Andean
Investor Guide
2025

Investor Conference 2024
September 25/26. Lima, Peru

Credicorp Capital

Dear Investor,

We present to you the twelfth version of our Andean Investor Guide, which includes our recommendations for 52 equity issuers and 33 fixed-income issuers. As in prior years, the release of this report is meant to coincide with our XXII Annual Investor Conference, which will be held on September 25th and 26th in Lima. We are expecting the attendance of more than 60 Latin American corporate issuers and more than 200 investors from around the world.

The Andean economies have experienced a gradual recovery this year following a weak 2023. Falling inflation and interest rates have been a significant factor behind the improvement of both economic activity and capital markets as financial prices and trading volumes have recovered. Although uncertainty remains unusually high due to external and idiosyncratic factors, the Fed's easing cycle should lead to increasing inflows into the region amid the expectation of continued cyclical recovery in the three economies over the next quarters and favorable commodity prices. In addition to the lower likelihood of radical reforms, in our view, this means that appealing opportunities remain in the context of still attractive valuations in several names.

In the case of the stock markets, 2024 has been a positive surprise as the local indexes in Chile, Colombia, and Peru have outperformed the MSCI Latam, with Peru reaching record-high levels in 2Q24. Chile remains our preferred market due to higher liquidity levels, which should eventually drive larger inflows. We have a neutral stance towards Colombia as we recognize that regulatory uncertainty remains at unusually high levels; however, the country still has a strong monetary policy easing cycle to go through, which could prove to be a positive catalyst for stocks. Finally, we are more conservative on Peru due to tight valuations in mining, albeit we still identify some attractive opportunities.

We see appealing opportunities for fixed income markets given the current high-yield backdrop, the expectation of lower rates, and the strength of corporate balance sheets, which are expected to improve further alongside better macro trends. Also, improved supply/demand dynamics, following modest primary market activity over the past two years, enhance the outlook further. However, we are maintaining a defensive approach due to current tight spreads, focusing on companies with resilient business models. We believe this strategy allows to capitalize on attractive yields while mitigating exposure to market volatility.

We remain committed to excellence and continue to strive to give you the most insightful coverage of the Andes, a region we confidently call our own.

Thank you for your support, and we look forward to investing with you in 2025!

Best regards,

Eduardo Montero
CEO
Credicorp Capital

Daniel Velandia
Managing Director of Research
Credicorp Capital

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01 / Andean Economies

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Andean Economies

A cyclical recovery in progress. Higher growth rates dependent on increased investment confidence

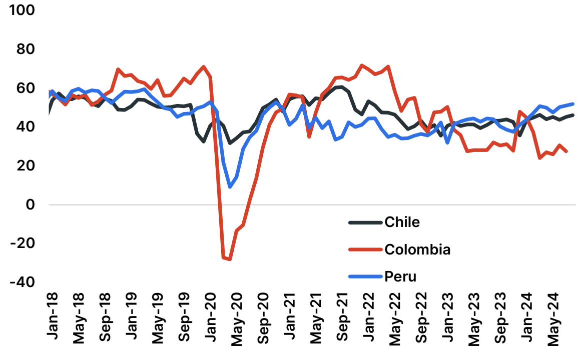
After the tough 2023, the three economies have exhibited a cyclical recovery so far this year.

After a weak 2023, the Andean economies have gradually recovered, primarily due to lower inflation and interest rates and the reversion of some shocks. Last year, Chile and Colombia posted meager economic growth (0.2% and 0.6%, respectively) amid a necessary adjustment (which was led by monetary policy), following almost two years of solid performance driven by an impressive dynamism of private consumption that led to significant imbalances (i.e., very high inflation and large current account deficits). On its part, Peru contracted by -0.6% in 2023 amid several shocks ranging from social unrest, climatic events (the Coastal El Niño and Cyclone Yaku) and bird flu to a reduction in public investment amid the first year of regional governments and an unfavorable statistical base in mining investment after the finalization of the Quellaveco project in 2022. After the tough 2023, the three economies have exhibited a cyclical recovery so far this year, in line with our expectations, with the reduction in inflation and interest rates playing the main role as households have seen an improvement in purchasing power. Likewise, the reversion of some shocks has benefited sectors like agriculture and utilities, while favorable metal prices have also contributed to better activity performance in Chile and Peru. All things considered, GDP growth in Chile, Colombia, and Peru stood at 2%, 1.5%, and 2.5% y/y in 1H24, respectively.

We expect economic activity to continue to be led by private consumption.

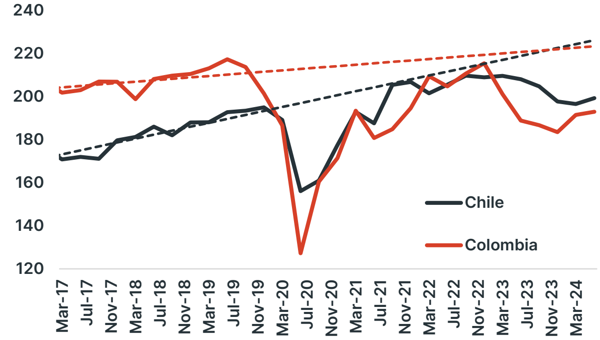
The gradual recovery is set to continue in the upcoming quarters; that said, stronger investment will be a necessary condition for higher, sustained GDP growth rates. We expect Andean economies to continue to be led by private consumption amid the effect of lower inflation on real income and the positive impact of the ongoing monetary policy easing cycles in the three countries. In Colombia, the effect is set to be clearer next year as both inflation and interest rates remain elevated, while the most recent pension funds' withdrawal will support households in Peru. Conversely, the planned increase in electricity tariffs in Chile may cap consumer spending. On the other hand, we have recently observed favorable growth in the pipeline of investment projects to be executed during the next years in Chile and Peru, especially in the mining and energy sectors, amid improving domestic financial conditions, the expectation of easier financial conditions abroad, favorable metal prices and lower political noise. Having said this, fixed investment remains far below its pre-pandemic trend, and entrepreneurs in several sectors have continued

Business confidence (%)



Source: BCCh, BanRep, BCRP, Icare, Credicorp Capital.

Fixed investment (level, pre-Covid trend; s.a.)



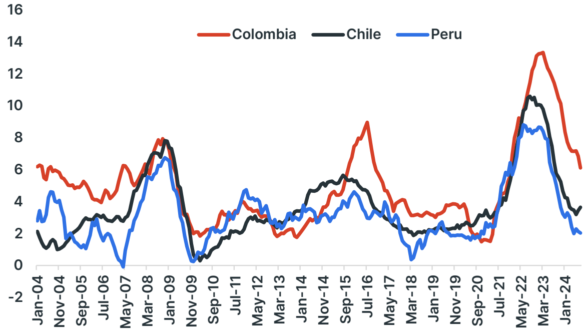
to suggest that planned investment will be mostly focused on replacing machinery and equipment rather than expanding capacity, arguing that there is still high political uncertainty (notably, housing investment remains depressed). Accordingly, while prospects for investment have improved in these two countries, its recovery is set to be gradual; in fact, recall that 2025 is an electoral year in Chile and a pre-electoral one in Peru, which could motivate the postponement of some investment decisions until more clarity is obtained. In any case, Chile is a big step ahead in the necessary reduction of political uncertainty after the population's rejection (twice) of a new constitution. For its part, in Colombia, concerns about investment have continued to rise amid regulatory noise in the most strategic sectors (oil, mining, housing, infrastructure, and energy), and thus, we expect it to remain modest, implying that the Colombian economy will grow below Chile and Peru this and next year. All in, we predict that GDP growth in 2024 and 2025 will be 2.5% and 2.8% in Chile, 1.8% and 2.1% in Colombia, and 3% and 2.8% in Peru, respectively.

We predict that GDP growth in 2024 and 2025 will be 2.5% and 2.8% in Chile, 1.8% and 2.1% in Colombia, and 3% and 2.8% in Peru.

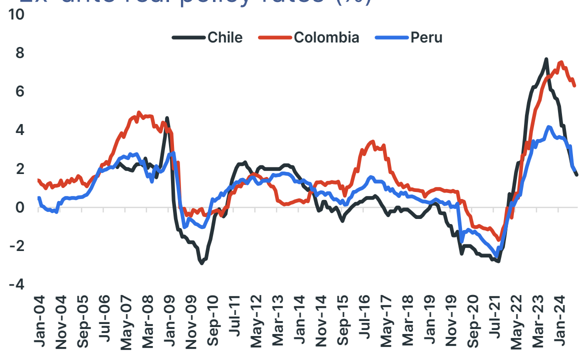
While central banks in Chile (BCCh) and Peru (BCRP) have already undertaken the bulk of rate cuts, the BanRep in Colombia has plenty of room. From their peak of the current cycle, reference rates have fallen by 575bp to 5.50% in Chile and 250bp to 5.25% in Peru amid the convergence of inflation to the central banks' targets after reaching multi-decade high levels in 2022, and the significant slowdown of economic activity in 2023. On its part, the BanRep has cut its policy rate by 250bp, but its level remains very high at 10.75% amid still elevated inflation led by regulated prices and indexation mechanisms. We expect interest rates to continue to gradually converge to neutral levels in the three economies, although the speed and timing of the next cuts will be highly data-dependent. In Chile, the recent announcement of significant increases in electricity tariffs, which could have an impact on inflation of around 150bp in the next 12 months and has motivated a strong rise in inflation expectations recently (12-months ahead inflation expectations currently at 3.8%), jointly with a interest rate spread vs the Fed that has led to strong pressures on the FX during the last year, are factors that could limit the pace at which the BCCh will continue its easing cycle going forward. In Peru, the next BCRP's moves would also depend on both the future Fed's policy in the context of a negative rate spread currently and the inflation behavior during the remainder of the year as it is expected to accelerate due to statistical base effects; that said, the BCRP seems to be facing better conditions than Chile to continue its easing cycle amid 12-month ahead inflation expectations near the target (at 2.4% currently), a negative output gap and ample reserves to intervene the FX market if necessary. In Colombia, the BanRep will continue to reduce the repo rate at a pace of at least 50bp per meeting in the remainder of the year; while we think that the monetary authority has room to speed up the process, the members of the Board remain concerned about still elevated 12-months ahead inflation expectations

We expect reference rates to stand at 4.25% in Chile and Peru, and at 6.0% in Colombia by Dec-25.

Headline inflation (y/y)



Ex-ante real policy rates (%)



Source: BCCh, BanRep, BCRP, Credicorp Capital.

(currently at 4.1%) and high fiscal risks, meaning that they may maintain a cautious stance. All in, we see the reference rates at 4.25% in Chile and Peru (2024E: both at 5.0%), and 6.0% in Colombia (2024E: 8.75%) by Dec-25. This is consistent with our 2025 inflation projections at 3.5% in Chile (2024E: 4.7%), 4.0% in Colombia (2024E: 5.8%) and 2.5% in Peru (2024E: 2.5%), given current neutral rates estimates.

Fiscal consolidation processes have been announced, but most of the needed effort is planned to fall on the next administrations.

Fiscal challenges have continued to mount in the three economies, but Colombia continues to gather the main concerns amid higher debt levels. While governments have proposed a fiscal consolidation process in the upcoming years, in all cases, most of the burden of the needed effort is planned to fall on the next administration. Overall, fiscal challenges have continued to mount amid increasing spending pressures (especially in social programs), increased debt burden amid higher interest rates, and lower revenues due to slower GDP growth. Although the ongoing gradual recovery of economic activity is set to contribute to an improvement of fiscal income, higher structural revenues seem to be necessary for the required fiscal consolidation, but the appetite of policymakers for a comprehensive tax reform aimed at significantly reducing fiscal risks is not clear as presidential elections in the three countries approach. While Chile and Colombia's governments have presented tax reforms, the final outcome is far from clear. After the recent significant upward revisions to fiscal deficit targets for 2024 and 2025 in Colombia and Peru, the likelihood of seeing new downgrades in their sovereign rating within the next 12 months has increased, which, in any case, would already be priced in financial assets, at least partly, in our view. All this said, we expect public debt to keep an upward trajectory ahead, with Colombia continuing to show the most concerning levels (2025E: Chile: 42%; Colombia: 60%; Peru: 34%).

We expect the CLP to be the region's outperformer in the medium term, while the COP will be the underperformer.

Andean currencies will continue to face opposing forces ahead. The predicted Fed's monetary policy easing cycle and the expectation of favorable commodity prices in the medium term (especially metals) are likely to exert downward pressures on Andean FX in the future. That said, several external risks and idiosyncratic factors are set to play a significant role in the FX market, potentially entailing elevated volatility. On the external front, geopolitical factors (including the outcome of the US elections), downside risks to the Chinese economy and high global leverage (e.g., carry trade trends) are the main risks. Regarding idiosyncratic factors, the CLP is likely to benefit from fading speculative short positions amid lower carry trade-related movements as the Fed cuts rates and the BCCh slows down the pace of its easing cycle. On its part, the COP will continue to be highly influenced by fiscal noise and high regulatory risks amid the discussion of several reforms in strategic sectors while the BCRP's active intervention (i.e., the potential unwinding of the current high FX swap levels) is likely to contain pressures on both sides on the PEN. All in, we expect the CLP to be the region's outperformer in the medium term (2025E USDCLP: 900) while the COP is set to be the underperformer (2025E USDCOP: 4,300). The USDPEN would stand at around 3.75 by Dec-25.

Politics will continue to be a key factor in the economic outlook and the future performance of financial assets.

Politics will continue to be a key factor in the economic outlook and the future performance of financial assets. Recall that a new administration will land in the three countries in 2026, which may mean market volatility and the postponement of decisions by economic agents. In Chile, the attention during the remainder of 2024 and in 2025 will be focused on the regional elections to be held next October 26-27 and the discussion of the pension and fiscal reforms. In Colombia, the discussion of the tax, labor, health and utility reforms, among other controversial proposals, will take center stage. In Peru, all eyes will be on President Boluarte's governability, the implementation process of the recently approved pension reform, and the measures to be taken by the government under the legislative faculties granted by Congress (see the details in each country's section below).

Chile

GDP growth expectations moderate amid fragile consumption and external demand

The amount of announced investment projects for 2024 continues to increase.

We maintain our GDP growth forecasts at 2.5% for 2024 and 2.8% for 2025.

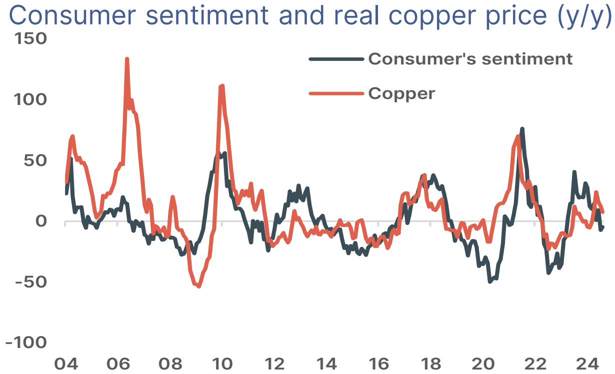
After a well-above consensus performance in 1Q24 (2.5% y/y), economic activity disappointed in the following quarter amid fragile consumption and investment. GDP increased by 1.6% y/y in 2Q24, with the mining sector explaining 0.7pp of the total variation after the start-up of a new plant and higher ore grades. The energy and commerce sectors also contributed positively. In the case of energy, electricity generation used lower-cost inputs (water, solar, and wind energy), while in the case of commerce, apparel & shoes and household appliances had a positive evolution. On the expenditure side, the growth was supported by net exports, contrasting with poor domestic demand, which returned to negative ground in yearly terms (-1.4%).

For this year, we maintain the view of an acceleration in 4Q24 amid three additional working days compared to 4Q23, the start-up of mining projects, and a favorable comparison base. In addition, the Jul-24 Imacec stood substantially above consensus at 4.2% y/y, and thus 3Q24 started on a solid foot. In fact, the GDP carry-over for the whole year now stands at 2.3%, up from 1.8% before.

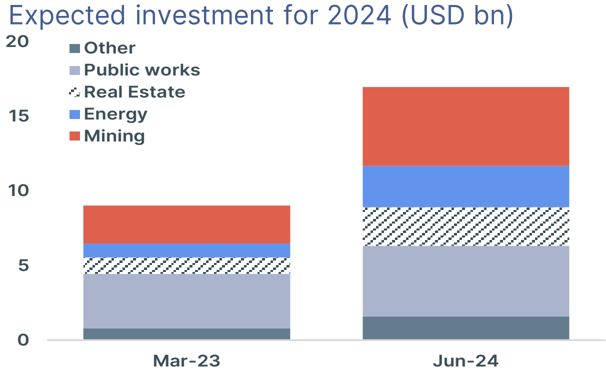
Importantly, the amount of announced investment projects for 2024 continues to increase as, according to the Capital Goods Corporation (CBC), it rose by ~USD 8bn in the last fifteen months due to the incorporation of new mining and energy projects. There is no doubt that the resolution of the mining royalty in 2023 helped unfreeze projects that had been postponed, given the uncertainty about the proposal in previous years. Looking forward, we highlight the incorporation of projects from broader sectors of the economy linked to industry and real estate, among which a carbon-neutral fuel plant (USD 0.8bn) and a desalinated water transport pipeline (USD 0.9bn) stand out. Having said this, in perspective, the investment pipeline is still historically low, currently at ~USD 17bn. This seems to be particularly weak compared to historical levels of around USD 18bn. In addition, low business and consumer sentiment, still restrictive financial conditions, and uncertainty regarding structural reforms continue to point towards a below-average evolution of investment in the upcoming quarters.

All in all, private consumption is expected to continue leading the economic recovery ahead, while investment will gradually accelerate as new projects start to be executed and entrepreneurs spend on replacing machinery and equipment. Thus, we maintain our GDP growth forecasts at 2.5% for 2024 and 2.8% for 2025.

Consumer sentiment and real copper price (y/y)



Expected investment for 2024 (USD bn)



Source: Adimark GFK, BCCh, CBC, Credicorp Capital

A bumpy road ahead before reaching the inflation target

We recently increased our year-end inflation estimate from 4.6% to 4.7%, although we kept unchanged our forecast at 3.5% for 2025.

After standing in Mar-24 at its lowest level since May-21, yearly inflation has been systematically increasing in recent months amid temporary shocks. Headline inflation increased by 0.25% m/m in Aug-24, slightly above the market consensus (0.2%) and our call of 0.23%. The main surprises came from the impact of higher food and non-alcoholic beverages (+0.1pp) and housing and utilities (+0.07pp). With this result, total CPI stood at 4.6% y/y, increasing 0.2pp compared to the previous month, while the core component moved from 3.7% to 3.8%. In any case, 2-year ahead inflation expectations remain well anchored at 3% according to different surveys and do not represent a factor of concern for the BCCh.

We recently increased our year-end inflation estimate from 4.6% to 4.7%, although we kept unchanged our forecast at 3.5% for 2025. The 2024 revision came on the back of higher-than-expected inflation in the short term linked to electricity prices, the CLP depreciation, and some volatile items that were impacted by supply shocks. Looking forward, and according to our models, inflation is likely to hover around 4.5% during most of 1H25 but peaking around 5% in 1Q25. Our primary concern continues to be the direct and indirect impacts of higher electricity prices and the discussion of a more generous government subsidy that may affect households' disposable income.

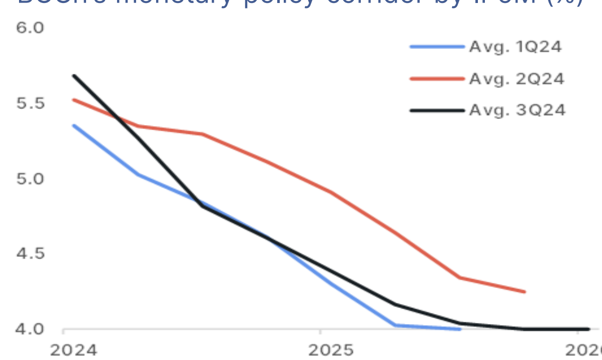
We remain more cautious than the BCCh and expect a policy rate of 5.0% and 4.25% by the end of 2024 and 2025, respectively.

In Sep-24, in a unanimous decision, the BCCh reduced the benchmark rate by 25bp to 5.50%, in line with market consensus. However, the guidance was substantially more aggressive when compared to the previous statement: the authority said that the reduction process of the policy rate towards its neutral level would be faster than expected, meaning that it would be reached by 4Q25 (3Q26 before). In fact, the latest BCCh's Monetary Policy Report (IPoM) suggested 25-bp cuts in the Oct-24 and Dec-24 meetings, as well as four 25-bp cuts next year, implying a terminal rate of 4% by Dec-25. Although the authority revised inflation upwards in the short term, it now considers that it will decline faster in the medium term due to weaker domestic demand. In this context, inflation convergence to the 3% target is now expected by 1Q26 (2Q26 before).

Given our concern about the upward inflation trend and the prevailing risks, we remain more cautious than the BCCh and expect a policy rate of 5.0% and 4.25% by the end of 2024 and 2025, respectively.

CPI diffusion index (% of items rising m/m)

BCCh's monetary policy corridor by IPoM (%)



Source: BCCh, INE, Credicorp Capital.

Efforts to contain fiscal spending. Are they enough to comply with the target?

We maintain our fiscal deficit estimate at 2.2% of GDP and expect a debt-to-GDP ratio of 40.8% for this year.

In the most recent Public Finances Report, the MoF revised fiscal revenues lower by ~USD 0.9bn due to poor tax collection from non-mining taxpayers, while spending was also cut by ~USD 0.9bn. Thus, the authority maintained unchanged the estimated fiscal deficit for this year at 1.9% of GDP. According to the MoF, this fiscal effort reflects the government's commitment to the responsible management of resources. That said, it recognizes that despite the effort to contain spending, more is needed to offset the projected fall in structural revenues, which is leading to a structural deficit of 2.2% of GDP, above the official target (1.9% of GDP). The administration has mentioned that it will continue to take all necessary steps to manage fiscal resources responsibly. On its part, the gross debt to GDP projection improved, but primarily due to the denominator effect. The MoF revised it by -0.5pp to 40.1% for 2024 compared to the previous report.

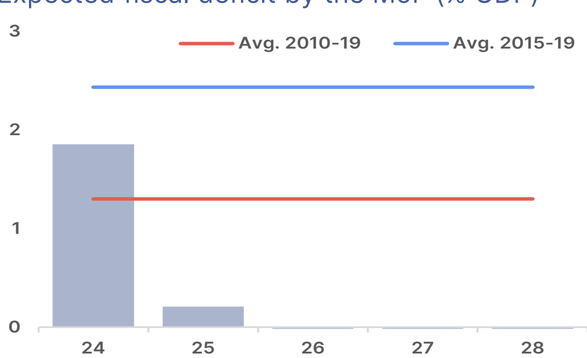
On the macro front, the MoF slightly cut its 2024 GDP growth estimate to 2.6% (-0.1pp vs the previous report), slightly above market consensus. The MoF considers that the economy will resume the growth path from 3Q24 onwards due to an expected positive mining performance amid the lithium industry growth, a recovery in copper production in Codelco, and higher private copper production.

The authority expects the fiscal balance to be around 0% of GDP from 2026 onwards, meaning that most of the fiscal adjustment is expected to occur when the current administration leaves office. In turn, the MoF maintains the view that debt will stabilize at ~41% of GDP in the mid-term while treasury assets are expected to stabilize at 3% of GDP with no relevant changes over the mid-term horizon.

For the upcoming years, the approval of the fiscal reform (higher structural revenues), will be a key factor to fiscal consolidation.

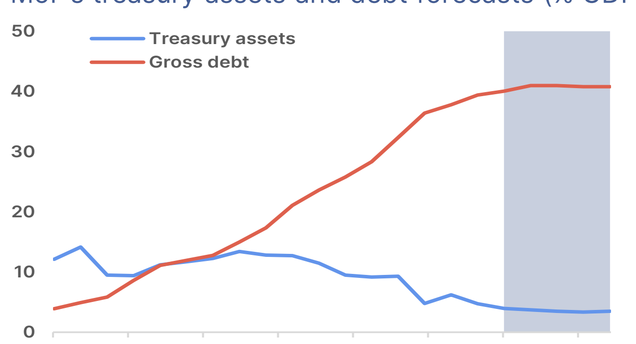
We note some risks to the MoF assumptions: first, the authority considers the incorporation of large mining projects in the latter part of the year; if, for some reason, these projects are postponed, the 4Q24 GDP growth would be markedly biased to the downside, and thus fiscal revenues as well. Second, the average copper price forecast for this year at 4.3 USD/lb implicitly considers levels near 4.5 USD/lb for the upcoming months, which, considering the latest global events, could be overestimated, directly impacting the fiscal revenue estimate. Third, there is a risk of using treasury resources to comply with the fiscal target, further weakening the medium-term fiscal position; otherwise, there is a risk of failing to meet the fiscal target this year. All in, we maintain our fiscal deficit estimate at 2.2% of GDP and expect a debt-to-GDP ratio of 40.8% for this year. For the upcoming years, the approval of the fiscal reform and, thus, higher structural revenues, will be key.

Expected fiscal deficit by the MoF (% GDP)



Source: Dipres, Minister of Finance, Credicorp Capital.

MoF's treasury assets and debt forecasts (% GDP)



CLP: mostly a carry trade story

The carry trade story has been one of the favorite arguments of off-shore agents to short the CLP.

During 3Q24, the USDCLP has continued to exhibit high volatility with max/min levels in the range of 960-900 amid forces exerting pressure in opposite directions. On the one hand, after the intense rally in the price of copper reaching the USD 5/lb mark during 2Q24, the market realized that the trend had a significant speculative component, reversing a non-negligible part of the increase. This reversal, joined by disappointing 2Q24 GDP figures in Chile and China, contributed to a renewed weakness of the CLP. On the other hand, the leading news came from the US monetary policy after the Fed's chairman explicitly said that "the time has come for US policy to adjust," moderating depreciation pressures.

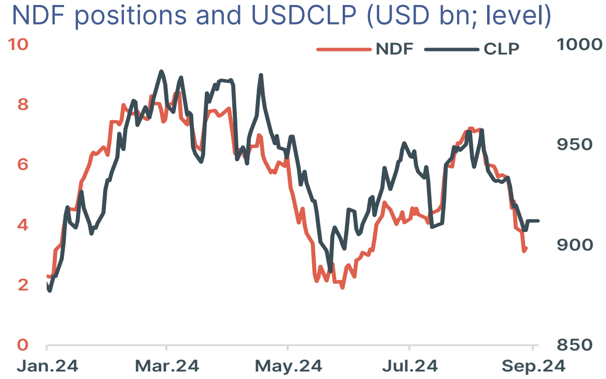
Recall that the carry trade story has been one of the favorite arguments of off-shore agents to short the CLP. In a context in which the Fed has announced the beginning of the easing cycle, non-resident investors have been systematically reducing their bets against the CLP, moving from USD 7bn to USD 3bn. In a scenario of potential lower political risk after the US election, the Fed easing cycle, and an upward trend in copper prices, the offshore positioning should continue to moderate.

We estimate the parity at USDCLP 940 and 900 by the end of this and next year, respectively.

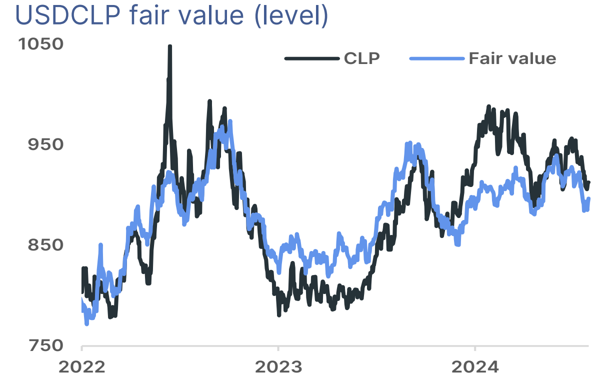
According to our models, the USDCLP fair value currently stands at around 880-890. However, we believe the parity will trade higher than those levels by year-end as we are cautious about the political risk linked to the US elections. Under the scenario of Trump winning the presidential race, the market seems to be concerned about greater geopolitical and economic risks, including tensions between the US and China, more significant restrictions on international trade, protectionism, lower global growth (mainly in China), lower commodity prices, and fiscal risks, among others. In addition, the market seems more aggressive regarding rate cuts than the Fed could actually do, which could disappoint expectations with a more gradual adjustment.

Under this scenario, the CLP could be one of the most vulnerable currencies among emerging economies. In addition, the more aggressive policy stance suggested by the BCCh in its last Monetary Policy Report regarding future rate cuts could maintain the interest rate differential under pressure. In this context, we estimate the parity at USDCLP 940 and 900 by the end of this and next year, respectively.

NDF positions and USDCLP (USD bn; level)



USDCLP fair value (level)



Source: BCCh, Bloomberg, Credicorp Capital.

The political agenda is focused on the upcoming elections and the discussion of structural reforms

The tax and pension reforms continue to be discussed, and their outcome is far from certain.

Structural reforms continue to be discussed, and their outcome is far from certain. The Senate approved the idea of legislating a section of the fiscal pact that focuses on the supervision of tax obligations, and now the proposal advances to the commission for its discussion. The bill, which expects to collect 1.5% of GDP, focuses on three areas: i) combating tax evasion, informality, and avoidance; ii) modernizing some tax administration regulations; and iii) strengthening the Taxpayer Ombudsman. Regarding the pension reform, the Lower House approved the idea of reforming the pension system early this year, and the proposal advanced to the Senate; however, key points were rejected. The initiative is currently under discussion in the Finance Committee, and the main points include: i) increasing the contribution from 10% to 16% of taxable remuneration, ii) increasing the taxable ceiling from ~UF 84 to ~UF 127, iii) replacing the multi-fund system with a generational-fund system, iv) bidding for random affiliates (max. 10%) at the lowest commission offer, v) allowing the State to participate in investment management on equal terms with private managers, and vi) separating the functions of accountability and investment management. That said, the reforms' outcome is far from certain amid the lack of government majorities in Congress.

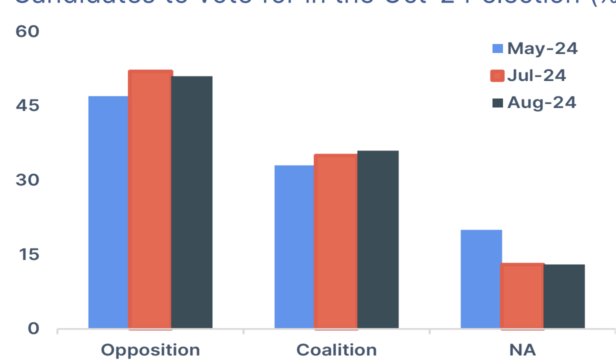
In the short term, all ayes are on the regional and municipal elections of Oct-24.

Regional and municipal elections in Oct-24. The election to define regional governors & advisors, mayors, and councilors will occur on October 26 and 27. According to the CADEM poll, ~50% of respondents would vote for opposition candidates, while only 36% would vote for government coalition representatives. In our view, the result is likely to have a minor impact on financial assets. Still, it may be crucial to evaluate the population's support for the current government and the chances that the opposition may have to win the next presidential election (Nov-25). The political turn may positively impact consumer and business sentiment if pro-market candidates gain traction in this election and the presidential one.

A new PF withdrawal discussion. Congress is discussing a bill allowing a new PF withdrawal to be voted on before the regional election. According to MoF estimates, if approved, the amount to be withdrawn could amount to USD 20bn, and the impact would be the return to double-digit inflation, higher financing costs, and a USDCLP above 1,000, among others. We estimate a low approval probability, though, as Congress has rejected the last four initiatives. However, our main concern is that next year, the political class may have the incentives to vote in favor of a similar initiative given the Congress election, which will fully renew all Deputies and half of Senators.

Political uncertainty (index Jan-12 = 100)

Candidates to vote for in the Oct-24 election (%)



Source: BCCh, CADEM, Political polls, Credicorp Capital.

Colombia

The cyclical recovery is set to continue, but below-potential GDP growth is expected in the next quarters

The economy grew 1.5% y/y in 1H24, gradually recovering from the mild 0.6% expansion observed in 2023.

The economy grew 1.5% y/y in 1H24, gradually recovering from the mild 0.6% expansion observed in 2023. Factors including lower input prices and favorable weather conditions in 2023, stronger energy demand amid the El Niño, and the acceleration of public spending gave impulse to agriculture (8% y/y), utilities (3.7%), and government-related activities (5.1%) in 1H24, respectively. Interestingly, entertainment advanced 9.5% y/y, which however, is mostly explained by gambling activities. However, key sectors, including manufacturing (-3.6% y/y), oil-mining (-2.5%), commerce (-0.3%), and financial activities (-0.8%), remained the laggards.

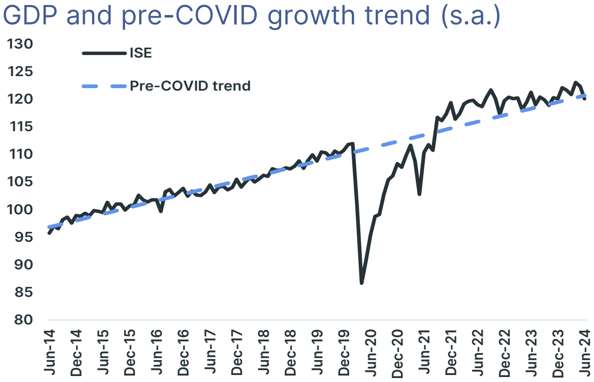
On the demand side, private consumption increased 1% y/y in 1H24 (0.8% in 2023) as lower inflation and interest rates started to impact households' purchasing power favorably. On its part, total investment fell -0.2% y/y, although it rose 1.7% y/y in 2Q24, the first positive figure since 4Q22, led by improving civil works (mainly due to regional projects like Bogota's metro) and a favorable base effect (2Q23: -26%). All in, domestic demand advanced 1.6% y/y in 2Q24 after five consecutive quarters of contraction amid a healthy sequential increase of 1.5% q/q (1H24: -0.2% y/y).

The cyclical recovery is expected to continue ahead as the ongoing disinflation process and lower interest rates will allow private consumption to keep a gradual recovery trend, with the projected increase of the government's social programs also playing a role. However, consumption would be constrained by a moderate outlook for employment, evidence of larger out-of-pocket healthcare expenditures amid the system's crisis, and higher taxes for high-income individuals. Private investment will also benefit from lower rates, but companies would primarily direct resources to replace equipment, not to expand capacity due to high uncertainty.

We hold our 2024 and 2025 GDP growth estimates at 1.8% and 2.1%, respectively, meaning that activity will continue to grow below potential.

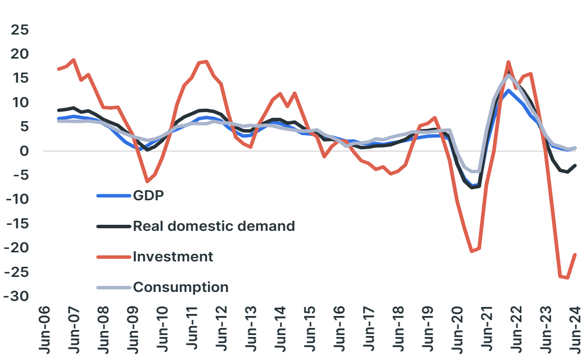
Although the government has announced a reactivation plan focused on sectors like agriculture, tourism, and renewable energy, we are of the view that the high regulatory uncertainty in strategic sectors (energy, oil-mining, infrastructure, housing, and even banks) will maintain investment prospects grim. Last but not least, public investment execution remains very low at 30% as of Aug-24, and the government is proposing a cut in investment of ~30% for 2025. All-in, we hold our 2024 and 2025 GDP growth estimates at 1.8% and 2.1%, respectively, meaning that activity will continue to grow below potential in the upcoming quarters.

GDP and pre-COVID growth trend (s.a.)



Source: DANE, BanRep, Credicorp Capital.

Economic activity (12-months rolling, y/y)



Is the BanRep's Board ready to undertake sharper rate cuts?

Acknowledging some upside risks, we recently increased our inflation estimates from 5.5% to 5.8% for Dec-24 and from 3.7% to 4% for Dec-25.

The disinflation process has continued in recent months amid food price normalization, the negative output gap, and the effect of the accumulated COP appreciation. Accordingly, annual headline inflation has decreased from 9.3% in Dec-23 to levels closer to 6% currently, while core inflation (i.e., ex-food and regulated) has descended to 5.5% after reaching 8.4% last year.

However, the reversal of the energy and fuel subsidies provided during the pandemic has remained a key factor behind a disinflation process that has been slower than in peer economies; in fact, regulated inflation has continued to post double-digit y/y variations. On their part, indexation mechanisms have continued to be evident in the behavior of services inflation (ex-food and regulated), which has remained close to 8% in the last months, a slight reduction from 9% in Dec-23.

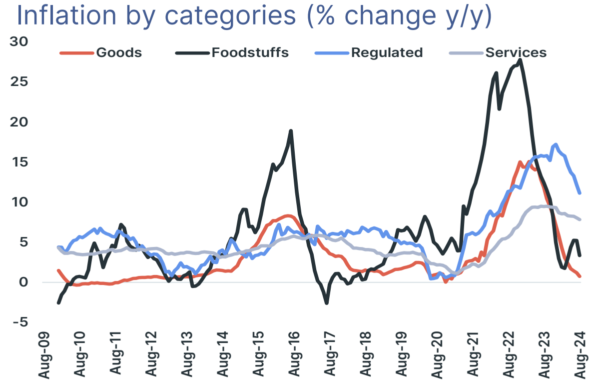
Acknowledging some upside risks, we recently increased our long-held inflation estimates from 5.5% to 5.8% for Dec-24 and from 3.7% to 4% for Dec-25. Particularly, the announced increase of COP 800 in diesel prices this year is set to add ~10bp to headline inflation, FX volatility is likely to remain high ahead amid external and domestic risks (e.g., fiscal), and temporary shocks from climatic events (e.g., La Niña) cannot be ruled out.

BanRep's Board members have continued to express concern that a faster cutting pace could lead to the de-anchoring of inflation expectations.

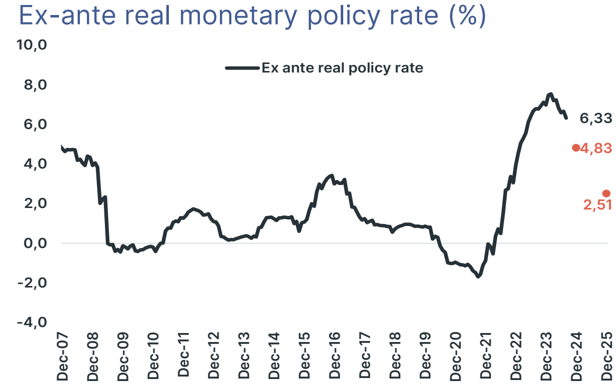
We continue to think that the BanRep has room to speed up its rate-cutting process in the next few months. That said, some Board members have continued to express concern that a faster cutting pace could lead to the de-anchoring of inflation expectations, thus restricting the ability to continue reducing rates in the future. This is in the context of: i) 12-months ahead inflation expectations still outside the BanRep's target at 4.1%, ii) significant fiscal challenges, which have been a key factor in the monetary policy decision-making process this year due to their effect on risk premium, iii) the BanRep's staff proposing a rate path above that estimated by the market consensus during the forecast horizon, and iv) inflation that will stand outside the target range for the four year in a row in 2024. All this means that the BanRep's could maintain a cautious approach.

All in, we recently moved to the conservative side and now think the BanRep could speed up the pace only by Nov/Dec-24 rather than Sep-24. This means the repo rate would reach 8.75-9% by Dec-24. That said, we acknowledge that the recent Aug-24 CPI downward surprise keeps the door open for a larger cut in Sep-24. We hold our 6% estimate for Dec-25.

Inflation by categories (% change y/y)



Ex-ante real monetary policy rate (%)



Source: DANE, BanRep, Refinitiv, Credicorp Capital.

Never-ending fiscal challenges… and concerns

For 2025, the government maintains the stance of assuming high spending levels funded by uncertain income sources.

As mentioned in previous reports, the announced spending cuts for ~1.2% of GDP back in Jun-24 were a favorable signal of fiscal responsibility. That said, we also warned that further adjustments could be required this year to comply with the Fiscal Rule in the context of still moderate economic growth. Indeed, tax revenues have continued to disappoint, falling by an eye-catching -15% y/y in real terms in 1H24, with the Autonomous Committee of the Fiscal Rule (CARF) estimating that they could fall short of the current official estimate by ~0.3% of GDP. Thus, the scenario of additional spending cuts to meet the fiscal deficit target of 5.6% of GDP in 2024 is increasingly likely, whose magnitude would depend on the individuals' tax payment season (to end in Oct-24) and the speed of budget execution (as of Aug-24, it stands at just 48%, 4pp below the average of since 2000).

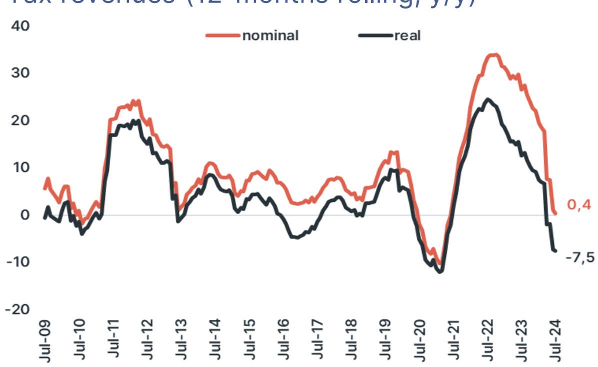
In an unusual decision, the government submitted to Congress in Jul-24 the 2025 budget with significant changes in both projected revenues and expenditures when compared to the figures presented only a few days before in the 2024 MFMP: while total revenues increased by 1.7% of GDP, total spending rose by 1.3%, meaning that the fiscal deficit would stand at 4.7% of GDP in 2025 (vs 5.1% in the MFMP). Importantly, more than ~0.7% of GDP of the new fiscal revenues would come from the submitted 'financing law' (including a new tax reform) while another 0.8% of GDP would come from tax management, thus maintaining the stance of assuming high spending levels funded by uncertain income sources (while tax management initiatives are, by definition, uncertain, it seems that there is no good climate in Congress for the discussion of a tax reform amid budget under-execution and government's corruption scandals). Recall that, precisely, the fiscal pressures seen this year have come from the overestimation of fiscal income, including the initial assumption of tax litigation proceeds for ~0.9% of GDP.

We expect the risk premium in local assets to remain high while the risk of a downgrade of the sovereign rating in the next 12 months has increased.

The 'financing law' has three sections: i) measures to economic reactivation, which includes the gradual reduction of the corporate income tax (with the final tariff depending on the company size) and tax benefits to specific sectors like renewable energy and tourism; ii) tax reform, including higher taxes to the oil and coal sectors after the Constitutional Court struck down the increase in royalties approved in 2022, higher taxes to high-net-worth individuals, the increase of the carbon tax and higher taxes to gambling platforms; and iii) the already announced goal to bring forward the end of the Fiscal Rule transition period from 2026 to 2025, which would free up resources for ~0.3% of GDP next year.

Overall, we expect the risk premium in local assets to remain high while the risk of a downgrade of the sovereign rating in the next 12 months has increased.

Tax revenues (12-months rolling, y/y)



Source: MoF, DIAN, Credicorp Capital.

Expected revenue form the Financing Bill, (COP tn)

		2025	2026	2027	2028	2029	2030
Sustainable economic reactivation	CIRT *	$ 0,1	-$ 3,1	-$ 5,2	-$ 6,0	-$ 6,8	-$ 7,6
	PIRT **	$ 0,9	$ 1,0	$ 1,2	$ 1,4	$ 1,5	$ 1,6
	Wealth tax	$ 0,9	$ 0,9	$ 1,0	$ 1,0	$ 1,1	$ 1,2
	Gambling platforms	$ 2,1	$ 2,2	$ 2,3	$ 2,5	$ 2,6	$ 2,8
Climate change mitigation and sustainable development	CIRT	-$ 0,4	-$ 0,3	-$ 0,5	-$ 0,2	-$ 0,2	-$ 0,2
	FNCE/Hybrid vehicles	$ 0,0	$ 0,0	$ 0,0	$ 0,0	$ 0,1	$ 0,1
	Carbon tax	$ 1,3	$ 0,9	$ 1,2	$ 1,2	$ 1,3	$ 1,4
	FR transition	$ 5,3	$ 0,0	$ 0,0	$ 0,0	$ 0,0	$ 0,0
Operating improvements		$ 1,6	$ 1,1	$ 1,2	$ 1,2	$ 1,3	$ 1,4
Total financing bill		**$ 11,8**	**$ 2,9**	**$ 1,1**	**$ 1,2**	**$ 0,9**	**$ 0,6**

* corporate income tax rate ** personal income tax rate

USDCOP: not much new to say; we keep our long-held 4,150 estimate for year-end

As expected, volatility in the FX market has increased in the last months, leading the USDCOP to trade in the 3,900-4,300 range.

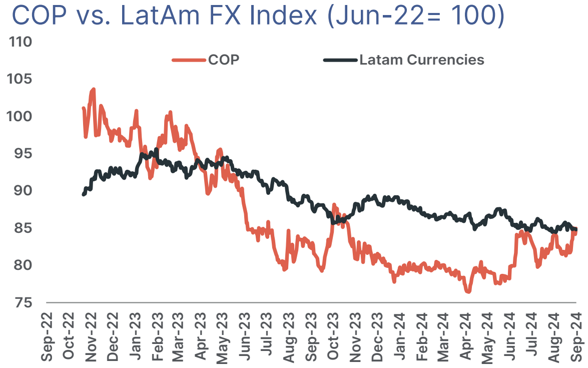
As expected, volatility in the FX market has increased in the last months, leading the USDCOP to trade in the 3,900-4,300 range since Jun-24. In fact, the Mexico elections outcome at the beginning of Jun-24 and the significant increase in domestic fiscal risks amid tax revenues way below expectations during 1H24 took the FX to the USDCOP 4,200 level that month, meaning a depreciation of roughly 10% in just a few weeks. Then, as Mexico's shock faded and the Colombian government committed to fiscal responsibility by announcing spending cuts and fiscal targets in compliance with the Fiscal Rule, the FX returned to levels near USDCOP 3,900 by mid-July. That said, the increase in the Bank of Japan's reference rate at the end of Jul-24 (which raised concerns about the unwinding of carry trade positions) and disappointing US economic data in the context of a still relatively hawkish Fed (at that moment), caused a strong impact on global markets, taking the USDCOP back to 4,200 at the beginning of Aug-24. Since then, the increasing expectation that the Fed would start its easing cycle in Sep-24 pushed the USDCOP towards 4,000 once again a few weeks ago, but concerns about the health of the US and the Chinese economies, the carry trade-related fears, the deterioration of Ecopetrol's corporate governance and renewed fiscal concerns after the failed attempt to increase diesel prices have taken the FX to levels near USDCOP 4,300 recently.

We continue to think that any possible appreciation episode would be an appealing opportunity to buy USD.

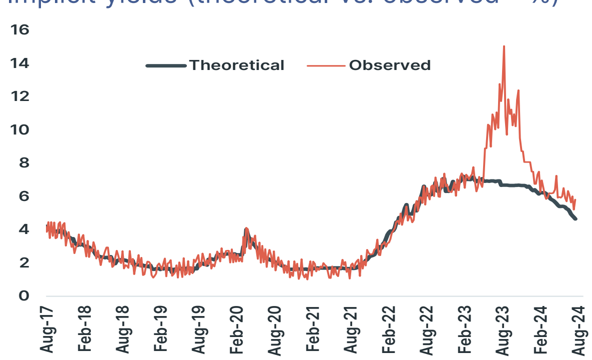
We believe that the forecasted reduction of the Fed's policy rate towards 3.25-3.75% by Dec-25 according to market expectations, still favorable oil prices, the ongoing improvement of Colombia's external accounts, and the high BanRep-Fed rate spread may take the USDCOP to levels closer to 4,000 in the next weeks/months.

Having said this, we continue to think that any possible appreciation episode would be an appealing opportunity to buy USD, a view that has paid off so far. Factors including the heightened domestic political and regulatory uncertainty, the challenging scenario for public finances, and the expectation of an acceleration of the BanRep's easing cycle at some point in 2H24 are set to put a floor on the FX. Likewise, geopolitical factors and the US election on November 5th could entail higher volatility. Thus, we hold our long-held year-end projection at USDCOP 4,150. For 2025, we keep our year-end estimate at USDCOP 4,300 with an average of 4,100.

COP vs. LatAm FX Index (Jun-22= 100)



Implicit yields (theoretical vs. observed - %)



Source: BanRep, Refinitiv, Credicorp Capital.

Politics and reforms: proposals/events to monitor in the 'second half' of Petro's government

Although we maintain our base case that radical changes will not be carried out due to the strength of institutions and checks and balances, political and regulatory noise is expected to remain high during the next two years amid the discussion of structural reforms and government proposals that are aimed at changing the rules of the game in strategic sectors of the economy. This is in addition to several remarks of President Petro during the last months about his intention of calling a Constituent Assembly, albeit this noise has recently receded as mentioned below.

Attention will be on: the discussion of the financing law, the outcome of the pension reform in the CC, the debate of the utility, labor and health reforms, peace negotiations, and developments around corruption scandals.

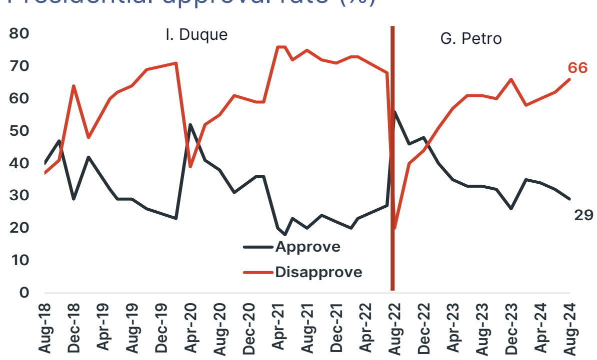
Discussion of the 'financing law'. The recently submitted bill consist of three sections: i) measures to economic reactivation, which comprises the gradual reduction of the corporate income tax (with the final tariff depending on the company size), and cheap credit and tax benefits to specific sectors including tourism and renewable energy; ii) tax reform, which includes, among others, higher taxes to the oil and coal sectors after the Constitutional Court struck down the increase in royalties approved in 2022, higher taxes to high-net-worth individuals, the increase of the carbon tax and higher taxes to gambling platforms; and iii) the already announced goal to bring forward the end of the Fiscal Rule transition period from 2026 to 2025, which would free up resources for ~0.3% of GDP.

Pension Reform's Constitutional Court (CC) assessment. Following the bill approval, the CC should provide its assessment after an unusual process in which the last debate in the Lower Chamber was not thorough enough. The constitutional assessment may take a while, and the outcome is far from certain as the CC could require to improve the reform in specific points, repeat the fourth debate, or, in the extreme, strike down the bill entirely or partly.

Utility Reform (to be presented in the upcoming months). The bill will focus on fair tariffs, universalization of the service, the user at the center of the regulation, institutional strengthening, subsidies focalization, and community participation in the service provision. Uncertainty remains high as President Petro has confirmed his intention to change tariffs while gas reserves currently stand at just 6.1 years.

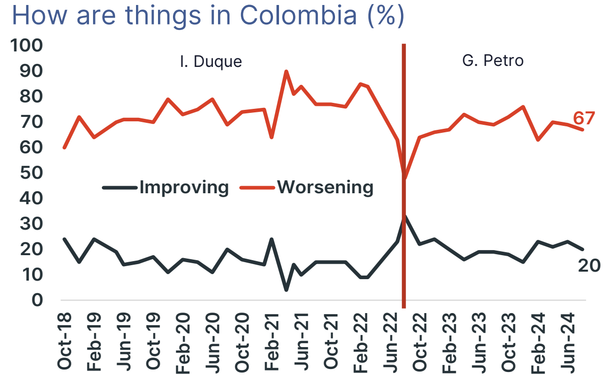
Labor Reform. The bill is about to start its discussion in the second debate in Congress. Although the bill has been diluted, especially in the proposal to strengthen unions' rights, concerns remain as some estimates suggest an impact of

Presidential approval rate (%)



Source: Invamer, Credicorp Capital.

How are things in Colombia (%)



12-15% on labor costs and a strong effect on formal employment as the reform in its current shape seeks to increase the hourly wage for working extra hours and Sundays and, importantly, to promote indefinite-term hiring strongly.

Although political and regulatory noise is expected to remain high during the next two years, we maintain our base case that radical changes will not be carried out due to the strength of institutions and checks and balances.

Healthcare reform. The government has just submitted a new bill to Congress. This comes after the decision of the government of taking over four health insurance providers, including the two largest, for one year, just right after Petro's healthcare reform was archived by Congress in Apr-24 and following several months of warnings from EPSs that the system could indeed have a financial crisis once EPSs were not receiving enough resources from the government to operate. As a result, nearly half of the system users are currently under government control (~25mn people). Recall that the healthcare reform is perhaps the most controversial proposal, considering that it seeks to make the system mostly public, significantly changing the role of the EPSs, particularly by allowing the government to make direct payments to hospitals, thus skipping EPSs.

Constitutional Assembly (CA). The new Minister of Interior, Juan Fernando Cristo, affirmed that he will seek a national agreement that allows exploring the possibility of calling a CA. That said, concerns have receded at the margin as he affirmed that an eventual CA would be made in compliance with the procedures set in the Constitution, and it would be elected in the next government while arguing that the CA would have to be limited to some specific topics, not directed to make a new constitution. Considering that the threshold for calling a CA is very high and that a national consensus is necessary, we think that its likelihood is low: 1) the absolute majority of the total members of each Chamber of Congress has to approve the proposal to call the population to a referendum for it to approve or not the formation of a Constituent Assembly, and 2) a third of the total electoral census must approve the referendum, meaning that the "yes" option requires more than 13 million votes (Gustavo Petro obtained 11.3 million votes in the runoff of the 2022 presidential election).

Peace negotiations with illegal groups. President Petro is seeking peace negotiations with illegal groups under a "Total Peace" policy. So far, the process has been slow with no material results, and conversely, violence has escalated in some regions of the country amid wars among the different illegal groups in a fight for drug trafficking control.

Noise around the Constituent Assembly proposal has receded recently.

Developments around the Entity for Disaster Risk Management corruption scandal. Currently, the government is handling a multimillion-dollar scandal related to the National Entity for Disaster Risk Management (UNGRD), which allegedly directed resources to pay political favors and buy votes in Congress to get the approval of the government's reforms. This scandal has affected President Petro's governability while a key witness declared that Minister Bonilla allegedly participated in the process jointly with other government and Congress members. While Mr. Bonilla has affirmed that this is not true, that he will collaborate with justice and remain in office with President Petro backing him, the market will be attentive to the investigations as Minister Bonilla has gained credibility among investors and a potential change of Finance Minister would be undesired and unwelcomed.

Peru

We keep the view of a gradual and cyclical recovery

We recently increased our 2025 GDP growth forecast from 2.5% to 2.8%.

In 2Q24, GDP grew 3.6% y/y (1Q24: 1.4%) with domestic demand -excluding inventories- expanding 2.9% y/y (1Q24: 2.4%), in line with a cyclical recovery of the economy. Private consumption accelerated from 1.2% y/y in 1Q24 to 2.3% in 2Q24, a six-quarters high, and we expect it to accelerate further due to lower inflation, which favors the recovery of real wages, higher disposable income or lower debt levels amid access to pension fund (PF) withdrawals, and a recovery of employment in the sectors affected by El Niño in 2023. On its part, private investment declined by -0.2% y/y in 2Q24 (1Q24: +0.2%), although non-mining, non-residential private investment grew 3.4% y/y, the third consecutive quarter of expansion, which is consistent with the improvement of business expectations.

In any case, the recovery is still erratic and heterogeneous. We highlight that, during 1H24, 22% of non-primary manufacturing divisions still posted contractions of at least -10% y/y, while domestic cement consumption accumulated eight consecutive quarters of null or negative growth.

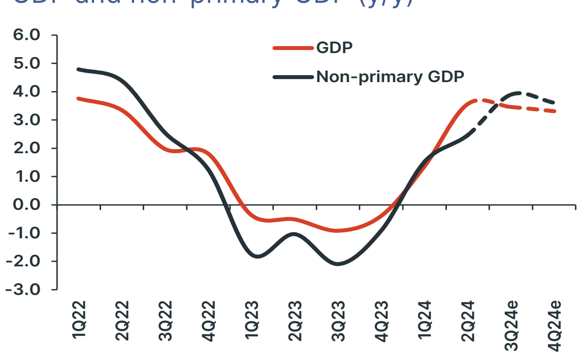
All in, we maintain our 2024 GDP growth estimate at 3% amid the ongoing reversion of adverse supply-side shocks that affected the economy in 2023 (e.g., El Niño, protests), favorable export prices, lower inflation, and counter-cyclical policies. Private investment will rebound around 1% in 2024 after a 7% contraction in 2023 amid mining investment growth of 5% (projects such as Toromocho's expansion or Inmaculada's optimization will continue their execution), lower financing costs, and infrastructure projects like Chancay's Port that continue their execution.

The favorable prospects for copper prices and the government efforts to cut red tape are the main upside risks to our forecast.

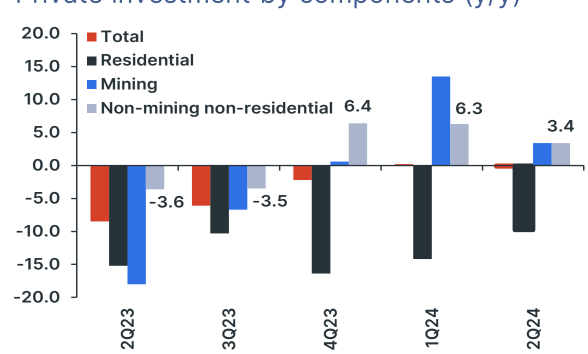
We expect the recovery of economic activity to continue next year led by external tailwinds (lower external rates and record-high terms of trade), the accumulated effects of a less restrictive monetary policy, and more dynamic consumer loans after NPL metrics improve. Note that our 2025 estimate would imply a deceleration from 2024 as this year has been benefited by favorable statistical effects from the shocks observed in 2023, our baseline scenario assumes no new PF withdrawals in 2025, and the fiscal stimulus starts to be withdrawn in line with fiscal consolidation. Importantly, 1H25 would be more dynamic than 2H25 as we approach general elections in Apr-26. All in, we recently increased our 2025 GDP growth forecast from 2.5% to 2.8%.

The favorable mid-term prospects for copper prices and the government efforts to cut red tape are the main upside risks to our forecast. Conversely, the elevated political and regulatory uncertainty is the main downside risk.

GDP and non-primary GDP (y/y)



Private investment by components (y/y)



Source: BCRP, BCP MacroResearch, Credicorp Capital

We hold our monetary policy rate forecasts at 5.0% for year-end and 4.25% for Dec-25

We expect both headline and core inflation to stand at 2.5% by Dec-25.

Headline inflation in Metropolitan Lima decelerated from 2.1% in Jul-24 to 2.0% y/y in Aug-24, standing at the mid-point of the target range (1%-3%). More importantly, core inflation (i.e., excluding food and energy) slowed from 3.0% to 2.8% y/y, reaching its lowest level in three years. The core inflation stickiness observed in previous months responded to price increases in specific services during 1Q24 (i.e., water tariffs and local transport tickets).

Our view on inflation remains unchanged, and thus we expect the annual headline figure to accelerate in the upcoming months due to base effects, as monthly inflation was low or even negative in Sep/Oct/Nov last year. Hence, we still estimate total inflation at 2.5% y/y by year-end and Dec-25. In addition, core inflation will continue to slow down gradually in line with a negative output gap, closing at 2.7% this year and reaching 2.5% y/y by Dec-25.

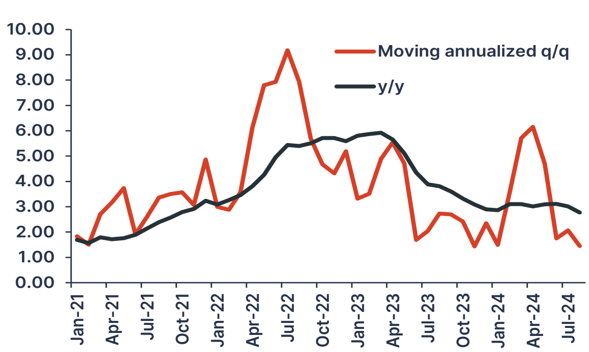
The Central Bank lowered its policy rate to 5.25% in Sep-24 as it projects that Inflation will remain around the midpoint of the target range over the projection horizon, while core inflation will maintain a downward trend. Likewise, the decision was based on the fact that 12-month inflation expectations have continued to descend (currently at 2.4%). Accordingly, the BCRP has temporarily taken its policy rate to have a negative spread vs the Fed's.

The BCRP-Fed rate spread, the FX swaps outstanding amount, and fiscal accounts to be key factors in monetary policy decisions ahead.

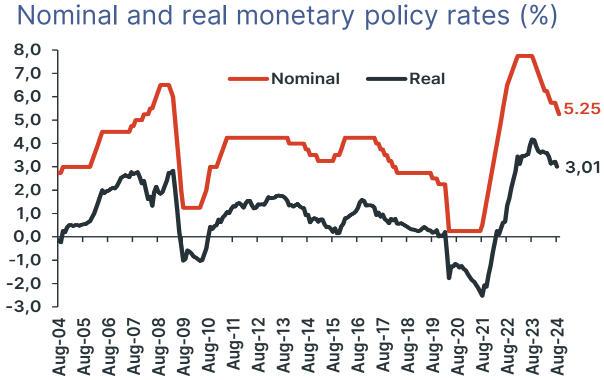
We maintain our view that the monetary policy rate will close at 5.0 this year. Our prediction considers that the real monetary policy rate remains high (2.7% vs the neutral level estimated at 2%) in the context of a negative output gap and inflation indicators within the target range, and the expected Fed's easing cycle, limiting pressures from the BCRP vs Fed rate differential. In any case, the decisions will be data dependent: if economic activity data posts negative surprises, the BCRP could cut its policy rate faster than expected.

We expect the BCRP to consider the following factors in the next 12-18 months: i) the BCRP vs Fed rate spread will remain narrow at least until mid-2025; ii) the maturity of outstanding "FX swaps" will put pressure on the PEN, depending on the institution's ability to fully or partially roll over the instrument; iii) with a real neutral policy rate estimate of 2%, the nominal neutral level would be between 4.0%-4.5%; and iv) a fiscal deficit that could narrow at a slower-than-expected pace could make the BCRP cautious. All in, we see the reference rate at 4.25% by Dec-25.

Core inflation (y/y)



Nominal and real monetary policy rates (%)



Source: BCRP, INEI, BCP MacroResearch, Credicorp Capital

Challenges to fiscal accounts persist with potential risks to the sovereign rating

The annualized fiscal deficit stood at 4.0% of GDP in Jul-24, the highest level in 34 months.

As of Jul-24, the annualized fiscal deficit stood at 4.0% of GDP, the highest level in 34 months. Between Jan/Jul-24, fiscal revenues fell by -2.9% y/y while government spending increased by 6.8% y/y in real terms, leading to the highest fiscal deficit since the pandemic. To comply with the MoF's fiscal targets, revenues would have to grow 13% and government spending to fall by 2.5% y/y bewteen Aug/Dec-24.

The MoF recently published the 2025-28 Macroeconomic Multiannual Framework (MMF), which outlines the baseline macro scenario for the 2025 public budget and assumes: i) GDP growth of 3.2% in 2024, 3.1% in 2025 and 3% on average between 2026-28, ii) effective fiscal deficits at the limits established by the new Fiscal Rules (2.8% of GDP in 2024, 2.2% in 2025, 1.8% in 2026, 1.4% in 2027 and 1.0% in 2028), iii) public debt around 33% of GDP in 2025-28, and iv) annual financing needs between PEN 30-35 bn (2.5%-3.0% of GDP) between 2025-28.

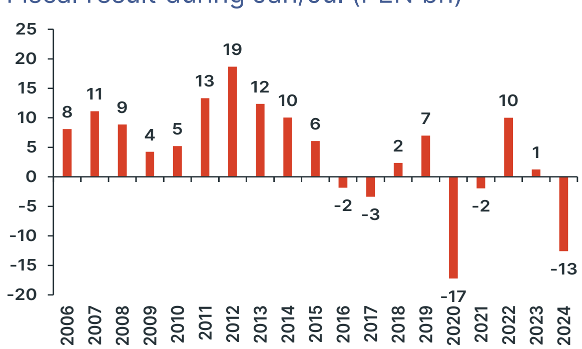
According to the Fiscal Council, although the 2024 GDP growth forecast of 3.2% is sensible, upholding growth rates of 3% in the medium term is a significant challenge for economic policy amid lower potential growth. On their part, the fiscal forecasts put most of the fiscal consolidation burden on the next government, lowering the credibility of the consolidation process. In addition, there is still risk of not complying with the fiscal rules in the short and medium term, increasing the risk of negative rating actions on the country, while according to the stochastic analysis of public debt, the likelihood that it will exceed 38% of GDP (as set in the fiscal rule until 2034) is 25%.

We think that the likelihood of further downgrades of the sovereign rating has recently increased.

In addition to these challenges noted by the Fiscal Council, we highlight other risks that should be considered, including legislative initiatives from Congress with fiscal costs even despite this is forbidden by the Constitution, and other fiscal contingencies like support measures to Petroperu.

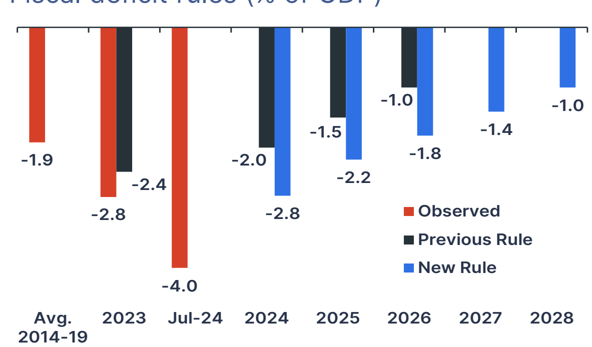
Accordingly, we think that the likelihood of further downgrades of the sovereign rating has increased, meaning that Fitch could lower it to BBB- within the next 12 months following a similar action from S&P recently. That said, Peru remains one of the EM with the strongest fundamentals (low public debt, high international reserves, low inflation, stable FX, etc.) and, even if the fiscal deficit target is not met in 2024, an improvement in public finances will be more notable during the tax campaign in Mar/Apr-25 amid favorable commodity export prices this year. Thus, the likelihood of Peru losing the Investment Grade status is rather low, in our view.

Fiscal result during Jan/Jul (PEN bn)



Source: BCRP, BCP MacroResearch, Credicorp Capital.

Fiscal deficit rules (% of GDP)



We maintain our FX forecast at USDPEN 3.75 for year-end, but risks are tilted towards appreciation in 2025

We now expect the trade balance to stand at USD 20bn in 2024 and USD 22bn in 2025, new record highs.

The current account balance posted a surplus of 2.3% of GDP in 2Q24 (2Q23: 0.9% of GDP). This improvement reflected a higher trade balance surplus amid better terms of trade (up 8.8% y/y in 1H24), and a narrower service balance deficit. With this result, the annualized current account surplus reached 1.7% of GDP, the highest level in almost 17 years.

On its part, the financial account showed net outflows of 3.1% of GDP in 2Q24 (2Q23: 0.3%). This responded to higher portfolio investments from Pension Funds, mostly during Apr/May-24, and a decline of FDI liabilities in response to an asset sale in the energy sector, which implied a capital reduction (FDI declined by USD 1.3 bn in 2Q24 compared to an increase of USD 0.8 bn in 2Q23). In addition, short-term capital outflows for the second consecutive quarter for USD 725 mn (1Q24: -1,02bn) reflected higher external assets of the non-financial sector.

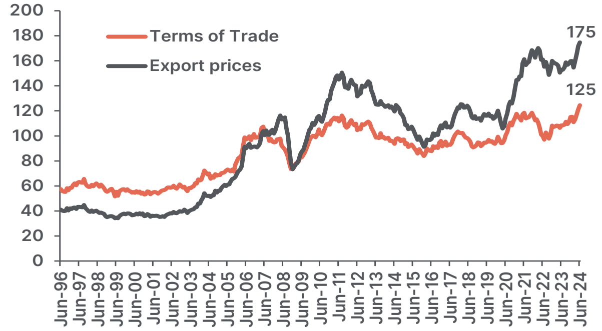
We now expect the trade balance to stand at USD 20bn in 2024 and USD 22bn in 2025, reaching new record highs. In addition, the current account balance will post a surplus of 1.4% of GDP in 2024 and 1.0% in 2025. This means three consecutive years of current account surpluses, something unseen since 2005-07, though with notable differences in GDP growth, FDI inflows, and FX intervention tools like "FX Swaps" between then and the current period.

We do not rule out a PEN appreciation trend in the next quarters as the BCRP-Fed spread widens and external accounts remain strong.

After reaching a peak of USDPEN 3.84 in 2Q24, the FX has shown modest volatility during 3Q24. The Central Bank has remained active in the FX market through the rollover of "FX swaps" to limit PEN depreciation pressures. However, amid a very narrow BCRP-Fed rate differential (currently at negative ground) and weekly/monthly limits to derivative operations of banks, PEN depreciation pressures could resurge, considering that the outstanding amount of "FX swaps" is near PEN 53bn (2023: PEN 45 bn). The "FX swaps" maturity profile stands at PEN 14.9bn for Sep-24, PEN 14.4bn for Oct-24, PEN 6.0bn for Nov-24 and PEN 2.1 bn for Dec-24.

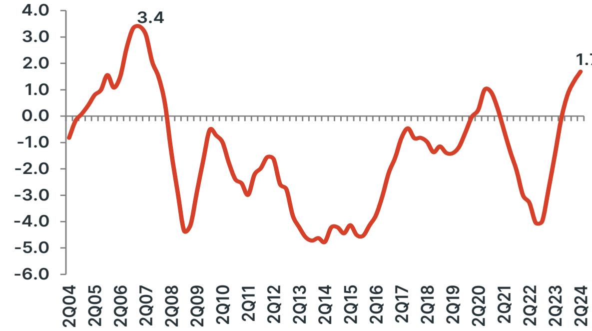
We maintain our view that the FX will close at around USDPEN 3.75 this year as the two opposing forces that we have mentioned in our previous reports remain in place. On the one hand, the narrow BCRP vs Fed rate spread could lead to PEN depreciation pressures; on the other hand, very strong external accounts underpinned by favorable copper prices, will support the PEN. That said, we do not rule out a PEN appreciation trend in the next quarters as the BCRP-Fed spread widens and external accounts remain strong.

Terms of trade (index, 2007 = 100)



Source: BCCh, Business Perception Report 3Q23, Credicorp Capital.

Current account balance (% GDP, annualized)



Political uncertainty to remain high ahead of the 2026 general election

Approval rates of both President Boluarte and Congress remain impressively low at 6% and 8%.

President Boluarte's governability. Approval rates of both President Boluarte and Congress remain impressively low at 6% and 8%, respectively. This means that the political equilibrium is still fragile. In fact, we think that the likelihood of President Boluarte being impeached next year is not negligible (this year, three vacancy motions have been rejected) as Congress could have enough incentives to make the president of Congress the president of Peru until the 2026 general elections are held in Apr-26. This is because if the president of Congress assumes the presidency during an ongoing electoral process, he/she would have no obligation to call for early elections, as was the case when President Sagasti took office in November 2020. In any case, it is to be seen if Congress would have the ability to reach a consensus to choose a member that would allow for the materialization of such a potential scenario.

Additional populist measures from Congress cannot be ruled out during the electoral period.

Congress decisions with economic and fiscal impact. As mentioned, Congress has continued to promote legislative initiatives with fiscal impact (e.g., tax breaks, PF withdrawals, labor market-related changes). Accordingly, additional populist measures cannot be ruled out during the electoral period. Of particular concern is the withdrawal of pension savings: so far, PEN 115bn (USD 31bn) have been withdrawn from the system (~13% of GDP), leading to a reduction of roughly 30% of the PF's AUMs from the record high observed in Jan-20.

Concept of the government regarding the approved pension reform and its regulation. Congress approved the pension reform, which includes: i) affiliates could freely move between the public and private system; ii) financial entities other than PFs will be able to manage pension savings; iii) a minimum pension is established; iv) a share of consumers' purchases (with limits) with the electronic invoice will go to their accounts; v) new PF withdrawals are forbidden. The concept of the government is expected, and then the bill will be regulated.

Measures to be taken by the Executive under legislative faculties. On July 1st, Congress granted legislative faculties for 90 days to the government to rule on several matters: strengthening of the management and investment in the utility sector, transaction costs reduction, access to and competition in financial services, fiscal equilibrium (the MoF already enacted the new fiscal rules under this faculty), taxes system, national security.

The return to a bicameral Congress in 2026 is set to improve Peru's checks and balances system.

The return to a bicameral Congress in 2026 is set to improve Peru´s checks and balances system. Recall that Congress approved the constitutional reform that creates the bicameral system, meaning that, from 2026 onwards, Congress will have a Lower Chamber and Senate. This is a favorable development as discussions are expected to be more thorough (most proposals will have four debates vs. two today). At the same time, the likelihood of vacancy motions against the president, the censure of ministers, and the closure of Congress will decrease. In addition, Congress approved the reelection of members of the two chambers.

	Chile	Colombia	Peru
Positives	▪ Significant decline in political uncertainty. ▪ Higher mining CAPEX commitments after the resolution of the royalty discussion. ▪ Higher energy CAPEX commitments amid the green energy transition. ▪ Strong fiscal and debt metrics when compared to peers. ▪ Credible inflation targeting and monetary policy regimes amid solid economic institutions. ▪ Commitment to continue solving social tensions through the institutional channel. ▪ Progress in structural issues linked to universal pension, minimum wage, mining royalty, working hours, and tax evasion and avoidance.	▪ Economic activity expanded more than expected in 1H24. The cyclical recovery is set to continue in the upcoming quarters. ▪ Private consumption is starting to gradually rebound amid lower inflation. ▪ Stabilization of total investment amid improved execution of regional projects and better behavior of machinery and equipment. ▪ BanRep's ample room to cut rates ahead given the ongoing disinflation process. ▪ Significant reduction in external vulnerabilities amid a relatively low current account deficit, mostly funded by FDI. ▪ Favorable signals of commitment to fiscal responsibility including spending cuts and the announcement of a new tax reform.	▪ Ongoing cyclical economic recovery amid improving activity indicators, employment, and business expectations. ▪ External tailwinds to bolster the recovery of the economy (e.g., terms of trade at record-high levels and expected lower external rates). ▪ Inflation indicators within the BCRP's target range. ▪ External accounts to remain solid. ▪ Counter-cyclical policies supporting the recovery phase (i.e., monetary policy easing cycle and higher public investment). ▪ Macroeconomic fundamentals remain healthy (e.g., low public debt, high international reserves, low inflation).
Negatives	▪ Political polarization. ▪ Lack of agreement on structural issues linked to the pension and tax reforms. ▪ Weakening of the capital markets and the long-term saving rate following the PF withdrawals. ▪ Weak potential GDP growth amid low productivity and investment rates. ▪ Low consumer and business sentiment. ▪ Higher interest rates and FX volatility. ▪ Higher external vulnerabilities amid weaker capital markets, increasing USD-denominated debt, and reduced stabilization funds.	▪ Heightened regulatory uncertainty in strategic sectors (e.g., oil & gas, infrastructure, housing, energy), keeping investment at very low levels. ▪ Low business and consumer sentiment. ▪ Inflation remains high vs peers amid idiosyncratic factors, meaning high interest rates for longer. ▪ Never-ending fiscal challenges and concerns amid lower tax revenues and the goal to continue increasing current expenditures. ▪ Slow public budget execution, mainly in investment, posing risks to long-term GDP growth. ▪ Deterioration in security conditions.	▪ The recovery is still erratic and heterogeneous (indicators like cement consumption, vehicle sales, and several non-primary manufacturing divisions are still contracting in y/y terms). ▪ Peru is not taking advantage of higher copper and gold prices to accelerate mining investment in the short term due to idiosyncratic factors. ▪ Challenges to fiscal accounts with risk of additional downgrades in the credit rating. ▪ Still elevated political and regulatory uncertainty amid very low approval ratings of both Congress and President Boluarte.
Factors to watch	▪ Tax and pension reforms discussion. ▪ Oct-24 regional election and Nov-25 presidential election. ▪ Weak economic growth and fragile labor market as potential catalysts of social discontent in the future. ▪ Direct and indirect effects on inflation from higher electricity prices. ▪ Fiscal consolidation process. ▪ Increasing concerns about public safety. ▪ New PF withdrawal bills discussion.	▪ Progress of the main government's reform proposals (e.g., health, labor, tax, utilities). ▪ The assessment of the pension reform by the Constitutional Court. ▪ Implementation of the agreement between the government and commercial banks to increase loans to specific sectors by COP 55tn. ▪ Relationship between the government and business associations. ▪ Developments around the political backdrop as 2025 is a pre-electoral year.	▪ The relationship between the government and Congress in a context in which 2025 is a pre-electoral year. ▪ Potential upside risks to mining investment. ▪ Fiscal consolidation process and other fiscal risks (e.g., legislative initiatives from Congress or fiscal support to Petroperu). ▪ The decision of the Executive regarding the pension reform and its eventual regulation. ▪ The BCRP vs Fed rate differential, as well as the central bank's ability to roll over its "FX Swaps".

Credicorp Capital's macroeconomic forecasts 2024-2025

	Chile					Colombia					Peru				
	2021	2022	2023E	2024E	2025E	2021	2022	2023E	2024E	2025E	2021	2022	2023E	2024E	2025E
Nominal GDP (USD bn)	315,4	302,8	336,0	322,8	361,9	318,6	345,4	363,6	428,8	449,6	226,3	244,5	267,3	281,4	296,4
Real GDP (y/y)	11,3	2,1	0,2	2.5	2,8	10,8	7,3	0,6	1,8	2,1	13,4	2,7	-0,6	3,0	2,8
Real domestic demand (y/y)	21,3	2,3	-4,2	1,5	2,5	13,4	10,1	-3,9	1,3	2,9	14,5	2,4	-2,1	3,4	2,6
Real total consumption (y/y)	19,5	2,6	-3,9	2,1	2,4	13,8	8,8	1,0	1,6	2,8	11,0	2,9	0,9	2,7	2,5
Real gross investment (y/y)	27,8	1,4	-5,3	-1,0	5,5	11,6	16,0	-25,9	-0,5	2,9	34,6	0,7	-5,4	3,3	2,2
Real exports (y/y)	-1,5	0,8	-0,3	5,8	3,4	14,6	12,3	3,4	2,8	5,0	13,3	5,2	4,9	1,9	2,7
Real imports (y/y)	31,9	1,5	-12,0	2,3	4,2	26,7	23,6	-15,0	0,3	6,1	17,9	3,9	-1,4	3,8	2,1
Inflation (%, eop)	7,2	12,8	3,9	4,7	3,5	5,6	13,1	9,3	5,8	4,0	6,4	8,5	3,2	2,5	2,5
Reference rate (%, eop)	4,00	11,25	8,25	5,00	4,25	3,00	12,00	13,00	8,75	6,00	2,50	7,50	6,75	5,00	4,25
Fiscal balance (% of GDP)*	-7,6	1,1	-2,4	-2,2	-1,5	-7,0	-5,3	-4,3	-5,6	-5,2	-2,5	-1,7	-2,8	-3,2	-2,4
Public Debt (% of GDP)*	36,0	37,3	39,8	40,8	41,8	63,0	60,8	56,7	58,4	59,8	35,8	33,9	32,9	33,8	34,4
Exports (USD bn)	94,6	98,6	94,6	99,8	106,9	42,7	59,5	52,6	50,5	52,6	63,1	66,2	67,5	70,5	74,5
Imports (USD bn)	84,3	94,8	79,2	78,2	85,1	56,7	71,7	59,4	59,4	62,9	48,0	56,0	49,8	50,5	52,5
Current account balance(% of GI	-7,4	-8,7	-3,1	-2,2	-2,5	-5,6	-6,1	-2,5	-2,3	-2,8	-2,1	-4,0	0,8	1,4	1,0
International Reserves (USD bn)	51,3	39,2	46,4	47,0	50,0	58,6	57,3	59,6	62,5	63,0	78,5	71,9	71,0	78,0	76,0
Exchange Rate (eop)	850	860	885	940	900	4.039	4.810	3.822	4.150	4.300	3,99	3,81	3,71	3,75	3,75
Exchange Rate (average)	750	872	839	940	910	3.720	4.256	4.326	3.990	4.100	3,89	3,84	3,74	3,75	3,75

* Central Goverment for the case of Colombia

02 / Andean Equities Strategy

Credicorp Capital

Andean Strategy

Our preference towards Chile remains while we highlight opportunities Colombia and Peru

The Andean region outperformed the MSCI Latam index

The year 2024 has been widely affected by commodities and the expectation of the beginning of the easing cycle by the Fed, which is now expected to take place this week. When looking into our local markets in Chile, Colombia and Peru, we saw positive performances in local currency, especially when comparing it with Latam, which fell ~10%. Indeed, Chile has posed a 2% YTD return, vs 9% of Peru and 10% in Colombia in local currency. That said, when incorporating volatility in our currencies returns seem somehow less appealing as Peru is posting a 6% upside YTD vs 1% of Colombia and a 5% drop in Chile, all in USD terms.

We saw a pickup in volumes vs 2023 in Colombia and Peru

Liquidity has continued to be a hurdle, but we highlight that the worse moment seems to be behind, as ADTVs have recovered from the low points seen in 2023 for Colombia and Peru. In the case of Colombia, we also highlight the entrance of Cementos Argos to the MSCI EM small cap index, which dissipates the risk of Colombia becoming a frontier market. In terms of market players, AFPs have only been positive in Chile, with these actors taking the largest net selling positions for both Colombia and Peru during 2024. In the case of Colombia, we highlight the important role corporate investors have played with the largest net buying positions, as foreign investors have also been large net sellers. Finally, we note a net buying positions of institutional and foreign investors in the Peruvian market.

Chile remains as our favorite market

Chile continues to be our favorite market, as it is difficult not to be positive at 9x by the end of 2025, considering its relatively lower political uncertainty and exposure to any upside in commodity prices. In the case of Colombia, the top-down story does not seem as appealing, as the MSCI Colcap Index is trading close to Chilean levels (9x) but with higher costs of capital and political uncertainty. That said, the ongoing easing cycle (the strongest expected cuts in the region) makes us believe investor attention on this market should continue. Furthermore, we highlight that 2025 should continue to be a tough year for banks and hence see several attractive long-term opportunities. In the case of Peru, we are seeing higher multiples (13x in our sample), but we believe this is explained by the positive pricing momentum the market evidenced on mining names. Indeed, we continue to see attractive entry points in names beyond the mining sector.

Chile stands out in our sample with a ~35% y/y expectations in earnings growth

Earnings momentum is highly divergent across countries, but Chile is the best option. Indeed, we expect a 34.5% y/y earnings growth for 2025 and an 11.9% y/y increase in results in 2026. The recovery next year is mainly explained by the mining, retail, and transport sectors. For mining, we expect higher Li prices and an easy comparison base for CAP due to non-recurring losses booked this year. Regarding retail, earnings growth is explained by its cyclical recovery, lower risk at banks, and delivery of efficiency plans. Finally, the transport sector players would exhibit better results thanks to Vapores lower tax payments and LATAM Airlines' higher capacity and lower financial expenses. **Cencosud is one of our top picks** as we believe current valuations do not reflect the company's resiliency and successful execution in the supermarket segment. As discretionary retailers fall out of the space, investors should start looking at the supermarket segment again.

Andean Strategy

Earnings momentum should be sluggish in Colombia with a 2.5% y/y decrease in 2025 and a 6.1% y/y decrease in 2026.

We also include LATAM Airlines thanks to discounted valuations, strong operational performance with CASK under strict control, and the likely refinancing of costly non-fleet debt. **COPEC also joins this group** due to low valuations, a stock that internalizes BEKP price of USD 520/t, which is lower than the futures contracts, resale prices in the Chinese domestic market, and marginal cost. In addition, COPEC offers low dilution risk if its BoD approves the construction of a pulp mill in Brazil.

Colombia should see a deteriorating earnings momentum with a 2.4% y/y decrease in earnings for Colombia in 2025, as one-offs from GEA transactions pose a high base for 2024, while earnings for the banking sector should take longer than 2025 to recover. That said, we are introducing a BUY recommendation for the three banks in our sample (see banking sector report) and PfBancolombia (BUY; COP: 40,500) is one of our top picks since its profitability should continue to stand out in the market. Even though we recognize risks in the utilities sector through noises of regulation changes (see utilities sector report) we are also introducing GEB (BUY; COP: 3,100) to our top picks, related to its strong mid-term investment plan in transmission and management.

The positive earnings momentum in Peru should continue, with a 15% growth

We anticipate a 15% growth in earnings in 2025 for Peru, led by the banking and the utilities sectors. Indeed, the mining sector is expected to experience slower growth because of a high base in 2024 due to relatively high metal prices. Indeed, we expect a **sluggish economic growth and increased political noise leading up to the 2026 elections.** Therefore, we favor InRetail (BUY; TP: USD 38) due to its track record of resilient operating results, growth strategy in the food retail segment, and solid profitability in its pharmaceutical business. Similarly, we maintain a positive outlook on Ferreycorp (BUY; TP: PEN 4.0) due to its solid top-line, cash generation capacity, and attractive dividend yield. Finally, to be exposed to the context of high precious metals and positive long-term prospects for copper, we recommend BVN (BUY; TP: USD 15.4), considering that it has projects to increase its production.

Andean Picks

	Last Price	Target Price	Upside	Mkt. (USD mn)	P/E 2024E	P/E 2025E	FV/EBITDA 2024E	FV/EBITDA 2025E	P/BV LTM	Sector
Cencosud	1,800	2,300	27.8%	5,480	9.8	7.7	6.7	6.1	1.2	Retail
Empresas COPEC	5,960	8,000	34.2%	8,321	7.9	9.1	5.9	6.0	0.7	Pulp & Paper
LATAM Airlines	11.8	15.0	27.6%	7,635	9.6	8.3	4.5	4.2	14.2	Transport
Bancolombia	33,660	40,500	20.3%	7,949	5.5	5.2	nm	nm	0.8	Banks
GEB	2,510	3,100	23.5%	5,457	9.3	8.2	7.3	6.8	1.3	Electric Utilities
Buenaventura	12.51	15.40	23.1%	3,448	16.1	13.8	4.6	4.2	1.1	Mining
Ferreycorp	2.82	3.97	41.0%	709	6.1	5.7	4.3	4.4	1.0	Materials
Inretail	29.80	38.00	27.5%	3,241	13.2	11.7	7.0	6.6	2.2	Retail
Andean Picks [a]			28.1%	42,240	9.7	8.7	5.7	5.5	2.8	

[a] Simple average, excluding Market Capitalization

Source: Company Reports, Bloomberg and Credicorp Capital

Andean Top Down Strategy

	Chile	Colombia	Peru
Strategy	OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Positives	- Lower political uncertainty - Increase in mining Capex - Appealing valuations (~9xPE) and DY>5% amid lower interest rates - Corporate efficiency plans are yielding fruits	- Better macro outlook with the cyclical recovery of the economy - Discounted valuations - A sharp reduction of the monetary policy rate is expected	- Lower inflation would allow for further interest rate cuts, which could support economic recovery - Progressive improvement in economic activity and a consequent improvement in business confidence indicators
Negatives	- No agreement on pension reform - Political polarization ahead of a busy electoral calendar - Non-Mining Trend GDP <2% - Lower trading volumes	- High levels of political uncertainty - Still weak outlook for private investment - Regulatory risks in key sectors - Low liquidity and trading volumes	- Low approval ratings for the president and Congress. - The government authorized an increase in the fiscal deficit goal to 2.8% for this year and 2.2% in 2025, despite warnings from the fiscal council
What to watch?	- Debate on pension reform - Regional/Municipal Elections (4Q24) - Presidential/Parliamentary Elections (4Q25) - Commodities Prices Evolution (Li, Cu, Fe, Woodpulp)	- Evolution on potential reforms (tax, utilities sector) - Investment on key sectors such as Oil&Gas and construction - Presidential approval	- Implementation of the comprehensive reform of the pension system - The political landscape leading up to the 2026 general elections

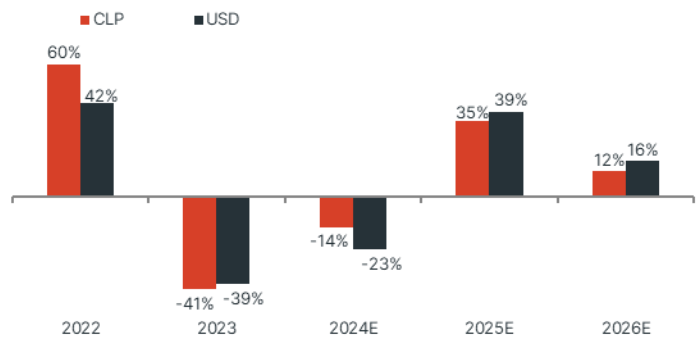
	Chile 2024	Chile 2025	Chile 2026	Colombia 2024	Colombia 2025	Colombia 2026	Peru 2024	Peru 2025	Peru 2026
Index Earnings growth	**-13.8%**	**34.5%**	**11.9%**	**8.0%**	**-2.4%**	**-6.1%**	**33.9%**	**0.8%**	**6.2%**
Index Dupont	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
Net profit Margin	8.7%	9.7%	10.4%	17.3%	16.1%	14.8%	20.0%	20.3%	20.9%
Asset turnover	24.5%	24.4%	24.1%	17.0%	16.8%	16.1%	43.9%	42.7%	41.4%
ROA	**2.1%**	**2.4%**	**2.5%**	**2.9%**	**2.7%**	**2.4%**	**8.8%**	**8.7%**	**8.7%**
Leverage	5.3x	5.2x	5.1x	5.7x	5.7x	5.7x	2.4x	2.4x	2.3x
ROE	**11.2%**	**12.2%**	**12.7%**	**16.9%**	**15.3%**	**13.5%**	**21.5%**	**20.6%**	**20.0%**

	Chile	Colombia	Peru
2025 Index Target	8,000 (IPSA)	1,520 (COLCAP)	32,380 (S&P General Index)
Implied P/E	11.6x	11.5x	11.4x BVL General Index / 15.6x companies under coverage
Expected Total Return (Div. Yield)	~26% (~5%)	~23% (~8%)	~19% (~5%)

(*) Chile´s dupont does not include Vapores and Quiñenco´s estimates.
(*) Peru's dividend yield includes BAP's consensus dividend yield.

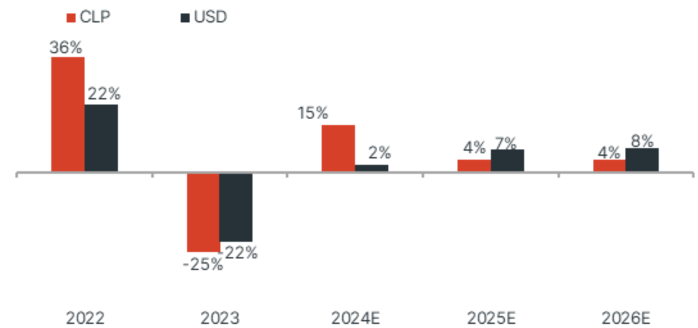
Andean Strategy

Chile – EPS Growth – (Full sample)



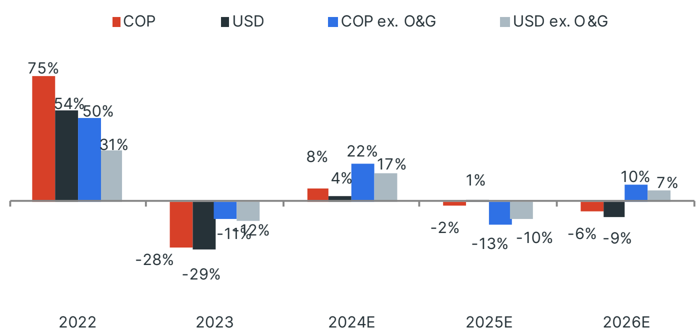
(*) 2022 – 2023 EPS Growth excludes LATAM Airlines results

Chile – EBITDA Growth (Full sample)

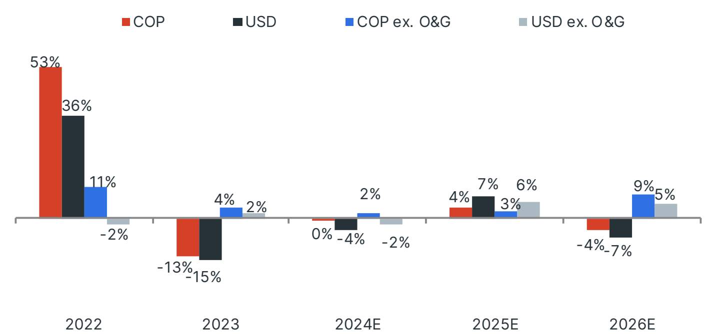


(*) 2022 – 2023 EPS Growth excludes LATAM Airlines results

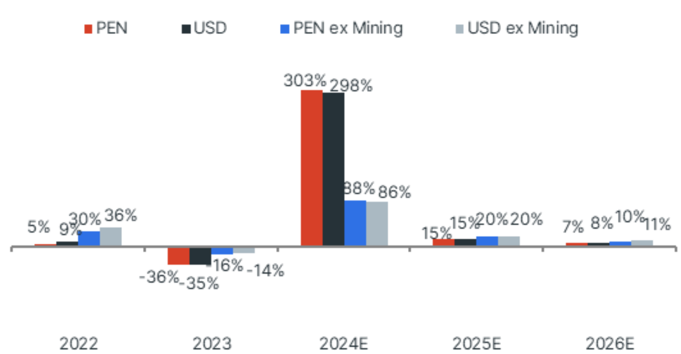
Colombia – EPS Growth



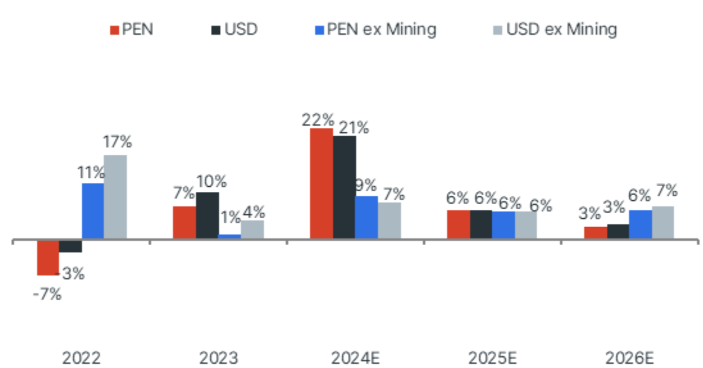
Colombia – EBITDA Growth



Perú – EPS Growth

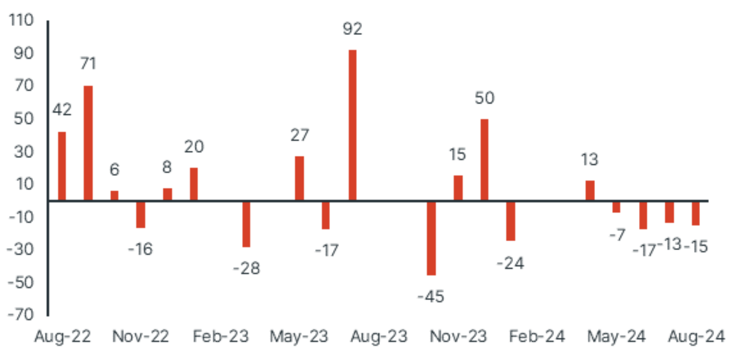


Peru – EBITDA Growth

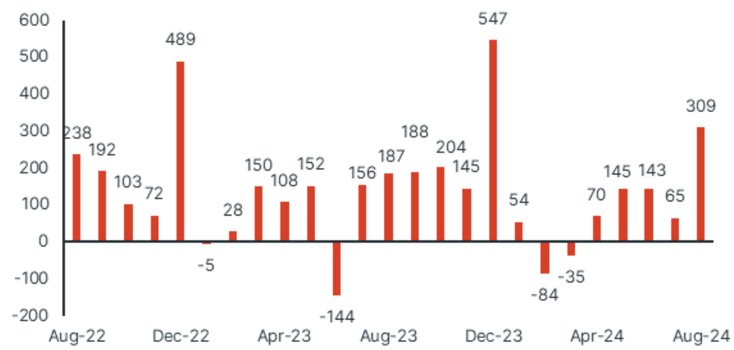


Andean Strategy

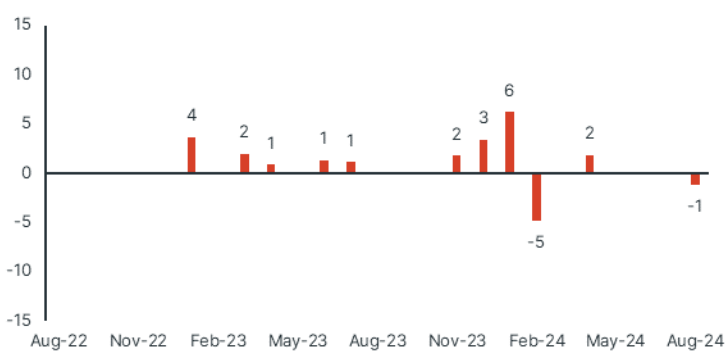
Chile – ETF Flows – ECH (USD mn)



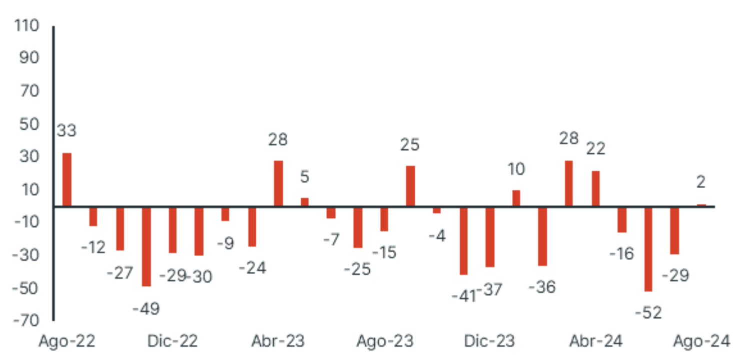
Chile – AFPs net equity flows (USD mn)



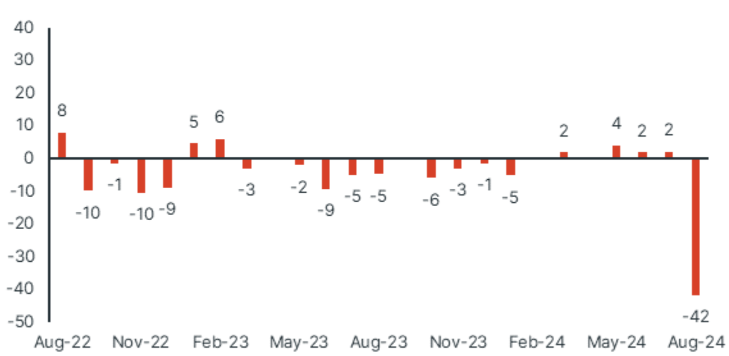
Colombia – ETF Flows – GXG (USD mn)



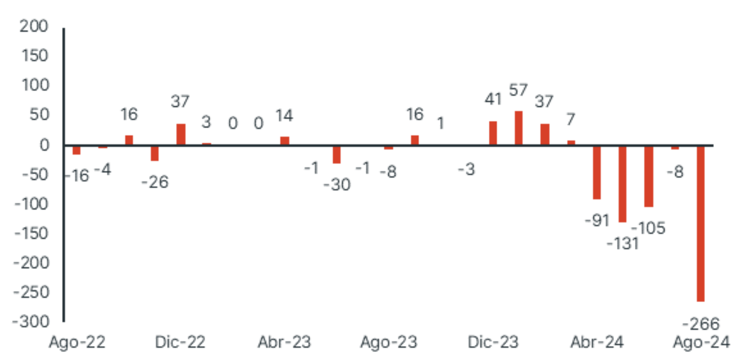
Colombia – AFPs net equity flows (USD mn)



Perú – ETF Flows – EPU (USD mn)

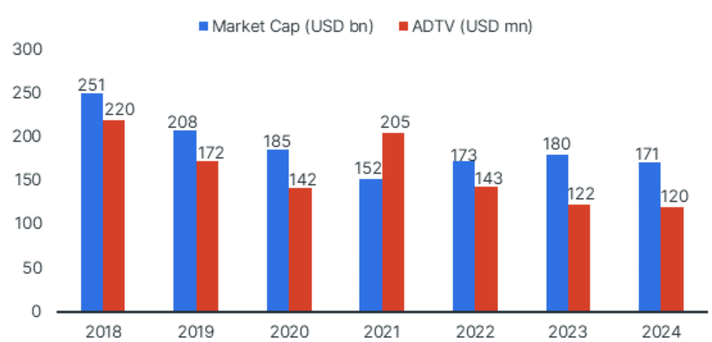


Peru – AFPs net equity flows (USD mn)

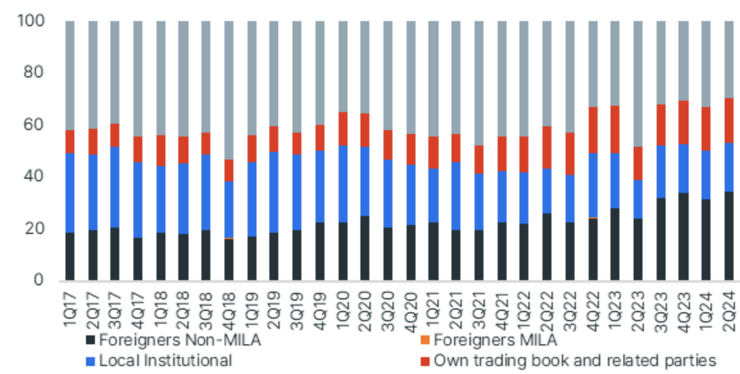


Andean Strategy

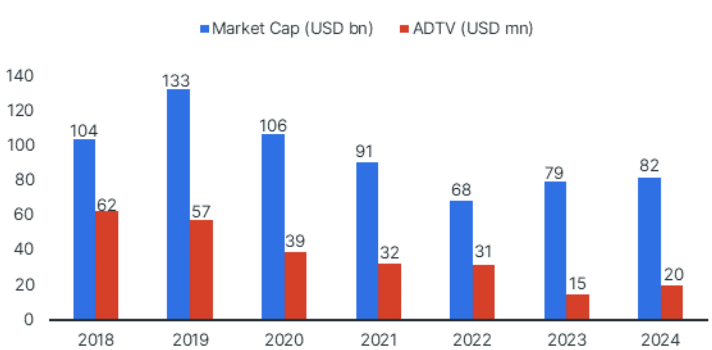
Chile – Market Cap and ADTV



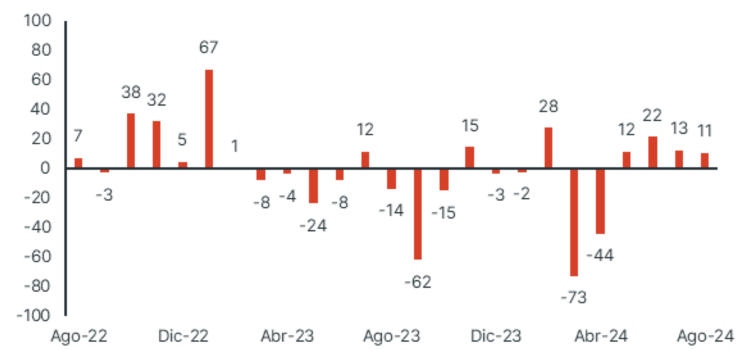
Chile – Traded value by type of client



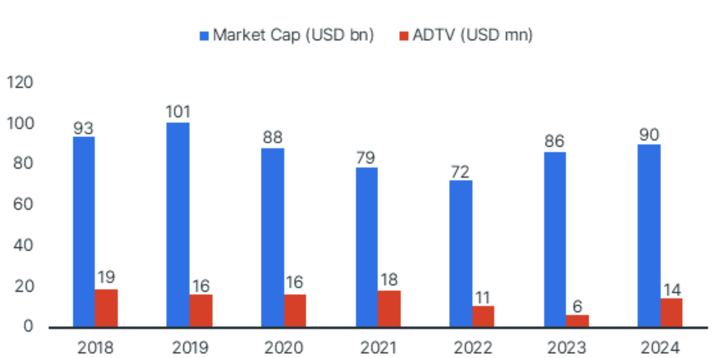
Colombia – Market Cap and ADTV



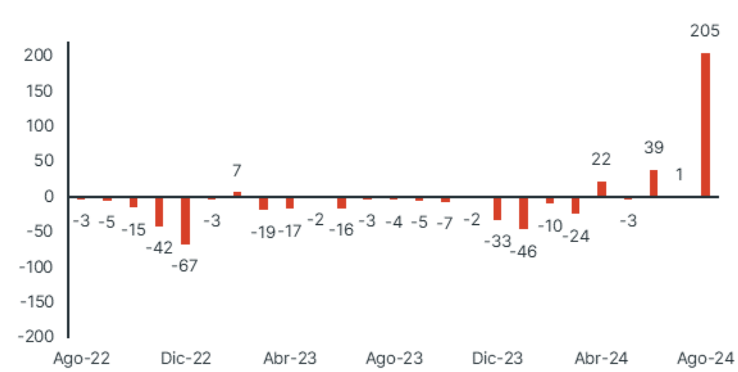
Colombia – Foreign investors net equity flows (USD mn)



Perú – Market Cap and ADTV



Peru – Foreign investors net equity flows (USD mn)



Chile Strategy

A few months ago, it was difficult not to be positive about Chile at 10x Fwd PE, and even more so now that it trades closer to 9x by the end of 2025.

9x 2025 P/E looks appealing from a historical and fair value standpoint.

Contrary to our expectations, the IPSA has posted a slight rise of ~2% in CLP but a 5% drop in USD, underperforming its Andean peers and the MSCI EM Free. The ADTV failed to recover and still stands at ~USD 120mn, with higher participation of foreign investors to the detriment of the retail segment. Pension funds remain as net buyers (YTD>USD 650mn). The ECH ETF has recorded redemptions for USD 40 million (USD +115 million in 2023).

Yes, it is true. The copper price has retreated to USD4.1/lb from a peak of USD4.9/lb at the end of May. Lithium carbonate is below USD11K/ton, while iron ore is quoted at USD90-95/t. Short-fiber pulp stands at ~USD580/t. Consequently, the CLP remains weak. On the other hand, economic activity in Chile has exhibited unexpected volatility m/m.

Commodity prices would have limited room for further downward correction.

However, the low price of lithium carbonate is already triggering an adjustment in supply, while iron ore, copper, and short-fiber pulp are at levels without much room to continue falling (commodity-related stocks represent 23% of the IPSA). On the other hand, GDP growth estimates for 2024-2025 have remained stable, with mining investment being activated and no news on pension reform. Regarding the latter, the agreement that could be reached in Congress in early 2025 would be far from disruptive. On the political front, Chile will face regional and municipal elections in 4Q24, for which a good result is expected from opposition parties, while presidential and parliamentary elections will take place in 4Q25. Polls on spontaneous preferences for the presidential race give well-known right and left-wing politicians an advantage.

We are introducing a 2025 target IPSA of 8,000 points and reiterating our OW recommendation. The IPSA trades slightly above 9x P/E (a discount of ~15% and ~20% to its 5-year average and what we consider fair, respectively). In our view, a 5% dividend yield should favor greater investor interest in the context of lower interest rates.

Our Top Picks are Cencosud, LATAM Airlines, and Copec.

We are including Cencosud as a Top Pick. We believe current valuations do not reflect the company's resiliency and successful execution in the supermarket segment. As discretionary retailers fall out of the space, we believe investors will start looking at the supermarket segment again. **We are also including LATAM Airlines** thanks to discounted valuations, strong operational performance with CASK under strict control, and the likely refinancing of costly non-fleet debt. **COPEC also joins this group** due to low valuations, a stock that internalizes BEKP price of USD 520/t, which is lower than the futures contracts, resale prices in the Chinese domestic market, and marginal cost. In addition, COPEC offers low dilution risk if its BoD approves the construction of a pulp mill in Brazil.

P/E Forward (12-month rolling)

EV/EBITDA Forward (12-month rolling)

In CLP	Earnings Growth				
	2022	2023	2024	2025E	2026E
Banks	47.5%	-21.4%	8.3%	4.5%	6.8%
Retail	-30.2%	-8.1%	11.1%	27.7%	13.4%
Real Estate	213.3%	27.0%	7.2%	5.5%	3.9%
Food & Beverages	-24.2%	-9.1%	43.0%	7.4%	12.0%
Utilities	10.2%	-34.1%	131.9%	-1.5%	3.7%
Pulp & Paper	15.7%	-63.1%	87.0%	-19.3%	37.8%
Mining	231.4%	-49.4%	-137.5%	249.0%	12.8%
Transport	nm	-93.7%	9.9%	40.1%	18.0%
Total	59.7%	-41.4%	-13.8%	34.5%	11.9%

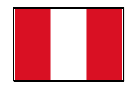
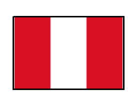
(*) 2022-2023 Total EPS growth excludes LATAM Airlines results

	Last Price	Target Price	Upside	Mkt. (USD mn)	P/E 2024E	P/E 2025E	FV/EBITDA 2024E	FV/EBITDA 2025E	P/BV LTM	Sectors
Cencosud	1,800	2,300	27.8%	5,480	9.8	7.7	6.7	6.1	1.2	Retail
Empresas COPEC	5,960	8,000	34.2%	8,321	7.9	9.1	5.9	6.0	0.7	Pulp & Paper
LATAM Airlines	11.8	15.0	27.6%	7,635	9.6	8.3	4.5	4.2	14.2	Transport
Chilean Picks [a]			**31.0%**	**21,437**	**8.9**	**8.4**	**6.3**	**6.1**	**0.9**	
IPSA	**6,343**	**8,000**	**26.1%**	**119,942**	**12.4**	**9.2**	**6.3**	**6.0**	**1.1**	

[a] Simple average, excluding Market Capitalization

Source: Company Reports, Bloomberg and Credicorp Capital

Chile bottom – up strategy

	View	Earnings growth	Favorite country	Key topics to monitor
Banks (go to section) • Index Weight: 27.6% • Upside: 17.8% • Dividend Yield: 5.8% • Total Return: 23.6%	Inflation and interest rates outlook should benefit banks in 2H24. NPLs normalizing is the key item to monitor.	**2025:** 4% driven by the normalization of Banco de Chile **2026:** 7%, driven by expected improvement in BCI and Itau		- Inflation surprises in the short-term - Loan demand in different segments - Evolution of NPLs under new cycle
Retail & RE (go to section) • Index Weight: 19.3% • Upside: 28.3% • Dividend Yield: 3.8% • Total Return: 32.1%	After an impressive rally of discretionary names, it is time to look at discounted stories, such as supermarkets. Malls have also some space.	**2025:** +28% retail, +6% RE driven by Falabella and Cencosud, and malls. **2026:** +13% retail, +4% RE (Falabella/Cencosud/malls).		- Consumption environment and employment data in Chile - Interest rate cut cycle in Chile and the US
Mining (go to section) • Index Weight: 13.5% • Upside: 22% • Dividend Yield: 4.5% • Total Return: 26.5%	Lithium price correction suggests short-term caution in the sector. Suspension of CAP's steel activity would boost its operating results.	**2025:** Better results due to price stabilization and resilient volumes. **2026:** 13%, led by higher prices in SQM and operational consolidation in CAP.		-S/D lithium dynamics due to increased supply and imposed tariffs. -The weakening of the Chinese real estate sector for the iron ore prices.
Utilities (go to section) • Index Weight: 13.5% • Upside: 22.9% • Dividend Yield: 7.9% • Total Return: 30.8%	Positive hydrological conditions and advances in regulatory processes should boost electric utilities.	**2025:** -2% due to a normalization of results after an outstanding 2024 hydrology **2026:** 4% as new pool of contracts start at more competitive prices.		- Hydrological conditions, reservoir levels and ice-thawing season. - Tariff adjustments and regulatory discussions - La Niña phenomenon
Pulp & Paper (go to section) • Index Weight: 9.6% • Upside: 29.8% • Dividend Yield: 3.7% • Total Return: 33.6%	Pulp prices in China are unlikely to recover shortly. They could rise gradually by mid-2025 once the market absorbs the new supply.	**2025:** -19% (lower pulp prices partially offset by higher volumes / Copec booked non-recurring gains in 2024) **2026:** +38% (pulp prices recovery)		- Stabilization of Pulp Prices in China (S/D balance related-developments) - Copec: BoD's approval to build a pulp mill in Brazil / News on CMPC's pulp mill project in Brazil
Beverages (go to section) • Index Weight: 5.7% • Upside: 26.5% • Dividend Yield: 5.4% • Total Return: 32%	Waiting for CCU´s turning point in volumes. Andina´s resiliency should continue paying-off. Challenging wine industry LT growth.	**2025:** +7% (Andina driven by BZ and PAR), and CyT (+vol/-costs) **2026:** +12%, driven by CCU (higher volumes and better margins)		- Sales volume in Argentina and Chile as they would post declines in 2024 - Input costs and FX - Wine exports
Transport (go to section) • Index Weight: 7.6% • Upside: 29.2% • Dividend Yield: 8% • Total Return: 37.1%	CSAV: Current freight rates are high due to disruptions in the Red Sea. LTM: ASK/ATK YTD growth slightly >2024 guidance	**2025:** +40% (CSAV: lower taxes partially offset by lower TEU rates / LTM: +7% ASK) **2026:** +18% (CSAV: resilient volumes / LTM: +5% ASK)		- CSAV: Recovery of dividends retentions paid by HL and CSAV Germany. LTM: Refinancing of costly non-fleet debt / New secondary sale of shares
Construction (go to section) • Index Weight: 0% • Upside: 19.7% • Dividend Yield: 2.9% • Total Return: 22.5%	Expected recovery supported on mining and infraestructure projects and a better credit enviroment	**2025:** 7% driven by Salfacorp earnings from the Centinela project **2026:** 8% driven by SK expected recovery		- Mortgage rates evolution - Flexibilization on credit conditions - New mining and infraestructure projects

Colombia Strategy

We have seen a recovery in ADTVs reaching USD 20 mn levels for the year.

Our top picks are Bancolombia and GEB, while the banking sector is our favorite.

We see attractive options from a bottom-up perspective, but political uncertainty and consequent costs of capital make us take a neutral stance towards Colombia

Colombia has been the outperformer of the Andean region during the year, with a ~10% return in local currency, but a flattish performance in USD. We have seen an overall recovery in volumes since 3Q2023 with ADTV for the year reaching levels closer to USD 20 mn during the year. In terms of market players, pension funds have been the largest net sellers during the year with USD 70.5 mn sales as of August while corporate investors supported the market with a net buying position of USD 70.5 mn as of August, we believe in part explained by repurchase programs such as those for Cemargos and Celsia.

Our strategy in Colombia remains focused in banks as the name with the lowest relative regulatory uncertainty and also the sector that should experience an improvement through the easing cycle and recovery in the economy. Indeed, we are introducing a BUY recommendation for the three banks in our sample (see banking sector report) and **Bancolombia (BUY; TP: 40,500)** is one of our top picks. Even though we recognize risks in the utilities sector through noises of changes in regulation (see utilities sector report) we are also introducing **GEB (BUY; TP: 3,100)** to our top picks, related to its strong mid-term investment plan in transmission and management. On the other hand, we are maintaining our positive view on **Cementos Argos (BUY, TP: 10,500**) after an outstanding year as we see recent price drops as an attractive entry point. That said, we are turning a bit more cautious on **Grupo Argos(Uperf; TP: 18,500)** as we have seen an outstanding market momentum on the name with no significant new information (see conglomerates report).

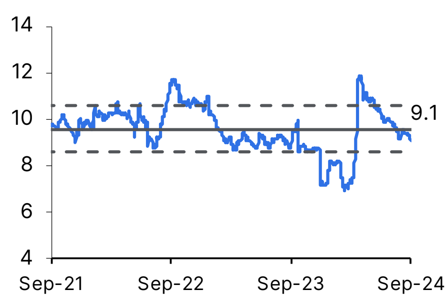
We expect a moderate 2.5% y/y earnings drop in 2025, where we highlight the recovery of the names in the financial and in the Oil&Gas sector (related to the upstream segment) but deteriorating earnings for the conglomerates sector (after several one-offs for GEA group) and the conclusion of the construction period for Corfi's 4G concessions. We also see a deterioration for Cement and Construction with the high base from Cementos Argos. Finally, we continue to highlight the utilities sector mid-term earnings growth.

In COP	Earnings Growth				
	2022	2023	2024E	2025E	2026E
O&G	100.1%	-40.3%	-7.6%	13.1%	-23.8%
Financials	60.4%	-13.2%	-2.3%	8.1%	9.4%
Cement & Constructior	-67.0%	119.7%	nm	nm	9.6%
Utilities	21.1%	0.6%	1.4%	12.4%	10.6%
Conglomerates	46.2%	-16.2%	nm	nm	18.7%
Total	75.5%	-28.0%	8.0%	-2.4%	-6.1%

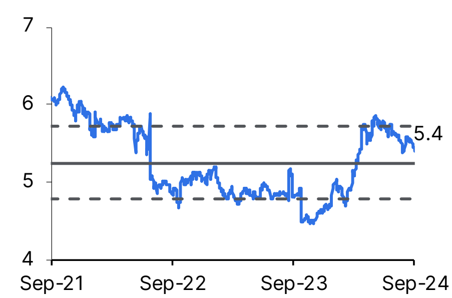
Colombia is currently trading close to its 3-year average both in terms of P/E and EV/EBITDA. Indeed, after the normalization of earnings once GEA one-offs are cleared and worse-than-expected results in banks are incorporated, we are looking into tighter valuations for Colombia from a top-down perspective and incorporating only short-term metrics. Indeed, when looking into our fair P/E analysis through a Gordon model and earnings yield gap, we get fair multiples of 8.6x and 8.2x given current capital costs (vs our current 12-month forward P/E of 9.1x).

That said, when looking into our valuation models (mostly 10-year DCFs or 10-year residual income models), we see attractive mid-term entry points for all the banking sector(despite still depressed ROEs for 2025), Corficolombiana, which is trading at 0.3x P/BV, and our utilities sector. Hence, from a bottom-up perspective, we see an average total return of ~30% for the index. When introducing a blended approach, given a 70% weight to our bottom-up view and a 30% weight to the view of no return (related to our top–down analysis), we arrive at our target of 1,520 for the MSCI Colcap Index.

P/E Forward (12-month rolling)



EV/EBITDA Forward (12-month rolling)

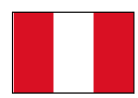


	Last Price	Target Price	Upside	Mkt. (USD mn)	P/E 2024E	P/E 2025E	FV/EBITDA 2024E	FV/EBITDA 2025E	P/BV LTM	Sector
Bancolombia	33,660	40,500	20.3%	7,949	5.5	5.2	nm	nm	0.8	Banks
GEB	2,510	3,100	23.5%	5,457	9.3	8.2	7.3	6.8	1.3	Electric Utilities
Colombian Picks [a]			**21.9%**	**13,405**	**7.4**	**6.7**	**nm**	**nm**	**0.8**	
COLCAP	**1,320**	**1,520**	**15.1%**	**51,714**	**5.5**	**8.5**	**5.7**	**6.1**	**0.8**	

[a] Simple average, excluding Market Capitalization

Source: Company Reports, Bloomberg and Credicorp Capital

Colombia bottom – up strategy

	View	Earnings growth	Favorite country	Key topics to monitor
Banks (go to section) • Index Weight: 36.9% • Upside: 21.5% • Dividend Yield: 9.0% • Total Return: 30.5%	Expected recovery with lower provisions and higher NIMs, driven by the decrease in inflation and interest rates	**2025:** 5.1% Bcolo; 77.2% Aval; Davivienda returning to profits **2026:** 8.2% Bcolo; 36.5% Aval; 44.5% Davivienda		- NPL and cost of risk evolution - Loan agreement with government - Evolution of interest rates on NIMs
Oil&Gas (go to section) • Index Weight: 12.2% • Upside: 8.8% • Dividend Yield: 14.0% • Total Return: 22.8%	Stable outlook for oil prices in 2025. Long-term production, reserve life, and capital allocation introduce uncertainty for the sector.	**2025:** +13.1% as downstream returns to avg. spread and oil prices generate support **2026:** -23.8% as OPEC halt cuts. Uncertain reserves & gas supply		- Oil price evolution - Reserve additions for Oil & Gas - Management changes
Utilities (go to section) • Index Weight: 18.7% • Upside: 29.9% • Dividend Yield: 7.3% • Total Return: 37.2%	Positive momentum and diversified pipeline across geographies	**2025:** +12.4% boosted by new transmission projects and strong dividends for GEB (Argo, Enel) **2026:** +10.6% as transmission, gas transportation projects are included		- Probable Utilities reform - La Niña phenomenon - Gas supply availability
Construction (go to section) • Index Weight: 6.2% • Upside: 33.6% • Dividend Yield: 4.9% • Total Return: 38.5%	Negative momentum for the Colombian market, while we expect a gradual recovery for 2025.	**2025:** nm, EPS is not comparable due to Summit transaction earnings in Cemargos in 2024 **2026:** 9.6%		- Mortgage interest rates evolution - Housing construction recovery - Political and regulatory risks
Conglomerates (go to section) • Index Weight: 16.5% • Upside: 13.9% • Dividend Yield: 3.6% • Total Return: 17.5%	Neutral momentum while we wait for further announcements.	**2025:** nm, EPS is not comparable due to non recurrent earning in the GEA, **2026:** 18.4%, due to higher earnings in Grupo Argos and Grupo Sura		- Announcements on the capital structure of Grupo Argos and Grupo Sura - New infrastructure projects for Corficolombiana

Peru Strategy

Defensive strategy amid slow economic recovery and potentially increased political noise

The BVL has shown a positive performance year to date, with a significant increase in trading volume.

The BVL general index has increased by ~6% YTD in USD, reflecting high metal prices, progressive economic recovery, and relatively less political noise. Gains were led by financial, mining, and some construction sector stocks. The ADTV has almost doubled to USD 14 mn (excl. the tender offer for Enel Gx), partly explained by the AFPs' sales to cover the withdrawals of funds approved by Congress and the buyback programs of some companies such as Alicorp and Unacem. Thus, the AFPs were the leading net sellers during the year, while foreign investors and other institutional investors were the main net buyers.

We suggest focusing more on defensive sectors. Our top picks are InRetail, Ferreycorp, and BVN.

Considering a scenario of sluggish economic growth and increased political noise leading up to the 2026 elections, we suggest focusing more on defensive sectors. Therefore, we favor InRetail (BUY; TP: USD 38) due to its track record of resilient operating results, growth strategy in the food retail segment, and solid profitability in its pharmaceutical business. Similarly, we maintain a positive outlook on Ferreycorp (BUY; TP: PEN 4.0) due to its solid top-line, cash generation capacity, and attractive dividend yield. Finally, to be exposed to the context of high precious metals and positive long-term prospects for copper, we recommend BVN (BUY; TP: USD 15.4), considering that it has projects to increase its production. Looking ahead, it will be important to monitor the implementation of the comprehensive pension system reform approved by Congress. Additionally, if the economy continues to recover, IFS (BUY; TP: USD 32) and Unacem (BUY; TP: PEN 2.0) could also perform well, given the attractive potential returns we estimate for them.

We expect earnings growth in Peru to moderate, rising 2.9% in 2025 and 4.8% in 2026.

We forecast a 2.9% growth in earnings in 2025, led by the banking and utilities sectors. The normalization of IFS provisions would bolster the banking sector's results. In the utility sector, Engie would benefit from improved hydrological conditions, the restart of Quitaracsa, and the full operation of Punta Lomitas. The other sectors tied to domestic demand are expected to experience more measured growth, in line with a gradual economic recovery. Finally, the mining sector is expected to experience slower growth than this year, mainly because significant growth has already occurred in the base due to relatively high metal prices.

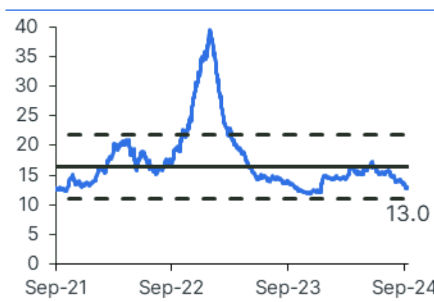
In PEN	Earnings Growth				
	2022	2023	2024E	2025E	2026E
Banks	-7.2%	-35.4%	3.8%	51.0%	21.5%
Utilities	-4.9%	-91.0%	973.9%	19.9%	1.4%
Retail	112.4%	27.1%	-1.0%	12.5%	8.6%
Mining	4.4%	-30.4%	36.9%	0.4%	3.5%
Cement & Const.	11.7%	-2.0%	-3.8%	13.4%	5.8%
Food	nm	-64.1%	190.6%	-0.6%	9.5%
Total	6.2%	-29.1%	33.6%	2.9%	4.8%

BVL relative valuation suggests attractive entry points, particularly if the mining sector is excluded.

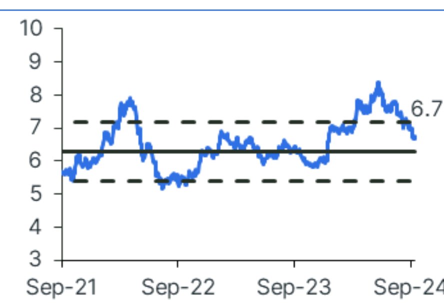
The companies under our coverage are currently trading at a 17% discount in terms of P/E and a 6% premium in terms of EV/EBITDA. However, these numbers are heavily influenced by SCCO due to its high valuation levels and relatively high weight in the BVL general index. Excluding SCCO from our analysis, we see a 24% discount in terms of P/E and 3% in EV/EBITDA, indicating interesting entry points, particularly in sectors more closely tied to domestic demand.

