CFAO

distributor of brands

# PRESS RELEASE

Sèvres, July 28, 2016

## 2016 second-quarter Revenue
## 2016 Interim First-Half Results

- **More favorable trend in the second quarter with sales up +2.5%**
- **Economic environment still difficult in oil-producing countries, in particular in Algeria, Congo and Nigeria**
- **Half-year recurring operating income at 6% of sales after taking into consideration launch costs of development projects**
- **Signing of an agreement with Wendel and FFC under which they acquire respective stakes of 40% and 20% of the real estate entity ("SGI Africa")**

**In a statement, Richard Bielle, Chairman of CFAO's Management Board said:**

*"The first half of 2016 is characterised by a sales stabilisation in a still mixed economic environment. Oil and other commodities producing countries continued to suffer from a depressed demand. These market conditions have masked the solid growth momentum of most of our businesses in geographies not affected by an economic downturn.*
*In this context, the Group financial performances including start-up costs confirm once again its very strong resilience.*
*The semester has also been marked by the entry of leading partners in the share capital of SGI Africa, the real estate company dedicated to the CFAO Retail division. This deal allows the Group to secure the development plan of this business that represents a great growth driver and which potential has been confirmed by the good performance of our first shopping mall in Abidjan, PlaYce Marcory."*

*In this press release like-for-like changes mean changes at same group scope and constant exchange rates.*

### 1. Second-quarter revenue and 2016 first-half

The table below presents the breakdown of the revenue per business line:

| Revenue trends by business line | Second quarter 2015 (in €millions) | Second quarter 2016 (in €millions) | Change (like-for-like) | Change (reported) | First-Half 2015 (in €millions) | First-Half 2016 (in €millions) | Change (like-for-like) | Change (reported) |
|---|---|---|---|---|---|---|---|---|
| Consumer Goods | 83.8 | 76.6 | -17.0% | -8.6% | 168.3 | 160.2 | -13.9% | -4.8% |
| Healthcare | 305.0 | 316.7 | +5.6% | +3.8% | 628.5 | 637.7 | +3.2% | +1.5% |
| Equipment & Services | 442.4 | 459.0 | +4.7% | +3.7% | 879.4 | 876.3 | +1.0% | -0.3% |
| **Group total** | **831.2** | **852.2** | **+2.6%** | **+2.5%** | **1,676.2** | **1,674.2** | **+0.1%** | **-0.1%** |

CFAO's second-quarter revenue increased by +2.5% to €852.2 million compared to the same period in 2015, showing a favorable trend compared to the first quarter that was down -2.7% to the same period of the previous year.

Over the first-half of 2016 the revenue very slightly decreased by -0.1% to €1,674.2 million compared to €1,676.2 million in the first-half of 2015. The Healthcare business line growth was offset by the contraction of the Consumer Goods business line mainly due to a difficult economic environment in Nigeria and in the Congo. The Equipment & Services business line showed steady revenues.

The Group scope changes in the first-half 2016 concerned mostly the Consumer Goods business line with the start of CFAO Retail activity (+€17.2 million) and the acquisition of Sicobel (+€2.4 million), and the Equipment & Services business line with the acquisition of the Compagnie Mauritanienne de Distribution Automobile (+€9.2 million) and the launch of Yamaha Nigeria (+€1.9 million). These changes had a positive impact on the revenue of +€32.1 million in the first-half 2016.

Exchange rate fluctuations had a negative impact on the translation of revenue into euros of -€36.2 million. The Equipment & Services business line was the most impacted by the devaluation of some local currencies against the Euro: Algerian Dinar, Nigerian Naira, Kenyan Shilling, and Zambian Kwacha.

On a like-for-like basis (constant Group structure and exchange rates), first-half 2016 revenue increased by +0.1%.

