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## Research Update:

# Various Rating Actions Taken On Three Mexican Corporations Following The Sovereign Outlook Revision

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## Overview

- On Aug 23, 2016, we revised the outlook on Mexico to negative from stable. At the same time, we affirmed our 'BBB+/A-2' foreign currency (FC) and 'A/A-1' local currency (LC) sovereign credit ratings.
- As a result, we're revising our outlook on our global scale ratings on state-owned companies, Comision Federal De Electricidad and Petroleos Mexicanos and its subsidiaries to negative from stable. We're affirming our 'BBB+' FC and 'A' LC global scale ratings on both companies. We're also affirming our 'mxAAA' national scale ratings on both companies. The outlook on this rating remains stable.
- We're also affirming our 'BBB+' global scale and 'mxAAA' national scale ratings on Mexico-based media and telecom company Grupo Televisa. The outlook on both scales remains stable.
- The outlook revision on the sovereign doesn't have an immediate impact on other Mexican corporates that we rate above the sovereign's FC rating.

## Rating Action

On Aug. 23, 2016, S&P Global Ratings revised its outlook on government-related entities (GRES), Comision Federal de Electricidad (CFE) and Petroleos Mexicanos (PEMEX) and its subsidiaries (PMI Trading, PMI NASA, and Mex Gas Supply, S.L.) to negative from stable. At the same time, we affirmed our 'BBB+' foreign currency ratings and 'A' local currency ratings on both companies. We also affirmed our 'mxAAA' national scale ratings on both companies. The outlook on this rating remains stable. Our stand-alone credit profiles on both companies remain unchanged.

The outlook revision on these companies follows a similar rating action on Mexico (please see "Mexico Outlook Revised To Negative; 'BBB+/A-2' Foreign Currency Ratings Affirmed," published Aug. 23, 2016). In accordance with our criteria for GRES and considering that there are no changes in our assessment of almost certain likelihood of extraordinary support from the government, the outlook revision on CFE and PEMEX reflects the fact that a potential downgrade of Mexico would lead to a similar rating action on these companies because the ratings on the latter move in tandem with our ratings on the sovereign.

Additionally, we affirmed our 'BBB+' global scale and 'mxAAA' national scale ratings on Grupo Televisa S.A.B., and the outlook on both scale ratings remains stable. The affirmation reflects the company's financial strength

stemming from its strong liquidity position, and its resilient operating cash flow generation. We tested the company under a Mexican sovereign default scenario including a sharp currency devaluation and a sharp decline in the company's revenue and EBITDA in 2017. Under this scenario, we concluded that Televisa would still be able to generate sufficient cash flow to service its debt obligations, which would allow for up to one notch above Mexico's FC rating if we were to lower it.

Finally, the rating action on the sovereign has no immediate impact on the rating and outlook on the following companies, which are rated one notch above Mexico's FC rating. These companies have a moderate sensitivity to country risk. Based on the stress testing that we have conducted, we have concluded that under a sovereign default scenario, these companies would remain current on their debt obligations and maintain at least an adequate liquidity.

- América Móvil, S.A.B. de C.V.;
- Coca-Cola Femsa, S.A.B. de C.V.;
- Fomento Economico Mexicano, S.A.B. de C.V.; and
- Kimberly-Clark de Mexico S.A.B. de C.V.

## **Related Criteria**

- S&P Global Ratings' National And Regional Scale Mapping Tables, June 1, 2016
- Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- National And Regional Scale Credit Ratings, Sept. 22, 2014
- Key Credit Factors For The Oil And Gas Exploration And Production Industry , Dec. 12, 2013
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Methodology: Industry Risk, Nov. 19, 2013
- Methodology For Crude Oil And Natural Gas Price Assumptions For Corporates And Sovereigns, Nov. 19, 2013
- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

## Ratings List

### Ratings Affirmed

Grupo Televisa S.A.B.

Corporate Credit Rating	BBB+/Stable/--
CaVal (Mexico) National Scale	mxAAA/Stable/--
Senior Unsecured	BBB+
Senior Unsecured	mxAAA

### Ratings Affirmed

Comision Federal De Electricidad

CaVal (Mexico) National Scale	mxAAA/Stable/--
Senior Unsecured	A
Senior Unsecured	BBB+
Senior Unsecured	mxAAA

Petroleos Mexicanos

CaVal (Mexico) National Scale	mxAAA/Stable/mxA-1+
Senior Unsecured	A
Senior Unsecured	BBB+
Senior Unsecured	mxAAA

### Ratings Affirmed; Outlook Action

	To	From
Comision Federal De Electricidad		
P.M.I. Trading Ltd.		
MEX GAS SUPPLY S.L.		
Corporate Credit Rating		
Foreign Currency	BBB+/Negative/--	BBB+/Stable/--
Local Currency	A/Negative/--	A/Stable/--

Petroleos Mexicanos

PMI Norteamerica S.A. de C.V.

Corporate Credit Rating		
Foreign Currency	BBB+/Negative/--	BBB+/Stable/--
Local Currency	A/Negative/--	A/Stable/--

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