We are setting a 2025 target for the BVL General Index at 32,380 points, determined by our detailed analysis of individual company valuations. Reaching this level would represent a potential total market return of ~19%, including an average dividend yield of ~5%, with Cementos Pacasmayo, Ferreycorp, Minsur, and Unacem standing out in this regard. **When considering relative valuation, we have a P/E target of 15.0x for the companies under our coverage, close to the three-year average of 15.6x.** Additionally, we have a P/E target of 11.4x for the BVL General Index, close to its five-year average of 10.8x (currently at 9.9x).

P/E Forward (12-month rolling)



EV/EBITDA Forward (12-month rolling)

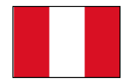
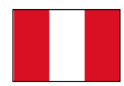


	Last Price	Target Price	Upside	Mkt. (USD mn)	P/E 2024E	P/E 2025E	FV/EBITDA 2024E	FV/EBITDA 2025E	P/BV LTM	Sectors
Buenaventura	12.51	15.40	23.1%	3,448	16.1	13.8	4.6	4.2	1.1	Mining
Ferreycorp	2.82	3.97	41.0%	709	6.1	5.7	4.3	4.4	1.0	Cement & Construction
Inretail	29.80	38.00	29.8%	3,241	13.2	11.7	7.0	6.6	2.2	Retail
Peruvian Picks [a]			31.3%	7,398	11.8	10.4	5.3	5.1	1.4	
S&P/BVL	28,540	32,380	13.5%	107,032	14.3	13.0	6.3	6.2	3.7	

[a] Simple average, excluding Market Capitalization

Source: Company Reports, Bloomberg and Credicorp Capital

Peru bottom – up strategy

	View	Earnigns growth	Favorite country	Key topics to monitor
Banks - IFS (go to section) • Index Weight: 5.2% • Upside: 28.1% • Dividend Yield: 4.1% • Total Return: 32.1%	Change in banking cycle marked by decreases in provision expenses and the gradual recovery of margins.	**2025:** 51.0% IFS, due to the lower provisions in consumer loans. **2026:** 21.5% IFS, due to recovery of margins and lower provisions.		- Recovery of loan demand - Rebuilding of credit card segment - Evolution of NIM with lower rates - Decrease in NPLs and provisions
Mining (go to section) • Index Weight: 31.6% • Upside: 3.2% • Dividend Yield: 3.5% • Total Return: 6.7%	Strong operational and financial profile, but it seems that much of this is already priced in, except for BVN.	**2025:** 10.5% on a high price environment and solid production. **2026:** 5.5% due to normalization.		- Evolution of metal prices - Cash cost pressures - Upcoming material projects
Utilities (go to section) • Index Weight: 1.5% • Upside: 27.8% • Dividend Yield:4.3% • Total Return: 32.1%	Fundamentals remain resilient, and LT growth outlook on renewable potential.	**2025:** 19.8% EEP, due to stronger top line and operational recovery. **2026:** 2.0% EEP due to normalization of growth levels.		- Hydrology outlook - Spot price evolution - Upcoming auctions in the regulated sector
Construction (go to section) • Index Weight: 7.7% • Upside: 32.0% • Dividend Yield: 8.9% • Total Return: 40.9%	Positive 2025 perspectives boosted by public works.	**2025**: 13.4%, due to higher top-line and lower financial pressure. **2026**: 5.8%, due to due to higher top-line and lower financial pressure.		- Adjudication of new infrastructure projects - Initiation of construction phases for awarded projects
Retail & RE - InRetail (go to section) • Index Weight: 5.9% • Upside: 27.5% • Dividend Yield: 3.4% • Total Return: 30.9%	Challenging 2024 consumption environment should improve towards 4Q24 and the company's resilient EBITDA margins should be boosted.	**2025:** 12.5% due to higher top-line and better EBITDA margins. **2026:** 8.6% due to higher top-line and better EBITDA margins.		- Consumption recovery during 2H24, specially in pharma and nonpharma categories. - Higher discretionary spending as interest rates cut materialize.
Food - Alicorp (go to section) • Index Weight: 3.1% • Upside: 13.0% • Dividend Yield: 4.8% • Total Return: 17.8%	Neutral given that corporate events will continue to take center stage. Ongoing third shares buy back program + M&A activity	**2025:** flat (~+200% in 2024 on higher profitability of CGP and B2B units in Peru). **2026:** +10% (slightly higher volumes and margins).		- Ongoing M&A activity: Recent acquisition of Refinerías del Espino + Eventual sale of the crushing business in Bolivia

/ Valuation summary

Chile

Company	Sector	Px Last	Px Target	Rating	Mkt. Cap	ADTV		P/E		EV/EBITDA		P/BV	Div Yield.	Div Yield.	ROAE		ROAA	
						Local	ADR	2024E	2025E	2024E	2025E	LTM	2024E	2025E	2024E	2025E	2024E	2025E
Aguas Andinas	Electric Utilities	272	330	HOLD	1,746	1.6		10.7	9.3	8.8	8.4	1.8	5.2%	7.2%	16.4%	18.1%	6.1%	6.9%
Andina	Food & Beverage	2,836	3,550	BUY	2,560	2.6	0.2	12.8	11.7	5.7	5.3	2.6	6.6%	7.6%	21.4%	20.8%	6.8%	6.9%
AntarChile	Conglomerates	6,750	8,500	HOLD	3,305	0.1		5.2	5.6	6.0	6.2	0.4	5.8%	7.9%	8.2%	7.0%	2.2%	2.0%
Banco de Chile	Banks	115	125	HOLD	12,480	10.7	4.0	9.7	10.4	nm	nm	2.2	7.0%	6.7%	22.1%	19.3%	2.2%	2.0%
Banco Santander	Banks	48	57	HOLD	9,649	8.1	5.9	11.5	9.9	nm	nm	2.1	3.9%	5.2%	17.7%	19.6%	1.1%	1.3%
BCI	Banks	27,301	36,500	BUY	6,410	3.6		6.9	6.3	nm	nm	0.9	3.7%	4.6%	13.3%	13.1%	1.1%	1.1%
CAP	Mining	5,300	8,000	BUY	851	1.9		nm	6.4	6.0	4.3	0.4	1.6%	7.8%	-18.9%	7.0%	-5.7%	2.0%
CCU	Food & Beverage	4,888	6,500	HOLD	1,940	2.7	2.1	12.4	12.0	7.0	6.2	1.3	4.4%	4.1%	10.8%	9.9%	4.0%	3.8%
Cenco Malls	Real Estate	1,530	1,900	HOLD	2,803	0.9		10.5	10.5	10.5	10.0	0.9	2.2%	2.9%	8.8%	8.3%	5.9%	5.7%
Cencosud	Retail	1,800	2,300	BUY	5,480	6.8		9.8	7.7	6.7	6.1	1.2	1.2%	5.7%	12.5%	13.8%	3.7%	4.5%
CMPC	Pulp & Paper	1,530	1,900	HOLD	4,108	4.8		7.5	10.2	6.1	6.0	0.5	7.4%	2.7%	6.9%	4.9%	3.2%	2.3%
Colbun	Electric Utilities	124	150	HOLD	2,336	1.7		8.6	7.1	5.9	5.0	0.8	5.1%	7.1%	8.8%	10.1%	4.3%	5.4%
Concha y Toro	Food & Beverage	1,110	1,350	HOLD	881	0.9		9.4	8.7	8.1	7.5	1.0	2.6%	4.3%	10.8%	10.9%	5.2%	5.3%
Empresas Copec	Pulp & Paper	5,960	8,000	BUY	8,321	4.6		7.9	9.1	5.9	6.0	0.7	3.9%	4.6%	8.2%	6.7%	3.6%	3.1%
Enel Americas	Electric Utilities	91	106	HOLD	10,541	3.7		3.8	9.1	3.4	3.3	0.7	2.5%	7.9%	18.0%	6.8%	7.7%	3.3%
Enel Chile	Electric Utilities	49	67	BUY	3,640	4.5		4.8	6.4	4.9	6.2	0.7	8.1%	9.0%	14.8%	10.2%	5.9%	4.4%
Engie Energía Chile	Electric Utilities	865	1,027	HOLD	979	0.8		4.0	4.8	6.8	6.6	0.6	6.4%	5.1%	16.3%	12.3%	5.7%	4.8%
Entel	Telecom & IT	3,010	3,600	HOLD	976	0.9		12.8	7.8	4.5	4.3	0.5	7.8%	6.2%	4.1%	6.5%	1.2%	2.1%
Falabella	Retail	3,011	3,800	HOLD	8,114	6.4		18.1	16.0	9.1	8.1	1.1	0.5%	1.7%	6.4%	6.7%	1.8%	2.0%
Itau Chile	Banks	10,251	13,000	BUY	2,382	2.1		5.8	5.1	nm	nm	0.6	4.8%	5.1%	9.9%	10.5%	0.9%	1.0%
LATAM Airlines	Transport	11.8	15.0	BUY	7,635	12.9	14.7	9.6	8.3	4.5	4.2	14.2	2.3%	3.1%	115.4%	72.2%	5.3%	5.7%
Mall Plaza	Real Estate	1,529	2,000	BUY	3,219	1.6		10.6	9.6	11.1	9.0	1.1	2.7%	3.3%	10.9%	10.5%	6.0%	6.0%
Parque Arauco	Real Estate	1,549	1,900	HOLD	1,507	1.3		12.4	11.5	13.0	12.4	1.0	3.0%	2.4%	8.3%	8.3%	3.1%	3.1%
Quiñenco	Conglomerates	2,994	3,800	HOLD	5,347	1.1		12.8	9.2	nm	nm	0.6	5.1%	2.3%	nm	nm	nm	nm
Ripley	Retail	248	315	HOLD	516	0.6		18.5	8.6	8.5	6.9	0.5	0.0%	1.6%	2.7%	5.5%	0.7%	1.5%
Salfacorp	Cement & Construction	522	710	BUY	364	0.5		6.4	5.0	7.2	6.3	-39.9	3.8%	4.0%	9.5%	11.3%	3.2%	3.9%
Security	Banks	253	250	HOLD	1,087	0.3		7.8	6.5	nm	nm	1.1	10.7%	7.7%	12.7%	14.6%	0.8%	0.9%
SK	Industrial	1,062	1,220	UPERF	1,226	0.2		nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
SM SAAM	Transport	104	125	UPERF	1,088	0.3		22.3	22.3	5.8	5.8	1.0	22.8%	2.8%	4.7%	5.0%	2.5%	2.6%
SMU	Retail	141	210	BUY	871	1.4		13.4	8.7	7.1	6.3	1.0	7.5%	5.2%	7.5%	11.1%	2.5%	3.9%
SQM	Mining	35,600	43,000	HOLD	10,675	22.5	63.6	nm	11.5	9.0	7.0	2.2	0.6%	4.4%	-7.3%	17.9%	-3.4%	8.4%
Vapores	Transport	52	70	BUY	2,886	5.1		48.4	9.8	nm	nm	0.4	40.0%	22.1%	0.8%	4.2%	nm	nm
Chile Sample		6,343	8,000		119,942	115.9		12.4	9.2	6.3	6.0	1.1	4.6%	5.4%	10.5%	11.0%	2.3%	2.5%

Colombia

Company	Sector	Px Last	Px Target	Rating	Mkt. Cap	ADTV		P/E		EV/EBITDA		P/BV		Div Yield.	ROAE		ROAA	
						Local	ADR	2024E	2025E	2024E	2025E	LTM	2024E	2025E	2024E	2025E	2024E	2025E
Bancolombia	Banks	33,660	40,500	BUY	7,949	4.2	8.2	5.5	5.2	nm	nm	0.8	10.5%	9.7%	14.8%	14.2%	1.7%	1.6%
Cemargos	Cement & Construction	7,860	10,500	BUY	2,462	1.5		1.9	25.3	5.0	4.9	0.9	5.6%	4.9%	49.6%	2.9%	27.7%	2.0%
Corficolombiana	Conglomerates	12,500	19,500	BUY	1,077	0.2		nm	nm	nm	nm	0.3	0.0%	0.0%	-0.6%	-1.0%	-0.1%	-0.2%
Davivienda	Banks	18,200	23,500	BUY	1,947	0.4		nm	5.4	nm	nm	0.6	0.0%	0.0%	-0.9%	10.0%	-0.1%	0.8%
Ecopetrol	Oil & Gas	1,930	2,100	UPERF	18,791	2.7	24.5	4.3	3.8	3.4	3.3	1.1	15.4%	14.0%	22.6%	23.3%	6.5%	7.2%
GEB	Electric Utilities	2,510	3,100	BUY	5,457	0.5		9.3	8.2	7.3	6.8	1.3	7.9%	7.6%	13.5%	15.7%	5.6%	6.0%
Grupo Argos	Conglomerates	17,600	18,500	UPERF	3,289	0.9		6.7	18.6	6.4	9.6	0.7	7.7%	4.5%	11.0%	3.7%	4.5%	1.6%
Grupo Aval	Banks	420	550	BUY	2,335	0.3	0.1	9.9	5.6	nm	nm	0.6	7.0%	7.3%	5.9%	10.1%	0.3%	0.5%
Grupo Sura	Conglomerates	30,560	37,500	UPERF	3,945	0.2		3.1	9.8	nm	nm	0.7	3.1%	3.3%	19.8%	6.6%	6.1%	2.0%
ISA	Electric Utilities	17,020	23,100	BUY	4,464	1.5		7.2	6.4	6.5	6.0	1.1	6.6%	7.0%	16.0%	16.4%	3.6%	3.9%
Colombia Sample		1,320	1,520		51,714	12.4		5.5	8.5	5.7	6.1	0.8	6.0%	8.0%	16.3%	14.2%	2.9%	2.6%

Peru

Company	Sector	Px Last	Px Target	Rating	Mkt. Cap	ADTV Local	ADTV ADR	P/E 2024E	P/E 2025E	EV/EBITDA 2024E	EV/EBITDA 2025E	P/BV LTM	Div Yield. 2024E	Div Yield. 2025E	ROAE 2024E	ROAE 2025E	ROAA 2024E	ROAA 2025E
Alicorp	Food & Beverage	6.55	7.40	HOLD	1,202	1.1		8.3	8.3	5.9	5.6	1.71	0.0%	4.8%	19.1%	17.6%	4.3%	4.3%
Buenaventura	Mining	12.5	15.4	BUY	3,448	0.1	21.6	16.1	13.8	4.6	4.2	1.13	0.9%	1.6%	6.9%	7.6%	4.6%	5.1%
Cementos Pacasmayo	Cement & Construction	4.36	4.42	HOLD	530	0.1	0.0	10.5	9.7	6.2	6.0	1.57	8.5%	9.6%	15.9%	16.9%	6.0%	6.6%
Cerro Verde	Mining	38.0	38.8	UPERF	13,302	1.5		14.0	12.4	6.2	5.6	1.89	5.3%	7.5%	14.0%	15.4%	11.7%	12.9%
Engie Peru	Utilities	4.03	5.15	BUY	644	0.1		10.1	8.4	5.0	4.6	0.53	4.0%	4.3%	5.3%	6.1%	2.8%	3.4%
Ferreycorp	Materials	2.82	3.97	BUY	709	0.5		6.1	5.7	4.3	4.4	0.97	9.0%	9.1%	15.9%	15.7%	6.5%	6.7%
Southern Copper	Mining	98.0	71.1	UPERF	76,982	0.1		25.2	26.4	13.5	14.0	9.07	3.0%	2.9%	39.2%	34.1%	17.8%	16.5%
IFS	Banks	25.0	32.0	BUY	2,885	0.3	2.0	9.8	6.5	nm	nm	1.07	3.9%	4.1%	10.7%	14.7%	1.2%	1.7%
InRetail	Retail	29.8	38.0	BUY	3,241	0.7		13.2	11.7	7.0	6.6	2.24	2.7%	3.4%	16.2%	16.5%	4.3%	4.7%
Minsur	Mining	4.40	4.83	HOLD	3,370	0.3		6.2	4.9	4.2	3.3	1.84	7.1%	8.0%	28.7%	30.6%	11.0%	13.0%
Unacem	Cement & Construction	1.49	2.03	BUY	720	0.4		6.5	5.0	5.1	4.9	0.47	6.6%	7.5%	7.1%	8.9%	3.0%	4.0%
Peru Sample		28,540	32,380		107,032	5.3		14.3	13.0	6.2	6.0	3.68	3.4%	3.7%	20.3%	20.2%	7.5%	7.7%

03 / Andean Fixed Income Strategy

Credicorp Capital

Andean Fixed Income Strategy

Gearing up to surf the rate-cut cycle. Focus shifts to growth in a context of tight spreads

2024 has been a year marked by optimism towards growth expectations, a supportive environment for spreads. With some sporadic setbacks, markets have largely been pricing in a soft-landing scenario, which has driven spreads close to historical lows. Recession fears resurfaced briefly in August following a disappointing U.S. jobs report, but overall, incoming data continues to suggest a soft landing. Plus, inflation has been sticky, but it slowly recedes. On the side, this year, markets struggled to settle views on interest rates, specifically regarding the timing for the beginning of the easing cycle. But uncertainty has finally dissipated, as it is clear that the period of rate cuts has begun. This combination of easing inflation and low recession risks has supported good sentiment around risk assets, with corporate credit markets being no exception. Currently, the YTD return of the CEMBI stands at 7.2%.

Our base case assumes a soft-landing scenario, in which we expect spreads to remain supported.

Despite the strong YTD performance, we continue to see attractive opportunities in the LatAm fixed-income market. Our base case assumes a soft-landing scenario, in which we expect spreads to remain supported. Moreover, the appetite for our asset class should stand strong given the current high-yield environment, the expectation of lower rates, and the strength of corporate balance sheets. Additionally, there are two other factors that enhance our outlook: the improved supply/demand dynamics that follow a modest primary market activity over the past two years, and our expectation that inflows to the region will be boosted by declining global rates.

However, we remain cautious due to the current level of spreads, which are tight compared to the historical average. Plus, we see that the FED is expected to start cutting rates in the coming days, but the magnitude and pace of these cuts remain uncertain. Markets will stay highly sensitive to activity data, trying to decipher the potential risk of a FED falling behind the curve. Moreover, volatility related to the upcoming U.S. elections will likely increase. The election outcome, and particularly the composition of Congress, will be key to determining next year's rate trajectory. Hence, amid remaining uncertainty regarding the pace of the monetary easing cycle, key events in the US political landscape, and the always-present geopolitical risks, our focus turns to growth.

We are favoring defensive alternatives that offer attractive carry to capitalize on the high-yield momentum

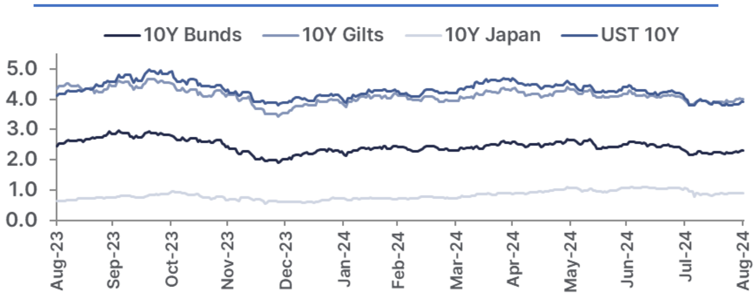
As a result, we are maintaining a defensive approach, focusing on companies with resilient business models and robust access to financing. We believe this strategy allows us to capitalize on attractive yields while mitigating exposure to potential market volatility. At current levels, spread compression seems limited, which reduces opportunities in the HY segment. Moreover, the pick-up of HY over IG has narrowed, which increases the downside risk for lower-quality names. But as always, selection is key, and we believe there are HY names that look cheap considering clear positive triggers ahead. On the other hand, higher-rated credits will be more resilient if the global macro-outlook deteriorates, as they will benefit from lower spread volatility and declining rates. In this line, we are favoring defensive alternatives that offer an attractive carry in order to capitalize on the high-yield momentum. In terms of duration, given current levels of rate volatility, we see room to tactically increase duration in the short term.

Lastly, corporate spreads in LatAm have tightened by 56bps YTD, below the rest of EM (-71bps YTD). In this line, we believe our region looks attractive on a relative basis and it stands out as a good opportunity considering the improved political landscape and some robust corporate balance sheets, which are set to improve as regional macroeconomic prospects strengthen after a weak 2023.

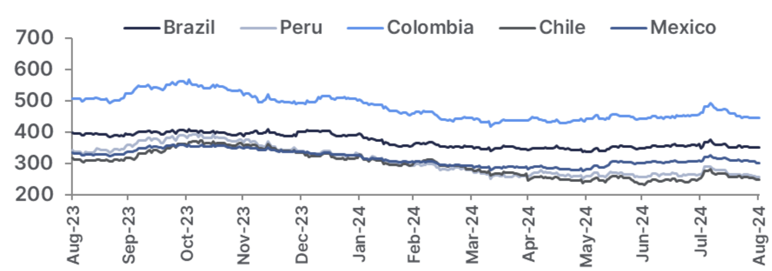
Our Overweights in the Andean Region

Bond	Company	Sector	Country	Rating	Amt. Out	Duration	Z-spread	YTW	Carry	Coupon	Price	Next Call
AES 27 (CH)	Electrica Cochrane	Utilities	CL	Ba1 / NR / BBB-	USD 196mn	2.2	336	6.82%	0.46%	5.50%	99.3	-
AES 79	AES Andes	Utilities	CL	Ba2 / BB / BB	USD 228mn	0.3	323	8.64%	0.53%	6.35%	99.3	7/1/2025
BFALA 32	Falabella	Retail	CL	NR / BB+ / BB+	USD 650mn	6.4	280	6.00%	0.33%	3.38%	84.6	15/10/2031
CELARA 27	Celulosa Arauco	Pulp & Paper	CL	Baa3 / BBB- / BBB	USD 470mn	2.9	175	5.05%	0.33%	3.88%	96.6	2/8/2027
CELARA 47	Celulosa Arauco	Pulp & Paper	CL	Baa3 / BBB- / BBB	USD 378mn	12.8	271	5.99%	0.49%	5.50%	93.9	2/5/2047
CENSUD 31	Cencosud	Retail	CL	Baa3 / NR / BBB	USD 650mn	5.4	213	5.32%	0.48%	5.95%	103.4	28/3/2031
BANBOG 26	Banco de Bogota	Banks	CO	Ba2 / NR / BB-	USD 1,083mn	1.6	249	6.10%	0.52%	6.25%	100.2	-
BCOLO 29	Bancolombia	Banks	CO	Ba3 / NR / BB-	USD 550mn	0.3	401	9.05%	0.39%	4.63%	98.8	18/12/2024
BCOLO 34	Bancolombia	Banks	CO	Ba3 / NR / BB-	USD 800mn	4.0	412	7.33%	0.68%	8.63%	105.1	24/6/2029
DAVIVI RP 31	Davivienda	Banks	CO	B2 / NR / B	USD 500mn	5.1	731	10.49%	0.68%	6.65%	82.0	22/4/2031
EEPPME 29	Empresas Públicas de Medellín	Utilities	CO	Baa3 / NR / BB+	USD 1,000mn	4.4	331	6.50%	0.39%	4.25%	90.8	18/4/2029
EEPPME 31	Empresas Públicas de Medellín	Utilities	CO	Baa3 / NR / BB+	USD 575mn	5.6	358	6.78%	0.42%	4.38%	87.7	15/11/2030
TERMOC 31	Termocandelaria	Utilities	CO	NR / BB / BB	USD 425mn	5.5	471	7.85%	0.65%	7.75%	99.5	0/1/1900
HNTOIL 33	Hunt Oil Company of Peru	Oil & Gas	PE	Ba1 / NR / BBB	USD 500mn	5.1	301	6.38%	0.64%	8.55%	111.7	18/6/2033
IFSPE 27	IFS	Banks	PE	NR / BB+ / BBB-	USD 300mn	2.9	233	5.58%	0.36%	4.13%	95.9	19/7/2027
ORSAPE 27	Orazul	Utilities	PE	NR / BB- / BB	USD 363mn	2.4	334	6.69%	0.48%	5.63%	97.5	9/10/2024
SCCO 35	Southern Copper Corp	Metals & Mining	PE	Baa1 / BBB+ / BBB+	USD 1,000mn	7.9	201	5.27%	0.53%	7.50%	118.3	-

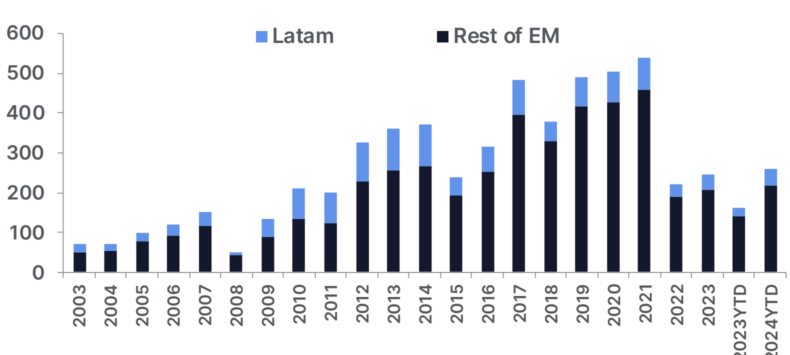
Evolution of Global Interest Rates



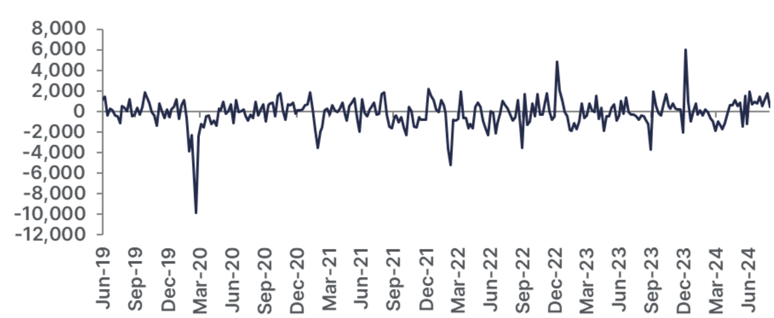
Corporate Spread Evolution by Country



New Issuances (USD bn)



Weekly Flows to EM (USD bn debt flows)



04 / Sector Reviews

Andean **Investor Guide** 2025

Credicorp Capital

4.1 / Andean Banks

Andean **Investor Guide** 2025

Credicorp Capital

Andean Banks

We expect a change in the banking sector's trend, but we see risks from a top-down perspective.

Chilean banks managed to navigate the challenging scenario, while Banks in Colombia and Perú were impacted by the pressure in margins and higher provision expenses.

The banking sectors in the Andean countries are starting to see the light at the end of the tunnel and should enter a new cycle in 2H24 and 2025. Most banks in our economies were impacted by weak economic activity and high inflation and interest rates, which translated into pressured margins and a material increase in provision expenses. Some banks, like those in Chile, successfully navigated the challenging environment by capitalizing on the positive impact of inflation on margins and the strong levels of household liquidity, resulting in low provisions. Conversely, banks in Colombia and Perú suffered pressures in margins and higher provisions, resulting in historic low figures of net profits and profitability.

With this in mind, what is the light at the end of the tunnel? With a clear trend of inflation deceleration and lower interest rates, banks should gradually show margin improvements and reduce the need for provision expenses. Moreover, economic activity should also benefit from normalizing inflation and interest rates, resulting in a slow but gradual reactivation of loan growth in our economies. Under this scenario, we expect investors to take advantage of discounted valuations and a better outlook for the banking sector. However, we recognize that the top-down approach may continue to pose challenges and cause delays in materializing some of our investment theses, particularly in Colombia. **Overall, we see better opportunities in Chile, especially in the most discounted names, followed by Perú and our thesis in IFS. Finally, we observe the most discounted names in Colombia, but the political uncertainty prevents us from being more constructive and it should not change for several months.**

Chilean banks should benefit from the economy's gradual acceleration, slightly higher short-term inflation, and decreases in interest rates.

Chile. Banks should benefit from the gradual acceleration of economic activity despite the negative surprise in the GDP growth in 2Q24. Thus, we expect loan growth to follow a similar performance and grow 5.7% y/y in 2024 and accelerate to 6.9% y/y in 2025 (nominal growth). Moreover, banks should benefit from the double positive effect of higher inflation in 2H24 & 1H25 and the decreases in interest rates from the central bank. The critical factor to monitor is the evolution of asset quality indicators. Even though coverage ratios remain healthy, with banks having additional provisions, the NPL ratio reached levels not seen since 2012. Finally, the volatility of the CLP is a factor to watch, especially for international investors.

With this backdrop, we see the opportunities in **BCI (BUY; T.P: CLP 36,500)** and **Itau Chile (BUY; T.P: CLP 13,000).** BCI is reporting resilient results in Chile and should benefit from the decreases in the FED rate. Itau Chile has also posted better results than expected and shows that the principality strategy is going in the right direction. On the other hand, we have a favorable view of **Banco de Chile (HOLD; T.P: CLP 125)** and **Santander (HOLD; T.P: CLP 57),** but the valuation for both banks looks relatively fair.

Andean Banks

Banks in Colombia should see an inflection point in risks metrics, but the high political uncertainty and the weak reactivation of the economy could be obstacles in 2H24 and 2025.

Colombia. Lower inflation and the reduction of interest rates are the main catalysts to observe a recovery in the banking sector. Specifically, we expect to see an inflection point in risk metrics after the cycle took longer than initially expected and should translate into a lower need for provision expenses. Meanwhile, the decrease in rates should benefit the funding costs and expansion of margins. Both elements should help banks to show a gradual recovery of net profits and profitability. However, the macro scenario continues to look challenging with i) persistent political uncertainty in the upcoming years and ii) a below-potential GDP growth with a depressed investment. The latter is an obstacle that should impact loan growth in the upcoming quarters, as we estimate a loan growth of 2.7% y/y in 2024 and of 6.8% y/y in 2025. That said, valuations are too cheap to ignore.

Under this context, we set BUY recommendations for the three companies under coverage. **Bancolombia (BUY; T.P: COP 40,500)** is our safest bet. Despite the expected normalization in profits, the profitability should continue to be well above that of peers in 2024 and 2025. Moreover, the stock's liquidity (ADTV of USD 4.2 mn) is one of the highest in the Colombian market. On the other hand, we believe **Davivienda (BUY: T.P: COP 23,500) and Grupo Aval (BUY: T.P: COP 550)** are risky bets and are targeted at long-term investors. Both companies look very discounted and should post gradual recoveries with the new banking outlook. However, both investment theses might take time to materialize given the still weak profitability in 2024, the high levels of political uncertainty, and the low stock liquidity. Moreover, capital ratios are above minimum requirements but seem tight considering the expected change in the loan growth cycle. Finally, the COP volatility should also be a factor to watch, especially for international investors.

The combination of a cyclical recovery of the economy, controlled inflation, and the normalization of interest rates is a catalyst for the banking sector

Peru. The combination of a cyclical recovery of the economy, controlled inflation, and the normalization of interest rates is a catalyst for the banking sector. In this context, we anticipate a loan growth of 4.4% y/y in 2024 and reaching 6.9% y/y in 2025%. Moreover, the inflation at 2.0% and the interest rate between 5.0% and 4.25% should result in a recovery of asset quality indicators and improved margins. The main risks on the horizon are i) a weaker-than-anticipated loan growth and ii) a slower normalization of asset quality indicators.

With this in mind, we introduce a BUY recommendation on **IFS (BUY; T.P: USD 32)**. The company should post a better 2H24 due to the improvement of the banking business, considering i) the decrease in the cost of risk amid a lower need for provisions in the consumer portfolio and ii) a gradual improvement of margins, mainly related to a lower cost of funds. Profitability in 2024 and 2025 is expected to remain below the company's long-term target. However, there is a clear trend of recovery, and the stock is trading at a discount with a P/BV ratio of 0.9x for 2025E.

Andean Banks

In FI, we find opportunities amid the expected recovery, but the structure risk must be assessed rigurously

In FI, we find room for spread compression in some holding to subsidiary trades and interesting carry and yield-to-call plays in Colombia. But for the latter, we emphasize that capitalization is key to assess the structure risk.

Moving into the fixed-income universe, we note that the expected recovery might differ for names under our coverage, but the path seems to be in the right direction. However, some of our favorite stories seem to already have this improvement priced in. Having said this, we find room for spread compression in some holding to subsidiary trades and interesting carry and yield-to-call plays in Colombia. But for the latter, we emphasize that capitalization is key to assess the structure risk.

In Peru, we are also OW on IFSPE 27, considering the outlook for recovery and room for spread compression versus BINTPE 34. The holding IFHBH 29 looks attractive on fundamentals supported by higher diversification and expected improved performance, but it is trading at fair differentials to IFSPE 27. Universal banks BINTPE and BCOCPE are both gearing up for the expected recovery at different paces considering their loan origination strategies, but solvency remains solid and above 2025 fully loaded requirements. We are optimistic about their stories but Neutral on valuation grounds. Finally, COFIDE will continue to underperform in profitability, which is attributable to its social nature. However, capitalization remains strong, and government support is present. We like the name, but we don’t see attractive entry points at current levels.

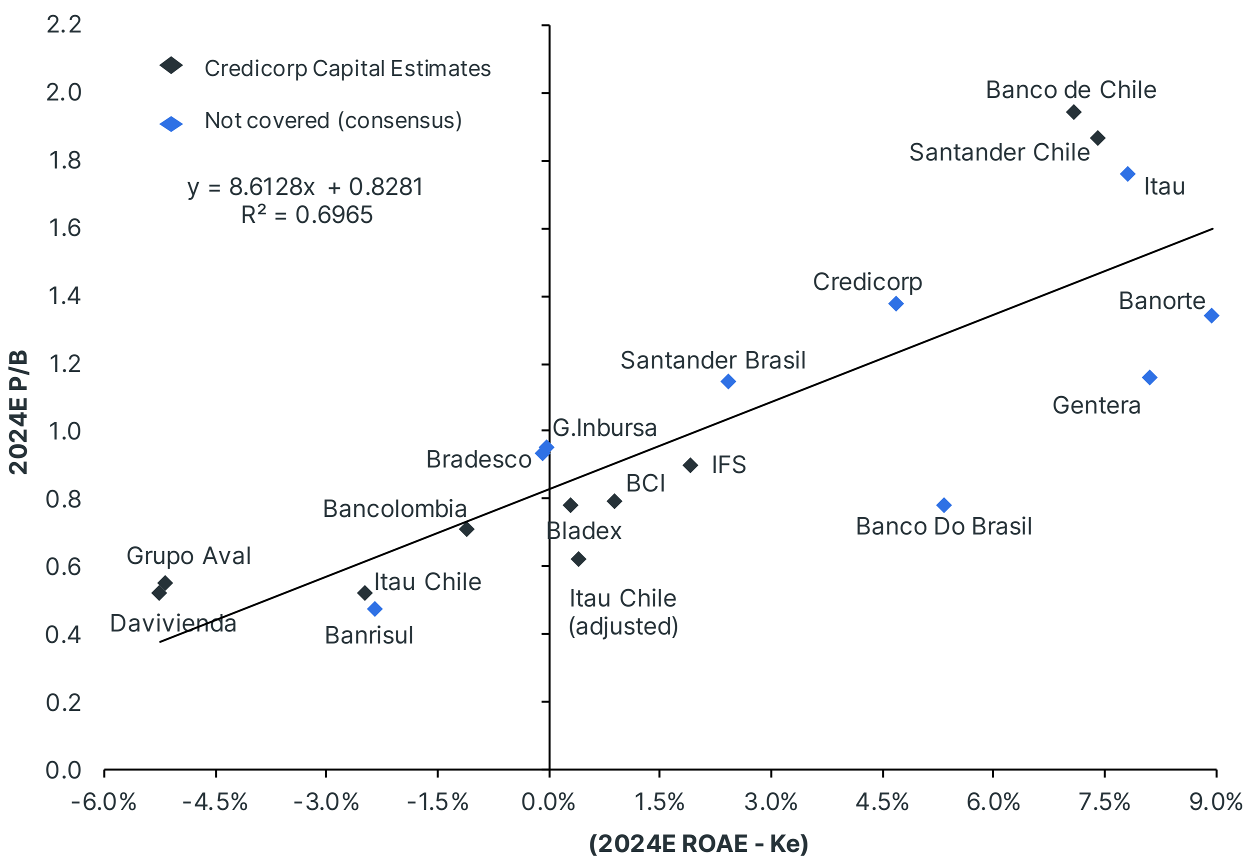
Looking at Colombian financial bonds, we have an OW for the BCOLO 29 as we believe the probability of the call this year is high, and the carry looks attractive. We are also OW on the BCOLO 34, which looks cheaper than the BCOLO 27. We see Banco de Bogota bonds as fairly priced but remain OW on the BANBOG 26 as they offer a good carry for a short duration. Lastly, our most risky call is the DAVIVI Perp. Despite the strong rally YTD, bonds remain discounted versus other AT1 bonds in the region. They should continue to recover alongside the expected gradual improvements in the bank's figures in coming quarters.

Relative Valuation

Credicorp Capital Coverage Universe

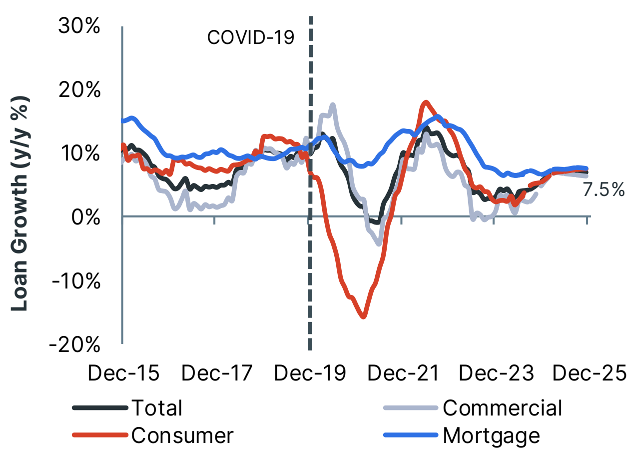
	Country	Price	Target	Market Cap	CC	P/E					P/B					Dvd Yield	ROAE				
		(local)	(local)	(USD mn)	Rating	22	23	24E	25E	26E	22	23	24E	25E	26E	25E	22	23	24E	25E	26E
Chile	CL	115.0	125.0	12,480	HOLD	6.3	8.4	9.7	10.4	10.1	1.8	2.0	2.1	1.9	1.8	6.7%	31.0%	24.6%	22.1%	19.3%	18.6%
Santander	CL	47.7	57.0	9,649	HOLD	7.9	16.3	11.5	9.9	9.2	1.5	1.9	2.0	1.9	1.7	5.2%	21.5%	11.7%	17.7%	19.6%	19.5%
BCI	CL	27,301	36,500	6,410	BUY	4.8	6.3	6.9	6.3	5.8	0.9	0.9	0.9	0.8	0.7	4.6%	17.7%	12.6%	13.3%	13.1%	13.2%
Itaucorp	CL	10,251	13,000	2,382	BUY	3.9	5.2	5.8	5.1	4.6	0.5	0.5	0.6	0.5	0.5	5.1%	13.1%	10.1%	9.9%	10.5%	10.9%
Bcolo	CO	33,660	40,500	7,949	BUY	4.8	4.7	5.5	5.2	4.8	0.8	0.8	0.8	0.7	0.7	9.7%	19.0%	15.9%	14.8%	14.2%	14.2%
Davivienda	CO	18,200	23,500	1,947	BUY	7.8	nm	nm	5.4	3.8	0.8	0.6	0.6	0.5	0.5	0.0%	10.5%	-2.6%	-0.9%	10.0%	13.1%
Aval	CO	420	550	2,335	BUY	5.2	15.6	9.9	5.6	4.1	0.8	0.7	0.6	0.5	0.5	7.3%	15.1%	4.4%	5.9%	10.1%	12.8%
IFS	PE	25.0	32.0	2,885	BUY	6.3	8.8	9.8	6.5	5.3	1.1	0.9	1.0	0.9	0.8	4.1%	17.7%	11.1%	10.7%	14.7%	16.0%
Bladex	PN	30.2	39.5	1,104	BUY	6.5	5.4	5.5	5.9	5.8	0.6	0.8	0.8	0.8	0.7	6.6%	8.9%	14.6%	15.9%	13.8%	13.1%
Banking Coverage Median				**2,885**		**6.3**	**7.3**	**8.3**	**5.9**	**5.3**	**0.8**	**0.8**	**0.8**	**0.8**	**0.7**	**5.2%**	**17.7%**	**11.7%**	**13.3%**	**13.8%**	**13.2%**
Banking Coverage Average				**2,885**		**5.9**	**8.8**	**8.1**	**6.7**	**5.9**	**1.0**	**1.0**	**1.0**	**1.0**	**0.9**	**5.5%**	**17.2%**	**11.4%**	**12.2%**	**13.9%**	**14.6%**

LatAm Relative Valuation

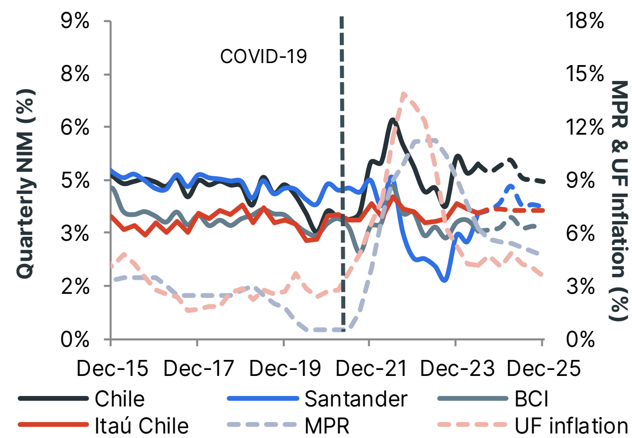


Chile

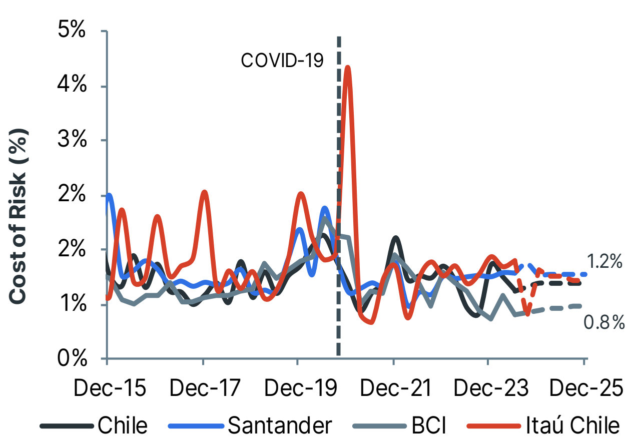
Loan Growth



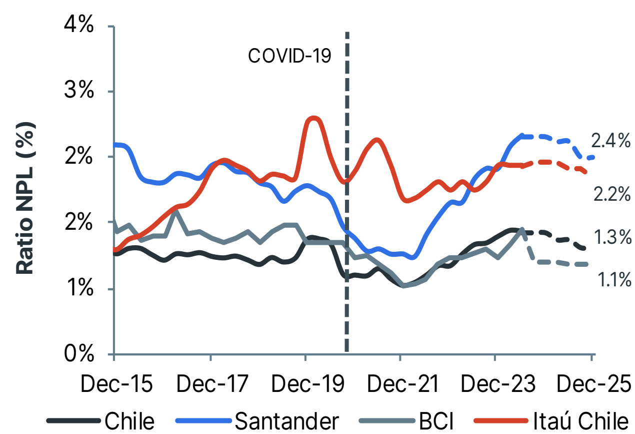
Quarterly NIM



Cost of Risk

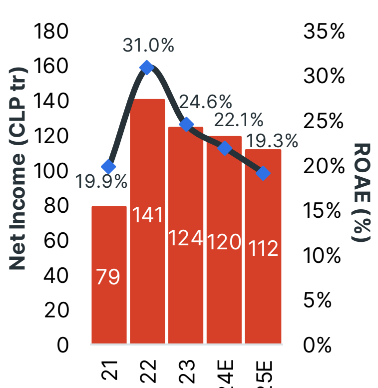


NPL Ratio

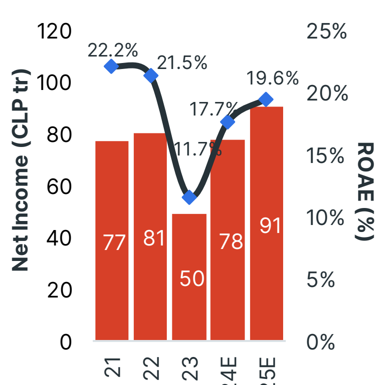


ROAE

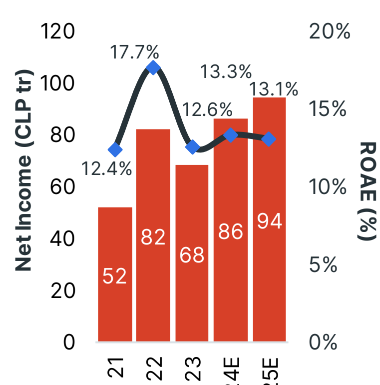
Banco de Chile



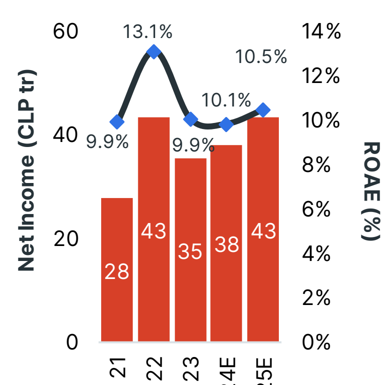
Santander



BCI

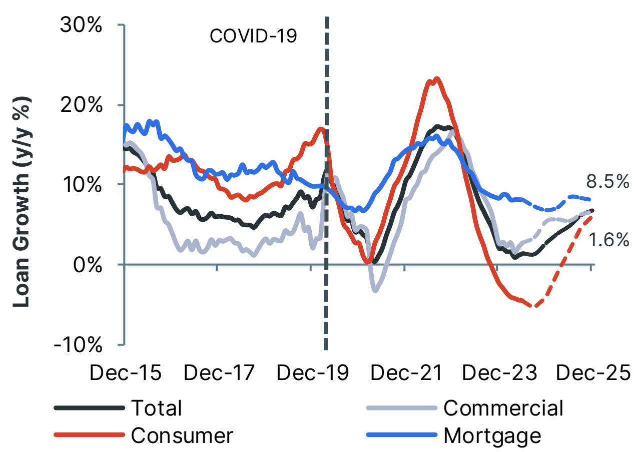


Itaú Chile

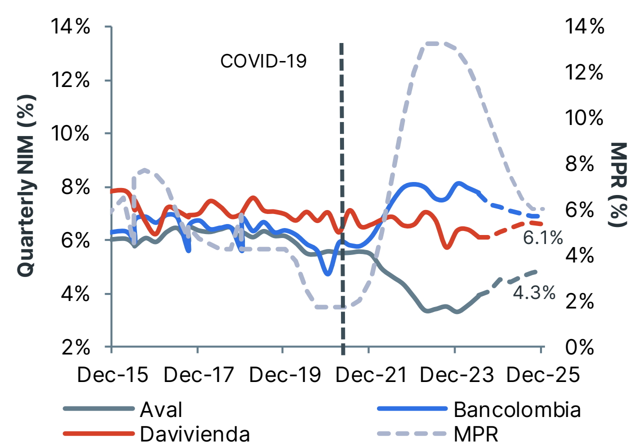


Colombia

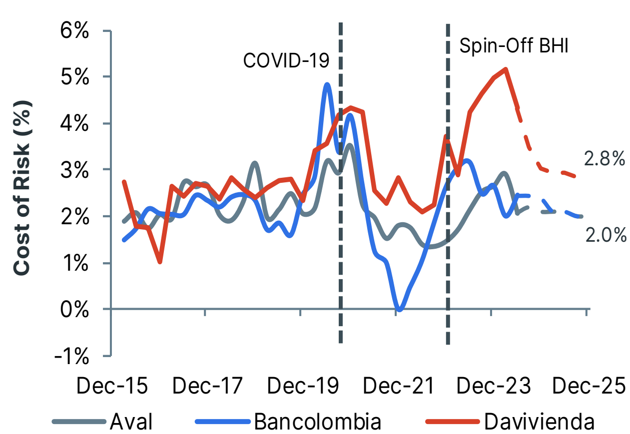
Loan Growth



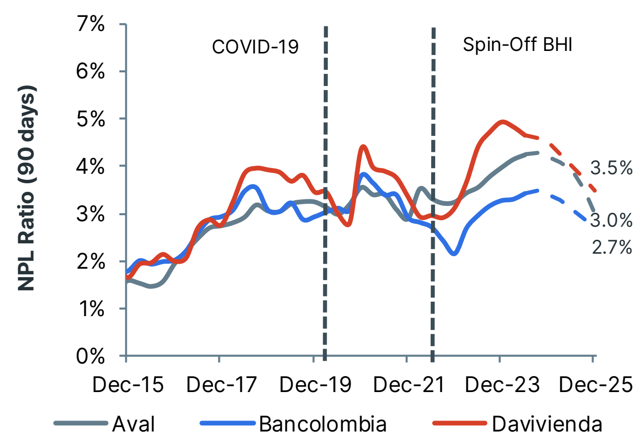
Quarterly NIM



Cost of Risk

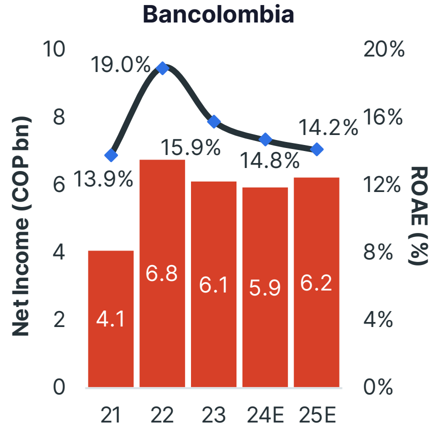


NPL Ratio

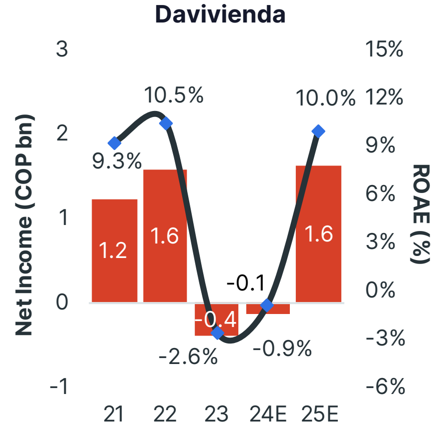


ROAE

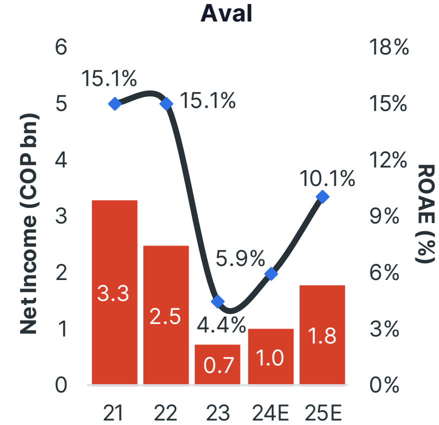
Bancolombia



Davivienda

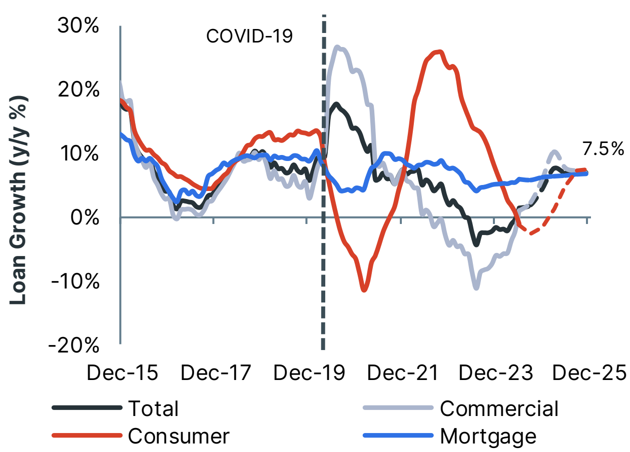


Aval

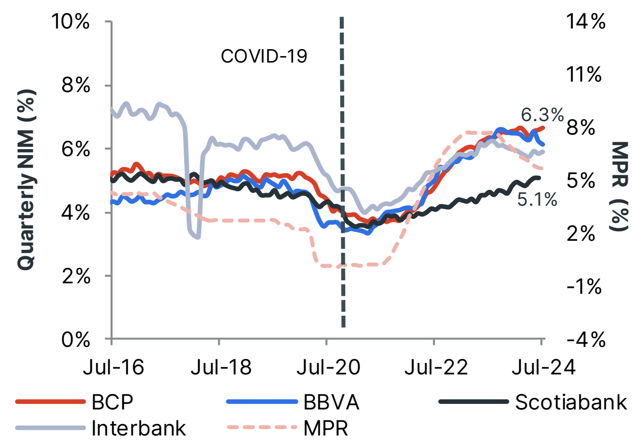


Peru

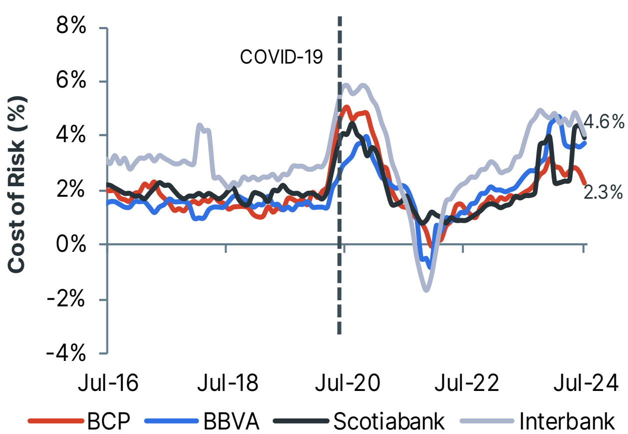
Loan Growth



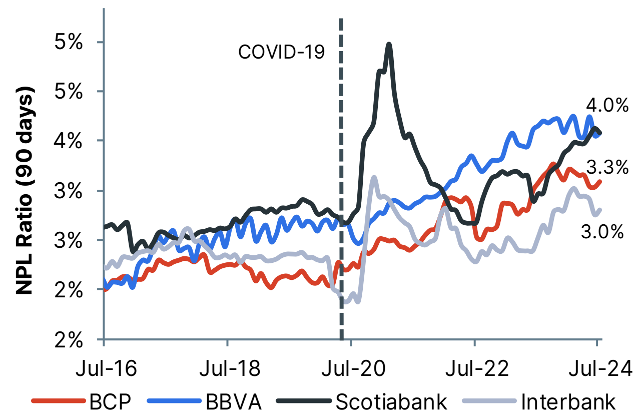
Quarterly NIM



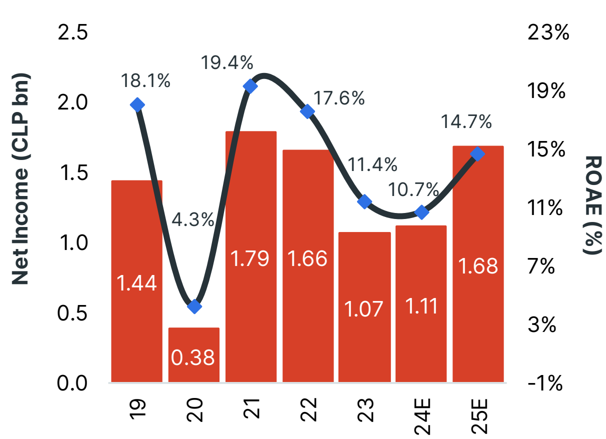
Cost of Risk



NPL Ratio

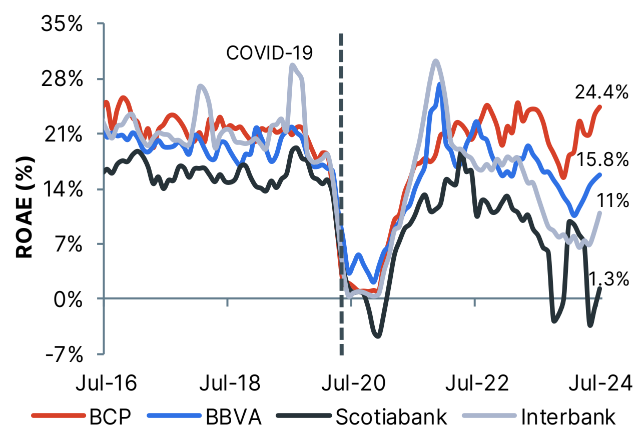


IFS – Net Profits & ROAE



*Annualized figures

Quarterly ROAE



Banco de Chile

Rating: Hold
TP: CLP 125 (loc) / USD 28.1 (ADR)

Daniel Mora - dmoraa@credicorpcapital.com
Santiago Martinez - smartinez@credicorpcapital.com

Robust financials and profitability despite the expected normalization ahead. The positive story is mainly priced in

Investment Thesis

We are introducing our 2025E TP of CLP 125/share (USD 28.1 ADR) and maintaining our HOLD rating. We continue to believe that Banco de Chile is the best bank in Chile, supported by higher net profits and ROAE figures than its peers. Moreover, the normalization of financial results is taking longer than initially expected. In fact, 2024 would be the fourth consecutive year with an ROAE figure above the company's long-term target of 18%, as we estimate an ROAE of 22.1% in 2024, compared to the company's guidance of 21.0%. In 2025, we anticipate an ROAE close to 19.3%. Despite the solid performance and expected normalization of results, we reiterate that the story is priced in. Thus, the stock trading at 1.9x P/BV 2025E and 10.4x P/E 2025E looks fair in our view.

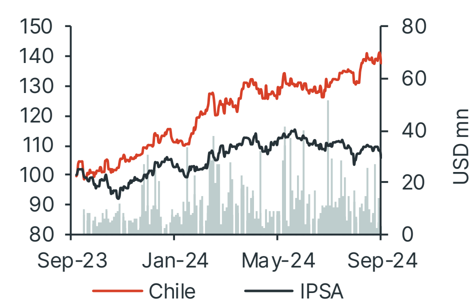
What is the scenario for 2H24 and 2025? Higher expected inflation in 2024 (4.7% in our view) should continue to support the NIM in 2H24. Thus, we estimate a NIM of 4.8% in 2024. For 2025, we anticipate a NIM normalizing to 4.6%, which reflects the effect of lower inflation in 2025 (3.5% in our view). Meanwhile, a cost of risk of 1.0% and an efficiency ratio of 38% should translate into ROAE levels of 21.0% on average for 2H24. In 2025, a lower NIM, a stable cost of risk at 1.1%, and an efficiency ratio between 38%-39% give us an ROAE figure of 19.3%.

What are the main upside/downside risks in our thesis? The main downside risk comes from weak loan growth, as we forecast a loan growth of 6.0% y/y in 2024 and 7.1% y/y in 2025. The main upside risk is the reversal of part of the CLP 700 bn in additional provisions, which could boost ROAE figures to levels above 25%.

Stock Data

Ticker	chile ci / bch us
Price (CLP)	115 (loc) / 24.8 (ADR)
Target (CLP)	125 (loc) / 28.1 (ADR)
Total Return	15.4%
LTM Range	82.2 - 117.4
M. Cap (USD mn)	12,480
Shares Outs. (bn)	101.0
Free Float	45.8%
ADTV (USD mn)	10.7

Price Chart (CLP) and Volumes (USD mn)



Valuation

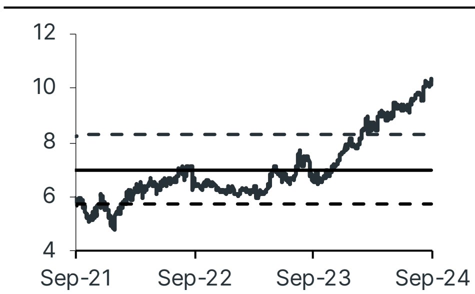
Our 2025E TP is based on a ten-year residual income model, assuming a nominal Ke of 12.4% in CLP and perpetuity growth of 5.6%. Our TP implies a 2.1 P/BV and an 11.3x P/E 2025E, while shares are currently trading at a 1.9x P/BV and a 10.4x P/E 2025E. The industry's median multiples from Andean peers are 0.8x P/BV and 5.9 P/E 2025E. **Our valuation models consider a long-term ROAE of 18.8%.**

Valuation Summary

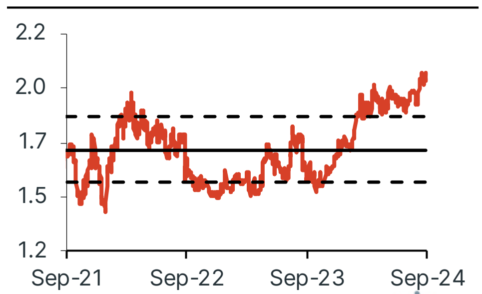
	2023	2024E	2025E	2026E
P/E	8.4	9.7	10.4	10.1
P/BV	2.0	2.1	1.9	1.8
ROAE	24.6%	22.1%	19.3%	18.6%
ROAA	2.2%	2.2%	2.0%	1.9%
Div. Yield	8.3%	7.0%	6.7%	6.3%

Sources: Company Reports and Credicorp Capital

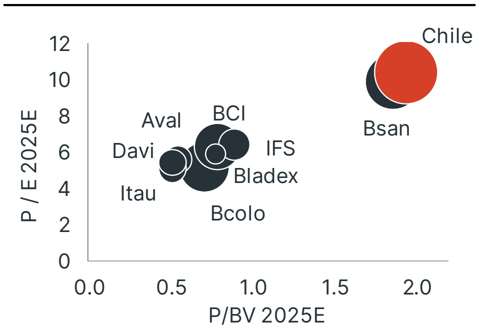
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

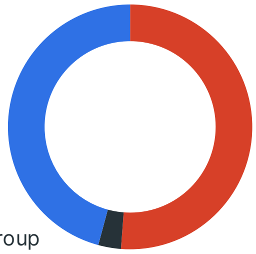


Chile

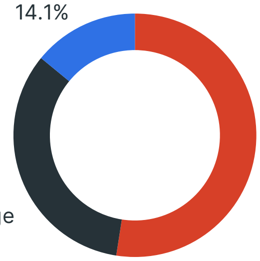
Company Description

Banco de Chile is a full-service financial institution offering credit products and services across all segments of the Chilean financial market. Currently, Banco de Chile competes with Santander for the leadership within the banking industry in Chile by loan size with ~USD 41 bn and ~16.1% market share. The bank is one of the most profitable banks within the Chilean industry. Banco de Chile is controlled by a 50/50 joint venture between Citi and Quiñenco.

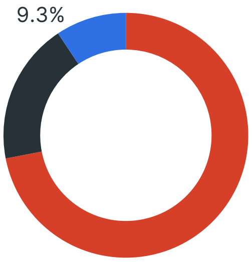
Ownership Structure



Loans by segment (2Q24)



Revenue breakdown (2Q24)



Management

CEO: Eduardo Ebensperger
CFO: Rolando Arias
HIR: Pablo Mejía
www.bancochile.cl

Income Statement

CLP bn	2022	2023	2024E	2025E	2026E
Net interest income	2,236	1,891	2,138	2,170	2,298
Net fee income	532	545	566	602	654
Operating income	3,116	2,997	3,033	3,052	3,233
Provision expenses	-435	-361	-402	-448	-486
Operating expenses	-995	-1,119	-1,114	-1,181	-1,265
Net income	1,409	1,244	1,196	1,118	1,153
EPS (CLP)	14.0	12.3	11.8	11.1	11.4
Net margin	45.2%	41.5%	39.4%	36.6%	35.7%

Balance Sheet

CLP bn	2022	2023	2024E	2025E	2026E
Cash & interbank loans	5,711	5,399	4,937	5,027	5,403
Investments	11,664	11,224	8,318	8,679	9,295
Gross loans	36,695	37,601	39,847	42,690	45,881
Total assets	55,255	55,793	54,812	58,222	62,535
Total deposits	27,540	28,687	30,419	32,590	35,026
Other funding	16,021	16,100	13,004	13,932	14,974
Total liabilities	50,397	50,555	49,202	52,231	56,136
Minority interest	0.002	0.002	0.000	0.000	0.000
Shareholder's equity	4,858	5,237	5,611	5,991	6,398
Total liabilities + Equity	55,255	55,793	54,812	58,222	62,535

Ratios

	2022	2023	2024E	2025E	2026E
NIM	5.5%	4.3%	4.8%	4.6%	4.6%
Fee ratio	17.1%	18.2%	18.6%	19.7%	20.2%
Cost-to-income ratio	-31.9%	-37.3%	-36.7%	-38.7%	-39.1%
NPL / loans	1.1%	1.4%	1.5%	1.3%	1.2%
LLP / loans	-2.1%	-2.0%	-2.1%	-2.1%	-2.1%
Cost of credit risk	-1.2%	-1.0%	-1.0%	-1.1%	-1.1%
LLP / NPL	-196%	-143%	-139%	-160%	-173%
LTD ratio	374.7%	273.8%	257.1%	285.6%	299.9%
Loan-to-funding ratio	82.5%	82.2%	89.9%	89.9%	89.9%
BIS ratio	18.0%	17.5%	17.5%	17.3%	17.1%
ROAE	31.0%	24.6%	22.1%	19.3%	18.6%
ROAA	2.6%	2.2%	2.2%	2.0%	1.9%

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Andean **Investor Guide** 2025

Banco Santander

Equity Research Chile
Banks

Rating: Hold
TP: CLP 57.0 (loc) / USD 25.6 (ADR)

Daniel Mora - dmoraa@credicorpcapital.com
Santiago Martinez - smartinez@credicorpcapital.com

The recovery has started to materialize, but the market has priced in large part of the better performance in 2H24 and 2025

Investment Thesis

We are introducing our 2025E TP of CLP 57/share (USD 25.6 ADR) and maintaining our HOLD rating. After the positive surprise in 2Q24, with a 20.8% ROAE, investors changed their perception of Santander and started incorporating a better bank performance in 2H24. We are part of that group, as we now estimate an ROAE of 17.7% in 2024, driven by the recovery of the NIM and the higher expected inflation. Moreover, for 2025, we anticipate a 19.6% ROAE, also driven by a sequential margin increase. In any case, the stock trading at 1.9x P/BV 2025E and 9.9x P/E 2025E incorporates much of the expected recovery ahead. We acknowledge that we see a higher upside potential than Banco de Chile, but a total return of 24.8%, which is non-negligible, is aligned with the return of the IPSA index. The latter supports our HOLD rating.

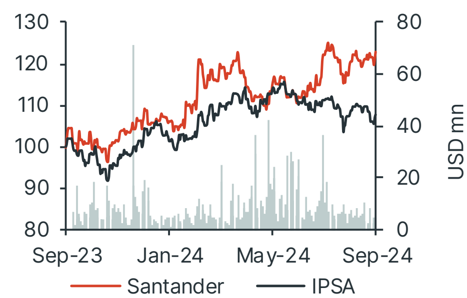
The recovery of margins explains Santander's return to ROAE figures of 20.0%. In 2Q24, the NIM reached 3.6%, expanding 88-bps q/q, supported by higher inflation, the expiration of the FCIC, and the lower cost of funds. These effects should also positively affect 2H24 as we anticipate an NIM of 3.8% on average to reach an NIM of 3.4% in 2024 (in line with guidance). In 2025, a loan growth of 7.0% y/y and a 3.5% inflation translates into a 3.9% NIM, becoming the highest figure of the last three years.

The main risk is a higher need for provisions. The bank has already increased the cost of risk guidance to 1.3% in 2024 due to a higher need for provisions in the middle market focused on agriculture, construction, and real estate. We are incorporating a cost of risk of 1.23% in 2024 and slightly decreasing to 1.20% in 2025.

Stock Data

Ticker	bsan ci / bsac us
Price (CLP)	47.7 (loc) / 20.4 (ADR)
Target (CLP)	57.0 (loc) / 25.6 (ADR)
Total Return	24.8%
LTM Range	37.4 - 48.5
M. Cap (USD mn)	9,649
Shares Outs. (bn)	188.4
Free Float	32.8%
ADTV (USD mn)	8.1

Price Chart (CLP) and Volumes (USD mn)



Valuation

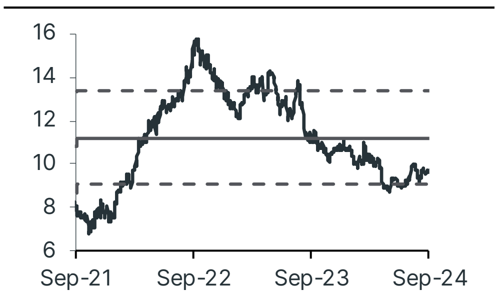
Our 2025E TP is based on a ten-year residual income model, assuming a nominal Ke of 12.7% in CLP and perpetuity growth of 5.6%. Our TP implies a 2.2x P/BV and 11.8x P/E 2025E, while shares are currently trading at a 1.9x P/BV and a 9.9x P/E 2025E. The industry's median multiples from Andean peers are 0.8x P/BV and 5.9x P/E 2025E. **Our valuation models consider a long-term ROAE of 19.3%.**

Valuation Summary

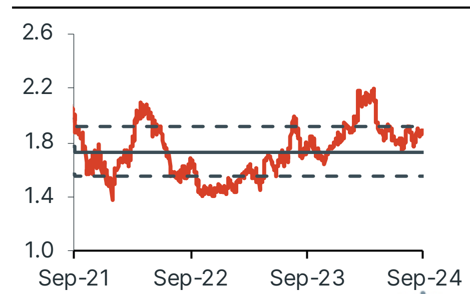
	2023	2024E	2025E	2026E
P/E	16.3	11.5	9.9	9.2
P/BV	1.9	2.0	1.9	1.7
ROAE	11.7%	17.7%	19.6%	19.5%
ROAA	0.7%	1.1%	1.3%	1.4%
Div. Yield	6.0%	3.9%	5.2%	6.1%

Sources: Company Reports and Credicorp Capital

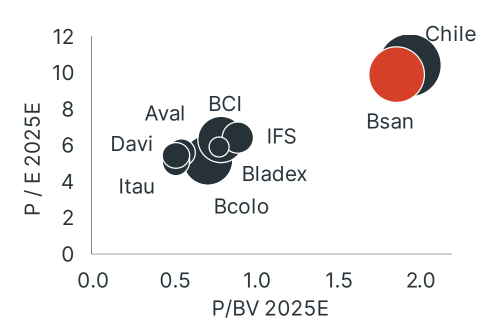
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

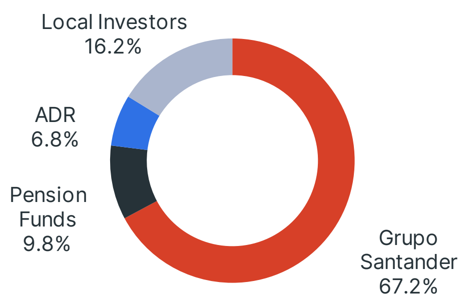


Santander

Company Description

Santander is one of the largest financial institutions in Chile, with more than ~USD 43 bn in total loans and a ~17.2% market share. The bank has historically maintained one of the highest levels of profitability in the Chilean industry due to costs efficiencies derived from its large scale and its higher spread portfolio, focused on the wholesale, consumer, mortgage and middle-market segments. Santander Chile is controlled by the Santander group of Spain with a ~67.2% stake.

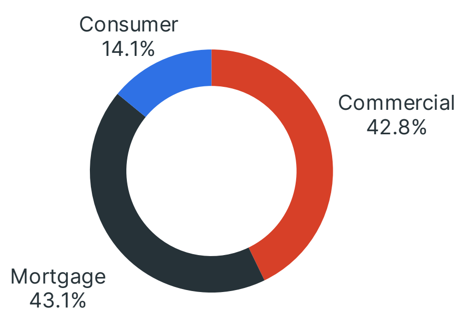
Ownership Structure



Income Statement

CLP bn	2022	2023	2024E	2025E	2026E
Net interest income	1,598	1,121	1,757	2,007	2,201
Net fee income	407	503	538	574	615
Operating income	2,245	1,950	2,544	2,804	3,033
Provision expenses	-371	-474	-522	-549	-575
Operating expenses	-961	-910	-1,013	-1,079	-1,174
Net income	809	496	782	908	981
EPS (CLP)	4.29	2.63	4.15	4.82	5.21
Net margin	36.0%	25.5%	30.7%	32.4%	32.3%

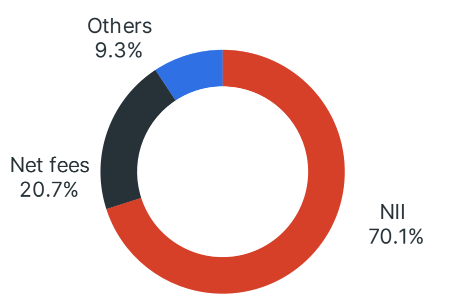
Loans by segment (2Q24)



Balance Sheet

CLP bn	2022	2023	2024E	2025E	2026E
Cash & interbank loans	2,860	3,604	2,732	2,922	3,143
Investments	10,902	12,811	7,843	8,039	8,329
Gross loans	38,839	40,849	43,187	46,220	49,715
Total assets	68,165	70,858	68,177	70,375	73,338
Total deposits	27,065	29,676	31,208	33,383	35,907
Other funding	18,648	21,086	16,206	17,336	18,646
Total liabilities	63,926	66,366	63,622	65,446	68,007
Minority interest	110	125	104	109	115
Shareholder's equity	4,129	4,367	4,451	4,820	5,216
Total liabilities + Equity	68,165	70,858	68,177	70,375	73,338

Revenue breakdown (2Q24)



Ratios

	2022	2023	2024E	2025E	2026E
NIM	3.4%	2.2%	3.4%	3.9%	4.0%
Fee ratio	18.1%	25.8%	21.1%	20.5%	20.3%
Cost-to-income ratio	-42.8%	-46.6%	-39.8%	-38.5%	-38.7%
NPL / loans	1.8%	2.3%	2.7%	2.4%	2.2%
LLP / loans	-2.7%	-2.8%	-2.9%	-2.9%	-2.9%
Cost of credit risk	-1.0%	-1.2%	-1.2%	-1.2%	-1.2%
LLP / NPL	-144%	-125%	-109%	-122%	-133%
LTD ratio	139.7%	133.8%	134.4%	134.4%	134.4%
Loan-to-funding ratio	82.7%	78.2%	88.5%	88.5%	88.5%
BIS ratio	17.8%	17.6%	16.8%	17.7%	18.3%
ROAE	21.5%	11.7%	17.7%	19.6%	19.5%
ROAA	1.2%	0.7%	1.1%	1.3%	1.4%

Sources: Company Reports and Credicorp Capital

Management

CEO: Román Blanco

CFO: Emiliano Muratore

HIR: Cristian Vicuña

www.santander.cl

Bancolombia

Rating: Buy
TP: COP 40,500 (loc) / USD 37.7 (ADR)

Equity Research Colombia
Banks

Daniel Mora - dmoraa@credicorpcapital.com
Santiago Martinez - smartinez@credicorpcapital.com

The ROAE gap with peers should persist in 2024 and 2025, even with the expected normalization ahead

Investment Thesis

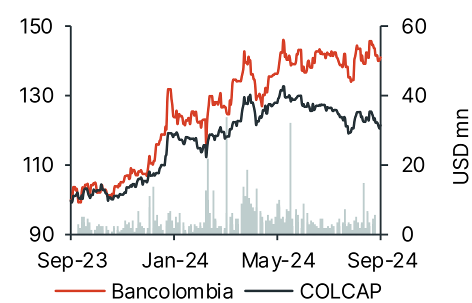
We are introducing our 2025E TP of COP 40,500/share (USD 37.7 ADR) and reiterating our BUY rating. Bancolombia's performance has been quite solid in recent years, even with the challenges in asset quality indicators, pressures in margins, and weak loan growth. However, we do not believe Bancolombia should maintain profitability above 15% in the short term after a 19.0% ROAE in 2022, 15.9% in 2023, and our expectation of 14.8% in 2024. Despite the expected normalization, Bancolombia should continue to be Colombia's best bank, as the performance gap should persist in the upcoming year. In fact, we estimate a 14.2% ROAE in 2025, compared to the ROAE of key peers close to 10.0%. With this in mind, we continue to see the stock discounted trading at 0.7x P/BV 2025E, compared to 0.9x P/BV 2025E of our model.

Dilemma between the bottom-up and the top-down analysis. The bottom-up continues to show a solid performance for Bancolombia despite the normalization in 2025. With a NIM of 7.1% in 2024 (6.5% in 2025) and the gradual decrease of provisions with the cost of risk of 2.4% (2.1% in 2025), ROAE figures should be well above that of peers. However, political uncertainty and a weak economic scenario should continue to be an obstacle for every investment thesis. For instance, after the debate about forced investments, which added noise, the banking sector and the government agreed on a loan program of COP 55 tn. The plan implementation mechanism is still unclear and is not included in our valuation model. Moreover, despite the decrease in rate, loan demand is pressured, and investment does not show material signs of recovery. The latter could impact our already conservative loan growth of 4.2% y/y and 6.8% y/y in Colombia for 2024 and 2025.

Stock Data

Ticker	pfbcolo cb / cib us
Price (COP)	33,660 (loc)/ 31.9(ADR)
Target (COP)	40,500 (loc)/ 37.7(ADR)
Total Return	30.0%
LTM Range	23,708 - 34,863
M. Cap (USD mn)	7,949
Shares Outs. (mn)	961.8
Free Float	75.5%
ADTV (USD mn)	4.2

Price Chart (COP) and Volumes (USD mn)



Valuation

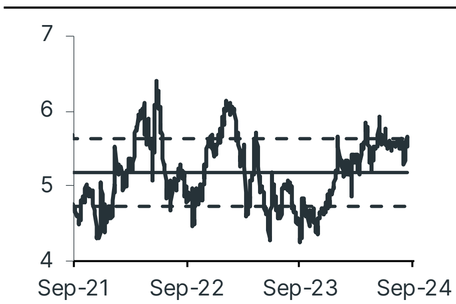
Our 2025E TP is based on a ten-year residual income model, assuming a nominal Ke of 16.2% in COP and perpetuity growth of 5.0%. Our TP implies a 0.9x P/BV and a 6.2x P/E 2025E, while shares are currently trading at a 0.7x P/BV and a 5.2x P/E 2025E. The industry's median multiples from Andean peers are 0.8x P/BV and 5.9x P/E 2025E. **We are incorporating a long-term ROAE of 14.4% in our valuation model.**

Valuation Summary

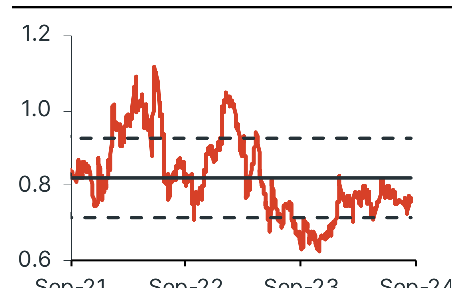
	2023	2024E	2025E	2026E
P/E	5.0	5.5	5.2	4.8
P/BV	0.8	0.8	0.7	0.7
ROAE	15.9%	14.8%	14.2%	14.2%
ROAA	1.8%	1.7%	1.6%	1.6%
Div. Yield	11.2%	10.5%	9.7%	10.2%

Sources: Company Reports and Credicorp Capital

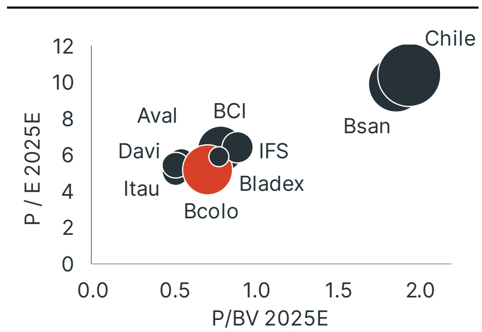
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

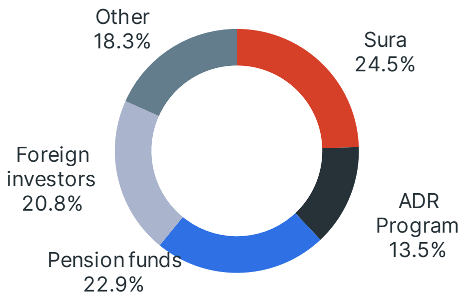


Bancolombia

Company Description

Grupo Bancolombia is the largest (individual bank) in Colombia in terms of loans, offering a wide range of financial products and services. In Colombia, the Group has a ~27.0% market share in loans. The bank also has presence in Panama through Banistmo (~12.5% market share), in El Salvador through Banagrícola (~25.3% market share) and in Guatemala through Agromercantil (~10.1% market share). Bancolombia is part of the GEA group and controlled by Grupo Sura.

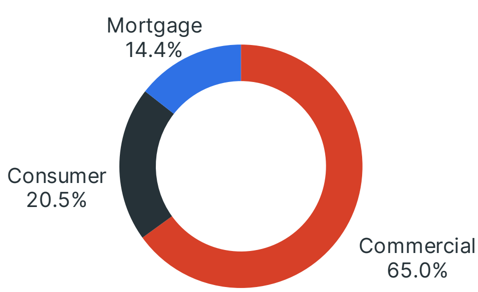
Ownership Structure



Income Statement

COP bn	2022	2023	2024E	2025E	2026E
Net interest income	18,354	20,378	20,515	20,565	21,534
Net fee income	3,780	3,984	4,137	4,558	5,046
Operating income	24,424	28,551	27,703	28,982	30,760
Provision expenses	-3,792	-7,462	-6,242	-5,911	-6,219
Operating expenses	-10,888	-12,942	-13,318	-14,391	-15,152
Net income	6,783	6,117	5,935	6,241	6,751
EPS (COP)	7,053	6,360	6,171	6,488	7,019
Net margin	27.8%	21.4%	21.4%	21.5%	21.9%

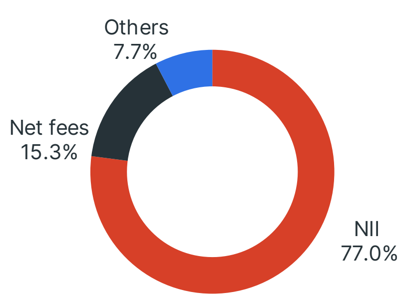
Loans by segment (2Q24)



Balance Sheet

COP bn	2022	2023	2024E	2025E	2026E
Cash & interbank loans	31,645	39,800	32,565	35,213	38,329
Investments	30,856	28,672	37,704	41,262	45,211
Gross loans	269,924	253,952	277,112	297,956	322,837
Total assets	352,815	342,929	366,946	396,616	431,370
Total deposits	250,992	247,941	266,881	288,580	314,124
Other funding	40,944	31,973	31,781	34,365	37,406
Total liabilities	312,817	303,879	323,571	349,880	380,850
Minority interest	909	960	1,011	1,068	1,130
Shareholder's equity	39,089	38,090	42,364	45,668	49,390
Total liabilities + Equity	352,815	342,929	366,946	396,616	431,370

Revenue breakdown (2Q24)



Ratios

	2022	2023	2024E	2025E	2026E
NIM	7.0%	7.2%	7.1%	6.5%	6.2%
Fee ratio	15.5%	14.0%	14.9%	15.7%	16.4%
Cost-to-income ratio	-44.6%	-45.3%	-48.1%	-49.7%	-49.3%
NPL / loans	2.2%	3.3%	3.4%	2.7%	2.5%
LLP / loans	-5.7%	-6.4%	-6.1%	-5.6%	-5.1%
Cost of credit risk	-1.5%	-2.8%	-2.4%	-2.1%	-2.0%
LLP / NPL	-266%	-195%	-179%	-206%	-205%
LTD ratio	101.4%	95.9%	97.5%	97.5%	97.5%
Loan-to-funding ratio	87.2%	84.9%	87.1%	87.1%	87.1%
BIS ratio	12.8%	13.4%	13.2%	13.2%	13.2%
ROAE	19.0%	15.9%	14.8%	14.2%	14.2%
ROAA	2.1%	1.8%	1.7%	1.6%	1.6%

Sources: Company Reports and Credicorp Capital

Management

CEO: Juan Carlos Mora
CFO: Mauricio Botero Wolff
HIR: Catalina Tobón Rivera
www.grupobancolombia.com

Bancolombia

Fixed Income Research Colombia Banks

Baa2 / NR / BB+
Outlook: n / nr / s

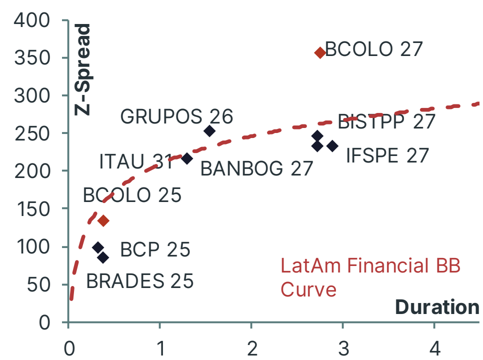
Josefina Valdivia - jvaldivia@credicorpcapital.com

Best performer among Colombian banks

Investment Thesis

Bancolombia's recent results reflect its resilience, driven by its competitive funding structure, which has supported higher profitability than peers. Going forward, we expect the NIM to remain supported by lower funding costs, offsetting the reduction in loan yields. While asset quality remains weak, we believe the credit cycle is nearing its bottom as Colombia's macro trends improve. However, recent negative trends in the commercial portfolio could increase short-term provision expenses. Capitalization levels remain below peers, although this is partially attributable to Bancolombia's high RWA density due to stringer regulatory requirements in Colombia. We are overweight on BCOLO 29 due to an attractive carry to the call, and on BCOLO 34, trading ~60bps wider than BCOLO 27 for only 1.2 years of additional duration.

Bancolombia Bonds and comparables



Credit Data	
REG-S Notes	4
Outstanding Senior Notes	USD 2,024MM
Closest Call Date	18-Dic-24
Closest Maturity Date	29-Ene-25

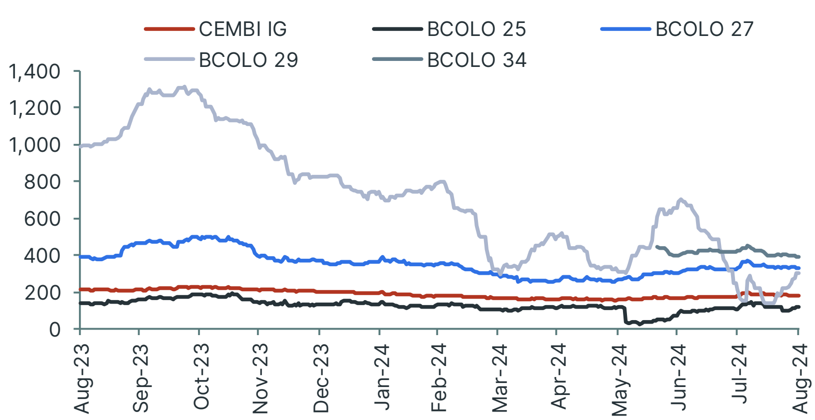
Concerns

- Relatively low capitalization levels
- Asset quality pressures
- Increasing funding cost for Colombian banks

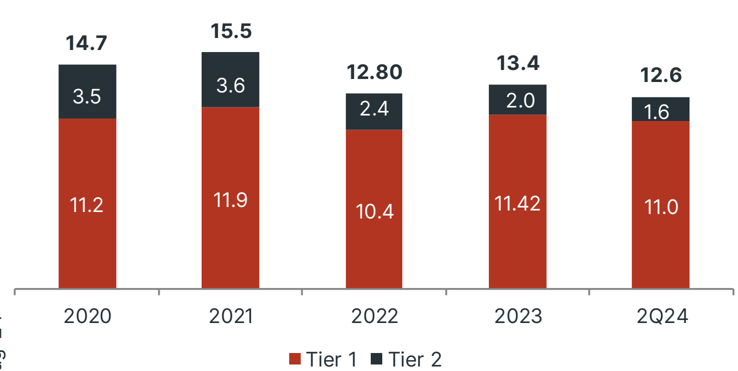
Strengths

- Strategic relevance for its economic group and the Colombian banking system
- Strong market presence in Colombian and CAM
- High coverage of NPL portfolio
- Ample access to stable funding through deposits

Z- Spread evolution



Solvency



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
BCOLO 25	USD 213mn	3.00%	Baa2 / NR / BB+	134	0.4	98.8	0.3%	6.2%	Neutral
BCOLO 27	USD 462mn	6.91%	Ba3 / NR / BB-	356	2.8	100.9	0.6%	6.6%	Neutral
BCOLO 29	USD 550mn	4.63%	Ba3 / NR / BB-	401	0.3	98.8	0.4%	9.0%	Overweight
BCOLO 34	USD 800mn	8.63%	Ba3 / NR / BB-	412	4.0	105.1	0.7%	7.3%	Overweight

CredicorpCapital

Andean **Investor Guide** 2025

Banco de Bogota

Fixed Income Research Colombia Banks

Baa2 / BB+ / BB+
Outlook: n / n / s

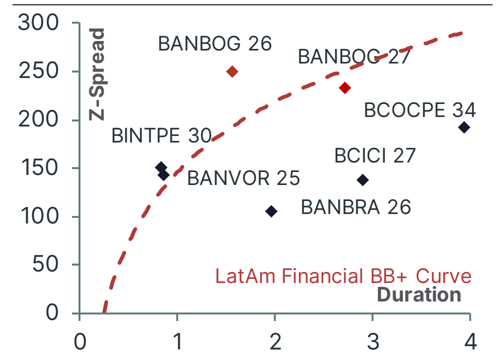
Josefina Valdivia - jvaldivia@credicorpcapital.com

Gradual recovery ahead

Investment Thesis

Profitability is expected to remain weak, but recent results show the positive impact of lower funding costs in Colombia. We also expect lower provision expenses in the coming quarters, seeing that asset quality indicators for the consumer segment improved in 2Q24 and newer loan vintages are performing better, driven by tighter origination policies. While recovery will be gradual due to still high provisions, the outlook is improving. On bonds, BANBOG 27 looks fairly priced, trading around 25bps wid to Colombia, which aligns with the six-month average. We like the carry on the BANBOG 26 and maintain an Overweight.

Banco de Bogota Bonds and comparables



Credit Data	
REG-S Notes	2
Outstanding Senior Notes	USD 1,572MM
Closest Call Date	3-May-27
Closest Maturity Date	12-May-26

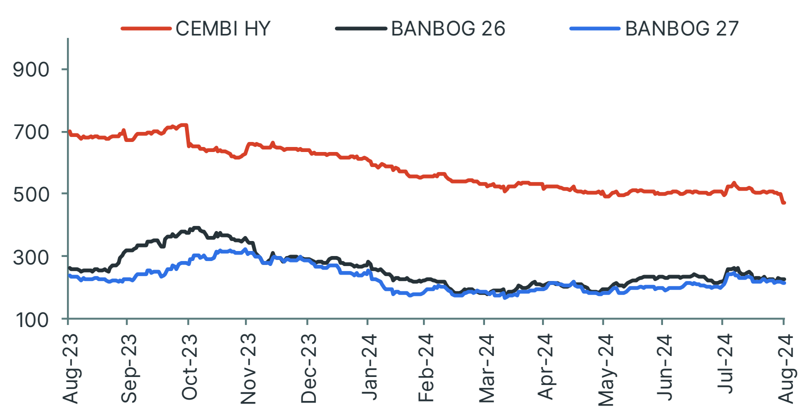
Concerns

- Pressures on asset quality
- Capability to return to historical levels of profitability

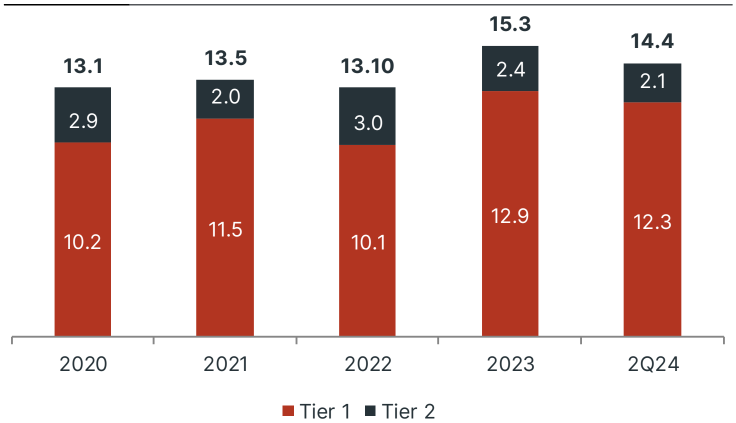
Strengths

- Strategic relevance for its economic group and the local banking system
- Stable deposits funding
- Subordinated structures with lower risk (old-style)

Z- Spread evolution



Solvency



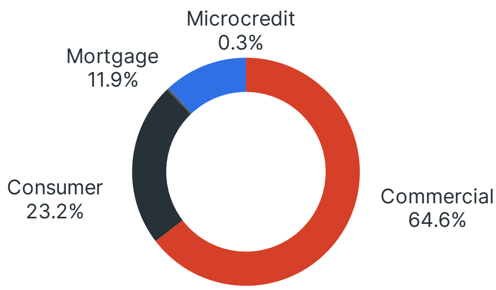
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
BANBOG 26	USD 1,100mn	6.25%	Ba2 / NR / BB-	249	1.6	100.2	0.5%	6.1%	Overweight
BANBOG 27	USD 472mn	4.38%	Baa2 / BB+ / BB+	233	2.7	96.6	0.4%	5.7%	Neutral

Banco de Bogota

Company Description

Founded in 1870, Banco de Bogotá is the oldest financial institution in Colombia, with a solid well-known brand. It is the second bank in terms of loans and deposits, and the first one in terms of net income in Colombia.

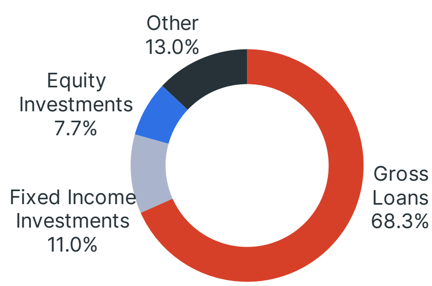
Loan Portfolio



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
NPL / Total Loans	3.3%	2.7%	3.5%	4.2%	4.6%
Provisions / NPL	164.0%	181.8%	156.6%	135.2%	123.3%
NIM	5.0%	4.6%	4.1%	4.3%	4.1%
Efficiency	49.8%	47.9%	39.8%	50.9%	52.3%
Tier 1 Ratio	10.2%	11.5%	10.1%	12.9%	12.3%
Tier 2 Ratio	2.9%	2.0%	3.0%	2.5%	2.1%
BIS Ratio	13.1%	13.5%	13.1%	15.4%	14.4%

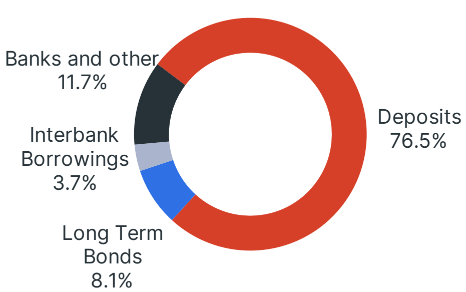
Assets Breakdown



Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Interest Income	3,223	3,146	2,240	3,467	3,551
Interest Exp. (-)	-1,232	-1,061	-1,108	-2,253	-2,321
Net Interest Margin	1,990	2,085	1,132	1,214	1,230
Provision Loan Losses (-)	-1,039	-722	-328	-554	-629
Net Fee Income	1,026	1,006	300	355	360
Operating Exp. (-)	-1,812	-1,856	-785	-897	-907
Net Income	530	1050	676	230	142
Net Int. Mg. (%)	61.8%	66.3%	50.5%	35.0%	34.6%
Net Inc. Mg. (%)	26.6%	50.4%	59.7%	18.9%	11.5%

Funding



Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	6,629	6,509	1,754	1,961	2,041
Investments	6,848	7,212	4,209	4,335	4,818
Gross Loans	32,749	37,661	23,162	23,857	25,130
Allowances (-)	-1,771	-1,841	-1,276	-1,353	-1,422
Total Assets	50,209	56,011	33,238	33,142	35,044
Deposits	35,508	39,473	21,221	21,958	24,247
Interbank Loans	789	406	264	1,018	1,257
Bonds	2,935	3,405	2,721	2,180	2,286
Equity	5,424	6,109	3,812	3,802	3,846
ROE (%)	9.8%	17.2%	17.7%	6.1%	3.7%
ROA (%)	1.1%	1.9%	2.0%	0.7%	0.4%

Sources: Company Reports and Credicorp Capital

BBVA Colombia

Fixed Income Research Colombia Banks

Josefina Valdivia - jvaldivia@credicorpcapital.com

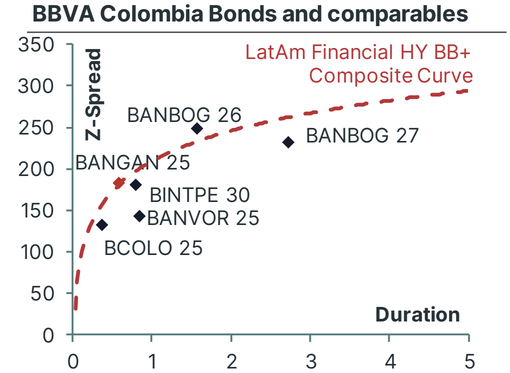
Baa2 / NR / BBB-
Outlook: n / nr / s

Weak capitalization levels led us to stay Neutral

Investment Thesis

BBVA Colombia's profitability has been under pressure, with net income turning negative over the past few quarters. While the bank's asset quality indicators remained stronger than those of its peers - thanks to BBVA's conservative risk management - the deterioration trend has mirrored broader industry trends. This has led to a significant increase in provisioning expenses, which, combined with higher funding costs, has impacted profitability. Although the bank's core capitalization improved after a USD 200mn capital injection, it remains weak relative to Colombian peers. Nonetheless, support from the parent company is essential in assessing the bank's credit profile, as demonstrated by the recent capital increase. We stay Neutral as we believe there are better T2 bond alternatives in the region to get exposure to banks with more robust capitalization levels.

BBVA Colombia Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 400MM
Closest Call Date	-
Closest Maturity Date	21-Abr-25

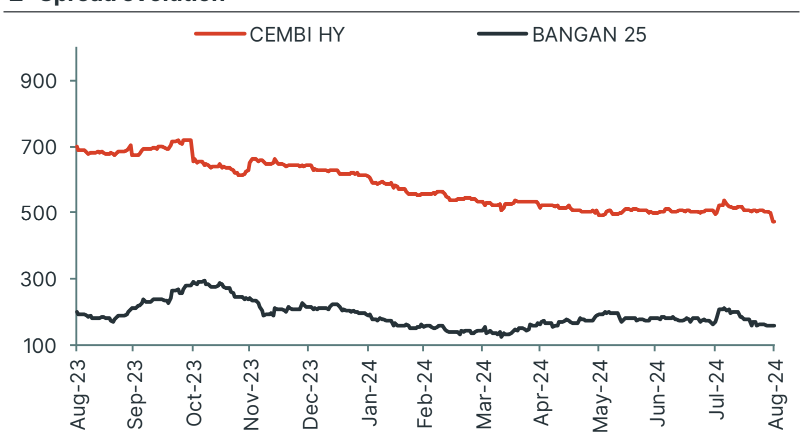
Concerns

- Relative low solvency levels
- Profitability under pressure on higher funding costs and weaker asset quality metrics

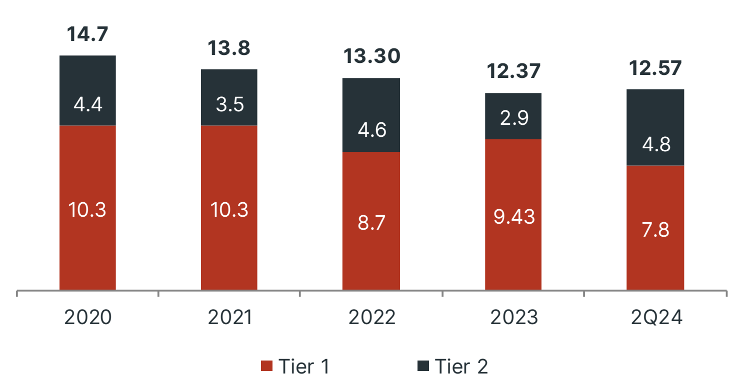
Strengths

- Relatively better asset quality versus the industry
- Strong support from its parent
- Strong access to funding through deposits

Z- Spread evolution



Solvency



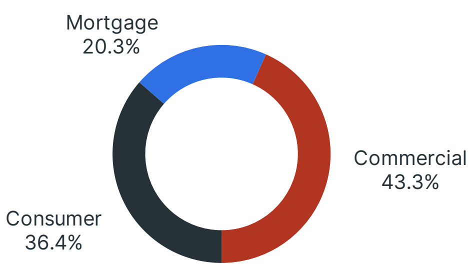
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
BANGAN 25	USD 400mn	4.88%	Ba1 / NR / BB	182	0.6	99.1	0.4%	6.5%	Neutral

BBVA Colombia

Company Description

BBVA Colombia is the fourth-largest bank in Colombia. The bank is a subsidiary of BBVA Spain, which owns 96% of its total capital. It operates as a universal bank that offers loans, deposits and other banking services to individuals, small- and medium-sized enterprises and large companies.

Loan Portfolio

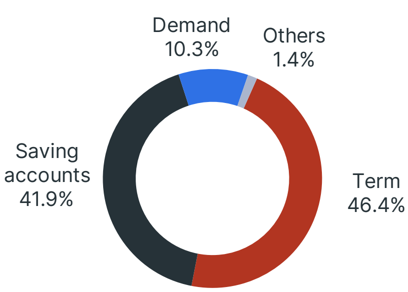


Credit Metrics

	2020	2021	2022	2023	LTM2Q24
NPL / Total Loans*	2.8%	2.8%	2.3%	3.1%	3.4%
Allowances / NPL	214.6%	196.7%	215.5%	156.5%	147.4%
NIM	5.4%	5.2%	4.5%	3.2%	3.2%
Efficiency	44.0%	44.2%	44.2%	58.5%	72.0%
Tier 1 Ratio	10.3%	10.3%	8.7%	9.4%	7.8%
Tier 2 Ratio	4.5%	3.4%	4.6%	2.9%	4.8%
BIS Ratio	14.7%	13.8%	13.3%	12.4%	12.6%

*Ratio of Individual Financial Statements

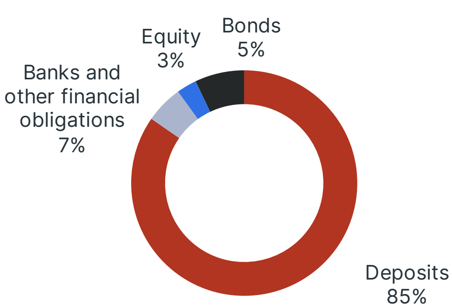
Deposits Breakdown



Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Interest Income	1,206	1,109	1,642	2,321	2,391
Interest Expenses (-)	-453	-330	-788	-1,681	-1,723
Net Interest Margin	753	779	854	640	668
Provision Loan Losses (-)	-358	-234	-294	-394	-518
Net Fee Income	49	52	87	112	109
Operating Expenses (-)	-771	-672	-826	-1,030	-1,302
Net Income	110	212	245	59	-29
Net Interest Margin (%)	62.5%	70.3%	52.0%	27.6%	27.9%
Net Income Margin (%)	14.6%	27.3%	28.7%	9.2%	-4.4%

Funding Structure



Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	1,495	2,632	2,461	2,669	2,155
Investments	1,768	785	2,092	2,366	2,833
Gross Loans	12,164	14,066	16,975	17,601	17,950
Allowances (-)	-734	-769	-830	-860	-902
Total Assets	16,436	19,068	23,759	25,269	25,017
Deposits	12,395	14,116	16,497	18,408	18,912
Interbank Loans	622	710	1,281	1,226	1,205
Bonds	550	570	639	601	643
Equity	1,314	1,466	1,603	1,568	1,580
ROAE	8.4%	14.5%	15.3%	3.7%	-1.9%
ROAA	0.7%	1.1%	1.0%	0.2%	-0.1%

Sources: Company Reports and Credicorp Capital

BBVA Peru

Fixed Income Research Peru Banks

Sandra Loyola - sloyola@credicorpcapital.com

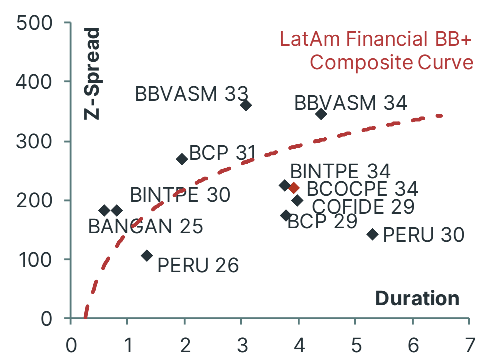
Baa1 / BBB- / NR
Outlook: n / n / nr

Up for a gradual recovery

Investment Thesis

We note that the outlook for the Peruvian banking system is one for a gradual recovery, considering the El Niño phenomenon was weaker than expected, the political landscape somewhat eased, the economy is set to recover, and rates are set to decline. This outlook, we expect, will gradually turn around the declining profitability trend that has been impacted by CoR pressure due to the lagged effects from 2023 macro shocks and a growing presence for BBVA in the retail segment. On the side to this expected recovery, note that BBVA's capitalization remains strong and above upcoming updated requirements. Overall, we remain comfortable with the bank's focus on profitability and adequate solvency in parallel with a well-balanced loan portfolio and conservative credit risk management. Also, BBVA's old-style subordinated bonds offer fair yields for a relatively lower structure risk in comparison to regional 'T2' bonds. Neutral on the curve on valuation grounds.

BBVA Peru Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 300MM
Closest Call Date	07-Mar-29
Closest Maturity Date	07-Jun-34

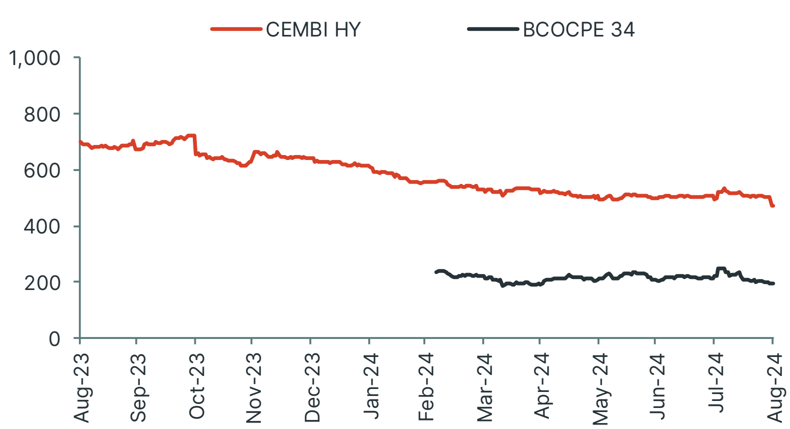
Concerns

- Both the current economic cycle and its stronger presence in the consumer segment continue pressuring profitability and asset quality metrics
- Upcoming updates to capitalization requirements

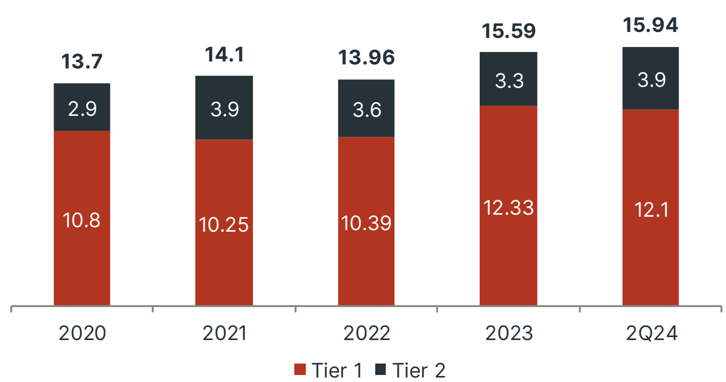
Strengths

- Systemic importance in Peru and strategic relevance to its shareholders
- Diversified loan portfolio
- Superior cost efficiency in comparison to peers
- Adequate solvency
- Conservative credit risk management

Z- Spread evolution



Solvency



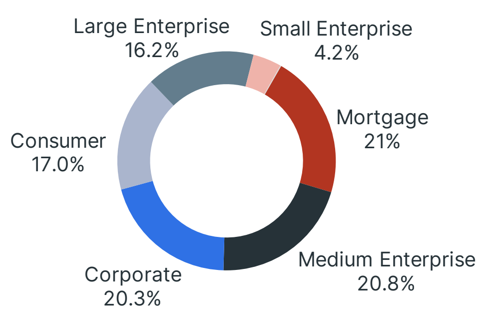
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
BCOCPE 34	USD 300mn	6.20%	Baa3 / BB+ / NR	219	3.9	103.2	0.5%	5.4%	Neutral

BBVA Peru

Company Description

BBVA is the second largest bank in Peru with a 21.9% market share in loans and 21% in deposits. It began operations in 1951 under the name Banco Continental. It is currently jointly controlled (92.24% of shares) by the Breca Group and BBVA Spain. There is a moderate likelihood of support from the latter. The bank benefits from adequate diversification in terms of loan portfolio and funding profile.

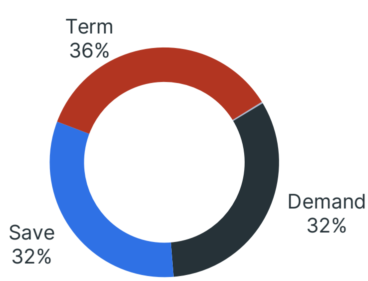
Loan Portfolio



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
NPL / Total Loans*	3.0%	3.3%	3.7%	4.0%	4.0%
Provisions / NPL*	205.0%	189.1%	171.3%	162.8%	154.6%
NIM	3.4%	3.4%	4.5%	5.4%	5.8%
Efficiency	47.0%	44.6%	43.5%	42.1%	41.7%
Tier 1 Ratio	10.8%	10.3%	10.4%	12.3%	12.1%
Tier 2 Ratio	2.9%	3.9%	3.6%	3.3%	3.9%
BIS Ratio	13.7%	14.1%	14.0%	15.6%	15.9%

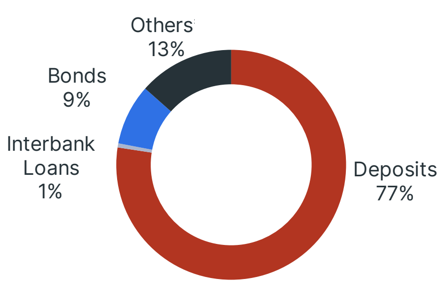
Deposits Breakdown



Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Interest Income	300	836	1,492	1,977	2,089
Interest Exp. (-)	-82	-126	-294	-582	-604
Net Interest Margin	218	710	1,198	1,395	1,485
Provision Exp. (-)	450	294	261	513	664
Net Fee Income	203	225	228	259	272
Operating Exp. (-)	-489	-516	-609	-697	-732
Net Income	171	407	499	488	435
Net Int. Mg. (%)	72.7%	84.9%	80.3%	70.6%	71.1%
Net Inc. Mg. (%)	78.4%	57.3%	41.7%	35.0%	29.3%

Funding Structure



Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	6,507	4,241	3,165	2,459	3,096
Investments	2,968	2,535	3,021	3,953	3,276
Gross Loans	18,484	19,432	19,241	19,703	20,364
Allowances (-)	-1,139	-1,202	-1,208	-1,270	-1,236
Total Assets	28,030	26,532	25,622	27,255	28,152
Deposits	18,484	16,472	17,242	18,065	19,037
Interbank Loans	390	268	272	435	303
Bonds	1,835	1,825	1,052	1,541	2,134
Equity	2,447	2,658	2,938	3,229	3,170
ROE (%)	7.0%	15.9%	17.8%	15.8%	14.1%
ROA (%)	0.7%	1.5%	1.9%	1.8%	1.6%

Sources: Company Reports and Credicorp Capital

BCI

Rating: Buy
TP: CLP 36,500

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Santiago Martinez - smartinez@credicorpcapital.com

Resilient operations in Chile, while CNB should benefit from the expected decreases in the FED rate.

Investment Thesis

We are introducing our 2025E TP of CLP 36,500/share and maintaining our BUY rating. BCI surprised us positively in 1H24 with an ROAE of 13.0%. The latter has not gone unnoticed by the market, and the stock has increased 18.5% on a YTD basis compared to 4.19% of the IPSA Index. Moreover, due to the robust performance, we raised our 2024 and 2025 ROAE expectations to 13.0%, up from our previous estimates of 11.8% and 12.4%, respectively. Despite the upward revisions and the stock's performance, we continue to observe upside potential as the BCI trades at 0.8x P/BV 2025E, while our target price suggests a valuation multiple of 1.1x P/BV 2025E.

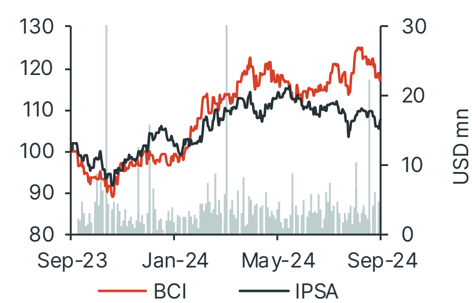
What has changed to be more optimistic with BCI? First, we are considering higher inflation in 2024 (4.0%) and 2025 (3.6%), which should benefit the NIM and compensate for part of the effects of the expiration of the FCIC and the contraction of consumer loans. CNB should benefit from the expected reduction of the FED rate through lower funding costs. Second, the net fee income increased by 15.7% y/y in 1H24, boosted by collections, mutual funds, and brokerage fees. We expect this performance to continue in 2H24 as we estimate net fees to increase between 18%-19% in 2024. Finally, provisions have decreased by 16.2% in 1H24, representing a 0.8% cost of risk. Even though we expect a gradual normalization of provisions going forward, we see a cost of risk in the short term below 1.0%.

Even with a conservative model, we observe upside potential. BCI's long-term ROAE is 14%, while we consider a 13% ROAE in our model. We would gradually adjust our valuation model and target price once BCI positively surprises in financial results.

Stock Data

Ticker	bci ci
Price (CLP)	27,301
Target (CLP)	36,500
Total Return	38.3%
LTM Range	20,647 - 28,905
M. Cap (USD mn)	6,410
Shares Outs. (mn)	218.6
Free Float	43.3%
ADTV (USD mn)	3.6

Price Chart (CLP) and Volumes (USD mn)



Valuation

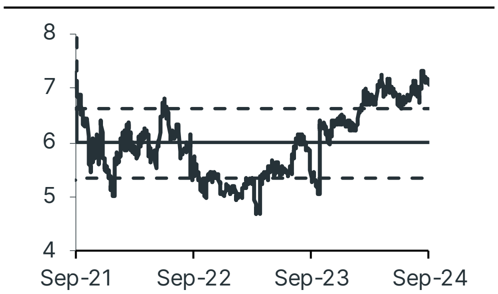
Our 2025E TP is based on a ten-year residual income model assuming a nominal Ke of 13.0% in CLP and perpetuity growth of 4.0%. Our TP implies a 1.1x P/BV and an 8.5x P/E 2025E, while shares are currently trading at 0.8x P/BV and 6.3x P/E 2025E. The industry's median multiples from Andean peers are 0.8x P/BV and 5.9x P/E 2025E. **We are incorporating a long-term ROAE of 13.1% in our valuation model.**

Valuation Summary

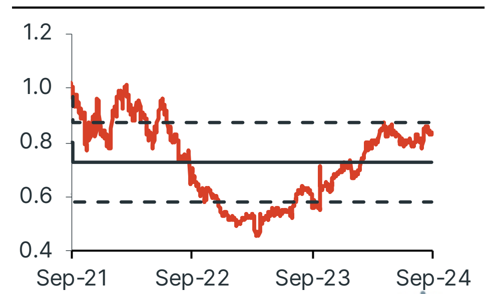
	2023	2024E	2025E	2026E
P/E	6.6	6.9	6.3	5.8
P/BV	0.7	0.9	0.8	0.7
ROAE	12.6%	13.3%	13.1%	13.2%
ROAA	0.9%	1.1%	1.1%	1.2%
Div. Yield	5.6%	3.7%	4.6%	7.9%

Sources: Company Reports and Credicorp Capital

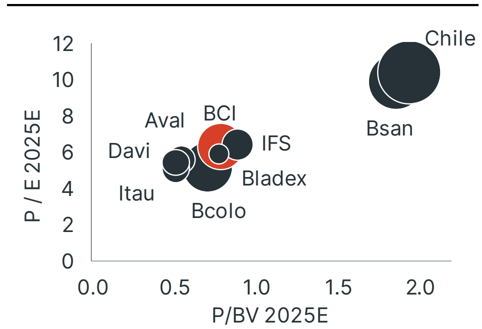
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

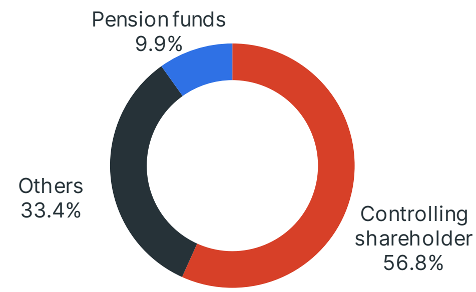


BCI

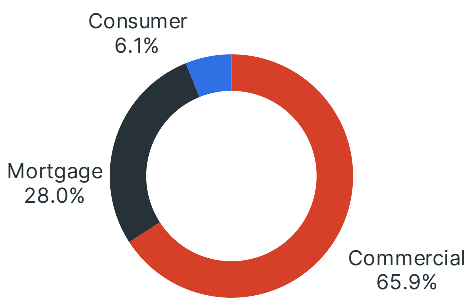
Company Description

BCI currently has ~14.7% market share in loans within Chile. In 2013, BCI announced the acquisition of City National Bank of Florida, a community bank with a presence in Miami. Furthermore, BCI announced two acquisitions in 2018; first, it purchased Totalbank in Florida (closed in Jun-18), while it also acquired Walmart Financial Services (closed in Dec-18). As of 2Q23, CNB accounts for 27% of consolidated assets. The bank is controlled by the Yarur family.

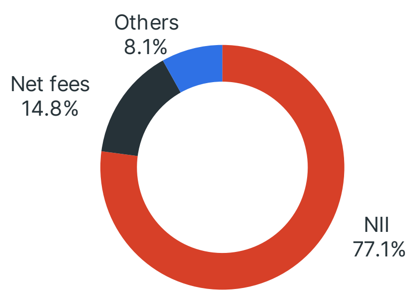
Ownership Structure



Loans by segment (2Q24)



Revenue breakdown (2Q24)



Management

CEO: Eugenio von Chrismar

CFO: José Luis Ibaibarriaga

HIR: Andrés Atala

www.bci.cl

Income Statement

CLP bn	2022	2023	2024E	2025E	2026E
Net interest income	2,310	2,021	2,164	2,263	2,454
Net fee income	367	341	405	467	503
Operating income	2,699	2,520	2,805	3,053	3,338
Provision expenses	-495	-399	-389	-388	-450
Operating expenses	-1,292	-1,303	-1,342	-1,455	-1,558
Net income	821	682	863	944	1,026
EPS (CLP)	5,123	3,809	3,948	4,316	4,691
Net margin	30.4%	27.1%	30.8%	30.9%	30.7%

Balance Sheet

CLP bn	2022	2023	2024E	2025E	2026E
Cash & interbank loans	5,428	4,775	5,787	5,703	5,651
Investments	15,223	14,667	11,251	11,950	13,020
Gross loans	46,248	49,407	53,096	55,655	58,807
Total assets	78,049	79,301	81,251	84,253	88,356
Total deposits	42,368	42,253	46,666	48,171	50,653
Other funding	19,222	19,666	16,071	17,073	18,202
Total liabilities	73,272	73,234	74,360	76,719	80,293
Minority interest	1.323	1.581	1.821	1.823	1.827
Shareholder's equity	4,775	6,066	6,889	7,532	8,061
Total liabilities + Equity	78,049	79,301	81,251	84,253	88,356

Ratios

	2022	2023	2024E	2025E	2026E
NIM	3.7%	3.1%	3.2%	3.2%	3.3%
Fee ratio	13.6%	13.5%	14.4%	15.3%	15.1%
Cost-to-income ratio	-47.9%	-51.7%	-47.8%	-47.7%	-46.7%
NPL / loans	1.2%	1.3%	1.5%	1.3%	1.3%
LLP / loans	-2.1%	-1.7%	-1.8%	-1.8%	-1.8%
Cost of credit risk	-1.1%	-0.8%	-0.8%	-0.7%	-0.8%
LLP / NPL	-237%	-186%	-166%	-186%	-188%
LTD ratio	107%	115%	112%	113%	114%
Loan-to-funding ratio	73.5%	78.4%	83.1%	83.7%	83.8%
BIS ratio	13.0%	14.4%	16.3%	17.1%	17.5%
ROAE	17.7%	12.6%	13.3%	13.1%	13.2%
ROAA	1.1%	0.9%	1.1%	1.1%	1.2%

Sources: Company Reports and Credicorp Capital

Bladex

Rating: Buy
TP: USD 39.5

Equity Research Panama
Banks

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Santiago Martinez - smartinez@credicorpcapital.com

Initiating coverage with a BUY rating. We see a solid growth story ahead at an attractive valuation.

Investment Thesis

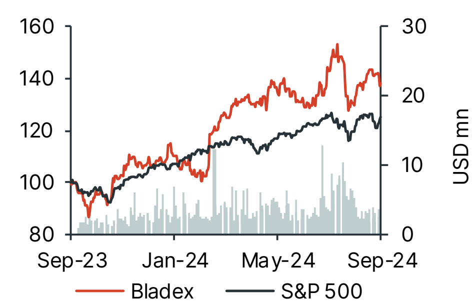
We are initiating our coverage of Bladex with a 2025E TP of USD 39.5/share and a BUY rating. First, we see a robust growth story leveraged by cross-selling strategies. This can be seen in the commercial portfolio growth (13.4% y/y in 1H24) and deposit growth (29.1% y/y). Second, results improved strongly since the start of the strategic plan in 2Q22, driven by i) a NIM expansion of 115-bps due to higher volume and rates, ii) fee growth of +90% y/y due to cross-selling opportunities, iii) a cost of risk of 0.3% given the exposure to low-risk clients, and iv) an efficiency ratio of 24%-26%. Therefore, the ROAE has moved from 5%-6% before 2022 to 16% in recent quarters. Finally, we see the stock discounted trading at 0.8x P/BV 2025E, while our model suggests a 1.0x P/BV 2025E.

The company's strategy has already achieved several milestones of the 2026 plan, but what would be the normalized ROAE with rates decreasing? Bladex expects to reach a 13%-15% ROAE in 2026, while current ROAE is above 16%. Even though Bladex is moving in the right direction regarding loan growth, diversification of deposits, fee growth, low cost of risk, and lending spread, we expect a normalization of results with the interest rate decreases by the FED. In the past, the yield on earning assets and the cost of funds perfectly correlated with the FED rate. This means that with the FED's easing cycle, Bladex must show investors that it can defend the NIM with the new company's strategy. Our model shows the NIM normalizing at 2.1%, below 2.4% in 2023-2024 but well above 1.5% before the strategic plan. As a result, we see ROAE at 13% in the long term. Still, even with a slightly more conservative scenario, we see Bladex's strategy going in the right direction and with an attractive valuation for investors.

Stock Data

Ticker	blx us
Price (USD)	30.2
Target (USD)	39.5
Total Return	37.5%
LTM Range	19 - 34
M. Cap (USD mn)	1,104
Shares Outs. (mn)	37
Free Float	77%
ADTV (USD mn)	3.3

Price Chart (USD) and Volumes (USD mn)



Valuation

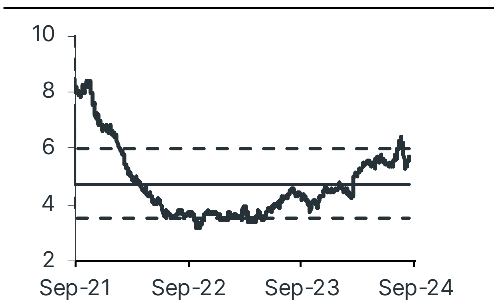
Our 2025E TP is based on a ten-year residual income model, assuming a nominal Ke of 13.3% in USD and perpetuity growth of 4.0%. Bladex operates in all of Latam & the Caribbean, with a short-term loan portfolio (75% less than a year) and exposed to very low risk-clients. Thus, despite being exposed to risky economies, the company has the flexibility to enter and exit countries with a high perceived risk. We reflect this in the country's risk premium applied to the company. Our TP implies a 1.0x P/BV and a 7.7x P/E 2025E, while shares are currently trading at a 0.8x P/BV and a 5.9x P/E 2025E.

Valuation Summary

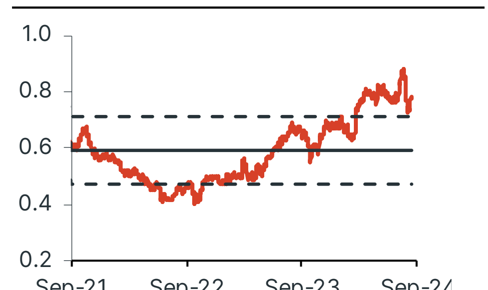
	2023	2024E	2025E	2026E
P/E	5.4	5.5	5.9	5.8
P/BV	0.7	0.8	0.8	0.7
ROAE	14.6%	15.9%	13.8%	13.1%
ROAA	1.7%	1.8%	1.6%	1.6%
Div. Yield	5.1%	6.6%	6.7%	8.4%

Sources: Company Reports and Credicorp Capital

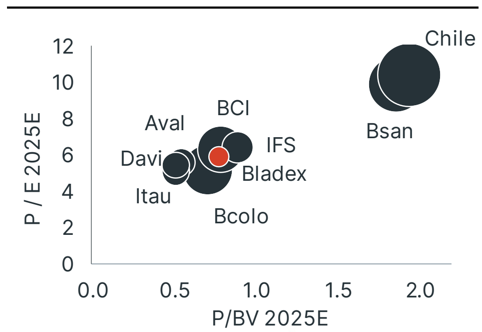
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

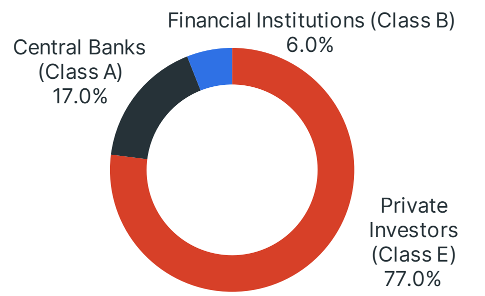


Bladex

Company Description

Bladex, a multinational bank originally established by the central banks of Latin-American and Caribbean countries, began operations in 1979 to promote foreign trade and economic integration in the Region. The Bank, headquartered in Panama, also has offices in Argentina, Brazil, Colombia, Mexico, and the United States of America, and a Representative License in Peru, supporting the regional expansion and servicing its customer base, which includes financial institutions and corporations. Bladex is listed on the NYSE in the United States of America (NYSE: BLX), since 1992.

