Port Autonome de Dakar

A-/Stable/w-3

ANALYSIS

April 2020

Hamza Haji
hamza.haji@wara-ratings.com
+221 33 824 60 14 | + 221 77 392 78 27

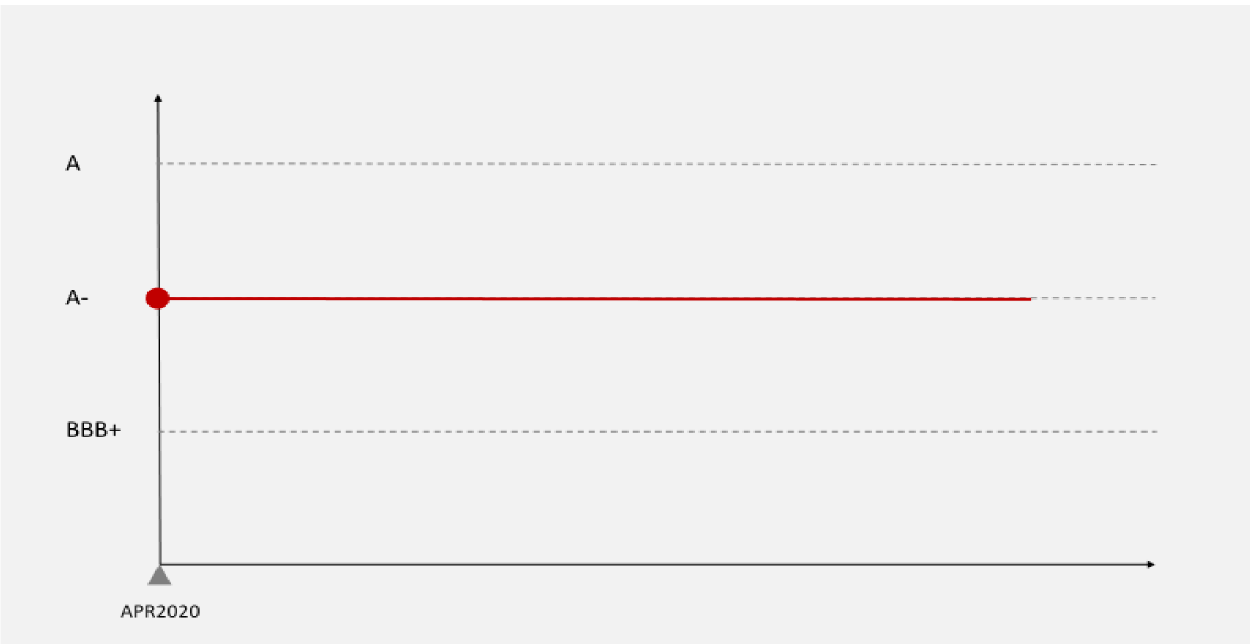
Oumar Ndiaye
oumar.ndiaye@wara-ratings.com
+221 33 824 60 14 | +221 77 400 42 91

TABLE OF CONTENTS

RATINGS

Scale	Regional	International
Methodology	Corporate	Corporate
Long-term rating	**A-**	**iB+**
Outlook	Stable	Stable
Short-term rating	w-3	iw-5
Watch	No	No

EVOLUTION OF THE LONG-TERM RATING



SUMMARY

- **The long-term rating of Port Autonome de Dakar (PAD) stands at the same level as the sovereign rating of the Republic of Senegal, i.e. 'A-' in regional currency.**

In April 2020, WARA assigned to **Port Autonome de Dakar (PAD)** a long-term rating of '**A-**' on its regional rating scale. This rating stands at the same level as the sovereign rating of Senegal, and one notch below the Senegalese country ceiling, which –according to WARA– is 'A'. The short-term rating of PAD is '**w-3**'. The outlook attached to these ratings is **Stable**.

As a matter of reference, the ratings WARA assigns to PAD on its global, foreign-currency rating scale are : iB+/Stable/iw-5.

PAD's standalone rating, irrespective of external support factors, is 'BBB-' according to WARA, which is equivalent to a total weighted score of **3.40 /6.00**, without any additional adjustment to our scorecard.

The long-term, local-currency counterparty rating of PAD (A-) incorporates three notches of external support. From a methodology perspective, PAD is viewed as a public-sector company (PC). With respect to the vital nature of its mission for the country's economy, PAD's degree of strategic importance as a PC is scored as "high". As a result, WARA can add up to 6 notches for external sovereign support, within the limit of the sovereign rating of the Republic of Senegal, i.e. 'ns.A-'. Given this limit, WARA consequently adds 3 notches for external sovereign support, bringing PAD's counterparty rating to A- (see details on page 9).

PAD's standalone rating (BBB-) mainly accounts for the following rating drivers:

Credit Strengths

- **The geographical location of the Port,** since its central position on the Atlantic coast offers ships to save navigation time compared to other ports in West Africa, and places it at the crossroads of American, European and African maritime corridors
- **Its structure as a "proprietary port".** This strategy makes it possible to: (i) attract international operators with seasoned expertise; (ii) transfer part of the cost of its investments, while retaining ownership of the facilities at the end of the concession period; and (iii) transfer part of operating risks
- **The high level of competence of the new management team, in place since September 2017.** Management not only fully grasped the high stakes attached to the Port's lines of business, but also successfully put in place both an organization and the relevant processes to allow staff, at all levels, to meet the many challenges of the future
- **The spectacular recovery in PAD's financial metrics over the past three years.** Between yearend 2017 and yearend 2019, thanks to the "six-month battle" and under the impetus of the 2019-2020 Transformation Plan: (i) turnover increased by 25%, while the volumes processed increased by only 8%, reflecting better invoicing and land revaluation; (ii) operating costs stabilized at CFAF 43 billion (thanks to better cost controls); (iii) the net margin therefore increased from 3% to 22%; (iv) self-financing capacity increased from CFAF 6 billion to CFAF 19 billion (thus strengthening financial flexibility); (v) finally, the net cash position increased from negative CFAF 14 billion to positive CFAF 13 billion (demonstrating the company's better collection capacity and working capital management).
- **A clear, consistent and achievable 2019-2023 strategic plan, which is part of a broader vision for 2035.** The 2019-2023 Strategic Plan – "PAD: a fluid and efficient port" aims at "substantially improving the operating performance of the Port by tackling the problems of accessibility, space and congestion". The underlying principle is that better customer satisfaction will translate into more business volumes and, ultimately, profitability. Simultaneously, PAD will launch a series of landmark initiatives to expand and modernize its infrastructure, and thus compete head on with its best West African contenders.

Credit Weaknesses

- **The deterioration of PAD's brand image.** Congestion problems, lack of space and ageing infrastructure contribute to weakening operating efficiency, longer waiting times in the roadstead and delays in the rotation of goods, causing a certain amount of dissatisfaction among users. This translates into a negative Net Promoter Score: in other words, PAD is not yet able to fully capitalize on its natural comparative advantages.
- **The lack of investment in the past to expand and modernize the Port, as well as the resulting chronic congestion, make PAD a bottleneck for the country's economy.** Studies commissioned by management showed that the economy is wasting between 6% and 8% of GDP per year due to congestion and other factors. The same studies conclude that by simply decongesting the Port, one to two GDP points could be won, which is the backbone of the 2019-2023 Strategic Plan. WARA will therefore monitor the execution of PAD's Strategic Plan and focus on its expected results.
- **The high degree of competitive pressure along the West African coast.** All the ports, whether Lomé, Abidjan, Dakar, Tema or Cotonou intend to position themselves as regional logistics hubs, not to mention the secondary ports which have initiated specialization strategies to resist competition. With a total of 13 coastal countries in the region, competition is therefore intense. In addition to that, all the main ports have embarked on large-scale investments in order to respond to the evolving nature of the sector and attract more traffic.
- **Some regional peers are ahead of competition, as they have made -early enough- the massive investments required for the extension and modernization of their infrastructure:** this is especially the case for the ports of Lomé (which has become the leading player in container traffic and the first port to reach 1.5 million TEUs in 2019) and Abidjan (leading the way in terms of overall tonnage processed, with 26 million tons). They are now the only two ports in West Africa to be able to accommodate third-generation vessels, in a context of consolidation and massification of global sea transport.

