

Fitch Views Pacific Rubiales' Acquisition of Petrominerales as Neutral

Written by Australian Business

CHICAGO--([BUSINESS WIRE](#))--Fitch Ratings expects Pacific Rubiales Energy Corp.'s (Pacific Rubiales) intended acquisition of Petrominerales Ltd to be credit neutral. The transaction is believed to marginally increase the company's leverage and somewhat increase its production diversification.

Fitch currently rates Pacific Rubiales' foreign and local currency Issuer Default Ratings (IDRs) at 'BB+'; Outlook Stable.

On Sept. 29, 2013, Pacific Rubiales entered into an agreement to acquire all outstanding common shares of Petrominerales. The total purchase price of approximately USD1.5 billion includes a USD908 million cash payment and Pacific Rubiales assumption of USD622 million of debt. The company expects to finance the acquisition using cash on hand and short-term financing from its committed credit lines. As a result of this, Pacific Rubiales leverage could increase to approximately 1.2 times (x) on a pro forma basis and given effect to the incremental debt from approximately 0.7x as of year-end 2012.

Following the acquisition, the company intends to divest some of Petrominerales asset, especially some investments in pipelines in Colombia, to raise approximately USD400 million of cash and reduce debt related to the acquisition. The company stated its intention to maintain a consolidated leverage below 1.0x in the medium term, which Fitch sees in line with the assigned rating category.

Additional information is available at ' www.fitchratings.com '.

Applicable Criteria and Related Research:

--'Corporate Rating Methodology' (Aug. 8, 2012).

Applicable Criteria and Related Research:

Corporate Rating Methodology: Including Short-Term Ratings and Parent and Subsidiary Linkage

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=715139

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