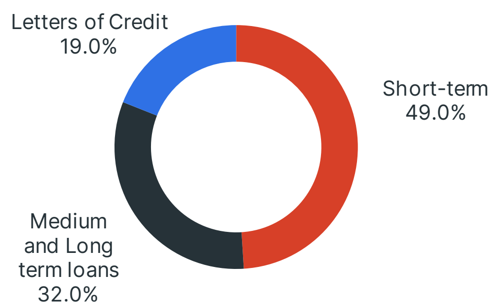
Ownership Structure



Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Net interest income	148.0	233.2	252.5	245.4	251.9
Net fee income	19.8	32.5	45.1	49.9	55.1
Operating income	166.7	266.1	298.8	297.9	309.7
Provision expenses	-19.5	-27.5	-23.6	-29.2	-31.1
Operating expenses	-55.1	-72.5	-73.6	-77.7	-82.5
Net income	92.0	166.2	201.6	191.0	196.1
EPS (COP)	2.5	4.5	5.5	5.1	5.2
Net margin	55.2%	62.4%	67.5%	64.1%	63.3%

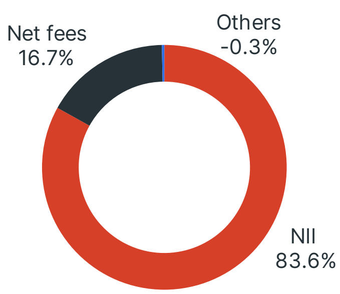
Loans by product (2Q24)



Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & interbank loans	1,242	2,047	1,958	2,063	2,205
Investments	1,024	1,022	1,192	1,301	1,404
Gross loans	6,763	7,196	7,727	8,141	8,700
Total assets	9,284	10,744	11,369	12,024	12,863
Total deposits	3,191	4,408	5,477	5,770	6,167
Other funding	4,734	4,679	4,019	4,235	4,525
Total liabilities	8,215	9,540	10,042	10,580	11,307
Minority interest	0	0	0	0	0
Shareholder's equity	1,069	1,204	1,327	1,444	1,556
Total liabilities + Equity	9,284	10,744	11,369	12,024	12,863

Revenue breakdown (2Q24)



Ratios

	2022	2023	2024E	2025E	2026E
NIM	1.8%	2.4%	2.4%	2.2%	2.1%
Fee ratio	11.9%	12.2%	15.1%	16.7%	17.8%
Cost-to-income ratio	-33.1%	-27.2%	-24.6%	-26.1%	-26.6%
NPL / loans	0.4%	0.1%	0.1%	0.1%	0.1%
LLP / loans	-0.8%	-0.8%	-0.9%	-0.9%	-0.9%
Cost of credit risk	-0.3%	-0.4%	-0.3%	-0.4%	-0.4%
LLP / NPL	-204%	-826%	-853%	-853%	-853%
LTD ratio	210.2%	161.9%	139.9%	139.9%	139.9%
Loan-to-funding ratio	84.6%	78.5%	80.7%	80.7%	80.7%
BIS ratio	15.3%	15.5%	16.5%	16.9%	17.1%
ROAE	8.9%	14.6%	15.9%	13.8%	13.1%
ROAA	1.1%	1.7%	1.8%	1.6%	1.6%

Sources: Company Reports and Credicorp Capital

Management

CEO: Jorge Salas
CFO: Ana Méndez
HIR: Carlos Raad
https://www.bladex.com/en

COFIDE

Sandra Loyola - sloyola@credicorpcapital.com

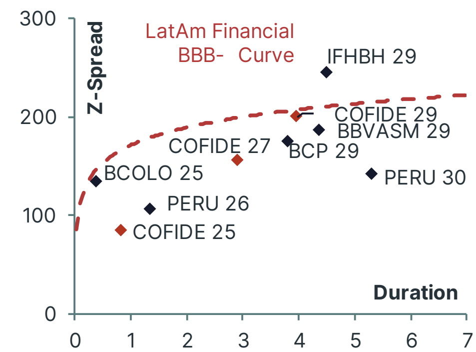
NR / BBB- / BBB
Outlook: nr / s / n

Fragile metrics due to its development mandate but with a high likelihood of government support

Investment Thesis

We recognize that fundamentals are not particularly robust. The bank's credit profile is characterized by some volatility in its credit metrics due to the high concentration of clients and sectors in the portfolio. Given its nature as a development bank, COFIDE has low profitability levels and the NPL ratio is high, but this is counterbalanced by high coverage and high capitalization metrics. Also, considering its crucial role due to its social mandate, we believe there is a high likelihood of government support, plus access to local and international funding is sound. Going forward, we expect the entity to continue benefiting from this government support, which is a key feature of COFIDE's risk profile. We remain neutral on the curve considering a fair Spread over Sovereign of around 40-60 bp in Z-spread terms.

COFIDE Bonds and comparables



Credit Data	
REG-S Notes	3
Outstanding Senior Notes	USD 1,149MM
Closest Call Date	28-Jul-27
Closest Maturity Date	15-Jul-25

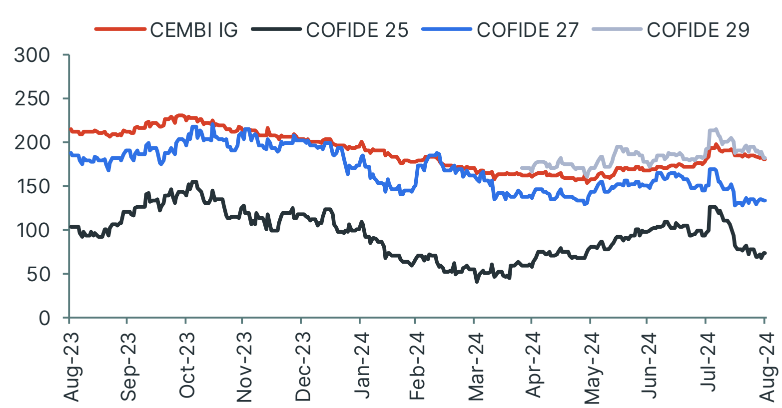
Concerns

- Credit concentration by customer and sector
- Volatile credit metrics and elevated NPLs due to its development mandate
- Directly mirrors any rating action to the sovereign

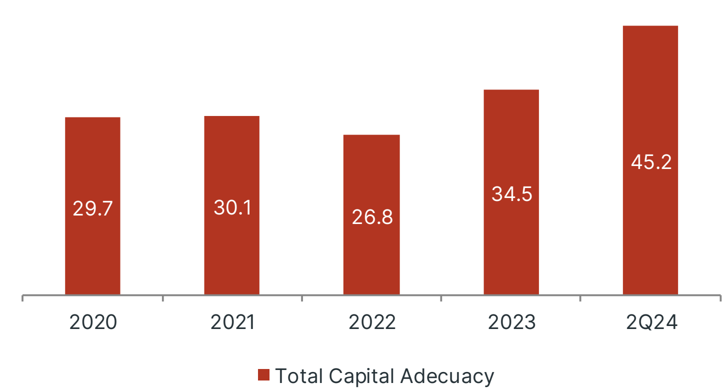
Strengths

- High likelihood of government support and key strategic role as a development bank
- Good access to long-term funding in local and international markets
- High capitalization and coverage

Z- Spread evolution



Solvency



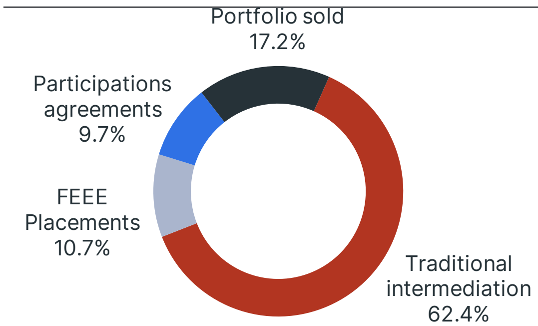
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
COFIDE 25	USD 349mn	4.75%	NR / BBB- / BBB	84	0.8	99.8	0.4%	5.0%	Neutral
COFIDE 27	USD 500mn	2.40%	NR / BBB- / BBB	156	2.9	93.2	0.2%	4.8%	Neutral
COFIDE 29	USD 300mn	5.95%	NR / BBB- / BBB	200	4.0	103.0	0.5%	5.2%	Neutral

COFIDE

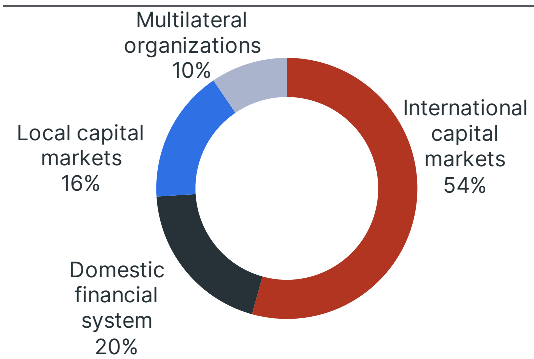
Company Description

Corporación Financiera de Desarrollo is a Peruvian state-owned financial institution that operates as a subsidiary of the Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado since 1971. It operates as a development bank and offers financing and technical assistance to micro, small and medium-sized companies. The bank also manages several trusts for economic reactivation through financial institutions, suchs as Reactiva, FAE, and Impulso Myperu.

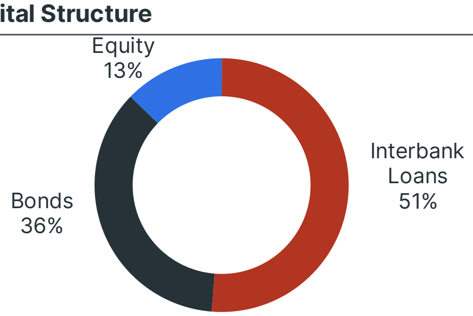
Loan Portfolio



Funding Structure



Capital Structure



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
NPL / Total Loans	9.7%	6.6%	5.6%	7.9%	7.8%
Allowances / NPL	168%	349%	361%	279%	291%
NIM	0.0x	0.0x	0.0x	0.1x	0.1x
Efficiency	52.2%	51.3%	44.9%	50.3%	50.8%
Tier I	29.7%	30.1%	26.8%	34.5%	45.2%
BIS Ratio	29.7%	30.1%	26.8%	34.5%	45.2%
Assets / Equity	6.0x	5.6x	5.6x	4.9x	5.1x

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Interest Income	120	114	128	155	156
Interest Expenses (-)	-85	-108	-118	-131	-129
Net Interest Margin	35	6	11	24	26
Provision Loan Losses (-)	-33	-98	-4	-5	16
Net Fee Income	51	159	35	54	43
Operating Expenses (-)	-17	-19	-19	-22	-23
Net Income	6	11	9	20	24
Net Interest Margin (%)	29.1%	5.2%	8.5%	15.7%	17.0%
Net Income Margin (%)	16.1%	192.1%	84.7%	81.5%	90.3%

Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	551	684	273	198	241
Investments	1,322	1,171	1,139	1,136	1,199
Gross Loans	1,826	1,761	1,982	1,657	1,646
Allowances (-)	-294	-406	-401	-368	-379
Total Assets	3,431	3,452	3,266	2,982	3,051
Deposits	10	7	64	14	3
Interbank Loans	2,524	2,537	834	2,236	2,398
Bonds	1,658	1,867	1,623	1,583	1,688
Equity	573	615	583	608	596
ROAE	1.0%	1.8%	1.6%	3.3%	4.0%
ROAA	0.2%	0.3%	0.3%	0.7%	0.8%

Sources: Company Reports and Credicorp Capital

Davivienda

Rating: Buy
TP: COP 23,500

Equity Research Colombia
Banks

Daniel Mora - dmoraa@credicorpcapital.com
Santiago Martinez - smartinez@credicorpcapital.com

The change in cycle suggests an entry point, but the top-down approach continues to be an obstacle

Investment Thesis

We are introducing our 2025E TP of COP 23,500/share and updating our recommendation to BUY. We acknowledge that results have been weak in recent quarters (-6.5% ROAE in 1H24), impacted by a strong need for provision expenses. However, with inflation and rates decreasing and with the inflection point in NPLs, we expect Davivienda to slowly show better net profits and profitability. We anticipate an ROAE of -0.9% in 2024 (3.1% in 2H24) and 10.0% in 2025, driven by a material reduction of provisions. In this sense, Davivienda is a risky bet, and it is targeted at long-term investors, considering that results in the short term should remain weak. We are seeing a change in the cycle for the sector, and with the stock trading at 0.5x P/BV 2025E, we see an entry point for investors.

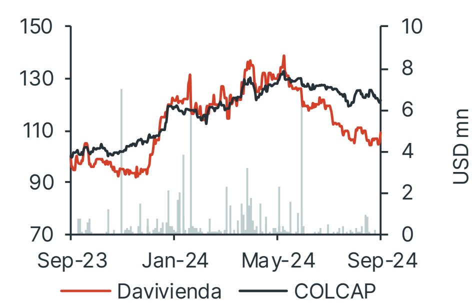
The 2024 guidance is optimistic in our view, but the message is clear: Davivienda should gradually recover. The bank forecasts a 1-4% ROAE, driven by NIM of 6.0%-6.2% and a cost of risk of 3.5%-3.8%. However, we see the NIM at 5.7% (5.6% 1H24) as we balance the positive effect of the lower cost of funding with the significant contraction of the consumer portfolio. Moreover, after a 4.7% cost of risk in 1H24, we estimate a 4.0% in 2024 (3.3% in 2H24). We see lower provisions in consumer loans but higher in the commercial portfolio. Despite a more conservative view, we see a clear path of recovery, and any positive surprise in profits in 2H24 should be considered a bullish sign for investors.

Risks. Political uncertainty will persist in the short term. Moreover, private investment continues to be weak and could limit loan growth. Finally, capital ratios are above the regulatory minimum but tight, given the expected change in the loan growth cycle.

Stock Data

Ticker	pfdavvnd cb
Price (COP)	18,200
Target (COP)	23,500
Total Return	29.1%
LTM Range	15,340 - 23,100
M. Cap (USD mn)	1,947
Shares Outs. (mn)	487.7
Free Float	22.4%
ADTV (USD mn)	0.4

Price Chart (COP) and Volumes (USD mn)



Valuation

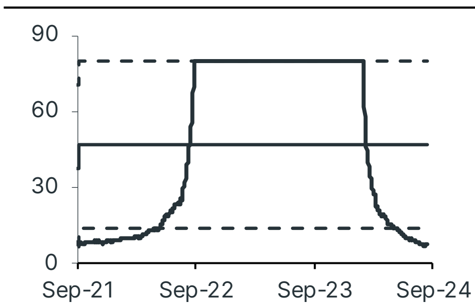
Our 2025E TP is based on a blended methodology. 80% of the value comes from a ten-year residual income model, assuming a nominal Ke of 16.5% in COP and perpetuity growth of 5.0%. The other 20% comes from a justified P/BV estimation considering 12.9% ROAE in the long-term, long-term growth of 7.3%, and a Ke of 16.5%. Our TP implies a 0.7x P/BV and a 7.0x P/E 2025E, while shares are currently trading at a 0.5x P/BV and a 5.4x P/E 2025E. The industry's median multiples from Andean peers are 0.8x P/BV and 5.9x P/E 2025E. **We are incorporating a long-term ROAE of 12.9% in our valuation model.**

Valuation Summary

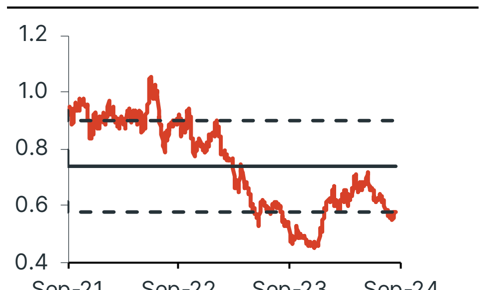
	2023	2024E	2025E	2026E
P/E	nm	nm	5.4	3.8
P/BV	0.6	0.6	0.5	0.5
ROAE	-2.6%	-0.9%	10.0%	13.1%
ROAA	-0.2%	-0.1%	0.8%	1.1%
Div. Yield	5.3%	0.0%	0.0%	7.0%

Sources: Company Reports and Credicorp Capital

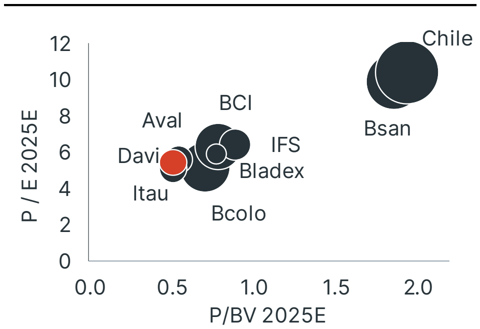
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

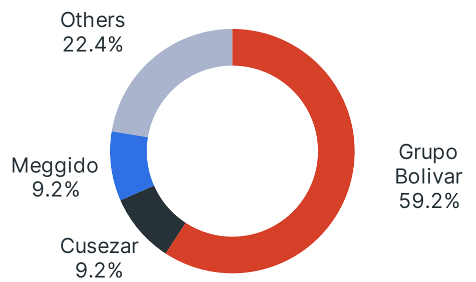


Davivienda

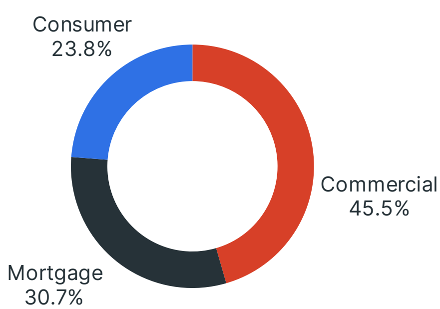
Company Description

Davivienda has consolidated its position as the third largest bank in Colombia (~16% market share in loans - only Colombia) as a result of M&A activity: Banco Superior (2006), Granbanco-Bancafé (2007) and HSBC's assets in Costa Rica, El Salvador and Honduras (2012). It offers a wide portfolio of financial services, with strong presence in retail and mortgage loans. Its main shareholder is Grupo Bolívar, one of the most relevant conglomerates in Colombia.

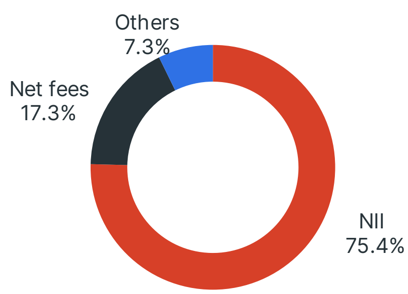
Ownership Structure



Loans by segment (2Q24)



Revenue breakdown (2Q24)



Management

CEO: Javier Suárez
CFO: Ricardo León
HIR: Paula Botia
www.davivienda.com

Income Statement

COP bn	2022	2023	2024E	2025E	2026E
Net interest income	8,851	9,292	8,913	10,120	11,206
Net fee income	1,679	1,894	1,972	2,115	2,278
Operating income	11,013	10,864	11,674	13,185	14,531
Provision expenses	-3,446	-5,917	-5,551	-4,249	-4,153
Operating expenses	-5,247	-5,940	-6,270	-6,715	-7,214
Net income	1,593	-396	-138	1,638	2,366
EPS (COP)	3,527	-876	-283	3,358	4,852
Net margin	14.5%	-3.6%	-1.2%	12.4%	16.3%

Balance Sheet

COP bn	2022	2023	2024E	2025E	2026E
Cash & interbank loans	16,330	17,939	16,647	17,884	19,346
Investments	18,775	19,334	21,921	24,156	26,654
Gross loans	144,787	135,975	142,210	152,762	165,236
Total assets	184,128	178,218	186,653	200,987	217,793
Total deposits	121,072	124,737	131,482	141,289	152,900
Other funding	40,095	33,058	34,237	36,738	39,680
Total liabilities	167,835	163,466	170,940	183,637	198,649
Minority interest	181	164	186	186	186
Shareholder's equity	16,112	14,589	15,527	17,164	18,958
Total liabilities + Equity	184,128	178,218	186,653	200,987	217,793

Ratios

	2022	2023	2024E	2025E	2026E
NIM	6.1%	6.0%	5.7%	6.1%	6.2%
Fee ratio	15.2%	17.4%	16.9%	16.0%	15.7%
Cost-to-income ratio	-47.6%	-54.7%	-53.7%	-50.9%	-49.6%
NPL / loans	3.1%	4.9%	4.5%	3.5%	3.5%
LLP / loans	-4.4%	-4.5%	-4.3%	-4.3%	-4.2%
Cost of credit risk	-2.62%	-4.22%	-3.99%	-2.88%	-2.61%
LLP / NPL	-139%	-90%	-95%	-121%	-122%
LTD ratio	114.4%	104.1%	103.6%	103.5%	103.5%
Loan-to-funding ratio	85.9%	82.3%	82.2%	82.2%	82.2%
BIS ratio	16.3%	14.6%	15.4%	16.0%	16.5%
ROAE	10.5%	-2.6%	-0.9%	10.0%	13.1%
ROAA	0.9%	-0.2%	-0.1%	0.8%	1.1%

Sources: Company Reports and Credicorp Capital

Andean **Investor Guide** 2025

Davivienda

Fixed Income Research Colombia Banks

Ba2 / NR / BB+

Outlook: n / nr / n

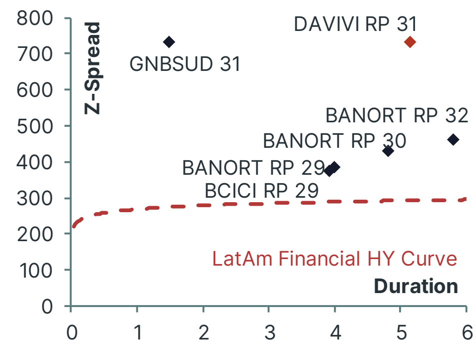
Josefina Valdivia - jvaldivia@credicorpcapital.com

Improving little by little. Bond rallied YTD but we still see value.

Investment Thesis

It remains uncertain when will Davivienda return to its historical average profitability, as results will likely remain under pressure due to persistently high provision expenses. While declining interest rates in Colombia should help reduce funding costs, this benefit will be partially offset by reduced interest income due to a change in the portfolio mix with lower exposure to consumer loans. However, recent results show positive signs, with risk metrics indicating that asset quality deterioration may have peaked. We are also confident in the bank's solvency, with a comfortable cushion above the minimum requirements. As the bank returns to positive net income, we expect further improvements in these metrics. Given these factors, we see value in DAVIVI's bond trading at significant discounts compared to other AT1 bonds in the region.

Davivienda Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 500MM
Closest Call Date	22-Abr-31
Closest Maturity Date	-

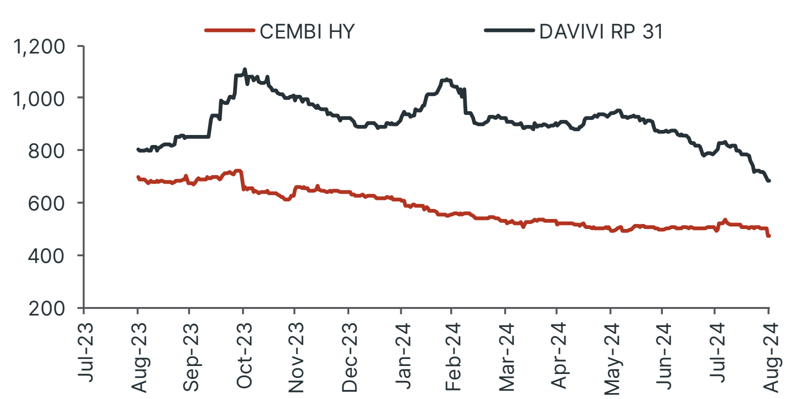
Concerns

- Profitability levels under pressure
- Deteriorated portfolio quality

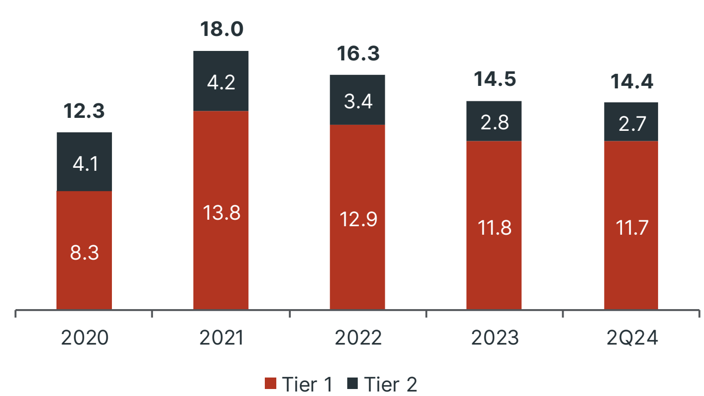
Strengths

- Diversified and ample access to funding
- Systemic relevance in the Colombian banking system
- Adequete capitalization levels

Z- Spread evolution



Solvency



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
DAVIVI RP 31	USD 500mn	6.7%	B2 / NR / B	731	5.1	82.0	0.68%	10.5%	Overweight

GNB Sudameris

Ba3 / NR / BB
Outlook: s / nr / s

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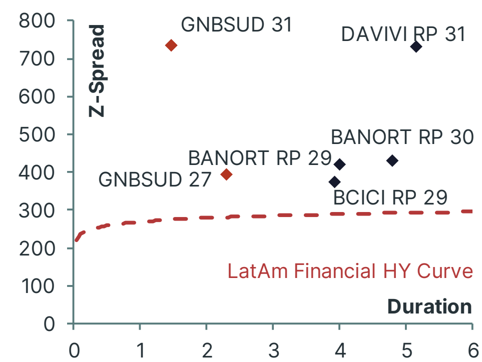
Core capital levels remain weak

Investment Thesis

GNB Sudameris has been somewhat insulated from the current credit cycle in Colombia, primarily due to its substantial exposure to payroll loans. The bank has also benefited from solid gains in its securities portfolio, which have more than offset the significant increase in funding costs, allowing it to maintain relatively stable profitability. Looking ahead, we anticipate a moderation in results as income from the valuation of its investment portfolio normalizes with the expected decline in interest rates. Fundamentally, we are comfortable with the bank's strong liquidity position. However, profitability has remained consistently low, and solvency ratios are tight compared to its peers. This is particularly important for potential future transactions in the capital markets, especially for refinancing purposes. In the absence of positive triggers, we remain Neutral.

GNB Sudameris Bonds and comparables



Credit Data	
REG-S Notes	2
Outstanding Senior Notes	USD 700MM
Closest Call Date	16-Abr-26
Closest Maturity Date	3-Abr-27

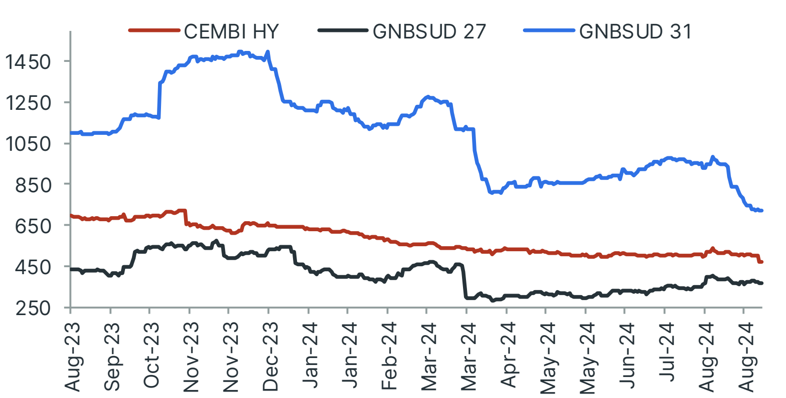
Concerns

- Low core solvency
- Capitalization needs but potentially difficult access to Tier 2 issuance
- Low profitability levels on a sustained basis

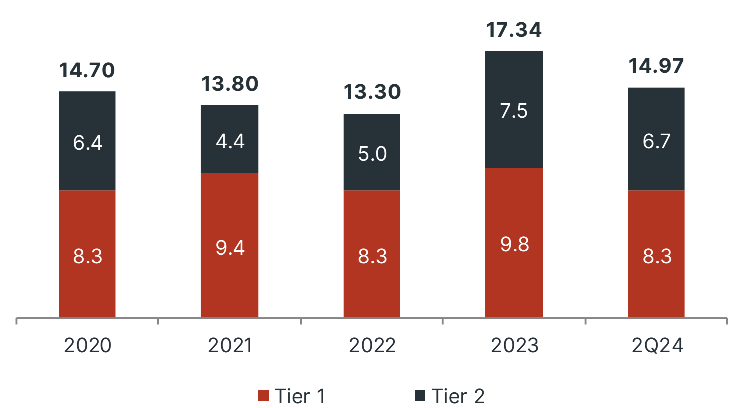
Strengths

- Significant level of liquid assets
- Relative stronger asset quality metrics due to its exposure to payroll loans

Z- Spread evolution



Solvency



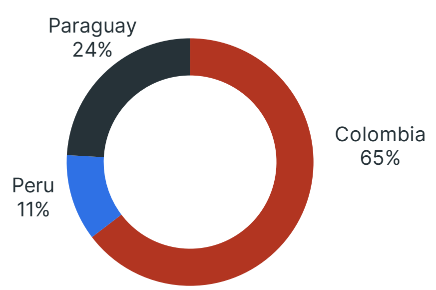
Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
GNBSUD 27	USD 300mn	7.05%	B1 / NR / B+	392.7	2.3	99.8	0.6%	7.2%	Neutral
GNBSUD 31	USD 400mn	7.50%	B2 / NR / B+	734.4	1.5	94.8	0.7%	11.1%	Neutral

GNB Sudameris

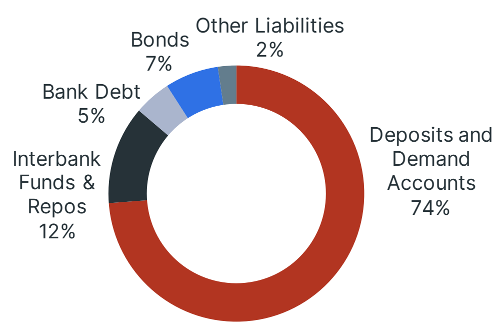
Company Description

GNB Sudameris is a multinational financial institution with a strong presence in Colombia, Peru, and Paraguay. The bank provides a broad range of financial services, with a strong focus on payroll and proprietary trading. It serves individuals, small businesses, and large corporations.

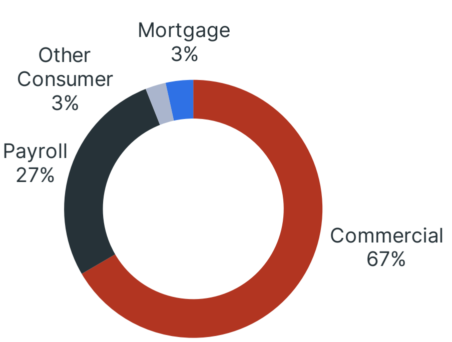
Assets by Country



Funding Sources



Loan Portfolio



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
NPL / Total Loans	1.9%	1.9%	2.1%	1.8%	1.7%
Provisions / NPL	193.0%	175.3%	169.0%	169.0%	185.0%
NIM	2.8%	2.8%	1.4%	0.7%	0.7%
Efficiency	50.7%	55.7%	57.6%	59.6%	61.3%
Tier I Ratio	8.3%	9.4%	8.3%	9.8%	8.3%
Tier 2 Ratio	5.3%	9.6%	9.2%	7.5%	6.7%
BIS Ratio	13.6%	18.9%	17.5%	17.3%	15.0%

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Interest Income	448	480	679	963	967
Interest Exp. (-)	-276	-257	-550	-902	-907
Net Interest Income	172	224	129	61	60
Provision Exp. (-)	-99	-105	-105	-100	-96
Net Fee Income	34	49	52	57	55
Operating Exp. (-)	-164	-201	-239	-261	-269
Net Income	45	60	69	86	94
Net Int. Mg. (%)	38.4%	46.6%	19.0%	6.3%	6.2%
Net Inc. Mg. (%)	26.0%	26.8%	53.7%	142.0%	157.2%

Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	3,106	4,203	3,820	3,433	3,035
Investments	2,325	2,587	2,670	2,362	2,508
Gross Loans	3,900	5,492	6,423	6,297	6,412
Allowances (-)	-146	-178	-229	-233	-198
Total Assets	9,812	12,874	13,582	12,775	12,735
Deposits	6,506	8,418	8,673	8,493	8,674
Interbank Loans	584	430	751	614	550
Bonds	2,325	2,587	2,670	2,362	2,508
Equity	596	847	933	920	948
ROE (%)	7.5%	7.1%	7.4%	9.4%	9.9%
ROA (%)	0.5%	0.5%	0.5%	0.7%	0.7%

Sources: Company Reports and Credicorp Capital

Grupo Aval

Rating: Buy
TP: COP 550 (loc) / USD 2.6 (ADR)

Equity Research Colombia Banks

Daniel Mora - dmoraa@credicorpcapital.com
Santiago Martinez - smartinez@credicorpcapital.com

It is too discounted to ignore, but the stock's liquidity and the top-down approach present obstacles to the thesis

Investment Thesis

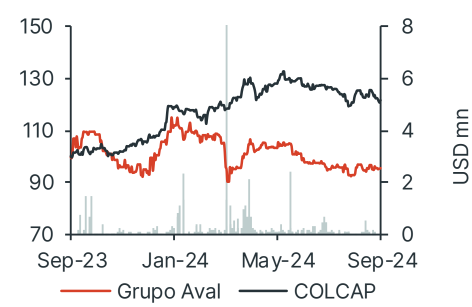
We introduce our 2025E TP of COP 550/share (USD 2.6 ADR) and update our recommendation to BUY. The performance was weak in 1H24 (ROAE close to 3.8%), but we observe a change in the cycle that should allow Aval to recover net profits gradually. Considering lower provisions and funding costs, we estimate Aval to post an ROAE of 5.9% in 2024 and reach 10.1% in 2025. We acknowledge that ROAE is far from the long-term target of 14%-15%, but the stock looks discounted at 0.5x P/BV 2025E. Despite our outlook on better results and discounted valuation, investing in Aval carries significant risks. The investment thesis may take time to materialize, particularly due to i) the top-down approach with high political uncertainty and ii) low trading volumes for Aval.

Banks of Aval should benefit from lower rates, Porvenir is not a source of worry in the short-term with the new pension reform, while the scenario for Corficolombiana is challenging. Bogotá and Occidente accumulated ROAE of 8% and 11% in 1H24, respectively, while Popular (-12%) and AV Villas (-6%) remained in negative territory. All banks should benefit in upcoming quarters from the lower costs of funds and lower provisions. The main risks come from low loan growth, given the weak demand and depressed investment. Porvenir achieved a 23% ROAE in 1H24, and the new pension reform should not have a negative effect on profitability in the short term. In any case, recall that the Constitutional Court should assess the reform, which could result in specific changes. Finally, we remain conservative with Corficolombiana. Despite the solid performance of the energy & gas business, the infrastructure business remains depressed and without a clear pipeline of new projects ahead.

Stock Data

Ticker	pfaval cb / aval us
Price (COP)	420 (loc) / 2.0 (ADR)
Target (COP)	550 (loc) / 2.6 (ADR)
Total Return	38.3%
LTM Range	397 - 506
M. Cap (USD mn)	2,335
Shares Outs. (mn)	23,743
Free Float	19.2%
ADTV (USD mn)	0.3

Price Chart (COP) and Volumes (USD mn)



Valuation

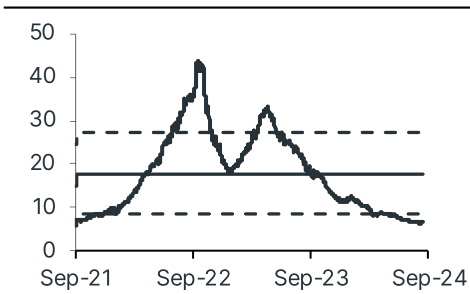
Our 2025E TP is based on a blend methodology. 80% of the value comes from a ten-year residual income model, assuming a nominal Ke of 15.8% in COP and perpetuity growth of 5.0%. The other 20% comes from a justified P/BV estimation considering 2025E ROAE of 10.1% ROAE, long-term growth of 5.4%, and a Ke of 15.8%. Our TP implies a 0.7x P/BV and a 7.3x P/E 2025E, while shares are currently trading at a 0.5x P/BV and a 5.6x P/E 2025E. The industry's median multiples from Andean peers are 0.8x P/BV and 5.9x P/E 2025E. **We are incorporating a long-term ROAE of 13.0% in our valuation model.**

Valuation Summary

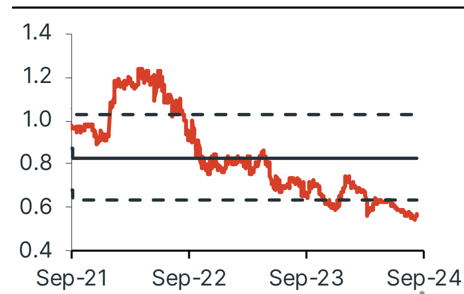
	2023	2024E	2025E	2026E
P/E	15.2	9.9	5.6	4.1
P/BV	0.7	0.6	0.5	0.5
ROAE	4.4%	5.9%	10.1%	12.8%
ROAA	0.2%	0.3%	0.5%	0.7%
Div. Yield	6.8%	7.0%	7.3%	8.7%

Sources: Company Reports and Credicorp Capital

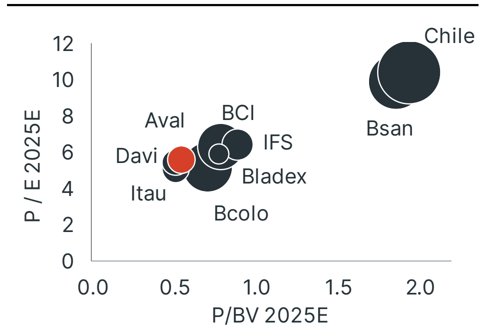
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

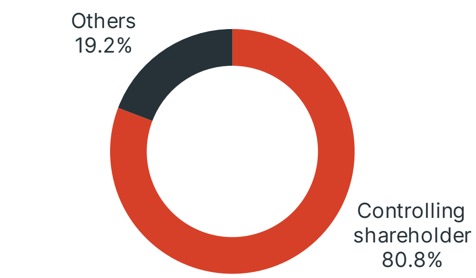


Grupo Aval

Company Description

Grupo Aval is a leading financial conglomerate in Colombia through its four banks (Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas), developing a multi-brand strategy. It is also the leader in the merchant bank businesses through Corficolombiana. On Mar-22, Banco de Bogotá executed a spin-off of a 75% stake in BAC Holding International (BHI) to its shareholders and, on Dec-22, a vehicle of the Sarmiento's family made a tender offer for the remaining 25% in control of Banco de Bogotá.

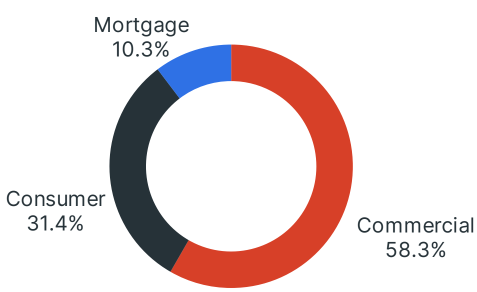
Ownership Structure



Income Statement

COP bn	2022	2023	2024E	2025E	2026E
Net interest income	7,739	6,287	8,031	10,326	12,942
Net fee income	2,904	3,353	3,635	3,885	4,167
Operating income	16,177	16,016	16,669	19,130	22,289
Provision expenses	-2,493	-4,182	-4,436	-4,196	-4,418
Operating expenses	-7,410	-8,346	-8,479	-8,999	-9,771
Net income	2,483	739	1,006	1,782	2,432
EPS (COP)	110.3	31.1	42.4	75.0	102.4
Net margin	15.3%	4.6%	6.0%	9.3%	10.9%

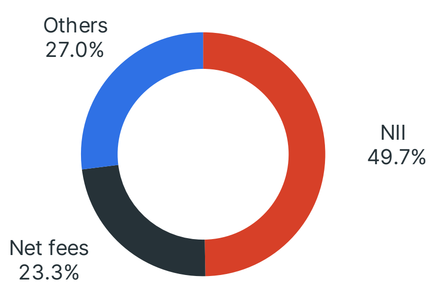
Loans by segment (2Q24)



Balance Sheet

COP bn	2022	2023	2024E	2025E	2026E
Cash & interbank loans	23,001	18,990	21,481	23,325	25,278
Investments	43,474	47,799	58,312	63,979	70,668
Gross loans	182,346	185,811	197,173	212,891	229,160
Total assets	295,591	301,182	326,325	354,003	384,209
Total deposits	173,341	181,987	202,021	218,167	234,948
Other funding	73,874	67,696	71,453	78,904	87,156
Total liabilities	264,770	269,661	293,748	319,095	345,984
Minority interest	14,355	14,738	15,454	16,735	18,484
Shareholder's equity	16,467	16,783	17,123	18,173	19,741
Total liabilities + Equity	295,591	301,182	326,325	354,003	384,209

Revenue breakdown (2Q24)



Ratios

	2022	2023	2024E	2025E	2026E
NIM	3.6%	2.9%	3.5%	4.2%	4.8%
Fee ratio	17.9%	20.9%	21.8%	20.3%	18.7%
Cost-to-income ratio	-45.8%	-52.1%	-50.9%	-47.0%	-43.8%
NPL / loans	3.3%	4.0%	4.2%	3.0%	2.6%
LLP / loans	-5.0%	-5.4%	-5.5%	-4.9%	-4.2%
Cost of credit risk	-1.4%	-2.3%	-2.3%	-2.0%	-2.0%
LLP / NPL	-155%	-136%	-130%	-164%	-164%
LTD ratio	99.9%	96.6%	92.3%	92.8%	93.4%
Loan-to-funding ratio	70.0%	70.4%	68.1%	68.2%	68.2%
Leverage	18.0	17.9	18.5	19.3	19.5
ROAE	15.1%	4.4%	5.9%	10.1%	12.8%
ROAA	0.8%	0.2%	0.3%	0.5%	0.7%

Sources: Company Reports and Credicorp Capital

Management

CEO: Maria Lorena Gutiérrez
CFO: Diego Solano
HIR: Nicolás Noreña Trujillo
www.grupoaval.com

CredicorpCapital

Grupo Aval

Fixed Income Research Colombia Banks

Ba2 / NR / BB+
Outlook: n / nr / s

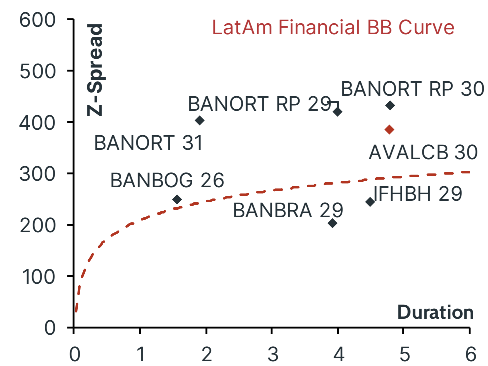
Josefina Valdivia - jvaldivia@credicorpcapital.com

Improved outlook already priced in

Investment Thesis

We believe Grupo Aval will continue to struggle with a cost of risk above normalized levels, though recent results suggest a gradual recovery is underway. This is supported by slight improvements in retail loan asset quality and lower funding costs. Additionally, Aval is working to strengthen its bank's capitalization through new Tier 2 issuances, a supportive move for the credit. Regarding bonds, we see value in AVAL 30 when trading above 70bps over the sovereign. Thus, we are neutral at current levels.

Grupo Aval Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 1,000MM
Closest Call Date	4-Nov-29
Closest Maturity Date	4-Feb-30

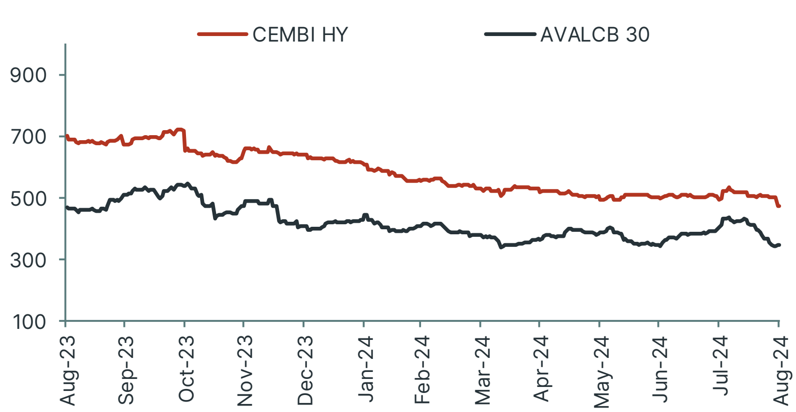
Concerns

- Structural subordination of debt to its subsidiaries
- Relatively high double leverage
- Capacity to return to historical levels of profitability
- Exposure to regulatory changes

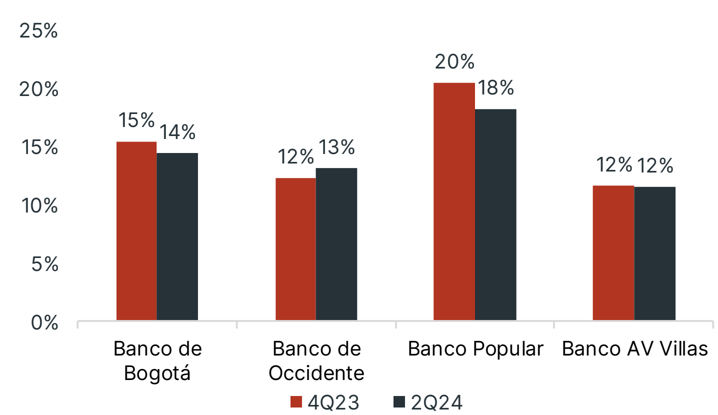
Strengths

- Diversified sources of income and funding
- Strong regional position
- Proactive management

Z- Spread evolution



Solvency Ratio by Subsidiary



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
AVALCB 30	USD 1,000mn	4.38%	Ba2 / NR / BB+	386	4.8	88.1	0.4%	7.1%	Neutral

IFS

Rating: Buy
TP: USD 32.0

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Santiago Martinez - smartinez@credicorpcapital.com

Upgrading shares to BUY based on the expected recovery in 2H24 and in 2025

Investment Thesis

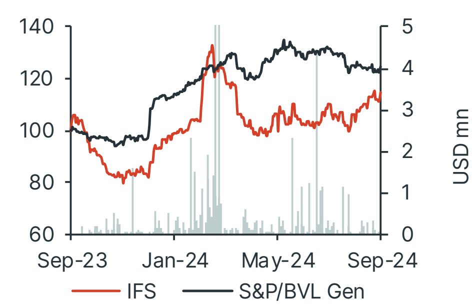
We are introducing our 2025E TP of USD 32/share and upgrading shares to BUY. Results in 1H24 were pressured as ROAE reached 8.4%, impacted by a cost of risk of 4.4%. However, we are observing a change in the trend for NPLs and the need for provisions, signaling a recovery in results and profitability in 2H24 and 2025. Thus, we estimate an ROAE of 10.7% in 2024 (13% in 2H24), with a sequential improvement in 2025 with an ROAE of 14.7%. Even though these ROAE levels are still below the company's target of 17%-18%, we expect the gradual improvement in net profits to boost investor's sentiment and be a catalyst for the stock, especially at current prices. The stock, trading at 0.9x P/BV 2025E, looks discounted in our view as our model suggests a multiple of 1.1x P/BV 2025E.

We are slightly more conservative than the company's guidance, but even with a more conservative scenario, we see an upside for the stock. The company forecasts a banking NIM of +5.5% in 2024 (5.3% in 1H24), while we see this figure close to 5.3%. We incorporate the effect of a lower funding cost in our model due to decreased rates, but we also consider the relevant contraction of the credit card portfolio. In 1H24, the credit card portfolio decreased by 5.1% q/q & 17.8% y/y, while the company focused on safer loan products such as Impulsa Mi Peru or payroll consumer loans, which have a lower spread than credit cards. In this sense, the speed of recovery of the credit card portfolio, without pressuring cost of risk above historical levels, will be the key factor that makes IFS return to ROAE figures between 17%-18%. In our valuation model, we estimate a long-term ROAE close to 16%, but even with a more conservative view, we see a relevant upside for the stock. Any positive surprise in results should also be considered a bullish sign for investors.

Stock Data

Ticker	ifs pe
Price (USD)	25.0
Target (USD)	32.0
Total Return	32.1%
LTM Range	17.3 - 29.0
M. Cap (USD mn)	2,885
Shares Outs. (mn)	115.4
Free Float	29.4%
ADTV (USD mn)	0.3

Price Chart (USD) and Volumes (USD mn)



Valuation

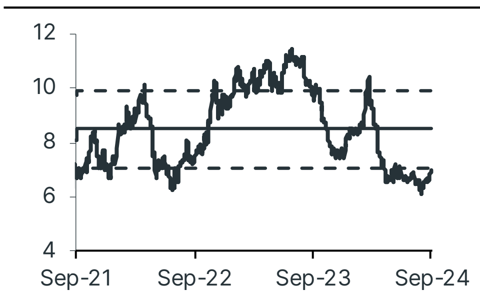
Our 2025E TP is based on a blended methodology. 50% of the value comes from a ten-year residual income model, assuming a nominal Ke of 14.6% in PEN and perpetuity growth of 5.0%. The other 50% comes from a justified P/BV estimation considering 2025 ROAE of 14.7%, long-term growth of 8.8%, and a Ke of 14.6%. Our TP implies a 1.1x P/BV and an 8.2x P/E 2025E, while shares are currently trading at a 0.9x P/BV and a 6.4x P/E 2025E. The industry's median multiples from Andean peers are 0.8x P/BV and 5.9x P/E 2025E. **We are incorporating a long-term ROAE of 15.9% in our valuation model.**

Valuation Summary

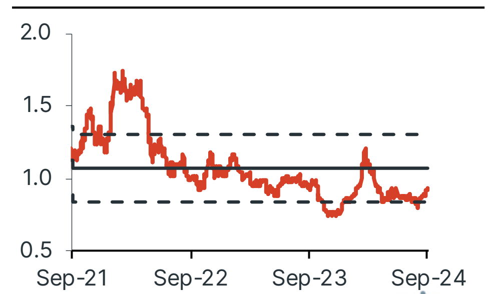
	2023	2024E	2025E	2026E
P/E	9.6	9.8	6.5	5.3
P/BV	1.0	1.0	0.9	0.8
ROAE	11.1%	10.7%	14.7%	16.0%
ROAA	1.2%	1.2%	1.7%	1.9%
Div. Yield	5.0%	3.9%	4.1%	6.2%

Sources: Company Reports and Credicorp Capital

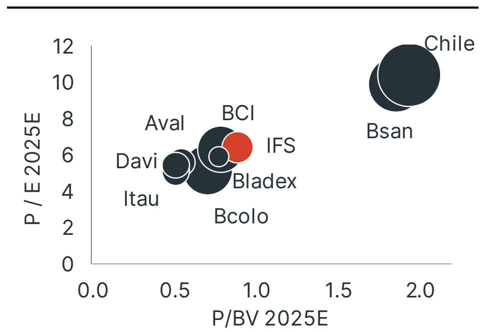
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

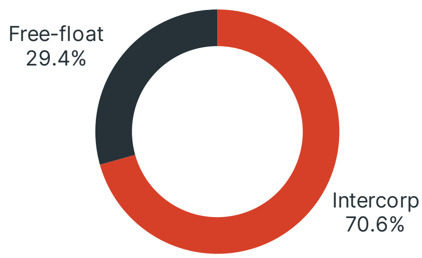


IFS

Company Description

Intercorp Financial Services (IFS) provides financial products through its subsidiaries Interbank, Interseguro and Inteligo. Interbank is the 4th bank in Peru by market share in loans, with a strong presence in consumer lending. Interseguro is a leading L&H insurance company in Peru focused on annuities. Inteligo is a company in the AM and broker dealer business. IFS is controlled by Intercorp Peru whose largest shareholder is the Rodríguez-Pastor family.

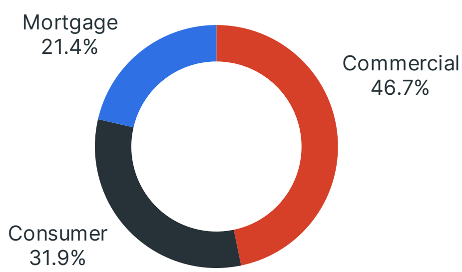
Ownership Structure



Income Statement

PEN mn	2022	2023	2024E	2025E	2026E
Net interest income	4,209	4,545	4,524	4,891	5,405
Net fee income	1,128	1,178	1,135	1,284	1,467
Operating income	5,676	6,096	6,115	6,736	7,482
Provision expenses	-831	-1,982	-1,848	-1,499	-1,526
Operating expenses	-2,675	-2,750	-2,907	-3,131	-3,346
Net income	1,661	1,073	1,113	1,681	2,042
EPS (PEN)	14.4	9.3	9.6	14.6	17.7
Net margin	29.3%	17.6%	18.2%	25.0%	27.3%

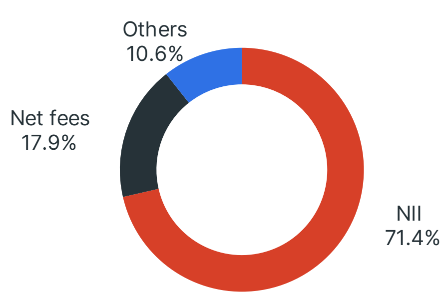
Loans by segment (2Q24)



Balance Sheet

PEN mn	2022	2023	2024E	2025E	2026E
Cash & interbank loans	13,490	10,344	11,284	13,408	14,382
Investments	22,788	26,722	28,384	29,592	32,112
Gross loans	45,281	46,770	49,228	52,488	56,341
Total assets	87,482	89,625	96,961	104,090	112,027
Total deposits	48,531	49,188	52,883	56,385	60,525
Other funding	15,037	14,697	15,412	16,669	17,892
Total liabilities	78,056	79,617	86,064	91,950	98,509
Minority interest	54	58	61	68	76
Shareholder's equity	9,372	9,950	10,836	12,072	13,442
Total liabilities + Equity	87,482	89,625	96,961	104,090	112,027

Revenue breakdown (2Q24)



Ratios

	2022	2023	2024E	2025E	2026E
NIM	5.1%	5.5%	5.2%	5.3%	5.4%
Fee ratio	19.9%	19.3%	18.6%	19.1%	19.6%
Cost-to-income ratio	-47.1%	-45.1%	-47.5%	-46.5%	-44.7%
NPL / loans	2.6%	3.1%	2.8%	2.4%	2.4%
LLP / loans	-3.4%	-3.8%	-3.0%	-3.0%	-3.0%
Cost of credit risk	-1.9%	-4.3%	-3.9%	-2.9%	-2.8%
LLP / NPL	-134%	-123%	-107%	-123%	-123%
LTD ratio	90.1%	91.5%	90.3%	90.3%	90.3%
Loan-to-funding ratio	68.8%	70.4%	69.9%	69.7%	69.7%
Leverage	9.4	9.2	9.0	8.8	8.5
ROAE	17.6%	11.1%	10.7%	14.7%	16.0%
ROAA	1.9%	1.2%	1.2%	1.7%	1.9%

Sources: Company Reports and Credicorp Capital

Management

CEO: Luis Felipe Castellanos

CFO: Michela Casassa Ramat

HIR: Cecilia Ramírez Riesco

www.ifs.com.pe

Sandra Loyola - sloyola@credicorpcapital.com

IFS

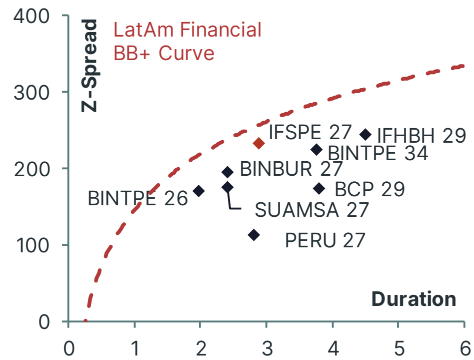
NR / BB+ / BBB-
Outlook: nr / s / n

Gradual improvement to support valuations

Investment Thesis

Profitability for IFS remains pressured but already showing signs of improvement, supported by better performance at Interbank (better NIM and lower provisions) and Inteligo (recovery of investment profitability). Regarding asset quality, IFS is still cautious in retail growth, considering that unemployment is still high, and demand is fragile. But we expect a better 2H24 for IFS considering the normalization of inflation and interest rates and the reduction of provision expenses. The de-risking of the loan portfolio, the increase in the SME segment with the guarantee of Impulsa Myperu, and the better macro variables will be the drivers behind this performance. Even though the loan growth continues to be low, reducing provisions should be a catalyst for better profitability. Considering the outlook for improving fundamentals, the diversified portfolio within the financial industry, and its current relative valuation to BINTPE 34, we believe there is room for spread compression.

IFS Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 300MM
Closest Call Date	19-Jul-27
Closest Maturity Date	19-Oct-27

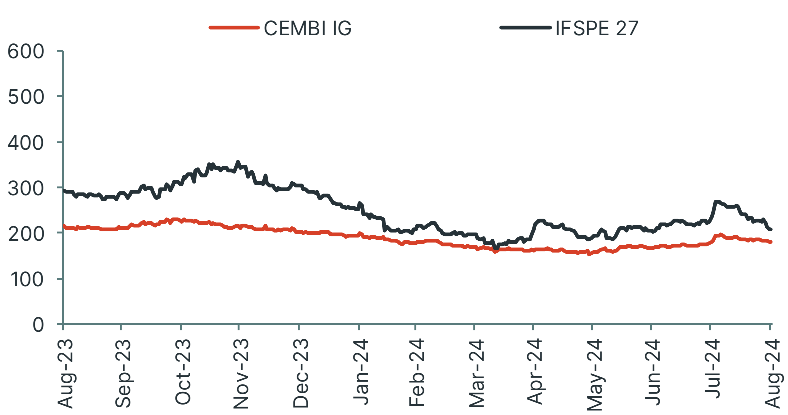
Concerns

- Current economic cycle still pressuring results from subsidiaries
- Relatively higher exposure to the retail segment, which is more sensitive to income cycles

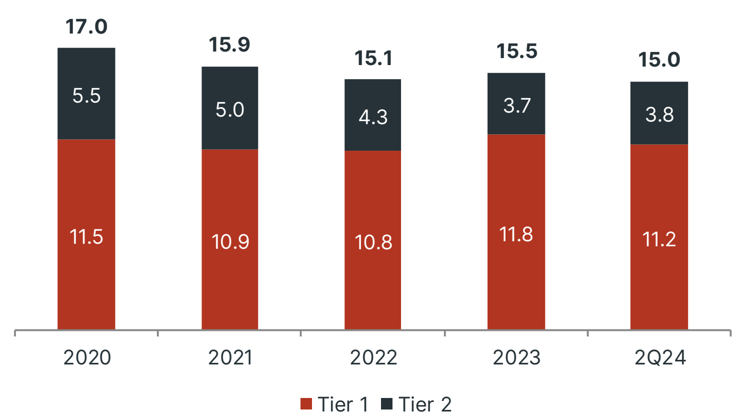
Strengths

- Strategic relevance for Intercorp and good positioning within the financial sector
- Good revenue diversification within the financial business
- Sound liquidity at the holding level

Z- Spread evolution



Solvency



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
IFSPE 27	USD 300mn	4.13%	NR / BB+ / BBB-	233	2.9	95.9	0.4%	5.6%	Overweight

Interbank

Baa1 / BBB- / NR
Outlook: n / s / nr

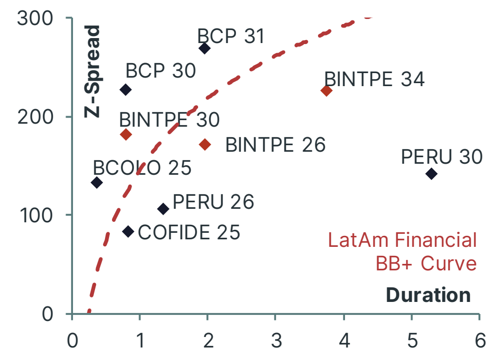
Sandra Loyola - sloyola@credicorpcapital.com

Adequately facing the headwinds and gearing up for recovery

Investment Thesis

We note that the outlook for the Peruvian banking system is one for a gradual improvement, considering the El Niño phenomenon was weaker than expected, the political landscape somewhat eased, the economy is set to recover, and rates are set to decline. This outlook, we expect, will gradually turn around the declining profitability trends that have been impacted by CoR pressure and the lagged effects from 2023 macro shocks. Having said this, we expect some reduction in margins and fees coming from the risk-off in credit origination and lower yields. All in, we expect to see better figures in the second half of the year and remain attentive to see if the recovery starts to consolidate from 2Q23 already improving results. Solvency remains adequate, and BINTPE's old-style subordinated bonds offer fair yields for a relatively lower structure-risk in comparison to regional 'T2' bonds. We are Neutral on the curve on valuation grounds but we feel comfortable with long-term fundamentals.

Interbank Bonds and comparables



Credit Data	
REG-S Notes	3
Outstanding Senior Notes	USD 1,000MM
Closest Call Date	04-Aug-26
Closest Maturity Date	04-Oct-26

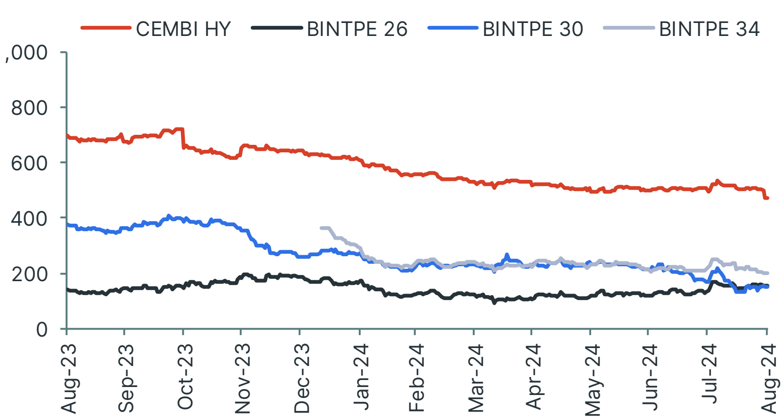
Concerns

- Current economic cycle still pressuring profitability and asset quality
- Relative higher exposure to riskier segments in comparison to peers
- Upcoming updates to capitalization requirements

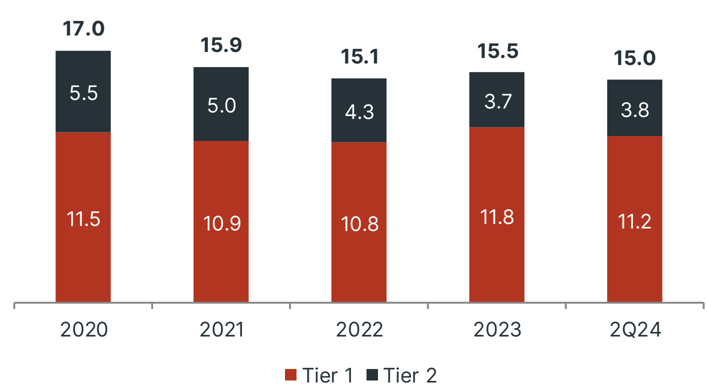
Strengths

- Systemic importance in Peru and strategic asset for Intercorp
- Strong know-how and positioning in the consumer segment
- Dynamic and conservative risk management practices

Z- Spread evolution



Solvency



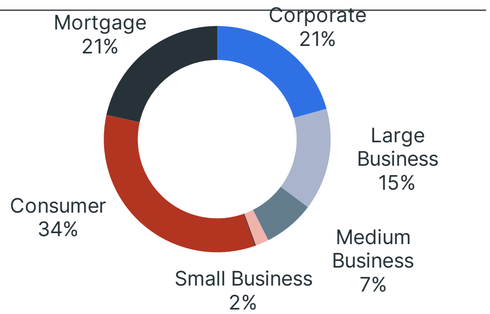
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
BINTPE 26	USD 400mn	3.25%	Baa1 / BBB- / NR	171	2.0	96.3	0.3%	5.2%	Neutral
BINTPE 30	USD 300mn	4.00%	Baa3 / BB+ / NR	182	0.8	98.5	0.3%	5.9%	Neutral
BINTPE 34	USD 300mn	7.63%	Baa3 / BB+ / NR	225	3.8	108.2	0.6%	5.5%	Neutral

Interbank

Company Description

It is the fourth largest bank in Peru with a market share of 13.6%, and the second in consumer loans (market share 21.8%). The bank provides universal banking and related financial services to retail, enterprise and corporate customers. It was founded in 1897 and operates in Peru with a branch in Panama. Interbank is a subsidiary of IFS and its ultimate parent is Intercorp Peru.

Loan Portfolio

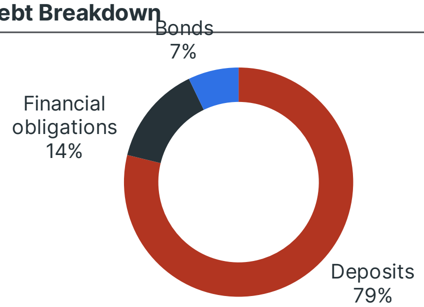


Credit Metrics

	2020	2021	2022	2023	LTM2Q24
NPL / Total Loans*	3.2%	3.0%	2.6%	3.1%	3.0%
Provisions / NPL*	212.9%	160.2%	193.3%	172.3%	155.6%
NIM	5.0%	4.1%	5.0%	5.7%	5.5%
Efficiency	39.3%	45.0%	42.5%	39.2%	39.5%
Tier 1 Ratio	11.5%	10.9%	10.8%	11.8%	11.2%
Tier 2 Ratio	5.5%	5.0%	4.3%	3.7%	3.8%
BIS Ratio	17.0%	15.9%	15.1%	15.5%	15.0%

*90-day NPL, SBS

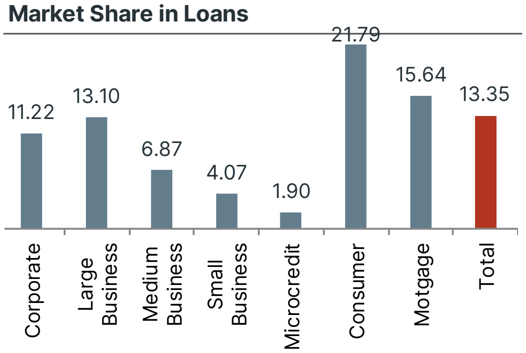
Debt Breakdown



Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Interest Income	1,129	1,065	968	1,287	1,509
Interest Expenses (-)	-339	-271	-224	-383	-532
Net Interest Margin	789	794	744	904	978
Provision Loan Losses (-)	-251	-550	-119	-276	-356
Net Fee Income	193	139	153	179	189
Operating Expenses (-)	-388	-361	-413	-448	-459
Net Income	368	61	331	324	317
Net Interest Margin (%)	69.9%	74.5%	76.9%	70.2%	64.8%
Net Income Margin (%)	46.6%	7.7%	44.5%	35.8%	32.4%

Market Share in Loans



Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	2,695	4,878	3,965	3,044	2,705
Investments	1,532	2,467	2,769	2,637	3,143
Gross Loans	9,682	11,538	11,939	12,577	12,879
Allowances (-)	-438	-787	-570	-620	-636
Total Assets	14,417	18,695	18,774	18,315	18,642
Deposits	9,394	11,932	12,112	11,840	12,124
Interbank Loans	1,478	2,948	2,525	2,325	2,964
Bonds	1,603	1,791	1,914	1,811	1,199
Equity	1,662	1,704	1,875	1,951	2,006
ROAE	23.3%	21.2%	22.0%	23.0%	22.9%
ROAA	2.7%	1.9%	2.2%	2.4%	2.5%

Sources: Company Reports and Credicorp Capital

Intercorp Peru

Sandra Loyola - sloyola@credicorpcapital.com

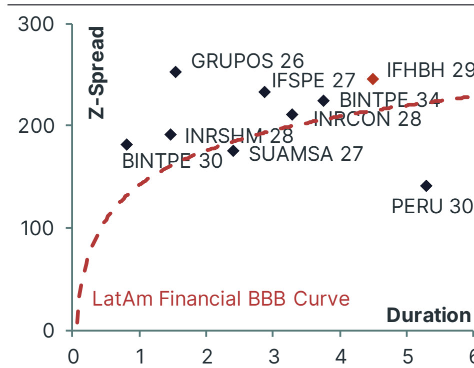
NR / BBB- / BBB-
Outlook: nr / s / n

The goods of diversification for a fair risk reward

Investment Thesis

We feel comfortable with IFH's business diversification and growth strategy supporting the dividend stream through the economic cycles. The financial division, IFS (Interbank, Interseguro, Intelligo, and Izipay), has had a somewhat bumpy performance in 2023, but the business is set to recover amid a gradually improving macro environment, declining local rates, and some improvement in the investor and consumer confidence indicators. Meanwhile, the retail division, which has a majority of flows coming from Food and Pharma, should continue to be resilient to adverse economic cycles and improve its dynamism in the upcoming quarter, boosted by the economic recovery. We like the company's fundamental defensiveness. However, we remain Neutral on the name on fair valuations but continue to look for opportunities for spread compression vs. BINTPE 34 and IFSPE 27.

Intercorp Peru Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 325MM
Closest Call Date	15-May-29
Closest Maturity Date	15-Aug-29

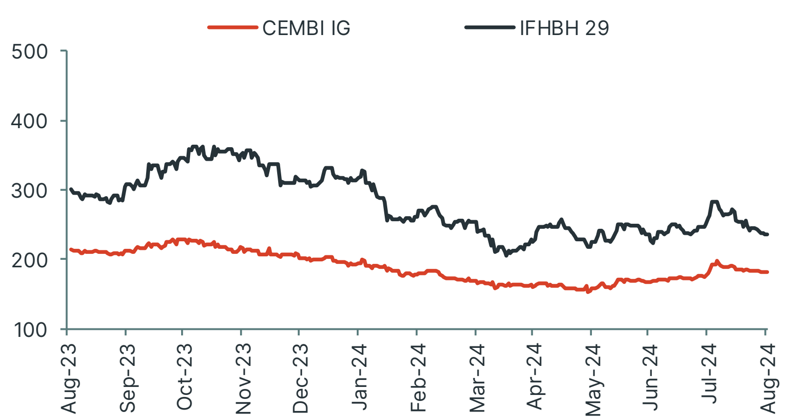
Concerns

- Current economic cycle still pressuring results from subsidiaries
- Potential investment requierents for developing businesses

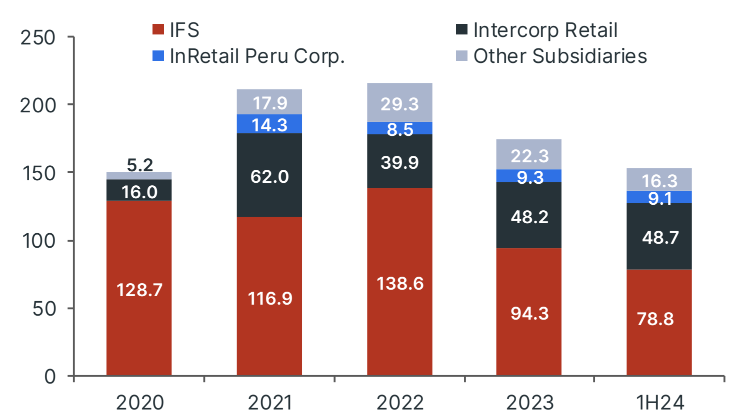
Strengths

- Solid market positioning and diversification
- Growth potential in the Retail divsion
- Steady dividend income from IFS, Intercorp Retail and other subsidiaries
- Comfortable debt maturity profile

Z- Spread evolution



Dividend Distributions



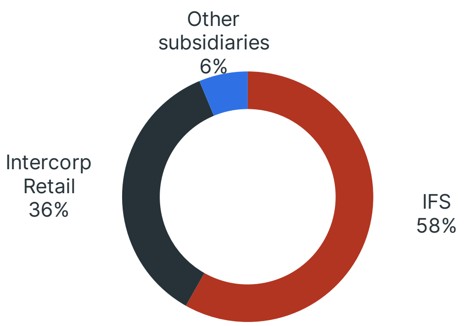
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
IFHBH 29	USD 325mn	3.88%	NR / BBB- / BBB-	245	4.5	92.5	0.3%	5.6%	Neutral

Intercorp

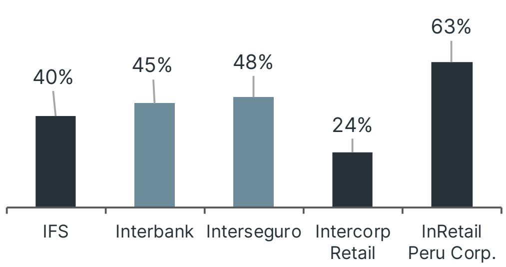
Company Description

Intercorp is a holding company for one of Peru's largest business groups. Through its subsidiaries, the company operates in the banking, insurance, wealth management, supermarkets, pharmacies, shopping malls, department and home improvement stores, education, and healthcare segments in Peru and other Latin American countries. Formerly known as IFH Peru Ltd., the company was incorporated in 1997 and is based in Bahamas.

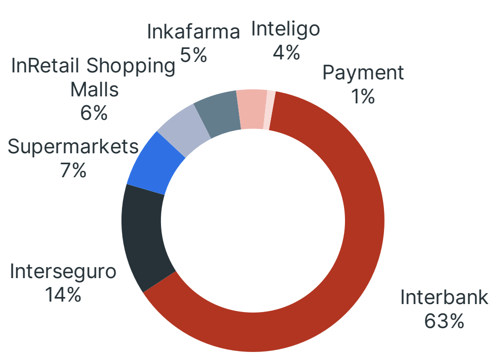
Net Profit by Subsidiary YTD



Dividend Payout by Subsidiary YTD



Asset by Subsidiary YTD



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
NPL / Total Loans*	3.6%	3.1%	2.6%	3.2%	3.4%
NIM*	1.4%	0.9%	5.5%	5.5%	5.6%
BIS Ratio*	17.0%	15.9%	15.1%	15.5%	15.1%
Gross debt / Dividends	296.6%	225.8%	214.9%	262.8%	650.4%

*IFS ratios

Income Statement

USD MN	2020	2021	2022	2023	LTM1Q24
Interest Income	369	310	1,703	2,012	2,051
Interest Exp. (-)	-135	-155	-697	-957	-982
Net Interest Income	234	154	1,006	1,055	1,069
Provision Exp. (-)	-97	-73	-262	-616	-668
Net Fee Income	61	54	313	329	321
Other Expenses (-)	-422	-472	-2,255	-2,410	-2,426
Net Income	42	115	717	426	388
Net Int. Mg. (%)	63.4%	49.8%	59.1%	52.4%	52.1%
Net Inc. Mg. (%)	11.5%	37.1%	42.1%	21.2%	18.9%

Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	575	620	7,703	5,993	569
Investments	6,357	6,571	6,148	7,188	7,113
Net Loans	10,601	10,624	11,994	12,144	11,987
Total Assets	29,442	29,838	30,145	31,049	31,788
Deposits	12,250	12,794	12,663	12,883	13,420
Banks	3,606	3,160	29,024	3,410	3,388
Bonds	3,665	4,072	4,125	3,494	3,454
Equity	4,009	3,939	4,277	4,583	4,698
ROE (%)	1.1%	2.9%	16.8%	9.3%	8.2%
ROA (%)	0.1%	0.4%	2.4%	1.4%	1.2%

Cash Flow Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Operating Activities	2,646	883	825	1,078	1,187
Investing Activities	-1,904	-830	-823	-1,407	-821
Financing Activities	1,525	-523	-958	-611	-533

Sources: Company Reports and Credicorp Capital

Itau Chile

Rating: Buy
TP: CLP 13,000

Equity Research Chile
Banks

Daniel Mora - dmoraa@credicorpcapital.com
Santiago Martinez - smartinez@credicorpcapital.com

The principality strategy has started to pay off and moves in the right direction. We reiterate our BUY rating

Investment Thesis

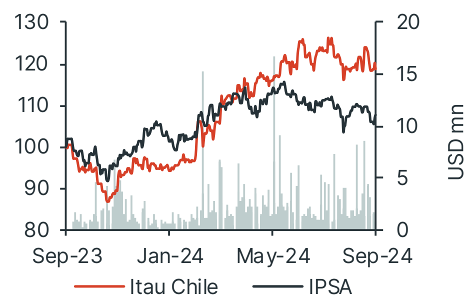
We are introducing our 2025E TP of CLP 13,000/share and maintaining our BUY rating. Results have been positive recently, mainly in Chile, as the bank has reported ROATE levels above 15% in recent quarters (~12% consolidated), above our expectations. The market has incorporated these better results as the stock has risen 24.0% on a YTD basis compared to 2.4% of the IPSA Index. With this in mind, we expect Itau to continue reporting resilient results, especially in Chile, and leveraged by the principality strategy. Thus, we estimate ROATE levels to be between 12%-13% (consolidated) in 2024 and in the long term. We acknowledge that these figures are below the company's long-term target of ROATE, which is between 13%-14%. However, even with a conservative scenario, we see an attractive total return for investors as the stock trades at 0.5x P/BV 2025E (0.6x P/TBV) compared to 0.7x P/BV 2025E (0.8x P/TBV) of our valuation model.

The principality strategy is moving in the right direction. Management has emphasized in conference calls that the pillar of its strategy is becoming the first option for clients. We must consider that this is a marathon, not a sprint, and the bank presents advances on different fronts. Demand deposits of individuals grew 11.1% y/y as of 2Q24, compared to 7.4% y/y of the industry. Demand deposits of companies grew 8.2% y/y (4.3% y/y industry). Time deposits advanced 19.2% y/y (3.1% y/y industry). Moreover, AUM rose 81.1% y/y (40.3% y/y industry), translating into a 66.0% y/y increase in the net fees of asset management. In fact, total fees have increased by 10.6% q/q and 17.6% y/y due to a strong performance of financial advisory, asset management, and credit operations. We expect this pace of growth to remain in the upcoming quarters and support the bank's ROATE figures.

Stock Data

Ticker	itaucl ci
Price (CLP)	10,251
Target (CLP)	13,000
Total Return	32.0%
LTM Range	7,490 - 10,898
M. Cap (USD mn)	2,382
Shares Outs. (mn)	216.3
Free Float	32.6%
ADTV (USD mn)	2.1

Price Chart (CLP) and Volumes (USD mn)



Valuation

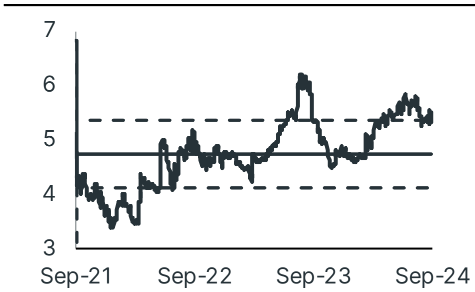
Our 2025E TP is based on a ten-year residual income model assuming a nominal Ke of 14.0% in CLP and perpetuity growth of 5.0%. Our TP implies a 0.7x P/BV (0.8x P/TBV) and a 6.5x P/E 2025E, while shares are currently trading at 0.5x P/BV (0.6x P/TBV) and 5.1x P/E 2025E. The industry's median multiples from Andean peers are 0.8x P/BV and 5.9x P/E 2025E. **Our valuation model incorporates a long-term ROAE of 11.0% (12.2% ROATE).**

Valuation Summary

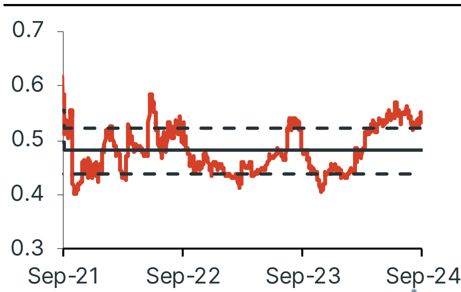
	2023	2024E	2025E	2026E
P/E	5.2	5.8	5.1	4.6
P/BV	0.5	0.6	0.5	0.5
ROAE	10.1%	9.9%	10.5%	10.9%
ROAA	0.9%	0.9%	1.0%	1.0%
Div. Yield	7.0%	4.8%	5.1%	5.9%

Sources: Company Reports and Credicorp Capital

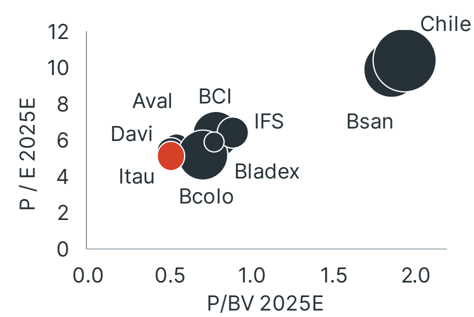
P/E 12M Forward



P/BV 12M Forward



Relative Valuation



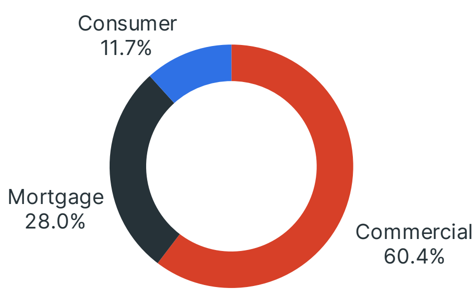
Itau Chile

Company Description

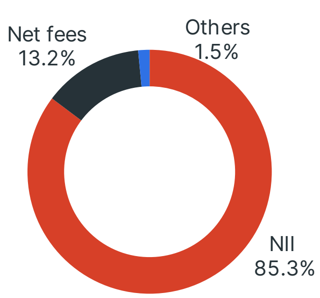
Banco Itau Chile is the entity resulting from the merger of Banco Itau Chile (Itau Chile) and CorpBanca on Apr-16. It is currently the fifth largest private bank in Chile with a market share of ~9.7% in terms of total loans. Recall that the bank also operates in Colombia with a ~4.0% market share. Itaú Unibanco from Brazil controls the bank and it is the largest shareholder (67.4%) after a tender offer executed in 2023. Recently, the company made a reverse stock split of 4,500:1.

Ownership Structure

Loans by segment (2Q24)



Revenue breakdown (2Q24)



Management

CEO: André Gailey
CFO: Rodrigo Luis Rosa Couto
HIR: Claudia Labbe
www.itau.cl

Income Statement

CLP bn	2022	2023	2024E	2025E	2026E
Net interest income	1,121	1,119	1,246	1,289	1,375
Net fee income	173	245	197	215	232
Operating income	1,449	1,502	1,601	1,699	1,814
Provision expenses	-292	-350	-330	-348	-344
Operating expenses	-755	-767	-786	-801	-846
Net income	434	355	380	433	485
EPS (CLP)*	0.4	1,640.4	1,757	2,003	2,240
Net margin	29.9%	23.6%	23.7%	25.5%	26.7%

*EPS in 2022 before the reverse stock split

Balance Sheet

CLP bn	2022	2023	2024E	2025E	2026E
Cash & interbank loans	3,538	2,875	3,310	3,347	3,406
Investments	5,392	7,394	6,881	7,281	7,754
Gross loans	26,627	27,570	28,885	30,408	32,207
Total assets	40,504	41,970	44,201	46,084	48,369
Total deposits	18,259	19,791	22,326	23,503	24,894
Other funding	12,895	13,773	11,277	11,871	12,574
Total liabilities	37,182	38,234	40,222	41,801	43,747
Minority interest	3	3	3	3	3
Shareholder's equity	3,320	3,733	3,976	4,279	4,618
Total liabilities + Equity	40,504	41,970	44,201	46,084	48,369

Ratios

	2022	2023	2024E	2025E	2026E
NIM	3.8%	3.5%	3.7%	3.6%	3.7%
Fee ratio	11.9%	16.3%	12.3%	12.7%	12.8%
Cost-to-income ratio	-52.1%	-51.1%	-49.1%	-47.1%	-46.6%
NPL / loans	2.0%	2.3%	2.3%	2.2%	2.0%
LLP / loans	-2.7%	-3.0%	-3.0%	-3.0%	-3.0%
Cost of credit risk	-1.1%	-1.3%	-1.2%	-1.2%	-1.1%
LLP / NPL	-136%	-130%	-129%	-139%	-151%
LTD ratio	141.9%	135.1%	125.5%	125.5%	125.5%
Loan-to-funding ratio	83.1%	79.7%	83.4%	83.4%	83.4%
BIS ratio	15.3%	15.6%	15.3%	15.8%	16.2%
ROAE	13.1%	10.1%	9.9%	10.5%	10.9%
ROAA	1.1%	0.9%	0.9%	1.0%	1.0%

Sources: Company Reports and Credicorp Capital

4.2 / Cement, Construction & Conglomerates

Andean **Investor Guide** 2025

Credicorp Capital

Chilean Construction Sector

Following a period of challenges, we anticipate a more favorable outlook for 2025

A favorable economic and credit environment is expected to benefit the construction sector.

The construction sector in Chile is expected to show improved results, supported by a more favorable economic and credit environment. After experiencing negative results in 2023 and the first half of 2024, we foresee a less adverse outcome for the remainder of 2024. Signs of recovery are expected to become evident in 2025, with an anticipated GDP growth of 2.8% for the year. This growth will be primarily driven by the mining sector, bolstered by the start of new mining projects following the resolution of the mining royalty issue. Finally, our positive view for the sector is also reinforced by a more flexible credit environment and lower interest rates.

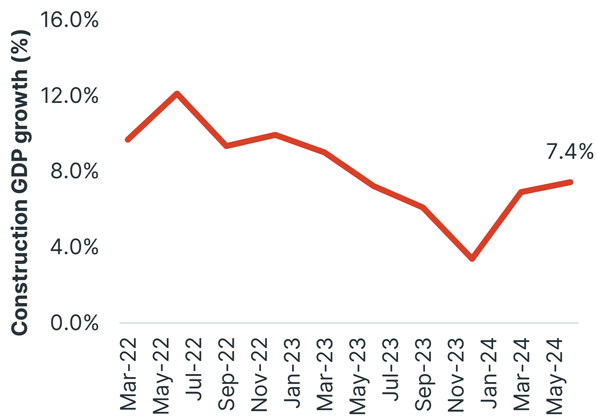
Private and public investments in infrastructure and mining projects are anticipated to significantly boost the construction sector. For the 2024-2028 period, total investments are projected to reach USD 22.6 bn, with USD 3.6 billion already executed. We highlight the 'Nuevo Centinela' project by Antofagasta Minerals which is expected to attract over USD 4 bn in investment. This project, planned for construction between 2024-2026, is primarily undertaken by Salfacorp, in partnership with Fluor Corporation, and represents a key positive catalyst for the company. Additionally, projects such as the increase in grinding capacity for Quebrada Blanca (USD 3.0 bn), the development of productive capacity of Collahuasi (USD 3.3 bn) and the Santo Domingo project (USD 2.2 bn) will also dynamize the mining sector, which hopefully will increase the demand for construction services.

Residential construction could post favorable results with a better credit environment.

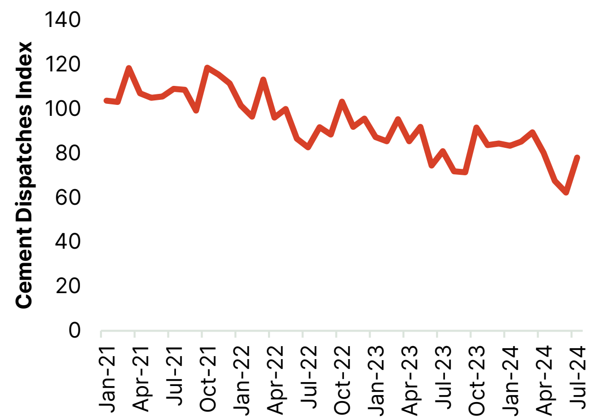
This year, elevated mortgage interest rates have adversely impacted the residential construction sector, resulting in a noticeable recovery lag. In Jun-24, mortgage rates for UF loans were situated at 5.0%, increasing compared to a 4.4% rate in Dec-22. Furthermore, tighter credit conditions have posed challenges for real estate firms, making it difficult to convert pledges into deeds of trust. Nevertheless, Salfacorp has experienced a significant increase in new residential housing pledges, up 34.2% y/y, reaching UF 2,382k in the first half of 2024. This trend of increased residential housing pledges reinforces our positive outlook for the sector in the coming years. We expect that improved macroeconomic conditions, lower inflation —which should reduce construction costs— with a combination of lower mortgage rates and more flexible banking restrictions will create a more favorable environment for residential construction.

Chile

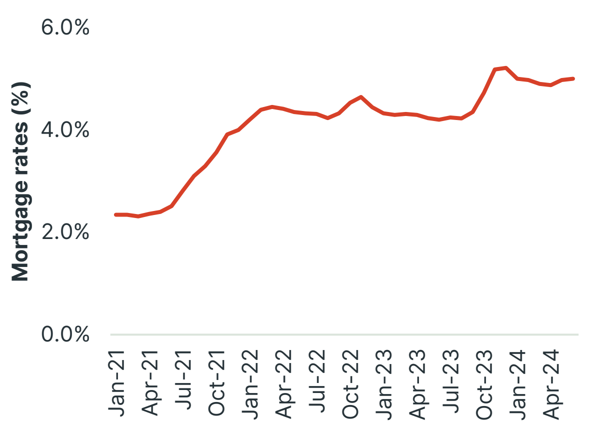
Construction GDP growth (%)



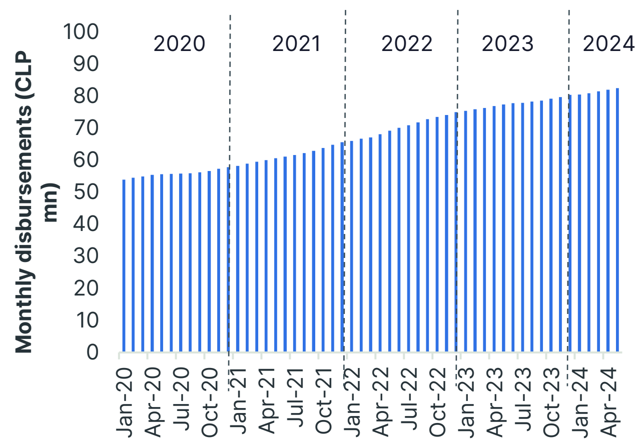
Cement Dispatches Index



Mortgage rates (UF loans)



Monthly mortgage loan disbursements



Five-Year Plan Projects

Projects of the 2024-2028 period	Initial amount (USD bn)	Remaining amount (USD bn)
Development of Minera Centinela - Second Concentrator Stage 1	4.4	4.2
Increase in Grinding Capacity Qb2	3.0	2.9
Development of Infrastructure and Improvement of Productive Capacity of Collahuasi	3.3	2.3
Santo Domingo Project	2.2	2.1
Construction of Metro Line 7 S.A.	2.5	1.7
Operational Adjustment Spence	1.7	1.6
Extension of useful life with Water Transition - Zaldivar Mining Company	1.2	1.2
Oasis of Atacama BESS System	1.4	1.1
Operational Adaptation Project (OAP) - Los Pelambres Mining	1.0	1.0
Construction of Metro Line 9 S.A.	1.9	0.8
Total	**22.6**	**19.0**

Colombian Construction and Conglomerates Sector

Difficult scenario in Colombia with lower activity on infrastructure and residential construction.

2024 has been a more challenging year explained by more adverse economic and political conditions.

Following a period of subdued performance in 2023 and the first half of 2024, we foresee a gradual recovery in investment within Colombia's construction sector throughout 2025. Although the sector has encountered more challenging conditions than anticipated, we expect a potential recovery. In the near term, we anticipate ongoing challenges for the sector due to various factors, including: i) deteriorating housing market with a decline in housing starts of 13.0% y/y in 2024. ii) the effect of falling interest rates remains uncertain, and iii) political and regulatory uncertainties which continue to pose risks. On another note, we see a recovery in civil works projects that could boost the recovery of the sector. Despite the current challenges, we anticipate a gradual recovery in the coming quarters, driven by lower interest rates and faster execution of public projects.

The housing market, which constitutes a significant portion of total cement and concrete consumption, experienced a challenging 2023 with a 44.9% y/y decrease in total sales. The negative trend has persisted into 2024, with a 17.7% y/y decline in 1Q24. Additionally, housing starts have also shown negative results, with a 13.0% y/y decrease in 1Q24. This decline is primarily driven by a 19.9% y/y decrease in non-social housing starts and a 9.1% decrease in social housing starts. We anticipate that lower mortgage rates and increased subsidies for individuals will support the sector's recovery. However, we expect this recovery to be gradual, with more positive results emerging in the second half of 2025.

Decrease in mortgage interest rates should serve as a positive catalyst for the residential construction sector.

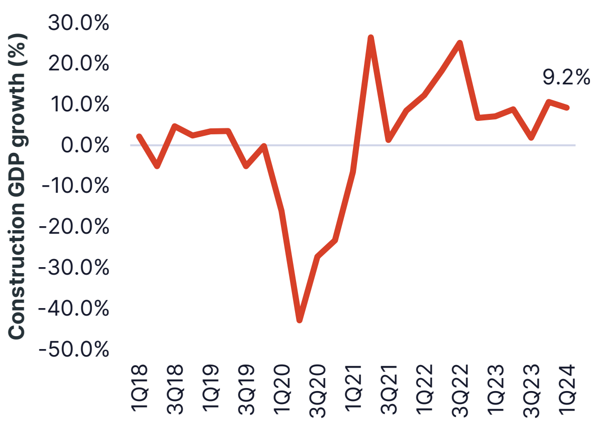
The infrastructure sector is showing signs of recovery after a challenging 2023, though it remains below 2021 and 2022 levels. In 2Q24, the IPOC (Civil Works Production Index) at constant prices increased by 14.4% y/y, driven by growth in the construction of mines and industrial plants. However, road and bridge construction decreased by 9.2% y/y. We expect a gradual recovery but remain cautious about its pace due to mixed performance across segments and potential volatility. Economic conditions and resource allocation could also impact the recovery trajectory.

Following the negative performance of the infrastructure and residential construction the cement production and dispatches continue posting negative results, with an accumulated (Jan-Jul) 5.3% y/y decrease in production and 5.6% y/y decrease in dispatches. As we expect a gradual recovery of the construction sector, we do not expect positive results from the cement sector up to mid 1S25.

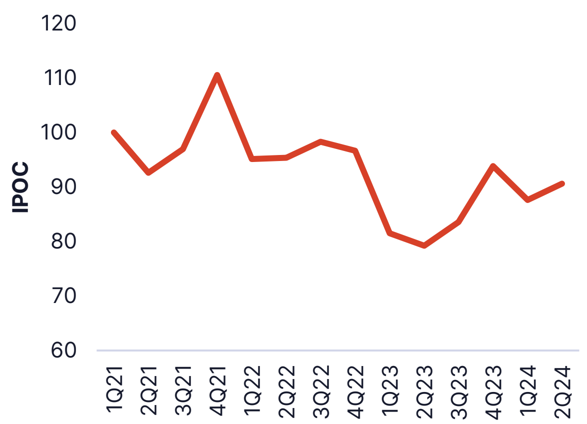
Political and regulatory risks remain key factors for the construction sector. In 2023, the Colombian government froze toll prices, adjusting them in Aug-24 to account for only half of the anticipated increase. The government announced no further increases for the rest of the year, creating uncertainty about the remaining increase and adjustments for 2025.

Colombia

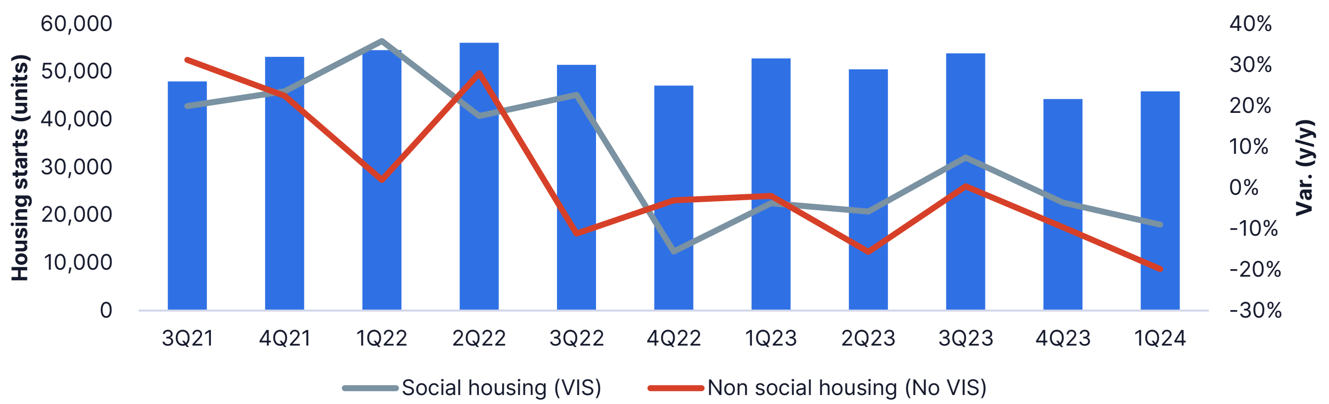
Construction GDP growth (%)



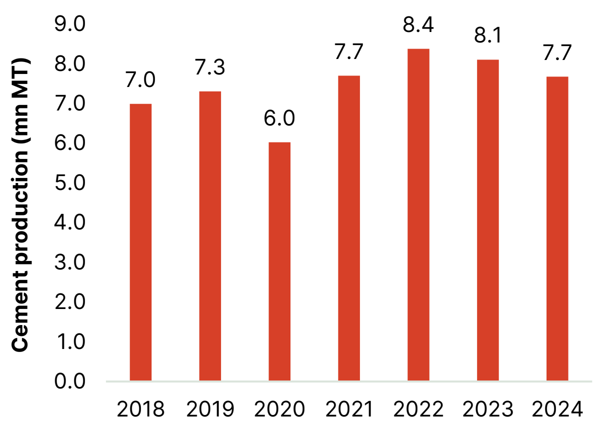
IPOC (Civil Works Production Index)



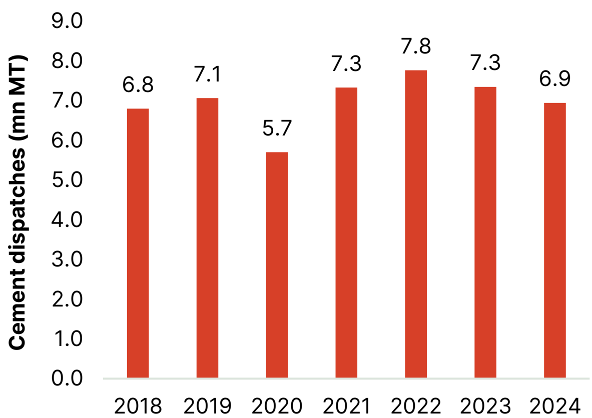
Housing Market (units started)



Cement production (mn MT)

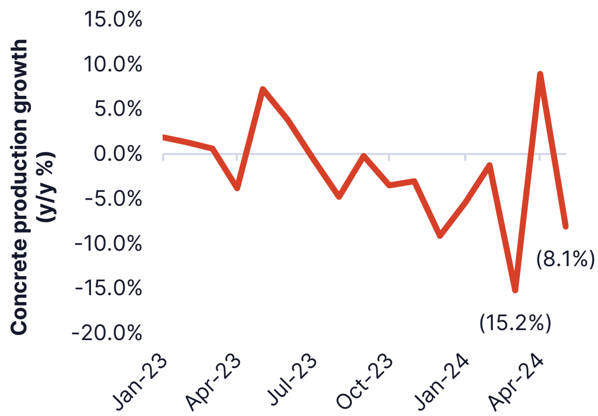


Cement dispatches (mn MT)

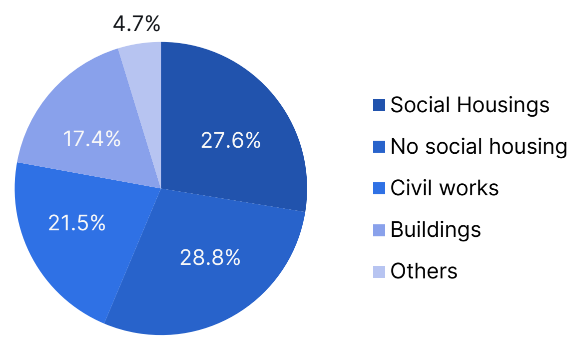


Colombia

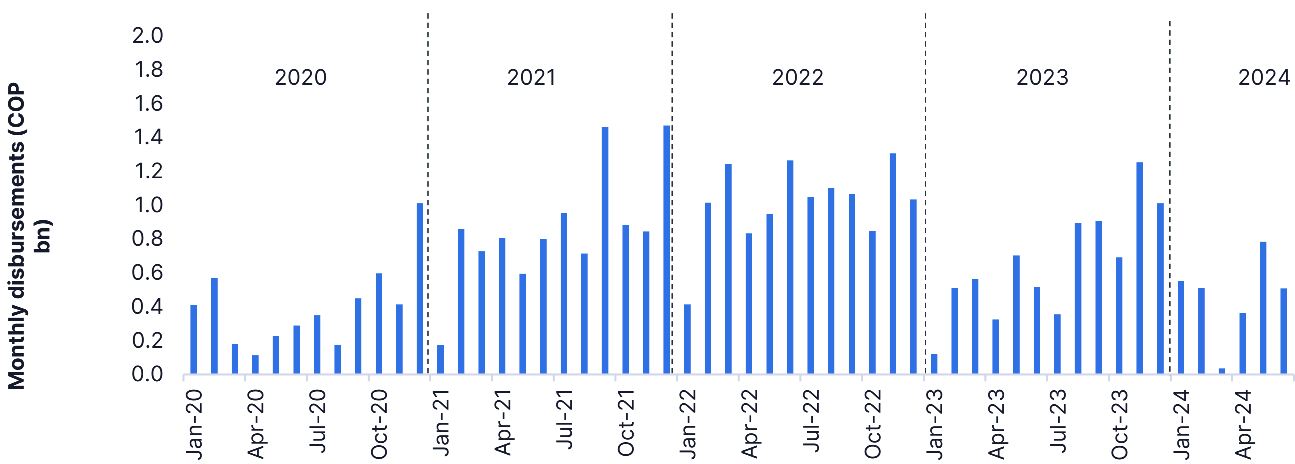
Concrete production growth (M3 Var. y/y)



Concrete production by segment



Monthly mortgage loan disbursements (COP bn)



Infrastructure awarded projects

Projects Awarded	Awarded Date	Investment (USD bn)
Hidroituango	2010	4.9
Concesión vial Neiva-Santana-Mocoa	2016	1.0
Ciudad Mallorquín	2016	0.2
Tunel del Toyo	2018	0.3
Puerto Antioquia	2018	0.8
Transmilenio AV 68	2021	0.6
Troncales del Magdalena 1	2022	1.1
Canal del dique	2022	0.8
RegioTram de Occidente	2022	0.9
Cables de San Cristóbal, Potosí y el Reencuentro- Monserrate.	2022	0.4
Proyecto Calle 13	2022	0.7
Troncales del Magdalena 2	2023	1.1

Future infrastructure projects

Projects to be awarded	Awarded Date	Investment (USD bn)
Metro de la 80	2024	0.9
Transmilenio Soacha	2024	0.3
5G Nueva Malla Vial del Valle	2024	0.4
Proyecto Accesos Norte Fase II	2024	0.6
Corredor vial Buenaventura–Buga	2024	1.0
ALO Sur	2024	0.3
Complejo Deportivo y Cultural el Campín – Bogotá	2025	0.6
Metro de Bogotá - Linea 1	2025	3.2
Metro de Bogotá - Linea 2	2026	3.3
Tren de Cercanías del Valle del Cauca	TBD	1.0

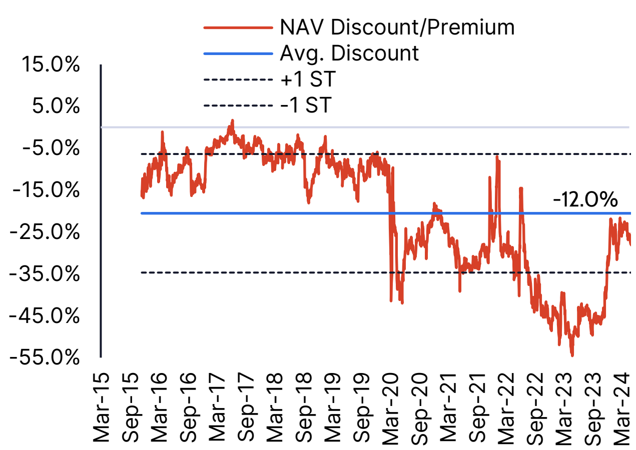
Colombian Construction and Conglomerates Sector

After the Nutresa exit, announcements over crossed participations are expected soon in the GEA

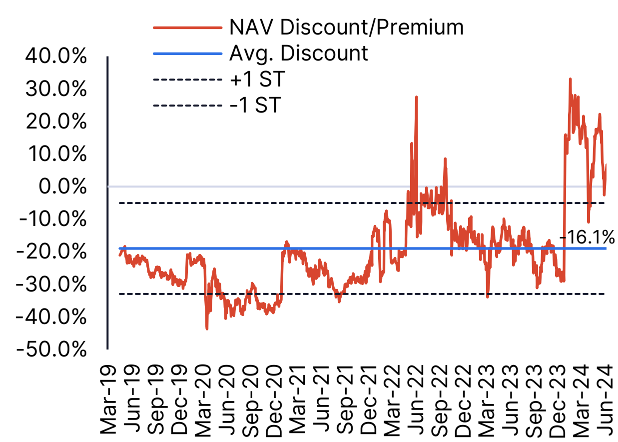
We expect updates on the capital structures of Grupo Argos and Grupo Sura.

We anticipate forthcoming announcements regarding the capital structures of Grupo Argos and Grupo Sura. Both companies have declared their intentions to concentrate on their core businesses following their exit from Nutresa and the liquidation of Sociedad Portafolio, which heightened their cross-holdings. While the specific strategies to reduce these cross-holdings remain uncertain, we expect further updates as new strategic decisions are disclosed. For Corficolombiana, we anticipate a continued decline in earnings momentum, despite the company's attractive valuation. We will closely monitor upcoming announcements regarding new infrastructure projects that the company plans to initiate.

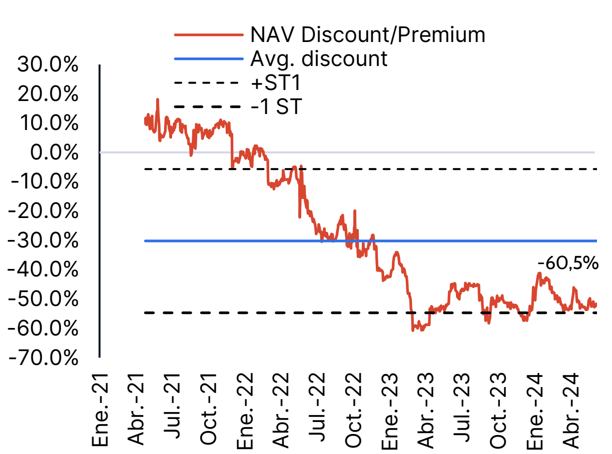
Grupo Argos NAV discount



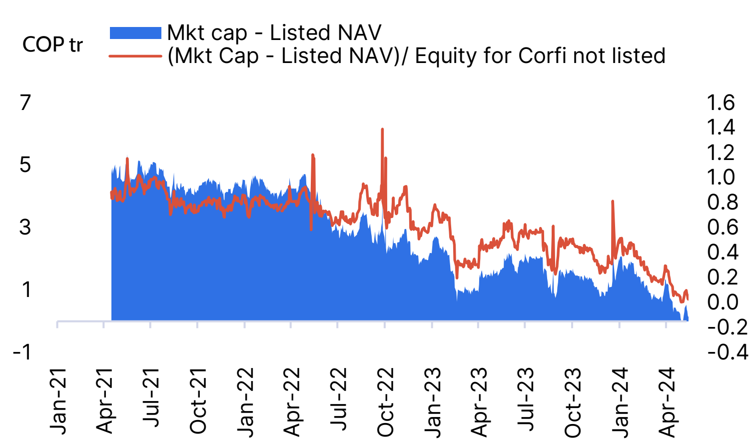
Grupo Sura NAV discount



Corficolombiana NAV discount



Market cap vs listed NAV Corficolombiana



Peruvian Construction Sector

A bright 2025 for Peru's construction sector amid economic rebound and infrastructure investment

The construction sector in Peru is posting an improvement, characterized by a positive outlook strengthened by i) the public sector's commitment to infrastructure development, and ii) a gradual recovery in the private sector following an anticipated economic rebound and lower financing costs.

Rising adjudications highlight ProInversión's compelling project offerings and signal a renewed optimism within the private sector.

On the civil works front, there has been a strong commitment to advancing public projects and promoting infrastructure development. As of Jun-24, the construction sector's GDP increased by 4.0% y/y, driven by significant progress in public projects, despite a lag in private ones. For the coming year, we expect the public sector to continue playing a crucial role in revitalizing the construction industry, as we saw double digits growth in public investment of the central and local government (32.0% in Jul-24 and 23.0% y/y in Aug-24). Further, the government's focus on securing higher adjudications for construction contracts is expected to lead to an influx of projects, boosting demand for cement and concrete. In the first half of 2024, USD 7.2 bn worth of Public-Private Partnership (PPP) projects were awarded, including the Anillo Vial Periferico project. For the second half, an additional USD 3.2 bn in projects is anticipated, resulting in a total pipeline of USD 10.4 bn. Looking into to 2025, USD 8.4 bn of investment are also expected to be awarded. The recent agreements mark the end of several years of investor reluctance towards PPP projects, given that the agency only awarded $1.7 bn in private contracts from 2015-2022. Hence, these increasing adjudications indicates not only an attractive project offering from ProInversion but also a more optimistic outlook from the private sector.

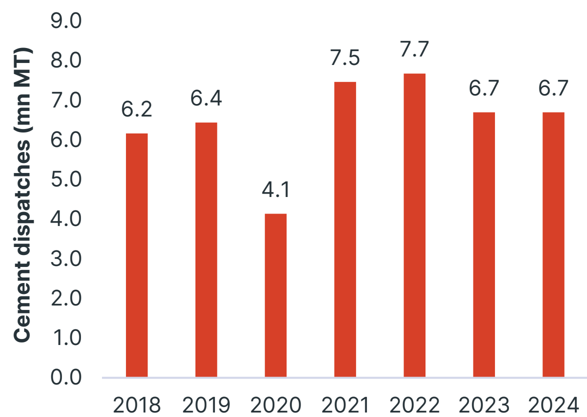
Private construction sector in Peru faced challenges the last two years but is expected to recover in 2025 due to economic growth, lower interest rates, and increased investor confidence.

The private construction sector faced a challenging year, with reduced activity in self-construction and private projects. This slowdown was reflected in stagnant accumulated cement dispatches, as they did not grow compared to the same period in 2023 (Jan-Jul). Looking into 2025, we believe this cyclical sector will benefit from two positive catalysts: i) a projected 2.8% y/y increase in GDP, and ii) lower interest rates following cuts by the Central Bank. The self-construction segment, which accounts for ~70% of total cement consumption, is expected to recover as families' financial conditions improve and lending costs decrease, enabling investments in home improvements and self-construction projects. Additionally, the stabilization of the political environment is anticipated to boost investor confidence, further supported by lower interest rates, enhancing conditions for real estate investments.

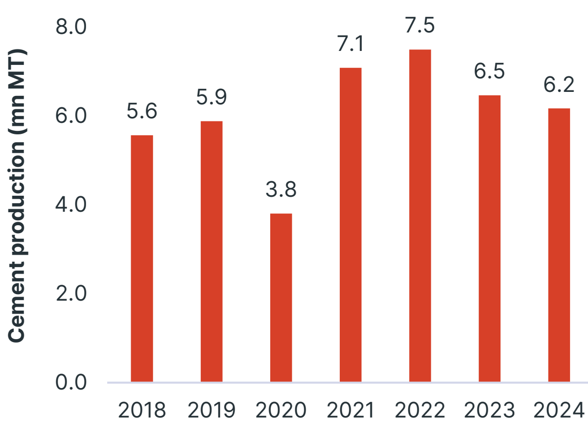
Peru

Construction GDP growth (%)

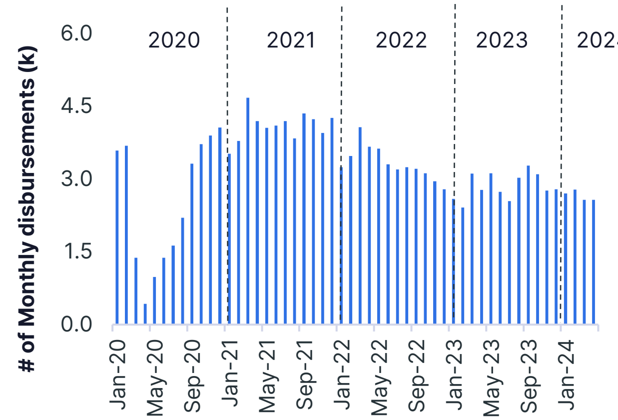
Cement Dispatches (mn MT)



Cement production (mn MT)



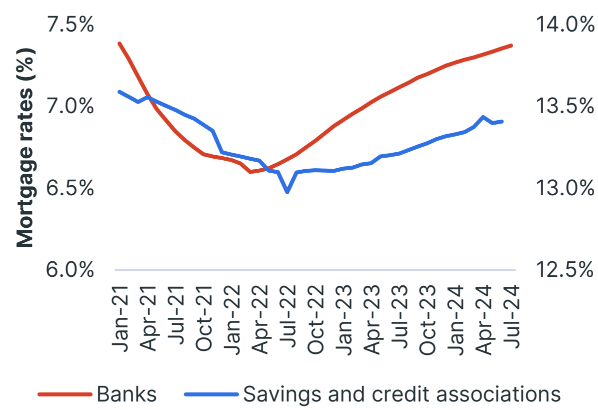
Monthly mortgage loan disbursements (#)



APP Projects (Proinversión)

Projects to be awarded in 2025	Investment (USD bn)
18 National Road Network Conservation Projects	2.4
3.5 GHz Frequency Band	1.5
Pacific Port Peninsula	0.8
El Algarrobo Mining Project	0.5
Headworks (1st fase)	0.5
Trujillo WWTP	0.3
Chimbote Port Terminal	0.3
Schools at Risk in Metropolitan Lima	0.3
New Central Military Hospital	0.2
Choquequirao Tourism Project	0.2
Cajamarca Hospital Operation and Maintenance	0.2
Huancayo WWTP 1/	0.2
Other projects	1.1
Goal	**8.4**

Mortgage rates (PEN loans)



Cemargos

Rating: Buy
TP: COP 10,500

Equity Research Colombia
Cement & Construction

Gabriel Perez - gfperez@credicorpcapital.com
Mariane Goñi - marianegoni@credicorpcapital.com

Attractive entry point for Cemargos

Investment thesis

We are introducing our 2025E target price of COP 10,500/sh for Cemargos while maintaining our BUY recommendation. We believe there is an attractive entry point eventhought we take a more conservative approach to the company after the stock rally followed by the Sprint 2.0 program and the Summit Materials transaction . The company has improved margins through efficiency programs and reduced leverage by repaying debt with the Summit transaction proceeds. Note that the company has stopped consolidating its US operations, but maintain its exposure through its 31% stake in Summit. We anticipate a challenging year for the Colombian cement market.

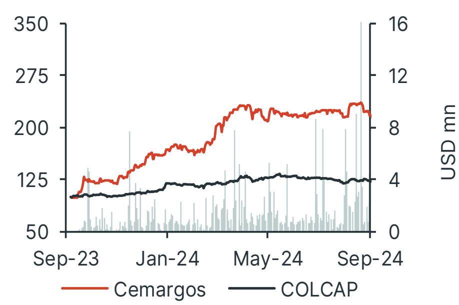
Growth in the Central American and Caribean (CCA) sector will be offsett by challenges in the Colombian market. We project a 4.7% y/y decrease in cement volumes for 2024 and a modest recovery in 2025E for Colombia. Furthermore, we expect prices to remain stable throughout 2025. For CCA segment, we anticipate a 6.1% y/y increase in cement volumes for 2024E, followed by a more moderate 0.9% y/y increase in 2025E. Finally, we expect a positive perfomance from Summit in 2025, driven by rising US demand for cement and aggregates, and improved margins from the integration of Argos operations.

Sprint 2.0 is coming to its end but we do not rule out other catalysts. The program included increasing EBITDA margins, a COP 500 billion share repurchase phase, and the conversion of 99.8% of preferred shares into common shares. Boosted by this initiative, the company increased its market cap and volumes, which led to the inclusion of the stock in the MSCI Small Cap Index and FTSE Rusell Index. We will monitor the company's possible entry into the MSCI Standard Index, while we wait for more details on future initiatives.

Stock Data

Ticker	cemargos cb
Price (COP)	7,860
Target (COP)	10,500
Total Return	38.5%
LTM Range	2,749 - 8,663
M. Cap (USD mn)	2,462
Shares Outs. (mn)	1,322
Free Float	40%
ADTV (USD mn)	1.5

Price Chart (COP) and Volumes (USD mn)



Valuation

Our valuation includes the EV from Colombia and CA&C based on a 10-year discounted free cash flow with a 14.6% WACCC, and we incorporate the 31% Summit Materials participation using the average of market price and market consesus price. Please note that we are including a 5.0% holding discount.

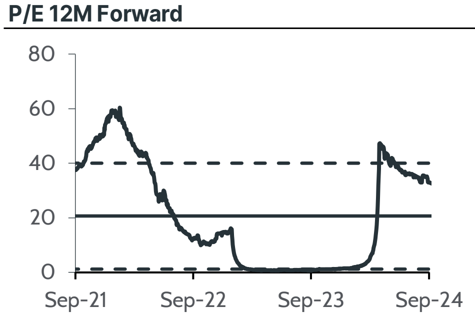
* Note that before 2024, Cemargos was consolidating the US segment.
** EV/EBITDA 12M fwd:
EV pre transaction: Mkt cap + net debt - 8X EBITDA USA
EV post transaction: Mkt cap + net debt - 31% Summit mkt cap

Valuation Summary

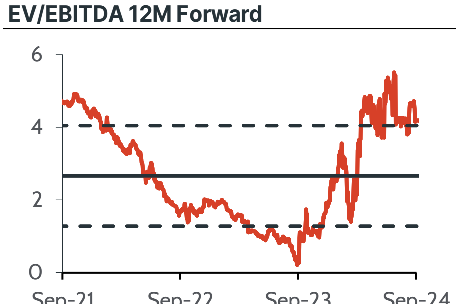
	2023	2024E	2025E	2026E
EV/EBITDA	5.9	5.0	4.9	4.8
P/E	25.9	1.9	25.3	23.1
P/CF	3.3	1.2	10.0	9.8
P/BV	1.0	0.7	0.7	0.7
Div. Yield	5.5%	5.6%	4.9%	5.1%

Sources: Company Reports and Credicorp Capital

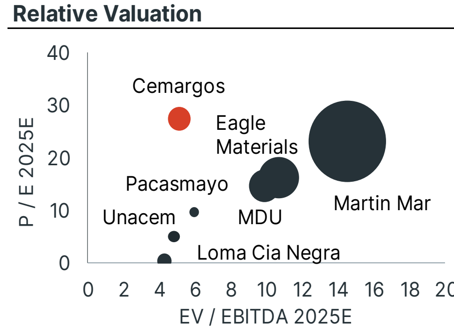
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

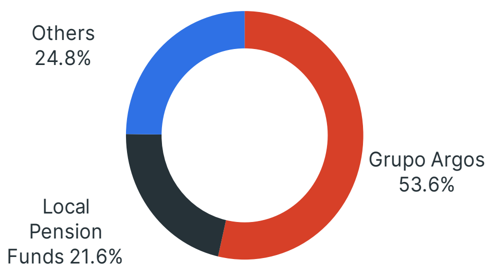


Cemargos

Company Description

Cemargos is a cement and ready-mix producer with operations in Colombia, US and the Caribbean. In the US, the company recently annonced Argos US would integrate with Summit Materials, in which it would have 31% participation in the combined company. The new platform would be the fourth largest in the US with a cement capacity of 11.8 Mt/year. In Colombia, the company is leader with a cement capacity is of 8.5 Mt/year. In CA&C, the cement installed capacity reached 5.9 Mt/year. The company also benefits from having ports and terminals.

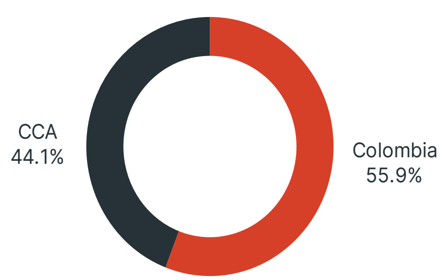
Ownership Structure



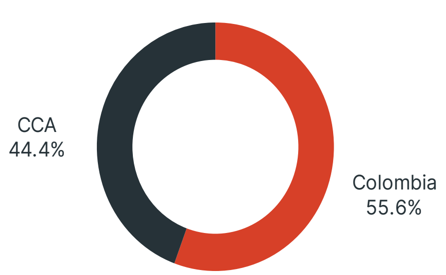
Income Statement

COP bn	2022	2023	2024E	2025E	2026E
Revenues	11,684	12,717	5,210	5,234	5,368
Gross Profit	2,057	2,901	1,325	1,352	1,376
EBITDA	1,942	2,562	1,091	1,126	1,152
Net Income	142	313	5,534	409	449
EPS (COP)	103	227	4,011	297	325
Gross Margin	17.6%	22.8%	25.4%	25.8%	25.6%
EBITDA Margin	16.6%	20.1%	20.9%	21.5%	21.5%
Net Margin	1.2%	2.5%	106.2%	7.8%	8.4%

Revenue breakdown by region (2Q24)



EBITDA breakdown by region (2Q24)



Balance Sheet

COP bn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	790	1,009	2,732	2,894	3,089
Total Current Assets	4,643	3,983	4,077	4,265	4,493
Total Assets	23,266	19,511	20,450	20,505	20,591
Current Liabilities	3,923	4,232	1,597	1,613	1,633
Financial Debt	8,207	7,273	3,841	3,841	3,841
Total Liabilities	11,197	10,436	5,567	5,583	5,603
Minority Interest	1,051	720	912	983	1,057
Shareholders Equity	11,018	8,355	13,970	13,939	13,931
Total Liabilities + Equity	23,266	19,511	20,450	20,505	20,591
Net Debt /EBITDA	3.8	2.4	1.0	0.8	0.7
Financial Debt /EBITDA	4.2	2.8	3.5	3.4	3.3
Financial Debt /Equity	0.7	0.9	0.3	0.3	0.3
ROAE	1.4%	3.2%	49.6%	2.9%	3.2%
ROAA	0.7%	1.5%	27.7%	2.0%	2.2%
ROIC	8.8%	13.8%	5.5%	5.7%	5.8%

Cash Flow Statement

COP bn	2022	2023	2024E	2025E	2026E
Initial Cash	483	790	1,009	2,732	2,894
Operating Cash Flow	1,024	2,028	1,467	900	923
CAPEX	-577	-724	6,356	-293	-308
Changes in Debt	1,194	-934	-3,432	0	0
Dividends	-388	-445	-585	-512	-531
Other CFI & CFF Items	-946	293	-2,083	68	110
Changes in Equity	-	-	-	-	-
Final Cash	**790**	**1,009**	**2,732**	**2,894**	**3,089**
Change in Cash Position	**307**	**218**	**1,723**	**163**	**194**

Sources: Company Reports and Credicorp Capital

Management

CEO: Juan Esteban Calle
CFO: Felipe Aristizábal
HIR: Indira Diaz
https://ir.argos.co/

Cementos Pacasmayo

Rating: Hold
TP: PEN 4.4 (loc) / USD 5.8 (ADR)

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Mariane Goñi - marianegoni@credicorpcapital.com

We remain positive about Pacasmayo's operational efficiency, while noting the potential risks associated with its concentrated business

Investment Thesis

We maintain our HOLD recommendation while increasing our 2025E target price to PEN 4.4/share for Pacasmayo. Despite notable improvements in operational efficiency, our stance remains neutral due to the company's limited geographic diversification and constrained growth potential for cement consumption in Peru.

In the short term, the outlook for 2025 seems positive. Pacasmayo's revenues, driven by the self-construction segment (76%), are cyclical. Hence, the top line will benefit from the Peruvian economy recovery, increased private investments, as well as a better credit environment with lower rates. Nevertheless, we remain cautious about the Coastal El Niño's impact on Northern economic activity, though it does not present an immediate risk for 2025.

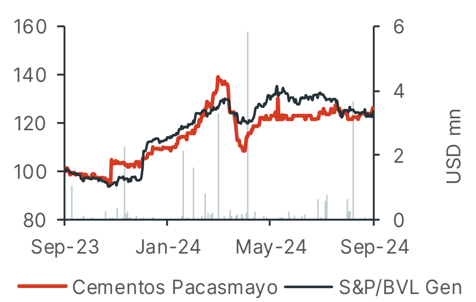
Cement consumption per capita is key to Pacasmayo's long-term growth. The undiversified nature of Pacasmayo's business model makes the company dependent on the performance of the construction sector in Peru. With Peruvian cement consumption per capita already surpassing its regional peers, we can only expect modest sustainable growth rates for the years ahead.

We hold a favorable view of Pacasmayo's operational performance. We project long-term EBITDA margins to be ~25.0%, bolstered by additional clinker capacity and reduced transportation costs. Nonetheless, higher raw material costs (coal) and a greater contribution from the concrete business, which has lower margins than cement, are expected to offset these operational improvements.