SCORECARD

RATING FACTORS FOR CORPORATES			Weight	Score	Weighted Score
ENVIRONMENT FACTORS			**25%**	**3,48**	**0,87**
FNI.C1	**Macroeconomic environment**	**ME**	**10%**	**3,40**	**0,34**
	Maturity		*3%*	*4,00*	*0,12*
	Volatility		*2%*	*2,00*	*0,04*
	Diversity		*2%*	*3,00*	*0,06*
	Sustainability		*3%*	*4,00*	*0,12*
FNI.C2	**Operating environment**	**OE**	**7%**	**3,57**	**0,25**
	Systemic governance		*3%*	*3,00*	*0,09*
	Infrastructure		*2%*	*4,00*	*0,08*
	Information		*2%*	*4,00*	*0,08*
FNI.C3	**Sectoral environment**	**SE**	**8%**	**3,50**	**0,28**
	Competitive pressure		*4%*	*5,00*	*0,20*
	Degree of sector maturity		*4%*	*2,00*	*0,08*
QUALITATIVE FACTORS			**40%**	**3,38**	**1,35**
FNI.C4	**Products - Distribution - Brand**	**PB**	**15%**	**3,64**	**0,55**
	Product diversification - Range		*5%*	*4,00*	*0,20*
	Distribution and market share		*5%*	*3,00*	*0,15*
	Brand recognition		*5%*	*3,92*	*0,20*
FNI.C5	**Governance and management**	**GM**	**15%**	**2,92**	**0,44**
	Idiosyncratique governance		*5%*	*3,00*	*0,15*
	Quality of strategic management		*5%*	*2,67*	*0,13*
	Quality of operational execution		*5%*	*3,08*	*0,15*
FNI.C6	**Competitive position**	**PC**	**10%**	**3,70**	**0,37**
	Price competitiveness		*3%*	*3,00*	*0,09*
	Non-price competitiveness		*3%*	*4,00*	*0,12*
	Development - Technology - Innovation		*4%*	*4,00*	*0,16*
FINANCIAL FACTORS			**35%**	**3,37**	**1,18**
FNI.C7	**Profitability**	**RE**	**10%**	**3,30**	**0,33**
	Profit margin		*4%*	*3,00*	*0,12*
	Asset rotation		*3%*	*4,00*	*0,12*
	Financial leverage		*3%*	*3,00*	*0,09*
FNI.C8	**Liquidity**	**LQ**	**10%**	**2,50**	**0,25**
	Asset liquidity		*5%*	*3,00*	*0,15*
	Funding and liquidity management		*5%*	*2,00*	*0,10*
FNI.C9	**Financial flexibility**	**FF**	**15%**	**4,00**	**0,60**
	Interest coverage by cash flows		*8%*	*4,00*	*0,32*
	Dabt in years of cash flows		*7%*	*4,00*	*0,28*

TOTAL WEIGHTED SCORE	**3,40**
ADJUSTMENT	**0%**
TOTAL ADJUSTED WEIGHTED SCORE	**3,40**
STANDALONE RATING	**BBB-**

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

+3 notches for external sovereign support

OUTLOOK

The outlook attached to PAD's ratings is stable. WARA justifies this stable outlook by the fact that at the end of 2019, PAD successfully restored its financial position and adopted a realistic plan for 2023. It will now be necessary (i) to implement this plan in order to improve its operating performance and maintain its financial metrics at least at current levels; and (ii) secure financing in order to launch key projects and transform the Port into a logistics platform with a regional reach.

An upgrade in PAD's rating will depend on: i) strengthening its operating efficiency, reflected in the waiting time at the harbor as well as the average dwell times of goods and vessels; ii) the proper execution of the 2019-2023 Strategic Plan, measurable by the evolution of the Net Promoter Score, turnover and net margin rate; (iii) consolidation of the recovery in profitability, liquidity and financial flexibility; iv) the successful conclusion of ongoing partnership negotiations (with DP World for the Ndayane project) and future partnerships (especially when it comes to the Malian hinterland and the municipality of Yiwu); (v) good mobilization of external resources needed to finance flagship projects; and (vi) a favorable, prolonged and significant development in the regional and/or global macroeconomic environments, fueling trade and therefore port traffic.

A downgrade of PAD's rating would be the consequence of: i) the persistence of congestion problems, roadway inadequacies and aged infrastructure weighing on the speed of operations; ii) delays in the execution of the 2019-2023 Strategic Plan, which is vital for PAD to begin its second phase of transformation and catch up with its regional peers; iii) a significant and durable deterioration in the Port's financial situation; (iv) unavailability of the financial resources necessary for key investments; (v) a possible divergence of vision between management and its sovereign parent; or (vi) a prolonged and significant deterioration of the regional and/or global macroeconomic environment, particularly in the wake of the current sanitary crisis.

As a matter of reference, WARA considers that the probability of occurrence of favorable scenarios is equal to that of unfavorable scenarios in the medium term, which means in other words that PAD's current ratings carry as much upgrade potential as downgrade risk.

FACTORS OF EXTERNAL SUPPORT

PAD's counterparty credit rating incorporates 3 notches of external sovereign support. PAD is considered, from a methodology perspective, as a public-sector company (PC). Being a government-related entity (GRE) and given the vital nature of its mission for the country (handling 95% of foreign trade and contributing 90% of Senegal's customs revenues), PAD's degree of strategic importance as a PC is scored as "high". Therefore, WARA can add up to 6 notches for external sovereign support, within the limit of the sovereign rating of the Republic of Senegal, standing at ns.A-.

Degree of strategic importance of the PC	Definitions	Maximum sovereign support	Ceiling for CR if SR<SovR*	Ceiling for CR if SR>SovR
High	The PC is an essential component of state economic policy. Its public service mission is of high importance. The PC accounts for a significant portion of the state budget.	+ 6 notches	SovR*	NC**
Medium	The PC is an important, but not essential component of state economic policy. Its public service mission is of medium importance. The PC accounts for a material, but not significant portion of the state budget.	+ 4 notches	SovR	NC
Low	The PC is a minor component of state economic policy. Its public service mission is of low importance. The PC accounts for a small or insignificant portion of the state budget.	+ 2 notches	SovR	NC

**SovR : Sovereign Rating ; SR : Standalone Rating ; **NC : National Ceiling ; CR : Counterparty Rating*

WARA therefore derives the following sovereign support function, including a 3-notch uplift :

Standalone Rating	SR	BBB-
Parent support		
Parent's identity	--	Sénégal
Parent's SR	SRP	ns.A-
Strategic importance	I-Strat	High
External Support Factor - Parent	**ESF.P**	**+3**
Adjusted Standalone Rating	**ASR**	**A-**
Systemic support		
National systemic importance	I-Syst nat	--
Propensity of support	PS	--
External Support Factor - National Systemic	**ESF.Sn**	**--**
Ragional systemic importance	I-Syst reg	--
External Support Factor - Regional Systemic	**ESF.Sr**	**--**
Counterparty Rating	**CC**	**A-**

