,00*	*0,08*
	Asset rotation		*3%*	*3,00*	*0,09*
	Financial leverage		*3%*	*1,00*	*0,03*
FNI.C8	**Liquidity**	**LQ**	**10%**	**1,50**	**0,15**
	Asset liquidity		*5%*	*2,00*	*0,10*
	Funding and liquidity management		*5%*	*1,00*	*0,05*
FNI.C9	**Financial flexibility**	**FF**	**15%**	**1,00**	**0,15**
	Interest coverage by cash flows		*8%*	*1,00*	*0,08*
	Dabt in years of cash flows		*7%*	*1,00*	*0,07*

TOTAL WEIGHTED SCORE	**1,96**
ADJUSTMENT	**-5%**
TOTAL ADJUSTED WEIGHTED SCORE	**1,86**
STANDALONE RATING	**AA-**

TAWS		SR.C
From:	To:	
1,00	1,24	AAA
1,25	1,49	AA+
1,50	1,74	AA
1,75	**1,99**	**AA-**
2,00	2,24	A+
2,25	2,49	A
2,50	2,74	A-
2,75	2,99	BBB+
3,00	3,24	BBB
3,25	3,49	BBB-
3,50	3,74	BB+
3,75	3,99	BB
4,00	4,24	BB-
4,25	4,49	B+
4,50	4,74	B
4,75	4,99	B-
5,00	5,24	CCC+
5,25	5,49	CCC
5,50	5,74	CCC-
5,75	5,99	CC/C

OUTLOOK

The outlook attached to Sonatel's ratings is stable. WARA justifies this stable outlook in view of the Group's deep roots in its five domestic markets, where the operator holds positions that will be difficult for competitors to undermine, given the massive investments the Group has already made and is still ready to deploy. In addition, its fortress balance sheet, one of the most robust in the region, provides the Group with such financial firepower that credit risks will be durably contained. Finally, the Group seems very attached to its culture of sound governance, as well as responsible and sustainable management, which tends to minimize the risks of endogenous shocks.

An upgrade of Sonatel's ratings would depend on: i) the acceleration of its diversification strategy by geography and lines of business, either externally or organically; ii) the incremental decline in country risk, itself the consequence of better macroeconomic conditions in one or several of its domestic markets; iii) the Group's capacity to compensate with larger volumes the incremental compression of marginal income, as a result of competitive pressure; and iv) the options that technology offers to evolve towards ancillary services, while succeeding in their integration to the Group's core telecom business.

A downgrade of Sonatel's ratings would be the consequence of: i) the prolonged deterioration of country risks in several of its domestic markets ; ii) margins shrinking to levels capable of damaging free cash flows, and therefore the Group's ability to handle the necessary investments to maintain its competitive position in size and quality ; iii) weakening capital and/or operating ties with the Orange Group ; or iv) a debt policy that WARA would consider excessive in the AA rating space.

As matter of reference, WARA's stable outlook on Sonatel's ratings suggests that the probability of favorable scenarios is equivalent to that of unfavorable ones in the medium term, which in other terms means that Sonatel's current ratings carry as much upgrade potential as downgrade risks.

ANALYSIS OF STANDALONE RATING FACTORS

Environment factors

Macroeconomic environment

- **Sonatel is a multinational group operating in five West African countries**
- **Economic growth in real terms is robust in the region (5% in 2018), despite obvious disparities in terms of macroeconomic resilience levels**

Sonatel is a multinational group operating in five West African countries: its geographic coverage is wide and its market is vast. These states are Senegal, Mali, Guinea Conakry, Guinea-Bissau and Sierra Leone. They together account for 55.9 million inhabitants and represent a purchasing power parity (PPP) GDP of USD 150.6 billion at the end of 2018, equivalent to a per capita PPP GDP of USD 2,694. This geographic scope of action provides the Sonatel Group with strong natural diversification benefits, which is a very positive rating factor.

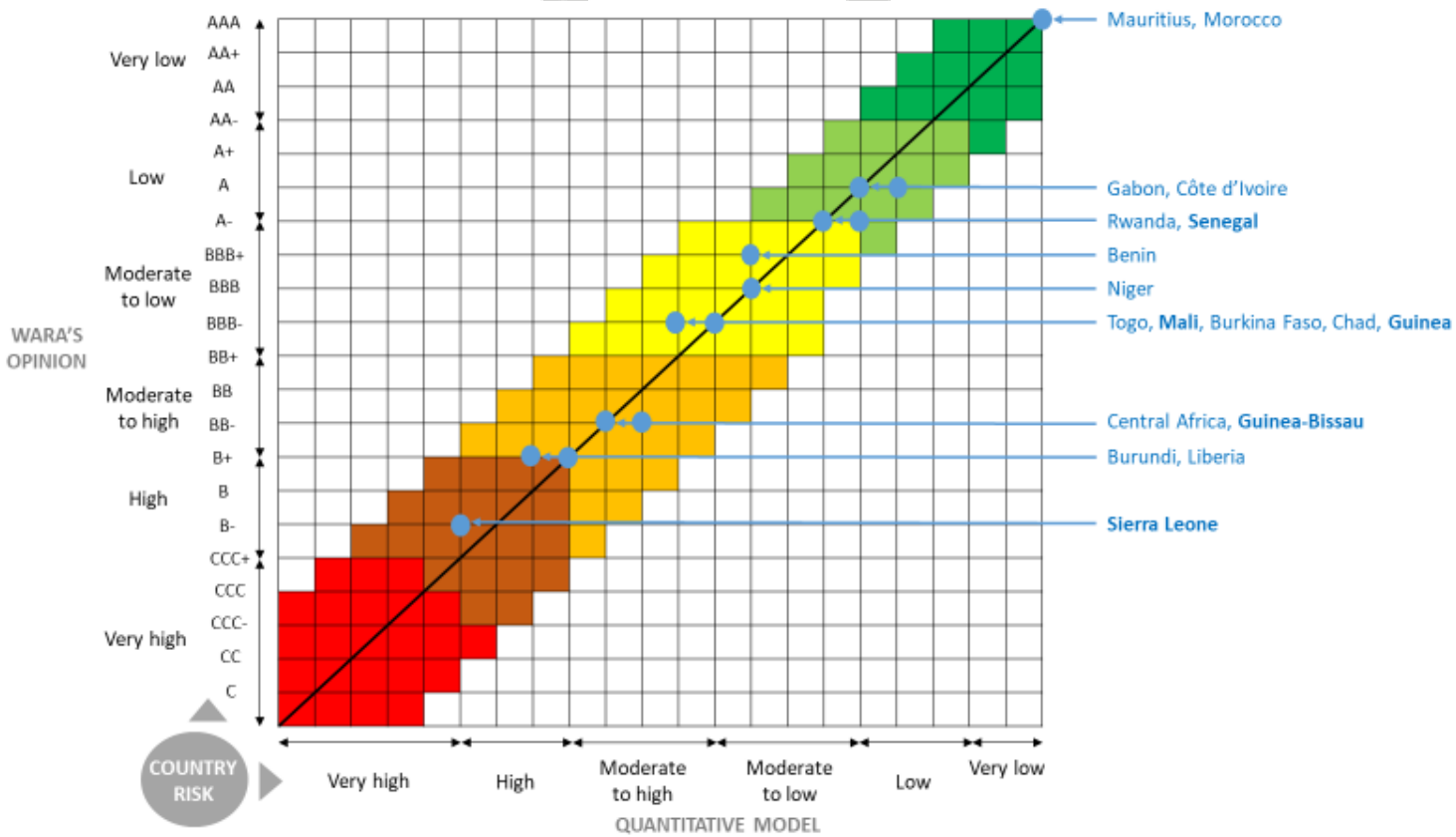
STATS 2018	SEN	MAL	GIC	GIB	SRL
GDP (% real change pa)	6,8	4,9	6,0	3,8	3,7
Nominal GDP (US$ at PPP)	59,9	44,1	31,0	3,4	12,3
Budget balance (% of GDP)	(3,6)	(3,3)	(2,8)	(3,0)	(5,9)
Consumer prices (% change pa; av)	0,5	2,2	9,8	1,0	16,9
GDP per head ($ at PPP)	3 680	2 470	2 370	1 770	1 600
Current account balance/GDP	(11,6)	(5,8)	(7,9)	(3,3)	(19,2)
Inward direct investment	0,6	0,3	0,7	0,1	0,6
Inward foreign direct investment/GDP	2,6	1,8	5,5	1,0	15,0
Total debt/GDP	49,6	28,2	13,0	47,0	43,7
International reserves/total debt	20,1	18,8	76,0	25,0	28,7

