

Liquidity Risk Remains High for Argentine High Yield Issuers

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Access to the global capital markets will remain limited for Argentina high yield corporate issuers as these companies will find it difficult to differentiate themselves from sovereign risks, according to Fitch Ratings. Cash generation continues to be dampened by both inflationary pressures and a contraction in domestic and global demand. To cope with reduced internal cash flow generation and limited access to external financing, Argentine corporate issuers will continue to minimize capital expenditures and adjust dividend policies during the current crisis. Limited reinvestment in the form of capital expenditure will likely have long term negative consequences on the competitiveness of the corporate sector in general. 'Liquidity and refinancing risk will become an important factor for credit ratings over the next 12-18 months as the global recession unfolds,' said Cecilia Minguillon, Director and head of Argentine corporate ratings. 'Upcoming debt maturities are manageable but the potential deterioration of liquidity levels and credit quality will factor significantly into rating decisions in 2010.' A further impediment for Latin American corporates is the nationalization of Argentine pension funds in late-2008. This action reduced the depth and size of the local capital market, significantly increasing the cost of funding. Further, the government now holds numerous board seats in many of the large corporates and the possibility of interference in the strategic decision-making process of these firms cannot be ruled out. Fitch notes, however, that on the positive side, Argentine companies have sound credit metrics and adequate financial profiles, as they had taken advantage of favorable market conditions in 2007 to reduce leverage and extend debt maturities to confront the ongoing economic environment. For more information, a special report titled 'Argentine Corporate Liquidity Risk Remains High' is available on the Fitch Ratings' web site 'www.fitchratings.com.' Contact: Cecilia Minguillon +5411 5235 8123 or Ana Paula Ares +5411 5235 8121, Buenos Aires; or Daniel Kastholm +1-312-368-2070, Chicago. Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: brian.bertsch@fitchratings.com. Laura Villegas, Buenos Aires, Tel: +5411 5235-8139, Email: laura.villegas@fitchratings.com