As a matter of reference: National Ceiling	A

ANALYSIS OF STADALONE RATING FACTORS

Environment Factors

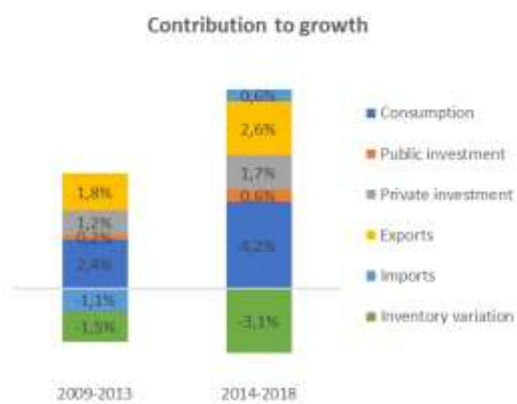
Macroeconomic environment

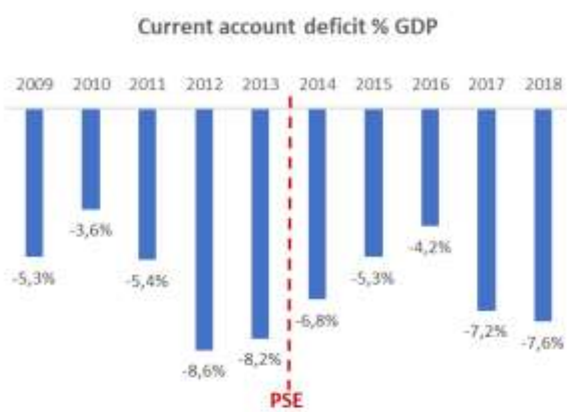
- **The macroeconomic environment is characterized by a growth trend mainly driven by the primary sector…**
- **… a relatively poor population…**
- **… and a level of competitiveness that is still insufficient to attract the kind of foreign direct investment necessary for the country's fast-track development, somewhat compensated by domestic investments**

Senegal (ns.A-/Stable/w-3) remains a country driven by agriculture, with a low level of competitiveness. The structure of Senegal's GDP by sector suggests a relatively high contribution of the service sector the country's output. Such an observation must be strongly qualified: i) the share of the tertiary sector in real output is overstated by the inclusion of the contribution of the public sector; ii) a significant portion of tertiary and secondary GDP, undoubtedly more than a third, is indirectly linked to the rural world; and finally, iii) although nominally agriculture and fishing represent only 18% of GDP, the primary sector directly and indirectly employs 64% of the working population and contributes at least half to the informal sector. Agriculture in Senegal is characterized by the predominance of commercial crops such as peanuts, cotton and sugar cane. In addition, millet, rice, corn and sorghum are food and food crops, exploited on a smaller scale. That said, Senegal is a net importer of food products, particularly rice, which accounts for nearly 75% of cereal imports. Only 5% of the land is irrigated, making Senegal a land for subsistence rainfed agriculture. In addition, a large part of Senegal is subject to droughts, which is typical in the Sahel, with irregular rainfall, generally poor soils and recurrent locust invasions. Given this economic structure and the low productivity of the primary sector as well as its agro-industrial downstream industries and related services, the country's non-price competitiveness is limited. The fixed exchange rate with the euro, a hard currency, also does not allow Senegal to benefit from price competitiveness.

Senegal's population therefore remains poor on average, with very pronounced gaps between the rural environment, which is very precarious, and the urban environment, which concentrates the entire middle class. GDP per capita only crossed the symbolic mark of USD 1,000 in 2011, and is expected to reach USD 2,000 around 2025. However, Senegal's social indicators are generally better than those of other countries in the region, as evidenced by its human development index of 0.51, i.e. 2 points better than its Ivorian neighbor (0.49, as per the 2018 data). As the Senegalese economy is dependent on the primary sector and therefore on climate conditions, real as well as nominal growth, inflation and the labor market tend to be volatile. Under these circumstances, economic cycles are difficult to predict, which does not provide sufficient incentives for long-term investment in the private sector (to a certain extent offset by public investment programs), and discourages the banking sector in its intermediation activity: in total, only 19% of Senegalese citizens have a bank account, and almost half of these accounts are considered inactive.

However, the authorities are implementing structural reforms in order to fully reach the country's potential, through the execution of the Emerging Senegal Plan (PSE). The implementation of the first phase, between 2014 and 2018, resulted in a durable improvement in the country's growth trajectory, from an average of 3.0% between 2009 and 2013 to 6.6% between 2014 and 2018. This structural jump was driven by a reinforcement of consumption (which contribution increased from 2.4% to 4.2%) and exports (from 1.8% to 2.6%). On the other hand, the expected rebound of the country's external accounts did not take place, since the current account deficit did not materially change: -6.42% of GDP on average between 2009 and 2013 vs. -6.22% of GDP on average over the period 2014-2018. Finally, on the front of foreign direct investments, it appears that the first phase of the PES enabled Senegal to improve its attractiveness, as the FDI-to-GDP ratio increased from 1.5% on average to 2.0%. This renewed attractiveness is also to be seen in relation to the evolution of the "Doing Business" ranking (further detailed in the section below on Senegal's operating environment). The second phase of the Plan started in 2019: it focuses on (i) the structural transformation of the economy aimed at unlocking its growth components (with the transition from an economy based on agriculture to an agro-industrial economy); (ii) strengthening human capital, social protection and sustainable development (to further improve competitiveness and attractiveness); and (iii) further progress on the front of governance and institutional strength (to ensure a robust institutional framework and a favorable business climate).





Operating Environment

- **The Senegalese operating environment is characterized by proven democratic stability...**
- **… and the implementation of the Emerging Senegal Plan (PSE), which is starting to bear fruit**

Senegal has ultimately strengthened its position as one of the most successful and stable democracies in sub-Saharan Africa. The smooth running of the presidential elections in 2019 confirmed this trend. In addition, at the end of the first phase of the PSE, the country jumped 37 notches in the "Doing Business" ranking, climbing from the 178th to the 141st place, signaling a material shift in the business climate. The first phase of the plan enabled the authorities to amend the criminal code, modernize the main other codes (for customs, taxes, public procurement and mining), and enhance the tax and customs administration. However, this is only the first batch of reforms, which will have to be consolidated in the second phase of the PSE, under more challenging circumstances.

Senegal's overall strategy to resolve the energy conundrum aims at i) increasing production capacity, ii) reducing costs by diversifying production sources, while improving governance and the regulatory framework, iii) strengthening the distribution network, especially through the electrification of rural areas, and iv) improving service delivery, while increasing the use of renewable energy sources. Recent progress has been made in all of these areas through both public and private investment. Production continues to grow, with renewable energy sources becoming an increasingly important contributor to the energy mix. Thus, the State has defined and is implementing an energy mix program targeting more than 1,000 MW in energy capacity by 2025. If this program is successful, industrial and commercial businesses should considerably reduce the gap between potential and actual growth; as of today, the utilization of production capacity remains below 70%. Improving electricity production and its reliability, as well as increasing refining capacities are crucial issues; but they are also slow processes as they are time consuming. Finally, the authorities, via the national electricity company (SENELEC, A-/Stable/w-3), continue to electrify the country: Senegal has reached a rate of 70% overall, but the disparities remain quite large between urban (94%) and rural (42%) areas.