Economic growth is on average robust (5% in 2018), although there are large disparities in terms of macroeconomic resilience levels. Inflation is under control, except in countries where the currency is not the CFA Franc, which remains supported by the Treasury of the French Republic, as to its convertibility and its structural anchoring vis-à-vis the euro. On the other hand, competitiveness (measured by the current account balance as a percentage of GDP) and attractiveness (measured by the ratio of FDI to GDP) remain fragile, even very fragile in some cases. These two sources of accumulation of foreign exchange reserves explain the relatively weak performance of these countries in terms of coverage of external debt by foreign exchange reserves.

Operating environment

- **Given its presence in five countries in the region, Sonatel naturally counts on geographic diversification benefits**
- **Having said that, in our opinion, the average country risk surrounding the Group is ultimately "moderate to low"**

WARA considers that the average country risk faced by Sonatel in this regional context is "moderate to low". This conclusion derives from a quantitative and qualitative analysis of the macroeconomic resilience factors in each of the countries where the Group operates, as shown in the chart below. The quantitative model that WARA uses as an anchor relates the main macroeconomic ratios of each of the five national economies to their country risk score. WARA then gives itself the opportunity to diverge from this score by one or two notches, up or down, depending on the qualitative features of these national economies. The average and median level of country risk, in regional currencies, is "moderate to low". Indeed, Senegal stands in the "low" country risk category, Mali and Guinea are entrenched in the "moderate to low" category, while in contrast, Guinea-Bissau and Sierra Leone are respectively in the "moderate to high" and "high" country risk categories. This degree of country risk is only partially offset by the geographic diversification benefits, and remains, ultimately, one of the few negative rating factors pertaining to Sonatel.



Country	Political environment	Economic policies	External position	Country risk level
SENEGAL	Good level of political stability; robust institutions.	Robust growth at 6-7%; infrastructure improvement; well thought out and executed structural program but agricultural sector remains dominant.	Persisting current account deficit despite recovery in tourism receipts and transfers.	
MALI	Internal political stabilization, but high security risks.	Sound economic policies but difficult to implement. Very slow reduction of poverty. Growth at 5%.	Reduced trade deficit due to good performance of the gold and cotton sectors.	
GUINEA	Political tensions and crisis in several social sectors.	Fiscal imbalance and deterioration of public debt. IMF support for the reform program. Growth at 6% in 2018 and 2019.	Significant trade deficit, but probably reducing thanks to the dynamism of the primary sector.	
GUINEA-BISSAU	Political stalemate in Bissau with postponement of elections, government instability.	Structural reform program supported by the IMF and external donors. Growth at 5-6%.	Current account surplus, supported by the good performance of the cashew sector.	
SIERRA LEONE	Level of political stability is weak; in the process of democratic transition; legislation is difficult to write.	Economic reforms 2017-2020 supported by the IMF's ECF program (USD 172 million). 4% growth expected in 2019 and 2020.	Significant trade deficit, but expected to decline due to higher exports of minerals and agricultural products	

Sectoral environment

- **The telecommunications sector is known to be highly capital intensive and fiercely competitive**
- **Operators must also cope with the surge of alternative services such as WhatsApp, Skype, Viber and others**
- **States, in general, tend to slow down and/or constrain the development of the sector: taxation and regulation are significant risk factors**

The telecommunications sector is a very capex-intensive sector: operators must invest heavily, while technological breakthroughs occur faster and faster, which shortens cycles' amplitude to capture an acceptable return on investments. For example, 3G technology appeared ten years after 2G; and only 8 years later, 4G was launched. As a matter of consequence, to succeed in this sector, it is necessary not only to constantly invest, but also to remain able to generate sufficient profitability to self-finance such investments. This structural feature is generating industrial risks: it is therefore a negative rating factor.

At the same time, the main markets in which the Group operates, namely Senegal and Mali, are experiencing more intense competition. In Senegal (42% of the Group's revenues in 2018), the consortium led by Free has not only finalized the take-over of the TIGO player in 2018, but has also acquired the 4G frequency. Simultaneously, in Mali and Sierra Leone, two new operators started their activities (TELECEL and QCELL). On top of it, in Mali, the authorities were in discussion for the entry of a fourth operator. Finally, competition is intensifying in the broadband segment with the entry into force of the "Internet Service Provider" licenses. The increase in the degree of competitive intensity is a negative rating factor.

