



RATING ACTION COMMENTARY

Fitch Affirms Credivalores' 'B'; Removes Rating Watch Negative; Outlook Negative

Wed 01 Jun, 2022 - 2:10 PM ET

Fitch Ratings - New York - 01 Jun 2022: Fitch Ratings has removed the Rating Watch Negative (RWN) and affirmed Credivalores-Crediservicios S.A.'s (Credivalores) Long-Term Foreign Currency Issuer Default Rating (IDR) of 'B' and Short-Term Foreign Currency IDR of 'B'. In addition, it has affirmed the Long- and Short-Term National Scale ratings of 'A-(col)' and 'F2(col)', respectively, and outstanding debt issuances were also removed from RWN. The Rating Outlook is Negative. The Negative Outlook, mainly reflects weakened overall funding profile driven by deteriorated investor confidence and increased risk aversion for NBFIs in Latin America.

KEY RATING DRIVERS

The RWN was originally placed on April 11 of this year and reflected elevated execution risk associated with refinancing the company's USD164 million debt maturity on July 27, 2022, particularly as lender sentiment has deteriorated for Latin American NBFIs. As of mid-April, the company had only raised about 65% of their 2022 net cash flow need including those funds needed for the repayment.

On May 16, 2022, Credivalores announced that it closed a new USD100 million committed term loan from funds of UBS O'Connor and Gramercy and that a portion of the funds from this term loan, along with approximately USD104 million of other funds already raised will

be used to fully repay the 9.75% dollar-bonds due July 2022. With this term-loan, the company secured more than USD200 million in new sources of funding for 2022 between the last quarter of 2021 and during the first five months of this year.

The closing of this US\$100 million term-loan completes the total cash needs of Credivalores for 2022. The new USD100 million term-loan is a committed facility structured through a Special Purpose Vehicle backed by the credit card portfolio as collateral. The facility has a 36-month tenor with an availability period of 12 months from the closing and principal amortization starting 24 months after closing, to obtain an average life of about 2.5 years.

Credivalores is also working to obtain other funding sources with multiple lenders that are expected to be completed in the following months to further its funding flexibility and lower funding costs.

As of YE 2021, Fitch's adjusted tangible leverage metric remained at a high 7.9x, providing more limited loss absorption for the increasing challenges. Fitch expects the company's tangible leverage to remain below 9.0x despite new debt acquired during the year will be mostly used to refinance existing debt and for double digit forecasted growth, which could be commensurate with this new rating level.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--Credivalores' ratings could still be negatively impacted by an increase in tangible leverage, measured as debt/tangible equity adjusted by the temporary effects from assets and derivatives valuation sustainably above 9.0x or if pre-tax income to average assets turns negative.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Credivalores' Outlook could be revised to Stable if the company is also able to show a sustained improvement in its profitability and asset quality metrics while reducing pressure on its tangible leverage metrics. A more consistent, conservative and demonstrated liquidity risk management track record could also contribute to stabilization of the Outlook and/or future positive rating momentum.

DEBT AND OTHER INSTRUMENT RATINGS: KEY RATING DRIVERS

--The company's senior unsecured debt is expected to move in line with the Long-Term IDR, although a material increase in the proportion of secured debt could result in the unsecured debt being notched down from the IDR.

PCG Issuance

--The four-notch relativity of the PCG issuance above Credivalores' Long-Term National Scale rating could be reduced in the event of future increases in the issuer rating or by an improvement in its intrinsic recovery, in accordance with the agency's methodology.

DEBT AND OTHER INSTRUMENT RATINGS: RATING SENSITIVITIES

--A downward move in Credivalores' Long-Term National Scale rating would negatively affect the PCG ratings;

--The company's senior unsecured debt is expected to move in line with the Long-Term IDR, although a material increase in the proportion of secured debt could result in the unsecured debt being notched down from the IDR.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact

on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit

www.fitchratings.com/esg

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕	RECOVERY ↕	PRIOR ↕		
Credivalores- Crediservicios S.A.	LT IDR		B Rating Watch Negative		
	B Rating Outlook Negative				
	Affirmed				
	ST IDR	B	Affirmed	B Rating Watch Negative	
	Natl LT			A- (col) Rating Watch Negative	
	A-(col) Rating Outlook Negative				
	Affirmed				
	Natl ST	F2(col)	Affirmed	F2(col) Rating Watch Negative	
senior unsecured	LT	B	Affirmed	RR4	B Rating Watch Negative
guaranteed	Natl LT	AA(col)	Affirmed		AA(col) Rating Watch Negative

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Metodología de Calificaciones en Escala Nacional \(pub. 22 Dec 2020\)](#)

[Third-Party Partial Credit Support Rating Criteria \(pub. 11 Jun 2021\)](#)

[Metodología de Calificación de Soporte Parcial de Crédito por Terceras Partes \(pub. 25 Aug 2021\)](#)

[Non-Bank Financial Institutions Rating Criteria \(pub. 31 Jan 2022\) \(including rating assumption sensitivity\)](#)

[Metodología de Calificación de Instituciones Financieras no Bancarias \(pub. 28 Mar 2022\)](#)

ADDITIONAL DISCLOSURES

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Credivalores-Crediservicios S.A.

EU Endorsed, UK Endorsed

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Non-Bank Financial Institutions Latin America Colombia
