



Fitch Launches Scenario Series on LatAm Corporates' Potential Rising Stars & Fallen Angels

Link to Fitch Ratings' Report: Spotlight: Latin American Corporates — Potential Rising Stars and Fallen Angels (Rating Transition Landscape in 2018) (<https://www.fitchratings.com/site/re/916219>)

Fitch Ratings-Chicago-16 January 2018: Fitch Ratings today announced the launch of its 2018 Spotlight series on Latin American corporate issuers with eight scenario analyses for potential "Rising Stars" and "Fallen Angels".

Today's report serves as an overview and introduction to the series, which analyzes high profile issuers that could potentially transition from investment grade to speculative grade, or vice versa. Fitch's portfolio of Latin American cross-border issuers includes 30 with 'BBB-' Issuer Default Ratings (IDRs) and 22 with 'BB+' IDRs.

"Approximately 20% of Fitch's cross-border Latin American non-financial corporate portfolio is rated 'BBB-' or 'BB+'," said Jay Djemal, Director. "The potential for ratings to transition between investment grade and speculative grade during 2018 is significant."

Ten of the Investment Grade issuers exhibit Negative Outlooks or Rating Watches, while two of the Speculative Grade issuers have Positive Outlooks.

One Rising Star, Suzano, was upgraded to 'BBB-/Stable' from 'BB+/'Positive' in December 2017 following a sustained leverage reduction for the company. Klabin, a Falling Angel, was downgraded to 'BB+/'Stable' from 'BBB-/Negative' in May 2017 due to the company's high leverage, a strong Brazilian real, and a weak consumer market for packaging products.

Liquidity is a key differentiator when comparing financial metrics between the two rating levels with median cash and cash equivalents at USD478 million in 2016 for the 'BBB-' sample and USD185 million for the 'BB+' issuers.

Issuers on the cusp are concentrated in the energy and mining sectors at the 'BBB-' rating level and in telecoms at the 'BB+' level. Brazilian companies represent the highest percentage of issuers at both rating levels, comprising 31% of the 'BBB-' ratings and 43% of the 'BB+' ratings.

Fitch's Corporate Spotlight Series on Latin American Issuers will be released each day as follows:

- Jan. 16 - Series Overview
- Jan. 17 - Volcan Compania Minera S.A.A.
- Jan. 18 - Alpek, S.A.B. de C.V.
- Jan. 19 - Klabin S.A.
- Jan. 22 - AES Gener S.A.
- Jan. 23 - Minsur S.A.
- Jan. 24 - Votorantim S.A.
- Jan. 25 - Arcos Dorados Holdings Inc.
- Jan. 26 - Nemark, S.A.B. de C.V.

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