Stock Data

Ticker	cpacasc1 pe / cpac us
Price (PEN)	4.4 (loc) / 5.7 (ADR)
Target (PEN)	4.4 (loc) / 5.8 (ADR)
Total Return	10.9%
LTM Range	3 - 5
M. Cap (USD mn)	530
Shares Outs. (mn)	424
Free Float	50%
ADTV (USD mn)	0.1

Price Chart (PEN) and Volumes (USD mn)



Valuation

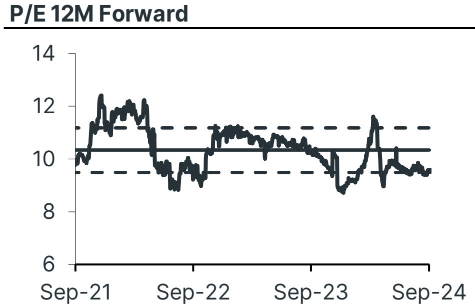
Valuation seems cheap from a historical perspective but seems pricey compared to peers. We are updating our 10-year DCF valuation model for Pacasmayo, including a WACC of 10.9% and a cost of debt of 6.5%. For 2025E, we forecast an EV/EBITDA of 6.0x for Pacasmayo, higher than Unacem (4.8x EV/EBITDA for 2025E) and Cementos Argos (4.9x EV/EBITDA for 2025E). Currently, Pacasmayo is trading at 6.2x, compared to an average of 7.6x in the 2015-2023 period, which we believe might continue to attract investors.

Valuation Summary

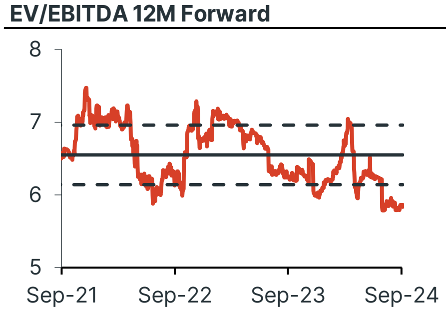
	2023	2024E	2025E	2026E
EV/EBITDA	6.7	6.2	6.0	5.9
P/E	10.3	10.5	9.7	9.4
P/CF	11.0	5.0	6.3	6.1
P/BV	1.5	1.6	1.6	1.6
Div. Yield	10.0%	8.5%	9.6%	10.3%

Sources: Company Reports and Credicorp Capital

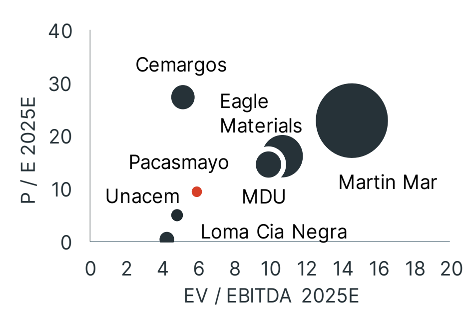
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

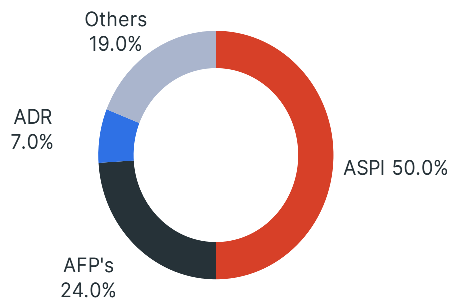


C. Pacasmayo

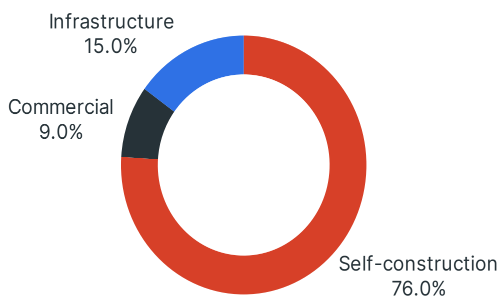
Company Description

Pacasmayo is one of the largest cement producers in Peru and the only one in the northern part of the country (24% of the population and 16% of GDP). The company is part of the Hochschild group (mining and industrial businesses) and has been listed on the Lima Stock Exchange since 1995 and on the NYSE since Feb-12. It has production plants in Pacasmayo, Piura and Rioja with annual cement installed capacities of 2.9mn MT, 1.6mn MT and 0.44mn MT, respectively.

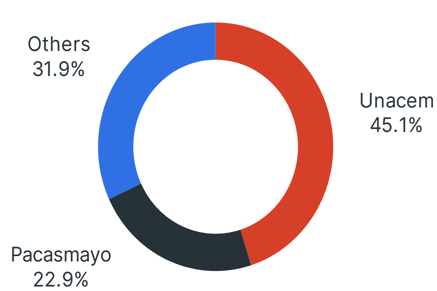
Ownership Structure



Revenue breakdown (2025E)



Peruvian cement market share (2025E)



Management

CEO: Humberto Nadal

CFO: Manuel Ferreyros

IR Manager: Claudia Bustamante

www.cementospacasmayo.com.pe

Income Statement

PEN mn	2022	2023	2024E	2025E	2026E
Revenues	2,116	1,950	1,909	1,984	2,024
Gross Profit	652	689	693	715	727
EBITDA	494	482	528	547	553
Net Income	177	169	191	207	213
EPS (PEN)	0.41	0.39	0.40	0.45	0.48
Gross Margin	30.8%	35.4%	36.3%	36.0%	35.9%
EBITDA Margin	23.3%	24.7%	27.7%	27.6%	27.3%
Net Margin	8.4%	8.7%	10.0%	10.4%	10.5%

Balance Sheet

PEN mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	169	90	105	107	109
Total Current Assets	1,188	992	972	1,010	1,028
Total Assets	3,314	3,222	3,130	3,106	3,063
Current Liabilities	953	689	705	708	704
Financial Debt	1,598	1,581	1,456	1,405	1,355
Total Liabilities	2,119	2,032	1,918	1,878	1,829
Minority Interest	0	0	0	0	0
Shareholders Equity	1,195	1,190	1,212	1,228	1,234
Total Liabilities + Equity	3,314	3,222	3,130	3,106	3,063
Net Debt /EBITDA	2.9	3.1	2.6	2.4	2.3
Financial Debt /EBITDA	3.2	3.3	2.8	2.6	2.5
Financial Debt /Equity	1.3	1.3	1.2	1.1	1.1
ROAE	14.8%	14.2%	15.9%	16.9%	17.3%
ROAA	5.4%	5.2%	6.0%	6.6%	6.9%
ROIC	9.4%	8.7%	9.6%	10.3%	10.6%

Cash Flow Statement

PEN mn	2022	2023	2024E	2025E	2026E
Initial Cash	**273**	**169**	**90**	**105**	**107**
Cash Flow From Operation:	98	360	392	338	355
CAPEX	-178	-289	-87	-103	-104
Changes in Financial Debt	46	-16	-126	-50	-51
Dividends (Paid) Received	-180	-175	-169	-191	-207
Other CFI & CFF Items	109	42	4	9	9
Changes in Equity	0	0	0	0	0
Final Cash	**169**	**90**	**105**	**107**	**109**
Change in Cash Position	**-105**	**-78**	**15**	**2**	**2**

Sources: Company Reports and Credicorp Capital

Corficolombiana

Rating: Buy
TP: COP 19,500

Equity Research Colombia
Conglomerates

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Too cheap to ignore

Investment thesis

We are upgrading our recommendation from HOLD to BUY for Corficolombiana and introducing a new 2025E target price of COP 19,500. The company is trading at a 0.4x P/BV, which is historically low, while the listed value of the portfolio of the company (Promigas, Mineros, and GEB participations) is 17.5% above the company's market cap. Despite the discount, we acknowledge the challenging operational future of the company, followed by the conclusion of the construction stages of the main concessions. We also highlight the unfavorable momentum of the sector, as the infrastructure sector has been struggling through 2024 with political hurdles such as the toll freeze and lower construction activity. Finally, we highlight the increase in financial expenses, which have increased significantly over the past years.

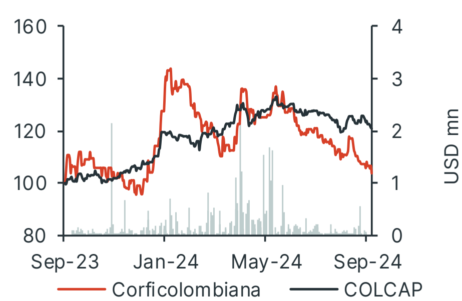
Positive outlook for the energy sector. Corficolombiana's participation in the energy sector through Promigas has seen a significant increase in revenue, with 2Q24 posting a 29.3% y/y increase driven by higher consumption of thermoelectric plants. Furthermore we believe Corficolombiana could benefit from the SPEC expansion.

Negative earnings momentum in the infrastructure sector is expected to pose a challenge for Corficolombiana. Corficolombiana's earnings are declining in 2024 due to: i) reduced construction activity as 4G projects conclude their construction stages, and ii) amortization of the Coviandina concession asset. Additionally, toll collections have been impacted by the government's toll price freeze for 2024, with only a 4.64% increase in August—half of what was expected. The government has announced no further increases for the rest of the year.

Stock Data

Ticker	corficol cb
Price (COP)	12,500
Target (COP)	19,500
Total Return	56.0%
LTM Range	10,707 - 17,000
M. Cap (USD mn)	1,077
Shares Outs. (mn)	346
Free Float	36%
ADTV (USD mn)	0.2

Price Chart (COP) and Volumes (USD mn)



Valuation

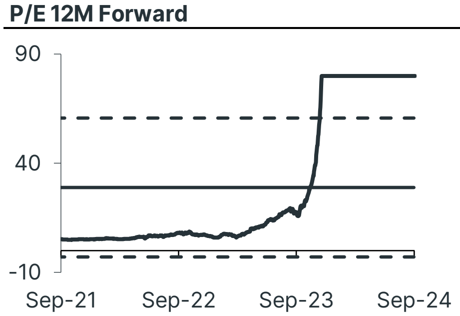
Our target price is based on a SOTP model, in which we incorporate the road concessions (Coviandina, Covipacifico, and Covioriente) through the PV of flows. We incorporate Promigas, GEB, and Mineros through their market prices, then subtract the holding company's net debt, the PV of its expenses, and assume a 15% holding discount. Corficolombiana seems cheap considering that it is trading at a 0.4x P/BV, representing a 52% discount compared to the multiple for the 2018-2023 period (P/BV: 0.8).

Valuation Summary

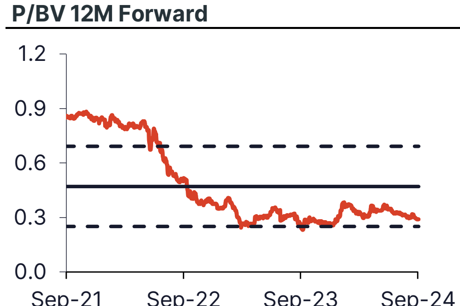
	2023	2024E	2025E	2026E
P/E	5.5	nm	nm	nm
P/BV	0.4	0.4	0.4	0.4
ROAE	7.5%	nm	nm	0.2%
ROAA	1.6%	nm	nm	0.0%
Div. Yield	0.4%	0.0%	0.0%	0.0%

Sources: Company Reports and Credicorp Capital

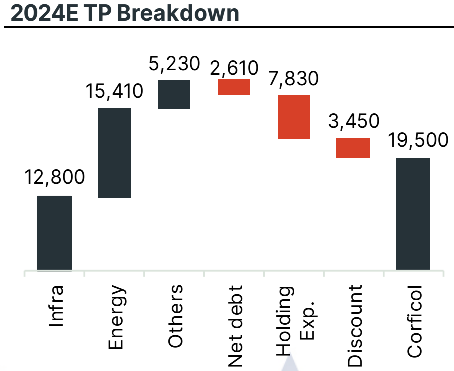
P/E 12M Forward



P/BV 12M Forward



2024E TP Breakdown



Corficol

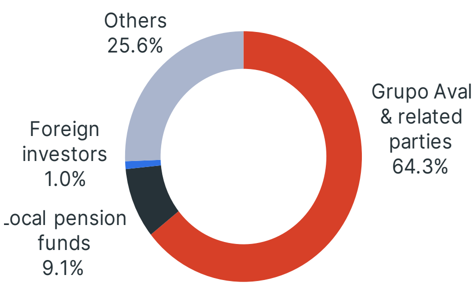
Company Description

Corficolombiana is a merchant bank that invests in strategic sectors of the Colombian economy, including infrastructure, power and gas, hotels and finance. It also provides treasury, investment banking and private banking services. It is considered the real sector investment vehicle of Grupo Aval, the largest financial conglomerate in Colombia.

Corficolombiana

- **Energy & Gas**
  - Promigas 51%
  - GEB 5%
- **Infrastructure**
  - PISA 88%
  - Panamericana 100%
  - Covipacifico 100%
  - Covioriente 100%
  - Coviandina 100%
  - Covimar 100%
- **Hotels**
  - Estelar 88%
  - Santamar 85%
- **Agriculture**
  - Pajonales 100%
  - Unipalma 55%
  - Valora 100%
- **Financial**
  - Fiduciaria CFC 100%
  - Holding Bursátil - Nuam 2%
  - Casa de Bolsa 41%

Ownership Structure



Income Statement

COP mn	2022	2023	2024E	2025E	2026E
Revenues	4,933	3,549	3,160	3,356	3,715
Controlling Net Income	1,728	883	-72	-120	22
Holding	-427	-833	-894	-894	-894
Energy	510	514	644	749	864
Infrastructure	1,710	1,268	210	50	71
Hotels	27	35	20	19	25
EPS (COP)	4,989	2,550	-207	-346	63
Net Margin	35.0%	24.9%	-2.3%	-3.6%	0.6%

Balance Sheet

COP mn	2022	2023	2024E	2025E	2026E
Total Assets	54,033	57,286	58,987	58,526	58,009
Total Liabilities	39,162	41,764	42,943	42,672	42,192
Minority Interest	3,357	3,446	3,768	3,697	3,639
Shareholders Equity	11,514	12,076	12,276	12,157	12,178
Total Liabilities + Equity	54,033	57,286	58,987	58,526	58,009
ROAE	15.8%	7.5%	nm	nm	0.2%
ROAA	3.4%	1.6%	nm	nm	0.0%

Sources: Company Reports and Credicorp Capital

Management

CEO: Milena López Rocha
CFO: Gustavo Ramírez
HIR: Diego Buitrago
www.corficolombiana.com

CredicorpCapital

Ferreycorp

Equity Research Peru
Materials

Rating: Buy
TP: PEN 4.0

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Mariane Goñi - marianegoni@credicorpcapital.com

Solid revenues and margins continue to drive attractive dividend yields

Investment Thesis

We reiterate our BUY recommendation for Ferreycorp and increase our 2025E target price to PEN 4.0/share for Ferreycorp, given its solid top-line, cash generation capability, and attractive dividend yield.

A strong top line with normalized revenue mix. The Peruvian mining and construction sectors are expected to show signs of recovery in the coming years. Consequently, Ferreycorp's top line should benefit, given its exposure to the mining (~57% of total revenues) and the construction sector (~21% of total revenues). For 2025E, we project the revenue mix to consist of 55.2% from Spare parts and services (SP&S), 22.0% from machines and engines for other sectors, and 7.7% from mining trucks and Caterpillar machines.

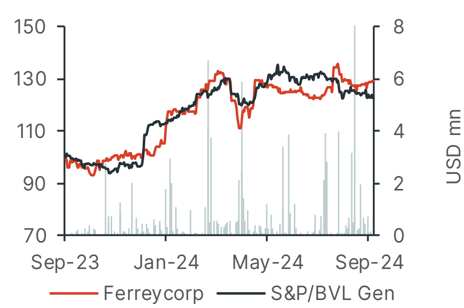
EBITDA margins should normalize, but will remain above 2023 levels. Despite this anticipated recovery, we forecast a slight decline in EBITDA margins, from 13.8% in 2024E to 13.6% in 2025E, due to a higher proportion of sales from mining machines, which typically yield lower margins. However, EBITDA margin should remain higher than 2023 levels, given that SP&S participation is at historical maximums.

Attractive dividend yield of 9.1%. Ferreycorp has consistently demonstrated strong cash generation capabilities, enabling the company to invest in growth opportunities and return capital to shareholders. The company offers an attractive dividend yield of 9.1%, supported by its robust cash flow. Our DDM model values the company at PEN 4.36/share, assuming a dividend payout ratio of 55.2% for 2025-2026E.

Stock Data

Ticker	ferreyc1 pe
Price (PEN)	2.8
Target (PEN)	4.0
Total Return	51.8%
LTM Range	2 - 3
M. Cap (USD mn)	709
Shares Outs. (mn)	946
Free Float	96%
ADTV (USD mn)	0.5

Price Chart (PEN) and Volumes (USD mn)



Valuation

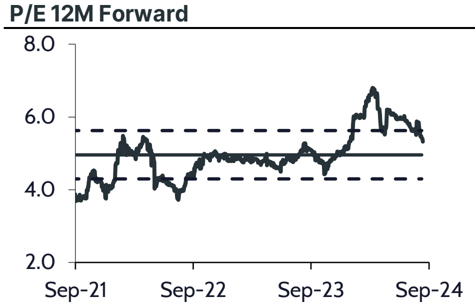
Valuation remains attractive on both relative and historical basis. We are valuing Ferreycorp with a DDM and a 10-year DCF model, with a 2.0% long-term growth, a 10.1% WACC and a 33.9% tax rate. For 2025E, we forecast an EV/EBITDA multiple of 4.4x and a P/E multiple of 5.7x. These valuations are compelling when compared to the historical averages (EV/EBITDA 2017-2023: 5.7x), considering that EBITDA has achieved a 9.0% CAGR since 2017, which has reduced the multiple. Further, Ferreycorp appears undervalued compared to the average multiples of peers in the Americas (9.6x) and Europe (8.9x).

Valuation Summary

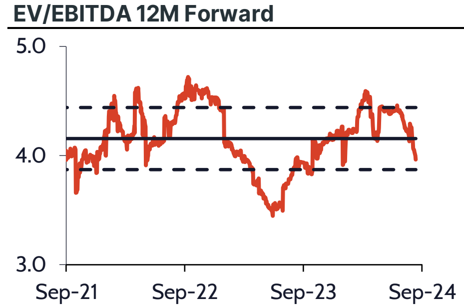
	2023	2024E	2025E	2026E
EV/EBITDA	4.8	4.3	4.4	4.3
P/E	5.4	6.1	5.7	5.6
P/CF	3.5	5.6	3.4	3.5
P/BV	0.9	0.9	0.9	0.8
Div. Yield	9.9%	9.0%	9.1%	9.6%

Sources: Company Reports and Credicorp Capital

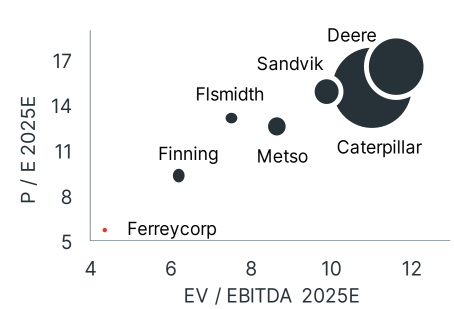
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

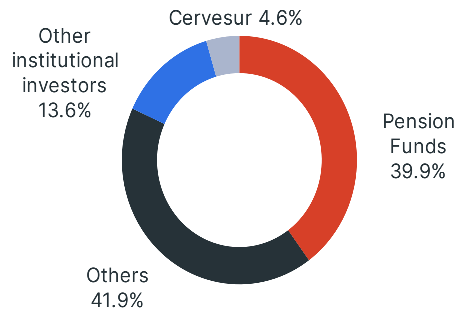


Ferreycorp

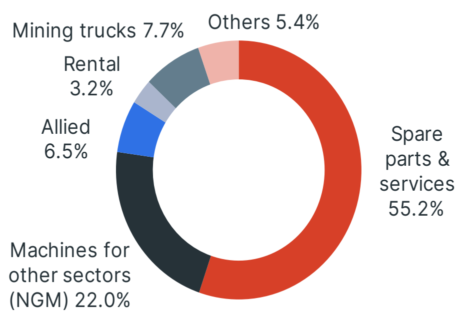
Company Description

Ferreycorp is the largest capital goods distributor in Peru and the only Caterpillar distributor in Peru (since 1942). The company also has a presence in Guatemala, El Salvador and Belize, as well as businesses in Chile and Ecuador. Ferreycorp offers products and services in six main business lines: mining trucks and Caterpillar machines for mines, machines and engines for other sectors, rental and used equipment, allied equipment, spare parts and services and others.

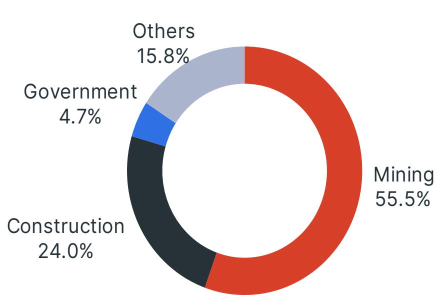
Ownership Structure



Revenues by business line (2025E)



Revenues by economic sector (2Q24)



Management

CEO: Mariela Garcia
CFO: Patricia Gastelumendi
IRO: Jimena de Vinatea
www.ferreycorp.com

Income Statement

PEN mn	2022	2023	2024E	2025E	2026E
Revenues	6,578	6,945	7,555	7,522	7,749
Gross Profit	1,693	1,807	1,983	1,937	1,985
EBITDA	866	919	1,044	1,021	1,042
Net Income	419	434	440	465	477
EPS (PEN)	0.44	0.46	0.47	0.49	0.50
Gross Margin	25.7%	26.0%	26.3%	25.7%	25.6%
EBITDA Margin	13.2%	13.2%	13.8%	13.6%	13.4%
Net Margin	6.4%	6.2%	5.8%	6.2%	6.2%

Balance Sheet

PEN mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	192	219	200	212	271
Total Current Assets	3,955	4,057	4,434	4,441	4,570
Total Assets	6,249	6,525	6,914	6,915	7,054
Current Liabilities	2,530	2,959	2,858	2,837	2,854
Financial Debt	2,160	2,315	2,344	2,152	2,022
Total Liabilities	3,760	3,860	4,057	3,836	3,754
Minority Interest	0	0	0	0	0
Shareholders Equity	2,488	2,665	2,857	3,079	3,300
Total Liabilities + Equity	6,249	6,525	6,914	6,915	7,054
Net Debt /EBITDA	2.3	2.3	2.1	1.9	1.7
Financial Debt /EBITDA	2.5	2.5	2.2	2.1	1.9
Financial Debt /Equity	0.9	0.9	0.8	0.7	0.6
ROAE	17.3%	16.8%	15.9%	15.7%	15.0%
ROAA	6.8%	6.8%	6.5%	6.7%	6.8%
ROIC	10.2%	10.0%	11.1%	10.5%	10.6%

Cash Flow Statement

PEN mn	2022	2023	2024E	2025E	2026E
Initial Cash	**216**	**192**	**219**	**200**	**212**
Cash Flow From Operation:	57	522	443	668	690
CAPEX	-137	-179	-306	-222	-244
Changes in Financial Debt	272	155	28	-191	-130
Dividends (Paid) Received	-246	-231	-239	-243	-257
Other CFI & CFF Items	32	-225	42	0	0
Changes in Equity	-1	-15	12	0	0
Final Cash	**192**	**219**	**200**	**212**	**271**
Change in Cash Position	**-24**	**27**	**-19**	**12**	**59**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Grupo Argos

Rating: Uperf
TP: COP 18,500

Equity Research Colombia
Conglomerates

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An outstanding price momentum and limited new information makes us take a step to the side for the moment

Investment Thesis

We are introducing our 2025E target price of COP 18,500/share for Grupo Argos while cutting our recommendation to UPERF. Even though we believe the company's controlling stake in Cementos Argos (BUY; T.P.: COP 10,500/share) supports its fundamentals, we also note that market momentum seen the last days has surpassed our expectations. Indeed, we remain cautious about the company's participation in Grupo Sura (UPERF; T.P.: COP 35,200/share), especially considering that Grupo Argos will increase its stake in Grupo Sura following the closure of the Acuerdo Marco and the liquidation of Sociedad Portafolio (SP).

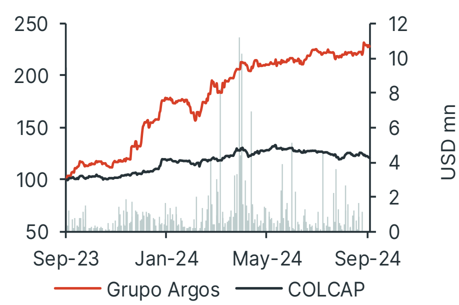
Strong price momentum during 2024. From January to August 2024, the stock price increased by 31.8%, driven by the company's strategic investments: Cemargos (COP 8,320/share) rose by 37.7% and Celsia (COP 4,050/share) by 48.4%. This price increase reduced the NAV discount to 15.3%, down from 45.3% in 2023, indicating significant stock appreciation and limited potential for further gains. We believe potential risks for the company include market expectations for capital structure updates that may not materialize and Celsia's share price being supported by the repurchase program.

Capital structure. Following the Gillinski transaction, Grupo Argos and Grupo Sura are refocusing on their core sectors. Both companies have committed to this strategy, with more details to come. Post-Acuerdo Marco and SP liquidation, Grupo Argos will hold 64% of Grupo Sura's ordinary shares, and Grupo Sura will hold 44% of Grupo Argos' ordinary shares. We believe shares should be supported by potential further transaction announcements. We are waiting for more details to incorporate in our model, but prefer to have a cautious approach until we have more information.

Stock Data

Ticker	grupoargos cb
Price (COP)	17,600
Target (COP)	18,500
Total Return	9.6%
LTM Range	7,398 - 17,200
M. Cap (USD mn)	3,289
Shares Outs. (mn)	649
Free Float	55%
ADTV (USD mn)	0.9

Price Chart (COP) and Volumes (USD mn)



Valuation

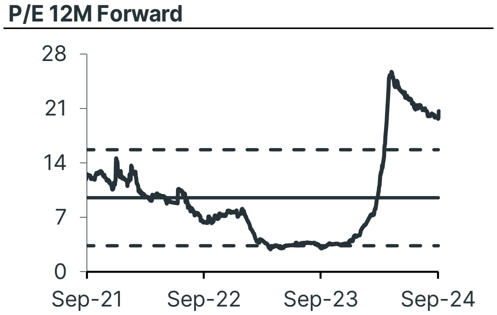
Our target price is based on a SOTP model. Grupo Sura and Cemargos are factored at our target price, while Celsia is factored at a simple average of the last month's market price. We factor in Pactia and the land at 0.7x P/BV, while Odinsa roads and airports are valued at BV. We are incorporating in our valuation an estimate of the participation that Grupo Argos will have in Grupo Sura after the Sociedad Portafolio's liquidation (64%) and the reduction in the total ordinary shares. Note that we include a 5.0% holding discount and assume a g=0 when calculating the present value of its expenses.

Valuation Summary

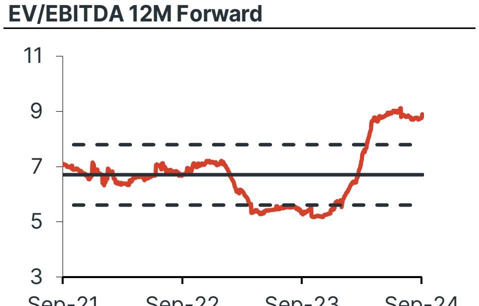
	2023	2024E	2025E	2026E
EV/EBITDA	6.0	6.4	9.6	8.8
P/E	10.6	6.7	18.6	16.3
P/CF	2.3	2.6	3.9	3.6
P/BV	0.5	0.7	0.7	0.7
Div. Yield	10.5%	7.7%	4.5%	4.6%

Sources: Company Reports and Credicorp Capital

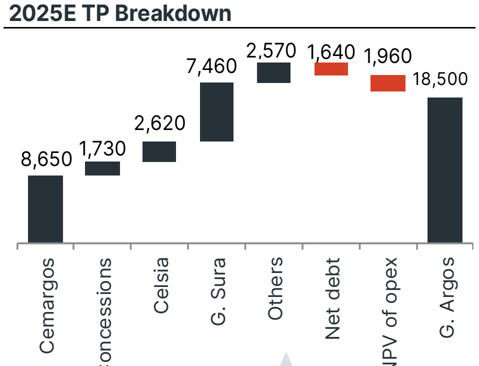
P/E 12M Forward



EV/EBITDA 12M Forward



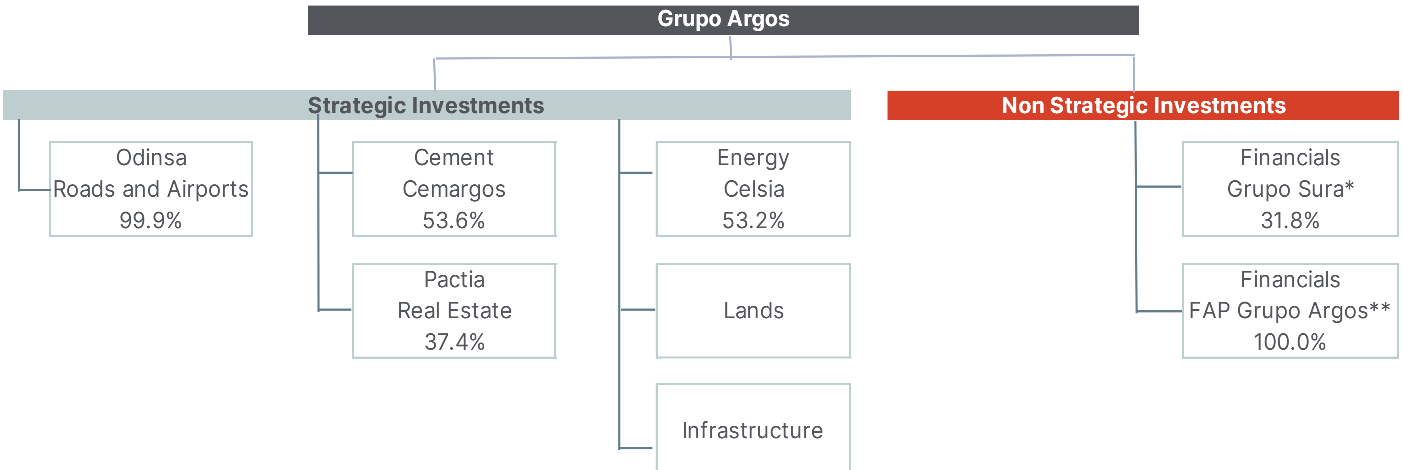
2025E TP Breakdown



Grupo Argos

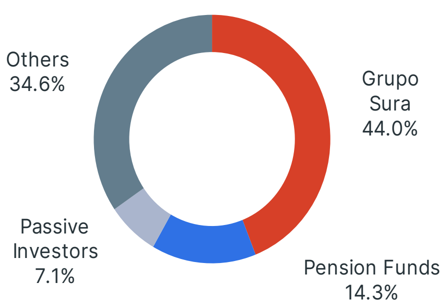
Company Description

Grupo Argos is an infrastructure holding company with controlling interests in Cemargos (cement) and Celsia (power generation), and substantial investments in infrastructure and real estate. It also has an investment portfolio, which includes non-strategic investments in the financial industry (Grupo Sura).



** After Sociedad Portafolio's liquidation*
*** FAP Grupo Argos owns 32.2% of Grupo Sura*

Ownership Structure (Post-liquidation)*



**Common shares*

Income Statement

COP mn	2022	2023	2024	2025	2026
Revenues	21,340	22,593	14,440	12,317	12,292
EBITDA	5,220	4,353	5,231	3,428	3,702
Cement	2,148	1,101	1,108	1,126	1,152
Energy	1,726	1,740	1,586	1,212	1,352
Portfolio	443	667	2,051	353	485
Others	903	845	487	737	713
Net Income	881	941	2,236	783	888
Cement	73	97	148	228	190
Energy	126	110	79	70	102
Portfolio	246	380	201	143	85
EBITDA Margin	24.5%	19.3%	36.2%	27.8%	30.1%
Net Margin	4.1%	4.2%	15.5%	6.4%	7.2%

Management

CEO: Jorge Mario Velásquez
CFO: Alejandro Piedrahita
IRO: Juan Esteban Mejia
www.grupoargos.com

Balance Sheet

COP mn	2022	2023	2024E	2025E	2026E
Total Assets	56,941	49,402	50,583	50,411	45,779
Total Liabilities	24,911	21,613	17,635	16,872	11,536
Minority Interest	10,979	8,902	10,827	11,269	11,721
Shareholders Equity	21,051	18,887	22,122	22,270	22,523
Total Liabilities + Equity	56,941	49,402	50,583	50,411	45,779
ROAE	4.5%	4.7%	10.9%	3.5%	4.0%
ROAA	1.6%	1.8%	4.5%	1.6%	1.8%

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Grupo Sura

Rating: Uperf
TP: COP 35,200

Andean **Investor Guide** 2025

Equity Research Colombia
Conglomerates

Gabriel Perez - gfperez@credicorpcapital.com
Mariane Goñi - marianegoni@credicorpcapital.com

Increasing our TP while we maintain our conservative view

Investment thesis

We are updating our 2025E target price to COP 35,200/share for Grupo Sura and reiterating our UPERF recommendation. We believe Grupo Sura's market price closely aligns with its fundamental value, due to: i) increase in leverage, and ii) recovering ROEs. Sociedad Portfolio will be fully liquidated in 2S24, with shareholders receiving shares of Grupo Argos and Grupo Sura. Further capital structure developments for both companies are expected soon.

Increase in leverage should pressure the bottom line. The cash needs posted by the Acuerdo Marco and the acquisition of 9.74% of Grupo Bolivar property of SUAM increased financial debt up to COP 6,644 bn in 2Q24, while interest expenses posted a 20.7% y/y increase. We maintain our concerns on the leverage levels of the company.

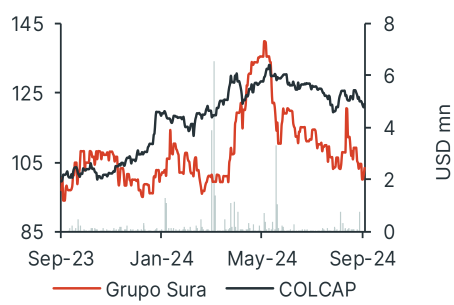
We acknowledge recovering ROEs. ROE should continue to be pressured, especially for SUAM given its high amount of intangible assets. However, we are factoring in a voluntary business that reaches net margins of 26% in the long term, while we expect a positive performance from the mandatory business with long-term net margins of 32%. Our long-term ROE for SUAM is approximately 9.0%, whereas we anticipate a long-term ROE of 13% for Suramericana.

Capital structure. Following the Gillinski transaction, Grupo Sura and Grupo Argos are refocusing on their core sectors. With the end of the Acuerdo Marco and the dissolution of Sociedad Portafolio, Grupo Argos will hold 64% of Grupo Sura's ordinary shares, and Grupo Sura will own 44% of Grupo Argos' ordinary shares. Both companies are committed to this strategy, with more details to come. We believe this initiative could be a catalyst for both firms.

Stock Data

Ticker	gruposur cb
Price (COP)	30,560
Target (COP)	35,200
Total Return	18.4%
LTM Range	27,803 - 41,359
M. Cap (USD mn)	3,945
Shares Outs. (mn)	467
Free Float	53%
ADTV (USD mn)	0.2

Price Chart (COP) and Volumes (USD mn)



Valuation

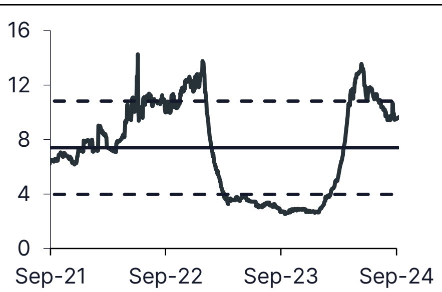
Our valuation is a SOTP, which factors in Bancolombia at a simple average of its target price and market price. We use residual income models for Suramericana and SUAM. Implied P/BV valuations for these subsidiaries stand at 0.9x and 0.5x, respectively. We then subtract the net debt and the present value of its expenses (we are calculating the present value assuming a g=0%). Note that we are including a 5.0% holding discount. We are incorporating in our valuation an estimate of the participation Grupo Sura will have in Grupo Argos after the Sociedad Portafolio's liquidation and the reduction in ordinary shares.

Valuation Summary

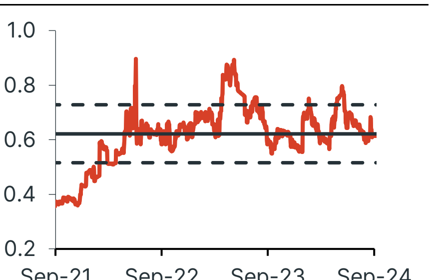
	2023	2024E	2025E	2026E
P/E	9.8	3.1	9.8	8.2
P/BV	0.5	0.7	0.6	0.6
ROAE	4.8%	19.8%	6.6%	7.5%
ROAA	1.6%	6.1%	2.0%	2.3%
Div. Yield	4.9%	3.1%	3.3%	3.4%

Sources: Company Reports and Credicorp Capital

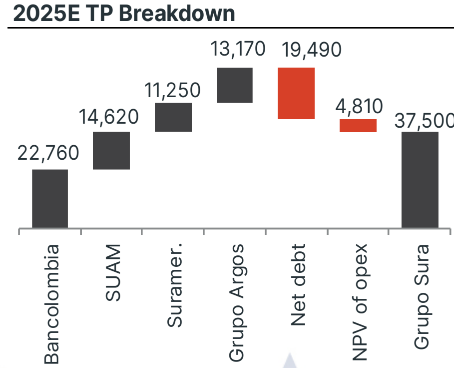
P/E 12M Forward



P/BV 12M Forward



2025E TP Breakdown



Grupo Sura

Company Description

Grupo Suramericana is a financial holding that controls local and regional leading companies in the asset management (Sura Asset Management) and insurance business (Suramericana) in Latin America. It also holds a participation in Colombia's largest bank (Bancolombia) and non-strategic stakes in infrastructure (Grupo Argos).

Grupo Suramericana

Non-strategic investments

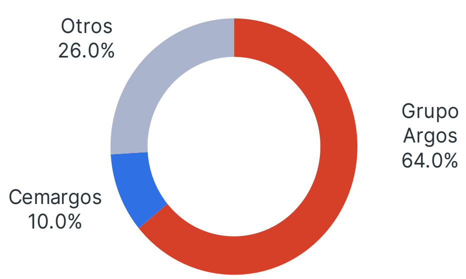
- **Grupo Argos:** Cement, energy & Infrastructure
  44% of common shares*

Strategic Investments

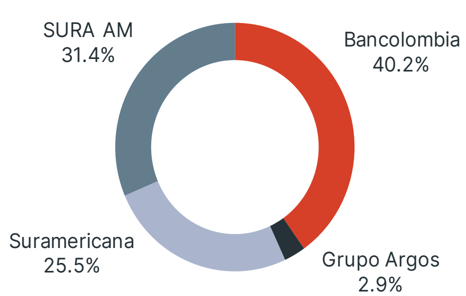
- **Bancolombia:** Bank
  46% of common shares
- **SUAM:** Asset Management
  93%
- **Suramericana:** Insurance
  81%

* After Sociedad Portafolio's liquidation

Ownership Structure (Post-Liquidation)



Dividend breakdown 2025E



Management

CEO: Ricardo Jaramillo
CFO: Juan Esteban Toro
IRO: Daniel Mesa
www.gruposura.com

Income Statement

COP bn	2022	2023	2024E	2025E	2026E
Revenues	31,350	35,529	39,582	35,089	36,474
Net Income	2,075	1,540	5,694	1,823	2,175
Suramericana	496	512	670	430	557
P&C	166	329	385	358	421
Life	661	843	678	386	385
SUAM	342	902	924	1,107	1,177
Mandatory	888	1,380	1,233	1,102	1,168
Voluntary	29	-2	109	178	203
EPS (COP)	3,565	2,645	9,783	3,132	3,738
Net Margin	6.6%	4.3%	14.4%	5.2%	6.0%

Balance Sheet

COP bn	2022	2023	2024E	2025E	2026E
Total Assets	98,393	93,505	91,831	92,828	93,327
Total Liabilities	59,801	60,610	61,560	61,068	60,674
Minority Interest	4,865	2,493	3,167	3,290	3,332
Shareholders Equity	33,728	30,402	27,104	28,470	29,320
Total Liabilities + Equity	98,393	93,505	91,831	92,828	93,327
ROAE	6.7%	4.8%	19.8%	6.6%	7.5%
ROAA	2.4%	1.6%	6.1%	2.0%	2.3%

Sources: Company Reports and Credicorp Capital

Andean **Investor Guide** 2025

Grupo SURA

NR / BB+ / BB+
Outlook: nr / s / n

Fixed Income Research Colombia
Conglomerates

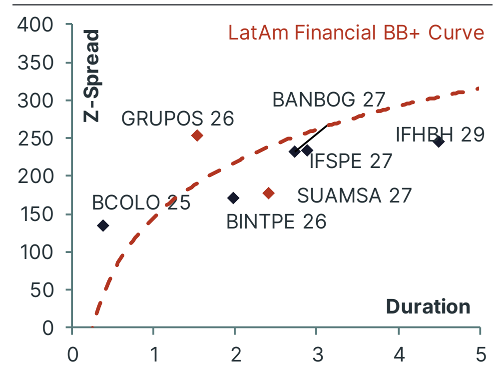
Josefina Valdivia - jvaldivia@credicorpcapital.com

Neutral on fair valuations

Investment Thesis

Grupo Sura's credit profile benefits from a highly diversified investment portfolio across business sectors, including banking, asset management, insurance, and construction, with a geographical spread. It enjoys a relatively stable dividend flow and solid access to bank funding and capital markets. However, the ratio of debt to dividends has been rising due to recent transactions (Nutresa and Sura AM) and is expected to reach around 4.5x by 2025. On the other hand, SUAMSA fundamentals remain strong, supported by its leadership in Latin America and a solid track record of adequate leverage and profitability, which should help cushion the impact of potential changes in business conditions, considering several pension reforms under discussion in the region. We maintain a neutral stance on both GRUPOS 26 and SUAMSA 27 due to a lack of triggers and fair valuations.

Grupo SURA Bonds and comparables



Credit Data	
REG-S Notes	2
Outstanding Senior Notes	USD 880MM
Closest Call Date	29-Ene-26
Closest Maturity Date	29-Abr-26

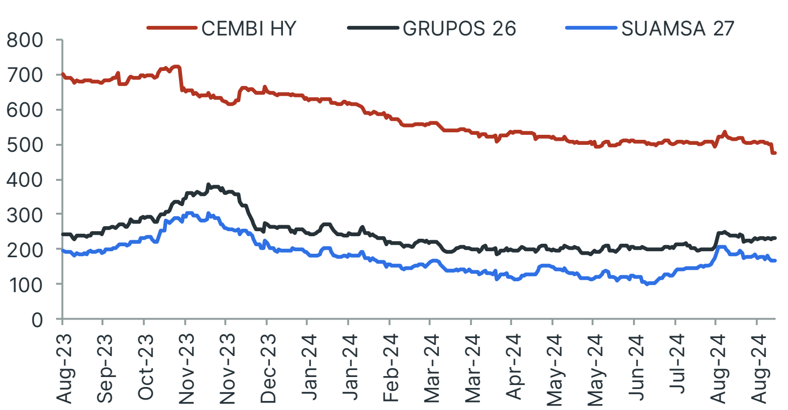
Concerns

- Exposure to potential regulatory changes across LatAm
- Recent transaction reduced the company bussines diversification while pressuring leverage levels
- Exposure to variations in subsidiaries market value and dividends payments

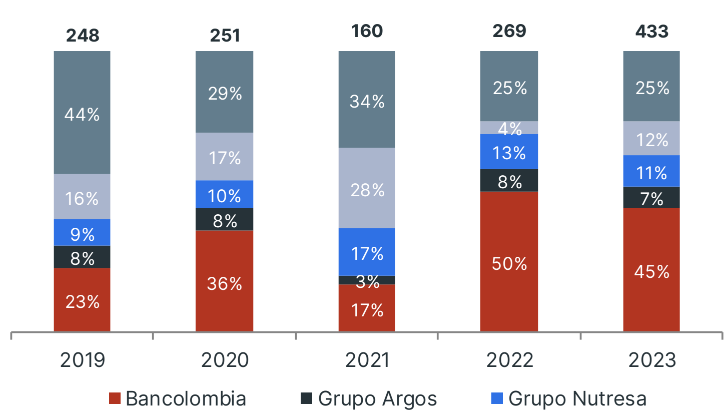
Strengths

- Large scale and high quality of the investment portfolio
- Business and geographic diversification through subsidiaries

Z- Spread evolution



Dividends received



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
GRUPOS 26	USD 530mn	5.50%	NR / BB+ / BB+	253	1.5	99.0	0.5%	6.1%	Neutral
SUAMSA 27	USD 350mn	4.38%	Baa1 / NR / BBB	176	2.4	98.3	0.4%	5.1%	Neutral

CredicorpCapital

Andean **Investor Guide** 2025

Quiñenco

Rating: Hold
TP: CLP 3,800

Equity Research Chile
Conglomerates

Rodrigo Godoy - rgodoy@credicorpcapital.com
Claudia Raggio - craggio@credicorpcapital.com

With neutral stance for most of its subsidiaries and a holding discount with limited room to narrow, we reiterate that same call for Quiñenco

Investment Thesis

We reiterate our Hold rating for Quiñenco with a 2025YE TP of CLP 3,800/share. Over the past three years, Quiñenco's shares have outperformed the IPSA on the back of Banco de Chile's solid results (its main subsidiary), and the generous dividend distribution of Vapores (its second largest asset), supported by unprecedented results from Hapag-Lloyd. Consequently, and thanks to appealing dividend yields and a reduction of its adjusted NFD, Quiñenco's holding discount narrowed to levels below 30% since the 4Q22.

Based on our estimate of adjusted NFD by June 2024 (at the time of writing, such a figure had not been disclosed yet), we estimate that Quiñenco's shares trade at a 35% discount, which is closer to the levels observed before the 4Q19. We are considering the latter for the purpose of estimating the target price for Quiñenco's shares as we forecast a normalization in dividend distribution onwards.

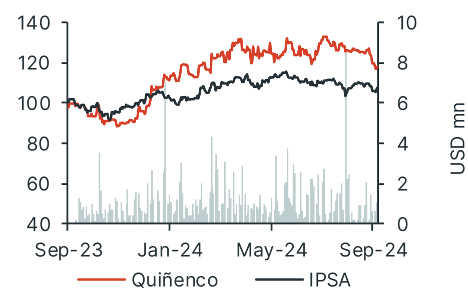
We like Quiñenco as a diversified holding company with exposure to companies ranking 1 to 3 in their respective industries and its consistent history of NAV creation. The latter has expanded at a CAGR of 8% in CLP in the last five years.

Concerning Quiñenco's subsidiaries under coverage, our Research Team has issued a Buy recommendation for Vapores, Hold for Banco de Chile and CCU, and Uperf for SM SAAM.

Stock Data

Ticker	quinenc ci
Price (CLP)	2,994
Target (CLP)	3,800
Total Return	29.3%
LTM Range	2,243 - 3,370
M. Cap (USD mn)	5,347
Shares Outs. (mn)	1,663
Free Float	17%
ADTV (USD mn)	1.1

Price Chart (CLP) and Volumes (USD mn)



Valuation

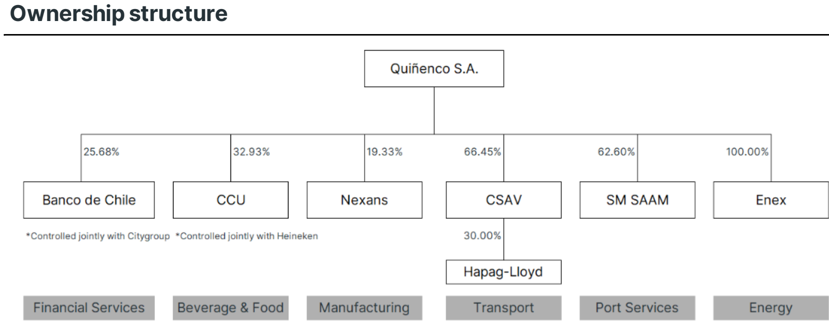
Our valuation of Quiñenco is based on a sum-of-the-parts model to which we apply a holding discount to NAV of 34% (in line with the observed since 2022). We use a Residual Net Income valuation model for Banco de Chile (~34.6% of Quiñenco's target underlying assets value), ten-year DCF valuation models for Vapores (~26.3%), CCU (~8.7%), and SM SAAM (~8.2%), consensus target price for Nexans (~11.3%), and book value for Enex (~10.4%) and other assets (~0.5%).

Valuation Summary

	2023	2024E	2025E	2026E
EV/EBITDA	nm	nm	nm	nm
P/E	5.6	12.8	9.2	7.7
P/CF	nm	nm	nm	nm
P/BV	0.6	0.6	0.6	0.5
Div. Yield	32.7%	5.1%	2.3%	3.3%

Sources: Company Reports and Credicorp Capital

Ownership structure



Rating Risk of Quiñenco

AA+/ Outlook Stable

Dividend Policy of Main Subsidiaries

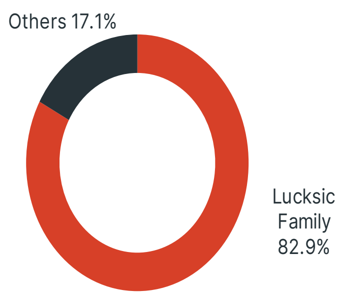
Banco de Chile	~65%
CCU	>=50%
SM SAAM	~50%
Nexans	>=20%
Hapag Lloyd	>=30%

Quiñenco

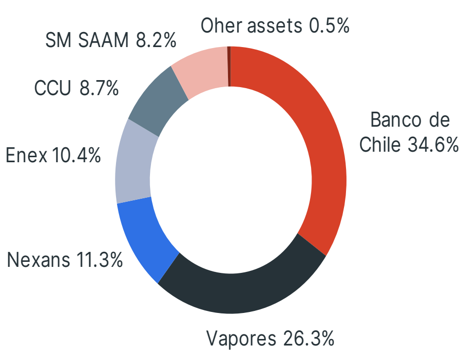
Company Description

Quiñenco S.A. is the holding company of the Luksic family and is one of Chile's largest and most diversified economic groups, with a presence in 141 countries. The conglomerate operates through its subsidiaries across various sectors: financial services (Banco de Chile), food and beverages (CCU), manufacturing (Nexans), transportation (Vapores/Hapag-Lloyd), port and shipping (SM SAAM), and energy (Enex). The company, throughout its subsidiaries, supports key alliances with Citibank, Heineken, and Shell.

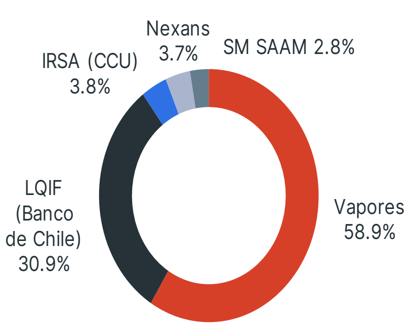
Ownership Structure (As of Dic-23)



Equity value breakdown (target)



Dividend breakdown from subsidiaries (2025E)



Management

CEO: Francisco Perez Mackenna
CFO:Eduardo Garnham
IRO: Pilar Rodriguez
www.quinenco.cl

Valuation

Underlying Assets	Method	Stake	Quiñenco´s EV	% of Quiñenco
Banco de Chile	RNI	25.68%	3,139,463	34.6%
CCU	DCF/Multiples	32.93%	791,015	8.7%
Enex	Book Value	100.00%	945,699	10.4%
Nexans	Consensus	19.33%	1,022,405	11.3%
Vapores	DCF/Multiples	66.45%	2,387,306	26.3%
SM SAAM	DCF/Multiples	62.60%	742,674	8.2%
Other assets	Book Value	100.00%	45,130	0.5%
Total equity from subsidiaries			9,073,693	
Debt			1,595,568	
Cash			2,415,119	
SG&A perpetuity			316,987	
Total equity value Quiñenco			9,576,257	
Quiñenco´s shares (mn)			1,663	
Target Price (w/o discount)			5,759	
Holding discount			-34%	
Target Price (w/discount)			3,800	
Upside			25.2%	
Dividend yield 2025E			2.3%	
Total return			27.5%	

Income Statement

CLP bn	2022	2023	2024E	2025E	2026E
Profit to shareholders	3,535	842	389	540	643

CLP bn	2019	2020	2021	2022	2023
Revenues Industrial Sector	3,010	2,574	3,478	4,891	5,259
Revenues Banking Sector	1,668	1,482	1,857	2,769	2,436
Consolidated Revenues	4,678	4,056	5,335	7,660	7,695

Salfacorp

Rating: Buy
TP: CLP 710

Equity Research Chile
Cement & Construction

Gabriel Perez - gfperez@credicorpcapital.com
Mariane Goñi - marianegoni@credicorpcapital.com

Strong backlog and favorable credit environment drive positive outlook

Investment Thesis

We reiterate our BUY recommendation and increase our TP to CLP 710/share, driven by the boost in EBITDA due to the Centinela project and an expected greater credit environment in Chile.

We anticipate a solid 2025 performance, supported by improved macroeconomic conditions and a better credit environment. Lower interest rates and more flexible credit colocations are expected to positively impact IACO's bottom line by boosting demand in the real estate sector and reducing financial pressure.

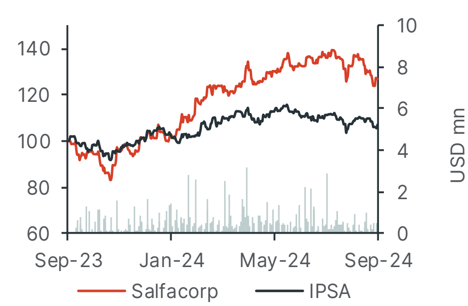
The Centinela project is a significant catalyst, expected to boost ICSA's EBITDA for 2024-2026. Salfacorp and Fluor Corporation have formed a consortium to construct the second copper concentrator plant for the project, contributing CLP 762,778 mn to the backlog. Upon completing the engineering phase, the Fluor-Salfa Consortium will start construction, primarily in 2025, covering 60% of the total project. For 2025E, we anticipate a 12.3% EBITDA margin, with earnings from related companies projected at CLP 14,379 mn.

Salfacorp's strong backlog provides revenue visibility and operational stability for the years ahead. We project ICSA's combined backlog for 2025E to reach CLP 901,158 mn, driven primarily by the Centinela project, reflecting a competitive edge in the market. On the IACO front, we forecast a combined backlog of CLP 218,505 mn for the DS49 segment.

Stock Data

Ticker	salfacor ci
Price (CLP)	522
Target (CLP)	710
Total Return	40.1%
LTM Range	343 - 570
M. Cap (USD mn)	364
Shares Outs. (mn)	550
Free Float	75%
ADTV (USD mn)	0.5

Price Chart (CLP) and Volumes (USD mn)



Valuation

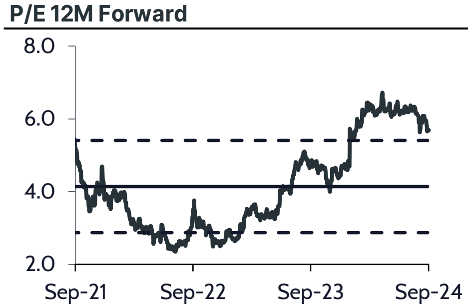
We value Salfacorp with a multiple model and a 10-year DCF model, considering a long-term growth of 3.0%, a consolidated WACC of 9.0% and a tax rate of 27.0% For 2025E, we forecast an EV/EBITDA multiple of 6.3x and a P/E multiple of 5.0x. These valuations are attractive, as they are lower than both the company's historical averages (EV/EBITDA 2018-2023: 9.1x) and those of its peers.

Valuation Summary

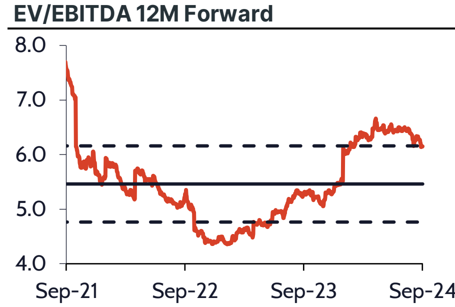
	2023	2024E	2025E	2026E
EV/EBITDA	5.5	7.2	6.3	6.4
P/E	5.7	6.4	5.0	5.2
P/CF	2.7	10.1	6.6	4.9
P/BV	0.5	0.6	0.5	0.5
Div. Yield	4.4%	3.8%	4.0%	5.1%

Sources: Company Reports and Credicorp Capital

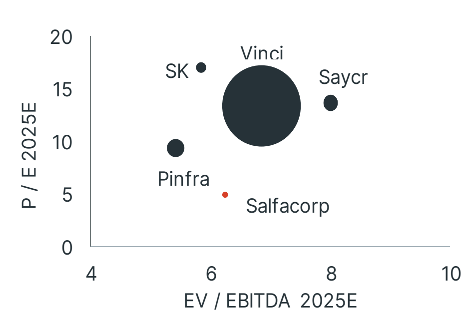
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

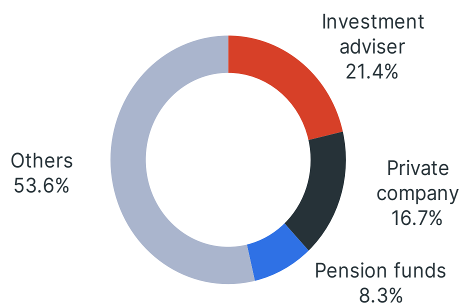


Salfacorp

Company Description

SalfaCorp S.A. is one of the main companies in Latin America within the Engineering, Construction and Real Estate sector, with more than 92 years of history, undisputed leadership in Chile and with presence in the Peruvian, Panamanian and Caribbean markets. Its three Business Unit are Enginnering and Construction, Aconcagua Real Estate and Rentas Desarrollo Inmobiliario. It offers specialties such as assembly, industrial maintenance, subway mining, earthmoving, driling and blasting, civil works, maritime works, construction and development of real estate projects.

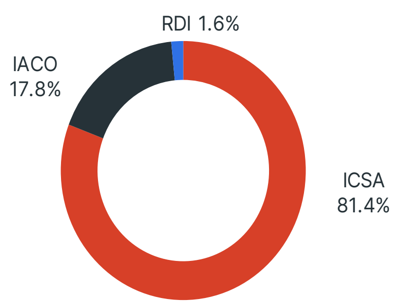
Ownership Structure



Income Statement

CLP mn	2022	2023	2024E	2025E	2026E
Revenues	829,374	1,040,369	967,099	1,056,938	1,093,821
Gross Profit	92,292	120,767	111,203	120,845	125,688
EBITDA	89,445	117,705	110,326	126,239	123,811
Net Income	35,635	42,895	45,010	57,753	55,637
EPS (CLP)	79	78	82	105	101
Gross Margin	11.1%	11.6%	11.5%	11.4%	11.5%
EBITDA Margin	10.8%	11.3%	11.4%	11.9%	11.3%
Net Margin	4.3%	4.1%	4.7%	5.5%	5.1%

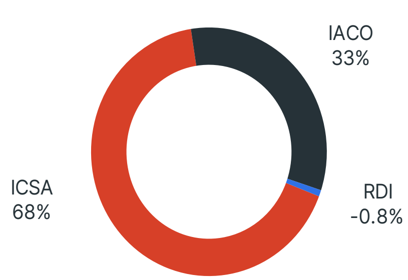
Revenue breakdown by concept (2Q24 LTM)



Balance Sheet

CLP mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	86,222	93,817	87,210	95,311	98,637
Total Current Assets	555,601	568,939	629,868	668,362	690,267
Total Assets	1,354,629	1,383,274	1,448,635	1,491,955	1,518,829
Current Liabilities	600,765	608,234	640,196	636,955	635,424
Financial Debt	489,687	495,393	498,118	490,430	465,757
Total Liabilities	926,965	924,722	958,058	957,136	945,707
Minority Interest	-37	-39	-41	-42	-43
Shareholders Equity	427,701	458,590	490,617	534,861	573,164
Total Liabilities + Equity	1,354,629	1,383,274	1,448,635	1,491,955	1,518,829
Net Debt /EBITDA	4.5	3.4	3.7	3.1	3.0
Financial Debt /EBITDA	5.5	4.2	4.5	3.9	3.8
Financial Debt /Equity	1.1	1.1	1.0	0.9	0.8
ROAE	8.6%	9.7%	9.5%	11.3%	10.0%
ROAA	2.8%	3.1%	3.2%	3.9%	3.7%
ROIC	6.2%	7.1%	6.8%	7.4%	7.5%

EBITDA breakdown by business (2Q24 LTM)



Cash Flow Statement

CLP mn	2022	2023	2024E	2025E	2026E
Initial Cash	**94,071**	**86,222**	**93,817**	**87,210**	**95,311**
Cash Flow From Operation	86,222	93,817	87,210	95,311	98,637
CAPEX	-9,430	-5,259	-20,240	-21,409	-22,847
Changes in Financial Debt	39,567	5,706	2,725	-7,688	-24,673
Dividends (Paid) Received	-9,245	-10,696	-12,874	-13,509	-17,334
Other CFI & CFF Items	-114,963	-100,973	-63,428	-44,603	-30,456
Changes in Equity	0	25,000	0	0	0
Final Cash	**86,222**	**93,817**	**87,210**	**95,311**	**98,637**
Change in Cash Position	**-7,850**	**7,595**	**-6,607**	**8,101**	**3,326**

Sources: Company Reports and Credicorp Capital

Management

CEO: Jorge Meruane
CFO: José Luis Sánchez
IRO: Juan Pablo Reitze
www.salfacorp.com

Sigdo Koppers

Rating: Uperf
TP: CLP 1,220

Gabriel Perez - gfperez@credicorpcapital.com
Mariane Goñi - marianegoni@credicorpcapital.com

We would rather wait

Investment Thesis

We introduce our 2025E target price of CLP 1,220 with a UPERF rating. After a challenging 2023, we expect 2024 to be a year of transition and recovery for SKIC, SKC, and PVSA. Enaex and Magotteaux should maintain strong performance. However, we remain cautious about leverage levels, as financial expenses may pressure the bottom line. Positive mining sector performance and copper prices could be a positive catalysts for the company.

Transition year for SKIC, SKC and PVSA. SKIC is undergoing a restructuring of its business model following the arbitration with Arauco. We anticipate a steady recovery for SKIC, with higher EBITDA margins despite fewer projects. For PVSA, we expect margin recovery to commence in 2025E, driven by the reconstruction of the Puerto Ventanas port. Additionally, the new SQM contract at the Puerto Mejillones port is projected to boost revenue starting in 2S25. Lastly, we foresee a recovery in sales and margins for SKC, supported by an improved credit and macroeconomic environment in Chile.

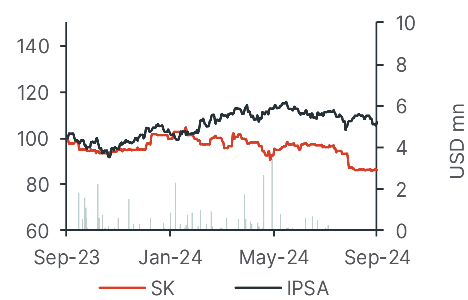
Strong performance from Enaex and Magotteaux. Enaex and Magotteaux should continue posting positive results with consolidating operations in Australia and South Africa. We expect the casting business for Magotteaux to recover from a 2024E with low volumes, this should increase margins as the company maintains steady volumes in the GM segment.

Financial expenses could pressure the bottom line. The company has increased its leverage levels, especially due to cash needs from its subsidiaries. We expect the company to post a Net Debt/EBITDA ratio of 2.6x for 2024E while financial expenses should reach US 116 mm (-9.0% y/y decrease but 78.0% higher than the average levels of 2018-2022)

Stock Data

Ticker	sk ci
Price (CLP)	1,062
Target (CLP)	1,220
Total Return	17.4%
LTM Range	1,114 - 1,284
M. Cap (USD mn)	1,209
Shares Outs. (mn)	1,075
Free Float	26%
ADTV (USD mn)	0.2

Price Chart (CLP) and Volumes (USD mn)



Valuation

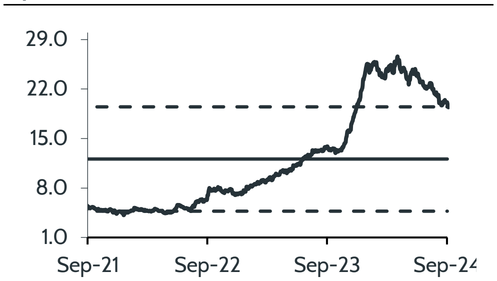
We value Sigdo Koopers using a blended valuation approach, with a 70/30 split based on a 10-year SOTP DCF model and a multiple valuation for each business segment: SKIC, PVSA, Enaex, Magotteaux, and SKC. Additionally, our DCF valuation includes SKIA's assets, applying a 10x P/E multiple. Currently, the company trades at 6.8x EV/EBITDA, which is 0.6% below its historical average multiple of 6.9x for the 2018-2023 period.

Valuation Summary

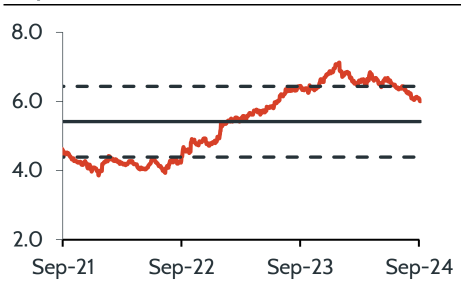
	2023	2024E	2025E	2026E
EV/EBITDA	5.7	6.4	6.0	5.6
P/E	9.6	18.9	19.1	17.2
P/CF	5.9	3.8	9.5	6.1
P/BV	1.0	0.8	0.8	0.8
Div. Yield	7.3%	6.3%	2.5%	2.5%

Sources: Company Reports and Credicorp Capital

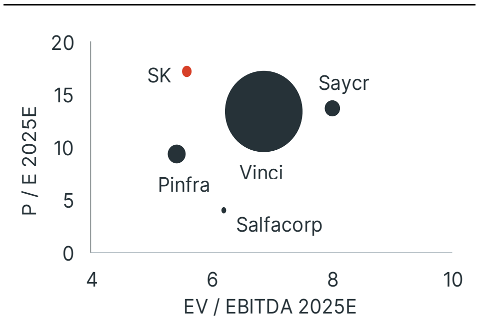
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

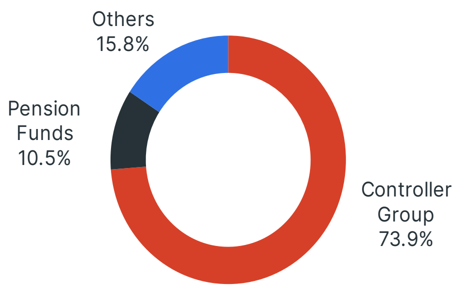


SK

Company Description

Sigdo Koppers is a Chilean conglomerate that provides services all along the mining value chain. Its main subsidiaries are Enaex (ammonium nitrate production and rock fragmentation services), Magotteaux (grinding ball production), ICSK (large-scale industrial construction), SKC (machinery rental and distribution), Puerto Ventanas (port transfer and storage of solid and liquid bulk), Fepasa (rail transport) and Astara (car dealership).

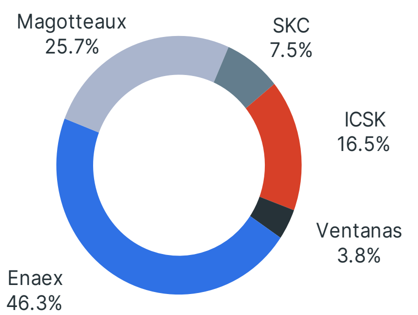
Ownership Structure



Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	3,946	4,008	3,698	3,945	4,018
Gross Profit	809	862	794	886	932
EBITDA	575	608	483	510	551
Net Income	217	161	64	63	70
EPS (CLP)	172	131	56	56	62
Gross Margin	20.5%	21.5%	21.5%	22.5%	23.2%
EBITDA Margin	14.6%	15.2%	13.1%	12.9%	13.7%
Net Margin	5.5%	4.0%	1.7%	1.6%	1.7%

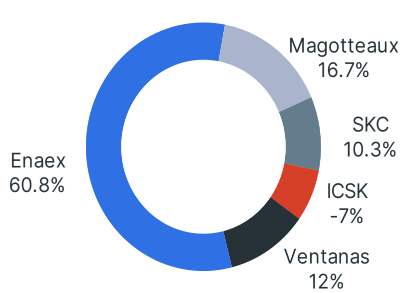
Revenue breakdown by concept (2Q24 LTM)



Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	389	426	393	419	427
Total Current Assets	2,045	2,142	1,952	2,068	2,098
Total Assets	4,587	4,994	4,853	5,022	5,105
Current Liabilities	1,431	1,514	1,436	1,507	1,526
Financial Debt	1,478	1,731	1,647	1,755	1,793
Total Liabilities	2,610	2,881	2,752	2,888	2,931
Minority Interest	508	588	588	588	588
Shareholders Equity	1,468	1,525	1,513	1,546	1,586
Total Liabilities + Equity	4,587	4,994	4,853	5,022	5,105
Net Debt /EBITDA	1.9	2.1	2.6	2.6	2.5
Financial Debt /EBITDA	2.6	2.8	3.4	3.4	3.3
Financial Debt /Equity	1.0	1.1	1.1	1.1	1.1
ROAE	15.6%	10.7%	4.2%	4.1%	4.5%
ROAA	5.1%	3.4%	1.3%	1.3%	1.4%
ROIC	11.6%	10.5%	6.4%	6.3%	6.8%

EBITDA breakdown by business (2Q24 LTM)



Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	342	389	426	393	419
Cash Flow From Operation	-67	68	324	164	217
CAPEX	-149	-223	-196	-215	-218
Changes in Financial Debt	282	252	-84	108	38
Dividends (Paid) Received	-112	-112	-76	-30	-30
Other CFI & CFF Items	93	53	0	0	0
Changes in Equity	0	0	0	0	0
Final Cash	389	426	393	419	427
Change in Cash Position	47	37	-33	26	8

Sources: Company Reports and Credicorp Capital

Management

CEO: Juan Pablo Aboitiz

CFO: Andres Brinck

IRO: Slaven Ilic

www.sigdokoppers.cl

Unacem

Rating: Buy
TP: PEN 2.0

Equity Research Peru
Cement & Construction

Gabriel Perez - gfperez@credicorpcapital.com
Mariane Goñi - marianegoni@credicorpcapital.com

An attractive entry point and higher US market exposure signal a BUY opportunity

Investment Thesis

We are upgrading our recommendation to BUY and introducing our 2025E target price of PEN 2.0/share for Unacem based on: i) an attractive entry point due to pension funds sell-off and ii) higher exposure to North American market through Tehachapi plant.

Attractive valuation post AFP's exit. Following the Peruvian Congress's authorization of a seventh withdrawal of pension funds, the AFP's positions were liquidated to meet liquidity needs. This sell-off has created a compelling entry point for the sector, likely resulting in a temporary undervaluation of Unacem's stock, given that AFPs held 23% of the stock until Mar-24. Consequently, this presents an opportunity to acquire Unacem at a favorable price, with the current price being only 10% above its 52-week low.

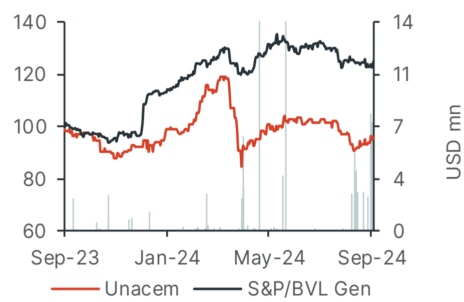
Exposure to the US market should be a positive catalyst. The acquisition of the Tehachapi plant marks a pivotal expansion into the US market. This strategic move positions the company to capitalize on the robust demand within the US construction sector. Tehachapi plant has 0.9 mn MT cement capacity, increasing Unacem's total capacity to 12.5 mn MT. For 2025, we expect cement deliveries to reach 1.3 mn MT, representing an 8.2% y/y increase.

Higher leverage represents a risk for our investment thesis. While the Tehachapi and Termochilca plants acquisition has facilitated growth, it also introduced financial risk to the business. We anticipate Net Debt/EBITDA will reach 3.1x, with financial expenses hitting an all-time high of PEN 409 mn for 2024. However, we expect financial pressure to decrease in the following years as the company continues to pay down its debt and rates decline.

Stock Data

Ticker	unacemc1 pe
Price (PEN)	1.5
Target (PEN)	2.0
Total Return	44.0%
LTM Range	1 - 2
M. Cap (USD mn)	720
Shares Outs. (mn)	1,818
Free Float	48%
ADTV (USD mn)	0.4

Price Chart (PEN) and Volumes (USD mn)



Valuation

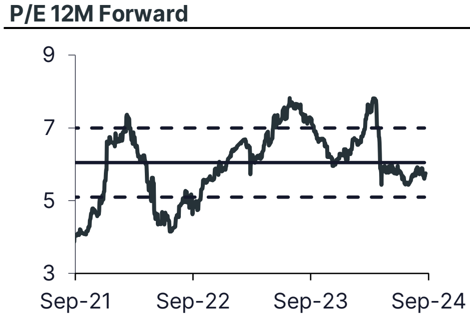
While the valuation is appealing relative to peers, it is not a catalyst. We are updating our 10-year DCF valuation model for Unacem, incorporating a WACC of 10.4% and a cost of debt of 7.2%. Historically, Unacem's multiples have been discounted relative to Pacasmayo. For instance, Unacem's EV/EBITDA for 2025E is 4.8x, compared to Pacasmayo's 6.0x, reflecting an ~20% discount, similar to the 2024 discount.

Valuation Summary

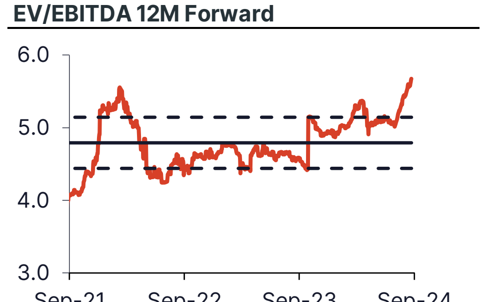
	2023	2024E	2025E	2026E
EV/EBITDA	5.4	5.1	4.9	4.7
P/E	5.5	6.5	5.0	4.4
P/CF	8.4	3.0	3.0	2.9
P/BV	0.5	0.5	0.4	0.4
Div. Yield	6.4%	6.6%	7.5%	7.5%

Sources: Company Reports and Credicorp Capital

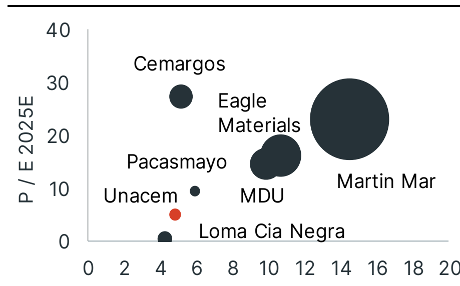
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

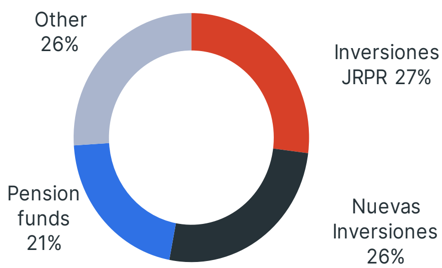


Unacem

Company Description

Unacem is the leading cement producer in Peru with an annual local capacity of 8.3 mn MT and has operations in Lima and central Peru. It also has the Conchán port (south of Lima), cement and concrete businesses in Ecuador, Chile and US (Arizona and California), and an energy company with a capacity of 652 MW. The company has recently invested in a quicklime and calcium carbonate plant in Tarma, and acquired the Tehachapi cement plant in the US and the Termochilca generation plant in Peru. The company is held by the Rizo Patrón family and has been operating for more than 100 years.

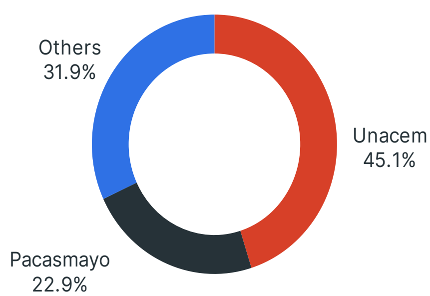
Ownership Structure



Income Statement

PEN mn	2022	2023	2024E	2025E	2026E
Revenues	5,979	6,376	6,752	6,946	7,115
Gross Profit	1,629	1,576	1,729	1,798	1,883
EBITDA	1,546	1,475	1,633	1,697	1,765
Net Income	555	501	416	547	611
EPS (PEN)	0.31	0.3	0.2	0.3	0.3
Gross Margin	27.2%	24.7%	25.6%	25.9%	26.5%
EBITDA Margin	25.9%	23.1%	24.2%	24.4%	24.8%
Net Margin	9.3%	7.9%	6.2%	7.9%	8.6%

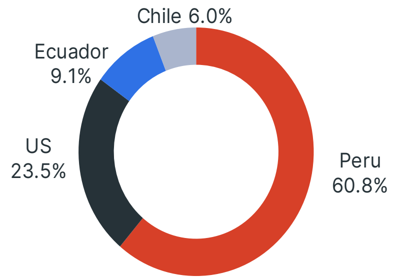
Peruvian cement market share (2025E)



Balance Sheet

PEN mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	340	401	357	366	375
Total Current Assets	2,056	2,480	2,419	2,489	2,535
Total Assets	11,389	13,696	13,772	13,768	13,761
Current Liabilities	2,360	2,881	3,679	3,494	3,357
Financial Debt	3,736	5,499	5,427	4,978	4,573
Total Liabilities	5,692	7,785	7,643	7,290	6,868
Minority Interest	286	184	187	191	195
Shareholders Equity	5,411	5,727	5,942	6,287	6,698
Total Liabilities + Equity	11,389	13,696	13,772	13,768	13,761
Net Debt /EBITDA	2.2	3.5	3.1	2.7	2.4
Financial Debt /EBITDA	2.4	3.7	3.3	2.9	2.6
Financial Debt /Equity	0.7	1.0	0.9	0.8	0.7
ROAE	10.6%	9.0%	7.1%	8.9%	9.4%
ROAA	4.9%	4.0%	3.0%	4.0%	4.4%
ROIC	8.4%	6.8%	5.9%	6.8%	7.2%

Revenues by geography (2025E)*



Cash Flow Statement

PEN mn	2022	2023	2024E	2025E	2026E
Initial Cash	**404**	**340**	**401**	**357**	**366**
Cash Flow From Operation:	896	966	899	1,089	1,061
CAPEX	-436	-626	-496	-430	-446
Changes in Financial Debt	-192	1,763	-72	-449	-405
Dividends (Paid) Received	-293	-176	-180	-204	-204
Other CFI & CFF Items	-38	-1,828	-195	4	4
Changes in Equity	0	-38	0	0	0
Final Cash	**340**	**401**	**357**	**366**	**375**
Change in Cash Position	**-64**	**61**	**-44**	**9**	**9**

Sources: Company Reports and Credicorp Capital

Management

CEO: Pedro Lerner
CFO: Alvaro Morales
IR Manager: Monica Paucar
www.unacem.com/ir/

4.3 / Commodities

Credicorp Capital

Andean Commodities

Navigating Volatile Commodity Markets: Precious Metals Shine, Base Metals Face Headwinds

Our top picks are BVN, CAP, COPEC, and the long-term outlook remains positive for copper, lithium, and AI-driven metals.

Commodity prices have been unstable lately due to significant macroeconomic and geopolitical events. This includes lower global inflationary pressures, although some countries are still experiencing high core inflation levels. There are also indications of an economic slowdown in major economies such as the US and China and trade tensions resulting from increased US tariffs on electric cars and batteries imported from China. Geopolitical conflicts between Russia and Ukraine, as well as Israel and Palestine, continue to persist, affecting relevant regions such as the Red Sea and causing disruptions in global logistics once again.

The current situation favors precious metals. As a result, we consider **BVN** as one of our favorite options in the sector. In contrast, base metals have been experiencing setbacks recently, and we maintain a cautious stance in this segment of commodities in the short term. An exception to this is **CAP**. Despite our expectation of downward pressure on iron prices, the company's operational reorganization to reduce its exposure to steel prices could lead to better results. Therefore, we believe it's a good investment option at the current levels. Finally, our third preferred option in the sector is **COPEC** due to its lower exposure to the market pulp and its relatively stronger presence in long-fiber and DWP. If a pulp mill for construction in Brazil is approved, the company offers lower dilution risk than CMPC.

It's important to note that copper and lithium still offer good long-term investment opportunities. This is due to the expected increase in demand as we transition to renewable energy sources. Additionally, tin could benefit from the growing computational needs associated with the increased use of artificial intelligence. As a result, we believe that Cerro Verde and Minsur could be promising options for attractive dividend returns. Meanwhile, investing in SQM would be a way to bet on the expected consolidation of the lithium market in the coming years.

We find an attractive upside potential in BVN, supported by its high exposure to precious metals and the possibility of benefiting from higher copper prices through its participation in Cerro Verde.

Regarding our equity approach, we are positive about **Buenaventura (BVN: BUY; T.P.: USD 15.4/share)** because we believe it will benefit from the favorable precious metals market. This is due to increased production, primarily from the start-up of its San Gabriel project. Additionally, a significant portion of the company's fundamental value comes from its stake in Cerro Verde, which positions it to benefit from the promising long-term prospects for this cooper.

The indefinite suspension of CAP's steel production would help improve consolidated operating results in the coming years, partially offsetting lower iron ore prices.

Despite the unfavorable environment for iron ore prices, **we are upgrading our recommendation on CAP (CAP: BUY; T.P.: CLP 8,000/share),** mainly due to the expectation of improved operating results following the indefinite suspension of CSH's steel production operations. In addition, iron ore sales volumes have shown exemplary resilience recently. At the same time, the other business lines have also remained relatively stable, with some signs of recovery for the coming months.

Andean Commodities

We favor COPEC over CMPC due to its lower exposure to market pulp and lower dilution risk if the company goes ahead with the Sucuriú project in Brazil.

We favor COPEC (COPEC: BUY; T.P.: CLP 8,000/share) over CMPC (CMPC: HOLD; T.P.: CLP 1,900/share) due to its lower exposure to the market pulp with greater relative presence in long-fiber and DWP. COPEC's EBITDA is less sensitive than CMPC's to pulp price fluctuations. In addition, COPEC offers lower dilution risk for minority shareholders if goes ahead with the Sucuriú project, as it seems more open for partnerships, while it could resume efforts to sell non-core assets.

The market environment has become more unfavorable for SQM, although the progress of the partnership agreement with Codelco leaves the conditions ready to take advantage of a more favorable long-term scenario for lithium.

We maintain a cautious stance on SQM (SQM/B: HOLD; T.P.: CLP 43,000/share (loc) / USD 48.3/share (ADR)), given that the upside potential we find is contingent on lithium prices at USD 20,000/t in the long term, a scenario that could take time. However, SQM would be a good option for investors with a more favorable view of lithium prices, considering operational improvements and the partnership with Codelco.

We believe Brent prices will be attractive throughout 2025. However, we do not expect a significant positive impact on **Ecopetrol (ECOPETL: UPERF; T.P.: COP 2,100/share (loc) / USD 9.8/share (ADR))** due to the deteriorating momentum of the O&G sector in Colombia. We acknowledge a positive +10% dividend yield, but decreases in its reserve life (see graph 23) and lower investment in the O&G sector in Colombia (see graph 20) should prevent the company from benefiting fully.

We like SCCO as we bet on a strong copper outlook and solid financial metrics. At the same time, its recent spread widening offers some opportunities.

Regarding our fixed-income approach, in Mining we like SCCO 35. We bet on a strong copper outlook and SCCO's conservative financial policy; in that line, we expect the SCCO 35 to tight near zero spread against FCX 34. Also, we like Minsur's outlook for stable leverage; however, we remain N given its tight spreads. On zinc miners, Nexa's leverage should improve with the recovery of zinc prices and Aripuana's slow ramp-up; however, we see it as fair at current levels. On Volcan, we already anticipated it would trade near B-rated names post-refinancing; therefore, we stay N at Px~87.

While CELARA and CMPC should improve their leverage, the first offers more room for spread tightening.

On Pulp, we prefer the CELARA 27 and CELARA 47 over CMPC's curve. Net leverage would improve for both companies but slower than expected due to a shifting pulp market. CMPC may reach the 3.0x target by 2024YE, while CELARA may get it by 2025. However, CELARA's curve offers more room for spread tightening and long-duration options than CMPC.

We rely on HOCP's stable financial leverage outlook and compelling valuation against other Peruvian-rated names.

Finally, in Oil & Gas we like HNTOIL 33. We rely on HOCP's stable financial leverage outlook and compelling valuation against PLUSCM 36 and MINSUR 31, where tighter spreads seem fair. On PERU LNG, we stay N, balancing tight liquidity with prospects of over 40% increases in Henry Hub prices by 2025. In Ecopetrol, we are N amid corporate governance concerns that may cloud any positive outlook for its bond's performance.

Overall, the main risks to our recommendations are: i) persistent US inflation, ii) tighter monetary policy in DM economies, iii) persistent weak Chinese economic activity, iv) slow economic rebound in some DM economies, iv) stagnant or rising unitary costs, iv) delays in approval of project construction permits, v) weather events and vii) social protests.

Metals Outlook

The short-term outlook for precious metals is strong, while the long-term outlook remains positive for metals related to the energy transition and AI

Due to US interest rate cuts, gold is expected to remain strong in the near term, but it is projected to stabilize at USD 1,900/oz in 2028.

We expect **gold** to remain robust in the short term, with prices projected to average USD 2,230/oz in 2024 and USD 2,200/oz in 2025, bolstered by the commencement of the US rate cut cycle. However, we project that the safe-haven asset will stabilize at approximately USD 1,900/oz by 2028. The precious metal's price has increased since 2022 (USD ~1,805/oz), backed by recession fears, a declining dollar (DXY index), geopolitical conflicts, and increased expectations of interest rate cuts. Recent economic data in the US demonstrate notable resilience, although not as robust as in previous periods, core inflation has shown a downward trend, while the labor market is experiencing a slowdown. Current market sentiment anticipates that the FED will lower interest rates by the September meeting based on the assumption that the central bank would not welcome any weaker data in the labor market, considering its dual mandate of promoting maximum employment and price stability. This less restrictive monetary policy has favored precious metals, particularly in the context of stagnant inflation expectations at relatively high levels. In the short term, we expect low recession probabilities and rising real interest rates to make it less attractive than higher-return assets. In the long term, we expect the gold price to decrease to USD 1,900/oz, explained by normalization of economic trends and falling demand from investors, though supported by higher production costs and an expected recovery of demand for jewelry from China and India, which remains below the ten-year average.

We are cautious about copper in the short term due to lower demand from China. However, we remain optimistic in the long term, supported by the energy transition and advances in AI.

For **copper**, we are cautious in the short term due to signs of economic slowdown in China and the US. However, low inventory levels and an expected US rate-cutting cycle balance this. In the long term, the value of copper is expected to be supported by increasing demand from the energy transition and advances in AI. We have increased our forecast for copper prices and now expect levels of USD 9,150/t in 2024 and USD 9,400/t in 2025, slightly decreasing to a long-term level of USD 9,300/t by 2028. In the short term, we expect the price to find support from the low inventory levels, which we expect to stand at ~298 ktn in 2024, equivalent to ~4 days of consumption, which is well below the 20-year average of ~7 days. Also, further momentum could come from a lower dollar valuation as the FED is expected to reduce its benchmark interest rate in its September meeting. In this context, favorable conditions could emerge in 2025 as we anticipate a lower surplus of approximately 90 ktn due to a higher increase in demand. This is in sharp contrast to the surplus of more than 160 ktn that we forecast for the current year. As for the long term, the price of copper is expected to be supported by robust future demand due to the increased need for energy transition towards green energies to meet carbon-free goals and AI data centers.

Metals Outlook

Lithium supply will exceed demand in the short term, lowering prices. However, due to expected supply deficits, a long-term recovery is expected.

With respect to **lithium**, we anticipate that in the short term, the growth in lithium supply will outpace demand for the next two years. Consequently, we project prices to reach 12,930/t in 2024 and 15,000/t in 2025. Despite short-term fluctuations, the long-term outlook for lithium remains promising. We expect a medium-to-long-term recovery in lithium prices, projecting 20,000/t by 2028. We lowered our lithium short-term price assumption, reflecting the sharp decline in lithium market prices since June, influenced by an oversupplied market. However, we highlight that the C3 Lithium Carbonate Equivalent (LCE) cost curve shows that at current price levels, ~18% of global production, would be burning cash and at risk of suspending operations, fueling expectations that the lithium prices have reached a bottom. In the medium-to-long term, the prices are backed by the needed supply over the following years to meet demand projections, with an estimated deficit of 450 kt of lithium carbonate by 2030.

The long-term outlook for tin is promising, driven by the growing use of electronic devices.

For **tin**, we expect an average price of USD 28,500/t for 2024, with a slight increase to USD 29,000/t projected for 2025. Tin had an impressive run in 2021 and 1Q22 due to supply concerns and better short and long-term demand drivers. Then, it showed some recovery starting in 4Q22 and greater stability during 2023, which continued until 1Q24. At the beginning of 2Q24, the supply side faced challenges, such as reduced shipments from Indonesia due to licensing delays. Additionally, tin flows from Myanmar have slowed down due to the ongoing conflict in that region. In the long term, we expect an average tin price of USD 31,212/t from 2028 onwards. This would be supported by increased demand driven by the growing need for metals in electronics and electrification, essential for expanding the global AI sector, the rollout of 5G networks, the Internet of Things, and new possible applications for tin in lithium-ion batteries and solar panels, among other products.

Mineral prices are expected to face downward pressure due to reduced demand from China and environmental restrictions.

For **Iron Ore**, we project that the 62% iron ore contract price will remain relatively stable, reaching USD 106/t in 2024 and USD 100/t in 2025, primarily due to reduced demand from China. Additionally, we maintain a cautious outlook for the long term, estimating a lower contract price of approximately USD 95/t by 2026, reflecting environmental restrictions to curtail steel production. Iron prices have significantly declined from USD 140/t at the beginning of the year to around USD 92/t, primarily due to reduced demand in China. This decline is driven by prolonged weakness in China’s property sector, a weak credit market, and the absence of short-term recovery signs, all of which negatively impact steel and iron consumption. There is also a risk that Chinese authorities may implement environmental restrictions to reduce steel production. Given that China is the world’s largest producer and consumer of steel, accounting for over half of global production, such measures could substantially impact iron ore demand. The steel industry in China is also the largest contributor to carbon emissions, further motivating potential regulatory actions.

Pulp Outlook

Increased supply and weaker Chinese demand are pushing down hardwood pulp prices. An accelerated fall may prompt buyers to restock.

Short and sharp pulp cycles along with increased FX volatility make it difficult to believe that Chilean P&P names can return to trade at their historical valuation ratios

Once again, the pulp price cycle has been driven by China's increased relevance as a marginal consumer, supply-side events, and logistic disruptions. The market cycles will likely continue to be shorter and sharper than in the past, making them very challenging to predict.

We have a neutral ST view for pulp prices in China.

We have a neutral short-term view of pulp prices in China. Our review of market conditions indicates pulp prices in China are unlikely to recover in the coming months. On the negative front, we observe: i) higher *supply visibility* as pulp volumes from Suzano's Cerrado project will be available in the market soon (+0.7mt this year), while Liansheng has recently started up a new pulp line in China that may offer ~0.5mnt/year to the market; ii) *pulp shipments to China* with sustained contractions since last May after short-fiber pulp exceeded USD700/t; and, iii) *converting margins of paper manufacturers* have deteriorated in Europe to average levels, while in China they remain close to 3-year lows. On the other hand, two factors are more neutral. Firstly, we refer to year-end BEKP *futures* (~ USD 570/t), *and resale prices in the Chinese domestic market* (USD 575/t) as they stay near the current import prices. Secondly, *pulp inventories along the supply chain* are in line with the 5-year average. The recent increase in producer stocks due to weakening demand and the ramp-up of new mills contrasts with normal inventory levels in ports and consumers. Finally, and on the positive front, the accelerated drop in the price of short-fiber *pulp* in China has increased its *affordability* (~USD -150/t since last July to USD 590/t). Not surprisingly, there is incipient interest from large China buyers to return to the market just as seasonal factors favor pulp consumption in the 4Q.

In such a context, we forecast year-end prices in China of ~USD 570/t and USD 730/t for SW and HW pulp (net), respectively (~USD 20/t below the import prices at the time of writing). Thus, we expect avg. prices to reach USD 645/t for BEKP and USD 765/t for NBSK in 2024.

We are more constructive on pulp prices towards the 2H25.

What about next year? We expect that hardwood pulp prices will begin to recover by mid-2025 once the market manages to absorb the incremental supply from Cerrado (it would reach full production by the end of 2Q25), and the production surplus from Liansheng. We are forecasting average prices of USD 765/t and USD 600/t for SW and HW pulp (China net), respectively. The current level of pulp inventories along the supply chain could play a key role and drive a recovery in prices over the next year. In this regard, we see very limited room for sustained pulp stock reduction at consumers' warehouses. Our S/D balance model indicates that the shipments-to-capacity ratio will remain at 90% for the next two years and increase to 92% in the 2027-2028 period. According to Hawkins Wright, the higher incidence of supply-side events has increased market volatility and reduced the threshold that constitutes a balanced market to 90-91%.

Oil & Gas Outlook

Prices should find support above 80 USD/bl as OPEC+ extends voluntary cuts and geopolitical conflicts persist.

We see continuity in pricing dynamics

Brent oil prices have fallen to below 70/USD bl during September, levels not seen since 2021, as economies started to recover from the COVID-19 pandemic. Lower China oil demand, a higher-than-expected accumulation of inventories, and a calmer-than-expected hurricane season (still ongoing) have contributed to the recent price decline. Nevertheless, we do not expect prices to stay below 80 USD/bl, as we see short-term catalysts that will provide support to oil prices.

OPEC+ countries have agreed to extend voluntary cuts until December. On September 5th, members of the OPEC+ agreed to extend the deadline for voluntary cuts until December 2024. Please note that OPEC+ refers to the 2.2 million barrels per day of voluntary cuts that have been in place and were supposed to be "progressively eliminated" from October 2024. Also, the group still has in place mandatory supply cuts for 3.66 million barrels per day, which is agreed to end by 2025 year-end. In total, the cuts for 5.86 million barrels a day should continue to exert supply pressure and provide support for prices.

Geopolitical turmoil continues to be a factor. Tensions in the Middle East should support prices. We do not see a short-term resolution to the conflicts between Israel-Palestine and Russia-Ukraine, as we are expecting supply disruptions and route alterations to continue. The latest disruption in supply comes from Libya, as the country faces internal political turmoil between rival governments. The country contributes 1.2 MMBD on average to world supply, and a timeline for the resolution is still unknown.

In Colombia, declining reserves pose a long-term problem, but short-term production seems stable.

As for Colombia, oil production should benefit from economic recovery in the short term, but it needs more clarity in the long term. According to the latest ANH report, the country has 7.1 years remaining in 1P reserves. As for Ecopetrol **(ECOPETL: UPERF; T.P.: COP 2,100/share (loc) / USD 9.8/share (ADR))**, the company totals ~90% of Colombia's total production, with a reserves/production ratio of 7.6 years, according to company reports (see graph 22). Foreign investment in Oil & Gas has decreased in the country (see graph 20). Therefore, 2025 should not be a surprise regarding discoveries, but prices should support oil revenues. Ecopetrol's production levels should align with its strategic plan (see graph 23) as macroeconomic momentum supports operations.

In conclusion, we will monitor any new changes in expected demand or supply (from OPEC+ and non-OPEC+) but do not expect significant oil price volatilities. In Colombia, mid-term oil policy should be affected by the political agenda.

Relative Valuation - Pulp

Company	Country	Factset Ticker	P/E 2023	P/E 2024E	P/E 2025E	P/E 2026E	EV/EBITDA 2023	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBITDA 2026E
Pulp										
CMPC (*)	Chile	CMPC-CL	10.3	7.5	10.2	6.4	7.1	6.1	6.0	4.9
Copec (*)	Chile	COPEC-CL	27.1	7.9	9.1	7.4	8.2	5.9	6.0	5.4
Stora Enso	Finland	STERV-FI		21.9	13.6	10.7	12.8	8.9	7.2	6.4
Suzano	Brazil	SUZB3-BR	5.0	10.0	7.9	6.9	7.4	6.1	5.9	5.2
UPM-Kymmene	Finland	UPM-FI	20.9	14.9	11.3	9.8	14.3	9.4	7.8	7.1
Average			**15.8**	**12.4**	**10.4**	**8.2**	**9.9**	**7.3**	**6.6**	**5.8**
Tissue										
Svenska	Sweden	SCA.B-SE	27.4	25.6	19.9	17.7	17.5	15.3	12.9	11.8
Essity	Sweden	ESSITY.B-SE	18.2	16.8	15.1	14.1	9.4	10.0	9.4	9.0
Hengan	China	1044-HK	8.5	8.3	7.8	7.6	6.1	5.4	5.1	5.0
Kimberly Clark	USA	KMB-US	21.7	19.5	18.6	17.8	13.3	13.7	13.4	12.8
Kimberly Clark Mexico	Mexico	KIMBERA-MX	14.2	12.4	12.0	11.4	9.2	7.3	7.2	7.0
Average			**18.0**	**16.5**	**14.7**	**13.7**	**11.1**	**10.3**	**9.6**	**9.1**
Papers										
Klabin	Brazil	KLBN11-BR	9.3	10.8	11.7	10.9	8.0	6.9	6.5	6.2
International Paper	USA	IP-US	22.2	33.7	17.5	13.8	8.8	12.3	9.4	8.3
Packaging Corp	USA	PKG-US	24.0	23.4	19.4	17.8	10.4	12.8	11.2	10.6
Average			**18.5**	**22.6**	**16.2**	**14.2**	**9.1**	**10.7**	**9.0**	**8.4**
Forestry ex Pulp										
West Fraser	USA	WFG-US		67.8	15.2	12.5	12.5	10.1	5.9	5.3
Dexco (ex Duratex)	Brazil	DXCO3-BR	8.3	19.8	10.5	11.1	8.5	7.5	6.5	6.0
Lousiana Pacific	USA	LPX-US	29.4	18.8	18.5	15.8	11.0	11.3	11.2	9.9
Average			**18.9**	**35.5**	**14.7**	**13.1**	**10.6**	**9.6**	**7.9**	**7.1**
Gas Services Stations										
Casey´s General Stores	USA	CASY-US	28.4	26.9	24.2	27.6	12.7	13.3	12.1	15.5
CrossAmerica	USA	CAPL-US	19.9	123.0	36.1		10.9	11.8	10.8	
Global Partners	USA	GLP-US	11.7	13.8	11.8		8.7	9.0	8.7	8.5
Marathon Petroleum	USA	MPC-US	6.8	13.5	11.5	10.3	4.7	7.0	7.6	7.5
Murphy USA	USA	MUR-US	7.5	8.9	6.5	6.0	4.1	3.9	3.4	3.3
Sunoco LP	USA	SUN-US	12.7	6.9	9.6	8.5	9.5	8.5	6.8	6.5
Average			**14.5**	**32.2**	**16.6**	**13.1**	**8.4**	**8.9**	**8.2**	**8.3**
Brazil LPG and Liquid Fuels Distributors										
Ultrapar	Brazil	UGPA3-BR	10.4	12.1	10.8	9.7	6.2	6.6	6.2	5.8
Vibra Energia	Brazil	VBBR3-BR	6.8	9.7	9.8	8.9	6.5	6.4	6.4	5.9
Average			**8.6**	**10.9**	**10.3**	**9.3**	**6.3**	**6.5**	**6.3**	**5.9**

Valuation Summary

Chile

Company	Sector	Px Last	Px Target	Tot. Ret	Rating	Mkt. Cap	ADTV Local	ADTV ADR	P/E 2024E	P/E 2025E	EV/EBITDA 2024E	EV/EBITDA 2025E	P/BV LTM	Div Yield. 2024E	Div Yield. 2025E	ROAE 2024E	ROAE 2025E	ROAA 2024E	ROAA 2025E
AntarChile	Conglomerates	6,750	8,500	33.8%	HOLD	3,305	0.1		5.2	5.6	6.0	6.2	0.4	5.8%	7.9%	8.2%	7.0%	2.2%	2.0%
CAP	Mining	5,300	8,000	58.7%	BUY	851	1.9		nm	6.4	6.0	4.3	0.4	1.6%	7.8%	-18.9%	7.0%	-5.7%	2.0%
CMPC	Pulp & Paper	1,530	1,900	26.9%	HOLD	4,108	4.8		7.5	10.2	6.1	6.0	0.5	7.4%	2.7%	6.9%	4.9%	3.2%	2.3%
Empresas Copec	Pulp & Paper	5,960	8,000	38.8%	BUY	8,321	4.6		7.9	9.1	5.9	6.0	0.7	3.9%	4.6%	8.2%	6.7%	3.6%	3.1%
SQM	Mining	35,600	43,000	25.2%	HOLD	10,675	22.5	63.6	nm	11.5	9.0	7.0	2.2	0.6%	4.4%	-7.3%	17.9%	-3.4%	8.4%
Chile Sample						**119,942**	**115.9**		**9.4**	**9.8**	**7.0**	**6.3**	**1.1**	**1.3%**	**5.4%**	**10.5%**	**11.0%**	**2.3%**	**2.5%**

Peru

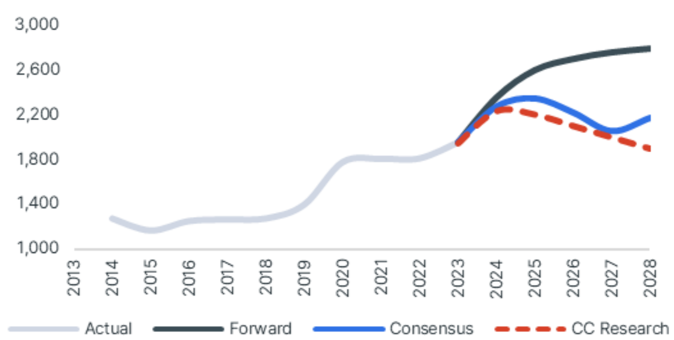
Company	Sector	Px Last	Px Target	Tot. Ret	Rating	Mkt. Cap	ADTV Local	ADTV ADR	P/E 2024E	P/E 2025E	EV/EBITDA 2024E	EV/EBITDA 2025E	P/BV LTM	Div Yield. 2024E	Div Yield. 2025E	ROAE 2024E	ROAE 2025E	ROAA 2024E	ROAA 2025E
Buenaventura	Mining	12.5	15.4	24.7%	BUY	3,448	0.1	21.6	16.1	13.8	4.59	4.20	1.13	0.9%	1.6%	6.9%	7.6%	4.6%	5.1%
Cerro Verde	Mining	38.0	38.8	9.5%	UPERF	13,302	1.5		14.0	12.4	6.15	5.61	1.89	5.3%	7.5%	14.0%	15.4%	11.7%	12.9%
Southern Copper	Mining	98.0	71.1	-24.6%	UPERF	76,982	0.1		25.2	26.4	13.5	14.0	9.07	3.0%	2.9%	39.2%	34.1%	17.8%	16.5%
Minsur	Mining	4.40	4.83	17.8%	HOLD	3,370	0.3		6.18	4.87	4.16	3.34	1.84	7.1%	8.0%	28.7%	30.6%	11.0%	13.0%
Peru Sample						**24,276**	**0.5**	**21.6**	**15.4**	**14.4**	**7.1**	**6.8**	**3.5**	**4.1%**	**5.0%**	**22.2%**	**21.9%**	**11.3%**	**11.9%**

Colombia

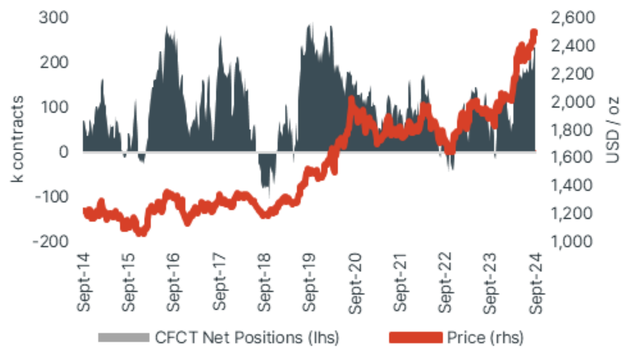
Company	Sector	Px Last	Px Target	Tot. Ret	Rating	Mkt. Cap	ADTV Local	ADTV ADR	P/E 2024E	P/E 2025E	EV/EBITDA 2024E	EV/EBITDA 2025E	P/BV LTM	Div Yield. 2024E	Div Yield. 2025E	ROAE 2024E	ROAE 2025E	ROAA 2024E	ROAA 2025E
Ecopetrol	Oil & Gas	1,930	2,100	22.8%	UPERF	18,791	2.7	24.5	4.3	3.8	3.4	3.3	1.1	15.4%	14.0%	22.6%	23.3%	6.5%	7.2%
Colombia Sample						**18,791**	**2.7**		**4.3**	**3.8**	**3.4**	**3.3**	**1.1**	**15.4%**	**14.0%**	**22.6%**	**23.3%**	**6.5%**	**7.2%**

Commodities – Metals

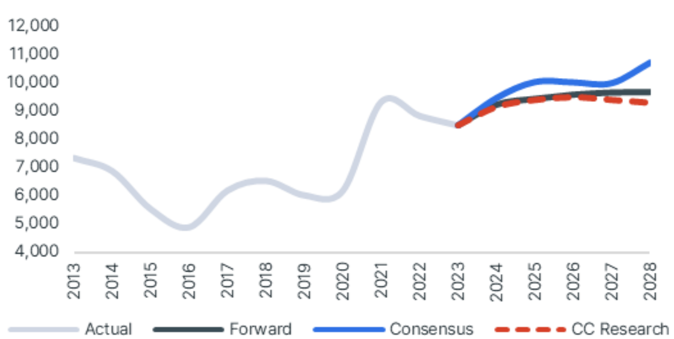
Graph 1: Gold price forecast (USD/oz)



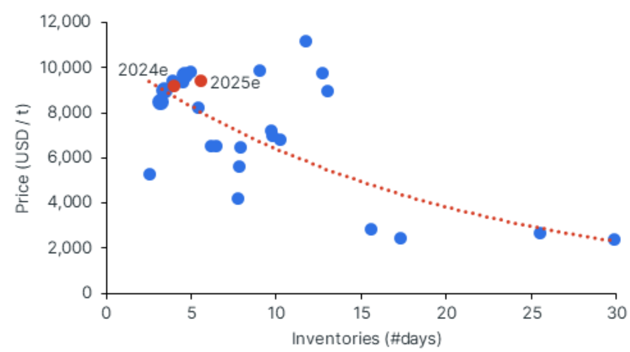
Graph 2: Gold net positions



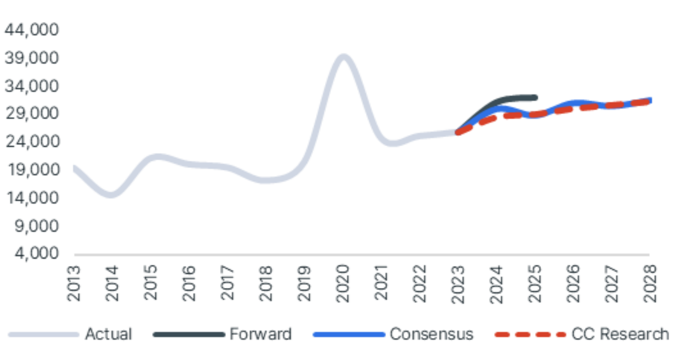
Graph 3: Copper price forecast (USD/t)



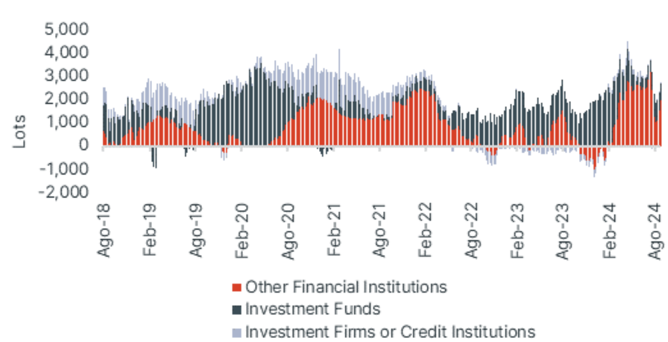
Graph 4: Copper price vs inventories



Graph 5: Tin price forecast (USD/MT)



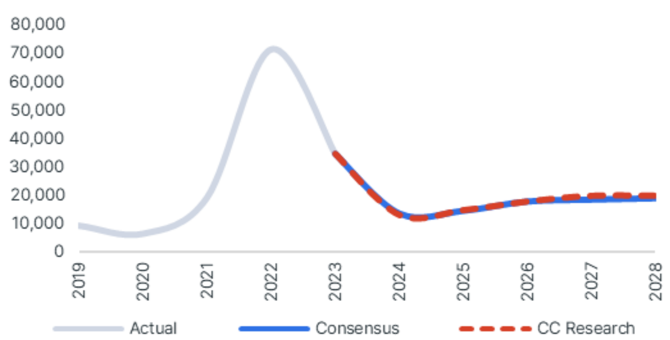
Graph 6:Tin net long positions



Source: Bloomberg

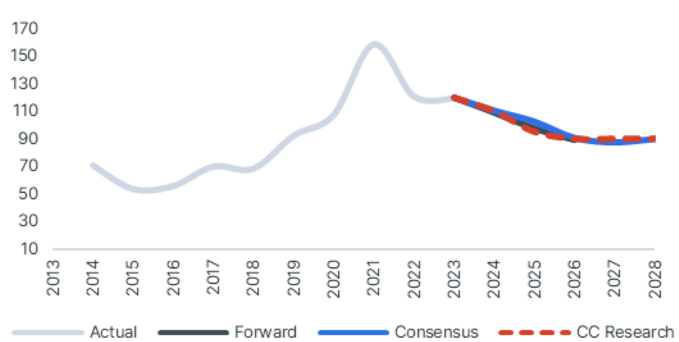
Commodities – Metals

Graph 7: Lithium price forecast (USD/Mt)

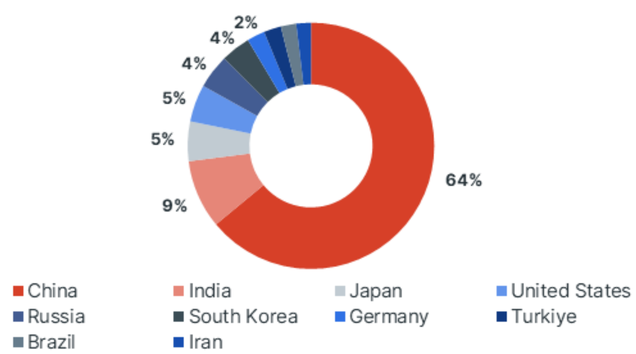


Graph 8: Lithium market balance

Graph 9: Iron price forecast (USD/t)



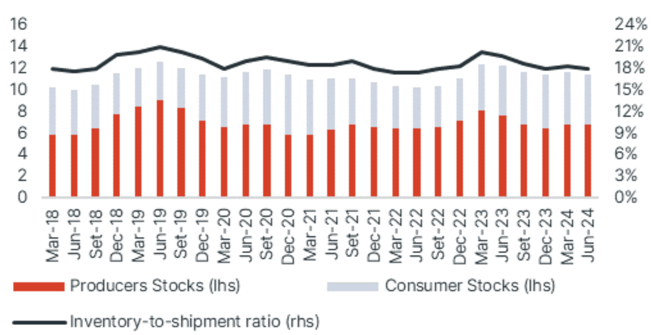
Graph 10: Crude steel production by country



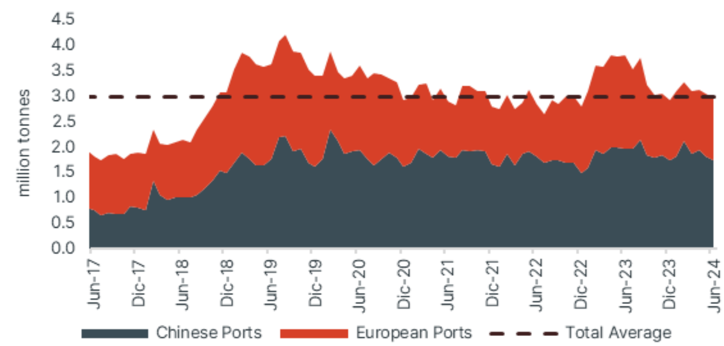
Source: Bloomberg

Commodities – Pulp & Paper

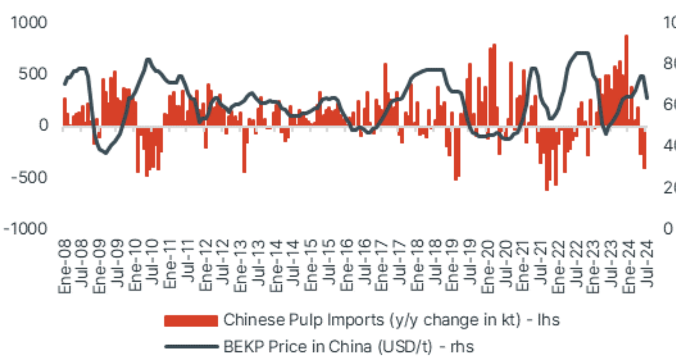
Graph 11: Producers and Consumers Pulp Stocks



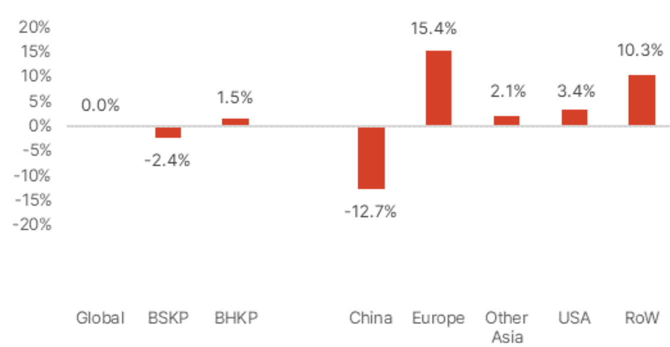
Graph 12: Pulp inventories at ports



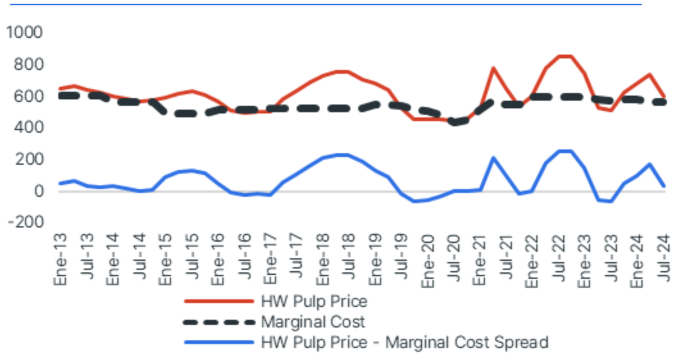
Graph 13: Chinese Pulp Imports & and BEKP Prices



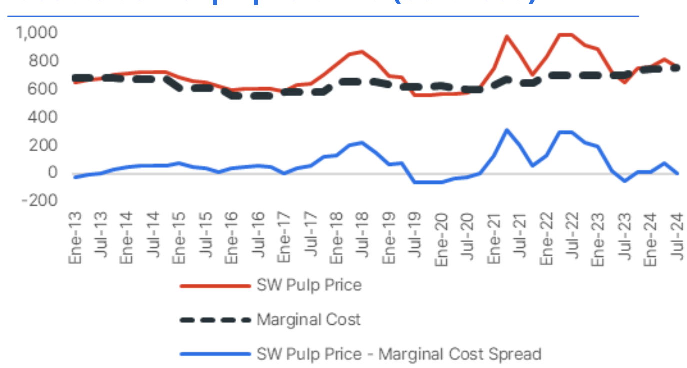
Graph 14: Global pulp shipments (Jan-to-Jul-24)



Graph 15: Pulp Prices in China vs. Marginal Cost to deliver pulp to China (Hardwood)

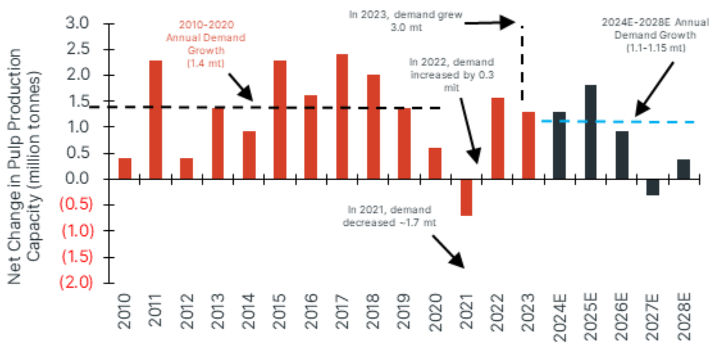


Graph 16: Pulp Prices in China vs. Marginal Cost to deliver pulp to China (Softwood)



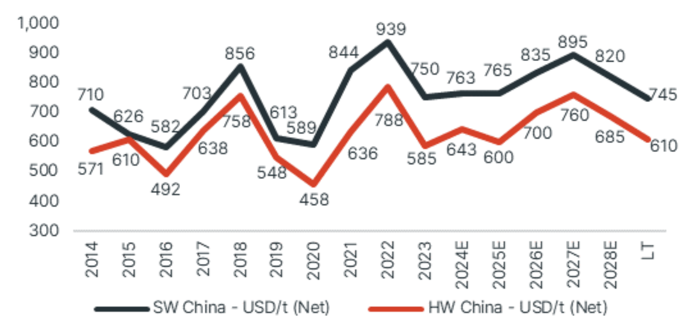
Commodities – Pulp & Paper

Graph 17: Pulp S/D Balance & Credicorp Capital Price Forecasts in China



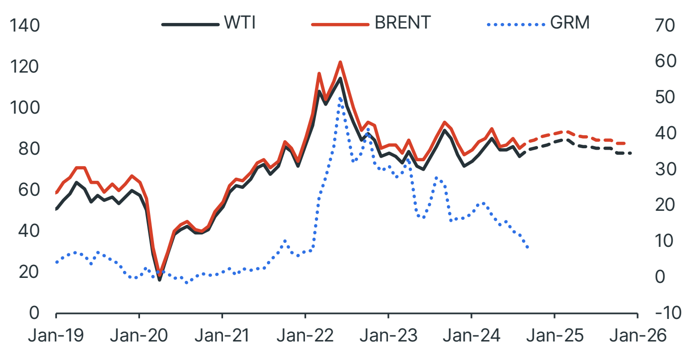
Source: Hawkins Wright

Graph 18: Pulp Prices Forecasts in China



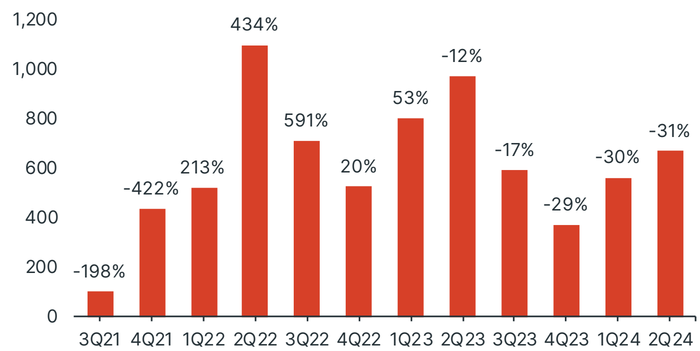
Commodities – Oil & Gas

Graph 19: Brent prices & forecast (USD/bl), right vs gross refining margin (GRM, USD/bl), left

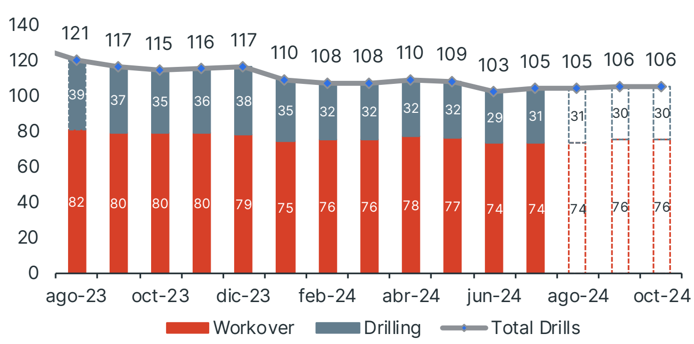


Source: EIA, Refinitiv

Graph 20: Oil Foreign Investment in Colombia (USD mn and % change y/y)

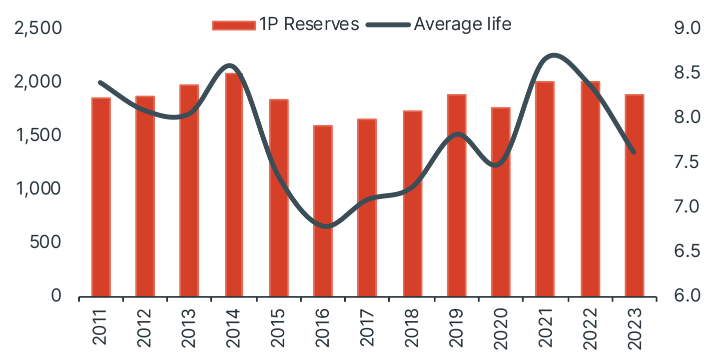


Graph 21: Total active drilling rigs in Colombia



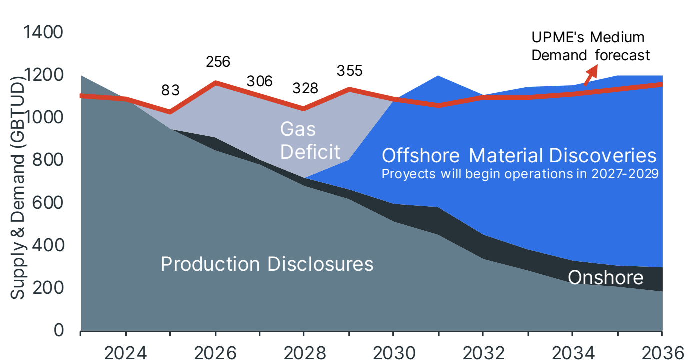
Source: Campetrol. Credicorp Capital, projections start in Aug – 2024

Graph 22: Ecopetrol's 1P Reserves in barrels (left) and average reserve life in years (right)

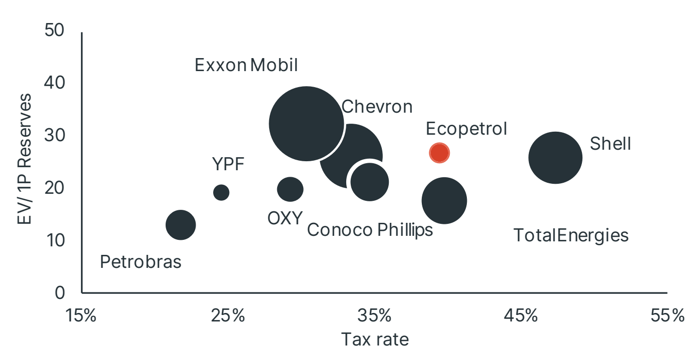


Source: ANH. Calculations Credicorp Capital

Graph 23: Ecopetrol long term portfolio



Graph 24: EV/1P Reserves vs 6M2024 Tax Rate



Source: Ecopetrol

AntarChile

Rating: Hold
TP: CLP 8,500

Equity Research Chile
Conglomerates
Rodrigo Godoy - rgodoy@credicorpcapital.com
Claudia Raggio - craggio@credicorpcapital.com

The name trades at a holding discount slightly below its historical average amid deteriorating stock liquidity

Investment Thesis

We are introducing a 2025YE TP of CLP 8,500/share with a HOLD recommendation. We continue to see limited room for AntarChile to outperform COPEC since the former is trading at a holding discount of 37% (slightly below the historical average of ~40%) amid deteriorating stock liquidity.

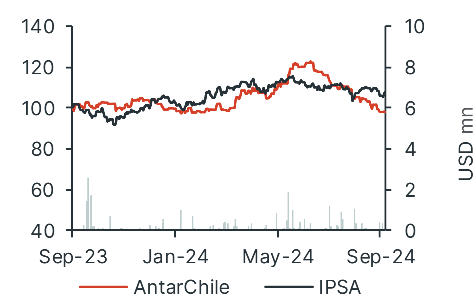
Yes, it is true. The ongoing 5-year buyback program for up to 5% of shares since mid-2021 serves as a cushion for the stock. However, the company has repurchased a very small portion so far (~0.48% by the end of last June).

We favor COPEC as it offers a bit more appealing upside potential and is a more liquid name (AntarChile is not a member of the IPSA index).

Stock Data

Ticker	antar ci
Price (CLP)	6,750
Target (CLP)	8,500
Total Return	33.8%
LTM Range	6,707 - 8,449
M. Cap (USD mn)	3,305
Shares Outs. (mn)	456
Free Float	26%
ADTV (USD mn)	0.1

Price Chart (CLP) and Volumes (USD mn)



Valuation

Our valuation of AntarChile is based on a sum-of-the-parts model. We utilize our target prices for COPEC (CLP 8,000/share), which represents 95% of its asset's fair value, and Colbun (CLP 150/share), while fishing companies (non-listed) are considered at book value. To obtain the NAV for AntarChile, we deduct its net financial debt and the NPV of SG&A expenses at the parent company level. Finally, to get our target price for AntarChile (CLP 8,500/share), we apply a 40% holding discount to the NAV (very much in line with its five-year historical average).

