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Credivalores - Crediservicios SAS 'B+' Issue-Level Rating Affirmed Following The Up To \$75 Million Add-On

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MEXICO CITY (S&P Global Ratings) Feb. 7, 2018--S&P Global Ratings today affirmed its 'B+' issue-level rating on Credivalores - Crediservicios SAS's (Credivalores; B+/Stable/B) senior unsecured notes following the up to \$75 million add-on to the original \$250 million issuance. We rated the original notes on July 13, 2017. The tenure is five years (bullet payment) and bears a fixed rate. The issue-level rating incorporates our expectation that Credivalores will hedge the add-on with a cross-currency swap (CCS), which it did for the original amount.

The issue-level rating on the notes is at the same level as the long-term global scale issuer credit rating (ICR), reflecting their pari passu status because they will rank equally in right of payment with all of the company's existing and future senior unsecured debt. Likewise, the debt rating reflects that the lender's priority debt (secured) represents less than 5% of adjusted assets at the end of 2017, and we expect to remain at similar levels. We also consider that Credivalores' unencumbered assets will cover the unsecured debt by more than 1.0x for the same timeframe. However, a downgrade could occur if after this issuance, the company's secured debt significantly increases in a way that it leaves unsecured bondholders in a subordinated position. In such a scenario, the analysis will also include if the amount of unencumbered assets is sufficient to cover this rated bond.

Our funding and liquidity assessment remains unchanged. Credivalores' funding

structure is primarily concentrated in one global issuance--at about 75% of total funding--and the remainder is allocated by local credit facilities and commercial paper. In our view, the company's challenge now is to diversify its funding structure by gaining access to unsecured banking lines, or other means of funding, to reduce its actual concentration.

The firm's liquidity levels continue to support our expected growth. The use of the proceeds to refinance existing debt provides a greater liquidity cushion for upcoming debt maturities. Finally, our projected base case and stress-test cash flow, which will be positive for the next 12 months, also support our assessment.

The ICR on Credivalores continues to reflect our business position assessment, supported by a diversified business mix and good market position in the Colombian financial system; its capital and earnings, underpinned by our forecasted risk-adjusted capital (RAC) ratio of 8.5% on average for the next 12 months; and its risk position, mainly driven by its lending and underwriting standards that are stronger than those of other NBFIs we rate in the region.

RELATED CRITERIA

- Criteria Financial Institutions General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria Financial Institutions General: Issue Credit Rating Methodology For Nonbank Financial Institutions And Nonbank Financial Services Companies, Dec. 9, 2014
- Criteria Financial Institutions General: Nonbank Financial Institutions Rating Methodology, Dec. 9, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria Financial Institutions Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria Financial Institutions Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

RATINGS LIST

Credivalores - Crediservicios SAS

Issuer Credit Rating

Global Scale B+/Stable/B

Ratings Affirmed
Credivalores - Crediservicios SAS
Senior Unsecured B+

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