

Corporates Ratings Navigator			
Publish Date:	1-May-15		
Sector Details:			
Sector:	LATAM Utilities		
Region:	Emerging Markets - Americas		
Country:	Colombia		
Country IDR:	BBB Stable		
Country IDR Action:	Affirmed		
Country Action Date:	20-Nov-14		
Country Ceiling:	BBB+		
Ratings History			
Date	IDR		Action
28-Oct-14	BBB	Stable	Upgrade
1-Nov-13	BBB-	Stable	Affirmed
2-Nov-12	BBB-	Stable	Upgrade
3-Nov-11	BB+	Stable	Upgrade
24-Jan-11	BB	Stable	Affirmed
19-Nov-10	BB	Stable	Affirmed
20-Nov-09	BB	Negative	Affirmed

Factor Levels	Business Profile										Issuer Default Rating
	Sector Risk Profile	Operating Environment	Management and Corporate Governance	Regulatory Risk	Commodity Price and Market Risk	Market	Asset Base and Operations	Profitability	Financial Structure	Financial Flexibility	
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+	↑										A+
a											A
a-											A-
bbb+	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	BBB+
bbb	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	BBB Stable
bbb-	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	BBB-
bb+	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	BB+
bb	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	BB
bb-	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	BB-
b+	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	B+
b	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	B
b-	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	B-
ccc											CCC
cc											CC
c											C
d or rd											D or RD

Bar Chart Legend:			
Vertical Bars = Range of Rating Factor			
Bar Colors =Relative Importance			
■	Higher Importance		
■	Average Importance		
■	Lower Importance		
Bar Arrows = Rating Factor Outlook			
↑	Positive	↓	Negative
↕	Evolving	□	Stable
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Relevant Criteria & References			
Introducing Ratings Navigators for Corporates			
Corporate Rating Methodology			
LATAM Utilities: Ratings Navigator Companion			

Direct Peer Group				
Company Name	IDR	Action	Action Date	
Enersis S.A.	BBB+ Stable	Affirmed	06-Aug-2014	
Empresa Nacional de Electricidad S.A. (Endesa-Chile)	BBB+ Stable	Affirmed	06-Aug-2014	
E.CL S.A.	BBB Stable	Upgrade	07-Aug-2014	
Colbun S.A. (Colbun)	BBB Stable	Affirmed	02-Jul-2014	
Emgesa S.A. E.S.P	BBB Stable	Affirmed	13-May-2014	
Isagen S.A. ESP	BBB- Stable	Affirmed	21-May-2014	
Empresas Publicas de Medellin E.S.P. (EPM)	BBB+ Stable	Upgrade	22-Sep-2014	
Transportadora de Gas Internacional S.A. ESP (TGI)	BBB Stable	Upgrade	28-Oct-2014	
Promigas S.A. E.S.P.	BBB- Stable	Affirmed	31-Oct-2014	
AES Gener S.A.	BBB- Stable	Affirmed	26-Aug-2014	

Drivers & Sensitivities	
Solid Business Position	Ratings reflect the company's diversified portfolio of assets with a low business-risk profile and stable and predictable cash flow generation. EEB's assets have strong competitive positions and operate as regulated natural monopolies.
Manageable Debt Service	Most of the company's debt matures starting in 2021, putting the company in a strong liquidity position.
Healthy Dividend Income	The vast majority of the holding company's FCF is generated from dividends received from investments in leading Colombian electricity generation and distribution companies, which have seen healthy growth recently.
Moderate Leverage	EEB's improving financial performance has helped to moderate leverage, and the company's liquidity requirements are manageable.
Aggressive Growth	EEB's growth strategy is aggressive, though Fitch views a major acquisition in Colombia as unlikely in the near to medium term. Fitch expects capex in 2014–2017 to approximate USD2.3 billion as the company searches for growth opportunities.
Positive Rating Sensitivities	A positive rating action or outlook is unlikely in the near to medium term given the company's expectations for aggressive growth and capex. Fitch would view long-term sustained leverage under 2x positively.
Negative Rating Sensitivities	A negative rating action or outlook would be considered if leverage reached 3.5x on a sustained basis. Shareholder influence resulting in a suboptimal financial or operational strategy also could hurt EEB's credit quality.

Operating Environment

a-	Economic Environment	bbb	Average combination of countries where economic value is created and where assets are located.
bbb+	Financial Access	a	Strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	bbb	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'bbb'.
b-			
ccc			

Regulatory Risk

a-	Independence	bbb	Low government interference in utility regulations.
bbb+	Balance	bbb	Regulatory framework is moderately biased toward the needs of end users at the expense of sector participants.
bbb	Transparency	bbb	The tariff-setting procedure is transparent and includes the participation of industry players.
bbb-	Recourse of Law	bbb	Procedures to appeal regulatory rulings are clear but long processing periods. Companies can oppose or comment on regulations.
bb+	Timeliness of Cost Recovery	bbb	Moderate lag to recover capital and operating costs.

Market

a-	Consumption Growth Trend	bbb	Customer and usage growth in line with industry averages.
bbb+	Customer Mix	bbb	Somewhat diversified customer base.
bbb	Geographic Location	bbb	Beneficial location or reasonable locational diversity.
bbb-	Supply Demand Dynamics	bbb	Moderately favorable outlook for prices and rates.
bb+			

Profitability

a-	Volatility of Profitability	bbb	Stability and predictability of profits in line with utility peers.
bbb+	Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.
bbb			
bbb-			
bb+			

Financial Flexibility

a	Financial Discipline	bbb	Less conservative policy but generally applied consistently.
a-	Liquidity (Cash+CFO)/S-T Debt	a	Very comfortable liquidity. Well-spread maturity schedule of debt. Diversified sources of funding.
bbb+	FFO Fixed Charge Cover	a	5.0x
bbb	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging in place.
bbb-			

Management and Corporate Governance

a-	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
bbb+	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
bbb	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb-	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bb+			

Commodity Price and Market Risk

a-	Price and Volume Risk	bbb	Moderate exposure to price risk. Long-term contracts provide high revenue visibility and most costs variations are passed through.
bbb+	Counterparty Risk	bbb	Weighted average credit quality of actual and potential offtakers is in line with 'BBB' rating.
bbb			
bbb-			
bb+			

Asset Base and Operations

a-	Asset Diversity	bbb	Good quality and/or reasonable scale diversified assets.
bbb+	Reliability of Operations and Cost Position	bbb	Reliability and cost of operations at par with industry averages with moderate operating losses.
bbb	Exposure to Environmental	bbb	Limited or manageable exposure to environmental regulations.
bbb-	Capital and Technological Intensity of	bbb	Moderate reinvestment requirements in established technologies.
bb+			

Financial Structure

a+	Lease Adjusted FFO Gross Leverage	a	2.5x
a	Lease Adjusted FFO Net Leverage	a	2.0x
a-	Total Adjusted Debt/Operating EBITDAR	bbb	3.5x
bbb+			
bbb			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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