Valuation Summary

	2023	2024E	2025E	2026E
EV/EBITDA	6.6	6.0	6.2	5.5
P/E	15.6	5.2	5.6	4.5
P/CF	8.1	2.5	2.8	2.0
P/BV	0.5	0.4	0.4	0.4
Div. Yield	17.2%	5.8%	7.9%	7.0%

Sources: Company Reports and Credicorp Capital

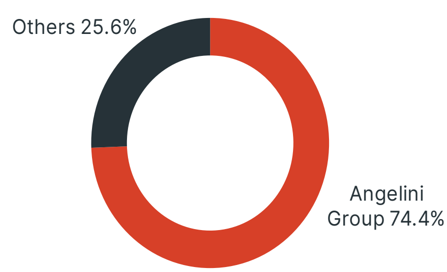
Holding discount

AntarChile

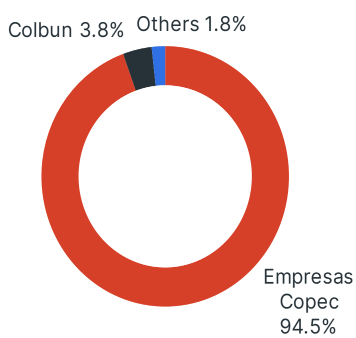
Company Description

AntarChile is a holding company controlled by the Angelini Group. It controls 60.8% of COPEC (~95% of its assets), which operates in the forestry business through Arauco (pulp and wood products), in the fuel business through Copec and Terpel (liquid fuels distribution) and Abastible (LPG), in addition to mining (40% stake in Mina Justa copper mine, Peru), fishing and Blue express. It also has a 9.6% stake of Colbun, one of the largest power electric companies in Chile.

Ownership Structure (As of March-24)



Underlying Assets (based on our estimates)



Management

CEO: Andrés Lehuedé

IRO: José Luis Arriagada

www.antarchile.cl

Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	30,765	29,179	28,733	30,165	31,956
Gross Profit	5,164	3,744	4,497	4,588	5,062
EBITDA	3,617	2,287	3,011	2,928	3,302
Net Income	925	234	649	575	734
EPS (CLP)	1,702	440	1,303	1,210	1,489
Gross Margin	16.8%	12.8%	15.7%	15.2%	15.8%
EBITDA Margin	11.8%	7.8%	10.5%	9.7%	10.3%
Net Margin	3.0%	0.8%	2.3%	1.9%	2.3%

Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	1,960	1,993	2,641	2,333	2,384
Total Current Assets	8,779	8,916	8,885	8,891	9,149
Total Assets	28,592	29,084	28,927	29,924	31,110
Current Liabilities	5,408	4,852	4,807	4,944	5,029
Financial Debt	10,292	10,981	10,638	10,638	10,638
Total Liabilities	16,001	15,944	15,312	15,562	15,764
Minority Interest	5,118	5,337	5,562	5,993	6,473
Shareholders Equity	7,473	7,802	8,054	8,369	8,872
Total Liabilities + Equity	28,592	29,083	28,928	29,924	31,109
Net Debt /EBITDA	2.3	3.9	2.7	2.8	2.5
Financial Debt /EBITDA	2.8	4.8	3.5	3.6	3.2
Financial Debt /Equity	1.4	1.4	1.3	1.3	1.2
ROAE	13.0%	3.1%	8.2%	7.0%	8.5%
ROAA	3.4%	0.8%	2.2%	2.0%	2.4%
ROIC	9.4%	2.8%	5.9%	5.5%	6.2%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	**1,918**	**1,960**	**1,993**	**2,641**	**2,333**
Cash Flow From Operations	1,204	874	2,973	1,099	1,370
CAPEX	-2,349	-1,843	-1,808	-1,578	-1,569
Changes in Financial Debt	1,062	689	-343	0	0
Dividends (Paid) Received	-404	-627	-192	-260	-230
Other CFI & CFF Items	529	940	22	431	480
Changes in Equity	0	0	-4	0	0
Final Cash	**1,960**	**1,993**	**2,641**	**2,333**	**2,384**
Change in Cash Position	**42**	**33**	**648**	**-308**	**51**

Sources: Company Reports and Credicorp Capital

Buenaventura

Equity Research Peru
Mining

Rating: Buy
TP: USD 15.4

Miguel Leiva - miguelleiva@credicorpcapital.com
Ana Paula Galvez - agalvezm@credicorpcapital.com

Attractive exposure to metals with promising short and medium-term prospects

Investment Thesis

We introduce a 2025 target price of USD 15.4, with a BUY recommendation. The current global economic conditions favor precious metals, and BVN is taking advantage of this by increasing its production. We are increasing our gold price forecast to an average of USD 2,150/oz over the next two years, with a long-term level of USD 1,900/oz from 2028 onwards; while for silver, we expect an average price of USD 26.3/oz, with a long-term level of USD 24.0/oz. Additionally, a significant portion of Buenaventura's value is derived from its stake in Cerro Verde, a company that stands to benefit from the long-term potential of copper due to the shift toward renewable energy sources. In this context, we consider an average copper price of USD 9,450/t in the next two years, with a LT level of USD 9,300/t.

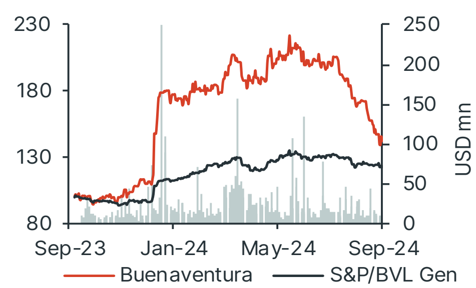
Financial results in the coming years are also expected to be supported by higher production levels and adequate cost control. We maintain our expectation of increasing production, driven mainly by the Uchucchacua and Yumpag units and the start-up of the San Gabriel project in 2H25. Thus, we expect 552/616/623 koz of gold equivalent volumes sold with 2024E prices for 2024/25/26. As a result, EBITDA should also follow a favorable trajectory, with USD 355/384/385 mn levels in the same analysis period, with an average margin over revenues of 33%, above the 29% reported last year.

Cerro Verde's contribution will continue to be relevant. EBITDA, including associates, should reach USD 762/832/862 mn by 2024/25/26, supported by relatively high copper prices, and a progressive recovery in production at Cerro Verde. We also expect BVN to receive USD 137/196/235 mn in dividends from Cerro Verde.

Stock Data

Ticker	bvn us
Price (USD)	12.5
Target (USD)	15.4
Total Return	24.7%
LTM Range	8 - 19
M. Cap (USD mn)	3,448
Shares Outs. (mn)	275
Free Float	84%
ADTV (USD mn)	0.1

Price Chart (USD) and Volumes (USD mn)



Valuation

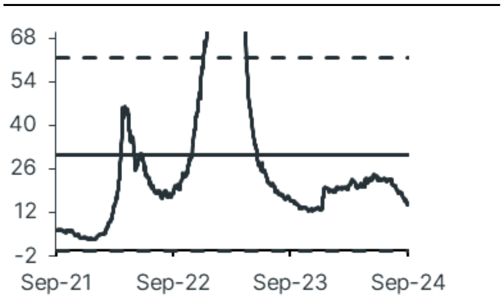
We use a 60% DCF valuation (TP of USD 14.8) and a 40% EV/EBITDA relative valuation model (TP of USD 16.4). Under our DCF valuation (WACC 11.1%), the current operations and projects account for 35% of our Enterprise Value, the participation in Coimolache (5.5x EV/EBITDA) and Tinka (1% of its R&R value) for 2%, and the 19.6% participation in Cerro Verde for 63% (60% DCF WACC 11.7%, 40% 5.1x EV/EBITDA). Note we consider a Net Debt of USD 386 mn for 2025. In our relative valuation, we valued BVN at a 5.5x EV/EBITDA 2026 multiple, in line with the fair multiple we estimate for its peers, with a gold price of USD 2,100/oz in 2026.

Valuation Summary

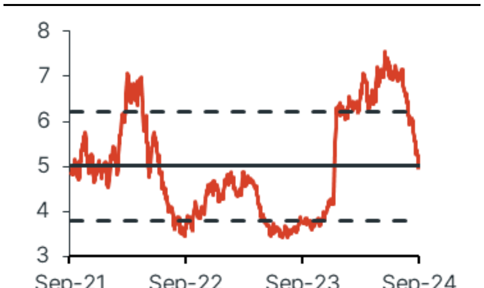
	2023	2024E	2025E	2026E
EV/EBITDA	7.0	4.6	4.2	4.1
P/E	211.6	16.1	13.8	12.6
P/CF	-98.9	-19.4	-49.3	15.3
P/BV	1.4	1.1	1.0	0.9
Div. Yield	0.5%	0.9%	1.6%	2.0%

Sources: Company Reports and Credicorp Capital

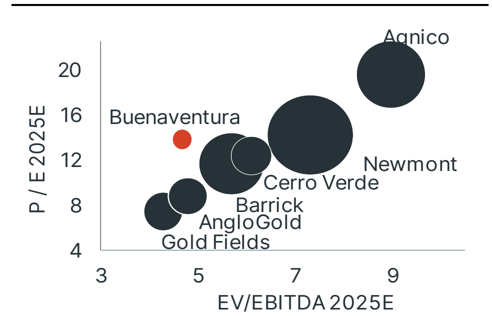
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

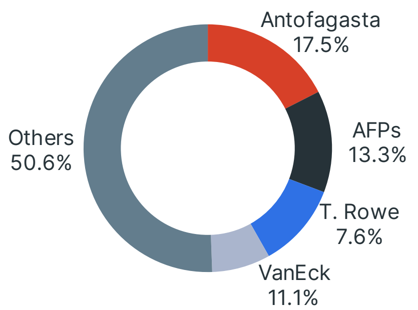


Buenaventura

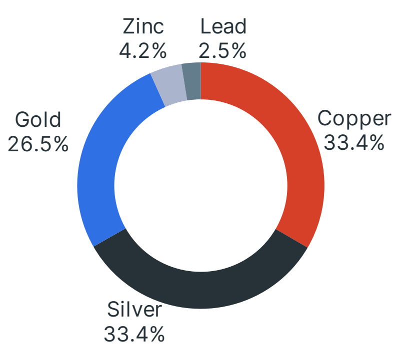
Company Description

Buenaventura (BVN) ranks among the largest publicly listed precious metals mining companies in Latin America. The company generates a substantial portion of its direct revenues from gold, silver, and copper. It also has stakes of 19.58% in Cerro Verde, one of the largest copper mines in Peru (JV with Freeport-McMoRan and Sumitomo), 61.43% in El Brocal (copper and zinc), and 40.10% in Coimolache (gold JV with SCCO).

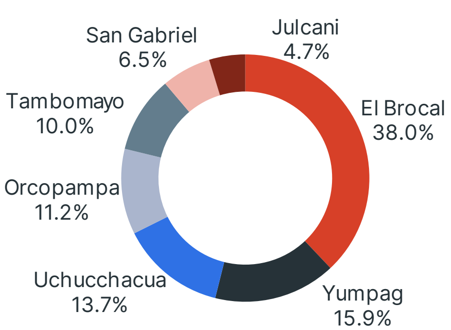
Ownership Structure



Revenue breakdown by metal (2025E)



Revenue breakdown by unit (2024E)



Management

CEO: Leandro García
CFO: Daniel Dominguez
IR: Gabriel Salas
www.buenaventura.com

Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	825	824	1,027	1,174	1,166
Gross Profit	61	91	237	250	254
EBITDA	173	238	355	384	385
Net Income	603	20	214	250	274
EPS (USD)	2.37	0.1	0.8	1.0	1.1
Gross Margin	7.4%	11.1%	23.1%	21.3%	21.7%
EBITDA Margin	21.0%	28.9%	34.6%	32.7%	33.0%
Net Margin	73.1%	2.4%	20.8%	21.3%	23.5%

Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	254	220	376	456	781
Total Current Assets	620	578	805	949	1,270
Total Assets	4,503	4,534	4,776	5,101	5,311
Current Liabilities	380	442	389	454	449
Financial Debt	755	728	837	843	842
Total Liabilities	1,340	1,365	1,415	1,520	1,511
Minority Interest	154	163	163	163	163
Shareholders Equity	3,009	3,006	3,199	3,419	3,638
Total Liabilities + Equity	4,503	4,534	4,776	5,101	5,311
Net Debt /EBITDA	2.9	2.1	1.3	1.0	0.2
Financial Debt /EBITDA	4.4	3.1	2.4	2.2	2.2
Financial Debt /Equity	0.3	0.2	0.3	0.2	0.2
ROAE	22.4%	0.7%	6.9%	7.6%	7.8%
ROAA	13.3%	0.4%	4.6%	5.1%	5.3%
ROIC	-1.1%	0.3%	3.5%	3.6%	3.9%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	**377**	**254**	**220**	**376**	**456**
Cash Flow From Operation:	375	290	449	488	485
CAPEX	-165	-276	-380	-384	-105
Changes in Financial Debt	-377	-27	108	6	0
Dividends (Paid) Received	-21	-21	-30	-55	-70
Other CFI & CFF Items	65	1	9	25	16
Changes in Equity	0	0	0	0	0
Final Cash	**254**	**220**	**376**	**456**	**781**
Change in Cash Position	**-123**	**-34**	**157**	**80**	**325**

Sources: Company Reports and Credicorp Capital

CAP

Equity Research Chile
Mining

Rating: Buy
TP: CLP 8,000

Miguel Leiva - miguelleiva@credicorpcapital.com
Ana Paula Galvez - agalvezm@credicorpcapital.com

Attractive entry point for a company that should improve its results following the indefinite suspension of its steel production

Investment Thesis

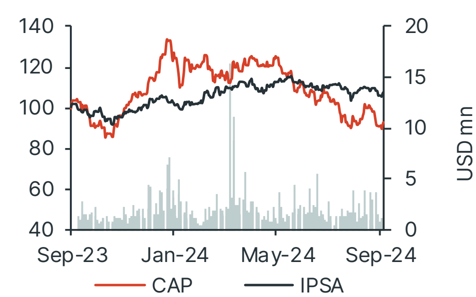
We are upgrading our recommendation to BUY and introducing a 2025 target price of CLP 8,000 per share. The improvement in our company assessment is mainly due to the decision to suspend its steel business activities indefinitely. This measure will prevent the company from incurring further losses, especially considering the low steel prices in recent years. Regarding the mining business, it should be noted that we remain cautious regarding the iron ore market due to the weakening of the Chinese real estate sector, which would continue to put downward pressure on prices. Thus, we expect the realized iron ore price to be USD 96/92 per ton in 2025/2026, then growing at a pace similar to the US inflation rate (2.3%).

Despite lower iron ore prices, we expect a progressive improvement in consolidated operating results starting next year. We forecast a recovery in consolidated EBITDA to an average level of USD 790 mn in the next two years. In the mining business, cash costs are expected to decrease to USD 50/48 per ton in 2025/2026 as inflation drops. Moreover, we anticipate a slight improvement regarding the volume sold, with a level of around 17 mn t for next year. Consequently, we project this unit to contribute USD 718 mn to consolidated EBITDA in 2025, serving as the primary value generator for CAP. Regarding the infrastructure business, we expect relative stability for the following year, with an EBITDA level of USD 57mn. We could see a recovery in the steel solutions business, particularly considering the significant drop it would have this year, with an EBITDA of USD 27mn in 2025. Thus, the company could distribute dividends next year with a yield of ~7%.

Stock Data

Ticker	cap ci
Price (CLP)	5,300
Target (CLP)	8,000
Total Return	58.7%
LTM Range	4,875 - 7,619
M. Cap (USD mn)	851
Shares Outs. (mn)	149
Free Float	46%
ADTV (USD mn)	1.9

Price Chart (CLP) and Volumes (USD mn)



Valuation

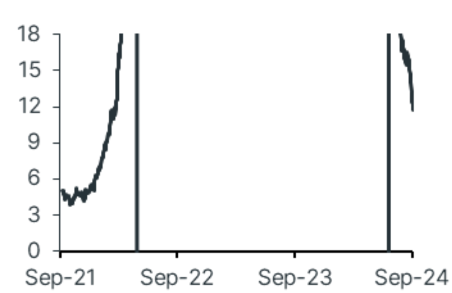
Our 2025 TP of CLP 8,000 is 60% determined by a DCF model (TP of CLP 9,300) and 40% determined by a relative valuation method (TP of CLP 7,425). For the DCF valuation, we utilized FCFF for each business line until 2033, discounted to present value using a WACC of 11.3%. For perpetuity (comprising 52% of the DCF value), we considered a long-term growth rate of 2%. As for the relative valuation method, we employed a target EV/EBITDA 2026 multiple of 4.0x, slightly lower than the five-year average (4.1x) and 9% below its peers' average during the same period (4.4x).

Valuation Summary

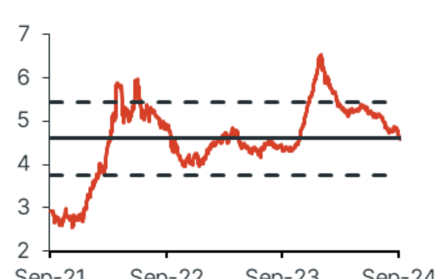
	2023	2024E	2025E	2026E
EV/EBITDA	3.7	6.0	4.3	4.5
P/E	nm	nm	6.4	5.4
P/CF	15.0	2.5	2.1	2.8
P/BV	0.5	0.5	0.4	0.4
Div. Yield	17.9%	1.6%	7.8%	9.3%

Sources: Company Reports and Credicorp Capital

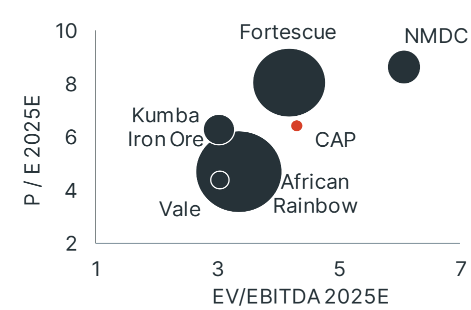
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

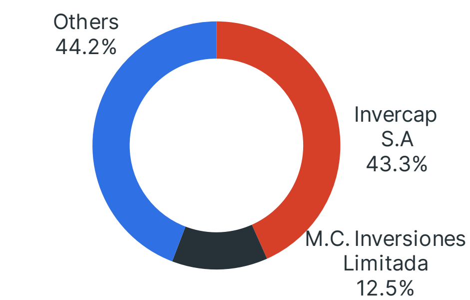


CAP

Company Description

CAP is a company that produces iron ore through CMP, which owns and operates all of its iron ore mines and related processing facilities. It produces high–grade iron ore products, including pellets, pellet feed, and sinter feed, in three different valleys of operation in the north of Chile, each one with its own logistics. In addition, it operates in other segments further down the value chain. It also operates substantial infrastructure assets, such as a port, a power transmission line, and a desalinization plant.

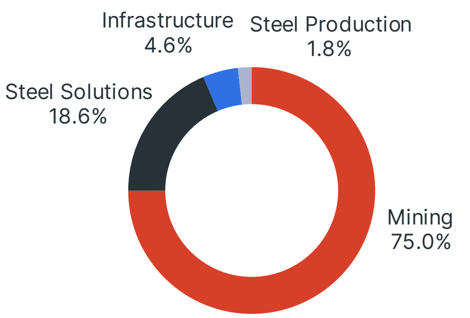
Ownership Structure



Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	3,006	2,965	2,252	2,080	2,029
Gross Profit	763	691	369	555	524
EBITDA	910	842	580	804	777
Net Income	226	-7	-388	132	158
EPS (CLP)	1,287	-41	-2,419	822	983
Gross Margin	25.4%	23.3%	16.4%	26.7%	25.8%
EBITDA Margin	30.3%	28.4%	25.8%	38.7%	38.3%
Net Margin	7.5%	-0.2%	-17.3%	6.3%	7.8%

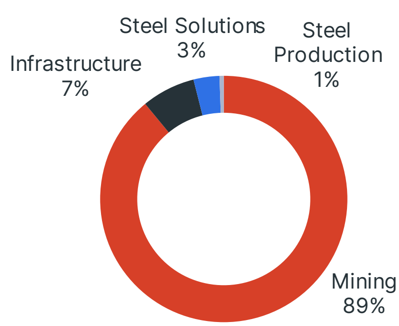
Revenue breakdown by segment (2025E)



Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	271	497	308	579	796
Total Current Assets	1,686	2,015	1,434	1,571	1,776
Total Assets	6,562	7,007	6,509	6,590	6,795
Current Liabilities	1,487	1,410	1,366	1,365	1,203
Financial Debt	1,013	1,638	1,723	1,784	1,858
Total Liabilities	2,862	3,345	3,310	3,277	3,345
Minority Interest	1,423	1,395	1,350	1,398	1,456
Shareholders Equity	2,277	2,266	1,849	1,915	1,994
Total Liabilities + Equity	6,562	7,007	6,509	6,590	6,795
Net Debt /EBITDA	0.8	1.4	2.4	1.5	1.4
Financial Debt /EBITDA	1.1	1.9	3.0	2.2	2.4
Financial Debt /Equity	0.4	0.7	0.9	0.9	0.9
ROAE	10.0%	-0.3%	-18.9%	7.0%	8.1%
ROAA	3.4%	-0.1%	-5.7%	2.0%	2.4%
ROIC	10.2%	4.2%	5.9%	6.9%	6.5%

EBITDA breakdown by segment (2025E)



Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	**868**	**271**	**497**	**308**	**579**
Cash Flow From Operation:	-290	149	250	547	542
CAPEX	-423	-516	-450	-320	-377
Changes in Financial Debt	310	624	85	61	74
Dividends (Paid) Received	-603	-219	-14	-66	-79
Other CFI & CFF Items	410	187	-60	48	58
Changes in Equity	0	0	0	0	0
Final Cash	**271**	**497**	**308**	**579**	**796**
Change in Cash Position	**-596**	**226**	**-189**	**271**	**217**

Sources: Company Reports and Credicorp Capital

Management

CEO: Nicolás Burr

CFO: Alejandro Sanhueza

IRO: Eduardo Valech

www.cap.cl

Celulosa Arauco

Fixed Income Research Chile
Pulp & Paper

Baa3 / BBB- / BBB
Outlook: s / s / s

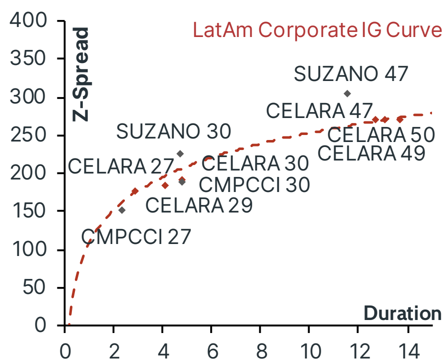
Orlando Barriga - orlandobarriga@credicorpcapital.com

The outlook for improving leverage remains, although at a slower pace than initially expected amid a changing pulp market

Investment Thesis

The macro-environment recently turned less favorable for CELARA. We expect pulp prices in 2H24 to fall below 1H24s as supply disruptions ease and new projects come online. However, prices should remain slightly above 2023, supported by marginal costs and potential restocking, and improve towards 2025. Thus, CELARA's net leverage should improve, though at a slower pace than previously expected, falling below the top range of its internal policy (2.5x-3.0x) by 2025 (prev. by 2024YE), down from 4.3x in 2Q24 and 3.7x adjusted for proceeds from the Brazilian asset sale in July. Therefore, we continue to favor CELARA's strengths, particularly its low production costs and solid market position. In that line, we are OW on the CELARA 27, which trades ~25 bps z-spread above the CMPCCI 27. In contrast, the CELARA 30 trades in line with the CMPCCI 30. We also OW the CELARA 47 as it offers the best risk-return at the long end of the curve.

Celulosa Arauco Bonds and comparables



Credit Data

REG-S Notes	6
Outstanding Senior Notes	USD 2,848MM
Closest Call Date	2-ago-27
Closest Maturity Date	2-nov-27

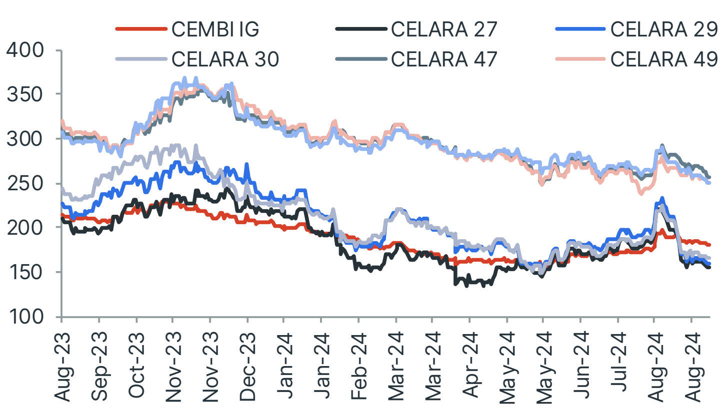
Concerns

- Exposure to pulp price cycles
- Exposure to economic growth volatility impacting demand for wood products in key markets

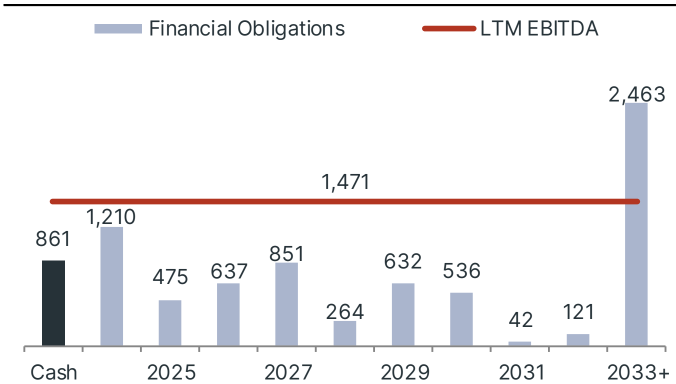
Strengths

- Low-cost producer in the southern hemisphere
- Solid market position as one of the largest global pulp producers

Z- Spread evolution



Debt Maturity Profile



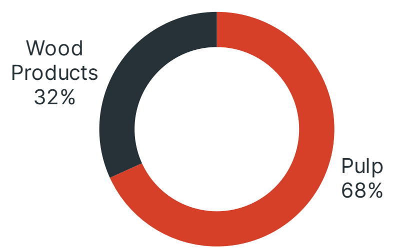
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
CELARA 27	USD 470mn	3.88%	Baa3 / BBB- / BBB	175.4	2.9	96.6	0.3%	5.1%	Overweight
CELARA 29	USD 500mn	4.25%	Baa3 / BBB- / BBB	182.3	4.2	96.9	0.4%	5.0%	Neutral
CELARA 30	USD 500mn	4.20%	Baa3 / BBB- / BBB	191.1	4.8	95.8	0.4%	5.1%	Neutral
CELARA 47	USD 378mn	5.50%	Baa3 / BBB- / BBB	270.5	12.8	93.9	0.5%	6.0%	Overweight
CELARA 49	USD 500mn	5.50%	Baa3 / BBB- / BBB	269.3	13.1	94.0	0.5%	6.0%	Neutral
CELARA 50	USD 500mn	5.15%	Baa3 / BBB- / BBB	268.9	13.7	89.5	0.5%	6.0%	Neutral

Arauco

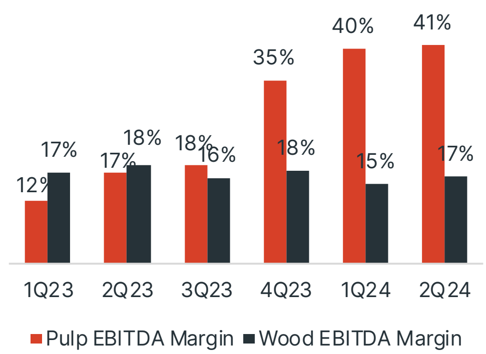
Company Description

Celulosa Arauco is the third largest pulp producer and panel producer in the world with operations in 11 countries including relevant forestry assets in Chile, Argentina, Brazil and Uruguay. Due to the advantageous location of its assets, the company benefits from low production costs derived from the high tree growth rate and a shorter harvest cycle. Arauco is controlled by Grupo Angelini, one of the most important economic groups in Chile, through Empresas Copec.

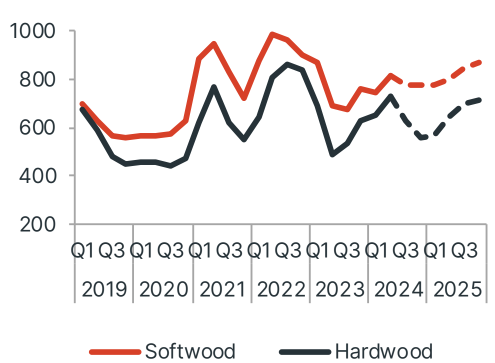
LTM EBITDA Breakdown



EBITDA margin by business segment



Pulp price (USD/ton)



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
Interest Coverage	4.0x	11.3x	10.8x	2.7x	3.6x
Gross Debt / EBITDA	5.8x	2.4x	2.7x	7.0x	5.0x
Net Debt / EBITDA*	4.8x	1.8x	2.3x	6.3x	4.3x
Net Debt / Equity	0.7x	0.6x	0.6x	0.8x	0.8x
ST Debt / Gross Debt	6%	7%	7%	16%	20%

*as reported

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Net Revenues	4,733	6,350	7,102	6,012	6,353
Gross Profit	1,288	2,668	2,828	1,268	1,626
EBIT	343	1,595	1,018	43	420
Interest Expenses	268	220	200	373	407
EBITDA	1,072	2,493	2,167	1,026	1,471
Gross Margin	27%	42%	40%	21%	26%
EBITDA Margin	23%	39%	31%	17%	23%
Net Margin	1%	16%	10%	-6%	-2%

Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	1,065	1,011	667	570	861
Current Assets	3,544	3,919	3,775	4,176	4,467
Total Assets	16,028	16,661	17,180	17,910	17,971
Current Liabilities	1,098	1,430	1,526	2,072	2,465
Total Liabilities	8,613	8,843	8,920	9,901	10,052
Equity	7,416	7,819	8,260	8,009	7,919
Net Debt	5,169	4,867	5,128	6,594	6,541
Gross Debt	6,234	5,878	5,795	7,164	7,402
Short Term Debt	371	389	412	1,130	1,508
Long Term Debt	5,863	5,489	5,383	6,034	5,894
ROE	0%	13%	9%	-4%	-1%
ROA	0%	6%	4%	-2%	-1%

Cash Flow Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Operating Activities	1,142	1,940	1,700	740	1,215
Investing Activities	-1,679	-1,190	-1,470	-1,333	-1,194
Financing Activities	56	-769	-527	646	240

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Cerro Verde

Rating: Uperf
TP: USD 38.8

Equity Research Peru
Mining

Miguel Leiva - miguelleiva@credicorpcapital.com
Ana Paula Galvez - agalvezm@credicorpcapital.com

Strong fundamentals and a positive copper outlook are fully priced in, limiting upside potential

Investment Thesis

We are updating our target price for Cerro Verde to USD 38.8/sh, in line with our previous update (USD 38.3/sh) made in Jul-24. However, we are revising our recommendation from HOLD to UPERF, as we believe the current stock price fully reflects the company's favorable outlook and operational strenght. In our view, the estimated index return offers a more compelling alternative. Additionally, the recent acquisition of a 2% stake by Freeport has reduced liquidity, which could present medium-term challenges.

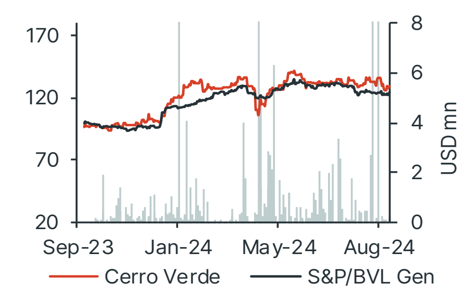
Our revised model incorporates several changes compared to last year: i) higher medium- to long-term copper price assumptions of USD 9,150/t, USD 9,400/t, and USD 9,300/t for 2024, 2025, and 2028, respectively, reflecting increased demand driven by the shift to renewable energy sources; ii) lower copper production forecasts due to anticipated declines in copper grades and recoveries, with production expected at 424/430/443/457/472 kt for 2024-2028; and iii) increased cash cost estimates with the avg. cash cost for 2024-2027 revised to USD 5,181/t. As a result, we are slightly increasing our revenue, EBITDA, and net income projections for 2025. We expect the EBITDA margin to remain robust at 53% over the 2024-2028 period.

Finally, we note that Cerro Verde typically trades at lower valuation multiples compared to its copper-producing peers, largely due to its lack of diversification and reduced liquidity. Indeed, it is currently trading at a ~21% discount to peers, which is in line vs its 5-year historical discount of 21%, suggesting limited further upside.

Stock Data

Ticker	cverdec1 pe
Price (USD)	38.0
Target (USD)	38.8
Total Return	9.5%
LTM Range	28 - 42
M. Cap (USD mn)	13,302
Shares Outs. (mn)	350
Free Float	45%
ADTV (USD mn)	1.5

Price Chart (USD) and Volumes (USD mn)



Valuation

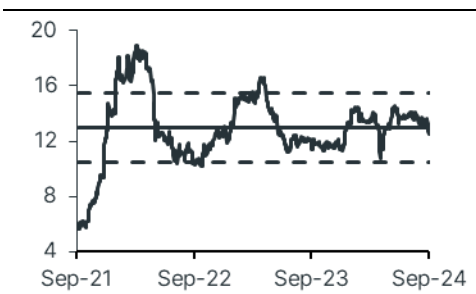
We updated our valuation model to a 60% DCF (TP of USD 40.1) and 40% EV/EBITDA relative valuation model (TP of USD 36.8). For our DCF valuation (WACC 11.7%), we forecast cash flows until the end of 100% of reserves (exclusive of resources), 90% of measured resources, 80% of indicated resources, and 70% of inferred resources (which we assume are mined after the depletion of reserves). There are no projects or resources left to include. In our relative valuation, we value Cerro Verde at a 5.1x EV/EBITDA 2026E multiple, in line with its ~21% 5-year historical discount against its peers.

Valuation Summary

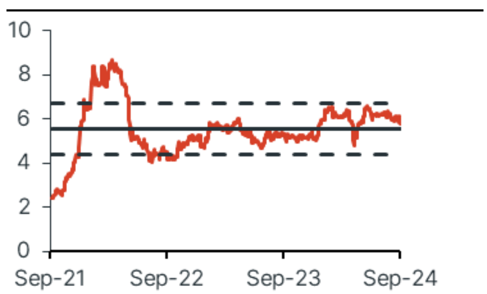
	2023	2024E	2025E	2026E
EV/EBITDA	6.5	6.2	5.6	5.3
P/E	16.4	14.0	12.4	11.6
P/CF	18.7	14.9	12.6	10.5
P/BV	1.9	1.9	1.9	1.9
Div. Yield	5.9%	5.3%	7.5%	9.0%

Sources: Company Reports and Credicorp Capital

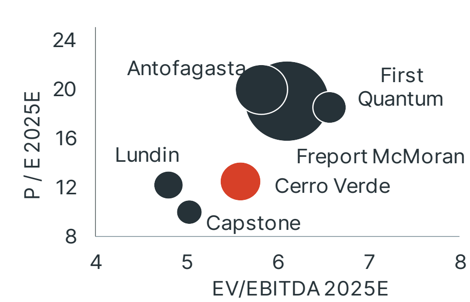
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

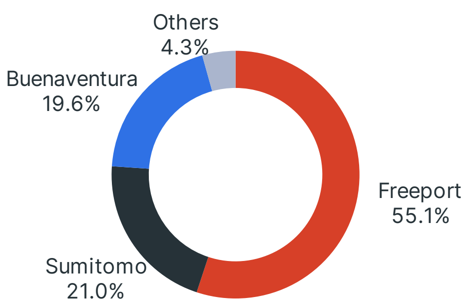


Cerro Verde

Company Description

Cerro Verde is among the ten largest copper producers in the world and ranks second in Peru. It is owned and operated by Freeport-McMoRan (55.1% stake), with minority participation from Sumitomo and Buenaventura. The company's activities comprise the extraction, production and sale of copper concentrate, copper cathodes and molybdenum concentrates. It is located 30 km from Arequipa, second largest city in Perú.

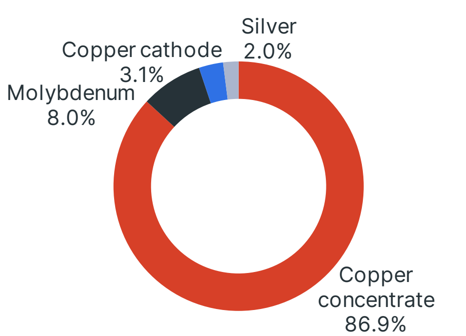
Ownership Structure



Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	3,975	4,143	4,202	4,253	4,446
Gross Profit	1,607	1,587	1,661	1,887	2,024
EBITDA	1,931	1,885	2,037	2,235	2,382
Net Income	925	779	950	1,069	1,147
EPS (USD)	2.6	2.2	2.7	3.1	3.3
Gross Margin	40.4%	38.3%	39.5%	44.4%	45.5%
EBITDA Margin	48.6%	45.5%	48.5%	52.6%	53.6%
Net Margin	23.3%	18.8%	22.6%	25.1%	25.8%

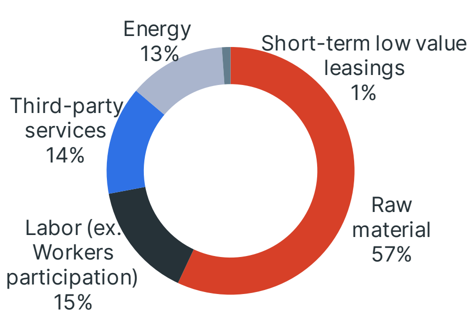
Revenue breakdown by metal (2025E)



Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	554	510	734	804	875
Total Current Assets	1,947	1,789	2,090	2,168	2,243
Total Assets	7,994	7,931	8,240	8,300	8,263
Current Liabilities	564	461	538	540	567
Financial Debt	63	60	54	54	54
Total Liabilities	1,342	1,251	1,310	1,301	1,318
Minority Interest	0	0	0	0	0
Shareholders Equity	6,651	6,680	6,930	6,998	6,945
Total Liabilities + Equity	7,993	7,931	8,240	8,299	8,263
Net Debt /EBITDA	-0.3	-0.2	-0.3	-0.3	-0.3
Financial Debt /EBITDA	0.0	0.0	0.0	0.0	0.0
Financial Debt /Equity	0.0	0.0	0.0	0.0	0.0
ROAE	14.5%	11.7%	14.0%	15.4%	16.5%
ROAA	11.5%	9.8%	11.7%	12.9%	13.9%
ROIC	15.7%	12.7%	14.9%	16.9%	18.3%

Production Cost (2025E)



Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	**938**	**554**	**510**	**734**	**804**
Cash Flow From Operation:	867	1,367	1,499	1,569	1,698
CAPEX	-511	-656	-573	-500	-420
Changes in Financial Debt	-332	-3	-6	0	0
Dividends (Paid) Received	-400	-750	-700	-1,000	-1,200
Other CFI & CFF Items	-8	-2	4	1	-7
Changes in Equity	0	0	0	0	0
Final Cash	**554**	**510**	**734**	**804**	**875**
Change in Cash Position	**-384**	**-44**	**224**	**70**	**71**

Sources: Company Reports and Credicorp Capital

Management

CEO: Derek J. Cooke

CFO: Rohn M. Householder

www.cerroverde.pe

CMPC

Rating: Hold
TP: CLP 1,900

Equity Research Chile
Pulp & Paper

Rodrigo Godoy - rgodoy@credicorpcapital.com
Claudia Raggio - craggio@credicorpcapital.com

Upon embarking on the largest project in its history, its financing would pose major challenges

Investment Thesis

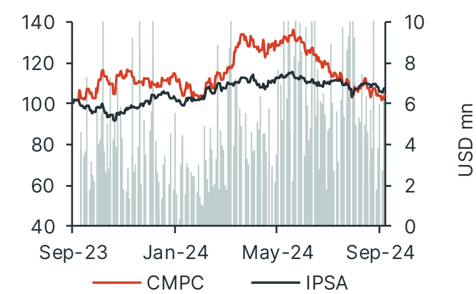
We are introducing a 2025YE TP of CLP 1,900/share with a HOLD recommendation. We continue to like CMPC's relevant footprint as a hardwood pulp producer in Brazil and the significant increase in Softy's profitability following an active period of inorganic growth.

We also welcome the announcement regarding the evaluation of a project that considers the construction of a 2.5mt pulp mill in Brazil since investors would see CMPC not only as a "value stock" but also as one that offers a significant growth option in its core business in Brazil. However, its financing would pose major challenges as the total capex is expected to reach USD 4.6 bn, equivalent to half of CMPC's enterprise value. If this initiative were approved by CMPC's BoD in mid-2026, the bulk of the project's disbursements would occur in the period 2027-2028. Looking at its own history, it is worth recalling that the Guaiba II pulp mill was partially financed with two capital increases totaling USD 700mn (~1/3 of the total capex). With a scarce track record in partnerships and low visibility about large assets available for sale, we believe that CMPC would have fewer options than COPEC to minimize an eventual dilution risk for minority shareholders.

Stock Data

Ticker	cmpc ci
Price (CLP)	1,530
Target (CLP)	1,900
Total Return	26.9%
LTM Range	1,467 - 2,000
M. Cap (USD mn)	4,108
Shares Outs. (mn)	2,500
Free Float	44%
ADTV (USD mn)	4.8

Price Chart (CLP) and Volumes (USD mn)



Valuation

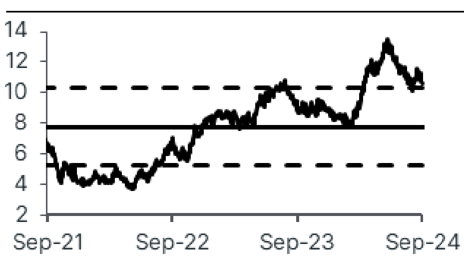
CMPC shares trade at ~6x EV/2025E EBITDA. This is lower than its 5-year average multiple and what we consider fair (~6.5x). On the other hand, our STOP valuation model indicates that the stock is trading at implied valuations for Softys and the packaging businesses below its peers. In addition, we estimate that the stock internalizes short-fiber pulp prices of USD 560/t (China net), which is USD 10-25/t below future contracts by the end of this year, the resale price in the Chinese domestic market and the marginal cost to deliver hardwood pulp to China.

Valuation Summary

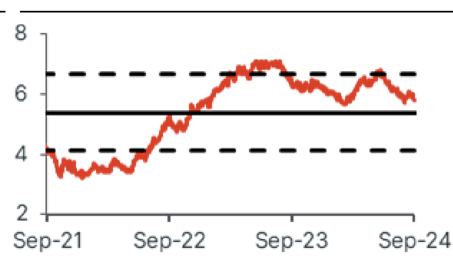
	2023	2024E	2025E	2026E
EV/EBITDA	7.1	6.1	6.0	4.9
P/E	10.3	7.5	10.2	6.4
P/CF	6.4	9.3	6.3	4.2
P/BV	0.6	0.5	0.5	0.5
Div. Yield	4.3%	7.4%	2.7%	3.4%

Sources: Company Reports and Credicorp Capital

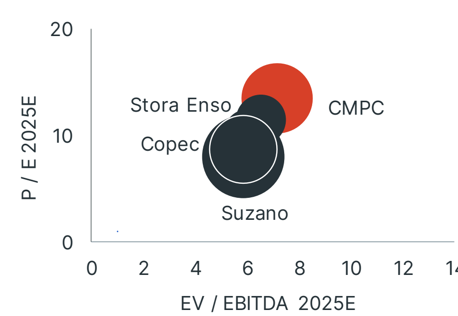
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

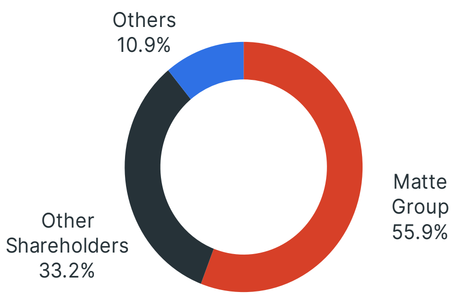


CMPC

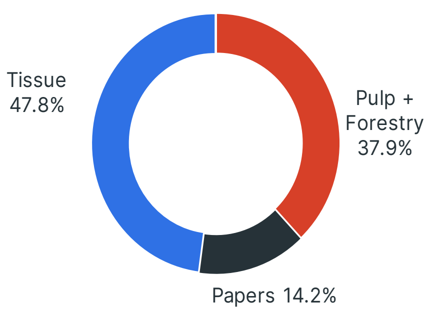
Company Description

CMPC is an integrated Chilean forestry company with operations in Chile, Argentina, Peru, Uruguay, Mexico, Colombia, Brazil and Ecuador. The company is one of the three largest market pulp sellers worldwide, it commercializes tissue and personal care products (second-largest competitor in LatAm) and it manufactures packaging products. Matte Group is its controlling shareholder.

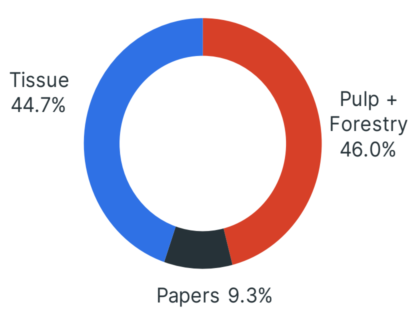
Ownership Structure (As of Jun-24)



Revenue breakdown by business (LTM)



EBITDA breakdown by business (LTM)



Management

CEO: Francisco Ruiz-Tagle
CFO: Fernando Hasenberg
IRO: Claudia Cavada
www.cmpc.cl

Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	7,821	8,100	7,787	8,216	8,861
Gross Profit	2,279	1,754	1,937	1,982	2,397
EBITDA	2,113	1,337	1,532	1,559	1,924
Net Income	1,005	470	549	403	645
EPS (CLP)	342	165	205	150	240
Gross Margin	29.1%	21.7%	24.9%	24.1%	27.1%
EBITDA Margin	27.0%	16.5%	19.7%	19.0%	21.7%
Net Margin	12.9%	5.8%	7.1%	4.9%	7.3%

Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	855	918	895	1,090	1,502
Total Current Assets	4,683	4,572	4,552	4,972	5,502
Total Assets	16,572	17,177	17,200	17,756	18,371
Current Liabilities	2,399	2,476	1,729	1,823	1,843
Financial Debt	4,849	5,550	5,496	5,496	5,496
Total Liabilities	8,661	9,292	9,128	9,393	9,502
Minority Interest	2	0	0	0	0
Shareholders Equity	7,909	7,884	8,071	8,362	8,869
Total Liabilities + Equity	16,572	17,177	17,200	17,756	18,371
Net Debt /EBITDA	1.9	3.5	3.0	2.8	2.1
Financial Debt /EBITDA	2.3	4.2	3.6	3.5	2.9
Financial Debt /Equity	0.6	0.7	0.7	0.7	0.6
ROAE	13.0%	6.0%	6.9%	4.9%	7.5%
ROAA	6.3%	2.8%	3.2%	2.3%	3.6%
ROIC	9.1%	3.6%	4.9%	4.3%	6.1%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	**1,180**	**855**	**918**	**895**	**1,090**
Cash Flow From Operations	388	605	993	857	1,076
CAPEX	-543	-747	-600	-550	-525
Changes in Financial Debt	473	700	-53	0	0
Dividends (Paid) Received	-483	-205	-305	-112	-138
Other CFI & CFF Items	-161	-291	-57	0	0
Changes in Equity	0	0	0	0	0
Final Cash	**855**	**918**	**895**	**1,090**	**1,502**
Change in Cash Position	**-325**	**62**	**-23**	**195**	**413**

Sources: Company Reports and Credicorp Capital

CMPC

Fixed Income Research Chile
Pulp & Paper

Orlando Barriga - orlandobarriga@credicorpcapital.com

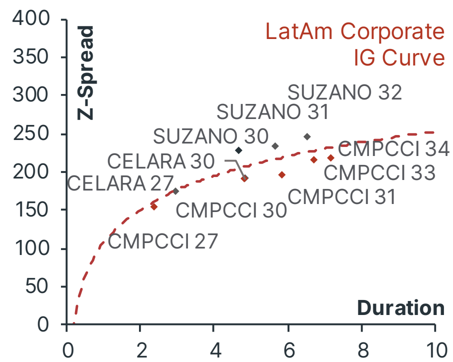
Baa3 / BBB / BBB
Outlook: s / s / s

Neutral outlook amid pulp market shifts and deleveraging targets

Investment Thesis

We remain N on CMPC as the path of results recovery will continue, though slower than initially expected, and its curve seems fair within the IG universe. Supporting our view, the company's EBITDA recovered 31% y/y by 2Q24 but fell below market expectations due to punctual effects that affected shipments, like floods in Brazil and a port strike in Chile. Without such events, pulp prices and an increase in Softy's profitability would drive the recovery. In that line, we foresee pulp prices in 2H24 to fall below 1H24s as supply disruptions ease and new projects come online. However, prices should remain slightly above 2023, supported by marginal costs and potential restocking, and improve towards 2025. Thus, we deem feasible CMPC's management expectations that net leverage would fall close to the top range of its internal policy by 2024YE (2.5-3.0x) and pointed to deleverage to 2.0x levels before taking the Natureza project for Board approval in 2026.

CMPC Bonds and comparables



Credit Data

REG-S Notes	5
Outstanding Senior Notes	USD 2,500MM
Closest Call Date	13-Oct-29
Closest Maturity Date	04-Apr-27

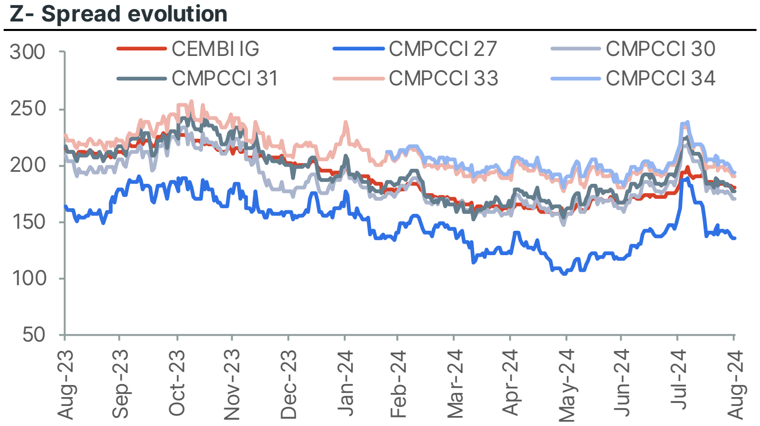
Concerns

- Exposure to pulp price cycles
- Exposure to economic growth volatility impacting demand for paper products in key markets

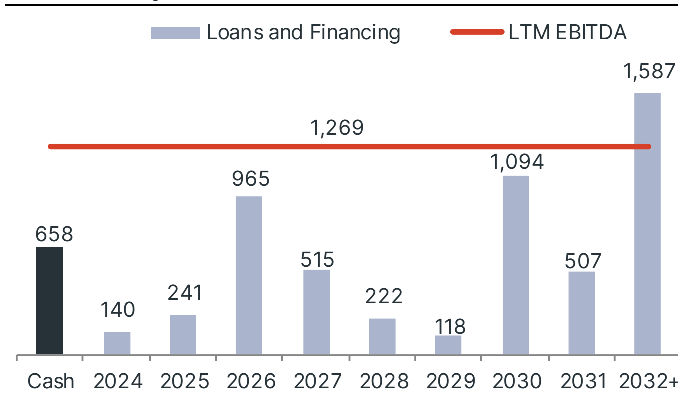
Strengths

- Large scale and adequate geographic and product diversification
- Low-cost producer in the southern hemisphere

Z- Spread evolution



Debt Maturity Profile



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
CMPCCI 27	USD 500mn	4.38%	Baa3 / BBB / BBB	152.3	2.4	98.7	0.4%	4.9%	Neutral
CMPCCI 30	USD 500mn	3.85%	Baa3 / BBB / BBB	189.5	4.8	94.2	0.3%	5.1%	Neutral
CMPCCI 31	USD 500mn	3.00%	Baa3 / BBB / BBB	194.0	5.9	88.5	0.3%	5.1%	Neutral
CMPCCI 33	USD 500mn	6.13%	Baa3 / BBB / BBB	215.3	6.7	105.2	0.5%	5.4%	Neutral
CMPCCI 34	USD 500mn	6.13%	NR / BBB / BBB	217.4	7.2	105.1	0.5%	5.4%	Neutral

Ecopetrol

Rating: Uperf
TP: COP 2,100 (loc) / USD 9.8 (ADR)

Equity Research Colombia
Oil & Gas

Steffania Mosquera - smosquera@credicorpcapital.com
Juan Felipe Becerra - jbecerra@credicorpcapital.com

We are taking a conservative stance due to a deteriorating momentum of the local Oil & Gas sector

Investment Thesis

We are introducing our 2025E TP for Ecopetrol of COP 2,100/share, downgrading our HOLD rating to UPERF. Recent developments in the Colombian O&G sector (lower reserves, challenges for new projects) and no significant upside in oil prices make the case for our conservative stance. Moreover, we highlight a deterioration in the company's fundamentals regarding downstream margins and uncertainty regarding capital allocation. That said, we point out that Ecopetrol's dividend yield, at +10% is the most attractive in the Colcap Index.

We will continue to monitor developments regarding reserve replacement and capital allocation (a renewed CAPEX plan). Production and exploration CAPEX (measured in USD/added barrels) efficiency fell to USD 39/added barrel in 2023 vs ~ USD 19/added barrel in recent history, pointing towards a strong deterioration in reserve replacement. Returning to historical levels or even improving efficiency should be key to enhancing Ecopetrol's valuation. Furthermore, we believe investors will closely monitor announcements on potential changes in the CAPEX plan, considering the decision not to continue with the Permian with Oxy expansion plans and that the current plan was set during the previous administration.

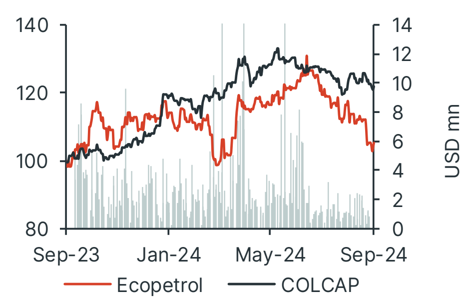
An attractive dividend yield, but not a significant upside for the remaining part of the year. We highlight Ecopetrol's expected 14.0 % dividend yield for 2025E (assuming a 60% payout). The company normally pays dividends in two equal installments, one in April and one in June.

Regulatory noise remains. Current government policies have steered away from the company's regular operations. A new tax reform proposal could mean a higher burden for the sector (O&G and Carbon) with a 35% tax rate while providing a progressive reduction in different sectors.

Stock Data

Ticker	ecopetl cb / ec us
Price (COP)	1,930 (loc) / 9.2 (ADR)
Target (COP)	2,100 (loc) / 9.8 (ADR)
Total Return	22.8%
LTM Range	1,801 - 2,400
M. Cap (USD mn)	18,791
Shares Outs. (mn)	41,117
Free Float	12%
ADTV (USD mn)	2.7

Price Chart (COP) and Volumes (USD mn)



Valuation

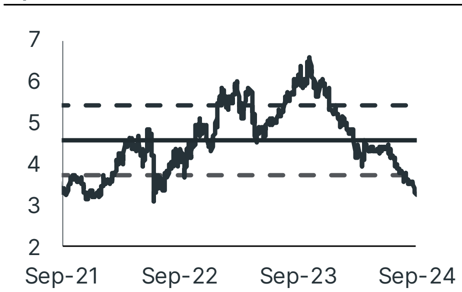
We are introducing our new YE2025 TP of COP 2,200/share (-21.4% vs. previous TP). Our valuation methodology is based on a SOTP NAV for Ecopetrol's Upstream, Midstream and Downstream businesses and incorporates the company's 51.4% participation in ISA in our target price for that company (COP 23,100/share). It also incorporates the latest ANH data and Ecopetrol 2023 reserves report, where reserves decreased to a total of 1,883 MMBOE in 2023 from 2,011 MMBOE in 2022. Therefore, Ecopetrol's EV/1P Reserves multiple increases to 26.8 vs. 19.6 due to the decrease in the denominator (reserves).

Valuation Summary

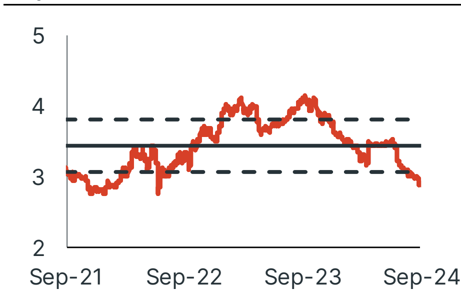
	2023	2024E	2025E	2026E
EV/EBITDA	3.6	3.4	3.3	3.6
P/E	4.8	4.3	3.8	5.0
P/CF	4.4	1.7	3.8	3.4
P/BV	1.2	0.9	0.8	0.8
Div. Yield	25.3%	15.4%	14.0%	15.8%

Sources: Company Reports and Credicorp Capital

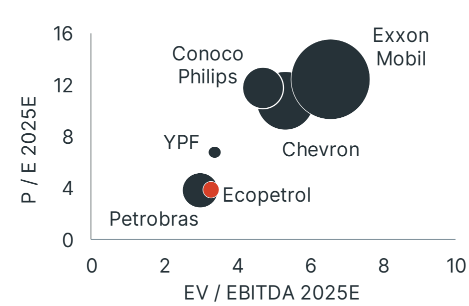
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

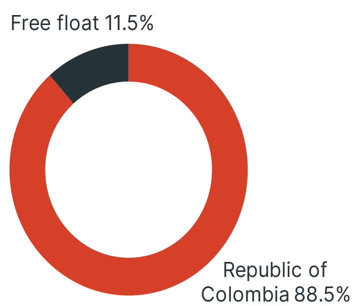


Ecopetrol

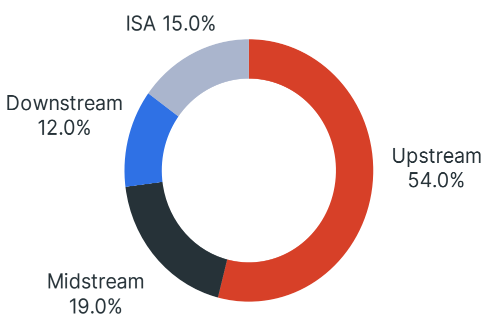
Company Description

This state-owned, vertically integrated oil & gas company is one of the largest four O&G companies in LatAm. EC operates mainly in Colombia, which accounts for roughly ~60% of local production. In addition, via partnership agreements and joint ventures, it operates in Brazil, Mexico, and the US, mainly in the Permian Basin through its alliance with Occidental. Also, Ecopetrol has participation in energy transmission businesses and roads through its stake in ISA.

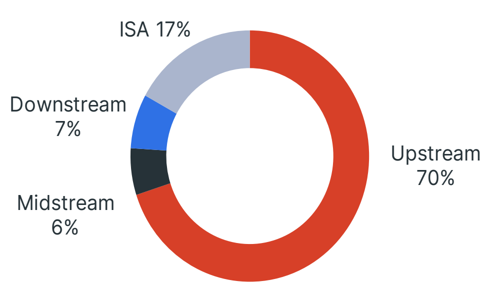
Ownership Structure



EBITDA breakdown by segment (2023)



Investments (2023)



Management

CEO: Ricardo Roa
CFO: Javier Cárdenas
IRO: Nicolás Ramírez Barrera
www.ecopetrol.com.co

Income Statement

COP bn	2022	2023	2024E	2025E	2026E
Revenues	159,474	143,078	133,535	144,254	141,596
Gross Profit	70,016	54,900	54,961	57,472	48,269
EBITDA	75,245	60,716	60,110	62,739	56,740
Net Income	33,407	19,941	18,432	20,852	15,891
EPS (COP)	812	485	448	507	386
Gross Margin	43.9%	38.4%	41.2%	39.8%	34.1%
EBITDA Margin	47.2%	42.4%	45.0%	43.5%	40.1%
Net Margin	20.9%	13.9%	13.8%	14.5%	11.2%

Balance Sheet

COP bn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	15,401	12,336	18,462	17,657	17,558
Total Current Assets	77,277	68,591	56,619	56,136	56,477
Total Assets	306,370	282,280	286,121	294,883	298,764
Current Liabilities	56,782	43,563	52,410	59,603	68,772
Financial Debt	115,135	105,816	92,731	83,324	73,303
Total Liabilities	187,283	179,182	175,670	173,456	172,604
Minority Interest	28,052	24,706	25,671	26,853	28,207
Shareholders Equity	91,035	78,392	84,781	94,574	97,953
Total Liabilities + Equity	306,370	282,280	286,121	294,883	298,764
Net Debt /EBITDA	1.3	1.5	1.2	1.0	1.0
Financial Debt /EBITDA	1.5	1.7	1.5	1.3	1.3
Financial Debt /Equity	1.3	1.3	1.1	0.9	0.7
ROAE	41.0%	23.5%	22.6%	23.3%	16.5%
ROAA	12.1%	6.8%	6.5%	7.2%	5.4%
ROIC	21.0%	13.1%	13.9%	15.2%	13.0%

Cash Flow Statement

COP bn	2022	2023	2024E	2025E	2026E
Initial Cash	14,550	15,401	12,336	18,462	17,657
Operating Cash Flow	72,154	32,566	68,766	44,324	42,828
CAPEX	(20,324)	(23,312)	(20,591)	(25,149)	(21,577)
Changes in Debt	20,074	(9,319)	(13,085)	(9,408)	(10,021)
Dividends	(18,420)	(24,382)	(12,193)	(11,059)	(12,511)
Other CFI & CFF Items	(52,633)	21,382	(16,772)	486	1,183
Changes in Equity	-	-	-	-	-
Final Cash	15,401	12,336	18,462	17,657	17,558
Change in Cash Position	851	-3,065	6,126	-805	-98

Sources: Company Reports and Credicorp Capital

Ecopetrol

Fixed Income Research Colombia
Oil & Gas

Ba1 / BB+ / BB+
Outlook: s / n / s

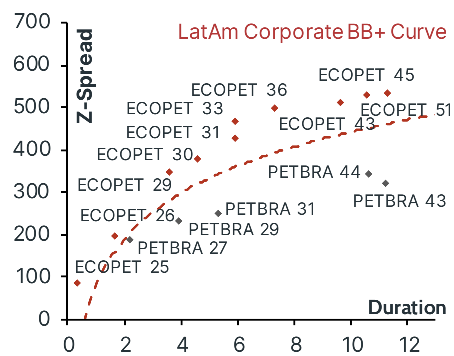
Orlando Barriga - orlandobarriga@credicorpcapital.com

Neutral stance amid corporate governance concerns

Investment Thesis

Given recent developments at Ecopetrol, we emphasize the importance of strong corporate governance for long-term success. We prefer to remain Neutral on Ecopetrol's bonds at 90-100 bps z-spread above the USD-Colombian sovereign curve due to recent management changes and the failed negotiations to acquire a 30% stake in CrownRock's assets, factors that, in our view, highlight a potential deterioration in corporate governance. This deterioration could impact Ecopetrol's capabilities to increase its relatively low reserve life and add uncertainty to capital allocation. While the company's credit should track oil prices, expected to recover from the last month's drop and remain near 1H24 levels (Brent at ~USD 80/bbl) to later decrease the following year on OPEC+ cuts set to unwind and due to the global energy transition, there is a significant risk that governance issues may cloud any positive outlook for Ecopetrol's bonds.

Ecopetrol Bonds and comparables



Credit Data	
REG-S Notes	10
Outstanding Senior Notes	USD 13,913MM
Closest Call Date	26-Mar-26
Closest Maturity Date	16-Jan-25

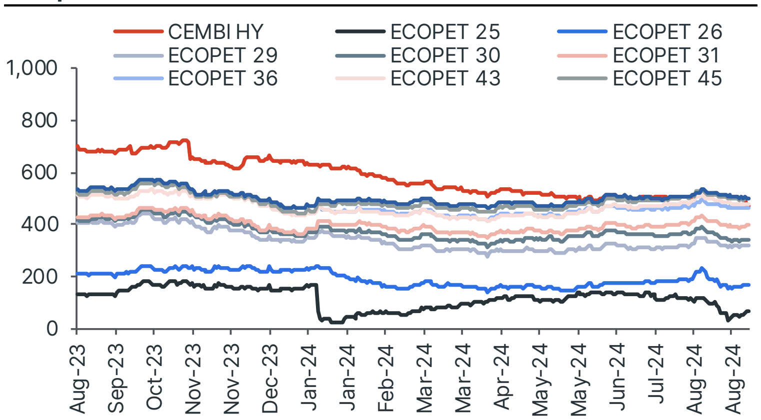
Concerns

- Potential deterioration in corporate governance
- Low life of reserves
- Government dependence on dividends
- FEPC evolution in coming quarters

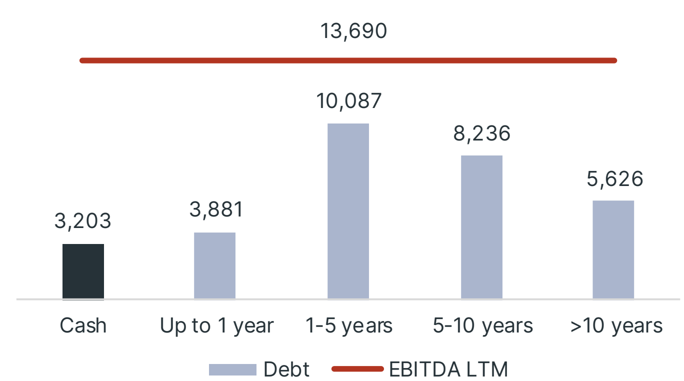
Strengths

- Relevance for Colombia as the major O&G producer in the country
- Vertically integrated
- Large scale
- Strong credit metrics

Z- Spread evolution



Debt Maturity Profile



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
ECOPET 25	USD 463mn	4.1%	WR / BB+ / BB+	85	0.3	99.5	0.3%	5.6%	Neutral
ECOPET 26	USD 1,500mn	5.4%	Ba1 / BB+ / BB+	195	1.7	99.7	0.4%	5.6%	Neutral
ECOPET 30	USD 2,000mn	6.9%	Ba1 / BB+ / BB+	376	4.6	99.6	0.6%	7.0%	Neutral
ECOPET 31	USD 1,250mn	4.6%	Ba1 / BB+ / BB+	424	5.9	84.7	0.5%	7.4%	Neutral
ECOPET 33	USD 2,300mn	8.9%	Ba1 / BB+ / BB+	466	5.9	105.9	0.7%	7.9%	Neutral
ECOPET 36	USD 1,850mn	8.4%	Ba1 / BB+ / BB+	496	7.4	101.0	0.7%	8.2%	Neutral
ECOPET 45	USD 2,000mn	5.9%	Ba1 / BB+ / BB+	527	10.6	73.8	0.7%	8.6%	Neutral

Empresas Copec

Rating: Buy
TP: CLP 8,000

Equity Research Chile
Pulp & Paper

Rodrigo Godoy - rgodoy@credicorpcapital.com
Claudia Raggio - craggio@credicorpcapital.com

Paving the way to settle an old debt: Producing pulp in Brazil

Investment Thesis

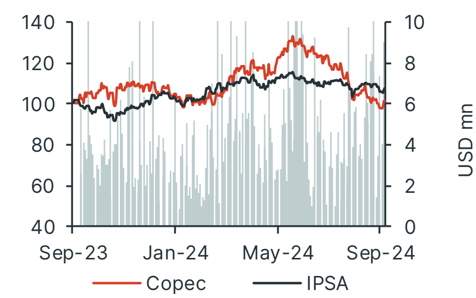
We are introducing a 2025YE TP of CLP 8,000/share with a BUY recommendation. Our positive stance on COPEC relies on: i) the very welcome deleveraging (~2.5x NFD/EBITDA by year-end) driven by high pulp prices in the 1H24 and the unlocking of value through the sale of forests in Brazil; ii) its lower exposure to wood pulp, particularly to short-fiber in the midst of a downward price correction in China that began at an accelerated pace, but whose resale level in that market and marginal cost of production are nearby current import prices. We also like COPEC's greater relative presence in long-fiber, whose market dynamics point to less volatile prices, and textile-grade pulp. It should be noted that, so far, the price of the latter has withstood the short-fiber pulp correction and is now trading at a premium in excess of USD 350. COPEC's EBITDA is one-third less sensitive than CMPC's to pulp price fluctuations; and iii) lower dilution risk for minority shareholders if the company's BoD approves the execution of the Sucuriú project as we believe that COPEC would have more options than CMPC to minimize or avoid the need to issue new shares. We are referring not only to its history of partnerships in undertaking growth initiatives (recall that in Uruguay, Montes del Plata mill is a JV between COPEC and Stora Enso) but also to the eventual activation of assets sales (Sonacol, Metrogas/Agesa and/or Metrogas).

Considering all the above and the very attractive absolute and relative valuations, we prefer Copec over CMPC.

Stock Data

Ticker	copec ci
Price (CLP)	5,960
Target (CLP)	8,000
Total Return	38.8%
LTM Range	5,740 - 7,811
M. Cap (USD mn)	8,321
Shares Outs. (mn)	1,300
Free Float	39%
ADTV (USD mn)	4.6

Price Chart (CLP) and Volumes (USD mn)



Valuation

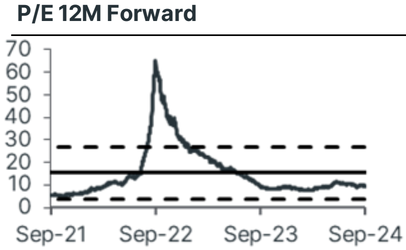
COPEC shares trade at ~6x EV/2025E EBITDA. This is well below the 5-year average multiple and what we consider fair (~7x). On the other hand, our STOP valuation model indicates that the stock is trading at implied valuations for both forestry and fuel distribution businesses below its peers. Finally, we estimate that the stock internalizes a short-fiber pulp price of USD 520/t (China net), which is USD50-60/t lower than future contracts by year-end, the resale price in the Chinese domestic market and the marginal cost to deliver hardwood pulp to China.

Valuation Summary

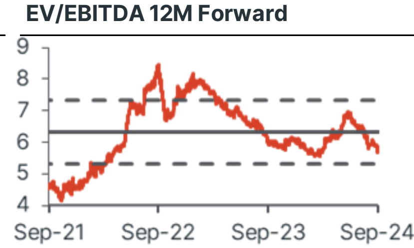
	2023	2024E	2025E	2026E
EV/EBITDA	8.2	5.9	6.0	5.4
P/E	27.1	7.9	9.1	7.4
P/CF	48.1	9.9	11.1	7.6
P/BV	0.8	0.6	0.6	0.6
Div. Yield	4.9%	3.9%	4.6%	4.8%

Sources: Company Reports and Credicorp Capital

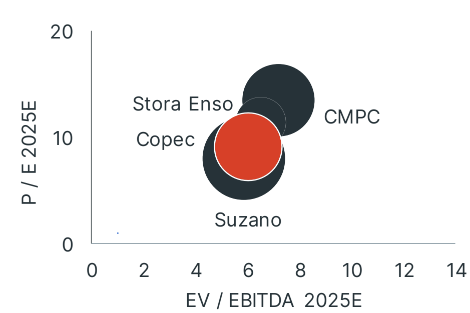
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

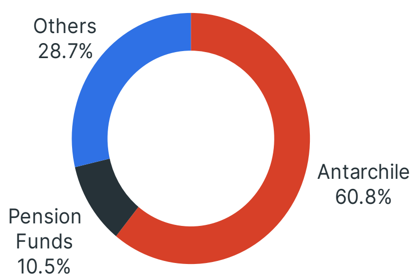


Copec

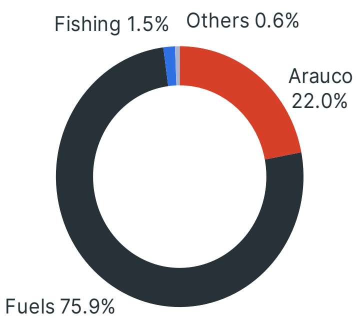
Company Description

COPEC is a Chilean company with interests in forestry, fuels, mining and fishing. Through Arauco, it is one of the world´s largest wood pulp and panel manufacturers and the largest sawn timber producer in LatAm. In the fuel businss, it leads the distribution of liquid fuels in Chile and Colombia (Terpel) and is the main distribution of LPG in these countries as well in Peru. It owns a 40% stake in the Mina Justa copper mine (Peru) and 100% of Blue Express (last-mile company). COPEC is controlled by AntarChile (Angelini Group).

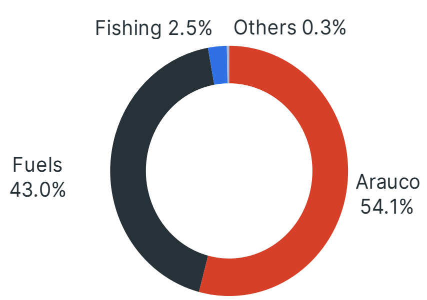
Ownership Structure (As of Jun-24)



Revenue breakdown by business (2024E)



EBITDA breakdown by business (2024E)



Management

CEO: Eduardo Navarro
CFO: Rodrigo Huidobro
IRO: Cristian Palacios
www.empresascopec.cl

Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	30,765	29,179	28,733	30,165	31,956
Gross Profit	5,165	3,744	4,497	4,588	5,062
EBITDA	3,621	2,292	3,017	2,934	3,308
Net Income	1,466	349	1,056	917	1,121
EPS (CLP)	960	236	756	656	802
Gross Margin	16.8%	12.8%	15.6%	15.2%	15.8%
EBITDA Margin	11.8%	7.9%	10.5%	9.7%	10.4%
Net Margin	4.8%	1.2%	3.7%	3.0%	3.5%

Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	1,733	1,943	2,860	2,225	1,901
Total Current Assets	8,545	8,865	9,105	8,784	8,665
Total Assets	28,137	28,718	29,247	30,116	31,126
Current Liabilities	5,083	4,718	4,807	4,944	5,029
Financial Debt	10,148	10,830	10,637	10,637	10,637
Total Liabilities	15,656	15,751	15,312	15,562	15,764
Minority Interest	438	552	590	672	757
Shareholders Equity	12,043	12,415	13,344	13,882	14,605
Total Liabilities + Equity	28,137	28,718	29,247	30,116	31,126
Net Debt /EBITDA	2.3	3.9	2.6	2.9	2.6
Financial Debt /EBITDA	2.8	4.7	3.5	3.6	3.2
Financial Debt /Equity	0.8	0.9	0.8	0.8	0.7
ROAE	12.7%	2.9%	8.2%	6.7%	7.9%
ROAA	5.5%	1.2%	3.6%	3.1%	3.7%
ROIC	9.4%	2.8%	5.9%	5.5%	6.1%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	**1,853**	**1,733**	**1,943**	**2,860**	**2,225**
Cash Flow From Operations	1,592	1,234	3,006	1,240	1,557
CAPEX	-2,349	-1,843	-1,808	-1,578	-1,569
Changes in Financial Debt	1,083	682	-192	0	0
Dividends (Paid) Received	-576	-459	-326	-385	-397
Other CFI & CFF Items	129	596	238	87	85
Changes in Equity	0	0	0	0	0
Final Cash	**1,733**	**1,943**	**2,860**	**2,225**	**1,901**
Change in Cash Position	**-120**	**210**	**918**	**-635**	**-324**

Sources: Company Reports and Credicorp Capital

Hunt Oil Company of Peru

Fixed Income Research Peru
Oil & Gas

Ba1 / NR / BBB
Outlook: s / nr / s

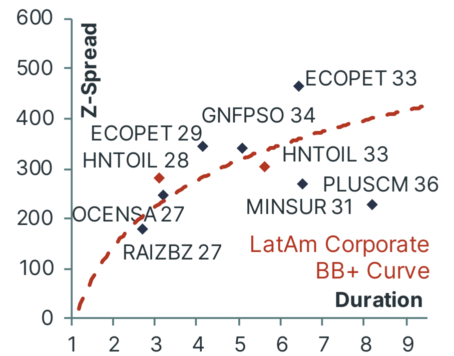
Orlando Barriga - orlandobarriga@credicorpcapital.com

Resilient 1H24 performance and stable financial leverage outlook

Investment Thesis

HOCP's leverage will likely remain stable through year-end at 1.6x. The company is on track to beat its 2024 EBITDA guidance (USD 340 mn), supported by its 1H24 results and favorable h/h selling prices. We expect natural gas export and oil prices to remain above or close to 1H24, with Brent at ~USD 80/bbl based on declining inventories and OPEC+ extended production cuts (assumed until 2025). However, cash distribution to the parent company and downward pressure for 2025 oil prices may limit significant credit metric improvements. Nevertheless, HOCP's strengths provide a robust foundation. We like its low production cost, contracted volumes, long-term agreements, solid financial metrics, and relevance to the country. From a valuation perspective, we find HOCP's 2033 bonds particularly compelling, trading ~70 bps and ~30 bps z-spread wide to PLUSCM 36 and MINSUR 31 when a 50 bps and 25 bps spread differential seems fair.

HOCP Bonds and comparables



Credit Data	
REG-S Notes	2
Outstanding Senior Notes	USD 718MM
Closest Call Date	18-jun-33
Closest Maturity Date	1-jun-28
DSCR	1.3x

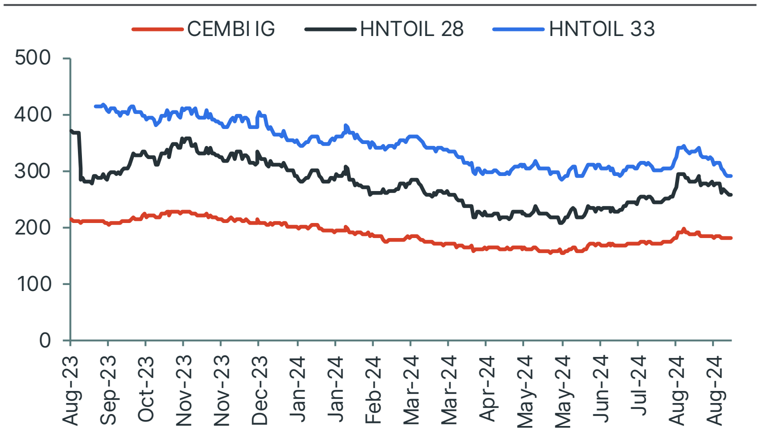
Concerns

- Exposure to price volatility.
- Exclusively concentrated in a single geographic region.
- No operating control over gas blocks and operating dependence on only 2 pipelines.

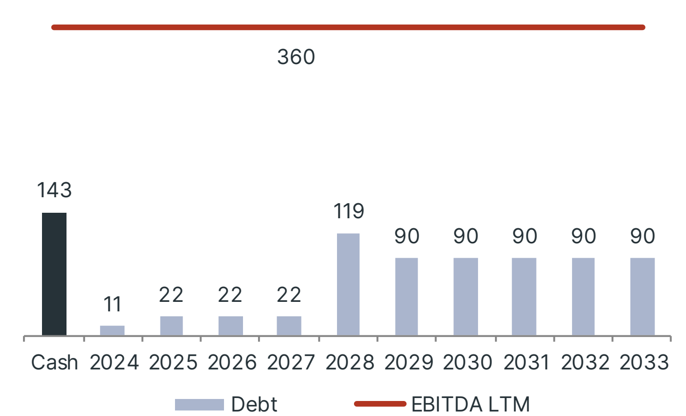
Strengths

- Manageable capex investment plan required to maintain reserve life.
- Steady production levels amid low production costs.
- Long-term license agreements
- Conservative capital structure

Z- Spread evolution



Debt Maturity Profile



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
HNTOIL 28	USD 218mn	6.38%	Ba1 / NR / BBB	279	2.6	100.4	0.5%	6.2%	Neutral
HNTOIL 33	USD 500mn	8.55%	Ba1 / NR / BBB	301	5.1	111.7	0.6%	6.4%	Overweight

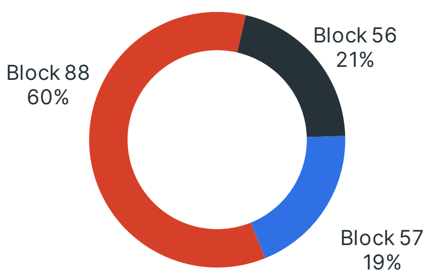
Hunt Oil

Company Description

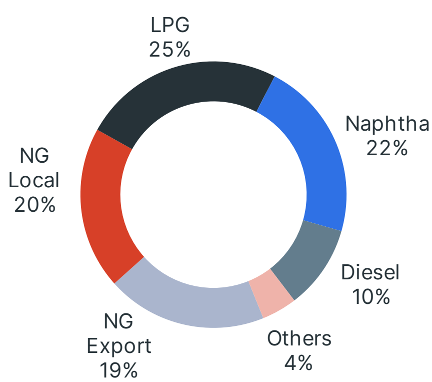
Hunt Oil Peru is a wholly-owned, indirect subsidiary of Hunt Oil Company, one of the largest privately-owned hydrocarbon companies in the US. Its primary assets include a 25.2% interest in license contracts related to the largest natural gas producing fields in Peru, the Camisea Fields.

Ownership Structure

Prod. Breakdown by Block in 2Q24 (Boe)



Revenue Breakdown by Product in 2Q24



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
Interest Coverage	5.4x	11.0x	15.4x	10.3x	7.5x
Gross Debt/EBITDA	2.7x	1.3x	0.8x	1.9x	2.0x
Net Debt/EBITDA	2.4x	0.9x	0.7x	1.4x	1.6x
Net Debt/Equity	19.2x	2.6x	2.7x	6.7x	29.4x
ST Debt/ Gross Debt	5%	9%	10%	5%	5%

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Net Revenues	490	1,022	1,503	993	950
Gross Profit	176	394	582	305	297
EBIT	185	418	599	320	312
Financial expenses (net)	41	41	42	36	48
EBITDA	222	455	640	367	360
Gross Margin	36%	39%	39%	31%	31%
EBITDA Margin	45%	45%	43%	37%	38%
Net Margin	20%	26%	25%	21%	19%

Balance Sheet

USD MN	2020	2021	2022E	2023E	LTM2Q24
Cash	57	140	100	195	143
Current Assets	166	354	328	361	291
Total Assets	769	946	883	923	864
Current Liabilties	77	171	171	64	73
Total Liabilities	741	782	727	845	845
Equity	28	164	156	78	19
Net Debt	537	430	421	517	558
Gross Debt	594	571	521	712	701
Short Term Debt	28	53	53	35	35
Long Term Debt	566	517	468	676	666
ROE	348%	161%	243%	272%	975%
ROA	13%	28%	43%	23%	21%

Cash Flow Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Operating Activities	159	299	453	244	238
Investing Activities	-14	-26	-21	-27	-56
Financing Activities	-123	-192	-471	-122	-103

Sources: Company Reports and Credicorp Capital

Minsur

Rating: Hold
TP: PEN 4.83

Equity Research Peru
Mining

Miguel Leiva - miguelleiva@credicorpcapital.com
Ana Paula Galvez - agalvezm@credicorpcapital.com

Solid operational fundamentals and attractive dividends, but valuations seems tight

Investment Thesis

We maintain our HOLD recommendation and have adjusted our 2025 YE TP to PEN 4.83. The current macroeconomic backdrop supports high tin and copper prices, which should bolster Minsur's performance. However, the stock's valuation appears to already reflect these favorable conditions, trading at 3.9x EV/EBITDA 2026, in line vs our target multiple. Consequently, we believe the remaining upside will come from dividend returns rather than further multiple expansions.

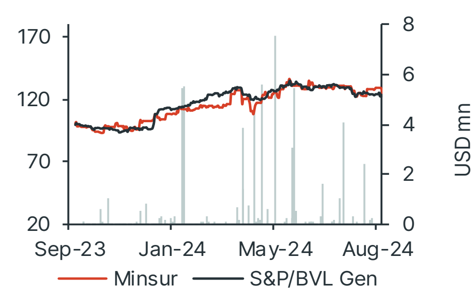
In terms of operations, we anticipate a recovery in tin production, with output expected to increase by 18% y/y in 2024 and 10% in 2025, stabilizing through 2026-2027. San Rafael should see higher ore throughput compared to 2023. Additionally, higher ore grades will further boost production. For copper, at Mina Justa, we project a -15% y/y in production for 2024 due to lower grades. We expect a gradual reduction in copper output over the coming years. On pricing, we have revised our tin price forecasts upwards to USD/t 28,500, 29,000, 30,000, and 30,172 for 2024-2027. Similarly, we have increased our copper price forecasts to USD 9,150, 9,400, 9,500, and 9,400. On the cost side, we anticipate treatment costs at San Rafael to be USD 135/t in 2024, and an avg. of USD 138/ for 2025-2027. For Mina Justa, we have slightly increased our treatment costs estimates, although are expected to remain below USD 24/t.

In sum, we forecast EBITDA of USD 1.4/1.7/1.4/1.4 bn for 2024-2027, with average margins of 56%, up from the 51% average seen between 2019-2023. CAPEX is expected to average USD 271 mn, supported by Minsur's robust financial structure.

Stock Data

Ticker	minsuri1 pe
Price (PEN)	4.40
Target (PEN)	4.83
Total Return	17.8%
LTM Range	3.22 - 4.71
M. Cap (USD mn)	3,370
Shares Outs. (mn)	961
Free Float	33%
ADTV (USD mn)	0.3

Price Chart (PEN) and Volumes (USD mn)



Valuation

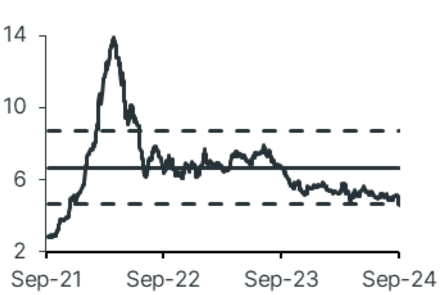
We consider a 60% DCF valuation (TP of PEN 4.90) and 40% EV/EBITDA valuation model (TP of PEN 4.73). For our DCF valuation (WACC 10.6%), we forecast the current operations until the end of operations at Mina Justa and San Rafael. The remaining resources of Pitinga, Mina Justa and the Nazareth and Mina Marta projects are valued at 5% and 1% of their R&R value, respectively. In addition, we include the value of the company shares in Melon (cement business) at a 9.0x EV/EBITDA multiple. In our relative valuation, we value Minsur at 4.0x EV/EBITDA 2026E, ~30% below its peers' valuations.

Valuation Summary

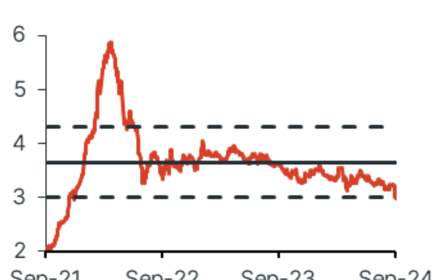
	2023	2024E	2025E	2026E
EV/EBITDA	4.5	4.2	3.3	3.9
P/E	7.9	6.2	4.9	5.8
P/CF	3.8	6.3	4.5	4.3
P/BV	1.8	1.6	1.4	1.2
Div. Yield	5.6%	7.1%	8.0%	10.4%

Sources: Company Reports and Credicorp Capital

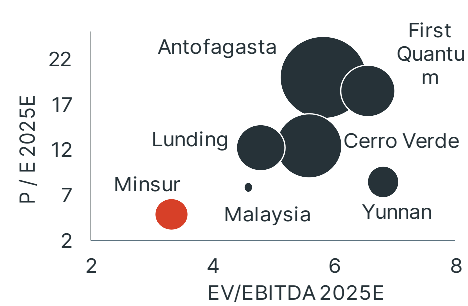
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

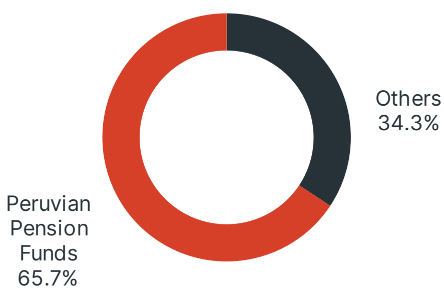


Minsur

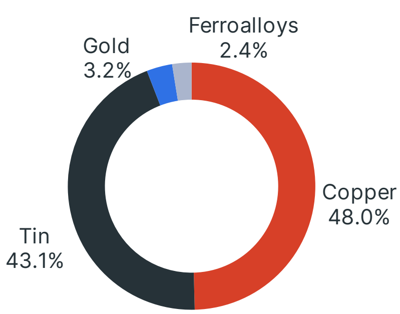
Company Description

Minsur is the world's second-largest integrated tin producer, supplying around 9% of the world's output. It engages in the smelting and refining of tin concentrates from its San Rafael mine in Puno (southern Peru) and gold extraction at its Pucamarca mine in Tacna (also in Southern Peru). Its main subsidiaries are Taboca (tin, niobium, and tantalum in Brazil) and Marcobre (owner of the Mina Justa copper mine in Peru), in which Minsur has a 60% participation.

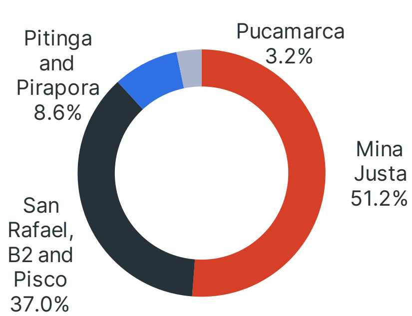
Ownership Structure - Investment Shares



Revenue breakdown by metal (2025E)



Revenue breakdown by mining unit (2025E)



Management

CEO: Juan Luis Kruger
CFO: Gabriel Ayllón
IR: Liz Guevara
www.minsur.com

Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	2,275	2,267	2,504	2,875	2,569
Gross Profit	1,314	1,149	1,501	1,863	1,517
EBITDA	1,345	1,195	1,359	1,694	1,436
Net Income	496	395	545	692	581
EPS (USD)	0.17	0.14	0.19	0.24	0.20
Gross Margin	57.8%	50.7%	59.9%	64.8%	59.1%
EBITDA Margin	59.1%	52.7%	54.3%	58.9%	55.9%
Net Margin	21.8%	17.4%	21.8%	24.1%	22.6%

Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	230	346	299	370	718
Total Current Assets	992	928	998	1,146	1,439
Total Assets	4,609	4,813	5,078	5,606	5,943
Current Liabilities	793	701	666	670	690
Financial Debt	1,353	1,308	1,308	1,308	1,308
Total Liabilities	2,403	2,368	2,255	2,263	2,300
Minority Interest	668	699	772	869	937
Shareholders Equity	1,539	1,747	2,052	2,474	2,706
Total Liabilities + Equity	4,609	4,813	5,078	5,606	5,943
Net Debt /EBITDA	0.8	0.8	0.7	0.6	0.4
Financial Debt /EBITDA	1.0	1.1	1.0	0.8	0.9
Financial Debt /Equity	0.9	0.7	0.6	0.5	0.5
ROAE	35.9%	24.1%	28.7%	30.6%	22.4%
ROAA	11.0%	8.4%	11.0%	13.0%	10.1%
ROIC	22.6%	17.8%	21.5%	24.1%	18.5%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	**469**	**230**	**346**	**299**	**370**
Cash Flow From Operation:	791	897	727	962	1,240
CAPEX	-350	-237	-253	-300	-268
Changes in Financial Debt	-287	-45	0	0	0
Dividends (Paid) Received	-274	-174	-240	-270	-350
Other CFI & CFF Items	-217	-313	-280	-321	-274
Changes in Equity	99	-13	0	0	0
Final Cash	**230**	**346**	**299**	**370**	**718**
Change in Cash Position	**-239**	**116**	**-46**	**71**	**348**

Sources: Company Reports and Credicorp Capital

Minsur

Fixed Income Research Peru
Metals & Mining

Orlando Barriga - orlandobarriga@credicorpcapital.com

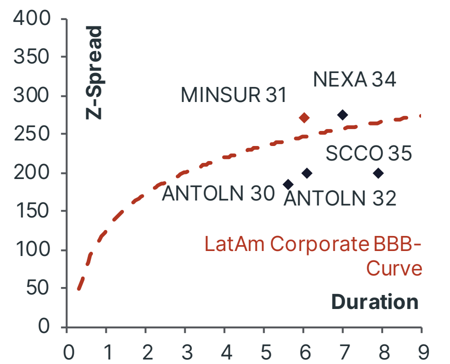
NR / BB+ / BBB-
Outlook: nr / s / s

Credit metrics should remain solid on a favorable macro environment, while lower copper grades would limit improvement

Investment Thesis

The macro-environment favors Minsur. Tin prices will likely remain high (above USD 30.0 k/t by 2H24) in a delicately balanced market, while copper prices should increase (~USD 10.0 k/t by 2025) due to a market deficit outlook. That, coupled with Minsur's low cost in the main units, strong credit metrics, and conservative financial policy, solidifies our belief that its net leverage will remain below 1.0x through 2025 (0.9x by 2Q24 adjusted for dividends). However, we see limited room for improvement on declining grades in Mina Justa and dividend payments. On pricing, we see MINSUR 31 trading slightly tight to ANTOLN 32, ~70-bps z-spread above, and fair against NEXA 34, ~10 bps below. Thus, we don't see much room for spread compression. For an upward revision, Minsur would need to seek country diversification, which, if carried adequately, should help it obtain the full investment grade rating and may lead to a ~50 bps spread compression.

Minsur Bonds and comparables



Credit Data

REG-S Notes	1
Outstanding Senior Notes	USD 500MM
Closest Call Date	-
Closest Maturity Date	28-oct-31

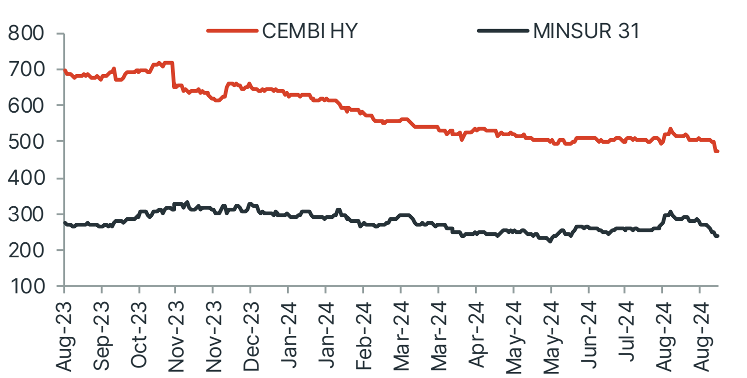
Concerns

- Exposure to metal price volatility inherent to the sector
- Operations concentrated in one country

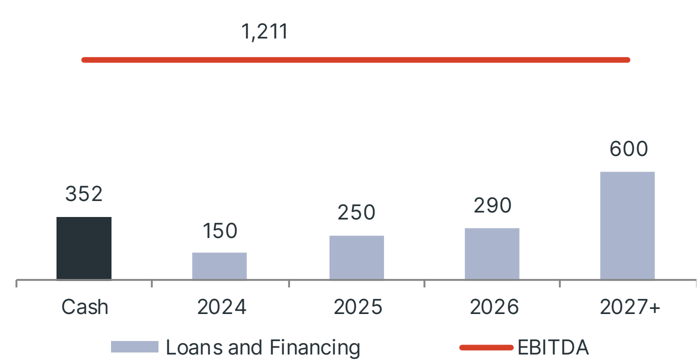
Strengths

- Good track record on credit metrics due to conservative financial policies
- Low-cost tin producer
- Increased metal diversification and greater scale of operation

Z- Spread evolution



Debt Maturity Profile



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
MINSUR 31	USD 500mn	4.5%	NR / BB+ / BBB-	270	6.0	92.0	0.4%	5.9%	Neutral

Nexa Resources

Ba2 / BBB- / BBB-
Outlook: n / s / s

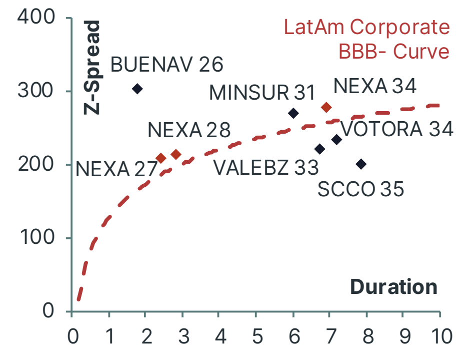
Orlando Barriga - orlandobarriga@credicorpcapital.com

Awaiting deleveraging and operational improvements

Investment Thesis

We maintain a Neutral stance on Nexa, whose financial metrics deteriorated, with net leverage peaking at 3.7x in 1Q24, due to weak zinc prices and the delayed, costly ramp-up of Aripuana. However, we anticipate net leverage will decline to 2.1-2.4x by year-end (2.7x by 2Q24) and continue falling towards 1.5x by 2026. This recovery is supported by a favorable macro backdrop, with zinc prices rebounding since Apr-24, driven by production cut concerns. Prices are expected to stay around USD 2,700/t in the coming years, thus helping the company recover. Aripuana's ramp-up should also contribute, although we acknowledge it would remain challenging, as it failed to meet management's initial expectations, with quarterly utilization rates below 70% and metallurgical recoveries needing improvement, particularly for zinc. Valuation-wise, we view Nexa as reasonably priced relative to peers like FCX 28, VOTORA 34, and MINSUR 31.

Nexa Resources Bonds and comparables



Credit Data	
REG-S Notes	3
Outstanding Senior Notes	USD 1,216MM
Closest Call Date	04-Feb-27
Closest Maturity Date	04-May-27

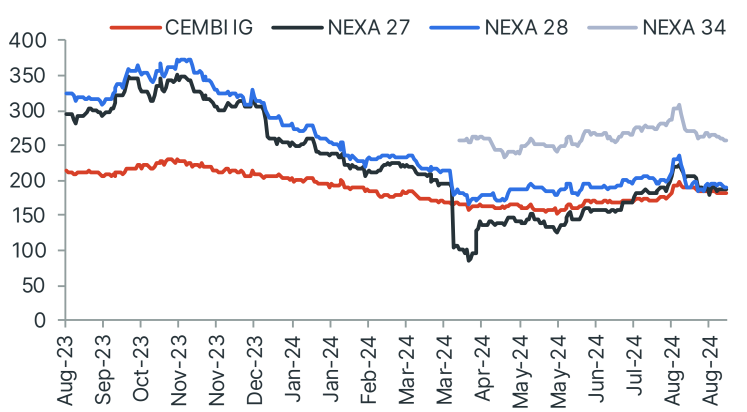
Concerns

- High single commodity exposure (zinc)
- High smelting cash costs net of by-products
- Slower-than-expected Aripauana's ramp-up

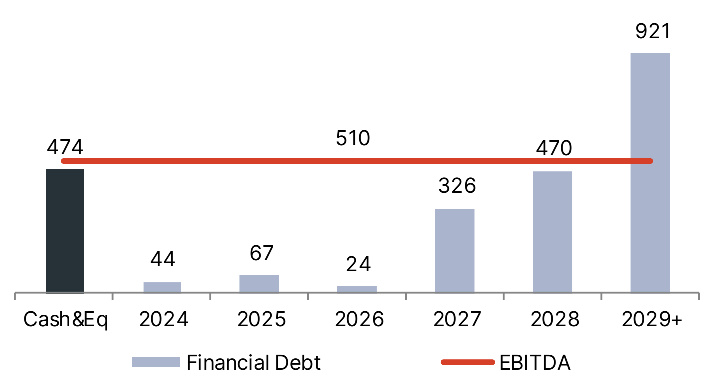
Strengths

- Shareholder support
- Geographic diversification across Peru and Brazil
- Vertically integrated operations across mining and smelting
- Solid financial position

Z- Spread evolution



Debt Maturity Profile



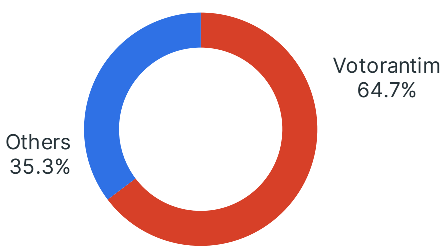
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
NEXA 27	USD 215mn	5.38%	Ba2 / BBB- / BBB-	207	2.5	99.8	0.4%	5.4%	Neutral
NEXA 28	USD 401mn	6.50%	Ba2 / BBB- / BBB-	212	2.8	103.1	0.5%	5.4%	Neutral
NEXA 34	USD 600mn	6.75%	NR / BBB- / BBB-	277	6.9	105.3	0.5%	6.0%	Neutral

NEXA

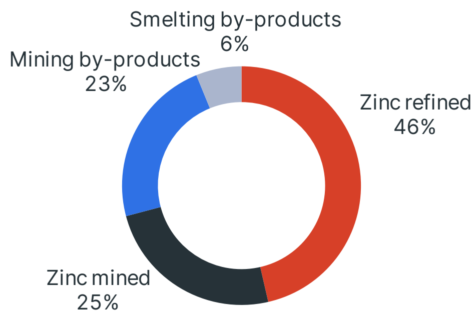
Company Description

Nexa Resources is an integrated mining-smelting zinc company operating in Peru and Brazil. Nexa owns and operates the polymetallic mines of Cerro Lindo, El Porvenir, and Atacocha in Peru and the Vazante, and Aripuana mines in Brazil. Additionally, it owns the Cajamarquilla smelter (the only zinc smelting plant in Peru) and the Tres Marias and Juiz de Fora smelters in Brazil. The company also has a sound portfolio of zinc and copper projects.

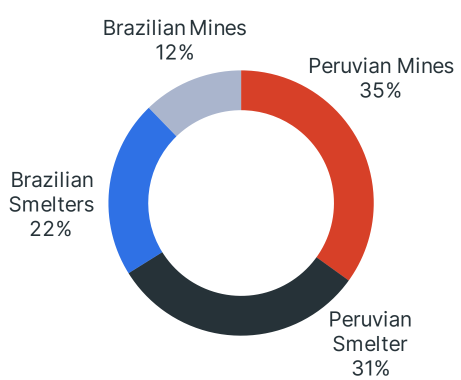
Ownership Structure



Est. Rev. Breakdown by Metal (2Q24)



Est. Rev. Breakdown by Segment (2Q24)



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
Interest Coverage	2.6x	5.2x	4.5x	1.9x	2.5x
Gross Debt / EBITDA	4.8x	2.3x	2.2x	4.4x	3.6x
Net Debt / EBITDA	2.2x	1.3x	1.5x	3.2x	2.7x
Net Debt / Equity	0.6x	0.6x	0.7x	0.9x	1.1x
ST Debt / Gross Debt	7%	3%	3%	8%	5%

*Based on the financial statements below

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Net Revenues	1,951	2,622	3,034	2,573	2,595
Gross Profit	387	633	639	296	401
EBIT	-398	446	359	-155	-16
Financial Expenses	-160	-142	-169	-204	-208
Adjusted EBITDA	419	744	760	391	510
Gross Margin	20%	24%	21%	12%	15%
EBITDA Margin	21%	28%	25%	15%	20%
Net Margin	-33%	6%	3%	-11%	-10%

Balance Sheet

USD MN	2020	2021	2022E	2023	LTM2Q24
Cash&Eq	1,121	763	516	468	474
Current Assets	1,727	1,473	1,220	1,060	1,177
Total Assets	5,064	4,905	4,892	4,841	4,650
Current Liabilities	877	989	899	1,075	1,019
Total Liabilities	3,443	3,261	3,182	3,384	3,401
Equity	1,621	1,644	1,710	1,457	1,249
Net Debt	903	936	1,153	1,257	1,380
Gross Debt	2,024	1,699	1,669	1,726	1,854
Short Term Debt	146	47	51	143	101
Long Term Debt	1,878	1,653	1,618	1,582	1,753
ROE	-40%	9%	4%	-20%	-20%
ROA	-13%	3%	2%	-6%	-5%

Cash Flow Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Operating Activities	292	493	267	247	196
Investing Activities	-369	-469	-379	-270	-295
Financing Activities	452	-344	-149	-25	170

Sources: Company Reports and Credicorp Capital

PERU LNG

B2 / nr / B
Outlook: n / nr / n

Fixed Income Research Peru
Oil & Gas

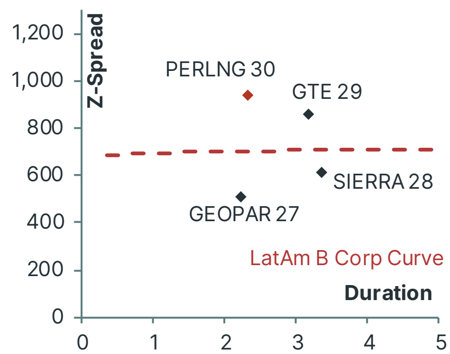
Orlando Barriga - orlandobarriga@credicorpcapital.com

Balancing tight liquidity with future growth prospects

Investment Thesis

We prefer to stay N on PERU LNG until we foresee more clarity on future cash flows. The main concern is the company's ability to meet upcoming bond amortizations of USD 157 mn for the NTM, given its tight liquidity (USD 72 mn in cash by 2Q24) in the context of a downward revision in the 2024 EBITDA guidance to USD 130 mn (from USD 150 mn) driven by adverse price effects, a two-week production stoppage, and weaker than expected 1H24 results. We expect tight credit metrics in the short term. However, the outlook improves significantly by late 2024, with Henry Hub natural gas prices projected to rise over 40% y/y by 2025 on a ~50% increase in US LNG export capacity. Also, a medium-to-long-term optimistic view is supported by shareholder support through loans and capital contributions, the strategic value of the asset (evident from the USD 256 mn MidOcean acquisition of SK's 20% stake), and access to liquidity via WK lines with Shell and local banks.

PERU LNG Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 940MM
Closest Call Date	-
Closest Maturity Date	22-Mar-30

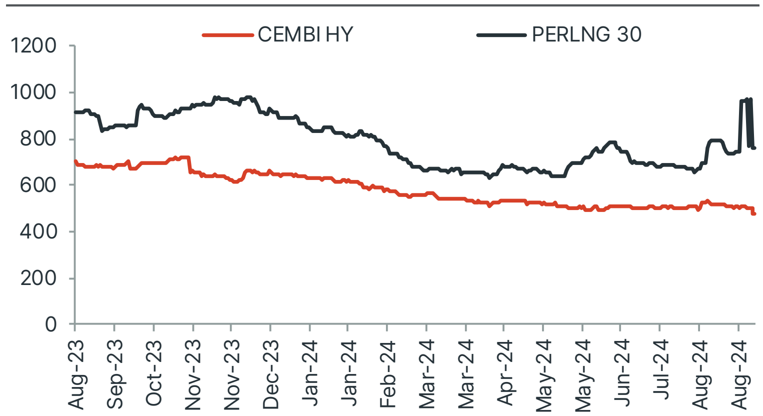
Concerns

- Exposure to natural gas prices volatility due to the structure of the contract with the off-taker
- Off-taker and asset concentration

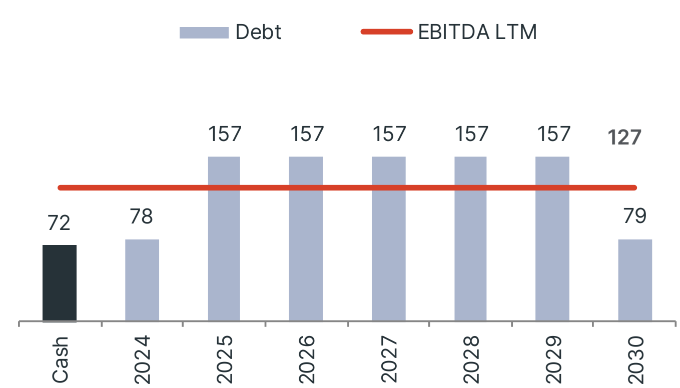
Strengths

- Strategic asset for the Peruvian economy.
- Strong shareholder support

Z- Spread evolution



Debt Maturity Profile



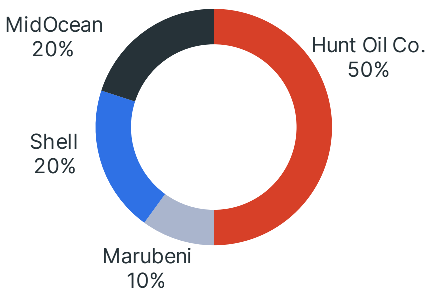
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
PERLNG 30	USD 940mn	5.38%	B2 / NR / B	936	2.3	87.9	0.5%	10.8%	Neutral

PERU LNG

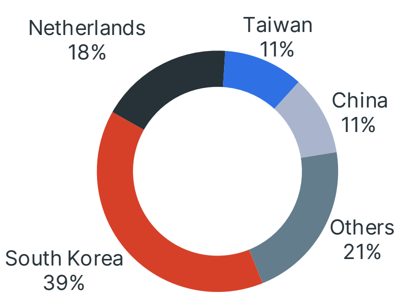
Company Description

The Company owns and operates the first natural and only gas liquefaction plant in Peru that transports natural gas from Camisea, one of the most important natural gas reserves in LatAm.

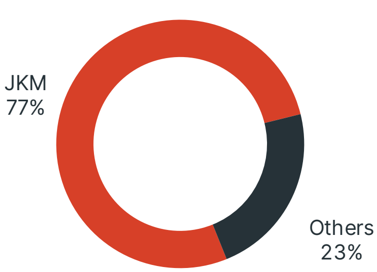
Ownership Structure



Destinations Cargos YTD 2Q24



Rev. Breakdown by Marker YTD 2Q24



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
Interest Coverage	0.9x	2.6x	3.6x	3.1x	2.4x
Gross Debt/EBITDA*	18.0x	6.8x	2.6x	5.4x	7.4x
Net Debt/EBITDA*	15.3x	6.2x	1.8x	3.9x	6.8x
Net Debt/Equity*	0.7x	0.8x	0.5x	0.6x	0.9x
ST Debt/ Gross Debt	1%	6%	2%	8%	18%

*Considering only reported interest bearing debt

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Net Revenues	457	1,609	3,179	1,483	1,158
Gross Profit	-43	143	299	89	51
EBIT	-97	-4	211	20	-27
Financial expenses	55	56	101	56	54
EBITDA	52	146	362	173	127
Gross Margin	-9%	9%	9%	6%	4%
EBITDA Margin	11%	9%	11%	12%	11%
Net Margin	-23%	-3%	2%	-1%	-5%

Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	139	89	301	267	72
Current Assets	324	638	666	471	325
Total Assets	2,450	2,675	2,583	2,295	2,097
Current Liabilties	271	541	481	336	371
Total Liabilities	1,315	1,586	1,416	1,195	1,151
Equity	1,135	1,089	1,167	1,100	946
Net Debt	809	910	650	684	878
Gross Debt	948	999	951	951	950
Short Term Debt	14	64	16	76	170
Long Term Debt	934	935	935	875	780
ROE	-9%	-4%	7%	-2%	-6%
ROA	-4%	-2%	3%	-1%	-3%

Cash Flow Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Operating Activities	5	-55	282	17	81
Investing Activities	-6	-24	-22	-24	-25
Financing Activities	0	29	-47	-27	-130

Sources: Company Reports and Credicorp Capital

Southern Copper

Rating: Uperf
TP: USD 71.1

Equity Research Peru
Mining

Miguel Leiva - miguelleiva@credicorpcapital.com
Ana Paula Galvez - agalvezm@credicorpcapital.com

Strong growth potential, but the market's already cash in

Investment Thesis

We introduce our new 2025 YE TP of USD 71.1/sh (up from USD 65.4/sh) while maintaining our UPERF recommendation. Although we acknowledge the company's financial and operational strength, the stock is currently trading more than 30% above our estimated target price, following a 28% surge over the past year. Additionally, on a relative basis, the company trades at 14.0x EV/EBITDA 2025E, representing a ~148% premium to peers.

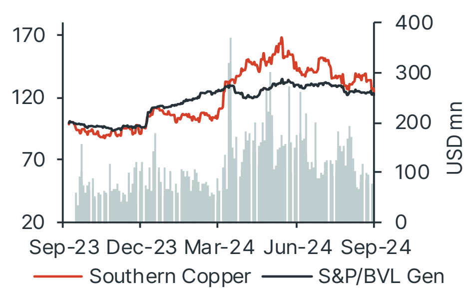
SCCO continues to strengthen its position among top copper miners, with plans to boost copper-mined production from 911 kt in 2023 to 963/921/938/911 kt (ex. Tia Maria) in 2024-2027, driven by the Pilares deposit, the ramp-up of the Buenavista zinc plant and El Pilar project, along with higher grades at La Caridad and Toquepala. By-product contributions are expected to account for ~18% of total production during the 2024-2027 period. Regarding cost structure, despite facing cost inflation pressures, SCCO has maintained competitiveness, with cash costs before by-products forecasted at USD 4,679/t (USD 2.1/lb) in 2024, declining to USD 4,244/t (USD 1.9/lb) by 2027 as certain costs normalize.

Consequently, we project EBITDA of USD 6.1/5.9/6.0/6.0 bn for 2024-2027 with an average EBITDA margin of 56%, based on copper price assumptions of USD 9,150/t, USD 9,400/t, USD 9,500/t and USD 9,400/t for 2024-2027. Additionally, SCCO boasts a strong greenfield project pipeline, which we have valued separately, which would allow SCCO to increase its copper production by 83% in 2032.

Stock Data

Ticker	scco us
Price (USD)	98.0
Target (USD)	71.1
Total Return	-24.6%
LTM Range	66 - 128
M. Cap (USD mn)	76,982
Shares Outs. (mn)	786
Free Float	11%
ADTV (USD mn)	0.1

Price Chart (USD) and Volumes (USD mn)



Valuation

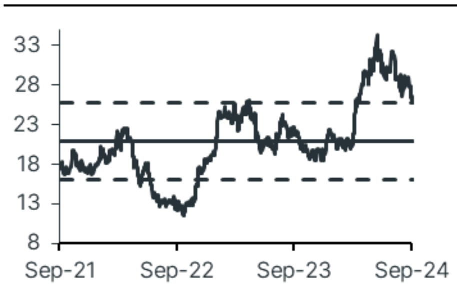
Our TP is 60% determined by a DCF (TP of USD 63.0) and 40% determined by an EV/EBITDA valuation multiple (TP of USD 83.4). We value the current operations and El Pilar project (74% of TP) through a DCF (WACC 9.6%), including reserves and part of the resources (R&R), and the projects (26% of TP) through the implicit EV/production multiple of the current SCCO operations, adjusted according to the start date (assuming a two-year delay) and life of mine of each project, minus required CAPEX. In our RV, we use a 11.5x EV/EBITDA 2026 multiple.

Valuation Summary

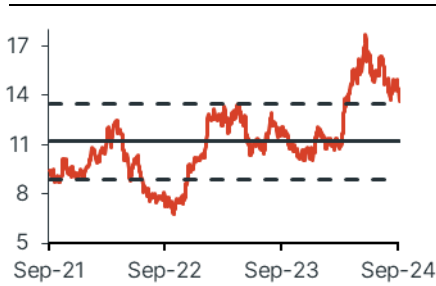
	2023	2024E	2025E	2026E
EV/EBITDA	14.4	13.5	14.0	13.8
P/E	27.4	25.2	26.4	25.4
P/CF	23.1	27.5	25.1	23.5
P/BV	9.0	9.4	8.7	7.7
Div. Yield	4.6%	3.0%	2.9%	2.5%

Sources: Company Reports and Credicorp Capital

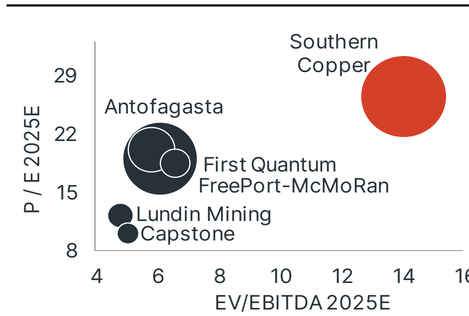
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

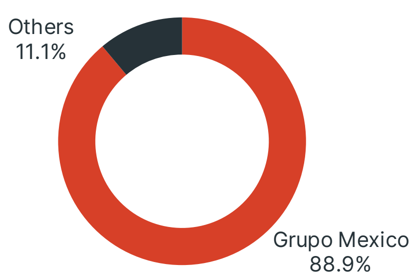


SCCO

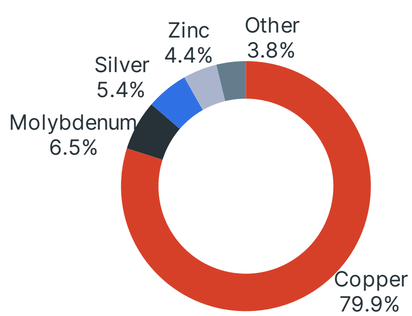
Company Description

Southern Copper Corporation (SCCO) is one of the world's largest vertically integrated copper miners, with relevant production of molybdenum, zinc, and silver. As of 2023, it was the fifth largest copper producer, representing ~4% of the world's mined production and possess the world's largest reserves among publicly traded companies. SCCO engages in the exploration, mining, smelting, and refining of copper and other minerals in Mexico, through its subsidiary Minera Mexico, in Peru, through its Peru Branch, and in exploration activities in those same countries plus Argentina, Ecuador, and Chile.

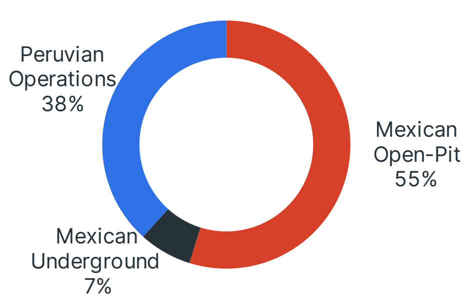
Ownership Structure



Revenue breakdown by metal (2025E)



Revenue breakdown by segment (2025E)



Management

CEO: Oscar Gonzalez Rocha

CFO: Raul Jacob Ruisanchez

IRO: Victor Pedraglio

www.southerncoppercorp.com/eng

Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	10,048	9,896	11,010	10,599	10,670
Gross Profit	4,603	4,375	5,439	5,189	5,352
EBITDA	5,365	5,030	6,084	5,871	5,986
Net Income	2,639	2,425	3,053	2,911	3,030
EPS (USD)	3.41	3.1	3.9	3.8	3.9
Gross Margin	45.8%	44.2%	49.4%	49.0%	50.2%
EBITDA Margin	53.4%	50.8%	55.3%	55.4%	56.1%
Net Margin	26.3%	24.5%	27.7%	27.5%	28.4%

Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	2,278	1,751	2,039	2,227	3,441
Total Current Assets	5,188	4,430	5,021	5,143	6,383
Total Assets	17,277	16,725	17,498	17,708	18,840
Current Liabilities	1,236	1,389	1,906	1,393	1,399
Financial Debt	7,025	6,952	6,952	6,453	6,453
Total Liabilities	9,131	9,244	9,263	8,750	8,755
Minority Interest	63	63	64	75	72
Shareholders Equity	8,084	7,418	8,171	8,882	10,013
Total Liabilities + Equity	17,277	16,725	17,498	17,708	18,840
Net Debt /EBITDA	0.9	1.0	0.8	0.7	0.5
Financial Debt /EBITDA	1.3	1.4	1.1	1.1	1.1
Financial Debt /Equity	0.9	0.9	0.9	0.7	0.6
ROAE	32.5%	31.3%	39.2%	34.1%	32.1%
ROAA	14.8%	14.3%	17.8%	16.5%	16.6%
ROIC	22.7%	20.2%	24.8%	23.1%	24.0%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	**3,489**	**2,278**	**1,751**	**2,039**	**2,227**
Cash Flow From Operation:	2,803	3,573	3,660	3,888	3,890
CAPEX	-949	-1,009	-1,061	-1,001	-761
Changes in Financial Debt	-365	-73	0	-499	0
Dividends (Paid) Received	-2,706	-3,092	-2,300	-2,200	-1,900
Other CFI & CFF Items	4	72	-10	0	-15
Changes in Equity	2	2	0	0	0
Final Cash	**2,278**	**1,751**	**2,039**	**2,227**	**3,441**
Change in Cash Position	**-1,211**	**-527**	**289**	**188**	**1,214**

Sources: Company Reports and Credicorp Capital

Andean **Investor Guide** 2025

Southern Copper Corp

Fixed Income Research Peru
Metals & Mining

Baa1 / BBB+ / BBB+
Outlook: s / s / s

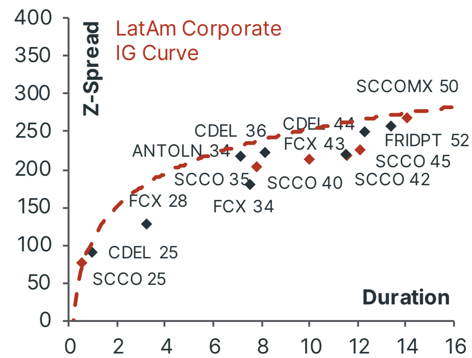
Orlando Barriga - orlandobarriga@credicorpcapital.com

Strong credit, some value in SCCO 35

Investment Thesis

We like SCCO's strengths, highlighting its cash costs before by-products remain competitive and below the 2024 guidance (USD 2.2 lb). That, coupled with a favorable view on copper prices (~USD 4.5 lb by 2025) due to a market deficit outlook, supports a strong improvement in results. Thus, considering SCCO's conservative financial policy, its net leverage should remain healthy (1.0/0.7x by 1Q/2Q24). On that, we welcomed the decision to pay dividends in stocks, preserving liquidity amid upcoming CapEx for the Tia Maria project (USD 1.4 bn), starting earthworks this year, and the USD 500 mn bond maturity in 2025, which we do not expect to be refinanced. On the other hand, Mexican reforms may threaten the long end of the curve. Thus, we recommend an OW position on SCCO 35, ~25 bps z-spread wide to the FCX 34 when no differential seems fair. Also, the SCCO 35 is just ~7 bps below the CDEL 34, compared to the 30 bps 6-month average.

SSCO Bonds and comparables



Credit Data

REG-S Notes	6
Outstanding Senior Notes	USD 6,300MM
Closest Call Date	26-Jul-49
Closest Maturity Date	23-Apr-25

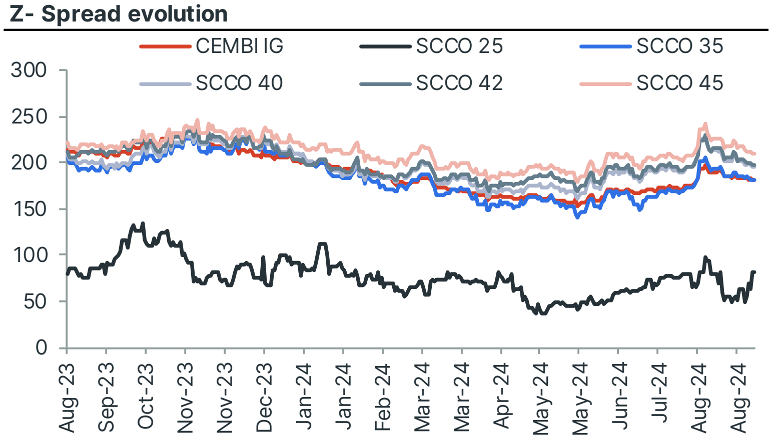
Concerns

- Exposure to metal price volatility inherent to the sector
- Capex execution risk

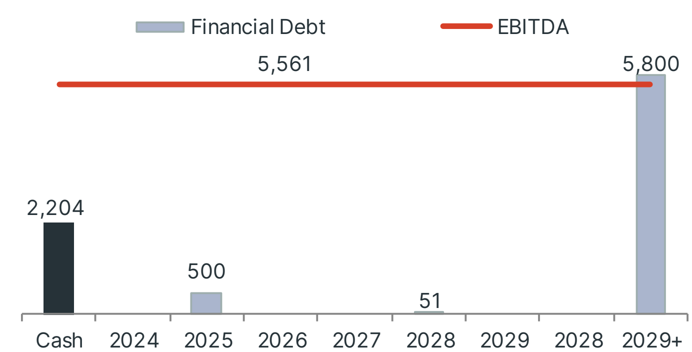
Strengths

- Largest copper reserves in the world
- Strong liquidity with no debt maturity pressures
- Conservative financial policies

Z- Spread evolution



Debt Maturity Profile



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
SCCO 25	USD 500mn	3.9%	Baa1 / BBB+ / BBB+	77	0.6	99.1	0.3%	5.3%	Neutral
SCCO 35	USD 1,000mn	7.5%	Baa1 / BBB+ / BBB+	201	7.9	118.3	0.5%	5.3%	Overweight
SCCO 40	USD 1,100mn	6.8%	Baa1 / BBB+ / BBB+	213	10.0	113.6	0.5%	5.4%	Neutral
SCCO 42	USD 1,200mn	5.3%	Baa1 / BBB+ / BBB+	218	11.6	96.7	0.5%	5.5%	Neutral
SCCO 45	USD 1,500mn	5.9%	Baa1 / BBB+ / BBB+	225	12.1	103.6	0.5%	5.6%	Neutral
SCCOMX 50	USD 1,000mn	4.5%	Baa1 / BBB+ / BBB+	268	14.1	81.2	0.5%	5.9%	Neutral

SQM

Equity Research Chile
Mining

Rating: Hold
TP: CLP 43,000 (loc) / USD 48.3 (ADR)

Miguel Leiva - miguelleiva@credicorpcapital.com
Ana Paula Galvez - agalvezm@credicorpcapital.com

Attractive potential return, but near-term downward pressure on lithium prices overshadows the outlook

Investment Thesis

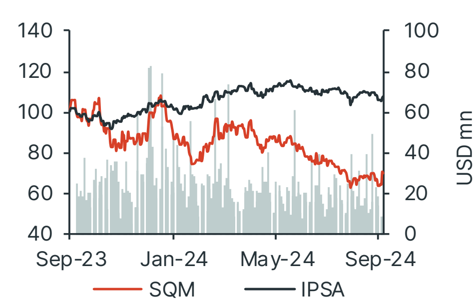
We reiterate our HOLD recommendation and introduce a new 2025 target price of CLP 43,000/share and USD 48.3/ADR. Shares have performed poorly since our last update, mainly due to the decrease in lithium prices and the resulting low earnings expectations for this year. The long-term outlook for electric vehicle demand remains positive; however, the recent rise in global lithium supply, coupled with the potential decrease in demand resulting from higher tariffs imposed by the US and other countries on electric vehicles and batteries from China, has caused the price of lithium to drop to ~USD10,000/t. As a result, we have revised our projected lithium price for next year to USD 15,000/t, with our long-term price of USD 20,000/t now expected to be reached by 2028 instead of 2025.

