PRESS RELEASE

Spread Research assigns its SR1 short-term rating to the NEU CP instrument of Sofiproteol SA with a Stable outlook

Lyon, June 25, 2019 – Credit rating agency Spread Research assigns its SR1 short-term rating to the planned €300m NEU CP program of Sofiproteol SA with a Stable outlook.

Rating rationale

Spread Research has analysed the credit profile of Sofiproteol SA in order to assign its short-term rating. The outcome is an SR1 short-term rating.

Credit profile

Sofiproteol's credit profile is underpinned by good credit metrics, notably the adjusted loan-to-value ratio which was very favourable at end-2018 and is expected to remain so until 2021 according to our forecasts. The interest coverage ratio is good as well, in the range 4-7x and is expected to remain so in 2019.

From a business standpoint, the company operates two businesses, each accounting for around 50% of total net adjusted assets: minority equity investments, and cash management. The latter contains investment grade bonds in its portfolio and a high amount of French DATs (dépôts à terme equivalent to certificates of deposits). As the diversification and liquidity of these assets is considered to be good, there is a positive impact on our rating.

Sofiproteol's rating is, however, constrained by the below-investment grade credit quality of equity investments, the France-focused investment strategy, as well as limited diversification since equity investments are entirely oriented towards agribusinesses. It is also limited by the liquidity of these investments, which is lower than for the bonds and DATs.

Liquidity profile

Sofiproteol's corporate liquidity profile is good, characterised by a solid cash position as at end-2018, and limited debt repayments to face in the next three years. It should also be supported by significant cash-in expected from divestments in the years ahead, the proceeds of which will be used for new investments and will help the company to maintain good liquidity through the forecast period.

Credit outlook

Our Stable outlook reflects our view that credit metrics will remain strong despite an increase in the loan-to-value ratio, as Sofiproteol pursues its equity investment strategy, while interest coverage will slightly improve.

Our methodology for short-term ratings is available at:

https://www.spreadresearch.com/uploads/pdf/user/methodo/SRshorttermratingsmethodology-08jan16Public.pdf

Sofiproteol

Sofiproteol SA is a French investment company, a subsidiary of Avril group. Avril SCA, the ultimate holding company of Avril group, owns 70.6% of the company, the rest being owned by financial institutions and companies from the agricultural world. Sofiproteol is a regulated company which is supervised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR), the French authority in charge of monitoring banking and insurance activities in France. Sofiproteol was created in 1983, originally as an investment vehicle granting term loans and taking minority stakes in companies in the protein and oilseed sector in France, before it became an industrial group itself, known as Avril group. In 2014 Sofiproteol became an independent investment company within the Avril group and has two separate businesses: minority equity investments and cash management. Sofiproteol's investment strategy aims at fostering the development of the agricultural world, notably the protein and oilseed sector.

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 for investors 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 NEU CP (short-term) and NEU MTN (medium-term) programs.

Press contact

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Sofiproteol - NEU CP instrument - rating report initiation

Company: Sofiproteol
Sector: Investment Holdings

SR Rating	Outlook
SR1	Stable

Rating rationale

We assign an SR1 rating to Sofiproteol's planned NEU CP program for up to €300m.

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Due to the nature of Sofiproteol's activities, our analysis is based on our 'investment holding methodology'. Our rating is underpinned by a prudent investment policy characterized by very good credit metrics. The adjusted loan-to-value ratio was very favourable as of end-December 2018; it is expected to rise in 2019, on the back of significant investments, but it will remain very good over the 2019-2021 period. Interest coverage is good as well, in the range 4-7x, and is expected to remain so in 2019. With respect to credit metrics, we have confirmed with management that IFRS 9 does not impact Sofiproteol's financial statements as the company only reports under French Gaap. We have also factored in good diversification by value: the main equity investment accounted for 21% of total investments in equity at end-2018. In addition, the certificates of deposits and portfolio of bonds are well diversified. We have also considered the credit quality of assets; the majority of bonds held by Sofiproteol are investment grade.

