



ISSUER RATING

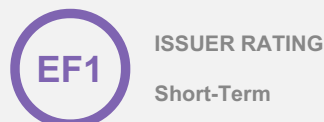
Long-Term

Outlook Stable



INSTRUMENT RATING

Neu MTN



ISSUER RATING

Short-Term



INSTRUMENT RATING

Neu CP

Initiation date 29/11/2022
Rating date 10/07/2023

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RATING ACTION AND RATIONALE

- EthiFinance Ratings has reaffirmed its long-term corporate rating for Sofiproteol SA, and for the NEU MTN programme for up to €75m, at A- with a Stable outlook. EthiFinance Ratings has also reaffirmed a short-term corporate rating of EF1 to Sofiproteol SA, and a rating of EF1 for its NEU CP programme for up to €300m.
- The reaffirmation of our long-term and short-term ratings, of the NEU MTN and NEU CP programs, is primarily due to Sofiproteol's excellent financial profile. This is characterized in particular by a slightly negative loan-to-value ratio, which should remain negative over our 3-year projection period, thanks to a prudent financial policy. In addition, Sofiproteol has a rather cautious investment policy, as demonstrated by a well-diversified portfolio by value that excludes the use of significant leverage.
- On the other hand, our ratings are constrained by: 1) the rather low level of diversification in terms of industries and geography as investments are mainly concentrated in agribusiness in France; 2) the relative illiquidity of some of these investments; 3) the credit quality of those companies is on average lower than that of Sofiproteol.

ISSUER DESCRIPTION

Sofiproteol SA is an investment company, a subsidiary of the French group Avril, which is specialised in the oils and protein sectors. Avril SCA, the ultimate holding company of Avril, currently owns 70.9% of the company, the rest being owned by financial institutions and companies from the agricultural world. Sofiproteol is regulated by the Autorité de Contrôle Prudentiel et de Résolution (ACPR), the body 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 oils and protein sectors in France, before it became an industrial group itself, known as Avril. In 2014, Sofiproteol became an independent investment company within the Avril group with two separate businesses. First, it invests in agribusinesses and food industries, especially companies in the oils and protein sectors, using Sofiproteol's equity. Investments are mainly made through minority equity stakes with a medium-to-long-term time horizon. Depending on the needs of companies, Sofiproteol may also invest through bonds and set up current accounts in addition to its equity investments. This business accounts for around 50% of total adjusted assets including cash and cash equivalents. Sofiproteol's investment strategy aims at fostering the development of the agricultural sector. Second, in order to optimize cash not invested in equity, Sofiproteol manages a portfolio of assets which mainly comprises bonds and term deposits (TDs), using some leverage effect. This accounts for the remaining 50% of the company's assets.

Due to the nature of Sofiproteol's activities, our analysis is based on our 'investment holding methodology'.

FUNDAMENTALS

BUSINESS RISK PROFILE

INVESTMENT POLICY

- Prudent investment policy with a good track record and ESG considerations**

Our ratings remain underpinned by a prudent investment policy, characterized by very good credit metrics and a good track record, again reinforced by some significant gains made over the past few years despite the consequences of the pandemic. In addition, in 2022, Sofiproteol reviewed its investment procedure to align it with the various pillars of AVRIL's purpose "Serving the Earth", notably the "acting for the impact of our investments" commitment, which aims at anchoring sustainable agriculture and food in the territories. As a consequence, sustainable commitments will increasingly become part of Sofiproteol's investment policy as Sofiproteol aims to define and enhance the ESG trajectory of companies throughout the investment lifecycle.

PORTFOLIO OF INVESTMENTS

- Good diversification in value with moderate sector and geographic diversification**

Sofiproteol's portfolio has very good diversification by value as the main equity investment accounted for 15% of total adjusted investments in equity at end-2022. In addition, the term deposits and portfolio of bonds are well diversified. However, our ratings are constrained by equity investments being mainly focused on France, and in the agribusiness sector, whereas the bond portfolio is well diversified geographically.

- Excellent credit quality of debt investments, constrained by equity investments**

The vast majority of bonds held by Sofiproteol at end-2022 are investment grade. The average credit quality of assets is, however, partly lowered by equity investments, which comprise companies with credit quality below investment grade on average, albeit some companies among the top 5 in value continue to report solid credit metrics.

- Liquidity of assets constrained by rather illiquid equity investments despite good liquidity for bonds and term deposits**

Our ratings are also partly constrained by the liquidity of the equity investments, given the unlisted nature of most of the investments as well as Sofiproteol's strategy of long-term investment. However, the low level of financial debt and the good liquidity of bonds and TDs enable Sofiproteol to maintain a good corporate liquidity profile, which contributes positively to our ratings.