The discovery of offshore oil and gas reserves constitutes both an opportunity and a challenge. Initial estimates suggest that oil and gas reserves could be sizeable. Gas production could start as early as 2020-21, and oil production two years later. While waiting for a reputable international company to set targets and a production schedule, oil and gas revenues have yet to be integrated into the macroeconomic framework. This discovery is certainly likely to have a positive effect on the energy sector and on the economy in general, but it will be fundamental to make strategic decisions, which range from whether to enhance refining capacities to the definition and application of the most appropriate and relevant tax regime, in order to meet the challenges of fossil fuel management, which appeared not to be a sinecure in most hydrocarbon-producing countries around the world, not just in Africa.

Sectoral Environment

- **The global maritime transport sector, structurally in surplus, continues to consolidate, giving birth to fewer and bigger players**
- **For PAD, relevant competition between ports mainly prevails in the West African region**
- **The competitiveness of a port is characterized by the quality of its infrastructure and its connectivity with the countries of the hinterland**

The global maritime transport sector grew by an average of 2.2% per year during the 2014-2018 period, to reach 11 billion tons transported. This is a positive scoring factor. UNCTAD expects international maritime trade to grow at an average annual growth rate of 3.4% over the 2019-2024 period, driven by containers (+ 4.5%), dry bulk (+ 3.9%) and hydrocarbons. Growth forecasts are less optimistic than in the past, because the sector must adapt to new realities: the moderation of global economic and trade growth (trade tensions, protectionist policies), the increasing regionalization of supply chains, recurring uncertainties as to the Chinese economy, the increased role of technology, the exacerbation of natural disasters and pandemics, and increased awareness of the consequences of global warming.

Structurally in surplus, the sector continues to consolidate and give birth to fewer but larger players. The combined market share of the top 10 container shipping companies increased from 68% to 90% between 2014 and 2019. In a market characterized by excess capacity, consolidation is expected to continue. At the same time, carriers operate increasingly larger vessels to optimize their costs. Two thirds of the TEU container ship order book is for ships of 14,000 TEUs and more, and only large carriers and alliances are able to load such mega-ships.

In such a context, the competitiveness of ports depends mainly on the infrastructure and services offered, as well as on the amount of traffic in their hinterland. For shipowners, the attractiveness of a commercial port lies above all in "*the conditions of speed of operations, which depend on the equipment available and the organizational processes*" (Guy Manouan, President of the African Port Awards Foundation). Also, any action taken to improve the quality of port facilities (linear docks, container terminals, ease of access, depth and width of channels, stable seabed, harbor specialization, handling equipment, site safety etc.) is a key differentiation factor. Finally, one must not underestimate the direct and indirect costs of services (port fees, customs tariffs, tax rates) to be paid by carriers, as well as the land infrastructure available to allow efficient transit of goods for countries that do not have access to the sea.

African ports currently represent only 4% of global container traffic: the growth potential is therefore considerable, which is a positive rating factor. In West Africa, each country is therefore trying to equip its seafront with a commercial port that rivals those of its neighbors to become the regional hub of reference. All the ports, whether Lomé, Abidjan, Dakar, Tema or Cotonou intend to position themselves as regional hubs, not to mention the secondary ports, which have initiated specialization strategies to differentiate themselves and resist competition. With a total of 13 coastal countries in the region, competition is therefore very intense. In total, all the main ports have embarked on sizable investments in order to meet the challenges of an evolving sector and attract more traffic. These investments are geared towards accommodating ever larger ships (making it necessary to build wider, deeper and longer docks), reducing transit time (through one-stop shop strategies, made easier by increasing digitalization) and improving connectivity with land-based infrastructures. On the other hand, intensifying competition is a negative rating factor.

Qualitative Factors

Products – Distribution – Brand

- **PAD stands at the heart of the Senegalese economy**
- **PAD has adopted the operating model of a "proprietary port", which is a positive rating factor because of the many advantages this model provides**
- **However, because of insufficient investment to expand and modernize its infrastructure, PAD has now turned into a bottleneck for the country's economy**

PAD's activity is intrinsically concentrated on its core business: port services. PAD provides handling and/or storage services for any type of vessel and merchandise from or to Senegal, or in transit through Senegal. In 2018, fees collected on containers, goods and ships represented 73% of PAD's turnover. Therefore, its level of activity is, de facto, correlated with global maritime traffic as well as with global trade. However, the economic model of the port benefits from a natural diversification effect, as its activity is exposed to all economic sectors, the goods of which are passing through the port. Finally, the activity of PAD is vital to the economy of Senegal, as it accounts for 95% of the country's foreign trade and nearly 90% of its customs revenues.

PAD has adopted the so-called "proprietary port" operating model, where operations are entrusted in the form of licenses and concessions to private companies. This is a positive rating factor. About 70% of operations are carried out in the form of licenses and concessions, whereas 30% are managed directly by PAD. This model is based on the development of public-private partnerships (PPP), through which PAD grants the operating right to an operator, in exchange for the payment of fixed fees (state royalties) and variable fees (freight and container fees) which depend on the volumes processed. The table below summarizes the terminals licensed by PAD. This strategy provides 4 immediate advantages to PAD: i) the port benefits from the expertise and know-how of international operators; ii) the investments required for the concession are the responsibility of the licensed concession-holder; iii) PAD retains full ownership of the facilities at the end of the concession; and finally iv) PAD transfers part of the commercial risk to the concession-holder.

Terminal	Operator	Infrastructure	Starting date of the concession	Duration of the concession
Container Terminal	Dubai Port World	29 ha, 715m dock, 13m draught	2007	25 years
Ro-Ro Terminal	Bolloré	8 ha, 700m dock, 10m draught	2013	25 years
Bulk Terminal	Sea Invest	16 ha, 475m dock, 10m draught	2013	25 years
Oil Terminal	Sea Invest	1.8 ha, 709m dock, 12m draught	2013	25 years

This business model, coupled with robust GDP growth in Senegal, has enabled PAD to show sustained growth in its activity over the past five years. This is a positive scoring factor. As a matter of fact, turnover rose from CFAF 40 billion in 2015 to CFAF 61.4 billion in 2019, or +53%, equivalent to an average annual growth rate of 9% over the period. This growth is driven by the container and freight segments, reflecting the increase in volumes handled by private operators.

	2015	2016	2017	2018	2019	5-year var.	CAGR
Merchandise traffic (in million tons)	15,19	16,42	18,25	19,22	19,53	**4,34**	**0,87**
Growth	13%	8%	11%	5%	2%	**29%**	**5%**
Containers (in TEUs)	529 724	617 747	639 379	697 336	695 698	**165 974**	**33 195**
Growth	9%	17%	4%	9%	0%	**31%**	**6%**
Revenues (in billion CFAF)	40,00	45,83	49,22	56,36	61,39	**21,39**	**4,28**
Growth	15%	15%	7%	15%	9%	**53%**	**9%**

However, the lack of investment in the past to expand and modernize the port, along with the resulting chronic congestion, makes PAD a bottleneck for the country's economy. This is a negative rating factor. PAD does not seem to enjoy an optimal reputation with its customers. The negative Net Promoter Score (-39) attributed to the institution illustrates this point. This means that the share of customers recommending PAD is much lower than the share of dissatisfied clients. Indeed, users are today confronted with lack of space, aged and dilapidated infrastructure, deteriorated roadway, and traffic and parking plans that are either non-existent or not complied with, which considerably limits the operations' efficiency. This is exacerbated by chronic congestion at the port and the capital city of Dakar (1,874 daily truck entries with peaks at 2,380), extending the average waiting time of ships and the average dwell time of containers and goods. Studies commissioned by the management showed that the economy is wasting between 6% and 8% of GDP per year due to the port's congestion. As a result, the Port cannot fully capitalize on its geographical position, which is ideal, and consequently stand out from its competitors located further south of the West African coast. That said, WARA underlines that the new management team his fully aware of the operational and strategic challenges to be met in order to modernize the Port and make it a key logistics platform in the region.

