FitchRatings

FITCH AFFIRMS MABE'S IDRS AT 'BB+'; REVISES OUTLOOK TO POSITIVE

Fitch Ratings-Monterrey/New York-06 February 2013: Fitch Ratings has affirmed the ratings of Controladora Mabe, S.A. de C.V. (Mabe) as follows:

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

The Rating Outlook is revised to Positive from Stable.

The revision of the Outlook to Positive reflects Fitch's view that the current trend on Mabe's results, cash generation and credit metrics will continue given the momentum of the operating environment, strong business position and brand power. Consistent strengthening in the company's total debt to EBITDA ratio with a firm commitment of maintaining it at or below 2.5 times (x) along the economic cycles will support an upgrade. Conversely, volatility in the company's profitability, free cash flow (FCF) generation and gross leverage in the range of 3.0x will likely result in the Outlook being revised to Stable.

Mabe's ratings reflect its geographic diversification and strong business position across all markets where it has a presence that in turn have allowed it to maintain revenue growth and solid pricing power. The ratings continue to be supported by the company's long-term relationship and joint venture with General Electric (GE) which provides access to joint development of products and services, as well as efficiencies in the supply chain. Mabe's ratings are tempered by a highly competitive environment, exposure to commodity prices and foreign exchange volatility as well as leverage levels.

Strong Market Position:

Mabe holds a strong business position in most of the Latin American markets in which it is present. The company has 17 manufacturing facilities located in Mexico, Canada, Costa Rica, Ecuador, Colombia, Brazil and Argentina which allow it to serve different markets under competitive conditions. Mabe continues to focus on offering a wide product portfolio under a multi-brand strategy that targets all socioeconomic levels, in conjunction with the long term manufacturing and export agreements with GE.

Long-Term Relationship With GE:

Mabe ratings continue to be supported by the long-term relationship with GE. Under the export agreements signed between both companies, Mabe manufactures and exports gas and electric ranges, refrigerators and cloth dryers sold by GE in the U.S. During 2012, the company signed a new 10 year agreement with GE for the production of dryers in its Saltillo plant in Mexico. In 2009, GE expressed its intention to invest USD1 billion through 2014 in its home appliances segment in the U.S. in order to strengthen its domestic manufacturing capabilities and job creation. Fitch believes the latter is an indication of the permanence of GE in the appliances segment in the long term.

Operating Performance Improving; Challenges Still Ahead:

Fitch expects Mabe results for 2012 will improve reflecting slight volume increases, strong pricing initiatives in the domestic markets in conjunction with better sales mix, continued strong cost and expenses control efforts supporting operating margins, as well as stable commodity prices and foreign exchange during the year. Importantly, the reorganization of the company's operations in Brazil is at an advanced stage, resulting in expected breakeven or slightly positive EBITDA for the operations in the country. Strong competition in all markets and input costs volatility, in conjunction with lower growth in Latin America and sluggish recovery in the U.S. are expected to remain as the main challenges for Mabe.

Solid FCF Generation Used To Reduce Debt:

Mabe's ratings reflect the company's sound FCF generation across the recent economic cycle. Mabe's cash flow management efforts allowed it to reduce working capital requirements and generate positive cash flow from operations (CFFO), which was used primarily to reduce debt levels to USD728 million at Sept. 30 2012 from over USD1 billion at year-end 2008.

For the latest 12 months (LTM) ended in Sept. 30 2012, the company generated USD280 million in EBITDA, an improvement of 12% compared to the same period of 2011. Fitch estimates for the full year 2012 EBITDA of around USD290 million-USD300 million. Mabe's total debt to EBITDA for the LTM period ended Sept. 30, 2012 was 2.6x, compared to 3.0x and 3.2x at year-end 2011 and 2010 reflecting higher operating margins. Fitch expects Mabe's leverage ratio will gradually strengthen during 2013 and 2014.

For the next two years, Fitch expects the company will use cash flows to support capex of approximately USD120 million, mainly to deploy investments toward increasing capacity, IT projects implementation and normal maintenance and replacement, resulting in neutral to slightly positive FCF and stable debt levels. Improvement in the gross leverage ratios mainly will be associated with higher operating generation.

Adequate Liquidity and Extended Debt Maturity Profile:

At Sept. 30 2012, the company's total debt was USD728 million, with short-term debt of USD96 million and cash balances of USD79 million. During 2012, Mabe extended the maturity of USD131 million of the senior notes due 2015 to 2019. Scheduled debt maturities for the fourth quarter of 2012, 2013, 2014 and 2015 are USD28 million, USD91 million, USD58 million and USD84 million, respectively. The company maintains good access to bank loans and debt capital markets which in conjunction of cash balances and FCF generation should be sufficient to face short-term debt maturities.

SENSITIVITY/RATING DRIVERS

Positive factors for Mabe's credit quality include a firm management commitment to maintain total debt to EBITDA at or below 2.5x in the long term, in conjunction with stable profitability and strong liquidity.

Factors that could result in negative rating actions include large debt financed acquisitions, deterioration in profitability and cash flow generation from lower demand, competitive and/or input costs pressures, resulting in the perception of gross leverage levels to be consistently above 3.0x.

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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. 8, 2012.

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http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=684460