The table below presents the breakdown of the revenue of the **Consumer Goods** business line:

| Consumer Goods revenue trends | First-Half 2015 (in €millions) | First-Half 2016 (in €millions) | Change (reported) |
|---|---|---|---|
| Beverages | 110.2 | 104.1 | -5.5% |
| Food, Hygiene & Convenience | 58.1 | 38.7 | -33.3% |
| Retail | 0.0 | 17.2 | |
| **Consumer Goods total** | **168.3** | **160.2** | **-4.8%** |

The Consumer Goods business line revenue for the first-half 2016 decreased by -4.8% to €160,2 million.

After several years of on-going growth, the Beverages activity sales recorded a decrease of -5.5% to €104.1 million, negatively impacted by a more difficult environment in the Congo.

The Food, Hygiene & Convenience activity suffered from an overall slowdown in Nigeria, and showed a -33.3% drop to €38.7 million.

Those adverse effects were only partially offset by the revenues generated by CFAO Retail business unit launched in December 2015 in Côte d'Ivoire and performing according to expectations.

The table below presents the breakdown of the revenue of the **Healthcare** business line:

| **Healthcare revenue trends** | First-Half 2015 (in €millions) | First-Half 2016 (in €millions) | Change (reported) |
|---|---|---|---|
| Import-wholesale-retail | 421.0 | 444.4 | +5.6% |
| Pre-Wholesale | 97.5 | 80.2 | -17.8% |
| Distribution agent | 44.4 | 46.7 | +5.3% |
| Healthcare institutional clients | 64.2 | 64.0 | -0.2% |
| Other | 1.5 | 2.4 | +58.1% |
| **Healthcare total** | **628.5** | **637.7** | **+1.5%** |

The Healthcare business line posted +1.5% revenue growth during the first-half 2016 to €637.7 million.

The Import-Wholesale-Retail and Distribution agents activities progressed well, by respectively +5.6% and +5.3%, to reach €444.4 million and €46.7 million.

The Pre-wholesale activity was largely affected by the price decrease of imported medicines in Algeria and showed in total a -17.8% decrease to €80.2 million.

The Healthcare institutional client activity was steady at €64.0 million compared to €64.2 over the same period last year.

The table below presents the breakdown of the revenue of the **Equipment & Services** business line:

| **Equipment & Services revenue trends** | First-Half 2015 (in €millions) | First-Half 2016 (in €millions) | Change (reported) |
|---|---|---|---|
| Light vehicles and others | 518.5 | 522.0 | +0.7% |
| Used vehicles | 27.0 | 28.0 | +3.5% |
| Services, spare parts and tires | 124.6 | 117.1 | -6.1% |
| Motorcycles and other | 29.9 | 33.7 | +12.8% |
| Heavy trucks | 82.4 | 71.1 | -13.7% |
| Machinery | 25.1 | 23.5 | -6.1% |
| Elevators | 17.4 | 18.2 | +4.2% |
| Rental Services | 21.5 | 23.8 | +10.5% |
| **Total Automotive, Equipment & Services** | **846.4** | **837.4** | **-1.1%** |
| Technologies | 32.9 | 39.0 | +18.4% |
| **Equipement & Services total** | **879.4** | **876.3** | **-0.3%** |

In the first half of 2016, the Equipment & Services business line revenue showed a slight decrease to €876.3 million.

In line with last year trend, CFAO's Automotive Equipment & Services activity was down by -€38.2 million in the Maghreb region due to a complex market environment for the Group in this area. Moreover the Equipment activity (notably trucks and machinery) suffered from an adverse environment.

The Technologies segment showed a good performance with a +18.4% increase to €39 million.

