

Fitch Special Report: 'Latin American Corporate Liquidity: Been There, Done That'

22 de octubre de 2007

Fitch Ratings released a special report Monday, titled 'Latin American Corporate Liquidity: Been There, Done That', which examines Latin American corporates by country, Issuer Default Rating (IDR) and sector under the current market uncertainty. According to the study, the liquidity profile of most corporates in the region is solid. 'Tremendous improvements have been made by Latin American corporates in terms of liquidity since 2003,' according to Joe Bormann, a Senior Director in Fitch's Latin American Corporates Group. 'The companies are better prepared than ever to handle a liquidity crisis,' he added. The companies examined in this special report, in general, exhibit low short-term debt, with an average of 17% of total debt. Cash in relation to short-term debt remains healthy, with 58% of the companies in the study having cash and marketable securities in excess of short-term debt, and 80% of the companies having at least six months of cash. Latin American corporate issuers enjoyed an unprecedented period of global liquidity during 2006 and the first half of 2007, allowing many to access regional debt capital markets for the first time. However, beginning in July 2007, the tides turned in the liquidity cycle, as investors' sentiment waned on the heels of widely reported weakness in the U.S. subprime market. Latin American companies were affected as companies scaled back the size of their bond issues and pulled deals from the market. In total, Latin American cross border corporate bond issuance activity fell from \$21.3 billion during the first half of 2007 to \$931 million in the last quarter. 'The key for the turnaround has been improved sovereign credit profiles in Brazil, Mexico and Chile, as well as strong corporate operating cash flows. Additionally, due to the two major liquidity squeezes they have already weathered in the past decade, most treasurers and CFO's have come to realize the need to maintain strong balance sheets,' said Bormann. Fitch looks at a number of qualitative and quantitative factors when analyzing liquidity risk. Qualitative factors analyzed by Fitch analysts include: --Consistency of management's approach to a defined capital structure --Duration of lending relationships and their sustainability --Diversity of funding sources --Willingness and ability of management to monetize assets - -Probability of an equity infusion by the shareholders during a period of market duress. Quantitative ratios that Fitch carefully monitors on an ongoing basis are: --Days of working capital --Short term debt as a percentage of total debt --Cash as a percentage of short-term debt --Cash and fund flow from operations as a percentage of short-term debt. The full report, 'Latin American Corporate Liquidity: Been There, Done That' is available on Fitch's web site at 'www.fitchratings.com'. Contacts: Joe Bormann, +1-312-368-3349, Jose Miguel Matte, +1-312-368-3134 or Daniel Kastholm, +1-312-368-2070, Chicago. Media Relations: Christopher Kimble, New York, Tel: +1 212-908-0226. Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.