PRESS RELEASE

Spread Research has upgraded its short-term rating for Fimalac's NEU CP instrument from SR1 to SR0 with a Stable outlook

Lyon, 27 June 2018 – Credit Rating Agency Spread Research has upgraded its short-term rating for Fimalac's NEU CP instrument from SR1 to SR0, with a Stable outlook. This rating refers to the NEU CP program of up to EUR500 million.

Rating Rationale

Spread Research has updated its assessment of Fimalac's credit profile in order to review its short-term rating. The final rating is SR0, the highest rating on Spread Research's short-term scale.

Credit Profile

Fimalac is a holding for financial and industrial investment for which we have used a 'holding' methodology to assess its credit profile. Our rating factors in an investment policy which is balanced between relatively cyclical and risky investments and some more defensive ones. The company's track record is satisfactory and mainly results from the success of its investment in Fitch Ratings, the remaining stake of which Fimalac divested in April 2018 for a total of EUR2.3 billion. Fimalac's portfolio diversification and average credit quality have decreased in the aftermath of this divestiture but are expected to evolve as Fimalac intends to make fresh investments.

The minimal financial risk profile strongly contributes to Fimalac's high rating. It is characterized by a prudent financial policy, with a negative loan-to-value ratio as of end-December 2017. Moreover, the interest cover ratio is very good and the net cash position, pro forma the divestiture of Fitch Ratings, is amply positive and amounts to EUR2.4 billion as of end-December 2017.

According to our forecasts, financial income deriving from the company's significant amount of cash will, alongside available cash and cash equivalents, enable Fimalac to consider new investments in the next three years while maintaining very good credit metrics.

Liquidity profile
We have assessed Fimalac's liquidity as exceptional thanks to the boost from the divestiture of its stake in Fitch Ratings in April 2018. Fimalac's very high cash position covers several times its short-term maturities and exceeds the total amount of debt.

Credit outlook
Our Stable outlook reflects our view that credit metrics will remain broadly unchanged in the next twelve months. We anticipate positive and sufficient cash generation to enable Fimalac to make future investments without deteriorating its main credit metrics.

Spread Research's specific short-term methodology was published in January 2016 and is available at:
http://www.spreadresearch.com/uploads/pdf/user/methodo/SRshorttermratingsmethodology-08jan16Public.pdf

Fimalac
Fimalac is a long-term industrial and financial investor which has operated mainly in four sectors: financial services (divested in 2018), hotels and casinos, digital, and entertainment. The group also owns property assets. Its assets have been assessed at EUR4 billion as of end-December 2017. Fimalac has been owned 100% by Marc Ladreit de Lacharrière and his family since the simplified public offering in June 2017 and the mandatory delisting which followed in July 2017.

Spread Ratings
Spread Ratings is the trademark under which Spread Research operates as a Credit Rating Agency, registered and regulated by the European Securities and Markets Authority (ESMA). Spread Research itself is a pioneer in European credit research. Founded in 2004 and based in Lyon, Spread Research capitalizes on over fourteen years of experience in assessing corporate debt financial instruments.

Our analysts are sector specialists and the team produces credit opinions as well as private and public credit ratings. Our ratings are recognized by the EU banking (EBA) and insurance (EIOPA) regulators. Spread Research is one of the few rating agencies approved by the Bank of France to provide financial ratings for the NEU CP (short-term), and NEU MTN (medium-term) programs.

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This document is a translation of the original press release which remains the definitive version. It is not an update of the rating and it does not contain any additional figures/rationale not included in the original version.

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NEU CP instrument rating
Review report

Rated entity : **Fimalac**
Sector : **Investment Holdings**

Short-term rating : **SR0**
Credit outlook : **Stable**

Fimalac

Spread Research

RATING RATIONALE

- **We have upgraded our short-term rating assigned to Fimalac's NEU CP instrument program of up to €500m, from SR1 to SR0. This rating reflects a solid credit profile and very good liquidity on the back of an exceptional net cash position.** Fimalac is a long-term industrial and financial investor which has operated mainly in four sectors: financial services (divested in 2018), hotels and casinos, digital, and entertainment. The group also owns property assets. Fimalac has been owned 100% by Marc Ladreit de Lacharrière and his family since the simplified public offering in June 2017 and the mandatory delisting which followed in July 2017. Its assets have been assessed at €4bn as of end-December 2017. **Our analysis is based on a 'holding' methodology**, focused on the ultimate parent company and financial subsidiaries, and considering operating companies as financial assets.

- **Fimalac's recent investment policy is balanced** between relatively cyclical and risky investments (digital and entertainment) and some more defensive ones (real estate). The recent track record is satisfactory even though this mainly results from the success of the investment in Fitch Ratings, given that investments in Webedia and in real estate are too recent to be assessed.