## 2. First-half 2016 financial and operating performance

| (in €millions) | First-half 2015 | First-half 2016 | Change |
|---|---|---|---|
| **Revenue** | **1,676.2** | **1,674.2** | **-0.1%** |
| Cost of sales | -1,262.4 | -1,266.1 | +0.3% |
| **Gross profit** | **413.8** | **408.1** | **-1.4%** |
| *en % du CA* | *24.7%* | *24.4%* | |
| Payroll expenses | -150.2 | -151.3 | +0.8% |
| Other recurring operating income and expenses | -143.7 | -156.8 | +9.1% |
| **Recurring operating income** | **119.9** | **100.0** | **-16.6%** |
| *en % du CA* | *7.2%* | *6.0%* | |
| Other non-recurring operating income and expenses | 5.3 | 13.3 | +152.5% |
| **Operating income** | **125.2** | **113.3** | **-9.5%** |
| *en % du CA* | *7.5%* | *6.8%* | |
| Finance costs, net | -22.3 | -21.8 | -2.6% |
| **Income before tax** | **102.9** | **91.5** | **-11.0%** |
| Income tax | -42.0 | -40.2 | -4.4% |
| *Overall effective tax rate* | *40.8%* | *43.9%* | |
| Share in earnings of associates | **0.4** | **-0.4** | -187.0% |
| **Net income of consolidated companies** | **61.3** | **50.9** | **-17.0%** |
| Non-controlling interests | 18.2 | 14.0 | -23.4% |
| **Net income attributable to owners of the parent** | **43.1** | **36.9** | **-14.3%** |
| Earnings per share (in €) | 0.70 | 0.59 | -15.3% |

The Group's **revenue** for the first half of 2016 decreased by -0.1% to €1,674.2 million compared to the first-half of 2015 at €1,676.2 million.

As stated above, changes in Group structure had a positive impact of +€32.1 million and fluctuations in exchange rates had a negative impact of -€36.2 million on first-half revenue.

On a like-for-like basis (constant Group structure and exchange rates), first-half 2016 revenue increased by +0.1%.

**Gross profit** accounted to €408.1 million during the first semester 2016, down by -1.4% year on year.

**Gross profit margin** decreased by 0.3 point at 24.4%, compared to 24.7% in first-half 2015, mostly due to the unfavorable trend of the euro/yen exchange rate on the automotive activity over the period**.**

**Payroll expenses** increased by +0.8% to €151.3 million for the first half of the year compared with €150.2 million in first-half 2015. In addition to the entry of new companies in the consolidation scope, this increase reflects the ramp-up of new development projects. The revenue being steady, these expenses represented 9.0% of revenue for the first half of 2016, as in first-half 2015.

**Other recurring operating income and expenses** moved up +9.1% to a net expense of €156.8 million in first-half 2016, versus €143.7 million for the same period in 2015. As a percentage of revenue, these expenses increased slightly year on year from 8.6% to 9.4%.

**Recurring operating income** was down -16.6% at €100.0 million, representing a recurring operating profit margin of 6.0% compared to 7.2% over the same period last year, notably due to the start-up costs of development projects.

The table below provides a breakdown of **recurring operating income by segment**:

| (in €millions) | First-half 2015 | First-half 2016 | Change |
|---|---|---|---|
| Consumer Goods | 26.4 | 8.2 | -68.9% |
| Healthcare | 48.7 | 49.5 | +1.7% |
| Equipment & Services | 60.4 | 55.6 | -7.9% |
| CFAO Holding | -15.7 | -13.3 | -14.7% |
| **Total** | **119.9** | **100.0** | **-16.6%** |

The **Consumer Goods** business line showed a -68.9% decrease in recurring operating profit from €26.4 million to €8.2 million. The business line is simultaneously impacted by a difficult business environment in the Congo and in Nigeria, and the increasing start-up costs of CFAO Retail business unit.

The **Healthcare** business line recurring operating profit increased by +1.7% to €49.5 million. The business line pursued its growth trend while maintaining its profitability.

The **Equipment & Services** business line recurring operating income was down -7.9% mainly caused by the drop in the gross margin rate of the Automotive Equipment & Services division.

Lastly, holding costs were reduced from -€15.7 million to -€13.3 million.

CFAO ended the first half of 2016 with an **operating income** of €113.3 million (including a non-recurring profit of €13.3 million), or 6.8% of revenue, versus €125.2 million last year.

