
Fitch: Vivendi US Lawsuit Not Expected to Have Immediate Ratings Impact

Fitch Ratings-London-02 February 2010: Fitch Ratings says that a US court ruling against Vivendi on 29 January 2010, regarding a class action lawsuit related to prior financial statements, will have no immediate impact on the company's ratings. However, a final ruling could eventually lead to a significant potential liability which may be negative for Vivendi's credit profile.

Due to the uncertainty and range of eventual outcomes, Fitch does not believe that the court verdict in itself impacts Vivendi's Long-term Issuer Default Rating (IDR) and senior unsecured ratings of 'BBB', respectively. The Outlook on the Long-term IDR is Stable.

Vivendi has stated that it disagrees with the verdict reached by a US jury in the securities class action trial heard before a New York district court, and says it intends to appeal the ruling.

"There is still considerable uncertainty surrounding the timing and the final outcome of this legal action," says Damien Chew, Director in Fitch's TMT team in London. "The complex process of estimating damages could take 12-18 months, with a possible appeal taking a further 12-18 months after that."

Given that Vivendi's management has shown financial discipline in the past, Fitch believes that Vivendi has time to take appropriate action to plan for and mitigate any balance sheet pressure that could emerge from any potential financial damages related to the law suit.

After the November 2009 acquisition of GVT, the planned disposal of Vivendi's 20% stake in NBC Universal should help to strengthen the company's balance sheet, with USD2bn to be received by September 2010 from the first part of the transaction. Based on a conservative view of Vivendi's potential 2010 performance, the GVT transaction and the first part of the NBC Universal disposal, and the assumption that M6 exercises its put options in respect of Vivendi's subsidiary Canal+, Fitch expects Vivendi's financial leverage should stay below the 2.3x the agency has indicated as the medium-term upper threshold for Vivendi's rating at 'BBB'.

The key leverage metric the agency uses to assess Vivendi is net debt/EBITDA, adjusted to reflect the group's structure. To derive this leverage metric, the agency strips EBITDA and debt of subsidiaries from consolidated numbers where Vivendi does not have direct access to the cash and replaces EBITDA with stable dividend streams.

Fitch will continue to monitor the legal case and its possible repercussions for Vivendi.

Further rationale for Vivendi's current rating is provided in the 7 October 2009 issuer report, which is available at www.fitchratings.com.

Applicable criteria available at www.fitchratings.com: 'Corporate Rating Methodology', dated 27 November, 2009.

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