Governance and Management

- **The appointment of Mr. Aboubacar BEYE and the resulting organizational change represent a turning point for PAD**
- **The new management has been committed to improve the company's financial position ...**
- **... while developing a clear, coherent and executable 2019-2023 Strategic Plan, as well as a vision for 2035, the PAD to anticipate future structural trends**
- **This is a very positive rating factor**

The appointment of Mr. Aboubacar BEYE and his management team in September 2017 marks a turning point in terms of governance and management. Indeed, PAD displayed a worrying financial situation: negative cash flow of CFAF 7.9 billion, unpaid suppliers, late payments on salaries, a financial debt of CFAF 56 billion, and above all a loss of confidence from partners. At the same time, from an operational point of view, the Port suffered from a twin maritime and land congestion to the point that ships had difficulty docking. Consequently, a revamp was carried out in order to put in place a management team able to understand the short, medium and long-term challenges that PAD was facing.

Following full internal s carried out by the new management team, the priority in 2018 was to put an end to the financial deterioration of PAD through the following measures:

- Cancellation of a decision of the previous management which provided for the unjustified recruitment of 488 people as well as undue promotions and bonuses (as there was no legal or contractual basis for such decisions).
- Renegotiation of contracts concluded with G3S (video surveillance) and SPS (security guards), the amounts of which were abnormally high for this type of service contracts.
- Strengthening of collection procedures: customers suffered long payment delays due to lack of attention to the collection process.
- Implementation of “quick-wins” as part of the “six-month battle” in the second half of 2018 through: (i) revenue optimization (invoicing overhaul, collection effort, land revaluation); (ii) load reduction, (iii) port decongestion measures; and (iv) the development of the 2019-2020 Transformation Plan
- Reshaping of part of the debt saving CFAF 8 billion in financial expenses over 2019 and 2020.

WARA emphasizes that management has succeeded in its attempt to improve the financial position of the company in a convincing manner. This is a positive rating factor. Between yearend 2017 and yearend 2019, thanks to the “six-month battle”, and under the impetus of the 2019-2020 Transformation Plan: (i) turnover increased by CFAF 12 billion, i.e. +25%, while that the volumes processed only grew by 8%, illustrating a price effect linked to better invoicing and land revaluation; (ii) operating costs stabilized at CFAF 43 billion; (iii) the net margin increased from 3% to 22% (illustrating better operating and financial profitability); (iv) self-financing capacity increased from CFAF 6 billion to CFAF 19 billion, while the net cash flow increased from negative CFAF 14 billion to positive CFAF 13 billion (demonstrating the better recovery capacity of the company and better management of working capital). Beyond the figures, the level of involvement and competence of PAD's management and staff indicates that the new team has succeeded in involving and empowering stakeholders at all levels of the organization. Such a revamp was the price to pay for the company's transformation to occur. Information flows within the organization in a much more efficient way: management decisions are made clearer (top-down approach), while staff and partners are systematically involved in the development of the various plans (bottom-up approach).

As a second step, management focused on designing the 2019-2023 Strategic Plan – "PAD: a fluid and efficient port". The objective is to substantially improve operational performance for greater customer satisfaction. For this, efforts are concentrated on accessibility, space and congestion issues. The underlying principles it is that better customer satisfaction will translate into more business and profitability. This is a clear, coherent and realistic plan, which is a positive rating factor. In particular, it has the advantage of establishing perfectly quantifiable objectives: (i) bringing the Net Promoter Score back to equilibrium (from -39 in 2019); (ii) reach the symbolic level of CFAF 100 billion in turnover (vs. CFAF 61 billion in 2019); and (iii) generate a net structural margin of 15% (vs. 12% on average over the 2017-2019 period). WARA will closely monitor all these metrics, which would allow PAD to begin the second phase of its transformation characterized by heavy investments; they will require significant funding and therefore a capacity to generate adequate levels of profitability and cash flows.

Simultaneously, PAD's new management team adopted a vision for 2035 – "PAD: a driver of emergence" – backed by the Emerging Senegal Plan (PSE). The aim is to transform the Port into a regional logistics hub. This translates concretely into a major investment and transformation plan, broken down over several phases. We note here a significant paradigm shift. Where previous plans relied on the robust economic growth of the national economy to drive the Port's activity, the new management opted for a strategy that would make PAD an engine of such expansion, through infrastructure and logistics services that would be proposed. However, the successful achievement of such a vision will also depend on: (i) the capacity of the relevant public authorities to launch reforms and amend legislation; (ii) the ability to successfully negotiate with partners, in particular private operators (especially when it comes to sharing the burden of heavy investments); (iii) the implementation of a process-based culture in order to deeply entrench sound business practices, be it at the level of staff, managers or partners; (iv) the capacity of PAD to access the necessary funding for the execution of its ambitious investment program.

Competitive Position

- **PAD has significant natural comparative advantages**
- **However, it is lagging behind its peers in the region, who have already invested massively in the modernization of their infrastructures and operations**
- **That said, the investment program launched by the new management team should make it possible to catch up with the Port's regional contenders**

