FitchRatings

FITCH EXPECTS TO RATE MABE'S 2019 SENIOR GUARANTEED NOTES REOPENING 'BB+'

Fitch Ratings-Monterrey-14 May 2012: Fitch Ratings expects to assign a 'BB+(exp)' rating to the following Controladora Mabe, S.A. de C.V.'s (Mabe) reopening of notes:

--Additional senior guaranteed notes due in Oct. 29, 2019 for up to USD200 million (the new notes).

A full list of current ratings follows at the end of this release.

The new notes will form a single series with the 7.875% senior guaranteed notes due 2019 that were originally issued on Oct. 28, 2009 and will have substantially the same terms and conditions as those of the existing notes. Proceeds from the issuance of the new notes will be used to fund the exchange offer of Mabe's 6.5% senior guaranteed notes due 2015 and will not represent additional indebtedness for the company.

Mabe's ratings reflect its product and geographic diversification, leading market shares in the countries where it operates, as well as the company's long relationship and joint venture with General Electric (GE). Fitch expects Mabe will invest to optimize its manufacturing capacity during the current year. In addition, Fitch expects Mabe's Brazilian operations to start contributing positive results during 2012 once investments and operating rationalization is completed.

The Stable Outlook incorporates Fitch's view that Mabe's financial profile and main credit metrics will remain relatively similar in current levels.

During 2011 EBITDA generation and margins were pressured by the realignment of the Brazilian operations which have required more time than expected, as well as extraordinary charges since the BSH acquisition in 2009. Additional pressures on the company's profitability are related to external factors, such as increased commodity prices and currency fluctuations. Mabe's management has implemented strong initiatives to optimize working capital which in turn allowed the company to reduce debt; nevertheless, this reduction was offset by lower EBITDA generation.

On a comparable basis, reflecting only the company's proportional participation in Mabe Brazil (58.6%), during the last 12 months (LTM) ended March 31 2012 Mabe's revenues were USD3.36 billion, 3.9% higher than the same period of the previous year. On the other hand, according to Fitch's calculations EBITDA for LTM at March 2012 was approximately USD243million, from USD256 million in the same period of 2011. EBITDA Margin for the LTM in March 2012 was 7.2% compared to 7.0% at year-end 2011, 7.8% in 2010 and 9.3% in 2009.

Mabe's cash flow management efforts allowed it to reduce working capital during 2011 and in turn, reduce debt levels to USD700 million from USD798 million at year end 2010. In addition, the company's leverage measured by Total Debt to EBITDA for LTM March 2012 was 2.9 times (x), compared to 3.0x and 3.2x in December 2011 and 2010, respectively. Fitch expects that Mabe's leverage ratio will remain in similar levels reflecting a challenging operating environment and the company's capex plan.

Mabe's liquidity and refinancing risk is low. During 2011 the company signed a USD150 million bilateral bank facility with final maturity in 2014 that was used to refinance short term debt and extend its debt maturity profile. As of March 31, 2012 Mabe's total debt of USD704 million was comprised by this facility, USD200 million in senior notes due in 2015 and USD350 million in senior notes due in 2019. The debt amortization schedule is manageable for the company with only USD26 million due in 2012 and USD86 million in 2013. Cash balances at the same date were USD78 million.

Factors that could result in positive rating actions include a combination of consistent improvement in credit metrics of interest coverage and gross leverage, in addition to maintaining good liquidity. Conversely, further deterioration in profitability, cash flow generation and credit metrics could pressure the company's ratings.

Fitch currently rates Mabe as follows:

--Foreign currency Issuer Default Rating (IDR) 'BB+';
--Local currency IDR 'BB+';
--6.5% senior unsecured notes due 2015 'BB+';
--7.875% senior unsecured notes due 2019 'BB+'.

The Rating Outlook is Stable.

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (Aug. 12, 2011).

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Corporate Rating Methodology
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647229

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