Operators in the telecommunications sector have had to change their business model, driven by the emergence of OTTs such as WhatsApp, Skype and Viber, which are altering consumer habits. A few years ago, in Africa, the voice segment accounted for 90% of operators' revenues. In addition, 25% of the traffic came from abroad thanks to the diaspora of African countries. All this traffic is now cannibalized by the OTTs, and the phenomenon is spreading also at the level of the local and national communications. The decrease in traffic in the voice and international segments can be offset by the parallel increase in activity in the data and mobile payment segments, which require different technologies. Moreover, not all operators have succeeded in this transformation. Finally, it should be emphasized that these technological breakthroughs and changes in behavior can also be sources of opportunities, provided they are anticipated and prepared for the operational and organizational transitions they entail. Sonatel and its parent Group hold these capabilities, which is a positive rating factor.

States, by the tax pressure they exert on operators, tend to slow down the development of the sector. The underlying reasons are their tax imperatives and, to a certain extent, their limited knowledge of the key structural issues driving the telecom sector. In all the countries where the Group operates, governments face constraints in terms of fiscal revenues: they tend to view telecom operators as cash cows. There are everywhere taxes specific to this sector, especially based on turnover. For example, in Senegal, the introduction of the special telecommunication contribution, replacing a previous tax in June 2018, enabled the State to raise the tax rate from 4% to 5%. In the same year, a contribution of 0.5% of turnover to the Sustainable Development Fund was imposed on operators in Mali since February, while the Universal Service fee was increased by 1 percentage point. Sierra Leone is known to be a graveyard for operators, because of a difficult regulatory environment and high tax burdens, although since 2018 the arrival of a new government and the establishment of new authorities appear as game changers. This is a negative rating factor.

Ultimately, operators must demonstrate a sense of pedagogy. The impact of exorbitant taxation tends to discourage future investments, not to mention the adverse consequences on tariffs paid by consumer and network quality. The objective is to develop a greater proximity with the regulators, in order to nurture a constructive relationship through regular communication and the reduction of information asymmetries. This effort entails sharing studies, and constantly demonstrating the far-reaching benefits of the telecom sector to the economy in general and stakeholders in particular.

A striking counter-example is Mali: the country has opted for a constructive and dynamic partnership with operators. The challenge of the Malian authorities is above all to support the development of the telecom sector in favor of the population: they initially let the operators invest and deploy their network at a reasonable price, without hindrance or exorbitant tax. Ultimately, the Malian state has benefited from this: on the one hand, individuals and companies have access to a quality network with broad coverage; but, on the other hand, it has made it possible to considerably broaden the tax base and generate higher revenues while keeping rates moderate and acceptable for the operators. The state is in a constant dialogue with the latter, and allows independent firms to conduct studies on the net fiscal impact before making decisions that can impact the sector in a sustainable way.

Qualitative factors

Products – Distribution – Brand

- **Sonatel is a major player in the telecommunications sector in the West African region**
- **The Group can rely on: (i) a world-class brand; (ii) a comprehensive range of solutions; (iii) broad and high-quality network coverage; and (iv) an efficient distribution network**
- **Finally, the company has been able to anticipate technological breakthroughs and adapt its offer to meet changing consumer habits, as evidenced by the success of mobile data and Orange Money offers.**

Sonatel offers global telecommunications solutions for individuals and companies. The proposed products and services cover the following areas: (i) landline, (ii) mobile, (iii) Internet, (iv) television, (v) data, (vi) mobile money, (vii) energy, and (viii) new related services. Specifically, the company provides offers ranging from simple 2G to 4G+, broadband (combination, Internet, landline and mobile), mobile payment services via Orange Money, as well as comprehensive solutions adapted to the needs of professionals (via corporate services handled by the Group's subsidiary Sonatel Business Services). The comprehensiveness of the Sonatel value proposition is a positive and key rating factor.

The geographic coverage of the Group is very broad, which dilutes the dependence on a single economy. The Group operates today in five West African countries following a geographical diversification strategy started in 2002. This expansion began in Mali in 2002, then in Guinea Conakry and Guinea-Bissau in 2007, and finally in Sierra Leone since 2016. Such a market accounts for 55.9 million potential consumers, and contains a considerable pool of customers with regard to the young age of the population and the current penetration rate in data. Sonatel controls the largest network coverage, which will enable it to capture a significant portion of this potential growth, especially since the Group has renewed all its licenses with the authorities, enabling it to strengthen its business over the long run. Finally, Sonatel relies on a robust distribution network that is a key strength for the Group, thanks to a relevant and vast web of points of sale and partnerships with distributors, in order to reach most urban and rural areas. This is a positive and essential rating factor.

	Senegal	Mali	Guinea	Bissau	Sierra Leone
Population (million)	15,7	19	11,9	1,5	7,8
Sonatel's offer	2G/3G/4G(+)	2G/3G/4G	2G/3G	2G/3G/4G	2G/3G
Mobile penetration rate (%)	105%	106%	101%	79%	54%
2G population coverage (%)	97.9%	94%	95%	90%	83.8%
3G population coverage (%)	92.2%	66%	56%	69%	41%
4G population coverage (%)	62%	31%	N/A	19%	N/A
Data penetration rate (%)	40.7%	37.0%	18.4%	19.0%	41.0%
Active 3G clients (million)	3.6	3.9	1.3	0.2	0.8
Active 4G clients (million)	0.7	0.2	N/A	0.02	N/A