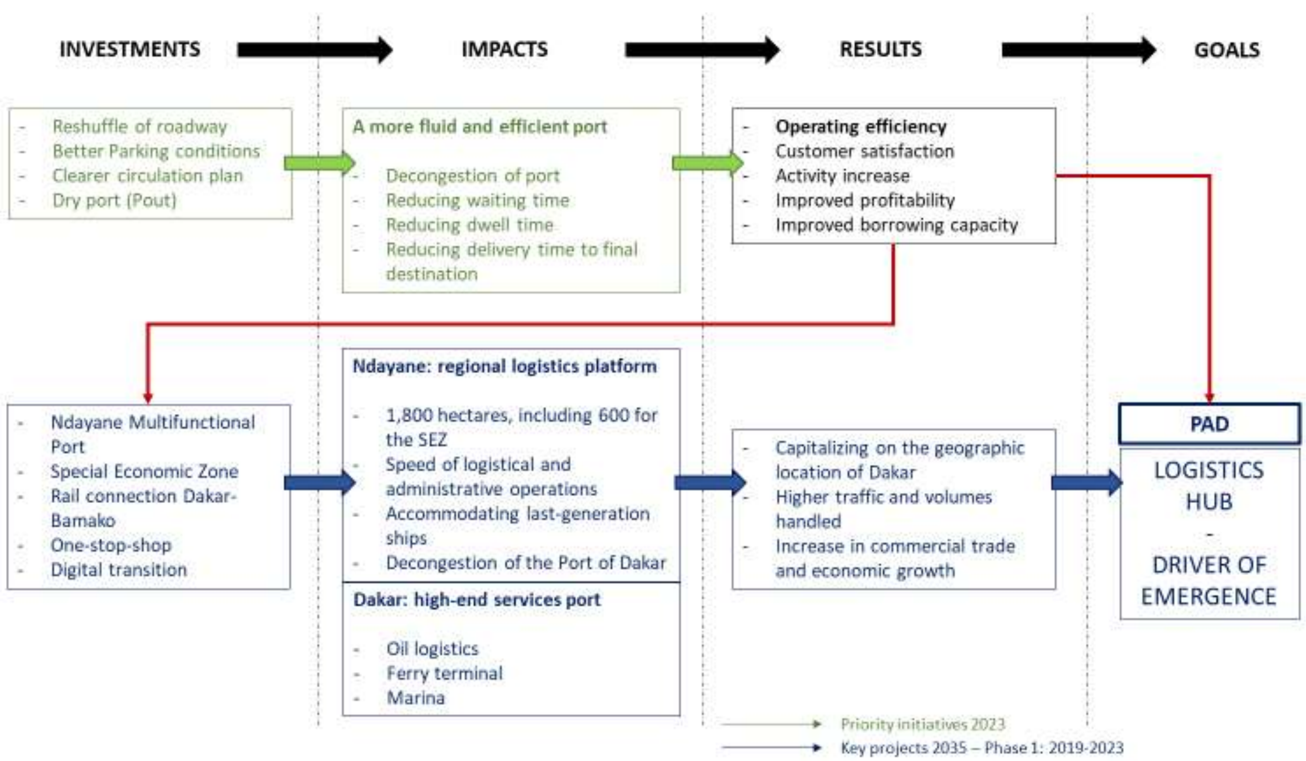
WARA emphasizes the fact that PAD has significant natural comparative advantages. This is a positive rating factor. First of all, the Port of Dakar stands in a geographical location at the crossroads of the maritime lines connecting Europe to South America and North America to South Africa. In addition, PAD is the first deep-water sub-Saharan port to be reached by ships sailing from the north and the last port where ships stop on their way from the south. This location allows ships from the north to save two to three days of navigation time compared to other ports of the West African coast. With a seafront of more than 700 km, Senegal also has secondary ports and therefore a large storage capacity. In addition, the Port of Dakar enjoys the benefit of being located on a stable maritime waterfront, undergoing minimal tidal changes, which allows it to remain operational 7 days a week and 24 hours a day.

In addition, PAD largely dominates traffic to the Malian hinterland with 65% market share in this segment. PAD pays special attention to this segment because of the special relationship between the two countries, but also the windfall it represents (2.7 million tons in 2017 or 15% of total PAD traffic). In particular, the Port has allocated dedicated infrastructures (through specific warehouses within the Port of Dakar, and Senegalese warehouses in Mali, under the ENSEMA brand). A new unit responsible for the development of the Malian hinterland aims at increasing the market share of PAD to reach 80%.

However, PAD is currently lagging its regional peers who have already invested heavily in modernizing their infrastructure and operations. This is a negative rating factor. Among the most convincing examples, the Port of Lomé (Togo) has invested more than a billion dollars over the last decade to make it the most modern platform in West and Central Africa, thanks to the speed of its operations, excellent connectivity with neighboring countries and above all state-of-the-art equipment making it the only West African port capable of accommodating third-generation ships. It has thus become the first container port in the region, crossing the symbolic bar of 1.5 million TEUs handled in 2019. The Autonomous Port of Abidjan (Ivory Coast), meanwhile, has extended the Vridi canal for easier access to its docks, in order to also welcome the latest generation of container ships. The Port now records a record traffic of 26 million tons of goods in 2019. The same pattern is happening at the Ports of Cotonou (Benin) and Tema (Ghana), which have initiated ambitious investment plans to stay in the race.

Competitive landscape in West Africa		Lomé	Abidjan	Dakar	Cotonou	Tema
Traffic (2018)	Container traffic (mn TEUs)	1,40	0,67	0,70	0,39	0,61
	Merchandise traffic (mn tons)	22,12	24,16	19,22	10,28	14,40
Infrastructure	Container capacity (mn TEUs)	2,20	1,30	0,70	0,95	0,85
	Daught (meters)	16,60	16,00	13,00	15,00	16,00
	Container shelf space (meters)	450	1 000	700	546	360

In the medium to long terms, PAD's investment program, as part of its 2019-2023 Strategic Plan and 2035 Vision, should make it possible to catch up with regional competition. This is a positive rating factor. In fact, PAD has simultaneously initiated the implementation of priority initiatives and flagship projects to make the port more fluid and efficient on one hand, and make it one of the most modern regional logistics platforms on the other hand, in view of competing head on with the best West African ports. In both cases and incrementally, these projects and initiatives will make it possible to realize the vision of the new management team: transforming the Port in order to make it a driving force for the country's emergence, thanks to an annual contribution of 3 points of GDP to the economy.



Financial Factors

Profitability

- **PAD's net margin has improved dramatically since 2017 and this trend should continue: this is a positive rating factor**
- **However, compared to the level of equity or assets, the level of profitability has the potential to further increase**
- **WARA anticipates that the structural improvement of the net margin should drive overall profitability upwards in the medium term, and weigh favorably on PAD's standalone rating**

PAD's profit margin has improved dramatically over the past three years. However, the level of asset turnover is still below average. Between 2017 and 2019, following actions initiated by management, PAD's net margin increased from 3% to 22%. The average profit margin over the past three years therefore stood at 12%, which maps to a good level according to WARA's scoring grid. The asset turnover ratio, meanwhile, is still insufficient, standing at 30% on average over the past three years.

	2017	2018	2019	3-year average	WARA score
Profit margin	3%	11%	23%	**12%**	3
Asset turnover	27%	32%	32%	**30%**	4

On the other hand, PAD's profitability, compared to the level of its assets or its equity, although in marked improvement, can still be improved. First, return on assets (which is the product of net margin and asset turnover) averages 4% over the past three years. Then, the return on equity stood at 7% over the same period. In both cases, this is a relatively modest level in the context of WARA's scoring grid. That said, the structural improvement in the net margin under the impetus of the 2019-2023 Strategic Plan should, in the medium term, contribute to increasing the level of overall profitability and, simultaneously, drive PAD's standalone rating upwards.

	2017	2018	2019	3-year average	WARA score
Return on assets (ROA)	0,8%	3,6%	7,4%	**4%**	4
Return on equity (ROE	1,5%	6,2%	12,3%	**7%**	4

WARA's Scoring Grid for Profitability (from 1 to 6, 1 being the best score)	1 excellent - high	2 very good - high	3 good - adequate	4 insufficient - vulnerable	5 mediocre - weak	6 failing - very weak
Profit margin	>20%	13% to 20%	9% to 13%	5% to 9%	3% to 5%	<3%
Asset rotation	>80%	60% to 80%	40% to 60%	30% to 40%	20% to 30%	<20%
ROA	>10%	8% to 10%	6% to 8%	4% to 6%	2% to 4%	<2%
ROE	>25%	17% to 25%	10% to 17%	6% to 10%	3% to 6%	<3%

Liquidity

- **PAD displays a good level of liquidity**
- **Cash flows have considerably improved over the past three years**
- **This is a positive rating factor**

PAD displays a good level of liquidity. This is a positive rating factor. However, the very high level of fixed assets on the balance sheet negatively affects the asset liquidity ratio (with a score of 4 according to our methodology). WARA underlines that this situation is perfectly normal in the infrastructure sector. Current assets cover almost twice the current liabilities, at 196% on average over the three-year period ended in 2019. In practice, this means that in the extreme case of a liquidity squeeze or in the worst case of a liquidation, the sale of liquid assets would allow all obligations with a maturity of less than one year to be fulfilled. Finally, long-term resources finance long-term (or fixed) assets, with the relevant ratio standing at 125% on average over the past three years, the remainder being working capital. In conclusion, the functional analysis of the balance sheet through these three ratios allows us to stress the fact that the major balance sheet equilibriums are properly managed and complied with in an orthodox manner.