- Despite an improvement in portfolio diversification for the past ten years, whether by assets or sectors, digital has replaced Fitch Ratings as the group's main asset in value, and accounts for more than half of total assets value (excluding net cash). According to our investments forecasts, assuming a constant value of the portfolio, we expect digital to remain the main asset in the group until 2019, at more than 50% of total gross assets. **Geographical diversification has decreased following the divestiture of Fitch Ratings**, and is mainly supported by property assets which are evenly split between the USA and Europe. Nevertheless, we note that the digital division has been developing abroad (USA, Latin America), and we expect it to improve the group's geographical diversification over the medium term, provided it reports figures in line with forecasts. **We also expect the diversification in assets to evolve as Fimalac will make fresh investments to replace the financial services division**.

- **The liquidity of Fimalac's assets is uneven**. The stake in Fitch Ratings was the main driver of liquidity. This arose from a put option granted by American Hearst which could be exercised annually between October 1 and April 30, and which enabled Fimalac to divest the remaining 20% in April 2018. Property assets, all located in prime areas and easily realisable, are also considered as liquid. A divestiture of Fimalac's stake in Groupe Barrière and SFCMC could happen in the event of a joint exit or if the Desseigne-Barrière family were willing to purchase shares held by Fimalac. Finally, a divestiture of Webedia seems premature given the early stage of its development.

- **The portfolio's credit quality is average and down compared with last year, mainly due to the divestiture of the asset with the best credit profile : Fitch Ratings. Some assets have a solid or very solid credit profile, such as property investments, while others have a more risky profile such as Groupe Barrière or Webedia.** The profile of property investments is solid thanks to prime locations, good geographical diversification, and a moderate loan-to-value. Groupe Barrière has an acceptable profile because of sector trends, average profitability, and average credit metrics. Webedia has a weaker profile, due to a changing environment, less established market shares, and a more modest- yet improving- adjusted profitability. As with diversification, **the portfolio's credit quality is expected to evolve with Fimalac's future investments.**

- **Fimalac's solid financial profile strongly contributes to its high rating.** It is highlighted by a prudent financial policy, with a historical loan-to-value ratio below 20%, and even negative since 2016, and it is expected to remain so until 2020 according to our forecasts. Cash is significantly higher than debt thanks to the divestiture of the remaining 20% of Fitch Ratings in 2018 for €2.3bn after tax.

DEBT STRUCTURE

- **Holdings' total debt amounted to €446m as of end-December 2017. It mainly comprised NEU CP instruments for €328m,** out of a €400m program. The company intends to increase this program to up to €500m in 2018. Moreover, Fimalac issued in 2014 two private placements of €40m and €20m with maturities in 2019 and 2021 respectively. Finally, Fimalac has a shareholder loan with Groupe Marc de Lacharrière which amounted to €58m as of end-December 2017. **Holdings' cash amounted to €766m as of end-December 2017 and mainly comprised money market funds** and to a lesser extent financial investments, including Mercialys shares for €51m.
- **Net cash position**, restated for holdings' pensions debts, additional prices on acquisitions, share purchase commitments (including amounts due by Webedia and Trois-S) and pro forma the divestiture of Fitch Ratings, **amounted to €2.4bn as of end-December 2017.**

LIQUIDITY

- **Liquidity is very high** thanks to an exceptional pro forma cash position, which amply covers short-term maturities (more than 9.0x), and total debt (more than 4.5x). Positive cash generation, before dividends and external growth, also contributes to strong liquidity.
- With respect to private placements, Fimalac has to comply with a financial covenant the calculation of which is based on consolidated financial statements. **It is complied with at present with significant headroom.**

CREDIT OUTLOOK: STABLE

- We expect Fimalac to generate between €50m and €70m of cash before dividends per year in the next three years, and to invest c.€300m per year. **Based on such forecasts, the loan-to-value ratio will remain negative until 2019.** Likewise, the interest cover ratio will remain materially above 16x.

RATING SENSITIVITY

- **Fimalac is rated SR0 thanks to exceptional liquidity as of end-December 2017**, pro forma the divestiture of its stake in Fitch Ratings, **and a highly negative loan-to-value**. **We may, however, downgrade our rating should Fimalac use a significant part of its cash for investments, which would entail a decrease in liquidity. We may also downgrade our rating in the event of investments in more risky sectors, or in the event of a loan-to-value ratio higher than 20%,** and/or in the event of a decrease in value of its assets and a strong deterioration of its portfolio's geographical diversification.

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SPREAD RESEARCH assigns ratings and as such is regulated by ESMA.

REGULATORY DISCLOSURES

Review report on an existing NEU CP program.

Rating nature: Solicited short-term public rating (the report was published after being reviewed by the issuer).

Limitation of the Rating action:
Spread Research believes the quality and quantity of information available on the rated entity is sufficient to provide a rating.
Spread Research has no obligation to audit or verify the accuracy of the data provided.

Principal methodology used in this research : Short-term ratings methodology for non-financial institutions available at:
http://www.spreadresearch.com/uploads/pdf/user/methodo/SRshorttermratingsmethodology-08jan16Public.pdf

This document is a translation of the French version which remains the definitive version. It is not an update of the rating and it does not contain any additional figures/rationale not included in the French version.

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