We anticipate lower operating results due to reduced lithium prices, partly offset by increased production and relatively stable performance in the other business segments. In 2025, we expect a lithium sales volume of 240 kt due to increased production capacity, resulting in revenues of USD 3,312 mn with a gross margin of 29%. Regarding the other business lines, we expect relative stability in the Iodine segment, with revenues of USD 923 mn and a gross margin of 55% in 2025, while in the Specialty Plant Nutrition segment, we expect a slight increase to USD 983 mn and a gross margin of 16%. Thus, we forecast an EBITDA of USD 1,864/2,110 mn in 2025/2026 with a margin of ~34%. Finally, based on our current projections of lithium prices, we estimate a limited contribution from the association agreement with Codelco (~USD 1/ADR); however, it does provide the possibility of benefiting from a potentially more favorable lithium market by extending exposure to this metal from 2030 to 2060.

Stock Data

Ticker	sqm/b ci / sqm us
Price (CLP)	35,600 (loc) / 38.3 (ADR)
Target (CLP)	43,000 (loc) / 48.3 (ADR)
Total Return	25.2%
LTM Range	32,000 - 55,051
M. Cap (USD mn)	10,675
Shares Outs. (mn)	143
Free Float	68%
ADTV (USD mn)	22.5

Price Chart (CLP) and Volumes (USD mn)



Valuation

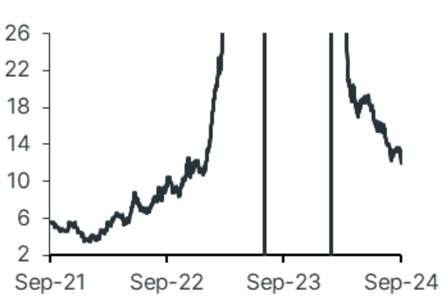
Our 2025 TP of USD 48.3/ADR is based on the following factors: (i) 60% from current operations, investments in affiliates and the incremental value of the MoU (USD 55.0/ADR); and (ii) 40% from a target multiple of 6.1x 26E EBITDA, resulting from the multiple of 7.6x that we expect to be paid for its peers, given our expected lithium price of USD 17,000/t in 2026, and a 20% discount that we expect to be applied to SQM shares considering the progress made with the partnership agreement with Codelco (USD 38.1/ADR).

Valuation Summary

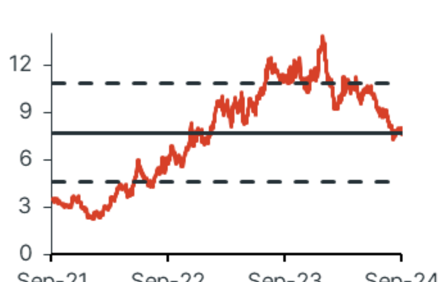
	2023	2024E	2025E	2026E
EV/EBITDA	6.1	8.2	6.3	5.5
P/E	8.3	nm	11.5	10.3
P/CF	10.5	17.5	59.0	9.1
P/BV	3.0	2.2	2.0	1.9
Div. Yield	8.8%	0.6%	4.4%	7.5%

Sources: Company Reports and Credicorp Capital

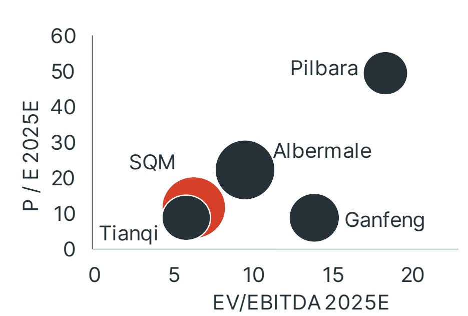
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

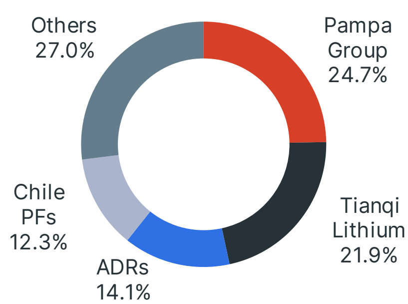


SQM

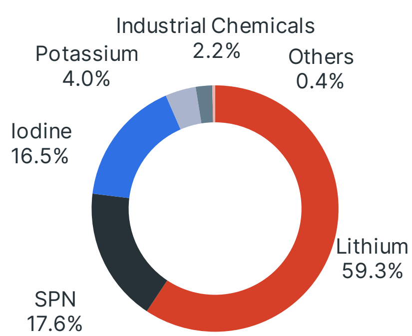
Company Description

SQM is an integrated producer and distributor of lithium, iodine, fertilizers (potash and special plant nutrients) and industrial chemicals. Its production facilities span Chile, China and Australia (under development Mt Holland lithium project) and it runs a global distribution network. The company has a leading position in the global markets of lithium, iodine and potassium nitrate. Main shareholders are Pampa Group and the Chinese lithium company Tianqi.

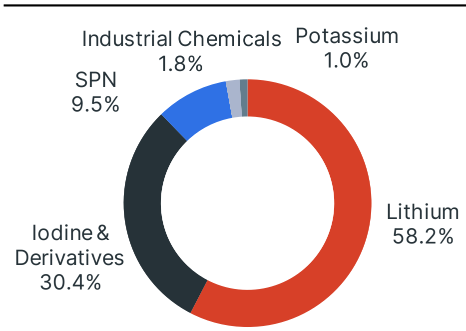
Ownership Structure



Revenue by business (2025E)



Gross Profit by business (2025E)



Management

CEO: Ricardo Ramos

CFO: Gerardo Illanes

IRO: Irina Axenova

www.sqm.com

Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	10,711	7,467	4,503	5,583	6,137
Gross Profit	5,737	3,075	1,283	1,671	1,873
EBITDA	5,838	3,180	1,451	1,864	2,110
Net Income	3,906	2,013	-389	949	1,063
EPS (CLP)	11,640	6,194	-1,267	3,093	3,464
Gross Margin	53.6%	41.2%	28.5%	29.9%	30.5%
EBITDA Margin	54.5%	42.6%	32.2%	33.4%	34.4%
Net Margin	36.5%	27.0%	-8.6%	17.0%	17.3%

Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	3,617	2,367	2,199	1,716	1,667
Total Current Assets	6,992	5,866	5,187	4,873	5,343
Total Assets	10,819	11,706	10,915	11,648	12,049
Current Liabilities	3,052	2,351	2,399	2,159	2,243
Financial Debt	2,917	4,470	4,470	4,470	4,470
Total Liabilities	5,887	6,139	5,803	6,064	6,197
Minority Interest	35	36	36	34	36
Shareholders Equity	4,897	5,531	5,076	5,550	5,816
Total Liabilities + Equity	10,819	11,706	10,915	11,648	12,049
Net Debt /EBITDA	-0.1	0.7	1.6	1.5	1.3
Financial Debt /EBITDA	0.5	1.4	3.1	2.4	2.1
Financial Debt /Equity	0.6	0.8	0.9	0.8	0.8
ROAE	96.7%	38.6%	-7.3%	17.9%	18.7%
ROAA	43.7%	17.9%	-3.4%	8.4%	9.0%
ROIC	103.1%	34.4%	-5.6%	13.2%	13.9%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	2,434	3,617	2,367	2,199	1,716
Cash Flow From Operation:	3,958	-685	1,052	1,308	940
CAPEX	-905	-1,104	-948	-1,313	-194
Changes in Financial Debt	278	1,553	0	0	0
Dividends (Paid) Received	-2,238	-1,471	-66	-475	-797
Other CFI & CFF Items	90	458	-206	-2	2
Changes in Equity	0	0	0	0	0
Final Cash	3,617	2,367	2,199	1,716	1,667
Change in Cash Position	1,182	-1,249	-168	-483	-49

Sources: Company Reports and Credicorp Capital

Volcan

Fixed Income Research Peru
Metals & Mining

Orlando Barriga - orlandobarriga@credicorpcapital.com

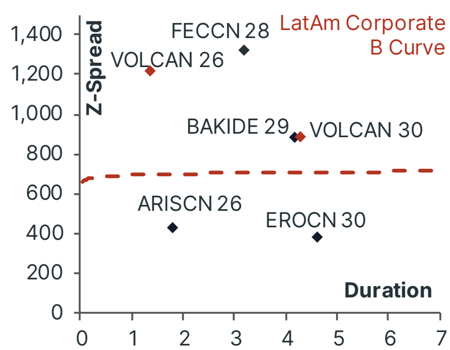
Caa1 / NR / B-
Outlook: ur / nr / s

Asset sales, refinancing, and favorable metal prices signal recovery. We stay Neutral at current levels (~Px87)

Investment Thesis

Volcan's outlook improved following asset sales, syndicated loan refinancing, and a favorable macro-environment. Also, the company recently secured 81% participation in its bond exchange offer, after which it proceeded to exchange that amount of its bonds due in 2026 for new ones maturing in 2030. We already anticipated Volcan's bonds would trade near B-rated names post-refinancing; therefore, we stay N at Px~87. From now on, improvement would depend on metal prices, forecasted by BBG's consensus to remain above Volcan's breakeven levels (~USD 2,600/t for zinc at ~USD 27.0/oz for silver). It would also depend on asset sales. We estimate Volcan could raise an additional USD 90-110 mn by selling its stake in the Polpaico cement business and real estate assets near the Chancay port, reducing debt and interest payments. These drivers are crucial for funding the Romina project, which is essential for long-term financial improvement.

Volcan Bonds and comparables



Credit Data

REG-S Notes	2
Outstanding Senior Notes	USD 368MM
Closest Call Date	19-sep-24
Closest Maturity Date	11-feb-26

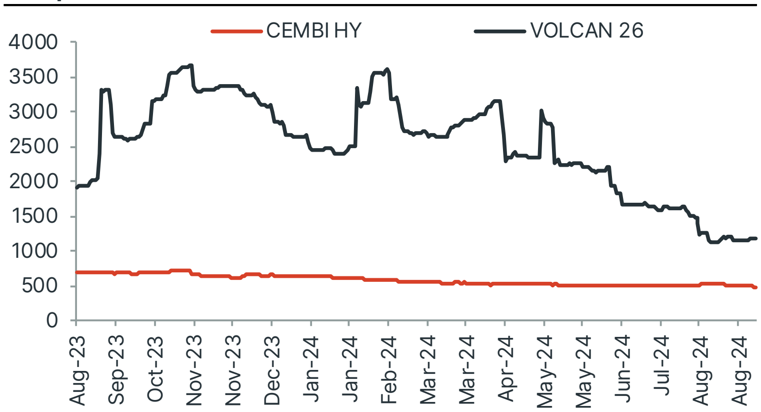
Concerns

- Low life of mines
- High all-in-sustaining cash cost zinc producer
- Exposure to metal price volatility inherent to the sector
- CapEx execution risks for the development of the Romina project

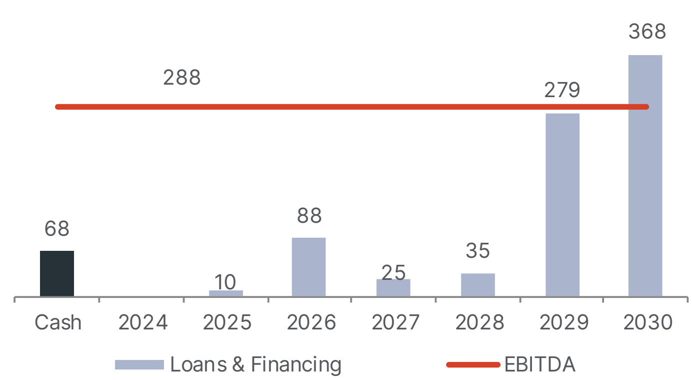
Strengths

-Potential asset sales to enhance liquidity (Polpaico and real estate assets)
-Diversification across base metals and precious metals (zinc and silver mainly)

Z- Spread evolution



Debt Maturity Profile



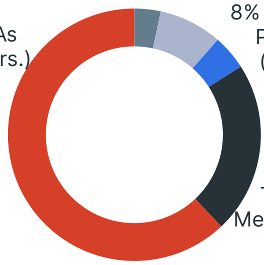
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
VOLCAN 26	USD 68mn	4.4%	Caa2 / NR / CCC	1,210	1.4	85.9	0.4%	15.9%	Neutral
VOLCAN 30	USD 300mn	8.8%	Caa1 / NR / B-	883	4.3	87.3	0.8%	12.0%	Neutral

Volcan

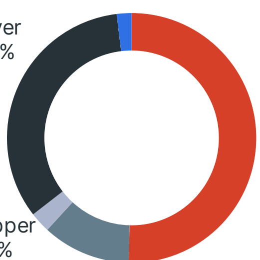
Company Description

Volcan is among the most significant zinc, silver, and lead producers worldwide. It is under the control of Integra Capital, which purchased Glencore's participation in 2024. Volcan operates four mining units in Central Peru, with four operating underground mines, two operating open-pit mines, five operating concentrator plants, and one lixiviation plant. Volcan recently sold two hydro plants and spin-off its 40% stake in the Chancay Port. Volcan still has a hydroelectric power plant, a 23% participation in Cementos Polpaico, 100% of the Chancay Park Project, and 11% of holding company IPCH.

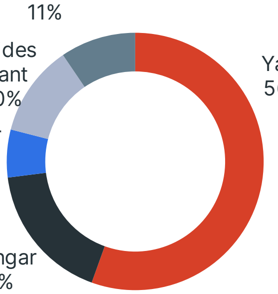
Ownership Structure



Revenue Breakdown by Metal (2Q24)



Revenue Breakdown by Mining Unit (2Q24)



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
Interest Coverage	-1.7x	2.5x	-1.0x	0.3x	0.8x
Gross Debt / EBITDA	5.8x	2.4x	2.7x	2.9x	2.7x
Net Debt / EBITDA	5.1x	1.8x	2.5x	2.7x	2.5x
Net Debt / Equity	2.0x	1.6x	2.0x	2.0x	2.2x
ST Debt / Gross Debt	7%	48%	4%	17%	22%

*Based on the financial statements below

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Net Revenues	535	937	951	883	838
Gross Profit	22	281	189	158	141
EBIT	-95	152	-59	21	62
Financial Expenses	-56	-62	-57	-71	-73
EBITDA	164	389	299	277	288
Gross Margin	4%	30%	20%	18%	17%
EBITDA Margin	31%	42%	31%	31%	34%
Net Margin	-2%	-9%	9%	8%	2%

*As reported to the Peruvian Securities Market Regulator (SMV)

Balance Sheet

USD MN	2020	2021	2022E	2023E	LTM2Q24
Cash & Equivalents	115	231	74	62	68
Current Assets	294	391	225	208	233
Total Assets	2,072	2,166	1,976	1,875	1,816
Current Liabilities	341	755	361	440	440
Total Liabilities	1,656	1,709	1,601	1,511	1,485
Equity	417	457	375	365	331
Net Debt	836	709	738	743	723
Gross Debt	950	940	812	805	791
Short Term Debt	62	455	35	137	170
Long Term Debt	889	485	777	668	621
ROE	-3%	-18%	24%	20%	5%
ROA	-1%	-4%	5%	4%	1%

*As reported to the Peruvian Securities Market Regulator (SMV)

Cash Flow Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Operating Activities	171	366	336	248	134
Investing Activities	-117	-174	-290	-180	-104
Financing Activities	27	-76	-204	-80	-24

Sources: Company Reports and Credicorp Capital

4.4 / Andean Consumption Exposure

Credicorp Capital

Retail & Real Estate

Recovery momentum seems priced in … Time to focus on those flying under the radar

We maintain a relative preference for Supermarkets, as valuations have strongly underperformed discretionary retailers.

Andean Retail - Time to look at forgotten stories. After a robust rally in discretionary stocks throughout 2024, driven by a recovery narrative and solid 1H24 performance, we now believe that investors will take the profit and start looking into those forgotten stories. Based on this, we believe that **Supermarket names like SMU and Cencosud are poised to outperform within our coverage.** Having said this, we do not discard that discretionary names may post some short-term upside after the recent market correction; however, our medium-and-long-term bet is on Supermarkets. Results for the first part of the year were mixed for these companies, with weaker-than-expected basic product consumption and high promotional activity. Although inflation in Chile has been easing, consumers remained price-sensitive, favoring less profitable goods. Despite this, Cencosud was able to maintain a high resiliency on margins, which leaves us quite optimistic for the upcoming quarters, where consumption should tend to pick up. Shares are trading at 6.1x EV/EBITDA 2025E, which presents very limited downside risk, making Cencosud our favorite play in the retail sector. In Peru, InRetail is a bet that we believe should definitely pay off after strong selling pension fund pressure, as fundamentals remain solid. Looking at bond valuations, the story mirrors the one in equity, as the operational recovery has been mostly priced in. The clearest example is Falabella, with spreads tightening by approximately 150bps year to date, compared to a 50bps decrease for the CEMBI LatAm, reflecting the significant deleveraging since reaching peak levels last year. That said, we believe there is still value on BFALA 32. For investors looking for a defensive alternative with low exposure to market volatility our preferred bond is CENSUD 31.

We like the Shopping Malls sector. Our relative preference is Mallplaza.

Chilean Shopping Malls - There is still room to shine. We are positive on the Chilean Shopping Mall sector as a whole, as the soon-to-come start of the interest rate easing cycle in the US, coupled with two additional rate cuts in Chile towards year-end, should be a catalyst for shares. Moreover, we are seeing solid operational results across all operators, following occupancy rate increases, foot traffic recoveries, and an improved consumption outlook that is enhancing tenant sales, which further drives our positivism for the sector. We believe recent market corrections open an appealing opportunity to leverage this positive outlook. On a relative tone, while Mallplaza's shares have strongly outperformed the other operators on a YTD basis, we favor the name as our favorite bet in the sector, as the recent acquisition of Open Plaza and Mallplaza Peru provides an appealing operational growth for next year even without considering any potential synergies, strongly outperforming other operators. Moreover, strong NOI expansion has led to appealing valuations from a Cap Rate standpoint, accounting for the cheapest story within the sector, with Cap Rate spreads vs. Chilean Sovereign Bond still above historical averages (~430 bps vs. ~300 bps). Parque Arauco is another name that we like, as its solid fundamental and successful asset execution should drive shares in the long run.

Beverages

Regarding the beverages sector, we have mixed views on the stocks under coverage in Chile.

We are upgrading Andina-B to BUY and reiterating our HOLD recommendation for CCU and Concha y Toro.

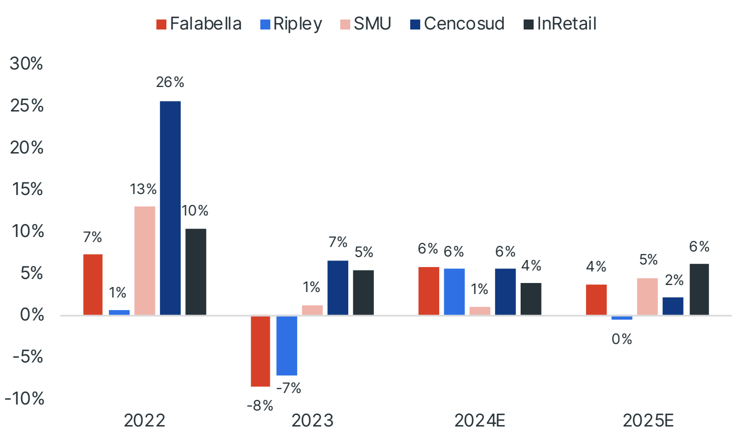
For Andina, we are upgrading our recommendation to BUY. It is our favorite stock given its geographic diversification (Brazil and Paraguay already contribute ~50% of EBITDA), a strong portfolio that gives it pricing power, low leverage, and an attractive DY (~10% by December 2025).

For CCU, we are reiterating our HOLD recommendation. Although the stock offers an attractive upside, the competitive dynamics of the beer market in Chile pose challenges for passing through cost pressures to prices, while its operation in Argentina has a relevant weight. In the short term, the lower impact of hyperinflationary accounting associated with the operation in that country should favor the intra-year comparison in 4Q24, but a substantial improvement in its results depends on a high single-digit increase in sales volumes in Chile after four consecutive quarters of y/y declines. For 2025, visibility regarding a significant recovery in volumes is very limited, so it is key to observe lower cost pressures from raw materials (packaging and sugar) and FX.

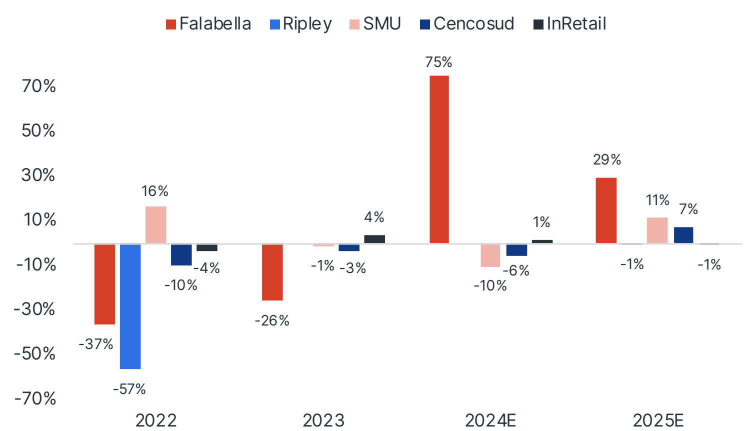
Finally, regarding Concha y Toro, we also reiterate our HOLD recommendation. Inhouse work deployed in recent years is yielding fruit, but the wine industry's modest long-term growth prospects, expectations of more intense competitive dynamics for the premium and super-premium segments, and the higher volatility of the CLP, could prevent a stock re-rating, in our view.

Retail Trends Monitor

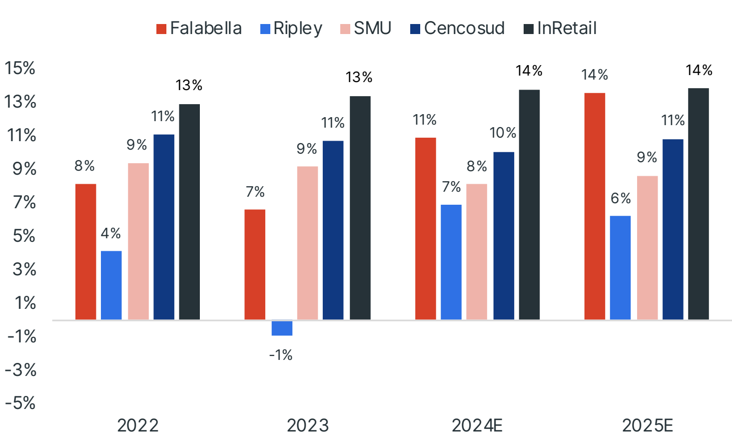
Revenue Growth (local currency)



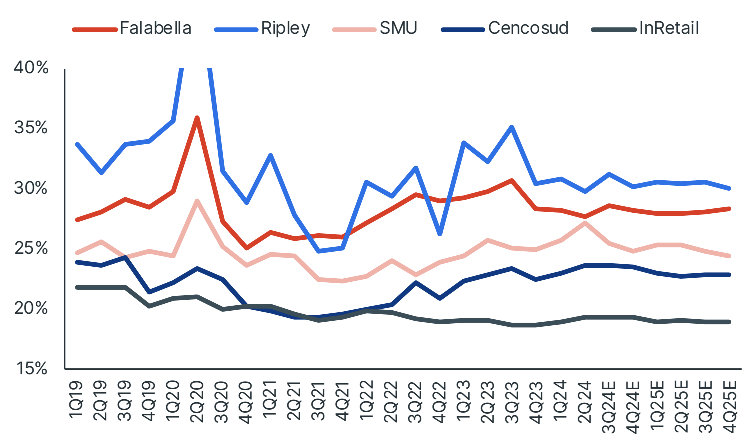
EBITDA Growth (local currency)



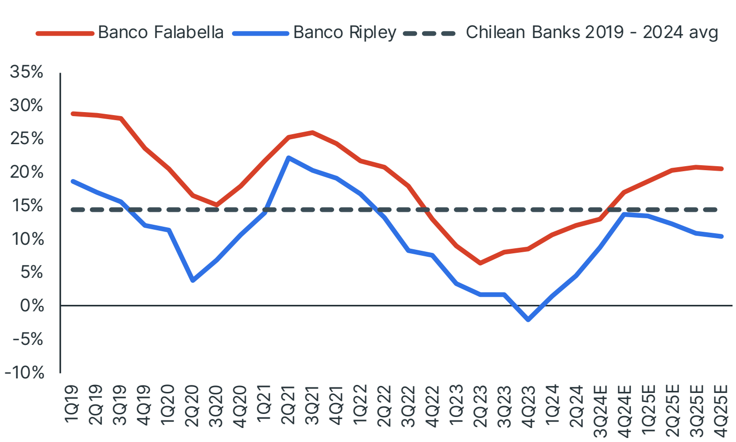
EBITDA margin (local currency)



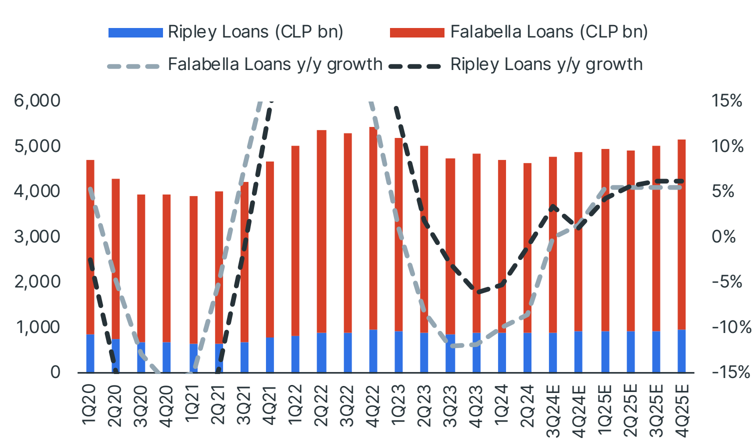
SG&A as a % of sales (local currency)



Banco Falabella and Ripley ROAE%

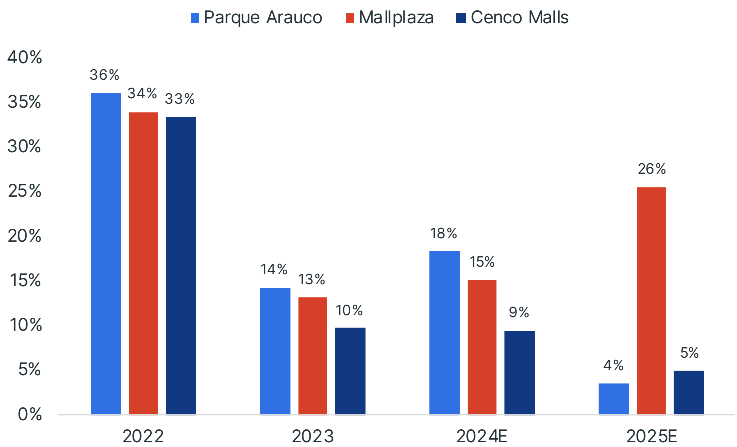


Banco Falabella and Ripley Loans (% growth)

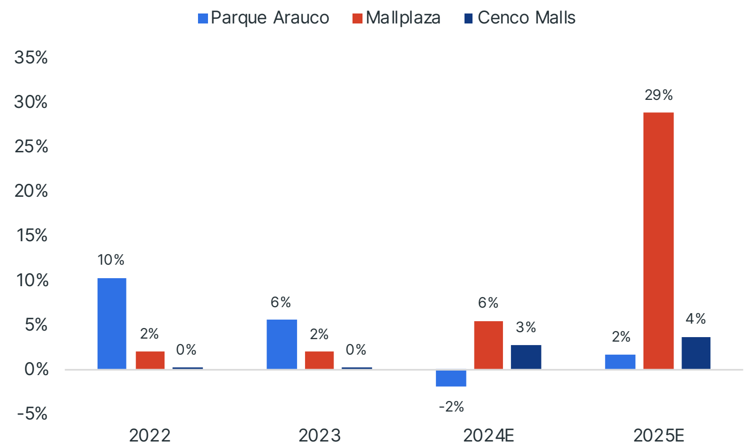


Real Estate Trends Monitor

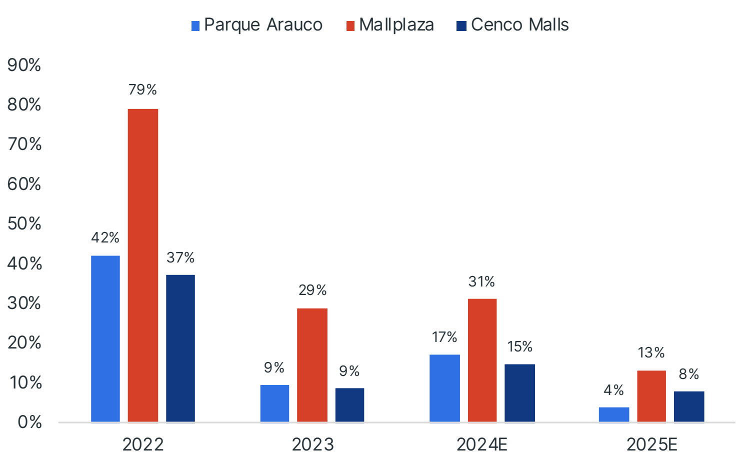
Revenue Growth (local currency)



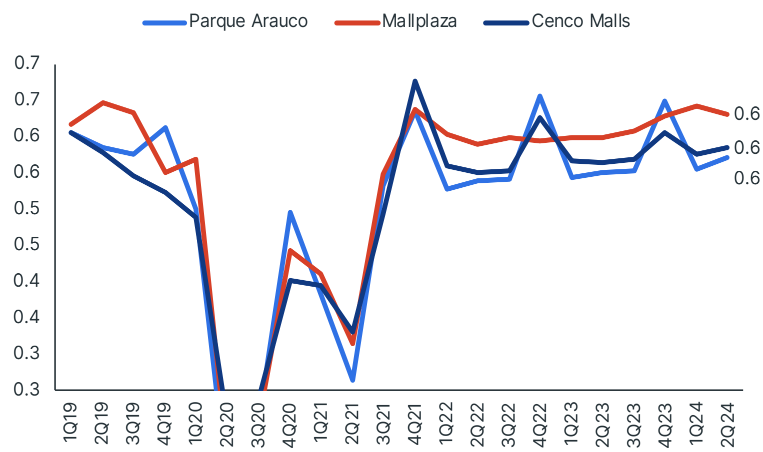
Consolidated GLA Growth



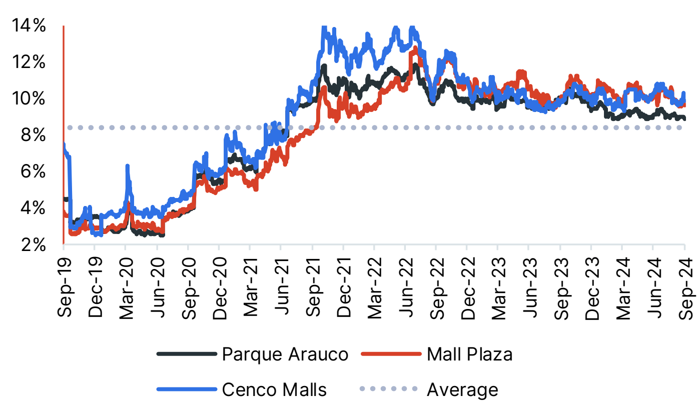
NOI Growth (local currency)



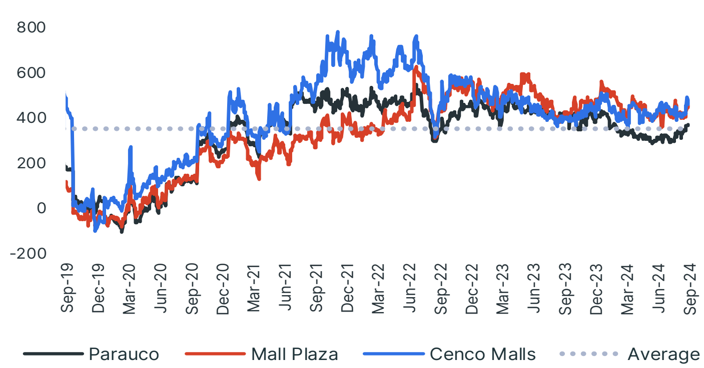
Revenues UF/SQM Chile



12m Fwd Cap Rate per Shopping Mall

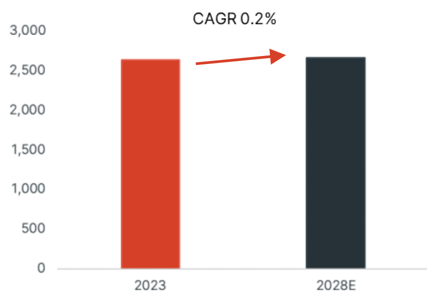


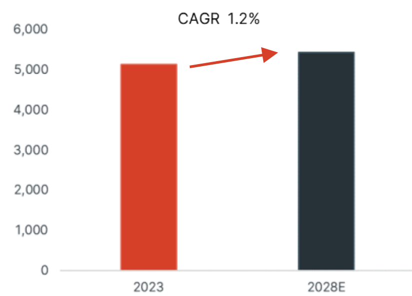
Spread 12m Fwd Cap Rate and 10Y Bond

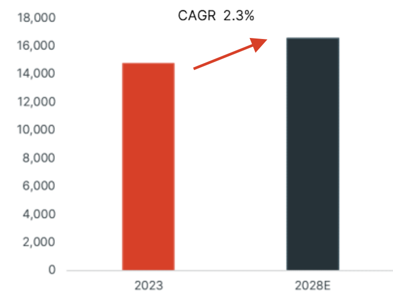


Beverages Trends Monitor

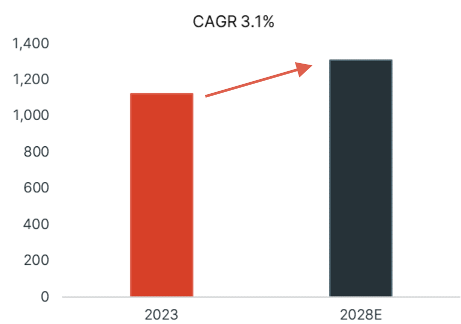
Carbonates Soft Drinks Market Growth (volume) – Chile, Argentina & Brazil

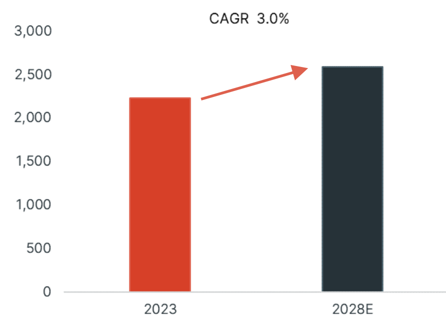


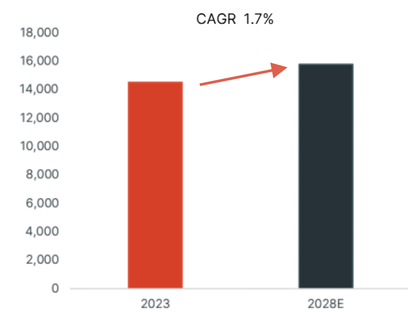




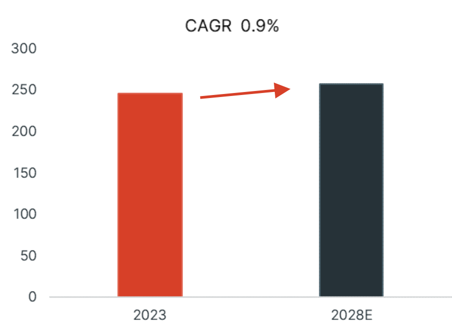
Beer Market Growth (volume) - Chile, Argentina & Brazil

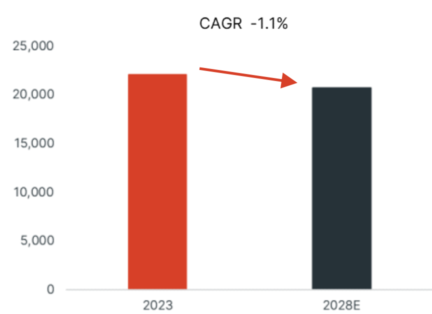


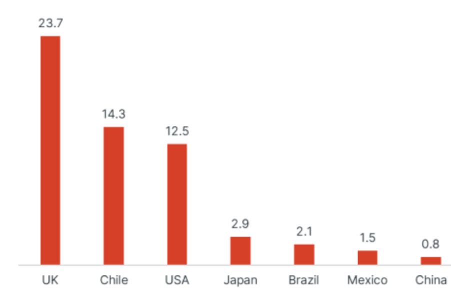




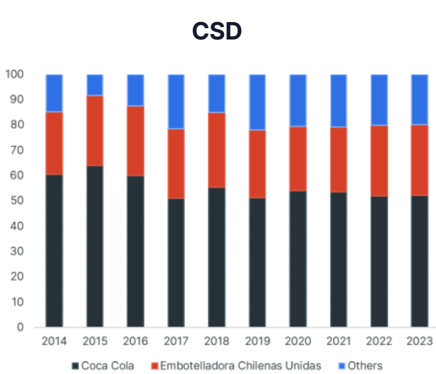
Wine Market Growth (volume) – Chile, World & Per Capita Consumption in 2022 (liters)

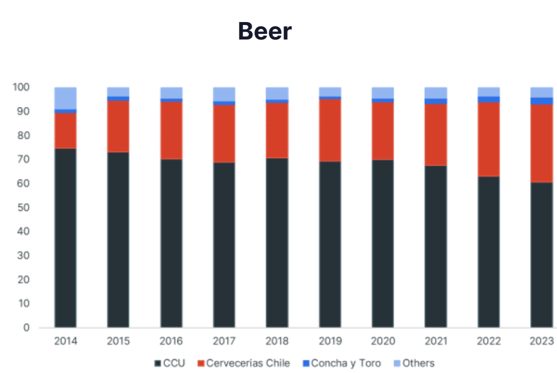






Market Shares Evolution in Chile





Source: Euromonitor, Statista, OIV, Credicorp Capital Research.

Relative Valuation

			P/E				EV/EBITDA			
Company	**Country**	**Factset Ticker**	**2023**	**2024E**	**2025E**	**2026E**	**2023**	**2024E**	**2025E**	**2026E**
Wine										
Chile										
Concha y Toro (*)	Chile	CONCHATORO-CL	17.9	9.4	8.7	8.3	13.1	8.1	7.5	7.3
Average			**17.9**	**9.4**	**8.7**	**8.3**	**13.1**	**8.1**	**7.5**	**7.3**
Global Wine										
Duckhorn Portfolio	USA	NAPA-US	8.6	10.4	9.2	8.1	11.8	7.7	5.3	4.9
Australian Vintage	Australia	AVG-AUS	10.1	7.5	4.2	5.0	8.5	5.8	5.9	4.7
Treasury Wine Estates	Australia	TWE-AU	22.2	21.9	18.7	16.1	13.4	14.0	11.1	10.0
Average			**13.6**	**13.3**	**10.7**	**9.8**	**11.0**	**9.9**	**8.5**	**7.4**
Wine, Liquor & Distribution										
Brown-Forman	USA	BF.B-US	21.5	25.9	24.4	22.6	19.1	19.4	18.5	17.2
Diageo	UK	DGE-GB	15.4	17.9	18.9	17.7	15.8	14.2	14.7	14.1
C&C Group	Ireland	CCR-GB	22.3	14.6	11.8	9.7	9.1	7.8	7.1	6.7
Pernod Ricard	France	RI-FR	14.2	16.4	16.6	15.6	16.9	12.4	12.5	12.0
Remy Cointreau	France	RCO-FR	16.6	18.1	16.5	14.7	15.5	11.3	10.6	9.6
Anhui Gujin Distillery	China	000596-CN	16.9	13.3	10.9	9.1	16.8	7.7	6.3	5.4
Thai Beverages	Thailand	Y92-SG	12.5	11.9	11.1	10.6	13.0	11.5	10.9	10.5
Average			**17.1**	**16.9**	**15.7**	**14.3**	**15.2**	**12.0**	**11.5**	**10.8**
Beer										
LatAm										
CCU (*)	Chile	CCU-CL	19.6	12.4	12.0	9.4	7.9	7.0	6.2	5.4
AmBev	Brazil	ABEV3-BR	13.9	13.9	13.0	11.9	8.1	7.0	6.6	6.1
Average			**16.7**	**13.2**	**12.5**	**10.6**	**8.0**	**7.0**	**6.4**	**5.7**
Global										
Boston Beer	USA	SAM-US	43.4	28.1	22.5	18.6	19.5	12.8	11.2	10.1
Constellation Brands	USA	STZ-US	20.9	18.4	16.6	15.0	15.9	14.6	13.4	12.4
Molson Coors	USA	TAP-US	10.0	9.5	9.2	8.9	8.0	7.2	7.3	7.0
AB Inbev	Belgium	ABI-BE	20.8	19.1	17.1	15.1	10.4	10.1	9.6	9.1
Heineken	Netherlands	HEIA-NL	17.8	17.3	15.4	14.0	10.6	9.9	9.3	8.8
Carlsberg	Denmark	CARL.B-DK	15.6	15.1	13.2	11.8	9.4	8.7	7.4	6.9
Royal Unibrew	Denmark	RBREW-DK	26.9	21.7	19.3	17.5	13.1	13.1	12.1	11.3
Kirin Holdings	Japan	2503-JP	15.8	14.1	12.9	11.8	8.8	9.3	8.7	8.4
Ashai Group	Japan	2502-JP	16.9	13.9	12.7	11.7	10.6	9.7	9.3	8.7
Average			**20.9**	**17.5**	**15.4**	**13.8**	**10.1**	**9.7**	**9.1**	**8.6**
Non-Alcoholic Beverages										
LatAm										
Andina (*)	Chile	ANDINA.B-CL	10.8	12.8	11.7	10.9	5.7	5.7	5.3	5.2
Femsa	Mexico	KOFUBL-MX	17.9	15.4	13.6	12.5	8.3	7.2	6.6	6.1
Arca	Mexico	AC-MX	17.6	15.4	13.8	13.2	8.8	7.8	7.1	6.7
Average			**15.5**	**14.5**	**13.0**	**12.2**	**7.6**	**6.9**	**6.3**	**6.0**
North America										
Pepsico	USA	PEP-US	23.3	21.7	20.2	18.8	16.2	15.9	14.8	13.9
Coca Cola Co	USA	KO-US	26.5	25.0	23.5	22.0	19.8	22.1	20.6	19.3
Monster Beverage	USA	MNST-US	32.4	29.6	25.9	23.0	27.8	23.3	20.8	18.7
Keurig Dr Pepper Inc.	USA	KDP-US	20.7	19.2	17.9	16.7	15.0	14.7	14.2	13.6
Average			**25.7**	**23.9**	**21.9**	**20.1**	**19.7**	**19.0**	**17.6**	**16.4**
Telecom & IT										
Entel (*)	Chile	ENTEL-CL	10.9	12.8	7.8	7.9	3.1	4.5	4.3	4.1
Megacable Holdings	Mexico	MEGACPO-MX	12.3	11.8	9.8	8.3	4.1	3.9	3.5	3.5
Tim	Brazil	TIMS3-BR	17.8	13.6	10.9	9.6	4.8	4.4	4.2	4.2
America Movil	Mexico	AMXB-MX	13.4	12.8	9.2	9.1	5.0	5.2	5.0	5.0
Telefonica Brazil	Brazil	VIVT3-BR	18.0	16.3	13.1	11.6	4.8	4.5	4.2	4.2
Vodafone	UK	VOD-GB	12.0	11.1	8.8	7.6	6.2	6.4	6.2	6.2
Telefonica	Spain	TEF-ES		11.5	10.9	9.9	6.2	5.6	5.6	5.6
Average			**14.1**	**12.8**	**10.1**	**9.2**	**4.9**	**4.9**	**4.7**	**4.7**

(*) Multiples are calculated with Credicorp Capital Estimates

Source: Factset and Credicorp Capital Estimates

Alicorp

Rating: Hold
TP: PEN 7.4

Equity Research Peru
Food & Beverage

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Corporate events will continue to take center stage amid lower stock liquidity

Investment Thesis

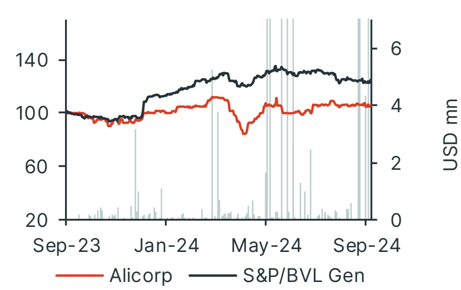
We reiterate our Hold recommendation on Alicorp shares and introduce a 2025YE TP of PEN 7.4/share. While the 1H24 results continued to exhibit double-digit interannual increases in EBITDA contribution from its Consumer Goods Peru and B2B businesses thanks to the successful implementation of a commercial strategy focused on its core brands and categories, they have not been captured by Alicorp's stock price as a result of the significant reduction in its liquidity and shareholders base following three share repurchase programs (one of them in progress) and a tender offer launched by the Grupo Romero last year.

Investors' attention is expected to focus on the ongoing M&A activity. Firstly, we refer to the purchase of 90.55% of Refinería del Espino from Grupo Romero, a company dedicated to the production of vegetable and animal oils and fats. The deal was recently completed for USD 221mn (plus certain variable payments in the future) and would have been financed with a syndicated loan obtained by the company just a few weeks ago. Given the limited information available to evaluate the potential of such asset, we have a neutral view regarding this transaction. On the other hand, last July, the company reported signing an agreement to sell its crushing business in Bolivia. We have a positive view of that eventual deal as it would reduce the volatility of Alicorp's results, its working capital requirements, and its exposure to that country whose CDS has risen significantly. We believe that the stock's short- and medium-term performance will be highly dependent on those events. Furthermore, in 2025, the company will have to consolidate the results of its commercial strategy, but there is little visibility about the recovery in the dynamics of private consumption.

Stock Data

Ticker	alicorc1 pe
Price (PEN)	6.6
Target (PEN)	7.4
Total Return	17.8%
LTM Range	5 - 7
M. Cap (USD mn)	1,202
Shares Outs. (mn)	686
Free Float	25%
ADTV (USD mn)	1.1

Price Chart (PEN) and Volumes (USD mn)



Valuation

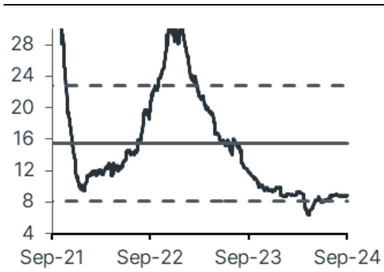
At our new TP of 7.4/share, Alicorp's shares would trade at ~6x EV/EBITDA, which is 20% below its 5-year history. While we acknowledge that current valuations are attractive on a historical basis, we believe that the decreased stock liquidity resulting from several corporate events (three buyback programs and the mid-2023 tender offer) may keep valuations at a discount.

Valuation Summary

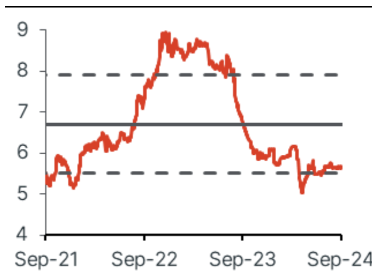
	2023	2024E	2025E	2026E
EV/EBITDA	7.9	5.9	5.6	5.3
P/E	28.5	8.3	8.3	7.6
P/CF	4.0	6.1	6.0	5.7
P/BV	1.9	1.5	1.4	1.3
Div. Yield	4.0%	0.0%	4.8%	5.4%

Sources: Company Reports and Credicorp Capital

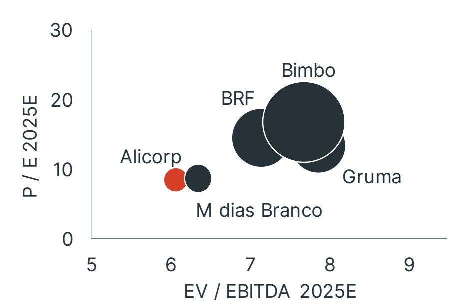
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

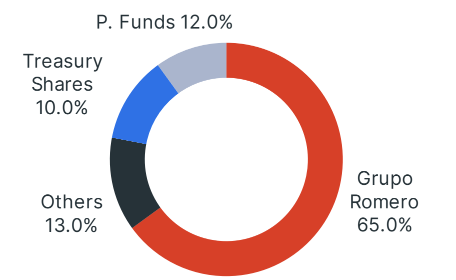


Alicorp

Company Description

Alicorp is the leading Peruvian consumer goods company in branded products, with operations in Peru, Bolivia, Ecuador, and Chile. Over the last few years, it has acquired consumer goods and crushing business in Bolivia (currently in the process of selling the latter) and a home & care player in Peru, consolidating its position in both countries. It has over 100 leading brands across different tiers and categories. In addition, through its B2B platform it serves industrial clients and the Horeca channel. Finally, in its Aquafeed segment, it produces shrimp feed in Chile, Ecuador, Peru and Honduras, and salmon feed in Chile.

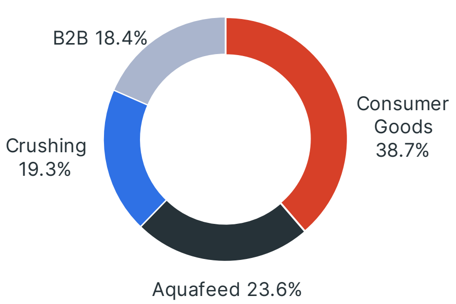
Ownership Structure (Jun-24)



Income Statement

PEN mn	2022	2023	2024E	2025E	2026E
Revenues	15,406	13,656	12,316	12,646	13,181
Gross Profit	2,762	2,419	2,802	2,900	3,030
EBITDA	1,622	1,149	1,437	1,520	1,606
Net Income	524	188	547	544	596
EPS (PEN)	0.76	0.27	0.79	0.78	0.86
Gross Margin	17.9%	17.7%	22.7%	22.9%	23.0%
EBITDA Margin	10.5%	8.4%	11.7%	12.0%	12.2%
Net Margin	3.4%	1.4%	4.4%	4.3%	4.5%

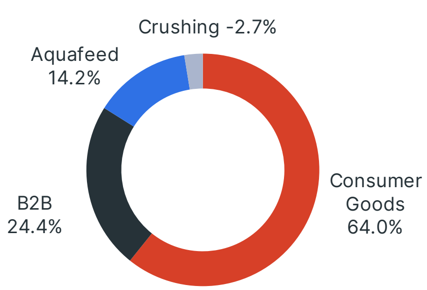
Revenue breakdown by segment (LTM)



Balance Sheet

PEN mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	940	1,494	1,261	1,444	1,624
Total Current Assets	7,349	6,053	5,098	5,381	5,680
Total Assets	14,012	12,917	12,412	12,861	13,371
Current Liabilities	6,288	5,221	5,060	5,151	5,266
Financial Debt	5,070	5,094	5,016	5,016	5,016
Total Liabilities	11,091	10,049	9,418	9,532	9,680
Minority Interest	48	56	65	76	87
Shareholders Equity	2,872	2,812	2,928	3,253	3,604
Total Liabilities + Equity	14,012	12,917	12,412	12,861	13,371
Net Debt /EBITDA	2.5	3.1	2.6	2.3	2.1
Financial Debt /EBITDA	3.1	4.4	3.5	3.3	3.1
Financial Debt /Equity	1.8	1.8	1.7	1.5	1.4
ROAE	17.0%	6.6%	19.1%	17.6%	17.4%
ROAA	3.8%	1.4%	4.3%	4.3%	4.5%
ROIC	11.5%	5.7%	10.9%	11.7%	12.1%

EBITDA breakdown by segment (LTM)



Cash Flow Statement

PEN mn	2022	2023	2024E	2025E	2026E
Initial Cash	905	940	1,494	1,261	1,444
Cash Flow From Operation:	1,560	1,182	556	826	867
CAPEX	-351	-412	-289	-435	-453
Changes in Financial Debt	-245	24	-78	0	0
Dividends (Paid) Received	-214	-214	0	-219	-245
Other CFI & CFF Items	-715	-27	-337	11	12
Changes in Equity	0	0	-85	0	0
Final Cash	940	1,494	1,261	1,444	1,624
Change in Cash Position	35	554	-233	183	181

Sources: Company Reports and Credicorp Capital

Management

CEO: Alvaro Correa
CFO: Luis Banchero
IR Manager: Misael Alvarez
www.alicorp.com.pe

Andina

Equity Research Chile
Food & Beverage

Rating: Buy
TP: CLP 3,550 (loc) / USD 3.8 (ADR)

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Our bet on Chilean Beverages. Upgrading to BUY

Investment Thesis

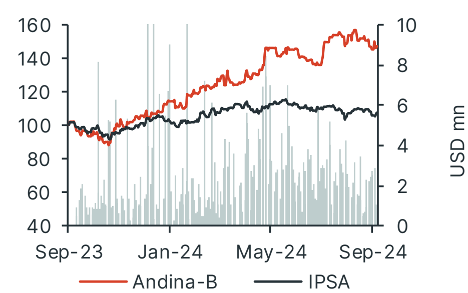
We are upgrading our recommendation to Buy and introducing a 2025YE TP of CLP 3,550. Andina has proven to be a safety bet in the Chilean beverages sector throughout the year supported by the resiliency of its operating results. The portfolio's strong brand equity and pricing power across its geographical franchises give it considerable leverage over its competitors, upholding its strategic positioning and maintaining healthy growth in sales volumes and operating margins despite navigating a scenario of increased volatility in foreign exchanges and raw materials. On this ground, Andina´s shares should continue exhibiting a positive momentum supported by the above and amid i) an attractive 10% dividend yield by Dic-25, ii) leverage standing even below the lower end of the company's target (NFD/EBITDA of 1.5x-1.8x), which provides it room to pursue new growth opportunities, and iii) appealing valuations versus its LatAm peers.

Geographic diversification should continue reinforcing its more resilient profile. On a YTD basis, the company's franchises in Brazil and Paraguay contributed ~50% of its EBITDA amid very healthy consumer demand. Both operations allowed the company to almost offset the sharp drop in sales volumes in Argentina and the mid-single-digit contraction in Chile, and thus, cushion the headwinds from its exposure to those economies, making Argentina's performance not an argument for investors to remain on the sidelines. Heading towards 2025, we are forecasting a mid-to-low single-digit growth rate in volumes for Brazil and Paraguay which looks interesting following the remarkable performance observed in 2024. Based on recent M&A activity and an upgrade to investment grade, we believe Andina's operations in Paraguay could re-rate.

Stock Data

Ticker	andinab ci / ako/b us
Price (CLP)	2,836 (loc) / 18.2 (ADR)
Target (CLP)	3,550 (loc) / 3.8 (ADR)
Total Return	32.8%
LTM Range	1,699 - 3,020
M. Cap (USD mn)	2,560
Shares Outs. (mn)	473
Free Float	61%
ADTV (USD mn)	2.6

Price Chart (CLP) and Volumes (USD mn)



Valuation

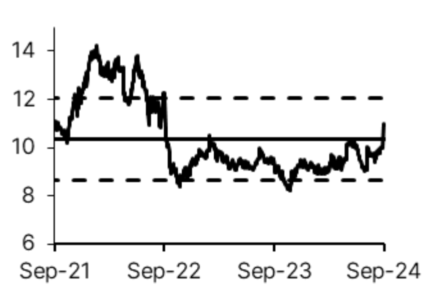
Our December 2025 target price of CLP 3,550/share is based on a blended valuation using a 10-year DCF model (2/3 weight) and a fair EV/Fwd EBITDA multiple of 5.7x, resulting in an implicit ratio of ~6x (15% below its 10-year historical valuation). As per consensus, Andina looks attractive compared to its Mexican peers and global players, which are not trading at a discount versus its own history.

Valuation Summary

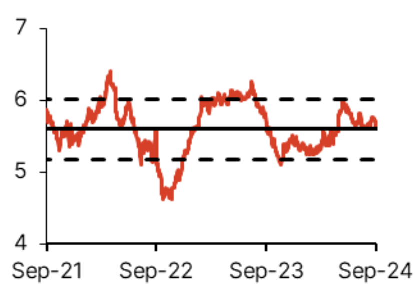
	2023	2024E	2025E	2026E
EV/EBITDA	5.7	5.7	5.3	5.2
P/E	10.8	12.8	11.7	10.9
P/CF	8.4	17.8	8.5	8.8
P/BV	2.1	2.5	2.4	2.2
Div. Yield	8.9%	6.6%	7.6%	7.5%

Sources: Company Reports and Credicorp Capital

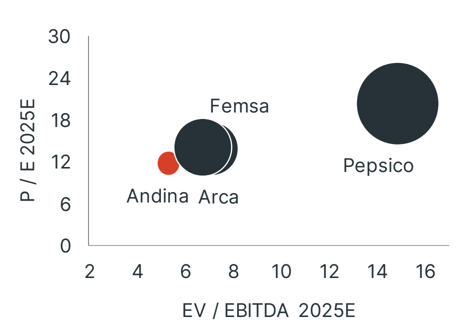
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

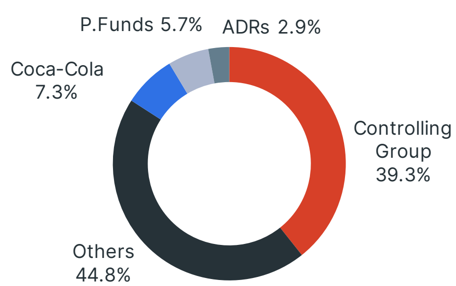


Andina-B

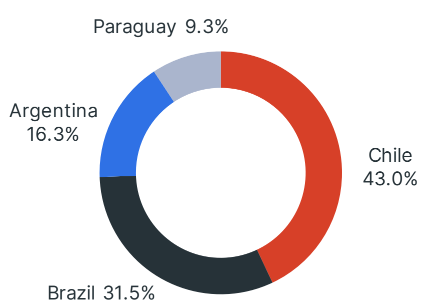
Company Description

Coca - Cola Andina is the largest KO bottler in Chile (center, center-north and extreme-south), Argentina (Cordoba and Patagonia), Brazil (Rio de Janeiro) and Paraguay, controlled by 4 important economic groups. Its product portfolio includes carbonated soft drinks, juices, water and beer. The company merged with KO Polar in Oct-12, and acquired 40% of Sorocaba (2012) and 100% of Ipiranga (2013) in Brazil. In 2021, the company iniciated the commercialization and distribution of Viña Santa Rita´s alcoholic beverages in Chile.

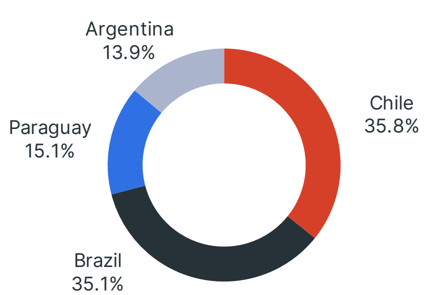
Ownership Structure (As of Dic-23)



Revenue breakdown by country (LTM)



EBITDA breakdown by country (LTM)



Management

CEO: Miguel Angel Peirano
CFO: Andrés Wainer
IRO: Paula Vicuña
www.koandina.cl

Income Statement

CLP mn	2022	2023	2024E	2025E	2026E
Revenues	2,656,878	2,618,437	3,030,552	3,199,206	3,302,248
Gross Profit	1,028,176	1,016,440	1,197,266	1,272,761	1,307,595
EBITDA	464,510	470,108	559,643	600,603	621,312
Net Income	125,498	171,441	209,834	229,178	247,105
EPS (CLP)	133	181	222	242	261
Gross Margin	38.7%	38.8%	39.5%	39.8%	39.6%
EBITDA Margin	17.5%	18.0%	18.5%	18.8%	18.8%
Net Margin	4.7%	6.5%	6.9%	7.2%	7.5%

Balance Sheet

CLP mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	554,727	370,969	468,782	767,801	802,972
Total Current Assets	1,161,729	981,771	1,127,344	1,462,418	1,505,063
Total Assets	3,010,701	2,921,521	3,278,358	3,401,451	3,507,342
Current Liabilities	949,245	692,871	730,460	764,926	776,866
Financial Debt	1,272,104	1,097,323	1,169,429	1,189,145	1,199,509
Total Liabilities	2,127,298	2,000,535	2,164,140	2,236,583	2,271,540
Minority Interest	28,143	34,695	36,213	38,914	41,767
Shareholders Equity	855,260	886,291	1,078,005	1,125,954	1,194,035
Total Liabilities + Equity	3,010,701	2,921,521	3,278,358	3,401,451	3,507,342
Net Debt /EBITDA	1.5	1.5	1.3	0.7	0.6
Financial Debt /EBITDA	2.7	2.3	2.1	2.0	1.9
Financial Debt /Equity	1.5	1.2	1.1	1.1	1.0
ROAE	13.0%	19.7%	21.4%	20.8%	21.3%
ROAA	4.2%	5.8%	6.8%	6.9%	7.2%
ROIC	10.8%	13.0%	14.4%	16.6%	18.3%

Cash Flow Statement

CLP mn	2022	2023	2024E	2025E	2026E
Initial Cash	**499,783**	**554,727**	**370,969**	**468,782**	**767,801**
Cash Flow From Operations	401,863	317,590	276,486	646,008	418,532
CAPEX	-186,702	-192,707	-234,178	-188,177	-217,554
Changes in Financial Debt	183,292	-174,781	72,106	19,716	10,364
Dividends (Paid) Received	-274,316	-165,877	-158,408	-181,229	-179,024
Other CFI & CFF Items	-69,193	32,019	141,807	2,701	2,853
Changes in Equity	0	0	0	0	0
Final Cash	**554,727**	**370,969**	**468,782**	**767,801**	**802,972**
Change in Cash Position	**54,944**	**-183,757**	**97,813**	**299,019**	**35,171**

Sources: Company Reports and Credicorp Capital

Equity Research Chile
Food & Beverage

CCU

Rating: Hold
TP: CLP 6,500 (loc) / USD 13.8 (ADR)

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Lack of delivery. Investors will remain focused on the evolution of sales volumes as a key driver to unlock value

Investment Thesis

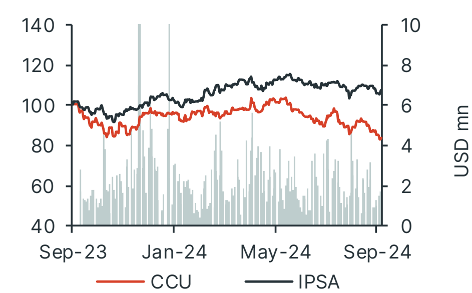
We are reiterating our Hold recommendation for CCU and introducing a new 2025YE TP of CLP 6,500/share. The company has lagged behind the performance of its local peers so far this year due to weaker-than-expected operating results, which comes hand-in-hand with its international segment (since Argentina contributed 80% of those revenues in 2023), as well as weak consumer demand in Chile, unfavorable weather conditions, high input cost (mainly packaging and sugar), and weak CLP. This effect, coupled with a more competitive dynamic of the beer market in Chile has posed challenges for the company to pass through cost pressures to prices. Although the abovementioned is already priced in, we believe that sales volume growth in the next two quarters is key for the stock to start recovering ground.

What to watch? Firstly, the lower impact of hyperinflationary accounting associated with the operation in Argentina should favor the y/y comparison of the international segment in the 4Q24. However, a substantial improvement in results would need a high-single-digit increase in volumes in Chile. Recall that they have posted four consecutive quarters of y/y declines driven by bad weather conditions (which were also unfavorable in the 4Q23), weak consumer demand, and more intense competition. For 2025, visibility regarding a significant recovery in volumes is limited, so it would be key to observe lower cost pressures from raw materials and FX rates. Concerning the former, it is worth mentioning that sugar and barley are quoted below a year ago level, with PET remaining steady, and aluminum still above the 4Q23 average. For now, we feel more comfortable sitting on a wait-and-see stance as we await the company´s volume inflection point. Ours and market hopes are pinned on 4Q24.

Stock Data

Ticker	ccu ci / ccu us
Price (CLP)	4,888 (loc) / 10.3 (ADR)
Target (CLP)	6,500 (loc) / 13.8 (ADR)
Total Return	37.1%
LTM Range	4,849 - 6,052
M. Cap (USD mn)	1,940
Shares Outs. (mn)	370
Free Float	34%
ADTV (USD mn)	2.7

Price Chart (CLP) and Volumes (USD mn)



Valuation

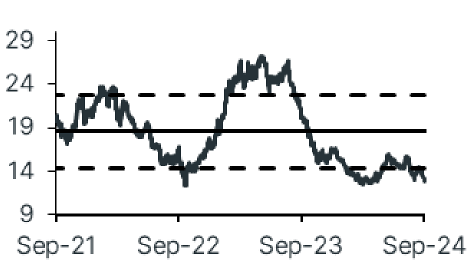
Our December 2025 target price of CLP 6,500/share is derived from a 10-year DCF model, resulting in an EV/Fwd EBITDA of 6.7x (~20% and ~15% below its 10- and 5-year historical valuations). While we believe that the stock offers limited downside risk, it is worth mentioning that other names with worldwide exposure to the beer category trade at EV/Fwd EBITDA multiples more discounted than CCU vs. their respective histories.

Valuation Summary

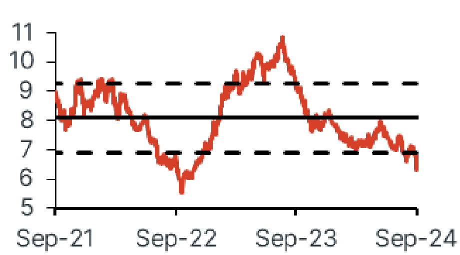
	2023	2024E	2025E	2026E
EV/EBITDA	7.9	7.0	6.2	5.4
P/E	19.6	12.4	12.0	9.4
P/CF	10.4	32.8	7.0	9.7
P/BV	1.7	1.2	1.2	1.1
Div. Yield	3.2%	4.4%	4.1%	5.2%

Sources: Company Reports and Credicorp Capital

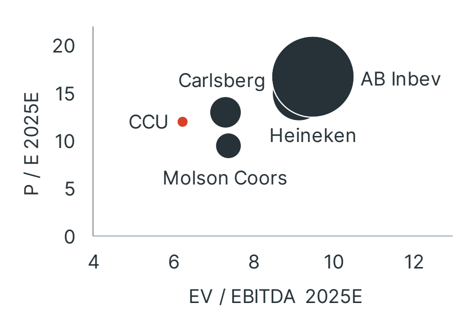
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

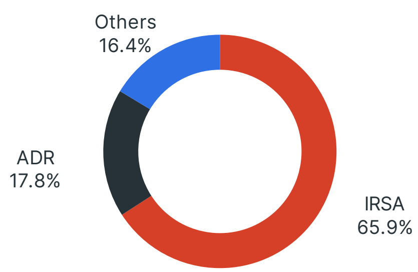


CCU

Company Description

CCU is a multicategory bottler and distribution company, leading beer production in Chile, controlled by IRSA, a 50-50 partnership between the Luksic Group (Quiñenco) and Heineken. The company produces and distributes soft drinks (Pepsico and Schweppes), wines (VSPT winery), spirits, cider in Argentina and snacks. In the past years, it has entered to new markets such as Uruguay, Paraguay, Bolivia and Colombia.

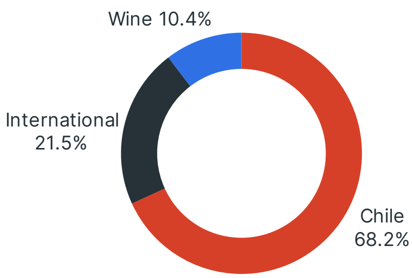
Ownership Structure (As of Jun-24)



Income Statement

CLP mn	2022	2023	2024E	2025E	2026E
Revenues	2,711,435	2,565,556	2,738,600	2,877,340	2,987,833
Gross Profit	1,196,510	1,186,944	1,225,238	1,351,821	1,450,774
EBITDA	357,929	379,402	385,274	433,129	503,229
Net Income	118,168	105,653	145,628	150,536	192,734
EPS (CLP)	320	286	394	407	522
Gross Margin	44.1%	46.3%	44.7%	47.0%	48.6%
EBITDA Margin	13.2%	14.8%	14.1%	15.1%	16.8%
Net Margin	4.4%	4.1%	5.3%	5.2%	6.5%

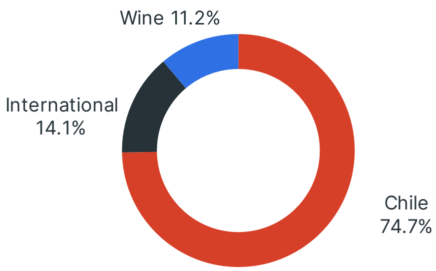
Sales by division (LTM)



Balance Sheet

CLP mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	642,740	625,595	417,797	471,843	478,206
Total Current Assets	1,661,948	1,601,683	1,483,521	1,451,926	1,499,298
Total Assets	3,595,079	3,423,946	3,912,620	3,999,313	4,121,638
Current Liabilities	797,152	687,483	815,088	814,178	813,424
Financial Debt	1,370,707	1,348,540	1,406,447	1,379,636	1,381,312
Total Liabilities	2,159,110	2,086,564	2,326,415	2,322,765	2,328,149
Minority Interest	120,943	119,018	111,015	125,300	143,589
Shareholders Equity	1,315,026	1,218,365	1,475,189	1,551,249	1,649,899
Total Liabilities + Equity	3,595,079	3,423,946	3,912,620	3,999,313	4,121,638
Net Debt /EBITDA	2.0	1.9	2.6	2.1	1.8
Financial Debt /EBITDA	3.8	3.6	3.7	3.2	2.7
Financial Debt /Equity	1.0	1.1	1.0	0.9	0.8
ROAE	9.0%	8.3%	10.8%	9.9%	12.0%
ROAA	3.7%	3.0%	4.0%	3.8%	4.7%
ROIC	11.3%	13.0%	10.1%	8.4%	9.9%

EBITDA breakdown by country (LTM)



Cash Flow Statement

CLP mn	2022	2023	2024E	2025E	2026E
Initial Cash	**289,420**	**642,740**	**625,595**	**417,797**	**471,843**
Cash Flow From Operations	-140,220	338,709	-178,439	336,539	264,575
CAPEX	-203,603	-129,448	-190,459	-195,490	-184,093
Changes in Financial Debt	804,858	-22,166	57,907	-26,811	1,676
Dividends (Paid) Received	-158,321	-65,583	-79,096	-74,477	-94,084
Other CFI & CFF Items	50,606	-138,656	182,290	14,285	18,289
Changes in Equity	0	0	0	0	0
Final Cash	**642,740**	**625,595**	**417,797**	**471,843**	**478,206**
Change in Cash Position	**353,320**	**-17,145**	**-207,798**	**54,046**	**6,363**

Sources: Company Reports and Credicorp Capital

Management

CEO: Patricio Jottar
CFO: Felipe Dubernet
IRO: Claudio Las Heras
www.ccu.cl

Cenco Malls

Rating: Hold
TP: CLP 1,900

María Ignacia Flores - miflores@credicorpcapital.com
Fabrizio Lavalle - fabriziolavalle@credicorpcapital.com

Solid operational results. Ambitious Capex plan still subject to execution risk

Investment Thesis

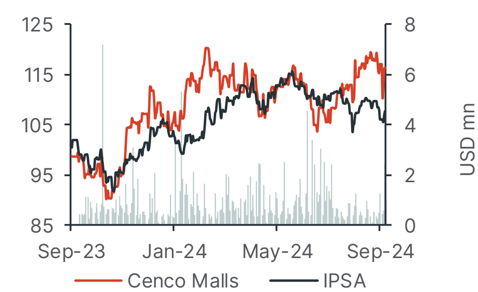
We are revising our recommendation to HOLD and introducing a CLP 1,900 2025E TP, indicating a potential upside of ~24%, alongside an expected 2.9% 2025E dividend yield. The shift from BUY to HOLD reflects our view that other mall operators have higher upside potential and acknowledges the heightened execution risk related to Cenco Malls' ambitious GLA expansion plan. Moreover, the weaker exposure to discretionary tenants (~32% of GLA vs 50% in peers) limits the company's ability to fully capitalize on a discretionary spending recovery. Having said this, Cenco Malls continues to demonstrate strong resilience from an operational standpoint, with solid occupancy rates, robust foot traffic levels, and growing additional revenue streams such as parking and Sky Costanera. Furthermore, the company's asset portfolio, concentrated in Tier 1 properties such as Cenco Costanera and Alto Las Condes, which contribute ~40% of NOI, should sustain above-average occupancy and traffic levels. Margins remain healthy, with occupancy costs below pre-pandemic levels, allowing the company to pass on certain cost pressures, such as inflation and property tax increases.

Cenco Malls has an ambitious USD 500 mn investment plan up until 2028, intending to expand its GLA by 22%, driving a ~6.0% CAGR in NOI from 2024 to 2028. We believe that the company's strong financial position and low leverage levels enable it to pursue further GLA expansions without compromising future dividend distributions. However, we note that the market remains cautious regarding the timely execution of these projects, particularly concerning the approval and delivery of necessary permits, which introduces an element of risk to the stock's outlook. Cenco Malls' shares are currently trading at a fair spread relative to Chilean bonds, though we do not rule out the possibility of a re-rating as we approach 2025 and the market sees some progress regarding the development of these new projects.

Stock Data

Ticker	cencomal ci
Price (CLP)	1,530
Target (CLP)	1,900
Total Return	27.0%
LTM Range	1,186 - 1,581
M. Cap (USD mn)	2,803
Shares Outs. (mn)	1,706
Free Float	28%
ADTV (USD mn)	0.9

Price Chart (CLP) and Volumes (USD mn)



Valuation

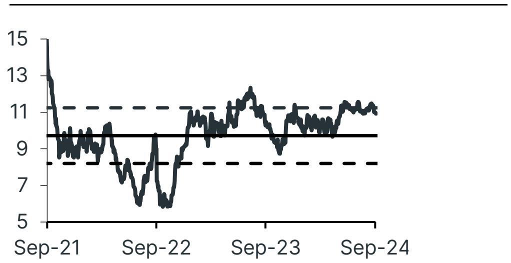
Our target price is derived from a 50/50 blend of a ten-year discounted cash flow (DCF) model and a multiple-based valuation, incorporating a 9.9% forward 12-month Cap Rate and a 10x P/FFO multiple. The implicit Cap Rate within our TP of CLP 1,900 is 8.1%, compared to the current Cap Rate of 9.6%. We project CAGRs of 4.9% and 5.1% for EBITDA and FFO, respectively, over the 2024-2027 period.

Valuation Summary

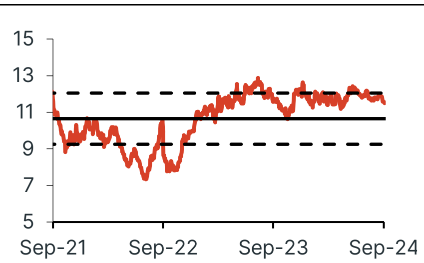
	2023	2024E	2025E	2026E
EV/EBITDA	10.8	10.5	10.0	9.6
P/E	12.8	10.5	10.5	10.5
P/CF	14.7	17.0	17.0	17.2
P/BV	0.9	0.9	0.8	0.8
Div. Yield	6.8%	2.2%	2.9%	4.8%

Sources: Company Reports and Credicorp Capital

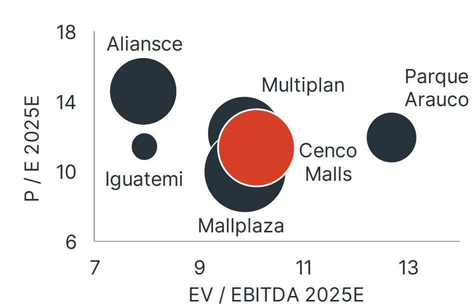
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

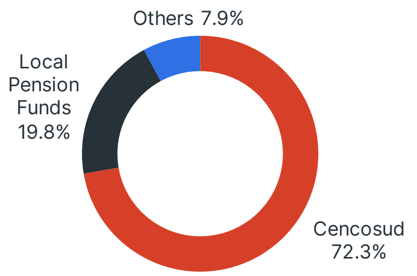


Cenco Malls

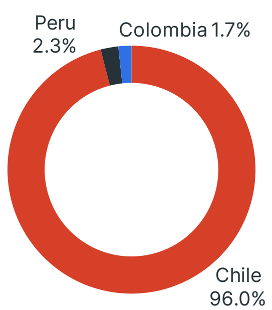
Company Description

Cenco Malls is a Chilean Real Estate developer and shopping mall operator. The company is part of the Cencosud Holding and was listed on the Santiago Stock Exchange in June 2019, being the largest listing on the local market. Its portfolio includes regional malls, neighborhood malls, power centers, and offices across Chile, Peru and Colombia, reaching a total GLA of 1,359,085 sqm. The company is the second mall operator in Chile in terms of GLA and revenues.

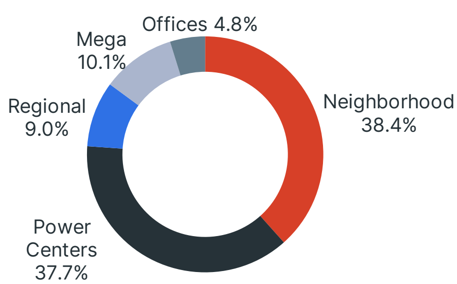
Ownership Structure



Revenue breakdown by country (LTM)



GLA breakdown by format (LTM)



Management

CEO: Sebastián Bellocchio
CFO: Rubén Arriagada
IRO: Marisol Fernandez
www.cencomalls.cl

Income Statement

CLP mn	2022	2023	2024E	2025E	2026E
Revenues	286,950	314,785	344,651	361,769	375,937
Gross Profit	275,628	303,378	331,565	347,792	360,583
EBITDA	258,153	283,452	311,711	327,577	340,704
Net Income	181,876	187,474	248,747	249,006	249,422
EPS (CLP)	107	110	146	146	146
Gross Margin	96.1%	96.4%	96.2%	96.1%	95.9%
EBITDA Margin	90.0%	90.0%	90.4%	90.5%	90.6%
Net Margin	63.4%	59.6%	72.2%	68.8%	66.3%

Balance Sheet

CLP mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	98,965	116,450	170,063	200,392	175,214
Total Current Assets	148,859	163,242	215,350	248,726	228,487
Total Assets	4,059,976	4,147,696	4,326,047	4,481,810	4,582,711
Current Liabilities	70,365	73,152	92,843	91,191	69,909
Financial Debt	735,761	766,621	752,930	735,768	733,283
Total Liabilities	1,375,401	1,396,949	1,410,965	1,391,739	1,367,568
Minority Interest	4,967	5,992	6,223	6,830	6,984
Shareholders Equity	2,679,609	2,744,755	2,908,859	3,083,241	3,208,160
Total Liabilities + Equity	4,059,976	4,147,696	4,326,047	4,481,810	4,582,711
Net Debt /EBITDA	2.5	2.3	1.9	1.6	1.6
Financial Debt /EBITDA	2.9	2.7	2.4	2.2	2.2
Financial Debt /Equity	0.3	0.3	0.3	0.2	0.2
ROAE	6.8%	6.9%	8.8%	8.3%	7.9%
ROAA	4.5%	4.6%	5.9%	5.7%	5.5%
ROIC	7.0%	6.5%	6.8%	6.9%	6.7%

Cash Flow Statement

CLP mn	2022	2023	2024E	2025E	2026E
Initial Cash	**78,353**	**98,965**	**116,450**	**170,063**	**200,392**
Cash Flow From Operations	187,190	191,968	286,788	244,216	223,133
CAPEX	-47,959	-63,819	-72,838	-86,532	-91,401
Changes in Financial Debt	75,829	30,859	-13,691	-17,161	-2,485
Dividends (Paid) Received	-153,525	-162,054	-57,998	-74,624	-124,503
Other CFI & CFF Items	-40,924	20,530	-88,647	-35,569	-29,921
Changes in Equity	0	0	0	0	0
Final Cash	**98,965**	**116,450**	**170,063**	**200,392**	**175,214**
Change in Cash Position	**20,612**	**17,485**	**53,613**	**30,329**	**-25,178**

Sources: Company Reports and Credicorp Capital

Cencosud

Rating: Buy
TP: CLP 2,300

Equity Research Chile
Retail

María Ignacia Flores - miflores@credicorpcapital.com
Fabrizio Lavalle - fabriziolavalle@credicorpcapital.com

A story of resiliency that has not been priced in yet

Investment Thesis

We are maintaining our Buy recommendation, while introducing a 2025E TP of CLP 2,300, implying a ~28% upside potential from current prices. We continue to believe that current valuations undervalue Cencosud's strong resilience, leading positioning in the region, and proven fruitful strategy. While we acknowledge that the short run should continue to be dominated by certain skepticism regarding the operations in Argentina, at this point, we believe downside risk in shares should be limited. In our view, the entry point seems appealing enough to take the bet and wait for a better 2H24 and 2025 across the board.

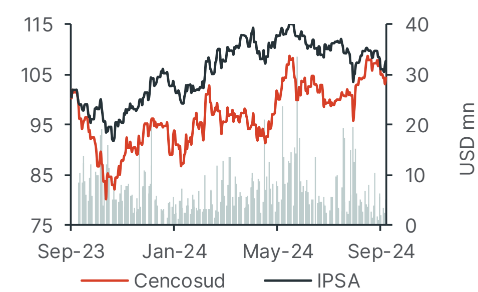
According to our estimates, shares are trading at 6.1x EV/EBITDA 2025E, which compares to an average level of 7.5x across similar stories in the region. We remain optimistic about a re-rating toward 2025, mainly on the back of i) Operational results that have posted a much stronger resiliency than initially expected by both the company and the market. In particular, we highlight the strong margin performance in Chile, thanks to improved inventory management, lower promotional activity, and profitable new businesses such as Cenco Media, while the deployment of the company's omnichannel and private label strategies continues to drive top line growth. ; ii) A macro context in Argentina that has posted early signs of recovery; and iii) the search for forgotten stories once the discretional consumption recovery is fully priced.

Overall, we see 2024 and 2025 as resilient years for Cencosud, something that should eventually pay off. While it may take some time to fully materialize, the appealing discount, limited downside risk, and YTD underperformance when compared to discretionary peers, drive our Buy recommendation and relative preference on the retail sector.

Stock Data

Ticker	cencosud ci
Price (CLP)	1,800
Target (CLP)	2,300
Total Return	33.5%
LTM Range	1,383 - 1,875
M. Cap (USD mn)	5,480
Shares Outs. (mn)	2,835
Free Float	43%
ADTV (USD mn)	6.8

Price Chart (CLP) and Volumes (USD mn)



Valuation

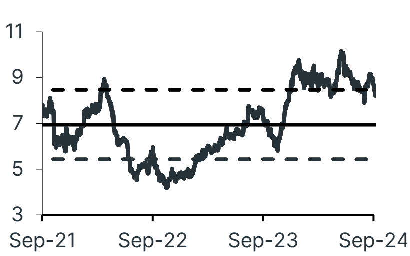
Our TP is based 50/50 on a ten-year DCF model (WACC 15% - Ke 24%) and a SOTP multiple valuation. In our multiple valuations, we are assuming EV/EBITDA of 7.5x for Super, 8.5x for Home, and 5x for D. Stores, while we are valuing Cencoshopp at CLP ~1,900/share. We estimate 2024-2027 CAGRs of 5% and 13% for EBITDA and net income, respectively, which will be driven by maintaining the strong operational performance in Chile, Peru, and Brazil while improving margins in the USA.

Valuation Summary

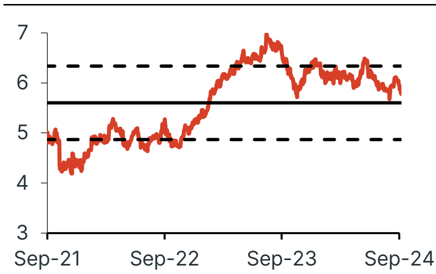
	2023	2024E	2025E	2026E
EV/EBITDA	6.4	6.7	6.1	6.0
P/E	6.2	9.8	7.7	7.4
P/CF	3.3	6.7	13.2	5.1
P/BV	1.3	1.2	1.3	1.3
Div. Yield	6.2%	1.2%	5.7%	7.1%

Sources: Company Reports and Credicorp Capital

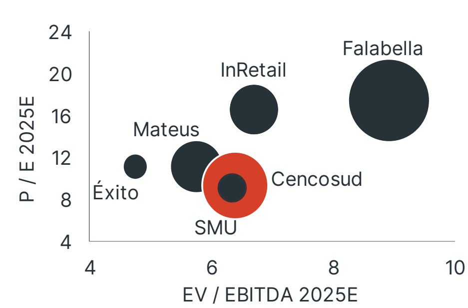
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

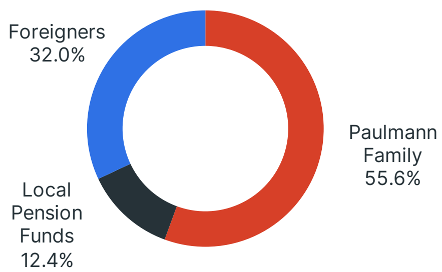


Cencosud

Company Description

Cencosud is a Chilean multi-format retailer, integrating Supermarkets (Jumbo, Santa Isabel, Disco, The Fresh Market, Giga), Department Stores (Paris), Real Estate, Home Improvement (Easy) and Financial Services. The company has over 60 years of history and ranks among the largest retailers in Latam, with operations in Chile, Argentina, Brazil, Colombia, Peru and United States. Consolidated LTM sales reach over USD 17.8 bn.

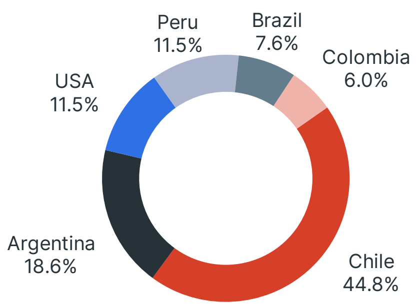
Ownership Structure



Income Statement

CLP bn	2022	2023	2024E	2025E	2026E
Revenues	14,283	15,230	16,070	16,405	16,531
Gross Profit	4,200	4,680	4,884	5,017	5,079
EBITDA	1,587	1,634	1,627	1,781	1,813
Net Income	619	752	519	665	695
EPS (CLP)	218	265	183	234	245
Gross Margin	29.4%	30.7%	30.4%	30.6%	30.7%
EBITDA Margin	11.1%	10.7%	10.1%	10.9%	11.0%
Net Margin	4.3%	4.9%	3.2%	4.1%	4.2%

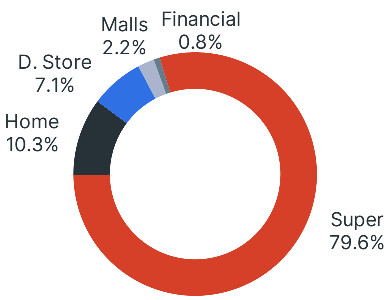
Revenue breakdown by country (LTM)



Balance Sheet

CLP bn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	374	483	485	491	500
Total Current Assets	3,108	2,976	3,244	3,886	3,961
Total Assets	13,340	13,573	14,486	15,210	15,222
Current Liabilities	3,753	3,799	3,494	3,580	3,574
Financial Debt	5,180	5,490	5,426	5,694	5,214
Total Liabilities	9,094	9,295	9,232	9,551	9,061
Minority Interest	575	607	635	667	837
Shareholders Equity	3,671	3,671	4,619	4,992	5,323
Total Liabilities + Equity	13,340	13,573	14,486	15,210	15,222
Net Debt /EBITDA	3.0	3.1	3.0	2.9	2.6
Financial Debt /EBITDA	3.3	3.4	3.3	3.2	2.9
Financial Debt /Equity	1.4	1.5	1.2	1.1	1.0
ROAE	15.8%	20.5%	12.5%	13.8%	13.5%
ROAA	4.9%	5.6%	3.7%	4.5%	4.6%
ROIC	14.0%	14.1%	10.9%	9.7%	9.5%

Revenue breakdown by business (LTM)



Cash Flow Statement

CLP bn	2022	2023	2024E	2025E	2026E
Initial Cash	**807**	**374**	**483**	**485**	**491**
Cash Flow From Operations	656	1,276	713	549	1,088
CAPEX	-360	-336	-495	-517	-407
Changes in Financial Debt	1,566	310	-64	269	-480
Dividends (Paid) Received	-359	-289	-59	-292	-364
Other CFI & CFF Items	-1,935	-851	-93	-3	171
Changes in Equity	0	0	0	0	0
Final Cash	**374**	**483**	**485**	**491**	**500**
Change in Cash Position	**-433**	**109**	**2**	**6**	**8**

Sources: Company Reports and Credicorp Capital

Management

CEO: Rodrigo Larraín
CFO: Andrés Neely
IRO: Maria Soledad Fernandez
www.cencosud.cl

Cencosud

Baa3 / NR / BBB
Outlook: s / nr / s

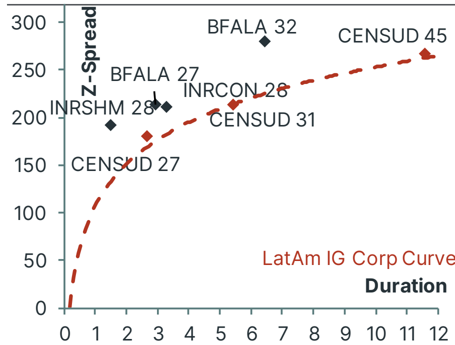
Josefina Valdivia - jvaldivia@credicorpcapital.com

Resilient business and clear strategy

Investment Thesis

Cencosud's results continue to be bolstered by solid performance in Chile, particularly in the resilient supermarket segment, and improving trends in department stores, driven by a clear strategic focus. This has helped counterbalance the challenges faced in Argentina, where we expect results to remain pressured due to a difficult consumption environment. Performance has been mixed in other regions, but we anticipate improvement in line with better consumption trends across the region. Leverage remains manageable at 3.5x (2.9x excluding IAS 29), and we foresee potential for slight declines by year-end. We continue to view Cencosud as a defensive option, given the resilience of its business and the success of its strategy in its key markets and formats. Regarding valuations, our favorite bond on the curve is CENSUD 31, which appears attractive, trading 20bps above CELARA 30, compared to just a 5bps spread between CELARA 27 and CENSUD 27.

Cencosud Bonds and comparables



Credit Data	
REG-S Notes	3
Outstanding Senior Notes	USD 1,975MM
Closest Call Date	17-Apr-27
Closest Maturity Date	17-Jul-27

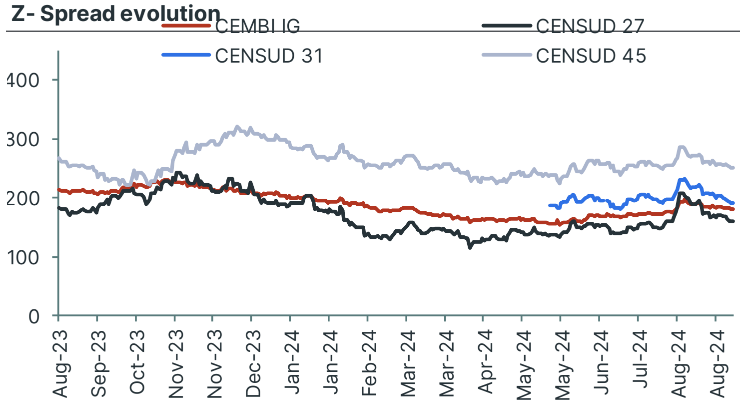
Concerns

- Exposure to consumption trends
- Medium exposure to Argentina in the context of a tough macro environment.
-Home Improvement revenues are still not recovering as consumers are still affected.

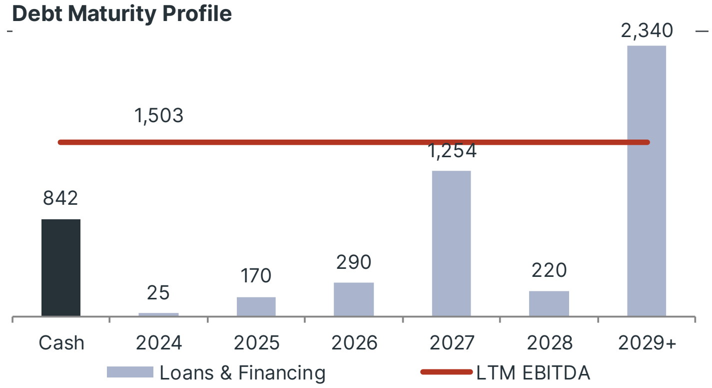
Strengths

-Diversification by geography and business, with solid market position
-Strong positioning in the defensive supermarket businesses (leader in Chile) and solid margins for a supermarket-concentrated business
- Strong capital structure

Z- Spread evolution



Debt Maturity Profile



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
CENSUD 27	USD 975mn	4.38%	Baa3 / NR / BBB	180	2.7	98	0.4%	5.1%	Neutral
CENSUD 31	USD 650mn	5.95%	Baa3 / NR / BBB	213	5.4	103.4	0.5%	5.3%	Overweight
CENSUD 45	USD 350mn	6.63%	Baa3 / NR / BBB	266	11.6	107.4	0.5%	6.0%	Neutral

Concha y Toro

Rating: Hold
TP: CLP 1,350

Equity Research Chile
Food & Beverage

Rodrigo Godoy - rgodoy@credicorpcapital.com
Claudia Raggio - craggio@credicorpcapital.com

Inhouse work deployed in recent years is yielding fruit, but the wine industry's modest LT growth prospects challenge value uncorking

Investment Thesis

We are reiterating our Hold recommendation for Concha y Toro and introducing a new 2025YE TP of CLP 1,350. After a well-deserved YTD outperformance of the company´s shares (~+9% vs ~+2% IPSA), driven by a strong earnings momentum amid a process of inventory normalization by distributors, better consumption dynamics in some of its key markets and the expected delivery of cost efficiency measures implemented in 2022-2023, all of which has boosted sequential improvements in margins towards levels near the company´s targets, we believe that there is limited visibility on sales volumes growth by next year and beyond.

Structural challenges in the wine industry translate into very modest growth prospects. While we welcome the company's management's ability to adapt to an industry that is facing major challenges, the mid-to-low single-digit growth outlook over the next five years for global wine industry sales by value and very low expansion forecasts in volumes, the expected intense competitive dynamics for the premium and super-premium segments, and the increased CLP/USD parity volatility observed in recent years should prevent the stock from re-rating to the historical double-digit EV/EBITDA multiples. Global players with strong brands are also aiming to increase their presence in premium wine categories as the latter offers better growth prospects and higher EBIT margins (~2.0-2.5x at of low-end price brands), which poses challenges for the company's aim to reach 60% premiumization towards next year. In this context, inorganic growth options of relevant scale to increase its exposure to high-value segments or initiatives to diversify its revenues into other alcoholic beverages with better growth prospects might not be sufficiently accretive.

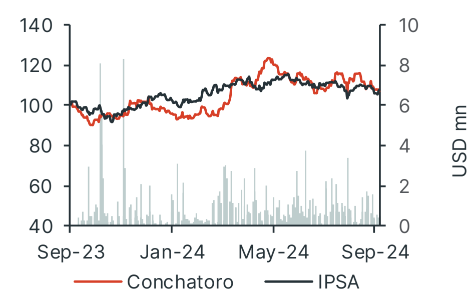
Valuation

At our new target price, the stock would trade at an EV/Fwd EBITDA of 8.0x, below its 5-year-end average EV/Fwd EBITDA (~9.2x), yet in line with what we deem fair (8.0x). Concha y Toro´s shares are trading at not particularly appealing discounts compared to its own history, whereas global peers with more diversified portfolios of alcoholic beverages are trading at double-digit discounts.

Stock Data

Ticker	concha ci
Price (CLP)	1,110
Target (CLP)	1,350
Total Return	25.9%
LTM Range	936 - 1,279
M. Cap (USD mn)	881
Shares Outs. (mn)	739
Free Float	62%
ADTV (USD mn)	0.9

Price Chart (CLP) and Volumes (USD mn)

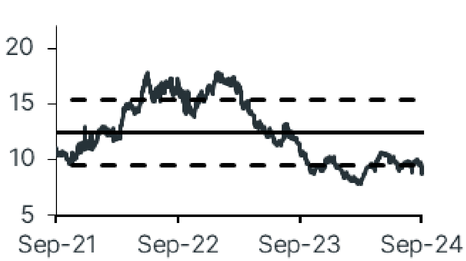


Valuation Summary

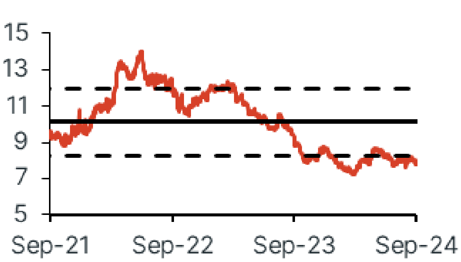
	2023	2024E	2025E	2026E
EV/EBITDA	13.1	8.1	7.5	7.3
P/E	17.9	9.4	8.7	8.3
P/CF	-24.8	9.2	15.4	8.4
P/BV	1.0	1.0	0.9	0.9
Div. Yield	4.2%	2.6%	4.3%	4.6%

Sources: Company Reports and Credicorp Capital

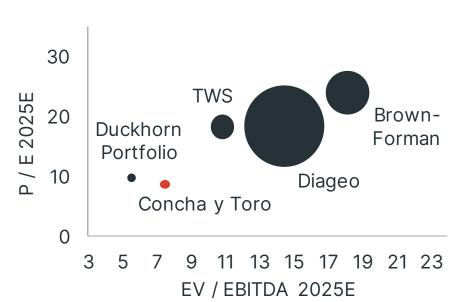
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

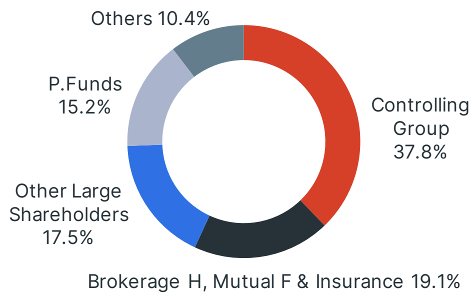


Conchatoro

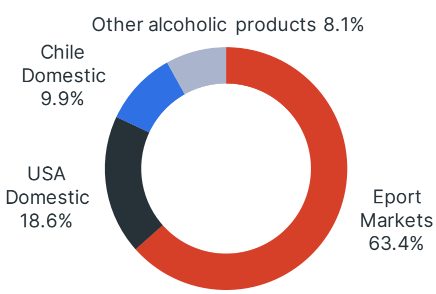
Company Description

Concha y Toro is the largest Chilean wine company, leader in the domestic market and exports with presence in over 130 countires, selling 32 million cases in 2023. It currently owns vineyards in Chile, Argentina and USA, with focus on exports and a strong distribution network. It also owns commercial subsidiaries in Brazil, Mexico, Canada, UK, Nordic countries, China and Singapur.

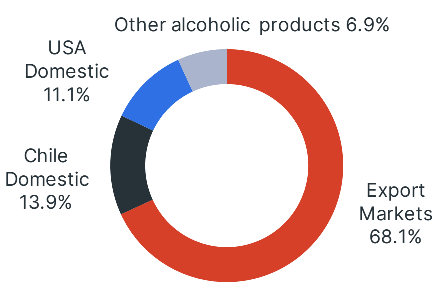
Ownership Structure (As of Dic-23)



Volume Breakdown (LTM)



Revenue Breakdown (LTM)



Management

CEO: Eduardo Guilisasti
CFO: Osvaldo Solar
IRO: Daniela Lama
https://www.vinacyt.com

Income Statement

CLP mn	2022	2023	2024E	2025E	2026E
Revenues	870,582	837,213	961,888	999,186	1,018,459
Gross Profit	341,721	309,431	380,217	402,926	412,476
EBITDA	135,227	95,423	159,489	172,342	178,056
Net Income	87,213	43,126	87,427	94,576	99,207
EPS (CLP)	118	58	118	128	134
Gross Margin	39.3%	37.0%	39.5%	40.3%	40.5%
EBITDA Margin	15.5%	11.4%	16.6%	17.2%	17.5%
Net Margin	10.0%	5.2%	9.1%	9.5%	9.7%

Balance Sheet

CLP mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	47,401	53,179	129,463	133,642	191,530
Total Current Assets	784,436	821,784	890,251	934,741	986,929
Total Assets	1,581,780	1,636,537	1,742,739	1,811,354	1,885,895
Current Liabilities	442,640	456,385	516,724	513,836	516,303
Financial Debt	451,494	520,311	551,056	550,704	560,463
Total Liabilities	817,671	854,453	895,498	903,467	915,799
Minority Interest	7,346	7,827	6,873	7,913	9,004
Shareholders Equity	756,763	774,257	840,369	899,974	961,092
Total Liabilities + Equity	1,581,780	1,636,537	1,742,739	1,811,354	1,885,895
Net Debt /EBITDA	3.0	4.9	2.6	2.4	2.1
Financial Debt /EBITDA	3.3	5.5	3.5	3.2	3.1
Financial Debt /Equity	0.6	0.7	0.7	0.6	0.6
ROAE	12.3%	5.6%	10.8%	10.9%	10.7%
ROAA	5.8%	2.7%	5.2%	5.3%	5.4%
ROIC	8.4%	4.5%	7.7%	8.1%	8.2%

Cash Flow Statement

CLP mn	2022	2023	2024E	2025E	2026E
Initial Cash	**76,205**	**47,401**	**53,179**	**129,463**	**133,642**
Cash Flow From Operations	22,412	21,951	122,808	88,462	134,527
CAPEX	-75,669	-59,839	-55,000	-50,000	-49,399
Changes in Financial Debt	12,062	68,817	30,746	-352	9,759
Dividends (Paid) Received	-21,973	-32,150	-21,200	-34,971	-38,089
Other CFI & CFF Items	34,364	16,559	-1,070	1,040	1,091
Changes in Equity	0	-9,561	0	0	0
Final Cash	**47,401**	**53,179**	**129,463**	**133,642**	**191,530**
Change in Cash Position	**-28,804**	**5,778**	**76,285**	**4,179**	**57,888**

Sources: Company Reports and Credicorp Capital

Entel

Rating: Hold
TP: CLP 3,600

Equity Research Chile
Telecom & I.T.

Rodrigo Godoy - rgodoy@credicorpcapital.com
Claudia Raggio - craggio@credicorpcapital.com

Developments related to an eventual consolidation of the mobile industry in Chile should drive Entel's share price performance

Investment Thesis

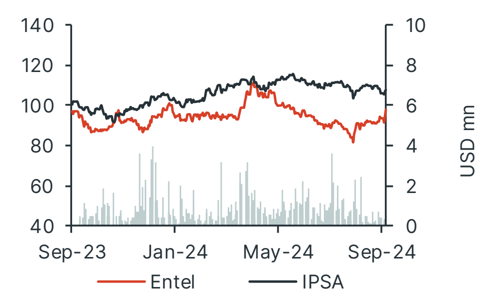
We are reaffirming our Hold recommendation on Entel with a 2025YE TP of CLP 3,600. The 1Q24 flat performance of Entel shares was followed by a sharp rally in April, boosted by an attractive DY related to the divestment in fiber infrastructure in Chile and the Chapter 11 filing by WOM. Subsequently, the stock gradually dropped to a YTD low in early August after the dividend distribution amid a lower-than-expected 1Q24 EBITDA earnings report and a quarterly call that failed to fuel market expectations about a more benign competitive environment in Chile. Since then, Entel's share price has partially recovered thanks to 2Q24 results that revealed a slightly higher than expected EBITDA in Peru, an efficiency plan that aims to reach USD 80-120mn in cost savings and smarter capex deployment by next year, and a mobile fixed entry charge increase for its postpaid customers followed by one of its competitors.

Our neutral stance on Entel relies on the almost nil growth expected for its mobile customer base in Chile, with the increased relevance of the postpaid segment and a slightly more rational environment for pricing as the main sources of revenue growth (+4% in the coming years). The good news is that mobile industry players are under pressure to prioritize cash flow generation given the high capex needs. Concerning Peru, we forecast revenues to increase 5% in the next two years (in USD) thanks to low single-digit growth in the customer base and pricing linked to inflation. On the other hand, consolidated Capex is expected to remain high (~20% of revenues) amid the ongoing technology transition into 5G in Chile and the aggressive expansion plan for the FTTH business, which is expected to deploy later on in Peru.

Stock Data

Ticker	entel ci
Price (CLP)	3,010
Target (CLP)	3,600
Total Return	25.8%
LTM Range	2,511 - 3,413
M. Cap (USD mn)	976
Shares Outs. (mn)	302
Free Float	45%
ADTV (USD mn)	0.9

Price Chart (CLP) and Volumes (USD mn)



Valuation

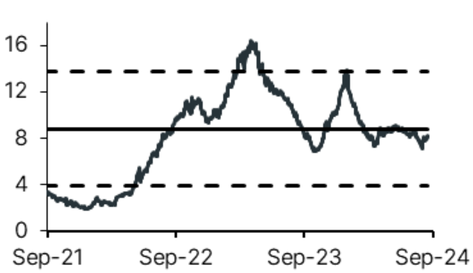
Our new target price is derived from a 50/50 blend 10-year DCF and peers valuation. The company continues to trade with multiples bellow its LatAm peers.

Valuation Summary

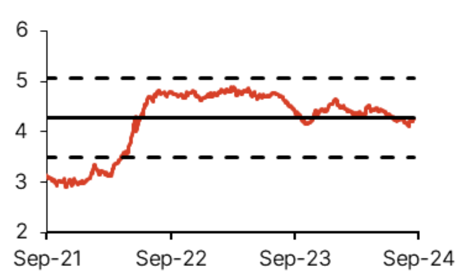
	2023	2024E	2025E	2026E
EV/EBITDA	3.1	4.5	4.3	4.1
P/E	10.9	12.8	7.8	7.9
P/CF	9.8	5.3	3.8	3.4
P/BV	0.6	0.5	0.5	0.5
Div. Yield	2.9%	7.8%	6.2%	10.2%

Sources: Company Reports and Credicorp Capital

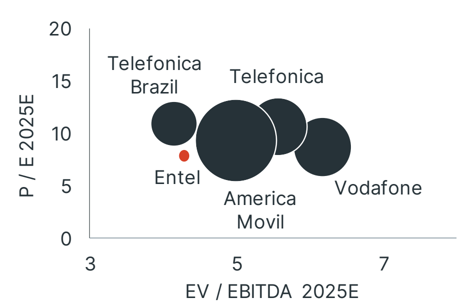
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

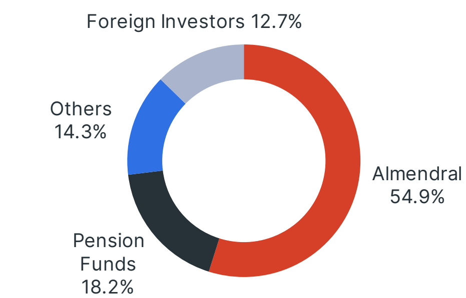


Entel

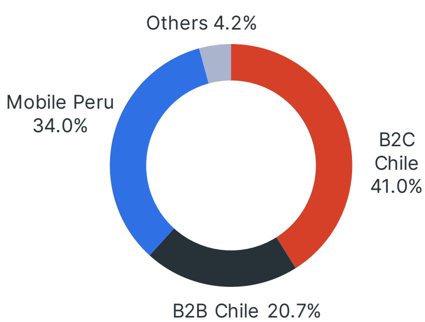
Company Description

Entel is a telecommunications company operating in Chile and Peru, providing mobile, fixed-line, and IT services. In Chile, Entel serves 10.3 million customers and holds approximately 41% of the mobile revenue market share. In Peru, the company has 9.7 million mobile clients and commands a 39% share of the mobile revenue market. Entel is controlled by Almendral, which comprises the Matte, Fernandez/Hurtado, Consorcio, Izquierdo, and Gianoli groups.

Ownership Structure (As of June-24)



Revenue breakdown by concept (LTM)



EBITDA breakdown by business (LT M)

Management

CEO: Antonio Buchi
CFO: Marcelo Bermúdez
IRO: Paula Raventós
www.entel.cl

Income Statement

CLP mn	2022	2023	2024E	2025E	2026E
Revenues	3,137,710	2,573,142	2,734,334	2,832,173	2,932,896
Gross Profit	1,055,121	540,016	543,759	574,457	602,804
EBITDA	1,292,014	762,562	794,758	834,380	873,120
Net Income	456,787	88,884	70,870	115,992	115,065
EPS (CLP)	1,512	294	235	384	381
Gross Margin	33.6%	21.0%	19.9%	20.3%	20.6%
EBITDA Margin	41.2%	29.6%	29.1%	29.5%	29.8%
Net Margin	14.6%	3.5%	2.6%	4.1%	3.9%

Balance Sheet

CLP mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	353,690	701,750	455,016	223,078	244,756
Total Current Assets	1,484,647	1,596,065	1,385,670	1,180,395	1,217,823
Total Assets	5,595,346	5,698,688	5,727,442	5,534,634	5,570,148
Current Liabilities	1,132,020	1,336,993	1,270,665	1,249,459	1,262,701
Financial Debt	2,220,938	2,113,578	2,080,000	1,868,182	1,868,182
Total Liabilities	4,040,831	4,023,235	3,976,568	3,724,464	3,737,706
Minority Interest	0	0	0	0	0
Shareholders Equity	1,554,516	1,675,453	1,750,874	1,810,170	1,832,442
Total Liabilities + Equity	5,595,346	5,698,688	5,727,442	5,534,634	5,570,148
Net Debt /EBITDA	1.4	1.9	2.0	2.0	1.9
Financial Debt /EBITDA	1.7	2.8	2.6	2.2	2.1
Financial Debt /Equity	1.4	1.3	1.2	1.0	1.0
ROAE	29.9%	5.5%	4.1%	6.5%	6.3%
ROAA	8.3%	1.6%	1.2%	2.1%	2.1%
ROIC	19.4%	5.7%	4.3%	6.5%	5.5%

Cash Flow Statement

CLP mn	2022	2023	2024E	2025E	2026E
Initial Cash	**435,435**	**353,690**	**701,750**	**455,016**	**223,078**
Cash Flow From Operations	813,969	980,201	326,055	695,349	715,743
CAPEX	-596,642	-540,627	-577,876	-594,922	-601,272
Changes in Financial Debt	88,570	-107,359	-33,579	-211,818	0
Dividends (Paid) Received	-374,267	-28,443	-71,118	-56,696	-92,793
Other CFI & CFF Items	-13,375	44,287	109,784	-63,851	0
Changes in Equity	0	0	0	0	0
Final Cash	**353,690**	**701,750**	**455,016**	**223,078**	**244,756**
Change in Cash Position	**-81,745**	**348,060**	**-246,733**	**-231,938**	**21,678**

Sources: Company Reports and Credicorp Capital

Equity Research Chile
Retail

Falabella

Rating: Hold
TP: CLP 3,800

María Ignacia Flores - miflores@credicorpcapital.com
Fabrizio Lavalle - fabriziolavalle@credicorpcapital.com

Fundamental momentum should continue

Investment Thesis

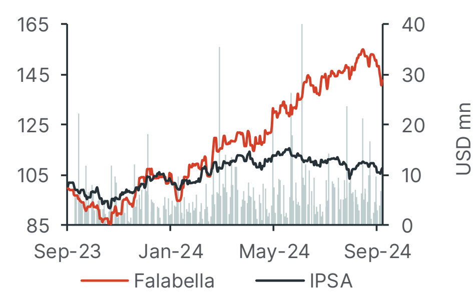
We are maintaining our HOLD rating and introducing our 2025E TP of CLP 3,800, representing ~26% upside from current levels and an expected 1.7% 2025E dividend yield. Falabella's shares have been unstoppable this year, supported by a strong earnings recovery narrative that has continuously beat market expectations. We expect this positive momentum to continue going forward, driven by macroeconomic tailwinds and the efficiency plan implemented in 2023. D. Stores, Super and the Bank were the main drivers of EBITDA recoveries this year, while 2025 performance should be supported by a recovering Home Improvement business, in which we expect a 6% expansion on the back of an improving construction sector. Operations in Peru and other markets are expected to follow similar trends, although these regions may lag in their macroeconomic recovery. However, 2025 should see an overall improvement in consumer spending for the retail business and a reduction in cost of risk for the banking segment in both Peru and Colombia.

The news flow should remain positive, but it may not be enough to boost valuations. In our opinion, current valuations already reflect the improved earnings momentum, the solid deleverage path (expected at around 3.5x by the end of the year and continuing to decrease in 2025), and the potential improvement in the rating outlook. The ~43% YTD increase in stock price has led to 2025E P/E multiples of 16x, which we consider fair for Falabella. Consequently, we believe that investors will begin seeking out undervalued opportunities with promising potential for growth, such as basic consumption retailers, hence our neutral rating. We believe that potential upside risks for Falabella could arise from additional announcements of asset sales, strategic changes leading to a simpler organizational structure, and a strong delivery on market share gains throughout businesses, which are yet to be seen.

Stock Data

Ticker	falab ci
Price (CLP)	3,011
Target (CLP)	3,800
Total Return	27.9%
LTM Range	1,806 - 3,271
M. Cap (USD mn)	8,114
Shares Outs. (mn)	2,509
Free Float	45%
ADTV (USD mn)	6.4

Price Chart (CLP) and Volumes (USD mn)



Valuation

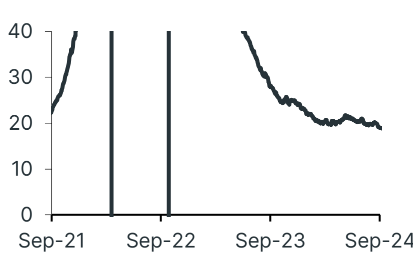
Our target price is derived from a 50/50 blend of a 10-year discounted cash flow (DCF) model and a SOTP multiple valuation. Specifically, we applied an EV/EBITDA multiple of 12x for the Home segment, 7.5x for D.Stores, and 5.5x for Food. For the financial services division, we used a P/BV multiple of 2x. We also include IKEA and Mexico using a DCF approach, and we value the 3P marketplace at 0.7x EV/GMV.

Valuation Summary

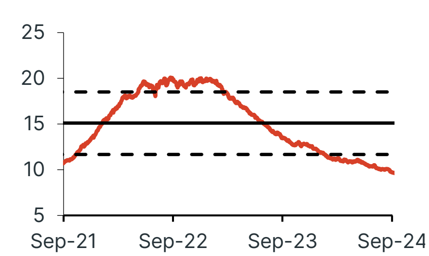
	2023	2024E	2025E	2026E
EV/EBITDA	15.3	9.1	8.1	7.4
P/E	90.8	18.1	16.0	12.0
P/CF	6.1	14.1	8.2	6.9
P/BV	0.9	1.1	1.1	1.0
Div. Yield	0.2%	0.5%	1.7%	1.9%

Sources: Company Reports and Credicorp Capital

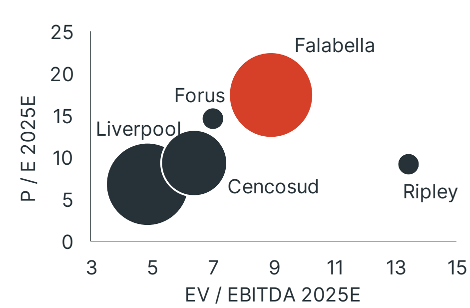
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

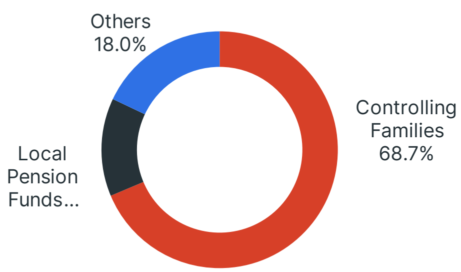


Falabella

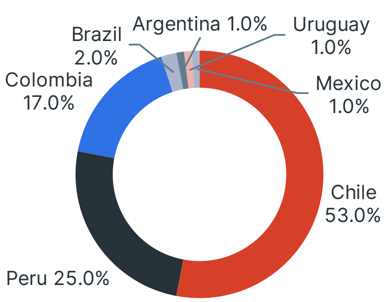
Company Description

Falabella operates as a multi-format retailer, integrating department stores, home improvement, shopping centers, supermarkets, and financial services. Today, Falabella (~USD 11bn in LTM sales) ranks among the largest Latin American retailers with presence in Chile, Peru, Argentina, Colombia, Brazil and Uruguay. In 2018, they acquired the 4th e-commerce player in Mexico, Linio and today they operate the falabella.com marketplace across the board. Additionally, the year 2018 the company announced an agreement with IKEA, and currently they operate the first two IKEA stores in the Latam Region.

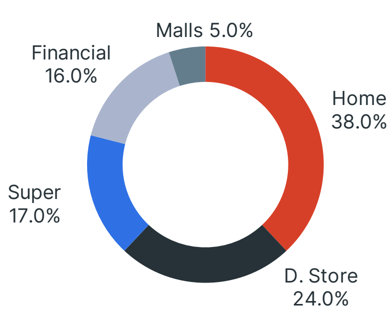
Ownership Structure



Revenue breakdown by country (LTM)



Revenue breakdown by business (LTM)



Management

CEO: Alejandro Gonzalez
CFO: Juan Pablo Harrison
IRO: Raimundo Monge
https://investors.falabella.com/

Income Statement

CLP mn	2022	2023	2024E	2025E	2026E
Revenues	12,286	11,245	11,845	12,235	12,562
Gross Profit	4,003	3,599	4,276	4,584	4,779
EBITDA	1,003	732	1,357	1,531	1,657
Net Income	169	61	419	471	631
EPS (CLP)	68	24	167	188	251
Gross Margin	32.6%	32.0%	36.1%	37.5%	38.0%
EBITDA Margin	8.2%	6.5%	11.5%	12.5%	13.2%
Net Margin	1.4%	0.5%	3.5%	3.8%	5.0%

Balance Sheet

CLP mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	737	1,116	1,176	1,220	1,241
Total Current Assets	3,444	3,475	3,569	3,665	3,379
Total Assets	22,545	23,839	23,770	24,246	24,295
Current Liabilities	2,659	2,237	2,336	2,449	2,299
Financial Debt	5,826	5,824	5,771	5,530	4,675
Total Liabilities	16,044	16,383	15,571	15,891	15,231
Minority Interest	992	1,155	1,387	1,198	1,417
Shareholders Equity	5,509	6,301	6,812	7,157	7,647
Total Liabilities + Equity	22,545	23,839	23,770	24,246	24,295
Net Debt /EBITDA	5.1	6.4	3.4	2.8	2.1
Financial Debt /EBITDA	5.8	8.0	4.3	3.6	2.8
Financial Debt /Equity	1.1	0.9	0.8	0.8	0.6
ROAE	3.0%	1.0%	6.4%	6.7%	8.5%
ROAA	0.8%	0.3%	1.8%	2.0%	2.6%
ROIC	4.8%	2.3%	5.0%	5.9%	6.6%

Cash Flow Statement

CLP mn	2022	2023	2024E	2025E	2026E
Initial Cash	**579**	**737**	**1,116**	**1,176**	**1,220**
Cash Flow From Operations	83	1,266	547	1,048	1,237
CAPEX	-480	-414	-326	-344	-383
Changes in Financial Debt	1,099	-2	-53	-241	-855
Dividends (Paid) Received	-256	-9	-36	-126	-141
Other CFI & CFF Items	-288	-462	-72	-294	162
Changes in Equity	0	0	0	0	0
Final Cash	**737**	**1,116**	**1,176**	**1,220**	**1,241**
Change in Cash Position	**158**	**380**	**60**	**44**	**21**

Sources: Company Reports and Credicorp Capital

Falabella

Fixed Income Research Chile
Retail

NR / BB+ / BB+
Outlook: nr / n / n

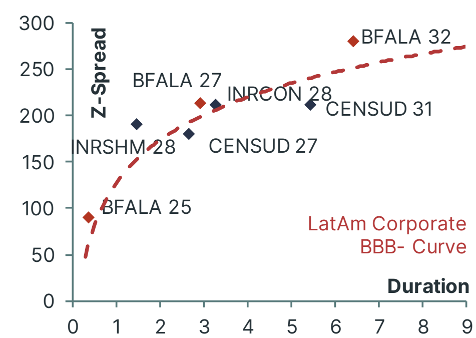
Josefina Valdivia - jvaldivia@credicorpcapital.com

How far away is the IG?

Investment Thesis

After peaking at 8.2x last year, triggering the loss of the IG status, net leverage has rapidly improved, reaching 4.7x by 2Q24. Falabella's efficiency plan and a better macroeconomic outlook should support a solid EBITDA recovery and, consequently, the deleveraging trend. We believe the company is on track to close the year with leverage below rating agencies' thresholds (4.0x), which should stabilize the rating outlook. In our view, BFALA 27 has already incorporated the improved figures, trading ~35bps to CENSUD 27, while there is still some value for BFALA 32 at ~70bps over CENSUD 31. Further spread compression will rely on a more straight-forward path to regain the IG, which will not only depend on lower leverage levels but also a successful outcome of recent strategic changes that can sustain an efficient cost structure and a stronger market position and, therefore, more stable margins, something yet to be seen. However, recent results showed that the company is on the right track.

Falabella Bonds and comparables



Credit Data	
REG-S Notes	3
Outstanding Senior Notes	USD 1,259MM
Closest Call Date	27-Oct-24
Closest Maturity Date	27-Jan-25

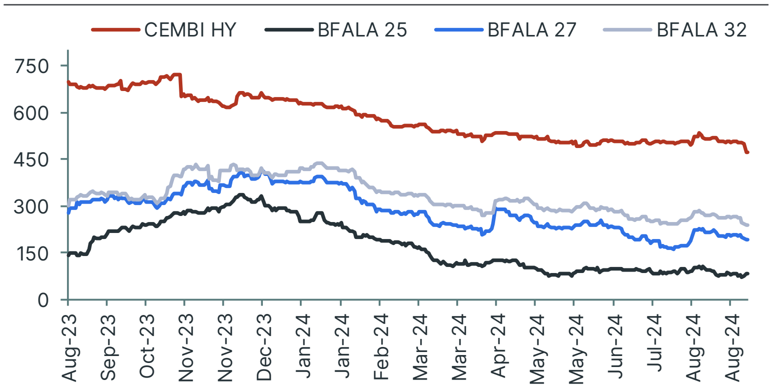
Concerns

- Intense competitive environment
- Uncertainity regarding the execution of the strategy shift
- High capex requirements in IT & logistics
- High exposure to consumption trends

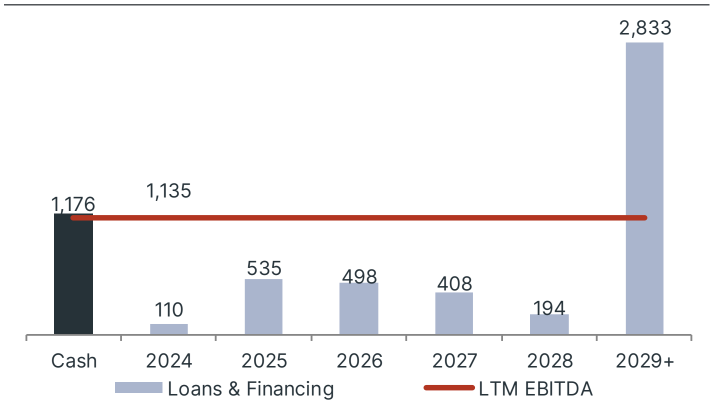
Strengths

- Improving macro environment, which is driving operational improvements and strong deleverage
- Successful implementation of efficiency plan, which is driving margin expansion
- Leading position in Home Improvement
- Growth opportunities in e-commerce
- Geographic and business diversification

Z- Spread evolution



Debt Maturity Profile (excludes Bank)



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
BFALA 25	USD 209mn	4.38%	NR / BB+ / BB+	89	0.4	99.5	0.4%	5.7%	Neutral
BFALA 27	USD 400mn	3.75%	NR / BB+ / BB+	213	2.9	95.4	0.3%	5.4%	Neutral
BFALA 32	USD 650mn	3.38%	NR / BB+ / BB+	280	6.4	84.6	0.3%	6.0%	Overweight

InRetail

Equity Research Peru
Retail

Rating: Buy
TP: USD 38.0

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Fabrizio Lavalle - fabriziolavalle@credicorpcapital.com

Solid margins at hard-discounted valuations

Investment Thesis

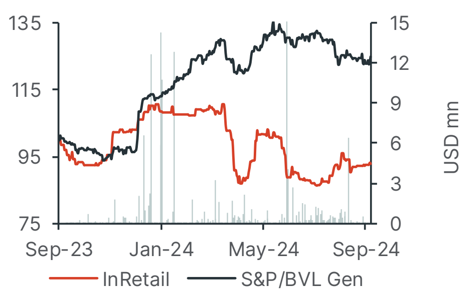
We are maintaining our Buy rating and updating our YE2025 TP to USD 38, incorporating a YE2025 USD/PEN of 3.7. InRetail has navigated a challenging 2024 consumption landscape, outperforming peers in food retail and real estate while delivering strong profitability in pharma, which was supported by last year's store transformation. The outlook for 2H24, though still constrained by a subdued consumption environment, is expected to improve relative to 1H24, driven by a stronger, earlier-than-expected winter campaign and progressive consumption recovery. Having said this, organic growth continues to be the main booster of results. InRetail's footprint expansion strategy in Food Retail is set to deliver outperforming growth, with 300 net openings annually, including 1-2 big box stores. However, despite the increasing mix of hard discount and Cash & Carry formats, InRetail has maintained solid EBITDA margins through efficiencies and fixed cost dilution, demonstrating the management's successful execution. In Pharma, the 2023 shift to beauty formats positions InRetail to benefit from a potential discretionary spending recovery later this year. Supplier-financed discounts should help gain market share in beauty and wellness without margin erosion in Pharmacies as well. Additionally, the planned 2025 Distribution center will enhance B2B efficiencies. The Real Estate division continues to perform well, with tenant SSS outperforming other Shopping Malls in 2024, and plans for a 15k sqm expansion by 2025, which should further enhance results.

The company is trading at a ~27% discount at the NTM EV/EBITDA level versus 5Y historical figures (6.6x, compared to a historical average of 9.0x), after a relevant selling pressure following the approval of another pension fund withdrawal in March this year. We believe this scenario is already past us and left a highly appealing entry point, making InRetail one of our favorite names in the Peruvian market.