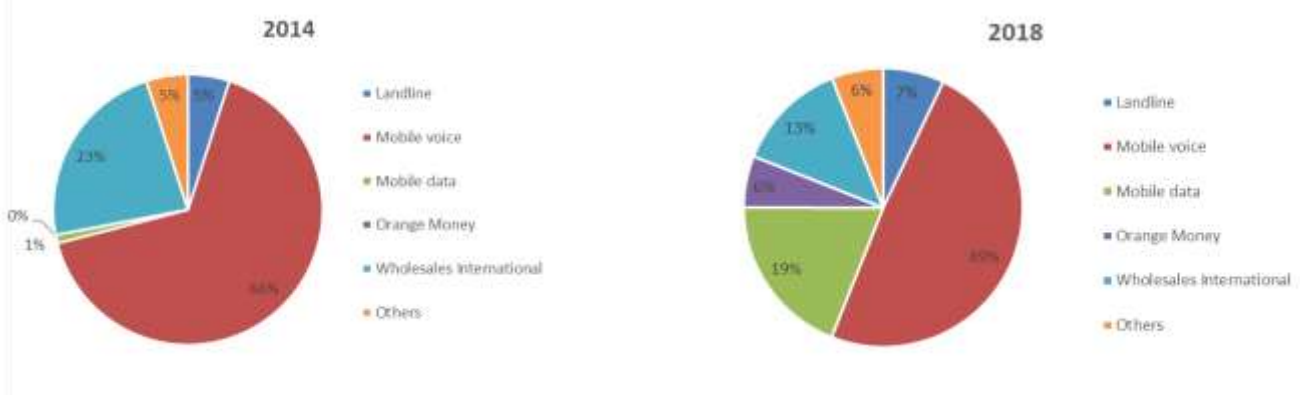
As a result, the diversification of its product offering coupled with a dense geographic network allows the Group to position itself as a key telecom player in the region. This presence is illustrated by the Group's subscriber base, which has been growing steadily for more than five years, and reaches 29.7 million customers in 2018, with mobile subscribers accounting for the largest share with 29.1 million customers. These subscriptions provide the Group with a recurring, significant and stable revenue base, which is a positive and essential rating factor.

Customer base	2013	2014	2015	2016	2017	2018
Landline	293 063	284 306	283 140	277 859	285 294	302 243
Mobile	22 000 003	25 942 396	27 679 665	27 319 568	29 736 083	29 146 650
Internet	126 310	123 846	131 644	143 620	144 753	219 144
TOTAL	**22 419 376**	**26 350 548**	**28 094 449**	**27 741 047**	**30 166 130**	**29 668 037**

Mobile subscibers	2013	2014	2015	2016	2017	2018
Senegal	7 462 438	8 097 673	8 413 127	7 900 150	8 344 083	8 734 542
Mali	10 821 677	12 825 680	11 898 450	11 262 654	12 539 918	10 468 834
Guinea	3 239 141	4 506 012	5 275 668	6 032 667	6 783 073	7 268 259
Bissau	476 747	513 031	558 375	600 384	646 573	682 701
Sierra Leone	0	0	1 534 045	1 523 713	1 422 436	1 992 314
TOTAL	**22 000 003**	**25 942 396**	**27 679 665**	**27 319 568**	**29 736 083**	**29 146 650**

Nota bene:
2016: The decrease is a result of actions of regulatory compliance in Senegal and Mali
2018: Decline of mobile customer base in Mali as a result of a new approach for client recruitment based on marginal value

Sonatel has successfully anticipated the technological breakthroughs of the last decade, and adapted its product mix to meet changing consumer behaviors. This resulted in a transformation of the mix of core business lines (mobile voice, landline voice, incoming international traffic) - which experienced a sharp decline - towards the "data" and "mobile money" lines of business, thus enabling the Group to preserve its growth. The graphs below show each segment's contribution to the Group's revenues. Mobile and wholesale voice segments (including international calls) accounted for 89% of Group sales in 2014. Five years later, they account for only 62% of the business. Conversely, "mobile data" and "mobile banking" were embryonic, whereas they account for a quarter of the Group's business today. In 2018, the Sonatel Group claimed 10.8 million "mobile data" customers and 13.1 million "Orange Money" subscribers, including 5.6 million active customers (illustrating the fact that there is still material room for growth in both new segments).



Governance and management

- **The organization and operating processes are part of the Group's DNA, as is the desire to operate according to international best practices**
- **Being a member of the Orange Group is an important positive rating factor: Sonatel benefits from Orange's operational support and its powerful expertise**
- **The Group's human resources policy enables it to rely on high quality staff**

The organization and operations of the Group were built on the basis of processes and procedures allowing a balanced distribution of powers, as well as a thoughtful and shared decision-making structure. This is part of Sonatel's DNA and is a positive rating driver. Sonatel was initially established as a state-owned company. Later, the management came to an agreement with the public authorities to have more autonomy; in return, a clear strategic plan had to be implemented in order to become a company in line with international best practices, as well as a reference in Africa. Any authority within Sonatel is constrained by a limitation of delegation. This avoids any risk of abuse, misappropriation or corruption and is one of the keys to the success of the Group. These processes and habits (which are part of the corporate culture) are still very dominant today. While this can create heaviness and potentially make the Group less agile, the decisions made have very often been the right ones. In the same vein, the Group is known for its proactive approach of certifications, in order to remain in phase with best international standards (see our Company Profile of the Sonatel Group).

Membership in the Orange Group is a positive rating factor. Indeed, the Orange Group is a global multinational corporation that generates € 41.4 billion in turnover thanks to its 148,000 employees worldwide, serving more than 200 million customers. In addition, the Orange brand is ranked 49th in the world according to the Brand Finance Directory ranking, which distinguishes it for the quality of its customer experience and the excellence of its network. Thus, the Orange Group provides Sonatel with its expertise and operational support, through service agreements covering all areas of activity, as well as its operating methodology. Finally, pooled procurements performed at the Orange Group level allow significant bargaining power, which tends to compress input price.

The Sonatel Group opted for decentralized but coherent governance. Each subsidiary establishes its strategy according to the peculiarities of its own market, as long as it remains in line with Sonatel's global strategic plan, which must remain in compliance with the overall strategy of Orange Group's African cluster. As a result, the Orange Group is developing a framework at the cluster level in terms of investments, revenues and profitability. That said, Sonatel has the necessary latitude and a reallocation capacity according to the opportunities and constraints of the markets in which the Group operates. This organizational rigor, shared by both the Orange Group and its West African subsidiary, is a positive rating factor.

This key success factor is embodied in a three-year strategic plan, updated each year to reflect the latest developments and trends. This process, though tedious, allows the Group to anticipate the major adjustments to be performed. The latest is the 2022 SO'ROC plan, which aims to transform Sonatel into a customer-oriented group, and a preferred partner in digital transformation. This vision is divided into five priority areas, which in turn are translated into General Management Objectives and then disseminated within the Group as part of the budget process in the form of commercial, operational and financial objectives. WARA believes that the strategy is relevant in light of the sector's developments and technologies to date. It is certainly ambitious, but realistic: the Group has the human, financial, technological, infrastructural and commercial resources to realize such vision.