The **cost of net debt** decreased by €0.5 million during the first half of 2016 to €21.8 million.

The Group recognized **income tax** expense of €40.2 million in the first half of 2016 versus €42.0 million for the same period in 2015. The overall effective tax rate was 43.9% for the period, compared with 40.8% in first-half 2015.

The Group's share in earnings of associates amounted to -€0.4 million in the first half of 2016, versus €0.4 million in the comparable prior-year period.

**Net income from continuous operations** decreased by -17.0% at €50.9 million.

**Net income attributable to non-controlling interests** decreased by -23.4% to €14 million. It represented 27.5% of consolidated net income vs. 29.7% in first half 2015.

**Net income attributable to owners of the parent** came in at €36.9 million in first-half 2016, down by -14.3% from €43.1 million in the same period of 2015.

**Earnings per share** amounted to €0.59, versus €0.70 in first-half 2015.

### 3. Cash flow and financial position

The table below presents a snapshot of the **consolidated statement of financial position**:

| (in € millions) | June 30, 2015 | Dec. 31, 2015 | June 30, 2016 |
|---|---|---|---|
| Intangible assets | 251.2 | 261.8 | 257.7 |
| Property, plant and equipment | 475.3 | 521.1 | 476.0 |
| Working capital requirement | 751.3 | 727.4 | 742.5 |
| Other assets and liabilities | 29.5 | 41.7 | 81.8 |
| **Capital employed** | **1,507.2** | **1,552.1** | **1,557.9** |
| **Total equity (*)** | **944.3** | **1,012.2** | **972.1** |
| **Net debt** | **562.9** | **540.0** | **585.8** |

*(*) including equity attributable to non-controlling interests*

The table below presents a snapshot of the **consolidated statement of cash flows**:

| (in € millions) | First-half 2015 | Full Year 2015 | First-half 2016 |
|---|---|---|---|
| Cash flow from operating activities before tax, dividends and interest | 147.8 | 330.8 | 140.3 |
| *as a % of revenue* | *8.81%* | *9.63%* | *8.37%* |
| Change in working capital requirement | -63.1 | -41.8 | -51.8 |
| Income tax paid | -49.2 | -93.8 | -43.6 |
| Operating capital expenditure, net | -65.1 | -148.5 | -40.1 |
| **Free operating cash flow** | **-29.7** | **46.7** | **4.7** |

In the context of ongoing investment programs and increasing working capital requirements, the Group still generated a cash outflow of €4.7 million overt the first-half 2016.

As of June 30, 2016, net debt amounted to €585.8 million, up €45.8million compared to end-2015 and €22.9 million compared to end of June 2015.

The **gearing ratio** stood at 0.6 at end of June 2016, as at end of June 2015.

## 4. Significant events during the quarter

**CFAO Retail**
After the successful launch of the shopping mall in Abidjan, Côte d'Ivoire, mid-december 2015, CFAO has signed an agreement with Wendel and FFC under which the latter will acquire respective stakes of 40% and 20% in SGI Africa, a company established by CFAO in 2015 to support the plan to develop the Carrefour brand and the "Club of Brands" in Africa.

**CFAO Automotive Equipment & Services**
In May 2016, the assembly plant CFAO YAMAHA was launched in Nigeria and the plant is expected to produce 70,000 units annually by 2018.

CFAO announced in July 2016 that it has signed a new multi-year license agreement with Avis Car Rental, one of the world's best-known car rental brands. CFAO operates the Avis Car Rental brand in Western Africa and, as part of this agreement, will also from now on offer vehicle leasing to customers.

**Group**
Member of the CFAO Supervisory Board since May 2012, M. Pierre Guénant has been appointed Chairman of the Supervisory Board on 4 July 2016. The Board also appointed Ms Sylvie Rucar, member of the CFAO Supervisory Board since May 2012, as Vice-Chairwoman.