FINANCIAL RISK PROFILE

FINANCIAL POLICY

- **Prudent financial policy**

We assess Sofiproteol's financial policy as prudent given its low level of financial debt and excellent loan-to-value (LTV) ratio.

LEVERAGE & COVERAGE

- **Excellent credit metrics with a net cash position**

Our EthiFinance Ratings'-adjusted LTV ratio was negative at end-2022, and is expected to remain negative over the 2023-24 period. The interest coverage ratio - FFO/ (interest + mandatory dividend payable) - improved in FY22 compared with last year, on the back of higher cash generation compared with 2021. Over the forecast period, however, the decline in cash generation and rising interest rates are expected to negatively impact the ratio. This impact is expected to be temporary as we forecast a gradual improvement in 2024 and 2025.

At end-2022, Sofiproteol's gross debt principally comprised €144m of REPOs, €96m of NEU CP, €15m of NEU MTN and the remainder consisting of various credit lines totalling €66m. We have adjusted this reported debt for €38.7m of cash-out expected on equity investments. According to our rating methodology, and our interpretation of Sofiproteol's business, cash and cash equivalents amounted to €246m at end-2022 and mainly consisted of TDs. We have also factored in €144m of bonds to match the amount of repo debt, resulting in a net cash position of €59m as at end-2022.

LIQUIDITY PROFILE

- **'Superior' liquidity profile with solid cash position**

Sofiproteol's liquidity profile is 'superior' thanks to a solid cash position as at end-2022. Based on our methodology and our projections, some significant investments in the next two years and low funds from operations will most likely reduce liquidity by 2024, but the level would remain good nonetheless. This is helped by the share capital increases planned for 2023 and 2024. Depending on liquidity needs, Sofiproteol, which has a prudent financial policy, may also adapt its investment strategy, which reinforces its good liquidity profile.

CMEE

- **Stable outlook despite significant investments expected**

Our Stable CMEE reflects our view that despite significant investments expected in the forthcoming year, credit metrics are expected to remain broadly unchanged.

RATING SENSITIVITY

- List of ratings:
 - **LT issuer rating: A-**
 - **NEU MTN rating: A-**
 - **ST issuer rating: EF1**
 - **NEU CP rating: EF1**

- **Factors which could influence positively the long-term and short-term ratings (↑)**

An upgrade of our LT ratings would require better overall diversification, especially with respect to industry investments and geography, and/or an improvement in the overall quality/liquidity of the company's assets, especially its equity investments. An upgrade of our short-term ratings would derive from an upgrade of our long-term corporate rating.

- **Factors which could influence negatively the long-term and short-term ratings (↓)**

We may downgrade our long-term ratings in the event of a deterioration of credit metrics, especially the interest coverage and LTV ratios, and/or a more aggressive financial policy. A downgrade of our short-term ratings is improbable at present and would require significant unforeseen change in credit metrics or liquidity.

REGULATORY INFORMATION

LEI: 969500B2GARMM69RNJ24

Initiation report: No

Rating initiation: 29 November 2022 at A- for the corporate long-term rating and for the existing NEU MTN programme, and EF1 for the short-term corporate rating and existing NEU CP programme.

Last rating action: 29 November 2022 at A- for the corporate long-term rating and for the existing NEU MTN programme, and EF1 for the short-term corporate rating and existing NEU CP programme

Rating nature: Solicited, long-term, public, LT corporate rating, NEU MTN instrument rating, short-term corporate rating, and NEU CP instrument rating

With rated entity or related third-party participation: Yes, the rating report was issued after having been reviewed by the issuer.

With access to internal documents: Yes

With access to management: Yes

Ancillary services provided to the entity: In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.

Name of the rating committee chair: Marc Pierron, Senior Director

Material sources used to support the rating decision

- Annual financial statements 2020, 2021, 2022 and related analytical financial statements
- Consolidated financial statements 2020, 2021, 2022
- Adjusted net assets statements 2020, 2021, 2022
- Sofiproteol's presentation
- Call with management

Limitation of the rating action

- EthiFinance Ratings believes that the quality and quantity of information available on the rated entity is sufficient to provide a rating
- EthiFinance Ratings has no obligation to audit the data provided

Our methodologies used for these ratings:

https://files.qivalio.net/documents/methodologies/CRA_190_V3.Corporate_Rating_Methodology_Long_Term_FR.pdf

https://files.qivalio.net/documents/methodologies/CRA_192_V1.Corporate_Rating_Methodology_Investment_Holding.pdf

https://files.qivalio.net/documents/methodologies/CRA_191.Corporate_Rating_Methodology_Short_Term-202303.pdf

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