Finally, WARA notes that the Group can count on executive and operational management and middle management teams of high quality. This is the result of a human resources policy focused on: (i) acquiring the best talent available on the job market; and (ii) setting up training and mobility plans to attract and retain these talents within the Group. Above all, the Group has been able to handle transformations both in terms of organization and resources/skills, in order to support the mutation of its business model, and thus ensure its balanced development in the long term. Corporate culture, in particular, is an asset and a positive rating factor: Sonatel is today a powerful institution, with strong employee shareholding. Each employee therefore tends to consider himself/herself a true partner of the Group, interested in its performance and therefore encouraged to contribute positively to its success. The Sonatel Group is listed on the BRVM: this tends to make management even more sensitive and aware of the importance of governance excellence, because of (i) financial disclosure and transparency obligations for more than 20 years, and (ii) the almost immediate impact of individual and collective success on the share price. Sonatel is also viewed as a benchmark stock on the BRVM.

Competitive position

- **Sonatel is the leading telecom operators in all markets in which the Group operates, with the exception of Sierra Leone**
- **The leading position of the Group is the result of a successful growth strategy combining geographical diversification initially, followed by diversification by business line**
- **Lastly, Sonatel has built decisive comparative advantages, enabling it to remarkably hold on its positions and neutralize competition**

Sonatel is the leader in terms of market share in all the countries in which the Group operates, with the exception of Sierra Leone, where the Group has held the position of challenger since its entry in 2016. In the latter market, the post-acquisition integration of the subsidiary was completed at the end of 2018. The Group now has to implement the "SUNRISE 2021" strategic plan to capture the position of market leader. In other markets, the Group's strategy is to maintain its commercial positions and consolidate its lead over its competitors by: (i) strengthening the quality of network infrastructures enabling ever wider coverage and impeccable network quality; (ii) improved solutions tailored to the specific needs of each market and segment; and (iii) the continued development of new avenues for growth (data, Orange Money, Orange Energie).

Data as od 12.31.3018	SENEGAL	MALI	GUINEE	BISSAU	SIERRA LEONE
Population (million)	15,7	19	11,9	1,5	7,8
Mobile base (millions)	8,7	10,5	7,3	0,7	2,0
Mobile penetration rate (%)	105%	106%	101%	79%	54%
Data penetration rate (%)	40,7%	37,0%	18,4%	19,0%	41,0%
Sonatel's offer	2G/3G/4G(+)	2G/3G/4G	2G/3G	2G/3G/4G	2G/3G
Marcket share	53%	56%	63%	56%	45%
Position	Leader	Leader	Leader	Leader	Challenger

Sonatel was able to become a regional group in just over thirty years thanks to a growth strategy focused on geographic diversification as a first step, followed by operating diversification:

- **First, to face the opening to competition of the Senegalese market in 1996, the State launched a call for tender to find a world-class operator in order to accompany Sonatel in the conquest of neighboring markets.** This is how France Telecom, now Orange, has acquired 42% of the Group's capital in two stages. The first external growth transaction took place in Mali, where the Group obtained its license in 2002, and began operations in 2003 to write one of the Group's finest successes, as it remains to this day its most profitable operation. Sonatel has continued its deployment in Guinea Conakry and Guinea-Bissau in 2007, and finally in Sierra Leone in 2016. The latter operation has the distinction of being a 50/50 partnership with the Orange Group. At each operation, the Group reiterates the same process: (i) acquisition of license; (ii) significant investments in all network infrastructures, especially in uncovered areas, to improve network coverage and quality; (iii) deployment of the commercial network according to a coherent grid with high impact; (iv) promotional offers to enter the market; (v) involvement of third-party

stakeholders, particularly in terms of value-added sharing to strengthen their buy-in; and (vi) strengthening market positions and network as well as distribution infrastructure to outpace competition. Ultimately, this external growth strategy can be considered a success in view of Sonatel's dominant positions in these markets. However, since 2016, opportunities for external growth have become rarer, due to the acceleration of technological developments and disruptions, together with the high cost of licenses, thus reducing the amortization period of more expensive investments.

- **Next, Sonatel was able to anticipate and transform its business model by developing the "data" and "mobile payment" segments very early, in response to the threat stemming from the rapid growth of OTTs.** These new means of communication have changed consumer habits, negatively and sustainably impacting the traditional segments of voice, international and SMS. Today, these segments are the Group's main growth drivers. But Sonatel intends to react. In order to fulfill its vision of becoming the preferred partner of the digital transformation, Sonatel is thinking about tomorrow's growth drivers: 5G technology, mobile banking, decentralized energy supply, digital applications for the education sector and health, e-commerce and all businesses with a telecom component (cloud and data centers among many other options).

In summary, WARA emphasizes that Sonatel has developed significant competitive advantages through vision and know-how in a highly capital-intensive sector, where evolutions are accelerating and technological breakthroughs are significant. In this respect, the most positive rating factors are as follows:

(i) a comprehensive offer of products and services that covers all telecommunication segments: landline, Internet, mobile, international, data but also related lines of business, including mobile payment solutions, Orange Energy, and data hosting;

(ii) the support of a global Group with a strong brand name;

(iii) the level and quality of network infrastructures, thanks to a very high level of investment allowing to benefit from advanced technologies and thus to catch inflexion points and develop key comparative advantages;

(iv) a dense and diversified distribution network coupled with a finely thought out marketing strategy;

(v) the quality of human resources thanks to a significant investment to attract, develop and retain talent;

(vii) a proactive certification process enabling the Group to adopt international best practices in the areas of management, quality, governance, risk management and social as well as environmental responsibility;

(viii) a systematic consideration for social and environmental responsibility: whether it is the establishment of a relationship of trust and coordination with major stakeholders, or social and environmental actions, or the Orange Foundation to the benefit of the population, this approach helps strengthen the company's entrenchment, which is a significant long-term competitive advantage;

(ix) the Group's ability to develop its vision within the framework of three-year strategic plans, while keeping the flexibility of annual adjustments in line with the most recent developments: this exercise encourages the Group to carry out SWOT analyzes on a regular basis, and constantly reinvent itself to stay competitive and profitable in the long run;

(x) a diversification by lines of business to adapt to changes in the sector and regional markets, materialized by the resounding success of data and mobile money offers, as well as by the Group's new growth drivers; and

(xi) geographic diversification that allows the Group to reach a very large population, reduce the average country risk, and achieve economies of scale through synergies, themselves capable of lowering marginal costs.

