

Rating Action: Moody's changes the outlook to negative on three Infrastructure Issuers operating in Colombia

Global Credit Research - 23 Feb 2018

New York, February 23, 2018 -- Moody's Investors Service, ("Moody's") has today affirmed the ratings of the following infrastructure issuers operating in Colombia : Interconexion Electrica S.A. E.S.P. (ISA, Baa2), Empresas Publicas de Medellin S.A. E.S.P. (EPM, Baa2), and Enel Americas S.A. (ENIA, Baa3). At the same time, Moody's changed the outlook on these three issuers to negative from stable.

This action follows Moody's recent rating action on the government of Colombia where the rating agency affirmed Colombia's Baa2 rating and changed the outlook to negative from stable (https://www.moodys.com/research/Moodys-changes-Colombias-rating-outlook-to-negative-Baa2-ratings-affirmed--PR_379066).

The ratings affirmations and outlook revision to negative from stable on these three credits reflects overall linkages to the Colombian sovereign. These linkages, in combination, come in the form of (i) the relative importance of Colombian operations to their overall consolidated EBITDA and cash flow generation; (ii) the highly regulated nature of the energy sector and the potential exposure to political interference and/or regulatory risks; (iii) relative reliance on Colombian banking relationships and capital markets to refinance local currency denominated obligations; and (iv) in general, expansive strategies and financial policies, potentially leading to capital structures incommensurate with ratings above that of the sovereign. In the case of ISA and EPM, which are Government Related Issuers (GRIs), these linkages also come from the ability of their respective owners to provide extraordinary support in case of financial distress.

The negative outlook for all these companies primarily reflects Moody's negative outlook for Colombia's government bond rating and Moody's view that the creditworthiness of these companies continues to be linked to the credit quality of the sovereign.

Affirmations:

- ..Issuer: Empresas Publicas de Medellin E.S.P
- Issuer Rating (Local Currency), Affirmed Baa2
-Senior Unsecured Instruments, Affirmed Baa2
- ..Issuer: Interconexion Electrica S.A. E.S.P.
- Issuer Rating (Foreign Currency), Affirmed Baa2
- Issuer Rating (Local Currency), Affirmed Baa2
- ..Issuer: Enel Americas S.A.
-Senior Unsecured Instruments, Affirmed Baa3

Outlook Actions:

- ..Issuer: Empresas Publicas de Medellin E.S.P
-Outlook, Changed To Negative From Stable
- ..Issuer: Interconexion Electrica S.A. E.S.P.
-Outlook, Changed To Negative From Stable
- ..Issuer: Enel Americas S.A.

...Outlook, Changed To Negative From Stable

RATINGS RATIONALE

The Baa2 ratings affirmation and outlook revision to negative from stable on ISA reflects the importance of the Colombian operations to the company's overall consolidated profile, and the highly regulated nature of the transmission sector in the country. While the company carries operations in higher rated sovereigns Peru (A3, stable) and Chile (Aa3, negative), the credit quality of the underlying assets are viewed as relatively weaker.

On EPM, the Baa2 ratings affirmation and outlook revision to negative from stable reflects a similar action on the Municipality of Medellin (Baa2 negative) on February 23, 2018, the company's sole shareholder. EPM's rating of Baa2 is currently based on support from the Municipality of Medellin, providing an uplift from the company's standalone credit quality as consistent with the baseline credit assessment (bca) of baa3.

ENIA's rating affirmation on Baa3 and outlook revision to negative reflects the importance of the Colombian operations to the overall consolidated credit profile, contributing with 42% of Ebitda as of Sept 2017. ENIA's senior unsecured rating reflects a one notch discount from the overall view of the consolidated credit profile, reflective of structural subordination of the debt at the holding company level.

WHAT COULD CHANGE THE RATINGS UP/DOWN

A rating or outlook change of the sovereign could result in subsequent rating actions for these companies. A rating or outlook change could also be triggered if Moody's perceives a material change in the regulatory frameworks under which these companies operate, or disruptive political interference in the normal course of their businesses. Sustained deterioration or improvement in the relevant credit metrics or the liquidity profile is also a trigger for a rating change for those issuers.

The principal methodologies used in rating Empresas Publicas de Medellin E.S.P were Unregulated Utilities and Unregulated Power Companies published in May 2017, and Government-Related Issuers published in August 2017. The principal methodologies used in rating Interconexion Electrica S.A. E.S.P. were Regulated Electric and Gas Networks published in March 2017, and Government-Related Issuers published in August 2017. The principal methodology used in rating Enel Americas S.A. was Unregulated Utilities and Unregulated Power Companies published in May 2017. Please see the Rating Methodologies page on www.moody.com for a copy of these methodologies.

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