

Mexico Elektra Restructures Debt, Reduces Forex Risk

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MEXICO CITY, March 22 (Reuters) - A debt restructuring at Mexican retailer and banking group Elektra should boost the company's image with international rating agencies along with its bottom line, an executive said on Monday.

On Friday Elektra (ELEKTRA.MX: [Quote](#), [Profile](#), [Research](#)) (EKT.N: [Quote](#), [Profile](#), [Research](#)) sold 2.6 billion pesos (about \$237 million) of local paper to restructure debt.

The proceeds will pay down early a \$275 million 12 percent bond due in 2008, converting the company's dollar debt into pesos and virtually eliminating its exposure to foreign exchange risk, said Chief Financial Officer Rodrigo Pliego.

"Elektra is a business that mainly generates pesos, so its debt should be in pesos," he told Reuters.

Ratings agencies had seen Elektra's dollar debt as a disadvantage, and the company hopes its latest move into peso-denominated debt will bring an upgrade, he said.

Last year Moody's lowered its rating on Elektra's senior notes to "B3" from "B2" citing changes in the company's debt structure due to the launch of the Banco Azteca unit.

Elektra expects the restructuring will save \$40 million in interest payments in the next four years, Pliego said.

That translates into a savings of 10 percent a year of its 2003 net profit of \$102 million, or about 10 cents per ADR (American Depositary Receipt), Ixe brokerage said in a report.

In coming days Elektra should announce the date for paying off the bonds. It also expects to reduce debt by about \$40 million in the next few months, Pliego said.

The new debt has an eight-year maturity and will be backed by commissions collected by subsidiary Dinero Express on electronic transfers of money within the country.

Elektra plans to invest around \$70 million this year to open 50 new stores and remodel and relocate another 30 that are performing below company standards, Pliego said.

"Our next step is to concentrate on expansion and making the company grow," he said.

In February Elektra reported its fourth-quarter 2003 net profit rose 7.5 percent to 413 million pesos, compared with the same quarter of 2002. Revenue was up 20 percent and earnings before interest, taxes, depreciation and amortization (EBITDA) rose 4 percent in the quarter.

Chief Executive Office Javier Sarro said then that the company expected to see EBITDA grow by "double digits, low teen percent" this year.

Elektra shares fell 0.97 percent to 66.12 pesos on Monday, while Mexico's IPC index was off 1.11 percent. In New York Elektra's ADRs dropped 0.53 percent to \$24.18.