Financial factors

Profitability

- **Sonatel has an excellent level of profitability**
- **Absolute revenues are growing, fueled by the rise in the average ARPU, as well as the growth in the volume of the subscriber base**
- **On the other hand, the net margin is decreasing due to the evolution of the composition of the Group's revenues and the costly integration of its subsidiary in Sierra Leone**

Sonatel has an excellent level of profitability: it is a positive rating factor. In fact, the Group's net margin averaged 23.4% over the five-year period from 2014 to 2018. When compared to the levels of equity or the company's assets, the result is just as impressive with an average ROE of 28.4% over the last five years, while the average ROA is 15.5% over the same period.

	2014	2015	2016	2017	2018	5-yr avg
Profit mergin (NI/TO) %	26,7	25,6	23,9	20,8	19,8	**23,4**
Return on equity (NI/TE) %	31,0	29,8	28,4	26,4	26,4	**28,4**
Return on assets (NI/TA) %	19,5	18,2	15,5	12,7	11,4	**15,5**

The Group's business is simultaneously driven by price and volume effects: in fact, the Group's weighted average ARPU was up 4% between 2016 and 2018, while the subscriber base was up 7% over the same period. The increase in activity is fueled by the jump of ARPU in Senegal (+15%) and its stabilization in Mali (+ 1%), which are the two main contributors to the Group's results. The decline in ARPU in Guinea Conakry and Sierra Leone is explained by the negative effect of exchange rates (local currencies have depreciated relative to the CFA Franc). At the same time, the subscriber base is growing in all markets except Mali, due to a cleaning of the customer base (withdrawal of all accounts acquired for promotional reasons only).

Average annual ARPU (CFAF)	**2016**	**2017**	**2018**
Senegal	31 932	33 528	36 756
Mali	22 944	19 416	23 160
Guinea	20 781	19 166	19 785
Bissau	34 104	33 984	32 412
Sierra Leone	18 078	16 690	14 991
Average weighted ARPU *	**27 004**	**25 647**	**28 121**

*** = ARPU per country x contribution of contry to Group's revenues**

Subscribers (million)	**2016**	**2017**	**2018**
Senegal	7,9	8,3	8,7
Mali	11,3	12,5	10,5
Guinea	6,0	6,8	7,3
Bissau	0,6	0,6	0,7
Sierra Leone	1,5	1,4	2,0
Total	**27,3**	**29,7**	**29,1**

WARA highlights that despite the increase in sales over the past five years, net income remains stable, which explains the lower profit margin. The turnover was up 25% between 2014 and 2018, from CFAF 816 billion to more than CFAF 1,000 billion, i.e. an average growth of 6% per year. At the same time, net income rose from CFAF 218 billion in 2014 to CFAF 202 billion in 2018, a decrease of 7% over the period (or -2% per year on average). This trend finds its origin in the combination of two phenomena:

(i) the transformation of the business model of the telecom operators which translates concretely into lower revenues related to "international calls". While they accounted for 25% of turnover just four years ago, they now represent only 8% of turnover. The fact is that this segment generated a margin of 60%, which pulled the overall margin upwards. The growth of OTTs has changed consumer behavior, especially with regard to "incoming international calls" (calls from the diaspora to countries where Sonatel is present). Admittedly, the decline in revenues in this segment was largely offset by the rise in the "data" segment, hence the increase in revenue, but this segment has a lower profitability, between 20% and 25%;

(ii) the integration of the subsidiary in Sierra Leone, which up to the end of 2018, was in deficit. This trend should therefore be reversed in 2019, when the subsidiary should contribute positively to the Group's overall profitability.

In CFAF billion	**2014**	**2015**	**2016**	**2017**	**2018**
Turnover (TO)	816	863	905	973	1022
Growth rate	*N/A*	*6%*	*5%*	*7%*	*5%*
Net income (NI)	218	221	216	202	202
Growth rate	*N/A*	*1%*	*-2%*	*-6%*	*0%*

Liquidity

- **The negative change in working capital requirements that accompanies the growth of the business is a positive rating factor: in other words, the more the activity grows, the more it releases cash**
- **As a result, the Group has been in a positive net cash position over the last five years**
- **Finally, Sonatel has sizeable credit lines and liquidity facilities with its financial partners if need be**

Sonatel displays the following peculiarity: the change in working capital requirements is negative even though the business is growing; in other words, in addition to having a large part of its customers who pay cash, the Group buys better, stores less and tends to operate in just-in-time. It is a positive rating factor. Indeed, this trend is illustrated by the decline in the inventory coverage ratio in days of purchases, as well as the increase in inventory turnover expressed as the number of times per year. As a result, the inventory coverage ratio increased from 112 days of purchases to 77.5 between 2014 and 2018, while the annual inventory turnover fell from 50x to 77.7x over the same period. However, WARA points out that another phenomenon contributes to this good performance: the transition from physical scratch cards to recharge via SEDDO or Orange Money. Indeed, the dematerialization of the charging function has the advantage of lowering the costs of production and / or purchases of scratch cards, but also a drastic compression of transport and storage costs.

	2014	2015	2016	2017	2018	5-yr var.
Inventory coverage (in days of purchase)	112,1	107,6	108,8	83,7	77,5	-34,5
Inventory turnover (number of times per year)	50,0	55,2	56,1	68,3	77,7	27,7

As a result, Sonatel held a positive net cash position over the 2014-2018 period. This allows the Group to honor its financial commitments without the slightest difficulty, whether in terms of the operating cycle (salaries, supplier payments, tax and social administration), investment (capital suppliers and royalties) or financing (interests, loans principal at maturity and dividend payments). Finally, Sonatel benefits from a large pool of credit lines with its financial partners, which allows the Group to fill any cash gap that could be expected in the short term.