	2017	2018	2019	3-year average	WARA score
Liquid assets/Total assets	35%	31%	33%	**33%**	4
Liquid assets/LT liabilities	248%	172%	168%	**196%**	1
(LT liabilities+Equity)/Fixed assets	121%	120%	133%	**125%**	3

WARA's Scoring Grid for Liquidity (from 1 to 6, 1 being the best score)	1 excellent - high	2 very good - high	3 good - adequate	4 insufficient - vulnerable	5 mediocre - weak	6 failing - very weak
Liquid assets/Total assets	>60%	50% to 60%	40% to 50%	30% to 40%	20% to 30%	<20%
Liquid assets/LT liabilities	>125%	100% to 125%	75% to 100%	55% to 75%	35% to 55%	<35%
(LT liabilities+Equity)/Fixed assets	>200%	170% to 200%	125% to 170%	100% to 125%	80% to 100%	<80%

The strengthening of cash flow management and collection processes have enabled PAD to enhance its net cash position over the past three years. This is a positive rating factor. In fact, PAD's net cash position rose from a negative balance of CFAF 14 billion in 2017 to a positive balance of CFAF 13 billion in 2019. Specifically, this was achieved thanks to the efforts made to improve the efficiency and monitoring of the recovery process pertaining to receivables. The establishment of continuous monitoring obeying strict procedures allows PAD to institutionalize such good practice.

	2017	2018	2019
Treasury assets	4 736	8 571	13 150
Treasury liabilities	18 972	9 224	355
Net cash position	**- 14 236**	**- 653**	**12 795**

Financial Flexibility

- **The improvement in the level of PAD's profitability, coupled with the consolidation of its cash position, enabled the Port to enhance its financial flexibility**
- **The decline in the financial debt ratio and the tripling of self-financing capacity are a good illustration of this trend**
- **Confirming this trend is a vital condition to access external financial resources in sound conditions, in order to fund future investments**

The improvement in PAD's profitability and liquidity over the past three years has helped: (i) reduce its level of relative debt; (ii) increase its self-financing capacity; and therefore (iii) strengthen its borrowing ability. First of all, the financial debt ratio (gearing) declined from 66% in 2017 to 35% in 2019, thanks to the increase in the level of equity (by accumulation of positive retained earnings) and the subsequent reduction in the level of overdrafts and bank loans. Then, the increase in profitability, whether at the level of the operating cycle (i.e. continuous increase in turnover coupled with stabilization of expenses) or the financial cycle (i.e. decrease in interest paid in 2019 following debt reprofiling), allowed PAD to generate an increasingly significant self-financing capacity (from CFAF 6 billion in 2017 to CFAF 19 billion in 2019).

	2017	2018	2019
MT and LT financial debt	44 170	33 252	39 103
Treasury liabilities	18 972	9 224	355
Equity	95 663	101 438	112 877
Gearing	**66%**	**42%**	**35%**

Our opinion is that it will be crucial for management to confirm this trend going forward. In fact, future investments within the framework of the 2019-2023 Strategic Plan will most probably be financed by external funding sources. WARA is already incorporating this scenario into its scorecard. Moreover, the continuation of this trend will be all the more important as the average debt coverage ratio stands at a vulnerable level (i.e. below investment grade) according to our methodology. The EBITDA coverage ratio is 4x: this means that on average, it takes four years of operation to settle the remaining amount of debt principal. When it comes to interest payments, a year of operation allows on average to cover four times the annual amount of interest expenses. An increase in the level of debt will therefore have to be accompanied by a continued improvement in the various levels of profitability and liquidity in order to maintain a healthy financial situation.

	2017	2018	2019	3-year average	WARA score
EBITDA / Interest expenses	2x	3x	8x	**4x**	4
(Debt+Treasury liab.)/EBITDA	7x	3x	2x	**4x**	4

WARA's Scoring Grid for Fin. Flexibility (from 1 to 6, 1 being the best score)	1 excellent - high	2 very good - high	3 good - adequate	4 insufficient - vulnerable	5 mediocre - weak	6 failing - very weak
(Debt+Treasury liab.)/EBITDA	<1x	1x to 2x	2x to 3x	3x to 4.5x	4.5x to 6.5x	>6.5x
EBITDA/Interest expenses	>10x	7x to 10x	5x to 7x	2,5x to 7x	1,5x to 2.5x	<1.5x

FINANCIAL DATA AND RATIOS

INCOME STATEMENT (in million CFAF)	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019
Turnover (TO)	40 001	45 827	49 219	56 356	61 390
Production capitalized	0	0	0	0	0
Other revenues	1 241	2 077	3 428	2 849	3 141
OPERATING INCOME	**41 242**	**47 904**	**52 647**	**59 205**	**64 531**
Goods purchased	-1 659	-1 794	-1 928	-1 689	-1 788
Transport	-492	-280	-276	-152	-250
Services purchased	-9 674	-10 784	-10 417	-11 062	-9 310
Other operating expenses	-2 674	-4 680	-3 967	-5 813	-3 978
VALUE ADDED	**26 743**	**30 366**	**36 059**	**40 489**	**49 205**
% TO	***66,9%***	***66,3%***	***73,3%***	***71,8%***	***80,2%***
Taxes	-1 977	-3 694	-4 001	-3 879	-3 300
Personnel expenses	-18 182	-20 607	-22 431	-22 911	-24 384
EBITDA	**6 584**	**6 065**	**9 627**	**13 699**	**21 521**
% TO	***16,5%***	***13,2%***	***19,6%***	***24,3%***	***35,1%***
Depreciation and amortization	-5 386	-5 859	-9 032	-7 878	-5 751
Reversal of provisions	115	2 584	4 210	3 726	625
NET OPERATING INCOME	**1 313**	**2 790**	**4 805**	**9 547**	**16 395**
% TO	***3,3%***	***6,1%***	***9,8%***	***16,9%***	***26,7%***
Financial income (net)	-323	-1 611	-2 683	-238	3 377
Extraordinary income (net)	513	687	-6	19	5
Deferred taxes	0	0	0	0	0
Income tax	-620	-310	-695	-3 053	-5 837
CONSOLIDATED NET INCOME (NI)	**883**	**1 556**	**1 420**	**6 275**	**13 940**
Share of the minority interests	0	0	0	0	0
Net income of the consolidating entity	**191 991**	**193 259**	**186 331**	**172 454**	**172 467**
% TO	***2,2%***	***3,4%***	***2,9%***	***11,1%***	***22,7%***