Moreover, M. Momar Nguer, President of the Marketing & Services branch and member of Total Executive Committee, joined CFAO Supervisory Boad, effective 17 June 2016.

## 5. Outlook for 2016

The economic environment in Sub-Saharan Africa is challenging, growth forecasts in this area is only 1.6% in 2016 after a growth of 3.3% in 2015 according to the last IMF report update recently released.
Recent falls in the oil price and commodity prices generally imply a decline in revenues for oil-producing countries, especially Nigeria where the Naira was highly devaluated.
Security issues are persistent in this area and continue to affect the growth.

For CFAO, the back-half of 2016 should confirm the slight uptrend in sales compared to the first quarter of the year. The situation should however remain difficult in commodity-based economies, notably those depending on oil, with Nigeria being ranked first.

Development projects will continue to be deployed by the Group with notably new sites construction for the CFAO retail division.

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The financial information in this press release is provided in compliance with IFRS and was subject to a limited review by the Auditors. It has been reviewed by the Supervisory Board.
This press release represents the Company's quarterly financial information.

This document contains forward-looking information, based on current assessments and estimates made by CFAO's management. These statements do not constitute guarantees relating to the Company's future performance. The information may change based on various factors, risks and uncertainties which may result in future publications being materially different from these forward-looking statements. These risk factors are described in CFAO's 2015 Registration Document (*Document de référence*) filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 19, 2016 and in other public documents filed with the AMF. CFAO does not make any commitment to update or comment on forward-looking information, except for that which is required by applicable regulations.

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## 6. About CFAO

CFAO is a front-ranking specialized distributor and preferred partner of major international brands, serving the high-potential equipment & services, healthcare and consumer goods markets in Africa and French overseas territories. The Group is active in 39 countries, including 34 African countries and 7 French overseas territories. It employed 12,370 people at end-2015.
In 2015, CFAO generated consolidated revenue of €3, 435.7 million and recorded recurring operating income of €269.2 million.

CFAO is a 97.74%-owned subsidiary of TTC (Japan). CFAO is listed on NYSE Euronext Paris.

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**CFAO Contacts**


| CFAO press agency 35°Nord | CFAO Communications Department | CFAO Investor Relations Olivier Marzloff |
|---|---|---|
| Romain Grandjean<br>rg@35nord.com<br>+33 6 73 47 53 99 | Françoise Le Guennou-Remarck<br>Vice President, Institutional Relations & Communications<br>fleguennouremarck@cfao.com<br>+ 33 1 46 23 58 70 | Corporate Secretary<br>ir@cfao.com<br>+ 33 1 46 23 58 25 |

APPENDIX

**Revenue trends by geographic area**

| | Second-quarter | | | | First-half | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 (in €m) | 2016 (in €m) | Change (like-for-like) | Variation (reported) | 2015 (in €m) | 2016 (in €m) | Variation (like-for-like) | Variation (reported) |
| French-speaking Sub-Saharan Africa | 382.8 | 393.8 | -0.9% | +2.9% | 748.1 | 778.6 | +0.3% | +4.1% |
| English- and Portuguese-speaking Sub-Saharan Africa | 124.1 | 103.0 | -10.4% | -17.0% | 242.5 | 221.4 | -0.8% | -8.7% |
| French Overseas Territories and other | 190.0 | 214.3 | +13.1% | +12.7% | 383.9 | 398.4 | +4.0% | +3.8% |
| Maghreb | 54.6 | 35.0 | -29.0% | -36.0% | 124.8 | 67.7 | -40.1% | -45.8% |
| Other Europe (*) | 79.6 | 106.2 | +33.3% | +33.5% | 176.8 | 208.2 | +17.6% | +17.7% |
| **Total Group** | **831.2** | **852.2** | **+2.6%** | **+2.5%** | **1,676.2** | **1,674.2** | **+0.1%** | **-0.1%** |

(*) *France Export + Denmark (Missionpharma)+ Italia (Fazzini)*