In billion CFAF	2014	2015	2016	2017	2018
Treasury assets	224	266	249	231	317
Treasury liabilities	27	38	197	147	224
Net treasury	**197**	**228**	**52**	**84**	**93**

Financial flexibility

- **The Group's financial position is very sound, thanks to a robust level of equity, moderate debt ratios and surplus cash**
- **Since 2016, the operating cycle is no longer sufficient to finance both investments and dividends to shareholders**
- **WARA therefore includes in its rating, as of now, the impact of a bond issue that would finance future investments, but assumes a level of debt commensurate with a rating in the AA category**

The Group's financial position is very sound, thanks to a robust level of equity, moderate debt and excess cash. With a long-term debt / equity ratio of 36.7% at the end of 2018, the Group's debt level remains moderate. If we consider net debt (long-term debt - net cash), the ratio goes below the 33% mark, to 32.4%. In addition, the equity / total assets ratio stands at 35% in 2018, which corresponds to a score of 2/6 according to our methodology, one of the most robust in the entire region. Finally, the ratio of interest coverage by EBITDA stood at 19.1x et yearend 2018, corresponding to the maximum score of 1 according to our methodology.

WARA notices that since 2016, the operating cycle is no longer sufficient to finance both investments and dividends to shareholders. All in all, the Group is increasingly using debt to finance i) the development of subsidiaries, ii) license renewals and iii) the improvement and extension of network infrastructures.

In billion CFAF	2014	2015	2016	2017	2018
Cash flows from operations (CFO)	329	352	336	351	366
- Variation of working capital requirements	-66	-28	-11	-17	-25
Net operating cash flows (A)	**395**	**379**	**347**	**368**	**392**
Investments	141	168	316	368	213
Dividends	155	183	193	191	195
Total (B)	**296**	**352**	**508**	**559**	**409**
Gap (A - B)	**99**	**28**	**-161**	**-192**	**-17**
New debt (net of reimbursements)	**7**	**3**	**0**	**206**	**44**

As a result, WARA already includes in its rating assessment the impact of more debt, most likely through a bond issue. Thus, even if the Group's gearing is expected to increase, this strategy remains relevant, as it will enable Sonatel to: (i) diversify its sources of financing in a context where banks are constrained by the recently implemented Basel II / Basel III regulations; (ii) display a weighted average cost of capital more competitive than that of a capital increase (the returns required by shareholders are much higher than the returns required by future bondholders); (iii) benefit from the leverage effect, as the current ROE is much higher than the cost of debt, but also because the interest is tax deductible unlike dividends; (iv) to discipline management even more; (v) and to promote the participation of the population in the development of the region's leading telecom company.

FINANCIAL DATA AND RATIOS

The OHADA Uniform Act on Accounting Law and Financial Reporting and the OHADA Accounting System annexed thereto (together known as the "Revised SYSCOHADA ") came into effect on January 1, 2018. In compliance with this new accounting framework, a conversion of the current accounting system as well as the publication of the 2017 comparative financial statements in line with the provisions of the Revised SYSCOHADA were required for the financial statements as of yearend 2018. The subsidiaries under exclusive control are fully consolidated.

INCOME STATEMENT (in million CFAF)	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Turnover (TO)	816 019	863 291	905 036	972 905	1 021 956
Production capitalized	2 288	3 426	3 877	4 687	2 040
Other revenues	17 400	23 926	28 582	16 800	37 175
OPERATING INCOME	**835 707**	**890 643**	**937 495**	**994 392**	**1 061 171**
Goods purchased	-52 444	-52 334	-53 420	-61 237	-61 094
Transport	0	0	-2 081	-2 114	-2 245
Services purchased	-280 122	-308 334	-299 915	-332 967	-345 745
Other operating expenses	0	0	-17 473	-16 041	-25 099
VALUE ADDED	**503 141**	**529 975**	**564 606**	**582 033**	**626 988**
% TO	***61,7%***	***61,4%***	***62,4%***	***59,8%***	***61,4%***
Taxes	0	0	-38 382	-39 746	-46 093
Personnel expenses	-76 908	-74 119	-83 449	-93 625	-108 417
EBITDA	**426 233**	**455 856**	**442 775**	**448 662**	**472 478**
% TO	***52,2%***	***52,8%***	***48,9%***	***46,1%***	***46,2%***
Depreciation and amortization	-121 466	-138 736	-131 426	-160 593	-168 955
Reversal of provisions	11 182	10 670	11 809	19 718	8 764
NET OPERATING INCOME	**315 949**	**327 790**	**323 158**	**307 787**	**312 287**
% TO	***38,7%***	***38,0%***	***35,7%***	***31,6%***	***30,6%***
Financial income (net)	3 593	3 012	-10 426	-8 658	-13 517
Extraordinary income (net)	226	-1 812	3 647	-1 662	-3 426
Deferred taxes	1 855	2 203	1 156	-1 659	2 474
Income tax	-103 408	-110 105	-101 655	-93 622	-95 567
CONSOLIDATED NET INCOME (NI)	**218 215**	**221 088**	**215 880**	**202 186**	**202 251**
Share of the minority interests	26 224	27 829	29 549	29 732	29 784
Net income of the consolidating entity	**191 991**	**193 259**	**186 331**	**172 454**	**172 467**
% TO	***26,7%***	***25,6%***	***23,9%***	***20,8%***	***19,8%***

BALANCE SHEET (in million CFAF)	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Capitalized expenses	17	13	1 200	898	0
Intangible assets	28 519	31 138	77 558	297 606	287 572
Fixed assets	530 360	565 288	595 046	652 255	706 798
Securities	130 966	141 977	255 536	155 950	163 352
Inventories	16 327	15 645	16 143	14 237	13 157
Due from customers	187 633	192 978	197 128	243 379	285 054
Treasury - assets	224 072	266 027	248 690	231 339	317 440
TOTAL ASSETS (TA)	**1 117 894**	**1 213 066**	**1 391 301**	**1 595 664**	**1 773 373**
Share capital	50 000	50 000	50 000	50 000	50 000
Premium and consolidated reserves	347 742	380 803	410 697	407 353	403 276
Translation adjustment	2 249	839	-5 699	-3 688	819
Net income of the consolidating entity	191 991	193 259	186 331	172 454	172 467
Total equity of the consolidating entity	591 982	624 901	641 329	626 119	626 561
Minority interests	63 038	67 340	69 799	89 822	90 865
Financial debt	45 508	55 820	61 821	218 684	262 995
Short-term liabilities	0	0	1 200	277	249
Advances from customers	0	0	97 621	107 769	139 765
Due to suppliers	182 606	195 411	188 325	273 017	264 233
Tax liabilities	0	0	119 676	116 618	149 720
Social liabilities	0	0	12 148	14 942	11 869
Other liabilities	207 489	231 727	2 706	1 460	3 127
Treasury - liability	27 271	37 867	196 676	146 956	223 989
TOTAL LIABILITIES	**1 117 894**	**1 213 066**	**1 391 301**	**1 595 664**	**1 773 373**

