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

Fitch Ratings-Monterrey-06 February 2014: 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 Stable from Positive.

The Outlook revision reflects recent EBITDA declines associated with a competitive environment and weak demand in Latin America as well as higher leverage and financing costs resulting from reorganization related expenditures which contributed to lower-than-expected cash flow generation. In addition, the revision reflects Fitch's expectation of gross leverage above 2.5x for the next 12-24 months.

Mabe's ratings reflect its geographic diversification and strong business position across all markets where it has a presence which in turn has 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 by its leverage levels and poor cash flow generation in the last few years as a result of reorganization charges and expenses.

KEY RATING DRIVERS

Higher Profitability in a Challenging Environment
Fitch expects Mabe's results to improve given higher profitability as a result of the deconsolidation of Mabe Brazil and an improved housing outlook in the United States. In domestic markets, volumes will likely increase moderately, and strong pricing initiatives in conjunction with a better sales mix, expense reduction efforts and a stable commodity price environment will likely support operating margins. Strong competition in all markets, in conjunction with lower growth in Latin America and foreign exchange volatility, are expected to remain as the main challenges for the company. In 2013, EBITDA margin improved to 9.2% from the 8.6% registered in 2012, but volumes-excluding Brazil-declined 2%.

Strong Market Position
Mabe holds a strong business position in most of the Latin American markets in which it is present. The company has 14 manufacturing facilities located in Mexico, Canada, Costa Rica, Ecuador, Colombia 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 General Electric (GE).

Long-Term Relationship with GE

Mabe's ratings continue to be supported by the long-term relationship with GE. The company signed a 10-year agreement with GE in 2012 for the production of dryers in its Saltillo plant in Mexico. The project considers production capacity of 1.6 million units per year; at the end of 2013 the run-rate reached 1 million, in line with expectations.

Leverage Expected to Stabilize in 2014
Fitch believes gross leverage will likely stabilize in 2014 at around 3.0x and will decline modestly in 2015 as scheduled debt amortizations along with reductions in financing costs and in non-recurring reorganizational charges take place. Fitch also expects the company will use cash flows to support capex of approximately USD115 million a year for the next two years, resulting in neutral to slightly positive free cash flow and stable debt levels. As of Dec. 31, 2013, total debt-to-EBITDA was 3.1x, a 0.4x increase to the 2.7x registered at the end of 2012.

Adequate Liquidity and Extended Debt Maturity Profile
The company's total debt was USD844 million at Dec. 31, 2013, with short-term debt of USD24 million and cash balances of USD90 million. The company maintains good access to bank loans and debt capital markets and recently announced the refinancing of USD270 million of debt maturing in the following 12-24 months through five-year term loans. Mabe's total debt as of Dec. 31, 2012 was USD833 million.

RATINGS SENSITIVITY
Future developments that may, individually or collectively, lead to a negative rating action include:

Large debt-financed acquisitions, deterioration in profitability and cash flow generation from lower demand, competitive and/or input cost pressures, resulting in the expectation of gross leverage levels consistently above 3.0x.

Future developments that may, individually or collectively, lead to a positive rating action include:

A firm management commitment to maintain total debt-to-EBITDA at or below 2.5x in the mid- to long-term, in conjunction with robust cash flow generation, stable profitability and strong liquidity.

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Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (Aug. 5, 2013);

Applicable Criteria and Related Research:
Corporate Rating Methodology: Including Short-Term Ratings and Parent and Subsidiary Linkage
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=715139