The average credit quality of assets is, however, lowered by equity investments which comprise companies with credit quality below investment grade, albeit some companies among the top 5 report solid credit metrics. Our rating is also constrained by investments being mainly focused in France, and in the agribusiness sector.

Our rating is also limited by the liquidity of the equity investments, given the non-listed nature of most investments as well as Sofiproteol's strategy of long-term investment. However, the low level of financial debt combined with the good liquidity of bonds and DATs enables Sofiproteol to have a good corporate liquidity profile, which contributes positively to our rating.

Debt structure

As of end-2018, Sofiproteol's gross debt was made of various credit lines totalling €80m, and €95m of REPOs. The company has confirmed with us that credit lines are uncommitted, and could be called within 60 days. The group also reported €44m of undrawn credit lines.

We have adjusted this reported debt for €92m of cash-out expected on equity, split between €13m for companies in which Sofiproteol invested and €79m for Sofiproteol Capital 1 SAS, which is 88%-owned by Sofiproteol and has been created as a vehicle to invest in equity. At end-2018, only 25% of the

equity of Sofiproteol Capital 1 had been paid by Sofiproteol, the remaining 75% will be paid when future investments are made by Sofiproteol Capital 1. Had we incorporated this adjustment on the reported debt at a consolidated level (Sofiproteol + Sofiproteol Capital 1), it would have been limited to €13m.

According to our rating methodology, and our interpretation of Sofiproteol's business, cash and cash equivalents amounted to €170m as at end-2018 and mainly comprised DATs. We have also factored in €95m of bonds to match the amount of REPOs debt, resulting in a net adjusted financial debt of €19m as at end-2018.

Had we calculated the adjusted LTV ratio, considering all financial assets excluding minority equity stakes as cash and cash equivalents, in line with Sofiproteol's calculation, this would have resulted in a negative adjusted LTV ratio. However, this would not have affected the rating.

Liquidity profile

Sofiproteol's liquidity profile is good thanks to a solid cash position as at end-2018. Significant investments in the next three years, and almost neutral free cashflow, will reduce liquidity by 2021, but the level is expected to remain good nonetheless thanks to significant cash-in from planned divestments.

Depending on liquidity needs, Sofiproteol may also adapt its investment strategy, which contributes to the good liquidity profile.

Credit outlook

Our Stable outlook reflects our view that credit metrics will remain strong despite an increase in the loan-to-value ratio, as Sofiproteol pursues its equity investment strategy, while interest coverage will slightly improve.

Rating sensitivity

We may upgrade our rating should financial credit metrics further improve. We may also upgrade our rating should Sofiproteol increase its diversification, especially with respect to industry investments and geography, and/or improve the quality of its assets.

Conversely, we may downgrade our rating in the event of a significant deterioration of credit metrics and/or a more aggressive financial policy.

Regulatory disclosures

SPRR/2019/00373/25/06/2019

Rating report initiation on planned NEU CP program

Rating initiation: 25 June 2019

Last rating action: N/A

Rating nature: Solicited, short-term, public rating on NEU CP instrument (the rating was issued after having been reviewed by the issuer)

Name of the rating committee chair: Anthony Giret, Senior Credit Analyst

Material sources used to support the rating decision:

- Annual financial statements 2015, 2016, 2017, 2018 and related analytical financial statements

- Consolidated financial statements 2015, 2016, 2017

- Adjusted net assets statements 2015, 2016, 2017, 2018

- Sofiproteol company presentation

- Details of financial debt at end-2018

- Strategic plan Sofiproteol

- Meeting with Sofiproteol CFO, Head of Avril Treasury

Limitation of the Rating action:

- Spread Research believes that the quality and quantity of information available on the rated entity is sufficient to provide a rating

- Spread Research has no obligation to audit the data provided

Our methodology for short-term ratings is available at:

https://www.spreadresearch.com/uploads/pdf/user/methodo/SRshorttermratingsmethodology-08jan16Public.pdf