Stock Data

Ticker	inretc1 pe
Price (USD)	29.8
Target (USD)	38.0
Total Return	30.9%
LTM Range	28 - 36
M. Cap (USD mn)	3,241
Shares Outs. (mn)	109
Free Float	32%
ADTV (USD mn)	0.7

Price Chart (USD) and Volumes (USD mn)



Valuation

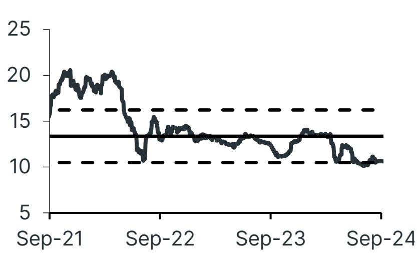
Our TP is based entirely on a ten-year DCF model. We have adjusted our WACC up to 12%, incorporating a higher country risk. We estimate 2023 - 2026 CAGRs of ~6.0% and ~7% for EBITDA and Net Income, respectively.

Valuation Summary

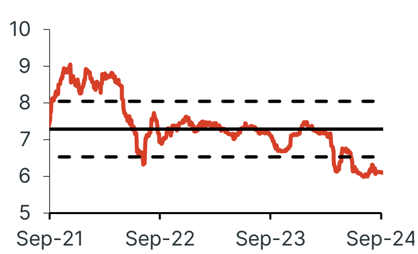
	2023	2024E	2025E	2026E
EV/EBITDA	8.2	7.0	6.6	6.2
P/E	15.7	13.2	11.7	10.8
P/CF	8.6	10.7	9.6	6.4
P/BV	2.7	2.0	1.8	1.8
Div. Yield	2.3%	2.7%	3.4%	7.2%

Sources: Company Reports and Credicorp Capital

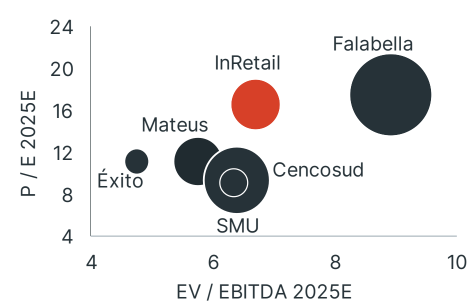
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

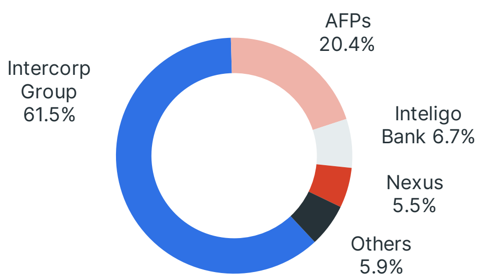


InRetail

Company Description

InRetail is a Peruvian multi-format retailer, engaging in the Food, Pharma and Real Estate businesses across all regions in Peru. The company has also presence in Ecuador through the pharma segment. InRetail is the largest retail player in Peru, reaching 1,204 food stores, 2,373 pharmacies and 22 shopping malls. The company is controlled by Intercorp Group, one of the largest business groups in Peru. Consolidated LTM sales reach USD 5.5 bn.

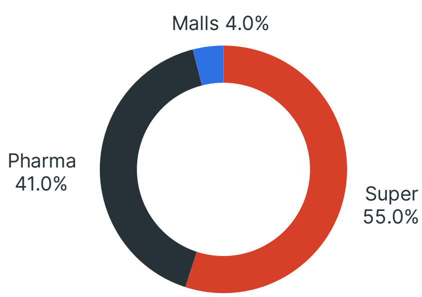
Ownership Structure



Income Statement

PEN mn	2022	2023	2024E	2025E	2026E
Revenues	19,782	20,863	21,841	23,189	24,576
Gross Profit	5,498	5,863	6,237	6,577	6,959
EBITDA	2,496	2,792	2,968	3,130	3,320
Net Income	736	936	926	1,042	1,131
EPS (USD)	6.77	8.6	8.5	9.6	10.4
Gross Margin	27.8%	28.1%	28.6%	28.4%	28.3%
EBITDA Margin	12.6%	13.4%	13.6%	13.5%	13.5%
Net Margin	3.7%	4.5%	4.2%	4.5%	4.6%

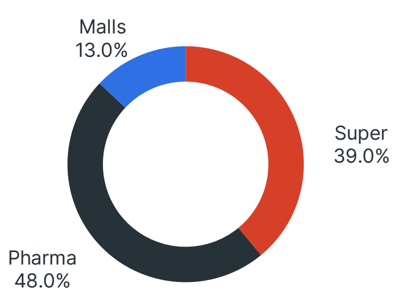
Revenue breakdown by concept (2020)



Balance Sheet

PEN mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	952	1,142	1,231	1,427	1,415
Total Current Assets	4,952	5,029	5,395	6,095	6,299
Total Assets	20,364	21,015	21,833	22,513	23,023
Current Liabilities	6,062	5,821	6,679	6,734	6,998
Financial Debt	9,537	9,348	9,715	9,715	9,715
Total Liabilities	15,597	15,587	15,841	15,896	16,159
Minority Interest	-4	0	0	0	0
Shareholders Equity	4,770	5,428	5,992	6,617	6,863
Total Liabilities + Equity	20,364	21,015	21,833	22,513	23,023
Net Debt /EBITDA	3.4	2.9	2.9	2.6	2.5
Financial Debt /EBITDA	3.8	3.3	3.3	3.1	2.9
Financial Debt /Equity	2.0	1.7	1.6	1.5	1.4
ROAE	16.1%	18.4%	16.2%	16.5%	16.8%
ROAA	3.7%	4.5%	4.3%	4.7%	5.0%
ROIC	8.1%	9.6%	9.4%	9.7%	10.3%

EBITDA breakdown by business (LTM)



Cash Flow Statement

PEN mn	2022	2023	2024E	2025E	2026E
Initial Cash	**1,039**	**952**	**1,142**	**1,231**	**1,427**
Cash Flow From Operations	1,556	1,826	1,621	1,553	2,099
CAPEX	-1,010	-702	-1,103	-863	-818
Changes in Financial Debt	137	-189	367	0	0
Dividends (Paid) Received	-276	-333	-328	-417	-886
Other CFI & CFF Items	-717	-411	-469	-77	-408
Changes in Equity	223	0	0	0	0
Final Cash	**952**	**1,142**	**1,231**	**1,427**	**1,415**
Change in Cash Position	**-87**	**190**	**89**	**196**	**-12**

Sources: Company Reports and Credicorp Capital

Management

CEO: Juan Carlos Vallejo
CFO: Marcelo Ramos
IRO: Vanessa Dañino
www.inretail.pe

InRetail Shopping Malls

Josefina Valdivia - jvaldivia@credicorpcapital.com

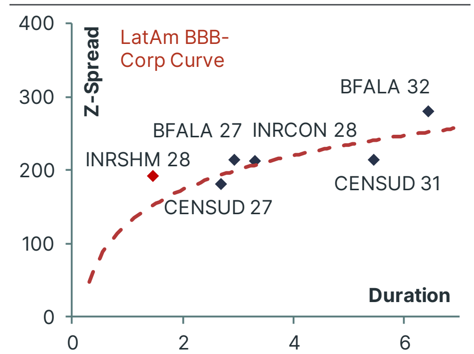
Ba2 / BB+ / BBB-
Outlook: p / s / p

Leverage to maintain its downward trend

Investment Thesis

InRetail Shopping Malls has continued to deliver strong top-line growth despite negative tenant same-store sales in a challenging consumption environment. This growth has been supported by increased GLA, higher contractual rents, and improved occupancy rates. Margins have remained solid, reflecting disciplined cost management. The company has been consistently deleveraging over the past three years, driven by rising EBITDA and moderate CAPEX, and we expect this trend to continue. Regarding bonds, we see value for INRSHM 28 trading ~40bps over Cencosud. Thus, we remain Neutral at current levels.

InRetail SM Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 350MM
Closest Call Date	19-Sep-24
Closest Maturity Date	03-Apr-28
Interest Coverage Covenant	1.75x

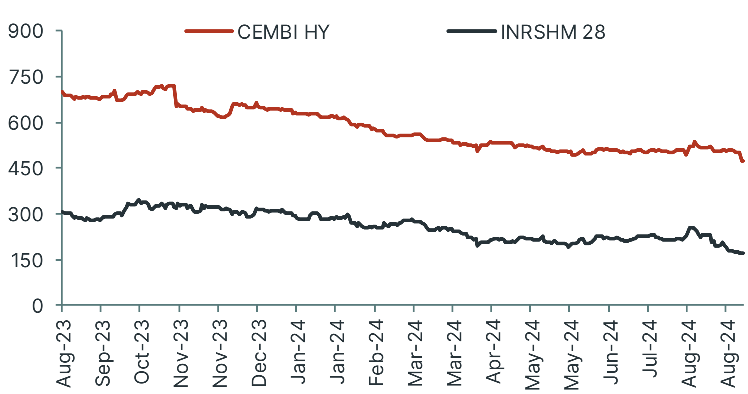
Concerns

- Potential increase in competition and saturation of malls
- Potential slowdown in consumption impacting vacancy levels

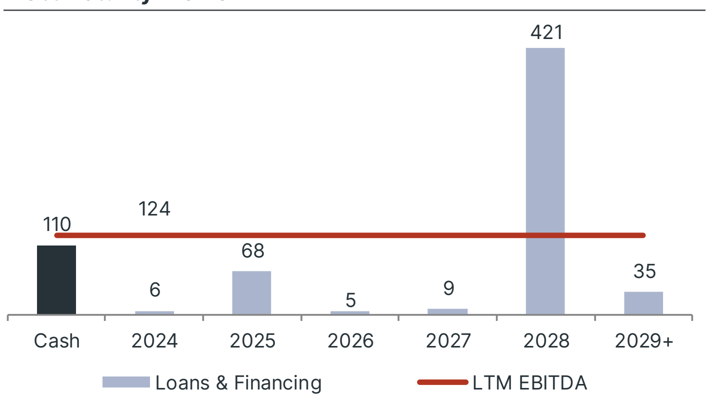
Strengths

- Strong market position
- Improving leverage metrics
- Strong managemet execution and support from Intercorp
- Still low penetration level for shopping malls in Peru

Z- Spread evolution



Debt Maturity Profile



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
INRSHM 28	USD 350mn	5.75%	Ba2 / BB+ / BBB-	191	1.5	100.2	0.5%	5.6%	Neutral

InRetail Consumer

Baa3 / BB+ / BBB-
Outlook: n / s / s

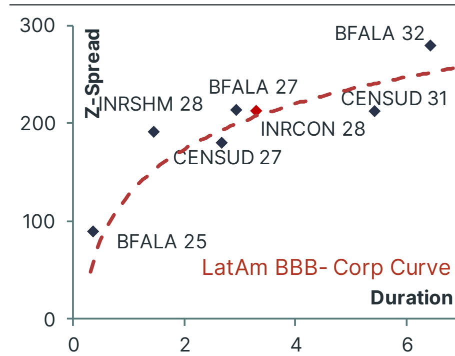
Josefina Valdivia - jvaldivia@credicorpcapital.com

A Defensive play

Investment Thesis

This year, InRetail's results are proof of the strength, resilience, and defensive nature of its business model, as well as its solid track record. Top-line growth has been somewhat subdued due to sluggish consumption dynamics in Peru. Nevertheless, the company has maintained resilient margins in both business segments. In food, growth has been bolstered by the rapid expansion of the hard-discount format, targeting approximately 300 new stores annually. The company has sustained stable margins despite the increasing contribution of lower-margin formats. In the Pharma segment, margins have remained robust, supported by an improved sales mix and stringent cost controls. Net leverage closed solid at 2.9x in 2Q24, and we anticipate stability moving forward as free cash flows from Pharma would support higher CAPEX for new format openings in food. Regarding bonds, we see value for INRCON 28 trading ~40bps over Cencosud. Thus, we remain Neutral.

InRetail Consumer Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 600MM
Closest Call Date	22-Jan-28
Closest Maturity Date	22-Mar-28

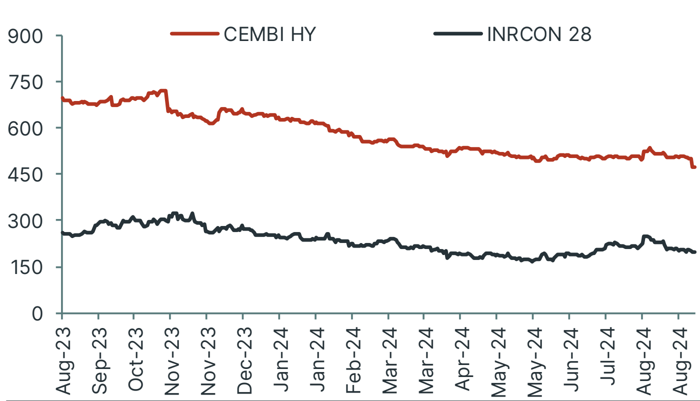
Concerns

- Regulatory risk in Pharma
- Greater competition in Food Retail business
- Geographic concentration

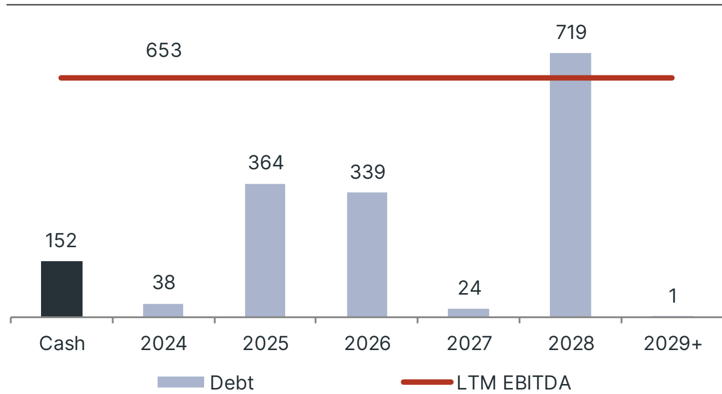
Strengths

- Strong market position in all segments
- Defensive business model, coupled with a focus on efficiency
- Strong managemet execution

Z- Spread evolution



Debt Maturity Profile



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
INRCON 28	USD 600mn	3.25%	Baa3 / BB+ / BBB-	212	3.3	93.4	0.3%	5.3%	Neutral

Mall Plaza

Rating: Buy
TP: CLP 2,000

Equity Research Chile
Real Estate

María Ignacia Flores - miflores@credicorpcapital.com
Fabrizio Lavalle - fabriziolavalle@credicorpcapital.com

Above industry growth driving relative preference

Investment Thesis

We reaffirm our BUY rating for Mallplaza and introduce a 2025E TP of CLP 2,000, implying a 31% upside, alongside a 3.3% dividend yield for 2025. Mallplaza is one of our favorite names in the Real Estate sector, as, according to our estimates, still offers the highest growth potential in the sector, highly supported by its recent acquisition of Open Plaza Perú assets. This acquisition is expected to increase GLA by 29% in 2025, driving revenue growth by ~21% and EBITDA by ~23%, even without considering any potential synergy. Additionally, a successful capital increase, resulting in Falabella's dilution, has raised the company's free float from 15.2% to 21.4%, enhancing visibility in local and international markets, which may positively influence its stock market index relevance.

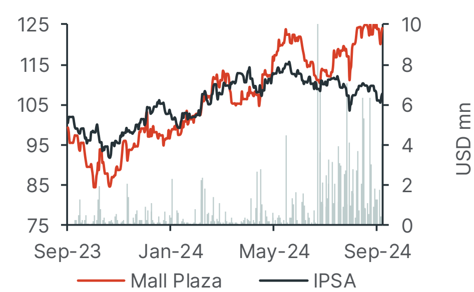
Mallplaza has a solid asset transformation strategy, with a 100,000 sqm 5-year expansion plan in Peru and a 125,000 sqm plan in Chile, valued at USD 450 mn, which certainly accounts for additional upside risk in our figures. Most importantly, the company has a proven track record on transforming assets, such as Mallplaza Arequipa and NQS, strongly increasing profitability, while the reduction of sqm destined to Department Stores in the portfolio should allow for higher rents in the future as smaller retailers occupy those spaces.

Despite the stock's impressive YTD performance, Mallplaza remains undervalued compared to its peers, with Cap Rate spreads vs. Chilean Sovereign Bonds still above historical averages (~475 bps vs. ~300 bps). We believe current valuations offer an attractive entry point, driven by both organic and inorganic GLA expansions, coupled with the anticipated easing of interest rates in the US economy.

Stock Data

Ticker	mallplaz ci
Price (CLP)	1,529
Target (CLP)	2,000
Total Return	34.1%
LTM Range	1,041 - 1,550
M. Cap (USD mn)	3,219
Shares Outs. (mn)	1,960
Free Float	21%
ADTV (USD mn)	1.6

Price Chart (CLP) and Volumes (USD mn)



Valuation

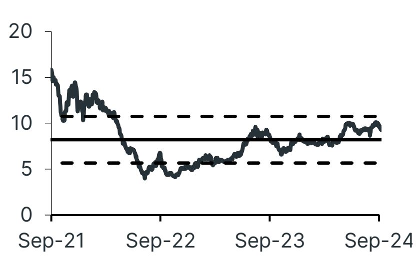
Our TP is derived from a valuation that blends a ten-year discounted cash flow (DCF) model and a multiples-based approach, weighted equally. We assume a cap rate of 7.4%, representing a ~9% premium over historical multiples, and a price-to-funds from operations (P/FFO) multiple of 14x, which we consider to be a fair valuation relative to historical multiples.

Valuation Summary

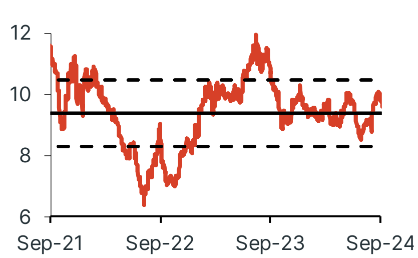
	2023	2024E	2025E	2026E
EV/EBITDA	10.5	11.1	9.0	8.6
P/E	7.0	10.6	9.6	9.1
P/CF	16.7	42.2	13.6	10.2
P/BV	0.9	1.0	1.0	0.9
Div. Yield	0.0%	2.7%	3.3%	6.7%

Sources: Company Reports and Credicorp Capital

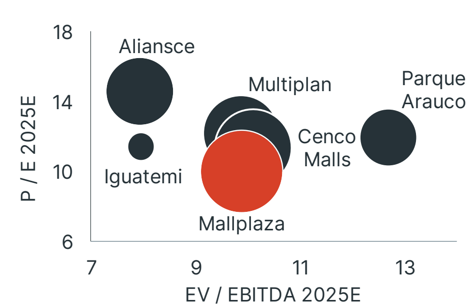
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

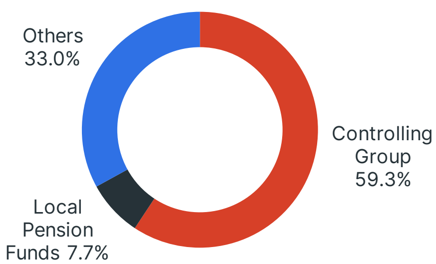


Mall Plaza

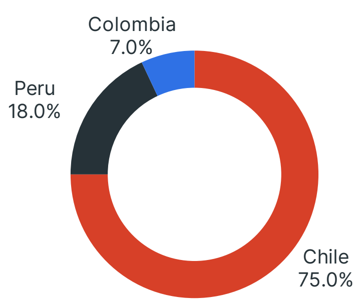
Company Description

Mall Plaza is a Chilean Real Estate developer and shopping mall operator, part of the Falabella Holding. Its portfolio includes 26 regional malls across Chile, Peru and Colombia, reaching to a total GLA of 1,999,000 sqm. The company is the largest operator in Chile in terms of revenues and GLA. Consolidated LTM revenues reach CLP 442 mn.

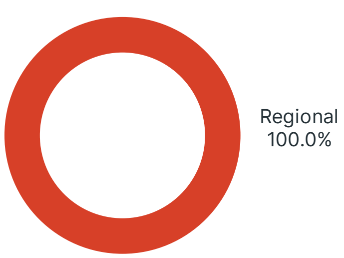
Ownership Structure



EBITDA breakdown by country (LTM)



GLA breakdown by format (LTM)



Management

CEO: Fernando de Peña
CFO: Derek Schwietzer
IRO: Matias Guerra
www.mallplaza.com

Income Statement

CLP mn	2022	2023	2024E	2025E	2026E
Revenues	370,899	419,904	483,547	584,443	614,861
Gross Profit	311,352	362,477	417,944	508,465	535,612
EBITDA	269,098	335,611	374,449	461,311	485,698
Net Income	147,887	349,759	315,177	349,849	368,410
EPS (CLP)	68	160	144	160	168
Gross Margin	83.9%	86.3%	86.4%	87.0%	87.1%
EBITDA Margin	72.6%	79.9%	77.4%	78.9%	79.0%
Net Margin	39.9%	83.3%	65.2%	59.9%	59.9%

Balance Sheet

CLP mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	301,790	202,016	241,773	280,533	295,133
Total Current Assets	538,685	435,127	505,546	586,967	602,812
Total Assets	4,513,943	4,796,336	5,655,039	5,947,898	6,264,157
Current Liabilities	217,902	244,017	216,494	258,033	269,755
Financial Debt	1,300,377	1,264,010	1,611,303	1,609,606	1,756,622
Total Liabilities	2,082,266	2,163,648	2,423,345	2,463,509	2,613,507
Minority Interest	168,378	31,634	31,308	34,468	34,468
Shareholders Equity	2,263,298	2,601,053	3,200,387	3,449,921	3,616,182
Total Liabilities + Equity	4,513,943	4,796,336	5,655,039	5,947,898	6,264,157
Net Debt /EBITDA	3.7	3.2	3.7	2.9	3.0
Financial Debt /EBITDA	4.8	3.8	4.3	3.5	3.6
Financial Debt /Equity	0.6	0.5	0.5	0.5	0.5
ROAE	7.3%	14.4%	10.9%	10.5%	10.4%
ROAA	3.7%	7.5%	6.0%	6.0%	6.0%
ROIC	6.7%	7.3%	6.3%	7.2%	7.4%

Cash Flow Statement

CLP mn	2022	2023	2024E	2025E	2026E
Initial Cash	**125,053**	**301,790**	**202,016**	**241,773**	**280,533**
Cash Flow From Operations	236,422	463,384	196,302	347,111	370,753
CAPEX	-113,440	-117,518	-93,151	-104,918	-76,516
Changes in Financial Debt	267,456	-36,367	347,293	-1,697	147,016
Dividends (Paid) Received	-45,410	-11	-79,757	-100,314	-202,149
Other CFI & CFF Items	-168,291	-409,262	-620,306	-101,423	-224,503
Changes in Equity	0	0	289,377	0	0
Final Cash	**301,790**	**202,016**	**241,773**	**280,533**	**295,133**
Change in Cash Position	**176,737**	**-99,774**	**39,758**	**38,759**	**14,601**

Sources: Company Reports and Credicorp Capital

Parque Arauco

Rating: Hold
TP: CLP 1,900

Equity Research Chile
Real Estate

María Ignacia Flores - miflores@credicorpcapital.com
Fabrizio Lavalle - fabriziolavalle@credicorpcapital.com

Still a flight to quality call

Investment Thesis

We introduce a 2025E TP of CLP 1,900 with a Hold rating, implying a ~23% upside from current prices (below our IPSA coverage), along with a 2.4% dividend yield for 2025. Having said this, we maintain a positive view regarding Parque Arauco's LT fundamentals, as the management has a clear strategic focus on growth and a concern to seek the optimal efficiency of every asset at every point in time. The company has been proactively optimizing its asset portfolio and tenant base, which should ensure solid operational results going forward. We expect a ~6% CAGR in NOI from 2024-2028, despite only a 1.3% CAGR in GLA over the same period, which reflects management's successful execution. Further growth could occur once new projects are announced, such as Open Kennedy, which we have not yet included in our forecast due to still pending permits but recognize as an upside risk.

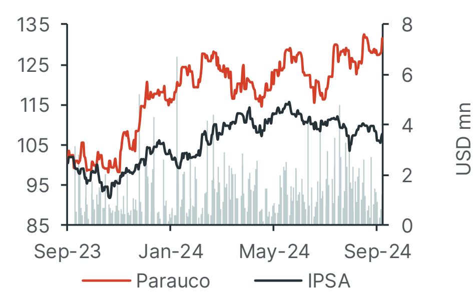
Parque Arauco's exposure to top shopping malls in Chile, Peru, and Colombia—accounting for ~60% of its NOI—ensures strong traffic and occupancy levels due to these assets' prime locations. Moreover, with the highest exposure to discretionary tenants among its peers (~52% of GLA), the company is well-positioned to benefit from a recovery in discretionary spending.

Diversification is a plus, and leverage is not a concern. Only ~50% of the company's GLA comes from regional malls, and ~60% of its revenues are from Chile. Its expertise across the Andean region, particularly in Peru and Colombia, should help capitalize on regional opportunities. The company is comfortable with net debt/EBITDA of ~5-5.5x, and strong cash flow should help normalize this post-Open Kennedy acquisition. Trading at a ~9% 12M forward Cap Rate, below the ~7% historical average, current valuations present room for upside.

Stock Data

Ticker	parauco ci
Price (CLP)	1,549
Target (CLP)	1,900
Total Return	25.1%
LTM Range	1,156 - 1,560
M. Cap (USD mn)	1,507
Shares Outs. (mn)	906
Free Float	55%
ADTV (USD mn)	1.3

Price Chart (CLP) and Volumes (USD mn)



Valuation

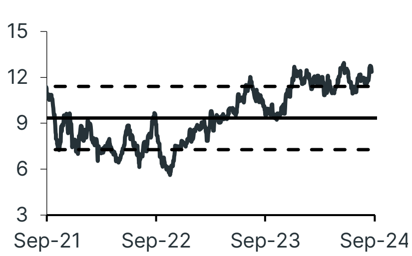
Our TP is based on a 50/50 valuation composed of a ten-year DCF model (WACC 10.1% - Ke 15.5%) and a multiple valuation. In our multiple valuations, we are assuming an 8% Cap Rate and a 12x P/FFO. The implicit Cap Rate of our TP 1,900 valuation is ~7%, compared to the current ~9% Cap Rate. We estimate 2024-2028 CAGRs of ~5% and ~6% for EBITDA and FFO, respectively.

Valuation Summary

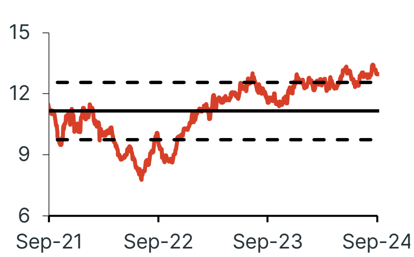
	2023	2024E	2025E	2026E
EV/EBITDA	14.1	13.0	12.4	11.8
P/E	11.5	12.4	11.5	10.9
P/CF	201.1	234.9	23.5	17.4
P/BV	1.0	1.0	0.9	0.9
Div. Yield	4.1%	3.0%	2.4%	3.9%

Sources: Company Reports and Credicorp Capital

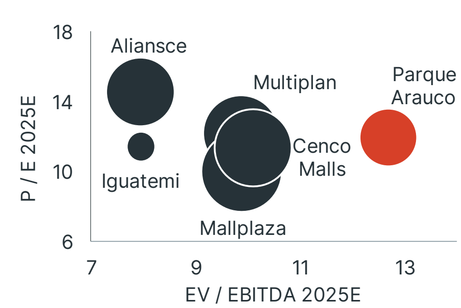
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

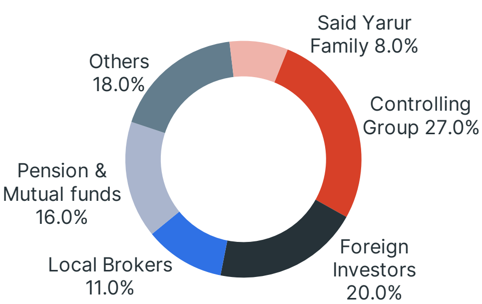


Parauco

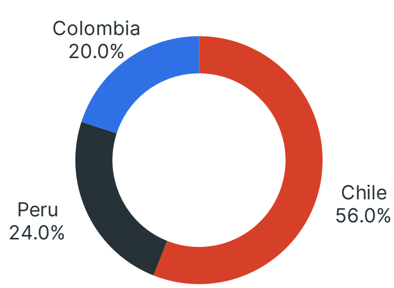
Company Description

Parque Arauco is a Chilean real estate developer and shopping mall operator. Its portfolio includes more than 30 shopping malls across Chile, Peru and Colombia, reaching a total GLA of 1,176,500 sqm, of which they own 1,013,097 sqm. It is the 3rd shopping mall operator in Chile in terms of revenues and GLA and the second largest operator in Peru. Parque Arauco was founded in 1979 and is headquartered in Santiago, Chile.

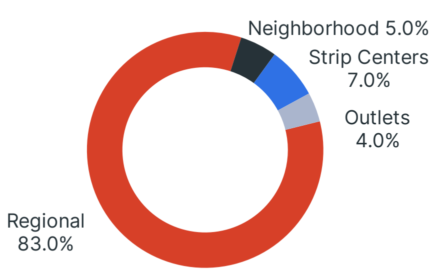
Ownership Structure



Revenue breakdown by country (LTM)



Revenue breakdown by format (LTM)



Management

CEO: Eduardo Pérez
CFO: Francisco Moyano
IRO: Lauren Brown
www.parquearauco.cl

Income Statement

CLP mn	2022	2023	2024E	2025E	2026E
Revenues	231,156	264,313	312,314	324,084	340,281
Gross Profit	187,993	211,003	249,564	260,528	274,218
EBITDA	170,697	187,293	222,311	233,432	245,767
Net Income	101,032	111,479	113,504	121,477	128,725
EPS (CLP)	112	123	125	134	142
Gross Margin	81.3%	79.8%	79.9%	80.4%	80.6%
EBITDA Margin	73.8%	70.9%	71.2%	72.0%	72.2%
Net Margin	43.7%	42.2%	36.3%	37.5%	37.8%

Balance Sheet

CLP mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	243,043	319,187	437,379	453,603	431,127
Total Current Assets	316,128	420,724	584,084	601,055	600,406
Total Assets	2,938,211	3,482,971	3,867,235	4,057,926	4,207,270
Current Liabilities	191,652	260,906	411,028	424,490	448,146
Financial Debt	1,151,630	1,350,728	1,579,090	1,648,139	1,701,869
Total Liabilities	1,582,146	1,852,011	2,091,233	2,162,756	2,223,799
Minority Interest	211,136	332,049	355,202	386,944	401,185
Shareholders Equity	1,144,929	1,298,911	1,420,800	1,508,226	1,582,286
Total Liabilities + Equity	2,938,211	3,482,971	3,867,235	4,057,926	4,207,270
Net Debt /EBITDA	5.3	5.5	5.1	5.1	5.2
Financial Debt /EBITDA	6.7	7.2	7.1	7.1	6.9
Financial Debt /Equity	1.0	1.0	1.1	1.1	1.1
ROAE	9.1%	9.1%	8.3%	8.3%	8.3%
ROAA	3.5%	3.5%	3.1%	3.1%	3.1%
ROIC	5.7%	5.3%	5.9%	5.6%	5.6%

Cash Flow Statement

CLP mn	2022	2023	2024E	2025E	2026E
Initial Cash	**298,662**	**243,043**	**319,187**	**437,379**	**453,603**
Cash Flow From Operations	91,979	130,593	108,658	121,412	113,791
CAPEX	-94,148	-140,098	-178,743	-121,927	-99,573
Changes in Financial Debt	50,114	199,098	228,362	69,049	53,730
Dividends (Paid) Received	-33,889	-52,078	-42,014	-34,051	-54,665
Other CFI & CFF Items	-69,676	-61,371	1,930	-18,258	-35,759
Changes in Equity	0	0	0	0	0
Final Cash	**243,043**	**319,187**	**437,379**	**453,603**	**431,127**
Change in Cash Position	**-55,619**	**76,144**	**118,192**	**16,224**	**-22,477**

Sources: Company Reports and Credicorp Capital

Ripley

Equity Research Chile
Retail

Rating: Hold
TP: CLP 315

María Ignacia Flores - miflores@credicorpcapital.com
Fabrizio Lavalle - fabriziolavalle@credicorpcapital.com

An impressive rally that has left shares with limited upside potential

Investment Thesis

We have updated our 2025E TP to CLP 315 with a HOLD rating. This reflects a projected ~27% upside and a 1.6% div yield for 2025. While we expect Ripley to maintain its strong fundamental momentum, the impressive ~42% YTD rally has limited the potential upside compared to our IPSA sample, which underpins our HOLD rating. Having said this, shares have posted a 10% contraction in the past month, strongly underperforming the IPSA index. Therefore, we do not discard a market correction in the upcoming months, though we continue to believe that 2025 will be the year for discretionary consumption names to shine.

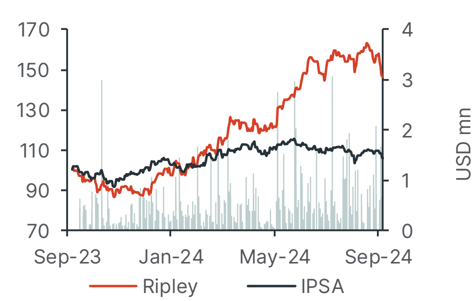
Ripley has been doing the job right. After several quarters suffering at both the retail and banking segments, we finally saw the light in 2Q24. Retail sales started to pick up, supported by the generalized consumption recovery and a strong Cyber Day campaign, while efforts on inventory management, coupled with a successful efficiency plan implemented in 2023, strongly guided margins. Moreover, the bank was able to win the fight against the risk, leading to quarter-over-quarter normalization in the CoR and enhancing margins. The momentum recovery, efficiency gains, and incorporation of the two diamonds in the Real Estate business (SJL and Iquitos) have certainly been bought by the market. Same as with Falabella, we believe that, while the news flow should continue to be positive, at this point, it might not be enough to resume the impressive rally that has been posted throughout the year.

What comes next? After stabilizing the operation, Ripley's main focus will now be on increasing the Marketplace's profitability, as the previous focus on growth somewhat hindered margins. As a result, we believe there is potential for margin expansion in the long run, but we are struggling to see plans for further growth in other businesses.

Stock Data

Ticker	ripley ci
Price (CLP)	248
Target (CLP)	315
Total Return	28.6%
LTM Range	151 - 284
M. Cap (USD mn)	516
Shares Outs. (mn)	1,936
Free Float	48%
ADTV (USD mn)	0.6

Price Chart (CLP) and Volumes (USD mn)



Valuation

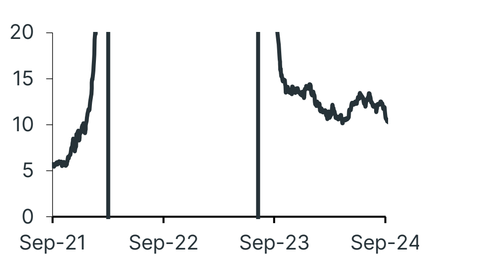
Our target price is derived from a SOTP valuation model, incorporating a ten-year DCF valuation for the retail segment, a ten-year residual income model for the financial business, and a multiples-based approach for the real estate segment. The retail segment contributes CLP -208/share, the financial segment CLP 175/share (P/loans of 0.4x), and the malls segment CLP 426/share. Corporate costs are valued at CLP -102/share.

Valuation Summary

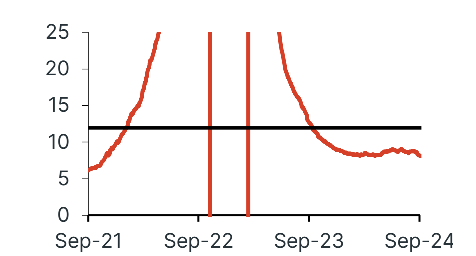
	2023	2024E	2025E	2026E
EV/EBITDA	-66.3	8.5	6.9	6.7
P/E	-6.7	18.5	8.6	8.7
P/CF	53.8	6.8	13.5	58.7
P/BV	0.4	0.5	0.5	0.4
Div. Yield	11.4%	0.0%	1.6%	4.7%

Sources: Company Reports and Credicorp Capital

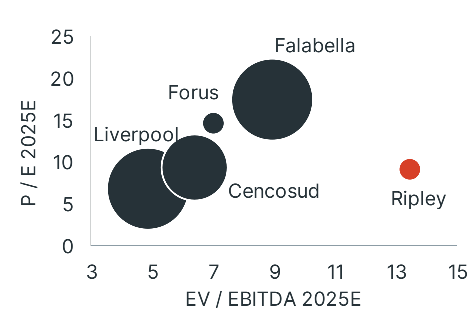
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

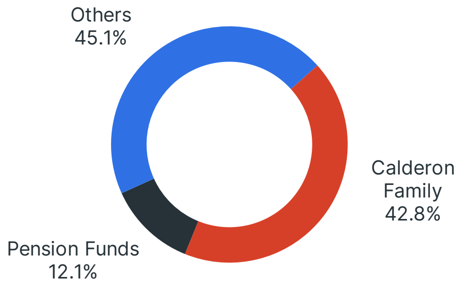


Ripley

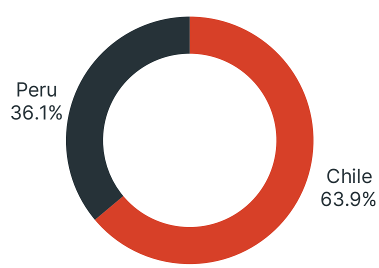
Company Description

Ripley Corp SA is a Chilean company, which engages in the operation of Department Stores (clothing, accessories, home furnishing and electro categories through both the offline and online channels), a Banking Business (~1.7 mn active clients, CLP 1.3 bn loan portfolio) and a Real Estate segment. All three businesses operate in both Chile and Peru. The company was founded in 1956 and is the third largest Department Store player in Chile. Consolidated LTM sales reach ~USD 2.2 bn.

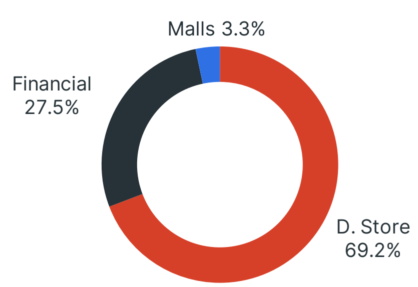
Ownership Structure



Revenue breakdown by country (LTM)



Revenue breakdown by business (LTM)



Management

CEO: Lázaro Calderón
CFO: Werner Geissbuhler
IRO: Natalia Nacif
www.simple.ripley.cl

Income Statement

CLP mn	2022	2023	2024E	2025E	2026E
Revenues	2,074,702	1,926,418	2,062,500	2,110,606	2,154,977
Gross Profit	621,405	536,421	676,838	706,114	724,851
EBITDA	85,312	-17,109	133,582	163,362	168,619
Net Income	20,838	-50,774	25,975	55,862	54,929
EPS (CLP)	11	-26	13	29	28
Gross Margin	30.0%	27.8%	32.8%	33.5%	33.6%
EBITDA Margin	4.1%	-0.9%	6.5%	7.7%	7.8%
Net Margin	1.0%	-2.6%	1.3%	2.6%	2.5%

Balance Sheet

CLP mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	437,132	368,123	308,962	330,795	330,269
Total Current Assets	1,809,329	1,515,341	1,482,871	1,579,689	1,686,531
Total Assets	3,865,280	3,736,275	3,698,167	3,752,174	3,816,434
Current Liabilities	1,694,582	1,796,876	1,822,374	1,829,554	1,793,296
Financial Debt	2,129,487	2,117,020	2,031,197	2,031,197	2,056,493
Total Liabilities	2,853,106	2,785,045	2,703,044	2,709,994	2,741,663
Minority Interest	417	1,331	1,410	399	406
Shareholders Equity	1,011,757	949,899	993,713	1,041,782	1,074,366
Total Liabilities + Equity	3,865,280	3,736,275	3,698,167	3,752,174	3,816,434
Net Debt /EBITDA	19.8	nm	12.9	10.4	10.2
Financial Debt /EBITDA	25.0	nm	15.2	12.4	12.2
Financial Debt /Equity	2.1	2.2	2.0	1.9	1.9
ROAE	2.1%	-5.2%	2.7%	5.5%	5.2%
ROAA	0.6%	-1.3%	0.7%	1.5%	1.5%
ROIC	-1.2%	-2.1%	1.5%	2.2%	2.3%

Cash Flow Statement

CLP mn	2022	2023	2024E	2025E	2026E
Initial Cash	**535,391**	**437,132**	**368,123**	**308,962**	**330,795**
Cash Flow From Operations	-396,335	29,336	58,825	68,787	34,934
CAPEX	-37,126	-57,839	-35,818	-38,150	-38,417
Changes in Financial Debt	340,095	-12,467	-85,822	0	25,295
Dividends (Paid) Received	-9,680	-38,722	0	-7,793	-22,345
Other CFI & CFF Items	4,788	10,683	3,654	-1,011	7
Changes in Equity	0	0	0	0	0
Final Cash	**437,132**	**368,123**	**308,962**	**330,795**	**330,269**
Change in Cash Position	**-98,258**	**-69,009**	**-59,161**	**21,833**	**-526**

Sources: Company Reports and Credicorp Capital

SMU

Equity Research Chile
Retail

Rating: Buy
TP: CLP 210

María Ignacia Flores - miflores@credicorpcapital.com
Fabrizio Lavalle - fabriziolavalle@credicorpcapital.com

A bet set to outperform the IPSA, though it may take a while

Investment Thesis

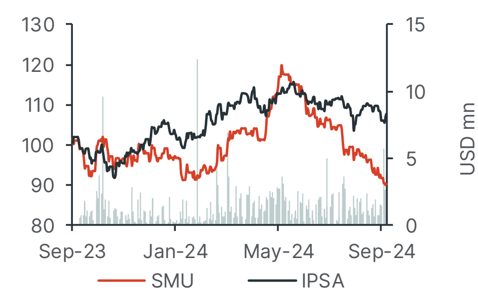
We are maintaining our Buy rating and introducing a 2025E TP of CLP 210, indicating a potential upside of ~49%, in addition to a projected ~5% dividend yield for 2025E. SMU's shares have experienced a sharp decline over the past three months, following a ~23% rally in April-May 2024 that, in our view, lacked fundamental support. This downturn, exacerbated by weaker-than-expected 2Q24 margins and a deteriorated outlook for 2H24, has strongly impacted the stock. While the short run should remain somewhat more challenging, we remain confident in the company's long-term fundamentals, which should drive substantial upside towards 2025. Several factors underpin this outlook: i) SSS are expected to turn positive in 2H24, which, coupled with a solid footprint expansion (opening of 15 stores in 2H24 and 24 in 2025), should drive top-line growth to outpace inflation in 2025 and 2026. ii) The recent contraction in gross margins reflects a short-term strategic shift towards a more price-sensitive product mix aimed at boosting revenue. Nonetheless, we expect gross margins to stabilize at around 30.7% in the LT. iii) The company is actively pursuing cost-efficiency initiatives, such as increasing private-label penetration and automating processes at stores and DCs. This, coupled with a stronger fixed-cost dilution supported by solid top-line growth, should support EBITDA margins at the target level of 9%-9.5% going forward.

While we understand the market's concerns after a poor 2Q24, at this point, it seems like the bad news are already priced in after hitting a bottom that hadn't been seen in over a year. Therefore, we see an opportunity for SMU to outperform the IPSA while providing a sufficient margin of safety. Shares are trading at 6.3x EV/EBITDA 2025E, representing a ~17% discount relative to historical averages. Additionally, we believe that profit-taking from more discretionary retailers into discounted stories could further catalyze performance.

Stock Data

Ticker	smu ci
Price (CLP)	141
Target (CLP)	210
Total Return	54.6%
LTM Range	140 - 187
M. Cap (USD mn)	871
Shares Outs. (mn)	5,767
Free Float	43%
ADTV (USD mn)	1.4

Price Chart (CLP) and Volumes (USD mn)



Valuation

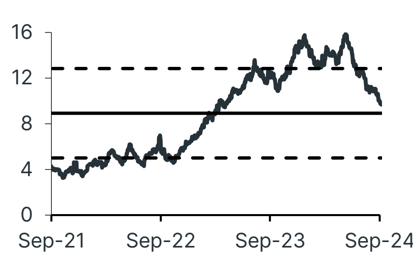
Our TP is derived from a 50/50 valuation approach, incorporating a ten-year discounted cash flow (DCF) model and a multiple-based valuation. The DCF model implies an exit multiple of 6.1x EV/EBITDA for the terminal value. We have also adjusted our WACC to ~11.8%, reflecting a lower risk-free rate offset by a higher country risk premium. The multiple-based valuation utilizes a 7x EV/EBITDA multiple and a 14x P/E multiple, consistent with the company's historical trading multiples. We project CAGRs of 5.5% and ~12% for revenues and EBITDA, respectively, over the 2024-2026 period.

Valuation Summary

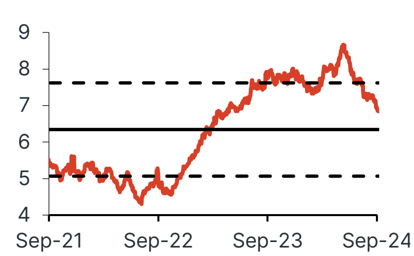
	2023	2024E	2025E	2026E
EV/EBITDA	7.3	7.1	6.3	5.7
P/E	10.5	13.4	8.7	7.4
P/CF	4.5	7.8	5.2	4.2
P/BV	1.1	1.0	0.9	0.9
Div. Yield	6.7%	7.5%	5.2%	9.2%

Sources: Company Reports and Credicorp Capital

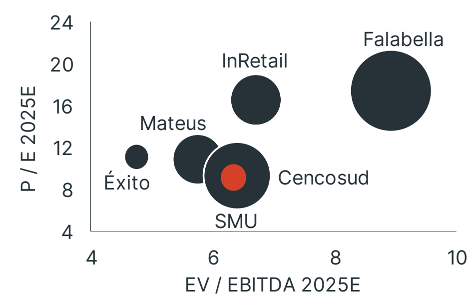
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

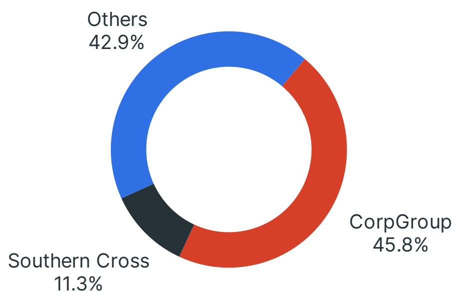


SMU

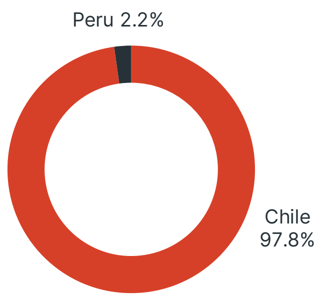
Company Description

SMU is a Chilean company, which engages in the Supermarket and Cash & Carry businesses in Chile and Peru. It operates under different banners: Unimarc in the Super segment (290 stores) and Alvi, Mayorista 10 and Super 10 in the cash & carry segment (94 stores), and they own 30 stores in Peru (Mayorsa and Maxi Ahorro, both in the discount format). The company was founded in 2007 and is the third food retail player in Chile (consolidated LTM sales reach ~USD 3 bn).

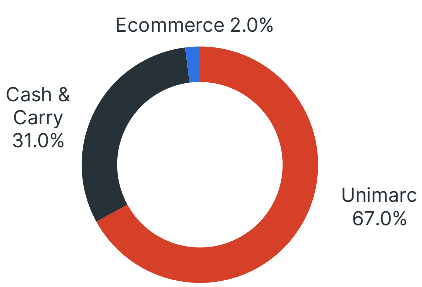
Ownership Structure



Revenue breakdown by country (LTM)



Revenue breakdown by business (LTM)



Management

CEO: Marcelo Galvez
CFO: Arturo Silva
IRO: Carolyn Mckenzie
www.smu.cl

Income Statement

CLP mn	2022	2023	2024E	2025E	2026E
Revenues	2,826,314	2,862,383	2,891,990	3,022,888	3,219,570
Gross Profit	835,295	877,900	878,979	926,413	986,880
EBITDA	266,332	262,480	235,008	266,728	295,897
Net Income	132,086	88,784	60,692	92,848	109,086
EPS (CLP)	23	15	11	16	19
Gross Margin	29.6%	30.7%	30.4%	30.6%	30.7%
EBITDA Margin	9.4%	9.2%	8.1%	8.8%	9.2%
Net Margin	4.7%	3.1%	2.1%	3.1%	3.4%

Balance Sheet

CLP mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	131,265	108,904	136,492	142,670	154,539
Total Current Assets	497,235	501,111	506,048	519,372	560,846
Total Assets	2,328,637	2,384,173	2,406,377	2,414,987	2,436,674
Current Liabilities	652,438	650,842	709,598	663,599	679,515
Financial Debt	1,041,963	1,080,490	1,117,559	1,072,869	1,035,605
Total Liabilities	1,541,305	1,571,125	1,592,836	1,551,083	1,537,962
Minority Interest	4,412	0	0	0	0
Shareholders Equity	782,919	813,048	813,541	863,905	898,712
Total Liabilities + Equity	2,328,637	2,384,173	2,406,377	2,414,987	2,436,674
Net Debt /EBITDA	3.4	3.7	4.2	3.5	3.0
Financial Debt /EBITDA	3.9	4.1	4.8	4.0	3.5
Financial Debt /Equity	1.3	1.3	1.4	1.2	1.2
ROAE	17.2%	11.1%	7.5%	11.1%	12.4%
ROAA	5.8%	3.8%	2.5%	3.9%	4.5%
ROIC	15.6%	8.1%	7.4%	8.6%	9.2%

Cash Flow Statement

CLP mn	2022	2023	2024E	2025E	2026E
Initial Cash	**113,802**	**131,265**	**108,904**	**136,492**	**142,670**
Cash Flow From Operations	122,328	95,537	148,565	193,454	224,733
CAPEX	-56,876	-94,602	-94,954	-100,101	-85,014
Changes in Financial Debt	55,825	38,527	37,069	-44,690	-37,264
Dividends (Paid) Received	-97,364	-62,612	-61,092	-42,484	-74,278
Other CFI & CFF Items	-6,450	787	-1,460	0	-16,307
Changes in Equity	0	0	-540	0	0
Final Cash	**131,265**	**108,904**	**136,492**	**142,670**	**154,539**
Change in Cash Position	**17,463**	**-22,362**	**27,589**	**6,178**	**11,869**

Sources: Company Reports and Credicorp Capital

4.5 / Transport

Andean **Investor Guide** 2025

Credicorp Capital

Transport

We are positive about the two big transportation-related names, but aware of their high-beta profiles.

We are reiterating our BUY rating on LATAM Airlines, yet conscious that this call may take some time to pay off.

LATAM Airlines – We reiterate our BUY rating on the stock with a 2025 YE target price of CLP 15/share. In our view, the downward correction in the share price triggered by an ADR relisting at an unexpected double-digit discount (despite being smaller in size than anticipated) is opening an attractive entry point since the company's fundamentals remain strong, while the stock trades at discounted valuations compared to what we estimate as fair. However, we are aware that the stock price recovery might take some time as further share sales by former creditors are likely once the lock-up period ends towards the end of November. Another key capital event has to do with the upcoming refinancing of a portion of its costly non-fleet debt, which will translate into a material reduction in financial expenses. In summary, LATAM Airlines's new takeoff is expected to take some time, but the flight should reach a higher altitude.

Upgrading Vapores to BUY.

Regarding Vapores, we are upgrading our recommendation from HOLD to BUY and introducing a 2025 target price of CLP 70 (previously CLP 60). We also expect a dividend of ~CLP 11/share in 2025, which implies a DY of ~20%. Our positive outlook on Vapores is primarily supported by the increased freight rates observed this year due to disruptions in the Red Sea, in addition to the substantial amount of withholding taxes that are yet to be recovered. We anticipate that these retentions can be distributed as dividends during the next year, which would compensate for a progressive normalization of freight rates.

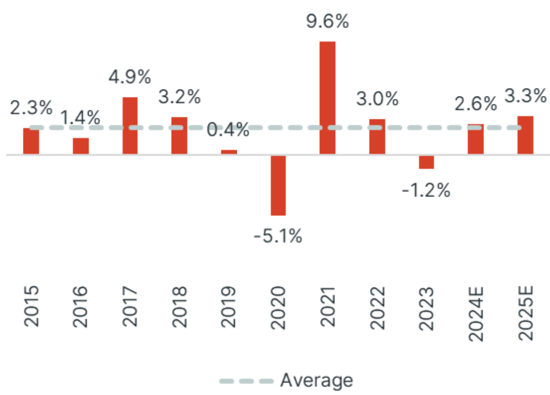
Freight rates outlook: distortions in the Red Sea boost freight rates. In 1H24, the Shanghai Containerized Freight Index (SCFI) experienced a significant rise, with spot rates hitting USD/TEU 3,734. This surge was attributed to disruptions in the Red Sea and unexpectedly strong demand driven by restocking and an earlier peak season. Since mid-December 2023, the security tensions in the Red Sea have compelled many container shipping companies to reroute their vessels around the Cape of Good Hope, leading to longer voyage times hence a shortage of shipping capacity and higher transport costs. Despite these challenges, transport volumes saw a notable improvement, supported by a global recovery in demand. The US, in particular, showed resilient consumer demand, which helped counterbalance the weaker performance from China. In this context, we expect the SCFI index to reach an average level of USD 2,600/TEU this year and eventually drop below USD 2,000/TEU in 2025, well above last year's average of USD ~1,000/TEU.

Downgrading SM SAAM to UPERF.

Finally, about SM SAAM, a name more related to port logistics rather than global transport dynamics, we are revising our recommendation from BUY to UPERF with a new 2025 YE TP of CLP 125/sh. Following the sale of its port business to Hapag-Lloyd for ~USD 1bn, completed in Aug-23, the company distributed dividends for ~USD 250mn, driving a ~39% total return over two years. We now expect future DY to normalize around 3%, as the remaining proceeds are likely to be reinvested for growth. Despite this, we stay positive on the company's stable revenue, consistent EBITDA margins, and strong position in the towage business, which offers lower operational volatility. Additionally, the growth of its Aerosan business and recent acquisitions in Brazil and Ecuador highlight continued expansion potential, backed by a solid capital structure.

Air Transport

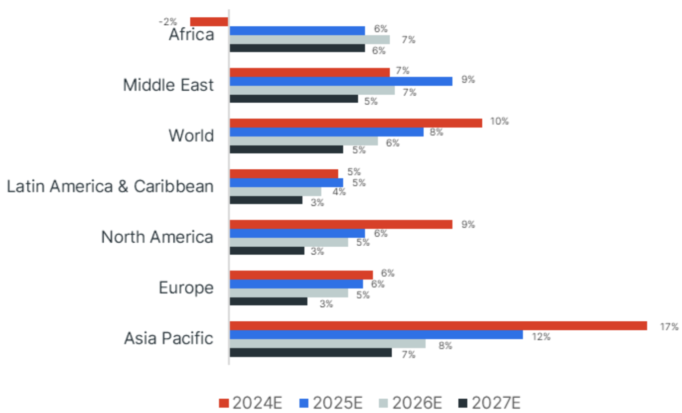
World Merchandise Trade Volume (% y/y change)



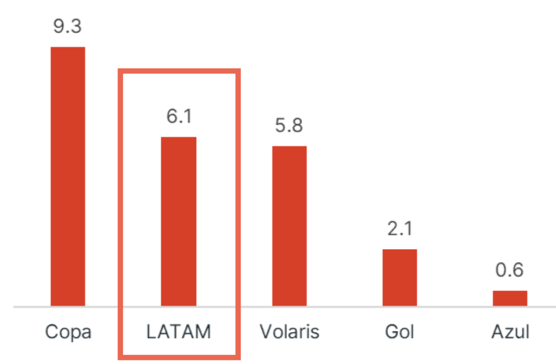
LT Outlook for passenger traffic growth (CAGR in # of passengers)

	CAGR (2023-2043)	Additional passengers by 2043 (million)
Africa	3.7%	179
Asia Pacific	5.3%	2750
Europe	2.3%	656
Middle East	3.9%	282
North America	2.7%	659
Latin America & Caribbean	2.9%	311
World	**3.8%**	**4154**

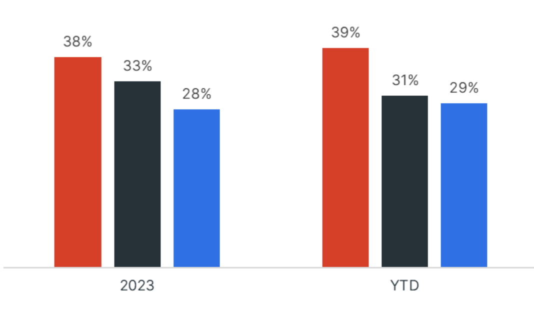
2024-2027 outlook for regional passenger traffic (# of passengers)



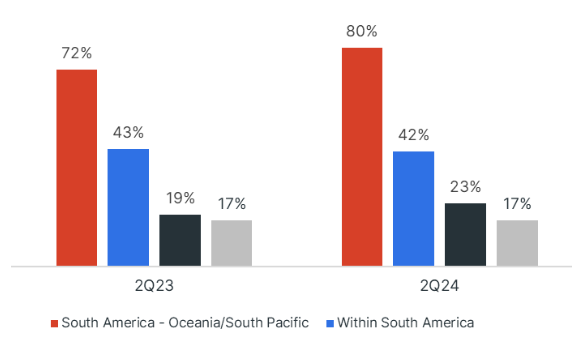
(EBITDAR-Fin Expenses) / Aircraft (USDmn) – Last twelve months



Domestic Brazil Market Share - RPK



International Routes Market Share - ASK



Source: Company reports, IATA, ANAC, Credicorp Capital Research

LATAM Airlines Relative Valuation

Company	Country	Factset Ticker	P/E 2023	P/E 2024E	P/E 2025E	P/E 2026E	EV/EBITDA 2023	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBITDA 2026E
Chile										
LATAM Airlines (*)	Chile	LTM-CL	11.3	9.0	7.8	7.2	4.7	4.3	4.0	3.9
Average			**11.3**	**9.0**	**7.8**	**7.2**	**4.7**	**4.3**	**4.0**	**3.9**
Latin America										
Gol	Brazil	GOLL4-BR		6.6			5.7	11.6	4.8	6.4
Azul	Brazil	AZUL4-BR					8.9	8.4	5.6	5.2
Copa Holdings	Panama	CPA-US	5.3	6.0	5.2	4.8	7.1	6.5	4.8	4.1
Average			**5.3**	**6.3**	**5.2**	**4.8**	**7.2**	**8.8**	**5.1**	**5.2**
North America										
American Airlines	USA	AAL-US	4.1	10.0	6.1	4.2	7.4	10.9	7.1	8.4
Delta Airlines	USA	DAL-US	6.7	6.9	5.8	5.1	5.7	7.2	5.4	5.4
United Airlines	USA	UAL-US	4.6	4.8	4.1	3.5	5.6	6.7	4.6	4.4
Air Canada	Canada	AC-CA	3.3	6.2	5.5	5.0	4.5	10.5	3.1	3.0
Average			**4.7**	**7.0**	**5.4**	**4.5**	**5.8**	**8.8**	**5.0**	**5.3**
Europe										
Lufthansa	Germany	LHA-DE	4.1	6.8	4.6	4.0	3.0	4.3	3.2	3.2
Air France - KLM	France	AF-FR	2.1	3.4	2.1	1.8	2.3	2.2	2.1	
International Consolidated Airlines Group	England	IAG-GB	4.4	4.6	4.3	4.0	4.1	5.4	3.4	3.1
Average			**3.5**	**4.9**	**3.7**	**3.3**	**3.1**	**4.0**	**2.9**	**3.1**
Asia										
China Airlines	China	2610-TW	17.9	10.2	16.5	34.8	3.9	5.4	4.7	4.2
Japan Airlines	Japan	9201-JP	10.9	10.4	9.2	8.3	3.4	6.6	5.1	4.0
Air New Zealand	New Zealand	AIR-NZ	4.9	12.9	29.6	10.7	4.8		2.9	3.5
Average			**11.2**	**11.2**	**18.4**	**17.9**	**4.0**	**6.0**	**4.2**	**3.9**
Low Cost										
Easy Jet	England	EZJ-GB	10.6	7.7	7.1	6.5	5.1	5.1	2.8	2.5
Ryanair Holdings	Ireland	RYA-IE	9.3	11.6	9.4	8.3	5.7	6.5	7.3	5.7
Wizz Air Holdings	Hungary	WIZZ-GB	4.6	5.2	4.0	3.3	7.8	51.2	6.6	4.5
Volaris	Mexico	VLRS-US	85.1	8.5	8.4		6.1	6.6	5.4	
Average			**27.4**	**8.2**	**7.2**	**6.0**	**6.2**	**17.4**	**5.5**	**4.3**

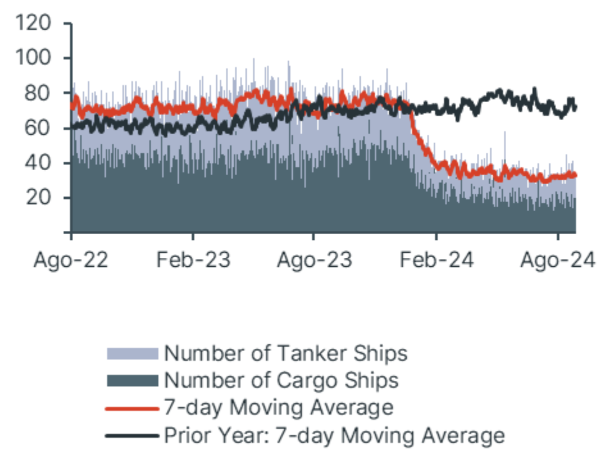
(*) Mulitples are calculated with Credicorp Capital Estimates

Global Airlines Index vs LTM stock price (100 basis as of Dic-2022; in USD)

Source: Factset, Refinitiv

Maritime Transport

Suez Canal: Daily transit calls



Shanghai Containerized Freight Index (USD/TEU)

Vapores and SM SAAM Relative Valuation

Company	Country	Bloomberg Ticker	P/E 2023	P/E 2024E	P/E 2025E	P/E 2026E	EV/EBITDA 2023	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBITDA 2026E
Vapores (*)	**Chile**	**vapores ci equity**	**12.2**	**48.4**	**9.8**	**6.4**	**nm**	**nm**	**nm**	**nm**
Danaos Corp	Greece	DAC US Equity	2.6	2.7	3.3	4.2	2.3	2.3	2.5	3.0
Orient Overseas	Hong Kong	316 HK Equity	4.7	4.6	5.2	6.6	1.1	0.9	1.6	1.9
Evergreen Marine Corp	Taiwan	2603 TT Equity	10.4	3.6	10.4	10.6	4.8	2.2	4.6	6.7
Cosco Shippings	China	1919 HK Equity	6.2	3.7	9.4	11.4	3.3	1.8	3.5	4.3
HMM CO	South Korea	011200 KS Equity	10.6	4.3	6.2	10.2	1.6	0.6	0.8	1.2
Yang Ming Marine	Taiwan	2609 TT Equity	36.1	5.1	20.9	118.8	1.7	0.6	1.3	1.9
AP Moller-Maersk	Denmark	MAERSKB DC Equity	6.8	6.2	93.6	15.1	3.2	3.2	5.0	4.6
Kawasaki Kisen Kaisha	Japan	9107 JP Equity	2.2	11.9	5.8	13.9	11.0	10.2	9.1	9.7
Mitsui Osk Lines	Japan	9104 JP Equity	2.2	7.4	5.0	8.2	16.0	15.3	11.8	11.1
Hapag-Lloyd AG	Germany	HLAG GR Equity	8.3	14.7	54.9	26.8	5.1	6.0	9.0	7.5
Average			**9.3**	**10.2**	**20.4**	**21.1**	**5.0**	**4.3**	**4.9**	**5.2**
SM SAAM (*)	**Chile**	**smsaam ci equity**	**2.4**	**21.5**	**22.3**	**20.7**	**5.3**	**5.8**	**5.8**	**5.5**
Vopak	Netherlands	vpk na equity	13.5	12.8	11.8	11.1	8.4	8.7	8.9	8.6
Svitzer	Denmark	svitzr dc equity	11.2	14.0	12.6	11.9	6.9	6.5	6.1	5.8
Tegma	Brazil	tgma3 bz equity	10.7	10.0	nm	nm	6.5	6.1	5.5	nm
JSL	Brazil	jslg3 bz equity	10.1	8.6	6.3	4.8	5.3	4.7	4.2	3.7
Average			**9.6**	**13.4**	**13.3**	**12.1 #**	**6.5**	**6.4**	**6.1**	**5.9**

(*) Multiples are calculated with Credicorp Capital Estimates

Source: Credicorp Research, Bloomberg

LATAM Airlines

Equity Research Chile
Transport

Rating: Buy
TP: CLP 15.0

Rodrigo Godoy - rgodoy@credicorpcapital.com
Claudia Raggio - craggio@credicorpcapital.com

The new takeoff is taking some time, but the flight should reach a higher altitude

Investment Thesis

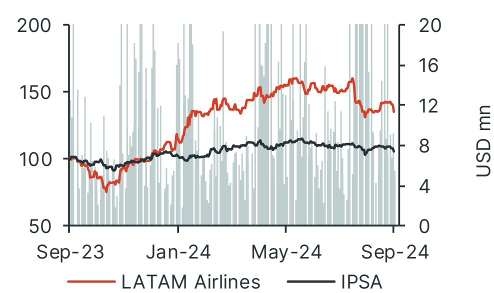
We are retaining our BUY rating on LATAM Airlines' shares and introducing a 2025YE TP of CLP 15/share. We recognize that LATAM Airlines' share price recovery could take longer than preliminarily estimated due to its recent relisting on the NYSE, which was smaller than expected. This has fueled market expectations of further share sales by former creditors once the lock-up period ends towards the end of November. In our view, the downward correction in the share price amid the ADR relisting is opening an attractive entry point since the company's fundamentals remain strong while the stock trades at discounted valuations compared to what we estimate as fair.

The company continues to enjoy favorable market dynamics that have allowed it to deleverage faster than expected. The latest operating statistics exhibit solid passenger traffic across markets, with international routes (~50% of RPK) expanding at a double-digit rate. Meanwhile, the company has increased its market share in Brazil from ~37% to ~39% on a YTD basis in the midst of GOL's reorganization bankruptcy. On the other hand, it is worth mentioning that LATAM Airlines' results have been supported not only by solid traffic figures but also by well-controlled operating costs ex-fuel. In addition, there is room for the company to reduce its financial expenses towards the end of this year through the refinancing of a significant portion of its non-fleet debt at a substantially lower cost. Finally, we welcome the drop in fuel prices as jet fuel needs account for the largest cost item totaling ~36% of total opex, and the decline in the LT rates in the US as 50% of LATAM´s financial debt is linked to floating rate. This is good news as the company is expected to refinance costly non-fleet debt shortly.

Stock Data

Ticker	ltm ci
Price (CLP)	11.2
Target (CLP)	15.0
Total Return	36.9%
LTM Range	6 - 13
M. Cap (USD mn)	7,170
Shares Outs. (mn)	604,438
Free Float	37%
ADTV (USD mn)	13.3

Price Chart (CLP) and Volumes (USD mn)



Valuation

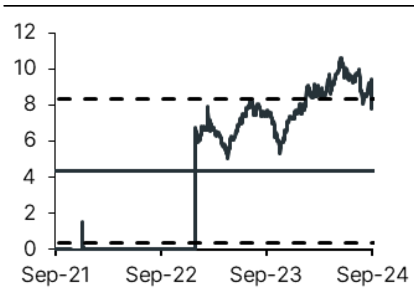
Following a 12% drop since late July, the stock trades at very attractive valuations compared to its 5-year average prior to the pandemic (35% in terms of EV/EBITDA) and also to what we estimate as fair (-12% discount). On a relative basis, LATAM's valuation looks more challenging vs. COPA. Our December 2025 TP of CLP 15/share has an implicit EV/EBITDA ratio close to 5x, which is ~25% below its historical valuation.

Valuation Summary

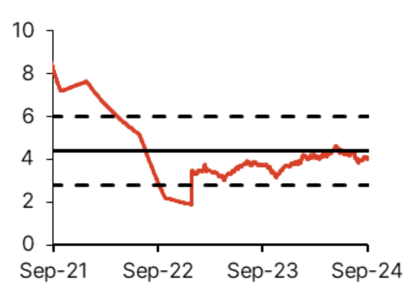
	2023	2024E	2025E	2026E
EV/EBITDAR	4.7	4.3	4.0	3.9
P/E	11.3	9.0	7.8	7.2
P/CF	4.2	5.3	4.3	4.9
P/BV	14.6	7.7	4.5	3.1
Div. Yield	0.0%	2.4%	3.3%	3.8%

Sources: Company Reports and Credicorp Capital

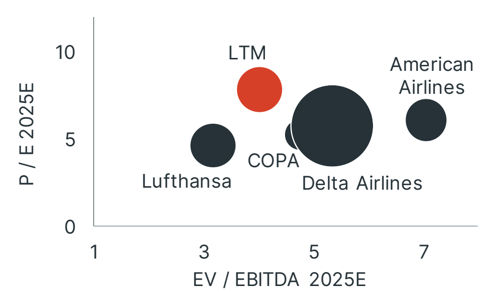
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

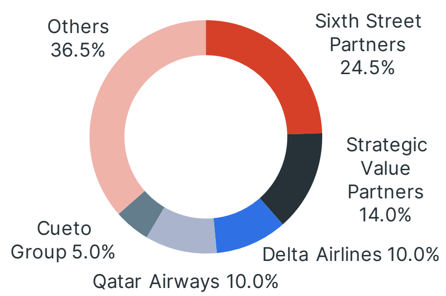


LATAM Airlines

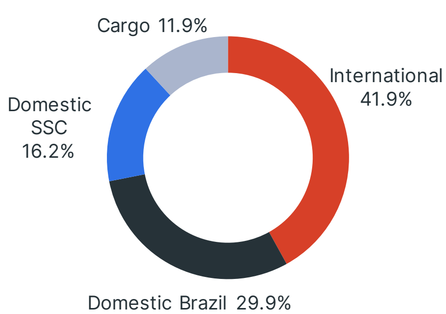
Company Description

LATAM Airlines is Latin America's leading airline group, with presence in 5 domestic markets (Brazil, Chile, Peru, Colombia, and Ecuador), along with international operations within the region and to North America, Europe and Oceania. The company's fleet totals 340 aircraft (including 21 cargo freighters) through which it operates over 146 destinations in 26 countries. After Chapter 11, the company does not have a controlling shareholder with largest backstop creditors holding ~39% stake (as of July-24) and former strategic shareholders accounting ~25%.

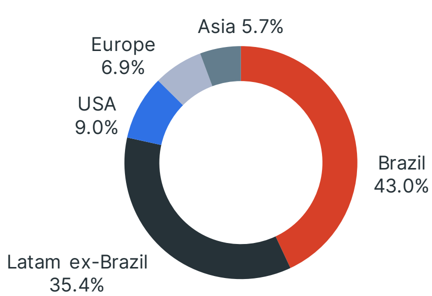
Ownership Structure (As of July-24)



Revenue breakdown by division (2024E)



Sales based on the POS (2023)



Management

CEO: Roberto Alvo
CFO: Ramiro Alfonsín
IRO: Tori Creighton
https://www.latamairlinesgroup.net/es

Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	9,517	11,789	13,112	14,063	14,943
Operating Income	-121	1,169	1,510	1,585	1,637
EBITDAR	1,261	2,466	2,903	3,084	3,188
Net Income	1,339	582	799	920	993
EPS (CLP)	12	0.8	1.2	1.4	1.6
EBIT Margin	-1.3%	9.9%	11.5%	11.3%	11.0%
EBITDAR Margin	13.3%	20.9%	22.1%	21.9%	21.3%
Net Margin	14.1%	4.9%	6.1%	6.5%	6.6%

Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	1,217	1,715	1,889	2,572	3,006
Total Current Assets	3,536	4,203	4,345	5,177	5,671
Total Assets	13,211	14,667	15,596	16,708	17,783
Current Liabilities	5,089	5,688	5,825	5,999	6,088
Financial Debt	6,782	6,938	7,457	7,743	8,041
Total Liabilities	13,180	14,229	14,673	15,104	15,462
Minority Interest	-12	-12	-11	-10	-10
Shareholders Equity	42	450	934	1,614	2,331
Total Liabilities + Equity	13,211	14,667	15,596	16,708	17,783
Net Debt /EBITDA	4.4	2.1	1.9	1.7	1.6
Financial Debt /EBITDA	5.4	2.8	2.6	2.5	2.5
Financial Debt /Equity	160.4	15.4	8.0	4.8	3.4
ROAE	-38.2%	236.2%	115.4%	72.2%	50.3%
ROAA	10.1%	4.2%	5.3%	5.7%	5.8%
ROIC	30.5%	18.7%	23.4%	23.9%	23.2%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	**1,047**	**1,217**	**1,715**	**1,889**	**2,572**
Cash Flow From Operations	97	2,264	2,203	2,416	2,545
CAPEX	-831	-864	-1,209	-1,202	-1,518
Changes in Financial Debt	-3,620	156	520	286	298
Dividends (Paid) Received	0	0	-175	-240	-276
Other CFI & CFF Items	-5,628	7,237	-1,164	-576	-614
Changes in Equity	10,152	-8,295	0	0	0
Final Cash	**1,217**	**1,715**	**1,889**	**2,572**	**3,006**
Change in Cash Position	**170**	**498**	**174**	**683**	**434**

Sources: Company Reports and Credicorp Capital

SM SAAM

Equity Research Chile
Transport

Rating: Uperf
TP: CLP 125

Miguel Leiva - miguelleiva@credicorpcapital.com
Ana Paula Galvez - agalvezm@credicorpcapital.com

Limited upside after the port sale, reinvesting for future growth

Investment Thesis

We are revising our recommendation from BUY to UPERF and introducing a new 2025 YE TP of CLP 125/sh. This shift reflects the waning momentum following the anticipated sale of the company's port business to Hapag-Lloyd for ~USD 1 bn. The sale and subsequent attractive dividend payout were key catalysts behind the stock's ~39% two-year total return. With the sale now priced in, upside potential appears limited compared to other Chilean stocks, with a total return forecast of 23%, trailing the 30% expected for the IPSA from a bottom-up standpoint. Looking ahead, we anticipate more normalized dividend yields (~3%) as proceeds from the sale are likely to be reinvested to fuel future growth.

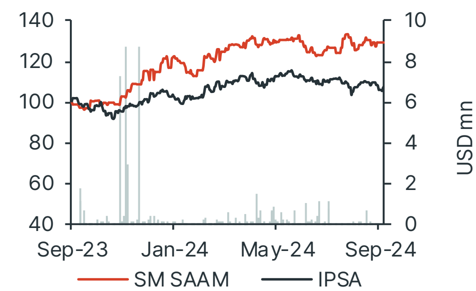
On a fundamental level, our outlook on the company remains positive, driven by stable revenues and consistent EBITDA margins, which we expect to average 30% from 2024 to 2028. The company's solid positioning in the towage business, diversified operations, and reduced volatility in financial performance post-sale all support this view. The towage segment is less dependent on commercial trade than the port business, offering greater stability. Furthermore, the growth potential in the Aerosan business could add incremental upside to the company's future performance.

The company continues to execute its expansion plans, supported by a strong capital structure. Inorganic growth will likely remain a core strategy. Additionally, the purchase of Pertray, an air cargo logistics firm in Ecuador, underscores its ambition to expand this segment, which currently represents only 1% of EBITDA but holds significant long-term potential.

Stock Data

Ticker	smsaam ci
Price (CLP)	104
Target (CLP)	125
Total Return	23.0%
LTM Range	78 - 107
M. Cap (USD mn)	1,088
Shares Outs. (mn)	9,737
Free Float	37%
ADTV (USD mn)	0.3

Price Chart (CLP) and Volumes (USD mn)



Valuation

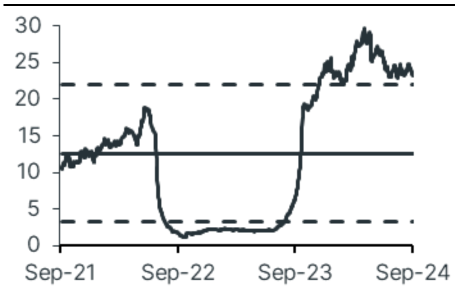
Our 2025 YE TP of CLP 125/sh (CLP 110/sh previously) is the result of the two following methods: i) 50 % determined by the discounted cash flow from current operations which results in a TP of CLP 128/sh with an implicit EV/EBITDA of 7.6x at an 8.2% WACC, and ii) 50% determined by relative valuation using a 7.0x EV/EBITDA 2026E multiple, which results in a TP of CLP 117/sh.

Valuation Summary

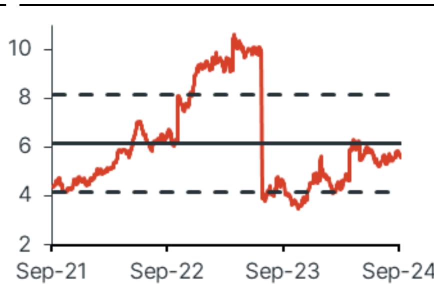
	2023	2024E	2025E	2026E
EV/EBITDA	5.3	5.8	5.8	5.5
P/E	2.4	21.5	22.3	20.7
P/CF	nm	14.3	15.5	14.2
P/BV	1.0	1.1	1.1	1.1
Div. Yield	4.0%	22.8%	2.8%	2.7%

Sources: Company Reports and Credicorp Capital

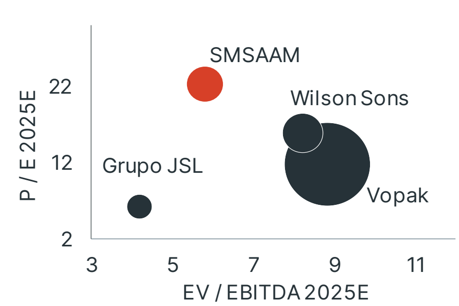
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

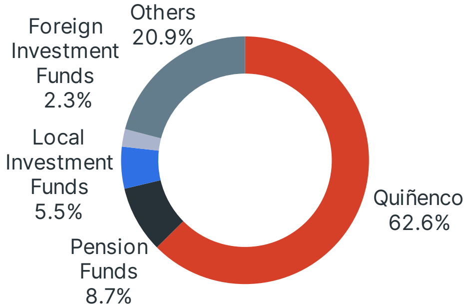


SM SAAM

Company Description

SM SAAM is a Chilean multinational company with two business areas: SAAM Towage, which provides offshore towage services, and Aerosan, which offers air cargo logistics in Chile, Colombia, and Ecuador. The towage division has the largest fleet in the Americas, with 208 tugs across 99 ports from 13 countries in the Americas. The logistics segment provides airport services to exporters and importers, domestic and bonded warehouse cargo, and aircraft ramp and passenger services. The company is controlled by Quiñenco (Luksic Group).

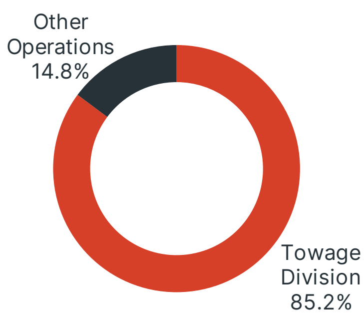
Ownership Structure



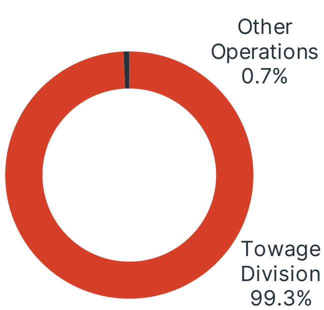
Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	462	540	609	636	666
Gross Profit	137	158	183	213	226
EBITDA	147	160	188	189	198
Net Income	48	501	51	49	53
EPS (CLP)	4.2	45.2	47.6	4.7	5.0
Gross Margin	29.6%	29.3%	30.1%	33.5%	33.9%
EBITDA Margin	31.8%	29.7%	30.8%	29.7%	29.8%
Net Margin	10.4%	92.7%	8.3%	7.7%	7.9%

Revenue breakdown by concept (2023)



EBITDA breakdown by business 2023



Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	142	865	541	565	591
Total Current Assets	961	1,053	726	756	789
Total Assets	1,890	2,195	1,880	1,915	1,954
Current Liabilities	448	508	251	246	255
Financial Debt	549	489	646	662	675
Total Liabilities	1,014	1,006	899	915	931
Minority Interest	54	21	18	18	18
Shareholders Equity	822	1,168	963	981	1,004
Total Liabilities + Equity	1,890	2,195	1,880	1,915	1,954
Net Debt /EBITDA	2.8	-2.3	0.6	0.5	0.4
Financial Debt /EBITDA	3.7	3.1	3.4	3.5	3.4
Financial Debt /Equity	0.7	0.4	0.7	0.7	0.7
ROAE	5.9%	50.3%	4.7%	5.0%	5.3%
ROAA	2.6%	24.5%	2.5%	2.6%	2.7%
ROIC	2.7%	2.5%	4.3%	4.1%	4.4%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	**324**	**142**	**865**	**541**	**565**
Cash Flow From Operation:	137	1,112	-140	121	127
CAPEX	-120	-141	-80	-82	-84
Changes in Financial Debt	-171	-60	156	16	13
Dividends (Paid) Received	-3	-48	-249	-31	-30
Other CFI & CFF Items	-26	-139	-12	0	0
Changes in Equity	0	0	0	0	0
Final Cash	**142**	**865**	**541**	**565**	**591**
Change in Cash Position	**-182**	**723**	**-324**	**24**	**26**

Sources: Company Reports and Credicorp Capital

Management

CEO: Macario Valdés

CFO: Rafael Ferrada

IRO: Jorge Cuéllar

www.saam.com

Vapores

Rating: Buy
TP: CLP 70

Equity Research Chile
Transport

Miguel Leiva - miguelleiva@credicorpcapital.com
Ana Paula Galvez - agalvezm@credicorpcapital.com

Higher freight rates and a significant amount of retentions to recover support a higher fundamental value

Investment Thesis

We are upgrading our recommendation from HOLD to BUY and introducing a 2025 target price of CLP 70. We also expect a dividend of ~CLP 11 next year, which implies a potential return of ~20% for this concept alone. The market environment has become more favorable for the company after disruptions in the Red Sea pushed freight rates higher than initially expected during 1H24. Thus, we have increased our projected implicit freight rates for Hapag Lloyd to USD 1,383 per TEU this year and reduced it to USD 1,220 per TEU next year; subsequently, we expect the rates to grow at a pace similar to US inflation (2.3%).

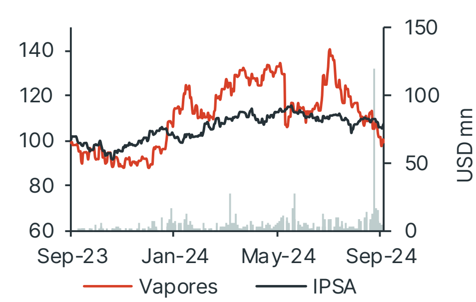
Our expectations for Hapag Lloyd's results have improved in the short term. Not only have freight rates evolved favorably in the first half of the year, but transported volume has also maintained a good performance. Thus, we expect the company to manage to move an average of ~12.4 mn TEU this year and the next, above the 11.7 mn it recorded in 2023. Thus, we project an EBITDA of USD 3.5 bn on average per year until 2026, right in the lower range that the company has as a guide for this year (USD 3.5 bn - USD 4.6 bn).

Vapores has the potential to provide an attractive return on dividends. The company has reported that the German tax authority has retained EUR 487 mn in dividend taxes, which we expect can be recovered next year. Considering the dividends that Hapag Lloyd could potentially distribute from its current operations, after adjusting for taxes and new retentions, we estimate that Vapores could provide ~CLP 11.4 per share in dividends next year, which implies a return of ~20%.

Stock Data

Ticker	vapores ci
Price (CLP)	52
Target (CLP)	70
Total Return	55.8%
LTM Range	46 - 74
M. Cap (USD mn)	2,886
Shares Outs. (mn)	51,320
Free Float	100%
ADTV (USD mn)	5.1

Price Chart (CLP) and Volumes (USD mn)



Valuation

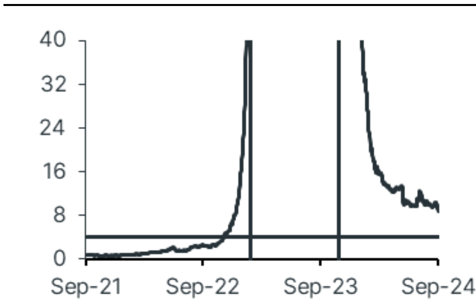
Our valuation of Hapag Lloyd is based on two methods: (i) a DCF model considering a WACC of 9.8% (EUR 122/sh) and (ii) a relative valuation considering an EV/EBITDA 2026 target of 7.4x (EUR 140/sh); thus, our 2025 target price is EUR 131. As for Vapores, we set our target price based on a 50/50 valuation between a DDM model (CLP 63/sh) and a valuation based on our estimate of a fair holding discount (CLP 86/sh), resulting in our 2025 target price of CLP 70.

Valuation Summary

	2023	2024E	2025E	2026E
EV/EBITDA	nm	nm	nm	nm
P/E	12.2	48.4	9.8	6.4
P/CF	nm	nm	nm	nm
P/BV	0.4	0.4	0.4	0.4
Div. Yield	52.2%	40.0%	22.1%	11.5%

Sources: Company Reports and Credicorp Capital

P/E 12M Forward



Rating Risk of Vapores

A / Stable - A -/Stable

Div. Policy of Vapores´s main subsidiary

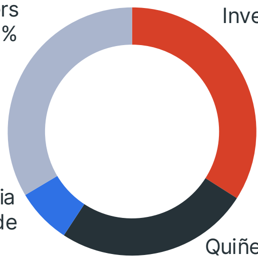
	Div. Pol.	Ownership
Hapag Lloyd	>30% profits	30%

Vapores

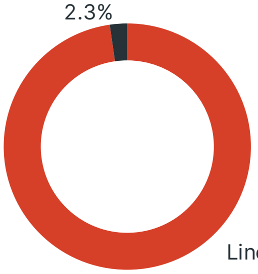
Company Description

Compañía Sud Americana de Vapores S.A. (CSAV) is a shipping company based in Chile. Its main business is container shipping, through its interest acquired in 2014 in the German company Hapag-Lloyd AG, the world's fifth-largest shipping line in this segment. CSAV is a principal shareholder with a 30% interest in Hapag-Lloyd, and it is party to a shareholder agreement that controls over 70% of that company.

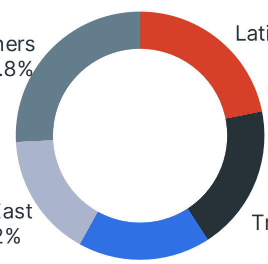
Ownership Structure



HL Revenue breakdown by concept (1H24)



HL Revenue breakdown by Region (1H24)



Management

CEO: Óscar Hasbún Martínez

CFO: Roberto Larraín Sáenz

IRO: María Elena Palma

www.csav.com

Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Net Income	5,563	258	60	296	449
EPS (CLP)	92	4	1	5	8

Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Shareholders Equity	7,914	8,089	6,950	7,245	7,694
ROAE	86.9%	3.2%	0.8%	4.2%	6.0%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Dividends (Paid) Received	-1,371	-1,644	-1,154	-637	-331

Sources: Company Reports and Credicorp Capital

4.6 / Utilities

Andean **Investor Guide** 2025

Credicorp Capital

Andean Utilities

The climatic pendulum has been the regional headline in 2024, between El Niño and La Niña, gas supply in Colombia, and regulatory discussions across geographies

The year 2024 has been more dynamic than anticipated for the utility sector in the Andean Region, with an El Niño phenomenon at the beginning of the year and a delayed La Niña phenomenon that have been key for the market during 2H24. In the case of Colombia, doubts about the country's gas reliability have also been the center of attention.

The most recent NOAA report points to a 66% likelihood of a La Niña phenomenon

A potential La Niña phenomenon should have a mixed impact on utilities during 4Q24-1Q25. According to the Climate Prediction Center from the National Oceanic and Atmospheric Administration (NOAA) in its September report, there is a 71% probability that La Niña occurs between September and November and persist through January-March 2025 with a +60% probability. Nevertheless, the phenomenon has not arrived as initially forecasted. Please bear in mind that the phenomenon was assigned a 70% probability of occurring between August and October in the NOAA's July report. As per the last report, La Niña is being categorized as "weak and of short duration", which should translate into positive momentum for electric and water utilities in Chile, present a difficult hydro generation scenario in Colombia and mixed results in Brasil. Please note that La Niña should result in higher rainfall in Colombia and have the opposite effect in Chile.

The delay in the La Niña phenomenon has helped to moderate our expectations of its impact in Chile, while it should continue to pressure energy prices in Colombia.

As for now, we are not incorporating a significant effect of La Niña for Chile in our models with high reservoir and snow reserves (see graphs 3 and 4) with the ice-thawing season to start in October, while the arrival of La Niña should improve momentum in Colombia. Preliminary data provided by CEN in Chile have shown that accumulated snow until August exceeds historical data in 3 of the 4 measurement sites. Therefore, we should expect hydro generation and spot prices to remain stable. From this, Engie Energia Chile (ECL: HOLD; T.P.: CLP 1,027/share) should be the most benefited company as it still has exposure to the spot market but should benefit from low prices. On the other hand, in the case of Colombia, if La Niña continues to delay and arrive in a weak magnitude, reservoir levels should continue to be pressured, and energy prices could continue rising (see graphs 9 and 10). Enel Colombia should be the most impacted company, which should, in turn, impact Enel Americas directly (ENELAM: HOLD; T.P.: CLP 106/share) and GEB (GEB: BUY; T.P.: COP 3,100/share) indirectly.

Gas availability is also a headline in Colombia, with offshore gas being available only until 2029.

In Colombia, attention has also been focused on gas supply reliability. The country will face gas supply deficits from 2025 until 2030 (see graph 12), as gas reserves have dropped to 6.1 years in 2023. The government has proposed several alternatives to supply the missing gas, but imports through the SPEC LNG facility at Cartagena seem the most viable option. Importing from Venezuela does not look particularly promising due to the infrastructure conditions and recent political turmoil. As for Ecopetrol's off-shore operations (Uchuva), those reserves should be added by 2027, and commercial operations should start by 2029. Therefore, we expect gas prices in Colombia to increase and GEB, through its operations in TGI, to benefit from the circumstances.

There are ongoing regulatory discussions concerning the distribution, generation and water services sectors.

On the other hand, regulatory discussions have also been a central part of the debate across geographies. In Chile, we expect a positive PEC III legislation resolution, as the process is only missing the sovereign guarantee decree, which is expected to be signed in September-October. We will await the sign as it should allow generation companies to collect their PEC receivables (see graph 6). As for distribution, after the 2020-2024 VAD update tariff was completed this year, the 2024-2028 VAD process is underway. By year-end, we expect the publication of the consultant's final report. Nevertheless, we anticipate the process to develop slowly and new tariffs to be reflected upon customers by 2H25. A 2025 election year and recent noise created by electricity outages could also impact tariff discussions, and we will monitor discussions regarding the distribution business. Enel Chile (ENEL CHILE: BUY; T.P.: CLP 67/share) is the main company to be affected given its controlling stake in Enel Distribución. Finally, in Chile, there is also an ongoing discussion for Aguas Andinas (AGUAS ANDINAS: HOLD; T.P.: CLP 330/share), where the regulator should, on one hand, update tariffs and, on the other, define which CAPEX projects will be tariffed, both of which should materially impact the company's future strategy.

In Brazil, regulatory developments will focus on renewals for distribution concessions. Enel Americas will need to renew its three concessions between 2025 and 2026. The market is expecting the publication of the final contract for concession renewal, which will indicate to companies the conditions to be met. Until now, the regulator (ANEEL) has stated that quality requirements will increase and that CAPEX plans should state the impact on quality and resilience. We expect the contract publication to be positively received by the market and the processes to continue without setbacks.

In Colombia, regulatory noise should continue. President Petro has stated his intention to reform energy price formation. Also, the CREG now has sufficient quorum to start taking regulatory decisions.

Finally, for the transmission business, ISA (ISA: BUY; T.P.: COP 23,100/share) and GEB have both accumulated a substantial pipeline of projects that will continue to support each company's operations. The table on the following section resumes the main projects that have been approved and are being developed by the utilities.

Finally, moving into the fixed-income universe, our regional thesis incorporate the sectorial aspects presented by the equity team paired with our credit perspectives on specific stories and our look through market valuations and tactical opportunities. In Peru, hydrology conditions have returned to normal – and even tilt to positive - which supports our bet for ORSAPE 27 that offers an attractive yield for a solid credit profile and mitigated hydrology risks. Meanwhile, KALLPA 26'/27' and FENIPE 27 are stories to follow as we feel optimistic about their diversification plans, but valuations to the sovereign remain tight-to-fair in our opinion. In Colombia, EEPPME 29'/31' continue to perform well, supported by improving fundamentals and fading risks. Despite tightness to the sovereign, we feel valuations will be well supported. The newly issued TERMOC 31 looks like a good carry bet, and we feel that the diversification plans are going in the right direction, plus, risks of new competition remains but constant delays and continuing increasing demand are a relevant mitigating factor. We are neutral on TRAGSA 28 and GEBCB 30'/33' on valuation grounds but we emphasize the short-term and long-term challenges and opportunities mentioned by the equity team regarding gas prices and hydrology conditions. Lastly, we see value in the AES 6.350 betting on a call in 2025.

Chile

						ADTV	P/E		EV/EBITDA		P/BV	Div Yield.		ROAE		ROAA	
Company	**Ticker**	**Px Last**	**Px Target**	**Rating**	**Mkt. Cap**	**Local**	**2024E**	**2025E**	**2024E**	**2025E**	**LTM**	**2024E**	**2025E**	**2024E**	**2025E**	**2024E**	**2025E**
Aguas Andinas	aguas/a ci equity	272	330	HOLD	1,746	1.6	10.7	9.3	8.8	8.4	1.8	5.2%	7.2%	16.4%	18.1%	6.1%	6.9%
Colbun	colbun ci equity	124	150	HOLD	2,336	1.7	8.6	7.1	5.9	5.0	0.8	5.1%	7.1%	8.8%	10.1%	4.3%	5.4%
Enel Americas	enelam ci equity	91	106	HOLD	10,541	3.7	3.8	9.1	3.4	3.3	0.7	2.5%	7.9%	18.0%	6.8%	7.7%	3.3%
Enel Chile	enelchil ci equity	49	67	BUY	3,640	4.5	4.8	6.4	4.9	6.2	0.7	8.1%	9.0%	14.8%	10.2%	5.9%	4.4%
Engie Energía Chile	ecl ci equity	865	1027	HOLD	979	0.8	4.0	4.8	6.8	6.6	0.6	6.4%	5.1%	16.3%	12.3%	5.7%	4.8%
Chile Sample	**ipsa index**				3,848	2.5	6.4	7.3	6.0	5.9	0.9	5.4%	7.3%	14.9%	11.5%	6.0%	5.0%

Colombia

						ADTV	P/E		EV/EBITDA		P/BV	Div Yield.		ROAE		ROAA	
Company	**Ticker**	**Px Last**	**Px Target**	**Rating**	**Mkt. Cap**	**Local**	**2024E**	**2025E**	**2024E**	**2025E**	**LTM**	**2024E**	**2025E**	**2024E**	**2025E**	**2024E**	**2025E**
ISA	isa cb equity	17,020	23,100	BUY	4,464	1.5	7.2	6.4	6.5	6.0	1.1	6.6%	7.0%	16.0%	16.4%	3.6%	3.9%
GEB	geb cb equity	2,510	3,100	BUY	5,457	0.5	9.3	8.2	7.3	6.8	1.3	7.9%	7.6%	13.5%	15.7%	5.6%	6.0%
Colombia Sample	**colcap index**				4,961	1.0	8.2	7.3	6.9	6.4	1.2	7.2%	7.3%	14.8%	16.0%	4.6%	5.0%

Peru

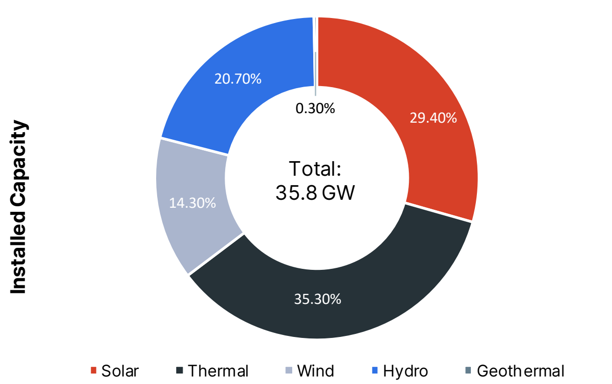
						ADTV	P/E		EV/EBITDA		P/BV	Div Yield.		ROAE		ROAA	
Company	**Ticker**	**Px Last**	**Px Target**	**Rating**	**Mkt. Cap**	**Local**	**2024E**	**2025E**	**2024E**	**2025E**	**LTM**	**2024E**	**2025E**	**2024E**	**2025E**	**2024E**	**2025E**
Engie Peru	engiec1 pe equity	4.03	5.15	BUY	644	0.1	10.1	8.4	5.0	4.6	0.5	4.0%	4.3%	5.3%	6.1%	2.8%	3.4%
Peru Sample	**spblpgpt index**				644	0.1	10.1	8.4	5.0	4.6	0.5	4.0%	4.3%	5.3%	6.1%	2.8%	3.4%

Ongoing transmission projects

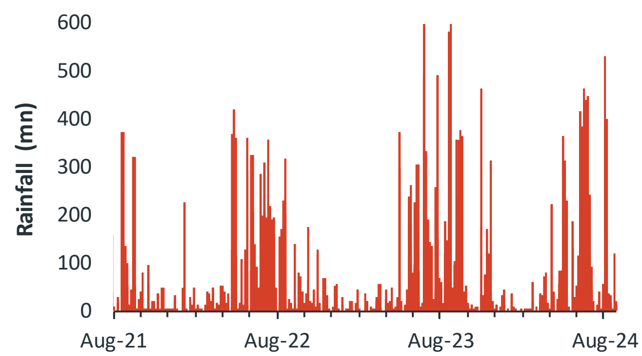
	Project	Annual Estimated Revenue (USD mn)
GEB (Enlaza)	Chivor II - Norte 230 kV	5.52
	1er Refuerzo Área Oriental (Sogamoso - Norte - Nueva Esperanza 500 kV).	21.10
	Refuerzo Suroccidental 500 kV: Subestación Alférez 500 kV y Líneas de Transmisión asociadas	24.40
	Subestación Colectora 500 kV y Líneas Colectora - Cuestecitas 500 kV y Cuestecitas - La Loma 500 kV	21.46
	Línea Río Córdoba-Bonda (Termocol) 220kV	1.19
	Huila 230 KV	1.90
	III Transformador Bolivar	1.63
ISA & Subsidiaries	**Project**	**Investment (USD mn)**
INTERCHILE	Aumento capacidad línea 2x220 kV Maitencillo - Nueva Maitencillo	4.86
	Nueva Subestación Seccionadora Nueva Lagunas y Nueva Línea 2x500kV Nueva Lagunas - Kimal.	234.04
	Aumento de Capacidad Línea 2x220kV Geoglifos - Lagunas, Tramo Nueva Lagunas - Lagunas	7.98
	Ampliación subestación Kimal 500kV	3.47
Conexión Energía	LÍNEA HVDC KIMAL – LO AGUIRRE	631.33
Consorcio Eléctrico Yapay	Enlace a 500 kV Huánuco-Tocache-Celendín-Trujillo, ampliaciones y subestaciones asociadas	253.11
	Enlace a 500 kV Celendín-Piura, ampliaciones y subestaciones asociadas	105.30
INTERCOLOMBIA	Conexión de los parques eólicos Alpha y Beta a la subestación Nueva Cuestecitas 500 kV	45.51
	Incremento confiabilidad refinería Barrancabermeja - Ecopetrol	7.48
	UPME 03-2021. Nueva Subestación Carrieles 230 kV y líneas de transmisión asociadas	11.65
	Conexión Oleoducto de Colombia a la subestación Caucasia 110 kV.	11.83
	LT Copey - Cuestecitas y Copey - Fundación	126.42
	Cuarto Transformador 500/230 kV de 450 MVA en la Subestación Sogamoso	18.32
	Conexión del Parque Solar Guayepo III de 200 MW en la subestación Sabanalarga 500 kV.	10.59
	Segundo circuito Copey-Cuestecitas 500 kV	18.80
	UPME 04-2019 La Loma - Sogamoso 500 kV	117.45
	UPME 01 2023 Segundo Transformador Primavera 500/230 kV	15.71
	Conexión subestación Suria 230 kV	38.54
TRANSELCA	Smart Valves Nueva Barranquilla y Sabanalarga	38.76
	Servicio de conexión de la estación de bombeo Cenit-Ecopetrol a la Subestación el Copey 34,5 kV.	1.09
	Ampliación subestación Copey 100 MVA y 5 MVA	10.86
	Smart Valves TGJ 220kV Etapa 2	12.21
	Ampliación Subestación Cerromatoso	3.56
CTEEP	IE MINUANO (L1)	108.10
	IE RIACHO GRANDE	193.11
	IE Piraquê	802.26
	IE Jacarandá	37.20
	Itatiaia	569.78
	Água Vermelha	18.16
	Serra Dourada	768.61
TRANSMANTARO	Ampliación 21	13.27
	Enlace 220 kV Belaunde Terry – Tarapoto Norte (2 circuitos), ampliaciones y subestaciones asociadas	63.06
	Enlace 220 kV Piura Nueva – Colán, ampliaciones y SE asociadas	51.11
	Línea de Transmisión 220kV SE Chilota – SE San Gabriel	27.05
	Enlace 500 KV Nueva Yanango – Nueva Huánuco y Subestaciones Asociadas	225.74

Chile

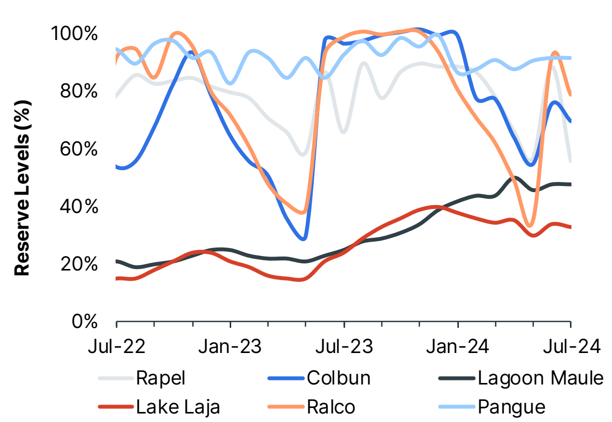
Graph 1: Energy matrix



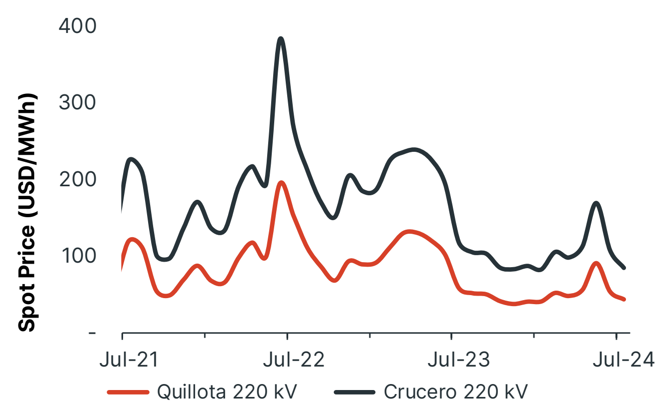
Graph 2: Water intake



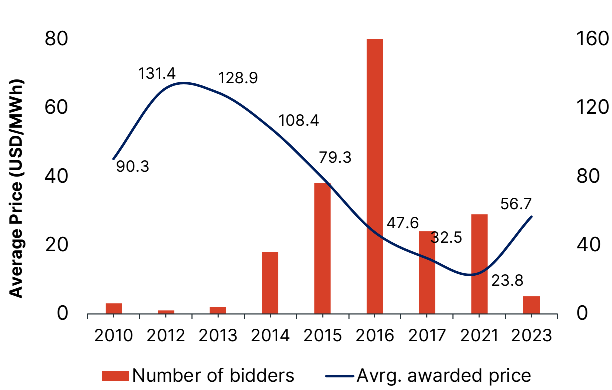
Graph 3: Reservoir levels



Graph 4: Energy spot prices

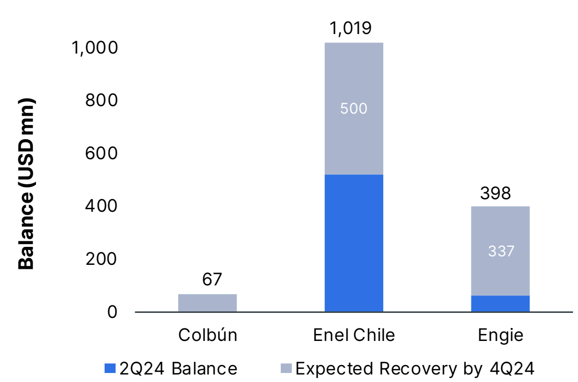


Graph 5: Bidders/price in regulated auctions



Source: Valgesta. Credicorp Capital

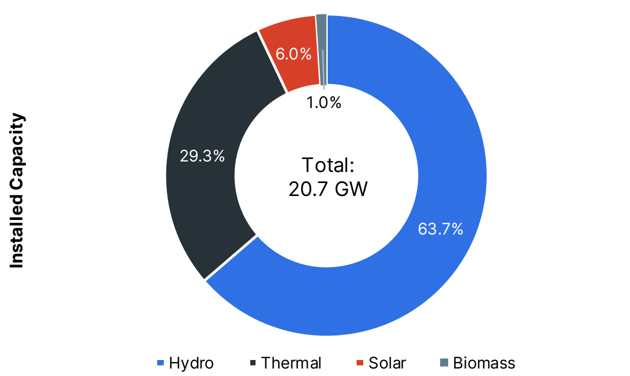
Graph 6: PEC balance by company



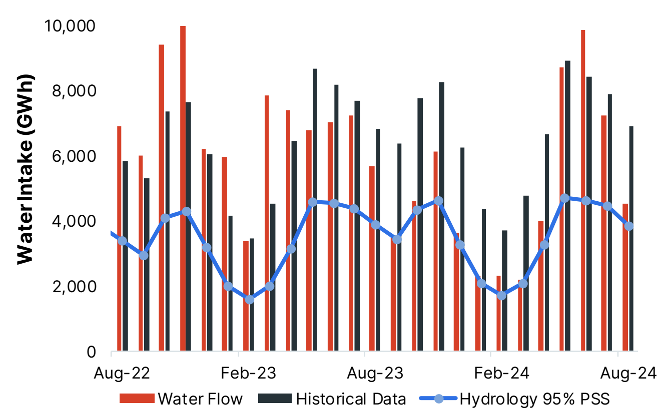
NOTE: Enel Chile's recovery estimates between USD 450-600 mn. USD 500 mn is being used.

Colombia

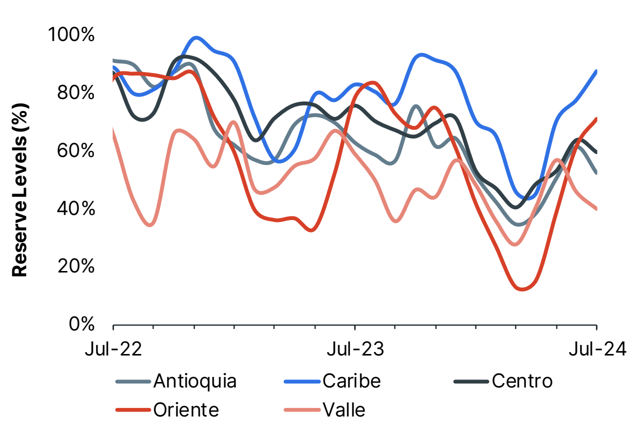
Graph 7: Energy matrix



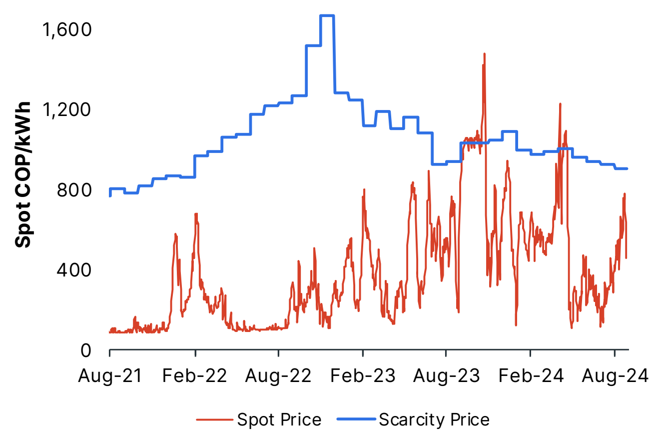
Graph 8: Water intake



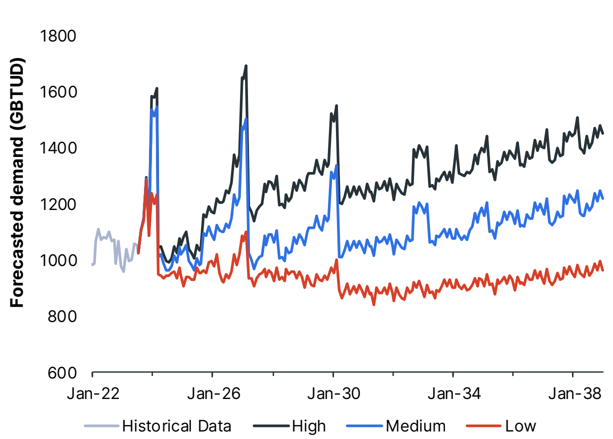
Graph 9: Reservoir levels



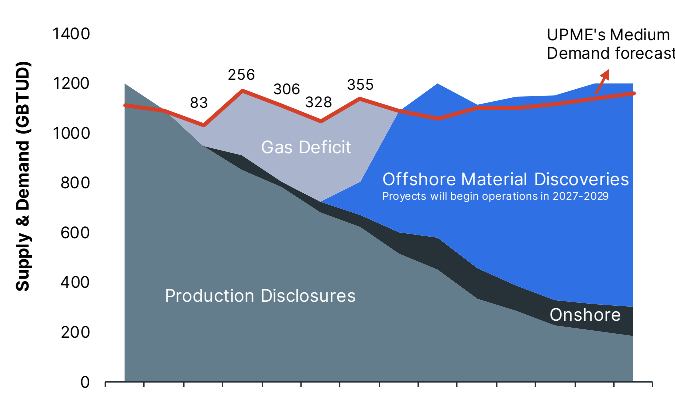
Graph 10: Energy spot prices



Graph 11: Gas demand scenarios by UPME



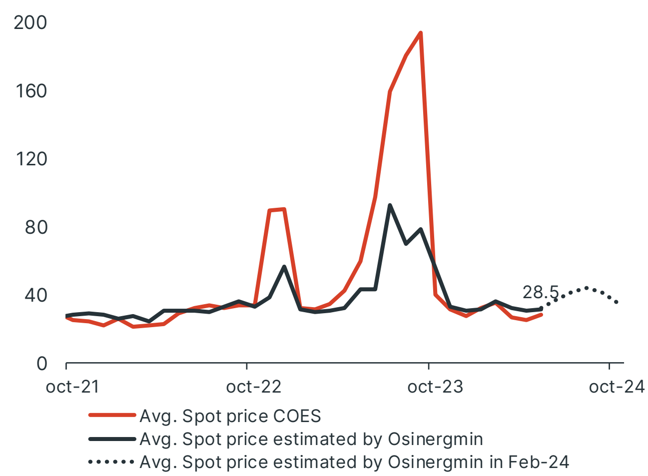
Graph 12: Gas deficit for upcoming years



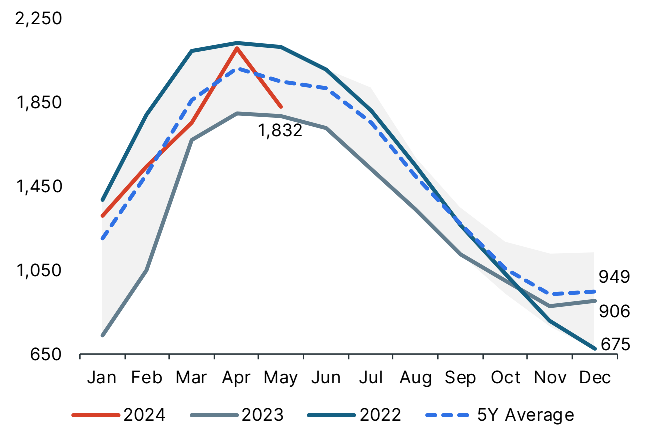
Source: Ecopetrol

Perú

Graph 13: Realized and projected marginal cost Avg. Spot Price(USD/MWh)



Graph 14: Useful Volume of the main reservoirs and lagoons – SEIN Useful Volume (mm^3)



Electricity generation in the system by company (SEIN)

Technology	L3M as of Jun-24 (GWh)		y/y %	% of total generation	L3M as of May-24 (GWh)	Change vs prior period %	Annual cumulative (Twh)		y/y %	% of total generation 2024
	2024	2023			2024		2024	2023		
Enel Generacion Consolidated	**2,249**	**2,471**	**-9.0%**	**100.0%**	**2,279**	**-1.3%**	**4.8**	**4.7**	**1.3%**	**100.0%**
Hydro	1,123	1,032	8.8%	49.9%	1,274	-11.9%	2.5	2.3	10.4%	52.6%
Thermal	735	1,218	-39.7%	32.7%	597	23.0%	1.5	2.0	-26.2%	31.5%
Solar	171	102	66.6%	7.6%	185	-7.7%	0.4	0.2	82.8%	7.7%
Wind	221	119	85.2%	9.8%	223	-1.0%	0.4	0.2	96.0%	8.2%
Engie Energia Peru	**2,064**	**2,192**	**-5.8%**	**100.0%**	**1,968**	**4.9%**	**3.7**	**3.9**	**-5.9%**	**100.0%**
Hydro	326	188	74.0%	15.8%	384	-14.9%	0.7	0.6	27.9%	19.3%
Thermal	1,475	1,757	-16.1%	71.5%	1,309	12.7%	2.5	3.0	-18.3%	67.1%
Solar	24	24	0.3%	1.2%	25	-2.7%	0.1	0.0	7.5%	1.4%
Wind	238	223	6.9%	11.5%	250	-4.8%	0.5	0.3	55.1%	12.3%
Kallpa	**2,820**	**3,026**	**-6.8%**	**100.0%**	**2,722**	**3.6%**	**5.5**	**5.7**	**-3.5%**	**100.0%**
Hydro	906	701	29.2%	32.1%	1,080	-16.1%	2.1	1.6	30.1%	38.0%
Thermal	1,914	2,324	-17.7%	67.9%	1,641	16.6%	3.4	4.1	-16.7%	62.0%
Orazul	**618**	**574**	**7.5%**	**100.0%**	**704**	**-12.3%**	**1.3**	**1.2**	**8.5%**	**100.0%**
Hydro	618	574	7.5%	100.0%	704	-12.3%	1.3	1.2	8.5%	100.0%
Fenix Power	**865**	**337**	**156.6%**	**100.0%**	**797**	**8.4%**	**1.6**	**1.3**	**25.2%**	**100.0%**
Thermal	865	337	156.6%	100.0%	797	8.4%	1.6	1.3	25.2%	100.0%
Other companies	**6,083**	**5,905**	**3.0%**	**100.0%**	**6,518**	**-6.7%**	**12.8**	**12.5**	**2.1%**	
Total	**14,698**	**14,496**	**1.4%**		**14,989**	**-1.9%**	**29.7**	**29.0**	**2.5%**	
Avg. Spot price (USD/MWh)	**31.1**	**66.6**	**-53.3%**		**27.1**	**14.9%**	**31.4**	**49.7**	**-36.8%**	

(*) All plants of Enel Green Power and Chinango are being considered

AES Andes

Baa3 / BBB- / BBB-
Outlook: s / s / s

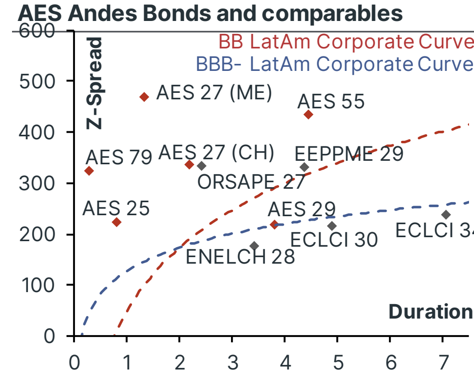
Sandra Loyola - sloyola@credicorpcapital.com

Bold bet for a greener matrix

Investment Thesis

AES has shown a successful execution of its Greentegra and decarbonization strategies emphasizing its commitment to its transition goals. A third budget of projects following the first two from the GIP partnership will be developed under the ‘Green Structured Sales’ scheme so that it won’t add new debt to Andes's balance in order to preserve liquidity and the IG rating. This ambitious plan bodes well for the future considering that a greener matrix will improve margins and strengthen its commercial competitiveness in the long run. Net leverage sits at 3.2x with long-term guidance of <3.0x. Mercury, being the indirect holding, has a structurally subordinated position to AES. Meanwhile, Cochrane benefits from strong contractual terms, coal pass-through mechanisms, and its amortizing structure. We are OW on AES 27 (Cochrane) for its attractive yield for a short duration and AES 6.350 betting on the 2025' call, though low liquidity might factor in.

AES Andes Bonds and comparables



Credit Data	
REG-S Notes	6
Outstanding Senior Notes	USD 1,709MM
Closest Call Date	09-Oct-24
Closest Maturity Date	14-Jul-25

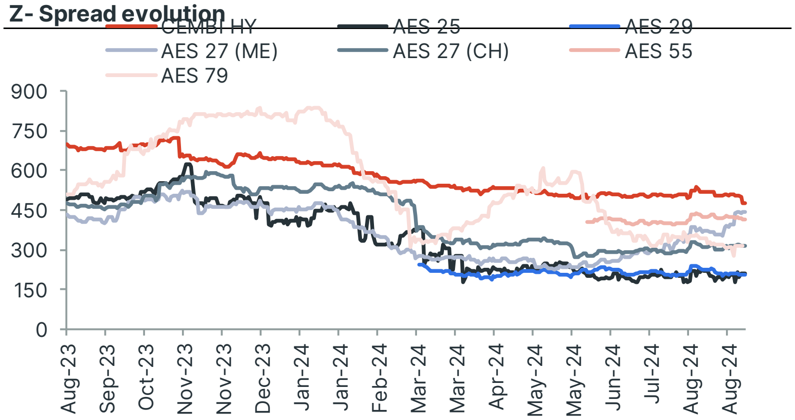
Concerns

- Sizeable capex needs with a track record of high distributions
- Ambitious coal-phaseout plan requiring adequate execution
- Relative high leverage
- Execution risk from ambitious growth in renewables
- Low outstanding of certain bonds

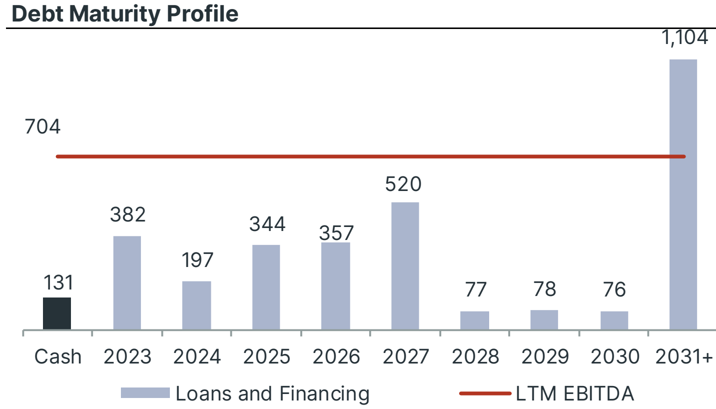
Strengths

- Close to 75% of revenue coming from long-term PPAs (avg. life of 13yr in Chile and 12yr in Colombia)
- Ongoing renewable transition and decarbonization to improve margins and commercial competitiveness
- Lower exposure to the regulated market in Chile and its regulatory risk

Z- Spread evolution



Debt Maturity Profile



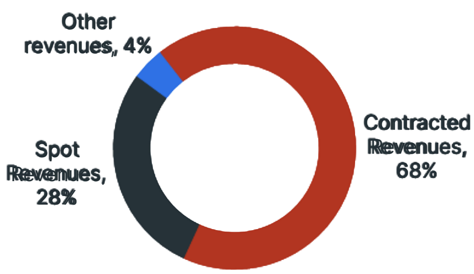
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
AES 25	USD 117mn	5.00%	Baa3 / BBB- / BBB-	223.3	0.8	98.8	0.4%	6.5%	Neutral
AES 27 (ME)	USD 136mn	6.50%	Ba1 / BB+ / BB+	468.9	1.3	97.0	0.6%	7.8%	Neutral
AES 27 (CH)	USD 196mn	5.50%	Ba1 / NR / BBB-	336.2	2.2	99.3	0.5%	6.8%	Overweight
AES 29	USD 500mn	6.30%	Baa3 / BBB- / BBB-	216.8	3.8	103.6	0.5%	5.4%	Neutral
AES 55	USD 530mn	8.15%	Ba1 / BB / BB	433.9	4.5	102.7	0.7%	7.5%	Neutral
AES 79	USD 228mn	6.35%	Ba2 / BB / BB	323.5	0.3	99.3	0.5%	8.6%	Overweight

AES Andes

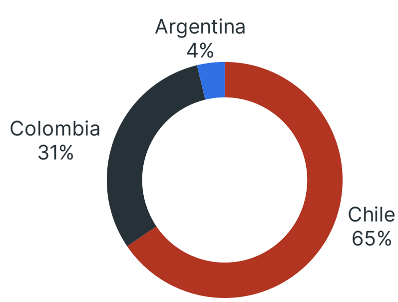
Company Description

AES Andes is one of the largest generation companies in Chile with ~12% market share by dispatch. AES has a presence in Colombia and Argentina as well. Through its Greentegra and decarbonization strategies, the company is successfully accelerating its transition with the goal of having 90% of its portfolio composed of renewable generation coupled with a full exit from coal by 2027. Mercury Chile (AES 6 1/2) is AES Andes's holding structure, below AES Corp, and Cochrane (AES 5 1/2) is a 550-MW fully owned coal subsidiary with its own PPAs in place supporting the bond's cash flows.

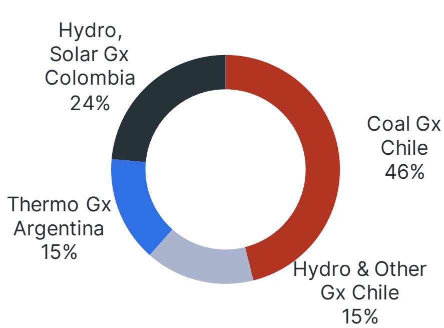
Revenues by Type of Client (2Q24)



LTM EBITDA Breakdown by Geography



LTM Energy Generation (GWh)



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
Interest Coverage	8.6x	10.1x	5.2x	3.2x	3.4x
Gross Debt / EBITDA	3.6x	2.0x	2.9x	3.7x	3.4x
Net Debt / EBITDA	3.3x	1.9x	2.7x	3.4x	3.2x
Net Debt / Equity	1.5x	1.4x	1.4x	1.3x	1.2x
ST Debt / Gross Debt	5%	12%	9%	18%	11%

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Net Revenues	2,507	2,771	2,579	2,742	2,518
Gross Profit	892	977	699	607	642
EBIT	-55	-1,347	606	197	491
Financial Expenses	122	106	156	216	206
EBITDA	1,046	1,075	811	686	708
Gross Margin	36%	35%	27%	22%	25%
EBITDA Margin	42%	39%	31%	25%	28%
Net Margin	-42%	12%	-4%	6%	7%

Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	271	112	186	228	175
Current Liabilities	954	887	1,552	1,204	1,118
Total Assets	8,120	4,477	5,413	5,353	5,414
Current Liabilities	1,254	732	1,001	1,144	917
Total Liabilities	6,089	3,319	4,085	3,872	3,843
Equity	2,031	1,158	1,328	1,481	1,571
Net Debt	3,735	2,282	2,455	2,551	2,635
Gross Debt	4,006	2,394	2,641	2,779	2,810
Short Term Debt	191	284	242	486	303
Long Term Debt	3,815	2,110	2,649	2,292	2,507
ROAE	-52%	30%	-8%	11%	10%
ROAA	-13%	8%	-2%	3%	3%

Cash Flow Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Operational Activities	1,055	155	165	722	673
Investing Activities	-411	-605	-548	-549	-460
Financing Activities	-704	300	476	-33	-87

Sources: Company Reports and Credicorp Capital

Aguas Andinas

Rating: Hold
TP: CLP 330

Steffania Mosquera - smosquera@credicorpcapital.com
Juan Felipe Becerra - jbecerra@credicorpcapital.com

We like Aguas Andinas' equity story but are waiting for more advances on its expansion projects

Investment Thesis

We are introducing our 2025E TP of CLP 330/share for Aguas Andinas while maintaining our HOLD rating. We believe that the company has attracted market attention related to the tariff revision that is currently taking place, as hikes are expected to take place in 1Q25. Indeed, we expect a high single-digit increase in tariffs which we believe should boost results. However, we are still awaiting for more information on Aguas Andina's Biociudad projects to configure a sounder mid-term story and become more constructive on the name.