BALANCE SHEET (in million CFAF)	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019
Capitalized expenses	6	1 945	0	0	0
Intangible assets	796	834	127	103	101
Fixed assets	121 126	116 946	113 593	109 844	111 644
Securities	1 819	1 947	1 584	2 598	2 610
Other current assets	11	0	0	0	0
Inventories	176	115	69	65	89
Due from customers	76 736	50 746	64 873	54 229	61 515
Treasury - assets	5 993	6 476	4 736	8 571	13 150
TOTAL ASSETS (TA)	**206 663**	**179 009**	**184 982**	**175 410**	**189 109**
Share capital	52 000	52 000	52 000	52 000	52 000
Premium and consolidated reserves	38 300	39 184	40 740	42 160	46 436
Retained earnings	0	0	0	0	0
Net income of the consolidating entity	883	1 556	1 420	6 275	13 940
Total equity of the consolidating entity	**91 183**	**92 740**	**94 160**	**100 436**	**112 376**
Subsidies	2 500	2 004	1 503	1 002	501
Minority interests	0	0	0	0	0
Total equity	**93 683**	**94 744**	**95 663**	**101 438**	**112 877**
Financial debt	60 292	50 343	44 170	33 252	39 103
Short-term liabilities	1 517	603	425	3 521	4 227
Advances from customers	43	330	356	143	559
Due to suppliers	5 628	4 774	7 384	8 145	7 075
Tax liabilities	8 898	8 220	14 965	16 707	21 100
Social liabilities	2 420	2 987	0	0	0
Other liabilities	16 097	1 694	3 047	2 981	3 814
Treasury - liability	18 085	15 314	18 972	9 224	355
TOTAL LIABILITIES	**206 663**	**179 009**	**184 982**	**175 410**	**189 109**

OTHER INFORMATION (in million CFAF)	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019
Cash flows from operations (CFO) = Self-financing capacity (SFC)	**1 878**	**5 710**	**6 420**	**10 659**	**19 064**
- Variation of working capital requirement (negative if negative variation)	-3 604	10 068	-9 363	15 961	-2 040
- Investments	-4 855	-3 621	3 090	-2 503	-6 828
- Reimbursement of debt	-6 676	-10 735	-9 783	-11 722	-20 187
+ New debt	3 135	1 831	4 239	1 189	25 439
+ Capital increase / subsidies	-	-	-	-	-
- Dividend payments	-	-	-	-	-2 000
Cash Flow Variation	**-10 122**	**3 253**	**-5 397**	**13 584**	**13 447**
Cash at the beginning of the period	-1 970	-12 092	-8 839	-14 236	-652
Cash at the end of the period	-12 092	-8 839	-14 236	-652	12 795
Free Cash Flow (FCF) (1)	**-6 581**	**12 157**	**147**	**24 117**	**10 195**
Net financial debt (2)	**72 384**	**59 181**	**58 406**	**33 905**	**26 308**

GROWTH RATES - INCOME STATEMENT (%)	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019
Turnover (TO)	15,2	14,6	7,4	14,5	8,9
Production capitalized	N/A	N/A	N/A	N/A	N/A
Other revenues	-95,2	67,4	65,0	-16,9	10,2
OPERATING INCOME	-31,6	16,2	9,9	12,5	9,0
Goods purchased	-17,7	8,1	7,5	-12,4	5,9
Transport	7,0	-43,1	-1,3	-45,0	64,3
Services purchased	33,4	11,5	-3,4	6,2	-15,8
Other operating expenses	-18,6	75,0	-15,2	46,5	-31,6
VALUE ADDED	-43,5	13,5	18,7	12,3	21,5
Taxes	10,9	86,8	8,3	-3,0	-14,9
Personnel expenses	7,7	13,3	8,9	2,1	6,4
EBITDA	**-77,0**	**-7,9**	**58,7**	**42,3**	**57,1**
Depreciation and amortization	-11,6	8,8	54,2	-12,8	-27,0
Reversal of provisions	5,5	2 147,0	62,9	-11,5	-83,2
NET OPERATING INCOME	**-94,2**	**112,5**	**72,2**	**98,7**	**71,7**
Financial income (net)	96,3	-398,8	-66,5	91,1	1 519,7
Extraordinary income (net)	-75,7	-33,9	100,9	396,1	74,7
Deferred taxes	N/A	N/A	N/A	N/A	N/A
Income tax	-92,7	-50,0	124,3	339,1	91,2
CONSOLIDATED NET INCOME	**-84,7**	**76,2**	**-8,7**	**341,8**	**122,1**
Share of minority interests	N/A	N/A	N/A	N/A	N/A
Net income of the consolidating entity	**-92,7**	**-50,0**	**124,3**	**339,1**	**91,2**

GROWTH RATES - BALANCE SHEET (%)	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019
Capitalized expenses	N/A	N/A	N/A	N/A	N/A
Intangible assets	8,3	4,8	-84,8	-18,9	-1,2
Fixed assets	-0,4	-3,5	-2,9	-3,3	1,6
Securities	13,7	7,0	-18,6	64,0	0,4
Inventories	91,3	-34,7	-40,3	-5,5	37,8
Due from customers	5,1	-33,9	27,8	-16,4	13,4
Treasury - assets	-27,5	8,1	-26,9	81,0	53,4
TOTAL ASSETS	**0,6**	**-13,4**	**3,3**	**-5,2**	**7,8**
Share capital	0,0	0,0	0,0	0,0	0,0
Premium and consolidated reserves	17,8	2,3	4,0	3,5	10,1
Retained earnings	N/A	N/A	N/A	N/A	N/A
Net income of the consolidating entity	-84,7	76,2	-8,7	341,8	122,1
Total equity of the consolidating entity	1,0	1,7	1,5	6,7	11,9
Minority interests	N/A	N/A	N/A	N/A	N/A
Total equity	0,4	1,1	1,0	6,0	11,3
Financial debt	-10,6	-16,5	-12,3	-24,7	17,6
Short-term liabilities	-19,5	-60,3	-29,5	N/A	20,0
Advances from customers	-46,3	667,4	7,9	N/A	291,6
Due to suppliers	66,7	-15,2	54,7	10,3	-13,1
Tax liabilities	-13,3	-7,6	82,1	11,6	26,3
Social liabilities	-16,8	23,4	-100,0	N/A	N/A
Other liabilities	1,1	-89,5	79,9	-2,2	27,9
Treasury - liability	76,6	-15,3	23,9	-51,4	-96,2
TOTAL LIABILITIES	**0,6**	**-13,4**	**3,3**	**-5,2**	**7,8**

RATIOS	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019
Profitability					
Profit margin (NI/TO) %	2,2	3,4	2,9	11,1	22,7
Asset rotation (TO/TA) %	19,4	25,6	26,6	32,1	32,5
Asset leverage (TA/TE) %	220,6	188,9	193,4	172,9	167,5
Return on equity ROE (NI/TE) %	0,9	1,6	1,5	6,2	12,3
Return on assets ROA (NI/TA) %	0,4	0,9	0,8	3,6	7,4
Operating expenses/Operating revenues %	96,8	94,5	91,5	84,8	74,8
Liquidity					
General liquidity ratio (CA/CL) %	222,3	273,3	248,1	172,4	167,5
Asset liquidity ration (CA/TA) %	37,2	28,4	35,1	31,0	32,6
(LT debt + equity) / Fixed assets %	124,4	119,2	121,3	119,7	132,9
Inventory coverage (in days of purchase)	38,2	23,1	12,8	13,8	18,0
Inventory turnover (number of times per year)	227,3	398,5	717,2	869,3	687,0
Due from customers (in days of turnover) (3)	575,5	332,2	395,4	288,7	300,6
Due to suppliers (in days of turnover) (3)	42,2	31,3	45,0	43,4	34,6
Financial Flexibility					
Gearing (Total financial debt/TE) %	83,7	69,3	66,0	41,9	35,0
Interest coverage (EBITDA/interest expenses) x	1,3	0,8	1,9	3,5	7,9
Total financial debt/EBITDA %	11,9	10,8	6,6	3,1	1,8

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

WARA