OTHER INFORMATION (in million CFAF)	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Cash flows from operations (CFO)	329 282	351 785	336 369	350 630	366 471
- Variation of working capital requirement (negative if negative variation)	-65 706	-27 695	-10 732	-16 943	-25 375
- Investments	141 178	168 257	315 521	368 031	213 225
+ Capital increase	0	0	3 734	0	0
- Debt reimbursement (negative if new debt)	-7 289	-2 521	-280	-206 197	-44 403
Free Cash Flow (FCF) (1)	**261 099**	**213 744**	**35 594**	**205 739**	**223 024**
Dividend payments	**155 000**	**183 386**	**192 757**	**191 097**	**195 404**
Net financial debt (2)	**-151 293**	**-172 340**	**9 807**	**134 301**	**169 544**

GROWTH RATES - INCOME STATEMENT (%)	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Turnover (TO)	10,5	5,8	4,8	7,5	5,0
Production capitalized	-3,1	49,7	13,2	20,9	-56,5
Other revenues	81,7	37,5	19,5	-41,2	121,3
OPERATING INCOME	11,4	6,6	5,3	6,1	6,7
Goods purchased	4,4	-0,2	2,1	14,6	-0,2
Transport	--	--	--	1,6	6,2
Services purchased	12,6	10,1	-2,7	11,0	3,8
Other operating expenses	--	--	--	-8,2	56,5
VALUE ADDED	11,5	5,3	6,5	3,1	7,7
Taxes	--	--	--	3,6	16,0
Personnel expenses	13,0	-3,6	12,6	12,2	15,8
EBITDA	**11,2**	**6,9**	**-2,9**	**1,3**	**5,3**
Depreciation and amortization	2,3	14,2	-5,3	22,2	5,2
Reversal of provisions	23,7	-4,6	10,7	67,0	-55,6
NET OPERATING INCOME	**15,5**	**3,7**	**-1,4**	**-4,8**	**1,5**
Financial income (net)	1 704,0	16,2	446,1	17,0	-56,1
Extraordinary income (net)	105,8	901,8	301,3	145,6	-106,1
Deferred taxes	-80,7	18,8	-47,5	-243,5	-249,1
Income tax	15,8	6,5	-7,7	-7,9	2,1
CONSOLIDATED NET INCOME	**15,1**	**1,3**	**-2,4**	**-6,3**	**0,0**
Share of minority interests	23,1	6,1	6,2	0,6	0,2
Net income of the consolidating entity	**15,8**	**6,5**	**-7,7**	**-7,9**	**2,1**

GROWTH RATES - BALANCE SHEET (%)	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Capitalized expenses	142,9	-23,5	9 130,8	-25,2	-100,0
Intangible assets	-16,1	9,2	149,1	283,7	-3,4
Fixed assets	7,0	6,6	5,3	9,6	8,4
Securities	5,7	8,4	80,0	-39,0	4,7
Inventories	-11,6	-4,2	3,2	-11,8	-7,6
Due from customers	-0,7	2,8	2,2	23,5	17,1
Treasury - assets	24,1	18,7	-6,5	-7,0	37,2
TOTAL ASSETS	**7,3**	**8,5**	**14,7**	**14,7**	**11,1**
Share capital	0,0	0,0	0,0	0,0	0,0
Premium and consolidated reserves	3,2	9,5	7,9	-0,8	-1,0
Translation adjustment	-370,0	-62,7	-779,3	-35,3	-122,2
Net income of the consolidating entity	14,1	0,7	-3,6	-7,4	0,0
Total equity of the consolidating entity	6,8	5,6	2,6	-2,4	0,1
Minority interests	7,0	6,8	3,7	28,7	1,2
Financial debt	-19,2	22,7	10,8	253,7	20,3
Short-term liabilities	--	--	--	-76,9	-10,1
Advances from customers	--	--	--	10,4	29,7
Due to suppliers	20,6	7,0	-3,6	45,0	-3,2
Tax liabilities	--	--	--	-2,6	28,4
Social liabilities	--	--	--	23,0	-20,6
Other liabilities	24,6	11,7	-98,8	-46,0	114,2
Treasury - liability	-49,5	38,9	419,4	-25,3	52,4
TOTAL LIABILITIES	**7,3**	**8,5**	**14,7**	**14,7**	**11,1**

RATIOS	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Profitability					
Profit margin (NI/TO) %	26,7	25,6	23,9	20,8	19,8
Asset rotation (TO/TA) %	73,0	71,2	65,0	61,0	57,6
Asset leverage (TA/TE) %	170,7	175,2	195,6	222,9	247,2
Return on equity ROE (NI/TE) %	33,3	31,9	30,4	28,2	28,2
Return on assets ROA (NI/TA) %	19,5	18,2	15,5	12,7	11,4
Gross margin on goods %	100,0	100,0	100,0	100,0	100,0
Operating expenses/Operating revenues %	62,7	63,6	66,0	69,6	70,8
Liquidity					
General liquidity ratio (CA/CL) %	52,3	48,8	50,6	50,1	52,4
Asset liquidity ration (CA/TA) %	18,2	17,2	15,3	16,1	16,8
Inventory coverage (in days of purchase)	112,1	107,6	108,8	83,7	77,5
Inventory turnover (number of times per year)	50,0	55,2	56,1	68,3	77,7
Due from customers (in days of turnover) (3)	69,0	67,1	65,3	75,0	83,7
Due to suppliers (in days of turnover) (3)	67,1	67,9	62,4	84,2	77,6
Financial Flexibility					
Gearing (Financial debt/TE) %	6,9	8,1	8,7	30,5	36,7
Interest coverage (EBITDA/interest expenses)	80,3	53,6	21,8	23,6	19,1
Financial debt/EBITDA %	10,7	12,2	14,0	48,7	55,7
Leverage (TE/TA) %	58,6	57,1	51,1	44,9	40,5

Notes
(1) FCF = CFO +/- Variation working capital requirements - Investments, i.e. cash flows free of any operating commitment
(2) Net financial debt = Financial debt + Treasury assets - Treasury liabilities
(3) VAT tax rate 20%
CFO = Cash flows from operations
NI = Group net income
TO = Turnover
TA = Total assets
TE = Total equity = Total equity of the consolidating entity + Minority interests
CA = Current assets
CL = Current liabilities

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