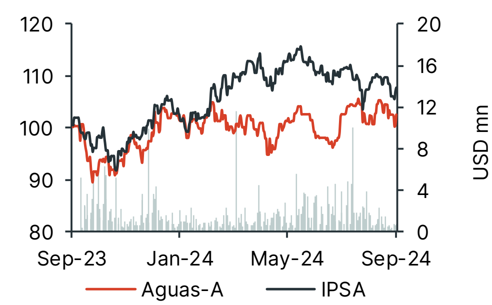
Tariff hikes expected in 1Q25 make for an attractive short-term story in the case of Aguas Andinas. Chile is currently undergoing the VIII Tariff Process, dedicated to the 2025-2030 period, and we expect a positive resolution. In fact, we are estimating an average increase of ~8% in the tariff, which should apply by March 2025, and the regulatory WACC to remain at 7%. The real increase expected in our model is 4.8% in water revenues for 2025E and 5.0% in sewage revenues for 2025E.

However, slightly weak operating results in 1H24 from the regulated revenue line and limited information on mid-term projects led us to take a neutral stance towards Aguas. We will continue to monitor temperatures in Santiago, as lower temperatures have been related to the lower consumption demand that has affected the company's performance during 1H24. Despite customer increases, sales volumes have remained flat (+0.3% comparing 1H24 to 1H23). Also, Aguas Andinas is awaiting approval of its development plan with the regulator. Please note that the company expects a resolution by year-end regarding which Biociudad CAPEX projects will be tariffed. It has expressed that some of the presented pool will not continue unless the SISS tariffs it.

Stock Data

Ticker	aguas/a ci
Price (CLP)	272
Target (CLP)	330
Total Return	28.7%
LTM Range	237 - 280
M. Cap (USD mn)	1,746
Shares Outs. (mn)	5,811
Free Float	50%
ADTV (USD mn)	1.6

Price Chart (CLP) and Volumes (USD mn)



Valuation

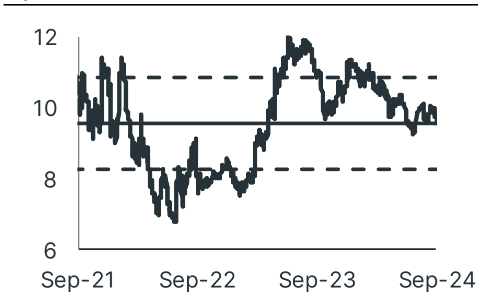
We are introducing our new simplified 10-year DCF model alongside a multiple valuation for Aguas Andinas with a TP of CLP 330/share (an 11.9% increase vs. our previous update). Cash flows are discounted using a 7.4% WACC and assume an EBITDA multiple of 8.5x. The model incorporates the 2025-2030 tariff cycle review update, which should take place at the end of 1Q25. Also, we are updating our long-term EBITDA margin to 52.1%.

Valuation Summary

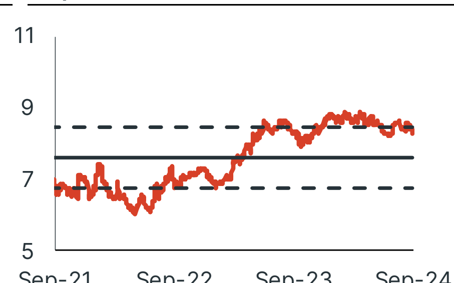
	2023	2024E	2025E	2026E
EV/EBITDA	9.0	8.8	8.4	8.1
P/E	12.7	10.7	9.3	9.1
P/CF	15.1	16.5	15.6	14.7
P/BV	1.9	1.7	1.6	1.5
Div. Yield	5.1%	5.2%	7.2%	7.3%

Sources: Company Reports and Credicorp Capital

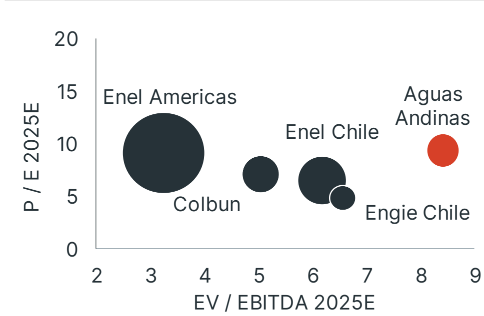
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

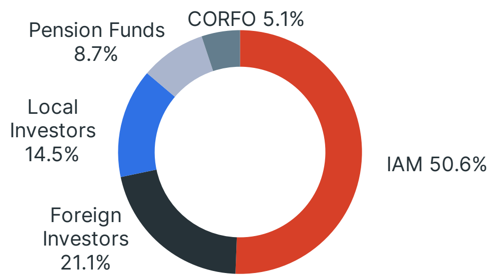


Aguas-A

Company Description

Aguas Andinas is the largest sanitation company in Chile. It provides water and sewage services to the Metropolitan Region, holding perpetual concessions for both businesses. The company serves ~2.3 million customers in the region. The sector regulator, the SISS, sets Aguas Andinas's tariffs for 5-year periods based on a model company framework, event that should take place in 2025

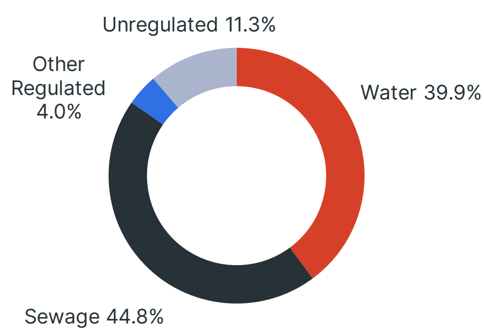
Ownership Structure



Income Statement

CLP mn	2022	2023	2024E	2025E	2026E
Revenues	575,465	642,643	646,900	675,987	697,812
Gross Profit	495,891	557,281	566,420	595,989	617,227
EBITDA	290,762	320,075	324,703	339,637	352,877
Net Income	85,249	133,390	147,682	170,088	173,284
EPS (CLP)	15	23	25	29	30
Gross Margin	86.2%	86.7%	87.6%	88.2%	88.5%
EBITDA Margin	50.5%	49.8%	50.2%	50.2%	50.6%
Net Margin	14.8%	20.8%	22.8%	25.2%	24.8%

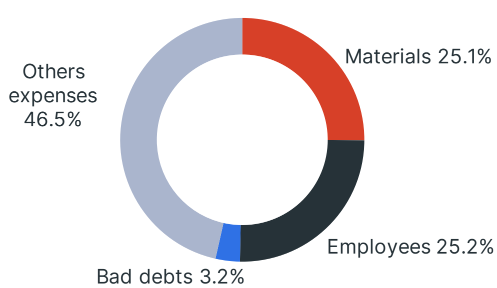
Revenue breakdown by segment (2023)



Balance Sheet

CLP mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	179,335	109,157	34,411	35,471	35,997
Total Current Assets	324,838	275,004	182,470	188,032	192,914
Total Assets	2,379,350	2,423,348	2,408,482	2,504,462	2,596,962
Current Liabilities	265,797	361,668	256,866	262,419	267,544
Financial Debt	1,298,648	1,282,231	1,276,343	1,314,360	1,348,979
Total Liabilities	1,540,458	1,537,208	1,493,080	1,536,694	1,576,478
Minority Interest	30	31	33	33	33
Shareholders Equity	838,862	886,108	915,368	967,735	1,020,451
Total Liabilities + Equity	2,379,350	2,423,348	2,408,482	2,504,462	2,596,962
Net Debt /EBITDA	3.8	3.7	3.8	3.8	3.7
Financial Debt /EBITDA	4.5	4.0	3.9	3.9	3.8
Financial Debt /Equity	1.5	1.4	1.4	1.4	1.3
ROAE	10.1%	15.5%	16.4%	18.1%	17.4%
ROAA	3.7%	5.6%	6.1%	6.9%	6.8%
ROIC	12.4%	10.2%	9.7%	9.6%	9.5%

Operating Cost Breakdown (2023)



Cash Flow Statement

CLP mn	2022	2023	2024E	2025E	2026E
Initial Cash	163,513	179,335	109,157	34,411	35,471
Cash Flow From Operations	154,227	112,237	98,707	104,465	110,854
CAPEX	-128,550	-169,164	-153,200	-179,627	-185,016
Changes in Financial Debt	144,371	-16,417	-5,887	38,017	34,619
Dividends (Paid) Received	-74,075	-85,707	-84,083	-117,721	-118,320
Other CFI & CFF Items	-80,151	88,872	69,717	155,926	158,389
Changes in Equity	0	0	0	0	0
Final Cash	179,335	109,157	34,411	35,471	35,997
Change in Cash Position	15,822	-70,179	-74,745	1,060	526

Sources: Company Reports and Credicorp Capital

Management

CEO: Daniel Tugues Andres
CFO: Miquel Sans
IRO: Denisse Labarca
www.aguasandinasinversionistas.cl

Colbún

Equity Research Chile
Utilities

Rating: Hold
TP: CLP 150

Steffania Mosquera - smosquera@credicorpcapital.com
Juan Felipe Becerra - jbecerra@credicorpcapital.com

Limited upside from current metereological conditions given its exposure to the spot market

Investment Thesis

We are introducing our 2025E TP for Colbun of CLP 150/share while downgrading our BUY rating to HOLD. We believe Colbun should continue to benefit from its conservative commercial strategy. Moreover, it should benefit from incorporating new capacity and a new pool of renewable contracts in 2025. Nevertheless, other electric utilities benefitting from current hydrology and low spot prices, will leave Colbun behind the industry momentum. We stress the risk of exposure to the spot market, which Colbun does not have. Still, with the likelihood of a "weak and short" La Niña phenomenon and an above-average snow accumulation in Chile, the company does not look particularly attractive.

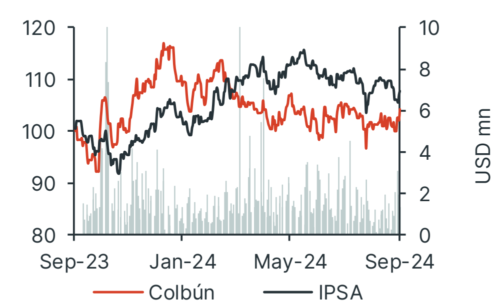
Entering capacity should boost the name's performance. Colbun will incorporate the Horizonte wind farm (816 MW), as well as the acquired ILAP's solar assets San Juan (193 MW) and Totoral (46 MW) into its generation mix by 1Q25. The new assets should provide Colbun with new renewable energy to supply the new unregulated contracts signed. Furthermore, both Horizonte and ILAP's assets reduce possible decoupling risks as the new capacity and free mining contracts are in the northern part of the country.

No significant benefit from current conditions. Colbun should expect a 30.9% y/y decrease in 2024E earnings due to the expiration of regulated contracts in 2023, which should lead to a 21.1% y/y recovery in 2025E, as unregulated contracts enter the picture. Then, for 2025E it should continue its net selling position until 2025, when new contracts start. For 2025, the company should not have exposure to the spot market during night hours as the new capacity provides sufficient self-generation. We are not expecting La Niña to impact operations but await any possible changes in hydrology and spot prices after 1Q25, which is an upside risk.

Stock Data

Ticker	colbun ci
Price (CLP)	124
Target (CLP)	150
Total Return	28.1%
LTM Range	110 - 139
M. Cap (USD mn)	2,336
Shares Outs. (mn)	17,536
Free Float	50%
ADTV (USD mn)	1.7

Price Chart (CLP) and Volumes (USD mn)



Valuation

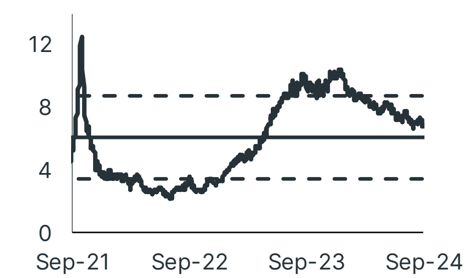
We are updating our TP to CLP 150/share with our 10-year DCF model alongside a multiple valuation. The model uses a 9.6% WACC for the DCF and assumes an EBITDA multiple of 6.0x. Our new updated model assumes an extra 450-500 GWh each year in hydro generation for 2024E and 2025E, and an extra 1,000 GWh in 2025E's wind generation with the inclusion of Horizonte and ILAPs assets. Also, we anticipate increases in EBITDA for 2024E (USD 626 mn vs. USD 610 mn from our previous update) and 2025E (USD 729 mn vs. USD 639 mn from our previous update).

Valuation Summary

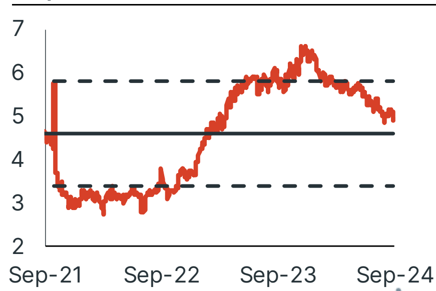
	2023	2024E	2025E	2026E
EV/EBITDA	6.7	5.9	5.0	4.9
P/E	7.1	8.6	7.1	6.9
P/CF	18.1	21.4	47.5	5.0
P/BV	0.9	0.7	0.7	0.7
Div. Yield	11.1%	5.1%	7.1%	7.1%

Sources: Company Reports and Credicorp Capital

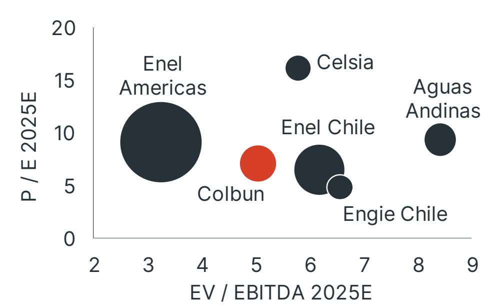
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

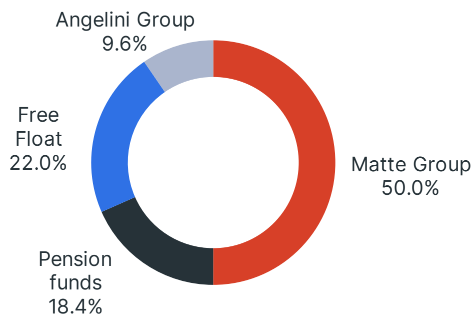


Colbún

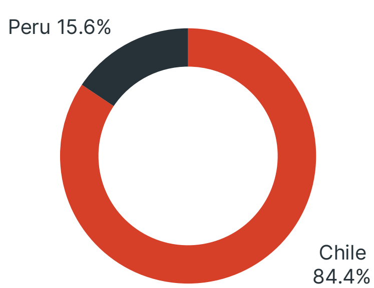
Company Description

Colbun is a power generation company. In Chile, it has an installed capacity of ~3,4 GW from 15 power plants and it is currently building the 816 MW Horizonte wind farm, expected be operating by year-end. The company also owns and operates ~0.6 GW Fenix Peru, one of the most efficient combined-cycle power plants in the country.

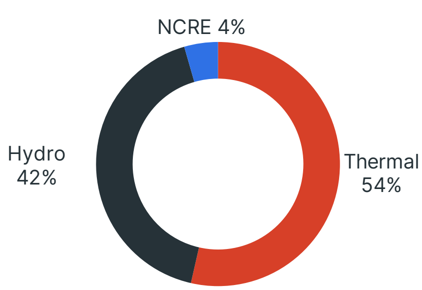
Ownership Structure



Revenue breakdown by country (2023)



Generation Mix (2023)



Management

CEO: José Ignacio Escobar
CFO: Miguel Alarcón
IRO: Isidora Zaldivar
www.colbun.cl

Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	1,974	2,004	1,521	1,536	1,594
Gross Profit	905	873	777	882	906
EBITDA	763	713	626	729	747
Net Income	296	393	272	329	339
EPS (CLP)	14	20	16	18	18
Gross Margin	45.8%	43.6%	51.0%	57.4%	56.8%
EBITDA Margin	38.7%	35.6%	41.2%	47.5%	46.9%
Net Margin	15.0%	19.6%	17.9%	21.4%	21.2%

Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	198	248	82	86	89
Total Current Assets	1,688	1,426	534	550	561
Total Assets	6,606	6,661	5,899	6,212	6,114
Current Liabilities	543	471	331	331	331
Financial Debt	2,157	2,123	1,293	1,441	1,168
Total Liabilities	3,653	3,563	2,591	2,739	2,465
Minority Interest	135	124	126	128	131
Shareholders Equity	2,818	2,973	3,181	3,345	3,518
Total Liabilities + Equity	6,606	6,661	5,899	6,212	6,114
Net Debt /EBITDA	2.6	2.6	1.9	1.9	1.4
Financial Debt /EBITDA	2.8	3.0	2.1	2.0	1.6
Financial Debt /Equity	0.8	0.7	0.4	0.4	0.3
ROAE	10.7%	13.6%	8.8%	10.1%	9.9%
ROAA	4.5%	5.9%	4.3%	5.4%	5.5%
ROIC	8.4%	7.6%	6.3%	7.7%	7.6%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	**392**	**198**	**248**	**82**	**86**
Cash Flow From Operations	352	154	109	49	465
CAPEX	-268	-409	-332	-527	-129
Changes in Financial Debt	-192	-34	-830	148	-274
Dividends (Paid) Received	-223	-310	-119	-166	-166
Other CFI & CFF Items	138	649	1,006	500	106
Changes in Equity	0	0	0	0	0
Final Cash	**198**	**248**	**82**	**86**	**89**
Change in Cash Position	**-194**	**50**	**-166**	**4**	**3**

Sources: Company Reports and Credicorp Capital

Empresas Públicas de Medellín

Fixed Income Research Colombia Utilities

Baa3 / NR / BB+
Outlook: s / nr / wn

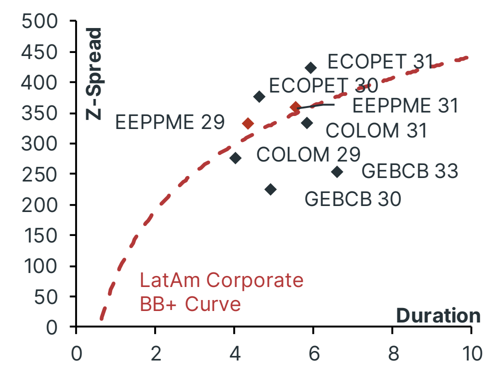
Sandra Loyola - sloyola@credicorpcapital.com

Improving fundamentals to support valuations

Investment Thesis

In 1H24 EPM recorded strong results driven by good profitability in the generation division amid the El Niño phenomenon pushing for high spot prices. Results in upcoming quarters will normalize, but the first semester should support a solid 2024. Net leverage sits comfortably at 2.3x. Our general view is optimistic supported fading risks, namely: i) lower execution risk at Hidroituango, ii) improved governance, iii) lower liquidity risk from the tariff options as the company gradually recovers the receivables, and iv) lower regulatory risk as Petro's political influence weakens and the CREG continues to assess proposals technically. We feel fundamentals alone support an upside on valuations. Yet, we recognize that the bonds will continue to be pressured by Colombia's headline risk as the SoS stands tight. We like the bonds' attractive yields for long-term positions supported by improving fundamentals, and we are OW on attractive yields.

EPM Bonds and comparables



Credit Data	
REG-S Notes	2
Outstanding Senior Notes	USD 1,575MM
Closest Call Date	18-Apr-29
Closest Maturity Date	18-Jul-29

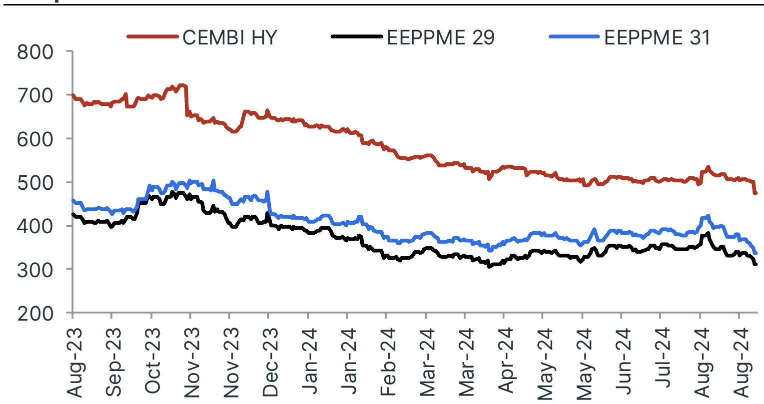
Concerns

- Ambitious capex plan in the upcoming years
- Remaining construction risks around the Ituango Project
- Some remanent exposure to social risks through political intervention

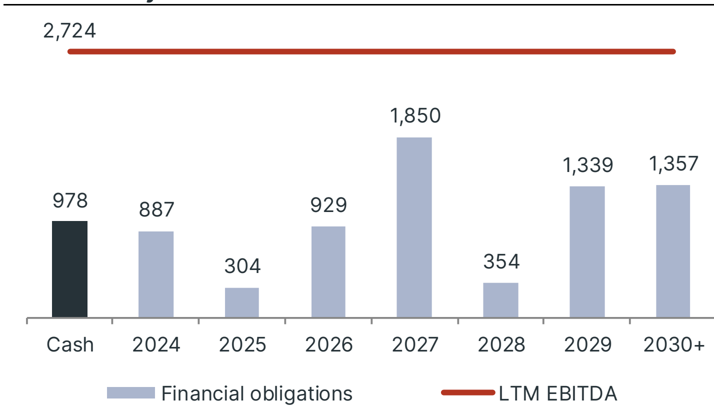
Strengths

- High cash generation
- Geographical and business diversification
- Implicit support of the City of Medellin
- Defensive business model
- Expanding generation capacity
- Improved governance

Z- Spread evolution



Debt Maturity Profile



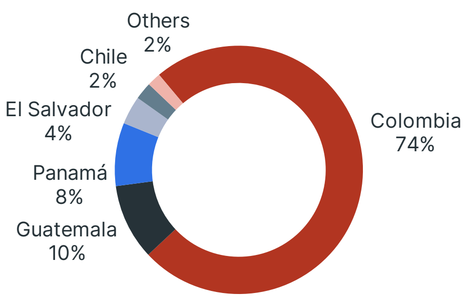
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
EEPPME 29	USD 1,000mn	4.25%	Baa3 / NR / BB+	331.0	4.4	90.8	0.4%	6.5%	Overweight
EEPPME 31	USD 575mn	4.38%	Baa3 / NR / BB+	357.8	5.6	87.7	0.4%	6.8%	Overweight

EPM

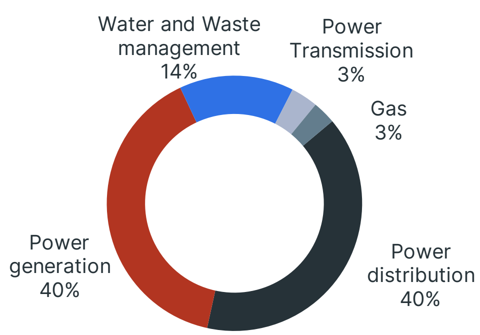
Company Description

Empresas Públicas de Medellin is the largest utility conglomerate in Colombia. EPM operates in the electricity generation, transmission, and distribution businesses, as well as water and waste management and gas services. The Municipality of Medellin holds 100% of the company's shares.

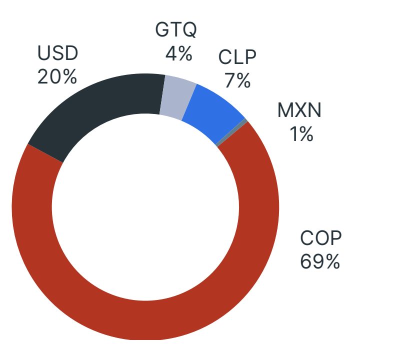
Revenues Breakdown by Geography



LTM EBITDA Breakdown by Segment



Debt Breakdown by Currency*



*After FX Coverage

Credit Metrics

	2020	2021	2022	2023	LTM2Q24
Interest Coverage	4.5x	5.2x	4.3x	3.2x	3.0x
Gross Debt / EBITDA	4.3x	3.5x	3.0x	2.6x	2.7x
Net Debt / EBITDA	3.6x	2.9x	2.6x	2.3x	2.3x
Net Debt / Equity	0.8x	0.8x	0.8x	0.8x	0.8x
ST Debt / Gross Debt	16%	12%	12%	17%	16%

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Net Revenues	4,773	6,089	7,768	9,049	9,466
Gross Profit	1,516	2,053	2,781	3,006	3,171
EBIT	996	1,377	1,919	1,852	2,001
Financial Expenses	306	345	551	788	899
EBITDA	1,389	1,788	2,353	2,555	2,724
Gross Margin	32%	34%	36%	33%	33%
EBITDA Margin	29%	29%	30%	28%	29%
Net Margin	19%	13%	13%	9%	10%

Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	988	986	995	796	978
Current Liabilities	2,955	3,547	3,618	3,669	3,860
Total Assets	15,376	16,339	18,220	18,620	19,389
Current Liabilities	2,277	2,353	2,912	3,398	3,342
Total Liabilities	8,836	9,408	10,750	11,070	11,633
Equity	6,540	6,931	7,470	7,550	7,757
Net Debt	4,940	5,226	6,114	5,924	6,374
Gross Debt	5,928	6,212	7,109	6,721	7,353
Short Term Debt	940	753	866	1,144	1,156
Long Term Debt	4,987	5,459	6,243	5,576	6,197
ROAE	14%	11%	13%	11%	12%
ROAA	6%	5%	5%	5%	5%

Cash Flow Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Operational Activities	1,200	1,032	1,144	926	1,264
Investing Activities	-1,012	-411	-574	-1,250	-1,252
Financing Activities	451	-594	-448	25	370

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Enel Americas

Rating: Hold
TP: CLP 106

Equity Research Chile
Utilities

Steffania Mosquera - smosquera@credicorpcapital.com
Juan Felipe Becerra - jbecerra@credicorpcapital.com

What comes next?

Investment Thesis

We are introducing our 2025E TP of CLP 106/share for Enel Americas while maintaining our HOLD rating. We believe that the company's 2025E dividend yield after the sale of assets in Peru and relatively lower regulatory noise in Brazil has led to positive market momentum during the last months. However, we do not see a clear equity story for Enel Am once the dividend is distributed in 2025, hence we will be awaiting the renewed investment plan in November accordingly.

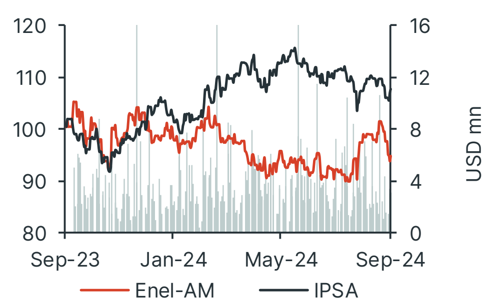
An attractive dividend yield and regulatory advances in Brazil should maintain investor interest in Enel Am. After a negative market momentum during 1H24, which we believe was partially explained by regulatory noises in Brazil we have seen increasing interest on the name. We believe the catalysts have been the new conditions for distribution concessions in Brazil (which should be final in October and do not point out to significant changes vs current ones) and a ~7% dividend yield in 2025, as a result of the sale of assets in Peru.

But beyond continuity in Brazil, a deleverage story in 2024, and a juicy dividend in 2025, what comes next? We are still lacking a more appealing growth story once the company has completed its deleverage process (from 1.7x Net Debt/EBITDA in 2022 to 0.4x in 2024E) so we are maintaining our neutral view for Enel Americas, while closely monitoring any announcements on new projects, especially given our expectation of an updated CAPEX plan in November.

Stock Data

Ticker	enelam ci
Price (CLP)	91
Target (CLP)	106
Total Return	23.8%
LTM Range	87 - 102
M. Cap (USD mn)	10,541
Shares Outs. (mn)	107,280
Free Float	18%
ADTV (USD mn)	3.7

Price Chart (CLP) and Volumes (USD mn)



Valuation

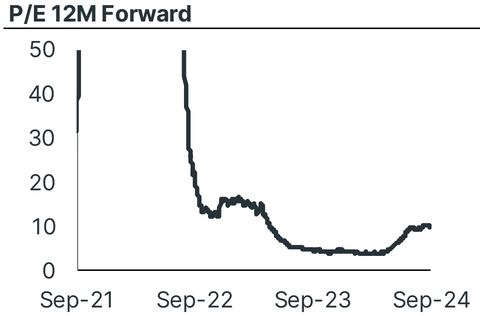
We are introducing our new DCF-based SOTP model, decreasing our previous TP to CLP 106/share (-13.1% vs. previous TP). Our model incorporates generation businesses in Brazil, Colombia, and Central America, as well as distribution businesses in Brazil and Colombia. The remaining assets in Argentina are not included until the government sheds more light on the future of El Chocón (Gx) and Enersur (Dx). The company has stated improvements in both businesses that have to be backed with regulation. Therefore, those assets pose an upside risk to the valuation. Also, the model incorporates the sale of assets in Perú which should be the main driver behind the 7.9% 2025E dividend yield.

Valuation Summary

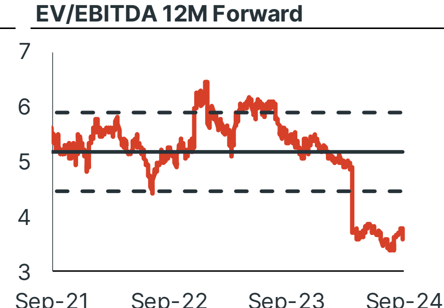
	2023	2024E	2025E	2026E
EV/EBITDA	5.5	3.4	3.3	3.1
P/E	13.7	3.8	9.1	7.5
P/CF	3.9	6.4	5.2	4.4
P/BV	0.8	0.6	0.6	0.5
Div. Yield	0.0%	2.5%	7.9%	3.3%

Sources: Company Reports and Credicorp Capital

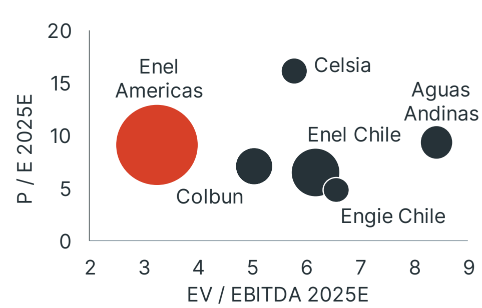
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

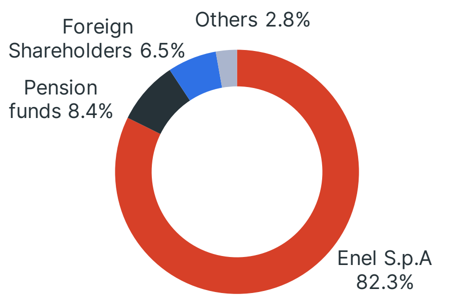


Enel-AM

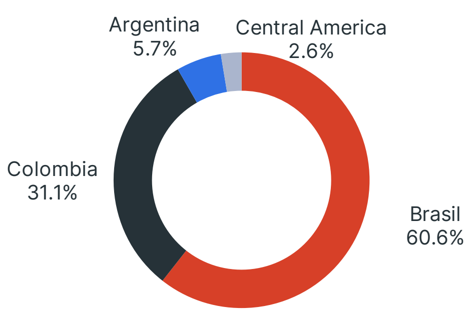
Company Description

Enel Americas is an energy generation and distribution holding company. Its generation business has an installed capacity of 12.8 GW, and its distribution one supplies energy to more than 22.4 million customers. The holding is comprised of generation businesses in Brazil, Colombia, and Central America and distribution businesses in Brazil, Colombia, and Argentina. Recently, Enel Americas sold assets in Perú, leaving the geography.

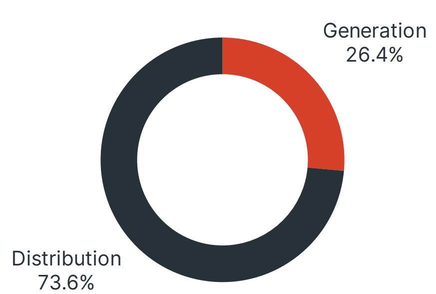
Ownership Structure



Revenue breakdown by country (2023)



Revenue breakdown by business (2023)



Management

CEO: Aurelio Bustilho

CFO: Rafael de la Haza

IRO: Jorge Velis

www.enelamericas.com

Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	14,187	12,888	13,690	14,180	14,720
Gross Profit	5,817	5,216	5,749	6,030	6,400
EBITDA	4,169	3,749	4,144	4,289	4,469
Net Income	-44	864	2,781	1,161	1,397
EPS (CLP)	0	7	24	10	12
Gross Margin	41.0%	40.5%	42.0%	42.5%	43.5%
EBITDA Margin	29.4%	29.1%	30.3%	30.2%	30.4%
Net Margin	-0.3%	6.7%	20.3%	8.2%	9.5%

Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	1,122	1,500	4,867	4,419	5,958
Total Current Assets	7,764	10,319	9,277	8,945	10,610
Total Assets	34,774	36,855	35,225	35,003	36,551
Current Liabilities	7,927	9,727	7,820	8,021	8,237
Financial Debt	8,046	8,105	6,634	5,468	4,733
Total Liabilities	19,327	19,834	16,164	14,202	13,683
Minority Interest	2,490	2,516	2,664	2,909	3,191
Shareholders Equity	12,957	14,505	16,397	17,892	19,677
Total Liabilities + Equity	34,774	36,855	35,225	35,003	36,551
Net Debt /EBITDA	1.7	1.8	0.4	0.2	-0.3
Financial Debt /EBITDA	1.9	2.2	1.6	1.3	1.1
Financial Debt /Equity	0.6	0.6	0.4	0.3	0.2
ROAE	-0.3%	6.3%	18.0%	6.8%	7.4%
ROAA	-0.1%	2.4%	7.7%	3.3%	3.9%
ROIC	-0.4%	5.6%	7.9%	9.3%	9.7%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	1,396	1,122	1,500	4,867	4,419
Cash Flow From Operations	-802	3,075	1,651	2,042	2,395
CAPEX	-1,667	-78	-1,580	-1,223	-1,059
Changes in Financial Debt	645	59	-1,471	-1,166	-734
Dividends (Paid) Received	-222	0	-259	-834	-348
Other CFI & CFF Items	1,773	-2,678	5,027	732	1,286
Changes in Equity	0	0	0	0	0
Final Cash	1,122	1,500	4,867	4,419	5,958
Change in Cash Position	-275	378	3,367	-449	1,539

Sources: Company Reports and Credicorp Capital

Enel Chile

Equity Research Chile
Utilities

Rating: Buy
TP: CLP 67.3

Steffania Mosquera - smosquera@credicorpcapital.com
Juan Felipe Becerra - jbecerra@credicorpcapital.com

We see an attractive entry point

Investment Thesis

We are introducing our 2025E TP for Enel Chile of CLP 67.3/share while raising our rating to BUY. Despite the noise the company faces in local media, which we believe led to a +5% price drop during the quarter, we see current market prices as an attractive entry point. Indeed, we do not foresee a significant long-term impact of the energy cutouts on Enel Chile's financial statements beyond a short-term effect, from overhead, reparations, and fines, the last of which we estimate will total USD 50 mn in 3Q24.

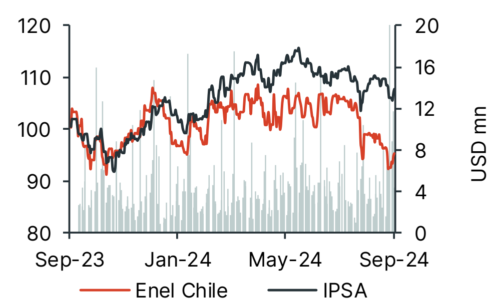
Enel Chile's generation segment is looking good related to favorable hydrology, its exposure to the spot market, and its success in the regulated auction this year. 2Q24 and 3Q24 have been outstanding in hydrology, leading to reservoir levels exceeding the historical average (1994-2023) for each month since the start of the year and low spot prices (USD 53.07/kWh during 1H24, 52.9% lower than 1H23). Considering our expectations of CLP ~300 bn (6,400 GW) in purchases in the spot market from Enel Chile during 2024 and a ~12,000 GW generation through its hydro plants, we believe Enel Chile's EBITDA margin should be enhanced this year. Furthermore, we believe the company being granted the entirety of the regulated auction at USD 56.68/kWh + systemic costs, and potency earlier this year provides a steady long-term perspective.

Tariff increases for the distribution segment should be positive for Enel. Please note that the update in distribution tariffs due to the VAD 2020-2024 process was effective during 2Q24. The increase caused a significant 22% y/y and 74% q/q EBITDA hike. We are expecting 2Q24 distribution results to continue the 2Q24 trend going forward, with the exception of 3Q24, where overhead expenses and reparations should bring results in line with historical average.

Stock Data

Ticker	enelchil ci
Price (CLP)	49.0
Target (CLP)	67.3
Total Return	46.3%
LTM Range	47 - 56
M. Cap (USD mn)	3,640
Shares Outs. (mn)	69,167
Free Float	35%
ADTV (USD mn)	4.5

Price Chart (CLP) and Volumes (USD mn)



Valuation

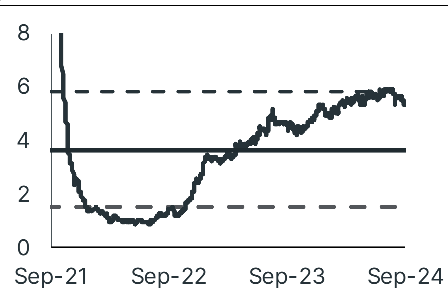
We are updating our TP to CLP 67.3/share (+11.7% vs. our last CLP 60/share TP) with our 10-year DCF model alongside a multiple valuation. The model uses a 9.2% WACC for the DCF and assumes an EBITDA multiple of 6.0x. The new model includes the last regulated energy supply auction carried out in 2024 and awarded entirely to Enel Chile. Therefore, the average participation 2025-2035 of regulated customers in the volume mix increases from 22.8% in our previous model vs. 29.2% in our new updated one. Also, we are incorporating new distribution tariffs from the VAD 2020-2024 tariff update in our Enel Distribución model, which result in a +7% increase in distribution revenues for 2024E and 2025E vs. our last update.

Valuation Summary

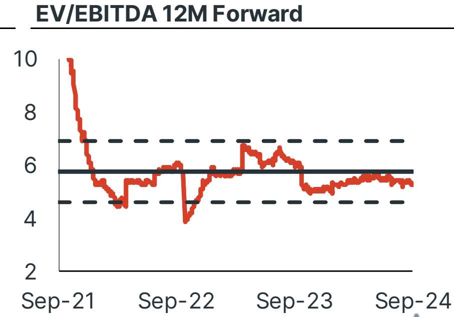
	2023	2024E	2025E	2026E
EV/EBITDA	7.1	4.9	6.2	6.9
P/E	6.2	4.8	6.4	7.7
P/CF	-13.6	2.7	10.8	5.6
P/BV	0.9	0.7	0.6	0.6
Div. Yield	9.5%	8.1%	9.0%	6.5%

Sources: Company Reports and Credicorp Capital

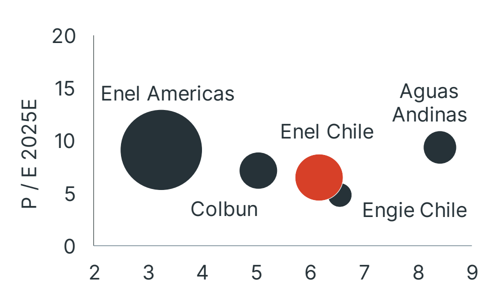
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

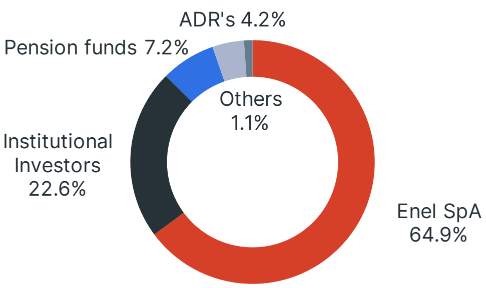


Enel Chile

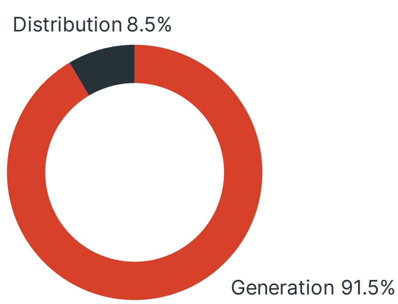
Company Description

Enel Chile operates in the generation and distribution businesses in Chile. A reorganization in 2017 saw the Chilean renewable power assets of Enel Green Power transferred to the Enel Chile group. Enel Chile has an installed capacity of ~8.7 GW. Enel Distribution Chile provides power distribution services to ~2.1 mn clients in the Santiago metropolitan area.

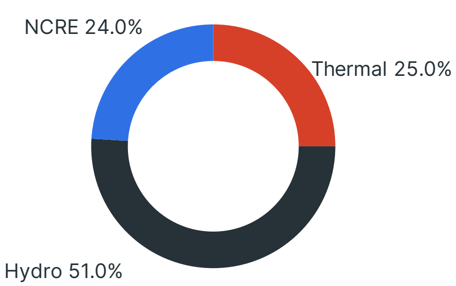
Ownership Structure



EBITDA breakdown by segment 2023



Generation Mix (2023)



Management

CEO: Giuseppe Turchiarelli

CFO: Giuseppe Turchiarelli (interim)

IRO: Isabela Klemes

www.enel.cl

Income Statement

CLP bn	2022	2023	2024E	2025E	2026E
Revenues	4,956	4,167	4,848	4,104	4,132
Gross Profit	1,557	1,385	1,862	1,543	1,423
EBITDA	1,174	1,039	1,497	1,191	1,067
Net Income	1,252	633	701	526	439
EPS (CLP)	18	9	11	8	6
Gross Margin	31.4%	33.2%	38.4%	37.6%	34.4%
EBITDA Margin	23.7%	24.9%	30.9%	29.0%	25.8%
Net Margin	25.3%	15.2%	14.5%	12.8%	10.6%

Balance Sheet

CLP bn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	875	563	228	182	187
Total Current Assets	3,064	2,371	1,963	1,619	1,652
Total Assets	11,866	11,834	12,125	11,566	11,598
Current Liabilities	3,168	2,794	2,458	1,992	2,024
Financial Debt	4,110	3,749	3,017	2,702	2,440
Total Liabilities	7,477	7,073	6,703	5,879	5,656
Minority Interest	292	315	372	416	452
Shareholders Equity	4,097	4,446	5,050	5,271	5,489
Total Liabilities + Equity	11,866	11,834	12,125	11,566	11,598
Net Debt /EBITDA	2.8	3.1	1.9	2.1	2.1
Financial Debt /EBITDA	3.5	3.6	2.0	2.3	2.3
Financial Debt /Equity	1.0	0.8	0.6	0.5	0.4
ROAE	34.8%	14.8%	14.8%	10.2%	8.2%
ROAA	11.7%	5.3%	5.9%	4.4%	3.8%
ROIC	9.1%	7.4%	10.5%	7.8%	6.5%

Cash Flow Statement

CLP bn	2022	2023	2024E	2025E	2026E
Initial Cash	**310**	**875**	**563**	**228**	**182**
Cash Flow From Operations	-320	-200	1,188	278	591
CAPEX	-700	-531	-713	-332	-325
Changes in Financial Debt	-65	-361	-732	-315	-262
Dividends (Paid) Received	-26	-376	-275	-305	-221
Other CFI & CFF Items	1,676	1,156	197	627	222
Changes in Equity	0	0	0	0	0
Final Cash	**875**	**563**	**228**	**182**	**187**
Change in Cash Position	**565**	**-312**	**-335**	**-46**	**4**

Sources: Company Reports and Credicorp Capital

Engie Energía Chile

Rating: Hold
TP: CLP 1,027

Equity Research Chile
Utilities

Steffania Mosquera - smosquera@credicorpcapital.com
Juan Felipe Becerra - jbecerra@credicorpcapital.com

We maintain our neutral stance until we see the impact of La Niña and the end of the heavy CAPEX cycle for the company

Investment Thesis

We are introducing our 2025E TP for Engie Energia Chile of CLP 1,027/share while maintaining our HOLD rating. Even though we recognize an improving equity story for Engie, especially considering +30% y/y increases in EBITDA during 1H24 and a deleveraging story, we are still monitoring Engie's heavy capex plan for 2024 and 2025 in a scenario where a La Niña phenomenon is still likely.

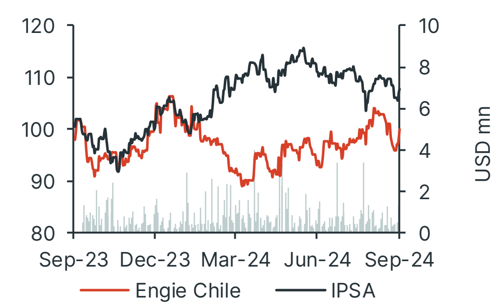
We like Engie's EBITDA surges and deleveraging process. We expect a 27.2% y/y increase in EBITDA for Engie during 2024 from current hydrology and its exposure to the spot market. The latter and PEC payments should lead to the company reaching a 2024E 4.0x ND/EBITDA from 5.7x in 2023.

Despite a sounder cash flow generation, some risks in Engie's short term lead us to maintain our neutral stance. A potential la Niña phenomenon for Engie with exposure to the spot market and a high reliance on thermal energy prevents us from becoming more constructive on Engie. Indeed, we are still monitoring risks from La Niña with NOAA increasing its likelihood forecast to 71% of occurrence between September-November and extending until 1Q25 (though seeing a milder phenomenon), which could hit Engie given its exposure to the spot market and ~62% of its 2024E generation coming from thermal sources. Finally, we would still like to see more advances from Engie's CAPEX plan, considering an expected CAPEX of USD 690 mn for this year and USD 390 mn for 2025, with EBITDAs for both years at ~USD 500 mn.

Stock Data

Ticker	ecl ci
Price (CLP)	865
Target (CLP)	1,027
Total Return	23.9%
LTM Range	770 - 920
M. Cap (USD mn)	979
Shares Outs. (mn)	1,053
Free Float	40%
ADTV (USD mn)	0.8

Price Chart (CLP) and Volumes (USD mn)



Valuation

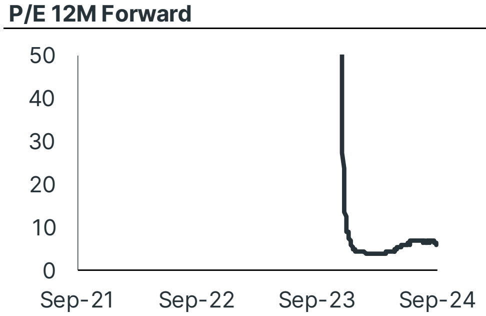
We are updating our TP to CLP 1,027/share (+16.0% vs. our last CLP 885/share TP) with our 10-year DCF model alongside a multiple valuation. The model uses a 9.3% WACC for the DCF and assumes an EBITDA multiple of 6.0x. The incorporation of PEC III receivables into cash flow by the end of 2024 causes ECL to end the year with a 4.0x 2024E ND/EBITDA and 3.9x 2025E ND/EBITDA (vs. a previous estimate of 4.3x 2024E and 4.6x 2025E). Also, we are updating the model's CAPEX for 2024E and 2025E, increasing by USD 147 mn and USD 10 mn vs. our previous update, respectively.

Valuation Summary

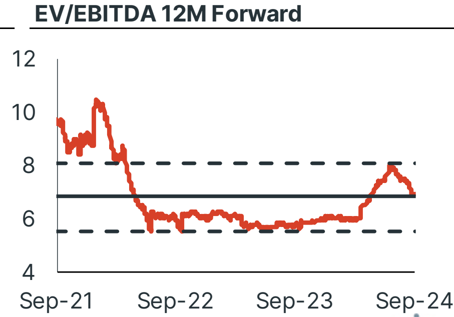
	2023	2024E	2025E	2026E
EV/EBITDA	8.6	6.8	6.6	6.6
P/E	-2.7	4.0	4.8	3.8
P/CF	2.0	nm	10.4	3.1
P/BV	0.8	0.6	0.6	0.5
Div. Yield	0.0%	6.4%	5.1%	7.4%

Sources: Company Reports and Credicorp Capital

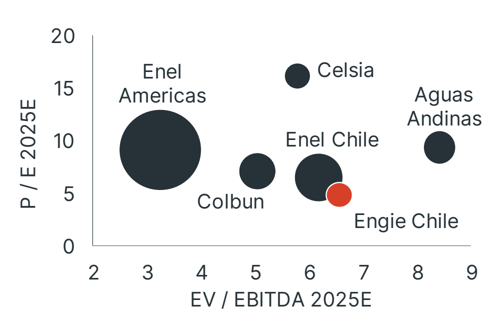
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

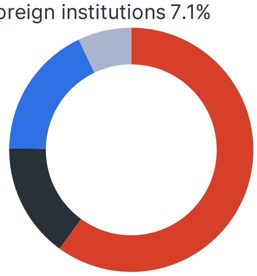


Engie Chile

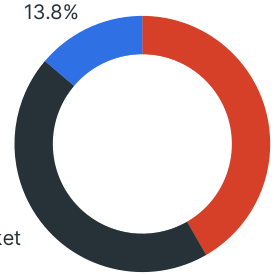
Company Description

Engie Energia Chile (EECL) is the fourth largest power generator in Chile with ~2.7 GW gross installed capacity. The company is engaged in transitioning out of coal and is developing a 2.1 GW renewable portfolio. EECL is also a relevant player in transmission with 2,409 km of tx lines, 32 substations and a 50% share in TEN, a 600 km-long tx line.

Ownership Structure



Revenue breakdown by segment (2023)



Generation Mix (2023)

Management

CEO: Rosaline Corinthien
CFO: Eduardo Milligan
IRO: Marcela Muñoz
www.engie.cl

Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	1,920	2,193	1,837	1,603	1,583
Gross Profit	20	251	395	381	451
EBITDA	189	403	513	530	530
Net Income	-383	-408	242	205	257
EPS (CLP)	-309	-340	-255	184	231
Gross Margin	1.0%	11.4%	21.5%	23.8%	28.5%
EBITDA Margin	9.9%	18.4%	27.9%	33.1%	33.5%
Net Margin	-19.9%	-18.6%	13.2%	12.8%	16.3%

Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	132	301	62	53	51
Total Current Assets	836	986	666	605	597
Total Assets	4,328	4,259	4,168	4,314	4,297
Current Liabilities	660	709	643	642	641
Financial Debt	1,969	2,302	2,106	2,099	1,897
Total Liabilities	2,514	2,873	2,581	2,571	2,370
Minority Interest	0	0	0	0	0
Shareholders Equity	1,814	1,386	1,588	1,743	1,928
Total Liabilities + Equity	4,328	4,259	4,168	4,314	4,297
Net Debt /EBITDA	9.7	5.0	4.0	3.9	3.5
Financial Debt /EBITDA	10.4	5.7	4.1	4.0	3.6
Financial Debt /Equity	1.1	1.7	1.3	1.2	1.0
ROAE	-19.2%	-25.5%	16.3%	12.3%	14.0%
ROAA	-9.2%	-9.5%	5.7%	4.8%	6.0%
ROIC	0.0%	5.2%	7.4%	6.8%	7.9%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	**216**	**132**	**301**	**62**	**53**
Cash Flow From Operations	-265	544	6	94	316
CAPEX	-20	10	-680	-395	-106
Changes in Financial Debt	711	333	-196	-7	-202
Dividends (Paid) Received	0	0	-63	-50	-72
Other CFI & CFF Items	-509	-718	693	349	63
Changes in Equity	0	0	0	0	0
Final Cash	**132**	**301**	**62**	**53**	**51**
Change in Cash Position	**-83**	**169**	**-239**	**-9**	**-1**

Sources: Company Reports and Credicorp Capital

Engie Peru

Rating: Buy
TP: PEN 5.15

Miguel Leiva - miguelleiva@credicorpcapital.com
Ana Paula Galvez - agalvezm@credicorpcapital.com

Resilient LT growth outlook amid operational recovery and renewable growth potential

Investment Thesis

We are updating our target price to PEN 5.15/sh while maintaining our BUY recommendation. Despite last year's operational challenges, we believe the company's solid fundamentals and attractive valuation support a positive LT outlook for investors.

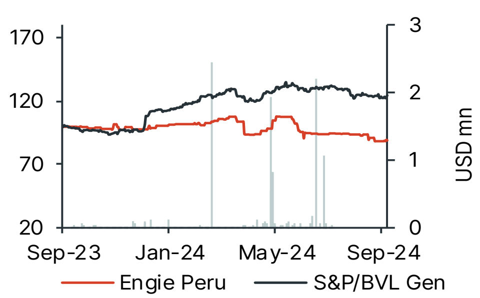
Operationally, 2023 was marked by significant pressures, including weak hydrology, extended Camisea maintenance, elevated spot prices, and reliance on less efficient plants. These factors drove EBITDA/MWh down to USD 23/MWh, an 18% decline vs the 2021-2022 average. However, we anticipate a 9% y/y EBITDA improvement in 2024 and a further 7% rise in 2025, supported by better hydrological conditions, lower spot prices, reduced dependence on less efficient plants, the restart of Quitaracsa, and the full operation of Punta Lomitas (296 MW). Engie also continues to focus on LT renewable growth, including its recent acquisition of the Duna and Huambos wind farms (37 MW combined), which could contribute around USD 6 mn to EBITDA. We believe the company's strong financial position (ND/EBITDA: 2.2x) supports continued investment in renewable energy.

We also see growth potential in Peru's renewable energy sector, and Engie is well-positioned to capitalize on this opportunity. The company has secured a concession for the Hanaqpampa solar plant (300 MW, est. COD: 2Q26), which could add value to our TP. However, the success of these renewable projects will depend on Engie's ability to secure PPAs at favorable prices, regulatory support, and S/D dynamics in the electricity market. Finally, we note some ongoing risks, including stressed hydrology, weaker-than-expected LT prices, and liquidity, which has posed challenges to the stock's performance.

Stock Data

Ticker	engiec1 pe
Price (PEN)	4.03
Target (PEN)	5.15
Total Return	32.1%
LTM Range	4.00 - 4.88
M. Cap (USD mn)	644
Shares Outs. (mn)	601
Free Float	38%
ADTV (USD mn)	0.1

Price Chart (PEN) and Volumes (USD mn)



Valuation

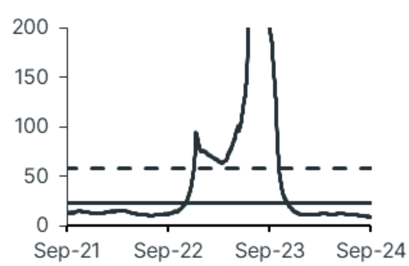
We value the company using a DCF approach, resulting in a target price of PEN 5.15 per share and an EV/EBITDA 26 of 4.8x (WACC: 8.0%). Currently, the company is trading at an EV/EBITDA 12m forward discount of ~26%, compared to its historical average over the past five years, ~20% vs its 3-year average, and ~12% vs its 1-year average. Additionally, we are considering a more conservative long-term average price of USD 30 per MWh (vs USD 40 per MWh previously), considering current market conditions.

Valuation Summary

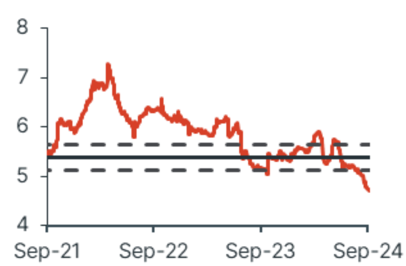
	2023	2024E	2025E	2026E
EV/EBITDA	6.0	5.0	4.6	4.8
P/E	125.8	10.1	8.4	8.3
P/CF	7.9	5.9	4.1	4.0
P/BV	0.6	0.5	0.5	0.5
Div. Yield	4.0%	4.0%	4.3%	7.1%

Sources: Company Reports and Credicorp Capital

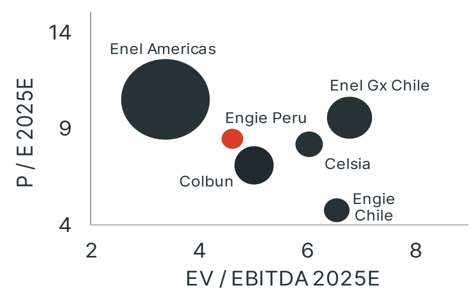
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

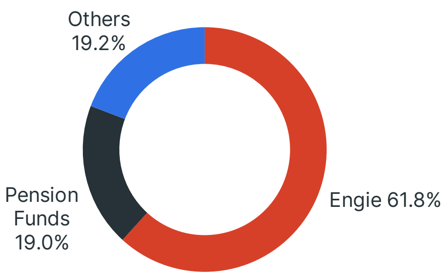


Engie Peru

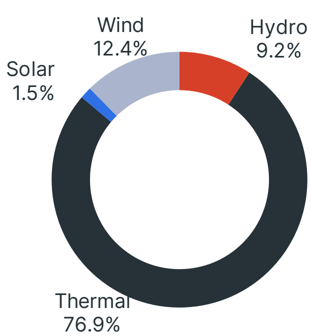
Company Description

Engie Energia Peru is one of the largest generation companies in Peru with thermal and hydropower plants, as well as renewables through its Inti Pampa solar power, Punta Lomitas wind farm, and its recent acquisitions Duna and Huanbo wind plants. The company has a balanced portfolio of regulated and non-regulated clients. The company has ~2.7 GW of installed capacity and 476 km of transmission lines. Engie Energia Peru is controlled by Engie S.A.

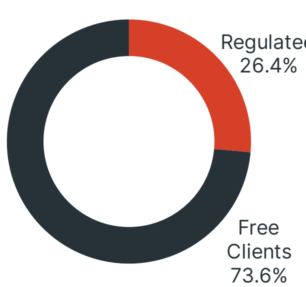
Ownership Structure



Installed Capacity (2024E)



Contract Sales Breakdown GWh (2024E)



Management

CEO: El Mehdi Ben Maalla
CFO: Luciano Guffanti
IRO: Adriana Burneo
www.engie-energia.pe

Income Statement

USD mn	2022	2023	2024E	2025E	2026E
Revenues	555	672	595	637	608
Gross Profit	125	111	131	160	155
EBITDA	194	212	232	247	240
Net Income	65	6	64	76	78
EPS (USD)	0.11	0.01	0.11	0.13	0.13
Gross Margin	22.5%	16.6%	22.1%	25.1%	25.5%
EBITDA Margin	35.0%	31.5%	39.0%	38.8%	39.4%
Net Margin	11.7%	0.9%	10.7%	12.0%	12.8%

Balance Sheet

USD mn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	81	77	71	83	159
Total Current Assets	372	384	340	364	429
Total Assets	2,391	2,315	2,277	2,248	2,263
Current Liabilities	225	201	178	113	110
Financial Debt	607	587	529	447	434
Total Liabilities	1,193	1,141	1,059	981	965
Minority Interest	0	0	0	0	0
Shareholders Equity	1,198	1,174	1,218	1,266	1,298
Total Liabilities + Equity	2,391	2,315	2,277	2,248	2,263
Net Debt /EBITDA	2.7	2.4	2.0	1.5	1.1
Financial Debt /EBITDA	3.1	2.8	2.3	1.8	1.8
Financial Debt /Equity	0.5	0.5	0.4	0.4	0.3
ROAE	5.6%	0.5%	5.3%	6.1%	6.1%
ROAA	2.8%	0.3%	2.8%	3.4%	3.4%
ROIC	4.4%	0.8%	5.3%	5.9%	5.9%

Cash Flow Statement

USD mn	2022	2023	2024E	2025E	2026E
Initial Cash	194	81	77	71	83
Cash Flow From Operations	-31	165	218	136	212
CAPEX	-198	-103	-108	-49	-50
Changes in Financial Debt	69	-20	-58	-83	-13
Dividends (Paid) Received	-34	-30	-26	-28	-46
Other CFI & CFF Items	82	-17	-33	34	-28
Changes in Equity	0	0	0	0	0
Final Cash	81	77	71	83	159
Change in Cash Position	-113	-4	-6	12	76

Sources: Company Reports and Credicorp Capital; (1) The Financial Statements shown are individual.

Fenix Power

Fixed Income Research Peru
Utilities

NR / BBB- / BBB-
Outlook: nr / s / s

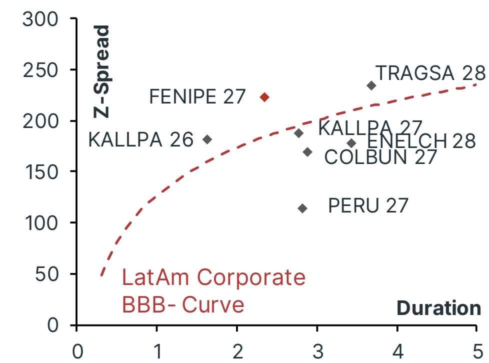
Sandra Loyola - sloyola@credicorpcapital.com

Operational efficiency and catching up on the renewables race

Investment Thesis

In 1H24, the company recorded a swift recovery in EBITDA y/y due to the absence of major maintenance that had to be carried out in 2023. The company closed 2023 with a net buyer position in the spot market, which is uncommon for Fenix, but 2024 should consolidate a full recovery. Also, leverage stands solid at 2.6x ND/E, supported by sound operations and the amortizing debt. On the side, the company is about to make a bright debut in the renewables race with the announcement of the Bayovar project, a massive 660 MW wind farm that would begin operations by 2027 in Northern Peru. In our view, this bet for diversification would strengthen FENIPE's fundamental thesis, plus its current amortization profile will free up space for new debt. Regarding the bond, we see a fair relative valuation to Kallpa and within the IG universe. Considering limited room for spread compression, we are maintaining a Neutral stance on Fenix.

Fenix Power Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 214MM
Closest Call Date	20-Jun-27
Closest Maturity Date	20-Sep-27

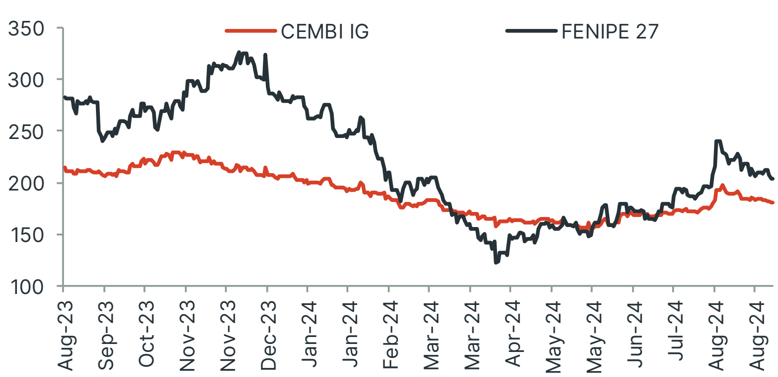
Concerns

- Inverted hydrology risk (100% thermo)
- Relevant exposure to the spot price volatility given its net purchaser position in the spot market
- Recontracting risk
- Execution risk from upcoming renewable projects

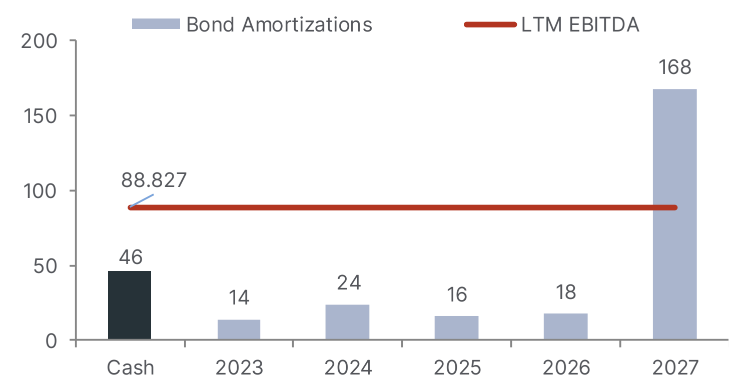
Strengths

- Explicit support from its main shareholder Colbún
- High efficiency and advantageous location of its generation asset
- Sound leverage with amortizing structure
- Outlook for growth in renewables

Z- Spread evolution



Debt Maturity Profile



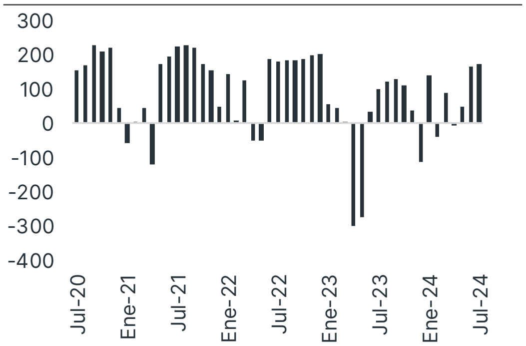
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
FENIPE 27	USD 214mn	4.32%	NR / BBB- / BBB-	222.4	2.4	97.4	0.4%	5.4%	Neutral

Fenix Power

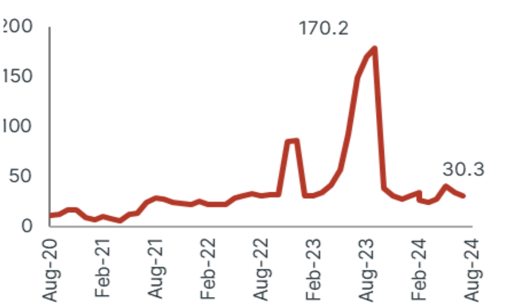
Company Description

Fenix Power Perú is the third-largest thermal Gx company in the country and one of the most efficient on the dispatch curve. The company operates a combined-cycle plant with 570 MW of installed capacity. The company also has plans to implement a wind farm of up to 660 MW. It is owned by Colbún with a 57.5% stake, followed by ADIA with a 42.5% stake. The company

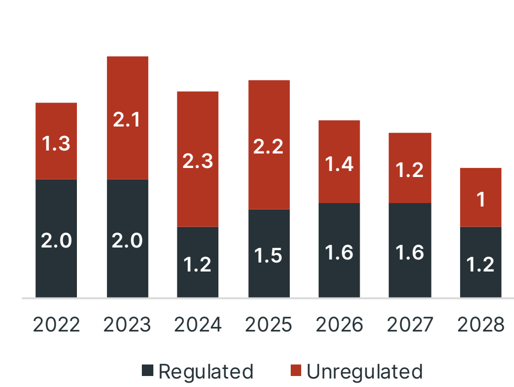
Net position in the spot market (GWh)



System's Average Spot Price ($/MW)



Contracted Capacity (TWh)



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
Interest Coverage	-4.4x	2.6x	4.0x	3.9x	4.7x
Gross Debt / EBITDA	-3.9x	6.4x	4.1x	4.0x	3.7x
Net Debt / EBITDA	-3.7x	6.0x	3.6x	3.5x	3.4x
Net Debt / Equity	1.7x	1.6x	1.3x	1.0x	1.2x
ST Debt / Gross Debt	13%	15%	16%	17%	14%

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Net Revenues	159	172	253	312	293
Gross profit	67	77	113	107	120
EBIT	-164	32	62	53	67
Interest Expenses	27	25	24	23	22
EBITDA Ajst	-117	67	97	89	103
Gross Margin	42%	45%	45%	34%	41%
EBITDA Margin	-73%	39%	39%	28%	35%
Net Margin	-94%	-6%	12%	8%	8%

Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	31	28	50	46	30
Current Assets	74	65	103	92	103
Total Assets	757	705	719	684	671
Current Liabilities	91	86	113	87	86
Total Liabilities	502	459	444	385	372
Equity	256	245	275	299	299
Net Debt	429	402	346	314	347
Gross Debt	460	430	395	360	377
Short Term Debt	60	63	65	61	55
Long Term Debt	400	366	331	298	288
ROE	-59%	-4%	11%	8%	8%
ROA	-1%	4%	3%	3%	0%

Cash Flow Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Operating Activities	64	66	96	73	111
Investing Activities	-30	-12	-18	-20	-41
Financing Activities	-25	-56	-57	-58	-55

Sources: Company Reports and Credicorp Capital

CredicorpCapital

GEB

Equity Research Colombia
Utilities

Rating: Buy
TP: COP 3,100

Steffania Mosquera - smosquera@credicorpcapital.com
Juan Felipe Becerra - jbecerra@credicorpcapital.com

Attractive dividend and growth story

Investment Thesis

We are introducing our 2025E TP for GEB of COP 3,100/share while maintaining our BUY rating. Despite the uncertainty in local media from a potential reform to the utilities regulation, we believe the risk for radical changes is limited, as we have seen a trend of technical reforms from CREG and a crowded regulatory agenda from the government. Furthermore, we like GEB's ~10% dividend yield and its stability in terms of management and strategy.

Long-term growth story. Transmission companies should benefit from the current expansion of non-conventional renewable energy sources. Indeed, there is a significant pipeline of transmission projects with concessions of +20 years in Peru, and Colombia, of which GEB benefits with a pipeline in the three geographies, which sets an appealing long-term growth story in our view.

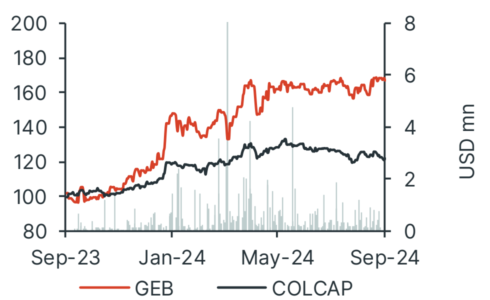
Brazil should start being a source of cash for the holding, which sets an upside risk for our long-term dividend yield estimate. We highlight that advances in Argo should result in a higher dividend distribution towards the company (USD 300 mn for 2025 and USD 275-300 mn for 2026), which we believe sets an upside risk for our ~10% dividend yield estimation.

The gas business also offers opportunities with the changes in gas sourcing for the country. With recent clarity on the need for new gas sources in Colombia, our projections for TGI have an upside risk, as the new gas sourcing should require additional investments (and consequent remuneration) on bidirectionality with existing TGI infrastructure, which is not incorporated in our estimates.

Stock Data

Ticker	geb cb
Price (COP)	2,510
Target (COP)	3,100
Total Return	31.1%
LTM Range	1,449 - 2,535
M. Cap (USD mn)	5,457
Shares Outs. (mn)	9,181
Free Float	34%
ADTV (USD mn)	0.5

Price Chart (COP) and Volumes (USD mn)



Valuation

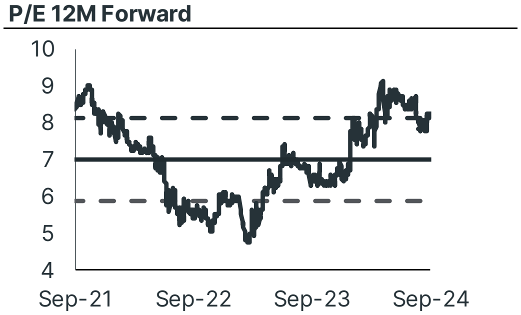
We are introducing our new YE2025 TP of COP 3,100/share (+29.2% vs. previous TP). Our valuation model for GEB is a DCF for GEB's consolidated EBITDA (which incorporates Electrodunas, Calidda, Contugas, TGI, Electnorte, Enlaza and Conecta) with a 10.32% WACC. We then add the values of the stakes of non-consolidated investments (Enel, Promigas, Vanti, REP, Transmantaro and Argo) and deduct a 15% holding discount. The updated model incorporates our new models for Enel Gx Colombia and Enel Dx Colombia (part of Enel Americas' valuation model).

Valuation Summary

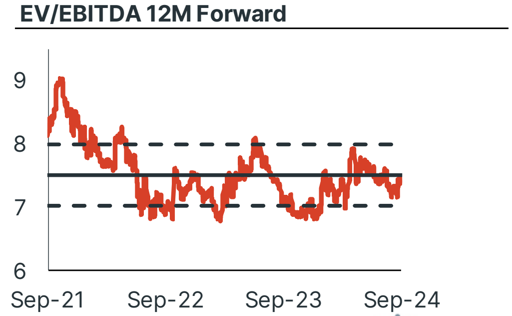
	2023	2024E	2025E	2026E
EV/EBITDA	6.6	7.3	6.8	6.3
P/E	6.7	9.3	8.2	7.3
P/CF	2.4	2.8	2.4	2.4
P/BV	0.9	1.3	1.3	1.3
Div. Yield	18.9%	7.9%	7.6%	8.6%

Sources: Company Reports and Credicorp Capital

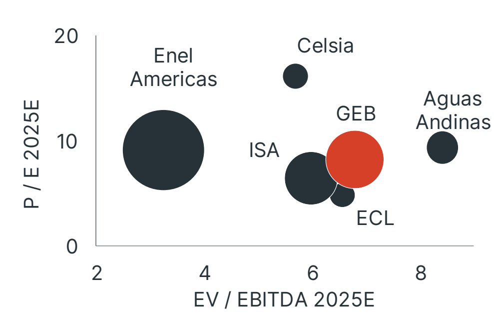
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

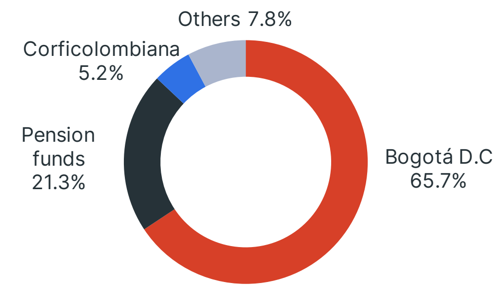


GEB

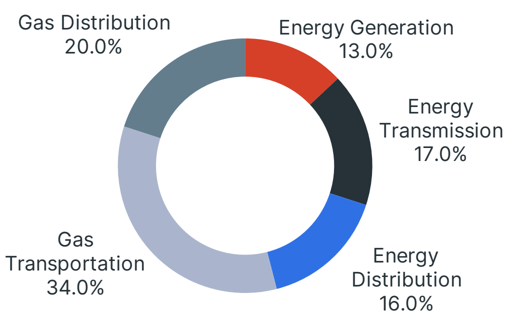
Company Description

GEB is one of the largest groups in Latin America (Colombia, Peru, Guatemala, and Brazil), with operations across the whole energy chain. GEB is the largest player in Colombia in natural gas transportation (TGI), power distribution, and power generation (Enel Colombia); it also has a significant position in power transmission (Enlaza) and natural gas distribution (Vanti in Colombia and Calidda in Peru).

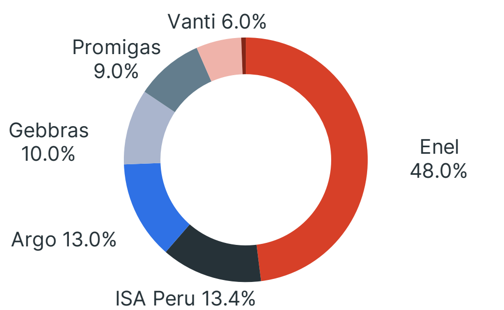
Ownership Structure



EBITDA breakdown by segment (2023)



Revenue breakdown by company (2023)



Management

CEO: Juan Ricardo Ortega López
CFO: Jorge Tabares Ángel
IRO: Karen Bibiana Guzmán Vanegas
www.grupoenergiabogota.com

Income Statement

COP bn	2022	2023	2024E	2025E	2026E
Revenues	6,875	7,978	7,921	8,437	9,142
Gross Profit	2,962	3,547	3,651	3,867	4,175
EBITDA	4,866	5,197	5,578	6,017	6,479
Net Income	2,853	2,593	2,488	2,813	3,160
EPS (COP)	311	282	271	306	344
Gross Margin	43.1%	44.5%	46.1%	45.8%	45.7%
EBITDA Margin	70.8%	65.1%	70.4%	71.3%	70.9%
Net Margin	41.5%	32.5%	31.4%	33.3%	34.6%

Balance Sheet

COP bn	2022	2023	2024E	2025E	2026E
Cash & Equivalents	1,478	2,290	2,013	2,223	2,407
Total Current Assets	4,390	5,066	6,163	6,485	6,921
Total Assets	46,745	43,526	46,032	47,108	47,903
Current Liabilities	1,075	2,135	2,229	2,882	3,100
Financial Debt	20,343	18,628	19,478	20,132	20,350
Total Liabilities	25,467	24,016	27,423	28,290	28,852
Minority Interest	775	602	654	862	1,096
Shareholders Equity	20,503	18,908	17,955	17,955	17,955
Total Liabilities + Equity	46,745	43,526	46,032	47,108	47,903
Net Debt /EBITDA	3.9	3.1	3.1	3.0	2.8
Financial Debt /EBITDA	4.2	3.6	3.5	3.3	3.1
Financial Debt /Equity	1.0	1.0	1.1	1.1	1.1
ROAE	16.0%	13.2%	13.5%	15.7%	17.6%
ROAA	7.0%	5.7%	5.6%	6.0%	6.7%
ROIC	5.1%	5.7%	6.4%	6.7%	7.2%

Cash Flow Statement

COP bn	2022	2023	2024E	2025E	2026E
Initial Cash	1,692	1,478	2,290	2,013	2,223
Operating Cash Flow	(4,729)	2,829	1,693	1,496	2,103
CAPEX	7,306	18	2,866	1,578	1,166
Changes in Debt	5,220	(1,716)	851	653	218
Dividends	(1,763)	(3,305)	(1,815)	(1,741)	(1,969)
Other CFI & CFF Items	(6,248)	2,985	(3,871)	(1,776)	(1,334)
Changes in Equity	-	-	-	-	-
Final Cash	1,478	2,290	2,013	2,223	2,407
Change in Cash Position	-214	812	-276	210	184

Sources: Company Reports and Credicorp Capital

Grupo Energía Bogotá

Andean **Investor Guide** 2025

Fixed Income Research Colombia
Utilities

Sandra Loyola - sloyola@credicorpcapital.com

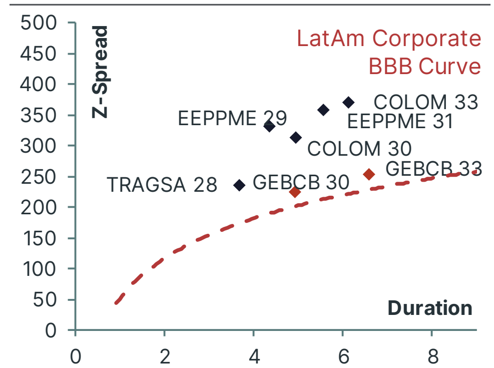
Baa2 / NR / BBB
Outlook: n / nr / s

Solid operations, troublesome FX

Investment Thesis

This year, the company recorded somewhat weak results pressured by FX conversion effects coming from operations in Peru, despite strong performance in the functional currency (USD). Gross leverage currently sits above the rating threshold level of 4.0x at 4.11x. GEB's exposure to currency volatility remains a weak point. We've seen some breakthroughs in this area, like the pass-through of coverage costs to tariffs for TGI, but the risk remains. This is, however, balanced out by GEB's strengths, namely its business and geographic diversification, its conservative financial management, and its involvement in low-risk defensive industries. We continue to acknowledge regulatory risks in Colombia but give a lower probability of imminent destabilizing changes. Finally, on the valuation front, we are Neutral on the curve as we see limited room for further appreciation in GEBCB 33 (Px 113) and fair valuations to the sovereign and peers in GEBCB 30.

GEB Bonds and comparables



Credit Data	
REG-S Notes	2
Outstanding Senior Notes	USD 800MM
Closest Call Date	15-Feb-30
Closest Maturity Date	15-May-30

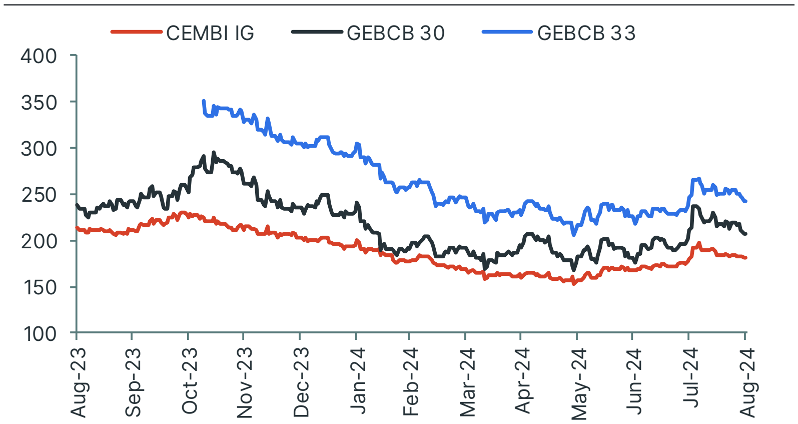
Concerns

- Regulatory risk on its operations in Colombia
- Exposed to FX risk
- High leverage

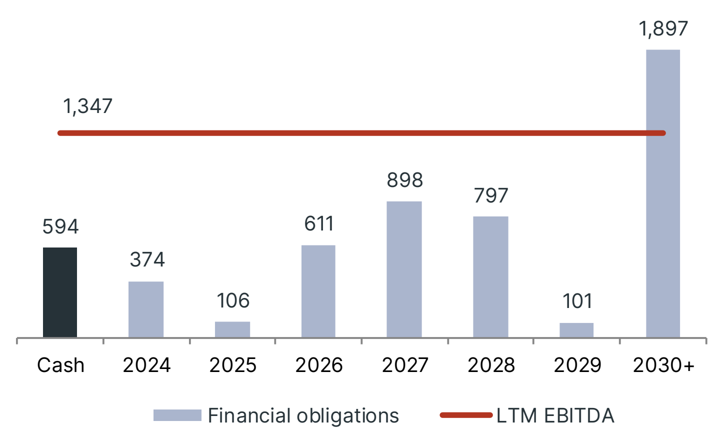
Strengths

- Geographic and business diversification
- Stable and predictable cash flows
- Potential support from the district to the company in case of a distress situation

Z- Spread evolution



Debt Maturity Profile



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
GEBCB 30	USD 400mn	4.88%	Baa2 / NR / BBB	224	4.9	97.5	0.4%	5.4%	Neutral
GEBCB 33	USD 400mn	7.85%	Baa2 / NR / BBB	253	6.6	114.6	0.6%	5.7%	Neutral

ISA

Equity Research Colombia
Utilities

Rating: Buy
TP: COP 23,100

Steffania Mosquera - smosquera@credicorpcapital.com
Juan Felipe Becerra - jbecerra@credicorpcapital.com

Too cheap to ignore

Investment Thesis

We are introducing our 2025E TP for ISA of COP 23,100/share while maintaining our BUY rating. Despite the negative news momentum we have seen in Ecopetrol (the controlling shareholder) and uncertainties from management changes in ISA, we believe current prices are too discounted to ignore. ISA's projects' geographically diversified revenues and long-term investments make us believe current market prices pose an attractive entry point.

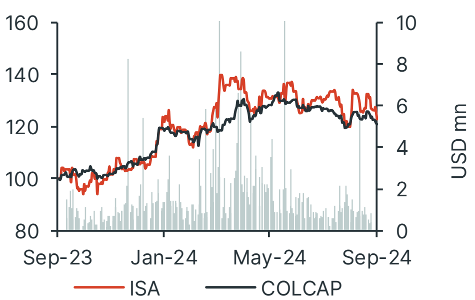
Long-term growth story. Transmission companies should benefit from the current expansion of non-conventional renewable energy sources. Indeed, there is a significant pipeline of transmission projects with concessions of +20 years in Brazil, Peru, and Colombia, of which ISA is benefitting with a pipeline that reaches ~USD 4,600 mn in the three geographies, which sets an appealing long-term growth story in our view. Finally, we believe ISA's geographical diversification also sets an attractive story, with only ~30% of its earnings coming from Colombia, somehow shielding it from local regulatory noises.

We continue to see risks from changes in management and potential changes in terms of long-term strategy. Despite our positive view on ISA from its appealing entry point and low volatility of cash flows, we stress some risks for the company related to recent changes in management, such as the appointment of a new CEO and the resignation of its CFO months ago, and potential changes in its long-term strategy.

Stock Data

Ticker	isa cb
Price (COP)	17,020
Target (COP)	23,100
Total Return	42.7%
LTM Range	12,891 - 19,166
M. Cap (USD mn)	4,464
Shares Outs. (mn)	1,108
Free Float	40%
ADTV (USD mn)	1.5

Price Chart (COP) and Volumes (USD mn)



Valuation

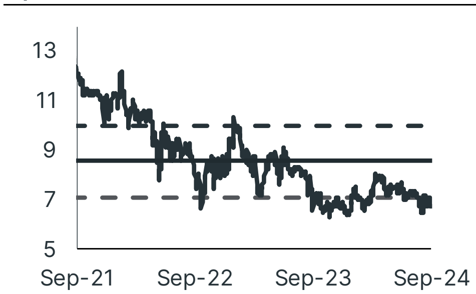
Valuations for ISA appear highly discounted vs 3-year historical averages. **The company is trading at 6.4 2025E P/E and 6.0 EV/EBITDA2025E. We are introducing our new YE2025 TP of COP 23,100/share (-3.8% vs. previous TP).** Our valuation model for ISA is a SOTP with DCFs for Interchile, Intercolombia, Transelca, Transmantaro, REP and CTEEP, multiples for Internexa, XM and TAESA, and we are including road concessions in Chile and ISA Bolivia at book value and a 15% holding discount.

Valuation Summary

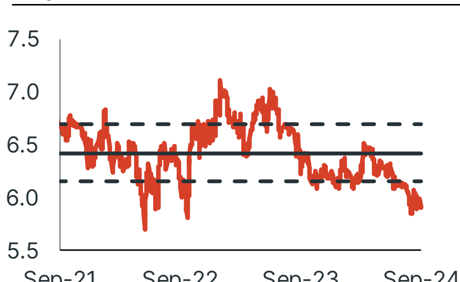
	2023	2024E	2025E	2026E
EV/EBITDA	6.0	6.5	6.0	5.6
P/E	7.0	7.2	6.4	5.9
P/CF	2.2	2.7	2.2	2.1
P/BV	1.1	1.1	1.0	0.8
Div. Yield	11.2%	6.6%	7.0%	7.8%

Sources: Company Reports and Credicorp Capital

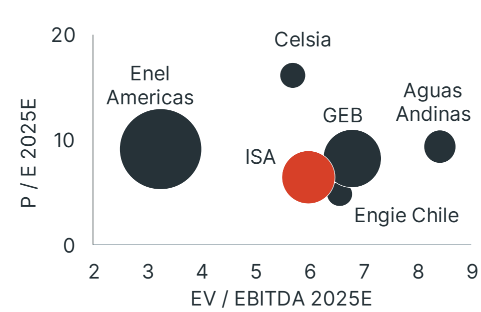
P/E 12M Forward



EV/EBITDA 12M Forward



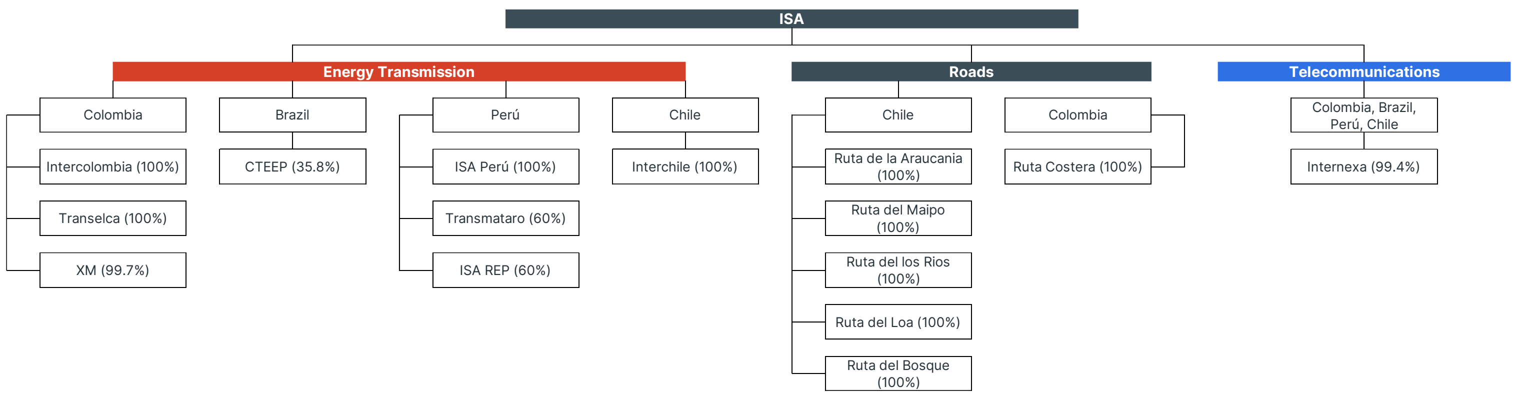
Relative Valuation



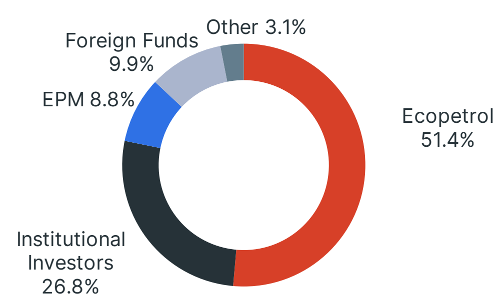
ISA

Company Description

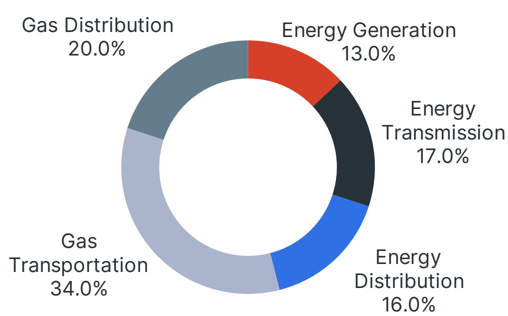
ISA defines its business as the construction, operation and maintenance of systems of linear infrastructure, including: i) energy power transmission, ii) toll road concessions, iii) telecom transmission, and iv) real-time systems. The company's domicile is Colombia but about ~75% of its consolidated EBITDA comes from Chile, Peru, Brazil and Bolivia.



Ownership Structure



EBITDA breakdown by segment (2023)



Management

CEO: Jorge Andrés Carillo
CFO: Jaime Falquez Ortiga
IRO: Patricia Ospina Campo
www.isa.co

Income Statement

COP bn	2022	2023	2024E	2025E	2026E
Revenues	13,358	14,552	14,503	16,239	16,865
Colombia	3,247	3,362	3,833	4,080	4,283
Peru	2,515	2,484	2,402	2,645	2,843
Chile	2,939	3,238	2,783	2,979	2,799
Brazil	4,570	5,399	5,432	6,505	6,910
Others	85	69	53	30	30
EBITDA	8,562	9,114	8,791	9,565	10,179
Colombia	2,337	2,488	2,478	2,712	2,925
Peru	1,507	1,604	1,666	1,751	1,887
Chile	1,610	1,713	1,745	1,974	2,064
Brazil	3,082	3,281	2,880	3,113	3,288
Others	26	27	21	15	15
Net Income	2,203	2,466	2,629	2,938	3,206
EPS (COP)	1,988	2,226	2,373	2,653	2,895
EBITDA Margin	64.1%	62.6%	60.6%	58.9%	60.4%
Net Margin	16.5%	16.9%	18.1%	18.1%	19.0%

Balance Sheet

COP bn	2022	2023	2024E	2025E	2026E
Total Assets	78,734	71,217	73,589	78,461	83,587
Total Liabilities	49,183	44,851	46,294	46,623	46,792
Minority Interest	11,115	10,081	10,820	12,424	14,175
Shareholders Equity	18,436	16,285	16,475	19,413	22,620
Total Liabilities + Equity	78,734	71,217	73,589	78,461	83,587
ROAE	13.4%	14.2%	16.0%	16.4%	15.3%
ROAA	3.1%	3.3%	3.6%	3.9%	4.0%

Kallpa Generación

Fixed Income Research Peru
Utilities

Sandra Loyola - sloyola@credicorpcapital.com

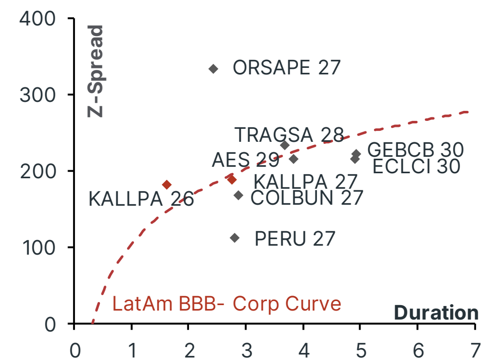
Baa3 / NR / BBB-
Outlook: s / nr / s

Matrix diversification on sight

Investment Thesis

This year, Kallpa has been recording stronger EBITDA metrics driven by higher PPA prices and normalized climatic conditions, resulting in sound dispatch and improved margins. Meanwhile, liquidity has remained in the black. 2Q23 net leverage stood at 3.8x, still reflecting 3Q23 shocks due to the LTM drag effect, but operations have recovered fully. Among other news, the company is taking a foot forward in diversification with the Sunny project, a 225 MWp solar power plant for a USD 170mm investment (70/30 D/E, CODe 4Q25). We see that the progressive amortization of current debt, additional capacity, and the fading effect of 3Q23 results will make room for new debt. Regarding a potential sale, we reiterate that a downgrade 'Event' derived from a change of control would trigger a repurchase of bonds at 100. We like the company's fundamentals, but pricing remains tight. We remain Neutral on the bonds and consider a fair Spread over Sovereign at around 90-100 bp.

Kallpa Bonds and comparables



Credit Data	
REG-S Notes	2
Outstanding Senior Notes	USD 1,000MM
Closest Call Date	24-Feb-26
Closest Maturity Date	24-May-26

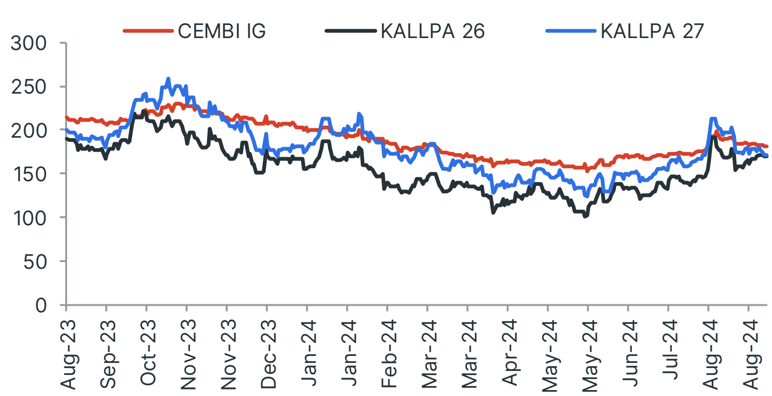
Concerns

- Hydrology risk
- High dividend requirements
- Expected change of control amid the ongoing divestment strategy of the holding company
- About to start a new investment cycle - yet shorter in length and smaller in size vs. the previous cycle

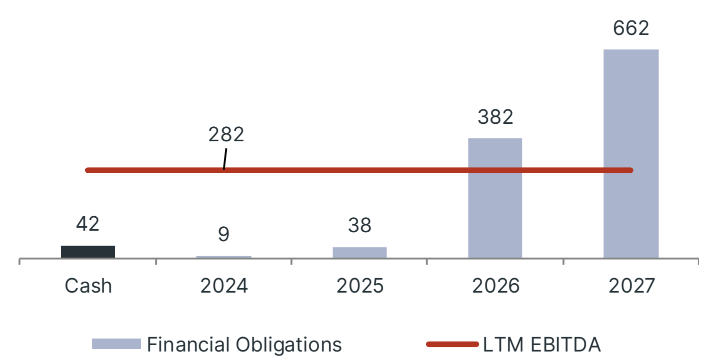
Strengths

- Supplied by low-cost local gas
- Sound structure of PPAs with an average life of 7.4 years and an 86% contracting level
- Diversified generation portfolio

Z- Spread evolution



Debt Maturity Profile



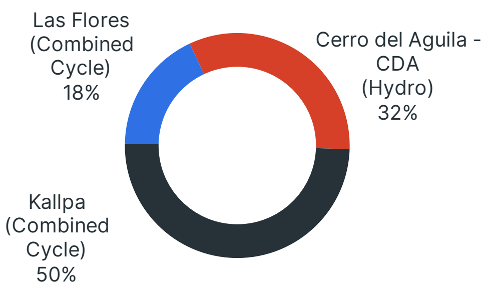
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
KALLPA 26	USD 350mn	4.88%	Baa3 / NR / BBB-	181.8	1.6	99.2	0.4%	5.3%	Neutral
KALLPA 27	USD 650mn	4.13%	Baa3 / NR / BBB-	187.8	2.8	97.0	0.4%	5.2%	Neutral

Kallpa

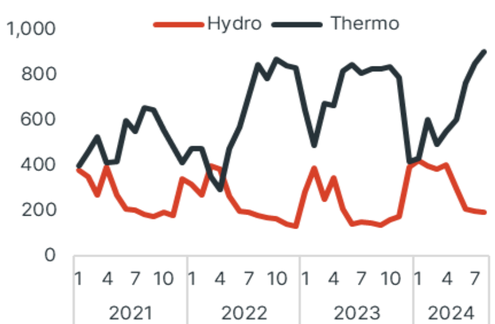
Company Description

Kallpa is a subsidiary of Nautilus Inkia Holdings, which is controlled by I Squared Capital, located in Peru. In August 2017, Kallpa and Cerro del Águila merged their operations, which has brought benefits due to the diversification of energy generation sources. The company has an installed capacity of 1,860 MW (2/3 thermo Gx and 1/3 hydro Gx).

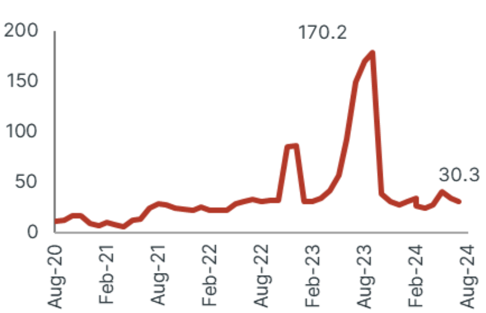
Installed Capacity (MW)



Kallpa's Generation (GWh)



System's Average Spot Price ($/MW)



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
Interest Coverage	5.2x	5.2x	4.3x	4.3x	5.3x
Gross Debt / EBITDA	4.0x	4.3x	4.3x	4.2x	3.9x
Net Debt / EBITDA	3.9x	4.1x	4.2x	4.1x	3.8x
Net Debt / Equity	3.6x	3.2x	3.2x	3.4x	3.2x
ST Debt / Gross Debt	2%	3%	3%	3%	4%

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Net Revenues	539	534	597	685	694
Gross Profit	235	217	201	200	214
EBIT	228	214	192	189	204
Interest Expenses	53	51	61	62	53
Adjusted EBITDA	276	266	264	264	282
Gross Margin	44%	41%	34%	29%	31%
EBITDA Margin	51%	50%	44%	39%	41%
Net Margin	25%	22%	14%	12%	17%

Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	29	32	36	42	42
Current Assets	229	156	159	181	176
Total Assets	1,776	1,937	1,991	1,954	1,947
Current Liabilities	127	120	129	156	150
Total Liabilities	1,475	1,593	1,645	1,635	1,615
Equity	300	345	346	319	332
Net Debt	1,073	1,101	1,110	1,075	1,072
Gross Debt	1,102	1,133	1,146	1,117	1,114
Short Term Debt	25	34	39	36	45
Long Term Debt	1,077	1,099	1,108	1,082	1,068
ROE	46%	34%	25%	26%	36%
ROA	8%	6%	4%	4%	6%

Cash Flow Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Operating Activities	289	251	240	235	218
Investing Activities	-133	-111	-37	-31	-41
Financing Activities	-148	-135	-200	-199	-174

Sources: Company Reports and Credicorp Capital

Orazul

NR / BB- / BB
Outlook: nr / s / s

Fixed Income Research Peru
Utilities

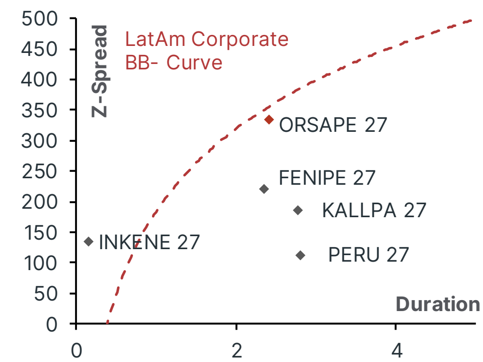
Sandra Loyola - sloyola@credicorpcapital.com

New contracted profile shielding margin stability

Investment Thesis

Orazul had a rocky 3Q23 and is dragging those shocks on LTM metrics (2Q24 ND/EBITDA: 4.5x). But operations have recovered fully, and hydrology is to be neutral to positive in 2024. Also, the company decided to halt distributions temporarily in order to preserve the rating. On the side, the company has adjusted its contracting level to ~67% to reduce its buyer exposure in the spot market during dry seasons, in order to preserve stability in margins. Regarding a potential sale, we reiterate that a downgrade 'Event' derived from a change of control would trigger a repurchase of bonds at 101. We remain constructive on the bond as we feel comfortable with the expected performance under current climatic conditions, high margins, and lower margin sensibility to seasonality. Then, within our yield and carry strategy, we are comfortable positioning in ORSAPE, which offers a relatively attractive yield of 6.7% for a 2.4 duration.

Orazul Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 363MM
Closest Call Date	09-Aug-24
Closest Maturity Date	28-Apr-27

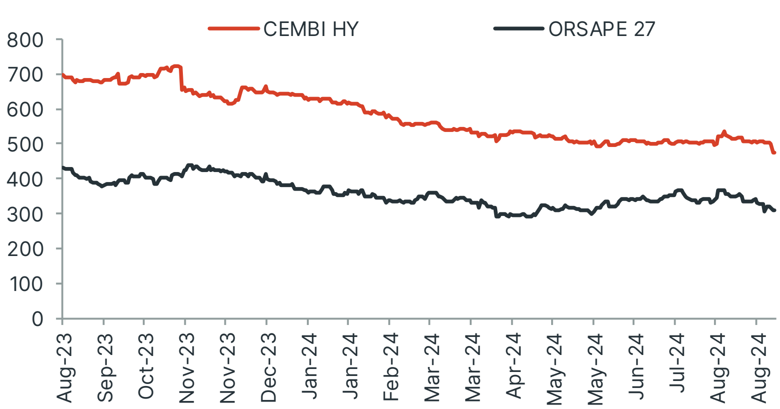
Concerns

- Lack of diversification
- Expected change of control amid the ongoing divestment strategy of the holding company

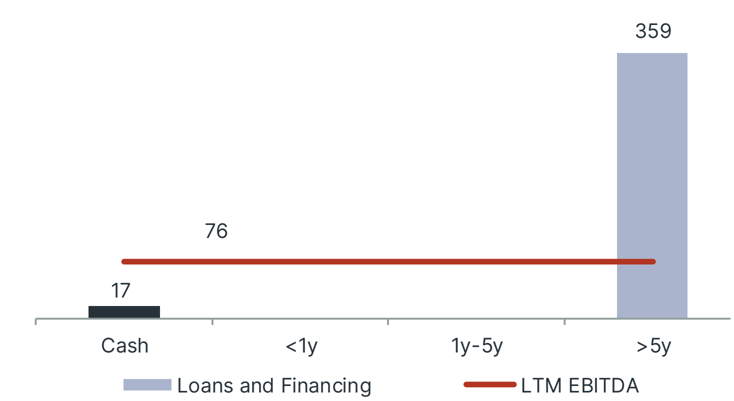
Strengths

- High operating margins in the hydroelectric generation business
- Comfortable debt amortization profile
- Contracting level at efficient capacity

Z- Spread evolution



Debt Maturity Profile



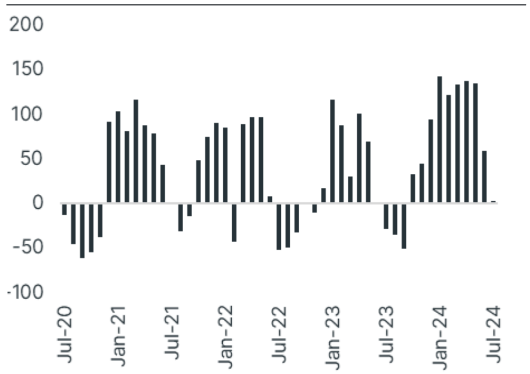
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
ORSAPE 27	USD 363mn	5.63%	NR / BB- / BB	333.9	2.4	97.5	0.5%	6.7%	Overweight

Orazul

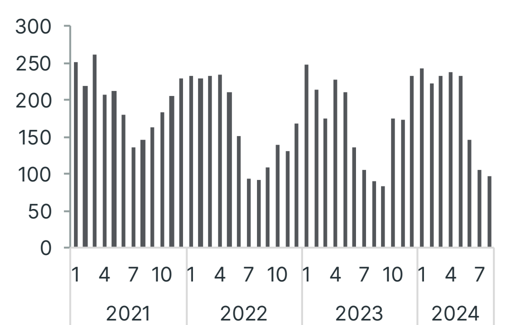
Company Description

Orazul Energy Peru is a power generation company that owns and operates two hydroelectric plants with a combined capacity of 376 MW (Carhuaquero - 110 MW - in Cajamarca and Cañon del Pato - 266 MW - in Ancash), as well as a small 1 MW solar power plant next to the Carhuaquero plant. Orazul is 67% contracted and has an average remaining life of PPAs of 5.9 years. Orazul is indirectly owned by certain funds managed by I Squared Capital Advisors (US) LLC.

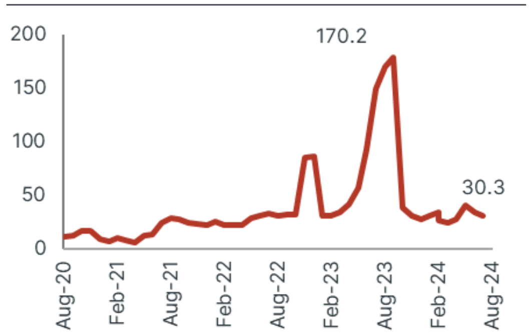
Net Position Spot Market (GWh)



Orazul's Generation (GWh)



System's Average Spot Price ($/MW)



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
Interest Coverage	2.4x	2.1x	2.8x	3.0x	2.9x
Gross Debt / EBITDA	6.0x	4.4x	4.8x	5.4x	5.5x
Net Debt / Adjusted EBITDA	4.3x	4.2x	4.6x	4.9x	4.5x
Net Debt / Equity	0.9x	0.7x	0.4x	0.4x	0.4x
ST Debt / Gross Debt	0%	0%	0%	0%	0%

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Net Revenues	135	117	107	114	111
Gross Profit	71	64	68	47	44
EBIT	64	60	64	42	40
Interest Expenses	37	39	26	22	23
Adjusted EBITDA	91	81	75	67	65
Gross Margin	53%	55%	64%	41%	40%
Adjusted EBITDA Margin	67%	69%	70%	58%	59%
Net Margin	97%	-57%	27%	29%	16%

Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	153	21	17	36	64
Current Assets	190	42	37	63	88
Total Assets	1,075	915	1,179	1,206	1,209
Current Liabilities	0	0	0	0	0
Total Liabilities	626	405	386	383	376
Equity	448	510	792	823	833
Net Debt	390	338	343	324	296
Gross Debt	543	359	360	360	361
Short Term Debt	0	0	0	0	0
Long Term Debt	543	359	359	360	361
ROE	29%	-13%	4%	4%	2%
ROA	12%	-7%	2%	3%	1%

Cash Flow Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Operating Activities	77	79	75	49	75
Investing Activities	135	17	-6	-9	-10
Financing Activities	-99	-227	-73	-22	-32

Sources: Company Reports and Credicorp Capital

Termocandelaria

Fixed Income Research Colombia
Utilities

Sandra Loyola - sloyola@credicorpcapital.com

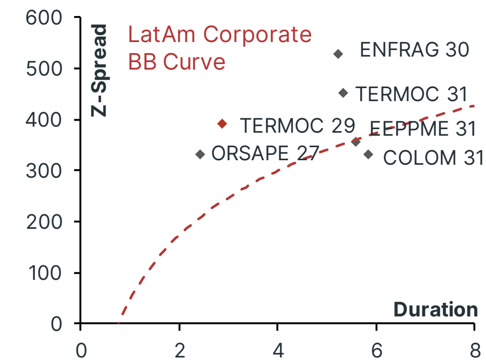
NR / BB / BB
Outlook: nr / s / p

Entering a new stage of development

Investment Thesis

In early September, Termocandelaria initiated a liability management to move from an amortizing debt schedule to a bullet Note, for the same amount and longer duration. In our view, this will free up funds for the company to develop its planned expansion in renewables (100-300 MW) in upcoming years. This, together with TECAN's recently completed new combined cycle will strengthen the company's efficiency, size, and overall business profile. Meanwhile, the risk of new transmission lines and renewable projects that would jeopardize the demand for Termoc's security generation seems to be facing constant delays, but it's relevant not to lose sight of it in the long run. As for today, the company sustains a robust financial profile (ND/E 0.9x), favored by a profitable spark spread in 2022 and the increased prices and demand due to El Niño in 2023-24. Revenues should normalize thereafter but with an additional boost from the new combined cycle.

Termocandelaria Bonds and comparables



Credit Data

REG-S Notes	2
Outstanding Senior Notes	USD 842MM
Closest Call Date	current Tender Offer
Closest Maturity Date	30-Jan-29

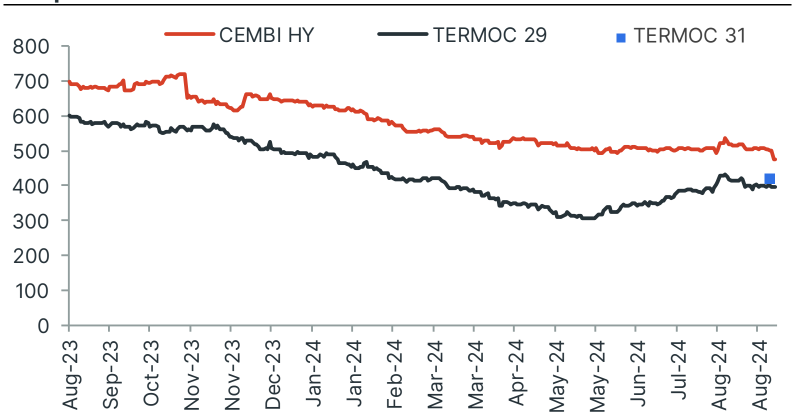
Concerns

- Out-of-merit dispatch challenged by upcoming upgrades to the transmission infrastructure and new renewable projects
- Execution risk of an upcoming renewable portfolio
- Potential exit of shareholders
- Change of guarantors for the new bond

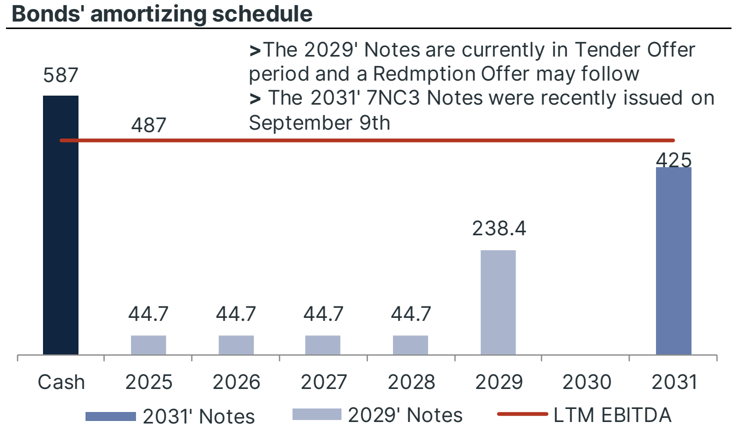
Strengths

- Inverted hydrology risk
- Relevant player in the Atlantic Coast
- Secured local LNG supply and one of three players with access to the single regasification plant in Colombia
- Reduced exposure to the spot market
- Improved efficiency and capacity after the completion of TECAN's expansion

Z- Spread evolution



Bonds' amortizing schedule



Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
TERMOC 29	USD 417mn	7.88%	NR / BB / BB	390.3	2.9	102.0	0.6%	7.2%	Neutral
TERMOC 31	USD 425mn	7.75%	NR / BB / BB	470.7	5.5	99.5	0.6%	7.9%	Overweight

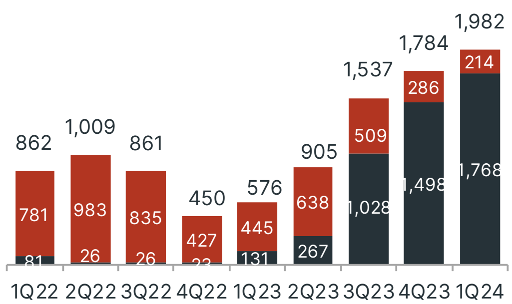
*Expected rating

Termocandelaria

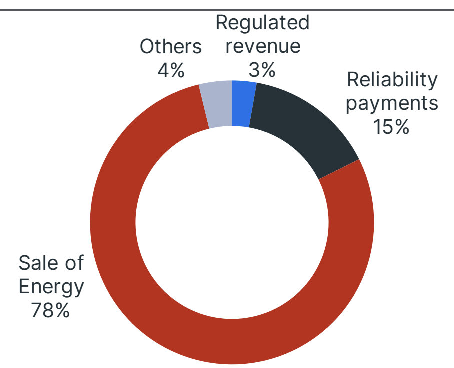
Company Description

Termocandelaria Power Ltd. (TPL) is a leading Colombian thermal power generation company in the Atlantic Coast region. Through its subsidiaries, Termobarranquilla S.A. E.S.P. (TEBSA) and Termocandelaria S.C.A. E.S.P. (TECAN), it made for about 8% of the system's total dispatch in 2024 YTD. The company's main shareholders are SCL Energía Activa, Colpatria and Moneda Asset Management.

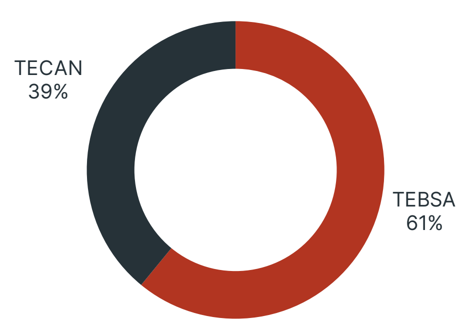
Energy Generated (GWh)



Revenues Distribution



EBITDA by Asset



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
Interest Coverage	2.3x	3.1x	5.9x	16.2x	27.6x
Gross Debt / EBITDA	8.4x	5.5x	3.2x	2.4x	2.2x
Net Debt / EBITDA	5.1x	4.2x	2.3x	1.6x	1.0x
Net Debt / Equity	2.3x	2.9x	2.4x	1.6x	1.1x
ST Debt / Gross Debt	10%	9%	10%	36%	12%

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Net Revenues	564	574	699	1,135	1,464
Gross Profit	73	105	215	348	447
EBIT	56	90	199	330	423
Interest Expenses	42	45	42	24	18
EBITDA	99	138	248	386	487
Gross Margin	13%	18%	31%	31%	30%
EBITDA Margin	18%	24%	35%	34%	33%
Net Margin	-3%	-1%	12%	18%	17%

Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	325	190	218	309	587
Current Assets	316	182	225	500	316
Total Assets	1,212	1,152	1,212	1,536	1,642
Current Liabilities	131	130	158	466	174
Total Liabilities	994	952	982	1,167	1,224
Equity	219	200	230	368	418
Net Debt	501	576	562	608	469
Gross Debt	826	766	781	917	1,057
Short Term Debt	81	68	78	333	125
Long Term Debt	745	697	702	584	932
ROE	-7%	-3%	37%	56%	60%
ROA	-1%	0%	7%	13%	15%

Cash Flow Statement

USD MN	2020	2021	2022	2023	LTM1Q24*
Operating Activities	60	118	166	165	254
Investing Activities	-287	-90	-51	-84	-83
Financing Activities	312	-126	-86	9	-122

* The company has not yet released full 2Q24 financial statements.

Sources: Company Reports and Credicorp Capital

Transportadora de Gas Internacional

Fixed Income Research Colombia
Utilities

Sandra Loyola - sloyola@credicorpcapital.com

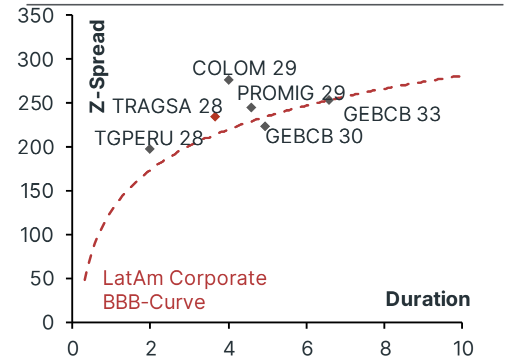
Baa3 / NR / BBB
Outlook: n / nr / s

Building resilience coming through regulatory changes

Investment Thesis

TGI is thoroughly navigating a change in functional currency from USD to COP (CREG Resolution 175-2021). Operational performance remains solid, but since the regulation changes, financial expenses have become heavier due to the cost of cross-currency derivatives and an expensive club-deal local debt that refinanced an intercompany loan in Dec-23. However, the company has reduced this interest burden by prepaying the club-deal, and recently the CREG approved a partial pass-through of FX hedging costs to tariffs, as well as the recognition of fully depreciated assets in operations to receive remuneration. Things are aligning well for TGI, plus, liquidity remains in the black upon a strong EBITDA. The bond has shown a low beta compared to the Colombian sovereign's high volatility. In this line, we believe the Z-spread differential inside the sovereign should stand at around 40 bp. We are Neutral on the bond seeing fair relative valuations.

TGI Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 594MM
Closest Call Date	01-Aug-28
Closest Maturity Date	01-Nov-28

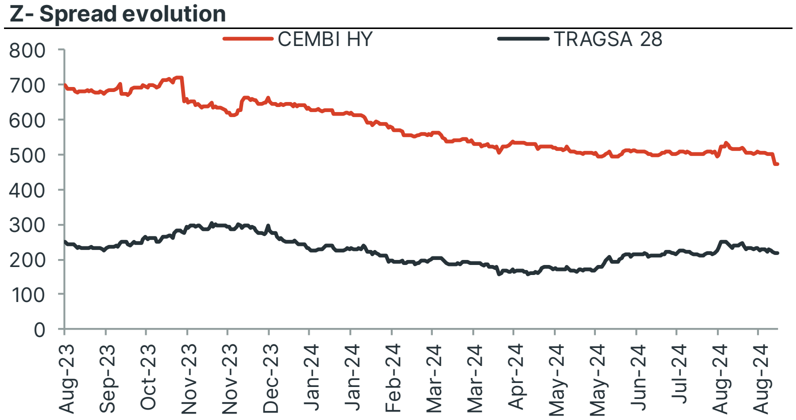
Concerns

-Decline in average life of contracts
- Interest burden
- Additional hedging costs from change in functional currency.

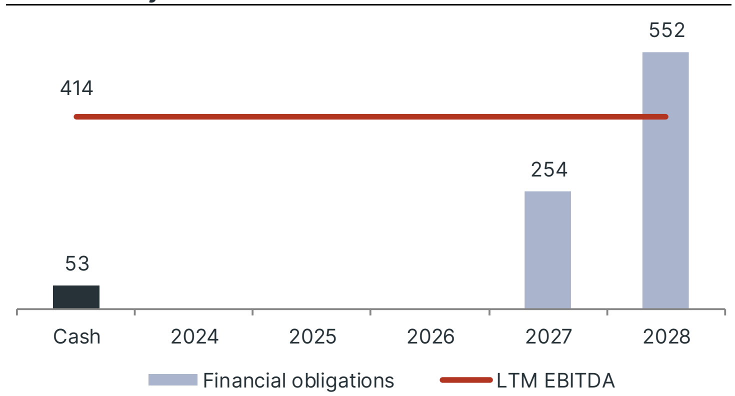
Strengths

- Owns and operates the longest and most relevant gas pipeline in the country
- Firm capacity contracts and other fixed charges comprising ~75% of revenues
- CREG approved the partial pass-through of FX hedging costs and the recognition of fully depreciated assets for remuneration (not yet effective)

Z- Spread evolution



Debt Maturity Profile



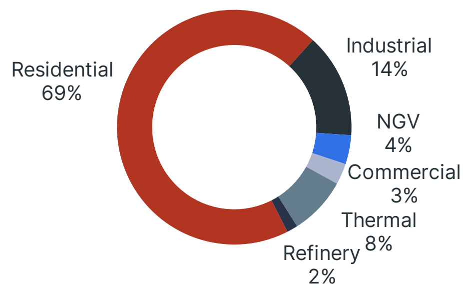
Bond	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
TRAGSA 28	USD 594mn	5.55%	Baa3 / NR / BBB	234.3	3.7	100.1	0.5%	5.5%	Neutral

TGI

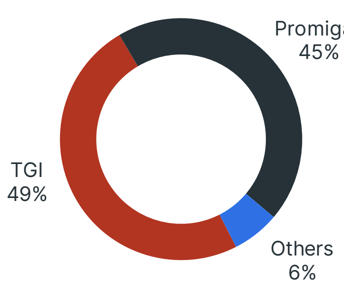
Company Description

TGI is part of one of the most important business groups in Colombia, Grupo Energia de Bogotá, which is dedicated to the energy sector and has an international presence in LatAm. The company provides natural gas transportation services in Colombia, serving ~50% of Colombia's population. The company has a total capacity of 859 mcfd. GEB owns 99.9% of TGI.

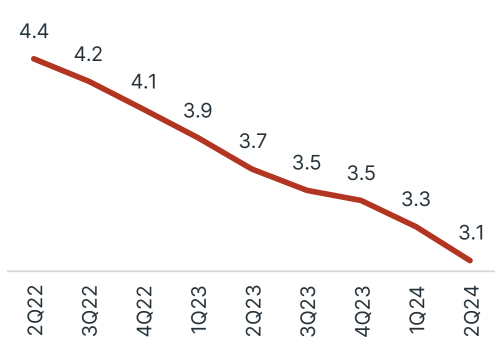
LTM Rev. Breakdown by Demand Sector



Market share



Remaining Contract Life (years)



Credit Metrics

	2020	2021	2022	2023	LTM2Q24
Interest Coverage	5.0x	4.5x	4.6x	3.7x	3.0x
Gross Debt / EBITDA	3.2x	3.8x	3.1x	2.4x	1.9x
Net Debt / EBITDA	2.8x	3.3x	2.8x	2.0x	1.9x
Net Debt / Equity	1.1x	1.2x	1.0x	0.7x	0.8x
ST Debt / Gross Debt	0%	0%	0%	0%	0%

Income Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Net Revenues	456	385	401	472	522
Gross Profit	289	236	252	310	345
EBIT	255	209	211	281	332
Interest Expenses	70	67	68	102	139
EBITDA	352	301	314	379	414
Gross Margin	63%	61%	63%	66%	66%
EBITDA Margin	77%	78%	78%	80%	79%
Net Margin	33%	26%	25%	33%	27%

Balance Sheet

USD MN	2020	2021	2022	2023	LTM2Q24
Cash	137	141	95	140	53
Current Assets	214	208	166	240	140
Total Assets	2,570	2,493	2,391	2,707	2,376
Current Liabilities	87	437	430	116	65
Total Liabilities	1,653	1,665	1,534	1,656	1,472
Equity	918	828	857	1,051	904
Net Debt	991	988	880	765	755
Gross Debt	1,128	1,129	975	905	807
Short Term Debt	0	0	0	0	0
Long Term Debt	1,128	1,129	975	905	807
ROE	16%	12%	12%	15%	15%
ROA	6%	4%	4%	6%	6%

Cash Flow Statement

USD MN	2020	2021	2022	2023	LTM2Q24
Operating Activities	207	159	252	244	293
Investing Activities	-50	-12	-51	-31	-34
Financing Activities	-98	-136	-233	-175	-206

Sources: Company Reports and Credicorp Capital

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Other equity securities							
Debt securities	Central Puerto, Pampa energía, TGS, AES Gener, Aguas Andinas, Antar, BCI, Besalco, CAP, Embonor, Copec, Enjoy, Forus, Security, Hites, ILC, Inversiones Aguas Metropolitanas, Indisa, LATAM, Plaza, Quiñenco, Ripley, Salfacorp, SK, Canacol, Cemex, Corficolombiana, Grupo Argos, Grupo Aval, Grupo Sura, Nutresa, Promigas, Mineros, Alicorp, BVL, Pacasmayo, Buenventura, Aceros Arequipa, Ferreycorp, Graña y Montero, Inretail, Minsur, Cerro Verde, Unacem, Volcan		Davivienda	SQM, Isa, Nexa.	Santander, Cencosud, Cencoshopp, CCU, Itaú, Andina, Enel AM, Enel Generación, Parque Arauco, Falabella, SMU, SAAM, Sonda, Concha y Toro, BLC, Celsia, Cemargos, Ecopetrol, Enel Generación Peru, Luz del sur	Colbun, ECL, Entel, Enel Chile, Bncolombia, Enel Distribucion Peru.	Banco de Chile, CMPC, BOGOTA, GEB, Engie energia Peru, IFS.
Derivatives on equity/debt securities	Davivienda, Corficolombiana, Grupo Sura.						

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Type of instruments	Equal or less than USD 10,000	Equal or less than USD 50,000	Equal or less than USD 100,000	Equal or less than USD 500,000	Equal or less than USD 1,000,000	More than USD 1,000,000
Equity securities	Cemargos, Compañía Cerveceras Unidas, Buenaventura, ecopetrol, Enjoy, Bancolombia, Plaza S.A., Unacem, Inretail		GEB, LATAM			
Debt securities						
Derivatives on equity/debt securities						

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Buy: Expected returns of 5 percentage points or more in excess over the expected return of the local index, over the next 12-18 months.

Hold: Expected returns of +/- 5% in excess/below the expected return of the local index over the next 12-18 months.

Underperform: Expected to underperform the local index by 5 percentage points or more over the next 12-18 months.

Under Review: Company coverage is under review.

The IPSA, COLCAP and SP/BVL indexes are the selective equity indexes calculated by the Bolsa de Comercio de Santiago, the Bolsa de Valores de Colombia, and the Bolsa de Valores de Lima, respectively.

In making a recommendation, the analyst compares the target price with the actual share price, and compares the resulting expected return for the IPSA, the COLCAP, and/or the SP/BVL indexes, as estimated by Credicorp Capital S.A. Corredores de Bolsa, Credicorp Capital Colombia Sociedad Comisionista de Bolsa, and/or CredicorpCapital Peru S.A, and then makes a recommendation derived from the difference in upside potential between the shares and the respective index.

G. Distribution of Rating

	Buy	Hold	Underperform	Restricted / UR
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Compensation for investment banking services in the past 12 months*	43%	35%	0%	0%

*Percentage of investment banking clients in each rating category.

H. Price Target

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