

Rating Action: Moody's revises Globo's rating outlook to positive

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Approximately USD 200 million of rated debt affected

Sao Paulo, April 05, 2010 -- Moody's revised Globo Comunicação e Participações S.A.'s ("Globo") Baa3 foreign currency senior unsecured and issuer ratings' outlook to positive from stable.

"The change in Globo's rating outlook was prompted by its demonstrated resilience during the past economic crisis that allowed Globo to grow revenues despite a slight GDP contraction in Brazil; the good TV advertising and programming growth prospects for the upcoming years due to the overall positive economic outlook for Brazil; as well as its progress in its diversification into the higher-margin content and programming segment, which grew to represent 17.2% of total net revenues in 2009 vs. 14.7% in 2008," explained Moody's VP Senior Analyst, Soummo Mukherjee. "The change in outlook also reflects the company's improved leverage and coverage ratios in 2009 vs. 2008, as well as its increased cash balance that exceeds its total debt further improving its liquidity position," added Mukherjee.

Globo's Baa3 rating continues to be supported by its leading market position in the Brazilian TV broadcasting market with 46% of the overall average national audience share in 2009. The rating also recognizes Globo's high quality content with 77% of its programming produced in-house, the company's low leverage (Moody's adjusted Debt to EBITDA of 0.6 times at the end of 2009) and very comfortable debt maturity profile.

The main factors constraining Globo's rating are its concentration of revenues in the cyclical Brazilian TV advertising market with a degree of foreign exchange exposure, as well as, the company's high fixed cost base, stemming from its high quality programming strategy, and stiff competition that pressures its margins. The company's lack of independent board members, audit committee, set dividend policy and weaker audited disclosure of individual business unit performance are also factors constraining Globo's rating.

The Brazilian TV advertising market demonstrated resilience during the worldwide economic downturn and Brazil's 0.2% GDP contraction in 2009 by growing 3.9% versus the same period a year ago. Meanwhile, broadcast TV advertising increased 7.6% and also increased its percentage relative to total advertising expenditures in Brazil in 2009 from 58.8% to 60.9%, according to Intermeios, an independent measure of the Brazilian advertising market. Globo, however, experienced a higher revenue growth than the Brazilian TV advertising market, growing revenues by 10.3% in 2009 while maintaining stable EBITDA margin (according to Moody's standard analytic adjustments and definitions) at 25% in the same period.

At the end of December 31st, 2009, Globo reported total cash of BRL 3.3 billion that even considering the BRL 522 million cash dividend paid in January 2010 (BRL 2.8 billion pro-forma), far exceeded its total adjusted debt of BRL 1.3 billion. The company's Total Adjusted Debt to EBITDA improved from 0.8 times at the end of 2008 to 0.6 times at the end of 2009, while coverage, as measured by EBIT/Interest also improved from 6.5 times to 11.1 times in the same period. The company has a very comfortable debt maturity profile with only minor debt repayments in the next two years (USD 9.4 million in 2010), USD 57.4 million in 2012, USD 200 million bonds due in 2022 and its USD 325 million perpetual notes.

The positive outlook on Globo's Baa3 rating reflects our view that Globo's credit metrics will remain strong for the Baa3 rating category and the operating environment stands to benefit from the overall positive economic environment in Brazil for the next few years, combined with the expected growth in TV advertising and Pay-TV penetration. We also believe that Globo will benefit from increased advertising spend associated with the next two major sporting events that will be held in Brazil: World Cup in 2014 and Olympics in 2016.

Globo's ratings are likely to experience upward pressure if the company is able to maintain its current credit metrics with strong free cash flow generation and grow its content and programming segment so that it represents more than 20% of Globo's total revenues, on a sustainable basis. Upward pressure will also be based on further continued improvement of Globo's financial disclosure standards and our corporate governance assessment.

Conversely, negative pressure on the current outlook or ratings could arise should the Brazilian economy and TV advertising market experience a greater than expected downturn that causes Globo's leverage to increase above 1.5 times or EBITDA margin to fall below 15% on a continued basis.

Ratings affirmed with a positive outlook:

- Issuer Rating: Baa3 (Global scale)

- USD 200 million 7.25% foreign currency senior unsecured notes due 2022

Moody's last rating action on Globo was on June 02, 2009, when we upgraded Globo's rating to Baa3 from Ba1.

The principal methodology used in rating Globo was Moody's Global Broadcast Industry Rating Methodology (published in June 2008) and available on www.Moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Headquartered in Rio de Janeiro, Globo is Brazil's largest media group, owned by the Marinho family. TV Globo is Brazil's leading broadcast TV network and accounts for almost 75% of Globo's net revenues in 2009. Globo has other business activities including: sound-recording, magazine publishing, pay-TV production and programming, and interests in Brazil's leading satellite direct-to-home and cable operator.

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